

MESSAGE FROM THE CEO

Dear reader,

The year 2018 marks a turning point in our results, driven by the gradual recovery of the oil and gas market and ongoing growth in offshore wind and infrastructure markets. As the world's leading Geo-data specialist we are well positioned to capitalise on these market trends.

OUR PATH TO PROFITABLE GROWTH

During the years 2014 to 2017, our activity levels and pricing declined strongly, driven by a downturn in the oil and gas market which was longer and deeper than any before. Despite rigorous cost savings, profitability declined far below acceptable levels. Since the start of 2018, we have been experiencing a gradual recovery of the oil and gas market, starting with a sharp growth and improving prices in our early cyclical marine site characterisation activities, resulting in revenue growth and improving profitability. Still, it is evident that our results need further improvement.

We used the downturn as a 'perfect storm' to transform, under our 2014 Building on Strength strategy, from a highly decentralised organisation into a cohesive global company with a clear focus and the ability to deliver integrated service packages and solutions to clients. At the same time, costs were substantially reduced, while we continued to invest in the development of new, innovative technologies and solutions.

Our 'Path to Profitable Growth' strategy was announced in November 2018. It is based on three objectives: capture the upturn in energy and infrastructure, differentiate by integrated digital solutions, and leverage core expertise in new growth markets. Drivers for the projected improvement in profitability are volume growth, operating leverage, improved pricing conditions and higher productivity. Disciplined execution of our plans will, in the mid-term, result in a return on capital employed of 10 to 15% and an EBIT margin of 8 to 12%.

To accelerate strategy implementation and further increase efficiencies we will simplify our management structure by integrating the Land and Marine divisions at top-level. Instead of two divisions represented in five regions there will be four integrated regions, effectively removing a management layer. Within the regions, the current business

line structure will be maintained: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

FUNDAMENTAL CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The world is changing faster than ever before. Over the coming decades, population growth and urbanisation will lead to an increasing demand for energy, water, food, minerals, metals, buildings, industrial plants and infrastructure. The energy mix, infrastructure and built environments have to evolve if these challenges are to be tackled successfully.

Fugro's services are essential for the sustainable development and operation of our clients' infrastructure, plants, buildings and natural resources. We contribute significantly to the development of sustainable energy, such as offshore wind farms, and to projects that mitigate the impact of climate change such as flood and coastal protection. Today, around 40% of our revenue is generated in these non-oil and gas related market segments.

Even with the ongoing energy transition to combat climate change, oil and in particular gas will remain an important part of the global energy mix. For the coming years, the growth in renewables will not even cover the overall energy demand growth, and it will therefore take time before the demand for fossil fuels starts to decline. Fugro continues to deliver sustainable solutions to oil and gas related projects, targeting a safe and responsible development of these vital resources.

It is not only about what we do, but also about how we do it. We are committed to conducting our business ethically and responsibly. We strive to execute our projects with the highest regard for the safety and wellbeing of everyone who works for and with us, and to minimise the impact on the environment, while remaining compliant with relevant rules and regulations. In 2019, we will further focus on reducing our own environmental footprint.

SAFETY IS KEY

Much of our operations take place in challenging environments, making safety a key priority in Fugro. Over the last decade we've developed and improved our equipment, systems and procedures and more importantly, we've made great improvements to our safety culture and performance.



Sadly, we experienced two work related fatalities in 2018. These losses are unacceptable and devastating for family, friends and colleagues. We must, and will, continue to seek to improve all aspects of the safety of our operations, but particularly our pro-active leadership, employee engagement and team work in this area. To help us do this, we are involving all Fugro employees in a company-wide safety culture assessment, asking them to tell us their personal opinions and views on our current safety culture. The outcome will show us where we are doing well and highlight the opportunities for further improvement.

In January 2019, a dam collapsed at a mining site near Brumadinho in South-Eastern Brazil. Today, many people are still unaccounted for, including four Fugro colleagues that were working at the location. We are of course deeply saddened by this tragic event and our thoughts are with all of those that have been affected.

LOOKING AHEAD

The outlook across our market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The oil and gas market is recovering despite short term volatility related to geopolitical developments and concerns over reduced global economic

growth. In the infrastructure market we expect continued growth, driven by population growth and urbanisation. The high order intake in the last quarter of 2018, the solid backlog and latest market forecasts are supportive of the implementation of our strategic plan. For 2019, we expect continued revenue growth, further improvement of EBIT margin and positive cash flow from operating activities after investments.

With over 18 years of experience within Fugro under my belt, in October 2018 I became CEO of this great company with talented people, fascinating technology and leading positions in key markets. I believe we are well placed to meet the challenges of the future. I am looking forward to further build this company together with our colleagues all over the world. Our clients value our advanced technologies and assets, integrated offering, high safety standards and global footprint. But most of all, along with me, they value the deep expertise and commitment of Fugro's people.

Mark Heine
Chief Executive Officer