



Leidschendam, the Netherlands, 22 February 2018

Fugro FY 2017: Results in line with expectations

Oil and gas market stabilising after challenging 2017; growth in other markets

Highlights full year

- Year-on-year revenue decline of 15.7% or 13.2% on a currency comparable basis with low-single digit decline in the fourth quarter. Revenue from non-oil and gas markets increased by 9.4%.
- EBIT margin (excluding exceptional items) decreased to -2.1% mainly due to low utilisation APAC, incidental operational issues and price pressure in the Marine division, and lower activity levels at Seabed Geosolutions. The margin of the Land division improved. EBIT margin for the group was higher in the second half than in the first half year.
- Net cash from operations was EUR 24.4 million and net investments were EUR 74.9 million, resulting in cash flow of -EUR 50.5 million. In the second half year, cash flow was EUR 15.6 million positive.
- Net debt/EBITDA of 1.9, well below covenant requirement of maximum 3.0.
- Backlog for the next 12 months is down 7.3% on a currency and portfolio comparable basis compared to a year ago, and up by 9.1% compared to the third quarter of 2017.
- Outlook 2018: As the oil and gas market is stabilising and other markets are growing, Fugro expects stabilising revenue, an improved EBIT margin and a positive cash flow from operating activities after investments.

Key figures (x EUR million)	Full year 2017	Full year 2016
Revenue	1,497.4	1,775.9
currency comparable growth ¹	(13.2%)	(22.7%)
EBITDA (excluding exceptional items ²)	100.8	189.5
EBIT (excluding exceptional items ²)	(32.1)	8.5
EBIT margin (excluding exceptional items ²)	(2.1%)	0.5%
Net result	(159.9)	(308.9)
Backlog next 12 months	927.8	1,169.6
currency comparable growth ¹	(7.3%)	(11.6%)
Cash flow from operating activities after investments	(50.5)	186.1
Net debt/EBITDA	1.9	1.1

¹ Revenue growth corrected for currency effect; 2017 backlog growth corrected for currency effect and for portfolio changes related to the marine construction & installation activities

² Onerous contract provisions, restructuring cost, impairment losses, and other exceptional items totalling EUR 19.6 million compared to EUR 227.2 million in 2016

Paul van Riel, CEO: *"The year 2017 was the fourth of an exceptionally deep downturn in offshore oil and gas services, our largest market, and we continued to adjust our capacity and costs to market reality. With an organic 9% revenue increase we were successful in growing in our other markets."*

We made good progress with our strategic agenda. We successfully regrouped our survey, geotechnical and subsea activities in two divisions, Land and Marine, and built a more client centric organisation. We have improved our capabilities to deliver integrated service solutions to clients and are now able to better leverage internal synergies. In the fourth quarter we achieved our objective of divesting the non-core marine construction and installation activities.

The number of final investment decisions in our offshore oil and gas market is increasing, which is an early indicator of rising activity levels. Our other markets are expected to grow further as the world economy is strong and our solutions are required to support the energy transition and sustainable urbanisation. Based on these developments we expect our results to improve after a particularly challenging 2017."

Cost reduction and performance improvement measures

At the publication of the first half year results, a set of measures with an annualised contribution to EBITDA of EUR 50 to 70 million was announced. This programme is on track. The most significant measures that have been implemented are:

- Divestment of the marine cable laying and trenching business
- Early termination of long-term charter agreements of two remaining construction and installation vessels
- Significant improvement in the charter terms and conditions of two inspection, repair and maintenance vessels
- Retirement of two old owned vessels in the fourth quarter
- Headcount reduction of 308 employees in the second half year to 10,044 at year-end.

Part of the financial benefit of these measures has been realised in the second half of 2017, though the largest part will contribute to 2018 EBITDA improvement.

Strategy

Since the launch of the Building on Strength strategy in 2014, Fugro has been transformed from a group of locally managed operating companies to an integrated, more efficient organisation. As per 2017, the company is managed through two main divisions, Marine and Land. Both offer integrated services to clients from site characterisation and asset integrity business lines which are uniformly set up across the divisions and regions. Client reactions have been positive to Fugro's improved capabilities to deliver large, integrated, multi-disciplinary projects.

