ARCADIS
Infrastructure · Water · Environment · Buildings

ARCADIS NV
Gustav Mahlerplein 97-103
P.O. Box 7895
1008 AB Amsterdam
The Netherlands
Tel +31 20 2011 011
www.arcadis.com

PRESS RELEASE

ARCADIS achieves good growth, strong margins and cash flow in third quarter 2013. Profit outlook raised.

- North America helps drive third quarter organic net revenue growth to 4%
- Third quarter operating margin improves to10.9%; supported by strong margin growth in Europe on a significantly lower cost base
- Project Europe cost savings €9.8 million year-to-date; annual run rate €20.5 million with cost actions ahead of schedule
- Net income from operations up 11% in the quarter and 7% for the first nine months
- Strong quarterly operating cash flow of €78 million brings year-to-date to + €37 million
- 2013 profit outlook raised to between 3% to 6%, continued organic growth of revenues expected, barring unforeseen circumstances

October 23, 2013 – ARCADIS (NYSE EURONEXT: ARCAD), the leading pure play global engineering and consultancy firm, today reported results for the third quarter and first nine months ended September 30, 2013.

Key figures

Amounts in € millions unless otherwise noted	Third Quarter			First nine months		
	2013	2012	Δ	2013	2012	Δ
Gross revenues	633	647	-2%	1,873	1,872	0%
Organic gross revenue growth	2%			0%		
Net revenues	475	478	-1%	1,425	1,384	3%
Organic net revenue growth	4%			3%		
EBITA	46.5	42.5	9%	122.9	113.1	9%
Operating EBITA	**51.8**	**47.1**	**10%**	**138.0**	**128.6**	**7%**
Operating margin	**10.9%**	**9.9%**		**9.7%**	**9.3%**	
Net income	26.2	23.1	13%	67.6	61.0	11%
Ditto per share (in €)	0.36	0.33	11%	0.94	0.87	8%
Net income from operations [1)]	**29.3**	**26.5**	**11%**	**78.8**	**73.7**	**7%**
Ditto per share (in €) [1)]	**0.40**	**0.37**	**8%**	**1.09**	**1.05**	**4%**
Average # of shares outstanding (million)	72.6	70.9	2%	72.0	70.1	3%

1) Before amortization and non-operational items

Commenting on the results CEO Neil McArthur said: “I am pleased with the return to organic net revenue growth and higher margins in North America, which signals our strength in what is still a tough market. Organic growth was strong in Emerging Markets and the UK as well. In Continental Europe the return to growth has yet to materialize, but our cost actions are starting to pay off. Operating margin for Continental Europe went from 3.2% in the first half year to 7.0% in the third quarter, underlining the effectiveness of our new operating model. The Grand Paris metro project, and the more recent Seaport City project in New York are impressive wins in big urban centers, bringing the best of ARCADIS’ capabilities globally to serve clients locally. We continue to look at acquisitions with a focus on strengthening our leadership positions. Barring unforeseen circumstances, we expect organic growth to continue in the fourth quarter and based on year-to-date performance we have raised our profit growth expectation to between 3% to 6%."

Review of performance

Third quarter

Overall gross revenue development was strongly impacted by negative currency effects of 6% from the Brazilian real, the US dollar and the British pound. This offset the 1% positive contribution from acquisitions (ETEP, Geohidrología and SENES) and the improved organic growth level of 2%. Organic growth was strong in Emerging Markets (double digit) and the UK. Langdon & Seah opened three new offices in China during the third quarter. The revenue declined in Continental Europe.

Net revenues (revenues generated by own staff) were 1% lower due to a negative currency effect of 6%. Acquisitions contributed 1% to growth, while organic growth amounted to a strong 4%, which came from all markets with the exception of Continental Europe, where the decline was comparable to the second quarter.

Operating EBITA rose 10% as margins in Europe improved considerably on the back of cost reduction efforts. Emerging Markets and North America also contributed to the increase, leading to a total organic growth in operating EBITA of 14%. Acquisitions contributed 2% to growth, while the currency effect was 6% negative. Restructuring, integration and acquisition related costs during the quarter were €5.3 million (2012: €4.6 million) and mainly related to Continental Europe.

