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Mr. Pullens: Good morning everyone. My name is Jurgen Pullens, director Investor Relations for ARCADIS. I would like to welcome you to the ARCADIS analyst conference call and webcast. We are here to discuss the company results for the second quarter and first half year. They were released this morning.

With us during the call and the presentation are Peter Oosterveer, CEO, and Renier Vree, CFO.

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

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

With these formalities out of the way we will start the presentation. I would like to hand over to Peter.

Mr. Vree: Thank you Jurgen. Good morning everyone and thank you very much for your interest in ARCADIS. As Jurgen said, we are going through the presentation quickly to allow you the maximum amount of time to ask questions. Hopefully you had a chance to look at the

presentation, so I am not going to hit each and every bullet. Maybe a little bit of context before I go into some of the bullets here.

As you have probably seen from the press release, I have used the first three months since I joined largely to visit the various regions in which we operate. I have spent time in the Middle East – four weeks – I have spent about two weeks in Asia and Australia, I spent a week in the US and then of course visited most of the countries in which we operate in Europe, including of course the Netherlands, Germany, France, Belgium, and the UK. I have one more region to cover, which is Latin America. I am going to Brazil and Chile the week after next, so that will then wrap up the first 100 days and visits to our regions and meeting clients. So, my perspective, which I will share with you today, is being added by because of all these visits, talking to our own people but also talking to our clients.

So, some of the bullets here: we are starting to see the benefits of the initiatives Renier and the management team put in place in the early part of this year. That pre-dates me so I will not take any credit for them but I like the fruits, being that we have a fairly good result. The actions were to increase the focus on our clients, be much closer to our clients and try to really understand what our clients are trying to solve; focus on reducing the working capital and then of course the creation of a more simplified operating model, which not only functions at lower cost – which it does – but also allows us to take decisions more quickly than I think we were able to before.

Clearly, one of the highlights of the second quarter and as part of the first half year is the improvements we have seen in North America, which has now returned to growth after a prolonged period of decline. That was as long as three years, as you know.

In talking to our clients and looking at our pipeline of opportunities I would certainly say that we have a positive outlook on the business in virtually all our regions, but we remain cautious about the Middle East and Latin America for the obvious reasons, not only economic issues but in the Middle East also political issues, which tend to ultimately maybe have an impact on the economy as well.

We did make progress in the Middle East. We received some payments on overdue receivables. We also reached a couple of important milestones, which we had to go through in order to secure the payments, particularly in Qatar. We might get into some more detail later.

So, when I look back and take into account the results we have seen but also then take into account what I have heard from clients and what we see in our pipeline, it gives me confidence that we will be able to progress in the second half of this year.

CLIENT FOCUS AND IMPROVING QUALITY OF LIFE – RECENT PROJECT WINS

<p>Sydney Metro, Australia</p> <ul style="list-style-type: none">Station Design and Technical services contract with a JVEngineering design of 6 underground metro rail stations as part of Australia's biggest public transport project	<p>Buildings</p> 
<p>Salpêtrière Bridge, Paris, France</p> <ul style="list-style-type: none">Designing and managing the bridge construction using BIM technologyBridge materials will include recycled materials. Bridge designed to allow 100% access for the disabled	<p>Infrastructure</p> 



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I would not be complete if I would not also illustrate some recent wins to you of projects which we are extremely proud of. I have seen most of these projects first hand or at least, I got an opportunity to meet with our project teams as I was making my visit.

The first is really a great success story, in Australia, where we have won a substantial contract on the Sydney metro. Why is it significant? Not only is it significant in terms of its size but also in terms of how we have been able to use our global capability, our global knowledge and our global experience for the benefit of the work in Australia. If you back at Australia, as I am sure all you know, our presence in Australia largely came with the acquisition of Hyder. At that time, we had no rail experience to speak of in Australia and thanks to using experiences which we have gathered in other places in the world, which we brought to the pursuit, we have now been able to create a really strong position for ourselves through this project.

The second project is in Paris. I was there a couple of weeks ago and I was really encouraged to see the large number of building as well as bridge opportunities we are pursuing. This is really good example of a fairly complex bridge structure. Maybe the structure in itself does not look overly complex but the logistics around putting this bridge in place are definitely very challenging. So, another great example of how global capabilities can be brought to a particular location for that location to benefit from.

CLIENT FOCUS AND IMPROVING QUALITY OF LIFE – RECENT PROJECT WINS

<p>Moorebank Logistics Park, Moorebank, Australia</p> <ul style="list-style-type: none"> Securing a AU \$150m (100m) investment for Qube Holdings by the Clean Energy Finance Corporation Providing freight logistics and sustainability advisory services 	<p>Environment</p> 
<p>Marine master planning services, Abu Dhabi, UAE</p> <ul style="list-style-type: none"> Master planning services for the water front components of the Traditional Souq development Providing solutions for the seawall, coastal protection elements and boardwalks with a water jetty 	<p>Water</p> 

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The next is an environmental project and this one is interesting, not so much because of the absolute size but more because of what we have been able to do for our client here, to secure a substantial amount of funding through our environmental and sustainability focus. So, we brought environmental and sustainability capabilities to this particular client and in doing so we were able to allow them to secure a substantial amount of money.

The last one in this example – this is only a snapshot of the many projects we are pursuing and have successfully pursued – is the work we do in Abu Dhabi, which brings master planning and water together in a really challenging project.

I just wanted to give you a bit of flavour of the projects we have won. In fact, closing our second quarter we have seen some really positive additional developments on similar projects. As we go through QandA we might touch on some of those as well.

With that, I will turn it over to Renier.

CLIENT FOCUS AND IMPROVING QUALITY OF LIFE – RECENT PROJECT WINS

<p>Moorebank Logistics Park, Moorebank, Australia</p> <ul style="list-style-type: none"> Securing a AU \$150m (100m) investment for Qube Holdings by the Clean Energy Finance Corporation Providing freight logistics and sustainability advisory services 	<p>Environment</p> 
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Mr. **Vree**: Thank you, Peter, and good morning everyone. Let's look in more detail at the financial performance for the first half year and the second quarter.

Net revenues at EUR 1.2 billion, which were organically 1% down for the first half year. In the second quarter we had a flat organic revenue development.

Our EBITDA was at EUR 100 million, the same as in the second half of 2016, still down 8% on a year-by-year basis and with an operating EBITDA of EUR 90 million, also down compared to the year before.

A more positive sign around the cash flow. Cash flow for the second quarter was up by EUR 34 million while last year it was down. This also means that for the half year cash flow was a negative EUR 28 million, significantly better than where we stood a year ago. That also came from lower capital about which I will share some more details in a minute. Also because of the cash flow net debt developed positively. Some positive currency movements also playing a role here. You know that some of our debt is in US Dollars and with the weaker US Dollar to the Euro it means that net debt was positively impacted in that sense. That brings the covenant ratio according to the lending agreements with the banks and other lenders to a ratio of 2.5.

