TRADING UPDATE Q1 2016

Neil McArthur, Chief Executive Officer
Renier Vree, Chief Financial Officer
Amsterdam, 21 April 2016
Mr. Pullens: Good morning everyone and welcome to the ARCADIS Q1 Trading Update analyst call. My name is Jurgen Pullens and, as you know, I am the new Director Investor Relations since 1st March.

Disclaimer

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The forward looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward looking statements.

Before I hand over to CEO Neil McArthur and CFO Renier Vree, I would like to remind you that this call is about the trading update with limited disclosure. We will provide full details with the H1 results.

We will start with a short presentation by Neil and Renier and then we will open up for QandA.
Mr. McArthur: Thank you, Jurgen, and please add my welcome to our Q1 Trading Update. I will give the headlines and talk a little bit about Brazil and then I will hand over to Renier for some of the financial details. Then I will come back and talk about the priorities and the outlook for 2016.
Trading update Q1

- Gross revenues were up EUR 846 million, up 2%. Net revenues were at EUR 634 million, down minus 4% due to the deep recession in Brazil and the ongoing transformation of our North American business. That includes minus 1% currency effects.

- EBITA of EUR 46.6 million, down minus 9% (Q1 2015: EUR 51.3 million), mainly due to Brazil. Non-operating costs EUR 4.8 million (Q1 2015: EUR 2.1 million).

- EBITA of the UK, Continental Europe, Asia and Australia are above 1 last year. North America lower and the Middle East slightly lower.

- Working capital reduced to 18.9% (Q1 2015: 20.7%)

- Backlog organically up 4%. Increase in North America, Continental Europe and the UK compensates for decline in emerging markets.

- Our leadership teams remain agile in taking measures to be competitive, including capturing growth opportunities, delivering on our Performance Excellence program and integration synergies.

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EBITA is at EUR 46.6 million, down minus 9% mainly due to Brazil. Our non-operating costs were EUR 4.8 million in the quarter.

EBITA of the UK, Continental Europe, Asia and Australia are above 1 last year. North America lower and the Middle East slightly lower.

We improved our working capital with it being reduced to 18.9% versus 20.7% in Q1, 2015.

Backlog is up organically 4% with increases in North America, Continental Europe and the UK compensating for the decline in emerging markets.

Our leadership teams remain agile in taking measures to be competitive, including capturing growth opportunities, delivering on our Performance Excellence program and integration synergies.
Update internal assessment Brazil

- Following the request for information by the authorities with respect to the São Francisco project in December 2015, Arcadis initiated a diligent and thorough internal assessment with support of a forensic expert and external advisors at its subsidiary ARCADIS Logos.

- Arcadis' internal assessment has not shown indications of knowledge of, or involvement of ARCADIS Logos in the wrongdoing by the construction companies alleged by the Federal authorities. Whilst the Federal investigation into the São Francisco project is still ongoing, ARCADIS Logos has not received any new requests for information.

- The internal assessment was broadened to cover several selected other projects and other aspects of the São Francisco project. As part of this assessment Arcadis identified specific compliance related findings. Arcadis is following up these findings with appropriate measures, including project and process reviews and enhanced training programs in ARCADIS Logos. Arcadis underlines the importance of adherence to its general business principles and applicable laws and regulations.

Let me provide some context for the update of our internal assessment in Brazil.

As you know, following the request for information by the authorities with respect to the São Francisco project in December 2015, we initiated a diligent and thorough internal assessment with support of a forensic expert and external advisors at our subsidiary ARCADIS Logos, Brazil.

Our internal assessment has not shown indications of knowledge of, or involvement of ARCADIS Logos in the wrongdoing by the construction companies alleged by the Federal authorities. Whilst the Federal investigation into the São Francisco project is still ongoing, ARCADIS Logos has not received any new requests for information.

The internal assessment was broadened to cover several selected other projects and other aspects of the São Francisco project. As part of this assessment Arcadis identified specific compliance related findings. Arcadis is following up these findings with appropriate measures, including project and process reviews and enhanced training programs in ARCADIS Logos. We want to underline the importance of adherence to its general principles as ARCADIS and applicable laws and regulations.

With that, I would like to hand over to Renier to talk about the financial results.

