

Financial targets

Fugro's target is to achieve, under comparable economic circumstances, a structural increase in earnings per share for its shareholders. Fugro's long-term policy is aimed at generating a steady growth in net result based on increasing revenue.

Important financial targets are:

- growth in earnings per share averaging 10% per annum
- strong cash flow with an average annual growth per share of 10%
- maintaining a healthy balance sheet and solvency (30 – 35%)
- interest cover (EBIT/Interest) of more than 5

Fugro's financial strategy is aimed at the utilisation and/ or optimisation of:

- the ratio between risk and return of the various business activities
- the ratio between shareholders' equity and short-term/long-term borrowings
- the use of both public and private capital markets
- the duration and phasing of the different financing components

Strategy

Fugro aims at achieving equilibrium between its various activities in order to be able to meet its targets. Fugro strives for a balance between services related to exploration, development and production activities for the oil and gas industry, and those related to other markets, such as mining and construction. This also results in a combination of offshore and onshore activities. Moreover, Fugro strives for a good geographical spread. The diverse range of related activities reduces Fugro's sensitivity to market fluctuations in a particular sector. As an independent service provider, Fugro provides a broad spread of services to its clients. This also contributes to a good control of business risks.

Fugro strives for growth, both organically and through acquisitions. To achieve organic growth Fugro invests in equipment and human capital. Organic growth is also achieved by actively developing new technologies and services.

In the most important market sector – oil and gas – the spread of Fugro's services across the exploration, development and production phases is a key factor. This means Fugro provides services in many phases of the (20 – 30 year) life-cycle of an oil or gas field. Avoiding dependence on one phase of this market or single group of clients is an essential component of Fugro's strategy. The result is a business that is less cyclical.

Profit margins vary per service and activity depending on the specific market circumstances. For the more risky or capital intensive activities a higher profit margin is aimed for than the overall company average.

The long-term aim is to achieve robust but controlled profit growth through:

- a broad but cohesive services portfolio
- the manner in which Fugro is financed
- the market-oriented international organizational structure
- continuous development and training of employees
- specific investments in equipment and technology
- management focus on increasing net result

Fugro strives to improve profitability with a focus on core activities and niche markets by:

- increasing operational scale
- building strong market positions
- continuing research and development
- cooperation and development for and with clients
- being selective about the projects that are taken on
- acquiring companies with a high added-value

Over the period 2005 – 2008 revenues doubled and the net profit margin increased from 8.6% to 13.2%. As from late 2008 the market situation has been negatively influenced by the global economic downturn, resulting in a slight reduction in both revenue and net profit in 2009. In the course of second half of 2010 revenue growth was resumed, but price pressure still remained in some segments, resulting in a moderate profit increase compared to the previous year. For 2011 a further prudent improvement of market conditions is expected on the basis of increasing investments of the oil and gas industry and a further global economic recovery.

Market positions

Fugro's strategy is based primarily on securing and, where possible, expanding strong market positions. Complementing and broadening its package of closely related services is a primary objective. Growth in adjacent sectors, by responding actively and flexibly to market developments and client needs, is also an important component of the strategy.

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.

Acquisitions

To broaden its base and ensure continued sustainable growth, Fugro usually completes a number of acquisitions each year. Generally these serve to strengthen or achieve good market positions or to obtain special technologies. Because acquisitions always involve an element of risk, a thorough and extensive due diligence is carried out before the decision to acquire a company is taken. This limits the risks considerably.

Acquisition evaluation is based not only on financial criteria but also on:

- added-value for Fugro
- cohesion with Fugro's activities and services
- match with Fugro's culture
- growth potential
- a good position in a niche market or region
- technical and management qualities
- risk profile

Research and development

Research and its application thereof is of strategic importance to Fugro. The search for ways to expand and improve services to clients is unceasing and cooperation with clients plays a major role in this. Many new ideas are generated through joint development projects and often developments take place in close cooperation with a client because the client is interested in solving a specific problem. Research relating to special measuring equipment and analytical methods also plays an important role in Fugro's services provision. Its global market position is, to a great extent, dependent on high value equipment, technologies and software. Measurements are becoming more and more detailed and even the most complex data can be interpreted. To this end, increasingly knowledge is exchanged or combined within the company in order to arrive at solutions or new developments. Part of this research and development expense is incurred as part of the execution of projects.

Cooperation and scale advantages

Effective cooperation between Fugro's business units is promoted at various levels. Critical mass is also a key factor for the successful execution of large assignments. Capacity utilisation and cooperation are optimised through the exchange of equipment, employees and expertise between the various activities and by extensive employee training. Fugro promotes technological renewal by clustering the knowledge available within and outside the Group. The integration of information systems and the utilisation of scale advantages enhance the service provided to clients.