ARCADIS
Design & Consultancy
for natural and
built assets

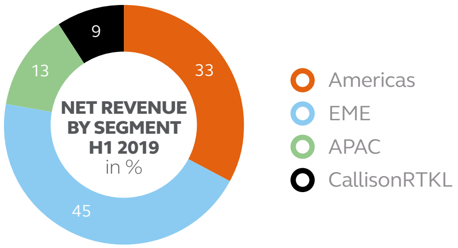
Creating a world for the next generation

Interim financial statements 2019


SPACE FOR RENT
STARBUCKS COFFEE
at lincoln center

This report contains the interim financial statements of Arcadis NV ('the Company' or 'the Group'), and consists of the interim management report and the interim financial statements, including risk assessment and the responsibility statement of the Executive Board. The interim financial statements have not been audited.

Performance Highlights



Half-year highlights

- Continued solid results led by strong performance in North America
- Measures to improve results in Asia, Middle East and Latin America start to yield results
- Further investments in people and digital offerings to support key growth areas
- Operating EBITA margin improved to 7.6% (H1 2018: 7.2%)
- Organic net revenue growth of 2% to €1.3 billion
- EBITDA increased by 12% to €112 million (H1 2018: €100 million)
- Net working capital improved to 16.2% (H1 2018: 18.8%); DSO to 82 days (H1 2018: 91 days)
- Sustained free cash flow improvement leading to a leverage ratio of 1.6 (H1 2018: 2.2)
- Organic backlog growth at 3% year-to-date

Key figures

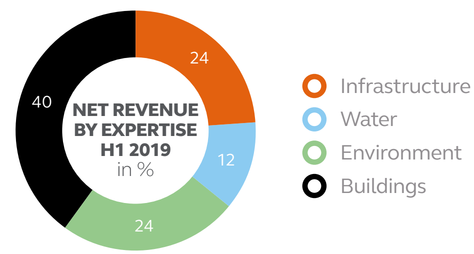
In € millions unless otherwise stated	IFRS 16 H1 2019	IAS 17 H1 2019	IAS 17 H1 2018	Change	IAS 17 Q2 2019	IAS 17 Q2 2018	Change
Gross revenues	1,707	1,707	1,586	*8%*	878	819	*7%*
Organic growth	*4%*	*4%*			*5%*		
Net revenues	1,275	1,275	1,220	*5%*	647	621	*4%*
Organic growth	*2%*	*2%*			*2%*		
EBITDA	149	112	100	*12%*	56	53	*5%*
EBITDA margin	*11.7%*	*8.8%*	*8.2%*		*8.7%*	*8.5%*	
EBITA	91	90	79	*13%*	45	42	*7%*
EBITA margin	*7.1%*	*7.1%*	*6.5%*		*7.0%*	*6.8%*	
Operating EBITA[1]	98	97	88	*10%*	49	45	*10%*
Operating EBITA margin	*7.7%*	*7.6%*	*7.2%*		*7.6%*	*7.2%*	
Net income	36	38	35	*9%*			
Net income from operations	46	49	44	*10%*			
Net income from operations per share (in €)	*0.53*	*0.55*	*0.51*	*8%*			
Net working capital %	16.2%	16.2%	18.8%				
Days sales outstanding	82	82	91				
Free cash flow[2]	44	8	(6)		60	54	
Net debt	378	378	468				
Backlog net revenues (in € billions)	2.1	2.1	2.1				
Backlog organic growth	3%	3%					

1 Excluding acquisition, restructuring and integration-related costs
2 Cash flow from operating activities minus investments in (in)tangible assets

IFRS 16 'Leases' replaces the existing standard IAS 17 'Leases' and significantly changes how Arcadis, as lessee, accounts for its operating lease contracts from 1 January 2019. The impact of IFRS 16 is material but it is an accounting change only. It has no impact on net cash.

Arcadis has decided to apply the modified retrospective approach, and thus does not restate comparative figures in the Consolidated (interim) financial statements. To faciliate comparability of the (operational) performance and balance sheet, the figures on pages 2 to 8 of this interim management report are based on IAS 17. The 2019 interim financial statements, on pages 9 to 28, are reported based on IFRS 16, including transition disclosure.

Interim management Report



Amsterdam, 25 July 2019 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports its results for the first half year of 2019.

Peter Oosterveer, CEO Arcadis comments: "Arcadis delivered another solid quarter leading to 2% organic growth and an operating margin of 7.6% for the first half year. The sustained cashflow improvement allowed us to further reduce our debt to a leverage ratio of 1.6, well within our 2020 strategic target range. I am particularly pleased with the continued strong revenue growth and margin improvement in the Americas, as well as the better results in Asia Pacific. In Europe & the Middle East, we saw strong performance in the Netherlands, the impact of one less working day, and lower results in France. The actions identified in prior quarters for Asia, the Middle East and Latin America have resulted in improved results in all three regions.

As part of our innovation and growth agenda we will continue to invest in our people and digital offerings. This to exploit our growth opportunities in sustainable cities and smart mobility, future proof industries, environmental consultancy, and water management. Following a successful demo day with Techstars, allowing 10 global startups to present their innovative solutions for the City of the Future, Arcadis will use the opportunity to continue our cooperation with these startups via pilot integration into Arcadis projects and potentially through additional equity investments.

Additionally, to allow us to accelerate the upscaling of digital solutions and delivery of new business models, we are in the process of creating a new entity that consolidates our legacy asset knowledge and digital capabilities with those which came with the recent acquisitions of SEAMS and EAMS.

Our strategic priorities for 2019 remain clear. The progress made in the first half year gives us confidence that we will be able to deliver on the strategic targets set for 2020."

Review of Performance (excl. IFRS 16)

Review of performance for the second quarter

Net revenues totaled €647 million for the second quarter, organic growth was 2%. The organic growth in the Americas was strong with 11%, revenue growth in Europe was 1%, while the Middle East decreased by 23% due to continued selectivity in acquiring work. In Asia Pacific the organic decrease was 1%, and in CallisonRTKL 3%. Operating EBITA improved organically by 6% to €49 million (Q2 2018: €45 million), the currency translation effect was 3%.

The operating EBITA margin improved to 7.6% (Q2 2018: 7.2%) driven by strong performance in the Americas.

Review of performance for the first half year

Organic net revenue growth was 2% in the first half year, mainly driven by a 10% growth in the Americas. Revenue growth in Europe was 1% while the Middle East decreased by 19% due to continued increased selectivity of acquiring work. In Asia Pacific and CallisonRTKL the organic revenue decrease was 1%.

Operating EBITA increased by 10% to €97 million (H1 2018: €88 million). Operating EBITA margin increased to 7.6% (H1 2018: 7.2%), driven by strong improvement in the Americas, including Brazil, and by better performance in Asia Pacific. Non-operating costs were lower at €7 million (H1 2018: €8 million).

The net revenues and operating EBITA (margin) were impacted by an average of one less working day.

The effective tax rate for the first half-year was 34.9% (H1 2018: 26.3%). The weighted average annual income tax rate for the full financial year is expected to be ~29%. The tax rate was impacted by, among other things, non-deductible expenses, updates to tax positions from previous years and unrecognized losses.

Net finance expenses were €14 million (H1 2018: €14 million). Within the net finance expense the interest expense was reduced due to a lower average gross debt, offset by a lower interest income from loans to associates and a significantly lower net foreign exchange result.

Income from associated companies was €1 million (H1 2018: a loss of €5 million). The expected credit loss on shareholder loans and corporate guarantees related to the non-core clean energy assets in Brazil was €5 million (H1 2018 €0).

Net income from operations increased by 10% to €49 million or €0.55 per share, compared to €44 million or €0.51 per share in the first half of 2018.

Review of performance for the first half year by segment

Americas (33% of net revenues)

Organic net revenue growth of 10% in both North America as well as in Latin America. The operating EBITA margin improved significantly from 7.7% to 8.7%, with North America delivering 9.6%, driven by a strong performance in environmental consultancy and continued solid results in Water and Infrastructure. Operating EBITA in Latin America improved by €2 million compared to a close to break-even result last year.

Europe and Middle East (45% of net revenues)

Organic net revenue decline of 2%, which included an increase of 1% in Continental Europe, and the UK, and a 19% decrease in the Middle East due to continued selective bidding. While our buildings business in the UK remained fairly stable, the continued uncertainty around Brexit is impacting the timing of infrastructure spending.

