THIRD QUARTER 2016
TRADING UPDATE

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Mr. Pullens (Director Investor Relations): Ladies and gentlemen, good morning and welcome to the ARCADIS Q3 trading update analyst call. Before we will provide further insight into the Q3 results and our priorities for the remaining of the year, I would like to point out that ARCADIS today announced that Neil McArthur, CEO since May 2012, is leaving the company by mutual agreement. Renier Vree, currently ARCADIS' CFO, will serve as CEO on an interim basis with immediate effect.

Now, I would like to hand over the presentation to Renier Vree and Jan-Oege Goslings, our Group Controller, to comment on our Q3 results.

Mr. Vree (interim-CEO): Thank you Jurgen and good morning everyone. Also from my side: I have worked with Neil for the last five years, of which four years he was our CEO. I have always worked very well with him. He did many great things for the company, for which I and everybody at ARCADIS is very grateful. We wish him luck for his personal future as well.

Let me move to the results of the third quarter. As you have heard Jurgen say, I have asked Jan-Oege Goslings to support me with the financial part.
THIRD QUARTER 2016 TRADING UPDATE

- €797 million in gross revenues, organically -4%. Net revenues €598 million, organically -5% due to lower revenues in Emerging Markets and North America, and a negative currency effect.

- EBITA of €38.6 million (Q3 2015: €57.6 million). Non-operating costs €4.7 million (Q3 2015: €6.5 million).

- Operating EBITA margin 7.3% (Q3 2015: 10.3%), due to lower revenues, Brexit impact, price pressure and capacity imbalances in parts of our business.

- Free cash flow Q3 €38.7 million (Q3 2015: €37.2 million). Free cash flow in the year-to-date minus €2.4 million, below last year due to lower EBITA.

- Working capital 20.9% (Q3 2015: 16.3%), higher due to the Middle East.

- Backlog year-to-date €2.2 billion representing 11 months of revenues, developed markets (8%-11%) partly compensating for Emerging Markets decline (17%).

Our gross revenues for the quarter were just under EUR 800 million, which was an organic decline of 4%, while net revenues at EUR 596 million were down 5%. The reason for the reduction in revenues was especially because of the Emerging Markets and North America, while for a total level of revenues also the currency impact was negative, particularly due to the weakening of the British Pound in the third quarter.

Our EBITA was at a EUR 38.6 million level with non-operating costs of EUR 4.7 million, which brought the operating EBITA margin to 7.3%, compared to 10.3% in the third quarter of 2015. The impact from lower revenues as well as the Brexit, which is felt in our UK business, price pressure and also capacity imbalances in some of our businesses were the reasons for the lower EBITA.

We had a cash flow of almost EUR 40 million in the quarter, just ahead of the cash flow in the third quarter last year although year-to-date free cash flow is at a negative EUR 22 million. The reason that it is lower than where we were a year earlier is the drop in our EBITA.

Working capital is 20.9%, which is 1.6 percentage point higher than one year ago. This is attributable to the business in the Middle East. We have a number of milestone-based projects that lead to higher working capital.

The backlog is at EUR 2.2 billion, which is the equivalent of 11 months of revenues, which is stable compared to prior quarters. The backlog has grown this year in the developed markets, somewhere between 6% and 11% organically, while in the Emerging Markets we have seen a decline of the backlog by approximately 17%.

With that, I ask Jan-Oege to talk about the financial results in more detail.
Mr. Goslings (Group Controller): Thank you very much, Renier. I would like to just take you through the headlines in addition to what Renier has just presented. My name is Jan-Oege Goslings and I am group controller of ARCADIS.

When we look at EBITA, we reached a result of about EUR 39 million compared to the EUR 41 million you have seen in the second quarter, whereas in the third quarter the operating EBITA with the difference being the restructuring and other incidental charges being EUR 43 million compared to the EUR 46 million we have seen in the second quarter. Renier already mentioned that the Brexit-effect,
other price pressure in various markets, and capacity imbalances in different places in the world are the key contributors to that result.

Cash flow again, quite healthy at EUR 40 million. We will come back to the net working capital later in the presentation. You have had an extensive update on that in the second quarter. As we said earlier, there is more work to be done there.

On this page we go a little bit further into the business of the various regions. When we start with North America, as said organic growth in revenues was -6%, -5.6%, where we are facing really strong competition. The good news in the Americas is really that the order book is increasing year-to-date by some 6%. We have seen decline in Environment, in Water, and partly in Architecture but on the other hand there is good growth in Infrastructure with double-digit growth. Also in Building there is growth in the number of projects that we are winning. Key challenge in North America is aligning the backlog with the staff capacity, as was already referred to earlier.

