ARCADIS
Design & Consultancy
for natural and
built assets

ANNUAL REPORT 2016

IMPROVING QUALITY OF LIFE

OUR STORY

From climate change and rising sea levels, to rapid urbanization and pressures on natural resources, our world has become a more complex place.

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

Connecting our clients' 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 solutions in São Paulo, to new rail systems in Doha and clean air initiatives in Los Angeles.

In this way, we apply our experience protecting the Dutch coast for generations to securing New York's flood defenses today. So whatever the challenges 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 collaborative 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. Our talented people work in four segments and across our four business lines, enabling us to leverage our expertise globally and service our clients locally. Committed to improving quality of life in rapidly growing cities around the world, we support UN-Habitat with knowledge and expertise.

OUR PASSION
Improve the quality of life and be recognized as the best

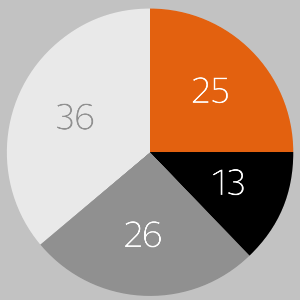
OUR MISSION
To create exceptional and sustainable outcomes for our clients in natural and built asset environments

OUR GOALS
- Create sustainable solutions
- Realize people's potential
- Deliver exceptional outcomes
- Enjoy the journey

GROSS REVENUES
In €

3,329 mln

SPREAD GROSS REVENUES
In %



Infrastructure
Water
Environment
Buildings

Our four segments

ACTIVE IN 70+ COUNTRIES
We operate as a global, integrated firm. Working together to bring the best of Arcadis to our clients, whatever their sector, and wherever they are in the world.

AMERICAS
In €
1,227 mln

SEGMENT BASED ON GEOGRAPHY:
- North America
- Latin America

EUROPE AND MIDDLE EAST
In €
1,398 mln

SEGMENT BASED ON GEOGRAPHY:
- Continental Europe
- United Kingdom
- Middle East

ASIA PACIFIC
In €
378 mln

SEGMENT BASED ON GEOGRAPHY:
- Asia
- Australia Pacific

CALLISONRTKL
In €
326 mln

SEGMENT BASED ON GLOBAL WORK PRACTICES:
- Commercial
- Healthcare
- Retail
- Workplace

FOR THE YEAR 2016

NUMBER OF EMPLOYEES
Headcount at 31 Dec
27,080

OPERATING EBITA MARGIN
7.1%

FREE CASH FLOW
In €
80 mln

NET INCOME FROM OPERATIONS
In €
91 mln

CARBON FOOTPRINT
Per FTE
3.41 MT CO_2

OUR **CORE VALUES**

At Arcadis we rely on our core values to guide us in everything we do, while we base business decisions on our vision and strategy. Our primary aim is long-term development and our focus is to deliver exceptional and sustainable solutions to our clients, and pursuing new opportunities that fit our 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 lifecycle, our deep market sector insights, and our ability to seamlessly integrate health and safety and sustainability into the design of our solutions around the globe.

INTEGRITY
We perform business in an honest and reliable way, working to the highest possible standards.

CLIENT FOCUS
We are entrepreneurial and agile, passionate about creating value for our clients and achieving high performance.

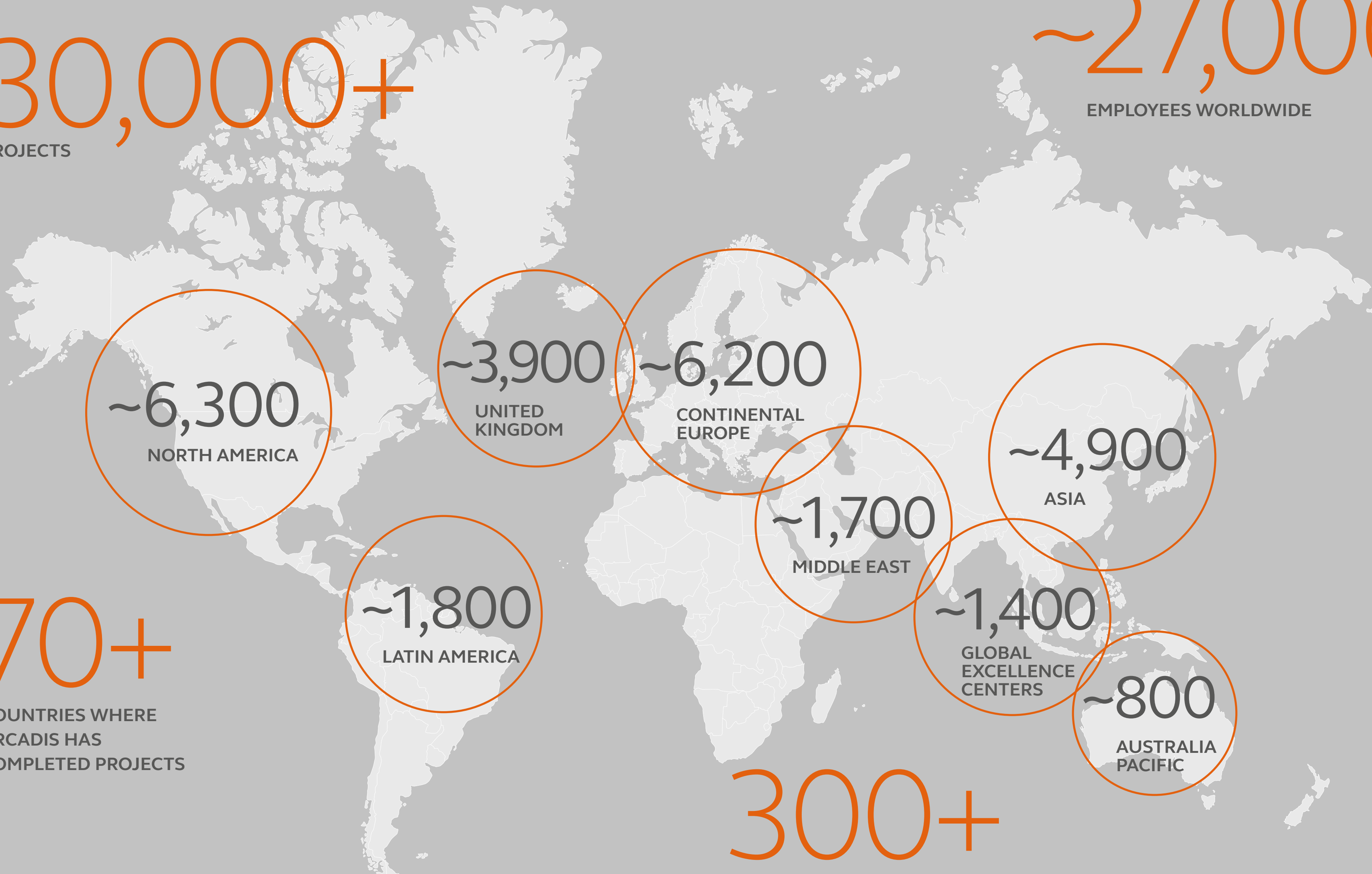
COLLABORATION
We believe in diversity, the power of global teamwork and that by working as one we can deliver exceptional outcomes.

SUSTAINABILITY
We have the responsibility to sustain our world and society in a balanced way, with the health, safety and well-being of people and stakeholders central to all we do.

GEOGRAPHICAL **PRESENCE**

30,000+
PROJECTS

~27,000
EMPLOYEES WORLDWIDE



70+
COUNTRIES WHERE ARCADIS HAS COMPLETED PROJECTS

300+
OFFICES IN 40+ COUNTRIES

2016 was a challenging year for Arcadis, and one where we adapted the organization and shifted priorities to manage the transition in our markets to be well positioned for profitable growth.

2016: A YEAR OF TRANSITION

"THE GREAT WORK WE DO FOR OUR CLIENTS, CREATING POSITIVE IMPACT AND SUSTAINABLE OUTCOMES IS WHAT EXCITES OUR PEOPLE AND WHAT GIVES US CONFIDENCE IN THE FUTURE."

At a performance level, many of the economic issues we faced in 2015 continued to impact our results throughout the year. The deep recession in Brazil in particular impacted our revenues and profitability, and our North America business faced intense competition and changing business dynamics driven by low oil and gas prices. In the Middle East lower energy prices continued to cause clients to postpone investments, while demand also slowed in parts of Asia. Brexit in the UK has led to delayed investments in the building sector, but our infrastructure business continues to grow there. Our UK and Australian businesses did well in 2016, and, together with Continental Europe, continued to deliver organic revenue growth.

Our strong backlog again demonstrates that our service offerings appeal to our clients. We had some impressive project wins in 2016 including the Thames Tideway Tunnel in London, Wuhan Sponge City in China, the Regional Connector Transit Project in Los Angeles, and many more in every region we operate in.

We are making good progress on managing our net working capital, but, as we indicated in the course of 2016, outstanding debts in the Middle East will also have an impact in 2017. Our free cash flow was solid, and we kept our net debt stable, having a net debt to EBITDA ratio of 2.3 at year-end.

The dynamics in parts of our business are also changing. Many of our clients are under pressure to deliver cost savings, whilst geopolitical risks are mounting and creating uncertainty. There are also opportunities such as digitalization, enabling new solutions at different price points. Arcadis is adapting to these dynamics, ensuring that the organization is more agile and globally collaborative. We are innovating our service offerings with new integrated solutions and we are making investments in areas like digital, to ensure we capture market opportunities.

We saw significant changes to our leadership in 2016. Firstly, in August Mary Ann Hopkins was appointed as Executive responsible for segment Americas and global leadership of the Water and Environment businesses. She will be proposed for appointment to the Executive Board at the Annual General Meeting of Shareholders in April, and will help see through the transformation of the North America business and position Latin America for future growth. Mary Ann has already shown that she is an excellent addition to our leadership team. In October 2016, former CEO Neil McArthur left Arcadis by mutual agreement with the Supervisory Board. On behalf of our Executive Board I would like to thank Neil for his contribution over the past five years. Under Neil's leadership Arcadis expanded our core business organically and through acquisitions, going from a €2 billion, 15,000 people organization in 2012, to a €3.4 billion global multinational with 27,000 people under a single global brand, with a collaborative structure and culture. He leaves a strong legacy and a platform to further build from.

The Executive Board has subsequently increased attention on client focus, already one of Arcadis' four core values, by simplifying the organization. The earlier investments made in leadership talent and sector expertise mean that we can now transfer some of our central structures into our regional client sales and delivery teams. We are already implementing these changes, reducing corporate overhead costs, and transferring expertise into the regions. In doing so, we are delivering cost savings, enhancing collaboration, and enabling our clients to access the best of Arcadis in a more direct way. In addition, we are accelerating initiatives to improve our financial performance, speeding up the alignment of our cost structure with the new market realities, and renewing our focus on cash collection.

A key part of adapting Arcadis to the market realities for the benefit of our clients is through the work we do in our Global Excellence Centers ('GECs'). In 2016, we continued to expand capacity in the GECs, growing our headcount by 700 people, and allowing us to deliver first-class design and engineering projects to our clients in the most cost efficient way possible and with a follow-the-sun approach.

We completed our Performance Excellence program and have now rolled the initiative into our wider business improvement program, the Arcadis Way. Performance Excellence has delivered significant benefits and the Arcadis Way will ensure we retain these gains. We successfully launched the Arcadis Way in Asia and paved the way for the rollout in Australia Pacific, the UK, and the Middle East in 2017, thereby harmonizing our global processes, making our operations more efficient, increasing transparency through high-quality business intelligence and management information, and better facilitating global collaboration, supported by a single IT platform, training, and behaviors. Growing our culture of continuous improvement through the Arcadis Way is on-track and we are pleased with progress.

Arcadis is by-nature first and foremost a people organization, and caring for our people is our top priority. We are proud of our achievements in that regard. Our injury rates are well below publicly-available benchmarks for the Architecture and Engineering industry. And for the fifth year in a row, Arcadis' Total Recordable Case Frequency ('TRCF') for 2016 (0.26) is the lowest since Arcadis began collecting global H&S data in 2004, when it was 1.13. Our Lost Time Case Frequency ('LTCF') for 2016 (0.10) is also the lowest it has ever been, and whilst we are proud of this result we will not waver from our constant focus on health and safety at Arcadis.

In 2016, we continued to deliver on our brand promise of Improving Quality of Life, from the Mille Arbres "floating forest" project in Paris, to providing the people of Flint, Michigan USA with a permanent source of clean and sustainable tap water. The great work we do for our clients, creating positive impact and sustainable outcomes is what excites our people and what gives us confidence in the future.

Our continued commitment to the UN Global Compact was underlined by including the adherence to the Global Compact requirements into the Arcadis General Business Principles, as well as through the launch of a Human Rights and Labor Rights Policy.

I am confident that our actions position us for profitable growth. We will continue to focus on our clients to increase our backlog and revenues, reduce our cost base, improve project management, expand our Global Excellence Centers, while reducing working capital.

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

Renier Vree
On behalf of the Executive Board

OUR **OPERATING ENVIRONMENT**

Global trends are shaping our markets and the needs of our clients. We are responding to these with new ways to create and sustain value, for our clients, our people and the communities in which we live and work.

GLOBAL TRENDS AND DRIVERS

	SUSTAINABILITY	GLOBALIZATION	URBANIZATION	MOBILITY	CLIMATE CHANGE	SCARCITY	ASSET PRODUCTIVITY	ENERGY & NATURAL RESOURCES	DIGITAL
What it is	Demand for sustainable solutions that preserve and protect our natural resources for future generations has never been greater.	Multinational companies require support wherever they operate and look for providers they can work with seamlessly around the world.	Global population growth and migration has lead to rapid urbanization, especially in emerging markets.	Metropolitan areas suffer from congestion, leading governments to invest in expanding the capacity of roads, highways and public transportation.	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.	The scarcity of clean, safe, potable water has become a critical issue to populations around the world.	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.	There is an increasing demand for carbon-based and renewable energy projects, and the exploration and development of natural resources is facing major environmental challenges.	Digital technologies open new possibilities to serve our clients and are changing the way we work and provide opportunities for different business models.
What we are doing about it	Sustainability has become integral to everything we do. We are implementing our environmental capabilities to address the impact of projects and propose appropriate mitigation measures.	We provide best-in-class integrated solutions wherever we are in the world to help them succeed.	We design and develop sustainable communities where urban quality of life is delivered in an intelligent way.	Our intelligent traffic management solutions and rail systems expertise help them achieve this in the most sustainable, efficient and affordable way.	We provide solutions to lower greenhouse gases and carbon footprints; manage water resources; and improve water management and flood protection systems.	We are bringing leading-edge solutions and advisory capabilities to water supply, treatment and reuse to help protect this important resource.	Our Built Asset Consultancy is a critical solution in these markets, helping clients reduce operational expenditure while enhancing existing asset performance, including reuse for new purposes.	We are able to provide expert program management services to ensure the successful implementation of highly complex and time critical projects.	In cooperation with clients and partners we combine digital developments and technologies with deep asset knowledge to achieve better outcomes.

KEY CLIENT TRENDS

Our strategy also responds to a number of key client and market trends. Arcadis is well positioned to meet these requirements, which play to our strengths.

WORLD-CLASS CAPABILITIES
National, local and global multinational clients require world-class capabilities for their projects and programs.

GLOBAL DELIVERY
Multinational companies require service providers that deliver their capabilities seamlessly around the world. Many implement vendor reduction programs to increase efficiencies and safeguard quality standards.

INCREASING FOCUS ON SUSTAINABILITY
Clients are demanding more sustainable solutions. Cities want to create more sustainable environments and private sector clients want to run more sustainable operations, reduce emissions and clean up legacy issues.

FRONT-END SOLUTIONS
Clients increasingly demand front-end solutions to help them achieve their business objectives, including strategic consultancy, asset management strategies, outlining and structuring investment programs, and management of projects, programs and processes.

COMPLEXITY AND OUTCOME CERTAINTY
Projects are becoming larger and increasingly complex, while timescales to start-up require a strong focus on delivery certainty.

OUTSOURCING AND PRIVATIZATION
Companies are outsourcing more non-core functions such as environmental management. A similar trend is visible in the public sector, where project execution, including design and engineering work, is outsourced to the private sector.

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.

RISK PARTICIPATION
Our clients increasingly ask suppliers to take on a portion of project risks, and look for guaranteed outcomes and fixed price solutions.

PUBLIC-PRIVATE PARTNERSHIPS
Many governments are seeking to attract private capital to (co)finance infrastructure investments, create jobs and strengthen the local economy.

SWOT ANALYSIS

STRENGTHS
- Strong health and safety culture
- Balanced geographic portfolio:
  - Americas
  - Europe, UK and Middle East
  - Asia and Australia Pacific
- Leading global architecture firm CallisonRTKL with number one ranking in retail design
- Diversified client base of multi-national and key national clients and local clients
- Offering wide range of Design and Consultancy services

WEAKNESSES
- Difficult to optimize capacity in some markets
- Limited diversification in North America and Asia
- Higher working capital in the Middle East, Latin America and Asia
- Mix of cultures from acquired companies

OPPORTUNITIES
- Selling our full range of services to multinational and key national clients
- Benefiting from increasing investments in Infrastructure and by Big Urban Clients
- Growing demand for solutions that help clients becoming sustainable
- Expanding use of Global Excellence Centers
- Growing demand for Digital technologies
- Marketing Arcadis and CallisonRTKL brands globally

THREATS
- Shift from Design-Bid-Build to Design & Build in certain markets
- Low oil and commodity prices impacting demand, particularly in North America, Brazil and the Middle East
- Economic volatility impacting markets
- Clients shifting more risk to suppliers
- Increased protectionism in certain markets

OUR VALUE CREATION MODEL

INPUT USING ALL RESOURCES WISELY

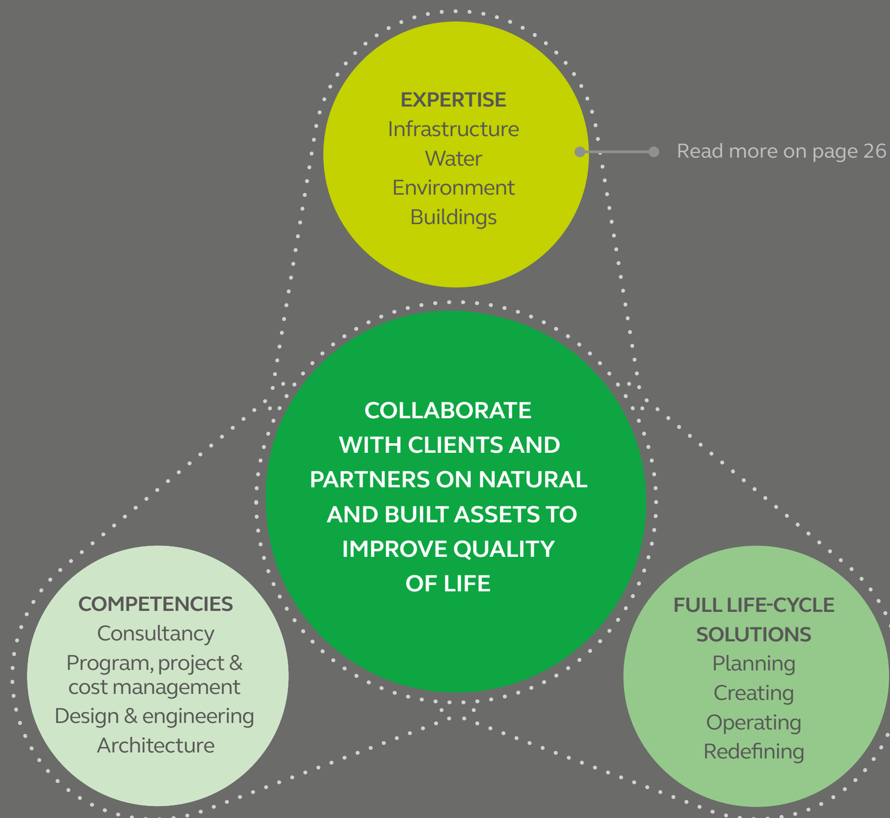
HUMAN AND INTELLECTUAL CAPITAL
Our 27,000 talented and professional employees provide their expertise and competencies to make a difference for our clients at every stage of the life cycle of natural and built assets.

SOCIAL AND RELATIONSHIP CAPITAL
Exceptional and sustainable results are achieved by collaboration with our clients. Our success is dependent on good relationships with key stakeholders, such as our employees and clients.

FINANCIAL CAPITAL
Equity and loans help us to invest in the growth of our business and global footprint, which enables us to service our local and global clients.

NATURAL CAPITAL
To maintain our offices around the world and travel to client sites as required, we consume energy and water.

VALUE CREATION PROCESS



Read more on page 26

UNDERPINNED BY SHARED VALUES

INTEGRITY | CLIENT FOCUS | COLLABORATION | SUSTAINABILITY

Read more on page 4

OUTPUT CREATED PER CAPITAL

HUMAN AND INTELLECTUAL CAPITAL

High levels of employee engagement: 89% of employees believe Arcadis is a great place to work. Improvement in human capital demonstrated by:

- Employee engagement score of 3.07 (survey of 2015)
- Increased retention of identified leadership talent (90%)
- Increased number of females in total workforce (36%), female executives (11%), and female executive potentials (23%)

SOCIAL AND RELATIONSHIP CAPITAL

High level of client satisfaction demonstrated by repeat business. ~70% of 2016 projects involved work with clients who had worked with Arcadis before.

FINANCIAL CAPITAL

Positive free cash flow (€80 million), stable balance sheet , and over €3.3 billion of gross revenues, despite macroeconomic challenges.

NATURAL CAPITAL

Many projects involved improving water quality and supply and we remediated many spills in soil and water.

Read more on pages 46, 54, 62 and 68

OUTCOMES FOR OUR STAKEHOLDERS

OUTCOMES FOR EMPLOYEES

We provide challenging and satisfying work and help employees develop their talents and skills:

- No work-related fatalities in the past five years
- Over 385 employees participated in (global) leadership trainings 2016
- The Arcadis Academy was introduced, which offers development opportunities in line with business and individual needs

OUTCOMES FOR/ WITH CLIENTS

We create long-term value for our clients through our expertise and competencies:

- Over €1.8 billion of revenues generated from clients participating in the MNC and BUC client programs
- Award winning and iconic projects, such as the Menarco tower (page 99), and the university hospital in Dallas (page 104)
- Health & Safety plans created for 99% of the projects outside the office environment

OUTCOMES FOR SOCIETY

We contribute to a better of quality of life and a healthier planet:

- Many employees involved in community activities, such as the Shelter program
- Reduced carbon footprint compared to prior years
- Corporate income tax paid of €25.0 million
- Many projects with sustainable outcomes which are beneficial to society (see examples on page 70)

OUTCOMES FOR INVESTORS

We provide investors with competitive and sustainable rates of return:

- Net income from operations per share of €1.08
- Proposed dividend of €0.43 per share
- Return on invested capital of 6.8%

IMPROVING QUALITY OF LIFE

Read more on page 46, 54, 62 and 68

OUR STRATEGY

To ensure that our strategic direction reflects our operating and competitive environment and our clients' evolving needs, we conduct a detailed strategic review every three years.

2016 PERFORMANCE AGAINST STRATEGY

Strategic objective	**SUSTAINABLE GROWTH** EXPANSION OF CORE BUSINESS	**PERFORMANCE** CONTINUOUS IMPROVEMENT, BOLSTERING REPUTATION FOR QUALITY	**COLLABORATION** LEVERAGING CORE CAPABILITIES THROUGH OUR GLOBAL FOOTPRINT
Actions taken in support of objective	Integrate new acquisitions, capture synergies, and leverage our capabilities through an expanded global footprint to serve multinational and national customers.	Expand Global Excellence Centers ('GECs') and streamline management to increase organic growth. Leverage scale through unified procurement processes, drive net revenue growth and support sustainability commitments.	Support business growth and integration through globally harmonized business processes. We continue implementing the Arcadis Way and supporting our global IT solution.
Measurement of success	• We are a global top-five player in engineering consultancy and architecture	• We expanded the number of people in Global Excellence Centers by 50% • Margin protection through cost reductions	• Arcadis Way implementation on track • Growth in multinational clients

THE ARCADIS **WAY OF WORKING**

We are implementing harmonized business processes and systems around the world to create a global way of working. The Arcadis Way is our initiative to enable people to provide superior value to clients, realize their potential and work jointly towards common goals, based on shared values.

THE ARCADIS WAY FOCUSES ON SIX BUILDING BLOCKS

1 Disciplined client development leading to more profitable client relationships and more satisfied clients.

2 Focus on strategic opportunities allowing us to deliver maximum value to clients.

3 Role-based resource planning to get the best people on the job.

4 Standardized project management to increase the quality and reliability of our project delivery and optimize financial performance.

5 Embedded knowledge management allowing us to leverage best practices on a global scale.

6 Investment in people allowing us to attract, retain and grow our most valuable asset.

MARKET-TO-OPPORTUNITY > Create awareness > Identify need > Create opportunity >

PURSUIT-TO-WIN < Create pursuit team & approach < Create offer < Contract awarding

DELIVER-TO-RESULT > Initiate project > Plan project > Execute project / Control project > Close project

To mitigate risks, such as operational, compliance, and merger and acquisition risk, controls are embedded in the Arcadis Way. Read more on this on page 114.

TEN 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

STRATEGY & BUSINESS

SUSTAINABLE GROWTH, PERFORMANCE, COLLABORATION

BUILD ON OUR STRONG AND WELL-BALANCED GLOBAL MARKET POSITION

SUPPORT OUR LONG-TERM PERFORMANCE

OUR STRATEGY

In 2016, we completed the final year of our strategy entitled **sustainable growth | performance | collaboration**, which spanned the period 2014 - 2016. This strategy built on our strong and well-balanced global market position and supported long-term performance. It has helped our expansion into higher-growth market sectors and solutions, including Business Advisory (consulting), Program, and Project and Cost management. Additionally, we have created more synergies through improved global collaboration, performance excellence measures and sharing of best practice and, where possible, of work through the Global Excellence Centers ('GECs'). In creating solutions for our clients we have also delivered a stimulating and development-oriented work environment for our people and sustainable contributions to the communities in which we operate.

In 2017, we will share our updated strategy for the following period, which is currently under review. Arcadis conducts a strategic review every three years to ensure our strategic direction remains closely aligned to market developments and our clients' needs. As in previous years, the revised strategy will build on the strengths of our existing global strategy, address our main business priorities and remain rooted in our core values.

SUSTAINABLE GROWTH

Our commitment to sustainable growth reflects the increasing demand for more sustainable solutions, as well as our own aim to sustain the development of our company by increasing organic growth. Sustainable growth comprises the following elements:

- **Expanding the core:** We expand our core business throughout our regions and global business lines by focusing on key clients at local, national and global levels, and building on our existing client relationships. Our four global business lines enhance our core value propositions, which are aligned to evolving market and client needs. We intend to increase our market share by further sharpening our focus on clients and applying our deep market sector knowledge.

- **Mergers and acquisitions:** 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 their potential for successful integration with maximum cost and revenue synergies.

PERFORMANCE

We are evolving our culture towards one of continuous improvement. Performance touches on many aspects of our work, including client relationships, market sector insights, client solutions development, innovation through sustainable solutions and how we share knowledge and expertise on a global basis. This implies an increased use of our Global Excellence Centers that will help us compete and win in the market, as well as improved project management, resource utilization and cost controls. It addresses key enabling processes such as recruitment and people development, how we steer our business, how we use information technology to work more effectively and how we market ourselves. By focusing on performance we remain the partner of choice for our key clients, the employer of choice for our people, and strive to deliver top-quartile shareholder returns.

COLLABORATION

Through collaboration we leverage our capabilities and global footprint to bring the best of Arcadis to our local, national and global multinational clients. Our global operating model plays to our strengths, while we aim to make it even more effective and cost-efficient. We continue to expand our successful Multinational Clients program and invest in the development of global market sectors where we see strong growth opportunities. Similarly, our Big Urban Clients initiative remains focused on helping leading cities around the world build and sustain their competitive advantage. We will continue to work to improve knowledge sharing across our four global business lines to build client solutions that better serve our clients across the globe.

STRATEGIC ACHIEVEMENTS 2016

We began the roll-out of the Arcadis Way in Asia, our four-year plan for harmonizing our businesses processes around the world, following the completion of its design in 2015. The Arcadis Way supports our strategy for enhanced collaboration by focusing on six key building blocks:

- Disciplined client development for more profitable relationships and satisfied clients;
- Focus on strategic pursuits 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; and
- Investments in people allowing us to attract, retain and grow our most valuable assets.

By further strengthening our processes, IT platform (Oracle), training (Arcadis Academy), and behaviours, we improve the way we operate and create a global way of working. In 2017, our focus will be on the leadership priorities listed further in this section.

In August, we nominated Mary Ann Hopkins to be appointed as Executive responsible for the Americas, and global leadership of the Company's Water and Environment business lines. Her appointment will be instrumental towards the implementation of an improvement program for the region and is an important step forward as we build out our global strategy for the Water and Environment businesses.

In October, we announced the acquisition of an Australian environmental remediation business, Environmental Strategies. This acquisition will provide Arcadis with the local capacity and capability to deliver significant remediation projects and meet our commitment to sustainable and exceptional outcomes for our local and multinational clients. It immediately joins Arcadis across Australia, with all staff, senior leadership, and project opportunities retained.

LEADERSHIP PRIORITIES 2017

We are implementing a simplified operating model which enables us to better respond to market dynamics, combined with structurally reduced overhead costs. Furthermore we delivered a strong free cash flow in the fourth quarter, supported by substantial cash collections in the Middle East. We are seeing strong client demand for our capabilities helping cities with their resiliency in Europe, North America and Asia, as well as the extension of some of our core environmental consultancy into new markets such as the Middle East and Australia. Significant wins in the quarter of 2016 included environmental and remediation services across Europe with US Corps of Engineers and Construction Management Support Services in the $1.55 billion Regional Connector Transit Project to ease congestion around Downtown Los Angeles.

In order to return to profitable growth we continue to focus on winning work with our clients and increase our backlog, reducing our cost base, improving project management, expanding our Global Excellence Centers and lowering our net debt by reducing working capital.

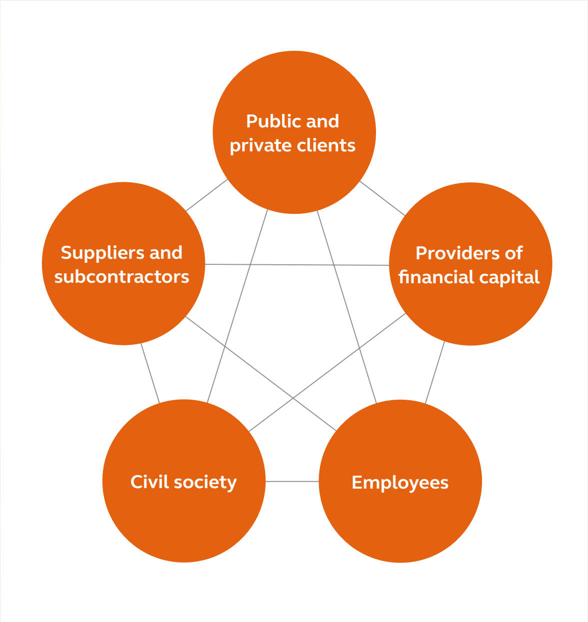
Our leadership priorities are geared towards improving our financial performance:

- Focusing on clients, leading to growth in backlog and revenues
- Reducing costs by simplifying the organization structure, strengthening project management and expanding Global Excellence Centers
- Reducing working capital
- Finalize the strategy, including innovation through digitalization

"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."

The Executive Board (from left to right): Stephanie Hottenhuis, Stephan Ritter, Mary Ann Hopkins*, Renier Vree

* Ms. Hopkins is proposed for appointment to the Executive Board at the Annual General Shareholders Meeting on 26 April 2017



MATERIALITY AND **STAKEHOLDER ENGAGEMENT**

At Arcadis we strive to create value for all our stakeholders, and aspire to understand and act upon the most material issues for our business, stakeholders and society. Materiality assessments help us to select key material themes.

KEY STAKEHOLDER GROUP	SUMMARY OF DIALOGUE	BY
PUBLIC AND PRIVATE CLIENTS	We work closely with our clients to provide them with sustainable solutions to add value and address their needs. These solutions are developed in close cooperation with them, a process during which their feedback is continuously integrated into the projects we perform on their behalf. In addition we organize numerous client events, such as benchmarking sessions on site remediation and interactive events on Building Information Modelling ('BIM'). We also participate in organizations which represent clients with a specific focus on sustainability where we contribute to the development of more sustainable business practices, including the Dutch Sustainable Growth Coalition and the World Business Council for Sustainable Development. For 80% of our revenues we measure client satisfaction levels based on local criteria in the operating countries. Key matters discussed in 2016 included: project performance, societal trends, innovation, digitization, sector and client specific sustainability measures (including waste, water and energy use reduction strategies, zero emission building designs, embedded carbon assessments).	Executive Board, Management, Global business leaders, Project managers, Marketing & Communications
EMPLOYEES	Our employees are our most valuable asset and therefore we manage our relationship with our employees closely. Bi-annually we conduct a global employee engagement survey to measure employee satisfaction. Please refer to the section 'Our value for employees' for further details. Key matters discussed in 2016 included: strategy and organizational plans for future years, effects of changes in leadership and suggestions around the simplification of our current business model to improve growth opportunities and margins, while maintaining our position as an attractive employer.	Executive Board, Management, HR
PROVIDERS OF FINANCIAL CAPITAL	We continuously engage with our shareholders and lenders through various channels, including our annual shareholders' meeting, one-on-ones with institutional investors and through presentations for retail investors organized by banks or exchanges. In addition, we participate in institutional investor conferences and meetings and on occasion have dialogue sessions with representative organizations for retail shareholders. Key matters discussed in 2016 included: working capital developments, leadership changes, organic growth and margin development, debt covenants and risk of asset write-offs, human rights and labor rights policies.	CFO, Investor relations
CIVIL SOCIETY	In 2016, Arcadis engaged in a dialogue with non-governmental organizations Both Ends and Greenpeace, as well as with the Dutch Association of Investors for Sustainable Development 'VBDO' and several Dutch government entities including the Authority for Financial Markets. Key matters discussed in 2016 included: human rights concerns in relation to (future) project involvements, adherence to OECD Guidelines for Multinational Enterprises, integrated reporting, risk management, and quality of disclosures in our financial reporting.	Sustainability & External affairs, Corporate finance, Risk management
SUPPLIERS AND SUBCONTRACTORS	Our suppliers and subcontractors are essential to Arcadis, mainly where it relates to the successful execution of our projects on behalf of clients. They often bring in expertise that Arcadis itself does not possess, or provide additional capacity. Key matters discussed in 2016 included: the introduction and application of the Arcadis Purchasing Principles, aimed at sustainable supply chain practices and further alignment with Arcadis business principles.	Sustainability and External affairs, Management, Project managers

STAKEHOLDER DIALOGUE

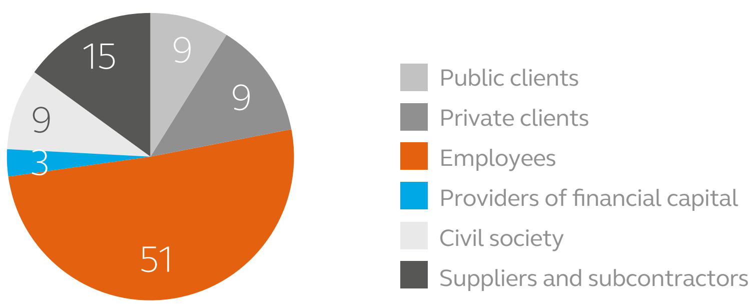
Key stakeholders include public and private clients, employees, providers of financial capital, civil society, but also our suppliers and subcontractors. We seek to engage in and create dialogues with stakeholders on a regular basis to deepen our insight into their needs and expectations, and to develop sustainable solutions which serve them better. Such stakeholder activities help us to gain more insight into their expectations, to focus on the topics that really matter, to manage risks and opportunities, and to make the right decisions in our own sustainability strategy, which is anchored in our business strategy.

In 2016, the dialogue with each key stakeholder group differed and is summarized in the table on the previous page.

To deepen our understanding of what our stakeholders find important, we organized 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 (see page 69). Our stakeholders shared how Arcadis can enhance its impact on these themes and what opportunities they present to them as well as to Arcadis. In 2017, we will further refine our stakeholder engagement process.

STAKEHOLDERS INVOLVED IN MATERIALITY ASSESSMENT

In %



MATERIALITY ASSESSMENT

Early 2016, we completed 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. The survey provided us with feedback from 125 external stakeholders (public and private clients, providers of financial capital, civil society and employees), based in over fifteen countries and with concentrations in the UK, North America and the Netherlands. Stakeholders were asked to indicate how Arcadis' performance on sustainability themes impacted their organization and society in general.

During 2016, we assessed to what extent our priorities needed to change, based on changes in the organization, our environment and discussions held with stakeholders. Based on this, we concluded that a new stakeholder engagement survey will be conducted in 2017, when a new CEO will be appointed and the strategy for 2017 and onwards will be launched.

METHODOLOGY

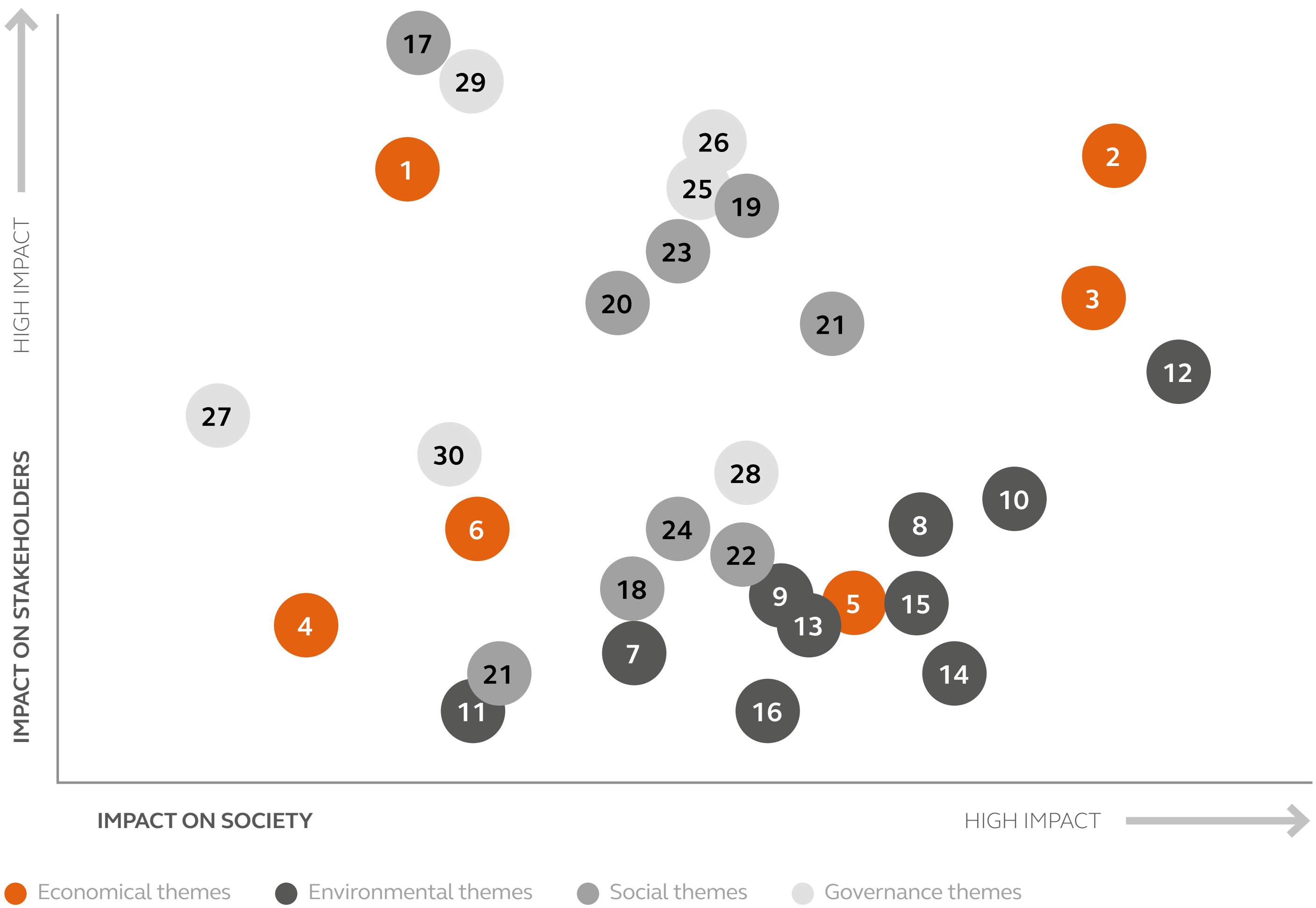
Desktop research and internal stakeholder conversations were held to develop 30 sustainability themes on which Arcadis' performance was believed to be material. Four themes (i.e. economical, environmental, social and governance) were defined, which were given an in-depth working definition, explaining how it relates to stakeholders.

The 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'.

MATERIALITY MATRIX AND PRIORITIES

The below materiality matrix indicates how Arcadis' performance on the identified themes impacts both key stakeholders and society. The matrix, which is in line with the Global Reporting Initiatives ('GRI') G4 requirements, has the following axis:

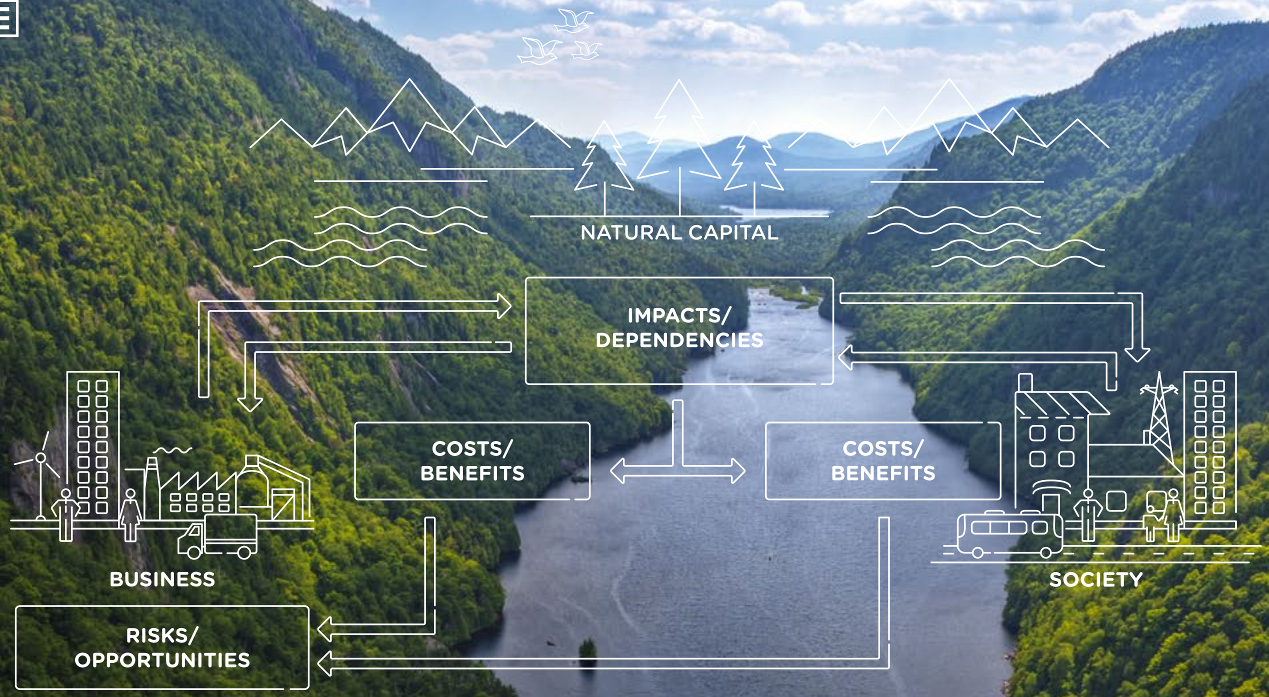
- X: The average score given by all stakeholders, on how they assessed given themes impacting 'Society in General' (giving all stakeholder groups equal weight)
- Y: The average score given by all stakeholders, on how the various themes would impact 'Their Organization' (giving all stakeholder groups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



1. Economic performance
2. Innovation
3. Sustainable outcomes for clients
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

Following the materiality assessment, the below priorities have been identified by Arcadis and are reported on in different sections of this Annual Report. We are working towards an integrated approach that ensures that sustainability issues are embedded in our business processes, such as in our Pursuit to Win process. The materiality matrix and the priorities have been adopted by the Executive Board.

THEME	TOPIC	REFERENCE ANNUAL REPORT
ECONOMICAL	• Economic performance • Innovation • Sustainable outcomes for clients • Market presence • Procurement practices	• Value creation for investors (page 54) • Value creation for society (page 68) • Value creation for clients (page 62) and project cases throughout the report • Global business lines (pages 26, 30, 36 and 40) • Value creation for society (page 68)
ENVIRONMENTAL	• Operational eco-efficiency • Energy & emissions • Climate strategy • Environmental management and reporting • Environmentally sustainable outcomes	• Value creation for society (page 68) • Value creation for society (page 68) • Value creation for society (page 68) • Value creation for society (page 68) • Throughout the report
SOCIAL	• Talent attraction and retention • Human rights • Health & safety • Employment practices • Contribution to society beyond client projects • Socially sustainable outcomes • Training and education • Society	• Value creation for employees (page 46) • Value creation for society (page 68) • Value creation for employees (page 46) • Value creation for society (page 68) • Value creation for society (page 68) • Project cases throughout the report • Value creation for employees (page 46) • Value creation for society (page 68)
GOVERNANCE	• Corporate governance and codes of conduct • Transparancy, integrity and compliance • Responsible tax payment	• Corporate governance report (page 134) • Value creation for employees (page 46) and Risk management (page 114) • Value creation for society (page 68)



NATURAL CAPITAL PROTOCOL

The Natural Capital Protocol ('NCP'), launched 13 July 2016, aims to provide a standardized framework for business to measure and value their direct and indirect impacts and dependencies on natural capital.

Its purpose is to include how we interact with nature, natural capital, into business decision making. The NCP helps generate trusted, credible and actionable information for business managers to do so. Not including natural capital in decision making processes makes it likely you are missing significant risks and opportunities for your business. The Protocol covers four stages and 9 steps, and is applicable to any business sector, operating in any geography, and at any organizational level.

Arcadis, as one of the co-writers of the Natural Capital Protocol, contributed with its extensive knowledge taken from its decades long environmental impact assessment and provided proprietary expertise and methodologies on biodiversity and ecosystem services indicators, impact & dependencies approaches to the Protocol development. We engaged actively with experiences taken from implementing biodiversity into business decisions processes. We were an active partner in the unique collaborative effort between 38 organizations.

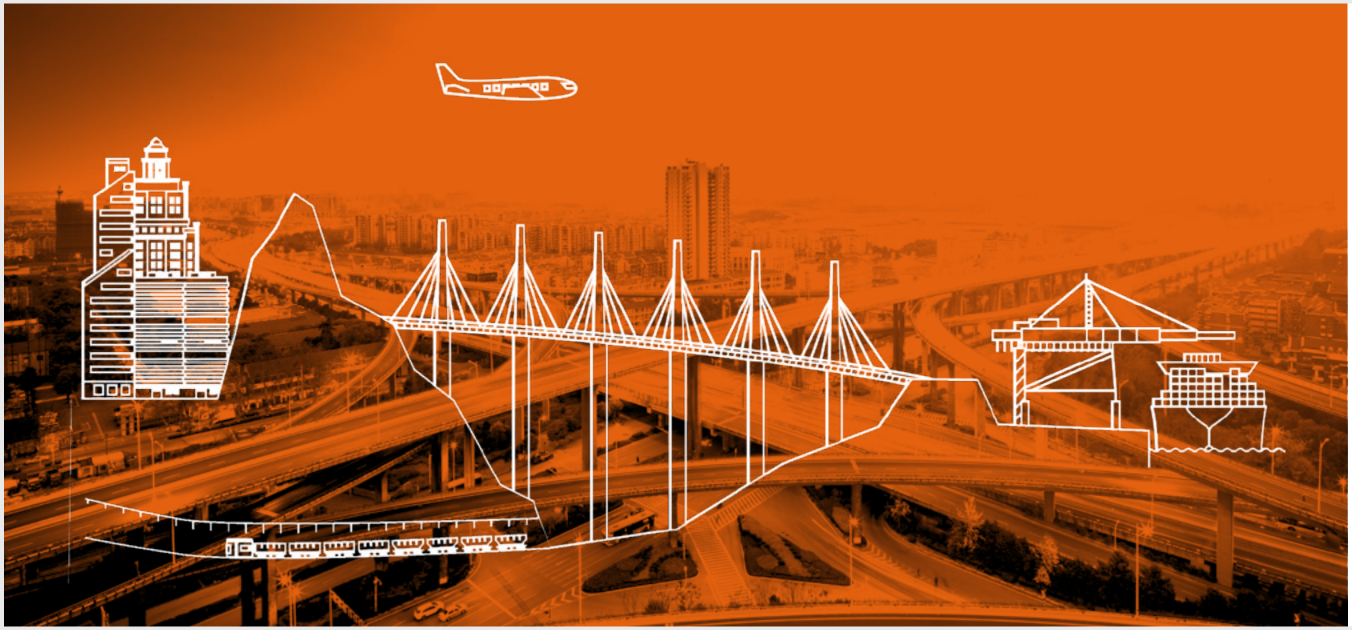
Arcadis also functioned as one of the pilot testers of the NCP, along with leading companies like Kering, Philips, Dow, Nestle, Shell, Tata and Nestle.

