FUGRO

PRESS RELEASE

Leidschendam, the Netherlands, 29 July 2021

Return to growth in Q2 and improved margins

Further diversification driven by growth in renewables, infra and nautical

- In the second quarter, revenue was up by 14.1%; the first increase since the start of the pandemic. Overall, first half-year revenue declined slightly despite growth in the renewables, infrastructure and nautical markets, which now represent 60% of Fugro's revenue.
- Improved EBIT margin for the second quarter and the first half-year, in both the marine and land businesses, resulting from a combination of cost control and second quarter revenue growth.
- Free cash flow was negative EUR 52.5 million due to higher working capital mainly resulting from revenue growth, seasonality and an exceptionally low working capital at year-end 2020.
- Completion of divestment of non-core subsidiary Seabed Geosolutions for EUR 13.4 million in cash.
- The 12-month backlog is up 3.3%, driven by the land business.
- Outlook full-year 2021: revenue growth, modest margin improvement and around break-even free cash flow.

Key figures (x EUR million) ***from continuing operations unless otherwise indicated***[1]	**Q2 2021**	**Q2 2020**	**H1 2021**	**H1 2020**
Revenue	389.5	349.0	673.3	707.4
comparable growth[2]	*14.1%*	(19.3%)	(1.8%)	(10.3%)
EBITDA[3]	59.8	54.1	72.9	61.3
EBIT[3]	31.7	25.8	16.7	4.3
EBIT margin[3]	8.1%	7.4%	2.5%	0.6%
Net result[4]			5.4	(51.6)
Net result incl. discontinued operations			17.2	(113.1)
Cash flow from operating activities after investing (free cash flow)[5]	(5.6)	33.0	(52.5)	15.5
Backlog next 12 months	863.4	845.2	863.4	845.2
comparable growth[2]	3.3%	1.1%	3.3%	1.1%

1 Seabed Geosolutions' results classified as discontinued operations
2 Corrected for currency effect
3 Adjusted for specific items; with a total impact on EBIT of EUR 5.9 million (impairment and restructuring costs) in H1 2021
4 Excluding non-controlling interests
5 Free cash flow includes cash flow from discontinued operations

Mark Heine, CEO: "During the second quarter, one year after the outbreak of the pandemic, we have returned to growth. This was largely on account of our renewables business, highlighting our leading position and flexibility to shift assets and capabilities to growth markets. In the second quarter, our infrastructure and oil & gas related activities were also up, after a very challenging 2020.

We continue to make progress with our diversification. Currently, 60% of our revenue is generated in renewables, infrastructure and nautical. This is in line with our objective to support clients with the energy transition, climate change adaptation and the development of sustainable infrastructure. For example, we are presently executing services for offshore wind projects for Atlantic Shores in the US and Thang Long in Vietnam, and a cable route survey for Alcatel's new fibre-optic cable system connecting North America to Asia. In addition, we continue to implement our remote operations, encompassing remote positioning, hydrography and inspection services. For Woodside in Australia, we recently successfully completed our first remote inspection project with an uncrewed surface vessel, which has much lower CO_2 emissions and safety risks than a traditional vessel.

Supported by cost reductions implemented over the past quarters and second quarter revenue growth, our margins are up. While there are still Covid uncertainties that impact our business, we expect revenue growth and a modest margin improvement for the full-year. Even though there is still a gap between current performance and our mid-term targets, we are confident that we are back on our Path to Profitable Growth."

Performance review

Overall, first half-year revenue was down by 1.8% compared to last year, with a good second quarter after a weak first quarter. The EBIT margin was 2.5% compared to 0.6% last year, an improvement supported by both marine and land operations. The cost savings program which was initiated last year immediately after the outbreak of the pandemic, was fully implemented by the start of 2021.

Revenue in the second quarter grew by 14.1% compared to last year; the first increase since the start of the pandemic. It was supported by all regions except Middle East & India. Nevertheless, the pandemic continues to affect operations, with regional differences. Revenue of the marine business lines across the regions increased by 11.8% in total. The growth was particularly strong in site characterisation in Europe-Africa, through continued growth in offshore wind and a slight increase in oil and gas related revenue. In Land, revenue increased by 20.2%, supported by both business lines. Through a combination of cost control and revenue growth, the margin was up to 8.1%, compared to 7.4% last year.

The 12-month backlog is up 3.3%, supported by all business lines except marine site characterisation.

