



# CREATING A SUSTAINABLE FUTURE

Annual Integrated Report 2017

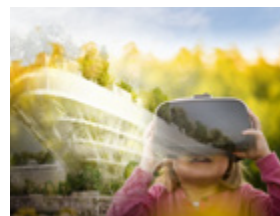


# CREATING A SUSTAINABLE FUTURE

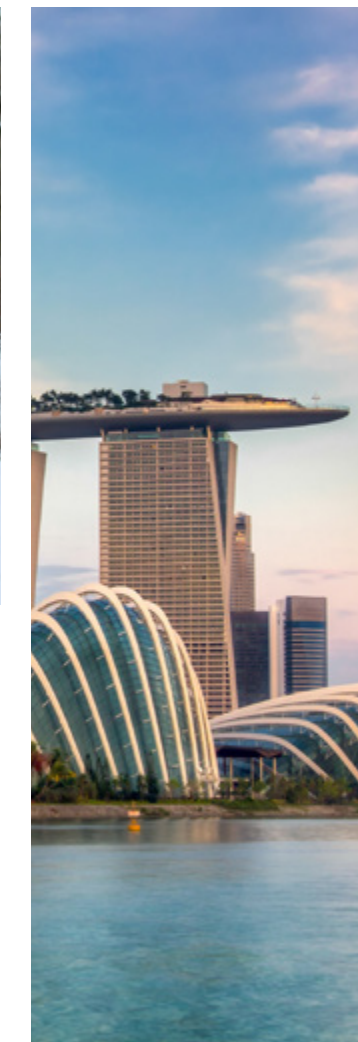
“Over the coming years we will foster a strong culture which will allow our passionate people to blossom, exceed our clients’ expectations and create growth by focusing on our strengths.

Creating a sustainable future is all about enabling this growth in Arcadis and by expanding horizons so that, together, we will look forward to a bright future for our Company... and for you.”

**Peter Oosterveer, CEO**



**ON THE COVER: 1000 ARBRES**  
Reinventing Paris with a thousand trees



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Arcadis to design the bridge building above the ring road

Improving the city climate and living environment

Bringing life back to this forgotten area

Connecting the city and the suburbs, bridging the gap between Parisians

To be completed: 2023

# 1000 ARBRES

# REINVENTING PARIS WITH A THOUSAND TREES



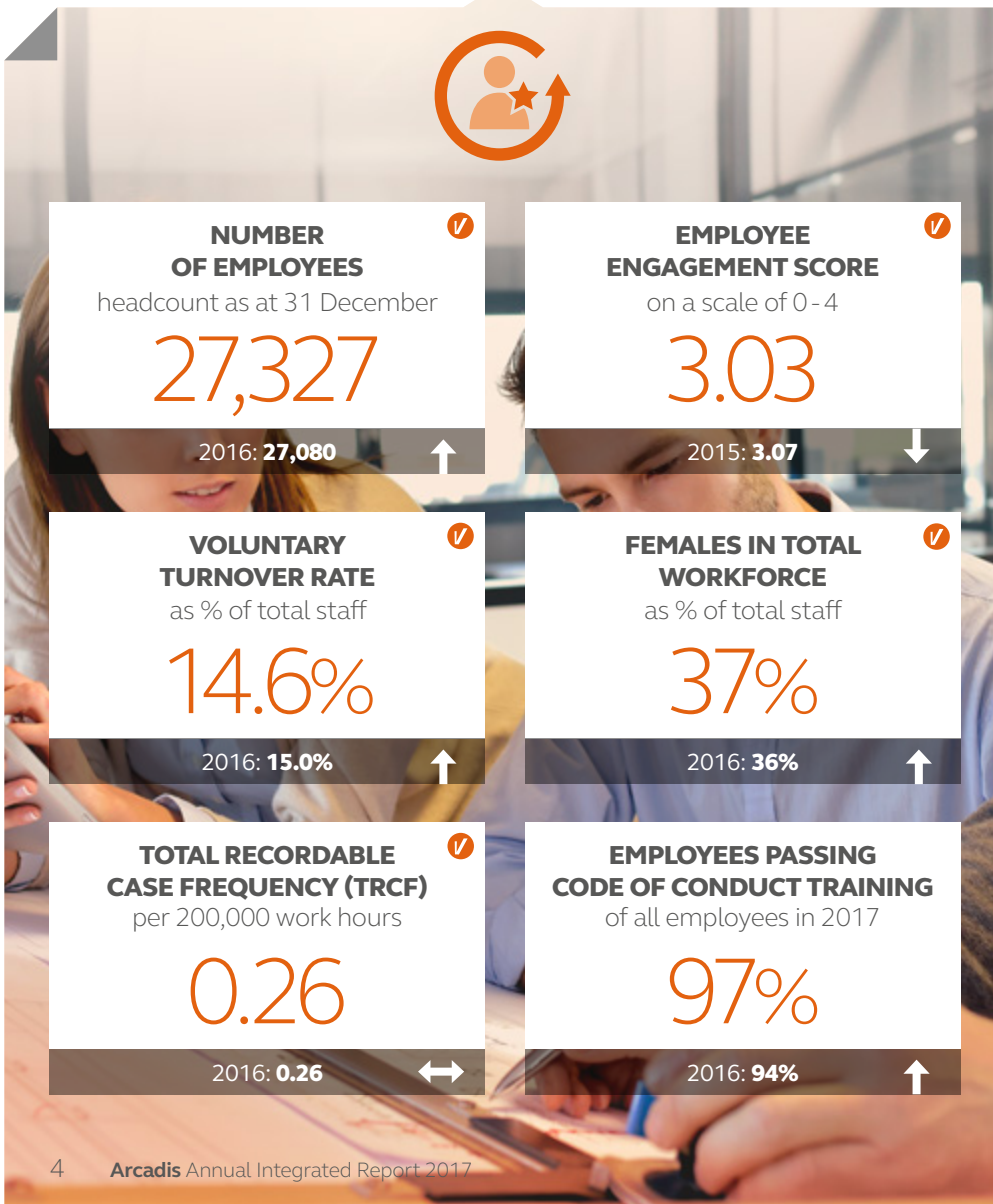
BE INSPIRED, WATCH THE VIDEO:



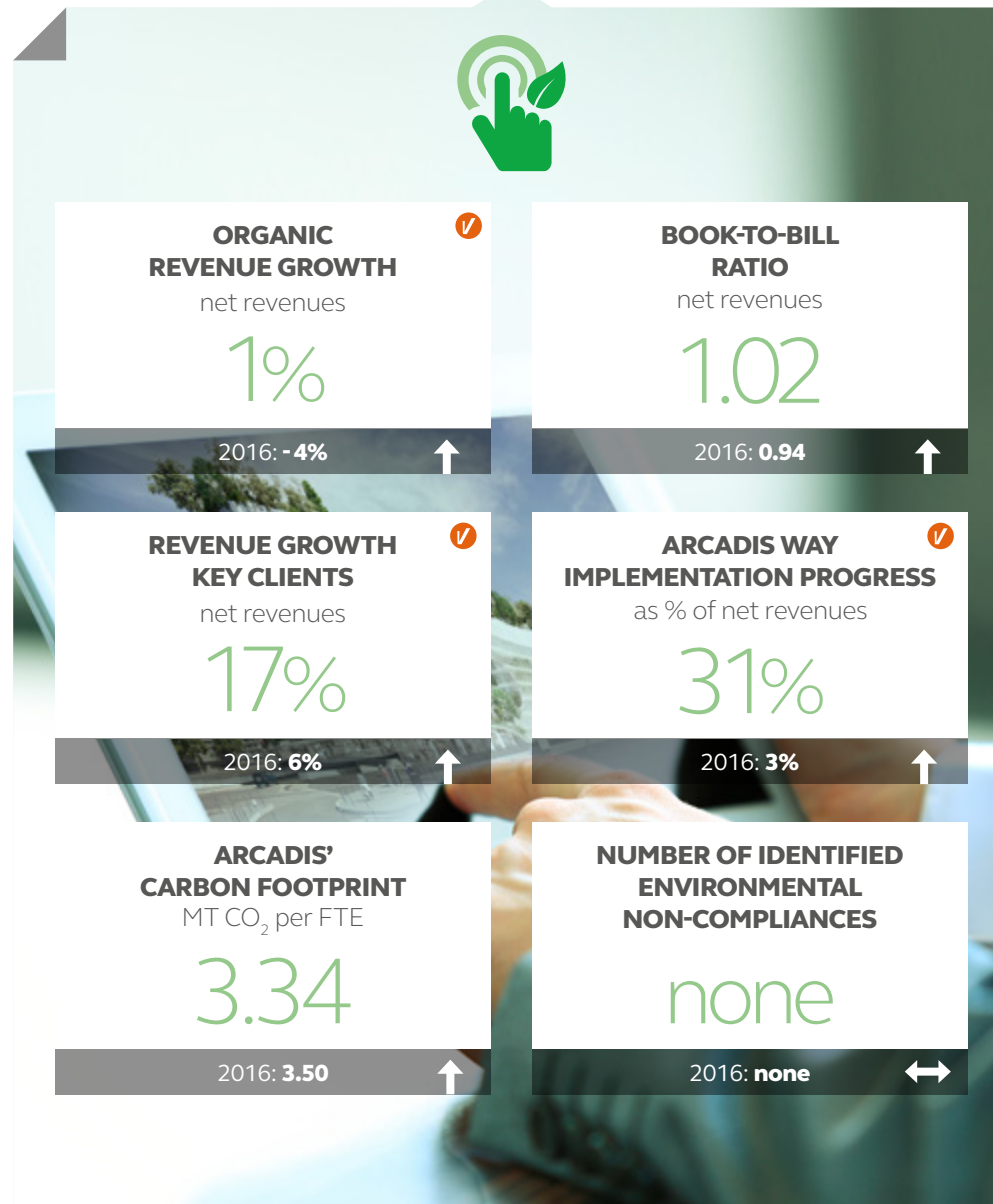


# 2017 AT A GLANCE

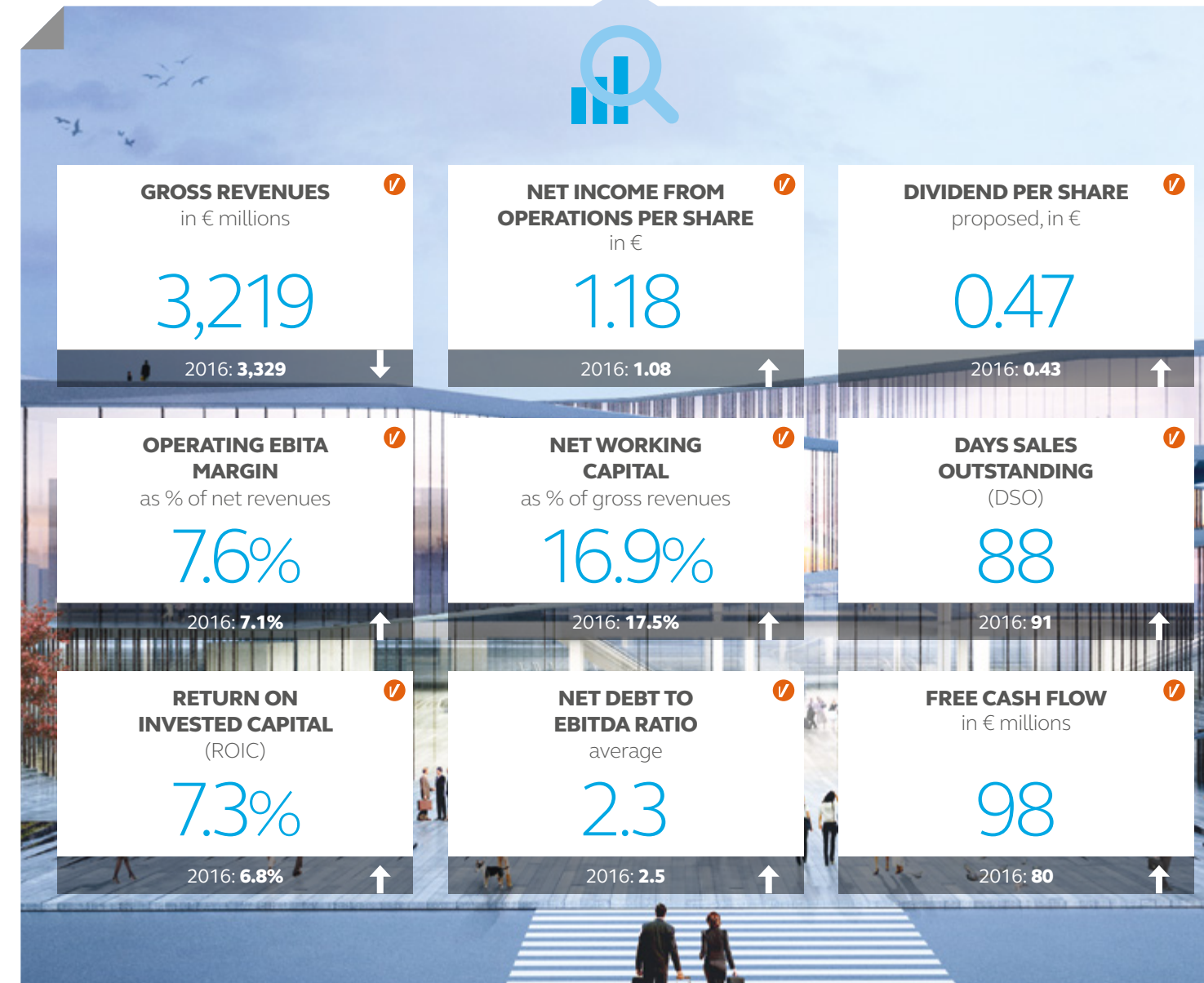
## PEOPLE & CULTURE



## INNOVATION & GROWTH



## FOCUS & PERFORMANCE



In 2017, we worked together with our clients to deliver **exceptional and sustainable outcomes, and create value for all stakeholders**

↑ Improvement  
 ↔ Unchanged  
 ↓ Deterioration

✓ For definitions and methods of measure for the indicators included on this spread, please refer to page 251. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol (2017 only). See page 243 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.



# MESSAGE FROM THE CEO



## CREATING A SUSTAINABLE FUTURE

< Peter Oosterveer, CEO

After my appointment to the Executive Board, I visited all our regions, meeting clients, and Arcadians.



These are my key take-aways: >

“Returning to organic growth and improving our financial performance in the second half of the year.”

### 100 DAYS, FIVE HIGHLIGHTS



Dear stakeholders,

Welcome to our first fully Annual Integrated Report.

The simplification of the organizational structure combined with our increased focus on our clients, both initiated early in the year, contributed to the improvement of our performance. We reviewed our strategy whereby we received input from fellow Arcadians, clients, shareholders, and other stakeholders. In November, we presented our new strategy entitled ‘Creating a sustainable future’, which fully capitalizes on global trends like climate change, sustainable industries, and livable cities. This strategy builds on our strong legacy in Water, Infrastructure, Environment, and Buildings, and further advances Arcadis towards a highly innovative industry-leading Design & Consultancy.

**PEOPLE FIRST AS NEW CORE VALUE**

After my appointment to the Executive Board by shareholders late April, I visited all regions in which we have activities. I familiarized myself with the great projects we do around the world and met with a large number of clients. Most memorable on these visits, however, were the meetings with our people. I have gained tremendous admiration for the capabilities, knowledge, and passion of our people.

They have a level of pride in their work that is contagious and makes me proud to be an Arcadian. At the same time, our people have been clear to me about opportunities for improvement, and we have taken this input on board as we developed our new strategy. Among other things, this led to the introduction of a new core value: People First. This supports our ambition to be the employer of choice for our people. People First means we care for each other and we create a safe and respectful working environment where our people can grow, perform, and succeed. We have changed our value ‘Client Focus’ to ‘Client Success’ to reflect our ambition to impact our clients’ results. Our other core values – Integrity, Collaboration, and Sustainability – remained unchanged and are as relevant as ever.

**FINANCIAL PERFORMANCE IMPROVED AS THE YEAR PROGRESSED**

We improved our financial performance as the year progressed. Organic net revenue growth moved into positive territory, while operating EBITA was higher than prior year. We had a strong cash flow and reduced our debt. Moreover, we see a positive business sentiment in many of the markets in which we operate, which has contributed to a corresponding improvement in our performance.



In North America, our biggest single market, our re-focused organization achieved an organic growth of more than 2%, with a strong contribution from both our environmental and our infrastructure business. In Europe, increased investments in the private sector created growth, while public-sector work was stable thanks to large projects like the Paris metro. In the UK, we were able to substantially grow our backlog as well as our revenues, with a strong win rate in several sectors, especially in the infrastructure market. Australia's performance was exceptionally strong, the wins of the big metro projects in Sydney and Melbourne are a true example of how our global collaboration and knowledge exchange yields successes. In Asia, market conditions were mixed. Revenues declined at the beginning of the year, while in the fourth quarter Asia returned to growth, and grew its backlog.

**“Our strategy builds on our strong legacy and further advances Arcadis towards a highly innovative industry-leading Design & Consultancy.”**

More challenging business conditions persisted in Latin America as the recession in Brazil reduced available public-sector work, which impacted our performance. The Brazilian economy is gaining traction as evidenced by good order intake at the end of the year. The ongoing low oil price had a negative impact on our business in the Middle East, as the pace of investment slowed due to government budget reductions in several countries. Our architecture activities had a slow start to the year but picked up in the fourth quarter, with improving margins.

#### IMPROVING OUR BUSINESS MODEL

Organizationally, our simplification initiative created a more streamlined business model as well as a reduced cost base. The implementation of The Arcadis Way, our harmonized way of working across the Group, made steady progress. The further roll-out will enable our operations to become more efficient, increase transparency, and allow us to better facilitate global collaboration. We have also embarked on an initiative to improve the financial performance of our projects. 2017 was another year of strong growth for our Global Excellence Centers (GECs), from which we deliver high-level design and engineering capabilities in direct support of our regional businesses. Headcount in the GECs increased by 10% during the year, and now totals ca. 2,600 as at year-end.

#### HEALTH & SAFETY

Health & safety remains central in everything we do. For the sixth year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2017 (0.26, the same as in 2016) remains at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13. Our Lost Time Case Frequency (LTCF) for 2017 (0.11) increased by 0.01 compared to 2016 (0.10). Arcadis' injury rates continue to remain well below the average injury rates of the publicly available US benchmarks for the Architecture and Engineering Industry, which were 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2016).

#### STEP-UP INVESTMENTS IN DIGITALIZATION

While our focus is on organic growth, we continue to look for opportunities to further expand our service offering and invest in digitalization. We announced the acquisition of E2 ManageTech, an enterprise technology solutions firm providing IT and business services for the Environmental, Health and Safety (EHS) information market. E2 ManageTech, with its employees largely based in the United States and Canada, was established in 1998.

Early 2018, we also announced the acquisition of SEAMS, a UK-based software and analytics firm, further growing our digital and data expertise. This will enable us to provide clients with a unique blend of expert technical and asset knowledge combined with advanced analytics. Arcadis' acquisition of SEAMS, established in 2002, will address an increasingly critical issue for water companies, energy providers and operators of Infrastructure, which is to improve affordability and customer satisfaction, whilst maintaining high levels of service.

#### CLEAR CHOICES WITH A FOCUS ON PEOPLE, INNOVATION, AND PERFORMANCE, DRIVING PROFITABLE GROWTH

On 21 November, we used our Capital Markets Day to launch the update of our strategy, with long-term value creation being the starting point. Our strategy for the coming three years includes making clear choices and focusing on where we can lead, and invest where we can win.



The strategy is based on three strategic pillars:

**People & Culture** – We are convinced that creating an environment for people to grow, perform, and succeed will be vital to attract, develop, and retain the workforce of the future. We will be the employer of choice through continued investment in our people and by attracting capabilities for future needs.

**Innovation & Growth** – To capture the opportunities provided by global mega trends, Arcadis will step up investments in digitalization to become a digital frontrunner in our industry. In addition, we will further leverage our global experience and deep client relationships to create organic growth.

**Focus & Performance** – We will focus where we can lead based on relevance for clients, local markets, and global positions, and we will de-prioritize businesses that fail to meet our criteria for profitable growth. Disciplined client and project selection and improved project delivery will be created through the consistent use of the Arcadis Way. Our competitiveness will be further improved by expanding the GECs.

We remain committed to the UN Global Compact and its ten principles, and in 2017, as part of our strategy, also made a commitment to significantly contribute to the advancement of several applicable UN Sustainable Development Goals (SDGs). We are convinced that global mega trends like urbanization & mobility, sustainability & climate change, globalization, and digitalization, provide us with ample opportunities to develop sustainable and resilient cities, offer smart infrastructural solutions, and make industries future-proof.

The Company is well positioned to realize both revenue growth and operating EBITA margin improvements in the period 2018 - 2020. Our guidance accompanying this strategy is for organic net revenue growth to surpass GDP growth in our markets, and for an operating EBITA margin trending to 8.5% - 9.5% by 2020. Arcadis will execute the strategy with an efficient and robust capital structure, and has fully embedded risk management in its operations.

#### STRATEGIC REVIEW CALLISONRTKL; MARKET CONSULTATION IN PROGRESS

An important announcement in 2017 was the decision to perform a strategic review of CallisonRTKL, our architectural business, that represents approximately 10% of our global revenues. This review is part of our effort to sharpen our strategic focus.

We evaluated a range of strategic options to optimize the value of CallisonRTKL, within or outside of Arcadis, to provide the best prospects for our people, clients, and shareholders. While a final decision has not been made yet, the process is on track, and a market consultation is in progress, allowing us to assess the viability of a sale.

#### RENIER VREE LEAVES ARCADIS AFTER EIGHT YEARS AS CFO AND MEMBER OF THE EXECUTIVE BOARD

Early January 2018, we announced the resignation of Renier Vree, Chief Financial Officer (CFO) and Member of the Executive Board, effective 1 March 2018. Renier has accepted the position of CFO at AkzoNobel Specialty Chemicals. We are extremely grateful for Renier Vree's contribution to Arcadis as CFO and Member of the Executive Board. Renier Vree has been integral to the significant growth that Arcadis has achieved over the past eight years. He has played an instrumental role in the selection, acquisition, and integration of the various large acquisitions Arcadis executed during his tenure. Renier Vree has also been the driving force behind the implementation of the Arcadis Way.

#### ARCADIS WELL POSITIONED FOR PROFITABLE GROWTH IN THE YEARS AHEAD

In closing, I would like to thank all our people for their passion, commitment, and creativity to deliver sustainable solutions for our clients, while I thank our clients and our shareholders for their continued trust. I am convinced that Arcadis is well positioned to capture profitable growth in the years ahead.

On behalf of the Executive Board  
**Peter Oosterveer**





The Executive Board (from left to right):  
Renier Vree, Stephanie Hottenhuis, Peter Oosterveer,  
Mary Ann Hopkins and Stephan Ritter



# MESSAGE FROM THE CHAIRMAN

## STRONG FOUNDATION FOR CONTINUOUS IMPROVEMENT

I am pleased with the progress made by Arcadis in 2017, and believe we have achieved balance in our organization, laying the foundation for continuous improvement for the foreseeable future.



**NIEK W. HOEK**  
CHAIRMAN OF THE  
SUPERVISORY BOARD

In the Annual General Meeting of Shareholders end of April 2017, Peter Oosterveer was appointed member of the Executive Board and CEO. He succeeded interim CEO Renier Vree, also our CFO, who successfully launched the simplification program during his tenure, reducing costs and making our business processes more efficient. In that same meeting, Mary Ann Hopkins was appointed to the Executive Board. Mary Ann had been recruited as Executive responsible for the Americas back in August 2016. She successfully worked with the team in North America on a turnaround of that business, which led to growth in 2017.

With the completed Executive Board, we were able to finalize our strategy for 2018 - 2020, and presented this during the Capital Markets Day in London end of November. With the new CEO came more stability, and with the new strategy came more trust, providing us a good starting point for 2018 and beyond. Early 2018, Renier Vree announced his departure from Arcadis. We are grateful for his contribution during his eight years as CFO, and as member of our Executive Board. The search for a successor is progressing.

On behalf of the Supervisory Board  
**Niek W. Hoek**

### FOCUS AREAS FOR THE SUPERVISORY BOARD IN 2017

The Supervisory Board believes that focus is key to achieving the Company strategy, and to creating long-term value for all stakeholders. In exercising its task in 2017, the Supervisory Board, in coordination with the Executive Board, focused on the following topics:

- 1 Re-energize our people by bringing back client focus.
- 2 Streamline the organization by creating and implementing a simplified operating model.
- 3 Prune the number of initiatives to reduce overhead costs and free up resources to focus on winning client pursuits to build backlog/pipeline.
- 4 Unwavering drive for profit and cash.
- 5 Develop a solid plan for 2017, that has the support of the Executive Board and Senior Management Committee, and support Mary Ann Hopkins as Executive Americas to drive performance in this Segment.

Additionally, we put special emphasis on further Health & Safety improvements, on stimulating the roll-out of the Arcadis Way to align business processes globally, and on investing in digitalization to defend and then expand our market position.



# OUR BUSINESS AND PASSION

## BRINGING THE BEST TO OUR CLIENTS

Arcadis' position in both global and local markets is strong, and our new strategy is directed at further enhancing that position of strength to deliver the best solutions to our clients. We provide a broad range of expertise, work for a diverse range of clients, provide services that span the entire lifecycle of assets, and have a broad regional representation through an office network that spans the globe.

As a result of this diversity in our portfolio, we are able to balance our performance over time, and are less vulnerable to adverse developments in individual markets, activities or client sectors.

### EXPERTISE

Our expertise in infrastructure, water, environment, and buildings is global but with a local reach. Combined with our deep market sector insights, our global solutions and collaborative teams help clients overcome the most complex challenges, wherever they exist.

### CLIENTS

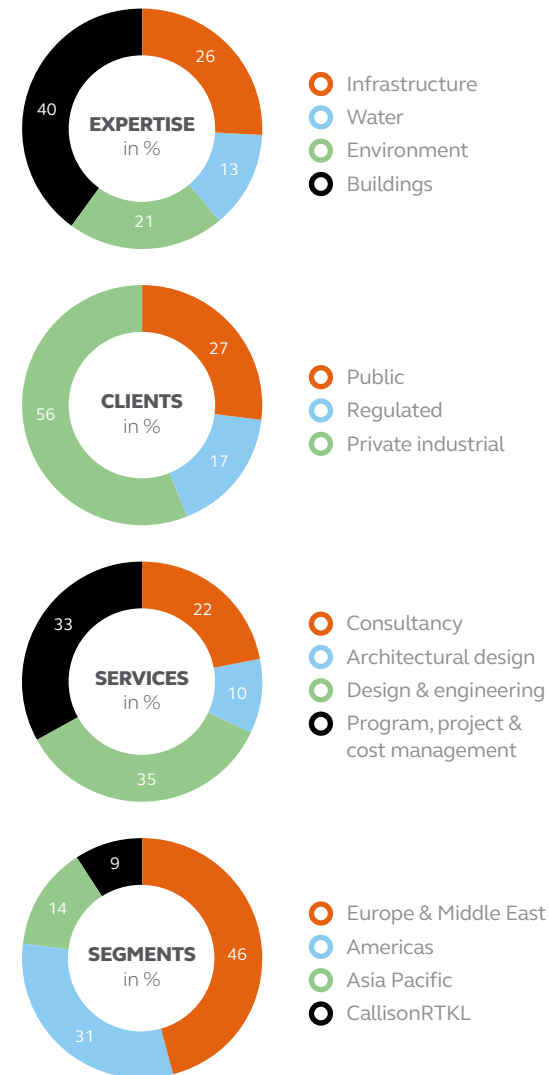
Our clients require partners capable of delivering first-class solutions to their doorstep regardless of where they are sourced. We leverage our vast expertise, share knowledge, and create best value-added solutions and technology to serve our public, regulated, and private clients to the highest standard.

### SERVICES

In most major markets we offer our clients full lifecycle solutions comprising business advisory services, consulting, program, project & cost management, and design & engineering. We often develop client relationships that span the entire lifecycle of their assets.

### SEGMENTS

Our diversified portfolio is based on a global presence, with leading positions in Europe & Middle East, the Americas, Asia Pacific, and through CallisonRTKL. In every location, we pair our deep global market sector knowledge with a strong understanding of local market conditions.



All percentages based on FY'17 net revenues



## OUR POSITION IN THE INDUSTRY VALUE CHAIN

We are a full-service design and consultancy, and our solutions span the entire asset lifecycle. This means we can consult for the full length of projects, or where needed, assist clients with their broad investment programs, rather than just individual projects. These integrated solutions provide inherent advantages, such as a lack of friction losses and an enhanced control regarding the performance of the asset from conception through to decommissioning and back into redevelopment.

Our in-depth sector knowledge and ability to share knowledge globally enable us to provide best-in-class solutions to our clients, wherever they are located. In addition to covering the entire lifecycle, we can also add value to clients in each individual phase of projects, working with other partners and (sub)contractors to successfully deliver often complex projects.

Because we approach our clients' complex challenges with the right combination of deep technical insights, solid business consulting skills, and strong management capabilities, we can provide sustainable outcomes for them at every stage. Increasingly, we pair this with digital capabilities, providing our clients more creativity during the conceptual phase of projects, enhanced control during a project's realization, and better insights into an asset's economic performance during its lifespan.

We understand that for many clients sustainability is a key driver as it can provide pricing power, cost reductions, a more competitive labor market position, business opportunities for new products and services as well as a reduction in risks and better access to capital. Sustainability is therefore a design principle when we develop our solutions for clients.





# VALUE CREATION

## HOW WE CREATE AND SHARE VALUE

Arcadis' value creation process is geared towards maximizing the outcome of our business processes for all of our stakeholders through the efficient use of the capitals which are at our disposal. While our overall focus is on long-term value creation, our three-year strategy cycle allows us to update our market relevance regularly to keep in tune with stakeholder interests.

### INPUTS USING ALL RESOURCES WISELY



#### HUMAN AND INTELLECTUAL CAPITAL

Our 27,327 talented and professional employees provide their expertise and competencies to make a difference for our clients at every stage of the lifecycle of natural and built assets.



#### SOCIAL AND RELATIONSHIP CAPITAL

Exceptional and sustainable results are achieved by collaboration with our clients. Our success is dependent on good relationships with key stakeholders, such as our employees and clients.



#### FINANCIAL CAPITAL

Equity and loans help us to invest in the growth of our business and global footprint, which enables us to service our local and global clients.

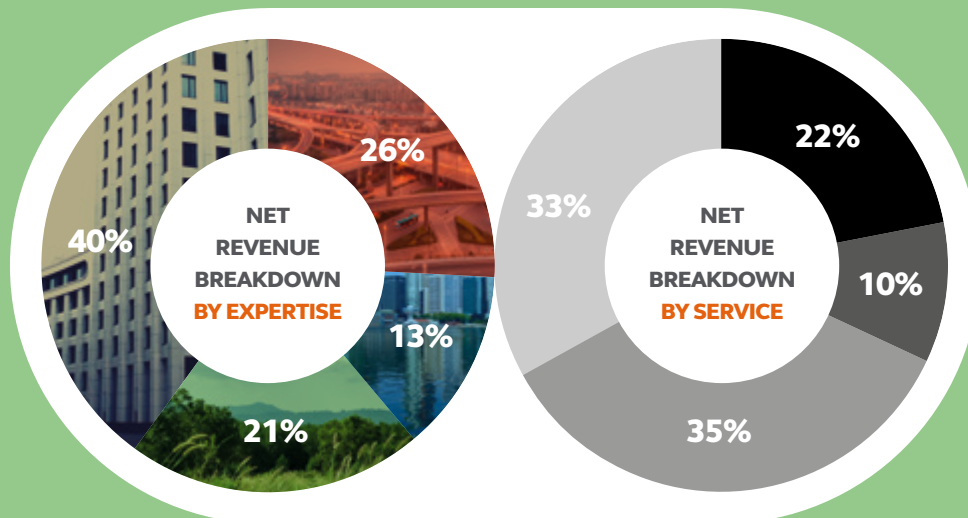


#### NATURAL CAPITAL

To maintain our offices around the world, and travel to client sites as required, we consume energy and water.

### VALUE CREATION PROCESS

We deliver sustainable solutions through four categories of services in four project/expertise areas



- Infrastructure ●
- Water ●
- Environment ●
- Buildings ●
- Consultancy ●
- Architectural design ●
- Design & engineering ●
- Program, project & cost management ●

Underpinned by

SHARED VALUES | THE ARCADIS WAY | GLOBAL FOOTPRINT AND EXPERTISE | TECHNOLOGICAL CAPABILITIES



### OUTPUT CREATED PER CAPITAL



#### HUMAN AND INTELLECTUAL CAPITAL

High levels of employee engagement. Improvement in human and intellectual capital demonstrated by:

- High participation rates Your Voice Survey for all employees (69%)
- Successfully on-boarding over 6,000 talents in 2017
- Continued investment in training & development for our employees
- Continuous commitment to Diversity and Inclusion
- Continued investments in Health & Safety, and promoting the appliance of TRACK (see page 47)



#### SOCIAL AND RELATIONSHIP CAPITAL

High level of client satisfaction demonstrated by repeat business. ~70% of 2016 projects involved work with clients who had worked with Arcadis before.

- Brand awareness score (from 2018 onwards)
- Client experience score (from 2018 onwards)



#### FINANCIAL CAPITAL

Strong balance sheet and profit & loss performance. Returning to organic growth, stable balance sheet, with improving indicators.

- Organic net revenue growth positive at 1% (year-on-year)
- Operating EBITA margin improving to 7.6%
- Net working capital percentage improving to 16.9%
- Net debt to EBITDA ratio (average, for bank covenant purposes) improving to 2.3



#### NATURAL CAPITAL

Through our projects we assist clients in building a Sustainable Future by providing integrated and sustainable solutions. For example, many existing projects revolve around improving quality and supply of water. In others, we re-mediated in soil and water spills.

- Arcadis' carbon footprint (MT CO<sub>2</sub> per FTE)
- Number of identified non-environmental compliances
- Significantly contribute to UN Sustainable Development Goals
- % of revenues that relate to relevant SDGs (from 2018 onwards)

### OUTCOMES FOR OUR STAKEHOLDERS

#### EMPLOYEES

Pride, satisfaction and a great place to work.

- Employee engagement score of 3.03 (on a scale of 0-4)
- Decreased voluntary turnover rate, now 14.6%
- Increased identified leadership potential rate, now 94%
- Increased female percentage in total workforce (37%), female executives (15%), and female executive potentials (25%)
- Health & Safety indicators remaining at lowest level since Arcadis began collecting H&S data

#### CLIENTS

Top-quartile performance for Client experience

- Scaled existing technologies, and exploration of new technologies through co-creation
- Utilization of local market knowledge, and deep client relationships
- Leverage global experience for best-in-class solutions

#### INVESTORS

Competitive and sustainable returns.

- Proposed dividend of €0.47 per share
- Improved return on invested capital, now 7.3%

#### CIVIL SOCIETY

- Assisting clients in dealing with the effects of climate change
- Good health & well-being in our own operations, and in contribution to the realization of health & safety targets of our clients
- Continued contribution to seven relevant SDGs (see page 30)



# GLOBAL SOLUTIONS

In 2017, a simplification process took place which has brought several changes to our organizational model. One of these changes has been the replacement of our four Global Business Lines into one Global Solution organization, consisting of fourteen Global Solutions.

Our clients are at the center of our organization. Everything we do is ultimately about delivering the best of Arcadis to our clients. We serve our clients through our seven Regions and CallisonRTKL. These Regions can draw on support from Global Client Development and Global Solutions when a global involvement is beneficial. Global Client Development supplies global knowledge about our global key clients. Global Solutions provides support for solutions we offer to our clients.

This support is delivered through four main activities:

- 1. Global knowledge and capabilities:** provide market insights and knowledge-sharing to our regions using communities of practice (CoP). Be the thought leader to leverage and differentiate our position as market leaders.
- 2. Strategic pursuits:** support our regions with strategic pursuits that drive value to our business. We bring our global knowledge and market insights to secure strategic projects and drive the development of marketing collateral.
- 3. Collaboration and strategy:** work with regions to build global capability and project teams, according to the collaboration guidelines.
- 4. Joint development of (new) propositions:** support regions to align solutions to market opportunities. Develop joint propositions (together with Client Development) to add value and drive growth.

A total of fourteen Global Solutions have been selected through which we can leverage our global knowledge and capabilities. Each Global Solution has a Global Leader, a role combined with a role in the Region. Each Global Leader provides the Regions with global knowledge and capabilities, support on strategic pursuits, collaboration/coordination and joint development of (new) propositions.

## GLOBAL INFRASTRUCTURE SOLUTIONS

**Infrastructure** focuses on sustainable infrastructure solutions for efficient transportation by road, rail, air, and over water, and creating reliable energy supply systems. By assisting in smart planning and finding the right balance between ecology and economy, Arcadis' specialists enable great cities to not only be livable but also to be connected and allow mobility across cities.

## GLOBAL WATER SOLUTIONS

**Water** focuses on the entire water cycle; from source to tap and then back to nature. Through our wealth of experience in the water sector, Arcadis' specialist teams of engineers, scientists, and consultants are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demand of a rapidly changing world. Arcadis is a global top-five player in water services.

## GLOBAL ENVIRONMENT SOLUTIONS

**Environment** focuses on improving the sustainability of natural and built assets. Arcadis combines environmental innovation, engineering, consulting, and construction services, and develops successful and sustainable solutions for our clients. We are proud to be the leading global environmental solutions provider to private industry, and deliver projects that protect the earth's resources while meeting our clients' economic objectives.

## GLOBAL BUILDINGS SOLUTIONS

**Buildings** focuses on delivering world-class master-planning, architectural design, engineering design, consultancy, project, program and cost management for all types of buildings and cities. We are partnering with our clients to plan, create, operate, and regenerate their built assets. We create a balance of form, functionality, and environmental stewardship.



# OUR FOURTEEN GLOBAL SOLUTIONS PER EXPERTISE AREA

**GLOBAL INFRASTRUCTURE SOLUTIONS** (26% of net revenues)

INTEGRATED AIRPORT SOLUTIONS  
INTELLIGENT TRANSPORTATION SOLUTIONS  
RAIL AND URBAN TRANSPORT SOLUTIONS  
PORT SOLUTIONS

**GLOBAL WATER SOLUTIONS** (13% of net revenues)

WATER MANAGEMENT SOLUTIONS  
INTELLIGENT WATER NETWORKS

**GLOBAL ENVIRONMENT SOLUTIONS** (21% of net revenues)

BUSINESS ADVISORY  
ENVIRONMENTAL RESTORATION  
STRATEGIC ENVIRONMENTAL CONSULTING

**GLOBAL BUILDINGS SOLUTIONS** (40% of net revenues)

PERFORMANCE DRIVEN ARCHITECTURE  
PROGRAM MANAGEMENT  
PERFORMANCE DRIVEN ENGINEERING  
COST MANAGEMENT  
OPERATIONS AND MAINTENANCE



# OUR PASSION

## IMPROVING QUALITY OF LIFE

At Arcadis, we rely on our core values to guide us in everything we do, while we base business decisions on our vision and strategy. Our primary aim is long-term development and value creation, and our focus is to deliver exceptional and sustainable solutions to our clients, while pursuing new opportunities that fit our capabilities. In doing so, we contribute by sustainably solving the challenges that clients and communities face around the world.

# OUR RE-DEFINED VALUES

We differentiate ourselves through our talented and passionate people, our unique combination of capabilities covering the whole asset lifecycle, our deep market sector insights, and our ability to seamlessly integrate health and safety and sustainability into the design of our solutions around the globe.

## OUR RE-DEFINED VALUES



### PEOPLE FIRST

We care for each other and create a safe and respectful working environment where our people can grow, perform, and succeed



### CLIENT SUCCESS

We are passionate about our clients' success and bring insights, agility, and innovation to co-create value



### INTEGRITY

We always work to the highest professional and ethical standards and establish trust by being open, honest and responsible



### SUSTAINABILITY

We base our actions for clients and communities on environmental responsibility and social and economic advancement



### COLLABORATION

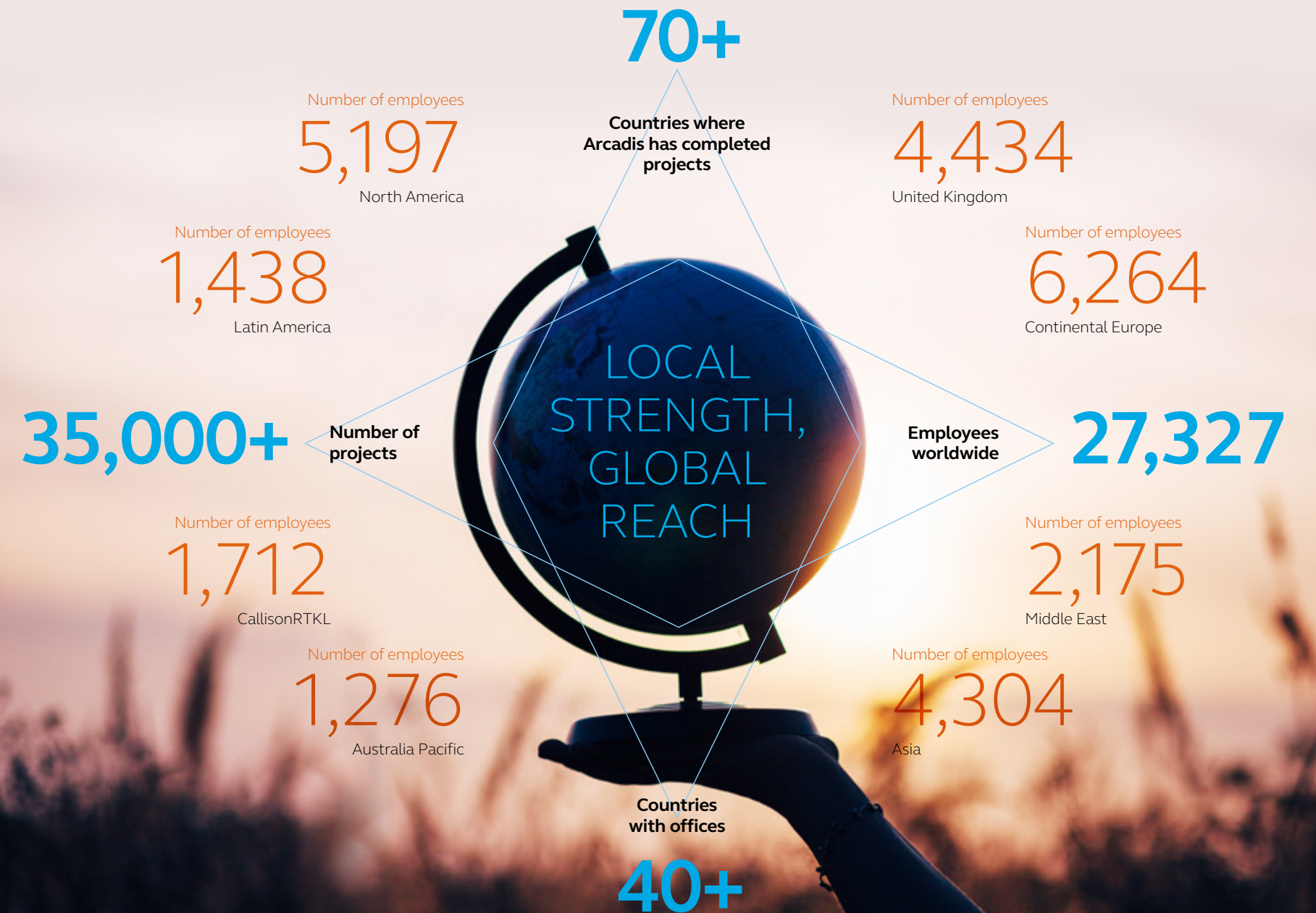
We value the power of diversity and our global capabilities and deliver excellence by working as One Arcadis

## OUR BEHAVIORS

WE VALUE EACH OTHER | WE DELIVER ON OUR PROMISES | WE ALWAYS BRING OUR BEST | WE WORK AS ONE TEAM | WE DARE TO SHAPE THE FUTURE



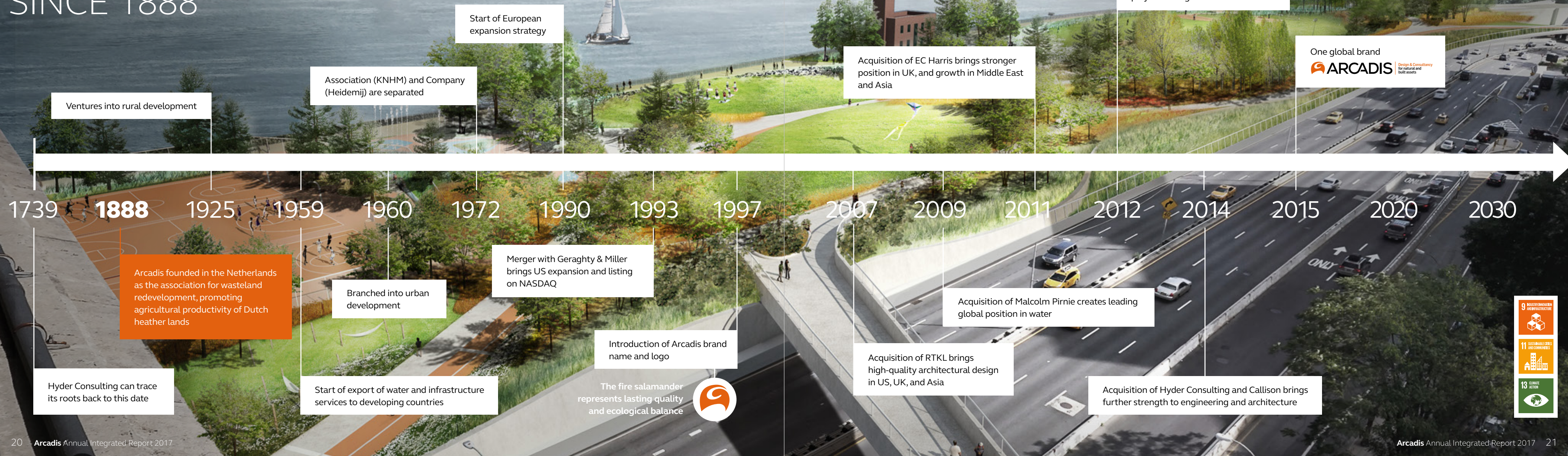
# ARCADIS IN PERSPECTIVE





# THE ARCADIS JOURNEY

## CREATING A SUSTAINABLE FUTURE SINCE 1888





# NEXT GENERATION GARDEN TOWN



**OTTERPOOL PARK  
RESIDENTIAL AREA**

**OTTERPOOL,  
UNITED KINGDOM**

Otterpool Park is a new garden town in Shepway, Kent, proposed by landowners Shepway District Council and Cozumel Estates. Launched by the UK Government's Housing Minister in 2016, the project is pioneering the next generation of garden settlements, with the aim of truly improving quality of life for its residents.

### IMPACT

- Arcadis is exploring how technology and digitalization can be used in the next generation of garden settlements.
- The aim is to improve quality of life for residents by creating up to 12,000 new homes an hour's train ride from London and by using smart cities technology to drive more efficient local services.



# EXECUTIVE BOARD REPORT

This Executive Board Report describes how we have come to our new strategy; how we took into consideration our strategic context and operating environment, and how we translated this into three strategic pillars with corresponding targets. It explains our performance across the strategy pillars, as well as our operating segments. The Report includes information on governance and compliance, and provides insight on changes resulting from the update of the Corporate Governance Code.

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# OUR NEW STRATEGY FOR FUTURE SUCCESS

In November 2017, we presented our strategy update ‘Creating a Sustainable Future’. The new strategy enables us to fully capitalize on global mega trends, outcomes of stakeholder dialogues, Sustainable Development Goals relevant for Arcadis, and our competitive landscape. In doing so, we have made clear choices to focus on areas where we can lead, and to invest where we can win.

### STRENGTHS TO BUILD ON

- Global platforms
- One brand, recognized as thought leader
- Leadership positions in key markets
- Big Urban Cities program
- Competitive delivery model
- Committed and competent people

Situational awareness, a thorough understanding of how global trends and developments impact our clients and stakeholders, and corporate agility are important ingredients to keeping ourselves relevant. We continuously develop our organization and client solutions to create greater value for our clients and other stakeholders. Our focus is on the longer-term viability of our business. Therefore we review our strategy every three years to ensure that our interests are aligned with those of our stakeholders. The 2017 strategic review involved a comprehensive analysis of factors in four broad areas:

#### 1. MEGA TRENDS

Understanding the world around us is the foundation for everything we do. We consider the following key trends shaping our operating environment; urbanization & mobility, sustainability & climate change, globalization and digitalization (see page 26).

#### 2. STAKEHOLDER DIALOGUE

At Arcadis, we strive to create value for all our stakeholders, and aspire to understand and act upon the most material matters for our business, stakeholders and society. Based on our stakeholder engagement, we identified key messages and material topics from our stakeholders that served as input for our new strategy (see pages 27, 28 and 29).

#### 3. UN SUSTAINABLE DEVELOPMENT GOALS

In 2015, the Sustainable Development Goals (SDGs) were launched by the United Nations. Arcadis’ passion to improve quality of life aligns well with the SDGs, and therefore we aim to contribute to these goals by integrating the most relevant ones into our strategy and operations (see pages 30 and 31).

#### 4. COMPETITIVE LANDSCAPE

Developments in the industry and competitive landscape are relevant for how we want to position ourselves as Arcadis. Our view on changing client patterns, the shift to digital, the increased need for sustainable solutions, industry consolidation, and scarcity of qualified people have therefore been considered in preparing the new strategy (see page 32).

#### STRATEGIC PILLARS

The main findings of these analyses and studies were used as a basis for our strategy development process, which, in a broad consultation with our corporate departments and regional representations, led to the development of three strategic pillars with corresponding priorities (see page 33).

#### OUR STRATEGIC FRAMEWORK 2018-2020

A clear and focused strategy requires clear targets. With the new strategy, Arcadis commits to reach performance targets during the strategy period, as outlined on page 34. In addition to financial targets, which were already communicated in earlier strategic periods, we have now also introduced non-financial targets.

#### CONNECTIVITY MATRIX

In order to bring all information together, we present a connectivity matrix on pages 36 and 37. This depicts the value creation process from beginning to end, also showing how Arcadis used its strategic context to get to an update of its strategy, with three strategic pillars, corresponding risks, material topics, key performance indicators and strategic targets for a selection of these indicators.

### IMPROVEMENT AREAS

- Organic revenue growth
- Operating EBITA margin
- Focus on markets, solutions, and client sectors
- Commercial excellence
- Project delivery



## STRATEGIC CONTEXT THE WORLD IN WHICH WE OPERATE

Trends in our operating environment, messages from our stakeholders, the Sustainable Development Goals, and our competitive landscape all provided us input for our new strategy, which translates into three strategic pillars.

### OVERVIEW









## MEGA TRENDS THAT CREATE OPPORTUNITIES

Understanding the world around us is the foundation for everything we do. We continuously develop our organization and value propositions to benefit from changing conditions in our external landscape, and use them to create greater value for our clients. To ensure our strategic direction remains aligned to the latest developments in our markets, we consider the following key trends shaping our operating environment; urbanization & mobility, sustainability & climate change, globalization and digitalization.

 <p><b>URBANIZATION &amp; MOBILITY</b></p> <p>Global population growth and migration have led to rapid urbanization and increased congestion of transportation infrastructure.</p>	 <p><b>SUSTAINABILITY &amp; CLIMATE CHANGE</b></p> <p>Demand for solutions that preserve and protect natural resources has never been greater. Rising sea levels and scarcity of clean water are critical issues around the world.</p>	 <p><b>GLOBALIZATION</b></p> <p>Multinational companies require support wherever they operate and look for providers they can work with seamlessly around the world.</p>	 <p><b>DIGITALIZATION</b></p> <p>Digital technologies open new possibilities to serve our clients and are changing the way we work and providing opportunities for different business models.</p>
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<p><b>TREND-DRIVEN OPPORTUNITIES</b></p>	 <p>Leverage global expertise and partnerships to grow the business.</p>	 <p>New services through human-centered design supported by digital technology.</p>	 <p>Design sustainable and resilient cities and industries.</p>	 <p>Use of global network to support operations around the world.</p>
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**OUR POSITIONING** — **LEADING DESIGN AND CONSULTANCY FOR:**

- SUSTAINABLE AND RESILIENT CITIES
- SMART INFRASTRUCTURAL SOLUTIONS
- FUTURE-PROOF INDUSTRIES



## STAKEHOLDER DIALOGUE ACTING ON MATERIAL MATTERS

At Arcadis, we strive to create value for all our stakeholders, and aspire to understand and act upon the most material matters for our business, stakeholders and society. Based on our stakeholder engagement and a materiality assessment, we identified key messages from our stakeholders that served as input for our new strategy.

### STAKEHOLDER DIALOGUE

At Arcadis, we seek to engage in and create dialogues with stakeholders, to deepen our insights into their needs and expectations, and to develop sustainable solutions which serve them better in the short, medium and long-term. In addition, stakeholder engagement helps us to manage risks and opportunities in our operations.

### DUTCH ASSOCIATION FOR INVESTORS FOR SUSTAINABLE DEVELOPMENT (VBDO)

On a daily basis, stakeholder dialogues take place in a formal and informal manner, and involve all Arcadians. During 2017, in addition to the regular dialogues, an in-depth stakeholder engagement process was initiated in cooperation with the Dutch Association for Investors for Sustainable Development (VBDO). This included a global materiality survey that was sent out to all our key stakeholder groups, including Arcadis' Leadership Council (top-150 leaders). In total, approximately 200 stakeholders responded to our request. The outcomes of regular dialogues and the materiality survey were discussed by the Executive Board, and were translated into key messages from our stakeholders.

### GLOBAL MATERIALITY SURVEY

Arcadis uses the concept of materiality as defined by the Global Reporting Initiative, and considers economic, social, environmental and governance impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations.

The global materiality survey was therefore based on four themes, and 37 potentially material topics, whereby these 37 topics were the result of an earlier internal materiality assessment on a longer list of recognized potential topics (ca. 60 to 70).

Stakeholders were asked on how important the topics are in relation to how they impact them, their community and/or their business. All topics were scaled from 1 to 10, and open questions allowed stakeholders to add missing topics. Equal weight was given to the output of each group of stakeholders.

The materiality matrix can be found on the next page, and recognizes two axes/views. If a topic is 'relevant for stakeholders' it reflects the view of employees, clients, suppliers, civil society and investors. If a topic is significant in light of economic, social, environmental, and governance impacts, it reflects the view of the Executive Board and Arcadis' Leadership Council.

As the matrix shows, from the 37 potentially material topics, twenty were considered material by both stakeholders and management. These twenty topics are listed and described on page 29.

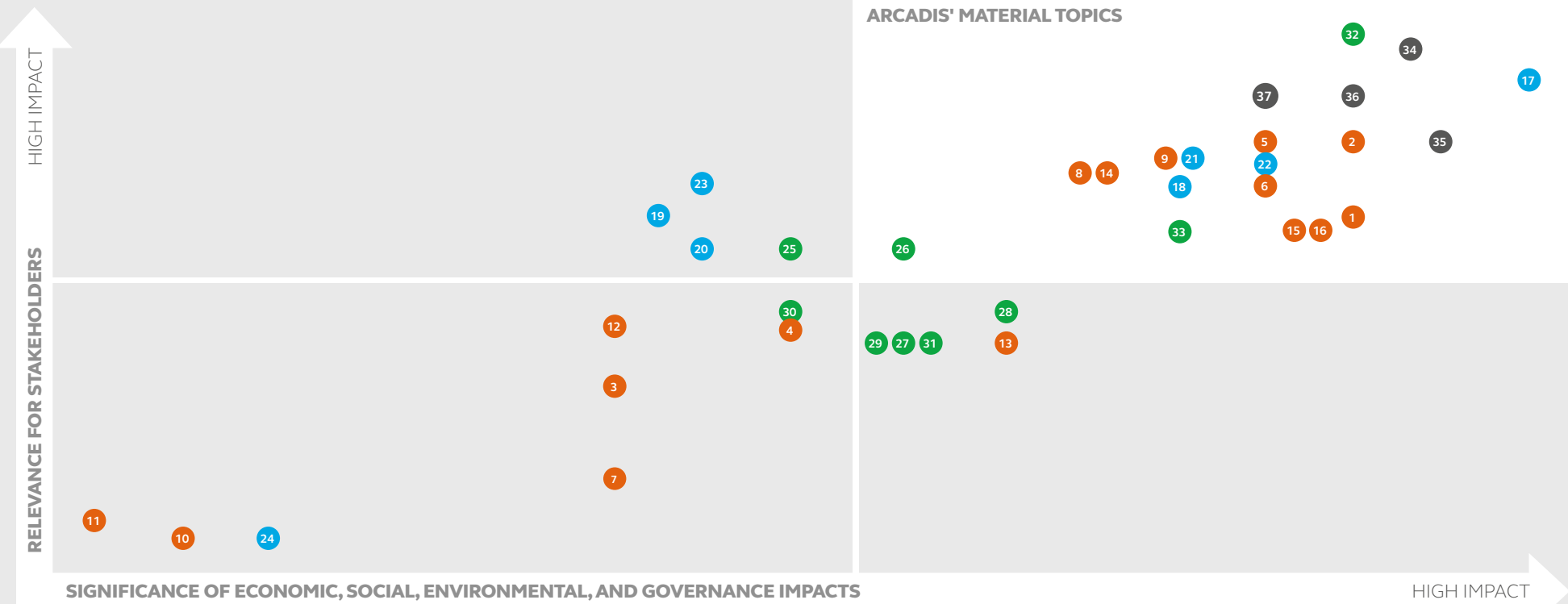
The key step in our strategic process is to link each of our material topics to corresponding key performance indicators and targets defined by our strategy. In doing so, we monitor our progress and make ourselves accountable to our stakeholders in a transparent way. The outcome of this connectivity exercise is to be found on pages 36 and 37.



The most relevant material topics for our business are those of greatest importance to our stakeholders and leadership team. These twenty topics are visible in the materiality matrix on the next page. They are positioned in the top right-hand section of the matrix, and also listed in their respective categories below the matrix.



**MATERIALITY MATRIX**



**ECONOMIC**

- 1 Direct economic value generated
- 2 Direct economic value distributed
- 3 Dividend policy
- 4 Share price performance
- 5 Profit & Loss performance
- 6 Organic revenue growth
- 7 Inorganic revenue growth
- 8 Balance sheet performance
- 9 Cash flow performance
- 10 Share buy-backs
- 11 Share dilution
- 12 Portfolio management
- 13 Indirect economic impact
- 14 Innovation & digitalization
- 15 Brand awareness
- 16 Client Experience

**SOCIAL**

- 17 Employee engagement
- 18 Talent management & learning and development
- 19 Fair remuneration
- 20 Labor rights and relations
- 21 Diversity and inclusion
- 22 Health and safety
- 23 Human rights
- 24 Political contributions

**ENVIRONMENTAL**

- 25 Use of materials
- 26 Energy and emissions – carbon footprint
- 27 Use of water
- 28 Treatment of waste
- 29 Circular economy
- 30 Biodiversity impact
- 31 Habitats
- 32 Environmental non-compliance
- 33 Climate change

**GOVERNANCE**

- 34 Business ethics
- 35 Tax policies and compliance (paying fair taxes)
- 36 Privacy (and personal data protection)
- 37 Risk management framework



**ARCADIS' MATERIAL TOPICS**

MATERIAL TOPIC	DESCRIPTION	MOST RELEVANT FOR
1 Direct economic value generated	The Company's ability to generate revenues	Management, employees
2 Direct economic value distributed	The Company's financial return to society (employee wages and benefits, dividends, taxes, etc.)	Management, civil society
5 Profit & loss performance	The Company's ability to generate profits (net income)	Investors, management
6 Organic revenue growth	The Company's ability to grow revenues organically from its existing business activities (excluding acquisitions)	Investors, management
8 Balance sheet performance	The Company's ability to maintain its leverage covenants ratios below maximums set by Investors	Investors, employees
9 Cash flow performance	The Company's ability to manage working capital and generate cash flows	Investors, management
14 Innovation and digitalization	The Company's ability to provide innovative solutions, and its ability to develop and apply technological solutions	Clients, employees
15 Brand awareness	Refers to the extent to which customers are able to recall or recognize our brand	Clients, management
16 Client experience	The outcome of the interaction between Arcadis and its customers over the duration of their relationship	Clients, management
17 Employee engagement	The Company's ability to engage and retain high-quality staff	Employees, management
18 Talent management & learning and development	The Company's ability to attract and develop high-quality staff	Employees, management
21 Diversity and inclusion	The diversity of the Company's governance bodies, employee base, and project teams	Employees, management
22 Health and safety	The actual performance of the Company in regard to health and safety of personnel	Employees, management
26 Energy and emissions – carbon footprint	The direct/indirect energy consumption in the Company's own activities and direct/indirect emissions of greenhouse gases caused by the Company's own activities (scopes 1 and 2), and in the projects in which the Company is involved (scope 3)	Civil society, employees
32 Environmental non-compliance	The extent to which the Company complies with environmental laws and regulations	Civil society, employees
33 Climate change	The extent to which the Company designs strategies and solutions to deal with the impact of climate change on businesses and projects	Civil society, employees
34 Business ethics	The way the Company approaches business ethics and acts with integrity, both internally and towards its stakeholders	Employees, suppliers
35 Tax policies and compliance (paying fair taxes)	The Company's approach to paying fair taxes across the globe, and adherence to local tax laws and regulations	Employees, suppliers
36 Privacy (and personal data protection)	The Company's approach to safeguarding (stakeholder) data, and adherence to privacy laws and regulations	Employees, management
37 Risk management framework	The quality of the Company's control framework, designed to identify and manage risk exposure	Suppliers, civil society



# SUSTAINABLE DEVELOPMENT GOALS AS RELEVANT FOR ARCADIS

In 2015, the United Nations launched the Sustainable Development Goals (SDGs), a set of seventeen goals and 169 associated targets directed at sustainable development around the world. The goals were developed and agreed upon by all governments in an inclusive process with non-governmental organizations and 1,500 companies from around the world.

As a part of our new strategy we made a commitment to significantly contribute to the advancement of several selected UN Sustainable Development Goals.

### SUSTAINABLE DEVELOPMENT GOALS

Arcadis' passion to improve quality of life aligns well with the Sustainable Development Goals, and therefore we aim to contribute to these goals by integrating the most relevant ones to our business into our strategy and operations. As such, the SDGs are now an integral part of our new strategy for the period 2018 - 2020, as also described on pages 34 and 35 (under Our Strategic Framework 2018 - 2020).

In 2017, we initiated a further assessment on where we can best contribute to the realization of the SDGs, which outcome is outlined in the table on the right. Per this assessment, we carefully considered all SDGs at target level, and determined where we can have the greatest positive impact (which is typically via our projects for clients). The outcome of this exercise provided valuable input for our new strategy.

To be able to measure and report on our performance going forward, we will work on setting relevant KPIs on this topic; KPIs that are both qualitative and quantitative, and linked to the targets, and societal values. For starters, in 2018, we aim to start measuring the percentage of revenues that relate to relevant SDGs (new projects only).

On the next page, we describe in more detail how Arcadis links to its relevant SDGs.

### RELEVANCE SUSTAINABLE DEVELOPMENT GOALS

1	No poverty	-
2	Zero hunger	-
3	Good health & well-being	Strong
4	Quality education	Intermediate
5	Gender equality	Intermediate
6	Clean water and sanitation	Strong
7	Affordable and clean energy	Intermediate
8	Decent work/economic growth	Intermediate
9	Industry, innovation and infrastructure	Strong
10	Reduced inequalities	-
11	Sustainable cities and communities	Strong
12	Responsible consumption/production	Intermediate
13	Climate action	Strong
14	Life below water	Intermediate
15	Life on land	Strong
16	Peace, justice and strong institutions	-
17	Partnerships for the goals	Strong



**GOOD HEALTH AND WELL-BEING** – Arcadis has a strong health & safety program within its own operations and contributes to the realization of health & safety targets of its clients. Through our design & consultancy activities we support sustainable urban planning and infrastructure solutions, and design sustainable buildings. We also assist clients in both public and private sectors in reducing their overall environmental footprint, thus contributing to healthier soil, air and water quality.



**CLEAN WATER AND SANITATION** – Arcadis is a signatory to the WASH Pledge, securing access to safe water, sanitation and hygiene in the workplace for all its employees. Our focus is on the entire water cycle – from source to tap and then back to nature. Through our wealth of experience in the water sector, Arcadis' specialist teams of engineers, scientists and consultants around the globe are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demands of a rapidly changing world. Arcadis' leading practices in water supply and treatment, conveyance, water resource management, and industrial water, including water reuse, provide a strong contribution to this SDG goal.



**INDUSTRY, INNOVATION AND INFRASTRUCTURE** – Transport and infrastructure are crucial to the daily lives of millions. Demographic and climate changes require innovative solutions to secure human well-being and support economic development. Through its consulting and design activities, Arcadis supports clients in developing innovative and sustainable infrastructure solutions for transportation, water, waste and energy. Our Big Urban Clients program has a strong focus on urban resiliency, while in our designs we increasingly consider embedded carbon considerations in the choice of materials. In infrastructure maintenance, we provide smart solutions, which allow for as-needed maintenance, rather than the more wasteful scheduled maintenance solutions.



**SUSTAINABLE CITIES AND COMMUNITIES** – Established in 2013, Arcadis' Big Urban Clients (BUC) program, was set up in response to several trends that affect urban environments around the world:

- Rapid urban growth
- Increased complexity in urban development
- The need to enhance livability and accessibility
- Addressing aging infrastructure and real-estate.

Annually, Arcadis publishes a Sustainable Cities Index, directed at promoting urban sustainability and resilience. The Company also plays a key role in the sustainable cities team of the World Business Council for Sustainable Development (WBCSD).



**CLIMATE ACTION** – Arcadis has carbon reduction strategies in place for its own operations, but the brunt comes from the consulting and design work it performs on behalf of our clients. We develop carbon footprint reduction strategies for our clients and actively participate and contribute to the WBCSD programs on climate change. We also assist clients in dealing with the effects of climate change through supply chain resiliency solutions and in urban settings through our flood protection design work.



**LIFE ON LAND** – Arcadis aims to limit its negative impact on the natural environment to the extent possible whilst enabling developments in the most sustainable and resilient way. We raise awareness on the services nature provides to humanity through our work on natural capital and feel challenged to come up with client solutions resulting in no net loss or even a net positive gain of nature's treasures.



**PARTNERSHIP FOR THE GOALS** – We have a culture of collaboration and believe strongly in the power of partnerships and business networks. We work with global organizations and institutions to improve quality of life. Our partnerships and memberships include UN Global Compact, Natural Capital Coalition, Carbon Disclosure Project, US Green Building Council, World Economic Forum and WBCSD and 100 Resilient Cities, pioneered by the Rockefeller Foundation.



## COMPETITIVE LANDSCAPE

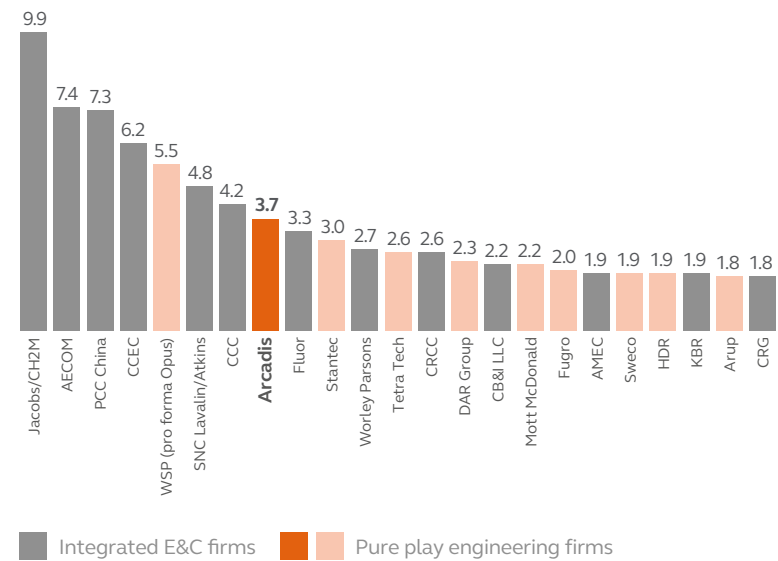
Developments in the industry and competitive landscape are relevant for how we want to position ourselves as Arcadis. Our view on changing client patterns, the shift to digital, the increased need for sustainable solutions, industry consolidation, and scarcity of qualified people have therefore been considered in preparing the new strategy.

Arcadis operates in a global addressable market of US\$500 billion, growing in line with GDP. We are a global top-ten player with a top-three position in Design & Consultancy, and our business is well diversified between emerging and mature markets, public and private sector clients, and service areas. This balanced approach is the best guarantee of our ability to benefit from the long-term growth drivers and key client trends in our markets.

In the market there are several global players and many local ones. The global players mainly compete with each other based on brand, knowledge, and cost efficiency. Arcadis is considered to be one of the global players, with the advantage of a global network with local presence. The combination of global presence, strong local positions, and our expertise of infrastructure, water, environment, and buildings (see page 16) give us the ability to provide the best value-added solutions and technology to both our global and local clients.

