Mr. Pullens: Good morning everyone. My name is Jurgen Pullens, I am the director of Investor Relations for ARCADIS. I would like to welcome you to this ARCADIS analyst meeting conference call and webcast. We are here to discuss the company's results for the second quarter and the first half year 2016, which were released this morning. With us during the call are Neil McArthur, Chief Executive Officer, and Renier Vree, Chief Financial Officer.

We will start with a short presentation by Neil and Renier and then we will open up for a QandA. You all received the presentation this morning and it is also available through the investor section of the ARCADIS website for which the address is arcadis.com/investors.

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

With these formalities out of the way, I would like to hand over to Neil.

Mr. McArthur: Thank you, Jurgen and can I add my own personal welcome to those here in the room in Amsterdam and also those attending the webcast and the conference call!
As is normal practice, I will have a few opening remarks and then hand over to Renier Vree, our CFO, who will take us through the financial results for Q2 and the first half year. Then I will come back and talk a little bit about the progress that we are making on our leadership priorities and strategically. Then we will open the floor for Q&A.
So, for the first half year 2016, as expected, tough conditions in the emerging markets and for our North American business, as it is going through its transforming, are impacting our results. In the emerging markets we are still confronted with the deep recession in Brazil, the slowdown in Asia and clearly, given with the current level of the oil price still relatively depressed, spending cuts in the Middle East that impact not just the Middle East but also our oil and gas clients around the world.

In this quarter we have had the added economic uncertainty due to the Brexit. However, we see more favourable conditions in a number of our end markets, including Continental Europe and Australia. So, we expect the tough conditions that we experienced in the first half of the year to continue in the second half of 2016.

As we shared at the beginning of the year, we have a number of leadership priorities. Those remain. I will come back and talk about those a little bit more in detail in our presentation.
So, where do we stand financially in the first half year? Gross revenue was down 1%, at EUR 1.678 billion. Net revenues were down organically 3% in the first half year at EUR 1.263 billion. That is mainly due to Brazil and North America, which were only partially compensated by Continental Europe, the UK and Australia growth.

Our EBITA in the first half year was EUR 88 million. Operating EBITA of EUR 97.6 million. Our non-operating costs were significantly lower than they were in 2015, at EUR 9.6 million. Net income from operations, as we said, down to EUR 54.9 million.

Our free cash flow in the first half year minus EUR 62.3 million and working capital increased to 19.9%, mainly due to the Middle East. We will come back and talk about that in a lot more detail during the presentation.

Forward looking: backlog grew organically 1% but that is two very different stories. We are very pleased to report an organic growth of between 8% and 12% in our developed markets and in the emerging markets we have minus 11% organic decline in the backlog, including roughly 3% of cancellations in countries like Brazil, Qatar, and China. That represents a very healthy 11 months of revenue for ARCADIS forward looking.

With that, I would like to hand over to Renier Vree, our CFO.
Mr. Vree: Thank you, Neil. Let’s zoom in a bit more on the financial results for the first half year and the second quarter.

### Q2/ First Half Year 2016 Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Q2 2016</th>
<th>Q2 2015</th>
<th>Change</th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenue</td>
<td>832</td>
<td>866</td>
<td>-4%</td>
<td>1,878</td>
<td>1,892</td>
<td>-1%</td>
</tr>
<tr>
<td>Organic growth</td>
<td></td>
<td>.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revenue</td>
<td>030</td>
<td>059</td>
<td>-4%</td>
<td>1,200</td>
<td>1,218</td>
<td>-4%</td>
</tr>
<tr>
<td>Organic growth</td>
<td>-3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>41.4</td>
<td>40.2</td>
<td>-3%</td>
<td>89.0</td>
<td>81.6</td>
<td>-4%</td>
</tr>
<tr>
<td>GRTA margin</td>
<td>9.6%</td>
<td>6.4%</td>
<td>3.2%</td>
<td>7.0%</td>
<td>6.3%</td>
<td></td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>46.2</td>
<td>42.4%</td>
<td>-12%</td>
<td>97.6</td>
<td>115.8%</td>
<td>-18%</td>
</tr>
<tr>
<td>Operating EBITA margin</td>
<td>7.0%</td>
<td>7.4%</td>
<td>4.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Excluding acquisition, restructuring and integration related costs
Excluding revaluation gains of € 0.5 Million, the operating EBITA in Q2 2016 was €89.0 million (GRTA margin: 9.6%), and € 115.8 million (8.7%) in H1 2015.
In the second quarter we have seen a 4% reduction in both gross and net revenue. Net revenues organically showed a decline of 3%, which is a balance of decline of revenues in North America, Latin America, and Asia. We saw stable revenues in the Middle East and we saw growth in Continental Europe, the UK, and Australia Pacific. In fact, the picture for the first half year is very much in line with what we have seen in the second quarter.

Our EBITA up in the second quarter compared to last year, by 3%. It is also important to add that last year we had a project cost overrun that impacted the results then, so like for like it is a decline compared to last year. When we then take into account the non-operating costs – as Neil mentioned – from approximately EUR 24 million last year to EUR 10 million this year, we came with an operating margin of 7% for the first half year, compared to 8.8% last year. If you make that like-for-like comparison with the project cost overrun, it is approximately a 2 percentage point drop in operating margin. I will come back to that later on in the presentation.

Let me zoom in on the details of the P&L below EBITA. There is the amount of amortisation, which has come down because the intangibles for the acquired companies have been amortised in the meantime.

Finance expenses somewhat up, because last year we translated some of the loans we had in variable interest rates to fixed interest rates, which changed that.

The tax rate is very much similar, 25%, included for the first half year, based on the expected tax rate for the full year.

Also when it comes to income from associates and non-controlling interest, no significant changes compared to the first half of last year.

That brings the net income from operations, which is net income adjusted especially amortisation, at EUR 54.9 million, so 7% below last year, as Neil mentioned. If we take into account that we have almost 2% more shares outstanding than we had in 2015 at mid-year, the earnings per share went to EUR 0.66 from EUR 0.72 in the first half of 2015.
Here, you see a summary of the balance sheet with the comparison with the end of 2015. In total, an increase of EUR 120 million, very much reflecting the seasonal increase in working capital. There is one change compared to last year. There is a joint operation we do with another company in the Middle East, which we have to partially consolidate. That means that not only we have our own net revenues but also the subcontracting in that joint operation is included in the balance sheet. That is the receivable part, mostly work in progress. But also the other part of it, which is payables, is linked to the subcontracting and that is an amount of EUR 22 million on both sides of the balance sheet.

The net debt leverage ratio for the point in time, so for June, is at 2.4 times our EBITDA. If we look at the way we calculate the covenant ratios, which is the average of December and June, the ratio is at 2.2. You may remember that the level we have to stay below in our bank covenants is 3.0.
When we look at the days sales outstanding and net working capital development, we see an increase from December and also compared to June of last year. In North America we saw a good performance, which was sustained in 2016.

There is a significant increase in the emerging markets and the main reason is the slow invoice approval process in the Middle East and, to a lesser extent, Asia. Also, the joint operation with the other company that I mentioned has an impact specifically on the emerging markets of ten days.

There is a number of large milestone-based contracts we are working on in the Middle East and those will continue to impact our DSO and that is expected to last for another four quarters.

Also in Continental Europe we see an increase of days sales outstanding. Here, we have seen that a number of oil and gas clients have unilaterally extended their payment terms, which works its way through our receivables.

In the UK it is the public sector. They have taken a bit more time to approve the invoices. I expect that to not last that long but it impacted our June numbers.