Mr. Vree: Thank you, Neil. Let's move to page 6, the comparison between the financials for the first quarter this year and the first quarter last year.
Gross revenues were up 2%, also helped by the increased use of subcontracting in the environmental business in North America as well as in our architectural business.

Our net revenues are down 4% and organically, that is 3% reduction. That decline is mainly due to the significant drop we saw in Brazil. It is a 38% organic decline. But also revenues in North America were lower and we had 1% currency effect, which was negative. The Euro strengthened against the Brazilian Real and the British Pound and it was weaker against the US Dollar, which explains the currency effect. It is probably also good to mention that if we ignore Brazil for a moment, then net revenues would have been flat. So, the impact of Brazil was very significant this quarter.

The EBITA for the quarter was 9% lower than last year. The main reason here is the loss we recorded in Brazil but also margin pressure due to pricing in North America. The absolute delta of EBITA for Brazil was EUR 6.7 million reduction and also here, just to give you that insight, taking out the results of Brazil our reported EBITA-margin would have moved up from 7.6% to 8%.

On the positive side the United Kingdom, Continental Europe, Asia and Australia all improved their EBITA compared to one year ago. In the Middle East we had a slightly lower EBITA.

As already indicated in the 2015 full year results, we saw a significant reduction of our non-operating costs of EUR 4.8 million this quarter compared to a much higher amount last year. The cost made this quarter were for capacity adjustments in the Middle East and Brazil and to a lesser extent also some corrections we made in capacity in Continental Europe and the US.

Working capital used – I will share more details in a minute – and the backlog up 4% organically, compared to a flat backlog development in the first quarter last year. Here, as Neil
mentioned, North America, Continental Europe and the UK were the drivers of that improvement.

### Business performance per region

<table>
<thead>
<tr>
<th>Region</th>
<th>Net revenues H€ millions</th>
<th>Q1 2016</th>
<th>Q1 2015</th>
<th>% change</th>
<th>Organic growth%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>215</td>
<td>219</td>
<td>-2%</td>
<td>-4%</td>
<td></td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>196</td>
<td>200</td>
<td>-1.1%</td>
<td>-6%</td>
<td></td>
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<tr>
<td>Continental Europe</td>
<td>120</td>
<td>125</td>
<td>3%</td>
<td>3%</td>
<td></td>
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<tr>
<td>UK</td>
<td>105</td>
<td>103</td>
<td>-1%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

Total net revenue 614 619 -0.4% -0%

- Decline in Environment, Water and Buildings stable, Infrastructure revenue increased
- Transformation process initiated in 2015 continues
- Improvement in order backlog due to new strategy and operating model
- Brazil -38% organic decline due to severe recession
- Asia lower revenues, Middle East growth Infrastructure
- Australia Pacific: growth mainly from Buildings

Revenues higher than Q1 2015 due to growth in Buildings
- Infrastructure, Environment and Water in line with last year
- Good order intake
- Good growth in Infrastructure, benefiting from successful integration of Hyder
- Revenue in Buildings lower due to slowdown in London; market uncertain due to potential Brexit
- Revenues in Water and Environment increased

In North America we 2% decline of net revenues in absolute terms, which is a 4% organic development. The Environmental business led to the decline because Water and Buildings had stable revenue development and we saw again an increase in the Infrastructure business. As already indicated at the full year results disclosure, our transformation process that we started last year continues into this year and it was a positive development that the improvement in the order backlog is clearly linked to the new strategy we set out and the change of the operating model we put in place last year.

On the Emerging markets we see organic development of minus 8%, driven by Brazil where we had a delay of projects in the quarter. We even had to step down from live projects, where we have been working on for a while, due to lack of funding by our clients. This led to people being unbillable.

Asia had somewhat lower revenues. Within Asia the China development was one where we saw stable revenues. We saw growth in the Middle East because of the Infrastructure projects. Australia saw good revenue development where growth came from their Buildings business.

Continental Europe continued to grow, 3% plus in the quarter. The main driver for that was the Buildings business, which is largely driven by the private sector. The other businesses, Infrastructure, Environment and Water, were in line with last year. Also here, the order intake was strong.
Finally the UK. Also here, growth in Infrastructure continued benefitting from the successful integration of Hyder, which is now more than one year ago. In the Buildings segments we saw some impact of uncertainty in the market about the potential Brexit with less work around the London area in Buildings. Revenues for Water and Environment both increased.

