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Fugro 2013 Annual Results: Mixed performance
Traction with growth and performance improvement under the 'Growth through Leadership' strategy

General highlights 2013

- Reasonable performance of Geotechnical and Survey divisions; improving performance of the Subsea Services division (which was reported as part of the Survey division before 2013); start-up losses for Seabed Geosolutions and lower than expected year-end multi-client sales.
- Completion of the divestment of the majority of the Geoscience division to CGG for a total consideration of EUR 1.2 billion with a net transaction result of EUR 205 million. The sale was completed in two tranches. The first tranche excluding the airborne activities, was completed on 31 January 2013. The second tranche, the sale of the airborne activities was completed on 2 September.
- Establishment of Seabed Geosolutions on 16 February 2013, a joint venture with CGG to which both parties contributed their seabed geophysical activities and in which Fugro has obtained a 60% controlling stake by paying EUR 225 million via a set-off agreement to CGG. Seabed Geosolutions collects geophysical data on the seabed for oil and gas companies.
- An in-depth strategic review resulted in the updated strategy 'Growth through Leadership', which builds on the same strategic drivers which are core to Fugro's historic success. Fugro is targeting expansion of its activities in the strong Geotechnical and Survey divisions, leading to a step-up in investments in the vessel fleet in the next years. In addition, Fugro targets profitability improvement in the Subsea Services division, and both growth and profitability improvement in Seabed Geosolutions.
- Starting with the 2013 dividend (to be paid in 2014), dilution resulting from the optional dividend (cash or shares) will be offset through a share buy-back and cancellation of the same number of shares issued as stock dividend.
- Composition Supervisory Board and Board of Management; proposals to AGM.

Financial highlights 2013

Key figures (x EUR million)	31 December 2013	Change %	31 December 2012
Revenue	2,424.0		2,165.0
Revenue (including multi-client) ¹⁾	2,437.2	1.5	2,400.0
Result from operating activities before depreciation and amortisation (EBITDA)	457.4	(1.7)	465.4
Result from operating activities (EBIT)	267.0	(12.9)	306.6
Net result	224.2	(3.2)	231.5
Net result (including discontinued operations)	428.3	47.8	289.7
Cash flow	404.3	1.0	400.1
EBIT margin (%)	11.0		14.2
Net profit margin (%)	9.3		10.7
Earnings per share (including discontinued operations)	5.29	46.5	3.61
Dividend for the year under review	1.50		1.50
Extra dividend for the year under review related to sale of majority Geoscience business	-		0.50
Investments	318.8	21.8	261.7
Return on capital employed (ROCE, %)	8.2		11.0

¹⁾The multi-client library sales (of EUR 235 million for full year 2012 and EUR 13 million in January 2013) was reported as discontinued operations. As from 1 February 2013, the multi-client revenue is included in continued operations. For comparison reasons the line 'revenue including multi-client' has been included (which includes the multi-client revenue for the full period).

Refer to appendix 1 for a further explanation on the presentation of results.

Fugro creates value by acquiring and interpreting earth and engineering data and by supporting its clients with the design, construction, installation, repair and maintenance of their infrastructure. Fugro works predominantly in energy and infrastructure markets offshore and onshore. Revenues amounted to € 2.4 billion in 2012, and Fugro has approximately 12,500 employees in over sixty countries. Fugro is listed on NYSE Euronext Amsterdam and is included in the AEX-Index.

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Continued

- Revenue increased from EUR 2,165.0 million in 2012 to EUR 2,424.0 million in 2013. This growth is to a large extent related to the fact that multi-client revenue is included only as per February 2013.
- Revenue including multi-client increased by 1.5% from EUR 2,400.0 million to EUR 2,437.2 million. Growth at Survey and the revenue contribution from Seabed Geosolutions were partly offset by lower multi-client sales and a negative foreign currency effect of 4.6%. Corrected for the negative exchange rate effect, revenue increased by 6.1%.
- EBIT was 13% lower at EUR 267 million, impacted by the start-up loss of Seabed Geosolutions and a lower contribution from multi-client.
- Net result from continuing operations was EUR 224.2 million in 2013, which is 3.2% lower than in 2012.
- Earnings per share was EUR 2.77 (2012: 2.89).
- Backlog at the beginning of 2014 is EUR 1,800.8 million, or 19% higher than a year ago. Excluding Seabed Geosolutions, the increase at constant exchange rates is 9%.
- Fugro's financial position is solid with a net debt to EBITDA ratio of 1.53, well below the target of less than 2.

Continued and discontinued

- Revenue decreased from EUR 2,952.7 million in 2012 to EUR 2,518.2 million in 2013. This decrease is mainly related to the divestment of the majority of the Geoscience activities per 31 January 2013.
- Net result (including discontinued operations) was EUR 428.3 million in 2013 (2012: EUR 289.7 million) and includes the net transaction result of EUR 205 million on the divestment of the majority of the Geoscience activities.
- Earnings per share (including discontinued operations) was EUR 5.29 (2012: EUR 3.61).
- Proposed dividend for 2013 is EUR 1.50 per share.

Outlook

The outlook for the markets in which Fugro operates in aggregate continues to support the Growth through Leadership strategy as formulated during 2013 and the related 2016 targets.

The backlog supports achieving further growth in 2014. Corrected for exchange rate effects, the backlog is 26% higher than a year ago. Though most of the backlog growth is in Seabed Geosolutions, the backlog growth for the Survey, Geotechnical and Subsea divisions is a healthy 9%. Recent awards are further strengthening the backlog. Next to supporting growth, the backlog should support stable performance with potential for improvement. For multi-client we expect to see the normal profile for existing libraries develop, whereby the sales will taper off over time, in particular in the next four to five years.

As described above, the growth in oil and gas investments is decelerating. At this point in time it is too early to determine if this will significantly impact Fugro. Should there be a significant impact on growth, Fugro expects to reduce its investments in its growth, in particular in the expansion of the vessel fleet. This would negatively impact the targeted annual revenue growth rate of at least 10%.

Backlog is strong and supports achieving growth in 2014. There is no indication at this point of deterioration of the E&P market relevant to Fugro. For its full range of activities Fugro sees good opportunities in emerging markets. Management is comfortable that the market outlook supports the 'Growth through Leadership' strategy and related 2016 targets.

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HIGHLIGHTS INCOME STATEMENT

Revenue

In 2013 revenue was EUR 2,424,0 million compared to EUR 2,165.0 million in 2012. This increase was mainly related to the fact that multi-client revenue was included only per February 2013, as it was reported as discontinued before that date. Revenue including multi-client increased by 1.5% from EUR 2,400.0 million in 2012 to EUR 2,437.2 million in 2013. Organically, revenue increased by 2.9%, the effect of acquisitions was 3.2% and the negative foreign currency effect was 4.6%.

Revenue per division, including multi-client sales				
(x EUR million)	2013	Change %	2012	2011
Geotechnical	702	(3)	723	670
Survey	900	8	835	751
Subsea Services	574	4	554	440
Geoscience; of which Seabed Geosolutions	261 120	(9)	288 -	153 -
Total	2,437	1.5	2,400	2,014

Revenue growth, even when taking into account the negative foreign currency effect, was lower than anticipated. Corrected for the foreign currency effect, the Survey division contributed well with a growth of 13%, the Geotechnical division revenue increased by 1% and the Subsea Services division revenue increased by 9%. The lower than normal growth in the Geotechnical division is partly due to revenue of around EUR 30 million being recorded in the Subsea Services division that has supplied vessels and other resources to the Geotechnical division. The revenue of the Geoscience division declined by 6% corrected for the negative foreign currency effect. The ocean bottom cable (OBC) activities of Seabed Geosolutions suffered from low utilisation as clients took longer than expected to award contracts. The multi-client sales were lower than in 2012 and lower than expected for 2013. In 2013 Fugro generated EUR 129 million multi-client sales and in 2012 EUR 235 million. The drop in sales was partly due to receiving less underwriting income as investment in new projects was wound down over the year and partly due to lower sales than expected.

EBITDA and cost development

EBITDA decreased by 1.7% from EUR 465.4 million to EUR 457.4 million.

Third party costs amounted to EUR 1,003 million in 2013 (2012: EUR 793.3 million). This is an increase of 26.4%, which was mainly due to additional vessel charters to handle the increase in work load and acquisitions. Third party costs as a percentage of revenue were 41.4% (2012: 36.6%). It includes EUR 88 million amortisation expenses associated with the data library (2012: EUR 143 million).