When we move to the Emerging Markets, we still see a significant organic decline in Brazil. It is 38% at the moment, due to the recession. As Renier already mentioned, there are some positive signals, particularly after the new president has been elected. There are signals and press statements about the bottoming out of the market and new growth being possible in the coming quarters.

In Asia there was 12% lower revenue whereas in the Middle East it was rather flat. In other parts of Asia, like Hong Kong and Singapore, we are still seeing a decline.

Australia remains very stable, growing and profitable, particularly in the Infrastructure business. We saw solid revenues in China, even slight growth, including the business of CallisonRTKL in China.

In Continental Europe we saw an increase of the volume of business of 3%, particularly in Buildings and Infrastructure but also in Environment. Water on the other hand was lower than before. We saw a healthy order book also in Europe with a growth of 6% and that was a good signal moving forward.
In the UK we saw growth in Infrastructure and Water and the Environment-business increasing. As we already mentioned, Buildings is having a hard time particularly after the Brexit. Therefore, we see a shift from the Buildings-business into more Water and Environment projects since a lot of property developers have delayed or even cancelled their Buildings and property projects. Apart from that, we had a 9% currency effect on the weaker British pound, as was already referred to earlier.

This is the trend in net revenue that we have talked about, particularly growth in Continental Europe, the UK and Australia whereas the Emerging Markets are really facing macro-economic headwinds where revenues are in decline. I have already mentioned the intense competition in the US.

When we look at the organic net revenue growth, we stand at 4.9%. That is particularly due to North America and the Emerging Markets. In Continental Europe and the UK, the organic net revenue growth is still positive, particularly in the UK where it is almost 3%.

The operating EBITA-margin is, as I mentioned earlier, the same as last quarter with the various effects that I mentioned. In North America the margin was higher than 7.3%: it was about 8% whereas in the Emerging Markets it was 5%, in Europe roughly 7% and in the UK 10%.

We are focusing on really working with our clients. That is one of our strategic priorities. We are also stepping up the pace in aligning the cost structure with the new market reality.
Working capital at the moment stands at 101 days: 20.9%. It is a mix between the revenue effect, the currency effect and what really happens underneath in terms of accounts receivable and accounts payable, inventory and work in progress. Obviously, we have plans in place to reduce this percentage but you can imagine that at the same time there is some lagging effect from the actions we take and the results we book in that respect.

If you look at the number of days, you see that in North America it is pretty stable. Particularly the Middle East, Latin America and the Emerging Markets are the key focus areas for us to make sure that not only the billings but also the payments are being accelerated. We are in contact and negotiation with our clients to make that happen.

In Europe, the number of days was creeping up a little bit during the quarter. We are taking measures to try and reduce that in the very short term.

I will hand it back to Renier Vree. Thank you very much.
Mr. Vree (interim-CEO): Thank you, Jan-Oege, for stepping in here.

BUSINESS PRIORITIES 2016

Our business priorities are clear:
- Focus on winning work with clients
- Cash collection
- Align cost structure to new market realities
- Simplify organisation structure
- Improve financial performance

Outlook:
Arcadis expects similar business conditions in the fourth quarter as experienced in the previous quarters of 2016

Let me conclude with our business priorities. They are clear. For those of you who have made the comparison with the previous, there is a shift. Number one is making sure that the organisation is focused on winning work with our clients and keep the backlog at a good level and a possible increased order intake, cash collection to deal with the level of working capital. We added to align the cost structure to the market realities, because of the number of markets being challenging. We have to align our cost structure quickly to that new reality. With that comes a simplification of the organisation structure. We have many initiatives going on in the company and we have become a global company over the last years. We organised that. We see opportunities for doing that in a simpler way and also in a process taking out the costs. With these actions combined, the focus is on
improving our financial performance. This happens in a market in the fourth quarter, which we expect not to be too different from what we have seen in the prior quarters, so we expect business conditions to be similar.

With that, let me give the opportunity to ask questions about our performance.
Hans Pluijgers – Kepler Cheuvreux

Good morning, a few questions from my side. First of all, on the change in management and the departure of Neil. Could you maybe give some detail on where there was a difference of opinion on the company and the strategy going forward?

Secondly, I understand what you are saying with respect to aligning the cost structure to new market realities but how are you looking at that? Of course, it is quite a people’s business; do you have any detail on where you want to cut costs and at which levels? I understand also that you still have a level of higher-paid people, management layers that are still in the company and more the expensive fee-earners within in the business. Do you expect to change something on that and how do you believe you could manage it keeping the company focused on gaining clients?