### Improvement in DSO and net working capital

<table>
<thead>
<tr>
<th>Regional DSO</th>
<th>Q1 2015</th>
<th>Q4 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>77</td>
<td>74</td>
<td>82</td>
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<tr>
<td>Emerging Markets</td>
<td>127</td>
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<td>Continental Europe</td>
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</tr>
<tr>
<td>UK</td>
<td>67</td>
<td>52</td>
<td>70</td>
</tr>
<tr>
<td>Total DSO</td>
<td>60</td>
<td>94</td>
<td>92</td>
</tr>
</tbody>
</table>

- Q1 DSO improved like-for-like but higher than Q4 2015 due to seasonal pattern
- Lower DSO in North America, UK, and Continental Europe by executing DSO reduction plan
- Higher DSO in Emerging Markets, including Middle East, parts of Asia and Latin America
- Large milestone driven legacy Hyder contracts in Middle East will continue to impact DSO until mid 2017
- We will continue H.O.J.led program with external support targeting lower DSO in Emerging Markets
- Net working capital improved to Q1 2015, driven by lower work in progress and increased payables because of professionalizing procurement process

Let’s talk about our working capital development with a breakdown by region, as we have also provided when we issued the results over 2015.

Days of sales outstanding improved like-for-like by three days compared to the first quarter last year. It is higher than at the end of 2015 due to the seasonal pattern we have in our business. Both North America and Continental Europe as well as the UK reduced their days sales outstanding, further implementing the measures they put in place there as part of the reduction plan.

DSO is still high for the Emerging Markets and these include receivables around the Middle East and the countries there, some parts of Asia and also in Latin America. I also want to remind you of the developments in the Middle East where we have some large milestone-driven projects that came with the Hyder acquisition. These are in full implementation at the moment and we expect the impact on DSO in the sense of a reduction of that to become visible by the middle of 2017.

As Headquarters we will continue with the program to target lower DSO, particularly for the Emerging Markets where we have most to win. We get some external support for that.

The impact of the lower DSO is visible in the net working capital percentage. That improved compared to one year ago, so 18.9% now compared to 20.7% last year. Here, the reduction
in work in progress, so faster billing of work, is the main driver. Also the increased payables played a positive role.

Back to you, Neil.

Mr. McArthur: Thanks, Renier.

**Leadership priorities 2016 and Outlook**

**Our leadership priorities for 2016 are**

- Delivering 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
- Brazil: Back on track
- Reduce working capital: Improve and sustain benefits
- Planned strategy update for beyond 2016

**Outlook**

- For the remainder of 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 delivering a strong free cash flow barring unforeseen circumstances

Our leadership priorities remain for 2016 with one addition. Just to remind everybody, the priorities that we had coming into the year were about delivering on the acquisition synergies, continuing the journey with our Performance Excellence work, staying the course on transforming our North American business, the focus being – as Renier just talked about – on reducing working capital and the planned strategy update for beyond 2016. However, given where we are today with the first quarter results and the situation in Brazil with the decline we have added as one of our leadership priorities putting Brazil back on track.

In terms of the outlook for the remainder of 2016, we expect continued tough conditions in the Emerging Markets and for our business in North America as it goes through its transformation.

More favourable conditions and you see that in the results in the first quarter exist in a number of our end markets including the United Kingdom, Continental Europe and Australia.

Our financial priorities remain, improving EBITA and delivering strong free cash flow barring unforeseen circumstances.

Mr. Pullens: Thank you Neil. I would now like to open the floor to QandA.
**Dirk Verbiesen – KBC**

Good morning, gentlemen. I have a question on the backlog development and particularly North America. What has driven the growth in the backlog in North America?

Secondly, can you be a bit more specific on what you found in Brazil and what you exactly mean with ‘compliance issues’? It reads like it is in both areas, so in São Francisco and also in other projects. Is it a wider spread phenomenon in the Brazilian organisation?

I will leave at three questions. Looking at the margin development and the comments you gave on Brazil and elsewhere in the different regions, it appears to me that North America has seen quite a significant margin drop year-on-year in the first quarter if you look at the underlying performance. Is that a correct assessment?