The operating EBITA margin in the Netherlands continues to be robust and improved in the Middle East. Operating EBITA margin in the segment declined to 6.6% (H1 2018: 6.7%) due to the impact of one less working day and lower results in France.

Asia Pacific (13% of net revenues)

Organic net revenue growth in Asia was slightly positive. In Australia the organic net revenue declined by 2%, driven by timing of the ramp-up of large projects.

The measures taken in Asia in 2018 resulted in greater selectivity, increased business transparency and an improved margin in Q2. In June 2019 a share purchase agreement was signed for the sale of the Design & Engineering activities in China. Operating EBITA margin in Australia improved in the second quarter and remained very strong.

CallisonRTKL (9% of net revenues)

Organic net revenues declined by 1%. Under new leadership the full focus is on winning work, reducing employee turnover and improving operating EBITA.

Cash flow and working capital

Free cash flow in the second quarter was €60 million (Q2 2018: €54 million) leading to a free cash flow of €8 million (H1 2018: -€6 million). EBITDA increased by 12% to €112 million (H1 2018: €100 million). Net working capital as a percentage of gross revenues improved to 16.2% (H1 2018: 18.8%) and days sales outstanding decreased to 82 days (H1 2018: 91 days). Net debt was clearly lower year-on-year at €378 million (H1 2018: €468 million). The covenant leverage ratio further improved to 1.6 (H1 2018: 2.2) well within the 2020 strategic target range of between 1.0 and 2.0.

Backlog

Backlog at the end of H1 2019 stood at €2.1 billion (H1 2018: €2.1 billion), representing 10 months of net revenues. Backlog increased organically year-to-date by 3%. In all segments the year-to-date backlog growth was positive, except for CallisonRTKL. Year-over-year the organic backlog growth was 3%, when excluding a 46% decrease in the Middle East due to more selective bidding.

Non-core clean energy assets Brazil (ALEN)

Operational

For the renewable gas-to-gas plant 70% of the production has been contracted with two customers, with discussions ongoing to sell the remaining volume. Delivery to the first customer has started and delivery to the second customer is expected to start in August. The largest gas-to-power plant is fully operational, delivering maximum capacity to the grid. The last gas-to-power plant is under construction, with completion and commissioning expected to start in the fourth quarter.

Divestment process

As part of the initiated divestment process led by financial advisor Itaú bank, the information memorandum was shared with potential buyers. The intention is to divest the energy assets in 2019.

Financial performance

The loss for Arcadis in the second quarter was €2 million. As the completed two assets start to generate cash, the expectation is to be break-even towards the end of the year. As intended, ALEN refinanced its expiring debt and extended to June 2020.

Strategic priorities 2019

Our strategy is based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance. In 2019, our objective is to make further progress towards our strategic targets set for 2020:

- Revenue growth:
  - Further build on the growth momentum and focus on profitable growth
  - Leverage the streamlined client portfolio and digital solutions
- Further margin improvement:
  - Rigorous adherence to actions identified for the Middle East and Asia to further improve performance
  - Leverage of “Make Every Project Count”, growth of Global Excellence Centers
- Further cost optimization
- Continue strong cash collection and further strengthen the balance sheet
- Non-core clean energy assets Brazil: intention to divest all assets in 2019

Financial calendar 2019

24 October 2019 - Trading update Q3 2019

Risk assessment

In our Annual Integrated Report 2018, we have extensively described risk categories and risk factors that could adversely affect our business and financial performance. These risk factors are deemed to be included by reference in this report.

In the first six months of 2019 we have not identified new material risk types or uncertainties which might result in pressure on revenues or income in addition to existing, earlier identified risks.

Additional risk(s) not known to us, or currently believed not to be material, may occur and could later turn out to have material impact on our business, financial objectives or capital resources.

Responsibility statement

This interim financial report contains the figures of Arcadis NV for the first half year of 2019, and consists of the first half year management report, segment reporting, Consolidated interim financial statements, and the responsibility statement of the Executive Board. The financial information in this report is unaudited.

In accordance with article 5:25d of the Financial Supervision Act (Wet of het Financieel Toezicht), the Executive Board of Arcadis NV hereby declares that to the best of its knowledge, the interim financial statements, which have been prepared in accordance with IAS 34 'Interim Financial Reporting', give a true and fair view of the assets, liabilities, financial position and profit or loss of Arcadis NV and its consolidated companies, and the first half year management report gives a fair view of the information pursuant to section 5:25d subsection 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Amsterdam, the Netherlands, 24 July 2019

Peter Oosterveer, Chairman of the Executive Board
Sarah Kuijlaars, Chief Financial Officer

Segment information (based on IAS 17)[1]

Amounts in € millions or %

Gross revenues

	H1 2019	H1 2018
Americas	679	551
Europe and Middle East	692	708
Asia Pacific	188	186
CallisonRTKL	148	141
Total	**1,707**	**1,586**

Segment mix (gross revenues)

	H1 2019	H1 2018
Americas	40%	35%
Europe and Middle East	40%	44%
Asia Pacific	11%	12%
CallisonRTKL	9%	9%
Total	**100%**	**100%**

Net revenues

	H1 2019	H1 2018
Americas	426	365
Europe and Middle East	574	586
Asia Pacific	165	164
CallisonRTKL	111	105
Total	**1,275**	**1,220**

Segment mix (net revenues)

	H1 2019	H1 2018
Americas	33%	31%
Europe and Middle East	45%	46%
Asia Pacific	13%	14%
CallisonRTKL	9%	9%
Total	**100%**	**100%**

EBITA

	H1 2019	H1 2018
Americas	35	26
Europe and Middle East	35	33
Asia Pacific	11	12
CallisonRTKL	9	8
Total EBITA	**90**	**79**
Non-recurring[2]	7	9
Total Operating EBITA	**97**	**88**

EBITA margin

	H1 2019	H1 2018
Americas	8.3%	7.1%
Europe and Middle East	6.2%	5.8%
Asia Pacific	6.6%	7.2%
CallisonRTKL	7.8%	7.7%
Total	**7.1%**	**6.5%**

Operating EBITA[3]

	H1 2019	H1 2018
Americas	37	28
Europe and Middle East	38	40
Asia Pacific	13	11
CallisonRTKL	9	9
Total	**97**	**88**

Operating EBITA margin

	H1 2019	H1 2018
Americas	8.7%	7.7%
Europe and Middle East	6.6%	6.7%
Asia Pacific	7.6%	6.8%
CallisonRTKL	8.0%	8.8%
Total	**7.6%**	**7.2%**

1 Includes allocation of corporate results and excludes the impact of IFRS 16, and therefore differs from the segment reporting based on IFRS 8 (note 4 of the Consolidated interim financial statements)
2 Aquisitions, restructuring, integration-related costs and changes in aquisition-related litigation provisions
3 Operating EBITA is EBITA adjusted for non-recurring costs

Interim financial statements 2019

Consolidated Income statement

For the six-month period ended 30 June

In € thousands	Note	2019	2018[1]
Gross revenues	6	**1,707,172**	**1,585,682**
Materials, services of third parties and subcontractors		(432,226)	(383,995)
Net revenues[2]		*1,274,946*	*1,201,687*
Personnel costs		(998,158)	(931,284)
Other operational costs		(131,389)	(172,074)
Depreciation and amortization		(57,229)	(20,479)
Amortization other intangible assets		(8,440)	(11,348)
Impairment charges		–	–
Other income		3,187	1,596
Total Operational costs		**(1,192,029)**	**(1,133,589)**
Operating income		**82,917**	**68,098**
Finance income		3,837	6,353
Finance expenses		(23,342)	(21,802)
Fair value change of derivatives		440	1,168
Net finance expense	8	**(19,065)**	**(14,281)**
Expected Credit Loss on shareholder loans and corporate guarantees	12	(5,061)	–
Result from investments accounted for using the equity method		671	(4,522)
Profit before income tax		**59,462**	**49,295**
Income taxes	9	(22,382)	(14,154)
Profit for the period		**37,080**	**35,141**

Profit attributable to:

Equity holders of the Company (net income)		35,875	35,075
Non-controlling interests		1,205	66
Profit for the period		**37,080**	**35,141**

Earnings per share (in €)

Basic earnings per share	10	0.41	0.41
Diluted earnings per share	10	0.40	0.40

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3
2 Non-GAAP performance measure. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

The notes on pages 16 to 28 are an integral part of these Consolidated interim financial statements

