PRESS RELEASE

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Arcadis reports 2021 second quarter and first half year results

Accelerated organic revenue growth, further margin and backlog improvement

- Rebound of major economies creates positive business outlook
- Further increased demand for Sustainable Solutions reinforces strategic choices

Second quarter results:
- Organic net revenue growth of 5.7% to €644 million (Q2 2020: €628 million)
- Operating EBITA +20% to €59 million, margin improved to 9.2% (Q2 2020: 7.8%)
- Net working capital at 14.3% (Q2 2020: 17.7%); DSO at 74 days (Q2 2020: 87 days)
- Solid free cash flow of €69 million (Q2 2020: €165 million)

First half-year results:
- Organic net revenue growth of 3.0% to €1.3 billion (gross revenues of €1.7 billion)
- Operating EBITA +21% to €117 million; margin improved to 9.2% (H1 2020: 7.6%)
- Net income from operations per share +52% to €0.90 (H1 2020: €0.59)
- Strong balance sheet with net debt/EBITDA ratio of 0.3x
- Organic backlog growth year-over-year 7.2%, year-to-date 4.2%

Amsterdam, 29 July 2021 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports an organic net revenue growth of 5.7% and an operating EBITA margin of 9.2% for the second quarter. Organic net revenue growth for the first half year was 3.0% with an operating EBITA margin of 9.2%. Sustained good order intake is resulting in organic backlog growth of 7.2% year-over-year.

CEO STATEMENT

Peter Oosterveer, CEO comments: “I am pleased with both the increased organic revenue growth and the improved margin, as well as with the further growth of our backlog. Although we are still experiencing the impact of the pandemic, we see growing demand from our clients for Arcadis services, to enable them to mitigate the impact of climate change and create more sustainable assets and livable communities.

Responding to the pandemic over the past 18 months has led to an even greater focus on cross sector and cross regional collaboration within Arcadis. We were able to increase the leverage of our global expertise across our businesses, generating additional benefits for our clients. Our new strategy, launched in late 2020, is therefore proving to be a timely and prudent springboard for consistently delivering scalable sustainable solutions. We have leveraged our digital leadership and focused on opportunities where we have the right to play and win. We are convinced that a more sustainable and equitable world can only be created if all involved are willing to maximize their collaboration and strive to deliver on aggressive targets.

The public stimulus programs have increased sustainable infrastructure funding in the US, the EU and the UK, as well as renewed focus by our clients on carbon reduction and environmental mitigation projects. Additionally, these programs have helped to secure new projects and maintain a healthy pipeline of opportunities. We expect this to continue given the clear objectives of these programs and the continued severe impact of the extreme weather conditions we have experienced in various geographies.

Our acceleration of organic net revenue growth and improved margin, combined with a strong order backlog and a positive business outlook, gives us confidence in our ability to deliver the strategic targets we have set for 2023."

KEY FIGURES

in € millions	HALF YEAR			SECOND QUARTER		
Period ended June 30	**2021**	**2020**	change	**2021**	**2020**	change
Gross revenues	1,660	*1,703*	*-3%*	848	831	*2%*
Organic growth	*2%*	*0%*		*6%*	*-3%*	
Net revenues	1,276	1,286	*-1%*	644	628	*3%*
Organic growth	*3%*	*0%*		*6%*	*-3%*	
EBITDA	172	154	*11%*	86	78	*11%*
EBITDA margin	*13.5%*	*12.0%*		*13.4%*	*12.4%*	
Adjusted EBITDA[1)]	*134*	*113*	*18%*	*68*	*57*	*20%*
EBITA	115	92	*25%*	58	47	*24%*
EBITA margin	*9.0%*	*7.2%*		*9.0%*	*7.5%*	
Operating EBITA[2)]	117	97	*21%*	59	49	*20%*
Operating EBITA margin	*9.2%*	*7.6%*		*9.2%*	*7.8%*	
Net income	78	62	*26%*			
Net income from operations (NIFO)	81	53	*53%*			
NIFO per share (in €)	0.90	0.59	*52%*			
Avg. number of shares (millions)	89.6	89.2				
Net working capital %	14.3%	17.7%				
Days sales outstanding	74	87				
Free cash flow	30	81	*-63%*	69	165	
Net debt[1)]	107	316				
Backlog net revenues (billions)	2.1	2.0				
Backlog organic growth (YTD)	4.2%	2.1%				

