ARCADIS Design & Consultancy for natural and built assets

Annual Integrated Report 2018

Creating a world for the next generation

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"We are building a more resilient, sustainable, digitally enabled company which provides an attractive and stimulating place for our people to thrive.

Our strategy is focused for long-term success. We have identified ten global strategic priorities that will set us up for the future, so we can continue to work with confidence on creating a world for the next generation."

Peter Oosterveer, CEO

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New York City Department of Sanitation (DSNY)
Arcadis helped the City of New York develop a plan to reduce trash truck traffic by 63%. **Read more on page 24.**

Cleaner and better living in New York City


Trash traffic reduction
63%
Servicing approximately
130,000
citizens

2018 at a glance

People & Culture

Number of employees
headcount as at 31 December
27,354
2017: **27,327**

Employee engagement score[1]
on a scale of 0 - 4
3.10
2017: **3.03**

Voluntary turnover rate
as % of total staff
15.6%
2017: **14.6%**

Females in total workforce
as % of total staff
37%
2017: **37%**

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.18
2017: **0.26**

Employees passing Code of Conduct training
of all employees in 2018
98%
2017: **97%**

Innovation & Growth

Organic revenue growth
net revenues
3%
2017: **1%**

Book-to-bill ratio
net revenues
0.97
2017: **1.02**

Organic revenue growth Global Key Clients
net revenues
10%
2017: **17%**

Arcadis Way implementation progress
as % of net revenues
33%
2017: **31%**

Arcadis' carbon footprint
MT CO_2 per FTE
2.98
2017: **3.34**

% of revenues that relate to relevant SDGs
80%
2017: **n/a**

Focus & Performance

Gross revenues
in € millions
3,256
2017: **3,219**

Net Income from Operations per share
in €
1.01
2017: **1.18**

Dividend per share
proposed, in €
0.47
2017: **0.47**

Operating EBITA margin
as % of net revenues
7.3%
2017: **7.6%**

Net Working Capital
as % of gross revenues
15.1%
2017: **16.9%**

Days Sales Outstanding
(DSO)
80
2017: **88**

Return on Invested Capital
(ROIC)
4.7%
2017: **7.3%**

Net debt to EBITDA ratio
average
2.0
2017: **2.3**

Free Cash Flow
in € millions
149
2017: **98**

Improvement
Unchanged
Deterioration

For definitions and methods of measure for the indicators included on this spread, please refer to page 267. The indicators that fall within the scope of limited assurance of our external auditor are marked with the symbol. See page 259 for the Assurance report of the independent auditor, which includes details on scoping and outcomes.

[1] Employees of CallisonRTKL are not included in the engagement scan of 2018

“ A year on from introducing a new strategy, we have realigned our management and honed in on priorities that put us on a trajectory towards successful results.”

Peter Oosterveer, CEO

Message from the CEO
Creating a world for the next generation

Dear stakeholders,

Welcome to our 2018 Annual Integrated Report.

Our focus is on laying the groundwork for future success. The investments we are making are centered on Improving Quality of Life for our people, clients, shareholders and society. We are investing in our digital capability through programs like Expedition DNA, 100% BIM and Deep Orange to support our employees and customers with digital transformation. We are leading by embracing the change. Not forgetting our strong heritage, we continue to invest in sustainability, an area growing more relevant each day amid factors such as climate change and rapid urbanization. We remain committed to the UN Global Compact and its ten principles

Driving forward our focused strategy

Our 'Creating a Sustainable Future' strategy sets clear focus on long-term value creation. Our strategy is based on three pillars: People & Culture, Innovation & Growth, and Focus & Performance. Global trends like climate change, sustainable industries and expanding cities are creating opportunities for Arcadis.

Advances we made in each of our three strategic pillars include:

People & Culture – Our voluntary staff turnover slightly increased, with small increases in Asia, Australia Pacific and CallisonRTKL, compensated by an improvement in North America. The overall engagement score for Arcadis improved compared to 2017, slightly above our target for the year. Our focus on creating a stronger, unique culture with a growth mindset and a disciplined focus on pursuing the right clients while creating better financial performance is starting to bear fruit, in particular in North America, Continental Europe and the UK.

Innovation & Growth – In 2018, we made significant progress on our digital agenda. We helped our clients succeed in a data driven world by offering more data analytics solutions, which were strengthened by the acquisition of SEAMS. Our 2017 acquisition of E2 Managetech formed the foundation for Arcadis to be recognized by Verdantix as a market leader in delivering Digital EHS services. To accelerate the digital capabilities of our people we have developed 'Expedition DNA', our online learning platform, which to date has seen the voluntary participation of over 26% of our global workforce. The majority of our business created organic growth in line with our targets and the growth for our key clients exceeded our goals. We have sharpened our focus further by streamlining our client portfolio resulting in the identification of 250 key global and local clients.

Focus & Performance – In 2018, we initiated our program of 'Make Every Project Count' (MEPC), aimed at improving project performance by aligning behaviors, processes and systems to the 'Arcadis Way'. As a result of the program we see a higher focus on project selectivity and financial performance, including cash collection. We optimized the operating model of our Global Excellence Centers (GECs) and expect to further grow this capability with approximately 15% in 2019.

Throughout 2018, we furthermore completed our portfolio analysis for both the Middle East as well as for Asia in order to focus where we can lead, and de-prioritize business that fail to meet our criteria. Changes we had made in 2017 in North America have formed the cornerstone for our very robust performance throughout 2018 with the operating EBITA already in the 2020 target range, just as has been the case in Europe, Australia Pacific and the UK. The backlog growth in 2018 for these regions was 6%.

> **"Growth has returned in major parts of our business,** and we can now focus even more on margins and cash."

"We are progressing quickly with our digital agenda connecting data capability with our deep asset knowledge to deliver improved client outcomes."

As a result of this increased focus, we delivered strong cash flow and significantly improved our balance sheet. The accomplishments to date combined with our continued focus on the implementation of the three strategic pillars will enable Arcadis to achieve its targeted operating EBITA margin in the range of 8.5-9.5% in 2020 as well as to satisfy other Key Performance Indicators.

Aligning our leadership with our strategy

An important step in accelerating the implementation of our strategy, 'Creating a Sustainable Future,' has been the creation of a new Executive Leadership Team (ELT). The newly shaped team consisting of the CEO, CFO and seven other executives are accountable for the delivery of all strategy components with a strong focus on improving execution on our projects. At the same time, the Executive Board became a two-member board consisting of myself and newly appointed Sarah Kuijlaars as CFO. Substantial attention has been given to key focus areas such as people, innovation & transformation, sales & business development, and project performance.

Ten strategic priorities

As a team, the ELT quickly identified ten transformative strategic priorities across Arcadis. Intrinsic to our core values, is our belief that people come first and so our aim is to ensure Arcadis remains an employer of choice. Continuing the implementation of our global change program 'The Arcadis Way', and further enhancing the Arcadis brand provides the foundation in the way we work. We are ambitious and aim to improve project level performance, whilst increasing the use of our Global Excellence Centers to create more value for clients which increases our competitiveness and profitability. Refocusing our client portfolio emphasizes the selectivity we apply in building long-term, meaningful and sizable client relationships. This is underpinned by our approach to sales excellence - making sure we win the right and most profitable projects. Cost and cash management will center on balancing our spend and timely collecting what is due to us. Making Building Information Modelling (BIM) integral to each project and monetizing the benefits, while also driving digitization of our global solutions will ensure we are front runners in our industry.

Financial performance

We made significant steps in 2018 towards our 2020 targets in our key markets North America, the UK, Continental Europe and Australia Pacific, which combined with CallisonRTKL, represent approximately 85% of our business. The set-backs we faced in the Middle East and Asia negatively impacted our results, especially in Q4. Overall, we generated strong cash flow from disciplined working capital management throughout the organization. As a result, our leverage ratio at year-end improved to 1.7, well within our 2020 strategic target range of between 1.0 and 2.0.

We are taking decisive actions to turnaround the underperforming businesses. Earlier headwinds in the Middle East caused us to be more selective, in order to de-risk our portfolio. This resulted in lower revenues and, as a consequence, we impaired goodwill. In Asia, we appointed new leadership and are executing the plan to focus on profitable core businesses, to exit certain countries and phase-out activities that underperform. In Latin America, we expect to improve our results in Brazil in a more stable post-election business environment. We are making progress with our non-core clean energy assets; ensuring new gas offtake contracts and bringing the largest gas-to-power plant to the operational status.

Architecture remains a key staple in our portfolio

In July, we completed the strategic review and market consultation for CallisonRTKL. We concluded that to provide the best prospects for both CallisonRTKL and Arcadis stakeholders, including customers, the most attractive option is to continue to operate the business as a separate division within our company. The strategic review has resulted in a clear business plan for CallisonRTKL along with a specific assessment of opportunities and risks.

The market consultation process has not led to a satisfactory alternative value proposition relative to CallisonRTKL's business plan, including current earnings and cash flow contribution to Arcadis as well as the prospects of CallisonRTKL. CallisonRTKL will continue to operate with a distinct position as a separate global organization, an independent brand identity, a well-diversified client base, strong leadership and an exciting culture of creativity, design and innovation. We believe the review process provides a clear path forward for CallisonRTKL within Arcadis.

Health & Safety

The health, safety, and well-being of employees and stakeholders is central to everything we do at Arcadis. The Health and Safety (H&S) Global Vision and Policy focuses on a culture that strives for zero incidents.

For the seventh year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2018 (0.18, a 31% decrease from 2017 when it was 0.26), is at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13. Similarly, our Lost Time Case Frequency (LTCF) for 2018 (0.06) decreased 45% when compared to 2017 (0.11) and stands at an all-time low. Arcadis' injury rates continue to remain well below the average injury rates of the publicly available US benchmarks for the architecture and engineering industry, which were 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2017). Near miss reporting, a key process in helping to prevent incidents, continues to increase (up 10% since 2017, and up 69% over the past five years), which is indicative of a continued improvement in hazard recognition and greater stewardship for sharing experiences to help prevent future injuries. No work-related fatalities occurred in the five-year period.

Addressing legacy issues in Brazil

In 2018, Arcadis was confronted with several significant setbacks in relation to the ALEN associate. Overall, the project was delayed for more than six months and the investments increased significantly.

Progress continued to be made by the ALEN associate in the completion of the energy assets. The gas-to-gas plant is operational, and a contract is now signed for 35% of the capacity with an industrial buyer. An additional 35% of capacity is currently under negotiation with another industrial buyer. The delivery of the gas will start at the end of the first quarter. Discussions are ongoing with two other industrial gas consumers for the remaining capacity. The largest gas-to-power plant is in operation since the end of January and delivers 60% of the total capacity which will increase to 100% within two months. The third and last plant is on track to become operational in the course of 2019.

Considering delays in the construction process and sales contracts, increasing costs and assumed lower contract prices we performed a re-assessment of the business case in the third quarter.

Based on these insights Arcadis took a value adjustment of €53 million on the ALEN business case.

On the balance sheet of 31 December 2018 is a provision of €28 million for expected credit loss. The net investment, including the shareholder loans, is valued at nil. The off-balance sheet financial guarantees for ALEN are €87 million. The operating loss in the fourth quarter was €3 million. As the assets start generating cash, we expect the loss to decline over time in 2019 and anticipate to be break-even in the second half of the year.

Itaú bank has been appointed as financial advisor for the divestment process. Itaú, the largest investment bank in Brazil has a strong track record in the energy sector in Brazil. The objective is to divest the energy assets in 2019.

Getting ready for a successful future

There is no denying that 2018 has been a challenging year for Arcadis, but we are pleased with the growth in the majority of our business, the strengthening of our balance sheet, as well as with the actions taken to improve our performance. Our strategy towards 2020 is clear and we have confidence that our efforts in 2018 will further pay off in 2019. This confidence and our cash generation in 2018 enables us to propose to maintain our dividend at €0.47 per share.

I would like to thank all our people for their continued commitment under sometimes challenging conditions. Your passion, creativity and drive for success never ceased to amaze me, and I am proud to lead an organization with such great people.

I thank our shareholders for their patience and belief in our way forward. I thank our clients for creating opportunities and for challenging us with their most difficult projects. We see those as moments to shine.

We are setting ourselves up to be successful going forward and I anticipate reaping the benefits as we work with confidence on creating a world for the next generation.

On behalf of the Executive Board
Peter Oosterveer

Top 10 priorities

To implement our strategy, we have identified in 2018 ten group-wide priorities, linking directly to our strategic pillars:

- **Become an employer of choice**
- **Sales excellence**
- **Building Information Modelling (BIM)**
- **Digitization of Global Solutions**
- **Cost & cash management**
- **Refocus client portfolio**
- **GEC operating model**
- **Make Every Project Count**
- **The Arcadis Way**
- **One Arcadis brand**

The Executive Board
Sarah Kuijlaars and Peter Oosterveer

Message from the Chairman
We are creating a solid base for profitable growth

2018 was the first year of the implementation of our new strategy, 'Creating a Sustainable Future'.

Niek W. Hoek
Chairman of the Supervisory Board

In the Annual General Meeting of Shareholders end of April 2018, Sarah Kuijlaars was appointed member of the Executive Board and CFO. A month prior to that, we adjusted the top structure of the organization, reducing the Executive Board to two members, the CEO and CFO. In addition, the Senior Management Committee was replaced by an Executive Leadership Team which represents our three segments, as well as the key corporate programs and functions. With this our management team is better aligned to our strategy. The new team selected ten key priorities for improvement in support of our strategic ambitions.

After a careful management review and market consultation process, it was decided mid-year not to divest our architecture business of CallisonRTKL, as we assessed more value can be created by retaining it. In Brazil we still face the consequences of the past since the finalization of renewable energy assets is still ongoing, taking longer to complete than preferable. As a result of this, we have had to take a €53 million value adjustment in the third quarter. For the full year our results were strong in our key markets but under par in the Middle East and Asia. As a consequence of our portfolio review in the Middle East we impaired goodwill.

In summary the majority of the business delivered solid results and firm measures are taken by the Executive Board to address the underperforming parts. The focus on cash resulted in a stronger balance sheet and a lower risk profile. We are pleased with the steps taken by the Executive Board in 2018 and firmly believe that they are the foundation for success in the years ahead.

On behalf of the Supervisory Board
Niek W. Hoek

Focus areas for the Supervisory Board in 2018

The Supervisory Board believes that focus is key to achieving the Company strategy, and to creating long-term value for all stakeholders. In exercising its task in 2018, the Supervisory Board, in coordination with the Executive Board, focused on the following topics:

1. Creating a more effective management structure
2. Further developing the digital strategy
3. Putting our new strategy into practice and ascertain profitable projects
4. Further rebuild confidence with our investors. Bring down working capital. Progress strategic review CallisonRTKL
5. Health & Safety

Our business and passion
Bringing the best to our clients

Arcadis' position in both global and local markets is strong, and our new strategy is directed at further enhancing that position of strength to deliver the best solutions to our clients. We provide a broad range of expertise, work for a diverse range of clients, provide services that span the entire lifecycle of assets, and have a broad regional representation through an office network that spans the globe.

Expertise

Our expertise in infrastructure, water, environment, and buildings is global but with a local reach. Combined with our deep market sector insights, our global solutions and collaborative teams help clients overcome the most complex challenges, wherever they exist.

Clients

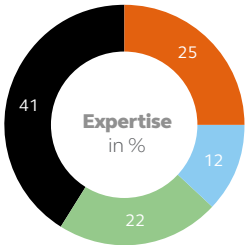
Our clients require partners capable of delivering first-class solutions to their doorstep regardless of where they are sourced. We leverage our vast expertise, share knowledge, and create best value-added solutions and technology to serve our public, regulated, and private clients to the highest standard.

Services

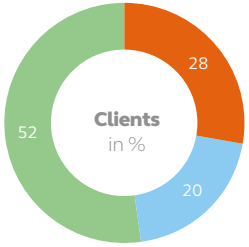
In most major markets we offer our clients full lifecycle solutions comprising business advisory services, consulting, program, project & cost management, and design & engineering. We often develop client relationships that span the entire lifecycle of their assets.

Segments

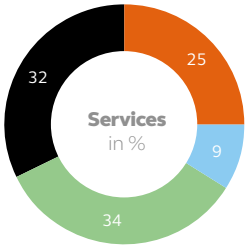
Our diversified portfolio is based on a global presence, with leading positions in Europe & Middle East, the Americas, Asia Pacific, and through CallisonRTKL. In every location, we pair our deep global market sector knowledge with a strong understanding of local market conditions.



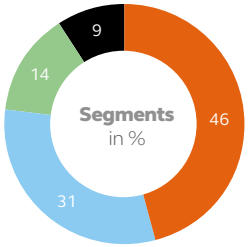
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management



- Europe & Middle East
- Americas
- Asia Pacific
- CallisonRTKL

All percentages based on FY'18 net revenues

Our position in the industry value chain

We are a full-service design and consultancy, and our solutions span the entire asset lifecycle. This means we can consult for the full length of projects, or where needed, assist clients with their broad investment programs, rather than just individual projects. These integrated solutions provide inherent advantages, such as a lack of friction losses and an enhanced control regarding the performance of the asset from conception through to decommissioning and back into redevelopment.

Our in-depth sector knowledge and ability to share knowledge globally enable us to provide best-in-class sustainable solutions to our clients, wherever they are located. In addition to covering the entire lifecycle, we can also add value to clients in each individual phase of projects, working with other partners and (sub)contractors to successfully deliver often complex projects.

Because we approach our clients' complex challenges with the right combination of deep technical insights, solid business consulting skills, and strong management capabilities, we can provide sustainable outcomes for them at every stage. We translate clients' sustainability policy in concrete measures in our projects; we make every project as sustainable as possible. Increasingly, we pair this with digital capabilities, providing our clients more creativity during the conceptional phase of projects, enhanced control during a project's realization, and better insights into an asset's economic performance during its lifespan.

We understand that for many clients sustainability is a key driver as it can provide pricing power, cost reductions, a more competitive labor market position, business opportunities for new products and services as well as a reduction in risks and better access to capital. Sustainability is therefore a design principle when we develop our solutions for clients. That translates in our strategy: Sustainability by Design; help clients implementing their sustainability policies in concrete measures in every project.

Value creation

How we create and share value

Arcadis' value creation process is geared towards maximizing the outcome of our business processes for all of our stakeholders through the efficient use of the capitals which are at our disposal. While our overall focus is on long-term value creation, our three-year strategy cycle allows us to update our market relevance regularly to keep in tune with stakeholder interests.

Inputs using all resources wisely

Human and intellectual capital
Our 27,354 talented and professional employees provide their expertise and competencies to make a difference for our clients at every stage of the lifecycle of natural and built assets.

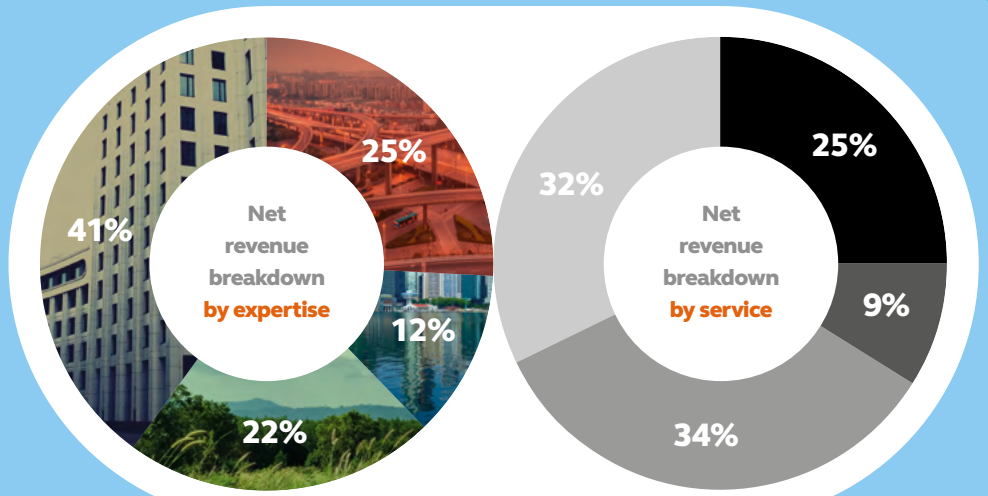
Social and relationship capital
Exceptional and sustainable results are achieved by collaboration with our clients. Our success is dependent on good relationships with key stakeholders, such as our employees and clients.

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

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

Value creation process

We deliver sustainable solutions through four categories of services in four project/expertise areas



- Infrastructure
- Water
- Environment
- Buildings

- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management

Underpinned by

Shared values | The Arcadis Way | Global footprint and expertise | Technological capabilities

Output created per capital

Human and intellectual capital

High levels of employee engagement. Improvement in human and intellectual capital demonstrated by:

- Improved rates of the Your Voice Survey (from 3.03 to 3.10)
- Successfully on-boarding over 5,000 talents in 2018
- Continued investment in training & development for our employees
- Continuous commitment to Diversity & Inclusion
- Continued investments in Health & Safety, resulting in improved H&S indicators

Social and relationship capital

- High level of client satisfaction demonstrated by repeat business. ~70% of 2018 projects involved work with clients who had worked with Arcadis before.
- Building on brand awareness in every region, e.g. Arcadis was mentioned in over 500 articles in the Netherlands
- Client experience score of 45 (Net Promoter Score)

Financial capital

Returning to organic growth, improving balance sheet, with improving indicators.

- Organic net revenue growth positive at 3.4% (year-on-year)
- Operating EBITA margin of 7.3%
- Net Working Capital improvement to 15.1%
- Net debt to EBITDA ratio (average, for bank covenant purposes) improvement to 2.0

Natural capital

Through our projects we assist clients in building a Sustainable Future by providing integrated and sustainable solutions. For example, many existing projects revolve around improving quality and supply of water. In others, we re-mediated in soil and water spills.

- Arcadis' carbon footprint (MT CO_2 per FTE) improved (from 3.34 to 2.98)
- No of identified non-environmental compliances (equal to 2017)
- 80% of revenues related to relevant Sustainable Development Goals (SDGs)

Outcomes for our stakeholders

Employees

Pride, satisfaction and a great place to work:

- Employee engagement score of 3.10 (on a scale of 0 - 4)
- Voluntary turnover rate, now 15.6%
- Identified leadership potential retention rate of 69%
- Stable female percentage in total workforce (37%), with 19% female executives
- Health & Safety indicators once more at lowest level since Arcadis began collecting H&S data

Clients

- Continuous focus on a top-quartile performance for Client Experience
- Scaled existing technologies, and exploration of new technologies through co-creation
- Client approach via sector programs, core solutions and Global Cities
- Leverage global experience for best-in-class solutions

Investors

Competitive and sustainable returns:

- Stable (proposed) dividend of €0.47 per share
- Return on Invested Capital (ROIC) now 4.7%

Civil society

- Assisting clients in dealing with the effects of climate change
- Good health and well-being in our own operations, and in contribution to the realization of health & safety targets of our clients
- Continued contribution to five relevant SDGs through our client solutions and community engagement initiatives

Digitalizing global solutions

2018 has seen the role of Global Solutions evolve and grow to incorporate Digital Transformation. This has included ownership of a top ten business wide priority, digitalizing solutions, which will see us improve efficiency and create additional value for our clients.

Our clients are at the center of our organization. Everything we do is ultimately about delivering the best of Arcadis to our clients. We achieve this through working collaboratively with Sales & Business Development, segments and our Digital colleagues to leverage local expertise and knowledge globally.

Our journey to digitalizing our solutions has begun in 2018 and will see further development and implementation in 2019, working together with the three segments to achieve improved client outcomes and internal efficiency.

Organizationally Global Solutions is structured around fourteen asset and service solutions, led by solution leads responsible for working collaboratively across solution and sector to deliver four main activities:

1. **Global knowledge and capabilities:** provide market insights and knowledge-sharing to our regions using communities of practice (CoP). Be the thought leader to leverage and differentiate our position as market leaders.

2. **Strategic pursuits:** support our regions with strategic pursuits that drive value to our business. We bring our global knowledge and market insights to secure strategic projects and drive the development of marketing collateral.

3. **Collaboration and strategy:** work with regions to build global capability and project teams, according to the collaboration guidelines.

4. **Joint development of (new) propositions:** support regions to align solutions to market opportunities. Develop joint propositions (together with Sales & Business Development) to add value and drive growth.

Our solutions are delivered within four sectors, with expertise and technical excellence running cross sector. Building on the work completed in 2017, we have focused in 2018 on developing cross solution services, merging skill sets to provide greater value for our clients through focusing on client need.

Infrastructure

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

Water

Water focuses on the entire water cycle; from source to tap and then back to nature. Through our wealth of experience in the water sector, Arcadis specialist teams of engineers, scientists, and consultants are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demand of a rapidly changing world. In addition, our water management capabilities, originating from our Dutch heritage of living with the sea, are world-renowned and are now applied in many coastal areas around the world to increase urban resilience. Arcadis is a global top-five player in water services.

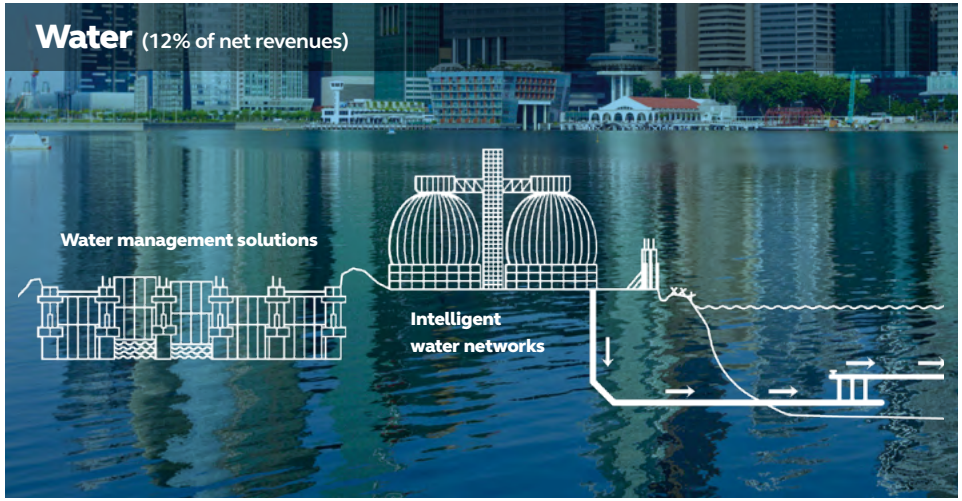
Environment

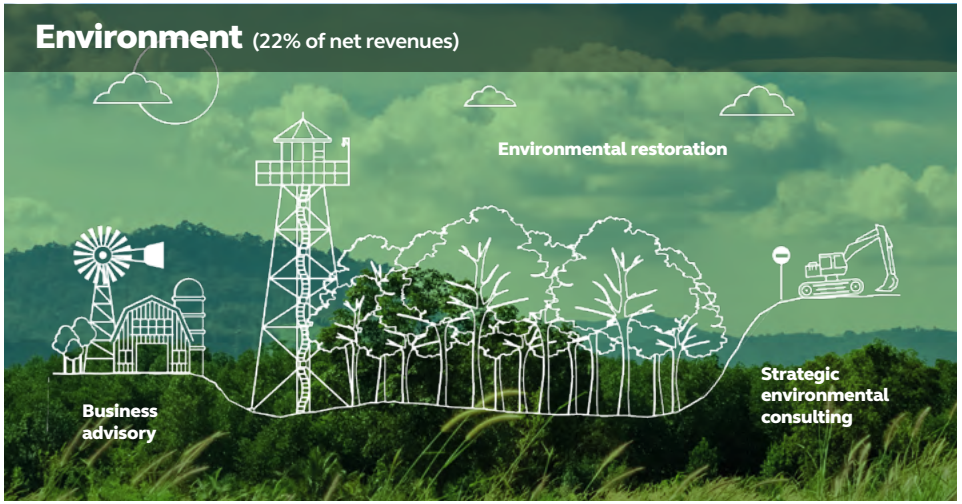
Environment focuses on improving the sustainability of natural and built assets. Arcadis combines environmental innovation, engineering, consulting, and construction services, and develops successful and sustainable solutions for our clients. We are proud to be the leading global environmental solutions provider to private industry and deliver projects that protect the Earth's resources while meeting our clients' economic objectives.

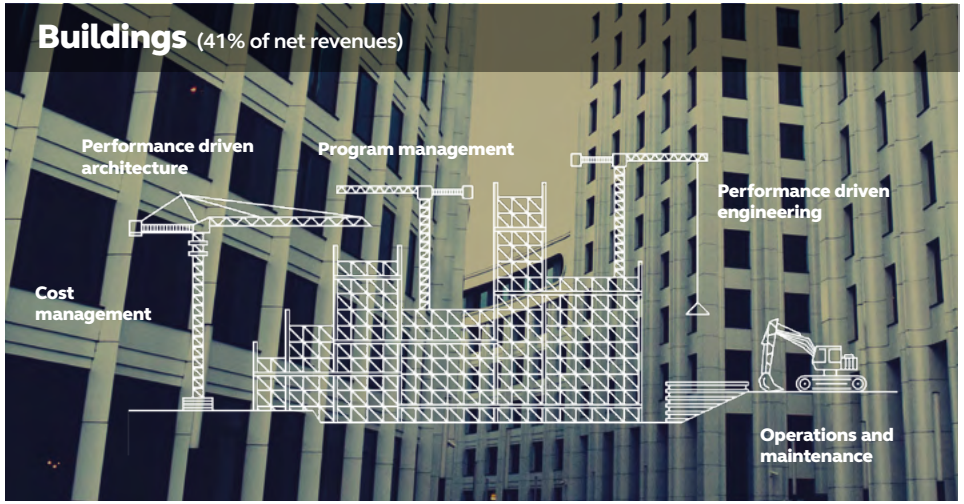
Buildings

Buildings focuses on delivering world-class master-planning, architectural design, engineering design, consultancy, project, program and cost management for all types of buildings and cities. We are partnering with our clients to plan, create, operate, and regenerate their built assets. We create a balance of form, functionality, and environmental stewardship.

Solutions are delivered cross sector, but can predominately be found in:







Our passion
Improving quality of life

At Arcadis, we rely on our core values to guide us in everything we do, while we base business decisions on our vision and strategy. Our primary aim is long-term development and value creation, and our focus is to deliver exceptional and sustainable solutions to our clients, while pursuing new opportunities that fit our capabilities. In doing so, we contribute by sustainably solving the challenges that clients and communities face around the world.

Our values

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

People first
We care for each other and create a safe and respectful working environment where our people can grow, perform, and succeed

Client Success
We are passionate about our clients' success and bring insights, agility, and innovation to co-create value

Integrity
We always work to the highest professional and ethical standards and establish trust by being open, honest and responsible

Sustainability
We base our actions for clients and communities on environmental responsibility and social and economic advancement

Collaboration
We value the power of diversity and our global capabilities and deliver excellence by working as One Arcadis

Our behaviors

- We value each other
- We deliver on our promises
- We always bring our best
- We work as One Team
- We dare to shape the future

Arcadis in perspective

Number of projects

35,000+

Countries where Arcadis has completed projects

70+

Countries with offices

40+

Employees worldwide

27,354

2017: 27,327

Global Excellence Centers
Number of employees

2,475

The Arcadis journey

Creating a sustainable future since 1888

1739

Hyder Consulting can trace its roots back to this date

1888

Arcadis founded in the Netherlands as the association for wasteland redevelopment, promoting agricultural productivity of Dutch heather lands

1925

Ventures into rural development

1959

Start of export of water and infrastructure services to developing countries

1960

Branched into urban development

1972

Association (KNHM) and Company (Heidemij) are separated

1990

Start of European expansion strategy

1993

Merger with Geraghty & Miller brings US expansion and listing on NASDAQ

1997

Introduction of Arcadis brand name and logo

The fire salamander represents lasting environmental quality and ecological balance

Acquisition of EC Harris brings stronger position in UK, and growth in Middle East and Asia

Acquisition of Langdon & Seah creates leading position in cost and project management in Asia

Introduction of one global brand

ARCADIS Design & Consultancy for natural and built assets

2007 2009 2011 2012 2014 2015 2017 2018 2020 2030

Acquisition of RTKL brings high-quality architectural design in US, UK, and Asia

Acquisition of Malcolm Pirnie creates leading global position in water

Acquisition of Hyder Consulting and Callison brings further strength to engineering and architecture

Acquitions of E2 ManageTech and SEAMS to expand digital capabilities

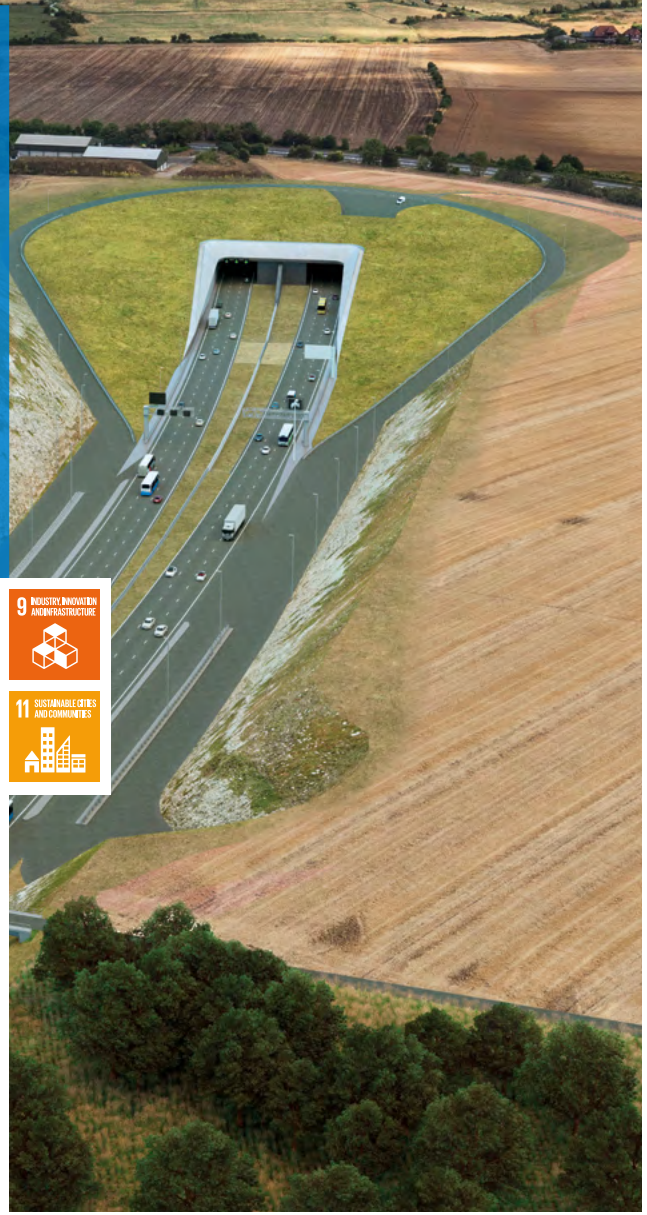
6 CLEAN WATER AND SANITATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION
15 LIFE ON LAND

Digital data collection driving project efficiency

Client: Highways England

United Kingdom

Arcadis is part of joint venture team on a ten-year contract to support technical aspects of the Lower Thames Crossing project execution.



Challenge: The Lower Thames Crossing is a proposed new strategic road crossing under the river Thames. It will significantly help to reduce traffic and congestion in the Lower Thames area, potentially creating more than 6,000 jobs and boosting the economy by more than £8 billion. However, the sheer scale of the project and vast amount of data needing to be generated, managed, analyzed, and used to drive the design process is a massive undertaking.

Solution: To meet the challenge of generating meaningful information for this large infrastructure project, part of the technical delivery work involves collecting survey data on tablets. This makes it accessible to any member of the team and means it can also be shared with relevant stakeholders quickly and easily, reducing double data entry and saving time.

Impact: Arcadis's digital data collection approach will drive project efficiency and collaborative multi-disciplinary design. It decreases data handling time and has the added bonus of reducing errors in data management, as well as lowering costs. The use of tablets also drives a positive and effective health and safety culture. Surveyors can record hazards onto the tablets documenting their significance, and this information then instantly informs anyone working on the project of the hazards present on site.

Monetization of natural and social capital benefits

Client: Syngenta

Global

Supporting Syngenta's understanding of natural and social capital valuation.

Challenge: Syngenta wanted to monetize the value created through its Multifunctional Field Margins projects (MFFMs)[1].

Solution: Arcadis provided support by conducting interviews with selected MFFM projects' key stakeholders, as well as an extensive literature review providing scientific evidence of the different types of biodiversity, natural and social capital benefits of MFFMs. Together with Bioversity International, we developed a paper examining how agricultural biodiversity can be enhanced by the use of MFFMs. It also recommends a few design principles and protocols to establish and manage field margins for biodiversity benefits, and makes a first attempt at ascribing a monetary value to the most important benefits.

Impact: This work shows how enhancement of biodiversity features in agricultural landscapes can generate natural and social capital benefits for the farmer communities and society as a whole, thus improving quality of life. Arcadis has exemplified itself as a thought leader in the transition towards more environmentally and sustainable agriculture.

