



## DISCLAIMER

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Mr. Vree: Good morning everyone. Let' start with looking back a bit at 2016 and make some comments about the year.

#### **SIMPLIFY THE OPERATING MODEL, REDUCE COSTS AND CLIENT FOCUS**

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- **2016 was a challenging year for Arcadis:**
  - Impacted by external factors - the low oil price, recession in Brazil, and Brexit
  - Internally – leadership change
- **Good progress on priorities set in October:**
  - Implementing simplified operating model:
    - combining strong local market positions with globally differentiating expertise
    - making Arcadis more client focused and less complex
    - leading to €10 million less overhead costs in 2017
  - Regional cost initiatives were implemented in Q4, delivering €20 million annualized savings
  - Strong free cash flow in the fourth quarter, supported by significant cash collection in the Middle East
- **Clear priorities for 2017:**
  - Focusing on clients to grow backlog and revenues
  - Reducing operating costs, improving project management, and expanding Global Excellence Centers
  - Reducing working capital

Clearly, 2016 was a challenging year for ARCADIS. There were external factors, such as the lower oil price, the recession in Brazil and also Brexit, and also internally. You are well aware of the leadership change that we had in October of last year.

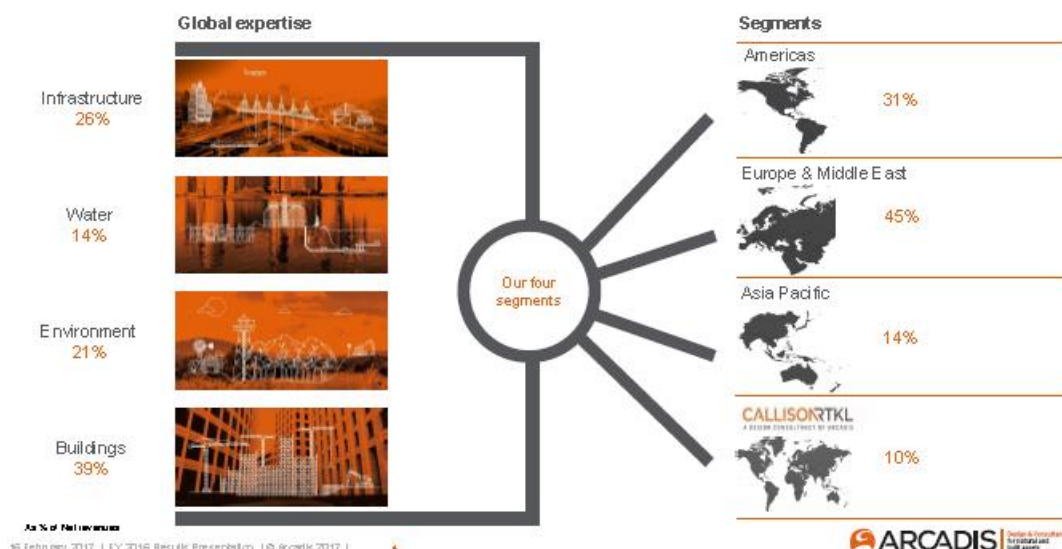
In October, we set a number of priorities what to focus on in the last quarter in 2016 and we have delivered on those. One of them was to implement a more simplified operating model, so the structure how we run ARCADIS. We have made significant progress there and I will share a bit more about that later on. We focused on what we need for our strong local market positions to be combined with solutions and expertise that differentiates us globally, thereby making ARCADIS easier to navigate and more client focused. The financial benefit of that simplification of our structure delivers EUR 10 million overhead savings for the year 2017.

Already in October we mentioned that in our regional organisations we would take out costs for an annualised amount of EUR 20 million. We have implemented those actions, so those are also part of our results in 2017.

The third that we mentioned as a priority for the fourth quarter was our free cash flow. I am pleased to share that our cash flow was strong in the fourth quarter. And a significant cash collection in the Middle East was part of that.

We have set our priorities for 2017 and also there I will say a few more words later on. First of all, we will focus on our clients to make sure we grow our backlog and revenues. Then there is making sure – as I just mentioned – to reduce our operating costs but also that the project management of the projects we deliver for our clients goes well, that we expand the use of our Global Excellence Centers and finally to further work on reducing our working capital.

**ARCADIS: DESIGN & CONSULTANCY FOR NATURAL AND BUILT ASSETS**



Here, we give you an overview of how we operate as ARCADIS. On the one hand, there is the global expertise we have around the business lines – Infrastructure, Water, Environment, and Buildings – and we bring that know-how to our clients through projects. They get delivered in our regions and those regions are grouped in four segments. There is a shift in the segments compared to the prior years, also because IFRS-regulations stipulate that the responsibility of the members of the Executive Board has to be aligned with the way you create the segments in the company. Therefore, we have created a segment for the Americas, a segment Europe & Middle East – including the UK – a segment Asia Pacific, and CallisonRTKL as our global architectural practice.

**FINANCIAL HIGHLIGHTS 2016**

- Gross revenues €3.3 billion, 3% below 2015. Net revenues €2.5 billion, organically -4%
- Operating EBITA €175 million (-30%); EBITA €166 million (-20%), including €28 million restructuring cost and €19 million release of Hyder related provisions following settlement of litigation cases
- Net income from operations €91 million (2015: €137 million)
- Business conditions in Brazil led to goodwill impairment of €15 million and in Q4 provision for receivables was increased by €10 million related to Brazil and the Middle East
- Regional cost reductions in Q4 generated €20 million annualized cost savings; simplified operating model will lead to €10 million lower overhead costs in 2017
- Strong free cash flow in the 4<sup>th</sup> quarter of €102 million, free cash flow 2016 €80 million (2015: €121 million). Net debt €494 million, equal to year-end 2015. At 17.5% net working capital improved from 20.9% in Q3 (2015: 17.1%)
- Net debt/EBITDA at year-end 2.3 and 2016 average covenant ratio 2.5
- Backlog €2.2 billion representing 11 months of net revenues, a decline of 6% due to project cancellations in Brazil, Middle East and China
- Dividend proposal €0.43 per share (2015: €0.63); pay-out ratio 40%

Let me pull out a few numbers for the year. Our revenues were down for the year. Organically, when it comes to net revenues, it was a decline of 4%.

Also our EBITA was lower in 2016. That included restructuring charges linked to the cost actions that we have taken.

On the more positive side, we had a release of EUR 90 million related to the claims that came with the Hyder-acquisition. We did a lot of work in 2016 to get them addressed and I am very happy that the net outcome of solving a number of those significant risks in litigation is a release to the bottom line of EUR 90 million.

We had an impairment for Brazil with the ongoing recession there for over two years and the reduction in revenues that we have seen there but also with an outlook that is still uncertain, we revalued that business and this led to a goodwill impairment of EUR 50 million.

We took a provision for receivables by going through the whole list of work in progress and our debtors throughout the world. A provision was added related to Brazil for EUR 6 million and to the Middle East for EUR 4 million.

I already mentioned the cost reductions and the cash flow developments. As a consequence of the strong cash flow our working capital reduced to 17.5% by the end of the year.

The covenant ratio was 2.5, as that is the average for June and December. If you take the ratio between net debt over EBITDA at the end of 2016, it was 2.3.

The backlog declined for the year, still representing 11 months of net revenues. So, that is stable. The decline was fully caused by the cancellations we have seen from work won in prior years in Brazil, the Middle East, and China.

We are staying within our dividend policy but based on the lower net income from operations that we had in 2016, the proposal to shareholders is to approve a dividend pay-out of EUR 0.43 per share, which is a pay-out ratio of 40%, the top range of our dividend policy.

Now, I would like to hand it over to Jan-Oege Goslings, our Group Controller who did a lot of the financial work in the past months with me taking over the role of CEO. He will explain the financials in more detail.

**Mr. Goslings:** Thank you very much, Renier. My name is Jan-Oege Goslings and I am going to take you through the financial results, starting with the operating results for the fourth quarter and the full year.

## Q4/ FULL YEAR 2016 OPERATING RESULTS

In € million	FY 2016	FY 2015	Change	Q4 2016	Q4 2015	Change
<b>Gross revenue</b>	3,329	3,419	-3%	854	873	-2%
Organic growth	-1%	1%		-1%	-1%	
<b>Net revenue</b>	2,468	2,597	-5%	608	636	-4%
Organic growth	-4%	0%		-3%	-4%	
<b>EBITA</b>	166	209	-20%	40	60	-34%
EBITA margin	6.7%	8.0%		6.5%	9.4%	
Non-operating costs <sup>1)</sup>	28	41		14	9	
Release of Hyder related litigation provisions	-19	-		-19	-	
<b>Operating EBITA</b>	175	250	-30%	35	69	-49%
Operating EBITA margin	7.1%	9.6%		5.7%	10.8%	

<sup>1)</sup> Acquisition, restructuring and integration-related costs

Let me start with gross revenues. As you can see, they are at 854, 1% lower than last year. We came with a net revenue of EUR 608 million, which for the fourth quarter is an organic growth of roughly 3.3%.

