Second Quarter & First Half Year Results 2015

Neil McArthur, Chief Executive Officer
Renier Vree, Chief Financial Officer
July 29, 2015
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Mr. McArthur: Welcome everybody to our second quarter and first half-year results.
As normal, I will have a few opening remarks on the overview of our results. Then our Chief Financial Officer Renier Vree will talk about the financial results for the second quarter and the first half-year in detail. I will come back and talk about our leadership priorities and the progress that we are making on those at the end, and then we will open the floor for questions and answers.
ARCADIS delivers strong growth in the first half of 2015. We made very good progress on our leadership priorities but our profitability was impacted by Brazil and one-off US project overruns.

In terms of revenue growth, both gross and net revenue grew by 41%. Our organic net revenue to the half year was up by 2%. Organic backlog development was plus 1%

In terms of operating EBITA it is up 22%, aided by our Performance Excellence program but negatively impacted by one-off project cost overruns in our US Environmental business to the tune of negative EUR 13.9 million and the impact of ongoing market conditions in Brazil.

Our operating EBITA in the first half of the year was 8.6% and excluding these one-off project cost overruns 9.5%.

The integration of Hyder, which as you know is our largest acquisition to date. Synergies have been captured faster than previous large acquisitions and the
operating EBITA margin is improving to 8.1% in the second quarter, up from 5.3% in the first quarter of this year.

Net income from operations is up 3% at EUR 57.3 million.

Working capital is improving to 20.2% of gross revenues vs. the high of 22.3% in the first quarter of 2015. That is actually at the end of the second quarter and lower than on a like-for-like basis with the first half of last year.

Free cash flow improved by EUR 38 million to –EUR 30 million, in line with our normal cash cycle for the year, where we have cash out in the first half and then build it back in the second quarter through to the year-end.

**Strategic highlights H1 2015**

<table>
<thead>
<tr>
<th>2015 Leadership Priorities</th>
<th>H1 Headwinds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Deliver acquisition synergies:</td>
<td>1. Brazil</td>
</tr>
<tr>
<td>- Hyder: Synergies on track</td>
<td>- YTD organic revenue decline -16%</td>
</tr>
<tr>
<td>- Callison: Synergies on track</td>
<td>- 25% capacity reduction underway</td>
</tr>
<tr>
<td>2. Performance Excellence:</td>
<td>2. Environmental one-offs:</td>
</tr>
<tr>
<td>- First results visible: +0.6% contribution to operating margin</td>
<td>- 4 remediation projects required one-off adjustments</td>
</tr>
<tr>
<td>- Significant restructuring spend, benefits as of H2</td>
<td>- €13.5 million EBITA impact</td>
</tr>
<tr>
<td>3. North America turnaround:</td>
<td></td>
</tr>
<tr>
<td>- Organic revenue decline slowed</td>
<td></td>
</tr>
<tr>
<td>- Turnaround on track</td>
<td></td>
</tr>
</tbody>
</table>

In terms of the strategic highlights for the first half of 2015 now each of the five items that you see here in the presentation we will come back to. We set out three leadership priorities for 2015.

First of all, delivering on those acquisition synergies. The synergies for Hyder and for Callison are on track.
In terms of Performance Excellence, so improving how we work and operate to more effectively serve our clients and develop higher operating margin. The first results are visible with a 0.6% contribution to our operating margin. We have had significant restructuring in the first half and we expect to see accelerated benefits as of the second half of this year.

Remember, we launched a turnaround of our North American business over a two-year period. We have seen the organic revenue decline slowing and our turnaround is on track. I will come back and talk about each three of these later in the presentation. But clearly, we had some headwinds in the first half of this year. Firstly Brazil, where the market conditions continued to be poor and where we have a year-to-date organic decline of -16%. In fact, we are underway with 25% capacity reduction that will be completed by the end of August.

In terms of the environmental one-offs, those are related to four remediation projects in our US Environmental business. That has a EUR 13.9 million negative impact on EBITA.

With that, I would like to hand over to our Chief Financial Officer, Renier Vree, who will go through the results in more detail.
Mr. Vree: Thank you, Neil. Let's have a look at our overall portfolio along the geographical and the business line axes.
When we look at North America, our largest region, you see that the decline is slowing. There was a 2% decline in the second quarter and that compares with a 3% decline in the first quarter. Margin was impacted by one-off project cost overruns but if you adjust for that, you would have been at 11.5% for the first half year, still making North America the most profitable region.

In the emerging markets we have seen high growth in the Middle East and also growth in Asia continuing, while Brazil worsened. The margin of 8% was impacted by the dilution from Hyder.

In Continental Europe we have seen good organic growth driven by the private sector. We have not seen much growth in the public sector and also the margin further improved from where we were a year ago.

The United Kingdom is the region where we see really strong growth helped by Rail, by highways and by Water and also growth in cities like Birmingham and Manchester is coming through in our revenues. Also the margin improved from that.
On the right hand side we have the business line overview with in Infrastructure good growth from Hyder there but offset by the decline that Neil already mentioned for Latin America. Overall the margin in Infrastructure was stable.

In Water it is good to see return to growth in North America and also in the UK we have seen growth in the Water business. While the margin improved in North America on the back of those higher revenues we saw reduction in margin in the rest of the world, for instance in the Netherlands where the waterboards are spending less this year following the elections that we have had.

In the Environmental business we saw decline in North America, which is 70% of our Environmental business and the margin impacted by the one-offs that were mentioned. Excluding those it would have been double this margin of 9.4%

Finally Buildings. Here we see strong organic growth across all regions with margin improvements coming from the UK, North America and Continental Europe.

**Q2 financial results**

<table>
<thead>
<tr>
<th></th>
<th>€ millions</th>
<th>Q2 2014</th>
<th>Q2 2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td>809</td>
<td>613</td>
<td>+22%</td>
<td></td>
</tr>
<tr>
<td>Organic/gross revenue growth</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenues</td>
<td>651</td>
<td>473</td>
<td>+41%</td>
<td></td>
</tr>
<tr>
<td>Organic/net revenue</td>
<td>14%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>61.7</td>
<td>61.7</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Organic/EBITDA</td>
<td>53.2</td>
<td>48.6</td>
<td>+10%</td>
<td></td>
</tr>
<tr>
<td>Operating EBITDA margin</td>
<td>6.2%</td>
<td>10.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Currency effects: Gross revenues +15%; Net revenues +14%; EBITA +10%  
- Acquisitions related to Hyder, Callison and Franz  
- Restructuring and integration costs: €11.5 million (Q2 2014: €13.2 million)  
- Acquisition-related costs: €0.3 million (Q2 2014: €0.6 million)  
- Operating EBITA margin adjusted for one-off project cost overruns: 10.8%

When we look at the financial results for the second quarter it is also good to point out that when it comes to gross revenues we have achieved 5% organic growth. That is because we
see more subcontracting happening when it comes to architecture and the environmental activities in North America. On a net revenue basis organic growth was 2%.

We had a significant impact from currency in the quarter, in Q2, like we also saw earlier in Q1, and strong impact from acquisitions that contributed 28% to our revenues. Restructuring and integration charges were high, EUR 11.5 million in the quarter, and a big part of that had to do with the activities around the performance excellence, adjusting our capacity for instance in Brazil, and also costs for the integration of Hyder and Callison.

When we look at like-for-like in the graph on the right and take out the elements that we mentioned like currency, acquisitions and the one-off, you see that organically the margin was basically flat at 10%, almost equal to what we saw in the second quarter of 2014.

Q2 and H1: Organic net revenue growth +2%
H1: Excluding North America and Brazil +8%

Let’s look in a bit more detail at the revenues. Here you see the last couple of quarters where 2% in the second quarter was equal to the first quarter this year. Underneath, there is really 8% growth in a big part of ARCADIS. 62% of ARCADIS has strong growth of 8%. This shows that what we do in terms of initiatives to fuel organic growth is working. However, we are still held back by North America, one third of our revenues, and Brazil, which in the meantime has 5% of our revenues. But there is a significant decline of 16% brings the total to 2%.
Q2: Weak market conditions in Brazil, project cost overruns in North America

- Market conditions remain challenging...
- Reduced spend by mining clients
- Slowdown in public and private procurement processes
- Resulting in severe downturn...
- NT decline Q1-16% in H1, outlook H2 -20%-30% decline
- Book to bill ratio of 0.3 for H1
- And restructuring of our operations
- Capacity reduced by August 750 (25%) from Dec 2014
- Operating margin >10% maintained