At 10.9%, operating margin (operating EBITA as a percentage of net revenue) was strong and a full percent-point higher than in the prior year period. The margin gain in Continental Europe was highest, followed by Emerging Markets. At €3.7 million down from €5.0 million in Q3 2012, financing charges reflect lower net debt and improved financing terms. The tax rate was at 32%, up from 26% in 2012, anticipating an increase in the effective tax rate for the full year to 30% due to a geographical shift in the profit mix to higher tax countries. This resulted in net income from operations of €29.3 million, an increase of 11% over last year (2012: €26.5 million).

First nine months

Gross revenues were stable year to date, with the contribution of 3% from acquisitions being offset by a negative currency effect of 3%. Organically, gross revenues were also comparable with the year-ago period, with growth in Emerging Markets and the UK offset by lower revenues in Continental Europe and North America.

Net revenues rose 3%, of which 4% from acquisitions and 3% from organic growth. The currency effect was minus 4%.

Operating EBITA increased by 7%. Acquisitions contributed 6% to the increase especially due to ETEP in Brazil. The currency effect was 4% negative. Organically, operating EBITA rose 5%. Restructuring, integration and acquisition costs were €15.1 million and slightly below last year (2012: €15.5 million).

The operating margin in the first nine months was 9.7%, compared to 9.3% in 2012. This is the result of margin improvement in Emerging Markets and Continental Europe.

Financing charges were €13.8 million (2012: €15.4 million) and at 30% the tax rate was higher than last year (2012: 28%). Net income from operations was up by 7%.

Cash flow and balance sheet

Net working capital at the end of the quarter was 17.9%, which was higher than last year (2012: 16.7%), but lower than at the end of the second quarter (18.4%) as we continue to execute our working capital reduction program. Speeding up cash collection from public sector clients is essential to achieve this. Operating cash flow was strong in the quarter and amounted to €78 million, bringing operating cash flow in the first nine months to €37 million (2012: €68 million). Net debt amounted to €320 million, considerably below last year's level (2012: €377 million) despite the acquisitions that were completed in the past 12 months. The average net debt to EBITDA ratio in the third quarter amounted to 1.6, as calculated per our bank covenants.

Developments by business line

Figures below are for the first nine months of 2013 compared to the same period last year, unless otherwise mentioned.

	Infrastructure	Water	Environment	Buildings
Gross revenue growth[1)]	-6%	+2%	-1%	+6%
Of which:				
- Organic	-2%	0%	-2%	+6%
- Acquisitions	0%	+5%	+3%	+6%
- Currency impact	-4%	-3%	-3%	-3%
Net revenue growth[1)]	-2%	+2%	+5%	+6%
Of which:				
- Organic	+3%	0%	+3%	+4%
Backlog development[2)]	-4%	+1%	-6%	+13%

[1)] *Rounding and reclassifications may impact totals*
[2)] *Organic development compared to year-end 2012*

- ***Infrastructure*** *(24% of revenues)*
  The downward trend in organic gross revenues results in large part from reduced subcontracting compared to last year and persistent low demand in Continental Europe. North America and especially Emerging Markets, except Chile, performed well. Net revenues developments were comparable, whereby the market in Continental Europe stabilized in the third quarter.

- ***Water*** *(15% of revenues)*
  Organic growth returned to North America, while the Emerging Markets (Brazil, Middle East in particular) achieved a number of significant project wins during the quarter, and ETEP (Brazil) contributed to growth from acquisitions. Continental Europe revenue pressure remained, as a result of government austerity measures, while the UK market slowed somewhat. The 'Water for Industry' program directed at industrial water savings is successful globally.
- ***Environment*** *(33% of revenues)*
  The severe decline in the North American federal market affects the overall environmental industry and competition increased. Nonetheless we continue to win private sector work, particularly with Multi-National clients in the oil & gas and mining sectors. In Emerging Markets growth was achieved at better prices, while parts of Continental Europe also saw growth. The acquisition of SENES in Canada further contributed to growth.
- ***Buildings*** *(28% of revenues)*
  Activities in Emerging Markets saw continued strong organic revenue growth, while the UK also performed well. This more than offset declines in North America and Continental Europe. In Continental Europe, market signals are gradually becoming more positive. In architecture, RTKL grew commercial revenues in North America and Asia, but saw continued weakness in US healthcare and workplace markets.