EBITA came out at EUR 40 million, 6.5% margin. When you then correct for the non-operating costs in the fourth quarter as well as the release of the Hyder-related litigation provisions, we came out with an operating EBITA of EUR 35 million for 5.7% margin.

When we look at the full year, gross revenues remained almost constant with EUR 3.3 billion as well as the net revenues. Organic growth there was -3.7% with an EBITA of EUR 166 million. Again, if you adjust that for the non-operating cost for the full year as well as the release of the Hyder-related litigation provision in the fourth quarter, then you come out with an operating EBITDA of EUR 175 million and a margin of 7.1%.

## FULL YEAR 2016 – NET INCOME AND EPS

In € million	FY 2016	FY 2015	Change
<b>EBITDA</b>	207	252	-17%
Depreciation	-41	-43	
<b>EBITA</b>	166	209	-20%
Amortization	-53	-48	
<b>EBIT</b>	113	161	-30%
Net finance expenses	-29	-26	
Income taxes	-16	-31	
Income tax rate	19%	23%	
Income from associates	-3	-3	
Non-controlling interests	-1	-2	
<b>Net income</b>	64	99	-35%
<b>Net income from operations<sup>1)</sup></b>	91	127	-34%
<b>EPS<sup>2)</sup>(€)</b>	0.76	1.19	-38%
<b>EPS from operations<sup>2)</sup>(€)</b>	1.08	1.66	-35%

<sup>1)</sup> Excluding acquisition, restructuring and integration-related costs and excluding the release of Hyder-related litigation provisions of €10.4 million in 2015.  
<sup>2)</sup> Average number of shares 2016: 84.1 million; 2015: 82.8 million.

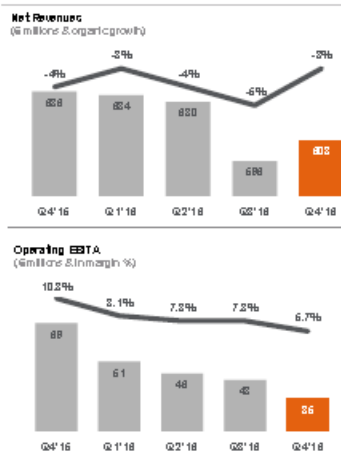
- Amortization includes goodwill impairment Brazil of €15 million
- Financing expense higher mainly due to foreign exchange effects
- Income tax rate impacted by release of Hyder provisions, goodwill impairment and non-recognized losses

Moving on to net income and EPS and starting off with the EBITDA, we see EUR 100 million in the second half, adjusted for depreciation and the EUR 166 million that we have just seen in the operating income. Taking of the amortisation we arrive at an EBIT of EUR 130 million. The finance expenses were slightly higher than last year, predominantly due foreign exchange effects and interest rates. With regards to income taxes you will see the difference with last year but also there we have the impact of the Hyder-provision releases as well as the goodwill impairment in Brazil, Renier has just talked about, and some non-recognised losses that brought it to EUR 16 million.

That also brought down the effective tax rate to 19% compared to 23% last year. With some income from associates and non-controlling interest that we had also last year, net income was EUR 64 million and income from operations was EUR 91 million.

So altogether, 1.08 of earnings per share for the operating income and, as Renier already mentioned, within our dividend policy the proposal for the dividend is EUR 0.43 per share.

**REVENUE AND OPERATING EBITA**



**Full year 2016**

- 37% organic decline in Brazil and lower revenues in North America, Asia and CallisonRTKL
- Growth in Continental Europe, United Kingdom, and Australia
- Operating EBITA decreased by 30% due to:
  - Operating loss in Brazil of €9 million (2015 +€12 million)
  - Lower results in Europe and CallisonRTKL
  - Negative currency effect of the British Pound

**Q4 2016**

- Net revenues in the Americas organically -5%, due to a 2% decline in North America and ongoing decrease in Brazil
- Growth in Continental Europe, United Kingdom, and Australia
- Lower revenues in Middle East and Asia
- Operating margin impacted by:
  - Lower revenues in Brazil and CallisonRTKL
  - Less favorable business mix in the UK
  - Capacity imbalances in France
  - Addition of €10 million to provision receivables

Moving on to revenue and operating EBITA, I mentioned that EBITA in the fourth quarter was EUR 35 million and for the full year EUR 175 million. You see an increase in revenues here in the fourth quarter and also an improvement in organic from -5% in the third quarter to -3% in the fourth quarter, as I mentioned before.

Worth mentioning is the organic decline in Brazil of 37% but we also saw slightly lower revenues in North America, Asia, and in CallisonRTKL, which resulted in this revenue.

We have seen growth in Continental Europe, the United Kingdom, and Australia by even 16%. The United Kingdom had 1% and Continental Europe had 3% to 4%.

The operating EBITA for the year decreased by 30%, as indicated before, to EUR 275 million. We had an operating loss in Brazil, which still is a slight loss if you correct that for the measures we have taken with the provision on receivables, but obviously much smaller than EUR 9 million. It is also less than the profit of EUR 12 million we made last year in Brazil.

We had lower results in Europe and in CallisonRTKL and we also had a slight effect of the depreciation of the British Pound of roughly EUR 5 million on EBITA.

When we particularly look at the fourth quarter, we see that net revenues in the Americas declined 5%, both due to North America but predominantly due to the revenue decline in Brazil. Also in the fourth quarter, there was good growth in Europe, the United Kingdom, and Australia. There were lower revenues in the Middle East, with governments spending less on large infrastructure projects and also in Asia, which is a mix of China and South East Asia.

The operating margin was impacted by Brazil, as I mentioned before, and also by Callison and a less favourable business mix in the UK, where we had to shift a large content of our business in Buildings, also to Infrastructure and Environment & Water projects.

In France, we have capacity imbalances as we call it, which means that we have a lot of expertise not always in the places where we have the projects. So there, we had to make some changes and restructure the organisation.



As I mentioned before, we added EUR 1 million to the provision for receivables related to Brazil and the Middle East.

Altogether, as I said, the operating EBITA came at EUR 35 million for the quarter. If you would take out the EUR 1 million it would roughly be a stable EBITA compared to the second and the third quarter, at around EUR 45 million.

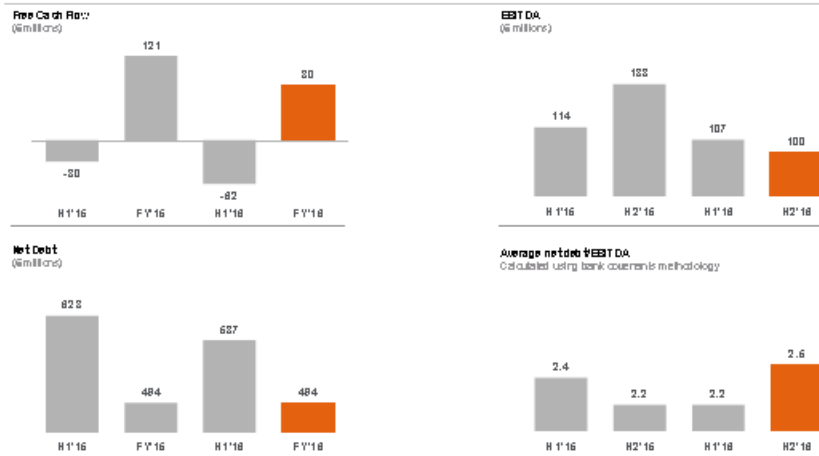
**CASH FLOW STATEMENT**

In € millions	FY 2018	FY 2016
<b>EBIT</b>	113	161
Depreciation and amortization	94	91
<b>EBITDA</b>	207	252
Changes in net working capital	-1	-9
Changes in other working capital	-6	-16
Tax paid	-25	-23
Net interest paid	-24	-25
Other	-12	-8
<b>Cash flow from operating activities</b>	139	171
Capital expenditure	-59	-50
<b>Free cash flow</b>	80	121

- Free cash flow €80 million (2015: €121 million)
- Free cash flow Q4 €102 million (2015: €113 million) supported by significant collections in the Middle East

If we move on, we see a pretty straight-forward cash flow statement. Cash flow from operating activities and capital expenditure resulted in a cash flow of EUR 8 million. A strong cash flow, particularly due to the cash generation in the fourth quarter of more than EUR 100 million. The collections in the Middle East have contributed to that significantly. This cash flow generation, as we will see later on, has also contributed to a lower net debt by the end of the year.