1 Enhancing biodiversity on marginal farmland along field boundaries and waterways that may have limited access for large-scale farm machinery and are less suitable for crop production

Cleaner and better living in New York City

Client: New York City Department of Sanitation (DSNY)

New York
USA

Arcadis helped the City of New York develop a plan to reduce trash truck traffic by 63%.

Challenge: New York City currently has an open market commercial waste collection system with over 90 waste haulers servicing ~130,000 customers, resulting in high overlap in truck traffic. In some parts of the city, more than 50 haulers service a single neighborhood, and an individual commercial block may see dozens of private waste collection trucks on a given night. Under the current system, there is also a safety hazard to workers often incentivized to do unsafe things to get the work done, as well as to pedestrians on the streets.

Solution: Incorporating extensive data analysis and predictive analytics, Arcadis devised the Commercial Waste Zones plan that lays out a blueprint to divide the city into twenty geographic zones, each served by three to five waste haulers selected through a competitive bidding process. A waste collection company will work only within its zones, which will reduce truck traffic and strengthen service standards while still allowing for customer choice.

Impact: The plan helps the City reduce trash traffic by 63%, creating an orderly modern commercial waste collection system. The process will ensure that only collection companies that meet minimum qualifications related to price, customer service, and safety will be able to serve New Yorkers. This will improve New Yorkers' quality of life, promote a cleaner environment, and ensure the efficient and orderly collection of commercial waste.

Executive Board report

This Executive Board report describes how we have come to our strategy; how we took into consideration our strategic context and operating environment, and how we translated this into three strategic pillars with corresponding targets. It explains our performance across the strategy pillars, as well as our operating segments. The Report includes information on Governance and Compliance.

Our strategy
For 2018-2020

Arcadis' overall focus is on long-term value creation. Our three-year strategy cycle allows us to update our market relevance regularly to keep in tune with stakeholder interests. Creating a Sustainable Future was launched in November 2017. With this strategy, our goal is to grow our business profitably, invest more in digitization, improve delivery for clients and build a workforce, within Arcadis, fit for the future.

Strengths to build on

- Global platforms
- One brand, recognized as thought leader
- Leadership positions in key markets
- Global Cities program
- Competitive delivery model
- Committed and competent people
- Sustainability by design

Improvement areas

- Operating EBITA margin
- Focus on markets, solutions, and client sectors
- Commercial excellence
- Project delivery
- Integrate sustainability in every project
- Middle East and Asia

Alongside the three pillars of the strategy, we have developed key goals and targets for 2018-2020. These targets cover both financial and non-financial performance. To implement our strategy, we have also identified ten group-wide priorities; these priorities link directly to our strategic pillars. To coordinate implementation, we have established an Enterprise Program Management Office; this will help us remain efficient and result-focused.

Our strategic pillars, the ten priorities and our targets are summarized on page 28.

Progress in 2018

Key Performance Indicators were identified for all three pillars and we are pleased with the progress to date, which includes:

People & Culture

Our focus on creating a stronger, unique culture with a growth mindset and a disciplined focus on pursuing the right clients while creating better financial performance is starting to bear fruit, in particular in North America, the UK, Continental Europe and Australia Pacific.

Our voluntary staff turnover slightly increased, with small increases in Asia, Australia Pacific and CallisonRTKL, partly compensated by an improvement in North America. The overall engagement score for Arcadis improved compared to 2017, slightly above our target for the year.

Innovation & Growth

In 2018, we made significant progress on our digital agenda. We helped our clients succeed in a data driven world by offering more data analytics solutions, which were strengthened by the acquisition of SEAMS. Our 2017 acquisition of E2 ManageTech formed the foundation for Arcadis to be recognized by Verdantix as a leader in delivering Digital EHS services.

To accelerate the digital capabilities of our people we have developed 'Expedition DNA', our online learning platform, which to date has seen a voluntary participation of over 26% of our global workforce. The majority of our businesses created organic growth in line with our targets and the growth for our key clients exceeded our goals. We have sharpened our focus further by streamlining our client portfolio resulting in the identification of 250 key global and local clients.

Focus & Performance

In 2018, we initiated our program of 'Make Every Project Count', focused on improving project performance by aligning behaviors, processes and systems to the 'Arcadis Way'. As a result of the program we see a higher focus on project selectivity and financial performance, including cash collection. We optimized the operating model of our Global Excellence Centers (GECs) and expect to further grow this capability by approximately 15% in 2019.

Throughout 2018, we furthermore completed our portfolio analysis for both the Middle East as well as for Asia to allow us to focus where we can lead and de-prioritize businesses that fail to meet our criteria. Changes we made in 2017 in North America formed the cornerstone for our very robust performance throughout 2018 with operating EBITA already in the 2020 range, just as has been the case in the UK, Continental Europe, Australia Pacific and CallisonRTKL.

As a result of this increased focus, we delivered strong cash flow and significantly improved our balance sheet. The accomplishments to date combined with our continued focus on the implementation of the three strategic pillars will enable Arcadis to achieve its targeted operating EBITA margin in the range of 8.5-9.5% in 2020, as well as to satisfy other key performance indicators.

Managing change

To put our strategy into practice, we are using Enterprise Program Management (EPM). EPM provides a framework for change management. It helps us manage our resources efficiently, track possible risks, reduce complexity and ensure a strong link between our strategy, functions and local businesses. We have put in place an Enterprise Program Management Office (EPMO) to coordinate plans and progress; and a steering committee, which will work closely with senior management, through the Executive Leadership Team. Work at the EPMO will be built around six core 'accountabilities'; these will keep us focused on our targets and outcomes:

Our ten priorities

People & Culture

1. **Become an employer of choice**
   We will roll out a new Employee Value Proposition, based on the principle of:
   Grow > Perform > Succeed

   We will also make front-line management development and training a priority.

Innovation & Growth

2. **Sales excellence**
   We will put in place an effective opportunity 'funnel' to increase sales and conversion rates, while controlling and managing risk.
3. **Building Information Modelling (BIM)**
   We will extend our BIM level 2 program to 100% of our business; this will be a first step to developing digital platforms for asset lifecycles. We will also rationalize and monetize all engineering applications.
4. **Digitization of Global Solutions**
   We will standardize and digitize cost management; we will consider the same for other areas, beginning with design & engineering and environmental remediation.

Focus & Performance

5. **Cost & cash management**
   Where possible, costs will be reduced – both direct and indirect; we will also increase billability and create P&L steering dashboards to ensure we remain focused on profitable growth.
6. **Refocus client portfolio**
   We will review our business portfolio, so we can focus on priority clients to drive growth and better margins.
7. **GEC operating model**
   We will continue to extend our Global Excellence Centers to reduce delivery costs, increase standardization and step up collaboration across our businesses.
8. **Make Every Project Count**
   We will develop and roll out tier I/II building blocks – for example, in risk management, project reviews and bleeder intervention. These are high priority for our regions – and drive operating earnings.

9. The Arcadis Way

We will extend implementation to more of our businesses – with a focus on achieving a return on investment.

EBITA – earnings before interest, tax and amortization; EBITDA – earnings before interest, tax, depreciation and amortization

10. One Arcadis brand

We will develop an action plan to improve brand positioning and awareness.

Our strategic targets

Voluntary staff turnover
- Voluntary staff turnover < market

Staff engagement
- Engagement score improving annually

Brand
- Top-five brand awareness in markets we serve

Clients
- Top-quartile performance for client experience

Organic revenue growth
- Surpass GDP growth in our markets
- Organic revenue growth for Global Key Clients two times overall growth

Innovation
- Digital adoption by our people and our clients

Sustainability
- Significantly contribute to UN Sustainable Development Goals

Margin
- Operating EBITA margin trending to 8.5%-9.5% of net revenues by 2020

Net Working Capital/DSO
- Net Working Capital <17% of gross revenues
- DSO < 85 days

Return
- Return on Invested Capital (ROIC) > 10%

Dividend
- 30%-40% of Net Income from Operations

Leverage
- Net debt to EBITDA ratio between approximately 1.0 and 2.0

Comprehensive analysis

The 2017 strategic review involved a comprehensive analysis of factors in four broad areas, as summarized on the next pages:

1. Mega trends – To adapt our business, we need to understand the trends shaping our world. For Arcadis, the four key trends are: urbanization & mobility, sustainability & climate change, globalization and digitalization (see page 32). These trends form the basis of our strategy.

2. Stakeholder dialogue – Our aim is to create value for all stakeholders. To do so, we focus our strategy on issues that are most 'material' to both our business and our stakeholders. Based on our engagement with stakeholders, we have identified key messages and material topics. These provide constant input to our strategy (see pages 33, 34 and 35).

3. Sustainable Development Goals – The UN Sustainable Development Goals (SDGs) were launched in 2015. Our business – and our passion to improve the quality of life for our stakeholders – fits well with the SDGs. We aim to contribute directly to these goals – we have integrated the most relevant into our strategy, operations and reporting (see pages 36, 37 and 38).

4. Competitive landscape – How we position ourselves depends, to a large degree, on developments within our industry. When implementing our strategy, we look at these developments in detail: changing client behavior, the shift to digital, the growing need for sustainable solutions, consolidation within the sector – and the increasing scarcity of skills and talent (see page 39). Where necessary, we adjust our strategy to take account of these developments.

Connectivity matrix

To bring all this information together, we have a 'connectivity matrix' on pages 40 and 41. This shows our value creation process, from beginning to end. It also shows how Arcadis uses its strategic context to update its corporate strategy, covering our three strategic pillars, corresponding risks, material topics, key performance indicators and targets (for selected indicators).

Strategic context

The world in which we operate

Trends in our operating environment, messages from our stakeholders, the Sustainable Development Goals, and our competitive landscape all provided us input for our new strategy, which translates into three strategic pillars.

Overview

Our operating environment

Mega trends

- Urbanization & mobility
- Sustainability & climate change
- Globalization
- Digitalization

Stakeholder dialogue

- Employees
- Clients
- Suppliers
- Civil society
- Investors

SDGs relevant for Arcadis

6 CLEAN WATER AND SANITATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION
15 LIFE ON LAND

Competitive landscape

- Changing client patterns
- Shift to digital
- Industry consolidation
- Scarcity of qualified people

Strategic messages

- Create an environment where all our people can be their best
- Attract, develop, and retain the workforce of the future

- Grow through providing integrated and sustainable solutions to our clients
- Be a digital front runner

- Focus on where we can lead
- Deliver client and project excellence

Strategic pillars

People & Culture

Innovation & Growth

Focus & Performance

Mega trends
That create opportunities

Understanding the world around us is the foundation for everything we do. We continuously develop our organization and value propositions to benefit from changing conditions in our external landscape, and use them to create greater value for our clients. To ensure our strategic direction remains aligned to the latest developments in our markets, we consider the following key trends shaping our operating environment; urbanization & mobility, sustainability & climate change, globalization and digitalization.

Urbanization & mobility

Global population growth and migration have led to rapid urbanization and increased congestion of transportation infrastructure.

Sustainability & climate change

Demand for solutions that preserve and protect natural resources has never been greater. Rising sea levels and scarcity of clean water are critical issues around the world.

Globalization

Multinational companies require support wherever they operate and look for providers they can work with seamlessly around the world.

Digitalization

Digital technologies open new possibilities to serve our clients and are changing the way we work and providing opportunities for different business models.

Trend-driven Opportunities

Leverage global expertise and partnerships to grow the business.

New services through human-centered design supported by digital technology.

Design sustainable and resilient cities and industries.

Use of global network to support operations around the world.

Our positioning

Leading Design and Consultancy for:

- **Sustainable and resilient cities**
- **Smart infrastructural solutions**
- **Future-proof industries**

Stakeholder dialogue
Acting on material matters

At Arcadis, we strive to create value for all our stakeholders, and aspire to understand and act upon the most material matters for our business, stakeholders and society. Based on our stakeholder engagement and a materiality assessment, we identified key messages from our stakeholders that served as input for our new strategy.

Stakeholder dialogue

At Arcadis, we seek to engage in and create dialogues with stakeholders, to deepen our insights into their needs and expectations, and to develop sustainable solutions which serve them better in the short, medium and long-term. In addition, stakeholder engagement helps us to manage risks and opportunities in our operations.

In 2017, Arcadis performed a global and in-depth stakeholder engagement process in cooperation with the Dutch Association for Investors for Sustainable Development (VBDO) as input for our strategy development process. Meanwhile our stakeholder dialogue continues daily with clients, shareholders, and our employees in the course of regular engagements, update meetings and surveys.

Global materiality survey

Arcadis uses the concept of materiality as defined by the Global Reporting Initiative, and considers economic, social, environmental and governance impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations.

The global materiality survey was therefore based on four themes, and 37 potentially material topics, whereby these 37 topics were the result of an earlier internal materiality assessment on a longer list of recognized potential topics (ca. 60 to 70).

Stakeholders were asked on how important the topics are in relation to how they impact them, their community and/or their business. All topics were scaled from one to ten, and open questions allowed stakeholders to add missing topics. Equal weight was given to the output of each group of stakeholders.

The materiality matrix can be found on the next page, and recognizes two axes/views. If a topic is 'relevant for stakeholders' it reflects the view of employees, clients, suppliers, civil society and investors. If a topic is significant in light of economic, social, environmental, and governance impacts, it reflects the view of the Executive Board and Arcadis' Leadership Council.

As the matrix shows, from the 37 potentially material topics, twenty were considered material by both stakeholders and management. These twenty topics are listed and described on page 35.

The key step in our strategic process is to link each of our material topics to corresponding key performance indicators and targets defined by our strategy. In doing so, we monitor our progress and make ourselves accountable to our stakeholders in a transparent way. The outcome of this connectivity exercise is to be found on pages 40 and 41.

The most relevant material topics for our business are those of greatest importance to our stakeholders and leadership team. These twenty topics are visible in the materiality matrix on the next page. They are positioned in the top right-hand section of the matrix, and also listed in their respective categories below the matrix.

Materiality matrix

Economic

1. Direct economic value generated
2. Direct economic value distributed
3. Dividend policy
4. Share price performance
5. Profit & Loss performance
6. Organic revenue growth
7. Inorganic revenue growth
8. Balance sheet performance
9. Cash flow performance
10. Share buy-backs
11. Share dilution
12. Portfolio management
13. Indirect economic impact
14. Innovation & digitalization
15. Brand awareness
16. Client experience

Social

17. Employee engagement
18. Talent management & learning and development
19. Fair remuneration
20. Labor rights and relations
21. Diversity and inclusion
22. Health and safety
23. Human rights
24. Political contributions

Environmental

25. Use of materials
26. Energy and emissions – carbon footprint
27. Use of water
28. Treatment of waste
29. Circular economy
30. Biodiversity impact
31. Habitats
32. Environmental non-compliance
33. Climate change

Governance

34. Business ethics
35. Tax policies and compliance (paying fair taxes)
36. Privacy (and personal data protection)
37. Risk management framework

Arcadis' material topics

	Material topic	Description	Most relevant for
1	Direct economic value generated	The Company's ability to generate revenues	Management, employees
2	Direct economic value distributed	The Company's financial return to society (employee wages and benefits, dividends, taxes, etc.)	Management, civil society
5	Profit & loss performance	The Company's ability to generate profits (Net Income)	Investors, management
6	Organic revenue growth	The Company's ability to grow revenues organically from its existing business activities (excluding acquisitions)	Investors, management
8	Balance sheet performance	The Company's ability to maintain its leverage covenants ratios below maximums set by Investors	Investors, employees
9	Cash flow performance	The Company's ability to manage working capital and generate cash flows	Investors, management
14	Innovation and digitalization	The Company's ability to provide innovative solutions, and its ability to develop and apply technological solutions	Clients, employees
15	Brand awareness	Refers to the extent to which customers are able to recall or recognize our brand	Clients, management
16	Client experience	The outcome of the interaction between Arcadis and its customers over the duration of their relationship	Clients, management
17	Employee engagement	The Company's ability to engage and retain high-quality staff	Employees, management
18	Talent management & learning and development	The Company's ability to attract and develop high-quality staff	Employees, management
21	Diversity and inclusion	The diversity of the Company's governance bodies, employee base, and project teams	Employees, management
22	Health and safety	The actual performance of the Company in regard to health and safety of personnel	Employees, management
26	Energy and emissions – carbon footprint	The direct/indirect energy consumption in the Company's own activities and direct/indirect emissions of greenhouse gases caused by the Company's own activities (scopes 1 and 2), and in the projects in which the Company is involved (scope 3)	Civil society, employees
32	Environmental non-compliance	The extent to which the Company complies with environmental laws and regulations	Civil society, employees
33	Climate change	The extent to which the Company designs strategies and solutions to deal with the impact of climate change on businesses and projects	Civil society, employees
34	Business ethics	The way the Company approaches business ethics and acts with integrity, both internally and towards its stakeholders	Employees, suppliers
35	Tax policies and compliance (paying fair taxes)	The Company's approach to paying fair taxes across the globe, and adherence to local tax laws and regulations	Employees, suppliers
36	Privacy (and personal data protection)	The Company's approach to safeguarding (stakeholder) data, and adherence to privacy laws and regulations	Employees, management
37	Risk management framework	The quality of the Company's control framework, designed to identify and manage risk exposure	Suppliers, civil society

Sustainable Development Goals
As relevant for Arcadis

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

The size of our contribution to the **UN Sustainable Development Goals** is considerable.

Sustainable Development Goals

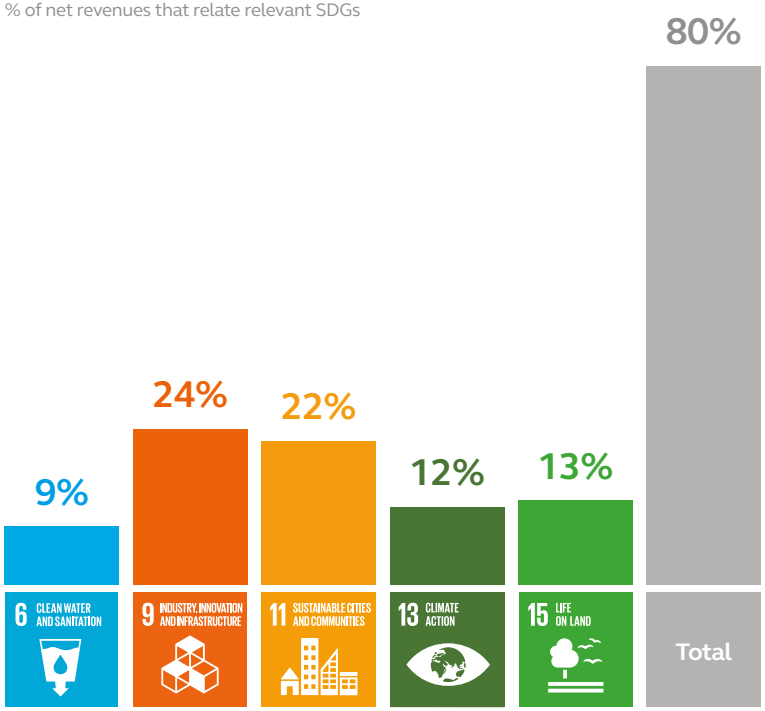
Our focus on the Sustainable Development Goals stems from our ambition to improve to quality of life in everything that we do. Within the Arcadis project related activities, our contributions focus around five SDGs:

Our contributions to these SDGs are delivered through our business activities on behalf of clients. This year's selection of SDGs does not include two SDGs which were previously also in our selection: SDG 3. Good Health & Wellbeing, which primarily related to our Health & Safety program, as well as SDG 17. Partnership for the goals. While we believe we contribute to these SDGs, that contribution is less significant then the ones we make through our project activities and also harder to quantify.

In 2018, we have performed a high level analysis of our contribution to the SDGs through our project activities and found that around 80% of our projects in one way or another contribute to the SDGs in a positive way.

We plan to create more detailed visibility on these contributions in the years to come. Given the fact that Arcadis performs approximately 35,000 projects per year, we will initially focus on the larger projects.

Sustainable Development Goals
% of net revenues that relate relevant SDGs



Clean water and sanitation – Through our wealth of experience in the water sector, Arcadis' specialist teams of engineers, scientists and consultants around the globe are uniquely positioned to provide safe and secure water technology and innovations that are built to withstand the demands of a rapidly changing world. Our focus is on the entire water cycle - from source to tap and then back to nature. Arcadis' leading practices in water supply and treatment, conveyance, water resource management, and industrial water, including water reuse, provide a strong contribution to this SDG goal. Arcadis was one of the advisors to assist the World Business Council for Sustainable Development (WBCSD) to compile the first-of-its-kind guide on circular water management. The guide brings together decision-making tools, case studies and best practice technologies to help companies seize the opportunities to close the water management practices. By 2030, the world may face a 40 percent gap in water supply vs demand. At the same time, 80 percent of wastewater currently goes back into the environment untreated. Reducing, reusing and recycling water saves costs and reduces business' impact on the environment. However, despite the clear-cut business case, circular water management practices have not yet gone mainstream. The Business Guide to Circular Water Management seeks to change this. It outlines the current barriers to circular water management, key success factors, solutions and tools for implementation.

Industry, innovation and infrastructure – Arcadis contributes to the delivery of major public transportation systems around the world. In 2018, we were involved in the roll-out of the Grand Paris metro project in the French capital, the development of metro systems in the Australian cities of Sydney and Melbourne, a new metro project in Brussels, while in Amsterdam the new metro line connecting the North and South of the city was opened. These solutions improve urban quality of life by reducing car traffic and improving urban accessibility. Through its consulting and design activities, Arcadis supports clients in developing innovative and sustainable infrastructure solutions for transportation, water, waste and energy. In many of our industrial projects we increasingly consider embedded carbon considerations in the choice of materials, as well as assisting our clients in reducing the carbon output and other waste streams of existing industrial activity.

Sustainable cities and communities – Within Arcadis Global Cities program, we have seen a strong increase in demand for resiliency, or, the ability of cities to recover quickly after shocking events. Aging infrastructure, climate change, rapid population growth and other developments are increasing the pressures on our urban centers. To overcome these challenges cities face along their resilience journey, Arcadis developed a five step resilience pathway. The approach helps cities make informed choices for their investments and helps them focus on the priorities that best support a thriving urban development.

Arcadis is a proud platform partner of 100 Resilient Cities, pioneered by the Rockefeller Foundation. The aim of the network is to 'help cities around the world become more resilient to the physical, social, and economic challenges that are a growing part of the 21st century'. The network consists of 101 (as Houston just joined as number 101) cities that are provided with the resources to develop their own roadmap to resilience. Eventually, the goal is to not just help the individual cities to become more resilient, but also to facilitate a global practice of urban resilience among governments, NGOs, the private sector, and citizens.

Arcadis offered as part of our commitment to provide pro bono services in the sectors of built environment, climate and weather, finance and insurance, infrastructure, and water management. Our RF100RC involvement has helped to position Arcadis worldwide as a thought leader in city resilience, in particular from the perspective of urban climate change adaptation, flood resilience and financing of resilience measures.

Climate action – Arcadis has carbon reduction strategies in place for its own operations, but the brunt comes from the consulting and design work it performs on behalf of our clients. We develop carbon footprint reduction strategies for our clients and actively participate and contribute to the WBCSD programs on climate change. We also assist clients in dealing with the effects of climate change through supply chain resiliency solutions and in urban settings through our flood protection design work. In addition, Arcadis also commits to international initiatives to reduce carbon. In 2018, Arcadis joined the Alliance of CEO Climate Leaders. Through this alliance, we urge and support world leaders to implement effective carbon pricing mechanisms that drive a meaningful price on carbon across the globe, stimulate low-carbon finance and investments by offering coherent policies that shift financial flows from high-carbon investments to the low-carbon economy, thereby encouraging innovation, as well as adaptation investments and develop policy tools that help educate and positively influence societal demand for low-carbon solutions. Arcadis already actively contributes to the development of these solutions.

Life on land – All businesses depend on and impact 'natural capital'. The term 'natural capital' refers to the 'stock' or 'inventory' of physical attributes in the natural world such as air, land, water, flora and fauna, and the direct and indirect 'services' that these provide. Many organizations do not fully appreciate their relationship with natural capital, and therefore are missing out on opportunities for improved performance or failing to address potentially significant risks. Arcadis played an active role in the development of the Natural Capital Protocol and now advises clients to develop a solid understanding of the dependencies and impacts that they and their value chain have on natural capital including the services it provides. We also assist these clients in developing strategies to reduce their impact on natural capital and limit the risks caused by their dependencies. In its own operations Arcadis aims to limit its negative impact on the natural environment to the extent possible whilst enabling developments in the most sustainable and resilient way.

Competitive landscape

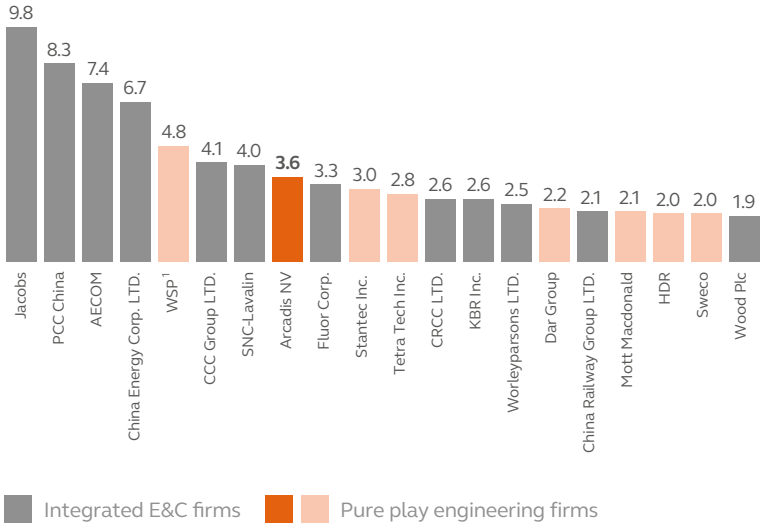
Developments in the industry and competitive landscape are relevant for how we want to position ourselves as Arcadis. Our view on changing client patterns, the shift to digital, the increased need for sustainable solutions, industry consolidation, and scarcity of qualified people have therefore been considered in preparing the new strategy.

Arcadis operates in a global addressable market of over US$500 billion, growing in line with GDP. We are a global top-ten player with a top-three position in Design & Consultancy, and our business is well diversified between emerging and mature markets, public and private sector clients, and service areas. This balanced approach is the best guarantee of our ability to benefit from the long-term growth drivers and key client trends in our markets.

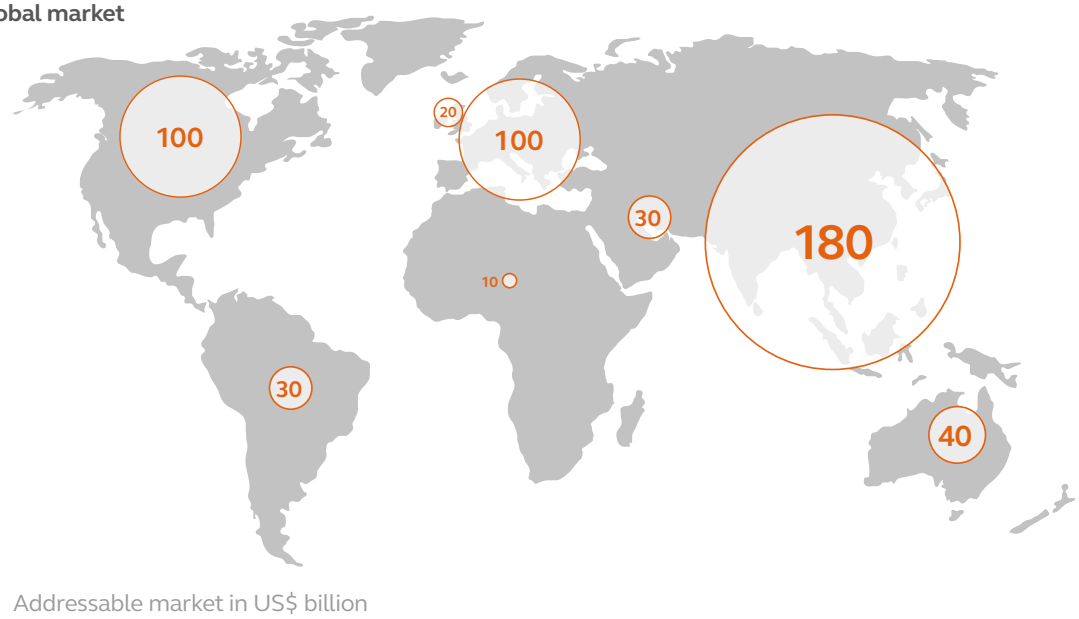
In the market there are several global players and many local ones. The global players mainly compete with each other based on brand, knowledge, and cost efficiency. Arcadis is considered to be one of the global players, with the advantage of a global network with local presence. The combination of global presence, strong local positions, and our expertise of infrastructure, water, environment, and buildings (see page 16) give us the ability to provide the best value-added solutions and technology to both our global and local clients.

Global players

In US$ billion of engineering revenues



Global market



Souce: ENR The Top 225 International Design Firms 2018; based on 2017 Revenues

[1] WSP has been adjusted for their recently annouced acquisition of Louis Berger

Connectivity matrix

The strategic context	Strategic messages	Strategic pillars	Principles	Related risks
Mega trends Urbanization & mobility Sustainability & climate change Globalization Digitalization **Stakeholder dialogue** Employees Clients Suppliers Civil society Investors **SDGs relevant for Arcadis** 6 Clean water and sanitation 9 Industry, innovation and infrastructure 11 Sustainable cities and communities 13 Climate action 15 Life on land **Competitive landscape** Changing client patterns Shift to digital Industry consolidation Scarcity of qualified people	Create an environment where all our people can be at their best Attract, develop, and retain the workforce of the future	People & Culture	**People first** • Be the employer of choice • Create an environment to grow, perform, and succeed **Living our values** • Foster a balanced culture that is driven by our core values • Create business value through sustainable solutions **Attract, develop, and retain the workforce of the future** • Develop our people and recruit missing capabilities for future needs • Embrace diversity of capabilities and people to facilitate our success in the future	• People & Capacity risk • Capability & Innovation risk • Health & Safety risk • Regulatory & Policy Compliance risk
	Grow through providing integrated and sustainable solutions to our clients Be a digital front runner	Innovation & Growth	**Advise & deliver sustainable solutions** • Build scale where we can both advise and deliver • Apply integrated thinking to solve complexity for clients **Digital innovation** • Scale existing technologies • Explore new technologies in co-creation with clients **Local strength, global reach** • Utilize local market knowledge and deep client relationships • Leverage global experience for best-in-class solutions	• Market risk • Client & Opportunity risk • Capability & Innovation risk • Information Technology risk • Information Security risk • Transformational Programs risk • Acquisition & Divestment risk
	Focus on where we can lead Deliver client and project excellence	Focus & Performance	**Focus where we can lead** • Build leadership positions based on relevance for clients, local presence, and global positions • De-prioritize businesses that fail to meet our criteria **Client & project excellence** • Disciplined project and client selection and improved project delivery • Create consistency through the Arcadis Way **Competitive delivery models** • Optimize delivery across the entire value chain: partnering with architects, contractors, and engineers • Increase utilization of Global Excellence Centers	• Corporate Financing risk • Client & Opportunity risk • Financial Reporting risk • Liquidity & Working Capital Management risk • Project & Contract Execution risk • Third Party Management risk • Information Technology risk • Information Security risk

		Material topics	Key Performance Indicators	Strategic targets 2018 - 2020 (see page 29)	Results 2018	Results 2017	Page
People & Culture	17	Employee engagement	Number of employees (headcount as at 31 December) ✓	–	27,354	27,327	44
			Employee engagement score (on a scale of 0 - 4) ✓	Staff engagement score improving annually	3.10	3.03	45
	18	Talent management & learning and development	Voluntary turnover rate (as % of total staff) ✓	Voluntary staff turnover < market	15.6%	14.6%	46
			Identified leadership potential rate (retention %)	–	69%	94%	46
	21	Diversity and inclusion	Females in total workforce (as % of total staff) ✓	–	37%	37%	48
	22	Health and safety	Total Recordable Case Frequency (TRCF, per 200,000 work hours) ✓	–	0.18	0.26	50
			Lost Time Case Frequency (LTCF, per 200,000 work hours)	–	0.06	0.11	50
	34	Business ethics	Employees passing Code of Conduct training (in %)	–	98%	97%	53
			Number of AGBP alleged breaches (including near misses)	–	77	76	53
			Investigated AGBP alleged breaches	–	100%	100%	53
	35	Tax policies and compliance (paying fair taxes)	Group Effective Tax Rate over past five years	–	25.9%	n/a	53
	36	Privacy (and personal data protection)	Number of appointed privacy officers under the Privacy Policies	–	12	10	54
	37	Risk management framework	Number of internal audits conducted in the year	–	24	24	54
	15	Brand awareness	Brand awareness score (from 2019 onwards)	Top-five brand awareness in markets we serve	n/a	n/a	55
	16	Client experience (CX)	Client experience score	Top-quartile performance for client experience	45	n/a	55
Innovation & Growth	6	Organic revenue growth	Organic revenue growth (net revenues, in %) ✓	Surpass GDP growth in our markets	3%	1%	64
			Book-to-bill ratio (net revenues)	–	0.97	1.02	64
			Organic revenue growth Global Key Clients (net revenues, in %) ✓	Organic revenue growth for Global Key Clients two times overall growth	10%	17%	64
			Organic revenue growth Global Cities (net revenues, in %)	–	11%	6%	67
	14	Innovation and digitalization	% of revenues using BIM level 2	Digital adoption by our people and clients	34%	n/a	68
			Arcadis Way implementation progress (as % of net revenues)	–	33%	31%	69
	26	Energy and emissions – carbon footprint	Arcadis' carbon footprint (MT CO_2 per FTE) ✓	–	2.98	3.34	72
	32	Environmental non-compliance	Number of identified environmental non-compliances	–	none	none	73
	33	Climate change	% of revenues that relate to relevant SDGs	Significantly contribute to UN Sustainable Development Goals	80%	n/a	74
Focus & Performance	1	Direct economic value generated	Gross revenues (in € millions) ✓	–	3,256	3,219	81
	2	Direct economic value distributed	Net Income from Operations, per share (EPS, in €) ✓	–	1.01	1.18	82
			Dividend per share (in €) ✓	30 - 40% of Net Income from Operations	0.47	0.47	82
	5	Profit & loss performance	Operating EBITA margin (as % of net revenues) ✓	Operating EBITA margin trending to 8.5% - 9.5% of net revenues by 2020	7.3%	7.6%	83
			Net Income from Operations (in € millions) ✓	–	88	101	84
	8	Balance sheet performance	Net Working Capital (as % of gross revenues) ✓	Net Working Capital < 17% of gross revenues	15.1%	16.9%	84
			Days Sales Outstanding (DSO) ✓	DSO < 85 days	80	88	84
			Return on Invested Capital (ROIC, in %) ✓	Return on Invested Capital (ROIC) > 10%	4.7%	7.3%	85
			Net debt to EBITDA ratio (average) ✓	Net debt to EBITDA ratio between approximately 1.0 and 2.0	2.0	2.3	86
	9	Cash flow performance	Free Cash Flow (in € millions) ✓	–	149	98	87

✓ For definitions and methods of measure for these indicators please refer to page 267. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 259 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes

Performance & developments
People & Culture

Create an environment where all our people can be at their best and attract, develop, and retain the workforce of the future

At Arcadis, we take an integrated approach towards developing engaged and competent people, and continue to work with our partners and clients to increase the understanding of our social impact. With the launch of our strategy, in which 'People & Culture' is one of the three strategic pillars, we are reinforcing our commitment to our people.