Outlook 2016: revenues stabilizing at least at H2 level

Then the two headwinds that Neil mentioned for the quarter. Let me give some details on those. On the one hand we see Brazil with clearly poor market conditions. There is a recession happening in that country. Spending there by mining clients on the back of low commodity prices was further reduced, which we see back in lower capital spending and therefore less work for us in Program Management. And also because of less funds available, for instance when it comes to the procurement processes for Water, also there a reduction is taking place. That resulted in a severe downturn of 16% lower revenues in the first half. When we look at the outlook, given the circumstances in Brazil we are aiming our planning and our forecasting that the reduction will be between 25% and 30% in the second half of this year. We also see that in the book-to-bill-ratio: we are still booking work obviously, but it is only at 80% of the revenues we have generated in the first half. Therefore, we took actions. Most of it has happened in the meantime but we are reducing our capacity by 25%. That means that 700 people are going from our payroll. By the way, most of the costs linked to that have already been taken in the second quarter for those 700 people. By doing that, we maintain an operating margin in Brazil of more than 10%. The outlook for 2016 is that the level we expect for the second half of 2015 is the floor for the revenues in 2016.
Then the US environmental issue. Here, we have a business where we do environmental clean-up. We have a long track record here. Since 1999 we have been winning work for high margin lump-sum remediation projects, in total over US$ 1 billion of revenues that we have won. This is often via the GRIP concept, the Guaranteed Remediation and Insurance Program, which in the meantime has ended. In one of these projects, a ten year old project, we have a situation of a 9 million project cost overrun. The issue here is that the regulator wants us to achieve a stricter goal of clean-up than we had assumed when the project was won. There have been many discussions with the regulator and the client. We have looked at alternative ways to take care of the remediation and in the end, in the discussions with the regulator the conclusion was that the more expensive solution has to be applied in this case. Therefore, the cost estimates now lead to a €9 million higher cost. That is taking into account the fee from the client and the insurance money we will receive for this project. So clearly, it was a poor project. We are also absolutely clear that would be apply our current 'go, no go'-procedure for projects, it would never make it and be accepted by the company. When the board became aware of this issue by our US organisation, we decided to send our internal audit department to the US and do a full investigation of the portfolio of lump-sum projects in the environmental business. From that analysis we concluded that three more projects had risks of cost overrun. Therefore, we took the €4.9 million additional charge in the second quarter. That means that now the revenue backlog for the so-called GRIP projects is EUR 64 million at 37 projects. So, that is really the tail end of those projects that we have won over the years. And then there are the 'standard' lump-sum projects in the environmental projects with EUR 48 million of backlog, 2000 projects. We are confident that the charge we took in the second quarter is really a one-off because of the audit that we have done but also the size and the shape of the backlog of these activities.
Let's have a look at the results for the first half. 3% gross revenue growth and 2% net when it comes to the organic developments and a very high 41% in terms of overall growth, fuelled by currency and the acquisitions. Also here, higher restructuring and integration charges of over EUR 23 million, so we really took care of the restructuring and integration in the first half of the year. It will be significantly less in the second half of the year. When you take a look at the graph on the right, you see that the organic development also here is a very small amount, indicating that on a like-for-like basis the margin was stable compared to the first half of 2014.

**H1 financial results**

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenue</td>
<td>1,691</td>
<td>1,589</td>
<td>+64%</td>
</tr>
<tr>
<td>Organic gross even as growth</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest</td>
<td>1,316</td>
<td>902</td>
<td>-41%</td>
</tr>
<tr>
<td>Organic net revenue growth</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>890</td>
<td>813</td>
<td>-9%</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>117.3</td>
<td>92.7</td>
<td>+22%</td>
</tr>
<tr>
<td>Operating EBITA % margin</td>
<td>6.6%</td>
<td>7.0%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Net income from operations</td>
<td>57.3</td>
<td>55.5</td>
<td>-3%</td>
</tr>
<tr>
<td>ENR (€)</td>
<td>0.10</td>
<td>0.27</td>
<td>-9%</td>
</tr>
</tbody>
</table>

- Currency effects: Gross revenues +14%; Net revenues +13%; EBITA +15%
- Acquisitions relate to Hydro, Calédon and Franz
- Restructuring and integration costs: EUR 23.2 million (H1 2014: EUR 65.6 million)
- Acquisition-related costs: EUR 0.1 million (H1 2014: EUR 0.1 million)
- Operating EBITA margin adjusted for one-off project cost overruns: 6.5%

1 Excluding acquisition- and restructuring- and integration-related costs
2 All figures in million euros
3 Based on average number of ordinary shares (H1 2014: 1,692 million)
4 EUR 23.2 million average net margin (H1 2014: EUR 23.2 million)
5 EUR 0.1 million average net margin (H1 2014: EUR 0.1 million)
When we take a look at the organic growth by business line looking at the last five half-year periods, we see that the Buildings business is the one that has done very, very well with almost every quarter higher growth rate, contributed to by all regions in ARCADIS.

We see that the Water business has improved and that is the return to growth of North America but also the UK adding to that.

Infrastructure has been on a downhill slope and here Latin America is the factor that contributed to that.

In Environment we are still in a negative growth situation, although somewhat improving from the levels we have seen in the second half of last year. Clearly, North America is the main region that impacts the developments of this business line.
The operating margin over the last ten quarters are shown on this page and it is important to mention that the improvements from Performance Excellence are starting to show in the bottom line. If we take the graph on the right and start with 10% margin we have achieve in the first half in 2014, we see the impact of the cost overruns. Brazil being a very profitable region now has less impact, having a 40 basis points dilution. Hyder and Callison combined have a slightly lower margin than ARCADIS in total, also half of a percentage point of impact. There is 0.6% contribution from Performance Excellence and 0.2% remaining factors and that brings it to the 8.6% for the full year. Performance Excellence in the first half year contributed by particularly the UK, the US and Continental Europe. If we look at those factors that make up the margin swing for the second half year, we see that clearly the one-off is not going to be repeated in the second half. Brazil is now stabilised at a margin of over 10% and, by the way, also in the first half Brazil was able to have an operating margin of more than 10%. The synergies that we see with Hyder and Callison will improve the margins there and we expect a full year impact of 0.8% of Performance Excellence, so basically 1% in the second half year compared to 0.6% in the first half year.
Following the results in the first quarter, working capital was one of our main priorities. You can see here that we had a significant improvement of 2.1% reduction in working capital from Q1 to Q2. If you compare that with 2014, we saw 0.5% increase between Q1 and Q2, so definitely a significant reduction. It came from almost all regions within ARCADIS, most of it coming from the receivables side, both the Build work as well as work in progress. We also see a small improvement in the level of payables.

If we make the comparison with last year, we would actually be below the level of last year and we would have at 18.2% because Hyder and Callison still run at a higher working capital level than the rest of ARCADIS. So clearly here, an opportunity for us to bring the improvements, which we are implementing but it takes some time before contracts have been done in a different way when we implemented the full change in the invoicing and collection procedure. But here, we are going to see progress from that.

Cash flow therefore with a strong inflow in the second quarter, still minus 30 in the first half year and typically, we have negative free cash flow in the first half year, so somewhat worse than 2014 but much better than 2013.

Our outlook is that working capital by the end of this year will be lower in a percentage of gross revenues than the level we have reached at the end of 2014.
Let’s move on to the balance sheet. The net debt at the end of June is EUR 623 million, which was reduced by EUR 35 million. Here again, working capital being a main contributor despite the fact that we also had a dividend pay-out of EUR 25 million. Our leverage ratio for the point in time is 2.6 in June and if we take the average of December and June, which is what we use for the banking covenant and other lenders, the level was 2.4. We expect that to come down in the second half year, given the cash generation we always see in the second half of the fiscal year.

We have well-diversified sources of funding and in fact even further diversified this half year because we did a German bond called a "Schuldschein". We are one of the first companies from the Netherlands in recent years. This is a good way to re-finance the acquisition bridge that we had in place at attractive rates.
Let me show you a few slides on the developments per business line. I am not going to take you through all of the numbers.
Solid performance across three business lines

<table>
<thead>
<tr>
<th>Business Line</th>
<th>H1 2015</th>
<th>H1 2014</th>
<th>H1 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross revenues</td>
<td>305.5</td>
<td>294.4</td>
<td>429.6</td>
</tr>
<tr>
<td>Net revenues</td>
<td>260.0</td>
<td>247.3</td>
<td>269.7</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>18.3</td>
<td>24.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.0%</td>
<td>7.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross revenues</td>
<td>186.2</td>
<td>173.5</td>
<td>231.4</td>
</tr>
<tr>
<td>Net revenues</td>
<td>140.0</td>
<td>137.1</td>
<td>197.6</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>11.9</td>
<td>13.6</td>
<td>16.1</td>
</tr>
<tr>
<td>Operating margin</td>
<td>8.3%</td>
<td>9.9%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross revenues</td>
<td>407.3</td>
<td>365.0</td>
<td>328.4</td>
</tr>
<tr>
<td>Net revenues</td>
<td>264.6</td>
<td>243.3</td>
<td>261.5</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>31.2</td>
<td>29.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Operating margin</td>
<td>9.9%</td>
<td>10.9%</td>
<td>4.7%*</td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross revenues</td>
<td>341.8</td>
<td>303.9</td>
<td>631.4</td>
</tr>
<tr>
<td>Net revenues</td>
<td>282.5</td>
<td>303.4</td>
<td>507.0</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>24.8</td>
<td>27.8</td>
<td>40.1</td>
</tr>
<tr>
<td>Operating margin</td>
<td>8.8%</td>
<td>9.1%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

* Adjusted for one-off project cost is: 3.4%

There is solid performance across all three business lines of the four that you see here.
Let me give you some more details on the individual business lines, starting with Infrastructure, being a quarter of our gross revenues.
Here, we strengthened our market position both in the Middle East and in the UK because the combination of Hyder and ARCADIS has proven to be very successful in the work we win. Also in North America we saw growth. We are doing some projects in Florida for road design. In Continental Europe we also saw further strengthening of our business in Infrastructure, while in Latin America the market conditions are poor.

