ANNUAL RESULTS 2015

Neil McArthu, Chief Executive Officer
Renier Vree, Chief Financial Officer
18 February 2016
Mr. Slooten: Good morning and good afternoon. My name is Joost Slooten. I am the director of Investor Relations for Arcadis. I would like to welcome you to this ARCADIS analyst meeting conference call and webcast.

We are here to discuss the company’s results for the fourth quarter and fully year 2015, which were released this morning.

With us during the meeting and call are Neil McArthur, Chief Executive Officer, and Renier Vree, Chief Financial Officer. The PowerPoint presentation that is used is available through the investor section of the ARCADIS website, for which the address is www.Arcadis.com/investors.

Just a few words about procedures before we start. We will begin with formal remarks. We call your attention to the fact that in today’s session management may reiterate forward-looking statements, which were made in the press release. We would like to call your attention to the risks related to these statements, which are more fully described in the press release and the presentation as well as on the company’s website.

With these formalities out of the way, I would like to give the word to Neil McArthur, CEO.

Mr. McArthur: Thank you, Joost, and can I add my welcome to our annual results presentation for 2015.
It is customary I am going to do a quick overview and then hand over to Renier Vree, our Chief Financial Officer, to go through the Q4 and full year results. Then, I am coming back at the end and talk about the strategic progress that we are making with ARCADIS and also our leadership priorities for 2016. Then we will move on to questions and answers.

2015 was a challenging year...

- Number of challenging markets in 2015:
  - Brazil recession, China/Asia slowdown, Middle East spending cuts
  - Low oil and commodity prices – affecting spending in especially Infrastructure & Environment

- Comprehensive program to adapt, restructure and maintain margins:
  - Launched turn-around North America, including new management
  - Continued Performance Excellence program, delivering 1.1% margin gain
  - Integrated Hyder + Callison; +30% new people
  - Delivering acquisition synergies
  - Total FTE reduction ahead of backlog decrease

2015 was a challenging year in a number of our end markets. We were faced with a deep recession in Brazil, the China and Asia slowdown and Middle East spending cuts due to low oil prices.
Low oil and commodity prices are affecting spending especially in Infrastructure, for example in Brazil, but also increasingly so in the Middle East and also spending by our oil and gas clients in our Environmental business line,

However, we have a comprehensive program to adapt, to restructure and maintain our margins as ARCADIS. We launched the turn-around of our North American business, including new management. We continued with our Performance Excellence program, delivering 1.1% margin gain during 2015. We successfully integrated both Hyder and Callison with approximately 30% more people around the world. We are delivering on the acquisition synergies and our total headcount reduction is ahead of our backlog decrease.

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...with a number of unexpected announcements

- Specific issues led to unexpected announcements:
  - Mid-year: one-off project costs overruns
  - December: request to provide information in support of a broad investigation into a number of construction companies which are active in the Sao Francisco project in Brazil
  - January: updated profit outlook and purchase price allocation for Hyder and Callison acquisitions:
    - disappointing outcome of financial review with balance sheet adjustments as a consequence
    - strong growth and margin improvement Hyder and rapidly improved low cost engineering positioning, resulting in key project wins

- Management focus continues to be on dealing with the issues, driving our transformation especially North America, ensuring agility to adapt to changing market conditions, capturing acquisition synergies and delivering key financial parameters

There are also a number of specific issues that led to unexpected announcements during 2015. Mid-year we reported one-off project cost overruns in four of our projects, in our long-running projects in our Environmental business in North America. In December, we reported a request to provide information in support of a broad investigation into a number of construction companies, which are active in the Sao Francisco project in Brazil. In January, we declared our updated profit outlook and purchase price allocation adjustments for Hyder and Callison acquisitions. There is a disappointing outcome of the financial review with balance sheet adjustments as a consequence. However, we delivered strong growth with Hyder with margin improvement and with rapidly improved low-cost engineering positioning, resulting in key project wins around the world for ARCADIS.

So, management focus continues on dealing with those issues, driving our transformation especially in North America, ensuring agility to adapt to those changing market conditions, capturing acquisition synergies and delivering key financial parameters.

So, during 2015 solid results delivered.
Revenue growth of 30%, flat organic growth despite those challenging market circumstances in multiple regions, a healthy 11% increase in net income from operations, strong cash flow of EUR 121 million, aided by our working capital reduction to 17.1%. We strengthened the balance sheet, reduced the net debt/EBITDA ratio to 1.9 at year end and consequently, we are proposing a 5% increase in our dividend to EUR 0.63 per share.

**Brazil**

- **Investigation by Federal Authorities**
  - Received no further requests for information
  - Process pending - expected to take months if not longer

- **Arcadis role in Sao Francisco project**
  - Program manager (50/50 consortium with Concremat) for Ministry of National Integration
  - Does not process payments made by Ministry to contractors. Updates actual status of project spend versus budget and reporting
  - Construction management firms/supervisors monitor and measure day-to-day contractor progress and approve invoicing for Ministry

- **Steps Arcadis**
  - Performing a diligent and thorough internal assessment with support of a forensic expert and external legal advisors
  - Expect to be in a position to provide an update (on internal assessment) in Q2

Let me first make a few remarks on Brazil. We have received no further requests for information by the federal authorities. That process is pending and is expected to take months, if not longer, for completion.
I can be clear about our role in the project. We are the program manager – 50/50 in a consortium with Concremat – working on behalf of the Ministry of National Integration. We do not process payments made by the ministry to contractors. We update the actual status of project spend versus budget and the overall program reporting. Construction management firms and supervisors monitor and measure the day-to-day contractor progress and approve the invoicing for the ministry.

We are performing a diligent and thorough internal assessment with the support of forensic experts and external legal advisors and we expect to be in a position to provide an update on our internal assessment in Q2.

With that, I would like to hand over to Renier Vree, our Chief Financial Officer.

**Agenda**

- **Annual Results 2015**
  - Overview
  - Q4 financial results
  - Full Year 2015 financial results
  - Strategic progress
  - Leadership priorities 2016
  - Questions & Answers

Mr. Vree: Thank you, Neil. Hello everyone! Let’s have a look at the overall financials for the fourth quarter and the full year 2015.
You see here growth of both revenues as well as earnings for the quarter and the year, also helped by currency effects as you can see at the bottom of the overview. Currency had a positive impact on revenues and earnings.

Another point I want to share is the restructuring and integration charges at EUR 40 million for the year. That is a very high level and I will come back to that in a minute.

The operating EBITA margin for the quarter is at 10.8%, the highest of the four quarters in the year.
When I move from earnings to our net income, we see the impact of amortisation and following the acquisitions at the end of 2014 that amount increased significantly to EUR 48 million. The interest charges were also higher because of the loans that were attracted to fund the acquisitions. We see income tax lower in 2015, at 23%. There are two major impacts here. One is the shift of the geographical mix of the taxable income and the second is that the number of tax returns in prior years were positively set off, which also helped the income tax expense to be lower in the year.

There was a EUR 3 million loss in income from associates. That has to do with the non-core energy assets in Brazil that, as you know, we have in a divestment process. That brought net income to EUR 99 million and if we add back the amortisation after tax basis, we get to EUR 137 million or EUR 1.66 per share, which is level with 2014.

### Operating margin: quarter-on-quarter higher margin in 2015

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<th>Underlying operating EBITA margin</th>
<th>Underlying operating EBITA margin analysis</th>
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<td><strong>Year</strong></td>
<td><strong>FY 2014</strong></td>
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<td>Q1</td>
<td>Performance Excellence</td>
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<td>2013</td>
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<td>Q2</td>
<td>Synergy</td>
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1. Including one-off project cost overage 7.9% reported
2. Including one-off project cost overage 5.6% reported

* Margin dilution due to Brazil and North America offset through performance excellence and capturing synergy benefits
* Operating margin Q4 of Arcadis excluding Hyder/Callison was 11.0%

Here we see the operating margin quarter on quarter. I referred to it earlier that during the year from Q1 through Q2, Q3 and Q4 we see an improvement every quarter in the underlying margin. In the graph to the right you see that the main contributors to a higher margin were the work we did on Performance Excellence, adding 1.1% in our margin, and also capturing the synergies with Hyder and Callison, adding 0.6%.