As in past years, managing the workforce was a focus point in 2013. The size of the workforce is carefully evaluated and actively adapted to the demand in services when required. This meant that in some activities the number of employees was reduced and in growth areas more staff was hired. The average cost per employee in 2013 was EUR 59,409, an increase of 2.3% compared to 2012 (EUR 58,067). The increase is amongst others caused by high costs in areas like Brazil and Angola.

Total personnel expenses in the year amounted to EUR 743.1 million (2012: EUR 694.5 million), an increase of 7%. Staff costs as a percentage of revenue were 30.7%, which is somewhat lower than in 2012 (32.0%).

Other expenses amounted to EUR 274.1 million in 2013 (2012: EUR 226.6 million), an increase of 21.0%. As a percentage of revenue these costs are 11.3% (2012: 10.5%). Other expenses include a variety of different costs, which cannot be allocated directly to projects, such as repair and maintenance, occupancy, insurances, etc.

EBIT

The result from operating activities (EBIT) amounted to EUR 267.0 million (2012: EUR 306.6 million), a decline of 12.9%.

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The EBIT in 2013 was strongly impacted by the large loss of Seabed Geosolutions (EUR 55 million based on 100% consolidated) and the start-up losses in the new trenching business (EUR 10 million; part of the Subsea Services division). The one-off external cost for the strategic review and the advisory costs related to the whistleblower procedure were around EUR 10 million. The total of further, smaller one-off costs were on balance EUR 6.3 million. In 2013 there was also a gain on the sale of the technology licences of EUR 18.5 million.

Depreciation of tangible fixed assets increased from EUR 155.6 million in 2012 to EUR 179.0 million in 2013, an increase of 15.0%, which is the result of capacity expansion in the vessel fleet (including related operational equipment) and ROVs. The depreciation of tangible fixed assets was 7.4% of revenue (2012: 7.2%).

Net finance costs

The net finance costs amounted to EUR 7.0 million in 2013 (2012: EUR 15.1 million).

(x EUR million)	2013	2012
Change in fair value financial assets	(0.5)	(12.8)
Net interest charge	11.9	17.9
Foreign currency effects	(4.3)	10.1
Other	(0.1)	(0.1)
Total cost	7.0	15.1

The interest charge includes an amount of EUR 6.4 million as a result of a higher effective interest rate on the vendor loan to CGG. The change in fair value of financial assets relates to the warrant on the vendor loan to CGG. The warrant did not exist on 31 December 2012 and is not materially different from the value reported as per 30 June 2013.

The interest cover (EBIT/net interest charge) is 22 (2012: 17). The foreign currency effect in 2013 was EUR 4.3 million positive (2012: EUR 10.1 million negative). In 2013, in general foreign currencies weakened against the Euro.

Taxes

In 2013, income tax expense amounted to EUR 51.1 million (2012: EUR 49.1 million). The effective tax rate in 2013 amounted to 19.3% (2012: 16.9%). The change is mainly caused by a shift in revenue away from lower tax countries following the divestment of the majority of the Geoscience division. It is expected that the future tax charge will be around 20%, but this will depend on the locations where the projects are executed.

Net result

The profit for the period (continued and discontinued) attributable to the owners of the company increased by 47.8% to EUR 428.3 million (2012: EUR 289.7 million). The net result of the continued business is EUR 224.2 million (2012: EUR 231.5 million), a decrease of 3.2%.

The profit from discontinued operations of EUR 204.1 million relates to the net transaction result on the sale of the majority of the Geoscience division (EUR 205 million) and the negative net result of the discontinued operations in January 2013 of EUR 1 million.

The basic earnings per share (continued and discontinued) amounted to EUR 5.29 (2012: EUR 3.61).

Dividend

A dividend for 2013 of EUR 1.50 per share will be proposed to the Annual General Meeting. This equates to a pay-out ratio of 54% of the net result from continuing operations, in line with the dividend policy of a pay-out ratio of 35 to 55%. Based on the net result including discontinued operations, the pay-out ratio is 28%.

For the year 2012, the dividend was EUR 2.00, consisting of a regular dividend of EUR 1.50 increased by a one-off extra dividend of EUR 0.50 in connection with the divestment of the majority of the Geoscience division. The dividend for 2013 of EUR 1.50 per share will be paid at the choice of the shareholder in cash, or in shares. In case no choice is made, the dividend will be paid in shares.

Starting with the 2013 dividend (to be paid in 2014), dilution resulting from the optional dividend (the choice between cash or shares) will be offset. Fugro will buy back the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval.

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HIGHLIGHTS BALANCE SHEET

Capital expenditure

In 2013, the maintenance capex amounted to EUR 78.9 million (2012: EUR 73.2 million). Replacement investments in 2013 were limited to those which were unavoidable.

In 2013 the following changes took place in the vessel fleet:

- Geotechnical division: in the first half of the year the Fugro Voyager was delivered from the yard in India.
- Survey division: a new built vessel, the Fugro Brasilis, commenced services in the fourth quarter of 2013. The fleet was further expanded through the new built vessel Fugro Helmert, which commenced operations in the third quarter of the year.

In 2013 major assets under construction of EUR 141.9 million value entered into service, were capitalised and depreciation started.

2014 – 2016

Per 31 December 2013 the level of committed major investments for vessel replacement, fleet capacity expansion and other investments such as buildings and substantial equipment such as jack- ups and ROVs, stood at EUR 46.0 million in total. This includes commitments for four new build special purpose survey vessels, mostly for capacity expansion, and one purpose build geotechnical vessel that will replace an ageing vessel but also increase capability, and one vessel for Subsea Services. Moreover, there is a component included for the ongoing ROV investments. In addition the company requires around EUR 100 million maintenance capex per year for its ongoing operations.

Capital expenditure 2013 committed and required capex	2013	2014¹⁾	2015¹⁾	2016¹⁾
Maintenance capex	78.9	100	100	100
Capex major assets	41.1	65	25	25
Capex major assets under construction	133.4	40	25	–
Total capex (cash out)	253.4	205	150	125

¹⁾ Estimate

Additional investments will be made in 2014 and years following to support the further growth of the company.

The Fugro Australis (Survey division), which was planned for the second quarter of 2014, has been cancelled. The requirement for a vessel for the Australian market will be reviewed as part of the new vessel program.

Foreign currency

The foreign exchange effect was EUR 163.9 million negative on the equity per 31 December 2013 (2012: EUR 10.8 million positive). This effect arises from the translation of the foreign operations denominated in local currencies following the strengthened euro.

Goodwill

The book value of goodwill was EUR 725.4 million at year-end 2013. In 2013, the addition to goodwill amounted to EUR 241.6 million (2012: EUR 23.0 million). The addition is mainly a result of four acquisitions in 2013. There was a negative effect of EUR 36.4 million of foreign exchange rates in 2013 (2012: positive EUR 8.2 million) on the balance sheet for the goodwill.

Goodwill is not amortised, but is tested at least once a year for impairment. As in 2012, this did not result in adjustments. Considering the start-up nature of Seabed Geosolutions a significant change in the assumptions applied in the impairment testing is reasonably possible, which could result in an impairment.

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Multi-client seismic libraries

Fugro decided to change the accounting policy for multi-client data libraries to intangible asset accounting to further align with the industry practice using the provisions in IAS 8.14 and IAS 8.29.

The seismic data libraries were not part of the sale of the majority of the Geoscience activities to CGG. Fugro has retained ownership of the existing libraries. The net book value of the marine streamer multi-client seismic libraries at the end of 2013 amounted to EUR 366.4 million (31 December 2012: EUR 458.5 million); of this decline EUR 52 million was caused by currency effects.

Some 90% of the net book value of the libraries is related to recently acquired 3D data. The geographical split of the net book value is as follows:

- Norway	30%
- Australia	48%
- Rest of the world	22%

There were no impairments in 2013. During this assessment management has recognised that the 3D marine streamers seismic data library in Australia continues to require careful monitoring as 2013 sales were low and impairment testing has shown there is no headroom. In case of insufficient sales in Australia this could lead to impairment to reduce the book value to the lower recoverable value. In case this happens, it means that future amortisation is pulled forward.

In 2013 Fugro generated EUR 129 million in sales from the seismic libraries (2012: EUR 235 million). The drop in revenue is partly due to underwriting revenue falling away in 2013 as investments in new projects were wound down over the year. The amortisation on the library in 2013 amounted to EUR 88 million (2012: EUR 143 million). Norway performed very strongly this year on the back of new licensing rounds and high exploration interest.

