



CEO Message

In a rapidly changing world with an increasing need for insightful Geo-data, our services are more relevant than ever. We support the energy transition with our market leading, innovative services for the development of offshore wind resources. Our flexibility to shift assets to strategic growth markets, digital solutions and strong reputation also enable us to contribute to climate change adaptation and sustainable infrastructure developments. With our increasingly balanced market exposure and resilient operating model, we are well positioned to deliver on our Path to Profitable Growth strategy.

In 2021, the Covid-19 pandemic has proven to be more persistent than anticipated by all. Our business continued to be impacted, in particular through operational complexities of cross border projects. Since the outbreak in 2020, Fugro's project teams have been pro-active, flexible and resourceful in meeting the quickly changing and locally varying circumstances, focusing on business continuity while maintaining health and safety as a key priority. All in all, we delivered a clear improvement in our results: the EBIT margin increased to 4.3%, and we generated a free cash flow of EUR 39.5 million and a positive net result. The resilient performance was a combination of strict cost management, operational delivery, and early signs of improved pricing, particularly driven by a tightening supply market and new digital Geo-data solutions.

GEO-DATA MORE RELEVANT THAN EVER

The pandemic has accelerated the attention for other disruptive global challenges, most notably climate change. Huge investments are needed to rewire and replace the Earth's energy systems. Population growth and urbanisation combined with the need for decarbonisation are driving increased spending on renewable energy, electricity networks and infrastructure in general. In addition, even with a successful transition to green energy, climate change is expected

to lead to sea level rise, changing weather patterns and extreme weather conditions. This results in an increasing need for coastal zone management and flood protection measures.

As a result, our purpose to create a safe and liveable world is becoming ever more relevant: Geo-data is essential for the safe and sustainable development and operation of our client's assets. We are uniquely positioned to assist our clients with solutions in support of the energy transition, sustainable infrastructure and climate change adaptation. With our leading market positions, global footprint, versatile asset base, specialist workforce and innovative digital solutions we are further diversifying towards structural growth areas. In 2021, we already generated 61% of our revenue in wind, infra and water, and we target a further growth to at least 65%.

COMPLEX ENERGY TRANSITION

A transition towards low carbon energy generation is vital for the future of our planet. This year, our renewables revenue grew by 21% to 24% of group total. Initially a mostly European market, offshore wind parks are now being developed all over the world. In 2021, this was demonstrated by numerous projects, such as multiple site characterisations in the US, Vietnam, South Korea and Japan. We are also involved in the

world's first artificial energy island, for Energinet in the North Sea, which will act as a hub connecting hundreds of surrounding wind turbines. We expect the strong growth in this market to continue. At the same time, transmission and distribution networks are increasingly overburdened due to ongoing electrification. Fugro's Roames digital asset management solutions drive future proof grids by supporting modernisation and resilience. In 2021, we successfully completed projects for power utilities in the US, UK, Europe, New Zealand and Australia.

Collection and interpretation of Geo-data is fundamental to designing, building and operating any structure on this planet

In the lead-up to COP26 in Glasgow in November 2021, many studies were published showing that world is not yet on track to meet the ambitions of the 2015 Paris agreement. Although new commitments were made and the transition is gathering pace, it is important to acknowledge that this is a very complex process that will take time. At this moment, only around 15% of the worldwide primary energy use is generated from renewable sources. There is a large discrepancy between governments' carbon reduction ambitions and current reality: fossil fuels, in particular natural gas, will remain an important part of the energy mix for years to come. The world's energy system is complex and requires long term planning and huge investments for example in hydrogen technologies. An uncoordinated transition will cause imbalance in availability and accessibility of energy. In 2021, the world was already

confronted with unprecedented gas prices, due to strong demand coupled with delivery issues and very low investment levels, and an increasing usage of coal.

Therefore, while our Geo-data plays a key role in this transition, we also contribute to responsible operations in the traditional energy markets. The existing maritime infrastructure is ageing and needs to be well maintained to ensure that no harm is caused to the environment. It is the world's obligation to assure that our oceans are kept clean and coastlines free from exposure to pollution from any man-made structure or system. Regular and continuous inspection of infrastructure at sea is therefore essential. A large part of Fugro's revenue in the traditional energy markets is related to keeping these assets safe and sound, and we are radically changing the way inspections at sea are done. New Geo-data acquisition platforms, remotely operated and complemented by underwater robots that require significantly less supervision and maintenance, allow us to drive CO₂ emissions of inspections down by over 90%.

CLIMATE CHANGE ADAPTATION AND SUSTAINABLE INFRASTRUCTURE

There also is a growing need to future proof existing infrastructure on land and in nearshore environments. Governments' programmes support a positive market outlook, with growing repair and maintenance and refurbishment budgets, because a significant part of existing infrastructure is ageing. In addition to massive investments in electricity networks in light of the energy transition, there is an increasing need for more sophisticated cabled network infrastructure to support connectivity. During this year, we completed for example route surveys for Alcatel's new fibre-optic cable system connecting North America to Asia,

and site investigations for the installation of undersea power cables between the Italian peninsula and Sicily and Sardinia.