That brings the overall working capital by the end of June at 19.9%, so an increase compared to the first quarter and also compared to last year.
We also see that back in the cash flow statement, where below the EBITDA we see the changes in working capital, which is a bit higher than it has been last year. You also see that the tax paid is a bit more. For a while we saw that cash tax paid was lower than the accrued tax. That is the other way around in the first half. Also the utilisation of some of the restructuring provisions led to a cash-out, which impacted our cash flow. That brought the overall free cash flow to EUR 62 million outflow in the first half year compared to around EUR 30 million in 2015.

If you look at the picture at the right, you see the typical seasonal pattern we have at ARCADIS between the first half year and the full year. You can also see here that typically in the second half of the year the cash flow turns the other way around and turns positive for the full year.

- Free cash flow in H1 at minus €62 million as a result of seasonally higher working capital, utilization of restructuring provisions and higher tax payments.
Our operating EBITA margin was at 8.1% in Q1 and 7.3% of net revenues in the second quarter. When you look at the amounts you see in the graph below from it went from around EUR 116 million last year to EUR 98 million this year and that the two regions or countries that jump out are North America and Brazil. In North America a reduction of EUR 6.5 million, which is a combination of that project write-off last year and if you adjust for that, a EUR 20 million comparable decline, which is split between Environment, Water, and Architecture in more or less equal size in the first half of this year.

In Brazil it is the impact of the much lower revenues. Neil will show more figures about that later. We went from a high profit in 2015 to a small loss in 2016, which is a delta of EUR 9.6 million. As you can imagine with this type of reduction of volume in the market, also price levels in Brazil have come down.

There is also the contribution from Performance Excellence and integration synergies, which compensate for a lower margin in Continental Europe operationally. There is a pick-up in margin in Australia Pacific.
I am not going to talk too much about the business lines. Here, you see the description of the activities in the four business lines.
Here, you get detailed tables of the performance of the individual business lines. Let me call out a few of these numbers.

Infrastructure had a strong half year. We have seen organic growth after declines in the prior years. That is despite the impact of Brazil. So here, a good performance with also an improving EBITA and a stable operating EBITA. This is contributed by the Hyder activities but also the Global Design concept helps us to be competitive and grow this business line.

In Water we saw a 6% decline of organic revenues, North America and Latin America being the chief contributors to that decline, which also led to a reduction in operating margin.

In Environment North America is the reason for the reduction in revenues of organically 6% by the most extent. The operating margin is higher than last year but again, you will understand that the one-off in 2015 impacted the numbers, so like-for-like there is a decline of the operating margin.

In Buildings, where we have seen the highest growth in the last years, it has changed with the different economic sentiment in the emerging markets, particularly Asia and the Middle East but also the UK, where we have seen a decline of revenue in the Buildings market. You see the minus 5% organically in net revenues, which also had an impact on the margin.

Let’s talk a bit about the four regions in our results, starting with North America.

We saw an organic development of the net revenues of minus 6%.
<table>
<thead>
<tr>
<th>Category</th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>Change</th>
<th>Organ ic</th>
<th>Organ ic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td>650</td>
<td>640</td>
<td>2%</td>
<td>-1%</td>
<td>0%</td>
</tr>
<tr>
<td>Net revenues</td>
<td>424</td>
<td>434</td>
<td>-2%</td>
<td>-6%</td>
<td>-6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>30.0</td>
<td>34.3</td>
<td>-11%</td>
<td>-11%</td>
<td>-11%</td>
</tr>
<tr>
<td>EBITA margin</td>
<td>7.2%</td>
<td>7.8%</td>
<td>-17%</td>
<td>-17%</td>
<td>-17%</td>
</tr>
<tr>
<td>Operating EBITDA</td>
<td>32.2</td>
<td>38.7</td>
<td>-17%</td>
<td>-17%</td>
<td>-17%</td>
</tr>
<tr>
<td>Operating EBITA margin</td>
<td>7.5%</td>
<td>6.9%</td>
<td>-10%</td>
<td>-10%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

1) Operating EBITA includes acquisition, restructuring and integration-related costs
2) Includes $0.3 million non-recurring project-related revenue

- Environment: lower revenues and margin (competition); good project wins in Field Tech Solutions increase backlog
- Water: lower revenues and margins (capacity); new operating model generating higher order intake
- Buildings: lower revenues and margins mainly in Architecture
- Infrastructure: strong revenue growth in Georgia and Florida

Here, Environment, Water, and the architectural activities saw lower revenues. On the other hand, Infrastructure and Buildings services were growing in revenues with a margin operationally at 8.9%. We have seen strong competition in the Environmental business.

In Water, we have decided – Neil can talk more about that later – that looking at the expected order intake to hold on to capacity, which had an impact on billability and therefore the margin in the first half of this year.

In Environment and Water we also see strong growth of our backlog. The order intake was good, so you see an organic backlog development of plus 8%, which is a very good development compared to the low order intake we have seen in the second half of 2015 and which worked its way in the margins in the first half of this year.

Also in Infrastructure we saw good growth in the work we do there, in transportation in the states of Georgia and Florida.
Let's go to the emerging markets.

**EMERGING MARKETS**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>Charge</th>
<th>Organic</th>
<th>Calendar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross revenues</td>
<td>644</td>
<td>670</td>
<td>-6%</td>
<td>-1%</td>
<td>-11%</td>
</tr>
<tr>
<td>Net revenues</td>
<td>373</td>
<td>422</td>
<td>-11%</td>
<td>-8%</td>
<td>-11%</td>
</tr>
<tr>
<td>EBITA</td>
<td>19.4</td>
<td>24.7</td>
<td>-21%</td>
<td>5.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>EBITA margin</td>
<td>5.2%</td>
<td>5.9%</td>
<td>13.5</td>
<td>13.4</td>
<td>26%</td>
</tr>
<tr>
<td>Operating EBITA</td>
<td>6.4%</td>
<td>7.3%</td>
<td>13.5</td>
<td>13.4</td>
<td>26%</td>
</tr>
</tbody>
</table>

1. Brazil: 30% net revenue decline and operating loss of €4.5 million (H1 2015: +€4.1 million)
2. Asia: Lower revenues mainly in Hong Kong and Singapore, China stable, margin up
3. Middle East: Stable revenues, oil price continues to impact order intake, pricing, and cash flow
4. Australia Pacific: Arcadis' global capabilities help drive strong profitable growth, particularly in Infrastructure
Here you see net revenues down sharply, at 12%. The main reason for this is Brazil, which had 38% decline in the first half, so both in Q1 and Q2 a decline of 38% of revenues on top of the 17% decline we saw in the first half of 2015. This shows what a significant recession is taking place in that market. As said earlier, it is of course also having a big impact on our EBITA. In fact, the whole delta between last year and this year is explained by that change of profitability in Brazil.

In Asia, we have seen China relatively stable while Hong Kong and Singapore – the two mature markets in Asia – have seen a decline of revenues based on lower infrastructure and particularly real estate spending, while the rest of Asia is solid. The margin in Asia developed well.

Also in the Middle East we saw stable revenues but we see the oil price, being at its current low level, having its impact in the behaviour of our clients, with a slowdown in order intake. Also pricing and cash flow are seeing the impact there.

Finally, Australia Pacific had a very strong performance. Here we have seen that the contribution of ARCADIS of this Hyder franchise that we acquired almost two years ago has led to a significant growth of revenues and profit, particularly in the Infrastructure business in Australia Pacific.

Overall, the backlog for the emerging markets was down 11%.