CGG has taken over all of the sales force for this activity and markets the Fugro 3D library on behalf of Fugro against a broker fee. A similar arrangement for the majority of the 2D library has been made with TGS. In addition, Fugro has the right to sell the library in parts or as a whole to interested parties.

Except for completing certain data processing projects related to the last acquisition projects completed in 2013, Fugro's investment in the marine streamer seismic multi-client libraries as from the divestment of the majority of the Geoscience division on 31 January 2013 onwards will be limited for example to reprocessing and special processing to update and enhance the sales potential of the data sets in the library. In particular in the next couple of years Fugro expects to benefit from a strong cash inflow from sales of its data sets. Sales thereafter are expected to continue over the full life time of the various data sets, but in aggregate are expected to taper off in the next four to five years.

Working capital

Working capital amounted to EUR 413.4 million at the end of 2013 (2012: EUR 264.5 million) and can be analysed as follows:

(x EUR million)	31 December 2013 ¹⁾	31 December 2012 ²⁾
Inventories	27.6	21.3
Trade and other receivables	867.5	837.6
Trade and other payables	(483.7)	(389.6)
Net cash and cash equivalents	72.1	(129.9)
Other	(70.1)	(74.9)
Total	413.4	264.5

¹⁾ Excluding assets and liabilities classified as held for sale.

²⁾ 2012 adjusted for accounting change multi-client data libraries.

Capital employed

Capital employed increased from EUR 2,270 million in 2012 to EUR 2,689 million in 2013. This change is caused amongst others by the Seabed Geosolutions joint venture (EUR 280.7 million) and the vendor loan to CGG (EUR 112.5 million).

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Financial position

Fugro's financial position remains healthy with net debt over EBITDA of around 1.53, comfortably below the threshold set by the company of less than 2.

Solvency at the end of 2013 was 55.8% (ultimo 2012: 46.9%). According to the loan covenants, the solvency ratio objective is to be at least 33 1/3%.

At the end of 2013 the gearing amounted to 31% (2012: 66%).

Return on capital employed

Return on capital employed was 8.2% in 2013 compared to 11.0% in 2012. The decline relates mainly to the negative EBIT contribution from Seabed Geosolutions and the increase in capital employed as described above.

Financing

In the second half of 2011, Fugro reached agreement with 27 US and UK based investors with respect to so called US Private Placement loans (USPP) with a value expressed in EUR 717 million. The original currencies are US dollar 826 million, EUR 35 million and British pound 67.5 million. The loans have a maturity of 7, 10 and 12 years and have an average coupon of some 4.5%. Fugro also reached agreement in 2011 with a number of individual banks for committed facilities up to a total value of EUR 775 million for 5 years. These facilities were made available by eight internationally operating banks. The interest is based on a grid and is Euribor plus 130 BPS. The loans and facilities include, amongst others, the following covenants:

- EBITDA / interest > 2.5
- Debt / EBITDA < 3.0
- Solvency > 33 1/3 %

In 2013 Fugro granted a vendor loan to CGG, to be drawn in two tranches, for a total amount of EUR 225 million. CGG repaid an amount of EUR 112.5 million in August 2013, leaving a balance of EUR 112.5 million at year-end.

In 2013, a total amount of some EUR 793 million was received from CGG which includes the repayment of the vendor loan of EUR 112.5 million. The proceeds were used to repay outstanding bank facilities. No amounts are currently drawn under these facilities. This headroom provides Fugro with ample funds to finance future expansion.

CASH FLOW

In 2013, the cash flow increased by 1% from EUR 400.1 million to EUR 404.3 million. Cash flow is here defined as the profit for the period plus depreciation and amortisation. The expected future cash flow will enable the company to stay within the current financing covenants and to finance the committed investments and pay out dividend. The cash flow per share equates to EUR 5.00 (2012: EUR 4.99), an increase of 0.2%.

The cash flow relating to sale of the majority of the Geoscience division to CGG is EUR 793 million, consisting of an initial receipt of EUR 703 million, minus settlement of one-off items including working capital of EUR 31 million, and receipt of EUR 112.5 million as repayment of the first tranche of the vendor loan.

An amount of EUR 225 million has not been paid to CGG, but used in a set off with respect to the acquisition of CGG related business in the Seabed Geosolutions joint venture.

EXCHANGE RATES

In 2013, the average US dollar exchange rate decreased to EUR 0.75 (2012: EUR 0.78) the average exchange rate of the British pound decreased to EUR 1.18 (2012: EUR 1.23) and the average exchange rate of the Australian dollar was EUR 0.72. As a result of fluctuations during the year, the net foreign exchange effect in the profit and loss account in 2013 was EUR 4.3 million positive (2012: EUR 10.1 million negative). Exchange differences were caused by the variance in exchange rates between the entry date of trade receivables and the moment of receipt, the revaluation of balance sheet positions and the realised exchange differences on foreign currency transactions.

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STRATEGY IMPLEMENTATION

The table below presents Fugro's results in 2013 against the 2016 targets. The table at this point is presented for information purposes only as the implementation of the updated strategy has only begun in the course of the second half of 2013. The 2014 results will provide the first opportunity to meaningfully discuss the results in light of the implementation of the updated strategy.

These targets, and the comparable 2012 and 2013 numbers mentioned in the table, exclude the multi-client business as this activity is non-strategic going forward.

(x EUR million)	Target 2016	2013	Change %	2012
Revenue	Average annual growth > 10%, resulting in 2016 revenue of 3,300 – 3,700	EUR 2,307.2	7	EUR 2,165.0
EBIT margin	Around 15%	10.5%		11.7%
Return on Capital Employed	Around 14%	9.0%		11.1%
NOPAT		202.4	(2)	207.4
Capital employed		2,248.2	20	1,873.6

Regional organisation

Starting in 2012, first steps were taken to move to a regional organisation. The main goal was to build a stronger regional support base, improve collaboration and achieve additional growth by being able to take on larger multi-discipline projects. A key conclusion from the strategy review was that the steps taken since the beginning of 2012 to support regional collaboration had not yet achieved their goal, and that the regional organisation needed to be strengthened. This includes giving full profit and loss responsibility to the regional management teams within the divisions, building a cross-divisional marketing and sales team in each region to handle large opportunities and to coordinate relations with large clients, and the appointment of regional senior project directors to support tendering and execution of large projects. At this point several of the main elements of the new regional organisation have been put in place, and we expect to have implementation largely completed still in 2014.

Central organisation

Another cornerstone of the strategy is to evolve the support functions such as finance, human resources, information technology, investor relations and communications, with a drive to centralise these functions so that the company can better leverage scale, improve consistency and meet requirements in regards to governance and control. A number of improvements have been made in the financial organisation, aimed at supporting the new regional business organisation. Options to improve the consolidation system were thoroughly reviewed, leading to the choice of the latest version of the Hyperion Financial Management system. The implementation is designed to also support regional data access and consolidation. Implementation is well underway and is planned for completion by the end of 2014. Within the finance organisation, it has been decided to establish a fully independent internal audit function and to enhance the corporate treasury function. A new group controller as of 1 February 2014 has been appointed, while the recruitment of the head of internal audit is underway. Further strengthening of the finance team and additional improvements will continue in 2014. At the Annual General Meeting in May 2014 Paul Verhagen will take over the CFO position from André Jonkman, Fugro's current CFO.

During 2013 other corporate functions have been set up or strengthened. The company has set up investor relations, communications and strategy functions and recruited or appointed staff members to lead these functions. The QHSSE team was already in place, and has been strengthened to support the development and implementation of standards and to audit field performance. A key upgrade to the global HSSE reporting system has been rolled out, as well as a security information portal. In human resources (HR) a single cloud based solution has been selected for Fugro worldwide. Roll out started during the year and will be available to the majority of staff by year end 2014. The system will serve as the backbone to implementing consistent HR practices through the company, and will support management development and talent management. The Fugro Academy, which is critical to serving Fugro's large training needs for new and existing staff, falls under the remit of HR, and continues to be expanded. This year Fugro Academy built up and opened a new offshore training facility in the UK.

Investments

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In the strategic review, considerable attention was placed on the investments required to achieve the growth and return targets. It is expected that investment commitments of in total around EUR 425 million annually will be made during the coming years. This includes on average around EUR 75 million for acquisitions, EUR 25 million for research and development and EUR 100 million for maintenance capex. The remainder, of around EUR 225 million per year, is mostly for investments in vessels to replace old tonnage and for fleet expansion, including the associated equipment. Acquisitions and investments for expansion are flexible, allowing reduction in case of changing market circumstances.