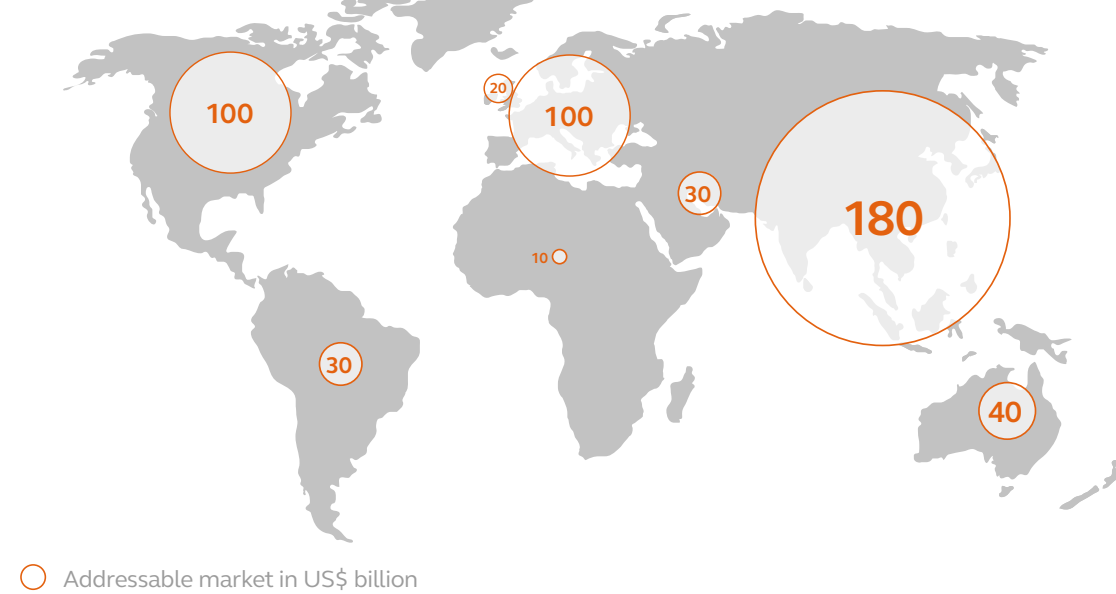
### GLOBAL PLAYERS

In US\$ billion of engineering revenues



ENR 2017 ranking based on 2016 revenues, adjusted for recently announced acquisitions

### GLOBAL MARKET



○ Addressable market in US\$ billion



## STRATEGIC PILLARS

‘Creating a Sustainable Future’ comprises three strategic pillars focused on People & Culture, Innovation & Growth, and Focus & Performance, that drives profitable growth and value creation in the short, medium, and long term.



### PEOPLE & CULTURE

Arcadis is convinced that creating an environment for people to grow, perform, and succeed will be vital to retain and attract the workforce of the future. We will be the employer of choice through continued investment in our people and by attracting capabilities for future needs. It also means our values must remain embedded throughout the organization, in the way we do business, and manage our risks. This is expressed through the following principles:

#### PEOPLE FIRST

We aim to be the employer of choice and to create an environment in which our people can grow, perform, and succeed.

#### LIVING OUR VALUES

We will foster a balanced culture that is driven by our core values, while creating business value through sustainable solutions.

#### DEVELOP AND RETAIN THE WORKFORCE OF THE FUTURE

We will develop our people while recruiting missing capabilities for future needs. By embracing the diversity of our capabilities and people, we are also facilitating our future success.



### INNOVATION & GROWTH

Arcadis will step up investments in digitalization to become a digital frontrunner in our industry. We will help our clients make faster, more effective, and more efficient decisions for their own productivity and profitability. In addition, we will further leverage our global experience and deep client relationships to create organic growth. This is expressed through the following principles:

#### ADVISE & DELIVER SUSTAINABLE SOLUTIONS

We will build scale where we can both advise and deliver for our clients, and apply integrated thinking to solve their most complex challenges.

#### DIGITAL INNOVATION

We will scale our existing technologies and explore new technologies in co-creation with clients.

#### LOCAL STRENGTH, GLOBAL REACH

At a local level, we will use our deep-seated market knowledge and client relationships, while leveraging our global experience for best-in-class solutions.



### FOCUS & PERFORMANCE

Arcadis will focus where it can lead based on relevance for clients, local markets, and global positions. In doing so, we will de-prioritize businesses that fail to meet our criteria for profitable growth. We will apply a more disciplined client and project selection process and improved project delivery by applying the Arcadis Way in everything we do. Furthermore, we will become more competitive by expanding the Global Excellence Centers. This is expressed through the following principles:

#### FOCUS WHERE WE CAN LEAD

We will further build our leadership positions based on relevance for client, local markets, and global position. This also means we must de-prioritize businesses that fail to meet our criteria.

#### CLIENT & PROJECT EXCELLENCE

Through a disciplined project and client selection process and improved project delivery, we will be the standard of excellence in our markets. To achieve this, we will consistently apply the Arcadis Way.




#### COMPETITIVE DELIVERY MODELS

We will optimize delivery across the entire value chain, partnering closely with architects, contractors, and engineers. We will also increase the utilization of our Global Excellence Centers.



# OUR STRATEGIC FRAMEWORK 2018-2020

A clear and focused strategy requires clear targets. With the new strategy, Arcadis commits to reach the performance targets outlined below during the strategy period. In addition to financial targets, which were already communicated in earlier strategic periods, we have now also introduced non-financial targets. By doing so, we embrace the integrated thinking approach, whereby management takes strategic decisions based on a broad range of performance data, both financial and non-financial.

 PEOPLE & CULTURE	 INNOVATION & GROWTH	 FOCUS & PERFORMANCE
<p><b>VOLUNTARY STAFF TURNOVER</b></p> <ul style="list-style-type: none"> <li>Voluntary staff turnover &lt; market</li> </ul> <p><b>STAFF ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>Engagement score improving annually</li> </ul> <p><b>BRAND</b></p> <ul style="list-style-type: none"> <li>Top-five brand awareness in markets we serve</li> </ul> <p><b>CLIENTS</b></p> <ul style="list-style-type: none"> <li>Top-quartile performance for client experience</li> </ul>	<p><b>ORGANIC REVENUE GROWTH</b></p> <ul style="list-style-type: none"> <li>Surpass GDP growth in our markets</li> <li>Revenue growth for key clients two times overall growth</li> </ul> <p><b>INNOVATION</b></p> <ul style="list-style-type: none"> <li>Digital adoption by our people and our clients</li> </ul> <p><b>SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>Significantly contribute to UN Sustainable Development Goals</li> </ul>	<p><b>MARGIN</b></p> <ul style="list-style-type: none"> <li>Operating EBITA margin trending to 8.5% - 9.5% of net revenues by 2020</li> </ul> <p><b>NET WORKING CAPITAL/DSO</b></p> <ul style="list-style-type: none"> <li>Net working capital &lt; 17% of gross revenues</li> <li>DSO &lt; 85 days</li> </ul> <p><b>RETURN</b></p> <ul style="list-style-type: none"> <li>Return on invested capital &gt; 10%</li> </ul> <p><b>DIVIDEND</b></p> <ul style="list-style-type: none"> <li>30 - 40% of net income from operations</li> </ul> <p><b>LEVERAGE</b></p> <ul style="list-style-type: none"> <li>Net debt/EBITDA ratio between approximately 1.0 and 2.0</li> </ul>



## FINANCIAL GUIDANCE 2018-2020

The new Arcadis' strategy includes a revised target framework. Our new financial guidance is as follows:

- Organic revenue growth to surpass GDP growth in our markets.
- Revenue growth for our key clients to be twice the overall growth.
- Operating EBITA margin trending to 8.5% - 9.5% of net revenues by 2020 (2017: 7.6%).
- Net working capital as percentage of gross revenues lower than 17.0% (2017: 16.9%), and Days Sales Outstanding (DSO) below 85 days (2017: 88 days).
- Return on invested capital (ROIC) to exceed 10% (2017: 7.3%).
- Net debt/EBITDA ratio between approximately 1.0 and 2.0 (2017: 2.3).

Arcadis will execute its new strategy with an efficient and robust capital structure and has fully embedded risk management in its operations. The strategy also entails that it will review its portfolio of activities regularly.

Furthermore, Arcadis' aims to significantly contribute to the United Nations Sustainable Development Goals (SDGs). Already in 2016, Arcadis made an initial assessment where it can best contribute to the seventeen SDGs, which assessment was further refined in 2017 by specifically looking into the relevance of SDGs on target level.

The Sustainable Development Goals to which Arcadis' contribution is most material are:



More information can be found on pages 30 and 31.

## CALLISONRTKL STRATEGIC REVIEW

The strategic review process of CallisonRTKL is progressing well, and we expect to conclude in the first half of 2018.

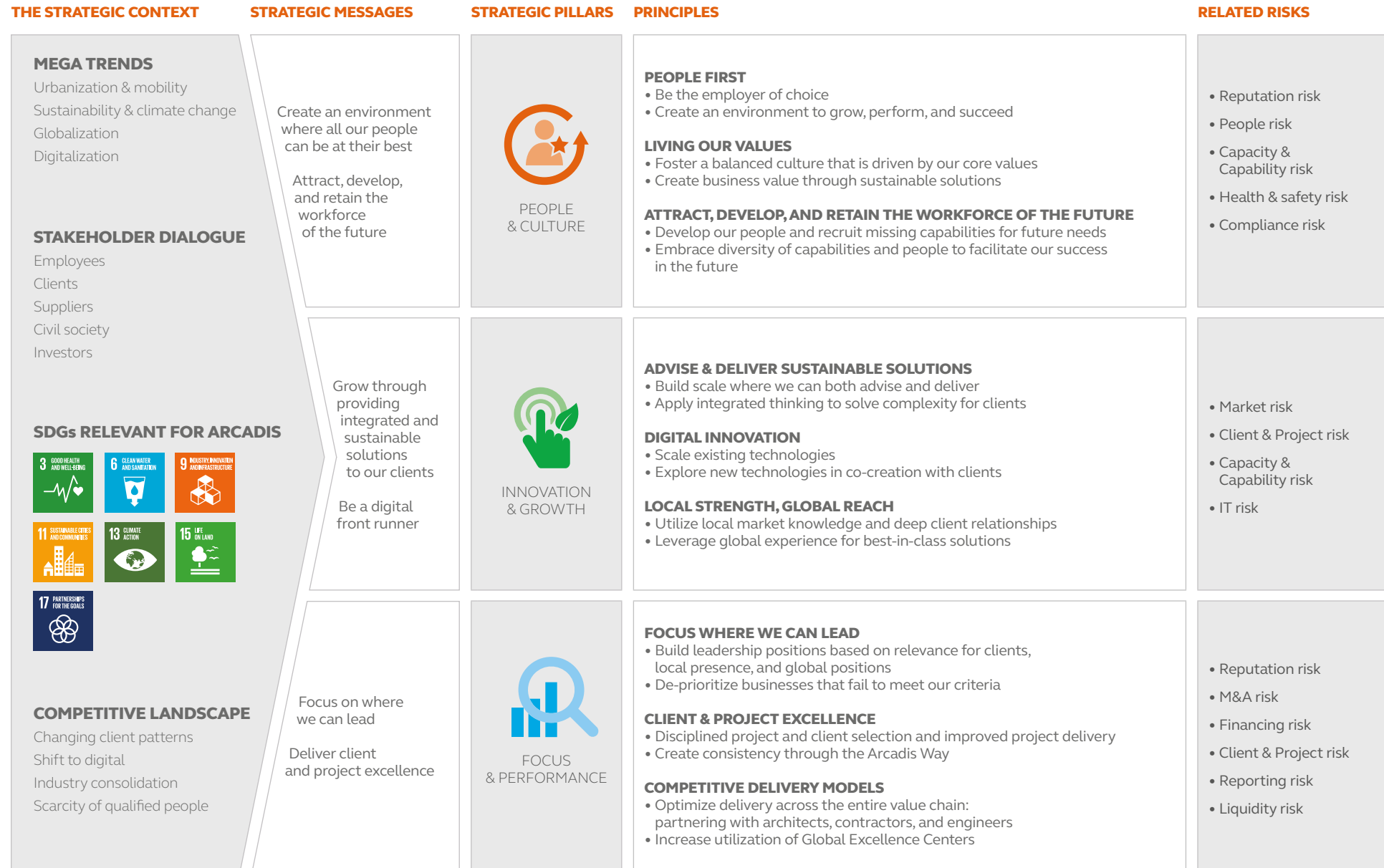
## STRATEGY IMPLEMENTATION IN THE SEGMENTS

For a summary of the strategy implementation in Europe & Middle East, Americas, Asia Pacific, and CallisonRTKL, see the regional pages (page 84 up to 115).

# CREATING A SUSTAINABLE FUTURE



# CONNECTIVITY MATRIX



	MATERIAL TOPICS	KEY PERFORMANCE INDICATORS	STRATEGIC TARGETS 2018-2020 (see page 34)	RESULTS 2017	RESULTS 2016	PAGE
PEOPLE & CULTURE	17 Employee engagement	Number of employees (headcount as at 31 December)	✓ –	27,327	27,080	42
		Employee engagement score (on a scale of 0 - 4)	✓ Staff engagement score improving annually	3.03	3.07	43
	18 Talent management & learning and development	Voluntary turnover rate (as % of total staff)	✓ Voluntary staff turnover < market	14.6%	15.0%	43
		Identified leadership potential rate (retention %)	–	94%	90%	43
	21 Diversity and inclusion	Females in total workforce (as % of total staff)	✓ –	37%	36%	45
		Total Recordable Case Frequency (TRCF, per 200,000 work hours)	✓ –	0.26	0.26	46
	22 Health and safety	Lost Time Case Frequency (LTCF, per 200,000 work hours)	–	0.11	0.10	46
		Employees passing Code of Conduct training (in %)	–	97%	94%	49
	34 Business ethics	Number of AGBP alleged breaches (including near misses)	–	76	99	49
		Investigated AGBP alleged breaches	–	100%	100%	49
35 Tax policies and compliance (paying fair taxes)		To be determined (from 2018 onwards)	–	–	–	51
36 Privacy (and personal data protection)	Number of appointed privacy officers under the Privacy Codes	–	10	0	52	
37 Risk management framework	Number of internal audits conducted in the year	–	24	32	52	
15 Brand awareness	Brand awareness score (from 2018 onwards)	–	–	–	52	
16 Client experience	Client experience score (from 2018 onwards)	–	–	–	53	
INNOVATION & GROWTH	6 Organic revenue growth	Organic revenue growth (net revenues, in %)	✓ Surpass GDP growth in our markets	1%	-4%	60
		Book-to-bill ratio (net revenues)	–	1.02	0.94	60
		Revenue growth Key Clients (net revenues, in %)	✓ Revenue growth for key clients two times overall growth	17%	6%	61
	14 Innovation and digitalization	Revenue growth Big Urban Clients (net revenues, in %)	–	6%	14%	64
		% of revenues using BIM level 2 (from 2018 onwards)	–	–	–	65
		% of revenues invested in digital technologies (from 2018 onwards)	–	–	–	65
	26 Energy and emissions – carbon footprint	Arcadis Way implementation progress (as % of net revenues)	✓ –	31%	3%	66
Arcadis' carbon footprint (MT CO <sub>2</sub> per FTE)		–	3.34	3.50	68	
32 Environmental non-compliance	Number of identified non-environmental compliances	–	none	none	69	
33 Climate change	% of revenues that relate to relevant SDGs (from 2018 onwards)	–	–	–	70	
FOCUS & PERFORMANCE	1 Direct economic value generated	Gross revenues (in € millions)	✓ –	3,219	3,329	78
		Net Income from Operations per share (EPS, in €)	✓ –	1.18	1.08	79
	2 Direct economic value distributed	Dividend per share (DPS, in €)	✓ 30 - 40% of Net Income from Operations	0.47	0.43	79
		Operating EBITA margin (as % of net revenues)	✓ Operating EBITA margin trending to 8.5% - 9.5% of net revenues by 2020	7.6%	7.1%	80
	5 Profit & loss performance	Net income from operations (in € millions)	✓ –	101	91	81
		Net working capital (as % of gross revenues)	✓ Net working capital < 17% of gross revenues	16.9%	17.5%	82
	8 Balance sheet performance	Days Sales Outstanding (DSO)	✓ DSO < 85 days	88	91	82
		Return on invested capital (ROIC, in %)	✓ Return on invested capital > 10%	7.3%	6.8%	82
		Net debt to EBITDA ratio (average)	✓ Net Debt/EBITDA ratio between approximately 1.0 and 2.0	2.3	2.5	82
9 Cash flow performance	Free cash flow (in € millions)	✓ –	98	80	83	

✓ For definitions and methods of measure for these indicators please refer to page 251. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol (2017 only). See page 243 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.



# SHELTER MISSION



## SÃO TOMÉ AND PRÍNCIPE

Arcadis' passion, Improving Quality of Life, is put into practice by providing sustainable and innovative solutions to our clients and giving our people the opportunity to succeed by putting them first. A clear example is the Shelter program, our partnership with UN-Habitat.

Through the Shelter program, Arcadis provides pro bono technical support to UN-Habitat in locations where this is needed most, combining the expertise of our people with the humanitarian goals of UN-Habitat.

Since 2010, Arcadis supported in over 100 development and disaster recovery projects all over the world, organized jointly with UN-Habitat an annual Academy for knowledge transfer, and sponsored the UN-Habitat World Urban Campaign. The Shelter program is supported by the Lovinklaan Foundation.

"I felt very honored and grateful for the opportunity to participate on this mission. The most challenging part was changing the final outputs according to the actual demands of the project. What I learned most was how to integrate different visions and expectations to accomplish a common goal, and the best part about being on this mission was working with several people from various parts of the world!" – Julia Saito Di Tullio, Analista Ambiental

In September 2017, a team of four Brazilian and one Dutch Arcadians traveled to the remote African islands São Tomé and Príncipe to support a UN-Habitat project aimed at better housing for a poor community on a former plantation.

In close cooperation with this local community, the Shelter experts provided UN-Habitat with advice on drinking water, flood management, civil engineering, and environmental issues.

Julia Saito Di Tullio, environmental expert from Brazil, commented on this memorable experience as quoted above.



# MEETING LONG-TERM NEEDS FOR WATER



**WEST GATE TUNNEL PROJECT – INDEPENDENT REVIEWER AND ENVIRONMENTAL AUDITOR (IREA) SERVICES**

**MELBOURNE, AUSTRALIA**

The West Gate Tunnel Project is a proposed tunnel and elevated motorway that connects the West Gate Freeway with the Port of Melbourne, CityLink, and the CBD, providing an alternative river crossing and easing pressure on the West Gate Bridge.

### IMPACT

- Arcadis will provide independent review and environmental auditing services (IREA) during the Planning phase as well as the Design and Construction phases. Arcadis is the project lead for auditing services and will deliver in collaboration with WSP and APP.
- The West Gate Tunnel Project will create a critical piece of linking infrastructure, providing commuters with faster and safer travel routes and removing thousands of trucks from residential streets.
- These services commenced in June 2017.



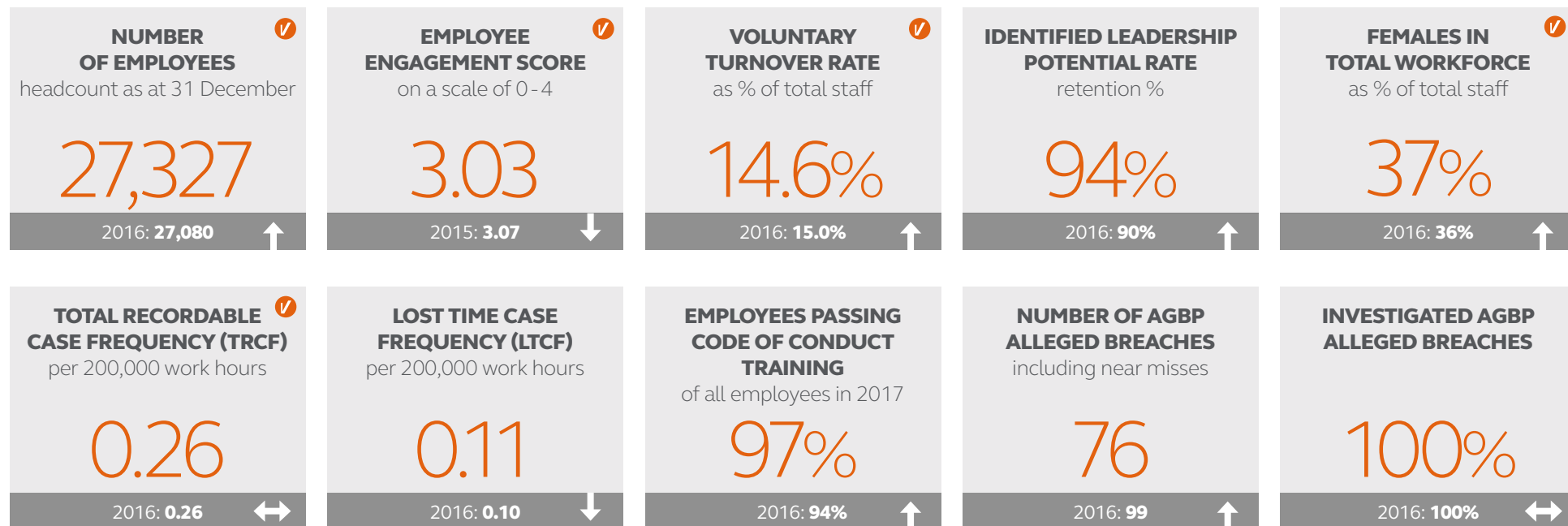


# PERFORMANCE & DEVELOPMENTS



## PEOPLE & CULTURE

**CREATE AN ENVIRONMENT WHERE ALL OUR PEOPLE CAN BE AT THEIR BEST AND ATTRACT, DEVELOP, AND RETAIN THE WORKFORCE OF THE FUTURE**

At Arcadis, we take an integrated approach towards developing engaged and competent people, and continue to work with our partners and clients to increase the understanding of our social impact. With the launch of our new strategy, in which 'People & Culture' is one of the three strategic pillars, we are reinforcing our commitment to our people.



 Improvement  
 Unchanged  
 Deterioration

 For definitions and methods of measure for these indicators please refer to page 251. The indicators that fall within the scope of limited assurance of our external auditor are marked with the  symbol (2017 only). See page 243 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.





# PEOPLE & CULTURE

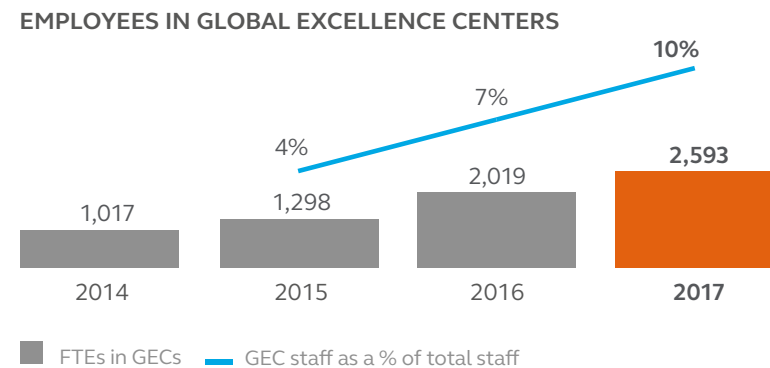
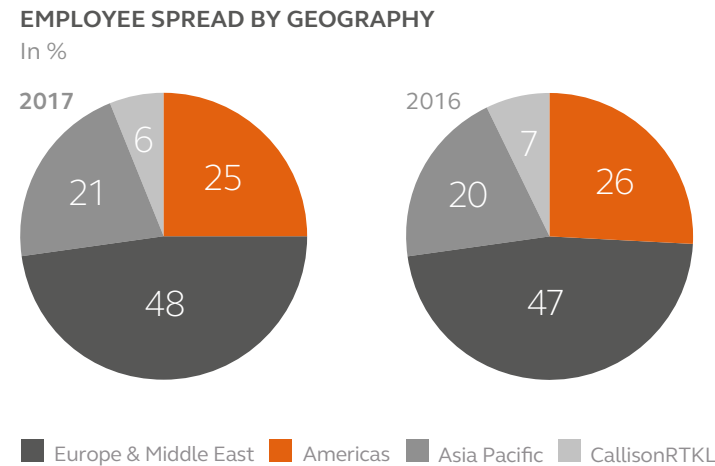
Diverse, talented, and engaged people are key to our business success, and make Arcadis a great place to work at. Living our core values, our employees underline the successful implementation of our new strategy. Amongst others, our commitment to health and safety further strengthens our culture and the way we take care of people; both within and outside the organization.



Mary Ann Hopkins, Executive Board member, has been leading the working group which is looking to embed our values and behaviors into our everyday business. We strongly believe that fostering an open and inclusive culture will contribute significantly to our people's sense of well-being and job fulfillment. In 2018, a robust plan to bring the values and behaviors to life will be implemented across all regions.

The number of employees increased from 27,080 as at the end of 2016 to 27,327 by year-end 2017, with the split in geography presented in the graph to the right. As approximately 30% of our employees are younger than 30 years, we believe we need to continuously invest in millennials to sustainably develop our future leaders and capture their creativity. See the narrative on our Global Shapers program on pages 56 and 57 for an example of this investment.

The number of employees in the Global Excellence Centers (GECs) is growing rapidly. As part of our strategy, we will increase the utilization of the GECs as they provide highly skilled multi-disciplinary capability, and the integrated One Team approach (i.e. teams comprised of regional, account, and GEC team members) creates seamless project delivery.



## EMPLOYEE ENGAGEMENT

**CONNECTED MATERIAL TOPIC** 17

Important to these stakeholders: **Employees, management**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

Being able to give and receive feedback is vital to creating an engaging work environment. Therefore, all our employees are invited to participate in our annual engagement program called Your Voice. In 2017, 69% of our employees took part in the survey.

The employee engagement score (on a scale from 0–4) did not improve compared to the previous survey. Our people provided feedback about what they like and find challenging about working at Arcadis. They indicated that the level of transformation is felt throughout the organization. The messages behind the survey results indicate strong progress in the way we focus on clients and put their success at the heart of everything we do. At the same time, there is room for improvement in terms of how senior leaders connect our strategy and purpose to the day-to-day work for all employees.

Enabling our managers to continuously give feedback to their employees is an area for improvement and our new performance management framework will help to build this capability. Necessary action is being taken at all levels (global, regional, local, and team-based) to ensure that our people feel that their voice is being heard. Each manager with seven or more direct reports received a report on team engagement, which allows for action planning at team level.

The strategy update, announced in November 2017, specifically has 'People & Culture' as one of its three strategic pillars. To further emphasize our commitment to People & Culture, People First has been added as one of our core values.

## TALENT MANAGEMENT & LEARNING AND DEVELOPMENT

**CONNECTED MATERIAL TOPIC** 18

Important to these stakeholders: **Employees, management**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

Building the capabilities needed to enable our strategy is one of the key focus areas. A strong talent pool with engaged and talented employees form the basis for innovation and growth, and thus performance. Therefore, we work hard to attract and retain talent, and provide learning and development opportunities, with the objective to create a high performing culture where employees can reach their potential, whilst improving quality of life.

The value of our employees is made up of their talent, skills, and knowledge. The learning and development opportunities they pursue enhance their value – also referred to as human capital. As such, the talent, skills, and knowledge of our employees not only benefit Arcadis and the individual colleague, but also society at large. We are continuously looking to further increase our people's value through learning and development.

As part of our efforts to grow our people, we look internally first to promote people into executive level. In 2017, the percentage of people being promoted internally to executive level rose to 69% (up 10% from 2016).

In 2017, our overall employee turnover rate was 21%, while the voluntary turnover rate was 14.6% (down 40 basis points from 2016). The retention rate of identified leadership talent increased to 94% (versus 90% in 2016). The retention of identified female leadership talent in 2017 was 100% (2016: 67%).





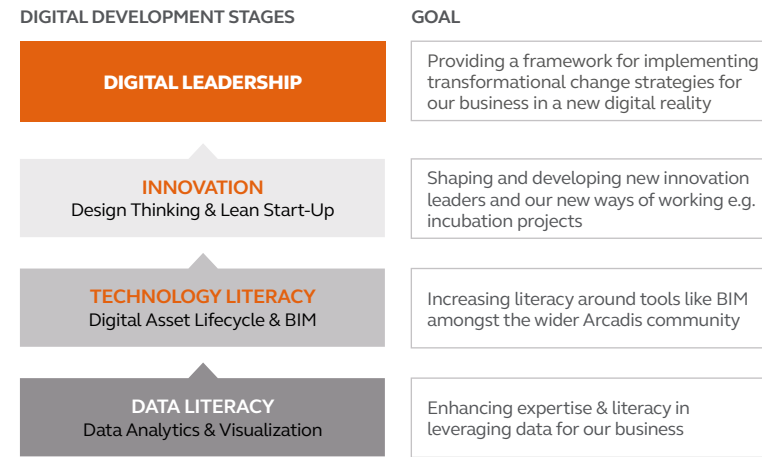
We successfully on-boarded over 6,000 talents in 2017. Most new colleagues come to us via employee referrals (29.8%), or via online job boards (24.5%). We have been able to successfully build our brand awareness through our campaigns and activities on social media, via LinkedIn and through campaigns, and we managed to increase the number of company followers on LinkedIn from 110,000 in 2016 to 190,000 by the end of 2017. Next to LinkedIn, we are successfully working with the following job boards: 51job.com (China), Indeed.com (global), Vagas.com (Brazil), and Jobstreet.com (Singapore, Malaysia) to promote our brand and vacancies in these markets.

**KEY PERFORMANCE INDICATORS**

	2015	2016	Ambition 2017	Actual 2017	Ambition 2018
<b>TALENT MANAGEMENT</b>					
% internal promotion into executive level	n/a	59%	60%	69%	60%
% voluntary turnover rate	15.0%	15.0%	13.5%	14.6%	14.0%
% identified leadership potential rate	72%	90%	83%	94%	90%
% retention of identified female leadership talent	100%	67%	90%	100%	90%
<b>LEARNING AND DEVELOPMENT</b>					
Year-on-year score on career development & training	2.89 <sup>1</sup>	2.89 <sup>1</sup>	2.89	2.89	- <sup>2</sup>

<sup>1</sup> On a scale from 0 - 4, Your Voice engagement survey, October 2015  
<sup>2</sup> Career development and training will be measured again in 2019

**CREATING DIGITAL LEADERSHIP**



The Arcadis Academy is our global hub for learning and development and gives employees access to Program Management, Project Management, Leadership Development, and Client Focus programs. In 2017, the Digital Academy was added to this suite of academies. Setting up the Digital Academy proves our commitment to put People First. The world is becoming increasingly digitized, and our Digital Academy strengthens our people's competencies at a fast pace to further enhance our competitive edge. As a whole, the Arcadis Academy offers development opportunities that match business and individual needs. In 2017, our overall investment in people development amounted to €9.8 million. This was less than 2016, due to our increased focus on clients and our simplification efforts in 2017.



In 2017, we introduced our new 'Grow Perform Succeed' performance management framework, which complements our core values and our global leadership model. Together, they provide clarity of expectations for managers and provide the opportunity to assess and build targeted development plans for our leaders. In line with the new performance management framework, we have developed a campaign for managers that enables them to take the new framework and use it within their area of responsibility.

We believe the most effective way to learn and develop new skills is to apply and practice them on the job and in real-life situations. In our employee engagement survey, Your Voice our people indicated that they have good opportunities to learn and grow (2.89 in 2017 – equal to 2015).

**OVERVIEW OF ACADEMY PROGRAMS AND APPRECIATION**

<b>Client Focus Academy</b>	90 participants in 2017
<b>Digital Academy</b>	Vlerick Business School: 19 participants Building Information Modeling Fora: 182 participants Autodesk University: 229 participants
<b>Program Management Academy</b>	90 people enrolled on Foundation course 31 people enrolled on Practitioner course – accreditation for MSP license
<b>Project Management Academy</b>	E-learning accessible via Arcadis Way portal Number of completions October 2017: >4,400 Arcadis Way of Project Management: >2,600 Fundamentals of Project Management Exceeded target audience by 113%
<b>Leadership Academy</b>	Advanced Management Program – global program for high potentials 32 participants in 2017 Participation appreciation of program: 4.8/5

**DIVERSITY AND INCLUSION**



We believe that it is important for our management teams to reflect the diversity of our overall employee base. We know that diverse and inclusive teams better understand client demands and make our organization more innovative. Having the right people in the right jobs, with the right capabilities, helps us to build a stronger business.

In 2017, our leadership has committed to increasing awareness around our gender diversity ambitions – a clear indication of the Company's commitment to gender equality. Females currently make up 37% of our total workforce. This is 1% up from 2016, and our focus for 2018 is to increase this further. As part of our talent management efforts, we were able to exceed our ambition to increase the percentage of female executives with 4% instead of 2% last year, resulting in 15% female executives in 2017 (11% in 2016, whereby 13% was our ambition for 2017). Next to that, the percentage of female executive potentials increased from 23% in 2016 to 25.2% in 2017 (0.2% above our ambition). As we have seen mixed results in terms of reaching our gender diversity ambitions, which is for instance exemplified when we look at the gender equality pay graph on the next page, as well as the female: 37%/male 63% ratio overall (graph next page), we have made it a priority in our strategy to further embed diversity across our businesses.

Based on the input we got from the regions, we have taken the average of salary female management, salary female non-management, and compared that to the average of salary male management and salary of male non-management.

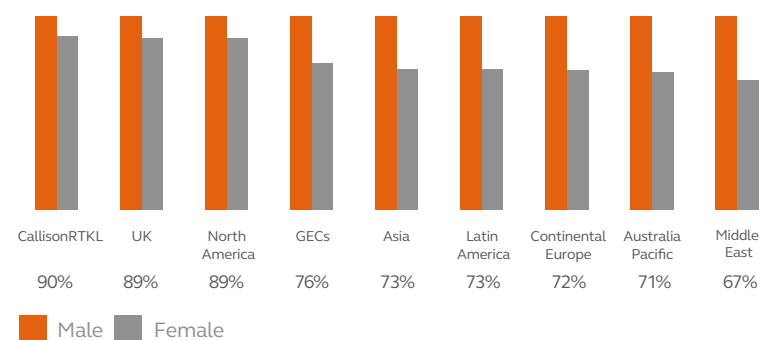




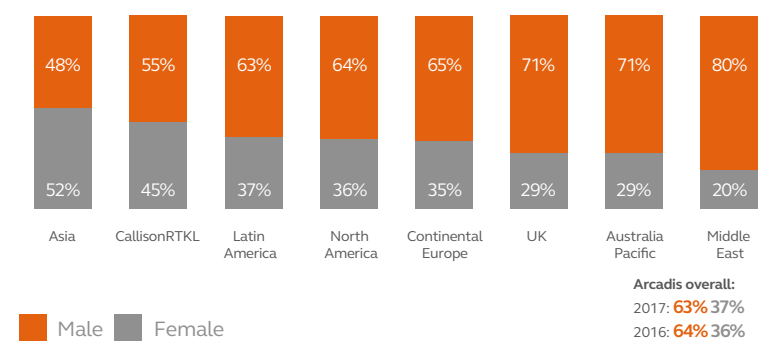
**KEY PERFORMANCE INDICATORS**

	2015	2016	Ambition 2017	Actual 2017	Ambition 2018
<b>DIVERSITY AND INCLUSION</b>					
% of females in total workforce	35%	36%	37%	37%	38%
% of female executives	9%	11%	13%	15%	16%
% of female executive potentials	23%	23%	25%	25%	26%

**GENDER PAY GAP**



**GENDER SPLIT**



**HEALTH AND SAFETY**

**CONNECTED MATERIAL TOPIC**

22

Important to these stakeholders:  
**Employees, management**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

The health, safety, and well-being of employees and stakeholders is central to everything we do at Arcadis. The Health and Safety (H&S) Global Vision and Policy focuses on a culture that strives for zero incidents using the TRACK process (for an explanation on TRACK, see the grey box in this section with our six fundamental health & safety principles under 2). The ongoing development and implementation of the Health & Safety Program is the responsibility of a Global team, led by the Global H&S Director, who directly reports to Stephanie Hottenhuis, the Executive Board member accountable for this topic.

The Executive Board, Senior Leadership, and all Arcadis staff understand, believe in, demonstrate, and communicate the H&S commitments and engage in continuous improvement under the auspices of the Global H&S Management System standard, which is designed to standardize H&S processes across the Company. It focuses on proactive hazard recognition, risk assessment, and risk control to prevent accidents, and allows for the nuances of local culture, client expectations, and regulations. It includes comprehensive education and training (through internal and external seminars, amongst others) to provide employees with the knowledge and tools to enable them to eliminate injuries and illness at work and at home. Best practices and lessons learned from incidents relating to the workplace and travel are shared via documentation or information systems. In addition, by teaming up with an outside travel safety, security, and health services company, employees have information available to them at all times regarding the preventive measures available to eliminate or minimize risk on our projects.



Effective management (e.g., assessment, mitigation, and prevention) of work-related H&S risks is ensured through:

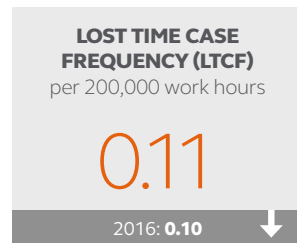
- prioritization and action plans with quantified targets for Regional CEOs and Leadership;
- discussions of work-related risks documentation between H&S leadership and business unit managers on a regular basis, as well as between H&S leadership and Regional Executive Management on at least a quarterly basis;
- review of work-related incidents (see step six of the principles as described on the previous page);
- conducting internal inspections and consultations by H&S specialists;
- independent external verification of health, safety, and well-being;
- H&S targets being embedded in performance appraisals and remuneration of management, which supports a health and safety culture through behavior-based observations and shared information;
- celebrate successes through safety competition, recognition, and rewards.

The Global H&S Management System identifies and tracks work-related risks through annual risk identification and assessment at business level (e.g., tracking incidents). Actual performance of each region is captured in a consolidation tool, and reported on a quarterly basis to Arcadis' headquarters. Data is measured using standard definitions and measurement techniques that typically match those of regulatory bodies that are relevant to Arcadis' operations and those of clients. Definitions are explained in the Global H&S Management System Standard and the H&S Safety Performance Monitoring and Reporting Guideline. H&S professionals review the data before submission, which is included in quarterly reporting to the Executive Board and Supervisory Board. This review includes comparisons to other Operating Companies, historical performance, and targets/objectives.

**THE SIX FUNDAMENTAL HEALTH AND SAFETY PRINCIPLES**

- 1 Demonstrate Health & Safety stewardship daily** – Make sure that you and every member of your team goes home safely every day, no matter what your role is in the Company.
- 2 Use TRACK** – Apply TRACK every day when planning tasks and before starting any task, and use TRACK again when conditions change. Our employees use the TRACK process to:
  - Think through the task
  - Recognize the hazards
  - Assess the risks
  - Control the risks
  - Keep health and safety first in all things
- 3 Exercise Stop Work Authority** – It is your responsibility to stop your own work, the work of other Arcadis staff, or work under Arcadis control, if you believe it to be unsafe.
- 4 Practice 'If Not Me, Then Who?'** – Be accountable for keeping yourself and others around you safe by acting immediately to prevent harm. If you see something unsafe (or not right), say something!
- 5 Undertake Health & Safety Planning** – Prepare and maintain a Health & Safety Plan for all work activities performed outside of an office environment.
- 6 Report Injuries and Incidents Immediately** – Report all incidents, significant near misses, and unsafe acts and conditions immediately so that they can be investigated, corrected to prevent reoccurrence, and the lesson learned shared.





**PERFORMANCE 2017**

For the sixth year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2017 (0.26, the same as in 2016) remains at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13. Our Lost Time Case Frequency (LTCF) for 2017 (0.11) increased by 0.01 compared to 2016 (0.10). Arcadis' injury rates continue to remain well below the average injury rates of the publicly available US benchmarks for the Architecture and Engineering Industry, which were 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2016). Near miss reporting, a key process in helping to prevent incidents, continues to increase (up 6% since 2016, and up more than 50% over the past five years), which is indicative of a continued improvement in hazard recognition and greater stewardship for sharing experiences to help prevent future injuries. No work-related fatalities occurred in the five-year period.

Global H&S objectives for 2017 were for all Arcadis leaders to complete at least one H&S assessment annually, and for 30% of all staff to perform a documented proactive health and safety action. These objectives were identified to drive health and safety engagement by leadership and staff to encourage further development of our proactive health and safety culture. Engagement by both leadership and staff was strong in 2017: 99% of identified leaders performed an H&S assessment (2016: 90%), and 50% of staff performed a documented proactive H&S action.

**OBJECTIVES FOR 2018 AND BEYOND**

The global H&S objectives for 2018 are similar to 2017. We expect Arcadis leaders to complete at least one H&S assessment annually, and at least 40% of staff to perform a documented proactive health and safety action. In addition, we are putting our People First to align with our new People & Culture value by focusing on the health and well-being of our people in 2018. To that end, we are setting an objective that every Arcadis country develops a well-being program that allows our people to access tools and resources that they can use to improve their health and well-being.

**BUSINESS ETHICS**



Today's complex business environment demands that we firmly embed integrity in our daily business practices. Integrity means that we always work to the highest professional and ethical standards and establish trust by being open, honest, and responsible. Integrity is a fulfillment of our high standards of responsibility to the client, shareholders, business partners and employees, the public, and to governments and the laws and culture of the countries in which we operate.

The Arcadis General Business Principles (AGBP) further define our interpretation of business ethics. The AGBP set guidance for our business decisions and actions throughout the world at all levels, and apply equally to company actions and to individual behavior of all our employees in conducting Arcadis' business.

**GOVERNANCE**

The Compliance function resides since 2017 with the Enterprise Risk Management function. The Corporate Compliance Committee is composed of the Staff Directors of Legal, Human Resources, and Enterprise Risk Management, as well as the Chief Compliance Officer. Both at Regional level and at the Global Excellence Centers, the Compliance function is composed of a Compliance Officer and a Compliance Committee. Each Compliance Committee includes the Compliance Officer as well as Legal and Human Resources expertise.



**ANTI-CORRUPTION, SPECIFIC ANTI-CORRUPTION STANDARDS (SACS)**

SACS provides specific guidelines related to gifts, hospitality, and payments to third parties. Arcadis has embedded its commitment to the UN Global Compact principle on anti-corruption by referencing the SACS into the Arcadis General Business Principles (AGBP). Targeted anti-corruption training sessions by leadership and by Compliance Officers were held in various regions throughout the year.

**ANTI-COMPETITIVE BEHAVIOR**

We support the principles of free enterprise and fair competition and observe applicable regulations. Building on pre-existing regional guidance, in 2017, we introduced global guidance on competition law and developed related training and awareness material to be further embedded in the business in 2018.

**DEALING WITH DILEMMAS**

The AGBP cannot anticipate the array of dilemmas we may face in our day-to-day operations. An active policy in this area means recognizing dilemmas and taking responsibility for resolving them. We encourage employees to discuss business dilemmas with each other and with their management, to make integrity an integral part of our culture.

**VALUE FOR CUSTOMERS**

We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create optimal value for clients. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

**RESPONSIBLE EMPLOYMENT PRACTICES**

Our people are the key to our success and we respect their human and labor rights so that they may work in a safe, healthy, professional, and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives.

Every Arcadis employee has equal opportunity for personal recognition, advancement, career development, and compensation, regardless of background or beliefs. The same policy applies to recruitment. No form of discrimination or harassment is tolerated.

**MONITORING AND ACCOUNTABILITY**

We require all our people to sign off on and comply with the AGBP. In addition, every two years Arcadis employees complete online compliance training aimed at increasing awareness of our AGBP and values. This training specifically addresses issues like corruption, bribery, and other risks to which our employees may be exposed. In 2017, 97% of all employees passed the AGBP training and test (2016: 94%). The next round of compliance training for all our employees will be organized in 2018.

Arcadis monitors compliance with the AGBP in all regions on a quarterly basis. Regional management certifies compliance through an annual Document of Representation. Arcadis will not hold employees accountable for any loss of business resulting from compliance with the AGBP.

**INTEGRITY LINE**

Arcadis has a whistle-blower procedure which includes an anonymous global Integrity Phone Line. This tool is available 24 hours/7 days a week to our employees. Reports of suspected misconduct can be made in native languages.

In 2017, a number of 76 alleged breaches or near misses of the Arcadis General Business Principles was reported to the Arcadis Corporate Compliance Committee, all of which were investigated or advised upon (2016: 99). 24 referrals from before 2017 were also still under investigation during the year. Inappropriate behavior (employment-related) was the category with the most referrals. Violation of the AGBP may lead to sanctions, up to and including discharge. Company-wide, we had five dismissals on grounds related to breaches of the General Business Principles.





**DISCLOSURES RELATED TO SOCIAL MATTERS**

Arcadis has a set of Global Business Principles through which in relation to social matters, the company commits to the following:

**COMMITMENT TOWARDS SOCIETY**

- We operate in many countries, and we comply with national laws and respect the culture of the country in question and we subscribe to the ten principles set out in the United Nations Global Compact.
- We endeavor to adjust ourselves to local situations by building strong local companies and to choose a proper approach in coping with dilemmas within the bounds of applicable law and ethical responsible business conduct. In this respect Arcadis supports the principle of open dialogue and cooperation with all relevant parties involved.
- In conducting our activities, we aim to improve quality of life. In executing projects on behalf of our clients, we therefore give due regard to environmental and social aspects. We also continuously pursue opportunities to further reduce any adverse impact of our own activities on the environment. We consider sustainability as a goal in our policies and while conducting our services. We support the principle of free enterprise and fair competition as a basis for conducting our business and observe applicable competition laws and regulations.
- We promote, defend, and support our legitimate business interests in the countries in which we operate with due regard to the law and the interests of society.
- In our capacity as citizens, and as Arcadis employees we are encouraged to participate in community activities unless such participation conflicts with employment duties to Arcadis.

Please refer to the section on Enterprise Risk Management for details on risk mitigation on respect of this topic (page 130 to 139). For key performance indicators, please refer to the Connectivity matrix on page 37.

**DISCLOSURES RELATED TO EMPLOYEE MATTERS**

Arcadis has a set of Global Business Principles through which in relation to employee matters, the company commits to the following:

**COMMITMENT TOWARDS EMPLOYEES**

- Arcadis values its employees as a key asset and respects their human and labor rights so they may work in a safe, healthy, professional, and supportive environment. A culture where colleagues collectively nurture a caring and respectful working environment where everyone can succeed and bring our values to life in the workplace and in the way Arcadis does business. A culture in which our people can grow, perform, and succeed and employees feel encouraged and safe to raise concerns or complaints. Arcadis has a Diversity and Inclusion (D&I) program. We believe that fostering a diverse Arcadis in which we inspire people to be their true selves, and reach their full potential, will contribute to delivering exceptional outcomes for clients and society. We plan and track diversity developments at the regional level and internally report on progress. Arcadis has the ambition to be the employer of choice.
- Within Arcadis, every employee has an equal opportunity for personal recognition and career development, regardless of personal background or belief. The same policy applies to recruitment of employees. No form of discrimination or harassment will be tolerated. An important part of this policy is selecting, rewarding, and promoting people who demonstrate the Arcadis values – People First, Client Success, Integrity, Collaboration, and Sustainability – and show individual initiative in combination with a high degree of knowledge and experience of the services, local market, and culture.
- Arcadis will seek to protect the personal data it processes of employees in accordance with applicable data protection legislation.



ARCADIS HAS A GLOBAL SUSTAINABILITY POLICY THROUGH WHICH, IN RELATION TO EMPLOYEE MATTERS, COMMITS TO THE FOLLOWING:

- We empower and encourage our people, through training and our senior leaders, to embrace sustainable practices in everything we do.

ARCADIS HAS A GLOBAL REAL ESTATE GUIDELINE WHICH, IN RELATION TO EMPLOYEE MATTERS, COMMITS TO THE FOLLOWING:

The Arcadis CRE (Corporate Real Estate) Guidelines reflect our belief that the workplace is a strategic asset providing the organization with a source of competitive advantage.

Arcadis seeks to create a workplace and collaborative environment which:

- Is a source of competitive advantage for the business
- Reflects the Arcadis brand and core values
- Shapes engagement with and perception by our clients, markets and stakeholders
- Makes Arcadis people proud and enables them to operate in a progressive manner

Eleven key principles have been identified to enable the transformation of the Arcadis workplace. These principles frame how the workplace should be used as a vehicle for asset-driven transformation while supporting behavioral change in operations and the outlooks of clients, leadership, and people. These principles include: Brand/Values, Connectivity, Personal Mobility and Flexibility, Collaboration, Productivity, Leadership and Mentoring, People, Knowledge, Sustainability, Asset Flexibility, Affordability.

Please refer to the section on Enterprise Risk Management for details on risk mitigation on respect of this topic (page 130 to 139). In general, for key performance indicators, please refer to the Connectivity matrix on page 37.

**TAX POLICIES AND COMPLIANCE (PAYING FAIR TAXES)**



Tax policies and compliance (paying fair taxes) was identified as a material topic as per the Stakeholder Dialogue (see page 27 to 29). In this regard, Arcadis' tax principles are based upon and informed by the same core values embedded in the Arcadis General Business Principles (AGBP) and our codes of conduct, as discussed with the Audit Committee in 2016.

Throughout the year, (potential) tax risks are identified, monitored, and acted upon, to mitigate and preemptively avoid said risks. All material corporate income tax returns are reviewed by an external tax firm.

Taxable profits are recognized in countries in which value is created, in accordance with domestic and international tax rules and standards (such as OECD Guidelines) and applying the arm's length principle. Arcadis does not seek to avoid tax using secrecy jurisdictions, or so-called tax havens, without commercial substance.

Arcadis complies with its statutory obligations, pays its tax on time, and builds and maintains a good, honest, and open working relationships with tax authorities. In this respect, Arcadis agreed on a horizontal monitoring covenant with the Dutch tax authorities. Arcadis aims to comply with the letter and spirit of the law and makes tax-related disclosures in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards (such as IFRS).

Information with respect to the reconciliation of the effective tax rate to statutory tax rate can be found on page 179.

**TAX KPI**  
to be determined in 2018





**PRIVACY (AND PERSONAL DATA PROTECTION)**



Building on work in previous years, in 2017 we worked on developing a global privacy program. As part of this effort, we submitted Privacy Codes (Binding Corporate Rules) which were approved by the European Data Protection Authorities in 2017. We also performed Privacy Impact Assessments as well as various training and awareness sessions, and we established a governance structure with privacy officers in all regions, which was concluded with the appointment of a Chief Privacy Officer at global level. In 2018, we will continue to implement the global privacy program within Arcadis worldwide.

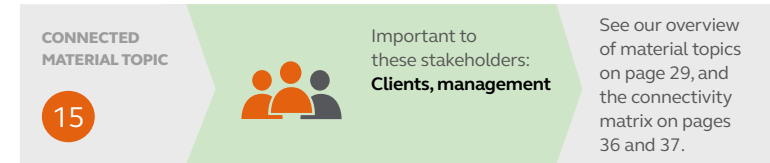
**RISK MANAGEMENT FRAMEWORK**



Exposure to risk is inevitable in the pursuit of our goals and therefore a risk management framework is designed specifically to manage risk exposures, considering our risk appetite in context of the strategy.

The risk governance structure, risk profile and appetite, and the main risks for Arcadis are explained in detail in section Enterprise Risk Management on page 130 to 139. During the year, our Internal audit function conducted 24 extensive audits across the Group (2016: 32).

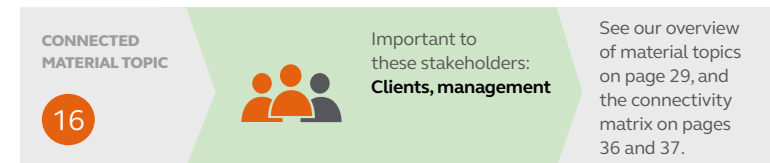
**BRAND AWARENESS**



Our brand strategy is one of differentiation and focus. We seek to differentiate Arcadis from our competitors through our ability to improve quality of life, whilst delivering exceptional and sustainable outcomes for our clients in the natural and built environment.

We measure our brand performance across a wide range of criteria but have set specific KPIs around our ability to drive: firstly, our brand awareness in our chosen markets and selected audience groups; secondly, our brand position, versus our competitive set; and finally our ability to convert both awareness and strong position in the market to genuine business results. A series of hard and soft metrics sits under each of these three pillars, which are measured both globally and within our regional businesses.

**CLIENT EXPERIENCE (CX)**



In 2017, we started to enhance how we listen and respond to the voice of our clients and measure client experience. The program was initiated as part of the Arcadis Way design to be even closer to our clients and markets, and to progress sustainable long-term client partnerships across Arcadis.



We have partnered with industry experts in client experience measurement, and behaviorally-based enhancements to adapt our program to further enhance our focus on our clients' success.

Our chosen approach measures not only 'net promoter score' but also explores the more in-depth 'loyalty score' as well. We have chosen to further develop our client experience measurement because we recognize the mutual value of consistently delivering exceptional outcomes for our clients, and the financial benefit that comes with nurturing truly loyal client relationships.

As implementation continues in 2018, we will continue to evolve as we learn, adapt, and refine our client experience within the Arcadis Way. We are committed to the ongoing journey to continuously improve our client relationships.

It is our intention to enhance our tracking of client experience with improved outcome-driven indicators as we strive to achieve our goal of top-quartile client experience. We will continue to share our progress with our internal and external stakeholders going forward.

**OTHER TOPICS  
LABOR RIGHTS AND RELATIONS, AND HUMAN RIGHTS**

In 2016, Arcadis developed and issued a Human Rights and Labor Rights Policy to address human rights and further support our position as an employer of choice. At Arcadis, we recognize the human rights of all people as outlined in the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights.

Through this Policy, the company commits to the following:

- Arcadis considers respect for Human Rights and the proper adherence to Labor Rights as an integral component of responsible business behavior. The Company is also committed to identify, prevent, or mitigate adverse human rights impacts resulting from or caused by our business activities before or if they occur through human rights due diligence and mitigation processes.
- Arcadis prohibits the use of all forms of forced labor, and any form of human trafficking. Arcadis prohibits the employment of individuals under the applicable statutory minimum age for workers.
- At Arcadis, the health, safety, and well-being of our employees and stakeholders are central to everything that we do.
- Arcadis has a Diversity and Inclusion (D&I) program. We are dedicated to fostering workplaces that are free from discrimination or harassment based on race, sex, national or social origin, religion, age, disability, sexual orientation, political opinion, or any other status protected by applicable law.
- Arcadis does not tolerate disrespectful or inappropriate behavior, unfair treatment, or unfair retaliation of any kind. Harassment is unacceptable.
- Arcadis compensates employees competitively relative to its industry and the local labor market. The Company's principle is to provide a living wage.
- Arcadis attempts to prevent compulsory redundancies. In cases where these are unavoidable, the company promotes responsible redundancy procedures.
- Arcadis promotes a good work-life balance for its employees and applies workplace and worktime flexibility strategies to accommodate.

Arcadis respects its employees' right to join, form or not to join a labor union, seek representation, bargain or not bargain collectively in accordance with local laws and without fear of reprisal, intimidation, or harassment. Where employees are represented by legally recognized unions, we aim to have constructive dialogues with their chosen representatives and bargain in good faith with such representatives.



**ENHANCE OUR CLIENT EXPERIENCE**

Measure holistic and in-depth client experience

Gain insights to enhance focus on our clients' success

Continuously improve client satisfaction and progress sustainable long-term client partnerships





Arcadis is conscious of the impact it has on the communities in which it operates through the projects it performs on behalf of its clients. We are committed to engaging in dialogue with stakeholders on human rights or labor rights issues related to our business where appropriate, taking the view that local issues are most appropriately addressed at local level. Please refer to the section on Enterprise Risk Management for details on risk mitigation on respect of this topic (page 130 to 139). For key performance indicators, please refer to the Connectivity matrix on page 37.



[www.arcadis.com/en/global/who-we-are/business-practices/human-rights-and-labor-rights-policy/](http://www.arcadis.com/en/global/who-we-are/business-practices/human-rights-and-labor-rights-policy/)

**RESPONSIBLE PROCUREMENT**

Arcadis purchases goods and services from a wide range of suppliers around the world, and encourages them to apply high sustainability standards. We regard our primary suppliers as partners and collaborate with them to help achieve our sustainability ambitions.

During 2017, the global procurement, sustainability, and compliance teams worked together to finalize the Company’s Global Procurement Policy and Global Supplier Code of Conduct, the publication of which is imminent.

**COMMUNITY ENGAGEMENT**

Arcadis and its people dedicate time, expertise, and money to many local community involvement initiatives. We encourage our people to participate in these activities, and in a growing number of regions time was made available for our people to do so on company time. In 2017, a total of 218 initiatives were recorded. In our social programs, we perform volunteer-based activities and projects in the following program lines:

**Create today** Through a range of one-day activities, Arcadians provide hands-on assistance, such as help with home improvements, and the clean-up of public spaces for disadvantaged groups, including elderly and disabled people. In 2017, 112 projects were performed in this area.

**Create tomorrow** is about helping local communities, by sharing our knowledge and experience to improve their quality of life. Our support consists of process consulting, technical advice, and access to our extensive network. Shelter is a good international example. In 2017, 75 projects were geared towards supporting this program line.

**Create the future** is all about nurturing future talent. We bring together present-day experts and the talents of the future. For example, the Arcadia Challenge, an annual competition created to spark interest in science among high school students. In 2017, this program line included 31 projects.

**CREATE TODAY**

During the night and day challenge in the UK, a walk/cycle/run event, some 350 Arcadians took part, raising around £80,000 for MIND, an organization which provides advice and support to empower anyone experiencing a mental health problem and campaigns to improve service, raise awareness, and promote understanding.

The Box Appeal is a charity in Dubai, Abu Dhabi, and Al Ain which aims to provide essential items to everyday workers and those less fortunate than ourselves in the wider community. In 2017, Arcadis supported the Box Appeal as corporate sponsors and its people worked on the aim of contributing over 200 boxes towards the cause. The completed boxes were collected from our offices and distributed to those most in need across the region in conjunction with local municipalities.

Every day, 3,382 tons of food is disposed of at Hong Kong landfill sites, while around one million people in Hong Kong are living in poverty with a third of elderly people unable to meet their basic nutritional needs.



In 2017, Arcadis supported the Food Carnival program at St. James’ Settlement, which is facilitating food donation in a more efficient way. The festival included the surplus food buffet, green workshops, and game booths. Arcadis colleagues supported on the day by preparing and serving food, cleaning, and helping to manage the crowds.

**CREATE TOMORROW**

In the Netherlands, Arcadis works together with Koninklijke Nederlandsche Heidemaatschappij (KNHM). KNHM is a foundation, and predecessor organization to Arcadis, which holds nearly 4% of Arcadis’ outstanding shares. In a joint program, we support people who want to improve the quality of life in their neighborhood. Arcadis, together with the Lovinklaan Foundation, invests in the Shelter Program with UN Habitat. The Shelter program is financially supported by the Lovinklaan Foundation, Arcadis’ largest shareholder, for €440,000 each year.

**CREATE THE FUTURE**

In 2017, Arcadis across Europe and the UK ran several programs directed at helping young refugees. These programs were partly funded by the Executive Board. Our Dutch colleagues, for example, participated in the Future Academy. In this academy, young refugees with an interest in engineering are invited to invest in their own future in a twelve-course learning program. The curriculum featured environmental topics, building-related issues, water knowledge, and soft skills. Some of the participants already have working experience, others were forced to give up their studies as they fled their country of origin. The goal of the program is to provide the refugees the opportunity to build up a business network in the Netherlands, thus improving their chances for employment. Arcadis people open their business networks in support and play a role in the program as a coach, buddy or guest teacher.

In Chile, we are involved in a training and educational model in the Peñalolén area – near the capital of Santiago. It functions as a kind of second home, welcoming and entertaining, for children of limited opportunities, who participate in the program during their school period.

Yayasan Sunbeams Home (YSH) is a non-governmental, self-supporting, multi-racial foundation and is home to displaced, abused, and neglected children of single parents in Malaysia. It has been in existence for over twenty years. Since 2016, Arcadis has been involved with YSH, donating construction management services, cost management services, labor costs, and expenses expertise as well as sponsorship for some of the materials – while also seeking others to participate – to solve the foundation’s development issues. Now, there are 71 boys and 50 girls aged between two to 24 years old, under YSH’s care.

**VALUE OF COMMUNITY ENGAGEMENT ACTIVITIES**

In all, Arcadis’ and employee donations in hours, in-kind contributions, sponsoring, and funding for community engagement activities amounted to €850,500 in 2017. This includes the Company’s own funding for the Shelter program, the cooperation with KNHM, and countless regional and local initiatives.

**REPORTING STANDARDS**

The EU-directive on non-financial information (2014/95/EU) was implemented in national law in 2017. Arcadis complies with this EU-directive by disclosing our business model, and disclosing information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. This information includes a description of the policies, outcomes and risks related to these matters, and can be found throughout the Executive Board Report. We have followed the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines while compiling the Sustainability performance included in this Annual Integrated Report. The GRI framework is the most widely used standardized sustainability reporting framework in the world. A detailed overview of our GRI performance is provided on our website:



[www.arcadis.com/en/global/who-we-are/sustainability/measuring-the-value/](http://www.arcadis.com/en/global/who-we-are/sustainability/measuring-the-value/)



# ATTRACT, DEVELOP, AND RETAIN THE WORKFORCE OF THE FUTURE



**GLOBAL SHAPERS:  
GENERATION 2017**

**KUALA LUMPUR,  
MALAYSIA**

Global Shapers is our annual program that offers 100 early career professionals from around the world the opportunity to grow their network internationally, share knowledge, and collaborate on business-driven projects. Global Shapers is sponsored by the Lovinklaan Foundation – Arcadis’ largest shareholder. The program focuses on learning through working together in an international group, in both a virtual and a face-to-face phase. This year’s face-to-face program took place in Kuala Lumpur, Malaysia.

This year, the Global Shapers focused on two key strategic imperatives: sustainability and digital. Under the umbrella theme of #sustainability4impact – digital solutions to improve quality of life, Global Shapers worked on four assignments to further improve the

awareness of our sustainability and digital solutions both within the organization and externally. The end results: a sustainability platform that allows one to search all sustainability tools within and outside the organization; a suite of digital solutions, ranging from interactive case studies and customer

journey experience to an Augmented Reality model of one of our landmark projects in Kuala Lumpur; a roadmap to embed sustainable and digital solutions across our business by 2025; and an advice on the key behaviors that underpin our Arcadis values.

“Being part of Global Shapers: Generation 2017 was one of the most incredible things I’ve done as an Arcadian. It was a wonderful way to experience the diversity of people and capabilities that we have within the business. I developed some really strong relationships during the program and will be using these to help bring international best practice to my projects.”  
Jack Scott, Consultant, Business Advisory

All of these deliverables were presented successfully to members of the Arcadis Executive Board, the Arcadis Asia Leadership Team, and the colleagues of the Arcadis Malaysia office during the grand finale of the face-to-face program. 30% of our employee base is below the age of 30 – they are the leaders of the future.

“Participating in Global Shapers widened my view of the world, inside and outside of Arcadis. I’ve never experienced something more energizing or motivating than spending time with 98 of my successful peers from around the globe learning, sharing, and working to move our business forward. It’s unforgettable.”  
Lisa Campbell, Global Brand and Content Strategy Manager

Since its launch in 2011, Global Shapers has become a powerful network of more than 1,500 young professionals. Together they create a ripple effect throughout the organization by using their generation’s strengths, such as being tech savvy and being collaborative minded.

If you want to know more about the Global Shapers program, go to:



[www.arcadisglobalshapers.com](http://www.arcadisglobalshapers.com)



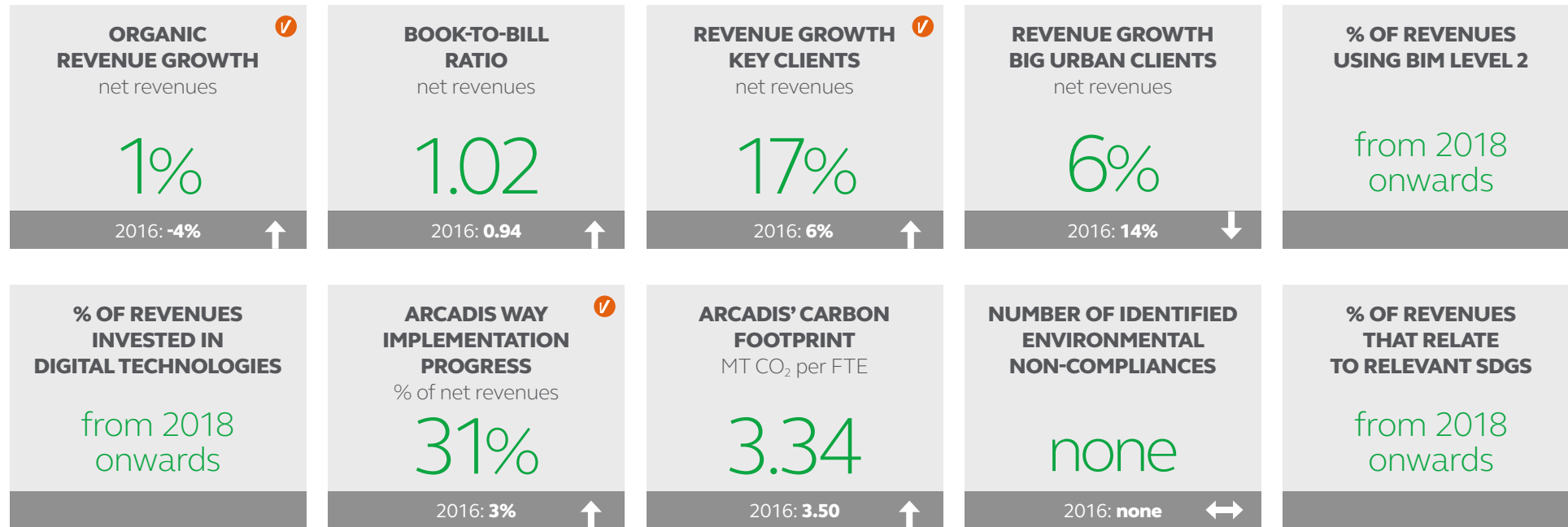


# PERFORMANCE & DEVELOPMENTS

## INNOVATION & GROWTH

**GROW THROUGH PROVIDING INTEGRATED AND SUSTAINABLE SOLUTIONS TO OUR CLIENTS, AND BE A DIGITAL FRONTRUNNER**

At Arcadis, the focus on innovation and growth helps us to create the best sustainable outcomes for our clients and society, while improving our financial performance. We scale existing technologies and explore new ones in co-creation with clients, and we apply integrated thinking to solve complexity. We utilize our local market knowledge and leverage our global experience for best-in-class solutions.



↑ Improvement  
↔ Unchanged  
↓ Deterioration

For definitions and methods of measure for these indicators please refer to page 251. The indicators that fall within the scope of limited assurance of our external auditor are marked with the symbol (2017 only). See page 243 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.



1%

Organic net revenue growth in 2017, overall Arcadis



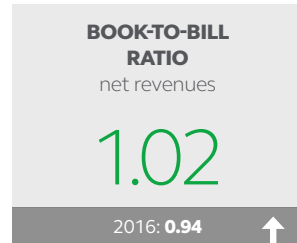
Revenue growth key clients in 2017, net revenues

17%



# INNOVATION & GROWTH

While our primary focus is organic growth, we also look for opportunities to further expand our digital and data expertise, as evidenced by the recent acquisitions of E2 ManageTech and SEAMS. It is one of our strategic priorities to become a digital front runner in the industry, which is evidenced by the current investments we are making in this area.



## ORGANIC REVENUE GROWTH



Net revenues amounted to €2,437 million, and increased organically by 1%. North America, Continental Europe, the UK, and Australia delivered organic growth compensating for a decrease in other regions. While our primary focus is on organic growth, we will continue to look for opportunities to further expand our digital and data expertise as evidenced by the recent acquisitions of E2 ManageTech and SEAMS.

The book-to-bill ratio was 1.02 (2016: 0.94), which indicates solid demand for our services. Backlog grew especially in North America, the UK, Continental Europe, Asia, and Australia.

## CLIENT DEVELOPMENT

Client success is front and center of our engagement with markets. We want to be known for making a real difference to our client's bottom line, sustainability, and resilience, and we are doing this in a purposeful way. By carefully selecting those markets and clients where we can provide the greatest value, we ensure our efforts deliver mutual success. For this purpose, Arcadis operates two major client programs: the Global Key Client (GKC) program, and the Big Urban Clients (BUC) program.

Our business development efforts are guided by a robust strategic pursuits program, where we bring the best of Arcadis together to meet the complex challenges of the markets and clients we serve.

Innovation and growth have been key focus areas in 2017. We have seen great success and growth performance where we have focused our efforts and attention, and had inspiring events with key clients around the globe co-creating innovative solutions, whether it is smart factories, use of artificial intelligence, electrification and connectedness or mobility and innovative resiliency solutions. We will continue these initiatives and prioritization of client focus going forward, nurturing our long-term, sustainable partnerships with selected clients.

The global client development team comprises both sector experts and city executives who actively keep a finger on the pulse of market conditions and trends, and provide deep sector and market insights. Together with our local expertise, this forms the foundation of our global knowledge and thought leadership, which we share globally for best-practice local delivery and to help our clients to better understand their position and benchmark themselves against others in the market.

To ensure best-practice behavior and delivery, we also have a strong focus on continuous skills and people development through our dedicated Client Focus (CF) Academy.

Deep market insight, our strong client relationships, and continuous people development are key components of both programs and set us apart in the marketplace.



## PERFORMANCE & DEVELOPMENTS IN 2017

Our strong focus on key clients in our priority market sectors and Big Urban Clients has led to record growth rates in our Global Key Client portfolio, and growing momentum within Global Cities as thought leaders. Our aim is to achieve two times growth compared to the rest of the business and to deliver top-quartile client experience, measuring and improving client loyalty through a consistent global approach of delivering exceptional outcomes for our clients.

