

PRESS RELEASE

ARCADIS delivers solid third quarter results; well positioned for growth with record backlog and recent acquisitions

- Third quarter: small decline in organic net revenues -1% (YTD +1%); excluding North America organic growth is 4% (YTD 5%), driven by Asia, Middle East, UK and Continental Europe
- Third quarter operating EBITA margin strong at 10.4%, with YTD margin up 40 basis points at 10.1% (2013: 9.7%)
- First nine months free cash flow increased to YTD €51.6 million (2013: €12.3 million)
- Backlog reached record levels following a series of significant contract wins
- Successful completion of acquisitions of Hyder, Callison and Franz, all closed in October, to increase annual revenue run-rate by more than €500 million
- Outlook: Based on the performance in the first three quarters, market outlook, growth of backlog, and recent acquisitions, ARCADIS expects net revenues in 2014 to be approximately 5% higher than in 2013. Net income from operations in 2014 is expected to be approximately 10% higher than in 2013, to which current activities will contribute around 6% and recent acquisitions will contribute around 4%

October 22, 2014 – ARCADIS (NYSE Euronext: ARCAD), the leading global natural and built asset design & consultancy firm, today announced that in the third quarter of 2014, ended September 30, the company delivered organic net revenue decline of -1% on the back of weak North American environmental and water markets and the slowdown of the Latin American mining industry. Outside North America the combined organic growth amounted to 4% (YTD 5%), with Asia, the Middle East, Continental Europe and the UK contributing to the increase. Operating EBITA margin was strong in the quarter at 10.4%, supported by margin improvements in Continental Europe and the UK, bringing the margin for the first nine months of 2014 to 10.1% (2013: 9.7%).

Acquisitions

ARCADIS announced three acquisitions which were all closed shortly after the quarter end. They include Hyder Consulting, a 4,600 people design and engineering consultancy with activities in the UK, the Middle East, Germany, Asia and Australia, active in infrastructure, water and buildings; Callison, a 1,000 people high level architectural and interior design consultancy with offices in the United States, China, Europe, Middle East and Mexico; and Franz, a 100 people environmental consultancy firm active in six locations throughout Canada. Together these firms add more than €500 million in gross revenues to ARCADIS on an annual basis.

ARCADIS CEO Neil McArthur commented: “We see the benefit of our investments with organic growth moving towards our three year target of above 5%, with the exception of North America. Tough conditions in that region’s environmental and water markets continue to weigh on revenues, although strong order intake provides confidence for a return to growth in 2015. Thanks to strong margin management by the North American team and profit improvement in both Europe and the UK, we were able to expand our firm wide year-to-date EBITA margin. Since the quarter ended we completed two major strategic acquisitions, Hyder and Callison which together with the acquisition of Franz in Canada create a unique platform for growth as the leading global natural and built asset design & consultancy firm with €3 billion in gross revenues and 28,000+ talented people across the globe. Overall I am confident that including the recent acquisitions, we can increase net revenues by 5% and grow our 2014 net income from operations by approximately 10% versus 2013.”

Key figures

Amounts in € millions unless otherwise stated Period ended September 30	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Gross revenues	630	633	1,827	1,873
Organic gross revenue growth	-1%		0%	
Net revenues	475	475	1,407	1,425
Organic net revenue growth	-1%		1%	
EBITA	40.5	46.5	123.9	122.9
Operating EBITA ¹	49.5	51.8	142.2	138.0
Operating EBITA margin	10.4%	10.9%	10.1%	9.7%

1) Excluding acquisition, restructuring and integration-related costs

Review of performance for the third quarter

Revenue pressure remained strong in North America, especially in the environmental market and to a lesser extent in municipal water. Overall this led to an organic net revenue decline in that region of 7%. This was however mitigated by continuing growth in other regions especially Emerging Markets, despite lower revenues in Latin America due to developments in the mining sector. The currency effect was limited, while growth from acquisitions was 1%.

EBITA was €40.5 million, lower than 2013 mostly due to acquisition costs of €7.3 million in the quarter, related to the Callison and Hyder acquisitions. Restructuring and integration charges were €1.6 million (2013: €5.3 million). Operating EBITA margin at 10.4% was slightly below last year (10.9%) as improved performance in Continental Europe and the UK could not fully compensate for lower returns in North and Latin America.