The investment program already committed for in 2012 and 2013 will be merged into the investment program to implement the strategy. Per 31 December 2013 commitments are in place for four additional vessels for the Survey division to replace aging vessels and expand capacity, and for one deep water capable geotechnical vessel to replace aging vessels and increase capacity by virtue of higher efficiency of the newer vessels.

BACKLOG

At the beginning of 2014 the backlog of work to be carried out during 2014 amounted to EUR 1,800.8 million.

Backlog comprises revenue for work to be carried out in the coming twelve months and includes uncompleted parts of ongoing projects and contracts awarded but not yet started. The proportion of these definite orders is 66% (compared to 58% at the beginning of 2013) and the proportion of projects that have been identified and are highly likely to be awarded is 34% of the total (compared to 42% at the beginning of 2013). The backlog as reported is 18.9% higher than at the beginning of 2013; at constant exchange rates the increase is 25.8%.

The current backlog, relative to 2013 revenue, equals around nine months of revenue, which is relatively high. The most significant increase is in Geoscience, where Fugro had a single OBN crew operational at the start of 2013, whereas since 16 February 2013 (establishment of the joint venture) Seabed Geosolutions offers several crews for OBN, OBC and shallow water work.

Excluding Geoscience, the backlog growth at constant exchange rates is a solid 8.8%.

Backlog at the start of the year (for next 12 months)			
(x EUR million)	2014	2013	2012
Geotechnical			
Onshore	263	245	257
Offshore	233	204	219
	496	449	476
Survey	598	604	514
Subsea	420	394	294
Geoscience (Seabed Geosolutions, 100%)	287	67	79
Total	1,801	1,514	1,363

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MARKET DEVELOPMENT AND OUTLOOK

Development oil and gas market

Fugro generates around 75% of its revenues from clients in the oil and gas business. Hence continued investment by the upstream oil and gas industry in the exploration, development and production life cycle of oil and gas fields is critical to Fugro's continued success. Various industry investment outlook reports predict that oil companies' global investments, onshore and offshore, continue to grow albeit no longer at double digit figures seen in much of the last decade. Industry forecasts indicate increasing focus on the Middle East and renewed interest in the USA both onshore and offshore. Deepwater spending, to which Fugro has a broad exposure, is expected to continue its significant growth over the coming years (source: Douglas Westwood World Deepwater Market Forecast 2013-2017). At the same time several of the major oil companies have recently announced their intention to become more disciplined about their investments and returns by stabilising exploration spending, by delaying selected large projects and by asset sales, rather than across the board spending stabilisation or reduction. The deceleration in spending growth by the majors is expected to be partly compensated by increased spending by NOCs to fulfil domestic strategic agendas and smaller oil companies that are acquiring assets from the majors.

The combination of demand for oil and gas and natural depletion of reservoirs as they are produced drives the upstream oil and gas industry. Depletion means that every year less oil and gas is recovered from reservoirs under production.

Demand remains strong and recently the International Energy Agency (IEA) raised its global demand forecast as a result of the strongest growth in the US in a decade. Depletion is a more important long term investment driver. The average depletion rate for oil reservoirs is now estimated to be 6 to 7% per year, and it continues to increase. Current depletion rates imply that around 50% of oil production needs to be replaced every 10 years to cover depletion. As sources of easy oil and gas run out, cover for demand growth and depletion will for a significant part come from offshore fields that must be found, developed and produced. Increasingly this will be from deep water fields. This plays to Fugro's strengths in all its offshore services offered by the Survey, Geotechnical, Subsea Services divisions and Seabed Geosolutions.

A further point of reference for Fugro is the level of awards won by the large offshore marine construction contractors. Though the fourth quarter of 2013 showed some tapering off, the overall level of awards in 2013 has been at a record high. The company interprets the recent tapering to be a natural correction balancing the record high level of awards earlier in 2013 rather than a sign of a weakening market. Irrespective, the very high level of awards in 2013 is expected to translate to growth in subsea work in the coming two to three years, which should benefit Fugro.

For the upstream oil and gas segment the company remains confident about the growth scenario underpinning the strategy update, be it that some of the developments described above becoming more pronounced could lead to lowering of the growth rate over the short to medium term.

For the short term, the most important market indicator is the oil price. Clients are expected to reduce expenditure if the oil price drops from its current levels of around USD 110 per barrel (Brent) to below a level of USD 95-100 per barrel. Clients will generally first cut exploration spending. Following the divestment of the exploration related activities, Fugro has moved way from exploration to the later part of the field life cycle including the pre-development, development and production phases of the oil and gas field life cycle. Investments by oil and gas companies in this part of the field life cycle are less volatile than exploration.

While the majority of Fugro's oil and gas revenues comes from the upstream oil and gas industry, the downstream business segment is of increasing interest. In downstream Fugro is involved in construction projects for liquefied natural gas (LNG) plants, refineries and pipelines.

Fugro has a small but increasing exposure to this market, where many new LNG facilities, refineries and pipelines are being developed. This will continue to benefit the onshore and nearshore geotechnical and survey activities of Fugro. Driving part of the growth in this market is that projects often tend to be large and multi-disciplinary in nature and can also incorporate offshore work. Fugro is uniquely capable in delivering on large, multi-discipline projects. In addition, many of these projects are in emerging economies, where few other geotechnical and survey companies offer local support.

Development sustainable energy, infrastructure and building, mining and public sector markets

The remaining revenue of Fugro of about 25% is generated in the sustainable energy, infrastructure and building, mining, water management and other public sector markets. In renewable energy Fugro focuses on offshore wind farms, where it is the largest provider of services to optimally locate and provide advice for the foundation design of wind turbines. In addition Fugro provides power cable routing, specialist construction and installation support, and

PRESS RELEASE

maintenance and repair services. The market for offshore wind farms is best developed in Europe following European Union targets for use of renewable energy. The renewable energy market in Europe is currently slowing down as subsidies are reduced under austerity programs, but in the next few years is expected to recover as economics of the technologies that are applied improve and to meet sustainable energy targets. In addition, offshore wind farm activity is building up elsewhere. For example in the USA, Fugro is strongly involved in the development of the first offshore wind farm.

Infrastructure and building and water management markets are strongly dependent on the performance of local and regional economies and levels of government spending. As a result we expect to see continued slow markets in Europe for some time, some improvement in the USA, continued buoyant markets in places like Hong Kong, and a positive development in selected emerging markets such as Central Asia, the Middle East and parts of Africa. Fugro is already well placed in many of these emerging markets or is building up positions, for example through the recent opening of an office in Mozambique and entry into a joint venture in Iraq. Fugro's local presence and capability to take on larger, more complex projects in which a range of survey and geotechnical services are bundled should serve it well in these upcoming markets.

The mining sector is a relatively small but growing market for Fugro, even in the current down cycle in this industry. Fugro supplies a range of survey and geotechnical services for the infrastructure associated with the mines, and offers exploration drilling services using geotechnical equipment.

Outlook

The outlook for the markets in which Fugro operates in aggregate continues to support the Growth through Leadership strategy as formulated during 2013 and the related 2016 targets.

The backlog supports achieving further growth in 2014. Corrected for exchange rate effects, the backlog is 26% higher than a year ago. Though most of the backlog growth is in Seabed Geosolutions, the backlog growth for the Survey, Geotechnical and Subsea divisions is a healthy 9%. Recent awards are further strengthening the backlog. Next to supporting growth, the backlog should support stable performance with potential for improvement. For multi-client we expect to see the normal profile for existing libraries develop, whereby the sales will taper off over time, in particular in the next four to five years.

As described above, the growth in oil and gas investments is decelerating, At this point in time it is too early to determine if this will significantly impact Fugro. Should there be a significant impact on growth, Fugro expects to reduce its investments in its growth, in particular in the expansion of the vessel fleet. This would negatively impact the targeted annual revenue growth rate of at least 10%.

Backlog is strong and supports achieving growth in 2014. There is no indication at this point of deterioration of the E&P market relevant to Fugro. For its full range of activities Fugro sees good opportunities in emerging markets. Management is comfortable that the market outlook supports the 'Growth through Leadership' strategy and related 2016 targets.