In 2017, Fugro achieved its strategic objective of divesting the installation and construction part of the subsea market. On 30 November, Fugro divested its marine cable laying and trenching assets to Global Marine Holdings, a leading global supplier of subsea cable installation and maintenance services, in return for a 23.6% shareholding. Fugro now participates in a more diversified business in which cable installation services are complemented with long-term telecom cable and windfarm maintenance services and sales of subsea telecom systems. In addition, the long-term charter agreements of the two remaining installation and construction vessels were terminated early.

A key strategic driver for Fugro is to work across different markets, as this improves resilience. In 2017, non-oil and gas revenue increased to 43% of total revenue because of growth in building & infrastructure, renewables, power and nautical markets, and a decline in oil and gas revenue. Fugro targets a balanced market exposure through continued growth in non-oil and gas markets, supported by population growth, urbanisation in coastal areas, energy transition and mitigation of the impact of climate change. At the same time, the company will continue to benefit from its activities in oil and gas which is expected to remain the key source of energy for the coming decades next to the increasing share of renewables to meet global energy demand.

Operational review - second half year

Revenue per division (x EUR million)	2HY 2017	2HY 2016	reported growth	currency comparable growth
Marine	480.1	544.4	(11.8%)	(7.0%)
Land	230.3	257.0	(10.4%)	(4.8%)
Geoscience	12.7	69.6	(81.8%)	(76.3%)
Total	723.1	871.0	(17.0%)	(11.9%)

Revenue decreased by 11.9% on a currency comparable basis, with a 2.8% decline in the fourth quarter.

EBIT per division (x EUR million)	2HY 2017				2HY 2016			
	reported		excluding exceptional items		reported		excluding exceptional items	
	EUR	margin	EUR	margin	EUR	margin	EUR	margin
Marine	(0.1)	(0.0%)	(6.0)	(1.2%)	(54.4)	(10.0%)	3.2	0.6%
Land	9.4	4.1%	9.4	4.1%	(4.3)	(1.7%)	4.0	1.6%
Geoscience	(10.4)	(81.9%)	(10.2)	(80.3%)	(9.7)	(13.9%)	(0.1)	(0.1%)
Total	(1.1)	(0.2%)	(6.8)	(0.9%)	(68.4)	(7.9%)	7.1	0.8%

EBIT margin (excluding exceptional items) was -0.9% compared to 0.8% in the second half of 2016 and -3.3% in the first half of 2017. The EBIT loss of the Marine division was much lower than during the first half (-EUR 6.0 million compared to -EUR 37.3 million) largely as a result of measures to bring costs in line with revenue, including staff cuts and rationalisation of the vessel fleet and office locations, and lower depreciation. The EBIT of the Land division increased largely as the result of improved performance in Europe and reduced losses in Africa. EBIT of Geoscience was impacted by very low utilisation at Seabed Geosolutions in the second half of 2017.

See appendix 4 for a full overview of the exceptional items in the second half of 2017.

Operational review - full year

Revenue per division (x EUR million)	2017	2016	reported growth	currency comparable growth
Marine	947.3	1,096.1	(13.6%)	(11.3%)
Land	476.0	506.8	(6.1%)	(3.0%)
Geoscience	74.1	173.0	(57.2%)	(55.7%)
Total	1,497.4	1,775.9	(15.7%)	(13.2%)

Revenue decreased by 13.2% at constant currencies caused by over-capacity and pricing pressure in the oil and gas market. In 2017, revenue from oil and gas decreased by 16.3% in Marine and 47.3% in Land. Revenue from other markets increased by 9.4%, supported by favourable economic conditions and a few relatively large projects in power and infrastructure.

EBIT per division (x EUR million)	2017				2016			
	reported		excluding exceptional items		reported		excluding exceptional items	
	EUR	margin	EUR	margin	EUR	margin	EUR	margin
Marine	(56.5)	(6.0%)	(43.3)	(4.6%)	(160.9)	(14.7%)	(18.8)	(1.7%)
Land	15.7	3.3%	21.4	4.5%	(20.1)	(4.0%)	6.6	1.3%
Geoscience	(10.9)	(14.7%)	(10.2)	(13.8%)	(37.7)	(21.8%)	20.7	12.0%
Total	(51.7)	(3.5%)	(32.1)	(2.1%)	(218.7)	(12.3%)	8.5	0.5%

EBIT margin (excluding exceptional items) decreased from 0.5% to a loss of 2.1% mainly due to price pressure and incidental operational issues in the Marine division, and a lower activity level at Seabed Geosolutions. EBIT for the Land division was significantly above last year, reflecting improved profitability and a positive one-off of EUR 6.1 million from a contractual settlement.

