Press Release

Leidschendam, the Netherlands, 31 July 2019

Fugro HY 2019: Recovery continues, driven by marine business

Seabed Geosolutions classified as 'held for sale'

- After a weak first quarter, the second quarter results of Fugro's core business improved significantly, resulting in an EBIT margin of 2.9% in the first half year compared to 0.1% in the same period last year.
- Non-core Seabed Geosolutions is now classified as 'held for sale' and therefore revenue and EBIT(DA) are excluded from consolidated financials; a non-cash impairment of EUR 61 million has been recognised.
- Revenue growth of 5.7%, driven mainly by offshore wind, oil & gas, and nautical markets.
- Fugro remained within all covenants. Net debt/EBITDA was 2.8 and is expected to improve towards the end of the year.
- Backlog growth in all regions, with the exception of Asia Pacific due to a significant reduction in capacity in marine asset integrity and an increased focus on projects with better margins.
- Outlook 2019: continued revenue growth, further improvement of EBIT margin and positive free cash flow from continuing operations.

Key figures (x EUR million) *from continuing operations unless otherwise indicated*	**HY 2019**	**pro forma HY 2019**[1]	**HY 2018**
Revenue	796.9		734.1
comparable growth[2]	5.7%		16.8%
EBITDA (excluding exceptional items[3])	83.3	66.6	47.0
EBIT (excluding exceptional items[3])	23.3	23.0	1.1
EBIT margin (excluding exceptional items[3])	2.9%	2.9%	0.1%
EBIT	16.8	16.5	(0.8)
Net result	(17.6)	(11.8)	(40.2)
Net result including discontinued operations	(86.0)	(80.2)	(40.5)
Backlog next 12 months	856.3		851.3
comparable growth[2]	0.5%		0.4%
Cash flow from operating activities after investing	(34.4)	(47.3)	(40.7)
Cash flow from operating activities after investing including discontinued operations	(58.9)	(72.2)	(43.5)
Net debt/EBITDA[4]	2.8		2.5

The information in this press release is unaudited. Refer to annual report 2018 for definitions.

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect and the divestment of the marine construction & installation activities in 2017
[3] Onerous contract provisions, restructuring cost, impairment losses, and other exceptional items totaling EUR 6.5 million compared to EUR 1.9 million in HY 2018 (EBIT impact)
[4] Covenant calculation includes Seabed Geosolutions, until a divestment has been completed

Mark Heine, CEO: '*I am pleased to report a strong improvement in our marine activities, in particular for offshore wind developments and hydrography. By now, Fugro's business in non-oil and gas is close to half of our revenue. We are also benefiting from the ongoing normalisation of investments in oil and gas, whilst in our land business the asset integrity services are picking up. We anticipate continued supportive market conditions going forward, with higher volumes and recovering pricing.*

In line with our Path to Profitable Growth strategy, we are increasingly focusing on activities with better margins, improving the quality of our backlog. The marine asset integrity results show the impact from the restructuring in Asia Pacific while the market conditions are gradually improving. In the Americas, results should improve in the second half of the year, owing to higher utilisation of our vessel fleet.

In the land business we are taking additional measures to bring margins structurally at a higher level. The new top-management structure, that we introduced as of May with an Executive Leadership Team including the Group Directors of the four regions, allows us to gain operational efficiencies and further cost reductions. In addition, our differentiating digital technologies will provide benefits. We are also targeting a divestment of Seabed Geosolutions in the foreseeable future, supporting its ambition to capture the opportunities of a growing ocean bottom node seismic market.'

Strategy update

Fugro is implementing its Path to Profitable Growth strategy. Capitalising on its position as the world's leading Geo-data specialist, Fugro is focused on three strategic objectives.

