PRESS RELEASE

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FOURTH QUARTER AND FULL YEAR RESULTS 2021

Arcadis reports healthy growth, margin improvement and strong cash flow

- Growing demand in key areas such as smart mobility, energy transition and climate adaptation
- Accelerating the transition to a Net Zero world
- Continued progress in implementing our strategy of focus and scale, creating profitable growth
- Further improved margins, record backlog and a sustained pipeline of opportunities provide confidence to deliver on strategic targets

Fourth quarter results:
- Organic net revenue growth of 4.0% to €652 million, 5.3% excluding Middle East
- Operating EBITA margin of 10.7%
- Strong free cash flow of €129 million

Full year results:
- Organic net revenue growth of 3.5% to €2.6 billion (gross revenues of €3.4 billion), 4.2% excluding Middle East
- Operating EBITA margin improved to 9.6%
- Excellent free cash flow of €234 million, leading to net debt of €168 million
- Further improvement of Net Working Capital to 10.7% and DSO reduced to 63 days
- Dividend proposal of €0.70 per share, special dividend of €0.60
- Organic backlog growth year-over-year of 5.1%, record backlog of €2.2 billion

Amsterdam, 17 February 2022 – Arcadis (EURONEXT: ARCAD), the leading global Design & Consultancy organization for natural and built assets, reports organic net revenue growth for the full year 2021 of 3.5%, respectively 4.2% excluding the Middle East, with an improved operating EBITA margin of 9.6% and a further strengthened balance sheet. Sustained good order intake is resulting in organic backlog growth of 5.1% year-over-year. Arcadis proposes a regular dividend of €0.70 per share, and in addition, a special dividend of €0.60 per share.

CEO STATEMENT

Peter Oosterveer, CEO comments: “I am delighted to report that 2021 has been a strong and prosperous year for Arcadis. The company is in an excellent position, with healthy organic growth, further improved margins and a solid balance sheet that will allow us to further invest into 2022. The past year has not been without challenges. The continued impact of the COVID-19 pandemic and the emergence of new variants is causing concern, while the effects of extreme weather events in Europe, North America and Asia in the summer showed just how fragile our world has become. As a business that is passionate about improving quality of life, it is amazing to experience how our people have responded to these challenges.

Great efforts have gone into the design and planning of our new operating model, in standardizing our processes and the launch of our three Global Business Areas (GBA’s) Resilience, Places and Mobility. The move to this global structure, effective as of January 1st, 2022, marks an exciting new chapter in how we work at Arcadis. It will enable us to bring the best of our collective expertise from all around the world and benefit our clients across the globe.

Tackling climate change remains the greatest challenge of our generation and we all need to play our part. At Arcadis, we do see this as both a commercial opportunity, and a moral obligation, to develop smarter and greener solutions for our clients. I want Arcadis to be the leader in our sector; challenging norms, embracing innovation, collaborating with the best and pushing boundaries to solve this challenge.

The strong improvement in our results, including an excellent cash generation over the last couple of years have created our solid financial position. This will allow us the opportunity to continue with our investments in people, in sustainable solutions, and digital capabilities. Additionally, we will embrace opportunities for bolt-on and medium sized acquisitions to enable us to increase the return to shareholders. In addition to the regular dividend of €0.70 per share, we propose a special dividend of €0.60 per share, both offered in cash, underscoring our disciplined management of our balance sheet.

With our new organizational structure now in place and benefitting from a sustained pipeline of opportunities with clients in both the public and private sector, I am confident in our ability to deliver on our strategic targets".