In 2017, the journey started to scale successful account and client development practices from our global programs to regional key client portfolios, and this work accelerates in 2018 with expected benefits of more predictable organic growth.

## CHEMICAL & LIFE SCIENCE

Despite the sector facing tighter government regulations, with the emergence of Industry 4.0 and the creation of the 'smart factory', we have seen an increase in capital investment.

Our Chemical clients are specializing in areas where they can achieve higher margins and where they can identify efficiency savings around their productivity and supply chain. We recently partnered with a global corporation to identify efficiencies in their water, energy, and maintenance programs and saved them €10 million as a result.

Our Pharmaceutical clients are continuing to invest in research & development and manufacturing due to market demand. Companies are always looking for a new pipeline of products to secure future revenue and alternative routes to produce them at a lower cost to improve their bottom line.

We create value for clients by helping manage complex programs, getting new products to the market at speed, consulting on operational efficiency, and reaching sustainability targets.

## CONTRACTORS

The continuous growth of mega projects being procured with PPP/PFI (Private Public Partnership/Private Finance Initiative) or DBFOM (Design-Build-Finance-Operate-Maintain) continues. The need for thorough understanding of the technical complexity of these mega-projects, utilizing state of the art technology and digital space, combined with extensive asset management and operations experience, is what our clients need to be successful in this market.

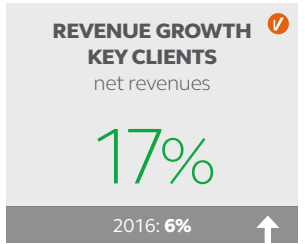
Our strong relationships with leading global contractors and investors have enabled us to work in diversified markets and geographies. This has created the opportunity for Arcadis and our contractor partners to team up on many mega-projects across the world. Working in collaboration with clients, we have helped them to differentiate themselves and deliver iconic structures.

Global Excellence Centers (GECs) contribute to our competitive advantage. They bring experience, innovation, and agility to local markets; delivering consistency, quality, and certainty around risk and financial impact. We will continue to partner with our contractor clients on the world's biggest and most iconic projects, in all asset classes, bringing together the experience and expertise of our colleagues around the world.

## MANUFACTURING & TECHNOLOGY

The sector is transforming; industry 4.0, additive manufacturing, digitalization, and mobility are forcing clients to review current operations and ways of working. Our clients continue to embed sustainability into their global operations, as they redefine supply chains and centralize capital investment. As a result, the way goods are being manufactured is shifting and the focus is now on what the 'factory of the future' will look like for our clients in this sector.

We are positioned well; on the one hand, we are involved in the development of new data-driven, efficient, and agile manufacturing sites, and on the other, we advise on optimizing the older or redundant sites and how they can be redeveloped.





**AWARD FOR  
NIKE DISTRIBUTION STORE**



Furthermore, with the increase of technology in society we have seen the demand for data- and distribution centers continuing to rise globally.

In 2017, we were awarded the 'Best Industrial Logistics and Distribution Awards' in Cannes, for a Nike Distribution Store in Belgium where we supported an integrated portfolio of services including structural engineering and water management. In 2018, we will build on this effort, focusing on providing best-in-class facilities for our clients. We will partner with them to optimize their industry footprint, both physically and sustainably, to meet their cost-saving and carbon footprint goals.

**FINANCIAL INSTITUTIONS**

In 2017, global cash flows remained strong, with demand for major portfolio transaction and refinance services across the globe. We have been selected as long-term partners on CAPEX program delivery with clients such as HSBC and Citi, and we expect this trend will continue as the banking sector demands greater control and efficiency to reduce risk.

Digital advances and new technologies are providing new opportunities for our clients in the sector. Arcadis has embraced the opportunity to help deliver innovative digital solutions for our clients and continues to co-create new solutions for the sector. For example, the use of Artificial Intelligence to improve efficiency and reduce reliance on scarce labor for document reviews and insight is in operation. In addition, we are the leading advisor, by volume of deals, with E-Commerce businesses that are driving up demand for urban industrial assets with our key investor clients such as Blackstone and GIC.

Sustainability is also increasingly influencing the market. Environment and Social Governance criteria are being applied by funds and banks to corporate CAPEX programs. We have a unique global environment and risk management capability to respond to this challenge. Going into 2018, we are in a good position to address funds' increasing demands for Clean Energy assets.

Our skilled financial experts strive to stay attuned to our clients' requirements with a quick and agile response, using our breadth of capability to address global issues at a local scale.

**AUTOMOTIVE**

The automotive industry is in the midst of transformative change. Manufacturing is under ever-increasing cost pressures and tightening environmental regulations, and consumers expect the ultimate experience to be delivered across multiple channels, in new retail models. Squeezed from both ends of the value chain and faced with having to adapt to and embrace a new paradigm of connectedness, electrification, sharing, and autonomous driving, our clients look to us for innovative, integrated solutions that embrace digital technologies.

Our highly customized propositions, which include best-in-class facilities, environmental leadership, brand and digital experience for retail, and new mobility networks are helping our clients thrive in this rapidly changing market. By connecting our automotive and municipal clients in our focus Global Cities, we are helping shape the mobility ecosystem.

**OIL & GAS**

As the Oil & Gas industry continues to face market uncertainty, we have cautious growth in OPEX and CAPEX investments, with a continued focus on increasing efficiency and generating greater value from assets.

During 2017, we expanded our productivity offering across upstream, midstream, and downstream assets, resulting in significant efficiency gains and cost savings for many of the largest integrated global energy companies. This included helping one of the largest historical operators in the North Sea develop a safe and efficient project delivery model for decommissioning of their offshore platform topsides. We continue to provide managed services in project and cost management for a portfolio of projects with over €10 billion in total asset value. Our clients continue to evaluate their assets and liabilities.



Through ongoing growth and application of our Arcadis FieldTech Solutions service model, we have been able to help owners effectively manage their portfolio of redundant sites and minimize their ongoing site maintenance costs, while maximizing their return upon ultimate transfer of the property. Our service model also provided a competitive advantage by combining best-in-class local skills with the scalability and consistency of Global Excellence Centers, in North America, Europe, and the UK.

In the year ahead, we anticipate market conditions to stabilize in commodity pricing and expect an increase in activity for projects supported by these economic conditions. Our ability to increase efficiency, achieve cost savings, and extract greater value from a changing asset portfolio directly links to our clients' needs as they continue to transform their business during these uncertain times.

**COMMERCIAL DEVELOPERS**

2017 was a year of transition for Commercial Developers across the globe. To ensure a good return, clients need to be agile between asset classes and geographies that they are investing in, so we are seeing development capital becoming increasingly unbound by region. Investors are more willing to invest outside of their core country for the right opportunities.

Clients recognize that they cannot grow just by taking market share – you need to go elsewhere to get it, either to new markets or new asset types. We have had a successful year following the highly dynamic market of development capital and supporting our clients' migration to new opportunities.

Over the course of 2017, we have matched our support to clients to suit this fast-changing scene, providing master planning and design services for booming areas, and our consultancy and asset optimization offerings for pressured markets. Looking ahead to 2018, we maintain our focus on mixed-use development, and also keep pace with the rising demand for residential, particularly in the multi-occupancy segment, as urbanization continues.

**BIG URBAN CLIENTS**

Both developed and emerging cities are facing expanding urbanization and sustainability challenges. This results in trends that affect urban environments around the world, such as rapid urban growth, increased complexity in urban development, the need to enhance livability and accessibility, and addressing aging infrastructure and real estate.

**IMPROVING QUALITY OF LIFE IN CITIES**



MOBILITY

RESILIENCY

REGENERATION

- Integrated transport solutions
- Protecting communities from climate change
- Transforming underperforming cities





With our Big Urban Clients (BUC) program, Arcadis is uniquely positioned to address and improve the quality of life and enable cities to become more competitive, sustainable, and smarter through mobility, resiliency, and regeneration outcomes:

**Mobility** - We help cities create integrated transport solutions to provide connectivity and transport choices, advance transport to connect people with cities in polycentric city landscapes, and enhance connectivity with public transport.

**Resiliency** - Working with cities to establish unique sustainable environments which respond to local climate and context, protecting communities from climate change, while enhancing a city's ecological and urban design. At the same time creating a critical infrastructure that has multiple community purposes and creates destinations, and integrating resiliency with community design.

**Regeneration** - We also help cities address the reuse of depleted assets to maximize a city's true potential, transform underperforming cities into high-value social and cultural engines for growth, and breathe new life into BUC cities.

Arcadis has a global network of urban experts with the ability to localize solutions that support and create value for our clients. The BUC program leverages Arcadis' strong position in several of the world's developed and emerging cities, with solid stakeholder relationships and a legacy of delivering iconic projects.

The City Executives who represent Arcadis in BUC cities develop opportunities, cultivate needs-based outcomes, and differentiate us for selection to lead on singular projects and large programs. Throughout 2017, four new BUC cities were launched: Edinburgh, Paris, Brisbane, and Melbourne. San Francisco will be the next city to be launched in 2018.

**INNOVATION AND DIGITALIZATION**



**INNOVATION**

Innovation is an important growth enabler and is evident across many areas within Arcadis. We believe innovation is critical to our success and that of our clients. In recognition of this, we manage innovation in several ways: from a focus on accountability for innovation within our organization design, to a bespoke program that enables all Arcadians to share their fresh innovative ideas. In 2017, we added another layer to this approach: Deep Orange.

**SATELLITE**

Our global innovation program, Satellite, works by enabling a crowdsourcing of ideas. The program, enabled via a bespoke web-based environment, is accessible to all Arcadians. Ideas are collected and processed, with the best submissions receiving funding and support to develop further. 2017 is the final year of Satellite; it will be reinvigorated into a bigger program in 2018.

**IMAGINE AWARDS**

Each year, the top three submissions from the Satellite program are selected from the funded ideas. Selection takes place via the leadership review, led by the CEO. The winning teams are invited to join the CEO and Global Leadership team to collaborate and share details on their ideas. This is a key element as we seek to further develop and embed a culture of Innovation across Arcadis. Both the Satellite and Imagine Awards programs are a joint investment between Arcadis and our major shareholder, the Lovinklaan Foundation.



**DEEP ORANGE**

Deep Orange is a co-creation innovation program based on the fundamental principles of design thinking for natural and built assets. In the program, multidisciplinary professionals from client organizations, ecosystem partners, and Arcadis identify innovative digital opportunities for key public and private organizations.

**DIGITALIZATION**

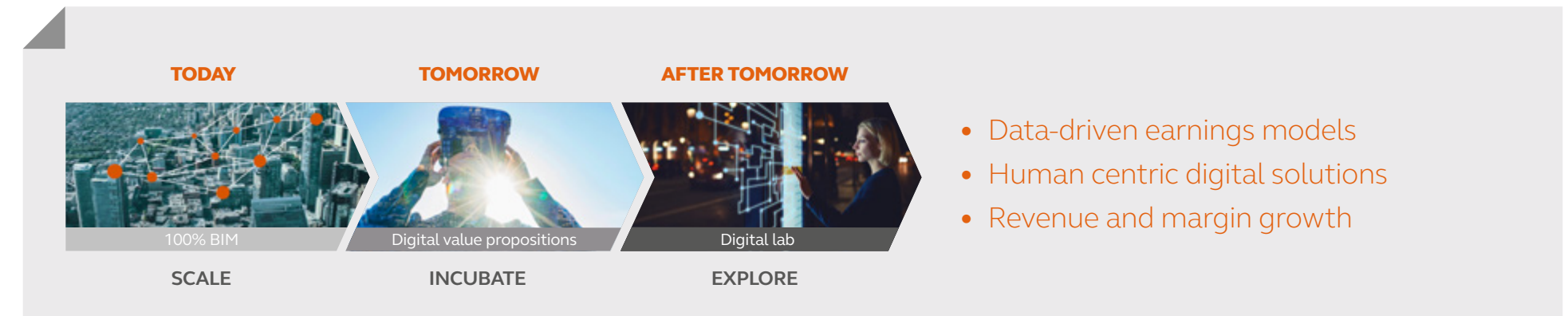
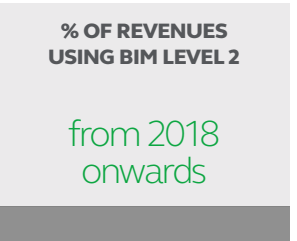
Digital is everywhere, and it is a big deal. It is changing the way companies and people work, and it ultimately transforms industries. Architecture, Engineering, and Construction (AEC) is one of the last industries to go through a digital transformation but Arcadis is acting to lead digital in the industry. As Arcadis, we are reinventing ourselves for a digital world and the way to do it is radical, outside-in, and together.

The focus is on a three-time horizon innovation process preparing us for today, tomorrow, and after tomorrow. By implementing the strategy, we will scale our existing technologies and explore new technologies in co-creation with clients.

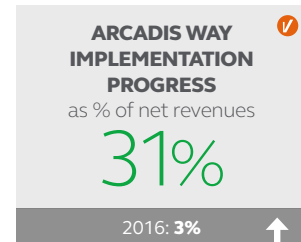
Early 2017, a new digital leadership team was presented and a Chief Digital Officer (CDO) was appointed. A multidisciplinary team was formed to build a digitally-enabled business by further defining the agenda and establishing areas of client-led priorities to focus and invest in. The core team – which will work closely with the office of the Chief Information Officer – comprises the CDO and leaders in BIM/digital asset lifecycle, digital innovation, data analytics, and insights, ecosystem partnerships, marketing & communications, and human capital.

Arcadis offers a range of digitally enabled services throughout the asset lifecycle, including digital engineering and AR/VR simulations, advanced analytics of asset operations (recently accelerated with the acquisition of SEAMS), and user-centric solutions, such as mobility as a service.

As part of our digital strategy, from 2018 onwards, we will track two performance indicators, being 'percentage of revenues using BIM level 2' and 'percentage of revenues invested in digital technologies', with no numbers currently available for 2017. Over time, our intention is to develop and track outcome-driven indicators.







During 2017, Arcadis also focused priorities on the digital asset lifecycle and the extensive roll-out of BIM. The global BIM program enhances and digitizes the processes and collaboration for all stages of the asset lifecycle and changes the way assets are designed, built, and managed. To strengthen and expand the worldwide BIM capability, Arcadis entered into a global partnership with Autodesk.

Also in 2017, workshops were held to define, amongst others, how we can collaborate within Arcadis to make the digital transformation successful. This included defining the roles for the Global Excellence Centers in this transformation. In 2018, we will continue with the digital transformation to make Arcadis a digital frontrunner.

**THE ARCADIS WAY**

The Arcadis Way is our harmonized way of working, which provides us with a true competitive edge. The elements of the Arcadis Way link with each strategic pillar, for example with Innovation & Growth by enhancing client selectivity and pursuing profitable projects. For further explanation of the Arcadis Way see pages 72 and 73 in this chapter on Innovation & Growth.

**PARTNERSHIPS**

Collaboration is key to come to the best and most sustainable solutions. SDG 17 Partnerships for Goals supports this belief, which we practice at Arcadis through active involvement in a number of partnerships in which we collaborate with other businesses, governments, NGOs, and society.

**WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT**

During the World Circular Economy Forum in June, the Business guide to circular water management: spotlight on reduce, reuse, and recycle written by Arcadis as an assignment from WBCSD was released. The business guidance supports companies in developing strategies through practical advice to respond to challenges of water availability by implementing circular management practices. Apart from suggestions for overcoming common barriers, the guidance showcases best practices.

2017 also saw the launch of the Social Capital Protocol after two years of collating best practices from the field of social impact measurement and valuation, and pilot testing by WBCSD member companies. Arcadis was an observer of the process and one of the pilot testing companies. Following the release of the Natural Capital Protocol in 2016, the focus for 2017 for natural capital was – and for 2018 will remain – on advocating the value of incorporating natural capital in business decision making. As part of the advocacy process, a new movie on the value of natural capital for businesses was shot and released at the World Forum on Natural Capital in 2017. Arcadis contributed by providing case studies and its London office for shooting the movie. Natural and social capital cannot be seen separately, hence the workshop in 2017 with WBCSD member companies on how to align the two even more, sharing best practices used within both protocols and defining steps to align both processes.

Arcadis remained involved in the sustainable cities work within WBCSD, scaling up our Zero Emission Cities (ZEC) and Energy Efficiency in Buildings work. The ZOEnergy Amsterdam project, initiated within the WBCSD ZEC working group, has been awarded as one of the three leading European energy projects in French newspaper Le Monde’s Urban Innovation Awards. As part of the ongoing implementation of the Paris Agreement, Arcadis has contributed to the position paper on why carbon pricing matters, released at COP23 in Bonn.



To gain further involvement of our employees with the theme of sustainability, one of our financial reporting experts from our head offices in Amsterdam, joined the WBCSD Leadership Program together with 32 other high-potential leaders from other industries, focusing on integrating strategic sustainability into business decision-making.

**WORLD ECONOMIC FORUM**

Arcadis’ participation within WEF remained at the Industry Associate level, hence granting us access to several private meetings of the Infrastructure and Urban Development Industry Group. In 2017, our CEO was asked to become a member of Governors Steering Committee Infrastructure & Urban Development Industries. We continued our active involvement in the Future of Construction work participating in a series of workshops on amongst others, closing the talent gap, scenario generation, accelerating BIM adoption, and industry vision 2018. We actively participated in the WEF Davos and ASEAN events. For the first time in 2017, the Sustainable Development Impact Summit was organized by WEF, in which we participated to find common grounds for collaboration with other businesses, NGOs, and governments.

**100 RESILIENT CITIES – PIONEERED BY THE ROCKEFELLER FOUNDATION (100RC)**

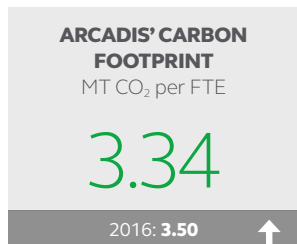
The 100 Resilient Cities organization (100RC) is dedicated to helping cities around the world become more resilient to the physical, social, and economic challenges of the 21st century. 100RC supports the adoption and incorporation of a view of resilience that includes not just the shocks, but also the stresses that weaken the fabric of a city. In 2015, Arcadis joined the initiative as a Platform Partner to help cities around the world prepare for, withstand and bounce back from the shocks (i.e., catastrophic events like hurricanes, fires, and floods) and stresses (i.e., slow-moving disasters like water shortages, homelessness, and unemployment) of the 21st century.

To date, we have worked with cities, including Pittsburgh, Vejle, Bristol, Norfolk, and New Orleans, on improving their flood resiliency, by creating resilient roadmaps – making them more resilient and finding ways to finance climate adaption. In 2017, Arcadis conducted a workshop in Bristol and representatives also participated in the Norfolk Vision 2100 Workshop, the city’s long-term land use vision to mitigate the impacts of sea level rise, with the goal to develop a set of resilience standards that can be incorporated into the city’s current zoning ordinance rewrite. Two Arcadis employees, Piet Dircke and Edgar Westerhof, attended the Urban Resilience Summit 2017, in New York City.

**UN GLOBAL COMPACT**

We have been a member of the UN Global Compact (UNGC) since 2009, and are committed to its objectives and to the ten universal principles regarding human rights, labor standards, environmental stewardship, and anti-corruption. As part of this commitment, we launched our Human Rights and Labor Rights Policy in 2016. Our values, mission, and strategy are fully aligned with the UNGC principles, and our signing of these principles reflects our ambition to be a sustainability leader. We are committed to making the UNGC and its principles part of the day-to-day operations of our Company, and included this commitment in our General Business Principles in the year. Arcadis regards its suppliers and subcontractors as partners and collaborates with them to ensure their activities are aligned with our UNGC commitment. In addition, Arcadis adheres to the Guidelines for Multinational Enterprises as issued by the Organization for Economic Cooperation and Development (OECD).





**ENERGY AND EMISSIONS - CARBON FOOTPRINT**

**CONNECTED MATERIAL TOPIC**

**26**

Important to these stakeholders:  
**Civil society, employees**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

Since 2010, Arcadis has been following a standardized approach in reporting data that is consistent with the World Resources Institute General Reporting Protocol (GRP). In doing so, our carbon footprint reflects the way we do business rather than a change in methodology or business acquisition. The result helps track our reduction efforts more closely, allowing us to identify improvement areas. We continue to sharpen our approach to understand the full impact of our operations on direct and indirect greenhouse gas emissions and the environment as a whole.

For measuring, managing, and reporting on greenhouse gases, we follow methodologies outlined in the Greenhouse Gas (GHG) protocol, as developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD). Arcadis applies the control approach, and accounts for the greenhouse gas emissions from operations over which it has control. Carbon footprint data are reported by the operating companies to environmental engineering professionals, which review the data. This review includes a comparison to other operating companies and historical performance.

In 2017, Arcadis' continued initiatives to reduce travel resulted in a decrease in vehicle mileage and emissions. Air travel on a per FTE basis showed a small uptake between 2016 and 2017, likely the result of project work, while resulting emissions decreased, likely the result of better accounting methods for the airlines and more fuel-efficient planes. Public transportation continued to increase, attributed in part to public agencies' improved data tracking systems and in part to employees favoring more efficient forms of travel.

Energy consumption continued to decrease from 2016 to 2017 as we continue to seek out more energy-efficient buildings and optimize building space. Paper consumption remained relatively constant while the amount of post-consumer waste or Forest Stewardship Council certified paper increased.

The establishment of the Core Sustainability Team and their support in the data gathering process continues to have a positive impact on data collection and reporting. These initiatives have allowed Arcadians from around the world to share best practices, facilitate data collection, and improve data granularity. In Europe, Arcadis' focus on increasingly integrating sustainability into all client solutions is working. Roll-out of an integrated European ISO 50001 energy management system and ISO 14001 environmental management system is progressing. It has several very active community programs in support of our goal to improve quality life in the communities in which we operate. While Arcadis has been following a consistent methodology since 2008, we continue to identify new areas where data estimation techniques and key assumptions can be improved. In 2017, property management companies and electric utilities continued to provide more accurate usage numbers and emission factors based on geographic location. While Arcadis works to update previous reporting years appropriately, it has observed that the granularity of these emission factors may be inadvertently adding additional error in historical reporting. As part of our continuous improvement efforts, we will continue to investigate these matters to ensure present-day and historical figures accurately reflect improvement resulting from our sustainability initiatives.

We are committed to making progress annually, through the continuous improvement of our program elements and by the refinement of our policies, procedures, and guidelines that affect our carbon footprint. Given the various challenges and priorities in our regional operations, Arcadis has a preference to set regional targets for certain parts of our performance. In our experience, the use of local targets creates better alignment with local business priorities and better buy-in. We expect to be able to roll up these regional targets to global level during 2018.



**CARBON FOOTPRINT RESULTS**  
**EMISSIONS PER FTE BY EMISSION SOURCE**

CO <sub>2</sub> Emissions (MT CO <sub>2</sub> /FTE)	2013 <sup>1</sup>	2014 <sup>1</sup>	2015 <sup>1</sup>	2016 <sup>1</sup>	2017
Scope 1 Vehicles (Business)	0.71	0.63	0.66	0.57	0.54
Scope 1 Vehicles (Commuting)	0.09	0.09	0.09	0.08	0.07
Scope 2 Electricity	1.18	1.25	1.16	1.05	1.02
Scope 3 Air	0.95	0.98	0.88	0.90	0.83
Scope 3 Auto	0.51	0.60	0.50	0.64	0.60
Scope 3 Public Transport	0.16	0.16	0.17	0.18	0.19
Scope 3 Natural Gas	0.21	0.17	0.10	0.08	0.08
Scope 3 Fuel (Other)	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>3.81</b>	<b>3.88</b>	<b>3.56</b>	<b>3.50</b>	<b>3.34</b>

**NOMINAL METRICS PER FTE BY EMISSION SOURCE**

(METRICS PER FTE)	2013 <sup>1</sup>	2014 <sup>1</sup>	2015 <sup>1</sup>	2016 <sup>1</sup>	2017
Scope 1 Vehicles (km/FTE)	3,596	3,379	3,446	3,247	2,829
Scope 2 Electricity (kWh/FTE)	2,363	2,515	2,403	2,189	2,147
Scope 3 Air (km/FTE)	7,267	7,530	6,674	6,815	6,838
Scope 3 Auto (km/FTE)	2,268	2,204	2,179	2,278	2,319
Scope 3 Public Transport (km/FTE)	1,869	1,925	2,122	2,215	2,311
Scope 3 Natural Gas (kWh/FTE)	1,132	920	519	445	405
Scope 3 Other Fuel (kWh/FTE)	20	20	25	19	21
Paper Consumption (kg/FTE)	37	37	29	28	29
FSC/PCW Paper (%)	81%	82%	83%	85%	<b>87%</b>

<sup>1</sup> Comparatives adjusted for the impact of acquisitions

**ENVIRONMENTAL NON-COMPLIANCE**

**CONNECTED MATERIAL TOPIC**

**32**

Important to these stakeholders:  
**Civil society, employees**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

On an annual basis, Arcadis performs many environmental remediation projects. These projects involve the removal of (hazardous) chemicals from soil, groundwater and sediments. Over the years, Arcadis has specialized in in-situ remediation technologies, negating the need to dig- and haul these (hazardous) chemicals and transport them to treatment plants. The inherent advantages of in-situ remediation technologies are related to cost, safety and ease of compliance. The cost reduction mostly stems from the reduced use of machines and man-power to remove materials from treatment sites, which can add labor cost, plus cost of equipment and fuel.

Health and safety are aided as the risk of physical contact of workers with the hazardous materials is greatly reduced. Arcadis has a strong health and safety program, geared towards seeing to the residual risks which remain in these projects. Finally, compliance with environmental standards is easier to manage, as no materials leave the site, unless this is unavoidable for proper treatment. In 2017, no material environmental non-compliance issues were reported within Arcadis (2016: nil).





**% OF REVENUES THAT RELATE TO RELEVANT SDGS**

from 2018 onwards

**CLIMATE CHANGE**



Arcadis has broad consulting capabilities related to climate change. These range from strategy development and carbon footprint reporting to consulting on preventing or reducing the causes of climate change. The Paris climate accord represents a significant opportunity for Arcadis, as it requires both governments and private companies to take steps to significantly reduce carbon outputs and increase climate resilience over the next decades.

Our strength in climate change consulting mainly lies in helping clients address the climate issue in their operations to create a lasting positive impact. This can range from climate change mitigation strategies in supply chains and energy efficiency solutions in industrial processes, all the way through to embedded carbon analysis in material choices and energy-efficient designs in buildings and infrastructure. Additionally, we work with our clients on climate change adaptation strategies. We do this mainly for urban clients, either creating resilient adaptation measures or strategies.

For many of our industrial clients, climate change can have a major impact on their assets and liabilities. Given the consulting nature of our activities, this impact is thought to be limited for Arcadis and therefore not listed as a risk to the firm, but rather as an opportunity. However, where possible, the Company is addressing climate change in its operations through actions directed at reducing its carbon footprint and will perform a risk assessment of its own operations based on the work of the Task Force of Climate Change Related Disclosure. The experience gained through this can then also be applied to work for clients.

**CIRCULAR ECONOMY**

Looking beyond the current ‘take, make and dispose’ extractive industrial model, the circular economy is restorative and regenerative by design. Relying on system-wide innovation, it aims to redefine products and services to design waste out, while minimizing negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural, and social capital.

In 2017, Arcadis worked on the development of its own circular economy strategy, identifying opportunities where it can help its clients develop a vision, strategy or action plans related to circular thinking and working. At a tactical level, Arcadis can provide clients with advice on how circular thinking impacts policies and how it relates to sustainability programs. Operationally, Arcadis plays a role in designing circular solutions for construction projects, area development, reuse of buildings and many other concepts.

In 2017, Arcadis developed the Business Guide to Circular Water Management for the World Business Council for Sustainable Development (WBCSD). The principle of this approach is to minimize water consumption by pursuing the ‘5Rs’ approach: reducing, reusing, and recycling water, while recovering resources and replenishing water ecosystems. Arcadis was the lead author of the business guide. Together with best practices obtained from working group members of WBCSD, we distilled ways to implement the 5Rs approach with a focus on reducing, reusing, and recycling water.

Securing water of sufficient quantity and quality is one of the most important challenges facing the world today. It affects present and future generations, and has significant implications for business, society, and the environment. In 2016, many of the world’s largest companies reported \$14 billion in water-related impacts including drought, flooding or water stress – five times more than the previous year.



This Business Guide to Circular Water Management is designed to equip business decision-makers with the tools they need to understand how to overcome internal and external barriers to implementing circular water management solutions. It will also help businesses understand how and why water regulations matter, and what best practices already exist.

**DISCLOSURES RELATED TO ENVIRONMENTAL MATTERS**

Arcadis has a Global Sustainability Policy through which, in relation to environmental matters, the company commits to the following:

- Through provision of our services, to promote and achieve reduced negative impacts and maximized positive impacts for our clients.
- Where possible, avoid or reduce negative impacts from our own activities and operations.
- Work with our suppliers and partners to select products and services which are socially, economically and environmentally responsible.
- Empower and encourage our people, through training and our senior leaders, to embrace sustainable practices in everything we do.
- As a minimum, comply with legislation and regulatory requirements that apply to our operations and our project activities.
- Measure our impacts effectively and monitor our performance through key performance indicators.
- Set appropriate targets and strive for continuous improvement. This includes, but is not limited to the issues of energy, water, waste and carbon.

This policy is implemented at a regional level to reflect the varying challenges and priorities in different localities. Performance is reported to the Executive Board and made available to our stakeholders as appropriate.

**OUTCOMES OF THE POLICY**

In 2017, Arcadis NV opted for the implementation of a certified Energy Management System in accordance with ISO 50001, working towards a structural improvement of its energy performance. As a result, Arcadis NV is compliant with local regulations, and formulates tailor-made measures that contribute to energy savings. For example, Arcadis NVs carbon reduction goal is to reduce 30% MT CO<sub>2</sub> per FTE and 20% energy (GJ) per FTE in 2025 compared to 2015. To achieve this target, the program will mainly focus on reducing travel by plane, the biggest source of carbon dioxide. Our renewed Travel Policy discourages air travel in favor of virtual meetings. At the same time, short distance air travel is replaced by alternative travel methods with less carbon impact, such as train travel. The program also foresees certified green energy to be introduced to the Amsterdam offices of the company during 2018.

In North America, Arcadis is in the process of refurbishing its office portfolio to align it with our sustainable corporate real estate guidelines. During this program in 2017, the company has been able to reuse, repurpose, or recycle almost one million pounds of used but functional office furniture and products. In the process, much-needed office items were donated to over 30 charitable organizations across the United States and Latin America. This includes many US fire departments and schools, in addition to charitable organizations in Haiti and El Salvador. Please refer to the section on Enterprise Risk Management for details on risk mitigation on respect of this topic (page 130 to 139). In general, for key performance indicators, please refer to the Connectivity matrix on page 37.

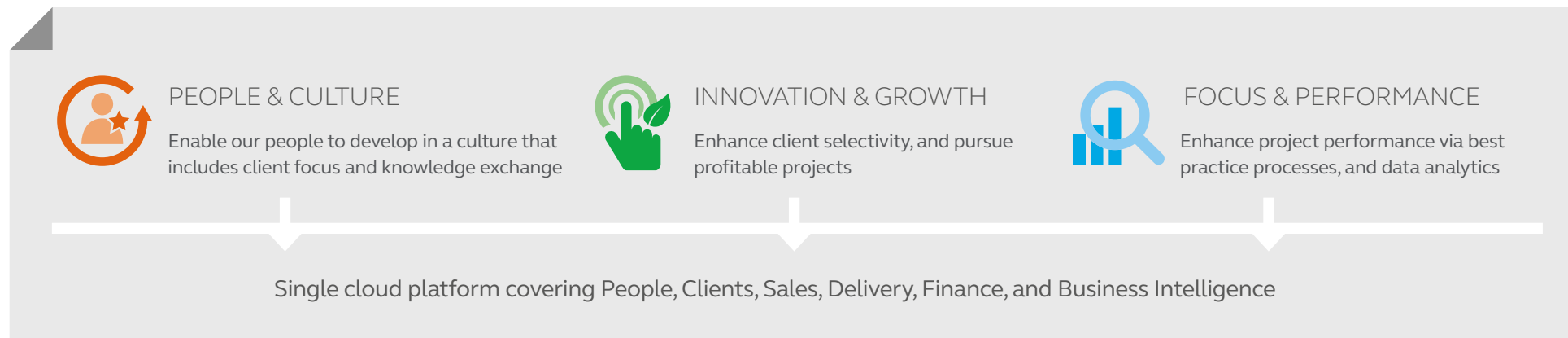


[www.arcadis.com/en/global/who-we-are/business-practices/human-rights-and-labor-rights-policy/](http://www.arcadis.com/en/global/who-we-are/business-practices/human-rights-and-labor-rights-policy/)

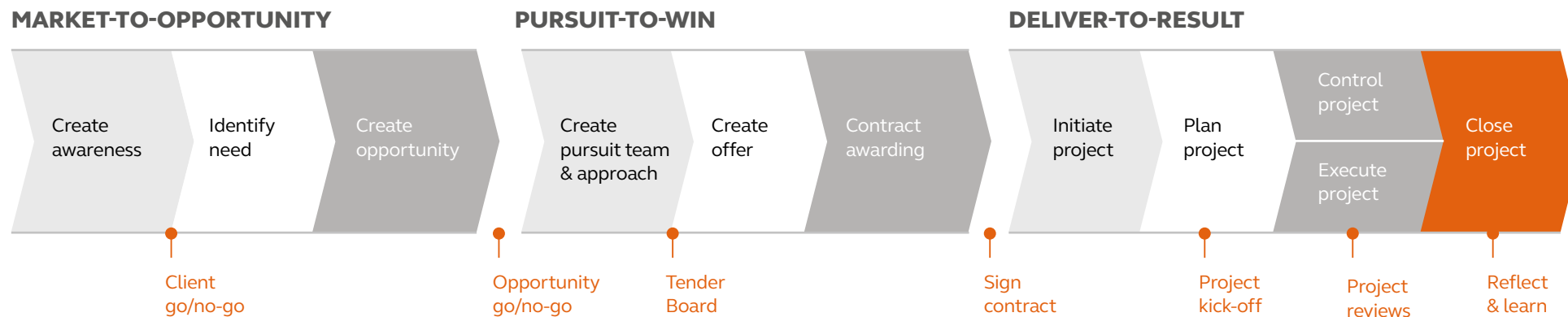
## THE ARCADIS WAY

Implementing harmonized business processes, supporting technologies and behaviors, creates a global way of working. The Arcadis Way enables employees to grow and provide superior value to clients, realize their potential, and work jointly towards common goals, based on shared values. In 2017, the Arcadis Way was implemented in Australia, the Middle East, the UK, and the GECs (Philippines and India).

### OUR HARMONIZED WAY OF WORKING



### KEY PROCESSES AND OPERATIONAL CONTROL POINTS FOR PROJECTS





## HIGH-TECH FUTURE FOR HISTORICAL BUILDING



**ABB BERLIN BUILDING**

**BERLIN, GERMANY**

Company ABB, world leader in industry 4.0 technologies, intends to expand its training center, located in an industrial heritage building in Berlin. Teaming up with Berlin's Technical University, Arcadis delivers state-of-the-art BIM (Building Information Modeling) for the overall lifecycle of the facility, thus ensuring sustainable and efficient design, construction, and operation of the center.

### IMPACT

- The new ABB training center will accommodate 60 additional trainees and a new cafeteria.
- A highlight of the new facility will be the ABB Technology Showroom for digitized production and delivery procedures.
- The cutting-edge BIM concept includes maximum energy efficiency with long-term monitoring using ABB technologies.
- Start of operation will be in 2019.
- The €5 million investment is financed by the State of Berlin.
- All stakeholders involved, including public authorities, use the BIM platform for project-related communication and coordination.



## DRIVING CLIENT SUCCESS THROUGH DRONE TECHNOLOGY



**QATAR NATIONAL VISION 2030 – ORBITAL HIGHWAY PROJECT**

**DOHA, QATAR**

Drones are much more than just cool gadgets, they are tools that are enabling us to deliver great work for our clients in a safer, faster, and more cost-effective way than ever before.

### IMPACT

- Arcadis was the first design & consultancy in Qatar to secure the authorization required to use drone technology for engineering applications.
- Arcadis provided volumetric calculations for the earthwork spread of parts of the Orbital Highway, a new 195km expressway in Qatar.
- Increased precision and efficiency in volume calculations resulted in more accurate design outputs, lower safety risks, and better client outcomes.



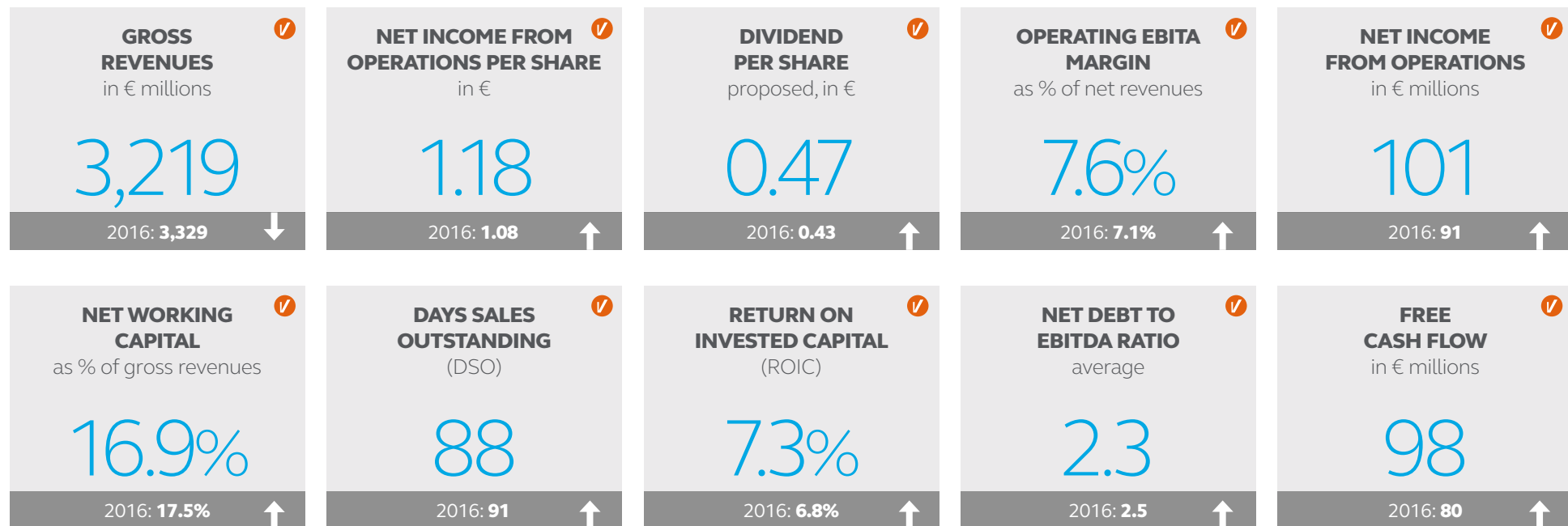


# PERFORMANCE & DEVELOPMENTS

## FOCUS & PERFORMANCE

### FOCUS WHERE WE CAN LEAD, AND DELIVER CLIENT AND PROJECT EXCELLENCE

At Arcadis, we build leadership positions based on relevance for clients, local presence, and global positions. Businesses that fail to meet our criteria are de-prioritized. Consistency is created through the Arcadis Way. We can offer competitive delivery models by increasing the utilization of our Global Excellence Centers.



↑ Improvement  
↔ Unchanged  
↓ Deterioration

ⓧ For definitions and methods of measure for these indicators please refer to page 251. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ⓧ symbol (2017 only). See page 243 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.





# FOCUS & PERFORMANCE

## HIGHLIGHTS FOR THE YEAR

- Full year gross revenues €3.2 billion. Net revenues €2.4 billion, organic growth 1%
- Full year operating EBITA +6% €186 million; operating margin improved to 7.6%
- Net income from operations +11% to €101 million
- Net working capital improved to 16.9% versus 17.5% in 2016

- Net debt/EBITDA at year-end 2.1, primarily from €98 million free cash flow
- Market consultation process for CallisonRTKL started to assess viability of sale
- Proposed dividend €0.47 per share (2016: €0.43); pay-out ratio unchanged at 40%
- Confirms revenue growth and improved operating margin in 2018



## CEO STATEMENT

In 2017, we focused strongly on organic growth, and on reducing our cost and working capital. I am pleased that we improved our financial performance as the year progressed. Our fourth quarter results were strong, with organic net revenue growth of 3%, and a higher operating EBITA. This led to solid cash flow generation and reduced debt.

While our primary focus is on organic growth, we will continue to look for opportunities to further expand our digital and data expertise, as evidenced by the recent acquisitions of E2 ManageTech and SEAMS. As a next step in the strategic review of CallisonRTKL, our architectural business representing approximately 10% of our global revenues, we started a market consultation to assess the viability of a sale.

In the coming years we expect to see the benefits from our updated strategy 'Creating a sustainable future', which we presented end of November 2017. Our strategy is based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance. Global trends like climate change, sustainable industries and expanding cities are creating opportunities for Arcadis.

Our strategic priorities are clear:

- Invest in people to build the workforce of the future
- Become a digital frontrunner in the industry
- Focus on selecting profitable clients and on improvements in project delivery
- Choose geographies, businesses and projects where we can lead

We see a positive outlook for most of our markets, and I am convinced that the execution of our strategy will deliver further revenue growth and operating margin improvement in the years ahead.

## DIRECT ECONOMIC VALUE GENERATED



Gross revenues amounted to €3,219 million, and declined organically by 1%. Net revenues amounted to €2,437 million, and increased organically by 1%. North America, Continental Europe, the UK, and Australia delivered organic growth compensating for a decrease in other regions.

In the Americas, the organic net revenue decline of 2% consists of 2% growth in North America from all business lines, and a 26% decrease in Latin America due to the economic situation in Brazil. In Europe & Middle East, the organic net revenue growth of 4% included an increase of 6% in Continental Europe, and 7% in the UK, which more than compensated for a 10% decrease in the Middle East, which was lower due to more selective bidding and lower demand. Organic net revenue growth in Asia Pacific was 2%, with 12% organic growth in Australia more than compensation for a 2% decline in Asia. CallisonRTKL net revenues declined organically by 3%, largely driven by adverse developments in US commercial real estate and healthcare markets.



## DIRECT ECONOMIC VALUE DISTRIBUTED



## ARCADIS SHARES IN GENERAL

Arcadis shares are listed on Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). The average daily trading volume in Arcadis shares on Euronext Amsterdam in 2017 was 261,937 shares (2016: 334,721). Of the total volume traded, 66% of the shares were traded via Euronext, 13% via Turquoise, 13% via CHI-X, 3% via Equiduct, and 5% via BATS. In 2017, the volume in Arcadis options was 159,481 (2016: 90,118).

As at 31 December 2017, and pursuant to the Dutch Financial Supervision Act, the largest shareholders in Arcadis were:

Stichting Lovinklaan	18.20%
Fidelity Management & Research	9.85%
APG Asset Management	9.79%
Vereniging KNHM	3.88%

Arcadis has an active investor relations policy aimed at supporting the Company's long-term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments. To emphasize its focus on the long term, Arcadis releases a trading update for the first and third quarters of the year, and a full set of financial results for the full and half-year.

Twice a year, at the presentation of its full-year and half-year results, Arcadis holds a financial press and analyst conference, which is broadcasted live over the internet. A conference call and webcast are also held for financial analysts and investors at the presentation of the first and third quarter trading updates.

As part of its communications policy, Arcadis regularly keeps the public informed about other important developments, such as significant project wins or acquisitions, through ad hoc press releases.

In 2017, Arcadis held investor roadshows and participated in investor conferences in the world's major financial centers including New York, Boston, London, Paris, Frankfurt, Munich, Amsterdam, Toronto, and Montreal, while also hosting reverse roadshows for investors at its offices. Approximately 250 investor meetings were held in the year. Arcadis is currently covered by seven financial analysts.

The Annual General Meeting of Shareholders is scheduled for 24 April 2018 2.00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available in March 2018 from the Company upon request, and will be published on the Company's website.

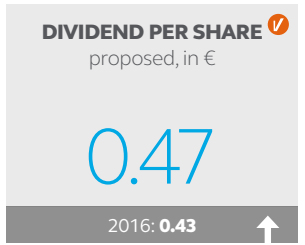
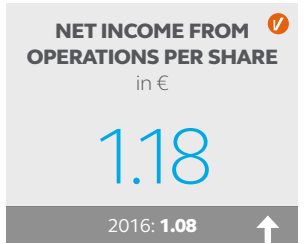
## NUMBER OF OUTSTANDING ORDINARY SHARES

The total number of outstanding ordinary shares as at 31 December 2017 was 86,463,058 (see note 23 of the Consolidated financial statements). During 2017, 419,042 million shares were repurchased to cover obligations related to incentive plans, while 749,585 previously repurchased shares were used for the exercising of options, and another 1,340,343 shares were issued for stock dividend.

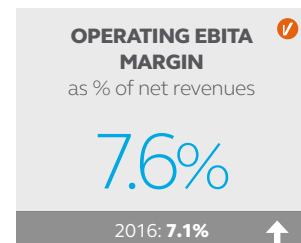
The average number of shares, used for calculating earnings per share, increased to 85.9 million (2016: 84.1 million). For more information on the number of outstanding shares and options, and on share purchase plans, see notes 8, 11 and 23 to the Consolidated financial statements.

## SHARE PRICE DEVELOPMENT

On the last trading day of 2017, the Arcadis share price closed at €19.05, while on the last trading day of 2016 it closed at €13.33, a year-on-year absolute increase of 42.9%. Including reinvested dividends, the total return was 46.8%. The development of the Arcadis share compared to the peer group companies is shown in the graph on page 81.







The peer group consisted of the following international, publicly listed companies in the consulting and engineering industry with activities and a size comparable to those of Arcadis: Aecom (New York Stock Exchange); Cardno (Australian Securities Exchange); Hill International (New York Stock Exchange); Jacobs (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); SNC-Lavalin (Toronto Stock Exchange); Sweco (The Nordic Exchange, Stockholm); Tetra Tech (NASDAQ); WSP (Toronto Stock Exchange); Stantec (New York Stock Exchange); Wood Group (London Stock Exchange); Worley Parsons (Australian Securities Exchange).

**EARNINGS PER SHARE**

The basic earnings per share for 2017 amounted to €0.82 (2016: €0.76). Earnings per share based on Net Income from Operations amounted to €1.18 (2016: €1.08). See note 11 to the Consolidated financial statements for further details.

**DIVIDEND PER SHARE (POLICY AND PROPOSAL)**

Arcadis' dividend policy is aimed at dividend stability and a pay-out of 30 - 40% of net income from operations, to provide shareholders a respectable dividend yield, to maintain a healthy financial structure, and to retain sufficient earnings in order to grow both organically and through acquisitions.

For the year 2017, a dividend is being proposed of €0.47 per share. This represents a pay-out of 40% of net income from operations. As in the previous year, shareholders will be offered the choice between a cash dividend or a dividend in shares, with further details to be provided in the agenda for the Annual General Meeting of Shareholders.

**PROFIT AND LOSS PERFORMANCE**

**CONNECTED MATERIAL TOPIC**

5

Important to these stakeholders: **Investors, management**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

The profit and loss performance of Arcadis in 2017 and 2016 is summarized as follows (see also the Consolidated financial statements):

In € millions	2017	2016
Operating income reported	129.9	113.6
Depreciation and amortization	39.6	41.1
Amortization other intangible assets	31.0	37.7
Impairment charges	-	15.0
<b>EBITDA</b>	<b>200.5</b>	<b>207.4</b>
EBITA	160.9	166.3
Non-operating costs	25.5	9.2
<b>OPERATING EBITA</b>	<b>186.4</b>	<b>175.5</b>

**EBITDA, EBITA, AND OPERATING INCOME**

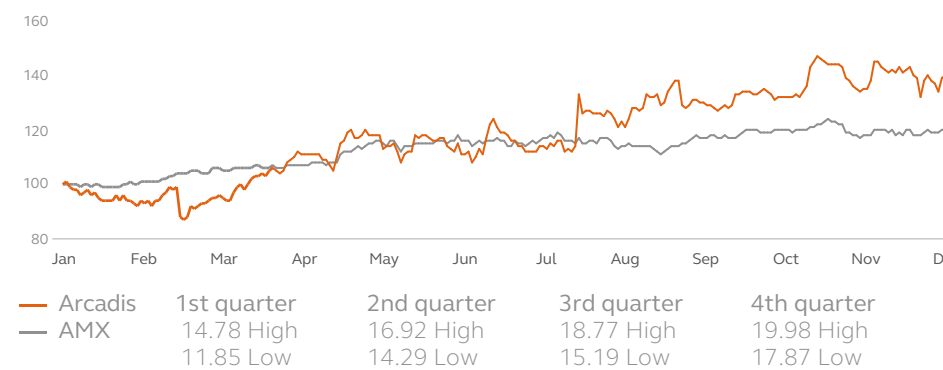
Our EBITDA in the year was €200 million (2016: €207 million). EBITA decreased by 3% to €161 million compared to €166 million in 2016, which included a €19 million litigation provision release.

Operating EBITA increased by 6% to €186 million (2016: €175 million), as higher results in North America and Continental Europe compensated for lower results in especially the Middle East. The operating EBITA margin was 7.6% (2016: 7.1%). Non-operating costs were €25 million (2016: €9 million), mainly related to restructuring in Brazil and Continental Europe, and acquisitions and divestments.

Operating income increased 14% to €130 million (2016: €114 million). Arcadis uses operating EBITA to measure the financial performance of operations, while EBITDA is used for debt covenant purposes.



**ARCADIS (EURONEXT) AGAINST AMX**



**PERSONNEL COSTS**

Personnel costs were €1,866 million, a 2% decrease compared to the previous year (2016: €1,897 million). Our global workforce increased by 1% versus December 2016 (ca. 300 FTEs). The number of people in the regions fell by ca. 270 FTEs (-1%), while the Global Excellence Centers added around 570 FTEs (+28%).

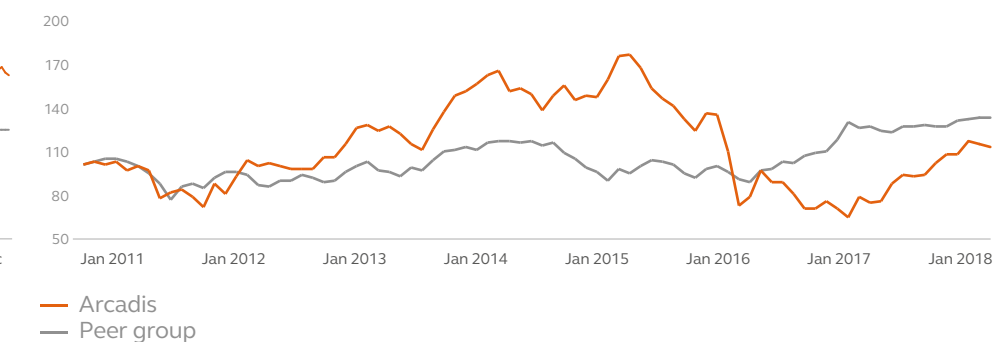
**OTHER OPERATIONAL COSTS**

Other operational costs were €371 million, 1% higher than the previous year (2016: €368 million).

**DEPRECIATION AND AMORTIZATION**

Depreciation and amortization of property, plants and equipment and software was €40 million (2016: €41 million). Identifiable intangible assets related to acquisitions such as the profit included in backlog, customer relationships, and brand values are amortized. This amortization decreased to €31 million (2016: €38 million).

**ARCADIS (EURONEXT) AGAINST PEER GROUP**



**IMPAIRMENT OF ASSETS**

The outcome of the goodwill impairment test calculation at year-end 2017 revealed that the recoverable amount of the Company increased compared to year-end 2016, with a corresponding increase in headroom, and as such did not result in impairments. In 2016, there was a goodwill impairment of €15 million on the Cash Generating Unit (CGU) Latin America.

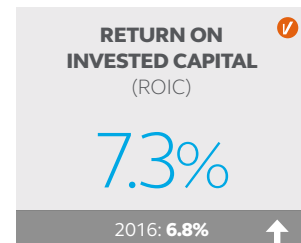
**NET FINANCE EXPENSE**

The lower net finance expense was principally driven by lower costs associated with hedging emerging market loans, and higher interest income generated on local BRL loans to associates. Higher interest rates on floating US\$ bank loans were offset by the weaker US\$ when the costs were translated into euro equivalents during 2017. Net interest expenses in 2017 amounted to €24 million (2016: €27 million).

**RESULTS FOR ASSOCIATES AND JOINT VENTURES**

Income from associates was a loss of €12 million (2016: loss of €3 million), largely related to non-core clean energy assets in Brazil. Arcadis is investing up to €20 million to optimize asset value, ahead of a future divestment.





**INCOME TAXES**

The effective income tax rate was 19.7% (2016: 19.3%). The US tax reform was the main reason for the reduced effective income tax rate compared to the rate in the first half of 2017 (29.9%).

In 2016, the effective income tax rate was impacted by the goodwill impairment, and non-recognized losses. However, this was compensated by various positive adjustments relating to prior years and release of certain tax provisions.

**NET INCOME (FROM OPERATIONS)**

Our Net Income in the year improved by 10% to €71 million (2016: €64 million), or €0.82 per share (2016: €0.76). Net income from operations increased by 11% to €101 million (2016: €91 million), or €1.18 per share (2016: €1.08).

**BALANCE SHEET PERFORMANCE**

CONNECTED MATERIAL TOPIC

8

Important to these stakeholders:  
**Investors, employees**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

Year-on-year, the balance sheet total decreased to €2,707 million (2016: €2,868 million), mainly related to exchange rate effects of the weaker US dollar and the British pound. The total amount of intangible assets, including goodwill, declined to €1,074 million (2016: €1,170 million), mainly impacted by exchange rate effects and amortization.

**INVESTMENTS**

Investments in (in)tangible assets (excluding acquisitions) decreased to €59 million (2016: €65 million), due to less investments in offices.

**(NET) WORKING CAPITAL & DAYS SALES OUTSTANDING (DSO)**

Working capital as a percentage of gross revenues was 16.9% (Q4 2016: 17.5%). The Days Sales Outstanding (DSO) improved to 88 days (2016: 91 days).

As at 31 December, net working capital, and net working capital as a percentage of gross revenues are calculated as follows:

In € millions	2017	2016
Work in progress (unbilled receivables)	486	518
Trade receivables (excl. receivables from associates)	578	620
Work in progress (billing in excess of cost)	(284)	(287)
Accounts payable	(237)	(253)
<b>NET WORKING CAPITAL</b>	<b>543</b>	<b>598</b>
Q4 gross revenues, annualized	3,219	3,417
<b>NET WORKING CAPITAL AS % OF GROSS REVENUES</b>	<b>16.9%</b>	<b>17.5%</b>

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at year-end amounted to €268 million (2016: €260 million).

**EQUITY**

The movements in total equity are summarized in the Consolidated statement of changes in equity on page 162.

**LOANS AND BORROWINGS**

Long-term loans and borrowings decreased to €474 million (2016: €700 million). Short-term loans and borrowings, including the current portion of long-term debt, was €214 million (2016: €55 million). At year-end 2017, €430 million in short-term credit facilities were available (2016: €401 million). As part of these facilities, bank guarantees and security bonds (mostly project-related) outstanding amounted to €202 million (2016: €215 million). Total equity was €981 million, compared to €1,002 million, at year-end 2016.



**NET DEBT**

Net debt, which is defined as interest bearing debt minus cash and cash equivalents, was €416 million (2016: €494 million). Interest bearing debt also includes after-payment obligations related to acquisitions, totaling €8 million (2016: €4 million).

**BALANCE SHEET RATIOS**

The year-end net debt to EBITDA ratio was 2.1 (2016: 2.3). Based on the average net debt for June 2017 and December 2017, the leverage ratio per the bank covenants was 2.3 (2016: 2.5). The interest coverage ratio was 7 (2016: 6). The return on invested capital was 7.3% (2016: 6.8%).

Also, the other balance sheet ratios remained solid at year-end 2017:

- Net debt to equity ratio was 0.4 (2016: 0.5)
- Lease-adjusted interest coverage ratio was 2.4 (2016: 2.3).

Covenants in loan agreements with banks stipulate that the average net debt to EBITDA ratio should be below 3.0, which is measured twice a year: at year-end and at end of June. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, divided by the (pro-forma) EBITDA of the twelve months preceding. According to this definition, the average net debt to EBITDA ratio at year-end 2017 was 2.3 (2016: 2.5). Arcadis' long-term goal is a net debt to EBITDA ratio between 1.0 and 2.0.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense ratio must exceed 1.75, measured twice a year at year-end and at the end of June. At 31 December 2017, this ratio calculated in accordance with agreements with lenders is 2.4 (2016: 2.3).

**PERFORMANCE BY SEGMENT**

The four segments of Arcadis (Americas, Europe & Middle East, Asia Pacific, and CallisonRTKL) reflect the operating model and responsibilities of the members of the Executive Board. The performance and developments of these segments are described in more detail in the next sections of this Annual Integrated Report.

**CASH FLOW PERFORMANCE**

CONNECTED MATERIAL TOPIC

9

Important to these stakeholders:  
**Investors, management**

See our overview of material topics on page 29, and the connectivity matrix on pages 36 and 37.

Net working capital as a percentage of gross revenues was 16.9% (Q4 2016: 17.5%). The days sales outstanding (DSO) decreased to 88 days (2016: 91 days). Free cash flow improved to €98 million (2016: €80 million). Net debt at the end of December was €416 million (2016: €494 million), resulting in an improved covenant leverage ratio of 2.3 (2016: 2.5).



**FINANCIAL DATES**

The tentative financial publication dates for Arcadis NV in 2018 and H1 2019:

**19 April 2018**  
Trading update Q1 2018

**24 April 2018**  
Annual General Meeting of Shareholders

**26 April 2018**  
Ex-dividend date

**16 May 2018**  
Dividend payment

**26 July 2018**  
Press release Q2 2018, press call, interim financials H1 2018, analyst meeting + live web cast

**24 October 2018**  
Trading update Q3 2018

**14 February 2019**  
Press release Q4 2018, press call, full year results 2018, analyst meeting + live web cast

**18 April 2019**  
Trading update Q1 2019

**25 April 2019**  
Annual General Meeting of Shareholders

This calendar may be subject to change. For updates see the Company's website.



# PERFORMANCE BY SEGMENT

## EUROPE & MIDDLE EAST



Continental Europe  
United Kingdom  
Middle East

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

13,135

2016: 12,613

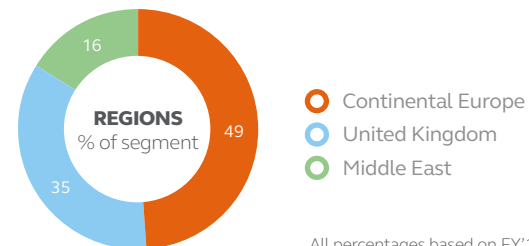
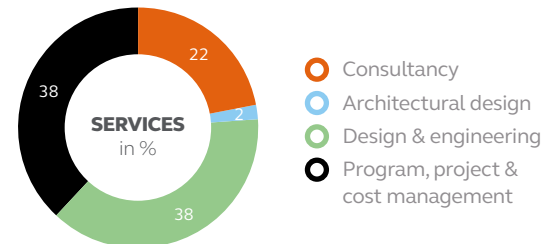
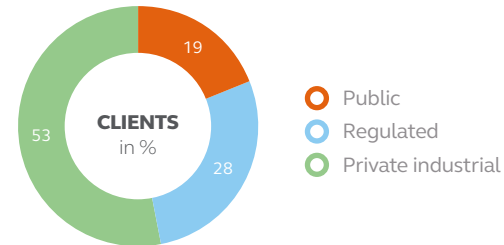
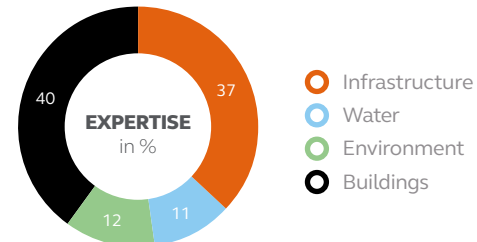
**% OF NET REVENUES**  
of total Arcadis

46%

2016: 45%

**CLIENTS**

ProRail, Rijkswaterstaat,  
Société du Grand Paris, Nike,  
Opel, Southern Water, HS2,  
Cross Rail 2, Jaguar Land  
Rover, Emaar, Vinci, Ashghal,  
Kahramaa, SABB



All percentages based on FY'17 net revenues



## PERFORMANCE IN 2017



PEOPLE & CULTURE

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

13,135

2016: 12,613 ↑

**EMPLOYEE ENGAGEMENT SCORE**  
on a scale of 0 - 4

3.04

2015: 3.04 ↔

**VOLUNTARY TURNOVER RATE**  
as % of total staff

12%

2016: 12% ↔

**TOTAL RECORDABLE CASE FREQUENCY**  
per 200,000 work hours

0.22

2016: 0.22 ↔

**FEMALES IN TOTAL WORKFORCE**  
as % of total staff

31%

2016: 30% ↑



INNOVATION & GROWTH

**ORGANIC REVENUE GROWTH**  
net revenues

4%

2016: 1% ↑

**REVENUE GROWTH KEY CLIENTS**  
net revenues

19%

2016: 17% ↑

**BOOK-TO-BILL RATIO**  
net revenues

1.07

2016: 0.99 ↑

**ARCADIS WAY IMPLEMENTATION PROGRESS**  
as % of net revenues

52%

2016: to start ↑

**ARCADIS' CARBON FOOTPRINT**  
MT CO<sub>2</sub> per FTE

3.43

2016: n/a



FOCUS & PERFORMANCE

**GROSS REVENUES**  
in € millions

1,337

2016: 1,398 ↓

**NET REVENUES**  
in € millions

1,113

2016: 1,117 ↓

**OPERATING EBITA MARGIN**  
as % of net revenues

7.6%

2016: 7.5% ↑

**NET WORKING CAPITAL**  
as % of gross revenues

20.0%

2016: 21.1% ↑

**DAYS SALES OUTSTANDING (DSO)**

96

2016: 100 ↑

↑ Improvement ↔ Unchanged ↓ Deterioration

## KEY BUSINESS DEVELOPMENTS IN 2017

In Continental Europe, the private sector is driving growth in revenues and order intake, and there is a clear focus on sustainability. In the UK, the lack of clarity concerning the consequences of Brexit is reducing client confidence. At the same time, the UK economy is still growing and provides real opportunities. In the Middle East, the regional dynamics is causing some business uncertainty, while the region is also embarking on a productivity-led transformation.

### KEY DEVELOPMENTS EUROPE & MIDDLE EAST

- Net revenues increased organically by 4%, and consisted of 6% growth in Continental Europe and a 7% increase in the UK. We reduced our revenue position in the Middle East by 10%, specifically in KSA and Qatar.

- Operating EBITA remains flat; a higher operating EBITA in Continental Europe compensated for lower results in the Middle East and a weaker British pound. Operating EBITA of Continental Europe improved in 2017. The overall operating EBITA margin for the segment improves slightly to 7.6%.

- Part of the Czech Republic business (Infrastructure expertise) was divested in Q3.



**STEPHAN RITTER**  
EXECUTIVE BOARD MEMBER  
RESPONSIBLE FOR EUROPE &  
MIDDLE EAST

**“In Europe and the UK, our success is driven by passionate people with sector, asset, and digital knowledge. This enables us to infuse knowledge into data, strengthening client relationships and improving business outcomes. In the Middle East, our objective is to de-risk through focus and selectivity.”**



### CONTINENTAL EUROPE MARKET DYNAMICS

Market trends and opportunities that we identified for Continental Europe include:

- significant focus on sustainability and urban resilience;
- continued investments in private sectors;
- increased spend in public sectors (with more country-based variability);
- success driven by asset knowledge, integrated offerings, and European coverage;
- asset know-how enabling us to infuse knowledge into data, strengthening client relationships and improving business outcomes;
- an increase in energy transition from fossil to renewable energy.

### STRATEGY IMPLEMENTATION IN CONTINENTAL EUROPE

While implementing the corporate strategy, Continental Europe will mainly focus on accelerating diversity and inclusion programs, and leveraging our brand position to attract and retain talent. Investments will be made in design, engineering, and project management capabilities, and project delivery will be improved. Global Excellence Centers will be made a natural component of the business model.

Priority will be given to:

- large programs and projects;
- energy transition from fossil to renewable energy;
- large cities;
- digital transformations with our clients.

### DEVELOPMENTS IN 2017

In 2017, net revenues in Continental Europe increased organically by 6%. This increase is visible throughout the region in the buildings market, and gradually also due to an increasing demand for our environmental and water expertise.

Examples of important new project wins and/or projects that were completed during 2017 include:

- Grand Paris Express Metro in France, for which Arcadis will be executing an €80 million contract. See page 91 for further details.
- Nike distribution center in Belgium, for which Arcadis provided structural and infrastructural engineering, support on biodiversity and LEED, and secured environmental permits. The project, awarded the Best Industrial and Logistics Development award at the MIPIM awards in Cannes, resulted in an energy-neutral storage and office complex. See page 93 for further details.
- New terminal at Schiphol Airport in the Netherlands, for which Arcadis secured a €20 million contract to perform project and construction management for the new terminal and pier. The expansion of the airport seeks to accommodate the ongoing growth in airline travel while improving the end-client experience. See page 92 for further details.
- Arcadis and its partner TU Berlin were commissioned to design a new building on a heritage industrial complex with 100% BIM. Simulations of user behavior, lifecycle cost analysis, and energy efficiency data are being integrated into the BIM model. See page 92 for further details.

Although the Arcadis Way will be fully implemented in Continental Europe in 2019, preparations for the implementation started in 2017, and will continue throughout 2018. The focus in 2017 was on processes and behaviors, with Continental Europe participating in project management trainings to identify best practices.

The number of employees in Continental Europe increased in 2017 to 6,264 (2016: 6,057), 35% of whom are female. The number of employees in the GECs supporting Continental Europe is approximately 5% of the number of employees in this region, and this is expected to increase in the future. Outcomes of the Your Voice employee engagement survey are being followed up, for example, by setting up workshops on Global Excellence Collaboration, to operationalize the One Team approach.



**UNITED KINGDOM  
MARKET DYNAMICS**

Market trends and opportunities that we identified for the UK include:

- lack of clarity on Brexit causes lower client confidence;
- UK economy still growing and has real opportunity;
- lower pound is bringing continued foreign investment;
- housing is a key issue – 200,000 additional homes needed;
- the volume of major infrastructure projects will stretch the Government purse and create the need for external investment.

**STRATEGY IMPLEMENTATION IN THE UK**

While implementing the corporate strategy, the UK will mainly focus on developing the workforce of the future and improving employee engagement. Investments will be made to, amongst others, enhance the digital knowledge, strengthen the brand, and to become the partner of choice in certain focus areas. The Global Excellence Centers will be leveraged, which includes the use of data analytics.

**DEVELOPMENTS IN 2017**

In 2017, net revenues in the UK increased organically by 7%. This increase is mainly due to increased demand in the buildings market, as well as continued investments in (rail) infrastructure, various water project wins, and increased strategic environmental consultancy services.

Examples of important new project wins and/or projects that were completed during 2017 include:

- New Scotland Yard office in London, for which Arcadis provides cost and project management services. The developed modern, agile new headquarters was awarded The Prime Minister’s Award for Better Public Building at the 2017 British Construction Industry Awards. See page 90 for further details.

- Belfast Transport hub in Belfast, for which Arcadis creates an integrated public transport hub that will provide a world-class gateway for Belfast, linking it to national and international markets. The developments open up opportunities for significant private investments, creating new jobs and regeneration opportunities throughout the surrounding neighborhoods.
- Lower Thames Crossing in London, for which Arcadis created a multi-disciplinary 3D-model that can feed into a future asset management database, enabling Highways England to undertake proactive maintenance.
- Otterpool Park residential area, for which Arcadis is exploring how technology and digitalization can be used in the next generation of garden settlements. See page 22 for further details.
- Arcadis, as the principal party in a Design Joint Venture with Setec and COWI, has begun work designing two key sections of the future high-speed rail line – HS2 Phase I – that will link London and Birmingham by 2026. The design team are working as sub-contractor for CEK, the partnership between Carillion, Eiffage, and Kier.

The Arcadis Way, including the technology that enables this, was implemented in the UK in the second half of 2017. This resulted in many employees following trainings during the year, relating to project management.

The number of employees in the UK increased in 2017 to 4,434 (2016: 4,097), 29% of whom are female. The number of employees in the GECs supporting the UK is approximately 12% of the number of employees in this region, and this is seen as a growth booster for the UK, leading to the adoption of new technologies and efficiency gains. Outcomes of the Your Voice employee engagement survey are being followed up, amongst others by engaging with employees to develop action plans, building an employee value proposition, and launching new learning and development modules.



**MIDDLE EAST  
MARKET DYNAMICS**

Market trends and opportunities that we identified for the Middle East include:

- regional dynamics causing business uncertainty;
- major projects reprioritized due to budget deficits related to the oil price;
- region has been embarking on a productivity-led transformation;
- national Visions (UAE National Vision 2021, Qatar National Vision 2030, KSA National Vision 2030) will provide future opportunities.

**STRATEGY IMPLEMENTATION IN THE MIDDLE EAST**

While implementing the corporate strategy, the Middle East will mainly focus on attracting mobile talent and become the employer of choice. There will be an increased focus on project, program, and cost management, relationships with key contractors will be enhanced, and the Arcadis Way will be leveraged to drive project performance. A clear choice will be made for projects and business where we can lead.

**DEVELOPMENTS IN 2017**

In 2017, net revenues in the Middle East decreased organically by 10%. The UAE was the most active market with a stable performance, but revenues decreased in Qatar and Saudi Arabia. This was, amongst others, due to delayed project start dates.

