

PRESS RELEASE

ARCADIS maintains organic growth and further increases profitability in first half 2014

- Gross revenues €1,198 million; organic growth net revenues +1.5% in first half 2014
- Operating EBITA up 8% leading to an H1 operating margin of 10.0% (H1 2013: 9.1%)
- Net income from operations improves 13% to €55.8 million
- ONEurope on track to meet 10% operating margin target by Q4 2014
- Free Cash Flow improved by €49 million versus the same period last year
- Good visibility maintained thanks to 6% increase in net revenue backlog (organic +4%) versus year-end 2013
- Outlook: ARCADIS expects net revenues to be comparable with last year, and net income from operations to be 5% to 10% higher than in 2013, barring unforeseen circumstances

July 28, 2014 – ARCADIS (NYSE Euronext: ARCAD), the leading global natural and built asset design and consultancy firm, today announced it has maintained growth and improved profitability in the first half year ended 30 June 2014, compared to the same period last year. Organic net revenue growth was +1.5% for the first half year. All regions saw organic growth with the exception of North America, where our relative performance however is good given the current environment: public sector revenues remain under pressure, private sector market continues to be competitive. Overall strong profit growth was realized despite investing in organic growth initiatives.

ARCADIS CEO Neil McArthur about the results: “I am very pleased with the operating margin we achieved, especially in light of the investments we are making in organic growth. In addition, the higher margin was supported by improvements in Continental Europe, and the UK. After many quarters of declines we saw Continental Europe return to growth. Also growth in Emerging Markets held up with the exception of mining in Latin America, where we could shift resources to water and transportation projects. In the UK, growth was solid and market conditions are further improving. In the United States, we dealt with pressure in federal and municipal markets and sustained competition for private sector work. Profitability in the US was maintained due to proactive cost management. Given the backlog, our investments in growth priorities, and the prospect of winning some large projects I am confident that we will be able to keep net revenues at prior year levels and grow our 2014 net income from operations to be 5% to 10% higher than in 2013.”

Key figures second quarter

Amounts in € millions unless otherwise stated	Second quarter	
	2014	2013
Gross revenues	610	638
Organic gross revenue growth	-1%	
Net revenues	470	484
Organic net revenue growth	+1%	
EBITA	41.7	36.8
Operating EBITA¹	48.6	43.4
Operating margin	10.3%	9.0%

¹ Excluding restructuring, integration and acquisition-related costs

Review of performance for the second quarter

Gross and net revenues benefited from growth in the UK, Continental Europe and Emerging Markets. In the latter, Asia and the Middle East support organic growth while mining (infrastructure) in Latin America was soft. In the quarter the currency effect was -4%, while acquisitions had little effect.

Reported EBITA increased by 13.6% in the second quarter to €41.7 million including €3.6 million in costs related to acquisitions, currency effects of -6% and restructuring and integration charges of €3.2 million (Q2 2013: €5.6 million). Operating EBITA grew by 11.8% to €48.6 million with a stronger performance from Continental Europe and the UK. Operating EBITA margins improved further to 10.3% (Q2 2013: 9.0%).

Key figures first half year

Amounts in € millions unless otherwise noted	First half year		
	2014	2013	Change
Gross revenues	1,198	1,240	-3%
Organic gross revenue growth	0%		
Net revenues	932	950	-2%
Organic net revenue growth	+1.5%		
EBITA	83.3	76.4	+9%
Operating EBITA	92.7	86.2	+8%
Operating margin	10.0%	9.1%	
Net income	45.6	41.4	+10%
Ditto per share (in €)	0.63	0.58	+9%
Net income from operations¹	55.8	49.5	+13%
Ditto per share (in €)¹	0.77	0.69	+12%
Weighted average number of shares (million)	72.7	71.5	+2%
Free Cash Flow²	(11.9)	(60.7)	

¹ Before amortization and non-operational items (net of tax)

² Cash flow from operating activities minus investments in (in)tangible assets

Review of performance for the first half year

Due to adverse currency effects of -4% overall net revenues declined. The contribution from acquisitions (SENES, inProjects) was 1%. Organically gross revenues were flat, but net revenues grew by +1.5%. The decline in North America caused by a slowdown in public sector markets and sustained competition in the private sector, was compensated by continued growth in Emerging Markets and the UK and a return to growth in Europe. In Emerging Markets, the Middle East and Asia continued to perform well, while Latin America realized lower growth on the back of reduced mining investments, which was partially compensated by growth in water and environment.