Furthermore, you said you were still looking for bolt-on acquisitions, I understand from a statement on the wires. How do you see that? Do you have something in a [...] or is it more for the longer term than only the focus on priorities you are giving in sheet 11? Is that really for the next 18 months? Could you give some feeling on that?

Then coming back on the DSO, you are saying you are taking measures to really bring that back and in negotiations with also clients. Could you give some more detail on that? What do you see? Do you also see some risk of maybe that there will be some write-downs on some clients? Could you give some more detail of what you are doing there to really reduce that level of working capital?
Mr. Vree (interim-CEO): Thank you, Hans, for those questions. On the first one, on the departure of Neil, as we said in the press release there was a difference of opinion on the path moving forward. We do not talk about strategy; we talk about the way we run the company. That is where the difference of opinion has been and that is why the Supervisory Board agreed with Neil that it was better for him to step down.

On the cost structure: yes, we have put a number of initiatives in place very recently. That will already have some impact in the fourth quarter and if you look at the amounts involved in that, you see it adds up to approximately EUR 29 million of costs that will be taken out of the structure. That is focused on the non-fee earning staff, so that is management layers and also as a part of the operating model, the way we are organised, we see opportunities and we have defined opportunities. They still have to be worked out in more detail in the coming weeks to simplify that and therefore get more people available to work directly with clients and to make sure the order intake remains strong.

On bolt-on acquisitions I think you have seen that we did a small acquisition in Australia Pacific and that I what I meant when I said 'bolt-on acquisitions'. It is in Australia Pacific and for the environmental business it is a small one. It is one we think we can scale very quickly given the footprint we now have in Australia as well as leveraging the knowledge we have globally for the environmental business. If more of these become available – there are a number in the pipeline – then we are open for business in that sense.

On DSO, yes, we have taken good measures. I think we have full control from the inside of ARCADIS on the way we invoice and on collection but we also have a number of clients in regions where it is not easy for them to make payments, particularly in the public sector in the Middle East. We see the same for the public sector in Brazil. Also Belgium is regularly mentioned, also in the past, as a country where the public sector is slow in paying. We have seen the oil and gas sector increasingly lengthening payment terms. It is not that their payment discipline has changed but they have changed the conditions of contract one-sidedly and extended terms that impact the days of sales outstanding for that. But given the reasons for the increase I am not afraid of the risk that we have to take write-offs when it comes to the receivables.

Hans Pluijgers – Kepler Cheuvreux: But how do you then see that you could speed up their payments and reduce the DSO? You are giving a lot of reasons why they are paying slower but how could you really and especially in the governmental sector change that pattern? I think you already said that they are doing it one-sided so they are probably not listening to your arguments?

Mr. Vree (interim-CEO): No, I think they are very well aware of the arguments. Also our clients within the government want to pay but need to have the funding. There are a number of countries where we see funding improving. The expectation is that in Brazil funding will become easier. There are clear signs of that. You are also seeing that in Saudi Arabia bonds were issued to make more funds available for the government for payment, which is also an area where we have a number of projects with receivables outstanding. In Qatar the receivables are more linked to milestones, so there it is not so much the funding but the execution of the project based on the contract conditions put in place. That is at the peak the work we do there, also linked to the World cup that will take place in a few years. The payments for that should follow from the milestones that have been reached and that will be reached on those projects. Some of that will continue, like the ones in Qatar we expect till the middle of 2017 and on others I expect to see cash collection improve.
Hans Pluijgers – Kepler Cheuvreux: Then coming back on the cost savings, how detailed do you have the information on who is performing and who is underperforming? Do you have that on an individual basis or more on a unit basis or on a division basis? How detailed is that information? How quickly can you act?

Mr. Vree (interim-CEO): As ARCADIS headquarters we have a pretty detailed insight, on a country level, by division, on the performance off the business. So, when we had the reviews of the third quarter results two weeks ago with the eight regions – that is how we are organised internally – we made agreements with a number of the regions where the cost structure needed to be aligned. This has been worked out in the meantime in a detailed level, which ultimately boils down to the level of individual names.

Hans Pluijgers – Kepler Cheuvreux: My last question is a follow-up. You said the difference was mainly in how to run the company. That is a very broad statement. Could you give some feeling on whether that is a difference on the operational focus?

Mr. Vree (interim-CEO): I do not think there is a lot more to say about that but you probably also see it from the style in which this press release was written and the shift in priorities. It is the focus on the day-to-day and the operational execution of our plans where we want to make a shift. I would like to leave it at that.

Hans Pluijgers – Kepler Cheuvreux: Maybe then the last question, how quickly do you expect that you can appoint a new CEO?