Consolidated Statement of comprehensive income

For the six-month period ended 30 June

In € thousands	Note	2019	2018[1]
Other comprehensive income, net of income tax			
Profit for the period		37,080	35,141
Items that may be subsequently reclassified to profit or loss:			
Exchange rate differences for foreign operations		3,299	16,585
Exchange rate differences for equity accounted investees		623	(3,788)
Effective portion of changes in fair value of cash flow hedges		536	77
Items that will not be reclassified to profit or loss:			
Changes related to post-employment benefit obligations	17	(8,796)	4,194
Other changes		–	1,862
Other comprehensive income, net of income tax		**(4,338)**	**18,930**
Total Comprehensive income for the period		**32,742**	**54,071**
Total comprehensive income attributable to:			
Equity holders of the Company		31,562	54,834
Non-controlling interests		1,180	(763)
Total Comprehensive income for the period		**32,742**	**54,071**

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

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Non-GAAP performance measure

In € thousands	Note	2019	2018[1]
Net income from operations[2]			
Profit for the period attributable to equity holders (net income)		35,875	35,075
Amortization identifiable intangible assets, net of taxes		6,978	8,070
Goodwill impairment charges, net of taxes	11	–	–
Valuation changes of aquisition-related provisions, net of tax		1,106	–
M&A costs		1,441	401
Lovinklaan employee share purchase plan[3]	7	850	850
Net income from operations		**46,250**	**44,396**
Net income from operations per share[1] (in €)			
Basic earnings per share	10	0.53	0.51
Diluted earnings per share	10	0.52	0.50

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3
2 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis
3 The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme. Accordingly, the Company treats the related share-based expenses as non-operational

The results for the first six months of 2019 in the table above are based on IFRS 16, with comparative figures based on IAS 17. Arcadis' dividend target of 30% - 40% of Net income from operations is based on IAS 17; Net income from operations based on IAS 17 amounts to €48.7 million for the six-month period ended 30 June 2019.

Consolidated Balance sheet

Before allocation of profit

In € thousands	Note	2019 30 June	2018[1] 31 December
Assets			
Non-current assets			
Intangible assets and goodwill	11	1,059,615	1,054,246
Property, plant & equipment		95,152	103,578
Right-of-use assets	3	255,260	–
Investments accounted for using the equity method	12	7,495	7,756
Other investments		507	637
Deferred tax assets	3	37,352	36,261
Pension assets for funded schemes in surplus	17	780	2,040
Derivatives		2,264	1,637
Other non-current assets		27,123	26,548
Total Non-current assets		**1,485,548**	**1,232,703**
Current assets			
Inventories		193	217
Derivatives		2,599	10,058
Trade receivables	13	543,666	583,740
Contract assets (unbilled receivables)	14	612,827	545,492
Corporate tax receivables		26,700	31,095
Other current assets		65,356	64,055
Assets classified as held for sale		449	377
Cash and cash equivalents	15	232,236	240,815
Total Current assets		**1,484,026**	**1,475,849**
Total Assets		**2,969,574**	**2,708,552**

	Note	2019 30 June	2018[1] 31 December
Equity and liabilities			
Shareholders' equity			
Total Equity attributable to equity holders of the Company	3, 16	**958,041**	**941,920**
Non-controlling interests		2,585	2,199
Total Equity		**960,626**	**944,119**
Non-current liabilities			
Provisions for employee benefits	17	54,163	45,848
Provisions for other liabilities and charges	3, 18	22,796	21,743
Deferred tax liabilities	3	66,033	66,393
Loans and borrowings	19	516,661	386,061
Lease liabilities	3	195,716	–
Derivatives		1,244	1,115
Total Non-current liabilities		**856,613**	**521,160**
Current liabilities			
Contract liabilities (billing in excess of cost)	6, 14	258,853	255,581
Contract liabilities (loss provisions)	6, 14	98,242	115,643
Current portion of provisions	3, 18	10,442	14,955
Corporate tax liabilities		32,642	35,925
Current portion of loans and short-term borrowings	19	95,797	202,163
Current portion of lease liabilities	3	76,435	–
Derivatives		4,167	9,614
Bank overdrafts		1,149	135
Accounts payable		227,796	235,545
Accrued expenses and other current liabilities	3	346,812	373,712
Total Current liabilities		**1,152,335**	**1,243,273**
Total Liabilities		**2,008,948**	**1,764,433**
Total Equity and liabilities		**2,969,574**	**2,708,552**

[1] The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

The notes on pages 16 to 28 are an integral part of these Consolidated interim financial statements

Consolidated Statement of changes in equity

In € thousands	Note	Attributable to equity holders of the Company Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at 31 December 2017		**1,748**	**372,533**	**(1,525)**	**(89,058)**	**694,188**	**977,886**	**2,691**	**980,577**
Impact of changes in accounting policies	3	–	–	–	–	(6,664)	(6,664)	–	(6,664)
Balance at 1 January 2018		**1,748**	**372,533**	**(1,525)**	**(89,058)**	**687,524**	**971,222**	**2,691**	**973,913**
Profit for the period		–	–	–	–	35,075	35,075	66	35,141
Other comprehensive income:									
Exchange rate differences		–	–	–	12,825	–	12,825	(28)	12,797
Effective portion of changes in fair value of cash flow hedges		–	–	58	–	–	58	–	58
Taxes related to effective portion of changes in fair value of cash flow hedges		–	–	19	–	–	19	–	19
Remeasurements on post-employment benefit obligations	17	–	–	–	–	4,119	4,119	–	4,119
Taxes related to remeasurements on post-employment benefit obligations	17	–	–	–	–	75	75	–	75
Other changes		–	–	–	–	2,663	2,663	(801)	1,862
Other comprehensive income, net of income taxes		**–**	**–**	**77**	**12,825**	**6,857**	**19,759**	**(829)**	**18,930**
Total Comprehensive income for the period		**–**	**–**	**77**	**12,825**	**41,932**	**54,834**	**(763)**	**54,071**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests		–	–	–	–	–	–	–	–
Dividends to shareholders	16	–	(26,716)	–	–	(13,693)	(40,409)	(450)	(40,859)
Issuance of shares	16	32	26,684	–	–	–	26,716	–	26,716
Share-based compensation	7	–	–	–	–	2,352	2,352	–	2,352
Taxes related to share-based compensation		–	–	–	–	341	341	–	341
Purchase of own shares	16	–	–	–	–	(10,307)	(10,307)	–	(10,307)
Share options exercised		–	–	–	–	2,590	2,590	–	2,590
Total transactions with owners of the Company		**32**	**(32)**	**–**	**–**	**(18,717)**	**(18,717)**	**(450)**	**(19,167)**
Balance at 30 June 2018[1]		**1,780**	**372,501**	**(1,448)**	**(76,233)**	**710,739**	**1,007,339**	**1,478**	**1,008,817**

[1] The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

The notes on page 16 to 28 are an integral part of these Consolidated interim financial statements

In € thousands	Note	Attributable to equity holders of the Company							
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at 31 December 2018[1]		**1,780**	**372,501**	**(1,431)**	**(82,191)**	**651,261**	**941,920**	**2,199**	**944,119**
Impact of changes in accounting policies	3	**–**	**–**	**–**	**–**	**5,773**	**5,773**	**–**	**5,773**
Balance at 1 January 2019		**1,780**	**372,501**	**(1,431)**	**(82,191)**	**657,034**	**947,693**	**2,199**	**949,892**
Profit for the period		–	–	–	–	35,875	35,875	1,205	37,080
Other comprehensive income:									
Exchange rate differences		–	–	–	3,947	–	3,947	(25)	3,922
Effective portion of changes in fair value of cash flow hedges		–	–	536	–	–	536	–	536
Taxes related to effective portion of changes in fair value of cash flow hedges		–	–	–	–	–	–	–	–
Remeasurements on post-employment benefit obligations	17	–	–	–	–	(10,275)	(10,275)	–	(10,275)
Taxes related to remeasurements on post-employment benefit obligations	17	–	–	–	–	1,479	1,479	–	1,479
Other changes		–	–	–	–	–	–	–	–
Other comprehensive income, net of income taxes		–	–	**536**	**3,947**	**(8,796)**	**(4,313)**	**(25)**	**(4,338)**
Total Comprehensive income for the period		–	–	**536**	**3,947**	**27,079**	**31,562**	**1,180**	**32,742**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests		–	–	–	–	–	–	460	460
Dividends to shareholders	16	–	(23,477)	–	–	(17,766)	(41,243)	(1,254)	(42,497)
Issuance of shares	16	29	23,448	–	–	–	23,477	–	23,477
Share-based compensation	7	–	–	–	–	5,287	5,287	–	5,287
Taxes related to share-based compensation		–	–	–	–	135	135	–	135
Purchase of own shares	16	–	–	–	–	(13,613)	(13,613)	–	(13,613)
Share options exercised		–	–	–	–	4,743	4,743	–	4,743
Total transactions with owners of the Company		**29**	**(29)**	**–**	**–**	**(21,214)**	**(21,214)**	**(794)**	**(22,008)**
Balance at 30 June 2019		**1,809**	**372,472**	**(895)**	**(78,244)**	**662,899**	**958,041**	**2,585**	**960,626**

