FULL-YEAR REPORT

Leidschendam, the Netherlands, 24 February 2017

Fugro FY 2016: Substantial cash flow in continuing challenging oil and gas market

Highlights full year

- Year-on-year revenue decline of 24.8% or 22.7% on a currency comparable basis in line with the market.
- EBIT margin (excluding exceptional items) decreased from 4.8% to 0.5% mainly due to strong price pressure and lower activity levels in the oil and gas market.
- In the second half of the year EUR 75.5 million impairment losses, onerous contract provisions, restructuring costs and other exceptional items incurred, resulting in total of EUR 227.2 million for full year.
- EUR 186.1 million cash flow from operating activities after investments driven by cost savings, improved cash collection, curtailed capital expenditure and proceeds from asset disposals, resulting in significant net debt reduction.
- Proceeds of EUR 190 million subordinated convertible bonds, which are excluded from covenant requirements, were fully used for early repayments on United States private placement notes.
- Net debt/EBITDA of 1.1 versus covenant requirement of below 3.0.
- Backlog for the next 12 months down 11.6% on a currency comparable basis compared to a year ago and up by 7.3% compared to the third quarter of 2016.
- Outlook 2017: For the first half of the year, Fugro expects further significant decline in revenue, however less severe than in 2016, with ongoing margin pressure. Revenue decline bottoming out towards the latter part of the year. Positive cash flow for the full year.

Key figures (x EUR million)	**Full year 2016**	**Full year 2015**
Revenue	1,775.9	2,363.0
currency comparable growth	*(22.7%)*	(17.3%)
EBITDA (excluding exceptional items[1])	189.5	353.0
EBIT (excluding exceptional items[1])	8.5	113.1
EBIT margin (excluding exceptional items[1])	0.5%	4.8%
Net result	(308.9)	(372.5)
Backlog next 12 months	1,169.6	1,323.4
currency comparable growth	*(11.6%)*	(20.4%)
Cash flow from operating activities after investments	186.1	314.7
Net debt/EBITDA	1.1	1.6

[1] Impairment losses, onerous contract provisions, restructuring cost and other exceptional items totalling EUR 227.2 million in 2016 compared to EUR 363.0 million in 2015

Paul van Riel, CEO: "*The downturn in our largest market, oil and gas services, continued unabated in 2016. We had to take the painful decision to cut yet more staff positions. We reduced capacity and cost and at the same time we succeeded in strengthening our market positions. This could however not offset increased price pressure. In our building and infrastructure and power market segments we achieved reasonable results. Our focus on cash flow again paid off. We generated substantial cash flow resulting in a significant reduction of net debt.*

We took an important step forward in our Building on Strength strategy and regrouped our geotechnical, survey and subsea services activities into a Marine and a Land division with two business lines per division: Site Characterisation and Asset Integrity. This strongly improves our ability to deliver large, integrated service offerings to our clients across all markets, and positively impacts the efficiency of our organisation and utilisation of our assets.

We anticipate that, for the first half of 2017, the offshore oil and gas market will continue to decline significantly. Both the stabilisation of our backlog over the last few months and clear signs that pressure on the oil supply side is beginning to build, indicate that our market may bottom out towards year end."

Cost reduction and performance improvement measures

Fugro implemented the following measures:

- Ongoing restructuring ahead of plan with a reduction in the year of 1,430 employees.
- Third party expenses related to vessel charters, subcontractors and other operational costs were reduced by 27.0% or 24.2% on a currency comparable basis, somewhat more than the revenue decline.
- The active fleet was reduced by 5 vessels.
- Capital expenditure was reduced to EUR 92.5 million compared to EUR 160.5 million in 2015.

As these measures were implemented throughout the year, a material part of the related cost benefits will be realised in 2017. In addition, Fugro will take additional measures as required by market conditions.

Strategy

Next to the ongoing restructuring, Fugro continues to implement its ‘Building on Strength’ strategy:

- As market leader, Fugro is uniquely positioned to meet clients’ increasing demand for integrated services. To better and more effectively serve our clients, we decided to regroup the geotechnical, survey and subsea services activities into Marine and Land divisions, with each division having two business lines: Site Characterisation and Asset Integrity.
  Fugro provides integrated site characterisation services to determine ground and environmental conditions of building sites, to support the planning and design of new constructions and infrastructure. In addition, characterisation services are provided to support the development of natural resources. Asset integrity services encompass inspection and monitoring of the condition of existing constructions and infrastructure and provision of related maintenance services.
- The company reviewed its portfolio based on the scope of the new business lines and divisions and the current difficult oil and gas services market, and has decided to:
  - Retain the inspection, repair and maintenance services across the Subsea Services division to integrate into the new Asset Integrity business line within the Marine division. For the installation and construction activities Fugro will continue to pursue partnerships or divestment, as these do not fit its strategy of providing asset integrity solutions.
  - Retain the Fugro Synergy and optimise her for geotechnical operations.
  - Continue to be open to opportunities to reduce its stake in Seabed Geosolutions or enter into an extended partnership. Seabed is investing to benefit from a growing seabed geophysical market mainly focused on oil and gas development and production. At the same time, Fugro is leveraging synergies with its marine activities related to the deployment of nodes from remotely operated vehicles.
- As part of forming the new divisions, Fugro is merging operating companies into country organisations. This supports organisational and legal entity simplification by reducing the number of legal entities and consolidation of support functions into shared service centres. This is resulting in cost efficiencies and improves the quality of internal processes.