**STRONG FREE CASH FLOW IN Q4, NET DEBT IN LINE WITH YEAR-END 2015**



This probably is a very busy slide but it gives a good overview of our performance, starting with the cash generation of EUR 80 million for the year. As I mentioned, we had EUR 102 million in the fourth quarter and EUR 40 million in the third quarter. That has supported the reduction in net debt from

almost EUR 60 million to EUR 494 million, as it was by the end of the year. That, combined with the EBITA of EUR 207 million in total has led to the average net debt/EBITDA ratio of 2.5. That is obviously according to the formula that we use according to the bank covenant. If you would calculate it exactly, EUR 207 million, you have to add back some of the non-cash cost we spent on [...] use and share options you come to 212 divided by the 494, which gives you the 2.3. Then, if you do that on an average basis with the first half, which was higher, we come to 2.5. As you all know the maximum is 3.

## BALANCE SHEET

In millions					
Assets	31 Dec 2016	31 Dec 2015	Equity and liabilities	31 Dec 2016	31 Dec 2015
Intangible assets	1,170	1,253	Equity	1,002	1,011
Fixed assets	100	91	Loans & borrowings	700	687
Other non-current assets	87	100	Other non-current liabilities	176	219
Trade receivables	622	607	Billing in excess of cost	287	266
Work in progress	518	466	Short-term debt	56	32
Other current assets	111	91	Accounts payable	253	208
Cash and cash equivalents	250	221	Other current liabilities	394	406
<b>Total</b>	<b>2,368</b>	<b>2,328</b>	<b>Total</b>	<b>2,368</b>	<b>2,328</b>

	31 Dec 2016	30 June 2016	31 Dec 2015
Net working capital	599	662	598
Net debt	494	587	494
Net debt/EBITDA	2.3	2.4	1.9

- Net working capital stable; trade receivables and work in progress increased, compensated by payables and improved advanced billing
- Increase in accounts payables mainly due to higher level of outsourcing in North America and consolidation joint operation in Middle East
- Currency movements reduced equity by €42 million

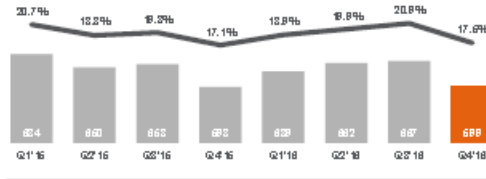
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I would like to make a couple of remarks on the balance sheet. As you see, net working capital is pretty stable. The trade receivables and work in progress increased but also the advanced payments by customers, as did the payables. For the payables there are two facts that are worth mentioning. They went up, first because of the proportional consolidation of a joint venture with a subcontractor we have in the Middle East. So, there the accounts payable and an accounts receivable actually move up at the same time. When you have a contract, when you are paying or when you have been paid, it is actually a neutral net-revenue effect but it does push up the accounts payables. On the other hand, in the environmental business in the United States we also use some subcontractors to do the execution work, the blue-collar work and for that outsourcing the accounts payables have increased.

You see a currency effect of roughly EUR 40 million also in equity.

**REDUCTION WORKING CAPITAL AND DSO REMAINS PRIORITY**

**Working capital 2016/2018**  
(€ millions & as % of gross revenues)



- NWC and DSO improved significantly compared to previous quarters in 2016
- Large milestone driven contracts in Middle East will continue to impact net working capital in 2017
- Cash Collection KSA and Qatar remains priority
- DSO in North America, Continental Europe, UK, Australia and CallisonRTKL below 80 days

**DSO 2016/2018**  
(number of days)



As Renier indicated, we have worked very hard to reduce the working capital and with success, as you can see, particularly if you see the drop in working capital between the third quarter and the fourth quarter. We came out at 17.5% in the end compared to 17.1% one year ago. So both net working capital but also the DSO reduced significantly in the fourth quarter compared to previous quarters. The DSO is slightly higher than one year ago, but as indicated, we are making good progress also in the Middle East to get collections and bring the working capital further down.

In the Middle East we still have the large milestone-driven contracts, which will continue to impact our net working capital throughout 2017.

Cash collection was strong in the fourth quarter but it is good to mention that also in Saudi Arabia as well as in Qatar there was substantial cash collection. That remains our priority also going forward.

In a couple of areas the DSO was reduced, even below 80 days, particularly in North America, in Europe, the UK, Australia, and in CallisonRTKL.

**AGING RECEIVABLES**

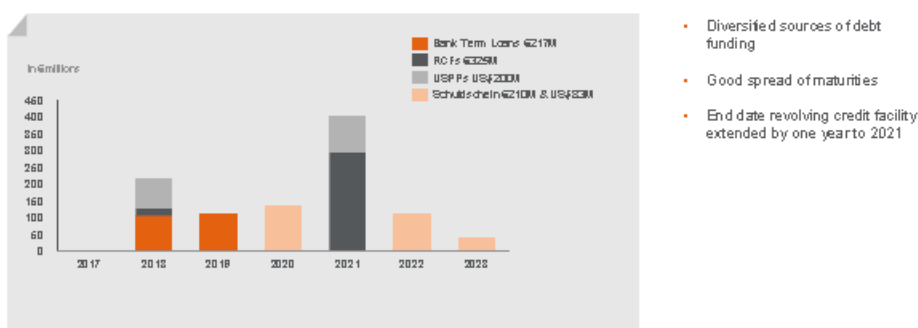
In millions	31 December 2018		31 December 2016	
	Gross receivable	Age %	Gross receivable	Age %
Not past due	341	50%	303	40%
Past due 0-30 days	121	15%	144	22%
Past due 31-120 days	79	12%	93	14%
More than 120 days due	137	20%	122	19%
<b>Total</b>	<b>678</b>	<b>100%</b>	<b>662</b>	<b>100%</b>
Provision receivables	-58		-57	
Provision %	8.6%		8.6%	
<b>Net Receivable</b>	<b>620</b>		<b>605</b>	

\* Including receivables from associates

- Progress from implementing better working capital processes
- Overdue receivables > 120 days mainly due to delay in payments KSA for completed work in public sector and in Brazil
- Provision receivables increased for Brazil and Middle East

When you move on to the aging of receivables you see that the total receivables increased slightly. What is worth mentioning is that the amount of receivables which is due more than 120 days increased but the increase was mainly due to the increase in the Middle East. In all other regions there was no increase in these long overdue receivables. This really resulted from a progress we made from implementing much better working capital processes, which is part of the project management and control trading that we provide to our people. So, the overdue receivables exceeding 120 due is still mainly from payments in the Middle East, particular in Saudi Arabia, for work that we already completed around the middle of last year. It is also due to public sector clients in Brazil. The provision for receivables of EUR 10 million I mentioned before is related also to Brazil and the Middle East. In terms of the provisions we take on receivables as a percentage of total receivables has remained stable, as you can see.

**MATURITY PROFILE OF FINANCING**



Here we see the maturity profile of our financing. As you can see, in 2017 there is not much to expect. There is nothing maturing but over the years we have a fairly stable maturation pattern. We have a diversified portfolio of sources of debt funding and a good spread of maturities. As we have mentioned before, the end date of the RCF – the revolving credit facility – has been extended in the meantime by one year to 2021.

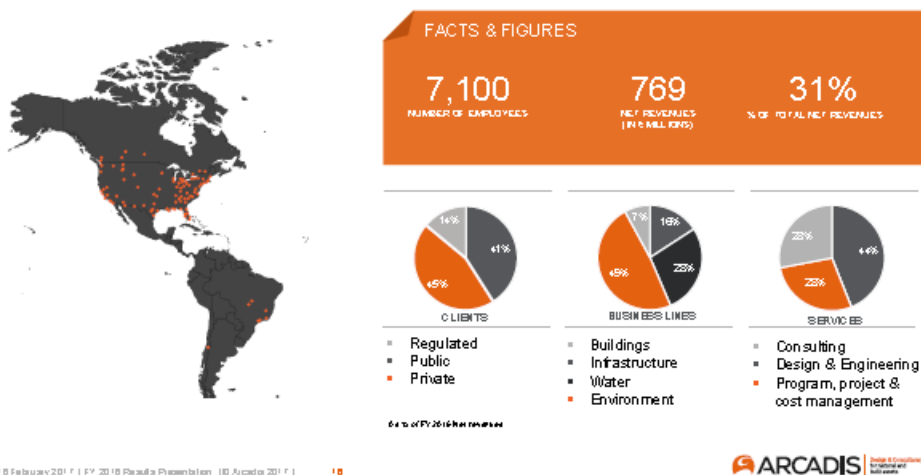
I would now like to hand it back to Renier Vree, who is going to take you through the different business areas and activities.

Mr. **Vree**: Thank you, Jan-Oege. Let's do that segment by segment.



Let's start with the Americas.

**AMERICAS**



31% of our revenues with over 7,000 employees in the Americas. From the client side we see a good mix between private and public clients. The focus is more towards Environment & Water there. That is historically our strong position in North America. From a service point of view we are well balanced between both Design and Consulting activities.