Progress in Project Europe

ARCADIS is on schedule with the roll-out of its new operating model in Europe. Year-to-date savings reached €9.8 million at the end of the third quarter. On an annualized basis this translates into a run rate of €20.5 million, ahead of schedule. Year-to-date restructuring charges amount to €10.8 million. The quarterly performance was positively impacted as reflected in the operating margin in Continental Europe of 7.0% in the third quarter.

Backlog

Backlog was down by 5% (net revenue) in the quarter, due to currency effects (-3%) and a seasonal organic decline (-2%). Year-to-date, backlog is organically 3% ahead of the year-end level of 2012 with a strong contribution from the Buildings business line and to a lesser extent in Water. Infrastructure and Environment saw backlog declines.

Outlook

In the **infrastructure market,** despite a slowdown in the mining industry in South America, public sector clients offer good opportunities for further growth. The Middle Eastern markets continues to offer good growth potential. Higher spending in big urban centers around the world is likely to stimulate demand. We expect activities in Continental Europe to remain stable.

In the **water market** growth is anticipated as the North American market has picked up, while Emerging Markets, including Brazil and the Middle East also offer growth opportunities. Earlier this year, ARCADIS launched water activities in Asia. A further decline in the water business in Continental Europe is expected due to reduced government spending.

We continue to see good growth opportunities from our 'Water for Industry' initiative with our Multi-National clients.

In the **environmental market**, ARCADIS expects to maintain organic net revenue growth, driven by the private sector and especially by Multi-National clients. While the decline in the federal market is affecting the overall sector, we expect low growth in North America helped by the synergy pipeline developed with SENES. In the UK and Emerging Markets (mainly Brazil) we also expect growth.

In the **buildings market**, ARCADIS' strong presence and synergies with acquired companies will lead to further growth. Synergies with EC Harris and Langdon & Seah of newly booked work (>€80 million), and RTKL, will generate growth in Emerging Markets. The UK will also grow, with Continental Europe and North America relatively stable. Built Asset Consultancy, ARCADIS' offering that creates exceptional outcomes throughout an asset's lifecycle, increasingly gets traction with clients around the world.

Strategy announcement brought forward

ARCADIS will advance the presentation of its new strategy for the period 2014-2016 to a Capital Markets Day to be held on December 4, 2013. This event will be available through a live webcast for which details will be announced at a later date.

Conference Call

ARCADIS will hold a conference call to discuss its financial results for the third quarter of 2013 on October 23, 2013. The call will begin at 15.00 Amsterdam, 09.00 New York, 14.00 London. The call-in numbers are +31 (0)207 176 886 for Amsterdam, +1 631 510 7498 for North America and +44 (0) 1452 555 566 for UK with ID # 76235850. 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

About ARCADIS:

ARCADIS is the leading pure play global engineering and consultancy firm, providing consultancy, design, engineering and management services in infrastructure, water, environment and buildings. We enhance mobility, sustainability and quality of life by creating balance in the built and natural environment. ARCADIS develops, designs, implements, maintains and operates projects for companies and governments. With 22,000 people and €2.5 billion in revenues, the company has an extensive global network supported by strong local market positions. ARCADIS supports UN-HABITAT with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Please visit: www.arcadis.com

TABLES FOLLOW

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Third quarter		First nine months	
Amounts in € millions, unless otherwise stated	**2013**	2012[1]	**2013**	2012[1]
Gross revenue	**633.3**	647.4	**1,873.1**	1,872.4
Materials, services of third parties and subcontractors	**(158.8)**	(169.5)	**(448.5)**	(488.1)
Net revenue	**474.5**	477.9	**1,424.6**	1,384.3
Operational cost	**(419.3)**	(427.5)	**(1,278.6)**	(1,248.3)
Depreciation	**(8.9)**	(7.9)	**(23.8)**	(23.5)
Other income	**0.2**	-	**0.7**	0.6
EBITA	**46.5**	42.5	**122.9**	113.1
Amortization identifiable intangible assets	**(4.3)**	(4.7)	**(12.9)**	(10.7)
Operating income	**42.2**	37.8	**110.0**	102.4
Net finance expense	**(3.7)**	(5.0)	**(13.8)**	(15.4)
Income from associates	**0.7**	(0.8)	**2.1**	(1.0)
Profit before taxes	**39.2**	32.0	**98.3**	86.0
Income taxes	**(12.2)**	(8.7)	**(28.8)**	(24.4)
Profit for the period	**27.0**	23.3	**69.5**	61.6
Attributable to:				
Net income (Equity holders of the Company)	**26.2**	23.1	**67.6**	61.0
Non-controlling interests	**0.8**	0.2	**1.9**	0.6
Net income	**26.2**	23.1	**67.6**	61.0
Amortization identifiable intangible assets after taxes	**3.1**	3.3	**9.8**	8.2
Lovinklaan employee share purchase plan	-	0.1	**0.5**	0.3
Acquisition related items[2]	-	-	**0.9**	4.2
Net income from operations	**29.3**	26.5	**78.8**	73.7
Net income per share (in euros)	**0.36**	0.33	**0.94**	0.87
Net income from operations per share (in euros)	**0.40**	0.37	**1.09**	1.05
Weighted average number of shares (in thousands)	**72,551**	70,926	**71,974**	70,055