Mr. Vree (interim-CEO): That is really up to the Supervisory board of course. They are starting this process as we speak and that will take a bit of time. Right now, I am not in a position to indicate any timeline to that.

Hans Pluijgers – Kepler Cheuvreux: Thank you.

Philip Scholte – Kempen

Good morning. My first question is about your debt covenants. I noticed there is quite a bit of discussion already around that. Can you talk us through the debt covenant levels and how you currently feel about that, maybe also slightly looking at 2017 already?

My second question is on your outlook statement where you talk about similar market circumstances. What do you exactly mean by that? Does that mean that the margin will stay at about the same level? Usually, Q4 is seasonally a bit better in terms of margin. Can you maybe shed some more light on what you exactly mean by that?

Mr. Vree (interim-CEO): Thanks Philip. On the debt covenants, it is a measurement we do with our lenders in June and in December. The debt went down in the third quarter, as you have seen. Also EBITA went down and the ratio we have to stay under is three times EBITDA. I have no concerns about the level of our debt when it comes to our debt covenants, also not for 2017.

On the outlook statement, what I really want to say here is that the markets we operate in, both the ones where we are growing and the ones where we have more challenging conditions, we do not expect these conditions to change from what we have seen in the previous quarters, particularly the
third quarter, which is also the reason why we have accelerated a number of initiatives to improve our performance, like the ones I mentioned around cost reduction and simplification in the way we run ARCADIS.

**Philip Scholte – Kempen:** Right, but that actually more refers to general market circumstances than per se a margin level.

Mr. Vree (interim-CEO): Yes, so we are not guiding here for a specific margin in the fourth quarter but what I do say is that the conditions where we operate in qualify that as well as indicate the initiatives we take to improve our cost structure, which in the end should work its way also in the margin.

**Philip Scholte – Kempen:** Thank you.

- **Philip Ngotho – ABN AMRO**

Good morning. I have a few questions. Let me start with the restructuring. You have indicated that you will be taking out some EUR 20 million of costs. I was wondering if you could also give a guidance on what your restructuring provisions will be in Q4 and also going into 2017.

My other question is on net debt. Can you give an indication of what you expect what it will look like at year end the development year on year? Also, maybe another point that I would just like to clarify because I spoke to Jurgen this morning and I understood that working capital has peaked in this quarter. Could you confirm if that is also your view?

My last question is on Brail. I was just wondering how large the operational loss was in the quarter and previously you guided for a break-even result in the second half of the year. I guess that is no longer the case and I am wondering when you expect to see that break-even result to be achieved.

Mr. Vree (interim-CEO): Regarding restructuring charges, we have said throughout the year that we expect them to be half of 2015, which is around EUR 20 million. I always thought we had a bit of cushion in staying below that level and I think that now we will be around that level. The amount we spend on restructuring will be a bit higher than we were in fact internally expecting by the end of the year but it will still be around that level of EUR 20 million. Currently, I have no specific information when it comes to 2017.

When it comes to net debt, I expect it to come down in the fourth quarter as it always does, also based on the payment behaviour of clients, which would also help of course our leverage. Net working capital is therefore also expected to come down in the fourth quarter. When we start to see the payments in the Middle East acceleration based on the milestone-based contracts it should give comfort that working capital indeed has peaked in the third quarter, as you heard this morning.

Brazil year-to-date is an operating loss but in the quarter we were break-even. So in that sense, we have achieved there what we have said earlier in the year.

**Philip Ngotho – ABN AMRO:** Ok, that is very clear. Just maybe still on the restructuring costs because the EUR 20 million that you just referred to during the presentation or with the previous questions, were already part of the plans that you had during the year? It is not an additional cost that will be taken on? Otherwise, the step-up in provisions seems a bit low.
Mr. Vree (interim-CEO): A number of plans were in place and a number were added and accelerated in the fourth quarter. I was thinking till the middle of the year that we would stay well below EUR 20 million but I now expect that we will be around the EUR 20 million level. So, in that sense the provision has increased.

Philip Ngotho – ABN AMRO: Thank you.

- Dirk Verbiesen – KBC

Good morning. I have a question on the trends you see in the UK. You were also referring to the impact of Brexit, also on margins, if I understood correctly. But we see the backlog growing, a bit countercyclical maybe in the third quarter, but it is a bit of discrepancy in margin pressure coming through so rapidly after the vote and also working through a backlog in general versus growth in the backlog we see occurring in Q3 versus the first six months. Maybe you can shed some light on the moving parts there.

Referring to the covenants, I understand correctly that you also have an interest cover covenant that you need to comply with? Do you see the same safety there as in net debt EBITDA probably? Maybe you can confirm this?