Governments around the world are investing in coastal zone management and flood protection. Fugro provides coastline mapping and related data-interpretation and advice. In 2021, we provided nautical and coastline mapping solutions for the Cayman Islands, Alaska and Ireland's southern and western coastline. In addition, we were involved in dike reinforcement projects in the Netherlands and we completed an earthquake hazard and vulnerability assessment for the Port of San Francisco waterfront resilience programme.

The world's oceans cover 70% of the Earth's surface and support nearly every aspect of our lives. Fugro is leading the industry in support of several initiatives that aim to fill the sizeable data gaps that currently exist in our ocean knowledge. Fugro is committed to help build a digital ecosystem, encompassing all sources and types of ocean science data. In 2021, we signed a strategic partnership with the Intergovernmental Oceanographic Commission of the UNESCO. Having been involved in UN's Ocean Decade planning since 2019, we were invited to join the Ocean Decade Alliance. These initiatives, focused on reversing the cycle of decline in ocean health, fit perfectly with our purpose.

DIGITALISATION AND TRANSFORMATION

We are committed to remain the most innovative Geo-data company across our markets. Our digitalisation and innovation agenda is aimed at integrated Geo-data solutions to increase project efficiency and reduced CO₂ footprints. It revolves around four themes: robotics, remote, analytics and insights.

Through our remote operations centres and deployment of lightly crewed or uncrewed vessels, we are improving the safety and efficiency of our operations and significantly reducing our CO₂ footprint. In 2021, we executed projects in Europe and Asia Pacific with our next generation uncrewed surface vessels, from which we can deploy remotely operated vehicles for asset inspections. We operate a global network of remote operations centres. By now, we have recorded over 350,000 remote project hours, putting us clearly ahead of competition. The pandemic has only heightened the relevance of these solutions.

In our land business, clients are exposed to increasing volumes of data on which they base complex decisions. Fugro is providing clients with 'digital twins' of their assets: a digital, four-dimensional model combining all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. Fugro is connecting the commonly used surface based digital twins to sub-surface Geo-data models, resulting in unique insights in long-term planning and asset maintenance, with the ultimate goal of reducing overall costs of development and long-term operation of their assets.

ENGAGED EMPLOYEES

Ultimately it is not our technology or equipment that determines our long-term success, it is our people. Sixty years of valuable experience and expertise comes together in Fugro's workforce and forms the collective know-how of the company. Fugro people are passionate and feel strongly connected to our purpose of creating a safe and liveable world, together. Fugro is a company with a strong identity and culture. We live by our company values: we build trust, we do what is right, we are determined to deliver and we prepare for tomorrow.

Fugro aspires to be an inclusive company where people can be their best self, are allowed to speak-up, have impact and develop themselves professionally and personally. People from over 100 nationalities work together seamlessly, creating a truly international working environment. We foster such a strongly diverse working environment with a particular strong focus on increasing gender diversity throughout the whole organisation. Like for most companies, the pandemic has led to higher attrition. It is however great to see that we continue to attract talented people who want to contribute to our transformation agenda.

We deliver solutions in support of the energy transition, climate change adaptation and sustainable infrastructure

We recently launched our new '3S Together' safety programme, focused on underpinning our safety culture. The challenging environment of some of our operations puts health and safety at the heart of everything we do, and continues to be a key area of attention. In the year under review, three colleagues sadly lost their lives during two separate extreme weather incidents, while supporting client operations on third party vessels. One incident occurred in April in the USA Gulf of Mexico and the second in May offshore West-India. Our thoughts and support continue to be with family, friends and colleagues that have been affected by these tragic events.

OUTLOOK AND MANAGEMENT PRIORITIES

Even though there clearly still is a gap between current performance and these mid-term targets, I am confident that we are on track to reach our mid-term targets of an EBIT margin of 8-12% and free cash flow of 4-7% of revenue by 2023-2024. This is underpinned by the following drivers: volume growth, in particular in renewables, infrastructure and water; value-based pricing; disciplined cost management; operational excellence and digital transformation to increase efficiency.

On the trajectory towards our mid-term targets, our 2022 management agenda is focused on the following topics: further implementation of our digital transformation, innovation and sustainability agenda, excellence in commercial and operational delivery and another step-change in safety and employee engagement. To reach our net zero carbon emission target by 2035, we have a roadmap in place, centred around decarbonisation of vessels and other equipment through uncrewed, modular and remote solutions, electrification and use of emission free fuels, and the procurement of green energy.

Clearly 2021 has been another challenging year in which we have asked the utmost from everyone in Fugro. Considering the impact of the pandemic throughout the year, I am particularly thankful for the unwavering commitment and flexibility of Fugro's employees to delivering high quality services to our clients. I want to thank all my colleagues for a job well done.

Mark Heine
Chief Executive Officer