Free cash flow was EUR 52.5 million negative due to higher working capital driven by revenue growth, seasonality and an exceptionally low level at year-end 2020. Cash flow from operating activities before working capital increased to EUR 43.9 million from EUR 23.6 million as a result of revenue growth and operational leverage. Working capital as a percentage of 12 months rolling revenue was 16.1% at the end of June, compared to 12.0% a year ago and 8.1% at the end of 2020. Days of revenue outstanding was 92 days per the end of June compared to 94 days in June last year and 83 days at the end of 2020.

Net debt at the end of the second quarter was EUR 368.4 million, compared to EUR 295.8 million at year-end 2020 and EUR 351.4 million at the end of March. The increase was mainly the result of higher working capital. Net debt/EBITDA remained stable over the quarter at 2.2x.

Outlook

For full-year 2021, growth is expected to continue in the renewables, infrastructure and nautical markets. The modest recovery of the oil and gas market in the second quarter is expected to continue.

While there are still Covid uncertainties that impact the business, Fugro expects revenue growth, a modest margin improvement and around break-even cash flow for the full-year. Capex will be around EUR 80-90 million.

Review by business

Marine

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020[1]	comparable growth[2]
Revenue	467.2	510.9	(6.4%)
EBITDA	60.3	54.8	
EBIT	14.2	9.4	
EBIT margin	3.0%	1.8%	
Backlog next 12 months	585.2	583.9	0.5%
Capital employed	789.1	778.1	

[1] Adjusted for reclassification of nearshore infrastructure services in Europe-Africa (from Land to Marine) with EUR 11.7 million revenue in H1 2020
[2] Corrected for currency effect

- Revenues declined by 6.4%; a 24.2% decrease in the first quarter was followed by a 11.8% increase in the second quarter. The delta was particularly large in site characterisation, thanks to the strong growth in offshore wind projects in combination with a slight increase in oil and gas related revenue in the second quarter. Utilisation of Fugro's owned vessel fleet was up in the Americas, Asia Pacific and in particular Europe-Africa. Overall, it was 69% compared to 60% in the first half of 2020, combined with a decline in the number of short term charters. Nevertheless, Covid related mobilisation and operational challenges continued to affect operations.
- The margin improvement was driven by Europe-Africa. In the second quarter, the margin improved to low double digit positive from a high single digit negative in the seasonally low first quarter.
- Backlog grew slightly in asset integrity.

Land

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020[1]	comparable growth[2]
Revenue	206.1	196.5	10.3%
EBITDA	12.6	6.5	
EBIT	2.6	(5.1)	
EBIT margin	1.2%	(2.6%)	
Backlog next 12 months	278.2	261.3	9.5%
Capital employed	214.8	219.3	

[1] Adjusted for reclassification of nearshore infrastructure services in Europe-Africa (from Land to Marine) with EUR 11.7 million revenue in H1 2020
[2] Corrected for currency effect

- The 10.3% revenue increase was the combination of a modest 0.7% growth in the first quarter and a 20.2% increase in the second quarter, supported by both business lines. Land activities grew thanks to a pick-up of the infrastructure market in all regions except Middle East and India.
- The EBIT margin benefitted from the land restructuring which was completed during the past quarters. Asset integrity improved in all regions, as well as site characterisation in the Americas. In the second quarter, the margin improved to low single digit from break-even in the seasonally low first quarter.
- The increase in 12-month backlog is supported by both business lines.

Review by region

Europe-Africa

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020	comparable growth[1]
Revenue	319.8	290.3	9.4%
EBIT	32.2	7.6	
EBIT margin	10.1%	2.6%	
Backlog next 12 months	377.2	355.6	3.9%

[1] Corrected for currency effect

- Revenues grew by 9.4%; a 6.8% decrease in the first quarter was followed by a 25.2% growth in the second quarter. Especially in the first quarter, operations were affected by the pandemic and standby periods due to adverse weather. The upturn in the second quarter was largely the result of the higher activity levels in marine site characterisation, as a result of a strong growth in offshore wind combined with an increase in oil & gas activity levels.
- The EBIT margin improved in all business lines, in particular driven by the growth in the second quarter in marine site characterisation and, to a lesser extent, land asset integrity.
- The marine backlog was up, in particular as a result of increased demand for inspection, repair and maintenance services in marine asset integrity.
- Recent project awards include a 6-year engineering service contract, in cooperation with Arcadis, to help restore bridges and quays in Amsterdam; a multi-year site investigation by Germany's Federal Maritime and Hydrographic Agency; site investigations for RWE Renewables' various wind projects in the UK and Ireland; and a geotechnical site survey for Aker Energy's Pecan development in Ghana.