- Strengthened market position in the Middle East and UK through the combination with Hyder
- Growth in North America remained steady at good levels, while Continental Europe further improved
- Latin America market conditions worsened driving overall negative organic growth
Then in Water.

- World-class water supply and waste water treatment system consultancy and design, also for Industry
- Leading heritage in water management

"The Big U", flood protection
New York, US
Also here, overall growth is driven by Hyder, which is active in Water in the UK and particularly also in the Middle East. Organic growth here was driven by North America. In Water management we saw some projects around New York City following after the hurricane that happened a few years ago. Also work for the US Air Force while also Water Treatment showed strengthening.

The UK and the Middle East also performed well at the Water front and we see that water companies in Brazil are starting to struggle with having sufficient funds for new work. That is also one of the reasons we are more careful about the outlook for Brazil in the second half of this year.
Moving on to Environment.

- World-class remediation consulting and technologies
- Compliance management, impact assessments, climate adaptation

Murray Darling Basin, Australia
Here, the decline in North America has continued, which impacted organic growth. We have seen the competition from smaller market participants. We have mentioned that before. That is an important factor and it is also one of the reasons why we launched this solution for the simpler environment issues called FieldTech Solutions. Neil will say more about that in a minute. In the UK and Continental Europe business was essentially flat and in Brazil, there was less work to be done. You see a nice picture of a main highway in the Netherlands, where we do environmental work in combination with an infrastructure project in this part of the country.
Let me move on to Buildings.

- Plan, design, create, operate and regenerate buildings
- Sustainability by design, built asset consultancy, large scale program, project and cost management
In Buildings 73% overall growth, by far the highest growth we have in the company, fuelled by the acquisitions and currency but also organically a very strong development. Here, Callison and Hyder both being active in Buildings are the main drivers of that but organic growth also across the company.

In North America and in the Middle East we see that also the architectural activities are doing well, for instance Health care both in North America and the Middle East, but also commercial property is a strong sector in these regions while we see that retail is good in North America. That is one of the main parts of the Callison business.

In Asia we continue to see good growth but the slowdown from China is also visible in this business. The picture here is from HSBC where we recently announced that we have won a global contract for program management services, which is a very prestigious win we are very happy with. By the way, there are no expected revenues yet in our backlog for this project.
Finally, an overview of the regions where you can see the strong growth in the first half in 2015 compared to the prior years.
## Strong growth across all regions during H1 2015

### North America

<table>
<thead>
<tr>
<th></th>
<th>£ millions</th>
<th>H1 2013</th>
<th>H1 2014</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td></td>
<td>540.0</td>
<td>489.7</td>
<td>539.5</td>
</tr>
<tr>
<td>Net revenues</td>
<td></td>
<td>274.4</td>
<td>343.5</td>
<td>431.4</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td></td>
<td>40.8</td>
<td>37.9</td>
<td>38.0</td>
</tr>
</tbody>
</table>
| Operating margin   |            | 10.9%   | 7.10%   | 8.8%  

### Emerging Markets

<table>
<thead>
<tr>
<th></th>
<th>£ millions</th>
<th>H1 2013</th>
<th>H1 2014</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td></td>
<td>291.4</td>
<td>281.8</td>
<td>470.8</td>
</tr>
<tr>
<td>Net revenues</td>
<td></td>
<td>247.0</td>
<td>242.1</td>
<td>422.2</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td></td>
<td>30.0</td>
<td>26.8</td>
<td>33.6</td>
</tr>
<tr>
<td>Operating margin</td>
<td></td>
<td>12.1%</td>
<td>10.6%</td>
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### Continental Europe

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<tr>
<th></th>
<th>£ millions</th>
<th>H1 2013</th>
<th>H1 2014</th>
<th>H1 2015</th>
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<tbody>
<tr>
<td>Gross revenues</td>
<td></td>
<td>265.2</td>
<td>271.5</td>
<td>304.5</td>
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<tr>
<td>Net revenues</td>
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<td>215.0</td>
<td>221.3</td>
<td>243.4</td>
</tr>
<tr>
<td>Operating EBITA</td>
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<td>17.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Operating margin</td>
<td></td>
<td>3.2%</td>
<td>7.8%</td>
<td>8.6%</td>
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</table>

### United Kingdom

<table>
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<tr>
<th></th>
<th>£ millions</th>
<th>H1 2013</th>
<th>H1 2014</th>
<th>H1 2015</th>
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</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td></td>
<td>142.2</td>
<td>154.7</td>
<td>268.0</td>
</tr>
<tr>
<td>Net revenues</td>
<td></td>
<td>113.4</td>
<td>124.1</td>
<td>216.8</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td></td>
<td>0.6</td>
<td>11.7</td>
<td>20.9</td>
</tr>
<tr>
<td>Operating margin</td>
<td></td>
<td>7.6%</td>
<td>9.4%</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

*Advised gross vs project outturn: 11.5%

With that, Neil, I hand over the microphone back to you.
Mr. McArthur: Thank you, Renier.
Before we talk about our leadership priorities, I want to come back to our strategic targets for the three-year strategy period through to 2016. We set out at the beginning of the period five targets for ourselves, two on growth, one on margin, one on cash, and one on return. Very clearly, we are on track but organic growth is unlikely to be achieved over the period. If we look at where we are – Renier showed that very clearly – in a large proportion of ARCADIS we are actually doing 8% organic growth, yet we are being held back by the market conditions in Brazil where we have seen the decline of minus 16 year to date and North America, where we are still in the turnaround of that business with a minus 2.5% year to date decline organically. This means that we are likely to miss our organic growth target.

In Organic, very clearly we will overachieve on that over the three-year period with the acquisition of nearly EUR 500 million of gross revenues during the last quarter of 2014.

On Operating Margin we are at 9.5 when you adjust for the one-offs. We have a very clear path to margin improvement through the merger synergies in Performance Excellence. I will share that with you in a couple of slides.

On Cash and Return, we measure those at the end of the year. They are annual targets. We have the cash management best practice programme that we are confident to enhance
cash flow. Clearly, the project cost overruns and Hyder will impact our return on invested capital in 2015 but we believe that 2016 will be on track.

**2015 Leadership priorities aligned with our strategy**

1. Deliver acquisition synergies through co-creation processes
   - Design to Lead: Callison
   - Evolve to Win: Hyder
   - Canada: Combine SENES and Franz into ARCADIS Canada

2. Performance Excellence
   - Deliver quick wins
   - Design changes required to further drive performance

3. Return North America to growth, improve margins

If we now look at the leadership priorities for 2015 that we shared at the beginning of the year, there are very clearly three delivering on those acquisition synergies through what we call the "co-creation" processes with Hyder, Callison, SENES and Franz. Performance Excellence, to improve our operating margin and then Returning North America to growth and improving margins.

I am going to spend a few minutes talking about each one of those priorities and where we stand.
1. Acquisitions: Callison

**Synergy capture plan:** Cost out and revenue synergies in line with acquisition case  
**Performance:** Slowdown China, good growth elsewhere, operating EBITA margin 13%

First of all, the Acquisitions. Callison: we go through a very clear process through the post-merger integration process where we developed a go-to-market strategy. That is done. The operating model is done, too. Organisation and choice of leadership is done, very detailed synergy-capture plan is now in execution. That is done. Ongoing operations stays in our traffic light system as an orange until we deliver on all of the synergies that we have identified in our synergy-capture plan. So, in terms of the synergy-capture plan, the cost out and revenue synergies are very much in line with our acquisition case. In the performance of Callison there is a clear slow-down in China but good growth elsewhere and the operating margin is now 13%.

We are showing you three nice examples of the synergy wins that we have had in different parts of the world, so in the US, the Middle East and in Asia coming together in ARCADIS and in Callison RTKL, being able to do both construction administration and architecture for a major retailer and the roll-out program in North America, coming together in the Middle East, one client where we did architectural work and now bringing the interior design work to that client as well and then in Asia, where we have great client relationships being able to bring the interior design work of Callison to duty free shops, in this case in Singapore.
If we now turn to Hyder, a much larger acquisition, the largest in our history. Again, the go-to-market strategy is all complete. The operating model is defined and in place, organisation and leadership changes being made, the synergy-capture plan defined and in execution and ongoing operations, as I said, we keep that orange until we deliver on our synergy-capture plan.