**Mr. McArthur:** Your first question is on the backlog development in North America. We have seen stable over increasing backlog development across all of the business lines. We have
seen an increase particularly in Environment, where we are seeing some key wins now in our ARCADIS FieldTech Solutions offering in the more competitive commodity markets in North America. But we also have good backlog development in Buildings and we have a good pipeline of opportunities in both Water and in Infrastructure.

On the findings in Brazil around compliance-related findings, we did broaden the assessment to several selected other ARCADIS Logos projects and other aspects of the São Francisco project. As you pointed out, that did result in the identification of specific compliance-related findings. We are following up with these findings with appropriate measures and that includes project and process reviews in ARCADIS Logos as well as enhanced training and awareness programs. We are underlining the importance of the adherence to our general business principles and applicable laws and regulations but also in keeping with our general approach to reporting. ARCADIS does not comment on specific compliance-related findings.

Dirk Verbiesen – KBC: But are these findings enough for you to contact the authorities or is it more internal behaviour that you would like to see changing a bit to a more appropriate or professional level? What is it like?

Mr. McArthur: We have not reported these findings to the authorities and we are dealing with them in accordance with our internal compliance framework, also based on legal advice.

Mr. Vree: On your third question on the operating EBITA and the EBITA margin: indeed, the two drivers and reasons for the reduction, next to Brazil the other reason is the drop in North America, which weighted on the operating EBITA.

Dirk Verbiesen – KBC: But it must have been quite significant.

Mr. Vree: Yes, it was significant.

Dirk Verbiesen – KBC: Thanks.

Michel Aupers – Rabobank

Good morning, gentlemen, I have a couple of questions. First of all, to be completely sure about your order backlog development, is that versus the end of 2015 or versus the first quarter of 2015?

Mr. Vree: Versus the end of 2015. I can do that very quickly, Michel. It is always compared with the last quarter. So it is against December 2015.

Michel Aupers – Rabobank: So, basically if we compare it to the first quarter of 2015 there is a decline.

Mr. Vree: We always do the backlog quarter-on-quarter because that is how we look at that development.

Mr. McArthur: It is the forward-looking part of the business.

Michel Aupers – Rabobank: And then the working capital. Can you provide a little bit more insight in whether the bad debt provisions increased versus the situation in the first quarter of
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2015? Can you provide some more colour on the composition of working capital, so billing in excess of costs, development of receivables?

Mr. Vree: What I said, the reason for the reduction is that the work in progress went down, so we built faster. It was not in billing in excess but the development was lower work in progress because we invoiced faster, which we also collected and therefore, the working capital came down.

Michel Aupers – Rabobank: And on the receivables side of your business?

Mr. Vree: Well, work in progress is of course what we also called ‘unbilled receivables’. If we look at the receivables as such, so without the work in progress, that was relatively stable.

Michel Aupers – Rabobank: And regarding the bad debt provisioning in the first quarter?

Mr. Vree: There were no significant developments.

Michel Aupers – Rabobank: And then again about the first quarter 2015. I remember there was quite a substantial loss in Germany because of the activities of Hyder. Can you provide some more details on that? What is the difference against the first quarter 2015? And in line with that: how much synergies did you get from Hyder?

Mr. Vree: So, on Hyder Germany indeed there was a loss last year for the projects that were in their books. That loss has gone away with the actions that we have taken. When it comes to synergies, we will provide more details with the half year figures.

Michel Aupers – Rabobank: So, basically there is also EUR 1 million or maybe EUR 2 million or EUR 3 million loss from the activities in Germany from Hyder in the first quarter 2015 and we do not see that back in 2016.

Mr. Vree: No, the delta you are talking about is different. The loss in Germany last year was around EUR 1 million for the full year. Most of that happened in the first part of the year but it is not the amount you just mentioned.

Michel Aupers – Rabobank: Thank you very much.

Luuk van Beek – Petercam

First of all on Brazil. You have quite a flexible cost structure there but obviously, when projects suddenly have to be halted you cannot avoid those cost. Can you indicate how quickly you can bring the cost structure back in line and to what extent do you see the risk that further projects will be halted suddenly?

My second question is on the pipeline in the Middle East. I can imagine that projects that are already in the backlog will still continue but there are quite a few new projects coming on. Can you indicate what you expect for the somewhat longer term?