FIRST HALF YEAR 2017 NET INCOME AND EPS

In Millions	H1 2017	H1 2016	Change
EBITDA	100	108	-8%
Depreciation	20	20	
EBT A	80	88	-9%
Amortization	-16	-19	
EBT	64	69	-7%
Net finance expenses	-12	-13	
Income taxes	-16	-14	
Income tax rate	30%	25%	
Income from associates	-2	-1	
Non-controlling interests	0	-1	
Net income	34	40	-15%
Net income from operations¹⁾	47	66	-14%
EPS²⁾ (€)	0.40	0.48	-17%
EPS from operations²⁾ (€)	0.56	0.66	-17%

¹⁾ Excluding associates, net of discontinued operations-related costs
²⁾ Average number of shares H1 2017: 3.2 / million (H1 2016: 3.3 / million)

- Net financing expenses €12 million (H1 2016: €13 million)
- Income taxes increased to 30% mainly due to non-recognized losses Brazil
- Income from associates -€2 million related to energy assets in Brazil
- Net income from operations €47 million (H1 2016: €66 million)
- EPS from operations €0.56 (H1 2016: €0.66)

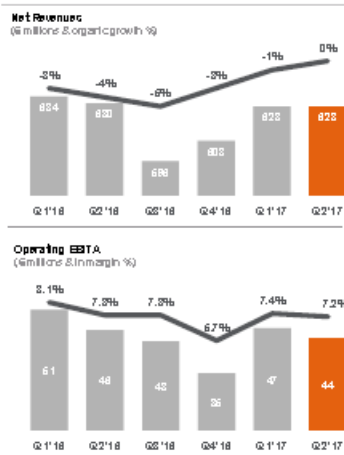
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Here you get some more insights in the full P&L. Finance expenses came down slightly compared to the year before, to EUR 12 million.

Income taxes were up and out of prudence we decided not to take any tax assets for the loss that was generated in Brazil in the first half year. Therefore, the percentage of income tax is higher than it was one year ago.

A loss of the income from associates for the business we are developing around energy assets with other asset owners brought the net income from operations to EUR 47 million – 14% below the first half of 2016 – and earnings per share from operations of EUR 0.55, also below last year whereby the fact that the number of shares increased somewhat, given the number of people and investors that decided to take a scrip dividend led to an increase in the number of shares outstanding.

REVENUE AND OPERATING EBITA



First Half year 2017

- North America, Continental Europe, United Kingdom and Australia delivered organic revenue growth
- Revenues declined in Latin America and the Middle East
- Operating EBITA decreased by 7% as improvement in North America is offset by €8 million operating loss in Latin America

Q2 2017

- Improving organic growth, driven by North America, Callison RTKL and Asia
- Sustained growth in Continental Europe, United Kingdom and Australia. Lower revenues in Latin America and the Middle East
- Operating EBITA margin lower than in Q1 due to less working days

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When we look at the quarter-by-quarter developments of revenues and EBITA we see, as I said before, that in the way the gradual improvement of the organic revenues has been developing whereby North America, Continental Europe, the UK and Australia have delivered organic revenue growth over the first half year whilst a decline was realised in Latin America and in the Middle East.

When we look at operating EBITA, we see the 7% decline that I mentioned before. Here, we have seen an improvement in North America, helped by the revenue development. But the operating loss in Latin America was the offset to that.

A similar picture for the second quarter but with a more momentum we have seen in North America, in Callison RTKL, and in Asia in terms of revenue development, while Continental Europe, the UK and Australia sustained growth they already had in the first quarter.

The operating EBITA was at 7.2% in Q2, a bit lower than in the first quarter. The number of working days had an impact there. One effect has been that Easter was in the second quarter this year, while last year it was in Q1. So, there is a bit of a shift in working days. Of course, for the half year it does not matter but the split between Q1 and Q2 was therefore slightly different this year than it was the year before.

CASH FLOW STATEMENT

In € millions	H1 2017	H1 2018
EBITDA	100	103
Changes in net working capital	-70	-72
Changes in other working capital	-5	-45
Tax paid	-11	-13
Net interest paid	-13	-14
Other	-5	-
Cash flow from operating activities	-4	-88
Capital expenditure	-24	-26
Free cash flow	-28	-82

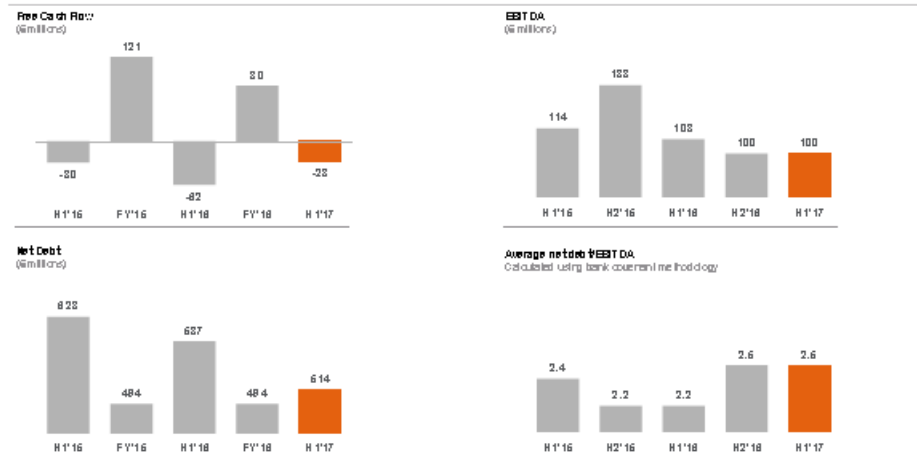
- Free cash flow -€28 million (H1 2016: -€82 million)
- Movement in net working capital in line with last year
- Free cash flow in second quarter +€34 million (Q2 2016: -€10 million) due to higher collections and focus on cash management

Here, you see the half year picture of the cash flow statement. You see that the change in net working capital is very much in line with what it was the year before in the first half, with EUR 70 million cash outflow, a typical seasonal pattern we have.

Other working capital moved in a more positive direction compared to the year before. That has to do with focus on cash management which has been very strong in the company.

The other elements were more or less the same as we have seen in 2016, bringing the total free cash flow to minus EUR 28 million.

STRONG FREE CASH FLOW LOWER NET DEBT FIRST HALF YEAR



Here, you get an overview we prepared to help you getting the view of how we calculate the covenant ratio. On the one hand you see cash flow and EBITDA per half year. Here, you see the EUR 100 million EBITDA for the first half of this year as well as for the similar periods in the years before, and the development of net debt. As explained, we take the debt of December and June, take the average of those and relate that to EBITDA over the last four quarters. That then comes to net debt over EBITDA calculation at the right bottom part of the slide, where you see that the ratio of 2.5 is the same as how we finished 2016.

BALANCE SHEET

In € millions					
Assets	30 June 2017	31 Dec 2016	Equity and liabilities	30 June 2017	31 Dec 2016
Intangible assets	1,114	1,170	Equity	977	1,002
Fixed assets	97	100	Loans & borrowings	595	700
Other non-current assets	84	87	Other non-current liabilities	171	176
Trade receivables	572	622	Billing in excess of cost	243	287
Work in progress	539	518	Short-term debt	187	56
Other current assets	130	111	Accounts payable	235	253
Cash and cash equivalents	284	260	Other current liabilities	421	394
Total	2,820	2,868	Total	2,820	2,868

- Trade receivables improved from 31 December 2016 due to cash collections
- Work in progress (net of Billing in excess of costs) at €295 million seasonally higher than €232 million at 31 December 2016, but lower than peak of €331 million at 30 June 2016

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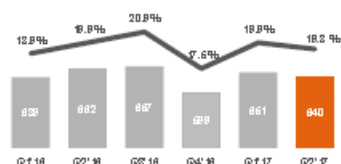


The balance became slightly smaller compared to where we were in December, also helped by cash collections from our receivables in the first part of the year.

Another one to call out is the work in progress. Here, we also made a calculation taking work in progress on the asset side and taking the billing and excess of costs on the liability side, so work already invoiced to the client before it has been completed. That amounts to that EUR 295 million at the end of June. That was higher than in December, which is typical for the pattern of the work of how it happens during the year but clearly, much lower than where it was in June one year ago, when our working capital and work in progress was at a pretty high level.