So, let’s talk about the synergies and the original targets that we set for ourselves. The GBP 15 million of EBITA run rate in the fourth quarter of 2016 will now be achieved to cost out only. Originally we said we would achieve that through revenue synergies and cost out but we are very confident with the plan that we have that we will achieve that now through cost-out actions only.

In terms of performance – Renier alluded to that – in a number of the business lines, we have seen strong growth in Hyder year to date and we have seen improvement of the operating EBITA margin up to 8.1% in the second quarter, up from 5.3% in the first quarter.

We have given four synergy wins here. We have really strengthened our positioning and our name in the world of Infrastructure, Design, Building and Water but let me show you three very iconic projects that we are involved in, bringing together the capabilities of ARCADIS and Hyder. First of all, Crossrail & Crossrail 2, where we have come together to
win work that we would not have won independently of each other, the Eurostar in the UK and Doha Metro. I want to spend just a minute on that because it is a very interesting example. When that tender came to market originally ARCADIS decided not to bid because we did not have the full range of capabilities required to win that work in the Middle East. In fact, Hyder decided not to bid either because they felt they did not have the range of capabilities. When we came together we immediately looked at it and said that together we have the capabilities, not only to have a good offer but to win this work at good margin. That is exactly what we did and that is roughly EUR 20 million project in Doha, Qatar. The last example is the Al Rajhi Bank, a Hyder historical client on the Building site, where we are now being able to bring our program, project, cost and claims management capabilities from EC Harris to bear. So, really working in the market place.

1. Acquisitions: Hyder, Global Design helps accelerate synergy wins

![Graph showing synergy wins]

If we then look at what is happening with the revenue synergy wins, we see that Global Design is helping us accelerate those synergy wins. If you look at the left hand side and if we track the synergy wins in the market place as a percentage of the acquired net revenue, we can see three lines here, quarter by quarter from the date of the acquisition. You can see that EC Harris was our first large one of around 3,000 people, then Langdon & Seah, that came later where we got better in going after the revenue synergies and you can now see with Hyder that we have a further acceleration of our ability to bring the capabilities of
the combined ARCADIS to win in the market place. So, we are very excited about that. One of the elements of that is Global Design, where we are creating momentum in all of our businesses to use Hyder’s capabilities of Global Design. We have seen an increase in the headcount of 9% since the end of 2014. Just to give you one example, Continental Europe, where we put into the bids for design and engineering the use of Global Design. We have win-hit rate of greater than 70% on those tenders. Clearly, that takes time to work its way through from wins into mobilisation into doing the work into revenue, but in terms of the wins that we have, we are very excited about where we are and the acceleration of that synergy capture.

2. Performance Excellence: Quick wins on track

<table>
<thead>
<tr>
<th>Performance Drivers</th>
<th>Description</th>
<th>H1 Focus and results</th>
</tr>
</thead>
</table>
| **Project management** | - Standardised approach to project management based on best practice  
- (Re)training of project managers | - Implementing standardised approach in US, UK and Continental Europe  
- Improved project margins over Q2 2014 in UK and Continental Europe |
| **Global design** | - Drive organic growth by scaling Hyder Global Design model  
- Staff and manage design & engineering from most capable and cost-effective design excellence centers | - Building new work using Global Design  
- Headcount in Global Design Excellence Centers increased by 9% |
| **Resource optimization** | - Improve flexibility and mobility of our people  
- Create larger, more efficient resource pools | - Ongoing implementation of quick wins in US, UK and Continental Europe, supplier improved -1% over Q2 2014  
- Australia Pacific diagnostic complete, actions taken to impact 12 |
| **Procurement** | - Improve approach to sub-contracting and overhead  
- Leverage scale of ARCADIS globally | - Established procurement capabilities in US, UK and Continental Europe  
- Initiated round of overhead purchasing negotiations complete |
| **Workplace & collaboration** | - Apply global standards on improve footprint  
- Improve collaborative tools | - Defined global standards for footprint  
- Initiated global office portfolio prioritization |

If we move on to our second priority, which was Performance Excellence, a three-year programme to improve our operating margin. We have shared with you before the five performance drivers of Project Management, Global design, Resource optimisation, Procurement and then what we call Workplace & collaboration. We have shared the description with you before but let me just highlight a couple of the areas where we made really good progress in the first half of this year in rolling out Project Management best practices.
We have improved our project margins in the UK and Continental Europe over Q2 2014. As I said on Global Design, we are having an increased use of Global Design with increase of headcount of 9%.

Resource optimisation, the quick wins that we have implemented in the three largest operating regions around the world, the UK, Continental Europe and the US. Billability has improved by approximately 1% over where it was in Q2, 2014. We just completed a diagnostic in Australia Pacific and that is now being implemented with the impact in the second half of this year.

On Procurement, as we said, we have established professional procurement capabilities in the US, the UK and Continental Europe. The initial overhead purchasing has been looked at.

In terms of Work place & collaboration, which is our office footprint worldwide, we have defined a new standard for our offices and we have initiated a global portfolio prioritisation of optimisation.

### 2. Performance Excellence: Savings ahead of target

![Chart showing performance excellence savings](chart.png)

What does that mean in terms of where we are? Again, this is a chart we showed at the beginning of the year where we said that in 2015 we are going to focus on the quick wins and design the performance drivers for larger benefits in 2016 and 2017. We targeted an
improvement of 0.5 percentage point of operating margin improvement in the full year 2015. Year to date the contribution from Performance Excellence is ahead of that already. It is 0.6. As Renier alluded to, we expect 1% in the second half of the year, giving a full-year estimate of 0.8%. That does not come for free. We have spent significantly on restructuring. We have said that approximately EUR 25 million would be spent this year and year to date we have actually spent EUR 16 million, so we are front-end loaded the first half of the year with the benefits coming even stronger through in the second half of the year, but we still expect to spend between EUR 20 million and EUR 25 million this year, full year.

3. North America: Two year transformation on track

GOAL: RETURN TO GROWTH, IMPROVE MARGINS >11%
- Implement growth strategy
- Maintain performance culture, improve global collaboration

<table>
<thead>
<tr>
<th>Strategic levers for change</th>
<th>H1 Focus</th>
</tr>
</thead>
</table>
| **Implement revised market approach** | - Environment: Launched FieldTech Solutions for "simple" remediation  
- Water: Focus on growth in conveyance, industrial water and business advisory. Developing "simple" model for conveyance  
- Sharpened strategies and pricing across all business lines |
| **Deliver Performance Excellence** | - Implementing project management best practices  
- Quick wins in resource optimization  
- Plans to reduce office footprint by 25-30 offices by end 2016, built procurement capabilities |
| **Evolve the operating model** | - Streamlining operating model: Corporate and business lines  
- New leadership enhancing accountability for growth and business results  
- Increasing client development effectiveness and efficiency |

Our third priority is North America. The two-year transformation is on track and we set out with a goal, very simply to return North America to growth and improve margins greater than 11%. We have three ways that we are attacking that. One is implementing a revised market approach, the second is delivering on Performance Excellence and the third is evolving our operating model for our North American business.

Where have we been in the first half? If you look at the revised market approach and Environment, we have seen increasing competition from smaller players. There is more price pressure in the market, so we have launched our ARCADIS FieldTech Solutions for what we call "simple" remediation, the less complex remediation that is also being requested by our clients that we have only today with complex remediation. That is the
simple market. There is a very large market in North America, somewhere between 2.5 and 3 billion in revenue and that is something where we do not play today as ARCADIS. Now we have created a value proposition for our clients. We built the business model that allows us to maintain high levels of margins and we starting to bid for work in the simple remediation sector.

In the Water sector, again as Renier highlighted, we have had growth in conveyance, industrial water business advisory and also program management and we are developing a simple model for conveyance as well.

We have sharpened our strategies and pricing across all business lines.

In terms of Performance Excellence we are implementing those project management best practices. We have quick wins in resource optimisation and then when you take Work place & collaboration, we have a plan now to reduce our office footprint in North America by between 25 and 30 offices by the end of 2016. We have also built the procurement capabilities and we will start seeing some of those benefits flowing from the second half of 2015.

In terms of how we operate in North America, we have streamlined the operating model, so we simplified our corporate structure. We have simplified our structure within our biggest business line, which is Environment to date. We have new leadership in place and we are enhancing the accountability, not just for the bottom line performance but also emphasizing growth, and we are increasing our client development efficiency and effectiveness. That is working very well for us.
3. North America: Performance stabilizing

Performance is stabilizing. If you look at the last three half years on organic growth, net revenue and on operating EBITA margin you can see that in the first half of this year we have had a significant stabilisation from where we were in 2014. In terms of operating EBITA margin, when you adjust for the one-offs, we are actually delivering today in our North American business 11.5% operating margin.
Let me now move on to the outlook for the rest of the year.

We see strong growth and improving margins. If I take the growth for the second half of 2015 on the left hand side of the page, we have the four operating regions. We have three columns, overall growth, organic growth and the drivers of organic growth.

If we take North America, first we see good growth in North America overall. Organic growth will be flatterish, maybe slightly negative. The swing factor there will be the stabilization in return to growth of the environmental business over time.