Let’s move to Continental Europe.

Here, we see good growth of net revenues, at 4%.
That is particularly in the Buildings and Infrastructure business, while the Environmental and Water activities were stable.

The EBITA margin moved up on the reported level, to 6.8%. If we take out the restructuring, which has come down significantly between 2015 and 2016, the operating margin was lower and that is mostly because of France and Belgium.

The order intake in Continental Europe was strong and for the first time in quite a while we also see that the public sector starts to become stronger in Continental Europe, also helping there the backlog development.

- Organic revenue growth in Buildings and Infrastructure, Environment and Water stable
- Increase in EBITA due to lower restructuring charges and growth in revenues
- Operating EBITA margin pressure, especially in France and Belgium
- Good order intake, also in public sector, driving increase in backlog
Finally, the United Kingdom.

- Buildings: Uncertainty from Brexit impacting investment decisions led to revenue decline
- Infrastructure: Good wins, sustained Government spending drives organic growth
- Water: Growth in business advisory, project management and engineering fuels revenue
- Environment: Good growth in environmental planning, lower spending by multi-national clients resulting in limited organic growth
Revenues organically up by 3 percentage points. We have seen our clients responding to the uncertainty about the Brexit-vote, already prior to the vote itself, by slowing down investments in real estate, which also led to a decline of our Buildings revenues.

On the other hand, we saw very good developments in the infrastructure business where we had good wins. Also, the spending by the government is strong here, which has been one of the drivers for organic growth.

In Water wins in program management, engineering, and advisory work for the Water utilities, which have been driving up revenues.

Also on the Environmental side, the planning work often linked to infrastructure being strong while on the multinational clients' side we see somewhat weaker development. So, net-net a limited organic growth.

The margin development in the United Kingdom was strong, with over 10% margin in the first half of this year. As mentioned, the backlog overall for the UK is also developing strongly, with growth of 8% despite the uncertainty around Buildings.

With that, Neil, over to you!

**AGENDA FIRST HALF YEAR RESULTS 2016**

- Overview | Neil McArthur, CEO
- Q2 financial results
- First Half Year 2016 financial results | Renier Vree, CFO
- Leadership priorities 2016
- Strategic progress | Neil McArthur, CEO
- Questions & Answers

Mr. McArthur: Thank you, Renier!
First, a little bit about our leadership priorities that we communicated at the beginning of 2016. They remain very much our focus as leadership. In terms of the acquisition synergies we are very much on track with the cost synergies that we have identified and communicated earlier, with both Callison and Hyder.

In terms of Hyder, Renier alluded to that in the growth that we have seen in both our Infrastructure business and in the UK, so Infrastructure globally and particularly our business in the UK, has grown substantially and over-delivering on the revenue synergies through Hyder.

I will come back and talk about Performance Excellence, North America, and Brazil. Renier covered where we stand on working capital and just to reiterate from a management perspective that this has full priority for us and has been since the beginning of the year and we will continue to be during the rest of the year.

In terms of our strategy update for beyond 2016, when we come out with the Q3 results we will indicate when we are going to provide the market with our strategy update at the Q3 results in October.
If I then turn to North America, as we have communicated North America is going through its transformation. We launched that in the first half of last year. We have to stay the course. The transformational changes are underway and we need time for that to show through in the results.

The levers that we have for changing the North American business are the three that we have indicated before, so implementing the revised market approach, delivering on Performance Excellence in North America, and involving our operating model.

So, where are we in terms of the revised market approach? Remember, that in Environment we built and then launched ARCADIS FieldTech Solutions to help our clients with their more simple remediation requests. We have launched that last year and we have now several multi-year wins for ARCADIS FieldTech Solutions.

We have growth in our Environmental business consultancy part of ARCADIS but the legacy complex remediation is a highly competitive market with pricing pressure in that business continuing to decline.

In Water, we continue the focus of growth in conveyance, resiliency, industrial water, in program management, and business advisory.

Buildings and Infrastructure, as Renier also alluded to when he went through North America, we saw good growth in new and existing geographies and sectors in North America, but a clear decline in the Architectural business.

In terms of Performance Excellence, we are rolling out the training on project management best practices. That is bringing together and harmonising our best practises on a global basis for project
management. We have implemented and are in the process of rolling out new training [...] around the world for all of our project managers. We are rolling that out as we speak in North America.

We have optimised our staffing levels and the shape of our permit and we are leveraging more and more the concept of our Global Excellence Centers, so Global Design coming now into the North American business.

We continue to look at our footprint to optimise our cost, to be where we need to be to serve our clients effectively. We are consolidating and working on our vendor base with good results in key spend areas, like our subcontracting for laboratory spending.

If you look at the operating model, you remember we made large structural changes in how we go to market in Environment in the second half of last year. We see that back in increasing organic growth in our backlog in Environment. Remember, we did the same at the end of 2015 and launched that at the beginning of 2016 in our Water business. Therefore, we see also a strong growth in our order intake and backlog in Water for the last two quarters.

Clearly, driving the client focus and accountability for growth and business results across the entire enterprise in North America remains one of the key elements of our transformation.

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**BRAZIL: BACK ON TRACK**

Significant adjustments in response to sharp fall in demand. More actions planned to restore profitability.

**Focus**

**Reacting to drop in demand**

- Net revenue decreased from R$1.45 mln in 1H 2015 to R$1.02 mln in 1H 2016.
- Number of FTEs were reduced from 3,307 (H2 2016) to 1,995 (H2 2016).
- Reduce cost in office space, management support staff, and travel.

**Focusing on market opportunities**

- Opportunities in infrastructure, transport, and gas and energy markets.
- Market needs depend on funding for infrastructure projects and client revenue from new business.
- Identify market needs and opportunities for project development.

**Preparing for the future**

- As part of the strategy update in June 2016, the business case for 2017 and beyond will be developed during the second quarter of 2016.

BRAZIL is getting back on track. We have made significant adjustments in response to the sharp fall in demand but more actions are planned to restore profitability. So, the three areas that we are focusing on as responding to that significant drop-off in demand because of the severe recession. It is the most severe recession in 25 years and in some commentaries they even say 'ever'.
We look to continue to pursue market opportunities for growth across Latin America and preparing scenarios as part of our strategy update.

If we look at that decline in demand driven by the recession in Brazil and just to put some figures around that: two years ago, at the mid-year point, our net revenues were 148 million and that has dropped to 76 million in the first half of this year. As Renier pointed out, our organic decline in the first half of last year was minus 17% and in the first half of this year minus 38%. In the second half of last year, it was around minus 35%. So, you can see that the market is not quite bottomed out yet in terms of ARCADIS.

If you look at our business in terms of our people: we had 3,200 people in June 2014 and we are down to under 1,700 people in June 2016. So, that is a huge leadership challenge for the team in [North America]/Brazil and for the Executive Board to manage that kind of decline to maintain profitability.

We have done very well in terms of reducing our fixed costs around the office space and also slimming back down our operating model that was grown through the period of growth over the last four years in Brazil and looking for savings across where we can in all areas of procurement.

The team have done significant adjustments and there are more actions planned to get us back on track in terms of profitability.

In terms of opportunities for growth, infrastructure for transportation systems and program management for Industrial clients is something that we are very actively pursuing. Water demand is much more dependent on public sector funding. As you know, that is an issue currently in Brazil for both water conveyance and sanitation projects. Remember, there is a significant proportion of the Brazilian population that still does not have access to sanitation, the basic human need.