**AMERICAS** SEGMENT 2016 RESULTS

In millions	FY 2016	FY 2015	Change	Q4 2016	Q4 2015	Change
Gross Revenues	1,227	1,282	-4%	323	324	0%
Net Revenues	769	832	-8%	187	188	-1%
Organic growth	-6%			-5%		
EBITDA	25.3	53.5	-51%			
Operating EBITDA	36.1	64.1	-44%			
Operating EBITDA margin	4.7%	7.7%				
Backlog organic growth	-4%	-6%		-4%	-7%	
DSO	86	80				

\* Excluding IFRS intangible acquisitions, restructuring and integration-related costs

- Organic decline net revenues mainly due to 37% decrease in Brazil driven by economic recession
- North America revenues declined organically by 5% driven by Environment and Water; Buildings and Infrastructure high organic growth
- Decline in operating EBITDA mainly relates to loss in Brazil of €9 million (2015: +€12 million)
- Operating results in North America slightly lower
- North America started to benefit from improved backlog, including good order intake from Arcadis Field Tech Solutions and in Canada

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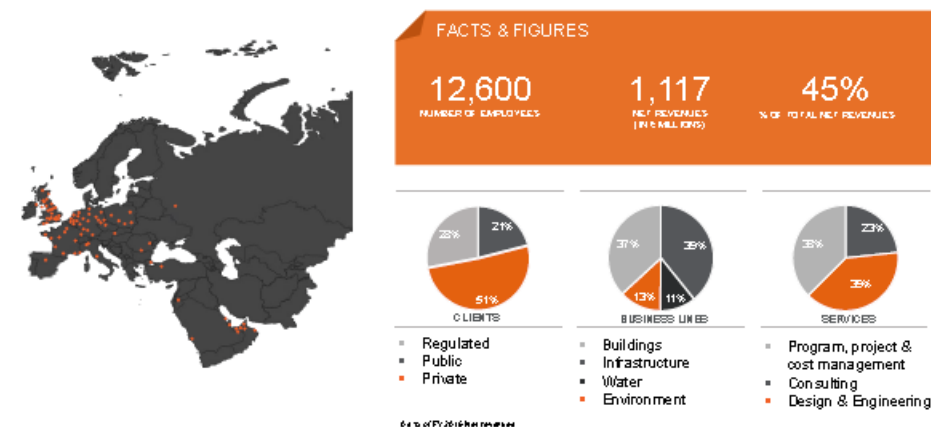


Looking at the financials for this segment, we see organic decline of revenues with Brazil having a significant impact of 37% lower revenues, with the economic recession that continues there as the key factor.

North America also had lower revenues by 5%. As mentioned earlier, it was 2% in the fourth quarter and the Environmental and Water business were the main drivers of that. On the other hand, we have seen significant growth in both the Buildings and Infrastructure divisions there.

The reduction in operating EBITA is caused by Brazil. That is the swing of EUR 21 million that Jan-Oege explained earlier. The operating results in North America were also slightly lower, with a lower top line. In the fourth quarter we saw that the improved back log in North America, what we reported about earlier, is starting to help our performance there including the good order intake we have seen for ARCADIS FieldTech Solutions and also in Canada.

**EUROPE & MIDDLE EAST**



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Europe and the Middle East combined are responsible for 45% of revenues with over 12,000 employees. Here, we see a good balance between the various client sectors. You see that the Build

assets are the more dominant part of our business lines here, with Buildings and Infrastructure together responsible for over 75% of our revenues. Again, a good mix in the services we deliver.

#### EUROPE & MIDDLE EAST SEGMENT 2016 RESULTS

in € millions	FY 2016	FY 2015	Change	Q4 2016	Q4 2015	Change
Gross revenues	1,368	1,406	-1%	353	367	-4%
Net revenues	1,117	1,151	-3%	279	299	-6%
Organic growth	1%			0%		
EBITA	67.0	99.0	-32%			
Operating EBITA <sup>1</sup>	83.9	116.3	-28%			
Operating EBITA margin	7.5%	10.1%				
Backlog organic growth	-2%	-1.3%		1%	-5%	
DSO	100	87				

<sup>1</sup> Operating EBITA includes amortisation, restructuring and integration-related costs and release of hyper costs

- Organic growth 1% in revenues: 4% in Continental Europe, 1% in the UK and -5% in the Middle East
- Operating EBITA impacted by a lower result in France and Belgium, lower margins in Buildings in the UK and a negative FX effect
- Action program launched to improve efficiency in France
- EBITA margin Middle East slightly lower in 2016, significant cash collection in Qatar, delay in payment in KSA for completed work
- Divestments in Q4 of four small non-core assets and underperforming activities in the UK, France, the Netherlands

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When we look at the financial, it is just to repeat the numbers Jan-Oege already mentioned: 4% growth in Continental Europe, 1% in the United Kingdom and a reduction of 5% in the Middle East.

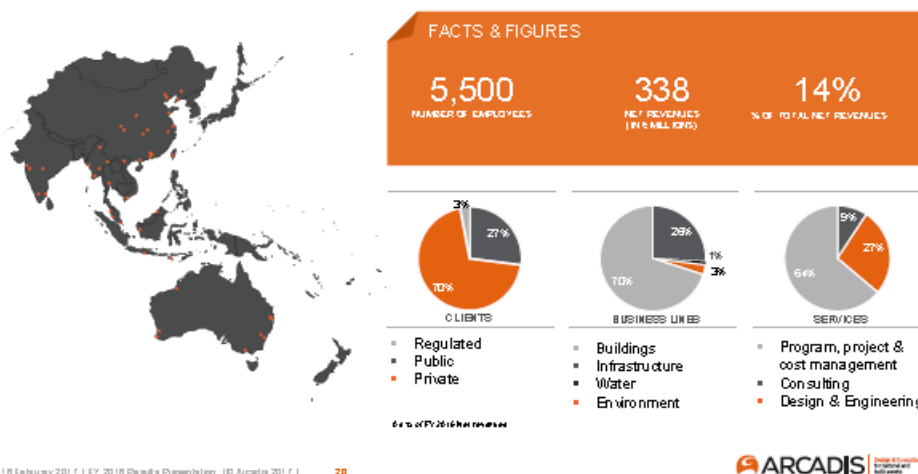
The lower EBITA is caused on an operating level by France and Belgium but also the shift in the UK with less activities in Buildings and more in Infra – while Infra is a healthy and good business the Buildings business is even more profitable and therefore the shift has had an impact on our margins, but also the weaker British Pound has a negative impact.

For France, we have launched an initiative to streamline the operations there and take out the cost where the capacity imbalance needs to be addressed.

The margin in the Middle East was slightly lower than in 2016, [smaller than a bit] but again it is good to mention the Qatar cash collection and the delays in payments we have in Saudi Arabia for work for public clients that has already been completed.

We also had four small divestments in the last few months, in the UK, in France, and in the Netherlands. Two were linked to underperforming businesses and two were non-core assets that we found a willing buyer for. Therefore, we have sold those assets.

**ASIA PACIFIC**



Asia Pacific is responsible for 14% of revenues and has 5,500 employees. Here, the private sector is the dominant client base we work for. Also here, Buildings and Infrastructure are our key activities where project and cost management and Design & Engineering are taking the bulk of our services.

**ASIA PACIFIC SEGMENT 2016 RESULTS**

in € millions	FY 2016	FY 2015	Change	Q4 2016	Q4 2015	Change
Gross revenues	378	371	2%	97	88	9%
Net revenues	338	342	-1%	84	80	5%
Organic growth	-3%			-1%		
EBITDA	30.7	25.7	19%			
Operating EBITA <sup>1</sup>	31.3	328	-5%			
Operating EBITA margin	9.3%	9.6%				
Backlog organic growth	-12%	3%		-5%	-1%	
DSD	84	91				

<sup>1</sup> Operating EBITA includes acquisition, restructuring and integration-related costs and results of hypercycles

- Net revenues in Asia declined organically 10%, especially in Buildings in Singapore and Hong Kong, strong performance in China
- Growth in Infrastructure, Water and Environment contributed to further diversification in Asia
- Australia realized 16% organic growth in net revenues due to delivery of large infrastructure and buildings projects
- Strong operating EBITA in Australia Pacific largely compensated for lower operating EBITA in Asia