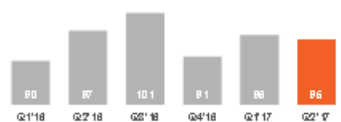
REDUCTION WORKING CAPITAL AND DSO REMAINS PRIORITY

Working capital
(€ millions & as % of gross revenues)



- Working capital as a percentage of gross revenues was 19.3 % (Q2 2016: 18.8 %)
- Positive free cash flow in second quarter helped improve this ratio
- Days Sales Outstanding improved to 95 days (Q2 2016: 97 days)
- In the Middle East, partial cash payments on overdue receivables were received and important milestones on multiple contracts were approved. Significant cash collection expected in Q3/Q4

DSO
(number of days)



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Talking about working capital, you see here the amount and the percentage of working capital from our gross revenues for the last six quarters. It dropped in the second quarter, which is not always the case. You see that in 2016 it actually went up, so right now we are at a lower level than we were in March and also lower when we were in June one year ago. It has to do with the improvements that were visible that were visible in our receivables.

Days of sales outstanding dropped to 95 days coming from 97 and helped also by the Middle East. Still a lot needs to happen there and we continue to be very focused on it, but we received partial payments on overdue receivables. We also had significant progress on milestones for multiple contracts in the Middle East, which will lead to cash inflow in the third and fourth quarter of this year.

AGING RECEIVABLES

In € millions	30 June 2017		31 December 2016	
	Gross receivable	Ac %	Gross receivable	Ac %
Not past due	307	40%	341	50%
Past due 0-30 days	25	4%	121	18%
Past due 31-120 days	25	4%	79	12%
More than 120 days due	142	23%	138	20%
Total	500	100%	679	100%
Provision receivables	-53		-58	
Provision %	10.6%		8.6%	
Net Receivable of	447		621	

* Including receivables in process of collection

- 8% lower net receivables due to focus on collection
- Increase > 120 days mainly due to a project for an Oil & Gas client in North America that involves insurance
- Decrease provision of €5 million due to utilization of €7 million, FX impact of -€2 million, and net P&L charge of €4 million

When we look at the ageing of our receivables – slide 13 – we see an overall decline compared to 2016. There is a bit of increase of the receivables older than 120 days and the reason for that are oil and gas clients for whom we do a large project. The receivable there will be paid partially by the client and partially by an insurance company. The discussions about that take some time and that is the reason it has moved to the overdue bucket of more than 120 days.

The provision for receivables also came down by a few million. On the one hand we used some of the provision to write off some debt but on the other hand there was an addition to the provision of EUR 4 million that went through the P&L.



Let's talk about the performance of our four segments: the Americas, Europe and the Middle East, Asia Pacific, and Callison RTKL, starting with the Americas on slide 15.

AMERICAS FIRST HALF YEAR & SECOND QUARTER RESULTS

in € millions	H 1 2017	H 1 2018	Change	Q2 2017	Q2 2018	Change
Gross Revenues	599	605	-1%	302	296	2%
Net revenues	394	391	1%	198	194	2%
Organic growth	-3%			-1%		
EBITA	17.5	20.1	-13%			
Operating EBITA ¹	23.4	24.0	-3%			
Operating EBITA margin	5.9%	6.1%				
Backlog organic growth	5%	7%				
DSO	87	88				

¹ Excluding ITR (IT services, maintenance, restructuring and integration costs)

- Organic revenue decline consists of 1% growth in North America (+3% in second quarter), and 32% decline in Latin America
- Growth of Environmental and Infrastructure businesses drove Operating EBITA in North America, which was €3 million higher
- EBITA in Latin America decreased by €7 million due to an operating loss of €6 million and €4 million restructuring charges
- Clients in Brazil continue to delay investment decisions, impacting the Infrastructure business. Environmental business is more stable
- Further restructuring measures taken and planned for Brazil to bring down costs in line with market reality

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Here, we see that organic revenue declined by 1% in North America for the half year but it was a +3% in the second quarter. Latin America was 32% down in the first half year for our top line. In North America, particularly the environmental and the infrastructure businesses performed well and that also helped to improve our operating EBITA that I referred to earlier.

In Latin America there was a decrease of 7 million in EBITA in the combination of an operating loss of 6 million for the first half year and 4 million of restructuring charges. Also last year there was a loss but then it was a EUR 3 million loss. We see some stabilisation in Brazil. Our revenues in the second quarter were almost flat with the first quarter, so year on year there is still a decline but sequentially it starts to stabilise. But the market is still very tough with clients and even if they award projects to companies like ours it does not always mean you can right away start to execute. Particularly in the infrastructure business that makes it a tough market while the environmental market is more stable. That is also the reason why we decided to take additional restructuring measures in the second quarter. Some of these will take place this quarter for Brazil to make sure our costs are in line with the reality of the market that we operate in.

EUROPE & MIDDLE EAST FIRST HALF YEAR & SECOND QUARTER RESULTS

in millions	H 1 2017	H 1 2018	Change	Q2 2017	Q2 2018	Change
Goods Revenues	685	725	-9%	335	361	-7%
Net revenues	566	581	-3%	278	289	-4%
Organic growth	7%			-1%		
EBITA	36.6	41.5	-12%			
Operating EBITA ¹	39.8	46.7	-15%			
Operating EBITA margin	7.0%	8.0%				
Backlog organic growth	0%	2%				
DSO	111	107				

¹ Excluding EBITD (excluding acquisition, restructuring and employee-leave costs)

- Organic growth consists of 4% growth in Continental Europe, 5% in the UK, compensating 13% decline in the Middle East
- Continental Europe: all countries contributed to revenue growth. Better market conditions in the private sector supported strong order intake
- UK: Organic net revenue growth in all segments, while backlog improved after winning many strategic pursuits
- Middle East: Revenues decreased and backlog came down due to selective bidding and lower demand
- EBITA decreased mainly due to the Middle East and the weaker British Pound. Operating EBITA improved in Continental Europe

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In Europe and the Middle East organic growth consists of Continental Europe by 4% and in the UK even 5%, while the Middle East is declining by 13%, so a similar picture as you have seen in the first quarter. Continental Europe is really strong, with growth taking place in all countries in Europe where we are active. We see that particularly the private sector remains very strong, both in terms of delivery of work but also in order intake.

In UK it is the same. Organic growth is strong in all segments of the market where we are active. Here, it is the private sector and the public sector that are doing well. We were involved in quite some strategic pursuits and the ones that we have won contributed to growth of the backlog.

In the Middle East we saw revenues come down. That is by design. We thought that our presence in the Middle East was too high, so we have been selective in bidding for the work that is available but also overall market circumstances in the Middle East have a lower demand than we have seen in the past.

We see a decrease in EBITA for this segment. Lower revenues in the Middle East are impacting the profitability. There is also a translation difference from the profits made in the UK with the weaker Pound compared to one year ago. This also has an impact there, while continental Europe had a good operating EBITA development in the first half year.

ASIA PACIFIC FIRST HALF YEAR & SECOND QUARTER RESULTS

in millions	H 1 2017	H 1 2018	Change	Q2 2017	Q2 2018	Change
Gross Revenues	196	183	7%	105	95	10%
Net revenues	172	166	4%	89	86	4%
Organic growth	0%			7%		
EBITA	14.1	14.4	-2%			
Operating EBITA ¹	14.2	14.4	-1%			
Operating EBITA margin	8.3%	8.7%				
Backlog organic growth	0%			-4%		
DSO	86	89				

¹ Excluding ITR (IT services, architecture, restructuring and employee-outsourcing)

- Asia: Net revenues declined organically by 5%. In the second quarter return to growth while backlog improved
- Singapore generated lower revenues due to a slower buildings market and from exiting low margin services
- Revenues in China started growing again in the second quarter
- Australia Pacific: Organic net revenue growth was 8%, fueled by major projects wins like Sydney Metro
- Higher revenues from delivering major infrastructure, buildings and environmental projects across major urban areas of Australia

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For Asia Pacific, we see that overall organic growth in the first half year is flat. That consists of a decline in Asia of 5%. In the second quarter this sharply improved. In fact, the first quarter had almost 10% decline and then there was slight growth in the second quarter and also growth of backlog, very much helped by strong developments in China while in Singapore the buildings market there is not very favourable at the moment. That is one of the revenues there were lower. There were also some activities there at too low margins, which we decided a few months ago to exit from.

