

Press Release

Leidschendam, the Netherlands, 30 April 2020

Q1 2020: First impact of Covid-19 and related deteriorated oil & gas market

- Priority is to preserve the health and wellbeing of our staff and other stakeholders.
- In Q1, the impact of Covid-19 varied by region. Overall revenue was still in line with last year with growth in Asia Pacific and decline in the other regions; revenue and EBIT was especially affected in Europe-Africa.
- Backlog flat year-on-year with good order intake in January and February; very low in March.
- Covid-19 and deteriorated oil and gas market will continue to hamper results in the upcoming period; Fugro is taking measures to significantly reduce costs and capital expenditure.
- Seabed Geosolutions' results strongly impacted by project cancellation.
- Net debt/EBITDA improved to 1.7 compared to 1.9 at year-end 2019, supported by sub-10 equity placement and divestment proceeds.
- Liquidity is good with close to EUR 400 million in cash and available facilities.
- Given high level of uncertainty, at this moment the company cannot provide a meaningful outlook for 2020.

Key figures (x EUR million) <i>from continuing operations</i> <i>unaudited</i>	Q1 2020	Q1 2019	Comparable growth¹
Revenue	358.4	355.8	0.8%
Adjusted EBITDA ²	7.2	14.6	
Adjusted EBIT ²	(21.5)	(16.4)	
Adjusted EBIT% ²	(6.0%)	(4.6%)	
EBIT	(26.5)	(19.4)	
Cash flow from operating activities after investing	(21.5)	(18.3)	
Backlog next 12 months	890.0	919.9	0.0%

¹ Corrected for currency effect

² Adjusted for onerous contract provisions, restructuring cost and impairment losses

Mark Heine, CEO: *"In the past weeks, the Covid-19 pandemic has taken hold around the world and affected all of us in one way or another. Our priorities are clear: preserve the health and wellbeing of our staff and other stakeholders, ensure business continuity and reduce costs and capex to protect liquidity and profitability.*

During the past two years, we made significant progress with the implementation of our Path to Profitable Growth strategy, including divestment of non-core activities, leading to a gradual recovery of our results and cash flow. While we were anticipating further growth of our business, the sudden and unprecedented deterioration in market circumstances due to the pandemic has created a new reality.

For Fugro, the situation has been aggravated by the collapse of the oil price resulting in strongly reduced spending by oil and gas clients. We still experience solid growth in offshore wind and intercontinental subsea cable routing activities. In the quarter, the pandemic already had a significant impact in Europe-Africa, in addition to adverse weather conditions. The Americas and Middle East & India were slightly impacted. Asia Pacific reported a significant improvement thanks to the rationalisation of the marine asset integrity business last year.

We are taking decisive and immediate action by implementing a programme to significantly reduce costs and capital expenditure. As it is impossible to forecast the duration of the current crisis and the magnitude of its impact, we cannot provide a meaningful outlook for 2020. We have several scenarios worked out, we will continue to monitor the situation closely, and decide on additional measures when needed.

I am proud that thanks to our dedicated staff, we are able to keep operations going within our safety rules and the guidelines issued by local authorities. Backed by the knowledge, experience and commitment of our staff, the innovative solutions we provide and our diversified customer base, we will succeed in making further progress as the global leader in our field, and in making our way back to our Path to Profitable Growth."

Review Q1 2020

Revenue was marginally up, driven by strong growth in Asia Pacific, offset by declines in the other regions, partly related to adverse weather conditions, especially in Europe-Africa where most of Fugro's owned vessels are based. This was compounded by the unprecedented global crisis sparked by the Covid-19 pandemic, amplified by the resulting collapse in the oil price, leading to clients reducing activity levels and spending. Though decreasing in size, this is still a major market segment for Fugro. Despite intense efforts to keep operations going in close collaboration with clients, some projects could not be executed as planned. This has resulted in operational complexities and related additional costs, delays, postponements and some cancellations. This has so far predominantly affected the Europe-Africa region.

Adjusted EBITDA and adjusted EBIT were below the comparable period last year, in particular in Europe-Africa, as a result of lower revenue while growth was anticipated. In Asia Pacific, the results significantly improved, due to the rationalisation of the marine asset integrity business last year. In the Americas and the Middle East, the result was broadly in line with last year.

Where the year started with a 9.9% increase in 12-month backlog, after a good order intake in the first 2 months of the year, intake was very low in March, resulting in a flat year-on-year backlog.

Cash flow from operating activities after investing was negative due to a seasonally weak quarter amplified by the impact of the pandemic. The payment of the Southern Star arbitration settlement (EUR 24.1 million) was more than offset by the proceeds from the sale of Global Marine (EUR 34.0 million). Working capital as a percentage of 12 months rolling revenue was 11.2% at the end of March, compared to 12.9% a year ago. Days of revenue outstanding was stable compared to last year at 98 days. Cash flow from discontinued operations (Seabed Geosolutions) after investing was EUR 4.0 million.