Number of employees
headcount as at 31 December
27,354
2017: **27,327**

Employee engagement score[1]
on a scale of 0 - 4
3.10
2017: **3.03**

Voluntary turnover rate
as % of total staff
15.6%
2017: **14.6%**

Identified leadership potential rate
retention %
69%
2017: **94%**

Females in total workforce
as % of total staff
37%
2017: **37%**

Total Recordable Case Frequency (TRCF)
per 200,000 work hours
0.18
2017: **0.26**

Lost Time Case Frequency (LTCF)
per 200,000 work hours
0.06
2017: **0.11**

Employees passing Code of Conduct training
of all employees in 2018
98%
2017: **97%**

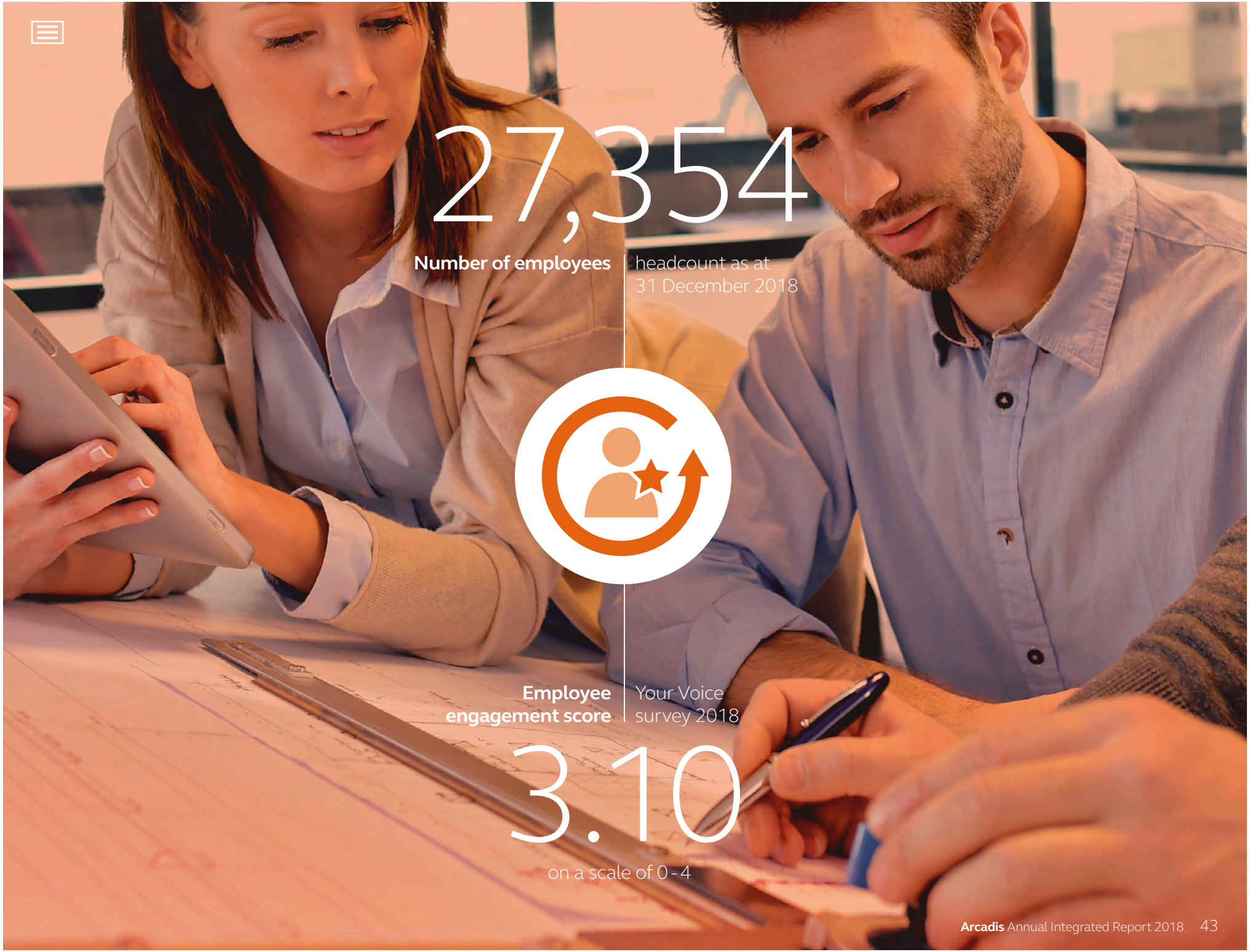
Number of AGBP alleged breaches
including near misses
77
2017: **76**

Investigated AGBP alleged breaches
100%
2017: **100%**

1 Employees of CallisonRTKL are not included in the engagement scan of 2018

Improvement
Unchanged
Deterioration

For definitions and methods of measure for these indicators please refer to page 267. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 259 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.



27,354

Number of employees headcount as at 31 December 2018

Employee engagement score Your Voice survey 2018

3.10

on a scale of 0 - 4

People & Culture

Arcadis' sustainability agenda is integral to our employee value proposition to transform our world. By focusing on the success and sustainability of our business, we attract, develop, retain and motivate our people. Our core values and keystone behaviors define who we are and what we advocate in relation to a People First culture.

Number of employees
headcount as at 31 December

27,354

2017: **27,327**

Updated leadership structure

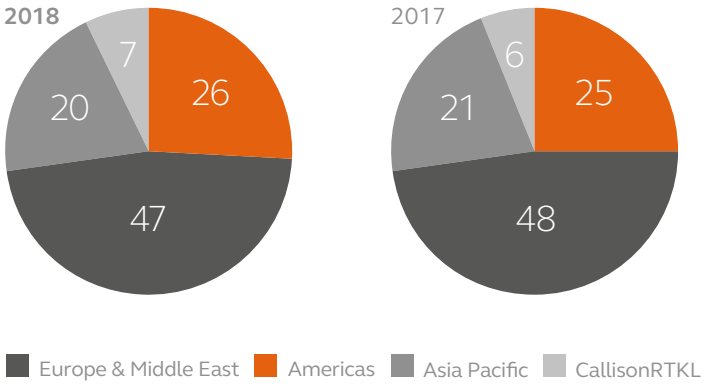
In April 2018, Arcadis welcomed Sarah Kuijlaars. Mrs. Kuijlaars officially replaced Renier Vree as Chief Financial Officer, who left Arcadis on 1 March 2018. Mrs. Kuijlaars came to Arcadis from Rolls-Royce Civil Aerospace. Before joining Rolls-Royce, Mrs. Kuijlaars held several finance leadership roles during a 25-year career with Royal Dutch Shell.

To accelerate the progress on the implementation of the strategic plan, 'Creating a sustainable future' as launched in November 2017, Arcadis changed the leadership structure this year. In March, we announced the creation of a new Executive Leadership Team (ELT), which includes the CEO and the CFO, together with Executives with clear accountability to deliver on all components of the strategic plan, including a strong focus on improving execution on all our projects. At the same time, the Executive Board became a two-member board consisting of Peter Oosterveer, CEO, and Sarah Kuijlaars as CFO. Fundamental in the adjusted structure are key functional focus areas, including people, innovation, sales and business development and project performance.

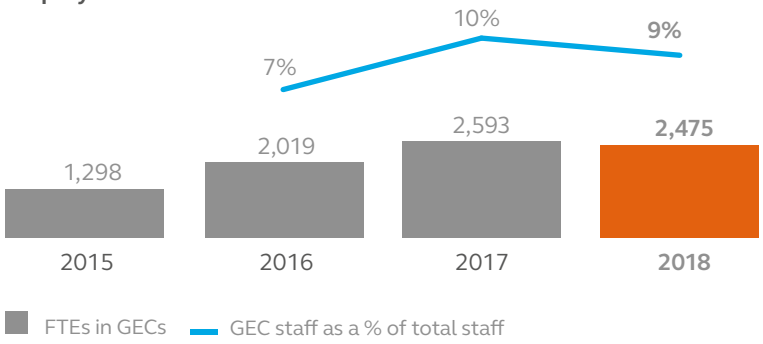
The ELT formulated ten top priorities in the fall of 2018 to position us better to deliver on our strategic priorities. See page 28 for further details.

In 2018, the contacts between the ELT and the Supervisory Board have been given shape by, amongst others, ELT members attending several Supervisory Board meetings. In those meetings presentations have been given on the areas of responsibility, and during the year frequent contact took place between members of the ELT and the Chairman of the Supervisory Board.

Employee spread by segment
In %



Employees in Global Excellence Centers



People Strategy

Our People Strategy outlines the key focus areas that will contribute to Improving Quality of Life from a people perspective:

Why

Create an environment where people can be their best and access opportunitues that work for them and the world around them to **Improve Quality of Life**

How

People First	Living our Values	Develop for the future
Create an environment in which people come first and are able to grow, perform and succeed, enabling them to reach their potential. A place where people aspire to be, a place that people are proud of and a place where inspiring leaders empower people to be their best.	A culture that is lived out by all Arcadians globally, through our values and behaviors. A great place to work where people feel valued and have a sense of belonging. A culture that supports and encourages inclusiveness; our people reflecting the diversity of the communities we work and live in.	With a focus on developing our people for future market, client and technology changes. Looking ahead to ensure our people are equipped to be leading in our industry and we therefore invest in future skills and capabilities. Encouraging diversity and innovative thinking.

These three pillars (People First, Living our Values and Develop for the Future) reinforce the most relevant material topics for our people:

- An environment in which everyone can grow, perform and succeed
- An environment where people feel they belong and have their voices heard, and
- An environment where people can develop themselves to be fit for the future

Ultimately, we want to create a fulfilling employee experience and become an employer of choice.

Employee engagement

Connected material topic **17**

Important to these stakeholders:
- Suppliers
- Civil Society

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

An engaged workforce is essential for Arcadis. The annual Arcadis Employee engagement survey, 'Your Voice'[1], helps us understand how employees feel at work and where we need to improve. The goal is to ensure that people are proud to work at Arcadis and that they can bring the best of themselves:

- This year we piloted a 'pulse' survey – a short questionnaire that still collects essential information about engagement, with the intent to move to more frequent pulse surveys in 2019. This allows faster follow up on feedback, as the one-year cycle gives teams more time to make a meaningful change.
- The 2018 survey was sent to all employees (except CallisonRTKL) and measured both engagement and people's view of line management. It had a 64% response rate. The engagement score jumped to 3.10 from 3.03 in 2017.
- The results showed encouraging movement in key areas. Employees confirmed their ambassadorship of our products and services, with 94% agreeing that they would recommend our products and services (93% in 2017). 91% of our employees feel they are able to impact the performance of Arcadis through their work (versus 83% in 2017 – the strongest score improvement) and 90% of the respondents indicate they are proud of working for Arcadis.
- We have started implementing our new global performance management framework, Grow Perform Succeed, which is an evolved approach towards performance, focusing on a continuous conversation between line manager and direct report instead of the traditional performance reviews.

Employee Engagement score[1,2]
on a scale of 0 - 4

3.10

2017: **3.03**

1 Run in 2014, 2015, 2017 and 2018
2 Employees of CallisonRTKL are not included in the engagement scan of 2018

[1] Run in 2014, 2015, 2017 and 2018

Voluntary turnover rate
as % of total staff

15.6%

2017: **14.6%**

Identified leadership potential rate
retention %

69%

2017: **94%**

To create the right environment for our people to grow, perform and succeed, three questions in the pulse survey addressed the role of line managers and how they contribute to that environment. We were encouraged to see that respondents perceive that more time and effort was spent on talking about their performance and development in 2018. These conversations, among other elements, are key for personal growth and engagement of all employees. Still, there is room for further improvement, and we will continue to develop our people managers.

We are proud to see the increase in engagement from 3.03 to 3.10. It shows us our employees' optimism and recognition that we are on the right path, both in terms of business, as well as people practices.

Talent management & learning and development

Connected material topic

18

Important to these stakeholders:
- **Suppliers**
- **Civil Society**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Attracting, retaining and developing people who are committed to bringing their best, who deliver on their promises. In 2018, we did a global study to ascertain why people join Arcadis and what makes Arcadis a unique and great place to work. The outcomes of that study resulted in our employer value proposition, which is being implemented globally to ensure consistency and keep on emphasizing our commitment to our company value People First and our ambition to become an employer of choice.

Our people are the key to our success. A strong talent pool with engaged and talented employees forms the basis for innovation and organic growth and contributes to our ambition to be an employer of choice. In 2018, our overall employee turnover was 21% (21% in 2017), while the voluntary turnover was 15.6%, coming from 14.6% in 2017. High potential retention was 69%, down from 94% in 2017, mainly due to organizational changes, like bringing together the UK, Continental Europe and Middle East regions in one EME segment.

The majority of new colleagues are attracted via employee referrals and online job boards. In 2018, we saw a significant increase in finding talent via direct engagement on via social media and via graduate recruitment. This led to a strong reduction in attracting talent via recruitment agencies.

We further built on an effective foundation for global talent acquisition through the roll-out of our applicant tracking system, which is operational in a major part of the organization by the end of 2018. We also invested in an external career site to increase effective interaction with future internal and external talent. We built on our brand awareness through campaigns and activities on social media. On LinkedIn, for example, we managed to increase the number of company followers from 190,000 in 2017 to 260,000 in December 2018. Next to LinkedIn, we are successfully working with the following job boards: 51job.com, Jobstreet, and Indeed to promote our brand and vacancies in the markets we operate in.

Key Performance Indicators

	2016	2017	Ambition 2018	**Actual 2018**	Ambition 2019
Talent management					
% internal promotion into executive level	59%	69%	60%	50%	65%
% voluntary turnover rate	15.0%	14.6%	14.0%	15.6%	15.0%
% identified leadership potential rate	90%	94%	90%	69%	75%
% retention of identified female leadership talent	67%	100%	90%	100%	75%

Developing our leaders and people managers is a key priority. We recognize that the world is changing, and the needs of our clients are changing, as is our industry and indeed our competitors. This requires new thinking and approaches to leadership and management. We also want to ensure our leaders and people managers are equipped to provide a great employee experience to our people. In 2018, our Grow Perform Succeed performance management framework was a crucial step in driving the people management agenda forward. Going into 2019 people management development is a key focus area.

Building a strong internal talent pipeline – based on potential, capabilities, and knowledge – is one of our key priorities in terms of meeting the changing demands of our businesses and the markets in which we operate. Two global programs that exemplify our commitment to growing our people are the Arcadis Global Leadership Forum (AGLF) and the Advanced Management Program (AMP).

In June 2018, we brought together 110 leaders globally for the Arcadis Global Leadership Forum, to connect, collaborate and communicate about the progress made regarding the implementation of our 'Creating a sustainable future' strategy. This was regarded as a unique opportunity for leaders to network and uncover new business opportunities together, role modeling our values and behaviors and shaping our Vision for 2030.

Our six-month Advanced Management Program enabled 31 high potentials from around the world to work on their personal development.

Creating digital leadership

Digital development stages	Goal
Digital leadership	Providing a framework for implementing transformational change strategies for our business in a new digital reality
Innovation Design Thinking & Lean Start-Up	Shaping and developing new innovation leaders and our new ways of working e.g. incubation projects
Technology literacy Digital Asset Lifecycle & BIM	Increasing literacy around tools like BIM amongst the wider Arcadis community
Data literacy Data Analytics & Visualization	Enhancing expertise & literacy in leveraging data for our business

Learning and development grow our people, thus facilitating our company's growth.

Our employees are curious people and we encourage a culture of continuous learning through a 70:20:10 approach:

- 70% learning through experiences, like guided on-the-job assignments
- 20% through other people, like peer learning opportunities and mentoring
- 10% more formal learning through classroom training and digital learning

With this approach, people learn from experience, feedback, reflection, experiments and mistakes in addition to training courses. On average, Arcadis employees had seventeen hours of formal developmental training in 2018.

The Arcadis Academy is our global hub for learning and development and gives employees access to Program Management, Project Management, Leadership Development, Digital, and Client Focus programs.

Females in total workforce
as % of total staff

37%

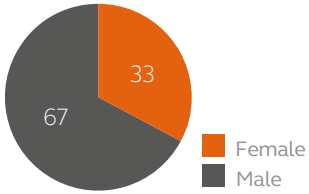
2017: **37%**

As part of our Academy programs, Arcadis works closely together with leading international business schools and global learning content providers such as Vlerick Business School, Oxford Said Business School and the Strategic Account Management Association, to design and deliver high-quality learning activities for employees around the world.

Overview of Academy programs and appreciation in 2018

Client Focus	Latin America program; 50 participants, impacting over 250 people
Digital	
Vlerick Business School	Digital Leadership Program; 250 participants
BIM community	1,000 e-learning licenses, with an impressive activation rate of 46%
MITx	Pilot program with ten participants co-designed with Massachussets Institute of Technology
Expedition DNA	2,373 colleagues completed the digital e-learning modules (with over 6,600 employees starting); 125 of them participated in the face-to-face program
Program Management	25 participants in Program Management Wave 4. 72 people enrolled in the Managing Successful Programs Foundation course
Leadership	
Arcadis Global Leadership Forum	110 colleagues from around the world participated in the Arcadis Global Leadership Forum and rated it 4 out of 5
Global Shapers	105 early career professionals joined Global Shapers: Generation 2018 and valued it at 4.5 out of 5
Advanced Management Program	31 people enrolled in the Advanced Management Program and rated it 4.8 out of 5

Executive Leadership Team's gender diversity
In %



Diversity and inclusion

Connected material topic
21

Important to these stakeholders:
- Suppliers
- Civil Society

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

In 2017, our leadership has committed to increase awareness around our gender diversity ambitions; focusing on increasing representation of women at executive level and throughout our talent pipeline in order to fuel innovation and growth in every country we operate in. Next to that our efforts are dedicated towards creating an inclusive work environment, where each employee contributes 100%.

Females currently make up 37% of our total workforce (on par with 2017). As we have seen mixed results in terms of reaching our gender diversity ambitions, which is for instance exemplified when we look at the gender equality pay graph, as well as the female 37%/male 63% ratio overall, we have made it a priority in our strategy to further embed diversity across our businesses going forward, focusing on gender diversity.

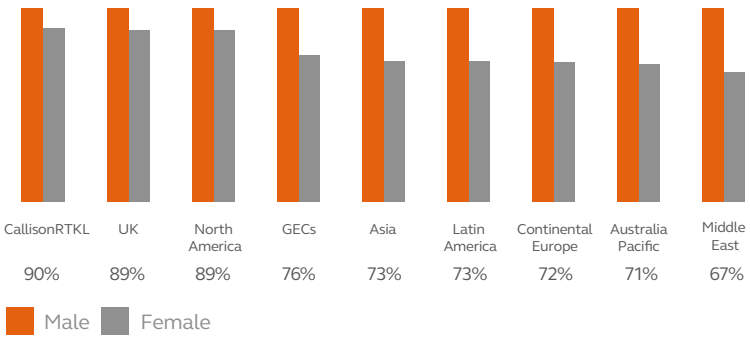
With the appointment of Sarah Kuijlaars in April 2018, our Executive Leadership Team's gender diversity is 33% versus 67%. Our Executive Board, consisting of one female and one male member is a strong example of gender balance beyond what is required by the Dutch Corporate Governance Code.

Diversity will continue to require attention and our Executive Leadership Team has devoted considerable energy to this topic in order to stimulate change. Our CEO Peter Oosterveer expressed his commitment for instance during the Pride in Amsterdam in August. We also ran an International Women's Day campaign on social media, which recognized our people's contributions to gender diversity, which resulted in a record-number of 96,071 online impressions.

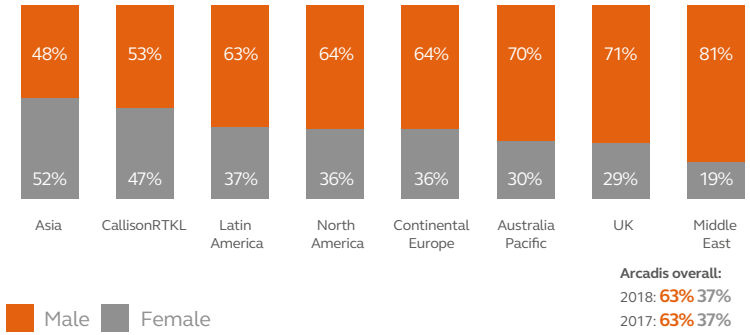
Key Performance Indicators

	2016	2017	Ambition 2018	**Actual 2018**	Ambition 2019
diversity and inclusion					
% of females in total workforce	36%	37%	38%	37%	38%
% of female executives	11%	15%	16%	19%	20%

Gender pay gap[1]



Gender split



Arcadis overall:
2018: **63%** 37%
2017: **63%** 37%

[1] Latest available data of end of 2017

Culture

We strongly believe that fostering an open and inclusive culture will contribute significantly to our people's sense of wellbeing and job fulfilment and that will ultimately contribute to people recognizing Arcadis as a great place to work.

In 2017, as part of the strategy development process, we evaluated the state of our culture agenda through interviews and focus group sessions with more than 200 leaders and 100 talents across the world to get a better understanding on where emphasis is required. That effort helped us to understand that our people want to give more meaning to our values and find it challenging to do so. It also became clear that people are looking for simple ways to explain the values to each other and our clients.

Therefore, as we embarked on the implementation of our strategy in November 2017, we introduced a program to embed the values and behaviors into our everyday business. Early 2018, at a global level, workshops with senior leaders and enabling functions (e.g. finance, IT) were done to raise awareness of our values and behaviors. The workshops were then implemented across the regions and in total 130 workshops have taken place. Our Global Shapers (100 early career professionals) together with 30 high potentials participating in the Advanced Management Program around the world instigated a Culture Takeover Week in the first week of October. They ran a variety of workshops, lunch and learn sessions, poster campaigns and virtual pass it forward challenge. Over 100 values and behavior sessions took place in that week; a great testament to the enthusiasm and dedication of our Global Shapers and high potentials.

Total Recordable Case Frequency (TRCF)
per 200,000 work hours

0.18

2017: **0.26**

Lost Time Case Frequency (LTCF)
per 200,000 work hours

0.06

2017: **0.11**

Health and Safety

Connected material topic
22

Important to these stakeholders:
- Suppliers
- Civil Society

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

The health, safety, and well-being of employees and stakeholders is central to everything we do at Arcadis. The Health and Safety (H&S) Global Vision and Policy focuses on a culture that strives for zero incidents using the TRACK process (for an explanation on TRACK, see the grey box in this section with our six fundamental Health & Safety principles.

The Health & Safety Program is the responsibility of a Global team, led by the Global H&S director, who directly reports to Rob Mooren, the Executive Leadership Team member accountable for H&S.

The Executive Board, Senior Leadership, and all Arcadis staff understand, believe in, demonstrate, and communicate the H&S commitments and engage in continuous improvement under the auspices of the global H&S Management System standard, which is designed to standardize H&S processes across the Company. It focuses on proactive hazard recognition, risk assessment, and risk control to prevent accidents, and allows for the nuances of local culture, client expectations, and regulations. It includes comprehensive education and training (through internal and external seminars, amongst others) to provide employees with the knowledge and tools to enable them to eliminate injuries and illness at work and at home. Best practices and lessons learned from incidents relating to the workplace and travel are shared via documentation or information systems. In addition, by teaming up with an external travel safety, security, and health services company, employees have information available to them at all times regarding the preventive measures available to eliminate or minimize risk on our projects.

Effective management (e.g. assessment, mitigation, and prevention) of work-related H&S risks is ensured through:
- Prioritization and action plans with quantified targets for regional CEOs and leadership;
- Leadership and business unit managers on a regular basis, as well as between H&S leadership and regional executive management on at least a quarterly basis;
- Review of work-related incidents (see step six of the principles as described on the next page);
- Conducting internal inspections and consultations by H&S specialists;
- Independent external verification of health, safety, and well-being;
- H&S targets being embedded in performance appraisals;
- Safety culture through behavior-based observations and shared information;
- Celebrate successes through safety competition, recognition, and rewards.

The global H&S Management System identifies and tracks work-related risks through annual risk identification and assessment at business level (e.g. tracking incidents). Actual performance of each region is captured in a consolidation tool and reported on a monthly basis to Arcadis' headquarters. Data is measured using standard definitions and measurement techniques that typically match those of regulatory bodies that are relevant to Arcadis' operations and those of clients. Definitions are explained in the Global H&S Management System standard and the H&S performance monitoring and reporting guideline. H&S professionals review the data before submission, which is included in quarterly reporting to the Executive Board and Supervisory Board. This review includes comparisons to other operating companies, historical performance, and targets/objectives.

Performance 2018

For the seventh year in a row, Arcadis' Total Recordable Case Frequency (TRCF) for 2018 (0.18, a 31% decrease from 2017 when it was 0.26), is at the lowest level since Arcadis began collecting global H&S data in 2004, when it was 1.13.

Similarly, our Lost Time Case Frequency (LTCF) for 2018 (0.06) decreased 45% when compared to 2017 (0.11) and stands at an all-time low. Arcadis' injury rates continue to remain well below the average injury rates of the publicly available US benchmarks for the architecture and engineering industry, which were 0.70 (TRCF) and 0.20 (LTCF) for the most recent reporting period (2017). Near miss reporting, a key process in helping to prevent incidents, continues to increase (up 10% since 2017, and up 69% over the past five years), which is indicative of a continued improvement in hazard recognition and greater stewardship for sharing experiences to help prevent future injuries. No work-related fatalities occurred in the five-year period.

Global H&S objectives for 2018 were for all Arcadis leaders to complete at least one H&S assessment annually, and for 40% of all staff to perform a documented proactive health and safety action. These objectives were identified to drive health and safety engagement by leadership and staff to encourage further development of our proactive health and safety culture. Engagement by both leadership and staff was strong (2018: 90%), and 59% of staff performed a documented proactive H&S action.

In addition, we put our People First to align with our People & Culture value by focusing on the health and well-being of our people in 2018. To that end, we set an objective that every Arcadis region and/or country develop a well-being program plan that allows our people to access tools and resources that they can use to improve their health and well-being. 100% of the regions/countries achieved that objective.

Objectives for 2019 and beyond

The global H&S objectives for 2019 are similar to 2018. We expect Arcadis leaders to complete at least one H&S assessment annually, and at least 40% of staff to perform a documented proactive health and safety action. Finally, a third objective is for all regions/countries to implement the well-being program plans that were developed in 2018.

The six fundamental Health and Safety principles

1. **Demonstrate Health & Safety stewardship daily** – Make sure that you and every member of your team goes home safely every day, no matter what your role is in the Company.

2. **Use TRACK** – Apply TRACK every day when planning tasks and before starting any task, and use TRACK again when conditions change. Our employees use the TRACK process to:

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

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

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

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

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

Business ethics

Connected material topic

34

Important to these stakeholders:
- Employees
- Suppliers

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Today's complex business environment demands that we firmly embed integrity in our daily business practices. Integrity means that we always work to the highest professional and ethical standards and establish trust by being open, honest and responsible. Integrity is a fulfilment of our high standards of responsibility to the client, shareholders, business partners and employees, the public, and to governments and the laws and culture of the countries in which we operate.

The Arcadis General Business Principles (AGBP) further define our interpretation of business ethics. The AGBP set guidance for our business decisions and actions throughout the world at all levels and apply equally to company actions and to individual behavior of all our employees in conducting Arcadis' business.

Governance

Since June 2018, the Compliance function resides with Legal. The Corporate Compliance Committee is composed of General Counsel & Company Secretary, Chief People Officer (member of the Executive Leadership Team) as well as the Chief Compliance Officer. At Regional level the Compliance function is composed of a Compliance Officer and a Compliance Committee. Each Compliance Committee includes the Compliance Officer as well as Legal and Human Resource/People expertise.

Anti-Corruption

Specific Anti-Corruption Standards (SACS) provide specific guidelines related to gifts, hospitality and payments to third parties. Arcadis has embedded its commitment to the UN Global Compact principle on anti-corruption by referencing the SACS into the Arcadis General Business Principles (AGBP). Targeted anti-corruption training sessions by leadership members and by Compliance Officers were held in various regions throughout the year.

Anti-competitive behavior

We support the principles of free enterprise and fair competition and observe applicable regulations. In 2017, we introduced global guidance on competition law, as well as related training and awareness materials (in addition to pre-existing local guidance). This was further embedded in the business in 2018.

Dealing with dilemmas

The AGBP cannot anticipate the array of dilemmas we may face in our day-to-day operations. An active policy in this area means recognizing dilemmas and taking responsibility for resolving them. We encourage employees to discuss business dilemmas with each other and with their management, to make integrity an integral part of our culture.

Value for customers

We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create optimal value for clients. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

Responsible employment practices

Our people are key to our success and we respect human and labor rights so that our people may work in a safe, healthy, professional and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives.

Every Arcadis employee has an equal opportunity for personal recognition, advancement, career development and compensation, regardless of background or beliefs. The same policy applies to recruitment. No form of discrimination or harassment is tolerated.

Monitoring and accountability

We require all our people to sign off on and comply with the AGBP. In addition, every other year Arcadis employees complete online training aimed at increasing awareness of our AGBP and values. This training specifically addresses issues like corruption, collusion, bribery and other risks to which our employees may be exposed. It was most recently rolled out in October 2018. Further to the outcome of the Strategic Review of CallisonRTKL, and in anticipation of tailored values and General Business Principles for CallisonRTKL, our CallisonRTKL people were invited to take the CallisonRTKL Anti-Corruption Training Module instead of the AGBP online training this year. In 2018, a total of 98% of all employees passed the AGBP training or the Anti-Corruption Training Module. The next round of integrity training for all our employees will be organized in 2020.

Arcadis monitors compliance with the AGBP in all operating companies on a quarterly basis. Management of operating companies certifies compliance through an annual Document of Representation. Arcadis will not hold employees accountable for any loss of business resulting from compliance with the AGBP.

Integrity Line

Arcadis has a reporting procedure which includes an anonymous global Integrity Phone Line managed by a third party for the event people are uncomfortable reporting in the line or to Compliance. Reporting tools are available to our employees 24 hours/7 days a week. Reports of potential or suspected misconduct can be made in native languages. In 2018, a number of 77 alleged breaches or near misses of the Arcadis General Business Principles was reported to the Arcadis Corporate Compliance Committee, all of which were investigated or advised upon (2017: 76).

28 referrals from before 2018 were also still under investigation during the year. Inappropriate behavior (employment-related) was the category with most reported issues. Violation of the AGBP may lead to sanctions, up to and including discharge. Company-wide we had nine dismissals on grounds related to breaches of the General Business Principles.

Tax policies and compliance (paying fair taxes)

Connected material topic

35

Important to these stakeholders:
- Employees
- Civil Society

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Tax policies and compliance (paying fair taxes) was identified as a material topic as per the Stakeholder Dialogue (see page 35). In this regard, Arcadis' tax policy and tax principles as set by the Executive Board are based upon and informed by the same core values embedded in the Arcadis General Business Principles (AGBP) and our codes of conduct, as discussed with the Audit Committee in 2016.

In 2018 the Company, together with Deloitte, has started an innovative crowdsourcing initiative with the aim to determine how to best measure responsible tax from the perspective of various stakeholders, which is expected to be finalized in 2019. In the meantime, the Group's weighted average Effective Tax Rate (ETR) of 25.9% over the past five years underlines its responsibility to society in the domain of taxation.

The Company has shown a steady performance in the annual Tax Transparency Benchmark of the Dutch Association of Investors for Sustainable Development, having been ranked in the 2nd quartile over the past three years (2018: rank 22-29 out of 76 companies).

Taxable profits are recognized in countries in which value is created, in accordance with domestic and international tax rules and standards (such as OECD Guidelines) and applying the arm's length principle.

Employees passing Code of Conduct training
of all employees in 2018

98%

2017: **97%** ↑

Number of AGBP alleged breaches
including near misses

77

2017: **76** ↓

Investigated AGBP alleged breaches

100%

2017: **100%** ↔

Group Effective Tax Rate over past five years

25.9%

2017: **n/a**

Number of appointed privacy officers
in the year
12
2017: **10**

Number of internal audits conducted
in the year
24
2017: **24**

Arcadis does not seek to avoid tax using secrecy jurisdictions, or so-called tax havens, without commercial substance.

Arcadis complies with its statutory obligations, pays its tax on time, and builds and maintains a good, honest, and open working relationships with tax authorities. In this respect, Arcadis agreed on a horizontal monitoring covenant with the Dutch tax authorities. Arcadis aims to comply with the letter and spirit of the law and makes tax-related disclosures in accordance with the relevant domestic regulations, as well as applicable reporting requirements and standards (such as IFRS).

Throughout the year, (potential) tax risks are identified, monitored, and acted upon, to mitigate and preemptively avoid said risks. The Company seeks to provide third party tax assurance by among others having its material corporate income tax returns reviewed by a big-4 tax firm. Material tax risk management topics are reported to the Audit and Risk Committee.

Information with respect to the reconciliation of the Effective Tax Rate to statutory tax rate can be found on page 192, in note 11 of the Consolidated financial statements.

Privacy (and personal data protection)

Connected material topic
36

Important to these stakeholders:
- Employees
- Management

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

In Arcadis, we anticipated the forthcoming European privacy legislation (GDPR), and started related initial preparations back in 2016. In 2018, the Executive Board approved the Privacy Policies for employee data and for client, supplier and business partner data (also called Binding Corporate Rules) following approval of the Policies by the European Data Protection Authorities.

The Policies also confirm the governance structure with regional privacy officers and a Chief Privacy Officer at global level. The approval in 2018 was supported by a global awareness campaign based on Six Golden Rules for privacy. We also performed various training sessions and privacy assessments especially in the European region focused on the requirements under the European General Data Protection Regulation in force per 25 May 2018 (GDPR). In 2019, we will continue to implement the global privacy program within Arcadis worldwide.

Risk management framework

Connected material topic
37

Important to these stakeholders:
- Suppliers
- Civil society

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Exposure to risk is inevitable in the pursuit of our goals and therefore a risk management framework is designed specifically to manage risk exposures, considering our risk appetite in context of the strategy.

The risk governance structure, risk profile and appetite, and the main risks for Arcadis are explained in detail in the Enterprise Risk Management section starting on page 134. During the year, our Internal audit function conducted 24 audits across the group (2017: 24).

Brand awareness

Connected material topic
15

Important to these stakeholders:
- Clients
- Management

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Our brand strategy is one of differentiation and focus.

We seek to differentiate Arcadis from our competitors through our ability to improve quality of life, whilst delivering exceptional and sustainable outcomes for our clients in the natural and built environment.

We measure our brand performance across a wide range of criteria but have set specific KPIs around our ability to drive: firstly, our brand awareness in our chosen markets and selected audience groups; secondly, our brand position, versus our competitive set; and finally our ability to convert both awareness and strong position in the market to genuine business opportunities. A series of hard and soft metrics sits under each of these three pillars, which are measured both globally and within our regional businesses.

Client experience (CX)

Connected material topic

16

Important to these stakeholders:
- **Clients**
- **Management**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

During 2018, we scaled and refined our Client Experience (CX) program, with top clients in all major markets benefiting. The program, which partners with industry experts, uses an innovative mix of digital and personal contact with clients to gain deep insight into current satisfaction and future purchasing decisions, around 'net promoter' and 'loyalty' scores.

Results to date indicate that re-engergizing focus on key clients is translating to better client experience, and in turn greater repeat business. This is particulaly the case in North America where satisfaction levels are much higher than industry norms. Our mix of personalized client account leadership and enhancements to project execution is valued.

We have made material progress towards our ambition of top quartile client experience and loyalty, with a Net Promoter Score of 45 in 2018, and recognize we have more to do on consistency and also demonstrating the monetary benefits we generate for our clients. To help with this, the CX program is being matured to engage broader and deeper into key client organizations, looking at the end-to-end client journey as well as project delivery level. Additionally, coaching is being provided to our client account and project management teams, using improved ways to share and then most importantly act on client feedback.

Enhance our client experience

Measure holistic and in-depth client experience

Gain insights to enhance focus on our clients' success

Continuously improve client satisfaction and progress sustainable long-term client partnerships

Brand awareness score

from 2019 onwards

Client experience score

45

2017: **n/a**

Other topics

Labor rights and relations, and human rights

At Arcadis, we recognize the human rights of all people as outlined in Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights. Arcadis' Human Rights and Labor Rights Policy addresses human rights risks and we strive to prevent the infringement of human rights and to remediate the possible impact on human rights resulting from our activities.

We expect our business partners to apply equivalent principles and seek to actively support them where needed. Arcadis respects the role of works councils and collective bargaining, and works with these groups in the countries and regions in which they are present. With our passion to improve quality of life, Arcadis believes that respecting human rights is fundamental to a sustainable society. The basic rights and freedoms to which all people are entitled should be understood, respected and promoted by companies as a cornerstone of being a socially responsible business.

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

Through the Human Rights and Labor Rights Policy, the company commits to the following:

- Arcadis considers respect for human rights and the proper adherence to labor rights as an integral component of responsible business behavior. The Company is also committed to identify, prevent, or mitigate adverse human rights impacts resulting from or caused by our business activities before or if they occur through human rights due diligence and mitigation processes.
- Arcadis prohibits the use of all forms of forced labor, and any form of human trafficking. Arcadis prohibits the employment of individuals under the applicable statutory minimum age for workers.
- At Arcadis, the health, safety, and well-being of our employees and stakeholders are central to everything that we do.
- Arcadis has a Diversity and Inclusion (D&I) program. We are dedicated to fostering workplaces that are free from discrimination or harassment based on race, sex, national or social origin, religion, age, disability, sexual orientation, political opinion, or any other status protected by applicable law.
- Arcadis does not tolerate disrespectful or inappropriate behavior, unfair treatment, or unfair retaliation of any kind. Harassment is unacceptable.
- Arcadis compensates employees competitively relative to its industry and the local labor market. The Company's principle is to provide a living wage.
- Arcadis attempts to prevent compulsory redundancies. In cases where these are unavoidable, the company promotes responsible redundancy procedures.
- Arcadis promotes a good work-life balance for its employees and applies workplace and worktime flexibility strategies to accommodate.

Arcadis respects its employees' right to join, form or not to join a labor union, seek representation, bargain or not bargain collectively in accordance with local laws and without fear of reprisal, intimidation, or harassment. Where employees are represented by legally recognized unions, we aim to have constructive dialogues with their chosen representatives and bargain in good faith with such representatives.

Arcadis is conscious of the impact it has on the communities in which it operates through the projects it performs on behalf of its clients. We are committed to engaging in dialogue with stakeholders on human rights or labor rights issues related to our business where appropriate, taking the view that local issues are most appropriately addressed at local level. Please refer to the section on Enterprise Risk Management , starting on page 134, for details on risk mitigation on respect of this topic. For key performance indicators, please refer to the Connectivity matrix on page 41.