The Environmental business is relatively stable and the stronger demand for permitting and actually due diligence work, given where the exchange rate is and the economy is. There are companies now looking at Brazil for inward investment and that gives us opportunity to help them through their due diligence processes.

We also see emerging opportunities both in Infrastructure and also in Environment across other Latin-American countries, where we can leverage the very strong capabilities that we have in Brazil in pursuing those market opportunities.

As I said in my opening remarks, we will use the strategy update process. We are looking at different business scenarios for Brazil and we will give an update with that for beyond 2016 in the second half of this year, when we come out with the strategy update for beyond 2016.
We then turn to Performance Excellence. Again, strong delivery of results. Remember, we have five areas that we are looking at to improve performance across ARCADIS project management. Increase use of our Global Design Excellence Centers through Global Design, resource optimisation, procurement and how we actually have our office infrastructure in terms of work place and collaboration.

If we look at the program Project Management – I talked a little bit about that with North America – we have harmonised our approach to project management on a global basis. ARCADIS has grown through acquisitions over the last decade and now we have harmonised one way of doing project management, the ARCADIS way of doing project management. We have now built that into a series of E-learning modules that we are rolling out globally and we are certifying our project managers worldwide. We are getting real tangible results for that in improved project margins in the UK, in Continental Europe, and Australia that are ahead of the curve in the implementation of that.

In terms of Global Design, using our Global Design Excellence Centers across the world, helps us to win more work and the highest penetration of that is in Infrastructure where 40% of our people in Global Design Excellence Centers are now serving the Infrastructure market. As you saw that, that is driving up our levels of organic growth and improving our level of profitability despite the significant downturn in Brazil. So, the headcount in Global Design Excellence Centers versus a year ago has increased by 45% and is now 6% of all of our people in ARCADIS. Remember, prior to the Hyder acquisition less than 1% of our people were in Global Design Excellence Centers.

Resource optimisation: we have made good year-over-year billability improvements in a number of our markets, including Australia, the UK, and Continental Europe. You see that back again in the results and leveraging the lessons learned there to the Middle East, to Asia and Callison RTKL.
In terms of procurement, we have expanded the reach of the procurement teams. We have captured EUR 4 million of savings in the first half of 2016. In terms of our office footprint, we are implementing our plan to reduce our footprint to be where we need to be to serve our clients effectively and to increase our collaborative working environment. We are on track to deliver EUR 6 million of savings in 2016.

OUTLOOK

- Arcadis expects the tough conditions experienced in the first half year to continue in the second half of 2016:
  - Emerging Markets: Brazil deep recession, Asia slowdown, Middle East spending cuts
  - North America: continued business transformation
  - Economic uncertainty due to Brexit
- More favorable conditions exist in a number of our end-markets, including Continental Europe and Australia

We expect the tough conditions experienced in the first half year to continue in the second half of 2016.

In terms of the emerging markets, the deep recession in Brazil, as we said, has not bottomed out for us yet. There is the slowdown in Asia and with oil still where it is, we have seen and we will continue to see spending cuts in the Middle East but also the knock-on impact for our oil and gas clients in the Environmental business. In North America, as it continues through its business transformation and also the economic uncertainty that is now being created in a number of our markets due to the Brexit.

More favourable conditions exist in a number of end markets, including Continental Europe and Australia.

With that, I would like to open the floor for questions.
Good morning, three questions from my side. First of all on the US. As I understand, organic sales growth deteriorated somewhat through the first half, also because you some deterioration for Infrastructure, Architecture and Water. At the same time, you are talking about a strong improvement in the backlog also for those areas. Could you explain what you see? Why is that development so different?

My second question is on Brazil. You already indicated at the Q1 numbers that you expect that the operation result should again start to improve through the year, also based on your reduction of cost. Has your view on Brazil changed? Is it still performing less than expected, so is there a negative surprise there? Could you give us some feeling of how you see sales developing going forward and also, again, on your operating profit?

Thirdly, on your working capital; what tools do you still have to really bring that working capital down and improve payments? Is it purely a matter of working on your relationships or do you believe that you have tools, internal processes that could result in a significant improvement?
Mr. McArthur: Thank you for those questions. Let me start with North America and maybe take a little bit more to give more colour on North America. We launched the transformation in the biggest business in the first half of last year. We transformed Europe and remember, at the deepest point Europe was at 3.2% operating margin and we got that back to 10% before we acquired the Hyder business in Germany. Net revenue has declined, minus 6%, and that is driven by Environment, Water, and Architecture. As Renier highlighted, we have seen the significant decline in the operating margin. When you adjust for the one-offs last year that is a EUR 20 million drop. Roughly one third of that is Environment, one third Water, and one third Architecture. But the good news is that the backlog growth is 8%.

Let me unpick that a little bit more. The market story around Water and Environment and our business is somewhat similar. I go back to Q1, 2015. If you look quarter by quarter for both of those businesses, the net order intake decreased quarter on quarter throughout the year, which means that the backlog decreased throughout the whole year for Water and Environment. We saw the low point in that in Q4 last year. If you look forward-looking, we have seen two quarters of increased order intake in both Water and in Environment. That is what partially driving this 8% growth in the backlog. So, the low point in order intake in both was at the end of last year.

If you look at what is driving margin in Environment, that is the highly competitive market now for the complex remediation which was historically a very high-margin business for ARCADIS.

If we look at Water, we have done some capacity adjustment but given the pipeline of opportunities that we saw and putting in place the new operating model that we launched in the beginning of 2016 in Water, we decided very deliberately to hold more capacity in Water, which is impacting our margin. We see that back now in the order intake that we have seen in Q1 and Q2 in Water.

If we then turn to the Architecture business, the second half and particularly the fourth quarter of last year we saw a significant decline in the order intake in North America. We have seen an uptick in the order intake in both Q1 and Q2 back to the more normal levels in Architecture. The revenue decline is driven by a slowdown in the healthcare market across North America and also remember our healthcare people in North America also produce some of the work for places like the Middle East, where we have seen a significant slowdown in Architecture in healthcare. In North America we also produce some of the commercial work in Architecture in Asia. There again, because of the slowdown in Asia we have seen the last work for those people in North America. But again, if we look at the backlog which hit its lowest level in Q4, in Architecture we have seen an increase in Q1 and in Q2, so we did make some capacity adjustment but have held on to that capacity, so we can [...] that revenue moving forward. As I shared, we see in the ARCADIS Buildings business, excluding Architecture, good growth and the same in Infrastructure.

Mr. Vree: Let’s talk about Brazil. Operating results there with a very strong focus on cost reductions. I think we have done a good job there under the circumstances. If there surprises it is on the commercial side, where we saw one project that we were about to start but got cancelled. Effect immediately and that has made Brazil a volatile market.

In terms of margin development the second quarter was not that bad. There was still a small loss when you talk about the first six months but we are steering for a break-even in the second half of the year, which requires further actions when it comes to costs. Neil mentioned a number of the commercial opportunities in Brazil and in the countries around that. At this point in time it is not possible to really
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predict what revenues will be in the next quarters but sequentially I expect that Q3 and Q4 will still be lower than Q2. At some point in time it will bottom out. If I listen to what economists are saying about Brazil, the bottom is around where we are right now. That would be great but we are not in a position to confirm that, though I think it is a realistic expectation to say we are close to a bottom.

When it comes to working capital you called out the two main elements. One is the relationship which plays a bigger role or not depending on the market they are active in. In the Middle East relationship are very important and it can be very tedious process to get your invoices approved at various levels. Often the ministry has to do the final sign off and then you get paid very quickly when other signatures have been obtained but it is a pretty complex and tedious process to get that done, which requires a lot of effort from our people in those relationships. That is happening and we keep a very close eye on that as Executive Board.