Finally on the compliance investigation in Brazil. Can you provide a bit more colour on how you determine what you investigate in addition to the São Francisco project and if you are confident that you have now investigated all higher risk areas where there could be compliance issues?
Mr. Vree: On your first question on Brazil, indeed we saw more cancellations and postponements and even for […] and that is where we had to face people insufficiently being able to [be built]. So even in the quarter we have taken further reductions of staff and some of it is continuing in Q2. We now see that based on the active projects, where we are pretty certain that they will continue, revenues will remain at the current level, so on a sequential basis we expect Brazil to be stable during the year. We have about 70% of the work still to be done this year already on the books and we have a good level of confidence that we have lower risk there. But there is still 30% to be won and I think that is an indication that in the second quarter we will start to see improvements and we will have Brazil turning back into positive territory in the course of the second quarter.

When it comes to the Middle East and the pipeline, there is still a good pipeline in the Middle East, particularly around Qatar and Dubai. When it comes to Abu Dhabi and Saudi Arabia we are less certain and also very careful, given the funding constraints we see in some of those markets. Even if opportunities may present themselves, the certainty that we will get paid will also play a role before we decide to start pursuits.

Mr. McArthur: On Brazil, ARCADIS Logos is currently working on hundreds of projects in Brazil, a number of which are sizeable and high-profile projects, so we actually felt that we should in addition to our assessment of the São Francisco project select a number of projects of similar scale to São Francisco. We are following up with the compliance-related findings with appropriate measures, which include project and process reviews in ARCADIS Logos as well as enhanced training and awareness programs.

Luuk van Beek – Petercam: Thank you.

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

Good morning. Maybe a follow-up on Brazil. What is your exact plan to recover to profitability? You say you have new measures and a back-on-track program and you have taken further reductions but that does not sound a big plan, so to speak. I appreciate the measures but is there more in what you are going to do there?

My second question is also a follow-up on the US. You say that margins indeed deteriorated quite a bit in Q1; has that margin pressure actually intensified during the quarter and, if so, is there a specific business line where you see that happening?
My third question is on the trade working capital where you have obviously done a good job, I think. Can we extrapolate that already towards a full year? Of course that would impact your free cash flow generation quite a bit.

My last one is maybe accounting-wise. The planned sale of the Brazilian hydropower assets; any update you can give us on that?

Mr. Vree: On Brazil we definitely have a plan in place. That includes reduction of capacity but also given the smaller size we have reduced the number of business units. We have reduced the office space that we use for our operations and also the back office. So, the cost element is a key part of that overall plan. The market is there but at a lower level, so also commercially we are still very focused on winning the work that is available to us. Just to make sure that given the lower level of revenues, because we are approximately at half the net revenue level in local currency, so in Brazilian Real, compared to where we were two years ago, to have that profitable by taking those measures.

Philip Scholte – Kempen: Can I briefly follow up on that? Do you believe that by the end of the year Brazil will be back to normal profitability? What is the target there?

Mr. Vree: It is definitely a target to bring it back to a higher level of profitability but I think at this stage, given where the market is and given the pressure I would be very surprised if we can bring it back to double digit that quickly.

Mr. McArthur: On the margins in the US: historically we had strong margins in the US around the complex remediation part, which is by far and away the biggest business that we had in North America. Clearly, we are seeing competition in pricing pressure in the Environmental business. We have implemented our new strategy and our new operating model and we are beginning to see some of the fruits of that. But clearly, margin in Environment is under pressure. If you look at the other business lines, for instance Water, it is reasonably stable although in looking outside the traditional Water treatment facilities the transmission conveyance work and also the program management work are at slightly lower margins than the traditional water treatment. Then, we are also pushing growth in our business advisory at higher margin in the Water sector. If you look at Buildings that is being traditionally in North America project management and construction management business and we are adding work around business advisory in order to help improve margins over time in our Buildings business. Infrastructure is relatively stable, so any price pressure that we see there we are compensating for through increased use of Global Design Excellence Centers in North America.

Mr. Vree: When it comes to working capital and the outlook there, we are very focused on sustaining the gains we have made in North America, Continental Europe and the UK and pursing the improvements in the Emerging Markets, as I explained, which in the end should become visible in improvements in our working capital. It is too early in the year to give 'hard' guidance as to how we expect to end the year as you can imagine, but I would say that the momentum we have seen in the last quarters I would expect we can keep that momentum. We saw a good improvement in the fourth quarter of last year.

