ARCADIS Design & Consultancy for natural and built assets

# IMPROVING QUALITY OF LIFE

Annual Report 2015

This Annual Report contains interactive elements.
Click on this button to go to the overall index. This document is optimized for Acrobat Reader.

**COVER IMAGE**
With 240,000 passengers daily, Amsterdam Central Station is the largest transfer station in the Netherlands. Updates were needed to increase convenience and mobility. Arcadis is responsible for various products and services: initial and final design, tendering, management and supervision, and engineering.

**OUR STORY**
From climate change and rising sea levels, to rapid urbanization and pressure on natural resources, our world is a more complex place.

Arcadis helps clients navigate this complexity by understanding the bigger picture. Whether it is maximizing space in cities, making wasteland habitable or simply taking what clients do further, we deliver exceptional and sustainable outcomes safely and consistently.

Connecting our client's vision to our know-how, our people work collaboratively to create value through built and natural assets that work in harmony with their surroundings – from shopping centers in Shanghai or clean water in São Paulo, to new rail systems in Doha and reducing air pollution in Los Angeles.

# OUR GLOBAL OPERATIONS AND DIVERSE EXPERIENCE MEAN WE APPLY COLLECTIVE WISDOM TO EVERY CHALLENGE – BIG AND SMALL

In this way, our experience protecting the Dutch coast for generations is applied to securing New York's flood defenses today. So whatever the challenge our clients face, our teams bring the necessary perspective to provide the right answers, now and in the future.

**ARCADIS. IMPROVING QUALITY OF LIFE**

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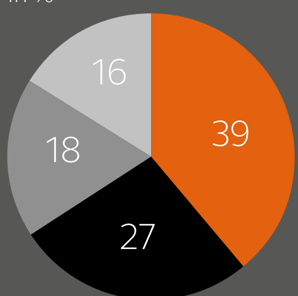
# AT A GLANCE

Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective Design, Consultancy, Engineering, Project and Management solutions we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world.

**GROSS REVENUES**
In €

3,419 million

**GEOGRAPHICAL SPREAD GROSS REVENUES**
In %




- North America: €1,342 million
- Emerging Markets: €921 million[1]
- Continental Europe: €613 million
- United Kingdom: €543 million

[1] Includes 3% Australia Pacific

**ACTIVE IN 70+ COUNTRIES**

**We operate across our network as a single firm, foster a culture of team spirit, while internal collaboration and knowledge sharing enable us to bring the best of Arcadis to clients anywhere in the world.**

FOR THE YEAR

**TOTAL GROSS REVENUES**

+30%

**INFRASTRUCTURE**
In € millions

856 +31%

**WATER**
In € millions

453 +24%

**ENVIRONMENT**
In € millions

848 +10%

**BUILDINGS**
In € millions

1,262 +50%

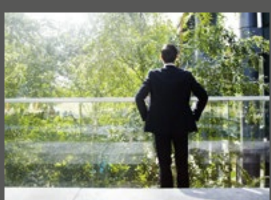
We have four business lines with individual strengths and strategies. These global business lines enable us to work across disciplines and geographies to deliver integrated solutions to our client's complex challenges.

## INFRASTRUCTURE

**Our infrastructure solutions create the conditions for efficient transportation. We provide Business Advisory, Design, Engineering and Program Management for some of the world's most complex infrastructure projects. Arcadis' infrastructure professionals bring stability, mobility and a better quality of life to communities around the world.**

## WATER

**As a global top-five player in water services we focus on the entire water cycle, including analysis and design of drinking water supply systems. We advise on advanced treatment technologies for waste water and deliver design, engineering and management services for public utilities and private sector industrial clients.**



## ENVIRONMENT

**We are the leading global environmental solutions provider to private industry, and deliver projects that protect the earth's resources while meeting our clients' economic objectives. Our strategic environmental consulting solutions address potential operational, regulatory and/ or third-party liabilities.**

## BUILDINGS

**We deliver world-class architecture, planning, consultancy, project, program and cost management solutions for a wide range of building types from commercial properties to hospitals, schools, government buildings and industrial facilities. We create a balance of form, functionality and environmental stewardship.**

AT YEAR-END 2015 (2014)

**NUMBER OF EMPLOYEES**

26,947 (28,139)

**OPERATING EBITA MARGIN**
In %

9.6 (10.1)

**FREE CASH FLOW**
In € millions

121 (103)

**NET INCOME FROM OPERATIONS**
In € millions

137 (124)

**CARBON FOOTPRINT**
MT $CO_2$ per FTE

3.64 (3.81)

6

**ARCADIS IS NAMED 6TH IN THE SECTOR REVIEW**
A report from the Swedish Federation of Consulting Engineers and Architects, issue December 2015

**WE SUPPORT OUR CLIENTS ON A TRULY GLOBAL BASIS**

# ABOUT **ARCADIS**

Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective Design, Consultancy, Engineering, Project and Management solutions we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

## WHAT WE DO

We support our clients' business and create sustainable and exceptional outcomes in all the projects we undertake on their behalf. We offer full lifecycle solutions for clients in most of the major markets including business advisory and consulting, design and engineering and program, project and cost management.

## CORE VALUES

As a global company, we rely on our core values to guide us in everything we do. These core values we view as key to our future success:

- **Integrity:** We perform our business in an honest and responsible way, working to the highest professional standards;
- **Client focus:** We are entrepreneurial and agile, passionate about creating value for our clients and achieving high performance;
- **Collaboration:** We believe in diversity, the power of global teamwork and that by working as one we can deliver exceptional outcomes;
- **Sustainability:** We own the responsibility to sustain our world and society in a balanced way with health, safety and the well-being of our people and stakeholders central to all we do.

## ACTIVE ACROSS THE ENTIRE VALUE CHAIN

We deliver solutions across the entire value chain through the application of design, consultancy, engineering, project and management services. We differentiate ourselves in key market sectors through our market sector insights, by deepening our market sector capabilities and by developing client relationships that span the entire lifecycle of their assets. We work hard to understand the changing needs of our clients and their market sectors to identify new ways to help create value. We design and deliver complex solutions by combining our unique technical, consulting and management skills to provide exceptional and sustainable outcomes for our clients across all phases of asset investments; from planning, through to creation, operation and possible redefinition.

## GLOBAL PRESENCE

We support our clients on a truly global basis. Our worldwide network is anchored in leading positions in Europe, North America, Latin America, the Middle East, Asia and Australia Pacific.

Clients benefit from our strong local presence and our long-term service record on their behalf is rooted in a deep-seated understanding of local market conditions. Through our global business lines, our clients have access to our vast expertise and our ability to provide the best value added solutions and technology.

## GLOBAL POSITION BASED ON LOCAL STRENGTH

Arcadis significantly expanded its global reach in recent years and its global market position is beneficial to both global and local clients alike. Our global network now serves as an ideal delivery mechanism for solutions for our multinational clients. At the same time by combining our local market understanding with the capabilities of our Global Business Lines, we are able to bring the best of Arcadis to better serve our local, national and regional clients.

## ARCADIS IS IN THE GLOBAL TOP TEN

We are the leading global natural and built asset design & consultancy firm. We are the largest company in our field in Europe, have a strong position in Latin America and are the leading building-related consultant in Asia. In the United States, we are a top-ten player. In design, we are the global leader in retail and a sizable player in mixed-use developments. We are the largest international architecture/ design firm in China. In the global environmental market, we are in the top three, and we are the largest environmental services provider to the private sector globally.

### THE WORLD'S TOP TEN[1]

| | | |
|---|---|---|
| 1 | AECOM | USA |
| 2 | Jacobs Engineering | USA |
| 3 | SNC-Lavalin Group | Canada |
| 4 | WSP Group | Canada |
| 5 | Worley Parsons Engineering Ltd. | Australia |
| 6 | Arcadis | The Netherlands |
| 7 | CH2M Hill Companies, Inc. | USA |
| 8 | Altran Technologies | France |
| 9 | Alten Group | France |
| 10 | WS Atkins plc | England |

1 Source: Sector review - Report from the Swedish Federation of Consulting Engineers and Architects, issue December 2015

## DESIGN & CONSULTANCY

**Encapsulates a wide range of professional services and solutions that we deliver to our clients, from architecture and urban design to environmental remediation, from water supply and treatment, to contract and dispute resolution**

## NATURAL AND BUILT ASSETS

**The natural and built environment surrounds us every day; it both shapes and defines the world we live in. Thinking of the components of the natural and physical or 'built' world as 'assets' or resources, helps us define and consider how these can be optimized, maximized or projected to ensure they continue to deliver value for years to come. Natural assets include air, water, natural energy, minerals, land etc. While built assets define 'man made' resources that we use to improve our quality of life, every day from transportation infrastructure, to buildings, public green spaces and so on**

# OUR **BUSINESS MODEL**

**GLOBAL NEEDS**
- Globalization
- Urbanization
- Mobility
- Climate change
- Sustainability
- Scarcity
- Asset productivity
- Energy
- Natural resources

**FINANCIAL CAPITAL**
- Revenue
- Cash
- Equity
- Strategic investments

**NATURAL CAPITAL**
- Water
- Air
- Soil
- Bio-diversity (flora and fauna)

**SOCIAL CAPITAL**
- Collaborative client model
- Community conversations
- Stakeholder engagement

**NEEDS & TRENDS**

**OUR CORE VALUES**

INTEGRITY
CLIENT FOCUS
COLLABORATION
SUSTAINABILITY

**CO-CREATION WITH CLIENTS**
INFRASTRUCTURE, WATER, ENVIRONMENT, BUILDINGS

**KEY CLIENT TRENDS**
- World-class capabilities
- Global delivery
- Increasing focus on sustainability
- Front-end solutions
- Complexity and outcome certainty
- Outsourcing & privatization
- Supply chain integration
- Risk participation
- Public/ private partnerships

**HUMAN CAPITAL**
- Talented people
- Work-life balance
- Continuous education
- Employability

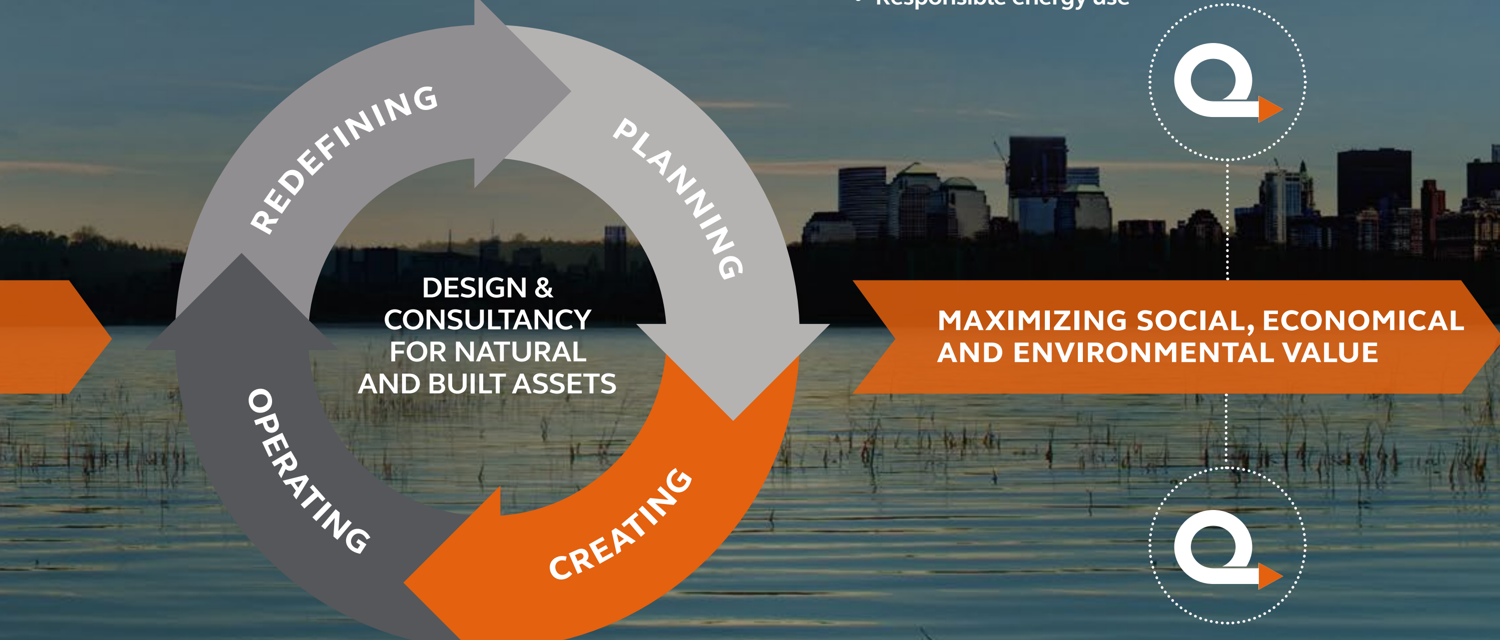
**INTELLECTUAL CAPITAL**
- Consultancy
- Design & engineering
- Deep global and local market sector insights
- Extensive local market presence & knowledge
- Circular business thinking
- Arcadis brand

**OPERATIONAL CAPITAL**
- Global Design Excellence Centers
- Performance Excellence
- Business Blue Print (The Arcadis Way)
- Program, Project & Cost Management

INTEGRATED FULL LIFE CYCLE SOLUTIONS

EXCEPTIONAL & SUSTAINABLE CLIENT OUTCOMES

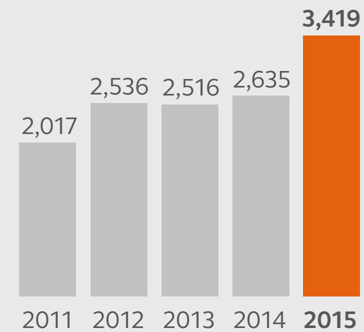
- Productive & profitable assets
- Commercial & corporate well-being
- Responsible material selection & use
- Climate change mitigation (cause and effect)
- Sustainable water use
- Responsible energy use




**IMPROVING** QUALITY OF LIFE

EXCEPTIONAL & SUSTAINABLE SOCIETAL OUTCOMES

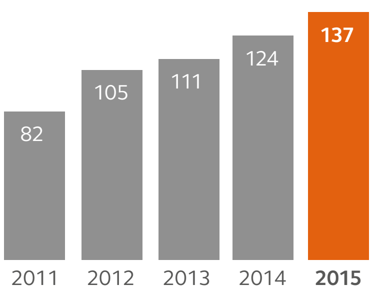
- Safe & sustainable communities
- Vibrant & resilient cities
- Dependable & sustainable transportation
- Cleaner air, water & soil
- Diverse & balanced ecosystems




+30%

**GROSS REVENUES**
In € millions

**NET INCOME FROM OPERATIONS**
In € millions




# PERFORMANCE **HIGHLIGHTS**

- Gross revenue growth of +30%
- Flat organic growth, despite market challenges in many regions
- +11% increase in net income from operations
- Strong free cash flow €121 million aided by working capital reduction to 17.1%
- Healthy balance sheet, reduced net debt to EBITDA ratio to 1.9 at year-end and 2.2 on average - well below bank covenants (3.0x)
- Consequently, given our strong financial position and cash flow we are proposing a +5% increase to our dividend to €0.63 per share

## PERFORMANCE HIGHLIGHTS

- Integrated Hyder and Callison comprising approximately 6,000 people
- Grew our Global Design Excellence Centers by 24%
- See the first results of our Performance Excellence program through a +1.1% margin improvement
- Introduced new global brand

## SOCIAL HIGHLIGHTS

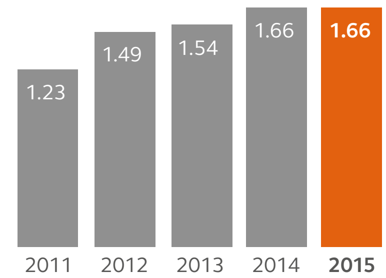
- Performed eight missions in our Shelter program with UN-Habitat
- Contributed to natural and social capital development program of the World Business Council for Sustainable Development

## PROJECT AND BUSINESS LINE HIGHLIGHTS

- Completed delivery of the largest sea water desalination plant in the western hemisphere in Carlsbad, California, US
- Performing global program management and regional delivery for HSBC's global portfolio of 50 million square feet
- Lead role in Manchester Airport's £1 billion expansion in UK
- Lead engineer in Port of Calais €675 million expansion program in France
- Independent certifier for Sydney's AUS$2.1 billion light rail project
- Design and coordinate Doha Metro expansion, thirteen new stations
- Facility management for strategy and operational plan for iconic West Kowloon Cultural District in Hong Kong

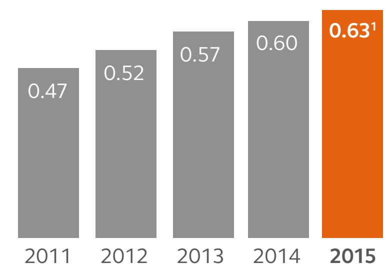
### NET INCOME FROM OPERATIONS PER SHARE

In €




### DIVIDEND PER SHARE

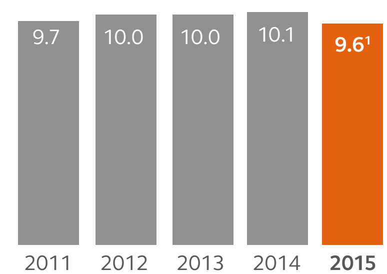
In €




[1] Proposed dividend

### OPERATING EBITA MARGIN

In %




[1] Excluding one-off project cost overruns: 10.1%

# THE ARCADIS SHARE

## STOCK EXCHANGE LISTING

Arcadis shares are listed on Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). At year-end 2015, the total number of outstanding ordinary shares was 83,306,151 (see note 22 of the Consolidated financial statements).

## DIVIDEND

For the year 2015, a dividend is being proposed of €0.63 per share, a 5% increase. This represents a pay-out of 38% of net income from operations. It is the 20th year in a row in which Arcadis has maintained or increased its dividend. Like last year, shareholders will be offered the choice between a cash dividend or a dividend in shares with further details to be provided in the agenda for the Annual General Meeting of Shareholders.

## SHARE PRICE DEVELOPMENT

On the last trading day of 2015, the Arcadis share price closed at €18.57, while on the last trading day of 2014, it closed at €24.93, a year-on-year absolute decrease of -25.53%. Including dividend the total return was -23.89%, underperforming the AMX by 36.06%.

## LIQUIDITY IMPROVED

The average daily trading volume in Arcadis shares on Euronext Amsterdam in 2015 came to 223,883 shares (2014: 143,417). 50.96% of the shares were traded via Euronext, 25.25% via Turquiose, 19.82% via CHI-X, 2.05% via Equiduct and 1.92% via BATS.

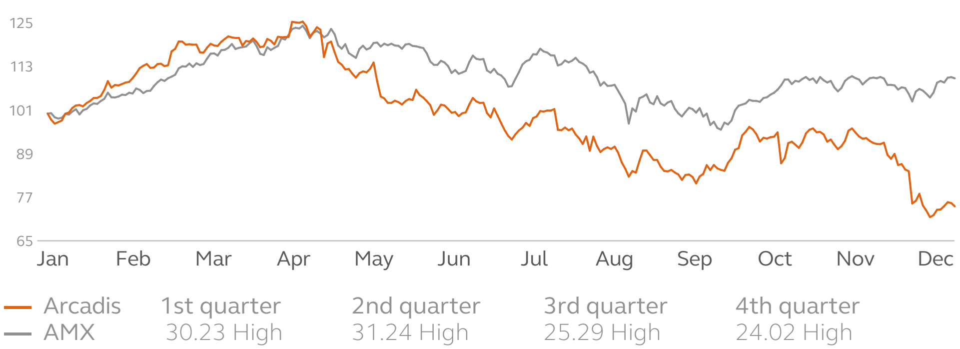
## OPTIONS

Arcadis options strengthen the company's visibility in the financial markets. In 2015, the volume in Arcadis options was 44,944 (2014: 41,354). Open interest ultimo 2015 was 5,779 (2014: 3,637).

## PEER GROUP

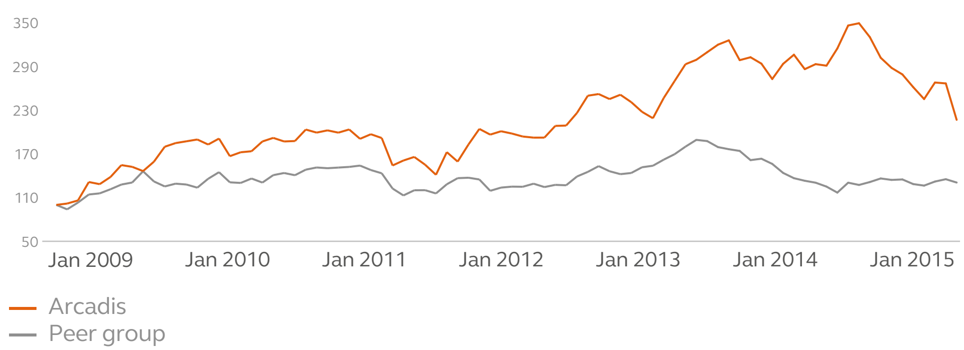
Despite the drop in 2015 the Arcadis share has outperformed its peer group. The Arcadis share increased by 117% as of the beginning of 2009, where the peer group companies saw a relative increase of 31%.

### ARCADIS (EURONEXT) AGAINST AMX




| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|---|---|---|---|---|
| High | 30.23 | 31.24 | 25.29 | 24.02 |
| Low | 24.24 | 24.67 | 20.14 | 17.83 |

### ARCADIS (EURONEXT) AGAINST PEER GROUP



The peer group consisted of the following international, publicly listed companies in the consulting and engineering business with activities and a size comparable to those of Arcadis: Aecom (New York Stock Exchange); Atkins (London Stock Exchange); Cardno (Australian Securities Exchange); Grontmij (Euronext Amsterdam); Jacobs Engineering (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); SNC-Lavalin (Toronto Stock Exchange); Sweco (The Nordic Exchange, Stockholm); Tetra Tech (NASDAQ); WSP (Toronto Stock Exchange).

## MERGERS

In 2015, Sweco acquired Grontmij N.V., which has been replaced by Hill International (New York Stock Exchange) in the peer group as of the date of announcing the merger.

## OWNERSHIP INFORMATION

Pursuant to the Dutch Financial Supervision Act, below is the list of the largest shareholders in Arcadis at 31 December 2015:

| | |
|---|---|
| Stichting Lovinklaan | 17.0% |
| APG Asset Management | 6.5% |
| Fidelity Management & Research | 5.4% |
| Vereniging KNHM | 4.0% |

The free float as used by Euronext for listing purposes was set at 80% (2014: 75%).

## INSTITUTIONAL INVESTOR RELATIONS

Arcadis has an active investor relations policy aimed at supporting the company's long-term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments.

To emphasize its focus on the long-term, Arcadis releases a trading update for the first and third quarters of the year and a full set of financial results for the full and half-year.

Twice a year, at the presentation of its full-year and half-year results, Arcadis holds a financial press and analyst conference, which is broadcast live over the internet. A conference call and webcast is also held for financial analysts and investors at the presentation of the first and third quarter trading updates.

As part of its communications policy, Arcadis regularly keeps the public informed about other important developments, such as significant project wins or acquisitions through ad hoc press releases.

In 2015, Arcadis held seventeen investor roadshows, and participated in eleven investor conferences in the world's major financial centers including New York, London, Paris, Frankfurt, Amsterdam and Zurich/ Geneva, while also hosting reverse roadshows for investors at its offices. A total of 300 investor meetings were held in the year. Arcadis is currently covered by nine financial analysts.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders is scheduled for 25 April 2016, at 2:00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available in March 2016 from the company upon request and will be announced on the company's website.

## FOR MORE INFORMATION

Jurgen Pullens, Director Investor Relations (as from 1 March 2016)
Email: Jurgen.Pullens@arcadis.com
Office phone: +31 20 201 10 83
Cell phone: +31 6 51 59 94 83

## FINANCIAL DATES 2016

**The tentative financial publication dates for Arcadis NV in 2016**

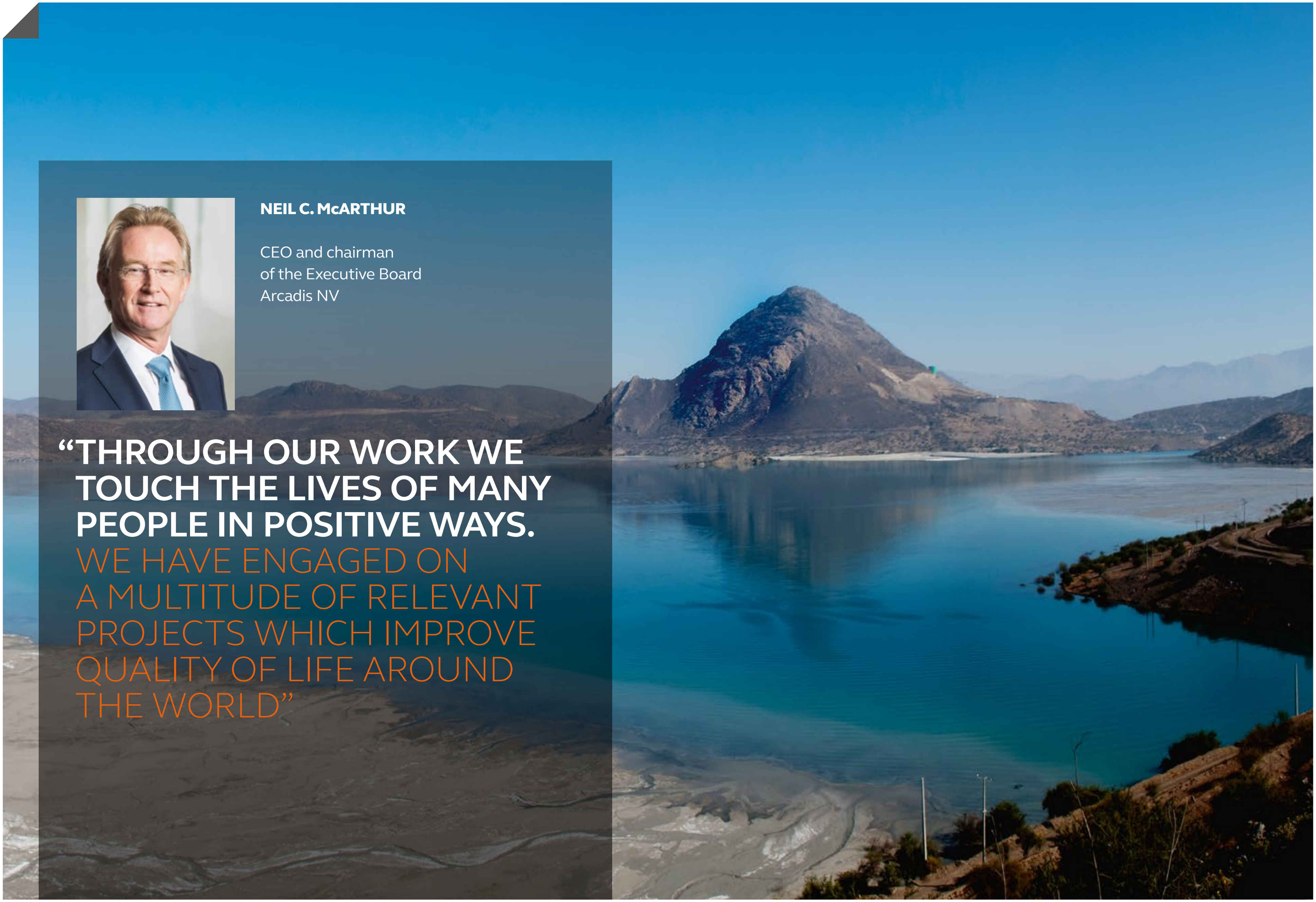
**ANNUAL RESULTS 2015**
**25 April 2016**
**Annual General Meeting of Shareholders**
**27 April 2016**
**Ex-dividend date**
**17 May 2016**
**Dividend payment**

**FIRST QUARTER 2016**
**21 April 2016**
**Trading Update**

**SECOND QUARTER 2016**
**27 July 2016**
**Press release, interim financials, wires call, analyst meeting + live web cast**

**THIRD QUARTER 2016**
**27 October 2016**
**Trading Update**

**This calendar may be subject to change and updates will be provided in the Investors section on the company's website.**



**NEIL C. McARTHUR**

CEO and chairman
of the Executive Board
Arcadis NV

**“THROUGH OUR WORK WE TOUCH THE LIVES OF MANY PEOPLE IN POSITIVE WAYS.** WE HAVE ENGAGED ON A MULTITUDE OF RELEVANT PROJECTS WHICH IMPROVE QUALITY OF LIFE AROUND THE WORLD”

2015 was a challenging year in several of the markets where Arcadis operates. A deep recession in Brazil, a slowdown in Asia and sustained low oil prices impacted our Emerging Markets business and our global business lines, Infrastructure and Environment.

# BUILDING A STRONGER ARCADIS
## 2015: A CHALLENGING YEAR

In parallel we integrated two large acquisitions, comprising approximately 30% more people, launched the turnaround of our North American business and effectively implemented restructuring and Performance Excellence programs.

Arcadis faced some specific issues during the year for which we had to do two announcements, shortly after each other. The request of Brazilian autorities to our Brazilian subsidiary company to provide information was one. The 25 January 2016 announcement of a lower profit outlook for 2015, and the disappointing outcome of the final purchase price allocation of Hyder and Callison, was another. We understand that these announcements raised questions in the market. At the same time it is our responsibility to timely report the facts as they are and provide ample explanation, which we do, also in this report.

On the Brazilian investigation there is little more to say. As mentioned in our press release of 18 February 2016, we have not received any further requests for information and our internal assessment continues.

There is more to say about the financial review of the Hyder and Callison acquisitions. As we had run a thorough and solid acquisition process, the fact that we had to make the adjustments was not what we expected at the time of acquisition. This has led to an evaluation and clear learnings.

With the acquisitions of Hyder and Callison in October 2014, we made important steps in our strategy to build sustainable top-five leadership positions in our key markets, creating a truly global platform and we are now able to deliver solutions to our clients in six out of seven continents.

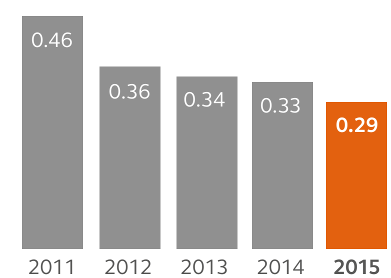
We have made good progress: both businesses are fully integrated, and synergy capture is on track. We have invested in Hyder's Global Design Excellence Center approach, increasing capacity by 24%, making us more cost competitive in delivering design and engineering solutions around the world. We have won some important projects such as the Port of Calais, Crossrail 2, Qatar Rail, Jeddah Metro, and on a stand-alone basis Hyder grew +8%.

**HEALTH & SAFETY**
TOTAL RECORDABLE CASE FREQUENCY

0.29

CALCULATED PER 200,000 WORK HOURS

All time low



More than ever, we remain focused on ensuring that we are able to adapt to changing market circumstances. Our Performance Excellence program generates greater efficiency and cost reduction through sharing of best practices and has delivered a 1.1% improvement in operating EBITA margin. During 2015, we invested €40 million in restructuring and integration costs associated with Hyder/ Callison and Performance Excellence to build an integrated Arcadis and in the fourth quarter the benefits are beginning to show through with an operating EBITA margin of 10.8% and EBITA margin improving to 9.4%.

Our free cash flow was strong, 1.2 times net income. We reduced our net debt, bringing the net debt to EBITDA ratio to 1.9 at year-end. We strengthened our financing position, taking advantage of attractive rates, through transactions in the Schuldschein market and by renewing and expanding our revolving credit facility in December for a period of five years. Consequently, given our strong financial position and cash flow, we are proposing a 5% increase to our dividend to €0.63 per share.

Our contribution to the World Business Council for Sustainable Development gathered momentum during 2015, with Arcadis actively leading on Zero Emission Cities, responsible water use and on natural capital. With this council, we also spent time at the COP 21 climate meeting in Paris this year, to provide further support. In 2015, we also joined the World Economic Forum, another business community in which we can infuse our thinking on improving quality of life. Our continued support for UN Global Compact, the world's largest corporate sustainability initiative, also aligns with this approach and we performed eight missions in support of the UN-Habitat Shelter program.

Through our work we touch the lives of many people in positive ways. We have engaged on a multitude of relevant projects which improve quality of life for many people. Projects like Crossrail 2 in London or the Gold Line metro in Doha, that help improve urban gridlock, our work with HSBC to improve office efficiency for a global financial leader, West Kowloon in Hong Kong, where we conceptualize a state-of-the-art Cultural District or our design of the new port in Calais, France.

At Arcadis, the health, safety and well-being of our employees and stakeholders are central to everything we do.

Arcadis' Total Recordable Case Frequency (TRCF) for 2015 (0.29) is the lowest since Arcadis began collecting global H&S data in 2004. Our Lost Time Case Frequency (LTCF) for 2015 (0.13) was also the lowest we have ever experienced as a company. Arcadis' injury rates are well below the average injury rates of the publicly-available US benchmarks for the Architecture and Engineering Industry which were 0.80 and 0.20 respectively.

In 2015, we also sharpened our market positioning and launched a new global brand. We have now introduced Arcadis as the name under which we operate globally and are in the process of retiring eleven legacy brands. We are Arcadis, the leading global Design & Consultancy firm for natural and built assets. We have made considerable progress in implementing our **sustainable growth | performance | collaboration** strategy.

On 10 September 2015, we announced that Zack Smith wished to step down from the Executive Board effective 31 December 2015. We are saddened by his departure, but look back with pride at the strong contribution to the successful development of Arcadis that Zack Smith has delivered over the span of his career with us. We are grateful that we have had the opportunity to benefit from his people-oriented, client-focused and results driven attitude during this time.

On 16 January 2016, Steve Blake, our former colleague, who was on the Executive Board till May 2013, passed away. We will miss Steve as one of our most inspirational leaders, a wonderful board colleague, friend and one of the founders of the modern Arcadis.

We enter 2016 with confidence. We have truly exceptional people and a unique culture committed to living our passion to improve the quality of life and be recognized as the best in our industry.

In closing, I thank our clients and our shareholders for their continued trust and all our people for their hard work, inspiration and dedication to creating sustainable and exceptional outcomes for our clients.

Amsterdam, the Netherlands, 17 February 2016
On behalf of the Executive Board

**Neil McArthur, Chief Executive Officer**

# COMPOSITION OF THE **EXECUTIVE BOARD**

**Neil C. McArthur** (1961)
BSc, MBA, MIMechE, FRICS
British nationality, term 2011 - 2019

### CEO and Chairman of the Executive Board

Neil McArthur started his career in 1982 with Shell International Petroleum Maatschappij, Exploration and Production, where he worked as a project manager on large investment projects in Qatar and the Netherlands. After completing his MBA in 1990, he started working for Booz & Company, a leading international strategy and management consultancy. As member of the Global Executive Committee and Managing Director Europe, he was responsible for the activities in fifteen European countries and consulted Fortune 500 clients in the global energy, chemical and utilities markets. In 2011, he was appointed to the Executive Board of Arcadis NV and in January 2012 announced as the new CEO.

### OTHER POSITIONS:

- Co-Chairman of the Dutch Council of INSEAD

**Renier Vree** (1964)
MSc, RC
Dutch nationality, term 2010 - 2018

### Chief Financial Officer

Before joining Arcadis, Renier Vree worked in several financial management positions for Philips, having started with that company in 1987. From 1994 to 2002 he worked as Financial Director/ Chief Financial Officer for Philips businesses in the US and Asia, including Malaysia and Hong Kong. From 2002 to 2004 he was director of global efficiency improvement programs for Philips. In 2004 he was appointed Chief Financial Officer of Philips Lighting.

### OTHER POSITIONS:

- Chairman Curatorium Post-graduate Chartered Controller/ EMFC Programme University of Maastricht
- Chairman Supervisory Board Tendris BV

**Stephan Ritter** (1968)
MB
German nationality, term 2014 - 2018

### Member of the Executive Board

Stephan Ritter joined Arcadis as a CEO of Arcadis Continental Europe in 2013. Before joining Arcadis he worked for General Electric in various positions. From 2009 to 2013 he was General Manager of Renewable Energy Europe. Prior to that, from 2004-2009, he was General Manager Global Services in GE Enterprise Solutions, Sensing & Inspection Technologies. During his time with GE Healthcare and GE Capital, from 1999 to 2003, he got certified as a Lean Six Sigma Master Black Belt and held leadership roles in project acquisition and customer management.

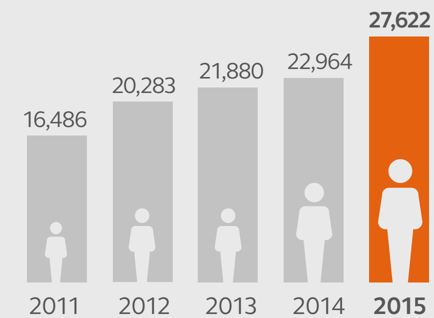
**Stephanie Hottenhuis** (1965)
MB, MA
Dutch nationality, term 2012 - 2016

### Member of the Executive Board

Stephanie Hottenhuis started with Arcadis' international projects business, Arcadis Euroconsult, where she was Business Unit Manager for Eastern Europe and Asia from 1996 to 2000. From 2001 to 2008, she was in charge of the Multinational Clients program of Arcadis. She established Arcadis China in 2005 as a greenfield operation and was responsible for it until 2008. From 2005 to 2008, she was a Member of the Executive Board of AYH, now part of Arcadis UK. From 2008 to 2011, she was CEO of Arcadis Deutschland GmbH, followed by her appointment as Arcadis Director Europe where she was responsible for the European operations of Arcadis (excluding the Netherlands and UK).

### OTHER POSITIONS:

- Member Supervisory Board TenneT Holding BV




+20%

**AVERAGE NUMBER OF EMPLOYEES**
Including temporary staff

**OUR PEOPLE ARE ACTIVE IN OFFICES IN**

40+ **COUNTRIES**

# OUR **PEOPLE**

At Arcadis, our people are our biggest asset. Their expertise and client focus ensure that we can improve the quality of life for our clients and for society at large – every single day. Our people come to work to achieve our passion and be recognized as the best. Our people strategy is focused on attracting, developing, engaging and inspiring highly talented people to ensure we can continue to improve quality of life.

We do so by attracting graduates from universities, taking on new expertise through acquired companies and by recruiting highly specialized professionals through specific recruitment programs for higher education around the world as well senior recruits that complement our service offering meeting our clients' evolving needs. This supports our ambition to be recognized as the best and to be the employer of choice. Our people's combined expertise provides us with a competitive advantage, as we are unique in our industry by offering Design & Consultancy for natural and built assets.

## EXTENDED ARCADIS

With InProjects, Franz Environmental, Callison and Hyder Consulting joining Arcadis during 2014, our workforce of 26,947 people is now truly global, with offices in 40+ countries. Callison joining RTKL has significantly increased our architecture and design skill-set and expanded career opportunities for our people. The integration of Hyder in the UK, the Middle East and Germany enabled us to focus on combining design and consultancy capabilities for our clients and resulted in winning projects like the Doha Metro, Jeddah Metro and several large infrastructure projects in the UK and Europe. With the acquisition of Hyder and Callison, we integrated the Global Excellence Design Centers, which ensure Arcadis can deliver competitively on client work 24/7.

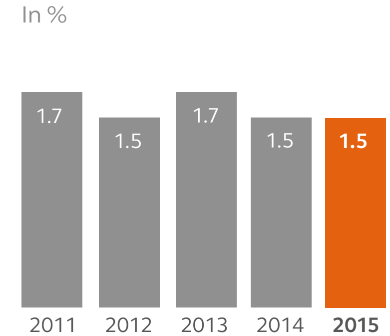
The number of Arcadis people at the end of 2015 was 26,947 (2014: 28,139). In organic terms, our number of people declined by -4% over 2015, due to capacity reductions mostly in North America and Latin America.

## OTHER STAFFING TRENDS

The voluntary turnover rate in 2015 globally was 14% (12% in 2014), 2% higher than targeted. Retention of our people was specifically challenged by the integration of new acquisitions and changes to our operations in Latin America and North America which were also faced with restructuring due to adverse market conditions. As there are regional variances, we will take actions to counterbalance variances effectively in each of our businesses. Of our people, 13.7% is covered by a collective labor agreement.

### ABSENTEEISM RATE

1.5%




In 2015, we started tracking and reporting our diversity and inclusion (D&I) performance globally. One of the global targets set is to have at least 30% diversity candidates (internal or external) for every leadership position. All regions have developed a D&I plan for 2015 and support the global D&I commitments. Progress is reviewed quarterly and forms part of the performance reviews of regional leadership teams. One outcome is that more females have been identified in the long-term succession-planning pipeline (over 30% in 2015 versus 21% in 2014).

In 2015, 17% of our leaders were female. In the majority of the countries we operate we do not prepare a breakdown of our people based on other aspects than gender.

**More information about Our diversity commitment can be found on our website**

www.arcadis.com/en/global/careers/diversity

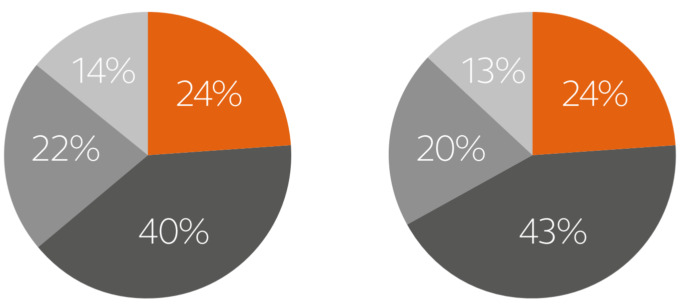
**89% of our people agree: Arcadis is a great place to work (source: Your Voice 2015)**

Our efforts to create a more balanced and diverse composition of people within Arcadis was helped by the addition of Callison where 47% of the company was female; this was somewhat diluted by the addition of Hyder (only 25% female). For the whole company, 35% of our people were female in 2015, unchanged from 2014. The average age of Arcadis people rose to 39.0 years (36.8 years in 2014) due to increase in senior experts due to the acquisitions. Absenteeism was 1.5%, unchanged from 2014; this is low for the industry.

Our strategic focus areas need the active participation of high-performing and motivated people who reflect the diversity of the market sectors we serve so we can better meet our clients' needs. We will achieve this by providing opportunities to learn and develop and be involved in challenging projects, creating a work environment where people can perform to the best of their ability while ensuring that our management layers reflect the diversity of our overall workforce and reflect the market segments we serve.

## GEOGRAPHICAL SPREAD EMPLOYEES[1]

At year-end 2015: **26,947** At year-end 2014: 28,139




- North America **6,349** (6,643)
- Emerging Markets **10,866** (12,266)
- Continental Europe **5,968** (5,631)
- United Kingdom **3,764** (3,599)

[1] Total number of employees including temporary staff

We also developed a new global leadership model, integrating our core values and outlining the key competencies needed to successfully implement the strategy, including realizing our people's potential – emphasizing the desired behaviors of leveraging our values, delivering sustainable growth and creating leadership legacies within Arcadis. The global leadership model provides senior leaders with a competency framework in which they can see how and where they can grow themselves and their people.

The leadership model forms the basis of development and performance reviews and gives our leadership the right structure to focus on successfully implementing the strategy. In 2016, the global leadership model will also become the backbone for all our leadership development activities. Individual performance appraisals are managed and monitored at local level with the exception of top -level leadership.

The most common method which is being used is Management by Objectives: the systematic use of agreed measurable targets by the line manager. 65% of our people are appraised based on set targets. In addition we have started to use 360-degree performance assessments.

## BUILDING A HIGH-PERFORMANCE TEAM

To deliver seamless global solutions to our clients, enable fluent exchange of knowledge and capabilities and deliver the best of Arcadis to clients anywhere in the world, we have a number of programs in place that foster collaboration and focus on performance. Our Quest program is aimed at providing individuals or teams with the opportunity to go on missions to exchange knowledge with other experts in the world.

www.arcadisquest.com

Between initiating and receiving teams, the Quest program has touched more than 1,200 people since its inception in 2008. Fostering knowledge exchange and growing people's expertise and network, enables them to be more successful in their daily job. The fourth rendition of our Global Shapers program, our global initiative for young professionals, brought together a selection of 100 professionals in Rotterdam, the Netherlands, to connect and share knowledge. The group worked on developing ideas to help Arcadis improve engagement and collaboration.

www.arcadisglobalshapers.com

We have also developed a network of 400 Global Shapers and an even larger platform of over 1,000 young professionals who continue to be active and ensure that Arcadis remains an attractive and relevant place of work for younger generations; 30% of our workforce is under 30. They are the leaders of the future and through Global Shapers we can capture their energy and innovative thinking and enable them to build an international network.

Our global leaders program (Arcadis Global Leadership Forum, AGLF) aims to bring together senior leaders and top potential leaders to broaden their networks, collaborate on key strategic themes and create a ripple effect in the organization through communication and engagement. This year's AGLF focused on 'living our passion'. 150 leaders gathered in the Netherlands to connect and collaborate on key strategic themes as part of our **sustainable growth | performance | collaboration** strategy. Together, they designed the next steps of the Arcadis culture and role modeled the new way of working through a gamified experience.

The global leaders connected with the Global Shapers – the leaders of the future – and were inspired by their innovative ideas on attracting young talent around the world, engaging with teams via a conversation board game and starting a movement to 'pass the passion'.

PARTICIPATION GLOBAL SHARE PLAN

>4,000

EMPLOYEES PARTICIPATING

Total investment in the global staff exchange (Quest) and the young professional program and network (Global Shapers) by the Lovinklaan Foundation, Arcadis' largest shareholder, amounted to €1.1 million in 2015. (For more information about the Lovinklaan Foundation, see the paragraph on Sharing in the Creation of Value.)

## MEASURING AND IMPROVING ENGAGEMENT

In the highly competitive markets in which we operate, our people are the differentiating factor for sustainable success. For Arcadis to create a work environment in which people feel valued, engaged with our core values and realize their full potential, we need to know how engaged our people are. In October 2015, our second global engagement survey called Your Voice was launched. The survey gives our people the opportunity to have their say and allows Arcadis to monitor progress in this area. Based on last year's results, we actioned two themes: empowering leadership and strategic communications. This led to the development of the global leadership model, the implementation of 360° strategic communications and the launch of new internal communication channels.

**Our people are the differentiating factor for sustainable success**

In 2015, a total of 16,333 of our people participated in the survey (15,346 in 2014). Of those respondents, 89% agree Arcadis is a great place to work and 95% said they would recommend our products and services. 96% of our people believe our company is committed to health and safety. 91% of our people regard us as client-focused and 78% understand our passion, mission and values. The areas actioned for improvement are strategy communications and inspiring leadership and implementing change.

## ARCADIS ACADEMY: EMPOWERING OUR PEOPLE

Across the world, clients' needs are evolving continuously and the most talented individuals want to work for the best organizations that offer great opportunities for career advancement and professional development. In response to both our people's desire for fulfilling careers and our clients' demand for world-class services and advisors, the Arcadis Academy builds skill-sets and competencies underpinning the Strategy 2014 - 2016 by creating a global architecture for professional development.

Academy offerings include online learning, global networks and communities of like-minded professionals, and targeted multi-module programs.

**Empowering our people**

**CLIENT DEVELOPMENT ACADEMY**

370

PARTICIPANTS SINCE 2014

The Academy delivers specific programs in Leadership, Client Development, Program Management and Project Management. Arcadians from across the globe come together virtually and face to face to learn and practice new skills, share knowledge, increase collaboration and contribute to the development of best practice.

Our Leadership Academy, which aims to increase top potential leaders' abilities to implement the Arcadis strategy and to take the next step in realizing their leadership aspirations, develops more than 60 people annually. For Arcadis, this means we have clear view of our next generation of senior leaders, 30 of whom are on their way to a top-300 leadership position and 30 of whom are already part of the top-300 leadership.

Since its inception in 2014, the Client Development Academy has developed the client-interfacing skills of more than 370 of our people, enhancing their ability to deliver the full range of Arcadis capabilities to our clients, deepening our client relationships and responding to our global clients' needs, a key strategic priority of our **sustainable growth | performance | collaboration** strategy.

The Program Management Academy has developed more than 88 best-in-class Program Managers, who are qualified in industry tools such as MSP (Managing Successful Programs) and enhanced technical and leadership qualifications developed in partnership with the Saïd Business School, University of Oxford. Started in 2015, the academy uses e-learning to further roll out the Arcadis Way for Project Management, ensuring our Project Managers are delivering our promises to clients in a consistent way, all over the world.

## VOLUNTEERING FOR SUSTAINABLE DEVELOPMENT

Demonstrating that we live our core value of sustainability, since 2010, Arcadis has partnered with UN-Habitat, the United Nations agency for human settlements, in the Shelter program. By offering our knowledge and expertise in a range of projects, assessments, training and site visits, we help UN-Habitat achieve their goals for sustainable urbanization. In turn, it is an opportunity for our people to develop themselves, and engages and inspires them in a way that transcends themselves and Arcadis. In 2015, almost 400 Arcadis people from around the world participated in our Shelter program.

The Lovinklaan Foundation supports the program financially. In 2015, Shelter teams worked together in eight missions around the world.

## SHARING IN THE CREATION OF VALUE

The Lovinklaan Foundation is Arcadis' largest shareholder. Its goal is to promote the interests of Arcadians, to provide for the continuity of Arcadis and to stimulate employees to participate in the Global Share Plan or other Lovinklaan programs. The Arcadis dividend payment that the Lovinklaan Foundation receives is used for the benefit of Arcadis and its people all over the world. Participation in our employee share purchase program is growing. This program allows people in Arcadis companies to purchase Arcadis shares from the Lovinklaan Foundation at a discount, thus stimulating share ownership and increasing involvement with the company. The program is open to Arcadis employees in many countries with fixed employment contracts. By the end of 2015, more than 4,300 people participated in the program.

## INTERNAL COMMUNICATIONS

Based on the results of Your Voice 2014, in which colleagues indicated that they would like to learn more about our strategy and their role in it, the internal communications function was enhanced this year. With new people joining, new skills and talents from Hyder and Callison on board and a refreshed Arcadis brand, there was ample opportunity to further shape our global internal communications.

Growing as a global company has made internal communications even more important. We created eight new complementary internal communication channels, which engage and facilitate interaction with and among our people all over the world. The launch of Arcadis TV and the Arcadis Connections e-zine – to name just a couple – mean all employees can access relevant key messages easily and on-the-go.

### TOP-10 REASONS TO WORK AT ARCADIS:

1. Work for the best
2. Push boundaries
3. See the world
4. Build enduring relationships
5. Enjoy the spotlight
6. Improve quality of life
7. Reap the benefits
8. Do something good
9. Pursue your passion
10. Never stop learning

www.arcadis.com/en/global/careers

# YOUR VOICE 2015 **SURVEY OUTCOME**

**83%** of Arcadians feel they are able to impact the performance of our company through their work.

**94%** of our people are well informed on the Arcadis strategy about achieving our mission.

**88%** of our people intend to still be working with the company in twelve months' time.

## YOUR VOICE 2015

**89%** of our people find: Arcadis is a great place to work.

**91%** of Arcadians believe we give our clients the highest priority.

**96%** of Arcadians believe Arcadis is committed to health and safety in the workplace.

# STRATEGY & BUSINESS


**OUR GOALS ARE CLEAR.**

**WE WANT TO:**

- **CREATE SUSTAINABLE SOLUTIONS**
- **DELIVER EXCEPTIONAL OUTCOMES**
- **REALIZE PEOPLE'S POTENTIAL**
- **ENJOY THE JOURNEY**

# THE ARCADIS **VISION**

Arcadis is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services, we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the life cycle of their natural and built assets. Our talented people work across our business lines in Infrastructure, Water, Environment and Buildings, and collaboratively across geographies around the world, to provide real-life solutions for today's most complex challenges.

They enable us to fulfill our passion to improve the quality of life and be recognized as the best in everything that we do.

Our goals are clear. We want to:

- **Create sustainable solutions** – to ensure the world remains livable for future generations;
- **Deliver exceptional outcomes** – to maximize our client's investments returns;
- **Realize people's potential** – to provide the right conditions for our people to grow and excel;
- **Enjoy the journey** – to be recognized as the best and as the employer of choice in our industry.

2015 was the second year of our 2014 - 2016 strategy entitled: **sustainable growth | performance | collaboration**. This strategy seeks to build on our strong, well-balanced, global market position and supports our long-term track record of consistent performance delivery with strong revenue growth, double-digit margins and cash discipline. It also seeks to deliver stakeholder value creation with continued quality earnings, a consistent dividend policy and a prudent capital structure for our shareholders, sustainable and exceptional outcomes for our clients, a stimulating and development-oriented work environment for our people and sustainable contributions to the communities in which we operate.

**Integrity, Client Focus, Collaboration and Sustainability** are the core values that guide our daily actions, while we base business decisions on our vision and strategy. Our primary focus is on long-term development as we are in a globally consolidating industry in which we will maintain a leading position. Our daily focus is on delivering exceptional and sustainable solutions to our clients, and pursuing new opportunities that fit our global or local capabilities. In doing so, we contribute to sustainably solving the challenges that clients and communities face around the world.

We differentiate ourselves through our talented and passionate people, our unique combination of capabilities covering the whole asset life-cycle, our deep market sector insights, and our ability to integrate health and safety and sustainability into the design and delivery of our solutions seamlessly around the globe.

We are an active consolidator in our industry, following an acquisition strategy aligned with our corporate strategy that delivers on the needs of our clients. Multinational corporations increasingly elect to work with providers that can assist them globally at consistently high quality levels. National and local clients look for world-class best practices and solutions to be delivered to their doorstep regardless of where in the world they are sourced. We are convinced that being global with strong local positions is a must, and by successfully integrating the acquisitions completed in 2014 we continue to build on these strengths.

## SIGNIFICANT LONG-TERM GROWTH OPPORTUNITY

Our industry is fragmented. As a truly global top-ten player, our share of the addressable world market for Design & Consultancy in our areas of expertise is around 1%. This provides us with a significant opportunity to capitalize on possibilities for further growth in a balanced way between emerging markets and mature markets, between public and private sector clients, and between our four global business lines. We are confident that this balance will allow us to deliver enduring favorable results for our business.

Global trends affect developments in our markets and the needs of our clients. We continuously develop our organization and our core value propositions to benefit from these changing conditions and use them to create value for our clients.

While demand may fluctuate across our business lines and geographies, our balanced portfolio is the best guarantee to benefit from the long-term growth drivers and key client trends.

**We differentiate ourselves through:**

- **Our talented and passionate people;**
- **Our unique combination of capabilities covering the whole asset life cycle;**
- **Our deep market sector insights; and**
- **Our ability to integrate health and safety and sustainability into the design and delivery of our solutions around the globe**

## LONG-TERM GROWTH DRIVERS

### SUSTAINABILITY
We regard the preservation of resources and quality of life for future generations to be of paramount importance, consequently, sustainability is integral to everything we do. With our environmental capabilities, and as a recognized global leader, we can address the environmental impact of projects and propose appropriate mitigation measures.

### GLOBALIZATION
Companies with global operations require support wherever they operate and look for solution providers that can work with them seamlessly around the world. A growing number of cities compete on the global stage for inward investments and look for global firms that can source best-in-class integrated solutions anywhere in the world to help them succeed.

### URBANIZATION
Global population growth and migration into urbanized areas has created a growing number of megacities, especially in emerging markets. These cities require large program investments in residential areas, industrial sites, commercial properties, transportation and other social infrastructure. In the developed world, urban regeneration and the need for more sustainable solutions provide growth opportunities.

### MOBILITY
All metropolitan areas suffer from congestion, which has a significant impact on local and national economies. Governments are investing to expand the capacity of roads, highways and public transportation. Our intelligent traffic management solutions and rail systems expertise help them achieve this in the most sustainable, efficient and affordable way.

### CLIMATE CHANGE
Rising sea levels caused by climate change are an unprecedented challenge for delta areas, in which more than 50% of the world's population lives. This creates demand for our solutions to lower greenhouse gases and carbon footprints; manage water resources; and improve water management and flood protection systems, in both the developed world and emerging economies.

**Rising sea levels caused by climate change are an unprecedented challenge for delta areas**

>50%

OF THE WORLD'S POPULATION LIVES IN DELTA AREAS

### SCARCITY
The scarcity of clean, safe, potable water is a critical issue today. Expanding our water capabilities across the globe, we will bring leading-edge solutions related to water supply, treatment and reuse to help protect this important resource. Scarcity also exists in areas such as healthcare, education and food, and we have developed business advisory capabilities to help serve government and private sector clients.

### ASSET PRODUCTIVITY
In emerging markets, we consult on capital expenditure projects aimed at the realization of new assets for which we support successful delivery through our program, project and cost management solutions. In more mature markets, our business advisory solutions help clients reduce operational expenditure while enhancing existing asset performance, including reuse for new purposes.

### ENERGY
The demand for energy and the need to reduce harmful emissions associated with fossil fuel-based energy is leading to an increasing demand for both carbon-based and renewable energy projects. This trend is a growth driver in all our business lines in both emerging and developed markets.

### NATURAL RESOURCES
The exploration and development of natural resources such as mining and oil & gas are becoming more complex as companies in these fields find themselves in increasingly remote locations, facing environmental challenges or water issues. Projects become more complex and time critical, and require expert program management services to ensure their successful implementation.

## KEY CLIENT TRENDS

### WORLD-CLASS CAPABILITIES

National, local and global multinational clients require world-class capabilities for the design and delivery of their most important projects and programs. Our evolved operating model allows us to bring our expertise from anywhere in the world to win or deliver work for our clients locally.

### GLOBAL DELIVERY

Multinational companies require service providers with global capabilities that are delivered seamlessly around the world. Many implement vendor reduction programs aimed at increasing efficiencies and safeguarding quality standards across their operations. We have responded by further increasing our global footprint in the Middle East, Asia and Australia Pacific and by investing in our Multinational Client program.

### INCREASING FOCUS ON SUSTAINABILITY

We have observed an increasing trend with our clients towards creating more sustainable solutions. Cities want to create more sustainable environments for their inhabitants and private sector clients want to run more sustainable operations, reduce emissions and clean up legacy issues. We have responded by introducing sustainable solutions such as our Performance Driven Design concept and Sustainable Target Assessment rating.

### FRONT-END SOLUTIONS

Our clients increasingly demand front-end solutions to help them achieve their business objectives. These include strategic consultancy, asset management strategies, outlining and structuring investment programs, and management of projects, programs and processes. Our focus on lenders and investors, our deep knowledge of urban design planning, and our approach to environmental impact assessments help speed up the pace at which projects come to market.

### COMPLEXITY AND OUTCOME CERTAINTY

Individual client projects are becoming larger and increasingly complex, or individual projects are being rolled up into programs of work, while timescales to start-up require a strong focus on delivery certainty.

Our long-term experience and world-class approach to program, project and cost management help us to deliver exceptional outcomes for our clients on their most complex programs.

### OUTSOURCING AND PRIVATIZATION

As companies focus on their core businesses, more non-core functions such as environmental management are being outsourced. A similar trend is visible in the public sector, where budget pressures have increased focus on policy making so that execution, including design and engineering work, is outsourced to the private sector. We have responded to this trend by enhancing our consulting capabilities to assist clients in formulating outsourcing and privatization projects.

### SUPPLY CHAIN INTEGRATION

Alternative delivery methods to enhance supply chain integration are increasing. Design/ Build (D/ B) and Design, Build, Finance and Operate (DBFO) approaches can promote innovation, reduce errors, lower costs, share risks and optimize projects over their life cycle. In such projects, Arcadis advises the end customer (often the government), or the consultant or partner of the consortium implementing the project. Our focus is on overall program management or design, or delivering specialized services that help create competitive solutions based on a thorough understanding of local conditions.

### RISK PARTICIPATION

Our clients increasingly ask suppliers to take on a portion of project risks. At Arcadis, we control these risks through our internal procedures. We do not invest (in principle) in project equity as we seek to align our responsibilities with our core capabilities. We also select projects based on our relationship with clients. This allows us to offer guaranteed outcomes and fixed price solutions in key areas where we have mastered the technology to consistently deliver successful outcomes for our clients.

### PUBLIC-PRIVATE PARTNERSHIPS

Many governments are seeking to attract private capital to (co)finance infrastructure investments, to create jobs and strengthen the local economy. We advise on structuring and managing these schemes, and bring investors to projects or projects to investors.

**Our clients increasingly demand front-end solutions to help them achieve their business objectives**

## KEY SUCCESS FACTORS

Arcadis is well positioned in the markets in which it operates. We are in the global top ten in our field and, if contracting revenues are excluded, we are the second largest design and consultancy firm in our field in the world. We are the largest European company, a top-five player in Latin America and the Middle East and a top-ten firm in the US. In Asia, we are the number one or two Cost and Project Management consultancy firm in each of our active markets, and the largest international design firm in China. We also have a growing position in Australia Pacific. We are the world leader in retail design, a top-five global architecture and design firm, and the largest provider of environmental services to the private sector worldwide.

Factors that have contributed to this success and which remain fundamental to our strategy are:

- Balanced portfolio of geographies (developed and emerging), clients (public and private), types of work and business lines;
- Organic growth through focus on existing core markets and clients, three priority markets and four priority value propositions;
- Buildings capabilities that cover the complete asset life cycle;
- Water capabilities that cover the full water cycle;
- Acquisitions and structured post-merger integration processes that add value; divestment of low margin businesses;
- Stable financial performance with good access to financial markets;
- Focus on operational excellence, margin discipline, cash flow and working capital;
- Strong leadership and management, a health and safety focus, a great culture and passionate and talented staff.

## SWOT ANALYSIS SHOWS ARCADIS' STRONG POSITION

### STRENGTHS

- Strong health and safety culture
- Balanced geographic portfolio: UK/ Europe, North America, Australia Pacific and Emerging Markets
- Leadership position in business lines with growth potential
- Diversified client base of multinational and key national clients
- Strong cash flow; healthy balance sheet
- Senior, diverse and experienced leadership team

### WEAKNESSES

- Revenue decline in North America due to exposure to competitive environmental market
- Brand name recognition

### OPPORTUNITIES

- Expanding our core business including serving multinational clients and emerging market clients worldwide with the full range of solutions
- Growth markets: Infrastructure, Buildings, Big Urban Clients
- Value propositions: Business Advisory, Program Management and Design
- Climate change, water and sustainability
- Performance Excellence, including the expanded use of Global Design Centers
- Mergers and acquisitions: acceleration of consolidation in our industry

### THREATS

- Government austerity programs leading to fewer investments in Infrastructure and Water in some mature markets
- Shift from Design-Bid-Build to Design & Build in certain markets
- Low oil and commodity prices impacting natural resources, particularly Brazil and the Middle East
- Economic volatility impacting emerging markets
- Clients aiming to shift more risk to suppliers

# INTERNATIONAL CONSTRUCTION COST REPORT

The affordability of delivering major construction programs, shortage of skilled labor and fluctuations in commodity prices are the overriding trends that informed the Arcadis International Construction Cost report in 2015.

Drawing on Arcadis' industry-leading expertise in cost consultancy, program management and sector insight, the annual Arcadis International Construction Costs Report benchmarked building costs in 43 countries across the globe. The paper provided a snapshot of the current trends in the construction industry and an outlook for what this would mean during 2015. In addition to the overall costs, the paper also considered wider implications for retailers, healthcare providers, commercial and residential developers.

The 2015 report demonstrated the extent to which the economic recovery was affecting relative costs in many Western markets, while comparatively low costs in major Asian markets were encouraging increased investment which would underpin wider economic growth.

Overall, Switzerland was found to be the most expensive country in the world for construction while Japan and Singapore saw significant relative cost reductions over the previous year.

Now a cornerstone of Arcadis' thought leadership calendar the report was widely covered in the press, including the Financial Times, Bloomberg and the Wall Street Journal.


**Full details of the report and rankings can be viewed at**

www.arcadis.com/icc2015


**SUSTAINABLE GROWTH | PERFORMANCE | COLLABORATION**

# STRATEGY 2014 - 2016

We perform a more detailed strategic review every three years to ensure our strategic direction is closely aligned with market developments and our clients' needs. This was done in 2013 and led to the design of our strategy for 2014 - 2016 entitled: **sustainable growth | performance | collaboration.**

Through this strategy, Arcadis seeks to further expand into higher-growth market sectors and higher-margin solutions, including our Business Advisory (consulting), Program, and Project and Cost management. Additionally, we seek to create more synergies through improved global collaboration, performance excellence and sharing of best practice and, where possible, sharing of work through the Global Design Excellence Centers added by the acquisition of Hyder.

## EXCEPTIONAL & SUSTAINABLE OUTCOMES

### SUSTAINABLE GROWTH

The word sustainable reflects both the growing client demand for more sustainable solutions and our own resolve to sustain the development of our company by increasing our organic growth. Sustainable growth comprises three elements: expanding the core, focused growth and mergers and acquisitions.

- **Expanding the core:** We will expand our core business throughout our regions and global business lines by focusing on key clients at local, national and global levels, building on the strong client relationships we already have. Our four global business lines will enhance our core value propositions, which are aligned to evolving market and client needs, and drive growth globally. We intend to increase our market share using our deep market sector knowledge and by scaling up our outcome-driven value propositions.

- **Focused growth:** We will accelerate organic growth by focusing on seven priorities: three end-markets and four value propositions (see figure below).

**Exceptional & Sustainable Outcomes**


**Priority Markets**
- Emerging markets
- Big Urban Clients
- Natural resources

**Priority Value Propositions**
- Environment and water for industry
- Program management
- Business advisory
- Design

- **Mergers and acquisitions:** The financial criteria for acquisitions remain unchanged in order to maintain the accretive and value-enhancing nature of this form of growth. We seek to add companies that align closely with our strategy, to strengthen our existing leadership positions and build differentiated capabilities to better serve our clients. Target companies are also selected based on cultural alignment and the potential for successful integration with maximum synergy.

### PERFORMANCE

At Arcadis, we have the ambition to be recognized as the best in everything we do and are evolving our culture to one of continuous improvement. Performance Excellence touches on many aspects of our work, including client relationships, market sector insights, value proposition development, innovation through sustainable solutions and how we share knowledge and expertise on a global basis. It will help further improve margins through increased use of our Global Design Excellence Centers, improved project management, resource utilization and cost controls, and addresses key enabling processes such as recruitment and people development, how we steer our business, how information technology enables us to work more effectively and our marketing strategy. By focusing on performance excellence, we will ensure that we remain the partner of choice for our key clients, the employer of choice for our people, and continue to deliver top-quartile shareholder returns.

### COLLABORATION

Through collaboration we leverage our capabilities and global footprint to bring the best of Arcadis to better serve our local, national and global multinational clients. We are evolving our operating model by building on our strengths: the successful Multinational Clients program continues to be expanded, and we invest in the development of global market sectors where we see strong growth opportunities. The Big Urban Clients initiative focuses on helping leading cities around the world to build and sustain their competitive advantage. Our four global business lines enable sharing of knowledge and expertise and build core value proposition capabilities to better serve our clients across the globe.

## FINANCIAL TARGETS 2014 - 2016

>5 % CAGR[1]
ORGANIC REVENUE GROWTH

>5 % CAGR[1]
INORGANIC REVENUE GROWTH

>11%
OPERATING EBITA MARGIN

>NET INCOME
FREE CASH FLOW

>13%
RETURN ON INVESTED CAPITAL

1 Compound annual growth rate

## STRATEGIC ACHIEVEMENTS 2015

In 2015, we focused on three strategic priorities: delivering on the acquisition synergies through the 'co-creation' processes with Callison and Hyder globally, and with SENES and Franz in Canada; performance excellence, to improve our operating EBITA margin; and the program to return North America to growth and improved margins.

### ACQUISITIONS

In the Design-to-Lead co-creation program for Callison, we went through a structured post-merger integration process developing new go-to-market strategies, designing the new operating model for the combined organization with RTKL and appointing the leadership team. We also outlined and assigned a detailed synergy-capture plan and track progress in ongoing operations until we deliver on all of those synergies. For the cost-out and revenue synergies, performance in 2015 was in line with our acquisition case. There is a clear slowdown in China but good growth elsewhere.

The operating EBITA margin at year-end was 12.5%. Synergy wins included American Express which commissioned CallisonRTKL to design the next generation of Global Business Travel (GBT) centers worldwide. With a presence in nearly 140 countries, American Express GBT centers support corporate travel and meetings management needs around the clock and across the globe. The centers create an operational infrastructure that allows American Express to provide business travelers with a seamless and resilient level of service with local access to teams of experts on the ground, when and where it counts.

In the third quarter, our two architecture and design brands of Callison and RTKL were merged into a new brand and positioning – CallisonRTKL, a design consultancy of Arcadis.

In the Evolve-to-Win co-creation program with Hyder, the largest acquisition in our history, we went through a similar step-by-step program, completing the go-to-market strategy, operating model, organization model and making leadership appointments in the first half of 2015. We also defined a clear 18-month synergy-capture plan and put it into action.

For Hyder, the original synergy target set was £15 million of EBITA run rate in the fourth quarter of 2016, and this will now be achieved by cost-out only. In a number of the business lines, Hyder achieved strong growth (8% on a stand-alone basis) and further improved its operating EBITA margin which was 9.2% at the end of the year. Measured as a percentage of the acquired revenue, we outpaced synergies from earlier acquisitions in the same timeframe, aided by the Global Design Excellence Centers. With the launch of the new global Arcadis brand and positioning, the process of fading out the Hyder brand was also started. Synergy wins included Crossrail 2 in London and the Doha Gold line metro project.

### HYDER AND CALLISON REVIEW

In October 2014, Arcadis acquired Hyder and Callison. At the end of 2014, the purchase price allocation was included on a provisional basis, in line with common market and accounting practice. In 2015, these balance sheet positions were thoroughly reviewed, during which it became clear that the Arcadis approach for revenue recognition and valuing debtors and claims was more prudent than within Hyder and Callison.

A full review of projects, debtors and claims led to an update of the provisional purchase price allocations, referred to under IFRS 3 as measurement-period adjustments. These adjustments resulted in restated consolidated balance sheet positions as at 31 December 2014 and subsequent 2015 quarterly financials. These restatements led to questions but were necessary to reflect the actual situation at the time of acquisition. They do not deter from the forward earnings capacity of the acquisitions through synergy capture plans and implementation of Performance Excellence and Arcadis management practices.

The acquisition of the Canadian environmental consulting company Franz in October 2014 triggered a process that integrated all of our Canadian activities into one operating entity, primarily focusing on the environmental market. All of the Canadian activities were also brought under the Arcadis brand.

## PERFORMANCE EXCELLENCE

Performance Excellence is a three-year program to improve our operating EBITA margin. This program consists of five performance drivers designed to amalgamate the best practices of Arcadis around the world into a single way of working: Project Management, Global Design, Resource Optimization, Procurement and Workplace & Collaboration.