As Peter already referred to we have won two projects in Australia Pacific. We see that back in our revenue development with a plus of 8%. That is also helpful for the overall market and order intake in that region. These are major infrastructure projects for the big urban areas of Australia.

CALLISONRTKL FIRST HALF YEAR & SECOND QUARTER RESULTS

in millions	H 1 2017	H 1 2018	Change	Q2 2017	Q2 2018	Change
Gross Revenues	168	164	3%	88	80	11%
Net revenues	124	125	-2%	63	61	2%
Organic growth	-3%			7%		
EBITA	12.3	12.1	1%			
Operating EBITA ¹	13.1	12.4	5%			
Operating EBITA margin	10.6%	9.9%				
Backlog organic growth	-7%	1%				
DSO	71	98				

¹ Excluding ITR (IT services, architecture, restructuring and employee-outsourcing)

- Due to a weak Q1, net revenues declined organically by 3% mainly due to lower activity levels in US commercial real estate
- In Q2, momentum improved with an organic growth of 1%, supported by the Retail and Workplace practices
- EBITA margin improved due to cost measures
- Backlog declined due to revisions on legacy projects; excluding this, backlog is stable

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Finally, Callison RTKL: 3% decline in organic revenue for the first half year. That is mainly because of the US commercial real estate activities by property developers are slower than one year ago. In the second quarter we saw an improvement. We went back to organic growth

in this business by one percentage point. The real drivers of that are the retail business as well as the workplace practice, which is often work we do for large companies for their offices.

Also, the EBITA margin improved. You may remember that last time we talked about cost actions we had taken for Callison RTKL and they are bearing fruit in the improvement of margin.

The backlog was down. You might say that 7% decline of backlog does not very well but that is also because we have seen that projects that we were won sometimes three, four or even five years ago when there was hardly any movement or no movement at all. Those we have taken out of the back log. We have cleaned up that backlog. If we take out that one-off effect the backlog for Callison RTKL for the first half year was actually stable.

With that, I give it back to Peter.

IMPROVING QUALITY OF LIFE - THE WAY FORWARD

	<ul style="list-style-type: none"> ▪ Strong fundamentals for growth: Urbanization, Mobility and Sustainability <ul style="list-style-type: none"> - Working with clients and partners to create smart and sustainable urban areas that address the needs of society
	<ul style="list-style-type: none"> ▪ Closer to our clients in a simplified structure <ul style="list-style-type: none"> - Regions pursue market opportunities and deliver outcomes to clients supported by global insights and solutions - Global Excellence Centers provide cost effective solutions - Increasingly enabled through the "Arcadis Way": harmonized business processes and systems
	<ul style="list-style-type: none"> ▪ Driving innovation through digitalization <ul style="list-style-type: none"> - Appointment of Chief Digital Officer and a multidisciplinary team to build a digitally-enabled business
	<ul style="list-style-type: none"> ▪ Opportunities for growth and to improve performance <ul style="list-style-type: none"> - Enhancing commercialization of our solutions - Improving project delivery - Balancing risks and opportunities in our portfolio

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Mr. **Oosterveer**: Thank you, Renier. Let me try to close it out and provide a little bit of insight in the way forward: what are our priorities for the foreseeable future?

Let's first talk a little bit about the business as a whole and why we remain confident and comfortable with our position. First of all, I think you can safely say that we have really strong fundamentals in the markets in which we operate. Urbanisation is probably the single biggest one for us but also mobility and sustainability. The ultimate form of flattery is when others copy you and that seemed to have happened now with others using the same concept of big urban cities that we use. This concept really brings together the four major businesses in which we operate, so water, environmental, building, all together in offering client and integrated solutions. So, I really think that Urbanisation, Mobility and Sustainability and the obvious growth that we will see in those businesses position us really well for the future.

I have already talked a little bit about the simplified structure and you will probably hear me talk about that a little bit more as we go through the QandA and probably also in the future but again, the step that was taken in the early part of this year to simplify the structure to be closer to our clients and to be more intimate with our clients is starting to pay off.

Another opportunity I see based on my experience is the use of the Global Excellence Centres, which we have, as you know, in the Philippines and in India. We are still in the fairly early days

of the utilisation of the Global Excellence Centres. Base again on my experience, there is much more opportunity to push that harder and use them in a more extensive way than we currently do.

In order to truly become the global company we want to become,, the implementation of the ARCADIS Way – the Oracle system – is a crucial tool. We have had two waves of implementation. In fact, this week we started the implementation of Wave 3 two days ago in the Middle East, so that is the next one going on the Oracle system to really help us with some consistency across business processes across the globe. You might have seen the announcement we made around digitalisation and the appointment of a Chief Digital Officer in my view clearly the single biggest opportunity in this business. If you look at business which has been disrupted by digitalisation in the past, you see that many businesses already had that significant impact. But our business has so far not been impacted that much so those who can be on the forefront of digitalisation will ultimately come out as the winners. It is definitely my intent to make sure that ARCADIS is on the forefront of digitalisation.

Lastly – I will talk about project delivery maybe a little bit later – I see an opportunity for improved project delivery. We do many projects in many different places for our clients in the world. It is a significant number of projects but I really intend to improve the performance on our projects and again, based on my experience, I see really good opportunities for improved project performance.

ACQUISITION

E2 ManageTech

- An enterprise technology solutions firm providing IT and business services for the Environmental, Health and Safety (EHS) information market
- E2 was established in 1998 and employs more than 50 people, located in the United States and Canada
- Capturing this segment strengthens Arcadis' capabilities to support the growing market demand in North America and globally

E2MANAGETECH
COLLABORATE | INNOVATE | DELIVER

You might also have seen another announcement in addition to our first half year results, which is the acquisition of an environmental company in the US, E2Managetech. This really brings home a couple of things, which I think you have heard us say before, the importance of environmental work, particularly in the US. But the opportunity provides in other places in the world as well. In this particular case the importance of data and the ability to use data to manage compliance, to manage risk, which a lot of clients in the environmental sphere need from companies like us. So, this acquisition brings our capabilities together with the capabilities this company has. This company has been in existence for just under 20 years and we believe

that together we will be able to create a fairly dominant position in what is a very promising market with an annual growth of between 15% and 20%. So, that is clearly a nice complement to the capability we have and propels us to become a bigger player in this market.

Let me wrap it up here and then start the QandA.

LEADERSHIP PRIORITIES

Outlook 2017:

- In general, positive business sentiment in most regions
- Increased infrastructure spending in many countries
- Uncertainty around Brazil and the Middle East remains
- Strong pipeline and cost reductions supporting profitable growth

Leadership priorities 2017:

- Focusing on clients, leading to growth in backlog and revenues
- Reducing costs by simplifying organization structure, strengthening project management and expanding GEC's
- Reducing working capital
- Driving innovation through digitalization
- Finalizing the strategy update

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As I already mentioned, when we look ahead for 2017 clearly there was a positive business sentiment in most regions. We remain cautious about two which I mentioned earlier again, so I will not go into a lot of repeat here. Brazil and the Middle East obviously are those more challenged regions.

Other than that, we see a lot of positive signals. We see those when looking at our pipeline of opportunities. We also see it when talking to our clients and how they view the immediate future.