1) Adjusted EBITDA and Net debt are calculated according to bank covenants: lease liabilities are excluded
2) Excluding acquisition, restructuring and integration-related costs

REVENUES BY SEGMENT

AMERICAS

(34% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended March 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	669	712	*-6%*	349	350	*-1%*
Net revenues	432	452	*-4%*	223	226	*-2%*
Organic growth	*5%*			*7%*		
Operating EBITA	50	41	*22%*			
Operating EBITA margin	*11.5%*	*9.0%*				

North America continued to deliver very strong financial results. Organic net revenue growth increased in all business lines, despite two less working days in the first half year compared to 2020. The operating EBITA margin improved, driven by higher billability, higher quality of work and lower operating costs. Order intake remains robust, despite the pandemic. The Federal public stimulus plan, if passed, will create additional opportunities for further growth. Key priority is to retain and attract talent and to expand the usage of our Global Excellence Center to execute the work in the backlog.

In Latin America, the organic net revenue growth was excellent driven by infrastructure work in Brazil. The operating EBITA margin remained in line with last year.

EUROPE & MIDDLE EAST

(48% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended March 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	718	676	*6%*	360	324	*11%*
Net revenues	609	573	*6%*	303	271	*12%*
Organic growth	*6%*			*10%*		
Operating EBITA	55	40	*39%*			
Operating EBITA margin	*9.1%*	*7.0%*				

Organic net revenue growth in EME was mainly driven by significant growth in the UK and several countries in Continental Europe, compensating for an expected and planned modest decline in the Middle East. The operating EBITA margin improved due to the revenue growth, improved portfolio of projects and lower operational expenses.

The UK's strong performance in the first quarter continued in the second quarter with excellent organic net revenue growth driven by key clients in all business lines. We are well positioned and are benefitting from our strong market position and long-term plans such as the UK Government's "Build Back Better" stimulus program, as well as a range of 'green' policy initiatives to accelerate the decarbonization agenda in the country.

In Continental Europe we experienced steady organic net revenue growth in Belgium, Poland, and France combined with stable performance in the Netherlands. Our presence in several major countries positions us well for opportunities presented by government spending on infrastructure, energy transition and the released European Union Green Deal programs.

Revenues in the Middle East showed a planned decline, driven by our decision to reduce our footprint in the region.

ASIA PACIFIC

(12% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended March 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	173	182	*-5%*	89	94	*-5%*
Net revenues	159	164	*-3%*	82	84	*-3%*
Organic growth	*-3%*			*-2%*		
Operating EBITA	8	10	*-14%*			
Operating EBITA margin	*5.3%*	*6.0%*				

Net revenues in Asia declined due to a return to lockdowns in Malaysia, Singapore, Thailand and Vietnam, and its impact on the commercial development business. China performed relatively well with revenues in line with last year. The operating EBITA margin was negatively impacted by lower revenue and losses on a few projects.

Australia's operating EBITA continued to be strong, despite modest organic revenue decline year-on-year. Our focus continues to be on seizing major infrastructure opportunities in Sydney and Melbourne.

CALLISONRTKL

(6% of net revenues)

in € millions	HALF YEAR			SECOND QUARTER		
Period ended March 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	99	133	*-25%*	51	63	*-19%*
Net revenues	76	98	*-22%*	37	47	*-20%*
Organic growth	*-15%*			*-11%*		
Operating EBITA	4	7	*-43%*			
Operating EBITA margin	*5.0%*	*6.8%*				

Organic net revenues are still under pressure due to COVID-19, affecting mainly retail and commercial sectors, especially in Asia. Order intake in the US is improving, driving a book-to-bill ratio greater than one.

REVIEW OF HALF YEAR PERFORMANCE 2021

Operating EBITA increased by 21% to €117 million (H1 2020: €97 million). Operating EBITA margin improved to 9.2% (H1 2020: 7.6%); driven by strong performance in the Americas and in EME compensating for lower margins in Asia Pacific and CallisonRTKL. Non-operating costs were lower at €3 million (H1 2020: €5 million).