Then on the strategic update, just to make sure, I also discussed it already with Jurgen this morning, but the beginning of 2017 as you state in the press release is probably not before the full year 2016 results publication. Is that right?

Mr. Vree (interim-CEO): On the UK, there we benefit from being diversified and well diversified. We have two large businesses. One is Infrastructure and one is Buildings. There are smaller businesses in Water and Environment. We see growth in Infrastructure and continued growth, also in the backlog. That is the main reason why the backlog went up, although we also saw there a backlog in Environment developing well. In Buildings it is a decline but when it comes to margins, the Buildings business is the most profitable business. The mix shift in the UK from Buildings to Infrastructure puts pressure on the average margin we realise in that market.

On the covenants: yes, on the interest coverage it is absolutely fine. It is even more comfortable when it comes to the senior leverage ratios with our lenders.

On the strategic update, we will be in a closed period pretty […] in 2017 and therefore, the update will indeed take place after we have published the results for the full year 2016.

Dirk Verbiesen – KBC: Thank you.

- Luuk van Beek – Degroof Petercam

Good morning. First of all, you mentioned price pressure as one of the reasons for the margin pressure. Can you comment on the price levels in the backlog [sound distorted] the Q3 levels bottoming out there?

Mr. Vree (interim-CEO): [sound distorted] price pressure. We see that particularly in Northern America, like we have seen earlier to give a bit of an indication where we see most of that, especially in the
environmental business. As you know, Oil and Gas is a key client sector where the low oil price has worked its way through the suppliers in that sector and with the overcapacity in that market that put price pressure there. In Latin America for the same reasons, the enormous reductions in overall market size; also here there is overcapacity that leads to lower prices. In parts of the Middle East we see that also, clients postponing decisions – as we also saw in the backlog – on the new Infrastructure developments and therefore also having more overcapacity in the market impacting pricing. For the backlog it is a stable level. We have not seen prices moving back up there in those markets. It is more positive in parts of Asia. It is good in Australia and it is also relatively stable in Continental Europe. The UK is quite good for Infrastructure but a bit weaker, also here in Buildings. So, the link with revenue development is also here quite visible.

Luuk van Beek – Degroof Petercam: My second question is on the cancellations that you mention that obviously make it much more difficult for you to adjust your capacity in various regions. Do you still see that as a risk going forward and is there anything that you can do in your contract structure and tendering approach to avoid those fluctuations in the coming year?

Mr. Vree (interim-CEO): That is a good point, Luuk. [sound distorted] In the second quarter we have seen [...] and now in the third quarter it happens again. Usually, you see that when a client awards work for project management or engineering they do that because they have funded that project and we can [...] on with it when work has been won. In the Emerging Markets, given the significance of slowdown, it has been different this year. That is why in Brazil, China, and parts of the Middle East we have cancellations. I also think that for the fourth quarter there are no signals from clients that we should worry about other large cancellations. In the contract that is always difficult, because it depends a bit on the type of work we do. Sometimes we get paid something when a project is cancelled and of course, when we already have done work but the client says we have to stop now and we get paid for the work we have done till then. That is not the issue. In Architecture that is even more so the case, which is of course typical front-end work we do where you get paid when a client in the end decides to not continue with a project. Then you also get paid. So, we have conditions in our contract but in the end clients have a pretty strong position when significant events are happening.

Luuk van Beek – Degroof Petercam: That is clear. Thank you, those were my questions.

- Hans Pluijgers – Kepler Cheuvreux

I have some follow-up questions first of all on Brazil. You indicated that the result is now at break-even level but at the same time, you still see sequentially sales trending down quite significantly. How is the visibility now in Brazil? I hear what you are saying with respect to some signs of improvement but I think those are more general signs or do you see them in your own discussions with clients and say there is a sequential development or discussions on projects that there could be maybe some pick-up again?

Secondly, could you give some feeling on the sequential trend in profitability by region? Has it improved or declined further compared to the number we are seeing at the EBITA-level in Q2?

Thirdly, on the Middle East with respect to also cancellations but especially with respect to finding new projects, are you more cautious currently with getting new projects in before you have visibility on
payments? Is it really also hampering there your backlog? Could you give some feeling on how big that impact is, if at all visible?

Mr. Vree (interim-CEO): Thank you, Hans. On Brazil, the break-even result was really achieved because of cost reductions. On the revenue side, revenues continued to be down. Visibility is quite limited. What gives us more positive vibes is that the activity from clients to ask for proposals is increasing. Opportunities in the market are starting to come back and also projects that were in the market a while ago and for which we are asked to make a proposal were put on hold. Now, we see clients coming back and ask us to have another look because they may go forward with this project. That means that sequentially Q4 will still be lower than Q3 but not by a lot and then it will start to stabilise. We expect it then also to improve in the course of 2017, given also the measures the new government has put in place and are still planning to pass through congress.