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

Responsible procurement

Arcadis procurement approach is based on regional support and guidance with a focus on risks presented from our Global Purchasing Principles and Global Partnering Policy and mitigating those risks regionally. In 2018, this meant leveraging the mature procurement functions with Procurement Policies and Supplier Codes of conduct in the UK and the US, backed by regional leadership. Meanwhile work is performed on maturing the functions in other regions including Latin America, Continental Europe, Australia Pacific and Asia and use the Global Purchasing Principles and Partnering Policy to set aspirational goals for those locations. These will include sustainability, equality, diversity & inclusion, safety, health, environment and quality. In 2019, a Global Procurement Strategy will be put in place.

Community engagement

Arcadis and its people dedicate time, expertise, and money to many local community involvement initiatives. We encourage our people to participate in these activities, and in a growing number of regions time was made available for our people to do so on company time. In our social programs, we perform volunteer-based activities and projects in the following program lines:

Create today is about Arcadians providing hands on assistance, through a range of one-day activities, such as support at a variety of charity organizations, repacking of donated food, riverside clean ups and organizing charity events to raise money and collect goods for children's home or primary school education.

Create tomorrow is about helping local communities, by sharing our knowledge and experience to improve their quality of life. Our support consists of process consulting, technical advice, and access to our extensive network. Shelter is a good international example. In 2018, ten missions took place, nine Urban Thinkers Campuses were organized around the globe and twelve Urban Workshops took place in Arcadis offices worldwide. Over 200 Arcadians got involved.

Create the future is all about nurturing future talent. We bring together present-day experts and the talents of the future. For example, Future ready, a transformational program that engages Philadelphia middle school students about potential career paths and the future opportunities that they reveal. Arcadis staff hosted students at the Philadelphia office. The students were immediately immersed in a structural engineering activity that challenged the students to construct structurally sound structures using only spaghetti and marshmallows. The day continued with a classroom discussion on the paths to becoming an engineer. The day concluded with a talk led by John Horst on the upcoming digital trends that are shaping the future of engineering.

Create today

On Saturday 16 June 2018, teams from Arcadis UK took part in the Around the Peaks Challenge. Teams walked 26 or 13 miles or did a cycle route of 80 miles. They raised over 45.000 pounds for MIND. MIND provides advice and support to empower anyone experiencing a mental health problem. They campaign to improve services, raise awareness and promote understanding.

FareShare is a leading food rescue charity in Melbourne and Brisbane which since 2001 has been rescuing surplus food from businesses and with the help of volunteers, cooking it into 25,000 nutritious meals a week. These meals are then distributed to over 500 charities across Melbourne and country Victoria, including soup vans, shelters for the homeless and refugees. In 2018, Arcadis Melbourne supported this charity with a team by using their afternoon paid volunteer leave 'benefit together', preparing and packing meals.

Members of the Phoenix office volunteered with the Feed My Starving Children organization. Along with the other volunteers present they packed enough meals to feed 100 children for an entire year in just two hours. Meals that were packed will be sent to children in need living in the Philippines.

Arcadians in Singapore embraced the festive spirit in the December month by donating presents to over 80 children from four different Shine Children and Youth Services Centres, fulfilling their Christmas wishes and giving back to the community.

Create tomorrow

In the Netherlands, Arcadis works together with Koninklijke Nederlandsche Heidemaatschappij (KNHM). KNHM is a foundation, and predecessor organization to Arcadis, which holds ca. 4% of Arcadis' outstanding shares. In a joint program, 'Kern met Pit', we support people who want to improve the quality of life in their neighborhood. Arcadis, together with the Lovinklaan Foundation, invests in the Shelter Program with UN Habitat. The Shelter program is financially supported by the Lovinklaan Foundation, Arcadis' largest shareholder, for €440,000 each year.

Create the future

In 2018, Arcadis across Europe and the UK continued running the programs directed at helping young refugees. These programs were partly funded by the Executive Board. Our Dutch colleagues, for example, participated in the Future Academy. In this academy, young refugees with an interest in engineering are invited to invest in their own future in a twelve-course learning program. The curriculum featured environmental topics, building-related issues, water knowledge, and soft skills. Some of the participants already have working experience, others were forced to give up their studies as they fled their country of origin. The goal of the program is to provide the refugees the opportunity to build up a business network in the Netherlands, thus improving their chances for employment. Arcadis people open their business networks in support and play a role in the program as a coach, buddy or guest teacher.

In 2018, Arcadis Malaysia continued supporting Yayasan Sunbeams Home (YSH) a non-governmental, self-supporting, multi-racial foundation and home to displaced, abused, and neglected children of single parents in Malaysia. It has been in existence for over twenty years. Since 2016, Arcadis has been involved with YSH, donating construction management services, cost management services, labor costs, and expenses expertise as well as sponsorship for some of the materials – while also seeking others to participate – to solve the foundation's development issues.

Value of community engagement activities

In all, Arcadis' and employee donations in hours, in-kind contributions, sponsoring, and funding for community engagement activities stayed near to the same as 2017, €850.000. This includes the Company's own funding for the Shelter program, the cooperation with KNHM, and countless regional and local initiatives.

Reporting standards

The EU-directive on non-financial information (2014/95/eu) was implemented in national law in 2017. Arcadis complies with this EU-directive by disclosing our business model, and disclosing information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. This information includes a description of the policies, outcomes and risks related to these matters, and can be found throughout the Executive Board report. We have followed the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines while compiling the sustainability performance included in this Annual Integrated Report. The GRI framework is the most widely used standardized sustainability reporting framework in the world.

Global Shapers: Generation 2018

Two Global Shapers: Generation 2018 share their experience

"Arcadis is a global company with many different cultures coexisting, but rarely connecting depending on your role in the organization. My experience as a Global Shaper: Generation 2018 allowed me to embrace the diversity that creates the richness of Arcadis. Imagine the energy of 105 young professionals sharing their best practices and putting their talents and knowledge together to solve the challenges of the future cities, that is definitely a once-in-a-lifetime experience. The face-to-face meeting in Boston is over, but the connections made and the ripple effect will keep going forever." **– Clément Gaudry, Civil Engineer in the Tunnels and Ports Division from Paris, France.**

"A rich mix of culture, the essence of different lifestyles and a hall full of millennial energy - that's what the Global Shapers 2018 face-to-face program was like. This amazing platform true to its objectives had indeed given me the opportunity to meet, greet and network with my 104 fellow counterparts from different countries along with many leaders. And what more? The journey simply doesn't end there, in fact it has just begun. The connections made, relationships built and lessons learnt will continue and last for a lifetime creating a ripple effect." **– Dibya Maheswari, Marketing and Communication Specialist – Digital, Global Design, Bangalore, India.**

Global Shapers is our annual program that offers approximately 100 early career professionals from around the world the opportunity to grow their network internationally, share knowledge and collaborate on business-driven projects.

Global Shapers is sponsored by the Lovinklaan Foundation – Arcadis' largest shareholder. The program focuses on learning through working together in an international group, in both a virtual and a face-to-face phase. This year's face-to-face program took place in Boston, MA, USA.

This year, the Global Shapers focused on one strategic imperative: Urbanization. Under the theme of #FutureCities, Global Shapers worked on four assignments to emphasize the needs, trends and city pressures that future city citizens will experience, as outlined in our citizen-centric approach: Vision 2030. Global Shapers: Generation 2018 helped strengthen Global Cities in improving quality of life in cities both now and in the future.

The end results are diverse: an app that allows people looking for housing in New York City to find their ideal pad, based on a number of criteria. Another app was set up to help log potholes and enable road maintenance people to predict potholes.

A group of Global Shapers interviewed citizens in the Fort Point Channel area in Boston to come up with a proposal for the City of Boston regarding redevelopment of the area, taking into account rising sea levels and the citizens' needs for housing, leisure and work. A different group worked on a client proposal for London to redevelop a transit hub in Hackney. Another group worked on a city citizen centric campaign in relation to our Global Sustainable City Index: https://www.arcadis.com/en/global/our-perspectives/sustainable-cities-index-2018/citizen-centric-cities/

As part of their development journey, Global Shapers work on creating a so-called ripple effect. One aspect of the ripple effect is to set up a community of city enthusiasts that work on city-centric challenges. These communities are currently being set up across the globe and are called City Shapers. All of these deliverables were presented successfully to members of the Arcadis Executive Board, the Arcadis North America Leadership Team and colleagues of the Arcadis offices on the east coast of the States during the grand finale of the face-to-face program.

50% of our employee base is below the age of 30 – they are the leaders of the future. Since its launch in 2011, Global Shapers has become a powerful network of more than 1,800 young professionals. Together they create a ripple effect throughout the organization by using their generation's strengths, such as being tech savvy and collaborative-minded. If you want to know more about the Global Shapers program, go to: www.arcadisglobalshapers.com

Expedition DNA

Launched to build greater digital capability and support the digital transformation of Arcadis

In 2018, Arcadis launched our cornerstone digital transformation program – Expedition DNA – to drive the development of enhanced digital capability, and engage our people in the digital transformation of our business. Expedition DNA is funded by the Lovinklaan Foundation, Arcadis' largest shareholder.

The program aims to build awareness and a common language centred around the four digital realities – Customer Experience, Platforms, Data and Ecosystems - as well as develop new skill sets in the application of each of these realities. Expedition DNA is composed of our online learning platform, Base Camp, as well as week-long intensive Expeditions where participants are enabled to connect with each other and undertake a deep dive into one of the four realities of digital. This year, two expeditions were held in Corsendonk, Belgium.

Base Camp was formally launched in June 2018, and is available to all 27,000 Arcadians as an online learning platform to build awareness of the Arcadis digital strategy and its implementation across the three time horizons: H1 – the digitization of our current business offerings; H2 – the creation of new digital products within our current business model, and H3 – development of new products and services with new business models. Engagement in Base Camp has been voluntary in order to drive engagement in the transformation program.

"This was the best training experience I ever had in my career. I can only appeal all other Arcadians to apply for an Expedition. It is definitively worth the effort (and more than that)." **– Marco Lippeck, Senior Project Manager, Continental Europe Expedition #1 Participant**

"The next step in our journey relates to the concept of the growth mindset – to learn and do. We need to take what we've learned here, turn it into ordinary language and pass it along." **– Antony Faughnan, United Kingdom, Expedition #2 Participant**

"On Monday, I'm going to look at my data and find opportunities – we're all sitting on gold." **– Vivek Aditya Nemani, North America, Expedition #2 Participant**

The online program takes between six and eight hours to complete. By the end of 2018, over 6,600 Arcadians had engaged with Base Camp, with a 36% completion rate. Completion of Base Camp is a prerequisite for employees wanting to apply to participate in an Expedition. The quality of the program is highly valued by Arcadians who have indicated through the program feedback that Base Camp has enabled them to understand digital better and tangibly connect the concept to the business. Furthermore, the quality of Base Camp as a learning experience is highly valued by employees, scoring 8.3 out of 10 by participants.

In addition to Base Camp, two Expeditions were also held during 2018. The Expedition program is designed to provide participants with a deep dive into one of the four realities in specifically designed and facilitated Skills Labs. Participants are also inspired by guest speakers, and activities throughout the week which are designed to bring the four realities together, enabling a T-shaped development journey. The program is also designed to enable participants to connect and form global coalitions around the common theme of digital transformation. The first expedition was held from 6 to 9 September, and the second was held from 14 to 18 October with 125 Arcadians from around the globe being selected to participate.

The selection process for the Expeditions is focused on maximizing diversity across regions, business lines and levels of experience. Demand for the program has been high, with over 1,000 applications being received for Expeditions #1 and #2. The highest demand has been for the Customer Experience and Data Skills Labs. The overall quality of the program is highly rated by the participants in these Expeditions, with a score of 4.6 out of 5. The Expeditions are considered a truly transformative experience, developing Arcadians from being digital explorers to digital ambassadors with the capability to drive change by creating a ripple effect for digital throughout the business.

Performance & developments
Innovation & Growth

Grow through providing integrated and sustainable solutions to our clients, and be a digital frontrunner

At Arcadis, the focus on innovation and growth helps us to create the best sustainable outcomes for our clients and society, while improving our financial performance. We scale existing technologies and explore new ones in co-creation with clients, and we apply integrated thinking to solve complexity. We utilize our local market knowledge and leverage our global experience for best-in-class solutions.

Organic revenue growth
net revenues
3%
2017: **1%** ↑

Book-to-bill ratio
net revenues
0.97
2017: **1.02** ↓

Organic revenue growth Global Key Clients
net revenues
10%
2017: **17%** ↓

Organic revenue growth Global Cities
net revenues
11%
2017: **6%** ↑

% of revenues using BIM level 2
34%
2017: **n/a**

Arcadis Way implementation progress
as % of net revenues
33%
2017: **31%** ↑

Arcadis' carbon footprint
MT CO_2 per FTE
2.98
2017: **3.34** ↑

Number of identified environmental non-compliances
none
2017: **none** ↔

% of revenues that relate to relevant SDGs
80%
2017: **n/a**

↑ Improvement
↔ Unchanged
↓ Deterioration

For definitions and methods of measure for these indicators please refer to page 267. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 259 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.

3%

Organic net revenue growth in 2018, overall Arcadis

Organic revenue growth Global Key Clients in 2018, net revenues

10%

Innovation & Growth

While our primary focus is organic growth, we also look for opportunities to further expand our digital and data expertise, as evidenced by the recent acquisitions of E2 ManageTech and SEAMS. It is one of our strategic priorities to become a digital sustainable runner in the industry, which is evidenced by the current investments we are making in this area.

Organic revenue growth
net revenues

3%

2017: **1%**

Book-to-bill ratio
net revenues

0.97

2017: **1.02**

Organic revenue growth Global Key Clients
net revenues

10%

2017: **17%**

Organic revenue growth

Connected material topic 6

Important to these stakeholders:
- Investors
- Management

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Net revenues totaled €2,440 million and increased organically by 3%, the currency impact was -3%. North America, Continental Europe, the UK, and Australia Pacific all delivered organic growth. Revenues declined particularly in the Middle East due to higher selectivity and the cancellation of a large project.

Organic revenue growth from Global Key Clients was 10%, and exceeded our goals.

Backlog at the end of December 2018 was €2.0 billion (2017: €2.1 billion), representing ten months of net revenues. The backlog decreased organically by 4% caused by an almost 60% organic decline in the Middle East resulting from our continued selective bidding. Excluding the Middle East the backlog increased organically by 2%.

(Global) Sales & Business Development

Client success is front and center of our engagement with markets. We want to be known for making a real difference to our client's bottom line, sustainability, and resilience, and we are doing this in a purposeful way. By carefully selecting those markets and clients where we can provide the greatest value, we ensure our efforts deliver mutual success. For this purpose, Arcadis operates three major client programs.

In our **Global Sectors Program** we focus on six priority sectors: automotive, chemical & life sciences, contractors, financial institutions, manufacturing & technology and oil & gas. Our team of sector leaders focuses on the relationship and client needs of selected leading global and regional clients in each priority sector.

Our **Global Solutions Program** is centered around six core service solutions and seven asset solutions. We have made good progress in digitally reshaping our design & engineering services and our cost & commercial management practice and we will roll-out next steps in 2019. Our solution leaders and the network of subject matter experts they rely on keep a finger on the pulse of innovation.

We continue to support the global urbanization challenge through our **Global Cities Program** (previously Big Urban Clients) where we support developed and emerging cities to be successful in improving mobility of citizens, enhancing resiliency of the urban environment, and regenerating depleted assets. Our global cities community provides a platform where colleagues across regions can exchange insights about the most prominent urban issues.

Following our strategic initiative to re-focus our client portfolio we have selected 250 local, regional, and global key clients and will be prioritizing our resources to work on strategic pursuits and strategic projects for them: bringing the best of Arcadis together to meet the most complex challenges of the markets and clients we serve.

To ensure best-practice behavior and delivery, we also have a strong focus on continuous skills and people development through our dedicated Client Focus Academy.

Deep market insight, our strong client relationships, and continuous people development are key components of our global programs and set us apart in the marketplace.

Developments in 2018 – Global Sectors

In 2018, we have continued our focus on six global market sectors. Our growth with our global key clients has been 10% which is far above company average of 3% in 2018, and we have achieved this by delivering a top-quartile client experience based on our deep sector insights.

Automotive

Automotive manufacturing industry continues to face fierce cost pressure and tight environmental regulations. Consumers increase their expectations around customer experience and brands explore new retail models and new distribution channels.

Innovation drives rapid transformation through the sector including topics like connectivity, electrification, car-sharing, autonomous driving. We join up with our automotive clients to explore new solutions that embrace digital technologies. Our highly customized propositions, which include best-in-class facilities, environmental leadership, brand and digital experience for retail, and new mobility networks are helping our clients thrive in this rapidly changing market.

We have successfully acquired program management assignments for roll-out of several international high-power-charging networks for electric vehicles initiated by leading automotive manufacturers.

Chemical & life science

Our Life Science clients continue to invest in research & development and manufacturing facilities to follow market demand for new products, or to produce existing products at lower cost.

Our Chemical clients are specializing in areas where they can achieve higher margins and where they can identify efficiency savings by increasing productivity or by making their supply chain more efficient. We create value for these clients by managing their most complex capital programs and projects across geographies including research & development programs, logistics & manufacturing, getting new products to the market fast, lab & field based testing to guarantee compliance, consulting on operational efficiency to help save costs, and support in sustainability target definition and achievement.

An example: we have been awarded several contracts by Bayer a Life Science company for the provision of general planning, project management and construction management service for a period of five years. These contracts include modernization and expansion of existing infrastructure on several production sites.

Contractors

As projects continue to grow in size, and are being brought to the market through alternative delivery models, the need for a thorough understanding of all key success factors has increased. We team up with leading contractors and differentiate solutions through state-of-the-art technology, digital solutions, iconic design, stakeholder management, asset management insights and operations experience.

Our strong relationships with leading global contractors and investors enable us to work across asset classes and geographies, and to contribute to the success of many mega-projects across the world. Our Global Excellence Centers contribute to our competitive advantage. They bring experience, innovation, and agility to local markets; delivering consistency, quality, and certainty around risk and financial impact.

Financial institutions

In 2018, we continued to see strong demand for major portfolio transactions and refinance services across geographies. We have further expanded our portfolio of CapEx program delivery with large financial institutions, following the demand of the banking sector to increase control and to reduce risk.

Arcadis has embraced the opportunity to help deliver innovative digital solutions for our clients through the use of digital advances and new technologies. The use of artificial intelligence to improve efficiency and reduce reliance on scarce labor for document reviews and insight is in operation. We are using our unique global environment and risk management capability to advise our clients in areas like sustainability, environment, social governance and clean energy.

We have developed market dominant positions with the world's largest real estate funds in UK & Europe as well as a fast growing reputation with clients as a 'go to' adviser for real estate funds to develop and re-position their asset investments in cities with our design and program management capability. We implement leading edge digital solutions for workplace and retail banking CAPEX & OPEX governance and delivering Global capex programs for the world's largest and leading Financial Institutions in North America, Asia and Europe & Middle East.

Manufacturing & Technology

The way in which goods are being manufactured continues to evolve, and many of our clients are exploring how to develop the 'factory of the future' using concepts like industry 4.0, additive manufacturing, digitalization. They look for more sustainable solutions, redefine supply chains, and centralize capital investment.

We are positioned well and we support our clients in developing new state of the art greenfield solutions as well as in optimizing and redeveloping older or redundant sites. We see a significant increase of demand datacenters and distribution facilities following the growth of online commerce.

We supported a major lift manufacturing company in project and cost management for the construction of a high-speed elevator test tower in the South of China.

Oil & Gas

In 2018, we have seen a stable market in oil & gas, with a continued demand for efficiency increase and improved value generation from existing assets. We have focused on efficient delivery of opex and capex programs for our key clients.

We are using our Arcadis FieldTech Solutions service model to help owners effectively manage their portfolio of redundant sites and minimize their ongoing site maintenance costs, while maximizing their return upon ultimate transfer of the property. Our service model also provided a competitive advantage by combining best-in-class local skills with the scalability and consistency of Global Excellence Centers, in North America, Europe, and the UK.

In 2018, we have renewed several of our long-term agreements with global clients in the sector.

Developments in 2018 - Global Solutions

Our delivery organization is set up around **six core service solutions**: consultancy, design & engineering, environmental restoration, operation & maintenance, cost & commercial management, program management, and **seven asset solutions**: integrated airports, intelligent water networks, integrated CapEx, ports & waterways, water management, intelligent transportation, rail & urban transport.

Our solutions teams lead the way in enhancing client outcomes through identifying and scaling excellence, and driving collaboration across the business. They influence pursuits through collaboration and support, and they showcase and promote thought leadership. Solution leaders act as a link between regions, leveraging our global network, recognizing success in the business and help scale best practices. They support and drive our communities of practice, championing technical excellence and leading the digital transformation of our core services.

Connecting the best of Arcadis has allowed us to win the design contract for San José's Diridon high-speed rail station by bringing Dutch expertise to our US team. In a similar way we are using US and UK based technical innovation in emerging contaminants across the world, for example a successful PFAS remediation project for an Australian aviation client that also deployed Australian-developed technology.

Our roadmap for **digitization** of solutions includes universal BIM/GIS adoption, digitally enabled cost management, project information management, data-driven operation & maintenance, data analytics feeding domain expertise, and artificial intelligence.

Developments in 2018 - Global Cities

Cities around the world -both developed and emerging- are facing similar challenges: population growth, demand for enhanced environmental quality, mobility and connectivity challenges, aging infrastructure, complexity of urban development, resilience requirements.

With our Global Cities Program, Arcadis is uniquely positioned to address and improve the quality of life and enable cities to become more competitive, sustainable, and smarter through mobility, resiliency, and regeneration outcomes. Organic net revenue growth from Global Cities was 11% in 2018.

Mobility - We help cities create integrated transport solutions and advanced transport alternatives to connect people within cities, and enhance connectivity with public transport. In Australia Pacific Arcadis is working on public transport infrastructure projects in Sydney and Melbourne.

Resiliency – We work with cities to establish unique sustainable environments which respond to local climate and context, protecting communities from climate change, while enhancing a city's ecological and urban design. At the same time creating a critical infrastructure that has multiple community purposes and creates destinations, and integrating resiliency with community design. We have been assigned a contract to reinforce the 'Afsluitdijk', a major dam and causeway north of Amsterdam, that was constructed in the 1930s to create a fresh water lake know as the IJsselmeer. In addition, in the United States we were awarded a Biosolids Facilities Construction Management contract.

Regeneration - We also help cities address the reuse of depleted assets to maximize a city's true potential, transform underperforming cities into high-value social and cultural engines for growth, and breathe new life into global cities. In Asia, where urbanization is impacting the full region, Arcadis were appointed by the Hong Kong Urban Renewal Authority.

Organic revenue growth Global Cities
net revenues

11%

2017: **6%**

Improving quality of life in cities

Mobility | Resiliency | Regeneration

- Integrated transport solutions
- Protecting communities from climate change
- Transforming underperforming cities

% of revenues using BIM level 2

34%

2017: **n/a**

For this client Arcadis develops a program of technical solutions that could extend the operational life of Hong Kong's considerable existing building inventory and help inform future building rehabilitation policy.

The City Executives who represent Arcadis in selected global cities develop opportunities, realize needs-based outcomes, and differentiate us for selection to lead on singular projects and large programs. In 2018, we added San Francisco Bay Area to our selection, and Brussels will be the next city to be launched in 2019.

Innovation and digitization

Connected material topic

14

Important to these stakeholders:
- **Clients**
- **Employees**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Digital and Digital technologies are changing the way companies and people work and interact. Digital has already transformed many industries and organizations globally. Today there are only a handful of sectors that are yet to be disrupted. Our Architecture, Engineering, and Construction (AEC) industry is one of the last industries to go through a digital transformation but Arcadis is acting to lead digital in this industry.

Our strategy is focused around three-time horizons, preparing us for today, tomorrow, and the day after tomorrow. By implementing the strategy, we will digitize and scale our existing technologies and business models and explore new technologies and value propositions in co-creation with our clients.

In 2017, a global multidisciplinary team was formed to build a digitally-enabled business by further defining the agenda and establishing areas of client-led priorities to focus and invest in. Efforts of the digital transformation have continued in 2018.

Data analytics

2018 was the year to grow Arcadis' Advanced Analytics capabilities globally. Together with the acquisition of SEAMS, a subsidiary of Arcadis, and their next generation Enterprise Data Analytics solutions we are empowering how Arcadis helps its clients succeed in a data driven world. Data is the key enabler for Digital in all three-time horizons. The Data Analytics program was able to develop Analytics use cases while scaling up our Analytics capabilities and creating the data infrastructure foundation.

1st time horizon (today)

During 2018, Arcadis focused priorities on the digital asset lifecycle as a concept which enables us to provide better informed data driven decisions towards our clients by digitized processes and data collaboration in all stages of the asset lifecycle. The first step towards the Digital Asset Lifecycle has been the extensive roll-out of BIM Level 2[1] which included the monetization of applied technology. BIM is mainly focused on Design & Engineering. The goal of 25% of BIM Level 2 coverage has largely been exceeded. Based on client needs, in 2018 the roadmaps for our other prioritized solutions Cost Commercial Management and Remediation are developed. By strengthening our Communities of Practitioners based on common Digital Uses we lay the foundation for an accelerated roll-out in 2019 of these roadmaps.

2nd and 3rd time horizons (tomorrow and after tomorrow)

Within Arcadis Digital Innovation we have invested in three significant programs – Deep Orange, the incubation of prototypes that have a strategic importance within the short term through an internal incubation program, and TechStars.

Deep Orange

We have continued our work in co-creation with clients through our Deep Orange program. Deep Orange is a co-creation innovation program based on the fundamental principles of design thinking for natural and built assets.

[1] Building Information Modelling (BIM) is a collaborative way of working underpinned by digital technologies. BIM Level 2 maturity is a series of domain and collaborative federated models. The models, consisting of both 3D geometrical and non-graphical data, are prepared by different parties during the project life-cycle within the context of a common data environment. Using proprietary information exchanges between various systems, project participants will have the means necessary to provide defined and validated outputs via digital transactions in a structured and reusable form

In the program, multidisciplinary professionals from client organizations, ecosystem partners, and Arcadis identify innovative digital opportunities for key public and private organizations.

Techstars

Arcadis takes its responsibility as a market and thought leader by preparing a long-term vision on the future of cities as successful habitats for people. In complete accordance with Arcadis' passion to improve the quality of life, the company has and is actively investing in living, working, and traveling in cities now and in the decades to come fueled by innovation and technology. The Arcadis City of 2030 Accelerator, Powered by TechStars, is a tangible action to make this ambition reality. The global partnership between Arcadis and TechStars aims to identify and develop innovative start-ups to transform the natural and build environment.

Expedition DNA

Expedition DNA has been developed as a core program to support the digital transformation of Arcadis by investing in the digital development of our people. The program consists of two components to maximize the incorporation of Digital in our Arcadis DNA. The first one is an online learning platform, called Base Camp, for all things digital. To date, over 25% of our workforce have started to voluntarily participate in Base Camp.

The second part, called Expedition, is an intensive face-to-face skills-based learning journey which aims to build sustainable coalitions of ambassadors that expand our digital capabilities across Arcadis.

The Arcadis Way

The Arcadis Way is our harmonized way of working, which provides us with a true competitive edge. The elements of the Arcadis Way link with each strategic pillar, for example with Innovation & Growth by enhancing client selectivity and pursuing profitable projects. For further explanation of the Arcadis Way see pages 76 and 77 in this section on Innovation & Growth.

In 2018, the Arcadis Way was implemented to Hong Kong, Macau and Indonesia. Furthermore, substantial work was done to prepare for the implementation of the Arcadis Way in North America, which will be the first region supported by the full suite of Oracle Cloud applications.

The go-live of North America, initially planned for October 2018, has been rescheduled to July 2019 to allow more time to ensure the Oracle applications support the client specific billing requirements in North America. The implementation of the Arcadis Way to Continental Europe has been rescheduled to July 2020.

Arcadis Way implementation progress
as % of net revenues

33%

2017: **31%**

- Data-driven earnings models
- Human centric digital solutions
- Revenue and margin growth

Sustainability partnerships

Collaboration is key to come to the best and most sustainable solutions. SDG 17 Partnerships for Goals supports this belief, which we practice at Arcadis through active involvement in a number of partnerships in which we collaborate with other businesses, governments, NGOs, and society.

World Business Council for Sustainable Development

In 2018, we continued our membership with the World Business Council for Sustainable Development (WBCSD), where we have a strong presence. This year we focused on three of their programs. Arcadis remained involved in the sustainable cities work within WBCSD, scaling up our Zero Emission Cities (ZEC) and Energy Efficiency in Buildings work. In 2018, this resulted in concrete projects with clients in the Amsterdam area. We started studies on waste heat from data-centers, solar panels and make the Amsterdam Arena more energy efficient. In this program, which will change name to City Partnership Program, we will investigate our role in a 'new city development' of Xiong'an in China. As part of the ongoing implementation of the Paris Agreement, Arcadis has contributed to the Talanoa Dialogue used at the COP24 in Poland.

Next to the cities program, Arcadis joined the Circular Economy program Factor 10. Together with WBCSD we launched a research report entitled 'How to scale the circular built environment?'. Arcadis was the writer of this report which was launched on 5 December.

In October, we decided to co-chair the program Transforming Urban Mobility of the WBCSD and become one of their leading partners in this program. Next to leading this group, our role will be to bring in knowledge on cities and mass transportation. This will lead to a report in 2019. To gain further involvement of our employees with the theme of sustainability, our Director of Finance Transformation & Integrated Reporting from our head office in Amsterdam, finished the WBCSD Leadership Program together with around 45 other high-potential leaders from other industries, focusing on integrating strategic sustainability into business decision-making and reporting.

World Economic Forum

Arcadis' participation within the World Economic Forum (WEF) remained at the Industry Associate level, hence granting us access to several private meetings of the Infrastructure and Urban Development Industry Group.

As a member of the Governors Steering Committee Infrastructure & Urban Development Industries, our CEO actively contributed to proceedings. We actively participated in the WEF Davos event. Our CEO Peter Oosterveer joined the World Economic Forum's Alliance of CEO Climate Leaders to send an important warning to world leaders. Despite the progress to stem the negative effects of climate change, global greenhouse gas emissions remain at historically high levels. The letter from CEOs of some of the world's most prominent companies has a clear message: 'We need to do more, faster and together.'

This open letter was issued ahead of the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), which took place in Katowice, Poland in early December 2018. The letter expresses Arcadis' commitment to climate action and our company's willingness to 'fast-track solutions' to help the world make the 2015 Paris Climate Agreement a reality. But to do so the Alliance of CEO Climate Leaders is calling on world leaders to create an effective carbon pricing mechanism, to stimulate low-carbon finance and investments and to develop policy tools to create societal demand for low-carbon solutions.

100 Resilient Cities – pioneered by the Rockefeller foundation (100RC)

Arcadis is a proud platform partner of 100 Resilient Cities, pioneered by the Rockefeller Foundation. The aim of the network is to 'help cities around the world become more resilient to the physical, social, and economic challenges that are a growing part of the 21st century'. The network consists of 101 (as Houston after Hurricane Harvey just joined as an additional number 101) cities that are provided with the resources to develop their own roadmap to Resilience.

Eventually, the goal is not to just help the individual cities to become more resilient, but also to facilitate a global practice of urban Resilience among governments, NGOs, the private sector, and citizens.

Arcadis offered as part of our commitment to provide pro bono services in the sectors of built environment, climate and weather, finance and water management. Our RF100RC involvement has helped to position Arcadis worldwide as a thought leader in city Resilience, in particular from the perspective of urban climate change adaptation, flood Resilience and financing of Resilience measures.

Our partnership with 100RC is based on a five-year commitment and started in mid-2015, so we have two more years to go.

Resilient Urban Development

Urban Resilience has been the nucleus of Arcadis Resilience activities, and in particular our partnership with 100RC has been a driver for us to take actions and develop our curriculum, expertise, content and network. Our focus within 100RC has been on implementing urban climate adaptation, flood Resilience and on helping our clients how to finance these Resilience measures. To unlock money flows and to raise capacity of stakeholders, Arcadis has developed and successfully tested a new and unique high-level business model, the Resilient Pathway, usually related to urban (re)development, urban infrastructure or (water) utilities. The Resilient Pathway was used to help several 100RC cities to identify their 'moments of change' and to define investment opportunities, while creating a marriage between technical, financial and social engineering. The Resilient Pathway approach entails five different phases of scoping, optioneering, prioritization, deal structuring and project implementation.

Resilient Pathway interactive stakeholder sessions to identify resilient urban (re)development opportunities were in 2018 held in Honolulu (Iwilei Kapalama TOD), Greater Manchester (Bolton town Center Green Blue Resilience Opportunities) and in New Orleans (Storm Water Management Resilience Roundtables). Arcadis also participated in 100RC urban resilience workshops in Surat, Chennai, Houston and Toronto.

UN Global Compact

We have been a member of the UN Global Compact (UNGC) since 2009, and are committed to its objectives and to the ten universal principles regarding human rights, labor standards, environmental stewardship, and anti-corruption. As part of this commitment, we launched our Human Rights and Labor Rights Policy in 2016. Our values, mission, and strategy are fully aligned with the UNGC principles, and our signing of these principles reflects our ambition to be a sustainability leader. We are committed to making the UNGC and its principles part of the day-to-day operations of our Company and included this commitment in our General Business Principles. Arcadis regards its suppliers and subcontractors as partners and collaborates with them to ensure their activities are aligned with our UNGC commitment. In addition, Arcadis adheres to the Guidelines for Multinational Enterprises as issued by the Organization for Economic Cooperation and Development (OECD).

Arcadis' carbon footprint
MT CO_2 per FTE

2.98

2017: **3.34**

Energy and emissions - carbon footprint

Connected material topic
26

Important to these stakeholders:
- **Civil society**
- **Employees**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Our carbon footprint reflects the way we do business. Since 2010, we have strived to report consistently with World Business Council for Sustainable Development/World Resources Institute Corporate Reporting Standards (GRP). The result is a global organization focused on understanding our true environmental impact and a near-perfect decade of reducing our carbon footprint. While the road has not always been the easy one, our continuous improvement approach has allowed regions to set and achieve individual targets reflecting their specific business model, their client needs, and their peoples' passions. As a global organization, we continue to sharpen our approach to understand both the impact of our operations directly and the indirect impacts our work has on our clients' environmental footprint.

Arcadis applies the operational control approach, and accounts for the greenhouse gas emissions from operations over which it has control. For measuring, managing, and reporting on greenhouse gases, we follow methodologies outlined in the Greenhouse Gas (GHG) protocol. While each region has some flexibility in adopting their own targets and tracking their own progress, Arcadis requires regions to report a select set of global metrics annually that we have determined to be material to our organization's environmental impact. Metrics are compiled globally and summarized in the annual report; additional details are published publicly via the Climate Disclosure Project. Carbon footprint data are reported by the operating companies to environmental engineering professionals, which review the data. This review includes a comparison to other operating companies and historical performance.

Every year information is assessed for quality and where necessary adjusted for improved data capture methodologies. For 2018, those changes included updates to vehicle travel estimates particularly in Australia, Brazil and Chile drove down vehicle numbers. Energy consumption continued to decline from 2017 to 2018 as we continue to seek out more energy-efficient buildings and optimize building space. Public transport continues to increase, attributed in part to public agencies' improved data tracking systems and in part to employees favoring more efficient forms of travel. Furthermore, an error was identified in how our third-party vendor was reporting scope 3 public transportation data in the U.S. this also drove down scope 3 public transportation numbers.

It was determined that paper purchased in Australia (20% PCW) didn't meet the minimum criteria (30% PCW) and therefore the percentage of PCW/FSC paper usage decreased.

In 2019, we will continue our efforts to reduce our impacts regionally. At the global level, we will focus on transitioning regions to a new reporting platform and work individually with each region to ensure estimation techniques and emission factors, particularly for scope 3 indirect emissions, are used consistently and reflective of the way we do business.

Our Core Sustainability Team continues to be pivotal to data collection, reporting, and sharing best practices. Roll-out of an integrated European ISO 50001 energy management system and ISO 14001 environmental management system continues. Engaging our clients and integrating sustainability into the work we do also continues. Despite our efforts to identify ways that we can accurately measure and track impacts related to our client work, we continue to see greater interest from our clients and our people to collaborate more and embed sustainability into everything we do. Our commitment to sustainability continues to support our drive to improve quality of life in every community in which we operate.