The other part is internal processes and making sure everything is visible in a good level of detail. No areas of improvement there; I think we have full transparency in the company of what is outstanding in terms of either work in progress or receivables. Also the accountability with program managers and project managers, client managers, and country managers is very clear. We also know who to count on to do this and who to engage with to get progress reports.

Hans Pluijgers – Kepler Cheuvreux: I have one follow up on the US. What is the lead time for new contracts or contract starts? You talk about bottoming out and you say that the bottom was reached in Q4 and growing the backlog again in Q1 and Q2 but have you already seen some of that new backlog already translated into revenues or are we going to see that in the second half of this year?

Mr. McArthur: It depends on the client. If you look at the time to move from moving and having the net order intake in Water for public sector clients in the year, it can take even up to four months to get contracted and then to start work. So, there can be two quarters of delay between contracting through or winning the work and getting it into backlog and then being contract and then actually be able to start work.

Philip Ngotho – ABN AMRO

My first question is a follow-up on the working capital. Especially in emerging markets we saw that the DSO had increased to nearly 140 days and you indicate that the situation is probably going to get worse or might deteriorate further until we have seen improvement mid-2017. Can you give us an idea on what the level is that we might be looking at in terms of DSOs? Do you have a view on that? Also, can you give any guidance on what you are targeting before year-end 2016, where working capital should be at?

My second question is on the order book. We indeed saw a strong increase in organic growth. I am just wondering if you could give a bit of colour on how that compares per business line, so not regional but really more on the business line. Also, for North America you indicate that part of it is driven by FieldTech solutions, but as you indicate yourself it is more of a commodity business. I am wondering how look at the margins within the order book. We have seen a significant decline in margins year-on-year; are we looking maybe at a new normal of levels of around 7% to 8%? Can you share your view what the projects in the order book currently look like and if you still believe that it should be going towards 10%?
Mr. McArthur: Let me take the third question first. If you look at where we are in terms of the 
Environmental business, historically the margins driven by the complex remediation were higher – and 
significantly higher in some cases – than the average for ARCADIS. We very clearly guided that that 
market has been in decline for a significant proportion of time now and increased competition, 
meaning lower pricing levels and putting margin pressure. We specifically built ARCADIS FieldTech 
Solutions with the intention of serving our clients for their more simple remediation needs with a 
different model that would allow us to have average ARCADIS margins for FieldTech Solutions. So 
therefore, as that becomes a more important part of our revenues. It is order intake at the moment 
and not seeing it back yet in revenue because that then follows. You would expect for the ARCADIS 
FieldTech Solutions to move back to the average of where we want to be as ARCADIS.

Mr. Vree: The order book per business line: we had a few things about that in the press release. In the 
Environmental business we saw the increase for the reasons that Neil 
mentioned particularly in North 
America. In Buildings and Water it was a stable backlog, while in Infrastructure there was a decline. 
The biggest reason for that is the Emerging markets, where we have seen a number of cancellations, 
like in Brazil and Qatar for Infrastructure projects.

On working capital in Emerging markets the key focus there is the Middle East. In fact, it is a limited 
number of clients that we have a number of large programs for and in those programs a number of 
projects. So, it is pretty specific what needs to happen there. The projects are milestone-based, as we 
have explained earlier. Quite a number of them will start to taper off toward the end of this year and 
the beginning of next year. That should lead to completion of the invoicing and payments. I do not 
think it is the right time to give specific number of what we expect by month or by quarter. We have 
planned it out by client what we expect in terms of how DSO will evolve, the expected collection of 
cash and the development of work in progress. We have a monthly update with those big clients, also 
as a target for the end of the year. The number of payments for those projects is crucial for the level 
of cash collection for the full year. So, in the end working capital by year-end is depending on a number 
of significant payments, which is also the reason why I am not going to give you a specific number I 
expect we will be at by the end of the year. What I would like to add is that there is no question that 
we will get paid. We have the work, we deliver, so it is a matter of when we get paid and not whether 
we get paid. Just to make sure that fear is not remaining in your heads!

Philip Ngotho – ABN AMRO: Thank you.

- Philip Scholte – Kempen

Maybe taking a somewhat holistic view on the whole company, what kind of margin business do you 
think this company is? With the recent deterioration in margins there is a lot of doubt about how you 
should be looking at the whole group.

My second question is related to what happened in Brazil, but then referring to the other regions 
where such a sharp or long decline has actually impacted your margins. In the end you are being hit by 
a fixed cost base. Is there any region where you fear that you are about to hit that same problem and 
how are you dealing with that?

My third question is about the full year outlook. You used to give somewhat more specific guidance 
for the full year at the mid-year point. Why have you decided not to do that today?
Mr. McArthur: Let me take the question around Brazil: do we expect another Brazil somewhere in ARCADIS? It is a very specific with the country that is politically in turmoil and with, as all the commentators say, the deepest recession either ever or at least for 25 years. So, that is a very specific situation. What we have proven historically is that ARCADIS is able to where possible move quickly in adjusting its operations to maintain margin. So, we do that not just in Brazil today but in other areas of our business we are looking to optimise how we do our operations on a weekly-by-weekly basis, based on what we see. So, is there another Brazil out there? I cannot predict the economy but there is more uncertainty today than there was three years ago when we laid out our strategy. Do you want to talk about the margins for the whole group, Renier?

Mr. Vree: Sure! I think for the margins there is ultimately a pretty strong correlation between organic growth and margin. When you see that we have now a couple of quarters with negative revenue development it takes time to have the cost base adjusted, particularly when you also have a number of markets where competition is more intense because of a slowdown in demand. Then also price levels have suffered. That is the spot we are in right now. I think with all the measures we are taking around Performance Excellence we know what it takes to improve project results, how to optimise resources, and which part of the market to go to where opportunities are bigger. That should stimulate margins to improve.

Mr. McArthur: Do not forget that Brazil is a unique situation. Last year it impacted organic growth negatively for ARCADIS by minus 3% and in the first half of this year it is roughly minus 2%, so it weighs heavily on our organic growth. We are working very hard on growth opportunities around the world, I can assure you of that.

Mr. Vree: On the outlook, you can use a number of reasons. One part is that increasingly you see that governance is emerging that it is increasingly less common to give quantitative guidance for how the year will develop. We have done that until last year. At the beginning of this year we were already a bit less specific. Also looking at the uncertainties around us in the markets, for instance with the Brexit vote, we think it is the right approach to be prudent and not guide with a specific target for profit or growth for this year.

• Dirk Verbiesen – KBC

I have a question on your statement, Neil, earlier in the presentation on the FieldTech Solution and the order wins. If I understood you correctly, you said there were some multi-year large contracts added to the backlog in that specific new segment for you. Can you say a bit more on the volume and the visibility you have, and maybe the volume also in Euro-terms what the order wins in the FieldTech Solutions represent by now?

Then on the Brexit-discussion: I appreciate your previous comments but should we see the Buildings segment now as a broader view compared to your comments made in Q1? At that time I think you were referring to luxury apartments specifically. Is the Brexit now also affecting commercial property, offices or whatsoever? Maybe some more explanation there?

Then on the backlog more in general: you are stating that it is up 1% versus year-end but if I apply the percentages you give on Emerging markets and the other regions it seems to me a year-on-year
comparison versus the +1. If you do the way of average of those increases you get to 3.5% to 4% growth in the backlog. What am I missing?