- **Capture the upturn in the energy and infrastructure markets.**
  Energy markets continue to grow, enabling Fugro to improve its vessel utilisation. Regional teams are working closely together with central fleet management to further increase asset utilisation and mobilisation effectiveness. With a weak first quarter, the land business did not fully capture the opportunities in the infrastructure market; during the second quarter, growth was solid. In the first half of the year, healthy price increases have been realised in the early cyclical marine markets, as well as first marginal price increases in marine asset integrity. Furthermore, to improve profitability, in line with the strategy update from November 2018, Fugro is restructuring its service offering in selected countries.
- **Differentiate by integrated digital solutions**.
  Fugro is building its Digital Foundation aimed at delivering Geo-data to clients in the most efficient and value-adding way. As an example, in land site characterisation, the Gaia platform supports clients with real-time monitoring, resulting in lower ground risk and accelerated construction schedules. Recently Fugro opened its new remote service center in Aberdeen, where the first remote FPSO monitoring operation in the North Sea was executed. To date, Fugro has provided over 100,000 project hours around the globe from its seven remote service centres. Fugro's new unmanned surface vehicle has been delivered and is currently being thoroughly tested before it moves to its first commercial application.
- **Leverage core expertise in new growth markets**.
  Fugro is securing new contracts in hydrography, water management, flood protection and satellite positioning. In the first half year, Fugro won a coastal mapping project in Jamaica and Haiti to support the islands' climate resilience, using its proprietary Rapid Airborne Multibeam Mapping System. Fugro was also awarded the California Delta Conveyance project, delivering integrated services to optimise design and minimise construction risk in this earthquake-prone area.

Seabed Geosolutions classified as 'held for sale'

Fugro continues to focus on divestment opportunities for its non-core assets. Fugro has stepped up its efforts, in consultation with its co-shareholder, to sell Seabed Geosolutions, and multiple parties have shown interest. As a consequence, Seabed is now reported as 'held for sale'. In the profit and loss and cash flow statements, comparative figures 2018 have been adjusted, but not in the balance sheet. For further details, see the interim financial statements 2019.

The calculations for the covenant requirements remain unchanged, until a divestment has been completed. Based on the estimated fair value, a non-cash impairment of EUR 61 million on goodwill has been recognised.

Review by business

Marine

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	562.9		503.1	9.2%
EBITDA	67.9	56.5	33.5	
EBIT	20.0	20.3	(2.7)	
EBIT margin	3.6%	3.6%	(0.5%)	
Backlog next 12 months	582.6		577.7	0.8%
Capital employed	919.2	922.2	881.9	

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Revenue growth was fully related to site characterisation, as a result of increasing activity levels in offshore oil and gas coupled with a particularly strong growth of offshore windfarm developments. In addition, Fugro is involved in projects in new growth markets such as hydrography. Asset integrity revenue was in line with last year. Overall vessel utilisation was 73% compared to 69% in the first half of 2018.
- The site characterisation business continued its EBIT improvement trajectory. Asset integrity was below the comparable period, but the second quarter results show a year-on-year improvement.
- A robust increase in site characterisation backlog was largely offset by a significant reduction in asset integrity, partly caused by reduced capacity in Asia Pacific and by an increased focus on projects with better margins.

Land

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	234.0		231.0	(1.8%)
EBITDA	15.4	10.1	13.6	
EBIT	3.3	2.7	3.8	
EBIT margin	1.4%	1.2%	1.6%	
Backlog next 12 months	273.7		273.6	(0.2%)
Capital employed	197.2	197.3	208.3	

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Asset integrity revenues increased, while site characterisation revenue was below the first half of 2018 due to delays and reduction in work scopes in Europe-Africa and Asia Pacific.
- The site characterisation margin was below last year in line with revenue development, whilst land asset integrity results improved marginally. After a weak start to the year, the results improved in the second quarter, and were above the same period last year. To improve profitability, Fugro has stepped up restructuring efforts to address low margin services in a number of countries.
- Backlog is in line with last year as a decrease in site characterisation was almost offset by an increase in asset integrity.