Carbon footprint results

Emissions per FTE by emission source

CO_2 Emissions (MT CO_2/FTE)	2014	2015	2016	2017	2018
Scope 1 Vehicles (Business)	0.63	0.66	0.57	0.54	0.44
Scope 1 Vehicles (Commuting)	0.09	0.09	0.08	0.07	0.06
Scope 2 Electricity	1.25	1.16	1.05	1.02	0.96
Scope 3 Air	0.98	0.88	0.90	0.83	0.81
Scope 3 Auto	0.60	0.50	0.64	0.60	0.49
Scope 3 Public Transport	0.16	0.17	0.18	0.19	0.18
Scope 3 Natural Gas	0.17	0.10	0.08	0.08	0.05
Scope 3 Fuel (Other)	0.00	0.00	0.00	0.00	0.00
Total	**3.88**	**3.56**	**3.50**	**3.34**	**2.98**

Nominal metrics per FTE by emission source

(METRICS PER FTE)	2014	2015	2016	2017	2018
Scope 1 Vehicles (km/FTE)	3,379	3,446	3,247	2,829	2,268
Scope 2 Electricity (kWh/FTE)	2,515	2,403	2,189	2,147	2,021
Scope 3 Air (km/FTE)	7,530	6,674	6,815	6,838	6,786
Scope 3 Auto (km/FTE)	2,204	2,179	2,278	2,319	1,899
Scope 3 Public Transport (km/FTE)	1,925	2,122	2,215	2,311	2,267
Scope 3 Natural Gas (kWh/FTE)	920	519	445	405	250
Scope 3 Other Fuel (kWh/FTE)	20	25	19	21	19
Paper Consumption (kg/FTE)	37	29	28	29	24
FSC/PCW Paper (%)	82%	83%	85%	87%	**82%**

Environmental non-compliance

Connected material topic

32

Important to these stakeholders:
- Civil society
- Employees

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

On an annual basis, Arcadis performs many environmental remediation projects. These projects involve the removal of (hazardous) chemicals from soil, groundwater and sediments. Over the years, Arcadis has specialized in in-situ remediation technologies, negating the need to haul these (hazardous) chemicals and transport them to treatment plants. The inherent advantages of in-situ remediation technologies are related to cost, safety and ease of compliance. The cost reduction mostly stems from the reduced use of machines and man-power to remove materials from treatment sites, which can add labor cost, plus cost of equipment and fuel.

Health and safety is aided as the risk of physical contact of workers with the hazardous materials is greatly reduced. Arcadis has a strong health and safety program, geared towards seeing to the residual risks which remain in these projects. Finally, compliance with environmental standards is easier to manage, as no materials leave the site, unless this is unavoidable for proper treatment. In 2018, no material environmental non-compliance issues were reported within Arcadis (2017: none).

Number of identified environmental non-compliances

none

2017: **none**

% of revenues that relate to relevant SDGs

80%

2017: **n/a**

Climate change

Connected material topic

33

Important to these stakeholders:
- Civil society
- Employees

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Arcadis' broad consulting capabilities related to climate change range from strategy development and carbon footprint reporting to consulting on preventing or reducing the causes of climate change. The issue of climate change and concerted government efforts to reduce carbon outputs represents a significant opportunity for Arcadis. The company consults to both governments and private companies to assist them in significantly reducing carbon outputs and increase climate resilience over the next decades.

Our strength in climate change consulting mainly lies in helping clients address the climate issue in their operations to create a lasting positive impact. This can range from climate change mitigation strategies in supply chains and energy efficiency solutions in industrial processes, all the way through to embedded carbon analysis in material choices and energy-efficient designs in buildings and infrastructure. Additionally, we work with our clients on climate change adaptation strategies. We do this mainly for urban clients, either creating resilient adaptation measures or strategies.

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

We are in the process of assessing our risks and opportunities posed by climate change based on the work of the Task Force of Climate Change Related Disclosure. The experience gained through this can then also be applied to work for clients.

Circular economy

Looking beyond the current 'take, make and dispose' extractive industrial model, the circular economy is restorative and regenerative by design. Relying on system-wide innovation, it aims to redefine products and services to design waste out, while minimizing negative impacts. Underpinned by a transition to renewable energy sources, the circular model builds economic, natural, and social capital.

In 2017, Arcadis worked on the development of its own circular economy strategy, identifying opportunities where it can help its clients develop a vision, strategy or action plans related to circular thinking and working. At a tactical level, Arcadis can provide clients with advice on how circular thinking impacts policies and how it relates to sustainability programs. Operationally, Arcadis plays a role in designing circular solutions for construction projects, area development, reuse of buildings and many other concepts.

In 2018, we started executing this strategy in concrete projects and in our own business operations. For example, we transformed our biggest office in the world in Amersfoort to the new standards and used the principles of Circular Economy. We re-used parts of our furniture (painted it, new decks et cetera), we sold our old walls and plants instead of seeing them as waste, we re-used close in boilers, and lighting, and used sustainable new materials like circular carpet (made of old fishing nets), furniture and walls. Based on these decisions, we stayed within budget and created a more healthy and pleasant place to work – based on this we won the Healthy Urban Office Award. We also did several projects for clients. Big clients where we add circularity in projects are the European Union (policies on circular economy), ProRail (Copper Cycle) and several municipalities with concrete projects.

We launched this year a report together with the WBCSD to tackle the question 'How to scale the circular built environment?'. We performed a global research and advised on how to scale up. As a leading company we also took the initiative together with other private parties to influence policy making by sending a letter to politicians about how to scale up circular economy in The Netherlands.

Securing water of sufficient quantity and quality is one of the most important challenges facing the world today. It affects present and future generations, and has significant implications for business, society, and the environment. In 2016, many of the world's largest companies reported US$14 billion in water-related impacts including drought, flooding or water stress – five times more than the previous year.

This Business Guide to Circular Water Management is designed to equip business decision-makers with the tools they need to understand how to overcome internal and external barriers to implementing circular water management solutions. It will also help businesses understand how and why water regulations matter, and what best practices already exist.

Disclosures related to environmental matters

Arcadis has a Global Sustainability Policy through which, in relation to environmental matters, the company commits to the following:

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

This policy is implemented at a regional level to reflect the varying challenges and priorities in different localities. Performance is reported to the Executive Board and made available to our stakeholders as appropriate.

Outcomes of the policy

Having achieved certification of its Energy Management System in accordance with ISO 50001, Arcadis NV 2018 was able to structurally improve its energy performance. Arcadis NV's carbon reduction goal is to reduce 30% MT CO_2 per FTE and 20% energy (GJ) per FTE in 2025 compared to 2015. To achieve this target, the program will mainly focus on reducing travel by plane, the biggest source of carbon dioxide. Our renewed Travel Policy discourages air travel in favor of virtual meetings. At the same time, under 700 kilometers, train travel has become mandatory, provided it stays within certain time limits.

In 2018, Arcadis joined KLM's Corporate BioFuel Program (CBP) through which the company will purchase sustainable biofuel for all its business flights. Our entry into KLM's Program contributes significantly to making air travel more sustainable.

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

The Arcadis Way

Implementing harmonized business processes, supporting technologies and behaviors, creates a global way of working. The Arcadis Way enables employees to grow and provide superior value to clients, realize their potential, and work jointly towards common goals, based on shared values.

Our harmonized way of working

People & Culture

Enable our people to develop in a culture that includes client focus and knowledge exchange

Innovation & Growth

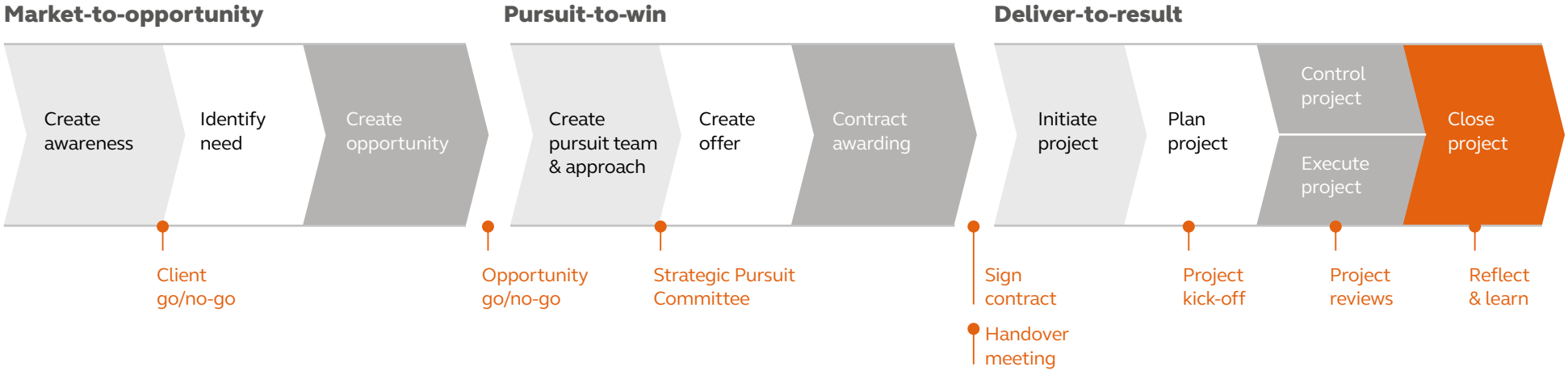
Enhance client selectivity, and pursue profitable projects

Focus & Performance

Enhance project performance via best practice processes, and data analytics

Single cloud platform covering People, Clients, Sales, Delivery, Finance, and Business Intelligence

Key processes and operational control points for projects



Progress Arcadis Way implementation

Net revenues of countries on Arcadis Way as percentage of total net revenues

2016

Asia (in part)

2017

Australia Pacific, Middle East, UK, and GECs (Philippines and India)

2018

Asia (Hong Kong, Macau and Indonesia)

33% **Implemented** as at 31 December 2018

2019

North America

2020 and after

Continental Europe, Asia (part), Latin America

Realizing our strategic targets

Performance & developments
Focus & Performance

Focus where we can lead, and deliver client and project excellence

At Arcadis, we build leadership positions based on relevance for clients, local presence, and global positions. Businesses that fail to meet our criteria are de-prioritized. Consistency is created through the Arcadis Way. We can offer competitive delivery models by increasing the utilization of our Global Excellence Centers.

Gross revenues (in € millions)	Net Income from Operations, per share (in €)	Dividend per share (proposed, in €)	Operating EBITA margin (as % of net revenues)	Net Income from Operations (in € millions)
3,256	1.01	0.47	7.3%	88
2017: **3,219** ↑	2017: **1.18** ↓	2017: **0.47** ↔	2017: **7.6%** ↓	2017: **101** ↓

Net Working Capital (as % of gross revenues)	Days Sales Outstanding (DSO)	Return on Invested Capital (ROIC)	Net debt to EBITDA ratio (average)	Free Cash Flow (in € millions)
15.1%	80	4.7%	2.0	149
2017: **16.9%** ↑	2017: **88** ↑	2017: **7.3%** ↓	2017: **2.3** ↑	2017: **98** ↑

↑ Improvement
↔ Unchanged
↓ Deterioration

For definitions and methods of measure for these indicators please refer to page 267. The indicators that fall within the scope of limited assurance of our external auditor are marked with the ✓ symbol. See page 259 for the Assurance report of the independent auditor, which includes details on the scoping and outcomes.

3,256

Gross revenues | in € millions

Operating EBITA margin | as % of net revenues (€2,440)

7.3%

Focus & Performance

In 2018, we delivered a strong cash flow, on the back of an increased focus on project performance, continued attention for more rigorous working capital management and good results in our key markets. We have reviewed our portfolio and ringfenced the issues in the Middle East and Asia, where we are taking decisive actions to turn around the underperforming businesses to improve growth and returns. These steps combined with our continued focus on the implementation of the three strategic pillars will enable us to achieve our targeted operating EBITA margin in 2020.

Financial highlights for the year

- Net working capital improved to 15.1% (2017: 16.9%); Days Sales Outstanding to 80 days (2017: 88 days).
- Strong free cash flow of €149 million leading to a year-end Net debt/EBITDA ratio of 1.7.
- Organic net revenue growth of 3% to €2.4 billion (gross revenues of €3.3 billion).
- Operating EBITA margin decreased to 7.3% (2017: 7.6%); including project write-offs and provisions related to the Middle East and Asia with a total margin impact of 0.8%.
- Goodwill impairment of €40 million, mainly reflecting re-assessment of Middle East, leading to a net loss of €27 million.
- Net income from operations of €88 million (2017: €101 million).
- Proposal to maintain dividend at €0.47 per share (2017: €0.47); pay-out ratio 47%.

Sarah Kuijlaars
CFO Arcadis

"With a strong focus on cash and the successful refinancing, **we have strengthened our balance sheet in line with our strategic framework."**

Direct economic value generated

Connected material topic 1

Important to these stakeholders:
- Management
- Employees

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Gross revenues for the year amount to €3,256 million (2017: €3,219 million). Net revenues totaled €2,440 million and increased organically by 3%, the currency impact was -3%. North America, Continental Europe, the UK, and Australia Pacific all delivered organic growth. Revenues declined particularly in the Middle East due to higher selectivity and the cancellation of a large project.

Make Every Project Count

At the beginning of 2018 we rolled out our new Make Every Project Count (MEPC) program. The program aims to significantly improve project financial performance by focusing on aligning our people, behaviors, processes and systems with The Arcadis Way. It is an important lever to improve our financial performance over the next three years and be a leader in our industry.

MEPC has a bottom-up approach. In Maturity Assessment workshops – performed on a business unit level – our people evaluate and rate their unit's maturity on ten principles that describe how we do business at Arcadis. Those principles cover the whole project lifecycle: from sales and project delivery towards project close-out and capturing lessons learned. Units identify improvement areas and agree actions to improve their maturity. In 2018, we performed 120 of those one-days workshops. These Maturity Assessments will be performed every year for the duration of the program. In addition, we developed a number of tools (or 'building blocks') on a central level, aimed to support our units in increasing their maturity.

Examples of these building blocks are a project review training for our line managers, improved risk management tools for project managers and client portfolio analyses for our sales community.

Make Every Project Count requires participation from different roles in the company: project management, Finance, Legal, line management and Sales & Business Development. Our client and project excellence focus will enable us to execute our projects consistently and flawlessly. This will also drive Sales & Business Development and sales excellence across the project lifecycle.

The first results of this program became visible in 2018 in several of our regions and countries. We recognized a reduction of the number of loss-making projects and there was more focus on project management capabilities and selective tendering. The Philippines achieved as first country within Arcadis, the goal of having 'zero loss making projects'. The success was down to a combination of collaboration, client selection/negotiation and operational discipline. This meant bidding only where there was 'value' that Arcadis could bring and not only price. Before starting the execution of a project in the Philippines, there was a clear plan for profit, the right/trained project managers were available and there is a collaborative mindset of the team to create the outcomes for the client and the promised profits for Arcadis. By executing structured monthly reviews, being transparent on all challenges, asking for help and tracking scope changes, the teams controlled and managed their projects in a disciplined way. The combination of the right people, selection, mindset and discipline led to this achievement and meant that every project contributed to the country's profitability.

Due to a stricter project review regime in 2018 we believe that our current project portfolio is healthier than it was before. We expect the coming years an improvement of project financial performance as a result of the MEPC program.

Gross revenues
in € millions

3,256

2017: **3,219**

Net revenues
in € millions

2,440

2017: **2,437**

Net Income from Operations, per share
in €

1.01

2017: **1.18**

Dividend per share
proposed, in €

0.47

2017: **0.47**

Direct economic value distributed

Connected material topic
2

Important to these stakeholders:
- **Management**
- **Civil society**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Arcadis shares in general

Arcadis shares are listed on Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). The average daily trading volume in Arcadis shares on Euronext Amsterdam in 2018 was 214,298 shares (2017: 261,937). Of the total volume traded, 58% of the shares were traded via Euronext, 16% via BATS, 15% via CHI-X, 10% via Turquoise and 1% via Equiduct.

As at 31 December 2018, and pursuant to the Dutch Financial Supervision Act, the largest shareholders in Arcadis were:

Stichting Lovinklaan	18%
APG Asset Management	14%
Fidelity Management & Research	10%
Vereniging KNHM	4%

Arcadis has an active investor relations policy aimed at supporting the Company's long-term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments. To emphasize its focus on the long term, Arcadis releases a trading update for the first and third quarters of the year, and a full set of financial results for the full and half-year. Twice a year, at the presentation of its full-year and half-year results, Arcadis holds a financial press and analyst conference, which is broadcasted live over the internet. A conference call was held in 2018 for financial analysts and investors at the presentation of the third quarter trading updates.

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

In 2018, Arcadis held investor roadshows and participated in investor conferences in the world's major financial centers including Boston, Brussels, Frankfurt, Paris, London, Madrid, New York, Toronto, while also hosting reverse roadshows for investors at its offices. Approximately 200 investor meetings were held in the year. Arcadis is currently covered by eight financial analysts.

The Annual General Meeting of Shareholders is scheduled for 25 April 2019 2.00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available in March 2019 from the Company upon request, and will be published on the Company's website.

Number of outstanding ordinary shares

The total number of outstanding ordinary shares as at 31 December 2018 was 87,711,327 (see note 24 of the Consolidated financial statements). During 2018, 580,958 shares were repurchased to cover obligations related to incentive plans, while 221,133 previously repurchased shares were used for the exercising of options, and another 1,608,094 shares were issued for stock dividend.

The average number of shares, used for calculating earnings per share, increased to 87.1 million (2017: 85.9 million). For more information on the number of outstanding shares and options, and on share purchase plans, see notes 9, 12 and 24 to the Consolidated financial statements.

Share price development

On the last trading day of 2018, the Arcadis share price closed at €10.66, while on the last trading day of 2017 it closed at €19.05, a year-on-year absolute decrease of 44%. Including reinvested dividends, the total return was -42%. The development of the Arcadis share compared to the peer group companies is shown in the graph on page 85.

The peer group consisted of the following international, publicly listed companies in the consulting and engineering industry with activities and a size comparable to those of Arcadis: Aecom (New York Stock Exchange); Cardno (Australian Securities Exchange); Hill International (New York Stock Exchange); Jacobs (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); SNC-Lavalin (Toronto Stock Exchange); Stantec (New York Stock Exchange); Sweco (The Nordic Exchange, Stockholm); Tetra Tech (NASDAQ); Wood Group (London Stock Exchange); Worley Parsons (Australian Securities Exchange); WSP (Toronto Stock Exchange).

Earnings per share

The basic earnings per share for 2018 amounted to €0.31 negative (2017: €0.82). Earnings per share based on Net Income from Operations amounted to €1.01 (2017: €1.18). See note 12 to the Consolidated financial statements for further details.

Dividend per share (policy and proposal)

Arcadis' dividend policy is aimed at dividend stability and a pay-out of 30 - 40% of Net Income from Operations, to provide shareholders a respectable dividend yield, to maintain a healthy financial structure, and to retain sufficient earnings in order to grow both organically and through acquisitions. Reflecting our confidence in the strengthened balance sheet and steps taken to achieve the targets of our strategic framework, a dividend of €0.47 per share is proposed, being 47% of Net Income from Operations.

As in the previous year, shareholders will be offered the choice between a cash dividend or a dividend in shares, with further details to be provided in the agenda for the Annual General Meeting of Shareholders.

Profit and loss performance

Connected material topic 5

Important to these stakeholders:
- Investors
- Management

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

The profit and loss performance of Arcadis in 2018 and 2017 is summarized as follows (see also the Consolidated financial statements):

In € millions	2018	2017
Operating income reported	98.4	129.9
Depreciation and amortization	42.6	39.6
Amortization other intangible assets	22.7	31.0
Impairment charges	40.4	–
EBITDA	**204.1**	**200.5**
EBITA	161.5	160.9
Non-operating costs	15.7	25.5
Operating EBITA	**177.2**	**186.4**

EBITDA, EBITA, and operating income

Our EBITDA in the year was €204 million (2017: €200 million). EBITA was slightly higher at €162 million compared to €161 million in 2017. Operating EBITA decreased by 5% to €177 million (2017: €186 million) including a currency impact of -4%. Higher results in North America, the UK, Continental Europe and Australia Pacific were offset by lower results mainly from the Middle East and Asia. Operating EBITA margin decreased to 7.3% (2017: 7.6%); including project write offs and provisions in the Middle East and Asia with a total operating EBITA margin impact of 0.8%

EBITA
in € millions
162
2017: **161**

EBITDA
in € millions
204
2017: **200**

Operating EBITA
in € millions
177
2017: **186**

Operating EBITA margin
as % of net revenues
7.3%
2017: **7.6%**

Net Income from Operations
in € millions

88

2017: **101**

Net Working Capital
as % of gross revenues

15.1%

2017: **16.9%**

Days Sales Outstanding
(DSO)

80

2017: **88**

Non-operating costs were €16 million (2017: €25 million), of which €15 million related to restructuring in Continental Europe and Brazil, €4 million to one-off pension costs in the UK, a release of €5 million due to the settlement of an acquisition related claim and €2 million in acquisition & divestment costs. EBITA was €162 million, slightly higher than last year (2017: €161 million).

Personnel costs

Personnel costs were €1,887 million, a 1% increase compared to the previous year (2017: €1,866 million). Our global workforce remained flat versus December 2017. The number of people in the regions slightly increased, offset by a decrease in the Global Excellence Centers.

Other operational costs

Other operational costs were €355 million, 4% less than previous year (2017: €371 million).

Depreciation and amortization

Depreciation and amortization of property, plants and equipment and software was €43 million (2017: €40 million). Identifiable intangible assets related to acquisitions such as the profit included in backlog, customer relationships, and brand values are amortized. The amortization in 2018 was €23 million (2017: €31 million).

Impairment of assets

The outcome of the Goodwill impairment test calculation at 31 December 2018 revealed that the recoverable amount of the Company decreased compared to prior year. The recoverable amount for all Cash-Generating Units, except Latin America and Middle East, exceeded the carrying amount.

For Latin America, an impairment charge of €6.5 million has been recognized in 2018. This reflects our future business expectations in Latin America, where in Brazil the post-electoral economic sentiment is positive but concrete measures and progress is yet to come. For Middle East, an impairment charge of €33.9 million has been recognized in 2018. This reflects our future business expectations in the Middle East as a result of the decision to be more selective and de-risk the portfolio.

The total impairment on Goodwill recognized in 2018 amounts to €40.4 million.

Net finance expense

Net finance expenses were €27 million (2017: €26 million). Net interest expenses decreased to €23 million (2017: €24 million) as a result of lower debt.

Results for associates and joint ventures

Result from investments accounted for using the equity method was a loss of €13 million (2017: loss of €12 million), related to non-core clean energy assets in Brazil. The credit loss on shareholder loans and corporate guarantees ('impairment ALEN') was €53 million.

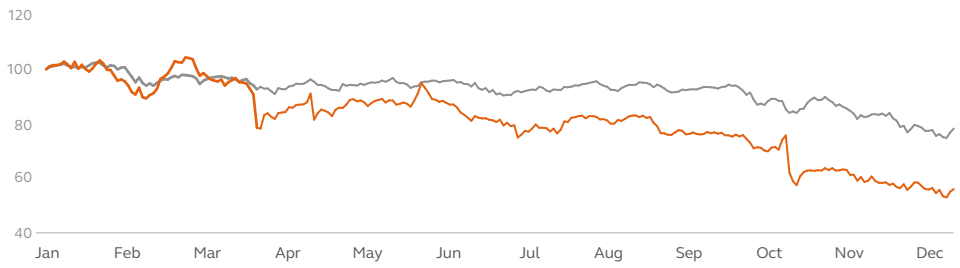
Income taxes

The normalized effective income tax rate was 27.2% (2017: 19.7%). The tax rate in 2017 was low due to the US tax reform resulting in a one-time gain of €13 million from revaluation of deferred tax positions.

Net income from Operations

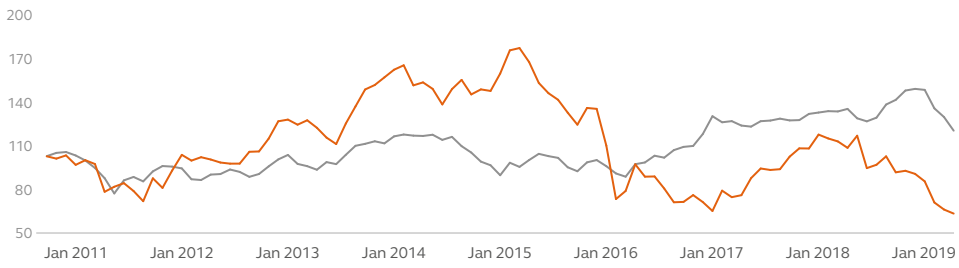
Net income from operations decreased 13% to €88 million (2017: €101 million) or €1.01 per share (2017: €1.18).

Arcadis (Euronext) against AMX



	1st quarter	2nd quarter	3rd quarter	4th quarter
Arcadis	19.48 High	18.05 High	15.79 High	14.46 High
AMX	14.88 Low	15.34 Low	14.26 Low	10.08 Low

Arcadis (Euronext) against peer group



Arcadis
Peer group

Balance sheet performance

Connected material topic

8

Important to these stakeholders:
- **Investors**
- **Employees**

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Year-on-year, the balance sheet total decreased to €2,709 million (2017: €2,786 million), as a result of the loss for the period and transactions with owners of the Company. The total amount of intangible assets, including goodwill, declined to €1,054 million (2017: €1,074 million), mainly impacted by goodwill impairments, amortization and exchange rate effects.

The investments in (in)tangible assets (excluding acquisitions) increased to €65 million (2017: €59 million), mainly as a result of higher investments in software and intangibles under development.

(Net) Working Capital and Days Sales Outstanding (DSO)

Net working capital as a percentage of gross revenues was 15.1% (Q4 2017: 16.9%). The Days Sales Outstanding improved to 80 days (2017: 88 days).

As at 31 December, Net Working Capital, and Net Working Capital as a percentage of gross revenues are is calculated as follows:

In € millions	2018	2017
Contract assets (unbilled receivables)	545	565
Trade receivables (excl. receivables from associates)	582	578
Contract liabilities (billing in excess of cost, loss provisions)	(371)	(363)
Accounts payable	(236)	(237)
Net Working Capital	**520**	**543**
Q4 gross revenues, annualized	3,444	3,219
Net Working Capital as % of gross revenues	**15.1%**	**16.9%**

Return on Invested Capital
(ROIC)

4.7%

2017: **7.3%**

Net debt to EBITDA ratio
average

2.0

2017: **2.3**

Cash and cash equivalents

Cash and cash equivalents at year-end amounted to €241 million (2017: €268 million).

Equity

The movements in total equity are summarized in the Consolidated statement of changes in equity on page 172.

Loans and borrowings

Long-term loans and borrowings decreased to €386 million (2017: €474 million), as an amount of €97 million became short-term due to its maturity date in 2019. Short-term loans and borrowings, including the current portion of long-term debt, was €202 million (2017: €214 million).

In January 2019, Arcadis successfully refinanced €200 million of syndicated committed credit facilities with its six core relationship banks. The maturity of two Term loans and a Revolving Credit Facility (RCF) has been extended to 2024, with the option for Arcadis to extend the RCF twice with one year to 2026. The terms of the refinanced credit facilities include an interest discount when certain sustainability KPIs are reached.

Including the refinanced facilities, Arcadis has €915 million of unsecured committed credit facilities which are stepwise maturing between 2020-2024 (with the option for Arcadis to extend the RCF to 2026). The well diversified, multicurrency, unsecured committed credit facilities comprise of US Private Placements, Schuldschein, syndicated term loans and RCFs. Currently, there is ample headroom available in the unutilized part of these unsecured committed credit facilities.

Net debt

Net debt, which is defined as interest bearing debt minus cash and cash equivalents, was €342 million (2017: €416 million). Interest bearing debt also includes after-payment obligations related to acquisitions, totaling €9 million (2017: €8 million).

Balance sheet ratios

The year-end net debt to EBITDA ratio was 1.7 (2017: 2.1). Based on the average net debt for June 2018 and December 2018, the leverage ratio per the bank covenants was 2.0 (2017: 2.3). The Return on Invested Capital was 4.7% (2017: 7.3%). Also, the other balance sheet ratios remained solid at year-end 2018:

- Net debt to equity ratio was 0.4 (2017: 0.4)
- Lease-adjusted interest coverage ratio was 2.6 (2017: 2.4).

Covenants in loan agreements with banks stipulate that the average net debt to EBITDA ratio should be below 3.0, which is measured twice a year: at the end of June and at year-end. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, divided by the (pro-forma) EBITDA of the twelve months preceding. According to this definition, the average net debt to EBITDA ratio at year-end 2018 was 2.0 (2017: 2.3). Arcadis' long-term goal is a net debt to EBITDA ratio between 1.0 and 2.0.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to relevant Net Finance Expense ratio must exceed 1.75, measured twice a year at year-end and at the end of June. At 31 December 2018, this ratio calculated in accordance with agreements with lenders is 2.6 (2017: 2.4).

Management has assessed the going concern assumption, also in light of an amount of US$202.5 million and €24.5 million of committed Term Loans that were to mature in June and September 2019. The process to refinance this debt has been finalized end of January 2019 by signing a new credit facility agreement for the following:

US$87.5 million Term loan with a maturity in 2024
- €25 million Term loan with a maturity in 2024
- US$115 million Revolving Credit facility (RCF) with a maturity in 2024 (with two one-year extension options)

A sensitivity analysis performed on the balance sheet ratios supports the preparation of the Consolidated financial statements based on going concern (see also page 145 and note 30 of the Consolidated financial statements).

Cash flow performance

Connected material topic 9

Important to these stakeholders:
- Investors
- Management

See our overview of material topics on page **35**, and the connectivity matrix on pages **40** and **41**.

Free cash flow improved to €149 million (2017: €98 million). The cash flow improved due to a disciplined approach across the company and €25 million collected on overdue receivables in the Middle East (KSA) in the first half of the year.

Early January 2019, Arcadis received a significant cash payment of €21 million relating to a long overdue receivable in the US related to a large oil & gas project that was settled in December 2018.

Performance by Segment

The four Segments of Arcadis (Americas, Europe & Middle East, Asia Pacific, and CallisonRTKL) reflect the operating model and responsibilities of the members of the Executive Board. The performance and developments of these Segments are described in more detail in the next sections of this Annual Integrated Report. In addition a section on Arcadis Logos Energia (ALEN), our associate, is included on page 118.

Free Cash Flow
in € millions

149

2017: **98**

Financial Dates

The tentative financial publication dates for Arcadis NV in 2019:

18 April 2019
Trading update Q1 2019

25 April 2019
Annual General Meeting of Shareholders

25 July 2019
Press release Q2 2019, press call, interim financials H1 2019, analyst meeting + live web cast

24 October 2019
Trading update Q3 2019

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

Performance by Segment
Europe & Middle East

Number of employees
headcount as at 31 December

12,929

2017: 13,135

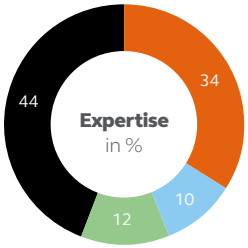
% of net revenues
of total Arcadis

46%

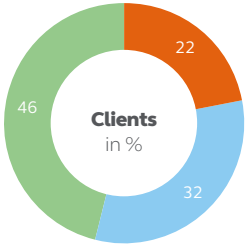
2017: 46%

Clients

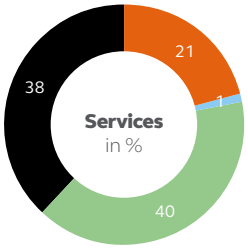
Network Rail, ProRail, High Speed Two (H2), Birmingham City Council, Syngenta, Highways England, Kahramaa, Ashghal, Emaar, Unibail-Rodamco-Westfield



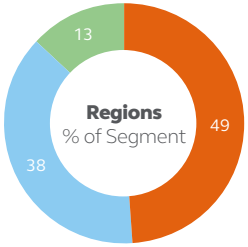
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management



- Continental Europe
- United Kingdom
- Middle East

All percentages based on FY'18 net revenues

Performance in 2018

People & Culture

Number of employees headcount as at 31 December	Employee engagement score on a scale of 0 - 4	Voluntary turnover rate as % of total staff	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Females in total workforce as % of total staff
12,929	3.08	13%	0.10	31%
2017: **13,135** ↓	2017: **3.04** ↑	2017: **12%** ↓	2017: **0.22** ↑	2017: **31%** ↔

Innovation & Growth

Organic revenue growth net revenues	Organic revenue growth Global Key Clients net revenues	Book-to-bill ratio net revenues	Arcadis Way implementation progress as % of net revenues	Arcadis' carbon footprint MT CO_2 per FTE
3%	-3%	0.93	57%	2.02
2017: **4%** ↓	2017: **19%** ↓	2017: **1.07** ↓	2017: **52%** ↑	2017: **3.43** ↑

Focus & Performance

Gross revenues in € millions	Net revenues in € millions	Operating EBITA margin as % of net revenues	Net Working Capital as % of gross revenues	Days Sales Outstanding (DSO)
1,392	1,133	6.8%	16.5%	81
2017: **1,337** ↑	2017: **1,113** ↑	2017: **7.6%** ↓	2017: **20.0%** ↑	2017: **96** ↑

↑ Improvement ↔ Unchanged ↓ Deterioration

Key business developments in 2018

In Continental Europe, the private sector continues to invest in capex projects and digitization. In the UK, strong growth was achieved, especially in infrastructure and due to some sizable wins in the buildings sector. Uncertainty around Brexit reduces client confidence. In the Middle East, our more selective approach to markets and client types affected revenue growth, but provides the right basis for profitable growth over time.

Key developments Europe & Middle East

- Organic net revenue growth of 3% included an increase of 3% in Continental Europe and 13% in the UK. In line with our strategy we reduced revenues in the Middle East, resulting in a 17% decrease of organic net revenue growth.
- The operating EBITA margin was 6.8% (2017: 7.6%) and was impacted by write downs provisions taken for work in progress (contract assets) in the Middle East.
- In the beginning of 2018 SEAMS was acquired in the UK and in the second half of 2018 IBUe in Continental Europe.

Alan Brookes
Group Executive
responsible for Europe & Middle East

"In Continental Europe and the UK, our success is driven by passionate people with sector, asset, and digital knowledge. This enables us to infuse knowledge into data, strengthening client relationships and improving business outcomes. In the Middle East, our objective is to de-risk through focus and selectivity."

Continental Europe

Market dynamics

Market trends and opportunities that we identified for Continental Europe include:

- Our position in rail and road infrastructure continues to be strong. We were able to expand our position in the asset lifecycle by securing project wins in France, Belgium and the Netherlands. The use of digital technologies was key for winning.
- In our industrial sectors, clients continue to invest in datacenters and industrial capex projects. We are moving from stand alone local approaches towards an orchestrated way of working across different countries. This enables us to increase client experience and improve delivery quality.
- Within our environmental service lines, we are experiencing two trends throughout Europe. The first trend is clients to remediate large areas with contaminated soil and groundwater, which is especially relevant for countries in southern Europe. The other trend is the increased need for environmental compliance data that enables (industrial) clients to maintain a high level of compliance and manage (permitting) data.
- Government spending continues and diversifies, although it differs from country to country.
- We continue to focus even more on our key clients and connecting these key clients with our key services. This shortens our go-to-market time and enables to fast introduce new (digital) solutions to our clients.

Strategy implementation in Continental Europe

While implementing the corporate strategy, Continental Europe will mainly focus on accelerating the people and culture pillar of the strategy continuing to implement diversity and inclusion programs and leveraging our brand position to attract and retain talent. Investments will be made in design, engineering, and project management capabilities as well as digital and analytics skills. Project delivery will continue to be improved though the Make Every Project Count program and continued focus on the Arcadis Way. Global Excellence Centers will be made a key component of the business model. Priority will be given to large programs and projects (across the digital transformations with our clients) and large cities.

Developments in 2018

We made a small acquisition in Germany, IBUe GmbH, a people engineering consultancy for environment and energy. With this acquisition Arcadis strenghtened its position as a partner in the field of transmission networks in Germany.

Organic net revenue growth for the year was 3%, despite a decline in the fourth quarter caused by a reduction in work for the Earthquake program in the Netherlands. The operating EBITA margin improved to 8.4% (2017: 7.3%) led by the Netherlands, Germany and Belgium. The backlog increased by 5% with higher positions in Germany and Belgium.

Examples of important new project wins and/or projects that were completed during 2018 include:

- Unibail-Rodamco-Westfield, the premier global developer and operator of flagship shopping destinations, are partnering in the build of a vast development project - the 'southern Überseequartier' in Hamburg, Germany. Arcadis will be responsible for the seamless execution of the project which includes multi-project management, program management, site management and tenant coordination.
- Advise and support of the Flemish Agency for Roads and Traffic (AWV) in modernizing their approach to tunnel management and renovation. The contract encompasses consultancy on conservation and includes studies, inspection, drafting of safety and renovation files and Building Information Modeling (BIM) of the tunnels in the Flemish Region. The use of BIM enables the preparation of renovations down to the smallest detail and the organization of maintenance in a smarter way according to the very latest principles of asset management.
- IBUe won a project for TenneT and started providing environmental planning services for the SuedOstLink connection, the most important new transmission lines between northern and southern Germany and important for the successful energy transition.

- Arcadis, together with leading Polish governmental organizations, developed plans for adaptation to climate change for 44 Polish cities with more than 100,000 inhabitants. Each city was the subject of an individual assessment to determine its resilience, thus creating a basis for planning adaptation measures to be implemented in that city. The project was completed in December 2018.

The number of employees in Continental Europe decreased in 2018 to 6,149 (2017: 6,264), 36% of whom are female. The number of employees in the Global Excellence Centers supporting Continental Europe is approximately 5% of the number of employees in this region, and this is expected to continue to increase in the future. Continental Europe had a positive increase in Your Voice survey scores and continues to focus on improving the quality of the working environment and development opportunities for our people.

