2. Financial update
by Paul Verhagen
Financial key takeaways

1. Improved results and marginally positive EBIT margin in 2018

2. Capital allocation: priority to organic growth and deleveraging

   - Return On Capital Employed 10-15%
   - EBIT margin 8-12%
   - Free cash flow 4-7% of revenue

Note: All figures in this presentation are pre-IFRS 16 impact, unless stated otherwise
2. Financial update

A. YTD performance
B. Mid-term outlook
C. IFRS 16 update
YTD 2018 – third quarter of revenue growth after 12 quarters of decline

**Strong year-on-year revenue growth**

Revenue growth (%)

- 1Q14: 11%
- 2Q14: 0%
- 3Q14: -2%
- 4Q14: -12%
- 1Q15: -22%
- 2Q15: -30%
- 3Q15: -23%
- 4Q15: -20%
- 1Q16: -16%
- 2Q16: -3%
- 3Q16: 3%
- 4Q16: 30%
- 1Q17: 29%
- 2Q17: 20%
- 3Q17: 16%
- 4Q17: 20%
- 1Q18: 13%
- 2Q18: 11%
- 3Q18: 1%

**Revenue growth in all divisions**

- **Revenue (X EUR million)**
  - YTD 2017: 1,138
  - Marine: 194
  - Land: 11
  - Geoscience: 16
  - YTD 2018: 1,359
- **Currency and portfolio effect**
  - YTD 2017: 194
  - Marine: 11
  - Land: 16
  - Geoscience: 127
  - YTD 2018: 1,232

1. Corrected for FX effect and divestment of marine construction & installation activities in 2017
YTD 2018 – EBIT improvement driven by early cyclical MSC whilst late cyclical MAI is lagging

Improved EBIT mainly due to marine division

EBIT\(^1\) (excl. exceptional items)

YTD 2017: Marine, Land, Geoscience, YTD 2018

EBIT recovery in MSC, not yet in MAI

Normalised EBIT

1. Corrected for one-offs related to contractual settlement in 2017 in Land and sale of spare cable assets in 2018 in Geoscience
Q3 2018 – Strong growth in order intake and backlog

Order intake\(^1\) (in-hand next 12 months)

<table>
<thead>
<tr>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>Land</td>
<td>Geoscience</td>
<td>Marine</td>
<td>Land</td>
<td>Geoscience</td>
<td>Marine</td>
</tr>
<tr>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
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<tr>
<td>362</td>
<td>365</td>
<td>263</td>
<td>382</td>
<td>458</td>
<td>440</td>
<td>348</td>
</tr>
<tr>
<td>245</td>
<td>227</td>
<td>151</td>
<td>232</td>
<td>318</td>
<td>285</td>
<td>232</td>
</tr>
<tr>
<td>110</td>
<td>111</td>
<td>111</td>
<td>105</td>
<td>120</td>
<td>128</td>
<td>104</td>
</tr>
</tbody>
</table>

\(\text{+31.7\%}^2\)

Backlog (next 12 months)

<table>
<thead>
<tr>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>Land</td>
<td>Geoscience</td>
<td>Marine</td>
<td>Land</td>
<td>Geoscience</td>
<td>Marine</td>
</tr>
<tr>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
<td>X EUR million</td>
</tr>
<tr>
<td>1,052</td>
<td>971</td>
<td>867</td>
<td>928</td>
<td>964</td>
<td>943</td>
<td>917</td>
</tr>
<tr>
<td>655</td>
<td>606</td>
<td>508</td>
<td>545</td>
<td>588</td>
<td>578</td>
<td>556</td>
</tr>
<tr>
<td>341</td>
<td>299</td>
<td>280</td>
<td>274</td>
<td>272</td>
<td>274</td>
<td>264</td>
</tr>
<tr>
<td>56</td>
<td>66</td>
<td>79</td>
<td>109</td>
<td>104</td>
<td>91</td>
<td>97</td>
</tr>
</tbody>
</table>

1. Revenue in the quarter + change in-hand 12 month backlog in the quarter
2. Corrected for FX effect and divestment of marine construction & installation activities in 2017
2. Financial update

A. YTD performance
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Mid to high single digit comparable revenue growth

### Group revenue

- **Revenue (X EUR billion)**
  - 2015: 2.4
  - 2016: 1.8
  - 2017: 1.5
  - 2018: YTD Sep
  - 2021-2023: +5-10% CAGR

### Divisional revenue

#### Marine revenue (X EUR million)
- 2015: 1,431
- 2016: 1,096
- 2017: 947
- 2018: 476
- 2021-2023: +7-12% CAGR

#### Land revenue (X EUR million)
- 2015: 569
- 2016: 507
- 2017: 476
- 2018: 476
- 2021-2023: +3-7% CAGR

#### Geoscience revenue (X EUR million)
- 2015: 363
- 2016: 173
- 2017: 74
- 2018: 476
- 2021-2023: >20% CAGR

### Revenue growth drivers

- Capture the upturn in energy & infrastructure
- Differentiate by integrated digital solutions
- Leverage core expertise in new growth markets

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1. Geoscience revenue is equal to Seabed Geosolutions revenue except for 2015, which also includes EUR 19 million multiclient sales
Revenue growth in all market segments

- Revenue growth in all market segments
- Share of O&G expected to increase, although it will remain well below pre-downturn level
- Share in non-O&G expected to be between 32-38% in 2021-2023
EBIT margin targeted to improve to 8-12% of revenue

Minimum improvement required to achieve low-end of EBIT margin range

<table>
<thead>
<tr>
<th>EBIT margin impact (pp)</th>
<th>Per year</th>
<th>By 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid single digit volume growth</td>
<td>1-2</td>
<td>4-5</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price recovery driven to a large extent by oil &amp; gas and offshore wind market</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Productivity/other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency and cost reduction initiatives</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Cost inflation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost inflation on most expenses</td>
<td>-1</td>
<td>-3</td>
</tr>
</tbody>
</table>