PRESS RELEASE

HIGHLIGHTS DIVISIONS

Geotechnical division

Key figures Geotechnical (amounts x EUR 1 million)	2013	Change (%)	2012	2011
Revenue	702	(3)	723	670
Results from operating activities (EBIT) ¹⁾	98	9	90	92
EBIT margin (%) ¹⁾	13.9		12.4	13.7
Depreciation of tangible fixed assets	43	(7)	46	43
Capital employed	653	12	582	493

¹⁾ Includes pro-rata allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.

Discussion of results

Revenue for the division was EUR 702 million (2012: EUR 723 million), a decline of 3%. Corrected for the negative exchange rate effect, revenue increased with 1%. The onshore activities generated revenues of EUR 421 million (2012: EUR 423 million) and the offshore business line contributed EUR 282 million (2012: EUR 300 million). Results from operating activities (EBIT) were EUR 98 million (2012: EUR 90 million) corresponding to an EBIT margin of 13.9% (2012: 12.4%). Apart from the negative exchange rate effect, the decline in the revenue compared to last year was due to revenue of around EUR 30 million being recorded in the Subsea Services division that has supplied the vessels and other resources, and not from a shortage of work. Owing to operational synergies, the EBIT margin increased significantly from the previous year while the return on capital employed decreased slightly due to a timing issue related to expenditures on the new build vessel at year-end and associated projects only starting in 2014.

Course of business

The offshore geotechnical business continues to prosper from a growth in demand for both oil and gas globally and stable oil prices. An increase in energy requirements from developing countries like China and India coupled with the prospect of maturing onshore reservoirs, diminishing shallow water production and scarcer conventional prospects worldwide means that the remote deepwater fields are being developed more actively. Consequently, the deepwater market outlook is strong with development moving to the frontier fields of the trans-Atlantic area between the Gulf of Mexico, Brazil and West Africa, all where Fugro is active. Natural gas discoveries in East Africa (Mozambique and Tanzania) have elevated this region as a new deepwater focus area and significant work has been completed to support these field developments.

The renewable market (wind farm) progressed in Europe to achieve renewable energy usage targets but demand is slowing compared to previous years. The geotechnical site investigations for wind turbine foundations and corridors for power cable installations continued, particularly in the North Sea. Renewable energy is however not self-sustaining financially and requires government subsidies to persevere in Europe. Consequently there is a great focus on cost reduction by clients which brings geoconsultancy opportunities for Fugro via integrated seabed topography, metocean, ground modeling and optimised site investigations.

For the onshore business, the advancement of horizontal drilling and fracturing has allowed access to unconventional shale gas which has led to an abundance of gas reserves and resultant LNG export projects on the Gulf Coast and Pacific Coast of the USA, and in British Columbia, Canada. Fugro is involved in all of the LNG plants and terminals presently underway in each of these areas. Natural gas prices are staying high in Asia as demand for liquefied natural gas as a replacement for coal and nuclear power is expected to outstrip supply in China, India, Korea and Japan for the foreseeable future. This will provide new incentives for further development of deepwater gas fields and associated LNG facilities in East Africa and Asia, and expansion of existing plants under construction in Australia. As well, our outlook continues to improve in emerging markets such as Kazakhstan, Azerbaijan, Turkey, Cameroon, Iraq and Qatar with a significant increase in full services supporting energy related projects. Activities in Saudi Arabia continue to generate robust results as does infrastructure work for the government in Hong Kong. The onshore geotechnical workload was weak in Europe where infrastructure projects are generally dependent on government budgets. This specific type of activity is not expected to rebound in the short term due to widespread government debt and high energy costs, and Fugro is re-distributing technical staff and heavy equipment resources (drill rigs and CPT trucks) to fulfil the needs of emerging markets in the developing world.

PRESS RELEASE

As a leading overwater marine contractor, Fugro is also delivering nearshore geotechnical investigation and specialist foundation solutions to the energy and resources sectors, as well as meeting the requirements of civil engineering infrastructure projects such as bridges, ports and harbour developments.

For the mining sector, the division is providing geotechnical engineering services during the installation of foundation systems at new oil sands and potash mining operations in Canada as well as at new mine sites in South America and other projects in Africa and Asia.

The geoconsulting business continues to grow globally due to the nature of the larger remote and technically demanding projects. To increase the share of this business particularly where a stronger geographical presence for both onshore and offshore can be built, Fugro acquired Advanced Geomechanics in Perth, Australia, a consulting company that provides highly specialised geotechnical and geophysical engineering and consulting services to the oil and gas sector in Australia and worldwide.

The company will contribute to Fugro's strategy of providing clients with fully integrated consulting solutions from data acquisition through engineering advice. They will play a role in expanding the geoconsultancy globally.

To target the growing well services industry globally using high-end geotechnical resources, Fugro formed a joint venture with a Malaysia oilfield services company, Bumi Armada Berhad. The new joint venture, in which Fugro has a 49% interest and Bumi Armada 51%, features an integrated team with members from both companies having skills in marine operations, well intervention and drilling operations.

Fugro entered the new seabed-based robotic drilling marketplace in 2012 by forming a joint venture company, Seafloor Geotec, with Gregg Marine of the United States. In 2013, Fugro initiated projects by deploying the robotic seabed technology on rock and soil investigations in deepwater for oil and gas companies globally.

As part of the continuing global fleet replacement program where older tonnage is being replaced with new, modern vessels, Fugro Voyager, a purpose built 83-metre geotechnical drilling vessel with dynamic positioning (DP2) and specifically designed to address the varied demands of the deepwater market in Southeast Asia, was delivered. A similar vessel, Fugro Scout, is expected in 2014 for global deployment while a third vessel built for northern European waters is anticipated in 2016.

The results in 2013 demonstrate the success of leveraging scale in capturing market in high growth deepwater frontier regions and contracting large, integrated multi-discipline projects especially in emerging economies. Success has also come from establishing joint ventures in each of the emerging countries with opportunities and building a strong local content to support future work. The division maintained its market position in sustainable energy, mining and general infrastructure markets while relocating from slower growth markets like Europe and replacing older vessels.

PRESS RELEASE

Survey division

Key figures Survey (amounts x EUR 1 million)	2013	Change (%)	2012	2011
Revenue	900	8	835	751
Results from operating activities (EBIT) ¹	166	(10)	185	191
EBIT margin (%) ¹⁾	18.5		22.1	25.4
Depreciation of tangible fixed assets	59	7	55	41
Capital employed	670	13	592	475

¹⁾ Includes pro-rata allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.

Discussion of results

As per January 2013 Subsea Services, which was formerly part of the Survey division, is reported separately. In the year under review the Survey division achieved revenue of EUR 900 million, an increase of 8% compared to 2012. Excluding the negative exchange rate effect, revenue increased with 13%. The result from operating activities (EBIT) decreased by 10% to EUR 166 million (2012: EUR 185 million) equating to an EBIT margin of 18.5% (2012: 22.1%). The decrease in EBIT and margin was caused by: low, partially weather related, utilisation in the first quarter; increased third party costs; increased costs for personnel recruitment and training; and some increase in price pressure. Moreover, losses increased in aerial mapping as the market, which relies on government funding, weakened further. Capital employed increased by 13% mostly due to the additional investments in the specialised survey fleet.

Course of business

The divisions' activities are dominated by the resource exploration and production industry, primarily related to oil and gas. Therefore the oil price and the prevailing oil industry investment climate remain key factors for this business globally. Offshore services extend from geophysical and geological surveys and sea bed mapping to positioning services for a wide variety of applications and users. As part of providing an encompassing service, Fugro also offers meteorological, oceanographic and marine environmental services and studies. Onshore operations include land and airborne surveys and mapping, principally for infrastructure development and maintenance, and increasingly the oil and gas industry. The division is established globally with offices at all major centres from which the oil and gas industry operates.

Survey had a slow start to 2013. The geophysical vessel activity picked up in the second quarter of the year and remained solid until year-end, with the relatively high level of activity in the fourth quarter compensating for the slow start. In Europe there was good demand for survey services from the oil and gas industry. Demand from the renewables sector weakened as the drive from the European Union to increase power generation from renewable sources has faltered as Europe refocused on dealing with the recession. Demand is not expected to pick up until 2016 when the deeper water North Sea wind farm construction projects start. The Echo Surveyor VI, Survey's latest AUV, concluded operations for Caspian's Absheron development, resulting in high quality data deliverables.