In terms of emerging markets, clearly good growth driven by Hyder and some currency effects. Organic growth will be zero to slightly negative and that is impacted by the continuing and worsening condition of the market in Brazil.

If you look at Continental Europe, you see good growth and good organic growth and that is driven by the private sector. In the UK, again as Renier alluded to in some of his remarks about the global business lines, we are seeing strong growth and strong organic growth driven by our positioning in both Buildings and Infrastructure.

So overall, strong growth and small organic growth for the second half of the year.
The operating EBITA for the second half of the year, when you adjust for the one-offs we are at 9.5% in the first half of this year. You have seen that we have clear line of sight on the improvements through Performance Excellence, which gives us strong confidence that we will have in the second half of the year 1% from Performance Excellence, giving us 0.8% for the year. We will continue to implement the synergy capture plan rigorously with Hyder. You have seen the improvement in one quarter and those improvements will continue as we capture the synergies moving forward and then continue our improvement to our North American business. That gives us confidence for the outlook for our operating margin for the second half of the year between 10.5% and 11%.

Outlook per business line

Infrastructure
- Strong growth driven by acquisitions
  - UK, Middle East, Continental Europe, Asia and Australia Pacific benefit from growth through Hyder
  - UK, Continental Europe, North America, good growth, Latin America further decline

Water
- Growth in most regions
  - North America return to growth, Continental Europe essentially flat, Latin America potential decline
  - Middle East and UK benefit from Hyder

Environment
- No growth
  - North America unlikely to return to growth in 2016, slight decline in Continental Europe
  - UK further growth in private sector work, Latin America impacted by slowdown

Buildings
- Strong growth
  - Architecture demand up in North America, down in China, Middle East strong
  - Good growth in Continental Europe, UK, Asia slowing

- Backlog up 8% due to favorable currency effects; net revenue backlog at €2.5 billion, organically up 11%
- Revenues to grow by about 30%
- Net income from operations to increase by approximately 20%
- Earnings unforeseen circumstances

If we then look at the outlook for the business lines, taking first Infrastructure. Clearly strong growth, driven by our acquisitions, which, if you look at the UK, the Middle East, Continental Europe, and Australia Pacific, all have benefited from growth through Hyder. The UK, Continental Europe, and North America good growth and we expect a further decline in Latin America, in Brazil in particular given the market conditions there.

In Water, growth in most regions. In North America we have seen this return to growth and we expect that to continue. Continental Europe is essentially flat. A big part of that is the Netherlands where we have said there is less government spending. Latin America potential decline because of less money now available in the public sector in Brazil. In the Middle
East and the UK they clearly benefit from Hyder’s capabilities coming together with ARCADIS.

In Environment we see no growth. North America unlikely to return to growth in 2015. We had been guiding for a return to low growth later in the year but we now believe that that is unlikely to happen in 2015. We see a slight decline in Continental Europe. In the UK there will be further growth, driven by the private sector and Latin America again will be impacted environmentally because fewer new projects coming to market in Infrastructure, which also has an impact on our environmental business.

In Buildings we see strong growth. Architecture demand is up in North America and it is down in China. But the Middle East is strong. We have good growth across our buildings business capabilities in Continental Europe and the UK and clear slowing in Asia.

And for the outlook, overall the backlog is up 6%. There are favourable currency effects but there is also organic growth of 1%. We have a net revenue backlog at EUR 2.5 billion. So, we expect for the year revenues to grow by about 30%, net income from operations to increase by approximately 20% and that is of course barring any unforeseen circumstances.

With that, Joost, I would like to hand it back to you.

Mr. Slooten: Thank you, Neil and thank you, Renier, for the presentation. To whom may I hand the microphone to ask the first question?
I have a couple of questions. Looking at North America, excluding the one-off, you are actually increasing the margin by 50 basis points. The comps are getting easier in the second half of the year. If my calculations are correct, you were at 9.9% in the second half of the year. How much of the increase you booked in the first half of the year was organic, what came from Callison? I assume Callison had a favourable mix effect in the margins. What has been Performance Excellence in North America already? I am trying to figure out how conservative you potentially are for North America in the second half. If things are the way they look now, you should be well above 11.5% in North America.
My second question is on the backlog. There some discrepancies between the comments and the revenue growth and Water and Buildings. You have good revenue growth there and very positive comments but I see very limited backlog growth. What is going on there?

My third question is on Brazil. How much decline can you take there before you start running into fixed costs kind of issues? Just a few words there.

My final question for now is on the working capital. What is driving the lower working capital? Is this a catch-up effect from delayed collection that you had in Q1? Are there already improvements at Hyder? Are the prepayments at Callison coming through? Have payables moved up from Q1 to Q2? Those kind of granularities on the working capital would be much appreciated.

Mr. McArthur: I suggest we take them in reverse order, Renier. Do you want to do the working capital?

Mr. Vree: Working capital clearly was too high at the end of Q1 and that is why we had a serious company-wide effort to focus on the essentials, which in our case means both the billed receivables as well as work in progress. That really goes down into the lists of clients that have received an invoice but have not paid in time. Looking through the list of the unbilled and making sure that the bills go out in time and, if not, what is going on? This was done by the leadership teams in all of our regions and it started to have success. Based on the results it is clear there is more that can be achieved there. By far, the most came from receivables. If you look at the change in working capital, 75% is on the receivables side and then a bit came from the payable side. On the payable side it was not different from other years. So, it is really on the receivables side the break-through came.

When it comes to Hyder and Callison, we have our people implementing processes, training people, we are having workshops with project managers and with the finance people of those organisations. That will lead to also improvements in Hyder Callison. There is not yet much visible if you compare with December or March. Then you do not see any significant improvement yet in the results. The leading indicators are positive, because people get trained. So, the essentials are put in place but the lagging indicator of working capital still has to show for the benefits from that.

Mr. McArthur: Let me take the question on Brazil. If you look at our business model, we clearly have a lot of people on long-term project management, out at the site with the clients. So, our actual office infrastructure in Brazil is relatively small comparative to other operations around ARCADIS. Notwithstanding that and given the size of the restructuring that we put in place, we have let go of 500 people by mid-year and there is another 200 that will be gone by the end of August. We have also given back office space in our headquarters in Sao Paulo, which is the biggest office that we have. So, we are also
addressing our fixed costs as we go and Renier has shared with you that we are very confident that we have stabilised that greater than 10% operating margins with our operations in Brazil.

If we then take the backlog, I heard Renier say when we were doing the discussion by global business line that in the backlog for example in Buildings, the very big win that we had with HSBC on a global basis is not included in the backlog there. So, that answers the question around Buildings.

In Water, clearly we see a return to growth in North America where we are booking good wins. As we said, in Europe we have seen a slowdown particularly here in the Netherlands, particularly because of the "waterschappen" elections, the water utility elections. That has slowed down spending here. We see good opportunities for growth in the UK and in the Middle East with Hyde but that has not turned into wins that you see in the backlog development yet.

Mr. Vree: And North America, you are correct. The first half in 2014 was 11% margin which moved to 11.5% in the first half of this year on a like-for-like basis. There definitely is a contribution from Callison. Overall, Architecture did well in North America. We saw some of the movements of capacity in North America working for projects in North America rather than for China, so we could benefit from that.

Performance Excellence also contributed but when you see improvements on top of a declining top line it is not so visible yet there to see real breakthroughs from that. So, I think the impact of Performance Excellence should further accelerate in the second half of this year. That is also our guidance for the second half of the year, an improvement in margin, from which North America should also benefit from when it comes to Performance Excellence.

Bjorn Krook – ABN AMRO: So, margin in North America in H2 will be above the margin in H1, like it normally is?

Mr. Vree: If everything else stays the same, then you are absolutely right!

- Michel Aupers - Rabobank

I have a question about the slide about the Building segment. You showed 13% increase of net revenues. Can you maybe explain what the exposure is to emerging markets in the Building segment?
Regarding the integration I was wondering how you are proceeding with the integration of the different information systems. How many different information systems do you have in place and what is the plan for the roll-out for the coming six to twelve months?

Mr. McArthur: Let me take the second question first. Clearly, over time we are moving to one ARCADIS way of working, which is a set of business processes with a standardised way of working. We have a program over the next four to five years that we will roll out the ARCADIS way on one Oracle platform globally. But that is done in a very phased way. The first region that gets that is Asia, starting in 2016. With the merger integration clearly we make sure that our systems are talking to one another so that we have full operational and financial control on a week-to-week, bi-weekly, monthly and quarterly basis for our project operations but also for our management of the business.

Mr. de Vree: When it comes to emerging markets and Buildings, it is around 40% of our Buildings revenues that are being generated by the emerging markets and that is in the Middle East. The other part is Asia. Those are the two main regions that have contributions to the Buildings business.

Michel Aupers – Rabobank: Can you elaborate what you see at your clients, for instance increasing uncertainty about the situation in China? We see some countries with a high exposure to commodity prices like oil. So, I am wondering how you are looking at growth going forward.