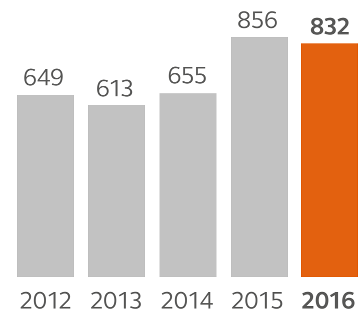
The Natural Capital Protocol is endorsed by people and organizations from all around the world and sets out why natural capital is important and how the Protocol is a vital step to a world where business conserves and enhances natural capital while also benefiting from its existence. The Natural Capital Coalition is an important conveyor in this.

NATURAL CAPITAL COALITION

Natural Capital Coalition 2016. 'Natural Capital Protocol'. (Online) available at: www.naturalcapitalcoalition.org/protocol

GLOBAL BUSINESS LINES





-3%

GROSS REVENUES

In € millions

25%

(2015: 25%)

OF TOTAL GROSS REVENUES

INFRASTRUCTURE

Infrastructure focuses on sustainable infrastructure solutions for efficient transportation by road, rail, air and over water, and creating reliable energy supply systems. By assisting in smart planning and finding the right balance between ecology and economy, Arcadis' specialists enable great cities to not only be liveable but also to be connected and allow mobility across cities.

Arcadis is a top global player in infrastructure services, and ranked number four for Transportation in the ENR 2016 rankings.

OUR ACTIVITIES

Infrastructure has five core activities:

RAIL AND URBAN TRANSPORT

We provide cost-effective, efficient and safe mobility solutions throughout the lifecycle of rail assets by applying industry leading expertise in design, management and consulting. This covers all rail types (light, heavy, freight, high-speed) and associated infrastructure, including bridges and tunnels.

AIRPORT SOLUTIONS

We offer global strengths throughout the asset lifecycle and deliver planning, design, feasibility studies and operational improvements to new airports or the expansion of existing airports.

MINING

We also serve global mining clients by planning, designing and managing the lifecycle of mining assets. This includes mine development and exploration solutions, transportation and end-product logistics, and distribution.

HIGHWAYS AND INTELLIGENT TRANSPORT SYSTEMS

We create smart solutions over the lifecycle of road assets. We add value to the consulting, design, and program and construction management of large and complex programs. We have extensive expertise in designing bridges and tunnels for road systems.

PORTS AND INDUSTRIAL INFRASTRUCTURE

We offer reliable and cost-effective solutions for port, power and industrial infrastructure based on international best practices, including planning, design, project and program management for port extensions, upgrades or new port development.

OUR CLIENTS

Our work in infrastructure is for national and local governments, but also for utilities, publicly and privately owned. In addition, we have developers, contractors and mining firms as clients for which we work on the world's most complex transportation, land development and power and mining challenges.

OUR EMPLOYEES

Around 7,100 employees work in the Infrastructure business line, which is ~26% of our total headcount.

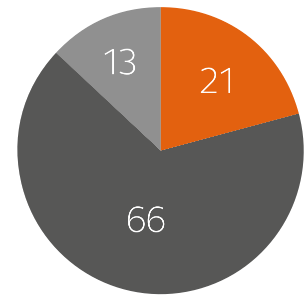
OUR PROJECTS

Projects such as Sydney Metro in Australia, UKs East Coast Mainline and Grand Paris Metro (for which Arcadis has been awarded a contract extension) are great examples of the wide array of program management, technical advisory skills, and engineering design expertise across widespread geographies.

In the US, Arcadis won a framework contract for the redevelopment of Terminal A at Newark Liberty International Airport. This project will see Arcadis working for the Port Authority of New York and New Jersey, supporting the client in providing expert professional program and project delivery and advisory services from 2016 through 2021. Arcadis was also contracted in the US by Asarco, a fully integrated miner, smelter and refiner of copper, to perform final design and value engineering of the 7F Wash Infrastructure Diversion Channel. Multiple ongoing Intelligent Traffic Solutions ('ITS') design, operation and maintenance ('O&M') projects with the State of Georgia Department of Transportation evidence our experience in ITS consultancy, responding to the ever-growing need of our clients to manage their roads more safely and efficiently.

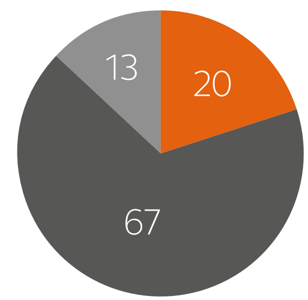
TOTAL GROSS REVENUES

In % of total



TOTAL NET REVENUES

In % of total



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MANCHESTER, UK
MANCHESTER AIRPORT TRANSFORMATION PROGRAM

Infrastructure and transportation are key to Manchester and vital in terms of helping to accelerate growth potential right across the UK. Arcadis is appointed to oversee program management of the £1 billion Manchester Airport Transformation Program for the entire transformation scheme, encompassing Program and Project Management, Project Controls, Cost, Commercial, Risk, and Value Management. It is also supporting Manchester Airports Group in the wider Stakeholder Management, defining requirements and operational protocols along with the strategies and planning to bring the new assets into operation.

In Sydney, Australia, we started the design of the M4 East Road Tunnels project in 2015 and worked on it in 2016. Design for the $3.5 billion project is now 90% complete using local and global expertise, and includes road tunnels, bridges, traffic engineering, building structures, and related environmental services.

In the face of an increasingly dynamic and globalized market, Calais Port is already one of the busiest ports in Europe, and the Port Expansion project has been won by Arcadis as a result of our global capabilities in this sector. Within the power and industrial infrastructure sectors, a diverse range of projects, such as Energiewende in Germany (see page 29), and the Puma Project (see page 85) in Latin America, are evidence of continuing strong success in 2016. Arcadis' landmark win to oversee program management of the £1 billion Manchester Airport Transformation Program (see page 28) is a great example of a project win in the UK.

GERMANY

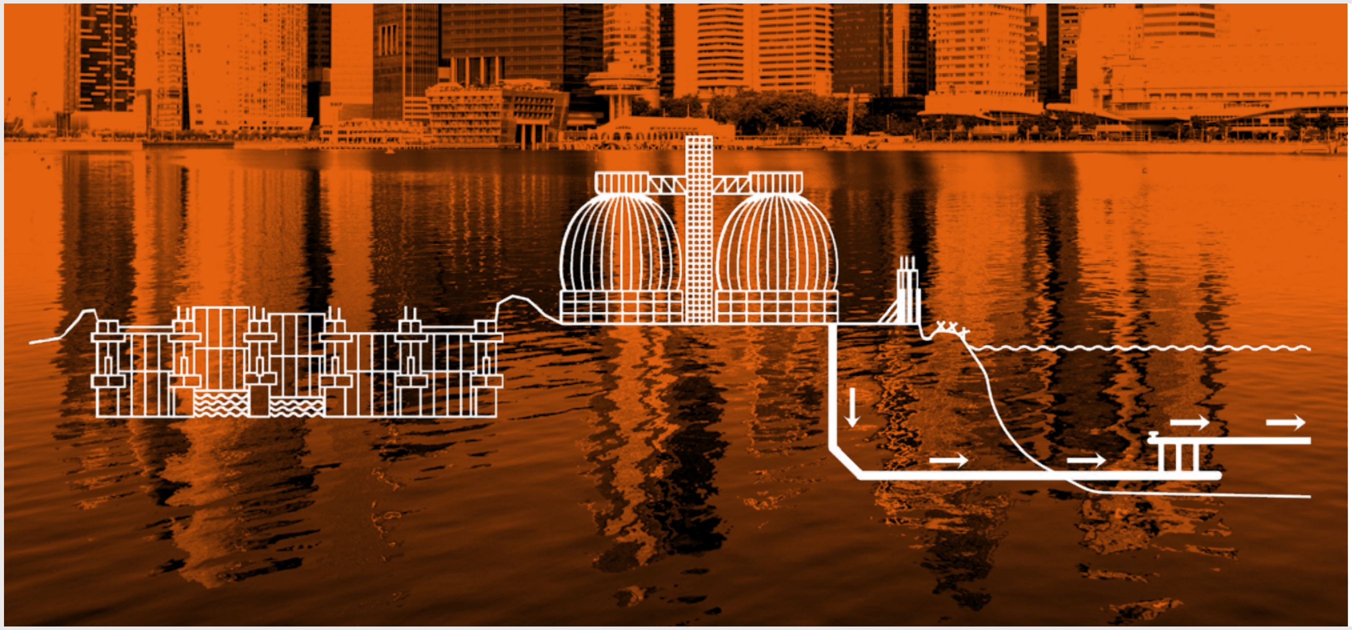
SUSTAINABLE ENERGY

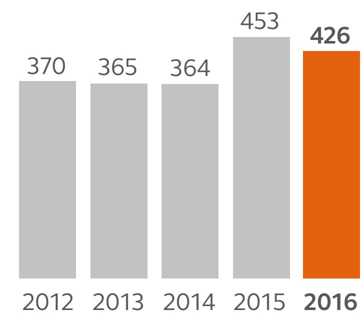
Arcadis helps Germany's transition towards sustainable energy. Germany is in the midst of an energy transformation process, the so-called 'Energiewende'.

The German government has decided to close all nuclear plants and maximize sustainable energy. The decision comes with important demands for and investments in infrastructures and grids. Arcadis helps society, public authorities, network operators and industry to fulfill that ambitious objective.

The challenge for the ABB project was to connect offshore wind parks to onshore energy grids. Arcadis contributed to its customer's success by offering permit coordination, project management and claim management services.

GLOBAL BUSINESS LINES

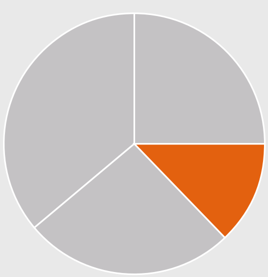




-6%

GROSS REVENUES

In € millions



13%

(2015: 13%)

OF TOTAL GROSS REVENUES

WATER

Water focuses 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 are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demand of a rapidly changing world.

Arcadis is a global top-five player in water services.

OUR ACTIVITIES

Water has four core activities:

WATER CONVEYANCE

Moving our water reliably and efficiently is a major challenge of the modern day as urban populations grow and put increasing pressure on finite freshwater supplies. We help our clients by solving their distribution, collection and drainage needs.

WATER FOR INDUSTRY

We strive to make businesses better and reduce its footprint through sustainable and effective water supply, treatment, management and conveyance solutions. This covers any water work for private, industrial clients, including the oil & gas, mining, chemical/ pharmaceutical, automotive, conglomerate, power, and food and beverage sectors.

WATER MANAGEMENT

We enhance the quality, safety, and adaptability of urban and coastal, river-based, and delta ecosystems. From developing flood defenses in Asia Pacific to storm proofing New York's financial district, we have over a century of experience and expertise to be able to enhance the quality, safety, and adaptability of urban and coastal, riverine and delta ecosystems everywhere.

WATER SUPPLY AND TREATMENT

With so many people inhabiting planet earth and with so little fresh water, we need to ensure that what we do have is used efficiently and effectively. This includes drinking water (planning, supply and treatment), wastewater (planning treatment and disposal), and reclaimed water (planning treatment, and reuse).

OUR 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.

OUR EMPLOYEES

Around 3,200 employees work in the Water business line, which is ~12% of our total headcount.

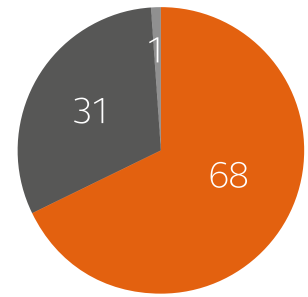
OUR PROJECTS

In 2016, we made significant progress in delivering global water Supply & Treatment for multinational clients in multiple market sectors and regions. Arcadis' delivery model has been successfully broadened to include EPCM projects in North America, Continental Europe and Latin America, leveraging cross-business line collaboration. As a Platform Partner of 100 Resilient Cities – pioneered by the Rockefeller Foundation, we have partnered with selected city leaders to plan their resilience strategies.

In the US, we are on a 3.5 year program to build a model and calibration system for 29 zones in Los Angeles to assist with network management in this time of drought. We also expanded our water resilience footprint along the eastern seaboard with new projects in Boston, MA, Bridgeport, CT and Norfolk, VA. We continue to support a number of Water Management projects in New York City to increase the city's resiliency. In 2016, we were appointed to complete design services for the transformation of a demonstration facility to a wastewater treatment plant to reduce total nitrogen discharge into the East River.

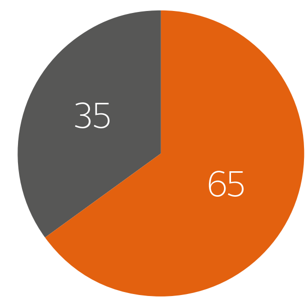
TOTAL GROSS REVENUES

In % of total



TOTAL NET REVENUES

In % of total



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THE NETHERLANDS
THE VALUE OF DRINKING WATER

Arcadis explored the value of natural capital for a selection of activities for our client Vitens, by identifying the impact and dependency on natural capital. This enables Vitens to demonstrate how it creates value through its primary activity: producing drinking water. Arcadis described the impact and dependency pathways and translated these to graphical formats. By involving Vitens employees in this process we ensured alignment with their day-to-day work and increased understanding of the ambitions related to sustainability. An attractive graphical presentation of the value of natural capital helped Vitens to increase clarity on the value of natural capital accounting. It was used in communicating their efforts to reduce their negative impact or increase their positive impact on natural capital.

We are also researching and developing multi-benefit green infrastructure solutions to improve water quality and enhance New York's streetscapes. In the US city of Flint, Michigan we have begun work on a Water Distribution System Optimization Plan and in El Paso, Texas, we completed a nine-month pilot on the first direct pipe-to-pipe potable water reuse in North America. In Pittsburg, we were selected by ALCOSAN for WWTP Wet Weather Improvements Program Management. In San Francisco we completed a resiliency study on the Mission Bay area of San Francisco.

In the UK, we were selected to be in a framework for Thames Water to address water supply and wastewater collection issues of fifteen million customers. We were also awarded the Thames Water commercial dispute resolution and engineering framework. In the Netherlands, we won a major contract for Flood Protection with the Peel & Maasvallei Waterboard.

In Wuhan, China, we are responsible for the pilot project of the 'Sponge City' Program (see page 34).

OOIEN AND WANSSUM, THE NETHERLANDS

ENHANCING RIVER BANKS OF THE RIVER MAAS

Arcadis is involved in making the banks of the river Maas (Meuse) more secure and attractive close to the villages of Ooien and Wanssum in the Dutch province of Limburg. A closed-off meander will be reactivated and new dykes will be built. The river harbor of Wanssum will also be enlarged.

Arcadis is responsible for the strategic environmental management and the permit policy. In addition, it is developing the technical aspects of the dyke building and steering the water-related design.

Image: H+N+S

WUHAN, CHINA

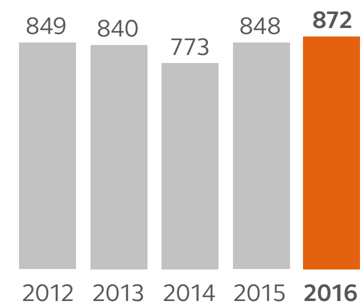
WUHAN SPONGE CITY

Wuhan is one of the first of sixteen cities in China to launch project Sponge City, an integrated water management initiative driven by the central government. The project will result in an infrastructure which holds, cleans and drains water, using an ecologically-friendly approach.

Arcadis has been appointed as the principal consultant by Wuhan Water Authority, and will be providing technical, policy and program management advisory.

The program gets its name from its innovative solution: using life-enhancing public spaces to absorb storm water, making the city more resilient to climate change and natural disasters. Blending green infrastructure with other flooding control measures, the Sponge City program aims to reduce the economic and environmental damage caused by pluvial flooding in Wuhan and improve quality of life for its residents.

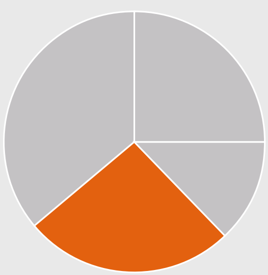
GLOBAL BUSINESS LINES



+3%

GROSS REVENUES

In € millions



26%

(2015: 25%)

OF TOTAL GROSS REVENUES

ENVIRONMENT

Environment focuses on improving the sustainability of natural and built assets. Arcadis combines environmental innovation, engineering, consulting, and construction services, and develops successful and sustainable solutions for our clients. We are proud to be 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 ACTIVITIES
Environment has four core activities:

SITE EVALUATION AND RESTORATION
We provide restoration consulting and strategy, site investigation, remedy design, and implementation. We are experts in solving our clients current complex remediation challenges such as cleanup of large contaminated groundwater plumes while also addressing future challenges such as emerging contaminants.

ENVIRONMENTAL PLANNING
We focus on corporate environmental, social and health impact assessments, natural capital, regulatory environmental impact assessments, mitigation and monitoring solutions, and independent expert reviews.

ENVIRONMENTAL CONSTRUCTION SERVICES
We offer general remedial contracting expertise for cleanup of contaminated soils and groundwater, deactivation, decommissioning, decontamination and demolition of contaminated facilities, and operations, maintenance and monitoring of treatment systems in a safe, cost-effective and highly controlled way. Arcadis FieldTech Solutions ('AFS') was introduced providing lower-cost standard remediation field services in North America, the United Kingdom and Continental Europe.

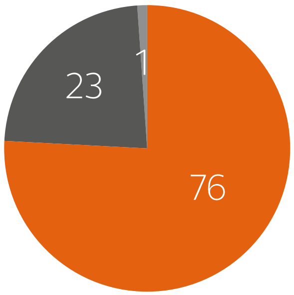
STRATEGIC ENVIRONMENTAL CONSULTING
We provide compliance assurance and advisory, environmental information-driven performance, merger and acquisition assurance, and sustainability and climate change solutions for clients worldwide.

OUR CLIENTS
A significant portion of our work is for the private sector, including Fortune 500 companies in the oil & gas, chemical, pharmaceutical, automotive, aerospace, mining, power and utilities, conglomerates and transportation industries. We also work for governments: from federal clients, such as the US Department of Defense, to provincial and municipal clients.

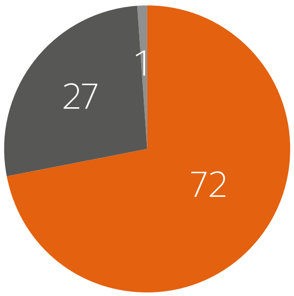
OUR EMPLOYEES
Around 5,700 employees work in the Environment business line, which is ~21% of our total headcount.

OUR PROJECTS
Working with the State of California Department of Toxic Substances Control on the Exide Battery Project, the project team successfully integrated the support of the Arcadis FieldTech Solutions ('AFS') and Global Excellence Center ('GEC') groups to develop a cost-competitive winning proposal. The project has been underway since August 2016 and since this time, 25 new staff from the local community have joined Arcadis as lead sampling technicians through the Los Angeles Trade Technical College's workforce training program. The highly visible project making a difference toward improving quality of life for thousands of residents in the Los Angeles metro area.

TOTAL GROSS REVENUES
In % of total



TOTAL NET REVENUES
In % of total



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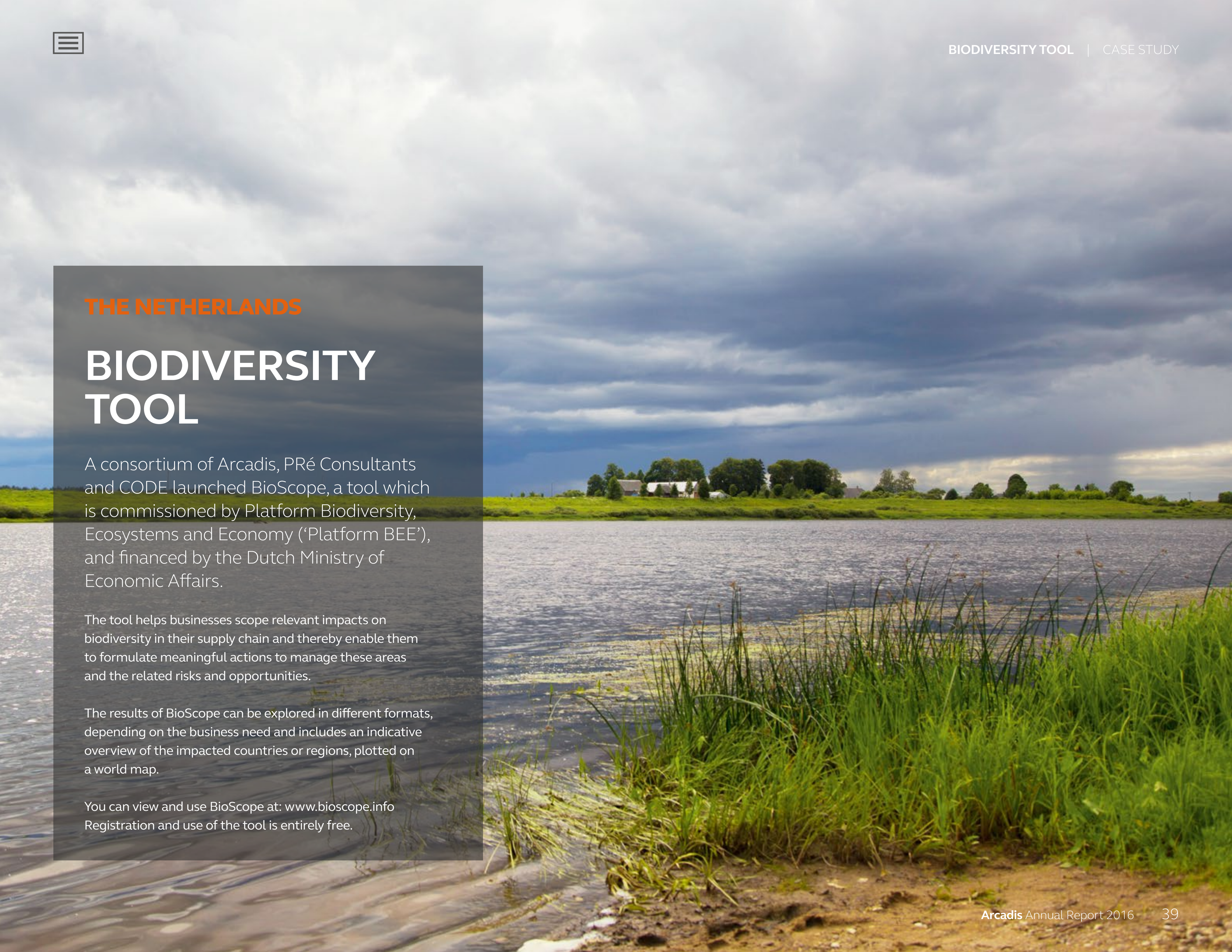
LOS ANGELES, US
EXIDE BATTERY PROJECT

Working with Exide, we successfully integrated our core business with Arcadis FieldTech Solutions ('AFS') and the Global Excellence Centers ('GECs') and offered a well-integrated, comprehensive project team that made a difference toward improving quality of life for thousands of residents in the Los Angeles metro area. The AFS and GEC teams add staffing capacity that is immediately available to execute work – work that typically leads to additional opportunities that bring value to our clients. The project is seen as the new benchmark in the future to scope, price and execute work.

In the UK, we are working on the Silvertown Tunnel Crossing, which is a significant infrastructure project linking the Greenwich Peninsula and Silvertown across the River Thames in London. Arcadis environmental consultancy advice has yielded a number of cost and time benefits, and certainty of outcome, during the planning and consenting phase by incorporating clear design principles for habitats into the project Biodiversity Action Plan. Additionally, 'natural capital' principles have been applied to monetize the biodiversity value of what is currently land that is fragmented and in poor condition. This has enabled the project to offset biodiversity impacts via offsite projects. This approach has the potential to save substantial capital costs for the client.

In the US, Arcadis worked for CSX, a freight transport company, on an environmental remediation project. Due to significant financial rewards upon effective remediation, CSX placed a high demand on not only implementing the remediation successfully but also on an extremely aggressive design, construction, and implementation schedule, which Arcadis was able to deliver.



THE NETHERLANDS

BIODIVERSITY TOOL

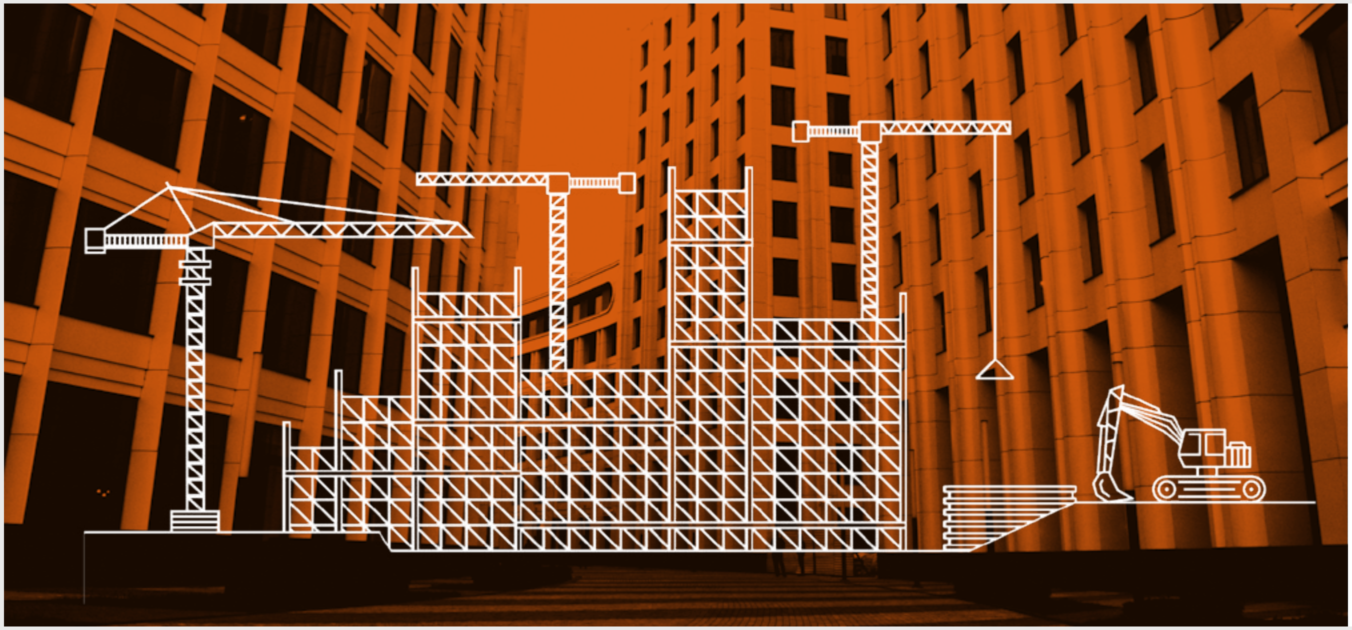
A consortium of Arcadis, PRé Consultants and CODE launched BioScope, a tool which is commissioned by Platform Biodiversity, Ecosystems and Economy ('Platform BEE'), and financed by the Dutch Ministry of Economic Affairs.

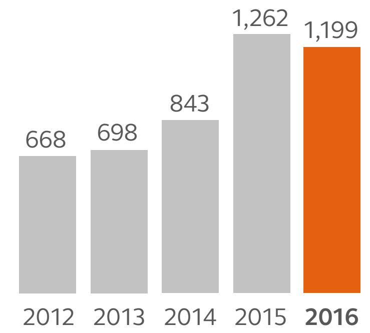
The tool helps businesses scope relevant impacts on biodiversity in their supply chain and thereby enable them to formulate meaningful actions to manage these areas and the related risks and opportunities.

The results of BioScope can be explored in different formats, depending on the business need and includes an indicative overview of the impacted countries or regions, plotted on a world map.

You can view and use BioScope at: www.bioscope.info
Registration and use of the tool is entirely free.

GLOBAL BUSINESS LINES





-5%

GROSS REVENUES

In € millions

36%

(2015: 37%)

OF TOTAL GROSS REVENUES

BUILDINGS

Buildings focuses on delivering world-class Master-planning, Architectural Design, Engineering Design, Consultancy, Project, Program and Cost management for all types of buildings and cities. We are partnering with our clients to plan, create, operate, and regenerate their built assets. We create a balance of form, functionality, and environmental stewardship.

OUR ACTIVITIES

Buildings has six core activities:

MASTER PLANNING AND SUSTAINABLE URBAN DEVELOPMENT

We create sustainable cities following the triple bottom line, which is closely aligned with our Big Urban Client program for opportunities in resiliency, regeneration and mobility-oriented development around transportation hubs. We create visually exciting and economically viable places that support high-performance communities and cities.

PERFORMANCE DRIVEN DESIGN

We improve the value of the built environment, by applying state of the art intelligence to create compelling design with measurable benefits. This includes tall building engineering design.

CONTRACT SOLUTIONS

We support our clients in the avoidance, mitigation, and resolution of complex construction and engineering disputes.

COMMERCIALLY LED PROGRAM MANAGEMENT

We assure delivery of planned business benefits and outcomes by developing delivery strategies and managing programs, projects and construction safely, to time, cost, and quality.

BUSINESS ADVISORY

We develop asset improvement and investment strategies that enhance value, productivity, and reputation, for our clients. Our focus is on consulting to help clients improve their business performance through the way they invest and spend capex and opex on their built assets. We assist our clients in dealing with the trends towards globalization and outsourcing, establishing deep and trusted relationships based on our subject matter expertise and sector knowledge.

ARCHITECTURE & DESIGN

We use design and creativity to do more than solve our clients' problems; we bring together beauty and performance and shape the world around us for future generations.

OUR CLIENTS

Across the Buildings business line, we work on some of the world's largest and most challenging projects aligning with world class local, regional and global clients. We work with owners, managers, operators and developers from a wide range of sectors including Retail, Automotive, Healthcare, Residential, Education, Hospitality, Corporate Occupiers, Financial Institutions, Chemicals & Pharmaceuticals, Oil & Gas, Conglomerates and Commercial Developers.

OUR EMPLOYEES

Around 11,000 employees work in the Buildings business line, which is ~41% of our total headcount. This includes employees of CallisonRTKL.

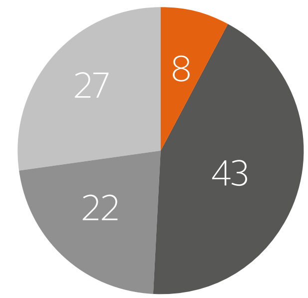
OUR PROJECTS

In 2016, the Financial Institutions team has been supporting multinational clients, such as Blackstone, with major asset & portfolio acquisitions, as a trusted technical partner, establishing deep and trusted relationships based on our subject matter expertise and sector knowledge. We also conducted a capital program efficiency review for Gatwick Airport Limited in the UK, transforming their capital delivery program and ensuring investments deliver expected benefits and results.

Our dedicated Master Planning and Sustainable Urban Development group creates visually exciting and economically viable places that support high-performance communities and cities. One exceptional project was the master plan design for Dubai Creek Harbour for mega real estate developer EMAAR, one of the largest developments in the world encompassing seven districts over 6 km^2 which, once completed, will accommodate over 200,000 residents. Another example of our integrated offering and breadth of expertise is from North America; the Mission Creek sea-level rise adaptation study looked at various innovative options available to improve flood protection while maintaining an attractive waterfront in one of San Francisco's lowest lying areas.

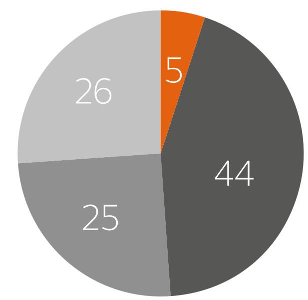
TOTAL GROSS REVENUES

In % of total



TOTAL NET REVENUES

In % of total



- Americas
- EME
- APAC
- CallisonRTKL

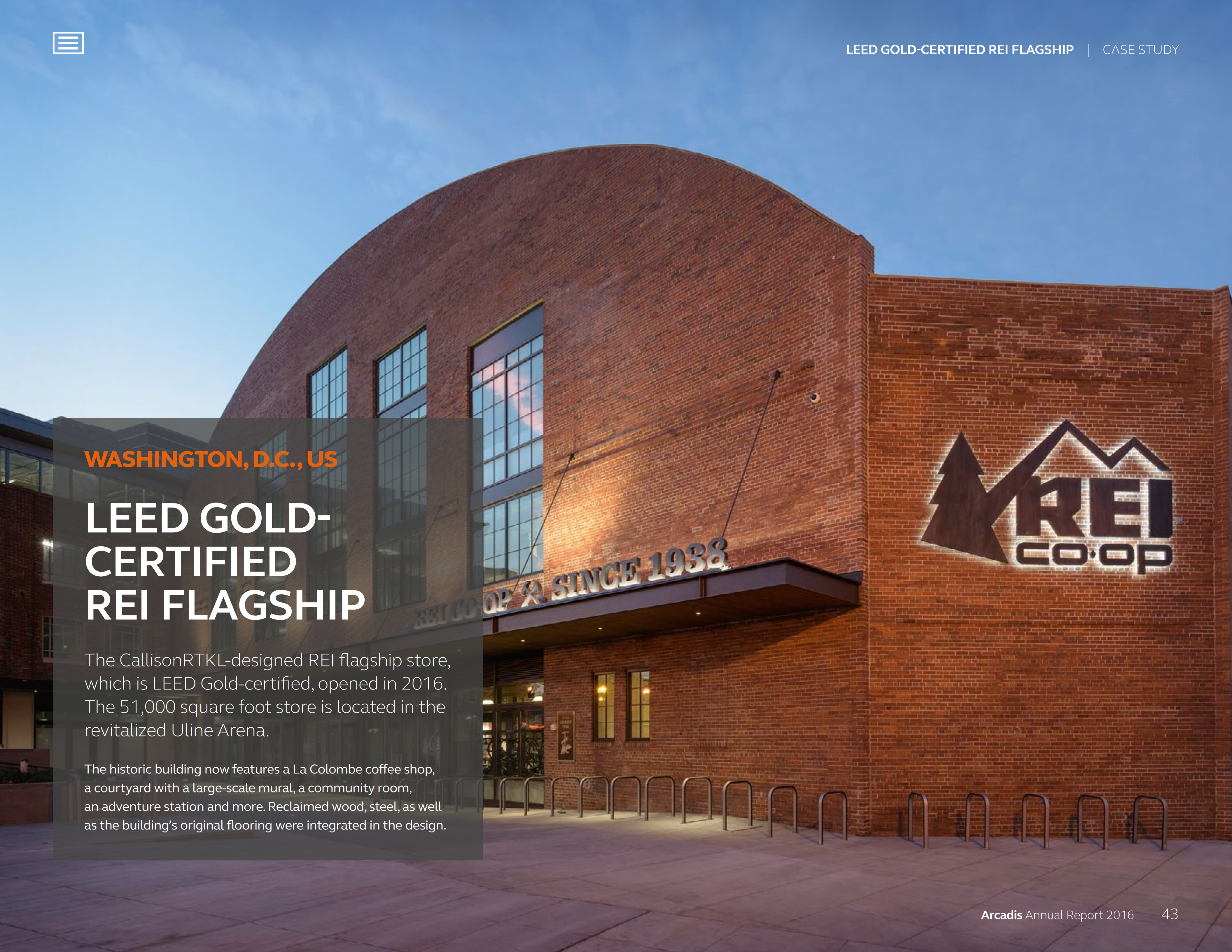
QATAR, MIDDLE EAST
HAMAD BIN KHALIFA MEDICAL CITY

Human development is one of the cornerstones of Qatar's National Vision 2030. A key part of this is focused on improving the healthcare infrastructure within the country, so that the people of Qatar have access to a world-class level of patient care. Once completed, the Hamad bin Khalifa Medical City campus will be the largest healthcare facility in the Middle East.

Arcadis was appointed to provide project and design management services, and worked collaboratively with a number of stakeholders to deliver world-class hospitals that have set a new standard around patient care, and which will help to improve quality of life for the people of Qatar.

In 2016, growth opportunities were captured through our thought leadership research on Sustainable Urban Environments and International Construction Costs. Building on the success of HSBC, where Arcadis perform global program management and regional delivery of its 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), 2016 saw us secure multiple regional and global commissions for clients with similar or greater challenges and opportunities.

Over the course of the year we have seen a slight reduction in the value of construction disputes but a significant increase in the length of disputes throughout the world. Through 2016, we worked with a large number of clients to support their dispute avoidance and resolution approaches, thereby ensuring that the impact of disputes and claims on their projects was minimised or avoided entirely.



WASHINGTON, D.C., US

LEED GOLD-CERTIFIED REI FLAGSHIP

The CallisonRTKL-designed REI flagship store, which is LEED Gold-certified, opened in 2016. The 51,000 square foot store is located in the revitalized Uline Arena.

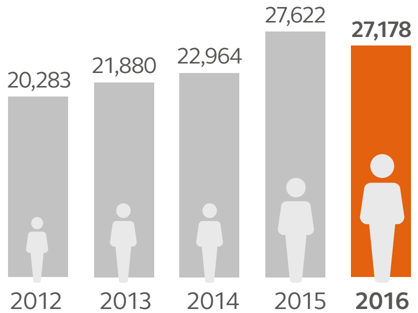
The historic building now features a La Colombe coffee shop, a courtyard with a large-scale mural, a community room, an adventure station and more. Reclaimed wood, steel, as well as the building's original flooring were integrated in the design.

THE ARCADIS BRAND

"The fact that Arcadis has seen a sharp rise in recognition, respect and overall reputation is clear testament to the quality, clarity and distinctiveness of the brand and its proposition. This rise has been driven by focusing on its employees and culture, as much as external communication, which helped to establish an authentic and passionate brand. It's a people centric, real-world brand too, which I love, because it focuses not on pushing out information about its services and solutions but in engaging in two-way conversation to drive understanding of people – whether that is their clients, end-users or other stakeholders - understanding of the problems they face and devising innovative solutions - they make a positive, measurable impact on individuals and society. It is this attention to real people and real impact that helps set the brand apart, while its presentation and communications brings that to life in a fresh, vibrant way."

Stephen Cheliotis
Chief Executive, The Centre for Brand Analysis,
Chairman, UK Superbrands & CoolBrands Councils

PERFORMANCE & DEVELOPMENTS



-2%

AVERAGE NUMBER OF EMPLOYEES
Including temporary staff

VALUE CREATION **FOR EMPLOYEES**

At Arcadis, our people are our most valuable 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, retaining and inspiring highly talented people to ensure we can continue improving quality of life.

OUR PEOPLE ARE OUR MOST VALUABLE ASSET

Our people are critical to the success of our company. We cannot achieve our passion of improving quality of life and being recognized as the best in all the areas we operate in without an engaged, diverse and capable workforce.

An engaged workforce who live our core values is what underpins the delivery of our strategic growth priorities and makes Arcadis a great place to work.

We want our people to truly reflect and represent the many and varied cultures of the markets we serve and operate in. We know that inclusive and diverse teams better understand client demands and make our organization stronger and more innovative.

Having the right people in the right jobs helps us to build a stronger business. We work hard to find and retain talent and provide continuous learning and development opportunities. Our objective is to create a high performing culture where employees realize their full potential.

BUILDING AN ENGAGED COMMUNITY OF PEOPLE

We strive to measure and increase employee engagement. Every eighteen months, we give employees the opportunity to share their feedback through our global engagement survey, Your Voice. It provides us with information about what's going well and where we can improve our working environment. Our people (employees and their line managers) have a shared responsibility to discuss the results and develop and implement actions for further improvement and strengthen what they do well in their teams. Simultaneously, actions are implemented on a regional and global basis.

Based on the results of the 2015 Your Voice engagement survey (which took place in October/ November 2015), actions were implemented in 2016. On a global level, we actioned three themes: empowered leadership, simplified communications, and recognition and reward. This led to the implementation of a 360-degree feedback tool, the launch of a new app called Arcadis Go! – which is our new Arcadis news app, and we made an effort to communicate our compensation and benefit schemes around the world more transparently.

Given the transformational journey the organization is on, we have taken more time on a regional level to implement continuous listening mechanisms; focus groups or forums where people can share their views about what they like about Arcadis and what they believe can be improved. By conducting the Your Voice survey in May 2017, there is more time for people to keep the dialogue going and notice what's been actioned. On a regional level, we find that we need to continue growing our people managers.

CREATING INCLUSIVE AND DIVERSE TEAMS

We are committed to reflecting the diversity of our clients in our people. The diversity & inclusion ('D&I') commitments made in 2014 remain unchanged with regional development and execution of D&I plans. In North America, Europe and UK leadership teams have gone through 'unconscious bias' programs to increase the awareness and impact of unconscious bias on D&I.

At the end of 2016, 36% of positions in Arcadis were held by women.

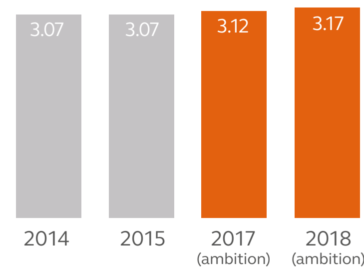
Our commitment is to accelerate the development of female leaders and to continue to reinforce diversity and inclusion through key core people initiatives.

IDENTIFYING AND RETAINING TALENT

Building a strong internal talent pipeline – based on potential, capabilities, and knowledge – is one of our key priorities in terms of meeting the changing demands of our businesses and the markets in which we operate. That is why we offer two global programs: The Senior Leadership Program and the Advanced Management Program. Both programs enable high potentials – at different levels of their career – to grow themselves and work on business cases. In 2016, a total of 62 people participated in these global programs. The regions offer learning and development opportunities too, e.g. the Emerging Leaders Program in North America (44 high potentials participated), 21st Century Manager Program in the UK (204 people managers), and Imagineers in Europe (77 young professionals with max. five years' work experience).

YOUR VOICE ENGAGEMENT SCORE*

(Scale 1 - 4)



* No Your Voice survey in 2016

Since all of the programs focus on creating a ripple effect in the organization, they positively impact at least double the amount of people.

In 2016, we have conducted a review of our internal leadership talent to increase the visibility and strength of our internal leadership pipeline and skill base. The increased visibility on talent allows us to further shape our talent agenda. By providing development opportunities, our leadership talent will fuel their growth and experience which fosters a robust talent pipeline for our executive positions.

In 2016, we welcomed 5,390 new people to Arcadis. We have made strides in recruiting via social networks: 499 people joined the Company in 2016 via social network recruitment. Our activities on social networks have also contributed to brand recognition – we notice this for instance by the impressive number of 24,682 people joining the Arcadis community on LinkedIn. In Q4 of 2016, we launched our new global onboarding program, which enables all new hires, wherever they are, to get acquainted with Arcadis' global scope and strategy as well as getting the brief on their regional business.

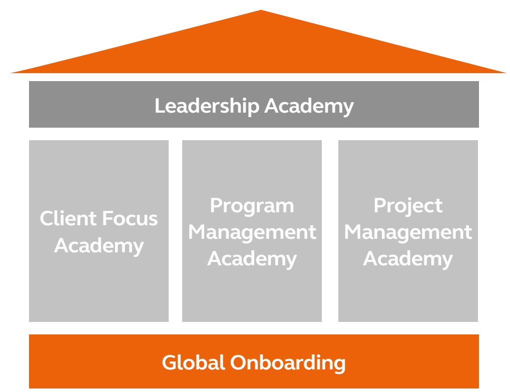
Moving people around the organization has strengthened the development of in-house talent. This has, for instance, resulted in 59% of potential and current leaders moving up into executive level in 2016. Our retention rate for identified leadership talent was 90% in 2016 (2015: 72%).

Working with the Global Excellence Centers has supported the regions in building virtual teams, that can work around the clock and increase knowledge exchange. At the same time, the Global Excellence Centers have grown rapidly in 2016 (+721 new hires), and have been able to build their brand more prominently both internally and externally. Our retention rate remained stable at 86%, which remains a focus area for us and includes the impact of our restructuring efforts in Brazil.

PROVIDING LEARNING AND DEVELOPMENT OPPORTUNITIES

We are committed to supporting professional and personal development for all our employees so they can reach their full potential. By holding regular conversations, employees and managers can identify future development opportunities and ensure that individual skill sets are expanded, enabling our people to continuously grow.

The Arcadis Academy is our global hub for learning and development and gives employees access to Program Management, Project Management, Leadership Development, and Client Focus programs. The Academy offers development opportunities in line with business and individual needs and truly lives up to our company goal of realizing our people's potential.



In 2016, over 100 senior client developers attended the global Client Focus Academy program. Learning was applied to approximately €267 million worth of pursuit engagements so far. Over 250 people were directly impacted, either through learning or through coaching of the participants on the program. The Client Focus curriculum has been introduced in the UK, Asia, Europe, and United States and, as such, has reached over 850 people.

This year saw the launch of the first global flagship program for Project Management. 30 Arcadis Project Managers participated in the 9-month pilot program. The curriculum is now available in modular format for wider roll out to our project managers throughout Arcadis. The Arcadis Way for Project Management e-learning has been taken by more than 3,100 Project Managers worldwide to date.

The Fundamentals of Project Management e-learning series has been successfully developed and the roll out will continue into 2017.

In addition, Arcadis' program managers or aspiring program managers now have eLearning access to self-study for the externally recognized qualification Managing Successful Programs.

Our program for young professionals with zero to five years' work experience, Global Shapers, continues to attract much attention. This year, to commemorate the first lustrum, extra Shapers were selected, including three from our client Ashghal (in the Middle East).

Next to global and regional programs, our people can benefit from the Quest program. Quest is an international transfer program which focuses on connecting Arcadians from all over the world. The program offers the opportunity to work in another office for one week to share knowledge and learn from each other. Quest is sponsored by the Lovinklaan Foundation, our largest shareholder. In 2016, 141 people participated in the program.

Our commitment to developing our employees is also reflected in our engagement survey, with a career development and training score of 2.89. In 2016, specific attention was paid to the development of our people managers on a regional basis. Their skills and behavior are key to the creation and development of diverse teams, with a strong client focus.

COMMUNITY INVOLVEMENT

As a global company, we understand our role and responsibilities when it comes to society and contributing to the communities in which we operate. Our employees are therefore involved in multiple community involvement activities, such as the UN-Habitat Shelter program. For further details reference is made to page 76.

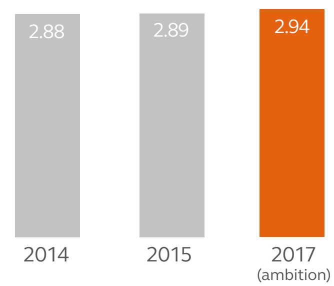
KEY PERFORMANCE INDICATORS

	2015	**2016**	Ambition 2017
PEOPLE DATA			
Employees at year-end	26,947	27,080	
EMPLOYEE ENGAGEMENT			
Employee engagement (Your Voice 1 - 4 scale)	3.07[1]	–[2]	3.12
DIVERSITY AND INCLUSION			
% of females in total workforce	35%	36%	37%
% of female executives	9%	11%	13%
% of female executive potentials	23%	23%	25%
TALENT MANAGEMENT			
% internal promotion into executive level	N/A	59%	60%
% voluntary turnover rate	14%	13%	14%
% retention of identified leadership talent	72%	90%	83%
% retention identified female leadership talent	100%	67%	90%
LEARNING AND DEVELOPMENT			
Year-on-year score on career development & training	2.89[1]	2.89[1]	2.94
Investment in people development (in € millions)	9.8	12.1	

1 On a scale from 1 - 4, Your Voice engagement survey, October 2015
2 Employee engagement survey takes place every 18 months; viz. October 2015 and May 2017

YOUR VOICE SCORE ON CAREER DEVELOPMENT AND TRAINING*

(Scale 1 - 4)



* No Your Voice survey in 2016

HEALTH AND SAFETY

GLOBAL VISION AND POLICY

At Arcadis, the health, safety, and well-being of our employees and stakeholders are central to everything we do. Along with our Health and Safety Global Vision and Policy, this core value focuses on a culture that strives for zero incidents using the TRACK process of:

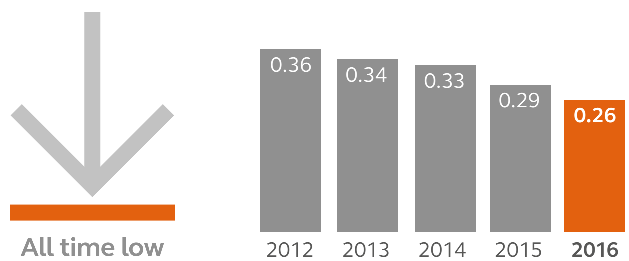
- Think through the task
- Recognize the hazards
- Assess the risks
- Control the hazards
- Keep health and safety first in all things

Achieving zero is a challenging aim 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 every day.