Reported EBITA grew 9% to €83.3 million despite currency effects of -5%. Excluding restructuring charges and acquisition-related costs, operating EBITA increased 8% to €92.7 million (H1 2013: €86.2 million). The operating margin was 10.0%, a considerable improvement (H1 2013: 9.1%) aided by margin improvements in Continental Europe and the UK. Restructuring and integration charges amounted to €5.5 million (H1 2013: €8.7 million) and were mainly related to cost actions in Europe. Acquisition related costs were €3.9 million (H1 2013: €1.1 million).

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At 29.6% the effective tax rate was slightly higher (H1 2013: 28.8%) mostly caused by the non-deductibility of acquisition-related costs. As a result of improved financing conditions, financing charges went down considerably to €7.8 million (H1 2013: €10.1 million). Income from associated companies was a loss of €1.0 million (H1 2013: +€1.4 million) due to the underperformance of hydropower assets in Brazil.

Net income rose 10% to €45.6 million or €0.63 per share compared to €41.4 million or €0.58 per share in the first half of 2013. Net income from operations was €55.8 million or €0.77 per share, an increase of 13% (H1 2013: €49.5 million or €0.69 per share).

Cash flow and balance sheet

Cash flow from operations turned slightly positive at €0.2 million in the first half of 2014 (H1 2013: -€40.6 million). Net working capital as a percentage of gross revenues was flat at 18.4%. Net debt came down significantly from €401 million at the end of the first half of 2013 to €284 million at the end of the first half of 2014. Based on average net debt our leverage ratio improved to 1.1 (Q2 2013: 1.5).

Developments by business line

Figures below are for the first half year of 2014 compared to the same period last year, unless otherwise mentioned.

	Infrastructure	Water	Environment	Buildings
Gross revenue growth ¹	-4%	-6%	-10%	+6%
<i>Of which:</i>				
- Organic	+1%	-1%	-6%	+7%
- Acquisitions	0%	-1%	+1%	+1%
- Currency impact	-5%	-5%	-4%	-2%
Net revenue growth ¹	-5%	-4%	-8%	+7%
<i>Of which:</i>				
- Organic	0%	+1%	-4%	+8%
Backlog development ²	-1%	+5%	+5%	+6%

¹ Rounding and reclassifications may impact totals

² Organic development compared to year-end 2013

- **Infrastructure** (25% of gross revenues)

Organic net revenue growth in Infrastructure was essentially flat, with the UK and Continental Europe contributing to growth. North American infrastructure revenues were slightly up. We saw a decline in mining work in Latin America, caused by the reduction in capital investments by mining clients, which also impacted the backlog of the Infrastructure business.

- **Water** (14% of gross revenues)

Water activities returned to growth driven by Emerging Markets, and more specifically by Latin America. Net revenues in Continental Europe started picking up, but market conditions remain soft. In North America growth in our 'Water for Industry' program was offset by project delays by municipal water clients. In the UK order intake was up markedly, but revenues fell short due to start up delays. Overall backlog improved in all regions except for North America.

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- **Environment** (31% of gross revenues)

Environmental revenues declined as market conditions in the US federal and municipal market remained soft due to spending constraints and continued strong private sector competition in North America. Emerging Markets (especially Brazil) achieved high revenue growth, including from multinational clients. In Continental Europe revenues were stable. The backlog improved most in Continental Europe and Latin America.

- **Buildings** (30% of gross revenues)

In Buildings strong growth was led by Emerging Markets of the Middle East and Asia. Solid growth was also achieved in the UK and Continental Europe, where we benefitted from the increased demand for projects related to operating expenditure and program management. In North America, revenues remained stable. Significant growth was achieved in design and architecture globally. Strong order intake drove up the backlog.

ONEurope progress update

In Continental Europe, net revenues grew organically in the first half by 3%, while backlog was up 9%. Operating margins in Continental Europe in the second quarter were 7.5%, somewhat below 8.1% of the first quarter due to less working days. We are on track to meet our 10% operating margin target in the fourth quarter of 2014.

Backlog

Backlog was up 6% year to date. Of this increase 4% was from organic growth and 2% resulted from currency effects. The decline in backlog in infrastructure is mainly caused in Latin America. Water and Buildings achieved strong backlog growth, as did Environment albeit to a lesser extent. The outlook for order intake improved during the quarter as we are currently negotiating final contract terms for several large project wins.