When it comes to the divestment: yes indeed, we are still pursuing the divestment of the non-core energy assets. As soon as that divestment is completed, we will communicate that to the market.

Philip Scholte – Kempen: Can I briefly come back on the US? The environment you described of especially the Environmental business is not completely new. I was wondering whether that
old pricing or maybe pricing pressure has deteriorated for whatever reason in the quarter. Is there any specific development to be mentioned there?

Mr. McArthur: It is very clear that it is a very competitive market in the Environmental business in North America. As we have shared in our guidance, we see a number of factors that are changing in the Environmental market. Clients coming to market with smaller parcels of work and clients bundling the complex with the more simple remediation-type work. We have also seen smaller competitors elevating themselves into the lower end of the complex side, so the whole competitive dynamic is a lot stronger than it was two or three years ago. We have reacted to that with our new strategy. We put in place a new operating model in not just Environment but also in Water, which means that we simplified our organisation. We have everybody focused out there at clients to build client relationships and drive organic growth. We are seeing the improvement in our backlog. So the transformation that we put in place during 2015, we need to stay the course on that through 2016.

Philip Scholte – Kempen: Thank you.

- André Mulder – Kepler

Good morning. I have a question on Brazil. Can you give us a clue about what you mean with 'significant', possibly relating it to the EUR 7 million for Brazil? Is it higher or is it lower?

Mr. Vree: ‘Significant’ in the sense of?

André Mulder – Kepler: What the impact is in millions. Would it be higher than the EUR 7 million impact that you have seen in Brazil?

Mr. Vree: The impact in Brazil in terms of EBITA reduction was EUR 6.7 million, as I said before. Maybe you have another question, then?

André Mulder – Kepler: The question is whether you can mention an amount for the US, so translate the 'significant' into an amount, possibly related to Brazil it will be higher than the EUR 6 million or EUR 7 million.

Mr. Vree: Now I see where you are going. I would say that is a level of detail that does not fit with the trading update. Certainly, we provided the breakdown by region when it comes to the half year figures.

Mr. Pullens: I hope you understand that. We gave some guidance on Brazil because it was very specific but we will have the full details with the half year results. This is a trading update.

André Mulder – Kepler: Okay, but you cannot say whether it is bigger or less than Brazil?

Mr. Pullens: Indeed.

André Mulder – Kepler: And on the divestment in Brazil, you have repeatedly said that you still expect a book profit on the divestment. Is that still the case?

Mr. Vree: Yes, we are definitely pursuing that divestment with the purpose to make a profit from it.
**André Mulder – Kepler:** Then on the US. Of course, several factors have impacted the performance. It is not only competition but also the FieldTech-part and Oil and Gas. Can you possibly rank the effects of those things? How much has for example FieldTech impacted the margin? What kind of margins should we look at those activities, what kind of impact does it have on the total environment? Is it now already 10% or 15% or higher? What is the impact of the Oil and Gas side? You mentioned in the Q4 presentation that there was some weakness there. What are you seeing in that field?

**Mr. McArthur:** Thanks for the question but remember this is a trading update and as Jurgen just pointed out, we are giving a lot of clarification and details around Brazil because that has significantly impacted our overall bottom line result. We will provide much more detail at the mid-year point but in relation to your question, the Environmental business. What I can share is that with FieldTech Solutions we now have 200 people working in FieldTech Solutions. The margins in that business are around the average for our North American business currently. That is as far as I am prepared to say at this stage.

**André Mulder – Kepler:** Okay. Can you also make a statement on the Oil and Gas exposure and what is happening there?

**Mr. McArthur:** Sure. As everybody knows, Oil and Gas is roughly 6% of our revenue in ARCADIS directly and roughly about10% indirect exposure through the Middle East. So Oil and Gas clients are clearly with the current oil price spending less on cleaning up downstream legacy issues when oil is hovering around US$ 40 a barrel than they were at US$ 80 a barrel. So, we see that in our work for Oil and Gas clients in the same way as for other commodity players, like mining clients as well, which means that we need to continue to diversify the client portfolio that we have. One of the areas that we have been successful in is in the Energy space or in the Power and Energy distribution space and we will continue to look for those growth opportunities, as we have said.