HEALTH & SAFETY
TOTAL RECORDABLE CASE FREQUENCY

0.26

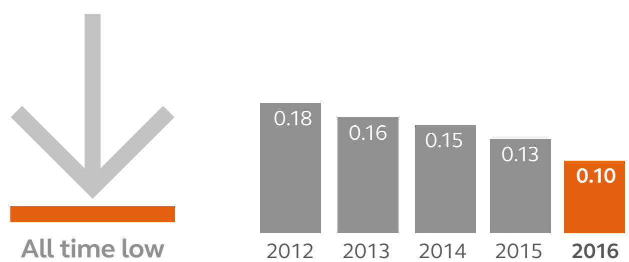
CALCULATED PER 200,000 WORK HOURS



HEALTH & SAFETY
LOST TIME CASE FREQUENCY

0.10

CALCULATED PER 200,000 WORK HOURS



H&S MANAGEMENT SYSTEM

The implementation of the H&S Vision and Policy is accomplished through the Arcadis Global H&S Management System, which is designed to standardize the process of H&S across the company. It focuses on proactive hazard recognition, risk assessment and control to prevent accidents and allows for the nuances of local culture, client expectations, and regulations. The H&S program enables us to continuously develop approaches to eliminate and reduce the risks to our employees and stakeholders, including subcontractors, clients, and the public.

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. The Global H&S Management System implemented by Arcadis includes comprehensive education and training (through internal and external seminars) to assist our employees and their families in eliminating injuries and illness at work and at home.

Via documentation or information systems, our H&S 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.

Effective management (e.g., assessment, mitigation, and prevention) of work-related risks is ensured through:

- Prioritization and action plans with quantified targets for Regional CEOs and Leadership
- Discussions of work-related risks documentation between Human Resources and business unit managers on a regular basis, as well as between H&S leadership and Regional Executive Management on at least a quarterly basis
- Review of work-related incidents against targets (see step six of the principles as described on the next page)
- Conducting internal inspections and consultations by H&S specialists
- Independent external verification of health, safety, and well-being
- H&S targets being embedded in performance appraisals and remuneration of management, which support a safety culture through behavior – based observations and shared information
- Celebrate successes through safety competition, recognition and rewards

H&S PERFORMANCE

The Global H&S Management System identifies and tracks work-related risks through annual risk identification and assessment at business level (e.g. tracking incidents). Actual performance of each Operating Company is captured by our consolidation tool, which provides us with consolidated data.

OBJECTIVES 2016

The H&S objectives for 2016 included preparing H&S plans for 100% of the projects performed outside the office environment and leadership to complete at least one H&S assessment annually.

By year end, 99% of projects with work outside of the office environment had health and safety plans and 90% of planned health and safety assessments by leadership were performed.

PERFORMANCE IN 2016

H&S data are reported by each Region to Arcadis headquarters monthly via the same consolidation tool used to report financial data. The data are measured using standard definitions and measurement techniques that typically match those of regulatory bodies that are relevant to our operations and those of our clients. The definitions are explained in the Global H&S Management System Standard and the H&S Safety Performance Monitoring and Reporting Guideline.

Arcadis H&S professionals review the data, which are then consolidated at the headquarter level and reviewed by an analysis team for quarterly reporting to the Executive Board and Supervisory Board. This review includes comparisons to other operating companies and historical performance.

The performance in 2016 and the previous four years of key indicators, are disclosed on the previous and next page. No work-related fatalities occurred in this five-year period.

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

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

For the sixth year in a row, Arcadis' Total Recordable Case Frequency ('TRCF') decreased (2016: 0.26) and is the lowest it has been since Arcadis began collecting global H&S data in 2004, when it was 1.13. Our Lost Time Case Frequency ('LTCF') has also decreased for the sixth straight year (2016: 0.10) and is also the lowest it has ever been. 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 (2015).

Near miss reporting, a key process in helping to prevent incidents, has risen dramatically (over 1,500%) since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.

THE SIX PRINCIPLES ARE:

1. Demonstrate Health & Safety 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.

SUCCESSES IN 2016

In 2016, Arcadis was recognized by several clients and organizations for its performance in H&S, such as Alcoa, CSX, VALE Mining Company, LaFargeHolcim, Lloyd's Banking Group, Construction Business News, and two multinational energy companies. In addition to the recognition from our clients, Arcadis integrated H&S communications with the global communications program in 2017. This led to higher engagement in our H&S initiatives such as our TRACK to 0 Awards, which had a 40% increase in award nominations relative to 2015. This increased participation in our H&S program is reflected by an overall improvement in our leading H&S indicators, with the end result being a 10% decrease in TRCF and a 23% decrease in LTCF when compared to 2015.

OBJECTIVES FOR 2017 AND BEYOND

The H&S objectives for 2017 are for Arcadis leadership to complete at least one H&S assessment annually and for 30% of all staff or equivalent perform a documented proactive health and safety action. These objectives were identified to reinforce the continued development of a proactive health and safety culture across all Arcadis operations.

GLOBAL SHAPERS: GENERATION 2016

GLOBAL SHAPERS: GENERATION 2016

Global Shapers is our annual program that offers 100 young professionals the opportunity to create more international connections, share knowledge and collaborate on business-driven projects. Global Shapers is sponsored by the Lovinklaan Foundation – Arcadis' largest shareholder. The program is about learning through working together in an international group, in both a virtual and a face-to-face phase. This year's face-to-face program took place in Doha, Qatar.

In 2016, we celebrated the fifth edition of Global Shapers. To commemorate, we partnered with one of our clients in the Middle East: Ashghal, the Public Works Authority of Qatar. More than 100 Global Shapers, from both Arcadis and Ashghal, teamed up and followed up on the virtual team work that they completed earlier.

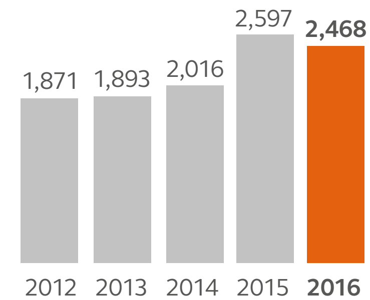
CLIENT FOCUS

Global Shapers: Generation 2016 worked on three different tools to further strengthen client focus in both Arcadis and Ashghal. The end results, a robust client passport, a mentor program and social media success stories were presented successfully to the Arcadis Executive Board and the President of Ashghal during the grand finale of the face-to-face program.

30% of our employee base is below the age of 30 – they are the leaders of the future. Since its launch in 2011, Global Shapers has become a powerful network of more than 1,100 young professionals. Together they create a ripple effect throughout the organization by using their generation's strengths, such as being tech savvy and collaborative-minded. If you want to know more about the Global Shapers program, go to: http://www.arcadisglobalshapers.com

"Global Shapers gave me the perfect opportunity to work with fellow Arcadians from across the globe, share ideas and make new connections, all this while having a lot of fun. Young professionals at Arcadis should definately try to be a part of this experience."

ANIRBAN CHAUDHURY
Business Intelligence Analyst



-5%

NET REVENUES
In € millions

NET INCOME FROM OPERATIONS PER SHARE
€1.08

DIVIDEND PROPOSAL
€0.43 per share

ROIC
6.8%

VALUE CREATION **FOR INVESTORS**

2016 was a challenging year for Arcadis, which required us to take action. We are pleased that we are making good progress on the priorities set in October 2016, and are implementing a simplified operating model which enables us to better respond to market opportunities, combined with structurally reduced overhead costs.

We are confident that our actions position us for profitable growth. We will continue to focus on our clients to increase our backlog and revenues, reduce our cost base, improve project management, expand our Global Excellence Centers, while reducing working capital.

In 2016, we delivered a strong free cash flow in the fourth quarter, supported by significant cash collections in the Middle East. The market outlook starts to improve due to higher oil prices and increased Infrastructure spending in many countries. We also see higher demand from cities in Europe, North America and Asia for water resiliency, as well as for environmental consulting around the world. We continue to win large projects, such as a framework with US Army Corps of Engineers for environmental and remediation services across Europe, and for Construction Management Support Services in the $1.55 billion Regional Connector Transit Project to ease congestion around Downtown Los Angeles.

REVIEW OF PERFORMANCE

Net revenues amounted to €2,468 million and declined organically by 4%. The decrease in net revenues was mainly due to a 37% organic decline in Brazil, and lower revenues in North America, Asia and CallisonRTKL. This was partly compensated by organic revenue growth in Continental Europe, the UK and Australia.

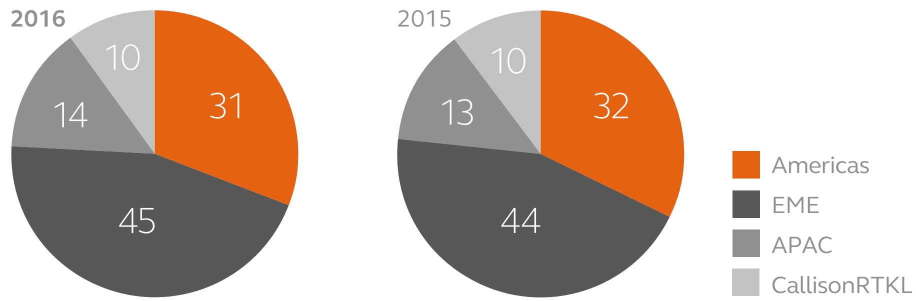
EBITA decreased 20% and included a release of provisions of €19.4 million related to legacy Hyder claims and €28.6 million in restructuring, acquisition and integration charges (2015: €41.5 million).

Operating EBITA decreased by 30% mainly due to an operating loss in Brazil, lower results in North America, Europe and CallisonRTKL and a negative currency effect of the British Pound. Results were stable in the Middle East and in Asia Pacific, where a higher result in Australia compensated for a lower result in Asia. The operating EBITA margin was 7.1% (2015: 9.6%).

The income tax rate was 19.3% (2015: 23.0%). Financing charges were slightly higher at €29.0 million (2015: €26.1 million) due to foreign exchange effects. Income from associated companies was a loss of €2.6 million (2015: loss of €3.2 million), related to non-core energy assets in Brazil.

NET REVENUE BY SEGMENT

In %



Net income declined 35% to €64.2 million or €0.76 per share, compared to €98.7 million or €1.19 per share in 2015. Net income from operations decreased 34% to €91.0 million (2015: €137.1 million) or €1.08 per share (2015: €1.66).

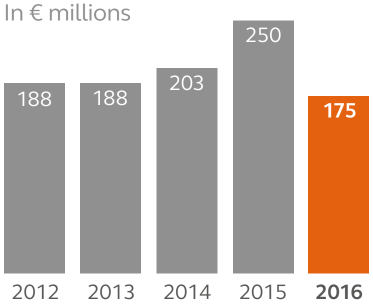
REVIEW BY SEGMENT

Reflecting the simplified operating model and to align reporting to the responsibilities of the members of the Executive Board, Arcadis will now report in four segments. These segments are: Americas, Europe and Middle East, Asia Pacific and CallisonRTKL. The performance and developments of each segment are described in the respective sections in this report.

A reconciliation between the EBITA by segment in the 'Performance and developments by segment' sections and total EBITA reported is included on page 228 of this report.

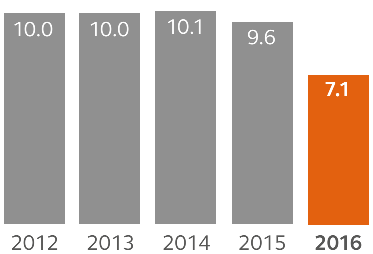
OPERATING EBITA

In € millions



OPERATING EBITA MARGIN

In %



PERSONNEL COST DEVELOPED IN LINE WITH REVENUES

Personnel costs were €1,897 million, a 3% decrease compared to prior year (2015: €1,962 million). The decrease in personnel cost kept pace with revenues.

Our global workforce came down by 2% versus December 2015 (~400 FTEs). The number of employees in the regions fell by ~1,100 FTEs (-4%), while the Global Excellence Centers added ~700 FTEs (+50%).

OTHER OPERATIONAL COSTS

Other operational costs were €368 million, 5% lower than prior year (2015: €389 million), mainly as a result of lower activity level and cost initiatives related to performance excellence.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization of property, plants & equipment and software was €41.1 million (2015: €43.3 million). Identifiable intangible assets related to acquisitions such as the profit included in backlog, customer relationships and brand values are amortized. This amortization decreased to €37.7 million (2015: €47.4 million).

IMPAIRMENT OF ASSETS

Business conditions in Brazil led to a goodwill impairment of €15 million on the Cash Generating Unit ('CGU') Latin America. The addition to the provisions for trade receivables includes €10 million recognized in Q4 for Brazil and the Middle East.

OPERATING INCOME AND EBITA

Operating income decreased 30% to €113.6 million (2015: €161.5 million). Arcadis uses operating EBITA to measure the financial performance of operations, while EBITDA is used in our debt covenants.

These financial indicators were as follows (see note 28 of the Consolidated financial statements for more information):

In € millions	2016	2015
Operating income reported	113.6	161.5
Depreciation and amortization	41.1	43.3
Amortization identifiable intangible assets	37.7	47.4
Impairment charges	15.0	–
EBITDA	**207.4**	**252.1**
EBITA	166.3	208.8
Non-operating costs	9.2	41.5
OPERATING EBITA	**175.5**	**250.3**

EBITA decreased 20% with an EBITA margin of 6.7% and included restructuring charges of €27.6 million (2015: €28.4 million).

Operating EBITA was €175.5 million, which is 30% lower than in 2015. The operating EBITA margin was 7.1% (2015: 9.6%). Key contributing external factors were the low oil price, the recession in Brazil and Brexit.

HIGHER FINANCING CHARGES

Higher financing expenses were principally driven by higher US floating interest rates, the cost of hedging some emerging market loans, and the full year impact in 2016 of the longer duration loan portfolio compared to a partial impact in 2015.

These factors mainly caused an increase in net financing expenses to €29.0 million (2015: €26.1 million).

TAX RATE

The effective income tax rate based on the Consolidated income statement was 19.3%. For 2016, the effective income tax rate was impacted by the goodwill impairment and non-recognized losses, however, this was offset by various positive adjustments relating to prior years and release of tax provisions.

ASSOCIATED COMPANIES PERFORMANCE SLIGHTLY IMPROVES

Operating losses from the non-core energy assets in Brazil caused income from associates to amount to €2.6 million negative, compared to €3.2 million negative in 2015.

NET INCOME FROM OPERATIONS

Net income at €64.2 million decreased 35% compared to prior year (2015: €98.7 million), which is a reflection of continued pressure on our revenues and margins, and the impairment charge of €15 million taken on our CGU Latin America. Net income per share was 36% lower at €0.76 (2015: €1.19).

Net income from operations decreased 34% to €91.0 million (2015: €137.1 million) or €1.08 per share (2015: €1.66).

CASH FLOW AND WORKING CAPITAL

Working capital as a percentage of gross revenues was 17.5% (Q4 2015: 17.1%). Strong free cash flow in the fourth quarter supported by significant cash collections in the Middle East improved this ratio from 20.9% in Q3 2016. The Days Sales Outstanding ('DSO') decreased from 101 days in Q3 to 91 days in Q4 2016 (2015: 84 days). The increase compared to last year is mainly due to the Middle East. Net debt at the end of December was €494 million (2015: €494 million).

Based on the average net debt for June 2016 and December 2016, the covenant leverage ratio was 2.5 (2015: 2.2). Return on invested capital was 6.8% (2015: 9.3%).

NET WORKING CAPITAL

In € millions	2016	2015
Inventories	235	234
Work in progress (Unbilled receivables)	518,491	466,446
Trade receivables (excl. receivables from associates)	619,710	604,301
Work in progress (Billing in excess of cost)	(286,932)	(265,711)
Accounts payable	(252,667)	(207,629)
NET WORKING CAPITAL	**598,837**	**597,641**
Annualized 3-months gross revenue	3,416,764	3,490,404
NET WORKING CAPITAL AS % OF GROSS REVENUES	**17.5%**	**17.1%**

INVESTMENTS

Investments in (in)tangible assets (excluding acquisitions) increased to €64.8 million (2015: €53.4 million). The increase was mainly caused by leasehold improvements of offices and investments in the Arcadis Way.

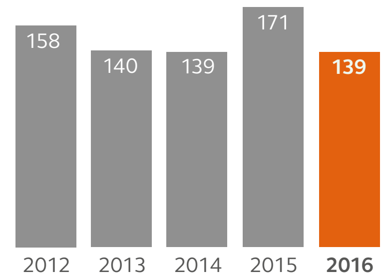
BALANCE SHEET

Year-on-year, the balance sheet total increased to €2,868 million (2015: €2,829 million). The net debt to EBITDA ratio at the end of the year was 2.3 (2015: 1.9). The interest coverage ratio was 6 (2015: 8). Goodwill decreased to €999 million (2015: €1,049 million), including the impairment charge of €15 million, and currency effects. Identifiable intangible assets (excluding software) were €130 million (2015: €172 million) with the decrease being a result of amortization, while currency effects were €6 million (2015: €15 million).

Cash and cash equivalents at year-end amounted to €260 million (2015: €221 million). Net debt, which is defined as interest bearing debt minus cash and cash equivalents, was €494 million which equals the position at year-end 2015. Interest bearing debt also includes after-payment obligations related to acquisitions, totaling €4 million (2015: €12 million).

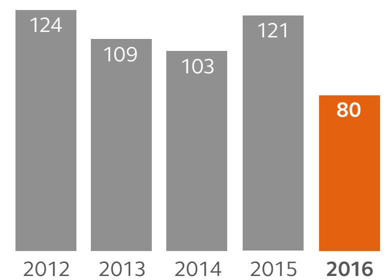
CASH FLOW FROM OPERATING ACTIVITIES

In € millions



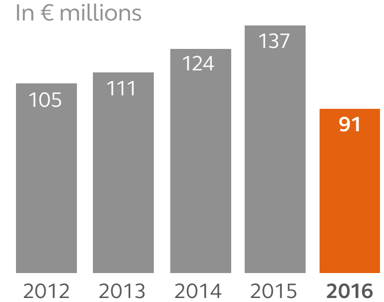
FREE CASH FLOW

In € millions

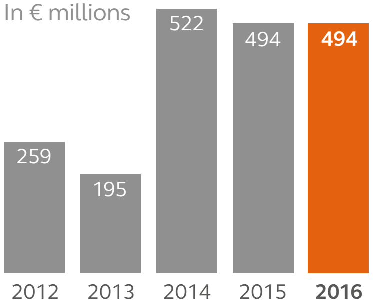


NET INCOME FROM OPERATIONS

In € millions



NET DEBT
In € millions



Long-term loans and borrowings increased to €700 million (2015: €687 million). Short-term loans and borrowings, including the current portion of long-term debt was €55 million (2015: €32 million). At year-end 2016, €156 million in short-term credit facilities were available (2015: €175 million). As part of these facilities, bank guarantees and security bonds (mostly project related) amounted to €215.1 million (2015: €119 million). Total equity was €1,002 million, compared to €1,011 million, at year-end 2015. For details see the table on the next page.

NUMBER OF OUTSTANDING ORDINARY SHARES

The total number of outstanding ordinary shares at year-end 2016 was 84.8 million (2015: 83.3 million). During the year, 1.0 million shares were repurchased to cover obligations related to incentive plans, while 342,089 previously repurchased shares were used for the exercising of options, and another 2,143,932 shares were issued for stock dividend. The average number of shares, used for calculating earnings per share, increased to 84.1 million (2015: 82.6 million). For more information on the number of outstanding shares and options and on share purchase plans, please refer to refer to notes 8, 11 and 22 of the Consolidated financial statements.

BALANCE SHEET RATIOS

Balance sheet ratios remained solid at year-end 2016:

- Net debt to equity ratio was 0.5 (2015: 0.5)
- Year-end net debt to EBITDA ratio was 2.3 (2015: 1.9)
- Average net debt to EBITDA ratio was 2.5 (2015: 2.2)
- Interest coverage ratio was 6 (2015: 8)
- Lease-adjusted interest coverage ratio was 2.3 (2015: 2.6)

Covenants in loan agreements with banks stipulate that the average net debt to EBITDA ratio should be below 3.0, which is 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, divided by the (pro-forma) EBITDA of the twelve months preceeding. According to this definition, the average net debt to EBITDA ratio at year-end 2016 was 2.5 (2015: 2.2). Arcadis' long-term goal is to stay below an average 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 2016, this ratio calculated in accordance with agreements with lenders is 2.3 (2015: 2.6).

MARKET OUTLOOK 2017

- In general positive business sentiment with private sector clients, with uncertainty in Asia
- Higher oil prices contribute to an improved business climate in the oil & gas sector
- New US Administration sends positive signals for Infrastructure and Buildings. Large corporations and cities/states continue to support sustainability goals
- Increased Infrastructure spending planned in many countries
- Uncertainty around Brazil remains, improvement in economy expected for 2nd half 2017

KEY PERFORMANCE INDICATORS

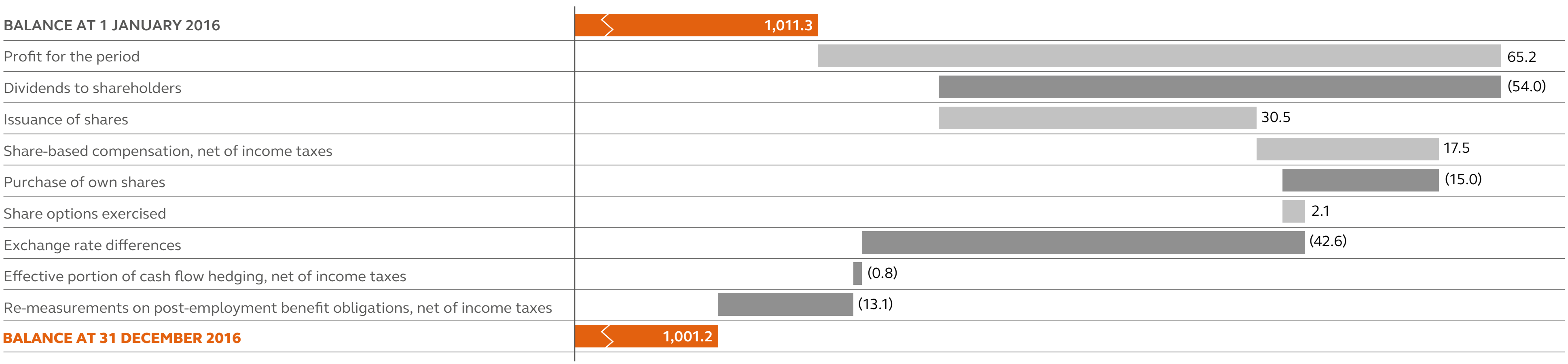
Achievements on key performance indicators:

	TARGET 2014 - 2016	2016	2015	2014	2013	2012
GROSS REVENUE GROWTH:	>10%	(3)%	30%	5%	(1)%	26%
Organic	>5%	(1)%	1%	(1)%	0%	3%
Acquisitions	>5%	0%	18%	6%	3%	18%
Currency effects	No target	(2)%	11%	0%	(4)%	5%
Operating EBITA margin[1]	>11%	7.1%	9.6%	10.1%	10.0%	10.0%
Growth earnings per share[2]	No target	(35)%	0%	8%	3%	22%
Free cash flow > Net income	1.0x	1.2x	1.2x	1.1x	1.3x	1.5x
Return on invested capital[3]	>13%	6.8%	9.3%	13.7%	13.3%	13.5%

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



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 2016, the total number of outstanding ordinary shares was 84,792,172 (see note 22 of the Consolidated financial statements).

DIVIDEND POLICY AND PROPOSAL
Arcadis' dividend policy is aimed at dividend stability and a pay-out of 30-40% of net income from operations, to provide shareholders a respectable dividend yield, to maintain a healthy financial structure and to retain sufficient earnings in order to grow both organically and through acquisitions.

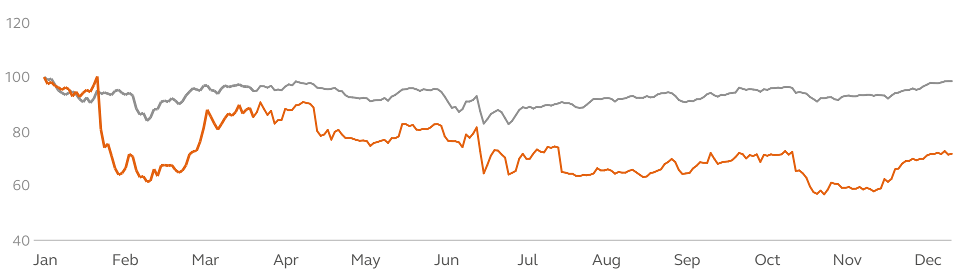
For the year 2016, a dividend is being proposed of €0.43 per share. This represents a pay-out of 40% of net income from operations. As in previous year, shareholders will be offered the choice between a cash dividend or a dividend in shares with further details to be provided in the agenda for the Annual General Meeting of Shareholders.

SHARE PRICE DEVELOPMENT
On the last trading day of 2016, the Arcadis share price closed at €13.33, while on the last trading day of 2015, it closed at €18.57, a year-on-year absolute decrease of 28%. Including dividends the total return was minus 25%.

LIQUIDITY IMPROVED
The average daily trading volume in Arcadis shares on Euronext Amsterdam in 2016 came to 334,721 shares (2015: 223,883). Of this volume 63% of the shares were traded via Euronext, 14% via Turquoise, 13% via CHI-X, 8% via Equiduct and 2% via BATS.

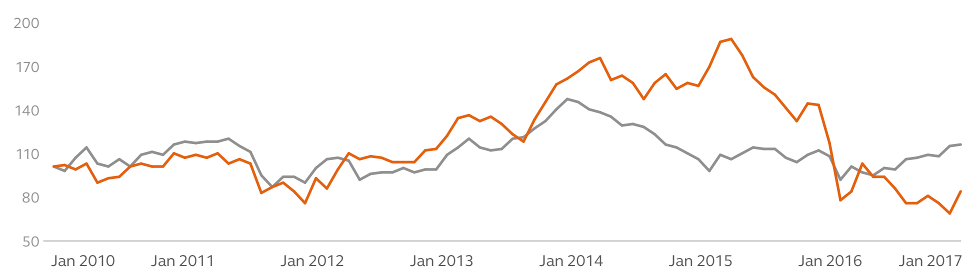
OPTIONS
Arcadis options strengthen the company's visibility in the financial markets. In 2016, the volume in Arcadis options was 90,118 (2015: 44,944).

ARCADIS (EURONEXT) AGAINST AMX



	1st quarter	2nd quarter	3rd quarter	4th quarter
— Arcadis	18.61 High	16.86 High	13.84 High	13.52 High
— AMX	11.42 Low	11.99 Low	11.73 Low	10.57 Low

ARCADIS (EURONEXT) AGAINST PEER GROUP



— Arcadis
— Peer group

PEER GROUP

The development of the Arcadis share compared to the peer group companies is disclosed in the graph on the previous page.

The peer group consisted of the following international, publicly listed companies in the consulting and engineering industry with activities and a size comparable to those of Arcadis: Aecom (New York Stock Exchange); Atkins (London Stock Exchange); Cardno (Australian Securities Exchange); Hill International (New York Stock Exchange), 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); Amec Foster Wheeler (London Stock Exchange, New York Stock Exchange); Stantec (New York Stock Exchange).

OWNERSHIP INFORMATION

Pursuant to the Dutch Financial Supervision Act, below an overview of the largest shareholders in Arcadis at 31 December 2016:

Stichting Lovinklaan	17.2%
Fidelity Management & Research	10.0%
APG Asset Management	8.7%
Vereniging KNHM	3.7%

The free float as used by Euronext for listing purposes was set at 80% (2015: 80%).

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 broadcasted 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 2016, Arcadis held 30 investor roadshows, and participated in three investor conferences in the world's major financial centers including New York, Boston, London, Paris, Frankfurt, Munich, Amsterdam, Toronto and Montreal, 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 seven financial analysts.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders is scheduled for 26 April 2017, at 2:00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available in March 2017 from the Company upon request and will be published on the Company's website.

FINANCIAL DATES

The tentative financial publication dates for Arcadis NV in 2017 and H1 2018

20 April 2017
Trading Update Q1 2017

26 April 2017
Annual General Meeting of Shareholders

28 April 2017
Ex-dividend date

18 May 2017
Dividend payment

27 July 2017
Press release Q2 2017, press call, interim financials H1 2017, analyst meeting + live web cast

25 October 2017
Trading Update Q3 2017

15 February 2018
Press release Q4 2017/ full year results 2017, press call, analyst meeting + live web cast

19 April 2018
Trading Update Q1 2018

25 April 2018
Annual General Meeting of Shareholders

This calendar may be subject to change. For updates see the Company's website.

VALUE CREATION **FOR CLIENTS**

As Arcadis we support our client's business and create sustainable and exceptional outcomes with the projects we undertake on their behalf. Due to our global presence, our clients benefit from our strong local positions in combination with our expertise through our global business lines and our ability to provide the best value-added solutions and technology. We are able to bring the best of Arcadis to serve both our local and global clients.

CLIENT DEVELOPMENT

As Arcadis we actively work on client development and relationships that span the entire lifecycle of the client's assets. Ours is a client-focused business model and we run our business on a client rather than on a project basis, by focusing on our long-term relationships with selected multinational, key national and local clients who appreciate the value-added services we provide. While our strong local market positions are the cornerstones of our global network, we have further sharpened our focus on key segments of the global market by operating two large client programs: the Multinational Client ('MNC') program and the Big Urban Clients ('BUC') program.

KEY NATIONAL CLIENTS

Strong client relationships and a deep understanding of local conditions have always been critical to our success. Our strong local presence allows us to maintain long-lasting relationships and has enabled us to maintain a broad spread of geographies, clients (public and private), and Global Business Lines.

Our Infrastructure and Water Global Business Lines predominantly service local markets players, and are strongly influenced by public and private sector investment cycles. Most of our work in Infrastructure is for governments: municipalities, cities, provinces, states and ministries that are often investing in large projects, partly through Public Private Partnerships. Our clients in Water are mainly public bodies and authorities such as water boards, municipalities, provinces and states, central governments, as well as private and public utilities.

Our success among key local private and public clients is driven by the following factors:

- Long-term relationships and partnerships with key local players
- In-depth understanding of local conditions, challenges and sector trends that enable us to provide the best capabilities and value propositions
- Our ability to leverage our capabilities from across the business and our global footprint to better serve local and national clients

MULTINATIONAL CLIENTS

Multinational Clients are looking for new approaches to help meet their ever changing needs. The Arcadis MNC program is designed to bring the best of Arcadis to private, industrial, and service organizations that value long-term partnerships and desire a partner with global reach and strong local capability. The program is centered around a carefully selected portfolio of clients which enables us to focus our best people on understanding our clients' needs and delivering the best outcomes for them.

Our MNC sector team comprises experts in their field who actively keep a pulse on market conditions, share insights, provide analysis and help co-create solutions that help clients better understand how their market position compares to others and to help support efficient and agile decision-making. These insights are an important component of our program, helping to set us apart from the competition.

2016 PORTFOLIO

In 2016, our Multinational Clients program comprised of leading companies across six market sectors. Together, these added net revenue of over €380 million. Some of our successes for 2016 included:

Oil & Gas

The Oil & Gas sector team adapted to the current market space, creating the Arcadis FieldTech Solutions ('AFS') business model. This model comprises teams of dedicated oil and gas experts, specializing in streamlined, low-cost services that provide competitive pricing for routine, noncomplex remediation activities that adhere to the compliance and industry leading safety protocols. This client offering, along with our expertise, has helped us build on our existing relationship with BP, who selected Arcadis for Project Augustine, a ten year $32.5 million remediation portfolio comprised of more than 200 sites across eighteen US states.

In addition to bringing streamlined operations through the AFS model, the Arcadis BP Team will utilize scale-specific project management, significantly increasing the efficiency of project execution, while also enabling Arcadis to seamlessly leverage insights and technology from one site across the nationwide portfolio of BP's sites.

Automotive & Aerospace

In the Automotive Industry, the continued shift of focus from manufacturing in traditional countries to lower cost regions, along with the convergence of disruptive technology, has driven a need for innovative, integrated facilities and a higher demand for new talent. Arcadis' solution for Best-in-Class Facilities addresses these challenges, helping our clients thrive in a rapidly changing market.

Solutions such as this has seen the sector again show strong growth in 2016. An example of this is Arcadis' work with GM, expanding the Opel Corporate Identity program in Europe to include Digital Strategy and Design. This resulted in supply chain efficiency savings of circa 10% by reducing the need for supplier surveys and project management. Arcadis' delivery of a slot booking system that aligns the network plan with the supply chain demand plan, drove efficiency improvements of approximately 15%. The Automotive Sector will continue to pursue these core services in 2017, with additional focus on mobility, identifying solutions with the Infrastructure and Intelligent Transport Systems business lines to support our clients as they enter this key market.

Financial Institutions

Arcadis remains the consultant of choice for Blackstone's portfolio acquisitions due to our ability to quickly address their urgent requirements associated with their dynamic investment needs. Our skilled asset specialists, financial experts and local knowledge have helped build our strong reputation for supporting acquisitions in the European market, as well as multi-region and complex financial transactions. In five weeks, we performed full Investment Risk Management for 133 assets across five European countries, providing Blackstone with the best-in class-technology for streamline reporting and delivering speed, consistency and accuracy allowing for quick decision making.

We strive to stay attuned to our clients' investment strategies and build strong alignment with their legal, tax, financial and commercial teams to remain agile and responsive to their needs.

Chemicals & Pharmaceuticals

The Chemicals & Pharmaceuticals sector is facing tighter US/ EU regulations, cost pressures from manufacturing efficiencies and other risks from end markets. Our solutions create value by helping our clients manage complex programs, achieve cost reduction targets, manage assets and corporate real estate, and well as provide consultation on navigating the dynamics of their markets.

During 2016, Arcadis signed global framework agreements with several leading chemical and pharmaceutical companies, in recognition of our ability to meet the rapidly changing requirements within the marketplace.

Conglomerates & Consumer Goods

The Conglomerates & Consumer Goods Sector represents the largest global companies that serve multiple industries and regions and therefore have very complex needs that require consistency, deep knowledge, and experience. With a trend to prioritize cost savings through modernizing and optimizing their current manufacturing and office footprint, Arcadis supports clients in this sector with innovative workplace solutions and built asset capital program delivery expertise to achieve and exceed their cost saving targets.

Our clients turned to Arcadis to help with some of their most strategic capital projects, such as a new distribution center in France for a global leading consumer goods company that relied on distribution for fast-moving products, and a new state-of-the art research and development facility for a global conglomerate in Central Europe.

Arcadis was recognized as "Supplier of the Year" by a leading manufacturing and technology corporation in recognition of our ability to deliver seamless results across their business units to reinforce the strength of their brand and help them maintain their industry-leading position.

Commercial Developers
Britain's decision to leave the EU and the political change in North America will impact Commercial Developers and Financial Institutions around the world. Arcadis provides consultative advice to our clients about how these political and economic uncertainties can be turned into long term opportunities for international investment and development.

An important win during 2016 was CallisonRTKL's Retail Practice Group being appointed by the Hudson Bay Company ('HBC') to provide full architecture and design services in Europe.

The commission focused on the expansion of HBC into the Netherlands, with the opening of ten new department stores expected in Autumn 2017. This is an unprecedented program of openings in this category. The scale and pace of this program has demanded a very broad and high level of both global and local specialist skills, which CallisonRTKL and Arcadis have been able to support, delivering both integrated and independent services, to suit the needs of HBC. This 'design forward symbiosis' has delivered unique benefits to the HBC program in Europe, which is a scalable and repeatable model in all categories and all territories.

BIG URBAN CLIENTS

Both developed and emerging cities are increasingly facing expanding urbanization and sustainability challenges. Arcadis is uniquely positioned to address and improve the quality of life, and therefore the Big Urban Clients ('BUC') program is part of Arcadis' focused organic growth strategy. This strategy was set up in response to a number of trends that affect urban environments around the world, such as:

- 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.

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

- Maintain high level client and stakeholder relationships
- Be recognized as a trusted advisor and thought leader in sustainable urban development
- Win large prioritized projects/ programs globally

The City Executives who represent Arcadis in BUC cities work together with the global business leaders to develop opportunities, cultivate needs-based outcomes and differentiate 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.

The BUC program has three core differentiators that are key:

MOBILITY	RESILIENCY	REGENERATION
• Creating integrated transport solutions to provide connectivity and transport choices • Advancing transport to connect people with cities in polycentric city landscapes • Enhancing connectivity with public transport	• Establishing unique sustainable environments which respond to local climate and context • Protecting communities from climate change, while enhancing a city's ecological and urban design • Creating critical infrastructure that has multiple community purposes, and destinations • Integrating resiliency with community design	• Reusing depleted assets to maximize a city's true potential • Transforming underperforming cities into high-value social and cultural engines for growth • Breathing new life into BUC cities

To date, the BUC program has been launched in seventeen (global and regional) cities, resulting in over €878 million net revenues in 2016 (2015: €720 million net revenues).
New cities, such as Edinburgh, Paris, Brussels/ Antwerp, Brisbane and Melbourne, will be launched throughout 2017.

Successes that have been achieved in 2016 include:

- **In Sydney**, Arcadis has been appointed to provide Independent Certifier services for the multi-billion AUS$ WestConnex New M5 Project in association with Australian firms APP and SMEC
- **In London**, we were appointed for the Lower Thames Crossing as a part of a Joint Venture to provide technical support through the project's development and construction
- **In Amsterdam**, our work on Schiphol airport has continued to expand with landside infrastructure work and the use of Building Information Modelling ('BIM') technology
- **In Hong Kong**, Arcadis was selected to consult on the future operations strategy for the Hong Kong Boundary Crossing Facility, a key part of the 50km long bridge connecting Hong Kong, Zhuhai and Macau
- **In Qatar**, Arcadis was appointed to full cost and commercial, as well as program management services over a large portfolio of projects for Hamad International Airport
- **In New York**, we were appointed to Detailed Design of Flood Protection for Hugh Cary Tunnel and Queens Midtown Tunnel and Phase I of the Lower Manhattan Floodwall

CLIENT FOCUS ACADEMY

Our global client programs' success is directly linked to having the right capabilities and talent. In 2016 we increased our focus on talent through the Client Focus Academy working closely with colleagues in our learning and development teams, as well as with top-class external partners. Several hundred client-facing employees completed a series of Academy courses to improve their understanding of client needs, ability to communicate our value, and how to better address client expectations as part of our pursuit process. The classroom learnings are brought to life through 'Executive Assignments', allowing candidates to apply theory to the real-world client experiences with support and coaching. This investment in our people will have a mutually beneficial impact to Arcadis and to our clients as we position our teams to better understand and adapt the rapidly changing needs of our clients and the markets we serve.

THOUGHT LEADERSHIP

As Arcadis we also provide value to our customers and potential customers by drafting publicly available white papers on a range of topics. During 2016 a series of 'thought leadership' publications were published, which are publicly available on www.arcadis.com as part of 'Our perspectives' and are highly appreciated and widely covered in the international press. Our most well-known publications are summarized below.

INTERNATIONAL CONSTRUCTION COST REPORT 2016

The costs associated with constructing the buildings of tomorrow, around the world are varied and unpredictable. Rapidly shifting commodity prices, political instability and fluctuating currencies conspire to make investment and development decisions highly complex and fraught with risk.

Arcadis cost experts analyzed the relative cost of construction across 44 of the world's major cities. The results can be found in our latest International Construction Costs Report 2016, which shows that New York, London and Hong Kong ranked as the world's most expensive cities to build in, with strong currencies and significant resource constraints resulting in higher prices.

The full report can be viewed at: https://www.arcadis.com/en/global/our-perspectives/financial-hubs-rank-costliest-cities-for-construction/

SUSTAINABLE CITIES INDEX 2016

In September 2016, Arcadis released the Sustainable Cities Index 2016. It seeks to build on the 2015 report with the addition of 50 world cities, to give an indicative ranking of sustainability in 100 of the world's urban centers. It was conducted in cooperation with the Center for Economics and Business Research ('CEBR') and explores the three demands of social (people), environmental (planet) and economic (profit) factors.

The full report can be viewed at: www.arcadis.com/sci/

GLOBAL BUILT ASSET PERFORMANCE INDEX 2016

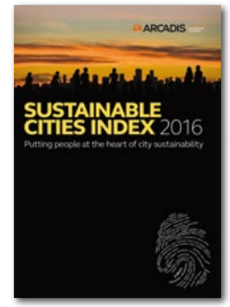
The development of new buildings and infrastructure has fueled national economic growth for centuries. However, in a world where developed nations experience funding challenges and emerging countries seek to accelerate their economic standing with more speed, two new challenges materialize. Arcadis' second Global Built Asset Performance Index sheds light on these challenges through measurement of the economic performance of the built environment in 36 countries. Using national data sources, and developed in conjunction with the Centre for Economics and Business Research ('CEBR'), we quantify the economic returns generated from a range of built assets, be it home, school, office, rail track, waterway or power station. We analyze how this has changed over the past two years and forecast which nations are likely to achieve even better returns over the next decade.

The full report can be viewed at: https://www.arcadis.com/en/global/our-perspectives/global-built-asset-performance-index-2016/

INDUSTRIAL CAPITAL EXPENDITURE SURVEY 2017

With Industry 4.0 advancing as a catalyst for change for today's manufacturing industry, changes in this already dynamic and fast moving environment are expected to be more extensive and rapid than ever before. This comes at a time when global manufacturers are already working hard to keep pace with fast changing consumer demands, due to global socioeconomic factors, such as globalization, population growth and emerging market dynamics, to name but a few. The world is moving towards more on-demand processes, enabled by technologies such as additive manufacturing and real time big data processing. When it comes to making investments in their production and other built facilities, industrial manufacturing executives are most challenged by the constraints on funding, the lack of available talent and increasing production costs, according to Arcadis' Industrial Capital Expenditure Survey.

The full report can be viewed at: https://www.arcadis.com/en/global/our-perspectives/investing-and-building-in-changing-manufacturing-markets/



VALUE CREATION **FOR SOCIETY**

Arcadis focuses on delivering social, environmental and economic value to its clients and to society in general. We achieve this by applying the expertise, passion and entrepreneurship of our 27,000 talented people. In addition, we operate our business in a sustainable and socially responsible way, based on our Global Sustainability Policy.

Arcadis' Global Sustainability Policy, summarizes our commitment to improve quality of life for all generations by maximizing social, economic and environmental value. The Policy applies globally and includes the following commitments:

- To have fewer negative impacts, while maximizing positive impacts for our clients;
- To avoid or reduce negative impacts from our own activities and operations;
- To work with suppliers/partners to select responsible products and services;
- To empower and encourage our people to embrace sustainable practices in everything we do;
- To comply with legislation and regulations in our operations and project activities;
- To measure our impacts effectively and monitor our performance through key performance indicators;
- To set appropriate targets and strive for continuous improvement in areas such as energy, water, waste, carbon, health & safety, and diversity.

These commitments are implemented at a regional level, reflecting the varying challenges and priorities in different parts of the world where the company is active. Performance is 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.

The Global Sustainability Policy applies to all Arcadis employees and governs all our activities. It is strongly embedded in our corporate business strategy and comprises five pillars:

- Corporate governance (see page 134);
- Arcadis General Business Principles - including our commitments to the UN Global Compact;
- Environmental sustainability;
- Health and safety (see page 50);
- Community involvement.

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. In the Supervisory Board, Sustainability is included in the portfolio of responsibilities of its Chairman. 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 its implementation. 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 & MATERIALITY

The stakeholder engagement and materiality 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. Subsequent stakeholder conversations held during 2016 have not led to different views, meaning that our sustainability priorities remain in place also in 2017.

SUSTAINABILITY PRIORITIES

The material issues on which we focused in 2016 were:

- **Innovation:** Exploring new sustainable solutions and the application of better solutions that meet new environmental or social requirements or existing market needs;
- **Sustainable Outcomes:** Includes improving quality of life through the environmental components and designs of projects that we perform for clients, while also creating long-term value for clients and society through these projects;
- **Climate Change:** A strategy to deal with the impact of climate change on our business and demands for new services (opportunities), risk mitigation and business continuity.

SUSTAINABILITY PRIORITIES

Innovation

Sustainable Outcomes

Climate Change

SUSTAINABLE OUTCOMES
Examples:

The Energiewende project
Page 29

Wuhan Sponge City
Page 34

The biodiversity tool
Page 39

REI Flagship store
Page 43

Menarco Tower
Page 99

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. Progress towards these priorities is outlined below.

INNOVATION

Arcadis is a highly innovative company and innovation is critical to our success and that of our clients. In recognition of this, we manage innovation in several ways; from a focus on accountability for innovation within our Organization Design, to a bespoke Program that enables all Arcadians to share their fresh innovative ideas.

SATELLITE

Our global innovation program, known as Satellite, works by enabling a crowdsourcing of ideas. The program, which is supported and enabled via a bespoke web-based environment, is accessible to all Arcadians. Ideas are collected and processed, with the best submissions receiving funding and support to develop further.

IMAGINE AWARDS

At Arcadis, we celebrate successes. Each year, the top three submissions from the Satellite program are selected from the funded ideas. Selection takes place via the leadership review, led by the CEO. The winning teams are invited to join the CEO and Global Leadership to collaborate and share details on their ideas. This is a key element as we seek to further develop and embed a culture of Innovation across Arcadis.

Innovation funding is done as a joint investment between Arcadis and our major shareholder, the Lovinklaan Foundation. Following the success of Satellite in 2015, the investment fund available for Innovation was increased by 33% in 2016.

Arcadis was shortlisted in the Innovation Category of the New Civil Engineer Awards, ultimately receiving a High Commendation for Satellite. More recently, it was again shortlisted for its innovative client-facing delivery by the Building and Engineer Awards.

SUSTAINABLE OUTCOMES

Through its consulting and design activities, Arcadis is continuously developing innovative and sustainable solutions for its clients. Several examples of these solutions in 2016 are included in this report as project cases. Refer to, for example, the Energiewende project in Germany (page 29), Wuhan Sponge City in China (page 34), the biodiversity tool in The Netherlands (page 39), the REI Flagship store in the US (page 43), the Menarco Tower in the Phillipines (page 99), and several other projects as included in this report.

CLIMATE CHANGE

Arcadis has broad consulting capabilities related to climate change. This ranges from strategy development and carbon footprint reporting to consulting on preventing or reducing the causes of climate change. The Paris climate accord represents a significant opportunity for Arcadis, as it requires both governments and private companies to take steps to significantly reduce carbon outputs over the next decades.

In response to this development, Arcadis developed a Sustainability and Climate Change strategy within our strategic environmental consulting activities. This bundles our sustainability and climate change activities under a combined offer, thereby creating better access to these capabilities for clients, and more visibility for our extensive knowledge base in this area. Our strength in sustainability and climate change consulting mainly lies in helping clients address these issues in their operations to create a lasting positive impact. This can range from climate change mitigation strategies in supply chains and energy efficiency solutions in industrial processes, all the way through to embedded carbon analysis in material choices and energy efficient designs in buildings and infrastructure.

For many of our industrial clients, climate change has a major impact on their assets and liabilities. Given the consulting nature of our activities, this impact is negligible for Arcadis and therefore not listed as a risk to the firm, but rather as an opportunity. However, where possible, the Company is addressing climate change in its operations through actions directed at reducing its carbon footprint.

PARTNERS

Arcadis has a culture of collaboration and believes strongly in the power of partnerships, working with global and local organizations and institutions to bring sustainable development to a higher level. We participate in meetings, projects, taskforces and steering committees to demonstrate our commitment to sustainability. We find common ground to address sustainability challenges, and keep up-to-date with important new developments, and adapt our own sustainability strategy where appropriate.

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

July 2016 saw the launch of the Natural Capital Protocol, a standardized framework for businesses to measure and value direct and indirect impacts, and dependencies on natural capital. Arcadis co-authored the protocol as part of a WBCSD consortium. Through the protocol, businesses now have access to cutting-edge information that will improve decision-making and allow evidence-based conversations about sustainability. Companies that do this will be better positioned to succeed as regulations change and natural resources diminish.

Having contributed to the development of the Natural Capital Protocol, Arcadis is in an excellent position to assist businesses in their decision making on this important topic.

Arcadis continued to contribute to the WBCSD's Low-Carbon Technology Partnerships initiative ('LCTPi'), which challenges businesses to accelerate the development and deployment of low-carbon technologies. Sustainable Cities is one of the transformation systems within WBCSD's strategy and is a key strategic initiative of Arcadis under the BUC program. Building on this work, the WBCSD has been developing the Sustainable Cities Engagement Model. Arcadis' contribution to the development of this model was substantial. The overall aim of the model is to provide a structure to:

- Understand a city's sustainability challenges together, and set integrated priorities and ambitions
- Identify solutions, including the role of the private sector
- Develop organizational, governance and finance models to help implement the solutions

In addition, we contributed to the WBCSD water program, especially around water reuse. We also worked with WBCSD in preparing its participation in the COP 22 meeting in Marrakesh and in the Habitat III Conference in Quito in October.

WORLD ECONOMIC FORUM

In 2016, Arcadis expanded its engagements with World Economic Forum ('WEF') to that of Industry Associate. WEF is 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 its extensive experience in areas such as Infrastructure & Urban Development, and more recently, Natural Resources.

100 RESILIENT CITIES – PIONEERED BY THE ROCKEFELLER FOUNDATION (100RC)

The 100 Resilient Cities organization ('100RC') is dedicated to helping cities around the world become more resilient to the physical, social and economic challenges of the 21st century. 100RC supports the adoption and incorporation of a view of resilience that includes not just the shocks, but also the stresses that weaken the fabric of a city. Arcadis has a partnering agreement with 100RC as a 'Platform Partner' and is committed to helping cities around the world prepare for, withstand, and bounce back from catastrophic events like hurricanes, fires, and floods, as well as slow-moving disasters including water shortages, homelessness, and unemployment.

