

**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**

In 2010 the effects of the economic slowdown resulting from the financial crisis were still impacting most of the markets in which Fugro is active. Nevertheless, in the course of the year some positive changes became noticeable in some sectors. In particular, the slowdown in demand for oil and gas related activities bottomed out.

By way of 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. In particular, the effects continued to be felt in the first half of the year.

**The oil and gas market**

From mid-year 2010 onwards the price of oil gradually increased to over USD 90 per barrel (Brent) at the end of the year. External reports indicate that on the basis of growing global demand the price of oil is expected to stay above USD 80 per barrel (Brent). This level seems to be comfortable for the industry and in the course of 2010 oil companies started to step up activities. This is reflected in recent external market reviews that indicate that after a decline of about 15% in global investments in 2009, the oil and gas industry stepped up expenditure by some 11% in 2010. Further double digit growth is expected for 2011. It was largely national oil companies that kept up their levels of investment during the economic recession. In 2011 growth is expected to come, in particular, from large international oil companies.

Increasingly, as a consequence of implementing the strategy to provide a broad range of related services, Fugro is involved throughout the life cycle of oil and gas fields. This cycle can last for several decades. It starts with the search for fields, 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 investments by oil and gas companies, irrespective of where they are being made in the field life cycle. In years to come, large investments will be required to maintain sufficient oil and gas production in the longer term. The majority of these investments will be for offshore fields.

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 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.

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The Macondo oil spill in the Gulf of Mexico delayed ongoing developments in that area and it is still unclear what the effects for the near future will be, as new regulations for future development are still under review.

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 as well as local shale gas production onshore. High energy prices are helping to make 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.

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 price level. 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 2011 and the years beyond. About 73% of Fugro's activities is related to the oil and gas industry.