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

The notes on pages 16 to 28 are an integral part of these Consolidated interim financial statements

Consolidated Cash flow statement

For the six-month period ended 30 June

In € thousands	Note	2019	2018[1]
Cash flows from operating activities			
Profit for the period		37,080	35,141
Adjustments for:			
Depreciation and amortization		57,229	20,479
Amortization other identifiable intangible assets		8,440	11,348
Impairment charges		–	–
Income taxes	9	22,382	14,154
Net finance expense	8	19,065	14,280
Expected Credit Loss on shareholder loans and corporate guarantees	4, 12	5,061	–
Result from Investments accounted for using the equity method		(671)	4,522
Adjusted profit for the period (EBITDA)		**148,586**	**99,924**
Change in Inventories		25	(17)
Change in Contract assets and liabilities		(80,647)	(64,771)
Change in Trade receivables		45,952	34,879
Change in Accounts payable		(10,081)	(31,527)
Change in Net working capital		**(44,751)**	**(61,436)**
Change in Other receivables		(7,435)	1,911
Change in Current liabilities		(1,503)	13,428
Change in Other working capital		**(8,938)**	**15,339**
Change in Provisions	18	(4,399)	(4,813)
Share-based compensation	7	5,287	2,693
Sale of activities net of cost (AHFS)		–	–
Change in operational derivatives		–	(11)
Settlement of operational derivatives		(78)	49
Dividend received		968	20
Interest received	8	4,053	8,411
Interest paid	8	(16,956)	(19,768)
Corporate tax paid	9	(19,677)	(21,334)
Net cash from operating activities	(A)	**64,095**	**19,074**

In € thousands	Note	2019	2018[1]
Cash flows from investing activities			
Investments in (in)tangible assets		(20,240)	(25,592)
Proceeds from sale of (in)tangible assets		435	911
Investments in consolidated companies		(6,479)	(7,945)
Proceeds from sale of consolidated companies		–	–
Investments in/loans to associates and joint ventures	12	(8,138)	(16,208)
Proceeds from (sale of) associates and joint ventures	12	–	–
Investments in other non-current assets and other investments		(2,412)	(1,814)
Proceeds from (sale of) other non-current assets and other investments		1,797	1,217
Net cash (used in)/ from investing activities	(B)	**(35,037)**	**(49,431)**
Cash flows from financing activities			
Proceeds from exercise of options		4,743	2,588
Proceeds from issuance of shares	16	–	–
Purchase of own shares	16	(13,613)	(10,307)
Settlement of financing derivatives		1,974	8,594
New long-term loans and borrowings	19	229,777	65
Repayment of long-term loans and borrowings	19	(205,093)	(75,199)
New short-term borrowings	19	200,000	138,510
Repayment of short-term borrowings	19	(200,000)	(51,080)
Payment of lease liabilities	3	(35,919)	–
Dividends paid		(19,019)	(14,177)
Net cash (used in)/ from financing activities	(C)	**(37,150)**	**(1,006)**
Net change in Cash and cash equivalents less Bank overdrafts	(A+B+C)	**(8,092)**	**(31,363)**
Exchange rate differences		(1,501)	1,947
Cash and cash equivalents less Bank overdrafts at 1 January		240,680	266,137
Cash and cash equivalents less Bank overdrafts at 30 June		**231,087**	**236,721**

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

The notes on page 16 to 28 are an integral part of these Consolidated interim financial statements

Notes to the Consolidated interim financial statements

1 General information

Arcadis NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located in Amsterdam, the Netherlands.

Arcadis NV, and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company'), is the leading global Design & Consultancy firm for natural and built assets. Applying deep market sector insights and collective design, consultancy, engineering, project and management services, the Company works in partnership with clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

The Consolidated interim financial statements as at and for the six-month period ended 30 June 2019 include the interim financial statements of Arcadis NV, its subsidiaries, and the interests in associates and jointly controlled entities.

The Consolidated interim financial statements are unaudited.

2 Basis of preparation

Statement of compliance

The Consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', and should be read in conjunction with the annual Consolidated financial statements as at and for the year ended 31 December 2018, which have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Consolidated interim financial statements do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Consolidated financial statements as at and for the year ended 31 December 2018.

The Consolidated interim financial statements are to be read in conjunction with the consolidated financial statements 2018, which are available upon request from the Company's registrered office at Gustav Mahlerplein 97-103, 1082 MS Amsterdam, the Netherlands, or at www.arcadis.com.

This is a first set of the Group's financial statements in which IFRS 16 has been applied. Changes for the significant accounting policies are described in note 3.

All amounts in this report are in thousands of euros, unless otherwise stated.

The Consolidated interim financial statements authorized for issue by the Executive Board and Supervisory Board on 24 July 2019.

Significant accounting policies

The accounting policies applied and methods of computation used in preparing these consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended 31 December 2018, except for the changes in accounting policies as summarized in note 3. For the policy for recognising and measuring income taxes see note 9.

Accounting estimates and management judgements

The preparation of the consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the Consolidated financial statements as at and for the year ended 31 December 2018, except for significant judgements as described in note 3.

Impact of uncertainties relating to Brexit

On 29 March 2017, the United Kingdom (UK) government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (EU). There was an initial two-year timeframe for the UK and the EU to reach an agreement on the withdrawal and the future relationship, which is extended to 31 October 2019.

There is significant uncertainty about the withdrawal process, its timeframe and the outcome of the negotiations about the future arrangements between the UK and the EU. Management applied its judgement in determining the impact of this on carrying amounts of assets and liabilities in these interim financial statements. As a result of the assessment, the Group has not identified impairment triggers at its UK subsidiary as at 30 June 2019. For the tax impact of Brexit uncertainties see note 9.

Seasonality

There is no highly seasonal pattern included in the year-to-date figures, therefore no additional financial information is disclosed on the twelve-month period ended 30 June 2019.

Comparative figures

No material events occurred that resulted in a restatement of the comparative figures. IFRS 16 is applied modified retrospectively, see note 3, with no restatement of the 2018 closing balance and results of the comparative period.

Exchange rates applied

In €: Average	H1 2019	FY 2018	H1 2018
US Dollar ('USD')	0.89	0.85	0.83
Pound Sterling ('GBP')	1.15	1.13	1.14
Chinese Yuan Renminbi ('CNY')	0.13	0.13	0.13
Brazilian Real ('BRL')	0.23	0.23	0.24
United Arab Emirates Dirham ('AED')	0.24	0.23	0.22

In €: Period-end	2019 30 June	2018 31 Dec	2018 30 June
US Dollar ('USD')	0.88	0.87	0.85
Pound Sterling ('GBP')	1.12	1.11	1.13
Chinese Yuan Renminbi ('CNY')	0.13	0.13	0.13
Brazilian Real ('BRL')	0.23	0.23	0.23
United Arab Emirates Dirham ('AED')	0.24	0.24	0.23

The exchange rates applied during the Q1, Q2 and Q3 financial closes are determined ahead of the interim reporting dates, and may therefore differ from the actual spot rates as at the interim reporting date. Applying spot-rates as at 30 June 2019 on our balance sheet would have increased our asset base with €0.4 million, lowered equity with €0.4 million and increased liabilities with €0.8 million, mainly due to a change in the GBP and BRL rate. The impact on the Consolidated income statement is insignificant as the effect on the average exchange rate for the half-year is limited.

Recent accounting developments

Several amendements to International Financial Reporting Standards and interpretations became effective for annual periods beginning on or after 1 January 2019. For further details on such amendments and the impact on the Company, see note 3.

3 Changes in (significant) accounting policies

As of 1 January 2019 Arcadis adopted IFRS 16 and IFRIC 23. IFRS 16 replaces IAS 17 and significantly changes how Arcadis, as lessee, accounts for its operating leases. IFRIC 23 clarifies the accounting for uncertainties in income taxes.