Committed to sustainability with our partners

wbcsd

WORLD ECONOMIC FORUM

100 RESILIENT CITIES

United Nations Global Compact

GENERAL BUSINESS PRINCIPLES

https://www.arcadis.com/en/united-states/who-we-are/governance/

UN GLOBAL COMPACT

We have been a member of the UN Global Compact (UNGC) since 2009 and are committed to its objectives and to the ten universal principles regarding human rights, labor standards, environmental stewardship, and anticorruption. As part of this commitment we launched our Human Rights and Labor Rights Policy in 2016. 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, and included this commitment in our General Business Principles in the year. Arcadis regards its suppliers and subcontractors as partners and collaborates with them to ensure their activities are aligned to our UNGC commitment. In addition, Arcadis adheres to the Guidelines for Multinational Enterprises as issued by the Organization for Economic Cooperation and Development ('OECD').

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 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.
- **Adherence to UN Global Compact principles.** Arcadis has embedded its commitment to the objectives as well as the ten universal principles regarding human rights, labor standards, environmental stewardship, and anticorruption of UN Global Compact in its General Business Principles.
- **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 most recent round of compliance training for all our people was organized end of 2016.

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 2016, 99 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. 39 referrals from before 2016 were also still under investigation during the year. A total of 97 referrals were closed in the year. Inappropriate behavior (employment related) was the category with the most referrals. Company-wide, we had 5 dismissals on grounds related to breaches of the General Business Principles.

HUMAN RIGHTS AND LABOR RIGHTS

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. In 2016, Arcadis developed and issued a Human Rights and Labor Rights Policy to address these risks and further support our position as an employer of choice. The policy addresses prohibitions on the use of forced labor or underage workers, our proactive and preventive risk and behavior-based approach to health & safety. It also covers diversity, discrimination or harassment, work hours, wages, and benefits, including our principle to provide a living wage, among other things.

We believe we pay our employees a fair remuneration. The average wages and salaries of our employees in 2016 compared to the highest paid Executive Board members (fixed remuneration) is approximately 1:10.

https://www.arcadis.com/en/global/who-we-are/business-practices/human-rights-and-labor-rights-policy/

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 2016, the Arcadis procurement and sustainability teams worked on the development of a Global Supplier Code of Conduct and a Global Procurement Policy intended to ensure that our sustainability and business principles standards are met throughout our supply chain. The new Code and Policy will be launched in 2017.

https://www.arcadis.com/en/global/who-we-are/business-practices/purchasing-principles/

TAX PRINCIPLES

Arcadis is continuously working on becoming an even more responsible company. That responsibility together with our core values and codes of conduct are embedded in the Arcadis General Business Principles ('AGBP'), which also includes our approach to tax. Taxable profits are recognized in countries in which value is created, in accordance with domestic and international tax rules and standards (such as OECD Guidelines) and applying the arm's length principle. Arcadis does not seek to avoid tax through the use of secrecy jurisdictions or so-called 'tax havens' without commercial substance. Arcadis complies with its statutory obligations, pays its tax on time and builds and maintains a good, honest and open working relationship with tax authorities. Arcadis aims to comply with the letter and spirit of the law and makes tax related disclosures in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards (such as IFRS).

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 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 Director of Sustainability.

GLOBAL SUSTAINABILITY PROGRAM

In 2016, 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 that is 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 improvement areas. We continue to sharpen our approach to understand the full impact of our operations on direct and indirect greenhouse gas emissions and the environment as a whole.

For measuring, managing and reporting on greenhouse gases, we follow methodologies outlined in the Greenhouse Gas ('GHG') protocol, as developed by the World Resources Institute ('WRI') and the World Business Council on Sustainable Development ('WBCSD'). Arcadis applies the control approach, and accounts for the greenhouse gas emissions from operations over which it has control.

Carbon footprint data are reported by the operating companies to environmental engineering professionals, which review the data. This review includes comparison to other operating companies and historical performance.

CARBON FOOTPRINT ANALYSIS

Globally, Arcadis' continued initiatives to reduce travel, resulted in a small decrease in vehicle mileage and emissions. Air travel on a per FTE basis showed a small uptick between 2015 and 2016, likely the result of project work, and public transportation showed a continued increase attributed in part to public agencies' improved data tracking systems and in part to employees favoring more efficient forms of travel.

Energy consumption continued to decreased from 2015 to 2016. 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 remained constant while the amount of post-consumer waste or forest stewardship council certified paper increased.

In 2015, Arcadis updated its metrics to include recent acquisitions (formerly known as Callison and Hyder) throughout North America, Europe, UK, Asia, and Australia Pacific, and we are continuing to work on incorporating metrics from the Middle East. 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.

In Europe, Arcadis focuses on increasingly integrating sustainability into all client solutions is working, is working on the roll-out of an ISO 50,001 energy management system and an ISO 14,001 environmental management system and has several very active community programs in support of our goal to improve quality life in the communities in which we operate.

While Arcadis has been following a consistent methodology since 2008, transitioning from operating companies to regions continues to identify new areas where data estimation techniques and key assumptions can be improved. In 2016, Arcadis found electric utilities in particular are able to provide more accurate emission factors based on geographic location.

While Arcadis works to update previous reporting years appropriately, it has observed that the granularity of these emission factors may be inadvertently adding additional "error" in historical reporting. As part of our continuous improvement efforts, we will continue to look into these matters to ensure present day and historical figures accurately reflect improvement as a result of our sustainability initiatives.

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.

CARBON FOOTPRINT RESULTS

EMISSIONS PER FTE BY EMISSION SOURCE

CO_2 Emissions (MT CO_2 / FTE)	2009[1]	2010[1]	2011[1]	2012[1]	2013[1]	2014[1]	2015[1]	2016
Scope 1 Vehicles (Business)	0.82	0.80	0.74	0.76	0.70	0.62	0.66	0.58
Scope 1 Vehicles (Commuting)	0.09	0.09	0.09	0.11	0.09	0.09	0.09	0.08
Scope 2 Electricity	1.56	1.51	1.47	1.31	1.28	1.37	1.27	1.19
Scope 3 Air	0.71	0.90	0.91	0.95	0.90	0.95	0.83	0.84
Scope 3 Auto	0.50	0.52	0.56	0.56	0.49	0.48	0.48	0.46
Scope 3 Public Transport	0.13	0.13	0.13	0.14	0.14	0.14	0.16	0.17
Scope 3 Natural Gas	0.18	0.19	0.18	0.17	0.21	0.17	0.10	0.08
Scope 3 Fuel (Other)	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
TOTAL	**4.00**	**4.15**	**4.08**	**4.00**	**3.82**	**3.81**	**3.58**	**3.41**

NOMINAL METRICS PER FTE BY EMISSION SOURCE

(METRICS PER FTE)	2009[1]	2010[1]	2011[1]	2012[1]	2013[1]	2014[1]	2015[1]	2016
Scope 1 Vehicles (km/ FTE)	3,957	4,007	3,714	4,098	3,529	3,313	3,377	3,238
Scope 2 Electricity (kWh/ FTE)	3,002	2,914	2,759	2,654	2,592	2,798	2,666	2,472
Scope 3 Air (km/ FTE)	5,626	7,131	7,177	7,329	7,040	7,294	6,422	6,536
Scope 3 Auto (km/ FTE)	2,098	2,402	2,458	2,395	2,168	2,094	2,070	2,024
Scope 3 Public Transport (km/ FTE)	1,551	1,536	1,517	1,646	1,777	1,839	2,049	2,144
Scope 3 Natural Gas (kWh/ FTE)	946	1,008	937	908	1,130	918	517	443
Scope 3 Other Fuel (kWh/ FTE)	52	49	37	29	20	20	25	19
Paper Consumption (kg/ FTE)	48	44	41	40	37	37	29	27
FSC/ PCW Paper (%)	69%	74%	77%	77%	81%	82%	83%	88%

1 Comparatives adjusted for the impact of acquisitions

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 affecting our carbon footprint. Given the various challenges and priorities in our regional operations, Arcadis has a preference to set regional targets for certain parts of our performance. In our experience the use of local targets creates better alignment with local business priorities and better buy-in. We expect to be able to roll up these regional targets to global level during 2017.

COMMUNITY INVOLVEMENT

We have a commitment to improve quality of life in the communities in which we operate. Sustainable urbanization is an area in which we are well positioned with our expertise in the fields of infrastructure, water, environment, buildings, and urban planning. As many cities grow at unprecedented rates, urbanization is one of the most pressing challenges facing the global community. Making sustainable improvements to the urban environment is critical to delivering lasting results for communities.

For this reason, Arcadis has a global partnership with UN-Habitat, the United Nations' agency for human settlements. Established in 2010, the Shelter program celebrated its seventh successful year in 2016. The program is unique in that it combines both financial support and Arcadian expertise.

UN-HABITAT PARTNERSHIP PROGRAM

The Shelter program, was established in March 2010 and aims to improve quality of life in rapidly growing cities around the world. Through it 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, the Shelter Program participates in training courses and workshops in some locations.

In 2016, Arcadis participated in eleven Shelter missions including visits to Kenya, Nepal, Fiji, and a follow up mission to Haiti, among others. The program organized thirteen Shelter workshops aimed at involving our wider employee base. The sixth annual Shelter Academy was held in October in the Netherlands, where ten officials from developing countries, recommended by UN-Habitat, made and implemented an action plan based on case studies on climate adaptation and mitigation during a week-long program.

A book was published providing an overview of the first five years of the Shelter program and was presented to Dr. Joan Clos, Executive Director of UN-Habitat and Undersecretary General of the UN.

Arcadis also participates in and is a main sponsor of the World Urban Campaign, an initiative of UN-Habitat that the United Nations acknowledges as a leading advocacy platform to increase awareness and knowledge on urban issues , and improve quality of life through successful urban solutions. In addition to sponsoring this program, Arcadis also provides expertise. In 2016, a considerable amount of effort was put into the preparation of the Habitat III conference at the United Nations Conference on Housing and Sustainable Urban Development. In its third installation, October's conference, held in Quito, Ecuador, outlined the New Urban Agenda – an action-oriented document to set global standards in sustainable urban development.

Arcadis attended the conference to demonstrate how our organization's skills and knowledge can improve quality of life against the growing challenge of urbanization. The Company did so on the invitation of the organizing UN Bureau as co-chair of the General Assembly of Partners stakeholder group for Business and Industry. The GAP stakeholder groups have been advising on the New Urban Agenda, the policy document which will be guiding urban development for the next 20 years. In Quito, the recommendations were presented to Secretary General of the UN Ban Ki Moon and many of the recommendations were incorporated in the New Urban Agenda.

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.

TONDO SCHOOL

Arcadis has had a partnership with the Philippine Community Fund ('PFC') since 2007 and designed the Tondo School for the children of the Smokey Mountain rubbish dump in Manila. This school was built using recycled shipping containers and has become a true example of sustainability by providing the children and their families with food and health care, as well as offering employment for their parents.

ENGINEERS WITHOUT BORDERS

In several countries, Arcadis people belong to the organization Engineers without Borders. These members volunteer their time, their energy and their expertise in pursuit of this organization's vision of a world where every community has the capacity to sustainably meet their basic human needs.

KNHM

In the Netherlands, Arcadis works together with KNHM and invested approximately €165,000 in 2016. With this program, we support people who want to improve the quality of life in their neighborhood and assist people who want to realize the ideas to improve the physical living environment. We support people with our knowledge. KNHM is a foundation, a predecessor organization to Arcadis and holds approximately 4% of Arcadis' outstanding shares.

SHELTER

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

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. 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 up to a maximum of €440,000 each year.

REPORTING STANDARDS

We have followed the Global Reporting Initiative's ('GRI') G4 Sustainability Reporting Guidelines while compiling the Sustainability performance included 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:

https://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.

SHELTER

We offer four years of sustainable urbanization expertise each year on Shelter missions or programs

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations launched the Sustainable Development Goals ('SDGs'), a set of seventeen goals and 169 associated targets directed at sustainable development around the world. The goals were developed and agreed upon by all governments in an inclusive process to which non-governmental organizations and 1,500 companies from around the world contributed.

Arcadis' passion to improve quality of life aligns well with the SDGs and Arcadis actively contributes to several of the goals through its business endeavors and operations.

In 2016, Arcadis made an initial assessment where it can best contribute to the realization of the SDGs. This is outlined in the table below:

SUSTAINABLE DEVELOPMENT GOAL		
1	No poverty	
2	Zero hunger	
3	Good health & well-being	S
4	Quality education	I
5	Gender equality	I
6	Clean water and sanitation	S
7	Affordable and clean energy	I
8	Decent work/ economic growth	I
9	Industry innovation and infrastructure	S
10	Reduced inequalities	
11	Sustainable cities and communities	S
12	Responsible consumption/ production	I
13	Climate action	S
14	Life below water	I
15	Life on land	S
16	Peace, justice and strong institutions	
17	Partnerships for the goals	S

S = Strong
I = Intermediate

The SDGs to which Arcadis' contribution is most material are outlined below.

3 Good health and well-being – Arcadis has a strong health & safety program within its own operations and contributes to the realization of health & safety targets of its clients. Through our design & consultancy activities we support sustainable urban planning and infrastructure solutions, and design sustainable buildings. We also assist clients in both public and private sectors in reducing their overall environmental footprint, thus contributing to healthier soil, air and water quality.

6 Clean water and sanitation – Arcadis is a signatory to the WASH Pledge, securing access to safe water, sanitation and hygiene in the workplace for all its employees. Our focus is 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, including water reuse, provide a strong contribution to this SDG goal.

9 Industry, innovation and infrastructure – Transport and infrastructure are crucial to the daily lives of millions. Demographic and climate changes require innovative solutions to secure human well-being and support economic development. Through its consulting and design activities, Arcadis supports clients in developing innovative and sustainable infrastructure solutions for transportation, water, waste and energy. Our Big Urban Clients program has a strong focus on urban resiliency, while in our designs we increasingly consider embedded carbon considerations in the choice of materials. In infrastructure maintenance, we provide smart solutions, which allow for as-needed maintenance, rather than the more wasteful scheduled maintenance solutions.

11 Sustainable cities and communities – Established in 2013, Arcadis' Big Urban Clients ('BUC') program, was set up in response to several 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.

Annually, Arcadis publishes a Sustainable Cities Index, directed at promoting urban sustainability and resilience. The Company also plays a key role in the sustainable cities team of the World Business Council for Sustainable Development ('WBCSD').

13 Climate action – Arcadis has carbon reduction strategies in place for its own operations, but the brunt comes from the consulting and design work it performs on behalf of our clients.

We develop carbon footprint reduction strategies for our clients and actively participate and contribute to the WBCSD programs on climate change. We also assist clients in dealing with the effects of climate change through supply chain resiliency solutions and in urban settings through our flood protection design work.

17 Partnership for the goals – We have a culture of collaboration and believe strongly in the power of partnerships and business networks. We work with global organizations and institutions to improve quality of life. Our partnerships and memberships include UN Global Compact, Natural Capital Coalition, Carbon Disclosure Project, US Green Building Council, World Economic Forum and WBCSD.

AMSTERDAM/ ROTTERDAM, THE NETHERLANDS

SHELTER ACADEMY

In September 2016, the annual **Shelter Academy** took place in Amsterdam and Rotterdam. On recommendation of UN-Habitat, officials from Asia, Africa and Latin America were invited for a knowledge transfer program with lectures by Arcadis experts, site visits and discussions on their own case studies. The theme of the Academy was **Cities and Climate Change**.

Highlights for the participants were visits to the Rotterdam municipality for the climate adaptation program, a climate workshop at IHS Erasmus University and a presentation by Amsterdam Waternet followed by a canal boat tour. At the end of the course Claudio Acioly of UN-Habitat and Joost Slooten, Director Sustainability of Arcadis, handed certificates to all participants.

In 2016, twelve support missions for UN-Habitat projects took place, for instance to Haiti and Nepal for post-earthquake recovery, to the Philippines and Fiji to combat climate change, and to Myanmar and Belize to promote sustainable urbanization.

In September 2016, the annual Shelter Academy was organized and Arcadis advised, as co-chair in the General Assembly of Partners stakeholder group Business and Industry, the UN member states on the New Urban Agenda during the Habitat III conference.

To relate the UN policies in Habitat III to our daily practice a 24-hour challenge of urban workshops was organized in our offices worldwide. From Sydney to Sao Paulo, Arcadis colleagues were challenged to come up with innovative ideas to put the New Urban Agenda in practice. The results are provided to UN-Habitat.

Shelter missions 2016

12 support missions

in Africa, Asia and Latin America

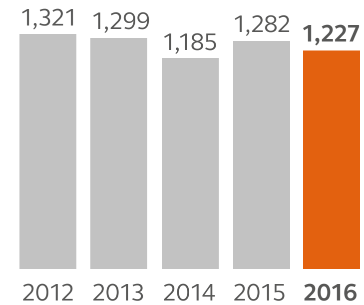
co-chair Habitat III

UN conference on sustainable urbanization

Urban workshops

in multiple office locations

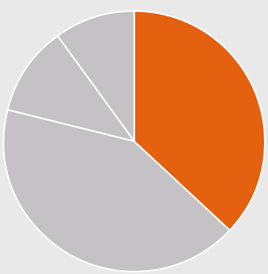
PERFORMANCE & DEVELOPMENTS BY SEGMENT



-4%

GROSS REVENUES

In € millions



37%

(2015: 37%)

OF TOTAL GROSS REVENUES

AMERICAS

In 2016, the decrease in net revenues in Americas was mainly due to a 37% organic decline in Brazil driven by the economic recession. The decline in operating EBITA relates to an operating loss in Brazil of €9 million, including an increase in provisions for trade receivables of €6 million. The operating results in North America were lower than in 2015.

NORTH AMERICA

CHALLENGING MARKET AFFECTS PERFORMANCE

In 2016, our Buildings and Infrastructure business lines generated high organic growth. In the second half of the year, North America started to benefit from the improved backlog, including strong order intake from Arcadis FieldTech Solutions ('AFS') and in Canada. The Water market continued to show improvements from higher municipal investments. While we benefit from a higher backlog, North America ended the year with net revenues declining organically by 9%, driven by Environment and Water. Market dynamics continue to challenge the Environmental market with increased competition caused by a reduction in oil and gas spending, and increased competition from regional competitors.

IMPROVEMENT PROGRAM YIELDING FIRST RESULTS

In July 2016, our North American COO, Joachim Ebert, was appointed to the CEO role and continued the transformation plan begun in 2015. This comprises of 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. The team delivered on its pledge to focus on its Performance Excellence program with an emphasis on Resource Optimization, Project Management, and Procurement, while reducing the office network. These moves helped alleviate pricing pressure. By adapting our operating model, we responded to client demands by expanding our services across the full spectrum, particularly in Environment where we found success with our more competitive offering of AFS. This offers clients simpler remediation solutions and gives us access to an additional sizeable market.

With Environment representing 53% of our North American net revenues, we experienced a slightly lower operating EBITA from North America. In Water, Business Advisory and Water for Industry remained growth areas while our growing Conveyance market helped competitiveness and growth.

Our commercial organization was revitalized with clear accountability for growth and business results, as well as tailored pricing for all business lines. The performance improvement program that began in 2015 contributed to an almost stable operating EBITA margin despite lower revenues.

BUSINESS LINES

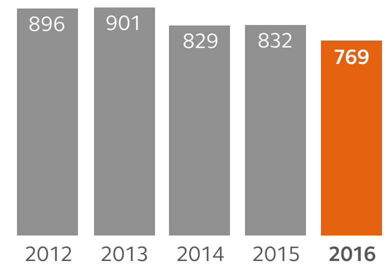
RESILIENCE AND CONVEYANCE DRIVE WATER

For the Water Business Line, the traditional Water Supply and Treatment markets are still facing challenges. While diversification of water supply portfolios and advanced treatment solutions continue to be priorities for municipal clients, the funding of such projects is being drawn out over time. Despite these challenges, Arcadis won several marquee projects in 2016, such as the City of Flint Water Distribution System Optimization Plan. This plan will guide improvements in the quality of distributed water, sustainability and the long-term operation of the city's aging water system. It also creates a model to take to other cities facing oversized water systems. Water Management and Resiliency continue to yield opportunities. This was exemplified by our involvement in the Climate Ready Boston initiative and continued flood protection for lower Manhattan, as showcased in the recently completed Coney Island Creek Resiliency Study, which proposes feasible alternatives that would address the dangers posed by hurricanes and climate change facing New York City. Water for Industry has driven growth as competition for scarce water supplies increases and water costs impact bottom line performance and speed-to-market demands. Asset management continues to be a key service offering for Conveyance related needs, such as in Jacksonville, Florida, where Arcadis is helping to analyze and identify high risk pipelines prior to failure and to take the most cost-effective action for renewal or replacement.

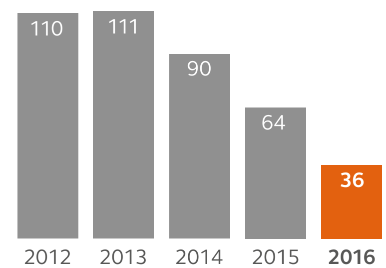
ENVIRONMENT FACES INCREASED COMPETITION

The tough market conditions in the environmental market continued with increased competition, price pressure and a lower demand, especially in the oil and gas sector. In 2015, Arcadis launched the FieldTech Solutions, a low-cost service that provides competitive pricing for routine, non-complex remediation activities, while maintaining compliance and safety protocols. As a result of significant project wins in 2016, the total number of employees in Field Tech Solutions is growing.

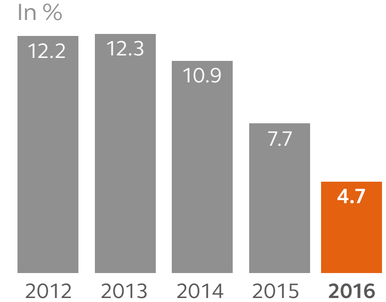
NET REVENUES
In € millions



OPERATING EBITA
In € millions



OPERATING EBITA MARGIN
In %



EL PASO, US
ADVANCED WATER PURIFICATION FACILITY

As population increases and the surface water supply remains unreliable, El Paso Water Utilities ('EPWU') is developing a direct potable reuse project to recycle 10 million gallons per day to supplement the city's current drinking water supplies. Arcadis was hired to conduct a nine-month pilot test of this concept, and to establish design criteria for the full-scale facility. The pilot testing successfully demonstrated the selected technologies, proving that highly purified water can be consistently produced. This will further diversify EPWU's water portfolio and make the city more resilient to the future reality of increased water scarcity.

We also see growth opportunities in emerging contaminants because of new and pending federal and state government regulations and technologies developed to address remediation.

GROWTH IN BUILDINGS
In Buildings, we sought growth opportunities by diversifying our portfolio mix in private sector industries, such as conglomerates, pharmaceuticals, technology, commercial developers and oil & gas, and through program management and business advisory offerings. In California, Chicago and Northeastern US regions, the business continues to expand in the education, healthcare and municipality markets. Highlights include continued work with the Los Angeles Community College District and several higher education institutions in the New England area. Effective collaboration with CallisonRTKL has resulted in Corporate Workplace and cost consultancy opportunities.

FOCUS AND COLLABORATION PROVIDE GROWTH IN INFRASTRUCTURE
Infrastructure realized a strong performance with expansion in multiple sectors and geographies namely, Georgia, Louisiana, Florida, Texas, and New York. The increased collaboration and resulting synergies between Planning, Design, and Program and Construction Management activities enhanced our solutions across all geographies and asset types. Leveraging our Global Excellence Centers ('GECs') is allowing us to provide more value to clients and to enhance the application of the latest technology and tools. Our recent successes and advancement in asset management, connected and autonomous vehicles, data visualization and business intelligence is helping to expand our market share.

LATIN AMERICA
The total net revenue of Arcadis in Latin America is approximately 4% of the total net revenue of Arcadis, with the majority of the activities in Brazil. Arcadis has ten offices in Brazil, two in Chile and one in Peru.

ORTINGUEIRA, BRAZIL
PUMA PROJECT

The Puma Unit of Klabin, located in Ortigueira, Paraná, Brazil, is known as the largest private investment in the history of Paraná state, comprising a total outlay of R$8.5 billion. With the new plant, Klabin has doubled its production capacity and becomes the only company in Brazil to produce, at the same plant, bleached pulp from hardwood fibers (eucalyptus), bleached pulp from softwood fibers (pine) and fluff pulp. Through the use of high technology, it offers a safe and more efficient way to process pulp, in total balance with its surroundings and environment. Throughout 48 months, Arcadis has delivered services of Basic Planning (including Master Schedule, Risk Mapping and Project´s Governance Plan), support to Construction Planning and Control, Risk Management, Rigging and Special Transportation Management.

2016 was a year with political instability and a deep recession in Brazil that led to project postponements across a range of public and private clients. In coping with the significant revenue decline, employee numbers have been reduced in Brazil by approximately 36% from ~1,950 reduction to ~1,250. In order to maintain our leadership position and to be able to respond when the market recovers the core capabilities have been kept in place.

In September, the Brazilian government launched an investment program to sell the concession of roads, airports, ports and railways. The majority of the fund is provided by Chinese investors. Brazil and China expect a joint fund of $20 billion to begin financing infrastructure projects by around March. Next to logistic operations the fund may also finance mining, oil and agricultural projects. A lot of the infrastructural investments are related to linking the Brazilian soy-and corn producing belts to ports. Brazil is one of the most important countries in agri-cultural production in the world and China is an important buyer. In Chile revenues were in line with last year with some margin pressure.

SEGMENT FINANCIAL RESULTS
Overall financial results of the segment in 2016 were as follows:

	Revenues		Revenue growth			
In € millions	**2016**	2015	Total	Organic	Acquisitions	Currency
Gross revenues	1,227	1,282	-4%	-5%	0%	0%
Net revenues	769	832	-8%	-9%	0%	0%

	2016	2015
EBITA	26.3	53.5
EBITA margin	3.4%	6.4%
Operating EBITA[1]	36.1	64.1
Operating EBITA margin	4.7%	7.7%

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

LONG BEACH, US

MIDDLE HARBOR

The Port of Long Beach Middle Harbor Redevelopment Program is a nine-year, $1.62 billion development program. Multiple upgrades include wider and deeper channels, wharf construction, backlands development, shore-to-ship power, expansion of on-dock railyard facilities and construction of a fully automated container terminal, signifying the Port's commitment to sustainable commerce and environmental excellence.

Under Phase 1, a five year, $31 million contract, Arcadis provided full Construction Management services, environmental mitigation services and staff augmentation to the Port's staff during the design, procurement and construction phases of the ten construction projects. As the Program Construction Manager, Arcadis worked closely alongside the port's Construction Management Division to form an Integrated Construction Management team to oversee successful delivery of Phase 1.

Project highlights include:

- The new Middle Harbor terminal spans 304 acres and has a maximum annual capacity of 3.3 million TEUs (twenty-foot equivalent units) shipping containers.
- A new 4,200 ft. concrete pile-supported wharf with three deepwater berths that support eighteen shore-ship gantry cranes.
- New environmental friendly buildings will meet strict standards for sustainability, including energy and water conservation and the use of recycled materials.

Results

3.3 million TEU

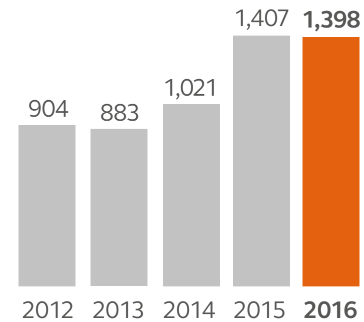
MAXIMUM ANNUAL CAPACITY

4,200 FT

WHARF

ENVIRONMENTAL FRIENDLY BUILDINGS

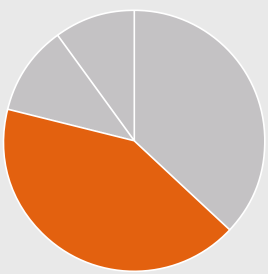
PERFORMANCE & DEVELOPMENTS BY SEGMENT



-1%

GROSS REVENUES

In € millions



42%

(2015: 41%)

OF TOTAL GROSS REVENUES

EUROPE AND MIDDLE EAST

In 2016, organic growth in net revenues was 1% and consisted of 4% growth in Continental Europe, 1% increase in the UK compensating for a 5% decrease in the Middle East. Operating EBITA was impacted by lower results in France and Belgium, lower margins in Buildings in the UK and a negative currency impact of the British Pound.

CONTINENTAL EUROPE

Net revenues increased organically by 4% mainly driven by private sector clients, whilst the public sector is slowly returning to growth after several years of decline. Arcadis continued to perform strongly in the Netherlands and Germany, while facing challenges especially in Belgium and France. In France we have launched an action program to streamline operations.

BUILDINGS

The buildings business line generated double digit growth, as a result of higher revenues in all countries. Some significant major projects wins include the earthquake program in the north of the Netherlands and the Mille Arbres project in Paris.

We are successfully growing our position in large capital expenditure investment for the chemical, pharmaceutical and food industry including Novartis, Bayer, Lenzo, BASF and FrieslandCampina. We are broadening our position in the automotive sector with project management and/ or design of new manufacturing facilities for Porsche, JaguarLandRover, Audi, BMW, and dealership brand programs for General Motors, Ford and DS.

Mid 2016, Arcadis opened a CallisonRTKL office in Berlin to make our world class architectural and urban design capabilities available to our European clients. In combination with our program & cost management and engineering activities we have achieved several synergy successes, including a large retail program roll-out in the Netherlands and Germany, and a commercial development around the new AS Roma football stadium.

FURTHER FOCUS ON CITY DEVELOPMENT

Metropolitan areas are facing big challenges: more and more people opt to live in cities, expecting green environments and efficient transportation, while investment in infrastructure and buildings is limited due to scarce public funds. Arcadis has broadened its city focus to Amsterdam, Rotterdam, Berlin, Paris, Brussels and other European cities and is cooperating with city stakeholders to develop creative solutions for densification, mobility and urban regeneration.

INFRASTRUCTURE

While investment in large infrastructure schemes across Europe is still significantly below the levels seen before the 2008 financial crisis, in 2016 we were able to maintain our leading position against a good profitability.

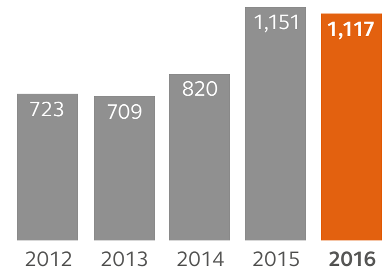
However, in the French infrastructure market we saw a sharp decline, especially in the local infra markets, which we have only partially compensated through growth in the Parisian region and with large national projects, including Grand Paris metro and Calais Harbor expansion.

In Germany, we have now fully integrated the local Hyder branch into Arcadis operations. The combination of infrastructure engineering skills with project management, and our global design resources, helped to improve business performance considerably.

In the Netherlands we are proud we have finished the Maastricht highway tunnel, the first double deck tunnel in Europe. The project was executed within budget and on time and will considerably improve the local urban area's quality of life. Our Dutch rail asset management activities continue to grow as we won two new significant rail maintenance contracts through our AssetRail joint venture.

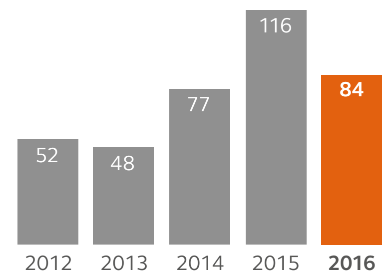
NET REVENUES

In € millions



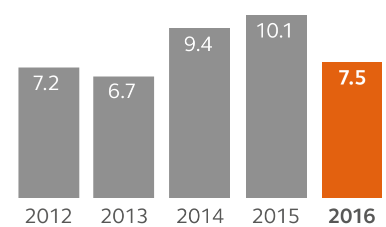
OPERATING EBITA

In € millions



OPERATING EBITA MARGIN

In %



ENVIRONMENT

As a market leader in the European environment market we continue to strengthen our portfolio. We are successfully investing in growing our consultancy services, which resulted in several assignments. We also extended our services on remediation and other environmental consultancy work for drinking water companies in the Netherlands, several framework contracts and individual projects for the US Department of Defense. For the European Commission we will conduct a study on the adaptation to climate change in Europe. We managed to expand our Product Stewardship Services for existing but also for new clients and we increased our volume of Environmental Due Diligence work for multinational clients.

In Environment we are facing price pressure in ongoing large remediation programs for the oil & gas sector, affecting both revenues and profitability.

WATER

The Dutch water market is undergoing fundamental changes which impacted our activities over the past couple of years. Strengthening our project management approach and increasing the involvement of our Global Excellence Center capability in 2016 has helped us to successfully resolve the market challenges. In the Netherlands we will be supporting the Waterboard "Peel and Maasvallei" with program management of their flood protection projects. Furthermore we won –together with contractors- the flood protection design for Ooijen-Wanssum in North Limburg.

Our strategic initiative to leverage our Dutch water expertise globally is paying off. Our expertise is much appreciated globally and several synergy wins in and outside Europe have been generated. In Poland we have been awarded –as part of a consortium- a contract to develop a Climate Adaptation Strategy for the 44 largest Polish cities, a project which is first of its kind in Europe. In Belgium, we closed a framework agreement with the Flemish Government for the 'Flemish Bays program' combining flood protection with sustainable economic development.

We have been successful in winning several water projects in Myanmar, Colombia and India, in close collaboration with our local colleagues, thus benefiting from the Arcadis network.

UNITED KINGDOM

Net revenues grew strongly in Infrastructure and Water and were flat in Environment. In Buildings, revenue declined due to Brexit-related delays in investment decisions, which especially impacted the commercial development sector in and around London. We continue to see pressure in London but our move to the City Agenda in Manchester and Birmingham is setting us up well for 2017.

INFRASTRUCTURE

Strong organic growth was realized from sustained Government spending. Looking ahead there remains some political uncertainty in respect of major infrastructure projects. Despite this we are well positioned for future work on HS2 Phases 1 and 2, Crossrail 2 and supporting the Governments Northern Powerhouse Strategy. We are also providing specialist advice and support to HS2 on their Risk and Value Management Framework.

On Lower Thames Crossing we are now providing consultancy services alongside design & engineering whilst developing and expanding our capability into other areas. In Wales we continue to deliver across the Welsh Government's portfolio of Highways projects with roles on 80% of their spend, centred around the award winning A465. In addition, we are continuing to deliver and trade up on Manchester Airport, the Smart Motorway Programme for Highways England and are strengthening our Programme Management capability with a number of significant wins. We have also secured one of three places on the Transport for London Major Projects Framework in collaboration with Skanska and CH2M.

LONDON - EDINBURGH, UK
EAST COAST MAINLINE

Modernization is key to ensure the strategic route of the East Coast Mainline can continue to provide sufficient capacity to meet future need, whilst also improving quality of life and delivering greater long term resilience.

Arcadis will be working alongside Network Rail to form a Kings Cross Remodelling Hub team, drawing together multiple contractors and providing full project support services. A Common Safety Method ('CSM') approach to integrated design will be led by the Hub team with Arcadis appointed as the Lead Design Organization.

WATER

Our involvement with the majority of regulated water companies continues to deliver strong performance. Highlights include the successful reappointment to the Thames Water frameworks. Our involvement in Welsh Water continues to grow and is benefiting from the wider service capability. UK flood resilience has delivered a lot of opportunity working with the environmental agency, local authorities and central government. We are also now providing multiple service support on the major capital investment project for Thames Tideway.

ENVIRONMENT

After a slow first half-year, with clients delaying decisions immediately before and after the Brexit referendum, performance improved in site remediation, supported by the use of FieldTech Solutions. Diversification of our client base in these groups will continue into 2017. The Environmental Planning business in particular has delivered strong performance by working with clients such as National Grid, together with Infrastructure-led opportunities such as Lower Thames Crossing continuing into 2017 and beyond.

BUILDINGS

In Buildings, we have been able to maximize our public sector expertise to secure some exciting projects with existing clients such as: University College London, the Education Funding Agency, Leicester City Council, and the Royal Brompton & Harefield NHS Trust.

We project the balance of work to continue to move in favour of public sector from private sector. In the private sector the Otterpool Park project via the Homes and Communities Agency further cements Arcadis' position as one of the prime deliverers of large-scale sustainable regeneration projects and showcases the skills of the wider business, particularly Environment.

THE IMPACT OF BREXIT

Thursday 23 June 2016 will go down as one of the most unexpected and potentially monumental moments in British history. Right from the referendum day, the speed of social, political and economic developments associated with Brexit has been so fast that it is almost impossible to accurately gauge their impact. Brexit-induced uncertainty has quickly become the normal.

For Arcadis, the keys to success have been, and will remain, focusing on sectors that are less vulnerable to volatility, listening to our clients as they plan their futures, and mitigating any potential headwinds associated with Brexit. As one of the market's leading consultants it is our job to ensure that our clients benefit from the many opportunities presented by ongoing market volatility.

When it comes specifically to construction, we expect the initial impact of Brexit to hit the market in 2017, as clients assess their next cycle opportunities. Price corrections could be on the horizon in the likes of the commercial and residential sectors, where demand could fall. By contrast, in infrastructure rising demand associated with mega-projects such as HS2 should enable suppliers to maintain price levels, exposing clients to the inflationary impacts of a weak sterling. All in all however, the balance of power is shifting to clients.

Nobody knows what the UK will look like at the end of next year let alone at the point at which Britain starts its transition out of the EU. Current forecasts highlight that despite the significant impact of Brexit on some specific sectors, overall levels of construction activity will remain stable in the immediate future, with spending on publicly-funded infrastructure increasing. Based on our market and sector knowledge, our diverse workload and the quality of our relationships throughout the UK construction industry, Arcadis is well-equipped to perform well in challenging times.

MIDDLE EAST

A sustained low oil price has impacted government confidence across the Middle East and resulted in a more cautious approach to investment programs. Like many peers in the region we have scaled back our activities, however Arcadis retains a strong business within the region, with over 1,700 staff (2015: ~1,900) based across eight unique offices and several project sites. Net revenues declined with 5%. Arcadis in the Middle East is mainly active in Infrastructure and Buildings.

The UAE was the most active market in 2016, particularly in Dubai where Arcadis is delivering a number of large projects linked to Expo 2020. Our ability to integrate core capabilities including Design and Engineering, Cost Consultancy, and Project Management, helped to differentiate us and enabled us to secure significant new wins with clients including Emaar, Majid Al Futtaim and Tilal Properties. The market in Abu Dhabi remained more subdued in 2016.

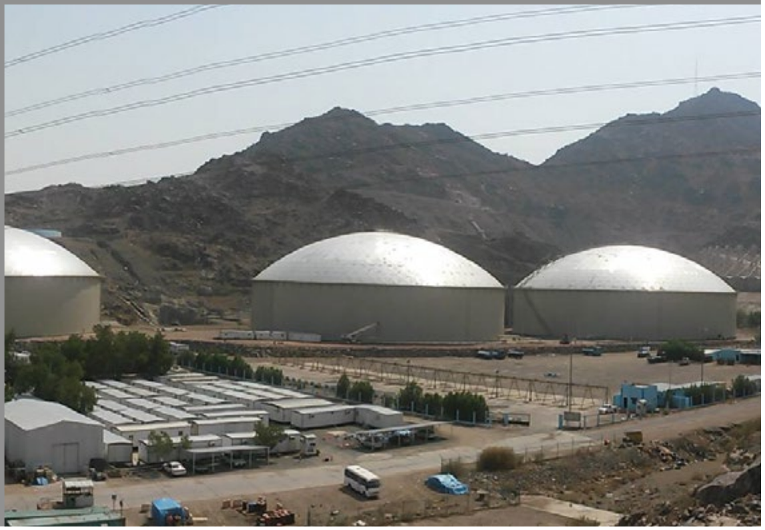
The impact of oil prices was particularly evident in Qatar and Saudi Arabia. In Qatar, a number of projects were cancelled or deferred, with priority given to those schemes that are key to the successful delivery of the 2022 FIFA World Cup™. Arcadis continues to support on several of these big infrastructure schemes including major rail, highways, and water programs. There was a similar situation in Saudi Arabia where a lack of liquidity in the market saw many schemes deferred as well as delays in payment for existing work, particularly with public sector clients. The launch of the Kingdom's Vision 2030 in the middle of the year, offers an impressive framework around how the country will develop over the coming years, and is likely to see confidence return to the market.

Given the economic conditions, working capital has been an issue for many consultants in the region particularly in Saudi Arabia and Qatar. More positive signals emerged towards the end of the year bringing the working capital level down. In Qatar substantial payments were received in the fourth quarter related to large milestone driven contracts.

MAKKAH, KINGDOM OF SAUDI ARABIA
IMPROVING WATER SECURITY IN MAKKAH

The number of visitors of Makkah has increased steadily in recent years, resulting in a significant increase in demand for water within the city. The Kingdom's National Water Company ('NWC') recognized the need to address this challenge by providing strategic water storage within its network.

The NWC appointed Arcadis as technical experts to oversee the construction of four new reservoirs which are the largest of their kind in the Middle East. The scheme required extensive planning and project management. Final tests were conducted in Q2 2016 and the reservoirs were operational in time for the Hajj season in September. This enabled Makkah to meet the water needs of more than 3 million pilgrims who visited the city this year.



SEGMENT FINANCIAL RESULTS

Overall financial results of the segment in 2016 were as follows:

	Revenues		Revenue growth			
In € millions	**2016**	2015	Total	Organic	Acquisitions	Currency
Gross revenues	1,398	1,406	-1%	4%	0%	-4%
Net revenues	1,117	1,151	-3%	1%	0%	-4%

	2016	2015
EBITA	67.0	99.0
EBITA margin	6.0%	8.6%
Operating EBITA[1]	83.9	116.3
Operating EBITA margin	7.5%	10.1%

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

CHARLEROI, BELGIUM

RIVE GAUCHE

The commercial and residential 'Rive Gauche' complex, set to open spring 2017, will revolutionize the city center of the industrial town of Charleroi, Belgium. Enhancing the urban landscape, and boosting local business, this ambitious project will contribute creating a vibrant, attractive and economically resilient Charleroi. More than a real estate development, it is an entirely new urban neighborhood.

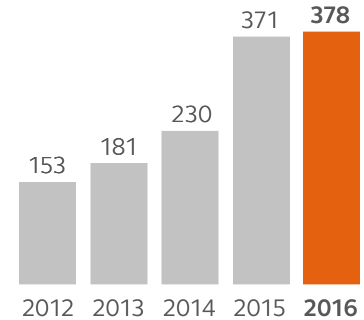
With 'Rive Gauche', Charleroi will see the arrival of new pedestrian streets, 35,000 square meters of retail area, a luxury hotel, a youth hostel, housing, and many quality restaurants, cafés, and bars. The heart of the fourth largest city of Belgium will be buzzing with new activity. Locals and visitors alike will rediscover Charleroi as a place where business, leisure and gastronomy go hand in hand. Indeed, the name 'Rive Gauche' has been chosen as a reference to the sophisticated left bank area of Paris.

Mostly consisting of new build, the Rive Gauche complex also integrates listed elements of vernacular architecture, showing the respect of the developers for the cultural heritage of Charleroi. The modernist 'Piano de Heug' building will house a youth hostel, and the 'Passerelle de la Bourse', a typical 19th century neoclassicist arcade, will welcome luxury shops and boutiques.

We are proud to have supported the developer, drawing on our expertise in permitting, performance-driven design (energy usage optimization, structural engineering, MEP engineering), tendering and construction management.

Image: IRET Development/ Proma-Team

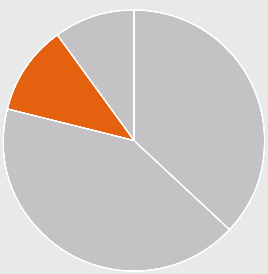
PERFORMANCE & DEVELOPMENTS BY SEGMENT



+2%

GROSS REVENUES

In € millions



11%

(2015: 11%)

OF TOTAL GROSS REVENUES

ASIA PACIFIC

In 2016, we created value in Asia Pacific by working on award-winning buildings and infrastructure projects contributing to enhanced mobility, better healthcare, sustainable water solutions and many building developments improving the quality of work and life for its users and tenants. Australia Pacific performed well on the back of stronger end markets and an effective diversification of the former Hyder business, while Asia faced subdued market conditions.

ASIA

In Asia, Arcadis is a leading Cost and Project Management consultancy firm in each of its active markets, with a growing reputation for technical due diligence, environmental work and business advisory services. Due to a general slowdown in our core markets we experienced an organic decline in net revenues in 2016 of 10%. This decline was mainly seen in the Buildings business line, which is a large part of our business (87% in 2016), that was impacted by a continued decline of the commercial development sector in Singapore and Hong Kong, while China performed strong.

Investments in Infrastructure, Water and Environment delivered strong organic growth in these business lines particularly in Malaysia (Infrastructure), China (Environment and Water) and Philippines (Water), signaling strong progress towards our strategic goal to diversify the business and create a balanced and resilient service portfolio in the region. Despite lower revenues in Buildings operating EBITA was only slightly lower as a result of strong cost controls and a high quality client list appreciating a premium service.

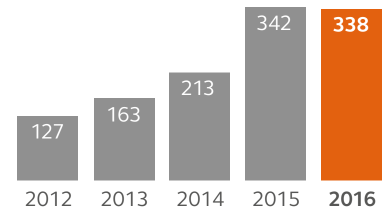
Operational developments in 2016 included the implementation of the Arcadis Way in eight countries and the appointment of Matt Bennion as regional CEO. As at 1 September 2016, he replaced Kenneth Poon, who retired from the firm at the end of December after more than 40 years' service with Langdon & Seah and Arcadis Asia.

In the Water business, the first Sponge City* project in China was won (see page 34). Wuhan is the first city to launch the integrated water management initiative driven by the Chinese Central government and Arcadis has been appointed as principal consultant to provide technical, policy and program management advisory services to this innovative project.

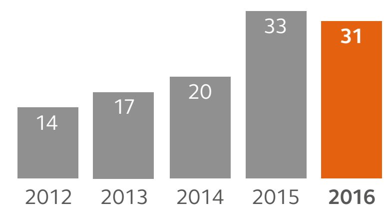
We continue to be first choice for many commercial developers, hotel groups, multinational organizations and leading investors and banking groups in the region. In addition, our business advisory work in Hong Kong is helping to develop our operating model for one of the largest new cultural districts in the world.

In 2016, Arcadis Asia with JV partner Yachiyo Engineering of Japan was awarded the Solid Waste Management Category award at the C40 Cities Awards 2016 for design and project management work on the Kolkata - Solid Waste Management Improvement Project. This project is a trans-municipal project for environmental development through scientific waste management and stakeholder participation. It comprises an Engineering Component targeting development of infrastructure, and a Soft Component targeting social development, building awareness and ensuring citizen participation. Kolkata aims to minimize waste generated by segregating recyclable wastes, composting organic waste, burying inert waste and treating septic sludge. The project aims to benefit more than a million people in 145 wards of six municipalities, spread over 65 km^2 on the western bank of the River Ganga.

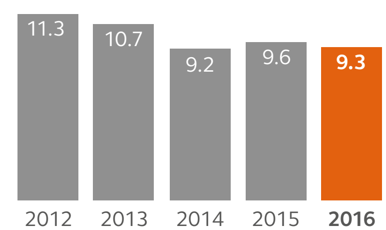
NET REVENUES
In € millions



OPERATING EBITA
In € millions



OPERATING EBITA MARGIN
In %



* A sponge city is a city with an urban environment planned and constructed to soak up and capture that water for reuse.

SYDNEY, AUSTRALIA
BARANGAROO RESERVE

Barangaroo Headland Park transformed a former industrial site on Sydney Harbour's Millers Point into a spectacular six hectare open space and an instant Sydney icon. Barangaroo aims to be the first precinct of its size in the world to be climate positive and carbon neutral, employing efforts to recycle and reduce waste by reusing the caissons and the sandstone blocks to form the reimagined shoreline, among other initiatives.

Providing detailed maritime engineering design and construction services, Arcadis drew on a multidisciplinary team covering civil structures, facades and geotechnical expertise, as well as assistance in Dynamic Modelling from Arcadis UK.

AUSTRALIA PACIFIC

In 2016, Australia Pacific performed well in all areas on the back of strong end markets, an effective diversification of the former Hyder business and a continued focus on our Client Excellence program. Organic growth in net revenues was 16% and the operating EBITA margin was well above last year. The strong performance resulted largely from the delivery of major infrastructure and buildings projects and strong usage of Global Excellence Centers.

Australia Pacific contributed to a sustainable future by delivering sustainable infrastructure projects that included the award-winning Webb Dock West in Australia. Other significant projects have been the M4 East motorway, Sydney Light Rail, Rail level crossings and City-Tulla motorway widening in Melbourne, and the Toowoomba Second Range Crossing and urban development.

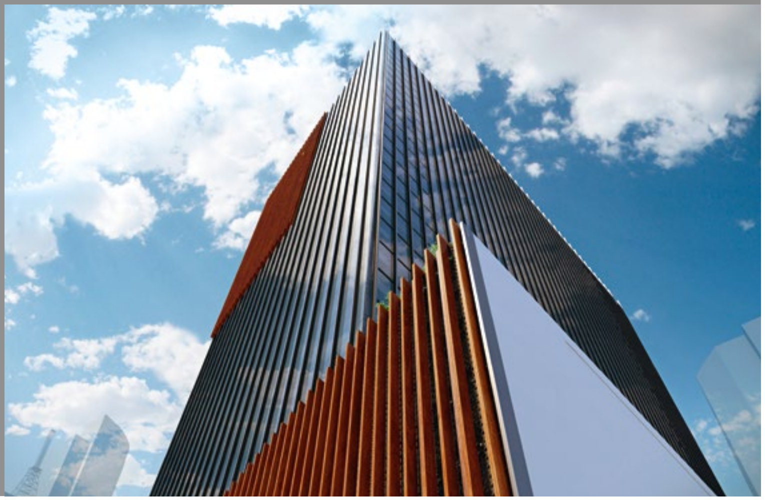
Significant buildings projects were the Northern Beaches Hospital in Sydney, Jewell on the Gold Coast and Casuarina Square, a project which delivered the largest shopping center in the Northern Territory of Australia, while reducing energy and costs.