On the other hand, we had offsets in the activities in North America as well as Brazil. The remaining regions contributed with 0.3% improvement, bringing the underlying EBITA to the same level as in 2014. By the way, in Q4, if we strip out the acquisitions, we would have been at 11%.
This is a slide we have not yet shown before. It shows the journey we have been on for the last four years with ARCADIS, going from a EUR 2 billion company at the beginning of 2012 to a EUR 3.4 billion company at the end of 2015. During that trajectory, we spent over EUR 100 million in deal costs to acquire companies, in integration cost to integrate companies, and on restructuring charges to optimise the way we operate to build this global, integrated company, where ARCADIS really integrate its acquisitions.

If you look in a bit more detail and look at the acquisition cost, the pink part in the bars, you see the impact of EC Harris and Langdon & Seah a couple of years ago, and in 2014 and 2015 particularly the cost made to acquire and integrate Hyder and Callison.

The restructuring charges were first made in 2012 and 2013, particularly for improving the margin in Europe – the One Europe programme – and then after that, when we launched the Performance Excellence program, this was the second reason to spend this money.

So, these have been significant investments, made to build this integrated firm. We think that the heavy lifting to do this has happened and therefore, the amounts we will have to spend going forward in optimising ARCADIS will come down significantly from the levels we have seen in 2014 and 2015.
Let’s look a bit closer at Hyder. Hyder had a good organic growth. On a stand-alone basis Hyder has grown 8% and in fact, in an overall growth even more though there were also positive currency effects there. The final outcome of the allocation of the purchase price led to an increase in the value of intangibles and goodwill. Based on the improved profitability of Hyder, there is sufficient headroom to withstand the goodwill impairment test.

The reason for that is the significantly improved financials of Hyder. Hyder was a 7%-margin business when we acquired it. Over the year 2015, Hyder delivered an operating margin of 9.2%. If we express it in EBITDA-multiples – that we also shared when Hyder was acquired – the multiple was 12.9 at that point in time. When we did the acquisition, we guided that there would be about GBP 15 million of synergy benefits on a run rate basis by Q4, 2016. When that would take place, the multiple would be 7.9. Based on what we have achieved in 2015 for the full year, the multiple is now already at 9.2, so a significant improvement, helped by the more than 50% higher profit of Hyder and also helped by currency here. Therefore, we are clearly on track to achieve the target we set out at that point in time. This is very much also a consequence of the strategic rationale that we used when Hyder was acquired. We obtained the leadership position in the UK and a much stronger position in the Middle East and Asia that you see back in some of the business line and the at-scale Global Design Centers. We will talk a bit more about that in a minute. Also access to Australia, which was on our wish list for multiple years, now took place with Hyder.
Then the story on Callison. Callison stand-alone had 18% decline. That is fully the impact of the slowdown of the architectural business in China. Nevertheless, the margin of Callison remained at a good level of 12.5% on an operating level and also here, the multiple went the other way. At the moment of the acquisition – at that time we already signalled that there was clearly a risk around the China business – it was 6.5 and currently, for 2015 we see a multiple of 9.1. And also here, the profitability of Callison is sufficient to pass the goodwill impairment test.

Just to repeat the reasons that we had strategically to go after Callison: we wanted to create a top-5 company globally when it comes to architecture and design and to strengthen our position in our big urban clients – one of the themes in our growth strategy, announced two years ago – and to become the largest global retail design firm.
Here you see details about our working capital and cash flow. Working capital came down during the year and I will show a lot more details in a minute. That helped to generate a strong cash flow for the year. You remember that even in September working capital was still high, over 19%, so an over 2 percentage points drop that took place during the fourth quarter, showing that all the efforts we put into this are starting to bear fruit.

Net debt came down to EUR 494 million and that is despite the fact that the US Dollar worked against us, 12 million impact just for the fourth quarter. If you take the full year, you see it is even EUR 43 million impact of the US Dollar on our net debt.

The free cash flow again exceeded our net income, as this is one of our strategic targets.
I mentioned the receivable because we have a company-wide program with an incentive system and an action plan for every business to drive down the receivables. We thought it would be useful to share on a regional level the details with you.

So you see here North America and we were able to reduce it by eight days to 74 days of sales outstanding at the end of the year. Of course now, given that achievement, it is about sustaining that level there.

The UK was good already at 62 days and also here, we focus on sustaining that.

In Continental Europe, particularly in the Netherlands and Germany, we were able to improve the receivable level. Here we still see opportunities in Belgium and France to do better.

In the Emerging Markets we saw days of sales outstanding going up. That is contributed to by the Middle East but also parts of Asia and Latin America have a high level of days of sales outstanding.

When it comes to the Middle East that is also impacted by some large milestone-based contracts that are part of the Hyder business. Before those projects are completed and run out of our numbers it will take a while. We expect that to be somewhere around the middle of 2017.

In 2016, we will continue to focus on working capital and particularly on our days of sales outstanding. As Headquarters, we take the lead in organizing that program. The focus here is on the Emerging Markets, which you can understand when you look at those numbers.
A lot of details presented here, given also some of the questions we recently received about working capital. You see the reduction to 17.1%. In absolute amounts it went up but of course also here currency is playing a significant role. Overall, ARCADIS’ days sales outstanding is one day up and the emerging markets here offsetting the progress in the other regions.

We see that on the supplier side – and this is also part of the Performance Excellence program – we are doing a more professional job when it comes to procurement and the way we manage our subcontractors to see their increase in the payables. In a further breakdown we thought it was relevant to share the progress made in what we call ‘the legacy’ ARCADIS business, so without the two acquisitions, where you see a reduction from 16.9% to 15.8%, so a good reduction and basically, being in line with what we also had in 2013 prior to making the acquisitions of Hyder and Callison. On the DSO-side we also saw a reduction and work in progress helped to be brought down by invoicing those contracts that are milestone-based faster. Also here payables are somewhat higher.
Also in some detail you see here the movements for Hyder and Callison, where we show the number prior to the purchase price adjustment and post purchase price adjustment. Line by line you can see how the final premeasurement of the purchase price allocation has impacted these numbers as well as the outcome for 2015.

So, we see for Hyder that increase in work in progress and this is the contract I mentioned in the Middle East being the major factor in here.

On the side of Callison we see significant movements of the individual lines, both on receivables, work in progress and billing in excess by just speeding up and getting to a more simple way of going about the contracts for that business.

Also some details mentioned here on the purchase price adjustments in case you want to understand the individual line items.
Here, we are showing both the growth receivables with their ageing, for 2014 as well as for 2015 and the provision for bad debt is also shown in these tables. For instance, if we take the receivables not past due and maybe add also the one for the first 30 days, it was 65% on the gross level at the end of 2014 and 68% at the end of 2015. So, a slight improvement in the quality of our growth receivables.

When we look at the provision for bad debt in a bit more detail, you see how the purchase price allocation has impacted the overall provision here. Also, the actual utilisation of the provision
at EUR 3 million has been pretty low, as I think we have a long history of ultimately seeing low write-offs of invoiced amounts.

At the bottom of the second table it shows the overall provision for litigation. These are all tables that are also visible in our Annual Report in a few weeks. It went up because of the premeasurement of the purchase price allocation, but in 2015 no significant movements. Some smaller payments were made in North America, the UK, and Asia.

Our balance sheet remains solid with a net debt ratio of 1.9. If we take the average of June and December, which is what we have to use for our covenants, we are at a level of 2.2. Because of the refinancing we have – we did a Schuldschein transaction twice and we renewed our revolving credit facility towards the end of 2015 – you see that the maturity profile of our debt changed significantly compared to the years before. Basically, it means that we have no need for refinancing during 2016 and 2017. Also worthwhile to mention is that if you look at the profile of our facilities, it is now 55% with commercial banks and the remaining part is either through USPP or Schuldschein, so showing the diversification of our funding that has taken place in the last years.
The backlog dropped by 4 percentage points and organically even 7%, particularly in the fourth quarter. Because we took measures when it comes to staffing, the capacity of our organisation, even towards the end of 2015 in Brazil, in the Middle East and in North America, we were able to have the backlog per FTE still being up by 2 percentage points.

Let me zoom in, in a bit more detail on the picture by business lines and regions but not before showing you the overall view of ARCADIS.
To the left, you see the five year view of our gross revenue, where you see that all our regions have shown growth over that period, particularly in the emerging markets and in the United Kingdom. To the right, you see that the headcount has grown, though you see a drop of about 1,200 people from 2014 to 2015. The largest part of our staff, 40%, is in the emerging markets and that includes the people that are in the Global Excellence Centers.

