PRESS RELEASE

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Arcadis reports second quarter and first half year results 2020

Solid results and excellent free cash flow in the second quarter

Operational:
- Sustained focus on resilience: keeping our people safe and at work while providing continuity of services to clients
- Strong adoption of new ways of working reduced impact of COVID-19
- Measures to reduce cost and improve cash collection paying off

Second quarter financials:
- Organic net revenue decline of 3% to €628 million
- Operating EBITA €49 million (Q2 2019: €50 million); operating margin 7.8% (Q2 2019: 7.7%)
- Excellent free cash flow of €165 million (Q2 2019: €60 million) mainly due to a significant reduction of working capital, improved invoicing efficiency in the US as well as COVID-19 related tax deferrals
- Net working capital 17.7% (Q1 2020: 19.2%); DSO to 87 days (Q1 2020: 95 days)

First half year financials:
- Organic net revenue flat at €1.3 billion
- Operating EBITA €97 million (2019: €98 million); operating margin 7.6% (2019: 7.7%)
- Free cash flow of €81 million (2019: €8 million) due to actions taken to improve cash collection
- Reduction of net debt to €316 million inclusive of ALEN debt repayment of €58 million
- Solid net debt/EBITDA ratio of 1.3 with strengthened liquidity
- Organic backlog stable at €2.0 billion with good order intake and no major cancellations

Amsterdam, 28 July 2020 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports a solid operating EBITA and a strong free cash flow in the second quarter despite a modest revenue decline of 3% as a consequence of COVID-19. Organic net revenue for the first half year was flat with an operating margin of 7.6% (2019: 7.7%).

Peter Oosterveer, CEO Arcadis comments: **“**In the second quarter we have continued with our focus on keeping our people safe and ensuring business continuity whilst further increasing our efforts on cash preservation. I am very proud of the resilience of all of our people across the globe, in particular about our ability to rapidly adopt the new ways of working and ensure the continuity of the work we perform for our clients during these still unprecedented times. The series of actions we implemented at the end of the first quarter to reduce our cost and preserve our cash, combined with additional measures taken this quarter, have paid off and has demonstrated our strong financial flexibility. I am therefore very pleased with the solid results and in particular with our strong free cash flow in this quarter.

Update on COVID-19
Although our backlog remains stable, we do see the impact of COVID-19 in some parts of the business, in particular in our work for private sector clients as well as in our architectural business where we have experienced a weaker demand. At the same time, we do see continued strong demand in the public sector in most of our regions for work in infrastructure and water resiliency.

Overall, we have demonstrated a strong ability to adapt to the COVID-19 reality which gives us confidence for our performance in the second half of the year. We will however have to remain vigilant given the uncertainties related to the health developments in societies across the globe.

Well positioned for the future
The health and economic crisis caused by COVID-19 underscores the importance for societies to continue investments in enhancing the resilience and sustainability of our environments. There is a clear necessity to be much better prepared for a future pandemic whilst not jeopardizing the need to mitigate and reduce the impacts of climate change. For us at Arcadis, it is imperative to further embrace resilience thinking as a window of opportunity for change. Therefore, we will continue to invest in the expertise of our people, in sustainable solutions and digital offerings as it supports social needs and makes economic sense. This combined with the quality of our people across the globe, our well diversified project portfolio for both private and public clients supported by our strong financial position, gives me confidence that we are well positioned for the future."

REVIEW OF PERFORMANCE

in € millions	HALF YEAR			SECOND QUARTER		
Period ended 30 June	**2020**	**2019**	change	**2020**	**2019**	change
Gross revenues	1,703	1,707	0%	831	878	*-5%*
Organic growth	*0%*	*4%*		*-3%*	*5%*	
Net revenues	1,286	1,275	1%	628	647	*-3%*
Organic growth	*0%*	*2%*		*-3%*	*2%*	
EBITDA	154	149	*3%*	78	74	*5%*
EBITDA margin	*12.0%*	*11.7%*		*12.4%*	*11.4%*	
Adjusted EBITDA[1]	113	112	*1%*	57	56	*2%*
EBITA	92	91	*1%*	47	46	*2%*
EBITA margin	*7.2%*	*7.1%*		*7.5%*	*7.1%*	
Operating EBITA[2]	97	98	*-1%*	49	50	*-1%*
Operating EBITA margin	*7.6%*	*7.7%*		*7.8%*	*7.7%*	
Net income	62	37	*68%*			
Net income from operations (NIFO)	53	46	*14%*			
NIFO per share (in €)	0.59	0.53	*11%*			
Net working capital %	17.7%	16.2%				
Days sales outstanding	87	82				
Free cash flow	81	8		165	60	
Net debt	316	378				
Backlog net revenues (billions)	2.0	2.1				
Backlog organic growth	2%	3%				

[1] Excluding IFRS 16 impact, used for net debt/EBITDA and FCF calculation
[2] Excluding restructuring, acquisition & divestment costs

REVENUES AND INCOME

REVIEW OF PERFORMANCE FOR THE SECOND QUARTER

Net revenues totaled €628 million for the second quarter with a modest organic decline of 3% due to the impact of COVID-19. Most of the impact was felt at CallisonRTKL, in Asia and in some of the smaller countries in Europe, while strong growth was achieved in Australia and Germany.