Australia Pacific continued to implement its strategy of diversification with the successful acquisition of contaminated land restoration specialists Environmental Strategies, in the second half of the year. The strengthened environmental team won a number of consultancy assignments such as the Environmental Impact Assessment of Sydney Metro. In addition, our presence in Perth contributed to winning the Northern Link Motorway stage 2.

The Positive Living Program of Australia Pacific, which supports our people's health and wellbeing, and encourages positive choices for personal wellbeing, was selected as the winning finalist at the National Safety Awards of Excellence.

MANILA, THE PHILIPPINES
MENARCO TOWER

Menarco Tower is an upcoming 32-story premium office development located in Bonifacio Global City. This award-winning project is aiming to achieve Gold certifications in both LEED® and WELL®, globally recognized rating systems developed by the U.S. Green Building Council and Delos Living LLC respectively. Arcadis has been appointed by Menarco Development Corporation to provide consultancy in quantity surveying, LEED® and WELL® certification. Menarco Tower is the first building in the Philippines to be designed and constructed to this specification.



SEGMENT FINANCIAL RESULTS

Overall financial results of the segment in 2016 were as follows:

	Revenues		Revenue growth			
In € millions	**2016**	2015	Total	Organic	Acquisitions	Currency
Gross revenues	378	371	2%	0%	0%	-2%
Net revenues	338	342	-1%	-3%	0%	-2%

	2016	2015
EBITA	30.7	25.7
EBITA margin	9.1%	7.5%
Operating EBITA[1]	31.3	32.8
Operating EBITA margin	9.3%	9.6%

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

SYDNEY, AUSTRALIA

SYDNEY METRO

Sydney metro is Australia's biggest public transport project. Stage 1, the 36 kilometer Sydney Metro Northwest, opens in the first half of 2019 with a train every four minutes during peak times. It included fifteen kilometer twin tunnels, which are the longest railway tunnels ever built in Australia.

Arcadis' engineering design expertise was critical to solving issues around constructability and programming, particularly for on time construction of the five metro station 'box excavations' and the rapid deployment and operation of the four tunnel boring machines – the first time in Australian history that four of these mega machines were used on a transport infrastructure project.

Such a massive project created its own challenges, including delivery of high quality design documentation simultaneously to seven sites for seamless, uninterrupted construction, multi-stakeholder coordination, safety, and complex technical and geological issues as the tunnels and excavations took shape.

Arcadis' unique ability to assemble multidisciplinary teams with broad expertise was significant, with a core team supported by the Hong Kong and Melbourne offices as well as fourteen functional groups across all Arcadis sectors in the region.

Results

36 km

THE LONGEST RAILWAY TUNNELS EVER BUILT IN AUSTRALIA

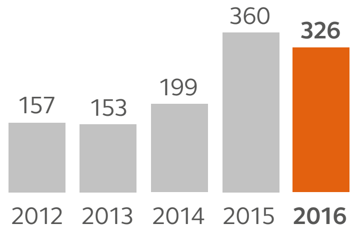
15 km

INCLUDED 15KM TWIN TUNNELS

4 min

A TRAIN EVERY FOUR MINUTES DURING PEAK TIMES

PERFORMANCE & DEVELOPMENTS BY SEGMENT



-9%

GROSS REVENUES

In € millions

10%

(2015: 11%)

OF TOTAL GROSS REVENUES

CALLISONRTKL

In 2016, there was a high degree of volatility and uncertainty in a number of the markets for architecture and design, creating a challenging environment for CallisonRTKL. The organic revenue decline was mainly due to lower revenues in the commercial sector in China and the Middle East. CallisonRTKL further established its position as a top-five global architecture firm, ranked #1 in retail and green multifamily design and #4 in hospitality design.

In 2016, we completed the integration of Callison and RTKL into one business, forming a 1,800-strong workforce under one brand name. As a design consultancy of Arcadis, CallisonRTKL is well positioned to benefit from its expanded footprint and increased depth of services, making it better able to respond to client demand for architecture, design and planning consultancy.

CALLISONRTKL
A DESIGN CONSULTANCY OF ARCADIS

PERFORMANCE IN 2016

In 2016, there was a high degree of volatility and uncertainty, creating a challenging environment for CallisonRTKL, with a number of geographies and markets under pressure. Revenues in North America were overall flat, while Europe showed growth. In North America, which is 55% of total revenues, the margin came down due to price pressure in Commercial, Healthcare and Workplace partly compensated by better performance in Retail. China, a traditionally strong market in the commercial sector, remained subdued over 2016, while South East Asia showed new opportunities.

The Commercial and Retail practices saw a number of key openings of CallisonRTKL design work, including several large-scale mixed-use developments throughout China as well as award winning retail stores such as Charming Charlie in Manhattan, LeEcco Experience Showroom in Beijing and Bloomingdale's flagship store in Honolulu, Hawaii, the brand's first location outside the continental United States. At the same time, the Workplace and Healthcare practices weathered challenging markets in the first half of the year but have begun to see growth in key sectors, especially in North America.

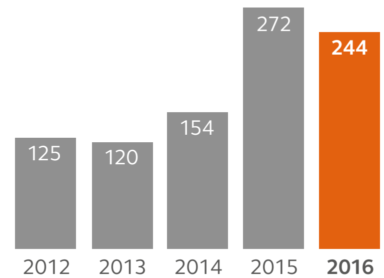
To respond to client demand nimbly, CallisonRTKL opened new office locations in Manchester, Mexico City and Berlin in the year, which have already started to see a good pipeline of opportunities with a broadened client base in these locations.

In the Middle East, the combined CallisonRTKL is one of the strongest regional players. Our foothold is in the sustainable and resilient design market, where we have continued to pursue innovative solutions, and economically viable commercial developments. North America also performed well, with several significant opportunities where we focus on being able to realize strong synergies and collaboration between our architects and urban planners, and our engineering designers and project managers as Arcadis. Examples include projects in resiliency, urban development or transport oriented development. Europe grew well, with major strides in our residential, retail and shopping center work. In Asia, China's economy has softened which impacted our activities in the region. Going forward, we are proud of the significant number of projects openings, we are expanding into South East Asia, and we are optimistic about the prospects of healthcare reform in China, which plays well to our stregths.

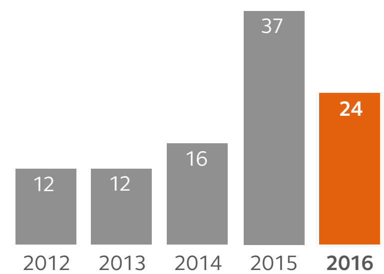
In Commercial, our latest expansion of the Chadstone Shopping Centre in Melbourne (see page 105) is an example of how CallisonRTKL has maintained a relationship with a visionary client for more than 25 years. In Retail, the REI Flagship in Washington, DC (see page 43), shows the transformative power that retail has on a community and how CallisonRTKL design teams strike a perfect balance between brand, experience and transaction.

From our Healthcare group, the Vassar Brothers Medical Center in Upstate New York is a new project that will redefine how we think about hospitals. The client has pushed the envelope on design, sustainability and performance in a way that puts the patient experience and quality care first. This is another design benchmark for our healthcare practice, who are ramping up with an increasing number of opportunities after a slow start in 2016. And finally, in our Workplace group, American Greetings Creative Studios in Cleveland, Ohio, opened to enthusiastic reviews from the client, their employees and the media. This was an excellent example of how architecture and workplace design can advance our clients' businesses.

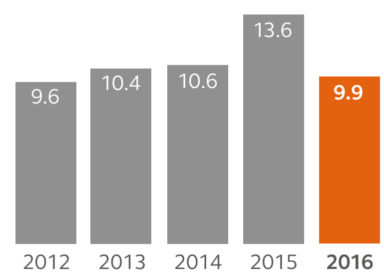
NET REVENUES
In € millions



OPERATING EBITA
In € millions



OPERATING EBITA MARGIN
In %



DALLAS, US
WILLIAM P. CLEMENTS UNIVERSITY HOSPITAL

What began as a hospital expansion quickly grew into a larger commission for a replacement hospital on a nearby 34-acre site after CallisonRTKL and the client realized this would be best way to enable the future expansion of the hospital's clinical inpatient facility.

The new design is an excellent foundation for this high-profile academic hospital, and will allow it to better serve the needs of their patients. The hospital was awarded a Top Ten Award by the Topping Out Program, which honors development, architecture and construction projects that have made a positive impact on the Dallas/ Ft. Worth area.

Looking ahead, we are monitoring a number of global macro-economic uncertainties; the growing competitiveness of traditional mainstays like China and the Middle East, and a shifting geo-political landscape. But we also see significant opportunities. Our focus is to connect more strongly with our local markets and drive innovation in sectors ripe for change: the dynamics of a new retail experience, the evolving multi-generational workplace; the growing complexity of multi-modal development; and the technological advances of tall buildings. All of these trends shape and are shaped by our work. To stay ahead of our competition, we remain committed to world-class design, attracting the best talent and maintaining a nimble operational model to stay at the leading edge of our industry.

OVERALL FINANCIAL RESULTS

Overall financial results of the segment in 2016 were as follows:

	Revenues		Revenue growth			
In € millions	**2016**	2015	Total	Organic	Acquisitions	Currency
Gross revenues	326	360	-9%	-8%	0%	-2%
Net revenues	244	272	-10%	-9%	0%	-2%

	2016	2015
EBITA	22.9	30.6
EBITA margin	9.4%	11.2%
Operating EBITA[1]	24.3	37.1
Operating EBITA margin	9.9%	13.6%

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

CHADSTONE, AUSTRALIA

CHADSTONE SHOPPING CENTRE

One of the world's most successful shopping centres, Chadstone has a new claim to fame: its 31 meter-high, 7,000 square meter gridshell glass roof, which creates a dramatic, column-free space.

A product of collaboration between specialist engineers and research departments at the University of Stuttgart and University of Bath, the design was achieved using 3D parametric modelling and refined through a combination of video and imagery. The roof is the first of its kind on the continent.

Image: Aaron Pocock

SHENZHEN, CHINA

CHINA LIFE OFFICE TOWER

For China Life Insurance Company, CallisonRTKL worked on their 35 stories tall office building in Shenzhen's central business district.

The exterior design was inspired by the traditional Yin-Yang symbol and features a split building massing divided into two towers that are united as one structure. The dark glass of the south tower reduces solar heat gain, while the transparent façade and lower height of the north tower allow for maximum daylighting of the office space. The design successfully integrates Performance-Driven Design metrics to connect a city's urban fabric.

GOVERNANCE & COMPLIANCE

COMPOSITION OF THE **EXECUTIVE BOARD**

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

Interim Chief Executive Officer, Chief Financial Officer

Renier Vree joined Arcadis in 2010 as Chief Financial Officer and Member of the Executive Board, responsible for Finance, Tax, Treasury, IT, and Risk Management. Since October 2016, he assumes the role of Interim CEO, responsible for Legal, Internal Audit, Investor Relations, Corporate Development, and Marketing & Communications. Before joining Arcadis, Renier Vree worked in several financial management positions for Royal Philips N.V., having started with that company in 1987. He worked in the Netherlands, USA, Malaysia, and Hong Kong, and was Chief Financial Officer of Philips Lighting from 2004 until 2010.

OTHER POSITIONS:

- Chairman Curatorium Post-graduate Chartered Controller/ EMFC Programme University of Maastricht
- Chairman Supervisory Board Tendris B.V. (until July 2016)

Stephanie Hottenhuis (1965)
MB, MA
Dutch nationality, term 2012 - 2020

Member of the Executive Board, responsible for segments Asia Pacific and CallisonRTKL

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 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 the UK). She was appointed to the Executive Board in 2012, and reappointed in 2016.

OTHER POSITIONS:

- Member Supervisory Board TenneT Holding BV

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

Member of the Executive Board, responsible for segment Europe and Middle East

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 to 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.

Nominee

Mary Ann Hopkins (1965)
MS, Civil Engineering
US nationality, term 2017 - 2021*

Nominee for member of the Executive Board, responsible for segment Americas

Mary Ann Hopkins joined Arcadis in 2016. Before joining Arcadis she was President of Federal, a primary global business unit of Parsons Corporation, where she led the government segment. Prior to that, she was Executive Vice President for Global Business Development for Parsons Government Services. Her career began in 1989 as civil engineer, after which she had diverse roles in project execution, business development and general management.

OTHER POSITIONS:

- Board member International Relief & Development

* Proposed for appointment to the Executive Board at the Annual General Shareholders Meeting on 26 April 2017

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
- Member of the Supervisory Board of Van Oord

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.

J.C. Maarten Schönfeld (1949)

Dutch nationality, term 2008 - 2020

Audit and Risk Committee (Chair)

Current other non-executive board positions:

- Member Supervisory Board Fugro NV
- Member Supervisory Board SIF Holding N.V.
- Board Member Stichting Continuïteit ICT
- Board Chairman Children Fund of Malawi

Previous positions:

Member Supervisory Board University of the Arts, The Hague (2008 - 2016); Member Supervisory Board AFM (2012 - 2014); Member Supervisory Board Brunel N.V. (2011 - 2012); Members Supervisory Board Draka N.V. (2010 - 2011); Member Supervisory Board Technical University Delft (2008 - 2016); 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).

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 (announced retirement as of end February 2017)
- 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).

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).

Deanna Goodwin (1965)
Canadian nationality, term 2016 - 2020

Remuneration Committee
Selection and Appointment Committee

Current other position:
- President North America TECHNIP

Previous positions:
Chief Operating Officer, Offshore TECHNIP North America (2012 - 2013); Senior Vice President Operations Integration, TECHNIP (2011 - 2012); Chief Financial Officer North America, TECHNIP (2007 - 2011); Various positions at VeritasDCG (1993 - 2007).

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).

OVERVIEW OF **SENIOR MANAGEMENT**

BUSINESS LEADERS

Joachim Ebert, Dipl.-Wirtsch.-Ing, MBA (1969). German nationality
CEO Arcadis North America since 2016

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

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

Matt Bennion, FRICS (1971)
British nationality
CEO Arcadis Asia since 2016

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

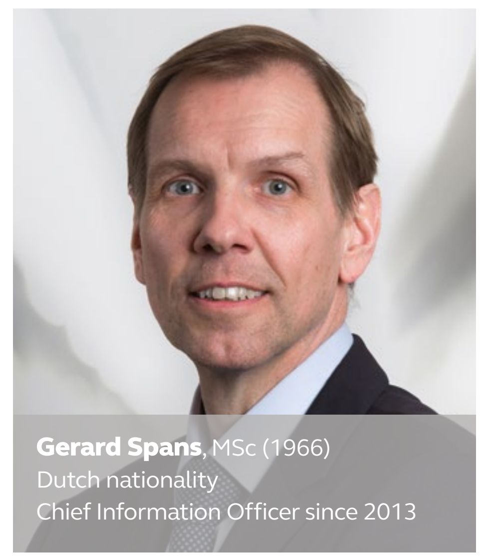
Tim Neal, BSc, MBA, FRICS (1967)
British nationality
Global Director Buildings since 2013

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

Jan-Oege Goslings, MSc RC (1965)
Dutch nationality
Group controller since 2016



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

CORPORATE STAFF DIRECTORS (CONTINUATION)

Jim Ford, BSc (Hons) (1967)
US nationality. Global Head of
Client Development since 2016

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

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

RISK MANAGEMENT
AND OUR CONTROL SYSTEMS

We recognize that exposure to risk is inevitable in the pursuit of our goals and our control framework is designed specifically to manage our risk exposure.

INTRODUCTION

After assessing our risk exposure and considering our risk appetite in the context of our strategy, we identified our main risks. This allowed us to develop a risk management framework which enables us to manage and mitigate these risks, whilst remaining competitive in a constantly evolving business environment. We believe intelligent risk taking is integral to achieve our strategic and operational objectives. Our control framework – the Arcadis Business Control Framework (the ABC Framework) – allows us to take such risks in a considered and informed manner.

RESPONSIBILITY FOR RISK MANAGEMENT AND OUR INTERNAL CONTROL SYSTEM

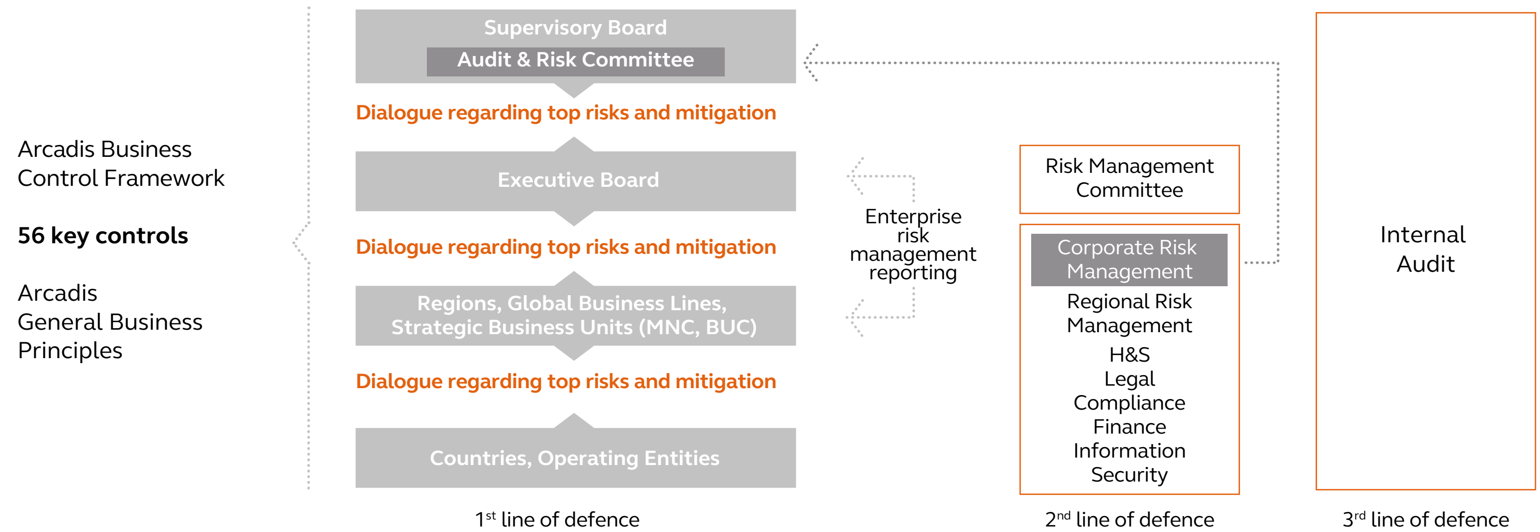
We follow a three line defense model, firstly the operating entities, secondly Risk Management and Compliance and finally Internal Audit. With this approach, we make good risk management the responsibility of all our people.

The ABC Framework supports the business to effectively manage identified main risks. The framework is principle based and comprises policies, procedures and guidelines. It also includes behavioral and IT system aspects. Minimum standards are set for the regions and operating companies to meet. Where required, operating companies and regions can apply higher standards to meet specific local risks. The effective implementation of the control framework enables the company to pursue its strategy and plans in accordance with its risk appetite.

Matters considered by the Risk Management Committee in 2016 included:

- Inter-regional collaboration on global projects
- Enterprise risk register initiative
- Risk Management reporting on actions following audits and assessments
- Arcadis Way and ABC Framework integration
- Global Tender Board initiative

RISK GOVERNANCE STRUCTURE



CORPORATE RESPONSIBILITY

The Executive Board has overall responsibility for risk management, and is overseen and advised by the Supervisory Board. The Executive Board is supported by the Risk Management Committee, amongst others.

The Risk Management Committee oversees risk management and its members operate independently of their day-to-day responsibilities. It is chaired by the Chief Financial Officer and has representation from the business as well as Risk Management, Legal and Internal Audit. Matters considered by the Risk Management Committee in 2016 included:

- Inter-regional collaboration on global projects
- Enterprise risk register initiative
- Risk Management reporting on actions following audits and assessments
- ABC Framework integration and the Arcadis Way
- Global Tender Board initiative

REGIONAL RESPONSIBILITY

In the regions and operating companies, local management is responsible for actively identifying, evaluating and managing risks to achieve operational performance. They are assisted by Regional Risk Managers who have a functional reporting line to the Global Chief Risk Officer.

A key risk assurance role is carried out by the Regional Risk Managers, who evaluate the effective implementation of the controls which make up the ABC Framework throughout the year. If inadequacies are identified, actions are taken to address any resultant issues, with monitoring thereafter to ensure the controls are designed and operating effectively.

Regional Enterprise Risk Registers have been developed during this financial year to further support the regions in identifying and managing their risks.

INTERNAL AUDIT

The Internal Audit function aims to reassure that the internal risk and control systems are designed and functioning as intended. An annual risk assessment is discussed at Executive Board and Audit and Risk Committee meetings. These meetings set the priorities for Internal Audit. On a quarterly basis, the Internal Audit plan is reassessed against changed circumstances impacting the risks and/ or control systems ensuring Internal Audit focus on those areas that matter. Changes to the plan and progress on audit execution, together with main observations are presented to the Executive Board and the Audit and Risk Committee.

In 2016, Internal Audit focused its audit activities on the following areas: compliance with ABC Framework, Arcadis Way, IT, and global thematic reviews. Internal Audit collaborates closely with other functions involved with the development and maintenance of the ABC Framework. Identified deviations from the ABC Framework are reported to operating management who is responsible for undertaking corrective actions. Reports are distributed to local and regional management and, in summary, to the Executive Board and the Audit and Risk Committee. Management progress on identified deviations is monitored and reported by Risk Management.

Operating entities submit to regional management a Document of Representation as part of their year-end reporting package. This document consists of an internal letter of representation and a statement of compliance certifying that the controls that make up our ABC Framework have been effectively implemented and are operating effectively. Where appropriate, corrective actions are identified for deviations with the ABC Framework. These documents form a cascaded compliance statement, supporting the Executive Board in making an overall In-Control statement.

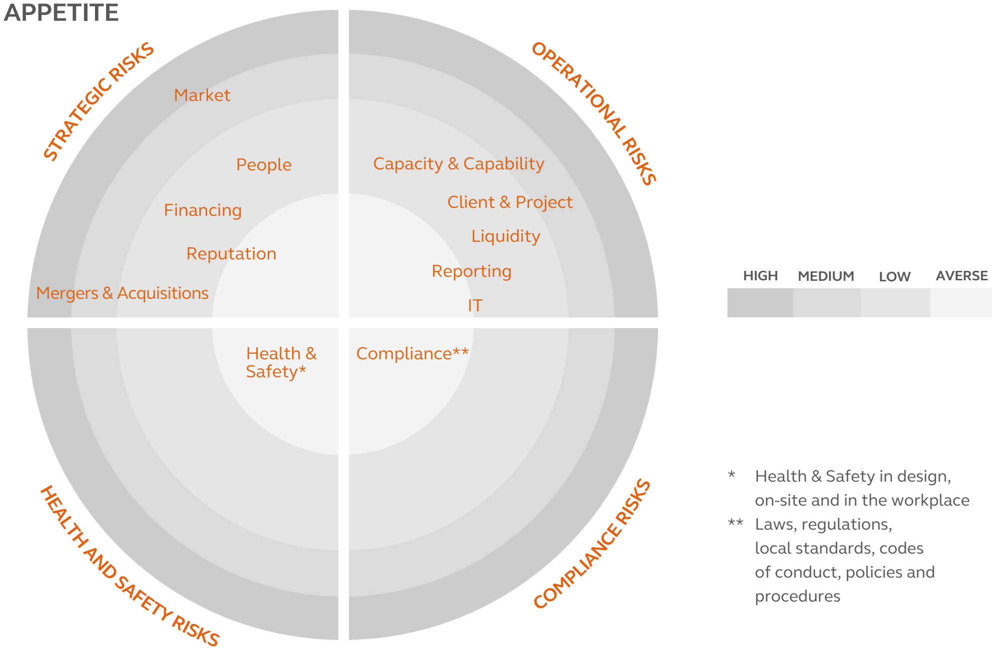
RISK PROFILE AND APPETITE

The Executive Board has identified twelve main risks to which we could potentially be exposed in pursuit of our strategy.

Our risk appetite in relation to these risks varies from averse to high, reflecting the amount of risk that we are willing to accept. Where risk is unrewarded and we have a limited ability to mitigate and control it, our appetite is averse. For rewarded risks, our appetite ranges from low to high, and higher risks require additional controls.

In 2016, macro-economic uncertainty, to an extent driven by geo-political developments and low oil prices, led to a retraction in spending on the part of governments in several of our operating regions. This has impacted our risk profile. In light of this, we have reviewed our operating model and reorganized some of our regions to ensure that we continue to operate in accordance with our risk appetite.

RISK APPETITE



* Health & Safety in design, on-site and in the workplace
** Laws, regulations, local standards, codes of conduct, policies and procedures

Strategic risks: we take controlled risks in pursuit of profitable growth in both mature and emerging markets. Given the volatility of the markets and economic climates within which we operate, the adaptability of our capacity, the solutions we offer and our organizational structure play a key part in enabling us to identify and seize opportunities.

Operational risks: when taking business decisions, we take a balanced approach by considering our risk exposure relative to the reward that the opportunity potentially brings.

Compliance risks: adherence to laws and regulations is fundamental in enabling us to provide our clients with exceptional outcomes. Of our four core values, integrity always ranks first and will not be compromised irrespective of the potential reward.

Health and Safety risks: we have an averse appetite for risks associated with health and safety. As with integrity, the health and safety of our people is strongly embedded in the culture of our company.

OUR MAIN RISKS

Our main risks are those that threaten our ability to deliver our strategy. An overview of these risks (together with a summary of their potential impact, risk trends and mitigation measures) is set out in the table below. This should not be considered an exhaustive list of our risks; other risks (including region specific and residual risks) could have a similar or more severe impact on our operations or strategy. The actions detailed can only mitigate the relevant risk rather than eliminate it completely. Regular assessments are made of the risks relating to the growth of the company, its geographical presence, activities and general risk trends. We see internal risks as being risks that we are largely able to control; external risks are usually market led. Where we have seen risk increasing, we have taken additional mitigation measures.

STRATEGIC RISKS

MARKET RISKS

EXTERNAL

RISK TREND IN 2016 ↑

Market volatility, whilst ever present, was historically more prevalent in emerging markets. With the deep recession in Brazil and the continuing low oil price, this trend has continued. However, BREXIT and the US presidential election indicate that unpredictability can also affect mature markets.

POSSIBLE IMPACT

Changes in market conditions may lead to shifts in client demand, increased consolidation and business diversification resulting in new competition in markets or sectors where it was previously limited. This may curtail our ability to procure new projects or may result in securing projects at lower revenues and margins presenting a risk to our strategic objective of sustainable growth.

RISK MITIGATING ACTIONS

Close client relationships and comprehensive market and sector knowledge enable us to anticipate changes in market conditions at an early stage. We monitor market trends to adjust to developments in a timely way. A periodic review of our strategy ensures that the organization remains focused on long-term growth markets. Our strong culture around people mobility enables us to place resources both when and where they are most needed. Agility is critical: our ability to quickly restructure our business in line with market conditions is essential.

REPUTATION RISKS

INTERNAL & EXTERNAL

RISK TREND IN 2016 ↑

The global reach of the Arcadis brand is a real strength – clients know that they enjoy the same level of innovation, client focus and solutions driven approach across the business. Our global reach can, however, have a downside.

POSSIBLE IMPACT

A wide variety of possible incidents may affect our reputation. These include disputes with clients or suppliers, errors relating to projects, actual or perceived non-compliance with laws and regulations and health and safety issues. Relationships with existing clients and suppliers may be affected as may our ability to attract new clients and suppliers. It may also affect our ability to attract new talent.

RISK MITIGATING ACTIONS

We protect our brand reputation by embedding our core values in all our people, and by ensuring that our controls are appropriate for our business and that they are effectively implemented. Our controls include a compliance program, a misconduct reporting procedure, a health and safety policy, a crisis response policy, a client-focus program and criteria for selection of business partners. During 2016, we carried out crisis management exercises in each region. Where necessary, improvements to regional or operating company crisis response plans have been implemented.

MERGER AND ACQUISITION RISKS

INTERNAL

RISK TREND IN 2016

Sustainable growth through acquisitions is part of our strategy. However, the pursuit of this objective presents a number of specific risks related to the preparation and execution of an acquisition and subsequent integration.

POSSIBLE IMPACT

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.

RISK MITIGATING ACTIONS

Our primary mitigation is to be focused in our approach to acquisitions and to only target acquisitions which support the achievement of our strategic objectives. For this reason, any acquisitions of strategic importance are managed by the Corporate Development team. A robust due diligence exercise is carried out with target companies being assessed for cultural and strategic fit. We strive for purchase agreements with appropriate representations, warranties and indemnities. After completion, there is an immediate focus on organizational integration and market alignment. Embedding our core values is essential, with a particular focus on our general business principles. Assessments are made at key stages, post-acquisition, to provide assurance that integration is progressing as envisaged and lessons from previous acquisitions are embedded.

FINANCING RISKS

INTERNAL & EXTERNAL

RISK TREND IN 2016

Our ability to grow our business in a sustainable way is dependent on our ability to have access to capital.

POSSIBLE IMPACT

If we are in any way restricted in our ability to access capital, we may be limited in our ability to invest in innovation and emerging trends. This restricts our opportunities to deliver solutions to our clients and grow organically. Our strategy to grow via acquisitions is likewise hampered. In an industry which is subject to consolidation, this weakens our market position.

RISK MITIGATING ACTIONS

We have access to credible sources of funding and have long-term financing arrangements with relationship banks to fund our daily capital needs. We maintain a well-spread debt maturity schedule and our short and medium term sources of funding are well-diversified with no debt scheduled to mature or require refinancing until mid-2018. We focus on maintaining a solid financial performance in the short- and long-term, with debt levels that stay well within our debt covenants, transparent reporting and a proactive investor relations program.

PEOPLE RISKS

INTERNAL

RISK TREND IN 2016

Our people are what makes Arcadis an outstanding business partner. Our clients value the technically outstanding solutions that we develop for them. Developing solutions however, does not suffice - clients especially value our ability to deliver those solutions for them.

Attracting and retaining the people who have the technical expertise, embody and live our values and creating an environment that enables them to perform and to reach their full potential is essential to our business success.

Increase compared to 2015

Neutral

Decrease compared to 2015

POSSIBLE IMPACT

If we are not committed to creating development paths for our people to support them with their career progression, we are unable to attract or retain the best people. This dilutes our ability to build our brand and fill higher management positions with in-house talent. It also prevents us from being able to mobilise our talent to offer the best solutions to our local and global clients.

RISK MITIGATING ACTIONS

By being clear on the profile of people that we need to grow our business (qualifications and experience; collaborative in nature; high integrity), we can attract the best in the industry.

Retention is closely monitored and our employee engagement activities provide a clear understanding of what motivates our people. We have put increased focus on career development by setting up Programme Management, Client Focus, Project Management and Leadership Academies. The Leadership Academies include our well received Global Shapers and Leadership Development Programmes. Our thorough appraisal system is a key component of the process of ensuring development needs are met and progression opportunities are captured. We strive to offer market competitive compensation packages.

OPERATIONAL RISKS

CLIENT & PROJECT RISKS

INTERNAL

RISK TREND IN 2016

Considered selection of the clients with whom we work and the projects on which we work greatly enhances our ability to develop innovative solutions to our clients' challenges and needs.

To further support outstanding project delivery, we need to be careful in selecting our partners and suppliers.

POSSIBLE IMPACT

Inappropriate client selection may expose us to risk as regards our ability to be paid, or unfavourable outcomes with regard to scope changes and other issues, resulting in lower margins and curtailment of our sustainable growth objective.

Improper project selection and/ or poor execution may lead to cost overruns, while unfavourable contractual conditions may result in increased exposure to liabilities and claims.

Selecting inappropriate business partners may result in design failures, project delays, conflicts of interest, again resulting in possible liabilities and negative effects on revenues and/ or margins.

RISK MITIGATING ACTIONS

The Arcadis Way further embeds our well-developed "Go/ No Go" process which is used for clients, partners and projects. The choice of which clients or partners to work with and which projects to work on is carefully weighed against a broad set of risk criteria. Regions and operating companies work within a tailored approval matrix and projects are reviewed and approved either by regional management or at a global level. Depending on the size and complexity of the project involved, proposed bid submissions go through a number of approval stages all the way up to Executive Board, if applicable.

Our selection, training (via the Project Management Academy) and performance reviews of people, our control systems, which include periodic project reviews and a global insurance policy (which includes both general liability insurance and professional indemnity insurance) also mitigate our project risk.

Material project risks and claims are assessed quarterly and, if required, provisions are taken to reflect project risks.

REPORTING RISKS

INTERNAL

RISK TREND IN 2016

We operate across many geographies and have numerous reporting entities. It is critical that all these entities report to the same financial standards and deliver the same high quality of reporting, in line with our accounting and reporting principles.

POSSIBLE IMPACT

A material misrepresentation of our financial performance, misjudgement of our backlog, or other management judgements in relation to our financial performance may trigger the need for restatements, which can significantly affect our reputation and stock market value.

RISK MITIGATING ACTIONS

Clear accounting policies, applicable to all regions and operating companies, with central oversight and standard reporting formats form part of our control framework. Having a Group Accounting Manual is a key component of our mitigation strategy.

After any acquisition, priority is given to integrating the new entity into our accounting and reporting framework.

The Finance function plays an important role in relation to project control by independently assessing revenue and profitability of projects. This includes forming a view in relation to revenue recognition, costs to complete, time recorded, work in progress, invoicing and cash collection.

In 2016, we extended the remit of PwC, our external auditors, to cover the statutory accounts of the majority of our operating entities.

CAPACITY & CAPABILITY RISKS

INTERNAL

RISK TREND IN 2016

Having our people in the right place at the right time enables us to provide our clients with the right solutions when they need them. Without this flexibility, our utilisation levels would not be optimised in such a way as to allow us to achieve our financial targets and grow sustainably.

POSSIBLE IMPACT

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.

Similarly, an increase in workload may cause certain areas of the business to be overstretched, which could impact our ability to perform in accordance with our clients' needs.

RISK MITIGATING ACTIONS

Frequent and regular tracking of our sales pipeline, backlog and resource availability helps us to understand better where we need to have resources to successfully deliver projects. Technology enabled resource planning helps us to be more agile in placing the right people in the right place, at the right time for project delivery. This also improves utilisation and facilitates collaboration and knowledge sharing, which helps to mitigate capability risk.

Our Global Excellence Centres (GECs) are a key differentiator for us and enable us to flex our resource pool more easily. We are focussed on further developing the capability and capacity within the GECs and all regions are encouraged to use these resources where possible.

LIQUIDITY RISKS

INTERNAL

RISK TREND IN 2016

A free flow of capital is crucial to operate and grow our business.

POSSIBLE IMPACT

If our capital ratios are not maintained, we are exposed to the risk of breaching our debt covenants, which could lead to penalties, higher interest payments or demands for (partial) repayment of debt.

RISK MITIGATING ACTIONS

In 2016, intensive focus was placed on improving working capital across every part of our business. This was achieved by way of a centrally managed program, with external consultancy support, where appropriate.

The Corporate Treasury team further improved cash visibility and has implemented cash pooling across parts of our business in support of global liquidity optimisation. We are improving our processes and rolling them out across the global business to ensure that getting paid on-time for work done is a priority for our people.

More extensive information on financial risks and the way these are managed can be found in note 28 to the Consolidated financial statements. Additionally, see page 57 for developments in working capital in 2016.

INFORMATION TECHNOLOGY RISKS

INTERNAL & EXTERNAL

RISK TREND IN 2016

We are increasingly reliant on collaboration to win work across our global operations and bringing the best of Arcadis to our clients. Effective collaboration requires seamless communications and connectivity and a rapid response to potential or actual cyber threats.

The use of cloud computing assists global collaboration and we derive numerous benefits from cloud infrastructures. However, the ability to store and access data outside of our internal systems presents greater cyber security challenges.

POSSIBLE IMPACT

Loss of confidentiality and lack of availability of confidential or financial data could have a severe impact on our reputation, as well as presenting us with legal and regulatory issues. Consequently, we could lose business opportunities, thus degrading business stakeholders confidence, which impacts on our sustainable growth and performance objectives.

Adequate technology, processes and resources are required to leverage our risk exposure and drive a cultural shift to respond to constantly evolving business and threat scenarios.

RISK MITIGATING ACTIONS

We regularly update our IT strategy to adapt to a rapidly changing environment, particularly regarding cyber security risks. Policies and processes are in place to develop awareness of IT risks and to promote responsible use of IT resources, including social media and provide logical access to company assets. Technology and operating models are continuously reviewed to prevent IT infrastructure disruption and derive competitive advantages, such as the Arcadis Way and use of cloud technology.

We are developing an Information Governance framework to further enhance our data privacy and data security.

HEALTH AND SAFETY RISKS

INTERNAL

RISK TREND IN 2016

Health and safety incidents can happen in our office environments as well as through our project engagements, where our people may work in hazardous conditions or dangerous environments.

The requirement to design safely (design out, eliminate, reduce or control health and safety risks which may arise during construction or materialise post-construction - 'Safety by Design') brings an added dimension to Health and Safety Risk.

POSSIBLE IMPACT

A Health and Safety incident in the office or on site can involve injury or loss of life to our people, our client's people or third parties. Similarly, a design that is created without due consideration being given to health and safety can lead to an incident that results in injury, illness or loss of life.

RISK MITIGATING ACTIONS

The health, safety and well-being of our people, clients, partners, subcontractors and the community we exist in is at the forefront of everything we do.

Health and safety stewardship is in the hands of our senior management, who are tasked with ensuring that every employee in Arcadis understands that they are empowered to protect the health and safety of themselves, their co-workers and others affected by Arcadis activities and that they are responsible for working in a healthy and safe manner.

We have a global Health and Safety policy, which commits us to proactively identify and control the Health and Safety risks of our work, thus preventing incidents. Our target is zero incidents and we report on our incident status across the business monthly. Lessons learned from incidents are similarly shared.

In addition to day to day Health and safety initiatives (which include opening meetings with Health and safety moments and publishing Health and Safety shares on our intranets), we require that, during project visits by management, they make sure that our strong health and safety culture is embedded on site. Each November, we have a global Health and Safety day with a stand down across the global business to devote time to deliver and hear a key message, which in 2016 was "Health and Safety Gets Me Home". Semi-annual "Take Time for Safety" events are also held globally in which senior leaders deliver key messages on Health and Safety. Efforts have resulted in a reduction of reported injuries in 2016 compared with 2015. In addition, we carry out a number of independent health and safety audits to assess levels of compliance.

COMPLIANCE RISKS

EXTERNAL

RISK TREND IN 2016

As a global company, we operate in a world where regulation is generally increasing, and in geographies with different business practices and cultures. Areas of increasing focus include compliance with anti-bribery and corruption, privacy, data and international (for example the OECD/ G20 Base Erosion and Profit Shifting package) and domestic tax laws and regulations.

POSSIBLE IMPACT

Failure to comply with applicable regulations could lead to fines, claims and reputational damage, which in turn could lead to loss of clients and resultant financial losses.

RISK MITIGATING ACTIONS

We have an integrity-focused compliance program, which is based around the Arcadis General Business Principles and other related policies including international taxation, anti-corruption, insider trading, issue reporting and handling. The program aims to ensure staff are aware of key policies on joining the company, for example through a dilemma based e-learning.

The group wide compliance framework includes a Compliance Officer and Compliance Committee in each region, and a group Compliance Committee and a global Chief Compliance Officer. An externally operated integrity phone line allows our people to report issues anonymously if they feel uncomfortable about going to management or Compliance Officers.

We seek the assistance of professional advisors when seeking to do business in new jurisdictions to ensure that we are compliant with any specific legal, regulatory, tax or employment regimes.

OPPORTUNITIES FOR IMPROVEMENT

Our ongoing self-assessment of how effective our business control framework is, and how well the controls are applied, allows us to identify opportunities for improvement.

During 2016, we have implemented a number of initiatives including the following:

1. **Assessment of major opportunities:** The Global Tender Board was established in January 2016 to further strengthen the process for reviewing opportunities of strategic importance for the business. It comprises the Executive Board member for the region which is running the opportunity, the Global Chief Risk Officer, General Counsel, the Global Business Line leader and the Global Design Operations Director (for applicable bids). Ensuring effective collaboration between regions on inter-regional bids and increased use of the GECs have been areas of focus in 2016.
2. **Increased focus on Compliance:** Against the background of an increased focus on compliance by governmental bodies in some of our regions, we continue to ensure that our core value of integrity remains high on the business's agenda. One aspect of this in 2016 was to review and update the Arcadis General Business Principles ('AGBP'), which aim to further develop and implement our commitment to integrity. The launch of the revised AGBP was followed up with mandatory online training across the global business in the fourth quarter of the year.
3. **Working capital:** Delays with payments on large projects, particularly in the Middle East and Brazil, have put pressure on working capital. To address this a focused effort has been put on improving processes and behaviors across the business, with oversight by a global working capital team and steering committee.

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:

- Internal Audit reviews the business' self-evaluation of the effective implementation of the Arcadis Business Controls (entity-level controls, general IT controls and (automated and manual) process-level controls). Following review, Internal Audit identified improvement areas and discussed findings with management. The final stage of this process is that the regions and operating companies sign and issue Letters of Representation and In-Control statements 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 reports from the external auditor with findings and remarks regarding internal controls, which are reported in the context of the financial statement audit. These letters have been discussed with the Audit and Risk Committee and the Supervisory Board.

IN-CONTROL STATEMENT

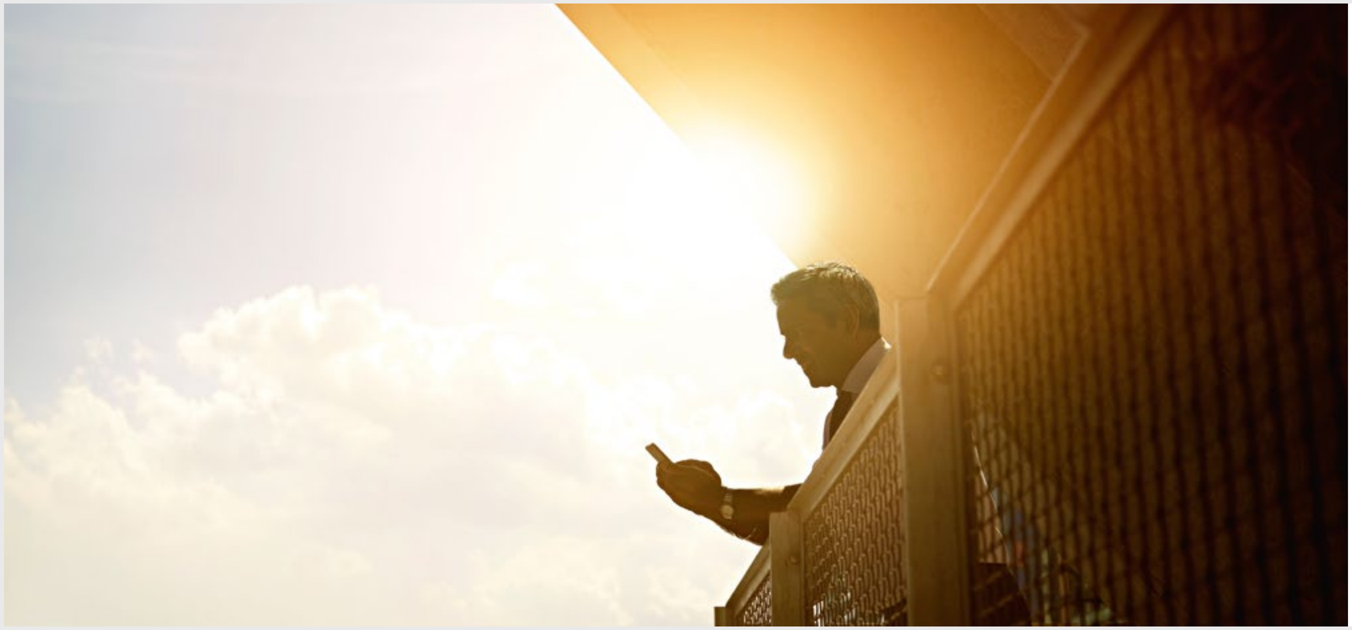
The Executive Board is responsible for the design and performance of the internal risk management and control systems. Although such systems are intended to optimally control risks, they can never, however well-designed or performing, provide absolute certainty that human errors, unforeseen circumstances, 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 regarding financial reporting risks worked properly in 2016 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 at 31 December 2016 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 main risks Arcadis is facing.

The names and functions of the Executive Board members are mentioned on page 108 under 'Composition of the Executive Board'.



REPORT BY THE **SUPERVISORY BOARD**

Arcadis NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, both with responsibilities for the Company and its stakeholders yet each with its own specific task description. The task of the Executive Board is to manage the Company and to realize its objectives and strategic goals. 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. For the activities of the Executive Board in 2016 see, amongst others, the message from the CEO in this Annual Report.

This Supervisory Board report sets out the manner in which the Supervisory Board fulfilled its duties and responsibilities in 2016.

STRATEGY 2014 - 2016

PERFORMANCE OF THE COMPANY IN 2016

2016 was the third year of the 2014 - 2016 strategy cycle. Like 2015, 2016 was a challenging year. Gross revenues were €3.3 billion, 3% below 2015, and net revenues amounted to €2,468 million and declined organically by 4%. This decrease in net revenues was mainly due to a 37% organic decline in Brazil, and lower revenues in North America, Asia and CallisonRTKL. This was partly compensated by organic revenue growth in Continental Europe, the UK and Australia. Net income from operations was €91 million, a decrease of 34% compared to 2015. Free cash flow was €80 million versus €121 million in 2015 but was stronger in Q4 at €102 million, supported by significant cash collections in the Middle East. We took actions to improve performance, through implementing a simplified operating model which enables us to better respond to market opportunities, combined with structurally reducing overhead costs. We will continue to focus on our clients to increase our backlog and revenues, reduce our cost base, improve project management, expand our Global Excellence Centers, while reducing working capital. Arcadis' strategy will be updated and presented following the appointment of a permanent CEO.

During the year concerns over the financial performance of the Company and how to improve performance increased. In the evening of 26 October 2016, the Supervisory Board and Mr. McArthur, CEO until that time, agreed to a separation because of a difference of opinion on Arcadis' path moving forward. Mr. Vree, Arcadis' CFO stepped in to serve as CEO on an interim basis. We thank Mr. McArthur for his leadership and valuable contribution to the development of Arcadis. The process to find a new CEO is ongoing.

Starting in Q4 2016, important steps were taken by the Executive Board to further increase Client Focus and to simplify the organization. We fully support the Executive Board in these efforts. The strategy for the period 2017 - 2019 has not been formally confirmed whilst we are looking for a permanent CEO. End of year this CEO search became one of the highest priorities of the Supervisory Board. On the business side, one of the areas we will in any case be focusing on in the coming period is how we can take advantage of the trend in our industry towards Digitalization, and we had extensive discussions with the Executive Board on this topic, in particular towards the end of the year.

FOCUS ITEMS 2016

Focus is key to achieving the company strategy and to creating long term value. Principal risks related to the strategy should be addressed. In exercising its task in 2016, the Supervisory Board, in coordination with the Executive Board, put special emphasis on the following topics:

1 HEALTH & SAFETY

Arcadis puts Health & Safety ('H&S') first. In 2016, the focus was on providing H&S stewardship and improving our global performance against 2015 on recordable incidents and on incidents resulting in lost time.

OUR ROLE

All of our meetings started with a Health & Safety moment and an update on H&S status. In our July meeting we also focussed on the six fundamental Health & Safety principles: 'demonstrate H&S stewardship', 'use TRACK' (our system to identify hazards and prevent related issues), 'exercise Stop Work Authority', 'practice If not me than who?', 'H&S planning' and 'reporting injuries and incidents'. By sharing experiences and suggestions, the Supervisory Board contributed to further improvement. In 2016 Health & Safety focus within the organization was excellent and total recordable and lost time injury rates decreased against the previous year.

2 DELIVERING THE FINANCIAL PLAN

In 2016 the company focus was on profitability and cash flow. Main performance issues in the year were in the Environmental business in North America, in Brazil -due to market conditions-, and in our working capital, particularly in the Middle East.

OUR ROLE

We have spent substantial time, both in scheduled meetings and in additional meetings, to discuss financial performance, realistic business planning and manners in which to achieve improvements in performance. Although parts of our business are doing well -often outperforming competitors-, as an organization we had been too optimistic in our overall financial projections. On specific Supervisory Board action see also above section in this report on performance of the Company.

3 DELIVERING KEY TRANSFORMATION INITIATIVES (IMPLEMENTATION OF STRATEGY AND OPERATING MODEL CHANGES)

This effort centered around the turnaround of the North America business, delivering synergies on Hyder and CallisonRTKL (both acquired end of 2014), scaling the Global Excellence Centers, having the Asia business operate as one region, and successfully rolling out the Arcadis Way (including the use of the Oracle system) in Asia, plus developing rollout plans for the United Kingdom, the Middle East, and Australia Pacific.