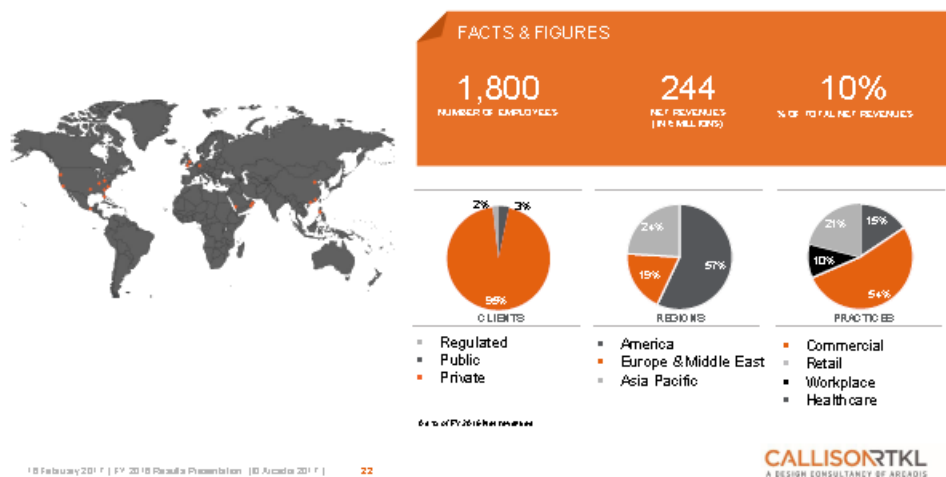
Net revenues came down. Asia is responsible for a decline of 10% in the two mature markets in Asia, Singapore and Hong Kong. On the other hand, we have seen a good performance in China, where revenues went up. That has also already been our strategy for the last few years to further diversify our portfolio in Asia and to move away from just being in Buildings. We have seen good growth in Infrastructure and Water as well as in Environment in that region.

We had the best revenue performance in the company in Australia, where we see 16% organic growth. That is linked to the work we do for Infrastructure and Buildings projects, often large projects, and projects that are an outcome of the integration of that business coming from Hyder, by the competences we have brought in as ARCADIS have helped them to win work that otherwise would not have been won and which has been delivered successfully. You also see that back in the margin with



Australia Pacific, having a stronger margin, and with that compensating for the lower margin that we have seen in Asia on the back of lower revenues.

**CALLISONRTKL**



CallisonRTKL is our architectural practice and is basically working for private clients only. The dominant part of that business is in the Americas, especially North America, but we also have good presence in Asia as well as in Europe and the Middle East. Here, we split the work over the four practises that we do. There is the commercial practice or the commercial real estate type of architectural work and work we do for retailers, the second largest followed by Healthcare and Workplace Practices.

**CALLISONRTKL SEGMENT 2016 RESULTS**

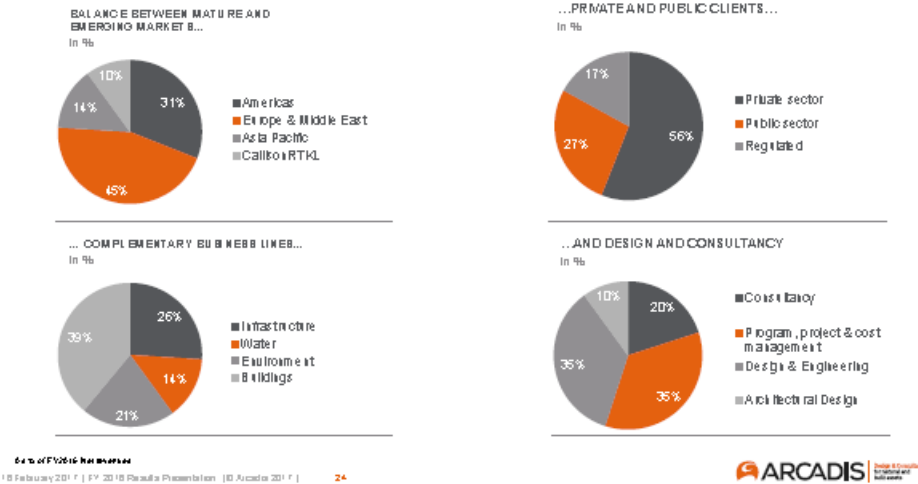
In € millions	FY 2016	FY 2015	Change	Q4 2016	Q4 2015	Change
Gross Revenues	326	360	-9%	81	93	-13%
Net Revenues	244	272	-10%	58	69	-16%
Organic growth	-9%			-1.5%		
EBITA	22.9	30.6	-25%			
Operating EBITA <sup>(1)</sup>	24.3	37.1	-35%			
Operating EBITA margin	9.9%	13.6%				
Backlog organic growth	-1.0%	-0%		-1.0%	-1.1%	
DSD	7.8	7.9				

(1) Operating EBITA excludes construction, maintenance and integration-revenue

- Organic decline in net revenues due to activity levels in the commercial practice in Asia and the Middle East
- Revenues in North America were stable while there was growth in Europe
- Operating EBITA margin came down due to lower revenues and price pressure across the practice groups except for Retail

The financials of this segment show that it was not an easy year for them. We have seen a decline because of lower commercial activities. So, the commercial real estate investments in both Asia and the Middle East were significantly lower. That is why our revenues came down. North America was stable last year and we saw good growth in Europe for the retail segment. The impact of the lower revenues is also felt in the EBITA-margin that came down. Also price pressure was more intense, given the weakness in some of the architectural practices. Except for the Retail business; there we saw very healthy margins.

**BALANCED PORTFOLIO**



Zooming out to take an overall picture of ARCADIS, I would like to share the four dimensions when you look at our company and show the balanced portfolio that we have, both geographically in the top left corner, the split over the client segments in the top right corner, to the bottom left corner the four business lines and to the bottom right the various services around Design & Consultancy. If you compare this to other companies in our industry we are the most diversified amongst our peers.

**GLOBAL TRENDS AND DRIVERS**



What are the main drivers of our industry? Many of them come back in what you see happening in the world. Sustainability is a key theme and also Mobility is one to call out. Many cities are very busy to put in mobility programs to move people to the big cities and have them commute. Also urbanisation with that pool of people to the big cities; these are global trends that ARCADIS is benefitting from.

**THE WAY FORWARD - SHAPING SUSTAINABLE VALUE**



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How do we create value from those trends? I already mentioned the strong fundamentals, what we are increasingly focus on to make sure we have strong local market positions with an overlay of globally differentiating positions where we have really the deep insights in sectors or the technical expertise to make the difference in our local markets. That is how we have optimised the structure in the company, making it simpler and therefore also easier to collaborate where it makes sense. The regions are clearly in charge and the entrepreneurs are pursuing the market opportunities. They pull in expertise from the sectors and from the solutions where it helps to win those pursuits.

The Global Excellence Centers: a big strength of ARCADIS came with Hyder. In the meantime, we have almost doubled that expertise in India, Manila and Romania, which helps us to deliver more cost effectively.

Also the roll-out of the ARCADIS Way, with a standardised set of processes that we have. Working capital is one of them but also how we go about market opportunities and how we deliver our projects are increasingly harmonised with using far less systems than before.



What we also do to create value is to innovate our solutions for our clients with digitalisation. That is a trend we now also see impacting our industry. It is a big opportunity to take digital solutions forward and offer new solutions for our clients to use the know-how we have with those new technologies.

Finally, we continue to optimise our portfolio. I mentioned a few of the small divestments we did. We continue to look at our market positions and our technical solutions to see where it makes sense and where we have to optimise that portfolio.

Of course, this is all underpinned with the four ARCADIS values that we share throughout the company: integrity, client focus, collaboration, and sustainability.

Let me give you a few examples of the beautiful projects we do around the world, starting with one in Buildings in Australia.

**SUSTAINABLE OUTCOMES, IMPROVING QUALITY OF LIFE**

<p><b>Chadstone shopping centre, Australia</b></p> <ul style="list-style-type: none"> <li>One of the world's most successful shopping centres</li> <li>The design was achieved using 3D parametric modelling and refined through a combination of video and imagery.</li> </ul>	<p><b>Buildings</b></p> 
<p><b>Manchester Airport, United Kingdom</b></p> <ul style="list-style-type: none"> <li>Arcadis is appointed to oversee the Program Management for the £1 billion Manchester Airport Transformation Program</li> <li>Work includes Program and Project management, Project controls, Cost, Commercial, Risk and Value management.</li> </ul>	<p><b>Infrastructure</b></p> 

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for natural and built assets

We have delivered a shopping centre, Chadstone. Here also the digital solution with the parametric modelling has really helped the client to see what we can create for them and therefore take the decision to work with us.

Another one is Infrastructure, where we are the program manager of a very large investment around the modernisation of Manchester Airport.