**Project Management** introduces a standardized approach to project management based on best practice, with processes to ensure that these practices are employed consistently. This will allow us to homogenize project management across all our entities, leading to improved quality of project results, enhanced client satisfaction and higher margins.

Through the acquisition of Hyder, we achieved a step-change in our **Global Design** program. In our Global Design Excellence Centers (Romania, India, Philippines, and Mexico), concentrated teams of highly qualified people design and engineer solutions for clients in all of our regions, in close cooperation with client-facing teams, giving us seamless global delivery. Where we use our Global Design Centers in delivery to clients, we can pursue larger projects that leverage scale and reduce our delivery costs. This will help increase organic growth, while maintaining margins. In 2015, we merged all our global design activities under one global leadership team. Global Design Excellence Center headcount increased by 24% during 2015 as internal demand from our regions increased.

Improving the flexibility and mobility of our people and creating larger, more efficient resource pools is the key to our **Resource Optimization** approach. By simplifying our structure for resource management, we can free up some of our more senior and experienced people to become more involved in client work. This also enhances career development for our people, allowing them to develop their capabilities more broadly, particularly early on in their career. As this leads to enhanced employability it will become easier for them to fill different positions and create an even better career experience within Arcadis.

Our **Procurement** initiative looks to leverage our scale. This can lower our overhead expenses, improve quality and reduce risk around subcontractors and highlight opportunities to reduce subcontracting and perform more work in-house. This cross-linking of internal capabilities can drive net revenue growth and support our goal of seamless delivery using our global network. We can also commit our supply chain to our way of working and help deliver on our integrity and sustainability commitments. In 2015, we established professional procurement capabilities in North America, Continental Europe and the UK.

The **Workplace & Collaboration** program seeks to apply global standards to improve the office environment for our people while supplying the collaborative tools we need for work globally. This should help achieve greater efficiency from our office network and infrastructure. Having highly-engaged people in modern offices creates increased collaboration, and in 2015 our global standards for offices have been defined along with a global office portfolio prioritization; implementation is underway across Europe, and North America.

## NORTH AMERICA

A new management team was appointed at the beginning of the year and engaged on the implementation of an improvement program with a goal to return to growth and operating EBITA margins greater than 11%.

While we maintain the focused performance culture we have in North America, we designed three strategic levers for change:

- Implementing a revised **Market Approach**;
- Delivering on **Performance Excellence**;
- Evolving the **Operating Model** that served us well over the last five years to one that will serve us equally well moving forward.

The transformation is on track, but performance is not yet stable. Progress was made on stemming the organic decline with the exception of the fourth quarter, when a downturn occurred. Annual organic development was -3%. Adjusted for the one-off project cost overruns that were reported in the second quarter, the full year operating EBITA margin in North America was 11.0%.

**PERFORMANCE EXCELLENCE**

- **Project Management**
- **Global Design**
- **Resource Optimization**
- **Procurement**
- **Workplace & Collaboration**

## NEW POSITIONING AND BRANDING LAUNCHED

In the third quarter, Arcadis launched its new positioning and branding, and we will now leverage our capabilities globally as Arcadis, claiming the position of the leading global Design & Consultancy firm for natural and built assets. At the same time we started the process of retiring a number of legacy brands like EC Harris, Hyder, Langdon & Seah and eight other smaller brands. The new brand clearly states what we do, **Design & Consultancy,** and where we apply that, in client sectors for **natural and built assets**. In the new Arcadis design font used for our logo, the 'C' and the 'A' are joined up, and bring the core value of collaboration to life in our brand identity. As before, the modernized fire salamander serves to represent our core value of sustainability (as it only thrives in well-balanced ecosystems). The orange color used in the new design is a reference to our Dutch heritage.

EC HARRIS BUILT ASSET CONSULTANCY AN ARCADIS COMPANY
Hyder AN ARCADIS COMPANY
LangdonSeah AN ARCADIS COMPANY

ARCADIS Design & Consultancy for natural and built assets

Having gained a top-five global market position in design and architecture through the acquisition of Callison last year, we strengthened the brand creating CallisonRTKL. The association with the Arcadis brand is strong in font, coloring and descriptor as a design consultancy of Arcadis.

CALLISONRTKL A DESIGN CONSULTANCY OF ARCADIS

## IMPROVING GLOBAL COLLABORATION

Supporting our strategy of enhanced collaboration, Arcadis is implementing harmonized business processes around the world and creating a global way of working, the Arcadis Way. This is a four-year journey, starting in 2015. Implementation of the Arcadis Way will lead to several business benefits, resulting in better profitability.

Development and implementation of the Arcadis Way focuses on six key building blocks:

- Disciplined client development leading to more profitable client relationships and more satisfied clients;
- Focus on strategic opportunities allowing us to deliver maximum value to clients;
- Role-based resource planning to get the best people on the job;
- Standardized project management to increase the quality and reliability of our project delivery and optimize financial performance;
- Embedded knowledge management allowing us to leverage best practices on a global scale;
- Investment in people allowing us to attract, retain and grow our most valuable assets.

In 2015, the design of the Arcadis Way and the supporting global IT solution was completed. The first implementation will start in 2016 in Asia.

## LEADERSHIP PRIORITIES 2016

For 2016, we expect continued tough conditions in Emerging Markets, and for our business in North America as it goes through its transformation. More favorable conditions exists in a number of end markets including the UK, Continental Europe and Australia. Management remains agile in taking measures to be competitive and our financial priorities are: improving EBITA, and generating a strong free cash flow.

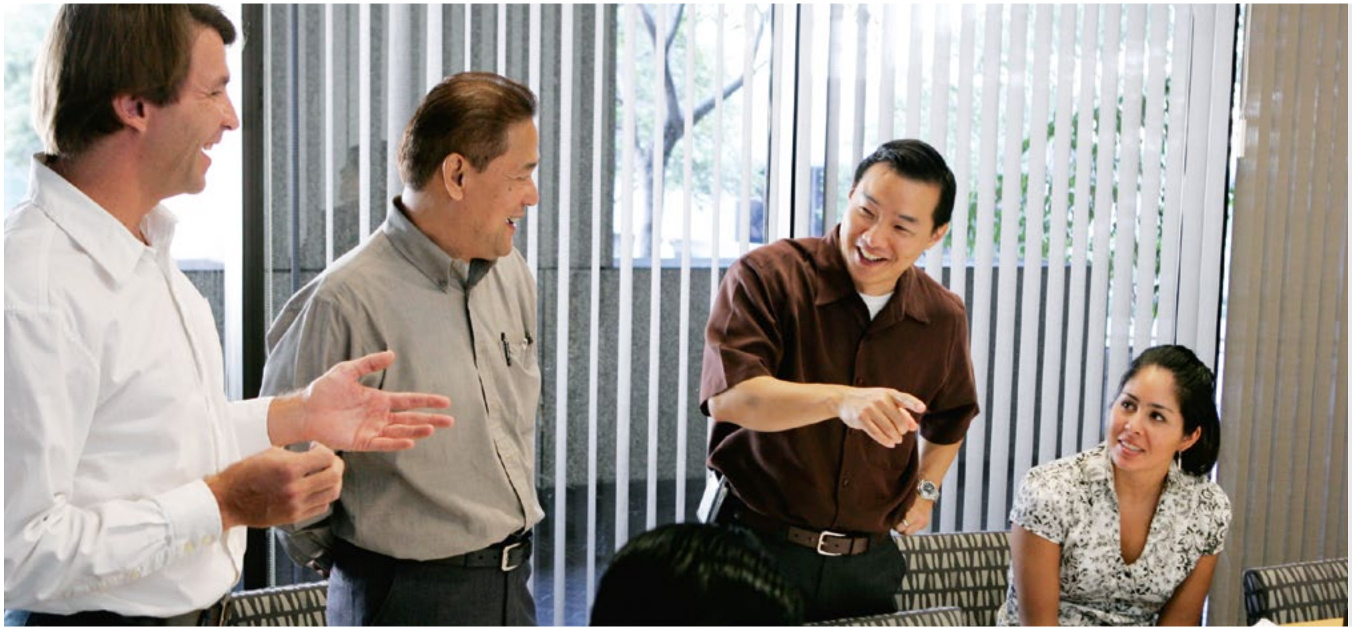
Our leadership priorities for 2016 are:

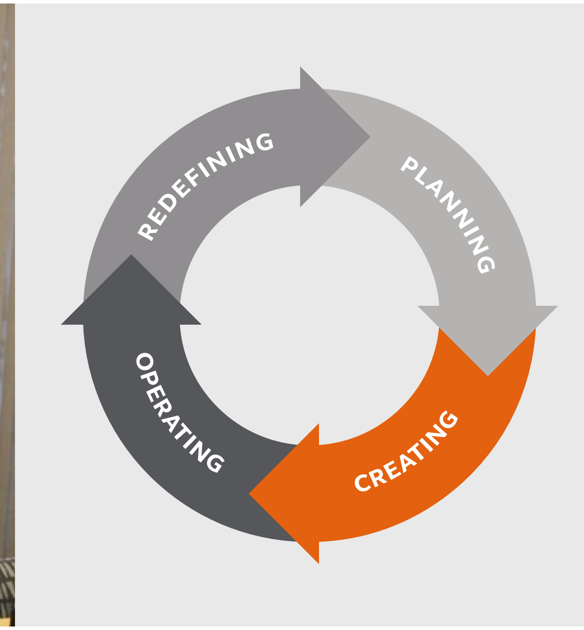
- Delivering acquisition synergies: Complete the synergy capture plans
- Performance Excellence: Deliver 2016 savings and extend the program to remaining businesses
- Transform North America: Stay the course
- Reduce working capital: Improve and sustain benefits
- Planned strategy update for beyond 2016

**"AS A GLOBAL COMPANY, WE RELY ON OUR CORE VALUES TO GUIDE US IN EVERYTHING WE DO.**
WE VIEW THESE CORE VALUES AS KEY TO OUR FUTURE SUCCESS."

- Integrity
- Client focus
- Collaboration
- Sustainability

The Executive Board (from left to right):
Stephan Ritter, Stephanie Hottenhuis, Renier Vree (Chief Financial Officer), Neil McArthur (Chief Executive Officer)






**OUR STAKEHOLDERS:**
- **PUBLIC AND PRIVATE CLIENTS**
- **PROVIDERS OF FINANCIAL CAPITAL**
- **EMPLOYEES**
- **CIVIL SOCIETY**

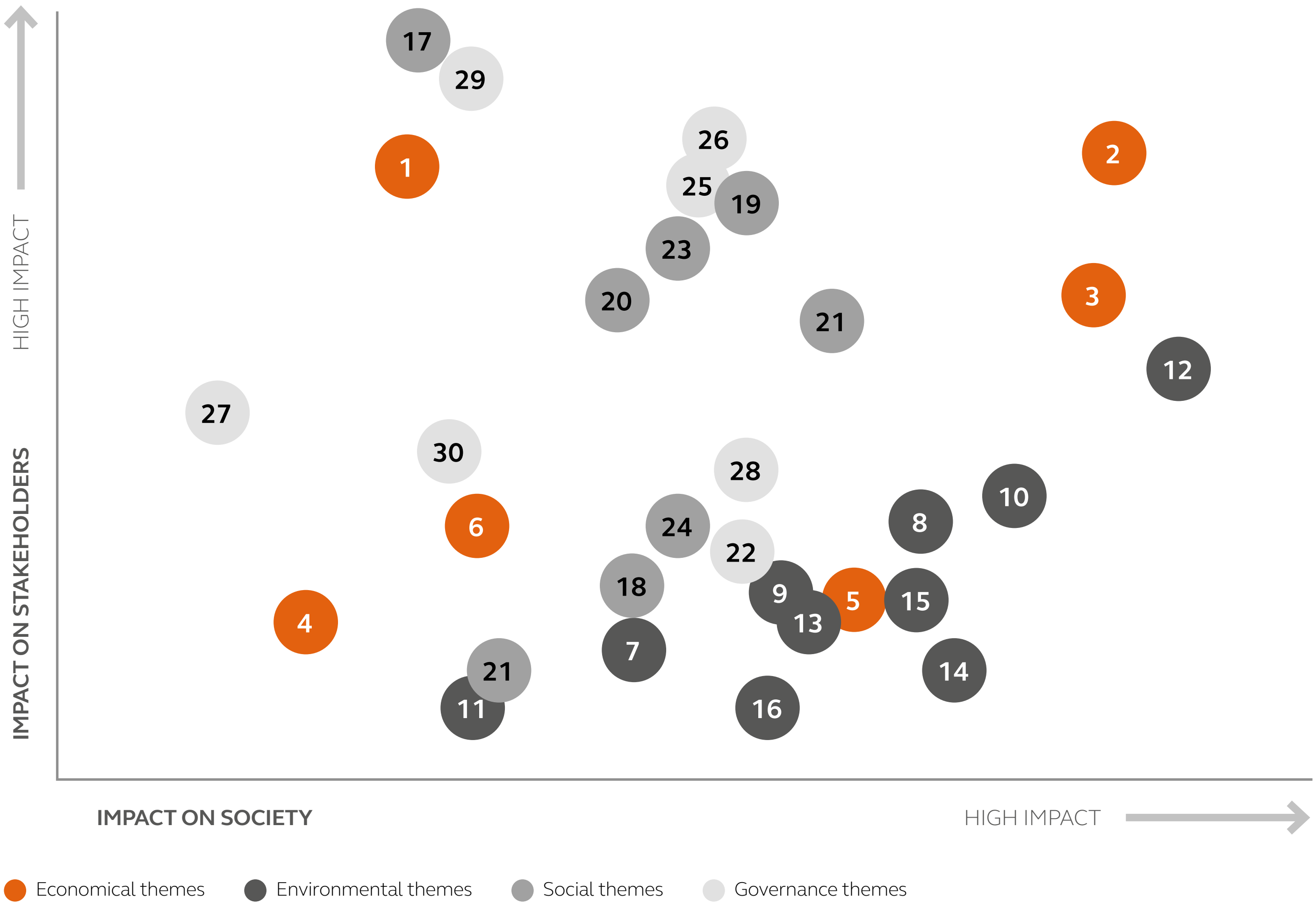
# MATERIALITY AND **STAKEHOLDER ENGAGEMENT**

Arcadis aspires to understand and act upon our most material issues – those issues that are of the greatest concern to our business, stakeholders and society. To further understand our key material themes, we conducted a materiality assessment.

## STAKEHOLDER ENGAGEMENT

In 2015 - 2016 we executed an in-depth stakeholder engagement process in cooperation with the Dutch Association of Investors for Sustainable Development (VBDO). This stakeholder engagement process entailed a global materiality survey and an in-depth stakeholder dialogue.

Through the survey we acquired feedback from over 125 external stakeholders and employees, based in more than fifteen countries, this formed the basis of our materiality matrix and subsequently derived sustainability priorities. The matrix indicates how Arcadis' performance on the identified themes impacts both key stakeholders and society. It underpins the selection of our 2016 sustainability priorities (see the Sustainability section of this report).




1 Economic performance
2 Innovation
3 Sustainable outcomes
4 Market presence
5 Indirect economic impacts
6 Procurement practices
7 Operational eco-efficiency
8 Circularity
9 Energy & emissions
10 Climate strategy
11 Environmental management and reporting
12 Environmentally sustainable outcomes
13 Water
14 Biodiversity
15 Materials
16 Emissions, effluents and waste
17 Talent attraction and retention
18 Human rights
19 Health and safety
20 Employment practices
21 Contribution to society beyond client projects
22 Socially sustainable outcomes
23 Training and education
24 Society
25 Corporate governance and codes of conduct
26 Transparency, integrity and compliance
27 Grievance procedures and complaints
28 Responsible tax payment
29 Project & product quality and control
30 Supply chain management strategy

### ASSESSMENT PROCESS

The materiality assessment was conducted among the key stakeholder groups (public & private clients, providers of financial capital, employees, and civil society). The survey asked stakeholders to indicate how Arcadis' performance on sustainability themes impacted their organization and society in general.

### METHODOLOGY – DESK RESEARCH AND ASPECT CATEGORIZATION

The process started with desk research and internal stakeholder conversations, to develop 30 sustainability themes in four categories (i.e. Economic, Environmental, Social and Governance) on which Arcadis' performance was believed to be material for internal and external stakeholders. Each theme was given an in-depth working definition, explaining how it relates to stakeholders.

These 30 material themes were used to develop both a paper and an online survey, which was distributed among Arcadis' key stakeholder groups. Open questions allowed stakeholders to add missing themes. Stakeholders were then invited to indicate to what extent Arcadis' performance on these themes had an impact on both 'Their Organization' and 'Society in General'.

Of the stakeholders that fully completed the survey, 50% were employees, 15% suppliers or subcontractors, 13% private sector clients, 9% public sector clients, 9% civil society organizations, and 3% providers of financial capital. The geographical disparity of respondents was extensive (fifteen countries) with concentrations in UK, North America and the Netherlands.

### METHODOLOGY – MATRIX DESIGN

From the survey three concept materiality matrices were developed and the most appropriate of these was selected, in line with the Global Reporting Initiatives (GRI) G4 requirements, which had the following axis:

- Y: The average score given by all stakeholders, on how the various themes would impact 'Their Organization' (giving all stakeholder groups equal weight);
- X: The average score given by all stakeholders, how they assessed given themes impacted 'Society in General' (giving all stakeholder groups equal weight).

This matrix best takes into consideration the views derived from all stakeholders on both the impact on society and their organization. Moreover this matrix most closely prioritized themes that correspond to sustainability. The two other matrices prioritized more general strategic themes.

## GLOBAL STAKEHOLDER DIALOGUE

To deepen our understanding of what our stakeholders find important, we organised our first Global Stakeholder Dialogue on 2 February 2016. In this dialogue, which was held online and in Amsterdam, we discussed our three sustainability priority themes. Our stakeholders shared how Arcadis can enhance its impact on these themes and what opportunities they present to them as well as Arcadis. In 2016, we will further refine our stakeholder engagement process.

# GLOBAL BUILT ASSET WEALTH INDEX 2015

The Arcadis Global Built Asset Wealth Index quantifies the value of built assets across 32 countries which collectively represent around 87% of global GDP. This takes into account all buildings and infrastructure – every home, school, office, rail track, waterway, power station and so on – to see where investment is being made into the building blocks of prosperity.

Informed by research conducted by the Centre for Economic and Business Research, the report assessed which countries are creating the long-term, sustainable foundations for economic, social and environmental success.

Building on the first Built Asset Wealth Index report in 2013, the 2015 report found that built asset wealth stood at an estimated US$218 trillion, the equivalent to US$30,700 for every person in the world. It showed that China had overtaken the US as the world's largest built asset nation with a stock of US$47.6 trillion compared to US$36.8 trillion in the US.

Led by Arcadis' Business Advisory team, the report received a high volume of media attention with spokespeople interviewed on various broadcast outlets including BBC Radio 4 in the UK, Bloomberg TV in Asia, Kanaal Z in Belgium and RTLZ in the Netherlands.


**Full details of the report and rankings can be viewed at**

www.arcadis.com/builtassetindex


-4%

**CARBON FOOTPRINT PER FTE**
In metric tons of carbon dioxide equivalents

6,446

HOURS VOLUNTEERED BY EMPLOYEES DURING WORKING HOURS

# SUSTAINABILITY

Arcadis has made a commitment to create sustainable and exceptional outcomes for its clients in natural and built asset environments and will do so through the delivery of social, environmental and economic value. The expertise, passion and entrepreneurship of our 27,000 talented people, combined with our leading edge capabilities and global reach, will help make this a reality. In addition, we operate our business in a sustainable and socially responsible way, based on our Global Sustainability Policy. Our people uphold these principles in their everyday work and are required to sign our integrity code.

Sustainability is also one of our core values. Equally important is the attitude of our people as reflected in our passion: to improve quality of life and be recognized as the best. More information on our sustainability programs and support for clients can be found in our separate Sustainability Report.

In 2015, Arcadis issued a Global Sustainability Policy Statement, summarizing its commitment to improving quality of life for all generations by maximizing social, economic and environmental value.

www.arcadis.com/en/global/who-we-are/business-practices/global-sustainability-policy

It includes the following commitments:
- Through provision of our services, to promote and achieve reduced negative impacts and maximized positive impacts for our clients;
- Where possible, avoid or reduce negative impacts from our own activities and operations;
- Work with our suppliers and partners to select products and services which are socially, economically and environmentally responsible;
- Empower and encourage our people, through training and our senior leaders, to embrace sustainable practices in everything we do;
- As a minimum, comply with legislation and regulatory requirements that apply to our operations and our project activities;
- Measure our impacts effectively and monitor our performance through key performance indicators;
- Set appropriate targets and strive for continuous improvement. This includes, but is not limited to the issues of energy, water, waste and carbon.

These commitments are implemented at a regional level to reflect the varying challenges and priorities in different localities. Performance will be reported to the Executive Board and made available to our stakeholders as appropriate. Our sustainability commitment is supported by our Arcadis General Business Principles and our Health & Safety approach.

Our Sustainability Policy applies to all Arcadis employees and governs our approach to all our activities. It is strongly embedded in our corporate business strategy and comprises five pillars:
- Corporate governance (please see page 148);
- General Business Principles;
- Environmental sustainability;
- Health and safety;
- Community involvement.

## MATERIALITY

The materiality and stakeholder engagement section of this report describes our process to assess the most material issues to Arcadis – those issues that are of the greatest concern to our business, stakeholders and society. This materiality process and a subsequent Stakeholder Dialogue session in which we refined these choices, led to a well-informed selection of sustainability priorities for 2016.

### SUSTAINABILITY PRIORITIES

The material issues on which we will focus in 2016 are:
- **Innovation:** The exploration of new sustainable solutions, as well as the application of better solutions that meet new environmental or social requirements, needs or existing market needs;
- **Sustainable Outcomes:** Improving quality of life through the projects Arcadis performs on behalf of clients, whilst also creating long-term value for clients as a result of these projects. This includes improving quality of life through the environmental components and designs of projects that Arcadis performs on behalf of clients, whilst also creating long-term value for clients as a result of these projects;
- **Climate Change:** A strategy to deal with how the changing climate will impact our business, e.g. demands for new services (opportunities), risk mitigation and business continuity.

We choose to focus on these topics as our stakeholders indicate that Arcadis' performance on these themes has the strongest impact on society. Focus on the other material topics will follow from our strategy on these sustainability priorities. In addition, we believe that these topics represent important future business opportunities for Arcadis.

## MANAGEMENT STRUCTURE AND PROCESSES

Sustainability is an integral part of our strategy and an inherent part of the way we do business. The implementation and performance of our Global Sustainability Policy is led by our Global Director of Sustainability who reports directly to the CEO, where the latter has global responsibility for sustainability matters within Arcadis. The Global Director of Sustainability is supported by a Core Sustainability Team (CST) that develops the group-wide sustainability strategy and associated policies and directs the implementation thereof after Executive Board sign-off. The CST also manages the relationships with non-governmental organizations, trade associations, and other network groups to promote and develop sustainable development in the value chains in which our clients and our firm participate.

## STAKEHOLDER ENGAGEMENT

Our main stakeholders are our clients, people, shareholders, suppliers, partners, and the communities in which we operate.

We seek to engage and create dialogues with stakeholders on a regular basis to deepen our insight into their needs and expectations, and to develop sustainability solutions which serve them better. These stakeholder activities help us to gain more insight into their expectations, to focus on the sustainability topics that really matter, to manage risks and opportunities, and to make the right decisions in our sustainability strategy that is anchored in our business strategy.

In 2015, and early 2016 we engaged with stakeholders to identify the most material issues for Arcadis through a structured stakeholder engagement process, since this is the best way to provide us with extensive insight into our business process from multiple angles. Reference is made to section 'Materiality and Stakeholder Engagement'.

In addition to the engagement process our stakeholder engagement activities include:

### CLIENTS

We work closely together with our clients to provide them with sustainable solutions to add value and to address their needs. For specific examples please refer to our separate Sustainability Report.

We deliver outcomes that delight our clients, our solutions are developed in close cooperation with our clients, a process during which their feedback is continuously integrated into the projects we perform on their behalf, including the aspects related to sustainability.

For 80% of our revenues we measure client satisfaction levels, based on local criteria in the operating countries. We are in the process of setting global criteria and improving our tools to monitor global customer engagement and satisfaction as part of our Performance Excellence program, which will lead to further improvements in 2016.

Where possible and of added value, we apply the principles of sustainable development in the solutions we provide to our clients. In doing so, we acknowledge the challenge of meeting human needs, while protecting the environment and natural resources for future generations.

## OUR PEOPLE

In 2015, we continued to engage our people on community involvement with the Shelter program, our partnership with UN-Habitat, and many local initiatives, as described on the next pages. In 2015, for the second year, we conducted a global employee engagement survey. There is strong support for our strategy and passion to improve the quality of life and be recognized as the best. A total of 16,333 of our people responded to our engagement survey 'Your Voice' in 2015 (see Our people section in this report).

## SHAREHOLDERS

We continuously engage with our shareholders through various channels, including our annual shareholders' meeting, one-on-ones with institutional investors (300 of which were held in 2015) and through presentations for retail investors organized by banks or exchanges. Moreover, we participate in institutional investor conferences and meetings. In 2015, we participated for the second time in the RobecoSAM, Dow Jones Sustainability Index survey.

## PARTNERS

We have a culture of collaboration and believe strongly in the power of partnerships. We work with global organizations and institutions on how we can improve the quality of life. Our partnerships and memberships include UN Global Compact, UN-Habitat, International Union for Conservation of Nature (IUCN) Netherlands Leaders for Nature, Carbon Disclosure Project, US Green Building Council, World Economic Forum and World Business Council for Sustainable Development. We participate in meetings, projects, taskforces and steering committees in order to demonstrate our commitment to sustainability, to find common grounds to address sustainability challenges, to keep up-to-date with important new developments, and to adapt our own sustainability strategy. We are also engaged in dialogues with leading NGOs, like IUCN.

We continued our support for UN-Habitat, the United Nations agency for human settlements, aimed at a common goal: to improve the quality of life in rapidly growing cities. With this partnership, which started in 2010, we address the challenge of sustainable living conditions in rapidly growing urban areas. We do this in cooperation with the Lovinklaan foundation, our largest shareholder, which is governed by our employees. We participate in the Steering committee of the World Urban Campaign. This partnership generates high levels of commitment from both our people and external stakeholders.

Arcadis works with CDP, a leading international, not-for-profit organization that works to transform the way the world does business to prevent climate change and protect our natural resources. CDP provides a global system for companies to measure, disclose, manage, and share vital environmental information. Arcadis discloses environmental risks and information to CDP in order to be transparent and to be better able to manage these risks strategically.

Our initiative to contribute to maintaining and improving biodiversity through our business in cooperation with Leaders for Nature, the business engagement network of the Netherlands Committee of the International Union for Conservation of Nature (IUCN) is unique because participating companies are engaged in practical sustainability commitments.

## WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

In 2015 Arcadis continued its contribution to the World Business Council for Sustainable Development (WBCSD). Through Its Low-Carbon Technology Partnerships initiative (LCTPi), which challenges businesses to accelerate the development and deployment of low carbon technologies, Arcadis contributed to the COP21 Climate Summit in Paris with its leading role in the Energy Efficiency in Buildings project. CEO Neil McArthur chaired a lunch session on strategic city-business collaboration, joined the WBCSD panel on the role of collaboration in sustainability and also served as a panelist during the COP21 meeting organized by UN-Habitat on engaging the private sector on climate change.

Another milestone in 2015 was the launch of the consultation phase of the Natural Capital Protocol in which Arcadis, being part of the WBCSD consortium, contributes as a writer providing crucial technical input. The Natural Capital Protocol aims to be the standardized framework for business to measure and value its direct and indirect impacts and dependencies on natural capital. The first version of the protocol is expected to be published in July 2016.

Our WBCSD water participation was focused on using our experiences with regard to water reuse in and with the partners of the working group. Arcadis participated for the second time in the WBCSD Reporting Matters research on the effectiveness of corporate non-financial reporting driving improved performance and decision-making. We started participation in the work on the social capital protocol working towards the universal structure needed by business to guide strategy and decision-making, and to lay solid foundations for integrated reporting taking social capital into account.

Our WBCSD participation led to an increasing exposure of our sustainability related expertise and ambitions to our clients, society and stakeholders. We saw a growth in the number of conversations with our clients on sustainability, identified leads and won strategic sustainability related projects. In 2016 we aim to further increase our sustainability related work with our clients as part of our conviction that it should be part of business as usual. 2016 being the year of the cities we will enlarge our involvement within WBCSD through the secondment of one of our experts helping WBCSD on their sustainable cities strategy leading up to the Road to Habitat III conference in Quito.

## WORLD ECONOMIC FORUM

In July 2015, Arcadis became a member of the World Economic Forum (WEF), a comprehensive and integrated platform that aims to strategically shape global, regional, national and industry agendas. It helps the foremost political, business and other leaders of society to improve the state of the world, serving as an independent and impartial partner and acting as the officially recognized International Institution for Public-Private Cooperation. WEF does this through building sustained communities that work together through high-level meetings, research networks, task forces and digital collaboration. Arcadis contributes through its extensive experience helping clients deal with some of the world's most pressing macro issues bringing a unique perspective to the WEF agenda. Our main focus will be on the Infrastructure & Urban Development agenda. In 2016, we participated in Davos for the first time and used this as an opportunity to further establish our role within WEF.

## UN GLOBAL COMPACT

We have been a long-term member of the UN Global Compact (UNGC) since 2009 and are committed to both its objectives as well as the ten universal principles regarding human rights, labor standards, environmental stewardship, and anticorruption. Our values, mission, and strategy are fully aligned with the UNGC principles, and our signing of these principles reflects our ambition to be a sustainability leader. We are committed to making the UNGC and its principles part of the day-to-day operations of our company. Arcadis regards its primary suppliers as partners and collaborates with them to help achieve its ambitions. Our annual Communication on Progress (COP) submitted to the UN Global Compact Office can be found here:

www.arcadis.com/en/global/who-we-are/sustainability/partnerships

## HUMAN RIGHTS AND LABOR RIGHTS

Because of the nature of our business, we rarely face human rights and labor rights issues in our own operations. In situations where this is nevertheless the case, our people have the possibility to address these through our compliance systems (as discussed below).

Our changing geographical spread of recent years has introduced new risks in human rights and labor rights issues, especially in those projects where we work with subcontractors. We address these issues through our general purchasing principles. In relation to high risk countries and for the purposes of post-merger/ acquisition activities Arcadis has soft controls in place, which amongst other things focus on corruption. The 'In Control' statement filed annually by all of the operating companies and subsidiaries to attest to the level and application of controls in their business, also includes information related to corruption.

## PURCHASING PRINCIPLES

Arcadis purchases goods and services from a wide range of suppliers around the world, and encourages them to apply high sustainability standards. We regard our primary suppliers as partners and collaborate with them to help achieve our sustainability ambitions.

In 2015, Arcadis focused on further professionalizing and, where deemed useful and feasible, centralizing our purchasing function as part of our strategic Performance Excellence program. In doing so we want to get better quality and pricing for the products and services we procure on behalf of our clients for the projects that we undertake for them, and, if considered of added value, also in products and services procured in support of corporate functions. In addition to quality and price, we consistently apply the other principles outlined in our purchasing principles strategy document.

In 2016, Arcadis expects to launch a new procurement policy, which will further detail the sustainability aspects of our purchasing decisions.

## TAX PRINCIPLES

Our tax policy reflects our General Business Principles and our desire to play our part in creating sustainable communities. The tax policy is embedded in our operational procedures.

**For more information about Purchasing principles, Tax principles and General business principles please visit**

www.arcadis.com/en/global/who-we-are/business-practices/

## GENERAL BUSINESS PRINCIPLES

### INTEGRITY IS ONE OF OUR CORE VALUES

Today's complex business environment demands that we firmly embed integrity in our daily business practices. We require all of our people to sign off on and comply with the Arcadis General Business Principles, which are summarized in this section:

- **Integrity as a core value.** Our goal is to conduct our business honestly and fairly. Our commitment to integrity determines the way we do business and how we treat our people. Specific Anti-Corruption Standards (SACS) provide specific guidelines related to gifts, hospitality and payments to third parties.
- **Respect for local laws and cultures.** We comply with national laws and respect the cultures of the countries in which we operate. We support the principles of free enterprise and fair competition and observe applicable regulations. We promote, defend and support our legitimate business interests with due regard to the law and the interests of society.
- **Value for customers.** We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create optimal value for clients. We focus on continuously improving our services through investment in our knowledge base and the development of employee competencies. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.
- **Responsible employment practices.** Our people are the key to our success and we respect their human and labor rights so they may work in a safe, healthy, professional and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives.

Every Arcadis employee has an equal opportunity for personal recognition, advancement, career development and compensation, regardless of background or beliefs. The same policy applies to recruitment. No form of discrimination or harassment is tolerated. We strive to ensure fundamental human and labor rights are respected throughout our operations:

- **Dealing with dilemmas.** The Arcadis General Business Principles cannot anticipate the array of dilemmas we may face in our day-to-day operations. An active policy in this area means recognizing dilemmas and taking responsibility for resolving them. We encourage employees to discuss business dilemmas with each other and with their management, to make integrity an essential part of our culture.
- **Monitoring and accountability.** Every two years Arcadis employees complete online compliance training aimed at increasing awareness of Our General Business Principles and values. This training specifically addresses issues like corruption, collusion, bribery and other risks to which our employees may be exposed. The last round of compliance training for all of our people was completed in 2014.

Arcadis monitors compliance with the Business Principles in all operating companies on a quarterly basis. Management of operating companies certifies compliance through a Letter of Representation. Employees are not held responsible for the loss of work resulting from compliance.

Arcadis also has a whistle-blower procedure – including an anonymous global Integrity Phone Line – which ensures employees will not suffer negative consequences from reporting violations. Reports of suspected misconduct can be made in all languages spoken in our operating countries. Breach of the Business Principles can lead to sanctions, including termination of employment.

In 2015, 108 alleged breaches or "near misses" of the Arcadis General Business Principles were reported to the Arcadis Corporate Compliance Committee, all of which were investigated or advised upon. 21 referrals from before 2015 were also still under investigation during the year. In total 88 referrals were closed during the year. All referrals are classified and 'inappropriate behavior' was the classification with the most referrals in 2015. Company-wide, we had five dismissals on grounds related to breaches of the General Business Principles.

## ENVIRONMENTAL SUSTAINABILITY

As a core value and a strategic driver for its business, Arcadis aims to apply the principles of sustainable development across its own operations and in the solutions it provides to its clients. In doing so, it acknowledges the challenge of meeting human needs, while protecting the environment and natural resources for future generations. These efforts are supported by a global team led by the Global Director of Sustainability and CSR.

### PROVIDING SUSTAINABLE SOLUTIONS

#### SUSTAINABILITY IS AN INTEGRAL PART OF PROJECTS

The most significant environmental impact of our work is in projects for clients, many of which have a direct positive impact. We aim to proactively provide sustainable alternatives to projects for clients and may decline work that does not include adequate measures to evaluate environmental issues or mitigate adverse effects. A large part of the activities of our Environment business line is in the remediation of contaminated sites, and in sustainability services that help clients reduce waste and minimize their carbon footprint. In Infrastructure, we help urban centers reduce emissions by designing public transport systems and managing renewable energy schemes. In our Water business line, we help clients supply clean, safe, potable water and treat waste water and reduce the use of potable water in industrial processes. In Buildings, we seek to integrate energy and resource efficiency into our designs and minimize the impact these projects may have on the environment. Increasingly, we are also designing 'green buildings' on behalf of a growing number of clients. Examples of our sustainability outcomes for clients can be found in our separate sustainability report, which will be published in April 2016.

### MINIMIZING OUR OWN CARBON FOOTPRINT

#### GLOBAL SUSTAINABILITY PROGRAM

In 2015, we continued to implement our Global Sustainability Program, aimed at reducing the environmental impact of our own operations through global policies in the following focus areas:

- Transportation, ground and air;
- Energy and water usage in our offices;
- Paper usage and type;
- Waste reduction and disposal or recycling;
- Selection of purchased materials and products.

#### CARBON FOOTPRINT METHODOLOGY

Since 2010, Arcadis has been following a standardized approach in reporting data consistent with the World Resources Institute General Reporting Protocol (GRP). In doing so, our carbon footprint reflects the way we do business rather than a change in methodology or business acquisition. The result helps track our reduction efforts more closely, allowing us to identify key areas to improve. We continue to sharpen our approach to further understand the full impact of our operations on direct and indirect greenhouse gas emissions and the environment as a whole. When measuring, managing, and reporting greenhouse gases, we follow methodologies outlined in the Greenhouse Gas (GHG) Protocol, developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD). We followed an organizational control approach.

## CARBON FOOTPRINT RESULTS
### EMISSIONS PER FTE BY EMISSION SOURCE

| $CO_2$ Emissions (MT $CO_2$ / FTE) | 2008[1] | 2009[1] | 2010[1] | 2011[1] | 2012[1] | 2013[1] | 2014[1] | 2015 |
|---|---|---|---|---|---|---|---|---|
| Scope 1 Vehicles (Business) | 0.88 | 0.82 | 0.81 | 0.74 | 0.77 | 0.70 | 0.62 | 0.62 |
| Scope 1 Vehicles (Commuting) | 0.09 | 0.09 | 0.09 | 0.09 | 0.11 | 0.09 | 0.09 | 0.09 |
| Scope 2 Electricity | 1.68 | 1.56 | 1.51 | 1.47 | 1.31 | 1.28 | 1.37 | 1.29 |
| Scope 3 Air | 0.82 | 0.71 | 0.90 | 0.91 | 0.95 | 0.90 | 0.95 | 0.83 |
| Scope 3 Auto | 0.58 | 0.49 | 0.52 | 0.56 | 0.55 | 0.49 | 0.48 | 0.47 |
| Scope 3 Public Transport | 0.13 | 0.13 | 0.13 | 0.13 | 0.14 | 0.14 | 0.14 | 0.16 |
| Scope 3 Natural Gas | 0.18 | 0.18 | 0.19 | 0.18 | 0.17 | 0.21 | 0.17 | 0.17 |
| Scope 3 Fuel (Other) | 0.01 | 0.01 | 0.01 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| **TOTAL** | **4.36** | **4.00** | **4.15** | **4.08** | **4.00** | **3.82** | **3.81** | **3.64** |

1 Comparatives adjusted for the impact of acquisitions

### NOMINAL METRICS PER FTE BY EMISSION SOURCE

| (METRICS PER FTE) | 2008[1] | 2009[1] | 2010[1] | 2011[1] | 2012[1] | 2013[1] | 2014[1] | 2015 |
|---|---|---|---|---|---|---|---|---|
| Scope 1 Vehicles (km/ FTE) | 4,081 | 3,971 | 4,021 | 3,728 | 4,112 | 3,542 | 3,326 | 3,295 |
| Scope 2 Electricity (kWh/ FTE) | 3,114 | 3,002 | 2,914 | 2,759 | 2,654 | 2,592 | 2,798 | 2,664 |
| Scope 3 Air (km/ FTE) | 6,566 | 5,626 | 7,131 | 7,177 | 7,329 | 7,040 | 7,294 | 6,430 |
| Scope 3 Auto (km/ FTE) | 2,419 | 2,092 | 2,396 | 2,451 | 2,388 | 2,161 | 2,088 | 2,062 |
| Scope 3 Public Transport (km/ FTE) | 1,446 | 1,551 | 1,536 | 1,517 | 1,646 | 1,777 | 1,839 | 2,049 |
| Scope 3 Natural Gas (kWh/ FTE) | 963 | 946 | 1,008 | 937 | 908 | 1,130 | 918 | 922 |
| Scope 3 Other Fuel (kWh/ FTE) | 49 | 52 | 49 | 37 | 29 | 20 | 20 | 25 |
| Paper Consumption (kg/ FTE) | 48 | 48 | 44 | 41 | 40 | 37 | 37 | 31 |
| FSC/ PCW Paper (%) | 57% | 68% | 74% | 77% | 77% | 80% | 82% | 83% |

1 Comparatives adjusted for the impact of acquisitions

### CARBON FOOTPRINT ANALYSIS

Globally, Arcadis initiatives to reduce travel, particularly in Europe and the UK, resulted in a decrease in our air and vehicle mileage and emissions. We continue to see a small uptick in use of public transportation attributed in part to public agencies' improved data tracking systems and in part to employees favoring more efficient forms of travel.

Energy consumption decreased from 2014 to 2015. While we continue to seek out more energy efficient buildings and optimize building space, as leases, we are still challenged by utility data collection and longer-term lease agreements. As such, Scope 2 emission reduction tends to be long-term initiatives with smaller, short-term gains (assuming number of employees remains constant). Paper consumption also continued to show a decline as we print less internally and clients continue to request electronic deliverables.

In 2015, we updated our metrics to include recent acquisitions (formerly known as Callison and Hyder). This included operations throughout North America, Europe, UK, Asia, and Australia. We are working to incorporate metrics from the Middle East which are expected to be complete in mid-2016. Coordinating with our supply chain (e.g. travel agents, leasing organizations, and property management) has allowed us to improve the reliability of the data. Energy data collection, particularly in North America and Asia, continues to be difficult and remains one of our focus areas.

Improved global communications (e.g. Skype for Business), the establishment of the Core Sustainability Team and their support in the data gathering process have had a positive impact on data collection and reporting. These initiatives have allowed Arcadians from around the world to share best practices, facilitate data collection, and improve data granularity.

While Arcadis has been following a consistent methodology since 2008, transitioning from operating companies to regions has identified a few areas where data estimation techniques and some key assumptions were not always the same. As part of our continuous improvement efforts, we are working with the Core Sustainability Team to further standardize regional approaches.

### OBJECTIVES FOR FUTURE YEARS

We are committed to making progress annually, through the continuous improvement of our program elements and by the refinement of our policies, procedures and guidelines that affect our carbon footprint.

## HEALTH AND SAFETY

### PART OF OUR COMPANY DNA

At Arcadis, the health, safety, and well-being of our employees and stakeholders are central to everything that we do. Along with our Health and Safety Global Vision and Policy, this core value focuses on a culture that strives for zero incidents. Achieving zero is a challenging objective and our Executive Board, Senior Leadership, and all Arcadis staff understand, believe in, demonstrate, and communicate our Health & Safety (H&S) commitments and engage in the continual improvement of our H&S system and performance each and every day. As a result, in 2015, Arcadis was recognized by several clients for its performance in H&S and received praise from BMW, Shell, Syngenta, and TOTAL among others.

The implementation of the H&S Vision and Policy is accomplished through the Arcadis Global H&S Management System (revised and updated in 2015), which focuses on a proactive and preventive risk- and behavior-based approach for the continuous improvement of H&S performance, while allowing for the nuances of local culture, client expectations, and regulations. Our Global Health & Safety team is responsible for overseeing the ongoing development and implementation of our program. This is a joint management-worker H&S team that represents 100% of the workforce at the global level. The Global H&S Team is led by the Global H&S Director who reports directly to an Executive Board member, who has global responsibility for Health & Safety within Arcadis.

Our risk- and behavior- based program focuses on leading indicators that allow us to proactively identify and prioritize risks in the projects that we lead and the activities that we perform. This program also allows us to continuously develop approaches to eliminate or at least, reduce the risks to our employees and stakeholders, including subcontractors, clients, and the public.

Zero

GOAL: ZERO INCIDENTS ON HEALTH AND SAFETY

**For more information about our health and safety policy and performance please visit**

www.arcadis.com/en/global/who-we-are/business-practices

As stated in our Global H&S Vision and Policy, our goal is to achieve zero incidents and every year we strive to reduce our incident rates from the year before.

The Global H&S Management System implemented by Arcadis includes comprehensive education and training to assist our employees and their families in eliminating injuries and illness at work and at home. Our health and safety share program provides current information on best practices, lessons learned from our own as well as our stakeholders' incidents, and health and wellness information as it relates to the workplace and travel. Teaming up with an outside travel safety, security, and health services company, our employees have information available to them at all times regarding the preventive measures available to eliminate or minimize risk on our projects. We also partner with various medical professionals to help us educate our staff about minimizing their exposure to harmful agents that can lead to disease.

**THE SIX PRINCIPLES ARE:**

1 Demonstrate H&S Stewardship Daily – Make sure that you and every member of your team goes home safely every day, no matter what your role is in the company.

2 Use TRACK – Apply TRACK every day when planning tasks and before starting any task, and use TRACK again when conditions change.

3 Exercise Stop Work Authority – It is your responsibility to stop your own work, the work of other Arcadis staff, or work under Arcadis control, if you believe it to be unsafe.

4 Practice 'If Not Me, Then Who?' – Be accountable for keeping yourself and others around you safe by acting immediately to prevent harm. If you see something unsafe (or not right), say something!

5 Undertake Health & Safety Planning – Prepare and maintain a Health & Safety Plan for all work activities performed outside of an office environment.

6 Report Injuries and Incidents Immediately – Report all incidents, significant near misses, and unsafe acts and conditions immediately so that they can be investigated, corrected to prevent reoccurrence, and the lesson learned shared.

Arcadis' Global H&S Management System identifies and tracks work-related risks through annual risk identification and assessment at business the level (e.g. tracking incidents). In addition, Arcadis consolidates identified work-related risks (e.g. incidents) at corporate level as a management tool, and we maintain information system/ database containing work- related risks (e.g. incidents, accidents). Data are reviewed by Arcadis H&S professionals monthly.

Arcadis ensures effective management (e.g. assessment, mitigation, and prevention) of work-related risks through prioritization and action plans with quantified targets for Regional CEOs. In addition, Arcadis discusses work-related risks documentation between human resources and managers of business units on a regular basis, as well as between the H&S leadership and regional executive management/ board of directors on at least a quarterly basis. Arcadis also reviews work-related incidents against targets, and conducts internal inspections and consultations by H&S specialists. We undergo independent external verification of health, safety, and well-being, as well. Finally, H&S targets are embedded in performance appraisal and remuneration of management.

Arcadis provides training to prevent work-related risks and/ or occupational health hazards across the organization through internal and external seminars, as well as training on potential work-related risks/ occupational health hazards. We also provide documentation or information systems, e.g. brochures on potential work-related risks/ occupational health hazards and dissemination of work-related risks information via our corporate intranet. This material covers topics such as emergency training, personal protective equipment (PPE), etc. Arcadis also tracks the number of hours spent on education/ training, and quantifies targets of education/ training. These targets are linked to tangible results, as shown through a reduction in the number of work-related risks. 100% of our company is covered through this effort.

## HEALTH AND SAFETY SUCCESSES IN 2015

In addition to the recognition by our clients for our health and safety performance discussed above, Arcadis had several other health and safety successes in 2015. We developed and introduced the Fundamental Health and Safety Principals of Arcadis, which distill into six basic principles the expectations of what we expect every Arcadian to do to keep him/ herself and those that they interact with healthy and safe.

With support from the Arcadis Executive Board and regional CEOs, Global and Regional H&S implemented a pledge for access to safe Water, Sanitation, and Hygiene (WASH) at the workplace. The pledge addresses three of the six key strategic priorities in Arcadis' sustainability strategy, and addresses one of the most pressing socio-economic challenges today: access to safe water, sanitation and hygiene. Certification of compliance with the pledge was provided for each region by the Regional H&S Advisor. The Arcadis WASH pledge is: "Arcadis currently provides access to safe water, sanitation, and hygiene at the workplace at an appropriate level of standard for all employees in all premises under direct company control."

Arcadis Global H&S created a 25-minute induction training video to provide a unified message of Arcadis' health and safety culture, procedures, and expectations. Shown to all new Arcadis employees upon hire, the induction video was completed in English and subtitled in fourteen languages.

## HEALTH AND SAFETY PERFORMANCE

Arcadis measures work-related injury and illness rates using standard definitions and measurement techniques that match those of regulatory bodies that are relevant to our operations and those of our clients.

For the fourth year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2015 (0.29) is the lowest it has been since Arcadis began collecting global H&S data in 2004, when it was 1.13. Work-related injury rates have steadily improved since that time with the introduction of our global health and safety program in 2006.

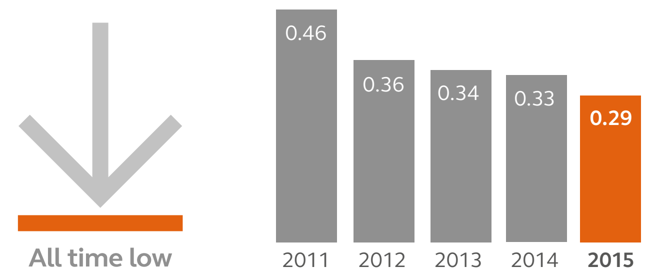
Since 2004, our TRCF has decreased by 74%. Our Lost Time Case Frequency (LTCF) for 2015 (0.13) is also the lowest it has ever been and has also decreased by over 80% over the same time period. Arcadis' injury rates are well below the average injury rates of the publicly-available US benchmarks for the Architecture and Engineering Industry, which were 0.80 (TRCF) and 0.30 (LTCF) for the most recent reporting period (2014). Near miss reporting, a key process in helping to prevent incidents, has risen dramatically (over 1,600%) since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.

The figures below provides our injury and illness rates for the past five years. In this five-year period no fatalities occurred.

**HEALTH & SAFETY**
TOTAL RECORDABLE CASE FREQUENCY

0.29

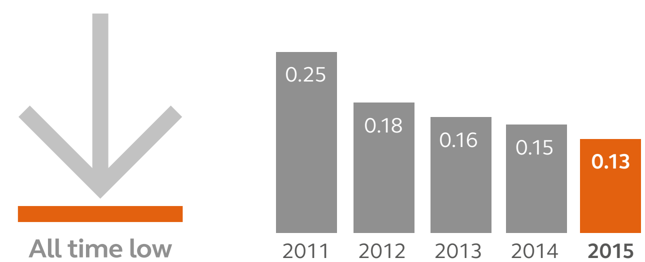
CALCULATED PER 200,000 WORK HOURS




**HEALTH & SAFETY**
LOST TIME CASE FREQUENCY

0.13

CALCULATED PER 200,000 WORK HOURS



## OBJECTIVES FOR 2016 AND BEYOND

In 2016, we will continue to implement our risk- and behavior-based approaches by focusing on continuing to educate our staff on the expectations associated with the Arcadis Fundamental Health and Safety Principles. We will focus particularly on Health and Safety Stewardship and will continue our 'TRACK to 0' and 'If Not Me, Then Who?' initiatives. TRACK is an acronym for Think through the tasks; Recognize, Assess, and Control hazards; and Keep H&S first in all things. This initiative is focused on using the TRACK process in all aspects of our work to proactively mitigate hazards to drive toward zero incidents. 'If Not Me, Then Who?' focuses on watching out for the health and safety of oneself, as well as others.

To drive these focus areas in 2016, we will undertake the following actions:

- Focus on continually improving the implementation of the Arcadis Global H&S Management System with emphasis on near-miss reporting, incident investigation, project H&S planning, and behavior-based observations;
- Look to continue to enhance our H&S System with the assessment and selection of options for global data and information management subcontractor management process and improved safety by design capabilities. Implementation of these tools is planned to begin in 2016;
- Further extend our H&S culture into the services we deliver and the value we bring to our clients.

Performance targets for 2016 include the continued improvement in H&S planning as well as incident investigation (so that we can learn from those events). From these, we learn better ways to control the hazards that we face every day, which allows us to minimize the chances of future injuries and illnesses.

## COMMUNITY INVOLVEMENT

We have a commitment to improve the quality of life, which also applies to the communities in which we operate. Sustainable urbanization is the main area on which we focus in our company-wide community involvement strategy, since we are well positioned to address this challenge with our expertise in the fields of infrastructure, water, environment, buildings, and urban planning. As our towns and cities grow at unprecedented rates, urbanization is one of the most pressing challenges facing the global community in the 21st century. Making sustainable improvements to the urban environment is critical to delivering lasting results for all our communities.

For this reason Arcadis has a global partnership with UN-Habitat, the United Nations' agency for human settlements, to focus our corporate social responsibility efforts in a clear direction. Established in 2010 and set to continue well into the future, the Shelter program celebrated its fifth successful year in 2015. The program is unique in the way it combines both financial support and Arcadian expertise.

The United Nations has adopted seventeen new Sustainable Development Goals. One is focused on the development of sustainable cities and communities, and Arcadis has committed to this goal with the Shelter program.

## UN-HABITAT PARTNERSHIP PROGRAM

The partnership with UN-Habitat, known as the Shelter Program, was established in March 2010 and is aimed at our common goal: to improve the quality of life in rapidly growing cities around the world. Through the Shelter Program we provide pro bono expertise for UN-Habitat projects, mostly by visiting projects and providing consultations on location, in close cooperation with UN-Habitat and the local government.
In addition to the consultancy work, in some locations the Shelter program participates in training courses and workshops.
In 2015, 30 missions, training courses, workshops, and other Shelter activities were organized all over the world, in which almost 400 Arcadis experts have shared their expertise and skills to help bring our joint mission forward.

Program activities in 2015 included:

- Eight Shelter missions, including drainage in Indonesia and urban planning and city profiling as support for social economic development in Myanmar;
- Follow-up support on infrastructure for Tacloban in The Philippines, where, with the support of Shelter, UN-Habitat prepared the masterplan for recovery shortly after the typhoon in November 2013;
- Fifth Annual Shelter Academy in October in the Netherlands, where ten officials from developing countries, recommended by UN-Habitat, made an implementation and action plan looking at case studies on climate adaptation and mitigation in their region during a week-long program;
- Participation in the World Urban Campaign activities and steering committee.

Moreover we are a main sponsor of the World Urban Campaign, an initiative of UN-Habitat that the United Nations acknowledged as a leading advocacy platform on urban issues to increase awareness and knowledge for better cities, better life through successful urban solutions. The program is also financially supported by the Lovinklaan Foundation, Arcadis' largest shareholder, which represents our people.

### UN-HABITAT, ARCADIS AND KU LEUVEN HELP REBUILDING EFFORT IN NEPAL

Arcadis, UN-Habitat and KU Leuven partnered to develop an urban recovery and development program for immediate action in Kathmandu Valley, Nepal. In response to the earthquake of 25 April 2015, the initiative aimed to assist in the redevelopment of one of the hardest-hit historical areas of the Kathmandu Valley. A Shelter mission took place between 24 August and 5 September 2015 and saw five representatives traveling to Nepal, with assistance from a remotely-based team, to support local municipalities and neighborhood groups in urban recovery and planning.

## SHELTER MISSIONS TO NEPAL

# UN-HABITAT, HELPING REBUILDING IN NEPAL

Arcadis, UN-Habitat and KU Leuven partnered to develop an urban recovery and development program for immediate action in Kathmandu Valley, Nepal.
In response to the earthquake of 25 April 2015, the initiative aimed to assist in the redevelopment of one of the hardest-hit historical areas of the Kathmandu Valley adjacent to a modern training complex.

**Two Arcadis experts worked with a UN-Habitat advisor in July to develop a project plan for this initiative. The second Shelter mission took place in August and saw five Arcadis representatives travelling to Nepal, with assistance from a remotely-based team, to support local municipalities and neighborhood groups in urban recovery and planning.**

**The Shelter team worked together with the Human Settlements, Urbanism and Strategic Planning programs of the University of Leuven, Belgium, and with UN-Habitat staff. Their work focused on support for the badly-damaged historic town of Bungamati (near Kathmandu city) to redevelop the city and prepare the municipality for sustainable urban growth with affordable housing at the center.**


**BERT SMOLDERS**
Shelter Program Manager,
Arcadis Netherlands

**"Nepal is experiencing huge difficulties after the earthquake and the Nepalese people face a daily battle just to rebuild their lives. We are proud to be assisting the recovery efforts and to support UN-Habitat to bring safety, security and pride back to this beautiful country."**

### URBAN THINKERS CHALLENGE

Urban October was developed by UN-Habitat to raise awareness, promote participation, generate knowledge, and engage the international community to create a New Urban Agenda. To celebrate Urban October 2015, Arcadis set up the 'Urban Thinkers' challenge on 28 October. Over a 24-hour period, workshops were held in Arcadis offices in thirteen cities around the world - New York, Chicago, Los Angeles, London, Rotterdam, Berlin, Singapore, Kuala Lumpur, Shanghai, Hong Kong, Sydney, Dubai and Sao Paulo. Hundreds of people from all areas of the business shared ideas, expertise and urban solutions for future cities - our future cities. The sessions focused on three themes that make every city livable, competitive, and sustainable: resilience, mobility, and regeneration. Arcadians also shared their ideas online. The results of the challenge have been compiled in a book and shared with UN-Habitat.

## COMMUNITY INVOLVEMENT ACTIVITIES

Arcadis also dedicates time, expertise, and money to many local community involvement initiatives. We encourage our people to get involved in local community programs by offering their expertise and time. A few examples are provided below.

### WATER FOR PEOPLE

Arcadis is a global sponsor of Water for People, committed to a $100,000 annual donation. Water for People exists for one purpose, and it is as simple as the name: for all people in the world to have safe, continuous access to potable water.

### KNHM

In the Netherlands, Arcadis works together with KNHM and invested approximately €165,000 in 2015. With this program we support people who want to improve the quality of life in their neighborhood and assist people who want to realize their idea aimed at the improvement of the physical living environment. We support people with our knowledge.

### ENGINEERING AID AUSTRALIA

In Australia, Arcadis donated AUS$12,000 to Engineering Aid Australia (EAA) in 2015. EAA is a charitable organization whose principal aim is to encourage Indigenous secondary school students to consider a career as a professional engineer.

Engineering Aid Australia has partnered with universities in Sydney, Perth, and Newcastle to bring Indigenous high school students to summer schools to showcase engineering degrees with the goal of increasing enrolment. Those who continue their studies are supported through a range of scholarships and are supported while exploring career opportunities.

### VALUE OF OUR COMMUNITY INVOLVEMENT ACTIVITIES

For the Shelter Program activities, on average we provide four years' worth of time annually. These hours are composed of expertise from our people going on Shelter missions or working in our offices on Shelter programs. Moreover Arcadis donates €160,000 on an annual basis to UN-Habitat, amongst others for the sponsorship of the World Urban Campaign. The Shelter program is financially supported by the Lovinklaan Foundation for a maximum of €440,000 per year

The table below gives a non-exhaustive overview of the monetary value of Arcadis pro bono corporate citizenship activities for 2015 in the majority of the countries in which we are active. The information below comprises commitments outside of the Shelter program as detailed above.

| FINANCIAL FUNDS | TOTAL AMOUNT |
|---|---|
| Funds donated by Arcadis to charitable institutions (in €) | 2,012,510 |
| Time employee volunteering during paid working hours (in hours) | 6,446 |

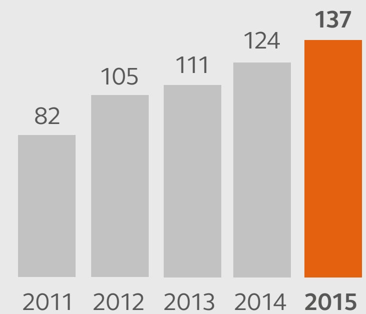
## REPORTING STANDARDS

We have followed the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines while compiling the Sustainability performance covered in this report. The GRI framework is the most widely used standardized Sustainability reporting framework in the world. A detailed overview of our GRI performance is provided on our website:

www.arcadis.com/en/global/who-we-are/sustainability/measuring-the-value/

Levels of materiality were taken into consideration in selecting the indicators relevant for the business.

# PERFORMANCE & DEVELOPMENTS




+11%

**NET INCOME FROM OPERATIONS**

In € millions

+30%

GROSS REVENUE GROWTH

# RESULTS AND FINANCING

**Strong growth performance in all regions except North America**
2015 was a challenging year in several of the markets where Arcadis operates. A deep recession in Brazil, a slowdown in Asia and sustained low oil prices significantly impacted our Emerging Markets business and our global business lines Infrastructure and Environment. In parallel two large acquisitions – Hyder and Callison – were integrated, employing approximately 6,000 people, and the Company launched the transformation of its North American business, also implementing restructuring and Performance Excellence programs.

With the acquisitions of Hyder and Callison we took important steps in our strategy to build sustainable top-five leadership positions in our key markets, creating a truly global platform and we are now able to deliver solutions to our clients in six out of seven continents. We have invested in Hyder's Global Design Excellence Center approach, increasing headcount capacity by 24%. This makes us more cost competitive in delivering design and engineering solutions around the world resulting in some important project wins such as the Port of Calais, Crossrail 2, Qatar Rail and Jeddah Metro.

The focus of management remains on ensuring the company is able to adapt to changing market circumstances. Our Performance Excellence program leads to greater efficiency and cost reduction through sharing best practices and has delivered a strong 1.1% improvement in operating EBITA margin. During 2015, one-off restructuring and integration costs associated with Hyder/ Callison and Performance Excellence to build an integrated Arcadis were significant and in the fourth quarter the benefits are beginning to show through.

Our free cash flow was again strong, at 1.2 times net income. We reduced our net debt, bringing the year-end net debt to EBITDA ratio to 1.9 (2014: 2.0), and the average ratio to 2.2 (2014: 1.5) – well within our bank covenant of max 3.0. We further strengthened our financing position, taking advantage of attractive rates through transactions in the Schuldschein market and by renewing and expanding our revolving credit facility in December for a period of five years.

## REVENUE AND PROFIT

Gross revenues were up 30%, mainly as a result of the acquisitions of Hyder (Global, October 2014), Callison (US, China, October 2014) and Franz (Canada, October 2014), which contributed 18% to growth, and from currency effects which contributed 11% to the revenue increase. Organic growth at gross revenue level amounted to +1%. Net revenues increased 29% of which 20% from acquisitions, 10% from currency effects, while organic growth was essentially flat. Organic development was driven by growth in Continental Europe, mainly from the private sector and the UK, where also infrastructure performed well.

This was offset by Brazil, where a deep recession caused a severe revenue decline. Lower demand of the environmental business led to a revenue decline in North America. Growth slowed in the Middle East as market conditions toughened and Asia was slightly negative driven by the strong decline in architecture & design in China.

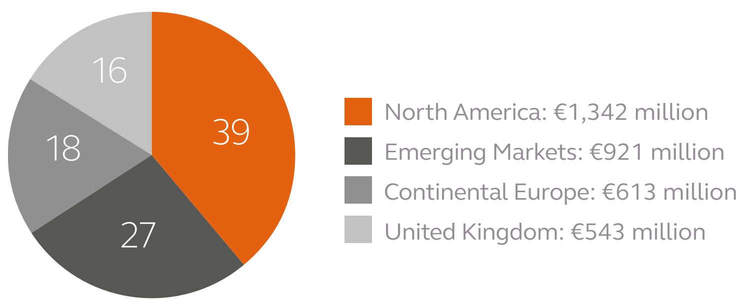
## UK IS FASTEST GROWING REGION

The two major acquisitions contributed to the expanding presence in Emerging Markets and the UK, which now was the fastest growing geographical segment in overall revenues due to a combination of acquisitive and organic growth. Organic growth also contributed to higher revenues in Continental Europe, while the organic revenue decline in North America caused that segment to slightly reduce to 39% of overall gross revenues.

| Geography mix in % of gross revenues | 2015 | 2014 |
|---|---|---|
| North America | 39% | 40% |
| Emerging Markets | 27% | 26% |
| Continental Europe | 18% | 21% |
| United Kingdom | 16% | 13% |

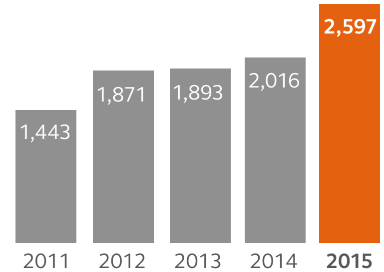
## GROSS REVENUES BY REGION

In %



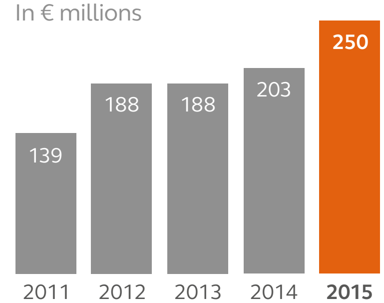

## NET REVENUES

In € millions



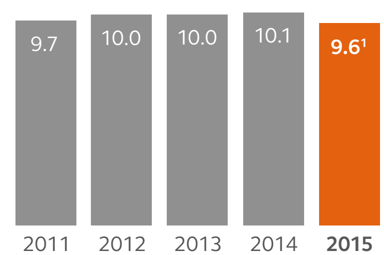

## OPERATING EBITA

In € millions




## OPERATING EBITA MARGIN

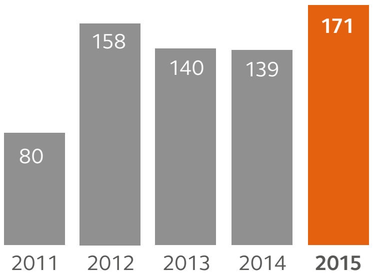
In %




[1] Excluding one-off project cost overruns: 10.1%

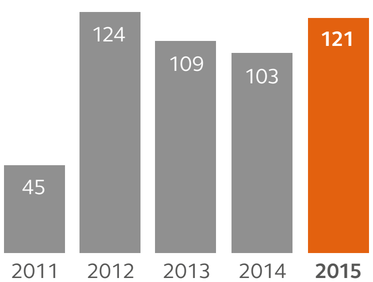
## CASH FLOW FROM OPERATING ACTIVITIES

In € millions




## FREE CASH FLOW

In € millions




## BUILDINGS LARGEST BUSINESS LINE

With Callison being exclusively active in Buildings and Hyder having approximately 23% of their activities in this business line, Buildings was the fastest growing business line, and remains our largest business. The acquisition of Hyder and strong organic performance outside Brazil benefited the Infrastructure business. Environment suffered from tough conditions in the North American market and lower demand in Brazil.

| Activity mix in % of gross revenues | 2015 | 2014 |
|---|---|---|
| Infrastructure | 25% | 25% |
| Water | 13% | 14% |
| Environment | 25% | 29% |
| Buildings | 37% | 32% |

## CLIENT MIX ALMOST UNCHANGED

Reduced spend by clients in regulated markets like Water shifted the client mix further towards the private sector, where overall demand increased. The impact of acquisitions hardly impacted the client mix. Where Hyder proportionally works more for public sector clients, Franz and Callison do more work for private sector clients

| Client mix in % of gross revenues | 2015 | 2014 |
|---|---|---|
| Public | 27% | 24% |
| Regulated | 17% | 22% |
| Private | 56% | 54% |

## PERSONNEL COST DEVELOPED IN LINE WITH REVENUES

Personnel costs were €1,962 million, a 30% increase over 2014 (€1,504 million), predominantly as a result of acquisitions and currency impact. The organic increase in personnel cost kept pace with revenues.

## OTHER BUSINESS COSTS IMPROVED

Other operational costs were €389 million, 26% higher than in 2014 (€309 million), mainly as a result of acquired activities and lower acquisition-related expenses. The increase was lower than the increase in revenues, as occupancy costs and IT costs benefited from the Performance Excellence program.

## DEPRECIATION AND AMORTIZATION HIGHER

Depreciation and amortization of property, plants & equipment and software was €43.3 million (2014: €32.2 million). Identifiable intangible assets related to acquisitions such as the profit included in backlog, customer relationships and brand values are amortized. This amortization increased to €47.4 million (2014: €24.2 million) and was driven by the acquisitions of Hyder and Callison in 2014.

## OPERATING INCOME AND EBITA IMPROVED

Operating income rose 7% to €161.5 million (2014: €150.3 million). Arcadis uses operating EBITA to measure the financial performance of operations, while EBITDA is used in our bank covenants. These financial indicators were as follows (see note 28 of the Consolidated financial statements for more information):

| In € millions | 2015 | 2014 |
|---|---|---|
| Operating income reported | 161.5 | 150.3 |
| Depreciation and amortization | 43.3 | 32.2 |
| Amortization identifiable intangible assets | 47.4 | 24.2 |
| **EBITDA** | **252.1** | **206.7** |
| | | |
| EBITA | 208.8 | 174.5 |
| Non-operating costs | 41.5 | 28.4 |
| **OPERATING EBITA** | **250.3** | **202.9** |

EBITA was up 20% and was impacted by €41.5 million in restructuring, integration and acquisition costs related to capacity adjustments in Continental Europe, North America and Emerging Markets as well as the impact from implementing our Performance Excellence program and the integration of Hyder, Callison and Franz. This and the one-off project cost overruns in North America that were disclosed in the second quarter, impacted the EBITA margin, which was 8.0% (2014: 8.7%). Operating EBITA (which excludes acquisition, restructuring and integration-related costs) was up 23% at €250 million and the operating EBITA margin was 9.6% (2014: 10.1%). Corrected for the one-off project cost overruns in North America, the operating EBITA margin was 10.1%, in line with 2014.

This was achieved despite more challenging market conditions, and reflects the contribution from our Performance Excellence program and the cost synergies from acquisitions.

### HIGHER FINANCING CHARGES

Higher financing expenses were caused by the increased levels of loans and borrowings related to our acquisitions, as well as by increasing the duration of our loan portfolio. These caused an increase in net financing expenses to €26.1 million (2014: €17.4 million).

### TAX RATE LOWER

The effective income tax rate based on the Consolidated income statement was 23%. The decrease compared to the 2014 effective tax rate of 29% is mainly caused by the geographical mix of taxable income as well as provision-to-return accruals and positive settlements relating to prior years.

### ASSOCIATED COMPANIES PERFORMANCE WORSENS

Operating losses from the non-core energy assets in Brazil caused income from associated companies to be at negative -€3.2 million, compared to a marginal loss in 2014.

### NET INCOME FROM OPERATIONS 11% HIGHER

Net income increased 8% to €98.7 million (2014: €91.6 million), mostly due to an increased contribution from acquired companies. Due to the increase of 11% in the average number of outstanding shares, net income per share was 3% lower at €1.19 (2014: €1.23).

Net income from operations, which excludes amortization of identifiable intangible assets and acquisition-related charges (net of tax), and non-recurring items, increased +11% to €137 million (2014: €124 million), and remained flat on a per share level at €1.66 as on average 11% more shares were outstanding.

## CASH FLOW AND BALANCE SHEET

### FREE CASH FLOW EXCEEDS NET INCOME

At 171 million, cash flow from operating activities was substantially higher than last year's level (€139 million). Working capital at year-end was 17.1% of gross revenues, compared to 17.4% at year-end 2014, reflecting the effects of the working capital reduction plan in the legacy Arcadis business, while in acquired firms it was somewhat higher. Following the updated purchase price allocations, net working capital as a percentage of gross revenues at year-end 2014 is 17.4%, instead of 18.8% reported last year. Most progress was made in the legacy Arcadis business, which reduced working capital from 16.9% to 15.8%. Day sales outstanding went up by one day, while work in progress for milestone-based contracts was invoiced faster. Payables were higher as we are further professionalizing our procurement processes. Free cash flow was €121 million (2014: €103 million).