If we take the same view for gross and net revenues by business line, also here we see that all business lines have grown over this five-year period.
Infrastructure was clearly helped by the acquisition of Hyder, especially in the UK and the Middle East.

We have seen Latin America being a strong detractor in terms of revenues in 2015, so the organic growth was down 5% on net revenues for the whole business line. If we would exclude the impact of Brazil, it is 3% up. So globally, Infrastructure actually did quite well but it was really Latin America that held back the ability to show growth here.

Growth came from Australia, where I think since the acquisition of Hyder we have been very successful in winning significant projects and growing that business. Also North America is
steady here and in Continental Europe public spending is still flat. The operating margin improved to over 11%, also benefitting from the Global Design concept in the emerging markets.

On this slide you see a desalination plant in California, which is the largest plant on the western hemisphere when it comes to desalination.

In Water, we saw some impact from the acquisition of Hyder, particularly in the UK and the Middle East. We saw organic growth in Water in North America but also in the UK and in the Middle East. In Continental Europe there was a decline, particularly because of the elections...
of the water boards in the Netherlands and typically, in a year of elections there is not a lot of work coming to market and the year thereafter it restarts again.

The other one where we saw a decline was because of lower spending by municipal water companies in Brazil because of a lack of funding, which also impacted the margin.

In Environment we saw an organic decline of 6%, mostly caused by North America.

**Environment (25% of gross revenues)**

- Decline in North America drives overall negative organic growth
- Infrastructure investments in the UK drove environmental impact assessment work, Continental Europe essentially flat
- Brazil, strong decline due to a slowdown in investments
- Operating margin at 7.1% lower due to increased competition North America (2014: 10.3%)
In the UK we saw a much more positive development on the back of significant infrastructure investments taking place there, and we saw about a flat development in Continental Europe. Brazil also here had a negative impact.

The margin is at 7.1%, also impacted by that EUR 14 million write-off earlier in 2015, and without it, at 9.4% but still down due to increased competition in North America on a like-for-like basis.

Finally, the business line Buildings.
This business line is showing the highest growth, 50% for the year when we compare with 2014. Both Callison and Hyder contributing here. We saw a strong organic growth in Continental Europa in the private sector, but also in the Middle East, Australia and in the UK. In China and Asia, demand was slowing down during the year, particularly also in the architectural business for which we have made capacity adjustments. North America, also here delivering good growth with a margin staying basically stable at 10.6% to where we were in 2014.

Neil, back to you.

Mr. McArthur: Thank you, Renier. I am going to share our progress on our strategy and our leadership priorities moving forward in 2016.
In the beginning of the year we set out three priorities and we added a continuous focus on and attention to working capital. Renier has given you a lot of details around the progress that we have made in many parts of the business with working capital.

In terms of delivering on the acquisitions synergies I will share some more information but we feel that we have done strong progress. It is the same with Performance Excellence, strong progress. As you know, we launched the turnaround of our North American business this year and that is still work in progress.

### 1. Synergy capture on plan

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<tr>
<th>2014-2016 Strategy</th>
<th>2015 Leadership Priorities</th>
<th>2015 Progress</th>
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<tr>
<td>Deliver acquisition synergies through co-creation processes</td>
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<tr>
<td>- Design to Lead: Callison</td>
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<td>- Evolve to Win: Hyder</td>
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<td>- Canada: Combine SENSES and Franz into Arcadis Canada</td>
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<td>Deliver quick wins</td>
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<td>Prepare process design changes</td>
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<td>Return North America to growth, improve margins</td>
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<td>With continued attention to working capital</td>
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- **Callison**
  - Cost out and revenue synergies in line with acquisition case

- **Hyder**
  - €15 million EBITA run rate Q4 2016 to be achieved through cost out only
  - €63 million EBITA improvement delivered in 2015 (€10 million Q4 2015 run rate)
  - Good stand alone growth 8%
  - Operating EBITA margin 9.2% vs. 7.2% 2014
If we look at the acquisitions both of Callison and Hyder, we went through a very accelerated but thorough process of developing jointly the go-to-market strategies, the operating model, and bringing together those leadership teams. Do not underestimate that: it was bringing together six leadership teams out of eight P&Ls worldwide in the first half of 2015, coming together and then developing joint synergy capture plans and moving into the ongoing operations.

Where are we today? With Callison, the cost out and revenue synergies are completely in line with our acquisition case. The ongoing operations – Renier alluded to that – have a clear slowdown in China but good growth elsewhere and we now have an operating margin still at the healthy level of 12.5%.

On Hyder, again with the Synergy Capture plan, originally we said that it would be GBP 15 million of run rate synergies in the fourth quarter 2016 and we have communicated that we are now confident that we will reach that through cost-out synergies only and I can report today that we delivered into the P&L GBP 8.3 million of EBITDA improvement in 2015 and the current run rate is around GBP 10 million in the fourth quarter 2015. As Renier already alluded to, we go to stand-alone growth of 8% with Hyder and we have significantly increased the profitability with the operating margin now at 9.2%, up from 7.2% in 2014.

**2. Performance Excellence: on track....**

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<th>Performance Driver</th>
<th>Description</th>
<th>2015 focus and results</th>
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| Project management | • Standardized approach to project management based on best practice  
• (Re)training of project managers via Arcadis Academy | • Implementing revised approach in US, UK, Continental Europe and Australia  
• Improved project margins in US, Continental Europe and Australia |
| Global design | • Drive ongoing growth by scaling Hyder global design model  
• Staff and manage design & engineering from most capable and cost effective design excellence center | • Bid to new work using Global Design  
• Headcount in Global Design Excellence Centers increased by 24%, now 8.5% of Arcadis people |
| Resource optimization | • Improve flexibility and mobility of our people  
• Create larger, more efficient resource pools | • Ongoing implementation of improvements  
• Billability improved >1% over 2014  
• Our North American operating model significantly changed with lower overhead |
| Procurement | • Improve approach to sub-contracting and overhead  
• Leverage scale of Arcadis globally | • Established procurement capabilities in US, UK and Continental Europe  
• Initial round of purchasing negotiations captured £5.5 million savings |
| Workplace & collaboration | • Apply global standards and improve footprint  
• Improve collaborative tools | • Defined global standards for workplace and office portfolio prioritization over 5 years  
• Implementation to reduce footprint and “open up” offices underway |

Let me talk a little bit about Performance Excellence. The left hand side of this chart you are very familiar with; the five performance drivers that we have set out with our Performance Excellence program about improving project management, greater use of Global Design Excellence Centers, optimising our resources, professionalising our procurement processes and then making sure that we have the right workspace and collaboration in terms of the number of offices and the lay-out of those offices to do our work very effectively for our clients.

Over on the right hand side you can see the focus and the results that we have achieved in each area during 2015, so we are implementing the revised approach of project management
in four of our operating entities and we can really clearly see the improvement coming through in the UK, in Continental Europe and Australia.

In terms of Global Design we have increased that capability by 24% this year, winning important new work around the world and it now comprises 5% of ARCADIS people around the world, up from less than 1% before the acquisition of Hyder.

In terms of Resource Optimisation, ongoing implementation of improvements. We increased our billability by greater than 1% over 2014 and our North American operating model significantly changed, with lower overhead. I will share some more information about that as well. We have established, as Renier talked about, professional procurement capabilities in three of our main regions and the initial round of purchasing savings has delivered EUR 3.5 million to our bottom line. And as we have shared, we have gone through the whole portfolio of our offices worldwide. We have developed new standards and we will have a portfolio optimisation over the next five years to reduce the cost of our offices.

In terms of savings we are ahead of target. I draw your attention to the middle line, the cumulative operating margin improvement. We had a target for this year of approximately 0.5% improvement and we achieved 1.1% improvement. That has given us a new target, so that is an adjusted new target for 2016, of approximately 1.5% cumulative, so up from the 1.1% this year. You will notice on the implementation cost that we spent roughly the amount that we said we were going to spend on Performance Excellence around EUR 25 million this year. We have a new target to achieve that increase of 0.4% operating margin improvement of between EUR 10 million and EUR 15 million in 2016, with the intention to sustain those benefits on into 2017. So, savings ahead of target.
3. North America: Transformational changes underway, time required for results to show through

At North America, transformational changes underway in our largest business and time is required for the results to show through. Again, the left hand side we have shared with you before: revising our go-to-market approach, delivering the Performance Excellence initiatives and evolving our operating model.

