

**Markets**

On land, Fugro's major clients are governments, industry and construction companies in local and regional markets. In these markets Fugro holds strong regional positions. At sea, the major clients are oil and gas companies, and offshore contractors that operate in a global market. Fugro has a leading position in offshore survey and offshore geotechnical activities. In other market segments, like mining and precise positioning, Fugro holds leading market positions in niche markets with a large variety of clients.

**Trends**

The world economy has reacted strongly to the financial crisis. The negative effects were felt throughout 2009 and they have spread over many sectors worldwide. Through its position in the international markets in which it operates and the mix of its clients, Fugro was reasonably protected against, but not immune to, the consequences of the worldwide crisis.

**The oil and gas market**

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

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

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

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

Many of the exploration and development activities, especially those related to deepwater projects, take place in the Gulf of Mexico, West Africa and Brazil. Other regions that continue to be very active are the Middle East, the northern part of the North Sea and parts of Asia, India and Australia. There is also a

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continuing interest in detailed reservoir information from existing fields to enable production levels to be maintained for as long as possible, and to extract the maximum volume of available oil and gas.

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

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