### INCREASED INVESTMENTS

Investments in (in)tangible assets (excluding acquisitions) increased to €53.4 million (2014: €38.1 million). The increase was mainly caused by leasehold improvements in the offices where staff of Hyder and Callison work from, and investments in IT equipment and software.

### INVESTMENTS IN MERGERS AND ACQUISITIONS

In 2015, Arcadis spent €9 million on acquisitions, predominantly in after-payments relating to acquisitions completed in previous years (2014: €502 million).

Deferred payments for acquisitions were €1.0 million. Mergers and acquisitions added goodwill of €0.8 million and identifiable intangible assets of €2.7 million. In addition, €9.3 million (2014: €0.2 million) was invested in associates and joint ventures, €0.7 million (2014: €1.1 million) in other investments and €2.8 million (2014: €4.6 million) in other non-current assets.

### NUMBER OF OUTSTANDING ORDINARY SHARES INCREASED

The total number of outstanding ordinary shares at year-end 2015 was 83.9 million, slightly above the 83.1 million outstanding at year-end 2014. During the year, 1.5 million shares were repurchased to cover obligations related to incentive plans, while 1,952,611 previously repurchased shares were used for the exercising of options, and another 813,946 shares were issued for stock dividend. The average number of shares, used for calculating earnings per share, increased to 82.6 million (2014: 74.5 million). For more information on the number of outstanding shares and options and on share purchase plans, please refer to notes 8 and 22 of the Consolidated financial statements.

### BALANCE SHEET REMAINS HEALTHY

Currency related effects resulted in an increase of balance sheet total to €2,829 million (2014: €2,658 million). Balance sheet ratios remained strong. The net debt to EBITDA ratio at the end of the year was 1.9 (2014: 2.0). The interest coverage ratio was 8 (2014: 9). Goodwill increased to €1,049 million (2014: €982 million). The adjustment related to the purchase price allocation of the acquisitions of Hyder and Callison raised the comparative amount in 2014 by €80.7 million. Currency effects had an impact of €65.4 million. Identifiable intangible assets (excluding software) were €171.9 million (2014: €201.3 million) with the decrease being a result of amortization, while currency effects were €15.2 million. Goodwill is subject to annual impairment testing. In 2015, this test determined that no goodwill had to be impaired.

Net working capital - ie. work in progress (unbilled receivables) plus trade receivables, minus suppliers and billing in excess of costs - increased to €598 million (2014: €563 million). Net working capital as a percentage of gross revenues improved as a result of our working capital reduction program to 17.1% of gross revenues (2014: 17.4%).

Cash and cash equivalents were €221 million (2014: €178 million). Net debt (interest bearing debt minus cash and cash equivalents) decreased to €494 million (2014: €522 million), as a result of strong free cash flow, while the 2015 currency translation impact of the USD on consolidated net debt was €43 million. Interest bearing debt also includes after-payment obligations related to acquisitions, totaling €12 million (2014: €19 million).

Long-term loans and borrowings increased to €687 million (2014: €500 million). Short-term loans and borrowings, including the current portion of long-term debt was €32 million (2014: €196 million). At year-end 2015, €175 million in short-term credit facilities were available. As part of these facilities, bank guarantees and surety bonds (mostly project related) amounted to €119 million (2014: €88.3 million). Total equity was €1,011 million, compared to €896 million, at year-end 2014. For details see the table on the next page.

### STRONG BALANCE SHEET RATIOS

Balance sheet ratios remained strong at year-end 2015:
- Net debt to equity ratio was 0.5 (2014: 0.6)
- Year-end net debt to EBITDA ratio was 1.9 (2014: 2.0)
- Average net debt to EBITDA ratio was 2.2 (2014: 1.5)
- Interest coverage ratio was 8 (2014: 9)

Covenants in loan agreements with banks stipulate that the net debt to EBITDA ratio should be below 3.0, measured twice a year; at year-end and at end of June. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, compared with last twelve months (pro-forma) EBITDA. According to this definition, the average net debt to EBITDA ratio was 2.2 (2014: 1.5). Arcadis' long-term goal is to stay below a net debt to EBITDA ratio of 2.0.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense ratio must exceed 1.75, measured twice a year at year-end and at the end of June. At 31 December 2015, this ratio calculated in accordance with agreements with lenders is 2.6 (2014: 2.8).

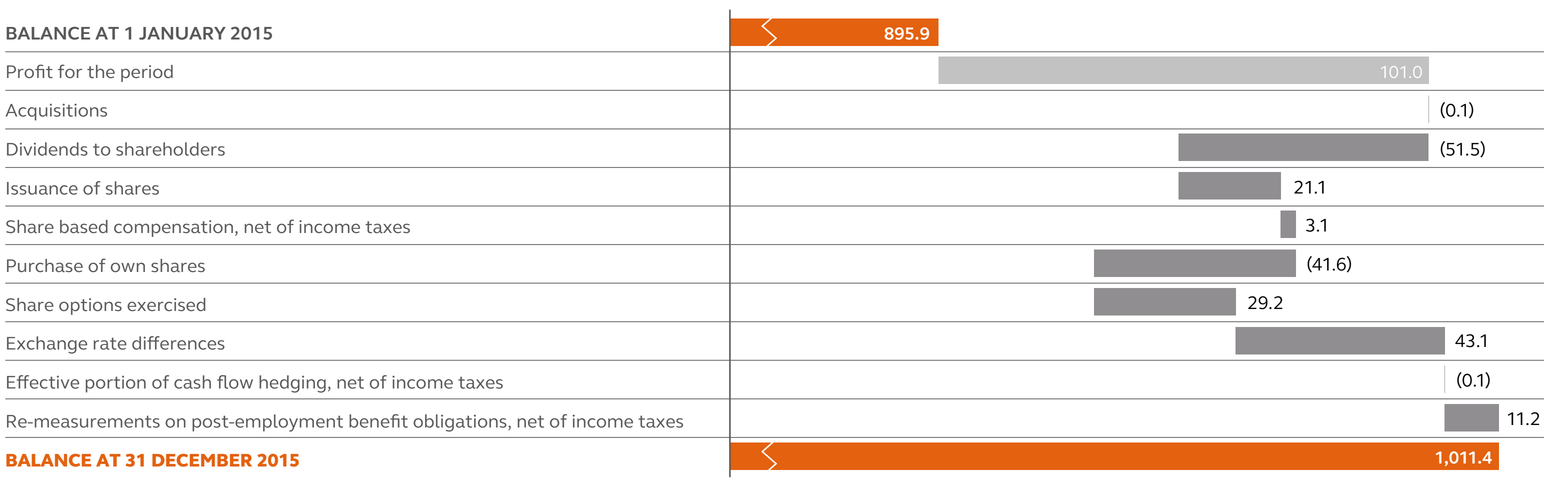
Achievements on key performance indicators:

| | TARGET 2014 - 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **GROSS REVENUE GROWTH:** | >10% | 30% | 5% | (1)% | 26% | 1% |
| Organic | >5% | 1% | (1)% | 0% | 3% | 2% |
| Acquisitions | >5% | 18% | 6% | 3% | 18% | 1% |
| Currency effects | No target | 11% | 0% | (4)% | 5% | (3)% |
| Operating EBITA margin[1] | >11% | 9.6% | 10.1% | 10.0% | 10.0% | 9.7% |
| Growth earnings per share[2] | No target | 0% | 8% | 3% | 22% | 3% |
| Free cash flow > Net income | 1.0x | 1.2x | 1.1x | 1.3x | 1.5x | 1.0x |
| Return on invested capital[3] | >13% | 9.3% | 13.7% | 13.3% | 13.5% | 13.6% |

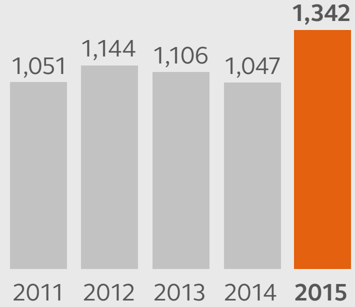
1 Operating EBITA is EBITA excluding acquisition, restructuring and integration-related costs. Operating EBITA margin is operating EBITA as a percentage of net revenues
2 Net income from operations
3 Excluding acquisitions made in the year

## CHANGE IN TOTAL EQUITY

In € millions



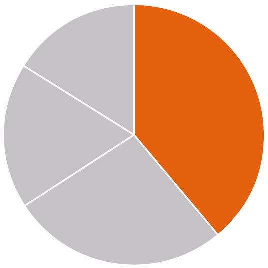
# PERFORMANCE AND DEVELOPMENTS BY REGION




+28%

**GROSS REVENUES**

In € millions



39%

(2014: 40%)

OF TOTAL GROSS REVENUES

# NORTH AMERICA

### Challenging markets affect performance

In 2015, our Buildings and Infrastructure activities generated healthy organic growth. The Water market improved after several years of declines as tax revenues and the municipal bond market returned, triggering higher municipal investments. We benefited from this development with low growth, but ended the year flat as completion of some large projects impacted revenues towards the end of the year. Market dynamics in the Environmental market remained unfavorable throughout the year with increased competition caused by a reduction in oil and gas spending, professionalized client procurement procedures to reduce costs and an influx of regional competitors in the complex remediation market.

In January 2015, a new management team stepped up. The new team devised and started the roll-out of a transformation plan to return to growth and sustain strong margins by implementing a growth strategy, maintaining the performance culture and improving global collaboration. The new team implemented our Performance Excellence program with an emphasis on Resource Optimization, Project Management and Procurement, while a clear plan has been outlined to reduce the office network, supporting progress in Workplace & Collaboration. In addition, it simplified our organizational structure in regional headquarters, and in the Environment and Water business. With Environment representing 47% of our North American revenues, this resulted in a negative organic net revenue development of -3% for the year. The currency effect was +19%. The effect from acquisitions (Callison and Franz, October 2014), was +9%.

## IMPROVEMENT PROGRAM YIELDING FIRST RESULTS

The transformation plan comprises three main elements: a revised market approach, delivery on Performance Excellence and a change in the operating model. The new market approach focuses on creating more multi-million dollar clients, especially Multinational and Big Urban Clients. In Water, Business Advisory and Water for Industry were chosen as growth areas, while for the growing Conveyance market a 'simplified' model was designed to be more competitive and drive growth. In Environment, we responded to client demands by expanding our services across the full spectrum, from simple to complex remediation, leading to the introduction of Arcadis FieldTech Solutions (AFS) at the end of the second quarter. With AFS as a competitive offering for simpler remediation solutions, we gain access to an additional sizeable market. During the second quarter we recognized a €9 million cost overrun on a ten-year-old lump-sum environmental project. Based on a subsequent review of the US environmental lump-sum project portfolio, cost overruns of €4.9 million across three other projects were recorded. Having completed the review, we are confident these adjustments were one-off in nature. In Performance Excellence, progress was made in Project Management, Resource Optimization, Procurement and Workspace & Collaboration, helping to alleviate pricing pressure. Our operating model was simplified, our commercial organization revitalized with clear accountability for growth and business results, and tailored pricing for all business lines. In doing so, the region maintained margin, despite the revenue decline.

## RESILIENCE AND CONVEYANCE DRIVE WATER

In Water, the traditional Water Supply and Treatment markets are still shrinking, except in the southwestern United States. As tax revenues increase and bond issuances are up municipalities invest more, mainly to maintain aging infrastructure. For us, this offers opportunities in Conveyance, sometimes combined with Asset Management and Business Advisory, especially for larger agencies like the City of San Diego where we have both assessed some of its critical conveyance assets and are assessing its enterprise-wide asset management approach and business processes. While Conveyance work can involve construction management, our new business model is also focused on design. We adopted the use of Global Design Excellence Centers for Conveyance to become more cost competitive for these type of projects. Resilience and Water Management continue to offer good opportunities. Our extended involvement in the Big U project focusing on flood protection for lower Manhattan is a good example. In addition to bringing in expertise in Water, we are now also involved in this project with urban design support through CallisonRTKL. Water for Industry is also a growth market as competition for scarce water supplies increases and water costs impact bottom line performance and speed to market demands.

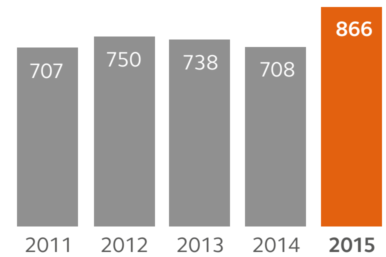
## ENVIRONMENT REMAINS CHALLENGED

The tough market conditions in the environmental market are not yet letting up, with increased competition, price pressure and slowing client demand, especially in the oil & gas sector. We reorganized our environmental business and reduced the number of leadership positions by 60% to lower our cost base. At the same time we can now operate towards clients in a more agile way, and became more competitive in our pricing. The latter is also the key selling point for the Arcadis FieldTech Solutions offer that was developed and introduced during the year and which is starting to see traction with clients.

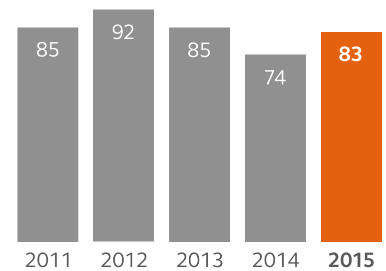
## GOOD GROWTH IN BUILDINGS

In Buildings, we have an established and growing position in Program Management and a focus on growing Business Advisory while also capitalizing on the resurgence of architecture. Overall growth in the Buildings segment was strong, aided by the acquisition of Callison, which was integrated with RTKL to form the new Arcadis brand CallisonRTKL.

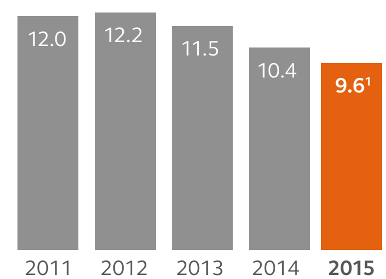
### NET REVENUES
In € millions




### OPERATING EBITA
In € millions




### OPERATING EBITA MARGIN
In %




[1] Excluding one-off project cost overruns the operating EBITA margin would be 11.0%

### ATLANTA, US
IMPROVING MOBILITY AND REDUCING DRIVE TIME

Six cities and one county in the State of Georgia are under pressure to meet the transportation needs of a growing suburban area.

On behalf of Cobb County, Arcadis is collaborating with several specialty firms to focus on the area's top priorities – job growth, system preservation and mobility issues – while taking the health and safety impacts of each project we consider into account. The affected cities are also deeply immersed in this transportation plan. We are in their communities talking to people, engaging them through a variety of venues and platforms to find out what is most important to them and how we can help shape their future.

We now have a strong top-five position in the North American architectural market and already benefit from synergy wins. CallisonRTKL is leading a major renovation and expansion of one of Los Angeles' premier shopping destinations, Manhattan Village.

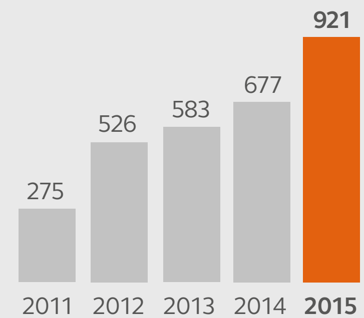
## NICHE POSITION PROVIDES GROWTH IN INFRASTRUCTURE
In Infrastructure, we started working with the Global Design Excellence Centers, allowing us to be more cost competitive especially in performing design and build work with contractors. This new strategy was developed to allow us to grow more aggressively. Although the market is not seeing significant growth, our position in the market allows us to exploit our niches. A case in point is the Atlanta Downtown Connector Transportation Study for the Georgia Department of Transportation in Atlanta. The results from the study will be used to develop Georgia's short-term and long-term capital improvement program. Our strategy is to combine our Project and Program Management activities into Infrastructure, so that we create a stronger position in the western part of the US and for our Big Urban Clients in Los Angeles, Chicago and New York.

## MARGINS
The operating EBITA margin for North America was 9.6%, a decline compared to last year (2014: 10.4%), as we are adjusting the organization to further changes in market conditions. The operating EBITA margin was also affected by the one-off project cost overruns in the environmental business which were reported in the second quarter. Excluding this effect, the operating EBITA margin was 11.0%.

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 1,342 | 1,047 | 28% | 3% | 7% | 20% |
| Net revenues | 866 | 708 | 22% | (3)% | 9% | 19% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 73.3 | 68.0 |
| EBITA margin | 8.5% | 9.6% |
| Operating EBITA[1] | 82.9 | 74.0 |
| Operating EBITA margin | 9.6% | 10.4% |

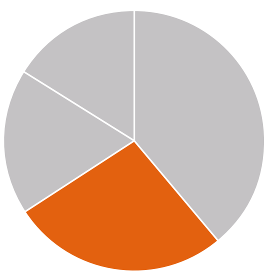
1 Operating EBITA excludes acquisitions, restructuring and integration-related costs




+36%

GROSS REVENUES

In € millions



27%

(2014: 26%)

OF TOTAL GROSS REVENUES

# EMERGING MARKETS

**Strong acquisitive growth, organic development under pressure**
Contribution from acquisitions (Hyder and Callison, October 2014) was strong, generating net revenue growth of +39% in the Middle East and Asia and adding Australia Pacific as a new market. Organic development was negative at -7% due to a decline of -24% in Latin America driven by the Brazilian recession, a decline in architecture and design in China and organic growth in the Middle East was slower due to lower oil price. Growth in Cost and Project Management in Asia slowed as projects demanding these services are longer term in nature. Australia Pacific generated good organic growth and margins from increased demand in Buildings and Infrastructure.

## QUEENSLAND, AUSTRALIA
JEWEL MIXED-USE DEVELOPMENT

Towering over a prominent position on Australia's renowned Gold Coast, the metropolitan region on the east coast that lies south of Brisbane, the Jewel mixed-use development at Surfers Paradise has all the hallmarks of a landmark project.

The design is for three distinctive faceted towers of 35, 51, and 47 stories with an extensive high-quality landscape area, including retail facilities. The site is uniquely situated with direct access to the foreshore and has multiple entry points and access to transport networks.

## GROWTH SLOWS DOWN IN ASIA
Asia is experiencing a slowdown in growth, caused by a decline in our architecture activities, and lower growth in Cost and Project Management in Greater China, which accounts for about 8% of global Arcadis revenue. Our work there is almost exclusively in Buildings, primarily for private sector clients. Activities are about 75% Cost and Project Management with multi-year project engagements and 25% architecture and design, with much shorter cycles. Due to reduced demand in architecture we have adjusted our global design capacity for China and re-assigned people to North America and the Middle East where we see a pick-up in architectural work. In Cost and Project Management, we have sufficient flexibility to adjust to lower demands. We continue to win sizable projects such as a super hub for a major local logistics company in China and the Fancy World International Holiday Resort, a new world-class theme park in Shandong province. We are also working to diversify our activities in China, expanding into Environment and different types of private clients such as logistics and conglomerates.

In other Asian markets, we see mixed development: India and Thailand are tougher markets with lower investment levels, while Malaysia shows growth from large infrastructure projects. The Singapore the buildings market is contracting, while in the Philippines we benefit from new hospitality projects. We have also started to grow our Water presence, including comprehensive and structural assessments of the Bicti La Mesa conveyance system, a network of aqueducts carrying water fifteen kilometer to the Metro Manila area.

## LARGE OPPORTUNITIES IN THE MIDDLE EAST
Our strengthened market position in the Middle East, resulting from the combined capabilities with Hyder, translated into several large Infrastructure wins and synergy work between program management, architectural (CallisonRTKL) and design and engineering work in the Buildings sector. These include additional work packages on the Doha Metro project in Qatar where we are providing architectural and branding and design services for the thirteen Gold Line stations.

As a joint venture member of the Foster + Partners team, we are providing the engineering design to develop the architectural vision for a new, comprehensive public transport system in the city of Jeddah, Saudi Arabia. Low oil prices have affected investment sentiment in the Middle East and we see that reflected in less work in Abu Dhabi and a reduction in public sector work in Saudi Arabia, where the government announced investment program reductions. The oil price had less short-term impact during 2015 in Dubai and Qatar, which continued to invest in major immovable programs such as Expo 2020 (Dubai) and World Cup 2022 (Qatar) and across all market sectors in Doha where infrastructure investment is required for the 2030 National Vision (Qatar).

## ADJUSTING TO THE NEW REALITY IN BRAZIL

Market conditions in Brazil, in the fourth quarter of 2015 representing 3% of global revenues, deteriorated rapidly early in the year as the country slipped into recession, caused by the political crisis following the corruption scandal in the oil and gas industry. Mining revenues were already declining due to reduced global raw material demand, triggering severe a reduction in CAPEX investments, which was made worse by cost cuts on existing projects. The Water market suffered from lack of funding and paralysis of the country's largest contractors who became increasingly unable to finance their ongoing activities or new projects, while the drought in parts of Brazil also caused a decline pushing municipal and state utilities into austerity mode. This led to project postponements or cancellations across a range of public and private sectors, impacting our Environmental Planning services. Altogether, the net revenue decline for Brazil amounted to -28% for the full year, and to protect our margin development we have adjusted capacity by 40% while keeping core capabilities in place to respond to new opportunities being pursued across Latin America. In Chile, prevailing market conditions were difficult as the lower copper price has a negative effect on overall economic development. Nevertheless, our activities in the country were in balance with net revenues growing +8% and good margin performance.

## HEALTHY GROWTH IN AUSTRALIA PACIFIC

Australia Pacific increased revenues and margins every quarter. All business sectors contributed to year-on-year good organic growth with the main growth coming from a buoyant Sydney Infrastructure and Buildings market, and the focus on regional key clients accounting for approximately 60% of revenue. The Environment and Project Services group delivered the highest margins, mainly through the independent assurance of new infrastructure. Margins were helped by the early implementation of the Performance Excellence program, focusing primarily on Project Management and Resource Optimization improvements. The Multinational Client and Big Urban Client programs were implemented in Australia with some early successes. Major projects won included the design of Northern Beaches Hospital, the M4 East Motorway in Sydney, independent assurance of Toowoomba second range crossing near Brisbane, and the design of four major road-rail grade separations in Melbourne.

## MARGINS

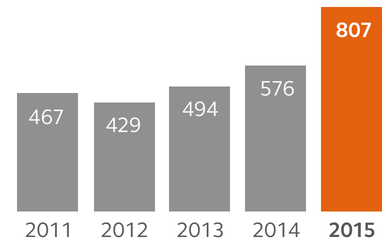
Despite the slowdown in end markets and the ensuing price pressure as competition for projects increases, our operating EBITA margin for Emerging Markets was 8.5% (2014: 11.1%). The margin decreased as a result of the lower contribution from Brazil and dilution from the acquired Hyder business.

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 921 | 677 | 36% | (9)% | 38% | 7% |
| Net revenues | 807 | 576 | 40% | (7)% | 39% | 7% |

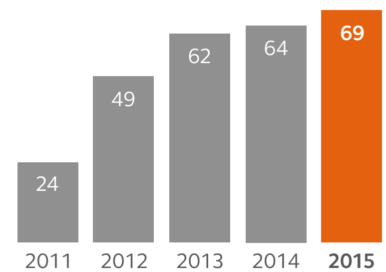
| | **2015** | 2014 |
|---|---|---|
| EBITA | 53.0 | 55.3 |
| EBITA margin | 6.6% | 9.6% |
| Operating EBITA[1] | 68.7 | 64.2 |
| Operating EBITA margin | 8.5% | 11.1% |

[1] Operating EBITA excludes acquisitions, restructuring and integration-related costs

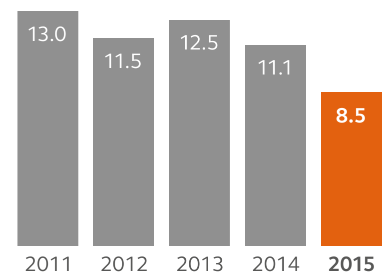
### NET REVENUES
In € millions

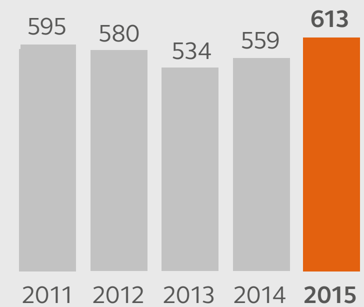



### OPERATING EBITA
In € millions




### OPERATING EBITA MARGIN
In %

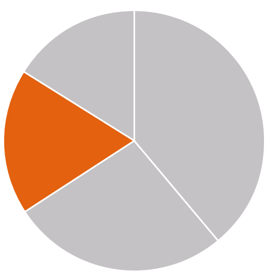





+10%

GROSS REVENUES

In € millions



18%

(2014: 21%)

OF TOTAL GROSS REVENUES

# CONTINENTAL EUROPE

**Strong growth and improving margins**

Despite a slow economic recovery in Continental Europe, we were able to increase organic growth as we focused on private sector clients, and on Business Advisory (consulting), Program Management and Design work. Net revenues were up +7% organically, while acquisition related growth (Hyder) was +3%.

Overall public spending has stabilized at low levels. It remains impacted by economic uncertainty and now by the refugee crisis and focus on security. In Infrastructure and Water, work volume from public clients decreased with the lack of new projects resulting in price competition. Examples include political pressure on investment programs of the national rail infrastructure provider in the Netherlands and low tender volumes across public sector work in Belgium.

In France, the local public market is down, while the national level continues to yield large projects. Germany was negatively impacted by the acquisition of Hyder, where we restructured the acquired business and fully integrated it with existing activities. Buildings work was up sharply, aided by transactional work in several markets and earthquake-related work in the northern Netherlands. The Global Design Excellence Center capabilities were used to win more work in infrastructure design across Europe.

Although mid-term expectations in Europe are uncertain, the short-term outlook in several manufacturing sectors is positive as falling commodity prices (particularly oil) and reduced manufacturing costs boost growth. Our focus on eight market sectors in the European Multinational Client program yielded strong growth in order intake and revenues. During 2015, for the first time in our history, private sector work represented more than half of our European revenues.

## STRONGER IN BUILDINGS MARKET

A considerable volume increase was realized in our earthquake-related work in the north-eastern Netherlands, where decades of gas extraction have led to subsidence and tremors as the ground settles. Our client is the gas-extraction company NAM; our role is to assess and coordinate repair of damaged structures while making buildings more sustainable through the Center for Safe Living in which Arcadis has a majority stake. This highly visible project is now up and running with the ultimate goal of making thousands of structures (houses, schools, monuments, hospitals) per year safe again.

Real estate transaction-related volume is also up in the Buildings segment, mainly focused on due diligence work for large real estate transfers between investors, such as pension funds.

## POSITIONING FOR THE JUNCKER PLAN

The European Fund for Strategic Investment (EFSI or Juncker Plan), meant as a mechanism for funding large investment programs by reducing financing risk, did not yield real growth in 2015. In total, the plan targets over €300 billion in infrastructure investments. Through roundtable discussions in major European cities, we worked to capture maximum benefit in consultancy and position our clients for projects in this program. In Business Advisory, our focus on making projects bankable can help clients, as self-financing from tax revenues at a country-by-country level becomes less viable due to competing spending priorities, such as the refugee crisis or national security matters.

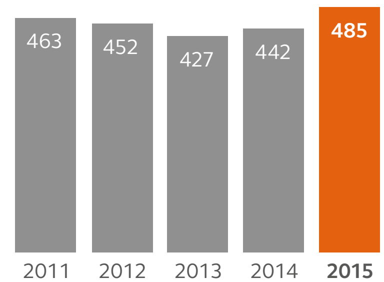
## AN INCREASED FOCUS ON LARGE CITIES

Our global Big Urban Clients program focuses on bringing the knowhow of Arcadis to cities to create better and more sustainable urban environments. Initially, Continental Europe had only Amsterdam/Rotterdam in this program, and the second wave now includes Berlin, where growth opportunities are good and the breadth of our capability considerable.

In France, our focus has also shifted to large urban concentrations like Paris and Lyon, with an increasing focus on Program Management and Business Advisory work which provide better growth, an example of which is the extension of the scope of work we have won in the Grand Paris Metro project. Conditions in local markets in France have become more challenging given local funding issues, hampering overall growth in the French market. However, where larger opportunities exist, we sometimes team up with large contractors through our sector approach to win work such as the large Calais Harbor project, representing €20 million in revenue over a five-year period. Arcadis will lead the engineering design work including site supervision during construction.

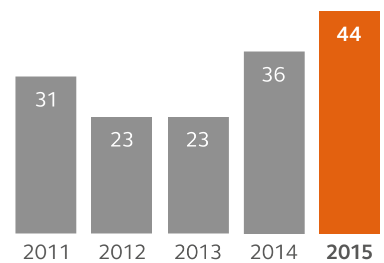
### NET REVENUES

In € millions



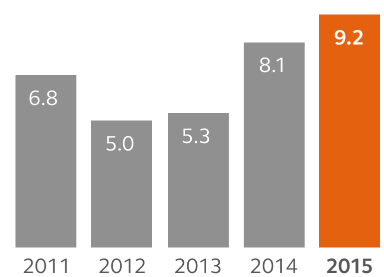

### OPERATING EBITA

In € millions




### OPERATING EBITA MARGIN

In %



## EMBRACING GLOBAL DESIGN

With the acquisition of Hyder in 2014, Arcadis also acquired Global Design Excellence Centers in India, Jordan, Philippines and Mexico which employed around 1,000 highly qualified professionals specializing in high-level design for Infrastructure, Water and Buildings projects. Continental Europe itself has similar activities, although on a much smaller scale, in Romania.

Through our Performance Excellence program we have successfully increased the use of these Global Design Excellence Centers in Europe by integrating Global Design into our client proposals, pushing organic growth by considerably increasing the hit rate on project wins. In the Netherlands, Arcadis was selected as the project partner for the design of the upgrade of a major highway intersection near Hoevelaken.

Major project wins also included the expansion of the Port of Calais in France, where Arcadis will lead the engineering work from the final design to the detailed design including site supervision during construction. Another big win was the design for the Uithoflijn railway in Utrecht, the Netherlands, where Arcadis will lead the design for the rail track, cabling, catenary systems, installations, power supply, bridges and tunnels and buildings associated with this connection on behalf of Royal BAM Group.

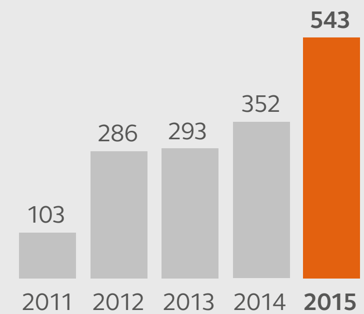
## MARGIN AT A GOOD LEVEL

The full year operating EBITA margin was 9.2%, compared to 8.1% for 2014. This result was achieved despite the negative effect from the Hyder activities which were loss-making in the first half of the year. It also reflects the positive contribution of our Performance Excellence program.

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 613 | 559 | 10% | 7% | 3% | 0% |
| Net revenues | 485 | 442 | 10% | 7% | 3% | 0% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 32.0 | 26.6 |
| EBITA margin | 6.6% | 6.0% |
| Operating EBITA[1] | 44.5 | 35.9 |
| Operating EBITA margin | 9.2% | 8.1% |

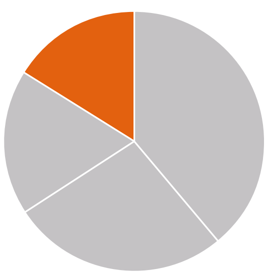
1 Operating EBITA excludes acquisitions, restructuring and integration-related costs




+54%

**GROSS REVENUES**

In € millions



16%

(2014: 13%)

OF TOTAL GROSS REVENUES

# UNITED KINGDOM

**Strong growth and good margins**
2015 was a strong year in the UK with strong net revenue growth of +51%, of which +34% came from the Hyder acquisition. Organic growth was also strong at +6%, especially in Buildings activities around London and in markets like Manchester and Birmingham. Infrastructure investments for central government road and rail programs are also substantial, driving growth in both our Infrastructure Design and Program Management activities as well as in Environmental Planning for impact assessments. In Water, we saw a strong market in London. In addition to Environmental Planning, growth in Environment was also related to due diligence work for mergers and acquisitions as the market for corporate deals warmed up.

**LONDON, UK**
THAMES TIDEWAY TUNNEL UPGRADE

The Thames Tideway Tunnel will upgrade London's sewerage system to cope with the demands of the city well into the 22nd Century. It will be essential in preventing tens of millions of tons of sewage overflow discharging into the River Thames.

In what is a highly significant development for both London and the environmental sector, Thames Tideway Tunnel is the first project to be delivered under the new Special Infrastructure Project (SIP) regulations. It will consist of a 25km interception, storage and transfer tunnel running up to 65m below the River Thames.

## HEADING NORTH FOR MORE GROWTH

In the first half of 2015, Arcadis achieved strong growth in commercial and residential buildings markets in London. Later in the year, the London property market started overheating; land prices moved up and developers started looking at more affordable markets, effectively causing building revenues in London to flatten out. Cities benefitting from this shift in investment flows include Manchester and Birmingham where we made strategic investments in earlier years and are now able to generate growth. Examples include our award-winning work for Manchester Victoria station, the city's second largest mainline railway station, and the award-winning National Graphene Institute for the University of Manchester. In Birmingham, our relationship with Jaguar Land Rover (JLR) is growing in Business Advisory (consulting) and Program Management, contributing to job creation in the region in engine plants, innovation centers and paint shops.

## MARKET FOR STADIUMS VERY MUCH ALIVE

A promising market is soccer, where new stadiums provide good opportunity for Arcadis. We have been appointed as project and cost managers for the complete redevelopment of Chelsea Football Club's Stamford Bridge site to enable construction of a new 60,000-seat football stadium in one of London's most confined and restricted stadium sites. Chelsea only want to relocate for three seasons during construction of their new stadium, designed by Herzog de Meuron. For Tottenham Hotspur, Arcadis is cost manager for its new 61,000-seat stadium, which will include a 150-bed hotel, club offices, a museum and the UK's first moving football pitch that, when moved out of the stadium, reveals a NFL pitch below.

## DRIVING DOWN INFRASTRUCTURE COST

While the government has embarked on several major infrastructure investment programs over recent years, a common theme in 2015 was reducing costs, improving efficiency and reliability across the aging UK infrastructure and new capital programs. This helped our Business Advisory activities.

Some Network Rail projects came under review, while Highways England is also looking to introduce substantial efficiency savings. Meanwhile, the National Infrastructure Commission was established as an independent body to enable long-term strategic decision-making to build effective and efficient infrastructure for the UK. While this may affect future spending, our involvement in several large programs yielded growth in 2015, including work on the Smart Motorway project for Highways England on the M5 from junctions 4a to 6, in a joint venture with another consultant.

## GOOD FLOW IN WATER WORK

Water investments in the UK, the Asset Management Programs (AMP), run in five-year cycles. In 2015, AMP 5 wound down, while AMP 6 started up and started to offer new opportunities. Through the acquisition of Hyder, our position in Water was substantially improved and now features several sizable regional water clients for whom we run big programs, including Scottish Water, Welsh Water and Thames Water. For the latter we perform due diligence testing for the Thames Tideway Tunnel. This project will upgrade London's sewerage system to cope with the demands of the city well into the 22nd century and will consist of a 25km interception, storage and transfer tunnel running up to 65 meters below the River Thames, essential in preventing tens of millions of tons of sewage overflow discharging into the river. We also have a strong relationship with the Environment Agency which manages flood control in the UK.

## MOVING BIG IN PROGRAM MANAGEMENT

In 2015, our focus on bringing in larger program management opportunities has started to pay off. Mid-year we were able to announce a significant five-year contract to provide global program management and regional delivery of HSBC's global capital expenditure program for a real estate portfolio in excess of 50 million square feet. As global program manager, Arcadis will be responsible for the oversight, assurance, planning and control of capital projects, aiming to improve performance, reduce cost, control risk and reduce HSBC's environmental impact sustainably.

In the fourth quarter, Arcadis was appointed by Manchester Airport Group (MAG) as its sole Managed Service Provider, leading a ten-year program to deliver the £1 billion Manchester Airport Transformation Program which will increase capacity from 20 million to 30 million passengers and support an increased flight schedule. Arcadis will program-manage the entire transformation and support MAG in wider stakeholder management as the airport seeks to realize its significant growth capacity. As the third largest airport in the UK, Manchester Airport is the global gateway to the north of England.

## INVESTMENTS DRIVE ENVIRONMENTAL GROWTH

Different types of investment are driving growth in the Environmental segment of the UK business. In Environmental Planning, we benefit from investments in utilities, rail and highways, which in rail also drives our Environmental Construction services. Strategic Environmental Consultancy has seen a significant increase in activity related to mergers and acquisitions. Several master services agreements were won with multinational clients.

## MARGINS

We have achieved a strong performance with an operating EBITA margin of 12.3% (2014: 9.9%), resulting from the implementation of resource optimization and project management best practices from our Performance Excellence program and improved margins driven by synergies from the Hyder integration.

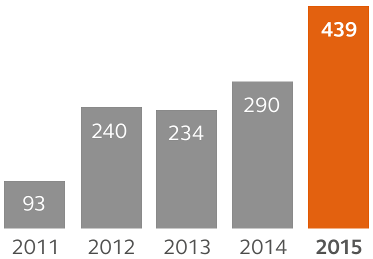
| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | 2015 | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 543 | 352 | 54% | 9% | 33% | 12% |
| Net revenues | 439 | 290 | 51% | 6% | 34% | 12% |

| | 2015 | 2014 |
|---|---|---|
| EBITA | 50.5 | 24.6 |
| EBITA margin | 11.5% | 8.5% |
| Operating EBITA[1] | 54.2 | 28.8 |
| Operating EBITA margin | 12.3% | 9.9% |

[1] Operating EBITA excludes acquisitions, restructuring and integration-related costs

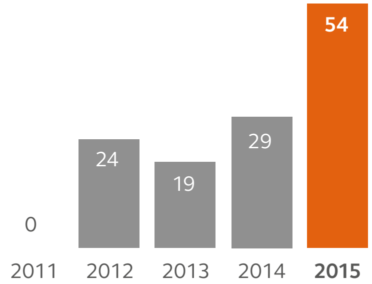
## NET REVENUES

In € millions



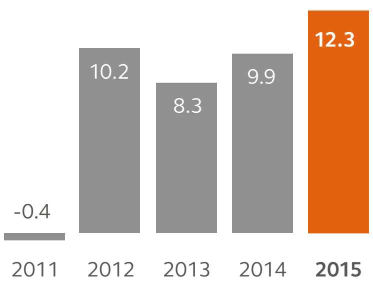

## OPERATING EBITA

In € millions

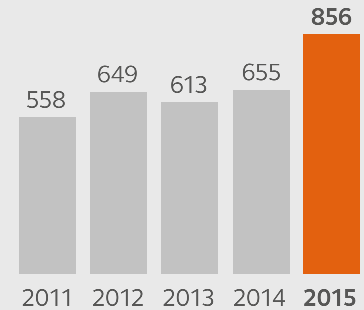



## OPERATING EBITA MARGIN

In %



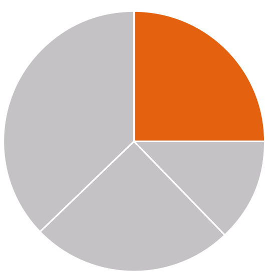
# PERFORMANCE AND DEVELOPMENTS BY BUSINESS LINE


+31%

**GROSS REVENUES**

In € millions



25%

(2014: 25%)

OF TOTAL GROSS REVENUES

## INFRASTRUCTURE

Successful economies thrive on strong transportation networks for people and freight. Great cities remain livable through smart planning and the right balance between ecology and economy. Strong markets have flexible and smart power grids, enabling carbon-neutral sources like wind, solar and energy storage in electric cars. At Arcadis, sustainable infrastructure is what we do best. Whether you travel by road, rail, air, or over water, there is a good chance you pass over, under or even through assets enriched by our touch. In Infrastructure, we provide Business Advisory, Design, Engineering and Asset Management as well as Project, Program, Cost and Construction Management solutions. It represents 25% (2014: 25%) of what we do.

## PRESENT POSITION

In our experience, national, regional and urban public sector clients increasingly shop around the world for the brightest ideas in infrastructure development, making our global delivery capability for knowledge and design more relevant every day. These same clients are more critical of their investment spend as projects become larger or more complex. Arcadis invests in growing its core capability competent Project and Program Management to de-risk infrastructure investments.

We also know that a strong local market presence is a prerequisite for successful project delivery. Knowing the client and their needs, the regulators and their requirements and what works and doesn't in the specific local setting are key. Our extensive network and experience in these areas, position us as the trusted, knowledgeable and independent partner for contractor procurement and selection. They also position us as a strong partner for the contractor in case of a design and build approach. We have grown even stronger in Infrastructure through acquisitions over the past year, and now have the ability to provide comprehensive infrastructure solutions in most of our regions.

## INFRASTRUCTURE STRATEGY 2014-2016

During the second quarter we finalized the integration of the Hyder activities into our regions, the fastest integration we have ever achieved. We can now also offer the full life cycle of capabilities in the UK and Middle East, adding to our global capability, and we gained entry to the Australian market providing a good basis for further growth. Hyder is also creating considerable synergy benefits in projects that neither Hyder nor Arcadis could have won on a stand-alone basis.

## INFRASTRUCTURE INVESTMENTS

With the establishment of the Asian Infrastructure Investment Bank ($100 billion), the emerging European Fund for Strategic Investments (€315 billion), a pending 2016 US budget ($478 billion spend in six years) and a Brazilian infrastructure investment plan ($65 billion), there is no lack of initiatives and increased opportunity in the global infrastructure markets. Nonetheless, tangible spending has been limited in some of the mature markets. In Continental Europe, public sector spending on infrastructure stabilized at low levels.

In the US, regional infrastructure spending was up in anticipation of federal transportation funding. Arcadis benefited from these improved conditions in the regional strongholds it has in the south-eastern US, and more rapid growth is anticipated when the new legislation is passed.

In the UK, the government appears to be firmer and has increased government spending on road and railway systems in part to relieve pressure on the City of London. Airport work in the UK is also on the rise, and Arcadis became involved in the work for the Manchester Airport expansion.

In Emerging Markets, overall organic growth decreased during the year due to market developments in Brazil and lower demand in the Middle East resulting in lower spending on infrastructure due to lower oil prices.

Brazil slipped into a recession as mining, the fall-out of the integrity scandal in the oil & gas industry and the weakened position of the Brazilian government all contributed to subdued spending levels.

Aided by the large synergy project wins in the earlier part of the year, organic growth was good in the Middle East, although the effects of the lower oil price dampened growth opportunities somewhat in the second half of the year. This reduction in spend is most visible for Abu Dhabi, a smaller market for Arcadis. The government of Saudi Arabia also announced measures to curb infrastructure spending, but the flow of potential work there is still very sizable. In Dubai, Expo 2020 continues to drive infrastructure investment, while in Qatar the same is true for the work related to World Cup 2022.

After years of political uncertainty, it seems the current Australian government is more firmly footed and spending on infrastructure development is increasing.

### CORE VALUE PROPOSITIONS

- Rail and urban transport solutions
- Highways and intelligent transportation solutions
- Airport solutions
- Ports and industrial infra solutions
- Mining solutions

**NORTHERN ENGLAND, UK**
FEASIBILITY STUDY OF NEW TRANS-PENNINE LINK

As part of the UK government's emphasis on delivering infrastructure to support its northern devolution agenda, Arcadis has been commissioned to conduct a feasibility study for a new high performance road link between Manchester and Sheffield through a purpose-built tunnel.

The project is part of a £17 billion package of measures announced in the Autumn Statement to transform major motorways and trunk roads in congestion hotspots. Government figures show that improved connectivity could significantly cut journey times across the Pennines.

## A FOCUSED GROWTH STRATEGY SUPPORTED BY OUR CORE VALUE PROPOSITIONS

To generate more organic growth we continued to invest in our Core Value Propositions, the main areas in which we add value for our clients, and where we pair our world-class knowledge in carefully chosen areas more closely to our clients' needs. In this way we bring the best of Arcadis to our global, national or local clients anywhere in the world. In Infrastructure, we have five Core Value Propositions which have contributed to growth of revenues and/ or backlog in 2015.

### RAIL AND URBAN TRANSPORT SOLUTIONS

Good progress was achieved in collaboration between the UK, the Center of Excellence Rail and the Global Design Excellence Centers on electrification projects. In Latin America, the metro in Belo Horizonte represents a strategic win. Successes were booked with major project wins in the Middle East and Australia.

### HIGHWAYS AND INTELLIGENT TRANSPORTATION SOLUTIONS

The capabilities in this field between Hyder and Arcadis are integrated globally. Especially in Highways (Building Information Management) design, Global Design Excellence Centers bring extra value. We further strengthened our Intelligent Transportation Solutions position in North America.

### AIRPORT SOLUTIONS

We aligned the Center of Excellence Aviation with the new UK structure. New projects were secured in the UK, Continental Europe and Latin America.

### PORTS AND INDUSTRIAL INFRASTRUCTURE SOLUTIONS

The Center of Excellence Ports & Waterways and Business Advisory team collaborated on several strategic wins in Continental Europe.

### MINING SOLUTIONS

We are accelerating the collaboration between Latin America, North America and Australia, but in a tough market where book-to-bill was negative.

## DEVELOPMENTS IN 2015

Gross revenues increased 31% of which +4% was caused by currency effects and +31% by acquisitions. Infrastructure benefited from the acquisition of Hyder which drove growth in the UK, Continental Europe, Asia, the Middle East and Australia Pacific. Infrastructure investments in mining projects declined, as did public infrastructure projects in Brazil. Organic net revenue growth in Infrastructure was down -5%, with the UK, Continental Europe and North America generating growth which was offset by a strong decline in Latin America of -26% due to the recession in Brazil. Backlog was up by 2%, helped by significant wins in the Middle East and the UK. On the back of our margin improvements in Continental Europe and the UK, the overall operating EBITA margin rose to 11.3% (2014: 9.9%).

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 856 | 655 | 31% | (3)% | 31% | 4% |
| Net revenues | 698 | 546 | 28% | (5)% | 31% | 3% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 65.3 | 45.5 |
| EBITA margin | 9.4% | 8.3% |
| Operating EBITA[1] | 79.1 | 54.3 |
| Operating EBITA margin | 11.3% | 9.9% |

1 Operating EBITA excludes acquisitions, restructuring and integration-related costs

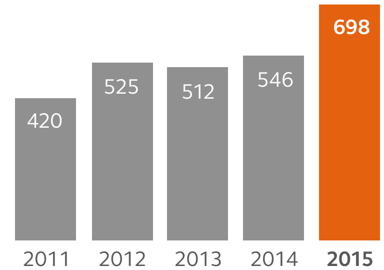
## SYNERGIES STRENGTHEN MARKET POSITION

The stronger market position we have as a result of the combination with Hyder immediately contributed to growth of revenues and backlog in 2015. Major commissions won in the Middle East included the transport system for the City of Jeddah in Saudi Arabia and a metro system for the City of Doha in Qatar. In the UK, we were selected to perform the feasibility study for the very large Crossrail 2 project being considered for London. Each of these sizable wins comes from linking up the design strengths of Hyder with the Business Advisory, Consulting and Planning capabilities of Arcadis to produce focused propositions that win on quality and creativity, not necessarily on price.

In France, we were able to expand and broaden our involvement in the large Grand Paris Metro project. In Asia, our Infrastructure presence is limited, but growing on the back of the Hyder acquisition. In Hong Kong, this led to involvement as the contractor's designer for the detailed design of permanent and temporary works on the 1.7 kilometer rail harbor crossing between Hung Hom on the Kowloon side and Causeway Bay on the Island side, the fourth rail harbor crossing in Hong Kong.

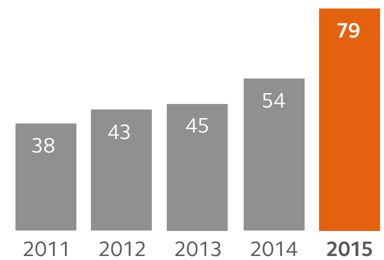
### NET REVENUES

In € millions



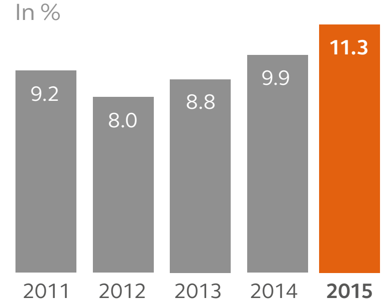

### OPERATING EBITA

In € millions




### OPERATING EBITA MARGIN

In %



**CALAIS, FRANCE**
LEAD ENGINEER FOR THE PORT OF CALAIS

Arcadis has been appointed lead engineer for the €675 million extension of the Port of Calais in a joint venture led by Bouygues. The team will lead the engineering work, detailed design and site supervision during construction. The contract runs until the end of 2020.

The extension comprises a new 3.3km-long breakwater. Phase one includes three fully equipped ferry piers and a service berth for tugs. The new terminal will be located on a 44 hectare site on reclaimed land that will be equipped for passenger and freight traffic facilities.

## UK MARKET CONDITIONS ARE FAVORABLE

While local spending is still limited, larger programs in and around London and connecting London with other parts of the country have been given precedence and funding. Infrastructure owners are taking an increasingly commercial look at their investments, seeking to maximize the commercial opportunities at stations and stops. Arcadis has the right capabilities to deliver to this emerging need.

We keep winning new and interesting opportunities, with innovative angles that help our clients make a difference to their business. We are involved in Transport for London's Building Information Management roll-out, providing them with an opportunity to work much more efficiently in the future. We are also involved in upgrades/ redevelopments of several large London rail and metro station projects, and large highway schemes.

## PORT PROGRAMS ANTICIPATE GROWTH IN GLOBAL TRADE

Around the world, Arcadis is supporting port authorities and private port operators in expanding and upgrading port capacity, taking into account growth in the size of bulk and container carriers and a need to transport more goods now and in the future. In the United Arab Emirates, Arcadis is performing a design review of the Jebel Ali Port, the largest marine terminal in the Middle East. In the Netherlands, we are performing the nautical and hydrological consulting around the renewal of the lock complex near IJmuiden which will provide improved access to Amsterdam harbor. In France, Arcadis has been appointed as lead engineer for the €675 million extension of the Port of Calais by a joint venture led by Bouygues. Arcadis will lead the engineering work from the final design to the detailed design including site supervision during construction.

## MIXED OPPORTUNITIES IN EMERGING MARKETS

In Brazil, mining spend has been on the decline for quite a while and 2015 did not see an improvement, with large clients postponing or canceling investment projects until market conditions in the global commodities markets become more favorable. In energy, large and committed projects continue, but funding of extensions or expansions is difficult as the big contractors struggle to provide interim financing like they did in the past. The effect is that projects are stopped and restarted rather than continued in a flow, making it harder to provide capacity. Government work has slowed down as well, due to funding constraints.

In Australia, infrastructure spending is on the rise, particularly in Sydney and Melbourne. Early in the year, we were appointed as independent certifier for Sydney's AUS$ 2.1 billion CBD and South East Light Rail (CSELR) project and more recently the designer of the AUS$ 2.6 billion Westconnex M4 East project in joint venture. In Melbourne, Arcadis, in joint venture, has been awarded the design of four road/rail level crossing removals, an AUS$ 500 million project. We are also well positioned on the design of significant road and rail projects in Sydney, Melbourne, Brisbane and Perth.

## CLIENTS

**Our work in Infrastructure is for central and local governments. We also work for utilities, public or private. In addition, we work for developers, contractors and mining firms**

PARIS, FRANCE

# GRAND PARIS EXPRESS

The new metro, the Grand Paris Express, is one of the iconic programs of the Grand Paris Metropole, the new regional authority that is responsible for managing policies relating to the economy, education, and transport in the Paris area.

**The metro will connect the inner suburbs of Paris to provide greater access to jobs and education around Paris and promote equal opportunities. This major transit expansion is also intended to reduce car traffic in the city center and to limit suburban sprawl by promoting urban transport.**

**After the Red Line awarded in 2013, the mandate for the Orange Line was awarded in 2015 by the top stakeholders of the Société du Grand Paris. Together, they combine a 100 km length, 49 new stations, five maintenance facilities. They will be built in the next fifteen years, for a total cost estimate of approximately €20 billion.**

**Arcadis delivers a wide array of Program and Project Management services: Risk, Cost, Time and Contract management, Technical and Environmental advisory, process and management tools setup and administration.**

**Société du Grand Paris has been a number one Arcadis client for more than five years, and has engaged services from each of its Global Business Lines.**

Connecting the inner suburbs of Paris will provide greater access to jobs and education

100 km OF TRACK

49 NEW STATIONS


**GÉRARD CHÉREL**
Head of the Program,
Société du Grand Paris

**"Arcadis, together with its partners Artelia and BG, has demonstrated its ability to bring substantial value to the program and to each project of the Grand Paris Express metro. We are glad we chose Arcadis. The company has demonstrated leadership, agility and trust throughout the longstanding partnership with the Société du Grand Paris."**

DOHA, QATAR

# DOHA METRO

Work is underway to provide Qatar's capital city Doha with one of the world's most advanced urban rail transit systems by 2019.

Once complete, the highly ambitious Doha Metro project will comprise four lines and almost 100 stations across 300 km, and will become an integral part of the Qatar Rail Network.

**Arcadis has been engaged by the ALYSJ joint venture for this high-profile project, in service to Qatar Rail, to design and coordinate all furbishing work within public areas of the underground subway stations. This includes the entrances, above-ground stations and line-wide structures and the fit-out of public areas and facilities, including customer service areas, underpass networks, landscaping, and pedestrian footpaths.**

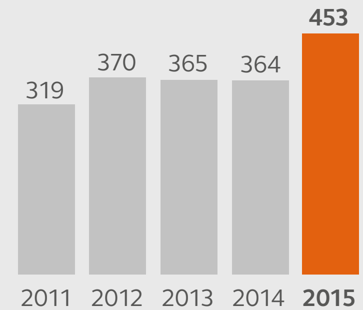

## One of the world's most advanced urban rail transit systems will be realized by 2019

ALMOST 100 STATIONS

ACROSS 300 KM

**INEKE KLAPPE**
Senior Project leader,
Arcadis Middle East

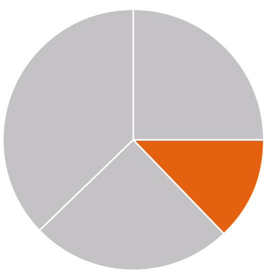
**"Our work directly impacts the look and feel of the Gold Line stations and therefore contributes significantly to the passenger experience. We are very conscious of the fact that future users of the Metro will not see the complex civil engineering structures which form the tunnels and stations but rather the architectural skin within. Arguably our scope is therefore of the utmost importance to the success of the project as a whole."**




+24%

**GROSS REVENUES**

In € millions



13%

(2014: 14%)

OF TOTAL GROSS REVENUES

# WATER

Our people focus on the entire water cycle - from source to tap and then back to nature. Through our wealth of experience in the water sector, Arcadis' specialist teams of engineers, scientists and consultants around the globe are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demands of a rapidly changing world.

Arcadis' leading practices in water supply and treatment, conveyance, water resource management, and industrial water provide a strong market position.

## PRESENT POSITION

The global water market is impacted by various developments and trends. Influences can be short-term such as shale gas and long-term such as global population growth, which drives demands for use in various areas. Climate change is shown to have short-term impacts – super storms and longer-term effects on precipitation patterns. In industry, increased supply risk and changes in legislation drive demand for water-use reduction strategies. In urban environments, aging water supply systems drive network and business process improvements, while urban flooding leads to similar needs for improved green and gray infrastructure. An increased focus on resiliency strategies to combat the impacts of climate change including rising sea levels, water shortages or an abundance of water resulting from extreme weather is driving city agendas.

## WATER STRATEGY 2014-2016

We aspire to be a top-five water consultancy in all our geographies, and the most recognized sustainable global brand in water solutions. With smooth integration of the Hyder activities in the Arcadis regional organizations completed early in the year, we strengthened our market positions in the UK and Middle East, where growth opportunities are favorable. This also created involvement with larger programs, as our combined skills led to synergy wins in several markets. Low growth in the North American market persists, and we further fine-tuned our strategy to meet these changing market conditions and client requirements to capture more work.

A major change includes increased use of our Global Design Excellence Centers to strengthen our competitive position in the Conveyance market. With public markets flat or still retreating in several European countries, our strategic focus in Continental Europe has been on the private sector and Water for Industry. In Latin America, specifically Brazil, continued regional droughts have affected sales and, with that, adversely affected the income from large municipal clients in the region.

This and the recessionary conditions in the Brazilian market are causing very strong revenue declines and our strategy has shifted to one of margin retention. In Asia, our small position is growing, as opportunities for market involvement present themselves in several countries in the region.

## CORE VALUE PROPOSITIONS TO DRIVE ORGANIC GROWTH

The Water Global Value Proposition has three core differentiators where Arcadis has a strong standing to provide sustainable water outcomes.

RESILIENCE (Water Management, Water Supply and Treatment)
- Creating sustainable environments that respond to local climate and context
- Protecting communities from climate change
- Enhancing a city's design environment to optimize recovery
- Diversifying water sources

QUALITY (Water Supply and Treatment, Conveyance, Water for Industry)
- Ensuring water quality from source to tap and back to nature
- Increasing access to sanitation
- Developing critical infrastructure or repairing aging infrastructure

EFFICIENCY (Business Advisory, Program Management)
- Maximizing asset performance and output
- Transforming underperforming assets to optimize value
- Creating reuse solutions and ensuring service continuity

In every global business line we have strategically selected areas that provide an increased opportunity for organic growth, based on our global capabilities and local delivery through our widespread network.

### CORE VALUE PROPOSITIONS

- Water Supply and Treatment
- Conveyance
- Water Management
- Water for Industry

## KATWIJK, THE NETHERLANDS
### WORK ON THE NORTH SEA COASTLINE

Inhabitants of Katwijk aan Zee and their visitors are very enthusiastic about the completely transformed coastline over a length of nearly two kilometers. A multifunctional flood control structure consisting of a 'dyke in a dune' has been added, together with an underground car park for more than 650 vehicles, and a recreational area for walkers in an unspoiled natural landscape.

These measures were required because Katwijk had become one of the weakest links in the nation's coastal defenses. A large stone-clad dike under the newly created dunes will now offer far more effective protection against flooding.

For Water, progress in our four Core Value Propositions can be summarized as follows:

### WATER SUPPLY AND TREATMENT
In the UK we leveraged the Hyder capabilities on the Southern Water framework and won a re-compete for commercial and project support to Scottish Water. In the US we completed the Carlsbad, California desalination plant, the largest in its kind in the western hemisphere. In São Paulo, Brazil, we completed the design of the São Lourenco new water plant, a triple bottom-line project design to bring a new source of water online for the drought-stricken city.

### CONVEYANCE
In the US, we developed a strategy for competitive Conveyance making use of Global Design Excellence Center capability including business model development and branding. We secured the financing and checked the design for the Thames Tideway Tunnel to upgrade London's aging sewer system.

### WATER MANAGEMENT
In the US, we landed several significant Water Management wins including post Hurricane Sandy work in lower Manhattan to future-proof against storm surge and in the coastal city of Norfolk, Virginia for flood protection, as well as wins in Boston, Massachusetts and Bridgeport, Connecticut. We also agreed to team up with 100 Resilient Cities – Pioneered by the Rockefeller Foundation, establishing Arcadis as a 100 Resilient Cities Platform Partner.

### WATER FOR INDUSTRY
We secured strategic hires for North America and Continental Europe Water for Industry with strong track records in capital delivery and operations. Cross-business line collaboration continues to generate significant opportunities for Environment and Water. The Water for Industry proposition grew by 30% in 2015.

## DEVELOPMENTS IN 2015

In 2015, overall growth in water was driven by the acquisition of Hyder. Gross revenues and net revenues grew 24% of which 10% from acquisitions and a currency effect of 13%. Organic gross revenue growth was 1% as organic growth in the UK and Middle East was offset by declines in the municipal water market in Brazil. During the year, an improvement in demand was seen in the municipal market in North America, leading to overall growth during the year. Several iconic water wins were realized in North America and Continental Europe. Backlog was down by 12% as order intake slowed in Brazil and the Middle East. The operating EBITA margin was lower at 7.4% (2014: 8.8%), as a result of the tough market conditions in Brazil.

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 453 | 364 | 24% | 1% | 10% | 13% |
| Net revenues | 355 | 287 | 24% | 0% | 11% | 13% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 21.6 | 21.7 |
| EBITA margin | 6.1% | 7.6% |
| Operating EBITA[1] | 26.3 | 25.3 |
| Operating EBITA margin | 7.4% | 8.8% |

1 Operating EBITA excludes acquisition, restructuring and integration-related costs

## NORTH AMERICA

On the back of higher tax revenues and the return of the municipal bond market, spending in the North American municipal water market is improving having been depressed for more than five years. In our traditional core activities such as Water Supply and Treatment, capital spend is still slow but we do see an increased spend in Conveyance, Water Management and Resiliency, while Water for Industry and Business Advisory also continue to grow. We recently won flood resilience work for the Health and Hospital Corporation of New York City to ensure resilience for critical and life-saving infrastructure during storms. In Conveyance, growth is the strongest.

We continue to evolve our business model for this activity by actively pursuing a larger contribution from Global Design Excellence Centers to further strengthen our competitive position. A good example of Business Advisory is the work we perform for the city of San Diego, where we are building a comprehensive asset management system to help it deal with deteriorating assets and a significant backlog of deferred maintenance work resulting from tight financial constraints over past decades. In Water Management, we are increasing flood protection for Norfolk, Virginia by reviewing its coastal flooding strategy and conducting a Dutch Dialogues engagement for a program gap analysis.

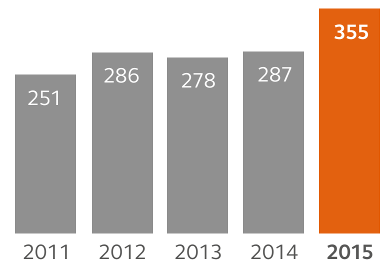
## EXPANDING IN EMERGING MARKETS

Market conditions in Emerging Markets are in flux. In the Middle East, we see a decline in spending in the United Arab Emirates which is compensated by more work in Qatar, where we won several sewage treatment plant projects or plant expansions based on our stronger position through the Hyder acquisition. Saudi Arabia offers opportunities, but there are also signs that spending priorities are under review. In Asia, our position in the Water market is limited and our focus is on Water for Industry in support of the global contracts with clients from North America and Continental Europe. Water Management also offers opportunities because of climate change threats.

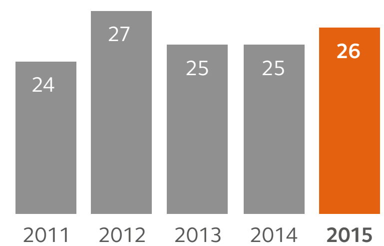
Examples include the flood management program in Malaysia, contributions to flood protection in Myanmar and coastal protection in the Philippines in cooperation with the Dutch government. Coastal protection is also a developing market in Latin America. In Colombia, Arcadis is advising the government on the development of a coastal protection master plan. The goal is to formulate a sustainable, supported and integrated long-term vision for the protection and development of the Colombian coastline, taking into account climate change, integrated coastal zone management and building with nature solutions.

As a result of the drought around Sao Paulo, our municipal client Sabesp sells less water, affecting its income and investment budgets. While we work on improving Conveyance, projects are scaled back in size and scope, resulting in considerable revenue reductions.

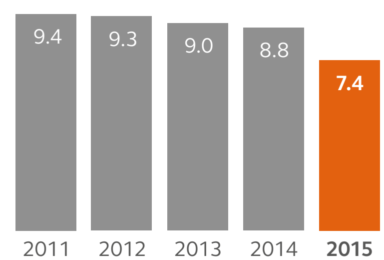
### NET REVENUES
In € millions




### OPERATING EBITA
In € millions




### OPERATING EBITA MARGIN
In %



## NEW YORK CITY, US
### CLEAN WATER AND GREEN AMENITIES

Croton is the oldest of the three systems that provide drinking water to New York City and upstate New York communities. It delivers approximately 10% of the city's average daily demand under normal conditions and as much as 30% during droughts.

To meet the growing need for clean, high-quality water, the New York City Department of Environmental Protection (NYCDEP) authorized the construction of a new Croton Water Filtration Plant. This massive undertaking, which required approximately eight years to construct, can treat 290 million gallons of water each day.

**CLIENTS**
**The majority of our clients in Water are public bodies and authorities such as water boards, municipalities, provinces and states, central governments, as well as private and public utilities. For industrial clients we are a leading provider of water services to reduce water use, improve sustainability and meet regulatory requirements**

### STRONGER IN THE UK
In the UK, our position in Water was considerably strengthened through the acquisition of Hyder. The UK water market is moving into the sixth asset management period (known as AMP 6). Meanwhile, we are finishing AMP 5 projects and preparing for AMP 6 work under existing frameworks with our large clients. Arcadis was appointed by Thames Water to perform due diligence testing for the Thames Tideway project, one of the largest water programs in the world. A major synergy project was won with Hyder for the UK Environment Agency – the Thames Weirs Gates Replacement and Thames Weirs Intermittent Maintenance projects. The project includes multiple enabling works and the replacement of large radial gates on the River Thames near Windsor.

### EUROPE REMAINS
In Continental Europe, we achieved growth in the water markets in Poland, Germany and Belgium, but not enough to compensate for the investment decline in the public water sector in the Netherlands. The Dutch market remained in decline due to water board elections coupled with a decline in public spending. In order to generate more growth, a shift in capacity to the growing markets is envisioned, while more focus will be applied to our city presence, such as in Frankfurt, Berlin, Munich and the Ruhr valley.

# DELIVERING CITY VALUE & PROSPERITY THROUGH MOBILITY ORIENTATED DEVELOPMENTS

Transit-hubs in cities are no longer simply places where travelers arrive or depart, increasingly they are destinations in themselves. As a result they can positively impact the surrounding area both economically and socially.

Using a unique, new approach Arcadis benchmarked the performance of a selection of the world's leading transportation-related developments in this report.

The findings showed that New York's Grand Central Station development ranked the highest overall, topping the rankings for transit hub connectivity and economic development, making it one of the highest performing transit hubs in the world.

The index originated from Arcadis and CallisonRTKL's original approach to transit-related developments known as Mobility Oriented Developments (MODe).


**Full details of the report and rankings can be viewed at**

www.arcadis.com/mode

**CALIFORNIA, US**

# MILESTONE FOR SEAWATER DESALINATION

An ongoing challenge for residents and businesses in San Diego County, California area is their need for a consistent, drought-proof supply of high-quality water. Their wait is almost over.

As a part of a Design/ Build/ Operate/ Finance project delivery approach, Arcadis is providing engineering design and related construction assistance services for the Carlsbad Seawater Desalination Facility, the largest of its kind in the western hemisphere. Its construction marks a major milestone for seawater desalination in North America. The facility will provide 50+ million gallons per day of drinking water from the Pacific Ocean once commercial operations begin in 2016.

Increased demands for water and other natural resources to support population growth are a significant concern worldwide. Our strong capabilities in the design and delivery of major drinking water facilities, combined with our focus on sustainability as a core business strategy, positioned Arcadis as the ideal firm to design and provide construction support for this flagship desalination project.

**MICHAEL MACPHEE**
President, Business line Water,
Arcadis North America

**"As precipitation patterns change in the arid southwestern US and around the world, water scarcity poses a threat to quality of life, food security and sustainable development. The ability to increase water portfolios by developing previously untapped resources is crucial – desalination will play a significant role in drought-stricken coastal regions, along with conservation and water reuse."**

PUERTO RICO

# ENSURE WATER AND WASTE-WATER SERVICES

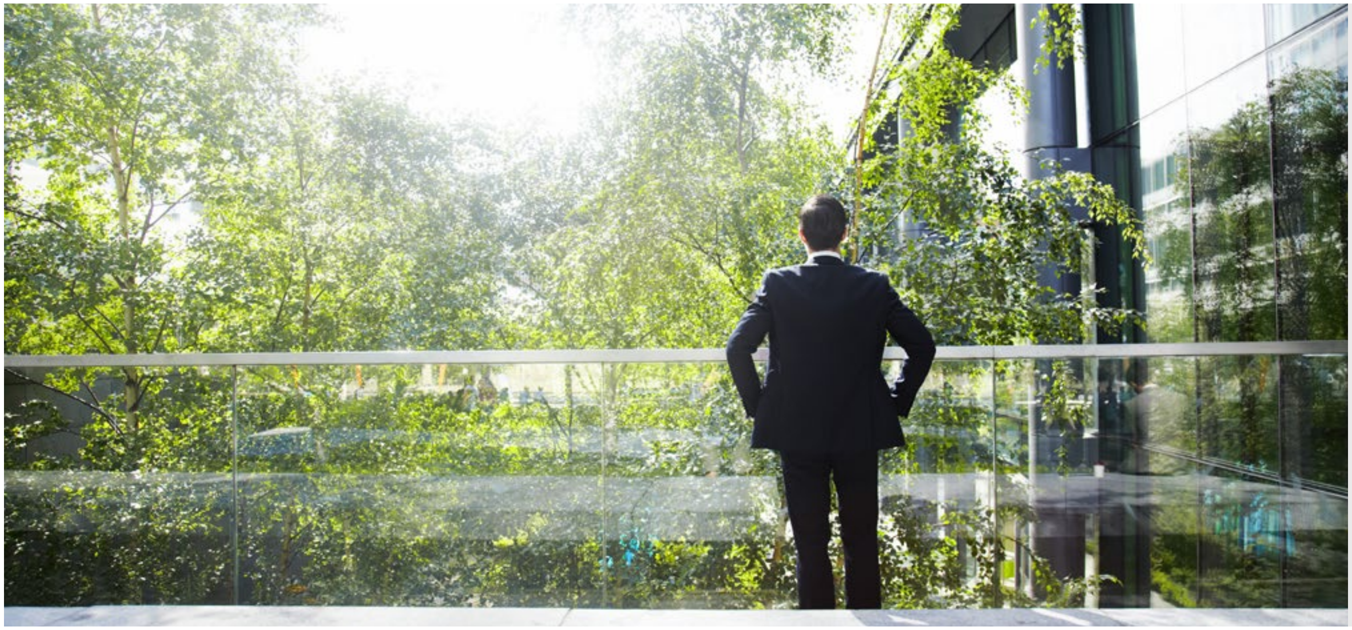
The Puerto Rico Aqueducts and Sewer Authority (PRASA) is responsible for the production and distribution of potable water and the collection, treatment and disposal of a large portion of the domestic and industrial pre-treated wastewater in Puerto Rico.