Outlook per business line

In the **infrastructure market, stable revenues:** growth is expected to continue in the Middle East and Continental Europe, although the European market is still fragile. This growth will be offset by lower spend by mining clients in Latin America, where new orders are more likely to generate growth in 2015.

In the **water market, low growth:** In North America, market conditions are soft but expected to improve, while in Emerging Markets Latin America remains strong. In the UK, we expect to benefit from recent new contract wins and framework renewals, while the water market in Continental Europe is likely to remain soft.

The **environmental market, no growth:** soft market in second half with order intake in North America expected to improve markedly, impacting the environmental revenues from 2015 onward. The other geographies, including Continental Europe are expected to show good growth in the second half of the year.

In the **buildings market, strong growth:** we foresee continued growth in all regions. The Middle East and Asia will benefit from strong spending in retail/mixed use. The UK – now also outside London – Continental Europe, and North America are expected to grow as real estate markets improve and program management and business advisory services gain further momentum.

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Outlook

Barring unforeseen circumstances, ARCADIS expects net revenues to be comparable with last year, and net income from operations to be 5% to 10% higher than in 2013.

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About ARCADIS: ARCADIS is the leading *global natural and built asset design and consultancy firm* working in partnership with our clients to deliver **exceptional and sustainable outcomes** through the application of design, consultancy, engineering, project and management services. ARCADIS differentiates through its talented and passionate people and its unique combination of capabilities covering the whole asset life cycle, its deep market sector insights and its ability to integrate health & safety and sustainability into the design and delivery of solutions across the globe. We are 22,000 people that generate €2.5 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Please visit: www.arcadis.com

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward looking statements. Forward looking statements are typically identified by the use of terms such as “may,” “will,” “should,” “expect,” “could,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “continue,” “predict,” “potential” or the negative of such terms and other comparable terminology. The forward looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward looking statements.

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CONDENSED CONSOLIDATED STATEMENT OF INCOME

	First half year	
Amounts in € millions, unless otherwise stated	2014	2013
Gross revenues	1,197.7	1,239.8
Materials, services of third parties and subcontractors	(266.1)	(289.7)
Net revenues	931.6	950.1
Operational and Personnel cost	(834.4)	(859.3)
Depreciation	(14.5)	(14.9)
Other income	0.6	0.5
EBITA ¹	83.3	76.4
Amortization identifiable intangible assets	(7.6)	(8.6)
Operating income	75.7	67.8
Net finance expense	(7.8)	(10.1)
Income from associates	(1.0)	1.4
Profit before taxes	66.9	59.1
Income taxes	(20.1)	(16.6)
Profit for the period	46.8	42.5
<u>Attributable to:</u>		
Net income (Equity holders of the Company)	45.6	41.4
Non-controlling interests	1.2	1.1
Net income	45.6	41.4
Amortization identifiable intangible assets (net of taxes)	6.1	6.7
Lovinklaan employee share purchase plan	0.4	0.5
Acquisition related items	3.7	0.9
Net income from operations¹	55.8	49.5
Net income per share (in euros)	0.63	0.58
Net income from operations per share (in euros)	0.77	0.69
Weighted average number of shares (in thousands)	72,713	71,523

¹ This a non-GAAP performance measure, to make the underlying performance of the business more transparent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Before allocation of profit

Amounts in € millions

Assets	June 30, 2014	December 31, 2013
Intangible assets	592.0	584.9
Property, plant & equipment	66.1	65.7
Investments accounted for using the equity method	31.6	33.3
Other investments	1.1	1.0
Deferred tax assets	33.6	37.6
Other non-current assets	27.1	26.2
Total non-current assets	751.5	748.7
Inventories	0.3	0.4
Derivatives	0.1	0.3
(Un)billed receivables	757.7	723.0
Corporate income tax receivable	20.1	19.8
Other current assets	64.1	37.2
Cash and cash equivalents	181.3	151.0
Total current assets	1,023.6	931.7
Total assets	1,775.1	1,680.4
Equity and liabilities		
Equity attributable to equity holders of the Company	603.9	594.7
Non-controlling interests	3.3	2.9
Total equity	607.2	597.6
Provisions for employee benefits	38.0	36.4
Provisions for other liabilities and charges	18.7	21.2
Deferred tax liabilities	50.1	40.2
Loans and borrowings	356.9	322.9
Derivatives	-	1.4
Total non-current liabilities	463.7	422.1
Billing in excess of cost	175.5	186.2
Corporate tax liabilities	10.8	13.5
Current portion of loans and borrowings	0.5	29.3
Current portion of provisions	6.9	7.3
Derivatives	3.6	3.2
Accounts payable	125.5	123.6
Accrued expenses	30.1	39.8
Bank overdrafts	0.6	0.4
Short-term borrowings	104.9	5.1
Other current liabilities	245.8	252.3
Total current liabilities	704.2	660.7
Total equity and liabilities	1,775.1	1,680.4