[1] The 2012 figures have been restated for comparative reasons, as joint ventures are no longer proportionally consolidated, following the new accounting standard IFRS 11 *'Joint Arrangements'*.
[2] In 2013 the acquisition related items (net of tax) concern the acquisition cost for SENES, while in 2012 the acquisition cost for Langdon & Seah was included.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in € millions **Assets**	**September 30, 2013**	December 31, 2012[1]
Intangible assets	**593.7**	596.2
Property, plant & equipment	**70.1**	79.0
Investments in joint ventures and associates	**31.6**	32.3
Other investments	**1.0**	0.8
Deferred tax assets	**31.9**	38.4
Other non-current assets	**26.5**	23.8
Total non-current assets	**754.8**	770.5
Inventories	**0.5**	0.7
Derivatives	**1.9**	1.6
(Un)billed receivables	**752.9**	716.6
Corporate income tax receivable	**21.8**	11.8
Other current assets	**50.3**	37.7
Cash and cash equivalents	**170.1**	226.4
Total current assets	**997.5**	994.8
Total assets	**1,752.3**	1,765.3

Equity and liabilities		
Shareholders' equity	**557.0**	535.6
Non-controlling interests	**2.1**	1.1
Total equity	**559.1**	536.7
Provisions for employee benefits	**36.1**	35.2
Provisions for other liabilities and charges	**20.6**	24.4
Deferred tax liabilities	**43.3**	41.1
Loans and borrowings	**332.1**	300.5
Derivatives	**2.2**	3.8
Total non-current liabilities	**434.3**	405.0
Billing in excess of cost	**176.7**	176.3
Corporate income tax liabilities	**11.0**	13.6
Current portion of loans and borrowings	**29.8**	68.7
Current portion of provisions	**11.4**	9.7
Derivatives	**3.6**	0.8
Accounts payable	**110.8**	134.1
Accrued expenses	**35.5**	37.2
Bank overdrafts	**11.2**	50.0
Short-term borrowings	**105.4**	80.5
Other current liabilities	**263.5**	252.7
Total current liabilities	**758.9**	823.6
Total equity and liabilities	**1,752.3**	1,765.3

