

Oil & Gas Market Impacts on Fugro's Marine Division



With a trade update, Fugro has announced that the company is experiencing the start of the fourth consecutive year of an exceptionally deep downturn in the oil & gas services market, resulting in a further decline of oil & gas-related revenue, especially in the Marine division. On the other hand, revenue of the Land division grew, driven by the building & infrastructure and power markets.

The Marine division was the most impacted by the tough oil & gas market conditions, resulting in a negative margin, below last year. The margin of the Land division improved and turned positive due to revenue growth and performance improvement measures. The Geoscience division (Seabed Geosolutions) generated a positive margin, although lower than in the comparable period last year, when revenue was substantially higher.

Positive Effects of New Structure

Fugro started the year operating in its new Marine / Land / Geoscience organisational structure, designed to provide more integrated and cost-effective solutions to its clients. Over 2017 benefits of the reorganisation will continue to accrue by:

- Completing the integration of the inspection, repair and maintenance services coming from the previous Subsea Services division into the new Asset Integrity business line within the Marine division.
- Capturing the synergies from having all marine assets under a single marine division, and, similarly, all land assets under a single land division.
- Implementing further opportunities to standardise and improve operational efficiency.

Clients' reactions on the new organisational set-up have been very positive, as indeed it has strengthened Fugro's ability to more effectively provide integrated geo-intelligence and asset integrity solutions.

Acquisition *REM Etive*

The Marine division has been working successfully on creating a leading position in the growing market for offshore hydrocarbon seep surveys based on its advanced vessels, equipment and know-how. This has resulted in recent awards of key projects in the Gulf of Mexico, Myanmar and Kenya.

Fugro has taken the option to acquire the *REM Etive* vessel, following the two recently awarded multiyear IRM contracts as purchase is significantly more beneficial than charter renewal. This purchase will take place in the second quarter.

4D Ocean Bottom Node Project Completed

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.

The shallow water crew is continuing operations in the United Arab Emirates for ADNOC, while the ocean bottom node crew successfully completed a two-month 4D programme in West Africa.

CEO Paul van Riel commented that the revenue in the building and infrastructure market grew, supported by a strengthening global economy. Fugro is also benefiting from its strong position in the growing offshore wind farm market, which has begun to expand globally from its North Sea nucleus.