Mr. Vree: Let me take the last one. The calculation of the backlog is based on the backlog and is weighted with the backlog and not weighted with the revenues. The backlog for Emerging markets tends to be longer than for the other markets. For instance, the UK typically has the shortest backlog, so the way the average of the backlog based on the size of the backlog is different than based on the revenues of the individual regions. I hope this makes sense. So, it is a half-year development of backlog. That is the comparison.

Dirk Verbiesen – KBC: So, the percentages on page 4 in the press release are also versus year-end?

Mr. Vree: Yes.

Mr. McArthur: Let me come back to the ARCADIS FieldTech Solutions. What I can share is that we are ahead of our plan for the year for order intake for this new proposition that we have brought to market. Roughly 20% of the sales that we have had this year so far in our Environmental business in North America are ARCADIS FieldTech Solutions. That has not made its way into revenue yet because there is a lag between order intake and revenue.

Dirk Verbiesen – KBC: Can you say what the percentage in the Environmental backlog is of the FieldTech Solutions, as we stand now? Is that more than 20%?

Mr. McArthur: In terms of the order intake I can tell you that it is roughly 20%. In terms of the backlog I am not sure.

Mr. Vree: I think it will be a bit lower because we did not start this till last year. It will be a bit below 20%.

Dirk Verbiesen – KBC: But it is 20% of sales of US Environment?

Mr. McArthur: This year!

Dirk Verbiesen – KBC: Okay.

Mr. Vree: And on Brexit indeed, at the beginning of the year we saw a reduction in work particularly in the luxury apartments. Clients have become more careful, so you see investments decisions by UK investors but also foreign investors in the UK waiting for the developments. Companies have delayed decisions on headquarters, expansions or adding or reducing capacity in London. You see that in commercial property as well as for multinational clients. We have seen a shift in their decision making in that sense of slowing it down, which impacted order intake and revenues of buildings in the second quarter.

Mr. McArthur: And to complete the whole story around Brexit: we are very pleased that the UK government have made statements around investing in infrastructure as a way of maintaining GDP growth in the UK. In Q2 Infrastructure had driven off the legacy Hyder business and it is the largest that we have in the UK. That is growing very nicely for us. We have had very good wins in that space this year. So, that goes well for the Infrastructure side of the business. Then there is clearly this period of indecision for private sector clients and multinational clients about their investments, if they were going to put production facilities in the UK, is that going to remain or are they going to think about putting it in Continental Europe? That is indecision uncertainty in the short run, which may impact our
business in 2017 in the UK. We cannot tell sitting here today. We are in close contact with our clients. It has been a great opportunity to outreach to our clients, to understand how they are planning for Brexit. To be very clear, there is a lot of uncertainty with them, how things are going to pan out. So, we need the dust to settle. We need clarity from them but it is not unlikely that there could be an impact in 2017. If you take the mid-term perspective as ARCADIS, we are natural hedge because we are the company with the strongest Continental European footprint and the UK footprint. So, we can help our clients if they change any investment decisions from the UK into Continental Europe. But that is a mid-term growth opportunity for us, should that happen.

Dirk Verbiesen – KBC: Thanks!

- Quirijn Mulder – ING

Good morning, I have a couple of questions, first about the net working capital. It seems that people of [Aerial] have left, so I am very interested in whether there was still underlying improvement in the net working capital. Can you maybe explain the EUR 22 million effect on the whole working capital? You said that we have to consolidate participation, so it that an IFRS issue or is that something else? That is my first question.

Then on Brazil. You said Brazil will be profitable in 2016 still. Today you say that you are focusing on the break-even level in the second half. The first half year was minus EUR 0.5 million, so have you left that parcel for profitability in Brazil and what was the order position in Brazil to get the guidance, to get an idea about the second half of 2016?

Can you also give some flavour of the order position in the different emerging markets, to get an idea about what direction the different countries will go into?

The final question is about what is happening in Belgium and France.

Mr. Vree: On working capital we still get some support. It is not the company you mentioned but it another one of the big four companies help us in the countries where we have the biggest opportunities to steer this and to have clear actions defined. So, that is ongoing.

A joint operation means that you have a project together with another company. Technically it is not a JV because it is not incorporated but it is managed as if it is a JV. That means that if there are subcontractors used you have to also consolidate proportionally to your stake in that joint operation the full P&L and not just your own people, which are already in net revenues but also the work that happens through subcontractors. That brings growth revenues and supply us also with payables to the balance sheet. So, it is indeed an IFRS requirement to do it like that.

Talking about Brazil, we had a small loss in the first half. As I said, we are working towards break-even in the second half. So, that will make the full year pretty close to break-even. It is difficult to expect and predict that precisely. The order intake has not been great, as one would expect although we do see tender activity going up recently. That also shows the market is not completely quiet. Of course it is important to replace existing projects and to win new projects and get revenues from them. When we look at the Emerging markets order book development – the minus 11%, as you have seen in our presentation and press release – you see that the impact in Latin America is less than that. The Middle East is around that level and Asia is a bit better than that level, to give a bit more colour to this.
Overall Europe had a good second quarter and half year but we see some imbalances. Like in France, there is a lot of work in Paris. It is more difficult to have sufficient work in some of the other cities in France, like Marseille, Lyon or Strasbourg. Our capacity is more needed in Paris and we have people available in other parts. It is not always easy to optimise that, which impacts then the billability.

Also in Belgium we have seen the level of spending by the federal government on infrastructure. This was a pretty low level in the second quarter and that had an impact on the results in Europe.

**Quirijn Mulder – ING:** I have one final question left about the US. If I look at the numbers of the second quarter, I see that your EBIT from operations goes down by 30%. That is about EUR 20 million. If I look at these numbers and at the US that was also down seriously, can you give me an idea of the breakdown between keeping people idle – as you did in Water – against price pressure?

**Mr. McArthur:** Just to clarify what I said and what Renier said in his presentation, roughly a third across Environment, Water, and Architecture with different reasons across each of the three. So, in Environment it is the more competitive complex remediation market that is driving a decline in margins and then both in Water and Architecture we kept capacity, seeing what we saw in the pipeline moving forward.

**Mr. Vree:** The question to break that down to a number between the two: it would get too academic to be too precise about that. Neil mentioned the competitiveness as well as the lower billability anticipating the order intake are the two main factors but it is not easy to break that down into two specific numbers.

**Quirijn Mulder – ING:** Thanks!

- Edwin de Jong – NIBC

I have a few questions left on Brazil. How are we with the sale of the hydropower participations? Is there any news on the compliance issues and the Sao Francisco river project?

My other question is on Water in general. What do you really need to get margins there to ARCADIS’ averages or targets again?

**Mr. Vree:** Let me take the first take your question on the compliance in Brazil. We have discussed this case extensively at the beginning of this year. There are no developments. There has been no request towards ARCADIS and also we keep an eye on the police file, which is publicly available if you are a party involved in this. There are no developments that are relevant for us.

On the non-core energy assets, which includes those hydropower assets but also bio-bas installations we have seen positive developments. We have signed an agreement with an international investor that will additional investments in bio gas. That means that the usage of the capacity of the gas production plant that we have in Brazil will go up significantly towards the end of this year. Therefore, that business will turn profitable as of 2017. Having said that, we continue to be focusing also on divesting it. But with this development, the case for divestment becomes much stronger for potential buyers.

**Edwin de Jong – NIBC:** But still this year? Is it expected to be some divestments?
Mr. Vree: I am careful to guide for that but we are pursuing that and we are talking to potential investors in those businesses.