A lot of that is fuelled by increased infrastructure spending in many countries. In fact, in most of the places I visited so far our infrastructure business is already doing quite well and is expected to continue to improve.

Then maybe looking at the Leadership priorities: what can you expect from us in the remainder of this year? Needless to say that we will have to continuously focus on our clients, be closer to them than we might have been in the past and ensure that we grow our backlog and our revenues. I think we have an opportunity to simplify the structure further than we have done before and clearly have an opportunity to strengthen project management as well as the utilisation of GCs.

Some of the others are pretty obvious, so in wrapping up I am thinking about what it would mean to you, how you could see us in the future. I was thinking about a couple of themes. The first is that we have to create stability. That is an expectation you might have. Equally important is what I would consider to be a predictability and certainty, so say what we are going to do and then do what we have said we would do. In my view that will help with credibility as well.

That is at a fairly high level. How would that translate to the next level down? You can expect focus on operational performance, organisational effectiveness – I talked about the simplification – and of course looking at our portfolio and the strategy around our portfolio,

which is a process that we have started and that will take roughly the next three months to be completed.

Maybe one level down even further: selectivity and focus you will be going to hear from us about as well as about stronger focus on project execution to be sure that our projects deliver what we expect them to deliver and, then again, simplification and with that clear lines of accountability in our organisation as well.

That concludes our presentation and that will get us to the point where your questions are more than welcome.

QUESTIONS AND ANSWERS

- **Thomas van der Meij – Kempen & Co**

Good morning. Thank you for your presentation. First a question before we dive into the numbers. You travelled through most of the organisation now. What is the biggest surprise and what will be the biggest challenge for you?

Mr. **Oosterveer**: That is a question I have had before, so I am going to be very consistent here. There has been nothing which has really surprised me. Maybe that is partially because of the onboarding and dedication I was given by the Supervisory Board and others before I joined and maybe also because of the fact that even though I came from another company it is still at least an adjacent industry. I have seen a lot of recurring themes actually and I have not seen anything that has either greatly surprised or disappointed me. On the contrary, I have seen a lot of proud and passionate people. You might ask why that is a great statement and why that is important but what we do is executing services by our people. Our people are the only asset we have. If our people are not engaged and are not proud of what they do you will have the number one challenge. But our people, notwithstanding that the last two years have been somewhat challenging, clearly display a level of pride in what they do for ARCADIS. So, that is a really good start in my view.

If you like I might have been a little surprised about the diversity in the work we do in many different places, from quality surveying on one end of the spectrum and running a really complex project management, construction management projects on the other side. So, no surprises. There will always be challenges but the things I have seen and the way I look at the opportunities in relation to what I have seen in my prior life, nothing is unsurmountable.

Thomas van der Meij – Kempen & Co: Thanks. Then, into the numbers. Could you give us the payment you received from Saudi Arabia in Q2?

Mr. **Vree**: Not necessarily the specific amount but we received a couple of million on the amount outstanding in Saudi Arabia.

Thomas van der Meij – Kempen & Co: Clear. And then on the receivables in general: there was no improvement in long overdue. What is your expectation there for the second half of the year?

Mr. **Vree**: Correct statement: indeed no improvement. Definitely, the drive is to see an improvement. That is very much the focus. Nevertheless, regarding the improvement in working capital there is still a lot to be done when it comes to receivables long outstanding in the Middle East, but also in parts of Asia and Latin America there is still a collection drive to make progress there.

Thomas van der Meij – Kempen & Co: You realised the milestone payments in Qatar but how confident are you that you will get the cash in in the second half of the year.

Mr. **Vree**: Let's be clear: we reached a milestone moment. A milestone payment will have to follow and it is very important that both technically you reach a milestone and then have to sign off by the client on the work that has been performed. When you have collected all the signatures and approved that is the moment you can send the invoice. We passed that milestone, which is a very important one. Typically, cash payments happen relatively quickly thereafter. So also from prior experience, that is definitely what we are aiming for and are expecting. We will know for sure when the money is in the bank.

Thomas van der Meij – Kempen & Co: Okay. My final question: could you give a bit more colour on your margin development in Europe and the US, or the North American business so excluding the Middle East and Latin America? You are talking about the inflection point you are seeing there and this is just to understand the numbers a bit better.

Mr. **Vree**: So both improved, as I mentioned. North America moved to a higher level, higher than the average for ARCADIS and in the second quarter even more so, given the revenue development. Continental Europe had a strong half year but the second quarter actually was lower than the first quarter because of the less working days. That had the biggest impact in Continental Europe. But overall in the first half year, the margin development also in Continental Europe was positive and above the ARCADIS average.

Thomas van der Meij – Kempen & Co: Both of them, so the US as well as Europe?

Mr. **Vree**: Yes.

Thomas van der Meij – Kempen & Co: And then Peter, how are you going to position the US business? It was always largely dependent on oil and gas clients; will that change in the future? Will you change the mix or will it roughly stay the same?

Mr. **Oosterveer**: I think I have to defer the answer to that question till a later date. This may allow the opportunity to outline what comes next because so far I have only given an answer to what I have done so far.

What comes next is that we have kicked off the strategy review process, which is not because I came to ARCADIS. It was already part of the normal process, the normal ARCADIS if you like. That process will culminate in a couple of intermediate steps and ultimately in a Capital Markets Day on 21st November, which I think most of you are aware of.

So in that process, which again is nothing extraordinary and has nothing to do with me coming, we look at our businesses. I think that is prudent for every company to do that on a regular basis. We will in a very open and constructive way challenge ourselves whether we are in the right place, whether we serve the right clients and so forth. At that point in time I'll be able to give you a more specific answer as to what we would do with North America. But let me use this opportunity to stress again that we are very pleased with the recent developments in North America. That has always been important but has been somewhat challenged in last three

years. Clearly because of more focus and leadership changes, I think we have seen the beginning of a turnaround.

Thomas van der Meij – Kempen & Co: Thanks.

- **Philip Ngotho – ABN AMRO**

My first question is on what you were referring to during your presentation that you would also provide a bit more detail. I am very curious: are there possibilities for improvements in projects delivery? Could you give a bit more detail on what exactly you saw that can actually really?

The other point that I have for now is also on the Global Excellence centres. You indicated that you see potential to use them even more. Could you give us a bit of a feeling of how? What do you envision in terms of maybe size, also which segments or regions do they mostly work for now? Where do you see it develop it into?

Mr. Oosterveer: Yes, two really good questions. Let me start with project delivery first, because that was your first question. When I mentioned project delivery, I really meant everything from the early identification of a project until the point in time that you turn over the project to the client. That means that the sales and client development process but also the project execution process. Let me start with the first one without going into too much detail. Picking the right clients, clients who are credible clients, who are known to peers, is the very first step before even decide that you want to pursue the work. There is probably an opportunity to shop and focus a little bit there. You have to make sure that you close contracts which adequately protect ARCADIS, that you have the right protection measures in place and that you have things such as getting paid when you deliver your services and have the opportunity to take corrective actions if you do not get paid. So that is in the sales, the upfront process before you decide that you pursue something.

When you then look at what we do while we execute projects -- and projects has been what I have done for the last 28 years – I think we can sharpen our execution, so making sure that the projects deliver what we expected them to deliver from the beginning. To illustrate that maybe with an additional level of detail: needless to say that the work we do is obviously of a technical nature and it is important that you find a balance between the technical delivery of the project and the commercial outcome of the project. I think that balance probably has some area for improvement as well, to not only focus on making a technically perfect product which might actually exceed the client's expectation. If you do so then you have to be sure that you also get paid for exceeding the expectations. That balance in my experience is not necessarily always there and I think has room for improvement. So it is simply making sure that we take on the right projects with the right contracts that protect us in the right way and in the project execution deliver the projects ideally exceeding our expectations. That is something I was used to. I was used to being fairly comfortable about the projects, which were under my responsibility because they were typically by a margin exceed what we initially thought they would do. I see no reason why we could not create the same culture in ARCADIS. That will not happen overnight with the geographical spread we have but it certainly is very, very doable.