Review by region

Europe-Africa

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	338.5		318.1	6.4%
EBIT	35.7	34.7	7.3	
EBIT margin	10.5%	10.3%	2.3%	
Backlog next 12 months	348.1		318.5	10.2%

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Revenue growth was mainly driven by marine site characterisation with also limited growth in marine asset integrity. Vessel utilisation increased by 10 percentage points. Land site characterisation revenue was down due to delays and reduction in work scopes on certain key projects, particularly in the United Kingdom.
- The margin improved strongly as a result of significantly higher offshore work volumes and better pricing.
- The 12 months backlog reflects an ongoing strong increase in marine, whilst the land related backlog was relatively constant.
- Recent significant project awards in the second quarter include: multiple unexploded ordnance surveys for EDF's Neart na Gaoithe windfarm, a 3-year framework contract with Shell for route surveys in the North Sea and a five-year contract for road condition surveys in the Netherlands.

Americas

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	193.5		157.5	17.0%
EBIT	(14.0)	(14.0)	2.5	
EBIT margin	(7.2%)	(7.2%)	1.6%	
Backlog next 12 months	244.0		237.3	1.3%

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Revenue growth was particularly strong in this region, supported by all marine and land business lines, with particularly high offshore wind activity levels on the east coast of USA and Canada.
- Profitability was disappointing due to delayed vessel maintenance compounded by unforeseen and extended repairs. As a result, vessel utilisation decreased by 16 percentage points, requiring additional charters and related costs. Last year's results also included a EUR 2.9 million one-off gain on the sale of a building.
- Backlog was up slightly, as large increases in offshore wind farm projects and the land business lines were largely offset by a drop in marine asset integrity due to the expiration of two diving support contracts in Brazil expired last year.
- Recent significant contract awards include site characterisation works for Enbridge to support design and construction of a tunnel below the Great Lakes, and a coastal mapping project in Jamaica and Haiti.

Asia Pacific

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	158.3		165.0	(6.9%)
EBIT	(6.0)	(5.2)	(15.8)	
EBIT margin	(3.8%)	(3.3%)	(9.6%)	
Backlog next 12 months	166.4		204.2	(18.4%)

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- The revenue decline was the result of the ongoing restructuring in marine asset integrity, which includes more selective tendering and reduced capacity with one vessel was re-positioned to Europe-Africa, and the Southern Star vessel was handed back in March. Land site characterisation declined, predominantly as a result of a challenging Hong Kong market.
- The ongoing restructuring in marine asset integrity and improved vessel utilisation contributed to a significantly reduced loss. In addition, the marine site characterisation margin improved.
- The decline in the marine asset integrity backlog was the consequence of the increased focus on margins. In the land asset integrity business line key projects were deferred to 2020.
- Recent significant contract awards include Fugro's 6th gas hydrate investigation campaign for Guangzhou Marine Geological Survey and a nearshore site characterisation for ground reclamation work in Tung Chung East, Hong Kong.

Middle East & India

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	106.6		93.5	7.6%
EBIT	7.6	7.5	7.1	
EBIT margin	7.1%	7.0%	7.6%	
Backlog next 12 months	97.8		91.3	6.5%

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Revenue of most business lines increased, most notably in marine site characterisation.
- The margin was impacted by the challenging economic and geopolitical environment in core infrastructure markets. In Qatar, a restructuring of land site characterisation has been initiated to address some loss-making service lines, which is expected to be concluded in the third quarter.
- The 12-months backlog was supported by marine and land awards in the Gulf countries.
- Recent significant contract awards include: various site characterisation surveys in relation to The Guggenheim museum for Abu Dhabi Department of Tourism, and a geotechnical survey for Greater Changua wind farm in Taiwan for Ørsted.

Held for sale: Seabed Geosolutions

Fugro's stake in Seabed Geosolutions is classified as 'held for sale' as per half year 2019 and therefore no longer part of group revenue and EBIT(DA) from continuing operations.

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019[1]	HY 2018	comparable growth[2]
Revenue	73.2		63.3	9.3%
EBIT	(19.6)	(19.7)	2.9	
EBIT margin	(26.8%)	(26.9%)	4.6%	
Backlog next 12 months	90.1		91.7	(2.9%)
Capital employed	81.2		147.1	

[1] Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements
[2] Corrected for currency effect

- Two node crews were active since the start of the year. One was fully occupied on the Petrobras Buzios project while the other completed two projects in the Gulf of Mexico. The shallow water crew was working in the Middle-East during the entire period.
- As previously disclosed, EBIT was severely impacted by execution issues on projects in the Gulf of Mexico (finalised in April) and the Middle East (completed in July), by the competitively priced first Manta® node Buzios project (completion expected in September) and by the delayed start of the S-79 project. Towards the end of the period, operational performance improved. Last year's results included a EUR 5.2 million one-off in relation to the sale of spare cables.
- Seabed's pipeline of potential projects remains solid with significant tendering activity and leads in a growing market.