The Americas region is affected by reduced activity on the Gulf of Mexico's shelf, which is partially compensated by deep water construction support activities and high demand for survey services in Mexico and the Caribbean. In Brazil Fugro suffered from operational downtime of the Fugro Odyssey at the start of the year, which was solved when the vessel was replaced by the new purpose-built Fugro Brasiliis. The African region continued to grow steadily, supported by large multi-divisional projects in West and East Africa. Several recently extended long-term frame agreements for survey and positioning support services will further strengthen the expansion in this region. In the Middle East the division secured a number of significant projects which will result in further growth in the region. The permitting and planning phase of a large LiDAR (measuring system based on laser technology) and bathymetric survey of the Red Sea started in December. India and also Egypt managed to contribute well, despite the unstable political situation in that country. In the Asia-Pacific region the fleet was expanded in 2012 and this has proven successful with the region producing good results.

Throughout the year the onshore geospatial business line was affected by a low activity level in aerial mapping services. This indicates that the market conditions are not yet improving and resulted in heavy competition and price pressure. Poor weather conditions in Europe and Americas contributed further to the disappointing

PRESS RELEASE

performance of these activities. Further steps have been taken to reduce costs. In addition, the business is being reoriented to becoming a solutions provider rather than just undertaking the collection of data. The terrestrial survey part of the geospatial business line showed good returns and selected niche services will be further expanded around the globe.

The global positioning signal services business showed good results and steady growth in all product lines. The positioning business serves well over two thousand high-end vessels from all segments of the offshore oil and gas sector, cruise vessels, merchant marine and research vessels. The oceanography and meteorology services contributed well in 2013. Increasingly, this business is deriving its revenue from long term contracts for permanent monitoring systems deployed on FPSOs, drill ships and mobile platforms.

In August 2013, Fugro signed a ten-year extension of the joint venture with China Oilfield Services Ltd (COSL). The joint venture, named China Offshore Fugro Geosolutions (COFG) and in which Fugro holds 50%, has been operating successfully in the Chinese offshore environment since 1983. Services provided include precise navigation services, subsea positioning, construction support services and remotely operated vehicle (ROV) services. At the end of the year, Fugro also reached agreement with the State Oil Company of the Azerbaijan Republic (SOCAR) to form a new joint venture for the performance of bathymetric, geophysical & geotechnical surveys, the provision of autonomous underwater vehicles (AUVs) and ROVs, diving services and general positioning support, both onshore and offshore, throughout Azerbaijan.

A number of areas in the world with emerging economies will become important growth markets for the division and Fugro as a whole. The African continent is a good example of this. This year, Fugro opened an office in Maputo, Mozambique. Other countries in East Africa, like Tanzania, Kenya, Uganda and Madagascar are expected to follow and will benefit from new oil and gas developments. West Africa will continue to be an important growth market for Fugro. In Angola, Fugro will strengthen its position with a new, expanded office with warehouse and laboratory facilities as of the second quarter of 2014. The new infrastructure will allow Fugro to support a wider range of Fugro services locally.

Technology is key for the growth of the division. The newly developed remote survey operations services (OARS), which reduces the amount of time that operators have to spend offshore, will be rolled out in 2014 in the Gulf of Mexico. In 2014 the newest AUV, which is 4,500m water depth rated, camera capable, and rough seas launch and recovery ready, will be taken into operation.

During the year, two purpose-built vessels were brought to the market: the Fugro Helmert and Fugro Brasilis. Both vessels have already secured a solid backlog for 2014. Currently, the division has four dedicated, built to high specifications survey vessels under construction. Three of these will be delivered during 2014, of which two will bring additional capacity. With the ongoing renewal and expansion program of the survey fleet and associated investments in state-of-the-art technology, the division is in the process of capturing the growth in the market, in order to reach the targeted acceleration in the growth of the division.

PRESS RELEASE

Subsea services division

Key figures Subsea Services (amounts x EUR 1 million)	2013	Change (%)	2012	2011
Revenue	574	4	554	440
Results from operating activities (EBIT) ¹⁾	13		(24) ²⁾	14
EBIT margin (%) ¹⁾	2.3		(4.3)	3.2
Depreciation of tangible fixed assets	53	8	49	43
Capital employed	586	0	584	433

¹⁾ Includes pro-rata allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.

²⁾ Includes the write off on a minority participation in Expro AX-S Technology in 2012 that went into receivership for an amount of EUR 22 million.

Discussion of results

In its first year as a separate segment, the Subsea Services division achieved revenue of EUR 574 million, an increase of 4% compared to 2012. Corrected for the negative exchange rate effect, revenue increased with 9%. The result from operating activities (EBIT) increased from EUR 24 million negative to EUR 13 million positive, due to the improvement in underlying results and the fact that the 2012 EBIT includes a EUR 22 million write-off on a minority participation in Expro AX-S Technology that went into receivership. Capital employed increased only moderately due to investment in operating equipment (largely ROVs).

Course of business

The Subsea Services division activities continued to be dominated by the oil and gas industry and, in particular, the offshore development and production activities of this industry. The relatively stable oil price and the investment climate surrounding the development of new oil and gas reservoirs, especially in deeper marine environments, were factors supporting the primary market demand for its services. However, the division also supplies services to the renewable energy sector such as offshore wind farm development projects. The capabilities of the division range from the support of drilling, provision of support services for field development and construction, to inspection, repair and maintenance on subsea infrastructure, through to the design and build of complex, bespoke remote systems and tools. The division carries this out using a large fleet of remotely operated vehicles (ROVs) and a specialist fleet of support vessels, that are mostly chartered. The division is established globally with major centres covering most principle regions of oil and gas industry operations.

Starting 1 January 2013, Subsea Services is reported as a separate division, previously having been reported on as part of the Survey division. The first part of the year included a detailed analysis of the historical performance of the subsea business, as an integral part of Fugro's strategic review process. The result of this was a business refocussing program with emphasis on profitability improvement and includes three elements: improvement in ongoing performance, restructuring and a profit improvement program.

The improvement in ongoing business as announced as part of the strategic update is evolving as planned. Europe experienced good performance in its core business after a slow first quarter, but was weighed down by underutilisation in its still-young trenching activity, while in West Africa the diving services performed poorly.

As a result of the latter, the office of Fugro RUE AS in Norway was closed and its activities were transferred to other Fugro operating companies. In Brazil, results were negatively impacted by delayed delivery and the commissioning of two new diving support vessels under the two latest long term tri-partite agreements. Towards year-end the performance of these two vessels improved. We expect this improvement to continue in 2014 and reach a satisfactory level by the end of that year. Other vessels used for the projects in Brazil are generally performing satisfactorily. As a result of reviewing the commercial environment related to tri-partite agreements in Brazil, we have taken a more conservative approach to bidding for new contracts. During the year, Fugro was awarded the Lot "B" Inspection, Repair and Maintenance (IRM) contract which is slated to begin in 2014.

The Middle East performed significantly better in 2013 compared to 2012. This was amongst others due to management changes initiated in late 2012. However, the market remains very competitive and local developments in such countries as Egypt have resulted in higher accounts receivable than planned. In Asia-Pacific, Fugro

PRESS RELEASE

recorded a better result than the previous year with good fleet utilisation throughout most of the year and good feedback from clients on vessel, project and HSSE management. The ROV fleet continued its renewal program. For the second year in a row, although the ROV fleet size did not increase, the volume of ROV work executed reached a new high. Any future expansion of the ROV fleet will follow demand.

In 2013 the diving services company DCN Global in Abu Dhabi was acquired. Through this acquisition Fugro can now offer bundled IRM services to its Middle East clients, and leverage the combination of subsea and survey services in order to make it easier for clients to manage their complex projects. DCN's expertise will assist in creating a global diving ability to complement Fugro's Brazilian capability. By the end of the year the integration of DCN into Fugro's Abu Dhabi operations was successfully completed.

Early 2014, Fugro was awarded two contracts to perform trenching and survey operations at two wind farm sites. The first contract is for CT Offshore at RWE Innogy's Gwynt y Môr Offshore Wind Farm located in Liverpool Bay. The second contract is a similar work-scope at a wind-farm located off the East coast of the United Kingdom. Also at the beginning of 2014, Fugro was awarded a five year contract by Shell in Malaysia for the provision of IRM services of their subsea infrastructure. Fugro expects to engage most of its Asia Pacific subsea fleet over the duration of the contract, which is expected to commence in the second quarter of 2014.