Your second question was about the GECs. In answering that question as complete as I can I again have to go back to my prior experience, which is a timeframe that spans close to 25 years. In my prior company GECs have been used for 25 years. ARCADIS has started to use

GECs with the acquisition of Hyder, which is the last three years. So, when you look at the timeframe you see it is quite different.

In the 25 years that I have seen the development you of course get through different stages of maturity to ultimately reach the point where a substantial amount of the work is being done in the GEC. And 'substantial' means that in some cases it could be more than 50%. We are not at that point. We will not get to that point overnight either. It will take time but again, it is certainly a conceivable opportunity for ARCADIS to improve our competitiveness and our own financial performance.

The competitiveness is relevant because this type of execution has the inherent ambiguity and threat that when people say that when the business is moved over to Bangalore or Manila you might actually lose your job here in the Netherlands or the UK. My experience is the contrary that if you do it well you actually at the end of the day are able to create jobs on both sides of the equation because of becoming more competitive. So, it is an opportunity which, no surprise since ARCADIS has only used it for three years, has substantial upside.

Philip Ngotho – ABN AMRO: Thanks. That is very clear. Maybe two follow up questions on it. On project execution, I do not know whether you already have view on that but how do you believe you can implement through the organisation all these trainings you are going to roll out or what kind of road showing?

The other thing is that you could envision that 50% of the work would be outsourced. Can you give us sort of ballpark figure on what percentage this currently is within Arcadis?

Mr. **Oosterveer:** I can answer your last question relatively quickly. If you look at the number of people in the GECs it is roughly about just under 10% of the total population. So, in the bigger scheme of things, let's assume it is 10%.

The answer to your first question is some more complicated because it has more components. Training is of course part of that answer and training has already been rolled out in the past within ARCADIS as well. I think it is also a substantial cultural component in that – I have gone through this in my prior life as well – where you move from technical excellence to a healthy of balance between technical excellence and commercial excellence. Again, training is part of that but other things such as putting certain tools in place providing the right oversight and running this from the top are important as well to change that part of the culture.

I also think everyone here realises that revision or a change of culture are not easy processes to implement. The training is the easy part; you can develop the training in the next month and if it had to be developed it is already available and roll it out. But the training in itself is just a relatively small component. We have to create a much stronger focus on project management, which by the way again does not include just a project execution but also the upfront selection of the right clients or right opportunities. I am not going to under estimate that particular task because you talk about a big company of 27,000 people spread across the globe. And that is a pretty substantial effort.

Philip Ngotho – ABN AMRO: Thank you. That is very clear.

- **Quirijn Mulder – ING**

Good morning, I have a couple of questions. The first is regarding the smaller services, the lower value you are skipping. Can you elaborate on that activity?

Then on your ideas of being more focused on clients. Can you elaborate on that as well? What would be the consequences given the fact that in certain countries you have couple of large clients? There it is not easy to say 'okay, these guys are not paying before 200 days so I am going to skip them.'

My final question is about organic growth. We have seen a very erratic pattern in the US, negatively for the last ten to twelve quarters. How sustainable is this 3% growth in the second quarter?

Mr. **Vree**: Let me take the first one, Quirijn. I mentioned in Singapore the low value-added services and these were activities around contract solutions, to be specific. I met the team doing that activity but actually they were not very good margins, which it is in other parts of the world. We decided to stop with that activity. We had 20 or 30 people in that service line. They have left ARCADIS and they are helping the overall margin after that.

Mr. **Oosterveer**: Let me take the client focus question. Going back to the earlier question about project delivery, I included already the client component. I am not sitting here telling you that 50% of the clients we currently work for will be eliminated from our work going forward. That is certainly not the message I want you to take away from this meeting. But when we speak about client focus it does indeed include a component which is about selectivity and focus, making sure that you pick the right clients, those who are known to be respectful of the service we provide and pay us. There is also – but that is probably a softer issue – an alignment between the values. That is important in the way you ultimately execute projects. But the crux of why we added client focus is probably best explained by a real-life example, which I came across as I was making my tours. In talking to our client about what ARCADIS does, the client was actually extremely complimentary of what we were doing for him. This is a client we have worked for for a long time. But I was not necessarily satisfied with just hearing all the good news, so I asked him whether there is anything we can improve. That is almost a standard question. He answered he knew exactly what we delivered to his company – he is responsible for all the projects we do – but with 27,000 people in total we would probably have other services we could provide to him as well. He just wanted to sit with someone in our company to understand what other services we can provide. This is probably a typical challenge for a company that grows the way we have grown: people in our size company do not necessarily always exactly know what other services we can provide. So, there is a risk that people just come in with what they know and tell their client that this is what they can sell and do not consider anything else we can do in ARCADIS. Another word for that is 'cross-selling'. Rather than trying to impose something on a client, what I really mean with 'client focus' is that the client first describes his real business challenge and then figure out how we can address that business challenge as opposed to coming with a pre-conceived idea about what you want to sell. That is really what I want to describe as the 'ultimate client focus'.

Mr. **Vree**: And then on North America, Quirijn. We mentioned growth in the second quarter of 3% with the environmental business, which is particularly a private-sector activity, and

infrastructure, which is more for the public sector. The key drivers for that are strong and we expect those drivers to also be in place for the rest of the year. The water business is always a bit more challenging but also in water we see that the utilities have a stronger spend. The backlog in North America has grown up. A few years ago we put ARCADIS FieldTech Solutions in place, so a lower-cost delivery model for remediation services for particularly the oil & gas sector, which is a competitive advantage that we have. We also think that this will help us to have a good second half for North America, so without ending up with a number – that would be too much of an outlook – the term ‘momentum’ that Peter used is absolutely applicable to what we are seeing in North America.

- **Wido Jongman – KBC**

I have a few questions. I will start with the FieldTech Solutions. How big is that business currently for the US in terms of revenue and/or FTEs?

Secondly, if I am correct that in Australia growth in the first quarter was around 15% and report now plus 8%, is there a slowdown of significance? Can you shed some light on that?

Thirdly, the UK is doing pretty well regarding organic growth of 5% in the first half. What do you foresee as growth rate going forward, also with regard ...

[sound?]

Mr. **Oosterveer**: We won in Australia but it just happened to be in July and not in June. It is more of a timing issue than anything else.

Regarding the UK, let me kick that off and then I will ask Renier to add to it. Of course, we have been monitoring that very closely with our team in the UK. As you can see from the numbers, we do not see any immediate impact and with ‘immediate’ I am not talking about the first half of the year. We do not foresee any substantial impact in the remainder of the year as well. Everything thereafter is probably somewhat more uncertain. There are probably different schools of thought. One school of thought could be that you will see an impact but there is also a belief – I am more in support of that – that if Brexit will happen, it could lead to more infrastructure spending by government depending on how hard or soft the exit will be. That is one of the tools government would typically utilise in case of pressure on economic developments. That is how I would see the UK in the short term as well as in the mid-term with Brexit coming into play.

Mr. **Vree**: Regarding FieldTech Solutions: we have more than 200 people active there. Another interesting fact is that because of the success of this concept we have implemented the same in Continental Europe and the UK. So also there, we have developed a lower-cost delivery model. But of course, global clients also take note and when they are also active in the UK and Continental Europe they expect to be served also differently there. So also there, we have made the same moves with the same success.

Quirijn Mulder – ING: How big for ARCADIS is the infrastructure business in the UK?