**SUSTAINABLE OUTCOMES, IMPROVING QUALITY OF LIFE**

<p><b>New York City Health and Hospitals, US</b></p> <ul style="list-style-type: none"> <li>Post-superstorm Sandy work on the Metropolitan and Cooks Hospitals on Coney Island</li> <li>Innovative solutions protecting four hospitals with a total capacity of 2,355 patients and one level 1 Trauma Center from future flood risk</li> </ul>	<p><b>Environment</b></p> 
<p><b>Sponge City Wuhan, China</b></p> <ul style="list-style-type: none"> <li>Sponge City, an integrated water management initiative driven by the Central government</li> <li>The project will result in infrastructure which holds, cleans and drains water, it is also an ecologically-friendly approach</li> <li>Arcadis has been appointed as the principal consultant and will be providing technical, policy and program management advisory.</li> </ul>	<p><b>Water</b></p> 

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Another one is in the Environmental business, where in New York we are helping some hospital to deal with potential flooding in the future. If there is a flooding, the patients in those hospitals do not get impacted by it and the hospital can continue to function.

Finally, in China we do a water project as part of the diversification in Asia. We help the city of Wuhan to absorb the varying levels of water without having to fear for the inhabitants of that city.

## LEADERSHIP PRIORITIES

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### 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

### Our leadership priorities to improve our financial performance:

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

Let me finish with the priorities and start with the market outlook. In general, around the world we see that clients in the private sector are having an optimistic view on their business. Maybe there is a bit more uncertainty in Asia in that sense but in general private sector clients are optimistic, also helped by higher oil prices. We see in the Oil & Gas sector the business climate improving after a pretty difficult period.

In North America the US administration gives positive signals about their intent to invest significantly in Infrastructure & Buildings. That may not be so much the case for the Environmental business but we hear from our clients that they intend to support the sustainability goals, like the ones agreed in Paris some time ago. Also in many other countries, as I am sure you are well aware, the infrastructure spending is high on the agenda of governments and expectations are that this will increase.

On Brazil there is still uncertainty. Early economic indicators say that growth will be there in 2017 but it will be quarter after quarter, so we remain somewhat sceptical until we really start to see the impact from that, also because the activities we do are often more late-cycle, but in the course of this year we expect that also Brazil will start to grow again sequentially.

Therefore, the priorities we have in the company and as a Board are about improving our financial performance. That always starts with focusing on our clients to make sure we grow our backlog and with that also our revenues and to make sure that our costs are reduced. So, we have simplified the organisation and that will deliver the benefits.

We are also strengthening project management for the many project managers in the company in a well-structured program. And then there is the further roll-out of the Global Excellence Centers.

The third priority is reducing working capital and the fourth is to finalise the strategy. That will also include more details about how we plan to innovate our solutions through digitalisation.

With that, I would like to open the floor for questions.



## QUESTIONS AND ANSWERS

- **Dirk Verbiesen – KBC**

I have a question on the sequential margin trend we have seen in the past few quarters. We read some remarks on pricing pressure in certain areas but on the other hand you are stripping out overhead, also with some benefits in 2017. Can you explain a bit on the balance of that? In what way is the margin pressure maybe attributable to some additional overhead impact versus the actual pricing pressure we see in certain areas?

My second question is on working capital, the remarks on the Middle East and the outstanding receivables there. If I remember correctly your statement previously was that as from mid-2017 it was likely to turn around into a positive cash inflow. Is that still the case?

My last question is on the FieldTech Solutions, also reading the remarks on the other Environmental business where pricing pressure is mentioned. Is FieldTech Solutions still unaffected in this respect, at least your concept?

**Mr. Vree:** Let me take the first and the third question and then Jan-Oege will take the second. The margin pressure has a cause, both on the pricing side, as there is a cost element to that. In a number of our markets we have seen that prices are under pressure. North America has been there and of course the recession in Brazil also did not help. The Middle East has seen price pressure, just to mention a couple. The response from us to that is on the one hand that you have to accept the prices in the market as they are but we acted by taking out costs. So, the cost reductions in the regions we have taken in the fourth quarter. We have taken the actions required to deliver on our plans for 2017. On top of that we have reduced the overhead costs particularly in headquarters by reducing the number of initiatives and the number of global roles. It also frees up people in the regions to be more focused on our clients and win work or deliver work there or to reduce the overhead in the regions. Both two factors are very relevant but the cost actions will have a positive impact on our margins in 2017.

In fact, FieldTech Solutions – your third question – is an example of that. There, we have re-designed the way we deliver our projects in the Environmental work, on remediation, in a more efficient way. Therefore, we are able to compete with good margins while there is price erosion. In the meantime, we have also applied this concept in the UK and in Continental Europe, the same FieldTech Solutions, having basically less skilled people than before doing more of the standard work and therefore to be able to be competitive and profitable at lower prices.

**Dirk Verbiesen – KBC:** So, if I understand you correctly, the impact of the cost saving measures and positively on margins obviously that will have an effect in 2017, do you dare to make the call that margins are bottoming out already?

**Mr. Vree:** The fourth quarter margin was really low and of course, the impact in that margin of the provisions taken is one of them. If you adjust for that it is more in line with what we have seen in Q2



and Q3. We are positioning the company for profitable growth, based on both the market outlook and the cost actions that we have taken.

**Mr. Goslings:** Then your question on the Middle East receivables and working capital. As mentioned before, in the fourth quarter we made good progress with the cash collection in the Middle East and in fact, in the fourth quarter both the work in progress has improved and accounts receivable has increased, which means that work is being approved and can be billed. The next step obviously is the payment and the cash collection.

It is worth mentioning that it is actually the first time in eight quarters that net trade receivables, which is the sum of accounts receivable and work in progress, have actually reduced in the Middle East in the fourth quarter by roughly EUR 16 million. Again, the long outstanding receivables also have to do with milestone-related contracts. With milestone-contracts you increase net working capital and payments come with completion of the work and not just over time. So, that requires time to get the approvals indeed. We are confident that where the work has been approved, the payments will follow.

**Dirk Verbiesen – KBC:** But the impact of that is still likely to be expected for the second half of 2017?

**Mr. Goslings:** Our expectation is that that will happen during 2017.

**Mr. Vree:** We would love to be more precise but the experience in the Middle East is that it is not that easy to pinpoint exactly the moment clients will pay. In Q4 the agreements with the client about those milestone-based projects worked out, so we saw the reduction we were planning for. There will be more milestones completed in the first half of 2017 for which we have to collect the cash. That is more Qatar-related. In Saudi Arabia one of the big projects has been completed and all the signatures, the stamps and everything you need is there. It is a large public sector client and there is the moment where we see the cash coming in. That has been promised regularly but it is not always easy to having it really effectuated, but definitely for 2017 we are expecting to see significant progress again.

- **Joost van Beek – Theodoor Gilissen**

Just to follow up on those receivables in the Middle East: if I understand correctly it has purely to do with the payment behaviour of the client and not with disputes about the quality of the contracts being completed?

Secondly, despite your still being relatively high net debt/EBITDA and the pretty uncertain outlook for the short term with regards to earnings, you decided to pay a nice dividend of EUR 0.43. If you pay that in cash it means an outflow of EUR 43 million. What kind of discussions did you have with the Supervisory Board? It is still quite a substantial outflow, given the financial uncertainties in the short term. What made you make this decision?

**Mr. Vree:** On the Middle East I can be very clear. There are no disputes. Of course, there are discussions sometimes but the work we do is being approved and is really the process where you finish your milestones and then you have to go to your client and collect the signatures. They approve the work done and then you get the signatures. Based on the signatures you can raise your formal invoice and get paid. That is how the process works. We have no disputes about the work we have done or are doing, which would jeopardise the process of the cash being collected.



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On dividend, we have a long history of dividend payments. Ever since we got listed, ARCADIS pays out its dividend, typically between 30% and 40% of our net income from operations. We have generated good cash flow in 2016. Profit was lower and our net debt stayed the same. Our cash flow was lower than in 2015. The way we look at the future, the confidence we have and the actions we have taken made us decide to stick with our policy and have the pay-out ratio of 40%, also continued for 2016.

- **Philip Ngotho – ABN AMRO**

I have a number of questions, first of all on the working capital. That is a follow-up on the earlier comment that you made. Just to have it clear: you indicated that accounts receivable and the work in progress improved by EUR 16 million in the Middle East this year? That was the first time they improved, I believe.

Mr. **Goslings**: That is correct.

**Philip Ngotho – ABN AMRO**: So, if you look at the total accounts receivable and the work in progress, you still they still increased year on year. I am wondering where in the division you are having a cash outflow in that sense. I see that is mainly coming from EMEA.

Secondly, I am a bit surprised on the comment that accounts payable increased mainly because of the consolidation of a former joint venture partners. If I look at the numbers, it implies that on an underlying basis you actually had no working capital improvement. If you would not have had this consolidation in 2016, your working capital would probably have remained the same as at mid-year and would have deteriorated versus year-end 2015. Could you confirm that or give a bit more explanation there?

My last question is on the re-financing of the bank loans that will mature in 2018. What are your thoughts on how you look at that? How would you like to re-finance that?