United Kingdom

Market dynamics

Market trends and opportunities that we identified for the UK include:

- The UK has maintained a strong global reputation and remains an attractive place for investors - UK ranked in the top ten countries for doing business by the World Bank;
- Key UK infrastructure sectors have large expected pipelines of spend and new funding cycles beginning in 2019. There is evidence of some delayed spend in the public sector and more uncertain timescales on major projects including High Speed 2 (HS2);
- HM Treasury consensus forecast for UK economic growth in 2019 is 1.4%. This is highly comparable to similar peer-economies;
- Valuation of sterling has supported continued investment, particularly from China and India. Some international investors have adopted a less favourable view on investment into UK rail, energy and water projects, citing the country's volatile political environment;
- Construction output is at a historically high level and the supply chain is still reporting good order books and tender prices continue to inflate;
- General market trend towards tighter fee competition;
- Uncertainty remains around the potential impact of Brexit, particularly on the long-term availability of labour, short-term UK investment opportunities and the operation of vital just-in-time supply chains.

Strategy implementation in the UK

Our digital transformation has stepped up a gear in 2018 and presents opportunities to lead the market. This is particularly true as we continue to focus on end-user experience, increasingly responding to challenges posed not just by our clients, but by our client's customers.

Following the UK referendum to leave the EU in 2016, we have continued to closely monitor and plan for all eventualities during the Brexit negotiation process, working in partnership with our people and clients to help mitigate risk and plan for the future. As the UK economic landscape evolves over time, we will remain focused on the need for good governance, risk sharing and collaboration. As a diversified, resilient business, we are well placed to manage any short-term risks and embrace new opportunities for the UK, both within and outside of the EU.

Developments in 2018

In 2018, net revenues in the UK increased organically by 13% driven mainly by significant UK infrastructure investment such as HS2, Lower Thames Crossing and the Digital Rail Programme with Network Rail; as well as sizeable wins in our buildings sector. The operating EBITA margin was 8.7% (2017: 9.2%). The win of many strategic pursuits contributed to backlog growth of 13%.

Examples of important new project wins and/or projects that were completed during 2018 include:

- Supporting Network Rail with its commitment to a digital future through the delivery of the Digital Railway Programme. By deploying modern signalling and train control technology to increase capacity, reduce delays, enhance safety and drive down costs, the programme will keep the UK at the cutting edge of the rail innovation and contribute to increasing growth and productivity across the UK;
- Completion of the first phase of the Graphene Engineering Innovation Centre (GEIC) at The University of Manchester. The £60 million facility will be critical to exploit and maintain the UK's world-leading position in graphene and related 2D materials;
- Working as part of a consortium of eleven organisations embarking on a UK government funded project, known as OmniCAV, to create a high-fidelity road simulation environment in Oxfordshire. It will feature artificial intelligence (AI) trained models of road users to test the safe deployment of connected and autonomous vehicles;
- Working with Birmingham City Council and Homes England to develop an investible framework for the regeneration of Digbeth, a 48-hectare area at the heart of Birmingham's Creative Quarter. With the potential to provide more than 2,000 new homes, the masterplan also encompasses the area around the new Curzon Street HS2 station, which will create a new 'front door' to catalyse further growth;
- Awarded a £7million contract to future-proof the proposed Old Oak Common HS2 station in West London, projected to be the biggest sub-surface station to be built in the UK. Design services encompass track work, signalling power supply systems, and electrification so that the railway can operate safely and efficiently for decades to come;
- Working with one of the UK's largest energy providers based in Scotland, Arcadis has supported complex transmission projects to bring renewable energy to over one million UK homes in 2018 with plans afoot in 2019 to connect some of the largest UK offshore windfarms to the National Grid.

Arcadis has been named a 'UK Superbrand' for the second year running and in December 2018 was ranked among the top-25 best places to work in the UK by Glassdoor. A core focus for the UK business will be in continuing to build on the strength of our brand, maintaining ongoing improvements through our People First values, adherence to the Arcadis Way and by embracing the principles of Make Every Project Count (MEPC). This includes working only for those markets where we see an opportunity for a sustainable and profitable business, bidding for opportunities where we can make a profit and only making promises that we can deliver.

Digital and technological innovation presents opportunities for future growth. For example, our capabilities in developing Precision Based Manufacturing in housing will help to address the shortfall in new homes, while smart transport solutions and new innovative funding models will be essential to deliver the UK's infrastructure requirements.

The number of employees in the UK is 4,792, 29% of whom are female, while the number of employees in the Global Excellence Centers (GECs) supporting the UK business stands at 668. With the potential impact on long-term labour availability post Brexit, the GEC capability is a boost to the UK business and has already led to the adoption of new technologies and efficiency gains. Developing digital capabilities amongst all employees in the UK remains a core goal internally, with strong take-up of engagement programmes launched specifically to embed digital expertise into our DNA.

Middle East

Market dynamics

Market trends and opportunities that we identified for the Middle East include:

- The outlook for growth in the Middle East is expected to remain challenging in the early part of 2019 and to improve towards the end of the year and continue to grow in 2020;
- Geopolitical situations or possible renewed volatility in oil prices represent the main risks to the Middle East for market growth;
- In Saudi Arabia, the economic recovery should broaden this year due to reduced budget deficit as result of increased oil prices, which should support domestic demand. The Saudi Government is continuing significant investment in the development of largescale projects underpinning their Vision 2030, such as the Red Sea project, NEOM and other major initiatives supporting the Kingdom's program to diversify the economy;
- In the UAE, the stock market in Dubai in 2018 posted its worst annual performance since 2008 with a 25% fall, owing to oversupply and falling prices in the critical real-estate market; in contrast, the Abu Dhabi stock index performed robustly. For 2019, Dubai published its annual budget early January, with a continued focus on infrastructure investment to prepare for Expo 2020. Despite uncertainty about the development in the oil market, the economy appears ready for growth this year. Strong fiscal stimulus and the Expo 2020-related infrastructure push – should enhance construction and tourism activity. Nevertheless, a global growth slowdown, uncertainty about oil prices and increased financial volatility could somewhat reduce this positive outlook;
- In Qatar the economy showed a positive picture towards the end of the 2018, with exports and the trade surplus rising by double digits in annual terms. Moreover, foreign reserves continued to rise in November. Approval of the 2019 budget forecasts the first fiscal surplus since 2014. Also, in a politically motivated move Qatar withdrew from OPEC effective January 2019.

For 2019, growth should be supported by higher hydrocarbon production and infrastructure projects. However, the ongoing embargo and exposure to volatile commodity prices are potential downside risks to the economy.

Strategy implementation in the Middle East

The Middle East business performed a detailed review of its service and client portfolio and prepared a Portfolio Strategy to create a sustainable business and drive improved long-term value. As result of the strategy, the business is focusing on fewer, high-value clients in priority markets, and more lower-risk time & materials projects with the objective of growing our business based on core capabilities. These are Design & Engineering, Construction Supervision and Project and Program Management. In addition, the Middle East is also reducing presence and services in non-core markets and looking to grow by focusing on higher margin sectors where Arcadis can leverage from global capabilities such as Aviation and Rail as well as providing higher margin Advisory and O&M services.

Developments in 2018

The strategic re-orientation and the various measures including higher selectivity led to a lower organic net revenue in the Middle East of 17% in the year. The operating EBITA margin decreased to -2.5% (2017: 4.7%) due to provisions taken for legacy design work.

The Middle East has been gradually improving profitability of the key client portfolio, reduced the cost base to suit workload and strategy. Despite a difficult market environment the Arcadis Middle East business has collected substantial payments on overdue receivables, and closed out most of the legacy projects in the region. The introduction of a new sales force to enhace the quality of our pipeline is already bearing fruit.

The Middle East launched the Make Every Project Count (MEPC) program with the aim of reducing loss-making projects by focusing our efforts on aligning our people, behaviors, processes and systems with the Arcadis Way of operating.

In Q4 2018, a goodwill impairment charge of €33.9 million has been recognized. This reflects our future business expectations in the Middle East as a result of the decision to be more selective and de-risk the portfolio.

The number of employees in the Middle East decreased in 2018 to 1,666 (2017: 2,175), 19% of whom are female. The number of employees in the Global Excellence Centers (GECs) supporting the Middle East is approximately 19% of the number of employees in this region. The People First value has been further embedded through multiple related initiatives. The Your Voice employee engagement score showed an increase from 3.17 to 3.31.

Segment financial results

The overall financial results of the Segment in 2018 were as follows:

	Revenues		Revenue growth				
In € millions	**2018**	2017	Total	Organic	Acquisitions	Currency	Other
Gross revenues	1,392	1,337	4%	5%	0%	-1%	0%
Net revenues	1,133	1,113	2%	3%	0%	-1%	0%

	2018	2017
EBITA	68.4	74.0
EBITA margin	6.0%	6.7%
Operating EBITA[1]	77.4	84.3
Operating EBITA margin	6.8%	7.6%

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

Regeneration masterplan

Client: Birmingham City Council

Birmingham
United Kingdom

Arcadis has worked with Birmingham City Council and Homes England to develop a comprehensive framework for the regeneration of Digbeth.

Challenge: Birmingham is in the middle of a transformation amid the arrival of the High Speed 2 railway. This includes the regeneration of Digbeth and the Grand Union Canal Corridor, presenting a unique stage to develop a new urban district close to the retail and commercial core of the city.

Solution: Arcadis helped develop a comprehensive masterplan for the regeneration of Digbeth focusing on the development's potential to create strong links to key planned public transport services, and providing for a well-balanced and appropriate range of uses, including hotel, retail and food and drink offers, as well as the potential for more than 2,000 new homes.

Impact: By expanding the City Centre Enterprise Zone, there is the potential for an additional £724 million worth of investment into the area. At the heart of Birmingham's Creative Quarter, a balance has been struck between creating value, providing new housing and development and retaining the historic character of the area. This project is likely to enhance the diversity of Birmingham as a place to live, work and enjoy.

One of the largest building projects in Europe

Client: Unibail-Rodamco-Westfield

Hamburg
Germany

Investor and developer Unibail-Rodamco-Westfield teamed up with Arcadis to create the southern Überseequartier in Hamburg, Germany, one of the largest building projects in Europe.

Challenge: The mixed-use southern Überseequartier project, estimated to a total area of 419,000 sqm, requires outstanding project management skills, combined with a focus on compliance with the highest standards.

Solution: Arcadis is responsible for the seamless execution of the project which includes multi-project management, program management, site management and tenant coordination.

Impact: Southern Überseequartier in Hamburg's Hafencity will be one of the largest building projects in Europe and recognized globally. It will include fourteen buildings with 80,500 sqm for retail, 21,000 sqm for gastronomy and entertainment including a multiplex cinema, a cruise terminal with an underground bus station, three hotels, offices with around 4,200 workplaces, and approximately 650 apartments. The former underutilized port and industrial area will become a dynamic vibrant meeting place for the citizens of Hamburg as well as for tourists and thereby contributing to quality of life in an ever-changing environment.

Performance by Segment
Americas

Number of employees
headcount as at 31 December

7,205

2017: 6,816

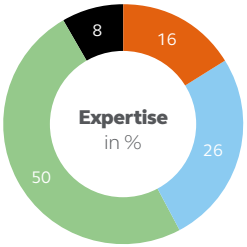
% of net revenues
of total Arcadis

31%

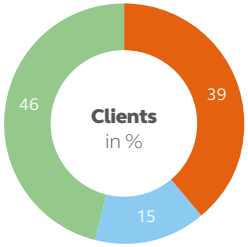
2017: 31%

Clients

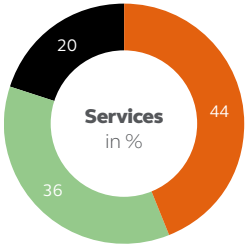
Georgia DOT, USACE, CSX Transportation, Boeing, General Motors, Public Sediment Alameda Creek, The Nature Conservancy, Colliers



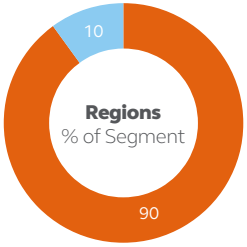
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Design & engineering
- Program, project & cost management



- North America
- Latin America

All percentages based on FY'18 net revenues

Performance in 2018

People & Culture

Number of employees headcount as at 31 December	Employee engagement score on a scale of 0 - 4	Voluntary turnover rate as % of total staff	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Females in total workforce as % of total staff
7,205	3.15	10%	0.44	36%
2017: **6,816** ↑	2017: **3.04** ↑	2017: **9%** ↓	2017: **0.56** ↑	2017: **36%** ↔

Innovation & Growth

Organic revenue growth net revenues	Organic revenue growth Global Key Clients net revenues	Book-to-bill ratio net revenues	Arcadis Way implementation progress as % of net revenues	Arcadis' carbon footprint MT CO_2 per FTE
5%	14%	1.05	to start	4.91
2017: **-2%** ↑	2017: **15%** ↓	2017: **0.97** ↑	2017: **to start** ↔	2017: **4.97** ↑

Focus & Performance

Gross revenues in € millions	Net revenues in € millions	Operating EBITA margin as % of net revenues	Net Working Capital as % of gross revenues	Days Sales Outstanding (DSO)
1,186	755	7.3%	13.2%	78
2017: **1,175** ↑	2017: **751** ↑	2017: **6.3%** ↑	2017: **14.2%** ↑	2017: **84** ↑

↑ Improvement ↔ Unchanged ↓ Deterioration

Key business developments in 2018

Our North America business capitalized on a strong US economy and a focused strategy to deliver organic growth, increased sales and continued margin improvement in 2018. All market sectors in North America demonstrated growth, with the environment market in both North and Latin America being very strong. In Latin America, the Brazil economy improved slightly but was tempered by the Presidential election. Chile meanwhile was positively impacted by a resurgence in the mining sector.

Key developments Americas

- Organic net revenue growth was 5% for the year. Strong organic growth in North America was partly offset by a small decline in Latin America.
- The operating EBITA margin increased to 7.3% (2017: 6.3%), due to an improvement in North America and a close to break-even result in Latin America.

Mary Ann Hopkins
Group Executive
responsible for Americas

"Our focus on People & Culture in the Americas has resulted in more engaged employees and better outcomes for our clients. This in turn has produced improved financial results and created a virtuous circle for future growth."

North America

Market dynamics

Market trends and opportunities that we identified for North America include:

- Clients are considering design-build and public-private partnership to streamline procurement, reduce time and costs, and increase efficiencies.
- Suppliers continue to consolidate as clients demand integrated service offerings.
- Cities and industries are developing and implementing resilience strategies, aiming to future-proof against incidents such as severe weather, cyber intrusions and emerging contaminants.
- Clients are increasingly reimaging their business strategies for a digital world, striving to make smarter and more agile decisions.
- Cities are getting 'smarter' by increasing use of technology to better monitor and manage assets and resources.
- Investors are increasingly considering environmental, social and governance (ESG), which in turn drives environmental priorities for private-sector clients.

Strategy implementation in North America

While implementing the corporate strategy, North America focused on developing employees, recognizing and rewarding their performance, diversity, and becoming the employer of choice. The aim was to grow in the infrastructure, water, and environmental markets; a healthy growth in both gross and net revenues was shown in 2018. The focus on selecting the right projects, operational efficiencies and cost-control measures significantly improved the operating EBITA margin.

Developments in 2018

After a turning corner in 2017, North American performance stabilized and began to accelerate in 2018. At 2% in 2017, organic net revenue growth nearly trippled to 6% in 2018. The higher revenues were mainly driven by Environment and Water. The operating EBITA margin improved further to 8.8% (2017: 8.1%).

Net working capital improved due to a reduction in Days Sales Outstanding (DSO). In December 2018, a settlement was reached with an insurance company about a long-term outstanding receivable of approximately US$24 million (€21 million) related to a large oil & gas project, of which the payment was received in January 2019.

Examples of important new project wins and/or projects that were completed during 2018 include:

- Under an US$8 million contract, Arcadis combined advanced data analytics with an intimate understanding of local challenges to develop a plan to help transform waste collection in New York City. The plan lays out a blueprint to reduce truck traffic by about 18 million miles per year or 63%;
- As part of a program management team, Arcadis is providing onsite technical support and risk analysis in support of critical flood protection measures for the Port Lands in Toronto, considered one of the largest underdeveloped stretches of downtown waterfront in Canada;
- Arcadis partnered with a major financial institution to improve corporate governance and spending efficiency. Arcadis' program management and digital enablement work will help ensure global facility management suppliers meet reporting obligations and provide analytics on operating data and maintenance trends to optimize performance.

- Arcadis was selected as one of only two national environmental management company suppliers for a major oil and gas company. Valued at approximately US$30 million in new work, the project is expected to deliver significant cost savings to the client through change management and a unique, collaborative approach to helping the client optimize its portfolio.
- Arcadis is providing pro-bono engineering support for Life Remodeled in Detroit, Michigan, which is transforming a school into a community innovation center to provide recreation, after-school programming, real-world educational experiences and new career pathways for public school students and members of the surrounding community.

North America continued to lay the foundation for the Arcadis Way. Following significant planning and change management work early in the year and testing and training late in the year, North America is on track to launch Arcadis Way in mid-2019.

The number of employees in North America increased 8% to 5,589, 36% of whom are female. North America is supported by 208 employees in the Global Excellence Centers, a number that will continue to grow to improve competitiveness.

North America's Employee engagement score increased from 3.02 to 3.12 in 2018, thanks to a keen focus on People & Culture initiatives ranging from improving the onboarding process and expanded leadership development programs to better recognizing and rewarding performance. Marrying the passions and skills of our people, North America announced the first winners of its Improving Quality of Life awards – pro bono projects proposed by employees and delivered in partnership with local not-for-profits to improve quality of life in Detroit, Michigan and Los Angeles, California.

Safety performance improved as well, with year-over-year improvement in behavior-based leading indicators and a slight reduction in Total Recordable Case Frequency. The program increasingly emphasizes managing risks associated with the growing amount of field work in the North American portfolio.

Latin America

Market dynamics

Market trends and opportunities that we identified for Latin America include:

- Macro-economic indicators continue to improve in Brazil, yet at a slower pace than expected;
- Private and foreign capital continue to respond to concessions, PPPs, and M&A - post election scenario in Brazil expected to contribute to increased activity;
- Mining recovery – especially in Chile and Peru have contributed to increased revenues in 2018 and is expected to expand activity in 2019.

Strategy implementation in Latin America

Strategy in Latin America continues to focus on rebuilding the spirit of the region after several years of contraction, focusing on engaging employees, promoting greater collaboration and better integration of Arcadis both regionally and globally. A more focused approach to clients and market sectors is being implemented to drive sales and execution excellence and grow our market share. Our market sector focus includes Industry, Mining, Transport and Logistics, Water and Power where we see the best alignment of capabilities and growth prospects. We utilize our local knowledge and presence and our global collaboration to deliver exceptional results to local and multi-national clients. BIM and innovative digital solutions are becoming a differentiator to winning work in the region. Key organizational changes and succession within the management structure have contributed to a more nimble and efficient organization.

Developments in 2018

In Brazil, progress in 2018 was significant versus the prior year, with greater order intake and improved margins, but decreased revenue. In Chile and Peru, business has grown at a healthy pace in reflecting the more benign economic and political environment. In 2018, net revenues in Latin America decreased organically by 2%, which was impacted mostly by clients in Brazil continuing to delay investment decisions, considering the unstable political environment. The environmental business in Brazil showed a healthy improvement with better order intake and increased revenues. During the year, revenues have stabilized in Brazil after three years of decline. Revenues in Chile saw robust year over year growth, with margins below expectations.

Examples of important new project wins and/or projects that were completed during 2018 include:

- Program management for the state of the art Albert Einstein Education Center in Sao Paulo (the largest and most reputable hospital enterprise in Latin America);
- Program management for the Metro Line 3 in Santiago;
- Environmental impact Assessment and Environmental Licensing for Neonergia during pre-auction phases for transmission lines;
- Detailed tailings dam design for the Quellaveco Mine in Peru for Anglo American;
- Environmental impact Assessments for Minera Cerro Colorado CMCC – BHP, which will allow the operational continuity of the mine;
- Several socio-environmental and technical due diligences for large M&A transactions.

In Q4 2018, a goodwill impairment charge of €6.5 million has been recognized. This reflects our future business expectations in Latin America, where in Brazil the post-electoral economic sentiment is positive but concrete measures and progress is yet to come.

The number of employees in Latin America decreased in 2018 to 1,413 (2017: 1,438), while 37% of the employees are female. The region is starting to make use of employees in the Global Excellence Centers through a series of pilot initiatives in 2018. The results of the Your Voice Survey in 2018 showed significant improvement over 2017 and reflect actions to improve open and transparent communication across the region in 2018.

Segment financial results

The overall financial results of the Segment in 2018 were as follows:

	Revenues		Revenue growth			
In € millions	**2018**	2017	Total	Organic	Acquisitions	Currency
Gross revenues	1,186	1,175	1%	6%	1%	-6%
Net revenues	755	751	1%	5%	1%	-5%

	2018	2017
EBITA	51.7	36.0
EBITA margin	6.8%	4.8%
Operating EBITA[1]	54.9	47.5
Operating EBITA margin	7.3%	6.3%

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

Saving water in manufacturing

Client: General Motors

Mexico

Saving water in manufacturing and achieving strong sustainable results in a highly water stressed region of Mexico.

Challenge: General Motors (GM) has been recognized as an industry leader in sustainability. In a response to market demand, GM elected to expand production at their Silao manufacturing facility bringing additional jobs to the region. Due to water being scarce in this area, GM viewed it as critical to minimize the water footprint of the facility to preserve much needed water for the local community.

Solution: Arcadis has led the client from a feasibility evaluation, through detailed design, and into the construction phase of a state-of-the-art wastewater recycle system.

Impact: Upon completion, the Silao site will recycle 80% of its waste water. A future phase of the project may include onsite brine management from a reverse osmosis process, recovering even more water through the application of zero liquid discharge (ZLD) technology, achieving over 95% recovery. Despite a production increase, groundwater extraction volume will be halved, preserving much needed water for the community.

Sediment is the building block of resilience in the Bay

Client: Resilient by Design Bay Area Challenge

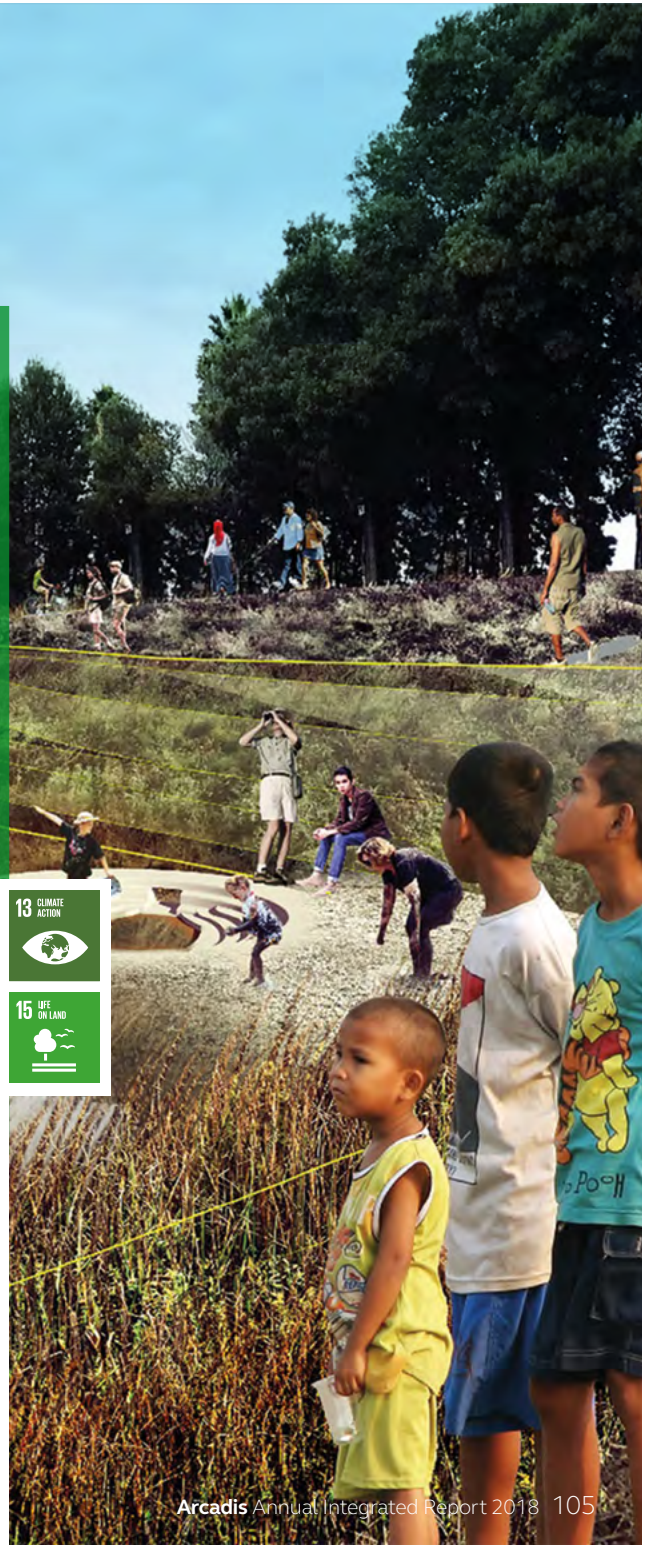
San Francisco
USA

Arcadis was selected as part of a larger team to participate in a year-long research and design project, as part of the Resilient by Design Bay Area Challenge.

Challenge: Marshlands surrounding the San Francisco Bay are being negatively impacted by rising sea levels from climate change. It is estimated that with 3.5 inch of sea level rise by 2100, the region's current sediment supply will not sustain these ecosystems over time, and without sediment, the baylands will drown. This would be a slow but devastating scale of loss threatening ecosystems, recreational landscapes, and puts the region's critical drinking water, energy, and transportation systems at risk.

Solution: Arcadis played a key role in the Public Sediment team. Over the course of a year, the collaborative design effort brought together local residents, public officials and local, national and international experts to develop ways for Alameda Creek to help the marshlands adapt to sea level rise by providing sediment to bay marshes and mudflats.

Impact: The Public Sediment for Alameda Creek project is aimed at focusing on sediment to link it to its historic baylands, and strengthen the Bay Area's resilience to sea level rise, severe storms, flooding and earthquakes. It provides a sustainable supply of sediment to bay marshes and mudflats for sea level rise adaptation, reconnects migratory fish with their historic spawning grounds, and introduces a network of community spaces that reclaim the creek as a place for people, building an ethos and awareness around public sediment resources.



Performance by Segment
Asia Pacific

Number of employees
headcount as at 31 December

5,467

2017: 5,664

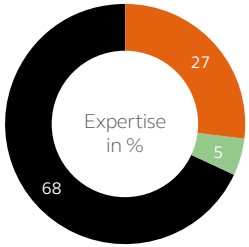
% of net revenues
of total Arcadis

14%

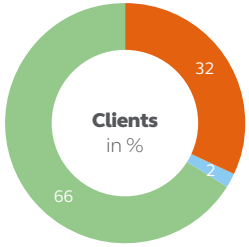
2017: 14%

Clients

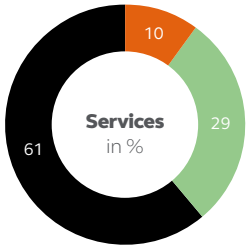
HSBC, (Regional) Government, Alibaba, Transport for New South Wales University of Chicago, Rail Projects Victoria, Universal studios Beijing, Brisbane Airport



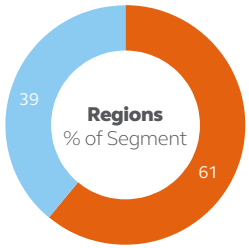
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Design & engineering
- Program, project & cost management



- Asia
- Australia Pacific

All percentages based on FY'18 net revenues

Performance in 2018

People & Culture

Number of employees headcount as at 31 December	Employee engagement score on a scale of 0 - 4	Voluntary turnover rate as % of total staff	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Females in total workforce as % of total staff
5,467	3.06	27%	0.13	48%
2017: **5,664** ↓	2017: **2.98** ↑	2017: **26%** ↓	2017: **0.13** ↔	2017: **47%** ↑

Innovation & Growth

Organic revenue growth net revenues	Organic revenue growth Global Key Clients net revenues	Book-to-bill ratio net revenues	Arcadis Way implementation progress as % of net revenues	Arcadis' carbon footprint MT CO_2 per FTE
2%	69%	0.94	72%	1.64
2017: **2%** ↔	2017: **20%** ↑	2017: **1.08** ↓	2017: **54%** ↑	2017: **1.80** ↑

Focus & Performance

Gross revenues in € millions	Net revenues in € millions	Operating EBITA margin as % of net revenues	Net Working Capital as % of gross revenues	Days Sales Outstanding (DSO)
375	331	7.7%	21.8%	89
2017: **387** ↓	2017: **344** ↓	2017: **8.9%** ↓	2017: **20.8%** ↓	2017: **85** ↓

↑ Improvement ↔ Unchanged ↓ Deterioration

Key business developments in 2018

Whilst a slowdown in the property sector in Asia is evident, particularly in China, opportunities in the emerging China Tech sector and water and environment more broadly across Asia are being realized. In Australia Pacific we continue to benefit from a strong infrastructure pipeline driven by urban renewal and efforts to significantly enhance mobility in major cities, particularly Sydney and Melbourne.

Key developments Asia Pacific

- Gross revenues of Asia Pacific for the year amounted to €375 million. Net revenues increased organically by 2%, and consisted of 10% growth in Australia Pacific, compensating a 3% decrease in Asia.
- Operating EBITA of Asia Pacific in 2018 decreased compared to 2017, impacted by softening of the market in Asia and project write-offs. The operating EBITA margin was 7.7%, and continued to be above group average.
- A simplified strategy and structure was implemented in Asia to ensure a greater focus on fewer, more potentially profitable countries.

Greg Steele
Group Executive
responsible for Asia Pacific

"Progress in realizing the enormous potential of the Asia Pacific region has been really solid this year. Asia in 2018 was all about re-establishing a strong foundation for future profitable growth, whilst in Australia Pacific 2018 was yet another year of strong growth and performance."

Asia

Market dynamics

Market trends and opportunities that impacted the region were:

- Slow down in the China property market;
- Emergence of the China Tech industry;
- Rising costs in China resulting in the establishment of factories in other South East Asian countries;
- Slow down in Malaysia, including suspension of major projects as a result of reviews by the new Government;
- Flat market conditions in Singapore and Hong Kong;
- Good growth in Macau and Philippines;
- Increased relevance of livability, environment and water issues in Asian cities.

Strategy implementation in Asia

A simplified strategy and structure was implemented. A review of the Asia portfolio of countries, services and clients has resulted in a much more focused and coordinated approach to winning and delivering projects across the region. We began digitizing our cost management business and we redoubled our efforts to improve project delivery performance. A wellbeing program for all staff was implemented which was well received. Staff engagement across the region improved significantly.

Developments in 2018

Net revenues in Asia decreased organically by 3%. Whilst this was primarily due to a slow down in the China property market, the region also became more selective in bidding higher quality projects from a profit and payment perspective. A sophisticated client excellence program and focused project delivery culture contributed significantly to the success of the Phillipines business.

Examples of new project wins and/or projects that were completed during 2018 include:

- Universal Studios Beijing , an upcoming Universal theme park in Beijing, China;
- The development of a program, with a grant from the Dutch Government, to improve environmental and social performance in the Chinese wet processing industry. The project will support Dutch clothing brands with a supply chain in China to gain more insight by reviewing and improving their suppliers' current environmental performance around pollution prevention, reducing resource consumption and occupational Health & Safety;
- Hong Kong Harbour tunnel crossing.

The number of employees in Asia decreased in 2018 to 3,963 (2017: 4,172), 52% of whom are female. The voluntary turnover increased to 28.8% in the year. Reducing this level of turnover will be a key focus in 2019.

Australia Pacific

Market dynamics

The region continues to perform strongly off the back of a good market. Trends and opportunities include:

- GDP of 3% and unemployment of 5% better than expected;
- Our key markets of infrastructure, environment, and buildings are solid;
- High population growth in major cities continues to drive urban renewal and enhanced mobility initiatives;
- Very strong infrastructure pipeline in Sydney and Melbourne driven by asset recycling and delivered through PPPs;
- Resources sector showing signs of improvement.

Strategy implementation in Australia Pacific

Australia Pacific will continue to concentrate on growth in four areas: technical advisory; rail; environment and cost and project management. A continued focus on client & pursuit excellence will remain core to the strategy as will improving project delivery performance and better use of Global Excellence Centers.

Developments in 2018

Net revenues in Australia Pacific increased organically by 10%. This strong revenue growth was fueled by delivery and growth in projects such as Melbourne Metro, Sydney Metro and strong highways programs in Sydney and Melbourne.

Examples of new project wins and/or projects that were completed during 2018 include:

- Melbourne Metro, which is the initial phase of a larger program through the Melbourne CBD including five new stations. Arcadis in joint venture is the lead designer;
- Sydney Light Rail, which is a project in the CBD of Sydney which links Circular Quay to Central station and the existing light rail network. Arcadis in joint venture is the Independent Certifier for this complex project in the centre of Australia's largest city;
- Brisbane Airport, whereby Arcadis is lead consultant in the remediation of land contaminated by PFAS. New technology in combination with Arcadis' global expertise was successfully employed to complete this project.

The number of employees in Australia Pacific decreased in 2018 to 982 (2017: 1,276), 30% of whom are female. The number of employees in the Global Excellence Centers supporting Australia is approximately 25% of the total revenue. Voluntary turnover increased to 16.7% in the year. Efforts to reduce the level of turnover will continue in 2019.

Segment financial results

The overall financial results of the Segment in 2018 were as follows:

	Revenues		Revenue growth			
In € millions	**2018**	2017	Total	Organic	Acquisitions	Currency
Gross revenues	375	387	-3%	3%	-1%	-5%
Net revenues	331	344	-4%	2%	-1%	-5%

	2018	2017
EBITA	24.2	30.1
EBITA margin	7.3%	8.7%
Operating EBITA[1]	25.4	30.7
Operating EBITA margin	7.7%	8.9%

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

Moving Melbourne

Client: Rail Projects Victoria

Melbourne
Australia

Arcadis is part of the CYP Design and Construction Joint Venture (led by Lendlease, John Holland and Bouygues) delivering the Tunnels and Stations package of the AUS$11 billion Metro Tunnel Project, Victoria's biggest ever public transport infrastructure project.

Challenge: The city of Melbourne is growing, but more trains cannot run in and out of the city because the City Loop is nearing capacity.

Solution: Arcadis, together in a joint venture with Arup and WSP, is delivering the detailed design to support CYP Design and Construction Joint Venture to design and construct the Metro Tunnel's twin nine-kilometre tunnels and five new underground stations.

Impact: The Metro Tunnel will create a new end-to-end rail line from Sunbury in Melbourne's west to Cranbourne/Pakenham in the south-east, with high capacity trains and five new underground stations. It will create capacity on the network to enable more than a half a million additional passengers per week across Melbourne's train network to use the rail system during the peak periods. The stations will also set a new benchmark in design, delivering five new architectural landmarks for Melbourne.

Performance by Segment
CallisonRTKL

Number of employees
headcount as at 31 December

1,753

2017: 1,712

% of net revenues
of total Arcadis

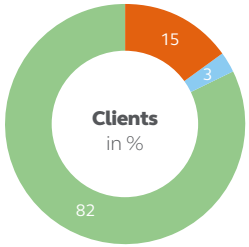
9%

2017: 9%

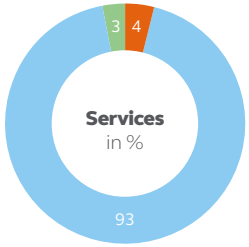
Clients

AT&T, Nordstrom, Emaar, Apple, Citigroup, Target, Anschutz Entertainment Group, Petco, Lenovo

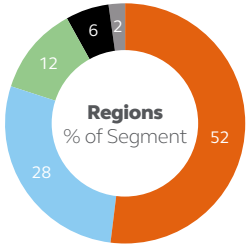
- Infrastructure
- Water
- Environment
- Buildings



- Public
- Regulated
- Private industrial



- Consultancy
- Architectural design
- Design & engineering
- Program, project & cost management



- North America
- Asia
- Middle East
- UK/Europe
- Other

All percentages based on FY'18 net revenues

Performance in 2018

People & Culture

Number of employees headcount as at 31 December	Employee engagement score on a scale of 0 - 4	Voluntary turnover rate as % of total staff	Total Recordable Case Frequency (TRCF) per 200,000 work hours	Females in total workforce as % of total staff
1,753	n/a[1]	21%	0.07	47%
2017: **1,712** ↑	2017: **2.90**	2017: **18%** ↓	2017: **nil** ↓	2017: **45%** ↑

Innovation & Growth

Organic revenue growth net revenues	Organic revenue growth Global Key Clients net revenues	Book-to-bill ratio net revenues	Arcadis Way implementation progress as % of net revenues	Arcadis' carbon footprint MT CO_2 per FTE
0%	-22%	0.91	to start	4.76
2017: **-3%** ↑	2017: **3%** ↓	2017: **0.84** ↑	2017: **to start** ↔	2017: **4.71** ↓

Focus & Performance

Gross revenues in € millions	Net revenues in € millions	Operating EBITA margin as % of net revenues	Net Working Capital as % of gross revenues	Days Sales Outstanding (DSO)
301	220	8.8%	8.9%	70
2017: **320** ↓	2017: **229** ↓	2017: **10.4%** ↓	2017: **8.3%** ↓	2017: **73** ↑

↑ Improvement ↔ Unchanged ↓ Deterioration

[1] Employees of CallisonRTKL were not included in the engagement scan of 2018

Key business developments in 2018

Arcadis announced it retained ownership of CallisonRTKL in July. Since that time, the global design firm has made significant progress toward transforming its business for the future. It has established a clearly defined vision, target position and strategy, and over the next two years, it will build on its strong global position to deliver financial predictability, EBITA and net revenue growth.