So, in terms of our two biggest businesses in Environment and Water, changes in how we are going to market and we have designed and now launched our FieldTech solutions for the simpler remediation market. We have refreshed our strategies for complex and also for Environmental business consulting.

In Water, the focus on growth has been around convenience, so bringing water to the treatment plants and away from the treatment plan and water resiliency in major cities, industrial water, as you know, program management and our business advisory capabilities. We have launched what we call ‘Competitive Conveyance’, using our Global Design Excellence capabilities. We are clearly accelerating growth in Buildings and Infrastructure, where we see good market possibilities in North America.

In terms of delivering Performance Excellence, implementing those project management best practises, optimising our resources through bigger resource pools, we have reduced our office print by 17 offices with ten more closures planned in 2016, and we have started that journey in professionalising our procurement capabilities with US$ 200 million of spend.

In terms of our operating model I want to stress the amount of change that we have impacted in our two largest businesses. In Environment we have eliminated 300 leadership and management supervisor positions. That is 60% of those leadership positions in Environment, with most of the people going back into client-facing work and some exiting the business. In Water, we have reduced the leadership roles from what 300 leadership roles to 30 and again, making sure that all of our leaders are client leaders in the first instance in driving our organic growth. We have also optimised our client development process and under new leadership
enhancing accountability for growth and business results. It is a large program taking its time for the results to start to show through.

Leadership priorities 2016

- For 2016 we expect continued tough conditions in Emerging Markets, and for our business in North America as it goes through its transformation
- More favorable conditions exist in a number of our end markets including the United Kingdom, Continental Europe and Australia
- Our financial priorities remain improving EBITA and a strong free cash flow

Leadership priorities:
- Deliver acquisition synergies: Complete the synergy capture plans
- Performance Excellence: Deliver 2016 savings and extend the program to remaining businesses
- Transform North America: Stay the course
- Reduce working capital: Improve and sustain benefits
- Update strategy beyond 2016

Finally, our leadership priorities for 2016. We expect continued tough conditions in emerging markets, and for our business in North America as it goes through its transformation process. More favourable conditions exist in a number of our end markets, including the UK, Continental Europe and Australia. Our financial priorities remain improving EBITA and a strong free cash flow.

When we translate that into our leadership priorities for 2016, again focusing on delivering those remaining acquisition synergies from Hyder and Callison, continuing the journey with Performance Excellence delivering on the 2016 savings, and extending the program to the remaining businesses within ARCADIS, transforming North America – staying the course on that major transformation program – reducing working capital to improve and sustain the benefits and then, later in the year, updating our strategy for beyond 2016.

With that, I would like to open the floor for Q&A.
Arcadis. Improving quality of life

Q&A
Mr. Slooten: Thank you, Neil. First, we will take questions from the room and then we will go to the webcast to take questions from the online participants. If I could ask the people in the room to press the button on the microphone before you start talking? If your light is green, you are okay to go. Thank you very much.

Philip Scholte – Kempen

Can you talk a bit about the competitive environment in the US? I have the feeling that some peers are actually talking about a gradual recovery or at least improving backlog on the federal side. So, do you see any levitation from the competitive pressures that have impacted your margins in the US?

The second question is on – sort of – your outlook. I appreciate you are targeting an improvement in EBITA but are you also trying to improve your operating EBITA margins? Do you believe there is still upside potential from the level seen in 2015?

Then probably a question for Renier on the trade working capital. You previously had sort of a target; 15% I think it was. Do you still believe that is possible in the next couple of years?

Mr. McArthur: Let me start with the competitive environment in North America. If you look at the environmental business, what is very clear is that the very large environmental projects that were placed years ago are no longer the case. That has been going on for a period of time. So, clients are being more careful in bringing to market smaller pieces of work. We have also seen this mix of not just bringing complex but also simpler remediation as a bundled set of projects to the market. What that has allowed is that less technically competent historically firms that work in the simple space to also bid on that type of work. So, we have seen two things happening. Smaller and then more competition from companies that have started in the simpler space. We have adjusted to that. We now offer both: complex remediation and simpler remediation with the ARCADIS FieldTech solutions. We are the leading player on the private sector side and on the government side there are certain areas of the government sector that as a foreign-owned identity we cannot bid for because we are a foreign-owned entity. So, that is an area that is a smaller part of ARCADIS’s business and we continue to look for growth opportunities where they occur there.

In terms of the operating EBITA our focus remains to improve EBITA and strong cash flow in 2016.

Mr. Vree: Working capital, correct. Also in the past we have said that our target is to go to a level of 15%. As you have seen, we have finished 2015 at 17.1%. When you do the math and look at the opportunities that we showed for receivables in the emerging markets and part of Continental Europe, over time I still continue to believe that 15% is the right target for ARCADIS.

Philip Scholte – Kempen: I have a short follow-up. In the presentation you talked about these large milestone contracts in the Middle East and you said that it will take mid-2017. Is that they
should be paid and done and fully completed by mid-2017? How should I look at that? Is it largely unbilled right now, will it move into billed receivables and then be paid by mid-2017? Is that the way to look at it?

Mr. Vree: Yes, part of the emerging markets is in the Middle East but next to that there are opportunities also in Asia and Latin America, but in the Middle East particularly there are a number of large programs. In those programs there is a variation of projects. Those have milestone billing in it, which means indeed that work in progress is then building up in between the milestones. Then you get the approval that the work has been done according to what was required before and then the invoice gets approved and paid. Those programs should have been run out, meaning that they have indeed been paid for mid-2017.

Philip Scholte – Kempen: And is there a size you could mention on that?

Mr. Vree: It is substantial. It is an important part of our Middle East business but I do not have a specific number that I can give you for that.

Philip Scholte – Kempen: Thanks.

- Dirk Verbiesen – KBC

I have a question on the trend we saw in Q4 and the organic decline rate in revenues and basically the same goes for the backlog. You have given some indication on the major declines in Water, Environment, and Buildings but can you be a bit more specific on what was driving those declines and in which reasons they occurred?

Neil, I still think that on EBITA we can have a long discussion on what if operating and what is excluded, restructuring charges versus 16 and versus 15, but does the target say that the operating EBITA margin in 2016 should be better than in 2015? Is that your definition on the guidance?

Mr. McArthur: I think we have tried to be clear around what our priorities are for 2016, which is improving EBITA and strong cash flow. We have the four elements of what we are doing in terms of leadership priorities, all of which end up in improving margins.

Dirk Verbiesen – KBC: But on EBITA as such, with a very high amount of restructuring and integration charges in 2015 and probably a much lower amount in 2016. Is that the way you want to look at it?

Mr. Vree: That is part of it. The fact that we will expect significantly less non-operating cost will contribute to an improvement in EBITA. That is also the feedback from quite some investors and also some of you were quite focal in your reports; you thought that too much reporting and focus on operating EBITA may take the eye a bit off of the reported profitability. We responded to that by saying that for 2016 we focus more on EBITA, recognising that the heavy lifting around creating the integrated global firm of ARCADIS has taken place in the last years.

Mr. McArthur: I think it is fair to point out that if you look at what happened in 2015 from a margin perspective, we had very good progress with Performance Excellence and with the acquisition synergies, but there were market circumstances that took some of that back, with
particularly Latin America and the transformation that we are going through in the North American business.

Mr. Vree: There was a question on organic backlog.

Mr. McArthur: We see continued tough market conditions in the emerging markets and our North American businesses go through their transformation. But we see more favourable conditions in places like the UK, Continental Europe, and Australia.

Dirk Verbiesen – KBC: Can you be a bit more specific on how you get to the organic decline? In the past you said that the UK and Europe were still growing at 5% or 6% or so. Is that still the case?

Mr. McArthur: Yes, so good organic growth in the UK, Continental Europe and Australia and then in the fourth quarter we saw a continued decline in Asia, a slowing in the Middle East and continued decline in Brazil and also particular in our municipal Water business in North America. That is why we took the restructuring charges in the fourth quarter in order to right size ourselves going into 2016.

Dirk Verbiesen – KBC: And then North America in Q4 was also weaker than the previous quarters?

Mr. McArthur: For the half year, as you have seen in what we have reported, there is a slight deterioration in organic growth in the second half of the year versus the first half of the year.

Dirk Verbiesen – KBC: And then on the backlog? The declines, basically the same trends, emerging markets, Brazil, and North America

Mr. McArthur: Correct, yes.