Amendments to IFRS 9 (prepayment features with negative compensation), IAS 28 (long-term interests in associates and joint ventures), IAS 19 (plan amendment, curtailment or settlement), IFRS 3 and IFRS 11 (control over joint operation), IAS 12 (income tax dividends on financial instruments classified as equity) and IAS 23 (borrowing costs on assets ready for use or sale) are assessed and do not impact the opening balance of 1 January 2019.

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 clarifies the accounting for uncertainties in income taxes. When the Group considers it probable that tax authorities accept a tax treatment it will be treated as such in the income tax filings. When it is not considered probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment.

The impact assessment led to the conclusion that there is no cumulative effect of initially applying the interpretation to be recognized in Shareholders' equity of 1 January 2019.

IFRS 16 'Leases'

Key messages

- Material impact on Arcadis' financial statements and financial performance indicators
- Accounting change only, no (net) cash impact
- No change of Arcadis' strategy and financial framework
- Lease costs shift from Other operational costs to Depreciation and Net finance (interest) expense; impact on operating income
- Bank covenant reporting is lease-adjusted

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognized right-of-use assets representing its right to the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. is presented, as previously reported, based on IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. Any contracts entered into or changed on or after 1 January 2019 are assessed based on the new definition of a lease, being an agreement whereby the lessor conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases.

The Group allocates the consideration in contracts to each lease and non-lease component based on their relative stand-alone prices. Only when it is practically impossible to separate the components they are accounted for as a single lease component.

As a lessee

Arcadis' lease portfolio consists of >3,000 contracts worldwide, with the majority in the Americas and Europe & Middle East. Over 90% of the undiscounted lease commitments relate to real-estate lease contracts. The second largest category are vehicles.

The Group has elected not to recognize right-of-use assets and lease liabilities for:

- Low value leases (individual items with a value of <€5,000 or equivalent)
- Short term leases (duration of twelve months or less)

Lease payments associated with the exempted leased assets are recognized as an expense on a straight-line basis over the lease term and are included in 'Other operational costs'.

Significant accounting policies

At commencement of a lease, the Group measures right-of-use assets initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounting using an incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate or the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group recognizes in the right-of-use asset an estimate of the costs to be incurred for dismantling, removal and/ or restoration to the conditions required by the terms of the lease.

Judgment is applied to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. At reporting date all facts and circumstances are considered that create an economic incentive in determining whether it is reasonably certain that an extension or termination option will be recognized. Changes in the estimate are recognized prospectively.

Transition

At transition to IFRS 16, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, plus payments made before 1 January 2019, minus lease incentives received, and plus the estimated costs for dismantling, removal and/ or restoration. The restoration provision is presented separately from the lease liabilities.

Existing leases with a residual lease term of twelve months or less at 1 January 2019 were exempted. Also, the practical expedient to use hindsight when determining the lease term if the contract contains options to extend or terminate the lease was applied to leases previously classified as operating leases under IAS 17.

As a lessor

The Group sub-leases some of its properties, although not significant. The head leases are presented in the right-of-use assets and the sub-lease contracts as operating leases under IFRS 16.

Impact on financial statements

Impact on transition

The impact on transition to IFRS 16 is summarized in the table below. Accounts that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

In € thousands	31 Dec 2018	Impact IFRS 16	1 Jan 2019
Non-current assets			
Property, plant and equipment	103,578	(850)	102,728
Right-of-use assets	–	279,322	279,332
Deferred tax assets	36,261	–	36,261
Current assets			
Other current assets	64,055	(2,922)	61,133
Total assets	**2,708,552**	275,550	2,984,102
Non-current liabilities			
Provisions for other liabilities and charges	21,743	651	22,394
Lease liabilities	–	220,709	220,709
Deferred tax liabilities	66,393	–	66,393
Current liabilities			
Current portion of provisions	14,955	(618)	14,337
Current portion of lease liability	–	73,259	73,259
Accrued expenses and other current liabilities	373,712	(24,224)	349,488
Total liabilities	**1,764,433**	**269,777**	**2,034,210**
Shareholders' equity			
Total equity attributable to equity holders of the Company	941,920	5,773	947,693
Total equity and liabilities	**2,708,552**	**275,550**	**2,984,102**

The right-of-use asset at 1 January 2019 of €279 million consists of the initial measurement of the lease liability of €294 million, plus payments made before 1 January 2019 of €3 million, minus the lease incentives ('tenant improvement allowances') received of €24 million, and plus the estimated costs for restoration of €6 million.

The lease liabilities recognized in the opening balance of 1 January 2019 are based on the discounted lease payments, using the incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.4%.

The Group received tenant improvement allowances to make leasehold improvements to buildings. The leasehold improvements are continued to be reported as Property, plant and equipment and depreciated over the lease term, while the tenant improvement allowances are from 1 January 2019 deducted from the right-of-use assets rather than reported as Other liability.

The closing balance of 31 December 2018 included restoration provisions for an amount of €6 million, which have been recognized over the past years as Other operational costs. On transition, restoration provisions for all leases to which it applies are recognized in accordance with IAS 37 for an amount of €6 million; for the same amount a right-of-use asset is recognized. This right-of-use asset is subsequently depreciated over the remaining lease term and the restoration provision is increased with the interest.

Impact for the period

The profit for the period based on IFRS 16 is lower due to front-loading of expenses, mainly as a result of the transition method. Income from sub-leasing was previously reported by the Group as negative Other operational cost, whereby under IFRS 16 it is now reported as Other income.

Consolidated Income statement for the six-month period ended 30 June 2019

in € thousands	IFRS 16	IAS 17	Net impact
Net revenues[1]	*1,274,946*	1,274,946	–
Personnel costs	(998,158)	(998,158)	–
Other operational costs	(131,389)	(167,655)	(36,266)
Depreciation and amortization	(57,229)	(21,609)	35,620
Amortization other intangible assets	(8,440)	(8,440)	–
Other income	3,187	2,572	615
Total Operational costs	**(1,192,029)**	**(1,193,290)**	**(1,261)**
Operating income	**82,917**	**81,657**	**1,260**
Net finance expense	**(19,065)**	**(14,248)**	**(4,817)**
Expected Credit Loss on shareholder loans and corporate guarantees	(5,061)	(5,061)	–
Result from investments accounted for using the equity method	671	671	–
Profit before income tax	**59,462**	**63,019**	**(3,557)**
Income taxes	(22,382)	(23,493)	1,111
Profit for the period	**37,080**	**39,526**	**(2,446)**
EBITDA[1]	148,586	111,706	36,880

[1] Non-GAAP performance measure. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

Consolidated Balance sheet as at 30 June 2019

In € thousands	IFRS 16	IAS 17	Net impact
Non-current assets			
Property, plant and equipment	95,152	95,858	(706)
Right-of-use assets	255,260	–	255,260
Deferred tax assets	37,352	36,241	1,111
Current assets			
Other current assets	65,356	68,090	(2,734)
Total Assets	**2,969,574**	**2,716,643**	**252,931**
Non-current liabilities			
Provisions for other liabilities and charges	22,796	21,998	798
Lease liabilities	195,716	–	195,716
Current liabilities			
Current portion of provisions	10,442	11,316	(874)
Current portion of lease liabilties	76,435	–	76,435
Accrued expenses and other current liabilities	346,812	369,316	(22,504)
Total Liabilities	**2,008,948**	**1,759,376**	**249,572**
Shareholders' equity			
Total Equity attributable to equity holders of the Company	958,041	954,682	3,359
Total Equity and liabilities	**2,969,574**	**2,716,643**	**252,931**

The total non-current and current lease liabilities at 30 June 2019 amount to €272 million, and the restoration provision relating to leased assets to €6 million.

Consolidated Cash flow statement for the six-month period ended 30 June 2019

in € thousands	IFRS 16	IAS 17	Net impact
Cash flow from operating activities	64,095	28,176	35,919
Cash flow from investing activities	(35,037)	(35,037)	–
Cash flow from financing activities	(37,150)	(1,231)	(35,919)
Cash and cash equivalents (less bank overdraft)	**231,087**	**231,087**	**–**
Free cash flow[1]	**44,290**	**8,371**	**35,919**

[1] Non-GAAP performance measure. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

Consolidated Net debt as at 30 June 2019

The bank covenant ratios are not impacted by the transition to IFRS 16. Net debt and EBITDA for covenant reporting purposes are lease-adjusted. The Total Leverage Ratio at 30 June 2019 was 1.6 (31 December 2018: 2.0), based on a net debt according to bank covenants of €378.8 million, and did not exceed the maximum ratio of 3.0.