Mr. McArthur: On Water: clearly, as Renier indicated earlier, organic growth is one of the key success factor for driving higher margins across all of our businesses. So, as a global business line we are focusing on individual pockets of growth in our regions around the world with our strategy focused on not just inside-the-fence water treatment but also conveyancing, also water for industry, business advisory, and program management. So, we will continue to do that. Where we are able to do that, we see good growth, like in the United Kingdom, and good margin development while maintaining the appropriate use of Global Design Excellence Centers where we can. There is an increasing penetration of that in our Water business that needs to continue the journey, like we have very successfully so far, in our infrastructure business. All of those should add up to improving our margins in our Water business.

- Michael Roeg – Degroof Petercam

I have a question on the cancellations, which were about 17 million. First, do your clients have to pay a penalty for cancellation? Second of all, the cancellations were in your Emerging markets business and they were pretty large compared to the revenue level of your Emerging markets. Were the Q2 results negatively affected by the fact that all of a sudden a lot of people were not able to execute any work because of short-term cancellations? If possible, could you even quantify that, say 1, 2 or maybe even more millions of Euros negative impact?

Mr. Vree: You are right. Cancellations, as mentioned, happened in Qatar, China, and in Brazil. Are there penalties? Usually not in the contract but you get into a discussion with your clients if you have to demobilise your people to get paid for that. That also typically leads to an agreement that you get paid for a certain period after the decision is taken that your people have to go off a project. In one of the cases it was also a project that had not started yet, so the more that you are gearing up to do things and then the client says he is not going to make this investment. In fact, it was a mining client who still decided not to do a project. Then there is no financial settlement for that. But always, when there is a cancellation there is a discussion with the discussion on what this means for us and, of course, for other suppliers as well and how to solve that. But I cannot pin point a number to the impact on EBITA for the quarter. It is too hard to really quantify.

Michael Roeg – Degroof Petercam: But on balance it was negative?

Mr. Vree: It was negative, certainly! It impacted billability.

Michael Roeg – Degroof Petercam: And on those cancellations, are those projects scrapped indefinitely or do you see a possibility for them to come back in one or two years from now?

Mr. Vree: More often we see for instance on the Buildings side that the client postpones a project because this is not the right time and they will work on this for the next two years. Sometimes they bring it back with the same contract, sometimes they re-tender it. That is hard to predict. In the case of this mining client it has a lot to do with the price of commodities. If they come back and are in a hurry, they would just right away take the old contract and ask us to start tomorrow. If timing gives them more opportunities to restart the project it could be different. In the end, it is very client-specific how that goes.
Mr. McArthur: If you look at the cancellations we have seen in the Middle East they are what I would call the non-critical infrastructure for events in Qatar like the world cup. They were perhaps some nice nice-to-have projects rather than critical Infrastructure. Those I think will not come back any time soon.

Edwin de Jong – NIBC: Thank you.

Mr. Pullens: I understand there are also some questions in the conference call.

• Joost van Beek – Theodoor Gilissen

Good morning, I have a few questions left. First on the non-recurring charges, the restructuring-related charges for the full year. Are you able to give some guidance on what you expect for the second half?

Then on the competitive environment. I will be interested to hear whether you see competition mainly from local or probably larger companies increasing. I can imagine that larger companies usually are more competitive than the smaller ones and that could worsen the competitive environment. What is your view there if you look at the different regions?

Mr. Vree: Joost, maybe starting with the non-recurring charges, the non-operational cost, which were just under EUR 10 million in the first half year. We already said at the Q1 results that we expect to be not more than half of what they have been in 2015. That indicates that the guidance of around EUR 20 million for the full year is still what we are comfortable with as an expectation for the year.

Mr. McArthur: If we talk about the competitive environment, let's try and do that relatively quickly and go around the world. In Latin America and Brazil we are one of the very few international players, global players, so that tends to be local competition. We have talked a lot about the competitive environment and the dynamics in Latin America. In our biggest business in North America, the Environmental one, we have seen for a while now that competition from the smaller players moves from the more simple remediation into the complex and we see continued competitive pressure from our global peers in the complex market. So, that is our biggest business in North America.

In the Middle East we tend to compete with the global players and that is a very transparent and competitive market today.

In Continental Europe it is mainly strong country-based players. There are a few pan-European players like ARCADIS in Continental Europe.

In the UK it tends to be some strong national players and our global peers, where there is again a very competitive but growing market.

In Asia, we are the leader in Buildings, in cost and project management. There are a number of global players in that market place as well and that is whom we come up against mainly. But there are local competitors in cost management and we compete very strongly on our capabilities and our reputation.

In Australia Pacific, with the ARCADIS brand we have moved from what was seen as a small local player to being a global player, where we compete with our global peers that have also significant operations in Australia Pacific.
Joost van Beek – Theodoor Gilissen: And in terms of further shifting your work force to the Global Design Centers? What kind of opportunities do you see there? I believe that is one of the key competitive advantages of ARCADIS.

Mr. McArthur: Sure! As we shared in the presentation and the discussion so far: versus a year ago we have grown our Global Design Excellence capability by 45%. That is allowing us in Infrastructure to win new work in developed and emerging markets and it has allowed us to improve our margins. Remember, prior to Hyder we had less than 1% of our people in Global Design Excellence Centers and today we are up to 5% or 6% of our people in Global Design. That is a journey that we will continue because it helps us to drive organic growth, which is good for our regions and good for our Global Design Excellence capabilities.

Joost van Beek – Theodoor Gilissen: Thank you!

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

- Philip Ngotho – ABN AMRO

I have two follow-up questions. First of all, again on the order book and the quality of the backlog. I understand that for FieldTech Solutions we have to see where the margins will end because it is a new business. But for the other business, the existing business, to what extent did you have to compete on prices given that you comment about price pressure in the market? I understand you can improve margins by reducing cost but I am just wondering to what extent you have given some discounts on project prices.

My other question is on FieldTech Solutions again. I was a bit surprised by the comment that in the orderbook it would be 20% of the Environmental business for this year. Maybe you could clarify that a bit. My understanding was that at the moment you have around 200 employees in FieldTech Solutions, so I thought this was actually quite minor in terms of volumes. It is a new business, so I am just wondering when you are going to see these 20%. In terms of employees it sounds very minor on the total.

Mr. McArthur: Let me take that first. To be very clear, in the first half of this year of the Environmental order intake in North America 20% has been ARCADIS FieldTech Solutions. There are several multi-year contracts associated with that. If you look at our revenue in ARCADIS FieldTech Solutions in the first half of this year, it is still a small proportion of our Environmental business in North America.

Regarding the quality of the order book and the backlog in general, we have price competition. That is why it is so important for us to make use of our Global Design Excellence capabilities, so that we can take the market price and still manage our margins effectively. The best example of that I highlighted earlier and that is where we are today in Infrastructure. If we talk about our legacy Hyder business, that was a significant Infrastructure business and used to working with Global Design Excellence, we have ARCADIS legacy Infrastructure business that is now fully embracing the Global Design Excellence concept, so much so that 40% of our people in our Global Design Excellence Centers are now with Infrastructure. You can see that we are growing organically, despite the downturn in Brazil, and we
are improving our margins. That is a more price competitive market in Global Infrastructure than some of the other businesses that we are in and yet, with this new business model and the success that we are having we are able to improve our margins.

Philip Ngotho – ABN AMRO: So, you had to follow the market in terms of prices. The project prices have declined as well.