Operational review - second half year

Highlights second half year

- Revenue decreased by 20.8% on a currency comparable basis, mainly due to Seabed Geosolutions and Survey.
- EBIT margin (excluding exceptional items) of 0.8% compared to 3.8% in the second half of 2015.
- Exceptional items of EUR 75.5 million of which EUR 56.0 million impairments and EUR 13.5 million restructuring costs.
- EUR 119.3 million cash flow from operating activities after investments as a result of improved cash collection and curtailed capital investments.

Revenue per division (x EUR million)	**2HY 2016**	**2HY 2015**	**reported growth**	**currency comparable growth**
Geotechnical	326.0	358.2	(9.0%)	(6.0%)
Survey	305.6	416.3	(26.6%)	(25.6%)
Subsea Services	169.8	184.6	(8.0%)	(4.9%)
Geoscience	69.6	166.2	(58.1%)	(58.2%)
of which Seabed Geosolutions	*69.6*	*166.1*	*(58.1%)*	*(58.2%)*
of which other	-	*0.1*		
Total	**871.0**	**1,125.3**	**(22.6%)**	**(20.8%)**

Total revenue decreased by 20.8% on a currency comparable basis. All divisions reported a decline in revenues, primarily caused by lower investments and operational spending by oil companies, resulting in lower work volumes and price pressure. The decline was in particular notable in Seabed Geosolutions with the idleness of the two ocean bottom cable crews during the entire period, and in the Survey division. Revenue from power (offshore wind farms) was up while revenue from other non-oil and gas markets such as building and infrastructure and mining was broadly in line with last year.

EBIT per division (x EUR million)	**2HY 2016**				**2HY 2015**			
	reported		**excluding exceptional items**		**reported**		**excluding exceptional items**	
	EUR	**margin**	**EUR**	**margin**	**EUR**	**margin**	**EUR**	**margin**
Geotechnical	(23.7)	(7.3%)	14.5	4.4%	(44.0)	(12.3%)	18.9	5.3%
Survey	(6.7)	(2.2%)	5.1	1.7%	29.9	7.2%	37.3	9.0%
Subsea Services	(28.3)	(16.7%)	(12.4)	(7.3%)	(288.3)	(156.2%)	(21.6)	(11.7%)
Geoscience	(9.7)	(13.9%)	(0.1)	(0.1%)	8.1	4.9%	8.1	4.9%
of which Seabed Geosolutions	*(4.8)*	*(6.9%)*	*(3.8)*	*(5.5%)*	*13.4*	*8.1%*	*8.6*	*5.2%*
of which other	*(4.9)*		*3.7*		*(5.3)*		*(0.5)*	
Total	**(68.4)**	**(7.9%)**	**7.1**	**0.8%**	**(294.3)**	**(26.2%)**	**42.7**	**3.8%**

EBIT margin (excluding exceptional items) was 0.8% compared to 3.8% in the second half of 2015. The survey activities were particularly impacted by the combination of reduced work volumes and strong price pressure in all regions. At Subsea Services, the improvement was mainly the result of higher utilisation and cost measures in Europe. EBIT of Seabed Geosolutions was impacted by low utilisation in the fourth quarter.

Further cost reduction measures were implemented in all divisions, with benefits further materialising in 2017. The positive contribution of Other Geoscience was caused by the reversal of unused tax provisions for activities divested in 2013.

Exceptional items of EUR 75.5 million were recorded of which EUR 56.0 million were non-cash impairments. The non-cash impairments were mostly related to two geotechnical vessels and geotechnical equipment, and a subsea vessel. Fugro recorded EUR 19.5 million other exceptional items, including EUR 13.5 million restructuring costs. See appendix 4 for a full overview of the exceptional items in the second half of 2016.

Operational review - full year

Revenue per division (x EUR million)	**2016**	**2015**	**reported growth**	**currency comparable growth**
Geotechnical	640.6	740.4	(13.5%)	(11.1%)
Survey	638.8	835.8	(23.6%)	(21.6%)
Subsea Services	323.5	423.6	(23.6%)	(19.8%)
Geoscience	173.0	363.2	(52.4%)	(52.4%)
of which Seabed Geosolutions	*173.0*	*343.8*	*(49.7%)*	*(49.7%)*
of which other [1]	-	*19.4*	*(100.0%)*	*(100.0%)*
Total	**1,775.9**	**2,363.0**	**(24.8%)**	**(22.7%)**

[1] mainly relates to multi-client data library, which was sold per 30 June 2015

The revenue for the Survey division was well below last year mainly due to less construction support activity, a lower number of subscriptions for positioning services and pressure on rates for geophysical work. Subsea Services' revenue declined in the North Sea and Asia Pacific markets, but grew in Brazil. The decline in revenue in Seabed Geosolutions was mainly driven by the idleness of two ocean bottom cable crews throughout the year. Last year included EUR 19.4 million multi-client data library revenues (Geoscience division), which was divested in June 2015.