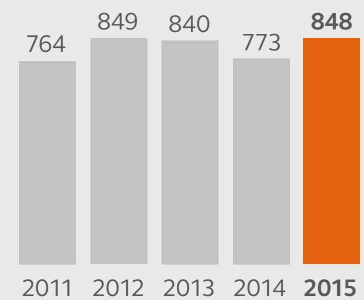
**PRASA has a somewhat fragmented and localized system of water sources, treatment systems and delivery systems and a high degree of diversity in its assets in terms of size, treatment technologies and age.**

**Arcadis has successfully supported PRASA with a broad range of services, from program, pre-construction and energy management to planning, design and business advisory services. We have supported transactions of more than $3 billion in municipal revenue bonds for capital improvement program financing and more than $2 billion in capital delivery over the past ten years. We also updated PRASA's 25-year Water and Wastewater Infrastructure Master Plan.**

**MELISSA L. POMALES**
PE, President,
Arcadis North America

**“Through this project not only have we supported the improvement of PRASA’s infrastructure, operations, and services, but more importantly, we are helping to provide and secure safe drinking water for Puerto Rico’s citizens, visitors and future generations.”**

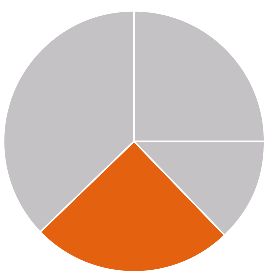





+10%

**GROSS REVENUES**

In € millions



25%

(2014: 29%)

OF TOTAL GROSS REVENUES

# ENVIRONMENT

The industrial age has left its mark on our planet: its pollution still inhibits development, affects quality of life, and can be a health hazard. At Arcadis, we are a global leader in remediating these dangers and giving clean land back to communities. We also ensure that current industrial processes meet ever more stringent environmental requirements and assist companies in reducing their impact on the human habitat. We clean up the aftermath of environmental accidents. We help our clients create safe and healthy working environments as standard in any project we undertake. We assist governments to maintain sustainability safeguards in new projects through the work we do on environmental impact assessments.

Our solutions include (strategic) Consulting, Business Advisory, Design, and Project/Program and Construction management and the implementation of field programs (remediation). In 2015, 25% (2014: 29%) of our work related to making the world a cleaner, safer place.

## PRESENT POSITION

A growing global population, increasing industrial activity and energy production and the need for a clean reliable food supply is cause for globalizing environmental regulations. Firms must become more sustainable or run reputational risks; this creates an increased need for global solutions. Corporate clients prefer to leave this to environmental suppliers with worldwide capabilities, and seek to shed environmental liabilities, enabling them to invest in growth opportunities instead. Arcadis is the largest provider of private sector remediation solutions worldwide and has a strong position in the market for Strategic Environmental Consulting, Environmental Planning and Business Advisory. We differentiate ourselves through a clear grasp on our clients' needs based on a thorough understanding of the sectors in which they operate. We deliver solutions that enhance our clients' performance and competitiveness.

## ENVIRONMENT STRATEGY 2014-2016

In North America, which at 74% represents the largest portion of our environmental business, competition intensified in the declining market for complex remediation and as more public sector-oriented consultants sought new revenue streams against a declining federal government market. The further spread of remedial technology combined with more sophisticated purchasing by clients has allowed room for regional companies to enter the complex remediation market. We adjusted our remediation strategy by reorganizing our complex remediation business to bring the cost of delivery down and provide more competitive offers. In response to client demand, we have also developed and introduced a delivery model for simple remediation projects: Arcadis FieldTech Solutions (AFS), launched at the end of the second quarter, effectively positioning ourselves for future growth.

Furthermore, we revised our strategy for offering services beyond remediation into a more management consulting work, Environmental Business Consulting, which focuses on business performance optimization, mergers and acquisitions, deal assistance, business risk mitigation and capital investment assurance. For Financial Institutions, this has resulted in key global relationships with leading real-estate investors. We have quickly reached market-leadership in the UK and Europe, advising on one of the largest property transactions in Europe this year, which included three acquisitions run simultaneously, and reaching across eight countries and over 200 built assets valued in excess of €4 billion. Using our proprietary online reporting software, we were able to coordinate the inspection and reporting exercise within the required timescales producing effective, consistent and tailored reporting output to suit the client requirements.

In the UK and Australia, the government are investing heavily in large infrastructure projects that require environmental reviews, and London-based financial institutions have significant need for transaction support. In Continental Europe, our strategic focus for several years has been on private sector growth where growth opportunities continue. In particular, due diligence work for real estate transactions and remediation and decommissioning of facilities have demonstrated growth. Brazil has seen decline due to the market recession. In the Middle East and Asia, our position is small as the market size is limited due to undemanding regulation or limited enforcement.

### CORE VALUE PROPOSITIONS

- Site Evaluation and Restoration
- Environmental Construction Services
- Strategic Environmental Consulting
- Environmental Planning

**A growing global population, increasing industrial activity and energy production and the need for a clean reliable food supply is globalizing environmental regulation**

## CORE VALUE PROPOSITIONS TO ACCELERATE ORGANIC GROWTH

As part of our 2014 - 2016 strategy, we have introduced four Core Value Propositions, areas in which we are competitively strong and believe we can accelerate organic growth and benefit from our global scale. The progress is in these four Core Value Propositions in 2015 was as follows:

### SITE EVALUATION AND RESTORATION

We launched a refreshed restoration strategy in North America focused on priority growth markets such as coal ash, large plumes and surplus property. Examples include the large remediation project at Vandenberg Air Force.

### ENVIRONMENTAL CONSTRUCTION SERVICES

Arcadis FieldTech Solutions was introduced for standard remediation work and started transferring the approach to the UK and Continental Europe in the fourth quarter. Initial successes include a project spanning four sites for a wood-treating company in the southeastern US.

### STRATEGIC ENVIRONMENTAL CONSULTING

We are successful in the market for deal assurance around mergers and acquisitions, environmental management information systems, multimedia regulatory compliance, and for health and safety audits for global financial services clients.

### ENVIRONMENTAL PLANNING

We started benefiting from the merger with Hyder in capital investment assurance synergy wins. An example here is our involvement in the Sydney Metro Stage 1 planning approval, where our scope includes an environmental impact statement for the second crossing of Sydney Harbor.

## DEVELOPMENTS IN 2015

In 2015, gross revenues were up +10% mainly driven by positive currency effects of +13% and acquisitions of +4%. Organically, gross revenues declined -5% while net revenues declined by -6%. Organic growth is impacted by the decline in North America, where strong competition and limited market growth affect our growth opportunities. In Latin America a strong decline occurred as investments in infrastructure and mining have come down considerably, causing a severe reduction in demand for environmental planning services. Continental Europe was essentially flat, with growth in private sector solutions being offset by a decline in public sector work, while in the UK public investments are driving growth in planning but industrial remediation is stagnant. Backlog was down organically by -6% as order intake continued to slow also in the fourth quarter. The operating EBITA margin was 7.1% (2014: 10.3%), mainly as a result of difficult market conditions and impacted by the one-off project cost overruns which were reported in the second quarter. Excluding these charges, the operating EBITA margin would have been 9.4%.

| | Revenues | | | Revenue growth | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **TOTAL** | Organic | Acquisitions | Currency |
| Gross revenues | 848 | 773 | 10% | (5)% | 4% | 13% |
| Net revenues | 527 | 490 | 8% | (6)% | 5% | 12% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 28.4 | 45.6 |
| EBITA margin | 5.4% | 9.3% |
| Operating EBITA[1] | 37.2 | 50.4 |
| Operating EBITA margin | 7.1% | 10.3% |

1 Operating EBITA excludes acquisitions, restructuring and integration-related costs

## REVENUES IN NATURAL RESOURCES UNDER PRESSURE

Arcadis' largest market for environmental services is North America. After a considerable revenue decline in 2014, the rate of decline became smaller during 2015. Nevertheless, we ended the year with lower revenue levels than the year before, mainly caused by a sharp reduction in spending by oil & gas which constituted 24% of revenue in 2015. Low raw material prices are affecting mining sector clients, while the low oil price is causing large oil & gas clients to scale back programs focusing on essential compliance only.

We work with our clients to accommodate program reductions; at the same time, we are expanding our mix of services to capture what does come to market. Additionally, we have developed offerings such as surplus property disposal to meet the business needs of clients in this dynamic market. In Europe and the UK, this approach led to winning a large framework contract for consulting and contracting services at service stations and depots for a large oil & gas client. AFS was created specifically to support these oil & gas clients as they transition to their new market conditions.

## SHIFT IN REMEDIATION MARKET

Arcadis' long-term successful strategy in the North American remediation market was focused on large, complex, bespoke projects for sizable clients. As the market for guaranteed remediation became defunct as insurance companies stopped coverage and distribution of complex remediation knowhow became more pervasive, the market for complex remediation became more competitive. To maintain our edge, we removed two management layers and refreshed our remediation approach, resulting in improved operational efficiency.

The refreshed strategy provided clear definition of growth pathways in complex and more commodity-type work. This included the development and launch of Arcadis FieldTech Solutions (AFS), a more cost-effective and standardized way of working for less complex projects. The revised remediation strategy also identified new markets for complex remediation such as coal ash, large plumes and surplus properties.

## ONE-OFF PROJECT COST OVERRUNS IN US

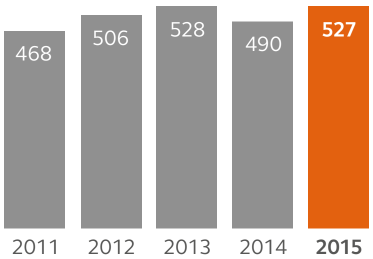
For ten years, Arcadis championed the guaranteed remediation market in North America in projects worth nearly €2 billion with attractive margins. The long tail of this guaranteed remediation program caused an issue mid-year. During the second quarter we recognized a €9 million cost overrun on a ten-year-old lump-sum environmental project. Based on a subsequent review of the US environmental lump-sum project portfolio, cost overruns estimated at €4.9 million across three other projects were recorded. Having completed the review, we are confident these adjustments were one-off in nature.

## STRONG GROWTH IN THE UK, WHILE EUROPE IS FLAT

The UK market was strong, driven by large investments in infrastructure and a robust economy. We generated growth through our remediation and environmental planning work as well as assurance work related to mergers and acquisitions. Arcadis provided extensive environmental input to the planning application for one of the UK's largest overhead power line upgrade projects, allowing connection of new sources of low-carbon energy to the transmission network. In Continental Europe, the public sector market is still weak as governments refrain from large infrastructure investments. Our focus on private sector work delivers opportunities, with 2015 bringing a number of large remediation and environmental impact assessment projects related to offshore wind development.

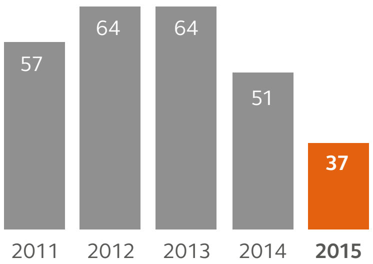
### NET REVENUES

In € millions



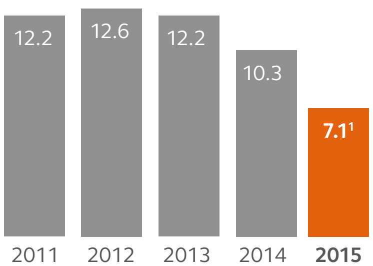

### OPERATING EBITA

In € millions




### OPERATING EBITA MARGIN

In %




[1] Excluding one-off project cost overruns: 9.4%

## CLIENTS

**In Environment, a significant portion of our work is for the private sector, including Fortune 500 companies in the oil & gas, chemical, mining, conglomerates and transportation industries. We also work for governments: from federal clients, such as the US Department of Defense, to municipal clients**

## ADJUSTING LOCAL POSITIONS

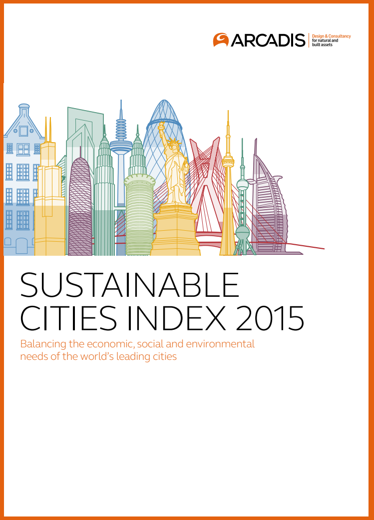
In some markets, Arcadis' position in the environmental market is still limited and we are always looking for ways to further strengthen these, provided they offer good opportunities. In October 2014, we completed the acquisition of Franz, a 100-people Canadian environmental company. In 2015, we integrated Franz with our other Canadian activities into one firm, strengthening our presence and capabilities in what is currently a difficult market. In Brazil, the recession has had a substantial impact on our environmental business. We see very few opportunities coming to market and have adjusted our teams accordingly. In the Middle East, slumping oil & gas prices have significantly impacted environmental spending in both private and public sector markets, negatively impacting our business in 2015.

# SUSTAINABLE CITIES INDEX 2015

In a rapidly urbanizing world, the way in which cities are planned, built, operated and defined has a huge social, environmental and economic impact. City leaders across the globe are tasked with finding ways to balance the demands of generating strong financial returns, creating an attractive place for people to live and work in, whilst also limiting damage to the environment.

In response to these client challenges, Arcadis brought new life to the sustainability and urban development debate through publishing the Sustainable Cities Index. The index assessed, for the first time, the performance of 50 cities across the globe according to twenty separate indicators that, taken together, reflect the three demands of social (People), environmental (Planet) and economic (Profit).

The research was compiled by leading economic think-tank, the Centre for Economic and Business Research, and was informed by insight collected across Arcadis' Big Urban Client team to explain what this meant to city executives.




**Full details of the report and rankings can be viewed at**

www.arcadis.com/sci

The report was covered by media internationally, and helped Arcadis to enter the urban sustainability debate with a differentiated point of view. The index gained endorsement from many experts including the Chair of the Steering Committee of UN-Habitat's World Urban Campaign. It has received external award recognition including winning 'Best Use of Thought Leadership' at the B2B Marketing Awards and 'Best International Campaign' at the Corporate Communications awards.

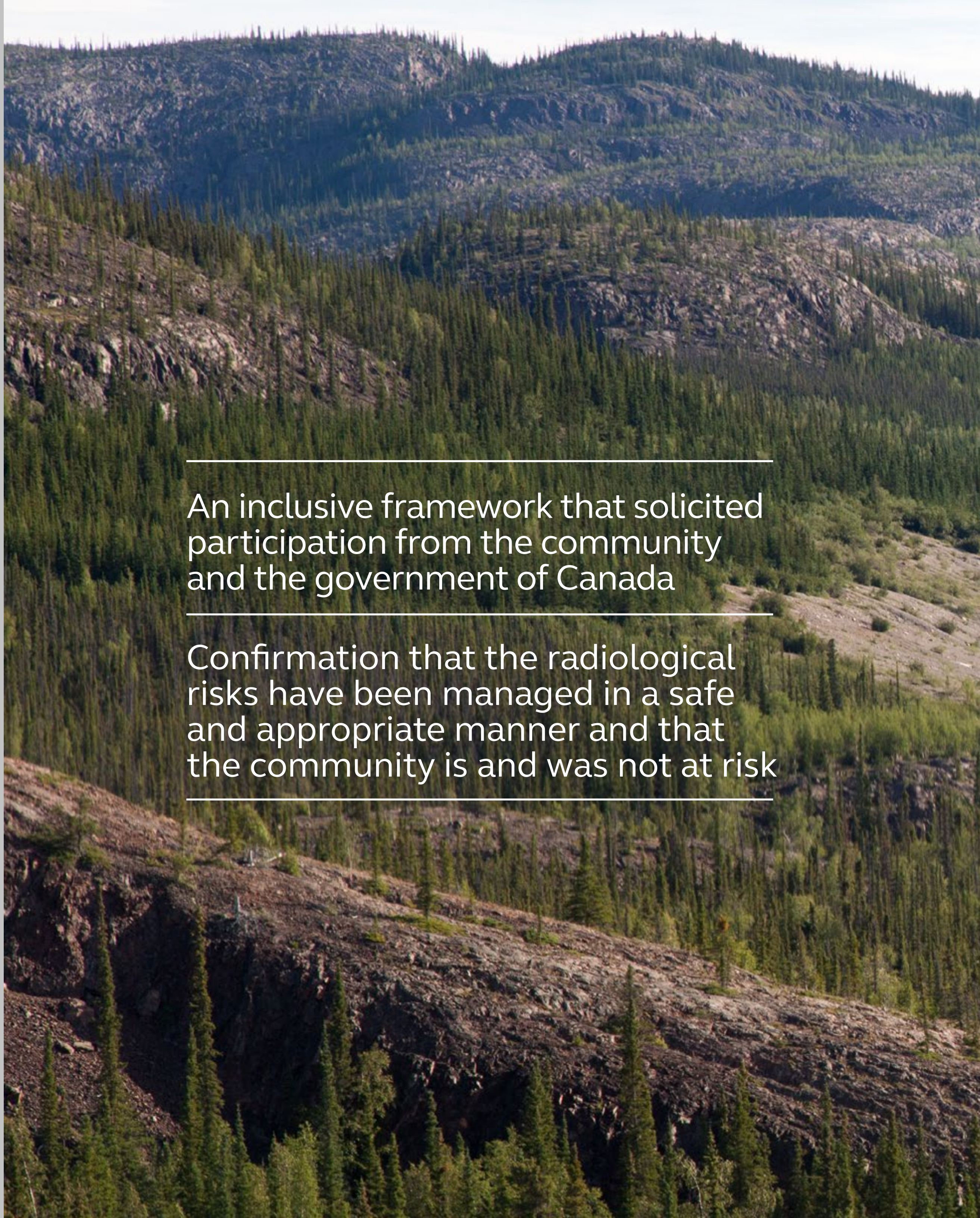
NORTHWEST TERRITORIES, CANADA

# DECOMMIS-SIONING PORT RADIUM

Port Radium is located on Great Bear Lake, approximately 4° north of the Arctic Circle. Mining began in the early 1930s and later expanded to uranium and silver operations.

**Although the radium/ uranium mine was originally decommissioned in the early 1960s to the standards of the day, the community of Déline remained concerned about residual contamination at the mine site and possible risks to the community of Déline Dene arising from their work as ore carriers.**

**In the late 1990s, the Government of Canada and the community of Déline agreed to establish a cooperative framework to ensure that all stakeholders could participate in an effective and positive manner. Arcadis helped determine the extent of exposure and risk for the Déline, provided environmental consulting, developed plans for decommissioning the Port Radium mine and related sites, and supervised the remedial work. Our work provided the community with assurance that their grandparents' and parents' work as ore carriers did not put them at risk. We continue to provide strategic advice and to conduct monitoring to confirm that remediation meets community and technical objectives.**



**DOUGLAS B. CHAMBERS**
Ph.D., Director Technical Knowledge & Innovation – Radiation Services, Arcadis Canada

**"The Port Radium project provides a textbook example of how Arcadis scientists and engineers, working closely with the Déline Dene and the Canadian government, helped to resolve legacy concerns associated with radioactivity arising from past operations at the Port Radium mine located in northern Canada."**

FLORIDA, US

# PROTECTING LIFE FROM UNEXPLODED ORDNANCE

The US Army Corps of Engineers suspected that unexploded ordnance from World War II training at the former US Naval Amphibious Training Base might be present in the waters of Vero Beach, Florida.

**A highly skilled Arcadis dive team, qualified in unexploded ordnance, confirmed these suspicions: nine 70-year-old munitions, including 500-pound general purpose bombs, Tiny Tim rocket warheads and 7.2-inch barrage rockets, were confirmed just offshore – near beachfront residences, miles of sandy beach frequented by local residents and tourists, and an important sea turtle nesting area and one-of-a-kind reef.**

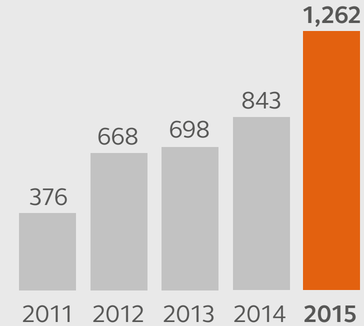
**The project was a model of interagency coordination, involving representatives from the Corps, Indian River and St. Lucie counties, the City of Vero Beach, state and federal fish and wildlife agencies, and the US Coast Guard. Over the course of three weeks, under a Time Critical Removal Action, the Arcadis team identified, remotely raised, towed and returned the munitions to the sea floor. They then detonated the munitions in an area approximately one nautical mile offshore to protect human life and property, marine life, and the reef. State and local agencies assisted with marine mammal and sea turtle monitoring and provided support during resident evacuations and enforcement of the exclusion zone.**

Explosive hazards confirmed and removed

Improved community relations for our client

**HEATHER POLINSKY**
Director, US Federal Program,
Arcadis North America

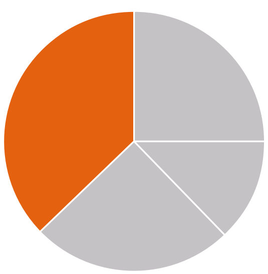
**"Preservation and quality of life, and more importantly, safety of the public and our team, were first and foremost throughout this project. Through careful coordination with the US Army Corps of Engineers and local, state and federal agencies, the Arcadis team removed potential hazards in a way that was protective of local residents, a sea turtle nesting area, and a fragile reef and its inhabitants, demonstrating both skill and care."**




+50%

**GROSS REVENUES**

In € millions



37%

(2014: 32%)

OF TOTAL GROSS REVENUES

# BUILDINGS

As the world's population moves into cities, rapid urbanization poses new challenges for planners and designers. Arcadis builds upon a legacy of planning sustainable urban environments and creating iconic structures that culturally, strategically and aesthetically enrich their urban contexts and provide value to clients. We work with clients to implement global built asset solutions, allowing them to make the most of their real estate, and support their business performance. We turn capex and opex expenditure programs into a source of competitive advantage. We deliver world-class Planning, Design, Consultancy, Project, Program and Cost management for buildings and cities. In 2015, this was 37% (2014: 32%) of our total gross revenues.

## PRESENT POSITION

Private sector investment, institutional development, retail expansion and social infrastructure programs are the largest growth drivers for our Buildings business. We have an excellent global market position, strengthened through acquisitions over the past years and by sharing the best ideas of these merged firms for the benefit of our clients across Arcadis. We are strong in Program Management around the world, driving value for clients in large and complex portfolios of projects. We are a thought leader in Cost and Project Management, helping clients to successfully complete large mixed-use and urban developments, on time, within budget and to the planned quality standards.

Through the acquisition of Callison, now integrated as part of CallisonRTKL, we are the global number one in retail design, creating high quality environments for the unique customer experience for a growing number of the world's leading brands. We have a global top-five position in architecture design and consultancy. With the added capabilities in structures, facades and mechanical, electrical and plumbing design and engineering from Hyder, we cover the whole range of skills for the delivery of tall buildings.

In Business Advisory, we provide industry-leading asset strategy performance, business transformation and resiliency, technology and information, and investment and finance advisory services to clients, helping them to secure competitive advantages from their built assets. This typically leads to integrated solutions, combining the core strengths of Arcadis to solve our clients' toughest built asset challenges. In Contract Solutions, we help clients avoid, mitigate and resolve some of the largest and most complex construction disputes around the world today.

## BUILDINGS STRATEGY 2014 - 2016

As part of our 2014 - 2016 strategy, we have selected five Core Value Propositions through which we drive organic growth. During 2015 the following progress was achieved in these areas:

### BUSINESS ADVISORY

In Business Advisory, the corporate real estate team has been supporting multinational clients, such as Jaguar Land Rover, in dealing with the continued trends towards globalization and outsourcing, establishing deep and trusted relationships based on our subject matter expertise and sector knowledge. We were also appointed on a consultancy brief by the West Kowloon Cultural District Authority in Hong Kong to develop a Facility Management Strategy and Operational Plan for the iconic West Kowloon Cultural District project.

### MASTER PLANNING & SUSTAINABLE URBAN DEVELOPMENT

Master Planning & Sustainable Urban Development is closely aligned with our Big Urban Client program for opportunities in resiliency, regeneration and mobility-oriented development around transportation hubs. A remarkable project was the master plan design for Jiading New Town Station Transit Orientated Development. Additionally, in Asia, the analysis and design of Malaysia high-speed rail development is taking our Mobility Oriented Development (MODe) capability to our clients.

### COMMERCIALLY LED PROGRAM MANAGEMENT

In Commercially Led Program Management, the Program Management Academy trains our program managers in the outcome-focused Arcadis Way of delivering program benefits. Growth opportunities were captured through our thought leadership campaigns for sustainable urban environments and international construction costs. A City Investor Guide series was launched to support overseas investors in their prioritization of cities and assets in which to invest. A major project win was the commission for HSBC, where Arcadis will perform global program management and regional delivery of HSBC's global capital expenditure program for its real-estate portfolio in excess of 50 million square feet, across 58 countries, covering 5,713 branches and 88 offices.

### CORE VALUE PROPOSITIONS

- Business Advisory
- Master Planning & Sustainable Urban Development
- Commercially Led Program Management
- Performance Driven Design
- Contract Solutions

**1**

**GLOBAL POSITION IN RETAIL DESIGN**

### AMSTERDAM, THE NETHERLANDS
AMSTERDAM ARENA TRANSFORMATION

Amsterdam ArenA, the largest sports stadium in the Netherlands and home to the famous Ajax soccer team, is set to undergo a major €50 million renovation program. In addition to widening the circulation space on its second tier and renewing its façade, the overall shape of the structure will be changed from concave to convex.

It is the biggest renovation program to be implemented since the stadium first opened in 1996, and is scheduled to begin in early 2016. One of the main drivers for the 'A new ArenA for 2020' plan is that UEFA has stated that four matches of the European Championship will be held in Amsterdam that year. The stadium is looking to offer more comfort to supporters and concertgoers.


## PERFORMANCE DRIVEN DESIGN
In Performance Driven Design, Asian overseas investors have provided opportunities with several significant wins, such as the interior design of the Beverley Hills Hotel for Wanda Los Angeles. Our strong position in tall buildings is enhanced by the completed Weslayan mixed-use and hotel development in Houston as well the Wuxi Sunning Plaza in China among others. Our partnership with the Council for Tall Buildings and Urban Habitats (CTBUH), will further strengthen our positioning as will our capability in tall building engineering design in several geographies, including Australia.

## CONTRACT SOLUTIONS
In Contract Solutions, we published our annual global disputes index and engaged with a number of clients to support their dispute avoidance and resolution, e.g. through securing a global framework agreement to support Hyundai Engineering & Construction Co., Ltd.

## DEVELOPMENTS IN 2015
Overall gross revenues increased +50% of which 23% was a result of the acquisitions of Hyder and Callison. Organic growth was very strong at +11% across all regions. The currency effect was +15%. Net revenue growth was +47% and organically +7%. Organic growth slowed somewhat in Emerging Markets and especially China, where architecture revenues came under pressure. Strong growth was achieved in Continental Europe on Business Consultancy and transactional work. In the UK, most of our value propositions were successful. In North America, architecture has seen a pick-up of demand across the activities, also including improved growth in healthcare.

Organically the backlog was down -10%, reflecting reduced order intake in Emerging Markets. The operating EBITA margin improved versus last year and was 10.6% (2014: 10.5%), mainly due to good margins in the UK and Europe.

| | Revenues | | Revenue growth | | | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | Total | Organic | Acquisitions | Currency |
| Gross revenues | 1,262 | 843 | 50% | 11% | 23% | 15% |
| Net revenues | 1,017 | 693 | 47% | 7% | 24% | 14% |

| | **2015** | 2014 |
|---|---|---|
| EBITA | 93.6 | 61.7 |
| EBITA margin | 9.2% | 8.9% |
| Operating EBITA[1] | 107.7 | 72.9 |
| Operating EBITA margin | 10.6% | 10.5% |

1 Operating EBITA excludes acquisitions, restructuring and integration-related costs

## BENEFITING FROM ACQUISITION GROWTH

The acquisitions of both Hyder and Callison have contributed significantly to growth in Buildings activities. Meanwhile, Hyder in particular continued to grow organically after the integration, in part driven by the complementarity of our offerings, which provided many synergy opportunities. As a percentage of the acquired revenue, this resulted in more synergy growth than in earlier acquisitions. Engineering and design on the Burj Khalifa in Dubai and the Westfield Tower (formerly Centrepoint) in Sydney are signature projects that illustrate the complementary capabilities Arcadis now brings to market.

A recent example where our combined capabilities were sought is the synergy win with Hyder on the aforementioned West Kowloon Cultural District (WKCD) project. We are developing the operational & facility management strategy, functional and interfacing requirements, and resource (tools/ equipment and manpower) plans to ensure the optimal and sustainable operation, management and maintenance of the WKCD.

Our appointment also includes the development of a financial planning and procurement strategy on behalf of the Authority as it tenders this work to the market. Other significant project wins have evidenced our enhanced capability. These included Jewell on the Gold Coast, Australia, with the design of a residential tower and hotel for Wanda; and the detailed design of the AUS$ 1b Northern Beaches Hospital in Sydney for Leighton.

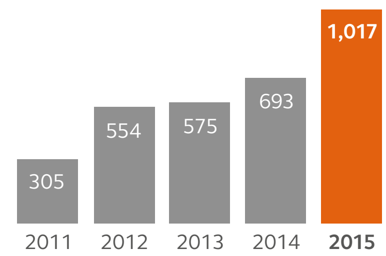
The combined CallisonRTKL brand was launched in October, representing a stronger position as a top-five player in architecture and design globally. Demonstrating the power of our brands (Arcadis and CallisonRTKL) and the way they represent our capabilities and credentials, working together as one team, we were appointed on the design of a 22,000-SQM mixed use entertainment district to compliment one of Europe's most important urban regeneration projects – the Tor di Valle – Stadio della Roma project.

## GROWING A REGIONAL PRESENCE IN THE UK

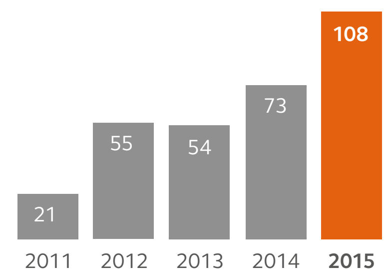
In past years, Arcadis benefited from the building boom in the London market, where high-end residential development and a buoyant office market offered many opportunities. While there continues to be a shortage of commercial office space and social residential housing sites, land prices have soared, stretching the capacity to deliver for developers and causing them to look for opportunities in other markets. Arcadis has expanded its position in regional markets like Manchester and Birmingham to benefit from this shift.

With infrastructure connections between these cities and London being upgraded, development opportunities are improving. Beyond commercial office space and rented housing opportunities, these 'new' markets also offer other chances, such as developments for educational institutions. In Manchester, Arcadis was involved in the award-winning Graphene Institute and is performing program management for the University of Manchester for an advanced materials building.

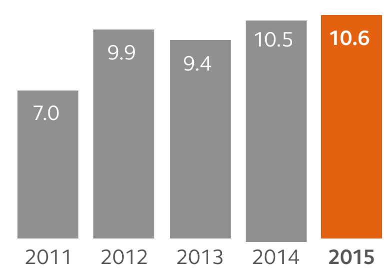
**NET REVENUES**
In € millions




**OPERATING EBITA**
In € millions



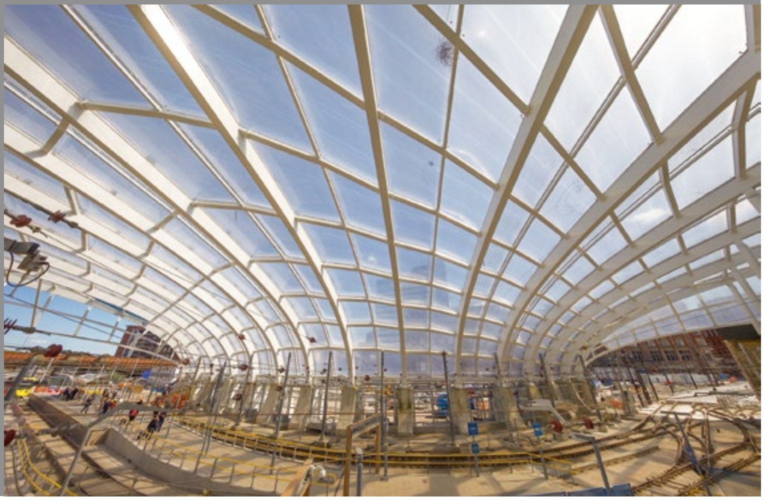

**OPERATING EBITA MARGIN**
In %



**MANCHESTER, UK**
TRANSFORMING MANCHESTER VICTORIA STATION

Just six years ago, Manchester Victoria was voted the worst railway station in the UK. The station subsequently underwent a two-year £44 million modernization program, that entailed the electrification of lines, a new Metrolink station with an additional platform, the restoration of listed features, upgraded retail units, and a new roof.

The restoration of Victoria Station will contribute greatly to the continued regeneration of this area of the city, delivering both economic and environmental benefits. This cutting-edge development will relieve congestion and make the station one of the most complex sections of tram track in the UK.



## ADJUSTING TO CHANGING MARKET CONDITIONS IN CHINA

In China, we experienced a slowdown in architecture and design for new projects in offices and mixed use commercial developments, but saw a growth in appetite for refurbishments of existing or underperforming assets. In Cost and Project Management we have experienced a slow-down in order intake – although we still see growth – and have sufficient flexibility to adjust our capacity as needed, also given the longer timeframes of projects. We won the competition for a new research and innovation hub development in Shanghai where we will be providing full quantity surveying services, including cost estimating in the design, tender and construction phases. The project is located at the existing site in Shanghai Pudong, Zhangjiang Hi-Tech Park.

## MIDDLE EASTERN DEMAND CHANGING

In parts of the Middle East, there is increasing uncertainty in major programs due to the oil price decrease and geopolitical issues which are causing clients to carefully consider investment timing, appetite and affordability. This impacts the speed of decision making and delivery schedules of projects in Abu Dhabi and the Kingdom of Saudi Arabia. Despite these changing market conditions, we achieved good growth in design propositions including our continued work on the design and management of Hamad bin Khalifa Medical City in Qatar, the biggest healthcare development in the Middle East and one of the largest in the world.

**HONG KONG, CHINA**
CREATING AN OPERATIONAL STRATEGY FOR THE ICONIC WEST KOWLOON CULTURAL DISTRICT

Early 2015, Arcadis was appointed on a consultancy brief by the West Kowloon Cultural District Authority (WKCDA) to develop a Facility Management Strategy and Operational Plan for the iconic West Kowloon Cultural District (WKCD) project.

The West Kowloon Cultural District will be a world-class arts and cultural hub covering an area greater than 400,000 m2. The aim of the district is to improve the quality of life by creating a place where top-class music, arts and leisure facilities are accessible to all the people of Hong Kong.

**CLIENTS**
**In Buildings we mainly work for owners, managers, operators and developers of real estate, both in the public and private sectors. Corporate occupiers, many of them multinationals with global office footprints, are an increasingly significant client group**

Also the combination of the design and engineering capability of Hyder with the Master Planning & Sustainable Urban Development and Performance Driven Design approaches of CallisonRTKL position us for some very large opportunities.

With Expo 2020 in Dubai and World Cup 2022 in Qatar, demand in the Middle East markets remained at a good level.

## GROWTH ACCELERATES IN NORTH AMERICA

Outsourcing by conglomerates, the reshoring of industrial manufacturing, a number of larger Program Management wins and a return of demand in architecture and design all contributed to an acceleration of growth in North America. A significant increase is visible in federal government work, with CallisonRTKL involved in a number of projects including the western branch of the National Geospatial Intelligence Agency and the expansion of the headquarters of the Federal Food and Drug Administration.

Private sector demand is also up, particularly from technology companies. In the commercial market, bigger project opportunities are also emerging.

In Miami, we won the Mediterranean Village, a large hotel and conferencing project, performing full architectural services including restaurants, hotel and public open space. A key focus has been on assisting Chinese investors with projects on US soil which led to involvement with Dalian Wanda, a large China-based developer with whom we have a long history in Asia.

## BEIJING, CHINA

# LENOVO GLOBAL CORPORATE HEADQUARTERS

Chinese computer technology multinational Lenovo has embarked on the construction of an ambitious new headquarters building in Beijing, which reflects its vision to be a leading personal technology company.

The campus will accommodate more than 9,000 Lenovo employees in a high-performance workplace environment that will enrich the company's culture, while strengthening its local and international brand reputation.

CallisonRTKL was tasked with providing landscape architecture, master planning, architecture and interior architecture and design services for the new 350,000 m² space. The design team faced a unique challenge due to an existing major satellite facility on the north side of the project that forced the already low height restrictions to be even lower, so as not to interfere with the satellite's operation.

The team developed a creative solution, using the rational order of component communication in a motherboard as design inspiration. The result is a highly connected design with linked interior and exterior spaces and atriums that create diversity and add visual interest. Project goals also included meeting US Green Building Council (USGBC) criteria and the China GBL 3-Star rating system by including sustainable elements throughout, making the headquarters a model for energy efficiency and renewable resources. Strategically placed gardens at multiple levels create areas for reflection, relaxation and interaction, while a continuous pathway at levels two and five help save energy and promote physical fitness.

HIGH-PERFORMANCE WORKPLACE ENVIRONMENT FOR

> 9,000 Lenovo employees

Completion of phase two of construction is expected by July 2017


**KARL STUMPF**
Senior vice president,
CallisonRTKL

**"Our design for Lenovo Global Corporate Headquarters created a new home and a fresh start for the world's leading PC company at a time when it aimed to redefine its business and legacy. The resulting workspace, in addition to representing a holistic upgrade, provides enhanced system support for the company's sustainable, long-term performance."**

**ROME, ITALY**

# NEW STADIUM FOR AS ROMA

Starting with the 2017/2018 season of the Italian Serie A football league, renowned club AS Roma will play its home games in a new stadium that will accommodate an audience of 60,000. The impressive €1.4 billion new stadium will remind spectators of the ancient Roman Coliseum, and sit adjacent to a modern training complex.

**Arcadis and CallisonRTKL have been awarded from Master planning to Detailed Architectural Design of the so called "Convivium" entertainment and retail area of the stadium, with approximately 24,400m$^2$ of GBA. The Convivium is the finishing element for 280,000m$^2$ of office space and other mixed uses, and extends onto a 35 hectare Podium slab that will be built on a brownfield west of Rome. Once complete, the first phases will unlock subsequent phases in which CallisonRTKL and Arcadis are well positioned to participate in the design and construction work.**

**ROBERTO TALOTTA**
Managing Director,
Arcadis Italy

"The ancient Roman Coliseum resurrects in the new stadium for AS Roma. We are proud of the fact that we can calibrate the dream for all fans of AS Roma with the construction of this impressive stadium."

## 280,000m²

OF OFFICE SPACE

## 35 hectare

PODIUM SLAB

# PERFORMANCE AND DEVELOPMENTS BY CLIENT TYPE

**17**

CITIES ARE INCLOSED
IN OUR BUC PROGRAM

**FOCAL POINTS:**
- **MOBILITY**
- **RESILIENCY**
- **REGENERATION**

## BIG URBAN CLIENTS

Arcadis' Big Urban Clients (BUC) program is part of our focused organic growth strategy, set up in response to a number of trends that affect urban environments around the world:
- Rapid urban growth
- Increased complexity in urban development
- The need to enhance livability and accessibility
- Addressing aging infrastructure and real-estate

Arcadis has a global network of urban experts with the ability to localize solutions that support and create value for our clients. The BUC program leverages Arcadis' strong position in several of the world's developed and emerging cities, with solid stakeholder relationships and a legacy of delivering iconic projects. To date, the BUC program has launched in thirteen global and four regional cities. The City Executives who represent Arcadis in BUC cities work together with our Core Value Proposition leaders to develop opportunities, cultivate needs-based outcomes and position us for selection to lead on singular projects and large programs. The City Executive role is to ensure the awareness of Arcadis' global capabilities while delivering localized solutions to their city-specific needs. In 2015, Sydney was added as a global BUC city while Berlin, Birmingham, Manchester and Dubai are our four regional BUC cities.

The BUC program seeks to increase our market share and serve our clients with our best capabilities, across all value propositions. To achieve this, we need to:

- Maintain high level client and political relationships;
- Be recognized as a trusted advisor and thought leader in sustainable urban development;
- Win large prioritized projects/ programs globally;
- Grow the business by closing large commercial deals.

Organic growth in the BUC program in 2015 was strong. Through the acquisition of Hyder and Callison, we further strengthened our position in eleven of our thirteen global BUC cities in North America, the UK, the Middle East and Asia, while the addition of Sydney was also triggered by the Hyder acquisition.

## DRIVING COMPETITIVE ADVANTAGE FOR CLIENTS

For developed cities, we can drive our competitive advantage by attracting investment in public infrastructure through asset-led transformation, regeneration and sustainable infrastructure development. We turn liabilities into assets (e.g., urban brownfields, decommissioning) and create new revenue streams for cities. All of these efforts should increase the quality of life for inhabitants, as we develop sustainable solutions.

For emerging cities, we can drive a competitive advantage through smart master planning, balancing business and social infrastructure and by delivering high-quality assets with the certainty of outcomes and speed to market. We help urban clients create a legacy, including the transfer of knowledge, and we increase the quality of life, realizing more sustainable solutions by contributing our environmental expertise (water, air, land).

The BUC program has three core differentiators where Arcadis has a clear right to win. These core capabilities are the key to improving urban sustainability:

### MOBILITY

- Creating integrated transport solutions to provide connectivity and transport choices
- Advancing intelligent transport to connect people with cities
- Enhancing connectivity with public transport

### RESILIENCY

- Establishing unique sustainable environments that respond to local climate and context
- Protecting communities from climate change, while enhancing a city's natural environmental and urban design
- Integrating resiliency with community design

### REGENERATION

- Reusing depleted assets to maximize a city's true potential
- Transforming underperforming cities' assets into high-value social and cultural growth engines
- Breathing new life into developed BUC cities

## SAUDI ARABIA

### JEDDAH METRO: ENGINEERING, LANDSCAPE ARCHITECTURE

The Red Sea port city of Jeddah in Saudi Arabia is that nation's second largest city and an important commercial hub. The new Jeddah Metro is a planned metro system, of which several lines will be built over the next five years, and is part of government plans to increase the share of public transport commuting to 30%, from the current 2%. Arcadis has been appointed to do the engineering work and landscape architecture as part of the Foster + Partners joint venture that is servicing the Metro Jeddah Company that has been set up to construct the network. Given the high-profile nature of the project and its national importance, all buildings are to be designed and built to LEED Gold standard.

## A SELECTION OF 2015 SUCCESSES

- Several significant 2015 commissions underline the relevance of the BUC program;
- In North America, the market drivers are resiliency, mobility and regeneration. In Los Angeles, Arcadis has secured projects for the LA Metro, LA Department of Water and Power and LA Department of Sanitation;
- In New York, Arcadis was selected for projects for the New York City Housing Authority, the NYC Office of Management and Budget, and the NYC Mayor's office of resilience and recovery;
- In Chicago, Arcadis was appointed for Program Management to secure funding for the City of Chicago Department of Water Management;
- In the Middle East, market drivers are the engineering/ contractor opportunities for Infrastructure and Water, expansion of existing programs into additional services and capitalizing on synergies with Hyder and RTKL;
- In Doha, Arcadis has been appointed to provide architecture, branding, design and construction consultancy services for the Gold Line metro. The appointment follows an earlier comparable involvement on the Red Line South metro;
- In Jeddah, Arcadis was appointed as part of the Foster + Partners team to develop the architectural vision for a new comprehensive public transport system in the city;
- In Asia, the focus lies on regeneration, mobility and resiliency. In Singapore, Arcadis was selected for the MOHH Woodlands Hospital project;
- In Hong Kong, Arcadis was appointed as strategic advisor for the West Kowloon Cultural District.

In Australia Pacific, Sydney was added as a global BUC, where the market drivers are regeneration, mobility and resiliency. Arcadis will be involved in the development of the Sydney Light Rail project, a AUS$2.1 billion light rail connection from Circular Quay to the south-east including Moore Park and the University of New South Wales. Together with local Australian consulting firm APP, Arcadis has been appointed to do the independent certification for the NorthConnex Motorway Project in Sydney. The project value for Arcadis is €17 million.

In Continental Europe, the market drivers are resiliency and mobility. In Amsterdam, Arcadis was selected by Rijkswaterstaat for the Sealock Port of Amsterdam project and the Municipality of Amsterdam for the Zuidas dock project.

Significant achievements have been made in the UK, where market focus has centered on mobility. At the beginning of 2015, Arcadis was able to announce its involvement in the Crossrail 2 project, a proposed new south-west to north-east rail line in London with an estimated capital value of £20 billion. Arcadis was awarded the contract for Phase 1, to develop the multidisciplinary engineering feasibility and cost study to enable the selection of a preferred Crossrail 2 route.

In addition, Arcadis was selected by Manchester Airport for program management of the T2 extension and by the University of Manchester for program management of the Henry Royce Institute.

## SUSTAINABLE CITIES INDEX

In 2015, Arcadis launched the inaugural Arcadis Sustainable Cities Index (SCI). The index, conducted for Arcadis in cooperation with the Center for Economics and Business Research (CEBR), explores the three demands of social (people), environmental (planet) and economic (profit) factors in an indicative ranking of 50 of the world's leading cities.

The 2015 report found that no utopian city exists, with city leaders having to manage a complex balancing act between the three pillars of sustainability. The BUC City Executives have actively rolled out city-specific events on the back of the report including an event in Kuala Lumpur with the focus on disruptive strategies for attracting investment in cities. The SCI was well received by the audience of 80+ city mayors and executives, including European Commissioners.

MULTINATIONAL CLIENTS PROGRAM

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CLIENTS IN SEVEN SECTORS

**CLIENT PROXIMITY AND SECTOR INSIGHTS ARE IMPORTANT COMPONENTS OF OUR PROGRAM**

# MULTINATIONAL CLIENTS

Arcadis' program for Multinational Clients (MNC) builds on a long history but continues to evolve as clients' needs change. The program is designed to bring the best of Arcadis to private, industrial and service organizations who value longer-term partnerships and global delivery capability. We have purposely focused the program on a carefully selected portfolio of clients who have needs across multiple countries and business lines. This allows us to create the highest value for these clients and provides the best opportunities for growth for Arcadis.

Clients within the program enjoy best-in-class service from our dedicated global and regional account leaders, who see speed and agility as important traits when responding to client needs. Our market sector focus has been a source of differentiation, and helped the program flourish in 2015, despite negative market trends in some end markets. Our sector specialists capture information from across the business and bring deep sector knowledge to clients, ensuring they have the best decision support possible.

In 2015, a total of 58 companies across six sectors were clients of our MNC program. Our focus market sectors are Oil & Gas, Automotive & Aerospace, Financial Institutions, Chemical & Pharmaceuticals, Conglomerates, Retail & Consumer Goods, and Commercial Developers. With the exception of Conglomerates and Commercial Developers all selected sectors have experienced growth.

Across the whole client portfolio, the MNC program delivered strong organic net revenue growth in 2015 at attractive margins. Order intake in the year was also strong, leading to backlog growth and underlining the relevance of our contribution to our clients' businesses.

## TRUE CLIENT FOCUS WITH EXCEPTIONAL AND SUSTAINABLE OUTCOMES IN MIND

Client proximity and sector insights are important components of our program, setting us apart from the competition. Each sector is headed up by a global market sector leader who ensures that non-proprietary sector insight, analysis and information are accessible and easily shared, helping clients understand how they compare to others and applying best practice for business improvement.

In **Oil & Gas**, we have close relationships with several global industry leaders including ExxonMobil, Shell and BP. Our focus on bringing benefits to their businesses by applying capabilities from across our business lines has helped us overcome some of the sector's current volatility. The reduced oil price brought positive and negative effects to our business. Clients have scaled up their investments to optimize their existing office asset base, geared to future savings.

This drove growth in our project management and design teams for clients like BP, Chevron and Exxon. Mid-stream work and optimization of downstream activity for clients like Marathon, Shell and Total has resulted in growth in our facilities design and engineering team. Meanwhile, environmental remediation revenues have been under pressure as the focus has shifted to must-do activities required by regulatory drivers only.

Our ability to operate across the upstream, mid and downstream segments has meant our efficiency-enhancing tools and services have been in great demand. Despite the difficult market, we have been able to grow year on year.

In **Automotive & Aerospace**, the thrust towards driverless and driver-assisted cars, low energy transportation and new fuel sources, shifting sales styles and additive manufacturing are generating transformational change at a pace rarely experienced. This creates opportunity for Arcadis. The sector team also caters to growing demand from clients to assist with global capital expansion plans or upgrades/ renewals of existing assets as client preferences and sales trends evolve.

For example, we won a series of strategic consulting projects for Jaguar Land Rover and BMW. Sector revenue growth of 25% in 2015 was strong as a result of our involvement in these major programs.

The **Financial Institutions** sector grows strongly as there is currently more private money available to investors than assets in which to invest. Paired with the effects of digitalization on retail banks, our teams are busier than ever satisfying the opportunities that these trends generate. Clients in this sector are looking to concentrate the number of partners with whom they work, actively looking for support they can trust on a global basis. An example of that is the exclusive Global agreement won with HSBC, while other players in the sector have also approached us to provide joined-up, regional or global solutions.

### MNC SECTORS

- Oil & Gas
- Automotive & Aerospace
- Financial Institutions
- Chemical & Pharmaceuticals
- Conglomerates, Retail & Consumer Goods
- Commercial Developers

**SHENYANG, CHINA**

DELIVERY OF A MANUFACTURING PLANT FOR BMW

Over the last decade, a rapidly growing middle-class population has seen the demand for new automobiles grow significantly within the local, regional and national markets in China. To respond to this demand, BMW Brilliance appointed Arcadis in 2013 to manage the delivery of the BMW NEX project, a high-profile scheme that will see the automotive giant develop a huge manufacturing and production facility in Shenyang in the North-east of China. Arcadis was appointed to provide overall procurement, project and construction management services on the 300,000m² expansion program.

In the **Chemical & Pharmaceuticals** sector, good growth was sustained while order intake was strong. Work related to mergers and acquisitions is on the rise. Increasingly, opportunities are won through global collaboration, such as a sizable environmental assignment for BASF in Latin America. The sector trend towards more centralized corporate models is also driving demand for our services as leadership teams look for greater consistency and control over their capital expenditure.

An example is the two-year contract for global environmental and water services with DSM, under which Arcadis will provide support in transactional services, environmental compliance management, energy savings, sustainability, water treatment and use, water savings consulting and closure, remediation and transfer of company locations.

Activity in the **Conglomerates, Retail & Consumer Goods** sector has focused on the impact of technology on facility design, centralization of asset management and the push to achieve better value from asset investments. This has resulted in optimization of expenditure on existing operations and program management work opportunities for new facilities, for example with GE, Rolls-Royce and Honeywell.

**Commercial Developers** was added as a global sector in 2015. The slowdown in China is affecting a number of our Asian clients. Looking to reduce their business risk by creating more spread in their portfolio, these clients have started investing in mature markets in Europe, the US and Australia. These existing clients, who appreciate the quality advice and support we provide, have also found us a suitable partner to help them succeed in these new geographies, underlined by the project wins for Dalian Wanda in the US and Australia and for the likes of Sun Hung Kai in the UK.

# GOVERNANCE & COMPLIANCE

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**SUPERVISORY BOARD MEETINGS**
INCLUDING SUBCOMMITTEES

# REPORT BY THE **SUPERVISORY BOARD**

Arcadis NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, with responsibilities for the company and its stakeholders, but each with its own specific task description. The task of the Executive Board is to manage the company and to realize its goals, objectives, strategy, policy and results. The task of the Supervisory Board is to supervise and advise the Executive Board. For further details on organizational structure see the paragraphs in the section on Corporate Governance in this Annual Report.

In exercising its task in 2015 the Supervisory Board, in coordination with the Executive Board, put special emphasis on the following topics:

- **Health & Safety.** Arcadis puts H&S first. In 2015, the focus continued to be on further engraining the H&S DNA into our culture and on further improving our performance and systems implementation;
- **Delivering company-wide performance**, with a focus on organic growth and performance excellence;
- **Turn around the North American business**, transition leadership and return to growth;
- **Successfully combine and deliver synergies** for Hyder and Callison (both acquired end of 2014);
- **Strengthening the new operating model** with particular emphasis on organic growth, collaboration, regionalization, Big Urban Clients, Multi National Client Sector Leadership and Core Value Proposition Leadership; and
- **Enhancing leadership:** capabilities, top talent, succession management and performance culture.

In 2015, we had ten meetings, six of which were regular meetings. All meetings were attended by the members of the Executive Board. Four of the meetings were preceded by 'Supervisory Board-Only' meetings. The four additional meetings were convened to (re-)confirm, to the extent required, the agenda for the shareholder meeting and the option arrangement with Stichting Preferente Aandelen ARCADIS NV, to discuss M&A opportunities and to discuss developments related to the request by the Brazilian Federal Police to provide information to assist their widespread investigation into contractors involved in work on the Sao Francisco river project in Brazil. M&A updates, as well as progress reports on the integration of in particular Hyder ('Evolve to Win') and Callison ('Design to Lead') were also provided in regular Supervisory Board meetings. An overview of topics recurring during the year, and a summary of topics discussed in specific meetings is set out below under 'Supervisory Board meetings in 2015'.

On 17 January 2016, our valued colleague Supervisory Board member Armando R. Perez passed away. The Supervisory Board would like to remember the commitment and dedication of Armando, whose presence and contributions will be sadly missed.

## 2015 FINANCIAL STATEMENTS, DIVIDEND AND POST BALANCE SHEET EVENTS

The Executive Board has prepared this Annual Report, including the 2015 Financial Statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report and certification which can be found starting on page 235 of this Annual Report.

On 16 February 2016, the Audit and Risk Committee, formerly the Audit Committee, discussed the 2015 Financial Statements and related documents such as the Independent Auditor's Report, PwC's Board Report, the dividend proposal and the paragraph in the Annual Report on Risk Management with the CEO, CFO and the external and internal auditors. Particular attention was paid to key audit matters which included the valuation of (un-)billed receivables, claims and goodwill (in particular in the context of the Purchase price allocation post-acquisition of Hyder and Callison), and working capital. The Audit and Risk Committee also had a discussion with both the external and the internal auditors, without the attendance of Executive Board members.

On 17 February 2016, the Supervisory Board discussed the 2015 Annual Report, including the 2015 Financial Statements and related topics with the Executive Board, in the presence of the external auditor. In relation to the 2015 Annual Report the discussion focused in particular on project management and review. In this meeting we also evaluated the priorities for 2015 and (re-)confirmed the priorities and focus areas for 2016. 2015 was a challenging year for Arcadis. Priorities received appropriate attention, which translated into substantial improvements to the business. Strong progress was made in growing our businesses in the UK, Continental Europe and Australia Pacific. However, firm-wide performance according to plan was not achieved, also because of the deep recession in Brazil, the slowdown in Asia, sustained low oil prices impacting our business and one-off project cost overruns in our North American environmental business. The turnaround of our North American business was launched, but North America is still facing challenging market conditions. Health & Safety focus was good; leading H&S indicators (safety shares, near miss reporting) were strong and global total recordable and lost time injury rates further decreased.

The Supervisory Board is pleased with the integration of Hyder and Callison. The outcome of the purchase price allocation was disappointing but does not deter from the forward earnings capacity of the acquisitions. The Supervisory Board is confident that the Brazilian assessment is getting thorough attention. The Supervisory Board appreciates progress made with the Performance Excellence program, value proposition leaders and big urban clients as well as with strengthening leadership capabilities and talent development.

In September, Arcadis launched its new positioning as the leading global Design & Consultancy for natural and built assets with a refreshed brand and core brand attribute Improving Quality of Life. The positioning builds on the differentiated capabilities and strong heritages of the companies that have recently joined Arcadis to help us become a leading player in our industry and be able to seamlessly serve our clients across the globe. Arcadis' well-balanced geographic spread and business line portfolio is one of the strengths of Arcadis which helped ensure that overall the financial results for 2015 were good.

We approved the 2015 Annual Report, including the 2015 Financial Statements and the dividend proposal. In our Supervisory Board-Only session we were supported by an external facilitator, as is our custom from time to time. We self-assessed our performance, that of our Chairman and that of the individual Supervisory Board members including in particular that of Mr. Schönfeld whose second term of four years will end after the shareholder meeting in 2016. We also evaluated the performance of the Executive Board and its individual members, and in particular that of the Ms. Hottenhuis whose first term of four years will end after the shareholder meeting in 2016. We believe both Boards, and its individual members generally functioned well during the year, with further improvement potential in identified areas. We approved the grant of short term remuneration (bonus) to members of the Executive Board.

The members of the Executive Board have issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). All members of the Supervisory Board and Executive Board signed the 2015 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

We recommend that the General Meeting adopts the 2015 Financial Statements. We agree with the proposal of the Executive Board to distribute a dividend of €0.63 per ordinary share, to be provided in cash or in shares at the option of the shareholder(s). The General Meeting will be asked to discharge the members of the Executive Board for their management of the company and its affairs during 2015, and the Supervisory Board for its supervision over said management.

## SUPERVISORY BOARD MEETINGS IN 2015

### SUMMARY OF DISCUSSIONS IN SPECIFIC MEETINGS

On 18 February, we met in London and discussed the 2014 results and related items, all as set out in last year's annual report. Furthermore the director Corporate Development gave a presentation on M&A (including acquisition policy and pipeline discussion) and a team from Hyder presented on Hyder and its Global Design Excellence Centers. We also approved an update of the Arcadis Auditor Independence policy. On the same day we met with the Board of the Priority Foundation (the foundation that holds all priority shares in Arcadis NV and that has approval rights related to major decisions by Arcadis NV, see also page 150 of this Annual Report).

Our meeting on 18 March took place in Shanghai. Shanghai (and the Pearl River Delta), is one of cities that comprise our Big Urban Client program. We met with local management and staff and received a presentation by an external expert (Professor Ning Zhu at Shanghai Jiao Tong University) on developments in China. We also received an update on Arcadis Asia and developments and opportunities in the Asian market and on Hyder Australia Pacific and Hyder Asia, and we received an update on the Arcadis Middle East activities. Finally we discussed the status of the Strategy 2014 - 2016 implementation and we also covered the agenda, and other preparations, for the Annual General Meeting. In addition to the customary topics, the AGM agenda included the proposed appointment to the Supervisory Board of Mr. Lap and the proposed re-appointment to the Executive Board of Mr. McArthur.

The agenda also included proposals to adjust the remuneration policy of the Executive Board (revision of review date) and Supervisory Board remuneration (in view of the split of the Arcadis Selection and Remuneration Committee into the Arcadis Selection and Appointment Committee and the Arcadis Remuneration Committee (with this change we further aligned our organization structure to the provisions in the Dutch Corporate Governance Code). We removed from the agenda of the Annual General Meeting an item related to approval of the delegation of the authority to issue, or grant rights to acquire, cumulative preference shares. As known and annually confirmed in the annual report, already years ago Arcadis NV entered into an option agreement with Stichting Preferente Aandelen ARCADIS NV. This concerned both a put option and a call option. Considering, amongst other things, developments in law and jurisprudence, the company decided that it is not desirable that the company takes the initiative to put shares to this foundation. Therefore the put option was terminated and consequently the related agenda item was no longer necessary. In our Supervisory Board-Only meeting we resolved on the mentioned (re-)nominations. Further to the quarterly update to the Audit and Risk Committee we discussed compliance and integrity matters.

On 13 May, we discussed the first quarter results. The discussion focused on cash flow and working capital and the successful refinancing of part of our debt through a 'Schuldschein'. We approved the grant of performance based shares to members of the Executive Board, senior management and key staff. Also on the agenda was an update on 'Evolve to Win', the Hyder Integration Process that started in October 2014, with progress reports on integration in the UK, Asia and the Middle East. Because of a desire from the Executive Board to bring risk management to the next level, an external advisor, Deloitte was engaged to assess the current status of our risk governance. They provided us with an update on their work, and certain recommendations to achieve a more integrated, comprehensive and proactive risk management approach.

On 28 July, we discussed, in the presence of the external auditor, the second quarter results, the half year results and the half-year review report of the external auditor. Discussions focused on North America performance and certain project overruns in North America, as well as market conditions in Brazil and China. Further to discussions in the Audit and Risk Committee we were updated on key claims, claim statistics and related (trend) developments. As is our custom, we evaluated previous M&A transactions, this time the 2011 acquisitions of EC Harris (ECH) and of the remaining 50% (minus 1 share) in Logos. We concluded that ECH's 'built asset consultancy' and program management contributed substantially to our business and created new platforms for further growth and that ECH is a good acquisition, with the integration well done. The acquisition of Logos has been successful over the past years from an overall perspective. The business has however substantially declined in 2015 but we expect that it will pick up again when market conditions improve. The Global Director Performance Excellence gave a presentation on the performance excellence program and the CEO of Arcadis Middle East gave a presentation on his Region.

Our Supervisory Board-Only meeting focused in particular on future Executive Board composition and M&A opportunities.

In October we had our meeting in Darmstadt, Germany. We extensively discussed the third quarter results. We also discussed the compliance program -with a focus on Integrity and anti-corruption- including an overview of actions taken and further improvements made during the cycle. One of the steps made in 2015 was the appointment per 1 October of a Chief Compliance and Privacy Officer in order to create more direct focus on the program. We received an update on relevant developments in Dutch corporate law, securities law, corporate law and reporting obligations. At the same time we formalized the expansion of the responsibilities of the Audit Committee to include Risk Management, including the creation of the position of Chief Risk Officer and the name change from Audit Committee to Audit and Risk Committee.

We also received an update on Arcadis Europe. Since 2013 we are transforming our European business from individual countries into one Region and, despite a competitive market, the Region is doing well. The Director of Corporate Development gave an update on corporate development and an initial perspective on process set up for developing the next three year strategy (2017 - 2019) as well as on M&A opportunities. After our meeting we had a meeting with the Board of the Priority Foundation.

On 15 December, we had a Supervisory Board-Only meeting in which we discussed Executive Board performance, the vacancy in the Executive Board, the induction program for new SB members and we had a discussion on the priorities 2015 and 2016. We also discussed the situation in Brazil.

In the regular meeting on 15 December, further to a call on 13 December, we again discussed the request by police to provide information in support of the widespread investigation into contractors involved in the São Francisco river project. Also, after extensively discussing economic and market developments and risk and opportunities, we approved the Plan and Budget 2016. We also received presentations on Succession Management and IT.

## RECURRING/ GENERAL

In our meetings with the Executive Board we discussed a number of recurring items or follow up to items and topics highlighted above. Each meeting starts with an update on Health & Safety performance, and a specific Health & Safety moment. To the extent not already mentioned the meetings also include compliance, claims, certain Human Resources topics, IT and the Business Blueprint project, important project wins, financial performance, developments in operating companies, audit and risk management, working capital and cash flow, financing and balance sheet ratios. In our meetings, Committee Chairpersons summarized to the full Supervisory Board the discussions in their respective Committee meetings.

Prior to our meetings with the Board of the Priority Foundation, we met with the Board of the Bellevue Foundation, consisting of ten Arcadis employees from all over the world to discuss Arcadis affairs. Reference is made to note 22 of the Consolidated financial statements for further information on the Bellevue Foundation.

Supervisory Board members were rarely absent from either Supervisory Board meetings or Committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings was 93.9% (2014: 97.4%), for the Audit Committee meetings was 100% (2014: 100%), for the Remuneration Committee was 95% and for the Selection Committee was 100% (2014 Selection and Remuneration Committee meetings: 91.7%). In case members could not attend in person they contributed before the relevant meeting to the decision making. Throughout the year the Chairman maintained intensive contact with the CEO, CFO and also regularly with other Executive Board members.

## RESULTS AND STRATEGY

2015 was the second year of the 2014-2016 strategy cycle with gross revenue at EUR 3.4 billion (up 30% versus 2014, of which 1% organic), healthy margins and net income from operations at EUR 137 million (an increase of 11% versus 2014). A strong free cash flow allows for reduction of debt. During the year we strengthened our financing position through transactions in the Schuldschein market and by renewing and expanding our revolving credit facility. The disappointing outcome of the Purchase Price Allocation of Hyder and Callison was already mentioned. We have evaluated the process and its outcome and have taken learnings from them. Strategically though we expanded our cost competitive design and engineering capabilities worldwide with access to Hyder's Global Design Excellence Centers. We also strengthened our position in UK, Continental Europe, Middle East, Asia and Australia. From a performance point of view, under Arcadis leadership the Hyder business is doing well: good revenue growth, +8% on a standalone basis, and improved operating margin to 9.2%.

## CORPORATE GOVERNANCE

In the section Corporate Governance of this Annual Report the governance structure of the company is described and we explain the one remaining deviation from the principles and best practice provisions of the Code.

The Supervisory Board meets the requirements of the Code regarding the independence of Supervisory Board members. The Supervisory Board also complies with the best practice provision and the law as in force since January 2013 that its members do not hold more than five supervisory board positions at certain "large" (listed) companies or entities.

The Executive Board members do not hold more than two supervisory board positions with such companies. During 2015 no material transactions involving conflict of interest occurred for Executive or Supervisory Board members.

## AUDIT AND RISK COMMITTEE REPORT

(M. Schönfeld (Chairman), N. Hoek, I. Grice, M. Lap)

In recognition of the Arcadis Audit Committee's role in overseeing the company's risk management framework and policies, the Audit Committee proposed, and the Supervisory Board agreed, to rename the Audit Committee the Arcadis Audit and Risk Committee (the AARC). In 2015, this committee met four times. Mr. Michiel Lap joined the AARC upon his appointment to the Supervisory Board in May 2015.

All meetings of the committee were attended by the CEO and the CFO, as well as the internal and external auditors. In addition, the Chairman of the committee had regular contact with the CFO to discuss financial performance, business risks and other matters. In a closed meeting on 20 October 2015, the performance, independence and financial literacy of the committee and its members were evaluated, with a positive conclusion.

Financial results were discussed on a quarterly basis and the draft quarterly press releases were reviewed. The committee focused discussions on the market environment, in particular in the emerging Middle East, Asia (especially China) and Latin America markets, as well as the transformation plan for North America. Furthermore, a great deal of attention was paid to refinancing debt, working capital and cash flow developments, such as the collection of billed and unbilled receivables, including the Middle East.

Recurring agenda items were key legal claims, pending litigation, claims statistics, assumptions used for impairment testing and certain project risks, as well as (potential) integrity issues and related statistics. The committee was updated on the progress of the post-merger integration of Hyder and Callison and on the performance of IT audits. Continuous attention was paid to internal and external audit and risk management, including updates of the Arcadis Business Control Framework.

Also on the agenda were an update by the Chief Information Officer on IT trends, including the rise of cybercrime, and major Arcadis IT initiatives, and presentations by the CFO of Arcadis UK on the integration of Hyder and EC Harris and by the Group Controller on developments in the company's reporting and analysis capability.
In addition, the committee discussed and recommended the dividend proposal. In consultation with the Executive Board, the performance of the external auditor for the 2014 financial year, KPMG Accountants NV, was evaluated and findings were reported to the Supervisory Board.

During the year, in the presence of the internal and external auditors, results of their respective observations and reports were reviewed. PricewaterhouseCoopers (PwC), the company's new auditor for the 2015 financial statements, presented its audit plan and fee proposal, which were discussed and approved.

PwC shared its first impressions of the company in a Fresh Perspectives report, which identified, inter alia, a strong management focus on ethical behavior and risk identification and recognized that the transition from a decentralized environment to a global organization with strong central oversight is in progress. PwC furthermore presented its expectations on the development of the external audit function in the coming years. During the mid-year committee meeting, PwC's half-year review report was discussed. In light of new legislation, the committee also reviewed and approved an update of the policy on auditor independence.

## REMUNERATION COMMITTEE REPORT

(R. Markland (Chairwoman), N. Hoek, G. Nethercutt, A. Perez († 2016))

In 2015, the Arcadis Remuneration Committee (RemCo, formerly abbreviated as ARC), met five times (incl. one conference call). The CEO and the Corporate Director Human Resources were present for (most) parts of the meetings.

In the first quarter the committee prepared a proposal to amend the frequency of the review of the remuneration policy for members of the Executive Board from once every three years to once every two years. The proposal was submitted to and approved by the General Meeting in May 2015. Furthermore, the Committee prepared the performance evaluation of the Executive Board members for discussion in the Supervisory Board. In addition, the performance ratings of incumbents in the Senior Management Committee were reviewed. Other meeting topics included the granting of bonuses and performance-based shares to the Executive Board, senior management and other key staff and the 2015 bonus program for the Executive Board and senior management. The RemCo commenced its review of the remuneration policy of the members of the Executive Board at the instruction of the Supervisory Board. This review will continue in 2016. The Committee also determined Arcadis' ranking among the peer group as the basis for the vesting of shares and options in May 2015 and approved the peer group adjustments based on the acquisition of Grontmij by Sweco. Finally, in light of his departure, the RemCo approved that any of Mr. Z. Smith's unvested options and restricted shares will vest at the original vesting date, without pro-rating.

## SELECTION COMMITTEE REPORT

(N.Hoek (Chairman), G. Nethercutt, A. Perez († 2016), R. Markland)

In 2015, the Arcadis Selection Committee (ASC) met three times (incl. conference calls). The CEO and the Corporate Director Human Resources were present for (most) parts of the meetings.

In the first quarter of 2015, the Committee discussed and agreed upon the nomination for the re-appointment of the CEO, Mr. N. McArthur, as well as the nomination of Mr. M. Lap as a new member of the Supervisory Board. Other topics discussed during the year were changes in key management roles, (the appointment of new members of the Senior Management Committee), the programs for talent identification/management and succession management for top positions. The ASC also discussed and accepted the resignation of Mr. Z. Smith as member of the Executive Board.

## COMPOSITION EXECUTIVE AND SUPERVISORY BOARD

The Supervisory Board consists of seven members and the Executive Board consists of five members, each with one vacancy.

In May 2015 Mr. Lap was appointed to the Supervisory Board, and Mr. McArthur was re-appointed to the Executive Board and continued as CEO. On 31 December 2015 Mr. Smith resigned from the Executive Board. Each of the Boards includes one female member. With this we exceed the average gender diversity within Boards of Dutch listed companies. Diversity, including gender diversity, will continue to be an important consideration in the selection processes for (re-)appointment of Board members. Our first priorities when considering vacancies in either Board remain quality, expertise and experience.

If we look forward, we are pleased to be able to confirm that Ms. Hottenhuis indicated to be available for re-election and that we will make a nomination to the General Meeting to re-appoint Ms. Hottenhuis for another four-year term as member of the Executive Board.

For the current composition of the Executive Board and information about its members, please refer to page 15 of this Annual Report.

For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to page 132 of this Annual Report.

## ADDITIONAL REMARKS

We are grateful for the valuable contributions of the Executive Board, Senior Management Committee, managers and all of Arcadis' staff worldwide. We believe Arcadis has a great future as the leading Design and Consultancy firm for natural and built assets.