Exceptional items (X EUR million), full year Gain/ (loss)	Marine	Land	Geoscience	Total
Onerous contract provision	(17.0)	(0.6)	-	(17.6)
Restructuring costs	(5.8)	(5.7)	(0.7)	(12.2)
Other	7.6	2.8	-	10.4
EBITDA impact 2017	(15.2)	(3.5)	(0.7)	(19.4)
Impairments	2.0	(2.2)	-	(0.2)
EBIT impact 2017	(13.2)	(5.7)	(0.7)	(19.6)
EBITDA impact 2016	(15.6)	(12.7)	(6.2)	(34.5)
EBIT impact 2016	(142.1)	(26.7)	(58.4)	(227.2)

EBIT was impacted by exceptional items in total EUR 19.6 million. Key items were:

- Onerous contract provision: mostly fees in connection to the early termination of two long term construction and installation vessel charters
- Restructuring costs
- Other: gain on the proceeds from the sale of an office building in the United Kingdom
- Impairments: reversal of impairments on the divested trenching and cable laying assets, offset by impairments on some specific vessels and equipment.

Financial position

Net cash from operations was EUR 24.4 million and net investments were EUR 74.9 million, resulting in cash flow of -EUR 50.5 million. Working capital was well managed, resulting in a decline in days of revenue outstanding from 92 to 85 days. As a percentage of revenue, working capital was 11.0%.

Net debt increased from EUR 351.0 million to EUR 430.4 million, primarily as the result of the negative cash flow and the exchange rate impact on cash positions.

On 2 November, subordinated convertible bonds were successfully issued with proceeds of EUR 100 million. The proceeds were used for full repayment of the outstanding United States private placement loans, leading to reduced interest expenses and extension of the debt maturity profile.

The debt component of the subordinated convertible bonds and related interest costs are excluded from the covenant ratios, creating additional headroom. The subordinated convertible bonds (EUR 190 million maturing in 2021 and EUR 100 million maturing in 2024) contain a debt component of EUR 243.2 million and an equity component of EUR 37.5 million as at 31 December 2017. This results in a net debt for covenant purposes of EUR 187.2 million as at 31 December 2017.

Fugro is well within its covenants. Net debt/EBITDA was 1.9 at year-end 2017 compared to 2.9 at the end of September and a covenant requirement of maximum 3.0. The fixed charge cover improved to 2.2 compared to 1.9 at the end of September 2017 and a covenant requirement of at least 1.8 as a result of reduced interest and lease expenses.

PRESS RELEASE

In December 2017, after the placement of the EUR 100 million subordinated convertible bonds, the additional covenants agreed with the owner of two geotechnical vessels (following the issue of the EUR 190 million subordinated unsecured convertible bonds in October 2016) were adjusted as follows:

- total net debt excluding the debt component of the EUR 100 million subordinated convertible bonds should not exceed EUR 400 million
- consolidated EBITDA should be at least EUR 90 million (EUR 100 million from the third quarter of 2018 onwards).

Dividend

Due to the negative net result, Fugro will not propose to pay a dividend over the year 2017.

Outlook

The oil and gas market is stabilising. Oil prices have risen to above US\$ 60 per barrel Brent and clients are increasingly taking final investment decisions regarding new offshore field developments. As there is still overcapacity in the market, it is uncertain at what pace the challenging pricing environment in oil field services will improve. In the building & infrastructure and renewables markets Fugro expects continued growth, driven by global economic growth, population growth, urbanisation and an ongoing shift towards renewable energy.

As the oil and gas market is stabilising and other markets are growing, Fugro expects stabilising revenue, an improved EBIT margin and a positive cash flow from operating activities after investments. Capex is expected to be around EUR 80 million.