EBIT per division (x EUR million)	**2016**				**2015**			
	Reported		**excluding exceptional items**		**reported**		**excluding exceptional items**	
	EUR	**Margin**	**EUR**	**margin**	**EUR**	**margin**	**EUR**	**margin**
Geotechnical	(90.1)	(14.1%)	19.5	3.0%	(33.9)	(4.6%)	32.7	4.4%
Survey	(2.8)	(0.4%)	11.7	1.8%	79.0	9.5%	89.6	10.7%
Subsea Services	(88.1)	(27.2%)	(43.4)	(13.4%)	(289.7)	(68.4%)	(31.0)	(7.3%)
Geoscience	(37.7)	(21.8%)	20.7	12.0%	(5.3)	(1.5%)	21.8	6.0%
of which Seabed Geosolutions	*(12.6)*	*(7.3%)*	*17.2*	*9.9%*	*40.5*	*11.8%*	*23.1*	*6.7%*
of which other	*(25.1)*		*3.5*		(45.8)	(236.1%)	(1.3)	(6.7%)
Total	**(218.7)**	**(12.3%)**	**8.5**	**0.5%**	**(249.9)**	**(10.6%)**	**113.1**	**4.8%**

EBIT margin (excluding exceptional items) was slightly above break-even with losses in Subsea Services and a positive margin in the other divisions. Compared to last year, EBIT of all divisions declined as the ongoing reduction in activity levels and pricing could not be offset by cost saving measures.

Exceptional items (x EUR million), Full year							
Gain/ (loss)	**Geotechnical**	**Survey**	**Subsea**	**Geoscience**	*Of which Seabed Geosolutions*	*Of which other*	**Total**
Onerous contract provision	(0.4)	(0.9)	(1.0)	8.4	*8.4*	-	**6.1**
Restructuring costs	(7.3)	(8.7)	(3.4)	(2.6)	*(2.6)*	-	**(22.0)**
Other	(4.5)	(1.4)	(0.7)	(12.0)	-	*(12.0)*	**(18.6)**
EBITDA impact 2016	**(12.2)**	**(11.0)**	**(5.1)**	**(6.2)**	***5.8***	***(12.0)***	**(34.5)**
Impairments	(97.4)	(3.5)	(39.6)	(52.2)	*(35.6)*	*(16.6)*	**(192.7)**
EBIT impact 2016	**(109.6)**	**(14.5)**	**(44.7)**	**(58.4)**	***(29.8)***	***(28.6)***	**(227.2)**
EBITDA impact 2015	(6.2)	(6.9)	(3.9)	17.3	18.4	(1.1)	0.3
EBIT impact 2015	(66.6)	(10.6)	(258.7)	(27.1)	17.4	(44.5)	(363.0)

EBIT was strongly impacted by a number of exceptional items of in total EUR 227.2 million. Key items are:

- Restructuring costs were mostly incurred for companywide headcount reductions.
- Other relates primarily to the transaction loss of EUR 12.0 million on the sale of the CGG term loan.
- Non-cash impairments include EUR 75.2 million goodwill & intangibles and EUR 117.5 million property plant & equipment with as main items two geotechnical vessels, two subsea vessels and some offshore geotechnical and seismic equipment.

Financial position

Cash flow from operating activities after investments was healthy at EUR 186.1 million driven by cost savings, improved cash collection, curtailed capital expenditure and proceeds from asset disposals. Compared to EUR 160.5 million last year, capital expenditure was contained to EUR 92.5 million. The sale and lease back of a geotechnical vessel and the sale of the CGG term loan, both in the first half year, resulted in combined proceeds of EUR 111.1 million.

In the fourth quarter, subordinated convertible bonds were successfully placed with total proceeds of EUR 190 million. The proceeds were fully used for early repayment of part of the United States private placement notes (USPP), resulting in reduced interest expense. The related bond amount and related interest costs are excluded from the covenant ratios, creating additional headroom.

Net debt was reduced from EUR 534.7 million to EUR 351.1 million, primarily as a result of the positive cash flow. The subordinated convertible bonds contain a debt component of EUR 153.9 million and an equity component of EUR 34.5 million before tax. This results in a net debt for covenant reporting purposes of EUR 198.4 million.

Net debt/EBITDA was 1.1, compared to 1.8 at the end of September 2016 and a covenant requirement of below 3.0. The fixed charge cover was 2.4 compared to 2.6 at the end of September 2016 and a covenant requirement of above 1.8.

Dividend

Due to the negative net result, Fugro will not propose to pay a dividend over the year 2016.

Outlook

During the first half of 2017, the market for offshore related oil and gas services is expected to show a further significant decline. Towards the latter part of the year it is expected to bottom out as oil and gas companies move from a cost savings mode to cautious preparations for new investments. This expectation is supported by the stabilisation in Fugro's backlog during the second half of 2016.