Operating EBITA was flat at €49 million (Q2 2019: €50 million) due to an overall solid performance and COVID-19 measures taken. The operating EBITA margin improved to 7.8% (Q2

2019: 7.7%), driven by margin improvement in North America, the UK and Australia, partly offset by lower margins in Asia and CallisonRTKL.

REVIEW OF PERFORMANCE FOR THE FIRST HALF YEAR

Organic net revenue was flat in the first half year, with growth in most countries except for Asia, CallisonRTKL and Middle East.

Operating EBITA was almost flat at €97 million (H1 2019: €98 million). Operating EBITA margin decreased to 7.6% (H1 2019: 7.7%); a higher margin in Americas, Australia and in EMU was offset by a lower margin in Asia and CallisonRTKL. Non-operating costs were lower at €5 million (H1 2019: €7 million).

The income tax rate for the first half year was 34% (H1 2019: 35%), excluding impact ALEN. The weighted average annual income tax rate expected for the full financial year is ~29% (H1 2019: ~29%). The tax rate was impacted by, among other things, non-deductible expenses, updates to tax positions from previous years and changes in recognized deferred tax assets.

Net finance expense decreased to €16 million (H1 2019: €19 million) due to lower interest expense on loans and borrowings.

The total Expected Credit Loss on shareholder loans and corporate guarantees for ALEN was a net gain of €17 million (H1 2019: €5 million loss). Due to a steep devaluation of the Brazilian Real, Arcadis realized a gain of €17 million on the repayments of ALEN bank loans.

Income from associated companies was €0.5 million (H1 2019: €1 million).

Net income from operations increased by 14% to €53 million or €0.59 per share, compared to €46 million or €0.53 per share in the first half of 2019.

REVIEW OF PERFORMANCE FOR THE FIRST HALF YEAR BY SEGMENT

AMERICAS

(35% of net revenues)

in € millions	**HALF YEAR**			**SECOND QUARTER**		
Period ended 30 June	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	712	679	*5%*	350	360	*-3%*
Net revenues	452	426	*6%*	226	222	*2%*
Organic growth	*4%*			*1%*		
EBITA	38	36	*6%*			
Operating EBITA[1)]	41	37	*11%*			
Operating EBITA margin	*9.0%*	*8.8%*				

[1)] Excluding restructuring, acquisition & divestment costs

Organic net revenue growth in North America was good. The operating EBITA margin improved driven by more work for public clients and a swift response to COVID-19 including cost control measures. Environment had a solid performance despite some revenue decline due to COVID-19. In the Water business there was a sound organic growth together with a strong pipeline of opportunities. Infrastructure revenue increased significantly due to work on long-term public projects.
Latin America had a continued organic growth with stable margins and a strong backlog driven by Infrastructure in Brazil.

EUROPE & MIDDLE EAST

(44% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended 30 June	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	676	692	*-2%*	324	345	*-6%*
Net revenues	573	574	*0%*	271	283	*-4%*
Organic growth	*-1%*			*-4%*		
EBITA	38	35	*9%*			
Operating EBITA[1)]	40	38	*5%*			
Operating EBITA margin	*7.0%*	*6.7%*				

[1)] Excluding restructuring, acquisition & divestment costs

In Continental Europe there was a solid performance in the Netherlands with a higher order intake from public clients. In most countries there was some revenue decline due to COVID-19 except in Germany that produced solid organic growth. The operating EBITA margin for Continental Europe improved driven by cost saving actions across the region.

UK's net revenues grew marginally due to growth in Infrastructure and Water, offsetting a decline in Buildings. The operating EBITA margin improved due to a good performance in Infrastructure and cost measures taken.

In the Middle East revenues declined slightly due to COVID-19 and the impact from the low oil price, however the operating EBITA margin improved due to cost control measures.