Amsterdam, the Netherlands, 17 February 2016
On behalf of the Supervisory Board

**Niek Hoek, Chairman**

### RELEVANT DOCUMENTS ON CORPORATE WEBSITE

- Profile Supervisory Board
- Regulation Supervisory Board
- Re-appointment schedule Supervisory Board
- Arcadis Remuneration Committee Charter
- Arcadis Audit Committee Charter
- Arcadis Selection and Appointment Committee Charter

www.arcadis.com/en/global/who-we-are/governance/supervisory-board/

# COMPOSITION OF THE **SUPERVISORY BOARD**

**Niek W. Hoek** (1956)
Dutch nationality, term 2013 - 2017
Chairman

Audit and Risk Committee
Selection and Appointment Committee (Chair)
Remuneration Committee

**Current other non-executive board positions:**
- Member of the Supervisory Board of Anthony Veder
- Member of the Supervisory Board of the KNRM

**Current other positions:**
- Managing Director of Brandaris Capital

**Previous positions:**
Chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. (2011 - 2015; member SB since 2003); Chairman of the Supervisory Board of Stichting Zuiderzeemuseum (2011 - 2015; member SB since 2008); Member of the Supervisory Board of NIBC Bank N.V. (2003 - 2015); Chairman Executive Board Delta Lloyd (2001 - 2014; member EB since 1997); Member of the Supervisory Board of Euronext N.V. (2010 - 2013); Several functions within Delta Lloyd and Shell.

**Ruth Markland** (1953)
British nationality, term 2009 - 2017

Remuneration Committee (Chair)
Selection and Appointment Committee

**Current other non-executive board positions:**
- Non-Executive Director The Sage Group PLC
- Independent Non-Executive Board Member of Deloitte LLP

**Previous positions:**
Non-executive director Standard Chartered PLC (2003 - 2015); Lawyer/ Partner, Freshfields (1977 - 2003) in their offices in London, Singapore and Hong Kong; Lawyer, Nabarro Nathanson (1975 - 1977).

**Ian M. Grice** (1953)
British nationality, term 2010 - 2018

Audit and Risk Committee

**Previous positions:**
Non-executive director of Merryck Ltd. (2011 - 2015); Group Chief Executive Alfred McAlpine Plc (2003 - 2008); Executive Board Director Alfred McAlpine Plc (1995 - 2003); Director John Mowlem Construction Plc; Managing Director Mowlem Management Ltd and Managing Director Mowlem Facilities Management Ltd (1981 - 1995); various technical and management positions French Kier Ltd (1979 - 1981), John Mowlem Plc (1976 - 1979), Tileman & Company Ltd (1975 - 1976) and John Laing Plc (1974 - 1975).

**J.C. Maarten Schönfeld**
(1949)
Dutch nationality, term 2008 - 2016

Audit and Risk Committee (Chair)

**Current other non-executive board positions:**
- Member Supervisory Board/ Chairman Audit Committee Fugro NV
- Member Supervisory Board/ Chairman Audit Committee Technical University Delft
- Member Supervisory Board University of the Arts, The Hague
- Board Chairman Children Fund of Malawi
- Board Member Stichting Continuïteit ICT

**Previous positions:**
Member Supervisory Board S&B Industrial Minerals Finance Holdings S.a.r.l. (2009-2015); Vice-Chairman of the Executive Board and CFO of Stork BV (2001 - 2008); several senior international management positions at Royal Dutch Shell Plc. (1977 - 2001; USA, Argentina, Portugal, Switzerland, Germany and the Netherlands); worked in Malawi, Africa for the United Nations Development Program (1974 - 1976).

**Michiel P. Lap** (1962)
Dutch nationality, term 2015 - 2019

Audit and Risk Committee

**Current other non-executive board positions:**
- Member of the Supervisory Board of Janivo Holding

**Current other positions:**
- Industrial Advisor to EQT Partners
- Independent company advisor

**Previous positions:**
Managing Director and Partner of Goldman Sachs Inc. (2004 - 2014); Non-executive director of the Royal Brompton & Harefield Hospitals Charity in London (2012 - 2015); Executive Vice President Orange SA (2001 - 2003); Managing Director Morgan Stanley and Co., London (1988 - 2001); Assistant Vice President JP Morgan (1984 -1988).

**George R. Nethercutt, Jr.**
(1944)
US nationality, term 2005 - 2017

Remuneration Committee
Selection and Appointment Committee

**Current other non-executive board positions:**
- Member of the Board of Directors of Hecla Mining Company

**Current other positions:**
- Member of the Board of Directors of The Washington Policy Center
- Member of the Board of Chancellors of Juvenile Diabetes Research Foundation International
- Member of the Board of Directors of the Netherlands Juvenile Diabetes Research Foundation
- Chairman of the Board of Directors of The George Nethercutt Foundation
- Of Counsel Lee & Hayes LLP international law firm

**Previous positions:**
Member of Board of Directors of IP Street Corporation (2011 - 2015); Member of Board of Directors of Juvenile Diabetes Research Foundation International (2005 - 2011); Member of Defense Advisory Board on Incident Preparedness (2009 - 2010); Chairman Permanent Joint Board on Defense, US/ Canada (2005 - 2009); Member of the United States House of Representatives (1995 - 2005) during which time he served on the Appropriations Committee and the Defense, Interior and Agriculture Subcommittees, as well as on the Science Committee and the Energy and Space Subcommittees. He practiced law in the private sector, focusing on corporate, estate and probate and adoption law (1977 - 1994) and worked in the US Senate in Washington, D.C., concentrating on oil and gas, natural resources, mining and trading affairs (1972 - 1977).

**IN MEMORIAM**

**Armando R. Perez**
(1951 - 17 January 2016 †)
US nationality

Armando Perez was an active and knowledgeable board member who joined our Supervisory Board in 2009 after the acquisition of Malcolm Pirnie, the American water consultancy, where he was a non-executive director. From his former role he brought strong knowledge of the international water market to our team. He also had in depth knowledge and experience in Latin America and of the oil industry, important markets for Arcadis, having worked as a senior executive for ExxonMobil in that region. We will sorely miss Armando's keen interest in leadership development across Arcadis, his sharp analytical qualities, strong insights as well as his friendship and personal touch. On behalf of our Executive Board and Supervisory Board we are grateful for the time he dedicated to our firm.

# OVERVIEW OF **SENIOR MANAGEMENT**

## BUSINESS LEADERS

**John Jastrem**, BSc (1955)
US Nationality
CEO Arcadis North America since 2015

**Erik Blokhuis**, MSc (1967)
Dutch nationality. CEO Arcadis Continental Europe since 2015

**Alan Brookes**, BSc, FRICS (1961)
British nationality
CEO Arcadis UK since 2014

**Kenneth Poon**, MPhil, FRICS; FHKIS; RPS, RCE (1956). Chinese nationality
CEO Arcadis Asia since 2015

**Manoel da Silva**, MSc (1953)
Brazilian nationality
CEO Arcadis Latin America since 2013

**Graham Reid**, BSc (Hons), FICE (1962)
British nationality. CEO Arcadis Middle East and Global Design since 2016

**Greg Steele**, BE, Grad Dip Bus, FIEAust (1961). Australian nationality
CEO Arcadis Australia Pacific since 2015

**Lance Josal**, FAIA (1955)
US nationality
CEO CallisonRTKL since 2015

## GLOBAL BUSINESS LINE DIRECTORS

**Rob Mooren**, MSc (1956)
Dutch nationality
Global Director Infrastructure since 2013

**John Batten,** BSc, MSc (1954)
US nationality. Global Director Water, Big Urban Clients since 2015

**Mark Fenner**, BSc, MBA (1958)
US nationality
Global Director Environment since 2012

**Tim Neal**, BSc, MBA, FRICS (1967)
British nationality
Global Director Buildings since 2013

## CORPORATE STAFF DIRECTORS

**Lia Belilos**, BSc (1962)
Dutch nationality. Corporate Director Human Resources since 2014

**Bartheke Weerstra**, LLM (1973)
Dutch nationality. General Counsel and Company Secretary since 2010

**Jeremy Cohen**, BA (Hons) (1973)
British nationality. Global Director Marketing and Communication since 2016

**Gerard Spans**, MSc (1966)
Dutch nationality
Chief Information Officer since 2013

## CORPORATE STAFF DIRECTORS (CONTINUATION)

**David Sparrow**, BSc (Hons), MRICS (1959). British nationality. Global Director Multinational Clients since 2012

**Curt Cramer**, BSc (1962)
US nationality. Global Director
Performance Excellence since 2013

**Roland van Dijk**, MSc, MBA (1970)
Dutch nationality. Global Director
Corporate Development since 2014

**Joost Slooten** (1961), Dutch nationality. Director of Sustainability and External Affairs since 2016

**Jurgen Pullens**, MSc RA (1968)
Dutch nationality
Director Investor Relations since 2016

# RETAIL OPERATIONS INDEX

Understanding how to flex and adapt their brand portfolio is a critical success factor for modern retailers. Relying on customer base, brand strength and market confidence alone will not guarantee success. Retailers need to be empowered with data and insight that not only takes these elements into consideration but also reviews the varying factors that impact portfolio success.

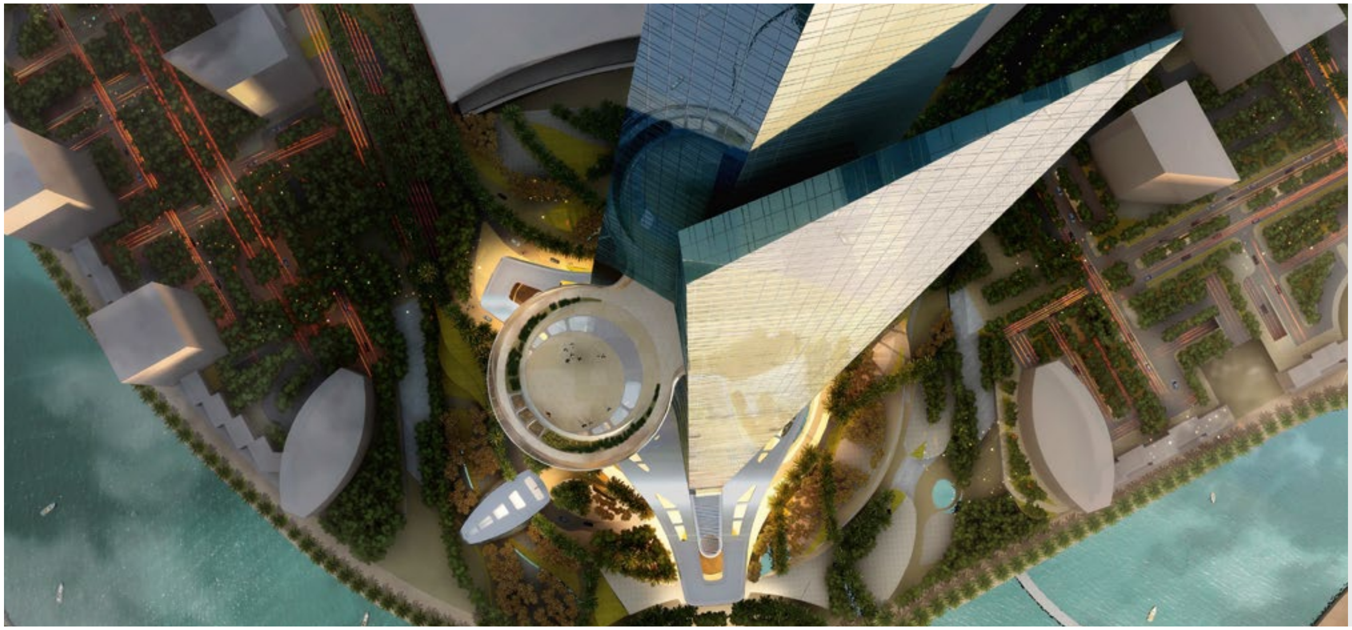
The Arcadis Retail Operations Index offered insight into which locations are the most and least difficult to execute, scale and flex large retail programs based on in-depth analysis of the global retail market across 50 countries.

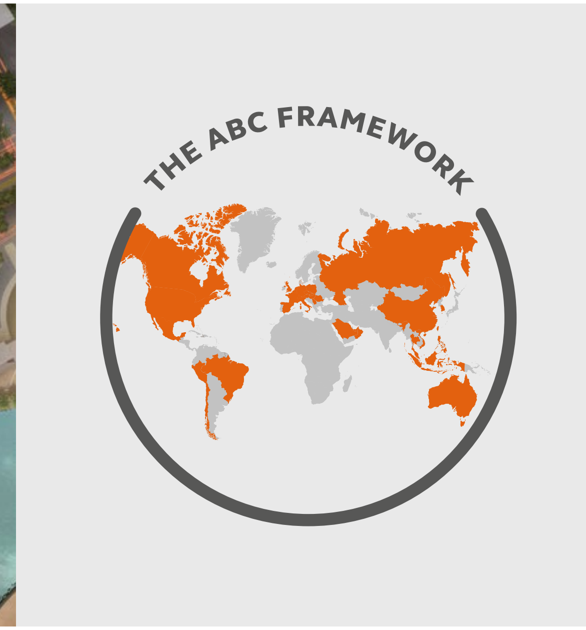
Looking at market demands, economic climate, quality of infrastructure, and ease of establishment and operation, the report identified the key opportunities and challenges faced by the world's leading retailers when opting to expand or reshape their store portfolios.

Hong Kong topped the rankings as the easiest market for retailers to enter, whereas China had significant barriers to entry despite being the largest consumer market in the world. The UAE ranked highly for the strong quality of its infrastructure and economic stability whilst many Western European countries were found to still present good opportunities despite slow economic growth.


**Full details of the report and rankings can be viewed at**

www.arcadis.com/retailoperations2015







# RISK MANAGEMENT, THE ARCADIS WAY

The Arcadis Way is to embed risk management in our working practice, as effective risk management and risk intelligence assessment of opportunities are essential for helping us achieve our business objectives.

In a competitive, ever-changing business environment, it is only by being agile and entrepreneurial, and by having a deep understanding of our clients and the markets in which they operate, that we will continue to be successful. This way of operating is enabled by setting clear risk boundaries for the operating entities in our regions, through our various policies that aim to identify, assess and manage our risk. Through the risk management framework, we seek to strike a balance between business opportunities and strategic and operational risk.

## RISK APPETITE

The main areas of assessment of risk appetite are:

- **Strategic:** we take strategic risks in pursuit of profitable growth in mature and emerging markets. Given the volatility of the markets and economic climates within which we operate, the adaptability of our people, the solutions we offer and our infrastructure play a key part in enabling us to identify and seize opportunities.
- **Operational:** we take a balanced approach to operational risk, meaning that we consider both the risk and the reward in taking business decisions.
- **Compliance:** we consider adherence to laws and regulations to be fundamental in enabling us to provide our clients with exceptional outcomes. Compliance is strongly embedded in the culture of the company, with integrity chosen as number one of our four core values, our license to operate. We take a zero-tolerance approach to breaches of integrity.
- **Financing & Reporting:** we take controlled risks in this area by maintaining a prudent financing strategy, including when undertaking major acquisitions.

Our global Enterprise Risk Management (ERM) system (which is based on COSO), the Arcadis Business Control Framework (ABC), sets out the key controls, which are classified into zero, critical and balanced tolerance, indicating the level of risk appetite considered acceptable for each control.


Our core business is Design & Consultancy for natural and built assets. The fee arrangements of the contracts that we enter into can be grouped into two broad categories:

- Time and materials; and
- Fixed-price – if the scope of a project with a fixed-price contract changes, or unforeseen conditions arise, these contracts are typically subject to price adjustments.

Major turnkey projects with higher risk are pursued under the premise that we have the technical and project management skills to adequately control the risk. Our policy is not to take equity stakes in projects, and only by exception and for specific reasons would we deviate from this starting point. We maintain insurance covering professional liability and claims involving bodily injury and property damage.

## RISK MANAGEMENT AND INTERNAL CONTROL

Arcadis' risk management policies aim to identify, assess and manage risks that may arise through our day-to-day business operations. In addition, we are regulated in a number of our operational fields, and the regulatory and reporting framework applicable to our operations requires effective risk management. The ABC Framework provides a structured, consistent and transparent approach to identify, assess and manage the risks that may impact our business operations. It comprises global governance standards and global and operating company policies and standards. It applies to all the business regions and the operating companies within those regions and represents the minimum requirements that the Arcadis operating companies have to meet.

### RESPONSIBILITY FOR RISK MANAGEMENT

The Arcadis Supervisory Board oversees and advises the Executive Board, which has overall responsibility for risk management. In the regions and operating companies, management teams are responsible for operational performance and effectiveness and for managing the associated risk within the framework of the ERM system.


A critical element of ERM is identifying the various risks that Arcadis faces in the pursuit of its strategy. The main risks were selected following comprehensive discussions that included the likelihood of their occurrence and their potential impact. The Executive Board, Audit and Risk Committees and the Supervisory Board review the identified strategic and operational risks annually.

The Risk Management Committee oversees the effectiveness of the risk management framework. It is chaired by the Chief Financial Officer and the other members are representatives from the Legal, Risk Management and Internal Audit functions and from business operations. In 2015, the Committee met on three occasions. Matters considered by the Committee included:

- The Business Blueprint Project – this embeds the Arcadis Way of working across the enterprise. Key business elements will be standardized:
  - Roles and responsibilities
  - Metrics and reporting
  - IT solutions;
- Information security;
- Risk management training:
  - 29 workshops across the regions
  - 502 leaders and managers participating;
- Project management controls, including the introduction of a Global Project Watch List;
- Soft control survey results – the program of soft control surveys initiated in 2014 and continued in 2015, with the North American region and CallisonRTKL participating in the 2015 surveys. The output of the soft control surveys is used to develop and tailor risk management training;
- Working capital – a program to ensure systematic improvement of working capital was introduced in 2015;
- Arcadis General Business Principles (AGBP) induction for colleagues joining Arcadis via acquisition (Hyder & Callison).

The Executive Board is supported in performing its risk management tasks by the Corporate Risk Management function, amongst others. To further strengthen the Corporate Risk Management function, and to support our ambition of capitalizing on rewarded risk while ensuring full focus on unrewarded risk, two appointments were made in the third quarter of 2015: a Chief Risk Officer and a Chief Compliance and Privacy Officer. The core corporate risk team is supported in the regions by Risk Managers who work with the regional management teams to actively manage identified risks in the operating companies. Across the seven Arcadis operating regions there are some 22 people in risk management roles.

## INTERNAL AUDIT

Internal Audit reports directly to the Chief Executive Officer with a functional line to the Chief Financial Officer and has a reporting line into the Audit Committee. The Executive Board and Audit Committee approve the annual audit plan and quarterly updates to reflect changes in the risk profile of Arcadis.

The Internal Audit function was strengthened in the course of 2015 reflecting the increase in global footprint and risk profile of Arcadis. Extensive IT capabilities and business experience were added to the team in addressing the need for assurance by the Executive Board. A risk based internal audit plan was executed with the focus on assessing and improving the quality of governance, risk management and controls within Arcadis by performing independent assessments on the effective embedding of the Arcadis Business Control framework in the business operations. The Executive Board and Audit Committee received an overview of the main reported control weaknesses, recommendations for improvement and the quality of management follow-up on previously reported findings on a quarterly basis.

## OUR MAIN RISKS

Our main risks are those that threaten our ability to deliver our strategy. An overview of these risks and how we manage them is set out below. This should not be considered an exhaustive list of our risks; other risks and residual risks could have a similar or more severe impact on our operations. As risks vary, regular assessments are made of the risk proportion in certain areas, which relates to the growth of the company, its geographical presence, activities and general risk trends. Risk was assessed to have increased during 2015 from our exposure to more volatile emerging markets, where payment behavior also worsened. We continuously update our risk-control measures to mitigate our evolving risk profile.

Information security continues to grow in importance with the increased visibility and global footprint of Arcadis. In 2015, clients increasingly asked about the information security practices within Arcadis and the controls in place to protect client data. Activity of outside parties seeking to obtain information from Arcadis through false emails ('phishing') and telephone calls directly to employees ('social engineering') increased significantly during the year. Increased employee awareness and technological controls have reduced the impact of these efforts, including improved advanced threat protection for high-risk email accounts and anti-phishing education and testing systems. Enhanced capabilities for vulnerability and penetration testing were developed and utilized during the year, providing security assurance in a variety of areas. Information security staff were identified and developed in several regions during the year, with additional regional resources to be identified in early 2016. Advanced security features available through Oracle, AT&T and Microsoft initiatives will also enhance the security posture in the coming months and years, including updated firewalls and enhanced network intrusion detection and monitoring.

The table that follows outlines the principal risks, the likely impact should they arise and the mitigating activities that Arcadis takes in respect of each of them.

### RISK MANAGEMENT TRAINING IN 2015

| 29 | 502 |
|---|---|
| WORKSHOPS | PARTICIPANTS |

| STRATEGIC RISKS | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| **MARKET RISK** | | |
| Our markets are susceptible to macroeconomic and geopolitical volatility and may decline as a result of economic downturns, government austerity programs, changes in legislation and regulations, or political instability.<br><br>In addition, the competitive landscape is changing, with increased consolidation and, in some markets, the shift to a more vertically integrated model of designer and contractor in one. | Changes in market conditions may lead to increased competition or an inability on the part of Arcadis to procure new projects. This may result in lower revenues and margins. | We foster entrepreneurship, close client relationships and comprehensive sector knowledge. Our proximity to clients and the sectors in which they operate enables us to anticipate changes in market conditions at an early stage. At a corporate level, our Corporate Development department and Global Business Line teams monitor market trends to adjust to developments in a timely way. In addition, we update our strategy every three years and as needed intermittently to ensure that the organization remains focused on long-term growth markets. |
| **REPUTATION RISK** | | |
| Following the re-branding to Arcadis in September 2015, the Arcadis brand is now used in all countries in which we operate. Damage to the Arcadis brand in one country could have a serious impact on our global reputation. | Issues arising from mistakes in projects, non-compliance with laws and regulations or our business principles, Health & Safety issues, client or supplier issues, or controversies around projects may affect our reputation as a reliable, high-quality solution provider and that, in turn, could affect our ability to attract new business and therefore to meet our strategic objectives. | We protect our brand reputation by taking measures advocating that all our people adhere to our core values and comply with our policies and guidelines. Our Go/ No go system is geared to identifying and assessing, inter alia, possible reputation risks related to clients (new or existing) and opportunities during the Go/ No go phase and to putting appropriate mitigation strategies in place at an early phase. Beyond that, we have quality-control systems in place to help manage such risks. These include a compliance program, a misconduct reporting procedure, a proactive Health & Safety policy, a client-focus program and criteria for selection of partners. In addition, communication on major events and crises is centralized to help us manage our reputation effectively. |

| STRATEGIC RISKS | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| **MERGER AND ACQUISITION RISK** | | |
| Growth through acquisitions is part of our strategy. This entails a number of specific risks related to the preparation and execution of an acquisition and subsequent integration. | Items such as balance sheet misrepresentations, insufficient backlog, client issues, and unforeseen or undisclosed claims may have an adverse effect on revenues and margins. Integration issues and a lack of retention of key people may also negatively impact our performance. | Major acquisition processes are managed centrally and include a thorough analysis of and due diligence on the strategic fit, fit with our business principles, management and reputation, culture, financials and policies and procedures. Whenever possible, purchase agreements include customary representations, warranties and indemnities while employment agreements and non-compete clauses, as well as restricted share units or stock options, are used for retention purposes. In larger privately-held company acquisitions, we may pay part of the purchase price in Arcadis shares to promote the alignment of the former owners with our long-term interests. Our post-merger integration processes help us to focus on market and organizational integration, and include implementing Arcadis' ABC Framework which includes a schedule with immediate focus on zero-tolerance issues and a phased approach for other risk categories. Larger acquisitions are evaluated after three years and reviewed with the Supervisory Board. |
| **FINANCING RISK** | | |
| To properly fund its business, invest in innovation and organic growth and complete acquisitions, Arcadis needs access to capital. | Restrictions in access to or lack of capital may limit Arcadis' ability to fulfill its obligations in delivering solutions to its clients. Lack of capital for acquisitions may weaken our relative position in our rapidly consolidating industry. | Arcadis has access to credible sources of funding and has long-term financing arrangements with relationship banks to fund its daily capital needs. A well-spread debt maturity schedule is maintained and in recent years, Arcadis has diversified its sources of funding by attracting capital through both US Private Placements and German Schuldschein debt for longer periods from institutional investors and other banking institutions. Arcadis has a well-developed working capital management system and centralized cash management approach, limiting capital costs. We focus on maintaining a solid financial performance in the short- and long-term, with debt levels that stay well within our loan covenants, transparent reporting and a proactive investor relations program. |
| **PEOPLE RISK** | | |
| Arcadis has a strategic ambition to be seen as the best in everything it undertakes, which includes attracting and retaining the best people and creating an environment that enables them to reach their full potential. In addition, we strategically rely on collaboration to leverage our capabilities and global footprint to bring the best of Arcadis to better serve our local, national and global clients. | Failure to develop a balanced culture focused on performance and collaboration that embodies our core values of Integrity, Client Focus, Collaboration and Sustainability may negatively impact our ability to successfully pursue work and provide leading-edge solutions for our clients. This, in turn, can lead to loss of opportunities, client relationships and ultimately loss of revenues. | Arcadis manages the recruitment and selection of people based on job qualifications, but also on the ability to work in global teams and perform under pressure. In addition, Arcadis has a multitude of programs directed at improving collaboration and knowledge exchange around the world, including our Quest exchange program, Global Shapers engagement program, centers of excellence, and targeted education programs such as our Program Management, Project Management and Client Development Academies. In 2015, we launched the Arcadis Leadership Competency model to provide leaders with a transparent competency overview that provides clarity in how a leader in Arcadis can contribute to the success of Arcadis. It will be used in performance management reviews and to develop managers into leaders. |

| OPERATIONAL RISKS | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| **CLIENT AND PROJECT RISK** | | |
| Arcadis works on tens of thousands of projects annually for many different clients, and encounters a variety of risks. Client selection determines our ability to perform work effectively, while also impacting remuneration for the performance we deliver. Project selection is critical to our success as project demands need to match our ability to provide the right solutions and not introduce undue limitations or liabilities to our performance. The careful selection of our partners, whether for joint ventures, alliances or sub-contracting, is essential to successful project completions. | Inappropriate client selection may expose Arcadis to risk with regard to its ability to be paid or unfavorable outcomes with regard to scope changes and other issues, resulting in lower margins. Improper project selection and management may lead to cost overruns, while contractual conditions may result in considerable liabilities, claims and loss of clients. Selecting inappropriate partners may result in design failures, project delays, conflicts of interest, again resulting in possible liabilities and negative effects on revenues and/ or margins. | An extensive and globally prescribed Go/ No go process prescribes client and project selection – the choice of which clients to work with and which projects to work on is carefully weighed against a broad set of risk assessments and within a prescribed authority matrix within the regions and operating companies. Our thorough review of contract conditions, regular project reviews, selection, training and performance reviews of people, quality management systems, and a global insurance policy also limit our project risk. Main project risks and claims are assessed quarterly and, if required, provisions are taken to cover risk. Projects which have a higher risk profile due to fee scales and/ or the nature of the work are tracked on a Global Project Watch List, which is reviewed quarterly at corporate level, with active interventions as required. In addition, all claims with a potential impact above a certain size are monitored at corporate level by the Executive Board. |
| **REPORTING RISK** | | |
| Arcadis is a global business, operating across many financial jurisdictions and has grown rapidly via significant acquisitions in recent years. Ensuring that all operating companies are reporting to the same financial policies and delivering the same quality of reporting with trained, experienced finance staff is essential. | A material misrepresentation of our financial performance, misjudgment of our backlog, or other management judgments with regard to our financial performance, may trigger the need for restatements, which can have a severe impact on a company's reputation and stock market value. | Clear accounting policies, applicable to all operating companies, with central oversight, and standard reporting formats are key components of the risk management and financial control system for financial reporting. Rapidly integrating acquisitions into the Arcadis accounting framework is a key control. Regular project reviews are another control element with financial staff adding robustness to the review process by independently reviewing projects to assess matters such as revenue (including revenue recognition), profitability (including costs to complete), time recorded, work in progress and invoicing. The Regional CFOs report hierarchically to Arcadis' Global CFO. The implementation of Business Blueprint will further embed the application of the accounting policies |

| OPERATIONAL RISKS | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| **CAPACITY/ CAPABILITY RISK** | | |
| Employee utilization is a key driver for Arcadis' financial success. More effective use of the time available from our experts can be a strong driver for our margin performance. | A decrease in workload may reduce employee utilization. Experience indicates that a strong market downturn can cause a substantial decrease in annual revenues for the business in that market. Such conditions could seriously impact margins and profitability. | All operating companies monitor and report order intake and billability on a bi-weekly basis. In Europe, our policy is to have a certain percentage of our people on flexible contracts. Information on bookings and billability is used to decide on staff capacity adjustments. Additional mitigation is achieved through the use of Global Design Excellence Centers. |
| **LIQUIDITY RISK** | | |
| A free flow of capital is crucial to operate our business and for future success to fund our growth strategy. | Financial risks include credit, liquidity, currency and interest rate risks. Of these, our risk assessments have shown liquidity risks to be the most important. This includes the availability of sufficient financial resources to finance our strategy. | Liquidity risks are centrally managed by giving a high priority to working capital and cash flow, which are reported by all operating companies on a monthly basis to the Corporate Treasury department. More extensive information on financial risks (including sensitivity analysis), and the way these are managed can be found in note 28 to the Consolidated financial statements in this Annual Report. |
| **INFORMATION TECHNOLOGY RISK** | | |
| In Arcadis' increasingly global operations, we rely on collaboration to win work and bring the best of Arcadis to clients, wherever they operate. Seamless communications and connectivity are paramount to that approach. An increased global presence also comes with greater cybersecurity challenges that requires Arcadis to constantly adapt to the accelerating pace of worldwide changes. | Information Technology (IT) is fundamental to our daily operations and is critical to our supporting processes and portfolio of capabilities and we increasingly rely on providing services to clients with integrated applications or services (webhosting). Communication and collaboration requires operating information and communication technology systems that meet the needs of an increasingly mobile and socially connected workforce. Arcadis must guard against the risks of loss or corruption of critical, confidential, financial data and the disruption of productivity. | Mitigation efforts run across three areas: People, process/ structure, and technology. Risk awareness surrounding safe IT usage among our people, including the employees of partner companies with whom we collaborate on projects, is essential. This includes use of (social) networks, access such as password safety and information integrity. Processes/ structures and technology are set up to provide preventive and repressive controls, such as physical and logical security, backup of data, restoration testing and business continuity plans and disaster recovery testing. |

| HEALTH & SAFETY RISK | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| Through our project engagements, our people may work in hazardous conditions or dangerous environments that may lead to accidents. Nevertheless, the office environment may also be risk prone if people are not properly aware of Health & Safety aspects. | Health & Safety (H&S) incidents may translate into project stoppages, loss of working hours, medical costs or, in worst case, loss of life. All of these incidents are associated with extra costs or liabilities and as a result may impact company performance. | Arcadis has a H&S First policy and culture and strives to provide a healthy and safe work environment for all of its employees, clients and subcontractors. In addition, our Global H&S Vision and Policy commits us to proactively identify and control the H&S risks of our work to prevent injuries and strive every day for zero incidents. Our Global H&S Management System prevents risks, and our behavior-based approach encourages continuous improvement of H&S performance. |

| COMPLIANCE RISK | POSSIBLE IMPACT | RISK MITIGATING ACTIONS |
|---|---|---|
| As a global company, Arcadis operates in a world that is generally becoming increasingly regulated, and in geographies with different business practices and cultures. Areas of increasing focus include compliance with tax regulations, data protection & privacy laws and anti-bribery & corruption laws. | Failure to comply with applicable regulations could lead to fines, claims and reputational damage. | With Integrity as one of our core values, and our license to operate, Arcadis has a zero tolerance approach with regard to compliance issues. We have an integrity-focused compliance program, which aims to further improve awareness among our people on our policies and procedures and business dilemmas they may face.<br><br>Applicable policies and procedures include our General Business Principles, policies confirming procedures for issue reporting and content, policies with clear guidance on anticorruption and trading prohibitions. Specific training and awareness sessions are provided during the year. The compliance framework includes Compliance Officers and Compliance Committees in each region, a group Compliance Committee and, since October 2015, a global Chief Compliance Officer. An integrity phone line allows our people to report issues anonymously if they feel uncomfortable going to management or Compliance Officers. For additional information, refer to the Sustainability section. |

## MANAGEMENT STATEMENTS

### ASSESSMENT OF INTERNAL CONTROL

The Executive Board has reviewed the effectiveness of internal risk management and control systems, based upon the following information:

- Reports of internal audits, including an evaluation and conclusions regarding internal control in the operating companies, based on operating company management reports on their testing of entity-level controls, general IT controls and (automated and manual) process-level controls. Internal Audit evaluated these reports, identified improvement areas and discussed findings with management. Subsequently, the operating company management signed a letter of representation for their reporting and an in-control statement for the primary and supporting processes;
- Reports from Internal Audit on audits performed throughout the year. Findings and measures to address issues were discussed with local management, the Executive Board and the Audit and Risk Committee;
- Board Report from the external auditor with findings and remarks regarding internal controls. This letter has been discussed with the Audit and Risk Committee and the Supervisory Board.

### IN-CONTROL STATEMENT

The Executive Board is responsible for the design and performance of the internal risk management and control systems. Although such systems are intended to optimally control risks, they can never, however well-designed or performing, provide absolute certainty that human errors, unforeseen circumstances, material losses, fraud or infringements of laws or regulations will not occur. In addition, efforts related to risk management and internal control systems should be balanced with the costs of their implementation and maintenance.

Based on the approach outlined above, the Executive Board believes that, to the best of its knowledge, the risk management and control systems with regard to financial reporting risks worked properly in 2015 and provided a reasonable assurance that the financial reporting does not contain any errors of material importance.

### RESPONSIBILITY STATEMENT

In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Executive Board confirms that to the best of its knowledge:

- the Consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of Arcadis and its consolidated companies;
- the Annual Report gives a true and fair view of the position as per 31 December 2015 and the developments during the financial year of Arcadis and its group companies included in the Consolidated financial statements; and
- the Annual Report describes the principal risks Arcadis is facing.

The names and functions of the Executive Board members are mentioned on page 15 under 'Composition of the Executive Board'.

RELEVANT DOCUMENTS ON CORPORATE WEBSITE

- Arcadis General Business Principles

www.arcadis.com/en/global/who-we-are/governance/our-governance-principles/

WWW.ARCADIS.COM/GOVERNANCE

**PRINCIPLES OF GOOD GOVERNANCE:**
- **INTEGRITY**
- **TRANSPARENCY**
- **ACCOUNTABILITY**
- **PROPER SUPERVISION**

# CORPORATE GOVERNANCE REPORT

Arcadis is committed to the principles of good governance: integrity, transparency, accountability and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. Compliance with the principles and best practices of this code, including an explanation of deviations, was discussed in the General Meeting of Shareholders in May 2004 and accepted by the shareholders. Since that date, no material changes have been made to the corporate governance structure.

In December 2008, the Dutch Corporate Governance Code Monitoring Committee presented an update of the Dutch Corporate Governance Code, which became effective by decree on 1 January 2009 (the 'Code'). In the Annual Report 2009, an overview was given of the actions taken to comply with the updated Code and shareholders concurred at the General Meeting of Shareholders that was held on 12 May 2010. Any future material changes in the company's corporate governance structure and its compliance with the Code will be submitted to shareholders for their consideration. An overview of the corporate governance structure of Arcadis and an explanation of deviations from the principles and best practices of the Code are provided below. For additional information about Corporate Governance at Arcadis please visit our website at:

www.arcadis.com/governance

## ORGANIZATIONAL STRUCTURE

Arcadis NV is a public limited liability company (Naamloze Vennootschap) under Dutch law. The company is managed by the Executive Board under supervision of the Supervisory Board. Since 2003, Arcadis NV has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the General Meeting of Shareholders (the 'General Meeting'). As proposed by the Executive Board, and with prior approval of the Supervisory Board and the ARCADIS Priority Foundation, the General Meeting can amend the Articles of Association. Such a decision requires a majority of at least three-quarters of the votes cast in a meeting in which at least three-quarters of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three-quarters of the votes, regardless of the share capital represented in the meeting.

## EXECUTIVE BOARD

The Executive Board manages the company and is responsible for the company's goals, objectives, strategy, policy and results. The Supervisory Board determines the number of Executive Board members after consultation with the Executive Board.

The General Meeting appoints the Executive Board members. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two-thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chairman and determines, in consultation with the Executive Board, the division of tasks. The present composition of the Executive Board and information about its members are provided on page 15 of this Report.

## SUPERVISORY BOARD

The Supervisory Board supervises and advises the Executive Board on the performance of its management tasks and supervises the overall development of the company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the company and its stakeholders. The Supervisory Board consists of at least three members (currently seven). Members are appointed by the General Meeting. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two-thirds of the votes, representing more than one-third of the issued share capital. In case of a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least one-third of the issued share capital.

The Supervisory Board appoints one of its members as Chairman and one as Vice-Chairman. Members are appointed for a maximum period of four years. They are eligible for reappointment for two additional four-year terms, up to a maximum of twelve years in office. The Supervisory Board has established three committees from among its members: an Audit and Risk Committee, a Selection and Appointment Committee and a Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities.

The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The present composition of the Supervisory Board and information about its members are provided on page 132 of this Report.

## GENERAL MEETING OF SHAREHOLDERS

At least once a year, Arcadis NV convenes a shareholder meeting. Meetings are convened by the Executive and/ or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least 10% of the company's issued share capital if authorized by the relevant Dutch court. Shareholders who hold at least 3% of the issued share capital have the right to propose an item for the agenda. The company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 60 days prior to the meeting date. Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise. Arcadis advocates active shareholder participation at shareholder meetings. Since 2007, the Articles of Association allow for communication and voting by electronic means. For more information about the powers of the General Meeting as well as the company's Articles of Association, please visit:

www.arcadis.com/governance

OUTSTANDING ORDINARY SHARES ON 31 DECEMBER 2015

83.9 million

## SHARE CAPITAL

The authorized share capital of Arcadis NV consists of ordinary shares, cumulative financing preference shares, priority shares and cumulative preference (protective) shares, each with a nominal value of €0.02. At year-end 2015, the total number of ordinary shares issued was 83,922,936. Currently, only ordinary shares and 600 priority shares have been issued. A further explanation on the capital structure is given in note 22 to the Consolidated financial statements. Priority shares and cumulative preference shares have an impact on the governance of the company.

## PRIORITY SHARES

The 600 priority shares, held by the ARCADIS Priority Foundation (Stichting Prioriteit ARCADIS NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the company as well as certain major co-operations, acquisitions and divestments. The Priority Foundation Board is comprised of three members of the Executive Board, all members of the Supervisory Board and ten other members who are Arcadis employees. All resolutions of the Board require a majority of at least 60% of the votes cast, meaning that employee support is needed for those far-reaching decisions. For more information, please see note 22 to the Consolidated financial statements.

## CUMULATIVE PREFERENCE (PROTECTIVE) SHARES

Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the ARCADIS Preferred Stock Foundation (Stichting Preferente Aandelen ARCADIS NV) and Arcadis NV. The objective of this foundation is to protect the interests of Arcadis, its enterprises and all of those involved. In the event of an unfriendly takeover attempt or other hostile situation, preference shares can be used to allow the Executive and Supervisory Boards time to duly consider the situation and the interests involved. For more information, please see note 22 to the Consolidated financial statements.

## REGULATIONS CONCERNING ARCADIS SECURITIES TRANSACTIONS

Arcadis has regulations regarding transactions in Arcadis securities that apply to all employees unless stipulated otherwise. These regulations also prohibit Executive Board members from executing transactions in the securities of certain other listed companies, regardless of whether they have inside information or not. Members of the Supervisory Board are required to obtain prior approval from the Compliance Officer if they wish to execute transactions in the securities of such companies.

## FINANCIAL REPORTING AND ROLE OF AUDITORS

Before being presented to the General Meeting for adoption, annual financial statements as prepared by the Executive Board must be examined by an external certified public auditor. The General Meeting has the authority to appoint the auditor. Each year, the Supervisory Board nominates the auditor for (re-)appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor's assignment (including remuneration) is approved by the Supervisory Board, on the recommendation of the Audit and Risk Committee. Prior to publication, the quarterly and half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditor, in preparation for consideration by the Supervisory Board. The external auditor attends the meetings of the Supervisory Board in which the annual and interim financial statements are to be approved, and the year-end audit report of the external auditor is discussed. The Arcadis Auditor Independence Policy contains rules and procedures for the engagement of the external auditor, in order to ensure its independence.

The Audit and Risk Committee annually evaluates the performance of the external auditor in consultation with the Executive Board, and the outcome is reviewed by the Supervisory Board. The desirability of rotating the external auditor's lead partner is also evaluated. Arcadis changed partners in 2001, 2006 and 2008. In 2014, the General Meeting appointed PricewaterhouseCoopers Accountants NV as new auditor for the financial year 2015, which automatically implies a change in lead partner. In 2015, the General Meeting appointed PricewaterhouseCoopers Accountants NV as auditor of the 2016 financial statements.

Arcadis has an internal audit function which operates under the responsibility of the Executive Board, with reporting lines to the CEO, CFO and the Audit and Risk Committee. The scope of work of the internal audit function is regulated in an Internal Audit Charter. The external auditor and the Audit and Risk Committee are involved in the preparation and approval of the annual internal audit plan. Internal Audit Reports are discussed with the Audit and Risk Committee in the presence of the external auditor.

## COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

Arcadis applies the principles and best practices of the Dutch Corporate Governance Code published in December 2003 and as amended in December 2009, except for the following and for the reasons set out below:
**IV.1.1:** In 2003, the Articles of Association of the company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association.

### RELEVANT DOCUMENTS ON CORPORATE WEBSITE

- Dutch Corporate Governance Code
- Arcadis NV Articles of Association
- Regulation Executive Board
- Regulations regarding transactions in Arcadis securities
- Arcadis policy on bilateral contacts with shareholders

www.arcadis.com/governance

WWW.ARCADIS.COM/GOVERNANCE

**REMUNERATION POLICY ALIGNED WITH STRATEGY OF THE COMPANY, FINANCIAL GOALS AND RELATED RISKS. GOOD BALANCE BETWEEN FIXED, VARIABLE, LONG-TERM AND SHORT-TERM REMUNERATION**

# REMUNERATION REPORT

The remuneration policy for Executive Board members is determined by the Supervisory Board, based on the advice of the Arcadis Remuneration Committee ('RemCo', formerly abbreviated as ARC), and aims to attract, motivate and retain international executives of the highest caliber to deliver our ambitious business strategy.

This report outlines the application of the remuneration policy for Executive Board members in 2015 as well as how actual performance in 2015 against set performance criteria affected remuneration levels.

## REFLECTING ON 2015

Since the General Meeting of Shareholders ('General Meeting') adopted the proposed revisions to the existing remuneration policy in May 2014, there have been no changes to the remuneration policy for the Executive Board or Supervisory Board. As announced at last year's annual General Meeting, in 2015 the RemCo commenced its review of the remuneration policy of the members of the Executive Board at the instruction of the Supervisory Board. The RemCo has decided not to propose any changes to the existing remuneration policy for 2016. It will recommence its review in 2016 with a view to deciding whether to propose to the General Meeting any changes to the existing policy which would apply to 2017.

In 2015, the RemCo came together four times and participated in one telephone call. All meetings and telephone calls were attended by the Corporate HR Director. Occasionally – dependent on the subject matter – the Global Director Compensation & Benefits and/ or the Chief Executive Officer attended. Important topics discussed by the RemCo in 2015 were payment of 2014 bonuses to members of the Executive Board and the Senior Management Committee, the annual grant of long-term incentives under the Arcadis NV Long-term Incentive Plan 2014, the bonus plan for 2016 for members of the Executive Board and the Senior Management Committee.

## EXECUTIVE BOARD REMUNERATION

### REMUNERATION POLICY

#### REMUNERATION IN LINE WITH MEDIAN LEVEL OF REFERENCE GROUPS

The remuneration policy for Executive Board members aims to support the business strategy, enhance the link between pay and performance and align the interests of our Executive Board members with shareholders' interests by stimulating share ownership while adopting the highest standards of good corporate governance.

Remuneration for Executive Board members consists of fixed remuneration, short-term variable remuneration, long-term variable remuneration and retirement benefits, as well as other benefits. Variable remuneration is an important part of the total package and is based on performance criteria that incentivize value creation in the short- and long-term.

The remuneration policy is based on a comparison against two reference groups of thirteen companies each. The first group focuses on Dutch-headquartered companies with significant international activities. The second group consists mainly of global industry peers:

| REFERENCE GROUP 1 | REFERENCE GROUP 2 |
|---|---|
| Aalberts Industries (NL) | AECOM (US) |
| Boskalis (NL) | CBRE (US) |
| Fugro (NL) | Jacobs Engineering (US) |
| Nutreco (NL) | Jones Lang LaSalle (US) |
| SBM Offshore (NL) | Pöyry (FIN) |
| Ten Cate (NL) | RPS Group (UK) |
| TKH Group (NL) | Sweco (Sw) |
| TNT Express (NL) | Tetra Tech (US) |
| Vopak (NL) | WS Atkins (UK) |
| Jones Lang LaSalle (US) | WSP Global (CA) |
| Sweco (Sw) | Boskalis (NL) |
| Tetra Tech (US) | Fugro (NL) |
| WS Atkins (UK) | SBM Offshore (NL) |

The remuneration policy aims to align Arcadis with the market median of both reference groups on Total Direct Compensation (the sum of fixed remuneration, short-term variable remuneration and long-term variable remuneration).

## FIXED REMUNERATION

In May 2014, the General Meeting approved to increase the fixed remuneration levels for the Executive Board members to align with the median levels of the applicable reference groups. As a result, the following annual fixed remuneration applies for 2015:

| | Annual remuneration |
|---|---|
| CEO (N. McArthur) | €630,000 |
| CFO (R. Vree) | €450,000 |
| Member EB (S. Hottenhuis) | €420,000 |
| Member EB (S. Ritter) | €420,000 |
| Member EB (Z. Smith)[1] | $672,000 |

1 Amount in US$ as Mr. Z. Smith is based in the US
Mr Smith stepped down from the Executive Board on 31 December 2015

## SHORT-TERM VARIABLE REMUNERATION

The short-term variable remuneration can range from 0% to 85% of the fixed remuneration, with 50% payout when targets are met. In order to increase alignment with shareholders and to stimulate share ownership, 20% of the short-term variable remuneration is paid out in shares. These shares cannot be traded for five years.

### PERFORMANCE CRITERIA

In order to support the company's strategy for 2014 - 2016, which has a clear focus on sustainable growth, (financial) performance and collaboration, financially driven criteria determine 75% of the short-term variable remuneration, reflecting the company's financial priorities, while the non-financial criteria determine 25% of the remuneration.

in %

| CRITERION | Weight |
|---|---|
| **FINANCIAL CRITERIA** | **75** |
| Collective financial criteria | 50 |
| - Earnings per share | |
| - Return on invested capital | |
| Individual financial criteria | 25 |
| - CEO: organic growth (corporate) | |
| - CFO: free cash flow | |
| - Board Members: organic growth (regional) | |
| **NON-FINANCIAL CRITERIA** | **25** |
| - Strategy implementation | |
| - People development | |
| - Role modeling behavior | |
| - Health & Safety | |
| **TOTAL** | **100** |

The part of the short-term variable remuneration determined by the individual financial criteria will only be awarded if a minimum operating EBITA margin of 9% is achieved (excluding the impact of acquisitions).

The Supervisory Board sets targets annually, based on the plan for the respective year. In 2015, the bonus percentage is based on the following:

in %

| | | Short-term variable remuneration as percentage of fixed remuneration in 2015 | | |
|---|---|---|---|---|
| CRITERION | Weight | Minimum | At target | Maximum |
| Earnings per share | 25 | 0 | 12.5 | 21.25 |
| Return on invested capital | 25 | 0 | 12.5 | 21.25 |
| Individual financial target: | 25 | 0 | 12.5 | 21.25 |
| - CEO: organic growth (corporate) | | | | |
| - CFO: free cash flow | | | | |
| - Board Members: organic growth (regional) | | | | |
| **NON-FINANCIAL CRITERIA** | **25** | **0** | **12.5** | **21.25** |
| **TOTAL** | **100** | **0** | **50** | **85** |

In 2015, the performance against the targets set for Earnings Per Share (EPS), Return On Invested Capital (ROIC), Organic Growth and Free Cash Flow was as follows:

**2015 PERFORMANCE ON FINANCIAL CRITERIA**

| CRITERION | Pay-out as % of target | Pay-out as % of fixed remuneration |
|---|---|---|
| Earnings Per Share | 0% | 0% |
| Return On Invested Capital | 0% | 0% |
| Organic Growth (N. McArthur) | 53% | 7% |
| Organic Growth (S. Hottenhuis) | 0% | 0% |
| Organic Growth (S. Ritter) | 160% | 20% |
| Organic Growth (Z. Smith) | 0% | 0% |
| Free Cash Flow (R. Vree) | 76% | 10% |

Performance against the non-financial targets, derived from the company's strategy and focusing on success in implementing the strategy, proactively identifying and developing a talent pipeline, role modeling behavior by living our core values and being a Health & Safety steward, was assessed by the Supervisory Board. The outcomes varied by individual Executive Board member and ranged between 4% and 12.5% of fixed remuneration.

This resulted in bonuses varying between 4% and 33% of fixed remuneration. In line with the current remuneration policy, 20% of these bonuses are paid in shares to the Executive Board. Performance against the pre-set financial targets has been reviewed and confirmed by our external auditor.

## LONG-TERM VARIABLE REMUNERATION: PERFORMANCE SHARES

The long-term variable remuneration aims to align the interests of the members of the Executive Board with long-term shareholder's interests. Therefore, under the remuneration policy, the variable remuneration is focused on long-term performance. Since 2014, in line with best market practice, the long-term variable remuneration for the Executive Board is based on performance shares only. This is different from the 2011 - 2013 practice where Executive Board members were granted both performance shares and options.

The performance-based shares granted to members of the Executive Board each year under the remuneration policy, vest and become unconditional after three years (and are restricted for another two years after vesting), dependent on Arcadis' relative performance against a peer group of comparable, listed companies. Performance is measured as Total Shareholder Return (TSR), which is defined as the share price increase, including reinvested dividends. This stimulates creating shareholder value in the longer term.

### PEER GROUP AND VESTING

At the end of each three-year cycle, Arcadis' performance is measured against the peer group companies. Arcadis' ranking determines whether and to what extent the originally granted performance shares vest and become unconditional. Performance is based on the average TSR over the three-year period. This prevents incidents such as temporary sentiments or takeover rumors related to specific companies having a strong impact on relative performance.

Since not all long-term incentive awards granted in previous years have vested yet, the tables below show the peer group and the applicable vesting scheme for the period 2011 - 2013 and for 2014 - 2016.

| PEER GROUP 2011 - 2013[1] | PEER GROUP 2014 - 2016[1] |
|---|---|
| Arcadis (NL) | Arcadis (NL) |
| WS Atkins (UK) | AECOM (US) |
| Grontmij (NL) | Cardno (AUS) |
| Pöyry (Fin) | Hill International (US)[2] |
| Sweco (Sw) | Amec Foster Wheeler (UK) |
| Hyder (UK)/ Amec Foster Wheeler (UK) | Jacobs Engineering (US) |
| WSP Group (CAN) | Pöyry (FIN) |
| AECOM (US) | RPS Group (UK) |
| Jacobs Engineering (US) | SNC-Lavalin (CAN) |
| Tetra Tech (US) | Sweco (Sw) |
| URS (US)/ Stantec (US) | Tetra Tech (US) |
| RPS Group (UK) | Stantec (US) |
| | WS Atkins (UK) |
| | WSP Group (CAN) |

1 The years mentioned refers to the years conditional performance shares and/ or options are/ were granted
2 Hill International replaces Grontmij since its delisting after being acquired by Sweco

| Vesting 2011 - 2013 awards[1] | | Future vesting 2014 - 2016 awards[1] | |
|---|---|---|---|
| Position | Vesting | Position | Vesting |
| 1 | 150% | 1 | 200% |
| 2 | 133% | 2 | 175% |
| 3 | 117% | 3 | 150% |
| 4 | 100% | 4 | 125% |
| 5 | 83% | 5 | 100% |
| 6 | 67% | 6 | 75% |
| 7 | 50% | 7 | 50% |
| 8 | 0% | 8 | 0% |
| 9 | 0% | 9 | 0% |
| 10 | 0% | 10 | 0% |
| 11 | 0% | 11 | 0% |
| 12 | 0% | 12 | 0% |
| | | 13 | 0% |
| | | 14 | 0% |
| Expected: | 64% | Expected: | 62.5% |

1 Expected vesting percentage, assuming each position has an equal chance

## NUMBER OF SHARES

The long-term variable remuneration comprises conditional performance shares to be granted each year. The shares will vest and become unconditional upon achievement of performance after three years, and are restricted for another two years. Based on the remuneration policy, the number of shares granted for each of the years 2014, 2015 and 2016 is fixed, with 2014 being the base.

In line with the remuneration policy, the value of the performance shares that are granted is based on the average Arcadis share price in the first quarter of 2014 and the expected vesting percentage based on an equal probability for each position against the TSR peer group after three years (62.5%), corrected for dividend. This fair value determines the number of shares that represent 90% of fixed remuneration for the Chairman and for the Chief Financial Officer and 65% of fixed remuneration for the other members of the Executive Board. In 2015, the Chairman was granted 36,500 performance shares and the Chief Financial Officer was granted 26,000 shares, while the other members of the Executive Board were granted 17,500 performance shares.

## VESTED SHARES AND OPTIONS

In May 2015, the shares and options granted in May 2012 became unconditional at 117% of the originally granted numbers. This was due to Arcadis' performance in the period 2012 - 2014 resulting in third place among the peer group.

Over the period 2013 - 2015, Arcadis ended in 4th place among the peer group. Therefore, the conditional performance shares and options that were granted in May 2013 will become unconditional in May 2016 at 100% of the originally granted numbers. Please refer to the information in note 44, 45 and 46 to the Consolidated financial statements for more information on conditional performance shares and options.

## RETIREMENT AND OTHER BENEFITS, CONTRACTS

### RETIREMENT BENEFITS

Executive Board members (excluding Mr. Smith) participate in the Arcadis Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years. The contribution from the participants is 6.36% of the pensionable salary (annual base salary minus offset) for the salary part below €100,000 (maximum pensionable salary under Dutch tax legislation). Executive Board members participating in the Arcadis Netherlands pension plan also receive an annual cash allowance in line with market practice in the Netherlands for the salary part above €100,000. Mr. Smith operated from the US in 2015 and participated in the 401k plan of Arcadis US.

In May 2014, the General Meeting of Shareholders approved that legislative changes effecting the value of the pension and other benefits will always be evaluated, which can lead to changes outsides the normal review cycle.

### OTHER BENEFITS

Executive Board members receive a fixed allowance for expenses, as well as other customary fringe benefits, including the use of a company car. They may also participate in the Employee Stock Purchase Plan to purchase up to a maximum of €400 per month of Arcadis shares from the Lovinklaan Foundation at a discount.

## EMPLOYMENT CONTRACTS, MANAGEMENT AGREEMENTS AND SEVERANCE PAY

Mrs. S. Hottenhuis, appointed to the Executive Board in May 2012, has an employment contract with Arcadis NV. In line with current Dutch legislation, Mr. N. McArthur (reappointed in 2015), Mr. R. Vree, (reappointed in May 2014), and Mr. S. Ritter (appointed in May 2014), work for Arcadis NV under a management agreement. All four have a four-year term and a maximum severance pay of one year's base salary. Contracts of Executive Board members do not contain provisions for the event of the termination of employment resulting from a change in control.

## OTHER ELEMENTS OF THE REMUNERATION POLICY

In December 2009, a revised Corporate Governance Code became effective which contains additional best practices regarding executive remuneration. Based on the advice of the RemCo, the Supervisory Board evaluated these additional best practices in 2014, which resulted in the following:

- The remuneration policy is aligned with the strategy and financial goals of the company and its related risks. It includes a good balance between fixed and variable remuneration and between short- and long-term remuneration and is (relatively) simple and understandable;
- The remuneration of Executive Board members is in reasonable proportion to that of the next level in the organization. Arcadis' Senior Management Committee members and other operating company directors have a remuneration structure comparable to the Executive Board. A scenario analysis made with respect to potential outcomes of the variable remuneration gave no cause for adjustment of the remuneration policy;
- The Supervisory Board recognizes that conditionally awarded variable remuneration components could produce unfair results, due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved. In such cases, the Supervisory Board will use its judgment to make adjustments (downwards or upwards) to the value of these variable remuneration components, taking into account the relevant circumstances. This ultimum remedium clause is included in the Long-Term Incentive Plan 2014;
- The Supervisory Board will use its best efforts – taking into account the relevant circumstances – to recover from Executive Board members any variable remuneration awarded on the basis of incorrect financial or other data. This claw-back clause is included in the bonus program and in the Long-Term Incentive Plan 2014.

Based on the practices above, no additional measures were taken in 2015.

## REMUNERATION OVERVIEW

For more information on remuneration and share and option ownership of Executive Board members, please refer to note 44 and 45 of the Consolidated financial statements in this report.

## REMUNERATION SUPERVISORY BOARD

The General Meeting determines the remuneration of Supervisory Board members. The remuneration for Supervisory Board members was reviewed in 2014, based on a benchmark analysis by an external advisor of remuneration at companies that are in the same reference market groups mentioned before. In view of the outcome of this analysis, in May 2014 the General Meeting approved the following remuneration as per 1 July 2014:

| In € | Chairman | Member |
|---|---|---|
| Yearly fixed remuneration | 65,000 | 50,000 |
| Yearly fixed cost compensation | 3,000 | 2,000 |
| Membership AARC | 10,000 | 7,000 |
| Membership ASC and RemCo | 9,000 | 6,000 |

In addition, at its May 2015 meeting, the General Meeting approved an attendance fee for all Supervisory Board members per physical meeting that takes place outside of their country of residence of €2,500. Remuneration is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of Arcadis shares by a Supervisory Board member is meant as a long-term investment.

For more information on remuneration and share ownership of Supervisory Board members, please refer to notes 44 and 46 of the Consolidated financial statements in this report.

## OTHER INFORMATION

The company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. The articles of association of Arcadis NV provide current and former Executive Board members and Supervisory Board members with an indemnification for all costs and expenses arising from and against any claim, action or lawsuit related to actions and/ or omissions in their function as Executive Board or Supervisory Board members.

On behalf of the Arcadis Remuneration Committee

**Ruth Markland, Chairwoman**

### RELEVANT DOCUMENTS ON CORPORATE WEBSITE

- Arcadis NV Remuneration policy Executive Board
- Arcadis NV Remuneration Supervisory Board

www.arcadis.com/governance/remuneration

# FINANCIAL STATEMENTS 2015

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| GROSS REVENUES | 5 | 3,419,295 | 2,634,918 |
| Materials, services of third parties and subcontractors | | (822,541) | (619,002) |
| NET REVENUES | | 2,596,754 | 2,015,916 |
| Personnel costs | 7, 8 | (1,961,631) | (1,504,339) |
| Other operational costs | 7 | (388,851) | (309,076) |
| Depreciation and amortization | 12, 13 | (43,342) | (32,229) |
| Amortization other intangible assets | 12 | (47,362) | (24,174) |
| Other income | 6 | 5,895 | 4,212 |
| **TOTAL OPERATIONAL COSTS** | | **(2,435,291)** | **(1,865,606)** |
| **OPERATING INCOME** | | **161,463** | **150,310** |
| Finance income | 9 | 7,905 | 12,866 |
| Finance expenses | 9 | (45,669) | (24,085) |
| Fair value change of derivatives | 9, 16 | 11,682 | (6,162) |
| NET FINANCE EXPENSE | | (26,082) | (17,381) |
| Result from investments accounted for using the equity method | 14 | (3,218) | (440) |
| **PROFIT BEFORE INCOME TAX** | | **132,163** | **132,489** |
| Income taxes | 10 | (31,137) | (38,551) |
| **PROFIT FOR THE PERIOD** | | **101,026** | **93,938** |

## PROFIT ATTRIBUTABLE TO:

| | | | |
|---|---|---|---|
| Equity holders of the Company (net income) | | 98,740 | 91,583 |
| Non-controlling interests | | 2,286 | 2,355 |
| **PROFIT FOR THE PERIOD** | | **101,026** | **93,938** |

## EARNINGS PER SHARE (IN €)

| | | | |
|---|---|---|---|
| Basic earnings per share | 11 | 1.19 | 1.23 |
| Diluted earnings per share | 11 | 1.15 | 1.18 |

The notes on page 166 to 222 are an integral part of these Consolidated financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX** | | |
| PROFIT FOR THE PERIOD | 101,026 | 93,938 |
| ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS: | | |
| Exchange rate differences for foreign operations | 43,106 | 57,162 |
| Effective portion of changes in fair value of cash flow hedges | (131) | 1,433 |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS: | | |
| Changes related to post-employment benefit obligations | 11,226 | 1,751 |
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX** | **54,201** | **60,346** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **155,227** | **154,284** |

| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | |
|---|---|---|
| Equity holders of the Company | 153,308 | 151,813 |
| Non-controlling interests | 1,919 | 2,471 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **155,227** | **154,284** |

1 Restated following updates to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4
The notes on page 166 to 222 are an integral part of these Consolidated financial statements

## NON-GAAP PERFORMANCE MEASURE (UNAUDITED)

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| **NET INCOME FROM OPERATIONS[1]** | | | |
| Profit for the period attributable to equity holders (net income) | | 98,740 | 91,583 |
| Amortization identifiable intangible assets, net of taxes | | 36,341 | 19,042 |
| Non-recurring[2] | | 923 | 12,218 |
| Lovinklaan employee share purchase plan[3] | | 1,059 | 757 |
| **NET INCOME FROM OPERATIONS** | | **137,063** | **123,600** |

| NET INCOME FROM OPERATIONS PER SHARE[1] (IN €) | | | |
|---|---|---|---|
| Basic earnings per share | 11 | 1.66 | 1.66 |
| Diluted earnings per share | 11 | 1.59 | 1.59 |

1 Non-GAAP performance measure (unaudited), to provide transparency on the underlying performance of our business
2 Non-recurring items include acquisition related costs
3 The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme. Accordingly, the Company treats the related share-based expenses as non-operational expenses

# CONSOLIDATED BALANCE SHEET

as at 31 December - before allocation of profit

| In € thousands | Note | 2015 | 2014 RESTATED[1] |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets and goodwill | 12 | 1,252,921 | 1,210,672 |
| Property, plant & equipment | 13 | 90,821 | 84,114 |
| Investments accounted for using the equity method | 14 | 33,061 | 32,679 |
| Other investments | 15 | 1,779 | 1,377 |
| Deferred tax assets | 10 | 32,464 | 51,607 |
| Pension assets for funded schemes in surplus | 24 | 2,385 | – |
| Other non-current assets | 17 | 30,458 | 29,199 |
| **TOTAL NON-CURRENT ASSETS** | | **1,443,889** | **1,409,648** |
| **CURRENT ASSETS** | | | |
| Inventories | | 234 | 292 |
| Derivatives | 16 | 2,722 | 5,583 |
| Trade receivables | 18 | 606,931 | 540,801 |
| Work in progress (unbilled receivables) | 19 | 466,446 | 436,364 |
| Corporate income tax receivable | 10 | 21,690 | 26,231 |
| Other current assets | 20 | 65,707 | 60,391 |
| Cash and cash equivalents | 21 | 221,088 | 178,311 |
| **TOTAL CURRENT ASSETS** | | **1,384,818** | **1,247,973** |
| **TOTAL ASSETS** | | **2,828,707** | **2,657,621** |

1 Restated following updates to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

| | Note | 2015 | 2014 RESTATED[1] |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| **TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | 22 | **1,007,970** | **892,119** |
| Non-controlling interests | 23 | 3,365 | 3,812 |
| **TOTAL EQUITY** | | **1,011,335** | **895,931** |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions for employee benefits | 24 | 64,004 | 75,068 |
| Provisions for other liabilities and charges | 25 | 59,031 | 72,366 |
| Deferred tax liabilities | 10 | 95,214 | 96,912 |
| Loans and borrowings | 26 | 687,310 | 500,383 |
| Derivatives | 16 | 1,095 | 129 |
| **TOTAL NON-CURRENT LIABILITIES** | | **906,654** | **744,858** |
| **CURRENT LIABILITIES** | | | |
| Work in progress (billing in excess of cost) | 19 | 265,711 | 237,458 |
| Current portion of provisions | 24, 25 | 15,039 | 11,205 |
| Corporate tax liabilities | 10 | 29,750 | 24,729 |
| Current portion of loans and (short-term) borrowings | 26 | 31,758 | 195,506 |
| Derivatives | 16 | 6,131 | 6,005 |
| Bank overdrafts | 21 | – | 16,301 |
| Accounts payable, accrued expenses and other current liabilities | 27 | 562,329 | 525,628 |
| **TOTAL CURRENT LIABILITIES** | | **910,718** | **1,016,832** |
| **TOTAL LIABILITIES** | | **1,817,372** | **1,761,690** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,828,707** | **2,657,621** |

The notes on page 166 to 222 are an integral part of these Consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| In € thousands | Note | Share capital | Share premium | Hedging reserve | Translation reserve | Retained earnings | Shareholders' equity | Non-controlling interests | Total equity |
| **BALANCE AT 1 JANUARY 2014** | | **1,496** | **201,530** | **(3,735)** | **(58,446)** | 453,835 | 594,680 | 2,914 | 597,594 |
| Profit for the period | | – | – | – | – | 91,583 | 91,583 | 2,355 | 93,938 |
| **OTHER COMPREHENSIVE INCOME:** | | | | | | | | | |
| Exchange rate differences (restated[1]) | | – | – | – | 57,046 | – | 57,046 | 116 | 57,162 |
| Effective portion of changes in fair value of cash flow hedges | 16 | – | – | 1,708 | – | – | 1,708 | – | 1,708 |
| Taxes related to effective portion of changes in fair value of cash flow hedges | 10 | – | – | (275) | – | – | (275) | – | (275) |
| Re-measurements on post-employment benefit obligations | 24 | – | – | – | – | 2,622 | 2,622 | – | 2,622 |
| Taxes related to re-measurements on post-employment benefit obligations | 10 | – | – | – | – | (871) | (871) | – | (871) |
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES (RESTATED[1])** | | **–** | **–** | **1,433** | **57,046** | **1,751** | **60,230** | **116** | **60,346** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (RESTATED[1])** | | **–** | **–** | **1,433** | **57,046** | **93,334** | **151,813** | **2,471** | **154,284** |
| **TRANSACTIONS WITH OWNERS OF THE COMPANY:** | | | | | | | | | |
| Acquisitions | 23 | – | – | – | – | – | – | 496 | 496 |
| Dividends to shareholders | 22 | – | (19,216) | – | – | (22,138) | (41,354) | (2,069) | (43,423) |
| Issuance of shares | 22 | 166 | 190,305 | – | – | – | 190,471 | – | 190,471 |
| Share-based compensation | 8 | – | – | – | – | 8,169 | 8,169 | – | (8,169) |
| Taxes related to share-based compensation | 10 | – | – | – | – | (555) | (555) | – | (555) |
| Purchase of own shares | 22 | – | – | – | – | (40,121) | (40,121) | – | (40,121) |
| Share options exercised | 22 | – | – | – | – | 29,016 | 29,016 | – | 29,016 |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY** | | **166** | **171,089** | **–** | **–** | **(25,629)** | **145,626** | **(1,573)** | **144,053** |
| **BALANCE AT 31 DECEMBER 2014 (RESTATED[1])** | | **1,662** | **372,619** | **(2,302)** | **(1,400)** | **521,540** | **892,119** | **3,812** | **895,931** |
| Profit for the period | | – | – | – | – | 98,740 | 98,740 | 2,286 | 101,026 |
| **OTHER COMPREHENSIVE INCOME:** | | | | | | | | | |
| Exchange rate differences | | – | – | – | 43,473 | – | 43,473 | (367) | 43,106 |
| Effective portion of changes in fair value of cash flow hedges | 16 | – | – | 625 | – | – | 625 | – | 625 |
| Taxes related to effective portion of changes in fair value of cash flow hedges | 10 | – | – | (756) | – | – | (756) | – | (756) |
| Re-measurements on post-employment benefit obligations | 24 | – | – | – | – | 12,354 | 12,354 | – | 12,354 |
| Taxes related to re-measurements on post-employment benefit obligations | 10 | – | – | – | – | (1,128) | (1,128) | – | (1,128) |
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES** | | – | – | **(131)** | **43,473** | **11,226** | **54,568** | **(367)** | **54,201** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | – | – | **(131)** | **43,473** | **109,966** | **153,308** | **1,919** | **155,227** |
| **TRANSACTIONS WITH OWNERS OF THE COMPANY:** | | | | | | | | | |
| Acquisitions | 23 | – | – | – | – | – | – | (68) | (68) |
| Dividends to shareholders | 22 | – | (21,058) | – | – | (28,182) | (49,240) | (2,298) | (51,538) |
| Issuance of shares | 22 | 16 | 21,042 | – | – | – | 21,058 | – | 21,058 |
| Share-based compensation | 8 | – | – | – | – | 10,089 | 10,089 | – | 10,089 |
| Taxes related to share-based compensation | 10 | – | – | – | – | (6,947) | (6,947) | – | (6,947) |
| Purchase of own shares | 22 | – | – | – | – | (41,650) | (41,650) | – | (41,650) |
| Share options exercised | 22 | – | – | – | – | 29,233 | 29,233 | – | 29,233 |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY** | | **16** | **(16)** | – | – | **(37,457)** | **(37,457)** | **(2,366)** | **(39,823)** |
| **BALANCE AT 31 DECEMBER 2015** | | **1,678** | **372,603** | **(2,433)** | **42,073** | **594,049** | **1,007,970** | **3,365** | **1,011,335** |

1 Restated following updates to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4.
The notes on page 166 to 222 are an integral part of these Consolidated financial statements

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| PROFIT FOR THE PERIOD | | 101,026 | 93,938 |
| ADJUSTMENTS FOR: | | | |
| Depreciation and amortization | 12, 13 | 43,342 | 32,229 |
| Amortization other identifiable intangible assets | 12 | 47,362 | 24,174 |
| Income taxes | 10 | 31,137 | 38,551 |
| Net finance expense | 9 | 26,082 | 17,381 |
| Result from Investments accounted for using the equity method | 14 | 3,218 | 440 |
| ADJUSTED PROFIT FOR THE PERIOD (EBITDA) | | **252,167** | **206,713** |
| Share-based compensation | 8 | 10,089 | 8,169 |
| Change in operational derivatives | | 447 | – |
| Settlement of operational derivatives | | (337) | – |
| Change in Inventories | | 68 | 95 |
| Change in Receivables | | (48,500) | (18,169) |
| Change in Provisions | | (21,243) | (6,367) |
| Change in Billing in excess of costs | | 14,909 | (14,680) |
| Change in Current liabilities | | 8,840 | 3,908 |
| Dividend received | | 2,013 | 711 |
| Interest received | | 7,922 | 6,322 |
| Interest paid | | (32,997) | (22,577) |
| Corporate tax paid | | (22,504) | (24,655) |
| **NET CASH FROM OPERATING ACTIVITIES** | (A) | **170,874** | **139,470** |

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investments in (in)tangible assets | 12, 13 | (53,368) | (38,084) |
| Proceeds from sale of (in)tangible assets | | 3,100 | 1,992 |
| Investments in consolidated companies | | (9,266) | (502,243) |
| Proceeds from sale of consolidated companies | | – | (52) |
| Investments in associates and joint ventures | 14 | (9,333) | (152) |
| Proceeds from sale of associates and joint ventures | 14 | – | 1,502 |
| Investments in other non-current assets and other investments | 15, 17 | (3,570) | (5,651) |
| Proceeds from (sale of) other non-current assets and other investments | 15, 17 | 3,799 | 5,290 |
| **NET CASH (USED IN)/ FROM INVESTING ACTIVITIES** | (B) | **(68,638)** | **(537,398)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from exercise of options | 22 | 29,233 | 29,016 |
| Proceeds from issuance of shares | 22 | – | 171,253 |
| Purchase of own shares | 22 | (41,640) | (40,121) |
| Settlement of financing derivatives | 16 | 15,502 | (2,800) |
| New long-term loans and borrowings | 26 | 284,186 | 118,384 |
| Repayment of long-term loans and borrowings | 26 | (116,260) | (54,937) |
| New short-term borrowings | | 108,682 | 359,997 |
| Repayment of short-term borrowings | | (297,480) | (171,233) |
| Dividends paid | | (30,480) | (24,207) |
| **NET CASH (USED IN)/ FROM FINANCING ACTIVITIES** | (C) | **(48,257)** | **385,352** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS** | (A+B+C) | **53,979** | **(12,576)** |
| Exchange rate differences | | 5,099 | 23,997 |
| Cash and cash equivalents less Bank overdrafts at 1 January | | 162,010 | 150,589 |
| **CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT 31 DECEMBER** | | **221,088** | **162,010** |

The notes on page 166 to 222 are an integral part of these Consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Arcadis NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located at:

Gustav Mahlerplein 97-103
1082 MS Amsterdam
The Netherlands

Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company') is the leading global Design & Consultancy firm for natural and built assets. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services we work in partnership with our clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

In accordance with Articles 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries and investments accounted for using the equity method is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

## 2 BASIS OF PREPARATION

### STATEMENT OF COMPLIANCE

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in conformity with Part 9 of Book 2 of the Dutch Civil Code. As the financial data of Arcadis NV is included in the Consolidated financial statements, the Company income statement of Arcadis NV is condensed in conformity with Article 2:402 of the Dutch Civil Code.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 17 February 2016. The Consolidated financial statements as presented in this report are subject to adoption by the General Meeting of Shareholders, to be held on 25 April 2016.