Financial position – from continuing operations

Cash flow from operating activities after investing increased by EUR 6.3 million to negative EUR 34.4 million including EUR 12.9 million due to the introduction of IFRS 16. Cash flow was positively impacted by improved EBIT and a better working capital performance, offset by higher capital expenditure. Working capital as a percentage of 12 months rolling revenue was 15.1% at the end of June compared to 14.9% a year ago (on a comparable basis), reflecting timely billing and good collection of receivables. Days of revenue outstanding was 87 days, compared to 88 versus June last year.

Net debt at the end of June 2019 was EUR 735.2 million including the EUR 165.7 million impact from the adoption of IFRS 16. Excluding the impact of IFRS 16, net debt increased to EUR 569.5 million from EUR 505.5 million at the end of 2018, mainly due to negative cash flow from operating activities after investing including discontinued operations. Net debt/EBITDA was 2.8, unchanged compared to the end of the first quarter and compared to 2.2 at the end of 2018. This ratio is expected to improve towards year-end.

The maturity date of Fugro's 5-year multicurrency revolving credit facility was extended to May 2021. This extension provides Fugro a wider window and increased flexibility for refinancing, benefiting from continued improvement of results and possible proceeds from divestments.

Outlook

The outlook across Fugro's market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The offshore oil and gas market continues to grow despite geopolitical developments and concerns over reduced global economic growth. In the infrastructure market, Fugro expects continued growth, driven by population growth, urbanisation and ageing assets.

For the full year 2019, Fugro expects continued revenue growth, further improvement of EBIT margin and positive free cash flow from continuing operations. Capex for continuing operations will be around EUR 70 million.

Adoption of IFRS 16

As per 1 January 2019, Fugro applies the new accounting standard IFRS 16, which prescribes that leases have to be accounted for on the balance sheet. The implementation of IFRS 16 has no economic impact on Fugro or on the way it manages its business or allocates capital. However, it does have a significant impact on the balance sheet and income statement, as well as the classification of cash flows relating to lease contracts.

In the first half of 2019, the implementation of IFRS 16 had a positive impact of EUR 16.6 million on EBITDA, EUR 12.9 million on cash flow from operating activities after investing, and EUR 165.7 million on lease liabilities and net debt.

Press call and analyst meeting

Today at 7:30 CET, Fugro will host a news media call. At 12:00 CET, Fugro will host an analyst meeting in Hilton Amsterdam, Apollolaan 138 in Amsterdam which can be followed as video webcast via www.fugro.com.

Financial calendar

25 October 2019	Publication third quarter 2019 trading update
19 February 2020	Publication 2019 annual results (7.00 CET)

For more information

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About Fugro

Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth and the structures built upon it. Adopting an integrated approach that incorporates acquisition and analysis of Geo-data and related advice, Fugro provides solutions. With expertise in site characterisation and asset integrity, clients are supported in the safe, sustainable and efficient design, construction and operation of their assets throughout the full lifecycle.
Employing approximately 10,000 talented people in 65 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore. In 2018, revenue amounted to EUR 1.7 billion. The company is listed on Euronext Amsterdam.

This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This announcement may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including (but not limited to) statements expressing or implying Fugro's beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions underlying them). Forward-looking statements necessarily involve risks and uncertainties. The actual future results and situations may therefore differ materially from those expressed or implied in any forward-looking statements. Such differences may be caused by various factors (including, but not limited to, developments in the oil and gas industry and related markets, currency risks and unexpected operational setbacks). Any forward-looking statements contained in this announcement are based on information currently available to Fugro's management. Fugro assumes no obligation to in each case make a public announcement if there are changes in that information or if there are otherwise changes or developments in respect of the forward-looking statements in this announcement.