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in € millions	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2012	1.5	201.5	(4.8)	(27.9)	365.3	535.6	1.1	536.7
Profit for the period (net income)					41.4	41.4	1.1	42.5
<u>Other comprehensive income:</u>								
Exchange rate differences	-	-		(12.3)		(12.3)		(12.3)
Effective portion of changes in fair value of cash flow hedges			0.7			0.7		0.7
Changes in defined benefit pension plans					(1.2)	(1.2)		(1.2)
Other comprehensive income, net of tax			0.7	(12.3)	(1.2)	(12.8)	-	(12.8)
Total comprehensive income for the period			0.7	(12.3)	40.2	28.6	1.1	29.7
<u>Transactions with owners of the Company:</u>								
Dividends to shareholders		(16.7)			(20.6)	(37.3)	(0.8)	(38.1)
Issuance of shares	-	16.7				16.7		16.7
Share-based compensation					3.8	3.8		3.8
Taxes related to share-based compensation					(1.9)	(1.9)		(1.9)
Purchase of own shares					(29.1)	(29.1)		(29.1)
Options exercised					18.7	18.7		18.7
Total transactions with owners of the Company					(29.1)	(29.1)	(0.8)	(29.9)
Balance at June 30, 2013	1.5	201.5	(4.1)	(40.2)	376.4	535.1	1.4	536.5
Balance at December 31, 2013	1.5	201.5	(3.7)	(58.5)	453.9	594.7	2.9	597.6
Profit for the period (net income)					45.6	45.6	1.2	46.8
<u>Other comprehensive income:</u>								
Exchange rate differences				13.2		13.2	(0.1)	13.1
Effective portion of changes in fair value of cash flow hedges			(0.1)			(0.1)		(0.1)
Other comprehensive income, net of tax			(0.1)	13.2		13.1	(0.1)	13.0
Total comprehensive income for the period			(0.1)	13.2	45.6	58.7	1.1	59.8
<u>Transactions with owners of the Company:</u>								
Dividends to shareholders ¹		(19.2)			(19.1)	(38.3)	(0.7)	(39.0)
Issuance of shares	-	19.2				19.2		19.2
Share-based compensation					2.6	2.6		2.6
Taxes related to share-based compensation					(0.3)	(0.3)		(0.3)
Purchase of own shares					(41.8)	(41.8)		(41.8)
Options exercised					9.1	9.1		9.1
Total transactions with owners of the Company	-	-			(49.5)	(49.5)	(0.7)	(50.2)
Balance at June 30, 2014	1.5	201.5	(3.8)	(45.3)	450.0	603.9	3.3	607.2

¹ For the stock dividend 731,750 new shares with a total value of €19.2 million were issued which is paid out of share premium

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in € millions	First half year	
	2014	2013
Cash flows from operating activities		
Profit for the period	46.8	42.5
<u>Adjustments for:</u>		
- Depreciation and amortization	22.1	23.5
- Income taxes	20.1	16.6
- Net finance expense	7.8	10.1
- Income from associates	1.0	(1.4)
	97.8	91.3
Share-based compensation	2.6	3.8
Change in operational derivatives	0.0	(1.8)
Settlement of operational derivatives	0.1	1.9
Change in inventories	0.0	0.1
Change in receivables	(45.3)	(70.8)
Change in provisions	(2.8)	(0.3)
Change in billing in excess of costs	(12.3)	2.9
Change in current liabilities	(21.8)	(29.7)
Dividend received	0.3	0.8
Interest received	2.9	1.3
Interest paid	(10.4)	(10.5)
Corporate tax paid	(10.9)	(29.6)
Net cash from operating activities	0.2	(40.6)
Cash flows from investing activities		
Investments in (in)tangible assets	(12.4)	(21.1)
Proceeds from sale of (in)tangible assets	0.2	1.0
Investments in consolidated companies	(8.0)	(17.4)
Investments in associates and other financial non-current assets	(2.8)	(2.8)
Proceeds from sale of associates and other financial non-current assets	3.3	1.0
Net cash used in investing activities	(19.7)	(39.3)
Cash flows from financing activities		
Proceeds from exercise of options	9.1	18.7
Purchase of own shares	(41.8)	(29.1)
Settlement of financing derivatives	(0.0)	1.2
New long-term loans and borrowings	29.4	68.8
Repayment of long-term loans and borrowings	(29.5)	(68.8)
Changes in short-term borrowings	99.8	65.3
Dividend paid	(19.8)	(21.4)
Net cash from financing activities	47.2	34.7
Net change in cash and cash equivalents less bank overdrafts	27.7	(45.2)
Exchange rate differences	2.4	(1.5)
Cash and cash equivalents less bank overdrafts at January 1	150.6	176.4
Cash and cash equivalents less bank overdrafts at June 30	180.7	129.7