Mr. **Vree**: Jan-Oege, would you like to answer the first question on the Middle East?

Mr. **Goslings**: As I said, in the Middle East in the first quarter and not year on year. Year on year it increased by about EUR 30 million. Indeed, in other regions we see changes in both net billed receivables as well as work in progress, which has led to the numbers that I mentioned, with net working capital all over roughly stable at EUR 600 million. So, I made a comment on the Middle East for the fourth quarter, and not year on year.

Mr. **Vree**: And on the JV partner, the joint operations: technically, it is a project joint venture. The way that works is that when the activities happen through a subcontractor you have to increase the work they do, so it becomes a payable but we invoice the clients. So both your payables and receivables increase with the same amount. It is the same for the subcontracting in North America as well. So, when the subcontractor does the work under our contract, it becomes work in progress or – when it is invoiced – a trade receivable to the end client as well as a payable until you pay the supplier. So in that sense, the net impact on working capital is zero. Would we not have done that, both receivables and payables would have been lower and not just payables.

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On the re-financing: we have not yet spend a lot of time on 2018. That is one of the activities we will start to get busy with later this year, to decide on what is the best approach for re-financing the loan that comes up for renewal next year.

- **Luuk van Beek – Degroof Petercam**

I have a question about Brazil, where obviously things are now finally stabilising and hopefully growing later this year. You have greatly reduced the cost there. Are they now at a level that you can be at break-even or is the under-recovery still a problem and do you need further revenue growth to get to break-even there?

Secondly, to what extent does the shift from mature countries in Asia to China and other growth markets have an impact on your working capital ratios?

Mr. **Vree**: On your first question on Brazil, I have explained that over the last quarter every time we have to take out people to reduce our cost to remain in business with very low margins. In fact, for the year 2016 the underlying margins were slightly negative. We are around that break-even point and I think also for 2017 until we start to see growth [...] further take out costs in Brazil to make sure we do not have capacity under-utilised.

In China, the shift from Hong Kong and Singapore to mainland China and other markets does not have an impact, at least not a negative impact. China in general is quite a well-paying country. We also work for the private sector there, so it does not have a negative impact on the working capital.

**Luuk van Beek – Degroof Petercam**: Thank you.

- **Philip Ngotho – ABN AMRO**

I have a few additional questions. What will be the impact for 2017 of the restructuring of the French business in terms of cash outflow?

You indicated that the annualised cost savings were EUR 20 million at year end. How much of that have we seen in Q4?

Maybe still a question on the guidance. Given that you still mention a few positive developments in the markets and the cost savings targets I am wondering why you are not giving a directional 2017 guidance on earnings. I understand that you are saying you are positioning yourself for profitable growth but why did not issue a firmer statement on that?

Mr. **Vree**: France will be leading to a cash outflow of a few million. It is not going to be a huge amount but still a few million Euros we will have to pay out to reduce the capacity there. That is particularly for the local infrastructure markets. The big cities tend to do well but when you go into the smaller cities or outside the big cities the level of work has become less. Therefore, we are taking measure to streamline this. In the fourth quarter I do not think we have seen a lot of the cost savings come through

yet because the actions happened basically after October, so more in the course of the fourth quarter. They have been done by now but the impact on margins in the fourth quarter will have been relatively insignificant. It means that the EUR 20 million of annualised savings plus the EUR 10 million from the global overhead savings – in total EUR 30 million – should find their way in our margins in 2017.

That relates to your last question about the guidance that we have given, looking at our market opportunities and the market outlook as well as the actions we have taken. That is also the confidence that we have taken the right steps and our positioning the company for growth. We will benefit from both in our performance this year. I think that is a world where a lot of things are changing on a frequent basis and elections play a role, currency can move and clients can change their behaviour. That is why we shy away from being more specific and a more precise outlook.

- **Quirijn Mulder – ING**

Good morning. I have a couple of questions about the guidance. Do you look at the first of 2017 because it might be that the business is more confident and there will be some measures taken by the Trump administration about maybe a trillion investments? How far are your clients taking more actions or have more requests? What is your view on the organic growth in the first half of 2017?

My second question is about the CEO. The search for a CEO is now three or four months old. How long do you think it will take to make an announcement there?

Mr. **Vree**: When it comes to North America – your first question – we see an improved sentiment in the US. As you may or may not know, the Oil & Gas sector is our largest client sector in North America. The oil price has gone from US\$ 27 to basically double now and has improved the sentiment. So, we see an increased level of activity from our clients in asking for RFPs or having work being awarded under the master service agreements that we have with many of the large oil majors. And indeed, also in Infrastructure the market is very strong. It was already strong in 2015 and 2016 and we expect that to further strengthen in 2017, based on the promises made by the new administration.

On the CEO-search: as the press release says, it is well advanced. We are hopeful that we can make an announcement shortly. That is all I can say about that, Quirijn.

**Quirijn Mulder – ING**: An on organic growth, it is about the pricing level. Oil and gas companies are still in a savings mode, so that is putting a lot of pressure on pricing in general. There is a lot of capacity available.

Mr. **Vree**: But a lot has happened. Prices in North America have set for Oil & Gas for remediation work. What we see in new tenders coming in, is that price erosion is not so strong anymore. In that sense, we are now more focused on volume than worry about the price levels because these have stabilised.

- **Joost van Beek – Theodoor Gilissen**

I still have a couple of questions. You are probably looking for more disposals; can you shed some light on that? I know there are still some activities in Brazils but I guess that will be difficult to divest. It is not very yielding to do that right now.

Secondly, on the contract structures. Do you also see maybe a change in contract structures from hourly payment to lump sums? Or has that not really changed?

Finally, can you give us some feel for maybe some unrest or unwanted staff turnover who have been in the organisation? I can imagine that also competitor try to hire the best guys within the company.

**Mr. Vree:** On the disposals indeed, we had the four small ones that I mentioned. There are a few other small ones that we are pursuing. In Brazil, there are the infamous non-core energy assets. That is progressing well but it is a pretty complicated process with also regulations involved because energy is a regulated sector with permits to be transferred. That divestment is progressing.

On contract structures over the years there have been some shift from hourly to lump sum, which is not necessarily worse because in general when you have a lump sum contract you can also optimise the contract and there is more scope for having discussions about changes in the scope, variations or extension of the duration of projects. So, I do not significant shifts more recently. That is also a relative stable level.

Unwanted staff turnover: if I look at the voluntary turnover that we have seen in ARCADIS in 2016 that was not too different from prior years. There is always a level of people 'rotating along the peers'. That is quite common in this industry and it is based on the specialty that people have or where they live, the opportunities they get or see somewhere else. There are no areas where the staff turnover levels are a concern.

- **Question**

You had some significant milestone payments from the Middle East; were these Hyder-related or still from the old ARCADIS-projects?

With respect to the working capital ratio: do you expect that ratio to be lower than at year end 2016?

**Mr. Vree:** The Middle East payments are completely Hyder-related because the ARCADIS-activities in the Middle East prior to acquiring Hyder were mostly on hourly contracts with monthly payments and supervision-type of jobs. There, the working capital issue was not an area of concern typically. So here, we are really talking about the contracts we acquired when Hyder became part of ARCADIS, contracts which were often at the beginning of their lives which are now then tapering off.

The working capital ratio has a number of elements to it and the progress in the Middle East will be the defining factor in how much they can come down. So, I am not ready to say that this is the number we are pinpointing as we speak, but we are clearly aiming for a reduction. What is also relevant if you look at our debt level that we expect at the end of June for instance, the progress we have made in the fourth quarter? You remember that in the first half of 2016 we had an increase in the debt levels also because the working capital in the Middle East went up. We should not see that same effect in 2017, based on the progress we are making. Therefore, the level of debt we would expect at the end of June to be lower than where we have seen it in 2016.

**Question:** With respect to the working capital ratio, also when looking at peers, you now traded 17.5 and you are aiming at arriving at a lower level at year end 2017, but ultimately, looking ahead a few more years, do you feel it should be feasible to reduce working capital to below 15%?

**Mr. Vree:** When peers publish their results, we make nice comparisons on their performance and try to find out who is doing better and why that is. A working capital level of 17% is around the average. Some are lower. It also depends a bit on where they work and the type of work they do. When there is more contracting you see a lower working capital percentage. If it is more emerging markets, it is a higher percentage. So, you have to take that into account. The 17.5 we have seen for the end of 2016 is not our goal. Our goal is to clearly below [...] and also in the past I have mentioned percentages lower than that. If you calculate through the progress in the Middle East you get to percentages that are more between 15% and 16%. That is more realistic to assume for the future.

- **Dirk Verbiesen – KBC**

I have two follow-up questions. Can you remind me of the revenues in Reais in Brazil full year 2016 versus 2015?