Mr. McArthur: Do you want me talk about our view on China? Would that be helpful?

Michel Aupers – Rabobank: Yes!

Mr. McArthur: If you look at China, it is 8% of our net revenue today. If we talk about the business that we have, 60% of what we do is cost and project management, which are longer-term type projects. About 40% of what we do is Architecture and Design, which have shorter project durations. The vast majority of the work that we do, around 85%, is in the tier 1 and tier 2 cities in China and about 80% of the work that we do is in the non-residential segment, so conglomerates, corporates, the commercial space. Clearly, there is economic uncertainty in China today. We monitor that very carefully. Different businesses have different time horizons and different flexibility, so if we look at our Architectural and Design business we have strong capabilities in China but we are also in Architectural and Design able to move work around. We have today, and historically we have people working in North America on work in China and clearly, as there is a slowdown in Architectural work in China the people doing that work from the US can reassigned to the growth area, which today is North America in Architecture and Design. Similarly, people working in Asia in Architecture and Design, are now also working on Architecture and Design across South East Asia for Callison RTKL.
The cost in Project Management business is much more local, is there where the work is but there the nature of those contracts is that we run through the construction period doing the cost measurement and clearly, you have a longer-term backlog, a longer visibility of the backlog and less short-term variability in that.

**Michel Aupers – Rabobank**: And do you see any risk for project cancellation? How solid is your order backlog?

**Mr. McArthur**: The order backlog is solid across Asia and in China. Cancellations can happen everywhere. They have happened in Brazil. We have not seen a significant number of cancellations in China. That could change. If you look at our expected revenue generation on into 2016, we have a clear view because of the longer duration of the Cost and Project Management work. We have a slowing of the growth rate in China but we still have good growth in China today.

**Michel Aupers – Rabobank**: Thanks.

- **Edwin de Jong – SNS Securities**

I have a couple of questions. We have seen the acquisition of Grontmij by Sweco. How do you look at that acquisition and how do you look at the market environment in the Netherlands as a result of that?

Another question is on North America. Recently, we have seen quite a big contract win by your competitor Tetratech for the US Air Force. How are positioned by that client?

**Mr. McArthur**: Let me take the first question about Sweco and Grontmij. Clearly, Sweco is a different owner. That in itself does not change the market dynamics in the Netherlands. They are a very respected company. Day to day there is going to be some period of time where they are getting used to having Nordic owners rather than Dutch leadership. That creates unrest and that is an opportunity for us in the market place with our clients and with other clients that we do not have today.

**Edwin de Jong – SNS Securities**: You do not see specific capacities of Sweco coming into the Netherlands?

**Mr. McArthur**: That has to be proven over time. We are ARCADIS. We have unique capabilities and we have strong capabilities. We have unique aspects to our value propositions. If you look at our success in the Dutch market place, we are by far and away the strongest player in the Dutch market place in terms of growth and in terms of profitability.
Mr. de Vree: When it comes to the Dutch market by itself, what we see there is what is more public-sector related is still relatively weak. Neil already mentioned the waterboards that have reduced their spending prior to the elections. Of course, it takes some time before a new board has been formed following the elections. So, we think that it will start to improve later this year and next year but right now, Water has been somewhat weak in the Netherlands.

On Infrastructure things are better, also helped by some of the nice wins that we had. So, I think we have picked up there some share from others.

In Buildings, the business is just strong with an increased volume of real estate transactions. As you know, we are involved in work around the earthquake situation in the north of the country where we do the Program Management for the activities to address this situation for many people that own real estate there. All in all, the Netherlands is a growing market for us with also continuously strong margins.

Mr. McArthur: To come back on the US public sector environmental work, clearly it is one of the market sectors in the US. As you know, our primary sector is the private sector in North American where we are the leading player in the complex remediation. Clearly, if you look at where we are today the public sector is actually one of the sectors that is growing for us in North America and that is part of the re-focusing of our environmental business, part of which will go after the complex part and part will go after the simple remediation with our new value proposition of FieldTech Solutions.

- Quirijn Mulder – ING

I have a couple of short question. First, can you update us with regard to the loss situation in Germany of Hyder?

With regard to Hyder you mentioned growth of 18% of that company. Is that purely organically or is it also a currency effect there? Maybe you can split it up.

With regard to the targets for 10.5% to 11%. That includes Hyder and that, as I understand, implies that with regard to your guidance for the second half that Hyder should realise a seriously higher margin. Is that a correct assumption or not?

Mr. McArthur: Let me take the third question first. We have three areas that will deliver improvement of our operating margin in the second half to get us to our outlook of 10.5% to 11%. This is not in any particular order of size or importance and we are not going to give that level of guidance but we have clear plans in place for Performance Excellence, for more synergy capture through Hyder and also for continuing improvement in our North American
business. That gives us a very clear view and we are very confident about 10.5% to 11% operating margin for the second half of the year.

Mr. Vree: On the growth of Hyder. Hyder is doing well. They had a significant win of work in the UK, in the Middle East and in Australia. We start to see a good pick up in significant wins and that is fuelling the revenues of Hyder and also we expect that to continue.

In Hyder Germany, that is the one that does not fit in the previous profile, because Hyder Germany is not growing. That is the business where we have taken measures to be much more focused on profitable clients and services. There we have laid off people earlier in the year to make that business healthier. There was still a small loss in the first half but already in the second quarter it was better than in the first quarter of this year.

Mr. McArthur: Despite all of that, it is worth mentioning that their operating margin in Europe continued to improve versus last year, despite having to take on board the losses of Hyder, Germany.

- Dirk Verbiesen - KBC

I have some questions about the outlook on revenues. Given the volatility in currencies that we have seen recently, what kind of assumption do you have for organic growth in the second half? We have seen some pluses and leading indicators on slide 39 but in terms of numbers, what is the ...

Mr. Vree: We are not going to give a 'hard' number for that but looking at the first half year and extrapolating that in combination with the currency rates where they are at this point in time and of course the effect from the now acquired companies, that gets you to approximately that 30% growth of revenues. But clearly also currencies can make that number somewhat different than what we have in the outlook.

Dirk Verbiesen – KBC: And then on the bottom line outlook, net profit from operations. If you look back in the Profit & Loss, do you assume the 10.5% margin EBITA margin or the 11% EBITA margin? It seems to me that you are on the safe side here to get to the net profit from operations growth.

Mr. Vree: Well, the guidance for the year takes into account a lot of opportunities and also looks into risks. That is how we get to our guidance. If we achieve 11% margin for the full second half year, then I think there is a chance that we would overshoot our 10.5% and then it gets a bit tighter. So, we still have a few things to do to deliver on our outlook for the year.
Dirk Verbiesen – KBC: But at 10.5 you would still make it, or not?

Mr. de Vree: I do not think I said that.

Dirk Verbiesen – KBC: Then on the last question, on working capital. Is it fair to assume that you already see some benefits from all the programs running at Hyder and Callison in the second half or is it more realistic to assume ...

Mr. de Vree: Yes, I would expect in the second half to see the first benefits from that, for sure in Hyder. Callison is a bit more difficult because that is more contractual and therefore that takes more time. In Hyder, next to the contractual improvements we see, there is also just operational improvements we can make. That should not take too long to start to see the benefits from those efforts.

Dirk Verbiessen – KBC: Thanks!

- Philip Scholten – Kempen & Co

I have a couple of questions. First of all, can you provide an overview of the remaining lump-sum projects in the US? Is there a way to maybe break down your whole backlog into a lump-sum and a cost-plus to give us more feel as to how you actually operate in that sense?

The second question is on some more detail on the North American Environmental value proposition, the FieldTech Solutions. It sounds great but what exactly is the proposition? You are talking about an increased competitive environment there, also there with smaller players and that is exactly what FieldTech probably is referring to. So, what is really new or what has changed? Can you give us more detail about what the real proposition is there?

The third question is on Continental Europe. You achieved the 10% margin target in Q4 last year but in the first half the losses of Hyder are negative. It is still at 8.6, which sounds then a bit disappointing. What are the drivers behind that margin and do you still believe that Continental Europe can achieve the 10% margin or maybe even the 11%?

Lastly, a bit detailed question. Renier, are you willing to give a number for the unbilled receivables at the half year?

Mr. Vree: When you compare cost plus vs. the fixed price or lump-sum contracts, then roughly it is 50-50 for the company in terms of our revenues and also in the backlog it is more or less the same.
Mr. McArthur: But remember, I would also point out that if you look at what we have disclosed for the North American business, there are two types of lump sum. There is the grip, where there were 37 projects where we still have EUR 64 million of backlog, that gives you a size of the average in the group still remaining, but then what we also consider lump sum is EUR 48 million of backlog, which are 2,000 individual projects. They are essential small task orders for a fixed price. They would be in that 50% that Renier has defined as lump sum. I do not think it is lump sum very large projects, it can also be lump sum very small task orders, essentially to do a very fixed piece of work. that may only take a few hours or a few days.

Philip Scholten – Kempen & Co: Right, but in theory the risk you have on those lump sum projects is like the one you have now suffered in the US. Or is there also a contractual difference within the lump sum projects?