Examples of important new project wins and/or projects that were completed during 2017 include:

- City Walk in the UAE, for which Arcadis was appointed to provide lead consultant, design, and supervision services for 34 buildings on leisure, retail, and entertainment facilities.
- SABB headquarter in KSA, for which Arcadis is providing integrated engineering (MEP), traffic planning, site supervision, and cost management solutions as well as landscape, waste, and security advice for this first fully-certified LEED Gold building that we designed and built in KSA.



- National Vision 2030 – Orbital highway in Qatar, for which Arcadis provided volumetric calculations for the earthwork spread of the Orbital Highway by using drone technology. See page 75 for further details.

The number of employees in the Middle East decreased in 2017 to 2,175 (2016: 2,234), 20% of whom are female. The number of employees in the GECs supporting the Middle East is approximately 32% of the number of employees in this region, which is an increase compared to the previous year. More work will be transitioned to the Global Excellence Centers in the future. Outcomes of the Your Voice employee engagement survey are being followed up.

The Arcadis Way was implemented in the Middle East mid-2017. This resulted in many employees following trainings, for example, relating to project management.

**SEGMENT FINANCIAL RESULTS**

The overall financial results of the segment in 2017 were as follows:

In € millions	Revenues		Revenue growth			
	2017	2016	Total	Organic	Acquisitions	Currency
Gross revenues	1,337	1,398	-4%	0%	-1%	-3%
Net revenues	1,113	1,117	0%	4%	-1%	-3%
					2017	2016
EBITA					74.0	67.0
EBITA margin					6.7%	6.0%
Operating EBITA <sup>1</sup>					84.3	83.9
Operating EBITA margin					7.6%	7.5%

<sup>1</sup> Operating EBITA excludes acquisitions, restructuring, and integration-related costs





# AGILE AND MODERN NEW HEADQUARTERS



**NEW SCOTLAND  
YARD OFFICE**  
**LONDON,  
UNITED KINGDOM**

New Scotland Yard is a modern, agile headquarters appropriate for 21st Century policing and the international reputation of London's Metropolitan Police Service. The development of a new site, with cost and project management overseen by Arcadis, meant that the previous premises could be disposed of. As a result, over £200 million of net capital benefit was released and reinvested back into frontline policing.

### IMPACT

- Arcadis provided cost and project management for the development of a modern, agile new headquarters called New Scotland Yard.
- The building is considered to be of special merit and local significance, and provides a welcoming and open face for the organization due to extensive remodeling and extension of the existing building.
- Awarded The Prime Minister's Award for Better Public Building at the 2017 British Construction Industry Awards.



# ENHANCING ECONOMIC GROWTH IN PARIS

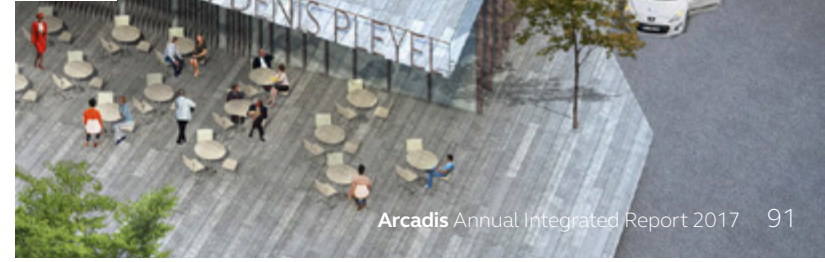


**GRAND PARIS  
EXPRESS METRO**  
**PARIS, FRANCE**

Grand Paris Express is an ambitious program to develop the Paris region's transport network and upgrade existing lines, thus building a sustainable city.

### IMPACT

- Arcadis is executing a contract to deliver 60+ stations, and 200km+ of new metro lines, 90% of which will be underground.
- These metro lines are expected to carry two million passengers per day.
- We provide Program/Project/Contract/Procurement management, technical advisory, GIS data collection, land acquisition, and stakeholder management for the new metro lines 15,16, and 17.
- We also provide the design and construction management of the 35km-long line 18, connecting Orly Airport to Versailles, one third of which is above ground.





## NEW A-TERMINAL TO ACCOMMODATE GROWTH



NEW TERMINAL AT SCHIPHOL AIRPORT

SCHIPHOL, THE NETHERLANDS

The expansion of Amsterdam Schiphol Airport seeks to accommodate the ongoing growth in airline travel in the Netherlands and increased transfer traffic. The new terminal will connect to the existing terminal structures, allowing Amsterdam Schiphol Airport to maintain its competitive one-terminal concept, which allows for short transfer times between flights. After realization of the new terminal in 2023, Amsterdam Airport Schiphol can continue to grow towards eighty million passengers annually.

### IMPACT

- Arcadis won a €20 million contract to perform project and construction management for the new terminal and pier.
- Expanding capacity from 63 million passengers today to 80 million passengers in 2023.
- The expansion seeks to accommodate the ongoing growth in airline travel, improving the end-client experience.



## AN ENERGY-NEUTRAL STORAGE AND OFFICE COMPLEX



NIKE DISTRIBUTION CENTER

BELGIUM

With this state-of-the-art distribution center in the heart of Europe, NIKE can now serve a large network of retailers and consumers within Europe and the rest of the world.

### IMPACT

- The 180,000 m<sup>2</sup> complex is energy-neutral, using low-energy lighting, closed water loops, green roofs and walls, and environmentally-friendly hybrid robot cranes.
- Arcadis provided structural, infrastructure and MEP engineering, sustainable engineering solutions, support on biodiversity and LEED, initial mobility studies, and secured environmental permits.
- Awarded Best Industrial and Logistics Development at the MIPIM awards 2017 in Cannes.





# PERFORMANCE BY SEGMENT AMERICAS



**NUMBER OF EMPLOYEES**  
headcount as at 31 December

6,816

2016: 7,123

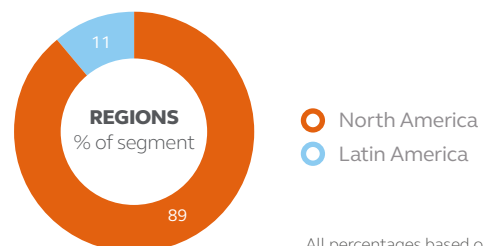
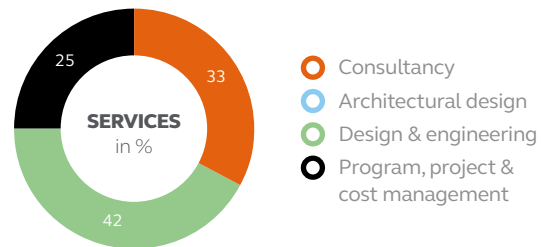
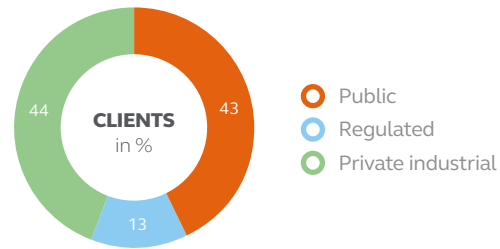
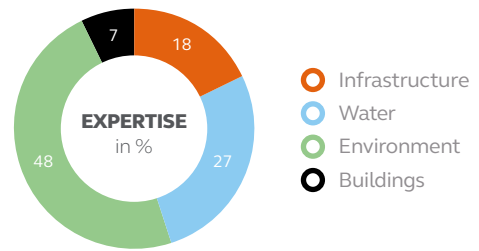
**% OF NET REVENUES**  
of total Arcadis

31%

2016: 31%

**CLIENTS**

Georgia DOT, USACE,  
Chevron, PG&E, GE  
SABESP, Vale, Vinci,  
Brookfield, Codelco,  
Embraer



All percentages based on FY'17 net revenues



## PERFORMANCE IN 2017



PEOPLE & CULTURE

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

6,816

2016: 7,123 ↓

**EMPLOYEE ENGAGEMENT SCORE**  
on a scale of 0 - 4

3.04

2015: 3.05 ↓

**VOLUNTARY TURNOVER RATE**  
as % of total staff

9%

2016: 10% ↑

**TOTAL RECORDABLE CASE FREQUENCY**  
per 200,000 work hours

0.56

2016: 0.53 ↓

**FEMALES IN TOTAL WORKFORCE**  
as % of total staff

36%

2016: 36% ↔



INNOVATION & GROWTH

**ORGANIC REVENUE GROWTH**  
net revenues

-2%

2016: -9% ↑

**REVENUE GROWTH KEY CLIENTS**  
net revenues

15%

2016: -9% ↑

**BOOK-TO-BILL RATIO**  
net revenues

0.97

2016: 0.94 ↑

**ARCADIS WAY IMPLEMENTATION PROGRESS**  
as % of net revenues

to start

2016: to start

**ARCADIS' CARBON FOOTPRINT**  
MT CO<sub>2</sub> per FTE

4.97

2016: n/a



FOCUS & PERFORMANCE

**GROSS REVENUES**  
in € millions

1,175

2016: 1,227 ↓

**NET REVENUES**  
in € millions

751

2016: 769 ↓

**OPERATING EBITA MARGIN**  
as % of net revenues

6.3%

2016: 4.7% ↑

**NET WORKING CAPITAL**  
as % of gross revenues

14.2%

2016: 14.9% ↑

**DAYS SALES OUTSTANDING (DSO)**

84

2016: 86 ↑

↑ Improvement ↔ Unchanged ↓ Deterioration



## KEY BUSINESS DEVELOPMENTS IN 2017

The overall market outlook is positive in North America. There is an increased spending in Infrastructure by local funding activities, and vulnerable cities are developing and implementing resiliency strategies. Our business in North America returned to organic growth after three years of decline, and improved its margins. In Latin America, after three consecutive years of recession, the Brazilian economy is starting to gain traction.

### KEY DEVELOPMENTS AMERICAS

- Gross revenues of the Americas for the year amounted to €1,175 million, a decrease of 4% compared to 2016. Net revenues declined organically by 2%, and consisted of 2% growth in North America, and a 26% decline in Latin America, due to the recession in Brazil.

- Operating EBITA improved 32%, due to a return to organic growth and improved margins in North America. Operating EBITA margin in North America increased from 7.1% to 8.1%. EBITA in Latin America was slightly better than last year, with an operating loss of €6 million (2016: loss of €8 million) and €9 million restructuring charges (2016: €8 million).

- End of July, North America acquired all shares in E2 ManageTech, an enterprise technology solutions company providing information technology and business services for the environmental, health and safety (EHS) market. In Brazil, additional investments will be made of up to €20 million, to optimize value creation of the non-core clean energy assets ahead of a future divestment.



**MARY ANN HOPKINS**  
EXECUTIVE BOARD MEMBER  
RESPONSIBLE FOR AMERICAS

**“The market fundamentals in North America are improving.** Infrastructure spending is increasing, and many vulnerable cities are developing and implementing resiliency strategies. This is important, because growth in the US and in urban resiliency is at the core of our organic growth ambition.”



### NORTH AMERICA MARKET DYNAMICS

Market trends and opportunities that we identified for North America include:

- increased infrastructure spending driven by local funding initiatives;
- increased use of Design-Build and Public-Private Partnerships;
- corporate social responsibility driving environmental priorities for private sector clients;
- vulnerable cities developing and implementing resiliency strategies;
- clients are expecting and embracing digital innovation.

### STRATEGY IMPLEMENTATION IN NORTH AMERICA

While implementing the corporate strategy, North America will focus on developing employees, recognizing and rewarding their performance, diversity, and becoming the employer of choice. Our aim is to grow in the infrastructure, water, and environmental markets. We will have special interest for key geographies, clients, market sector, and project delivery, with further leverage of the Global Excellence Centers.

### DEVELOPMENTS IN 2017

In 2017, net revenues in North America increased organically by 2%, mainly driven by the environmental and infrastructure businesses.

Examples of important new project wins and/or projects that were completed during 2017 include:

- Innovation for emerging contaminants. Arcadis assessing portfolio of 85 Army facilities across the US to determine extent of PFAS contamination. See page 100 for further details.
- Supporting Georgia's growing infrastructure needs. Arcadis provides full design and consulting support, including intelligent transportation systems, traffic operations, asset management, and maintenance.
- East side coastal resiliency in New York City, for which Arcadis designs resilient infrastructure to protect 200,000 residents and 21,000 businesses from floods. See page 99 for further details.

- Seawall resiliency project in San Francisco, for which Arcadis is selected together with CH2M to lead the design and engineering of the ten-year seawall resiliency project with a total contract fee of \$40 million. Arcadis, selected for its Dutch heritage of addressing coastal resiliency and broad experience in civil engineering and coastal protection in urban settings, will lead the risk analysis, coastal engineering, and modeling part of the project.

Preparations for the implementation of the Arcadis Way commenced in 2017, and North America is working towards a go-live in 2018. Preparatory activities included, amongst others, collaborating with other regions that already implemented the Arcadis Way to share best practices and lessons learned.

The number of employees in North America increased in 2017 to 5,197 (2016: 5,192), 36% of whom are female. The number of employees in the GECs supporting North America is approximately 4% of the number of employees in this region and this is expected to increase in the future to improve competitiveness. Outcomes of the Your Voice employee engagement survey are being followed up, for example, by dedicating time in executive meetings to People & Culture, upgrading on-boarding practices, and evaluating opportunities to improve the workplace environment in our upgraded and consolidated offices.



**LATIN AMERICA MARKET DYNAMICS**

Market trends and opportunities that we identified for Latin America include:

- macro-economic indicators improving in Brazil;
- private and foreign capital responding to concessions, PPPs, and M&A;
- foreign contractors entering or increasing presence in the region;
- signs of mining recovery in Chile, Brazil, and Peru;
- elections in Brazil creating uncertainty.

**STRATEGY IMPLEMENTATION IN LATIN AMERICA**

While implementing the corporate strategy, Latin America will mainly focus on rebuilding the spirit of the region after several years of contraction, engage employees and promote greater collaboration, introduce new technology to support the workforce of the future, and adjust its strategy towards new market trends. Growth will be pursued by leveraging global solutions and expertise from other countries and global client relationships with presence in the region. Optimized management and support structures and strengthening of design oversight and controls, and use of the Global Excellence Centers help to improve and make project delivery more competitive.

**DEVELOPMENTS IN 2017**

In 2017, net revenues in Latin America decreased organically by 26%, which was impacted by clients continuing to delay investment decisions, specifically in the infrastructure business. The environmental business in Brazil showed signs of improvement with better order intake. During the year, revenues have stabilized in Brazil after two years of decline. Revenues in Chile declined slightly, but margins have improved.

Examples of important new project wins and/or projects that were completed during 2017 include:

- basic design for a Metro project in a major urban area in Salvador, Brazil;
- detailed design for the Santiago Airport expansion;
- environmental impact assessments for leading mining clients in Chile;
- several socio-environmental and technical due diligences for large M&A transactions.

The Arcadis Way is expected to begin implementation in Latin America in 2019. The number of employees in Latin America decreased in 2017 to 1,438 (2016: 1,778), mainly in Brazil; while 37% of the employees are female. The region is starting to make use of the Global Excellence Centers. Outcomes of the Your Voice employee engagement survey are being followed up, for example, by promoting an intense and open communication platform with greater focus on training and career development.

**SEGMENT FINANCIAL RESULTS**

The overall financial results of the segment in 2017 were as follows:

In € millions	Revenues			Revenue growth		
	2017	2016	Total	Organic	Acquisitions	Currency
Gross revenues	1,175	1,227	-4%	-3%	0%	-1%
Net revenues	751	768	-2%	-2%	1%	-1%
					<b>2017</b>	<b>2016</b>
EBITA					36.0	26.3
EBITA margin					4.8%	3.4%
Operating EBITA <sup>1</sup>					47.5	36.1
Operating EBITA margin					6.3%	4.7%

<sup>1</sup> Operating EBITA excludes acquisitions, restructuring and integration-related costs



# DUTCH EXPERTISE FOR FUTURE FLOOD PROTECTION



**PROJECT TO STRENGTHEN NEW YORK CITY'S COASTLINE**

**NEW YORK, UNITED STATES OF AMERICA**

New York City is particularly vulnerable to the effects of sea level rise as proven by Hurricane Sandy's economic impacts several years ago. Arcadis is part of a team supporting the city's efforts to safeguard its Lower East Side against severe weather events and continued sea level rise.

**IMPACT**

- The East Coast Resiliency Project is an urban flood protection solution spanning 2.5 miles of Lower Manhattan, and is the first element of coastal storm and sea level rise defense system for the East Side and Lower Manhattan.
- The Arcadis team brings a wealth of expertise in climate change adaptability and resilience from its Dutch heritage, and from its experienced engineers who designed flood protection systems across the Louisiana coast following Hurricane Katrina.
- Following completion of the project's conceptual design and preliminary design phases, Arcadis will design flood protection solutions that merge into the urban fabric for 200,000 residents and 21,000 businesses.
- These solutions will strengthen coastal defenses and improve community enjoyment of existing parks while offering future flood protection and environmental benefits.





# INNOVATION FOR EMERGING CONTAMINANTS



**UNITED STATES DEPARTMENT OF DEFENSE - ARMY ENVIRONMENTAL COMMAND: PERFLUORO ALKYL SUBSTANCES (PFAS) PRELIMINARY ASSESSMENT/SITE INVESTIGATIONS**

**UNITED STATES OF AMERICA**

The group of chemicals known as per- and polyfluoroalkyl substances (PFAS) has come under increasing scientific and regulatory scrutiny in recent years as more is understood about their toxicity, their environmental persistence, and their potential to bioaccumulate.

### IMPACT

- The United States Army is committed to ensuring that soldiers, civilians, and family members have access to good-quality drinking water.
- In support of that commitment, the Army Environmental Command and US Army Corps of Engineers selected Arcadis to conduct preliminary assessments for PFAS at 82 installations and site inspections (SI) at three installations.
- Arcadis was selected to provide programmatic guidance for the Army as they launch their PFAS program. Assessing and remediating sites impacted with these chemicals presents many challenges, but Arcadis brings unique solutions to site characterization and treatment.
- Arcadis' goal is to help our federal clients address the significant potential in environmental liability they are projecting.



# PREVENTING POLLUTION OF THE TIETE RIVER



**PROGRAM MANAGEMENT FOR TIETE RIVER**

**SÃO PAULO, BRAZIL**

By supporting our client, focusing on its success increasing dramatically wastewater collection, and treatment in one of the world's most populated cities, Arcadis has improved quality of life of millions of people living in this metropolitan region.

### IMPACT

- Arcadis has supported SABESP for over 45 years with design and program management support to reduce pollution to the Tiete River.
- Over US\$15 billion has been invested to collect and treat wastewater.
- More than 22 million people benefiting from wastewater collection and treatment.





# PERFORMANCE BY SEGMENT ASIA PACIFIC



Asia  
Australia Pacific

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

5,664

2016: 5,534

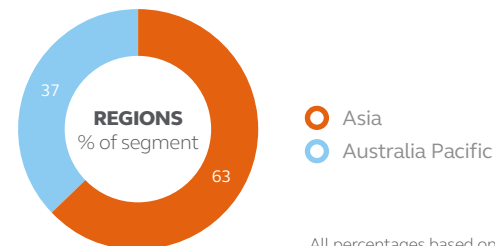
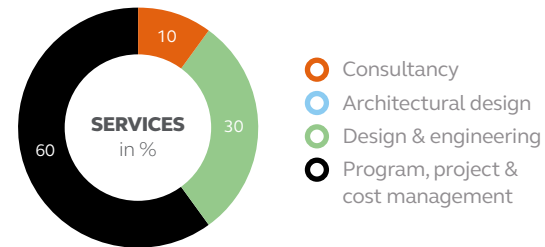
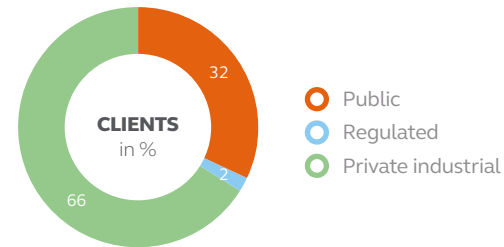
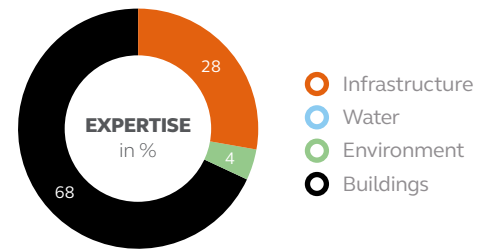
**% OF NET REVENUES**  
of total Arcadis

14%

2016: 14%

**CLIENTS**

Sung Hung Kai, China Resources, HSBC, Citi, Adidas, BMW, Huawei, Alibaba, (Regional) Government, LendLease, CPB, Acciona, Charter Hall, GPT



All percentages based on FY'17 net revenues



## PERFORMANCE IN 2017



PEOPLE & CULTURE

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

5,664

2016: 5,534 ↑

**EMPLOYEE ENGAGEMENT SCORE**  
on a scale of 0-4

2.98

2015: 3.05 ↓

**VOLUNTARY TURNOVER RATE**  
as % of total staff

26%

2016: 26% ↔

**TOTAL RECORDABLE CASE FREQUENCY**  
per 200,000 work hours

0.13

2016: 0.13 ↔

**FEMALES IN TOTAL WORKFORCE**  
as % of total staff

47%

2016: 46% ↑



INNOVATION & GROWTH

**ORGANIC REVENUE GROWTH**  
net revenues

2%

2016: -3% ↑

**REVENUE GROWTH KEY CLIENTS**  
net revenues

20%

2016: -12% ↑

**BOOK-TO-BILL RATIO**  
net revenues

1.08

2016: 0.81 ↑

**ARCADIS WAY IMPLEMENTATION PROGRESS**  
as % of net revenues

54%

2016: 19% ↑

**ARCADIS' CARBON FOOTPRINT**  
MT CO<sub>2</sub> per FTE

1.80

2016: n/a



FOCUS & PERFORMANCE

**GROSS REVENUES**  
in € millions

387

2016: 378 ↑

**NET REVENUES**  
in € millions

344

2016: 338 ↑

**OPERATING EBITA MARGIN**  
as % of net revenues

8.9%

2016: 9.3% ↓

**NET WORKING CAPITAL**  
as % of gross revenues

20.8%

2016: 20.0% ↓

**DAYS SALES OUTSTANDING (DSO)**

85

2016: 84 ↓

↑ Improvement ↔ Unchanged ↓ Deterioration



## KEY BUSINESS DEVELOPMENTS IN 2017

In Asia Pacific, we grow our business through our local depth and global expertise. In Asia, we see more opportunities in new sectors like logistics, leisure, and entertainment. In Australia, we benefit from a very strong infrastructure pipeline in Sydney and Melbourne driven by population growth and urban mobility, often financed through asset recycling.

### KEY DEVELOPMENTS ASIA PACIFIC

- Gross revenues of Asia Pacific for the year amounted to €387 million, an increase of 2% compared to 2016. Net revenues increased organically by 2%, and consisted of 12% growth in Australia Pacific, compensating a 2% decrease in Asia.

- Operating EBITA of Asia Pacific in 2017 slightly decreased compared to 2016, despite to higher results in Australia. The operating EBITA margin was 8.9%, and continued to be above group average.

- A small divestment of activities in Brunei was completed.



**STEPHANIE HOTTENHUIS**  
EXECUTIVE BOARD MEMBER  
RESPONSIBLE FOR ASIA PACIFIC

**“In Asia, like in many other parts of the world, we see an increased relevance of sustainability and water resilience in big cities. In Australia, we sustain the momentum in infrastructure and buildings as a result of high population growth in major cities.”**



### ASIA MARKET DYNAMICS

Market trends and opportunities that we identified for Asia include:

- significant growth in transportation and infrastructure;
- One Belt, One Road;
- increasing influence of Chinese investors in Asia and internationally;
- growth of new sectors; industrial, logistics, leisure, and entertainment;
- increased relevance of livability and water resilience in Asian cities.

### STRATEGY IMPLEMENTATION IN ASIA

While implementing the corporate strategy, Asia will mainly focus on becoming the employer of choice for the workforce of the future, while offering a continuous learning experience. The offering will be diversified, and new technologies will be used, while focusing on attractive sectors and geographies. Project delivery will be improved by excelling in project and client selection, and the Global Excellence Centers will be further leveraged.

### DEVELOPMENTS IN 2017

In 2017, net revenues in Asia decreased organically by 2%. Singapore generated lower revenues due to a slower buildings market and from exiting low margin services; China and diversification towards the infrastructure market contributed to revenues.

Examples of important new project wins and/or projects that were completed during 2017 include:

- Deep tunnel sewage system in Singapore, for which Arcadis is appointed as the design consultant for the extension of the tunnel system that collects and transports water to a reclamation plant for recycling. See page 107 for further details.

- Governance and control services in Singapore and Manila, where Citibank extended the scope of Arcadis' governance and control services by including EMEA. Arcadis won the project by bringing deep stakeholder knowledge and delivering a high level of technical ability and global expertise, supported by the use of Global Excellence Centers and sector knowledge.
- Integrated waste management and treatment facility, and a housing study in Hong Kong. Both contribute strongly to the city's support our positioning in livability and sustainability.

The One Belt, One Road initiative is an ambitious program by the Chinese government to build and upgrade highways, railways, ports, industrial facilities, and other trade supporting infrastructure throughout Asia, Africa, and Europe. There is an opportunity for Arcadis to support a range of public and private clients, across the project cycle, through our strong presence in Asia.

The Arcadis Way was implemented in some Asian countries mid-2016. The rest of Asia follows in 2018 and 2019, for which preparations took place throughout 2017, and will continue in 2018. This includes, for example, employees following project management training.

The number of employees in Asia slightly decreased in 2017 to 4,304 (2016: 4,397), 52% of whom are female. The number of employees in the GECs supporting Asia is approximately 3% of the numbers of employees in the region, and this is expected to increase in the future. Outcomes of the Your Voice employee engagement survey are being followed up, with priorities for an Asian-wide line management development program and focused actions in the countries with the lowest scores.



**AUSTRALIA PACIFIC  
MARKET DYNAMICS**

Market trends and opportunities that we identified for Australia Pacific include:

- Australia GDP of 3% for the last few years;
- stable political system;
- our key markets of infrastructure, environment, and buildings are solid;
- high population growth in major cities;
- energy and resources sectors on the way back;
- digital disruption starting but not yet entrenched;
- very strong infrastructure pipeline in Sydney and Melbourne driven by asset recycling.

**STRATEGY IMPLEMENTATION IN AUSTRALIA PACIFIC**

While implementing the corporate strategy, Australia Pacific will focus on continuing growth through four strategic areas, which are advisory, rail, environment, and asset management. A continued focus on client & pursuit excellence will remain core to the strategy as well as a renewed focus on improving project performance. The use of GECs will also be expanded.

**DEVELOPMENTS IN 2017**

In 2017, net revenues in Australia Pacific increased organically by 12%, fueled by major project wins like Sydney Metro, and delivering large infrastructure, buildings, and environmental projects across major urban areas of Australia.

Examples of important new project wins and/or projects that were completed during 2017 include:

- Sydney Metro, for which Arcadis is appointed as lead designer for the underground stations for the City line for the biggest transport project with the longest railway tunnels ever built in Australia. Arcadis' broad multidisciplinary expertise was critical to solving issues around constructability and programming. See page 109 for further details.

- Moorebank Logistics Park in Sydney, for which Arcadis provided design, freight logistics, and sustainability advisory services, enabling the client to obtain clean energy funding. See page 108 for further details.
- Northern Beaches Hospital in Sydney, for which Arcadis provided structural, civil, façade, and traffic engineering services for this AUS\$1 billion investment in health infrastructure in the Northern beaches area of Sydney.

The number of employees in Australia Pacific increased in 2017 to 1,276 (2016: 1,073), 29% of whom are female. The number of employees in the GECs supporting Australia is approximately 25% of the number of employees in the region, and this is expected to increase in the future as it is considered to be one of the strategic enablers. Outcomes of the Your Voice employee engagement survey saw an increase in staff engagement.

The Arcadis Way was implemented early 2017, and will be further embedded in the organization.

**SEGMENT FINANCIAL RESULTS**

The overall financial results of the segment in 2017 were as follows:

In € millions	Revenues		Revenue growth			
	2017	2016	Total	Organic	Acquisitions	Currency
Gross revenues	387	378	2%	3%	1%	-1%
Net revenues	344	338	2%	2%	1%	-2%

	2017	2016
EBITA	30.1	30.7
EBITA margin	8.7%	9.1%
Operating EBITA <sup>1</sup>	30.7	31.3
Operating EBITA margin	8.9%	9.3%

<sup>1</sup> Operating EBITA excludes acquisitions, restructuring and integration-related costs



# MEETING LONG-TERM NEEDS FOR WATER



**DEEP TUNNEL SEWERAGE SYSTEM**

**SINGAPORE**

The Deep Tunnel Sewerage System will play a critical role in meeting Singapore's long-term need for used water collection, treatment, reclamation, and disposal. As design consultant, Arcadis will leverage its global expertise of deep tunnel systems to deliver sustainable water solutions for the growing population in Singapore's urban areas.

**IMPACT**

- Arcadis is design consultant for the extension of Singapore's deep tunnel system.
- We deliver value through our global collaboration, expertise, and experience.
- Water is collected and transported to a reclamation plant for recycling, new technology improves water efficiency.
- Meets Singapore's long-term water needs and helps to build a sustainable future.





## ADVISING FOR **SUSTAINABLE LOGISTICS**



**MOOREBANK LOGISTICS PARK**  
**SYDNEY, AUSTRALIA**

Qube Holdings Limited is developing the 243-hectare Moorebank Logistics Park to improve the efficiency of the import/export supply chain, including removing emissions-intensive trucks from Australian roads and increasing the use of rail networks to distribute containerized freight to and from Port Botany. The project will also incorporate large-scale renewable energy sources.

### IMPACT

- Arcadis provides freight logistics and sustainability advisory services enabling the client to obtain clean energy funding to develop the facility and incorporate large-scale renewable energy sources.
- Demonstrated that net greenhouse gas emissions produced by not building the intermodal terminal would be higher than building it.
- Improves supply chain efficiency, removing emissions-intensive trucks from Australian roads in an area of rapid population and economic growth.



## DESIGN FOR **BIGGEST PUBLIC TRANSPORT PROJECT**



**SYDNEY METRO, STAGE 2 - UNDERGROUND STATION DESIGN AND TECHNICAL SERVICES**

**SYDNEY, AUSTRALIA**

With 31 stations and 66 kilometers of new metro rail, Sydney Metro is Australia's biggest public transport project. Stage two will include a 30-kilometer extension of metro rail under Sydney Harbour and through new CBD stations.

### IMPACT

- Arcadis and joint venture partner Mott MacDonald are the joint lead designers in the METRON consortium working on the Underground Station Design and Technical Services (USDTS) contract as part of Stage two of the Sydney Metro project.
- METRON will lead the engineering design of six underground metro rail stations as part of Stage two, the Sydney Metro City & Southwest project. The METRON design consortium includes global architecture house Foster + Partners, local architect Architectus, and engineers Arcadis, Mott MacDonald, and Robert Bird Group.
- Sydney Metro City & Southwest will extend metro rail from Sydney's North West, beneath Sydney Harbour, through new underground CBD stations, and beyond to Bankstown.





# PERFORMANCE BY SEGMENT

## CALLISONRTKL



**NUMBER OF EMPLOYEES**  
headcount as at 31 December

1,712

2016: 1,810

**% OF NET REVENUES**  
of total Arcadis

9%

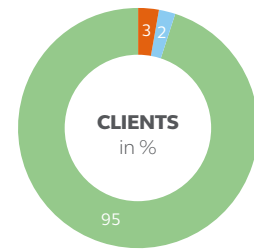
2016: 10%

**CLIENTS**

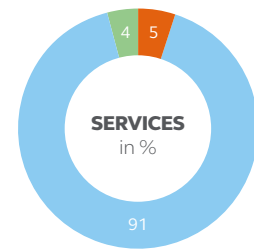
Nordstrom, AT&T, Emaar, Primark, Capital One, Stanford Healthcare



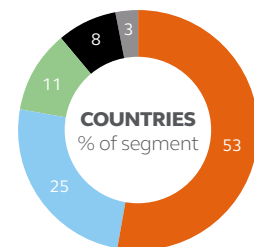
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management



- North America
- Asia
- Middle East
- UK/Europe
- Other

All percentages based on FY'17 net revenues



## PERFORMANCE IN 2017



PEOPLE & CULTURE

**NUMBER OF EMPLOYEES**  
headcount as at 31 December

1,712

2016: 1,810 ↓

**EMPLOYEE ENGAGEMENT SCORE**  
on a scale of 0-4

2.90

2015: 3.04 ↓

**VOLUNTARY TURNOVER RATE**  
as % of total staff

18%

2016: 20% ↑

**TOTAL RECORDABLE CASE FREQUENCY**  
per 200,000 work hours

nil

2016: 0.06 ↑

**FEMALES IN TOTAL WORKFORCE**  
as % of total staff

45%

2016: 45% ↔



INNOVATION & GROWTH

**ORGANIC REVENUE GROWTH**  
net revenues

-3%

2016: -9% ↑

**REVENUE GROWTH KEY CLIENTS**  
net revenues

3%

2016: 47% ↓

**BOOK-TO-BILL RATIO**  
net revenues

0.84

2016: 0.85 ↓

**ARCADIS WAY IMPLEMENTATION PROGRESS**  
as % of net revenues

to start

2016: to start

**ARCADIS' CARBON FOOTPRINT**  
MT CO<sub>2</sub> per FTE

4.71

2016: n/a



FOCUS & PERFORMANCE

**GROSS REVENUES**  
in € millions

320

2016: 326 ↓

**NET REVENUES**  
in € millions

229

2016: 244 ↓

**OPERATING EBITA MARGIN**  
as % of net revenues

10.4%

2016: 9.9% ↑

**NET WORKING CAPITAL**  
as % of gross revenues

8.3%

2016: 9.4% ↑

**DAYS SALES OUTSTANDING (DSO)**

73

2016: 78 ↑

↑ Improvement ↔ Unchanged ↓ Deterioration



## KEY BUSINESS DEVELOPMENTS IN 2017

With gross revenues of €320 million in 2017, and more than 1,700 professionals employed, CallisonRTKL has become a top-five player in global architecture, and a leader in retail design and commercial use, ensuring clients benefit from a broad range of capabilities delivered through deep market reach and scale across the world.

### KEY DEVELOPMENTS CALLISONRTKL

- Gross revenues of CallisonRTKL for the year amounted to €320 million, a decrease of 2% compared to 2016. Net revenues decreased organically by 3%, mainly due to lower activity levels in US commercial real estate and healthcare. In Q4, we had stable organic revenues after a weaker Q3, supported by China.

- Operating EBITA was €24 million in both 2017 and 2016. The operating EBITA margin increased to 10.4%.
- In the second half of 2017, Arcadis decided to perform a strategic review of CallisonRTKL and evaluated a range of strategic options to optimize the value of CallisonRTKL, within or outside of Arcadis.

- A final decision has not been made yet, the process is on track, and a market consultation is in progress, allowing us to assess if a sale is viable.



**STEPHANIE HOTTENHUIS**  
EXECUTIVE BOARD MEMBER  
RESPONSIBLE FOR CALLISONRTKL

**“CallisonRTKL established itself as a leading architectural design and consultancy known for its rich talent, global presence, diversified business, and innovative, client-centric culture.**

The strategic review of CallisonRTKL will show which scenario provides the best prospects for our people, clients, and stakeholders.”



### CALLISONRTKL MARKET DYNAMICS

GDP growth trends help determine building activity and drive demand for architectural design services.

Growth in the demand for architecture services is further linked to several strong global themes, including urbanization, resiliency, and the demand for livable cities:

- In many developed cities, more dense populations and smaller geographic footprints have led architects to design new structures around spatial constraints and reduced energy consumption.
- Consequently, a new form of architecture, specifically the construction of tall, ultra-high-performing mixed-use buildings, are peppering the skylines of the world’s major cities, such as New York, Dubai, and London.
- Major industry-shaping themes such as consumerism, innovative technology, globalization, and sustainability are other key drivers of future Architecture and Design sector growth.

### STRATEGY EXECUTION BY CALLISONRTKL

CallisonRTKL is one of the largest (top-five) global Architecture and Design (A&D) practices, providing performance-based consultancy services across four market sectors: Commercial, Retail, Healthcare, and Workplace. Architecture and interior design are key services offered by CallisonRTKL, complemented by a range of value-added consulting services such as planning and urban design, healthcare technology, operational excellence, technology design, workplace strategy, mission-critical engineering, and consumer experience design.

In the second half of 2017, Arcadis decided to perform a strategic review of CallisonRTKL and evaluated a range of strategic options to optimize the value of CallisonRTKL, within or outside of Arcadis, to provide the best prospects for our people, clients, and shareholders.

While a final decision has not been made yet, the process is on track, and a market consultation is in progress, allowing us to assess if a sale is viable.

### DEVELOPMENTS IN 2017

Revenue growth at CallisonRTKL showed some disruption in the last two years related to a declining market in China for Commercial and Workplace, and fewer malls built in the US, which impacted Commercial Shopping and Entertainment Districts (SEDs). In response, CallisonRTKL has adjusted capacity to grow revenue and expand margins. In 2017, the Company repositioned the US Commercial business away from SEDs and toward residential and mixed-use projects, and more recently, improvement in the Chinese market is driving a return to growth.

Examples of important new project wins and/or projects that were completed during 2017 include:

- CallisonRTKL in partnership with Porsche Germany, Porsche China and the Jebson Group – one of the largest Porsche dealers in the world – celebrated the grand opening of the first Porsche Studio in China.
- CallisonRTKL designed the Limelight Ketchum, a five-story hotel with 99 guest rooms and fourteen private residences with twelve lock-off units occupying a full main street block in Ketchum, Idaho. The Limelight Hotel was sustainably designed to achieve LEED certification.
- The newest Karmanos Cancer Institute, located at the McLaren Port Huron campus in Port Huron, Michigan. The project was jointly designed by CallisonRTKL and SmithGroupJJR. The 35,000-square-foot Karmanos Cancer Institute is the first phase of a larger transformation under way at the McLaren Port Huron campus.

The number of employees in CallisonRTKL decreased in 2017 to 1,712 (2016: 1,810), 45% of whom are female.



The number of employees in the GECs supporting CallisonRTKL is approximately 5% of the number of employees in this Segment. Outcomes of the Your Voice employee engagement survey are being followed up, with a focus on re-energizing leadership, re-engaging our people, and embracing change.

**SEGMENT FINANCIAL RESULTS**

The overall financial results of the segment in 2017 were as follows:

In € millions	Revenues		Revenue growth			
	2017	2016	Total	Organic	Acquisitions	Currency
Gross revenues	320	326	-2%	1%	0%	-3%
Net revenues	229	244	-6%	-3%	0%	-3%

	2017	2016
EBITA	20.8	22.9
EBITA margin	9.1%	9.4%
Operating EBITA <sup>1</sup>	23.9	24.3
Operating EBITA margin	10.4%	9.9%

<sup>1</sup> Operating EBITA excludes acquisitions, restructuring and integration-related costs



# ROCHE PHARMACEUTICAL PLANT SHANGHAI



**ROCHE - ASIA  
CAMPUS EXPANSION,  
SHIP II  
SHANGHAI, CHINA**

SHiPII is a state-of-the-art manufacturing facility producing tablets and capsules for cancer and other life-saving drugs with European quality standards in China. Arcadis was appointed to ensure that the same high standards of Roche Pharmaceutical were carried through in the Phase II expansion of the operating site and that increasing market demand for life-saving cancer drugs can be met.

**IMPACT**

- Delivered in the record time of only three years, truly achieving Western quality standards in China.
- Very innovative execution approach with intensive use of modern IT tools, a multinational team cooperating across borders and time zones simultaneously, and a strong, long-standing client relationship.
- An environmentally-friendly and energy-efficient design that supports China tackling the environmental burden, leading to savings of more than 70% of the yearly demand for heat and significant amount of chilled water.





# GOVERNANCE & COMPLIANCE

## OPERATING RESPONSIBILITY

### COMPOSITION OF THE EXECUTIVE BOARD



**PETER OOSTERVEER**  
Dutch nationality,  
1957  
BSc

**Chief Executive Officer and Chairman of the Executive Board**  
Term 2017 - 2021

Peter Oosterveer was selected as Chief Executive Officer and Chairman of the Executive Board of Arcadis NV in 2017. Prior to Arcadis he worked for Hoogovens IJmuiden (now Tata Steel) and Alpha Engineering before joining Fluor Corporation in 1988 as Controls System Engineer. Initially based out of the Netherlands, he was assigned to several international projects, followed by general management roles. In 1999, he moved to Fluor's headquarters in California to lead the Corporate SAP implementation.

After the successful delivery of this program, he returned to the Netherlands to assume the role of General Manager for Fluor in the Netherlands, and subsequently to lead the growth of the Chemicals business for Fluor in Europe, Africa, and the Middle East, followed by assuming global responsibility for the Chemicals Group. Peter Oosterveer relocated to Houston in 2009 to become President of the Energy and Chemicals group for Fluor globally, which also made him a member of the Fluor Corporate Leadership Team. In 2014, he was appointed as Chief Operating Officer of Fluor, responsible for approximately US\$20 billion of annual revenues.



**RENIER VREE \***  
Dutch nationality,  
1964  
MSc, RC

**Chief Financial Officer**  
Term 2010 - 2018

Renier Vree was appointed Chief Financial Officer and Member of the Executive Board of Arcadis NV in May 2010, responsible for Finance, Tax, Treasury, IT, and Risk Management. Prior to Arcadis he worked at Royal Philips Electronics. At Philips he gained extensive experience in all aspects of financial management including a number of sizable acquisitions. He worked as Financial Director/CFO of several business units in the United States and Asia, including Malaysia and Hong Kong. In 2004, he became CFO of Philips Lighting, where he was responsible for the financial management of this division with sales of €6.5 billion.

Renier Vree holds a Master's degree in Quantitative Business Economics from Erasmus University Rotterdam, and a post-graduate degree as a Chartered Controller from the Vrije Universiteit in Amsterdam.

**Other positions**

- Chairman Curatorium Post-graduate Chartered Controller/EMFC Programme University of Maastricht

\* Resigning on 1 March 2018



**STEPHANIE HOTTENHUIS**  
Dutch nationality,  
1965  
MB, MA

**Member Executive Board, responsible for Asia Pacific and CallisonRTKL**  
Term 2012 - 2020

Stephanie Hottenhuis started with Arcadis' international projects business, Arcadis Euroconsult, where she was Business Unit Manager for Eastern Europe and Asia from 1996 to 2000. From 2001 to 2008, she was in charge of the Multinational Clients program of Arcadis.

She established Arcadis China in 2005 as a greenfield operation and was responsible for it until 2008. From 2008 to 2011, she was CEO of Arcadis Deutschland GmbH, followed by her appointment as Arcadis Director Europe, where she was responsible for the European operations of Arcadis (excluding the Netherlands and the UK). She was appointed to the Executive Board in 2012, and reappointed in 2016.

**Other positions**

- Member Supervisory Board TenneT Holding BV



**STEPHAN RITTER**  
German nationality,  
1968  
MB

**Member Executive Board, responsible for Europe & Middle East**  
Term 2014 - 2018

Stephan Ritter joined Arcadis as CEO of Arcadis Continental Europe in 2013. Before joining Arcadis he worked for General Electric in various positions. From 2009 to 2013 he was General Manager of Renewable Energy Europe.

Prior to that, from 2004 to 2009, he was General Manager Global Services in GE Enterprise Solutions, Sensing & Inspection Technologies.

During his time with GE Healthcare and GE Capital, from 1999 to 2003, he got certified as a Lean Six Sigma Master Black Belt and held leadership roles in project acquisition and customer management.



**MARY ANN HOPKINS**  
US nationality,  
1965  
MS

**Member Executive Board, responsible for the Americas**  
Term 2017 - 2021

Mary Ann Hopkins joined Arcadis in 2016 and was appointed to the Executive Board in April 2017.

Before joining Arcadis she was President of Federal, a primary global business unit of Parsons Corporation, where she led the government segment. Prior to that, she was Executive Vice President for Global Business Development for Parsons Government Services. Her career began in 1989 as civil engineer, after which she had diverse roles in project execution, business development, and general management.

**Other positions**

- Member Board of Directors Blumont



# COMPOSITION OF THE SUPERVISORY BOARD



**NIEK W. HOEK**  
Dutch nationality,  
1956



**J.C. MAARTEN SCHÖNFELD**  
Dutch nationality,  
1949



**RUTH MARKLAND**  
British nationality,  
1953



**IAN M. GRICE**  
British nationality,  
1953

**Chairman Supervisory Board, Audit and Risk Committee, Selection Committee (Chairman), Remuneration Committee**  
Term 2013 - 2021

**Current other non-executive board positions:**

- Member Supervisory Board Anthony Veder
- Member Supervisory Board KNRM
- Member Supervisory Board Van Oord

**Current other positions:**

- Managing Director Brandaris Capital
- Executive Director Dutch Star Companies ONE

**Previous positions:**  
Chairman Supervisory Board Stadsherstel Amsterdam N.V. (2011 - 2015; member SB since 2003); Chairman Supervisory Board Stichting Zuiderzeemuseum (2011 - 2015; member SB since 2008); Member Supervisory Board NIBC Bank N.V. (2003 - 2015); Chairman Executive Board Delta Lloyd (2001 - 2014; member EB since 1997); Member Supervisory Board Euronext N.V. (2010 - 2013); several functions within Delta Lloyd and Shell.

**Audit and Risk Committee (Chairman)**  
Term 2008 - 2020

**Current other non-executive board positions:**

- Member Supervisory Board Fugro NV
- Member Supervisory Board SIF Holding N.V.
- Board Member Stichting Continuïteit ICT
- Board Chairman Children Fund of Malawi

**Previous positions:**  
Member Supervisory Board University of the Arts, The Hague (2008 - 2016); Member Supervisory Board AFM (2012 - 2014); Member Supervisory Board Brunel N.V. (2011 - 2012); Member Supervisory Board Draka N.V. (2010 - 2011); Member Supervisory Board Technical University Delft (2008 - 2016); Member Supervisory Board S&B Industrial Minerals Finance Holdings S.a.r.l. (2009 - 2015); Vice-Chairman of the Executive Board and CFO of Stork BV (2001 - 2008); several senior international management positions at Royal Dutch Shell Plc. (1977 - 2001; USA, Argentina, Portugal, Switzerland, Germany, and the Netherlands); worked in Malawi, Africa for the UN Development Program (1974 - 1976).

**Remuneration Committee (Chair), Selection Committee**  
Term 2009 - 2021

**Current other non-executive board positions:**

- Independent non-executive Board Member Deloitte LLP

**Previous positions:**  
Non-executive Director The Sage Group PLC (2007 - 2017); Non-executive Director Standard Chartered PLC (2003 - 2015); Lawyer/Partner, Freshfields (1977 - 2003) in their offices in London, Singapore, and Hong Kong; Lawyer, Nabarro Nathanson (1975 - 1977).

**Audit and Risk Committee**  
Term 2010 - 2018

**Previous positions:**  
Non-executive Director of Merryck Ltd. (2011 - 2015); Group Chief Executive Alfred McAlpine Plc (2003 - 2008); Executive Board Director Alfred McAlpine Plc (1995 - 2003); Director John Mowlem Construction Plc; Managing Director Mowlem Management Ltd and Managing Director Mowlem Facilities Management Ltd (1981 - 1995); various technical and management positions French Kier Ltd (1979 - 1981), John Mowlem Plc (1976 - 1979), Tileman & Company Ltd (1975 - 1976), and John Laing Plc (1974 - 1975).



**MICHIEL P. LAP**  
Dutch nationality,  
1962

**Audit and Risk Committee**  
Term 2015 - 2019

**Current other non-executive board positions:**

- Member Supervisory Board Janivo Holding

**Current other positions:**

- Industrial Advisor to EQT Partners
- Independent company advisor

**Previous positions:**  
Managing Director and Partner Goldman Sachs Inc. (2004 - 2014); Non-executive director Royal Brompton & Harefield Hospitals Charity in London (2012 - 2015); Executive Vice President Orange SA (2001 - 2003); Managing Director Morgan Stanley and Co., London (1988 - 2001); Assistant Vice President JP Morgan (1984 - 1988).



**DEANNA GOODWIN**  
Canadian nationality,  
1965

**Remuneration Committee, Selection Committee**  
Term 2016 - 2020

**Previous positions:**  
President TECHNIP North America (2013 - 2017); Chief Operating Officer, Offshore TECHNIP North America (2012 - 2013); Senior Vice President Operations Integration, TECHNIP (2011 - 2012); Chief Financial Officer North America, TECHNIP (2007 - 2011); Various positions at VeritasDCG (1993 - 2007).



**WEE GEE ANG**  
Singaporean nationality,  
1961

**Remuneration Committee, Selection Committee**  
Term 2017 - 2021

**Current other non-executive board positions:**

- Building and Construction Authority of Singapore
- Board member Raffles Institution

**Current other positions:**

- CEO Keppel Land Limited
- Board member Keppel REIT Management Limited

**Previous positions:**  
Executive Vice-Chairman Keppel Land China (2010 - 2012); Executive Director and Chief Executive Officer Keppel Land international (2006 - 2009); various positions in hotel, real estate, and strategy consulting industries in the USA, Hong Kong and Singapore.



# OVERVIEW OF SENIOR MANAGEMENT

## BUSINESS LEADERS



**JOACHIM EBERT**  
German nationality, 1969  
Dipl.-Wirtsch.-Ing, MBA  
CEO Arcadis North America  
since 2016



**ERIK BLOKHUIS**  
Dutch nationality, 1967  
MSc  
CEO Arcadis Continental Europe  
since 2015



**ALAN BROOKES**  
British nationality, 1961  
BSc, FRICS  
CEO Arcadis UK  
since 2014



**MATT BENNION**  
British nationality, 1971  
FRICS  
CEO Arcadis Asia  
since 2016



**FELIPE LIMA**  
Brazilian nationality, 1971  
BSc  
CEO Arcadis Latin America  
since 2017



**DR. KAMIRAN IBRAHIM**  
British nationality, 1965  
CEO Arcadis Middle East  
since 2017



**GREG STEELE**  
Australian nationality, 1961  
BE, Grad Dip Bus, FIEAust  
CEO Arcadis Australia Pacific  
since 2015



**TIM NEAL**  
British nationality, 1967  
BSc, MBA, FRICS  
CEO CallisonRTKL  
since 2017



**ROB MOOREN**  
Dutch nationality, 1956  
MSc  
Global Director Global Solutions  
since 2017



**JIM FORD**  
US nationality, 1967  
BSc (Hons)  
Global Head of Client  
Development since 2016



## CORPORATE STAFF DIRECTORS



**LIA BELILOS**  
Dutch nationality, 1962  
BSc  
Global Director Human  
Resources since 2014



**BARTHEKE WEERSTRA**  
Dutch nationality, 1973  
LLM  
General Counsel and Company  
Secretary since 2010



**JAN-OEGE GOSLINGS**  
Dutch nationality, 1965  
MSc, RC  
Group Controller  
since 2016



**GERARD SPANS**  
Dutch nationality, 1966  
MSc  
Chief Information Officer  
since 2013



**JOOST SLOOTEN**  
Dutch nationality, 1961  
Director of Sustainability  
and External Affairs  
since 2016



**JURGEN PULLENS**  
Dutch nationality, 1968  
MSc RA  
Director Investor Relations  
since 2016



**JULIEN CAYET**  
French nationality, 1972  
Chief Digital Officer  
since 2017



**ROLAND VAN DIJK**  
Dutch nationality, 1970  
MSc, MBA  
Global Director Corporate  
Development since 2014



# CORPORATE GOVERNANCE REPORT

Arcadis is committed to the principles of good governance: integrity, transparency, accountability, and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. On 8 December 2016, the Dutch Corporate Governance Monitoring Committee (the 'Committee') presented an update of the Corporate Governance Code (the 'New Code'). During 2017, Arcadis implemented the changes resulting from the New Code. The first paragraph of this Corporate Governance Report contains a summary of the implementation efforts during the year.

## IMPLEMENTATION NEW DUTCH CORPORATE GOVERNANCE CODE

After publication of the New Code on 8 December 2016, the Legal department at Arcadis Headquarters worked closely together with colleagues from, *inter alia*, communications, investor relations, sustainability, internal audit, risk management, group control, and human resources to create an understanding of the requirements of the New Code, and assess the core themes of the New Code and the text and implications of the updated principles and best practice provisions. In this manner, the changes were identified that would be required to organization and processes and related governance documents within Arcadis if the Company wanted to fully comply with the New Code.

Subsequently, discussions took place in the Executive Board and in the Supervisory Board. The New Code broadly supports general views on good corporate governance, and the Boards confirmed to be fully supportive of the importance of good governance. The Boards also agree with the emphasis that the New Code puts on the core themes of long-term value creation, culture, risk management, and diversity, and the Boards determined that full compliance with the New Code was the desired outcome. During the year, Arcadis proceeded to update twelve identified governance documents, including, amongst others, the Executive Board regulation, the Supervisory Board regulation, the Supervisory Board committee charters, the Supervisory Board profile, the Risk Management Charter, and the Internal Audit Charter.

The topic of diversity was already addressed in the Supervisory Board profile, but in 2017 Arcadis additionally developed more elaborate and specific diversity policies for both the Executive Board and the Supervisory Board. Several content discussions and approval rounds took place during the year with the Executive Board and the Supervisory Board and/or its Committees.

In addition to changes to governance documents and processes directly resulting from the (text of the) New Code, Arcadis took the opportunity to carry out a review of its corporate governance structure in general, focusing on effectiveness of six identified core governance topics and related processes: Executive Board and Executive Board effectiveness, Supervisory Board and Supervisory Board effectiveness, risk management and business control, internal audit, culture, and diversity and inclusion. Related to these topics, we asked ourselves whether we have set up our structure and processes so as to enable or assure long-term value creation, success, balance, and optimal governance. We developed lists of items to consider in this context.

Together with the CEO, CFO, and Chairman of the Supervisory Board, discussions and initial assessments took place. This resulted in certain immediate actions. Culture as well as diversity and inclusion are made central in our new strategy 2018 - 2020 as announced on 21 November 2017.



We have also updated our core values, putting 'People First', and putting integrity at the center of everything we do. Separate workstreams will be working with the organization on these topics during the coming financial years. For the topics of Executive Board and Supervisory Board, a schedule for further discussions with these Boards was prepared. Some of those discussions took place in 2017, with further discussions scheduled for 2018. Topics identified for discussion include the relationship between the Boards, the set-up of meetings, the quality of materials submitted to and prepared for and by the Boards, feedback to the organization, and the value add of the Boards.

Risk Management and Internal Audit assessed the provisions of the New Code, as applicable to their areas of operation, and, in addition to updating their respective charters (as referred to above), will embed the applicable requirements into their way of working from 1 January 2018 onwards. Close alignment between both functions will serve to minimize the risk that material omissions and/or overlaps exist.

This broad effort to optimize corporate governance in the interest of the wider organization, which goes far beyond merely ensuring compliance with the provisions of the New Code, will continue in the coming financial years.

The core topics of the New Code are all explicitly addressed in this Annual Integrated Report. For example, diversity in the Executive Board and Supervisory Board is addressed in this corporate governance report on page 125. Long-term value creation within Arcadis is addressed on pages 14 and 15 in the Executive Board Report. Our company culture is discussed in the chapter People & Culture starting on page 40. The chapter on Enterprise Risk Management can be found on page 130 to 139.

In line with the Committee's recommendation, Arcadis will include compliance with the New Code as a separate agenda item on the agenda of the shareholder meeting in 2018.

An overview of the corporate governance structure of Arcadis in 2017 is provided below. Arcadis applies all principles and best practice provisions of the New Code, with one historical exception. This is described on page 128.

For additional information about Corporate Governance at Arcadis, please visit our website.



[www.arcadis.com/governance](http://www.arcadis.com/governance)

## ORGANIZATIONAL STRUCTURE

The Company is managed by the Executive Board under supervision of the Supervisory Board. Since 2003, Arcadis NV has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the General Meeting of Shareholders. The General Meeting can amend the Articles of Association if and as proposed by the Executive Board, with prior approval of the Supervisory Board and the Arcadis Priority Foundation. Such a decision requires a majority of at least three-quarters of the votes cast in a meeting in which at least three-quarters of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three-quarters of the votes, regardless of the share capital represented in the meeting.

## EXECUTIVE BOARD

The Executive Board manages the Company and is responsible for the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy, and results. The Supervisory Board determines the number of Executive Board members after consultation with the Executive Board.



The General Meeting appoints the Executive Board members. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chairperson and determines, in consultation with the Executive Board, the division of tasks. The composition of the Executive Board and information about its members are provided on pages 116 and 117 of this Annual Integrated Report.

At least once per year, outside the presence of the Executive Board, the Supervisory Board evaluates both the functioning of the Executive Board as a whole and that of the individual Executive Board members, and discusses the conclusions that must be attached to the evaluation, also in light of succession of Executive Board members. At least once annually, the Executive Board, evaluates its own functioning as a whole and that of the individual management board members.

#### SUPERVISORY BOARD

The Supervisory Board supervises and advises the Executive Board on the performance of its management tasks and supervises the overall development of the Company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the Company and its stakeholders. Pursuant to the Articles of Association of the Company, the Supervisory Board consists of at least three members. Members are appointed by the General Meeting. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination of the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than one-third of the issued share capital.

In the case of a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least one-third of the issued share capital.

The Supervisory Board appoints one of its members as Chairperson and one as Vice-Chairperson. In the case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile is taken into account. Members are appointed for a maximum period of four years. In accordance with best practice provision 2.2.2 of the New Code, as of financial year 2017, a Supervisory Board member may be reappointed once for a second maximum period of four years, and subsequently for a maximum period of two years, which appointment may be extended by a maximum of two years<sup>1</sup>. In the event of a reappointment after eight years, reasons will be given in the report of the Supervisory Board.

The Supervisory Board has established three committees from among its members: an Audit and Risk Committee, a Selection Committee, and a Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The present composition of the Supervisory Board, its committees, and information about the Supervisory Board members are provided on pages 118 and 119 of this Annual Integrated Report.

At least once per year, outside the presence of the Executive Board, the Supervisory Board evaluates its own functioning, the functioning of the Supervisory Board committees, and that of the individual Supervisory Board members, and discusses the conclusions that are attached to the evaluation.



#### DIVERSITY IN THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Arcadis believes that diversity and inclusion should extend to all areas of its organization<sup>2</sup>. Starting at the top, in 2017, Arcadis formalized its diversity policies for the composition of the Executive Board and Supervisory Board. Arcadis believes that the organization gains from a broad range of skills and a variety of backgrounds in these Boards, reflecting the diversity of the Arcadis client base.

Based on the nature and complexity of the Arcadis business, the markets in which Arcadis operates, and the diversity of the client base of Arcadis, Arcadis identified the diversity aspects of gender, nationality/geographical provenance, and background (education and/or (work) experience) as being most relevant for Arcadis and its business. On the basis of these diversity aspects, targets have been identified for the Supervisory Board and the Executive Board in order to achieve a diverse composition of both boards. The paragraphs below describe these specific diversity targets and the implementation and results against the targets.

Going forward, Arcadis will continue to identify and search internal and external candidates for positions in the Executive Board and Supervisory Board from a variety of backgrounds, whilst at the same time not compromising quality, expertise, and experience. In the event that a global recruitment firm is engaged, Arcadis gives search instructions in line with the diversity policies.

#### GENDER – TARGETS & OUTCOME

In line with applicable legislation<sup>3</sup>, the Supervisory Board has set the following gender diversity targets: for the Executive Board at least 30% shall consist of female members, and at least 30% shall consist of male members. Likewise, for the Supervisory Board at least 30% shall consist of female members, and at least 30% shall consist of male members.

After the appointment in 2017 of Mary Ann Hopkins as member of the Executive Board, the Executive Board consists of three male (60%) and two female members (40%). The Supervisory Board consists of five male (71%) and two female members (29%). With this Arcadis achieved, or is very close to achieving, its gender diversity targets for these boards.

#### NATIONALITY/GEOGRAPHICAL PROVENANCE – TARGETS & OUTCOME

Arcadis is active in many regions and countries worldwide. Arcadis set the following targets in terms of nationality/geographical provenance. In the Executive Board, at least two regions where Arcadis is active shall be represented. In the Supervisory Board, at least three regions where Arcadis is active shall be represented. Based on the current composition of the Executive Board and the Supervisory Board, Arcadis meets these diversity targets.

#### BACKGROUND: EDUCATION AND/OR (WORK) EXPERIENCE – TARGETS & OUTCOME

The background target for the Executive Board requires that at least two members shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. Arcadis meets this target as all of our Executive Board members have this type of experience.

The background target for the Supervisory Board consists of two requirements. The first requirement, which also follows from the Dutch Decree Establishing Audit Committees, is that at least one member of the Supervisory Board shall have a financial background. As four of the seven Supervisory Board members have a financial background, Arcadis meets this requirement. The second target that Arcadis has set requires that at least one member of the Supervisory Board shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. This target is also met with five members having this experience.

<sup>2</sup> For more information about Diversity and Inclusion within Arcadis globally, please see page 45.  
<sup>3</sup> Section 166 of Book 2 of the Dutch Civil Code.



**DIVERSITY IN THE EXECUTIVE BOARD**

	Year of birth	Gender	Nationality
Mr. Oosterveer	1957	Male	Dutch
Mr. Vree	1964	Male	Dutch
Mrs. Hottenhuis	1965	Female	Dutch
Mr. Ritter	1968	Male	German
Mrs. Hopkins	1965	Female	American

	Inter-national experience	Professional service/engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Oosterveer	●	●	●		●
Mr. Vree	●	●	●	●	●
Mrs. Hottenhuis	●	●	●		●
Mr. Ritter	●	●			●
Mrs. Hopkins	●	●	●		●

**DIVERSITY IN THE SUPERVISORY BOARD**

	Year of birth	Gender	Nationality
Mr. Hoek	1956	Male	Dutch
Mr. Lap	1962	Male	Dutch
Mr. Schönfeld	1949	Male	Dutch
Mr. Grice	1953	Male	British
Ms. Markland	1953	Female	British
Mr. Ang	1961	Male	Singaporean
Mrs. Goodwin	1965	Female	Canadian

	Inter-national experience	Professional service/engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Hoek	●	●	●	●	●
Mr. Lap	●		●	●	
Mr. Schönfeld	●		●	●	
Mr. Grice	●	●			●
Ms. Markland	●	●	●		●
Mr. Ang	●	●			●
Mrs. Goodwin	●	●		●	●

For more information about nationality/geographical provenance and the background (education/work experience) of the members of the Executive Board and the Supervisory Board of Arcadis, please refer to their biographies on pages 118 and 119 respectively.

**GENERAL MEETING OF SHAREHOLDERS**

At least once a year, Arcadis NV convenes a shareholder meeting. Meetings are convened by the Executive and/or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least 10% of the Company’s issued share capital if authorized by the relevant Dutch court. Shareholders who hold at least 3% of the issued share capital have the right to propose an item for the agenda. The Company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 60 days prior to the meeting date.

Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise. Arcadis advocates active shareholder participation at shareholder meetings. Since 2007, the Articles of Association allow for communication and voting by electronic means.



For more information about the powers of the General Meeting as well as the Company’s Articles of Association, please visit:



[www.arcadis.com/governance](http://www.arcadis.com/governance)

**SHARE CAPITAL**

The authorized share capital of Arcadis NV consists of ordinary shares, cumulative financing preference shares, priority shares, and cumulative preference (protective) shares, each with a nominal value of €0.02. At year-end 2017, the total number of ordinary shares issued was 87,407,211. Currently, only ordinary shares and 600 priority shares have been issued. See note 23 to the Consolidated financial statements for further details. Priority shares and cumulative preference shares have an impact on the governance of the Company.

**PRIORITY SHARES**

The 600 priority shares, held by the Arcadis Priority Foundation (Stichting Prioriteit Arcadis NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the Company, as well as certain major co-operations, acquisitions, and divestments. Pursuant to the articles of association of the Priority Foundation, the Priority Foundation Board is comprised of three members of the Executive Board, all members of the Supervisory Board, and ten members who are Arcadis employees. All resolutions of the Board, require a majority of at least 60% of the votes cast, meaning that employee support is needed for those far-reaching decisions.

**CUMULATIVE PREFERENCE (PROTECTIVE) SHARES**

Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the Arcadis Preferred Stock Foundation (Stichting Preferente Aandelen Arcadis NV) and Arcadis NV.

The objective of this foundation is to protect the interests of Arcadis, its enterprises, and all of those involved. In the event of an unfriendly takeover attempt or other hostile situation, preference shares can be obtained by this Foundation. This would allow the Executive and Supervisory Boards time to duly consider the situation and the interests involved. For more information, please see note 23 to the Consolidated financial statements.

**REGULATIONS CONCERNING ARCADIS SECURITIES TRANSACTIONS**

Arcadis has put in place regulations regarding transactions in Arcadis securities that apply to all employees unless stipulated otherwise. These regulations also prohibit Executive Board members from executing transactions in the securities of certain identified listed peer companies, regardless of whether they have inside information or not. Members of the Supervisory Board are required to obtain prior approval from the Compliance Officer if they wish to execute transactions in the securities of such companies.

**FINANCIAL REPORTING AND ROLE OF AUDITORS**

Before being presented to the General Meeting for adoption, annual financial statements as prepared by the Executive Board must be examined by an external certified public auditor. The General Meeting has the authority to appoint the auditor. Each year, the Supervisory Board nominates the auditor for (re-)appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor’s assignment and remuneration are resolved on by the Supervisory Board, on the recommendation of the Audit and Risk Committee.

Prior to publication, the half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditors, and subsequently with the Supervisory Board. The quarterly results and reports of the first and the third quarter are discussed with the Audit and Risk Committee, in the presence of the external auditors, prior to publication.



The external auditor attends all Audit and Risk Committee meetings and the meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit report of the external auditor is discussed. The Arcadis Auditor Independence Policy contains rules and procedures for the engagement of the external auditor, in order to ensure its independence.

The Audit and Risk Committee annually reports to the Supervisory Board on the functioning of the external auditor and the relationship with the external auditor, whilst giving due consideration to the Executive Board's observations. The desirability of rotating the external auditor's lead partner is also evaluated. Arcadis changed lead partners in 2001, 2006, and 2008. In 2014, PricewaterhouseCoopers Accountants NV was appointed as the new auditor for the financial year 2015, which automatically implied a change in lead partner. In 2015, 2016, and 2017, the General Meeting (re-)appointed PricewaterhouseCoopers Accountants NV as auditor of the 2016, 2017, and 2018 financial statements respectively.

Arcadis has an internal audit function which operates under the responsibility of the Executive Board, with reporting lines to the CEO, CFO, and the Audit and Risk Committee. The duty of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated in an Internal Audit Charter. In line with the New Code, both the appointment and dismissal of the Head of Internal Audit shall be submitted to the full Supervisory Board for approval, with a recommendation issued by the Audit and Risk Committee. In line with the New Code, the Executive Board, the external auditor, and the Audit and Risk Committee are involved in the preparation and approval of the annual internal audit plan. The annual internal audit plan will be submitted to the full Executive Board and Supervisory Board for approval. Internal Audit Reports are discussed with the Executive Board and with the Audit and Risk Committee in the presence of the external auditor.

**COMPLIANCE WITH THE PRINCIPLES AND BEST PRACTICE PROVISIONS OF THE NEW CODE**

Arcadis applies the principles and best practices of the New Code, except for the following and for the reasons set out below:  
 4.3.3: In 2003, the Articles of Association of the Company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority rather than an absolute majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. As the percentage of share ownership of Lovinklaan is still significant (18.20% on 31 December 2017, see page 79), the reasons for this deviation are still applicable and the deviation is expected to continue to apply as long as Lovinklaan has a significant ownership. It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association.

**RELEVANT DOCUMENTS ON CORPORATE WEBSITE**

- Dutch Corporate Governance Code (version 2016)
- Arcadis NV Articles of Association
- Regulation Executive Board
- Regulation Supervisory Board
- Diversity Policy Executive Board
- Diversity Policy Supervisory Board
- Regulations regarding transactions in Arcadis securities
- Arcadis policy on bilateral contacts with shareholders

 [www.arcadis.com/governance](http://www.arcadis.com/governance)



**IKEA STORE OPENING SUCCESS IN TAICHUNG, TAIWAN**



**STORE OPENING SUCCESS IN TAICHUNG, TAIWAN**

**TAICHUNG, TAIWAN**

Following in the footsteps of store opening successes in Taipei, Shinpei, Taoyuan and Kaohsiung, IKEA made the strategic decision to increase its footprint in Taiwan and open a new flagship store in Taichung. This landmark project is the largest in its portfolio, with a sales floor that exceeds 34,000 square meters and has the capacity to display more than 8,500 home furnishing products.

**IMPACT**

- Arcadis was awarded the project management and contract administration of the Taichung store's construction, which included the implementation of the OPPM (One-Page Project Management) module. The OPPM enabled IKEA to track the project's progress with more accuracy, and provided an increased level of flexibility around resource allocation, which in turn improved the overall decision-making process.
- The success of the project was underpinned by a well-structured communication process, including internal and external stakeholders, and ranged from the on-site and office-based teams. This enabled the Arcadis project managers to mitigate against operational downtime, and prioritize activities to make sure on-site productivity was as efficient as possible.
- Under a tight opening timeline, Arcadis delivered the project on time and within budget with efficient tracking of the workflow and visibility of the management project teams.





# ENTERPRISE RISK MANAGEMENT

Balancing risk and reward to achieve Arcadis' strategic objectives.



