Press Release

Arcadis trading update Q3 2016

- €797 million in gross revenues, organically -4%. Net revenues €596 million, organically -5% due to lower revenues in Emerging Markets and North America, and a negative currency effect
- EBITA of €38.6 million (Q3 2015: €57.5 million). Non-operating costs €4.7 million (Q3 2015: €8.5 million)
- Operating EBITA margin 7.3% (Q3 2015: 10.3%), due to lower revenues, Brexit impact, price pressure and capacity imbalances in parts of our business
- Free cash flow Q3 €39.7 million (Q3 2015: €37.2 million). Free cash flow in the year-to-date minus €22.4 million, below last year due to lower EBITA
- Working capital 20.9% (Q3 2015: 19.3%), higher due to the Middle East
- Backlog year-to-date €2.2 billion representing 11 months of revenues, developed markets (6%-11%) partly compensating for Emerging Markets decline (17%)
- Renier Vree appointed interim CEO replacing Neil McArthur
- Outlook: Arcadis expects similar business conditions in the fourth quarter as experienced in the previous quarters of 2016 and has accelerated initiatives to improve financial performance

Key figures

<table>
<thead>
<tr>
<th>Period ended 30 September</th>
<th>Third quarter</th>
<th>Change</th>
<th>Year to date</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
<td>2015</td>
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<tr>
<td>Gross revenues</td>
<td>797</td>
<td>854</td>
<td>-7%</td>
<td>-3%</td>
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<tr>
<td>Organic growth</td>
<td>-4%</td>
<td></td>
<td></td>
<td>-1%</td>
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<tr>
<td>Net revenues</td>
<td>596</td>
<td>643</td>
<td>-7%</td>
<td>-5%</td>
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<tr>
<td>Organic growth</td>
<td>-5%</td>
<td></td>
<td></td>
<td>-4%</td>
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<tr>
<td>EBITA</td>
<td>38.6</td>
<td>57.5</td>
<td>-33%</td>
<td>-15%</td>
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<tr>
<td>EBITA margin</td>
<td>6.5%</td>
<td>8.9%</td>
<td></td>
<td>6.8%</td>
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<tr>
<td>Operating EBITA 1)</td>
<td>43.3</td>
<td>66.0</td>
<td>-34%</td>
<td>140.8</td>
</tr>
<tr>
<td>Operating EBITA margin</td>
<td>7.3%</td>
<td>10.3%</td>
<td></td>
<td>7.6%</td>
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<tr>
<td>Free cash flow</td>
<td>39.7</td>
<td>37.2</td>
<td></td>
<td>7.4</td>
</tr>
<tr>
<td>Net working capital %</td>
<td>20.9%</td>
<td>19.3%</td>
<td></td>
<td>20.9%</td>
</tr>
<tr>
<td>Backlog (organic growth)/months</td>
<td></td>
<td></td>
<td>-3%/11</td>
<td>-2%/11</td>
</tr>
</tbody>
</table>

1) Excluding acquisition, restructuring and integration-related costs

Renier Vree, CEO: “As indicated earlier, the third quarter was challenging, comparable with the previous quarters of 2016. We experienced continuing tough conditions in Emerging Markets and our North American business. As such, the addition of Mary Ann Hopkins as Executive for the Americas to our leadership was an important development in the quarter. Whilst we are not satisfied with the results, our business priorities are clear. We will continue to focus on winning work with our clients and cash collection. Furthermore we will step up the pace in aligning our cost structure to the new market realities and simplify the organization. The strategy process remains ongoing and we will disclose our strategy update at the beginning of 2017.”
Review of performance

Continental Europe, the UK, and Australia all recorded net revenue growth during the quarter. Emerging Markets faced continued significant macro-economic headwinds and reported a revenue decline, whilst North America also recorded lower revenues as a result of intense competition. Overall, net revenues decreased by 7%, and organically by 5%. EBITA decreased by 33% to €38.6 million with an EBITA margin of 6.5%. Operating EBITA was €43.3 million (Q2 2016: €46.2 million) and 34% lower than in the same quarter last year (Q3 2015: €66.0 million). The operating EBITA margin was 7.3% (Q3 2015: 10.3%), due to lower revenues, Brexit impact, price pressure and capacity imbalances in parts of our business.

Year-to-date net revenue declined -5%. The organic decline was 4%, related to lower revenues in Brazil, North America and Asia. EBITA decreased 15% and included €14.2 million in restructuring charges (2015: €32.8 million also including integration charges).

To adapt to weaker markets and improve our cost position we reduced our global workforce by ~800 FTEs versus September 2015 by reducing the number of employees in the regions by ~1,450 FTEs (-5.5%), and growing Global Design by ~650 FTEs (+50%). This led to an overall labour cost decrease of approximately 3%.

Operating EBITA decreased by 23% to €140.8 million (2015: €181.8 million). The operating EBITA margin of 7.6% (2015: 9.3%) reflects the lower contribution from North America, Brazil, Continental Europe and the Middle East.

Review of performance for Q3 year-to-date by region

- **North America** (34% of net revenues)

  Net revenues in North America declined organically by 6%, driven by Environment, Water and Architecture, offsetting good growth in Infrastructure and Buildings. Operating EBITA margin declined due to a competitive market in Water and Environment.

- **Emerging Markets** (29% of net revenues)

  The decrease in net revenues was mainly due to a 38% organic decline in Brazil. In Asia revenues declined by 12% mainly related to lower revenues in Hong Kong and Singapore. In the Middle East, revenues were flat, but low oil prices continue to impact backlog and payments. Net working capital in this region continues to receive strong attention and as highlighted earlier, will have an impact through the middle of 2017. Australia Pacific realized a strong profitable organic growth, particularly in Infrastructure. The operating EBITA margin decreased due to an operating loss in Brazil and a lower margin in the Middle East that was partly compensated by an increase in Australia Pacific. The operating EBITA margin in Asia was stable.

- **Continental Europe** (20% of net revenues)

  Net revenues in Continental Europe were 3% higher than in the same period in 2015, mainly due to growth in Buildings. Revenues in Infrastructure and Environment were in line with last year and revenues decreased in Water. The operating EBITA margin declined due to capacity imbalances in France and Belgium.
• **United Kingdom (17% of net revenues)**

Net revenues decreased mainly due to a 9% currency effect as a result of the decline of the British Pound. Net revenues grew organically with 3% due to good growth in Infrastructure and Water and to a lesser extent in Environment. In Buildings, revenue decline continued due to Brexit-related delays in investment decisions. A large architecture contract partly compensated for this decline. The operating EBITA margin was slightly lower.

**Backlog**

Current backlog is €2.2 billion, representing a stable 11 months of revenues. Backlog at the end of September decreased by 3% compared with December 2015, reflecting cancellations in Brazil, Qatar and China. Overall backlog in Emerging Markets declined by 17%, whilst backlog grew 11% in the UK and 6% in Continental Europe and North America.

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**Conference Call**

A conference call for analysts will be held at 10.00 hours CET today. The call can also be followed via the webcast link on our website: [https://www.arcadis.com/en/global/investors/](https://www.arcadis.com/en/global/investors/).

**About Arcadis**

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