In line with market developments, Fugro expects a further significant decline of its revenue for the first half of the year, however less severe than in 2016, and ongoing pressure on margins. Towards the latter part of the year Fugro anticipates a bottoming out of the revenue decline. For the full year, we expect a positive cash flow. Capex will be around EUR 100 million.

Until the oil and gas market recovers, the company will continue to adjust its resources and cost base in line with activity levels.

In the building & infrastructure, offshore wind and mining markets, Fugro expects modest growth.

Operational review per division - full year

Geotechnical division

Key figures (amounts x EUR million)	**2016**	**2015**
Revenue	640.6	740.4
reported growth	*(13.5%)*	(4.5%)
currency comparable growth	*(11.1%)*	(14.0%)
EBITDA (excluding exceptional items)	59.7	85.3
EBIT (excluding exceptional items)	19.5	32.7
EBIT margin (excluding exceptional items)	3.0%	4.4%
EBIT	(90.1)	(33.9)
EBIT margin	(14.1%)	(4.6%)
Capital employed	433.5	626.5
Backlog next 12 months	395.6	435.1
Number of employees (at year-end)	4,997	5,491

- Onshore revenue decreased by 6.2% at constant currencies to EUR 430.4 million, primarily due to investment cut-backs in the oil and gas sector. The resulting decline was partially offset by power plant projects in the UK, infrastructure projects in the Netherlands and the Hong Kong Airport runway expansion.
- Offshore revenue decreased by 19.8% at constant currencies to EUR 210.2 million, particularly in the Americas and Europe. The reduction in oil and gas revenues was partly offset by site investigation work on offshore wind farms in North West Europe and the first wind farm developments in the USA and Taiwan.
- Onshore EBIT margin (excluding exceptional items) improved slightly due to a solid operational performance in APAC, Middle East and India. Losses in Africa were reduced while the restructuring is still ongoing.
- Offshore EBIT margin (excluding exceptional items) declined to low-single digit figures caused by price pressure and lower vessel utilisation despite the ongoing high market share.
- EBIT was adversely impacted by EUR 109.6 million of exceptional items primarily relating to impairments on the Fugro Synergy and Fugro Adventurer vessels, the seafloor drills and goodwill related to onshore activities in Africa and to restructuring costs.
- Progress of performance improvement and cost reduction measures:
  - The Fugro Synergy has been repurposed for geotechnical drilling/coring activities and commenced work on a wind farm project off the Dutch coast in January 2017.
  - The headcount was reduced by 494 (- 9%).
  - Third party costs were reduced by EUR 40 million or 17%.

- Noteworthy projects during the year included Fugro's fourth site investigation into gas hydrate bearing sediments for the Guangzhou Marine Geological Survey in the South China Sea, a major offshore site characterisation project for India's national oil and gas company ONGC, a large number of international wind farm projects, and site investigations for "The Tower" in Dubai and Hong Kong International Airport.
- Recent awards include a 2-year materials testing contract awarded by Hong Kong Housing Authority, two automated pavement condition road surveys in Canada and the USA and a large mining project in Pakistan. Recently awarded oil and gas projects comprise marine site characterisation work for Exxon in Guyana.
- Several new technologies were launched in 2016, among others for improved geotechnical data collection and road monitoring.
- Backlog for the next 12 months shows a decline of 7.8% on a currency comparable basis, compared to the end of 2015. Onshore backlog increased by 1.0% to EUR 301.4 million, while the offshore backlog declined by 28.3% to EUR 94.2 million.

Survey division

Key figures (amounts x EUR million)	**2016**	**2015**
Revenue	638.8	835.8
reported growth	*(23.6%)*	(5.9%)
currency comparable growth	*(21.6%)*	(13.5%)
EBITDA (excluding exceptional items)	67.5	160.8
EBIT (excluding exceptional items)	11.7	89.6
EBIT margin (excluding exceptional items)	1.8%	10.7%
EBIT	(2.8)	79.0
EBIT margin	(0.4%)	9.5%
Capital employed	518.3	590.1
Backlog next 12 months	439.7	473.1
Number of employees (at year-end)	3,798	4.392

- The revenue for the Survey division was well below last year mainly due to less construction support activity, a lower number of subscriptions for positioning services and pressure on rates for geophysical work, due to the excess capacity in the market. Survey has strengthened its market position.
- Activity levels outside of oil and gas increased, mostly in renewables.
- Cost reduction measures did offset the lower activity level but were not sufficient to also compensate for price pressure, resulting in a strong decrease in EBIT. Reported EBIT includes exceptional costs of EUR 14.5 million primarily related to restructuring measures.
- Cost reduction measures included:
  - A reduction in the survey fleet to 18 vessels by retiring 3 vessels, in order to take capacity out of the market.
  - Further headcount reductions of 594 FTE (-14%).
  - Third party cost reductions of EUR 47.0 million (-17%).
- The search for the Malaysia Airlines MH370 aircraft (recently suspended) was one of the main projects during 2016. The year also witnessed an increase in hydrocarbon seep surveys, particularly in the Americas and Asia Pacific and geophysical work for offshore wind farms. A significant offshore survey and positioning contract at Total's Kaombo oil development offshore Angola commenced during 2016.
- Notable recent project awards include a 3-year positioning services contract plus 1-year metocean data collection contract in Brazil, a 1-year contract to conduct marine environmental measurements in connection with the planned upgrade of the coastal highway in Norway, a number of offshore wind farm projects and seep surveys in the Americas, Asia Pacific and Africa regions.
- Several new technologies were launched in 2016, among others for unexploded ordnance detection, positioning services and vertical placement of large structures.
- On a currency comparable basis, the backlog for the year ahead is down by 7.9% compared to the end of 2015. Compared to the previous quarter, it increased by 11.9%.