## INTRODUCTION

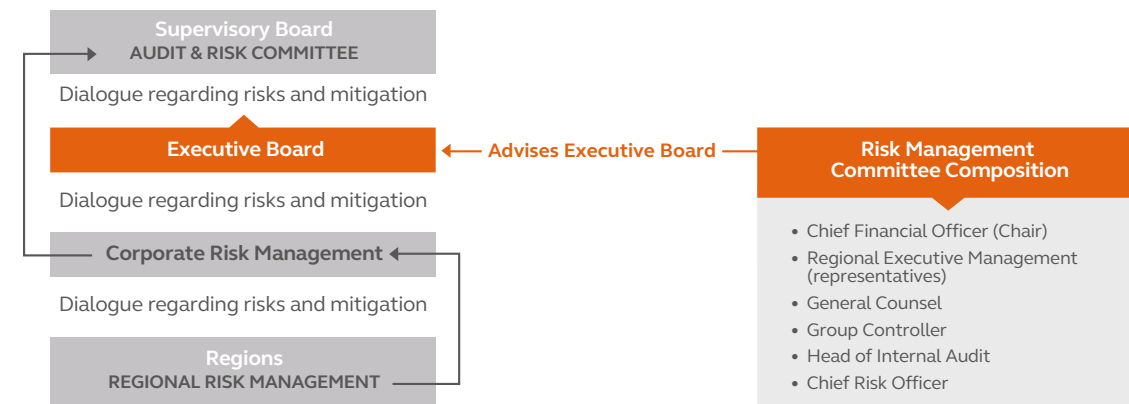
Intelligent risk management plays a vital role in enabling Arcadis to achieve its long-term strategic objectives. It is also important to Arcadis' stakeholders. The Arcadis Business Control Framework (the ABC Framework) is Arcadis' internal risk and control system, designed and implemented based on the identified twelve key risks which could have an impact on Arcadis' achievement of its strategic goals. The twelve key risks are divided into four risk categories: Strategic, Operational, Health & Safety, and Compliance. Governance standards, global policies, and global guidelines are included in the framework, providing a road map for the management of risk on a day-to-day basis, assisting value creation, and promoting the long-term success of the Company.

## RESPONSIBILITY FOR RISK MANAGEMENT

The Executive Board has overall responsibility for identifying, analyzing, and managing the risks associated with Arcadis' strategy and activities, including establishing the risk appetite, designing, implementing, and maintaining the internal risk and control system, and monitoring its performance. The Executive Board has established a Risk Management function to provide support and assistance with the effective discharge of these responsibilities. The Risk Management function is headed by the Chief Risk Officer, supported by a Corporate Risk Management team and Regional Risk Managers.

The Risk Management Committee assists the Executive Board with striking the right balance between risk and reward by providing global oversight on risk topics. The Risk Management Committee advises the Executive Board, as needed, in ensuring that a robust risk management framework exists across Arcadis.

## RISK GOVERNANCE STRUCTURE



# RISKS AT A GLANCE

RISK AREA	RISK	RISK DESCRIPTION	TREND	RISK APPETITE
STRATEGIC	Market	The risk that market developments have an adverse effect on Arcadis' net revenues	↔	Low
	Reputation	The risk of an incident occurring which will adversely affect the Arcadis brand	↔	Low
	M&A	The risk that acquisitions do not deliver the intended return on investment, or that assets to be divested are not divested in a timely fashion, for the right values	↔	Low
	Financing	The risk of having inadequate access to capital from external sources	↔	Low
	People	The risk that the business has insufficient talent to win and deliver client projects, and to lead the business to achieve its fullest potential	↔	Low
OPERATIONAL	Client & Project	The risk that too large a proportion of net revenues comes from a small group of clients, or that Arcadis underdelivers on its projects	↔	Low
	Reporting	The risk that Arcadis' reporting contains material misstatements	↔	Low
	Capacity & Capability	The risk that the knowledge and technical capability and capacity of Arcadis' employees does not always match prevailing market needs	↑	Low
	Liquidity	The risk that the business has insufficient free cash flow to fund its operations and stay within acceptable debt ratios	↓	Low
	IT	The risk of critical IT systems being unavailable or having restricted availability to the business	↑	Low
HEALTH & SAFETY	Health & Safety	The risk of health and safety incidents which adversely affect Arcadis' people or the business	↔	Low
COMPLIANCE	Compliance	The risk of non-compliance with statutory laws and regulations in applicable jurisdictions or with Arcadis' internal policies and procedures	↔	Low

↑ Increasing
↔ Stable
↓ Decreasing
Light Orange Averse
Orange Low
Dark Orange Medium
Red High





**RISK PROFILE, RISK CAPACITY, AND RISK APPETITE**

To achieve its strategic objectives, Arcadis needs to take a considered amount of risk. The amount of risk Arcadis chooses to take in relation to each key risk is expressed as its appetite. Appropriate controls are designed and implemented for each key risk to bring Arcadis' risk exposure within appetite.

Arcadis' risk appetite in 2017 ranged from averse to high. All controls are carefully designed, implemented, and regularly monitored to reduce Arcadis' risk exposure. A 'high' risk appetite indicates that Arcadis chooses to accept a high level of exposure to a certain risk. Where the appetite for risk is 'averse', Arcadis seeks to significantly reduce its risk exposure. An appropriate level of assurance is applied to ensure that Arcadis stays within the defined risk appetite.

In 2017, the Risk Management function worked closely with the Executive Board and the businesses to translate its appetite for its Strategic, Operational, Health & Safety, and Compliance risks into concrete key risk indicators. These enable Arcadis to clearly communicate its risk appetite, risk capacity, and overall risk profile to the business. They also provide a tool for monitoring Arcadis' risk exposure, which will help it to maintain a risk profile which does not adversely impact its profitability or value, or pose a threat to its continuity. In certain instances, conscious, informed risk-taking can aid the creation of value.

**RISK MANAGEMENT IN ACTION**

Risk Management in Arcadis can only be effective with a strong commitment from regional executive management to drive a culture where the regions own and manage risk on a day-to-day basis. In its three-line defense model, Arcadis' operating entities are the first line of defense: they are accountable for risk management at an operational level.

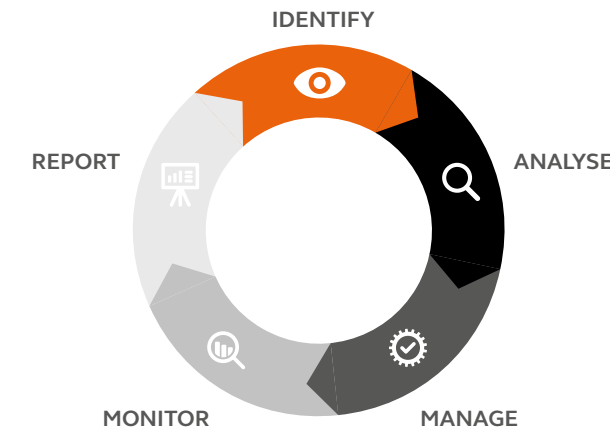
Risk Management is amongst the functions that make up the second line (others include Legal, Health & Safety, Finance, and Information Security), assisting and supporting the first line of defense with identification and analysis of key risks (including the likely impact and probability of the risks arising), the development of mitigating controls, and monitoring their effectiveness. The third line, Arcadis' Internal Audit function, provides independent assurance on governance, risk management, and internal controls.

The Risk Management function assists the Executive Board in assessing the effective implementation of the ABC Framework on an annual basis. The Corporate Risk Management team oversees assessments in the regions – known as management testing. The results from the annual management testing are analyzed and discussed initially with Regional management, and then with the Executive Board, the Audit and Risk Committee, and the Supervisory Board.

Where necessary, improvements to the design or the implementation of the controls are recommended. All reported findings and recommended improvements (including those from Internal Audit and External Auditors) are captured in an Action Tracker. Recommended improvements are actioned by the business, monitored and supported by the Corporate and Regional Risk Management Teams. The Chief Risk Officer periodically reports to the Executive Board on the status of the improvement items.



**THE RISK LIFECYCLE**



**INTERNAL AUDIT**

Arcadis' Internal Audit function operates under the responsibility of the Executive Board. Its objective is to enhance Arcadis' performance through assurance. Internal Audit deploys a systematic and disciplined approach to evaluate and improve Arcadis' governance, risk management, and control environment. This approach complies with the Standards of the Institute of Internal Auditors. The Head of Internal Audit has direct access to the Executive Board and attends Audit and Risk Committee meetings.

Annually, the priorities for Internal Audit are set in consultation with the Executive Board and the Audit and Risk Committee based on the results of an overall risk assessment of Arcadis. The audit plan is reassessed quarterly against changes in the overall risk environment of Arcadis.

In 2017, Internal Audit mainly focused its activities on the roll-out of the Arcadis Way and business process audits in operating entities. Observations and recommendations from the audits are discussed with management of the operating entities and included in the Action Tracker. Regional management is responsible for executing and monitoring the progress of remedial measures put in place to mitigate the reported risks. The Internal Audit Reports are submitted to the auditee, regional management, and the responsible Executive Board member.

A summary of the results of audits undertaken and changes to the audit plan, if any, are reported to the Executive Board and the Audit and Risk Committee on a quarterly basis.



# OUR MAIN RISKS

## STRATEGIC RISKS



### MARKET RISK

Overall market volatility has decreased, and key geographical markets are expected to remain stable or grow for the foreseeable future. Uncertainty remains around matters such as Brexit and developments in the Middle East, which could have a significant impact on key markets going forward. Arcadis' competitive field has been consolidating with several large mergers and/or acquisitions in recent years. The increasing relative scale of competition presents a long-term risk for Arcadis' ambition to remain a top-three pure design and engineering firm. In addition, the industry is shifting to digitalization following years of low productivity and limited innovation. While this shift presents exciting opportunities to differentiate from the competition, it also brings new risks with regards to innovation choices. Arcadis is well diversified both geographically and with regard to the sectors in which it operates, making it resilient to shocks in specific countries or sectors.

#### SPECIFIC RISK-MITIGATING ACTIONS IN 2017

1. Arcadis' new strategy was developed and launched. This identifies four industry-specific mega trends and refocuses efforts where Arcadis can be a market leader.
2. To respond to the industry shift to digital, Arcadis developed and launched a digital strategy and invested in a digital leadership team, including appointing a Chief Digital Officer.

Risk Appetite: Risk Trend:

### FURTHER ACTIVITIES PLANNED FOR 2018

Further risk assessments of the digital strategy will be carried out as it evolves. There will also be focus on ensuring that there is sufficient resource to implement the new strategy.



### REPUTATION RISK

The global reach of the Arcadis brand is a real strength – clients know that they enjoy the same level of innovation, client focus, and solutions-driven approach globally. As with every strength, there is a corresponding weakness, and in this instance, it is that any reputational harm suffered in one area of Arcadis' operations has the potential to reverberate throughout the organization.

#### SPECIFIC RISK-MITIGATING ACTIONS IN 2017

1. Arcadis issued several extensive pieces of research which helped it establish a position as a thought leader, including the highly respected Sustainable Cities Mobility Index. These have received a great deal of positive press.
2. A new global Human Rights and Labor Rights policy was introduced across the business.
3. Arcadis UK was named as a Superbrand. Superbrands is the definitive listing of the UKs strongest brands and Arcadis UK was independently chosen by a council of brand experts and around 2,500 business professionals.

Risk Appetite: Risk Trend:

### FURTHER ACTIVITIES PLANNED FOR 2018

Arcadis' new strategy and updated values are heavily focused on people and behaviors. This includes encouraging leaders to be role models and removing barriers to value-based behaviors to create a global Arcadis culture.



### M&A RISK

In 2017, Arcadis did not undertake any large mergers or acquisitions, rather the focus was on divestments, with the aim of bringing focus and reducing the risk profile.

#### SPECIFIC RISK-MITIGATING ACTIONS IN 2017

1. Arcadis continued to cautiously look at smaller investments, applying a diligent process for reviewing targets and assessing added value. Arcadis includes in its review the ability to finance acquisitions and the managerial capabilities required for integrating acquisitions.
2. Arcadis continued to carefully monitor the integration and value creation of past acquisitions with a formal review of past acquisitions after three years. It applies lessons learned when integrating subsequent acquisitions.

Risk Appetite: Risk Trend:

### FURTHER ACTIVITIES PLANNED FOR 2018

Ongoing portfolio re-focusing whilst considering right-fit acquisitions.



### FINANCING RISK

The excess liquidity seen in the capital markets and in banks in 2017 has had a positive effect on Arcadis' ability to access capital from external sources. There are new banks interested in joining Arcadis' banking syndicate and its current relationship banks remain willing to provide financial support. There is continued focus to reduce leverage, with lower debt and improved EBITDA the main drivers.

#### SPECIFIC RISK-MITIGATING ACTIONS IN 2017

1. Potential new lenders were identified and a dialogue with them has started. Work was done on expanding non-core banking relationships.
2. The decision was taken to develop scenarios for refinancing debt in 2018.

Risk Appetite: Risk Trend:

### FURTHER ACTIVITIES PLANNED FOR 2018

Continuous review of financing options.



### PEOPLE RISK

Arcadis recognizes that its people and its culture are key to achieving its objectives and as such its new strategy focuses heavily on People & Culture. Having insufficient talent to win and deliver client projects is a risk and Arcadis' ability to recruit and retain good people is key. Arcadis continues to build its capabilities in the Global Excellence Centers and these remain a differentiator for Arcadis.

#### SPECIFIC RISK-MITIGATING ACTIONS IN 2017

1. In addition to the global learning and development programs offered (e.g. Global Shapers, the Advanced Management Program, etc.), every region has started to develop their specific line manager and middle manager training programs to enhance the skills and capabilities of this population and the way they manage their teams.
2. More Project Managers were trained through the Arcadis Project Management Academy.

Risk Appetite: Risk Trend:

### FURTHER ACTIVITIES PLANNED FOR 2018

A new performance management framework – Grow Perform Succeed – has been developed and launched. The framework will bring a simple and streamlined process with more frequent and meaningful performance conversations that are focused on the future, growth and development. Grow Perform Succeed is a key pillar of the People & Culture aspect of the strategy and will foster employee engagement, retention, and people capabilities.



**OPERATIONAL RISKS**



**CLIENT & PROJECT RISK**

Client buying patterns are changing: clients are looking for integrated thinking to solve complex problems in a sustainable way and are increasingly transferring risk to their supply chain. Reflecting this trend, Arcadis is increasingly engaged by contractors whose clients have procured services on a design and build basis. This trend and other market forces have resulted in increased exposure to Client & Project Risk. To bring exposure within appetite, several new mitigating actions were introduced.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. The Arcadis Way introduced a project review regime which is tailored to the project and the identified risks. There was also increased monitoring of project performance in the regions at corporate level.
2. Collaboration Guidelines for cross-border projects were updated.
3. The ongoing Client Focus program prioritized dealing with changes in buying patterns and market uncertainty, and the client development capability was significantly strengthened.
4. Training on the risks associated with working directly with contractors in a design-build context was given to the Global Solutions Leaders, the Global Client Development Leaders, and the Global Legal Team, and to sector and solution leaders in a first wave of regions - the Middle East, Australia, and Asia.
5. A new Executive Sponsorship program was launched. Under it, leadership is assigned to specific clients, improving sight lines to market shifts and opportunities.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

Every region will carry out an assessment on the way in which it manages projects. These assessments will be used as a starting point for putting improvements in place under an initiative: Make Every Project Count, which aims to improve the profitability of projects. Training on working directly with contractors will be presented in all regions. To improve client satisfaction, a Client Experience tool which captures and analyses client feedback on a holistic (rather than project) basis will be piloted.



**REPORTING RISK**

As a globally operating publicly listed company, Arcadis is required to comply with financial and non-financial reporting requirements. Material misstatements in reporting could significantly affect Arcadis' reputation and/or its stock market value. It is critical that all operating entities report to the same standards and deliver the same high quality of reporting, in line with accounting and reporting principles. In 2017, there were new reporting requirements under the Dutch Corporate Governance Code and the EU Non-Financial Reporting Directive. Arcadis has taken steps to ensure it will be compliant with the new financial reporting standards which will be in force in 2018 (IFRS 9 and IFRS 15) and 2019 (IFRS 16).

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. Roll-out of improved Group Accounting Manual and launch of a portal for finance team members, to access information easily, including further clarification on specific policies and on-site and online training, including on the new reporting standards.
2. Set up working groups and steering committees to address changes in financial reporting and non-financial reporting standards/laws and regulations.
3. Developed Finance strategy 2020, aimed at improving and digitalizing the finance function.
4. Continuation of PwC's appointment as statutory auditor for the majority of its operating entities.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

A redesigned financial reporting control framework (including Oracle-related application controls) will be implemented. The implementation of the new financial and non-financial reporting standards will continue to be monitored by the working groups and steering committees set up in 2017 for this purpose. Further roll-out of the Arcadis Way, including one way of working, underpinned by a single ERP system (Oracle), standardized reporting, business intelligence, and data analytics.



**CAPACITY & CAPABILITY RISK**

Competition for talent continues to be fierce and there is a risk that knowledge and technical capability and capacity of Arcadis' employees does not always match prevailing market needs.

The ongoing implementation of the Arcadis Way, with its associated resource management functionality, will allow for more efficient use of existing capability and capacity across Arcadis' operations. The trend toward digitalization, will result in a shift in some of the skills needed. Attracting sufficient, capable technical people remains a challenge.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. Technical capacity in the Global Excellence Centers was increased by more than 500 people.
2. A Digital Academy was added to the suite of Academy programs, focusing on the broader knowledge base of all Arcadians in this digital era.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

A further increase in the technical capacity of the Global Excellence Centers is planned for 2018. As part of the 2018 - 2021 strategy and Putting People First, Arcadis aims to become the Employer of Choice in every region in which it operates by encouraging leaders to be role models and by creating a safe, respectful, and inclusive working environment where differences and innovation are valued.



**LIQUIDITY RISK**

Having insufficient free cash flow would prevent Arcadis from being able to fund its operations. The Total Leverage Ratio is decreasing, with ongoing close monitoring of EBITDA performance.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. In Q2 2017, all regions were given cash targets to minimize net debt. By the end of 2017, targets were achieved in the majority of the regions.
2. The global working capital management program, established in 2016, continued to be implemented.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

Arcadis will continue to track developments in net debt and EBITDA. Full implementation of the global working capital management program in certain sub-regions and countries has been identified as an opportunity for improvement and this will be a priority for 2018.



**IT RISK**

To further enable collaboration, supporting bidding and project delivery, within Arcadis, IT services have been centralized and harmonized. This however increases the risk of critical IT systems having restricted availability or being unavailable. And, as Arcadis increases its digital efforts, so too will the likelihood of threats and vulnerabilities which relate to the use of IT. Arcadis considers cybercrime to be one of its biggest IT threats with cybercriminals becoming more sophisticated and increasingly active across the globe.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. A new IT security framework has been drafted in line with ISO 27001. The aim is to have this implemented globally in 2018.
2. Phishing email tests were sent out to assess the level of awareness of employees with regard to cyberrisk. As a follow-up to this assessment, ransomware training was developed and delivered.
3. A comprehensive ongoing program of management testing around IT systems and processes, including detailed testing across the following areas: Strategy, Information Security, Change Management, Business Continuity, Backup and Retention, Operational Management, Software Assets, and Vendor Management, is in place.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

To further improve IT security, multi-factor authentication for Office 365 will be introduced. Additional training and awareness campaigns are planned, including email security training. Arcadis' IT experts will work with the Global Privacy Team to build privacy controls into IT systems (Privacy by Design). Monitoring of network and connectivity resilience will be increased to ensure that warning signals are acted upon promptly.

**HEALTH & SAFETY RISK**



**HEALTH & SAFETY RISK**

During 2017, the regions in which Arcadis does business and the type of services it undertakes have not significantly changed and therefore the risk of health and safety incidents occurring which adversely affect Arcadis or its employees has remained stable. There has been an increased focus on the well-being aspect of health and safety in 2017.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. The global Health & Safety strategy was updated to include a reference to the development (or enhancement) of an employee well-being program on a regional basis (in conjunction with HR).
2. A new travel health, safety, and security provider was retained to improve the implementation and adoption of Arcadis' travel health, safety, and security protocol. Arcadis transitioned to this provider and has seen increased adoption of the tools available to its employees, helping them mitigate the risks associated with business travel.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

Currently, reactive data is collected to identify the root cause of incidents; however, this represents a relatively small data set, so trends are not readily identifiable. Arcadis has therefore been working towards implementing a data management system in some regions that will capture a much wider range of health and safety data. This will facilitate the identification of trends and preventative controls that can be implemented.

**COMPLIANCE RISK**



**COMPLIANCE RISK**

Arcadis does business in accordance with laws and regulations, including labor laws, privacy regulations, accounting standards, tax laws, health and safety regulations, governance, and periodic filing, applicable in the jurisdictions in which it operates. Functional heads (including HR, Privacy, Compliance, Finance, Tax, Legal, Sustainability, and Health & Safety) together with business partners are responsible for raising awareness of applicable laws and regulations. Local and global policies are developed and implemented to aid such compliance. All new and existing Arcadis employees undertake training on the Arcadis' code of conduct (the Arcadis General Business Principles). This provides guidance on recognizing compliance issues and on raising actual or suspected misconduct or irregularities under the reporting procedure, through the use of dilemmas.

**SPECIFIC RISK-MITIGATING ACTIONS IN 2017**

1. The focus of the global integrity and anti-corruption program in 2017 was on continuing to encourage management ownership of integrity (top-level commitment).
2. A third party due diligence initiative, focused on a more consistent global approach, was started and will be further developed in 2018.
3. Various new policies and updates of existing policies – Arcadis General Business Principles, Issue Reporting and Handling, Conflict of Interest, Competition – were introduced.
4. A Chief Privacy Officer was appointed at global level and a Global Privacy Program was developed. The European Data Protection Authorities approved the Privacy Codes as submitted by Arcadis in 2017.

Risk Appetite: Risk Trend:

**FURTHER ACTIVITIES PLANNED FOR 2018**

The Global Privacy Program (referred to above) will continue to be implemented in the regions, with a specific focus on compliance with the EU General Data Protection Regulation for the processing of personal data of European citizens. Online refresher training on the Arcadis General Business Principles, which is mandatory for all employees, is scheduled for 2018.

See the People & Culture section for additional information about Compliance.

Increasing Stable Decreasing Averse Low Medium High



**ARCADIS' REVISED RISK UNIVERSE**

In 2017, a comprehensive review of Arcadis' risk universe was undertaken, recognizing the rapidly evolving world in which we operate, the transformation of our operations in recent years, and the update to Arcadis' strategy which was announced on 21 November 2017. The review identified sixteen key risks which could impact on the achievement of Arcadis' new strategic objectives (see the table on the right side on this page). A revised risk and control framework will come into effect in 2018. This includes new control activities and revisions to existing controls, as appropriate.

**MANAGEMENT STATEMENTS**

As a result of the management testing carried out in 2017, the regions and operating companies issued signed Letters of Representation and In-Control statements to the Executive Board. The Executive Board has reviewed the Letters of Representation and In-Control statements, along with reports from Internal Audit and the Board Report from the external auditor. It has assessed the effectiveness of the design and operation of the ABC Framework in 2017 and has discussed this with the Audit and Risk Committee and the Supervisory Board.

During 2017, no major failings (i.e. no failings which resulted in material losses or impact) in the design or implementation of the controls under the ABC Framework were observed. Where a control has not worked as expected, areas for improvement were identified. Based on the information referred to above and its assessment, the Executive Board believes that:

1. The report provides sufficient insights into any failings in the effectiveness of the internal managements and control systems;
2. The aforementioned systems provide a reasonable assurance that the financial reporting does not contain any material inaccuracies;

3. Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
4. The report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

In accordance with Article 5:25c of the Financial Markets Supervision Act (Wet op het Financieel Toezicht), the Executive Board confirms, to the best of its knowledge, that:

- the Consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit and loss of Arcadis and its consolidated companies;
- the Annual Integrated Report gives a true and fair view of the position as at 31 December 2017 and the developments during the financial year of Arcadis and its group companies included in the Consolidated financial statements; and
- the Annual Integrated Report describes the main risks Arcadis is facing.

The above statements are given on the basis that the ABC Framework is primarily designed to bring Arcadis' risk exposure within its risk appetite and cannot therefore provide full and complete assurance that all human error, unforeseen circumstances, material misstatements, fraud or non-compliance with laws and regulations will be prevented.

The names and functions of the Executive Board members are mentioned on pages 116 and 117 under Composition of the Executive Board.

**REVISED RISK UNIVERSE**

STRATEGIC RISKS
Market
Capability & innovation
Acquisition & divestment
Corporate financing
REGULATORY & COMPLIANCE RISKS
External regulations
Internal policies
OPERATIONAL RISKS
Third party management
Health & safety
Financial reporting risk
Information security
Transformation programs
Client & opportunity
Project & contract
Information technology
Liquidity & working capital
People & capacity



## REDUCING TRAFFIC IN A CONGESTED CITY



**RAIL PROJECT TO REDUCE TRAFFIC IN  
NORTH AMERICA'S  
MOST CONGESTED CITY**

**LOS ANGELES,  
UNITED STATES OF AMERICA**

In partnership with the Los Angeles County Metropolitan Transportation Authority (Metro), Arcadis is helping reduce traffic in North America's most congested city by providing construction management support services for a 1.9-mile long subterranean twin rail tunnel as part of the public light rail system in Los Angeles.

### IMPACT

- Throughout the multi-year Los Angeles Regional Connector Transit Project, Arcadis is providing in-depth transportation knowledge, construction contract administration, and quality and safety oversight as part of the design-build tunneling effort.
- Construction of the twin tunnels, scheduled to wrap up by early 2018, will connect three new stations along the Connector's new expanded route. The addition of these new underground stations will close a gap in the light rail system by allowing for continued, single-seat train service for riders between Long Beach and Azusa and from East Los Angeles to Santa Monica without the need to transfer between trains, connecting the current Blue, Expo, and Gold lines.
- The project is expected to be completed in 2021.



# SUPERVISORY BOARD REPORT

142 Report by the Supervisory Board  
150 Remuneration report

This Supervisory Board Report provides the manner in which the duties and responsibilities of the Board were fulfilled in 2017; it describes the functioning of the Supervisory and Executive Board, and its compliance to the New Corporate Governance Code. Additionally, a detailed account is given of the respective Supervisory Board Committees, and the topics under discussion throughout the year.



# REPORT BY THE SUPERVISORY BOARD

Arcadis NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, both with responsibilities for the Company and its stakeholders, yet each with its own specific task description. The task of the Executive Board is to manage the Company, and to realize its objectives and strategic goals. The task of the Supervisory Board is to supervise and advise the Executive Board.

This Report by the Supervisory Board sets out the manner in which the Supervisory Board fulfilled its duties and responsibilities in 2017. For details on the organizational structure see the paragraphs in the section on Corporate Governance in this Annual Integrated Report. For the activities of the Executive Board in 2017 see, amongst others, the CEO message, and also the regional pages in this Annual Integrated Report.

## PERFORMANCE OF THE COMPANY IN 2017

End of 2016, the search for a new CEO and the financial performance became the highest priorities for the Supervisory Board. In the shareholder meeting end of April 2017, Peter Oosterveer was appointed as member of the Executive Board and CEO. Mary Ann Hopkins was also appointed to the Executive Board. After that, the process to confirm the Strategy for 2018 - 2020 cycle could be finalized. The strategy update for that new three-year cycle was presented in November 2017. It included an update of the core values of the organization: we added a value reflective of the importance we put on culture and people: People First. We kept the other four core values that we had, whereby we put integrity at the core. The Supervisory Board believes that the values of People First, client success, integrity, sustainability and collaboration all are essential to both long-term value creation and short-term performance.

Gross revenues were €3.2 billion. Net revenues totaled €2,437 million, and increased organically by 1%. North America, Continental Europe, the UK, and Australia delivered organic growth, compensating for a decrease in other regions. Operating EBITA increased by 6% to €186 million (2016: €176 million), as higher results in North America and Continental Europe compensated for lower results mainly related to the Middle-East. The effective income tax rate was 19.7% (2016: 19.3%). The main reason for the reduced rate, which was 29.9% in the first half of 2017, was the US tax reform resulting in a one-time gain of €12 million from revaluation of deferred tax positions. Financing charges decreased to €26 million (2016: €29 million) due to a weaker US dollar and lower debt. Income from associated companies was a loss of €12 million (2016: loss of €3 million), largely related to non-core clean energy assets in Brazil. Arcadis is investing up to €20 million to optimize asset value, ahead of a future divestment. Net income from operations increased 11% to €101 million (2016: €91 million) or €1.18 per share (2016: €1.08). The free cash flow was €98 million (2016: €80 million), and led to reduced debt. The increased client focus contributed to a return to organic growth and the simplification of the organizational structure and cost reductions resulted in improved performance.



While our primary focus is on organic growth, we also look for opportunities to further expand our digital and data expertise. As a next step in the strategic review of CallisonRTKL we started a market consultation to assess the viability of a sale. In the coming years, we expect to see the benefits from our updated strategy 'Creating a sustainable future', based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance.

## FOCUS ITEMS 2017

The Supervisory Board believes that focus is key to achieving the Company strategy and to creating long-term value. This includes that principal risks related to the strategy of the organization should be addressed. Earlier in this Report we already mentioned the two highest priorities for the Supervisory Board during 2017. In addition, in exercising its task in 2017, the Supervisory Board, in coordination with the Executive Board, put special emphasis on the following topics:

### 1. RE-ENERGIZE OUR PEOPLE BY BRINGING BACK CLIENT FOCUS.

Since Q4 2016, important steps have been taken by the Executive Board to further increase client focus and to simplify the organization. Those continued during 2017. With Peter Oosterveer joining, the focus has amplified on People & Culture, as well as on project performance. **OUR ROLE.** This topic has regularly been discussed between the Supervisory Board and the Executive Board. The Supervisory Board believes good progress is made, and the tone from the top is the right one. Further steps are to be made in 2018.

### 2. STREAMLINE THE ORGANIZATION BY CREATING AND IMPLEMENTING A SIMPLIFIED OPERATING MODEL.

End of 2016, a simplified operating model was introduced. Further communication and implementation occurred in 2017. **OUR ROLE.** We believe that the steps taken are appropriate and have (also) been conducive to reducing internal focus.

### 3. PRUNE THE NUMBER OF INITIATIVES TO REDUCE OVERHEAD COSTS AND FREE UP RESOURCES TO FOCUS ON WINNING CLIENT PURSUITS TO BUILD BACKLOG/PIPELINE.

Pruning the number of initiatives was completed early in the year with clear outcomes. We simplified the organization and realized the €10 million reduction of overhead in line with our announcement in February 2017. Backlog and pipeline improved. More attention is given to winning work. **OUR ROLE.** Pruning the number of initiatives is not only relevant to reducing overhead and sustaining margin, it is also a direct contributor to item 1 above, promoting client focus. We are pleased with actions taken. This should remain on the attention list in 2018.

### 4. UNWAVERING DRIVE FOR PROFIT AND CASH.

During the year, there was ongoing focus on cash and EBITDA. The company saw strong cash flow in 2017. **OUR ROLE.** The Supervisory Board has consistently pushed to focus on profitability and positive cash generation. Various in-depth and thorough discussions took place between the Executive Board and Supervisory Board. Both the Executive Board and the Supervisory Board are comfortable with current ratio levels, with at the same time the clear intent to further improve the ratios.

### 5. DEVELOP A SOLID PLAN 2017, THAT HAS THE SUPPORT OF THE EXECUTIVE BOARD AND SENIOR MANAGEMENT COMMITTEE, AND SUPPORT MARY ANN HOPKINS AS EXECUTIVE AMERICAS TO DRIVE PERFORMANCE IN THIS SEGMENT.

The 2017 plan was developed, and ownership was put in place. In 2017, Brazil remained a very difficult market, which impacted performance. We did realize positive development in both Latin America and North America from interventions in leadership and priorities. In North America, performance turned the corner. **OUR ROLE.** We have continuously challenged the Executive Board to focus on performance, right size the business, ascertain the right leadership and business model, and ascertain the right focus. We are pleased with progress made.



**OTHER. HEALTH & SAFETY. ARCADIS WAY. DIGITALIZATION.**

Whilst in 2017 we did not call out Health & Safety (H&S) in our list of focus items, we continue to be a strong promotor of Health & Safety and we support the Company's attention for the topic. Whilst in the past focus has been on the Safety side, we saw this year that the Health aspect got more attention. **OUR ROLE.** All our meetings continue to start with a Health & Safety moment, and an update on H&S status. By sharing experiences and suggestions the Supervisory Board contributes to further awareness and improvement. H&S performance in 2017 was similar to 2016. Although that means that in our industry we are performing well, as a Supervisory Board we expect another push in 2018 to further improve performance.

**“One of the areas we focused on during the year, is how we can take advantage of the trend in our industry towards digitalization.”**

The other topic we want to call out is the implementation of the Arcadis Way. We are in full support that it should be undertaken, but we also acknowledge that it is a major internal organizational change effort, which includes a potential risk of business disruption. We therefore asked for and received regular updates. Finally, on the business side, one of the areas we focused on during the year is how we can take advantage of the trend in our industry towards Digitalization. This topic was also regularly on the agenda. We note that several of our priorities were (also) extensively addressed in the various Committees of the Supervisory Board. The respective chairpersons of the Committees always report on their discussions during the full Board meetings.

**SUPERVISORY BOARD MEETINGS. ATTENDANCE**

In 2017, we had eight meetings, five of which were regular scheduled meetings. All our meetings were attended by the members of the Executive Board. We also had three 'Supervisory Board-only' meetings, as per our regular schedule.

In our scheduled meetings we covered the focus items listed on page 143 of this Report, as well as topics that we address every year, such as the financials and performance, governance (including composition of the Supervisory Board and Executive Board and related (re-)nominations, the remuneration of the Supervisory Board and Executive Board, and (other) preparation of the annual shareholders meeting), Risk Management, Legal, Claims, Integrity, Compliance, people, IT, developments in the organization, Client Development, important project wins and M&A (opportunities). During the year we monitor progress against the priorities mentioned earlier in this Report.

We added the additional meeting time in the year in view of the strategic review of CallisonRTKL, and in view of the update of the Arcadis Strategy. We believe that with reviewing the strategic options for CallisonRTKL a good next step is taken to create focus. We also believe that the strategy for the next three-year cycle is well considered and appropriate. Finally, the functioning and composition of the Executive Board and the new CEO was closely monitored.



Supervisory Board members were rarely absent from either Supervisory Board meetings or Supervisory Board Committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings was 98.2% (2016: 94.9%) and for Supervisory Board-only 95.2% (2016: 93.3%), for the Audit and Risk Committee meetings 100% (2016: 100%), for the Remuneration Committee 100% (2016: 100%) and for the Selection Committee 100% (2016: 100%). Ms. Markland did not attend two of the extra meetings, and Mr. Grice did not attend one Supervisory Board-only meeting. In case members could not attend in person they contributed to the decision making before the relevant meeting. Throughout the year, the Chairman maintained frequent contact with the CEO, CFO and regularly with other Executive Board members.

Finally, all Supervisory Board members, as well as three Executive Board members, are board members of the Priority Foundation. This foundation also has ten Arcadis employees from across the organization in its Board (as a group these ten employees are joined up in another foundation's board called the Bellevue Foundation). As the board of this foundation we meet at least twice a year to discuss Arcadis affairs. Reference is made to note 23 of the Consolidated financial statements for further information on the Priority Foundation and the Bellevue Foundation.

**FUNCTIONING OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD**

Once a year in our Supervisory Board-only meeting we perform our self-assessment, including assessment of our committees and the individual Supervisory Board members. In 2017, we performed the assessment for the Supervisory Board with a structured questionnaire, as well as an elaborate list of governance related questions. In our Supervisory Board-only meeting(s) we also do the assessment of the Executive Board and the individual Executive Board members.

Following the assessments feedback was provided to the Executive Board members and personal targets were set for each of the Executive Board members. Based on the assessments the Supervisory Board has concluded that the relationship between Executive Board and Supervisory Board is good and constructive, whilst sufficiently critical. This is considered essential to having both Boards functioning properly.

Since 2016, we have confirmed that each of the Supervisory Board members takes responsibility for certain specific attention areas/topics, to make sure we give those the required attention and to optimize our respective specific expertise. Also, since 2016, we structurally evaluate our Supervisory Board meetings amongst ourselves at the end of the Supervisory Board meetings. We believe that both steps have improved the quality of our meetings and of the interaction with the Executive Board and we will continue applying them. Like last year, we focused on direct interaction with not just the Executive Board but other leadership as well. This included presentations in areas of responsibility, social events in offices, and one-on-one discussions with various senior leaders.

**COMPOSITION EXECUTIVE AND SUPERVISORY BOARD**

As at 31 December 2017, the Supervisory Board consisted of seven members, and the Executive Board consisted of five members. In April 2017, Ms. Markland and Mr. Hoek were re-appointed to the Supervisory Board, Mr. Ang was appointed to the Supervisory Board and Ms. Hopkins and Mr. Oosterveer were appointed to the Executive Board.

For information about diversity targets in our Board we refer to the chapter on Corporate Governance in this Annual Integrated Report. For the current composition of the Executive Board and information about its members, please refer to page 116 and 177 of this Annual Integrated Report. For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to pages 118 and 119 of this Annual Integrated Report.



**CORPORATE GOVERNANCE**

In the chapter on Corporate Governance in this Annual Integrated Report, the governance structure of the Company is described, and we explain the one deviation from the principles and best practice provisions of the Corporate Governance Code of December 2016. The Supervisory Board meets the requirements of the New Code regarding the independence of its Chairman, of the other Supervisory Board members, and of the Supervisory Board as a whole. The Supervisory Board also complies with the best practice provision that its members do not hold more than five supervisory board positions at certain 'large' (listed) companies or entities. The Executive Board members do not hold more than two supervisory board positions with such companies. During 2017, no material transactions involving conflict of interest occurred for Executive or Supervisory Board members.

**SUPERVISORY BOARD COMMITTEE REPORTS****AUDIT AND RISK COMMITTEE REPORT**

M. Schönfeld (Chairman), N. Hoek, I. Grice, M. Lap

In 2017, the Audit and Risk Committee (AARC) met four times. All meetings of the Committee were attended by the (interim) CEO and the CFO, as well as the internal and external auditors. As is customary, ahead of the February meeting the Committee met with the external auditor and the internal auditor, outside the presence of the Executive Board. The February meeting was attended by the full Supervisory Board. In addition, the Chairman of the Committee had regular contact with the CFO to discuss focus items like financial performance, business risks and other matters. Similarly, the Chairman of the Committee regularly met with the external auditor and the Head of Internal Audit to address any issues and discuss audit findings. In a session moderated by the Company's Head of Internal Audit on 24 October 2017, the performance, independence and financial literacy of the Committee and its members were evaluated, with a positive conclusion.

It is customary that the AARC shares its main deliberations and findings in the Supervisory Board meeting following the AARC meeting. Financial performance of the Company was front and center of the Committee's activities throughout the year. Increasing external focus, the growth of pipeline and backlog, as well as the ongoing dedication to cash collection (in particular in the Middle East) and reduction of working capital were discussed in each meeting. During the year we also assessed the exposure to the energy assets in Brazil and reviewed and discussed the plan to optimize the value of these assets. The meeting reviewed the implementation of cost improvement and portfolio adjustment measures. The Committee invited the CFO of Arcadis Latin America to discuss affairs in his region, including restructuring efforts, working capital, margin pressure, and the transformation of the finance organization to a strategic business partner in the Region. The CFO of Arcadis North America, joined a Committee meeting to present on the results in his region.

For North America, 2017 was a year of improving results after five years of deterioration. In October, the meeting invited the CFO of Arcadis Australia Pacific to share, *inter alia*, lessons learned from the implementation of the Arcadis Way and his region's key focus areas, which include project performance and resource optimization. In the context of the annual results 2016, the meeting discussed and reconfirmed the Company's dividend policy and recommended the dividend proposal. In April, PricewaterhouseCoopers (PwC), the Company's external auditor, presented its audit plan for 2017, which was discussed and approved. As is customary, during the April meeting the AARC also evaluated the performance of PwC and the effectiveness of the external audit process in 2016. The AARC identified certain improvement areas for both PwC and Arcadis. During the July Committee meeting, PwC's half-year review report was discussed. PwC's audit findings, both at mid-year and at year-end, were aligned to the focus items identified by the Committee and by the Internal Audit department.



They included project revenue recognition, goodwill impairment testing and related assumptions, the valuation of (un-)billed receivables, the implementation of the Arcadis Way, including the migration of the Arcadis IT environment to Oracle, and the quality of project reviews. Throughout the year, the Committee discussed and assessed with PwC the progress made regarding its key audit findings.

Like every year, the Committee frequently reviewed and discussed the Company's quarterly reports on key legal claims and pending litigation, as well as claims statistics and assumptions used for impairment testing. In each meeting, in the presence of the Head of Internal Audit the past quarter's main internal audit findings and follow-up actions were discussed, progress made against the annual internal audit plan was discussed, and the functioning and effectiveness of the internal audit group was assessed. Also, in each meeting, in the presence of the Chief Risk Officer, the meeting dedicated time to discuss various Risk Management topics, including the embedding of Risk Management in the Company's operations. The meetings reviewed high-risk projects and discussed the functioning of the Regional and Global Tender Boards.

This year, there was special attention for (re-)defining the Company's risk appetite considering the extensive revision of the Arcadis risk universe and control framework. A revised risk and control framework will come into effect in 2018 (see also page 139). Also, in light of the new Corporate Governance Code, there were extensive discussions on the core governance topics of risk management, business control, internal audit and culture. The implementation of the new Corporate Governance Code, and the broader effort within Arcadis to review its corporate governance structure (this effort is described in the Corporate Governance Report on pages 122 to 128), led to the amendment of several governance documents and processes. For example, the assessment process of the internal audit function by the AARC and the Executive Board has been further formalized and will be implemented going forward.

The Committee reviewed and approved revised versions of the AARC Charter, the Internal Audit Charter and the External Auditor Independence Policy. The Chief Compliance Officer regularly updated the Committee on (potential) integrity issues and related statistics, as well as on the completion in the first half of 2017 of the global online AGBP training program (which takes place every other year).

Also on the agenda were a presentation by PwC on cybersecurity and the importance of a functioning incident and response manual in addition to continued investment in prevention and protection. The Corporate Treasurer provided insight into Arcadis' committed and contingent liabilities, and the risks associated with them. The meeting was also kept informed on progress made to implement the new IFRS 9, 15 and 16 standards within Arcadis, which will become effective in 2018 (IFRS 9 and 15) and 2019 (IFRS 16), respectively.

**REMUNERATION COMMITTEE REPORT**

R. Markland (Chair), N. Hoek, G. Nethercutt (until 26 April 2017), D. Goodwin, W.G. Ang (since 26 April 2017)

In 2017, the Arcadis Remuneration Committee (RemCo), met five times. The (interim) CEO and the Global Human Resources Director were invited to attend (parts of) the meetings. In the first quarter, the RemCo finalized the Remuneration Review for the Executive Board and Supervisory Board. In parallel, the RemCo agreed on the remuneration (aligned with the reviewed policy) for Mr. P. Oosterveer who was nominated to be appointed as new CEO. The revised Remuneration Policy, the revised remuneration of the Supervisory Board and the appointment of Mr. P. Oosterveer as CEO were approved by the AGM on 26 April 2017. Furthermore, the RemCo prepared in the first quarter the performance evaluation of the Executive Board members for discussion in the Supervisory Board.

Consequently, other meeting topics included the granting of bonuses and performance-based shares to the Executive Board, senior management and other key staff, and the 2017 bonus program for the Executive Board and senior management. The RemCo also determined Arcadis' ranking among the peer group as the basis for the vesting of shares and options in April 2017. In the second quarter, the RemCo decided to make two replacements in the TSR peer group, which were necessary due to market consolidation. Going forward, the RemCo decided not to continue the practice of replacements of companies for the current LTI schemes but to measure the performance of a missing Company synthetically using the methodology of Hay Group Korn Ferry, if the TSR peer group continues to consist of a minimum of ten 'real' companies. Also, the RemCo agreed to a revision of the RemCo Charter to ensure good governance and compliance with the revised Corporate Governance Code. In the third quarter, the RemCo discussed and agreed on an additional benefit for Executive Board Member S. Ritter, based on an amendment of the Taxation Agreement between the Netherlands and Germany which resulted in a significant tax disadvantage for Mr. S. Ritter due to his activities in The Netherlands, whilst being a resident of Germany. In the last quarter, the committee developed the Remuneration Report over 2017 and decided on the Short-Term Incentive Plan measures for 2018.

#### SELECTION COMMITTEE REPORT

N. Hoek (Chairman), G. Nethercutt (until 26 April 2017), R. Markland, D. Goodwin, W.G. Ang (since 26 April 2017)

In 2017, the Arcadis Selection Committee (ASC) met five times in person and engaged in a teleconference meeting two times. The (interim) CEO and the Global Human Resources Director attended (parts of) a number of these meetings.

In the first quarter of 2017, the Committee selected and nominated Mr. P. Oosterveer as CEO. The committee developed a solid role profile, taking into account the Arcadis challenges and strategy. In the selection process both external and internal candidates were considered. Furthermore, the nomination of Mr. W.G. Ang as a new member of the Supervisory Board was discussed and agreed. With the nomination of Mr. W.G. Ang the committee aimed to have a representation from Asia in the board. In the second quarter, the committee discussed and approved the revised ASC Charter and the Supervisory Board Profile. The committee also defined diversity policies for the Executive Board as well as for the Supervisory Board, based on the belief that a diverse composition of the boards contributes to robust decision making and good functioning of the boards. All this was done to ensure compliance with the new Corporate Governance Code. The committee also agreed on the profile for the replacement of Ian Grice as member of the Supervisory Board and started the search for suitable candidates. In the third quarter, the committee agreed on the process to be followed for re-appointment of EB members and applied this process for Mr. S. Ritter and Mr. R. Vree. The succession planning discussion for the Executive Board and Senior Management was moved to the agenda of the full Supervisory Board and took place in the fourth quarter of 2017.



#### 2017 FINANCIAL STATEMENTS, AND DIVIDEND

The Executive Board has prepared this Annual Integrated Report, including the 2017 Financial Statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report and certification which can be found starting on page 234 of this Annual Integrated Report.

The members of the Executive Board have issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). All members of the Supervisory Board and Executive Board signed the 2017 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

We recommend that the General Meeting (i) adopts the 2017 Financial Statements, (ii) approve the proposal to distribute a dividend of €0.47 per ordinary share, to be provided in cash or in shares at the option of the shareholder(s), and (iii) discharge the members of the Executive Board for their management of the Company and its affairs during 2017, and the members of the Supervisory Board for their supervision over said management.

#### CONCLUDING REMARKS

We believe that in 2017 the Company started heading into the right direction. We saw that in performance and we saw it in the focus on people, projects and clients that is being created. We are very appreciative of and fully support the strategy for 2018 - 2020 as presented on 21 November 2017. The focus on People & Culture, Innovation & Growth and Focus & Performance will further contribute to realizing the potential of this great Company. We take the opportunity to thank the Executive Board, Senior Management Committee, managers and all of the Arcadis staff worldwide for their valuable contribution in 2017, and we look forward to a good 2018.

Amsterdam, the Netherlands, 14 February 2018

On behalf of the Supervisory Board  
**Niek W. Hoek, Chairman**

#### RELEVANT DOCUMENTS ON OUR CORPORATE WEBSITE

1. Profile Supervisory Board
2. Diversity Policy for the Supervisory Board
3. Regulation Supervisory Board
4. Re-appointment schedule Supervisory Board
5. Arcadis Remuneration Committee Charter
6. Arcadis Audit & Risk Committee Charter
7. Arcadis Selection Committee Charter



[www.arcadis.com/en/global/who-we-are/governance/supervisory-board/](http://www.arcadis.com/en/global/who-we-are/governance/supervisory-board/)



# REMUNERATION REPORT

The remuneration policy for the Executive Board is determined by the Supervisory Board, based on the advice of the Arcadis Remuneration Committee (RemCo), and aims to attract, motivate and retain international executives of the highest caliber to deliver our business strategy.

This Report outlines the application of the remuneration policy for the Executive Board in 2017, as well as actual performance in 2017 against set performance criteria affected remuneration levels.

## EXECUTIVE BOARD REMUNERATION POLICY

In April 2017, the General Meeting of Shareholders (General Meeting) adopted the revisions to the remuneration policy for the Executive Board as proposed by the Supervisory Board, with effective date 1 January 2017. These revisions serve to ensure continued alignment of the remuneration policy for the Executive Board with relevant market practice.

## REMUNERATION IN LINE WITH MEDIAN LEVEL OF REFERENCE GROUPS

The remuneration policy for Executive Board members aims to support the business strategy, enhance the link between pay and performance and align the interests of our Executive Board members with shareholders' interests by stimulating share ownership while adopting the highest standards of good corporate governance.

Remuneration for Executive Board members consists of fixed remuneration, short-term variable remuneration, long-term variable remuneration and other benefits, such as a pension scheme. Variable remuneration is an important part of the total package and is based on annual performance criteria that support long-term value creation.

Arcadis has developed from a multi-local to a leading international company with clear focus to create a sustainable future. In order to align with Arcadis' size (in terms of revenues, average market capitalization, total assets and number of FTE), geographic and industry scope, and labor market competition, the remuneration policy is based on a comparison<sup>1</sup> against two reference groups of sixteen companies each. Before 2017 the reference groups were a mixture of both Dutch and non-Dutch peer companies. As of 2017, a clear distinction is made between Dutch headquarter companies with significant international activities on the one hand and global industry peer companies on the other hand. In both groups, Arcadis is positioned around the median in terms of the average of the aforementioned parameters.



DUTCH HEADQUARTER COMPANIES	GLOBAL INDUSTRY PEER COMPANIES
Aalberts Industries (NL)	AECOM (USA)
AkzoNobel (NL)	Amec Foster Wheeler (UK)
BAM (NL)	Cardo (AUS)
Boskalis (NL)	CBRE (USA)
Brunel (NL)	Hill International (USA)
DSM (NL)	Jacobs Engineering (USA)
Fugro (NL)	Jones Lang LaSalle (USA)
KPN (NL)	Pöyry (FIN)
PostNL (NL)	RPS Group (UK)
SBM Offshore (NL)	SNC Lavalin (CAN)
TKH Group (NL)	Stantec (CAN)
TomTom (NL)	Sweco (Sw)
Randstad (NL)	Tetra Tech (USA)
Refresco (NL)	Worley Parsons (AUS)
Vopak (NL)	WS Atkins (UK)
Wolters Kluwer (NL)	WSP Global (CAN)

The remuneration policy aims to align Arcadis with the market median of both reference groups on Total Direct Compensation (the sum of fixed remuneration, short-term variable remuneration and long-term variable remuneration). Based on a thorough analysis of the benchmarking data, it was concluded that the Total Direct Compensation levels, as well as the separate fixed and variable remuneration elements of the members of the Executive Board were below the median of the reference groups for both fixed and variable remuneration. Therefore, changes to the fixed remuneration and the long-term incentive plan were brought forward to and supported by the shareholders in 2017.

## INTERNAL PAY RATIO

When drafting the remuneration policy for the Executive Board Arcadis takes into account the pay ratio within the organization.

For 2017, Arcadis has an internal pay ratio of 31, implying that the CEO pay is 31 times the average pay within the organization. The Arcadis internal pay ratio is calculated by dividing the total CEO compensation<sup>2</sup> by the average employee compensation<sup>3,4</sup>. The internal pay ratio of 2017 has slightly increased compared to the internal pay ratio of 2016, which was 29. In the calculation methodology, non-structural elements were excluded<sup>5</sup>.

## FIXED REMUNERATION

In 2017, the fixed compensation for all members of the Executive Board was adjusted. These changes took effect as of 1 January 2017.

The following annual fixed remuneration levels applied to members of the Executive Board (as set by the General Meeting in April 2017):

	Annual fixed remuneration
CEO (P. Oosterveer)	€660,000
CFO (R. Vree)	€475,000
Member Executive Board (S. Hottenhuis)	€440,000
Member Executive Board (S. Ritter)	€440,000
Member Executive Board (M.A. Hopkins)	\$672,000

## SHORT-TERM VARIABLE REMUNERATION

The short-term variable remuneration ranges from 0% to 85% of the fixed remuneration, with 50% payout when targets are met. As of performance year 2017 the short-term variable remuneration will be paid fully in cash in line with the remuneration policy 2017.



<sup>2</sup> CEO compensation as disclosed in Note 48 to the Consolidated financial statements is normalized as if our CEO was employed for a full year with a multiplier of 1.89.  
<sup>3</sup> Average employee compensation is based on total personnel costs and the average number of full time employees over two years excluding CEO as disclosed in Note 7 to the Consolidated financial statements on page 175 and as stated in the five-year summary on pages 245 and 246.  
<sup>4</sup> In light of transparency and clarity, Arcadis applies a methodology to calculate the internal pay ratio that is IFRS-driven (i.e. linked to Arcadis' Notes to the Consolidated financial statements).  
<sup>5</sup> For 2016, this concerns the termination payment for the former CEO. If this payment would have been included, the internal pay ratio for 2016 would have been 37 (instead of 29).

<sup>1</sup> The benchmark with these reference groups was executed in 2016 by an external vendor, specialized in executive compensation.

**PERFORMANCE CRITERIA**

In order to support the Company’s strategy, the financially driven criteria determine 75% of the short-term variable remuneration, reflecting the Company’s financial priorities, while the non-financial criteria determine 25% of the remuneration.

in %	
CRITERION	Weight
<b>FINANCIAL CRITERIA</b>	<b>75</b>
Collective financial criteria:	50
- Earnings per share	25
- Return on invested capital	25
Individual financial criteria:	25
- CEO: organic growth (all operating segments)	
- CFO: free cash flow	
- EB members: organic growth (operating segments)	
<b>NON-FINANCIAL CRITERIA</b>	<b>25</b>
- Strategy implementation	
- People development	
- Role modeling behavior	
- Health & Safety	
<b>TOTAL</b>	<b>100</b>

The short-term variable remuneration targets will be pre-set annually by the Supervisory Board based on the plan and budget for the respective year, and in light of the strategic aspirations. No payout will be made for below threshold performance. All short-term variable remuneration criteria allow for rewarding excellent performance. Short-term variable remuneration will not exceed 85% of the fixed compensation. In 2017, the threshold performance of a minimum operating EBITA margin was achieved.

Over performance year 2017, the bonus percentage is based on the following:

CRITERION	Weight	Short-term variable remuneration as percentage of fixed remuneration in 2017		
		Minimum	At target	Maximum
Earnings per share	25	0	12.5	21.25
Return on invested capital	25	0	12.5	21.25
Individual financial target:	25	0	12.5	21.25
- CEO: organic growth (all operating segments)				
- CFO: free cash flow				
- EB Members: organic growth (operating segments)				
Non-financial criteria	25	0	12.5	21.25
<b>TOTAL</b>	<b>100</b>	<b>0</b>	<b>50</b>	<b>85</b>

In 2017, the performance against the targets set for EPS, ROIC, Organic growth and Free cash flow was as follows:

CRITERION	2017 Performance on financial criteria	
	Pay-out as % of target	Pay-out as % of fixed remuneration
Earnings per share	170.00	21.25
Return on invested capital	107.00	13.38
Organic growth (P. Oosterveer)	131.17	16.40
Organic growth (M.A. Hopkins)	138.50	17.31
Organic growth (S. Hottenhuis)	85.00	10.63
Organic growth (S. Ritter)	170.00	21.25
Free cash flow (R. Vree)	86.67	10.83

Performance against the non-financial targets, derived from the Company’s strategy and focusing on success in implementing the strategy, proactively identifying and developing a talent pipeline, role modeling behavior by living our core values and being a Health & Safety steward, was assessed by the Supervisory Board. The outcomes varied by individual Executive Board member and ranged between 12.5% and 18.8% of fixed remuneration.



Taking into account the overall performance, bonuses vary between 57.8% and 70.7% of fixed remuneration. Performance against the set financial targets has been verified by our external auditor.

**LONG-TERM VARIABLE REMUNERATION: PERFORMANCE SHARES**

The long-term variable remuneration aims to align the interests of the members of the Executive Board with long-term shareholder’s interests. Therefore, under the remuneration policy, members of the Executive Board receive annually conditional performance shares. The conditional performance shares will vest and become unconditional after three years and are restricted for another two years after vesting. Under the revised remuneration policy, the size of the award continues to be defined as a percentage of fixed salary, with the actual grant being determined by this percentage of fixed remuneration and the fair value of the shares awarded. As per our revised Remuneration policy, the following long-term variable percentages apply to create a strong alignment with the shareholder’s interest:

Chief Executive Officer	110%
Chief Financial Officer	100%
Executive Board Member (US, Non-US)	75%

With respect to the long-term variable remuneration under the revised remuneration policy, in 2017, the Chief Executive Officer of the Executive Board was granted 87,790 conditional performance shares, 57,440 conditional performance shares for the Chief Financial Officer, 58,060 conditional performance shares for the US Board Member and 39,910 conditional performance shares for the Non-US Board Members. These numbers will also apply for 2018.

**PEER GROUP AND VESTING**

The vesting percentage of the performance shares remains conditional upon the achievement of performance measured as relative Total Shareholder Return (TSR), which is defined as share price movements including dividends, assuming dividends are reinvested over three years.

The TSR performance of Arcadis is measured against the performance of direct competitors. In 2017, the composition of the TSR peer group has changed somewhat as a result of companies being delisted following acquisitions. In 2017, Wood Group replaced Amec Foster Wheeler and Worley Parsons replaced WS Atkins in the TSR peer group. Hence, the current TSR group is as follows:

**TSR PEER GROUP**

Arcadis (NL)
AECOM (USA)
Cardno (AUS)
Hill International (USA)
Jacobs Engineering (USA)
Pöyry (FIN)
RPS Group (UK)
SNC-Lavalin (CAN)
Sweco (Sw)
Tetra Tech (USA)
Stantec (CAN)
Wood Group (UK)
Worley Parsons (AUS)
WSP Global (CAN)



The position of Arcadis within the peer group, after three years, determines the final number of shares that vest and becomes unconditional, in accordance with the following table:

#### TSR PERFORMANCE INCENTIVE TABLE

Position	Vesting
1	200%
2	175%
3	150%
4	125%
5	100%
6	75%
7	50%
8	0%
9	0%
10	0%
11	0%
12	0%
13	0%
14	0%
Expecting vesting % <sup>1</sup>	62.5%

<sup>1</sup> Expected vesting percentage, assuming each position has an equal chance

#### VESTED SHARES

In April 2017, the conditional performance shares granted in May 2014 became unconditional at 50% of the originally granted numbers. This was due to Arcadis' performance in the period 2014 - 2016 resulting in the seventh place among the peer group.

Over the period 2015 - 2017 Arcadis ended on the 12th place of the peer group. Therefore, the conditional performance shares that we granted in 2015 will not vest into shares. Please refer to the information in the table on page 175 for more information on shares.

#### RETIREMENT AND OTHER BENEFITS, CONTRACTS

##### RETIREMENT BENEFITS

In 2017, all Non-US Executive Board members participated in the Arcadis Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years. The contribution from the participants is 6.47% of the pensionable salary (annual base salary minus offset) for the salary part below €103,317 (maximum pensionable salary under Dutch tax legislation). Executive Board members participating in the Arcadis Netherlands pension plan also receive an annual cash allowance in line with market practice in the Netherlands for the salary part above €103,317. Our US Board Member received \$67,000 as pension allowance.

##### OTHER BENEFITS

Executive Board members receive a fixed allowance for expenses, as well as other customary fringe benefits, including the use of a company car. They may also participate in the Employee Stock Purchase Plan (ESPP) to purchase up to a maximum of €400 per month of Arcadis shares from the Lovinklaan Foundation at a discount (see note 8 of the Consolidated financial statements). In line with best practice, the company provides benefits which the Supervisory Board considers appropriate for a global company which needs to attract and retain Executive Board members from different parts of the world. In 2017, the tax treaty between the Netherlands and Germany was amended which resulted in a significant tax disadvantage for Mr. S. Ritter. Therefore, Mr. S. Ritter received a non-Dutch-residency benefit of €45,600 gross in 2017.

##### MANAGEMENT AGREEMENTS AND SEVERANCE PAY

In line with current Dutch legislation, all Executive Board members work for Arcadis NV under a management agreement: Mr. R. Vree (reappointed in 2014), Mr. S. Ritter (appointed in 2014), Mrs. S. Hottenhuis (reappointed in 2016), Mrs. M. Hopkins (appointed in 2017) and Mr. P. Oosterveer (appointed in 2017) have a four-year term and a maximum severance pay of one year's base salary.



Management agreements with Executive Board members do not contain provisions on severance payments in case of termination resulting from a change in control.

##### OTHER ELEMENTS OF THE REMUNERATION POLICY

The Dutch Corporate Governance Code contains additional best practices regarding executive remuneration. Based on the advice of the RemCo, the Supervisory Board is satisfied that it has complied with these additional best practices in 2017 (including the use of scenario analyses).

##### REMUNERATION OVERVIEW

For more information on remuneration and share ownership of Executive Board members, please refer to notes 48 and 49 of the Company financial statements in this Report.

##### REMUNERATION SUPERVISORY BOARD

The General Meeting determines the remuneration of Supervisory Board members. The remuneration for Supervisory Board members was lastly adjusted in 2017, based on a benchmark analysis by an external advisor of remuneration at companies that are in the same labor market reference groups as mentioned before for the Executive Board remuneration. The results of this analysis showed that the remuneration of the members of the Supervisory Board is below the median of the two labor market reference groups. To align with the median of the two labor market reference groups, the General Meeting approved in 2017 the following remuneration as of 1 January 2017:

In €	Chair	Member
Yearly fixed remuneration SB	80,000	55,000
Yearly fixed cost compensation SB	3,000	2,000
Membership AARC	12,000	8,000
Membership ASC and RemCo	10,000	7,000

In 2017, the General Meeting approved an attendance fee for all Supervisory Board members of €2,500 for every visit for meetings that takes place outside of the country of domicile of a Supervisory Board member and that does not involve intercontinental travel, or €4,000 for every visit for meetings that involves intercontinental travel. No attendance fee is paid if the meeting takes place in the country of domicile of a Supervisory Board member.

Remuneration of Supervisory Board members is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of Arcadis shares by a Supervisory Board member is meant as a long-term investment.

For more information on remuneration and share ownership of Supervisory Board members, please refer to notes 48 and 50 of the Company financial statements in this Report.

##### OTHER INFORMATION

The Company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. The articles of association of Arcadis NV provide current and former Executive Board members and Supervisory Board members with an indemnification for all costs and expenses arising from and against any claim, action or lawsuit related to actions and/or omissions in their function as Executive Board or Supervisory Board members.

