

Message from the CEO

In 2019, we made significant progress with the implementation of our Path to Profitable Growth strategy, supporting the continued recovery of our results. Our marine business performed significantly better, supported by higher activity levels. In a rapidly changing world, there are ample opportunities for Fugro to contribute to the safe, reliable, sustainable and efficient development and operation of our clients' assets. Not primarily through technology or equipment, but by making the most of our people's knowledge, experience and insight.

PERFORMANCE 2019: CONTINUED RECOVERY

After a few challenging years, with results suffering from reduced activity and price pressure in the offshore market, we have managed to sustain the recovery that started in 2018. Our EBIT margin improved to 4.2% compared to 1.9% in 2018, and we generated a positive free cash flow.

CONTINUED IMPROVEMENT MARINE ACTIVITIES

We are experiencing strong growth in offshore wind and hydrography. This year, we again characterised numerous sites for planned offshore wind farms, all over the world, which is a clear example of the key role we play in the global energy transition. In oil and gas, we benefit from a return to healthy levels of investment in offshore projects, while the growth in onshore shale oil and gas is expected to taper off. Our early cyclical marine site characterisation activities delivered a strong performance. As anticipated,

our late cyclical marine asset integrity business has passed the trough and achieved higher margins and backlog, as the result of selective tendering, asset rationalisation, and a gradually improving market in specific geographies.

LAGGING PERFORMANCE LAND BUSINESS

While our land asset integrity business showed a modest improvement, the overall land business performed below par, exacerbated by a challenging geopolitical and macroeconomic environment in certain key markets, in particular in the UK, Hong Kong and Saudi Arabia. As part of our Path to Profitable Growth strategy we have already taken several restructuring measures aimed at specific services in certain countries. In addition, in October, a dedicated project team developed an action plan to accelerate the land business' growth and bring margins back to healthy levels.



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DELIVERING ON OUR PATH TO PROFITABLE GROWTH

To ensure the successful implementation of our Path to Profitable Growth strategy, we simplified the top management structure by integrating our former Land and Marine divisions. This has brought the Board of Management closer to the business. In addition to the Board an Executive Leadership Team has been established. The regional management structure was also simplified by implementing the same blueprint (based on our four business lines) in all four regions.

CONTRIBUTING TO A SAFE AND LIVEABLE WORLD

The world urgently needs to make substantial progress in combating climate change and mitigating the effects of irreversible changes that have already taken place. With Fugro's integrated and digital solutions, we make a meaningful contribution. We provide clients with the data, analysis and advice they need to build and operate assets more safely, sustainably and efficiently.

INCREASING EXPOSURE TO RENEWABLE SOLUTIONS

Over the past five years, we have become a much more diversified and resilient company. In 2019, around 50% of our revenue was generated in offshore wind, hydrography and infrastructure. Growth in offshore wind is strong and has global reach, as demonstrated by the large number of projects we worked on during the past year in Europe, US, and Asian countries such as Taiwan, Korea and Japan.

An interesting example is a site investigation for Ørsted's Greater Changhua wind farm in Taiwan.

We are also increasingly involved in projects that map and mitigate the impact of climate change. For example, in 2019 we contributed to flood and coastal protection projects in Jamaica, Haiti and Tuvalu. We actively contribute to global research programmes such as Seabed 2030, which aims to map the world's oceans in order to better understand the impact of climate change.

In addition, we provide advice, site investigation and monitoring services for several levee reinforcement projects. One such project was awarded a Dutch Water Innovation Award for the sustainable approach we developed with our consortium partners, re-using soil from a nearby high-water channel construction project. In other projects we focus on the sustainable management of groundwater levels, drinking water supplies and drought mitigation. Meanwhile, much of the work done by our land business also has a direct impact on sustainable development. For example, the permanent monitoring services we provide on power lines, railways, tunnels and roads around the world directly contribute to a safer and more sustainable environment.

RESPONSIBLE ASSET MANAGEMENT

Although the energy transition is gathering pace, fossil fuels will remain an important part of the energy mix for years to come. Even with the projected strong growth, renewable energy will not be able to fully replace fossil fuels for some time to come, especially in light of the ongoing global growth in energy demand. Our sustainable and innovative solutions enable

clients to develop vital fossil resources in a safe and responsible way, reducing their CO₂ footprint and mitigating risks. For example, we increasingly provide remote support for the precise positioning and inspection of clients' assets. In 2019, we opened two new remote operations centres in Scotland, and the Netherlands. To date, we have provided over 150,000 project hours around the globe from our seven remote service centres. This results in fewer staff offshore, which benefits safety and reduces our and the client's CO₂ footprint.

Our onshore contribution to responsible asset management includes the highly accurate, data-rich infrastructure models we create for our clients. In 2019, we were awarded new contracts for such models by, for example, energy company Powerco Limited in New Zealand and the Danish railway company Banedanmark.

SUSTAINABILITY ROADMAP

Environmental, social and governance related topics feature more and more prominently in discussions with clients, investors and other stakeholders – including our own employees. We constantly think about what we do, and how we do it. We recognise the importance of fair pay and development opportunities for all, and the need for diversity and inclusiveness at all levels within our organisation to tap into the broadest pool of talent.

We are implementing a mid-term sustainability roadmap which is specifically aimed at reducing the environmental impact of our own operations (CO₂ emissions, energy consumption, minimising waste and

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increasing recycling) and increasing diversity throughout the organisation.

A continued key priority is safety: in 2019 we focused on further strengthening our safety culture, using the results of a company-wide survey as input. A tragic reminder of the risks we work with was the Brumadinho dam disaster in early 2019, in which four Fugro colleagues lost their lives. Our thoughts and support continue to be with all of those that have been affected.

FOSTERING A STRONG COMPANY CULTURE

In 2018, we launched our Path to Profitable Growth strategy and in 2019 we adjusted our organisation in order to facilitate its implementation. A final but crucial element is our company culture. Ultimately it is not our technology or equipment that determines our long-term success: it is our people.

We want to foster a culture built around our purpose to create a safe and liveable world as well as a shared

commitment to our commercial success and long-term growth. To have a real impact, we need a strong set of values to guide our decisions. In 2019, our HR department spoke to many of our employees around the world and we are currently converting all the input into a new set of company values. We plan to launch these before summer 2020.

OUTLOOK AND PRIORITIES FOR 2020

The outlook across Fugro's market segments is positive. We expect continued growth in offshore wind and oil and gas, as well as in infrastructure, despite concerns over geopolitical developments and global economic growth in some areas. One of the strategic objectives is to capture that growth, which we have already delivered on in 2018 and 2019. To move to the next level and implement our strategy as a whole, we have defined the following priorities for 2020:

- Continue to improve profitability, with a special focus on the underperforming land business
- Generate sustained free cash flow and reduce net debt

- Arrange refinancing
- Divest non-core interest in Seabed Geosolutions
- Implement mid-term sustainability roadmap
- Strengthen employee engagement and talent development.

During my regular visits to Fugro locations throughout the world, I am impressed time and time again by the enormous dedication and commitment of our people to our company and our purpose to create a safe and liveable world. I have every confidence that in 2020 we will succeed in making further progress as the global leader in our field. We are one company, one team, and we are proud to call ourselves Fugro.

Mark Heine
Chief Executive Officer