Subsea Services division

Key figures (amounts x EUR million)	2016	2015
Revenue	323.5	423.6
reported growth	*(23.6%)*	(30.4%)
currency comparable growth	*(19.8%)*	(36.5%)
EBITDA (excluding exceptional items)	0.2	20.8
EBIT (excluding exceptional items)	(43.4)	(31.0)
EBIT margin (excluding exceptional items)	(13.4%)	(7.3%)
EBIT	(88.1)	(289.7)
EBIT margin	(27.2%)	(68.4%)
Capital employed	253.4	298.2
Backlog next 12 months	240.9	260.0
Number of employees (at year-end)	1,299	1,566

- Revenue decreased by 19.8% at constant currencies, particularly in the North Sea and Asia Pacific regions, while revenues grew marginally in Brazil, Middle East and India.
- The decline in revenue in combination with high operating leverage, led to an increased EBIT loss (excluding exceptional items). Europe and Asia Pacific were loss-making while Brazil generated a positive EBIT reflecting reasonable vessel utilisation and good operational performance.
- EBIT for the division was negatively impacted by EUR 44.7 million of exceptional items mainly caused by impairment charges on goodwill for the division and on two construction support vessels.
- In 2016, measures taken were:
  - The active subsea services fleet was reduced by 2 long term charters. A number of older ROVs were retired, bringing the total number to 125.
  - Following two recently awarded multi-year IRM contracts in Asia Pacific, Fugro has decided to acquire one of these vessels, REM Etive, at conditions significantly more beneficial than a renewed charter agreement.
  - The divisions headcount was reduced by 267 FTE (-17%).
  - Third party costs were reduced by EUR 30.0 million (-15%).
- In Brazil, 7 subsea vessels were active at the end of 2016, compared to 9 a year earlier. These consisted of 6 vessels on tripartite contracts plus the Fugro Aquarius. In the course of 2016, four tripartite contracts were renewed and three ended.
- Noteworthy projects during the year included Rampion wind farm project, IRM work for Petrobras (multiple vessels), deep water ROV drill support for Total and an installation and support project for BHP Billiton.
- Recent project awards include a five year IRM contract with INPEX in the Timor Sea, another three year framework agreement for similar IRM services in Asia Pacific, further trenching work in the North Sea and expansion of the work scope for deep water drill support offshore Congo.
- At year-end, the backlog for the next 12 months was 6.8% lower on a currency comparable basis compared to the end of 2015.

Geoscience division

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

Seabed Geosolutions

Key figures (amounts x EUR million)	2016	2015
Revenue	173.0	343.8
reported growth	*(49.7%)*	52.7%
currency comparable growth	*(49.7%)*	27.2%
EBITDA (excluding exceptional items)	58.5	69.3
EBIT (excluding exceptional items)	17.2	23.1
EBIT margin (excluding exceptional items)	9.9%	6.7%
EBIT	(12.6)	40.5
EBIT margin	(7.3%)	11.8%
Capital employed	132.8	174.6
Backlog next 12 months	93.4	155.2
Number of employees (at year-end)	200	261

- Revenue decreased by 49.7% at constant currencies, driven by idleness of the two ocean bottom cable crews.
- Seabed Geosolutions' other two crews were active throughout the year with the shallow water crew working continuously in the United Arab Emirates for ADNOC, while the ocean bottom node crew was active in Australia and the North Sea before mobilising at year-end for West Africa.
- In a slow market affected by project delays, Seabed Geosolutions maintained its leadership position, while protecting margins and cash generation.
- Seabed Geosolutions implemented strong cost measures resulting in a reduction of 61 FTE (23%) and non-project related costs by 20%.
- EBIT (excluding exceptional items) includes a one-off operational benefit of EUR 11.3 million. This one-off is the result of the conversion of the charter agreement for the Hugin Explorer vessel into a lease and purchase agreement in the first half of 2016. The terms of this transaction will improve Seabed Geosolutions long term competitiveness while providing access to a vessel well suited for future technology developments.
- EBIT was adversely impacted by exceptional items for an amount of EUR 29.8 million primarily related to impairments on goodwill and equipment in the first half of the year, partially compensated by the reversal of an onerous contract provision.
- The backlog for the next 12 months decreased by 41.7% at constant currencies compared to the end of 2015. Whereas 2017 will be another complex year for the ocean bottom seismic services market, there is a growing project pipeline in all key regions, especially on the 4D market. With the introduction of the Manta™ node technology and the deployment of additional efficiency enhancing solutions, Seabed Geosolutions is well positioned for those opportunities.