Mr. McArthur: Renier was also very clear about that. For that particular project that was contracted ten years that would not make it through our current ‘go, no go’ process within ARCADIS. So, over time the types of contracts that we have taken on board would be much more stringent in terms of what is an acceptable and balanced risk vs. conditions that we would no longer accept. That is also true moving forward. If you look at the types of contracts that we have been winning now with Hyder jointly, all of those new contract are on our common ARCADIS payment terms, which are not long-time in between milestone payments. So, over time we changed the types of contracts that we have.

Philip Scholten – Kempen & Co: But what then is actually really different because it is still a lump sum? IS the ‘go, no go’ decision then based on your experience in certain projects? What is the real difference behind that?

Mr. McArthur: If you look at the size of the contract, for example that EUR 48 million with 2,000 task orders. That is an individual task order to do a piece of work that may take four hours or that may take three days. The risk there of a major overrun is zero. If we look at our European business, we have thousands of what are deemed to be lump sum contracts but in essence they are task orders to do a very small defined piece of work.

Philip Scholten – Kempen & Co: Okay, so the difference is in size.

Mr. McArthur: Yes.

Mr. Vree: The other difference is that in this particular case for this project we took on the responsibility for a clean-up without exactly knowing what it would require. So, it was an open-end risk. We would never take on a risk these days of a project where we think we will find a solution, do the measurement and agree with the regulator about what is considered a clean-up and then saying it is a bit tougher than we thought it was and let's
see if we can come to an agreement. That is what went wrong in this case. It was a bad contract in the first place. We should not have accepted that risk ten years ago.

Mr. McArthur: Let me move on to the second question, Philip. If you look at the North American Environmental remediation market in rough numbers it is a market of roughly US$ 8 million. There is about a 2 billion market for private sector complex remediation. That is where we are the leading player. Between private sector and public sector there is about a US$ 2.5 billion to US$ 3 billion market for what we call simple remediation, which is a very defined task that needs to be performed. It is basically more of a commodity service where there is a price point that clients are willing to pay for. With the business model that we have and the highly technically competent staff that we have at ARCADIS we cannot do that work effectively and create greater than 11% operating margin. With FieldTech Solutions we have defined a business model and a type of capability competency of people less qualified with an operating model that allows us to take the market price for that simple remediation and do it with different type of people on different terms and conditions than our historical highly complex and highly technical people and still achieve greater than 11% operating margin. That is a market that we have not gone after as ARCADIS because with the business model that we had we could not make greater than 11% operating margin. By redesigning a new business model new capabilities and being able to take the market price, we can capture market share in a market that we have not gone after.

Mr. de Vree: Continental Europe 8.6% for the first half year, which is indeed away from the 10%. There are a few factors that will contribute to a stronger second half. One is Performance Excellence. As Neil alluded to, that should also further help Continental Europe to improve margins. The second is that we expect that Hyder Germany will not be loss giving in the second half year and therefore, for the full year we should be very close to the 10%. Whether we will do exactly do 10% or more than that having the Hyder impact in that for the full year will be a close call to make but we should not be too far off, I expect.

When it comes to unbilled vs. billed it is not a level of detail we disclose. I just checked my notes but the percentage of decline was almost the same for both. So I think that indicates that on both the unbilled and the billed we have reduced the level of the receivables.

Philip Scholten – Kempen & Co: But that is quarter on quarter?

Mr. de Vree: Yes. That is compared to the first quarter.
Joost van Beek – Theodoor Gilissen

Again another question on working capital and receivables. If you look at the payment behaviour of your customers in specific regions like oil and gas, Brazil or maybe China, do you see a worsening there?

Secondly, do you make use of factoring to help the balance sheet?

Thirdly, when would you decide to write off a bill, after how much delay in terms of payment? What is your policy there?

Mr. Vree: Firstly on payment behaviour. You talked about three very different types of clients: oil and gas is notorious for having long payment and also sticking to their commitments. So, it tends to be a longer payment term but pretty predictable. Brazil has been difficult for us, although in the quarter we had a positive cash flow from working capital being able to manage it well, but also on a slowing top line. In this case, that can help sometimes for your cash flow because payment terms are still too long in Brazil and credit for companies is limited. So you see that back. China is quite okay but it is very important that you know your clients very well, that you have good client relations and that you chase them, so that they know that you expect their payment. Then, also given the long term of the relationships there, the behaviour of the clients is quite okay.

We do not do factoring anywhere in ARCADIS, so that is not something we ever do or consider for managing our balance sheet. The procedure for a write-off is that when a bill is overdue for a year it gets written down. It can already happen earlier if there is a clear indication it will not be paid. If it is outstanding for a year but there is also a clear reason and we know it will be paid, then we will not take the provision. But in general, 365 days is the moment that we take the full provision.

Joost van Beek – Theodoor Gilissen: And have you written off in the first half?

Mr. Vree: In the first half the provision stayed the same. So, whatever we added to the provision was also used. So, there was no swing in the level of provisions.

André Mulder - Kepler

I have a few questions, again on working capital. The statement in the presentation is again that you expect to be lower at the end of 2015 and 2014. Given the sensitivity of this topic among investors, why did you not put that in the press release?
Mr. Vree: The press release went out at the same time as the presentation this time because you know that you guys like to be served well. So, we decided to increase our service level and make the presentation available. We already made the commitment at the Q1 results, so we have not moved an inch from our objective. There is no reason why it is not in the press release. For me also what is in the press release and what is in the presentation has the same type of importance for investors. There is no specific reason why we have not reiterated that in the press release.

André Mulder – Kepler: I sense that you are a bit more optimistic on that part. Can you also a bit more detailed on where you feel that it will be heading and possibly even giving a long-target and lastly, again on that sensitivity, why not promote this one to an official target? You target for margins, there is a target for growth, so why not have a target for working capital?

Mr. Vree: Thanks for that suggestion but I think implicitly we have it by saying that we want our cash flow to be larger than our net income. That is an implicit signal that we want our working capital to improve year over year. I will take up the suggestion to see if we should move to setting a target for that, also given the current profile of the company.

When you look at the opportunities, I already mentioned Hyder and Callison as the two parts of the company where we have significant progress. North America made good progress but there are still areas where we can do better. Europe made probably more progress than all regions. You see that in Belgium and France that the public sector is slow in paying. They always pay and sometimes they even pay interest, so it is not a risk in terms of a write-off. They are just paying to receive the funds from clients in those sectors. In the Middle East there are ways to improve the process but that is a bit linked to what I described about Hyder. In every region where we really go through the list there are opportunities everywhere. I spent quite some time in the second quarter to go through all the lists on a frequent basis with the leadership teams to make sure we knew where we were and what we were going to do and how we would improve working capital.

André Mulder – Kepler: You gave some numbers on Brazil with a slide from -15 to -25 to 30 but what about China? Can you be a bit more detailed on how the development has been and what you expect for the second half?

Mr. McArthur: I think I tried to answer that question a little earlier today on China, where we said we have seen a slowing of growth but still good growth in China. I also indicated that with the backlog that we see in our cost and management business our view on China is that there will be slower growth than we have seen in the past.
André Mulder – Kepler: On the US margin, if you look at slide 38 and simply add the 40 million of cost overruns I end up with a margin that is higher than the 11.5. What is the reason for that?

Mr. Vree: The 11.5 is already after adding back the 13.9. I think it is 8.8 if you do it without the 13.9. You cannot add it back twice.

André Mulder – Kepler: If you do that then you would end up with 12%.

Mr. Vree: I am sorry, yes. There is also a revenue impact from the write offs, so you have to add back some revenues. It has an impact on revenues as well and therefore, in the calculation there is both the numerator and the nominator that are impacted.

André Mulder – Kepler: The last question on the US market. There is indeed a slowing decline. What has happened to the market itself? What is your view on that market? Do you take into account that the market will improve?

Mr. McArthur: Let’s take the global business line by global business line. We have seen for example in Water a decline in municipal spending for a quite a number of years now. We have reinvented ourselves not to just be dependent on Water treatment design for municipal government, so we are doing what we call conveyance work, which is water transmission to the plant and from the plant. We are seeing growth there with a more simple offering there. Water for industry, program management in water and business advisory in water are areas that we see growing.

If we look at Infrastructure we continue to have good growth. We are a strong regional player in the South East in Infrastructure with differentiated value propositions of intelligent traffic management systems in addition to just hard core engineering and design.

If you look at Buildings and getting closer our architectural capabilities to our Building capabilities in North America and our business advisory in the Building space, we enjoy good growth and we see good growth going forward, in line with the market.

Then we have Environment. If you look at the Environmental business, clearly there is no new legislation and there has not been in the Environmental world for quite a number of years. It is a flattish market and we are seeing increased competition from smaller players coming into our space. That is why we need this FieldTech Solutions as a way of being able to offer at a lower price point what the clients are looking for while still creating good margins.