in € millions	**FULL YEAR**			**FOURTH QUARTER**		
Period ended December 31	**2021**	**2020**	change	**2021**	**2020**	change
Gross revenues	3,378	*3,303*	*2%*	890	820	*9%*
Organic growth	*3.3%*	*-3.3%*		*4.7%*	*-7.0%*	
Net revenues	2,565	2,494	*3%*	652	603	*8%*
Organic growth	*3.5%*	*-1.5%*		*4.0%*	*-3.3%*	
EBITDA[1]	338	337	*0%*	91	91	*0%*
EBITDA margin	*13.2%*	*13.5%*		*13.9%*	*15.1%*	
EBITA[1]	237	221	*8%*	66	65	*1%*
EBITA margin	*9.3%*	*8.9%*		*10.1%*	*10.8%*	
Operating EBITA[1,2]	246	226	*9%*	70	63	*11%*
Operating EBITA margin	*9.6%*	*9.1%*		*10.7%*	*10.4%*	
Net Income[1]	168	19	*790%*			
Net Income from Operations (NIfO)[1]	175	130	*35%*			
NIfO per share (in €)	1.96	1.46	*36%*			
Dividend (proposal) per share	0.70	0.60	*17%*			
Avg. number of shares (millions)	89.4	89.6	*0%*			
Net Working Capital %	10.7%	12.6%				
Days sales outstanding	63	66	*-5%*			
Free Cash Flow[3]	234	324	*-28%*	129	124	4%
Net Debt	168	330				
Net Cash (excl. IFRS 16)	87	-48				
Backlog net revenues (billions)	2.2	2.0				
Backlog organic growth (YTD)	5.1%	5.1%				
Voluntary employee turnover	14.9%	8.7%				

[1] Figures restated in accordance with IAS8, for comparability purposes
[2] Excluding restructuring, acquisition & divestment costs

REVIEW BY SEGMENT
AMERICAS

(34% of net revenues)

in € millions	YEAR-TO-DATE			FOURTH QUARTER		
Period ended December 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	1,372	1,370	*0%*	364	335	*9%*
Net revenues	884	876	*1%*	229	205	*12%*
Organic growth	*5.2%*			*8.1%*		
EBITA	96	106	*-9%*			
Operating EBITA[1)]	97	102	*-5%*			
Operating EBITA margin	*11.0%*	*11.7%*				

[1)] *Excluding acquisition, restructuring and integration-related costs*

Strong market conditions across the private sector are offering significant client opportunities in multiple segments, despite some delayed economic recovery in manufacturing associated with supply chain challenges. The equally opportunity rich federal market is providing significant bidding opportunities, new project awards, and expanded funding on existing contracts. Capitalizing on strong economic conditions while managing the ever-changing restrictions from the COVID-19 pandemic, North America delivered year-over-year organic growth in all business lines.

In Q4, Arcadis announced that it will support the US Army Corps of Engineers with environmental remediation services to enable safe water and land use, in addition we will continue to support New York's Economic Development Corporation with the masterplan to transform Lower Manhattan's waterfront. The transformative project has prioritized natural and nature-based features to manage stormwater, local energy generation and sustainable material usage throughout the design.

In Latin America, net organic growth was excellent led by large infrastructure projects and environmental assignments in Brazil.

The operating EBITA margin for the segment was good at 11.0%, albeit slightly lower than in 2020, which included some cost benefits caused by the pandemic, which didn't materialize in 2021.

EUROPE & MIDDLE EAST

(47% of net revenues)

in € millions	YEAR-TO-DATE			FOURTH QUARTER		
Period ended December 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	1,448	1,339	*8%*	381	346	*10%*
Net revenues	1,201	1,119	*7%*	301	282	*7%*
Organic growth	*5.6%*			*2.7%*		
EBITA	117	83	*42%*			
Operating EBITA[1)]	121	88	*38%*			
Operating EBITA margin	*10.1%*	*7.9%*				

[1)] *Excluding acquisition, restructuring and integration-related costs*

Strong public investment continued throughout Europe and the UK enabled by government supported recovery programs. Sustainable infrastructure development, cleaner and greener mobility solutions, and further investment in energy transition -partly driven by the recommendations from UN COP26 summit and national governments net zero targets- are key growth areas for the business.

Organic net revenue growth in EME was driven by significant growth in the UK and several countries in Continental Europe, compensating for a planned decline in the Middle East as a result of our decision to reduce our footprint in this region.

In Q4, Arcadis helped to launch the largest integrated transport program in the UK to date. This 'Mobility as a Service' project in the Scottish Highlands and Islands will help to rebalance how people travel, by increasing access to integrated transport options, ultimately helping to reduce the number of vehicles on the road, cut congestion and limit harmful emissions.

In December, Arcadis, in collaboration with partners, was awarded five framework contracts for policy consultancy and engineering services to support the Dutch Ministry of Infrastructure and Water Management to help adapt and plan for changing climatic conditions in the Netherlands.

The operating EBITA margin for the segment improved to 10.1% (2020: 7.9%), due to excellent performance in the UK and the Netherlands, and further improvements in Belgium, while France and Germany delivered consistent and steady performance.