Key developments CallisonRTLKL

- Net revenues were organically in line with last year and positively impacted by growth in the commercial practice group as a result of a more standardized project review.
- The operating EBITA margin was 8.8% (2017: 10.4%) and was impacted by cost associated with the strategic review process completed in 2018 and provisions for bad debt in Asia and the Middle East.
- After the performance of a strategic review of CallisonRTKL which evaluated a range of strategic options to optimize its value either within or outside of Arcadis, a decision was made in July 2018 to retain CallisonRTKL. CallisonRTKL is implementing a new organizational set-up to improve performance.

Mary Ann Hopkins
Group Executive
responsible for CallisonRTKL

"CallisonRTKL will remain a key member of Arcadis following the results of the strategic review in 2018. Their focus on creative problem-solving signals a bold and exciting future for our people and clients."

CallisonRTKL

Market dynamics

Key global themes of urbanisation, resiliency, and liveability continue to be strong drivers globally for architectural and design services. Despite a number of potential geo-political uncertainties in some markets, there is increased demand for creative problem solving to help cities, our clients, and the users of CallisonRTKL's projects to adapt to many of the major trends that are impacting our lives. Some of the major industry shaping themes which are key drivers to the growth of Architecture and Design include:

- Increasing demand for quality housing across all spectrums of affordability,
- Increased density leading to more mixed use projects,
- Adaptive reuse of assets that have been made redundant by our changing world,
- Continued changes in demographics creating new opportunities in health care and housing,
- Integration of innovative technology with strong design to create positive and strong user experiences.

Strategy implementation

In 2018, CallisonRTKL leadership developed a new operating model, which aims to empower the executive team to deliver strategic initiatives, improve the client experience, strengthen further sector and service expertise, devolving key decision-making to regions and office leaders, building empowerment and collaboration. The new operating model and new Executive Team, led by CallisonRTKL President & CEO Tim Neal, is in place from January 2019.

In addition to rolling out the new structure, the Executive Team has immediately focused on improving the business' performance in four critical areas: 1) Sales & Business Development, 2) design and innovation, 3) people and culture, and 4) commercialization, projects and partnerships. These strategic initiatives are supported by a refreshed working relationship between CallisonRTKL and Arcadis, which seeks to enable mutual benefit.

CallisonRTKL has established a new vision and position in the interest of clearly differentiating itself in its markets and among its competitors. Leveraging its enduring legacy of value-adding design solutions, CallisonRTKL aims to be the world's most sought-after creative problem-solver. Central to its ability to achieve this is:

- the diversity of its design expertise, which combines expertise in sectors, geographies and services with a broad global perspective;
- a dynamic community of people and individuals empowered to work together to generate solutions;
- data-driven insights to inform, enhance and evaluate the impact of its work.

Developments in 2018

Full year net revenue organic growth in 2018 was basically flat from 2017 and EBITA margins showed some deterioration partly due to transaction fees associated with the strategic review process. Importantly the commercial practice returned to organic growth, with the Shopping and Entertainment District sector strong across all regions and the mixed used expertise in demand. The Retail practice group generated strong margins with changes in retailers' models driving demand for new solutions in retail experience. The Health practice performed well on margin and is repositioning for growth with new leadership. Workplace Practice built backlog while managing risks around challenging projects. Our repositioning and reorganization will build advantage around our ability to combine sector knowledge and creative design solutions around specific client needs. The stronger performance in the second half of the year is an encouraging indicator of momentum in what had been a disrupted year for the business.

Examples of important new project wins and projects that were completed during 2018 include:

- CallisonRTKL's design of the latest expansion of Chadstone Shopping Center in Melbourne, Australia, with its striking signature skylight roof, was recognised by ICSC Asia Pacific as the Gold Winner for Renovations and Expansions, and drove a 33% growth in income to reach the AUS$2 billion level;
- Mercedes Platz, the dynamic mixed use entertainment district connected to the O2 Arena in Berlin designed by CallisonRTKL, opened in October 2018 to strong reviews and large crowds, and represented another collaboration with AEG;
- CallisonRTKL was selected to provide full architectural design services for the University of California San Diego Hillcrest Campus Redevelopment- the first phase of a holistic redevelopment of this leading research hospital in Southern California;
- CallisonRTKL's retail design team celebrated the grand opening of Petco's first PetCoach location in San Marcos, CA. The CallisonRTKL team worked closely with Petco's leadership to help the company design a completely new retail experience, which is intended to be rolled out in future locations around the US;
- Dubai Hills Mall is a keystone project of successful collaboration between CallisonRTKL and Arcadis; it is a beacon of excellence in retail design and engineering proficiency, married with fast track construction methodology. A major experiential retail development, Dubai Hills Mall heralds a significant step forward in design, delivery and construction on a global scale;
- 2018 saw the completion of phase 2 of Lenovo's LEED Gold and China Green Building Design Label Three Star headquarters which creates a new community within the Zhongguancun Software Park, opening their outdoor courtyards, park and track completely to the public, so as to meet the leisure needs of surrounding communities. The design philosophy follows the theme of 'duality' in a series of oppositions such as work and life, order and innovation, city and enterprise, and the combination of indoor and outdoor public space and services.

The number of employees in CallisonRTKL increased in 2018 to 1,753 (2017: 1,712), 47% of whom are female.

The number of employees in the GECs supporting CallisonRTKL is approximately 5% of the number of employees in this Segment.

Segment financial results

The overall financial results of the Segment in 2018 were as follows:

	Revenues		Revenue growth			
In € millions	**2018**	2017	Total	Organic	Acquisitions	Currency
Gross revenues	301	320	-6%	-2%	0%	-4%
Net revenues	220	229	-4%	0%	0%	-4%

	2018	2017
EBITA	17.3	20.8
EBITA margin	7.9%	9.1%
Operating EBITA[1]	19.4	23.9
Operating EBITA margin	8.8%	10.4%

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

Creating a vibrant mixed-use destination

Client: Anschutz Entertainment Group

Berlin
Germany

A mixed-use masterplan, connecting the largest remaining section of the Berlin Wall to the Mercedes-Benz Arena, featuring the design of the Verti Music Hall, state-of-the-art UCI cinemas, 28-lane Bowling World, two hotels, office space and over twenty restaurants and cafes.

Challenge: Anschutz Entertainment Group imagined the creation of a lively city quarter on an urban brownfield site. After the opening of their successful Mercedes Benz Arena they looked to complete the heart of the district with a wide range of mixed uses on a central location between the arena and the river. The design needed to provide animated street edges, quality addresses for the hotels and offices, incorporate large leisure boxes and create a central plaza for diverse events, large and small.

Solution: CallisonRTKL started by refining the local strategic masterplan, stitching together existing and future uses with the transport hubs, riverside attractions and pedestrian networks. The central public square becomes the front door address for catering and leisure tenants, while the riverfront views to the East Side Gallery are enjoyed by the hotel and office buildings.

Impact: As part of large urban regeneration scheme, Mercedes Platz provides a focal point for the local community, as well as a regional destination for leisure and entertainment. The curated mix of uses ensure that the district will never 'go dark' and the different zones are designed to offer varied and engaging experiences for visitors any time of day or night.

Performance associate

Arcadis Logos Energia (ALEN)

Gas-to-gas

Gas Verde Seropédica Rio de Janeiro
- 42% stake by ALEN
- Operational as of Q4 2018

Gas-to-power

Nova Iguaçu Rio de Janeiro
- 50% stake by ALEN
- Operational as of January 2019

São Gonçalo Rio de Janeiro
- 50% stake by ALEN
- Operational in 2019

São João São Paulo
- 75% stake by ALEN
- Operational since 2008

Bandeirantes São Paulo
- 75% stake by ALEN
- Operational since 2004

Arcadis Logos Energia (ALEN), an associate of Arcadis in which it owns 49.99% of the shares and voting rights, builds, operates and transfers renewable energy assets in Brazil, leveraging the engineering skills of Arcadis Logos. Since 2011, ALEN has focused primarily on divesting the existing portfolio of energy assets and no new projects have been taken on board.

Today, the assets in ALEN's portfolio are biogas installations on five large landfills in the metropoles of Rio de Janeiro and São Paulo. Together with partners, ALEN is finalizing investment plans on these landfills and (re)building five state-of-the-art installations that will come fully operational in 2019. The biogas installations contribute significantly in reducing greenhouse gas emissions from methane that would otherwise be released to the atmosphere, besides contributing to sustainable energy production.

In 2018, Arcadis was confronted with several significant setbacks in relation to the ALEN associate. Overall, the project was delayed for more than six months and the investments increased significantly.

Progress continued to be made by the ALEN associate in the completion of the energy assets. The gas-to-gas plant is operational, and a contract is now signed for 35% of the capacity with an industrial buyer. An additional 35% of capacity is currently under negotiation with another industrial buyer. The delivery of the gas will start at the end of the first quarter. Discussions are ongoing with two other industrial gas consumers for the remaining capacity. The largest gas-to-power plant is in operation since the end of January and delivers 60% of the total capacity which will increase to 100% within two months. The third and last plant is on track to become operational in the course of 2019.

Considering delays in the construction process and sales contracts, increasing costs and assumed lower contract prices we performed a re-assessment of the business case in the third quarter. Based on these insights Arcadis took a value adjustment of €53 million on the ALEN business case.

On the balance sheet of 31 December 2018 is a provision of €28 million for expected credit loss. The net investment, including the shareholder loans, is valued at nil. The off-balance sheet financial guarantees for ALEN are €87 million. The operating loss in the fourth quarter was €3 million. As the assets start generating cash, we expect the loss to decline over time in 2019 and anticipate to be break-even in the second half of the year.

Itaú bank has been appointed as financial advisor for the divestment process. Itaú, the largest investment bank in Brazil has a strong track record in the energy sector in Brazil. The objective is to divest the energy assets in 2019.

See note 15 of the Consolidated financial statements for further details on Arcadis' investment in ALEN and the provided corporate guarantees.

Sustainable water supply

Client: Kahramaa, the Qatar General Electricity & Water Corporation

Qatar

The Water Security Mega Reservoir Project is part of Qatar's major programme to strategically secure the supply of water to its people due to the growing economy and demand for water.

Challenge: To provide seven days of strategic water storage within its network through five mega reservoir sites to support the demand of Qatar's anticipated growing population. Each of the reservoir sites will have interconnecting networks of large water pipelines that will also link to desalination plants, expected to almost triple the current water storage.

Solution: Arcadis is providing pre-design studies, preliminary design, detailed design, tender procurement and construction supervision. The project entails the construction of mega-reservoirs at each of the five sites and some 600km of large diameter trunk main primary distribution network, together with associated major pumping stations. Each reservoir site contains a number of reservoir modules, which are presently the largest drinking water storage tanks in the world, with a capacity of 441,000 m^3 per tank. In addition, the project is expected to create the largest drinking water storage network in the world, that will ultimately be able to provide 17 million m^3 of strategic drinking water storage to the State of Qatar.

Impact: Upon completion, this project will reduce the risk of water interruptions and overall requirements for water pumping, providing the community with a sustainable water supply for future generations.

Enhancing sustainability along the Los Angeles river

Client: The Nature Conservancy

Los Angeles
USA

Arcadis helping to promote the use of natural infrastructure to solve pressing urban environmental challenges.

Challenge: The Nature Conservancy (TNC) is pushing an effort to turn Los Angeles from 'gray to green'. By utilizing natural infrastructure instead of traditional human engineered gray infrastructure, TNC hopes to improve water quality and reintroduce nature back to urban areas where it has been absent for decades.

Solution: Arcadis helped select a project site near the LA River with a permeable bottom due to groundwater upwelling, as well as significant vegetation. The project focuses on using green infrastructure systems and processes to transform stormwater management and address vital requirements such as water supply and quality.

Impact: By using natural solutions to increase biodiversity, reconnect urban communities with nature and secure a reliable water supply for the future, the team is creating a new model for urban conservation nationwide.

Revitalizing a key waterfront area

Client: Colliers

Toronto
Canada

Arcadis is helping with critical flood protection measures in downtown Toronto

Challenge: Port Lands in Toronto is an underutilized 1,000-acre industrial site in the heart of Toronto. Portions of the site are at risk of flooding and the soil is contaminated. In the event of an extreme weather event, floodwaters from the Don River could overwhelm portions of the city.

Solution: Arcadis will provide program management, onsite technical support and risk analysis for this seven-year project which includes construction of new roads, bridges, flood protection infrastructure and parks. By creating two new outlets for the river, floodwaters will run into the inner harbor instead of potentially damaging surrounding neighborhoods.

Impact: When the seven-year project is complete, the waterfront will feature 40 new hectares of lush greenspace and parkland. This project will revitalize an underutilized industrial area to better serve millions of Canadians and improve quality of life.

Governance & Compliance
Operating responsibility

Composition of the Executive Board

Peter Oosterveer
Dutch nationality,
1957
BSc

Chief Executive Officer and Chairman of the Executive Board
IT/Arcadis Way, Legal & Compliance, Internal Audit
Term 2017 - 2021

Peter Oosterveer was selected as Chief Executive Officer and Chairman of the Executive Board of Arcadis NV in 2017. Prior to Arcadis he worked for Hoogovens IJmuiden (now Tata Steel) and Alpha Engineering before joining Fluor Corporation in 1988 as Controls System Engineer. Initially based out of the Netherlands, he was assigned to several international projects, followed by general management roles.

In 1999, he moved to Fluor's headquarters in California to lead the Corporate SAP implementation. After the successful delivery of this program, he returned to the Netherlands to assume the role of General Manager for Fluor in the Netherlands, and subsequently to lead the growth of the Chemicals business for Fluor in Europe, Africa, and the Middle East, followed by assuming global responsibility for the Chemicals Group. Peter Oosterveer relocated to Houston in 2009 to become President of the Energy and Chemicals group for Fluor globally, which also made him a member of the Fluor Corporate Leadership Team.

In 2014, he was appointed as Chief Operating Officer of Fluor, responsible for approximately US$20 billion of annual revenues. Peter Oosterveer is also a former Director of the US-China Business Council and a former Director of FMC Technologies.

Sarah Kuijlaars
British nationality,
1967
MA (Oxon), FCMA, ACT

Chief Financial Officer and Member of the Executive Board
Financial Planning, Reporting & Business Appraisal, Tax, Treasury, Risk & Control, Investor Relations
Term 2018 - 2022

Sarah Kuijlaars was selected as Chief Financial Officer and Member of the Executive Board of Arcadis NV in 2018. Prior to joining Arcadis she worked in various roles for Royal Dutch Shell and Rolls-Royce Holdings.

In 1989, she joined Royal Dutch Shell in London as Regional Treasury and Banking Management Assistant, followed by financial planning, advisory and treasury roles based in, inter alia, Brazil, Argentina and the Netherlands. She subsequently took on larger financial leadership roles, including Finance Manager Shell Exploration and Production International in the United Arab Emirates, Finance Director Shell Nigeria Exploration and Production, and Vice President Finance Upstream CIS in Russia. In 2013, Sarah Kuijlaars was appointed Senior Vice President Finance Downstream Global Controller in the United Kingdom. She moved to Rolls-Royce Holdings in 2016, where she held various positions, including Controller, Deputy CFO and CFO of Civil Aerospace.

Sarah Kuijlaars holds a Master's degree in mathematics from Oxford University, is a Fellow of the Chartered Institute of Management Accountants (FCMA) and an associated member of Corporate Treasurers (ACT).

Composition of the Executive Leadership Team[1]

Stephan Ritter
German nationality, 1968
MB

In ELT since 11 March 2018

Group Executive Innovation and Transformation
Corporate Strategy & Development, Digital, Marketing & Communications, Sustainability

Mary Ann Hopkins
US nationality, 1965
MS

In ELT since 11 March 2018

Group Executive Americas and CallisonRTKL
North America, Latin America, CallisonRTKL

Erik Blokhuis
Dutch nationality, 1967
MSc

In ELT since 1 April 2018

Group Executive Sales & Business development
Global Clients, Global Solutions, Sales Excellence

Alan Brookes
British nationality, 1961
BSc, FRICS

In ELT since 1 April 2018

Group Executive Europe & Middle East
Continental Europe, United Kingdom, Middle East

Greg Steele
Australian nationality, 1961
BE, Grad Dip Bus, FIEAust

In ELT since 16 July 2018

Group Executive Asia Pacific
Asia, Australia Pacific

Rob Mooren
Dutch nationality, 1956
MSc

In ELT since 1 April 2018

Group Executive Project Services
GECs, Health & Safety, Project Management Excellence

Lia Belilos
Dutch nationality, 1962
BSc

In ELT since 1 April 2018

Chief People Officer
People Strategy & Culture

[1] The full Executive Leadership Team includes the CEO and CFO

Composition of the Supervisory Board

Niek W. Hoek
Dutch nationality, 1956

Chairman, Audit and Risk Committee, Selection and Appointment Committee (Chair), Remuneration Committee
Term 2013 - 2021

Current other non-Executive Board positions:
- Chairman of the Supervisory Board of Van Oord
- Member of the Supervisory Board of Anthony Veder (Netherlands Antilles N.V.)
- Member of the Supervisory Board of the KNRM (Raad van Toezicht)
- Member of the Supervisory Board of BE Semiconductor Industries N.V.
- Member of the board of the foundation Preference Shares NEDAP N.V.

Current other positions:
- Managing Director of Brandaris Capital
- Executive Director Dutch Star Companies ONE

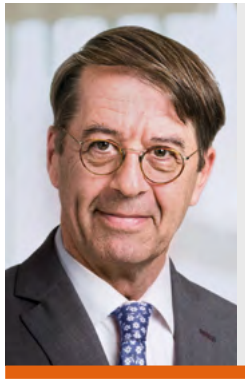
Previous positions:
Chairman of the Supervisory Board of Stadsherstel Amsterdam N.V. (2011 - 2015; member SB 2003 - 2015); Chairman of the Supervisory Board of Stichting Zuiderzeemuseum (2011 - 2015; member SB 2008 - 2015); Member of the Supervisory Board of NIBC Bank N.V. (2003 - 2015); Chairman Executive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

Michiel P. Lap
Dutch nationality, 1962

Vice-Chairman Supervisory Board, Audit and Risk Committee
Term 2015 - 2019

Current other positions:
- Industrial Advisor to EQT Partners
- Director Rijn Capital B.V.

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



J.C. Maarten Schönfeld
Dutch nationality, 1949

Audit and Risk Committee (Chairman)
Term 2008 - 2020

Current other non-Executive Board positions:
- Member Supervisory Board Fugro N.V.
- Board member Stichting VOPAK
- Board Member Stichting Continuïteit ICT
- Board Chairman Children Fund of Malawi

Previous positions:
Member Supervisory Board SIF Holding N.V. (2016 - 2018); Member Supervisory Board University of the Arts, The Hague (2008 - 2016); Member Supervisory Board AFM (2012 - 2014); Member Supervisory Board Brunel N.V. (2011 - 2012); Member Supervisory Board Draka N.V. (2010 - 2011); Member Supervisory Board Technical University Delft (2008 - 2016); Member Supervisory Board S&B Industrial Minerals Finance Holdings S.a.r.l. (2009 - 2015); Vice-Chairman of the Executive Board and CFO of Stork BV (2001 - 2008); Several senior international management positions at Royal Dutch Shell Plc. (1977 - 2001); USA, Argentina, Portugal, Switzerland, Germany, and the Netherlands); worked in Malawi, Africa for the UN Development Program (1974 - 1976).

Ruth Markland
British nationality, 1953

Remuneration Committee (Chair), Selection Committee
Term 2009 - 2021

Current other non-Executive Board positions:
- Independent non-Executive Board Member Deloitte LLP
- Senior Independent Director Quilter PLC

Previous positions:
Non-executive Director The Sage Group PLC (2007 - 2017); Non-executive Director Standard Chartered PLC (2003 - 2015); Lawyer/Partner, Freshfields (1977 - 2003) in their offices in London, Singapore, and Hong Kong; Lawyer, Nabarro Nathanson (1975 - 1977).

Deanna Goodwin
Canadian nationality, 1965

Remuneration Committee, Selection Committee
Term 2016 - 2020

Current other positions:
- Member of the Board of Directors Kosmos Energy
- Member of the Board of Directors Oceaneering International, Inc.

Previous positions:
President TECHNIP North America (2013 - 2017); Chief Operating Officer, Offshore TECHNIP North America (2012 - 2013); Senior Vice President Operations Integration, TECHNIP (2011 - 2012); Chief Financial Officer North America, TECHNIP (2007 - 2011); Various positions at VeritasDCG (1993 - 2007).

Wee Gee Ang
Singaporean nationality, 1961

Remuneration Committee, Selection Committee
Term 2017 - 2021

Current other non-Executive Board positions:
- Board member Building and Construction Authority of Singapore

Previous positions:
CEO Keppel Land Limited (2013 - 2017); Board member Raffles Institution (2015 - 2017); Board member Keppel REIT Management Limited (2013 - 2017); Executive Vice-Chairman Keppel Land China (2010 - 2012); Executive Director and Chief Executive Officer Keppel Land international (2006 - 2009); Various positions in hotel, real estate, and strategy consulting industries in the USA, Hong Kong and Singapore.

Michael C. Putnam
British nationality, 1960

Audit and Risk Committee
Term 2018 - 2022

Current other non-Executive Board positions
- Non-Executive Director Network Rail Ltd
- Non-Executive Director Southern Water Services Ltd
- Non-Executive Director 'Tideway' Bazalgette Tunnel Ltd

Previous positions:
Member of the Advisory Board of the Association of Consulting Engineers (2012 - 2018); Specialist Advisor to the House of Lords Science & Technology Committee, assisting their Report on 'Offsite manufacture for Construction' (2018); Member of the UK Government's Construction Leadership Council (2012 - Jan 2018); Chair of the UK Government's Green Construction Board (2012 - 2017); CEO Skanska UK PLC (2009 - 2017); Several leadership positions within Skanska UK PLC (1995 - 2009); Area Manager and Contracts Manager Balfour Beatty Plc (1988 - 1995); Trafalgar House (1982 - 1987).

Corporate Governance report

Arcadis is committed to the principles of good governance: integrity, transparency, accountability, and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. During 2017, Arcadis implemented the changes resulting from the revised Corporate Governance Code which was published in December 2016. In addition, Arcadis took the opportunity to optimize its corporate governance in the interest of the wider organization. It focused on the effectiveness of six identified core governance topics and related processes: Executive Board and Executive Board effectiveness, Supervisory Board and Supervisory Board effectiveness, risk management and business control, internal audit, culture, and diversity and inclusion. As indicated last year, Arcadis continued these efforts in 2018.

In March 2018, Arcadis introduced a new leadership structure. Arcadis reduced the number of members of its Executive Board from five to two: the CEO and the CFO. At the same time, it introduced the Executive Leadership Team (ELT) consisting of the CEO, the CFO and currently seven executives. Changes to the governance structure in connection with the introduction of the Executive Leadership Team are further discussed in this Corporate Governance Report and on pages 44, 150 and 154 of this Annual Integrated Report. Arcadis also expanded the application of the diversity policy for the Executive Board by including diversity targets for the Executive Leadership Team.

The core topics of the Corporate Governance Code are all explicitly addressed in various chapters of this Annual Integrated Report. For example, diversity in the Executive Board, Executive Leadership Team and Supervisory Board is addressed in this Corporate Governance report on pages 128 and 129. Long-term value creation within Arcadis is addressed on pages 14 and 15 in the Executive Board Report. Our company culture is discussed in the section People & Culture starting on page 42. The section on Enterprise Risk Management can be found on page 134.

An overview of the corporate governance structure of Arcadis in 2018 is provided below. Arcadis applies all principles and best practice provisions of the Corporate Governance Code, with one historical exception. This is described on page 132.

For additional information about corporate governance at Arcadis, please visit our website.

www.arcadis.com/governance

Organizational structure

The Executive Board, consisting of the CEO and CFO, is entrusted with the management of the Company, under supervision of the Supervisory Board. To accelerate progress on the implementation of the strategy of Arcadis, the Company introduced the Executive Leadership Team. The Executive Leadership Team consists of the CEO, the CFO and seven executives with clear accountability to deliver on all components of the Strategy.

Since 2003, Arcadis NV has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the General Meeting of Shareholders. The General Meeting can amend the Articles of Association if and as proposed by the Executive Board, with prior approval of the Supervisory Board and the Arcadis Priority Foundation. Such a decision requires a majority of at least three-quarters of the votes cast in a meeting in which at least three-quarters of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three-quarters of the votes, regardless of the share capital represented in the meeting.

Executive Board

The Executive Board consists of the CEO and the CFO. The Executive Board is responsible for the management of the Company as well as the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy, and results.

The General Meeting appoints the Executive Board members. For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chairperson and determines, in consultation with the Executive Board, the division of tasks. The composition of the Executive Board and information about its members is provided on page 122 of this Annual Integrated Report.

Executive Leadership Team

The Executive Leadership Team consists of the CEO, the CFO and seven executives with clear accountability to deliver on all components of the strategic plan. Key functional focus areas of the Executive Leadership Team include People, Innovation, Sales and Business Development, and Project performance, all institutionalized globally. The present composition of the Executive Leadership Team and information about its members is provided on page 123 of this Annual Integrated Report.

The CEO determines the number of members of the Executive Leadership Team with approval of the Supervisory Board. The members of the Executive Leadership Team who are not Executive Board members are appointed and dismissed by the CEO, subject to approval of the Supervisory Board.

At least once a year, the Executive Leadership Team evaluates its own functioning as a whole, including the dynamics of and the relationship between the Executive Leadership Team and the Executive Board, and that of individual members of the Executive Leadership Team.

At least once a year, outside the presence of the Executive Board and the Executive Leadership Team, the Supervisory Board evaluates the functioning of the Executive Leadership Team, the Executive Board and that of the individual Executive Board members, and discusses the conclusions that must be attached to the evaluation, also in light of succession.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board and the Executive Leadership Team on the performance of its tasks and supervises the overall development of the Company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the Company and its stakeholders. Pursuant to the Articles of Association of the Company, the Supervisory Board consists of at least three members. Members are appointed by the General Meeting.

For every appointment, the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination of the Supervisory Board by a resolution adopted by a majority of at least two-thirds of the votes, representing more than one-third of the issued share capital. In the case of a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-thirds of the votes, representing at least one-third of the issued share capital.

The Supervisory Board appoints one of its members as Chairperson and one as Vice-Chairperson[1]. In the case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile is taken into account. Members are appointed for a maximum period of four years. Pursuant to best practice provision 2.2.2 of the Corporate Governance Code, as of financial year 2017, a Supervisory Board member may be reappointed once for a second maximum period of four years, and subsequently for a maximum period of two years, which reappointment may be extended by a maximum of another two years[2].In the event of a reappointment after eight years, reasons will be given in the report of the Supervisory Board.

The Supervisory Board has established three committees from among its members: an Audit and Risk Committee, a Selection Committee, and a Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The present composition of the Supervisory Board, its committees, and information about the Supervisory Board members are provided on pages 124 and 125 of this Annual Integrated Report.

At least once per year, outside the presence of the Executive Board, the Supervisory Board evaluates its own functioning, the functioning of the Supervisory Board committees, and that of the individual Supervisory Board members, and discusses the conclusions that are attached to the evaluation.

Diversity in the Executive Board, Executive Leadership Team and Supervisory Board

Arcadis believes that diversity and inclusion should extend to all areas of its organization[3]. Starting at the Board level, in 2017, Arcadis further detailed its diversity policies for the composition of the Executive Board and Supervisory Board. In view of the introduction of the Executive Leadership Team in March 2018, the diversity policy for the Executive Board was expanded to include diversity in the Executive Leadership Team. Arcadis believes that the organization gains from a broad range of skills and a variety of backgrounds. Based on the nature and complexity of the Arcadis business, the markets in which Arcadis operates, and the diversity of the client base of Arcadis, Arcadis identified the diversity aspects of gender, nationality/geographical provenance, and background (education and/or (work) experience) as being most relevant for Arcadis and its business. On the basis of these diversity aspects, diversity targets have been identified for the Supervisory Board, the Executive Board and the Executive Leadership Team. The paragraphs below describe these specific diversity targets and their implementation and results against the targets. Going forward, Arcadis will continue to identify and search internal and external candidates for positions in the Executive Board, the Executive Leadership Team and the Supervisory Board from a variety of backgrounds, whilst at the same time not compromising quality, expertise, and experience. In the event that a global recruitment firm is engaged, Arcadis gives search instructions in line with the diversity policies.

1 In 2018, Niek Hoek was chairperson and Michiel Lap was vice-chairperson
2 Based on the transitional arrangement in the Corporate Governance Code 2016, the re-appointment of Ruth Markland during the Annual General Meeting 2017 for a third four-year term was exempted from this best practice provision 2.2.2. Furthermore, best practice provision 2.2.2 does not apply to Maarten Schönfeld, whose third four-year term extends until 2020
3 For more information about Diversity and Inclusion within Arcadis globally, please see page 48
4 Section 166 of Book 2 of the Dutch Civil Code

Gender – targets & outcome

In line with applicable legislation[4], the Supervisory Board has set the following gender diversity targets: for both the Executive Board and the Executive Leadership Team at least 30% shall consist of female members, and at least 30% shall consist of male members. Likewise, for the Supervisory Board at least 30% shall consist of female members, and at least 30% shall consist of male members. After the appointment in 2018 of Sarah Kuijlaars as member of the Executive Board, the Executive Board consists of one male (50%) and one female member (50%). The Executive Leadership Team consists of three female (33.3%) and six male (66.6%) members. The Supervisory Board consists of five male (71%) and two female members (29%). With this Arcadis achieved, or is very close to achieving, its gender diversity targets.

Nationality/geographical provenance –targets & outcome

Arcadis is active in many regions and countries worldwide. Arcadis set the following targets in terms of nationality/geographical provenance. In the Executive Leadership Team, at least three regions where Arcadis is active shall be represented. In the Supervisory Board, at least three regions where Arcadis is active shall be represented. Based on the current composition of the Executive Leadership Team and the Supervisory Board, Arcadis meets these diversity targets.

Background: education and/or (work) experience – targets & outcome

The background target for the Executive Leadership Team requires that at least three members shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. Arcadis meets this target as seven members of the Executive Leadership Team have this type of experience. The background target for the Supervisory Board consists of two requirements. The first requirement, which also follows from the Dutch Decree Establishing Audit Committees, is that at least one member of the Supervisory Board shall have a financial background.

As four of the seven Supervisory Board members have a financial background, Arcadis meets this requirement. The second target set by Arcadis requires that at least one member of the Supervisory Board shall have experience in the global design, the engineering and/or the consulting industry or an industry adjacent thereto. This target is also met with five members having this type of experience.

Diversity in the Executive Board and the Executive Leadership Team

	Year of birth	Gender	Nationality
Mr. Oosterveer	1957	Male	Dutch
Mrs. Kuijlaars	1967	Female	British
Mrs. Belilos	1962	Female	Dutch
Mr. Blokhuis	1967	Male	Dutch
Mr. Brookes	1961	Male	British
Mrs. Hopkins	1965	Female	American
Mr. Mooren	1956	Male	Dutch
Mr. Ritter	1968	Male	German
Mr. Steele	1961	Male	Australian

	Inter-national experience	Professional service/ engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Oosterveer	●	●	●		●
Mrs. Kuijlaars	●		●	●	●
Mrs. Belilos	●				●
Mr. Blokhuis	●	●			●
Mr. Brookes	●	●	●		●
Mrs. Hopkins	●	●	●		●
Mr. Mooren	●	●			●
Mr. Ritter	●	●			●
Mr. Steele	●	●			●

Diversity in the Supervisory Board

	Year of birth	Gender	Nationality
Mr. Hoek	1956	Male	Dutch
Mr. Lap	1962	Male	Dutch
Mr. Schönfeld	1949	Male	Dutch
Ms. Markland	1953	Female	British
Mr. Ang	1961	Male	Singaporean
Mr. Putnam	1960	Male	British
Mrs. Goodwin	1965	Female	Canadian

	International experience	Professional service/ engineering and consulting experience	Legal, Tax and risk management	Finance	Client relationship and external stakeholder management
Mr. Hoek	●	●	●	●	●
Mr. Lap	●		●	●	
Mr. Schönfeld	●		●	●	
Ms. Markland	●	●	●		●
Mr. Ang	●	●	●		●
Mr. Putnam	●	●			●
Mrs. Goodwin	●	●		●	●

For more information about nationality/geographical provenance and the background (education/work experience) of the members of the Executive Leadership Team and the Supervisory Board of Arcadis, please refer to their biographies on pages 122 to 125 respectively.

General meeting of shareholders

At least once a year, Arcadis NV convenes a shareholder meeting. Meetings are convened by the Executive and/or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least 10% of the Company's issued share capital if authorized by the relevant Dutch court. Shareholders who hold at least 3% of the issued share capital have the right to propose an item for inclusion on the agenda. The Company will in principle include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 60 days prior to the meeting date. Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise. Arcadis advocates active shareholder participation at shareholder meetings. Since 2007, the Articles of Association allow for communication and voting by electronic means.

For more information about the powers of the General Meeting as well as the Company's Articles of Association, please visit:

www.arcadis.com/governance

Share capital

The authorized share capital of Arcadis NV consists of ordinary shares, cumulative financing preference shares, priority shares, and cumulative preference (protective) shares, each with a nominal value of €0.02. At year-end 2018, the total number of ordinary shares issued was 89,015,305. Currently, only ordinary shares and 600 priority shares have been issued. See note 24 to the Consolidated financial statements for further details. Priority shares and cumulative preference shares have an impact on the governance of the Company.

Priority shares

The 600 priority shares, held by the Arcadis Priority Foundation (Stichting Prioriteit Arcadis NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the Company, as well as certain major co-operations, acquisitions, and divestments.

Pursuant to the articles of association of the Priority Foundation (which were updated in 2018 to align the composition of the Priority Foundation Board with the new leadership structure), the Priority Foundation Board is comprised of two members of the Executive Board, one member of the Executive Leadership Team, seven members of the Supervisory Board, and ten members who are Arcadis employees. All resolutions of the Board require a majority of at least 60% of the votes cast, meaning that both employee support and Board support is needed for those far-reaching decisions.

Cumulative preference (protective) shares

Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the Arcadis Preferred Stock Foundation (Stichting Preferente Aandelen Arcadis NV) and Arcadis NV. The objective of this foundation is to protect the interests of Arcadis, its enterprises, and all of those involved. In the event of any hostile situation, preference shares can be obtained by this Foundation. This would allow the Executive Board and the Supervisory Board time to duly consider the situation and the interests involved. For more information, please see note 24 to the Consolidated financial statements.

Regulations concerning Arcadis securities transactions

Arcadis has put in place regulations regarding transactions in Arcadis securities that apply to all employees unless stipulated otherwise. These regulations also prohibit Executive Board members and (other) members of the Executive Leadership Team from executing transactions in the securities of certain identified listed peer companies, regardless of whether they have inside information or not. Members of the Supervisory Board are required to obtain prior approval from the Compliance Officer if they wish to execute transactions in the securities of such companies.

Financial reporting and role of auditors

Before being presented to the General Meeting for adoption, annual financial statements as prepared by the Executive Board must be examined by an external certified public auditor.

The General Meeting has the authority to appoint the auditor. Each year, the Supervisory Board nominates the auditor for (re-)appointment by the General Meeting, taking into account the advice of the Audit and Risk Committee. The auditor's assignment and remuneration are resolved on by the Supervisory Board, on the recommendation of the Audit and Risk Committee. Prior to publication, the half-year results and reports are discussed with the Audit and Risk Committee in the presence of the external auditors, and subsequently with the Supervisory Board. The (quarterly) results and reports of the first and the third quarter are discussed with the Audit and Risk Committee, in the presence of the external auditors, prior to publication.

The external auditor attends all Audit and Risk Committee meetings and the meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit report of the external auditor is discussed. The Arcadis Auditor Independence Policy contains rules and procedures for the engagement of the external auditor, in order to ensure its independence. The Audit and Risk Committee annually reports to the Supervisory Board on the functioning of the external auditor and the relationship with the external auditor, whilst giving due consideration to the Executive Board's observations. The desirability of rotating the external auditor's lead partner is also evaluated. In 2014, PricewaterhouseCoopers Accountants NV was appointed as the new auditor for the financial year. PricewaterhouseCoopers has been reappointed by the General Meeting every year since then. The lead partner was changed again in 2017 due to retirement.