OUR ROLE

Although we recognize that certain improvement measures need time to take effect, and despite our attention to these actions, the turnaround of North America was not achieved in 2016. This is disappointing and a significant contributor to the performance issues referred to above. We discussed and advised on additional actions. The other efforts listed under this item were generally achieved as scheduled. Whilst we recognize these achievements and the efforts that went into achieving them, we believe that some of our transformation initiatives have created too much internal focus. Simplification of the organization and reduction of internal initiatives started early November 2016 and has our full support.

4 PEOPLE

In 2016 the focus was on identifying talent and developing a talent pipeline in each region or area of responsibility. The processes for identification of the talent pipeline have substantially improved and with the awareness, training and leadership programs in place we have a good framework to train and develop our people.

OUR ROLE

We discussed the processes and the programs in place and are pleased with progress made in 2016. Our people are key and the next step is increased attention to developing the organization's specific talents.

5 ROLE MODEL BEHAVIOUR

Role model behaviour is in living the core values of Integrity, Client Focus, Collaboration and Sustainability.

OUR ROLE

We supported the focus of the Executive Board and other senior management on Integrity, Collaboration, Health & Safety and Sustainability. On Sustainability, we believe that in the past we may have taken for granted that many of our services contribute to a sustainable world. The Company has now put more effort into externally clarifying our work and our processes and procedures. Through this we, amongst other things, managed to improve our ranking on the Dow Jones Sustainability Index. The Company also launched Arcadis' second Sustainable Cities Index, our biggest marketing campaign of the year which gained very good coverage and traction. The Supervisory Board is pleased with this progress and is also pleased with the Company's attention for Integrity and the focus on Collaboration. Where Client Focus has suffered from internal efforts, this is being addressed.

SUPERVISORY BOARD MEETINGS. ATTENDANCE

In 2016, we had six meetings, five of which were regular scheduled meetings. All our meetings were attended by the members of the Executive Board. We also had six 'Supervisory Board-Only' meetings, three of which were additional to our regular schedule.

In our scheduled meetings we covered the focus items listed at the start of this report as well as topics that we address every year, such as the financials, governance (including composition of the Supervisory Board and Executive Board and related (re-)nominations, Supervisory Board and Executive Board remuneration and compensation, and (other) preparation of the annual shareholders meeting), Health & Safety, Risk Management, Legal, Claims, Integrity, Compliance, people, IT, developments in the organization, client development and important project wins. During the year we monitor progress against the priorities mentioned at the start of this report.

The additional meeting time that we took in the beginning of the year centred around developments related to the Sao Francisco river project in Brazil as well as on business outlook and (financial) performance (with particular focus on performance in North America and working capital developments), as summarized in our Q1 trading update. Performance, culture as well as functioning and composition of the Executive Board and the CEO, as well as M&A and strategy were (also) key topics during regular meetings and during the mentioned additional meeting time. On M&A, as is our custom, we evaluated a previous M&A transaction, this time the 2012 acquisition of Langdon & Seah in Asia. In the first three years after the acquisition revenues of Langdon & Seah were ahead of projections. The integration has taken substantial time and during 2016 revenues in Asia were impacted by market conditions. Nevertheless, the Asia business is holding up well and as Supervisory Board we have concluded that strategically and financially this acquisition has been a good investment. We are very pleased with the strength of our Asian business.

Supervisory Board members were rarely absent from either Supervisory Board meetings or Supervisory Board Committee meetings.

The attendance percentage for the full Supervisory Board meetings, including the extra meeting was 94.9% (2015: 93.9%) and for Supervisory Board-Only 93.3%, for the Audit Committee meetings 100% (2015: 100%), for the Remuneration Committee 100% (2015: 95%) and for the Selection Committee 100% (2015: 100%). In case members could not attend in person they contributed to the decision making before the relevant meeting. Throughout the year the Chairman maintained frequent contact with the CEO, CFO and also regularly with other Executive Board members.

Finally, all Supervisory Board members, as well as three Executive Board members, are board members of the Priority Foundation. This foundation also has ten Arcadis employees from across the organization in its Board (as a group these ten employees are joined up in another foundation's board called the Bellevue Foundation). We meet at least twice a year to discuss Arcadis affairs. Reference is made to note 22 of the Consolidated financial statements for further information on the Priority Foundation and the Bellevue Foundation.

FUNCTIONING OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Once a year in our Supervisory Board-Only meeting we perform our self-assessment, including assessment of our committees and the individual Supervisory Board members. We do the assessment of the Executive Board and the individual Executive Board members also in our Supervisory Board-Only meeting. We performed the assessments for the Supervisory Board with a structured questionnaire as the basis for discussion, and with the assistance of an independent third party, as is our custom from time to time. Following the assessments feedback was provided to the Executive Board members and personal targets were set for each of them. Based on the assessments the Supervisory Board has concluded that the relationship between Executive Board and Supervisory Board is good and constructive which is considered one of the essential element for having both Boards functioning properly. In the performance paragraph at the start of this report we already confirmed that we did identify certain concerns, which we addressed.

Further to the Supervisory Board assessment, we confirmed that each of the Supervisory Board members would this year, and going forward take responsibility for certain specific attention areas/ topics to make sure we would give those the required attention and that we would optimize our respective specific expertise.

We also started this year to structurally evaluate our Supervisory Board meetings amongst ourselves at the end of the Supervisory Board meetings. And finally, we focused on direct interaction with not just the Executive Board but other leadership as well. This interaction included presentations about the areas of their responsibility, social events and office meetings, site visits and more one-on-one interaction.

COMPOSITION EXECUTIVE AND SUPERVISORY BOARD. DIVERSITY

On balance sheet date the Supervisory Board consisted of seven members, and the Executive Board consisted of five members (with within that group of five, two vacancies).

In April 2016, Mr. Schönfeld was re-appointed to the Supervisory Board, Ms. Goodwin was appointed to the Supervisory Board and Ms. Hottenhuis was re-appointed to the Executive Board. On 25 August 2016, we announced the appointment of Ms. Hopkins as Executive with the responsibility for the regions North America and Latin America and the Water and Environmental business lines per 26 September. We indicated that we would propose the appointment of Ms. Hopkins as a member of the Executive Board at the next annual shareholders meeting in April 2017. On 27 October 2016, Mr. McArthur resigned as member of the Executive Board and CEO. Mr. Vree, Arcadis' CFO stepped in to (also) serve as CEO, on an interim basis.

Looking at gender diversity, if coming April shareholders will positively decide on our nominations for both Boards, we will exceed average gender diversity in each Board. In considering vacancies in either Board we also focus on other diversity elements such as education, professional background, age and nationality. Our first priorities when considering vacancies in either Board remain quality, expertise and experience. We refer to the profile of the Supervisory Board for further information.

For the current composition of the Executive Board and information about its members, please refer to page 108 of this Annual Report. For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to page 109 and 110 of this Annual Report.

DIVERSITY

Name	Year of birth	Gender	Nationality
Mr. Hoek	1956	Male	Dutch
Mr. Lap	1962	Male	Dutch
Mr. Schönfeld	1949	Male	Dutch
Mr. Grice	1953	Male	British
Ms. Markland	1953	Female	British
Mr. Nethercutt	1944	Male	American
Mrs. Goodwin	1965	Female	Canadian

COMPETENCIES

Name	International experience	Professional service/ engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Hoek	•	•	•	•	•
Mr. Lap	•		•	•	
Mr. Schönfeld	•		•	•	
Mr. Grice	•	•			•
Ms. Markland	•	•	•		•
Mr. Nethercutt	•				•
Mrs. Goodwin	•	•		•	•

CORPORATE GOVERNANCE

In the Corporate Governance report 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 Corporate Governance Code of December 2008. The Supervisory Board meets the requirements of the Code regarding the independence of its Chairman and of the other Supervisory Board members. The Supervisory Board also complies with the best practice provision 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 2016 no material transactions involving conflict of interest material to the Company or to Board members occurred for Executive or Supervisory Board members.

SUPERVISORY BOARD COMMITTEE REPORTS

AUDIT AND RISK COMMITTEE REPORT

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

In 2016, the Audit and Risk Committee met four times. All meetings of the Committee were attended by the CEO and the CFO, as well as the internal and external auditors. The February meeting was attended by the full Supervisory Board and Executive Board. 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 24 October 2016, the performance, independence and financial literacy of the Committee and its members were evaluated, with a positive conclusion.

Throughout the year, the Committee gave special attention to the challenges facing Arcadis in 2016. A large part of the Committee's meetings was dedicated to the challenging market environment, in particular in the Americas. Concerns around the financial performance of Arcadis were discussed at length. Particular attention was also given to the internal assessment in Brazil (following 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), on which an update was provided to the market on 21 April 2016. Furthermore, the Committee focused discussions on working capital and cash flow developments, including the collection of billed and unbilled receivables in the Middle East as well as in other Regions. The Committee also discussed the importance of client focus and simplification of the organization.

Like every year, recurring agenda items were key legal claims and pending litigation, claims statistics, as well as assumptions used for impairment testing. Each quarter, in the presence of the Chief Risk Officer, the meeting dedicated time to discuss Risk Management. The meeting reviewed high risk projects and discussed the functioning of the Regional and Global Tender Boards. Each quarter, the Chief Compliance Officer updated the Committee on (potential) integrity issues and related statistics. Another focus item was the roll-out of the Arcadis Way or Business Blue Print (including the migration of the Arcadis IT environment to Oracle).

The meeting also discussed the (potential) impact of Brexit on our business. In the context of the annual results 2015, the meeting discussed and recommended the dividend proposal.

Also on the agenda were an update by the Global Head of Tax, which included a discussion of the Arcadis tax principles. The meeting discussed the implications for Arcadis of the changing tax landscape due to, for example, increasing public interest in taxation and new international tax rules. The CFO of Arcadis Middle East presented on affairs in his Region, including efforts to drive down Working Capital and to improve project controls and reduce overhead costs in the Region.

During the year, in the presence of the internal and external auditors, the results of their respective observations and reports were reviewed and analyzed for further action, and certain policies and procedures were discussed. PricewaterhouseCoopers (PwC), the company's auditor for the 2016 financial statements, presented its audit plan, which was discussed and approved. During the July Committee meeting, PwC's half-year review report was discussed. PwC's findings, both at mid-year and at year-end were aligned to the focus items identified by the Committee.

REMUNERATION COMMITTEE REPORT

(R. Markland (Chairman), N. Hoek, G. Nethercutt, D. Goodwin (since June 2016))

In 2016, the Arcadis Remuneration Committee ('RemCo'), met five times. The (interim) CEO and the Corporate Director Human Resources were invited to attend (parts of) the meetings.

In the first quarter the RemCo 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 2016 bonus program for the Executive Board and senior management. The RemCo also determined Arcadis' ranking among the peer group as the basis for the vesting of shares and options in May 2016. In the second quarter the RemCo continued the remuneration review for the Executive Board and Supervisory Board members (which was not finalized in in 2015). Also in the second quarter the RemCo agreed on the remuneration for Ms. M A Hopkins, who joined Arcadis in 2016 and will be nominated as a member of the Executive Board at the General Meeting in April 2017. In light of the departure of Mr. N. McArthur, the RemCo approved the terms and conditions of his departure, including that Mr. McArthur's vested options will have a limited exercise period of 36 months and restricted shares will vest at the original vesting date, without pro-rating. Finally the RemCo agreed on the additional monthly compensation for the interim CEO Mr. Vree.

SELECTION COMMITTEE REPORT

(N. Hoek (Chairman), G. Nethercutt, R. Markland, D. Goodwin (since June 2016))

In 2016, the Arcadis Selection Committee ('ASC') met four times. The (interim) CEO and the Corporate Director Human Resources attended (parts of) a number of these meetings.

In the first quarter of 2016, the Committee discussed and agreed upon the nomination for the re-appointment of Mrs. S. Hottenhuis, as well as the nomination of Mrs. D. Goodwin as a new member of the Supervisory Board. In the second quarter the committee selected and appointed Ms. M.A Hopkins who will be nominated as a member of the Executive Board in April 2017. Also, the ASC started the selection process for a new Supervisory Board member to replace Mr. G. Nethercutt in April 2017. After the departure of Mr. N. McArthur in October 2016, the ASC started the search - both internally and externally – for a new CEO.

2016 FINANCIAL STATEMENTS AND DIVIDEND

The Executive Board has prepared this Annual Report, including the 2016 financial statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report which can be found starting on page 219 of this Annual Report. 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 2016 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

We recommend that the General Meeting (i) adopts the 2016 Financial Statements, (ii) approve the proposal to distribute a dividend of €0.43 (40% of net income from operations) per ordinary share, to be provided in cash or in shares at the option of the shareholder(s) and (iii) discharge the members of the Executive Board for their management of the Company and its affairs during 2016, and the Supervisory Board for its supervision over said management.

CONCLUDING REMARKS

In 2016 our organization and staff faced substantial pressure and we take the opportunity to thank the Executive Board, Senior Management Committee, managers and all of the Arcadis staff worldwide for their contribution, professionalism and dedication in 2016. We believe the Company is on the right track for further improvement.

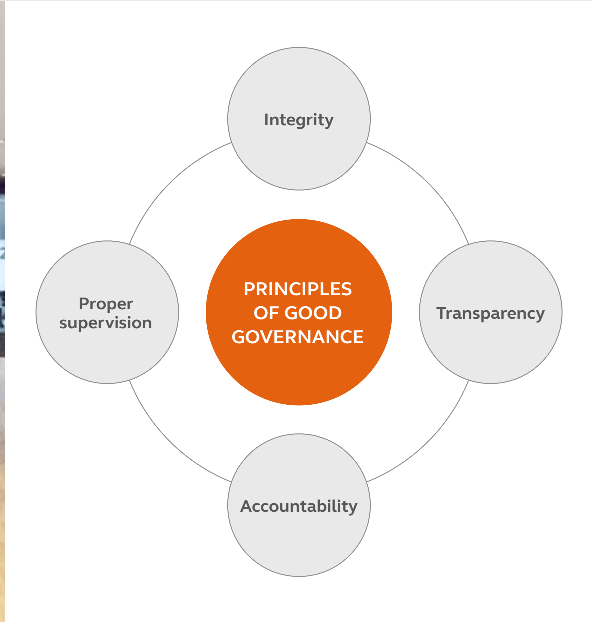
Amsterdam, the Netherlands, 15 February 2017
On behalf of the Supervisory Board

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



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 our 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 to the company's corporate governance structure and its compliance with the Code will be submitted to shareholders for their consideration.

On 8 December 2016, the Dutch Corporate Governance Code Monitoring Committee (the 'Committee') presented the revised Corporate Governance Code. Listed companies have until 31 December 2017 to implement any changes resulting from the new Code. Arcadis will report about its compliance with the principles and best practices of the new Code in our Annual Report 2017. In line with the Committee's recommendation Arcadis will include compliance with the new Code as a separate agenda item on the agenda of the General Meeting of Shareholders (the 'General Meeting') in 2018.

An overview of the corporate governance structure of Arcadis in 2016 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

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. 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 composition of the Executive Board and information about its members are provided on page 108 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. 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 109 and 110 of this Report.

GENERAL MEETING OF SHAREHOLDERS

At least once a year, Arcadis NV convenes a shareholders 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.

OUTSTANDING ORDINARY SHARES ON 31 DECEMBER 2016

84.8 million

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

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 2016, the total number of ordinary shares issued was 86,066,868. 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 members who are Arcadis employees. All resolutions of the Board require a majority of at least 60% of the votes casted, meaning that employee support is needed for those far-reaching decisions. For more information, please see note 22 to the Consolidated financial statements.

CUMULATIVE PREFERRED (PROTECTIVE) SHARES

Currently, no cumulative preferred 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 obtained by this Foundation. This would 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 auditors) and/ or 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, PricewaterhouseCoopers Accountants NV was appointed as the new auditor for the financial year 2015, which automatically implied a change in lead partner. In 2015 and 2016, the General Meeting appointed PricewaterhouseCoopers Accountants NV as auditor of the 2016 and 2017 financial statements respectively.

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

Throughout 2016, Arcadis applied the principles and best practices of the Dutch Corporate Governance Code published in December 2003 and as amended in December 2008, 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 (version 2008)
- Dutch Corporate Governance Code (version 2016)
- Arcadis NV Articles of Association
- Regulation Executive Board
- Regulations regarding transactions in Arcadis securities
- Arcadis policy on bilateral contacts with shareholders

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

WWW.ARCADIS.COM/GOVERNANCE

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'), and aims to attract, motivate and retain international executives of the highest caliber to deliver our business strategy.

This report outlines the application of the remuneration policy for Executive Board members in 2016 as well as how actual performance in 2016 against set performance criteria affected remuneration levels.

EXECUTIVE BOARD REMUNERATION

REMUNERATION POLICY

The remuneration policy for Executive Board members was last amended in 2014. In 2015, the General Meeting of Shareholders ('General Meeting') decided to review the remuneration policy for Executive Board members biennially. However, at the end of 2015 the RemCo decided to postpone its review by one year, and has therefore recommended its review in mid-2016. The outcome of the continued policy review will be brought to the General Meeting in 2017. Further details will be provided in the agenda and explanatory notes of the General Meeting.

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 mainly 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 2016, the following annual fixed remuneration levels applied to (former) members of the Executive Board (as set by the General Meeting in May 2014):

	Annual remuneration
CEO (former CEO N. McArthur)	€630,000
CFO (and interim CEO R. Vree[1])	€450,000
Member Executive Board (S. Hottenhuis)	€420,000
Member Executive Board (S. Ritter)	€420,000

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.

[1] For the time he acts as interim-CEO, after the departure of Mr. McArthur, Mr. Vree will receive a monthly gross allowance of €15,000 as compensation. This temporary allowance will not be included in the basis for the calculation of any other remuneration element, such as the annual bonus entitlement, pension entitlements and/ or any future severance payments (if any). Pay-out of the allowance will stop in the month following the date on which the permanent CEO starts. No changes have been made to the existing management agreement between Arcadis NV and Mr. Vree.

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	25
- Return on invested capital	25
Individual financial criteria:	25
- CEO: organic growth (corporate)	
- CFO: free cash flow	
- EB 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 2016, the bonus percentage is based on the following:

in %

		Short-term variable remuneration as percentage of fixed remuneration in 2016		
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				
- EB Members: organic growth (regional)				
Non-financial criteria	25	0	12.5	21.25
TOTAL	**100**	**0**	**50**	**85**

In 2016, there was no pay out on the collective and individual financial targets as the set targets were not achieved.

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.

Taking into account the overall performance, bonuses vary between 9.5% and 16.5% 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 set financial targets has been verified 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 previous practice (until 2013), when 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.

In 2016, performance shares and options granted in 2013 have vested, and therefore, the following tables show the peer group and the applicable vesting scheme for the period 2011 - 2013 (options granted in 2013 vested in 2016) and for the period 2014 - 2016 (performance shares only).

PEER GROUP 2011 - 2013	PEER GROUP 2014 - 2016
Arcadis (NL)	Arcadis (NL)
WS Atkins (UK)	AECOM (US)
Grontmij (NL)	Cardno (AUS)
Pöyry (Fin)	Hill International (US)
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)

Vesting 2011 - 2013 awards (performance shares and options)		Vesting 2014 - 2016 awards (performance shares)	
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[3]:	64%	Expected:	62.5%

[3] 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 Chief Executive Officer and for the Chief Financial Officer and 65% of fixed remuneration for the other members of the Executive Board. In 2016, like in 2014 and 2015, the former Chief Executive Officer 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 2016, the shares and options granted in May 2013 became unconditional at 100% of the originally granted numbers. This was due to Arcadis' performance in the period 2013 - 2015 resulting in fourth place among the peer group.

Over the period 2014 - 2016, Arcadis ended in seventh place among the peer group. Therefore, the shares and options that were granted in May 2014 will become unconditional in May 2017 at 50% of the originally granted numbers. Please refer to the information in the table on page 162 for more information on shares and options. For the details on the unvested LTI awards for former CEO, Mr. McArthur, please be referred to note of the Company financial statements on page 211.

RETIREMENT AND OTHER BENEFITS, CONTRACTS

RETIREMENT BENEFITS

In 2016, all Executive Board members participated 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 €101,519 (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 €101,519.

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 ('ESPP') to purchase up to a maximum of €400 per month of Arcadis shares from the Lovinklaan Foundation at a discount (see note 8 of the Consolidated financial statements).

MANAGEMENT AGREEMENTS AND SEVERANCE PAY

In line with current Dutch legislation, all Executive Board members work for Arcadis NV under a management agreement: Mr. R. Vree (reappointed in May 2014), Mr. S. Ritter (appointed in May 2014), and Mrs. S. Hottenhuis (reappointed in 2016) have a four-year term and a maximum severance pay of one year's base salary. Management agreements with Executive Board members do not contain provisions for the event of the termination of employment resulting from a change in control. Mr. N. McArthur, who left in the course of 2016, also worked for Arcadis NV under a management agreement and was entitled to a severance payment equal to one year's base salary[4].

OTHER ELEMENTS OF THE REMUNERATION POLICY

In December 2009, a revised Corporate Governance Code became effective which contains additional best practices regarding executive remuneration.

[4] The termination agreement that was agreed with Mr. McArthur is in line with the Dutch corporate governance code as well as the terms and conditions of the management agreement between Arcadis NV and Mr. McArthur. The termination date is set at 1 February 2017, taking into account a three months' notice period, but Mr. McArthur has been released from duties as per 27 October 2016. For more details on the termination agreement and severance package, please refer to note 47 of the Company financial statements on page 211.

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 2014 Long-Term Incentive Plan.
- 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 2014 Long-Term Incentive Plan.

Based on the practices above, no additional measures were taken in 2016.

REMUNERATION OVERVIEW

For more information on remuneration and share and option ownership of Executive Board members, please refer to notes 47 and 48 of the Company 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 lastly adjusted in 2014, based on a benchmark analysis by an external advisor of remuneration at companies that are in the same reference market groups as 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 2016, the General Meeting approved an attendance fee for all Supervisory Board members of €2,500 for every meeting that takes place outside of the country of domicile of a Supervisory Board member, or €4,000 for every meeting that involves intercontinental travel. No attendance fee is paid if the meeting takes place in the country of domicile of a Supervisory Board member.

Remuneration of Supervisory Board members 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 48 and 49 of the Company 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, Chairman

FINANCIAL STATEMENTS 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

In € thousands	Note	2016	2015
GROSS REVENUES	5	**3,328,762**	**3,419,295**
Materials, services of third parties and subcontractors		(860,790)	(822,541)
NET REVENUES		**2,467,972**	**2,596,754**
Personnel costs	7, 8	(1,897,323)	(1,961,631)
Other operational costs	7	(367,929)	(388,851)
Depreciation and amortization	12, 13	(41,078)	(43,342)
Amortization other intangible assets	12	(37,668)	(47,362)
Impairment charges	12	(15,000)	–
Other income	6	4,669	5,895
TOTAL OPERATIONAL COSTS		**(2,354,329)**	**(2,435,291)**
OPERATING INCOME		**113,643**	**161,463**
Finance income	9	9,122	7,905
Finance expenses	9	(36,597)	(45,669)
Fair value change of derivatives	9, 16	(1,564)	11,682
NET FINANCE EXPENSES		**(29,039)**	**(26,082)**
Result from investments accounted for using the equity method	14	(2,641)	(3,218)
PROFIT BEFORE INCOME TAX		**81,963**	**132,163**
Income taxes	10	(16,367)	(31,137)
PROFIT FOR THE PERIOD		**65,596**	**101,026**

PROFIT ATTRIBUTABLE TO:

Equity holders of the Company (net income)		64,154	98,740
Non-controlling interests		1,442	2,286
PROFIT FOR THE PERIOD		**65,596**	**101,026**

EARNINGS PER SHARE (IN €)

Basic earnings per share	11	0.76	1.19
Diluted earnings per share	11	0.76	1.15

The notes on page 152 to 204 are an integral part of these Consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

In € thousands	2016	2015
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		
PROFIT FOR THE PERIOD	65,596	101,026
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS:		
Exchange rate differences for foreign operations	(42,495)	43,106
Effective portion of changes in fair value of cash flow hedges	(852)	(131)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:		
Changes related to post-employment benefit obligations	(13,108)	11,226
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**(56,455)**	**54,201**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**9,141**	**155,227**

TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	2016	2015
Equity holders of the Company	8,048	153,308
Non-controlling interests	1,093	1,919
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**9,141**	**155,227**

The notes on page 152 to 204 are an integral part of these Consolidated financial statements

NON-GAAP PERFORMANCE MEASURE

In € thousands	Note	2016	2015
NET INCOME FROM OPERATIONS[1]			
Profit for the period attributable to equity holders (net income)		64,154	98,740
Amortization identifiable intangible assets, net of taxes		30,605	36,341
Impairment charges, net of taxes	12	15,000	–
Valuation changes of acquisition-related provisions, net of taxes[2]		(20,985)	923
M&A costs		482	–
Lovinklaan employee share purchase plan[3]	8	1,700	1,059
NET INCOME FROM OPERATIONS		**90,956**	**137,063**

NET INCOME FROM OPERATIONS PER SHARE[1] (IN €)	Note	2016	2015
Basic earnings per share	11	1.08	1.66
Diluted earnings per share	11	1.07	1.59

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary for the definition as used by Arcadis
2 For further details see note 25
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

CONSOLIDATED BALANCE SHEET

as at 31 December - before allocation of profit

In € thousands	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets and goodwill	12	1,170,364	1,252,921
Property, plant & equipment	13	100,427	90,821
Investments accounted for using the equity method	14	24,730	33,061
Other investments	15	656	1,779
Deferred tax assets	10	30,332	32,464
Pension assets for funded schemes in surplus	24	–	2,385
Other non-current assets	17	30,683	30,458
TOTAL NON-CURRENT ASSETS		**1,357,192**	**1,443,889**
CURRENT ASSETS			
Inventories		235	234
Derivatives	16	6,156	2,722
Trade receivables	18	621,601	606,931
Work in progress (unbilled receivables)	19	518,491	466,446
Corporate tax receivables	10	26,222	21,690
Other current assets	20	78,559	65,707
Cash and cash equivalents	21	260,032	221,088
TOTAL CURRENT ASSETS		**1,511,296**	**1,384,818**
TOTAL ASSETS		**2,868,488**	**2,828,707**

	Note	2016	2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	22	**999,069**	**1,007,970**
Non-controlling interests	23	2,647	3,365
TOTAL EQUITY		**1,001,716**	**1,011,335**
NON-CURRENT LIABILITIES			
Provisions for employee benefits	24	70,234	64,004
Provisions for other liabilities and charges	25	23,331	59,031
Deferred tax liabilities	10	79,055	95,214
Loans and borrowings	26	700,464	687,310
Derivatives	16	2,565	1,095
TOTAL NON-CURRENT LIABILITIES		**875,649**	**906,654**
CURRENT LIABILITIES			
Work in progress (billing in excess of cost)	19	286,932	265,711
Current portion of provisions	24, 25	23,739	15,039
Corporate tax liabilities	10	26,225	29,750
Current portion of loans and (short-term) borrowings	26	55,279	31,758
Derivatives	16	8,037	6,131
Bank overdrafts	21	865	–
Accounts payable, accrued expenses and other current liabilities	27	590,046	562,329
TOTAL CURRENT LIABILITIES		**991,123**	**910,718**
TOTAL LIABILITIES		**1,866,772**	**1,817,372**
TOTAL EQUITY AND LIABILITIES		**2,868,488**	**2,828,707**

The notes on page 152 to 204 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 2015		**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**
Profit for the period		–	–	–	–	64,154	64,154	1,442	65,596
OTHER COMPREHENSIVE INCOME:									
Exchange rate differences		–	–	–	(39,466)	(2,680)	(42,146)	(349)	(42,495)
Effective portion of changes in fair value of cash flow hedges	16	–	–	(722)	–	–	(722)	–	(722)
Taxes related to effective portion of changes in fair value of cash flow hedges	10	–	–	(130)	–	–	(130)	–	(130)
Re-measurements on post-employment benefit obligations	24	–	–	–	–	(14,031)	(14,031)	–	(14,031)
Taxes related to re-measurements on post-employment benefit obligations	10	–	–	–	–	923	923	–	923
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES		–	–	**(852)**	**(39,466)**	**(15,788)**	**(56,106)**	**(349)**	**(56,455)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		–	–	**(852)**	**(39,466)**	**48,366**	**8,048**	**1,093**	**9,141**
TRANSACTIONS WITH OWNERS OF THE COMPANY:									
Acquisitions	23	–	–	–	–	–	–	–	–
Dividends to shareholders	22	–	(30,514)	–	–	(21,673)	(52,187)	(1,811)	(53,998)
Issuance of shares	22	43	30,471	–	–	–	30,514	–	30,514
Share-based compensation	8	–	–	–	–	11,384	11,384	–	11,384
Taxes related to share-based compensation	10	–	–	–	–	6,169	6,169	–	6,169
Purchase of own shares	22	–	–	–	–	(14,951)	(14,951)	–	(14,951)
Share options exercised	22	–	–	–	–	2,122	2,122	–	2,122
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY		43	(43)	–	–	**(16,949)**	**(16,949)**	**(1,811)**	**(18,760)**
BALANCE AT 31 DECEMBER 2016		**1,721**	**372,560**	**(3,285)**	**2,607**	**625,466**	**999,069**	**2,647**	**1,001,716**

The notes on page 152 to 204 are an integral part of these Consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December

In € thousands	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE PERIOD		65,596	101,026
ADJUSTMENTS FOR:			
Depreciation and amortization	12, 13	41,078	43,342
Amortization other identifiable intangible assets	12	37,668	47,362
Impairment charges	12	15,000	–
Income taxes	10	16,367	31,137
Net finance expense	9	29,039	26,082
Result from Investments accounted for using the equity method	14	2,641	3,218
ADJUSTED PROFIT FOR THE PERIOD (EBITDA)		207,389	252,167
Change in Inventories		(15)	68
Change in Work in progress (unbilled receivables)		(37,282)	(7,886)
Change in Trade receivables		(6,010)	(38,487)
Change in Work in progress (billing in excess of cost)		14,406	14,909
Change in Accounts payable		27,917	22,277
CHANGE IN NET WORKING CAPITAL		(984)	(9,119)
Change in Other receivables		561	(2,127)
Change in Current liabilities		(6,249)	(13,437)
CHANGE IN OTHER WORKING CAPITAL		(5,688)	(15,564)
Change in Provisions		(25,295)	(21,243)
Share-based compensation	8	11,384	10,089
Change in operational derivatives		731	447
Settlement of operational derivatives		(465)	(337)
Dividend received		1,274	2,013
Interest received		8,816	7,922
Interest paid		(32,928)	(32,997)
Corporate tax paid		(24,961)	(22,504)
NET CASH FROM OPERATING ACTIVITIES	(A)	**139,273**	**170,874**

In € thousands	Note	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (in)tangible assets	12, 13	(64,768)	(53,368)
Proceeds from sale of (in)tangible assets		5,530	3,100
Investments in consolidated companies		(9,685)	(9,266)
Proceeds from sale of consolidated companies		3,374	–
Investments in associates and joint ventures	14	(25,179)	(9,333)
Proceeds from sale of associates and joint ventures	14	19,479	–
Investments in other non-current assets and other investments	15, 17	(5,395)	(3,570)
Proceeds from (sale of) other non-current assets and other investments	15, 17	7,416	3,799
NET CASH (USED IN)/ FROM INVESTING ACTIVITIES	(B)	**(69,228)**	**(68,638)**

In € thousands	Note	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of options	22	2,122	29,233
Proceeds from issuance of shares	22	–	–
Purchase of own shares	22	(14,951)	(41,640)
Settlement of financing derivatives	16	(3,207)	15,502
New long-term loans and borrowings		1,000	284,186
Repayment of long-term loans and borrowings		(27,192)	(116,260)
New short-term borrowings		53,210	108,682
Repayment of short-term borrowings		(4,255)	(297,480)
Dividends paid		(23,484)	(30,480)
NET CASH (USED IN)/ FROM FINANCING ACTIVITIES	(C)	**(16,757)**	**(48,257)**

In € thousands	Note	2016	2015
NET CHANGE IN CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS	(A+B+C)	**53,288**	**53,979**
Exchange rate differences		(15,209)	5,099
Cash and cash equivalents less Bank overdrafts at 1 January		221,088	162,010
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT 31 DECEMBER		**259,167**	**221,088**

The notes on page 152 to 204 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. 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.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 15 February 2017. The Consolidated financial statements as presented in this report are subject to adoption by the General Meeting of Shareholders, to be held on 26 April 2017.

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;
- 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.

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;
- (Goodwill) 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 other 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.
- 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.

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 2016, 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

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, which have not been applied in preparing these Consolidated financial statements.

These standards and interpretations are applicable after endorsement by the European Union. Management has no intention to implement these standards earlier than the official effective date, and has not yet finalized a detailed analysis of the impact of the application of these new standards. The most relevant new standards, amendments and impact for Arcadis are described hereafter.

STANDARD		IMPLEMENTATION DATE	ENDORSED BY THE EU	IMPACT
IFRS 9	Financial Instruments	1 January 2018, with early adoption permitted	Yes	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. The new standard is not expected to significantly change the reported figures of the Group. The following changes are expected upon transition to IFRS 9: • The effect of classification of financial instruments and the expected credit loss principle are expected to have an impact, but the magnitude has not been determined yet. • The Group hedges part of its foreign currency risk, which partly classifies for hedge accounting under the current IAS 39 standard. Hedges may increase under IFRS 9 as the hedge accounting model is more aligned with risk management. This may result in less foreign currency effects reported under financial items. A more detailed impact assessment will be prepared during 2017. The new standard will be applied by Arcadis as from the effective date 1 January 2018.
IFRS 15	Revenue from Contracts with Customers	1 January 2018, with early adoption permitted	Yes	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'. The expectation is that the Group continues to recognize revenue largely based on the stage of completion of the work. The following changes are expected upon transition to IFRS 15: • Certain work might not qualify for recognition over time anymore (based on the stage of completion of the work) but should be recognized at a point in time, which may impact timing of revenue recognition. • Variable consideration (such as bonuses and incentives) and change of scope (such as variation orders and amendments) have a different threshold for revenue recognition in the new IFRS 15 than under the current IAS 11, which may impact timing of revenue recognition. • IFRS 15 withdraws IAS 11 and the accounting for the unavoidable cost for loss making contracts subsequently falls under IAS 37 provisions. Other changes are currently not expected to be material. However, this may change as clarifications are issued by the IASB or as practice develops in the industry. The new standard will be applied by Arcadis as from the effective date 1 January 2018. Arcadis will determine the best transition method and embedding in the Arcadis Way, as well as performing a more detailed impact assessment during 2017.
IFRS 16	Leases	1 January 2019, with early adoption permitted	Not yet endorsed (expected: 2017)	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 statements of the lessee. The new standard significantly changes how the Group, as lessee, accounts for its operating lease contracts. Arcadis has a significant number of operating lease contracts (see notes 28 and 29), mainly for leased cars, buildings and IT assets, and therefore the following changes are expected upon transition to IFRS 16: • Assets and liabilities of the Group are expected to increase with an amount close to the net present value of future lease payments. • Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) will increase as the lease payments will be presented as depreciation and net finance expense rather than operational cost. • Operating cash flow will increase and investing and financing cash flow will decrease as the lease payments will no longer be considered as operational. A more detailed impact assessment will be prepared during 2017. The new standard will be applied by Arcadis as from the effective date 1 January 2019.

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, amortization of identifiable intangible assets, and impairment charges, as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, the Executive Board also receives information about the segment's revenue and assets.

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.

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. This does not apply to CallisonRTKL, which has been identified as a separate operating and reportable segment due to the nature of the services and being operating in a global market.

CHANGE TO OPERATING SEGMENTS

The operating segments as per this note have changed in order to align with changes to responsibilities of individual Executive Board members and the new internal view of the Executive Board on the segments itself. Whereas we used to report on the reportable segments North America, Emerging Markets, Continental Europe, United Kingdom, and CallisonRTKL, this has been amended to Americas, Europe and Middle East, Asia Pacific and CallisonRTKL. Comparative figures have been restated to reflect these changes.

Following IFRS 8, the Company has the following segments as at 31 December 2016:

OPERATING SEGMENT	REPORTABLE SEGMENT
Americas	Americas ('Americas')
Europe and Middle East	Europe and Middle East ('EME')
Asia Pacific	Asia Pacific ('APAC')
CallisonRTKL	CallisonRTKL

ENTITY WIDE DISCLOSURES

REVENUES BY BUSINESS LINE

In addition to the operating segments, the Executive Board also monitors certain financial information based on global business lines. The net revenues for each business line are as follows:

In € millions	2016	2015
Infrastructure	655	698
Water	335	355
Environment	521	527
Buildings	957	1,017
TOTAL	**2,468**	**2,597**

GEOGRAPHICAL INFORMATION

Geographical information differs from the segment information in this note due to CallisonRTKL, which is included in a separate reportable segment, but is geographically represented in all the geographical regions listed below.

	Net revenues by origin		(In)tangible assets	
	2016	2015	2016	2015
Americas	945	1,022	515	516
Europe and Middle East	1,151	1,186	619	704
Asia Pacific	372	389	137	124
TOTAL	**2,468**	**2,597**	**1,271**	**1,344**

MAJOR CUSTOMERS

The Company has no customers that account for more than 10% of annual total revenues.

In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	TOTAL SEGMENTS	Corporate and unallocated amounts	TOTAL CONSOLIDATED
2016								
External gross revenues	1,227.2	1,397.8	377.6	326.2	–	3,328.8	–	3,328.8
Inter-segment	3.8	5.8	9.8	7.4	(26.8)	–	–	–
TOTAL GROSS REVENUES	**1,231.0**	**1,403.6**	**387.4**	**333.6**	**(26.8)**	**3,328.8**	–	**3,328.8**
Materials, services of third parties and subcontractors	(462.4)	(286.4)	(49.4)	(89.4)	26.8	(860.8)	–	(860.8)
NET REVENUES	768.6	1,117.2	338.0	244.2	–	2,468.0	–	2,468.0
Operating costs	(728.3)	(1,033.7)	(308.2)	(213.2)	–	(2,283.4)	18.1	(2,265.3)
Other income	0.2	4.1	0.3	0.1	–	4.7	–	4.7
Depreciation and amortization	(12.1)	(11.5)	(7.2)	(7.3)	–	(38.1)	(3.0)	(41.1)
EBITA[1]	28.4	76.1	22.9	23.8	–	151.2	15.1	166.3
Amortization other intangible assets	(1.8)	(20.8)	(11.1)	(4.0)	–	(37.7)	–	(37.7)
Impairment charges	(15.0)	–	–	–	–	(15.0)	–	(15.0)
OPERATING INCOME	11.6	55.3	11.8	19.8	–	98.5	15.1	113.6
Net finance expense	(27.6)	1.5	(1.8)	(0.3)	–	(28.2)	(0.8)	(29.0)
Result from investments accounted for using the equity method	(2.5)	1.5	0.1	(0.3)	–	(1.2)	(1.4)	(2.6)
SEGMENT PROFIT BEFORE INCOME TAX	(18.5)	58.3	10.1	19.2	–	69.1	12.9	82.0
Income taxes	(2.2)	(3.0)	(2.8)	(3.3)	–	(11.3)	(5.2)	(16.4)
PROFIT FOR THE PERIOD	**(20.7)**	**55.3**	**7.3**	**15.9**	–	**57.8**	**7.7**	**65.6**
Non-controlling interests	(0.5)	(0.9)	–	–	–	(1.4)	–	(1.4)
NET INCOME	**(21.2)**	**54.4**	**7.3**	**15.9**	–	**56.4**	**7.7**	**64.2**
OPERATING EBITA[1]	**38.7**	**92.3**	**32.8**	**25.1**	–	**188.9**	**(13.3)**	**175.6**
NET INCOME FROM OPERATIONS[1]	**(7.7)**	**64.7**	**18.4**	**22.3**	–	**97.7**	**(6.7)**	**91.0**
TOTAL ASSETS	**855.8**	**1,239.7**	**396.8**	**306.7**	–	**2,799.0**	**69.5**	**2,868.5**
Investments accounted for using the equity method	19.7	5.7	(2.2)	1.5	–	24.7	–	24.7
Other financial assets	18.8	7.8	(0.1)	3.0	–	29.5	1.1	30.7
TOTAL LIABILITIES	**594.9**	**450.1**	**163.8**	**95.2**	–	**1,304.0**	**562.8**	**1,866.8**
TOTAL CAPITAL EXPENDITURES	**15.0**	**18.0**	**14.0**	**6.2**	–	**53.2**	**11.6**	**64.8**
TOTAL NUMBER OF EMPLOYEES[2]	**6,675**	**12,289**	**5,174**	**1,658**	–	**25,796**	**205**	**26,001**

1 Non-GAAP performance measure. Reference is made to the Glossary for the definition as used by Arcadis
2 As at 31 December, excluding temporary staff

In € millions unless otherwise stated	Americas[1]	EME[1]	APAC[1]	CallisonRTKL[1]	Eliminations[1]	TOTAL SEGMENTS	Corporate and unallocated amounts	TOTAL CONSOLIDATED
2015								
External gross revenues	1,281.8	1,405.4	370.6	359.4	–	3,417.2	2.1	3,419.3
Inter-segment	5.4	6.5	7.3	4.4	(23.6)	–	–	–
TOTAL GROSS REVENUES	**1,287.2**	**1,411.9**	**377.9**	**363.8**	**(23.6)**	**3,417.2**	**2.1**	**3,419.3**
Materials, services of third parties and subcontractors	(455.0)	(261.5)	(37.2)	(92.3)	23.6	(822.4)	(0.1)	(822.5)
NET REVENUES	832.2	1,150.4	340.7	271.5	–	2,594.8	2.0	2,596.8
Operating costs	(770.1)	(1,046.7)	(300.4)	(232.0)	–	(2,349.2)	(1.3)	(2,350.5)
Other income	2.4	4.7	1.1	0.2	–	8.4	(2.6)	5.8
Depreciation and amortization	(14.1)	(12.1)	(7.0)	(7.0)	–	(40.2)	(3.1)	(43.3)
EBITA[2]	50.4	96.3	34.4	32.7	–	213.8	(5.0)	208.8
Amortization other intangible assets	(3.4)	(31.4)	(7.1)	(5.4)	–	(47.3)	–	(47.3)
OPERATING INCOME	47.0	64.9	27.3	27.3	–	166.5	(5.0)	161.5
Net finance expense	(22.6)	2.0	(0.8)	(0.3)	–	(21.7)	(4.4)	(26.1)
Result from investments accounted for using the equity method	(5.1)	0.9	0.7	0.3	–	(3.2)	–	(3.2)
SEGMENT PROFIT BEFORE INCOME TAX	19.3	67.8	27.2	27.3	–	141.6	(9.4)	132.2
Income taxes	1.3	(14.5)	(4.4)	(5.8)	–	(23.4)	(7.8)	(31.2)
PROFIT FOR THE PERIOD	**20.6**	**53.3**	**22.8**	**21.5**	–	**118.2**	**(17.2)**	**101.0**
Non-controlling interests	(1.2)	(1.1)	–	–	–	(2.3)	–	(2.3)
NET INCOME	**19.4**	**52.2**	**22.8**	**21.5**	–	**115.9**	**(17.2)**	**98.7**
OPERATING EBITA[2]	**63.1**	**115.0**	**36.3**	**36.9**	–	**251.3**	**(1.0)**	**250.3**
NET INCOME FROM OPERATIONS[2]	**21.7**	**72.4**	**28.2**	**24.9**	–	**147.2**	**(10.1)**	**137.1**
TOTAL ASSETS	**1,052.3**	**1,079.8**	**293.4**	**322.1**	–	**2,747.6**	**81.1**	**2,828.7**
Investments accounted for using the equity method	11.8	5.0	14.6	1.7	–	33.1	–	33.1
Other financial assets	20.2	7.1	1.8	2.9	–	32.0	0.2	32.2
TOTAL LIABILITIES	**799.9**	**542.4**	**143.7**	**134.2**	–	**1,620.2**	**197.2**	**1,817.4**
TOTAL CAPITAL EXPENDITURES	**8.9**	**16.8**	**6.2**	**11.2**	–	**43.1**	**10.3**	**53.4**
TOTAL NUMBER OF EMPLOYEES[3]	**7,401**	**10,515**	**5,937**	**1,759**	–	**25,612**	**180**	**25,792**

1 Restated for changes as described in this note
2 Non-GAAP performance measure. Reference is made to the Glossary for the definition as used by Arcadis
3 As at 31 December, excluding temporary staff

4 CONSOLIDATED INTERESTS AND BUSINESS COMBINATIONS

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.

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.

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 areas of infrastructure, water, environment and buildings.

Arcadis NV indirectly holds 100% of the ordinary shares of all these subsidiaries, but does not hold direct interests itself as a result of the intermediate holding structure within the Group.

All subsidiaries are included in the financial consolidation. The proportion of the voting rights 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 €2.6 million (2015: €3.4 million), and is as such not material for the Group.

The main consolidated companies as at 31 December 2016 are listed below:

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION
AMERICAS	
Arcadis US, Inc.	United States
Arcadis Logos S.A.	Brazil
EUROPE AND MIDDLE EAST	
Hyder Consulting Middle East Ltd.	United Kingdom
Arcadis LLP	United Kingdom
Arcadis Consulting (UK) Limited	United Kingdom
Arcadis Nederland BV	Netherlands
Arcadis Deutschland GmbH	Germany
Arcadis France S.A.S.	France
Arcadis Belgium NV	Belgium
ASIA PACIFIC	
Arcadis Asia Ltd.	Hong Kong
Arcadis Australia Pacific Holdings Pty Ltd.	Australia
CALLISONRTKL	
CallisonRTKL, Inc.	United States

CHANGES IN CONSOLIDATED INTERESTS

2016

In September 2016, Arcadis acquired all shares in Australian Environmental Strategies for a total consideration of AUD 7.2 million, including a deferred consideration of AUD 1.9 million. This Australian based company is specialized in environmental investigations, contaminated land remediation, environmental management and environmental auditing.

The acquisition accounting is provisional, as operational reviews are performed to confirm the fair values included in the initial Purchase Price Allocation ('PPA'). Due to the size of the company no material PPA adjustments are expected. As the acquisition is not material for the Group, no further disclosures are provided in this note.

2015

In 2015, Arcadis completed the acquisition of an Australian based company. This acquisition was not material for the Group and therefore not further disclosed.

All comparative figures included the measurement-period adjustments as disclosed in the 2015 Consolidated financial statements.

DEFERRED CONSIDERATION

The contractual after-payments and earn-outs for acquisitions are disclosed below.

In € thousands	Initial recognition	Discount effect/ Interest	2016 TOTAL	2015 TOTAL
BALANCE AT 1 JANUARY	**10,748**	**1,436**	**12,184**	**18,586**
Acquisitions	1,260	–	1,260	984
Interest accrual	–	225	225	479
Releases	(721)	–	(721)	(1,291)
Payments and redemptions	(8,868)	(96)	(8,964)	(6,784)
Reclassifications	1,586	(1,586)	–	–
Exchange rate differences	(63)	153	90	210
BALANCE AT 31 DECEMBER	**3,942**	**132**	**4,074**	**12,184**

Of the total amount of after-payments, an amount of €2.5 million (2015: €3.6 million) is included as other long-term debt in the Consolidated balance sheet under 'Loans and borrowings', while €1.6 million (2015: €8.6 million), due within one year, is included as 'Other current liabilities' (see note 27).

At 31 December 2016, after-payments relating to acquisitions prior to 2016 amount to €2.8 million, and mainly relate to Corporate Property Advisers Ltd. (2014) and Estudos Téchnicos e Projectos ETEP Ltda. ('ETEP'; 2012).

5 REVENUES

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, 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. Estimates of project management are used to assess the progress of the project and the estimated outcome, which 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.

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	2016	2015
Revenues from services	2,769,781	2,844,713
Construction contract revenues	558,981	574,582
TOTAL REVENUES	**3,328,762**	**3,419,295**

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 in Other operational costs (see note 7).

In € thousands	2016	2015
Book gain on sale of assets	181	183
Results from investments	487	320
Release of after-payments	721	1,291
Other	3,280	4,101
TOTAL OTHER INCOME	**4,669**	**5,895**

In 2016, the category 'Other' includes €0.2 million of government grants, €0.5 million of landlord incentives, €1.2 million additional contribution received from an insurance company, and various other individually immaterial items. In 2015, this category included €0.3 million of government grants, €2.5 million from a contingent asset that became virtually certain and various other individually immaterial items.

7 OPERATIONAL COSTS

All employee-related costs as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

In € thousands	2016	2015
Salaries and wages	1,481,486	1,528,218
Social charges	152,917	166,371
Pension and early retirement charges	68,751	72,258
Other personnel costs (including temporary labor)	194,169	194,784
TOTAL PERSONNEL COSTS	**1,897,323**	**1,961,631**

In € thousands	2016	2015
Occupancy	115,567	122,973
Travel	58,435	64,456
Office related	89,202	85,584
Audit and consultancy services	41,939	38,346
Insurances	22,669	19,050
Marketing and advertising	6,921	5,579
Other	33,196	52,863
TOTAL OTHER OPERATIONAL COSTS	**367,929**	**388,851**

Share-based payment charges in scope of IFRS 2 are recognized in Other personnel costs. The average number of contract employees in 2016 was 26,062 (2015: 26,473).