PRESS RELEASE

Geoscience division

Key figures Geoscience, Continued ¹⁾ (amounts x EUR 1 million)	2013	Change (%)	2012	2011
Revenue (as reported) <i>of which Seabed Geosolutions</i> ²⁾	248 120		53 –	(3) –
Revenue including multi-client ³⁾ <i>of which Seabed Geosolutions</i>	261 120	(9)	288 –	153 –
Results from operating activities (EBIT) ³⁾ <i>of which Seabed Geosolutions</i>	(10) (55)		56 –	55 –
EBIT margin (%) ³⁾	(4.0)			
Depreciation of tangible fixed assets <i>of which Seabed Geosolutions</i>	24 22		6 –	– –
Capital employed <i>of which Seabed Geosolutions</i>	779 204	52	513 –	753 –

¹⁾ The activities that have been sold to CGG, representing the majority of the Geoscience division, are reported as discontinued operations. The multi-client seismic data library was retained by Fugro. In accordance with IFRS the related revenue was also reported as discontinued up to and including 31 January 2013, while the results and assets of multi-client were reported as continued. As from 1 February 2013, the multi-client sales are included in continued operations.

²⁾ Seabed Geosolutions: 100% consolidated

³⁾ For comparison reasons we have included the line 'revenue including multi-client', which includes multi-client sales during the full period (2011, 2012 and 2013)

Includes pro-rata distribution of allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.

Discussion of results

In 2013, the Geoscience division reported a revenue increase from EUR 53 million to EUR 248 million. This increase was entirely related to the fact that in 2012 and January 2013 the multi-client sales were reported as discontinued operations. Revenue including multi-client (for the full period) declined by 9% EUR 261 million; the EUR 120 million revenue from Seabed Geosolutions was largely offset by the decline in multi-client revenue (EUR 129 million in 2013 compared to EUR 235 million in 2012). Corrected for the negative exchange rate effect, revenue declined by 6%. Results from operating activities (EBIT) amounted to EUR 10 million negative (2012: EUR 56 million). The decrease was caused by the EUR 55 million loss of Seabed Geosolutions and a lower result on multi-client sales, in part offset by the special gain on the sale of the technology licences of EUR 18.5 million.

Seabed Geosolutions suffered in the first year of its existence due to low utilisation of the OBC activities as clients took longer than expected to award contracts and start-up issues as a newly established company. In multi-client, sales were slower than expected, specifically in Australia and due to some delays in the Norwegian bid round.

Capital employed increased from EUR 513 million in 2012 to EUR 779 million in 2013 due to the start of Seabed Geosolutions per 16 February 2013.

PRESS RELEASE

Course of business

The majority of the activities comprising the former Geoscience division were sold to CGG in January 2013. Fugro's Geoscience activities post the CGG transaction include a 60% controlling interest in the Seabed Geosolutions joint venture with CGG (40%) and sales from the 2D and 3D multi-client data library and some minor residual activities.

Sales activities for the multi-client data library are effected through non-exclusive agreements with third-parties, the primary ones being CGG for the 3D library and TGS for the 2D library. Other parties can be contracted to enter into a sales relationship with Fugro for any part of the library.

Seabed Geosolutions was formed on 16 February 2013 by merging the OBN and OBC operations of the parent companies. Several months were spent on the start-up in which the management, organisation and infrastructure of the new company were established, while at the same time executing on-going contracts. The pipeline of pending projects was attractive at inception, unfortunately several of these took longer than expected to mature into contracts. This was especially the case for OBC activities. OBN activity levels were good although operational teething problems led to disappointing results in the year. Underlying demand in the market was good and prospects for the foreseeable future also appear positive.

A significant part of the seabed geophysics market is comprised of a relatively small number of large contracts. This results in a lumpy project pipeline where maintaining satisfactory average utilisation will be a challenge. The main regions of Seabed Geosolutions activity for 2013 were West Africa and the Gulf of Mexico for repeat clients. These are oil and gas provinces where the use of seabed geophysics to design optimum reservoir development is well established.

Multi-client data sales in 2013 varied regionally. The activity levels in the Gulf of Mexico and Australia were lower than expected. The licensing round in Western Australia resulted in some licenses going back to existing lease holders. This has delayed the opportunity for additional data sales. In Norway the licensing round comprised areas well covered by Fugro data and resulting sales were satisfactory, although there has been some slip into 2014 following the delay in the announcement of the 2013 licencing round. The revenue resulted in a significant reduction of the net book value of the library through sales amortisation. Currency effects also resulted in a reduction of the net book value. Fugro made limited investment in multi-client data during the year. This was restricted to concluding data acquisition and processing projects which had already been committed to prior to the transaction with CGG and some reprocessing to enhance sales value of existing data sets. Minor investments, mostly in reprocessing, will continue as market opportunities arise and underwriting levels support.

PRESS RELEASE

COMPOSITION OF SUPERVISORY BOARD AND BOARD OF MANAGEMENT

After twelve years on the Supervisory Board, Mr. Bo Smith will step down at the end of the upcoming annual general meeting (AGM) to be held on 6 May 2014. The Supervisory Board proposes to appoint Mr. Douglas J. Wall as member of the Supervisory Board to succeed Mr. Smith.

Mr. Wall (61) is a US/Canadian citizen and has extensive experience in senior executive positions in the oil and gas services industry where he worked all of his life. Until his retirement he served for five years as President and Chief Executive Officer of Patterson-UTI Energy, a publicly listed company that provides onshore contract drilling and pressure pumping services to support exploration and production of oil and natural gas operators in the US and Canada. Prior to joining Patterson-UTI Energy, Mr. Wall worked for ten years at Baker Hughes, a diversified oilfield services company, where he served as Group President of Completions and Production and gained broad international experience. Before that, he held a variety of executive positions with oilfield services companies in Canada. Mr. Wall was selected because of his background, professional career and his business experience in a global oil and gas services environment. He currently serves on the Board of Directors of Select Energy Services, a privately owned company that provides water solutions and well site services to oilfield operators in the United States and Canada.

At the end of the upcoming AGM, the second term of Mr. Gert-Jan Kramer expires, while at the end of the AGM next year the third four-year term of Mr. John Colligan will expire. In order to maintain sufficient Fugro knowledge and experience in the Supervisory Board during the transition period, the Supervisory Board proposes to reappoint Mr. Gert-Jan Kramer for a two year period as member of the Supervisory Board.

At the end of the upcoming AGM also the four-year term of Mr. Paul van Riel (CEO) expires. The Supervisory Board proposes to reappoint him.

Further details on these (re)appointments will be available in the explanatory notes to the agenda for the AGM on 6 May 2014.

Press call and analyst meeting

At 08.00 hours, Fugro will host a media call. At 13.00 hours Fugro will host an analyst's meeting which can be followed through a videowebcast on www.fugro.com.

The digital version of the Annual Report 2013 is available on this website.

Financial calendar

6 May 2014:	Trading update 1st quarter 2014 (07:00 am CET)
6 May 2014:	Annual General Meeting of Shareholders (14.00 pm CET, Crowne Plaza Den Haag)
8 May 2014:	Quotation ex-dividend
12 May 2014:	Record date dividend entitlement (after trading hours)
15 – 28 May 2014:	Dividend option period (cash or shares)
2 June 2014:	Determination and publication (7:00 CET) of exchange ratio: the dividend entitlement in shares based upon the volume weighted average of the Fugro share on 28, 29 and 30 May
6 June 2014:	Dividend payable
11 August 2014:	Publication of half-year results 2014 (7:00 am CET)
12 November 2014:	Trading update third quarter 2014(07:00 CET)
27 February 2015:	Publication of the 2014 annual results (07:00 CET)
30 April 2015:	Annual General Meeting

PRESS RELEASE

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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.

PRESS RELEASE

APPENDIX 1: PRESENTATION OF RESULTS

Geoscience activities that were divested per 31 January 2013, are reported as discontinued

- Multi-client seismic library was retained by Fugro, but related revenue (EUR 13 million in January 2013, EUR 235 million in 2012 and EUR 156 million in 2011) was reported as discontinued up to and including 31 January 2013. As from 1 February 2013, multi-client revenue is included in continued operations.
- EBIT, net result and cash flow generated by multi-client business are part of continued operations during the entire period.
- For comparison purposes the line 'revenue including multi-client' has been included in the disclosures.
- Without explicit remarks, all figures in this press release relate to continued business and include multi-client revenue.

Change in multi-client accounting policy

- To facilitate comparison with other companies with multi-client business, the book value of the multi-client library is presented as intangible asset rather than as inventory.
- No impact on results.

Allocation corporate expenses and finance income

- Formerly unallocated other corporate expenses and finance income are now allocated over divisions.
- Exact allocation where possible, and remainder based on revenue.