Developments by business line

(relates to gross revenue in the first nine months of the year unless otherwise stated)

- **Infrastructure** (24% of revenues)
Organic revenue growth in Infrastructure was essentially flat, as positive developments and increased infrastructure spending by big urban clients in the Middle East, UK and Continental Europe were offset by a decline in Latin America, caused by the reduction in capital investments by mining clients. North American activities also grew organically. Backlog was up strongly by 9% helped by significant wins in the Americas.
- **Water** (14% of revenues)
Water activities saw a modest decline as the strong growth in Emerging Markets, particularly Latin America, was offset by decreases in North America as a result of limited municipal spending on water issues. Backlog grew by 1% with all regions contributing, except North America.
- **Environment** (31% of revenues)
Environmental revenues were down due to tough market conditions in the US as competition in the private sector remained strong due to fewer project opportunities in the public sector. Market conditions were also challenging in the UK, leading to a decline. Organically, Continental Europe posted higher revenues from projects with multi-national clients. Backlog is up 4%, and takes into account only 10% of recently won large remediation contracts (combined value exceeding €160 million).

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- ***Buildings (31% of revenues)***

In Buildings revenues organically grew in all regions. Strong growth rates were achieved in the Middle East due to high levels of capital expenditure and in Continental Europe on the back of increased spending in business advisory for multinational clients. In the UK growth was realized in new developments. Asia and North America delivered strong growth, also in architectural solutions. Strong order intake drove up backlog by 7%.

ONEurope progress update

In Continental Europe, net revenues grew organically by 2% in the third quarter, 3% YTD. Operating EBITA margins in Continental Europe in the third quarter were 8.0%, YTD 7.8% and a significant improvement over 2013 YTD of 4.4%. We are on track to meet our 10% operating margin target in the fourth quarter of 2014.

North America performance excellence program

In response to continued difficult market conditions in North America, ARCADIS has initiated a performance excellence program to evolve its operating model and core processes to capture growth while continuing to maintain its strong margin performance.

Backlog

While usually order intake slows down in the third quarter, backlog this year was up 2% organically, bringing the total increase in backlog to 6% year-to-date and creating a record backlog level for the Company.

As previously indicated, a number of large project wins were announced during the third quarter, including more than \$200 million in US Air Force remediation contracts, a \$70 million US rail infrastructure contract and a \$36 million EPCM contract in mining in Brazil.

Outlook

Based on the performance in the first three quarters, market outlook, growth of backlog, and recent acquisitions, ARCADIS expects net revenues in 2014 to be approximately 5% higher than in 2013. Barring unforeseen circumstances, net income from operations in 2014 is expected to be approximately 10% higher than in 2013, to which current activities will contribute around 6% and recent acquisitions will contribute around 4%.

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Conference Call

ARCADIS will hold a conference call to discuss its trading update for the third quarter of 2014 on October 22, 2014. The call will begin at 15.00 Amsterdam, 09.00 New York, 14.00 London. The dial in numbers are: Netherlands: +31 (0)20 716 8296 / 0800 020 2577 (free phone); United Kingdom: +44 (0)20 3427 1919 / 0800 279 4841 (free phone); United States: +1 718 971 5738 / 1877 280 2342 (free phone), the call ID number is 9392872#. The conference call also will be webcast live, and can be accessed on the company's IR website at www.arcadis.com. A replay of the webcast will be available on the site approximately two hours after the end of the live call.

For more information, please contact Joost Slooten of ARCADIS at +31-202011083 or outside office hours at +31-627061880 or e-mail joost.slooten@arcadis.com.

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About ARCADIS: ARCADIS is the leading *global natural and built asset design & consultancy firm* working in partnership with our clients to deliver *exceptional and sustainable outcomes* through the application of design, consultancy, engineering, project and management services. ARCADIS differentiates through its talented and passionate people and its unique combination of capabilities covering the whole asset life cycle, its deep market sector insights and its ability to integrate health & safety and sustainability into the design and delivery of solutions across the globe. We are 28,000 people that generate €3 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Please visit: www.arcadis.com

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