On behalf of the Arcadis Remuneration Committee  
**Ruth Markland, Chair**



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# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

In € thousands	Note	2017	2016
<b>GROSS REVENUES</b>	5	<b>3,218,889</b>	<b>3,328,762</b>
Materials, services of third parties and subcontractors		(782,383)	(860,790)
<b>NET REVENUES</b>	5	<b>2,436,506</b>	<b>2,467,972</b>
Personnel costs	7, 8	(1,865,613)	(1,897,323)
Other operational costs	7	(371,252)	(367,929)
Depreciation and amortization	12, 13	(39,586)	(41,078)
Amortization other intangible assets	12	(30,979)	(37,668)
Impairment charges	12	-	(15,000)
Other income	6	857	4,669
<b>TOTAL OPERATIONAL COSTS</b>		<b>(2,306,573)</b>	<b>(2,354,329)</b>
<b>OPERATING INCOME</b>		<b>129,933</b>	<b>113,643</b>
Finance income	9	12,022	9,122
Finance expenses	9	(44,229)	(36,597)
Fair value change of derivatives	9	6,241	(1,564)
<b>NET FINANCE EXPENSES</b>	9	<b>(25,966)</b>	<b>(29,039)</b>
Result from investments accounted for using the equity method	14	(11,619)	(2,641)
<b>PROFIT BEFORE INCOME TAX</b>		<b>92,348</b>	<b>81,963</b>
Income taxes	10	(20,481)	(16,367)
<b>PROFIT FOR THE PERIOD</b>		<b>71,867</b>	<b>65,596</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the Company (net income)		70,804	64,154
Non-controlling interests		1,063	1,442
<b>PROFIT FOR THE PERIOD</b>		<b>71,867</b>	<b>65,596</b>
<b>EARNINGS PER SHARE (IN €)</b>			
Basic earnings per share	11	0.82	0.76
Diluted earnings per share	11	0.81	0.76

The notes on pages 164 to 219 are an integral part of these Consolidated financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

In € thousands	2017	2016
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>		
<b>PROFIT FOR THE PERIOD</b>	71,867	65,596
<b>ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS:</b>		
Exchange rate differences for foreign operations	(87,729)	(46,435)
Exchange rate differences for equity accounted investees	(3,984)	3,940
Effective portion of changes in fair value of cash flow hedges	1,760	(852)
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:</b>		
Changes related to post-employment benefit obligations	5,101	(13,108)
Other changes	(2,098)	-
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX</b>	<b>(86,950)</b>	<b>(56,455)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(15,083)</b>	<b>9,141</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Equity holders of the Company	(16,098)	8,048
Non-controlling interests	1,015	1,093
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(15,083)</b>	<b>9,141</b>

The notes on pages 164 to 219 are an integral part of these Consolidated financial statements

## NON-GAAP PERFORMANCE MEASURE

In € thousands	Note	2017	2016
<b>NET INCOME FROM OPERATIONS<sup>1</sup></b>			
Profit for the period attributable to equity holders (net income)		70,804	64,154
Amortization identifiable intangible assets, net of taxes		24,473	30,605
Impairment charges, net of taxes	12	-	15,000
Valuation changes of acquisition-related provisions, net of taxes <sup>2</sup>		-	(20,985)
M&A costs		4,035	482
Lovinklaan employee share purchase plan <sup>3</sup>	8	1,703	1,700
<b>NET INCOME FROM OPERATIONS</b>		<b>101,015</b>	<b>90,956</b>
<b>NET INCOME FROM OPERATIONS PER SHARE<sup>1</sup> (IN €)</b>			
Basic earnings per share	11	1.18	1.08
Diluted earnings per share	11	1.15	1.07

<sup>1</sup> Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary for the definition as used by Arcadis

<sup>2</sup> For further details see note 26

<sup>3</sup> The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation, and the Company has no influence on this scheme. Accordingly, the Company treats the related share-based expenses as non-operational



# CONSOLIDATED BALANCE SHEET

as at 31 December - before allocation of profit

In € thousands	Note	2017	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets and goodwill	12	1,074,262	1,170,364
Property, plant & equipment	13	92,643	100,427
Investments accounted for using the equity method	14	22,807	24,730
Other investments	15	607	656
Deferred tax assets	10	33,310	30,332
Pension assets for funded schemes in surplus	25	1,754	-
Derivatives	16	3,892	-
Other non-current assets	17	28,921	30,683
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,258,196</b>	<b>1,357,192</b>
<b>CURRENT ASSETS</b>			
Inventories		236	235
Derivatives	16	6,088	6,156
Trade receivables	18	579,135	621,601
Work in progress (unbilled receivables)	19	486,352	518,491
Corporate tax receivables	10	25,165	26,222
Other current assets	20	79,819	78,559
Assets classified as held for sale	21	4,417	-
Cash and cash equivalents	22	267,942	260,032
<b>TOTAL CURRENT ASSETS</b>		<b>1,449,154</b>	<b>1,511,296</b>
<b>TOTAL ASSETS</b>		<b>2,707,350</b>	<b>2,868,488</b>

	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	23, 42	<b>977,886</b>	<b>999,069</b>
Non-controlling interests	24	2,691	2,647
<b>TOTAL EQUITY</b>		<b>980,577</b>	<b>1,001,716</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions for employee benefits	25	50,896	70,234
Provisions for other liabilities and charges	26	26,699	23,331
Deferred tax liabilities	10	66,909	79,055
Loans and borrowings	27	474,429	700,464
Derivatives	16	1,134	2,565
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>620,067</b>	<b>875,649</b>
<b>CURRENT LIABILITIES</b>			
Work in progress (billing in excess of cost)	19	284,198	286,932
Current portion of provisions	25, 26	15,031	23,739
Corporate tax liabilities	10	31,753	26,225
Current portion of loans and short-term borrowings	27	214,266	55,279
Derivatives	16	5,418	8,037
Bank overdrafts	22	1,805	865
Accounts payable, accrued expenses and other current liabilities	28	552,971	590,046
Liabilities classified as held for sale	21	1,264	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,106,706</b>	<b>991,123</b>
<b>TOTAL LIABILITIES</b>		<b>1,726,773</b>	<b>1,866,772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,707,350</b>	<b>2,868,488</b>

The notes on pages 164 to 219 are an integral part of these Consolidated financial statements



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € thousands	Note	Attributable to equity holders of the Company						Total equity	
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholder' equity		Non-controlling interests
<b>BALANCE AT 1 JANUARY 2016</b>		<b>1,678</b>	<b>372,603</b>	<b>(2,433)</b>	<b>42,073</b>	<b>594,049</b>	<b>1,007,970</b>	<b>3,365</b>	<b>1,011,335</b>
Profit for the period		-	-	-	-	64,154	64,154	1,442	65,596
<b>OTHER COMPREHENSIVE INCOME:</b>									
Exchange rate differences		-	-	-	(39,466)	(2,680)	(42,146)	(349)	(42,495)
Effective portion of changes in fair value of cash flow hedges	16	-	-	(722)	-	-	(722)	-	(722)
Taxes related to effective portion of changes in fair value of cash flow hedges	10	-	-	(130)	-	-	(130)	-	(130)
Re-measurements on post-employment benefit obligations	25	-	-	-	-	(14,031)	(14,031)	-	(14,031)
Taxes related to re-measurements on post-employment benefit obligations	10	-	-	-	-	923	923	-	923
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES</b>		<b>-</b>	<b>-</b>	<b>(852)</b>	<b>(39,466)</b>	<b>(15,788)</b>	<b>(56,106)</b>	<b>(349)</b>	<b>(56,455)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-</b>	<b>-</b>	<b>(852)</b>	<b>(39,466)</b>	<b>48,366</b>	<b>8,048</b>	<b>1,093</b>	<b>9,141</b>
<b>TRANSACTIONS WITH OWNERS OF THE COMPANY:</b>									
Acquisitions	24	-	-	-	-	-	-	-	-
Dividends to shareholders	23	-	(30,514)	-	-	(21,673)	(52,187)	(1,811)	(53,998)
Issuance of shares	23	43	30,471	-	-	-	30,514	-	30,514
Share-based compensation	8	-	-	-	-	11,384	11,384	-	11,384
Taxes related to share-based compensation	10	-	-	-	-	6,169	6,169	-	6,169
Purchase of own shares	23	-	-	-	-	(14,951)	(14,951)	-	(14,951)
Share options exercised	23	-	-	-	-	2,122	2,122	-	2,122
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY</b>		<b>43</b>	<b>(43)</b>	<b>-</b>	<b>-</b>	<b>(16,949)</b>	<b>(16,949)</b>	<b>(1,811)</b>	<b>(18,760)</b>
<b>BALANCE AT 31 DECEMBER 2016</b>		<b>1,721</b>	<b>372,560</b>	<b>(3,285)</b>	<b>2,607</b>	<b>625,466</b>	<b>999,069</b>	<b>2,647</b>	<b>1,001,716</b>
Profit for the period		-	-	-	-	70,804	70,804	1,063	71,867
<b>OTHER COMPREHENSIVE INCOME:</b>									
Exchange rate differences		-	-	-	(91,665)	-	(91,665)	(48)	(91,713)
Effective portion of changes in fair value of cash flow hedges	16	-	-	1,561	-	-	1,561	-	1,561
Taxes related to effective portion of changes in fair value of cash flow hedges	10	-	-	199	-	-	199	-	199
Re-measurements on post-employment benefit obligations	25	-	-	-	-	6,116	6,116	-	6,116
Taxes related to re-measurements on post-employment benefit obligations	10	-	-	-	-	(1,015)	(1,015)	-	(1,015)
Other changes		-	-	-	-	(2,098)	(2,098)	-	(2,098)
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES</b>		<b>-</b>	<b>-</b>	<b>1,760</b>	<b>(91,665)</b>	<b>3,003</b>	<b>(86,902)</b>	<b>(48)</b>	<b>(86,950)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>-</b>	<b>-</b>	<b>1,760</b>	<b>(91,665)</b>	<b>73,807</b>	<b>(16,098)</b>	<b>1,015</b>	<b>(15,083)</b>
<b>TRANSACTIONS WITH OWNERS OF THE COMPANY:</b>									
Acquisitions	24	-	-	-	-	-	-	-	-
Dividends to shareholders	23	-	(21,002)	-	-	(15,476)	(36,478)	(971)	(37,449)
Issuance of shares	23	27	20,975	-	-	-	21,002	-	21,002
Share-based compensation	8	-	-	-	-	10,838	10,838	-	10,838
Taxes related to share-based compensation	10	-	-	-	-	284	284	-	284
Purchase of own shares	23	-	-	-	-	(8,343)	(8,343)	-	(8,343)
Share options exercised	23	-	-	-	-	7,612	7,612	-	7,612
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY</b>		<b>27</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>(5,085)</b>	<b>(5,085)</b>	<b>(971)</b>	<b>(6,056)</b>
<b>BALANCE AT 31 DECEMBER 2017</b>		<b>1,748</b>	<b>372,533</b>	<b>(1,525)</b>	<b>(89,058)</b>	<b>694,188</b>	<b>977,886</b>	<b>2,691</b>	<b>980,577</b>

The notes on pages 164 to 219 are an integral part of these Consolidated financial statements



# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

In € thousands	Note	2017	2016	In € thousands	Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>PROFIT FOR THE PERIOD</b>		<b>71,867</b>	<b>65,596</b>	Investments in (in)tangible assets	12, 13	(59,324)	(64,768)
<b>ADJUSTMENTS FOR:</b>				Proceeds from sale of (in)tangible assets		5,865	5,530
Depreciation and amortization	12, 13	39,586	41,078	Investments in consolidated companies		(5,141)	(9,685)
Amortization other identifiable intangible assets	12	30,979	37,668	Proceeds from sale of consolidated companies		5,273	3,374
Impairment charges	12	-	15,000	Investments in associates and joint ventures	14	(23,998)	(25,179)
Income taxes	10	20,481	16,367	Proceeds from sale of associates and joint ventures	14	9,464	19,479
Net finance expense	9	25,966	29,039	Investments in other non-current assets and other investments	15, 17	(4,869)	(5,395)
Result from Investments accounted for using the equity method	14	11,619	2,641	Proceeds from (sale of) other non-current assets and other investments	15, 17	6,553	7,416
ADJUSTED PROFIT FOR THE PERIOD (EBITDA)		<b>200,498</b>	<b>207,389</b>	<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	(B)	<b>(66,177)</b>	<b>(69,228)</b>
Change in Inventories		(43)	(15)	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Change in Work in progress (unbilled receivables)		(12,239)	(37,282)	Proceeds from exercise of options	23	7,612	2,122
Change in Trade receivables		(11,203)	(6,010)	Proceeds from issuance of shares	23	-	-
Change in Work in progress (billing in excess of cost)		16,972	14,406	Purchase of own shares	23	(8,343)	(14,951)
Change in Accounts payable		8,595	27,917	Settlement of financing derivatives	16	(139)	(3,207)
CHANGE IN NET WORKING CAPITAL		<b>2,082</b>	<b>(984)</b>	New long-term loans and borrowings	27	266	1,000
Change in Other receivables		6,972	561	Repayment of long-term loans and borrowings	27	(454)	(27,192)
Change in Current liabilities		(4,703)	(6,249)	New short-term borrowings	27	200,000	53,210
CHANGE IN OTHER WORKING CAPITAL		<b>2,269</b>	<b>(5,688)</b>	Repayment of short-term borrowings	27	(213,513)	(4,255)
Change in Provisions	25, 26	(14,217)	(25,295)	Dividends paid		(17,263)	(23,484)
Share-based compensation	8	10,838	11,384	<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	(C)	<b>(31,834)</b>	<b>(16,757)</b>
Sale of activities net of cost (AHFS)		(1,756)	-	<b>NET CHANGE IN CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS</b>			
Change in operational derivatives		(393)	731	(A+B+C)		<b>53,120</b>	<b>53,288</b>
Settlement of operational derivatives		(152)	(465)	Exchange rate differences		(46,150)	(15,209)
Dividend received		712	1,274	Cash and cash equivalents less Bank overdrafts at 1 January		259,167	221,088
Interest received		9,888	8,816	<b>CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT 31 DECEMBER</b>		<b>266,137</b>	<b>259,167</b>
Interest paid		(33,771)	(32,928)	The notes on pages 164 to 219 are an integral part of these Consolidated financial statements			
Corporate tax paid		(24,867)	(24,961)				
<b>NET CASH FROM OPERATING ACTIVITIES</b>	(A)	<b>151,131</b>	<b>139,273</b>				

The notes on pages 164 to 219 are an integral part of these Consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Arcadis NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located at:

Gustav Mahlerplein 97-103  
1082 MS Amsterdam  
The Netherlands

Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company') is the leading global Design & Consultancy firm for natural and built assets. Applying deep market sector insights and collective design, consultancy, engineering, project and management services, the Company works in partnership with clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

In accordance with Articles 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries and investments accounted for using the equity method is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

## 2 BASIS OF PREPARATION

### STATEMENT OF COMPLIANCE

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in conformity with Part 9 of Book 2 of the Dutch Civil Code. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 14 February 2018. The Consolidated financial statements as presented in this Annual Integrated Report are subject to adoption by the General Meeting of Shareholders, to be held on 24 April 2018.

### BASIS OF MEASUREMENT

The Consolidated financial statements have been prepared on historical cost basis, except for the following items, which are measured at an alternative basis on each reporting date:

- derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- net defined benefit (asset)/liability, which is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- contingent consideration assumed in a business combination, which is measured at fair value; and
- financial assets at fair value through profit or loss, which are measured at fair value.

Reference is made to the significant accounting policies as included in the relevant notes to the Consolidated financial statements for more detailed information on the measurement basis.

### BASIS OF CONSOLIDATION

The Consolidated financial statements include the accounts of Arcadis NV and its subsidiaries, and the Company's interests in jointly controlled entities and associates.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### COMPARATIVE FIGURES

No material events occurred that resulted in an amendment of the comparative figures due to changes in accounting policies or errors.



## FOREIGN CURRENCIES

### FUNCTIONAL AND REPORTING CURRENCY

The Consolidated financial statements are presented in euros, which is the Company's functional and reporting currency. All amounts shown in the financial statements are in thousands of euros unless otherwise stated. Items included in the financial information of each of Arcadis' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). If the functional currency of a (foreign) subsidiary, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognized as translation differences in Other comprehensive income, and presented in the Translation reserve in equity.

### FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the functional currency of entities using the foreign exchange rate at transaction date. The functional currency of the foreign entities is in general the local currency. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at balance sheet date.

Exchange rate differences are included in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

### FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date.

Foreign currency differences are recognized in Other comprehensive income, and presented in the Translation reserve in equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the Translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

## ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS

The preparation of the Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. This includes:

- Taxation - see note 10;
- (Goodwill) impairment testing - see note 12;
- Investments accounted for using equity method - see note 14;
- Work in progress - see note 19;
- Provisions - see note 25 and 26; and
- Capital and financial risk management - see note 29.

The key accounting estimates and judgements in preparing the Consolidated financial statements are further explained in the relevant notes to the Consolidated financial statements. In general, the judgements, estimates and assumptions are based on market-information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

### IMPAIRMENT

The carrying amounts of the assets of Arcadis, other than work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the assets recoverable amount is estimated. Goodwill and other assets that have an indefinite useful life are tested annually for impairment, and when an impairment trigger is identified.

Receivables are first individually assessed for impairment, and if they are found not to be impaired they are collectively assessed for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.



The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized with regard to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**FINANCIAL INSTRUMENTS**

**NON-DERIVATIVE FINANCIAL ASSETS**

Financial assets include trade and other receivables, cash and cash equivalents and loans and borrowings. Loans, receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. These non-derivative financial instruments are initially recognized at fair value. Subsequently, these are measured at amortized cost, using the effective interest method, less any impairment losses.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or if the contractual rights to the cash flows are transferred in a transaction in which substantially all the risks and rewards related to the ownership of the financial asset are transferred.

The Company recognizes the following classes of non-derivative financial assets:

- Financial assets at fair value through profit or loss.
- Loans and Receivables. These are financial assets with fixed or determinable payments, not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequently these assets are measured at amortized cost using the effective interest method, less any impairment losses. The receivables comprise cash and cash equivalents, and trade and other receivables.

See notes 15, 17, 18, 19, 20 and 22 for the accounting policies.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date.

**OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities are offset and reported as a net amount in the Balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**CASH FLOW STATEMENT**

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into euros using average exchange rates, approximating the foreign exchange rate at transaction date. Exchange rate differences on cash items are shown separately in the Cash flow statement. Receipts and payments with respect to income tax and interest are included in the cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the Cash flow statement in the same category as those of the hedged item.

**RECENT ACCOUNTING DEVELOPMENTS**

**IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY**  
In 2017, the Company did not adopt any new or amended standards with a material impact to the Consolidated financial statements.

**IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, which have not been applied in preparing these Consolidated financial statements.

These standards and interpretations are applicable after endorsement by the European Union. Management has no intention to implement these standards earlier than the official effective date, however a detailed analysis of the impact of the application of these new standards has been prepared. The most relevant new standards, amendments and impact for Arcadis are described hereafter.



STANDARD		IMPLEMENTATION DATE	ENDORSED BY THE EU	IMPACT
IFRS 9	Financial Instruments	1 January 2018, with early adoption permitted	Yes	<p>IFRS 9 replaces the existing guidance in IAS 39 'Financial instruments: Recognition and Measurement'. In 2017, we have completed our impact assessment of IFRS 9 on Arcadis with the following results:</p> <ul style="list-style-type: none"> <li>• Classification of financial instruments and hedge accounting – there are no significant changes to our financial risk management policies and instruments, and hedge accounting continues to apply for financial instruments. As a part of our assessment, we have updated our existing hedge documentation and calculation methods in accordance with IFRS9 and concluded no material impact on future hedge effectiveness.</li> <li>• Expected Credit Losses (ECL) – Arcadis implements the ECL concept by introducing the so-called simplified approach to recognize losses for possible impairment on all financial contract assets that are currently not impaired. The ECL model will be specific per region and includes forward looking elements when additional risk is determined in line with information from the portfolio and customer segmentation, and risk management practices such as client acceptance to collection strategy. The financial contract assets that lead to an additional impairment are the work in progress assets and the trade receivables that are mostly aged &lt;120 days overdue. The impact on the 2018 opening balance is estimated to be around €2 million negative. In addition, Arcadis NV has provided financial guarantees to banks providing local financing facilities for which the ECL also applies. The impact on the 2018 Income statement due to changes in future estimations are not expected to be significant since the contract assets subjected to the simplified approach and the applicable loss percentages are expected to be relatively stable.</li> <li>• Disclosures – the 2018 full year financial statements will be updated with new disclosures where necessary.</li> </ul> <p>This new standard will be applied modified retrospectively by Arcadis as from the effective date 1 January 2018 with impact through the opening balance of equity as at 1 January 2018.</p>
IFRS 15	Revenue from Contracts with Customers	1 January 2018, with early adoption permitted	Yes	<p>IFRS 15 establishes a comprehensive framework for revenue recognition. During 2017, we made substantial progress with our analysis of contracts in our portfolio and we expect to roll-out the new group accounting policies and guidance, embedded in the Arcadis Way, during the first quarter of 2018. The Arcadis Way of working includes standardized project setup per type of service that aligns operational excellence with revenue recognition for each performance obligation and is facilitated by our group ERP system. We summarize the following results that indicate the impact per the five-step revenue recognition model in IFRS15:</p> <ol style="list-style-type: none"> <li>1. Arcadis has stringent requirement on the existence of agreements with customers before contract assets and related revenues are recognized. Sales activities are recognized as expenses in the period they occur. These policies are in line with IFRS15.</li> <li>2. Arcadis manages its projects at the level of significant components within a contract or in more detail. IFRS15 requires that revenue is recognized at performance obligation level, for which the current way of working facilitates application of the standard. The new standard may require recognition of revenue and valuation of work in progress at different project levels. The impact of this on overall reported revenues and work in progress in 2018 is currently being finalized.</li> <li>3. Arcadis already has stringent thresholds for components that equal the IFRS15 criteria of variable considerations (such as bonuses and incentives) and scope changes (such as variation orders and contract amendments). Such components are recognized only when substantially agreed with the customer. Based on the analysis-to-date, there is no significant impact expected on the revenue recognition resulting from changes in determining the transaction price.</li> <li>4. Arcadis allocates the transaction price to separate performance obligations using expected cost-plus margin. Such allocation may include management estimate and judgment. A transparent granular project setup is relevant for alignment of contracts and performance obligations.</li> <li>5. Inherent to the type of business, Arcadis' customers benefit over time from customer specific services. The principle to recognize revenue over time continues to apply and revenue is measured based on actual deliveries and stages of completion for work performed.</li> </ol> <p>With the implementation of IFRS15, provisions for loss making contracts fall under IAS37 provisions for onerous contracts. The valuation of project losses in the 2018 opening balance is estimated to be not significantly different.</p> <p>This new standard will be applied modified retrospectively by Arcadis as from the effective date 1 January 2018. The impact assessment is in progress and will be finalized during the first quarter of 2018. The 2018 financial statements will be updated with new disclosures where necessary.</p>

STANDARD		IMPLEMENTATION DATE	ENDORSED BY THE EU	IMPACT
IFRS 16	Leases	1 January 2019, with early adoption permitted	Yes	<p>IFRS 16 replaces the existing guidance in IAS 17 'Leases' and significantly changes how the Group, as lessee, accounts for its operating lease contracts. During 2017, we performed the impact assessment of IFRS 16. Based on the status of the impact assessment, the impact primarily relates to the effect of bringing on the balance sheet a significant number of operating lease contracts (see notes 29 and 30), mainly for buildings, lease cars and IT assets, and therefore the following changes are expected upon transition to IFRS 16:</p> <ul style="list-style-type: none"> <li>Assets and liabilities of the Group are expected to increase with the net present value of future lease payments.</li> <li>Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) will increase as the lease payments will be presented as depreciation and net finance expense rather than operational cost.</li> <li>Operating cash flow will increase and investing and financing cash flow will decrease as the lease payments will no longer be considered as operational.</li> </ul> <p>During 2018, Arcadis continues with the assessment of contracts that may contain a lease and capture the relevant variables for accounting, develop calculation models with impact and decide on the methodology upon implementation, select and implement IT tooling to facilitate calculation and accounting, design and implement procedures to manage the portfolio of contracts that contain a lease. Arcadis does not expect changes to its business model and lease or buy decisions following this standard. Arcadis expects a stable lease contract portfolio, yet needs to determine certain accounting options that exist within the standard. Adherence to covenants is not impacted since these are 'lease-adjusted'.</p> <p>This new standard will be applied modified retrospectively by Arcadis as from the effective date 1 January 2019 with impact through opening equity of 1 January 2019.</p>



### 3 SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities that can result in revenue and expenses, including revenues and expenses related to transactions with other components of the same Company.

The operating segment reporting follows the internal reporting used by the Executive Board of the Company to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure is EBITA (earnings before interest, tax, amortization of identifiable intangible assets, and impairment charges) as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, the Executive Board also receives information about the segment's revenue and assets.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The information used by management to monitor progress, and for decision-making about operational matters, is at operating segment level. The Company has a global network based on home market positions, and operates in a local-to-local market, which enables it to maintain the relationships with clients and to understand the local market conditions. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment. This does not apply to CallisonRTKL, which has been identified as a separate operating and reportable segment, due to the nature of its services and being active in a global market.

Following IFRS 8, the Company has the following segments as at 31 December 2017:

OPERATING SEGMENT	REPORTABLE SEGMENT
Americas	Americas (Americas)
Europe & Middle East	Europe & Middle East (EME)
Asia Pacific	Asia Pacific (APAC)
CallisonRTKL	CallisonRTKL

#### ENTITY WIDE DISCLOSURES REVENUES BY BUSINESS LINE

In addition to the operating segments, the Executive Board also monitors certain financial information based on global business lines. The net revenues for each business line are as follows:

In € millions	2017	2016
Infrastructure	642	655
Water	323	335
Environment	511	521
Buildings	961	957
<b>TOTAL</b>	<b>2,437</b>	<b>2,468</b>

#### GEOGRAPHICAL INFORMATION

Geographical information differs from the segment information in this note due to CallisonRTKL, which is included in a separate reportable segment, but is geographically represented in all the geographical regions listed below.

In € millions	Net revenues by origin		(In)tangible assets	
	2017	2016	2017	2016
Americas	907	945	457	515
Europe & Middle East	1,144	1,151	520	619
Asia Pacific	386	372	190	137
<b>TOTAL</b>	<b>2,437</b>	<b>2,468</b>	<b>1,167</b>	<b>1,271</b>

#### MAJOR CUSTOMERS

The Company has no customers that account for more than 10% of annual total revenues.



In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	TOTAL SEGMENTS	Corporate and unallocated amounts	TOTAL CONSOLIDATED
<b>2017</b>								
External gross revenues	1,166.5	1,343.3	389.0	320.1	-	3,218.9	-	3,218.9
Inter-segment	3.5	12.9	5.1	6.9	(28.4)	-	-	-
<b>TOTAL GROSS REVENUES</b>	<b>1,170.0</b>	<b>1,356.2</b>	<b>394.1</b>	<b>327.0</b>	<b>(28.4)</b>	<b>3,218.9</b>	-	<b>3,218.9</b>
Materials, services of third parties and subcontractors	(421.6)	(249.7)	(44.7)	(94.8)	28.4	(782.4)	-	(782.4)
<b>NET REVENUES</b>	<b>748.4</b>	<b>1,106.5</b>	<b>349.4</b>	<b>232.2</b>	-	<b>2,436.5</b>	-	<b>2,436.5</b>
Operating costs	(701.3)	(1,020.1)	(313.1)	(204.8)	-	(2,239.3)	2.4	(2,236.9)
Other income	0.1	(0.1)	0.7	0.1	-	0.8	0.1	0.9
Depreciation and amortization	(11.2)	(11.6)	(7.9)	(6.6)	-	(37.3)	(2.3)	(39.6)
<b>EBITA<sup>1</sup></b>	<b>36.0</b>	<b>74.7</b>	<b>29.1</b>	<b>20.9</b>	-	<b>160.7</b>	<b>0.2</b>	<b>160.9</b>
Amortization other intangible assets	(1.5)	(15.8)	(10.3)	(3.4)	-	(31.0)	-	(31.0)
Impairment charges	-	-	-	-	-	-	-	-
<b>OPERATING INCOME</b>	<b>34.5</b>	<b>58.9</b>	<b>18.8</b>	<b>17.5</b>	-	<b>129.7</b>	<b>0.2</b>	<b>129.9</b>
Net finance expense	(23.8)	2.0	(0.7)	(0.2)	-	(22.7)	(3.3)	(26.0)
Result from investments accounted for using the equity method	(12.3)	0.8	-	(0.1)	-	(11.6)	-	(11.6)
<b>SEGMENT PROFIT BEFORE INCOME TAX</b>	<b>(1.6)</b>	<b>61.7</b>	<b>18.1</b>	<b>17.2</b>	-	<b>95.4</b>	<b>(3.1)</b>	<b>92.3</b>
Income taxes	6.5	(13.0)	(11.3)	(3.9)	-	(21.7)	1.3	(20.4)
<b>PROFIT FOR THE PERIOD</b>	<b>4.9</b>	<b>48.7</b>	<b>6.8</b>	<b>13.3</b>	-	<b>73.7</b>	<b>(1.8)</b>	<b>71.9</b>
Non-controlling interests	-	(1.1)	-	-	-	(1.1)	-	(1.1)
<b>NET INCOME</b>	<b>4.9</b>	<b>47.6</b>	<b>6.8</b>	<b>13.3</b>	-	<b>72.6</b>	<b>(1.8)</b>	<b>70.8</b>
<b>OPERATING EBITA<sup>1</sup></b>	<b>47.2</b>	<b>84.5</b>	<b>29.7</b>	<b>23.8</b>	-	<b>185.2</b>	<b>1.2</b>	<b>186.4</b>
<b>NET INCOME FROM OPERATIONS<sup>1</sup></b>	<b>6.6</b>	<b>63.5</b>	<b>13.2</b>	<b>17.9</b>	-	<b>101.2</b>	<b>(0.2)</b>	<b>101.0</b>
<b>TOTAL ASSETS</b>	<b>786.4</b>	<b>1,096.7</b>	<b>466.4</b>	<b>287.2</b>	-	<b>2,636.7</b>	<b>70.7</b>	<b>2,707.4</b>
Investments accounted for using the equity method	15.6	6.0	-	1.2	-	22.8	-	22.8
Other financial assets	21.8	8.0	0.7	2.7	-	33.2	-	33.2
<b>TOTAL LIABILITIES</b>	<b>520.5</b>	<b>428.7</b>	<b>176.9</b>	<b>112.1</b>	-	<b>1,238.2</b>	<b>488.6</b>	<b>1,726.8</b>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>11.7</b>	<b>15.9</b>	<b>15.4</b>	<b>3.3</b>	-	<b>46.3</b>	<b>13.0</b>	<b>59.3</b>
<b>TOTAL NUMBER OF EMPLOYEES<sup>2</sup></b>	<b>6,616</b>	<b>12,090</b>	<b>5,612</b>	<b>1,642</b>	-	<b>25,960</b>	<b>202</b>	<b>26,162</b>

<sup>1</sup> Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators on pages 251 and 252 for the definition as used by Arcadis

<sup>2</sup> As at 31 December, excluding temporary staff



In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	TOTAL SEGMENTS	Corporate and unallocated amounts	TOTAL CONSOLIDATED
<b>2016</b>								
External gross revenues	1,227.2	1,397.8	377.6	326.2	-	3,228.8	-	3,328.8
Inter-segment	3.8	5.8	9.8	7.4	(26.8)	-	-	-
<b>TOTAL GROSS REVENUES</b>	<b>1,231.0</b>	<b>1,403.6</b>	<b>387.4</b>	<b>333.6</b>	<b>(26.8)</b>	<b>3,228.8</b>	-	<b>3,328.8</b>
Materials, services of third parties and subcontractors	(462.4)	(286.4)	(49.4)	(89.4)	26.8	(860.8)	-	(860.8)
<b>NET REVENUES</b>	<b>768.6</b>	<b>1,117.2</b>	<b>338.0</b>	<b>244.2</b>	-	<b>2,468.0</b>	-	<b>2,468.0</b>
Operating costs	(728.3)	(1,033.7)	(308.2)	(213.2)	-	(2,283.4)	18.1	(2,265.3)
Other income	0.2	4.1	0.3	0.1	-	4.7	-	4.7
Depreciation and amortization	(12.1)	(11.5)	(7.2)	(7.3)	-	(38.1)	(3.0)	(41.1)
<b>EBITA<sup>1</sup></b>	<b>28.4</b>	<b>76.1</b>	<b>22.9</b>	<b>23.8</b>	-	<b>151.2</b>	<b>15.1</b>	<b>166.3</b>
Amortization other intangible assets	(1.8)	(20.8)	(11.1)	(4.0)	-	(37.7)	-	(37.7)
Impairment charges	(15.0)	-	-	-	-	(15.0)	-	(15.0)
<b>OPERATING INCOME</b>	<b>11.6</b>	<b>55.3</b>	<b>11.8</b>	<b>19.8</b>	-	<b>98.5</b>	<b>15.1</b>	<b>113.6</b>
Net finance expense	(27.6)	1.5	(1.8)	(0.3)	-	(28.2)	(0.8)	(29.0)
Result from investments accounted for using the equity method	(2.5)	1.5	0.1	(0.3)	-	(1.2)	(1.4)	(2.6)
<b>SEGMENT PROFIT BEFORE INCOME TAX</b>	<b>(18.5)</b>	<b>58.3</b>	<b>10.1</b>	<b>19.2</b>	-	<b>69.1</b>	<b>12.9</b>	<b>82.0</b>
Income taxes	(2.2)	(3.0)	(2.8)	(3.3)	-	(11.3)	(5.2)	(16.4)
<b>PROFIT FOR THE PERIOD</b>	<b>(20.7)</b>	<b>55.3</b>	<b>7.3</b>	<b>15.9</b>	-	<b>57.8</b>	<b>7.7</b>	<b>65.6</b>
Non-controlling interests	(0.5)	(0.9)	-	-	-	(1.4)	-	(1.4)
<b>NET INCOME</b>	<b>(21.2)</b>	<b>54.4</b>	<b>7.3</b>	<b>15.9</b>	-	<b>56.4</b>	<b>7.7</b>	<b>64.2</b>
<b>OPERATING EBITA<sup>1</sup></b>	<b>38.7</b>	<b>92.3</b>	<b>32.8</b>	<b>25.1</b>	-	<b>188.9</b>	<b>(13.3)</b>	<b>175.6</b>
<b>NET INCOME FROM OPERATIONS<sup>1</sup></b>	<b>(7.7)</b>	<b>64.7</b>	<b>18.4</b>	<b>22.3</b>	-	<b>97.7</b>	<b>(6.7)</b>	<b>91.0</b>
<b>TOTAL ASSETS</b>	<b>855.8</b>	<b>1,239.7</b>	<b>396.8</b>	<b>306.7</b>	-	<b>2,799.0</b>	<b>69.5</b>	<b>2,868.5</b>
Investments accounted for using the equity method	19.7	5.7	(2.2)	1.5	-	24.7	-	24.7
Other financial assets	18.8	7.8	(0.1)	3.0	-	29.5	1.1	30.7
<b>TOTAL LIABILITIES</b>	<b>594.9</b>	<b>450.1</b>	<b>163.8</b>	<b>95.2</b>	-	<b>1,304.0</b>	<b>562.8</b>	<b>1,866.8</b>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>15.0</b>	<b>18.0</b>	<b>14.0</b>	<b>6.2</b>	-	<b>53.2</b>	<b>11.6</b>	<b>64.8</b>
<b>TOTAL NUMBER OF EMPLOYEES<sup>2</sup></b>	<b>6,675</b>	<b>12,289</b>	<b>5,174</b>	<b>1,658</b>	-	<b>25,796</b>	<b>205</b>	<b>26,001</b>

<sup>1</sup> Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators on pages 251 and 252 for the definition as used by Arcadis

<sup>2</sup> As at 31 December, excluding temporary staff

#### 4 CONSOLIDATED INTERESTS AND BUSINESS COMBINATIONS

##### SUBSIDIARIES

Subsidiaries are all companies over which the Company has control. Control over an entity exists when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

##### LOSS OF CONTROL

Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any profit or loss arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

##### BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Company.

IFRS 3 establishes the following principles in relation to the recognition and measurement of items arising in a business combination:

- Recognition principle: Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree are recognized separately from goodwill. Acquired intangible assets must be recognized and measured at fair value in accordance with the principles if it is separable or arises from other contractual rights, irrespective of whether the acquiree had recognized the asset prior to the business combination occurring.
- Measurement principle: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. This, for example, means that for contingent liabilities arising in a business combination the requirements of IAS 37 do not apply; contingent liabilities are measured at fair value.

Goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

Contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

The nature of business of the Arcadis subsidiaries listed on the next page is similar, except for CallisonRTKL (as described in note 3 on page 169). They provide comprehensive knowledge-based consultancy, design, engineering and management services in the expertise areas of infrastructure, water, environment and buildings.

Arcadis NV indirectly holds 100% of the ordinary shares of all these subsidiaries, but does not hold direct interests itself as a result of the intermediate holding structure within the Group. All subsidiaries are included in the financial consolidation. The proportion of the voting rights held directly by the parent company does not substantially differ from the proportion of ordinary shares held.

At 31 December 2017, the total non-controlling interest amounts to €2.7 million (2016: €2.6 million), and is as such not material for the Group.



The main consolidated companies as at 31 December 2017 are listed below:

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION
<b>AMERICAS</b>	
Arcadis US, Inc.	United States of America
Arcadis Logos S.A.	Brazil
<b>EUROPE &amp; MIDDLE EAST</b>	
Hyder Consulting Middle East Ltd.	United Kingdom
Arcadis LLP	United Kingdom
Arcadis Consulting (UK) Limited	United Kingdom
Arcadis Nederland BV	Netherlands
Arcadis Deutschland GmbH	Germany
Arcadis France S.A.S.	France
Arcadis Belgium NV	Belgium
<b>ASIA PACIFIC</b>	
Arcadis Asia Ltd.	Hong Kong
Arcadis Australia Pacific Holdings Pty Ltd.	Australia
<b>CALLISONRTKL</b>	
CallisonRTKL, Inc.	United States of America

##### CHANGES IN CONSOLIDATED INTERESTS

2017

On 26 July 2017, Arcadis acquired all shares in E2 ManageTech for a total consideration of US\$15.3 million, including a contractual after-payment of US\$0.5 million and a maximum earn-out of US\$6.0 million (based on the financial performance of the company).

The company, established in 1998 and located in the United States and Canada, is an enterprise technology solutions firm providing information technology and business services for the environmental, health and safety information market. Due to the limited size of the company, no material Purchase Price Allocation (PPA) adjustments are expected in 2018. No further disclosures are provided in this note.

On 31 August 2017, Arcadis sold its interest in the Czech Infrastructure business. This resulted in a loss of €1.9 million, which is recognized as part of Other income (see note 6). Furthermore, Arcadis is in the process to sell its interest in Brunei, including Utamacon Sdn Bhd, JBPUSdn Bhd and partnership Arcadis Brunei. As at 31 December 2017, Arcadis classifies the corresponding assets and liabilities as held for sale (see note 21).

2016

In September 2016, Arcadis completed the acquisition of Australian Environmental Strategies. The acquisition accounting has been completed in 2017 without any measurement-period adjustments. The acquisition was not material for the Group.

##### DEFERRED CONSIDERATION

The contractual after-payments and earn-outs for acquisitions are disclosed below.

In € thousands	Initial recognition	Discount effect/Interest	2017 TOTAL	2016 TOTAL
<b>BALANCE AT 1 JANUARY</b>	<b>3,942</b>	<b>132</b>	<b>4,074</b>	<b>12,184</b>
Acquisitions	5,251	-	5,251	1,260
Interest accrual	-	319	319	225
Releases	-	-	-	(721)
Payments and redemptions	(1,111)	-	(1,111)	(8,964)
Reclassifications	(811)	811	-	-
Exchange rate differences	(427)	(145)	(572)	90
<b>BALANCE AT 31 DECEMBER</b>	<b>6,844</b>	<b>1,117</b>	<b>7,961</b>	<b>4,074</b>

Of the total amount of after-payments, an amount of €6.5 million (2016: €2.5 million) is included as other long-term debt under 'Loans and borrowings' (see note 27), while €1.5 million (2016: €1.6 million), due within one year, is included as 'Other current liabilities' (see note 28).

At 31 December 2017, after-payments relating to acquisitions prior to 2017 amount to €3.0 million, and mainly relate to Environmental Strategies Pty Ltd. (2016), Orah Rail (2015) and Estudos Técnicos e Projectos ETEP Ltda (2012).



## 5 REVENUES

Revenue is recognized when the outcome of a transaction can be estimated reliably, which is when both the amount of revenues and the cost incurred to date and to complete the transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will be collected, and the stage of completion can be measured.

Contract revenues consists of the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenues and can be measured reliably. Revenues and costs are recognized in profit or loss in proportion to the percentage of completion of the transaction at reporting date. The stage of completion for revenues is determined as a percentage of the contract costs incurred in relation to the total estimated contract costs, and are only recognized to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss. For construction contracts and part of the service contracts revenue is recognized for the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit based upon percentage of completion. Estimates of project management are used to assess the progress of the project and the estimated outcome, which influence the timing and amount of revenue recognition. When the expected costs to complete a contract outweigh the expected benefits, then an onerous contract provision is recognized.

### SERVICES VERSUS CONSTRUCTION CONTRACTS

Revenues from services rendered represent fee income receivable in respect of services provided during the period. Construction contracts include the rendering of services, which are directly related to the construction of assets, contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

### GROSS VERSUS NET REVENUES

Gross revenues of the Company consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Group. Net revenue is gross revenue minus materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractors.

Gross revenues arise from the following categories:

In € thousands	2017	2016
Revenues from services	2,589,003	2,769,781
Construction contract revenues	629,886	558,981
<b>TOTAL REVENUES</b>	<b>3,218,889</b>	<b>3,328,762</b>

## 6 OTHER INCOME

Other income includes results that arise from events or transactions that are clearly distinct from the ordinary activities of the Company. Gains or losses on the sale of assets are recognized as part of Other income.

In € thousands	2017	2016
Book gain on sale of assets	2,094	181
Results from investments	118	487
Release of after-payments	-	721
Other	(1,355)	3,280
<b>TOTAL OTHER INCOME</b>	<b>857</b>	<b>4,669</b>

In 2017 the book gain on sale of assets includes €1.8 million gain on the sale of non-controlling interest in Brunei (see note 15).

The category 'Other' includes a loss of €1.8 million relating to the remeasurement of the subsidiary in Brunei recognized as held for sale (see note 21) and a loss of €1.9 million from the sale of interest in Czech infrastructure business (see note 4). Furthermore, this category includes €0.3 million of government grants and various other individually immaterial items which have an impact on the total net amount of the category 'Other'.

In 2016, the category 'Other' included €0.2 million of government grants, €0.5 million of landlord incentives, €1.2 million additional contribution received from an insurance company and various other individually immaterial items.



## 7 OPERATIONAL COSTS

All employee-related costs as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

In € thousands	2017	2016
Salaries and wages	1,431,516	1,481,486
Social charges	152,989	152,917
Pension and early retirement charges	71,171	68,751
Other personnel costs (including temporary labor)	209,937	194,169
<b>TOTAL PERSONNEL COSTS</b>	<b>1,865,613</b>	<b>1,897,323</b>

In € thousands	2017	2016
Occupancy	110,567	115,567
Travel	54,556	58,435
Office related	98,337	89,202
Audit and consultancy services	34,604	41,939
Insurances	20,197	22,669
Marketing and advertising	6,668	6,921
Other	46,323	33,196
<b>TOTAL OTHER OPERATIONAL COSTS</b>	<b>371,252</b>	<b>367,929</b>

Share-based payment charges in scope of IFRS 2 are recognized in Salaries and wages. The average number of contract employees in 2017 was 26,075 (2016: 26,062).

The category 'Other' includes, amongst others, the impact of changes in provisions for trade receivables and provisions for other liabilities and charges (see note 18 and 26).

In 2016, the category 'Other' included release of unused amounts €27.9 million relating to the closing of two acquisition-related claims.

## 8 SHARE-BASED COMPENSATION

The Company holds share-based incentive plans. The fair value of share-based compensations at grant date under the Arcadis long-term incentive plan is recognized as an employee expense, with a corresponding increase in equity, over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the actual number of awards meeting these vesting conditions.

The fair value of the granted options and shares is measured using a Monte Carlo simulation model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

As the fair value is amortized over the vesting period, the costs are recognized in the Income Statement. The amortization costs are adjusted for effects of cancelled and forfeited grants. The vesting and exercise of rights to acquire shares may be conditional to performance conditions and other conditions, as set by the Supervisory Board.

### LONG-TERM INCENTIVE PLANS

To stimulate the realization of long-term Company goals and objectives, Arcadis NV uses Long-Term Incentive Plans (LTIPs). The outstanding options and conditional performance shares at 31 December 2017 relate to the LTIPs from 2005, 2010 and 2014.

Since 2014, securities under the LTIPs are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date, and are delivered as soon as practical thereafter.

**ARCADIS NV 2005 AND 2010 LONG-TERM INCENTIVE PLANS**

Options and RSUs annually granted to members of the Executive Board and selected senior executives were conditional and had a vesting period of three years. Vesting was dependent on performance criteria set forth in advance. The granting of such options and RSUs took place each year on or about the second day after the Annual General Meeting of Shareholders, whereby the exercise price for the options matched the closing price of Arcadis NV shares on the day of the grant.

In 2013, the last awards under the 2010 plan were granted.

**ARCADIS NV 2014 LONG-TERM INCENTIVE PLAN**

In 2014, the Supervisory Board approved the continuation of the Arcadis NV 2010 Long-Term Incentive Plan in the form of the Arcadis NV 2014 Long-Term Incentive Plan (2014 LTIP). The revised Plan was approved by the General Meeting of Shareholders in May 2014.

The 2014 LTIP provides for a maximum of 10,000,000 shares or options to be allocated during a five-year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of the Company.

Options and shares granted are conditional in nature and depend on, amongst others, attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as stock price appreciation plus dividend yield.

To date only RSUs have been granted under the 2014 LTIP.

Each year, a three-year cycle begins, whereby achievements are measured at the end of the vesting date against a peer group of companies of comparable size and breadth. Arcadis' position in the peer group determines whether the options and RSUs granted earlier become unconditional. See the 'Remuneration Report' for more information.

The following table shows the indexation on measured performance applicable to the number of RSUs at date of vesting under the 2014 LTIP that may become unconditional at the end of each three-year period depending on Arcadis' relative position in comparison to the peer group, and subject to continued employment.

In %	RSUs that vest for management	RSUs that vest for senior executives
<b>POSITION AGAINST PEER GROUP</b>		
First	200	150
Second	175	125
Third	150	125
Fourth	125	100
Fifth	100	100
Sixth	75	75
Seventh	50	50
Eighth	-	50
Ninth	-	50
Tenth	-	25
Eleventh	-	25
Twelfth to fourteenth	-	-

To prevent dilution, (a portion of) the shares required to meet the obligations from exercising LTIPs can be purchased by the Company (instead of issuing new shares), with due consideration to the Company's balance sheet, in particular available freely distributable reserves and available cash. Alternatively, shares may be issued, whereby it is intended to limit this to 1% of the number of issued shares.

**OUTSTANDING OPTIONS**

The number and weighted average exercise price of the share options under the 2005 and 2010 Arcadis LTIPs are as follows:

	Number of options	Weighted average exercise price (in €)
<b>BALANCE AT 1 JANUARY 2016</b>	<b>3,950,956</b>	<b>16.22</b>
Increase/(decrease) by performance measure	-	-
Exercised	(116,932)	12.88
Expired	(62,805)	19.05
Cancelled/forfeited	(104,652)	17.01
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>3,666,567</b>	<b>16.16</b>
Increase/(decrease) by performance measure	-	-
Exercised	(561,984)	13.81
Expired	(403,409)	20.32
Cancelled/forfeited	(194,312)	15.98
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>2,506,862</b>	<b>16.03</b>

The weighted average share price at exercise date in 2017 was €17.89 (2016: €15.10).



The number of outstanding options at 31 December 2017 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2017 <sup>1</sup>	Exercised in 2017	Expired in 2017	Cancelled/forfeited in 2017	Outstanding 31 December 2017
2007	€20.23	384,263	-	(364,463)	(13,500)	6,300
2008	€13.77	119,607	(67,856)	-	(500)	51,251
2009	€12.06	530,015	(198,358)	-	(10,575)	321,082
2010	€14.33	242,972	(34,906)	-	(2,098)	205,968
2010	€16.84	24,500	-	(3,000)	-	21,500
2011	€16.18	303,385	(25,458)	(2,849)	(4,349)	270,729
2011	€16.48	87,557	(7,600)	-	-	79,957
2011	€14.06	289,950	(28,900)	(13,000)	(37,850)	210,200
2012	€14.72	562,138	(124,710)	-	(82,343)	355,085
2012	€15.74	529,353	(74,196)	(8,397)	(13,297)	433,463
2013	€20.96	582,827	-	(11,700)	(29,800)	541,327
2013	€18.26	10,000	-	-	-	10,000
<b>TOTAL</b>		<b>3,666,567</b>	<b>(561,984)</b>	<b>(403,409)</b>	<b>(194,312)</b>	<b>2,506,862</b>

<sup>1</sup> Minor corrections were made to some opening positions

The weighted average exercise price of the share options exercisable at 31 December 2017, was €16.03 (2016: €16.16).

The total outstanding RSUs at 31 December 2017 is as follows:

Year of issue	Granted	Unconditional in 2017	Total amount to be expensed over the vesting period (in €)	Share price at grant date	Outstanding 1 January 2017	Granted in 2017	Decrease by performance measure 2017	Vested in 2017	Cancelled/forfeited in 2017	Outstanding 31 December 2017
2014 (20 May)	419,305	2017	7,899,706	€25.42	378,924	-	(185,124)	(183,732)	(10,068)	-
2015 (1 January)	90,000	2018	2,082,600	€24.93	63,465	-	-	-	(10,861)	52,604
2015 (15 May)	565,670	2018	14,045,586	€27.15	491,615	-	-	-	(41,317)	450,298
2016 (27 April)	901,530	2019	5,297,987	€14.30	855,507	-	-	-	(89,168)	766,339
2017 (28 April)	1,085,815	2020	17,471,310	€15.91	-	1,085,815	-	-	(21,600)	1,064,215
<b>TOTAL</b>					<b>1,789,511</b>	<b>1,085,815</b>	<b>(185,124)</b>	<b>(183,732)</b>	<b>(173,014)</b>	<b>2,333,456</b>

The total amount to be expensed over the vesting period is calculated by taking the RSU grants within a calendar year multiplied by the fair value of the RSUs at grant date, and is expensed over a three - year period.

**OUTSTANDING RESTRICTED SHARE UNIT (RSUs)**

In 2017, the following number of RSUs have been granted under the 2014 LTIP:

	Number of RSUs	Grant date	Vesting date	Share price at grant date	Average fair value at grant date <sup>1</sup>
Annual grant	1,085,815	28 April 2017	ex-dividend date 2020	€15.91	€16.09

<sup>1</sup> Average fair value at grant date of RSUs for management and key staff

The fair value was determined using a Monte Carlo simulation model, which takes into account the market conditions expected to impact Arcadis' TSR performance in relation to the peer group, and the assumptions used for the largest series of RSUs granted were:

	2017	2016
Expected dividend yield (in %)	2.64	4.21
Risk-free interest rate (in %)	(0.05)	(0.12)
Expected volatility (in %)	32.95	31.80
Expected life of RSUs (in years)	3	3

The expected volatility is calculated based on the share price movements of the 60 months prior to grant date. The annual charge to profit or loss is adjusted for estimated forfeitures, if any, and these estimated forfeitures are revised if the number of RSUs expected to vest differs from previous estimates.



**LTIP COSTS RECOGNIZED IN 2017**

Costs are spread over the vesting period, and included in 'Salaries and wages' (see note 7). In 2017, an amount of €9.2 million (2016: €9.7 million) is included for the share-based compensations granted to employees in the period 2015 - 2017. This is excluding the €1.7 million relating to the Employee Share Purchase Plan, see below.

**EMPLOYEE SHARE PURCHASE PLAN (LOVINKLAAN FOUNDATION)**

The Company facilitates an Employee Share Purchase Plan (ESPP), also called the Global Share Plan (GSP), that allows employees to periodically purchase shares in the Company at a set discount. Shares and discounts are made available by the Lovinklaan Foundation. The ESPP has been implemented in a number of countries where the Company is located. The personal investment per employee is maximized at €400 per month.

At 31 December 2017, 3,706 employees participated in the ESPP (2016: 3,957). The cost of the ESPP in 2017 included in the Company's financial statements amounted to €1.7 million (2016: €1.7 million). As the ESPP is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme, the related share-based expenses are treated as non-operational.

**SHORT-TERM INCENTIVE PLANS**

For Executive Board members, the bonus is fully settled in cash, as stipulated in the current remuneration policy and approved by the Annual General Meeting of Shareholders on 26 April 2017. In 2016, 20% of the bonus was settled in shares and the remainder in cash (see note 48 of the Company financial statements).

**9 NET FINANCE EXPENSE**

Net finance expenses comprises finance income, finance expenses and the fair value change of derivatives at fair value through profit or loss. Finance income comprises interest income on funds invested and finance expenses comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration. Finance income and finance expenses are recognized in profit or loss, using the effective interest method. The fair value changes of derivatives comprise the fair value changes on financial assets at fair value through profit or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in Other operational costs (see note 7).

In € thousands	2017	2016
Interest income	12,022	9,122
<b>FINANCE INCOME</b>	<b>12,022</b>	<b>9,122</b>
Finance expense	(35,740)	(35,791)
Foreign exchange differences on financial liabilities	(8,489)	(806)
<b>FINANCE EXPENSES</b>	<b>(44,229)</b>	<b>(36,597)</b>
Fair value changes of derivatives	6,241	(1,564)
<b>TOTAL</b>	<b>(25,966)</b>	<b>(29,039)</b>

The lower net finance expenses were principally driven by lower costs associated with hedging emerging market loans and higher interest income generated on local BRL loans to associates. Higher interest rates on floating US\$ bank loans were offset by the lower average net debt and weaker US\$ when these costs were translated into EUR equivalents during 2017.

Arcadis utilizes notional cash pools, in which large debit and credit balances both attract significant amounts of interest income and expense that are separately disclosed. In 2017 interest income on US cash pools was €5.7 million (2016: €4.2 million) and interest expense was €5.6 million (2016: €4.2 million).

Net interest expenses in 2017 amounted to €23.7 million (2016: €26.7 million).

**10 INCOME TAXES**

Income taxes comprise current and deferred tax. Income tax is recognized in profit or loss, except to the extent that the tax arises from items recognized in other comprehensive income, directly in equity or from a business combination.

**CURRENT TAX**

Current tax is the expected tax payable on taxable income for the year and adjustments to tax payable related to previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date. The difference between income tax recognized in profit or loss and income tax paid in the cash flow statement differs primarily due to deferred tax recognized on temporary differences and payment of income tax occurring after the reporting date.

**DEFERRED TAX**

Deferred tax is recognized using the balance sheet method and it is not recognized for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and
- investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Measurement of deferred tax is based upon tax rates enacted or substantially enacted expected to be applied in the years in which the temporary differences are expected to reverse. Deferred taxes are not discounted.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future profits will be available against which they can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax recognized in profit or loss:

In € thousands	2017	2016
<b>CURRENT TAX EXPENSE</b>		
Current year	33,318	27,682
Adjustments for previous years	(1,733)	(7,474)
<b>TOTAL CURRENT TAX EXPENSE</b>	<b>31,585</b>	<b>20,208</b>
<b>DEFERRED TAX EXPENSE</b>		
Origination and reversal of temporary differences	(5,255)	(3,130)
Adjustments for previous years	1,950	(593)
Changes in tax rates	(11,656)	(1,244)
(De)recognition of deferred tax assets	3,857	1,126
<b>TOTAL DEFERRED TAX EXPENSE</b>	<b>(11,104)</b>	<b>(3,841)</b>
<b>TOTAL INCOME TAXES EXPENSE</b>	<b>20,481</b>	<b>16,367</b>

At balance sheet date the corporate tax receivable amounted to €25.2 million and the corporate tax liability amounted to €31.8 million. During 2017, the Company paid taxes for a total amount of €24.9 million (2016: €25.0 million).

**EFFECTIVE TAX RATE RECONCILIATION**

The effective corporate income tax rate on the income statement is 19.7% (2016: 19.3%). The 2017 effective income tax rate is impacted by various elements including non-deductible expenses, updates to tax positions from previous years and losses for which no deferred tax assets could be recognized. Furthermore, the US tax reform resulted in a decrease of the net deferred tax position causing a reduction to the 2017 effective tax rate of 11.2%, the impact of which is included in the line Other.

In %	2017	2016
Corporate tax rate in the Netherlands	25.0	25.0
Adjustment corporate income tax rates other countries	5.4	1.9
<b>WEIGHTED AVERAGE CORPORATE INCOME TAX RATE</b>	<b>30.4</b>	<b>26.9</b>
Non-deductible expenses/(income)	6.3	8.4
Adjustments for previous years	0.2	(9.5)
Other	(17.2)	(6.5)
<b>EFFECTIVE TAX RATE<sup>1</sup></b>	<b>19.7</b>	<b>19.3</b>

<sup>1</sup> Income taxes divided by profit before income tax, excluding results from investments accounted for using the equity method

**DEFERRED TAX**

The movement in deferred tax balances during the year 2017 is as follows:

In € thousands	Net balance at 1 January 2017	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Net balance at 31 December 2017	Assets	Liabilities
Intangible assets and goodwill	(64,011)	16,313	-	-	5,167	(42,531)	7,869	50,400
Property, plant & equipment	(426)	583	-	2	(352)	(193)	1,888	2,081
Work in progress	(36,738)	9,523	-	(618)	3,770	(24,063)	1,909	25,972
Accrued expenses	24,310	207	-	(2)	(3,662)	20,853	22,965	2,112
Derivatives	(132)	-	199	-	(1)	66	66	-
Share-based compensation	517	-	-	-	137	654	528	(126)
Deferred compensation	5,010	(183)	-	-	(1,065)	3,762	3,762	-
Net operating losses	9,269	(7,724)	-	550	270	2,365	2,365	-
Provisions	-	1,154	(1,015)	-	3,320	3,459	3,459	-
Others	13,478	(8,769)	-	(32)	(2,648)	2,029	5,292	3,263
<b>DEFERRED TAX ASSETS/LIABILITIES</b>	<b>(48,723)</b>	<b>11,104</b>	<b>(816)</b>	<b>(100)</b>	<b>4,936</b>	<b>(33,599)</b>	<b>50,103</b>	<b>83,702</b>
Offsetting	-	-	-	-	-	-	(16,793)	(16,793)
<b>NET DEFERRED TAXES</b>	<b>(48,723)</b>	<b>11,104</b>	<b>(816)</b>	<b>(100)</b>	<b>4,936</b>	<b>(33,599)</b>	<b>33,310</b>	<b>66,909</b>

The movement in deferred tax balances during the year 2016 was as follows:

In € thousands	Net balance at 1 January 2016	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Net balance at 31 December 2016	Assets	Liabilities
Intangible assets and goodwill	(77,019)	11,817	-	-	1,191	(64,011)	2,814	66,825
Property, plant & equipment	1,260	(1,310)	-	(42)	(334)	(426)	2,594	3,020
Work in progress	(31,680)	(5,463)	-	-	405	(36,738)	2,534	39,272
Accrued expenses	22,700	728	-	-	882	24,310	27,116	2,806
Derivatives	25	(23)	(130)	-	(4)	(132)	26	158
Share-based compensation	3,582	(9,140)	6,071	-	4	517	517	-
Deferred compensation	5,139	(906)	923	-	(146)	5,010	5,010	-
Net operating losses	6,937	1,951	-	-	381	9,269	9,269	-
Others	6,302	6,187	-	(106)	1,095	13,478	16,440	2,962
<b>DEFERRED TAX ASSETS/LIABILITIES</b>	<b>(62,754)</b>	<b>3,841</b>	<b>6,864</b>	<b>(148)</b>	<b>3,474</b>	<b>(48,723)</b>	<b>66,320</b>	<b>115,043</b>
Offsetting	-	-	-	-	-	-	(35,988)	(35,988)
<b>NET DEFERRED TAXES</b>	<b>(62,754)</b>	<b>3,841</b>	<b>6,864</b>	<b>(148)</b>	<b>3,474</b>	<b>(48,723)</b>	<b>30,332</b>	<b>79,055</b>

The exchange rate differences on deferred tax balances does not impact the Income statement and is recognized in Other comprehensive income, as part of the 'Exchange rate differences' line.



Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set of current tax against current tax liabilities and when the deferred tax assets and liabilities relate to the same taxation authority and the same taxable entity.

For the net operating losses recognized, management is of the opinion that it is probable that these losses will be compensated by future taxable profits. An amount of €90.4 million (2016: €111.9 million) relating to net operating losses was not recognized at balance sheet date.

At 31 December 2017, the gross amount of net operating losses, amounting to €11.9 million (2016: €39.6 million), for which a deferred tax asset has been recognized expires as follows:

in € thousands	Total net operating losses	Net operating losses not recognized	Net operating losses recognized	Deferred tax asset recognized
2018	2,091	1,861	230	68
2019	1,461	1,169	292	86
2020	3,505	3,288	217	64
2021	2,201	2,201	-	-
2022	773	773	-	-
>2022	8,931	5,535	3,396	871
Unlimited	83,310	75,574	7,737	1,276
<b>TOTAL</b>	<b>102,272</b>	<b>90,401</b>	<b>11,872</b>	<b>2,365</b>

**11 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/options plans). Diluted earnings per share is calculated based on the basic earnings per share and using the weighted average number of shares and options outstanding during the period as far as these have a potential dilutive effect, i.e. when the exercise price of these options is lower than the share price. The average number of potentially diluted shares is based on the average share price in the period on the Euronext Amsterdam Stock Exchange and the options that were in the money.

For calculating the earnings per share, the following numbers of average shares are used:

Number of shares	2017	2016
Average number of issued shares	86,904,123	85,257,966
Average number of treasury shares	(1,026,843)	(1,182,039)
<b>TOTAL AVERAGE NUMBER OF ORDINARY OUTSTANDING SHARES</b>	<b>85,877,280</b>	<b>84,075,927</b>
Average number of potentially dilutive shares	1,959,235	608,622
<b>TOTAL AVERAGE NUMBER OF DILUTED SHARES</b>	<b>87,836,515</b>	<b>84,684,549</b>

Of the outstanding options at 31 December 2017, a total of 1,959,235 was in the money and also exercisable (2016: 608,622). Exercising options may lead to dilution. To avoid dilution as much as possible, Arcadis repurchases its own shares, which are reissued at the moment options are exercised.

The total earnings of the Group and the earnings per share are as follows:

In € thousands	2017	2016
Net income	70,804	64,154
Net income from operations <sup>1</sup>	101,015	90,956

<sup>1</sup> Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary for the definition as used by Arcadis

In €	2017	2016
<b>EARNINGS PER SHARE/DILUTED EARNINGS PER SHARE</b>		
Net income	0.82 / 0.81	0.76 / 0.76
Net income from operations <sup>1</sup>	1.18 / 1.15	1.08 / 1.07

<sup>1</sup> Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary for the definition as used by Arcadis



## 12 INTANGIBLE ASSETS AND GOODWILL

### GOODWILL

Goodwill arises from business combinations and represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill in respect of equity accounted investees is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

### OTHER INTANGIBLE ASSETS

Other intangible assets mainly consist of customer relationships, trade names and expected profits in the backlog of acquired companies at the acquisition date. Measurement of Other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life. The amortization is recognized in profit or loss on a straight-line basis. The amortization methods and useful lives, as well as residual values, are reassessed annually.

### SOFTWARE

Software is measured at cost less accumulated amortization and impairment losses. Software has a finite life and is amortized on a straight-line basis over the estimated useful life. The amortization methods and useful lives, as well as residual values, are reassessed annually. Subsequent costs are recognized in the carrying amount of Software only when it increases the future economic benefits. All other expenditures are recognized in profit or loss as incurred.

### ESTIMATED USEFUL LIVES

The estimated useful lives of Goodwill and Intangible assets varies according to their respective categories, as shown below.

CATEGORY	YEARS
Goodwill	Not amortized
Software	0.5 - 10
Other intangible assets	3 - 5
Intangibles under development	Not amortized (yet)

In € thousands	Goodwill	Other intangible assets	Software	Intangibles under development	TOTAL
Cost	1,048,523	314,195	70,204	21,563	1,454,485
Accumulated amortization	-	(142,258)	(59,306)	-	(201,564)
<b>AT 1 JANUARY 2016</b>	<b>1,048,523</b>	<b>171,937</b>	<b>10,898</b>	<b>21,563</b>	<b>1,252,921</b>
Additions	-	-	5,354	13,796	19,150
Acquisitions of subsidiaries	3,200	1,901	-	-	5,101
Disposals	-	-	(1,421)	-	(1,421)
Amortization charges	-	(37,668)	(8,934)	-	(46,602)
Impairment charges	(15,000)	-	-	-	(15,000)
Reclassifications	8,347	-	6,206	(6,002)	8,551
Exchange rate differences	(45,681)	(6,438)	(179)	(38)	(52,336)
<b>MOVEMENT 2016</b>	<b>(49,134)</b>	<b>(42,205)</b>	<b>1,026</b>	<b>7,756</b>	<b>(82,557)</b>
Cost	999,389	305,434	79,212	29,319	1,413,354
Accumulated amortization	-	(175,702)	(67,288)	-	(242,990)
<b>AT 31 DECEMBER 2016</b>	<b>999,389</b>	<b>129,732</b>	<b>11,924</b>	<b>29,319</b>	<b>1,170,364</b>
Additions	-	-	5,217	13,350	18,567
Acquisitions of subsidiaries	9,723	1,679	(1)	-	11,401
Disposals	-	-	(1,203)	-	(1,203)
Amortization charges	-	(30,979)	(5,486)	-	(36,465)
Impairment charges	-	-	-	-	-
Reclassifications	-	(88)	14,446	(14,345)	13
Exchange rate differences	(79,098)	(8,485)	(818)	(16)	(88,417)
<b>MOVEMENT 2017</b>	<b>(69,375)</b>	<b>(37,873)</b>	<b>12,155</b>	<b>(1,011)</b>	<b>(96,104)</b>
Cost	930,014	281,797	79,997	28,309	1,320,117
Accumulated amortization	-	(189,938)	(55,917)	-	(245,855)
<b>AT 31 DECEMBER 2017</b>	<b>930,014</b>	<b>91,859</b>	<b>24,080</b>	<b>28,309</b>	<b>1,074,262</b>

The reclassifications were mainly due to software taken in use.

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2017	2016
Amortization Other intangible assets	30,979	37,668
Depreciation and amortization	5,486	8,934



## GOODWILL

For annual impairment testing, goodwill is allocated to Cash-Generating Units (CGUs). The CGU is the lowest level within the Group at which goodwill is monitored for internal management purposes.

Goodwill capitalized was assigned to our CGUs as follows:

In € thousands	2017	2016
North America	245,467	267,289
Latin America	6,756	7,365
Continental Europe	75,717	77,032
United Kingdom	224,378	233,669
Middle East	93,990	97,882
Asia	83,332	93,168
Australia Pacific	55,726	58,069
CallisonRTKL	144,648	164,915
<b>TOTAL GOODWILL</b>	<b>930,014</b>	<b>999,389</b>

### IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The recoverable amount of goodwill for impairment testing purposes is based on a value in use calculation. These calculations use cash flow projections based on historical performance, our plan for 2018 as approved by the Executive Board and our long-term plan for the years 2019 and 2020. Projections were extrapolated with stable or declining growth rates for a period up to five years, after which a terminal value was used at an average rate of 0.8% (2016: 0.7%), being the difference between local and the Eurozone inflation forecasts.

The weighted average pre-tax discount rate is 10.0% (2016: 10.4%) and has been determined by iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate. The weighted average post-tax discount rate used is 7.3% (2016: 7.5%), which includes country specific premiums when applicable.

The key assumptions used in the projections are:

- (Net) revenue growth: based on experience and market analysis;
- Operating EBITA margin development: based on historical performance, plan 2018 and management's long-term projections; and
- Weighted average cost of capital (WACC): based on the market participants view on rates of return demanded for investments equivalent to those in the Company.

The key assumptions included in the 2017 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	3.7%	7.5% - 9.0%	11.1%	0.9%
Latin America	7.0%	4.0% - 8.2%	13.2%	2.0%
Continental Europe	0.2%	6.7% - 8.0%	9.2%	0.2%
United Kingdom	6.8%	8.5% - 9.0%	8.7%	0.5%
Middle East	2.2%	6.5% - 8.6%	8.9%	1.1%
Asia	3.5%	8.5% - 9.5%	9.6%	1.0%
Australia Pacific	6.2%	10.4% - 11.4%	9.7%	0.9%
CallisonRTKL	2.1%	9.1% - 9.5%	10.6%	1.0%

The key assumptions included in the 2016 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	0.7%	6.4% - 8.0%	11.4%	0.8%
Latin America	(1.3)%	2.1% - 8.0%	15.3%	1.5%
Continental Europe	(0.5)%	6.5% - 6.9%	10.1%	0.1%
United Kingdom	0.5%	8.0% - 8.6%	9.0%	0.4%
Middle East	(0.2)%	6.1% - 7.5%	9.1%	1.0%
Asia	1.6%	8.5% - 9.2%	10.4%	1.0%
Australia Pacific	5.1%	9.0% - 11.1%	10.0%	0.9%
CallisonRTKL	2.0%	9.4% - 10.2%	10.9%	0.9%

### OBSERVATIONS FROM IMPAIRMENT TESTING

The outcome of the Goodwill impairment test calculation at year-end 2017 revealed that the recoverable amount of the Company increased compared to year-end 2016, with a corresponding increase in headroom. The recoverable amount for all CGUs exceeded the carrying amount and did not result in impairments.

For Latin America, the headroom remains limited, mainly due to slower recovery of the market. As a result of the sensitivity analyses, it was concluded that the decrease in EBITA with 43 points could cause the value in use to fall to the level of the carrying value.

The impairment test and sensitivity analysis around the key assumptions have indicated sufficient headroom for all other CGUs and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the Group.

### OTHER INTANGIBLE ASSETS

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

In € thousands	2017	2016
Customer relationships	80,793	104,390
Trade names	4,583	10,711
Backlog	5,214	13,141
Other	1,269	1,490
<b>TOTAL OTHER INTANGIBLE ASSETS</b>	<b>91,859</b>	<b>129,732</b>

During 2017 and 2016, no changes were made in the useful lives, amortization methods or the residual values of the Other intangible assets.

### SOFTWARE

Investments in Software mainly relate to the implementation of harmonized systems, which is part of the implementation of the Arcadis Way.

### INTANGIBLES UNDER DEVELOPMENT

The Intangibles under development of €28.3 million are related to the purchase of licenses and development of software not yet in use (2016: €29.3 million). Intangibles under development are not yet amortized.

## 13 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment is measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are recognized in the carrying amount of Property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives of Property, plant & equipment vary according to their respective categories, as shown in the table hereafter.

CATEGORY	YEARS
Land	Not depreciated
Buildings	30 - 40
Furnitures and fixtures	5 - 10
(IT) equipment	3 - 5
Property, plant & equipment under development	Not depreciated (yet)

Depreciation methods and useful lives, as well as residual values, are reassessed annually. When parts of an item of Property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of Property, plant & equipment.

Gains on the sale of an item of Property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, plant & equipment and are recognized within Other income in the Consolidated Income statement. Losses on the sale of an item of Property, plant & equipment are recognized within Other operational costs in the Consolidated Income statement.



The determination of impairments of Property, plant & equipment involves the use of estimates. The recoverable amount is determined by discounting the estimated future cash flows to present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The identification of impairment indicators, as well as the estimation of future cash flows, discount rates and the determination of the fair value for the assets requires management to make significant judgements.

### LEASED ASSETS

Leases in which the Company is the lessee and assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Other leases are operating leases, and such leased assets are not recognized in the Company's balance sheet.

During 2017, no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements.

At 31 December 2017, the carrying amount of Property, plant & equipment financed by financial leases, was nil (2016: nil). At 31 December 2017 and 31 December 2016, no properties were registered as security for bank loans.

In € thousands	Land and buildings	Furnitures and fixtures	(IT) Equipment	Property, plant & equipment under development	TOTAL
Cost	13,900	144,574	111,303	2,927	272,704
Accumulated depreciation	(4,406)	(90,825)	(86,652)	-	(181,883)
<b>AT 1 JANUARY 2016</b>	<b>9,494</b>	<b>53,749</b>	<b>24,651</b>	<b>2,927</b>	<b>90,821</b>
Additions	5,957	23,713	12,754	3,194	45,618
Acquisitions/(divestments)	-	244	-	-	244
Disposals	(2,109)	(3,120)	(974)	(173)	(6,376)
Reclassifications	94	4,848	641	(4,880)	703
Depreciation charges	(1,967)	(17,903)	(12,274)	-	(32,144)
Exchange rate differences	(258)	1,324	502	(7)	1,561
<b>MOVEMENT 2016</b>	<b>1,717</b>	<b>9,106</b>	<b>649</b>	<b>(1,866)</b>	<b>9,606</b>
Cost	16,496	160,937	118,606	1,061	297,100
Accumulated depreciation	(5,285)	(98,082)	(93,306)	-	(196,673)
<b>AT 31 DECEMBER 2016</b>	<b>11,211</b>	<b>62,855</b>	<b>25,300</b>	<b>1,061</b>	<b>100,427</b>
Additions	1,000	22,500	15,208	2,048	40,756
Acquisitions/(divestments)	(965)	21	(251)	(103)	(1,298)
Disposals	(2,462)	(1,663)	(147)	(391)	(4,663)
Assets held for sale	(2,170)	-	-	-	(2,170)
Reclassifications	(1,636)	606	3,681	(494)	2,157
Depreciation charges	(1,166)	(17,604)	(15,330)	-	(34,100)
Exchange rate differences	(540)	(5,892)	(1,916)	(117)	(8,465)
<b>MOVEMENT 2017</b>	<b>(7,939)</b>	<b>(2,032)</b>	<b>1,244</b>	<b>943</b>	<b>(7,783)</b>
Cost	7,042	135,403	98,749	2,004	243,198
Accumulated depreciation	(3,769)	(74,580)	(72,205)	-	(150,555)
<b>AT 31 DECEMBER 2017</b>	<b>3,273</b>	<b>60,823</b>	<b>26,543</b>	<b>2,004</b>	<b>92,643</b>



## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations, rather than the legal structure of the joint arrangement.

- Joint ventures are joint arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method, where interests in joint ventures are initially recognized at cost, including transaction cost. Subsequently the Group's share of the profit or loss and movements in other comprehensive income are included in the Consolidated financial statements, whereby the calculation is based on the Group's accounting policies. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Loans to joint ventures are carried at amortized cost less any impairment losses.
- Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for the Group's direct rights to the assets, liabilities, revenues and expected of the joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are combined on a line-by-line basis with corresponding items in the Group's financial statements.

### ASSOCIATES

Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The Consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless the Group has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

## INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The nature of business of the Group's associates and joint ventures is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings. The most significant investments in associates and joint ventures are listed below with the Group's balance sheet impact and share in profit of loss.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2017	% of ownership interest 2016
Arcadis Logos Energia S.A.	Brazil	Associate	49.99%	49.99%
Geodynamique et Structure	France	Associate	48.68%	42.73%
Asset Rail B.V.	Netherlands	Associate	40.00%	40.00%
CARE/RTKL Ltd	Saudi Arabia	Joint venture	45.00%	45.00%
Stroomdal I	Netherlands	Joint venture	33.30%	33.30%
TECHT Ltd	United Kingdom	Joint venture	50.00%	50.00%

The movement in associates and joint ventures in the Consolidated balance sheet is as follows:

In € thousands	Associates 2017	Associates 2016	Joint ventures 2017	Joint ventures 2016	TOTAL 2017	TOTAL 2016
<b>BALANCE AT 1 JANUARY</b>	<b>21,746</b>	<b>29,512</b>	<b>2,984</b>	<b>3,549</b>	<b>24,730</b>	<b>33,061</b>
Equity share in income	(11,878)	(3,296)	259	655	(11,619)	(2,641)
Acquisitions	-	-	-	-	-	-
Investments	23,998	5,680	53	68	24,051	5,748
Divestments	(9,518)	(48)	-	-	(9,518)	(48)
Received dividends	(604)	(23)	(108)	(1,251)	(712)	(1,274)
Reclassifications	(141)	(14,056)	-	-	(141)	(14,056)
Exchange rate differences	(3,776)	3,977	(208)	(37)	(3,984)	3,940
<b>BALANCE AT 31 DECEMBER</b>	<b>19,827</b>	<b>21,746</b>	<b>2,980</b>	<b>2,984</b>	<b>22,807</b>	<b>24,730</b>

The balance as at 31 December 2017 includes loans to associates for an amount of €27.4 million (2016: €16.6 million). During 2017, an amount of €24.0 million of new loans have been provided and €9.5 million has been repaid (2016: €23.9 million and €19.4 million). The net increase in loans is included in the investments line above.