**André Mulder – Kepler:** Thanks.

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**Edwin de Jong – SNS Securities**

Good morning. I have some questions left, also on Brazil again. Could you remind us of what percentage of sales is now that revenues have come down quite quickly in the last year? Could you maybe give us some colour on the revenue part? Also on the client segmentation. How much is the percentage of public clients? You can imagine that with the political environment now in Brazil public spending will probably become a little bit subdued.

My second question is also on Brazil, on the compliance issues. Just to be clear, are they illegal or is there no amount of illegal activity there? Could you say something about why legal advisors have advised you not to report to the clients?

My last question is on the US. Outside the FieldTech Solutions how much is the Environmental business up compared to Q4?

**Mr. Vree:** In terms of our overall revenues Brazil is now 3% of the total. In that we have seen significant movements already since late 2014, that particularly the private sector went down. The mining sector was a very important segment both in Brazil as well as work we did outside
Brazil with also the highest margins in that country. On the public sector side it is a bit of a mixed picture. We see that on the public infrastructure part work continues. There are metro projects, road projects, etc. On the Water part, which is a public/regulated market, it has been subdued with less funding available for Water projects.

**Edwin de Jong – SNS Securities:** With everything that is going on you cannot expect much from that country in the next few years?

Mr. Vree: As I said before, from what we see now it will stabilise at the level we have seen in Q1, which was to be a like-for-like decline in the coming quarters but sequentially it should start to stabilise.

Mr. McArthur: On the compliance issues: we have selected several other ARCADIS Logos projects and other aspects in the São Francisco project and during that assessment we identified specific compliance-related findings. We are following up those findings with appropriate measures, including the project and process reviews in ARCADIS Logos that I mentioned as well as the enhanced training and awareness program. We have not reported these findings to the authorities and we are dealing with them in accordance with our internal compliance framework, based on our legal advice.

**Edwin de Jong – SNS Securities:** But they are not illegal, to be clear?

Mr. McArthur: I think I have answered that question in that we have not reported these findings to the authorities, also based on legal advice.

**Edwin de Jong – SNS Securities:** Okay. Thank you.

Mr. Vree: The third question was on the FieldTech Solutions.

Mr. McArthur: Again, that is at a level of disclosure we would be happy to provide at mid-year but this is, as Jurgen said, a trading update.

**Edwin de Jong – SNS Securities:** Thank you.

- **Michel Aupers – Rabobank**

I have four follow-up questions. Is the result in the first quarter supported by the release of provisions?

Mr. Vree: We can do them one by one. The answer is 'no'. There is no release of provisions that has supported the results in the first quarter.

**Michel Aupers – Rabobank:** And then regarding restructuring charges. You were guiding for around EUR 20 million for the full year at the publication of the full year results. But there are quite some issues in your portfolio, in the US, in Brazil and maybe in the Middle East. Do you think EUR 20 million is sufficient for the year?

Mr. Vree: We have already taken quite some actions in the first quarter by making sure that we have our staff capacity kept in line with the developments of the top line. That had a cost of almost EUR 5 million in the first quarter, so I think that indicates that this is the level we need. So, we stick with that indication of EUR 20 million for the year.
Michel Aupers – Rabobank: So, there is no downside risk there. You said that revenues in China are basically flat but what did margins do?

Mr. Vree: Indeed a stabilisation of that business. Margins in China have developed fine, so there we have not seen margin pressure increasing.

Michel Aupers – Rabobank: So ‘fine’ is flat. Okay. And then regarding the US, it is a very difficult region for you. In the last couple of years you already launched several restructuring plans and new products have been introduced. In the past, these activities were making margins clearly above group average. But is it not more realistic to say that the 7%-8% margin is an okay-margin for the US? The […] is no longer there anymore and you are in a completely different competitive environment right now.

Mr. McArthur: Correct, and then we see increasing competition and price pressure, particularly in our Environmental business. As I have said, we have reacted in two ways with our new strategy. We have just implemented the new operating model in the two biggest businesses. We are also looking to introduce new value propositions that are higher margin than we currently have in various different aspects of our business, the business advisory work in Water and in Building and also invent and bring to market lower-cost ways of doing work at lower price in order to maintain good margins in our North American business.

Michel Aupers – Rabobank: but we have heard this story for quite a while. Is it not more realistic to just get another margin target for this business?

Mr. McArthur: We have not specifically guided on other than meeting the ARCADIS margin targets for North America.

Michel Aupers – Rabobank: Which is 11%?