1. pp: percentage points
## Drivers of margin improvement

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Estimated annual EBIT Impact(^1) (in EUR million)</th>
<th>Proof points and actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vessel based volume: +1%</strong></td>
<td></td>
<td>▪ Revenue growth with disciplined cost management benefiting from operating leverage</td>
</tr>
<tr>
<td>▪ Owned vessels utilisation</td>
<td>4</td>
<td>▪ Reduction of personnel, depreciation and other expenses as % of revenue; from 64.5% in 1H17 to 56.3% in 1H18</td>
</tr>
<tr>
<td>▪ Chartered vessels</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Non-vessel based volume: +1%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Price: +1%</strong></td>
<td></td>
<td>▪ Price erosion experienced during downturn in Marine service lines between 10-50%</td>
</tr>
<tr>
<td><strong>Productivity: +1%</strong></td>
<td></td>
<td>▪ Initial price increases of 5-10% realised in MSC in 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Fully leverage technology</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Increase efficiencies through digitalisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Strengthen procurement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Drive uptime of assets and equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Further leverage shared service centers</td>
</tr>
</tbody>
</table>

1. Based on 2017 financials
Free cash flow 4-7% of revenue by 2021-2023

Drivers of free cash flow improvement

- Gradual improvement of EBIT margin to 8-12%
- Less capital intensive business model with average annual CAPEX of EUR 100 to 130 million
  - Maintenance EUR 50-60 million
  - Project, innovation and growth EUR 50-70 million
- Continuing good working capital management, resulting in 12-15% of revenue
- Lower effective tax rate due to deferred tax assets
- Positive annual free cash flow

Incremental free cash flow opportunities from divestment of non-core assets

- 60% stake in Seabed Geosolutions
- 23.6% stake in Global Marine
- Monetise Finder’s license agreements (indirect interests in Australian exploration licenses)
Resulting in further deleveraging

**Net debt / EBITDA**

- 2015: 1.6
- 2016: 1.1
- 2017: 1.9
- 2018 Q1: 2.5
- 2018 Q2: 2.5
- 2018 Q3: 2.5
- 2018 Q4: 2.5
- 2019 Q1: 1.5

1 ≤ 3.0 covenant

**Debt maturity per June 2018**

- 2018: 430 EUR million
- 2019: 190 EUR million
- 2020: 100 EUR million

X EUR million

- Revolving credit facility
- Subordinated convertible bond 2016
- Subordinated convertible bond 2017
Benefits expected from significant Deferred Tax Assets (DTA)

- DTA at year-end 2017:
  - Recognised: EUR 39 million
  - Unrecognised: EUR 232 million
  - Less than EUR 20 million DTA expiration by 2023

- In 2017, EUR 1 million tax benefit realised from DTA
- In subsequent years increased DTA realisation expected, based on improved profitability
ROCE to improve to 10-15%  

- ROCE of 10-15% will require an EBIT margin of 8-12%  
- We will operate a more asset light business model, resulting in lower CAPEX in the coming years  
- Average annual CAPEX  
  - 2008-2014: EUR 283 million  
  - 2015-2018: EUR 115 million  
  - 2019-2023: EUR 100-130 million

1. Definition of ROCE can be found in glossary of the Fugro annual report
Capital allocation: priority to organic growth and deleveraging

1. **Capital Expenditure**
   - Support profitable organic growth through maintenance, project and innovation related CAPEX
   - EUR 100 -130 million per year on average

2. **Balance Sheet**
   - Further strengthen balance sheet
   - Targeting mid-term net debt/EBITDA below 1.5

3. **Acquisitions**
   - Disciplined bolt-on acquisitions
   - Selective opportunities judged on their merits

4. **Dividend Policy**
   - Resume dividend payments
   - 35%-55% of net profit once leverage allows
Updated mid-term targets (2021-2023)

<table>
<thead>
<tr>
<th>Group</th>
<th>ROCE</th>
<th>EBIT</th>
<th>FCF¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>10 – 15 %</td>
<td>8 – 12 %</td>
<td>4 – 7 %</td>
</tr>
<tr>
<td>Marine</td>
<td>&gt;10 %</td>
<td>10 – 13 %</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>&gt;10 %</td>
<td>6 – 9 %</td>
<td></td>
</tr>
<tr>
<td>Seabed</td>
<td>&gt;10 %</td>
<td>8 – 12 %</td>
<td></td>
</tr>
</tbody>
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¹. As % of revenue

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Long-term operating lease commitments on balance sheet as of 2019

- No change in economics, only in accounting
- No impact on covenants due to "frozen GAAP" clause
- All operating leases on balance sheet as of 2019, except for low-value and short term leases
- Comparative numbers 2018 will not be restated
Long-term operating lease commitments on balance sheet as of 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 excluding impact IFRS 16</th>
<th>2019 impact IFRS 16 Current estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>€€€</td>
<td>€€€</td>
</tr>
<tr>
<td>Operating costs</td>
<td>EUR 35-45 million lease expenses</td>
<td>- EUR 35-45 million</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>+ EUR 35-45 million</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>+ EUR 30-35 million</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>+ EUR 5-10 million</td>
</tr>
<tr>
<td>Finance expense</td>
<td></td>
<td>+ EUR 10-16 million</td>
</tr>
<tr>
<td>EBT (Earnings Before Tax)</td>
<td></td>
<td>- EUR 5-6 million</td>
</tr>
</tbody>
</table>

- Over lifetime of leases, this change has no impact on EBT
- Due to ‘front-loading effect’ (higher interest expenses in early years) negative effect on EBT in early years