### BASIS OF MEASUREMENT

The Consolidated financial statements have been prepared on historical cost basis, except for the following items, which are measured at an alternative basis on each reporting date:

- Derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- Liabilities for cash-settled share-based payments arrangements, which are measured at fair value;
- Net defined benefit (asset)/ liability, which is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- Contingent consideration assumed in a business combination, which is measured at fair value; and
- Financial assets at fair value through profit or loss, which are measured at fair value.

Reference is made to the significant accounting policies as included in the relevant notes to the Consolidated financial statements for more detailed information on the measurement basis.

### BASIS OF CONSOLIDATION

The Consolidated financial statements include the accounts of Arcadis NV and its subsidiaries, and the Company's interests in jointly controlled entities and associates.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### COMPARATIVE FIGURES

No material events occurred that resulted in an amendment of the comparative figures due to changes in accounting policies or errors. Comparative figures have been restated for changes to our segments, see note 3. The Consolidated balance sheet as at 31 December 2014 has been restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4.

## FOREIGN CURRENCIES

### FUNCTIONAL AND REPORTING CURRENCY

The Consolidated financial statements are presented in euros, which is the Company's functional and reporting currency. All amounts shown in the financial statements are in thousands of euros unless otherwise stated. Items included in the financial information of each of Arcadis' entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). If the functional currency of a (foreign) subsidiary, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognized as translation differences in Other comprehensive income, and presented in the Translation reserve in equity.

### FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the functional currency of entities using the foreign exchange rate at transaction date. The functional currency of the foreign entities is in general the local currency. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at balance sheet date.

Exchange rate differences are included in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

### FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date.

Foreign currency differences are recognized in Other comprehensive income, and presented in the translation reserve in equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the Translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

## ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS

The preparation of the Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. This includes:

- Purchase price accounting related to a business combination – see note 4;
- Taxation - see note 10;
- Impairment testing – see note 12;
- Work in progress – see note 19;
- Provisions – see note 24 and 25; and
- Capital and financial risk management – see note 28.

The key accounting estimates and judgements in preparing the Consolidated financial statements are further explained in the relevant notes to the Consolidated financial statements. In general, the judgements, estimates and assumptions are based on market-information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

## IMPAIRMENT

The carrying amounts of the assets of Arcadis, other than work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the assets recoverable amount is estimated. Goodwill and assets that have an indefinite useful life are tested annually for impairment, and when an impairment trigger is identified.

Receivables are first individually assessed for impairment, and if they are found not to be impaired they are collectively assessed for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized with regard to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## FINANCIAL INSTRUMENTS

### NON-DERIVATIVE FINANCIAL ASSETS

Financial assets include trade and other receivables, cash and cash equivalents and loans and borrowings. Loans, receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. These non-derivative financial instruments are initially recognized at fair value. Subsequently, these are measured at amortized cost, using the effective interest method, less any impairment losses.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or if the contractual rights to the cash flows are transferred in a transaction in which substantially all the risks and rewards related to the ownership of the financial asset are transferred.

The Company recognizes the following classes of non-derivative financial assets:

- Financial assets at fair value through profit or loss. See note16 for the accounting policies;
- Held-to-maturity financial assets. The Company does not have such financial assets in 2015 and 2014;
- Available-for-sale financial assets. The Company does not have such financial assets in 2015 and 2014; and
- Loans and Receivables. These are financial assets with fixed or determinable payments, not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequently these assets are measured at amortized cost using the effective interest method, less any impairment losses. The receivables comprise cash and cash equivalents, and trade and other receivables. See note 15, 17, 18, 19, 20 and 21 for the accounting policies.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date.

### NON-DERIVATIVE FINANCIAL LIABILITIES

See note 26 and 27 for the accounting policies.

### DERIVATIVE FINANCIAL INSTRUMENTS

See note 16 for the accounting policies.

### OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and reported as a net amount in the Balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## CASH FLOW STATEMENT

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into euros using average exchange rates, approximating the foreign exchange rate at transaction date. Exchange rate differences on cash items are shown separately in the Cash flow statement. Receipts and payments with respect to income tax and interest are included in the cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the Cash flow statement in the same category as those of the hedged item.

## RECENT ACCOUNTING DEVELOPMENTS

### IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE COMPANY

In 2015, the Company did not adopt any new or amended standards with a material impact to the Consolidated financial statements.

### IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE COMPANY

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, which have not been applied in preparing these Consolidated financial statements. These standards and interpretations will only be applicable after endorsement by the European Union. Management has no intention to apply these standards earlier than the official effective date, and has not yet performed a detailed analysis of the impact of the application of these new standards. The most relevant new standards, amendments and changes for Arcadis are described hereafter.

| STANDARD | | IMPLEMENTATION DATE | ENDORSED BY THE EU | IMPACT |
|---|---|---|---|---|
| IFRS 9 | Financial Instruments | 1 January 2018, with early adoption permitted | Not yet endorsed (expected: H2 2016) | IFRS 9 replaces the existing guidance in IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on (de)recognition of financial instruments from IAS 39. Arcadis has not yet determined the full impact of IFRS 9 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018, with early adoption permitted | Not yet endorsed (expected: Q2 2016) | IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'. Arcadis has not yet determined the full impact of IFRS 15 |
| IFRS 16 | Leases | 1 January 2019, with early adoption permitted | Not yet endorsed (expected: to be determined) | IFRS 16 replaces the existing guidance in IAS 17 'Leases'. IFRS 16 introduces a new definition of a lease and eliminates the current dual accounting model for lessees, bringing most leases on-balance in the financial statement of the lessee. Arcadis has not yet determined the full impact of IFRS 16 |

## 3 SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities that can result in revenue and expenses, including revenues and expenses related to transactions with other components of the same Company.

The operating segment reporting follows the internal reporting used by the Executive Board of the Company to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure is EBITA (earnings before interest, tax, and amortization of Identifiable intangible assets), as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Following IFRS 8, the Company has five reportable segments in 2015 (excluding Corporate), which is a change compared to prior year. Callison and RTKL are now combined, and included in a separate reporting segment as they exceed 10% of overall revenues and EBITA. In 2014, both entities were allocated to North America. Hyder and EC Harris are now embedded in the regional management structure, resulting in a shift from the segment United Kingdom across the other reporting segments. Comparative figures have been restated to reflect these changes. The information used by management to monitor progress and for decision making about operational matters is at operating segment level.

The Company has a global network based on home market positions and operates in a local-to-local market, which enables it to maintain the relationships with clients and to understand the local market conditions. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment.

The following operating segments have been aggregated into one reportable segment:

| OPERATING SEGMENT | REPORTING SEGMENT |
|---|---|
| North America | North America |
| Middle East, Latin America, Asia, Australia Pacific | Emerging Markets |
| Continental Europe | Continental Europe |
| United Kingdom | United Kingdom |
| CallisonRTKL | CallisonRTKL |

### ENTITY WIDE DISCLOSURES

#### REVENUES BY BUSINESS LINE

In addition to the operating segments the Executive Board also monitors financial information based on global business lines, being Infrastructure, Water, Environment and Buildings. Reference is made to the section 'Performance and developments per business line' in the Annual Report for more information on the activities and performance of the year.

#### GEOGRAPHICAL INFORMATION

The differentiation in the type of services provided by the various group companies is limited. These services in general extend to consulting, engineering and project management services. Based on qualitative and quantitative measures the operating company (OpCo) information is aggregated, adding up OpCos which are active in similar economic environments. This results in geographical segmenting, as disclosed below.

The geographical information differs from the segment information above due to CallisonRTKL, which is included in a separate reporting segment (CallisonRTKL), but is geographically represented in all the geographical regions listed below.

The geographical information is as follows:

| | Net revenues by origin | | (In)tangible assets | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 RESTATED[1] |
| North America | 865.9 | 708.4 | 389.4 | 360.6 |
| Emerging Markets | 807.3 | 575.7 | 407.5 | 405.2 |
| Continental Europe | 484.5 | 441.6 | 207.6 | 191.7 |
| United Kingdom | 439.1 | 290.2 | 339.2 | 337.3 |
| **TOTAL** | **2,596.8** | **2,015.9** | **1,343.7** | **1,294.8** |

1 Restated following updates to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

#### MAJOR CUSTOMERS

The Company has no customers that account for more than 10% of annual total revenue.

| In € millions unless otherwise stated | North America | Emerging Markets | Continental Europe | United Kingdom | CallisonRTKL | Eliminations | TOTAL SEGMENTS | Corporate and unallocated amounts | TOTAL CONSOLIDATED |
|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | |
| External gross revenues | 1,090.9 | 824.6 | 613.1 | 529.2 | 359.4 | – | 3,417.2 | 2.1 | 3,419.3 |
| Inter-segment | 5.3 | 3.7 | 5.5 | 3.0 | 2.3 | (19.8) | – | – | – |
| **TOTAL GROSS REVENUES** | **1,096.2** | **828.3** | **618.6** | **532.2** | **361.7** | **(19.8)** | **3,417.2** | **2.1** | **3,419.3** |
| Materials, services of third parties and subcontractors | (419.2) | (94.1) | (134.1) | (104.7) | (90.1) | 19.8 | (822.4) | (0.1) | (822.5) |
| NET REVENUES | 677.0 | 734.2 | 484.5 | 427.5 | 271.6 | – | 2,594.8 | 2.0 | 2,596.8 |
| Operating costs | (621.8) | (670.6) | (446.1) | (378.7) | (232.0) | – | (2,349.2) | (1.3) | (2,350.5) |
| Other income | (0.3) | 4.0 | 1.0 | 3.6 | 0.2 | – | 8.5 | (2.7) | 5.8 |
| Depreciation and amortization | (11.4) | (11.3) | (7.4) | (3.2) | (7.0) | – | (40.3) | (3.0) | (43.3) |
| EBITA[1] | 43.5 | 56.3 | 32.0 | 49.2 | 32.8 | – | 213.8 | (5.0) | 208.8 |
| Amortization other intangible assets | (2.2) | (19.6) | (2.2) | (17.9) | (5.4) | – | (47.3) | – | (47.3) |
| OPERATING INCOME | 41.3 | 36.7 | 29.8 | 31.3 | 27.4 | – | 166.5 | (5.0) | 161.5 |
| Net finance expense | (23.0) | (0.8) | 4.8 | (2.4) | (0.3) | – | (21.7) | (4.4) | (26.1) |
| Result from investments accounted for using the equity method | – | (4.4) | 0.5 | 0.4 | 0.3 | – | (3.2) | – | (3.2) |
| SEGMENT PROFIT BEFORE INCOME TAX | 18.3 | 31.5 | 35.1 | 29.3 | 27.4 | – | 141.6 | (9.4) | 132.2 |
| Income taxes | 2.8 | (7.6) | (7.7) | (5.1) | (5.8) | – | (23.4) | (7.8) | (31.2) |
| **PROFIT FOR THE PERIOD** | **21.1** | **23.9** | **27.4** | **24.2** | **21.6** | **–** | **118.2** | **(17.2)** | **101.0** |
| Non-controlling interests | – | (1.2) | (1.0) | (0.1) | – | – | (2.3) | – | (2.3) |
| **NET INCOME** | **21.1** | **22.7** | **26.4** | **24.1** | **21.6** | **–** | **115.9** | **(17.2)** | **98.7** |
| | | | | | | | | | |
| **OPERATING EBITA[1]** | **49.9** | **67.9** | **44.4** | **52.1** | **36.9** | **–** | **251.2** | **(0.9)** | **250.3** |
| **NET INCOME FROM OPERATIONS[1]** | **22.6** | **32.4** | **28.6** | **38.7** | **24.9** | **–** | **147.2** | **(10.1)** | **137.1** |
| | | | | | | | | | |
| **TOTAL ASSETS** | **927.3** | **619.0** | **463.2** | **416.0** | **322.1** | **–** | **2,747.6** | **81.1** | **2,828.7** |
| Investments accounted for using the equity method | – | 26.3 | 4.5 | 0.5 | 1.7 | – | 33.0 | 0.1 | 33.1 |
| Other financial assets | 19.4 | 3.7 | 6.1 | – | 2.9 | – | 32.1 | 0.1 | 32.2 |
| **TOTAL LIABILITIES** | **767.8** | **297.4** | **255.7** | **165.2** | **134.2** | **–** | **1,620.3** | **197.1** | **1,817.4** |
| | | | | | | | | | |
| **TOTAL CAPITAL EXPENDITURES** | **6.5** | **9.8** | **9.3** | **6.4** | **11.1** | **–** | **43.1** | **10.3** | **53.4** |
| | | | | | | | | | |
| **TOTAL NUMBER OF EMPLOYEES[2]** | **4,990** | **10,236** | **5,350** | **3,277** | **1,759** | **–** | **25,612** | **180** | **25,792** |

1 Non-GAAP measure (unaudited)
2 As at 31 December excluding temporary staff

| In € millions unless otherwise stated | North America[2] | Emerging Markets[2] | Continental Europe[2] | United Kingdom[2] | CallisonRTKL[2] | Eliminations[2] | TOTAL SEGMENTS[2] | Corporate and unallocated amounts[2] | TOTAL CONSOLIDATED[2] |
|---|---|---|---|---|---|---|---|---|---|
| 2014 | | | | | | | | | |
| External gross revenues | 912.1 | 609.1 | 559.3 | 352.8 | 199.1 | – | 2,632.4 | 2.5 | 2,634.9 |
| Inter-segment | 5.2 | 1.2 | 2.0 | 2.0 | 1.4 | (11.8) | – | – | – |
| **TOTAL GROSS REVENUES** | **917.3** | **610.3** | **561.3** | **354.8** | **200.5** | **(11.8)** | **2,632.4** | **2.5** | **2,634.9** |
| Materials, services of third parties and subcontractors | (315.9) | (72.2) | (119.8) | (76.5) | (46.6) | 11.8 | (619.2) | 0.2 | (619.0) |
| NET REVENUES | 601.4 | 538.1 | 441.5 | 278.3 | 153.9 | – | 2,013.2 | 2.7 | 2,015.9 |
| Operating costs | (526.0) | (474.3) | (405.6) | (251.8) | (136.6) | – | (1,794.3) | (19.1) | (1,813.4) |
| Other income | 0.1 | 0.8 | 0.7 | 0.9 | 0.1 | – | 2.6 | 1.6 | 4.2 |
| Depreciation and amortization | (10.4) | (7.0) | (6.8) | (1.1) | (4.6) | – | (29.9) | (2.3) | (32.2) |
| EBITA[1] | 65.1 | 57.6 | 29.8 | 26.3 | 12.8 | – | 191.6 | (17.1) | 174.5 |
| Amortization other intangible assets | (1.9) | (11.8) | (0.3) | (7.8) | (2.3) | – | (24.1) | (0.1) | (24.2) |
| OPERATING INCOME | 63.2 | 45.8 | 29.5 | 18.5 | 10.5 | – | 167.5 | (17.2) | 150.3 |
| Net finance expense | (19.7) | (0.6) | 4.7 | (2.1) | 0.1 | – | (17.6) | 0.2 | (17.4) |
| Result from investments accounted for using the equity method | – | (2.9) | 0.4 | 0.3 | 0.3 | – | (1.9) | 1.5 | (0.4) |
| SEGMENT PROFIT BEFORE INCOME TAX | 43.5 | 42.3 | 34.6 | 16.7 | 10.9 | – | 148.0 | (15.5) | 132.5 |
| Income taxes | (12.7) | (13.9) | (7.3) | (3.9) | (5.3) | – | (43.1) | 4.5 | (38.6) |
| **PROFIT FOR THE PERIOD** | **30.8** | **28.4** | **27.3** | **12.8** | **5.6** | **–** | **104.9** | **(11.0)** | **93.9** |
| Non-controlling interests | – | (2.0) | (0.1) | (0.2) | – | – | (2.3) | – | (2.3) |
| **NET INCOME** | **30.8** | **26.4** | **27.2** | **12.6** | **5.6** | **–** | **102.6** | **(11.0)** | **91.6** |
| | | | | | | | | | |
| **OPERATING EBITA[1]** | **67.6** | **58.9** | **38.4** | **26.9** | **13.3** | **–** | **205.1** | **(2.2)** | **202.9** |
| **NET INCOME FROM OPERATIONS[1]** | **32.7** | **27.5** | **27.6** | **18.2** | **7.5** | **–** | **113.5** | **10.1** | **123.6** |
| | | | | | | | | | |
| **TOTAL ASSETS (RESTATED[2])** | **836.2** | **562.3** | **414.1** | **371.4** | **273.4** | **–** | **2,457.4** | **200.2** | **2,657.6** |
| Investments accounted for using the equity method | – | 27.5 | 2.9 | 0.7 | 1.6 | – | 32.7 | – | 32.7 |
| Other financial assets | 18.8 | 3.3 | 5.5 | – | 2.8 | – | 30.4 | 0.2 | 30.6 |
| **TOTAL LIABILITIES (RESTATED[2])** | **712.7** | **262.0** | **220.5** | **166.2** | **112.4** | **–** | **1,473.8** | **287.9** | **1,761.7** |
| | | | | | | | | | |
| **TOTAL CAPITAL EXPENDITURES** | **6.7** | **7.2** | **6.6** | **1.0** | **6.0** | **–** | **27.5** | **10.6** | **38.1** |
| | | | | | | | | | |
| **TOTAL NUMBER OF EMPLOYEES[3]** | **5,174** | **11,368** | **5,182** | **3,196** | **2,044** | **–** | **26,964** | **147** | **27,111** |

1 Non-GAAP measure (unaudited)
2 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions (see note 4) as well as other changes described in this note
3 As at 31 December excluding temporary staff

## 4 CONSOLIDATED INTERESTS

SUBSIDIARIES

Subsidiaries are all companies over which the Company has control. Control over an entity exists when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

LOSS OF CONTROL

Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any profit or loss arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

The nature of business of the Arcadis subsidiaries listed below is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

Arcadis NV indirectly holds 100% of the ordinary shares of all subsidiaries listed below, but does not hold direct interest itself as a result of the intermediate holdings structure within Arcadis.

All subsidiaries are included in the financial consolidation. The proportion of the voting rights in the subsidiaries held directly by the parent company does not substantially differ from the proportion of ordinary shares held.

At 31 December, the total non-controlling interest amounts to €3.4 million (2014: €3.8 million), and is as such not material for the group.

The main consolidated companies are listed below, including the country in which they are domiciled.

| NAME OF SUBSIDIARY | COUNTRY OF INCORPORATION |
|---|---|
| **NORTH AMERICA** | |
| Arcadis US, Inc. | United States |
| | |
| **EMERGING MARKETS** | |
| Hyder Consulting Middle East Ltd. | United Kingdom |
| Arcadis Logos S.A. | Brazil |
| Arcadis Asia Ltd. | Hong Kong |
| Arcadis Australia Pacific Holdings Pty Ltd. | Australia |
| | |
| **CONTINENTAL EUROPE** | |
| Arcadis Nederland BV | Netherlands |
| Arcadis Deutschland GmbH | Germany |
| Arcadis France S.A.S. | France |
| Arcadis Belgium NV | Belgium |
| | |
| **UNITED KINGDOM** | |
| Arcadis LLP | United Kingdom |
| Arcadis Consulting (UK) Limited | United Kingdom |
| | |
| **CALLISONRTKL** | |
| CallisonRTKL, Inc. | United States |

## CHANGES IN CONSOLIDATED INTERESTS

2015

In 2015, Arcadis completed the acquisition of an Australian based company. This acquisition is not material for the group and therefore not further disclosed in this note.

2014

During 2014, the following changes in consolidated interests took place:

- On 3 March 2014, Arcadis fully acquired inProjects Ltd, one of Asia's foremost project management firms. inProjects became part of EC Harris, strengthening Arcadis' presence in Asia and creating the region's leading program, project and cost management organization.
- On 3 October 2014, Arcadis fully acquired Franz Environmental Inc., a 100 people company specialized in environmental remediation, site assessments, brownfields, and hydrogeology. With the addition of Franz, Arcadis grows its presence in North America and its ability to deliver services to its clients located, or with interests, in Canada.
- On 16 October 2014, Arcadis completed the step acquisition of 100% of the shares in Hyder Consulting Plc. ('Hyder'), a 4,600 people design and engineering consultancy with activities in the UK, the Middle East, Germany, Asia and Australia. Hyder Consulting is a leading firm in infrastructure, water and buildings.
- On 17 October 2014, Arcadis fully acquired Callison LLC ('Callison'), a 1,000 people high level architectural and interior design consultancy with offices in the United States, China, Europe, Middle East and Mexico. Callison specializes in retail and office design and large mixed use projects.

Throughout 2014, Arcadis completed acquisitions of some smaller companies, mainly based in the UK. These acquisitions were individually or combined not material for the group and therefore not further disclosed in this note.

## BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Company.

IFRS 3 establishes the following principles in relation to the recognition and measurement of items arising in a business combination:

- Recognition principle: Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree are recognized separately from goodwill. Acquired intangible assets must be recognized and measured at fair value in accordance with the principles if it is separable or arises from other contractual rights, irrespective of whether the acquiree had recognized the asset prior to the business combination occurring.
- Measurement principle: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. This for example means that for contingent liabilities arising in a business combination the requirements of IAS 37 do not apply; contingent liabilities are measured at fair value.

Goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

Contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

With the acquisitions of Hyder and Callison in 2014 we made important steps in our strategy to build sustainable top-five leadership positions in our key markets, creating a truly global platform and we are now able to deliver solutions to our clients in six out of seven continents. Of all acquisitions, the acquisition of Hyder and Callison are considered individually material to the Group and are described below. None of the other acquisitions in 2014 and 2015 are considered to be individually significant.

All acquisitions have been accounted for using the acquisition method, in accordance with IFRS 3. At the end of 2014, the purchase price allocation for all acquisitions was included on a provisional basis in line with common market and accounting practice. In 2015 these balance sheet positions were thoroughly reviewed during which it became clear that the Arcadis' approach for revenue recognition and valuing debtors and claims was more prudent than within Hyder and Callison.

A full review of projects, debtors and claims, led to an update to the provisional purchase price allocations, referred to under IFRS 3 as measurement-period adjustments. These adjustments resulted in restated Consolidated balance sheet positions as at 31 December 2014 and subsequent 2015 quarterly financials. The impact of the measurement-period adjustments is summarized in this note on the next page.

The measurement-period adjustments also resulted in a small (positive) effect to the Consolidated income statement over 2014. Given its size, management does not consider this amount to be material for restating the 2014 Consolidated income statement.

HYDER

During 2015, the Company completed the final allocation of the purchase price related to Hyder, and as such recognized adjustments to the fair value of certain assets acquired and liabilities assumed. The effect of these adjustments on the provisional purchase price allocation was a decrease of the fair value of the net assets acquired (excluding identifiable intangible assets) of €89.2 million and an increase of €23.4 million of identifiable intangible assets acquired. As a result, an overall adjustment to goodwill of €65.8 million was recorded, resulting in goodwill recognized for accounting purposes amounting to €316.1 million.

CALLISON

During 2015, the Company completed the final allocation of the purchase price related to Callison and as such recognized adjustments to the fair value of certain assets acquired and liabilities assumed. The effect of these adjustments on the provisional purchase price allocation was a decrease of the fair value of the net assets acquired (excluding identifiable intangible assets) of €7.4 million and a decrease of €6.7 million of identifiable intangible assets acquired. As a result, an overall adjustment to goodwill of €14.1 million was recorded, resulting in goodwill recognized for accounting purposes amounting to €79.6 million. Goodwill expected to be deductible for income tax purposes amounts to €47.6 million.

| In € thousands | Hyder | | | Callison | | | Other acquisitions | TOTAL | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | Provisional purchase price allocation | Measurement period adjustments | **Final purchase price allocation** | Provisional purchase price allocation | Measurement period adjustments | **Final purchase price allocation** | Recognized values on acquisition | **Final recognized values** | **Measurement period adjustments** |
| **ASSETS** | | | | | | | | | |
| **NON-CURRENT ASSETS** | | | | | | | | | |
| Intangible assets | 106,463 | 23,370 | 129,833 | 34,675 | (6,744) | 27,931 | 6,194 | 163,958 | 16,626 |
| Property, plant & equipment | 10,252 | – | 10,252 | 3,751 | – | 3,751 | 405 | 14,408 | – |
| Other non-current assets | – | – | – | 853 | – | 853 | – | 853 | – |
| Deferred tax assets | 9,560 | 1,232 | 10,792 | – | – | – | – | 10,792 | 1,232 |
| **TOTAL NON-CURRENT ASSETS** | **126,275** | **24,602** | **150,877** | **39,279** | **(6,744)** | **32,535** | **6,599** | **190,011** | **17,858** |
| **CURRENT ASSETS** | | | | | | | | | |
| Trade receivables (net) | 76,476 | (4,811) | 71,665 | 20,313 | (3,669) | 16,644 | 10,445 | 98,754 | (8,480) |
| Work in progress (unbilled receivables) | 92,727 | (35,560) | 57,167 | 21,502 | (4,201) | 17,301 | 233 | 74,701 | (39,761) |
| Other current assets | 14,376 | – | 14,376 | 2,984 | – | 2,984 | 1,437 | 18,797 | – |
| Corporate income tax | – | – | – | 14 | – | 14 | – | 14 | – |
| Cash and cash equivalents | 14,450 | – | 14,450 | 10,063 | – | 10,063 | 3,149 | 27,662 | – |
| **TOTAL CURRENT ASSETS** | **198,029** | **(40,371)** | **157,658** | **54,876** | **(7,870)** | **47,006** | **15,264** | **219,928** | **(48,241)** |
| **TOTAL ASSETS** | **324,304** | **(15,769)** | **308,535** | **94,155** | **(14,614)** | **79,541** | **21,863** | **409,939** | **(30,383)** |
| **LIABILITIES** | | | | | | | | | |
| **NON-CURRENT LIABILITIES** | | | | | | | | | |
| Provisions | 44,305 | 49,386 | 93,691 | – | 512 | 512 | – | 94,203 | 49,898 |
| Deferred tax liabilities | 25,116 | 625 | 25,741 | 6,640 | (993) | 5,647 | 1,479 | 32,867 | (368) |
| Loans and borrowings | 7,453 | – | 7,453 | 256 | – | 256 | 24 | 7,733 | – |
| Derivatives | 100 | – | 100 | – | – | – | – | 100 | – |
| **TOTAL NON-CURRENT LIABILITIES** | **76,974** | **50,011** | **126,985** | **6,896** | **(481)** | **6,415** | **1,503** | **134,903** | **49,530** |
| **CURRENT LIABILITIES** | | | | | | | | | |
| Work in progress (billing in excess of cost) | 43,465 | – | 43,465 | 7,993 | – | 7,993 | 7 | 51,465 | – |
| Corporate tax liabilities | 4,095 | – | 4,095 | 1,845 | – | 1,845 | 1,317 | 7,257 | – |
| Trade and other liabilities | 79,972 | – | 79,972 | 16,472 | – | 16,472 | 5,647 | 102,091 | – |
| **TOTAL CURRENT LIABILITIES** | **127,532** | **–** | **127,532** | **26,310** | **–** | **26,310** | **6,971** | **160,813** | **–** |
| **TOTAL LIABILITIES** | **204,506** | **50,011** | **254,517** | **33,206** | **(481)** | **32,725** | **8,474** | **295,716** | **49,530** |
| **NON-CONTROLLING INTERESTS** | **496** | **–** | **496** | **–** | **–** | **–** | **–** | **496** | **–** |
| **TOTAL NET ASSET VALUE** | **119,302** | **(65,780)** | **53,522** | **60,949** | **(14,133)** | **46,816** | **13,389** | **113,727** | **(79,913)** |

## SUMMARY MEASUREMENT-PERIOD ADJUSTMENTS

Summarized, the measurement-period adjustments impact the balance sheet as at 31 December 2014 as follows:

| In € thousands | Note | 2014 REPORTED | Measurement period adjustments | Currency effect on adjustment | 2014 RESTATED |
|---|---|---|---|---|---|
| Intangible assets, excluding goodwill | 12 | 212,130 | 16,626 | (375) | 228,381 |
| Deferred tax assets | 10 | 50,375 | 1,232 | – | 51,607 |
| Trade receivables | 18 | 549,455 | (8,480) | (174) | 540,801 |
| Work in progress (unbilled receivables) | 19 | 476,304 | (39,761) | (179) | 436,364 |
| Equity (translation reserve) | | (56,962) | – | (84) | (57,046) |
| Provisions (non-current) | 25 | (22,439) | (49,898) | (29) | (72,366) |
| Deferred tax liabilities | 10 | (97,335) | 368 | 55 | (96,912) |
| **TOTAL ADJUSTMENT TO NET ASSET VALUE** | | | **(79,913)** | **(786)** | |

The total impact on Goodwill as at year-end amounts to €80.7 million:

| in € thousands | Note | 2014 REPORTED | Measurement period adjustments | Currency effect on adjustment | 2014 RESTATED |
|---|---|---|---|---|---|
| **GOODWILL** | 12 | **901,592** | **79,913** | **786** | **982,291** |

The measurement-period adjustments, summarized in the table above, are individually explained in the respective notes, providing additional information on adjustments recognized.

The net cash outflow of the acquisitions of 2014 is summarized as follows:

| in € thousands | Hyder | Callison | Other acquisitions | TOTAL |
|---|---|---|---|---|
| **TOTAL NET ASSET VALUE** | **53,522** | **46,816** | **13,389** | **113,727** |
| Recorded goodwill | 316,147 | 79,640 | 19,369 | 415,156 |
| **CONSIDERATION** | **369,669** | **126,456** | **32,758** | **528,883** |
| After-payments unpaid total | – | (3,050) | (8,436) | (11,486) |
| After-payments paid in 2014 | – | – | 2,115 | 2,115 |
| Cash (acquired)/ disposed | (14,450) | (10,064) | (3,149) | (27,663) |
| **NET CASH OUTFLOW RELATED TO 2014 TRANSACTIONS** | **355,219** | **113,342** | **23,288** | **491,849** |
| After-payments paid related to earlier acquisitions | – | – | 10,446 | 10,446 |
| **TOTAL NET CASH OUTFLOW** | **355,219** | **113,342** | **33,734** | **502,295** |

The total change in net asset value increased the total amount of Goodwill, which was assigned to our segments (at acquisition date) as follows:

| In € thousands | 2014 REPORTED | Measurement period adjustments | Reclassification due to change in segments | 2014 RESTATED |
|---|---|---|---|---|
| North America | 37,834 | 22,141 | (51,728) | 8,247 |
| Emerging Markets | 204,543 | 10,608 | (27,912) | 187,239 |
| Continental Europe | 8,712 | 5,788 | – | 14,500 |
| United Kingdom | 84,154 | 41,376 | – | 125,530 |
| CallisonRTKL | – | – | 79,640 | 79,640 |
| **TOTAL CHANGE IN GOODWILL** | **335,243** | **79,913** | – | **415,156** |

Goodwill is subject to annual impairment testing (or more frequently if necessary) in accordance with our accounting policies as explained in note 12. Impairment losses are recognised in profit or loss.

## DEFERRED CONSIDERATION

The total amount of contractual after-payments and earn outs for acquisitions is as follows:

| In € thousands | Initial recognition | Discount effect/ Interest | 2015 TOTAL | 2014 TOTAL |
|---|---|---|---|---|
| **BALANCE AT 1 JANUARY** | **17,446** | **1,140** | **18,586** | **13,802** |
| Acquisitions | 984 | – | 984 | 16,996 |
| Interest accrual | – | 479 | 479 | 500 |
| Release | (1,291) | – | (1,291) | – |
| Payments/ Redemptions | (6,784) | – | (6,784) | (12,684) |
| Exchange rate differences | 393 | (183) | 210 | (28) |
| **BALANCE AT 31 DECEMBER** | **10,748** | **1,436** | **12,184** | **18,586** |

Of the total amount of after-payments, an amount of €3.6 million (2014: €11.5 million) is included in the Consolidated balance sheet under Loans and borrowings as other long-term debt, while €8.6 million (2014: €7.1 million), due within one year, is included under Other current liabilities as disclosed in note 27.

Ultimo 2015, after-payments relating to acquisitions prior to 2015 amounting to €11.2 million mainly related to Callison LLC (2014), SENES Consultants Limited (2013) and Estudos Téchnicos e Projectos ETEP Ltda. ('ETEP'; 2012).

## 5 REVENUES

REVENUE RECOGNITION

Revenue is recognized when the outcome of a transaction can be estimated reliably, which is when both the amount of revenues and the cost incurred to date and to complete the transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will be collected, and the stage of completion can be measured.

Contract revenues consists of the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenues and can be measured reliably.

Revenues and costs are recognized in profit or loss in proportion to the percentage of completion of the transaction at reporting date. The stage of completion for revenues is determined as a percentage of the contract costs incurred in relation to the total estimated contract costs (input measure), and are only recognized to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

For construction contracts and part of the service contracts revenue is recognized for the costs incurred on contracts plus an appropriate proportion of overheads and attributable profit based upon percentage of completion. In determining the percentage of completion estimates of project management are used to assess the progress of the project and the estimated outcome. The estimates influence the timing and amount of revenue recognition.

When the expected costs to complete a contract outweigh the expected benefits, then an onerous contract provision is recognized, which involves estimates of the outcome of projects in progress. Loss provisions are part of 'Work in progress (unbilled receivables)' or 'Work in progress (billing in excess of costs)'.

SERVICES VERSUS CONSTRUCTION CONTRACTS

Revenues from services rendered represent fee income receivable in respect of services provided during the period. Construction contracts include the rendering of services, which are directly related to the construction of assets, contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

GROSS VERSUS NET REVENUES

Gross revenues of the Company consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Group. Net revenue is gross revenue minus materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractors.

Gross revenues arise from the following categories:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Revenues from services | 2,844,713 | 1,995,833 |
| Construction contract revenues | 574,582 | 639,085 |
| **TOTAL REVENUES** | **3,419,295** | **2,634,918** |

## 6 OTHER INCOME

Other income includes results that arise from events or transactions that are clearly distinct from the ordinary activities of the Company. When the sale of an asset leads to a gain, the gain is recognized separately as part of other income. A loss is recorded as other operational costs.

| In € thousands | 2015 | 2014 |
|---|---|---|
| Book gain on sale of assets | 183 | 243 |
| Results from investments | 320 | 1,546 |
| Release of after-payments | 1,291 | 825 |
| Other | 4,101 | 1,598 |
| **TOTAL OTHER INCOME** | **5,895** | **4,212** |

In 2015, the category 'other' includes €0.3 million of government grants, €2.5 million from a contingent asset that became virtually certain and various other individually immaterial gains. In 2014, the category 'other' included a one-off gain of €1.6 million resulting from the revaluation of the Hyder shares the Company already held (ca. 25.7%) at the date of the formal and full acquisition.

## 7 OPERATIONAL COSTS

All employee-related cost as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

| In € thousands | 2015 | 2014 |
|---|---|---|
| Salaries and wages | 1,528,218 | 1,156,506 |
| Social charges | 166,371 | 143,689 |
| Pension and early retirement charges | 72,258 | 49,659 |
| Other personnel costs (including temporary labor) | 194,784 | 154,485 |
| **TOTAL PERSONNEL COSTS** | **1,961,631** | **1,504,339** |

| In € thousands | 2015 | 2014 |
|---|---|---|
| Occupancy expenses | 122,973 | 91,128 |
| Travel expenses | 64,456 | 57,323 |
| Office expenses | 85,584 | 57,138 |
| Audit and consultancy costs | 38,346 | 36,094 |
| Insurance costs | 19,050 | 14,399 |
| Marketing and advertising expenses | 5,579 | 4,152 |
| Other operational costs | 52,863 | 48,842 |
| **TOTAL OTHER OPERATIONAL COSTS** | **388,851** | **309,076** |

Share based payment expenses in scope of IFRS 2 are recognized in personnel costs. The average number of contract employees in 2015 was 26,473 (2014: 22,463).

## 8 SHARE-BASED COMPENSATION

The Company holds share-based incentive plans. The fair value of share-based compensations at grant date under the Arcadis long-term incentive plan is recognized as an employee expense, with a corresponding increase in equity, over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the actual number of awards meeting these vesting conditions.

The fair value of the granted options and shares is measured using a Monte Carlo simulation model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

As the fair value is amortized over the vesting period, the costs are recognized in the Income Statement. The amortization costs are adjusted for effects of cancelled and forfeited grants. The vesting and exercise of rights to acquire shares may be conditional to performance conditions and other conditions, as set by the Supervisory Board.

### LONG-TERM INCENTIVE PLANS

To stimulate the realization of long-term Company objectives and goals, Arcadis NV uses Long-Term Incentive Plans (‘LTIP’). The outstanding options and conditional performance shares relate to the 2005, 2010 and 2014 LTIPs.

Shares under the LTIP are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date, and are delivered as soon as practical thereafter.

### ARCADIS NV 2005 AND 2010 LONG-TERM INCENTIVE PLANS

The options and conditional performance shares annually granted to members of the Executive Board and selected key employees are conditional and have a vesting period of three years. Vesting is dependent on performance criteria set forth in advance. The granting of such options and conditional performance shares takes place each year on or about the second day after the Annual General Meeting of Shareholders, whereby the exercise price for the options will match the closing price of Arcadis NV shares on the day of the grant.

The following table shows the indexation on measured performance applicable to the number of options and conditional performance shares at date of vesting under the 2005 and 2010 Long-Term Incentive Plans that can become unconditional at the end of each three-year period depending on Arcadis’ relative position in comparison to the peer group, subject to continued employment.

| In % | Conditional options and shares that vest for management | Conditional options and shares that vest for key staff |
|---|---|---|
| **POSITION AGAINST PEER GROUP** | | |
| First | 150 | 115 |
| Second | 133 | 110 |
| Third | 117 | 105 |
| Fourth | 100 | 100 |
| Fifth | 83 | 95 |
| Sixth | 67 | 90 |
| Seventh | 50 | 85 |
| Eighth | – | 80 |
| Below Eighth | – | – |

## ARCADIS 2014 LONG-TERM INCENTIVE PLAN

In 2014, the Supervisory Board approved the continuation of the Arcadis 2010 Long-Term Incentive Plan in the form of the Arcadis 2014 Long-Term Incentive Plan ('2014 LTIP'). The revised Plan was approved by the General Meeting of Shareholders in May 2014.

This Plan provides for a maximum of 10,000,000 shares or options to be allocated during a five-year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of the Company.

Options and shares granted are conditional in nature and depend on, amongst others, attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as stock price appreciation plus dividend yield.

Each year, a three-year cycle begins, whereby achievements are measured at the end of the vesting date against a peer group of companies of comparable size and breadth. Arcadis' position in the peer group determines whether the (conditional) options and shares granted earlier become unconditional. See the 'Remuneration Report' for more information.

The following table shows the indexation on measured performance applicable to the number of options and conditional performance shares at date of vesting under the 2014 LTIP that may become unconditional at the end of each three-year period depending on Arcadis' relative position in comparison to the peer group, subject to continued employment.

| In % | Conditional options and shares that vest for management | Conditional options and shares that vest for key staff |
|---|---|---|
| **POSITION AGAINST PEER GROUP** | | |
| First | 200 | 150 |
| Second | 175 | 125 |
| Third | 150 | 125 |
| Fourth | 125 | 100 |
| Fifth | 100 | 100 |
| Sixth | 75 | 75 |
| Seventh | 50 | 50 |
| Eighth | – | 50 |
| Ninth | – | 50 |
| Tenth | – | 25 |
| Eleventh | – | 25 |
| Twelfth to fourteenth | – | – |

To prevent dilution, (a portion of) shares required to meet the obligations from exercising LTIPs can be purchased by the Company (instead of issuing new shares), with due consideration to the Company's balance sheet, in particular available freely distributable reserves and available cash. Alternatively, shares can be issued, whereby it is intended to limit this to 1% of the number of issued shares.

## OUTSTANDING OPTIONS

The number and weighted average exercise price of the share options under the combined Arcadis LTIPs are as follows:

| | Number of USD options | Weighted average exercise price (in $) | Number of EUR options | Weighted average exercise price (in €) |
|---|---|---|---|---|
| **BALANCE AT 1 JANUARY 2014** | **4,500** | **5.00** | **8,006,406** | **15.90** |
| Effect of peer group | – | – | (58,026) | 16.18 |
| Exercised | (4,500) | 5.00 | (1,947,117) | 14.95 |
| Cancelled/ forfeited | – | – | (158,982) | 16.76 |
| **BALANCE AT 31 DECEMBER 2014** | **–** | **–** | **5,842,281** | **16.17** |
| Effect of peer group | – | – | 49,732 | 15.74 |
| Exercised | – | – | (1,800,724) | 16.11 |
| Cancelled/ forfeited | – | – | (174,624) | 18.54 |
| **BALANCE AT 31 DECEMBER 2015** | – | – | **3,916,665** | **16.22** |

In 2015, a total of 2,978 options expired. The weighted average share price at the date of exercise for share options exercised in 2015 was €27.66 (2014: €25.87).

Total outstanding options at 31 December 2015 were as follows:

| Year of issue | Share price at grant date | Outstanding 1 January 2015 | Increase/ (decrease) by performance measure 2015 | Exercised in 2015 | Cancelled/ forfeited in 2015 | Outstanding 31 December 2015 |
|---|---|---|---|---|---|---|
| **EXERCISABLE OPTIONS:** | | | | | | |
| 2005 | €6.48 | 24,536 | – | (24,536) | – | – |
| 2006 | €12.37 | 123,301 | – | (49,801) | – | 73,500 |
| 2007 | €20.23 | 972,680 | – | (529,034) | – | 443,646 |
| 2008 | €13.77 | 137,037 | – | (35,863) | (1,554) | 99,620 |
| 2009 | €12.06 | 808,805 | – | (212,987) | – | 595,818 |
| 2010 | €14.33 | 330,871 | – | (70,324) | (2,098) | 258,449 |
| 2010 | €16.84 | 63,500 | – | (18,500) | – | 45,000 |
| 2011 | €16.18 | 448,307 | – | (121,202) | (3,727) | 323,378 |
| 2011 | €16.48 | 237,981 | – | (143,480) | (1,944) | 92,557 |
| 2011 | €14.06 | 547,681 | – | (233,075) | (17,556) | 297,050 |
| 2012 | €14.72 | 697,368 | – | (150,571) | 15,341 | 562,138 |
| 2012 | €15.74 | 742,966 | 49,732 | (211,351) | (65,180) | 516,167 |
| **SUBTOTAL** | | **5,135,033** | **49,732** | **(1,800,724)** | **(76,718)** | **3,307,323** |
| **NON-EXERCISABLE OPTIONS:** | | | | | | |
| 2013 | €20.96 | 697,248 | – | – | (97,906) | 599,342 |
| 2013 | €18.26 | 10,000 | – | – | – | 10,000 |
| **SUBTOTAL** | | **707,248** | **–** | **–** | **(97,906)** | **609,342** |
| **TOTAL** | | **5,842,281** | **49,732** | **(1,800,724)** | **(174,624)** | **3,916,665** |

The weighted average exercise price of the share options exercisable at 31 December 2015, was €15.18 (2014: €15.62). The outstanding options at 31 December 2015 have a weighted average contractual life of 4.9 years (2014: 5.8 years).

## OUTSTANDING RESTRICTED SHARE UNITS (RSUS)

Total outstanding RSUs at 31 December 2015, were as follows:

| Year of issue | Share price at grant date | Outstanding 1 January 2015 | Granted in 2015 | Increase/ (decrease) by performance measure 2015 | Exercised in 2015 | Cancelled/ forfeited in 2015 | Outstanding 31December 2015 |
|---|---|---|---|---|---|---|---|
| 2012 | €15.74 | 135,085 | – | 22,436 | (157,076) | (445) | – |
| 2013 | €20.96 | 165,679 | – | – | – | (2,015) | 163,664 |
| 2014 | €25.42 | 415,586 | – | – | – | (15,601) | 399,985 |
| 2015 | €24.93 | – | 90,000 | – | – | (3,881) | 86,119 |
| 2015 | €27.15 | – | 565,670 | – | – | (23,861) | 541,809 |
| **TOTAL** | | **716,350** | **655,670** | **22,436** | **(157,076)** | **(45,803)** | **1,191,577** |

## RESTRICTED SHARE UNIT (RSU'S) GRANTED IN 2015

In 2015, the following number of RSUs have been granted under the 2014 LTIP:

| | Number of RSUs | Grant date | Vesting date | Share price at grant date | Fair value at grant date |
|---|---|---|---|---|---|
| One-off grant | 90,000 | 01-01-2015 | 01-01-2018 | €24.93 | €23.14 |
| Annual grant | 565,670 | 15-05-2015 | 15-05-2018 | €27.15 | €24.83 |

The fair value was determined using a Monte Carlo simulation model, which takes into account the market conditions expected to impact Arcadis' TSR performance in relation to the peer group, and the assumptions used for the largest series of RSUs granted were:

| | **2015** | 2014 |
|---|---|---|
| Expected dividend yield (in %) | 2.11 - 2.15 | 2.15 |
| Risk-free interest rate (in %) | 0.13 - 0.26 | 0.59 |
| Expected volatility (in %) | 26.17 - 26.73 | 28.03 |
| Expected life of RSU (in years) | 3 | 3 |

The expected volatility is calculated based on the share price movements of the 60 months prior to grant date. The annual charge to profit or loss is based on the actual forfeitures instead of an expected percentage.

Overview of RSUs granted at target:

| Grant date | Granted | Unconditional in | Total amount to be expensed over the vesting period (in €) |
|---|---|---|---|
| 18 May 2012 | 149,000 | 2015 | 1,150,714 |
| 9 May 2013 | 177,100 | 2016 | 2,219,152 |
| 20 May 2014 | 419,305 | 2017 | 7,899,706 |
| 1 January 2015 | 90,000 | 2018 | 2,082,600 |
| 15 May 2015 | 565,670 | 2018 | 14,045,586 |

The total amount to be expensed over the vesting period is calculated by taking the RSU grants within a calendar year multiplied by the fair value of the RSUs at grant date. For 2015, this results in an amount to be expensed over a three-year period of €16.1 million (2014: €7.9 million). The year-on-year increase is explained by awarding RSUs to retain senior leaders of Hyder and Callison following the acquisitions, a higher fair value (€24.83 vs. €18.84), and by increasing the average number of shares that people are granted, thereby reducing cash bonuses.

### LTIP COSTS RECOGNIZED DURING 2015

Costs are spread over the vesting period, and included in 'Other personnel costs', see note 7. In 2015, an amount of €10.1 million (2014: €7.4 million) is included for the share based compensations granted to employees in 2015, 2014, 2013 and 2012 under the different LTIPs.

### EMPLOYEE SHARE PURCHASE PLAN (LOVINKLAAN FOUNDATION)

The Company facilitates an Employee Share Purchase Plan that allows employees to periodically purchase shares in the Company at a previously set discount. Shares and discounts are made available by the Lovinklaan Foundation. This Plan has been implemented in a number of countries where the Company is located. The personal investment per employee is limited to €400 per month. Ultimo 2015, 4,077 employees participated in the Plan (2014: 4,109). The cost of the Employee Share Plan in 2015 included in the Company's financial statements amounted to €1.1 million (2014: €0.8 million).

### SHORT TERM INCENTIVE PLANS

For Executive Board members, 20% of the annually granted short term incentive plan is settled in shares, see note 44.

## 9 NET FINANCE EXPENSE

Net finance expense comprises finance income, finance expense and the fair value change of derivatives at fair value through profit or loss. Finance income comprises interest income on funds invested and finance expense comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration. Finance income and finance expenses are recognized in profit or loss as it accrues, using the effective interest method. The fair value changes of derivatives comprise the fair value changes on financial assets at fair value through profit or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in other business cost.

| In € thousands | 2015 | 2014 |
|---|---|---|
| Interest income | 7,905 | 6,093 |
| Foreign exchange differences on financial liabilities | (10,859) | 6,773 |
| Fair value changes of derivatives | 11,682 | (6,162) |
| Finance expenses | (34,810) | (24,085) |
| **TOTAL** | **(26,082)** | **(17,381)** |

Finance expenses in 2015 were higher than 2014 reflecting a full year of higher debt levels originating from the acquisitions of Hyder and Callison.

Interest income generally grew in line with the increased size of the Company, while a USD floating to fixed interest rate swap matured during the year, allowing Arcadis to profit from lower floating US interest rates. The Company also transacted new EUR interest rate swaps to lock-in extremely low rates in the Eurozone.

The average EUR/USD foreign exchange rate for the year increased sharply, with the USD strengthening from 1.33 to 1.11 and this had the effect of increasing interest expense substantially along with higher average debt levels in the Company throughout the year compared to 2014. Net interest expenses in 2015 amounted to €26.9 million (2014: €18.0 million).

In 2015, there were exchange rate gains on the hedging of foreign currency loans and intercompany income by way of foreign exchange forward deals. These gains were offset by losses related to the revaluation of foreign currency intercompany loan balances.

## 10 INCOME TAXES

Income taxes comprise current and deferred tax. Income tax is recognized in profit or loss except to the extent that the tax arises from items recognized in other comprehensive income, directly in equity or from a business combination.

CURRENT TAX

Current tax is the expected tax payable on taxable income for the year and adjustments to tax payable related to previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date. The difference between income tax recognized in profit or loss and income tax paid in the cash flow statement differs primarily due to deferred tax recognized on temporary differences and payment of income tax occurring after the reporting date.

DEFERRED TAX

Deferred tax is recognized using the Balance sheet method and it is not recognized for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and
- investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Measurement of deferred tax is based upon tax rates enacted or substantially enacted expected to be applied in the years in which the temporary differences are expected to reverse. Deferred taxes are not discounted.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future profits will be available against which they can be utilized. Deferred tax assets are reduced tot the extent that it is no longer probable that the related tax benefit will be realized.

Income tax recognized in profit or loss:

| In € thousands | 2015 | 2014 |
|---|---|---|
| **CURRENT TAX EXPENSE** | | |
| Current year | 40,696 | 31,764 |
| Adjustments for previous years | (4,506) | (985) |
| **TOTAL CURRENT TAX EXPENSE** | **36,190** | **30,779** |
| **DEFERRED TAX EXPENSE** | | |
| Origination and reversal of temporary differences | (5,068) | 7,772 |
| Changes in tax rates | 15 | – |
| (De)recognition of deferred tax assets | – | – |
| **TOTAL DEFERRED TAX EXPENSE** | **(5,053)** | **7,772** |
| **TOTAL INCOME TAXES EXPENSE** | **31,137** | **38,551** |

At balance sheet date the corporate tax receivable amounted to €21.7 million and the corporate tax payable amounted to €29.8 million. During 2015, the Company paid taxes for a total amount of €22.5 million (2014: €24.7 million).

### EFFECTIVE TAX RATE RECONCILIATION

The effective income tax rate based on the profit before income tax, excluding results from investments accounted for using the equity method, is 23.0%. The decrease of this effective tax rate compared to 2014 is mainly caused by the geographical mix of taxable income as well as provision-to-return accruals and positive settlements relating to prior years.

| In % | 2015 | 2014 |
|---|---|---|
| Corporate tax rate in the Netherlands | 25.0 | 25.0 |
| Adjustment income tax rates other countries | 2.0 | 7.5 |
| **WEIGHTED AVARAGE STATUTORY INCOME TAX RATE** | **27.0** | **32.5** |
| Non-deductible expenses/ (income) | (5.3) | (4.3) |
| Adjustment previous years | (3.3) | (0.7) |
| Other | 4.6 | 1.6 |
| **EFFECTIVE TAX RATE[1]** | **23.0** | **29.1** |

1 Income taxes divided by profit before income tax, excluding results from investments accounted for using the equity method

## DEFERRED TAX

The movement in deferred tax balances during the year 2015 was as follows:

| In € thousands | Net balance at 1 January 2015 | Recognized in profit or loss | Recognized in Other comprehensive income and Equity | Acquisitions | Exchange rate differences | Net balance at 31 December 2015 | Assets | Liabilities |
|---|---|---|---|---|---|---|---|---|
| Intangible assets and goodwill | (62,627) | (4,919) | – | (821) | (8,652) | (77,019) | 1,407 | 78,424 |
| Property, plant & equipment | 2,146 | (743) | – | – | (143) | 1,260 | 4,251 | 2,991 |
| Work in progress | (41,006) | 13,455 | – | – | (4,129) | (31,680) | 2,265 | 33,945 |
| Accrued expenses | 20,726 | 2,320 | – | – | (346) | 22,700 | 26,090 | 3,390 |
| Derivatives | 741 | – | (756) | – | 40 | 25 | 25 | – |
| Share-based compensation | 11,260 | (751) | (6,947) | – | 20 | 3,582 | 3,582 | – |
| Deferred compensation | 7,732 | (1,605) | (1,128) | – | 140 | 5,139 | 5,139 | – |
| Net operating losses | 8,586 | (1,999) | – | – | 350 | 6,937 | 6,937 | – |
| Others | 7,137 | (705) | – | (30) | (100) | 6,302 | 7,976 | 1,674 |
| **DEFERRED TAX ASSETS/LIABILITIES** | **(45,305)** | **5,053** | **(8,831)** | **(851)** | **(12,820)** | **(62,754)** | **57,674** | **120,420** |
| Offsetting | – | – | – | – | – | – | (25,210) | (25,210) |
| **NET DEFERRED TAXES** | **(45,305)** | **5,053** | **(8,831)** | **(851)** | **(12,820)** | **(62,754)** | **32,464** | **95,214** |

The movement in deferred tax balances during the year 2014 was as follows:

| In € thousands | Net balance at 1 January 2014 | Recognized in profit or loss | Recognized in Other comprehensive income and Equity | Acquisitions RESTATED[1] | Exchange rate differences | Net balance at 31 December 2014 RESTATED[1] | Assets RESTATED[1] | Liabilities RESTATED[1] |
|---|---|---|---|---|---|---|---|---|
| Intangible assets and goodwill | (24,875) | (3,261) | – | (30,562) | (3,929) | (62,627) | 3,678 | 66,305 |
| Property, plant & equipment | (519) | 424 | – | 2,270 | (29) | 2,146 | 4,349 | 2,203 |
| Work in progress | (24,484) | (10,990) | – | (1,163) | (4,369) | (41,006) | 1,978 | 42,984 |
| Accrued expenses | 19,192 | (991) | – | – | 2,525 | 20,726 | 24,562 | 3,836 |
| Derivatives | 953 | – | (275) | – | 63 | 741 | 741 | – |
| Share-based compensation | 17,215 | 515 | (6,484) | – | 14 | 11,260 | 11,260 | – |
| Deferred compensation | 3,252 | 170 | (872) | 4,994 | 188 | 7,732 | 7,732 | – |
| Net operating losses | 3,790 | 4,505 | – | – | 291 | 8,586 | 8,586 | – |
| Others | 2,840 | 1,856 | – | 2,386 | 55 | 7,137 | 8,458 | 1,321 |
| **DEFERRED TAX ASSETS/LIABILITIES** | **(2,636)** | **(7,772)** | **(7,631)** | **(22,075)** | **(5,191)** | **(45,305)** | **71,344** | **116,649** |
| Offsetting | – | – | – | – | – | – | (19,737) | (19,737) |
| **NET DEFERRED TAXES** | **(2,636)** | **(7,772)** | **(7,631)** | **(22,075)** | **(5,191)** | **(45,305)** | **51,607** | **96,912** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set of current tax against current tax liabilities and when the deferred tax assets and liabilities relate to the same taxation authority and the same taxable entity.

At balance sheet date the gross amount of net operating losses, amounting to €30.3 million (2014: €38.2 million), for which a deferred tax asset has been recognized expires as follows:

| in € thousands | Total net operating losses | Net operating losses not recognized | Net operating losses recognized |
|---|---|---|---|
| 2016 | 5,942 | (5,504) | 438 |
| 2017 | 3,562 | (3,218) | 344 |
| 2018 | 1,109 | (589) | 520 |
| 2019 | 1,441 | (515) | 926 |
| 2020 | 1,920 | (209) | 1,711 |
| >2020 | 4,104 | – | 4,104 |
| Unlimited | 90,511 | (68,290) | 22,221 |
| **TOTAL** | **108,589** | **(78,325)** | **30,264** |

For the net operating losses recognized, management is of the opinion that it is probable that these losses will be compensated by future taxable profits. An amount of €78.3 million (2014: €61.5 million) relating to net operating losses was not recognized at balance sheet date.

## 11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/option plans). Diluted earnings per share is calculated using the weighted average number of shares and options outstanding during the period as far as these have a potential dilutive effect, i.e. when the exercise price of these options is lower than the share price.

For calculating the earnings per share, the following numbers of average shares were used:

| Number of shares | 2015 | 2014 |
|---|---|---|
| Average number of issued shares | 83,586,208 | 76,397,375 |
| Average number of treasury shares | (943,750) | (1,937,248) |
| **TOTAL AVERAGE NUMBER OF OUTSTANDING SHARES** | **82,642,458** | **74,460,127** |

For the calculation of earnings per share, no distinction is made between the different classes of shares.

The diluted number of ordinary shares is calculated by using the period-end number of shares and options outstanding and the monthly average share price on the Euronext Amsterdam Stock Exchange. Only options with exercise prices below the average share price are taken into account.

| Number of shares | 2015 | 2014 |
|---|---|---|
| Total average number of outstanding ordinary shares | 82,642,458 | 74,460,127 |
| Average number of diluting shares | 3,386,715 | 3,239,289 |
| **TOTAL AVERAGE NUMBER OF DILUTED SHARES** | **86,029,173** | **77,699,416** |

Of the outstanding options at 31 December 2015, a total of 3,391,335 were in the money and exercisable (2014: 3,694,701). Exercising options may lead to dilution. This dilution is calculated on a weighted average basis. To avoid dilution as much as possible, Arcadis repurchases own shares, which are reissued at the moment options are exercised.

The total earnings of the Group and the earnings per share is as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Net income | 98,740 | 91,583 |
| Net income from operations[1] | 137,063 | 123,600 |

[1] Non-GAAP measure (unaudited)

| In € | 2015 | 2014 |
|---|---|---|
| EARNINGS PER SHARE/ DILUTED EARNINGS PER SHARE | | |
| Net income | 1.19 / 1.15 | 1.23 / 1.18 |
| Net income from operations[1] | 1.66 / 1.59 | 1.66 / 1.59 |

[1] Non-GAAP measure (unaudited)

## 12 INTANGIBLE ASSETS AND GOODWILL

GOODWILL

Goodwill arises from business combinations and represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Reference is made to note 4 for the update to the purchase price allocation applied by the Company on its 2014 acquisitions. Goodwill in respect of equity accounted investees is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Other intangible assets mainly consist of customer relationships, trade names and expected profits in the backlog of acquired companies at the acquisition date. Measurement of Other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these Identifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life. The amortization is recognized in profit or loss on a straight-line basis. The amortization methods and useful lives, as well as residual values, are reassessed annually.

SOFTWARE

Software is measured at cost less accumulated amortization and impairment losses. Software has a finite life and is amortized on a straight-line basis over the estimated useful life. The amortization methods and useful lives, as well as residual values, are reassessed annually. Subsequent costs are recognized in the carrying amount of Software only when it increases the future economic benefits. All other expenditures are recognized in profit or loss as incurred.

ESTIMATED USEFUL LIVES

The estimated useful lives of Intangible assets and Goodwill varies according to their respective categories, as shown below.

| CATEGORY | YEARS |
|---|---|
| Goodwill | Not amortized |
| Software | 3 - 5 |
| Other intangible assets | 0.5 - 10 |
| Intangibles under development | Not amortized |

| In € thousands | Goodwill | Other intangible assets | Software | Intangibles under development | TOTAL |
|---|---|---|---|---|---|
| Cost | 509,637 | 132,278 | 52,854 | – | 694,769 |
| Accumulated amortization | – | (72,568) | (37,334) | – | (109,902) |
| **AS AT 1 JANUARY 2014** | **509,637** | **59,710** | **15,520** | **–** | **584,867** |
| Additions | – | – | 4,003 | 10,155 | 14,158 |
| Acquisitions of subsidiaries (restated[1]) | 415,156 | 158,942 | 5,016 | – | 579,114 |
| Disposals | – | – | (792) | – | (792) |
| Amortization charges | – | (24,174) | (7,675) | – | (31,849) |
| Exchange rate differences (restated[1]) | 57,498 | 6,843 | 833 | – | 65,174 |
| **MOVEMENT 2014 (RESTATED[1])** | **472,654** | **141,611** | **1,385** | **10,155** | **625,805** |
| Cost | 982,291 | 306,980 | 62,623 | 10,155 | 1,362,049 |
| Accumulated amortization | – | (105,659) | (45,718) | – | (151,377) |
| **AS AT 31 DECEMBER 2014 (RESTATED[1])** | **982,291** | **201,321** | **16,905** | **10,155** | **1,210,672** |
| Additions | – | 78 | 5,025 | 11,395 | 16,498 |
| Acquisitions of subsidiaries | 807 | 2,738 | 73 | – | 3,618 |
| Disposals | – | – | (355) | – | (355) |
| Amortization charges | – | (47,362) | (11,308) | – | (58,670) |
| Exchange rate differences | 65,425 | 15,162 | 558 | 13 | 81,158 |
| **MOVEMENT 2015** | **66,232** | **(29,384)** | **(6,007)** | **11,408** | **42,249** |
| Cost | 1,048,523 | 314,195 | 70,204 | 21,563 | 1,454,485 |
| Accumulated amortization | – | (142,258) | (59,306) | – | (201,564) |
| **AS AT 31 DECEMBER 2015** | **1,048,523** | **171,937** | **10,898** | **21,563** | **1,252,921** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Amortization Other intangible assets | 47,362 | 24,174 |
| Depreciation and amortization | 11,308 | 7,675 |

## GOODWILL

For annual impairment testing, goodwill is allocated to Cash-Generating Units (CGUs). The CGU is the lowest level within the Group at which goodwill is monitored for internal management purposes. Compared to prior year this level has changed following a change in the governance model to regional leadership teams. The CGUs are in line with the operating segments as disclosed in note 3.

Goodwill capitalized was assigned to our CGUs as follows:

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| North America | 258,241 | 234,821 |
| Latin America | 18,343 | 23,329 |
| Asia | 85,495 | 77,891 |
| Middle East | 113,230 | 106,942 |
| Australia Pacific | 63,239 | 58,893 |
| Continental Europe | 80,003 | 80,938 |
| United Kingdom | 270,310 | 256,006 |
| CallisonRTKL | 159,662 | 143,471 |
| **TOTAL GOODWILL** | **1,048,523** | **982,291** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

### IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The recoverable amount of goodwill for impairment testing purposes is based on a value in use calculation. These calculations use cash flow projections based on historical performance, our plan for 2016 as approved by the Executive Board and our mid-term plan for the years 2017 - 2019. Projections were extrapolated with stable or declining growth rates for a period of five years, after which a terminal value was used at a rate of 0%.

The average pre-tax discount rate is 9.1% (2014: 9.3%) and has been determined by iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate. The post-tax discount rate used is 6.6% (2014: 6.5%), and where applicable, a surcharge is added for specific country risks.

The key assumptions used in the predictions are:

- (Net) revenue growth: based on experience and market analysis;
- Operating EBITA margin development: based on historical performance, plan 2016 and management's long-term projections; and
- Weighted average cost of capital (WACC): based on the market participants view on rates of return demanded for investments equivalent to those in the Company, and based on the current leverage of the Company.

The key assumptions for each CGU are:

| In % | Average (net) revenue growth | Operating EBITA margin | Pre-tax discount rate |
|---|---|---|---|
| North America | 2.3% | 7.5% - 10.4% | 10.3% |
| Latin America | (1.9)% | 8.6% - 10.0% | 13.6% |
| Asia | 6.5% | 9.5% - 11.4% | 8.9% |
| Middle East | 4.3% | 8.2% - 10.0% | 7.6% |
| Australia Pacific | 5.5% | 8.4% - 12.4% | 8.9% |
| Continental Europe | 2.8% | 9.0% - 10.0% | 9.1% |
| United Kingdom | 5.0% | 10.5% - 12.4% | 7.9% |
| CallisonRTKL | 7.0% | 11.0% - 13.4% | 9.5% |

The goodwill impairment test performed at year-end 2015 showed that the recoverable amounts for each CGU exceeded the carrying amounts and as such did not result in any impairments.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the Group. The impairment test and sensitivity analyses around the key assumptions have indicated sufficient headroom for all CGUs and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value.

## OTHER INTANGIBLE ASSETS AND SOFTWARE

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| Customer relationships | 126,039 | 132,523 |
| Backlog | 21,728 | 34,485 |
| Trademarks | 20,739 | 27,351 |
| Other | 3,431 | 6,962 |
| **TOTAL OTHER INTANGIBLE ASSETS** | **171,937** | **201,321** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

The main part of the Other intangible assets and Software will be amortized within the coming three years. During 2015 and 2014, no changes were made in the useful lives, amortization methods and the residual values of the intangible assets with finite lives (Other intangible assets and Software), other than for the brand name of Hyder. As the Hyder brand will be faced out over the upcoming two years the useful life of the trade name has been adjusted from five to three years.

### INTANGIBLES UNDER DEVELOPMENT

The Intangibles under development of €21.6 million are related to the purchase of licenses and development of software not yet in use. Intangibles under development are not yet amortized.

### MEASUREMENT PERIOD ADJUSTMENTS

Finalization of the purchase price allocations (PPA) of Hyder and Callison impacted the fair value of identifiable intangible assets recognized as a result of the business combinations.

For Hyder, the finalization of the PPA resulted in an increase of intangible assets, mainly related to adjustments to the value of Customer relationships and Backlog. The increase in intangible assets can be explained by multiple factors and is the net effect of the updated profitability and revenue projections, the increase in provisions and the decrease in net working capital. For Callison the finalization of the PPA led to a reduction of other intangible assets.

The impact on goodwill is equal to the change in the net asset value from finalization of the PPA of the acquisition of Hyder and Callison. These restatements do not deter from the forward earnings capacity of the acquisitions through synergy capture plans and implementation of Performance Excellence and Arcadis management practices.

## 13 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment is measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are recognized in the carrying amount of Property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of Property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives of Property, plant & equipment vary according to their respective categories, as shown in the table hereafter.

| CATEGORY | YEARS |
|---|---|
| Land | Not depreciated |
| Buildings | 30 - 40 |
| Furnitures and fixtures | 5 - 10 |
| (IT) equipment | 3 - 5 |
| Property, plant & equipment under development | Not depreciated |

Depreciation methods and useful lives, as well as residual values, are reassessed annually. When parts of an item of Property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of Property, plant & equipment.

Gains on the sale of an item of Property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, plant & equipment and are recognized within Other income in the Consolidated Income statement. Losses on the sale of an item of Property, plant & equipment are recognized within Other operational costs in the Consolidated Income statement.

The determination of impairments of Property, plant & equipment involves the use of estimates. The recoverable amount is determined by discounting the estimated future cash flows to present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The identification of impairment indicators, as well as the estimation of future cash flows, discount rates and the determination of the fair value for the assets requires management to make significant judgements.

LEASED ASSETS

Leases in which the Company is the lessee and assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Other leases are operating leases, and such leased assets are not recognized in the Company's balance sheet.

During 2015, no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements.