Net debt per the end of quarter was EUR 624.0 million (including Seabed Geosolutions), compared to EUR 666.3 million at year-end 2019. Excluding the impact of IFRS 16, net debt decreased to EUR 466.5 million compared to EUR 503.3 million. This reduction was driven by the EUR 81.8 million proceeds from the sub-10 equity placement in February, partially offset by the negative cash flow from operating activities after investing. Net debt/EBITDA improved to 1.7 compared to 1.9 at the end of 2019. Liquidity is good with close to EUR 400 million in cash and available facilities. In the coming weeks, Fugro expects to receive its first share of the proceeds from the divestment of GMG's 49% joint venture with Huawei Marine Networks Co.

Measures

To mitigate the impact of the sudden and unprecedented deterioration in market circumstances, Fugro is implementing a programme to significantly reduce costs and capex, with the aim of realising cash savings. This includes minimising the use of short-term charters, implementing a hiring and salary freeze, cut on executive pay, measures to reduce the workforce by up to 10%, reducing overhead costs and further optimising service offering through rationalisation of the company's geographical footprint. Furthermore, all available possibilities

for government support are being assessed to bridge this difficult period. Capex 2020 will be reduced to EUR 60-70 million.

Financing

At the publication of its full year 2019 results on 19 February 2020, Fugro announced a refinancing of its capital structure. The first phase was successfully completed with the placement of 8.3 million newly issued shares through a sub-10 equity issue. Due to the sudden and sharp deterioration in financial market conditions as a result of the Covid-19 outbreak, on 28 February Fugro did not proceed with the next step in the refinancing including the offering of senior secured notes. As a result, the current revolving credit facility, which matures May 2021, remains in place and settlement of the repurchase of the 2021 convertible bonds did not take place, as the entry into the new credit facility and the repurchase were subject to the completion of the offering. Fugro is reassessing its refinancing options and expects to provide more clarity in the second half of this year, when Fugro's business outlook becomes more clear and financial markets less volatile.

Review by business

Marine

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	251.0	244.2	3.4%
Backlog next 12 months	605.5	639.5	(1.2%)

¹ Corrected for currency effect

- After an exceptionally strong increase last year, site characterisation realised a mid-single digit growth. This was driven by the Americas and Asia Pacific, mainly related to offshore wind and oil and gas projects, respectively. Asset integrity revenue was in line with last year. Due to the geographical locations of vessels, several storms in the North Sea mainly in January and February and planned dry docks in Europe-Africa, vessel utilisation was down to 52% compared to 66% in the first quarter of 2019, in addition to a relatively high level of chartering.
- EBIT margin was high single digit negative, below the comparable period last year. The asset integrity business continued its EBIT improvement trajectory. Site characterisation margin declined, primarily in Europe-Africa as a result of lower revenue (while growth was anticipated), adverse weather conditions and operational complexities due to Covid-19.
- Backlog declined slightly as an increase in asset integrity was offset by a decline in site characterisation.

Land

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	107.4	111.6	(5.0%)
Backlog next 12 months	284.5	280.4	2.9%

¹ Corrected for currency effect

- Site characterisation and asset integrity revenues both declined. Site characterisation declined in the Americas and Asia Pacific, while it increased in the other two regions. Asset integrity reported a decline in Europe-Africa and the Americas and a growth in Asia Pacific.
- EBIT margin was low single digit negative, slightly below the comparable period last year, mostly related to the revenue decline in the Americas. The ongoing restructuring programme will be stepped up and accelerated in light of the recent market deterioration.
- Site characterisation backlog shows a healthy growth, whereas asset integrity declined.

Review by region

Europe-Africa

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	143.7	153.1	(5.0%)
Backlog next 12 months	318.2	366.5	(8.9%)

¹ Corrected for currency effect

- Revenue decline was mainly driven by marine site characterisation, and to a lesser extent by marine asset integrity. Vessel utilisation was significantly below the comparable period last year due to several storms in the North Sea mainly in January and February, 4 vessels in drydock for planned maintenance and delays due to Covid-19. Land site characterisation was up.
- The decrease in backlog across the business lines reflects current market uncertainty and some cancellations by oil and gas clients in particular.
- Significant awards in the quarter include a long-term contract for remote survey operations onboard one of Global Marine's vessels; a multidisciplinary contract with Innogy for Sofia, one of the world's biggest offshore windfarms; a site characterisation contract with Riverlinx for Silvertown Tunnel in London; and a 3-year contract for geotechnical and subsequent design work for the A9 motorway upgrade in the Netherlands.