- Philip Ngotho – ABN AMRO

My first question is on the working capital. You indicated there has been improvement year-on-year and the days sales outstanding from the business improved by two days but in the rest of the business there is deterioration. If I look for example at unbilled receivables; they increased by EUR 50 million mainly of Hyder and Callison year-on-year. What is driving that and is that something that we should worry about? You will probably say ‘no’ but it does not look good.

Mr. Vree: Let me answer that. First of all, there is the translation impact, which also applies to work in progress. Part of the overall increase in terms of absolute amounts is also driven by currency. As part of the financial review we did, particularly for Hyder, we went through all projects and that includes the milestone-based projects in the Middle East that I mentioned. That was one of the reasons for the adjustment that was made for those projects. The way those contracts have been designed means that work in progress is going up and that is what you see in our numbers. We have done a very thorough review of that, being also sure that the right account manager is working with the right clients, that the internal processes around how we measure progress and how we estimate cost to complete. That of course is crucial for your work in progress to make sure you do not accrue revenue you cannot get paid for in the
end. That has been done in a thorough way, going through all projects for a number of months to be absolutely sure that what is in the books will be paid for.

**Philip Ngotho – ABN AMRO**: But it carries a high risk because it can leads to disputes. So, what has changed? Is there a […] in ARCADIS personnel that is really doing these estimates?

Mr. **Vree**: Yes. What has changed there is that we applied the ARCADIS rules and one of the rules is that if you are discussing changes to contracts with your clients and there is no commitment from your client, you recognise the cost but not the revenues. If your client says, in an e-mail, that he agrees to it, then you accrue at cost. If they sign a contract you accrue at full price. Within IFRS there are shades of grey in how you can do this. I think the shade of grey in ARCADIS is pretty white and that is what we now do also in those types of contracts that previously were done in a – let’s say – less prudent way.

**Philip Ngotho – ABN AMRO**: And days sales outstanding increased from 90 to 128 days. Is that again Hyder?

Mr. **Vree**: Well, the Middle East is part of that and in Asia there was also an impact. Also in Latin America we have seen an increase. Some of it is also because the revenue dropped. Then we just take Q4 revenues and in some of those regions your receivables are still there based on a lower top line means that some of the ratios worsen a bit, but it can also go the other way in other parts of the market. That played a role for the emerging markets as well. That is why our focus in 2016 is particularly on targeting DSO for the emerging markets.

**Philip Ngotho – ABN AMRO**: One other question on Hyder. I do not know if you have the information available but you showed EBITA margins year-on-year and that improved. Can you say something about the free cash flow coming from Hyder?

Mr. **Vree**: I do not really have numbers for that and I am afraid this was the last time we can give this level of detail for Hyder because we have really broken it up in the regions. We run it at regional teams in the regional systems, so it was quite an effort to still retrofit Hyder as if it was still Hyder. Having said that, the cash flow of Hyder was clearly lower than what we have shown here for profitability, also because of the increase in the Middle East work in progress, which relates also to Hyder contracts.

**Philip Ngotho – ABN AMRO**: Thank you. My last question is on North America. I am just wondering what really has happened in that business. If I look at the statements you make, also in the presentation, that you have changed the leadership team from 300 to 30 and another part of the business you reduced about 60%, I am wondering what these people were doing? It is quite drastic. Could you give some background on what it implies for the business there?

Mr. **McArthur**: A very simple statement is that we want to make all of our senior leaders more commercially oriented in client-facing than perhaps they have become over a long number of years in our two largest businesses. That is a major transformation. That is why, as you have seen in Environment, we have eliminated 60% of the management in supervisor positions to make sure that our leaders are back client-facing. Our life flood of ARCADIS is our client work and our client relationships. We have done exactly the same thing now in our Water business. That takes time for that re-jigging of the engine to start getting momentum again.

**Philip Ngotho – ABN AMRO**: Are you willing to disclose what the utilisation rates are for that business in North America? What were the levels?
Mr. McArthur: North America is in line with the average of ARCADIS. The North American business is still a good double-digit operating margin business for ARCADIS. We have shown that in the appendix.

Philip Ngotho – ABN AMRO: But what is the gain from making these management teams more client-facing if the utilisation rates were anyway already quite high, or at least at the average level of ARCADIS?

Mr McArthur: Through our Performance Excellence initiatives we believe that we can improve in all of our business and one of them is also in North America, where we want to have more of our senior leaders out driving client relationships to help drive organic growth.

Mr. Vree: Neil also mentioned the price pressure and one of the ways to counter price pressure is a low-cost delivery model. That means you have to have a more efficient way of delivering, which means less managers involved. This is part of the set up and change of the organisational design to be more efficient in that delivery and be profitable, even if prices are at lower levels.

Philip Ngotho – ABN AMRO: The question was asked before about the peers are talking about that the market is recovering but if you look back the last four years, you actually see with most of the peers that the average market has shown an increase in EBITA margins and also on sales per employee level EBITA per employee. So, with ARCADIS in North America there has been a declining trend. I am just wondering what has been the reason behind that. Is this sufficient to get it back?

Mr. McArthur: When you look at the market sectors in Environment you have to think of the public sector, which is half of the market, and private sector. We are the leader in the private sector and we have clearly stated that clients are buying in a different way. They are buying smaller and they are defining less as ‘complex’ and more as ‘more simple’. We simply were not cost competitive in that simpler market, so we have had to build an offering with different lead qualified people, so that we can win at a lower market price while maintaining double-digit margin. That is part of the transformation that we have been going through in 2015, to set us up for success moving in the environmental business. Then, as I said, we are a small player in the federal market in Environment, partially because we are a foreign-owned entity.

Philip Ngotho – ABN AMRO: Thank you.

Joost van Beek – Theodoor Gilissen Bankiers

First, a follow-up on the US market, the public market. You are saying you are relatively small in that market but what are your opportunities to grow there, given the fact that maybe after the elections in the US this market could start to grow again?

Mr. McArthur: Clearly, our North American leadership are looking at all opportunities for growth across the business lines. The positioning that we have and the capabilities that we built in our Buildings business line sets up for continued good growth in North America. In our Infrastructure business line we are a smaller regionally focused player and there through Global Design Excellence we are looking to win more work and expand in Infrastructure. If you look at both Water and Environment, you see that on the Water side we are a big player in...
certain geographies in North America. We are focusing on where there is growth, which is outside of the traditional water treatment plans, so program management, business advisory, and design in the conveyance market. Then we are back to the story about the environmental market where we have re-tool ourselves. We are in that process to drive growth in the private sector and look for opportunities for growth where we can and because of our foreign-owned entity status in the federal market as well.

**Joost van Beek – Theodoor Gilissen Bankiers:** I have a question relating to Brazil. Is it possible to make any sort of ‘guesstimate’ of how deep the fall will be in Brazil this year and maybe also the negative impact of being part of this fraud survey that could probably harm your position temporarily?

Mr. Vree: Let’s first talk about what happened so far because we moved from over 3,000 people at the end of 2014 to 1,200 people less by the end of 2015, so we have taken out significant capacity to remain profitable. As you have seen, towards the end of the fourth quarter we took additional measures and additional charges, to further scale it down. I do not think we have seen the bottom yet, so we are not optimistic that we start to see a recovery soon. When we look at the signals we get from the economists and what we see about the politics in Brazil, the outlook is not very positive for the near future. This means that if we have to take further measures to remain profitable, this is what we will do.

When it comes to the investigation that is taking place, there we do not see an impact in Brazil. I think you know there are many companies being asked for information, so internationally it is playing a bigger role than just in the Brazilian market by itself. We continue to win work for the private sector and public sector and we will continue to make sure that we take all measures to make that business profitable. When we start to see the return then we will definitely will also be adding back people again. But in the meantime, we will be agile.

**Joost van Beek – Theodoor Gilissen Bankiers:** One final question. A lot of your employees are via Stichting Lovinklaan also a shareholder of ARCADIS. I can imagine they are quite unhappy right now. How do you get along in trying to keep those employees fully motivated and explain what happened, et cetera?

Mr. McArthur: The Lovinklaan is a shareholder like any other shareholder in ARCADIS, so the information to Lovinklaan is the same as any of our shareholders. Very clearly, we have our internal communication and we have exactly the same message that it was a challenging year and that we had a number of markets that worked against ARCADIS in 2015. We had a number of specific issues that leadership had to deal with in 2015, but we delivered a solid set of results. We grew the company 30%, we increased our profit by 11%, and we had a strong cash flow, the strongest ever, of EUR 121 million and we are proposing a 5% increase in our dividend to our shareholders. That is in line with the long history that ARCADIS has had year-on-year of growing and growing profitably.