4 Segment reporting

Operating and reportable segments

Following IFRS 8, the Company has the following segments as at 30 June 2019:

Operating segment	Reportable segment
Americas	Americas (Americas)
Europe & Middle East	Europe & Middle East (EME)
Asia Pacific	Asia Pacific (APAC)
CallisonRTKL	CallisonRTKL

Reconciliation EBITA

The reconciliation of EBITA to total profit before income tax is as follows:

In € thousands	H1 2019	H1 2018[1]
EBITA for reportable segments	96,840	80,590
Corporate and unallocated amounts	(5,483)	(1,144)
Amortization other intangible assets	(8,440)	(11,348)
Goodwill impairment charges	–	–
Operating income	**82,917**	**68,098**
Net finance expense	(19,065)	(14,281)
Expected Credit Loss on shareholder loans and corporate guarantees	(5,061)	–
Result from investments accounted for using the equity method	671	(4,522)
Profit before income tax	**59,462**	**49,295**

[1] The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3

In € millions	Americas	EME	APAC	CallisonRTKL	Eliminations	Total segments	Corporate and unallocated amounts	Total Consolidated
H1 2019								
External gross revenues	679.1	691.6	188.3	148.2	–	1,707.2	–	1,707.2
Inter-segment revenues	1.3	5.4	1.6	1.5	(9.8)	–	–	–
Total gross revenues	**680.4**	**697.0**	**189.9**	**149.7**	**(9.8)**	**1,707.2**	**–**	**1,707.2**
EBITA[1]	36.4	41.0	10.7	8.8	–	96.9	(5.5)	91.4
Finance expenses (interest expense leases)	1.3	0.9	0.3	1.0	–	3.5	1.3	4.8
Total assets	**909.9**	**1,052.9**	**507.9**	**364.0**	**–**	**2,834.7**	**134.9**	**2,969.6**
Total liabilities	**786.8**	**360.6**	**163.3**	**180.9**	**–**	**1,491.6**	**517.3**	**2,008.9**

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

In € millions	Americas	EME	APAC	CallisonRTKL	Eliminations	Total segments	Corporate and unallocated amounts	Total Consolidated
H1 2018[1]								
External gross revenues	551.2	707.8	185.9	140.8	–	1,585.7	–	1,585.7
Inter-segment revenues	1.1	5.0	1.6	2.6	(10.3)	–	–	–
Total gross revenues	**552.3**	**712.8**	**187.5**	**143.4**	**(10.3)**	**1,585.7**	**–**	**1,585.7**
EBITA[2]	26.6	34.9	10.8	8.2	–	80.5	(1.1)	79.4
Total assets	**743.8**	**1,126.2**	**483.6**	**330.7**	**–**	**2,684.3**	**76.7**	**2,761.0**
Total liabilities	**731.3**	**482.5**	**156.8**	**92.5**	**–**	**1,463.1**	**287.7**	**1,750.8**

1 The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognized in Retained earnings of 1 January 2019, see note 3
2 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

Geographical information

Geographical information differs from the segment information in this note due to CallisonRTKL, which is included in a separate reportable segment, but is geographically represented in all the geographical regions listed below.

	Net revenues by origin		(In)tangible assets[1]	
in € millions	**H1 2019**	H1 2018	**30 June 2019**	31 Dec 2018
Americas	500	435	410	471
Europe & Middle East	593	586	558	497
Asia Pacific	182	181	187	190
Total	**1,275**	**1,202**	**1,155**	**1,158**

1 Excluding right-of-use assets

5 Consolidated interests

In March 2019, Arcadis aquired a 50% (majority) stake in the UK-headquartered Enterprise Asset Management Solutions (EAMS) Group, which is a leader in creating world-class, digitally-enabled asset and safety management frameworks and Industry Solutions. As such, it strengthens the Group's ability to help organizations optimize and improve reliability, performance, efficiency and safety across the asset lifecycle. The total consideration for the business combination amounted to £1.0 million (€1.2 million). The provisional net identifiable assets acquired amounted to €0.7 million and the goodwill to €0.3 million. Due to the relatively limited size of the Company, no further disclosures are provided.

The acquisition accounting of IBUe in Germany, acquired on 27 July 2018, has been completed without material Purchase Price Allocation adjustments in the first six months of 2019.

As at 30 June 2019, the liability for contractual after-payments and earn-outs for acquisitions in and prior to 2019 amount to €4.7 million (31 December 2018: €8.6 million). An amount of €1.5 million is due within one year and €3.2 million after more than one year. In the six-month period ended 30 June 2019 €3.2 million has been paid and €1.3 million released in Other income as a result of not meeting earn-out targets.

There are no other material changes in consolidated interests during the six-month period ended 30 June 2019.

6 Revenue

Disaggregation of revenues

The Executive Board monitors certain financial information based on four areas of expertise. The gross revenues for each of these areas included in the next table.

In € millions	30 June 2019	30 June 2018
Infrastructure	361,569	381,511
Water	215,613	204,408
Environment	473,812	383,869
Buildings	656,178	615,894
Total	**1,707,172**	**1,585,682**

For revenue by reporting segment and geography see note 4.

Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

In € thousands	30 June 2019	31 Dec 2018
Other non-current assets	–	1,523
Trade receivables	543,666	583,740
Contract assets (unbilled receivables)	612,827	545,492
Other current assets	–	52
Contract liabilities (billing in excess of costs)	(258,853)	(255,581)
Contract liabilities (loss provisions)	(98,242)	(115,643)
Other current liabilities	–	–
Total	**799,398**	**759,583**

7 Share-based compensation

Long-Term Incentive Plans

To stimulate the realization of long-term Company goals and objectives, Arcadis NV uses Long-Term Incentive Plans (LTIPs).

Since 2014, securities under LTIPs are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date, and are delivered as soon as practical thereafter.

RSUs are granted conditionally and depend on achieving/meeting certain conditions during the vesting period.

In April 2019, the Arcadis NV 2019 Long-Term Incentive Plan has been approved by the Annual General Meeting of Shareholders. Based on this plan the Company can grant equity-settled and cash-settled awards to eligible employees. Conditional performance shares granted to Executive Board members must be held for two more years after vesting.

The RSUs granted in the first six months of 2019, see the table below, have been granted under the 2019 LTIP. In summary the following applies to these grants:

- Annual grant to Executive Board (EB) and Executive Leadership Team (ELT) members: continued employment during the vesting period of three years, and achieving performance conditions (1/3 Total Shareholder Return, 1/3 Earnings per share and 1/3 sustainability). See also the remuneration policy on www.arcadis.com
- Annual grant to other employees: continued employment during the vesting period of three years; no performance conditions
- Special grant: continued employment during a vesting period of one year (50% of total special grant) and vesting period of two years (50% of total special grant); no performance conditions

The special grant (not applicable to EB and ELT members) has been made for retention purposes and to partially compensate for lost opportunity in the past.

Restricted Share Unit (RSUs) granted in 2019

In the first six months of 2019, the following number of RSUs have been granted under the 2019 LTIP:

	Number of RSUs	Grant date	Vesting date	Share price at grant date	Fair value at grant date
Annual grant EB and ELT	180,180	29 April 2019	29 April 2022	€16.90	€21.45/€15.72
Annual grant other employees	316,381	29 April 2019	29 April 2022	€16.90	€15.72
Special grant	81,669	29 April 2019	29 April 2020	€16.90	€16.43
Special grant	81,669	29 April 2019	29 April 2021	€16.90	€15.97

LTIP costs in H1 2019

The costs of RSUs are amortized over the vesting period, and included in 'Personnel costs'. In the first six months of 2019, an amount of €4.4 million (H1 2018: €1.8 million) is included for the RSUs granted to employees in 2019, 2018, 2017 and 2016 under the different LTIPs. This is excluding an amount of €0.9 million (H1 2018: €0.8 million) relating to the Employee Share Purchase Plan (ESPP), which is controlled by Lovinklaan Foundation and included in 'Other operational costs'.

The increase in the LTIP costs compared to the first six months of 2018 is driven by a higher fair value of conditional performance shares at the grant date in 2019, a special grant provided in 2019 (€0.3 million impact in H1 2019) and much lower forfeitures in the first six months of 2019 compared to the comparative period in 2018.