The category 'Other' includes, amongst others, the impact of changes in provisions for other liabilities and charges (see note 25).

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 goals and objectives, Arcadis NV uses Long-Term Incentive Plans ('LTIPs'). The outstanding options and conditional performance shares at 31 December 2016 relate to the LTIPs from 2005, 2010 and 2014.

Since 2014, securities under the LTIPs 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

Options and RSUs annually granted to members of the Executive Board and selected key employees were conditional and had a vesting period of three years. Vesting was dependent on performance criteria set forth in advance. The granting of such options and RSUs took place each year on or about the second day after the Annual General Meeting of Shareholders, whereby the exercise price for the options matched the closing price of Arcadis NV shares on the day of the grant.

In 2013, the last awards under the 2010 plan were granted.

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.

The 2014 LTIP 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.

To date only RSUs have been granted under the 2014 LTIP.

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 options and RSUs 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 RSUs 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, and subject to continued employment.

In %	RSUs that vest for management	RSUs 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) the 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 may 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 2005 and 2010 Arcadis LTIPs are as follows:

	Number of EUR options	Weighted average exercise price (in €)
BALANCE AT 1 JANUARY 2015	**5,876,572**	**16.17**
Increase / (decrease) by performance measure	49,732	15.74
Exercised	(1,800,724)	16.11
Cancelled/ forfeited	(174,624)	18.54
BALANCE AT 31 DECEMBER 2015	**3,950,956**	**16.22**
Increase/ (decrease) by performance measure	–	–
Exercised	(154,150)	12.88
Expired	(82,794)	19.05
Cancelled/ forfeited	(137,960)	17.01
BALANCE AT 31 DECEMBER 2016	**3,576,052**	**16.16**

The weighted average share price at exercise date in 2016 was €15.10 (2015: €27.66).

The number of outstanding options at 31 December 2016 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2016[1]	Exercised in 2016	Expired in 2016	Cancelled/ forfeited in 2016	Outstanding 31 December 2016
2006	€12.37	73,500	(73,500)	–	–	–
2007	€20.23	414,288	–	(10,375)	(19,650)	384,263
2008	€13.77	127,607	(6,500)	–	(1,500)	119,607
2009	€12.06	599,415	(40,470)	–	(28,930)	530,015
2010	€14.33	258,449	(10,705)	(2,624)	(2,098)	243,022
2010	€16.84	45,000	–	–	(20,500)	24,500
2011	€16.18	323,378	(6,979)	(8,464)	(3,600)	304,335
2011	€16.48	92,557	–	–	–	92,557
2011	€14.06	303,150	(1,300)	(5,800)	(6,100)	289,950
2012	€14.72	562,138	–	–	–	562,138
2012	€15.74	542,132	(14,696)	(9,800)	(25,108)	492,528
2013	€20.96	599,342	–	(45,731)	(30,474)	523,137
2013	€18.26	10,000	–	–	–	10,000
TOTAL		**3,950,956**	**(154,150)**	**(82,794)**	**(137,960)**	**3,576,052**

1 Minor corrections were made to some opening positions

The weighted average exercise price of the share options exercisable at 31 December 2016, was €16.16 (2015: €15.18).

OUTSTANDING RESTRICTED SHARE UNIT (RSU'S)

In 2016, the following number of RSUs have been granted under the 2014 LTIP:

	Number of RSUs	Grant date	Vesting date	Share price at grant date	Average fair value at grant date[1]
Annual grant	901,530	27-04-2016	27-04-2019	€14.30	€5.88

1 Average fair value at grant date of RSUs for management and key staff

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:

	2016	2015
Expected dividend yield (in %)	4.21	2.11 - 2.15
Risk-free interest rate (in %)	(0.12)	0.13 - 0.26
Expected volatility (in %)	31.80	26.17 - 26.73
Expected life of RSUs (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 adjusted for estimated forfeitures, if any, and these estimated forfeitures are revised if the number of RSUs expected to vest differs from previous estimates.

The total outstanding RSUs at 31 December 2016 is as follows:

Year of issue	Granted	Unconditional in	Total amount to be expensed over the vesting period (in €)	Share price at grant date	Outstanding 1 January 2016	Granted in 2016	Increase/(decrease) by performance measure 2016	Vested in 2016	Cancelled/ forfeited in 2016	Outstanding 31 December 2016
2013 (9 May)	177,100	2016	2,219,152	€20.96	163,664	–	–	(161,464)	(2,200)	–
2014 (20 May)	419,305	2017	7,899,706	€25.42	399,985	–	–	–	(21,061)	378,924
2015 (1 January)	90,000	2018	2,082,600	€24.93	86,119	–	–	–	(22,654)	63,465
2015 (15 May)	565,670	2018	14,045,586	€27.15	541,809	–	–	–	(50,194)	491,615
2016 (27 April)	901,530	2019	5,297,987	€14.30	–	901,530	–	–	(46,023)	855,507
TOTAL					**1,191,577**	**901,530**	–	**(161,464)**	**(142,132)**	**1,789,511**

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, and is expensed over a three-year period.

LTIP COSTS RECOGNIZED IN 2016

Costs are spread over the vesting period, and included in 'Other personnel costs' (see note 7). In 2016, an amount of €9.7 million (2015: €9.0 million) is included for the share based compensations granted to employees in the period 2014 - 2016. This is excluding the €1.7 million relating to the Employee Share Purchase Plan, see below.

EMPLOYEE SHARE PURCHASE PLAN (LOVINKLAAN FOUNDATION)

The Company facilitates an Employee Share Purchase Plan ('ESPP'), also called the Global Share Plan ('GSP'), that allows employees to periodically purchase shares in the Company at a set discount. Shares and discounts are made available by the Lovinklaan Foundation. The ESPP has been implemented in a number of countries where the Company is located. The personal investment per employee is maximized at €400 per month.

At 31 December 2016, 3,957 employees participated in the ESPP (2015: 4,077). The cost of the ESPP in 2016 included in the Company's financial statements amounted to €1.7 million (2015: €1.1 million). As the ESPP is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme, the related share-based expenses are treated as non-recurring.

SHORT-TERM INCENTIVE PLANS

For Executive Board members, 20% of the bonus is settled in shares and the remainder in cash (see note 47 of the Company financial statements).

9 NET FINANCE EXPENSE

Net finance expenses comprises finance income, finance expenses and the fair value change of derivatives at fair value through profit or loss. Finance income comprises interest income on funds invested and finance expenses 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, 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 operational costs (see note 7).

In € thousands	2016	2015
Interest income	9,122	7,905
FINANCE INCOME	**9,122**	**7,905**
Finance expense	(35,791)	(34,810)
Foreign exchange differences on financial liabilities	(806)	(10,859)
FINANCE EXPENSES	**(36,597)**	**(45,669)**
Fair value changes of derivatives	(1,564)	11,682
TOTAL	**(29,039)**	**(26,082)**

The higher net finance expenses were principally driven by the higher cost of hedging emerging market loans and other foreign currency loans. The full year impact in 2016 of the increased duration of the external loan portfolio versus 2015 and higher US floating rates was offset by an absence of acquisition-related financing items that had been present in 2015. These factors combined caused an increase in net financing expenses to €29.0 million (2015: €26.1 million).

Net interest expenses in 2016 amounted to €26.7 million (2015: €26.9 million).

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	2016	2015
CURRENT TAX EXPENSE		
Current year	27,682	40,696
Adjustments for previous years	(7,474)	(4,506)
TOTAL CURRENT TAX EXPENSE	**20,208**	**36,190**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	(3,130)	(5,068)
Adjustments for previous years	(593)	–
Changes in tax rates	(1,244)	15
(De)recognition of deferred tax assets	1,126	–
TOTAL DEFERRED TAX EXPENSE	**(3,841)**	**(5,053)**
TOTAL INCOME TAXES EXPENSE	**16,367**	**31,137**

At balance sheet date the corporate tax receivable amounted to €26.2 million and the corporate tax liability amounted to €26.2 million. During 2016, the Company paid taxes for a total amount of €25.0 million (2015: €22.5 million).

EFFECTIVE TAX RATE RECONCILIATION

The effective corporate income tax rate on the income statement is 19.3% (2015: 23.0%). For 2016 the effective income tax rate was impacted by goodwill impairment and non-recognized losses, however, this was offset by various positive settlements relating to prior years and release of tax provisions.

In %	2016	2015
Corporate tax rate in the Netherlands	25.0	25.0
Adjustment corporate income tax rates other countries	1.9	2.0
WEIGHTED AVARAGE CORPORATE INCOME TAX RATE	**26.9**	**27.0**
Non-deductible expenses/ (income)	8.4	(5.3)
Adjustments for previous years	(9.5)	(3.3)
Other	(6.5)	4.6
EFFECTIVE TAX RATE[1]	**19.3**	**23.0**

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 2016 is as follows:

In € thousands	Net balance at 1 January 2016	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Net balance at 31 December 2016	Assets	Liabilities
Intangible assets and goodwill	(77,019)	11,817	–	–	1,191	(64,011)	2,814	66,825
Property, plant & equipment	1,260	(1,310)	–	(42)	(334)	(426)	2,594	3,020
Work in progress	(31,680)	(5,463)	–	–	405	(36,738)	2,534	39,272
Accrued expenses	22,700	728	–	–	882	24,310	27,116	2,806
Derivatives	25	(23)	(130)	–	(4)	(132)	26	158
Share-based compensation	3,582	(9,140)	6,071	–	4	517	517	–
Deferred compensation	5,139	(906)	923	–	(146)	5,010	5,010	–
Net operating losses	6,937	1,951	–	–	381	9,269	9,269	–
Others	6,302	6,187	–	(106)	1,095	13,478	16,440	2,962
DEFERRED TAX ASSETS/ LIABILITIES	**(62,754)**	**3,841**	**6,864**	**(148)**	**3,474**	**(48,723)**	**66,320**	**115,043**
Offsetting	–	–	–	–	–	–	(35,988)	(35,988)
NET DEFERRED TAXES	**(62,754)**	**3,841**	**6,864**	**(148)**	**3,474**	**(48,723)**	**30,332**	**79,055**

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 majority of the exchange rate differences on deferred tax balances does not impact the Income statement and is recognized in Other comprehensive income, as part of the 'Exchange rate differences' line.

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 31 December 2016, the gross amount of net operating losses, amounting to €39.6 million (2015: €30.3 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	Deferred tax asset recognized
2017	3,877	3,592	285	71
2018	2,008	1,788	220	65
2019	1,425	1,154	271	80
2020	3,280	3,171	110	32
2021	2,172	2,124	48	5
>2021	3,623	31	3,592	899
Unlimited	135,146	100,051	35,095	8,117
TOTAL	**151,531**	**111,911**	**39,621**	**9,269**

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 €111.9 million (2015: €78.3 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 based on the basic earnings per share and 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. The diluted number of 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.

For calculating the earnings per share, the following numbers of average shares are used:

Number of shares	2016	2015
Average number of issued shares	85,257,966	83,586,208
Average number of treasury shares	(1,182,039)	(943,750)
TOTAL AVERAGE NUMBER OF ORDINARY OUTSTANDING SHARES	**84,075,927**	**82,642,458**
Average number of potentially dilutive shares	608,622	3,386,715
TOTAL AVERAGE NUMBER OF DILUTED SHARES	**84,684,549**	**86,029,173**

Of the outstanding options at 31 December 2016, a total of 608,622 was in the money and also exercisable (2015: 3,391,335). Exercising options may lead to dilution. To avoid dilution as much as possible, Arcadis repurchases its own shares, which are reissued at the moment options are exercised.

The total earnings of the Group and the earnings per share are as follows:

In € thousands	2016	2015
Net income	64,154	98,740
Net income from operations[1]	90,956	137,063

1 Non-GAAP performance measure. Reference is made to the Glossary for the definition as used by Arcadis

In €	2016	2015
EARNINGS PER SHARE/ DILUTED EARNINGS PER SHARE		
Net income	0.76 / 0.76	1.19 / 1.15
Net income from operations[1]	1.08 / 1.07	1.66 / 1.59

1 Non-GAAP performance measure. Reference is made to the Glossary for the definition as used by Arcadis

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. 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 Goodwill and Intangible assets varies according to their respective categories, as shown below.

CATEGORY	YEARS
Goodwill	Not amortized
Software	0.5 - 10
Other intangible assets	3 - 5
Intangibles under development	Not amortized (yet)

In € thousands	Goodwill	Other intangible assets	Software	Intangibles under development	TOTAL
Cost	982,291	306,980	62,623	10,155	1,362,049
Accumulated amortization	–	(105,659)	(45,718)	–	(151,377)
AT 1 JANUARY 2015	**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)
Impairment charges	–	–	–	–	–
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)
AT 31 DECEMBER 2015	**1,048,523**	**171,937**	**10,898**	**21,563**	**1,252,921**
Additions	–	–	5,354	13,796	19,150
Acquisitions of subsidiaries	3,200	1,901	–	–	5,101
Disposals	–	–	(1,421)	–	(1,421)
Amortization charges	–	(37,668)	(8,934)	–	(46,602)
Impairment charges	(15,000)	–	–	–	(15,000)
Reclassifications	8,347	–	6,206	(6,002)	8,551
Exchange rate differences	(45,681)	(6,438)	(179)	(38)	(52,336)
MOVEMENT 2016	**(49,134)**	**(42,205)**	**1,026**	**7,756**	**(82,557)**
Cost	999,389	305,434	79,212	29,319	1,413,354
Accumulated amortization	–	(175,702)	(67,288)	–	(242,990)
AT 31 DECEMBER 2016	**999,389**	**129,732**	**11,924**	**29,319**	**1,170,364**

The reclassifications in Goodwill relate to the consolidation of Langdon & Seah Malaysia (see note 14). In prior years, the goodwill relating to this company was part of the Investments accounted for using the equity method. Other reclassifications were due to software taken in use and a €0.2 million reclassification from Property, plant & equipment to Software.

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2016	2015
Amortization Other intangible assets	37,668	47,362
Depreciation and amortization	8,934	11,308

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. The CGUs have not changed following the change in segments in 2016, as described in note 3.

Goodwill capitalized was assigned to our CGUs as follows:

In € thousands	2016	2015
North America	267,289	258,241
Latin America	7,365	18,343
Continental Europe	77,032	80,003
United Kingdom	233,669	270,310
Middle East	97,882	113,230
Asia	93,168	85,495
Australia Pacific	58,069	63,239
CallisonRTKL	164,915	159,662
TOTAL GOODWILL	**999,389**	**1,048,523**

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 2017 as approved by the Executive Board and our mid-term plan for the years 2018 and 2019. Projections were extrapolated with stable or declining growth rates for a period up to five years, after which a terminal value was used at an average rate of 0.7%, being the difference between local and the Eurozone inflation forecasts.

The weighted average pre-tax discount rate is 10.4% (2015: 9.1%) 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 weighted average post-tax discount rate used is 7.5% (2015: 6.6%), which includes specific country specific premiums when applicable.

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 2017 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.

The key assumptions included in the 2016 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	0.7%	6.4% - 8.0%	11.4%	0.8%
Latin America	(1.3)%	2.1% - 8.0%	15.3%	1.5%
Continental Europe	(0.5)%	6.5% - 6.9%	10.1%	0.1%
United Kingdom	0.5%	8.0% - 8.6%	9.0%	0.4%
Middle East	(0.2)%	6.1% - 7.5%	9.1%	1.0%
Asia	1.6%	8.5% - 9.2%	10.4%	1.0%
Australia Pacific	5.1%	9.0% - 11.1%	10.0%	0.9%
CallisonRTKL	2.0%	9.4% - 10.2%	10.9%	0.9%

The key assumptions included in the 2015 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	2.3%	7.5% - 10.4%	10.3%	0.0%
Latin America	(1.9)%	8.6% - 10.0%	13.6%	0.0%
Continental Europe	2.8%	9.0% - 10.0%	9.1%	0.0%
United Kingdom	5.0%	10.5% - 12.4%	7.9%	0.0%
Middle East	4.3%	8.2% - 10.0%	7.6%	0.0%
Asia	6.5%	9.5% - 11.4%	8.9%	0.0%
Australia Pacific	5.5%	8.4% - 12.4%	8.9%	0.0%
CallisonRTKL	7.0%	11.0% - 13.4%	9.5%	0.0%

OBSERVATIONS FROM IMPAIRMENT TESTING

The outcome of the Goodwill impairment test calculation at year-end 2016 revealed that the recoverable amount of the Company decreased compared to year-end 2015, with a corresponding decrease in headroom. The recoverable amount for all CGUs exceeded the carrying amount and did not result in impairments, except for Latin America.

For Latin America, the test indicated an impairment and as a result an impairment loss of €15 million is recognized in 2016. This impairment is mainly due to slower recovery of the market, which was reflected in our (mid-term) plan as finalized late 2016. After impairment, the recoverable amount of Latin America is equal to the carrying amount of €49 million.

The following changes could, individually, cause the value in use to fall to the level of the carrying value:

In basis points	Operating EBITA margin decrease	Pre-tax discount rate increase	Terminal growth rate decrease
North America	32	40	43
Middle East	38	34	75

The impairment test and sensitivity analysis around the key assumptions have indicated sufficient headroom for all other 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.

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.

OTHER INTANGIBLE ASSETS

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

In € thousands	2016	2015
Customer relationships	104,390	126,039
Trade names	10,711	20,739
Backlog	13,141	21,728
Other	1,490	3,431
TOTAL OTHER INTANGIBLE ASSETS	**129,732**	**171,937**

The main part of the Other intangible assets will be amortized within the coming two years. During 2016 and 2015, no changes were made in the useful lives, amortization methods and the residual values of the Other intangible assets, other than in 2015 for the brand name of Hyder. As the Hyder brand will be faced out towards year-end 2017, the useful life of the trade name has been adjusted in 2015 from five to three years.

SOFTWARE

Investments in Software mainly relate to the implementation of harmonized systems, which is part of the implementation of the Arcadis Way.

INTANGIBLES UNDER DEVELOPMENT

The Intangibles under development of €29.3 million are related to the purchase of licenses and development of software not yet in use (2015: €21.6 million). Intangibles under development are not yet amortized.

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 (yet)

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 2016, no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements.

At 31 December 2016, the carrying amount of Property, plant & equipment financed by financial leases, was nil (2015: nil). At 31 December 2016 and 31 December 2015, 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	7,812	117,307	99,794	–	224,913
Accumulated depreciation	(1,070)	(65,007)	(74,722)	–	(140,799)
AT 1 JANUARY 2015	**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)
AT 31 DECEMBER 2015	**9,494**	**53,749**	**24,651**	**2,927**	**90,821**
Additions	5,957	23,713	12,754	3,194	45,618
Acquisitions of subsidiaries	–	244	–	–	244
Disposals	(2,109)	(3,120)	(974)	(173)	(6,376)
Reclassifications	94	4,848	641	(4,880)	703
Depreciation charges	(1,967)	(17,903)	(12,274)	–	(32,144)
Exchange rate differences	(258)	1,324	502	(7)	1,561
MOVEMENT 2016	**1,717**	**9,106**	**649**	**(1,866)**	**9,606**
Cost	16,496	160,937	118,606	1,061	297,100
Accumulated depreciation	(5,285)	(98,082)	(93,306)	–	(196,673)
AT 31 DECEMBER 2016	**11,211**	**62,855**	**25,300**	**1,061**	**100,427**

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 arrangements 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.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The nature of business of the Group's associates and joint ventures is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings. The most significant investments in associates and joint ventures are listed below with the Group's balance sheet impact and share in profit of loss.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2016	% of ownership interest 2015
Arcadis Logos Energia S.A.	Brazil	Associate	49.99%	49.99%
Geodynamique et Structure	France	Associate	42.73%	42.73%
Asset Rail B.V.	Netherlands	Associate	40.00%	20.00%
CARE/ RTKL Ltd	Saudi Arabia	Joint venture	45.00%	45.00%
Stroomdal I	Netherlands	Joint venture	33.30%	33.30%
TECHT Ltd	United Kingdom	Joint venture	50.00%	50.00%

The movement in associates and joint ventures in the Consolidated balance sheet is as follows:

In € thousands	Associates 2016	Associates 2015	Joint ventures 2016	Joint ventures 2015	TOTAL 2016	TOTAL 2015
BALANCE AT 1 JANUARY	**29,512**	**31,136**	**3,549**	**1,543**	**33,061**	**32,679**
Equity share in income	(3,296)	(3,777)	655	559	(2,641)	(3,218)
Acquisitions	–	–	–	–	–	–
Investments	5,680	8,999	68	334	5,748	9,333
Divestments	(48)	–	–	–	(48)	–
Received dividends	(23)	(732)	(1,251)	(1,281)	(1,274)	(2,013)
Reclassifications	(14,056)	(2,159)	–	2,159	(14,056)	–
Exchange rate differences	3,977	(3,955)	(37)	234	3,940	(3,721)
BALANCE AT 31 DECEMBER	**21,746**	**29,512**	**2,984**	**3,549**	**24,730**	**33,061**

The balance as at 31 December includes loans to associates for an amount of €16.6 million (2015: €9.6 million). During 2016, an amount of €23.9 million of new loans have been provided and €19.4 million has been repaid. The net increase in loans is included in the investments line above.

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 no available quoted market price for the shares.

At 31 December 2016, the Group has no contingent liabilities relating to interests in joint ventures (2015: nil).

MATERIAL ASSOCIATES AND JOINT VENTURES

Arcadis Logos Energia S.A. ('ALEN') is the only material associate. The share capital of this associate consists solely of ordinary shares, which are not listed, and as such there is no quoted market price available for the shares. The country of incorporation or registration is also the principal place of the business.

The tables below summarizes the financial information for Arcadis Logos Energia S.A. The information reflects the amounts presented in the financial statements of the associate on a 100%-basis, where applicable adjusted for differences in accounting policies between the group and the associate.

As from 1 January 2016, Langdon & Seah Malaysia is fully consolidated as Arcadis concluded that it has control over this 100% subsidiary; this is reflected as reclassification in this note and note 12. Gross revenues of Langdon & Seah Malaysia for the year amounted to €18.1 million.

SUMMARIZED BALANCE SHEET AT 31 DECEMBER OF MATERIAL ASSOCIATES

In € thousands	Arcadis Logos Energia S.A.	
	2016	2015
Current assets	15,719	7,286
Non-current assets	57,249	31,045
TOTAL ASSETS	**72,968**	**38,331**
Current liabilities	55,200	23,151
Non-current liabilities	13,590	9,680
TOTAL LIABILITIES	**68,790**	**32,831**
NET ASSETS	**4,178**	**5,500**

The reconciliation of the presented summarized financial information to the carrying amount of our interest in this associate is as follows:

In € thousands	Arcadis Logos Energia S.A.	
	2016	2015
Net assets associate	4,178	5,500
Interest in associate by third parties	(2,089)	(2,751)
INTEREST IN ASSOCIATE BY ARCADIS	**2,089**	**2,749**
Goodwill, loans and other (fair value) adjustments	12,123	7,660
CARRYING VALUE	**14,212**	**10,409**

The difference between the total carrying value of associates and joint ventures and the carrying value of ALEN is related to immaterial associates and joint ventures. These are not separately disclosed as the net asset value of the immaterial associates and joint ventures, excluding the loans to them, only amounts to €7.5 million.

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER FOR MATERIAL ASSOCIATES

In € thousands	Arcadis Logos Energia S.A.	
	2016	2015
REVENUES	**136**	**394**
Post-tax profit/ (loss) from continuing operations	(5,279)	(10,494)
(Fair value) adjustments	(1,400)	–
Share in result by third parties	2,525	5,253
SHARE OF ARCADIS IN THE RESULT OF THE ASSOCIATE	**(4,154)**	**(5,241)**

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	**2016**	2015
BALANCE AT 1 JANUARY	**1,779**	**1,377**
Investments	54	760
Divestments	(1,182)	(330)
Exchange rate differences	5	(28)
BALANCE AT 31 DECEMBER	**656**	**1,779**

16 DERIVATIVES

GENERAL

The Company only uses derivatives for specific purposes in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivatives include forward exchange rate contracts and interest rate derivatives. The Company does not hold or issue derivatives for trading purposes. Hedge accounting is applied for cash flow hedges related to forecasted transactions and fair value hedges.

MEASUREMENT AND RECOGNITION

All derivative financial instruments are initially recognized 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 fair value of derivatives held by the Company as at the balance sheet date is reported in the table below:

	Assets		Liabilities		TOTAL	
In € thousands	**2016**	2015	**2016**	2015	**2016**	2015
INTEREST RATE DERIVATIVES:						
Current	–	–	–	148	–	(148)
Non-current	–	–	2,565	1,095	(2,565)	(1,095)
FOREIGN EXCHANGE DERIVATIVES:						
Current	6,156	2,722	8,037	5,983	(1,881)	(3,261)
Non-current	–	–	–	–	–	–
TOTAL	**6,156**	**2,722**	**10,602**	**7,226**	**(4,446)**	**(4,504)**

See note 28 for the Corporate Treasury policy and the valuation techniques used for the derivatives. Corporate Treasury is consulted by entities for alignment of hedge accounting with the Company's treasury policy guidelines and assisted with documentation of the hedge relationship, derivatives valuations and effectiveness testing.

During 2016, the Company held for a notional amount of €81.5 million (2015: €81.5 million) floating to fixed interest rate swaps to hedge interest rate risk on €81.5 million of long-term variable loans outstanding and applied hedge accounting to these interest rate derivatives.

The market value of these derivatives ultimo 2016 was €2.0 million negative (2015: €0.5 million negative). In addition, the Company has €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 2016 was €0.6 million negative and hedge accounting is applied on these derivatives.

Also, during 2016 the Company hedged currency exposures related to transactions in currencies other than the functional currency 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 loan balances were hedged by way of foreign exchange forward transactions.

The movements in fair value of the derivatives are shown in the table below.

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**(4,504)**	**(551)**
Deconsolidation	(103)	–
Changes in Income statement	(1,882)	11,682
Changes through Other comprehensive income (equity)	(1,550)	625
Cash settlement derivatives	3,606	(15,502)
Exchange rate differences	(13)	(758)
BALANCE AT 31 DECEMBER	**(4,446)**	**(4,504)**

The change in fair value of derivatives recognized in profit or loss is €2.3 million (2015: €11.7 million) together with foreign exchange results of €2.5 million (2015: €8.2 million) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to €0.2 million negative (2015: €3.5 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	2016	2015
Interest rate derivatives	(3,910)	(2,751)
Foreign exchange derivatives (classified as cash flow hedges)	625	318
TOTAL	**(3,285)**	**(2,433)**

17 OTHER NON-CURRENT ASSETS

Other non-current assets are non-derivative financial assets, and include long-term receivables (due for settlement after one year). Long-term receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**30,458**	**29,199**
Acquisitions/ (divestments)	484	–
New receivables	5,341	2,810
Received	(6,234)	(3,469)
Other changes and exchange rate differences	634	1,918
BALANCE AT 31 DECEMBER	**30,683**	**30,458**

The €0.5 million addition due to acquisitions relates to the consolidation of Langdon & Seah Malaysia, see note 14 for further details.

Other non-current assets include long-term receivables of €16.7 million (2015: €18.4 million) 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, judicial deposits and retentions.

18 TRADE RECEIVABLES

Trade receivables include amounts billed for work performed but not yet paid by the clients and are measured at amortized cost less any impairment losses. Trade receivables due for settlement within one year are classified as current. Trade receivables are reviewed for collectibility at regular intervals; any impairment losses are determined on a case-by-case basis and recognized in Other operational costs when there is objective evidence that the client is not able to meet its obligations for the outstanding invoice(s).

Trade receivables include items maturing within one year.

In € thousands	2016	2015
Trade receivables	678,089	661,429
Provision for trade receivables	(58,379)	(57,128)
Receivables from associates	1,891	2,630
TOTAL TRADE RECEIVABLES	**621,601**	**606,931**

PROVISION FOR TRADE RECEIVABLES

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**57,128**	**53,080**
Acquisitions through business combinations	166	–
Additions charged to profit or loss	22,452	8,797
Release of unused amounts	(11,803)	(4,905)
Utilizations	(11,296)	(3,077)
Exchange rate differences	1,732	3,233
BALANCE AT 31 DECEMBER	**58,379**	**57,128**

AGEING OF TRADE RECEIVABLES

	2016		2015	
In € thousands	Gross receivables[1]	Provision bad debt	Gross receivables[1]	Provision bad debt
Not past due	340,799	(1,498)	302,678	(2,638)
Past due 0 - 30 days	120,771	(1,169)	144,221	(1,188)
Past due 31 - 120 days	78,966	(1,734)	92,599	(953)
More than 120 days due	137,553	(53,978)	121,931	(52,349)
TOTAL	**678,089**	**(58,379)**	**661,429**	**(57,128)**

[1] Excluding receivables from associates

Information about Arcadis' exposure to credit risk is included in note 28.

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 directly 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:

	2016			2015		
In € thousands	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	5,383,853	2,467,410	7,851,263	5,631,633	2,409,667	8,041,300
Billing to date	(4,865,362)	(2,754,342)	(7,619,704)	(5,165,187)	(2,675,378)	(7,840,565)
TOTAL WORK IN PROGRESS	**518,491**	**(286,932)**	**231,559**	**466,446**	**(265,711)**	**200,735**

Advances received and retentions held by clients are included in Work in progress for the following amounts:

In € thousands	2016	2015
Amount of advances received	11,505	592
Amount of retentions held by clients	3,105	3,418

Advances received relate to advanced payments which are received on projects not yet started. An amount of €10.7 million relates to a project in the Middle East.

Retentions relate to amounts retained by clients which will be returned to the Company after successful completion of the contract. The majority of outstanding retentions are expected to be collected within a year.

20 OTHER CURRENT ASSETS

Other current assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2016	2015
Other receivables	32,113	24,011
Prepaid expenses	46,446	41,696
BALANCE AT 31 DECEMBER	**78,559**	**65,707**

Other receivables are non-trade receivables and include, among others, deposits, prepaid rents, claims to be received, and loans/ prepayments to personnel. Prepaid expenses mainly include prepayments of IT contracts, rent and insurances.

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 reporting purposes bank overdrafts are included in Cash and cash equivalents.

Cash and cash equivalents and Bank overdrafts are offset to the extent the offsetting criteria have been met, which include the legally enforceable 'right to set off' and the intention to settle on a net basis.

Cash and cash equivalents at balance sheet date can be specified as below.

In € thousands	2016	2015
Bank and cash	250,139	211,062
Deposits	9,893	10,026
BALANCE AT 31 DECEMBER	**260,032**	**221,088**
Bank overdrafts used for cash management purposes	(865)	–
CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET	**259,167**	**221,088**

The average effective interest rate earned on cash during 2016 was 0.6% (2015: 0.9%). At 31 December 2016, €156.6 million of Cash and cash equivalents was freely available (2015: €140.2 million).

Restricted cash amounting to €102.4 million is mainly composed of cash balances held in China and 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 (2015: €80.9 million).

At 31 December 2016, no Cash and cash equivalents and Bank overdrafts have been offset (2015: €381.9 million).

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	Issued and paid-up capital
2016		
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,721,337
Cumulative preferred (protective) shares (150,000,000, nominal value €0.02)	3,000,000	–
Cumulative financing preferred shares (30,000,000, nominal value €0.02)	600,000	–
Priority shares (600, nominal value €0.02)	12	12
TOTAL	**6,000,012**	**1,721,349**

The development of the number of shares issued/ outstanding during 2016 and 2015 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
AT 1 JANUARY 2015	**82,039,594**	**600**	**1,069,396**	**83,109,590**
Shares issued (stock dividend)	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**
Shares issued (stock dividend)	2,143,932	–	–	2,143,932
Repurchased shares	(1,000,000)	–	1,000,000	–
Exercised shares and options	342,089	–	(342,089)	–
AT 31 DECEMBER 2016	**84,792,172**	**600**	**1,274,696**	**86,067,468**
OUTSTANDING SHARES				
AT 31 DECEMBER 2015	**83,306,151**	**600**	**–**	**83,306,751**
AT 31 DECEMBER 2016	**84,792,172**	**600**	–	**84,792,772**

PRIORITY SHARES

Total number of outstanding priority shares at 31 December 2016 is 600. During 2016, no preferred (protective) 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:

- The issuance, acquisition and disposal of shares in the Company;
- Amendments to the Articles of Association;
- The dissolution of the Company and the filing for bankruptcy;
- The entry into or termination of long-term cooperative ventures of substantial significance; and
- 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 (with three vacancies at 31 December 2016): 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).

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 such 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 (number of shares held at 31 December 2016: 14,886,464).

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 2016, a total of 2,143,932 shares were issued to distribute to those shareholders that have opted to receive their dividend in the form of shares (stock dividend) (2015: 813,946).

PURCHASE OF SHARES

As mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit Arcadis NV, the Executive Board may 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 the 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 2016, no shares were issued to cover for obligations in relation to the exercise of shares and options (2015: nil).

The following numbers of shares were repurchased over the past five year:

Year	Number of shares	Price at time of purchase (in €)
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
2016	**1,000,000**	**11.38 TO 17.75**

The repurchased shares are to cover for the vesting/ exercise of shares and options granted. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 342,089 (2015: 1,952,611) has been placed back in the market through the exercise of options in 2016. Net proceeds included in Equity amounted to €2.1 million (2015: €29.2 million).

Year-end 2016, the number of repurchased shares in stock ('treasury stock') amounted to 1,274,696 (2015: 616,785).

Number of outstanding ordinary shares:

Year	1 January	Issued shares	Repurchased shares	Reissued shares	31 December
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
2016	**83,306,151**	**2,143,932**	**(1,000,000)**	**342,089**	**84,792,172**

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 (2015: €346.7 million).

TRANSLATION RESERVE

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. In 2016, €39.5 million was deducted from the translation reserve (2015: €43.5 million added).

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 2016, €0.9 million negative was added to the hedging reserve, including a tax effect of €0.1 million (2015: €0.1 million negative and €0.7 million, respectively).

RETAINED EARNINGS

The Executive Board proposes, 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 may be distributed as dividend. 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.

PROFIT ALLOCATION

For the fiscal year 2016, the Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €27.7 million to retained earnings. The remainder of €36.5 million can be distributed as a dividend, which represents a dividend of €0.43 per outstanding ordinary share (2015: €0.63). Of the total retained earnings, an amount of €49.2 million of legal reserves (2015: €85.3 million) is restricted in distribution. See also note 41 to the Company financial statements.

23 NON-CONTROLLING INTERESTS

Non-controlling interests represent the net assets which are 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 specified below.

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**3,365**	**3,812**
Share in profit for the year	1,442	2,286
Dividends to non-controlling shareholders	(1,811)	(2,298)
Acquisitions/ (divestments)	–	(68)
Exchange rate differences	(349)	(367)
BALANCE AT 31 DECEMBER	**2,647**	**3,365**

At 31 December 2016, the non-controlling interests mainly consists of:

- Arcadis and Towell Sdn. Bhd. (25%)
- Hyder & Solaiman Elkhereji Consulting Company (30%)
- Gerenciamento Nacala Lda (40%)
- 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 Arcadis has the unconditional right to cash refunds or reduction in future payments.

DEFINED BENEFIT PENSION PLANS
Some of the pension plans qualify as defined benefit pension plans. For these 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 sheet comprises the present value of the defined benefit pension obligation and the fair value of plan assets. The present value of the obligation 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 on the Balance sheet date.

In € thousands	Asset side	Liability side	TOTAL 2016
Defined benefit pension plans	–	50,397	50,397
Other deferred compensation plans	–	22,772	22,772
TOTAL PROVISIONS FOR EMPLOYEE BENEFITS	–	**73,169**	**73,169**
Non-current	–	70,234	70,234
Current	–	2,935	2,935
TOTAL	–	**73,169**	**73,169**

In € thousands	Asset side	Liability side	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**

PENSION COSTS RECOGNIZED IN PROFIT OR LOSS
The total pension costs recognized in 2016 and 2015 were as follows:

In € thousands	2016	2015
Total defined benefit pension plans	4,629	10,741
Total defined contribution pension plans and other deferred compensation plans	65,248	61,517
TOTAL PENSION COSTS	**69,877**	**72,258**

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	2016	2015
Personnel costs	68,751	65,016
Financing costs	1,126	7,242
TOTAL PENSION COSTS	**69,877**	**72,258**

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 Arcadis 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 the UK, being the 'EC Harris Group Pension Scheme' and the 'Acer Group Pension Scheme' (formerly Hyder), which account for approximately 37% of the total defined benefit liability (2015: 28%). The remaining liability is due to the termination indemnity plan in Arcadis Middle East (formerly Hyder) (28% of the total defined benefit liability as at 31 December 2016) and other individually immaterial defined benefit pension plans within the Group (35% of the total defined benefit liability as at 31 December 2016).

The EC Harris Group Pension Scheme has been closed for future accruals since 31 January 2011, whereas the Acer Group Pension Scheme was closed for future accruals since 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 independent foundations or similar entities, with operations governed by local regulations and practice in each country. Boards 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 administering the plan assets and for defining 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.

SPECIFICATION DEFINED BENEFIT PENSION PLANS

The table below provides a summary of the classification of the defined benefit pension plans at 31 December.

In € thousands	2016			2015		
	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')	111,789	108,480	3,309	101,657	104,042	(2,385)
Acer Group Pension Scheme ('AGPS')	238,137	222,990	15,147	221,310	207,847	13,463
ME Termination Indemnity Plan ('HME')	14,006	–	14,006	12,946	–	12,946
Other defined benefit pension plans			17,935			16,319
TOTAL DEFINED BENEFIT PENSION PLANS			**50,397**			**40,343**

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 the UK (A and B), Arcadis 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.

The movement in the defined benefit pension plans is as follows:

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**40,343**	**55,808**
Acquisitions	–	–
Additions	6,023	7,583
Amounts used	(3,714)	(2,970)
Pension plan changes to net asset position	9,139	(23,945)
Exchange rate differences	(1,394)	3,867
BALANCE AT 31 DECEMBER	**50,397**	**40,343**
Non-current	50,325	40,305
Current	72	38
TOTAL	**50,397**	**40,343**

In € thousands	ECH	AGPS	HME	Other	TOTAL
BALANCE AT 1 JANUARY 2015	**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
Contributions 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**
Current service cost	39	–	2,541		
Interest expense/ (income)	(159)	448	374		
SUBTOTAL	**(120)**	**448**	**2,915**	**2,780**	**6,023**
Re-measurements:					
Return on plan assets excluding amounts included in interest expense/ (income)	(17,736)	(42,453)	–		
(Gain)/ loss from change in financial assumptions	25,953	51,935	273		
(Gain)/ loss from change in demographic assumptions	–	–	(27)		
Experience (gain)/ loss	(832)	(3,337)	563		
TOTAL RE-MEASUREMENTS	**7,385**	**6,145**	**809**	**(308)**	**14,031**
Exchange rate differences	84	(2,046)	463	105	(1,394)
Contributions by employer	(1,655)	(2,863)	–	(374)	(4,892)
Benefit payments from plans	–	–	(3,127)	(587)	(3,714)
BALANCE AT 31 DECEMBER 2016	**3,309**	**15,147**	**14,006**	**17,935**	**50,397**

(A) EC HARRIS GROUP PENSION SCHEME ('ECH')

PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

In € thousands/ %	2016	%	2015	%
Equities	5,366	5	14,991	15
Fixed income	57,966	54	37,659	36
Property and real estate	7,696	7	8,652	8
Hedge funds	23,818	22	28,365	27
Cash	3,721	3	5,752	6
Other	9,913	9	8,623	8
TOTAL	**108,480**	**100**	**104,042**	**100**

ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions at the reporting dates are:

In %	2016	2015
Discount rate	2.8	3.9
Pension revaluation in deferment	2.55	2.5
Pension increases	2.5 - 3.65	2.5 - 3.5
Retail price index inflation	3.55	3.25
Consumer price index inflation	2.55	2.25

The discount rate is based on yields on UK AA-rated 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 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	2016	2015
Male/ female currently aged 65	22.9 / 25.1	22.9 / 25.0
Male/ female reaching age of 65 in 20 years	25.1 / 27.4	25.0 / 27.3

SENSITIVITY ANALYSIS

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, ate of inflation and changes in the mortality assumptions.

In %/ € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	11,700
Rate of inflation	0.5%	5,900
Mortality assumptions	1 year increase	4,500

The sensitivity analysis as disclosed in the 2015 financial statements was as follows:

In %/ € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	10,200
Rate of inflation	0.5%	4,700
Mortality assumptions	1 year increase	3,400

DEFINED BENEFIT LIABILITY AND EMPLOYER CONTRIBUTIONS

The Company expects €1.6 million in contributions to be paid to the plan in 2017. The estimated net pension costs to be recognized in the Consolidated income statement in 2017 amounts to €107,000 negative. An amount of €70,000 relates to net interest charges and €37,000 to service costs/ operating charges.

(B) ACER GROUP PENSION SCHEME ('AGPS')

PLAN ASSETS ALLOCATION

All invested assets shown in the table below are quoted.

In € thousands/ %	2016	%	2015	%
Equities	51,247	23	66,605	32
Fixed income	93,359	41	103,464	50
Property and real estate	3,474	2	206	0
Hedge funds	66,451	30	34,984	17
Cash	8,459	4	2,588	1
Other	–	0	–	0
TOTAL	**222,990**	**100**	**207,847**	**100**

ACTUARIAL ASSUMPTIONS
The principal actuarial assumptions at the reporting dates are:

In %	2016	2015
Discount rate	2.8	3.9
Pension increases	2.20 - 3.35	2.15 - 3.10
Retail price index inflation	3.55	3.25
Consumer price index inflation	2.55	2.25

The discount rate is based on yields on UK AA-rated 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	2016	2015
Male/ female currently aged 65	23.0 / 25.1	22.9 / 25.0
Male/ female reaching age of 65 in 20 years	25.2 / 27.4	25.1 / 27.3

SENSITIVITY ANALYSIS
The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, ate of inflation and changes in the mortality assumptions.

In %/ € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	25,800
Rate of inflation	0.5%	16,400
Mortiality assumptions	1 year increase	9,400

The sensitivity analysis as disclosed in the 2015 financial statements was as follows:

In %/ € thousands	% change in assumptions	Change in pension liability
Discount rate	0.5%	20,300
Rate of inflation	0.5%	13,600
Mortiality assumptions	1 year increase	6,900

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 €2.3 million in contributions to be paid to the plan in 2017. The estimated net pension costs to be recognized in the Consolidated income statement in 2017 amounts to €0.4 million net interest costs and nil service costs/ operating charges.

(C) ARCADIS ME END OF SERVICE BENEFITS ('AME')

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 assumptions at the reporting date are:

In %	2016	2015
Discount rate	3.25	3.25
Salary increases (expected, per annum)	4.0	4.0

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	2016	2015
Male/ female Saudi Arabia	60 / 55	60 / 55
Male/ female other countries	65 / 65	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%	9,700
Salary increases	0.5%	9,700

The sensitivity analysis as disclosed in the 2015 financial statements was as follows:

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 €2.6 million of service costs and €0.4 million of interest costs to be recognized in the Consolidated income statement in 2017.

(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 the right.

OTHER DEFERRED COMPENSATION PLANS

The other deferred compensation plans consist of the following balances:

In € thousands	2016	2015
Deferred salaries	16,658	19,214
Future jubilee payments	1,200	1,200
Other	4,914	3,290
BALANCE AT 31 DECEMBER	**22,772**	**23,704**

The movement in the other deferred compensation is as follows:

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**23,704**	**22,292**
Acquisitions	101	–
Additions	438	711
Amounts used/ released	(2,049)	(1,265)
Exchange rate differences	578	1,966
BALANCE AT 31 DECEMBER	**22,772**	**23,704**
Non-current	19,909	21,314
Current	2,863	2,390
TOTAL	**22,772**	**23,704**

DEFERRED SALARIES

The deferred salaries mainly include a plan for deferred compensation of our operating company in the United States. Management of this operating 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 €16.7 million (2015: €18.4 million).

FUTURE JUBILEE PAYMENTS

€1.2 million is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels (2015: €1.2 million).

OTHER

Other deferred compensations includes €3.7 million of 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 €2.5 million is expected to be paid within one year after the balance sheet date (2015: €2.1 million).

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 used 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 (see note 9).

The amounts recognized as provisions reflect management's best estimate of the expenditures required to settle the present obligations 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 2015	**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**
Acquisitions/ disposals	–	–	(158)	(158)
Additions	9,606	14,046	6,207	29,859
Amounts used	(5,242)	(10,544)	(279)	(16,065)
Release of unused amounts	(1,152)	(32,208)	(2,369)	(35,729)
Reclassifications	(1,091)	–	1,091	–
Exchange rate differences	(170)	(4,854)	(390)	(5,414)
BALANCE AT 31 DECEMBER 2016	**6,657**	**28,071**	**9,407**	**44,135**
Non-current	363	18,512	4,456	23,331
Current	6,294	9,559	4,951	20,804
TOTAL	**6,657**	**28,071**	**9,407**	**44,135**

RESTRUCTURING

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in Continental Europe. 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 year.

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 €28.1 million (2015: €61.6 million) are the best estimate 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 could differ from this best estimate.

The movement in the provisions in 2016 include changes to the valuation of acquisition-related claims for an amount of €19.4 million (excluding tax effect), which are considered non-operating and non-recurring. This includes a release of unused amounts of €27.9 million relating to the closing, in the last quarter of 2016, of two individually significant acquisition-related claims.

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

The category other provisions mainly relates to provisions for warranties 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 material and the Company expects that the other provisions will be substantively used within one to five years.

26 LOANS AND BORROWINGS

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and repayments over time 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 at 31 December are as follows:

In € thousands	Interest rates between	2016	2015
Bank loans	1.3% - 5.0%	218,992	238,519
Loan notes issued to financial institutions	1.7% - 5.1%	478,946	470,318
Financial lease contracts	3.0% - 4.0%	187	311
Other long-term debt[1]	3.0% - 6.9%	3,360	5,069
Short-term borrowings	1.0% - 6.0%	54,258	4,851
TOTAL LOANS AND BORROWINGS		**755,743**	**719,068**
Current[2]		55,279	31,758
Non-current		700,464	687,310
TOTAL		**755,743**	**719,068**

1 Including retentions and expected after-payments not due within one year, amounting to €2.5 million (2015: €3.6 million)
2 Excluding after-payments for acquisitions, see note 27

The movement in non-current loans and borrowings is as follows:

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**687,310**	**500,383**
New debt	1,825	285,157
Redemptions	(2,491)	(115,904)
Reclassification from non-current to current	(1,649)	(32,633)
Exchange rate differences	15,469	50,307
BALANCE AT 31 DECEMBER	**700,464**	**687,310**

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2016	2015
2017	0	1,302
2018	195,387	187,726
2019	108,859	105,783
2020	136,136	134,390
2021	104,319	102,726
After 2021	155,763	155,383
BALANCE AT 31 DECEMBER	**700,464**	**687,310**

INTEREST RATES

The interest rate ranges for the total loans and borrowings are as follows:

In %	2016	2015
0% - 4%	558,518	526,739
4% - 7%	197,225	192,329
BALANCE AT 31 DECEMBER	**755,743**	**719,068**
Weighted average interest rate[1]	3.0%	2.9%

1 On interest-bearing debt (including the interest effect of swaps)

FAIR VALUE

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 €701.3 million (2015: €715.9 million).

BANK LOANS

The long-term bank loans include $202.5 million of term loans (2015: $202.5 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 €1.0 million (2015: €26.9 million) mainly relates to syndicated bank debt.

At year end, €81.5 million of floating rate bank debt has been converted by way of interest rate swaps into EUR fixed rate debt, at a rate of approximately 0.5% and the remaining lifetime of the swaps is 4.2 years. For disclosures on the derivatives, see note 16.

There is the potential to extend the maturity date twice by 12 months to December 2021 and ultimately December 2022. Such extensions will require the approval of both Arcadis and the lending banks. The debt covenants remain unchanged and consistent will all other debt components. The first extension to December 2021 is approved in November 2016.

DEBT COVENANTS

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 2016, the average net debt to EBITDA ratio calculated in accordance with agreements with the banks is 2.5 (2015: 2.2), 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 2016, this ratio calculated in accordance with agreements with lenders is 2.3 (2015: 2.6).

FACILITIES

The total short-term facilities amount to €400.8 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €221.0 million has been used as at 31 December 2016 (2015: €279.1 million including multi-currency and guarantee facility of which €127.9 million was used).

The Company has short-term uncommitted debt facilities of €98.8 million with relationship banks and two guarantee facilities totaling €54.9 million (2015: €103.0 million and respectively €74.7 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 2016, the total amount of bank guarantees and letters of credit that were outstanding under the €54.9 million guarantee facilities amounted to €42.0 million (2015: €42.0 million). Additionally there were other outstanding guarantees and letters of credit amounting to €173.1 million (2015: €85.9 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	2016	2015
Accounts payable		252,667	207,629
Accrued expenses		46,667	51,795
Payables to employees		137,367	144,914
Taxes and social security contributions		73,464	76,632
After-payments relating to acquisitions	4	1,550	8,567
Other liabilities		78,331	72,792
BALANCE AT 31 DECEMBER		**590,046**	**562,329**

The increase in accounts payable is mainly due to increase in 'paid-when-paid' subcontracting and alignment of payment terms within the value chain.

Other liabilities include various accrued liabilities, such as to be paid occupancy costs, insurance costs and interest costs.