On sequential margin by region: this is a trading update and we typically do not give that level of detail. In our press release we mentioned the developments in general and also Jan-Oege gave some more flavour to that and I would like to leave it at that.

About the Middle East: yes, we have become more cautious, for sure, particularly when it comes to public clients. The objective when it is about our Middle East business is really about making sure we have projects that have a good structure in the way the contract is being designed at acceptable rates. If that means that those conditions do not make it possible to win the projects we step away from them and reduce our presence in the Middle East, which we have seen in the third quarter reduction in revenues. Also in the next quarters I expect revenues in the Middle East to come down, also as an effort to balance the risk of our ARCADIS. Too large a presence in the Middle East is not good from a risk management point of view.

Hans Pluijgers – Kepler Cheuvreux: My last question is on the improvement in trend. I understand that in North America sequentially you have seen some slight improvement in profitability. If I look at the organic growth, also there the decline is coming down slightly. Is that a fair analysis I am doing?

Mr. Vree (interim-CEO): In North America the decline was similar in the first half as we have seen in the third quarter. So, that is a correct assumption. But also do not forget that last year we had a project write-down in the second quarter so therefore, like-for-like the margin is indeed sequentially better. But then, that one-off should also be taken into account. I would say that underlying the margin is more or less stabilising.

Hans Pluijgers – Kepler Cheuvreux: And if you exclude for that one-off in Q2 of last year.

Mr. Vree (interim-CEO): Right.

Hans Pluijgers – Kepler Cheuvreux: But looking at the top line, you are saying it is in line with H1 but in H1 you saw Q1 somewhat better than Q2, so that means that compared to Q2 the decline is levelling off.

Mr. Vree (interim-CEO): Yes, that is correct.
• Philip Scholte – Kempen

Your backlog in North America is actually up, already for some time. Can you comment a bit more on the developments of the FieldTech Solutions and when do you expect in general the North American business to return to positive growth?

Partly related to that but this is more for the whole group, I actually hope that your margin would recover a bit more versus Q2. At the Q2 results you said you had maintained a bit of capacity also in North America related to some upcoming Water contracts. What happened there? Did that materialise and did that margin improve?

Mr. Vree (interim-CEO): On backlog and North America: one of the main reasons the backlog is the work we have won with ARCADIS FieldTech Solutions. As part of the transformation we put that in place to be competitive in the more commodity-size of remediation projects. So, that business has continued to grow, also sequentially in Q3 from Q2. Overall, the Environmental market is difficult as I mentioned, as well as the Water business. In combination with what we do with the strong growth in Infrastructure and Buildings I do not want to indicate when that growth starts to happen. I am already happy with the stabilisation we have seen but it will take some time before we can really indicate the moment organic growth is starting to take place.

You are correct, on the capacity balance in North America we held on to resources in Water because of projects and that was the right decisions because we have seen those projects coming. There is still some imbalance in capacity because capacity is around the country and projects are won sometimes not just exactly where the resources are, which means we are looking for people to be recruited more in the South-West part of the US while in the North-East the capacity is a bit higher than we need it to be. So, that is also part of the rebalancing exercise we are doing in North America.

Philip Scholte – Kempen: Thank you.

• Quirijn Mulder – ING

Good morning. Many questions have been answered but there are a couple left. If you are talking about limiting your exposure to the Middle East are you aware that your biggest acquisitions in the recent past were especially done because of the position in the Middle East, like EC Harris and Hyder? So what will be the effect on your reduction?

My second question is on Belgium in France. There we see overcapacity in Engineering. What measures are you going to take there? Because I think it has been there already for a couple of quarters.

Then finally on the US. Part of the organic growth is related to price pressure. If FieldTech Solutions is continuing at lower levels than the original activities should we not expect that the margin pressure will continue and not return to the old levels?

Mr. Vree (interim-CEO): Yes, I am fully aware that the Middle East business consists partly of the acquired activities of EC Harris and Hyder, part of it. I am also sure that we continue to be a good player in the Middle East. We have seen also some strong growth over the years but right now, given the current conditions, we also have to make sure we do the work which gets paid and is profitable. If that means that we have to reduce our capacity in some countries in the Middle East then that is the right thing to do.
Overcapacity in Belgium and France is indeed called out in the press release. We are taking measures there. As you can appreciate, it is not always easy given the process you have to follow due to the labour market rules. The programs in place, particularly in France, are to deal with that. So we have a plan to reduce capacity outside the largest cities in France where business is pretty strong like Paris and Lyon. We see a strong business in Infrastructure and also in other activities. In some of the regional offices – as we have also mentioned in the past – the level of work has slowed down given the lower level of [...] spending there, which we are therefore addressing.