[1] The 2012 figures have been restated for comparative reasons, as joint ventures are no longer proportionally consolidated, following the new accounting standard IFRS 11 *'Joint Arrangements'*.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in € millions	Share capital	Share premium	Hedging reserve	Cumulative translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2011	1.4	168.4	(6.2)	(18.1)	310.0	455.5	(0.1)	455.4
Profit for the period					61.0	61.0	0.6	61.6
Other comprehensive income:								
Taxes related to post-employment benefit obligations					1.8	1.8		1.8
Exchange rate differences				2.8		2.8	-	2.8
Effective portion of changes in fair value of cash flow hedges			1.0			1.0		1.0
Other comprehensive income, net of tax			1.0	2.8	1.8	5.6	-	5.6
Total comprehensive income for the period			1.0	2.8	62.8	66.6	0.6	67.2
Transactions with owners of the Company:								
Dividends to shareholders					(33.5)	(33.5)		(33.5)
Issuance of shares	0.1	33.1				33.2		33.2
Share-based compensation					6.3	6.3		6.3
Taxes related to share-based compensation					1.7	1.7		1.7
Purchase of own shares					(28.5)	(28.5)		(28.5)
Options exercised					12.0	12.0		12.0
Total transactions with owners of the Company	0.1	33.1			(42.0)	(8.8)		(8.8)
Balance at September 30, 2012	1.5	201.5	(5.2)	(15.3)	330.8	513.3	0.5	513.8
Balance at December 31, 2012	**1.5**	**201.5**	**(4.8)**	**(27.9)**	**365.3**	**535.6**	**1.1**	**536.7**
Profit for the period					**67.6**	**67.6**	**1.9**	**69.5**
Other comprehensive income:								
Changes in post-employment benefit obligations					**(1.2)**	**(1.2)**		**(1.2)**
Exchange rate differences				**(21.3)**		**(21.3)**	**(0.1)**	**(21.4)**
Effective portion of changes in fair value of cash flow hedges			**1.2**			**1.2**		**1.2**
Other comprehensive income, net of tax			**1.2**	**(21.3)**	**(1.2)**	**(21.3)**	**(0.1)**	**(21.4)**
Total comprehensive income for the period			**1.2**	**(21.3)**	**66.4**	**46.3**	**1.8**	**48.1**
Transactions with owners of the Company:								
Dividends to shareholders[1]		**(16.7)**			**(20.6)**	**(37.3)**	**(0.8)**	**(38.1)**
Issuance of shares	**-**	**16.7**				**16.7**		**16.7**
Share-based compensation					**5.6**	**5.6**		**5.6**
Taxes related to share-based compensation					**(1.2)**	**(1.2)**		**(1.2)**
Purchase of own shares					**(29.1)**	**(29.1)**		**(29.1)**
Options exercised				**-**	**20.4**	**20.4**		**20.4**
Total transactions with owners of the Company					**(24.9)**	**(24.9)**	**(0.8)**	**(25.7)**
Balance at September 30, 2013	**1.5**	**201.5**	**(3.6)**	**(49.2)**	**406.8**	**557.0**	**2.1**	**559.1**

[1] For the stock dividend 785,682 new shares were issued with a total value of € 16.7 million which has been paid via the share premium reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in € millions	First nine months 2013	2012[1]
Cash flows from operating activities		
Profit for the period	**69.5**	61.6
Adjustments for:		
- Depreciation and amortization	**36.7**	34.2
- Taxes on income	**28.8**	24.4
- Net finance expense	**13.8**	15.4
- Income from joint ventures and associates	**(2.1)**	1.0
	146.7	136.6
Share-based compensation	**5.7**	6.3
Change in fair value of derivatives in operating income	**1.6**	(1.9)
Settlement of operational derivatives	**1.4**	1.3
Change in inventories	**0.1**	0.1
Change in receivables	**(56.3)**	(25.6)
Change in provisions	**(1.0)**	(6.1)
Change in billing in excess of costs	**3.7**	(14.6)
Change in current liabilities	**(19.7)**	3.9
Dividend received/paid	**0.9**	0.4
Interest received	**2.6**	2.6
Interest paid	**(13.8)**	(17.2)
Corporate tax paid	**(34.9)**	(18.1)
Net cash from operating activities	**37.0**	67.7
Cash flows from investing activities		
Investments in (in)tangible assets	**(25.8)**	(22.9)
Proceeds from sale of (in)tangible assets	**1.1**	0.8
Investments in consolidated companies	**(17.5)**	(76.9)
Investments in associates and other financial non-current assets	**(4.1)**	(4.0)
Proceeds from sale of associates and other financial non-current assets	**1.4**	1.6
Net cash used in investing activities	**(44.9)**	(101.4)
Cash flows from financing activities		
Proceeds from options exercised	**20.4**	12.0
Purchase of own shares	**(29.1)**	(28.5)
Settlement of financing derivatives	**1.8**	(11.1)
New long-term loans and borrowings	**68.4**	0.4
Repayment of long-term loans and borrowings	**(68.9)**	-
Changes in short-term borrowings	**25.2**	86.6
Dividend paid	**(21.4)**	(33.5)
Net cash from financing activities	**(3.6)**	25.9
Net change in cash and cash equivalents less bank overdrafts	**(11.5)**	(7.8)
Exchange rate differences	**(6.0)**	0.4
Cash and cash equivalents less bank overdrafts at January 1	**176.4**	150.7
Cash and cash equivalents less bank overdrafts at September 30	**158.9**	143.3

[1] The 2012 figures have been restated for comparative reasons, as joint ventures are no longer proportionally consolidated, following the new accounting standard IFRS 11 *'Joint Arrangements'*.