The other question is more related to the situation in the UK and the changes we have seen since mid-2016. You made some remarks on the Buildings area in London that is affected by the Brexit but more generally, what do you see in overall pricing, and infrastructure spending? Expectations to be up, probably? But do you already see some materialisation of those expectations?

**Mr. Vree:** Brazil is a little bit too detailed to give the exact number but at the moment it is 3% of our global revenues. Then you can calculate how much it is in local currency.

The UK, the Buildings business: the first time we talked about the impact of a Brexit risk was for the fourth quarter of 2015 because in Q4, 2015 the revenues were down for Buildings. It went down for three quarters in a row after that, so also in Q1, Q2, and Q3 in 2016. In Q4 we saw it stabilising for the first time. In fact, there was a slight growth in Buildings in the fourth quarter. There is growth in Infrastructure and also in Water & Environment, as I mentioned. That means that the way we look at the UK is that we should see growth continuing in the UK with the government investments in continuing in Infrastructure. Buildings will probably be stable, maybe slight growth. Growth also in Water & Environment, based on the contracts we have won there. Like in Water they are often contracts with large utilities that have a duration of multiple years. Does that answer your question?

**Dirk Verbiesen – KBC:** And the Infrastructure exposure in the UK?

**Mr. Vree:** That is relatively big. So Infra and Buildings are almost the same size, each 35% to 40% roughly.

- **Quirijn Mulder – ING**

I have a question on the order intake or the order book in the EMEA-area. Can you maybe give an idea about the development of the order book in the Middle East in that respect? What does it look like?

And regarding the work in progress, there are still a lot of questions about that, I think. Do you expect that to go materially down in 2017 because of the Middle East, including the Qatari paying for a big road?

**Mr. Vree:** In the Middle East the order book came down in 2016 for two reasons. One is the cancellations we have seen. The activity level in the market was actually very high with tenders being issued and RFPs therefore being sent by companies. But very few of the larger tenders were awarded to companies in the end, so if you look at our hitrate it is low, but the lost-rate is also very low because clients have postponed the ultimate decisions. The order book historically quite long in the Middle East, so it is not a market where you have to wait for orders this month to do the work next month. They tend to be longer contracts so you have a bit more visibility. The other part is that also with the experience in the recent years we have pretty tight internal rules about the work we want to do and the conditions under which we do them. That means that if the financial conditions both from a margin point of view as well as from the working capital of a project point of view are not what we like, then we do not tender for that. If that means our position in the Middle East becomes smaller then that is outcome we are completely willing to accept.

Work in progress: indeed, with the further achievement of milestones in 2017, work in progress should come down in the Middle East and with that also will help the working capital for ARCADIS to come down.

I understand there are also questions in the call.

- **Hans Pluijgers – Kepler Cheuvreux**

Good morning, gentlemen, a few questions from my side. First, to come back on the working capital. It is still a little bit unclear with respect to the developments because if you look at also the trend compared to the first half numbers, then in the second half and also slightly in Q4 looks as if there is still an increase. What you say with respect to the Middle East is that there is net decline. Where is the increase then coming from? Is that purely driven by the subcontracting in North America? Is that the driver for the increase in the receivables there? Could you give somewhat more detail on that?

Secondly, on the UK. You are indicating 1% growth in the UK for the full year. In the first few quarters there was somewhat higher growth in the UK, even including RTKL. So, could you give us some more detail on the sequential development in the year-on-year growth in the UK? It looks that in Q4 year on year net revenue growth was organically down. Is that a correct assumption?

Then on the impact on the JV: for the first half it was indicated at EUR 22 million on both sides of the balance sheet. Has that number increased? So, also maybe an explanation why the payables went up further? They are now bigger than EUR 22 million, so could you give some more detail on that?

On Saudi Arabia you indicated that the increase on the more-than-20-days due is mainly coming from Saudi Arabia. Could you give a feel of the total amount still outstanding in Saudi Arabia? Is that much higher than the increase we are seeing compared to the first half of – my estimate -- about EUR 13 million?

My last question is on the CEO. You said you can give a statement on that shortly and that the process is well in progress. Are you talking to external candidates or is it still a discussion with more candidates? Could you give us a feeling on that? Is this only external or also internal still?

**Mr. Vree:** On the working capital you mentioned the second half versus the first half and last year. The decrease we saw was really in the fourth quarter. That was the significant decrease from 20.9% to 17.5%. Like for like, it is still higher in December 2016 than in December 2015 because during the year there was a built-up of working capital in the Middle East again. That increase became less in the fourth quarter but it was still higher than when we started in 2016.

**Hans Pluijgers – Kepler Cheuvreux:** I understand what you are saying. It was the release in Q4. But when you look at the number, the total working capital as a percentage of sales came down clearly but if you look at the absolute number it still goes up. Of course the growth revenue in Q4 was higher than everybody was going for and that means that you have been doing lots more subcontracting, especially in North America. It also drove up the absolute number of receivables. Maybe the percentage comes down but the absolute number of receivables still increases, also compared to the end of H1 and maybe also the end of Q3. While the percentage is going down, the absolute number still looks to go up. You already mentioned that the Middle East is improving and net [...] of about EUR 16 million but that means that in other regions it would have gone up. Then it looks like subcontracting is the key driver. Is that a correct assumption?

**Mr. Vree:** Indeed, subcontracting is a key factor because subcontracting in North America leads to revenues, gross revenues, receivables and payables. In the end, it does not matter too much for the working capital percentage but the individual components of it are impacted by it. The amount for the joint operation was around the same level at year end as was the number we have given you in June, at midyear. The project basically has been completed, so there has been no development in that.

The UK: indeed, the architectural activities were in the previous way of segmentation included by the individual geographies. We have seen good growth of Architecture in Europe, particularly for retail clients. If you look at the UK in the first part of the year and with the previous reporting stripping out Architecture, it would have been a decline. The growth we realised for the full year of 1% was growth in the fourth quarter. Also in the third quarter there slight growth – from memory – but in the first half on a like-for-like basis the UK was down in revenues because of the lower Buildings-activities.

We are not going to give the exact amounts regarding Saudi Arabia, but we are talking about tens of millions that we expect to receive from the public sector clients there for work already completed. Therefore, also the key benefits to the cash flow that it will have when that takes place.

For the CEO-search there is no change to the comments made earlier. The Supervisory Board is talking to internal and external candidates, so no change to statements about that.

**Hans Pluijgers – Kepler Cheuvreux:** Then maybe one last question from my side. You had a release related to the Hyder-litigation. Are there still big amounts on litigation outstanding there or do you have already provided for that? Could you give some feeling for that? Or did you also decide to release also [...] take out from the provisions to settle the final amounts? Is there still a lot on the balance sheet with respect to that or is that now almost settled?

**Mr. Vree:** It has reduced significantly from where it was at the end of 2015. It was over EUR 40 million we had provided for. Due to currency it came down somewhat because part of that was British Pound-



related. Then we had to pay out for a number of the claims and the remaining part was released. So, there is still an amount on the balance sheet but it is not an amount anymore that would stand out in our overall litigation provisions.

**Hans Pluijgers – Kepler Cheuvreux:** Thank you very much.

**Mr. Vree:** One last question!

- **Philip Ngotho – ABN AMRO**

It still a bit confusing to me on the accounts payable and the impact from the JV and then also on the impact of the higher level of outsourcing. Could you clarify the exact impact of the JV consolidation on the numbers? Otherwise, it seems a little bit that the fact that you manage to keep working capital stable is mainly due to having longer payment terms, of paying later. That is a bit worrisome.

**Mr. Vree:** That is clearly a message I want to take away because that is not the case at all. The delta in accounts payable between the end of 2016 and the end of 2015 is driven by the two factors I mentioned. It is the subcontracting in North America with increased payables and receivables, as I explained before, and then the joint operation in the Middle East for work that has been completed, which is on the balance sheet for the subcontractors, so payable as well as the receivable to the end client. Those two combined are over EUR 40 million. That means that underlying – call it normal – payments for suppliers in our business is stable.

**Philip Ngotho – ABN AMRO:** Would we then not have had to see the percentage of net revenue as percentages of gross revenues declining, if you have been outsourcing more?

**Mr. Vree:** The subcontracting indeed goes to gross revenues. For net revenues that means it stays the same because the work subcontractors do does not flow through the net revenues. I am sure you know that.

**Philip Ngotho – ABN AMRO:** Yes indeed, but what I am seeing here is that if you look at it percentage-wise you net revenues as a percentage of gross revenue did not really move a lot. That would imply that there has not been more outsourcing.

**Mr. Vree:** In North America there has been more outsourcing in the fourth quarter and for the activities in the Middle East that happened in the beginning of the year.

**Philip Ngotho – ABN AMRO:** Okay. Thank you.

**Mr. Pullens:** If there are no further questions, I would like to thank you for your participation in the ARCADIS full year presentation.

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End of call