On North America and the ARCADIS FieldTech Solutions it is good to mention that business is at lower prices but at good margins. So, it is a business that is performing at higher margins than other parts of our North American business. In that sense, I like the FieldTech Solutions business to continue to grow at a good pace because it is supportive to the margin development.

Quirijn Mulder – ING: Thank you.

• Philip Ngotho – ABN AMRO

One final question from my side and it is related to the strategic update. I understand that in terms of business priorities for the short term are very clear and logical, given the company’s performance in the past. I understand that you also do not need a new CEO to formulate these priorities and just executing them is already very challenging but I am wondering why you are still planning to go ahead with the strategic update and not wait for a new CEO to be on board and part of the strategic discussions.

Mr. Vree (interim-CEO): That is a fair point. That is also why we have not indicated the timing of that. In the next month in the developments around the CEO-search we will look at that in the context with the best timing for announcing our strategy. That is why no date is mentioned here in the press release.

Philip Ngotho – ABN AMRO: Then it is a misunderstanding. I thought that you would probably announce that before a new CEO is in place.

Mr. Vree (interim-CEO): That could be the case. We have not made up our mind about what is the best way to do it. As I said before, our strategy is really an update. It is not that we developed a new strategy, so I think the one we have in place is good and very well developed. We will make some changes, enhancements and updates. It is not that we are developing a completely new strategy. Therefore, the focus right now is on the execution to simplify the organisation, win work with our clients, take out the cost and improve the operational performance. That is also a good reason to postpone the communication of the update.

Philip Scholte – Kempen: But I can imagine that maybe some part of the strategic targets before were good but not all, at least not all really turned out very well. It would sound to me like a kind of very important part of the business going forward if you want to restore margins and growth.

Mr. Vree (interim-CEO): Correct. It is definitely a part of the strategy update the process and the initiatives to do that on an ongoing basis. Correct.

Philip Scholte – Kempen: Thank you.
• Joost van Beek – Theodoor Gilissen

Good morning. Obviously some of my questions have been answered. First, on the profile of the new CEO. Can you elaborate a bit on that? Are you looking for a candidate who should focus on growth like Neil McArthur or is it more somebody who is very good at running the business instead of just focusing on growth?

Mr. Vree (interim-CEO): The Supervisory Board has now begun its search for a new CEO and that starts with developing the profile they are looking for. Right now, there is nothing to share about what that profile should look like.

Joost van Beek – Theodoor Gilissen: In the mining industry we have seen commodity prices rising quite a lot I can imagine that also in Brazil, as you mentioned, you see a slow pick-up. That is also related to the mining industry. Maybe you can elaborate a bit more on your exposure to the mining industry in the different regions and the perspective there.

Mr. Vree (interim-CEO): Indeed commodity prices are going up. Historically, we have had a very strong position in Brazil but also in Chili when it comes to the mining sector. In Brazil we have not seen many positive developments there yet when it comes to order intake from the mining sector. I think they are still in the mode of having a high capacity. I have not seen proposals that we can bid on large new investments. It will probably take a bit longer. Chili is in that sense a bit more stable. I would not say it is increasing but it did not go down as much as in Brazil. But it is at a stable level. Then we have Environmental work we do for the mining sector, particularly in North America and that is at a good level. Sometimes the work is related to permitting or to closures of mines, so that activity level in North America is at a more stable level as well.

Joost van Beek – Theodoor Gilissen: And then on staff turnover we have seen quite a number of new management leaders hired in the last few months. What about the 'unwanted' staff turnover? I can imagine that with all the hectic going on right now maybe some competitors approach your best managers to take them away. How is that situation?

Mr. Vree (interim-CEO): I think for the industry as such it is a pretty challenging time, which you also can see from the performance of many of our peers. Yes, you are correct that ARCADIS staff is being sought after because people know what they can do and have a good pedigree. But we have not seen significant changes in staff turnover. Also vice versa we do not shy away from attracting staff from our competitors when we have vacancies or when good people are available in the market place. But nothing significant to mention here.

Joost van Beek – Theodoor Gilissen: And a final question on DSO. Do you make use of factoring or are considering to make use of factoring?

Mr. Vree (interim-CEO): we do not use factoring nor are we planning to do that, Joost.

