

Message from the CEO



In 2020, the Covid-19 virus took hold around the world and affected all of us. Fugro's results reflect our resilient operating model, which enabled a quick response to the impact of the pandemic, and a very strong growth in offshore wind. In a rapidly changing world, there are many opportunities for Fugro to contribute to the safe, sustainable and efficient development and operation of our clients' assets. We are well placed to support the energy transition, climate change adaptation and sustainable infrastructure development. Our recent refinancing provides us with the flexibility to deliver on our Path to Profitable Growth strategy.

QUICK RESPONSE TO PANDEMIC

During 2018 and 2019, we made significant progress with the implementation of our strategy. After four challenging years in the offshore oil and gas market, we grew again in 2018 and 2019 and, through a strong increase in our offshore wind revenue, we managed to rapidly diversify. While we were anticipating further growth in 2020, the sudden and unprecedented deterioration in market circumstances across the world due to the pandemic created a new reality.

Our resilient operating model provides the flexibility to quickly adapt to the turbulent market conditions. In many countries people are mostly working from home, and our marine crews were at times confronted with longer rotation periods and mitigation measures such as pre-boarding quarantines. Fugro's project teams have been pro-active, flexible and resourceful in meeting the quickly changing and locally varying circumstances. Despite the huge operational complexities, in close cooperation with clients we have been able to continue working on most of our projects, while maintaining health and safety as a priority.

Fugro's revenue was impacted by both the pandemic and the declining oil price, leading to clients' reduced activity levels and spending, only partly offset by a very strong growth of our offshore wind

business. To protect profitability and liquidity, we acted decisively by immediately implementing a comprehensive cost reduction programme. As a result, we are able to report a modest year-on-year decline in margins, despite the significant revenue decline.

SUPPORTING GLOBAL TRENDS

The Earth is a complex and dynamic sphere. We have a deep understanding of Geo-data: information related to the Earth's surface, subsurface and structures built on it. Through integrated data acquisition, analysis and advice, we help our clients design, build and operate their assets in a safe, sustainable and efficient manner.

The Covid-19 pandemic has clearly been the overarching theme throughout the year. In its wake, it has accelerated and intensified the attention on other global issues, most notably climate change. As a result, our purpose to create a safe and liveable world is becoming ever more relevant as we enter the new decade.

Fugro's Path to Profitable Growth strategy is built on our transition towards becoming the world's leading Geo-data specialist in the areas of sustainable energy, infrastructure and water. Population growth and urbanisation combined with the need for decarbonisation are driving increased spending on renewable energy, electricity

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networks, infrastructure, subsea cables, coastal defence, hydrography and fresh-water projects. Our leading market positions, global footprint, versatile asset base, specialist workforce, innovative digital solutions and resilient operating model position us well to benefit from these opportunities, and thus further diversify. In 2020, we already generated 55% of our revenue in the offshore wind, infrastructure, nautical and other non-oil and gas related markets.

ENERGY TRANSITION

Even in this challenging year, our offshore wind revenue grew by 28%. This demonstrates our leading position in this market and flexibility to deploy our assets and capabilities across multiple markets. Fugro is playing an important role in the energy transition, most notably through its innovative services for the development of offshore wind resources. Initially a mostly European market, offshore wind farms are now being developed all over

the world. In 2020, we both completed and won numerous prestigious site characterisation projects in the North Sea, the US, Taiwan, Korea, Japan and Australia. In addition, we provided positioning and construction support services; for example for the world's first semi-submersible floating wind farm, WindFloat Atlantic in Portugal. At the same time, transmission and distribution networks are increasingly loaded due to ongoing electrification. Fugro's Roames digital asset management solutions drive grid modernisation and resilience. In 2020, we successfully completed projects for utilities in the US, Australia and the UK.

Although the energy transition is clearly gathering pace, there is a large discrepancy between governments' carbon reduction targets and current reality: fossil fuels will remain an important part of the energy mix for years to come. Market watchers expect an increase in oil and gas demand from the current

depressed levels, even though peak demand might be lower and may be reached earlier than assumed before the pandemic. Our solutions enable clients to develop vital fossil resources in a safe and responsible way; for example, through our remote operations centres and lightly crewed vessels, resulting in fewer people offshore, increasing safety and reducing CO₂ footprint.

CLIMATE CHANGE ADAPTATION AND SUSTAINABLE INFRASTRUCTURE

Over the coming decades, climate change is expected to lead to sea level rise, extreme weather, flooding and water scarcity. Governments around the world are investing in coastal zone management and flood protection, and Fugro is supporting these efforts with mapping solutions, such as in Australia and the Caribbean. Also, our reputation as a company committed to ocean sustainability is evidenced by our tangible support of the Seabed 2030 project and the UN Decade of Ocean Science for Sustainable Development.