- **Michel Aupers – Rabobank**

I have six short questions. Let me start with the ageing of unbilled receivables. Can you provide a little bit more insight in that?
Mr. Vree: Do you want to do them one by one? I thought you had six. Okay, we do one by one. No, I do not have details for that and it is also something you typically not classify in that same way because it is really project-based. That ageing changes every day, based on how you add revenues to work in progress and when you move unbilled work to an invoice. So, there is no specific report we have about that.

Michel Aupers – Rabobank: And then on the management roadmap. There are no acquisitions on the list, so do we have to interpret that there is not an acquisition in the pipeline for 2016?

Mr. McArthur: If you look at the priorities for leadership, they are very clear. You do not see mergers and acquisitions on that list, Michel.

Michel Aupers – Rabobank: Might you consider buying back your shares? Your shares are much cheaper than a lot of other companies.

Mr. Vree: That is mentioned by quite some people. We currently see that the leverage ratio is still at 1.9. The beginning of the year is also the time of the year when our debt goes up when working capital moves up again. We think it is important to make sure we further deleverage the balance sheet.

Michel Aupers – Rabobank: And what would be a level that you might consider buying back shares?

Mr. Vree: At this point in time I am not busy with that.

Michel Aupers – Rabobank: And are you also considering buying back the shares being issued through stock dividend?

Mr. Vree: You may have seen that we announced that at the beginning of January that we have a buy-back ongoing, as we speak. That is an annual buy-back that is taking place to prevent dilution of shares from management incentive systems.

Michel Aupers – Rabobank: And then regarding the return on invested capital. That is a little more than 9% right now and I think your target is 13. Is that still in the cards?

Mr. Vree: In 2015 we have seen the impact of the acquisitions. Of course, it takes time to get the full return on those. We had the write-off in the US also playing a role there. So therefore, with the further measures we are taking and the priorities you have seen on our agenda that should help to increase our ROC.

Michel Aupers – Rabobank: But it is not something like time table that you going to hit this target?

Mr. Vree: Well, there are many variables that come into play. It is the market you operate in and the actions we take as management. The outcome is going to be what the outcome is.

Michel Aupers – Rabobank: You did quite some acquisitions in 2014. Can you provide an update about the internal checks and balances? Are the IT-systems in place? How is that progressing and what is the roadmap, going forward?

Mr. Vree: I can mention a couple of things. Of course, there is the due diligence process where you review information, meet management, and develop a roadmap. What we always do, is that within weeks of an acquisition the reporting of result happens through the ARCADIS
systems. That is something we have done already for a long time, also for the acquisitions done in 2014. Following that, we move businesses into the operating system, so the ERP-systems of ARCADIS. There it depends on the end game whether we do that quickly or take more time. I think you know that overall in ARCADIS we move to the Oracle system in steps, region by region. In a number of cases we take a decision to move the acquired business in an existing system, because of the time it takes to go to the final solution. When the Oracle solution is nearby, we wait and then move both systems in the region at the same time into the Oracle system. So, there is a whole roadmap for that to execute.

Michel Aupers – Rabobank: What would be your view on the existing systems, the systems currently in place?

Mr. Vree: I think we have decent systems in place but they are different. That means it is not as easy as I would like it to be to get into a detailed level to see all results across for instance a client sector. We can see it very well by region and it is okay by business line but a deeper analysis, a value proposition across the world or a certain client sector, it is a level of business intelligence we would like to have to be quicker in adapting our propositions to the market, which can only come when you also standardise that part of the way we run our underlying systems. That is expected to happen gradually during the roll-out.

Michel Aupers – Rabobank: And in line with this question, to what extent are you auditing the local operating units?

Mr. Vree: Auditing happens through internal audit. We have an internal audit department that audits all of ARCADIS and we do that risk-based. So, at the beginning of the year we assess where we see the biggest risk and that is where our audit teams go. During the year we often make adjustments when we see developments. And then of course, there is the external audit that is based on materiality. We want to make sure that they go for 80% of revenues, 75% of assets and whatever criteria are being chosen to pick the units to make sure that those results are being audited before the annual report is finalised.

Michel Aupers – Rabobank: And then the final question about the restatement you made on 25th January about the liabilities, which increased with EUR 49.9 million. Can you provide a little bit more insight?

Mr. Vree: Yes, I can. That is for Hyder. When we acquired Hyder there was a portfolio of potential legal claims. When a claim is probable you have to do a valuation of that. As part of the financial review we went through all of those claims and the conclusion was that a number of those claims in our view were not prudently reserved for, so we increased the provision for that. The second part is that when you acquire a business you also have to do a valuation of possible claims, so when the probability is below 50%. That is different from when you own a business; then you only can take a provision when the probability is over 50%. Those two factors have led to that increase in provision of EUR 49 million. By the first reason it is about two thirds of the explanation and the second reason, the possible claims, it is about one third of the delta.

Michel Aupers – Rabobank: And what was the release in 2015?

Mr. Vree: Zero.

Michel Aupers – Rabobank: Is there something like a cash-out expectation, going forward?
Mr. Vree: That is hard to predict because in those cases sometimes there is litigation. That could take a couple of years and sometimes maybe even longer. It is not easy to give a prediction for. I want to repeat also here that when we see that the provision would be higher than required in the final settlement we will disclose the reduction separately.

Michel Aupers – Rabobank: Thank you very much.

- André Mulder – Kepler

I have a question on the unbilled and billed receivables, the EUR 40 million. How should I look at that? Does it mean that you have started the work for some clients and that client do not pay anymore? What is your reaction to that?

Secondly, clients probably have become accustomed to the somewhat loose approach at Hyder’s. What is the danger that some of these clients will turn away when they see that you are taking a more strict position?

Mr. Vree: On the first question, on the unbilled: unbilled is really when you do work before you can invoice the client. It is not clients not paying but us not being able to invoice them yet. When a client would not pay it is a billed receivable for which you may need a reserve or not. The unbilled is really the work in progress, prior to either a milestone or the monthly schedule or whatever is agreed with the client in terms of invoicing the work that is happening. That is the unbilled part, which we also now call ‘work in progress’ to make that more clear.

Mr. McArthur: And on the second one: I have not met a client yet that does not want to have a very professional service provider in terms of the arrangements that they work with them, so making sure that we are well prepared and – as Renier explained – making sure that according to ARCADIS’ rule what we book as potential variations of work in process is well documented before it goes into our books.

André Mulder – Kepler: My second question is on the organic growth decline in Q4. You said that was late in the quarter but can you give us a feel of how the steepness of that decline developed and possible give some insight in how it fared in the beginning of this year?

Mr. Vree: We get a bi-weekly reporting on our revenue development and on billability. In the course of the fourth quarter we started to see that the order intake was slower than we expected, as well as revenues. We decided to take action before the year was over to make sure we were prepared for a slower start of 2016 what the order book indicated, particularly in North America, Brazil and the Middle East. That is why we took the staff cuts in December.

André Mulder – Kepler: So, the decline in the order book of 7% should give a good indication of what happened in that quarter?

Mr. Vree: No, that is too mechanical. If you take a multi-view, you see that our order book is always between 10 and 12 months of revenue. Also now, it is 11 months. There are strings in that but to try and get a causal relation between the organic growth of the backlog and what you see next quarter in revenue organic growth is not that easy. We have seen years with a strong built-up of the backlog but it takes years to work it down and the other way around. So, you cannot read into that a direct outlook for organic growth in 2016.
Mr. McArthur: The last eight quarters we have been seven out of the eight at 11 months backlog and one at 12.

- Dirk Verbiesen – KBC

Following that question: with all the measures that you have taken in 2015 and the restructuring charges along with that and going into 2016, we see on slide 39 EUR 10 million to EUR 15 million of cost. Will that be a charge in 2016 or did you already account for that?

Mr. Vree: No, these types of charges are expected in 2016 when we execute those Performance Excellence interventions. That is part of the P&L in 2016.

Dirk Verbiesen – KBC: So, with all the measures that you have taken in 2015, are you well prepared to execute the current backlog or should we still see additional charges on top of these EUR 10 million to EUR 15 million?