- Bjorn Krook – ABN AMRO
I have a couple of follow-ups. Yesterday we heard from a company that the start-up of AMP6 was a bit slow in the UK on new water plants. Can you comment on how that is impacting you?

If I understood correctly, you said that there is increasing subcontracting at RTKL while I thought that one of the things that would happen with Callison is that we would see a reduced subcontracting. So, synergy wins for H2 potentially?

Why would Brazil be stabilising in 2016? In H2 there will be an acceleration of the decline vs. H1, so next year H1 will be very weak again, I assume. Why do you think that will stabilise for the full year?

Can you share with us the current run rate of cost synergies at Hyder? It is GBP 15 million by the end of 2016 but where are we at now? Is that something that you are willing to disclose?

Mr. Vree: Let me take the first question on AMP6 in the UK. I think it depends a lot on the role you have in those programs. Particularly with Hyder and also the ARCADIS legacy UK business we tend to be in the program management type of role at the water utilities. We help to shape those programs, so we are in a very different position than if you were on the execution or the implementation of programs. What you saw from our comments and our slides is that we are quite positive about the water development in the UK.

Mr. McArthur: On the increased subcontracting with Callison RTKL, clearly we want to keep in house what we can keep in house. This is a unique situation, where in Canada we are doing a number of hospitals. That requires some local presence as part of the contract. So, we are using local architects there.

In terms of the Brazil stabilising we said stabilising at least at the level of the second half of this year, so at a very low level moving forward. That is driven at that level because we see no rebound in mining in 2016. We see potentially more government stimulus for infrastructure and energy and also there is and remains a huge water need in Brazil, whether that has to do supply of new water around Sao Paulo or whether that is providing sanitation to nearly 100 million that do not have it. So, we believe that government will have to provide funding for continued development in the Water business in 2016. That is why we believe it will at least stabilise at the lower level of the second half of 2016.

If you look at the run rate, we have delivered in the second quarter from a standing start 25% of the run rate already into the P&L.

- Quirijn Mulder – ING
I have a few follow-up questions. One is about the margin of Callison, the first half year at 13%. Twelve months, as I remember from the presentation, was 17 so maybe you can explain that decline of 400 basis points or is the seasonality so big for this architectural firm?

The second question is about the GRIP. You have taken a charge of 9 million for this one project where you say that you never should have taken that risk for this project because it was uncertain. How large was that project? Is the effect of the revenues minus 4% the interest premium paid in that period?

What about the 4.9 million? Is that taken on the same basis or is there a chance of recuperation of this money, given the fact that it has not happened yet?

Mr. Vree: I do not want to go into an extreme level of detail but I am happy to share a bit more on this project. The original project was US$ 10.5 million. It became a US$ 12 million project including some agreed changes with the client and then including the insurance pay-out, we will receive in total around 20 million of fees for this project. That means that compared to the 10 million original fee we will spend 22.5 million USD. That is why this is such a unique situation. Effectively it is a bit more, because the 9 million is un euros, so you just get over US$ 30 million overall spend on this project because the type of work required is so different from what was assumed when the project had been won. It is always based on an estimate, so the way the calculations work is that you take the estimated cost to complete the project and then you calculate back what the results are. On the other three projects, when you see and calculate the cost to complete in estimate, then you reverse any of the revenues that have already been recorded for that project to make sure that year to date you are correct. Is there a chance that it gets better? Maybe but in the end it is the most likely case of the expectations on a project. So, we are not calculating ourselves rich that we think that things will turn out differently from what now has been provided for.

Mr. McArthur: An on the question of margins at Callison, we are at 13% today. We have our synergy capture plan. Clearly, we have good growth in North America and the Middle East and we have a decline of revenue as we talked about in Q1 in the smaller cities in China. That continues. The net effect of that is that our operating margin is today 13% with Callison.

• Question

Maybe I missed it in the press release but what is the breakdown between the appreciation and amortization and what is your forecast for the full year amortization?
Then a question related to the Design Excellence Centres. I see that there has been growth in the number of employees. To what extent are you now able to use these Excellence Centres for carrying out the projects? Can you give some colour on where you stand and how much potential there is to use these centres for being more efficient?

Mr. McArthur: Let me take the second question first. We see large potential to use the Global Design Excellence Centres. It is one of the two strategic reasons why we acquired Hyder because we had a plan ourselves to build organically but that would have taken us five years, so this accelerates Building and Design capability by between two and three years. We have taken Graham Reed who was the leader of the UK Hyder business, the most successful of their three major business and made Graham the leader of Global Design Excellence globally for ARCADIS. We now have pilot projects with all global business lines running through the Global Design Centres. The result of that is that we now have an increase in headcount by 9% since the end of 2014. Just giving you one example of Continental Europe where they have fully embraced the concept: we have more than 70% win rate on work that we tender using Global Design. That is going to run through into our net revenue growth as we go through the rest of this year and as we continue to win more and more work through the use of Global Design.

Mr. Vree: And the accounting question on depreciation and amortization: in the first half we spent just over EUR 45 million on those two items, almost split equally between the two categories and I guess therefore that depreciation will be more or less double the first half amount. Amortization will start to slow somewhat because of the amortization period will run out for some categories. So that will be a bit less than two times the amount of the first half.

- Michel Aupers - Rabobank

I have a small follow-up question on the bad project in the US. What is the reason that this is discovered ten years after the contract win and that we are being faced with this in the second quarter of 2015?

Mr. Vree: That is of course the question we asked ourselves, too. Then you have to go back to the origin of the contract. For a long time not a lot was happening on the project. In fact, the first five years almost nothing happened. The client was not too interested and we were very busy with all kinds of other projects. Then it became more of a life project. The first phase is doing field investigations. We take measurements, start to design the solution, get into contact with the client and discuss with the regulator. That also took a long time. Then we evaluated our different ways of doing the clean-up. All in all, that took a lot of time. Only at the beginning of the second quarter it became clear that the regulator was...
absolutely not going to move to a more sensible – in our view – solution for the clean-up but insisted on a more comprehensive clean-up, which would be more costly. Only at that point in time it became certain that we had to spend this money. Until earlier this year we knew it was a risky project but all people involved were convinced that they could find a more logical and less expensive solution and convince the regulator of that solution.

Michel Aupers – Rabobank: And did you take any profits on the project in the last ten years?

Mr. Vree: Somewhat in earlier years but also last year already some loss was taken. So, a few million of loss was taken in 2014 and people saw that there would be more cost required to do the project, even on a more cost efficient basis, given all the time spent in preparing for the final solution.

Michel Aupers – Rabobank: Then a follow-up question regarding the US. Can you remind me of what your oil and gas exposure is in the US?

Mr. McArthur: It is about 6% globally is oil and gas and about two thirds is Environmental remediation, most of which is in the downstream, as we shared with the Q1 results.

Michel Aupers – Rabobank: And what is your definition of oil and gas? Is that the direct work you do for the oil and gas companies?

Mr. McArthur: That is direct work for the oil and gas companies and indirectly, the Middle East is 10% of our revenue, so you can say that is indirectly related to oil and gas.

Michel Aupers – Rabobank: Thanks.

Mr. Slooten: There are no more questions from the room and online we did not see any more questions coming in, unless there is someone on the phone line? It seems there are no questions online. Then with that, I am going to hand the word back to Neil for a closing remark.

Mr. McArthur: Thank you, Joost. Just some closing remarks. During the first half of the year we made good progress on our leadership priorities but continuing difficult market conditions in Brazil and the one-offs impacted our results. We are creating value from our acquisitions, capturing synergies with Hyder faster than any of our other major acquisitions. Our Performance Excellence contribution to operating margin is ahead of plan and the two-year turnaround of the North American business is on track with performance stabilising.

So, for 2015 we expect revenues to increase by approximately 30%. For the second half we expect operating margin to improve to between 10.5% and 11% through Performance
Excellence gaining momentum. Hopefully, we shared with you where we have clear plans for that to happen, the actions that we have taken and continue to take on our synergy capture plans from our acquisitions and then further improvement in our North American operations.

With that, I would like to close the call and thank everybody for participating. Thank you.

Mr. Slooten: Thank you for your attention.

End of call
Strong growth in Buildings, Infrastructure and Water

Gross revenues 8 months (€ billion)

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CAGR 1)
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- 4%
- 4%
- 27%

1) Computed Annual Growth Rate

renee@weemareport.com
Strong growth in UK and Emerging Markets

Gross revenue growth (€ billion)

- United Kingdom: 11% (1.24 billion)
- Continental Europe: 21% (1.24 billion)
- North America: 29% (1.1 billion)
- Emerging Markets: 23% (1.01 billion)

Headcount at June 30 (thousands)

- United Kingdom: 24% (1.01 billion)
- Continental Europe: 11% (1.1 billion)
- North America: 5% (1.05 billion)
- Emerging Markets: 16% (1.01 billion)

CAGR*:

- United Kingdom: 5% (1.05 billion)
- Continental Europe: 20% (1.1 billion)
- North America: 15% (1.05 billion)
- Emerging Markets: 15% (1.01 billion)

* Computed Annual Growth Rate

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