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.

Financial calendar

3 March 2017	Publication annual report
2 May 2017	Publication Q1 2017 trading update
2 May 2017	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 10,500 people in around 60 countries. In 2016, revenue amounted to EUR 1.8 billion. The company is listed on Euronext Amsterdam.

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.

HIGHLIGHTS INCOME STATEMENT

Net result

Result (x EUR million)	2016	2015
EBIT	**(218.7)**	**(249.9)**
Net finance costs	(70.9)	(47.0)
Share of profit/ (loss) in equity accounted investees	(2.2)	7.8
Income tax gain/ (expense)	(9.2)	(69.6)
(Gain)/ loss on non-controlling interests	(7.9)	(13.8)
Net result	**(308.9)**	**(372.5)**

Finance income/ (costs)

Finance income/ (costs) (x EUR million)	2016	2015
Interest income	8.9	6.5
Dividend income on financial assets	0.0	0.9
Exchange rate variances	-	10.2
Finance income	**8.9**	**17.6**
Interest expenses	(65.0)	(62.0)
Net change in fair value of financial assets	(0.3)	(2.6)
Exchange rate variances	(14.5)	-
Finance expenses	**(79.8)**	**(64.6)**
Net finance income costs	**(70.9)**	**(47.0)**

Interest expense amounts to EUR 65.0 million. This includes EUR 39.7 million interest on outstanding loans and EUR 25.3 million expenses for a large part related to accelerated amortisation of capitalised transaction fees due to early repayments on the US private placement loans. Excluding amortisation, interest expenses decreased by EUR 14.8 million mainly as a result of a lower average outstanding debt in 2016.

The negative exchange rate variances of EUR 14.5 million relate for the most part to the devaluation of monetary assets denominated in Angolan Kwanza and Egyptian Pound.

Share of profit/ (loss) of equity accounted investees

The loss in equity accounted investees of EUR 2.2 million (net of tax) was caused by a loss in the joint venture with China Oilfield Services Limited and other joint ventures, partially offset by the profit generated in a joint venture in Iraq.

Income tax gain/ (expense)

Tax (x EUR million)	2016	2015
Tax excluding exceptional items	(13.2)	(83.1)
Tax on exceptional items	4.0	13.5
Total tax	**(9.2)**	**(69.6)**

Income tax expense was driven by taxable profits in certain countries. In addition, in a number of jurisdictions no deferred tax assets were recognised for current year tax losses and previously recognised deferred tax assets were partially written down because of recoverability risk. The goodwill impairments were not tax deductible.

(Gain)/loss on non-controlling interests

The gain attributable to non-controlling interests was EUR 7.9 million and mostly the result of the profit of a subsidiary in the Middle East. The gain last year of EUR 13.8 million included a higher contribution from profits of Seabed Geosolutions, in which CGG has a 40% interest.

HIGHLIGHTS BALANCE SHEET AND CASH FLOW

Goodwill and other intangible assets

Goodwill

Goodwill decreased by EUR 52.7 million to EUR 343.9 million. Of this decrease, EUR 51.1 million is related to impairments and EUR 1.6 million to foreign currency translation differences.

Other intangible assets

Other intangible assets decreased by EUR 20.5 million to EUR 49.6 million, fully caused by impairments for a total amount of EUR 24.1 million on the profit sharing agreement with Finder and on a geotechnical software application. The remaining value of the indirect interests in Australian exploration projects, via Finder Exploration, is EUR 20.5 million.

Working capital

Working capital (x EUR million)	**2016**	**2015**
Working capital	192.9	282.3
Working capital as % of last 12 months revenue	10.9%	11.9%
Inventories	*22.1*	29.6
Trade and other receivables	*546.2*	755.9
Trade and other payables	*(375.4)*	(503.2)
Days revenue outstanding (DRO)	92	102

Working capital as a percentage of revenue decreased from 11.9% to 10.9%. Fugro managed to achieve 10 days improvement in days of revenue outstanding as a result of improved billing performance. The year-on-year revenue decline in the fourth quarter of 22.8% was the other main reason for the declining trade receivables.

Return on capital employed

(x EUR million)	**2016**	**2015**
Capital employed	1,341.2	1,689.7
Return on capital employed, ROCE (%)[1]	(0.7%)	3.9%

[1] ROCE is excluding exceptional items; NOPAT last 12 months (applying domestic weighted average tax rate); capital employed the average of last three reporting periods

The decrease in capital employed is the result of non-cash impairments, the working capital reduction, sale and lease back of a geotechnical vessel and the fact that capex was significantly below depreciation plus amortisation. The return on capital employed was below last year due to reduced EBIT.