Americas

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020	comparable growth[1]
Revenue	150.2	172.1	(4.4%)
EBIT	(10.6)	(10.2)	
EBIT margin	(7.1%)	(5.9%)	
Backlog next 12 months	231.1	223.5	6.6%

[1] Corrected for currency effect

- Revenue declined by 4.4%; the 21.3% decline in the first quarter was largely offset by a 12.6% increase in the second quarter. This was supported by all business lines, except marine site characterisation, where the low level of oil and gas activity in Mexico was not fully offset by the growth in renewables work in the US.
- In particular in the first quarter, the margin was impacted by Covid related mobilisation and operational challenges in marine site characterisation. The margin in the land business lines was up. The region is implementing further organisational improvements.
- The 12-months backlog increased by 6.6% mainly because of a number of new multi-year ROV support contracts in Brazil. The order book for marine site characterisation was up on the US and Canada's East Coast, in particular in offshore wind.
- Significant awards include Park City wind farm offshore Connecticut; a 3-year contract for Petrobras for inspection, repair and maintenance work for the Fugro Aquarius; site investigations and relating consulting to inform design of the new Calcasieu River Bridge in Louisiana; and a 5-year Geospatial Products and Services Contract by the US Geological Survey.

Asia Pacific

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020	comparable growth[1]
Revenue	139.9	147.4	(2.3%)
EBIT	(3.8)	(1.6)	
EBIT margin	(2.7%)	(1.1%)	
Backlog next 12 months	166.3	175.3	(2.6%)

[1] Corrected for currency effect

- Revenues declined by 2.3%; the 23.7% decrease in the first quarter was almost offset by a 23.3% growth in the second quarter. Similar to Europe, in the second quarter there was a strong recovery in marine site characterisation activity levels. The land site characterisation was up on the back of the airport contract in Hong Kong.
- The EBIT margin was down due to a low first quarter, mainly caused by ongoing Covid related operational challenges in South East Asia. Marine asset integrity margin improved, also related to a strong focus on remote operations with increased margin potential. Land asset integrity margin also improved.
- In marine, the backlog decreased because the comparable period last year still included the Abadi LNG survey for INPEX, which has been deferred since. In the marine backlog there is a switch from oil & gas related work to renewable projects. The backlog for both land business lines was up.
- Significant recent awards include a geotechnical contract for the La Gan offshore wind farm in Vietnam; further renewable marine site characterisations in Japan, South Korea and Taiwan; an 5-year contract for offshore rig positioning services in Malaysia; and a geotechnical site investigation contract in for civil and railway infrastructure in Hong Kong.

Middle East & India

Key figures excluding specific items (x EUR million)	H1 2021	H1 2020	comparable growth[1]
Revenue	63.4	97.6	(29.3%)
EBIT	(1.1)	8.5	
EBIT margin	(1.7%)	8.7%	
Backlog next 12 months	88.8	90.8	4.1%

[1] Corrected for currency effect

- Revenue declined in both quarters, by 30.3% and 28.3% respectively, resulting in minus 29.3% for the first half-year. Marine was severely impacted by project delays and ongoing Covid related travel & vessel quarantine restrictions in the Gulf region, offset to some extent by improved vessel activity in Egypt. Land site characterisation revenues were lower due to reduced materials testing in Saudi Arabia and nearshore activities in UAE. Land asset integrity recorded higher revenues related to a large aerial drone survey for the Neom Megacity Spine Infrastructure Project.
- EBIT deteriorated due to the significantly lower revenue, in part mitigated by cost savings. The performance of land asset integrity improved thanks to the successful execution of projects.
- Backlog was 4.1% up with increases in all business lines except marine asset integrity.
- Significant recent contract awards include a pre-engineering survey for Saipem in relation to Qatargas' North Field Production Sustainability Project; and several site investigation activities for a large scale water treatment facility in Abu Dhabi.

Half-year report

For Fugro’s half-year report 2021, see https://www.fugro.com/investors/results-and-publications/quarterly-results

Webcast

At 07:30 CET, Fugro will host a media call. The dial-in number is +31 (0)20 7038211 with conference ID 8000006. At 11:30 CET, Fugro will host an analyst meeting accessible through a video webcast via https://www.fugro.com/investors/results-and-publications/quarterly-results. Analysts can dial in via +31 (0)20 703 8259 or +44 (0)330 336 9434 with conference ID: 2203789.

Financial calendar

28 October 2021	Publication third quarter 2021 trading update (7.00 CET)
18 February 2022	Publication 2021 annual results (7.00 CET)

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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 9000 talented people in 61 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore. In 2020, revenue amounted to EUR 1.4 billion. The company is listed on Euronext Amsterdam.