The effective income tax rate (income taxes divided by profit before income tax, excluding total result from investments accounted for using the equity method and total result from former investment in ALEN) for the six-month period ended 30 June 2021 is 21.0% (H1 2020: 34.3%). The tax rate was impacted by, amongst other things, non-deductible expenses, updates to tax positions from previous years and changes in recognized deferred tax assets.

Net finance expense decreased to €13 million (H1 2020: €16 million). The interest expense on loans and borrowings of €7 million (H1 2020: €11 million) was reduced due to lower average gross debt and lower interest rates.

Net income from operations increased by 53% to €81 million or €0.90 per share, compared to €53 million or €0.59 per share in the first half of 2020.

REVIEW OF PERFORMANCE FOR THE SECOND QUARTER

Net revenues increased by 2.6% to €644 million for the second quarter, with an organic growth of 5.7% and a foreign exchange impact of -3.1%, mainly related to the weakening of the US Dollar. Operating EBITA increased by 20% to €59 million and operating EBITA margin improved to 9.2% (Q2 2020: 7.8%), driven by strong performance across most regions.

CASH FLOW AND WORKING CAPITAL

Free cash flow for the first half year was solid at €30 million (H1 2020: €81 million). In 2020, the first half year free cash flow was exceptionally strong due to the cash program undertaken and a significant improvement in the invoicing process in the US following the Oracle implementation.

Net working capital as a percentage of gross revenues improved to 14.3% (H1 2020: 17.7%) and Days Sales Outstanding decreased to 74 days (H1 2020: 87 days), resulting from our ongoing focus on timely cash collection.

Net debt was €107 million and significantly lower than H1 2020 (€316 million), driven by the strong cash collection in the last 12 months. Moreover, Arcadis invested €62 million in share buy back and distributed €31 million in dividend. The leverage ratio further improved to 0.3x.

In May 2021, €36.0 million of floating rate Schuldschein loans were repaid early, free of an interest penalty. In June 2021, the US Private Placement note of $110.0 million at 5.1% was fully reimbursed in accordance with the expected repayment schedule.

ORDER INTAKE AND BACKLOG

Order intake in the first half year was €1.4 billion leading to a book-to-bill of 1.07. The book-to-bill ratio was greater than 1 in all regions, except for the Middle East, driven by our decision to reduce our footprint. Organic backlog increased by 7.2% year-over-year, and 4.2% year-to-date to €2.1 billion representing 10 months of net revenues. There were no material project cancellations in the quarter.

STRATEGIC PRIORITIES 2021-2023

The update of our strategy in November 2020 sets the course for us to maximize our impact by developing resilient and future-proof solutions and creating value for all our stakeholders, clients, employees, shareholders and societies. This has also led to a new framework of improved targets for 2023 with both financial as well as non-financial objectives.

Financial objectives:

- Organic net revenue growth: mid-single digit
- Operating EBITA margin to exceed 10% of net revenues in 2023
- Net working capital as percentage of gross revenues: <15.0% and DSO (Days Sales Outstanding): <75 days
- Return on net working capital between 40%-50%
- Leverage: Net debt/EBITDA excluding leases between 1.0x and 2.0x

Non-financial objectives:

- Voluntary employee turnover: <10%
- Women in workforce: >40%
- Reduced emissions aligned with 1.5C science-based target initiative before 2030
- Carbon neutral operations: investing in high quality, certified abatement, and compensation programs from 2020
- Top-3 brand strength index in markets Arcadis serves
- Staff engagement: improving annually

FINANCIAL CALENDAR 2021

28 October 2021	Trading update Q3 2021
17 February 2022	Fourth quarter and full year results 2021

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ANALYST MEETING

Arcadis will hold an analyst webcast at 10:00 hrs CET today in which Peter Oosterveer (CEO) and Virginie Duperat (CFO) will discuss the second quarter and first half year 2021 results. The webcast can be accessed via this link, also made available on the investor section of our website.

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.