Operational review per division - full year

Marine division

Key figures (amounts x EUR million)	2017	2016
Revenue	947.3	1,096.1
<i>currency comparable growth (%)¹</i>	<i>(11.3%)</i>	<i>(20.9%)</i>
EBITDA excluding exceptional items	47.8	98.1
EBIT excluding exceptional items	(43.3)	(18.8)
EBIT margin excluding exceptional items (%)	(4.6%)	(1.7%)
EBIT	(56.5)	(160.9)
EBIT margin (%)	(6.0%)	(14.7%)
Capital employed	820.6	974.0
Backlog next 12 months ¹	545.3	719.8
<i>currency comparable growth (%)¹</i>	<i>(7.6%)</i>	<i>(9.8%)</i>
Number of employees (at year-end)	5,053	5,327

¹ Revenue growth corrected for currency effect; 2017 backlog growth corrected for currency effect and for portfolio changes related to the marine construction & installation activities

- Revenue decreased by 11.3% at constant currencies caused by over-capacity and pricing pressure in the oil and gas market.
- EBIT (before exceptional items) declined with EUR 24.5 million to a loss of EUR 43.3 million in a highly competitive market. As reported in the half-year report and third quarter trading update, EBIT was also affected by incidental operational issues and resulting project delays with a total impact of around EUR 15 million.
- EBIT improved from a loss of EUR 37.3 million in the first half to a loss of EUR 6.0 million in the second half, largely due to measures to bring the cost base in line with revenues, including staff cuts and rationalisation of the vessel fleet and office locations.
- During the fourth quarter, the following specific actions to rationalise vessels and equipment were taken:



- Fugro Symphony, two trenchers and two remotely operated vehicles were transferred to Global Marine Holdings as part of the divestment of the construction and installation assets
- The long-term charters for the construction and installation vessels Fugro Saltire (Europe) and Southern Ocean (Asia Pacific) were terminated early
- Bucentaur (geotechnical vessel) was scrapped and Fugro Navigator (geophysical vessel) was sold.
- Revenues for the Site Characterisation business line decreased by 15.2% at constant currencies to EUR 390.0 million. EBIT was strongly negative, mainly due to the adverse impact of the operational issues (notably in Europe), low utilisation in Asia Pacific and price pressure.
- Revenue for the Asset Integrity business line declined by 8.3% at constant currencies to EUR 557.3 million. Due to stronger utilisation in the second half of the year, EBIT recovered to a positive low single digit margin for the full year, compared to a small loss in 2016.
- Significant contract awards in recent months include:
 - A multi-year rig positioning contract from Statoil in the North Sea
 - Two site characterisation contracts awarded by the Norwegian Public Roads Administration related to marine sections of the E39 road project
 - A three-year contract by ONGC for site characterisation surveys offshore India
 - A contract with Ørsted for geotechnical investigations for two large scale offshore wind projects on the East coast of the USA
 - An award by Guangzhou Marine Geological Survey for the fifth offshore gas hydrate investigation since 2007
 - The successful search for the Australian submarine HMAS AE1 which vanished 103 years ago near Papua New Guinea.
- Capital employed declined to EUR 820.6 million compared to 974.0 million, for the most part as a result lower working capital, depreciation and currency translation effect.
- The 12-month backlog increased compared to the previous quarter, for both site characterisation and asset integrity by 9.4% respectively 10.4% on a currency comparable basis excluding the divested non-core construction and installation business. The year-on-year backlog declined by 7.6%.

Land division

Key figures (amounts x EUR million)	2017	2016
Revenue	476.0	506.8
<i>currency comparable growth (%)</i> *	<i>(3.0%)</i>	<i>(8.5%)</i>
EBITDA excluding exceptional items	42.4	29.3
EBIT excluding exceptional items	21.4	6.6
EBIT margin excluding exceptional items (%)	4.5%	1.3%
EBIT	15.7	(20.1)
EBIT margin (%)	3.3%	(4.0%)
Capital employed	218.9	231.2
Backlog next 12 months	273.6	356.4
<i>currency comparable growth (%)</i> *	<i>(17.0%)</i>	<i>(3.0%)</i>
Number of employees (at year-end)	4,804	5,002

- Divisional revenue declined by 3.0% at constant currencies. A 10% growth in non-oil and gas revenue was more than offset by a 47% decline in revenue from oil and gas related activities, which by now are down to only 12% of divisional revenue. EBIT (excluding exceptional items) was significantly above the same period last year, reflecting improved profitability in Europe, Middle East and reduced losses in Africa. It includes a positive one-off operational effect of EUR 6.1 million from a contractual settlement.
- Site Characterisation business line revenue was flat at constant currencies at EUR 370.5 million. The EBIT margin is mid-single digit and higher than last year.
- Asset Integrity business line revenue decreased by 12.5% at constant currencies to EUR 105.5 million mainly as a consequence of reduced oil and gas infrastructure activity. EBIT was breakeven and improved significantly compared to last year.
- Significant project awards in recent months include:

