

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 led 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 multinational 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

Read more on page 46, 54, 62 and 68

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



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

<p>Strategic objective</p>	 <p>SUSTAINABLE GROWTH EXPANSION OF CORE BUSINESS</p>	 <p>PERFORMANCE CONTINUOUS IMPROVEMENT, BOLSTERING REPUTATION FOR QUALITY</p>	 <p>COLLABORATION LEVERAGING CORE CAPABILITIES THROUGH OUR GLOBAL FOOTPRINT</p>
<p>Actions taken in support of objective</p>	<p>Integrate new acquisitions, capture synergies, and leverage our capabilities through an expanded global footprint to serve multinational and national customers.</p>	<p>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.</p>	<p>Support business growth and integration through globally harmonized business processes. We continue implementing the Arcadis Way and supporting our global IT solution.</p>
<p>Measurement of success</p>	<ul style="list-style-type: none"> • We are a global top-five player in engineering consultancy and architecture 	<ul style="list-style-type: none"> • We expanded the number of people in Global Excellence Centers by 50% • Margin protection through cost reductions 	<ul style="list-style-type: none"> • Arcadis Way implementation on track • Growth in multinational clients

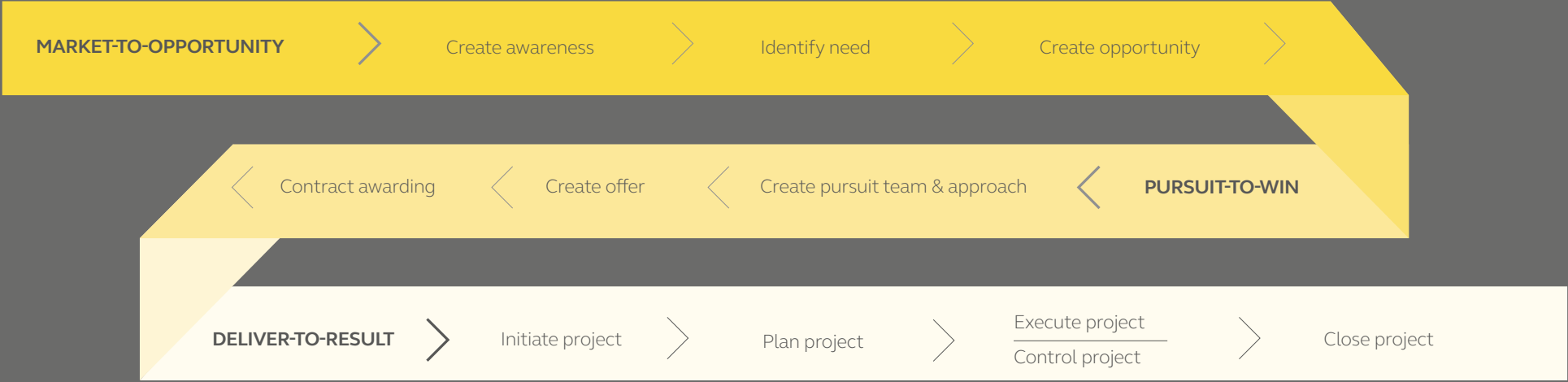


THE ARCADIS WAY OF WORKING

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.



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.