Infrastructure is the back bone of our society, and Fugro is assisting its clients in the sustainable development and maintenance of their assets, such as by providing route surveys for sub-sea cable installations. Fugro was recently engaged by Alcatel Submarine Networks to support its 37,000 km '2Africa' fibre-optic project, which will connect 23 countries in

Africa, the Middle East and Europe. Also onshore, we provide clients with guidance on the prioritisation of maintenance and lower cost of ownership. This year, with our state-of-the-art acquisition technology and AI-driven data analytics, we assisted organisations including Banedanmark, Network Rail and Caltrans California.

HOW WE DO IT

We are a recognised leader in remote operations, robotics and data analytics and the events of this year have demonstrated the value of our advanced remote and automated solutions. In 2020, we started with the deployment of our new uncrewed surface vessels (USVs) on nautical charting projects in the US and Australia. At the beginning of 2021, the first of our next generation USVs, from which we can deploy remotely operated vehicles and autonomous underwater vehicles for asset inspections was delivered. In our land based operations, we offer digital asset management solutions for railroads, roads, bridges and overhead electricity networks. We opened a new remote operations centre (ROC) in Abu Dhabi; the latest addition to Fugro's network of ROCs which now totals eight across our regions.

Environmental, social and governance (ESG) related topics feature more prominently in discussions with clients, investors and other stakeholders, including our own employees. We recognise the increasing importance of non-financial reporting. This year we engaged with various ESG rating and benchmark organisations, leading amongst others to full disclosure of the company's corporate climate change data through the CDP platform. In 2020, we began implementing the recommendations of the Task Force on Climate-related Financial Disclosures, with a qualitative assessment of the impact of climate change on our business opportunities and risk profile.

Fugro's sustainability roadmap is specifically aimed at reducing the environmental impact of our own operations (CO₂ emissions, energy consumption, waste and recycling). Our target is to be carbon neutral by 2035. Stimulating diversity and inclusion throughout the organisation is also a key area of attention. In 2020, the company was successful in attracting women for a couple of key management positions, both at corporate and regional level. In 2020, 20% of management positions were held by women, and we target an increase to 25% by 2025.

FOSTERING OUR FUGRO CULTURE

In 2018, we launched our Path to Profitable Growth strategy and in 2019 we adjusted our organisation to facilitate its implementation. An additional and crucial element is our company culture. Ultimately it is not our technology or equipment that determines our long-term success: it the quality and engagement of our people.

To guide us in fulfilling our purpose, in 2020 we formulated our new company values: *we are determined to deliver, we do what's right, we prepare for tomorrow, we build trust*. This set of values was based on hundreds of conversations and workshops with colleagues throughout the organisation. A groupwide activation campaign will start in 2021, after a kick-off in our May senior management meeting.

SAFETY FIRST

Irrespective of the changes around us, health and safety remain our highest priority, for ourselves and for the people and environment around us. In 2020, this translated to a practical risk-based approach to managing Covid-19 and our operational response, which also ensured the best outcome for business continuity. While a number of programmes and initiatives were hampered by the extraordinary circumstances, we were able to

maintain our high levels of health and safety performance.

REFINANCING COMPLETED

Towards the end of the year, we completed a comprehensive refinancing of our balance sheet. In light of this year's challenging market environment, we decided to strengthen our balance sheet by issuing new equity. This was supported by a substantial cornerstone commitment by top tier investors, mostly existing shareholders, which was instrumental in the successful completion of this transaction. In addition, the EUR 575 million revolving credit facility was replaced with a new EUR 250 million facility and a EUR 200 million term loan, both maturing in December 2023. The refinancing provides us with the financial flexibility to deliver on our strategy.

OUTLOOK AND PRIORITIES FOR 2021

At the start of 2021, we are looking forward to what will hopefully be a return to more normal market conditions in the second half of the year. Our management agenda is: to manage our cost base and cash flow; to complete the turnaround of the land business; to further strengthen operational and commercial excellence; to enhance our service delivery with new market leading digital solutions; to divest Seabed Geosolutions and to accelerate our ESG roadmap.

I am very proud of the way in which everyone within Fugro stepped up to the challenges of 2020. Throughout the year we have been able to maintain high a quality of work and service delivery while dealing with mobilisation challenges, local and regional lockdowns, and the organisational changes we had to make in response to market developments. This has not been easy and I want to thank all my colleagues for a job well done.

Mark Heine
Chief Executive Officer