The joint ventures have share capital consisting solely of ordinary shares, which are held indirectly by the Group, and are non-listed shares. As such there is no available quoted market price for the shares.

At 31 December 2017, the Group has no contingent liabilities relating to interests in joint ventures (2016: nil).



## MATERIAL ASSOCIATES

Arcadis Logos Energia S.A. (ALEN) is a material associate, which holds investments in several energy assets in Brazil. The share capital solely consists of ordinary shares, which are not listed and as such there is no quoted market price available for the shares. The country of incorporation or registration, which is also the principal place of the business, is Brazil.

The Group's position relating to ALEN as at 31 December 2017 includes:

- Equity investment (49.99% of share capital, representing 49.99% of the voting rights)
- Debt investment via shareholder loans
- Provided guarantees

The tables below summarize the financial information for Arcadis Logos Energia S.A. The information reflects the amounts presented in the financial statements of the associate on a 100%-basis, where applicable adjusted for differences in accounting policies between the Group and the associate.

### SUMMARIZED BALANCE SHEET AT 31 DECEMBER

In € thousands	Arcadis Logos Energia S.A.	
	2017	2016
Current assets	7,244	8,068
Non-current assets	66,107	64,685
<b>TOTAL ASSETS</b>	<b>73,351</b>	<b>72,753</b>
Current liabilities	55,280	55,200
Non-current liabilities	45,773	13,590
<b>TOTAL LIABILITIES</b>	<b>101,053</b>	<b>68,790</b>
<b>NET ASSETS</b>	<b>(27,702)</b>	<b>3,963</b>

### SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER

In € thousands	Arcadis Logos Energia S.A.	
	2017	2016
<b>REVENUES</b>	<b>808</b>	<b>136</b>
Post-tax profit/(loss) from continuing operations	(29,631)	(5,279)
Share in result by third parties	14,816	2,525
<b>SHARE IN RESULT BY ARCADIS</b>	<b>(14,815)</b>	<b>(2,754)</b>
(Impairment)/Impairment reversal	2,500	(1,400)
Limitations of losses below carrying value	-	-
<b>TOTAL RESULT FROM ALEN RECOGNIZED BY ARCADIS</b>	<b>(12,315)</b>	<b>(4,154)</b>

### RECONCILIATION TO THE GROUP'S CARRYING AMOUNT

In € thousands	Arcadis Logos Energia S.A.	
	2017	2016
Net assets associate	(27,702)	3,963
Interest in associate by third parties	13,854	(1,982)
<b>EQUITY INTEREST BY ARCADIS</b>	<b>(13,848)</b>	<b>1,981</b>
Loans and other (fair value) adjustments	29,237	14,731
<b>TOTAL CARRYING VALUE</b>	<b>15,389</b>	<b>16,712</b>

During 2017, ALEN's net asset value became negative due to its continued operational losses. As Arcadis shareholder loans are considered to be part of the net investment, the Group continued applying equity accounting and recognizing its share in the operational losses even after total equity value became negative.

## GUARANTEES

The Group provided guarantees to the lenders of ALEN for an amount of €84 million as at 31 December 2017. Arcadis is therefore exposed to the risk of ALEN (or an ALEN subsidiary) running into financial difficulty that might trigger a default on debt that would, in turn, result in the relevant lender(s) claiming repayment from the Group. In return for the guarantees Arcadis received cross guarantees from the other shareholders.

## FURTHER INVESTMENTS AND FUTURE DIVESTMENT

An update of the business case of ALEN, including a valuation, has been prepared during 2017. This made us conclude that further development of the assets will optimize the value and prepares ALEN for divesting the assets in the future. Additional funding by the Group up to €20 million is needed in 2018 for this continued development, in addition to funding that will be provided by another investor to one of the main assets of ALEN.

In the course of 2018, we expect to complete the investment and initiate a divestment process. In case of future divestments of ALEN's assets, there are no significant restrictions on the ability of ALEN to transfer the funds to Arcadis in the form of cash dividends, nor on repaying the shareholder loans.

## 15 OTHER INVESTMENTS

Other investments relate to interests in companies over which the Group has no significant influence nor control. Other investments are accounted for at cost price.

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>656</b>	<b>1,779</b>
Investments	115	54
Divestments	(160)	(1,182)
Exchange rate differences	(4)	5
<b>BALANCE AT 31 DECEMBER</b>	<b>607</b>	<b>656</b>

In 2017, Arcadis sold its non-controlling interest in Brunei. This divestment resulted in €1.8 million gain recorded in 'Other income' (see note 6).



## 16 DERIVATIVES

## GENERAL

The Company only uses derivatives for specific purposes in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivatives include forward exchange rate contracts and interest rate derivatives. The Company does not hold or issue derivatives for trading purposes. Hedge accounting is applied for cash flow hedges related to forecasted transactions and fair value hedges.

## MEASUREMENT AND RECOGNITION

All derivative financial instruments are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. The gain or loss on re-measurement to fair value of the interest rate related derivatives is recognized in profit or loss under fair value change of derivatives. The fair value changes of forward exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the balance sheet as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

## HEDGE ACCOUNTING

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value changes of those derivatives is deferred in Other comprehensive income and presented in the hedging reserve in equity. The amount recognized in Other comprehensive income is released to the related lines in profit or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit or loss immediately

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the hedge inception and at each reporting date, the Company makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items, and whether the actual results of each hedge are within a range of 80 to 125%.

When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the hedging reserve in equity are released to profit or loss under the fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise these will be amortized to profit or loss at the same time as the hedged item.

## FAIR VALUE

A fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of derivatives is determined by using valuation models that incorporate various inputs, such as forward rate curves, interest rate curves and the credit worthiness of counterparties. The methods and assumptions used to estimate the fair value are consistent with prior year.

The fair value of derivatives held by the Company as at the balance sheet date is presented in the table below:

In € thousands	Assets		Liabilities		TOTAL	
	2017	2016	2017	2016	2017	2016
<b>INTEREST RATE DERIVATIVES:</b>						
Current	-	-	-	-	-	-
Non-current	3,892	-	1,134	2,565	2,758	(2,565)
<b>FOREIGN EXCHANGE DERIVATIVES:</b>						
Current	6,088	6,156	5,418	8,037	670	(1,881)
Non-current	-	-	-	-	-	-
<b>TOTAL</b>	<b>9,980</b>	<b>6,156</b>	<b>6,552</b>	<b>10,602</b>	<b>3,428</b>	<b>(4,446)</b>

See note 29 for the Corporate Treasury policy and the valuation techniques used for the derivatives. Corporate Treasury is consulted by entities for alignment of hedge accounting with the Company's treasury policy guidelines and assisted with documentation of the hedge relationship, derivatives valuations and effectiveness testing.

During 2017, the Company held for a notional amount of €81.5 million (2016: €81.5 million) floating to fixed interest rate swaps to hedge interest rate risk on €81.5 million of long-term variable loans outstanding and applied hedge accounting to these interest rate derivatives.



The market value of these derivatives ultimo 2017 was €1.3 million negative (2016: €2.0 million negative). In addition, the Company has €40.0 million of fixed to floating cross currency swaps to manage the currency and interest rate risk of a subsidiary. The market value of these derivatives ultimo 2017 was €3.8 million positive and hedge accounting is applied on these derivatives.

Also, during 2017 the Company hedged currency exposures related to transactions in currencies other than the functional currency in the UK, Netherlands and Belgium by way of foreign exchange forward deals in order to minimize volatility in net income due to changes in exchange rates. In addition, foreign currency balance sheet positions arising due to foreign currency receivables and loan balances were hedged by way of foreign exchange forward transactions.

The movements in fair value of the derivatives are shown in the table below.

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>(4,446)</b>	<b>(4,504)</b>
Deconsolidation	-	(103)
Changes in Income statement	7,028	(1,882)
Changes through Other comprehensive income (equity)	907	(1,550)
Cash settlement derivatives	(61)	3,606
Exchange rate differences	-	(13)
<b>BALANCE AT 31 DECEMBER</b>	<b>3,428</b>	<b>(4,446)</b>

The change in fair value of derivatives recognized in profit or loss is €6.6 million positive (2016: €2.3 million loss) together with foreign exchange results of €8.1 million negative (2016: €2.5 million) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to €1.5 million negative (2016: €0.2 million negative).

#### HEDGING RESERVE

The total (after-tax) amount included in Other comprehensive income, on the line hedging reserve within equity, can be specified as follows:

In € thousands	2017	2016
Interest rate derivatives	(1,627)	(3,910)
Foreign exchange derivatives (classified as cash flow hedges)	102	625
<b>TOTAL</b>	<b>(1,525)</b>	<b>(3,285)</b>

## 17 OTHER NON-CURRENT ASSETS

Other non-current assets are non-derivative financial assets, and include long-term receivables (due for settlement after one year). Long-term receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>30,683</b>	<b>30,458</b>
Acquisitions/(divestments)	(671)	484
New receivables	4,754	5,341
Received	(4,611)	(6,234)
Other changes and exchange rate differences	(1,234)	634
<b>BALANCE AT 31 DECEMBER</b>	<b>28,921</b>	<b>30,683</b>

Other non-current assets include long-term receivables of €13.6 million (2016: €16.7 million) related to the deferred compensation plan in the United States of America operating company, see note 25 for further details. The remaining amount consists of various other long-term receivables such as rental deposits, judicial deposits and retentions.



## 18 TRADE RECEIVABLES

Trade receivables include amounts billed for work performed but not yet paid by the clients and are measured at amortized cost less any impairment losses. Trade receivables due for settlement within one year are classified as current. Trade receivables are reviewed for collectability at regular intervals; any impairment losses are determined on a case-by-case basis and recognized in Other operational costs when there is objective evidence that the client is not able to meet its obligations for the outstanding invoice(s).

Trade receivables include items maturing within one year.

In € thousands	2017	2016
Trade receivables	634,876	678,089
Provision for trade receivables	(56,714)	(58,379)
Receivables from associates	973	1,891
<b>TOTAL TRADE RECEIVABLES</b>	<b>579,135</b>	<b>621,601</b>

#### PROVISION FOR TRADE RECEIVABLES

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>58,379</b>	<b>57,128</b>
Acquisitions/(divestments)	(1,396)	166
Additions charged to profit or loss	21,739	22,452
Release of unused amounts	(9,292)	(11,803)
Utilizations	(11,405)	(11,296)
Exchange rate differences	(1,311)	1,732
<b>BALANCE AT 31 DECEMBER</b>	<b>56,714</b>	<b>58,379</b>

#### AGEING OF TRADE RECEIVABLES

In € thousands	2017		2016	
	Gros receivables <sup>1</sup>	Provision bad debt	Gros receivables <sup>1</sup>	Provision bad debt
Not past due	297,247	(2,241)	340,799	(1,498)
Past due 0 - 30 days	109,363	(754)	120,771	(1,169)
Past due 31 - 120 days	80,870	(1,565)	78,966	(1,734)
More than 120 days past due	147,396	(52,154)	137,553	(53,978)
<b>TOTAL</b>	<b>634,876</b>	<b>(56,714)</b>	<b>678,089</b>	<b>(58,379)</b>

<sup>1</sup> Excluding receivables from associates

Information about Arcadis' exposure to credit risk is included in note 29.

## 19 WORK IN PROGRESS

When cost for contract work performed to date plus recognized profits less recognized losses exceeds the progress billings, the surplus is shown as Work in progress (unbilled receivables). When progress billings exceed the cost for contract work performed to date plus recognized profits less recognized losses, the balance is shown as Work in progress (billing in excess of cost).

Cost includes all expenditures related directly to specific projects and directly attributable overhead incurred in the Company's contract activities based on normal operating capacity.

Costs and estimated earnings on uncompleted service contracts and construction contracts are as follows:

In € thousands	2017				2016	
	Unbilled receivables	Billing in excess of cost	Net Work in progress	Unbilled receivables	Billing in excess of cost	Net Work in progress
<b>COST</b>						
Cost incurred plus estimated earnings	5,573,861	2,961,550	8,535,411	5,383,853	2,467,410	7,851,263
Billing to date	(5,087,509)	(3,245,748)	(8,333,258)	(4,865,362)	(2,754,342)	(7,619,704)
<b>TOTAL WORK IN PROGRESS</b>	<b>486,352</b>	<b>(284,198)</b>	<b>202,153</b>	<b>518,491</b>	<b>(286,932)</b>	<b>231,559</b>

Advances received and retentions held by clients are included in Work in progress for the following amounts:

In € thousands	2017	2016
Amount of advances received	3,605	11,505
Amount of retentions held by clients	1,286	3,105

Advances received relate to advanced payments which are received on projects not yet started. In 2016, an amount of €10.7 million related to a project in the Middle East.

Retentions relate to amounts retained by clients which will be paid to the Company after successful completion of the contract. The majority of outstanding retentions are expected to be collected within a year.

**20 OTHER CURRENT ASSETS**

Other current assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2017	2016
Other receivables	38,960	32,113
Prepaid expenses	40,859	46,446
<b>BALANCE AT 31 DECEMBER</b>	<b>79,819</b>	<b>78,559</b>

Other receivables are non-trade receivables and include, among others, deposits, prepaid rents, claims to be received, and loans/prepayments to personnel. Prepaid expenses mainly include prepayments of IT contracts, rent and insurances.

**21 ASSETS CLASSIFIED AS HELD FOR SALE**

In accordance with IFRS 5, non-current assets and disposal groups are classified as a 'held for sale' when the following criteria are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable within twelve months of classification as held for sale;
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- Actions required to complete the plan, indicate that it is unlikely that plan will be significantly changed or withdrawn.

Immediately prior to classification as held for sale, the assets or groups of assets are measured at carrying value. Subsequently, assets and disposal groups classified as held for sale are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

Arcadis is in process to sell its beneficial ownership in the subsidiaries in Brunei, which includes Utamacon Sdn Bhd, JBPU Sdn Bhd and partnership Arcadis Brunei. As at 31 December 2017, Arcadis recognized on its balance sheet Assets and Liabilities classified as held for sale. The loss from the remeasurement of value of subsidiary amounts €1.8 million (see note 6).

At the end of 2017, Hyder Consulting GmbH Deutschland entered into a sale agreement with a third party for the purpose to sell a building. The fair value of the building amounts to €3.7 million. As the effective transfer of ownership took place early 2018, the building is presented as an Asset held for sale on the Balance Sheet as at 31 December 2017 with a book value of €2.2 million.

**22 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and call deposits maturing within three months from the acquisition date, and used by the Company in managing its short-term commitments. For cash flow reporting purposes bank overdrafts are included in Cash and cash equivalents.

Cash and cash equivalents and Bank overdrafts are offset to the extent the offsetting criteria have been met, which include the legally enforceable 'right to set off' and the intention to settle on a net basis.

Cash and cash equivalents at balance sheet date can be specified as below.

In € thousands	2017	2016
Bank and cash	250,680	250,139
Deposits	17,262	9,893
<b>BALANCE AT 31 DECEMBER</b>	<b>267,942</b>	<b>260,032</b>
Bank overdrafts used for cash management purposes	(1,805)	(865)
<b>CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS</b>	<b>266,137</b>	<b>259,167</b>

The average effective interest rate earned on cash during 2017 was 1.0% (2016: 0.6%). At 31 December 2017, €157.8 million of Cash and cash equivalents was freely available (2016: €156.6 million).

Restricted cash amounting to €108.5 million is mainly composed of cash balances held in China and some Asian countries, as well as Mozambique, Chile and some joint venture accounts, where there are restrictions on cross-border cash movements or repatriation of this cash is more difficult or causes tax complications (2016: €102.4 million).

At 31 December 2017, no Cash and cash equivalents and Bank overdrafts have been offset (2016: nil).

**23 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS****SHARE CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and rights to acquire shares are recognized as a deduction of equity, net of any tax effects.

Priority shares and preference shares are classified as equity since these are non-redeemable, or only redeemable at the Company's option. Dividends on these shares are recognized as distributions within equity.

**REPURCHASE OF SHARES**

When share capital is repurchased, the consideration paid, including directly attributable costs net of any tax effects, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or reissued, subsequently any amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

**DIVIDENDS**

Dividends are recognized as a liability in the period in which they are declared.

In €	Authorized share capital	Issued and paid-up capital
<b>2017</b>		
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,748,144
Cumulative preferred (protective) shares (150,000,000, nominal value €0.02)	3,000,000	-
Cumulative financing preferred shares (30,000,000, nominal value €0.02)	600,000	-
Priority shares (600, nominal value €0.02)	12	12
<b>TOTAL AS AT 31 DECEMBER</b>	<b>6,000,012</b>	<b>1,748,156</b>



The development of the number of shares issued/outstanding during 2017 and 2016 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
<b>AT 1 JANUARY 2016</b>	<b>83,306,151</b>	<b>600</b>	<b>616,785</b>	<b>83,923,536</b>
Shares issued (stock dividend)	2,143,932	-	-	2,143,932
Repurchased shares	(1,000,000)	-	1,000,000	-
Exercised shares and options	342,089	-	(342,089)	-
<b>AT 31 DECEMBER 2016</b>	<b>84,792,172</b>	<b>600</b>	<b>1,274,696</b>	<b>86,067,468</b>
Shares issued (stock dividend)	1,340,343	-	-	1,340,343
Repurchased shares	(419,042)	-	419,042	-
Exercised shares and options	749,585	-	(749,585)	-
<b>AT 31 DECEMBER 2017</b>	<b>86,463,058</b>	<b>600</b>	<b>944,153</b>	<b>87,407,811</b>

OUTSTANDING SHARES				
<b>AT 31 DECEMBER 2016</b>	<b>84,792,172</b>	<b>600</b>	<b>1,274,696</b>	<b>86,067,468</b>
<b>AT 31 DECEMBER 2017</b>	<b>86,463,058</b>	<b>600</b>	<b>944,153</b>	<b>87,407,811</b>

### PRIORITY SHARES

Total number of outstanding priority shares at 31 December 2017 is 600. During 2017, no preferred (protective) shares or financing preference shares were issued or outstanding.

The priority shares have been issued since 1987 and are all held by Stichting Prioriteit Arcadis NV; a foundation with its corporate seat in Arnhem. Special rights under the Articles of Association of Arcadis NV linked to these priority shares concern decision making related to, among others:

- The issuance, acquisition and disposal of shares in the Company;
- Amendments to the Articles of Association;
- The dissolution of the Company and the filing for bankruptcy;
- The entry into or termination of long-term cooperative ventures of substantial significance; and
- Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

The Board of the Stichting Prioriteit Arcadis NV consists of twenty board members (with no vacancies at 31 December 2017): seven members of Arcadis' Supervisory Board, three members of Arcadis' Executive Board, and ten members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of Arcadis).

### CUMULATIVE PREFERRED (PROTECTIVE) SHARES

Currently no cumulative preferred (protective) shares have been issued. However, an option agreement to acquire such shares has been entered into between Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') and Arcadis NV under that agreement. The Preferred Stock Foundation has been granted the right to acquire protective shares up to a maximum equal to the number of outstanding shares at the date in question (call option).

The Board of the Preferred Stock Foundation consists of four persons appointed by the Board itself, after prior approval of the Executive Board of Arcadis NV. The Chairman (or another member) of the Supervisory Board and the CEO (or another member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right or the exercise of voting rights on acquired shares.

### CUMULATIVE FINANCING PREFERRED SHARES

Since 2002, the Articles of Association of Arcadis NV include the possibility to issue cumulative financing preferred shares. Currently, no such shares have been issued.

### AGREEMENTS WITH SHAREHOLDERS

The Articles of Association of Stichting Lovinklaan stipulate that their Articles of Association cannot be amended without prior approval of Stichting Prioriteit Arcadis NV. In a separate agreement between Stichting Prioriteit Arcadis NV and Stichting Lovinklaan it is stipulated that prior approval of Stichting Prioriteit Arcadis NV is required for any resolution concerning the disposal or transfer of shares in Arcadis NV if, as a result of such resolution the number of shares held by Stichting Lovinklaan will drop below 12,000,000 (number of shares held at 31 December 2017: 15,735,892).

### ISSUANCE OF SHARES

The General Meeting decides, with the approval of the Supervisory Board and Stichting Prioriteit Arcadis NV, about the issuance of shares or grant of rights to acquire shares. The General Meeting can also delegate its authority to issue shares, or part thereof, to the Executive Board. As long as any such delegation stands, the General Meeting cannot decide to issue. During 2017, a total of 1,340,343 shares were issued to distribute to those shareholders that opted to receive their dividend in the form of shares (stock dividend) (2016: 2,143,932).



### PURCHASE OF SHARES

As mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit Arcadis NV, the Executive Board may purchase fully paid-up shares in Arcadis NV. The mandate is not needed in case the shares are purchased to be transferred to employees. As a result of its Long-Term Incentive Plan(s) or related arrangements, Arcadis needs to provide shares to people working for Arcadis. The intention is to minimize dilution by purchasing (a portion of) the shares needed for such Long-Term Incentive Plan(s) (or related arrangements), as opposed to issuing new shares. In 2017, no shares were issued to cover for obligations in relation to the vesting of RSUs or the exercise of options (2016: nil).

The following numbers of shares were repurchased over the past five years:

Year	Number of shares	Price at time of purchase (in €)
2013	1,450,000	18.40 to 21.99
2014	1,500,000	25.77 to 28.02
2015	1,500,000	25.16 to 31.15
2016	1,000,000	11.38 to 17.75
<b>2017</b>	<b>419,042</b>	<b>17.42 to 19.91</b>

The repurchased shares are to cover for the vesting/exercise of shares and options granted. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 749,585 (2016: 342,089) has been placed back in the market through the exercise of options in 2017. Net proceeds included in Equity amounted to €7.6 million (2016: €2.1 million).

At 31 December 2017, the number of repurchased shares in stock (treasury stock) amounted to 944,153 (2016: 1,274,696).

Number of outstanding ordinary shares:

Year	1 January	Issued shares	Repurchased shares	Reissued shares	31 December
2013	71,587,542	785,682	(1,450,000)	2,259,784	73,183,008
2014	73,183,008	8,287,112	(1,500,000)	2,069,474	82,039,594
2015	82,039,594	813,946	(1,500,000)	1,952,611	83,306,151
2016	83,306,151	2,143,932	(1,000,000)	342,089	84,792,172
<b>2017</b>	<b>84,792,172</b>	<b>1,340,343</b>	<b>(419,042)</b>	<b>749,585</b>	<b>86,463,058</b>

### SHARE PREMIUM

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares or exercise of share options.

### TRANSLATION RESERVE

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. In 2017, €91.7 million was deducted from the Translation reserve (2016: €39.5 million deducted).

### HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In 2017, €1.8 million was added to the Hedging reserve, including a tax effect of €0.2 million (2016: €0.9 million negative and €0.1 million, respectively).

### RETAINED EARNINGS

The Executive Board proposes, with the approval of the Supervisory Board, which part of the profit shall be reserved. The remaining part of the profits shall be at the disposal of the General Meeting of Shareholders and may be distributed as dividend. The holder of the priority shares is entitled to a dividend of 5% of the par value of the priority shares, prior to any dividend distribution being made. On these shares no further distributions shall be made.

### PROFIT ALLOCATION

For the fiscal year 2017, the Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €30.4 million to Retained earnings. The remainder of €40.4 million can be distributed as a dividend, which represents a dividend of €0.47 per outstanding ordinary share (2016: €0.43). Of the total Retained earnings, an amount of €54.2 million of legal reserves (2016: €49.2 million) is restricted in distribution. See also note 42 to the Company financial statements.

## 24 NON-CONTROLLING INTERESTS

Non-controlling interests represent the net assets which are not held by the Company and are presented within total equity in the Consolidated balance sheet as a separate category. Profit or loss and each component of Other comprehensive income are attributed to the equity holders and to the non-controlling interests.

The movements in non-controlling interests are specified below.

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>2,647</b>	<b>3,365</b>
Share in profit for the year	1,062	1,442
Dividends to non-controlling shareholders	(970)	(1,811)
Acquisitions/(divestments)	-	-
Exchange rate differences	(48)	(349)
<b>BALANCE AT 31 DECEMBER</b>	<b>2,691</b>	<b>2,647</b>

At 31 December 2017, the non-controlling interests mainly consists of:

- Arcadis and Towell Sdn. Bhd. (25%)
- Hyder & Solaiman Elkhareji Consulting Company (30%)
- Gerenciamiento Nacala Ltda (40%)
- Arcadis CED Project Service Bureau BV (45%).

## 25 PROVISIONS FOR EMPLOYEE BENEFITS

The majority of the pension plans of the Group qualify as defined contribution pension plans. However, the Group also operates a number of defined benefit pension plans.

### DEFINED CONTRIBUTION PENSION PLANS

For defined contribution pension plans, the Group pays fixed contributions into a separate entity, which are charged to profit or loss in the period during which services are provided by employees. The Group's legal or constructive obligation is limited to the contributions paid into the plans. Prepaid contributions are recognized as an asset to the extent that Arcadis has the unconditional right to cash refunds or reduction in future payments.

### DEFINED BENEFIT PENSION PLANS

Some of the pension plans qualify as defined benefit pension plans. For these plans, the costs are recognized as personnel costs and financing costs in profit or loss. The amount charged to personnel costs is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements and curtailments (such events are recognized immediately in profit or loss).

The amount charged to financing costs is the net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Any differences between the expected interest on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognized immediately in profit or loss.

The majority of the defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. These plans are subject to regular actuarial review by external actuaries, using the projected unit credit method.

The defined benefit pension plan on the balance sheet comprises the present value of the defined benefit pension obligation and the fair value of plan assets. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds (or suitable alternative where there is no active corporate bond market) that are denominated in the currency in which the benefits will be paid, and with maturity dates approximating to the terms of the related pension obligations.

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss.



The table below provides a summary of the total provision for employee benefits at the balance sheet date.

In € thousands	Asset side	Liability side	TOTAL 2017
Defined benefit pension plans	1,754	39,586	37,832
Other deferred compensation plans	-	17,465	17,465
<b>TOTAL PROVISIONS FOR EMPLOYEE BENEFITS</b>	<b>1,754</b>	<b>57,051</b>	<b>55,297</b>
Non-current	1,754	50,896	49,142
Current	-	6,155	6,155
<b>TOTAL</b>	<b>1,754</b>	<b>57,051</b>	<b>55,297</b>

In € thousands	Asset side	Liability side	TOTAL 2016
Defined benefit pension plans	-	50,397	50,397
Other deferred compensation plans	-	22,772	22,772
<b>TOTAL PROVISIONS FOR EMPLOYEE BENEFITS</b>	<b>-</b>	<b>73,169</b>	<b>73,169</b>
Non-current	-	70,234	70,234
Current	-	2,935	2,935
<b>TOTAL</b>	<b>-</b>	<b>73,169</b>	<b>73,169</b>

### PENSION COSTS RECOGNIZED IN PROFIT OR LOSS

The total pension costs recognized in 2017 and 2016 were as follows:

In € thousands	2017	2016
Total defined benefit pension plans	2,222	4,629
Total defined contribution pension plans and other deferred compensation plans	69,396	65,248
<b>TOTAL PENSION COSTS</b>	<b>71,618</b>	<b>69,877</b>

The pension expenses of defined benefit and defined contribution pension plans are recognized in the following line items in the Consolidated income statement:

In € thousands	2017	2016
Personnel costs	71,171	68,751
Financing costs	447	1,126
<b>TOTAL PENSION COSTS</b>	<b>71,618</b>	<b>69,877</b>

## DEFINED BENEFIT PENSION PLANS

### DESCRIPTION OF PLANS

The defined benefit pension plans of the Group are either career average, final salary or hybrid plans. In addition, there is a termination indemnity plan for Arcadis Middle East, which pays out a single lump sum at exit (regardless of age, service or reason for exit).

The two main defined benefit pension plans are in the UK, being the 'EC Harris Group Pension Scheme' and the 'Acer Group Pension Scheme' (formerly Hyder), which account for approximately 16% of the total defined benefit liability (2016: 37%). The remaining liability is due to the termination indemnity plan in Arcadis Middle East (formerly Hyder) (33% of the total defined benefit liability as at 31 December 2017) and other individually immaterial defined benefit pension plans within the Group (51% of the total defined benefit liability as at 31 December 2017).

The EC Harris Group Pension Scheme has been closed for future accruals since 31 January 2011, whereas the Acer Group Pension Scheme was closed for future accruals since 30 April 2011. Both plans are funded plans. The other defined benefit pensions plans are mainly active and funded plans.

### GOVERNANCE

The majority of the defined benefit pension plans are established as independent foundations or similar entities, with operations governed by local regulations and practice in each country. Boards of Trustees, which consist of employer and employee representatives, are generally required to act on behalf of the plan's stakeholders and perform periodic reviews on the solvency of the funds in accordance with local laws and regulations. They are responsible for administering the plan assets and for defining the investment strategy.

### INVESTMENT STRATEGY

The investment strategy of the Group in respect of the funded plans is implemented within the framework of the various local requirements of the countries where the plans are based. The objective is to control the risks and maintain an appropriate balance between the risks and the long-term returns. Therefore, the investments are well diversified and managed within the asset-liability matching (ALM) frameworks of the funds. Within these frameworks the objective is to match assets to the pensions obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.



## SPECIFICATION DEFINED BENEFIT PENSION PLANS

The table below provides a summary of the classification of the defined benefit pension plans at 31 December.

In € thousands	2017		2016	
	Present value of obligation	Fair value of plan assets	Present value of obligation	Fair value of plan assets
EC Harris Group Pension Scheme (ECH)	103,859	105,613	111,789	108,480
Acer Group Pension Scheme (AGPS)	227,377	219,648	238,137	222,990
ME Termination Indemnity Plan (HME)	12,421	-	14,006	-
Other defined benefit pension plans		19,436		17,935
<b>TOTAL DEFINED BENEFIT PENSION PLANS</b>		<b>37,832</b>		<b>50,397</b>

The movement in the defined benefit pension plans is as follows:

In € thousands	2017	2016
	<b>BALANCE AT 1 JANUARY</b>	<b>50,397</b>
Acquisitions	-	-
Additions	5,132	6,023
Amounts used	(875)	(3,714)
Pension plan changes to net asset position	(13,465)	9,139
Exchange rate differences	(3,357)	(1,394)
<b>BALANCE AT 31 DECEMBER</b>	<b>37,832</b>	<b>50,397</b>
Non-current	37,754	50,325
Current	78	72
<b>TOTAL</b>	<b>37,832</b>	<b>50,397</b>

The table on the next page provides a summary of the changes in the defined benefit obligations and the fair value of the plan assets for the UK (A and B), Arcadis Middle East (C) and the other defined benefit pension plans (D). It also provides a reconciliation of the funded status of the plans to the amounts recognized in the Consolidated balance sheet.



In € thousands	ECH	AGPS	HME	Other	TOTAL
<b>BALANCE AT 1 JANUARY 2016</b>	<b>(2,385)</b>	<b>13,463</b>	<b>12,946</b>	<b>16,319</b>	<b>40,343</b>
Current service cost	39	-	2,541		
Interest expense/(income)	(159)	448	374		
<b>SUBTOTAL</b>	<b>(120)</b>	<b>448</b>	<b>2,915</b>	<b>2,780</b>	<b>6,023</b>
Re-measurements:					
Return on plan assets excluding amounts included in interest expense/(income)	(17,736)	(42,453)	-		
(Gain)/loss from change in financial assumptions	25,953	51,935	273		
(Gain)/loss from change in demographic assumptions	-	-	(27)		
Experience (gain)/loss	(832)	(3,337)	563		
<b>TOTAL RE-MEASUREMENTS</b>	<b>7,385</b>	<b>6,145</b>	<b>809</b>	<b>(308)</b>	<b>14,031</b>
Exchange rate differences	84	(2,046)	463	105	(1,394)
Contributions by employer	(1,655)	(2,863)	-	(374)	(4,892)
Benefit payments from plans	-	-	(3,127)	(587)	(3,714)
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>3,309</b>	<b>15,147</b>	<b>14,006</b>	<b>17,935</b>	<b>50,397</b>
Current service cost	36	-	2,218		
Interest expense/(income)	47	381	349		
<b>SUBTOTAL</b>	<b>83</b>	<b>381</b>	<b>2,567</b>	<b>2,947</b>	<b>5,978</b>
Re-measurements:					
Return on plan assets excluding amounts included in interest expense/(income)	(1,402)	(7,411)	-		
(Gain)/loss from change in financial assumptions	5,376	11,074	(130)		
(Gain)/loss from change in demographic assumptions	(4,731)	(9,377)	-		
Experience (gain)/loss	(1,206)	799	744		
<b>TOTAL RE-MEASUREMENTS</b>	<b>(1,963)</b>	<b>(4,915)</b>	<b>614</b>	<b>1,721</b>	<b>(4,543)</b>
Exchange rate differences	(61)	(504)	(1,251)	(1,542)	(3,358)
Contributions by employer	(3,122)	(2,380)	-	(4,266)	(9,768)
Benefit payments from plans	-	-	(3,515)	2,641	(874)
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>(1,754)</b>	<b>7,729</b>	<b>12,421</b>	<b>19,436</b>	<b>37,832</b>

**(A) EC HARRIS GROUP PENSION SCHEME (ECH)**

PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

In € thousands/%	2017	%	2016	%
Equities	7,295	7	5,366	5
Fixed income	61,163	58	57,966	54
Property and real estate	5,389	5	7,696	7
Hedge funds	16,053	15	23,818	22
Cash	4,890	5	3,721	3
Other	10,823	10	9,913	9
<b>TOTAL AT 31 DECEMBER</b>	<b>105,613</b>	<b>100</b>	<b>108,480</b>	<b>100</b>

ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting dates are:

In %	2017	2016
Discount rate	2.55	2.80
Pension revaluation in deferment	2.55	2.55
Pension increases	2.50 - 3.65	2.50 - 3.65
Retail price index inflation	3.55	3.55
Consumer price index inflation	2.55	2.55

The discount rate is based on yields on UK AA-rated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of twenty years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2017	2016
Male/female currently aged 65	22.4 / 24.4	22.9 / 25.1
Male/female reaching age of 65 in 20 years	24.2 / 26.2	25.1 / 27.4

SENSITIVITY ANALYSIS

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in the mortality assumptions.

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	10,700
Rate of inflation	0.5%	5,100
Mortality assumptions	one-year increase	4,500

The sensitivity analysis as disclosed in the 2016 financial statements was as follows:

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	11,700
Rate of inflation	0.5%	5,900
Mortality assumptions	one-year increase	4,500

DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS

The Company expects €1.6 million in contributions to be paid to the plan in 2018. The estimated net pension costs to be recognized in the Consolidated income statement in 2018 amounts to €30,000 positive. An amount of €65,000 relates to net interest charges (credit) and €35,000 to service costs/operating charges. The estimated weighted average duration of the defined benefit obligation is around twenty years.

**(B) ACER GROUP PENSION SCHEME (AGPS)**

PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

In € thousands/%	2017	%	2016	%
Equities	70,632	32	51,247	23
Fixed income	70,773	32	93,359	41
Property and real estate	6,781	3	3,474	2
Hedge funds	65,172	30	66,451	30
Cash	6,290	3	8,459	4
<b>TOTAL AT 31 DECEMBER</b>	<b>219,648</b>	<b>100</b>	<b>222,990</b>	<b>100</b>



ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting dates are:

In %	2017	2016
Discount rate	2.55	2.8
Pension increases	2.20 - 3.35	2.20 - 3.35
Retail price index inflation	3.55	3.55
Consumer price index inflation	2.55	2.55

The discount rate is based on yields on UK AA-rated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of eighteen years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2017	2016
Male/female currently aged 65	22.5 / 24.5	23.0 / 25.1
Male/female reaching age of 65 in 20 years	24.3 / 26.3	25.2 / 27.4

SENSITIVITY ANALYSIS

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in the mortality assumptions. In 2017, the sensitivity analysis was as follows:

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	22,500
Rate of inflation	0.5%	12,400
Mortality assumptions	one-year increase	9,000

The sensitivity analysis as disclosed in the 2016 financial statements was as follows:

In %/€ thousands	% change in assumptions	Change in pension liability
Discount rate	0.5%	25,800
Rate of inflation	0.5%	16,400
Mortality assumptions	one-year increase	9,400

DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS

The Group has agreed that it will aim to eliminate any pension plan deficit within the next ten years. Therefore, funding levels are monitored on an annual basis.

The Company expects €2.3 million in contributions to be paid to the plan in 2018. The estimated net pension costs to be recognized in the Consolidated income statement in 2018 amounts to €0.2 million net interest costs and nil service costs/operating charges. The estimated weighted average duration of the defined benefit obligation is around 18 years.

**(C) ARCADIS ME END OF SERVICE BENEFITS (AME)**

PLAN ASSETS

There is no local regulation that requires a level of funding of the plan, therefore no assets have been set aside to fund these arrangements.

ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting date are:

In %	2017	2016
Discount rate	3.25	3.25
Salary increases (expected, per annum)	2.0	4.0

As there is no deep market in corporate bonds within the GCC region and the limited number of government bonds available do not provide an adequate reference, the discount rate is based on the US AA-rated corporate bond market as a proxy. The payments have an average duration of four years.

Demographic assumptions for mortality, withdrawal, and retirement are used in determining the liability. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used. The retirement age used for the actuarial valuations is as follows:

In years	2017	2016
Male/female Saudi Arabia	60 / 55	60 / 55
Male/female other countries	65 / 65	65 / 65



## SENSITIVITY ANALYSIS

The calculation of the liability of HME is sensitive to the discount rate and salary increases. In 2017, the sensitivity analysis was as follows:

In %/€ thousands	% change in assumptions	Change in liability
Discount rate	0.5%	1,500
Salary increases	0.5%	1,500

The sensitivity analysis as disclosed in the 2016 financial statements was as follows:

In %/€ thousands	% change in assumptions	Change in liability
Discount rate	0.5%	1,800
Salary increases	0.5%	1,800

## DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS

The Company expects €2.1 million of service costs and €0.3 million of interest costs to be recognized in the Consolidated income statement in 2018. The estimated weighted average duration of the defined benefit obligation is around 4 years.

## (D) OTHER DEFINED BENEFIT PENSION PLANS

The other defined benefit pension plans are individually immaterial and mainly relate to France, Germany and the UK. No detailed disclosures for these individual plans are provided. For the movement in the balance sheet position of these other defined benefit pension plans in total we refer to the table on the right.

## OTHER DEFERRED COMPENSATION PLANS

The other deferred compensation plans consist of the following balances:

In € thousands	2017	2016
Deferred salaries	13,600	16,658
Future jubilee payments	2,160	1,200
Other	3,676	4,914
<b>BALANCE AT 31 DECEMBER</b>	<b>19,436</b>	<b>22,772</b>

The movement in the other deferred compensation is as follows:

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>22,772</b>	<b>23,704</b>
Acquisitions	(15)	101
Additions	162	438
Amounts used/released	(1,375)	(2,049)
Exchange rate differences	(2,108)	578
<b>BALANCE AT 31 DECEMBER</b>	<b>19,436</b>	<b>22,772</b>
Non-current	13,359	19,909
Current	6,077	2,863
<b>TOTAL</b>	<b>19,436</b>	<b>22,772</b>

## DEFERRED SALARIES

The deferred salaries mainly include a plan for deferred compensation of our operating company in the United States. Management of this operating company can elect not to have its salary paid out, but rather invested in a fund by the company, and is offered a choice of three different portfolio types: risk averse, neutral and risky. The risk is the responsibility of the participants. The related assets are included in note 17 for an amount of €13.6 million (2016: €16.7 million).

## FUTURE JUBILEE PAYMENTS

€2.1 million is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels (2016: €1.2 million).

## OTHER

Other deferred compensations includes €3.6 million of long service leave provisions in Australia, where employees are entitled to long service leave after a certain number of years of continuous service. The time allowance and conditions of entitlement are set out in legislation, and vary by territory. An amount of €2.7 million is expected to be paid within one year after the balance sheet date (2016: €2.5 million).



## 26 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at net present value, taking into account the timing of the cash outflows. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance expense (see note 9).

The amounts recognized as provisions reflect management's best estimate of the expenditures required to settle the present obligations at the balance sheet date or to transfer it to a third party at that time.

In € thousands	Restructuring	Litigation	Other	TOTAL
<b>BALANCE AT 1 JANUARY 2016</b>	<b>4,706</b>	<b>61,631</b>	<b>5,305</b>	<b>71,642</b>
Acquisitions/(disposals)	–	–	(158)	(158)
Additions	9,606	14,046	6,207	29,859
Amounts used	(5,242)	(10,544)	(279)	(16,065)
Release of unused amounts	(1,152)	(32,208)	(2,369)	(35,729)
Reclassifications	(1,091)	–	1,091	–
Exchange rate differences	(170)	(4,854)	(390)	(5,414)
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>6,657</b>	<b>28,071</b>	<b>9,407</b>	<b>44,135</b>
Acquisitions/(disposals)	(56)	–	142	86
Additions	8,067	3,970	2,625	14,662
Amounts used	(10,715)	(2,891)	(1,304)	(14,910)
Release of unused amounts	(553)	(3,965)	(2,731)	(7,249)
Reclassifications	877	–	(387)	490
Exchange rate differences	(42)	(1,269)	(329)	(1,640)
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>4,235</b>	<b>23,916</b>	<b>7,423</b>	<b>35,574</b>
Non-current	189	21,065	5,445	26,699
Current	4,046	2,851	1,978	8,875
<b>TOTAL</b>	<b>4,235</b>	<b>23,916</b>	<b>7,423</b>	<b>35,574</b>

## RESTRUCTURING

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in Continental Europe. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated, and its intended execution has been announced. Existing plans currently include reduction of staff capacity in certain parts of the Company that are expected to be executed in the coming year.

## LITIGATION

Clients of Arcadis sometimes claim, justified or not, that they are not satisfied with the services provided by the Company. While the outcome of these claims cannot be predicted with certainty, management believes that, based on (external) advisors and information received, the provisions of €23.9 million (2016: €28.1 million) are the best estimate of the potential financial risk and whether or not that risk is covered by the insurance policies. These insurance policies include a global professional liability insurance and in addition, local insurance in a number of countries. In general, these insurance policies have a self-insured retention and a maximum pay-out level.

Outstanding litigation (including the provisions, defense costs and reimbursement coverage) is reviewed periodically and revisions are made when necessary. Since the outcome cannot be predicted with certainty and settlement of claims could take several years, final settlement could differ from this best estimate.

The movement in the provisions in 2017 do not include significant valuation changes of acquisition-related claims.

Further information ordinarily required by IAS 37 has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

## OTHER

The category other provisions mainly relates to provisions for warranties and onerous rental contracts. The provisions are based on the obligation that the Company has with counterparties involved and the estimated cash out flows. No individual items within the other provisions are material and the Company expects that the other provisions will be substantively used within one to five years.

## 27 LOANS AND BORROWINGS

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and repayments over time is charged to profit or loss over the duration of the debts. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities.

Debt securities, issued and subordinated liabilities are recognized on the date they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts and trade and other payables. Initially these liabilities are recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at reporting date.

Loans and borrowings at 31 December are as follows:

In € thousands	Interest rates between	2017	2016
Bank loans	1.3% - 5.0%	194,427	218,992
Loan notes issued to financial institutions	1.7% - 5.1%	445,841	478,946
Financial lease contracts	3.0% - 4.0%	85	187
Other long-term debt <sup>1</sup>	3.0% - 6.9%	7,262	3,360
Short-term borrowings	1.0% - 5.0%	41,080	54,258
<b>TOTAL LOANS AND BORROWINGS</b>		<b>688,695</b>	<b>755,743</b>
Current <sup>2</sup>		214,266	55,279
Non-current		474,429	700,464
<b>TOTAL</b>		<b>688,695</b>	<b>755,743</b>

<sup>1</sup> Including retentions and expected after-payments not due within one year, amounting to €6.5 million (2016: €2.5 million)

<sup>2</sup> Excluding after-payments for acquisitions, see note 28

The movement in non-current loans and borrowings is as follows:

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>700,464</b>	<b>687,310</b>
New debt	266	1,616
Accrued interest	226	209
Redemptions	(454)	(2,491)
Reclassification from non-current to current	-	(1,649)
PPA	5,140	-
From long-term to current position other long-term	(184,632)	-
Exchange rate differences	(46,581)	15,469
<b>BALANCE AT 31 DECEMBER</b>	<b>474,429</b>	<b>700,464</b>

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2017	2016
2018	-	195,387
2019	104,180	108,859
2020	127,874	136,136
2021	91,608	104,319
2022	110,790	115,763
After 2022	39,977	40,000
<b>BALANCE AT 31 DECEMBER</b>	<b>474,429</b>	<b>700,464</b>

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>55,279</b>	<b>31,757</b>
New debt	200,000	53,210
Redemptions	(213,513)	(29,757)
PPA	20	-
From long-term to current position other long-term	183,701	174
Exchange rate differences	(11,221)	(106)
<b>BALANCE AT 31 DECEMBER</b>	<b>214,266</b>	<b>55,279</b>



## INTEREST RATES

The interest rate ranges for the total loans and borrowings are as follows:

In %	2017	2016
0% - 4%	519,101	558,518
4% - 7%	169,594	197,225
<b>BALANCE AT 31 DECEMBER</b>	<b>688,695</b>	<b>755,743</b>
Weighted average interest rate <sup>1</sup>	3.2%	3.0%

<sup>1</sup> On interest-bearing debt (including the interest effect of swaps)

## FAIR VALUE

The fair value of the Company's loans and borrowings has been estimated based on quoted market prices for the same or similar loans or on the current rates offered to the Company for debt with similar maturities, and is estimated at €648.6 million (2016: €701.3 million).

## BANK LOANS

The long-term bank loans include US\$115 million of term loans (2016: US\$202.5 million) attracting a US LIBOR denominated interest rate, and will mature in 2019.

In addition, long-term bank loans include US\$110 million in fixed rate 5.1% US Private Placement Notes with a maturity in 2021 and Schuldschein debt consisting of €210 million fixed notes maturing in 2021, 2022 and 2023 respectively. The current portion of long-term debt amounting to €214.2 million (2016: €55.2 million) mainly relates to syndicated bank debt of €87.5 million and €24.5 million and US\$90 million of US Private Placement Notes maturing in 2018.

At year end, €81.5 million of floating rate bank debt has been converted by way of interest rate swaps into EUR fixed rate debt, at a rate of approximately 0.5% and the remaining lifetime of the swaps is 3.2 years. For disclosures on the derivatives, see note 16.

In November 2017 the maturity date of the €300 million Revolving Credit facility was extended by 12 months from December 2021 to December 2022. No changes were made to this loan facility and the debt covenants remain unchanged and consistent with all other debt components.

## DEBT COVENANTS

The debt covenant for the above mentioned long-term debt facilities states that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to the group of banks twice a year. At 31 December 2017, the average net debt to EBITDA ratio calculated in accordance with agreements with the banks is 2.3 (2016: 2.5), see note 29.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75. At 31 December 2017, this ratio calculated in accordance with agreements with lenders is 2.4 (2016: 2.3).

## FACILITIES

The total short-term facilities amount to €429.6 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €204.1 million has been used as at 31 December 2017 (2016: €400.8 million and respectively €221.0 million).

The Company has short-term uncommitted debt facilities of €120.8 million with relationship banks and two guarantee facilities totaling €52.8 million (2016: €98.8 million and €54.9 million respectively). These short-term facilities are used for the financing of working capital and general purposes of the Company.

By the end of the year 2017, the total amount of bank guarantees and letters of credit that were outstanding under the €52.8 million guarantee facilities amounted to €34.5 million (2016: €42.0 million). Additionally, there were other outstanding guarantees and letters of credit amounting to €167.1 million (2016: €173.1 million).



## 28 ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Other current liabilities are non-derivative financial liabilities, which are initially recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

In € thousands	Note	2017	2016
Accounts payable		237,190	252,667
Accrued expenses		34,271	46,667
Payables to employees		126,282	137,367
Taxes and social security contributions		69,539	73,464
After-payments relating to acquisitions	4	1,499	1,550
Payables to associates		535	148
Other liabilities		83,655	78,183
<b>BALANCE AT 31 DECEMBER</b>		<b>552,971</b>	<b>590,046</b>

Other liabilities include various accrued liabilities, such as to be paid occupancy costs, insurance costs and interest costs. In 2017, there is an increase due to an advanced cash payment of €3.7 million related to the building in Germany recognized as an Asset held for sale as of 31 December 2017.

## 29 CAPITAL AND FINANCIAL RISK MANAGEMENT

Arcadis' activities expose the Company to a variety of financial risks, including (A) credit risks, (B) liquidity risks, and (C) market risks.

These risks are inherent to the way the Company operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by Arcadis Corporate Treasury, in line with the guiding principles of the Treasury Policy, as approved by the Executive Board.

Arcadis' Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and the Arcadis control framework. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### (A) CREDIT RISKS

Credit risk arises from receivables from customers as well as balances and settlements with banks. The credit risk on customers is influenced mainly by the individual characteristics of each customer. Arcadis usually invoices clients for services according to the progress of the work. If clients refuse or are unable to meet their contractual payment obligations, the Company may not have sufficient cash to satisfy its liabilities, and its growth rate and continued operations could be adversely impacted.

The key objective of the Company's counterparty credit risk management is to minimize the risk of losses as a result of failure of an individual counterparty that could negatively impact the Company's results. Arcadis aims to centralize cash at banks that have also provided credit to the Company in order to reduce counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity and the group level. Normally Arcadis only deals with counterparties that have a sufficiently high credit rating. Where possible, Arcadis uses credit ratings provided by external agencies, for the purpose of monitoring creditworthiness in order to reduce the related credit risk. Furthermore, Arcadis strongly focuses on clients by strengthening the relationship. Through systematic account management we aim to build long-term relationships with select multinational and key national/local clients. We already have a relationship with the majority of our multinational clients for more than five years. New customers are analyzed individually for creditworthiness before services are offered.



The carrying amount of financial assets represents the maximum credit exposure. At balance sheet date, the maximum exposure to credit risk was:

In € thousands	Note	2017	2016
<b>FINANCIAL ASSETS:</b>			
Trade receivables	18	579,135	621,601
Work in progress (unbilled receivables)	19	486,352	518,491
Other receivables	20	38,960	32,113
Other non-current assets	17	28,921	30,683
Derivatives	16	6,088	6,156
Loans to associates and joint ventures	14	27,442	16,600
		<b>1,166,898</b>	<b>1,225,644</b>
Cash and cash equivalents less bank overdrafts	22	266,137	259,167
<b>TOTAL</b>		<b>1,433,035</b>	<b>1,484,811</b>

### TRADE RECEIVABLES

Trade receivables are presented net of a provision for trade receivables. The credit risk is measured and analyzed on a local level at regular intervals, taking into consideration, amongst others, the financial situation of the debtor and ageing of receivables. When there is objective evidence that the client is not able to meet its obligations for the outstanding invoice(s), the expected loss is determined in line with IAS 39.

The ageing of trade receivables and the provision for trade receivables at reporting date is disclosed below. The ageing of receivables has led to impairments for expected losses and calibration of assumptions as included in the Goodwill impairment test (see note 12). The movement schedule for the provision for trade receivables is included in note 18.

In € thousands	2017		2016	
	Gross receivable <sup>1</sup>	Provision trade receivables	Gross receivable <sup>1</sup>	Provision trade receivables
Not past due	297,247	(2,241)	340,799	(1,498)
Past due 0 - 30 days	109,363	(754)	120,771	(1,169)
Past due 31 - 120 days	80,870	(1,565)	78,966	(1,734)
More than 120 days due	147,396	(52,154)	137,553	(53,978)
<b>TOTAL</b>	<b>634,876</b>	<b>(56,714)</b>	<b>678,089</b>	<b>(58,379)</b>

<sup>1</sup> Excluding receivables from associates, see note 18

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

There are various reasons for delays in payments that result in past due amounts and impact Days Sales Outstanding (DSO). Arcadis has overdue receivables which are generally considered collectible and for which the risk of impairment is remote. Especially for our larger projects the following areas are addressed in our ongoing Working Capital program as part of the Arcadis Way:

- Customers may uphold payments that are due in accordance with invoicing timing schedules until a further milestone in a project is reached, thereby not formally adhering to agreed payment schedules but not disputing the invoice.
- Receivables on larger projects often consist of multiple elements of which individual minor items may be disputed, require further clarification or documentation and that upholds the payment of the total invoiced amount.
- As business practice, or as part of our contracts, it is common that when Arcadis is a sub-contractor, we only get paid when our customers get paid by the ultimate client - the so called 'paid-when-paid principle'.

### OTHER RECEIVABLES AND NON-CURRENT ASSETS

Other receivables and Other non-current assets do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts and services will be received.

### CASH AND CASH EQUIVALENTS

The credit risk of Cash and cash equivalents is the risk that counter parties are not able to repay amounts owed to Arcadis upon request of Arcadis. The objective of the Company is to minimize credit risk exposure in Cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings and good reputation. The related risk is monitored on an ongoing basis both at local entity and corporate level. The Company keeps approximately 78 % (2016: 67%) of its cash reserves at our core banks and only invests in liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations in the short-term.

### GUARANTEES AND LETTERS

The Company provided bank guarantees and letters of credit. The total amount of outstanding guarantees and letters of credit amounted to €201.6 million (2016: €215.1 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €197.4 million (2016: €156.2 million) to support local financing facilities.

**(B) LIQUIDITY RISKS**

Liquidity risk is the risk that Arcadis will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable Arcadis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Arcadis. Our Treasury Policy supports this principle by stating that the Company aims to have no more than 33% of total fixed debt to be refinanced in any one year.

Neither the aged (un)billed receivables of individual customers, nor the profile customer receivable portfolio of CGUs, impose a significant threat to the Company's liquidity planning.

Over the course of the year, considerable fluctuations occurred in the working capital needed to finance operations. The Company strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy (lease-adjusted) interest coverage and net debt to EBITDA ratio.

## LINES OF CREDIT

The Company maintains the lines of credit as summarized in the table below.

In millions	Type	Interest/fees	31 DECEMBER 2017		31 DECEMBER 2016	
			Available	Utilized	Available	Utilized
	Term loan	US\$LIBOR	\$202.5	\$202.5	\$202.5	\$202.5
	Term loan	EURIBOR	€24.5	€24.5	€24.5	€24.5
	Revolving Credit Facility	EURIBOR	€300.0	€40.0	€300.0	€50.0
	Committed facilities	EURIBOR	€35.0	€0.0	€35.0	€0.0
	Uncommitted multi-currency facilities	Floating	€120.8	€0.0	€98.8	€0.0
	US Private Placement notes	5.1%	\$110.0	\$110.0	\$110.0	\$110.0
	US Private Placement notes	5.0%	\$90.0	\$90.0	\$90.0	\$90.0
	Schuldschein notes	Fixed/floating	€210.0	€210.0	€210.0	€210.0
	Schuldschein notes	Fixed/floating	\$83.0	\$83.0	\$83.0	\$83.0
	Guarantee facility	0.3% - 0.65%	€50.0	€31.6	€50.0	€37.1
	Other (loans)	Various	€61.1	€2.5	€57.8	€5.9
	Other (loans and guarantees)	Various	€197.6	€169.9	€189.3	€173.1

## CONTRACTUAL OBLIGATIONS

The following tables describe our commitments and contractual obligations for the following five years and thereafter. The other long-term debt obligations are our cash debt service obligations. Operating lease obligations are the non-cancellable future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year at 31 December 2017.

No collateral has been pledged for liabilities or contingent liabilities.



In € thousands	TOTAL	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
<b>CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2017:</b>					
Operating lease obligations	332,910	93,048	142,744	67,014	30,104
Capital (finance) lease obligations	9	9	-	-	-
Guarantees on behalf of associates	84,002	84,002	-	-	-
<b>FOREIGN EXCHANGE CONTRACTS:</b>					
Outflow	724,281	724,281	-	-	-
Inflow	(724,102)	(724,102)	-	-	-
<b>INTEREST RATE SWAPS:</b>					
Outflow	1,456	396	712	348	-
Inflow	(770)	(227)	(392)	(151)	-
<b>CROSS CURRENCY SWAPS:</b>					
Outflow	55,661	1,814	3,713	3,708	46,426
Inflow	(46,142)	(1,024)	(2,047)	(2,047)	(41,024)
Deferred consideration	7,820	6,987	833	-	-
Interest	45,732	17,786	21,762	6,335	(151)
Other long-term liabilities	641,079	173,177	225,592	202,398	39,912
Short-term bank debt	41,080	41,080	-	-	-
<b>TOTAL</b>	<b>1,163,016</b>	<b>417,236</b>	<b>483,166</b>	<b>227,259</b>	<b>35,355</b>

## CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2016:

Operating lease obligations	352,678	103,608	140,542	71,492	37,036
Capital (finance) lease obligations	187	183	1	3	-
Guarantees on behalf of associates	69,917	69,917	-	-	-
<b>FOREIGN EXCHANGE CONTRACTS:</b>					
Outflow	835,198	835,398	(200)	-	-
Inflow	(833,254)	(833,492)	238	-	-
<b>INTEREST RATE SWAPS:</b>					
Outflow	1,856	399	793	664	-
Inflow	(221)	(51)	(100)	(70)	-
<b>CROSS CURRENCY SWAPS:</b>					
Outflow	48,079	1,519	5,200	3,651	37,709
Inflow	(47,165)	(1,023)	(3,071)	(2,047)	(41,024)
Deferred consideration	3,942	2,313	1,629	-	-
Interest	80,976	23,296	33,568	18,652	5,460
Other long-term liabilities	698,774	836	88,641	241,114	368,183
Short-term bank debt	54,258	54,258	-	-	-
<b>TOTAL</b>	<b>1,265,225</b>	<b>257,161</b>	<b>267,241</b>	<b>333,459</b>	<b>407,364</b>



**(C) MARKET RISKS**

Market risk includes currency risk (C1) and interest rate risk (C2) and comprises the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Arcadis' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**(C1) CURRENCY RISK**

The key objective of the Company's foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by corporate treasury to reduce and limit the adverse effects of exchange rate changes on the Company's profitability subject to competitive conditions and to bring the currency profile of Arcadis in line with shareholders' expectations.

**TRADE AND FINANCING TRANSACTIONS IN NON-FUNCTIONAL CURRENCIES**

The subsidiaries of Arcadis mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances however, invoices are in the functional currency of the counter party, which results in a currency exposure for the subsidiary. The exposure to currency risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the company enters into forward contracts in order to hedge transaction risks.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the euro and US dollar.

The Company has an exposure with respect to positions in the Consolidated balance sheet in foreign currencies which are different than respective functional currencies of the subsidiaries. For the main currencies the following positions per currency (translated in euros) were included in the Consolidated balance sheet.

In € thousands	in EUR	in US\$	in GBP	in CNY	in BRL	in AED
<b>AT 31 DECEMBER 2017</b>						
Trade receivables	9,887	32,355	976	-	5,962	1,957
Cash and cash equivalents	5,220	26,327	1,963	-	2,272	(1,494)
Derivatives	24,453	116,455	30,520	(21,997)	8,913	(39,971)
Loans and borrowings	(70,511)	(115,159)	(30,520)	22,331	(8,907)	38,539
Trade payables	(59,208)	(35,762)	(2,484)	-	(753)	-
<b>BALANCE EXPOSURE</b>	<b>(90,159)</b>	<b>(24,216)</b>	<b>455</b>	<b>334</b>	<b>7,487</b>	<b>(969)</b>
<b>AT 31 DECEMBER 2016</b>						
Trade receivables	8,518	14,423	385	5,270	-	-
Cash and cash equivalents	4,570	41,886	736	(15)	-	(509)
Derivatives	24,453	144,966	55,001	12,452	(13,225)	(58,047)
Loans and borrowings	(74,353)	(155,538)	(41,249)	(14,095)	20,437	41,810
Trade payables	(61,459)	(10,811)	(2,989)	(657)	-	-
<b>BALANCE EXPOSURE</b>	<b>(98,271)</b>	<b>34,926</b>	<b>11,884</b>	<b>2,955</b>	<b>7,212</b>	<b>(16,746)</b>

The below exchange rates were applied in the year.

In €	2017		2016	
	Average	Year-end	Average	Year-end
US Dollar (US\$)	0.89	0.83	0.90	0.95
Pound Sterling (GBP)	1.14	1.12	1.22	1.17
Chinese Yuan Renminbi (CNY)	0.13	0.12	0.14	0.14
Brazilian Real (BRL)	0.28	0.25	0.26	0.29
United Arab Emirates Dirham (AED)	0.24	0.23	0.25	0.26

Arcadis uses derivatives in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Company's treasury policy guidelines. The Company seeks to apply hedge accounting where possible to manage volatility in profit or loss. Most foreign exchange forward transactions outstanding at year-end are due to mature in 2017.



**SENSITIVITY ANALYSIS CURRENCY RISKS**

Foreign currency sensitivity analyses are performed by applying an expected possible volatility of a currency, assuming all other variables, in particular interest rates, remain constant. All monetary assets and liabilities of the Company at year-end are revalued, which results in a hypothetical impact on net income and equity as summarized below.

In € millions	2017		2016	
	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% change euro against the US dollar	2.9	42.4	1.8	41.8
10% change euro against the Pound Sterling	1.9	56.9	4.7	62.4
10% change euro against the Brazilian Real	1.7	5.4	1.6	6.5

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than the euro are not hedged by using financial instruments.

**(C2) INTEREST RATE RISKS**

The Company manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity, provisions and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank credits with variable interest rates. Based on our interest risk profile, financial instruments were used during the year to cover part of the interest rate risk on long-term financing. This risk is applicable to long-term debt, short-term debt and bank overdrafts in the Consolidated balance sheet amounting to €684.0 million at year-end 2017 (2016: €754.1 million).

Floating rate debt results in cash flow interest rate risk. In order to achieve a mix of fixed and floating rate exposure within the Company's policy, a number of interest rate swap (IRS) contracts and cross currency swap (CCIRS) contracts were entered into in 2015. These contracts, together with the fixed rate US private placement and Schuldschein issuances ensure the desired mix of fixed and floating debt.

The Company has €81.5 million of floating to fixed interest rate swaps with a fixed rate of approximately 0.5% and these will mature between 2020 and 2022.

The Company has €40.0 million of fixed to floating cross currency swaps to manage currency risk and interest rate risk in accordance with the Group Treasury Policy.

The Group Treasury Policy states that the fixed portion of the net debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. Arcadis has been compliant with the Group Treasury Policy during 2017.

**SENSITIVITY ANALYSIS INTEREST RATE RISK**

Interest rate sensitivity analyses are performed by applying an expected possible volatility of interest rates, assuming all other variables remain constant. All interest-bearing liabilities of the Company at year-end are revalued, which results in a hypothetical impact on the pre-tax profit for the year and equity as summarized below.

In € millions	2017		2016	
	Impact on pre-tax profit for the year	Impact on equity	Impact on pre-tax profit for the year	Impact on equity
ten basis-points change to interest rate	0.2	0.2	0.3	0.2

**CAPITAL RISK MANAGEMENT**

Arcadis' objectives when managing capital are to safeguard Arcadis' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimizes its cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be altered by adjusting the amount of dividends paid to shareholders, return capital-to-capital providers, or issue new debt or shares. From time to time, Arcadis purchases its own shares, which are used for transferring shares under the Arcadis' share option program.

Consistent with the debt covenants agreed with the banks, the Company monitors capital on the basis of the average net debt to EBITDA ratio. This ratio is calculated as interest-bearing debt minus cash and cash equivalents divided by EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

There were no changes in Arcadis' approach to capital management during the year. The Company and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

During 2017, Arcadis' strategic goal on financing, which was unchanged from 2016, was to maintain a net debt to EBITDA ratio not exceeding 2.0 in order to secure access to finance at a reasonable cost. As part of the strategy update in November 2017, the updated financing goal is to maintain a net debt to EBITDA ratio of between 1.0 - 2.0 times.

**BANK COVENANTS**

The net debt to EBITDA ratios were as follows:

In € millions	Note	2017	2016
Long-term loans and borrowings	27	474.4	700.4
Current portion of loans and borrowings	27	214.3	55.3
Bank overdrafts	22	1.8	0.9
<b>TOTAL DEBT</b>		<b>690.5</b>	<b>756.6</b>
Less: cash and cash equivalents	22	(267.9)	(260.0)
<b>NET DEBT</b>		<b>422.6</b>	<b>496.6</b>
Less: non-current portion deferred consideration	4	(6.5)	(2.5)
<b>NET DEBT ACCORDING TO DEBT COVENANTS</b>		<b>416.1</b>	<b>494.1</b>
<b>EBITDA ACCORDING TO DEBT COVENANTS<sup>1</sup></b>		<b>202.5</b>	<b>212.0</b>

<sup>1</sup> EBITDA adjusted for share-based compensation and acquisition effects, in accordance with debt covenants. Non-GAAP performance measure, to provide transparency on the underlying performance of our business

**RATIOS**

	2017	2016
<b>NET DEBT TO EBITDA<sup>1</sup> (AT YEAR-END NET DEBT)</b>	<b>2.1</b>	<b>2.3</b>
<b>NET DEBT TO EBITDA<sup>1</sup> RATIO ACCORDING TO DEBT COVENANTS (AT AVERAGE NET DEBT)</b>	<b>2.3</b>	<b>2.5</b>

<sup>1</sup> Non-GAAP performance measure, to provide transparency on the underlying performance of our business (reference is made to the Glossary Financial & Non-Financial indicators on pages 257 and 258 for the definition as used by Arcadis)

The ratios as disclosed above are calculated based on the definition as agreed with the financiers. The calculation of the average net debt to EBITDA ratio is based on the average net debt of Q2 and Q4.

**FAIR VALUE**

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Consolidated balance sheet, are as follows:

In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category			TOTAL	Fair value
			Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through Other comprehensive income		
<b>AT 31 DECEMBER 2017</b>							
Investments in associates	22,807	22,807					
Other investments	607	–	607			607	607
Other non-current assets	28,921	–	28,921	–	–	28,921	28,921
<b>(UN)BILLED RECEIVABLES:</b>							
Trade receivables	579,135	–	579,135	–	–	579,135	579,135
Work in progress (unbilled receivables)	486,352	–	486,352	–	–	486,352	486,352
Derivatives	9,980	–	–	9,196	784	9,980	9,980
Cash and cash equivalents	267,942	–	267,942	–	–	267,942	267,942
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,395,744</b>	<b>22,807</b>	<b>1,362,957</b>	<b>9,196</b>	<b>784</b>	<b>1,372,937</b>	<b>1,372,937</b>
<b>LOANS AND BORROWINGS:</b>							
Non-current	474,429	–	474,429	–	–	474,429	476,509
Current	173,186	–	173,186	–	–	173,186	173,088
Derivatives	6,552	–	–	5,347	1,205	6,552	6,552
Work in progress (billing in excess of cost)	284,198	–	284,198	–	–	284,198	284,198
Accounts payable	237,190	–	237,190	–	–	237,190	237,190
Bank overdrafts and short-term bank debts	42,885	–	42,885	–	–	42,885	42,885
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,218,440</b>	<b>–</b>	<b>1,211,888</b>	<b>5,347</b>	<b>1,205</b>	<b>1,218,440</b>	<b>1,219,520</b>

**FAIR VALUE HIERARCHY**

The financial instruments carried at fair value are analyzed by valuation method, using the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value within the Company are categorized in Level 2.



In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category			TOTAL	Fair value
			Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through Other comprehensive income		
<b>AT 31 DECEMBER 2016</b>							
Investments in associates	24,730	24,730					
Other investments	656	–	656			656	656
Other non-current assets	30,683	–	30,683	–	–	30,683	30,683
<b>(UN)BILLED RECEIVABLES:</b>							
Trade receivables	621,601	–	621,601	–	–	621,601	621,601
Work in progress (unbilled receivables)	518,491	–	518,491	–	–	518,491	518,491
Derivatives	6,156	–	–	5,653	503	6,156	6,156
Cash and cash equivalents	260,032	–	260,032	–	–	260,032	260,032
<b>TOTAL FINANCIAL ASSETS</b>	<b>1,462,349</b>	<b>24,730</b>	<b>1,431,463</b>	<b>5,653</b>	<b>503</b>	<b>1,437,619</b>	<b>1,437,619</b>
<b>LOANS AND BORROWINGS:</b>							
Non-current	700,464	–	700,464	–	–	700,464	700,271
Current	1,019	–	1,019	–	–	1,019	1,019
Derivatives	10,602	–	–	8,493	2,109	10,602	10,602
Work in progress (billing in excess of cost)	286,932	–	286,932	–	–	286,932	286,932
Accounts payable	252,667	–	252,667	–	–	252,667	252,667
Bank overdrafts and short-term bank debts	55,123	–	55,123	–	–	55,123	55,123
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>1,306,807</b>	<b>–</b>	<b>1,296,205</b>	<b>8,493</b>	<b>2,109</b>	<b>1,306,807</b>	<b>1,306,614</b>

The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date. These calculations are tested for reasonableness by comparing them with bank valuations.

For loans and receivables fair value is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the Company specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.