Geographical information (amounts related to the first half year)

Amounts in € millions or %

Gross revenues¹		
	2014	2013
North America	489.7	543.0
Emerging markets	281.8	291.4
Continental Europe	271.5	263.2
United Kingdom	154.7	142.2
Total	1,197.7	1,239.8

Net revenues¹		
	2014	2013
North America	343.5	374.4
Emerging markets	242.1	247.3
Continental Europe	221.9	215.0
United Kingdom	124.1	113.4
Total	931.6	950.1

EBITA, reported^{1,2}		
	2014	2013
North America	34.3	38.6
Emerging markets	23.7	28.8
Continental Europe	13.6	0.2
United Kingdom	11.7	8.8
Total, reported	83.3	76.4

EBITA, operating^{1,2,3}		
	2014	2013
North America	37.9	40.8
Emerging markets	25.8	30.0
Continental Europe	17.3	6.8
United Kingdom	11.7	8.6
Total, operating	92.7	86.2

Geographic mix (gross revenues), %		
	2014	2013
North America	41	44
Emerging markets	23	23
Continental Europe	23	21
United Kingdom	13	12
Total	100	100

Geographic mix (net revenues), %		
	2014	2013
North America	37	39
Emerging markets	26	26
Continental Europe	24	23
United Kingdom	13	12
Total	100	100

Margin, reported, %		
	2014	2013
North America	10.0	10.3
Emerging markets	9.8	11.6
Continental Europe	6.2	0.1
United Kingdom	9.4	7.7
Total, reported	8.9	8.0

Margin, operating, %		
	2014	2013
North America	11.0	10.9
Emerging markets	10.6	12.1
Continental Europe	7.8	3.2
United Kingdom	9.4	7.6
Total, operating	10.0	9.1

¹ Based on origin of production

² After allocation of corporate costs

³ Reported EBITA adjusted for restructuring, integration and acquisition-related costs

Information about business lines (amounts related to the first half year)

Amounts in € millions or %

Gross revenues		
	2014	2013
Infrastructure	294.4	305.5
Water	173.5	185.2
Environment	365.9	407.3
Buildings	363.9	341.8
Total	1,197.7	1,239.8

Net revenues		
	2014	2013
Infrastructure	247.8	260.0
Water	137.1	143.0
Environment	243.3	264.6
Buildings	303.4	282.5
Total	931.6	950.1

EBITA, reported¹		
	2014	2013
Infrastructure	23.4	14.7
Water	12.6	10.5
Environment	25.0	28.6
Buildings	22.3	22.6
Total, reported	83.3	76.4

EBITA, operating^{1,2}		
	2014	2013
Infrastructure	24.9	18.3
Water	13.6	11.9
Environment	26.6	31.2
Buildings	27.6	24.8
Total, operating	92.7	86.2

Activity mix (gross revenues), %		
	2014	2013
Infrastructure	25	25
Water	14	15
Environment	31	33
Buildings	30	27
Total	100	100

Activity mix (net revenues), %		
	2014	2013
Infrastructure	27	27
Water	15	15
Environment	26	28
Buildings	32	30
Total	100	100

Margin, reported, %		
	2014	2013
Infrastructure	9.4	5.7
Water	9.2	7.3
Environment	10.3	10.8
Buildings	7.4	8.0
Total, reported	8.9	8.0

Margin, operating, %		
	2014	2013
Infrastructure	10.0	7.0
Water	9.9	8.3
Environment	10.9	11.8
Buildings	9.1	8.8
Total, operating	10.0	9.1

¹ After allocation of corporate costs

² Reported EBITA adjusted for restructuring, integration and acquisition-related costs