Joost van Beek – Theodoor Gilissen: That is clear. Thanks.
**Dirk Verbiesen – KBC**

Good morning. I have two follow-up questions, on working capital. The change, the upward pressure may be temporary in the Middle East. Has that more to do with receivables becoming overdue? It is not stuck on work in progress? Maybe you can shed some light on that.

Also, coming back to the FieldTech Solution concept and the launch of that: I understand that it is widely supported still in the organisation as one of the key drivers for future growth in Environment. Coming back to the margins and the profitability and the comments you gave on that, you previously also said that it should be close to a double-digit margin target that was there. Do you still see that as realistic for that concept?

Mr. Vree (interim-CEO): Indeed, the FieldTech Solution business is running at a double-digit margin and because this concept works well in North America we also start to apply the same concept in Continental Europe. Also here, we often cater for the oil and gas sector where we see similar pressure on the rates. By organising our execution differently we can remain competitive by applying the FieldTech Solutions concept. That is also a change we made in the last quarters to take advantage of what we developed in North America.

Working capital in the Middle East: we have seen a shift from work in progress towards accounts receivables, so to debtors. Also, because we reached a number of the milestones and therefore we could invoice the clients. This also indicates that the moment that cash comes in has therefore also improved.

**Dirk Verbiesen – KBC**: Thank you.

**Hans Pluijgers – Kepler Cheuvreux**

One follow-up question still, on France and Belgium, on the overcapacity. You already discussed that at the end of Q2. I understand that this can take some time but do you expect that the improvements will filter through in Q4 or is really something more for next year?

Secondly, on Belgium more specifically. You indicated that you initially expected it was more temporary but do you now think it is becoming more structural and that also there they have to take some more measures and it could take somewhat longer? Could you give some feeling on that?

Mr. Vree (interim-CEO): In France, given throughput times the impact on Q4 will be limited. For 2017 it should become more visible from the results. In Belgium it also depends on a number of large projects. As you may know there are some large Infrastructure projects that have been announced by the government, either on the regional or on the federal level. Depending on our hit rate in winning that work that will indicate whether we need to take further measures particularly around Infrastructure. The Environmental business is relatively soft in Belgium. That is also the area we are currently addressing.

**Hans Pluijgers – Kepler Cheuvreux**: Thanks.
- **Quirijn Mulder – ING**

One question left from. How are you looking at your total portfolio? We gave seen in the past a couple of measures cutting the dead wood. Given all the activities in different countries I would ask you to look at these data or are you so happy with all these activities that they are large enough for you to make good returns?

Mr. Vree (interim-CEO): If your question is whether we are looking at our total portfolio the answer is yes. That is in fact one of the vital elements of the strategy update. That is also why it is important to repeat that every few years. From that portfolio, we have a pretty good view on where we are and on what we can expect in the various markets and where we should look for investments. If it makes sense to not grow or even divest the business in a certain market, then we are open for doing that as well. So, that portfolio analysis plus the consequences are part of our strategy with a logical outcome in terms actions from that.

**Quirijn Mulder – ING**: But does that mean that you are going to look at relatively small countries big activities or large countries with small activities?

Mr. Vree (interim-CEO): We look at the whole portfolio. Answering this question is really what should be part of the strategy update and not so much this trading update.

**Quirijn Mulder – ING**: Thank you.

- **Philip Scholte – Kempen**

Do you have an updated view on the sales process of the Brazilian bio-gas assets?

Mr. Vree (interim-CEO): Last time that we spoke I indicated that we had made progress with an external party to co-invest in the bio-gas business. That is progressing. The fact that the country starts to stabilise also has increased the sentiment around this transaction. We continue to make progress and like you I look forward to the moment that I can make a more definite announcement about that.

**Philip Scholte – Kempen**: But do you still expect that to turn profitable in 2017?

Mr. Vree (interim-CEO): We have not guided for a timing, whether that is 2016 or 2017 but when a transaction happens it should help our bottom line.

**Philip Scholte – Kempen**: Previously you said that due to the partner that is going to invest, etc. I think there is a bit more development going on that it will turn profitable in itself.

Mr. Vree (interim-CEO): There are two elements. One is the transaction itself and the second is that because of this partner the capacity utilisation of the bio-bas assets will improve, which will benefit the bottom line in terms of operating results as well.

**Philip Scholte – Kempen**: Exactly. And you still expect that to happen?

Mr. Vree (interim-CEO): Correct.

**Philip Scholte – Kempen**: Cool. Thanks.
Mr. Pullens (Director Investor Relations): If there are no further questions, I would like to thank you for your participation and I will close the call. Thank you.

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End of call