Mr. McArthur: In Infrastructure there is a market price where whoever is going to win is going to win. We judge what the market price is required to win and then we assess whether we can make our target margin before we bid. Then it is about project execution.

Philip Ngotho – ABN AMRO: And the other businesses? You mentioned Infrastructure but on the other parts of the business have you had to compete on prices as well? It is always a part of it, of course, but sometimes you try to win on other metrics.

Mr. McArthur: I do not want to sound flippant but we have all of our four global business lines in each of the seven regions, which means there is 28 intersections and each one has a different specific market dynamic. What we are aware of is where is the market price to win and how we are going to produce the margin with our team in order to win that work. We 'go, no go' that in each one of our regions with the intention of improving our margins.

Philip Ngotho – ABN AMRO: I am asking this because you know that I understand the order book has increased but if in the end it means that your margins will be at a new normal of somewhere around 8%, that would be a disappointment a year from now. That is why I was asking that. Thanks for the clarification.

• Quirijn Mulder – ING

Can you maybe go somewhat deeper into the more complex Environmental service contracts? In my view government have almost stepped out. There were a lot of remediation programs et cetera and the clean-up of military sites that were the backbone of ARCADIS ten years ago until five years ago. At the same time, more complex Environmental service contracts are what you want from typical multinational companies, like oil and gas and probably also chemical guys, maybe power plants and maybe some mining firms. What is the future of these complex contracts? At the same time, what do you think as the FieldTech Solution to be the maximum percentage of your order book in the future? What is your ambition there?

Mr. McArthur: Clearly, there are pockets in the Environmental market where today with the depressed oil price and the depressed commodity prices both oil and gas and mining clients are spending less on the legacy issues that they still have on their balance sheet. So, they are going to have to address those because there is legislation in the developed world for addressing those. In the long run, they have issues that they have to address. What ARCADIS FieldTech Solutions helps us do is position with those clients for their simple needs together with the complex. They have been very clear to us that they want to rationalise the number of suppliers, not just those who do complex and not those that just do simple. They want to bundle that with suppliers like ARCADIS that can provide both sets of capabilities. So, that is a request from our clients that we have responded to and they still have those legacy issues on the balance sheet, but it is very clear that in the short run with the oil price and the commodity prices it is not the priority for spending money at the moment. There are other sectors where there is
new legislation over the last few years in the [...] sector, in North America with [Kolash]. That is a growth opportunity for us where we have been building capability in building new clients. We will continue to look for those pockets of growth in our core historical complex remediation business.

Quirijn Mulder – ING: But FieldTech Solutions are in fact replacing? It seems to me that some complex Environmental Services contract cannot be replaced by FieldTech Solutions. Or is that a misunderstanding from my side?

Mr. McArthur: The pure complex is declining and the simple is growing. I cannot say it any clearer than that.

- **Question [no name]**

I would like to come back to the backlog. You also indicated that FieldTech Solutions have some longer contracts in general. What is the average duration of the backlog developing? Is that also changing materially? You indicated that it is eleven months of revenues but if the average duration is much longer than in the past, you get it differentially.

Mr. McArthur: I can talk for the last five years that I have been with ARCADIS. The backlog has been between ten months and twelve months. We are at eleven today and in the first quarter it was also eleven months, so stable.

Mr. Vree: And FieldTech Solutions as part of the total global backlog is not that huge that it would change the duration significantly. It is an element but it is not swinging the duration.

- **Philip Scholte – Kempen (?)**

I am trying to reconcile some business line or region margins. In the presentation you mentioned an improved billability in Continental Europe as a result of your Performance Excellence. But the margins in Continental Europe are down. I am also struggling a bit to reconcile the Buildings margin, because it is down so much. I would have expected that one to hold up pretty well. Is that mainly Architecture business? Can you say something about the regions within Buildings, which are actually driving that margin drop?

Mr. Vree: Let me take Continental Europe first. There, we did see a billability increase but between the countries in Europe there are differences. The Netherlands had a good performance with a strong half year, while we see the opposite in France and Belgium. Therefore, on balance there is a decline of the margin in Continental Europe.

When it comes to the margins in Buildings, on the one hand the UK Buildings business is very strong and very profitable. Having less revenues there has an impact on the total. And yes, as said, in Architecture we did see a reduction of revenues and margins because of the activities from North America for Asia and because healthcare came back up again for a while. Last year, we have seen a pretty good run on healthcare projects, so hospitals and hospital renewals. That has softened in the first half of this year.
Philip Scholte – Kempen: Actually, the funny thing is that when you look at the margins in the UK they were up. But that was not driven by Buildings but more by the other segments.

Mr. Vree: Correct, particularly Infrastructure had a very good half year.

- Quirijn Mulder – ING

One follow-up question on Continental Europe. You indicated that especially in France there are some issues with the capacity and the mismatch by region. Are you going to take measures to re-establish that? The same goes for Belgium; are you also going to plan some capacity reductions to bring profitability to a better level again?

Mr. Vree: In France we have made adjustments already for the last years and those continue. But there is only a certain phase in which you can do that, given legislation that is in force. In Belgium, we think it was more an issue of a hiccup in terms of federal spending on infrastructure projects. There, the issue is not so much that we have to make capacity adjustments. There, things will normalise because of market developments.

Quirijn Mulder – ING: So, should I read then that for France the negative impact could continue into H2 but for Belgium you can already see improvement? Is that how I have to read it?

Mr. Vree: Yes, that would be a way to look at the outlook for Europe.

Quirijn Mulder – ING: To follow-up on Philips question about the UK margins, is the margin improvement in Infrastructure related to a better order book or to the tail end of the cost savings from Hyder, which you promised in 2014 to be GBP 15 million?

Mr. Vree: In Infrastructure in the UK we have done a very good job in how to integrate those businesses. As ARCADIS we had a small infra-business and Hyder was big. We put them together, which has helped to become more efficient in the delivery of work. But also the overall market situation for Infra is good. There are large projects for Rail, Hispeed Rail, Cross Rail, but also highway projects. The demand for Engineering Services and Consultancy Services is strong, which also helps the price levels. So, both from a market and an internal point of view this has contributed to the margin in Infrastructure in the UK.

Quirijn Mulder – ING: My final question is about the second half 2016. You say that conditions will continue but given the fact that the situation becomes easier given the organic decline in the second half of 2015, it is reasonable to expect that the organic decline will diminish in the second half of 2016 compared to the first half, year-on-year?

Mr. Vree: When we make a statement that we do not provide quantitative guidance we stick to it. I am not going to answer your question. I think that is also one of the interesting parts of the job of an analyst to make good predictions for the second half of this year!

Quirijn Mulder – ING: Thanks!

Mr. Pullens: I would like to give you the opportunity for a last question.
• Dirk Verbiesen – KBC

If I may on working capital: you are not specifically providing a target or where you want to be at by the year-end but will the processes you described that impacted working capital unfavourable also affect or impact the seasonal pattern we normally see in the second half?

Mr. Vree: From the past you can see that during the year particularly the work in progress is building up. It gets built in the course of the year and paid by year-end. I would expect that to continue and not be different this year from other years. Within that work in progress and the large projects in the Middle East there are swing factors that in the end determine the ultimate result for the year. That is more binary than it has been in the past when we would not have those contracts that would ultimately decide the specific number within a calendar year.

Dirk Verbiesen – KBC: So, that is only a timing issue.

Mr. Vree: It is a timing issue, indeed.

Mr. Pullens: If there are no more questions, I would like to thank you for your participation and close this meeting. Thank you!

End of call