ASIA PACIFIC

(13% of net revenues)

in € millions	**YEAR-TO-DATE**			**FOURTH QUARTER**		
Period ended December 31	**2021**	**2020**	Change	**2021**	**2020**	Change
Gross revenues	362	358	*1%*	93	88	*6%*
Net revenues	334	323	*3%*	87	79	*10%*
Organic growth	*2.0%*			*7.0%*		
EBITA	26	33	*-20%*			
Operating EBITA[1)]	27	34	*-21%*			
Operating EBITA margin	*8.0%*	*10.5%*				

[1)] *Excluding acquisition, restructuring and integration-related costs*

China experienced good growth in cost and commercial management as well as program management for technology clients who are expanding in logistics hubs and data centers. Additionally, we are utilizing our global capabilities to grow our presence in the Chinese environmental and water markets. The rest of Asia continued to be impacted by COVID-19, with prolonged lockdowns resulting in reduced activity and lower margins on projects.

In Australia, infrastructure demand was high driven by government stimulus programs and demand for logistics and data center infrastructure. The growing need for renewable energy transition solutions s offers significant opportunity to further grow Arcadis' footprint in the region. The fourth quarter created good order intake, allowing the business to start the year with a strong and replenished backlog.

Revenues increased in China, Hong Kong and Australia. The operating EBITA margin for the segment decreased to 8.0% due to the prolonged impact of COVID-19 in the rest of Asia.

CALLISONRTKL

(6% of net revenues)

in € millions	YEAR-TO-DATE			FOURTH QUARTER		
Period ended December 31	2021	2020	Change	2021	2020	Change
Gross revenues	196	236	*-17%*	52	51	*2%*
Net revenues	146	176	*-17%*	36	38	*-5%*
Organic growth	*-15.2%*			*-14.6%*		
EBITA	-2	0	*n/a*			
Operating EBITA)	1	1	*-12%*			
Operating EBITA margin	*0.8%*	*0.8%*				

1) Excluding acquisition, restructuring and integration-related costs

The significant impact of COVID-19 on the global economy, especially the design space, continued to affect CallisonRTKL. The focus in the year has therefore been on business turnaround, foundational repositioning, and creating deeper alignment with the existing MEPC+ and Risk Management programs. CallisonRTKL implemented a more rigorous project review process and focused on reducing indirect costs, including restructuring in the U.S. and Asia and a reduction of the real estate footprint. The total amount of the turnaround and restructuring cost in 2021 was approximately €10 million.

Going forward, CallisonRTKL and the Places Global Business Area will focus on areas for collaboration and synergy, and to deliver better solutions for our clients. As of 2022, CallisonRTKL will be reported as part of the Places Global Business Area.

REVIEW OF PERFORMANCE 2021

Net revenues totaled €2,565 million and increased organically by 3.5%, with a currency impact of -1%. Revenues increased in all segments, partly offset by COVID-19 related decline in CallisonRTKL and the Middle East, driven by our decision to further reduce our footprint in that region. Excluding the Middle East, the organic revenue growth was 4.2%

Operating EBITA increased by 9% to €246 million (2020: €226 million) and the operating EBITA margin increased to 9.6% (2020: 9.1%). This increase was mainly driven by a improvement in EME.

Non-operating costs were €9 million (2020: €5 million); mostly relating to restructuring at Middle East and CallisonRTKL.

The underlying income tax rate was 25.1% (2020: 33.2%) and was impacted by, amongst other things, non-deductible expenses, updates to tax positions from previous years, and unrecognized losses.

Net finance expenses decreased to €19 million (2020: €27 million). The interest expense on loans and borrowings of €11 million (2020: €18 million) reduced due to lower average gross debt and lower interest rates.

Income from associates increased to €11 million (2020: €1 million) due to a favorable outcome of a commercial arbitration.

Net income from operations increased by 35% to €175 million (2020: €130 million) or €1.96 per share (2020: €1.46).

REVIEW OF PERFORMANCE FOR THE FOURTH QUARTER

Net revenues were €652 million, with an organic growth of 4.0%, with a foreign exchange impact of -4.1%, mainly related to the weakening of the U.S. Dollar.

Operating EBITA was €70 million (Q4 2020: €63 million). The operating EBITA margin of 10.7% increased (Q4 2020: 10.4%) mainly due to improved performance in EME.