At 31 December 2015, the carrying amount of Property, plant & equipment financed by financial lease, was nil (2014: €1.7 million). Ultimo 2015 and 2014, no properties were registered as security for bank loans.

| In € thousands | Land and buildings | Furnitures and fixtures | (IT) Equipment | Property, plant & equipment under development | TOTAL |
|---|---|---|---|---|---|
| Cost | 2,183 | 94,947 | 84,980 | 2,503 | 184,613 |
| Accumulated depreciation | (712) | (54,393) | (63,777) | – | (118,882) |
| **AS AT 1 JANUARY 2014** | **1,471** | **40,554** | **21,203** | **2,503** | **65,731** |
| Additions | 251 | 8,204 | 12,194 | 3,277 | 23,926 |
| Acquisitions of subsidiaries | 5,369 | 7,132 | 1,754 | 153 | 14,408 |
| Disposals | (4) | (936) | (260) | – | (1,200) |
| Reclassifications | – | 5,510 | 575 | (6,085) | – |
| Impairment charges | – | – | – | – | – |
| Depreciation charges | (360) | (12,126) | (12,068) | – | (24,554) |
| Exchange rate differences | 15 | 3,962 | 1,674 | 152 | 5,803 |
| **MOVEMENT 2014** | **5,271** | **11,746** | **3,869** | **(2,503)** | **18,383** |
| Cost | 7,812 | 117,307 | 99,794 | – | 224,913 |
| Accumulated depreciation | (1,070) | (65,007) | (74,722) | – | (140,799) |
| **AS AT 31 DECEMBER 2014** | **6,742** | **52,301** | **25,071** | **–** | **84,114** |
| Additions | 4,848 | 8,072 | 12,434 | 11,342 | 36,696 |
| Acquisitions of subsidiaries | 55 | 119 | – | – | 174 |
| Disposals | (517) | (1,840) | (343) | – | (2,700) |
| Reclassifications | – | 8,029 | 478 | (8,507) | – |
| Impairment charges | – | – | – | – | – |
| Depreciation charges | (1,746) | (16,386) | (13,902) | – | (32,034) |
| Exchange rate differences | 112 | 3,454 | 913 | 92 | 4,571 |
| **MOVEMENT 2015** | **2,752** | **1,448** | **(420)** | **2,927** | **6,707** |
| Cost | 13,900 | 144,574 | 111,303 | 2,927 | 272,704 |
| Accumulated depreciation | (4,406) | (90,825) | (86,652) | – | (181,883) |
| **AS AT 31 DECEMBER 2015** | **9,494** | **53,749** | **24,651** | **2,927** | **90,821** |

## 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations, rather than the legal structure of the joint arrangement.

- Joint ventures are joint arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method, where interests in joint ventures are initially recognized at cost, including transaction cost. Subsequently the Group's share of the profit or loss and movements in other comprehensive income are included in the Consolidated financial statements, whereby the calculation is based on the Group's accounting policies. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Loans to joint ventures are carried at amortized cost less any impairment losses.
- Joint operations are joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for the Group's direct rights to the assets, liabilities, revenues and expected of the joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are combined on a line-by-line basis with corresponding items in the Group's financial statements.

ASSOCIATES

Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The Consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless the Group has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

## SUMMARY OF POSITIONS AND RESULTS RECOGNIZED

The Group's share in profit or loss of the associates and joint ventures are recognized in the Consolidated income statement as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Associates | (3,777) | (561) |
| Joint ventures | 559 | 121 |
| **TOTAL INCOME RECOGNIZED** | **(3,218)** | **(440)** |

The amounts recognized in the Consolidated balance sheet for associates and joint ventures are as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Associates | 29,512 | 31,136 |
| Joint ventures | 3,549 | 1,543 |
| **BALANCE AT 31 DECEMBER** | **33,061** | **32,679** |

## INVESTMENTS IN ASSOCIATES

The most significant investments in associates of the Group are listed below. The nature of business of the Group's associates is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

| Name of entity | Place of business/ country of incorporation | % of ownership interest |
|---|---|---|
| Arcadis Logos Energia S.A. | Brazil | 49.99 |
| Geodynamique et Structure | France | 42.73 |
| Langdon & Seah Malaysia | Malaysia | 100 |
| Towell & Arcadis LLC | Oman | 50 |

The movement in associates in the Consolidated balance sheet is as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **31,136** | **31,603** |
| Equity share in income | (3,777) | (561) |
| Acquisitions | – | – |
| Investments | 8,999 | 152 |
| Divestments | – | (1,502) |
| Received dividends | (732) | (412) |
| Reclassifications | (2,159) | – |
| Exchange rate differences | (3,955) | 1,856 |
| **BALANCE AT 31 DECEMBER** | **29,512** | **31,136** |

The balance as at 31 December includes loans to associates for an amount of €9.6 million (2014: €2.5 million).

Material associates according to management are Langdon & Seah Malaysia and Arcadis Logos Energia S.A. The share capital of these associates consists solely of ordinary shares, which are not listed, and as such there is no quoted market price available for their shares. The country of incorporation or registration is also the principal place of the business. As part of the acquisition of Langdon & Seah (L&S) in 2012, the Company acquired Langdon & Seah Malaysia. Although Arcadis is entitled to 100% of the results, the Company does not control the Malaysian entity from an IFRS perspective. Consequently, the Malaysian entity is accounted for as an associate measured at equity value. The tables below summarize the financial information for the material associates. The information reflects the amounts presented in the financial statements of the associates on a 100%-basis, where applicable adjusted for differences in accounting policies between the group and the associates.

### SUMMARIZED BALANCE SHEET AS AT 31 DECEMBER OF MATERIAL ASSOCIATES

| In € thousands | Arcadis Logos Energia S.A. | | Langdon & Seah Malaysia | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current assets | 7,286 | 11,706 | 19,859 | 13,242 |
| Non-current assets | 31,045 | 33,964 | 1,498 | 2,035 |
| **TOTAL ASSETS** | **38,331** | **45,670** | **21,357** | **15,277** |
| | | | | |
| Current liabilities | 23,151 | 24,145 | 13,097 | 7,402 |
| Non-current liabilities | 9,680 | 2,951 | 2,181 | 2,145 |
| **TOTAL LIABILITIES** | **32,831** | **27,096** | **15,278** | **9,547** |
| **NET ASSETS** | **5,500** | **18,574** | **6,079** | **5,730** |

The reconciliation of the presented summarized financial information to the carrying amount of its interest in associates is as follows:

| In € thousands | Arcadis Logos Energia S.A. | | Langdon & Seah Malaysia | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Net assets associate | 5,500 | 18,574 | 6,079 | 5,730 |
| Interest in associate by third parties | (2,751) | (9,289) | – | – |
| **INTEREST IN ASSOCIATE BY ARCADIS** | **2,749** | **9,285** | **6,079** | **5,730** |
| Goodwill and other (fair value) adjustments | 7,660 | 2,217 | 9,455 | 6,738 |
| **CARRYING VALUE** | **10,409** | **11,502** | **15,534** | **12,468** |

The difference between the total carrying value of associates and the carrying values as shown in the table above is related to the less material associates, which are not separately disclosed.

### SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER FOR MATERIAL ASSOCIATES

| In € thousands | Arcadis Logos Energia S.A. | | Langdon & Seah Malaysia | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **REVENUES** | **394** | **299** | **15,629** | **14,498** |
| | | | | |
| Post-tax profit/ (loss) from continuing operations | (10,494) | (8,338) | 820 | 2,766 |
| Share in result by third parties | 5,253 | 4,170 | – | – |
| **SHARE OF ARCADIS IN THE RESULT** | **(5,241)** | **(4,168)** | **820** | **2,766** |

The aggregate amount of the Group's share in profit or loss from individually immaterial associates is not material for disclosure purposes.

### INVESTMENTS IN JOINT VENTURES

The Group has several interests in joint ventures, which individually nor in the aggregate are material to the group. The most important investments in joint ventures are listed below. The nature of business of these joint ventures are similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

| Name of entity | Place of business/ country of incorporation | % of ownership interest |
|---|---|---|
| CARE/ RTKL Ltd. | Saudi Arabia | 45.0% |
| Grubbenvorst VOF | Netherlands | 33.3% |
| Stroomdal I | Netherlands | 33.3% |
| TECHT Ltd | United Kingdom | 50% |

The movement in joint ventures in the Consolidated balance sheet is as follows:

| In € thousands | **2015** | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **1,543** | **1,722** |
| Equity share in income | 559 | 121 |
| Investments | 334 | – |
| Received dividends | (1,281) | (300) |
| Reclassifications | 2,159 | – |
| Exchange rate differences | 234 | – |
| **BALANCE AT 31 DECEMBER** | **3,549** | **1,543** |

The joint ventures have share capital consisting solely of ordinary shares, which are held indirectly by the Group, and are non-listed shares. As such there is not quoted market price for the shares.

As at 31 December 2015, the Group has no contingent liabilities relating to interests in joint ventures (2014: nil).

## 15 OTHER INVESTMENTS

Other investments relate to interests in companies over which the Group has no significant influence nor control. Other investments are accounted for at cost price.

| In € thousands | **2015** | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **1,377** | **1,008** |
| Investments | 760 | 1,071 |
| Divestments | (330) | (766) |
| Exchange rate differences | 28 | 64 |
| **BALANCE AT 31 DECEMBER** | **1,779** | **1,377** |

## 16 DERIVATIVES

GENERAL

The Company only uses derivative financial instruments for specific purposes in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments include forward exchange rate contracts and interest rate derivatives. In accordance with its Treasury Policy, the Company does not hold or issue derivative financial instruments for trading purposes. Currently, hedge accounting is only applied for cash flow hedges related to forecasted transactions.

MEASUREMENT AND RECOGNITION

All derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. The gain or loss on re-measurement to fair value of the interest rate related derivatives is recognized in profit or loss under fair value change of derivatives.

The fair value changes of forward exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the Balance sheet as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

HEDGE ACCOUNTING

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value changes of those derivatives is deferred in Other comprehensive income and presented in the hedging reserve in equity. The amount recognized in Other comprehensive income is released to the related lines in profit or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit or loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the hedge inception and at each reporting date, the Company makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items, and whether the actual results of each hedge are within a range of 80 to 125%.

When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the hedging reserve in equity are released to profit or loss under the fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise these will be amortized to profit or loss at the same time as the hedged item.

FAIR VALUE

A fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of derivatives is determined by using valuation models that incorporate various inputs, such as forward rate curves, interest rate curves and the credit worthiness of counterparties. The methods and assumptions used to estimate the fair value are consistent with prior year.

The value of derivatives held by the Company as at the balance sheet date is reported in the table below:

| | Assets | | Liabilities | | TOTAL | |
|---|---|---|---|---|---|---|
| In € thousands | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **INTEREST RATE DERIVATIVES:** | | | | | | |
| Current | – | – | 148 | 1,321 | (148) | (1,321) |
| Non-current | – | – | 1,095 | 129 | (1,095) | (129) |
| **FOREIGN EXCHANGE DERIVATIVES:** | | | | | | |
| Current | 2,722 | 5,583 | 5,983 | 4,684 | (3,261) | 899 |
| Non-current | – | – | – | – | – | – |
| **TOTAL** | **2,722** | **5,583** | **7,226** | **6,134** | **(4,504)** | **(551)** |

During 2015, the Company held for a notional amount of €81.5 million (2014: $75 million) new floating to fixed interest rate swaps to hedge interest rate risk on €81.5 million of new long-term variable loans outstanding and applied hedge accounting to these interest rate derivatives. The market value of these derivatives ultimo 2015 was €0.5 million negative (2014: €0.3 million negative). The USD interest rate swaps have expired. In addition, the Company undertook €40 million of fixed to floating cross currency swaps to manage the currency and interest rate risk of a subsidiary. The market value of these derivatives ultimo 2015 was €0.6 million negative and hedge accounting is applied on these derivatives.

Also, during 2015, the Company hedged currency exposures related to transactions in foreign currencies in the UK, Netherlands and Belgium by way of foreign exchange forward deals in order to minimize volatility in net income due to changes in exchange rates.
In addition, foreign currency balance sheet positions arising due to foreign currency receivables and loans were hedged by way of foreign exchange forward transactions.

In consultation with Corporate Treasury, some subsidiaries have applied hedge accounting, allowing changes in the valuations of hedges to be recognized in Other comprehensive income. Subsidiaries who have not applied hedge accounting recognized related fair value changes immediately in profit or loss. Where entities apply hedge accounting, Corporate Treasury has assisted these entities in terms of hedge documentation, derivative valuations and effectiveness testing, with revaluation results being recognized in Other comprehensive income.

The movements in fair value of the derivatives are shown in the table below.

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **(551)** | **(4,329)** |
| Deconsolidation | – | (226) |
| Changes in Income statement | 11,682 | 13,425 |
| Changes through Other comprehensive income (equity) | 625 | 1,282 |
| Cash settlement derivatives | (15,502) | (10,529) |
| Exchange rate differences | (758) | (174) |
| **BALANCE AT 31 DECEMBER** | **(4,504)** | **(551)** |

The change in fair value of derivatives recognized in profit or loss is €11.7 million (2014: €13.4 million) together with foreign exchange results of €8.2 million (2014: €12.4 million) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to €3.5 million positive (2014: €1.0 million positive).

### HEDGING RESERVE

The total (after-tax) amount included in Other comprehensive income, on the line Hedging reserve within Equity can be specified as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Interest rate derivatives | (2,751) | (2,199) |
| Foreign exchange derivatives (classified as cash flow hedges) | 318 | (102) |
| **TOTAL** | **(2,433)** | **(2,301)** |

## 17 OTHER NON-CURRENT ASSETS

Other non-current assets are non-derivative financial assets.

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **29,199** | **26,221** |
| Acquisitions/ (divestments) | – | 853 |
| New receivables | 2,810 | 4,580 |
| Received | (3,469) | (4,525) |
| Other changes and exchange rate differences | 1,918 | 2,070 |
| **BALANCE AT 31 DECEMBER** | **30,458** | **29,199** |

Other non-current assets include long-term receivables related to the deferred compensation plan in the United States Operating Company, see note 24 for further details. The remaining amount consists of various other long-term receivables such as rental deposits.

## 18 TRADE RECEIVABLES

Trade receivables include amounts billed for work performed but not yet paid by the customers and are measured at amortized cost less any impairment losses.

Trade receivables include items maturing within one year.

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| Trade receivables | 661,429 | 590,661 |
| Provision for trade receivables | (57,128) | (53,080) |
| Receivables from associates | 2,630 | 3,220 |
| **TOTAL TRADE RECEIVABLES** | **606,931** | **540,801** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

### PROVISION FOR TRADE RECEIVABLES

The provision for trade receivables has developed as follows:

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **53,080** | **31,219** |
| Acquisitions through business combinations | – | 22,962 |
| Additions charged to profit or loss | 8,797 | 5,364 |
| Release of unused amounts | (4,905) | (2,107) |
| Utilizations | (3,077) | (6,962) |
| Exchange rate differences | 3,233 | 2,604 |
| **BALANCE AT 31 DECEMBER** | **57,128** | **53,080** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

The ageing of trade receivables and the provision for bad debts, excluding receivables from associates, at reporting date is:

| | 2015 | | 2014 RESTATED[1] | |
|---|---|---|---|---|
| In € thousands | Gross receivable[2] | Provision bad debt | Gross receivable[2] | Provision bad debt |
| Not past due | 302,678 | (2,638) | 261,124 | (1,764) |
| Past due 0 - 30 days | 144,221 | (1,188) | 125,276 | (919) |
| Past due 31 - 120 days | 92,599 | (953) | 99,974 | (2,009) |
| More than 120 days due | 121,931 | (52,349) | 104,287 | (48,388) |
| **TOTAL** | **661,429** | **(57,128)** | **590,661** | **(53,080)** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4
2 Excluding receivables from associates

### MEASUREMENT PERIOD ADJUSTMENTS

Finalization of the purchase price allocation (PPA) of Hyder and Callison resulted in an increase to the provisions for trade receivables (€8.5 million at acquisition date). In addition, it was noted that some trade receivable balances and related provisions (€7.9 million) were presented net in the provisional balance sheet, increasing both Trade receivables as well as Provisions for trade receivables for the same amount as at 31 December 2014 (net effect nil).

Management recognized that the quality of the trade receivables and related provisions was less than expected, which triggered a solid and thorough review process. Arcadis performed a detailed analysis of individual trade receivable balances and related provisions at acquisition date. Management judgement is applied in determining the Provision for trade receivables. Based on the review performed, it has been concluded that the estimates applied by Hyder management were too optimistic and did not reflect all risks present at acquisition date.

## 19 WORK IN PROGRESS

When cost for contract work performed to date plus recognized profits less recognized losses exceeds the progress billings, the surplus is shown as Work in progress (unbilled receivables). When progress billings exceed the cost for contract work performed to date plus recognized profits less recognized losses, the balance is shown as Work in progress (billing in excess of cost).

Cost includes all expenditures related directly to specific projects and direct attributable overhead incurred in the Company's contract activities based on normal operating capacity.

Costs and estimated earnings on uncompleted service contracts and construction contracts are as follows:

| In € thousands | 2015 | | | 2014 RESTATED[1] | | |
|---|---|---|---|---|---|---|
| | Unbilled receivables | Billing in excess of cost | Net Work in progress | Unbilled receivables | Billing in excess of cost | Net Work in progress |
| **COST** | | | | | | |
| Cost incurred plus estimated earnings | 5,631,633 | 2,409,667 | 8,041,300 | 4,094,625 | 1,496,093 | 5,590,718 |
| Billing to date | (5,165,187) | (2,675,378) | (7,840,565) | (3,658,261) | (1,733,551) | (5,391,812) |
| **TOTAL WORK IN PROGRESS** | **466,446** | **(265,711)** | **200,735** | **436,364** | **(237,458)** | **198,906** |

1 Restated for the update to the provisional Purchase Price Allocation of our 2014 acquisitions, see note 4

| In € thousands | 2015 | 2014 |
|---|---|---|
| Amount of advances received | 592 | 1,386 |
| Amount of retentions held by client | 3,418 | 4,283 |

The majority of outstanding amounts are expected to be collected within one year. Advances received relate to advances which are received on projects not yet started. Retentions relate to amounts retained by clients which will be returned to the company after successful completion of the contract.

### MEASUREMENT PERIOD ADJUSTMENTS

Finalization of the purchase price allocation (PPA) of Hyder and Callison resulted in restatements on Work in progress (unbilled receivables) to an amount of €39.8 million as at the acquisition date.

A detailed review of the project-portfolio of both Hyder and Callison led to identification of the following attention areas in work in progress:

- Cost-to-complete estimates: The cost-to-complete estimate at acquisition date of various projects did not reflect all known facts and circumstances at acquisition date. Updating the cost-to-complete for these facts and circumstances estimate resulted in a decrease in progress percentage for the related projects and for some projects it resulted in the recognition of a provision for expected project losses.
- Revenue recognition: Both Hyder and Callison were less prudent in recognizing revenue on individual projects. On multiple projects variation orders were taken into account, while these variation orders were not (yet) agreed with the client. A detailed assessment revealed that for some variation orders realization was not probable at acquisition date, and should therefore be excluded from (expected) project revenues.
- Loss-making-provisions: The methodology applied in calculating the provision for expected project losses was not consistent with Arcadis' interpretations of the relevant accounting standards. This resulted in an understatement of the provision for expected project losses as at the acquisition date.
- (Dis)aggregation of contracts: For calculation of progress percentages and POC results Hyder did (dis)aggregate various projects using a method which was not fully in line with Arcadis' interpretations.

The restatements in Work in progress do not deter from the forward earnings capacity of the acquisitions.

## 20 OTHER CURRENT ASSETS

Other current assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortised cost, using the effective interest method and net of any impairment losses.

| In € thousands | 2015 | 2014 |
|---|---|---|
| Other receivables | 24,011 | 23,312 |
| Prepaid expenses | 41,696 | 37,079 |
| **BALANCE AT 31 DECEMBER** | **65,707** | **60,391** |

Other receivables are non-trade receivables and include, among others, deposits, prepaid rents, claims to be received, loans/ prepayments to personnel.

## 21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits maturing within three months from the acquisition date, and used by the Company in managing its short-term commitments. For cash flow purposes bank overdrafts are included in cash and cash equivalents.

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. Cash and cash equivalents ultimo 2015 and 2014 consisted of the following:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Bank and cash | 211,062 | 162,008 |
| Deposits | 10,026 | 16,303 |
| **BALANCE AT 31 DECEMBER** | **221,088** | **178,311** |
| Bank overdrafts used for cash management purposes | – | (16,301) |
| **CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET** | **221,088** | **162,010** |

The average effective interest rate earned on cash during 2015 was 0.9% (2014: 1.2%). At 31 December 2015, €140.2 million of Cash and cash equivalents was freely available (2014: €101.4 million).

Restricted cash amounting to €80.9 million is mainly composed of cash balances held in some Asian countries as well as Mozambique, Chile and some joint venture accounts, where there are restrictions on cross-border cash movements or repatriation of this cash is more difficult or causes tax complications.

An amount of €381.9 million (2014: €264.4 million) of Cash and cash equivalents and Bank overdrafts has been offset as at 31 December 2015.

## 22 EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and rights to acquire shares are recognized as a deduction of equity, net of any tax effects.

Priority shares and preference shares are classified as equity since these are non-redeemable, or only redeemable at the Company's option. Dividends on these shares are recognized as distributions within equity.

REPURCHASE OF SHARES

When share capital is repurchased, the consideration paid, including directly attributable costs net of any tax effects, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or reissued, subsequently any amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/ from retained earnings.

DIVIDENDS

Dividends are recognized as a liability in the period in which they are declared.

| In € | Authorized share capital | Subscribed share capital |
|---|---|---|
| **2015** | | |
| Ordinary shares (120,000,000, nominal value €0.02) | 2,400,000 | 1,678,459 |
| Cumulative preference (protective) shares (150,000,000, nominal value €0.02) | 3,000,000 | – |
| Cumulative financing preference shares (30,000,000, nominal value €0.02) | 600,000 | – |
| Priority shares (600, nominal value €0.02) | 12 | 12 |
| **TOTAL** | **6,000,012** | **1,678,471** |

The development of the number of shares issued/ outstanding during 2015 and 2014 is presented in the table below:

| In number of shares | Ordinary shares | Preference and priority shares | Treasury stock | Total issued shares |
|---|---|---|---|---|
| **AT 1 JANUARY 2014** | 73,183,008 | 600 | 1,638,870 | 74,822,478 |
| Shares issued | 8,287,112 | – | – | 8,287,112 |
| Repurchased shares | (1,500,000) | – | 1,500,000 | – |
| Exercised shares and options | 2,069,474 | – | (2,069,474) | – |
| **AT 31 DECEMBER 2014** | **82,039,594** | **600** | **1,069,396** | **83,109,590** |
| Shares issued | 813,946 | – | – | 813,946 |
| Repurchased shares | (1,500,000) | – | 1,500,000 | – |
| Exercised shares and options | 1,952,611 | – | (1,952,611) | – |
| **AT 31 DECEMBER 2015** | **83,306,151** | **600** | **616,785** | **83,923,536** |

| OUTSTANDING SHARES | | | | |
|---|---|---|---|---|
| **AT 31 DECEMBER 2014** | **82,039,594** | **600** | **–** | **82,040,194** |
| **AT 31 DECEMBER 2015** | **83,306,151** | **600** | – | **83,306,751** |

## PRIORITY SHARES

Total number of outstanding priority shares at 31 December 2015 is 600. During 2015, no preference shares or financing preference shares were issued or outstanding.

The priority shares have been issued since 1987 and are all held by Stichting Prioriteit ARCADIS NV; a foundation with its corporate seat in Arnhem. Special rights under the Articles of Association of Arcadis NV linked to these priority shares concern decision making related to, inter alia:

1. The issuance, acquisition and disposal of shares in the Company;
2. Amendments to the Articles of Association;
3. The dissolution of the Company and the filing for bankruptcy;
4. The entry into or termination of long-term cooperative ventures of substantial significance; and
5. Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

The Board of the Stichting Prioriteit ARCADIS NV consists of twenty board members: seven members of Arcadis' Supervisory Board, three members of Arcadis' Executive Board, and ten members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of Arcadis).

## CUMULATIVE PREFERRED (PROTECTIVE) SHARES

Currently no cumulative preferred (protective) shares have been issued. However, an option agreement to acquire such shares has been entered into between Stichting Preferente Aandelen ARCADIS NV (the 'Preferred Stock Foundation') and Arcadis NV under that agreement. The Preferred Stock Foundation has been granted the right to acquire protective shares up to a maximum equal to the number of outstanding shares at the date in question (call option). Under the same agreement Arcadis used to have a put option (whereby it had the right to issue up to the same number of outstanding shares to the Preferred Stock Foundation), which is renounced in 2015.

The Board of the Preferred Stock Foundation consists of four persons appointed by the Board itself, after prior approval of the Executive Board of Arcadis NV. The Chairman (or another member) of the Supervisory Board and the CEO (or another member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right or the exercise of voting rights on acquired shares.

## CUMULATIVE FINANCING PREFERRED SHARES

Since 2002, the Articles of Association of Arcadis NV include the possibility to issue cumulative financing preferred shares. Currently, no cumulative financing preferred shares have been issued.

## AGREEMENTS WITH SHAREHOLDERS

The Articles of Association of Stichting Lovinklaan stipulate that their Articles of Association cannot be amended without prior approval of Stichting Prioriteit ARCADIS NV. In a separate agreement between Stichting Prioriteit ARCADIS NV and Stichting Lovinklaan it is stipulated that prior approval of Stichting Prioriteit ARCADIS NV is required for any resolution concerning the disposal or transfer of shares in Arcadis NV if, as a result of such resolution the number of shares held by Stichting Lovinklaan will drop below 12,000,000.

## ISSUANCE OF SHARES

The General Meeting decides, with the approval of the Supervisory Board and Stichting Prioriteit ARCADIS NV, about the issuance of shares or grant of rights to acquire shares. The General Meeting can also delegate its authority to issue shares, or part thereof, to the Executive Board. As long as any such delegation stands, the General Meeting cannot decide to issue. During 2015, a total of 813,946 shares were issued to distribute to those shareholders that have opted to receive their dividend in the form of shares.

## PURCHASE OF SHARES

The Executive Board may, as mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit ARCADIS NV, purchase fully paid-up shares in Arcadis NV. The mandate is not needed in case the shares are purchased to be transferred to employees in line with Long Term Incentive Plans. The intention is to minimize dilution by purchasing (a portion of) the shares needed for the Long Term Incentive Plans. In 2015, no shares were issued to cover obligations in relation to shares and options (2014: nil).

The following numbers of shares were purchased:

| Year | Number of shares | Price at time of purchase (in €) |
|---|---|---|
| 2011 | 1,300,000 | 13.31 to 16.49 |
| 2012 | 1,800,000 | 12.65 to 17.43 |
| 2013 | 1,450,000 | 18.40 to 21.99 |
| 2014 | 1,500,000 | 25.77 to 28.02 |
| **2015** | **1,500,000** | **25.16 to 31.15** |

The repurchased shares are to cover for the shares and options granted and to limit dilution from dividend paid in shares. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 1,952,611 (2014: 2,069,474) has been placed back in the market through the exercise of options in 2015. Net proceeds amounted to €29.2 million (2014: €29.0 million).

Year-end 2015, the number of repurchased shares in stock ('treasury stock') was 616,785 (2014: 1,069,396).

Number of outstanding ordinary shares:

| Year | 1 January | Issued shares | Repurchased shares | Reissued shares | 31 December |
|---|---|---|---|---|---|
| 2011 | 66,066,008 | 4,160,000 | (1,300,000) | 411,671 | 69,337,679 |
| 2012 | 69,337,679 | 2,200,000 | (1,800,000) | 1,849,863 | 71,587,542 |
| 2013 | 71,587,542 | 785,682 | (1,450,000) | 2,259,784 | 73,183,008 |
| 2014 | 73,183,008 | 8,287,112 | (1,500,000) | 2,069,474 | 82,039,594 |
| **2015** | **82,039,594** | **813,946** | **(1,500,000)** | **1,952,611** | **83,306,151** |

## SHARE PREMIUM

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares or exercise of share options. If Arcadis declared a distribution to shareholders payable from the share premium, at least €346.7 million of the share premium would not be taxable under the 1964 Dutch income tax legislation (2014: €346.8 million).

## TRANSLATION RESERVE

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising as of 2004 from the translation of the financial statements of foreign operations. In 2015, €43.5 million was added to the translation reserve, including a tax effect of €2.2 million (2014: addition of €57.0 million and €2.2 million, respectively).

## HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In 2015, the hedging reserve amounts to €2.4 million negative, including a tax effect of €0.7 million (2014: €2.3 million negative and €0.7 million, respectively).

## RETAINED EARNINGS

The Executive Board decides, with the approval of the Supervisory Board, which part of the profit shall be reserved. The remaining part of the profits shall be at the disposal of the General Meeting of Shareholders and is added to the equity of the Company. The holder of the priority shares is entitled to a dividend of 5% of the par value of the priority shares, prior to any dividend distribution being made. On these shares no further distributions shall be made. For the fiscal year 2015, the Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €46.3 million to the retained earnings. The remainder of €52.4 million can be distributed as a dividend, which represents a dividend of €0.63 per outstanding ordinary share (2014: €0.60). Of the total retained earnings an amount of €45.7 million (2014: €29.4 million) is restricted in distribution. See also note 39 to the Company financial statements.

## 23 NON-CONTROLLING INTERESTS

Non-controlling interests represent the net assets not held by the Company and are presented within total equity in the Consolidated balance sheet as a separate category. Profit or loss and each component of Other comprehensive income are attributed to the equity holders and to the non-controlling interests.

The movements in non-controlling interests are as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **3,812** | **2,914** |
| Share in profit for the year | 2,286 | 2,355 |
| Dividends to non-controlling shareholders | (2,298) | (2,069) |
| Acquisitions/ (divestments) | (68) | 496 |
| Exchange rate differences | (367) | 116 |
| **BALANCE AT 31 DECEMBER** | **3,365** | **3,812** |

The changes in non-controlling interests in 2015 and 2014 mainly relate to the share in profit for the year of these interests and the distribution of dividends.

Ultimo 2015, the non-controlling interests mainly consists of Arcadis and Towell Sdn. Bhd. (25%), Hyder & Solaman Elkhereji Consulting Company (30%), Gerenciamento Nacala Lda (40%) and Arcadis CED Project Service Bureau BV (45%).

## 24 PROVISIONS FOR EMPLOYEE BENEFITS

The majority of the pension plans of the Group qualify as defined contribution pension plans. However, the Group also operates a number of defined benefit pension plans.

DEFINED CONTRIBUTION PENSION PLANS
For defined contribution pension plans, the Group pays fixed contributions into a separate entity, which are charged to profit or loss in the period during which services are provided by employees. The Group's legal or constructive obligation is limited to the contributions paid into the plans. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

DEFINED BENEFIT PENSION PLANS
Some of the pension plans within Arcadis qualify as defined benefit plans. For defined benefit pension plans, the costs are recognized as personnel costs and financing costs in profit or loss. The amount charged to personnel costs is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements and curtailments (such events are recognized immediately in profit or loss).

The amount charged to financing costs is the net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Any differences between the expected interest on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognized immediately in profit or loss.

The majority of the defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. These plans are subject to regular actuarial review by external actuaries, using the projected unit credit method.

The defined benefit pension plan on the balance comprises of the present value of the defined benefit pension obligation and the fair value of plan assets. The present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds (or suitable alternative where there is no active corporate bond market) that are denominated in the currency in which the benefits will be paid, and with maturity dates approximating to the terms of the related pension obligations.

Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss.

The table below provides a summary of the total provision for employee benefits at 31 December 2015, including defined benefit pension plans as well as other deferred compensation plans.

| In € thousands | Asset | Liability | TOTAL 2015 |
|---|---|---|---|
| Defined benefit pension plans | (2,385) | 42,728 | 40,343 |
| Other deferred compensation plans | – | 23,704 | 23,704 |
| **TOTAL PROVISIONS FOR EMPLOYEE BENEFITS** | **(2,385)** | **66,432** | **64,047** |
| | | | |
| Non-current | (2,385) | 64,004 | 61,619 |
| Current | – | 2,428 | 2,428 |
| **TOTAL** | **(2,385)** | **66,432** | **64,047** |

The table below includes the comparative figures for 31 December 2014:

| In € thousands | Asset | Liability | TOTAL 2014 |
|---|---|---|---|
| Defined benefit pension plans | – | 55,808 | 55,808 |
| Other deferred compensation plans | – | 22,292 | 22,292 |
| **TOTAL PROVISIONS FOR EMPLOYEE BENEFITS** | **–** | **78,100** | **78,100** |
| | | | |
| Non-current | – | 75,068 | 75,068 |
| Current | – | 3,032 | 3,032 |
| **TOTAL** | **–** | **78,100** | **78,100** |

### PENSION COSTS RECOGNIZED IN PROFIT OR LOSS

The total pension costs recognized in 2015 and 2014 were as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Total defined benefit pension plans | 10,741 | 6,206 |
| Total defined contribution pension plans and other deferred compensation plans | 61,517 | 44,626 |
| **TOTAL PENSION COSTS** | **72,258** | **50,832** |

The pension expenses of defined benefit and defined contribution pension plans are recognized in the following line items in the Consolidated income statement:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Personnel costs | 65,016 | 49,659 |
| Financing costs | 7,242 | 1,173 |
| **TOTAL PENSION COSTS** | **72,258** | **50,832** |

## DEFINED BENEFIT PENSION PLANS

### DESCRIPTION OF PLANS

The defined benefit pension plans of the Group are either career average, final salary or hybrid plans. In addition there is a termination indemnity plan for Hyder Middle East, which pays out a single lump sum at exit (regardless of age, service or reason for exit).

The two main defined benefit pension plans are in EC Harris ('EC Harris Group Pension Scheme') and Hyder ('Acer Group Pension Scheme'), which account for approximately 28% of the total defined benefit liability (2014: 54%). The remaining liability is due to the termination indemnity plan in Hyder Middle East (32% of the total defined benefit liability as at 31 December 2015) and other individually immaterial defined benefit pension plans within the Group (40% of the total defined benefit liability as at 31 December 2015).

The EC Harris plan is closed for future accruals as from 31 January 2011, whereas the Hyder plan is closed for future accruals as from 30 April 2011. Both plans are funded plans. The other defined benefit pensions plans are mainly active and funded plans.

## GOVERNANCE

The majority of the defined benefit pension plans are established as foundations or similar entities, with operations governed by local regulations and practice in each country. The Board of Trustees, which consist of employer and employee representatives, are generally required to act on behalf of the plan's stakeholders and perform periodic reviews on the solvency of the funds in accordance with local laws and regulations. They are responsible for the administration of the plan assets and for the definition of the investment strategy.

## INVESTMENT STRATEGY

The investment strategy of the Group in respect of the funded plans is implemented within the framework of the various local requirements of the countries where the plans are based. The objective is to control the risks and maintain an appropriate balance between the risks and the long-term returns. Therefore the investments are well diversified and managed within the asset-liability matching (ALM) frameworks of the funds. Within these frameworks the objective is to match assets to the pensions obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

## MOVEMENT DEFINED BENEFIT PENSION PLANS

The movement in the defined benefit pension plans is as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **55,808** | **21,916** |
| Acquisitions | – | 36,317 |
| Additions | 7,583 | 6,206 |
| Amounts used | (2,970) | (358) |
| Pension plan changes to net asset position | (23,945) | (10,883) |
| Exchange rate differences | 3,867 | 2,610 |
| **BALANCE AT 31 DECEMBER** | **40,343** | **55,808** |
| | | |
| Non-current | 40,305 | 55,750 |
| Current | 38 | 58 |
| **TOTAL** | **40,343** | **55,808** |

The table below provides a summary of the classification of the defined benefit pension plans at 31 December.

| In € thousands | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Present value of obligation | Fair value of plan assets | TOTAL | Present value of obligation | Fair value of plan assets | TOTAL |
| EC Harris Group Pension Scheme (ECH) | 101,657 | 104,042 | (2,385) | 105,185 | 95,141 | 10,044 |
| Acer Group Pension Scheme (AGPS) | 221,310 | 207,847 | 13,463 | 221,941 | 201,714 | 20,227 |
| Hyder ME Pension Scheme (HME) | 12,946 | – | 12,946 | 12,285 | – | 12,285 |
| Other defined benefit pension plans | | | 16,319 | | | 13,252 |
| **TOTAL DEFINED BENEFIT PENSION PLANS** | | | **40,343** | | | **55,808** |

The table on the next page provides a summary of the changes in the defined benefit obligations and the fair value of the plan assets for EC Harris (A), Hyder UK (B), Hyder Middle East (C) and the other defined benefit pension plans (D). It also provides a reconciliation of the funded status of the plans to the amounts recognized in the Consolidated balance sheet.

| In € thousands | ECH | AGPS | HME | Other | TOTAL |
|---|---|---|---|---|---|
| **BALANCE AT 1 JANUARY 2014** | **15,390** | **–** | **–** | **6,526** | **21,916** |
| Acquisitions | – | 23,622 | 11,564 | 1,131 | 36,317 |
| Current service cost | 61 | – | 618 | | |
| Interest expense/ (income) | 658 | 405 | 202 | | |
| **SUBTOTAL** | **719** | **24,027** | **12,384** | **5,393** | **42,523** |
| Re-measurements: | | | | | |
| Return on plan assets excluding amounts, included in interest expense/ income | (13,062) | (10,819) | – | | |
| (Gain)/ loss from change in financial assumptions | 14,036 | 7,610 | (105) | | |
| (Gain)/ loss from change in demographic assumptions | 751 | 168 | – | | |
| Experience (gain)/ loss | (1,781) | (1,128) | 434 | | |
| **TOTAL RE-MEASUREMENTS** | **(56)** | **(4,169)** | **329** | **1,274** | **(2,622)** |
| Exchange rate differences | 855 | 723 | (72) | 1,104 | 2,610 |
| Contributions by employer | (6,864) | (354) | – | (1,043) | (8,261) |
| Benefit payments from plans | – | – | (356) | (2) | (358) |
| **BALANCE AT 31 DECEMBER 2014** | **10,044** | **20,227** | **12,285** | **13,252** | **55,808** |
| Current service cost | 94 | – | 2,021 | | |
| Interest expense/ income | 322 | 719 | 611 | | |
| **SUBTOTAL** | **416** | **719** | **2,632** | **3,816** | **7,583** |
| Re-measurements: | | | | | |
| Return on plan assets excluding amounts, included in interest expense/ income | 3,070 | 8,302 | – | | |
| (Gain)/ loss from change in financial assumptions | (7,638) | (9,770) | 267 | | |
| (Gain)/ loss from change in demographic assumptions | 660 | – | – | | |
| Experience (gain)/ loss | (2,003) | (3,765) | (1,112) | | |
| **TOTAL RE-MEASUREMENTS** | **(5,911)** | **(5,233)** | **(845)** | **(365)** | **(12,354)** |
| Exchange rate differences | 743 | 1,198 | 1,373 | 553 | 3,867 |
| Contribution by employer | (7,677) | (3,448) | – | (466) | (11,591) |
| Benefit payments from plans | – | – | (2,499) | (471) | (2,970) |
| **BALANCE AT 31 DECEMBER 2015** | **(2,385)** | **13,463** | **12,946** | **16,319** | **40,343** |

The net pension liability for AGPS, HME and Other is recognized in the Consolidated balance sheet under the provisions for employee benefits. The net pension asset for ECH is recognized in the Consolidated balance sheet as Pension assets for funded schemes in surplus.

## (A) EC HARRIS GROUP PENSION SCHEME (ECH)

### PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

| In € thousands/ % | 2015 | % | 2014 | % |
|---|---|---|---|---|
| Equities | 14,991 | 15 | 13,765 | 14 |
| Fixed income | 37,659 | 36 | 41,701 | 44 |
| Property and real estate | 8,652 | 8 | 7,330 | 8 |
| Hedge funds | 28,365 | 27 | 18,437 | 19 |
| Cash | 5,752 | 6 | 5,569 | 6 |
| Other | 8,623 | 8 | 8,339 | 9 |
| **TOTAL** | **104,042** | **100** | **95,141** | **100** |

### ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting date are:

| In % | 2015 | 2014 |
|---|---|---|
| Discount rate | 3.9 | 3.6 |
| Pension revaluation in deferment | 2.5 | 2.5 |
| Pension increases | 2.5 - 3.5 | 2.5 - 3.5 |
| Retail price index inflation | 3.25 | 3.2 |
| Consumer price index inflation | 2.25 | 2.5 |

The discount rate is based on yields on UK AA-rated corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of twenty years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

| In years | 2015 | 2014 |
|---|---|---|
| Male/ female currently aged 65 | 22.9 / 25.0 | 22.8 / 24.8 |
| Male/ female reaching age of 65 in 20 years | 25.0 / 27.3 | 25.1 / 26.8 |

### SENSITIVITY ANALYSIS

The calculation of the defined benefit obligation of ECH is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation of approximately 3.3%.

| In %/ € thousands | % change in assumptions | Change in pension liability |
|---|---|---|
| Discount rate | 0.5% | 10,200 |
| Rate of inflation | 0.5% | 4,700 |

The sensitivity analysis as disclosed in the 2014 financial statements was as follows:

| In %/ € thousands | % change in assumptions | Change in pension liability |
|---|---|---|
| Discount rate | 0.5% | 10,900 |
| Rate of inflation | 0.5% | 5,100 |

### DEFINED BENEFIT LIABILITY EMPLOYER CONTRIBUTIONS

The Company expects €3.7 million in contributions to be paid to the EC Harris' defined benefit plan in 2016. The estimated net pension costs to be recognized in the Consolidated income statement in 2016 amounts to €70,000 negative. €162,000 relates to net interest credits and €92,000 to service costs/ operating charges.

The weighted average duration of the defined benefit pension obligation is twenty years.

## (B) ACER GROUP PENSION SCHEME (AGPS)

### PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

| In € thousands/ % | 2015 | % | 2014 | % |
|---|---|---|---|---|
| Equities | 66,605 | 32 | 58,183 | 29 |
| Fixed income | 103,464 | 50 | 76,685 | 38 |
| Property and real estate | 206 | | 529 | 0 |
| Hedge funds | 34,984 | 17 | 52,437 | 26 |
| Cash | 2,588 | 1 | 13,880 | 7 |
| Other | – | 0 | – | 0 |
| **TOTAL** | **207,847** | **100** | **201,714** | **100** |

### ACTUARIAL ASSUMPTIONS
The principal actuarial assumptions at the reporting date are:

| In % | **2015** | 2014 |
|---|---|---|
| Discount rate | 3.9 | 3.6 |
| Pension increases | 2.15 - 3.10 | 2.1 - 3.05 |
| Retail price index inflation | 3.25 | 3.2 |
| Consumer price index inflation | 2.25 | 2.2 |

The discount rate is based on yields on long-dated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of eighteen years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

| In years | **2015** | 2014 |
|---|---|---|
| Male/ female currently aged 65 | 22.9 / 25.0 | 22.8 / 24.9 |
| Male/ female reaching age of 65 in 20 years | 25.1 / 27.3 | 25.0 / 27.2 |

### SENSITIVITY ANALYSIS
The calculation of the defined benefit obligation of AGPS is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation of approximately 3.1%.

| In %/ € thousands | % change in assumptions | Change in pension liability |
|---|---|---|
| Discount rate | 0.5% | 20,300 |
| Rate of inflation | 0.5% | 13,600 |

The sensitivity analysis as disclosed in the 2014 financial statements was as follows:

| In %/ € thousands | % change in assumptions | Change in pension liability |
|---|---|---|
| Discount rate | 0.5% | 20,600 |
| Rate of inflation | 0.5% | 14,200 |

### DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS
The Group has agreed that it will aim to eliminate any pension plan deficit within the next ten years. Therefore funding levels are monitored on an annual basis.

The Company expects €2.7 million in contributions to be paid to the AGPS defined benefit plan in 2016. The estimated pension costs to be recognized in the Consolidated income statement in 2016 amounts to €0.5 million net interest costs.

The weighted average duration of the defined benefit pension obligation is eighteen years.

### (C) HYDER ME END OF SERVICE BENEFITS (HME)

### PLAN ASSETS
There is no local regulation that requires a level of funding of the plan, therefore no assets have been set aside to fund these arrangements.

### ACTUARIAL ASSUMPTIONS
The principal actuarial assumption at the reporting date is:

| In % | **2015** | 2014 |
|---|---|---|
| Discount rate | 3.25 | 2.75 |
| Salary increases | 4.0 | 3.0 |

As there is no deep market in corporate bonds within the GCC region and the limited number of government bonds available do not provide an adequate reference, the discount rate is based on the US AA-rated corporate bond market as a proxy. The payments have an average duration of four years.

Demographic assumptions for mortality, withdrawal, and retirement are used in determining the liability. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used. The retirement age used for the actuarial valuations is as follows:

| In years | **2015** | 2014 |
|---|---|---|
| Male/ female Saudi Arabia | 60 / 55 | 60 / 55 |
| Male/ female Others | 65 | 65 |

### SENSITIVITY ANALYSIS

The calculation of the liability of HME is sensitive to the discount rate and salary increases.

| In %/ € thousands | % change in assumptions | Change in liability |
|---|---|---|
| Discount rate | 0.5% | 1,036 |
| Salary increases | 0.5% | 1,038 |

### DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS

The Company expects €2.9 million of service costs and €0.4 million of interest costs to be recognized in the Consolidated income statement in 2016.

### (D) OTHER DEFINED BENEFIT PENSION PLANS

The other defined benefit pension plans are individually immaterial and mainly relate to France, Germany and the UK. No detailed disclosures for these individual plans are provided. For the movement in the balance sheet position of these other defined benefit pension plans in total we refer to the table on page 204.

## OTHER DEFERRED COMPENSATION

The other deferred compensation consists of the following balances:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Deferred salaries | 19,214 | 17,517 |
| Future jubilee payment | 1,200 | 1,200 |
| Other | 3,290 | 3,575 |
| **BALANCE AT 31 DECEMBER** | **23,704** | **22,292** |

The movement in the other deferred compensation is as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **22,292** | **15,184** |
| Acquisitions | – | 4,006 |
| Additions | 711 | 1,606 |
| Amounts used | (1,265) | (560) |
| Exchange rate differences | 1,966 | 2,056 |
| **BALANCE AT 31 DECEMBER** | **23,704** | **22,292** |
| | | |
| Non-current | 21,314 | 19,318 |
| Current | 2,390 | 2,974 |
| **TOTAL** | **23,704** | **22,292** |

### DEFERRED SALARIES

The deferred salaries mainly include a plan for deferred compensation of the United States Operating Company. The management of the company can elect not to have its salary paid out, but rather invested in a fund by the company, and is offered a choice of three different portfolio types: risk averse, neutral and risky. The risk is the responsibility of the participants. The related assets are included in note 17 for an amount of €18.4 million.

### FUTURE EMPLOYEE PAYMENTS

€1.2 million (2014: €1.2 million) is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels.

### OTHER

The other deferred compensations are mainly related to long service leave provisions in Australia, where employees are entitled to long service leave after a certain number of years of continuous service. The time allowance and conditions of entitlement are set out in legislation, and vary by territory. An amount of €2.1 million is expected to be flow out of the Company within a year after the balance sheet date.

## 25 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at net present value, taking into account the timing of the cash outflows. The discount rate reflects the current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance expense.

The amounts recognized as a provision are management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. This is the amount management expects to pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

| In € thousands | Restructuring | Litigation | Other | TOTAL |
|---|---|---|---|---|
| BALANCE AT 1 JANUARY 2014 | 6,958 | 13,046 | 7,748 | 27,752 |
| Acquisitions (restated[1]) | 783 | 52,261 | 3,464 | 56,508 |
| Additions | 9,828 | 4,233 | (2,661) | 11,400 |
| Amounts used | (8,554) | (3,324) | (363) | (12,241) |
| Release of unused amounts | (1,118) | (2,297) | (722) | (4,137) |
| Exchange rate differences (restated[1]) | 222 | 480 | 556 | 1,258 |
| **BALANCE AT 31 DECEMBER 2014 (RESTATED[1])** | **8,119** | **64,399** | **8,022** | **80,540** |
| Acquisitions | – | – | 14 | 14 |
| Additions | 13,563 | 2,341 | 37 | 15,941 |
| Amounts used | (15,746) | (6,275) | (1,788) | (23,809) |
| Release of unused amounts | (1,432) | (1,688) | (1,534) | (4,654) |
| Exchange rate differences | 202 | 2,854 | 554 | 3,610 |
| **BALANCE AT 31 DECEMBER 2015** | **4,706** | **61,631** | **5,305** | **71,642** |
| | | | | |
| Non-current | 3,104 | 51,867 | 4,060 | 59,031 |
| Current | 1,602 | 9,764 | 1,245 | 12,611 |
| **TOTAL** | **4,706** | **61,631** | **5,305** | **71,642** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

### RESTRUCTURING

Provisions for restructuring include costs related to certain compensation to staff and cost directly related to the existing plans to execute certain restructurings. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated and its intended execution has been announced. Existing plans currently include reduction of staff capacity in certain parts of the company that are expected to be implemented in the coming 24 months.

### LITIGATION

Clients of Arcadis sometimes claim, justified or not, that they are not satisfied with the services provided by the Company. While the outcome of these claims cannot be predicted with certainty, management believes that, based on (external) advisors and information received, the provisions of €61.6 million (2014: €64.4 million) is the best estimate about the indication of the potential financial risk and whether or not that risk is covered by the insurance policies. These insurance policies include a global professional liability insurance and in addition, local insurance in a number of countries. In general, these insurance policies have a self-insured retention and a maximum pay-out level.

Outstanding litigation (including the provisions, defence costs and reimbursement coverage) is reviewed periodically and revisions are made when necessary. Since the outcome cannot be predicted with certainty and settlement of claims could take several years, final settlement can differ from this best estimate which leads to the release of unused amounts and have their impact on the Consolidated balance sheet and consolidated results of operation for the period. Further information ordinarily required by IAS 37 has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

### OTHER PROVISIONS

The category other provisions mainly relates to provisions for warranties, dilapidations and onerous rental contracts. The provisions are based on the obligation that the Company has with counterparties involved and the estimated cash out flows. No individual items within the other provisions are significant and the Company expects that the other provisions will be substantively resolved within three to five years. Therefore no discounting takes place.

### MEASUREMENT PERIOD ADJUSTMENTS

Finalization of the purchase price allocation (PPA) of the acquisition of Hyder resulted in an increase in the Provisions for litigations of €49.4 million at acquisition date. About two-third of this amount is related to claims with a probable outflow of resources, on which the company performed a thorough review with legal and insurance advisors to make a reliable estimate of the expected outflow. The remainder (about €19 million) is related to claims with a possible outflow (probability of outflow < 50%), for which a provision is recognized as a result of application of IFRS 3 'Business Combinations'.

## 26 LOANS AND BORROWINGS

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and the final repayment amount is charged to profit or loss over the duration of the debts. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities.

Debt securities issued and subordinated liabilities are recognized on the date they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts and trade and other payables. Initially these liabilities are recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at reporting date.

Loans and borrowings as at 31 December are as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Bank loans (interest rates between 1.3% and 6.5%) | 238,519 | 323,684 |
| Loan notes issued to Financial Institutions (interest rates between 1.5% and 5.1%) | 470,318 | 164,923 |
| Financial lease contracts (interest rates between 4.0% and 6.0%) | 311 | 593 |
| Other long-term debt (interest rates between 0% and 6.9%) | 5,069 | 12,723 |
| Short term borrowings (interest rates between 5% and 6.5%) | 4,851 | 193,966 |
| **TOTAL** | **719,068** | **695,889** |
| Current portion[1] | 31,758 | 195,506 |
| **BALANCE AT 31 DECEMBER (NON-CURRENT)** | **687,310** | **500,383** |

[1] Excluding after-payments for acquisitions, see note 27

Aggregate maturities of long-term debt are as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| 2016 | – | 138,754 |
| 2017 | 1,302 | 4,534 |
| 2018 | 187,726 | 171,146 |
| 2019 | 105,783 | 95,041 |
| 2020 | 134,390 | – |
| After 2020 | 258,109 | 90,908 |
| **BALANCE AT 31 DECEMBER** | **687,310** | **500,383** |

The fair value of the Company's loans and borrowings has been estimated based on quoted market prices for the same or similar loans or on the current rates offered to the Company for debt with similar maturities, and is estimated at €715.9 million (2014: €494.0 million).

The weighted average interest rate for 2015 and 2014 on interest-bearing debt (including the interest effect of swaps) was 2.9% and 2.7%, respectively. From the total amount of loans and borrowings at 31 December 2015 an amount of €526.8 million (2014: €518.6 million) has interest rates in the range of 0% to 4% (2014: 0 to 4%).

The remainder of €192.3 million (2014: €177.3 million) has interest rates in the range of 4% to 7% (2014: 4 - 7%). Under other long-term debt, retentions and expected after-payments not due within one year are included, amounting to €3.6 million (2014: €11.5 million).

In quarter two of 2015 the Company repaid €119 million of bridge financing that had a maturity date in July 2015. This repayment was possible through the issuance by Arcadis of €179 million of German Schuldschein loans.

The Schuldschein loans mature between 2020 and 2022. A bilateral Revolving Credit Facility of €35 million was also concluded in that quarter.

In the fourth quarter, the Company issued some additional Schuldschein debt with maturities in 2020, 2022 and 2023. The proceeds enables the Company to repay $128 million of term bank debt that had a maturity date in June 2016.

Finally in December 2015, the Company completed the refinancing and increase of its syndicated Revolving Credit Facility (RCF). The RCF was increased in size from €150 million to €300 million and involves five banks with an original maturity date of December 2020. The RCF was unused at year-end (2014: €70 million).

There is the potential to extend the maturity date twice by twelve months to December 2021 and ultimately December 2022. Such extension will require the approval of both Arcadis and the lending banks. The financial covenants remain unchanged and consistent with all other debt components.

The long-term bank loans include $202.5 million of term loans (2014: $357.5 million) attracting a US LIBOR denominated interest rate, and will mature in 2018 and 2019, as well as €24.5 million of term loans maturing in 2018.

The long-term bank loans also include $110 million in fixed rate 5.1% US Private Placement Notes with a maturity in 2021 and 5.0% US Private Placement Notes maturing in 2018. The current portion of long term debt amounting to €26.9 million (2014: €1.5 million) mainly relates to bank debt to be refinanced at Arcadis NV.

At year end, €81.5 million of floating rate bank debt has been converted by way of one interest rate swap into EUR fixed rate debt, at a rate of approximately 0.5% and the remaining lifetime of this swap is 5.2 years. For disclosures on the derivatives, see note 16.

The debt covenant for the above mentioned long-term debt facilities states that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to the group of banks twice a year. At 31 December 2015, the average net debt to EBITDA ratio calculated in accordance with agreements with the banks is 2.2 (2014: 1.5), see note 28.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75. At 31 December 2015, this ratio calculated in accordance with agreements with lenders is 2.6 (2014: 2.8).

The total short-term facilities amount to €276.8 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €127.9 million has been used as at 31 December 2015 (2014: €319.9 million including multi-currency and guarantee facility of which €113.2 million was used).

The Company has short term uncommitted debt facilities of €100.7 million with relationship banks and two guarantee facilities totaling €74.7 million (2014: €100.7 million and respectively €70 million). These short-term facilities are used for the financing of working capital and general purposes of the Company.

By the end of the year 2015, the total amount of bank guarantees and letters of credit that were outstanding under the €74.7 million guarantee facility amounted to €42.0 million (2014: €21.1 million). Additionally there were other outstanding guarantees and letters of credit amounting to €85.9 million (2014: €76.1 million).

## 27 ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Other current liabilities are non-derivative financial liabilities, which are initially recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| Accounts payable | | 207,629 | 173,731 |
| Accrued expenses | | 51,795 | 44,154 |
| Payables to employees | | 144,914 | 147,995 |
| Taxes and social security contributions | | 76,632 | 77,528 |
| After-payments for acquisitions | 4 | 8,567 | 7,130 |
| Other liabilities | | 72,792 | 75,090 |
| **BALANCE AT 31 DECEMBER** | | **562,329** | **525,628** |

Other liabilities include various accrued liabilities, such as occupancy cost to be paid, insurance cost to be paid and interest to be paid.

## 28 CAPITAL AND FINANCIAL RISK MANAGEMENT

Arcadis' activities expose the Company to a variety of financial risks, including (A) credit risk, (B) liquidity risk, and (C) market risk.

These risks are inherent to the way the Company operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by Arcadis Corporate Treasury, in line with the guiding principles of the Treasury Policy, as approved by the Executive Board.

Arcadis' Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and the Arcadis control framework. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### (A) CREDIT RISK

Credit risk arises from receivables from customers as well as balances and settlements with banks. The credit risk on customers is influenced mainly by the individual characteristics of each customer. Arcadis usually invoices clients for services according to the progress of the work (percentage of completion method). If clients refuse or are unable to meet their contractual payment obligations, the Company may not have sufficient cash to satisfy its liabilities, and its growth rate and continued operations could be adversely impacted.

The key objective of the Company's counterparty credit risk management is to minimize the risk of losses as a result of failure of an individual counterparty that could negatively impact the Company's results. Arcadis aims to centralize cash at banks that have also provided credit to the Company in order to reduce counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity level. Normally Arcadis only deals with counterparties that have a sufficiently high credit rating. Where possible, Arcadis uses credit ratings provided by external agencies, thus monitoring creditworthiness in order to reduce the related credit risk. Furthermore, Arcadis strongly focuses on clients by strengthening the relationship. Through systematic account management we aim to build long-term relationships with select multinational and key national/ local clients. We already have a relationship with the majority of our multinational clients for more than five years. New customers are analyzed individually for creditworthiness before services are offered.

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the Consolidated balance sheet. Trade receivables are presented net of a provision bad debt, which is based on individually significant exposures, and a collective loss component for groups of trade receivables in respect of losses that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of ageing analysis. Next to ageing analysis additional circumstances, like the recent impact of the credit crisis on the financial situation of customers are being evaluated continuously. When necessary, additional impairment allowances were recognized. The collective loss component allowance is determined based on historical data of payment statistics for similar financial assets.

In the Consolidated balance sheet, Trade receivables are presented net of the provision bad debt of €57.1 million (2014: €53.1 million).

The ageing of trade receivables and the provision for bad debts at reporting date were:

| | 2015 | | 2014 RESTATED[1] | |
|---|---|---|---|---|
| In € thousands | Gross receivable[2] | Provision bad debt | Gross receivable[2] | Provision bad debt |
| Not past due | 302,678 | (2,638) | 261,124 | (1,764) |
| Past due 0 - 30 days | 144,221 | (1,188) | 125,276 | (919) |
| Past due 31 - 120 days | 92,599 | (953) | 99,974 | (2,009) |
| More than 120 days due | 121,931 | (52.349) | 104,287 | (48,388) |
| **TOTAL** | **661,429** | **(57,128)** | **590,661** | **(53,080)** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4
2 Excluding receivables from associates, see note 18

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations. For the movement schedule for the allowance of impairment of trade receivables see note 18.

The Company provided bank guarantees and letters of credit. The total amount of outstanding guarantees and letters of credit amounted to €119.0 million (2014: €88.3 million). In addition, Arcadis NV has provided corporate guarantees to banks for a maximum amount of €88.3 million (2014: €27.9 million) to provide local financing facilities.

The carrying amount of financial assets represents the maximum credit exposure. At balance sheet date, the maximum exposure to credit risk was:

| In € thousands | Note | 2015 | 2014 RESTATED[1] |
|---|---|---|---|
| **FINANCIAL ASSETS:** | | | |
| Trade receivables | 18 | 606,931 | 540,801 |
| Work in Progress (unbilled receivables) | 19 | 466,446 | 436,364 |
| Other receivables | 20 | 24,011 | 23,312 |
| Other non-current assets | 17 | 30,458 | 29,199 |
| Derivatives | 18 | 2,722 | 5,583 |
| Loans to associates and joint ventures | 14 | 11,000 | 3,869 |
| | | **1,141,568** | **1,039,128** |
| Cash and cash equivalents | 21 | 221,088 | 178,311 |
| **TOTAL** | | **1,362,656** | **1,217,439** |

1 Restated for the update to the provisional Purchase Price Allocation of our 2014 acquisitions, see note 4

The credit risk of Cash and cash equivalents is the risk that counter parties are not able to repay amounts owed to Arcadis upon request of Arcadis. The objective of the Company is to minimize credit risk exposure in Cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings and good reputation. The related risk is monitored on an ongoing basis both at local entity and corporate level. The Company keeps approximately 65% (2014: 56%) of its cash reserves at our core banks and only invests in liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations.

### (B) LIQUIDITY RISK

Liquidity risk is the risk that Arcadis will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable Arcadis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Arcadis. Treasury Policy supports this principle by stating that the Company aims to have no more than 33% of total fixed debt to be refinanced in any one year.

The Company maintains the following lines of credit:

- Utilized Term Loans amounting to $229.9 million (2014: $357.5 million) paying a USD LIBOR-denominated rate and to €24.5 million paying a EURIBOR denominated rate.
- A €300 million Revolving Credit Facility attracting a EURIBOR-denominated rate of which was not used at year-end (2014: €150 million, €70 million utilization).
- There are €35 million of undrawn committed facilities attracting an interest rate that is EURIBOR-denominated (2014: €25 million, nil utilization).
- Uncommitted multi-currency facilities of €103 million equivalents (2014: €101 million) with a consortium of banks attracting a floating interest rate. At the end of 2015, none of these uncommitted facilities were used (2014: €15 million).
- $110 million of 5.1% 2021 US Private Placement notes were outstanding.
- $90 million of 5.0% 2018 US Private Placement notes were outstanding at year-end.
- During 2015, €210 million and $83 million of Schuldschein loans were issued and are outstanding.
- A €50 million guarantee facility with one bank was outstanding although no new issuance is possible under this facility. This facility is being phased-out and being replaced by a guarantee facility of similar size with another relationship bank. The fees paid on this original guarantee facility normally ranges between 0.30% and 0.65% of the utilized part of the facility. At year-end 2015, €17.3 million (2014: €22.1 million) of this facility was used.
- Additionally there are several other facilities dealing with both loans and guarantees, totaling €101.3 million, and as at year-end 2015 €85.9 million was used (2014: €149.2 million, of which €69.7 million was used).

Over the course of the year, considerable fluctuations occurred in the working capital needed to finance operations. Also acquisitions may lead to increases in borrowed capital. The Company strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy (lease-adjusted) interest coverage and net debt to EBITDA ratio.

The following tables describe, as of 31 December 2015 and 2014, our commitments and contractual obligations for the following five years and thereafter. The long-term debt obligations are our cash debt service obligations. Operating lease obligations are the non-cancellable future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of 31 December 2015.

No collateral has been pledged for liabilities or contingent liabilities.

| In € thousands | TOTAL | < 1 year | 1 - 3 years | 3 - 5 years | > 5 years |
|---|---|---|---|---|---|
| | | | Payments due by period | | |
| **CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2015:** | | | | | |
| Operating lease obligations | 320,593 | 98,183 | 132,250 | 62,032 | 28,128 |
| Capital (finance) lease obligations | 87 | – | 87 | – | – |
| FOREIGN EXCHANGE CONTRACTS: | | | | | |
| Outflow | 606,638 | 597,800 | 8,838 | – | – |
| Inflow | (603,428) | (594,229) | (9,199) | – | – |
| INTEREST RATE SWAPS: | | | | | |
| Outflow | 2,255 | 399 | 796 | 1,060 | – |
| Inflow | (271) | (50) | (101) | (120) | – |
| CROSS CURRENCY SWAPS: | | | | | |
| Outflow | 49,354 | 1,274 | 4,949 | 3,583 | 39,548 |
| Inflow | (48,189) | (1,024) | (3,076) | (2,042) | (42,047) |
| Deferred consideration | 12,184 | 8,567 | 3,617 | – | – |
| Interest | 92,908 | 15,336 | 40,376 | 24,354 | 12,842 |
| Other long-term liabilities | 710,289 | 1,452 | 110,421 | 70,968 | 527,448 |
| Short-term bank debt | 4,851 | 4,851 | – | – | – |
| **TOTAL** | **1,147,271** | **132,559** | **288,958** | **159,835** | **565,919** |
| | | | | | |
| CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2014: | | | | | |
| Operating lease obligations | 340,644 | 100,588 | 137,519 | 61,925 | 40,612 |
| Capital (finance) lease obligations | 316 | – | 316 | – | – |
| FOREIGN EXCHANGE CONTRACTS: | | | | | |
| Outflow | 433,839 | 433,046 | 793 | – | – |
| Inflow | (433,912) | (433,912) | – | – | – |
| INTEREST RATE SWAPS: | | | | | |
| Outflow | 385 | 385 | – | – | – |
| Inflow | (36) | (36) | – | – | – |
| Deferred consideration | 18,254 | 7,178 | 11,076 | – | – |
| Interest | 45,384 | 12,354 | 15,810 | 13,743 | 3,477 |
| Other long-term liabilities | 489,879 | 1,267 | 129,242 | 268,037 | 91,333 |
| Short-term bank debt | 193,962 | 193,962 | – | – | – |
| **TOTAL** | **1,088,715** | **314,832** | **294,756** | **343,705** | **135,422** |

## (C) MARKET RISK

Market risk includes currency risk (C1) and interest rate risk (C2) and comprises the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Arcadis' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

## (C1) CURRENCY RISK

The key objective of the Company's foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by corporate treasury to reduce and limit the adverse effects of exchange rate changes on the Company's profitability subject to competitive conditions and to bring the currency profile of Arcadis in line with shareholders' expectations.

### TRADE AND FINANCING TRANSACTIONS IN NON-FUNCTIONAL CURRENCY

The subsidiaries of Arcadis mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances however, invoices are in the functional currency of the counter party, which results in a currency exposure for the subsidiary. The exposure to currency risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the company enters into forward contracts in order to hedge transaction risks.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the euro and US dollar.

The Company has an exposure with respect to positions in the Consolidated balance sheet in foreign currencies which are different than respective functional currencies of the subsidiaries. For the main currencies the following positions per currency (translated in euros) were included in the Consolidated balance sheet.

| In € thousands | in EUR | in USD | in GBP | in CNY | in BRL |
|---|---|---|---|---|---|
| **AT 31 DECEMBER 2015** | | | | | |
| Trade receivables | 60,307 | 15,041 | 719 | 2,718 | – |
| Cash and cash equivalents | 365 | (246,620) | (22,204) | 3 | – |
| Derivatives | 24,453 | 167,662 | (10,168) | – | – |
| Loans and borrowings | 24,605 | 82,592 | 31,181 | – | 9,289 |
| Trade payables | (27,035) | (8,505) | (1,438) | (3) | – |
| **BALANCE EXPOSURE** | **82,695** | **10,170** | **(1,910)** | **2,718** | **9,289** |
| **AT 31 DECEMBER 2014** | | | | | |
| Trade receivables | 5,284 | 21,483 | 3,967 | 4,112 | – |
| Cash and cash equivalents | 4,086 | (152,882) | (4,928) | 11,723 | – |
| Derivatives | 24,453 | 142,175 | 2,574 | – | – |
| Loans and borrowings | (69,412) | 42,521 | 4,375 | – | 4,665 |
| Trade payables | (1,828) | (7,780) | (18,024) | – | – |
| **BALANCE EXPOSURE** | **(37,417)** | **45,517** | **(12,036)** | **15,835** | **4,665** |

The following significant exchange rates applied during the year:

| | | **2015** | | 2014 |
|---|---|---|---|---|
| In € | Average | Ultimo | Average | Ultimo |
| US Dollar (USD) | 0.90 | 0.92 | 0.75 | 0.83 |
| Pound Sterling (GBP) | 1.38 | 1.36 | 1.24 | 1.29 |
| Brazilian Real (BRL) | 0.27 | 0.23 | 0.32 | 0.31 |

Arcadis uses derivatives in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Company's treasury policy guidelines. The Company seeks to apply hedge accounting where possible to manage volatility in profit or loss. Most foreign exchange forward transactions outstanding at year-end are due to mature in 2016.

### SENSITIVITY ANALYSIS BALANCE SHEET POSITIONS

- A 10% strengthening/ weakening of the euro against the US dollar at 31 December 2015, with all other variables held constant, would have decreased/ increased balance sheet positions via profit or loss by €1.0 million (2014: €4.5 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at 31 December 2015, with all other variables held constant, would have decreased/ increased balance sheet positions via profit or loss by €0.2 million (2014: €1.2 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at 31 December 2015, with all other variables held constant, would have decreased/ increased balance sheet positions via equity by €5.1 million (2014: €5.1 million).

All material balance sheet positions have been hedged with foreign exchange contracts.

The analysis above assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2014. Loans and borrowings in the UK subsidiary, which were denominated in euros, relate to intercompany financing, and the related exchange rate differences are recognized directly in equity as part of the investment in that company.

### TRANSLATION RISK RELATED TO INVESTMENTS IN FOREIGN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company has subsidiaries with a functional currency other than the euro. As a result the Consolidated financial statements of the Company are exposed to translation risk related to equity, intercompany loans of a permanent nature, and earnings of foreign subsidiaries and investment in associates and joint ventures. The Company does not use financial instruments to hedge this risk.

### SENSITIVITY ANALYSIS NET INCOME AND EQUITY

- A 10% strengthening/ weakening of the euro against the US dollar at 31 December 2015, with all other variables held constant would have decreased/ increased net income by €0.7 million (2014: €4.0 million), while equity would have been €28.3 million higher/ lower (2014: €19.8 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at 31 December 2015, with all other variables held constant would have decreased/ increased net income by €0.6 million (2014: €1.5 million), while equity would have been €34.7 million higher/ lower (2014: €25.5 million).
- A 10% strengthening/ weakening of the euro against the Brazilian Real at 31 December 2015, with all other variables held constant would have decreased/ increased net income by €0.7 million (2014: €0.6 million), while equity would have been €5.8 million higher/ lower (2014: €8.1 million).

## (C2) INTEREST RATE RISK

The Company manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity, provisions and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank credits with variable interest rates. Based on our interest risk profile, financial instruments were used during the year to cover part of the interest rate risk on long-term financing. This risk is applicable to long-term debt, short-term debt and bank overdrafts in the Consolidated balance sheet amounting to €719.1 million at year-end 2015 (2014: €712.2 million).

Floating rate debt results in interest rate risk. In order to achieve a mix of fixed and floating rate exposure within the Company's policy, a number of interest rate swap (IRS) contracts and cross currency swap (CCIRS) were entered into 2015. These contracts together with the fixed rate US private placement and Schuldschein issuances ensures the desired mix of fixed and floating debt. One interest rate derivative transacted by Arcadis matured in 2015.

The Company has €81.5 million of floating to fixed interest rate swaps with a fixed rate of approximately 0.5% and these will mature between 2020 and 2022.

The Company has €40 million of fixed to floating cross currency swaps to manage currency risk and interest rate risk in accordance with the Group Treasury Policy.