Capital expenditure

Capital expenditure (x EUR million)	**2016**	**2015**
Maintenance capex	33.2	69.5
Other capex (including assets under construction)	59.3	91.0
Total capex	**92.5**	**160.5**

Capital expenditure was reduced from EUR 160.5 million to EUR 92.5 million as a result of strict capex curtailment. The capex spend included a non-cash amount of EUR 23.9 million for the investment in the Hugin vessel for Seabed Geosolutions. This vessel was previously chartered and the total cash out under this new lease and purchase agreement is similar to the previous operational lease agreement, whilst Seabed has now become the owner of the vessel. Cash outflow was therefore EUR 68.6 million.
Other capital expenditure was almost entirely for asset maintenance and project equipment. Currently one survey vessel is under construction, with expected delivery in the second quarter of 2017.

Cash flow

Cash flow (x EUR million)	2016	2015
Cash flow from operating activities	130.8	324.9
Cash flow from investing activities	55.3	(10.2)
Cash flow from operating activities after investments	**186.1**	**314.7**
Cash flow used in financing activities	(228.0)	(196.2)
Net cash movement	**(41.9)**	**118.5**

Improved working capital management, in particular cash collection, resulted in cash flow from operating activities of EUR 130.8 million.

Cash flow from investing activities was EUR 55.3 million positive and included the proceeds from the sale of the CGG term loan (EUR 62.5 million) and the sale and leaseback of a geotechnical vessel (EUR 48.6 million). Last year’s cash flow also included proceeds from the sale and leaseback of a geotechnical vessel and proceeds from the divestment of the multi-client data library, but also a significantly higher level of capital expenditures and investments in intangible assets.

Cash flow used in financing activities was negative EUR 228.0 million mainly due to the repayments on the US private placement notes.

Appendix 1: Consolidated statement of comprehensive income

(EUR x million)		
	2016	2015
Revenue	**1,775.9**	**2,363.0**
Third party costs	(678.8)	(918.4)
Net revenue own services (revenue less third party costs)	**1,097.1**	**1,444.6**
Other income	30.4	16.1
Personnel expenses	(694.4)	(809.1)
Depreciation	(172.4)	(212.5)
Amortisation	(8.6)	(27.4)
Impairments	(192.7)	(363.3)
Other expenses	(278.1)	(298.3)
Results from operating activities (EBIT)	**(218.7)**	**(249.9)**
Finance income	8.9	17.6
Finance expenses	(79.8)	(64.6)
Net finance income/(costs)	(70.9)	(47.0)
Share of profit/(loss) of equity-accounted investees (net of income tax)	(2.2)	7.8
Profit before income tax	**(291.8)**	**(289.1)**
Income tax (expense)/gain	(9.2)	(69.6)
Profit/(loss) for the period	**(301.0)**	**(358.7)**
Attributable to owners of the company (net result)	(308.9)	(372.5)
Attributable to non-controlling interests	7.9	13.8
Earnings per share from operations (attributable to owners of the company for the period)		
Basic and diluted earnings per share (EUR)	(3.82)	(4.60)
Profit/(loss) for the period	**(301.0)**	**(358.7)**
Other comprehensive income		
Defined benefit plan actuarial gains/(losses)	(14.1)	9.0
Total items that will not be reclassified to profit or loss	**(14.1)**	**9.0**
Foreign currency translation differences of foreign operations	26.9	118.8
Foreign currency translation differences of equity-accounted investees	(1.4)	4.2
Net change in fair value of hedge of net investment in foreign operations	5.1	(81.4)
Net change in fair value of cash flow hedges transferred to profit or loss	0.3	0.5
Net changes in translation reserve transferred to profit or loss due to disposal	-	(8.3)
Net change in fair value of available-for-sale financial assets	-	-
Total items that may be reclassified subsequently to profit or loss	**30.9**	**33.8**
Total other comprehensive income for the period (net of tax)	**16.8**	**42.8**
Total comprehensive income/(loss) for the period	**(284.2)**	**(315.9)**
Attributable to owners of the company	(295.4)	(329.4)
Attributable to non-controlling interests	11.2	13.5
Total comprehensive income/(loss) for the period	**(284.2)**	**(315.9)**

Appendix 2: Consolidated statement of financial position

(EUR x million)	31 December 2016	31 December 2015
Assets		
Property, plant and equipment	806.0	986.6
Intangible assets	393.5	466.6
Investments in equity-accounted investees	20.1	29.6
Other investments	33.7	98.4
Deferred tax assets	80.6	88.4
Total non-current assets	**1,333.9**	**1,669.6**
Inventories	22.1	29.6
Trade and other receivables	546.2	755.9
Current tax assets	22.7	20.1
Cash and cash equivalents	248.5	305.0
Assets classified as held for sale	1.0	61.0
Total current assets	**840.5**	**1,171.6**
Total assets	**2,174.4**	**2,841,2**
Equity		
Share capital	4.2	4.2
Share premium	431.2	431.2
Other reserves	(349.1)	(402.3)
Retained earnings	1,157.4	1,537.1
Unappropriated result	(308.9)	(372.5)
Total equity attributable to owners of the company	**934.8**	**1,197.7**
Non-controlling interests	55.3	36.7
Total equity	**990.1**	**1,234.4**
Liabilities		
Loans and borrowings	573.5	728.1
Employee benefits	95.5	91.4
Provisions for other liabilities and charges	26.8	61.8
Deferred tax liabilities	1.7	5.8
Total non-current liabilities	**697.5**	**887.1**
Bank overdraft	4.0	21.9
Loans and borrowings	22.0	89.7
Trade and other payables	375.4	503.2
Provisions for other liabilities and charges	14.8	14.9
Other taxes and social security charges	36.7	42.8
Current tax liabilities	33.9	47.2
Total current liabilities	**486.8**	**719.7**
Total liabilities	**1,184.3**	**1,606.8**
Total equity and liabilities	**2,174.4**	**2,841.2**