Mr. **Vree**: Infrastructure is about 40% of our UK business. We have two large businesses in the UK, buildings and infrastructure, each about 40%. The other 20% is between the environmental and the water activities.

Quirijn Mulder – ING: Thanks.

- **Edwin de Jong – NIBC**

I have two questions left. Could you give some more colour on the acquisition of E2ManageTech?

You appointed a Chief Digital Offer, so there clearly there is a way forward with a new strategy for this type of activity. Are you looking at the same kinds of business models, more project businesses or more consultancy-kind of business?

Mr. Oosterveer: I will take the second question first and then I will ask Renier to comment on the first. I do not want to make it a habit to start with the second question but you pointed at me. It is not something I developed when I joined ARCADIS but digital is going to be a threat as well as an opportunity. It is a threat because when you look at our industry as a whole – I am just summarising it as a construction industry – and see how many industries have been disrupted we are the least disrupted industry in the world except for hunting. That is probably not a favourable position to be in but at the same time it clearly illustrates why it is an opportunity, too. The disruption in our industry as a result of data and digital so far has been fairly limited. Yes, data have been created and more and more data are being created at rapid pace but the utilisation of these data is probably not where other industries have seen it. I would really like to treat it as an opportunity, more so than as a threat, which is why I am happy and was happy to see when I joined ARCADIS that there is so much focus on digital. This is also why the appointment of the Chief Digital Officer is an important step in becoming the digital company of the future.

What does that mean for the work that we do? There are probably two distinct opportunities. The first is to just improve our own delivery, the work we typically do today. That is not necessarily a change of the business model. If you can do it rapidly and if you can be seen as a leader, it also gives you an opportunity to sell different models to our clients. It is probably no secret that at the end of the day those who actually own the data will be the people who will be able to use the data for analytics et cetera if they have the data in a meaningful format. These will be the people who will actually be the winner at the end of the day. So, our first step is to make sure that our own delivery – the work we already do – is at the level where I would expect it to be and where we can be seen as a leader. Then the second step would be to start offering different delivery models to our clients.

Edwin de Jong – NIBC: So, that is an addition to for instance BIM?

Mr. Oosterveer: Right.

Edwin de Jong – NIBC: And then collect the data and improve the processes afterwards?

Mr. Oosterveer: Correct!

Mr. Vree: And on E2ManageTech we have said for quite a while that we are not in for large acquisitions. This company is a very addition to the work we do but it is not big from an investment point of view. Peter already mentioned the opportunity for revenue growth that would come from that and the scalability, because we think the technology they have and how

they apply digital technology to environmental remediation projects is scalable. That is why we were interested in this company. There are more of these companies.

Edwin de Jong – NIBC: Is this a [...] business?

Mr. **Vree:** You said it yourself, in fact: companies that apply data in the way that they are making the solutions better for our clients by going beyond the standard solutions. This company, E2ManageTech does that and there are more of those companies in the world, often spin-offs from academia, that people started set up their own company, grew to a certain level and see that in order to grow further they need to team up with a larger firm that has more resources and a global scale. These types of companies are really of interest for us because we think that is the way industry will develop.

Edwin de Jong – NIBC: Clear. Maybe as a follow-up the recurring question on the Brazil energy assets?

Mr. **Vree:** There is not a lot to be shared there. Maybe one thing that you may have seen when we announced the new CEO for our Latin America business some time ago. The CEO who was there is dedicated on making sure that the non-core assets are optimised in terms of value and being divested. So, together with the other asset owners we decided to put some more emphasis on it to make sure that this happens in an optimal way.

Edwin de Jong – NIBC: Okay. Thanks.

- **Philip Ngotho – ABN AMRO**

I have two last questions. One is on the net debt development going through the second half of the year. Could you give us a little bit of guidance of what your expectation is, given the fact that for instance in Qatar you have had the work has been approved. If I look at last year we saw a net debt improvement of around 100 million, so a significant cash inflow. Should we expect something similar for the second half of this year? Could you say something about that?

My last question is to get a better feeling on Brazil. There is some further restructuring taking place. Can you give us an indication of how many FTEs are still in the business? That amount has shrunk tremendously over the years. I was also wondering what the nature of the operating loss is at the moment. Is it really a fact that you are not able to cover the overhead or are there some project losses as well in that?

Mr. **Vree:** If you look at the typical seasonal pattern of our cash flow you see the second half year tends to be the one where we generate significant cash flow. We did so at least for the last seven years. That is how long I can go back because that is how long I am with ARCADIS. Also this year I expect strong positive cash flow in the second half year bringing down our debt further by year end. In the slides we showed the picture for 2015, 2016 and the first half of 2017. From that you can draw your conclusions. The Middle East payments definitely will be a significant contribution to that in terms of overall movement.

In Brazil, it is now almost three years ago that at the peak we had 3,200 people employed in ARCADIS Logos, our Brazilian entity. Right now, we are just over 1,000 people so it has come down significantly. Many of the people that left were often linked to individual projects and in Brazil also with the labour laws: if a project finishes and people do not go to a new project, it is relatively easy to get them off the payroll. It is more difficult for people that are employed for a

longer term or in indirect functions. Those we also have addressed and are still addressing. So, if you ask me about the reasons for the losses, utilisation is part of it. It is indirect cost that need to come down and, if an organisation is not very busy people try to stay on their projects a bit longer than they should, as you can also see on some of the projects. That is also a factor that plays into the operating loss.

Philip Ngotho – ABN AMRO: I have a follow-up on that. After the restructuring how many FTEs do you believe will be left?

Mr. Vree: At year end the number will be more towards the 1,000 level.

Philip Ngotho – ABN AMRO: Okay. Thank you.

- **Question**

What is your outlook for Brazil in terms of operations or in EBIT for the second half compared to the first half given the measures you have taken and given the revenues at a certain level? Are we going to see some improvement year on year? Is that a correct conclusion?

Mr. Oosterveer: The second half year for Brazil last year was not great. I think you will remember that, particularly the last quarter. The actions we are taking now should help because we are reducing the costs, as revenues are being stable, some of the projects are nearing the end and new projects are being won, the underlying factors and drivers of profitability are improving. But it still is a jittery market, so I will stay away from giving very clear guidance on how the second half will be because there are certainly still risks in that country, also because of the behaviour of clients that are just uncertain what to do given the economic and political environment. We have examples of where we won projects, mobilised the people and then clients tell you on a Friday that they still want us to wait one or two months to start the implementation of a project. Then you have 50 people on the bench for one or two weeks or months until clients move. I cannot predict that situation. That is a risk I want to be clear about.

?: My final question is about the breakdown of your DSO: can you give some flavour on that, on the developments in Continental Europe?

Mr. Vree: Yes, we have made significant progress in most of our regions. That includes even countries in Europe where we did okay and started to do even better. We have improvements in North America, consistently for quite some time. The areas where the DSO is still high and is driving up the average are particularly the Middle East. We have talked a lot about that, so no surprise there. But also in Asia it is still above the average. There is an opportunity and they agreed themselves to work with specific actions to reduce their DSO. Finally, also in Latin America we have seen improvements though they are not yet at the level where we want them to be. In that sense, the emerging markets are still the cluster of countries where the DSO is too high.

?: DSOs are too high but always above average in emerging markets.

Mr. Vree: Yes, but in some parts significantly above average. There is always the element of national culture and the way things happen in countries. I think it is a given that the emerging

markets are above average. I agree to that but that does not mean we should and will accept where some of them currently are. That is why the improvement is still significant. We are talking about tens of millions of cash to be generated from reducing that.

Mr. **Pullens**: I would like to switch to the conference call to give people the opportunity to raise questions.