The Group Treasury Policy states that the fixed portion of the net debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. Arcadis has been compliant with Treasury Policy during 2015.

### SENSITIVITY ANALYSIS INTEREST RATE RISK

If interest rates had been 10 basis points higher/ lower as at 31 December 2015 with all other variables held constant, pre-tax profit for the year would have been €0.4 million (2014: €0.1 million) higher/ lower, as a high percentage of Arcadis net debt has been fixed. In 2015 there would also have been a higher/ lower change in equity of €0.2 million (2014: nil) reflecting the change in valuation of IRS transactions at year end used to hedge interest rate risk. In 2015, there would also have been a higher/ lower change in equity of €0.0 million reflecting the change in valuation of CCIRS transactions at year-end used to hedge interest rate risk.

## CAPITAL RISK MANAGEMENT

Arcadis' objectives when managing capital are to safeguard Arcadis' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimizes its cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be altered by adjusting the amount of dividends paid to shareholders, return capital-to-capital providers, or issue new debt or shares. From time to time, Arcadis purchases its own shares, which are used for transferring shares under the Arcadis' share option program.

Consistent with the debt covenants agreed with the banks, the Company monitors capital on the basis of the average net debt to EBITDA ratio. This ratio is calculated as interest-bearing debt minus cash and cash equivalents divided by EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

There were no changes in Arcadis' approach to capital management during the year. The Company and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

During 2015, Arcadis' strategic goal on financing, which was unchanged from 2014, was to maintain a net debt to EBITDA ratio not exceeding 2.0 in order to secure access to finance at a reasonable cost.

The net debt to EBITDA ratios were as follows:

| In € millions | Note | 2015 | 2014 |
|---|---|---|---|
| Long-term loans and borrowings | 26 | 687.3 | 500.4 |
| Current portion of loans and borrowings | 26 | 31.8 | 195.5 |
| Bank overdrafts | 21 | – | 16.3 |
| **TOTAL DEBT** | | **719.1** | **712.2** |
| Less: cash and cash equivalents | 21 | (221.1) | (178.3) |
| **NET DEBT** | | **498.0** | **533.9** |
| Less: non-current portion deferred consideration | 4 | **(3.6)** | **(11.5)** |
| **NET DEBT ACCORDING TO BANK COVENANTS** | | **494.4** | **522.4** |
| | | | |
| **EBITDA ACCORDING TO BANK COVENANTS[1]** | | **255.0** | **257.7** |

1 EBITDA adjusted for share-based compensation and acquisition effects, in accordance with bank covenants. Non-GAAP measure (unaudited)

## RATIOS

| | 2015 | 2014 |
|---|---|---|
| **NET DEBT TO EBITDA[1] (AT YEAR-END NET DEBT)** | **1.9** | **2.0** |
| **NET DEBT TO EBITDA[1] RATIO ACCORDING TO BANK COVENANTS (AT AVERAGE NET DEBT)** | **2.2** | **1.5** |

1 Non-GAAP measure (unaudited)

The ratios as disclosed above are calculated based on the definition as agreed with the financiers. The calculation of the average net debt to EBITDA ratio is based on the average net debt of Q2 and Q4.

## FAIR VALUE

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Consolidated balance sheet, are as follows:

| In € thousands | Carrying amount | Out of Scope IFRS 7 | Carrying value per IAS 39 category: Loans and receivables/ other liabilities | Fair value through Profit or Loss | Fair value through other comprehensive income | TOTAL | Fair value |
|---|---|---|---|---|---|---|---|
| **31 DECEMBER 2015** | | | | | | | |
| Investments in associates | 33,061 | 33,061 | | | | | |
| Other investments | 1,779 | – | 1,779 | – | – | 1,779 | 1,779 |
| Other non-current assets | 30,458 | – | 30,458 | – | – | 30,458 | 30,458 |
| **(UN)BILLED RECEIVABLES:** | | | | | | | |
| Trade receivables | 606,931 | – | 606,931 | – | – | 606,931 | 606,931 |
| Work in progress (unbilled receivables) | 466,446 | – | 466,446 | – | – | 466,446 | 466,446 |
| Derivatives | 2,722 | – | – | 2,088 | 634 | 2,722 | 2,722 |
| Cash and cash equivalents | 221,088 | – | 221,088 | – | – | 221,088 | 221,088 |
| **TOTAL FINANCIAL ASSETS** | **1,362,485** | **33,061** | **1,326,702** | **2,088** | **634** | **1,329,424** | **1,329,424** |
| | | | | | | | |
| **LOANS AND BORROWINGS:** | | | | | | | |
| Non-current | 687,310 | – | 687,310 | – | – | 687,310 | 689,020 |
| Current | 26,907 | – | 26,907 | – | – | 26,907 | 26,907 |
| Derivatives | 7,226 | – | – | 6,431 | 795 | 7,226 | 7,226 |
| Work in progress (billing in excess of cost) | 265,711 | – | 265,711 | – | – | 265,711 | 265,711 |
| Accounts payable | 207,629 | – | 207,629 | – | – | 207,629 | 207,629 |
| Bank overdrafts and short term Bank debts | 4,851 | – | 4,851 | – | – | 4,851 | 4,851 |
| **TOTAL FINANCIAL LIABILITIES** | **1,199,634** | – | **1,192,408** | **6,431** | **795** | **1,199,634** | **1,201,344** |

| In € thousands | Carrying amount | Out of Scope IFRS 7 | Carrying value per IAS 39 category: Loans and receivables/ other liabilities | Fair value through Profit or Loss | Fair value through other comprehensive income | TOTAL | Fair value |
|---|---|---|---|---|---|---|---|
| **31 DECEMBER 2014** | | | | | | | |
| Investments in associates | 32,679 | 32,679 | | | | | |
| Other investments | 1,377 | – | 1,377 | – | – | 1,377 | 1,377 |
| Other non-current assets | 29,199 | – | 29,199 | – | – | 29,199 | 29,199 |
| **(UN)BILLED RECEIVABLES:** | | | | | | | |
| Trade receivables | 540,801 | – | 540,801 | – | – | 540,801 | 540,801 |
| Work in progress (unbilled receivables) | 436,364 | – | 436,364 | – | – | 436,364 | 436,364 |
| Derivatives | 5,583 | – | – | 5,583 | – | 5,583 | 5,583 |
| Cash and cash equivalents | 178,311 | – | 178,311 | – | – | 178,311 | 178,311 |
| **TOTAL FINANCIAL ASSETS** | **1,224,314** | **32,679** | **1,186,052** | **5,583** | **–** | **1,191,635** | **1,191,635** |
| | | | | | | | |
| **LOANS AND BORROWINGS:** | | | | | | | |
| Non-current | 500,383 | – | 500,383 | – | – | 500,383 | 502,535 |
| Current | 1,544 | – | 1,544 | – | – | 1,544 | 1,544 |
| Derivatives | 6,134 | – | – | 6,134 | – | 6,134 | 6,134 |
| Work in progress (billing in excess of cost) | 237,458 | – | 237,458 | – | – | 237,458 | 237,458 |
| Accounts payable | 173,731 | – | 173,731 | – | – | 173,731 | 173,731 |
| Bank overdrafts and short term Bank debts | 210,263 | – | 210,263 | – | – | 210,263 | 210,263 |
| **TOTAL FINANCIAL LIABILITIES** | **1,129,513** | **–** | **1,123,379** | **6,134** | **–** | **1,129,513** | **1,131,665** |

The financial assets and liabilities disclosed in the table above are categorized in Level 2.

## FAIR VALUE HIERARCHY

The financial instruments carried at fair value are analyzed by valuation method, using the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value within the Company are categorized in Level 2.

The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date. These calculations are tested for reasonableness by comparing them with bank valuations.

For loans and receivables fair value is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the Company specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.

## 29 COMMITMENTS AND CONTINGENT LIABILITIES

Leases in which the Company does not assume substantially all the risks and rewards are classified as operating leases. For operating lease, lease payments (excluding costs for services such as insurance and maintenance, which are expenses as incurred) are recognized as an expense on a straight-line basis unless another systemic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Guarantees are accounted for as a contingently liability until such time it becomes probable that the Company will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not quality for recognition as a provision (see note 24), unless it is assumed in a business combination (see note 4). Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

### SUMMARY OF COMMITMENTS

| In € thousands | 2015 | 2014 |
|---|---|---|
| Less than 1 year | 98,183 | 100,588 |
| 1 - 5 years | 194,282 | 199,444 |
| More than 5 years | 28,128 | 45,926 |
| **OPERATING LEASE CONTRACTS** | 320,593 | 345,958 |
| Guarantees | 119,031 | 88,269 |
| Other commitments | 63,262 | – |
| **TOTAL COMMITMENTS** | **502,886** | **434,227** |

#### OPERATING LEASES
The Company's operating lease arrangements mainly relate to contracts for leased cars, buildings and IT assets. Car leases typically run for a period of three years, lease contracts for buildings in many instances run for a period between five to ten years, and the operating leases of IT assets run for a period of six years.

Steps are being taken to reduce the length of contracts being renewed in order to generate some flexibility for the future and limit the burden of contingent liabilities.

During the year ended 31 December 2015, €115 million was recognized as an expense in profit or loss with regard to operating leases (2014: €100 million).

#### GUARANTEES
As a partner in a number of partnerships, the Company is liable for the contractual obligations these companies enter into. The potential risk pertaining to these obligations amounted to €119.0 million (2014: €88.3 million). Guarantees related to investments in associates are €9.3 million (2014: €7.6 million). As at 31 December 2015 it is not probable that these result in cash outflows.

#### OTHER COMMITMENTS
The other commitments include the service part of a new long term global IT outsourcing contract, which runs for a period of six years.

### CONTINGENT LIABILITIES
#### LITIGATION
The Company is involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Management ensures that these cases are firmly defended. In some of these proceedings, claimants allegedly claim amounts for project contract breaches that are significant to the Consolidated financial statements.

All legal and regulatory claims and proceedings are assessed on a regular basis. In consultation with in-house and outside legal counsels, management regularly evaluates relevant facts and circumstances of those claims and, based on the analysis of possible outcomes of litigation and settlements provisions are accrued for. Provisions are accrued for only where management believes it is probable that Arcadis will be held liable, the amount is reasonably estimable, and the claim has not been insured. These provisions are reviewed periodically and adjusted if necessary to the extent that cash outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies.

Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on the Company's Balance sheet, profit or loss, and cash flows for a particular period.

### TAX

The Company is exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. The Company accounts for its income taxes on the basis of its own internal analyses supported by external advice. The Company continually monitors its global tax position, and whenever uncertainties arise, the Company assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

## 30 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and takes into account the substance as well as the legal form.

### GENERAL

The related parties of the Company comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit ARCADIS NV, Stichting Preferente Aandelen ARCADIS NV, Stichting Pensioenfonds ARCADIS Nederland (SPAN), the Executive Board and Supervisory Board.

In accordance with article 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Amsterdam.

All transactions with subsidiaries, associates and joint ventures are on an arm's length basis.

### TRANSACTIONS WITH SUBSIDIARIES

The financial transactions between the Company and its subsidiaries comprise operational project related transactions, financing transactions and other transactions in the normal course of business activities. Transactions within the Group are not included in these disclosures as these are eliminated in the Consolidated financial statements.

### TRANSACTIONS WITH JOINT ARRANGEMENTS

The Group has entered into transactions on an arm's length basis through joint arrangements during the year 2015. Total revenues from joint arrangements amounted to €47.3 million (2014: €35.7 million).

The transactions with all other related parties are disclosed in the table below:

| | Transactions with associates | | Transactions with joint arrangements | | Transactions with post-employee benefit plans | | Other | |
|---|---|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Sales (to) | 16.3 | 13.7 | 47.3 | 35.7 | – | – | – | – |
| Purchases (from) | 1.2 | 0.6 | 7.2 | 5.8 | – | – | – | – |
| Loans (to) | 2.3 | 0.5 | – | – | – | – | – | – |
| Receivables (from) | 7.8 | 4.2 | 6.7 | 15.9 | – | 0.2 | 0.2 | 0.7 |
| Payables (to) | 0.6 | 0.3 | – | (0.5) | – | – | – | – |
| Dividends received (from) | 0.1 | 0.6 | – | 0.1 | – | – | – | – |
| Provision for doubtful debts related to outstanding balances | – | – | 0.7 | 0.6 | – | – | – | – |
| Related expenses to these bad or doubtful debts | – | – | – | (0.2) | – | – | – | – |
| Transfer of pension premiums and cost charges | – | – | – | – | 31.3 | 30.6 | – | – |
| Contributions | – | – | – | – | – | – | 2.8 | 3.8 |

## TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE ENTITY

The members of the Executive Board and the Supervisory Board are considered key management personnel as defined in IAS 24. For details on their remuneration and interests held in the Company reference is made to notes 44, 45 and 46. During 2015 (and 2014), no transactions involving conflicts of interest for Executive or Supervisory Board members which were material to the Company occurred.

## TRANSACTIONS WITH POST-EMPLOYMENT BENEFIT PLANS

Main post-employment benefit plans are Stichting Pensioenfonds ARCADIS Nederland (SPAN, pension fund) and the pension funds of EC Harris (ECH) and Hyder (AGPS).

SPAN is an independent foundation which is responsible for the administration of the pension rights under the existing pension plan for Dutch employees. This pension plan is a collective defined contribution plan with a premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years. During 2015, the transactions between Arcadis and SPAN comprise of the transfer of pension premiums and cost charges, and amounted to €19.6 million (2014: €22.7 million). At year-end 2015, the amount due to SPAN was nil (2014: nil).

In addition, the Company contributed €7.7 million (2014: €6.9 million) to the pension plan of EC Harris (defined benefit plan) and €3.5 million to the pension plan of Hyder (AGPS; defined benefit plan) (2014: €0.4 million) and €0.5 million to other defined benefit plans (2014: €1.0 million), see note 24.

## TRANSACTIONS WITH LOVINKLAAN FOUNDATION

Stichting Lovinklaan (Lovinklaan Foundation) is a main shareholder of Arcadis. The board of the Foundation consists of Arcadis employees. At year-end 2015, the Foundation had an interest of 17.0% in Arcadis NV (2014: 17.2%). The Foundation has an employee share purchase plan in place which allows Arcadis employees to purchase Arcadis shares from the Foundation with a discount. The Company has no involvement in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

In 2010, Arcadis and UN-Habitat launched a global partnership under the name Shelter, aimed at improving quality of life in rapidly growing cities around the world. Arcadis contributes employees, expertise and skills to this initiative. The Lovinklaan Foundation supports the initiative and committed to contribute €0.4 million on an annual basis. Actual contribution over 2015 amounted to €0.4 million (2014: €0.9 million).

Lovinklaan Foundation supports several Quest programs and the Global Shapers program within Arcadis. The programs are initiatives to collect and exchange knowledge and expertise amongst Arcadis employees and to accelerate the implementation of strategic projects of Arcadis and as such contributes to the Arcadis strategy of international collaboration and global business lines. In 2015, 117 employees (2014: 99) participated in the several Quest programs and 99 employees participated in the Global Shapers program respectively. Financial support amounted to €1.1 million (2014: €1.8 million).

During 2015 and 2014, no other financial transactions than mentioned above took place between the Foundation and the Company, except for the dividends on the shares.

### TRANSACTIONS WITH OTHER RELATED PARTIES

In 2015, Arcadis NV contributed €50,000 to Stichting Preferente Aandelen ARCADIS NV (the 'Preferred Stock Foundation') (2014: €86,000) and €1,000 to Stichting Prioriteit ARCADIS NV (the 'Priority Share Foundation') (2014: €1,000). See note 22 for further information on these Foundations.

In addition, Arcadis NV made an advance payment of €0.5 million to Stichting Preferente Aandelen ARCADIS NV, which is expected to be refunded in 2016.

## 31 EVENTS AFTER THE BALANCE SHEET DATE

A subsequent event is a favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue. Events after the reporting date that provide evidence of conditions that existed at the reporting date are adjusted within the financial statements. Events that are indicative of a condition that arose after the reporting date of a material size or nature are disclosed below.

There were no material events after 31 December 2015, that would have changed the judgment and analysis by management of the financial condition of the Company at 31 December 2015, or the profit for the period of the year 2015.

# COMPANY BALANCE SHEET

as at 31 December - before allocation of profit

| In € thousands | Note | 2015 | 2014 RESTATED[1] |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 34 | 21,931 | 12,731 |
| Property, plant & equipment | 35 | 909 | 1,224 |
| Investments in subsidiaries | 36 | 463,200 | 408,956 |
| Loans issued to subsidiaries and other investments | 37 | 842,673 | 708,886 |
| Deferred tax assets | 41 | 3,697 | 16,496 |
| **TOTAL NON-CURRENT ASSETS** | | **1,332,410** | **1,148,293** |
| **CURRENT ASSETS** | | | |
| Derivatives | | 1,870 | 5,505 |
| Receivables | 38 | 450,423 | 354,634 |
| Corporate income tax receivable | | 203 | 1,000 |
| Cash and cash equivalents | | 2,583 | 17,165 |
| **TOTAL CURRENT ASSETS** | | **455,079** | **378,304** |
| **TOTAL ASSETS** | | **1,787,489** | **1,526,597** |

[1] Restated for the update to the provisional Purchase Price allocations of our 2014 acquisitions, see note 4

| In € thousands | Note | 2015 | 2014 RESTATED[1] |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| **TOTAL SHAREHOLDERS' EQUITY** | 22, 39 | **1,007,970** | **892,119** |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 40 | 1,500 | 1,500 |
| Deferred tax liabilities | 41 | 393 | 180 |
| Long-term debt | | 311,558 | 94,286 |
| Derivatives | | 570 | – |
| **TOTAL NON-CURRENT LIABILITIES** | | **314,021** | **95,966** |
| **CURRENT LIABILITIES** | | | |
| Derivatives | | 5,639 | 4,203 |
| Bank overdrafts | 42 | 377,832 | 280,706 |
| Short-term borrowings | 42 | – | 188,800 |
| Trade and other liabilities | 42 | 82,027 | 64,803 |
| **TOTAL CURRENT LIABILITIES** | | **465,498** | **538,512** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,787,489** | **1,526,597** |

The notes on page 224 to 232 are an integral part of these Consolidated financial statements

# COMPANY INCOME STATEMENT

for the year ended 31 December

| In € thousands | Note | 2015 | 2014 |
|---|---|---|---|
| Net income subsidiaries | 33, 36 | 14,875 | 83,556 |
| Other results | 33 | 83,865 | 8,027 |
| **NET INCOME** | | **98,740** | **91,583** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 32 GENERAL

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 'Basis of preparation' to the Consolidated financial statements.

Subsidiaries of Arcadis NV are accounted for using the equity method. The presentation of the Balance sheet slightly deviates from the requirements of Dutch law, in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

As the financial data of Arcadis NV is included in the Consolidated financial statements, the Income statement of Arcadis NV is condensed in conformity with article 2:402 of the Dutch Civil Code.

## 33 NET INCOME

Net income of subsidiaries reflects the share of Arcadis NV in the results of its subsidiaries. Other results relate to the financial performance of Arcadis NV (stand-alone), and mainly include intercompany financial income such as management fees, royalty and branding fees, and financing income and expenses.

The increase in other results is mainly due to higher intercompany financial income and includes true-ups for previous years.

## 34 INTANGIBLE ASSETS

| In € thousands | Software | Intangibles under development | TOTAL |
|---|---|---|---|
| Cost | 8,742 | – | 8,742 |
| Accumulated depreciation | (2,679) | – | (2,679) |
| **AS AT 1 JANUARY 2014** | **6,063** | **–** | **6,063** |
| Additions | 554 | 8,192 | 8,746 |
| Depreciation charges | (2,078) | – | (2,078) |
| **MOVEMENT 2014** | **(1,524)** | **8,192** | **6,668** |
| Cost | 9,296 | 8,192 | 17,488 |
| Accumulated depreciation | (4,757) | – | (4,757) |
| **AS AT 31 DECEMBER 2014** | **4,539** | **8,192** | **12,731** |
| Additions | 514 | 10,845 | 11,359 |
| Depreciation charges | (2,159) | – | (2,159) |
| **MOVEMENT 2015** | **(1,645)** | **10,845** | **9,200** |
| Cost | 9,810 | 19,037 | 28,847 |
| Accumulated depreciation | (6,916) | – | (6,916) |
| **AS AT 31 DECEMBER 2015** | **2,894** | **19,037** | **21,931** |

The Intangibles under development of €19.0 million (2014: €8.2 million) are mainly related to the purchase of licenses and development of Software not yet in use.

## 35 PROPERTY, PLANT & EQUIPMENT

| In € thousands | Furnitures and fixtures |
|---|---|
| Cost | 2,529 |
| Accumulated depreciation | (1,128) |
| **AS AT 1 JANUARY 2014** | **1,401** |
| Additions | 30 |
| Depreciation charges | (207) |
| **MOVEMENT 2014** | **(177)** |
| Cost | 2,559 |
| Accumulated depreciation | (1,335) |
| **AS AT 31 DECEMBER 2014** | **1,224** |
| Additions | 5 |
| Disposals | (129) |
| Depreciation charges | (191) |
| **MOVEMENT 2015** | **(315)** |
| Cost | 2,435 |
| Accumulated depreciation | (1,526) |
| **AS AT 31 DECEMBER 2015** | **909** |

## 36 INVESTMENTS IN SUBSIDIARIES

| In € thousands | 2015 | 2014 RESTATED[1] |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **408,956** | **260,032** |
| Share in income of subsidiaries | 14,875 | 83,556 |
| Dividends received | – | – |
| Purchase of controlling interest | – | 95,005 |
| Other changes | 6,328 | (67,396) |
| Exchange rate differences | 33,041 | 37,759 |
| **BALANCE AT 31 DECEMBER** | **463,200** | **408,956** |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

Other changes include items recognized in Other comprehensive income and internal transfers. Early 2015, Arcadis NV transferred its 25.7% stake in Hyder Consulting Group Holdings Ltd. (previously Hyder Consulting Plc) to its subsidiary Arcadis UK Investments BV ('AUKI'). AUKI now holds 100% in Hyder Consulting Group Holdings Ltd. In 2014 the shares of Arcadis Nederland Holding BV were transferred from Arcadis NV to Arcadis Europe BV.

## 37 LOANS ISSUED TO SUBSIDIARIES AND OTHER INVESTMENTS

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **708,886** | **314,322** |
| Loans issued to subsidiaries | 99,181 | 387,810 |
| Redemptions | (8,975) | (8,527) |
| Investments | – | 185 |
| Exchange rate differences | 43,581 | 15,096 |
| **BALANCE AT 31 DECEMBER** | **842,673** | **708,886** |

Loans issued to subsidiaries in 2015 mainly related to the internal transfer within the Group of Hyder Consulting Group Holdings Ltd, see also note 36. The loans issued to subsidiaries in 2014 mainly related to the financing of the acquisitions of Hyder and Callison.

The balance as at 31 December 2015 includes an amount of €185,000 of other investments (2014: €185,000).

## 38 RECEIVABLES

| In € thousands | 2015 | 2014 |
|---|---|---|
| Receivables from subsidiaries and associates | 445,741 | 352,847 |
| Taxes and social security contributions | – | – |
| Other receivables | 4,682 | 1,787 |
| **TOTAL** | **450,423** | **354,634** |

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

## 39 SHAREHOLDERS' EQUITY

| In € thousands | Share capital | Share premium | Hedging reserve | Translation reserve | Statutory reserve | Retained earnings | Undistributed profits | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 1 JANUARY 2014** | **1,496** | **201,530** | **(3,735)** | **(58,446)** | **31,469** | **325,763** | **96,603** | **594,680** |
| Net income | – | – | – | – | – | – | 91,583 | 91,583 |
| Exchange rate differences (restated[1]) | – | – | – | 57,046 | – | – | – | 57,046 |
| Effective portion of changes in fair value of cash flow hedges, net of income taxes | – | – | 1,433 | – | – | – | – | 1,433 |
| Re-measurements on post-employment benefit obligations, net of income taxes | – | – | – | – | – | 1,751 | – | 1,751 |
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES** | **–** | **–** | **1,433** | **57,046** | **–** | **1,751** | **–** | **60,230** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (RESTATED[1])** | **–** | **–** | **1,433** | **57,046** | **–** | **1,751** | **91,583** | **151,813** |
| TRANSACTIONS WITH OWNERS OF THE COMPANY: | | | | | | | | |
| Dividends to shareholders | – | (19,216) | – | – | – | – | (22,138) | (41,354) |
| Addition to other (statutory) reserves | – | – | – | – | (2,058) | 76,523 | (74,465) | – |
| Issuance of shares | 166 | 190,305 | – | – | – | – | – | 190,471 |
| Share-based compensation, net of income taxes | – | – | – | – | – | 7,614 | – | 7,614 |
| Purchase of own shares | – | – | – | – | – | (40,121) | – | (40,121) |
| Share options exercised | – | – | – | – | – | 29,016 | – | 29,016 |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY** | **166** | **171,089** | **–** | **–** | **(2,058)** | **73,032** | **(96,603)** | **145,626** |
| **BALANCE AT 31 DECEMBER 2014 (RESTATED[1])** | **1,662** | **372,619** | **(2,302)** | **(1,400)** | **29,411** | **400,546** | **91,583** | **892,119** |
| Net income | – | – | – | – | – | – | 98,740 | 98,740 |
| Exchange rate differences | – | – | – | 43,473 | – | – | – | 43,473 |
| Effective portion of changes in fair value of cash flow hedges, net of income taxes | – | – | (131) | – | – | – | – | (131) |
| Re-measurements on post-employment benefit obligations, net of income taxes | – | – | – | – | – | 11,226 | – | 11,226 |
| **OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES** | **–** | **–** | **(131)** | **43,473** | **–** | **11,226** | **–** | **54,568** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **–** | **–** | **(131)** | **43,473** | **–** | **11,226** | **98,740** | **153,308** |
| TRANSACTIONS WITH OWNERS OF THE COMPANY: | | | | | | | | |
| Dividends to shareholders | – | (21,058) | – | – | – | – | (28,182) | (49,240) |
| Addition to other (statutory) reserves | – | – | – | – | 16,242 | 47,159 | (63,401) | – |
| Issuance of shares | 16 | 21,042 | – | – | – | – | – | 21,058 |
| Share-based compensation, net of income taxes | – | – | – | – | – | 3,142 | – | 3,142 |
| Purchase of own shares | – | – | – | – | – | (41,650) | – | (41,650) |
| Share options exercised | – | – | – | – | – | 29,233 | – | 29,233 |
| **TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY** | **16** | **(16)** | **–** | **–** | **16,242** | **37,884** | **(91,583)** | **(37,457)** |
| **BALANCE AT 31 DECEMBER 2015** | **1,678** | **372,603** | **(2,433)** | **42,073** | **45,653** | **449,656** | **98,740** | **1,007,970** |

1 Restated following updates to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4

Statutory reserves include €45.7 million (2014: €29.4 million) for reserves relating to earnings retained by subsidiaries, associates and joint ventures. Statutory reserves are non-distributable. For information on shares purchased to cover the Company's option plans, see note 22 of the Consolidated financial statements.

## 40 PROVISIONS

| In € thousands | 2015 | 2014 |
|---|---|---|
| **BALANCE AT 1 JANUARY** | **1,500** | **2,000** |
| Additions | – | – |
| Release of unused amounts | – | (500) |
| **BALANCE AT 31 DECEMBER (NON-CURRENT)** | **1,500** | **1,500** |

The provisions of Arcadis NV mainly relate to claims and litigations.

## 41 DEFERRED TAX ASSETS AND LIABILITIES

| In € thousands | Deferred tax assets | Deferred tax liabilities | TOTAL |
|---|---|---|---|
| **BALANCE AT 1 JANUARY 2014** | **18,404** | **(305)** | **18,099** |
| Additions/ deductions | 4,632 | 125 | 4,757 |
| Changes recognized directly in equity/ OCI | (6,540) | – | (6,540) |
| **BALANCE AT 31 DECEMBER 2014** | **16,496** | **(180)** | **16,316** |
| Additions/ deductions | (5,569) | (213) | (5,782) |
| Changes recognized directly in equity/ OCI | (7,230) | – | (7,230) |
| **BALANCE AT 31 DECEMBER 2015** | **3,697** | **(393)** | **3,304** |

## 42 CURRENT LIABILITIES

| In € thousands | 2015 | 2014 |
|---|---|---|
| Bank overdrafts | 377,832 | 280,706 |
| Suppliers | 5,220 | 10,502 |
| Payable to group companies | 65,404 | 43,879 |
| Pension liabilities | – | 1,050 |
| Short-term borrowings | – | 188,800 |
| Other liabilities | 11,403 | 9,372 |
| **TOTAL** | **459,859** | **534,309** |

Short-term debt which was composed of a Hyder related facility of €119 million was fully repaid through the proceeds from the Arcadis NV Schuldschein loans that were raised in May 2015. The remaining €70 million debt outstanding has been repaid as at year-end.

## 43 COMMITMENTS AND CONTINGENT LIABILITIES

### COMMITMENTS AND CONTINGENT LIABILITIES

As parent company of the fiscal unity in the Netherlands the Company is severally liable for the tax liabilities of the fiscal unity.

Ultimo 2015, the Company had commitments for rent and lease obligations amounting to €21.9 million (2014: €3.3 million). The increase is mainly due to the global IT outsourcing contract, which was entered into in 2015 and partly contains an operating lease. Additionally, the Company entered into long term service commitments relating to the global IT outsourcing contract of €62.6 million (2014: nil).

### GUARANTEES

Arcadis NV has pledged a limited amount of guarantees for the short-term credit and guarantee facilities that are available for use to its operating companies. The total amount available under these facilities is €175.4 million of which €42 million is used at the balance sheet date (2014: €170.7 million of which €43.5 million was used). In addition to this amount, Arcadis NV has corporate guarantees for an amount of €88.3 million available (2014: €27.9 million).

## 44 REMUNERATION OF EB AND SB MEMBERS

In 2015, an amount of €5.6 million (2014: €5.8 million) was charged to the Company for remuneration of current and former Executive Board members, including pension charges and the LTIP expense. As variable remuneration 115,000 performance shares were granted (2014: 115,000). Reference is made to the 'Remuneration Report'. For information on the shares repurchased to cover for the exercise of options granted to Executive Board members and other key management personnel please see note 22 of the Consolidated financial statements. In the schedule hereafter, the different components of the remuneration for each Executive Board member are provided. For an explanation of the Remuneration Policy, see the 'Remuneration Report' included in this Annual Report on pages 152 to 158.

## Overview remuneration of the Executive Board in 2015:

| In € thousands | Salary | Bonus[1] | Bonus in share value[1] | Pension compensation | Pension | LTIP expense[2] | TOTAL 2015 | Performance shares Number | Performance shares Value[3] |
|---|---|---|---|---|---|---|---|---|---|
| Neil McArthur | 630 | 96 | 24 | 119 | 26 | 577 | 1,472 | 36,500 | 906 |
| Renier Vree | 450 | 79 | 20 | 79 | 23 | 387 | 1,038 | 26,000 | 645 |
| Stephanie Hottenhuis | 420 | 44 | 11 | 61 | 21 | 293 | 850 | 17,500 | 434 |
| Stephan Ritter | 420 | 111 | 28 | 61 | 20 | 221 | 861 | 17,500 | 434 |
| **TOTAL CURRENT BOARD MEMBERS** | **1,920** | **330** | **83** | **320** | **90** | **1,478** | **4,221** | **97,500** | **2,419** |
| **FORMER BOARD MEMBERS** | | | | | | | | | |
| Zack A. Smith[4] | 495 | 20 | 5 | – | – | 847 | 1,367 | 17,500 | 434 |
| **TOTAL FORMER BOARD MEMBERS** | **495** | **20** | **5** | **–** | **–** | **847** | **1,367** | **17,500** | **434** |
| **TOTAL CURRENT AND FORMER BOARD MEMBERS** | **2,415** | **350** | **88** | **320** | **90** | **2,325** | **5,588** | **115,000** | **2,853** |

1 The bonus is based on the results achieved in 2015, this bonus will be paid in 2016. Part of the bonus has been remunerated in shares for 2015
2 The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceeding 36 months
3 This amount is charged over a three-year period to the Company's Income statement. Figures in table are based on a fair value of €24.83 per share, see note 8
4 Stepped down from the Executive Board on 31 December 2015 end of day

## Overview remuneration of the Executive Board in 2014:

| In € thousands | Salary | Bonus[1] | Bonus in share value[1] | Pension | LTIP expense[2] | TOTAL 2014 | Performance shares Number | Performance shares Value[3] |
|---|---|---|---|---|---|---|---|---|
| Neil McArthur | 601 | 242 | 61 | 127 | 623 | 1,654 | 36,500 | 688 |
| Renier Vree | 437 | 194 | 49 | 84 | 242 | 1,006 | 26,000 | 490 |
| Stephanie Hottenhuis | 412 | 182 | 45 | 74 | 191 | 904 | 17,500 | 330 |
| Stephan Ritter[4] | 261 | 107 | 27 | 45 | 64 | 504 | 17,500 | 330 |
| Zack A. Smith | 496 | 129 | 32 | – | 131 | 788 | 17,500 | 330 |
| **TOTAL CURRENT BOARD MEMBERS** | **2,207** | **854** | **214** | **330** | **1,251** | **4,856** | **115,000** | **2,168** |
| **FORMER BOARD MEMBERS** | | | | | | | | |
| Friedrich M.T. Schneider[5] | 567 | 67 | – | 32 | 266 | 932 | – | – |
| **TOTAL FORMER BOARD MEMBERS** | **567** | **67** | **–** | **32** | **266** | **932** | **–** | **–** |
| **TOTAL CURRENT AND FORMER BOARD MEMBERS** | **2,774** | **921** | **214** | **362** | **1,517** | **5,788** | **115,000** | **2,168** |

1 The bonus is based on the results achieved in 2014, this bonus will be paid in 2015. Part of the bonus has been remunerated in shares for 2014
2 The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceeding 36 months
3 This amount is charged over a three-year period to the Company's Income statement
4 Member of the Executive Board since 17 May 2014
5 Stepped down from the Executive Board on 1 June 2014. Salary 2014 includes a severance payment of €0.4 million

At year-end 2015, the Supervisory Board consisted of seven members. The joint fixed remuneration for 2015 totaled €0.5 million (2014: €0.5 million), specified as follows:

| In € thousands | 2015 | 2014 |
|---|---|---|
| Niek W. Hoek | 87 | 61 |
| Ian M. Grice | 75 | 71 |
| Ruth Markland | 75 | 71 |
| George R. Nethercutt Jr. | 76 | 77 |
| Armando R. Perez† [1] | 74 | 77 |
| J.C. Maarten Schönfeld | 65 | 69 |
| Michiel Lap[2] | 45 | – |
| **FORMER SUPERVISORY BOARD MEMBERS** | | |
| Rijnhard W.F. van Tets[3] | – | 26 |

1 Mr. Perez passed away in January 2016
2 Member of the Supervisory Board since 13 May 2015
3 Stepped down from the Supervisory Board on 16 May 2014

## 45 INTERESTS HELD BY MEMBERS OF THE EB

The interests held in the share capital of Arcadis NV by members of the Executive Board were:

| Number of shares Arcadis NV | 31 DECEMBER 2015 | 31 DECEMBER 2014 |
|---|---|---|
| Neil McArthur | 78,005 | 50,815 |
| Renier Vree | 34,282 | 17,251 |
| Stephanie Hottenhuis[1] | 14,041 | 7,384 |
| Stephan Ritter | 897 | 140 |
| **FORMER BOARD MEMBERS** | | |
| Zack A. Smith[2] | 19,204 | 14,236 |

| Number of conditional performance shares Arcadis NV[3] | | |
|---|---|---|
| Neil McArthur | 90,500 | 71,500 |
| Renier Vree | 62,000 | 46,000 |
| Stephanie Hottenhuis | 45,000 | 37,500 |
| Stephan Ritter | 35,000 | 17,500 |
| **FORMER BOARD MEMBERS** | | |
| Zack A. Smith[2] | 45,000 | 32,000 |

1 2014 figure updated to reflect minor administrative adjustment
2 Stepped down from the Executive Board on 31 December 2015 end of day
3 Amounts based on granting of 100% of the reference numbers, with maximal extension to 200%. See note 8 . The conditional performance shares granted in 2012 became unconditional in May 2015. For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 155 of this Annual Report

As from 2014, Arcadis aims to align with current best practices that show a reduced prevalence of option compensation, Arcadis has shifted from a long-term variable remuneration based on options and shares to a long-term variable remuneration based on conditional performance shares only.

In 2015, the aggregate numbers of stock options and conditional performance shares held by members of the Executive Board are as follows:

| Stock options | Granted in | Share price at grant date (in €) | Outstanding at 1 January 2015 | Granted in 2015 | Increase/ (decrease) by performance measure | Exercised in 2015 | Outstanding at 31 December 2015 | Expiration date |
|---|---|---|---|---|---|---|---|---|
| Neil McArthur | 2011 | 16.18 | 103,320 | – | – | – | 103,320 | 19-05-2021 |
| | 2012 | 15.74 | 35,000 | – | 5,834 | – | 40,834 | 17-05-2022 |
| | 2013 | 20.96 | 35,000 | – | – | – | 35,000 | 09-05-2023 |
| | | | | | | | **179,154** | |
| Renier Vree | 2010 | 14.33 | 80,414 | – | – | – | 80,414 | 14-05-2020 |
| | 2011 | 16.18 | 16,660 | – | – | – | 16,660 | 19-05-2021 |
| | 2012 | 15.74 | 20,000 | – | 3,334 | – | 23,334 | 17-05-2022 |
| | 2013 | 20.96 | 20,000 | – | – | – | 20,000 | 09-05-2023 |
| | | | | | | | **140,408** | |
| Stephanie Hottenhuis | 2006 | 12.38 | 9,000 | – | – | 9,000 | – | 18-05-2016 |
| | 2007 | 19.89 | 9,450 | – | – | – | 9,450 | 18-05-2017 |
| | 2008 | 13.03 | 5,000 | – | – | – | 5,000 | 09-05-2018 |
| | 2009 | 10.91 | 2,800 | – | – | – | 2,800 | 09-05-2019 |
| | 2010 | 14.33 | 6,535 | – | – | – | 6,535 | 14-05-2020 |
| | 2011 | 16.18 | 4,998 | – | | – | 4,998 | 19-05-2021 |
| | 2012 | 15.74 | 20,000 | – | 3,334 | – | 23,334 | 17-05-2022 |
| | 2013 | 20.96 | 20,000 | – | – | – | 20,000 | 09-05-2023 |
| | | | | | | | **72,117** | |
| Stephan Ritter | 2013 | 20.96 | 20,000 | – | – | – | 20,000 | 09-05-2023 |
| | | | | | | | **20,000** | |
| **FORMER BOARD MEMBERS** | | | | | | | | |
| Zack A. Smith[1] | 2006 | 12.38 | 12,000 | – | – | – | 12,000 | 18-05-2016 |
| | 2007 | 19.89 | 31,498 | – | – | – | 31,498 | 18-05-2017 |
| | 2008 | 13.03 | 6,000 | – | – | – | 6,000 | 09-05-2018 |
| | 2009 | 10.91 | 8,050 | – | – | – | 8,050 | 31-12-2018 |
| | 2010 | 14.33 | 7,349 | – | – | – | 7,349 | 31-12-2018 |
| | 2011 | 16.18 | 7,492 | – | | – | 7,492 | 31-12-2018 |
| | 2012 | 15.74 | 9,000 | – | 1,503 | – | 10,503 | 31-12-2018 |
| | 2013 | 20.96 | 20,000 | – | – | – | 20,000 | 31-12-2018 |
| | | | | | | | **102,892** | |
| **TOTAL STOCK OPTIONS** | | | | | | | **514,571** | |

1 Stepped down from the Executive Board on 31 December 2015 end of day

| Conditional performance shares | Granted in | Share price at grant date (in €) | Outstanding at 1 January 2015 | Granted in 2015 | Increase/ (decrease) by performance measure | Vested in 2015 | Outstanding at 31 December 2015 | Vesting date |
|---|---|---|---|---|---|---|---|---|
| Neil McArthur | 2012 | 15.74 | 17,500 | – | 2,917 | 20,417 | – | 17–05–2015 |
| | 2013 | 20.96 | 17,500 | – | – | – | 17,500 | 09–05–2016 |
| | 2014 | 25.42 | 36,500 | – | – | – | 36,500 | 19–05–2017 |
| | 2015 | 24.83 | – | 36,500 | – | – | 36,500 | 15–05–2018 |
| | | | | | | | **90,500** | |
| Renier Vree | 2012 | 15.74 | 10,000 | – | 1,667 | 11,667 | – | 17–05–2015 |
| | 2013 | 20.96 | 10,000 | – | – | – | 10,000 | 09–05–2016 |
| | 2014 | 25.42 | 26,000 | – | – | – | 26,000 | 19–05–2017 |
| | 2015 | 24.83 | – | 26,000 | – | – | 26,000 | 15–05–2018 |
| | | | | | | | **62,000** | |
| Stephanie Hottenhuis | 2012 | 15.74 | 10,000 | – | 1,667 | 11,667 | – | 17–05–2015 |
| | 2013 | 20.96 | 10,000 | – | – | – | 10,000 | 09–05–2016 |
| | 2014 | 25.42 | 17,500 | – | – | – | 17,500 | 19–05–2017 |
| | 2015 | 24.83 | – | 17,500 | – | – | 17,500 | 15–05–2018 |
| | | | | | | | **45,000** | |
| Stephan Ritter | 2014 | 25.42 | 17,500 | – | – | – | 17,500 | 19–05–2017 |
| | 2015 | 24.83 | – | 17,500 | – | – | 17,500 | 15–05–2018 |
| | | | | | | | **35,000** | |
| **FORMER BOARD MEMBERS** | | | | | | | | |
| Zack A. Smith[1] | 2012 | 15.74 | 4,500 | – | 750 | 5,250 | – | 17–05–2015 |
| | 2013 | 20.96 | 10,000 | – | – | – | 10,000 | 09–05–2016 |
| | 2014 | 25.42 | 17,500 | – | – | – | 17,500 | 19–05–2017 |
| | 2015 | 24.83 | – | 17,500 | – | – | 17,500 | 15–05–2018 |
| | | | | | | | **45,000** | |
| **TOTAL CONDITIONAL PERFORMANCE SHARES** | | | | | | | **277,500** | |

1 Stepped down from the Executive Board on 31 December 2015 end of day

## 46 SHARES AND OPTIONS HELD BY MEMBERS OF THE SB

Members of the Supervisory Board hold no Arcadis shares and/ or options.

## 47 EMPLOYEES

Year-end 2015, Arcadis NV had 101 full-time employees (2014: 86). For information on the options granted to employees of Arcadis NV – excluding members of the Executive Board - as meant by article 2:383d paragraph 1 of the Dutch Civil Code, see note 8 to the Consolidated financial statements.

## 48 EXTERNAL AUDITOR FEES AND SERVICES

In accordance with article 2:382a of the Dutch Civil Code the following table details the aggregate fees billed by our external auditor, PricewaterhouseCoopers Accountants NV, including the foreign offices of PricewaterhouseCoopers (2014: KPMG Accountants NV including the foreign offices of KPMG) of the last two fiscal years for various services:

| Type of services provided (in € millions) | 2015 | 2014 |
|---|---|---|
| Audit fees | 3.4 | 2.7 |
| Audit-related fees | 0.2 | 0.1 |
| Tax fees | – | 0.8 |
| Other non-audit fees | – | – |
| **TOTAL** | **3.6** | **3.6** |

Audit-related fees consist of fees for services that are traditionally performed by the external auditors. Tax fees consist of fees expensed for tax services.

Amsterdam, the Netherlands, 17 February 2016

**Executive Board**
Neil McArthur
Renier Vree
Stephanie Hottenhuis
Stephan Ritter

**Supervisory Board**
Niek Hoek
Ian Grice
Ruth Markland
George R. Nethercutt Jr.
J.C. Maarten Schönfeld
Michiel Lap

# OTHER INFORMATION

# OTHER INFORMATION

## PROFIT ALLOCATION

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board, with the approval of the Supervisory Board, shall annually decide which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting of Shareholders.

Profit attributable to the equity holders of the Company over the fiscal year 2015 amounts to €98.7 million. The Executive Board, with the approval of the Supervisory Board, resolved to add an amount of €46.3 million to the reserves and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €52.4 million from the profits of the fiscal year 2015, which represents a dividend of €0.63 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

## AUDIT AND RISK COMMITTEE POLICIES AND PROCEDURES

The Audit and Risk Committee has adopted a charter that details the duties and responsibilities of the Audit and Risk Committee. These duties and responsibilities include, amongst other things, reviewing and overseeing the financial and operational information provided by Arcadis to its shareholders and others, systems of internal controls, financial risk management, accounting and financial reporting processes, the independence, qualifications and performance of the external auditor of Arcadis and the performance of the internal audit function.

## SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by Stichting Prioriteit ARCADIS NV, whose board is composed of three Executive Board members, seven Supervisory Board members and ten employees. The board currently consists of twenty members (as at 31 December 2015 one vacancy). Each board member has one vote whereby in the event of a vacancy, the number of votes that can be exercised by the Executive Board members together with the Supervisory Board members shall equal the number of votes that can be exercised by the employee members. Stichting Prioriteit ARCADIS NV has special statutory rights, which includes approval of the amendment of the Articles of Association of Arcadis NV, and certain other topics, which have been described in note 22 of the Consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

To: the General Meeting and Supervisory Board of Arcadis NV

## REPORT ON THE FINANCIAL STATEMENTS 2015

### OUR OPINION

In our opinion:

- the accompanying Consolidated financial statements give a true and fair view of the financial position of Arcadis NV as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying Company financial statements give a true and fair view of the financial position of Arcadis NV as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### WHAT WE HAVE AUDITED

We have audited the accompanying financial statements 2015 of Arcadis NV, Amsterdam ('the Company'). The financial statements include the Consolidated financial statements of Arcadis NV and its subsidiaries (together: 'the Group') and the Company financial statements.

The Consolidated financial statements comprise:

- the Consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the Consolidated income statement and the Consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2015;
- the Company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the Company financial statements.

### THE BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report. We are independent of Arcadis NV in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## OUR AUDIT APPROACH

### OVERVIEW AND CONTEXT

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the global design & consultancy industry. We therefore included specialists in our team in the areas of IT audit, valuations, treasury, tax, remuneration and actuarial expertise.

Since the audit of the 2015 financial statements was our first year as auditors of Arcadis NV, we performed specific transition procedures in addition to the recurring audit procedures. These mainly relate to:

- procedures to obtain sufficient appropriate audit evidence concerning the 1 January 2015 opening balance sheet, including communications and an in-depth file review with the predecessor auditor;
- procedures to gain an initial understanding of the entity and its environment, including internal controls and IT systems. Based on these procedures, we have prepared our risk assessment, determined our audit scoping and prepared the audit plan which has been discussed with the Executive Board and Supervisory Board.


**Materiality**
- Overall materiality: €6.6 million, which represents 5% of profit before tax.

**Audit scope**
- We conducted audit work on 21 components spread over all reporting segments.
- Site visits were conducted by the group engagement team to locations in the Netherlands, United States, Middle East, United Kingdom and Brazil.
- Audit coverage: 73% of consolidated revenue, 88% of consolidated total assets and 80% of profit before tax.

**Key audit matters**
- Project revenue recognition and valuation of (un)billed receivables.
- Valuation of goodwill.
- Completion of the initial accounting for Hyder and Callison.
- Management override of controls.

## MATERIALITY

The scope of our audit is influenced by the application of materiality which is further explained in the section "Our responsibility for the audit of the financial statements".

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| Overall group materiality | €6.6 million |
| How we determined it | 5% of profit before tax |
| Rationale for benchmark applied | We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that profit before tax is an important metric for the financial performance of the Company |
| Component materiality | To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.5 million and €6.0 million |

We also take misstatements and/ or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €335,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## THE SCOPE OF OUR GROUP AUDIT

Arcadis NV is the parent Company of a group of entities. The financial information of this group is included in the Consolidated financial statements of Arcadis NV.

The group audit focused on the significant components of Arcadis NV which includes group entities in the Netherlands, United States, Brazil, Hong Kong, United Kingdom, Middle East and China. Twelve components were subjected to audits of their complete financial information as those components are individually significant to the group. Three components were subjected to specific risk-focused audit procedures as they include significant or higher risk areas. Additionally, six components were selected for audit procedures to achieve appropriate coverage on financial line items in the Consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

| | |
|---|---|
| Revenue | 73% |
| Total assets | 88% |
| Profit before tax | 80% |

None of the remaining components individually represented more than 2% of total group revenue or total group assets. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the Arcadis NV Company accounts the group engagement team performed the audit work. For the components we used component auditors from other PwC network firms who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated financial statements as a whole. The group engagement team visits the component teams on a rotational basis, also considering materiality and the risk profiles of the components. In the current year the group audit team visited locations, local management and the PwC component auditors in the Netherlands, United States, Middle East, United Kingdom and Brazil. For all components in scope of our group audit, we held multiple conference calls throughout the audit to share knowledge, instruct the teams, discuss the audit approach and evaluate the audit findings.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include the goodwill impairment analysis, completion of the initial accounting for the Hyder and Callison acquisitions, accounting for derivative financial instruments and share based payments.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the Consolidated financial statements.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE MATTER |
|---|---|
| **Project revenue recognition and valuation of (un)billed receivables**<br>Project revenue recognition and the valuation of (un)billed receivables are significant to the financial statements based on the quantitative materiality and the degree of management judgement required for revenue recognition and valuation of (un)billed receivables. The complexity and judgments are mainly related to estimation of the cost to complete the projects, expected revenues and the related percentage of completion which the Company applies for recognizing revenues and assessing provisions for projects and loss making contracts. Management has also considered this area to be a key accounting estimate as disclosed in the 'accounting estimates and management judgements' note to the Consolidated financial statements on page 167. | We tested the key internal controls and IT systems which support the project management and accounting. These included controls in the policies and procedures concerning determination of the percentage of completion, estimates to complete for both revenue and costs and provisions for loss making projects or (un)billed receivables.<br><br>Detailed substantive procedures have been performed on individually significant projects as well as high risk projects. This includes challenging the assumptions and estimates applied by management and substantiating transactions with underlying documents like contracts, variation/change orders, correspondence on claims & disputes, legal opinions and agreements with sub-contractors. In addition, we discussed the progress of these projects with the respective project managers and management. Besides aforementioned procedures, specific attention has been given to the completeness and timing of the €14 million provision recognized for the US environmental remediation project cost overruns as explained on page 97 of the Report by the Executive Board.<br><br>We further focused on the Company's disclosures concerning the (un)billed receivables and the related risks such as credit risk, liquidity risk and the ageing of receivables in note 28 to the Consolidated financial statements. |
| **Valuation of goodwill**<br>As at 31 December 2015 the Group's goodwill balance is valued at €1,049 million, representing 37% of the balance sheet total. Under EU-IFRS, the Company is required to annually perform a goodwill impairment test. This annual impairment test was significant to our audit because the assessment process is complex and involves significant management judgment and is based on assumptions that are affected by expected future market and economic conditions. Based on the annual goodwill impairment test, the Executive Board concluded that no goodwill impairment was needed. The main relevant assumptions are related to projected revenue growth, working capital, EBITA margin and the Weighted Average Cost of Capital ('WACC'). The key assumptions are disclosed in note 12 to the Consolidated financial statements. | Our audit procedures included, amongst others, an assessment of the Cash-Generating Unit ('CGU') determination to which the goodwill is allocated, testing mathematical accuracy of the calculations and a reconciliation to the five-year forecasts and long term strategic plans that were approved by senior management. Our valuation experts were involved in the evaluation of the WACC as well as other assumptions and methodologies used.<br><br>We have challenged the assumptions applied by management, especially in the areas where the outcome of the impairment test (per CGU) is most sensitive. This was done by amongst others comparing the assumptions to the historic performance of the Company, local economic developments, development of the book-to-bill ratio, contract backlog and industry outlook, taking into account the sensitivity of the goodwill balances to changes in the respective assumptions.<br><br>We also assessed the adequacy of related disclosures as included in note 12 to the Consolidated financial statements. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE MATTER |
|---|---|
| Completion of the initial accounting for Hyder and Callison<br>In October 2014, the Company acquired Hyder and Callison. As the initial accounting was not yet finalized at 31 December 2014, the Company accounted the purchase price allocation for both acquisitions on a provisional basis which was disclosed as such in the 2014 financial statements.<br><br>The initial accounting was completed in October 2015 and significant measurement-period adjustments have been made to the provisional purchase price allocation, increasing the initial goodwill balance of €316 million with an amount of €80 million mainly relating to adjustments in project revenue recognition, valuation of (un)billed receivables and recognition of claim provisions. We considered this to be a key audit matter given the significant degree of management judgement, the risk of using the benefit hindsight and the amounts involved. | Together with our valuation experts we evaluated management's process and methodology applied relating to the measurement-period adjustments. We have tested the adjustments against the applicable IFRS standards and supporting evidence such as legal opinions, correspondence with customers about complaints and claims, project reviews and discussions with project managers. In addition, we have tested the supporting calculations for mathematical accuracy. As part of these procedures, the group engagement team also visited the Middle East as the main part of the adjustments are related to this region.<br><br>During our testing we have challenged management and paid particular attention to the risk of using the benefit of hindsight as information used for the adjustment should only be information relating to events or circumstances existing at the acquisition date. As such, we have specifically tested the cut-off of the adjustments over the pre- and post-acquisition periods as well as the impact on income over 2014 and 2015.<br><br>Furthermore, we assessed the adequacy of the disclosures and restatements made resulting from the measurement-period adjustments. Further details, including the full impact on the balance sheet and statement of comprehensive income, are disclosed in note 4 to the Consolidated financial statements. |
| Management override of controls<br>Arcadis NV is a global Company which operates in multiple jurisdictions and is subject to the risk of management override of controls. This is a key audit matter for us as the Company has significant operations in countries with an above average risk profile according to the international corruption perception index and consideration of the significant performance based bonus schemes which the Company has in place at certain components.<br><br>In order to address and manage this risk, the Company has established a soft controls framework (Arcadis General Business Principles - AGBP) and a comprehensive governance structure as detailed in section 'Governance & Compliance' of the Annual Report. | In our audit, we performed audit procedures which allow us to rely, to the extent possible, on management's governance structure. We also perform audit procedures designed to identify the risk of management override of controls, both at group level as well as at component level.<br><br>The aforementioned procedures included, amongst others, an assessment of the corporate tone-at-the top, compliance with the Company policies and AGBP principles, review of internal audit reports, budget to actual analysis, consideration of the various bonus schemes, assessment of internal control deficiencies, follow-up on whistle-blower allegations, business ethics, compliance with laws and regulations specific for the industry such as the US Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act 2010, revenue recognition and cost cut off procedures, as well as examination and inspection of journal entries. The latter focused on higher risk area's such as manual journal entries and journal entries made by unexpected users<br><br>Furthermore, we have done an assessment of the impact analysis and results from the ongoing Brazilian assessment which the Company is performing following a request for information from the local authorities. This included various discussions with senior management as well as the lawyers and external specialists who worked on the assessment. We refer to page 13 of the Report by the Executive Board for further details. |

## RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Executive Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report by the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

## OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### OUR REPORT ON THE EXECUTIVE BOARD REPORT AND THE OTHER INFORMATION

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report by the Executive Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report by the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report by the Executive Board, to the extent we can assess, is consistent with the financial statements.

### OUR APPOINTMENT

We were appointed as auditors of Arcadis NV by the Supervisory Board following the passing of a resolution by the shareholders at the general meeting held on 13 May 2015. The audit of the 2015 financial statements was our first year as external auditor of the group.

Amsterdam, the Netherlands, 17 February 2016

**PricewaterhouseCoopers Accountants NV**
Original has been signed by P.C. Dams RA

## APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2015 OF ARCADIS NV

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### THE AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Board.
- Concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/ or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Company's Consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/ or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

# FIVE-YEAR SUMMARY

These figures are derived from the published financial statements of the years concerned

| In € millions unless otherwise stated | 2015 | 2014 RESTATED[1] | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **CONSOLIDATED INCOME STATEMENT** | | | | | |
| Gross revenues | 3,419 | 2,635 | 2,516 | 2,536 | 2,017 |
| Net revenues | 2,597 | 2,016 | 1,893 | 1,871 | 1,443 |
| **OPERATING RESULTS** | | | | | |
| EBITA | 208.8 | 174.5 | 167.7 | 165.4 | 144.4 |
| Operating EBITA | 250.3 | 202.9 | 188.4 | 187.8 | 139.0 |
| Operating EBITA margin (in %) | 9.6 | 10.1 | 10.0 | 10.0 | 9.7 |
| Operating income | 161.5 | 150.3 | 151.1 | 150.5 | 139.0 |
| Results from investments accounted for using the equity method | (3.2) | (0.4) | 5.5 | (2.3) | 0.3 |
| Net income | 98.7 | 91.6 | 96.6 | 89.0 | 79.5 |
| Net income from operations | 137.1 | 123.6 | 111.1 | 105.1 | 81.6 |
| **CAPITAL EMPLOYED** | | | | | |
| Balance sheet total | 2,828.7 | 2,657.6 | 1,680.4 | 1,765.3 | 1,559.0 |
| Net debt (according to bank covenants) | 494.4 | 522.4 | 194.8 | 259.3 | 268.0 |
| Total equity | 1,011.3 | 895.9 | 597.6 | 536.7 | 455.4 |
| Average invested capital | 1,696.7 | 1,128.2 | 957.8 | 898.3 | 739.1 |
| Return on invested capital (in %) | 9.3 | 13.7 | 13.3 | 13.5 | 13.6 |
| **RATIOS** | | | | | |
| Net working capital as % of gross revenues | 17.1 | 17.4 | 15.7 | 14.9 | 15.1 |
| Total equity as % of balance sheet total | 36 | 34 | 36 | 30 | 29 |
| Interest coverage ratio | 8 | 9 | 10 | 8 | 7 |
| Period-end net debt to EBITDA ratio | 1.9 | 2.0 | 1.0 | 1.3 | 1.5 |
| Average net debt to EBITDA ratio | 2.2 | 1.5 | 1.4 | 1.5 | 1.4 |

| In € millions unless otherwise stated | 2015 | 2014 RESTATED[1] | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **CASH FLOW** | | | | | |
| Cash flow from operating activities | 170.9 | 139.5 | 140.1 | 158.0 | 79.6 |
| Investments (Capex) | (53.4) | (38.1) | (32.2) | (34.8) | (35.3) |
| Proceeds from sale of (in)tangible assets | 3.1 | 2.0 | 1.2 | 1.1 | 0.6 |
| **FREE CASH FLOW** | **120.6** | **103.4** | **109.1** | **124.3** | **44.9** |
| Cash flow from investing activities | (68.6) | (537.4) | (62.6) | (118.6) | (124.7) |
| Cash flow from financing activities | (48.3) | 385.4 | (95.0) | (8.1) | (4.5) |
| **DATA PER SHARE (IN THOUSANDS)** | | | | | |
| Shares outstanding at 31 December | 83,306 | 82,040 | 73,183 | 71,588 | 69,338 |
| **DATA PER SHARE (IN €)** | | | | | |
| Net income | 1.19 | 1.23 | 1.34 | 1.26 | 1.20 |
| Net income from operations | 1.66 | 1.66 | 1.54 | 1.49 | 1.23 |
| Dividend (proposal) | 0.63 | 0.60 | 0.57 | 0.52 | 0.47 |
| Closing share price Amsterdam Euronext | 18.57 | 24.93 | 25.62 | 17.89 | 12.10 |
| **PERSONNEL** | | | | | |
| Average number of contract employees | 26,473 | 22,463 | 21,039 | 19,507 | 15,589 |
| Average number of employees total | 27,622 | 22,964 | 21,880 | 20,283 | 16,486 |
| Total number of employees at 31 December | 26,947 | 28,139 | 21,943 | 21,696 | 18,427 |
| **CARBON FOOTPRINT PER FTE (IN METRIC TONS OF CARBON DIOXIDE EQUIVALENTS)[2]** | | | | | |
| Auto transport | 1.18 | 1.19 | 1.28 | 1.43 | 1.39 |
| Air transport | 0.83 | 0.95 | 0.90 | 0.95 | 0.91 |
| Public transport | 0.16 | 0.14 | 0.14 | 0.14 | 0.13 |
| Office energy use | 1.47 | 1.53 | 1.50 | 1.48 | 1.65 |
| Total carbon footprint | 3.64 | 3.81 | 3.82 | 4.00 | 4.08 |

1 Restated for the update to the provisional Purchase Price Allocations of our 2014 acquisitions, see note 4 of the Consolidated financial statements
2 Comparatives adjusted for the impact of acquisitions

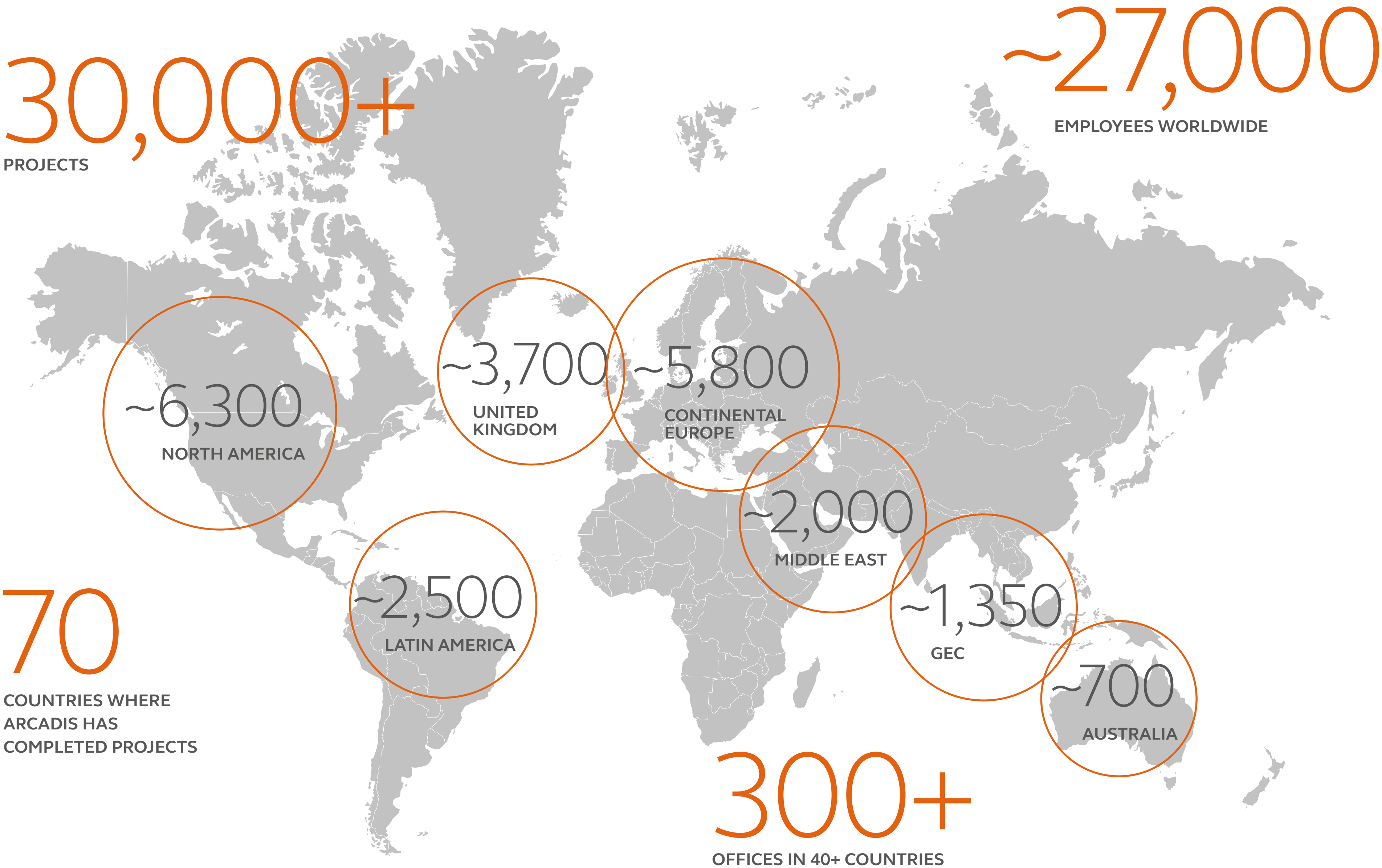
# OTHER FINANCIAL DATA

## QUARTERLY FINANCIAL DATA

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| In € thousands unless otherwise stated | RESTATED QUARTER 1 | RESTATED QUARTER 2 | RESTATED QUARTER 3 | QUARTER 4 | QUARTER 1 | QUARTER 2 | QUARTER 3 | QUARTER 4 |
| **GROSS REVENUES** | | | | | | | | |
| In the quarter | 826,702 | 866,407 | 853,585 | 872,601 | 587,687 | 609,991 | 629,601 | 807,727 |
| Cumulative | 826,702 | 1,693,109 | 2,546,694 | 3,419,295 | 587,687 | 1,197,679 | 1,827,279 | 2,635,006 |
| In the quarter (%) | 24 | 25 | 25 | 26 | 22 | 23 | 24 | 31 |
| Cumulative (%) | 24 | 49 | 74 | 100 | 22 | 45 | 69 | 100 |
| **NET REVENUES** | | | | | | | | |
| In the quarter | 658,690 | 659,450 | 642,955 | 635,659 | 461,456 | 470,185 | 475,194 | 609,080 |
| Cumulative | 658,690 | 1,318,140 | 1,961,095 | 2,596,754 | 461,456 | 931,642 | 1,406,836 | 2,015,916 |
| In the quarter (%) | 25 | 25 | 25 | 25 | 23 | 23 | 24 | 30 |
| Cumulative (%) | 25 | 50 | 75 | 100 | 23 | 46 | 70 | 100 |
| **EBITA** | | | | | | | | |
| In the quarter | 51,301 | 40,197 | 57,499 | 59,829 | 41,595 | 41,737 | 40,535 | 50,616 |
| Cumulative | 51,301 | 91,498 | 148,996 | 208,825 | 41,595 | 83,332 | 123,867 | 174,483 |
| In the quarter (%) | 25 | 19 | 27 | 29 | 24 | 24 | 23 | 29 |
| Cumulative (%) | 25 | 44 | 71 | 100 | 24 | 48 | 71 | 100 |
| **OPERATING EBITA**[1] | | | | | | | | |
| In the quarter | 63,367 | 52,421 | 66,007 | 68,497 | 44,150 | 48,551 | 49,478 | 60,712 |
| Cumulative | 63,367 | 115,788 | 181,794 | 250,291 | 44,150 | 92,701 | 142,180 | 202,892 |
| In the quarter (%) | 25 | 21 | 27 | 27 | 22 | 24 | 24 | 30 |
| Cumulative (%) | 25 | 46 | 73 | 100 | 22 | 46 | 70 | 100 |

1 Excluding acquisition, restructuring and integration-related costs

# GEOGRAPHICAL DISTRIBUTION



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# GLOSSARY

**AARC:** Arcadis Audit and Risk Committee (formerly Arcadis Audit Committee).

**ABC:** Arcadis Business Control Framework.

**ASC:** Arcadis Selection and appointment Committee.

**Advanced Management Program:** Internal training program for Arcadis managers.

**Backlog:** Value of signed orders in the portfolio to be filled, expressed as gross or net revenue.

**Bcasting:** Broadcast via the internet of press conferences or analyst meetings.

**Billability:** Number of hours worked chargeable to a client.

**CGUs:** Cash Generating Units.

**Cash Flow Operating Activities:** Profit for the period adjusted for non-cash items and cash flow from working capital.

**DBFO:** Design Build Finance and Operate projects are those in which Arcadis is responsible (alone or in cooperation with partners) for design, realization, finance and operations.

**Defined Benefit:** When the benefit on retirement from a pension fund to its participants is fixed.

**Defined Contribution:** When the value of the contribution to the pension fund made by the company is fixed.

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortization/ Impairment of goodwill/ identifiable assets.

**EBITA:** Earnings Before Interest, Taxes and Amortization/ Impairment of goodwill/ identifiable assets.

**Flexibility (flex) index:** Measurement of the capability to adjust staffing levels in the short term by adjusting the number of temporary staff contracts in relation to the total.

**Free cash flow:** Cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets.

**General Business Principles:** A set of working ethics for our employees.

**Goodwill:** The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired.

**Gross revenues:** The gross inflow of economic benefits during the period arising in the course of ordinary activities.

**GRiP®:** Guaranteed Remediation Program is an environmental service whereby Arcadis takes responsibility for possible risks.

**IFRS:** International Financial Reporting Standards.

**Impairment test:** An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset.

**Multinational clients:** Private sector clients with locations in various countries.

**Net cash position:** Cash and cash equivalents minus Bank overdrafts.

**Net debt:** Interest bearing debt minus all cash and cash equivalents.

**Net debt to EDITDA:** A measure of a company's ability to pay off its incurred debt. This ratio gives the investor the approximate amount of time that would be needed to pay off all debt, excluding interest, taxes, depreciation and amortization.

**Net income from operations:** Net income before non-recurring items, the amortization/ impairment of goodwill/ identifiable assets and share-based compensations related to the Lovinklaan Foundation share purchase plan.

**Net revenues:** Gross revenue minus materials, services from third parties and subcontractors. Net revenue is the revenue produced by the activities of Arcadis staff.

**Net working capital:** Sum of Work in progress (unbilled receivables), inventories and trade receivables minus suppliers and Work in progress (billing in excess of costs).

**One-stop shopping concept:** Offering a full range of activities to each client.

**Operating EBITA:** EBITA excluding restructuring, integration, and acquisition related costs.

**Operating income:** Earnings before interest and taxes.

**Order intake:** The amount of new projects for which contracts have been signed or orally agreed on, expressed in gross or net revenue.

**Organic growth:** Changes of revenue and income of the ordinary activities as a result of change in output of the company, which is excluding acquisitions, divestments and currency effects.

**Peer group:** Group of listed companies that is comparable to Arcadis both in size and activity.

**Percentage-of-completion:** Method to recognize revenue and expenses in an Income statement in proportion to the percentage of completion of the contract.

**Proxy solicitation:** Means to provide shareholders the opportunity to vote without being present at the shareholders meeting.

**RemCo:** Arcadis Remuneration Committee (formerly abbreviated as ARC)

**Return On Invested Capital:** The sum of earnings before interest after taxes and income from associates divided by average group equity and net debt.

**Senior Management Committee:** Arcadis Senior Management consisting of the Executive Board, the Staff Directors and the CEOs of major operating companies.

**Total shareholder return:** Stock price appreciation plus dividend yield.

**Voluntary turnover percentage:** Voluntary termination of permanent own staff divided by the average number of permanent own staff during the period.

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