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Appendix 2: **INCOME STATEMENT**, for the year ended 31 December

(EUR x 1,000)	2013	2012
Continuing operations		
Revenue	2,423,971	2,164,996
Third party costs	(1,003,441)	(793,250)
Net revenue own services (revenue less third party costs)	1,420,530	1,371,746
Other income	54,112	14,806
Personnel expenses	(743,143)	(694,537)
Depreciation	(179,036)	(155,619)
Amortisation of software and other intangible assets	(11,382)	(3,125)
Other expenses	(274,061)	(226,647)
Results from operating activities (EBIT)	267,020	306,624
Finance income	20,142	13,972
Finance expenses	(27,126)	(29,039)
Net finance income/(costs)	(6,984)	(15,067)
Share of profit/(loss) of equity accounted investees (net of income tax)	4,937	(1,068)
Profit before income tax	264,973	290,489
Income tax expense	(51,120)	(49,085)
Profit for the period from continuing operations	213,853	241,404
Profit for the period from discontinued operations	204,073	58,210
Profit for the period	417,926	299,614
Attributable to:		
Owners of the Company	428,303	289,745
Non-controlling interests	(10,377)	9,869
Profit for the period	417,926	299,614
Basic earnings per share from continuing and discontinued operations (attributable to owners of the Company during the period)		
From continuing operations (EUR)	2.77	2.89
From discontinued operations (EUR)	2.52	0.72
From profit for the period	5.29	3.61
Diluted earnings per share from continuing and discontinued operations (attributable to owners of the Company during the period)		
From continuing operations (EUR)	2.76	2.86
From discontinued operations (EUR)	2.51	0.72
From profit for the period	5.27	3.58



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INCOME STATEMENT (continued), for the year ended 31 December

(EUR x 1,000)	2013	2012
Profit for the period	417,926	299,614
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Defined benefit plan actuarial gains (losses)	(5,163)	3,800
Total items that will not be reclassified to profit or loss	(5,163)	3,800
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	(207,271)	3,861
Foreign currency translation differences of equity-accounted investees	(333)	36
Net change in fair value of hedge of net investment in foreign operations	26,805	6,235
Net change in fair value of cash flow hedges transferred to profit or loss	626	773
Net change in fair value of available-for-sale financial assets	(95)	353
Net change in translation reserve transferred to profit or loss due to disposal	10,839	-
Total items that may be reclassified subsequently to profit or loss	(169,429)	11,258
Total other comprehensive income for the period (net of tax)	(174,592)	15,058
Total comprehensive income for the period	243,334	314,672
Attributable to:		
Owners of the Company	259,789	305,451
Non-controlling interests	(16,455)	9,221
Total comprehensive income for the period	243,334	314,672
Total comprehensive income attributable to equity shareholders arises from:		
Continuing operations	45,377	244,998
Discontinued operations	214,412	60,453
	259,789	305,451

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Appendix 3: **BALANCE SHEET**, as at 31 December

(EUR x 1,000)	2013	2012	1 January 2012
Assets			
Property, plant and equipment	1,129,920	1,065,873	1,482,981
Intangible assets	1,137,210	1,014,201	1,116,192
Investments in equity-accounted investees	52,659	34,707	1,632
Other investments	150,604	19,337	59,247
Deferred tax assets	49,561	45,221	55,262
Total non-current assets	2,519,954	2,179,339	2,715,314
Inventories	27,583	21,343	31,069
Trade and other receivables	867,535	837,645	884,550
Current tax assets	51,345	27,500	60,278
Cash and cash equivalents	164,185	92,019	170,384
Assets classified as held for sale	-	1,011,870	-
Total current assets	1,110,648	1,990,377	1,146,281
Total assets	3,630,602	4,169,716	3,861,595
Equity			
Share capital	4,228	4,143	4,070
Share premium	431,227	431,312	431,385
Other reserves	(447,888)	(164,565)	(210,809)
Retained earnings	1,609,101	1,396,094	1,143,544
Unappropriated result	428,303	289,745	287,595
Total equity attributable to owners of the Company	2,024,971	1,956,729	1,655,785
Non-controlling interests	85,947	21,640	18,349
Total equity	2,110,918	1,978,369	1,674,134
Liabilities			
Loans and borrowings	689,023	1,166,734	1,215,173
Employee benefits	95,003	89,757	98,320
Provisions	225	1,165	4,215
Deferred tax liabilities	38,231	18,130	13,683
Total non-current liabilities	822,482	1,275,786	1,331,391
Bank overdraft	92,085	221,923	167,810
Loans and borrowings	31,595	10,814	79,776
Trade and other payables	483,690	389,553	512,692
Other taxes and social security changes	41,499	37,501	46,279
Current tax liabilities	48,333	54,239	49,513
Liabilities classified as held for sale	-	201,531	-
Total current liabilities	697,202	915,561	856,070
Total liabilities	1,519,684	2,191,347	2,187,461
Total equity and liabilities	3,630,602	4,169,716	3,861,595

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Appendix 4: CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December

(EUR x 1,000)	2013	2012
Cash flows from continuing operations		
Cash flows from operating activities		
Profit for the period	213,853	241,404
Adjustments for:		
Depreciation	179,037	155,619
Amortisation of intangible assets	11,382	3,125
Amortisation of transactions costs related to loans and borrowings	1,331	1,048
Expensed inventories	32,488	25,263
Amortisation multi-client data libraries	88,029	142,945
Reversal of impairment loss	-	990
Change in allowance for impairment on trade receivables	7,266	3,659
Net finance costs (excluding net foreign exchange variance and net change in fair value of financial assets at fair value through profit or loss)	15,623	17,733
Share of profit of equity-accounted investees	(4,937)	(1,068)
Net change in fair value of financial assets at fair value through profit or loss	(506)	(7,968)
Gain on sale of property, plant and equipment	(2,213)	(3,324)
Equity-settled share-based payments	8,858	13,833
Income tax expense	51,120	49,085
Operating cash flows before changes in working capital and provisions	601,331	642,344
Change in inventories	(36,569)	(48,097)
Change in trade and other receivables	(185,403)	32,256
Change in trade and other payables	84,339	(20,146)
Change in provision and employee benefits	2,223	5,223
Interest paid	(30,848)	(18,646)
Income tax paid	(69,692)	(54,016)
Net cash generated from operating activities	365,381	538,918
Cash flows from investing activities		
Proceeds from sale of the majority of the Geoscience operations	792,762	-
Proceeds from sale of property, plant and equipment	3,832	7,149
Proceeds from sale of other investments	971	61,527
Interest received	6,583	992
Dividends received	2,939	173
Acquisition of other investments	(170)	-
Acquisition of subsidiaries, net of cash acquired	(23,147)	(27,837)
Acquisition of property, plants and equipment	(111,475)	(89,317)
Investments in assets under construction	(141,865)	(168,999)
Acquisition of intangible assets	(6,732)	(6,293)
Additions multi-client data libraries	(48,327)	(259,648)
Internally developed intangible assets	(3,904)	(9,848)
Investment in equity-accounted investees	(158)	(32,358)
Net cash used in investing activities	471,309	(524,459)

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December

	2013	2012
(EUR x 1,000)		
Cash flows from financing activities		
Proceeds from issue of long-term loans	3,093	503
Repurchase of own shares	(133,173)	-
Paid consideration for the exercise of share options	13,106	(17,084)
Proceeds from the sale of own shares	-	51,775
Repayment of borrowings	(435,614)	(111,902)
Dividends paid	(82,599)	(61,814)
Net cash used in financing activities	(635,187)	(138,522)
Change in cash flows from continuing operations	201,503	(124,063)
Cash flows from discontinued operations		
Cash flows from operating activities	(1,011)	38,423
Cash flows from investing activities	--	(78,839)
Cash flows from financing activities	--	21
Change in cash flows from discontinued operations	(1,011)	(40,395)
Net increase/(decrease) in cash and cash equivalents	200,492	(164,458)
Cash and cash equivalents at 1 January	(161,038)	2,574
Cash and cash equivalents transferred (as held for sale)	(13,857)	
Bank overdraft transferred (as held for sale)	44,991	
Effect of exchange rate fluctuations on cash held	1,512	846
Cash and cash equivalents at 31 December	72,100	(161,038)
Presentation in the statement of financial position		
Cash and cash equivalents	164,185	92,019
Bank overdraft	(92,085)	(221,923)
Cash and cash equivalents (as held for sale)	--	13,857
Bank overdraft (as held for sale)	--	(44,991)
	72,100	(161,038)