### 30 COMMITMENTS AND CONTINGENT LIABILITIES

Leases in which the Company does not assume substantially all the risks and rewards are classified as operating leases. For operating leases, lease payments (excluding costs for services such as insurance and maintenance, which are expenses as incurred) are recognized as an expense on a straight-line basis unless another systemic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Guarantees are accounted for as a contingent liability until such time it becomes probable that the Company will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not qualify for recognition as a provision (see note 26), unless it is assumed in a business combination (see note 4). Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

#### SUMMARY OF COMMITMENTS

In € thousands	Note	2017	2016
Less than 1 year		93,048	103,608
1 - 5 years		209,758	212,034
More than 5 years		30,104	37,036
<b>OPERATING LEASE CONTRACTS</b>		<b>332,910</b>	<b>352,678</b>
Bank guarantees	29	201,591	215,112
Other commitments		34,118	67,743
<b>TOTAL COMMITMENTS</b>		<b>568,619</b>	<b>635,533</b>

#### OPERATING LEASES

The Company's operating lease arrangements mainly relate to contracts for leased cars, buildings and IT assets. Car leases typically run for a period of three years, lease contracts for buildings in many instances run for a period between five to ten years, and the operating leases of IT assets run for a period of five years. Steps are being taken to reduce the length of contracts being renewed in order to generate some flexibility for the future and limit the burden of contingent liabilities. During the year ended 31 December 2017, €103 million was recognized as an expense in profit or loss with regard to operating leases (2016: €121 million).

### GUARANTEES

As a partner in a number of partnerships, the Company is liable for the contractual obligations these companies enter into. The potential risk pertaining to these obligations amounted to €197.4 million (2016: €156.2 million). Guarantees related to investments in associates are €84.0 million (2016: €69.9 million). At 31 December 2017, it is not probable that these will result in cash outflows.

Note there are instances where corporate guarantees have been issued to local banks in order to make bank guarantee facilities available to subsidiaries with improved pricing. Arcadis separately reports both the outstanding bank guarantees obligations and the related corporate guarantee obligations to maximize transparency. In practice the total amount of contingent liabilities is overstated by €58.7 million (2016: €59.3 million) as in the unlikely event of a claim under a bank guarantee obligation, Arcadis could only be liable for payment obligations under the bank guarantee or the corporate guarantee, but not both.

### OTHER COMMITMENTS

The other commitments include the service part of a long-term global IT outsourcing contract, which runs for a remaining period of five years.

### CONTINGENT LIABILITIES

#### LITIGATION

The Company is involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Management ensures that these cases are firmly defended. In some of these proceedings, claimants allegedly claim amounts for project contract breaches that are significant to the Consolidated financial statements.

All legal and regulatory claims and proceedings are assessed on a regular basis. In consultation with in-house and external legal counsels, management regularly evaluates facts and circumstances of those claims and, based on the analysis of possible outcomes of litigation and settlements, provisions are accrued for. Provisions are accrued for only where management believes it is probable that Arcadis will be held liable, the amount is reasonably estimable, and the claim has not been insured. These provisions are reviewed periodically and adjusted if necessary to the extent that cash outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies.

Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on the Company's balance sheet, profit or loss, and cash flows for a particular period.

#### TAX

The Company is exposed to varying degrees of uncertainty related to tax and regulatory reviews and audits. The Company accounts for its income taxes on the basis of its own internal analyses supported by external advice. The Company continually monitors its global tax position, and whenever uncertainties arise, the Company assesses the potential consequences and either accrues the liability or discloses a contingent liability, depending on the strength of the Company's position and the resulting risk of loss.

### 31 RELATED PARTY TRANSACTIONS

A related party is a person or an entity that is related to the Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

#### GENERAL

The related parties of the Company comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit Arcadis NV, Stichting Preferente Aandelen Arcadis NV, Stichting Pensioenfonds Arcadis Nederland (SPAN), the members of the Executive Board and the Supervisory Board.

In accordance with article 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Amsterdam.

#### TRANSACTIONS WITH SUBSIDIARIES

The financial transactions between the Company and its subsidiaries comprise operational project related transactions, financing transactions and other transactions in the normal course of business activities. Transactions within the Group are not included in these disclosures as these are eliminated in the Consolidated financial statements.

#### TRANSACTIONS WITH JOINT ARRANGEMENTS

The Group has entered into transactions on an arm's length basis through joint arrangements during the year 2017. Total revenues from joint arrangements amounted to €102.8 million (2016: €105.6 million).

#### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The members of the Executive Board and the Supervisory Board are considered key management personnel as defined in IAS 24. For details on their remuneration and interests held in the Company reference is made to notes 48, 49 and 50. During 2017 (and 2016), no transactions involving conflicts of interest for key management personnel occurred which were material to the Company. In addition, the Company has not granted any loans, advances or guarantees to key management personnel.



#### TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Main post-employment benefit plans are Stichting Pensioenfonds Arcadis Nederland (SPAN, pension fund) and the pension funds of EC Harris (ECH) and Hyder (AGPS). SPAN is an independent foundation which is responsible for the administration of the pension rights under the existing pension plan for Dutch employees. This pension plan is a collective defined contribution plan with a premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years. During 2017, the transactions between Arcadis and SPAN comprise of the transfer of pension premiums and cost charges, which amounted to €22.8 million (2016: €22.8 million). At year-end 2017, the amount due to SPAN was nil (2016: nil). In addition, the Company contributed €3.1 million (2016: €1.6 million) to the plan of EC Harris, €2.5 million to the plan of Hyder (2016: €2.9 million), and €4.1 million to other defined benefit plans (2016: €0.4 million), see note 25.

#### TRANSACTIONS WITH LOVINKLAAN FOUNDATION

Stichting Lovinklaan (Lovinklaan Foundation) is one of the main shareholders of Arcadis. The board of the Foundation consists of Arcadis employees. At year-end 2017, the Foundation had an interest of 18.2% in Arcadis NV (2016: 17.2%). The Foundation has an Employee Stock Purchase Plan, (ESPP) also called Global Share Plan (GSP, see note 8), in place which allows Arcadis employees to purchase Arcadis shares from the Foundation with a discount, which is funded by the Foundation. The Company has no involvement in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

In 2010, Arcadis and UN-Habitat launched a global partnership under the name Shelter, aimed at improving quality of life in rapidly growing cities around the world. Arcadis contributes with employees, expertise and skills to this initiative. The Lovinklaan Foundation supports the initiative. Actual contribution over 2017 amounted to €0.4 million (2016: €0.4 million).

Lovinklaan Foundation supports the Quest program and the Global Shapers program within Arcadis. The programs are initiatives to collect and exchange knowledge and expertise amongst Arcadis employees and to accelerate the implementation of strategic projects of Arcadis and as such, contributes to the Arcadis strategy of international collaboration and global business lines. In 2017, 127 employees (2016: 141) participated in the Quest program and 100 employees (2016: 105) participated in the Global Shapers program. Financial support amounted to €1.6 million (2016: €1.6 million). This includes a contribution for the Quest program of €0.3 million and Global Shapers €0.4 million. In addition, Arcadis received €0.3 million funding for the Satellite program as well as €0.1 million for the Roots of Arcadis pilot program (as from 2017) and €0.1 million for SuperQuest.

During 2017 and 2016, no other financial transactions apart from the above mentioned took place between the Foundation and the Company, except for the dividends on the shares.



Transactions with related parties in the financial year are disclosed in the table below:

In € millions	Transactions with associates		Transactions with joint arrangements		Transactions with post-employee benefit plans		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Sales (to)	11.0	13.9	102.8	105.6	-	-	1.0	0.9
Purchase (from)	2.0	0.4	1.2	1.9	-	-	0.1	-
Loans (to)	27.4	16.6	0.0	1.1	-	-	-	-
Receivables (from)	0.5	1.9	14.0	17.1	0.0	0.1	-	0.1
Payables (to)	0.2	0.7	1.0	2.0	-	2.5	-	-
Dividends received (from)	-	0.1	-	-	-	-	-	-
Provision for bad debts related to outstanding balances	-	-	0.8	0.8	-	-	-	-
Related expenses to these bad or doubtful debts	-	-	-	0.3	-	-	-	-
Transfer of pension premiums and cost changes	-	-	-	-	28.5	28.2	0.0	-
Contributions	-	-	-	-	-	-	1.8	2.4

**TRANSACTIONS WITH OTHER RELATED PARTIES**

In 2017, Arcadis NV contributed €60,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') (2016: €60,000) and €1,000 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2016: €1,000). See note 23 for further information on these Foundations.

**32 EVENTS AFTER THE BALANCE SHEET DATE**

A subsequent event is a favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue. Events after the reporting date that provide evidence of conditions that existed at the reporting date are adjusted within the financial statements. Events that are indicative of a condition that arose after the reporting date of a material size or nature are disclosed below.

The Company announced on 10 January 2018 the acquisition of SEAMS, a UK based software and analytics firm, to further grow its digital and data expertise. SEAMS was established in 2002 and employs 45 people. Arcadis, together with SEAMS, will be able to provide clients with a unique blend of technical and asset knowledge combined with advanced analytics. Due to the limited size of the acquisition, no further disclosures are provided in this note.

Furthermore, in 2017 we announced the decision to perform a strategic review of CallisonRTKL, our architecture and interior design business. This review is part of our effort to sharpen our strategic focus. While a final decision has not been made yet, the process is on track and a market consultation is in progress, allowing us to assess if a sale is viable.



# COMPANY BALANCE SHEET

as at 31 December - before allocation of profit

In € thousands	Note	2017	2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	37	41,143	30,573
Property, plant & equipment	38	682	785
Investments in subsidiaries	39	1,389,493	1,434,963
Loans issued to subsidiaries and other investments	40	210,433	223,110
Deferred tax assets	44	704	704
Derivatives		-	375
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,642,455</b>	<b>1,690,510</b>
<b>CURRENT ASSETS</b>			
Derivatives		5,328	8,813
Receivables	41	224,179	151,568
Corporate income tax receivable		-	-
Cash and cash equivalents		23,167	27,762
<b>TOTAL CURRENT ASSETS</b>		<b>252,674</b>	<b>188,143</b>
<b>TOTAL ASSETS</b>		<b>1,895,129</b>	<b>1,878,653</b>

In € thousands	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>TOTAL SHAREHOLDERS' EQUITY</b>	23, 42	<b>977,886</b>	<b>999,069</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	43	1,500	1,500
Deferred tax liabilities	44	393	393
Long-term debt	45	380,897	355,184
Derivatives		1,134	2,356
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>383,924</b>	<b>359,433</b>
<b>CURRENT LIABILITIES</b>			
Current portion of provisions	43	125	798
Derivatives		4,567	8,885
Bank overdrafts	46	1,805	865
Short-term borrowings	46	40,000	50,000
Corporate income tax payable		3,708	4,513
Trade and other liabilities	46	483,114	455,090
<b>TOTAL CURRENT LIABILITIES</b>		<b>533,319</b>	<b>520,151</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,895,129</b>	<b>1,878,653</b>

The notes on pages 222 to 232 are an integral part of these Company financial statements



# COMPANY INCOME STATEMENT

for the year ended 31 December

In € thousands	Note	2017	2016
Corporate charges to subsidiaries	34	79,411	92,116
<b>TOTAL CORPORATE INCOME</b>		<b>79,411</b>	<b>92,116</b>
Personnel costs	51	(31,274)	(40,898)
Other operational costs	35	(17,719)	(25,964)
Depreciation and amortization	37, 38	(2,201)	(3,045)
<b>TOTAL OPERATIONAL COSTS</b>		<b>(51,194)</b>	<b>(69,907)</b>
<b>OPERATING INCOME</b>		<b>28,217</b>	<b>22,209</b>
Finance income		12,630	18,524
Finance expenses		(5,827)	(30,972)
Fair value change of derivatives		(10,525)	4,540
<b>NET FINANCE EXPENSE</b>	36	<b>(3,722)</b>	<b>(7,908)</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>24,495</b>	<b>14,301</b>
Income taxes		1,077	(9,426)
Net income subsidiaries		45,232	59,279
<b>PROFIT FOR THE PERIOD</b>		<b>70,804</b>	<b>64,154</b>

The notes on pages 222 to 232 are an integral part of these Company financial statements



# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 33 GENERAL

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 of the Consolidated financial statements.

In the Company Financial Statements, subsidiaries of Arcadis NV are accounted for using the equity method. The presentation of the Balance sheet slightly deviates from the requirements of Dutch law (e.g. name conventions), in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

## 34 CORPORATE CHARGES TO SUBSIDIARIES

Corporate charges to subsidiaries include items such as headquarter support service fees, royalty fees, and license fees.

The decrease compared to 2016 is mainly due to 'true-ups' for previous years, which have been calculated and settled in 2017.

## 35 OTHER OPERATIONAL COSTS

In € thousands	2017	2016
Occupancy	1,570	1,222
Travel	1,593	2,479
Office related	303	184
Audit and consultancy services	5,596	10,339
Insurances	8,385	8,895
Marketing and advertising	554	1,496
Other	(282)	1,349
<b>TOTAL</b>	<b>17,719</b>	<b>25,964</b>

## 36 NET FINANCE EXPENSE

The net finance expense includes income and expenses relating to intercompany loans. Foreign exchange differences on financial liabilities are part of the finance expenses.

## 37 INTANGIBLE ASSETS

In € thousands	Software	Intangibles under development	TOTAL
Cost	9,810	19,037	28,847
Accumulated depreciation	(6,916)	-	(6,916)
<b>AT 1 JANUARY 2016</b>	<b>2,894</b>	<b>19,037</b>	<b>21,931</b>
Additions	4,519	7,044	11,563
Depreciation charges	(2,921)	-	(2,921)
<b>MOVEMENT 2016</b>	<b>1,598</b>	<b>7,044</b>	<b>8,642</b>
Cost	14,329	26,081	40,410
Accumulated depreciation	(9,837)	-	(9,837)
<b>AT 31 DECEMBER 2016</b>	<b>4,492</b>	<b>26,081</b>	<b>30,573</b>
Additions	-	12,667	12,667
Reclassification	12,439	(12,439)	-
Depreciation charges	(2,097)	-	(2,097)
<b>MOVEMENT 2017</b>	<b>10,342</b>	<b>228</b>	<b>10,570</b>
Cost	26,718	26,309	53,027
Accumulated depreciation	(11,884)	-	(11,884)
<b>AT 31 DECEMBER 2017</b>	<b>14,834</b>	<b>26,309</b>	<b>41,143</b>

The Intangibles under development of €26.3 million (2016: €26.1 million) are mainly related to the purchase of licenses and development of Software not yet in use.



## 38 PROPERTY, PLANT & EQUIPMENT

In € thousands	Furniture and fixtures
Cost	2,435
Accumulated depreciation	(1,526)
<b>AT 1 JANUARY 2016</b>	<b>909</b>
Additions	-
Disposals	-
Depreciation charges	(124)
<b>MOVEMENT 2016</b>	<b>(124)</b>
Cost	2,435
Accumulated depreciation	(1,650)
<b>AT 31 DECEMBER 2016</b>	<b>785</b>
Additions	1
Acquisitions of subsidiaries	-
Disposals	-
Depreciation charges	(104)
<b>MOVEMENT 2017</b>	<b>(103)</b>
Cost	2,436
Accumulated depreciation	(1,754)
<b>AT 31 DECEMBER 2017</b>	<b>682</b>

## 39 INVESTMENTS IN SUBSIDIARIES

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>1,434,963</b>	<b>463,200</b>
Share in income of subsidiaries	45,232	59,279
Dividends received	-	-
Purchase of controlling interest	-	-
Capital contributions	40,672	939,342
Capital repayments	(46,261)	-
Other changes	3,909	(12,256)
Exchange rate differences	(89,022)	(14,602)
<b>BALANCE AT 31 DECEMBER</b>	<b>1,389,493</b>	<b>1,434,963</b>

In 2016, Arcadis NV converted intercompany loans and current account balances of several subsidiaries into equity in order to reduce the administrative burden.

## 40 LOANS ISSUED TO SUBSIDIARIES AND OTHER INVESTMENTS

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>223,110</b>	<b>842,673</b>
Loans issued to subsidiaries	93,252	94,655
Redemptions	(88,620)	(671,457)
Investments	-	-
Exchange rate differences	(17,309)	(42,761)
<b>BALANCE AT 31 DECEMBER</b>	<b>210,433</b>	<b>223,110</b>

The redemptions in 2016 are due to conversion of intercompany loans into equity, also see the capital contributions in note 39.

## 41 RECEIVABLES

In € thousands	2017	2016
Receivables from subsidiaries and associates	211,809	147,018
Other receivables	12,370	4,550
<b>BALANCE AT 31 DECEMBER</b>	<b>224,179</b>	<b>151,568</b>

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

**42 SHAREHOLDERS' EQUITY**

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Statutory reserve	Retained earnings	Undistributed profits	TOTAL
<b>BALANCE AT 1 JANUARY 2016</b>	<b>1,678</b>	<b>372,603</b>	<b>(2,433)</b>	<b>42,073</b>	<b>45,653</b>	<b>449,656</b>	<b>98,740</b>	<b>1,007,970</b>
Net income	-	-	-	-	-	-	64,154	64,154
Exchange rate differences	-	-	-	(39,466)	-	(2,680)	-	(42,146)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	(852)	-	-	-	-	(852)
Re-measurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	(13,108)	-	(13,108)
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>(852)</b>	<b>(39,466)</b>	<b>-</b>	<b>(15,788)</b>	<b>-</b>	<b>(56,106)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>(852)</b>	<b>(39,466)</b>	<b>-</b>	<b>(15,788)</b>	<b>64,154</b>	<b>8,048</b>
<b>TRANSACTIONS WITH OWNERS OF THE COMPANY:</b>								
Dividends to shareholders	-	(30,514)	-	-	-	-	(21,673)	(52,187)
Addition to other (statutory) reserves	-	-	-	-	4,231	72,836	(77,067)	-
Issuance of shares	43	30,471	-	-	-	-	-	30,514
Share-based compensation, net of income taxes	-	-	-	-	-	17,553	-	17,553
Purchase of own shares	-	-	-	-	-	(14,951)	-	(14,951)
Share options exercised	-	-	-	-	-	2,122	-	2,122
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY</b>	<b>43</b>	<b>(43)</b>	<b>-</b>	<b>-</b>	<b>4,231</b>	<b>77,560</b>	<b>(98,740)</b>	<b>(16,949)</b>
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>1,721</b>	<b>372,560</b>	<b>(3,285)</b>	<b>2,607</b>	<b>49,884</b>	<b>511,428</b>	<b>64,154</b>	<b>999,069</b>
Net income	-	-	-	-	-	-	70,804	70,804
Exchange rate differences	-	-	-	(91,665)	-	-	-	(91,665)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	1,760	-	-	-	-	1,760
Re-measurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	5,101	-	5,101
Other changes	-	-	-	-	-	(2,098)	-	(2,098)
<b>OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>1,760</b>	<b>(91,665)</b>	<b>-</b>	<b>3,003</b>	<b>-</b>	<b>(86,902)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>1,760</b>	<b>(91,665)</b>	<b>-</b>	<b>3,003</b>	<b>70,804</b>	<b>(16,098)</b>
<b>TRANSACTIONS WITH OWNERS OF THE COMPANY:</b>								
Dividends to shareholders	-	(21,002)	-	-	-	-	(15,476)	(36,478)
Addition to (utilization of) other (statutory) reserves	-	-	-	-	(13,458)	62,136	(48,678)	-
Issuance of shares	27	20,975	-	-	-	-	-	21,002
Share-based compensation, net of income taxes	-	-	-	-	-	11,122	-	11,122
Purchase of own shares	-	-	-	-	-	(8,343)	-	(8,343)
Share options exercised	-	-	-	-	-	7,612	-	7,612
<b>TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY</b>	<b>27</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>(13,458)</b>	<b>72,527</b>	<b>(64,154)</b>	<b>(5,085)</b>
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>1,748</b>	<b>372,533</b>	<b>(1,525)</b>	<b>(89,058)</b>	<b>36,426</b>	<b>586,958</b>	<b>70,804</b>	<b>977,886</b>



The legal reserves include the hedging reserve, translation reserve and the statutory reserves and are non-distributable. The statutory reserves relate to earnings retained by subsidiaries, associates and joint ventures, as well as internally developed software (2016: €49.9 million). For information on shares purchased to cover the Company's option plans, see note 23 of the Consolidated financial statements.

**43 PROVISIONS**

In € thousands	2017	2016
<b>BALANCE AT 1 JANUARY</b>	<b>2,298</b>	<b>1,500</b>
Additions	125	798
Deductions because of use	(798)	-
Release of unused amounts	-	-
<b>BALANCE AT 31 DECEMBER</b>	<b>1,625</b>	<b>2,298</b>
Current	125	798
Non-current	1,500	1,500
<b>BALANCE AT 31 DECEMBER</b>	<b>1,625</b>	<b>2,298</b>

The provisions of Arcadis NV relate to claims and litigations for an amount of €1.5 million (2016: €1.5 million).

**44 DEFERRED TAX ASSETS AND LIABILITIES**

In € thousands	Deferred tax assets	Deferred tax liabilities	TOTAL
<b>BALANCE AT 1 JANUARY 2016</b>	<b>3,697</b>	<b>(393)</b>	<b>3,304</b>
Additions/deductions	(9,064)	-	(9,064)
Changes recognized directly in equity/OCI	6,071	-	6,071
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>704</b>	<b>(393)</b>	<b>311</b>
Additions/deductions	-	-	-
Changes recognized directly in equity/OCI	-	-	-
<b>BALANCE AT 31 DECEMBER 2017</b>	<b>704</b>	<b>(393)</b>	<b>311</b>

**45 LONG-TERM DEBT**

In € thousands	2017	2016
Loans from group companies	212,413	187,060
Loan notes issued to financial institutions	168,484	168,124
<b>BALANCE AT 31 DECEMBER</b>	<b>380,897</b>	<b>355,184</b>

In 2020, an amount of €80.0 million of the loan notes issued to financial institutions is due. The remaining amount of €88.5 million is due after 2020.

**46 CURRENT LIABILITIES**

In € thousands	2017	2016
Bank overdrafts	1,805	865
Short-term borrowings	40,000	50,000
Suppliers	9,996	3,819
Payables to group companies	462,181	439,056
Other liabilities	10,937	12,215
<b>BALANCE AT 31 DECEMBER</b>	<b>524,919</b>	<b>505,955</b>

The payables to group companies mainly relate to the internal cash pool. The short-term borrowings consist of €40.0 million drawn on the Revolving Credit Facility (RCF) (2016: €50.0 million). Refer to note 27 and 29 for further information on Arcadis' lines of credit.



**47 COMMITMENTS AND CONTINGENT LIABILITIES****COMMITMENTS AND CONTINGENT LIABILITIES**

As parent company of the fiscal unity in the Netherlands, the Company is severally liable for the corporate income tax and value added tax liabilities of the fiscal unity.

Ultimo 2017, the Company had commitments for rent and lease obligations amounting to €13.4 million (2016: €17.9 million). Additionally, the Company entered into long-term service commitments relating to the global IT outsourcing contract of €33.8 million (2016: €67.4 million).

**GUARANTEES & SHORT-TERM FACILITIES**

Arcadis NV has pledged a limited number of guarantees for the short-term credit and guarantee facilities that are available for use to its operating companies. The total amount available under these facilities is €173.6 million of which €34.5 million is used at the balance sheet date (2016: €153.6 million of which €42 million was used). In addition to this amount, Arcadis NV has corporate guarantees for an amount of €167.7 million available (2016: €121.7 million).

**48 REMUNERATION OF EB AND SB MEMBERS****REMUNERATION OF EXECUTIVE BOARD MEMBERS**

In 2017, an amount of €6.4 million (2016: €5.6 million) was charged to the Company for remuneration of the current and former Executive Board members, including pension charges and the LTIP expense.

As reflected in the 'Remuneration report', a number of 283,110 conditional performance shares were granted as variable remuneration (2016: 97,500). The number of shares repurchased to settle share awards granted to the Executive Board members and other key management personnel is disclosed in note 23 of the Consolidated financial statements.

In the schedule hereafter, the different components of the remuneration for each Executive Board member are provided. For an explanation of the Remuneration Policy, see the 'Remuneration Report' included in this Annual Integrated Report on pages 150 to 155.

**REMUNERATION OF EXECUTIVE BOARD MEMBERS**

On 27 October 2016, we announced that Neil McArthur, CEO since May 2012, would be leaving the Company by mutual agreement. The termination date of his contract was 1 February 2017, but in accordance with the termination agreement he was released from his statutory duties as per 27 October 2016.

For the period between 27 October 2016 and 26 April 2017, the interim CEO role was fulfilled by Renier Vree. On 26 April 2017, Peter Oosterveer was appointed to the Arcadis Executive Board with immediate effect. At the same time Mary Ann Hopkins, who joined Arcadis in September 2016, was also appointed to the Executive Board and is responsible for Arcadis' businesses in the Americas.

**OVERVIEW OF REMUNERATION OF EXECUTIVE BOARD MEMBERS IN 2017**

In € thousands	Salary <sup>1</sup>	Bonus <sup>2</sup>	Bonus in share value <sup>2</sup>	Pension compensation	Pension	LTIP expense <sup>3</sup>	Termination benefit	TOTAL 2017	Performance shares	
									Number	Value <sup>4</sup>
Peter Oosterveer	448	307	–	99	20	324	–	1,199	87,790	1,459
Renier Vree	535	305	–	83	25	531	–	1,480	57,440	955
Stephanie Hottenhuis	440	255	–	76	23	362	–	1,156	39,910	663
Stephan Ritter	440	301	–	64	23	362	–	1,190	39,910	663
Mary Ann Hopkins	598	424	–	60	–	288	–	1,370	58,060	965
<b>TOTAL CURRENT BOARD MEMBERS</b>	<b>2,461</b>	<b>1,592</b>	<b>–</b>	<b>382</b>	<b>91</b>	<b>1,867</b>	<b>–</b>	<b>6,395</b>	<b>283,110</b>	<b>4,705</b>

<sup>1</sup> Salary of Peter Oosterveer represents eight months of salary in 2017. Salary of Renier Vree includes four months temporary gross supplement of €15,000 per month for fulfilling the interim CEO role, as described further in this note

<sup>2</sup> The bonus is based on the results achieved in 2017, this bonus will be paid in 2018. In 2017, the bonus is fully settled in cash (see note 8)

<sup>3</sup> The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months.

<sup>4</sup> This amount is charged over a three-year period to the Company's Income statement. Figures in table are based on a fair value of €16.62 per share

**OVERVIEW OF REMUNERATION OF EXECUTIVE BOARD MEMBERS IN 2016**

In € thousands	Salary	Bonus <sup>1</sup>	Bonus in share value <sup>1</sup>	Pension compensation	Pension	LTIP expense <sup>2</sup>	Termination benefit	TOTAL 2016	Performance shares	
									Number	Value <sup>3</sup>
Renier Vree	480	60	15	78	24	433	–	1,090	26,000	144
Stephanie Hottenhuis	420	56	14	72	22	299	–	883	17,500	97
Stephan Ritter	420	56	14	60	21	285	–	856	17,500	97
<b>TOTAL CURRENT BOARD MEMBERS</b>	<b>1,320</b>	<b>172</b>	<b>43</b>	<b>210</b>	<b>67</b>	<b>1,017</b>	<b>–</b>	<b>2,829</b>	<b>61,000</b>	<b>338</b>
<b>FORMER BOARD MEMBER</b>										
Neil McArthur <sup>4</sup>	630	48	12	119	27	1,297	630	2,763	36,500	203
<b>TOTAL FORMER BOARD MEMBERS</b>	<b>630</b>	<b>48</b>	<b>12</b>	<b>119</b>	<b>27</b>	<b>1,297</b>	<b>630</b>	<b>2,763</b>	<b>36,500</b>	<b>203</b>
<b>TOTAL CURRENT AND FORMER BOARD MEMBERS</b>	<b>1,950</b>	<b>220</b>	<b>55</b>	<b>329</b>	<b>94</b>	<b>2,314</b>	<b>630</b>	<b>5,592</b>	<b>97,500</b>	<b>541</b>

<sup>1</sup> The bonus is based on the results achieved in 2016, this bonus will be paid in 2017. Part of the bonus has been remunerated in shares for 2016

<sup>2</sup> The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months

<sup>3</sup> This amount is charged over a three-year period to the Company's Income statement. Figures in table are based on a fair value of €5.55 per share, see note 8 (RSUs for management)

<sup>4</sup> Reference is made to disclosure above on changes in the Executive Board

The unvested LTIP awards of Neil McArthur outstanding as of 1 February 2017 will continue to vest at their regular vesting dates based on the actual relative Total Shareholders Return (TSR) performance, but this had no further impact on the LTIP charges recognized since the amortization charge was accelerated and fully taken in 2016.

From 27 October 2016 and until 26 April 2017 the interim CEO role was fulfilled by Renier Vree. During that period, he received a temporary gross supplement to his CFO salary of €15,000 per month, which was not included in the basis for calculation of any other remuneration element, such as annual bonus entitlement, pension compensation and/or any future severance payments (if any).

REMUNERATION OF SUPERVISORY BOARD MEMBERS

At year-end 2017, the Supervisory Board consisted of seven members (2016: seven).

The joint fixed remuneration for 2017 totaled €0.6 million (2016: €0.5 million), specified as follows:

In € thousands	2017	2016
Niek W. Hoek	105	88
Deanna Goodwin	81	50
Ruth Markland	79	73
Ian M. Grice	68	85
J.C. Maarten Schönfeld	73	69
Michiel Lap	67	68
Wee Gee Ang <sup>1</sup>	57	-
George R. Nethercutt <sup>2</sup>	29	72

<sup>1</sup> Resigned from the Supervisory Board on 26 April 2017

<sup>2</sup> Member of the Supervisory Board since 26 April 2017

49 INTERESTS HELD BY MEMBERS OF THE EB

The interests held in the share capital of Arcadis NV by members of the Executive Board were:

Number of shares Arcadis NV	31 DECEMBER 2017	31 DECEMBER 2016
Peter Oosterveer	-	-
Renier Vree	61,768	46,877
Stephanie Hottenhuis	24,970	19,806
Stephan Ritter	7,766	2,316
Mary Ann Hopkins	20,549	20,000

Number of conditional performance shares Arcadis NV <sup>1</sup>	2017	2016
Peter Oosterveer	87,790	-
Renier Vree	109,440	78,000
Stephanie Hottenhuis	74,910	52,500
Stephan Ritter	74,910	52,500
Mary Ann Hopkins	98,060	40,000

<sup>1</sup> Amounts based on granting of 100% of the reference numbers, with maximal extension to 200% (see note 8). For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 153 of this Annual Integrated Report

Arcadis aims to align with current best practices that show a reduced prevalence of option compensation. As from 2014, Arcadis has therefore shifted from a long-term variable remuneration based on options and shares to a long-term variable remuneration based on conditional performance shares only.



In 2017, the aggregate numbers of stock options (1) and Conditional performance shares (2) held by members of the Executive Board are as follows:

Stock options (1)	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2017	Increase/(decrease) by performance measure	Vested in 2017	Exercised in 2017	Expired in 2017	Outstanding at 31 December 2017	Expiration date
Renier Vree									
	2010	14.33	80,414	-	-	-	-	80,414	14-05-2020
	2011	16.18	16,660	-	-	-	-	16,660	19-05-2021
	2012	15.74	23,334	-	-	-	-	23,334	17-05-2022
	2013	20.96	20,000	-	-	-	-	20,000	09-05-2023
			<b>140,408</b>	-	-	-	-	<b>140,408</b>	
Stephanie Hottenhuis									
	2007	19.89	9,450	-	-	-	(9,450)	-	18-05-2017
	2008	13.03	5,000	-	-	-	-	5,000	09-05-2018
	2009	10.91	2,800	-	-	-	-	2,800	09-05-2019
	2010	14.33	6,535	-	-	-	-	6,535	14-05-2020
	2011	16.18	4,998	-	-	-	-	4,998	19-05-2021
	2012	15.74	23,334	-	-	-	-	23,334	17-05-2022
	2013	20.96	20,000	-	-	-	-	20,000	09-05-2023
			<b>72,117</b>	-	-	-	<b>(9,450)</b>	<b>62,667</b>	
Stephan Ritter									
	2013	20.96	20,000	-	-	-	-	20,000	09-05-2023
			<b>20,000</b>	-	-	-	-	<b>20,000</b>	
<b>TOTAL STOCK OPTIONS</b>			<b>232,525</b>	-	-	-	<b>(9,450)</b>	<b>223,075</b>	



Conditional performance shares (2)	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2017	Granted in 2017	Increase/(decrease) by performance measure	Vested in 2017	Outstanding at 31 December 2017	Vesting date
Peter Oosterveer		-						
	2017	15.91		87,790	-	-	87,790	ex-dividend date 2020
				<b>87,790</b>	-	-	<b>87,790</b>	
Renier Vree								
	2014	25.42	26,000	-	(13,000)	(13,000)	-	28-04-2017
	2015	24.83	26,000	-	-	-	26,000	26-04-2018
	2016	14.30	26,000	-	-	-	26,000	ex-dividend date 2019
	2017	15.91	-	57,440	-	-	57,440	ex-dividend date 2020
			<b>78,000</b>	<b>57,440</b>	<b>(13,000)</b>	<b>(13,000)</b>	<b>109,440</b>	
Stephanie Hottenhuis								
	2014	25.42	17,500	-	(8,750)	(8,750)	-	28-04-2017
	2015	24.83	17,500	-	-	-	17,500	26-04-2018
	2016	14.30	17,500	-	-	-	17,500	ex-dividend date 2019
	2017	15.91	-	39,910	-	-	39,910	ex-dividend date 2020
			<b>52,500</b>	<b>39,910</b>	<b>(8,750)</b>	<b>(8,750)</b>	<b>74,910</b>	
Stephan Ritter								
	2014	25.42	17,500	-	(8,750)	(8,750)	-	28-04-2017
	2015	24.83	17,500	-	-	-	17,500	26-04-2018
	2016	14.30	17,500	-	-	-	17,500	ex-dividend date 2019
	2017	15.91	-	39,910	-	-	39,910	ex-dividend date 2020
			<b>52,500</b>	<b>39,910</b>	<b>(8,750)</b>	<b>(8,750)</b>	<b>74,910</b>	
Mary Ann Hopkins								
	2016	14.30	40,000	-	-	-	40,000	ex-dividend date 2019
	2017	15.91	-	58,060	-	-	58,060	ex-dividend date 2020
			<b>40,000</b>	<b>58,060</b>	-	-	<b>98,060</b>	
<b>TOTAL CONDITIONAL PERFORMANCE SHARES</b>			<b>223,000</b>	<b>283,110</b>	<b>(30,500)</b>	<b>(30,500)</b>	<b>445,110</b>	



## 50 SHARES AND OPTIONS HELD BY MEMBERS OF THE SB

Members of the Supervisory Board hold no Arcadis shares and/or options.

## 51 EMPLOYEES

At 31 December 2017, Arcadis NV had 132 full-time employees (2016: 123).

For information on the RSUs and options granted to employees of Arcadis NV - excluding members of the Executive Board - as meant by article 2:383d paragraph 1 of the Dutch Civil Code, see note 8 to the Consolidated financial statements.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2017	2016
Salaries and wages	13,098	19,091
Social charges	1,208	999
Pension and early retirement charges	779	1,258
Other personnel costs (including temporary labor)	16,189	19,550
<b>TOTAL PERSONNEL COSTS</b>	<b>31,274</b>	<b>40,898</b>

## 52 EXTERNAL AUDITOR FEES AND SERVICES

In accordance with article 2:382a of the Dutch Civil Code the following table details the aggregate fees billed by our external auditor, PricewaterhouseCoopers Accountants NV, including the foreign offices of PricewaterhouseCoopers of the last two fiscal years for various services:

Type of services provided (in € millions)	2017	2016
Audit fees	3.5	3.6
Audit-related fees	0.4	0.1
Tax fees	-	-
Other non-audit fees	-	-
<b>TOTAL</b>	<b>3.9</b>	<b>3.7</b>

Audit-related fees consist of fees for services that are traditionally performed by the external auditors. Tax fees consist of fees expensed for tax services. Besides the statutory audit of Arcadis NV, PwC Netherlands was engaged by the Supervisory Board to perform specific agreed upon procedures.

Amsterdam, the Netherlands, 14 February 2018

### Executive Board

Peter Oosterveer  
Renier Vree  
Stephanie Hottenhuis  
Stephan Ritter  
Mary Ann Hopkins

### Supervisory Board

Niek Hoek  
Maarten Schönfeld  
Ruth Markland  
Ian Grice  
Michiel Lap  
Deanna Goodwin  
Wee Gee Ang



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## OTHER INFORMATION

### PROFIT ALLOCATION

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board, with the approval of the Supervisory Board, shall annually decide which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting of Shareholders.

Profit attributable to the equity holders of the Company over the fiscal year 2017 amounts to €70.8 million. The Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €30.4 million to the retained earnings and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €40.4 million from the profits of the fiscal year 2017, which represents a dividend of €0.47 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

### AUDIT AND RISK COMMITTEE POLICIES AND PROCEDURES

The Audit and Risk Committee has adopted a charter that details the duties and responsibilities of the Audit and Risk Committee. These duties and responsibilities include, amongst other things, reviewing and overseeing the financial and operational information provided by Arcadis to its shareholders and others, systems of internal controls, financial risk management, accounting and financial reporting processes, the independence, qualifications and performance of the external auditor of Arcadis and the performance of the internal audit function.

### SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by Stichting Prioriteit Arcadis NV. The Board of the Stichting Prioriteit Arcadis NV consists of twenty board members (with no vacancies at 31 December 2017): seven members of Arcadis' Supervisory Board, three members of Arcadis' Executive Board, and ten members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of Arcadis). Each board member has one vote whereby in the event of a vacancy, the number of votes that can be exercised by the Executive Board members together with the Supervisory Board members shall equal the number of votes that can be exercised by the employee members. Stichting Prioriteit Arcadis NV has special statutory rights, which includes approval of the amendment of the Articles of Association of Arcadis NV, and certain other topics, which have been described in note 23 of the Consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

To: the General Meeting and Supervisory Board of Arcadis NV

## REPORT ON THE FINANCIAL STATEMENTS 2017

### OUR OPINION

In our opinion:

- Arcadis NVs Consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and
- Arcadis NVs Company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### WHAT WE HAVE AUDITED

We have audited the accompanying financial statements 2017 of Arcadis NV, Amsterdam (the Company). The financial statements include the Consolidated financial statements of Arcadis NV and its subsidiaries (together: 'the Group') and the Company financial statements.

The Consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income and changes in equity and the consolidated cash flow statement; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

### THE BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE

We are independent of Arcadis NV in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firm's supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).



## OUR AUDIT APPROACH OVERVIEW AND CONTEXT

Arcadis NV is a global design & consultancy firm for natural and built assets. The group comprises of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgements; for example, in respect of project revenue recognition and valuation of (un)billed receivables, valuation of goodwill and valuation of the corporate guarantees in relation to associate Arcadis Logos Energia (ALEN) which all involve making assumptions and considering future events that are inherently uncertain. In note 2 of the financial statements the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of these matters, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified management override of controls as key audit matter given the global presence of the Company and the significant performance-based bonus schemes which the Company has in place at certain components.

Other areas of focus, that were not considered to be key audit matters were the continued roll-out of the Arcadis Way, which mainly relates to migration to the central Oracle ERP system for several components and the impact assessment of the new accounting standards IFRS 9 and 15 (which has been disclosed in note 2 of the financial statements).

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the global design & consultancy industry. We therefore included specialists in the areas of IT audit, valuations, treasury, tax and, remuneration in our team.

The outline of our audit approach was as follows:



### Materiality

- Overall materiality: €4.7 million, which represents approximately 5% of the profit before tax.

### Audit scope

- We conducted audit work on thirteen components spread over the group.
- Site visits were conducted by the group engagement team to locations in the Netherlands, United States, United Kingdom and Middle East.
- Audit coverage: 78% of consolidated revenue, 81% of consolidated total assets and 90% of consolidated profit before tax.

### Key audit matters

- Project revenue recognition and valuation of (un)billed receivables;
- Valuation of goodwill;
- Valuation of the ALEN corporate guarantees; and
- Management override of controls.

### MATERIALITY

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€4.7 million (2016: €5.7 million)
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 5% of profit before tax.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the company. We changed our benchmark in comparison with prior year. For the audit of 2016, we applied a different benchmark since we considered the 2016 profit before tax not representative due to one off items.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.4 and €4.7 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €245,000 (2016: €250,000) and reclassifications above €1 million (2016: €1 million) as well as misstatements below that amount that, in our view, would warrant reporting for qualitative reasons.

#### THE SCOPE OF OUR GROUP AUDIT

Arcadis NV is the parent company of a group of entities. The financial information of this group is included in the Consolidated financial statements of Arcadis NV.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components of Arcadis NV which include group entities in the Netherlands, United States, Middle East, United Kingdom, Hong Kong, China and Brazil.

Six components were subjected to audits of their complete financial information as those components are individually financially significant to the group or we assessed them as higher risk. One component was subjected to specific risk-focussed audit procedures as it includes higher risk areas as its operating environment is the Middle East which is a territory with higher uncertainties in particular with respect to the valuation of the (un) billed receivables. Additionally, six components were selected for audit procedures to achieve appropriate coverage on financial line items in the Consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	78%
Total assets	81%
Profit before tax	90%

None of the remaining components represented more than 4.5% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the Arcadis NV component, the group engagement team performed the audit work. For the other components we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated financial statements as a whole.



The group engagement team visits the component teams on a rotational basis. In the current year the group audit team visited local management and the component auditors in the Netherlands, the United Kingdom, the United States and the Middle East. For all components in scope of our group audit, we held multiple conference calls throughout the audit to share knowledge, instruct the teams, discuss the audit approach and evaluate the audit findings. We reviewed working papers of the component teams we visited.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include, goodwill impairment testing, accounting for derivative financial instruments and share based payments.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Due to the nature of the Group's activities, we recognise that certain key audit matters which we reported in our independent auditor's report on the financial statements 2016 are continuing to be significant in the audit of the financial statements and therefore may not change significantly year over year. As compared to prior year, we have identified one new key audit matter, being the valuation of the ALEN corporate guarantees and we have removed the key audit matter related to valuation of litigations and claims, which was specific last year as a result of the acquisition accounting of Hyder.



**KEY AUDIT MATTER****Project revenue recognition and valuation of (un)billed receivables**

Refer to notes 18 and 19 of the financial statements

We consider this a key audit matter since project revenue recognition and the valuation of (un)billed receivables are significant to the financial statements based on the quantitative materiality and because of the degree of management judgement required for revenue recognition and valuation of (un)billed receivables. The complexity and judgement are mainly related to estimation of the cost to complete of the projects, expected revenues and the related percentage of completion which the company applies for recognizing revenues as well as assessing provisions for projects and loss-making contracts.

**Valuation of goodwill**

Refer to note 12 of the financial statements

We focused on this area due to the size of the goodwill balance (€930 million as at 31 December 2017) and because the Executive Board's assessment of the 'value in use' of the group's eight Cash Generating Units (CGUs) is subject to estimation uncertainty and involves significant judgement about the future revenue growth, operating EBITA margin, and the discount rates applied to future cash flow forecast.

The key assumptions are disclosed in note 12 to the Consolidated financial statements. We especially focused our audit effort on those CGUs which have shown impairments or limited headroom in 2016, being Latin America, North America and Middle East.

**HOW OUR AUDIT ADDRESSED THE MATTER**

We tested the design and operating effectiveness of manual and IT controls in relation to the project management and accounting. These included controls in the policies and procedures with respect to the determination of the percentage of completion, estimates to complete for both revenue and costs and provisions for loss making projects or (un)billed receivables. We found that the controls were appropriately designed and operating to support our intended reliance relevant to performing further audit procedures.

Substantive audit procedures have been performed on individually significant projects as well as high risk projects. This included testing the estimated cost to complete by obtaining supporting evidence. Furthermore, for a sample of projects, we agreed the recorded fees including overruns and scope changes with the supporting (client) documentation (i.e. contracts).

We also challenged the assumptions and estimates applied by management and substantiated transactions with underlying documents like contracts, variation/change orders, correspondence on claims & disputes, legal opinions and agreements with subcontractors. In addition, we discussed the progress of these projects with the respective project managers and management of the operating companies. Given the above average ageing and magnitude of the (un)billed receivables in the Middle East region, specific attention has been given to the collection and valuation of those receivables. Our procedures did not result in any material findings.

The company's disclosures concerning the (un)billed receivables and the related risks such as credit risk and the ageing of billed receivables in note 29 to the Consolidated financial statements have been also assessed and are considered adequate.

Our audit procedures included, amongst others, an assessment of the Cash Generating Unit determination to which the goodwill is allocated, testing mathematical accuracy of the goodwill impairment model and a reconciliation to the five-year forecasts and long term strategic plans that were approved by senior management. We compared the current year actual results included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. Our valuation experts supported us in the evaluation of the discount rate as well as other assumptions and methodologies used.

We have challenged the assumptions applied by management, especially in the areas where the outcome of the impairment test (per CGU) is sensitive. This was done by, amongst others, comparing the assumptions to the historic performance of the company, local economic developments, development of the book-to-bill ratio, contract backlog and industry outlook, taking into account the sensitivity of the recoverable amount to changes in the respective assumptions. Based on our procedures, we consider managements key assumptions to be within a reasonable range of our own expectations.

**KEY AUDIT MATTER****Valuation of corporate guarantees in relation to associate ALEN**

Refer to note 14 of the financial statements

Arcadis Logos Energia (ALEN) is a 49.99% owned Brazilian associate in the Arcadis group. The company's activities are related to developing gas-to-gas and gas-to-power energy plants through its equity investments. These plants are still under construction or in a start-up phase, and do not yet generate sufficient cash flows to cover its losses.

During 2017, the company has reassessed its business case for ALEN and decided to continue investing in the energy assets through this associate. Management expects the assets to generate positive cash flows in the near future and it is management's intention to divest its stake in these businesses once the plants are in operation.

ALEN's investments in the assets are for a significant part financed by bank loans. Arcadis NV has issued corporate guarantees in the amount of €84 million (2016: € 70 million) to cover ALEN's loans with the local banks. Significant judgement is applied in the company's assessment if ALEN will be able to recover its investments and comply to its obligations to the banks, and whether in this context Arcadis should reflect any potential non-compliance in its valuation of the corporate guarantees. The corporate guarantees have been disclosed in note 14 to the financial statements.

**Management override of controls**

Arcadis NV is a global company which operates in multiple jurisdictions and is subject to the risk of management override of controls. This is a key audit matter for us as the company has significant operations in countries with an above average risk profile according to the international corruption perception index and considering the significant performance-based bonus schemes which the company has in place at certain components.

In order to address and manage this risk, the Company has established a soft controls framework (Arcadis General Business Principles - AGBP) and a comprehensive governance structure as detailed in section 'Governance & Compliance' of the Annual Integrated Report.

**HOW OUR AUDIT ADDRESSED THE MATTER**

Our audit procedures included, amongst others, an assessment of Arcadis' business plans and valuation of the ALEN investments, which should be the basis for future cash generation and repayment of debts by ALEN. We also received a third-party assessment of the business plan and related valuation of the ALEN business to challenge the analysis prepared by management.

We discussed the business plans and the third-party assessment with management and challenged the main assumptions of the business case with support from our component team in Brazil. These assumptions include, amongst others, the level of investments required to complete the assets, the market potential of the businesses (including distribution agreements and customer contracts) and the future extension of related concessions. Furthermore, our valuation experts assisted us in evaluating the applied valuation methodology.

We also inspected ALEN's loan agreements for specific bank covenants and assessed compliance of these covenants by ALEN as potential non-compliance could impact the valuation of the corporate guarantees in the financial statements.

Based on our procedures we consider management's assumptions underlying ALEN's business case and related valuation of the corporate guarantees to be reasonable.

In our audit, we performed audit procedures which allow us to rely, to the extent possible, on management's governance structure. We also perform audit procedures designed to address the risk of management override of controls, both at group level as well as at component level.

The aforementioned procedures included, amongst others, an assessment of the corporate tone-at-the top, compliance with the company policies and AGBP principles, review of internal audit reports, budget to actual analysis, consideration of the various bonus schemes, assessment of internal control deficiencies, follow-up on whistle-blower allegations, business ethics, compliance with laws and regulations specific for the industry such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010, revenue recognition and cost cut off procedures, as well as examination and inspection of journal entries. The latter focused on higher risk area's such as manual journal entries and journal entries made by unexpected users.

Furthermore, our component audit teams reported on specific procedures they performed to specifically address the risk of bribery and corruption by, amongst others, verifying whether commission payments and related party transactions were at arm's length.

### REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL INTEGRATED REPORT

In addition to the financial statements and our auditor's report thereon, the Annual Integrated Report contains other information that consists of:

- Introduction and Executive Board Report;
- the Report by the Supervisory board; and
- the Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OUR APPOINTMENT

We were appointed as auditors of Arcadis NV on 13 May 2015 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 13 May 2015 and the appointment has been renewed annually by the shareholders, representing a total period of uninterrupted engagement appointment of 2 years.

#### NO PROHIBITED NON-AUDIT SERVICES

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

#### SERVICES RENDERED

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 52 to the financial statements.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The Executive Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.



### OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 14 February 2018

#### PricewaterhouseCoopers Accountants NV

Original signed by J.E.M. Brinkman RA

### APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2017 OF ARCADIS NV

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

#### THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Considering our ultimate responsibility for the opinion on the company's Consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.




# ASSURANCE REPORT OF THE INDEPENDENT AUDITOR


To: the Executive Board of Arcadis NV

## ASSURANCE REPORT ON SELECTED FINANCIAL AND NON-FINANCIAL INDICATORS IN THE 2017 ANNUAL INTEGRATED REPORT

### OUR CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the indicators marked with symbol  of Arcadis NV are not prepared in all material respects, in accordance with Arcadis NVs reporting criteria.

### WHAT WE HAVE REVIEWED

The object of our assurance engagement concerns selected financial and non-financial indicators marked with symbol  included in section '2017 at a glance' of the Annual Integrated Report 2017 of Arcadis NV (hereafter: the indicators).

1. Number of employees (headcount as at 31 December)
2. Voluntary turnover rate (as % of total staff)
3. Females in total workforce (as % of total staff)
4. Employee engagement score (on a scale of 0-4)
5. Total recordable case frequency (per 200,000 work hours)
6. Arcadis Way implementation progress (as % of net revenues)
7. Revenue growth key clients (net revenues)
8. Organic revenue growth (net revenues)
9. Gross revenues (in € millions)
10. Net income from operations per share (in €)
11. Dividend per share (proposed, in €)
12. Net Income from Operations (NIfo, in € millions)
13. Operating EBITA margin (as % of net revenues)
14. Net working capital (as % of gross revenues)
15. Days sales outstanding (DSO)
16. Return On Invested Capital (ROIC)
17. Net debt to EBITDA ratio (average)
18. Free cash flow (in € millions)

We have reviewed these indicators in the accompanying 2017 Annual Integrated Report of Arcadis NV, Amsterdam for 2017. All other information in the 2017 Annual Integrated Report is not in scope of this engagement. Therefore, we do not report or conclude on this other information.

### THE BASIS FOR OUR CONCLUSION

We conducted our assurance engagement, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements)' ('Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'). This assurance engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### INDEPENDENCE AND QUALITY CONTROL

We are independent of Arcadis NV in accordance with the 'Code of Ethics for Professional Accountants, a regulation with respect to independence' ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct' ('Verordening gedrags- en beroepsregels accountants' - VGBA).

We apply the 'detailed rules for auditing firms on assurance engagements (RA)' ('Nadere voorschriften accountantskantoren ter zake van assurance-opdrachten (RA)') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and other applicable legal and regulatory requirements.

**CRITERIA FOR OUR ASSURANCE ENGAGEMENT**

Arcadis NV developed its reporting criteria, which are disclosed together with the detailed information on the reporting scope and reporting process and methods in section 'Glossary financial & non-financial indicators'. We consider the reporting criteria to be relevant and appropriate for our review.

**RESPONSIBILITIES FOR THE INDICATORS AND THE ASSURANCE ENGAGEMENT RESPONSIBILITIES OF THE EXECUTIVE BOARD FOR THE INDICATORS**

The Executive Board of Arcadis NV is responsible for the preparation of the indicators in accordance with Arcadis NVs reporting criteria, including the identification of the intended users and the criteria being applicable for the purposes of the intended users.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the indicators that are free from material misstatement, whether due to fraud or error.

**OUR RESPONSIBILITIES FOR THE ASSURANCE ENGAGEMENT**

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed by obtaining a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those performed in obtaining reasonable assurance in an assurance engagement. The assurance obtained in assurance engagements aimed at providing limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at providing reasonable assurance.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the indicators. The materiality affects the nature, timing, and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

**PROCEDURES PERFORMED**

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures include:

- understanding the systems and processes for data gathering, internal controls, and processing of other information, such as the aggregation process of data to the information as presented in the indicators;
- interviews with relevant staff responsible for providing the information for the indicators, and responsible for carrying out internal control procedures on the indicators and the consolidation of the indicators;
- reviewing relevant information and internal and external documentation in order to assess the reliability of the indicators;
- performing analytical review of the data and trends of the indicators;
- reviewing internal and external documentation to determine whether the indicators, including the disclosure, presentation and assertions made in the 2017 Annual Integrated Report, are substantiated adequately;
- assessing the consistency of the indicators and the information in the 2017 Annual Integrated Report, not in scope for this assurance report;
- assessing if the indicators have been presented in accordance with the Arcadis NVs reporting criteria.

Amsterdam, 14 February 2018

**PricewaterhouseCoopers Accountants NV**

Original has been signed by J.E.M. Brinkman RA

**OTHER FINANCIAL DATA****QUARTERLY FINANCIAL DATA**

In € millions unless otherwise stated	2017				2016			
	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
<b>GROSS REVENUES</b>								
In the quarter	818	830	766	805	846	832	797	854
Cumulative	818	1,648	2,414	3,219	846	1,678	2,475	3,329
In the quarter	25%	26%	24%	25%	25%	25%	24%	26%
Cumulative	25%	51%	75%	100%	25%	50%	74%	100%
<b>NET REVENUES</b>								
In the quarter	628	628	585	595	634	630	596	608
Cumulative	628	1,256	1,841	2,437	634	1,264	1,860	2,468
In the quarter	26%	26%	24%	24%	26%	26%	24%	24%
Cumulative	26%	52%	76%	100%	26%	52%	76%	100%
<b>EBITA</b>								
In the quarter	42.2	38.2	40.0	40.5	46.6	41.4	38.6	39.7
Cumulative	42.2	80.4	120.4	160.9	46.6	88.0	126.6	166.3
In the quarter	26%	24%	25%	25%	28%	25%	23%	24%
Cumulative	26%	50%	75%	100%	28%	53%	76%	100%
<b>OPERATING EBITA<sup>1</sup></b>								
In the quarter	46.7	43.8	45.1	50.8	51.4	46.2	43.3	34.6
Cumulative	46.7	90.5	135.6	186.4	51.4	97.6	140.9	175.5
In the quarter	25%	23%	24%	27%	29%	26%	25%	20%
Cumulative	25%	49%	73%	100%	29%	55%	80%	100%

<sup>1</sup> Excluding acquisition, restructuring and integration-related costs



# FIVE-YEAR SUMMARY

## PEOPLE & CULTURE

	2017	2016	2015	2014	2013
<b>EMPLOYEE ENGAGEMENT</b>					
Total number of employees at 31 December	27,327	27,080	26,947	28,139	21,943
Average total number of employees	27,208	27,178	27,622	22,964	21,880
Total number of FTEs in GECs at 31 December	2,593	2,019	1,298	1,017	-
Total Number of FTEs at 31 December (incl. GECs)	25,909	25,594	25,630	26,956	20,934
Employee engagement score (scale 0-4)	3.03	-	3.07	3.07	-

## TALENT MANAGEMENT & LEARNINGS AND DEVELOPMENT

Voluntary turnover rate (in %)	14.6%	15.0%	15.0%	12.5%	11.7%
Identified leadership potential rate (retention %)	94%	90%	72%	-	-

## DIVERSITY AND INCLUSION

Females in total workforce at 31 December (in %)	37%	36%	35%	35%	36%
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## HEALTH AND SAFETY

Total Recordable Case Frequency (TRCF)	0.26	0.26	0.29	0.33	0.34
Lost Time Case Frequency (LTCF)	0.11	0.10	0.13	0.15	0.16

## BUSINESS ETHICS

Employees passing Code of Conduct (AGBP) training (%)	97%	94%	92%	94%	98%
Number of AGBP alleged breaches	75	99	105	58	37
AGBP alleged breaches investigated (%)	100%	100%	100%	100%	100%

## PRIVACY (AND PERSONAL DATA PROTECTION)

Number of appointed privacy officers under the Privacy Codes	10	-	-	-	-
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## RISK MANAGEMENT FRAMEWORK

Number of internal audits conducted in the year	24	32	35	23	n/a
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## INNOVATION & GROWTH

	2017	2016	2015	2014	2013
<b>ORGANIC REVENUE GROWTH</b>					
Organic net revenues growth	1%	-4%	0%	1%	2%
Book-to-bill ratio	1.02	0.94	0.93	1.02	1.02
Revenue growth Key Clients	17%	6%	9%	6%	11%
Revenue growth Big Urban Clients	6%	14%	10%	n/a	n/a

## INNOVATION AND DIGITIZATION

Arcadis Way implementation progress (in %)	31%	3%	-	-	-
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## ENERGY AND EMISSIONS - CARBON FOOTPRINT PER FTE (IN METRIC TONS OF CARBON DIOXIDE EQUIVALENTS)

Auto transport	1.21	1.29	1.25	1.32	1.31
Air transport	0.83	0.90	0.88	0.98	0.95
Public transport	0.19	0.18	0.17	0.16	0.16
Office energy use	1.11	1.13	1.26	1.42	1.39
Total carbon footprint	3.34	3.50	3.56	3.88	3.81

## ENVIRONMENTAL NON-COMPLIANCE

# of identified non-environmental compliances	0	0	0	0	0
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As some of the above KPIs are newly defined, some previous years comparatives are not available (n/a)



## FOCUS & PERFORMANCE

In € millions unless otherwise stated

	2017	2016	2015	2014	2013
<b>DIRECT ECONOMIC VALUE GENERATED</b>					
Gross revenues	3,219	3,329	3,419	2,635	2,516
Net revenues	2,437	2,468	2,597	2,016	1,893

## DIRECT ECONOMIC VALUE DISTRIBUTED

Earnings per share (EPS, in euro)	0.82	0.76	1.19	1.23	1.34
Dividend per share (DPS, in euro)	0.47	0.43	0.63	0.60	0.57

## PROFIT & LOSS PERFORMANCE

Operating EBITA	186.4	175.5	250.3	202.9	188.4
Operating EBITA margin (in %)	7.6%	7.1%	9.6%	10.1%	10.0%
EBITDA	200.5	207.4	247.4	206.7	202.3
Net income from operations	101.0	90.9	137.2	123.6	110.3

## BALANCE SHEET PERFORMANCE

Net working capital (in %)	16.9%	17.5%	17.1%	17.4%	15.7%
Days Sales Outstanding (DSO)	88	91	84	83	75
Return on invested capital (ROIC)	7.3%	6.8%	9.3%	13.7%	13.3%
Period-end net debt to EBITDA ratio	2.1	2.3	1.9	2.0	1.0
Average net debt to EBITDA ratio	2.3	2.5	2.2	1.5	1.4

## CASH FLOW PERFORMANCE

Free cash flow	97.7	80.0	120.6	103.4	110.7
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As some of the above KPIs are newly defined, some previous years comparatives are not available (n/a)

# SEGMENT INFORMATION

Amounts in € millions

	2017	2016
<b>GROSS REVENUES</b>		
Europe & Middle East	1,337	1,398
Americas	1,175	1,227
Asia Pacific	387	378
CallisonRTKL	320	326
<b>TOTAL</b>	<b>3,219</b>	<b>3,329</b>

## NET REVENUES

Europe & Middle East	1,113	1,117
Americas	751	769
Asia Pacific	344	338
CallisonRTKL	229	244
<b>TOTAL</b>	<b>2,437</b>	<b>2,468</b>

## EBITA

Europe & Middle East	74.0	67.0
Americas	36.0	26.3
Asia Pacific	30.1	30.7
CallisonRTKL	20.8	22.9
Unallocated <sup>1</sup>	-	19.4
<b>TOTAL EBITA</b>	<b>160.9</b>	<b>166.3</b>
Non-recurring <sup>2</sup>	25.5	9.2
<b>TOTAL OPERATING EBITA</b>	<b>186.4</b>	<b>175.5</b>

## OPERATING EBITA<sup>3</sup>

Europe & Middle East	84.3	83.9
Americas	47.5	36.1
Asia Pacific	30.7	31.3
CallisonRTKL	23.9	24.3
<b>TOTAL OPERATING EBITA</b>	<b>186.4</b>	<b>175.5</b>

<sup>1</sup> Net changes in acquisition-related litigation provisions

<sup>2</sup> Acquisition, restructuring, integration-related costs and changes in acquisition-related litigation provisions

<sup>3</sup> Operating EBITA is EBITA adjusted for non-recurring costs

Amounts in %

	2017	2016
<b>SEGMENT MIX (GROSS REVENUES)</b>		
Europe & Middle East	42	42
Americas	37	37
Asia Pacific	12	11
CallisonRTKL	10	10
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## SEGMENT MIX (NET REVENUES)

Europe & Middle East	46	45
Americas	31	31
Asia Pacific	14	14
CallisonRTKL	9	10
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## EBITA MARGIN

Europe & Middle East	6.7%	6.0%
Americas	4.8%	3.4%
Asia Pacific	8.7%	9.1%
CallisonRTKL	9.1%	9.4%
<b>TOTAL</b>	<b>6.6%</b>	<b>6.7%</b>

## OPERATING EBITA MARGIN

Europe & Middle East	7.6%	7.5%
Americas	6.3%	4.7%
Asia Pacific	8.9%	9.3%
CallisonRTKL	10.4%	9.9%
<b>TOTAL</b>	<b>7.6%</b>	<b>7.1%</b>



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# GLOSSARY FINANCIAL & NON-FINANCIAL INDICATORS

In 2017, for the first time, Arcadis requested its external auditor to provide limited assurance on a selection of financial and non-financial indicators included in this Annual Integrated Report.

The selected indicators that fall within the scope of limited assurance by our external auditor are summarized on the ‘2017 at a glance page’ on page 6 and 7 as marked with the symbol, further, these indicators are to be found throughout this Annual Integrated Report. These indicators are amongst the most material indicators for Arcadis. (See page 243 for the Assurance report of the independent auditor, which included details on the scoping and outcomes.)

Unless described otherwise, the scope of the indicators is based on Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company'). Arcadis aims to increase the assurance scope for information in the Annual Integrated Report in coming years. For a description of the definitions of these indicators (and some others used in this Annual Integrated Report) please refer to the section here below, and on the next page.

	INDICATOR	DEFINITION
<b>PEOPLE &amp; CULTURE</b>	Number of employees (headcount as at 31 December)	Employees expressed in number of individuals at the balance sheet date. Employees are defined as individuals that are in an employment relationship with Arcadis, according to national law or its application
	Employee Engagement Score	The average result of the engagement index questions that are part of the employee engagement survey ‘Your Voice’, measured from 0-4 and 4 being the top grade. The engagement index questions consist of nine questions that are consistent over years
	Voluntary turnover rate	Voluntary termination of employees (see definition above) divided by the average number of employees during the period. A termination is voluntary when the decision for termination is made by the employee
	Identified Leadership potential rate	Retention rate of employees who are considered to have top-level potential (A&B level)
	Females in total workforce	Number of women employed at Arcadis as % of total employees
	Total Recordable Case Frequency (TRCF)	The number of recordable injuries or illness per 200,000 working hours. An injury or illness is recordable if it is work-related and is medical according to the US occupational safety and health administration (OSHA) rules
	Lost Time Case Frequency (LTCF)	The number of lost-time injuries or illness per 200,000 working hours
	Employees passing code of conduct training	Percentage of employees that have passed the AGBP training and test. This training and test have the objective of increasing awareness of potential conflicts and dilemmas, guiding employees to make ethical decisions
	Number of AGBP alleged breaches (including near misses)	Number reported integrity issues related to the Arcadis General Business Principles
	Investigated AGBP alleged breaches	Number of investigated integrity issues relating to the Arcadis General Business Principles
Number of appointed privacy officers (in the year)	Number of appointed privacy officers in the period by Arcadis	
Number of internal audits (in the year)	Number of internal audits performed in a calendar year. The objective is to assess the operating effectiveness of business controls and provide recommendations to remediate identified risks that could potentially impact the realization of strategic objectives	

	INDICATOR	DEFINITION
<b>INNOVATION &amp; GROWTH</b>	Organic revenue growth	Year-on-year net revenue change minus contributions from acquisitions in that period plus contributions of divestments in the previous period, minus exchange rate differences, and adjusted, if applicable, for non-recurring items.
	Book-to-bill ratio	Period net order-intake in net revenues divided by the period net revenues
	Revenue growth Key Clients	Net revenue growth generated by our Global Key Clients program compared to last year. The Global Key Clients is a set of clients that is determined by Arcadis based on multiple criteria set by the Executive Board. The Global Key Clients for the year are determined before the year starts
	Revenue growth Big Urban Clients	Net revenue growth generated by our Big Urban Clients program compared to last year
	Arcadis way implementation progress	Total of net revenues for the year of the cumulative regions and/or countries that have migrated on to the Oracle software as part of Arcadis Way, divided by total net revenues for the Arcadis Group
	Arcadis' carbon footprint	The amount of greenhouse gases produced by Arcadis' employees measured in metric tons of carbon dioxide per full time equivalent (FTE)
	Number of identified environmental non-compliances	Number of incidents in which Arcadis failed to meet environment related laws, regulations and standards in the execution of projects for clients
<b>FOCUS &amp; PERFORMANCE</b>	Gross revenues	The gross inflow of economic benefits during the period arising in the course of ordinary activities. Gross revenues of Arcadis consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Arcadis Group
	Net revenues	Gross revenue minus materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractor. Net revenues entails revenues produced by the activities of Arcadis own staff
	Dividend per share	Dividends issued by Arcadis for every outstanding ordinary share
	EBITA	Earnings Before Interest, Taxes, and Amortization/Impairment of goodwill and/or identifiable assets
	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization/Impairment of goodwill and/or identifiable assets
	Operating EBITA	EBITA excluding restructuring, integration, and acquisition related costs
	Operating EBITA margin	Operating EBITA as percentage of net revenues
	Net Income from operations	Net income before non-recurring items, the amortization/impairment of goodwill/identifiable assets, and share-based compensations related to the Lovinklaan Foundation share purchase plan
	Net income from operations per share	Net Income from operations in the year, divided by the average number of ordinary shares in the year
	Net working capital	Sum of Work in progress (unbilled receivables), inventories and trade receivables minus accounts payables and Work in progress (billing in excess of costs)
	Net working capital as % of gross revenues	Net working capital/Gross revenues of last three months of the year
	Days Sales Outstanding (DSO)	(Trade receivables + Unbilled receivables - Billings in excess of cost) x 91 days)/Gross revenues of last three months of the year
	Return on invested capital (ROIC)	The sum of earnings before interest after taxes and income from associates divided by average group equity, amortized goodwill and net debt
	Net debt to EBITDA ratio (average)	Average net debt ultimo for the year/EBITDA. A measure of a company's ability to pay off its incurred debt. This ratio gives the investor the approximate amount of time that would be needed to pay off all debt, excluding interest, taxes, depreciation and amortization
	Free cash flow	Cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets



## OTHER

**AARC:** Arcadis Audit and Risk Committee (formerly Arcadis Audit Committee).

**ABC:** Arcadis Business Control Framework.

**ASC:** Arcadis Selection Committee.

**Advanced Management Program:** Internal training program for Arcadis managers.

**AGBP:** Arcadis General Business Principles. A set of working ethics for our employees.

**Backlog:** Value of signed orders in the portfolio to be filled, expressed as gross or net revenue.

**CGUs:** Cash Generating Units.

**Cash Flow Operating Activities:** Profit for the period adjusted for non-cash items and cash flow from working capital.

**Defined Benefit:** When the benefit on retirement from a pension fund to its participants is fixed.

**Defined Contribution:** When the value of the contribution to the pension fund made by the company is fixed.

**Goodwill:** The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired.

**IFRS:** International Financial Reporting Standards.

**Impairment test:** An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset.

**Net cash position:** Cash and cash equivalents minus Bank overdrafts.

**Net debt:** Interest bearing debt minus all cash and cash equivalents.

**Operating income:** Earnings before interest and taxes.

**Order intake:** The amount of new projects for which contracts have been signed or orally agreed on, expressed in gross or net revenue.

**Peer group:** Group of listed companies that is comparable to Arcadis both in size and activity.

**Percentage-of-completion:** Method to recognize revenue and expenses in an Income statement in proportion to the percentage of completion of the contract.

**Proxy solicitation:** Means to provide shareholders the opportunity to vote without being present at the shareholders meeting.

**RemCo:** Arcadis Remuneration Committee (formerly abbreviated as ARC).

**Senior Management Committee:** Arcadis Senior Management consisting of the Executive Board, some of the Staff Directors and the regional CEOs.

**Total shareholder return:** Stock price appreciation plus dividend yield.



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Marketing & Communications – Paula Murphy, Jochem Binst

Sustainability & External affairs – Joost Slooten

### **CONCEPT, DESIGN AND DTP**

DartGroup, Amsterdam, the Netherlands

### **PRINTING**

Tesink BV, Zutphen, the Netherlands

### **DISCLAIMER**

Statements included in this Annual Integrated Report 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.

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