8 Net finance expense

In € thousands	30 June 2019	30 June 2018
Interest income notional cash pools	2,696	3,469
Other interest income	1,141	2,884
Finance income	**3,837**	**6,353**
Interest expense loans and borrowings	(14,248)	(14,253)
Interest expense leases	(4,817)	–
Interest expense notional cash pools	(2,629)	(3,689)
Other interest expense	(1,066)	(1,293)
Foreign exchange differences on financial liabilities	(582)	(2,567)
Finance expense	**(23,342)**	**(21,802)**
Fair value changes of derivatives	440	1,168
Total	**(19,065)**	**(14,281)**

Net finance expense in the first six months of 2019, excluding the interest expense on leases, amounted to €14.2 million (H1 2018: €14.3 million) and was similar to last year's result. Within the Net Finance expense, the Interest expense was reduced mainly due to lower average Gross debt and lower balances within the notional cash pools, which was offset by a lower interest income from loans to associates, a significantly lower Net foreign exchange result and lower balances within the notional cash pools.

9 Income taxes

The income tax rate for the six-month period ended 30 June 2019 was 35.1%[1]. Management's estimate of the weighted average annual income tax rate expected for the full financial year is 29.5% (H1 2018: 26.3%). The tax rate was impacted by among others non-deductible expenses, updates to tax positions from previous years and unrecognized losses.

1 Taxes on income divided by Income before taxes, excluding results from Investment accounted for using the equity method and the Expected Credit Loss on Shareholder Loans and Corporate Guarantee

Tax impact of Brexit uncertainties

As discussed in note 2, there is still significant uncertainty over the period for which the existing EU laws for member states will continue to apply to the UK and which laws apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change and this may impact the Group. At this stage the level of uncertainty is such that it is practically impossible to determine if, how and when that tax status will change. It expected however that after an exit of UK the VAT percentage will be subject to an increase.

10 Earnings per share

For calculating the earnings per share, the following numbers of average shares were used:

Number of shares	H1 2019	H1 2018
Average number of issued shares	89,362,148	87,738,264
Average number of treasury shares	(1,457,700)	(1,262,668)
Total average number of ordinary outstanding shares	**87,904,448**	**86,475,596**
Average number of potentially dilutive shares	1,360,962	1,716,592
Total average number of diluted shares	**89,265,410**	**88,192,188**

The average number of potentially dilutive shares is based on the average share price in the first six months of 2019 on the Euronext Amsterdam Stock Exchange and the outstanding exerciseable options that were in the money.

For the calculation of earnings per share, no distinction is made between the different classes of shares.

The total earnings of the Group and the earnings per share are as follows:

In € thousands	H1 2019	H1 2018
Net income	35,875	35,075
Net income from operations[1]	46,250	44,396

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

In €	H1 2019	H1 2018
Earnings per share/ Diluted earnings per share		
Net income	0.41/ 0.40	0.41/ 0.40
Net income from operations[1]	0.53/ 0.52	0.51/ 0.50

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Annual Integrated Report 2018 for the definition as used by Arcadis

11 Intangible assets and goodwill

Management has assessed internal and external indicators, amongst others latest estimates of financial performance and the Weighted Average Cost of Capital, and concluded that there were no impairment indicators as at 30 June 2019. Therefore Cash Generating Units (CGUs) were not tested for impairment of goodwill. No goodwill impairment loss has been recognized in the six-month period ended 30 June 2019.

The increase in intangible assets includes investments in Software in the first six months of 2019 of €7.7 million, which is primarily related to software supporting the Arcadis Way and asset management software.

12 Investments accounted for using the equity method

The most significant investments in associates and joint ventures are the same as reported in the consolidated financial statements as at and for year ended 31 December 2018.

Arcadis Logos Energia S.A. (ALEN)

Arcadis Logos Energia S.A. (ALEN) is a material associate, which holds investments in several energy assets in Brazil. For more details on ALEN and its activities see the Consolidated financial statements as at and for year ended 31 December 2018.
In the first six months of 2019 Arcadis recognized a credit loss of €5.1 million and relates to start-up losses of the biogas assets in Rio de Janeiro. The net liability in the balance sheet as at 30 June 2019 amounts to €24.2 million (31 December 2018: €27.8 million) and is the current best estimate of the liability needed to cover the remaining credit risk related to the corporate guarantees provided.

In the first six months of 2019 Arcadis provided €8.1 million of shareholder loans to ALEN. The loans that ALEN received from external lenders, and which were to mature during 2019, have been refinanced in the second quarter of 2019. The new maturity dates of all outstanding loans range from 30 June 2020 to 1 June 2021. The external loans to ALEN and its affiliates that are guaranteed by corporate guarantees of Arcadis amount to €96.7 million as at 30 June 2019 (31 December 2018: €87.1 million).

The financial exposure of Arcadis on ALEN at 30 June 2019, consisting of the shareholder loans, the loans with corporate guarantees minus the expected credit loss provision, amounts to €72.5 million (31 December 2018: €59.3 million), of which €96.7 million is off balance and €24.2 million (credit) is on balance. The net financial exposure after deducting the cash balance of ALEN at 30 June 2019 is €68.3 million.

13 Trade receivables

Trade receivables include items maturing within one year.

In € thousands	30 June 2019	31 Dec 2018
Trade receivables	597,274	643,435
Provision for trade receivables (individually impaired bad debt)	(55,895)	(60,445)
Provision for trade receivables (Expected Credit Loss)	(755)	(753)
Receivables from associates	3,042	1,503
Total Trade receivables	**543,666**	**583,740**

Provision for Trade receivables

The total provision for Trade receivables has developed as follows in the six-month period ended 30 June 2019:

In € thousands	
Balance at 31 December 2018	**61,198**
Acquisitions/(divestments)	30
Additions charged to profit or loss	4,542
Release of unused amounts	(7,201)
Remeasurement Expected Credit Loss	2
Utilizations	(2,639)
Exchange rate differences	718
Balance at 30 June 2019	**56,650**

The ageing of Trade receivables and the related provision, excluding Receivables from associates, at reporting date is:

In € thousands	30 June 2019 Gross receivable[1]	Provision (individually impaired)	Provision (ECL)	31 Dec 2018 Gross receivable[1]	Provision bad debt	Provision (ECL)
Not past due	322,543	(3,756)	(366)	324,533	(2,348)	(302)
Past due 0 - 30 days	89,116	(935)	(66)	106,072	(1,193)	(60)
Past due 31 - 60 days	45,975	(491)	(32)	48,280	(475)	(23)
Past due 61 - 120 days	37,064	(1,558)	(33)	37,481	(1,055)	(37)
Past due 121 - 364 days	39,702	(4,893)	(38)	49,566	(7,661)	(78)
More than 365 days past due	62,874	(44,262)	(220)	77,503	(47,713)	(253)
Total	**597,274**	**(55,895)**	**(755)**	**643,435**	**(60,445)**	**(753)**

1 Excluding receivables from associates

14 Contract assets and liabilities

The balances of Contract assets and Contract liabilities (including loss provisions) are as follows:

In € thousands	30 June 2019 Contract assets	Contract liabilities	Net position	31 Dec 2018 Contract assets	Contract liabilities	Net position
Cumulative revenue	5,774,150	3,301,874	9,076,024	5,734,783	3,166,842	8,901,625
Loss provisions	–	(98,242)	(98,242)	–	(115,643)	(115,643)
Expected Credit Loss allowance	(70)	–	(70)	(93)	–	(93)
Billings to date	(5,161,253)	(3,560,727)	(8,721,980)	(5,189,198)	(3,422,423)	(8,611,621)
Total	**612,827**	**(357,095)**	**255,732**	**545,492**	**(371,224)**	**174,268**

15 Cash and cash equivalents

Restricted cash amounted to €40.5 million at 30 June 2019 and is mainly composed of cash balances held in China and in some joint venture accounts held globally (31 December 2018: €36.1 million).

Due to local legal requirements, in some regions cash balances cannot be included in the global cash pooling structures. In line with industry practice, Arcadis considers cash to be restricted if the Company is unable to repatriate cash within a defined period via either dividends, intercompany loans or settlement of intercompany invoices. Arcadis has control over these balances, however, repatriation may be limited due to local regulatory requirements or restrictions.

As 30 June 2019, no Cash and cash equivalents and Bank overdrafts have been offset (31 December 2018: nil).