PRESS RELEASE

- Site characterisation contract at a major power generation complex in the Philippines
- Geotechnical site investigation and related consulting work on two major road expansion projects in the United Kingdom
- Five-year framework contract for asset integrity services for an oil and gas operator in the Middle East
- Two large contracts for site investigation and geoconsulting work for a public sector client in Qatar, amongst others in connection to the FIFA World Cup 2022
- Capital employed decreased due to improved cash collection resulting in lower working capital.
- Backlog for the next 12 months is down 17.0% on a currency comparable basis; this decline is spread more or less equally over the two business lines. It is mostly the consequence of the finalisation of a few larger projects (a large nuclear power plant in Europe and the third runway in Hong Kong) and the replacement by more smaller, short-turn around work, which leads to lower backlog visibility. Backlog for the division compared to previous quarter was virtually stable.

Geoscience division

The Geoscience division almost fully consists of Fugro's 60% stake in Seabed Geosolutions (100% consolidated). It also covers some indirect interests in Australian exploration projects, via Finder Exploration.

Key figures (amounts x EUR million)	2017	2016
Revenue	74.1	173.0
<i>currency comparable growth</i>	<i>(55.7%)</i>	<i>(52.4%)</i>
EBITDA (excluding exceptional items)	10.6	62.1
EBIT (excluding exceptional items)	(10.2)	20.7
EBIT margin (excluding exceptional items)	(13.8%)	12.0%
EBIT	(10.9)	(37.7)
EBIT margin	(14.7%)	(21.8%)
Capital employed	144.6	136.0
Backlog next 12 months	108.9	93.4
<i>currency comparable growth</i>	<i>(31.9%)</i>	<i>(41.7%)</i>
Number of employees (at year-end)	187	201

- Revenue declined by 55.7% at constant currencies because of low utilisation, with only two crews active during the first half-year and an idle third quarter. After a permitting delay, the ocean bottom node crew started early December its reservoir monitoring survey at the Lula oil field in Brazil, as a follow up to the first survey on the same location in 2015.
- EBIT was negative due to the low activity levels, partly offset by robust operational project performance and further cost reductions. Last year's EBIT included a positive one-off operational benefit of EUR 11.3 million for the release of a provision in connection to the purchase of the vessel Hugin Explorer.
- Capital employed increased due to higher (less negative) working capital as a consequence of a later start of the Lula project.
- Towards the end of the second quarter of 2018, Seabed Geosolutions is expected to start the industry's largest ever ocean bottom node survey in the Santos Basin in Brazil, using its Manta® technology.
- With the recent introduction of its new Manta® node technology as well as efficiency enhancing technologies, Seabed Geosolutions is well positioned to benefit from a high level of tender activity in almost all key ocean bottom seismic markets with a solid pipeline of large projects.
- The backlog for the next 12 months increased by 31.9% on a currency comparable basis. During the fourth quarter of 2017, Seabed Geosolutions secured OBN projects in West Africa as well as in Trinidad and Tobago, both due to start in the first quarter of 2018.



Press call and analyst meeting

Today at 7:30 CET, Fugro will host a news wire/media call. At 12:30 CET, Fugro will host an analyst meeting in Hilton Amsterdam, Apollolaan 138 in Amsterdam which can be followed as video webcast via www.fugro.com.

For the full-year report 2017 containing more disclosures (incl financial statements), see <https://www.fugro.com/investors/results-and-publications/quarterly-results>

Financial calendar

2 March 2018	Publication annual report
26 April 2018	Publication Q1 2018 trading update
26 April 2018	Annual general meeting of shareholders

Fugro is the world's leading, independent provider of geo-intelligence and asset integrity solutions. Fugro acquires and analyses data on topography and the subsurface, soil composition, meteorological and environmental conditions, and provides related advice. With its geo-intelligence and asset integrity solutions Fugro supports the safe, efficient and sustainable development and operation of buildings, industrial facilities and infrastructure and the exploration and development of natural resources.

Fugro works around the globe, predominantly in energy and infrastructure markets offshore and onshore, employing approximately 10,000 people in 65 countries. In 2017, revenue amounted to EUR 1.5 billion. The company is listed on Euronext Amsterdam.

Regulated information

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

Cautionary statement regarding forward-looking statements

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