Americas

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	86.5	87.9	(2.2%)
Backlog next 12 months	242.6	270.3	(7.1%)

¹ Corrected for currency effect

- Revenue in marine site characterisation increased substantially, offset by a decrease in the other business lines due to postponement of projects, lower asset integrity activity in the Gulf of Mexico and lower data acquisition in land asset integrity across the US due to Covid-19 related issues.
- The marine backlog in North America has been impacted by the pandemic and the deteriorated oil and gas market. Land site characterisation was affected by the delay of two large water projects in California.
- Recent significant contract awards include a five-year Indefinite Delivery Indefinite Quantity contract with the US National Oceanic and Atmospheric Administration (NOAA) to provide shoreline mapping; a first task order under that contract in Florida for which Fugro's new uncrewed surface vessel will be deployed; and on the East Coast of the US a number of variation orders from Ørsted for the Skipjack and Virginia windfarms.

Asia Pacific

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	80.3	65.9	23.3%
Backlog next 12 months	210.8	178.7	21.5%

¹ Corrected for currency effect

- Strong increase in revenue both in marine site characterisation and asset integrity despite some operational and logistic complexities due to Covid-19 restrictions. Revenue in land business was stable.
- The backlog for next 12 months increased in all business lines due to several project awards during the quarter. These include a large marine survey contract from INPEX for the Abadi LNG project in Indonesia and a multi-year monitoring contract for land-based infrastructure in Singapore.

Middle East & India

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	47.9	48.9	(6.0%)
Backlog next 12 months	118.4	104.4	12.8%

¹ Corrected for currency effect

- Revenue was up in all business lines except for marine site characterisation due to lower utilisation of 2 vessels. Towards the end of the quarter, mobilisation delays related to Covid-19 restrictions impacted key projects in UAE and Qatar. This was largely offset by land site characterisation particularly driven by a nearshore ground campaign for a bridge development project in Maldives. Marine asset integrity saw increased work scope in India and the UAE.
- Backlog increased with significant awards for geophysical and geotechnical projects in UAE, Qatar and Bangladesh, and a nearshore project in the UAE in land site characterisation.

Held for sale: Seabed Geosolutions

Fugro's interest 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. The divestment process is ongoing.

Key figures (x EUR million)	Q1 2020	Q1 2019	comparable growth ¹
Revenue	47.9	39.2	18.3%
Backlog next 12 months	52.5	110.3	(52.9%)

¹ Corrected for currency effect

- In the quarter, Seabed finalised a large project in the Gulf of Mexico with strong operational execution. Another project in the Gulf is expected to be successfully completed early May. Overall, good operational performance resulted in a positive adjusted EBITDA, a strong improvement compared to last year, reflecting an improved execution trajectory.
- Since July 2019, Seabed's third crew was working on the S-79 project in the Middle East. This project was planned to last until March 2021 but has, in light of Covid-19, been affected by a deteriorated operating environment and increasing operational complexities. As a result, in April the client and Seabed's local partner have decided to terminate the contract with immediate effect. This has triggered one off project related charges of EUR 24.8 million. It has also resulted in an earlier than anticipated buy back of Manta nodes, pre-financed by our partner for the duration of the project. Seabed believes that the contract termination was not in line with the contractual terms and it will seek indemnification and/or compensation in order to protect its interest.
- In addition, a project in Brazil which was due to start shortly, was postponed by the client. The commercial terms of the postponement have been mutually agreed. Although Seabed is actively pursuing opportunities, backlog is currently limited.
- The company is reducing its operational footprint and overhead expenses and will apply for available governmental schemes in the countries in which it operates. Capex will be strongly reduced as well. Depending on market and backlog developments, an additional non-cash impairment might have to be recognised in the second quarter.

Outlook

The Covid pandemic is expected to have considerable impact on second quarter results. It is impossible to forecast the magnitude and duration of the impact at this stage given the limited visibility on how this global crisis will unfold. The impact of the virus is amplified by oil and gas companies' recently announced spending cuts due to the sharp decline in the oil price, resulting in the most challenging environment for the oil and gas industry in many decades. At the same time, offshore wind, in which Fugro has a strong position and reputation, is anticipated to show continued growth, though somewhat slower than assumed at the start of this year. The pandemic may in the short term result in a decline in building and infrastructure activities. On the other hand, Fugro may benefit from government initiatives for additional infrastructure investment programmes.

Given the high level of uncertainty, the implications of the current situation for 2020 revenue, margin and free cash flow cannot be reliably assessed at this moment. Therefore, at this stage the company cannot provide a meaningful outlook for 2020.

Analyst call

At 08:30 CET, Fugro will host an analyst call. The dial-in numbers are +31 (0)20 3697886 or +44 (0)208 089 2860 and the confirmation code is 5689327. This call will also be accessible via audio cast:

<http://www.fugro.com/investors/results-and-publications/quarterly-results>

Financial calendar

30 April 2020	Annual general meeting of shareholders
29 July 2020	Publication half-year 2020 results

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 more than 60 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore. In 2019, revenue amounted to EUR 1.6 billion. The company is listed on Euronext Amsterdam.



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