- **Joost van Beek -- Theodoor Gilissen**

Good morning. I have two questions left. First, when you look at the US market for instance [... check] is very positive on the US Federal and Defence market. What is currently your position towards the Federal and Defence market in the US? Do you see also similar improvements that spendings are increasing there?

Secondly, in some segments we are seeing improving market circumstances and then there is always the risk that employees start to demand higher wages. Could you say a few words on the risk of above average wage increases if markets indeed continue to improve?

Mr. **Oosterveer**: Let me start with the first question. You are making reference to an optimistic statement about increases in Federal spending. I do not think that we would necessarily make that same optimistic statement. That does not mean that it is a pessimistic statement but I do not think I want to let you leave with the idea that we see a significant increase in Federal spending.

Your second question was about the wages. That was something we discussed quite a bit in our US board meeting two weeks ago. A little to our own surprise and a little bit against what we have seen in the past, is that we do not see a lot of wage increases yet. You would expect that to happen indeed and I think that is why your question is still valid but it is not something we have seen until this point in time.

Joost van Beek -- Theodoor Gilissen: Alright. Thank you.

- **Hans Pluijgers – Kepler Cheuvreux**

[sound!]

Good morning. I have a few questions. First of all, I would like to come back to the US. You have changed many things there. Could you maybe give some flavour on the main changes you have implemented there? What do you believe has been the biggest improvement you have seen due to those measures? [...] against the background of your new CEO in the US is many in the Federal side; do you see already some benefits coming from that into new projects?

My second question is on the seasonal impact. You mentioned that but could you give some flavour on what you believe is the seasonal or the working days impact in Q2 coming from [...]

Then looking at the receivables: despite the fact that the number of 120 days due has increase you have [...] provisions. [...]

Lastly, on the [...] in Europe. You had some issues in the recent past in France and Belgium. Could you give some feeling on how that utilisation developed in [...] two countries.

Mr. **Oosterveer**: I will take the first question but I want to make sure that I have heard the question correctly. I think your first question was related to the management changes in the US, what those changes are and what our expectations are going forward. Is that a good summary of the question?

Hans Pluijgers – Kepler Cheuvreux: Yes, and what you already have seen [...] You have seen an improvement in the [...] performance, so could you give some feeling of what [...]

Mr. **Oosterveer**: I will that one first. As I think you will know Mary Ann Hopkins came in in September last year to assume the responsibility for the Americas. Mary Ann comes out of an adjacent industry or a very similar industry, almost exclusively focused on North America in terms of working experience. I think of her being added to the Executive Board and taking that responsibility has contributed to the improvement. Clearly, she is someone who understands the US market, has worked in the US market, who has the relationships and who knows how to do work in the US and that is of meaningful importance.

Changes made at the level below have also contributed to a better situation. So it is not just an individual but it is certainly to a large extent the result of Mary Ann coming in plus some changes we made at the levels below. We are not at the point where I can safely say that we have made all the changes that we want to make. There is certainly a possibility that we would be looking at some more changes to further improve the business.

Mr. **Vree**: Hans, regarding the seasonal impact: we did some rough calculations on the number of working days in the first quarter and the second quarter across the various geographies. Roughly, there is 1% of revenues that was recorded in the first quarter. If you compare it with 2016 it was in the second quarter. So, you could say that if you take the first half year and like for like there would have been a 1% shift from Q1 to Q2 if you want to make it like for like. Then the EBIT is about half of that. You are talking about 6 million of revenue that would have been in Q2 if the year would have been the same as 2016 and at roughly EUR 3 million if it would have moved from Q1 to Q2. So, it is not very significant but it may be helpful to understand the performance development.

In terms of receivables, this is a collection of many positions in many countries. We had some favourable developments; some of the receivables we had provided for got paid in some of our geographies. That was a release to the P&L and therefore then also the provision came down. On the other hand, we also added EUR 4 million to the provision for new risks that we had identified, so those are also making up the development of the provision for receivables.

Your last question was on the utilisation in Europe. I think we mentioned earlier that particularly in Belgium we were very busy with some tenders for large infrastructure projects. In the meantime we did win them and that has led to a significant improvement of our performance in Belgium with a higher utilisation. In France, it is more from the other side where we were reducing staffing. There, we have a restructuring program that is being implemented. That is on schedule and it is also helping the French organisation to stabilise.

Hans Pluijgers – Kepler Cheuvreux: And have you already seen the full impact from that in Q2 in France?

Mr. **Vree**: We did see that. The restructuring program was designed more than a year ago and then it has to go through quite some discussions, meetings, and approvals before you can start execution. The execution is in full swing and with that, it also helps the utilisation of our staff in France.

[sound]

Hans Pluijgers – Kepler Cheuvreux: Thank you.

Mr. **Pullens:** Are there any more questions?

?:

I have one last question, about the Middle East. Are you still picking up work in Qatar, given the political distress there?

Mr. **Oosterveer:** Let me talk about the political situation and the impact on us. Of course, it is a significant issue in a lot of people's minds. The impact on us so far has been relatively limited. It largely impacted logistics, so people traveling in and out of Qatar. It is not really small but at the same time not of major impact either. In terms of new work, Renier has already mentioned a few times that we are probably more selective than we have been in the past in assuming new work. The work we have taken on lately is more additional work on existing context than a lot of new work.

?: If people cannot move in and out of Qatar, except maybe for the Western Europeans, can you still execute that work if you are picking up work in Qatar?

Mr. **Oosterveer:** Yes, the limitation on moves is simply on flights between the Emirates and Doha as an example or Jeddah and Doha, so it limits movement of people but it is not like our work is totally dependent on lots of movement of people. One or two people need to travel to a country now and instead of going directly from Doha to Jeddah they have to go to Doha, Dubai or another place and then ultimately to Jeddah. I do not want to oversell it as a major impact on the work we do; it is just a hand full of people who are part of that travel. Most people stay in Doha and just execute the work as they did in the past.

- **Maarten van Beek – The Idea!**

I have a couple of questions. You mentioned that you expect major cash collections in Q3 and Q4, if my memory serves me well. You even had a little bit of hope that we would see some major cash collections in Q2 and otherwise it would be Q3. Do I read some [...] in those cash collections?

Mr. **Oosterveer:** No, I think we have been fairly consistent. We expected to see cash collection and we saw that. That would also be in the second half of the year which we now call Q3 and Q4, but we have not changed our stance on the timing of when we would expect the cash collection to receive. I think we said last time also that we expect significant progress on the milestones in Q2, leading to cash flow in the second. And that is exactly what is happening.

Maarten van Beek – The Idea!: You talked about the project execution. In due time do you expect again to achieve margins of 10%?

Mr. **Oosterveer:** Is that a question or a statement?

Maarten van Beek – The Idea!: That is a question. 'Do you expect ...' That is a question!

Mr. **Oosterveer**: I do not think, as Renier said, that we want to necessarily go into forecast on where we expect the margins to go but it is my expectation that we will see an improvement because of better project execution. I also explained I do not want to oversell this as a quick fix which will be put in place next week and the results will automatically follow. It is a fairly complicated issue in that it touches on the culture, it touches on lots of things which need to be put in place but I remain optimistic that there is opportunity.

Maarten van Beek – The Idea!: And lastly, the simplification program. Can you inform us where you are today and what kind of savings are still to be expected?

Mr. **Vree**: Yes, happy to do that. You may remember that we had two savings targets; one was for more the headquarter activities with a savings target of EUR 10 million and there was a EUR 20 million cost savings target that is agreed with the individual regions, how they will reduce that cost. So, in total it is EUR 30 million. In the first half more than half has already been achieved, so we are well on track to deliver the EUR 30 million. Probably we are doing a bit more than that.

Mr. **Pullens**: I think there are no more questions. Then I would like to thank you for your attendance and questions and we will close this meeting. Thank you.

End of call