Appendix 3: Consolidated statement of cash flows

(EUR x million)	2016	2015
Cash flows from operating activities		
Profit/(loss) for the period	(301.0)	(358.7)
Adjustments for:		
Depreciation and amortisation	180.9	239.9
Impairments	192.7	363.3
Net change in translation reserve transferred to profit or loss due to disposal	-	(8.3)
Write-off long-term receivables	12.0	-
Share of (profit)/loss of equity-accounted investees (net of income tax)	2.2	(7.8)
Gain on sale of property, plant and equipment	(5.1)	(7.5)
Equity settled share-based payments	7.0	9.3
Change in provisions for other liabilities and charges and employee benefits	(35.5)	(68.3)
Income tax expense/(gain)	9.2	69.6
Income tax paid	(30.6)	(30.0)
Finance income and expense	70.9	47.0
Interest paid	(74.0)	(66.3)
Operating cash flows before changes in working capital	**28.7**	**182.2**
Change in inventories	7.6	5.6
Change in trade and other receivables	195.1	216.7
Change in trade and other payables	(100.6)	(79.6)
Changes in working capital	**102.1**	**142.7**
Net cash generated from operating activities	**130.8**	**324.9**
Cash flows from investing activities		
Proceeds from sale of interests in business, net of cash disposed of	62.5	-
Proceeds from sale of multi-client data libraries, net of cash disposed of	-	103.6
Net proceeds from sale & leaseback transaction of property, plant and equipment	48.6	48.6
Acquisition of intangible assets	(6.0)	(10.4)
Internally developed intangible assets	(5.1)	(23.6)
Capital expenditures on property, plant and equipment	(68.6)	(160.5)
Proceeds from sale of property, plant and equipment	7.2	20.5
Acquisition of businesses, net of cash acquired	-	(9.9)
Interest received	11.1	11.0
Dividends received	5.6	10.5
Net cash (used in)/from investing activities	**55.3**	**(10.2)**
Cash flows from operating activities after investments	**186.1**	**314.7**
Cash flows from financing activities		
Proceeds from issue of long-term loans	60.0	76.2
Proceeds from issue of subordinated unsecured convertible bonds	190.0	-
Transaction costs relating to loans and borrowings	(21.5)	(12.7)
Repayment of borrowings	(439.7)	(250.8)
Payment of finance lease liability	(6.8)	-
Dividends paid	(10.0)	(8.9)
Net cash from/(used in) financing activities	**(228.0)**	**(196.2)**
Change in cash flows from operations	**(41.9)**	**118.5**
Net increase/(decrease) in cash and cash equivalents	(41.9)	118.5
Cash and cash equivalents at 1 January	283.1	153.1
Effect of exchange rate fluctuations on cash held	3.2	11.5
Cash and cash equivalents at 31 December	**244.4**	**283.1**
Cash and cash equivalents	248.5	305.0
Bank overdraft	(4.1)	(21.9)

Appendix 4: Exceptional items second half year

Exceptional items (x EUR million), second half year							
Gain/ (loss)	**Geotechnical**	**Survey**	**Subsea**	**Geoscience**	*Of which Seabed Geosolutions*	*Of which other*	**Total**
Onerous contract provision	(0.2)	(0.4)	(1.6)	0.1	*0.1*	-	**(2.1)**
Restructuring costs	(3.7)	(6.5)	(2.2)	(1.1)	*(1.1)*	-	**(13.5)**
Other	(1.8)	(1.4)	(0.7)	-	-	-	**(3.9)**
EBITDA impact 2HY 2016	**(5.7)**	**(8.3)**	**(4.5)**	**(1.0)**	***(1.0)***	**-**	**(19.5)**
Impairments	(32.5)	(3.5)	(11.4)	(8.6)	-	*(8.6)*	**(56.0)**
EBIT impact 2HY 2016	**(38.2)**	**(11.8)**	**(15.9)**	**(9.6)**	***(1.0)***	***(8.6)***	**(75.5)**
EBITDA impact 2HY 2015	(3.4)	(5.8)	(12.5)	6.2	*5.8*	*0.4*	**(15.5)**
EBIT impact 2HY 2015	(62.9)	(7.4)	(266.7)	-	*4.8*	*(4.8)*	**(337.0)**