16 Equity attributable to equity holders

The development of the number of shares issued/ outstanding in the six-month period ended 30 June 2019 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
Balance at 31 December 2018	**87,711,327**	**600**	**1,303,978**	**89,015,905**
Shares issued (stock dividend)	1,426,786	–		1,426,786
Repurchased shares	(850,000)	–	850,000	–
Exercised shares and options	382,461	–	(382,461)	–
Balance at 30 June 2019	**88,670,574**	**600**	**1,771,517**	**90,442,691**

Dividends

Dividend for the year ended 31 December 2018 was paid in May 2019. Based on the number of shares outstanding and a declared dividend of €0.47 per share, the total dividend amounted to €41.2 million (including €282 for preference and priority shares). An amount of €17.8 million was paid in cash and €23.4 million in stock.

Purchase of shares

The Executive Board may, as mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit Arcadis NV, purchase fully paid-up shares in Arcadis NV. In the first six months of 2019, the Company repurchased 850,000 shares as part of the share buy-back program to cover obligations from the Long-Term Incentive Plan. The average price was €16.02 per share and resulted in a cash outflow of €13.6 million.

Exercise of options

During the first six months of 2019 a number of 382,461 options granted were exercised, resulting in a cash inflow of €4.7 million. As at 30 June 2019, 1,670,499 exerciseable options were in the money.

17 Provisions for employee benefits

Due to a decrease in the discount rate applicable to the Defined Benefit plans in the UK, from 2.90% to 2.35%, the liability for employee benefits increased. The actuarial loss (remeasurement) of €8.8 million has been recognized in Other comprehensive income in the six-month period ended 30 June 2019. Other remeasurements of the net defined benefit liability/ asset are not considered material.

18 Provisions for other liabilities and charges

The movements in the Provision for other liabilities and charges in the six-month period ended 30 June 2019 are as follows:

In € thousands	Restructuring	Litigation	Other	Total
Balance at 31 December 2018	**4,953**	**16,899**	**8,617**	**30,469**
Impact of IFRS 16	–	–	33	33
Balance at 1 January 2019	**4,953**	**16,899**	**8,650**	**30,502**
Additions	2,081	2,989	466	5,536
Amounts used	(3,553)	(213)	(110)	(3,876)
Release of unused amounts	(857)	(3,144)	(705)	(4,706)
Reclassifications	–	(164)	164	–
Exchange rate differences	24	27	59	110
Balance at 30 June 2019	**2,648**	**16,394**	**8,524**	**27,566**
Non-current	1,025	13,422	8,349	22,796
Current	1,623	2,972	175	4,770
Total	**2,648**	**16,394**	**8,524**	**27,566**

19 Loans and borrowings

Loans and borrowings as at period-end are as follows:

In € thousands	Interest rates between	30 June 2019	31 Dec 2018
Bank loans	1.3% - 5.0%	95,797	202,163
Loan notes issued to financial institutions	1.7% - 5.1%	513,052	380,793
Financial lease contracts	3.0% - 4.0%	441	100
Other long-term debt[1]	3.0% - 6.9%	3,168	5,168
Short-term borrowings	1.0% - 5.0%	–	–
Total loans and borrowings		**612,458**	**588,224**
Current		95,797	202,163
Non-current		516,661	386,061
Total		**612,458**	**588,224**

1 Including contractual after-payments and earn-outs for acquisitions not due within one year

The movement in non-current loans and borrowings is as follows:

In € thousands	30 June 2019	31 Dec 2018
Balance at 1 January	**386,061**	**474,429**
New debt	204,698	110
Accrued interest	344	239
Redemptions	(1,231)	(3,779)
From non-current to current liabilities	(2,138)	(3,620)
Acquisitions (deferred consideration)	577	3,900
From long-term to current portion other long-term	(70,000)	(97,468)
Exchange rate differences	(1,650)	12,250
Balance at period end	**516,661**	**386,061**

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	30 June 2019	31 Dec 2018
2020	64,084	133,385
2021	96,645	97,907
2022	112,940	114,793
2023	39,974	39,976
2024	203,018	–
After 2024	–	–
Balance at period end	**516,661**	**386,061**

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	30 June 2019	31 Dec 2018
Balance at 1 January	**202,163**	**214,266**
New debt	225,080	230,000
Redemptions	(404,183)	(347,345)
Acquisitions (deferred consideration)	–	–
From long-term to current portion other long-term	70,000	97,468
Exchange rate differences	2,737	7,774
Balance at period end	**95,797**	**202,163**

End of January 2019, the Group refinanced a part of its committed credit facilities with its group of six international and reputable core banks. The US$87.5 million and €25 million Term loans were extended to a maturity in 2024. The US$115 million Term Loan was refinanced as a US$115 million Revolving Credit Facility (RCF) with a maturity in 2024 (with two one-year extension options, at discretion of Arcadis). This refinancing resulted in an evenly spread debt maturity profile of committed credit facilities for the coming years.

Amounts drawn under the RCF can be rolled over for at least twelve months after the reporting date at the discretion of the Group and are presented as 'Long-term debts', except for an amount of €25 million; this is expected to be repaid within twelve months and thus presented as 'Current portion of long-term debts'. As at 30 June 2019, an amount of €70 million of the Schuldschein notes is repayable in May 2020 and therefore presented as 'Current portion of long-term debts'.

The Consolidated Cash flow statement shows significant cash in- and outflows as a result of the refinancing.

20 Capital and financial risk management

In the six-month period ended 30 June 2019 there were no changes in the Company's financial risk management objectives and policies, and in the nature and extent of risks arising from financial instruments compared to prior year.

Fair value

The carrying amount of financial assets and financial liabilities is a reasonable approximation of fair value. There are only non-material differences between the carrying amount and fair value for both the non-current and current part of the loans and borrowings. These differences are comparable to the differences as disclosed in the Consolidated financial statements 2018.

The financial instruments carried at fair value are analyzed by valuation method, using the following levels:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value within the Company are categorized in Level 2. The valuation techniques and the inputs used in the fair value measurement did not change in the first six months of 2019 compared to the techniques and inputs as disclosed in the Consolidated financial statements 2018.

21 Commitments and contingent liabilities

The commitments as at 30 June 2019 for the drawn/ utilized guarantees and other commitments are summarized below.

Summary of commitments

In € thousands	30 June 2019	31 Dec 2018
Lease contracts	2,184	356,180
Guarantees	260,870	313,040
Other commitments	16,336	21,541
Total	**279,390**	**690,761**

Lease contracts

The off balance sheet commitment at 30 June 2019 for lease contracts significantly decreased compared to 31 December 2018 as a result of IFRS 16, see note 3. The off balance sheet leases at 30 June 2019 include short-term leases and low value leases.

Guarantees

The tables below summarize the outstanding corporate and bank guarantees. They reflect items that have been drawn or utilized that are not already on the balance sheet.

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	105.2	–	(25.6)	79.6
Bank guarantee financing	86.8	140.3	(46.1)	181.0
Other	12.1	–	(11.9)	0.2
Total at 30 June 2019	**204.1**	**140.3**	**(83.6)**	**260.8**

1 To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once. Included in these eliminations is also the liability already recognized for the expected credit loss on the guarantees issued in relation to ALEN.

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	129.2	–	(30.4)	98.8
Bank guarantee financing	93.7	174.5	(53.9)	214.3
Other	12.1	–	(12.1)	–
Total at 31 December 2018	**234.9**	**174.5**	**(96.4)**	**313.0**

1 To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once. Included in these eliminations is also the liability already recognized for the expected credit loss on the guarantees issued in relation to ALEN.

The decrease in corporate guarantees is due to decreased corporate guarantees for both debt facility financing as well as bank guarantee financing, offset by additional ALEN related guarantees (see note 12) and exchange rate differences. At 30 June 2019, only a part of the local bank guarantee facilities and local debt facilities have been used.

Other commitments

Other commitments at 30 June 2019 do not significantly differ (in nature) from the Company's other commitments at 31 December 2018.

Contingent liabilities

In the first six months of 2019 the Company was involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Provisions are recognized only when management believes it is probable that Arcadis will be held liable, the amount is reasonably estimable, and the claim has not been insured.

22 Related party transactions

From time to time Arcadis enters into related party transactions. These transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation.

The nature of the related party transactions conducted in the six-month period ended 30 June 2019 does in substance not deviate from the transactions as reflected in the consolidated financial statements as at and for the year ended 31 December 2018.

The Company was no party to any material transaction or loans with parties who hold at least 10% of the shares in Arcadis NV.

23 Events after the balance sheet date

There were no material events after 30 June 2019 that would have changed the judgment and analysis by management of the financial condition of the Company as at 30 June 2019, or the profit for the six-month period ended 30 June 2019.

Amsterdam, the Netherlands, 24 July 2019

The Executive Board

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