CASH FLOW, WORKING CAPITAL AND BALANCE SHEET

Free cash flow in the fourth quarter was €129 million, leading to a full year free cash flow of €234 million (2020: €324 million). In 2020, the full year free cash flow was exceptionally strong due to the cash program undertaken and a significant improvement in the invoicing process in the U.S. following the Oracle implementation.

Net working capital as a percentage of annualized gross revenues further improved to 10.7% (2020: 12.6%) and Days Sales Outstanding improved to 63 days (2020: 66 days), both well within the strategic targets set for 2023.

The balance sheet was further strengthened resulting in a net debt position of €168 million (2020: €330 million), mainly due to an excellent cash collection. The net debt / EBITDA ratio further improved to 0.8x (2020: 1.3x). Excluding lease liabilities (IFRS 16) the net cash position was €87 million (2020: net debt of €48 million).

BACKLOG

Order intake in the year was €2.7 billion leading to a book-to-bill of 1.04. 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, and for CallisonRTKL. Exceptionally strong was the order intake in Australia due to some significant project wins. Organic backlog increased by 5.1% to a record amount of €2.2 billion. There were no material project cancellations in the quarter.

DIVIDEND PROPOSAL

The Board will propose a dividend of €0.70 per share (2020: €0.60) to the Shareholders, a 17% increase year on year. On top of the regular dividend, the Board will also propose a special cash dividend of €0.60 per share. Both the regular dividend as well as the special dividend will be paid in cash.

NEW GLOBAL STRUCTURE TO BETTER SERVE THE NEEDS OF CLIENTS

As announced on February 10, 2022, Arcadis has changed its operating structure to reflect the changing needs of the market and clients. This is in line with the 2021 - 2023 business strategy to provide focus, global scale and strengthen the business' sustainable and digital offering to clients. As announced during the Capital Markets Day in November 2020, Arcadis has now transitioned from a country-led operating model, to collaborate across borders in three new global business areas.

The changes, which were effective from January 1, 2022, see the creation of three new business areas – Resilience, Places and Mobility. Each business area consists of globally diverse organizations that collaborate to bring focus and the very best of Arcadis' collective expertise from around the world to help serve the changing needs of clients, regardless of where they are located.

The Company's reporting of its first quarter 2022 results will reflect these three new reportable segments. To assist in the analysis and understanding of the new reportable segment structure, Arcadis has restated the four quarters and full year of 2021 for the new reportable operating segments and this information is included in the appendix of this release. These changes have no impact on the Company's previously reported consolidated balance sheet, statement of income, or cash flows.

CHANGES TO THE SUPERVISORY BOARD

Arcadis today announces that Michiel Lap will succeed Niek Hoek as Chair of its Supervisory Board per the annual General Meeting of 12 May 2022. Mr. Hoek will complete his third term as a member of the Supervisory Board of Arcadis, which term runs until the annual General Meeting of 2023.

If re-appointed by the shareholders of Arcadis on 12 May 2022, Michael Putnam, member of the Supervisory Board is appointed to succeed Mr. Lap as Vice-Chair of the Board.
Deanna Goodwin, member of the Supervisory Board is appointed to succeed Mr. Lap as Chair of the Audit and Risk Committee

CHANGE IN ACCOUNTING POLICY

New guidance has recently been issued by the IASB relating to the treatment of configuration and customization costs in cloud computing arrangements. Arcadis assessed in the second half of 2021 its treatment of configuration and customization costs in cloud computing arrangements, such as Oracle Cloud implemented as part of the Arcadis Way. It concluded on a change in the accounting treatment, resulting in the configuration and customization costs of cloud computing arrangements be expensed as incurred. This leads to an increase in the personnel costs and consultancy costs and a reversal of the depreciation and amortization costs. The retrospective application of the change in accounting treatment resulted in restatements in accordance with IAS8.

As a result of the restatements, the operating income in 2020 decreased by €3.3 million and the basic earnings per share for the 2020 financial year decreased from €0.24 (reported) to €0.21 (restated).

FINANCIAL CALENDAR 2022

4 May 2022	Trading update Q1
12 May 2022	Annual General Meeting of Shareholders
28 July 2022	First half year results
27 October 2022	Trading update Q3

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ABOUT ARCADIS

Arcadis is the leading global design & consultancy organization for natural and built assets. We maximize impact for our clients and the communities they serve by providing effective solutions through sustainable outcomes, focus and scale, and digitalization. We are 29,000 people, active in more than 70 countries that generate €3.4 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world.
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