Mr. Vree: Typically, you see that our restructuring charges have two reasons. One is Performance Excellence, when we are basically making the organisation more efficient given a certain revenue level. The second reason can be when you have swings in demand, particularly to the downside, then you have to take out capacity for market reasons. The ones you see there on the slide for Performance Excellence are for the first reason, in case we would see additional changes or weakness in end markets, then it could be that there are additional restructuring charges required.

Dirk Verbiesen – KBC: But there is a realistic chance that you will, as you stated in the profit warning, that there were some markets which were deteriorating faster.

Mr. Vree: But we also indicated in that profit warning that the EUR 5 million of charges we took in the fourth quarter have been implemented before the end of the year, so those have been taken care of.

- Philip Ngotho – ABN AMRO

I still have some follow-up questions on North America. Neil, you just said that you have changed this leadership team as well and their roles in an effort to also have higher revenues, higher organic growth. So, is that really the thing that you are betting on, that we should see better earnings from North America by improved revenue growth? Related to that is the question how much we have seen by cost reduction? How much benefit are you expecting from the restructurings that you have done in North America?

Mr. McArthur: If you look at the decline in 2014 versus 2015 and look at it half-year by half-year, you can see the rate of decline is decreasing. So, we are stabilising the market and we have that slide in the appendix for you. You can see that with the actions that we have taken both on capacity and the ongoing Performance Excellence, we have been able to deliver strong margins in our North American business excluding the one-offs that we have reported on those four project cost overruns mid-year.
Philip Ngotho – ABN AMRO: But can you quantify the cost savings impact from the restructurings that you did in North America? How much benefit are we going to see from that part, assuming worst case? Maybe there is no revenue growth for whatever reason, what can we expect in terms of earnings improvement from North America?

Mr. McArthur: We are not going to give that level of guidance …

Philip Ngotho – ABN AMRO: No, but no cost savings whatever number.

Mr. McArthur: We are going to continue with Performance Excellence in North America and remain agile to the market circumstances. As Renier alluded to, if we have the need to make further adjustments we will and not just in North America but elsewhere.

Mr. Vree: Maybe to add one number to your question. If you look just at what happened between 2014 and 2015, which is in the annex at the back on slide 56, you see that like-for-like the operating margin improved in North America from 10.4% to 11%, if you take out the impact of the write-off in the second quarter. So, despite the revenue reduction. We have taken the costs out, applied Performance Excellence, and dealt with market pressure while still see slightly improving the underlying margin.

Philip Ngotho – ABN AMRO: Thank you. Then on Brazil, the investigation. I do not know if you have disclosed that information before but are you doing the investigation solely on this Sao Francisco project or are you looking at the division as a whole? Are you going through other projects as well?

Mr. McArthur: Our internal assessment is on the Sao Francisco project and our role in that. As I said, we expect to provide an update on that in Q2.

Philip Ngotho – ABN AMRO: But you have not seen any reason why you would not want to look in more detail to other projects in Brazil as well?

Mr. McArthur: No reasons.

Philip Ngotho – ABN AMRO: Despite the fraud situation? It is known that a lot of construction companies have been faced with fraud cases. So, maybe out of prudence you might want to look into other projects as well.

Mr. McArthur: We are a designing, consultancy and program manager in Brazil and we have been asked to provide information on one specific project in North East Brazil. That is where our internal assessment is focused on at this point in time.

Philip Ngotho – ABN AMRO: A last question. You stated in your press release as well that you have been professionalising the working capital by also delaying payments. Can you explain that a little bit? Are you expecting further delay of payments?

Mr. Vree: You call it ‘delaying payments’ but let me call it differently. Professionalising also means that you sit down with your suppliers and sub-contractors and agree on the terms. Sometimes we saw that we have programs where we do a lot of sub-contracting, that the clients pay us slower than we pay our subcontractors. Often when we work for contractors there is the ‘pay-when-paid’-principle, so we get paid when the contractor gets paid. Increasingly, we also apply that to our subcontractors. In some jurisdictions that way of operating is not allowed but in many it is. We pay them when we get paid and therefore, we balance the requirements for working capital.
Philip Ngotho – ABN AMRO: If you look at working capital improvement, where is it really going to come from? Do you think there is more room than professionalise your payments or is it more on the collection side?

Mr. Vree: The focus is on our client side, on the emerging markets that I was alluding to. If there would be further opportunities on the payables, then we would definitely of course not miss out on them. But that is not the focus of the working capital improvement program.

Philip Ngotho – ABN AMRO: Thank you.

• […]

I also have a follow-up question on slide 39, where you talk about implementation costs for 2016. The estimate for this year is EUR 10 million to EUR 15 million. In the first half year the estimate was EUR 25 million, so that is considerably lower. What are the reasons for these lower implementation costs of EUR 10 million?

Mr. Vree: We have done a lot of work in 2015. You have seen that both on the benefit side but also the cost we made for that were higher. So, we have seen the benefits coming in and therefore, the estimated costs we have to make for the remaining part of Performance Excellence in 2016 have come down. So, it is basically the outcome of the acceleration that we have done.

• […]

And then a question on the energy-related sector. Maybe you could shed some light on what is happening there for your business? Do we see longer payment periods, et cetera?

Mr. McArthur: Longer payment periods?

[…] For the Energy sector, oil and gas companies, mining sector, for instance. You have something like 5% exposure to that.

Mr. McArthur: In oil and gas we tend to work for the international oil majors and they have very clear and professional procurement processes, also on the payment side. So, we have not discovered any issues there. It is more a question of our dealing with their historical environmental liabilities on their balance sheets top of mind for them when oil is 30 Dollars a barrel. That answer is quite clear: they know and therefore, the order intake in oil and gas is significantly down in 2015. On mining, that is mainly in Latin America.

Mr. Vree: Yes, there we have seen a slowdown in payments in mining, already for one and a half year that payments come slower. They do come but payment terms are being extended or are paid beyond the agreed payment terms.

[…] And the exposure to oil, gas and the mining sector combined, roughly, as percentage?
Mr. Vree: If you would do the two together, I think you get to 6% or maybe 7% of our total global revenues.

- Philip Scholte – Kempen

I have a question on Hyder. I still have a bit of difficulty on reconciling how things are actually going. The announcement in January means that the underlying profitability of Hyder before the acquisition was actually much lower, under your accounting principles. You would have lower unbilled receivables and you would have provisioned more. So, the profitability would have been much lower. Where does that significant improvement in profitability come from under your leadership? I completely value your outstanding leadership …

Mr. McArthur: Thank you!

Philip Scholte – Kempen: … but the gap seems so large.

Mr. McArthur: There is a number of things. First of all, we had the synergies. We had a very clear and detailed synergy capture plan that we developed jointly in that first six months. We are executing that rigorously and you can see the impact that is happening on the bottom line. We then took our prudent approach for Performance Excellence and for example put that into Australia mid-year, and in the second and third quarter to make sure that we maximise the profitability enhancement coming out of Australia. And then through going to market together, leveraging the capabilities of Global Design and ARCADIS together, we were winning new work, being then performed by the legacy Hyder business that we did not have and they did not have before. If you put those three together, so growth and real concrete cost out actions from synergy capture but also from our Performance Excellence approach, you see that significant greater than 50% improvement in profitability.

Philip Scholte – Kempen: But if I correct Hyder’s historical profitability for the write downs you made, it actually looks like Hyder made no profit.

Mr. Vree: It is difficult to go back in history, but I think that work in progress was not just built up in one day. It is more of a process where less prudent was applied over a longer period. But you are correct and on a like-for-like basis the starting point was lower than what we are showing.

Philip Scholte – Kempen: But again, just to reconfirm, in 2015 you applied your accounting principles, your cautious revenue recognition on Hyder?

Mr. Vree: Correct.

Mr. McArthur: Absolutely.

- [...] 

One very short, on Hyder again. Is Germany Hyder still loss making or is that already completely integrated into ARCADIS Germany?
Mr. Vree: It is fully integrated since the middle of 2015. In 2015, it was around the break-even level. It started to improve during the year. It started with losses in the beginning of the year and then became better during the year. There is still some backlog from the old Hyder days, which have to be worked out and which were at lower rates, less good contracts. In the meantime, that is a relatively small part of the backlog. So in 2016, it will be a profitable business.

Mr. McArthur: And despite that, you will have seen the improvement in the margin in Continental Europe during the year, which as a testament to the strength of that business and the leadership team in driving growth and bottom line profitability.