Mr. Vree: I think you remember that 2.5 years we released our strategy for the three-year period with growth and margin targets. Clearly, the economic environment has changed quite a bit since we made those plans. It is the Emerging Markets, the Environmental business and we see what is going on in Brazil and the oil price. You have not heard us mentioning those targets for a while, also saying that without that organic growth coming as some wind in our sails it is not very likely that 11% is in the cards. North America of course plays a role in that. I think that we have shown that we were able to deal with a slowing top line by preserving margin at a good level. That is also what we continue to do for the year.

Michel Aupers – Rabobank: But it seems the margin has continued to slide, also this quarter.

Mr. Vree: Well, we will give more update on the exact margin percentages at the half year, as I said. In the first quarter the margin was lower in North America. As Neil mentioned, the transformation is ongoing and we expect to benefit from that. The order intake of course is an early indication that this is successful and we expect that we are starting to see that back in our bottom line.

Michel Aupers – Rabobank: And then regarding Europe and the UK, you have stated that you have seen a slight increase of EBITA but you had substantial restructuring cost in the first quarter of 2015.

Mr. Vree: Yes, that is correct. So, there is of course an impact of less restructuring and in the case of Europe, one part of Continental Europe where we have seen a market being more difficult, is the south part which in our case is France. There, on the municipal level the
infrastructure projects have started to slow down. So that is an area where we have seen a lower operating margin in Continental Europe.

**Michel Aupers – Rabobank**: Thanks.

- **Dirk Verbiesen – KBC**

I have two follow-up questions, following also on what you discussed previously on the anticipated divestment of these projects in Brazil. If I remember correctly, you were expecting a book gain of around EUR 6 million, what you disclosed last year. Is there any reason that it will be materially different in the discussions that you are taking? Do you include any assumption of a book gain in the guidance for this year on EBITA?

My second question is on the situation in the London area and the remarks you made there on the impact of uncertainty related to a potential Brexit. Can you be a bit more specific on what is causing the uncertainty there? Is that on preparations for projects or planning procedures that you are helping with or are existing projects that you were working on being delayed or cancelled?

**Mr. Vree**: When it comes to the assets in Brazil I do not think we have given guidance for the year. You will remember that the results of that are part of associates, so it is not in our EBITA numbers. At this point in time I have nothing to report on expected results from that in terms of the absolute amounts. Given the dynamics in Brazil I also want to be careful to sound too precise on what we can expect.

When it comes to London, we have seen that the order intake for projects to build new high-end residential buildings is slowing down, which has to do with investor uncertainty. How will London develop in case a Brexit would take place? So we see it in advisory work and planning activities for these types of projects. So, it is not the ongoing projects. It is really in the projects for new builds in London.

**Dirk Verbiesen – KBC**: But so far it is not affecting the non-residential market, as you can assess so far?

**Mr. Vree**: The non-residential side did not come up as a theme in our reviews.

**Dirk Verbiesen – KBC**: Thanks.

- **André Mulder – Kepler**

In the annual report you stated that federal funding in the US was increasing and that helped infrastructure. I think that was one of the main reasons, the lack of funding that these public companies [hopped] over the fence in Environment and started competing with ARCADIS in the private segment where the company is a market leader. Has this item that you mentioned in the annual report also impacted the Environmental side? Do you see an increase in funding there?
Mr. McArthur: I think I have tried to be as clear as we can be about where we are with the Environmental business in North America, that we see increased competition and price pressure for all of the reasons that I mentioned earlier.

André Mulder – Kepler: But you did not see an increase of federal funding that could have diminished that? It is strange because if the federal funding is increasing and helping the infrastructure why should it not have a positive effect in the Environmental part, too? What is the difference there?

Mr. McArthur: Clearly, there is a difference between saying that you are going to increase funding and actually letting the money flow in terms of projects being realised. We see the same issue in Continental Europe with the Juncker-plan. There is a lot of talk about spending but we have not seen that actually filter into our Infrastructure projects in northern and Southern continental Europe yet. So, you have to be very careful about statements made by government and actually what we see flowing into a pipeline of opportunities that we can then win and turn into revenue.

André Mulder – Kepler: Thanks.

Mr. Pullens: As there are no more questions, thank you all for listening in to our first quarter trading update analyst call. Thank you all for your participation.

End of call