28 CAPITAL AND FINANCIAL RISK MANAGEMENT

Arcadis' activities expose the Company to a variety of financial risks, including (A) credit risks, (B) liquidity risks, and (C) market risks.

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 RISKS

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. 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 and the group 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.

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	2016	2015
FINANCIAL ASSETS:			
Trade receivables	18	621,601	606,931
Work in Progress (unbilled receivables)	19	518,491	466,446
Other receivables	20	32,113	24,011
Other non-current assets	17	30,683	30,458
Derivatives	16	6,156	2,722
Loans to associates and joint ventures	14	16,600	11,000
		1,225,644	**1,141,568**
Cash and cash equivalents less bank overdrafts	21	259,167	221,088
TOTAL		**1,484,811**	**1,362,656**

TRADE RECEIVABLES

Trade receivables are presented net of a provision for trade receivables. The credit risk is measured and analyzed on a local level at regular intervals, taking into consideration, amongst others, the financial situation of the debtor and ageing of receivables. When there is objective evidence that the client is not able to meet its obligations for the outstanding invoice(s), the expected loss is determined in line with IAS 39.

The ageing of trade receivables and the provision for trade receivables at reporting date is disclosed below. In Brazil and Middle East the increased aging of receivables has led to impairments for expected losses and calibration of assumptions as included in the Goodwill impairment test (see note 12). The movement schedule for the provision for trade receivables is included in note 18.

	2016		2015	
In € thousands	Gross receivable[1]	Provision trade receivables	Gross receivable[1]	Provision trade receivables
Not past due	340,799	(1,498)	302,678	(2,638)
Past due 0 - 30 days	120,771	(1,169)	144,221	(1,188)
Past due 31 - 120 days	78,966	(1,734)	92,599	(953)
More than 120 days due	137,553	(53,978)	121,931	(52,349)
TOTAL	**678,089**	**(58,379)**	**661,429**	**(57,128)**

1 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 the reporting date that the debtors will not meet their payment obligations.

There are various reasons for delays in payments that result in past due amounts and impact Days Sales Outstanding ('DSO'). Arcadis has overdue receivables which are generally considered collectible and for which the risk of impairment is remote. Especially for our larger projects the following areas are addressed in our ongoing Working Capital program as part of the Arcadis Way (as briefly described on page 13):

- Customers may uphold payments that are due in accordance with invoicing timing schedules until a further milestone in a project is reached, thereby not formally adhering to agreed payment schedules but not disputing the invoice.
- Receivables on larger projects often consist of multiple elements of which individual minor items may be disputed, require further clarification or documentation and that upholds the payment of the total invoiced amount.
- As business practice, or as part of our contracts, it is common that when Arcadis is a sub-contractor, we only get paid when our customers get paid by the ultimate client - the so called 'paid-when-paid principle'.

OTHER RECEIVABLES AND NON-CURRENT ASSETS

Other receivables and Other non-current assets do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts and services will be received.

CASH AND CASH EQUIVALENTS

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 67% (2015: 65%) 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 in the short-term.

GUARANTEES AND LETTERS

The Company provided bank guarantees and letters of credit. The total amount of outstanding guarantees and letters of credit amounted to €215.1 million (2015: €119.0 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €156.2 million (2015: €88.3 million) to provide local financing facilities.

(B) LIQUIDITY RISKS

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. Our 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.

Neither the aged (un)billed receivables of individual customers, nor the profile customer receivable portfolio of CGUs, impose a significant threat to the Company's liquidity planning.

Over the course of the year, considerable fluctuations occurred in the working capital needed to finance operations. 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.

LINES OF CREDIT

The Company maintains the lines of credit as summarized in the table below.

In millions		31 DECEMBER 2016		31 DECEMBER 2015	
Type	Interest/ fees	Available	Utilised	Available	Utilised
Term loan	USD LIBOR	$202.5	$202.5	$229.9	$229.9
Term loan	EURIBOR	€24.5	€24.5	€24.5	€24.5
Revolving Credit Facility	EURIBOR	€300.0	€50.0	€300.0	€0.0
Committed facilities	EURIBOR	€35.0	€0.0	€35.0	€0.0
Uncommitted multi-currency facilities	Floating	€98.8	€0.0	€103.0	€0.0
US Private Placement notes	5.1%	$110.0	$110.0	$110.0	$110.0
US Private Placement notes	5.0%	$90.0	$90.0	$90.0	$90.0
Schuldschein notes	Fixed/ floating	€210.0	€210.0	€210.0	€210.0
Schuldschein notes	Fixed/ floating	$83.0	$83.0	$83.0	$83.0
Guarantee facility	0.3% - 0.65%	€50.0	€37.1	€50.0	€17.3
Other (loans)	Various	€57.8	€5.9	€24.3	€8.9
Other (loans and guarantees)	Various	€189.3	€173.1	€77.0	€77.0

CONTRACTUAL OBLIGATIONS

The following tables describe, at 31 December 2016 and 2015, our commitments and contractual obligations for the following five years and thereafter. The other 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 at 31 December 2016.

No collateral has been pledged for liabilities or contingent liabilities.

In € thousands	TOTAL	< 1 year	1 - 3 years	4 - 5 years	> 5 years
					Payments due by period
CONTRACTUAL OBLIGATIONS AT 31 DECEMBER 2016:					
Operating lease obligations	352,678	103,608	140,542	71,492	37,036
Capital (finance) lease obligations	187	183	1	3	–
Guarantees on behalf of associates	69,917	69,917			
FOREIGN EXCHANGE CONTRACTS:					
Outflow	835,198	835,398	(200)	–	–
Inflow	(833,254)	(833,492)	238	–	–
INTEREST RATE SWAPS:					
Outflow	1,856	399	793	664	–
Inflow	(221)	(51)	(100)	(70)	–
CROSS CURRENCY SWAPS:					
Outflow	48,079	1,519	5,200	3,651	37,709
Inflow	(47,165)	(1,023)	(3,071)	(2,047)	(41,024)
Deferred consideration	3,942	2,313	1,629	–	–
Interest	80,976	23,296	33,568	18,652	5,460
Other long-term liabilities	698,774	836	88,641	241,114	368,183
Short-term bank debt	54,258	54,258	–	–	–
TOTAL	**1,265,225**	**257,161**	**267,241**	**333,459**	**407,364**

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	–	–
Guarantees on behalf of associates	47,798	47,798			
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	**1,195,069**	**180,357**	**288,958**	**159,835**	**565,919**

(C) MARKET RISKS

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 CURRENCIES

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	in AED
AT 31 DECEMBER 2016						
Trade receivables	8,518	14,423	385	5,270	–	–
Cash and cash equivalents	4,570	41,886	736	(15)	–	(509)
Derivatives	24,453	144,966	55,001	12,452	(13,225)	(58,047)
Loans and borrowings	(74,353)	(155,538)	(41,249)	(14,095)	20,437	41,810
Trade payables	(61,459)	(10,811)	(2,989)	(657)	–	–
BALANCE EXPOSURE	**(98,271)**	**34,926**	**11,884**	**2,955**	**7,212**	**(16,746)**
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**	

The below exchange rates were applied in the year.

	2016		2015	
In €	Average	Year-end	Average	Year-end
US Dollar ('USD')	0.90	0.95	0.90	0.92
Pound Sterling ('GBP')	1.22	1.17	1.38	1.36
Chinese Yuan Renminbi ('CNY')	0.14	0.14	0.14	0.14
Brazilian Real ('BRL')	0.26	0.29	0.27	0.23
United Arab Emirates Dirham ('AED')	0.25	0.26	0.25	0.25

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 2017.

SENSITIVITY ANALYSIS CURRENCY RISKS

Foreign currency sensitivity analyses are performed by applying an expected possible volatility of a currency, assuming all other variables, in particular interest rates, remain constant. All monetary assets and liabilities of the Company at year-end are revalued, which results in a hypothetical impact on net income and equity as summarized below.

	2016		2015	
In € millions	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% change euro against the US dollar	1.8	41.8	0.7	28.3
10% change euro against the Pound Sterling	4.7	62.4	0.6	34.7
10% change euro against the Brazilian Real	1.6	6.5	0.7	5.8

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than the euro are not hedged by using financial instruments.

(C2) INTEREST RATE RISKS

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 €754.1 million at year-end 2016 (2015: €719.1 million).

Floating rate debt results in cash flow 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') contracts were entered into in 2015. These contracts, together with the fixed rate US private placement and Schuldschein issuances ensure the desired mix of fixed and floating debt.

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 the Group Treasury Policy during 2016.

SENSITIVITY ANALYSIS INTEREST RATE RISK

Interest rate sensitivity analyses are performed by applying an expected possible volatility of interest rates, assuming all other variables remain constant. All interest bearing liabilities of the Company at year-end are revalued, which results in a hypothetical impact on the pre-tax profit for the year and equity as summarized below.

	2016		2015	
In € millions	Impact on pre-tax profit for the year	Impact on equity	Impact on pre-tax profit for the year	Impact on equity
10 basis points change to interest rate	0.3	0.2	0.4	0.2

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 2016, Arcadis' strategic goal on financing, which was unchanged from 2015, was to maintain a net debt to EBITDA ratio not exceeding 2.0 in order to secure access to finance at a reasonable cost.

BANK COVENANTS

The net debt to EBITDA ratios were as follows:

In € millions	Note	2016	2015
Long-term loans and borrowings	26	700.4	687.3
Current portion of loans and borrowings	26	55.3	31.8
Bank overdrafts	21	0.9	–
TOTAL DEBT		**756.6**	**719.1**
Less: cash and cash equivalents	21	(260.0)	(221.1)
NET DEBT		**496.6**	**498.0**
Less: non-current portion deferred consideration	4	(2.5)	(3.6)
NET DEBT ACCORDING TO DEBT COVENANTS		**494.1**	**494.4**
EBITDA ACCORDING TO DEBT COVENANTS[1]		**212.0**	**255.0**

[1] EBITDA adjusted for share-based compensation and acquisition effects, in accordance with debt covenants. Non-GAAP performance measure

RATIOS

	2016	2015
NET DEBT TO EBITDA[1] (AT YEAR-END NET DEBT)	**2.3**	**1.9**
NET DEBT TO EBITDA[1] RATIO ACCORDING TO DEBT COVENANTS (AT AVERAGE NET DEBT)	**2.5**	**2.2**

1 Non-GAAP performance measure (reference is made to the Glossary for the definition as used by Arcadis)

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:

			Carrying value per IAS 39 category				
In € thousands	Carrying amount	Out of Scope IFRS 7	Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through Other comprehensive income	TOTAL	Fair value
31 DECEMBER 2016							
Investments in associates	24,730	24,730					
Other investments	656	–	656			656	656
Other non-current assets	30,683	–	30,683	–	–	30,683	30,683
(UN)BILLED RECEIVABLES:							
Trade receivables	621,601	–	621,601	–	–	621,601	621,601
Work in progress (unbilled receivables)	518,491	–	518,491	–	–	518,491	518,491
Derivatives	6,156	–	–	5,653	503	6,156	6,156
Cash and cash equivalents	260,032	–	260,032	–	–	260,032	260,032
TOTAL FINANCIAL ASSETS	**1,462,349**	**24,730**	**1,431,463**	**5,653**	**503**	**1,437,619**	**1,437,619**
LOANS AND BORROWINGS:							
Non-current	700,464	–	700,464	–	–	700,464	700,271
Current	1,019	–	1,019	–	–	1,019	1,019
Derivatives	10,602	–	–	8,493	2,109	10,602	10,602
Work in progress (billing in excess of cost)	286,932	–	286,932	–	–	286,932	286,932
Accounts payable	252,667	–	252,667	–	–	252,667	252,667
Bank overdrafts and short-term bank debts	55,123	–	55,123	–	–	55,123	55,123
TOTAL FINANCIAL LIABILITIES	**1,306,807**	–	**1,296,205**	**8,493**	**2,109**	**1,306,807**	**1,306,614**

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.

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**

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 leases, 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 contingent 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 25), 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	2016	2015
Less than 1 year	103,608	98,183
1 - 5 years	212,034	194,282
More than 5 years	37,036	28,128
OPERATING LEASE CONTRACTS	**352,678**	**320,593**
Guarantees	215,112	119,031
Other commitments	67,743	63,262
TOTAL COMMITMENTS	**635,533**	**502,886**

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 five 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 2016, €121 million was recognized as an expense in profit or loss with regard to operating leases (2015: €115 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 €215.1 million (2015: €119.0 million). Guarantees related to investments in associates are €69.9 million (2015: €47.8 million). At 31 December 2016 it is not probable that these result in cash outflows.

OTHER COMMITMENTS

The other commitments include the service part of a long-term global IT outsourcing contract, which runs for a remaining period of five 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 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, 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 2016. Total revenues from joint arrangements amounted to €105.6 million (2015: €47.3 million).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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 47, 48 and 49. During 2016 (and 2015), no transactions involving conflicts of interest for key management personnel occurred which were material to the Company. In addition, the Company has not granted any loans, advances or guarantees to key management personnel.

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 2016, the transactions between Arcadis and SPAN comprise of the transfer of pension premiums and cost charges, which amounted to €22.8 million (2015: €19.6 million). At year-end 2016, the amount due to SPAN was nil (2015: nil). In addition, the Company contributed €1.6 million (2015: €7.7 million) to the pension plan of EC Harris (defined benefit plan) and €2.9 million to the pension plan of Hyder (AGPS; defined benefit plan) (2015: €3.5 million), and €0.4 million to other defined benefit plans (2015: €0.5 million), see note 24.

TRANSACTIONS WITH LOVINKLAAN FOUNDATION

Stichting Lovinklaan (Lovinklaan Foundation) is one of the main shareholders of Arcadis. The board of the Foundation consists of Arcadis employees. At year-end 2016, the Foundation had an interest of 17.2% in Arcadis NV (2015: 17.0%). The Foundation has a Global Share Plan ('GSP', see note 8) in place which allows Arcadis employees to purchase Arcadis shares from the Foundation with a discount, which is funded by the Foundation. 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 2016 amounted to €0.4 million (2015: €0.4 million).

Lovinklaan Foundation supports the Quest program 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 2016, 141 employees (2015: 117) participated in the Quest program and 105 employees (2015: 99) participated in the Global Shapers program respectively. Financial support amounted to €1.6 million (2015: €1.1 million). In addition, Arcadis received €0.4 million funding for the Satellite program.

During 2016 and 2015, no other financial transactions than mentioned above took place between the Foundation and the Company, except for the dividends on the shares.

Transactions with related parties in the financial year are disclosed in the table below.

	Transactions with associates		Transactions with joint arrangements		Transactions with post-employee benefit plans		Other	
In € millions	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sales (to)	13.9	16.3	105.6	47.3	–	–	0.9	–
Purchases (from)	0.4	1.2	1.9	7.2	–	–	–	–
Loans (to)	16.6	2.3	1.1	–	–	–	–	–
Receivables (from)	1.9	7.8	17.1	6.7	0.1	–	0.1	0.2
Payables (to)	0.7	0.6	2.0	–	2.5	–	–	–
Dividends received (from)	0.1	0.1	–	–	–	–	–	–
Provision for bad debts related to outstanding balances	–	–	0.8	0.7	–	–	–	–
Related expenses to these bad or doubtful debts	–	–	0.3	–	–	–	–	–
Transfer of pension premiums and cost charges	–	–	–	–	28.2	31.3	–	–
Contributions	–	–	–	–	–	–	2.4	2.8

TRANSACTIONS WITH OTHER RELATED PARTIES

In 2016, Arcadis NV contributed €60,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') (2015: €50,000) and €1,000 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2015: €1,000). See note 22 for further information on these Foundations.

The receivable of €0.5 million on Stichting Preferente Aandelen Arcadis NV, which was outstanding at 31 December 2015, has been received 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, that would have changed the judgment and analysis by management of the financial condition of the Company at 31 December 2016, or the profit for 2016.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

as at 31 December - before allocation of profit

In € thousands	Note	2016	2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	36	30,573	21,931
Property, plant & equipment	37	785	909
Investments in subsidiaries	38	1,434,963	463,200
Loans issued to subsidiaries and other investments	39	223,110	842,673
Deferred tax assets	43	704	3,697
Derivatives		375	–
TOTAL NON-CURRENT ASSETS		**1,690,510**	**1,332,410**
CURRENT ASSETS			
Derivatives		8,813	1,870
Receivables	40	151,568	450,423
Corporate income tax receivable		–	203
Cash and cash equivalents		27,762	2,583
TOTAL CURRENT ASSETS		**188,143**	**455,079**
TOTAL ASSETS		**1,878,653**	**1,787,489**

In € thousands	Note	2016	2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
TOTAL SHAREHOLDERS' EQUITY	22, 41	**999,069**	**1,007,970**
NON-CURRENT LIABILITIES			
Provisions	42	1,500	1,500
Deferred tax liabilities	43	393	393
Long-term debt	44	355,184	311,558
Derivatives		2,356	570
TOTAL NON-CURRENT LIABILITIES		**359,433**	**314,021**
CURRENT LIABILITIES			
Current portion of provisions	42	798	–
Derivatives		8,885	5,639
Bank overdrafts	45	865	377,832
Short-term borrowings	45	50,000	–
Corporate income tax payable		4,513	–
Trade and other liabilities	45	455,090	82,027
TOTAL CURRENT LIABILITIES		**520,151**	**465,498**
TOTAL EQUITY AND LIABILITIES		**1,878,653**	**1,787,489**

The notes on page 207 to 217 are an integral part of these Company financial statements

COMPANY INCOME STATEMENT

for the year ended 31 December

In € thousands	Note	2016	2015
Corporate charges to subsidiaries	33	92,116	130,371
TOTAL CORPORATE INCOME		**92,116**	**130,371**
Personnel costs	50	(40,898)	(31,907)
Other operational costs	34	(25,964)	(29,389)
Depreciation and amortization	36, 37	(3,045)	(2,350)
TOTAL OPERATIONAL COSTS		**(69,907)**	**(63,646)**
OPERATING INCOME		**22,209**	**66,725**
Finance income		18,524	24,606
Finance expenses		(30,972)	(25,022)
Fair value change of derivatives		4,540	23,590
NET FINANCE EXPENSE	35	**(7,908)**	**23,174**
PROFIT BEFORE INCOME TAX		**14,301**	**89,899**
Income taxes		(9,426)	(6,034)
Net income subsidiaries		59,279	14,875
PROFIT FOR THE PERIOD		**64,154**	**98,740**

The notes on page 207 to 217 are an integral part of these Company financial statements

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 of 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 (e.g. name conventions), in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

33 CORPORATE CHARGES TO SUBSIDIARIES

Corporate charges to subsidiaries include items such as headquarter support service fees, royalty fees, and license fees.

The decrease compared to 2015 is mainly due to 'true-ups' for previous years, which have been calculated and settled in 2016.

34 OTHER OPERATIONAL COSTS

In € thousands	2016	2015
Occupancy	1,222	1,055
Travel	2,479	2,547
Office related	184	270
Audit and consultancy services	10,339	6,910
Insurances	8,895	8,335
Marketing and advertising	1,496	951
Other	1,349	9,321
TOTAL	**25,964**	**29,389**

35 NET FINANCE EXPENSE

The net finance expense includes income and expenses relating to intercompany loans. Foreign exchange differences on financial liabilities are part of the finance expenses.

36 INTANGIBLE ASSETS

In € thousands	Software	Intangibles under development	TOTAL
Cost	9,296	8,192	17,488
Accumulated depreciation	(4,757)	–	(4,757)
AT 1 JANUARY 2015	**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)
AT 31 DECEMBER 2015	**2,894**	**19,037**	**21,931**
Additions	4,519	7,044	11,563
Depreciation charges	(2,921)	–	(2,921)
MOVEMENT 2016	**1,598**	**7,044**	**8,642**
Cost	14,329	26,081	40,410
Accumulated depreciation	(9,837)	–	(9,837)
AT 31 DECEMBER 2016	**4,492**	**26,081**	**30,573**

The Intangibles under development of €26.1 million (2015: €19.0 million) are mainly related to the purchase of licenses and development of software not yet in use.

37 PROPERTY, PLANT & EQUIPMENT

In € thousands	Furnitures and fixtures
Cost	2,559
Accumulated depreciation	(1,335)
AT 1 JANUARY 2015	**1,224**
Additions	5
Disposals	(129)
Depreciation charges	(191)
MOVEMENT 2015	**(315)**
Cost	2,435
Accumulated depreciation	(1,526)
AT 31 DECEMBER 2015	**909**
Additions	–
Disposals	–
Depreciation charges	(124)
MOVEMENT 2016	**(124)**
Cost	2,435
Accumulated depreciation	(1,650)
AT 31 DECEMBER 2016	**785**

38 INVESTMENTS IN SUBSIDIARIES

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**463,200**	**408,956**
Share in income of subsidiaries	59,279	14,875
Dividends received	–	–
Purchase of controlling interest	–	–
Capital contributions	939,342	–
Other changes	(12,256)	6,328
Exchange rate differences	(14,602)	33,041
BALANCE AT 31 DECEMBER	**1,434,963**	**463,200**

In 2016, Arcadis NV converted intercompany loans and current account balances of several subsidiaries into equity in order to reduce the administrative burden.

39 LOANS ISSUED TO SUBSIDIARIES AND OTHER INVESTMENTS

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**842,673**	**708,886**
Loans issued to subsidiaries	94,655	99,181
Redemptions	(671,457)	(8,975)
Investments	–	–
Exchange rate differences	(42,761)	43,581
BALANCE AT 31 DECEMBER	**223,110**	**842,673**

The redemptions in 2016 are due to conversion of intercompany loans into equity, also see the capital contributions in note 38 (which include the conversion of both intercompany loans and intercompany receivables). The exchange rate differences are mainly due to changes in the exchange rate of GBP compared to EUR.

The balance at 31 December 2016 includes an amount of €185,000 of other investments (2015: €185,000).

40 RECEIVABLES

In € thousands	2016	2015
Receivables from subsidiaries and associates	147,018	445,741
Other receivables	4,550	4,682
TOTAL	**151,568**	**450,423**

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

41 SHAREHOLDERS' EQUITY

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Statutory reserve	Retained earnings	Undistributed profits	TOTAL
BALANCE AT 1 JANUARY 2015	**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**
Net income	–	–	–	–	–	–	64,154	64,154
Exchange rate differences	–	–	–	(39,466)	–	(2,680)	–	(42,146)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	(852)	–	–	–	–	(852)
Re-measurements on post-employment benefit obligations, net of income taxes	–	–	–	–	–	(13,108)	–	(13,108)
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES	–	–	**(852)**	**(39,466)**	–	**(15,788)**	–	**(56,106)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	**(852)**	**(39,466)**	–	**(15,788)**	**64,154**	**8,048**
TRANSACTIONS WITH OWNERS OF THE COMPANY:								
Dividends to shareholders	–	(30,514)	–	–	–	–	(21,673)	(52,187)
Addition to other (statutory) reserves	–	–	–	–	4,231	72,836	(77,067)	–
Issuance of shares	43	30,471	–	–	–	–	–	30,514
Share-based compensation, net of income taxes	–	–	–	–	–	17,553	–	17,553
Purchase of own shares	–	–	–	–	–	(14,951)	–	(14,951)
Share options exercised	–	–	–	–	–	2,122	–	2,122
TOTAL TRANSACTIONS WITH OWNERS OF THE COMPANY	**43**	**(43)**	–	–	**4,231**	**77,560**	**(98,740)**	**(16,949)**
BALANCE AT 31 DECEMBER 2016	**1,721**	**372,560**	**(3,285)**	**2,607**	**49,884**	**511,428**	**64,154**	**999,069**

The legal reserves include the hedging reserve, translation reserve and the statutory reserves and are non-distributable. The statutory reserves include €49.9 million (2015: €45.7 million) for reserves relating to earnings retained by subsidiaries, associates and joint ventures. For information on shares purchased to cover the Company's option plans, see note 22 of the Consolidated financial statements.

42 PROVISIONS

In € thousands	2016	2015
BALANCE AT 1 JANUARY	**1,500**	**1,500**
Additions	798	–
Release of unused amounts	–	–
BALANCE AT 31 DECEMBER	**2,298**	**1,500**
Current	798	–
Non-current	1,500	1,500
BALANCE AT 31 DECEMBER	**2,298**	**1,500**

The provisions of Arcadis NV relate to claims and litigations for an amount of €1.5 million (2015: €1.5 million) and to restructuring for an amount of €0.8 million (2015: nil), of which €0.6 million relates to Neil McArthur (see note 47).

43 DEFERRED TAX ASSETS AND LIABILITIES

In € thousands	Deferred tax assets	Deferred tax liabilities	TOTAL
BALANCE AT 1 JANUARY 2015	**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**
Additions/ deductions	(9,064)	–	(9,064)
Changes recognized directly in equity/ OCI	6,071	–	6,071
BALANCE AT 31 DECEMBER 2016	**704**	**(393)**	**311**

44 LONG-TERM DEBT

In € thousands	2016	2015
Loans from group companies	187,060	142,630
Loan notes issued to financial institutions	168,124	168,928
TOTAL	**355,184**	**311,558**

In 2020, an amount of €80.1 million of the loans notes issued to financial institutions is due. The remaining amount of €88.0 million is due after 2020.

45 CURRENT LIABILITIES

In € thousands	2016	2015
Bank overdrafts	865	377,832
Short-term borrowings	50,000	–
Suppliers	3,819	5,220
Payables to group companies	439,056	65,404
Other liabilities	12,215	11,403
TOTAL	**505,955**	**459,859**

The payables to group companies mainly relate to the internal cash pool. The short-term borrowings consist of €50.0 million drawn on the Revolving Credit Facility ('RCF'). Refer to note 26 and 28 for futher information on Arcadis' lines of credit.

46 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 corporate income tax and value added tax liabilities of the fiscal unity.

Ultimo 2016, the Company had commitments for rent and lease obligations amounting to €17.9 million (2015: €21.9 million). Additionally, the Company entered into long-term service commitments relating to the global IT outsourcing contract of €67.4 million (2015: €62.6 million).

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 €153.6 million of which €42 million is used at the balance sheet date (2015: €177.7 million of which €42 million was used). In addition to this amount, Arcadis NV has corporate guarantees for an amount of €121.7 million available (2015: €88.3 million).

47 REMUNERATION OF EB AND SB MEMBERS

REMUNERATION OF EXECUTIVE BOARD MEMBERS

In 2016, an amount of €5.6 million (2015: €5.6 million) was charged to the Company for remuneration of current and former Executive Board members, including pension charges and the LTIP expense.

As reflected in the 'Remuneration report', 97,500 conditional performance shares were granted as variable remuneration (2015: 115,000). The number of shares repurchased to settle share awards granted to Executive Board members and other key management personnel is disclosed in 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 page 139.

CHANGES IN THE EXECUTIVE BOARD

On 27 October 2016, we announced that Neil McArthur, CEO since May 2012, would be leaving the Company by mutual agreement. The termination date of his contract is 1 February 2017, but in accordance with the termination agreement he has been released from his statutory duties as per 27 October 2016. As a result, he is classified in the tables hereafter as "former board member".

In 2016, the remuneration of Neil McArthur consisted of his regular salary and bonus over 2016, plus a severance payment of a one-year base salary of €630,000 (gross). This severance payment will be made in accordance with the remuneration policy as approved by the Annual General Meeting of Shareholders in 2014. In addition, the Company agreed with Neil McArthur that the service conditions for the awards granted under the Long-Term Incentive Plan ('LTIP') continue to be met, resulting in an accelerated amortization charge of €1.3 million in 2016.

The remuneration of Neil McArthur in 2017 will consist of one month salary (plus pension compensation) and the last month of the amortization charge relating to the LTIP awards, amounting to €0.7 million in total, which has been expensed in 2016 since Neil McArthur is released from his duties as from 27 October 2016.

OVERVIEW OF REMUNERATION OF EXECUTIVE BOARD MEMBERS IN 2016

In € thousands	Salary	Bonus[1]	Bonus in share value[1]	Pension compensation	Pension	LTIP expense[2]	Termination benefit	TOTAL 2016	Performance shares Number	Performance shares Value[3]
Renier Vree[4]	480	60	15	78	24	433	–	1,090	26,000	144
Stephanie Hottenhuis	420	56	14	72	22	299	–	883	17,500	97
Stephan Ritter	420	56	14	60	21	285	–	856	17,500	97
TOTAL CURRENT BOARD MEMBERS	**1,320**	**172**	**43**	**210**	**67**	**1,017**	**–**	**2,829**	**61,000**	**338**
FORMER BOARD MEMBER										
Neil McArthur[4]	630	48	12	119	27	1,297	630	2,763	36,500	203
TOTAL FORMER BOARD MEMBERS	**630**	**48**	**12**	**119**	**27**	**1,297**	**630**	**2,763**	**36,500**	**203**
TOTAL CURRENT AND FORMER BOARD MEMBERS	**1,950**	**220**	**55**	**329**	**94**	**2,314**	**630**	**5,592**	**97,500**	**541**

1 The bonus is based on the results achieved in 2016, this bonus will be paid in 2017. Part of the bonus has been remunerated in shares for 2016
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 €5.55 per share, see note 8 (RSUs for management)
4 Reference is made to the disclosure above on changes in the Executive Board

OVERVIEW OF REMUNERATION OF EXECUTIVE BOARD MEMBERS 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 MEMBER									
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

The unvested LTIP awards of Neil McArthur outstanding as of 1 February 2017 will continue to vest at their regular vesting dates based on the actual relative Total Shareholders Return ('TSR') performance, but this will have no impact on the LTIP charges recognized since the amortization charge was accelerated and fully taken in 2016. The Company also considered whether the Dutch excessive tax levy ("pseudo eindheffing" (Art. 32bb Dutch wage tax Act) at a tax rate of 75%) applies to Neil McArthur's severance arrangement. The current indication is that no such tax levy will become payable.

As from 27 October 2016, the interim CEO role is fulfilled by Renier Vree. As from that date he receives a temporary gross supplement to his CFO salary of €15,000 per month, which is not included in the basis for calculation of any other remuneration element, such as annual bonus entitlement, pension compensation and/ or any future severance payments (if any).

REMUNERATION OF SUPERVISORY BOARD MEMBERS

At year-end 2016, the Supervisory Board consisted of seven members (2015: seven). The joint fixed remuneration for 2016 totaled €0.5 million (2015: €0.5 million), specified as follows:

In € thousands	2016	2015
Niek W. Hoek	88	87
Ian M. Grice	85	75
Ruth Markland	73	75
George R. Nethercutt Jr.	72	76
Deanna Goodwin[1]	50	–
J.C. Maarten Schönfeld	69	65
Michiel Lap[2]	68	45

1 Member of the Supervisory Board since 25 April 2016
2 Member of the Supervisory Board since 13 May 2015

48 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 2016	31 DECEMBER 2015
Renier Vree	46,877	34,282
Stephanie Hottenhuis	19,806	14,041
Stephan Ritter	2,316	897
FORMER BOARD MEMBER		
Neil McArthur[1]	100,043	78,005

Number of conditional performance shares Arcadis NV[3]		
Renier Vree	78,000	62,000
Stephanie Hottenhuis	52,500	45,000
Stephan Ritter	52,500	35,000
FORMER BOARD MEMBER		
Neil McArthur[2]	109,500	90,500

1 Number of shares held at 27 October 2016
2 Reference is made to the disclosure in note 47 on changes in the Executive Board
3 Amounts based on granting of 100% of the reference numbers, with maximal extension to 200% (see note 8) . For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 142 of this Annual Report

Arcadis aims to align with current best practices that show a reduced prevalence of option compensation. As from 2014, Arcadis has therefore 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 2016, the aggregate numbers of stock options and RSUs held by members of the Executive Board are as follows:

Stock options	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2016	Increase/ (decrease) by performance measure	Vested in 2016	Exercised in 2016	Outstanding at 31 December 2016	Expiration date
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	23,334	–	–	–	23,334	17-05-2022
	2013	20.96	20,000	–	–	–	20,000	09-05-2023
			140,408	–	–	–	**140,408**	
Stephanie Hottenhuis								
	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	23,334	–	–	–	23,334	17-05-2022
	2013	20.96	20,000	–	–	–	20,000	09-05-2023
			72,117	–	–	–	**72,117**	
Stephan Ritter								
	2013	20.96	20,000	–	–	–	20,000	09-05-2023
			20,000	–	–	–	**20,000**	
FORMER BOARD MEMBER								
Neil McArthur[1]	2011	16.18	103,320	–	–	–	103,320	19-05-2021
	2012	15.74	40,834	–	–	–	40,834	17-05-2022
	2013	20.96	35,000	–	–	–	35,000	09-05-2023
			179,154	–	–	–	**179,154**	
TOTAL STOCK OPTIONS			**411,679**	–	–	–	**411,679**	

1 Reference is made to the disclosure in note 47 on changes in the Executive Board

Conditional performance shares	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2016	Granted in 2016	Increase/ (decrease) by performance measure	Vested in 2016	Outstanding at 31 December 2016	Vesting date
Renier Vree								
	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
	2016	14.30	–	26,000	–	–	26,000	27-04-2019
			62,000	**26,000**	–	**(10,000)**	**78,000**	
Stephanie Hottenhuis								
	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
	2016	14.30	–	17,500	–	–	17,500	27-04-2019
			45,000	**17,500**	–	**(10,000)**	**52,500**	
Stephan Ritter								
	2014	25.42	17,500	–	–	–	17,500	19-05-2017
	2015	24.83	17,500	–	–	–	17,500	15-05-2018
	2016	14.30	–	17,500	–	–	17,500	27-04-2019
			35,000	**17,500**	–	–	**52,500**	
FORMER BOARD MEMBER								
Neil McArthur[1]								
	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
	2016	14.30	–	36,500	–	–	36,500	27-04-2019
			90,500	**36,500**	–	**(17,500)**	**109,500**	
TOTAL CONDITIONAL PERFORMANCE SHARES			**232,500**	**97,500**	–	**(37,500)**	**292,500**	

1 Reference is made to the disclosure in note 47 on changes in the Executive Board

49 SHARES AND OPTIONS HELD BY MEMBERS OF THE SB

Members of the Supervisory Board hold no Arcadis shares and/ or options.

50 EMPLOYEES

At 31 December 2016, Arcadis NV had 123 full-time employees (2015: 101). For information on the RSUs and 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.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2016	2015
Salaries and wages	19,091	11,961
Social charges	999	1,018
Pension and early retirement charges	1,258	602
Other personnel costs (including temporary labor)	19,550	18,326
TOTAL PERSONNEL COSTS	**40,898**	**31,907**

51 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 of the last two fiscal years for various services:

Type of services provided (in € millions)	2016	2015
Audit fees	3.6	3.4
Audit-related fees	0.1	0.2
Tax fees	–	–
Other non-audit fees	–	–
TOTAL	**3.7**	**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, 15 February 2017

Executive Board
Renier Vree
Stephanie Hottenhuis
Stephan Ritter

Supervisory Board
Niek Hoek
J.C. Maarten Schönfeld
Ruth Markland
Ian Grice
Michiel Lap
Deanna Goodwin
George R. Nethercutt Jr.

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 2016 amounts to €64.2 million. The Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €27.7 million to the retained earnings and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €36.5 million from the profits of the fiscal year 2016, which represents a dividend of €0.43 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. The Board of the Stichting Prioriteit Arcadis NV consists of twenty board members (with three vacancies at 31 December 2016): 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). 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 2016

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 2016 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 2016 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 2016 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 2016;
- the following statements for 2016: 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 2016;
- 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 section "Our responsibilities for the audit of the financial statements" of our report.

INDEPENDENCE

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

Arcadis NV is a global design & consultancy firm for natural and built assets. The Group comprises of several components and therefore we considered our group audit scope and approach as set out in the "The scope of our group audit" section. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Executive Board made subjective judgements, for example in respect of valuation of (un)billed receivables, valuation of goodwill and valuation of litigations and claims which involve making assumptions and considering future events that are inherently uncertain. Given the significance of these matters to the financial statements we considered these to be key audit matters as set out in the key audit matter section of this report.

Furthermore, given the global presence of the Company and the significant performance based bonus schemes which the Company has in place at certain components, we identified 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, as key audit matter. 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 the areas of IT audit, valuations, treasury, tax, remuneration and actuarial expertise in our team.

The outlines of our audit approach were as follows:

Materiality
- Overall materiality: €5.7 million, which represents 5% of three year average profit before tax.

Audit scope
- We conducted audit work on fourteen components spread over the group.
- Site visits were conducted by the group engagement team to locations in the Netherlands, United States, Middle East, United Kingdom and Hong Kong.
- Audit coverage: 84% of consolidated gross revenue, 78% of consolidated total assets and 74% over profit before tax.

Key audit matters
- Project revenue recognition and valuation of (un)billed receivables.
- Valuation of goodwill.
- Valuation of litigations and claims.
- 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 responsibilities 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	€5.7 million (2015: €6.6 million)
How we determined it	5% of three year average 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. We changed our benchmark in comparison with prior year since 2016 is considered to be a volatile year compared to previous years and as such we used the three year average profit before tax to maintain an appropriate materiality level.
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 €5.1 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 €250,000 (2015: €330,000) 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 focussed on the significant components of Arcadis NV which includes group entities in the Netherlands, United States, Middle East, United Kingdom, Hong Kong and Brazil. Seven entities were subjected to audits of their complete financial information as those components are individually significant to the group. Two entities were subjected to specific risk-focused audit procedures as they include significant or higher risk areas as their operating environment is in the Middle East which is a territory with higher uncertainties in particular with respect to the valuation of unbilled receivables. Additionally, five entities 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:

Gross revenue	84%
Total assets	78%
Profit before tax	74%

None of the remaining components represented more than 2% of total group gross revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the Arcadis NV Company financial statements the group engagement team performed the audit work. For the components we used component auditors 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 engagement team visited local management and the component auditors in the Netherlands, the United States, the Middle East, the United Kingdom and Hong Kong. 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 testing, 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.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Due to the nature of the Company's activities, we recognize that certain key audit matters which we reported in our independent auditor's report on the financial statements 2015 are continuing to be significant in the audit of the financial statements and therefore may not change significantly year over year. As compared to prior year, the key audit matter related to the purchase price allocation re-measurement of Hyder and Calisson is not applicable anymore since the accounting for both acquisitions was completed in October 2015. We have identified one new key audit matter, being valuation of litigations and claims, which are mainly inherited as a result of the acquisition accounting of Hyder.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Project revenue recognition and valuation of (un)billed receivables 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 of the projects, expected revenues and the related percentage of completion which the Company applies for recognizing revenues as well as 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 153.	We obtained an understanding and evaluated 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. Furthermore, we tested the operating effectiveness of these controls. 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 of the operating companies. Specific attention has been given to the collection and valuation risks related to the increased ageing of the (un)billed receivables, as also reflected in note 18 of the financial statements, specifically in Brazil and the Middle East region. Furthermore we have given specific consideration to the continued risks associated with the US environmental remediation projects. We further focused on the Company's disclosures concerning the (un)billed receivables and the related risks such as credit risk and the ageing of billed receivables in note 28 to the Consolidated financial statements.
Valuation of goodwill We focused on this area due to the size of the goodwill balance (€999 million as at 31 December 2016) and because the Executive Board's assessment of the 'value in use' of the group's eight Cash Generating Units ('CGU's') involves significant judgement about the future revenue growth, operating EBITA margin, and the discount rates applied to future cash flow forecast. The key assumptions are disclosed in note 12 to the Consolidated financial statements. The performance of the Latin America business has been impacted by a general deterioration in the macroeconomic environment in Brazil resulting in a current year impairment in the amount of €15 million. The remaining goodwill balance related to Latin America is €7.4 million. Furthermore, we focused our audit effort on those CGU's with limited headroom being North America and Middle East (note 12).	Our audit procedures included, amongst others, an assessment of the Cash Generating Unit 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. We compared the current year actual results included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. Our valuation experts supported us in the evaluation of the discount rate as well as other assumptions and methodologies used. 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. We concur with the assumptions applied and the (sensitivity) disclosures as included in note 12 to the Consolidated financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Valuation of litigations and claims As at year-end, Arcadis has provisions for litigations of €28 million (2015: €62 million). During the year €32 million of contingent litigation liabilities, mainly recognized as part of the completion of the Hyder acquisition accounting in 2015, were released after settlements had been reached. Also additions have been made in the amount of €14 million mainly relating to revaluation of existing litigations. The exposure involved with these litigations is significant from both a quantitative and a qualitative perspective (e.g. branding). An overview of the movements has been disclosed in note 25 of the financial statements. The revaluation of provisions for litigations and claims is considered a key audit matter because it is subject to a high degree of judgement. 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 153.	Our audit procedures included, amongst others, discussion on pending legal matters with the Company's head of legal affairs to gain understanding of the claims and latest developments. We tested management's positions against underlying documentation including confirmations of lawyers, as well as the review of legal proceeding outcomes and settlements which led to additions or releases of provisions. We also analyzed the developments with prior estimates and valuations and assessed consistency. We assessed management's assumptions at local entity and group management levels in order to evaluate the reasonableness and consistency of the valuation. We concur with the valuation of litigations and claims and related movements as disclosed in note 25.
Management override of controls 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. 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. 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. Furthermore, we have also instructed our local teams to perform specific procedures to specifically address the risk on bribery and corruption by, amongst others, verifying whether commission payments and related party transactions were at arm's length.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- the report by the Executive Board (as included in sections 'Introduction' and 'Strategy and business');
- the Governance and compliance report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures were substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the report by the Executive Board and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 annual meeting held on 13 May 2015 and the appointment has been renewed on 25 April 2016 by shareholders, representing a total period of uninterrupted engagement appointment of 2 years.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

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 the 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion. A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 15 February 2017

PricewaterhouseCoopers Accountants NV
Original has been signed by P.C. Dams RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2016 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 other things of the following:

- 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 the Executive Board.
- Concluding on the appropriateness of the 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.

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

In € millions unless otherwise stated	2016	2015	2014	2013	2012
CONSOLIDATED INCOME STATEMENT					
Gross revenues	3,329	3,419	2,635	2,516	2,536
Net revenues	2,468	2,597	2,016	1,893	1,871
OPERATING RESULTS					
EBITA	166.3	208.8	174.5	167.7	165.4
Operating EBITA	175.5	250.3	202.9	188.4	187.8
Operating EBITA margin	7.1%	9.6%	10.1%	10.0%	10.0%
Operating income	113.6	161.5	150.3	151.1	150.5
Results from investments accounted for using the equity method	(2.6)	(3.2)	(0.4)	5.5	(2.3)
Net income	64.1	98.7	91.6	96.6	89.0
Net income from operations	91.0	137.1	123.6	111.1	105.1
CAPITAL EMPLOYED					
Balance sheet total	2,868.5	2,828.7	2,657.6	1,680.4	1,765.3
Net debt (according to debt covenants)	494.1	494.4	522.4	194.8	259.3
Total equity	1,001.7	1,011.3	895.9	597.6	536.7
Average invested capital	1,677.1	1,696.7	1,128.2	957.8	898.3
Return on invested capital	6.8%	9.3%	13.7%	13.3%	13.5%
RATIOS					
Net working capital as % of gross revenues	17.5%	17.1%	17.4%	15.7%	14.9%
Total equity as % of balance sheet total	35%	36%	34%	36%	30%
Interest coverage ratio	6	8	9	10	8
Period-end net debt to EBITDA ratio	2.3	1.9	2.0	1.0	1.3

In € millions unless otherwise stated	2016	2015	2014	2013	2012
Average net debt to EBITDA ratio	2.5	2.2	1.5	1.4	1.5
CASH FLOW					
Cash flow from operating activities	139.3	170.9	139.5	140.1	158.0
Investments (Capex)	(64.8)	(53.4)	(38.1)	(32.2)	(34.8)
Proceeds from sale of (in)tangible assets	5.5	3.1	2.0	1.2	1.1
FREE CASH FLOW	**80.0**	**120.6**	**103.4**	**109.1**	**124.3**
Cash flow from investing activities	(69.2)	(68.6)	(537.4)	(62.6)	(118.6)
Cash flow from financing activities	(16.8)	(48.3)	385.4	(95.0)	(8.1)
DATA PER SHARE (IN MILLIONS)					
Shares outstanding at 31 December	84.8	83.3	82.0	73.2	71.6
DATA PER SHARE (IN €)					
Net income	0.76	1.19	1.23	1.34	1.26
Net income from operations	1.08	1.66	1.66	1.54	1.49
Dividend (proposal)	0.43[1]	0.63	0.60	0.57	0.52
Closing share price Amsterdam Euronext (31 Dec)	13.33	18.57	24.93	25.62	17.89
PERSONNEL					
Average number of contract employees	26,062	26,473	22,463	21,039	19,507
Average number of employees total	27,178	27,622	22,964	21,880	20,283
Total number of employees at 31 December	27,080	26,947	28,139	21,943	21,696
CARBON FOOTPRINT PER FTE (IN METRIC TONS OF CARBON DIOXIDE EQUIVALENTS)					
Auto transport	1.12	1.23	1.19	1.28	1.43
Air transport	0.84	0.83	0.95	0.90	0.95
Public transport	0.17	0.16	0.14	0.14	0.14
Office energy use	1.27	1.37	1.53	1.50	1.48
Total carbon footprint	3.41	3.58	3.81	3.82	4.00

1 Proposal, to be adopted at the General Meeting of Shareholders on 26 April 2017

OTHER FINANCIAL DATA

QUARTERLY FINANCIAL DATA

In € millions unless otherwise stated	2016 QUARTER 1	2016 QUARTER 2	2016 QUARTER 3	2016 QUARTER 4	2015 QUARTER 1	2015 QUARTER 2	2015 QUARTER 3	2015 QUARTER 4
GROSS REVENUES								
In the quarter	846	832	797	854	827	866	854	873
Cumulative	846	1,678	2,475	3,329	827	1,693	2,547	3,419
In the quarter	25%	25%	24%	26%	24%	25%	25%	26%
Cumulative	25%	50%	74%	100%	24%	49%	74%	100%
NET REVENUES								
In the quarter	634	630	596	608	659	659	643	636
Cumulative	634	1,264	1,860	2,468	659	1,318	1,961	2,597
In the quarter	26%	26%	24%	24%	25%	25%	25%	25%
Cumulative	26%	52%	76%	100%	25%	50%	75%	100%
EBITA								
In the quarter	46.6	41.4	38.6	39.7	51.3	40.2	57.5	59.8
Cumulative	46.6	88.0	126.6	166.3	51.3	91.5	149.0	208.8
In the quarter	28%	25%	23%	24%	25%	19%	27%	29%
Cumulative	28%	53%	76%	100%	25%	44%	71%	100%
OPERATING EBITA[1]								
In the quarter	51.4	46.2	43.3	34.6	63.4	52.4	66.0	68.5
Cumulative	51.4	97.6	140.9	175.5	63.4	115.8	181.8	250.3
In the quarter	29%	26%	25%	20%	25%	21%	27%	27%
Cumulative	29%	55%	80%	100%	25%	46%	73%	100%

1 Excluding acquisition, restructuring and integration-related costs

SEGMENT INFORMATION

Amounts in € millions	2016	2015
GROSS REVENUES		
Americas	1,227	1,282
Europe and Middle East	1,398	1,406
Asia Pacific	378	371
CallisonRTKL	326	360
TOTAL	**3,329**	**3,420**
NET REVENUES		
Americas	769	832
Europe and Middle East	1,117	1,151
Asia Pacific	338	342
CallisonRTKL	244	272
TOTAL	**2,468**	**2,597**
EBITA		
Americas	26	53
Europe and Middle East	67	99
Asia Pacific	31	26
CallisonRTKL	23	31
Unallocated[1]	19	-
TOTAL EBITA	**166**	**209**
Non-recurring[2]	9	41
TOTAL OPERATING EBITA	**175**	**250**
OPERATING EBITA[3]		
Americas	36	64
Europe and Middle East	84	116
Asia Pacific	31	33
CallisonRTKL	24	37
TOTAL OPERATING EBITA	**175**	**250**

1 Net changes in acquisition-related litigation provisions
2 Acquisition, restructuring, integration-related costs and changes in acquisition-related litigation provisions
3 Operating EBITA is EBITA adjusted for non-recurring costs

Amounts in %	2016	2015
SEGMENT MIX (GROSS REVENUES)		
Americas	37	37
Europe and Middle East	42	41
Asia Pacific	11	11
CallisonRTKL	10	11
TOTAL	**100**	**100**
SEGMENT MIX (NET REVENUES)		
Americas	31	32
Europe and Middle East	45	44
Asia Pacific	14	13
CallisonRTKL	10	11
TOTAL	**100**	**100**
EBITA MARGIN		
Americas	3.4	6.4
Europe and Middle East	6.0	8.6
Asia Pacific	9.1	7.5
CallisonRTKL	9.4	11.2
TOTAL	**6.7**	**8.0**
OPERATING EBITA MARGIN		
Americas	4.7	7.7
Europe and Middle East	7.5	10.1
Asia Pacific	9.3	9.6
CallisonRTKL	9.9	13.6
TOTAL	**7.1**	**9.6**

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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.

Days Sales Outstanding: ((Trade receivables + Unbilled receivables - Billings in excess of cost) x 91 days)/ Gross revenue of last 3 months of the year.

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.

Lost Time Case Frequency: The number of lost time injuries or illness per 200,000 working hours.

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 EBITDA: 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 Recordable Case Frequency: The number of recordable injuries or illness per 200,000 working hours.

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.

ENQUIRIES AND ACKNOWLEDGMENTS

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