[…]: That was the underlying reason, because you had a target of 10% margin in Europe and we are still not there. That is probably caused by Hyder Germany.

Mr. McArthur: Correct.

[…]: Completely?

Mr. Vree: Not completely but it is a main factor there. Without Hyder I think it would have been just below 10% but very close.

[…]: Thanks.

- Dirk Verbiesen – KBC

On slide 12, the bridge in the EBITA margin, also following a bit on Philip’s question on Hyder: the improvement in ‘other’ or 30 bps. is that the improvement that you organically realised in Europe and the UK with growth or does that also include the improvements of Hyder?

Mr. Vree: That is a mix of many things because in 2014 we basically had ten weeks of Hyder and in 2015 we had a full year. Some of the synergy gains are of course linked to Hyder and Callison and then there is underlying performance. So, this is a mix of many other elements.

Dirk Verbiesen – KBC: Thank you. Maybe we should get back to that on another occasion.

Mr. Slooten: Operator, there are no more questions in the room. Can we please go to the questions from the online participants?

Operator: There are no questions from the call. Please continue?

Mr. Slooten: In that case, I would like to hand the word back to Neil McArthur for closing remarks.

Mr. McArthur: Thank you, Joost. Clearly, in 2015 ARCADIS faced a number of challenging end markets but we had a comprehensive program to adapt, to restructure and maintain our margins. We fully integrated 30% more people through the acquisitions of Hyder and Callison and significantly improved our profitability of Hyder on a stand-alone basis. We were also faced, as we have shown, with a number of specific issues that led to unexpected announcements in 2015 but despite that, we delivered solid results and 11% increase in net income from operations, a strong free cash flow of EUR 121 million. We have lowered our
working capital and we are proposing 5% increase in our dividend. We have set out today a clear set of leadership priorities for 2016 to continue to deliver on the acquisition synergies, to continue our Performance Excellence, expanding the program to the remaining businesses in ARCADIS. We will stay the course on the transformation of our North American business, and we will reduce our working capital.

With that, I would like to thank everybody for participating in our 2015 annual results call. Thank you very much!

Mr. Slooten: Thank you. That concludes our call.

End of call
Arcadis has a track record of consistent performance delivery...
...and a balanced portfolio

Our strategy addresses the world’s most pressing challenges
Our sustainable growth | performance | collaboration strategy is clear...

**SUSTAINABLE GROWTH**

- **Expand the Core**
- **Focused growth**
- **M&A**

**PERFORMANCE COLLABORATION**

**Exceptional & Sustainable Outcomes**

- Sustainable growth:
  - Expand the core: differentiate through sector knowledge and local/national/MNC client relationships, regions and global business lines
  - Focused growth: across 3 priority markets and 4 core value propositions
  - M&A: aligned with strategy to strengthen leadership (top 5) positions

- **Performance:**
  - Being the best in all we do
  - Continuous improvement by sharing best practices through Performance Excellence
  - Common set of core processes, the Arcadis way

- **Collaboration:**
  - Bringing the best of Arcadis to our clients
  - Integrity, client focus, sustainability and collaboration as core values underpinning collaborative and performance culture
  - Aligned and enhanced global operating model
...with seamless global reach

Our global network enables us to seamlessly bring our knowledge, best practices and experience of projects worldwide to specific local needs and situations

~27,000 people | 300+ offices | 40+ countries | 30,000+ projects

Good strategic progress over last two years

Sustainable growth:
- Investments to drive organic growth:
  - Market sectors, Multi National Clients and Big Urban Clients
  - Global Business Lines and Core Value Propositions
- £500 million in M&A to build (tuck in) leadership positions
  - Callison together with RTKL create a top 5 position globally in Architecture and Design
  - Hyder provides access to at scale Global Design Excellence
  - Hyder together with Arcadis creates top 6 position in UK, strengthens position in Middle East, Continental Europe and Asia while providing good starting position in Australia Pacific
- Launched new positioning and global brands

Performance:
- 3 year Performance Excellence Program defined, restructuring measures taken in multiple regions to align capacity with backlog
- Implementation of best practices and one way of working defined
- 2015 underlying improvements in operating margin at +1.1%, ahead of plan

Collaboration:
- Global regional operating model launched and largely implemented
- Acquisitions fully integrated
- Aligned job grading, incentives, measurement and reward for top leaders globally
We have created and launched a new positioning and leading global brands...

Arcadis. Improving quality of life

...winning and delivering significant work and strengthening our position as the leading global Design & Consultancy

<table>
<thead>
<tr>
<th>Buildings</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC: Program manager Global Campus program</td>
<td>Qatar Rail: Consultancy services</td>
</tr>
</tbody>
</table>

18th February 2016
FY 2015 Results analyst call
...winning and delivering significant work and strengthening our position as the leading global Design & Consultancy
Arcadis reports +11% increase in net income from operations

**Gross revenues (€ billion)**
- 3.4 (Organic: 1%)

**Net revenues (€ billion)**
- 2.6 (Organic: 0%)

**Operating EBITA (€ millions)**
- 250 (2014: 203)

**Operating margin (% of net revenues)**
- 9.6% (2014: 10.1%)

**Operating margin (%)**
- -2% (Organic: -3%)

**Free cash flow (€ millions)**
- 0.63 (2014: 0.85)

**Net Debt / EBITDA (% of year)**
- 1.9 (2014: 2.0)

**Q4 FY 2015 highlights**
- Annual gross revenues up +30%, net revenues +29% with flat organic growth
- FY operating EBITA, up 23%, full year operating margin of 9.6%, excluding one-off project costs overruns: 10.1%
- Integration and restructuring costs €0 million
- Backlog at €2.3 billion representing 11 months of revenues
- Working capital level brought down to 17.1% (2014: 17.4%)
- Free cash flow of €121 million exceeding net income of €99 million
- Earnings per share €1.66 (2014: €1.66)
- Dividend proposal €0.63 per share (2014: €0.60); a 5% increase
- Organic net revenue decline of -1% in Q4 due to more challenging conditions in Emerging markets, and North-America
- Q4 operating EBITA margin 10.8% (2014: 10.0%). Q4 EBITA margin 9.4%, (2014: 8.3%)

**Regional overview**

**North America**

<table>
<thead>
<tr>
<th></th>
<th>€ millions</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td>1,106</td>
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<td>1,342</td>
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<tr>
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<td>800</td>
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<td>11.5%</td>
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**Emerging Markets**

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<tr>
<th></th>
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<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
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</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td>555</td>
<td>577</td>
<td>921</td>
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<tr>
<td>Net revenues</td>
<td>404</td>
<td>570</td>
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**Continental Europe**

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<th>FY 2015</th>
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<tr>
<td>Gross revenues</td>
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<td>559</td>
<td>513</td>
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<tr>
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<td>442</td>
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**United Kingdom**

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<th>FY 2014</th>
<th>FY 2015</th>
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<tbody>
<tr>
<td>Gross revenues</td>
<td>203</td>
<td>262</td>
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Business lines overview

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<tr>
<th></th>
<th>Infrastructure</th>
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<th>Water</th>
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<td></td>
<td>€ millions</td>
<td>FY 2013</td>
<td>FY 2014</td>
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</tr>
<tr>
<td>Gross revenues</td>
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<td>655</td>
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<td>Environment</td>
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<td>FY 2014</td>
<td>FY 2015</td>
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<td>527</td>
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<td>Gross revenues</td>
<td>696</td>
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<td>Net revenues</td>
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1) Adjusted for one-off project cost overruns: 3.4%

North America: stabilizing

<table>
<thead>
<tr>
<th></th>
<th>Organic growth</th>
<th>Net Revenue</th>
<th>Operating EBITA Margin</th>
<th>Net Revenue</th>
<th>Operating EBITA Margin</th>
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<tr>
<td>H1 2014</td>
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<td>H2 2014</td>
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<tr>
<td>H1 2015</td>
<td>-7.4%</td>
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<td>11.0%</td>
<td>-3.6%</td>
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<tr>
<td>H2 2015</td>
<td>-3.6%</td>
<td>-3.6%</td>
<td>10.2%</td>
<td>-3.6%</td>
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</tr>
</tbody>
</table>

9) Excluding one-off project cost overruns, revised 3.5%

18th February 2016
FY 2015 Results analyst call 53
Organic net revenue growth Q4: -4%, 2015 0%