ASIA PACIFIC

(13% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended 30 June	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	182	188	*-3%*	94	98	*-4%*
Net revenues	164	165	*-1%*	84	86	*-2%*
Organic growth	*2%*			*2%*		
EBITA	9	11	*-18%*			
Operating EBITA[1)]	10	13	*-22%*			
Operating EBITA margin	*6.0%*	*7.6%*				

[1)] Excluding restructuring, acquisition & divestment costs

Organic net revenue declined in Asia due to COVID-19 and its impact on commercial development. In the second quarter the business in China, Hong Kong, Macau and Vietnam returned to a more normalized situation, while in Singapore, Malaysia and the Philippines there are still challenges due to COVID-19. The operating EBITA margin for Asia in the first half year was flat due to a loss in the first quarter that was compensated for in the second quarter.

In Australia organic net revenue growth was strong with excellent operating EBITA margins as the infrastructure market continues to remain strong in the major urban areas.

CALLISONRTKL

(8% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended 30 June	**2020**	**2019**	*change*	**2020**	**2019**	*change*
Gross revenues	133	148	*-11%*	63	76	*-17%*
Net revenues	98	111	*-12%*	47	57	*-18%*
Organic growth	*-13%*			*-18%*		
EBITA	6	9	*-33%*			
Operating EBITA[1)]	7	10	*-30%*			
Operating EBITA margin	*6.8%*	*8.6%*				

[1)] Excluding restructuring, acquisition & divestment costs

The architectural sector is currently severely hit by COVID-19, with Retail most affected and to a lesser extent Residential and Workplace while the business in China started to recover. Cost control measures were taken to mitigate the impact from COVID-19.

CASH FLOW AND BALANCE SHEET

Free cash flow in the second quarter was €165 million (Q2 2019: €60 million) leading to a YTD free cash flow of €81 million (H1 2019: €8 million). This is mainly the result of additional actions to reduce working capital and invoicing efficiency improvements in the US. In addition, the deferral of VAT and wage tax payments as allowed under government programs to reduce the impact of COVID-19 had a positive impact of approximately €33 million. EBITDA increased by 3% to €154 million (H1 2019: €149 million). As a result of the cash collection in the second quarter the days sales outstanding decreased from 95 days in Q1 2020 to 87 days (H1 2019: 82 days) and net working capital as a percentage of gross revenues improved from 19.2% in Q1 to 17.7% (H1 2019: 16.2%).

Solid financial position and strengthened liquidity

Net debt was lower year-on-year at €316 million (H1 2019: €378 million) and significantly lower than in Q1 (€424 million) due to the strong cash collection. The net debt as per 30 June 2020 also includes an ALEN debt repayment of €58 million, a legacy issue for which Corporate guarantees had been provided to the relevant banks. This was lower than expected due to a significant foreign exchange gain of €17 million. The covenant leverage ratio further improved to 1.3 (H1 2019: 1.6), well within the 2020 strategic target range of between 1.0 and 2.0.

Further to the stronger cash position the total short-term credit facilities as at 30 June 2020 increased to €723 million (31 December 2019: €402 million), which includes all uncommitted credit facilities, bank guarantee facilities and surety bond lines with financial institutions of which €165 million (31 December 2019: €163 million) has been used. As from May 2020, the Company is found eligible to issue commercial paper under the COVID Corporate Financing Facility (CCFF) by the Bank of England for a maximum amount of £300 million (€331 million). Under this program Arcadis can issue commercial paper with the Bank of England as sole purchaser. The CCFF is considered an uncommitted credit facility and is not used.

BACKLOG

Backlog at the end of H1 2020 stood at €2.0 billion (H1 2019: €2.1 billion), representing 9 months of net revenues. Organic backlog growth year-to-date was 2% with 11% growth in Europe and the Middle East, broadly flat in the Americas, a 5% decline in Asia Pacific and 8% decline for CallisonRTKL.

STRATEGIC PRIORITIES 2020

Arcadis' "Creating a sustainable future" strategy launched in 2017 is based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance with strategic targets for 2020. Given the current uncertainties regarding the COVID-19 crisis it is reasonable to assume that not all of our strategic targets set for 2020 will be met.

Arcadis is advancing its vision for the future against a backdrop of market opportunities driven by global trends like urbanization, climate change resiliency and digitalization and stays committed to present its scheduled strategy update for the period 2021-2023 on 19 November 2020.

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FINANCIAL CALENDAR 2020

29 October 2020	Trading update Q3 2020
19 November 2020	Capital Markets Day

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ANALYST MEETING

Arcadis will hold an analyst meeting and webcast to discuss the half year results for 2020. The analyst meeting will be held at 10.00 hours CET today. The webcast can be accessed via the investor relations section on the company's website at https://www.arcadis.com/en/global/investors/.

ABOUT ARCADIS

Arcadis is a leading global Design & Consultancy organization for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets. We are 28,000 people, active in over 70 countries that generate €3.5 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. www.arcadis.com.

REGULATED INFORMATION

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.

FORWARD LOOKING STATEMENTS

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.