Arcadis has an internal audit function which operates under the responsibility of the Executive Board, (with lines to the CEO, CFO, and the Audit and Risk Committee). The role of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated in an Internal Audit Charter. In line with the Corporate Governance Code, both the appointment and dismissal of the Head of Internal Audit shall be submitted to the full Supervisory Board for approval, with a recommendation issued by the Audit and Risk Committee. In line with the Corporate Governance Code, the Executive Board, the external auditor and the Audit and Risk Committee are involved in the preparation and approval of the annual internal audit plan. The annual internal audit plan is submitted to the Executive Board and Supervisory Board for approval. Internal Audit Reports are discussed with the Executive Board and with the Audit and Risk Committee in the presence of the external auditor.

Compliance with the principles and best practice provisions of the Corporate Governance Code

Arcadis applies the principles and best practices of the Corporate Governance Code, except for the following and for the reasons set out below:

4.3.3: In 2003, the Articles of Association of the Company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority rather than an absolute majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. As the percentage of share ownership of Lovinklaan is still significant (18% on 31 December 2018, see page 82), the reasons for this deviation are still applicable and the deviation is expected to continue to apply as long as Lovinklaan has a significant ownership.

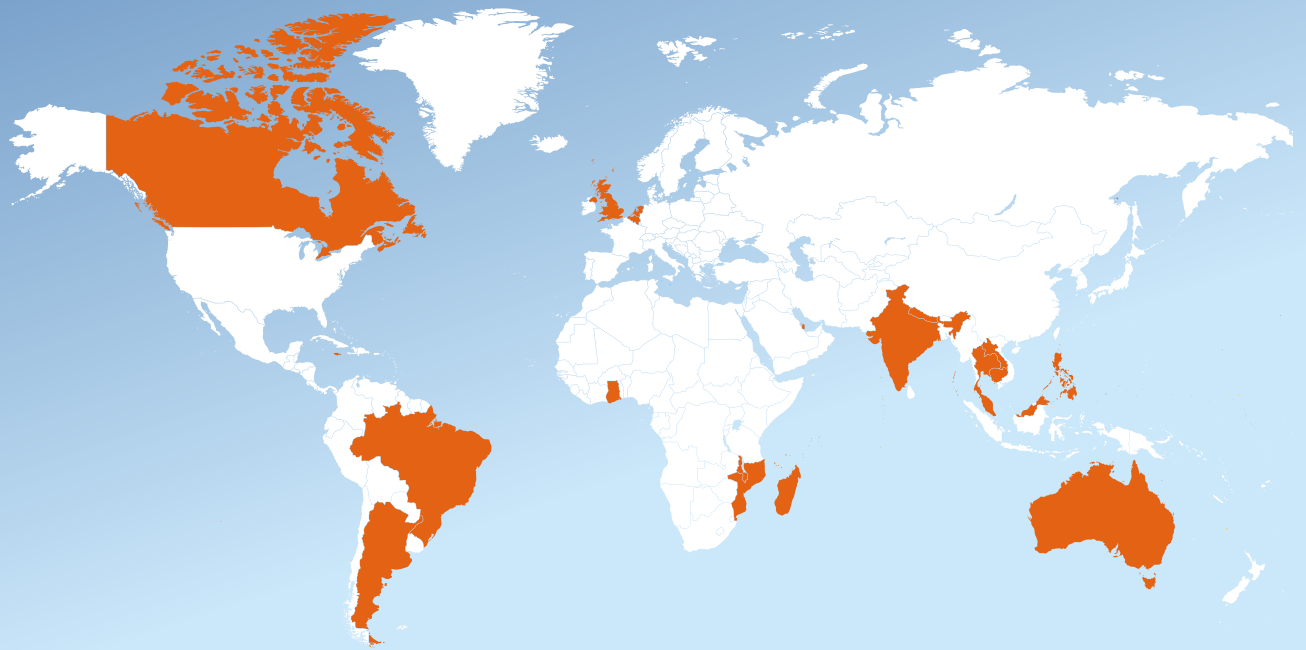
It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association.

Relevant documents on corporate website

- Dutch Corporate Governance Code (version 2016)
- Arcadis NV Articles of Association
- Executive Board and Executive Leadership Team Rules
- Regulation Supervisory Board
- Diversity Policy for the Executive Board and the Executive Leadership Team of Arcadis NV
- Diversity Policy Supervisory Board
- Regulations regarding transactions in Arcadis securities
- Arcadis policy on bilateral contacts with shareholders

www.arcadis.com/governance

The Shelter Program in 2018 active to support UN-Habitat all over the world



In the Shelter program Arcadis supports UN-Habitat since 2010 to provide technical expertise for development projects all over the world. The Shelter program is made possible through funding by Lovinklaan Foundation. In 2018, we supported twelve projects on request of UN-Habitat.

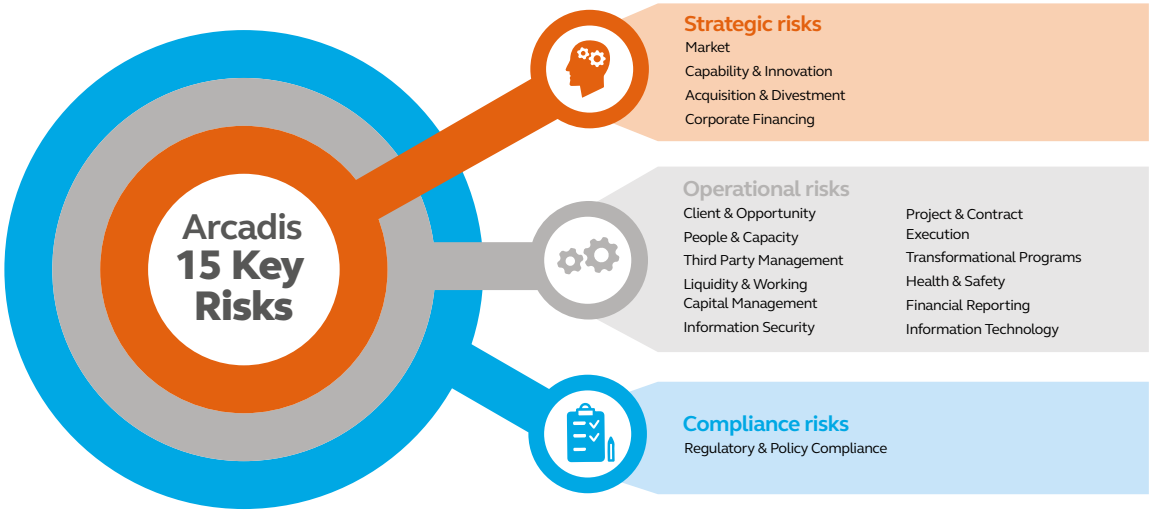
Support was provided for climate change adaptation projects in Madagascar, Comoros, Mozambique and Malawi, in Nepal for several follow up projects for earthquake recovery, in Jamaica advise was provided on flood prevention, in Laos and Cambodia the topic was climate change and environmental development, in the Philippines urban training workshops were held for the national government and for three municipalities, and from our offices we support UN-Habitat to develop a framework of environmental and social standards.

In addition to the missions Arcadis staff took part in Urban Thinkers Campuses, where on the initiative of the UN-Habitat World Urban Campaign governments, NGO's and the private sector share experience on urban issues. In 2018, Arcadis staff were able to participate in urban Thinkers Campuses in Qatar, Australia, India, Belgium, Argentina and Macau. To share experience and involve more Arcadis staff eleven urban workshops were held in Arcadis offices, in 2018 in Malaysia, Thailand, several in The Netherlands and Belgium, in Canada, Philippines and the U.K.

Arcadis organizes an annual Shelter Academy for knowledge transfer in cooperation with UN-Habitat as part of the Shelter program. On recommendation of UN-Habitat officials are invited for a training program in The Netherlands on the topic of Resilient City Development and Climate Change, with lectures by Arcadis experts, visits to municipalities and water boards, and site visits. The Shelter Academy in 2018 included participants from The Philippines, Cambodia, Nepal, Ghana, Malawi, Mozambique, Jamaica and Brazil, with directors of municipal planning departments and three mayors. The participants use the knowledge to implement the goal of UN-Habitat to develop better cities all over the world.

Enterprise Risk Management

Taking and managing risk is part of daily business. Controlled risks can present new opportunities, resulting in value creation. Uncontrolled risks can hinder the achievement of long-term strategic objectives and Arcadis' ability to succeed. Arcadis' risk and control framework helps to balance this risk and reward. It identifies risks and defines controls which mitigate or manage these risks in line with Arcadis' risk appetite.



The Changing Risk Universe

During late 2017, in consultation with internal and external subject matter experts, Arcadis' Executive Board finalized its review of Arcadis' risk universe and its risk and control framework, which included identification and analysis of its risks in light of its new strategy. It focused on the evolving nature of the market and of Arcadis' activities and considered how much risk it could accept in pursuit of its strategic objectives.

As a result of this review, a revised risk and control framework – the Arcadis Risk & Control Framework (the ARC Framework) – was introduced in 2018.

The ARC Framework identifies fifteen global key risks, divided into three risk categories – Strategic, Operational and Compliance. It includes 122 business controls which are supported by documents such as authorization charts and policies, standards, procedures and guidelines, all of which target risk mitigation in accordance with Arcadis' risk appetite.

The ARC Framework is aligned to all three pillars from Arcadis' 2018-2020 strategy: People & Culture, Innovation & Growth and Focus & Performance and as such includes the following key risks: People & Capacity Risk, Capability & Innovation Risk and Project & Client Execution Risk. It is the cornerstone of Arcadis' risk management approach and supports Arcadis in further embedding risk management in the business.

Risks at a glance

Risk Area	Risk	Risk Description	Business Impact	Trend	Risk Appetite
Strategic	**Market**	The risk that market developments have an adverse effect on Arcadis' growth	Not meeting revenue and profitability targets set in business plans	Stable	High
	Capability & Innovation	The risk that the knowledge and technical capability and capacity of Arcadis' employees does not always match prevailing market needs and that Arcadis is not developing or applying new, innovative solutions for the market effectively	Lack of presence in growth sectors of the market and inability to replace obsolete service offerings	Stable	High
	Acquisition & Divestment	The risk that acquisitions do not deliver the intended return on investment or that assets to be divested are not divested in a timely fashion, for the right values	Value destruction, negative impact on profit, deterioration of employee morale	Stable	High
	Corporate Financing	The risk of having inadequate access to capital from external sources	Inability to invest in organic growth or business acquisitions	Stable	High
Operational	**Client & Opportunity**	The risk that too large a proportion of net revenue comes from a small group of clients and/or that an insufficient number of strategic pursuits are converted to profitable wins	Growth in revenue falls short of business objectives or declines	Stable	High
	Project & Contract Execution	The risk of underperformance in the delivery of projects	Shortfalls in project financial results (multipliers/margins, cash collection), dissatisfied clients, and legal claims against Arcadis	Stable	High
	People & Capacity	The risk that the business has insufficient talent to win and deliver client projects and to lead the business to achieve its fullest potential	Ineffective delivery of projects, management of operations and leadership of the business	Stable	High
	Transformational Programs	The risk that major change programs are not delivered effectively or cost efficiently	Impedes the achievement of business objectives including growth, collaboration, and operational efficiency	Stable	High
	Third Party Management	The risk of inadequate performance by third parties (e.g. suppliers, agents, sub-contractors, joint venture partners, equity partners)	Financial performance negatively impacted; disruption to business operations; reputational damage	Stable	High
	Health & Safety	The risk of health and safety incidents which adversely affect Arcadis' people or the business	Harm to employee(s), personal liability, financial loss and reputational damage	Stable	High
	Liquidity & Working Capital Management	The risk that the business has insufficient Free Cash Flow to fund its operations and stay within acceptable debt ratios	Inability to pay liabilities, including suppliers and payroll, on time	Decreasing	High
	Financial Reporting	The risk that the financial statements contain material misstatements	Loss of confidence in the accounts by key external and internal users	Stable	High
	Information Security	The risk that confidentiality, integrity and availability of data is compromised due to cyber-attacks	Loss of critical business information or availability of systems leading to financial losses and/or reputational damage	Increasing	High
	Information Technology	The risk of critical IT systems being unavailable or having restricted availability to the business	Financial loss due to business disruption; inability to support the business with providing its services in an effective and efficient manner	Stable	High
Compliance	**Regulatory & Policy Compliance**	The risk of non-compliance with statutory laws and regulations in applicable jurisdictions in which Arcadis operates or with Arcadis' internal authority schemes and other company standards, policies or guidelines	Fines, claims and reputational damage	Stable	High

Increasing Stable Decreasing Averse Low Medium High

Responsibility for risk management

In addition to creating and maintaining an internal risk and control system, the Executive Board is responsible for ensuring that such a system is integrated and embedded into Arcadis' work processes.

Arcadis' Executive Board is supported in this by the ELT members. In 2018, to strengthen risk oversight at a functional level, each ELT member was given overall responsibility for one or more of the fifteen key risks in the ARC Framework.

The Risk Management function, headed by the Chief Risk Officer (CRO) and supported by a Corporate Risk Management team and Regional Risk Managers, provides guidance and assistance to the Executive Board. This includes active participation in Pursuit Committees and project reviews, carrying out Project Deep Dives, driving risk awareness in the organization and supporting the assessments of the operation and effectiveness of the ARC Framework in the regions (see below 'Arcadis Risk Assurance Program').

The Risk Management Committee, chaired by the Chief Financial Officer (CFO), advises the Executive Board/ELT and other management on strategic, operational and global risk questions in the context of Arcadis' risk appetite. It continually assesses whether Arcadis has identified and mitigated or managed all known and emerging risks and ensures that robust risk management exists across Arcadis. The Chairman nominates the other members of the Risk Management Committee, to include (at least) five members (Senior Business Representative(s) from one or more regions, Arcadis NV General Counsel, Director of Internal Audit and the CRO). Their appointment is confirmed by the Executive Board/ELT.

Risk appetite

The ARC Framework balances risk and opportunity and clearly sets out the Executive Board's appetite for risk. To facilitate the communication of the risk appetite to the business, Key Risk Indicators, based on both qualitative and quantitative metrics, were developed for each of the fifteen key risks.

The Key Risk Indicators are monitored on a periodic basis to provide an early warning as to where exposure to risk may be exceeding appetite. Where exposure is outside of appetite range, existing controls may have more focus placed on them, alternatively the introduction of additional or revised controls may be considered.

Arcadis' risk appetite changes over time reflecting developments in society, the client landscape and changes within Arcadis.

Risk management in action

Arcadis follows a three-line defense model. The operating entities are the first line of defense, embedding risk management as a formal part of all major decision making via tools such as risk registers, project watch lists and client and project Go/No Go assessments.

The Risk Management function is part of the second line of defense along with other enabling functions including Human Resources, Legal, Health & Safety, Finance and Information Security. These functions assist and support the first line of defense with identification and analysis of key risks (including the likely impact and probability of the risks arising), mitigation of risk through the introduction of policies, standards, procedures and guidelines, providing training and awareness, and with the periodic assessment of the design and operating effectiveness of risk mitigating controls. The Risk Management function was strengthened in 2018 with the appointment of a new CRO, reporting directly to the CFO with a dotted line to the Group Executive Project Services. An increased focus on project risk and further enhancing the risk awareness in the organization will be the key focus for the Risk Management function in 2019.

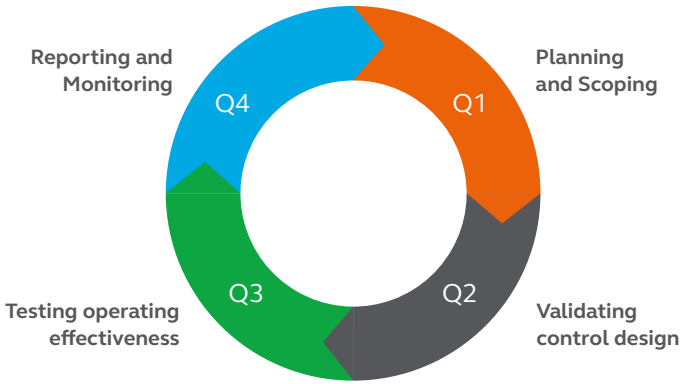
Arcadis' Internal Audit function provides the third line of defense. Its role is explained in more detail on the next page.

Arcadis' Risk Assurance Program

A key part of Arcadis' risk management process is to periodically and systematically assess whether the control measures, as defined in the ARC Framework, are designed and operating effectively across the regions. The Executive Board is responsible for this monitoring. As part of the new ARC Framework, a revised Risk Assurance Program (including revised testing methodology), covering all control measures relating to strategic, operational (which includes financial reporting) and compliance risks, was introduced. This provides for a continuous annual cycle for testing the design and operation of the controls to ensure that the key risks are being effectively mitigated or managed.

The regional management teams for each region are responsible for ensuring that the controls are working within their region. The Regional Risk Manager oversees the Risk Assurance Program in its region and delivers the findings to the regional management team in a report. The report includes an evaluation of the resolution of control issues arising from the prior year and summarizes if any improvements to the design or implementation of the controls are required for the current year. The regional assessments are overseen and co-ordinated by the Corporate Risk Management team. Once completed, each region presents its report to the CRO and Group Controller. The findings are discussed in detail between the Region, the CRO and the Group Controller with the aim of improving the quality of the findings and the associated recommendations. Attention is given to observed weaknesses, instances of misconduct and irregularities, indications from whistle blowers, lessons learned and findings and recommendations from the internal audit department and external audit firm.

Phases of the Risk Assurance Program



If no major failings in the design, implementation or execution of the controls under the ARC Framework are found (i.e. no failings which result in material losses or impact), the conclusion is that the controls were operating effectively throughout the year.

The Risk Assurance Program may identify new and evolving risk causes which require the design of controls to be updated and/or strengthened. These changes will be actioned and communicated by Corporate Risk Management. Where required improvements in the implementation of the controls by the regions or functions are identified, these are captured in a tracker. The tracker is periodically monitored by Corporate Risk Management to ensure that the improvements are being actioned.

Each Regional CEO and the Regional CFO is required to sign-off an annual Letter/Document of Representation (DOR), which is addressed to the Group CEO and CFO. In addition, as from 2018, each ELT member is required to develop and sign off a Functional DOR in respect of the key risk or risks for which they are responsible. They are supported in this by relevant functional leaders and Corporate Risk Management.

Based on the Regional and Functional DORs, Arcadis NV issues a DOR (including an In Control Statement) to the external auditor.

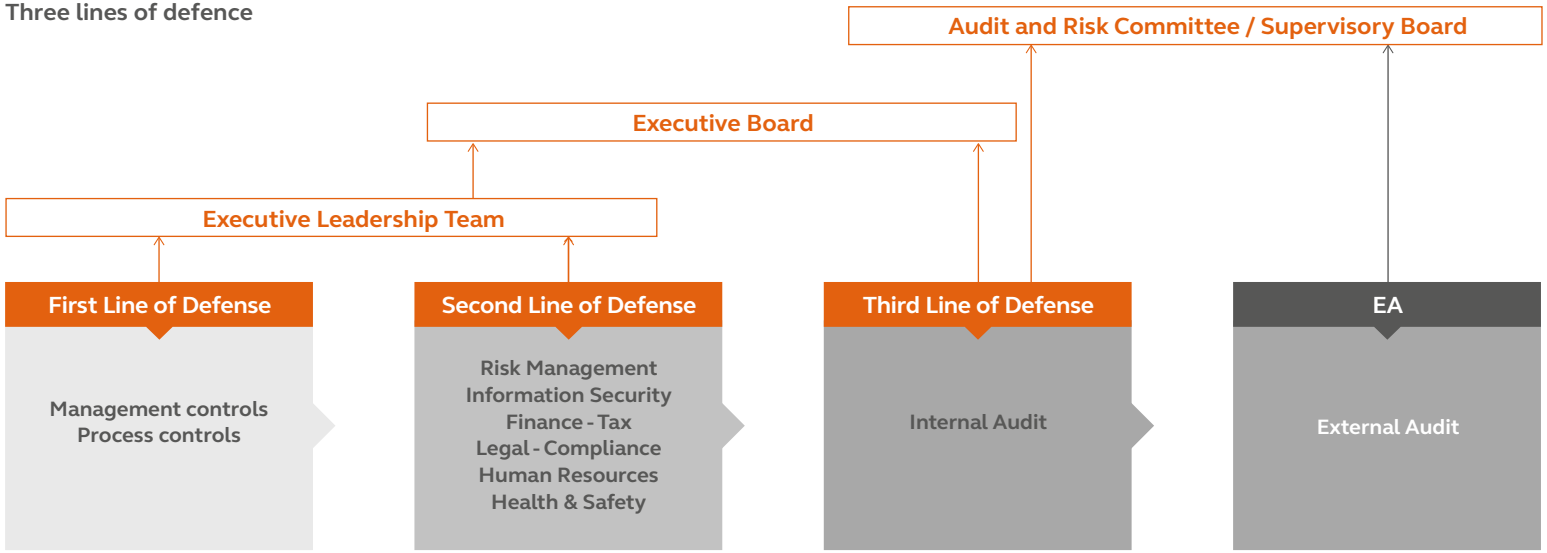
Internal Audit

Arcadis' Internal Audit function acts as the third line of defence and operates under the responsibility of the Executive Board. Its objective is to enhance Arcadis' performance through assurance.

The Head of Internal Audit has direct access to the Executive Board and attends Audit and Risk Committee meetings.

The priorities for Internal Audit are defined in a dialogue with the ELT and the Audit and Risk Committee and are approved by the Executive Board and the Supervisory Board. They are based on the results of an overall risk assessment of Arcadis which focuses on the main risk management and internal control systems. Priorities of the Internal Audit plan are discussed with the external auditor. Ongoing interaction exists between Internal Audit and the external auditor regarding the progress of execution of the plan and main results. The audit plan is reassessed quarterly against changes in the overall risk environment of Arcadis. The audits of Internal Audit are aligned with the second line functions.

Three lines of defence



In 2018, Internal Audit completed its audit plan and conducted 24 audit engagements. It continued to focus its activities on the Arcadis Way, including an assessment of effective embedment of risk management and segregation of duties. In addition, process audits in operating entities and on global themes across regions were undertaken. During 2018, Internal Audit observed that there were some areas of non-compliance and identified opportunities for improvement, however these do not materially impact the finding of the overall effectiveness of the risk and control systems. Main reportable observations involved Arcadis Logos Energia in Brazil (ALEN), where Internal Audit made several recommendations related to ALEN's financial governance, and CallisonRTKL, where observations were made regarding analytical support by Finance towards practice groups. Effective management of these actions have been observed and are considered to be completed.

Observations and recommendations as reported by Internal Audit are submitted to management of the operating entities or global functions including appropriate regional and ELT members and included in the tracker. Regional management is responsible for executing and monitoring the progress of remedial measures put in place to mitigate and manage the reported risks.

The role of the Audit and Risk Committee includes monitoring the progress of management follow up as a result of audits. The Audit and Risk committee receives, on a quarterly basis, the results of audits and activities as performed by Risk Management, Internal Audit and PwC, the external auditor, and the main results and progress on actions are discussed.

Main risks table

Strategic risks

Market risk

Arcadis continues to operate in a competitive market that is exposed to economic cycles, geopolitical shifts, consolidation of competitors and the consolidation of supplier base by clients. In 2018 Arcadis saw protectionism having an increased impact and the acceleration of digital driving new ways of working.

Specific risk-mitigating actions in 2018

1. Communication of the importance of focus and courage in helping the successful delivery of Arcadis' 2018-2020 global strategy, including introducing the top ten Priorities (see page 28).
2. Focus on strengthening relationships with key clients.
3. Re-evaluation of regional portfolios resulting in increased focus on a diverse portfolio of public and private clients in a variety of sectors, and depth of expertise. This included the exit of certain markets and sectors in the Middle East in order to decrease the overall risk profile in that region.
4. Progress the development of the digital agenda including increased company awareness through the roll out of Digital Base Camp.

Risk Appetite: Risk Trend:

Further activities planned for 2019

During 2019 there will be a continued focus on implementing the strategy including (1) digitalization of global solutions to ensure that Arcadis remains competitive with both traditional and non-traditional rivals and improve knowledge and asset management through data analytics (2) focus the portfolio and (3) strengthen key client relationships.

Capability & Innovation

Market needs are rapidly changing. Arcadis is aware that it must innovate based on the changing market demands and not based on its existing capabilities. It is developing the knowledge and the technical capability of its people to match those market needs. The transformation of Arcadis' business model will help it to maintain a sustainable future but this needs to be done quickly and with a comprehensive understanding of what is needed to achieve this transformation, and by when.

Specific risk-mitigating actions in 2018

1. Arcadis partnered with TechStars, a market leading start up accelerator, to bring an 'outside in' approach and help bring the brightest and most innovative ideas to the market.
2. 'Deep Orange', Arcadis' design thinking innovation program which allows Arcadians to co-create with Clients and Partners to create digital solutions to support their business needs, continued to be rolled out in further Arcadis regions.
3. Expedition DNA, on online experience open to all Arcadians, introduced the background to digital at Arcadis and some of the key concepts and themes that underpin it. Over 6,600 Arcadians took part in Expedition DNA in 2018, which highlights a desire on the part of many Arcadians to self-develop and contribute to Arcadis' digital journey.
4. The Vlerick Business School delivered its program, focused on the digital market, to Senior Leaders, providing a more detailed understanding of digital to allow for better decision making and avoidance of pitfalls.
5. The digitalization of cost and commercial management was started in several regions.

Risk Appetite: Risk Trend:

Further activities planned for 2019

During 2019 Arcadis will continue the digitalization of cost and commercial management across the regions. It will also work towards digitalizing more of its global solutions including Design and Engineering and Environmental remediation, as well as digitalizing its consultancy services (e.g. Program Management and Operate & Maintain).

The launch of 'Vision 2030' will position Arcadis with both clients and prospective employees as a consultant and employer of choice. Being an employer of choice will help to retain and attract talent with key digital skills.

Increasing Stable Decreasing Averse Low Medium High

Acquisition & Divestment risk

In 2018, Arcadis' did not undertake any large mergers or acquisitions, but chose to focus on the organic growth of the global organization. It added some small companies to its portfolio, with a focus on digital competencies. Arcadis continued to assess its portfolio and, after looking at strategic alternatives, decided that CRTKL would be operated as a separate division within Arcadis.

Specific risk-mitigating actions in 2018

1. Arcadis continued to cautiously look at smaller investments, applying a diligent process for reviewing targets and assessing added value. Arcadis includes in its review the ability to finance acquisitions and the managerial capabilities required for integration.
2. Arcadis continued to carefully monitor the integration and value creation of past acquisitions with a formal review of past acquisitions after one and three years. It applies lessons learned when integrating subsequent acquisitions.
3. Acquired SEAMS – a company specialized in optimizing asset management through the use of big data – to support the digital strategy and bolster digital and data expertise.
4. In Asia, the country and business line portfolio was rationalized to ensure a more focused effort in Asia and a diversification of the business in areas where Arcadis is strong globally with the aim of returning the Asian business to profitable growth.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

Arcadis will continue to review its portfolio in certain regions which may lead to exiting certain markets and sectors to reduce its overall risk profile. In 2019 Arcadis aims to divest its clean energy assets in Brazil.

Corporate Financing risk

The excess liquidity seen in the debt capital markets in 2017 continued into 2018. This has had a positive effect on Arcadis' ability to access capital from external sources meaning liquidity remains good. On-going discussions with existing and potential lenders are being held to maximize financing flexibility for the group.

Specific risk-mitigating actions in 2018

1. Scenario analyses have been performed involving company management and corporate staff departments to ensure that the company is properly considering financing and leveraging risks with a consistent outlook.
2. In Q4, a process was started to refinance a part of the Arcadis relationship bank debt, in order to extend the maturity to 2024. This has now been concluded.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

Arcadis will actively review the appropriate level of diversification and maturity of the existing debt financing components, commensurate with market conditions and risk appetite.

Operational risks

Client & Opportunity risk

Client buying patterns are changing: clients are looking for integrated thinking to solve complex problems in a sustainable way and are increasingly transferring risk to their supply chain. Reflecting this trend, engagement by contractors and public/private partnerships, whose own clients have procured services on a design and build basis, has gradually increased. This trend and other market forces have resulted in increased exposure to Client & Opportunity risk, however Arcadis' experience and its Go/No Go procedures mitigate and manage such exposure.

Specific risk-mitigating actions in 2018

1. A global sales and business development function was created.
2. The client portfolio was assessed and re-focused to identify the top 250 local, regional and global key clients, ensuring that Arcadis works with clients who have a good business fit and alignment.
3. The client and opportunity Go/No Go process was strengthened which has resulted in a more uniform global approach to client and opportunity selection.
4. As part of the new sales excellence initiative, regional and global tender boards were combined to create 'strategic pursuit committees'. The new Pursuit Committee process creates better focus on pursuits by ensuring that pursuit leaders on strategic and high value opportunities have access to Arcadis' world-class experts, best in class experience and knowledge. By connecting the right people to the right opportunities, the aim is to increase win and capture rates whilst maintaining a high level of scrutiny over risk factors.

Risk Appetite: Risk Trend:

Further activities planned for 2019

All 250 key clients will have a consistent, best-practices approach and level of support applied to achieve sales excellence. The Pursuit Committees will continue to be enhanced and refined in 2019.

The Client Experience process, which was piloted in 2018, will be scaled to the targeted client portfolio.

Project & Contract Execution risk

The risk of underperformance in the delivery of client projects has continued to increase slightly due to the on-going shift towards clients transferring risk into the supply chain. Arcadis' project teams have to be able to respond to changing demands and risk profiles on traditional projects. In addition to the traditional client projects, Arcadis is increasingly involved in client projects with new contract types and alternative delivery methods. Mitigations for risks that have not previously been encountered by Arcadis must now also be considered and implemented, taking into account the relative limits of the knowledge and experience that exists within Arcadis regarding the execution of such contracts.

Specific risk-mitigating actions in 2018

1. Global Digital Contract Review guidance as well as Joint Venture and Patent Guidelines were introduced.
2. As part of the Make Every Project Count (MEPC) initiative, 120 maturity assessments were carried out globally, involving over twelve hundred Arcadians in workshops. The participants committed to action plans to mitigate and manage identified risks and improve project profitability.
3. Project review training sessions were developed and delivered to ensure that project reviews were being executed in a uniform manner globally, highlighting any risks or potential risks and dealing with them in an appropriate and timely manner.
4. As a result of project write-offs in Asia the project review regime has been intensified and some management changes were implemented, with additional attention on operations management.
5. Based on recommendations of Internal Audit, operational and financial controls relating to ALEN have been further strengthened.

Risk Appetite: Risk Trend:

Further activities planned for 2019

As part of the on-going MEPC initiative a system to facilitate early intervention into projects that are performing below expectations will be further rolled out in 2019. Project managers and line managers will receive a monthly report detailing projects which could become loss making. If required, a structured support program is provided.
The project review process will continue to be strengthened. During the tender phase of projects, contingencies will be added for expected operational risks.
Project manager networks will be set up to share lessons learnt across business lines and solutions and to provide coaching and mentoring of junior project managers Training and mentoring of project managers will include digital project management.

Increasing Stable Decreasing Averse Low Medium High

People & Capacity risk

Effective delivery of projects and strong leadership of Arcadis is dependent on attracting and retaining employees with the appropriate competencies. Maintaining sufficient talent with such competencies against the background of changing markets and the 'war for talent' presents a challenge. Providing opportunities for employees to develop new competencies is key to Arcadis' success, particularly as it becomes more digital, client needs change and new competitors come into its space.

Specific risk-mitigating actions in 2018

1. Launched the 'Employee Experience' which focuses on the four key elements which make Arcadis attractive to current and potential employees – Projects, People, Opportunities and Flexibility. The Employee Experience is also the basis for the new Global Career site, where Arcadis will post its vacancies and present the Employee Experience to potential employees.
2. The performance management framework - 'Grow Perform Succeed' – was implemented globally to provide more frequent and meaningful performance conversations, focused on the future, growth and development. This promotes a growth mindset where employees are encouraged to develop their skills to suit the changing market demands.
3. A career framework setting out job families was introduced with the Arcadis Way to allow Arcadians to map where they currently sit in the career framework and what competences and skills they need to work on or obtain to move to where they aspire to be in their career. The job framework is also used for resources planning, so that the right people are assigned to the right projects.
4. The 'People First' pillar of Arcadis' strategy continued to be promoted through the Values & Behaviors by introducing 'The Little Things That Matter' and 'Cultural Take Over Week'.
5. The Digital Academy was further developed and the Client Focus Academy, Program Management Academy as well as the Project Management Academy continued to be used by Arcadians globally.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

In 2019 the focus will be on the further embedding of the Employee Experience and Grow Perform Succeed, as well as the career framework and career paths. Training for line managers to better equip them for their complex tasks, including the people management aspects of their role, will be reviewed. There will be a continued focus on Arcadis' Values and Behaviors and promoting a work environment that is diverse and inclusive.

Transformational Programs

Arcadis recognizes that there are risks related to disruption caused by not delivering major internal change programs effectively. Poor communication or too many initiatives may negate or reduced the intended positive impact of the program, with people becoming confused, disengaged or distracted from their day-to-day activities.

Specific risk-mitigating actions in 2018

1. The ELT introduced the Top 10 Priorities and set up an Enterprise Program Management Office (EMPO). The EMPO focuses on bringing change projects across the globe into a uniformed transformation, aligned with the Top 10 Priorities.
2. Due to enhancements required in billing and invoice creation in the Oracle ERP Cloud system, Arcadis decided to put its people and clients first and delayed the implementation of the system in North America until July 2019.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

The new Oracle platform (Oracle ERP Cloud), supporting the Arcadis Way, will be rolled out in North America. Australia Pacific will also be moved onto the new platform in 2019 and preparations will be undertaken in the UK, China and Middle East for moving to the new platform in 2020. The staged roll out allows the Arcadis Way team to focus on one region at a time and to apply lessons learnt, reducing any potential confusion or distraction.

Third Party Management risk

Inadequate performance by third parties (e.g. suppliers, agents, sub-contractors, joint venture partners, equity partners) can negatively impact financial performance, disrupt business operations and result in reputational damage. Arcadis strives to appoint third parties which are financially stable, and which align with Arcadis' business principles and core values. Client and market awareness of the potential risks of poor third-party management and the impact it could have on projects is increasing, therefore clients are looking in more detail at the measures and controls that Arcadis has in place regarding this risk.

Specific risk-mitigating actions in 2018

1. Arcadis operates a Global Partnering Policy, which in combination with the ARC Framework sets out minimum standards for the review and engagement of third parties and the internal assessment of performance against those standards.
2. Third Party Management risk was included for the first time as one of Arcadis' 15 Key Risks. Each region has been assessed on its compliance and remedial measures put in place where a region or sub-region was found to be non-compliant.
3. Joint Venture pre-contractual guidance was introduced.

Risk Appetite: Risk Trend:

Further activities planned for 2019

The Procurement function will work with Arcadis' implementation partner to develop cloud-based modules covering supplier pre-qualification/due diligence, e-sourcing, supplier self-service portal, contract creation and performance management which will eventually replace legacy systems and create a global standard approach. These will be rolled out to the regions as they move onto the cloud version of the ERP system and bring all regions onto the same third-party management platform. In addition, the Global Purchasing Principles which are a key sub-document beneath the Global Partnering Policy, will be updated to reflect enhanced expectations around the risks related to third-party management. This will guide local Procurement Policies, training and practices.

Health & Safety risk

Arcadis' core business regions and activities have remained substantially the same in 2018 and from that perspective the risk of health and safety incidents occurring has not significantly altered this year. Due to the increased focus on the opportunity Go/No Go process, health and safety concerns on potential projects are being raised at a much earlier stage. This enables the health and safety function to more consistently provide input and for health and safety controls to be fully scoped and priced.

Specific risk-mitigating actions in 2018

1. During 2018, all regions prepared employee well-being programs.
2. Health & Safety has been integrated into the global risk management tracker so that all actions identified during health & safety audits or regional Health & Safety self-assessments are tracked to ensure prompt and adequate follow-up.

Risk Appetite: Risk Trend:

Further activities planned for 2019

The regional well-being programs will be implemented in 2019 with achievement of the planned objectives forming part of the KPIs for each region. In addition, to support more robust leadership engagement in the Health & Safety program, the number and types of engagement activities available to be performed will be expanded substantially in 2019. Finally, the Global Health & Safety team will work to drive more uniform engagement of employees in the Health & Safety program across all Arcadis regions.

Increasing Stable Decreasing Averse Low Medium High

Liquidity and Working Capital Management risk

Insufficient free cash flow could prevent Arcadis from being able to fund its operations. The Total Leverage Ratio is decreasing, with ongoing close monitoring of EBITDA performance and composition of net debt. The corporate guarantees issued by Arcadis NV in relation to the credit facilities provided ALEN could impact the relevant bank covenant ratios if these guarantees were called by the respective lending banks, increasing the Senior Leverage ratio by a maximum of +0.4.

Specific risk-mitigating actions in 2018

1. Regional cash targets were provided on a quarterly, instead of bi-annual, basis. This led to improved cash visibility and further improved Arcadis' liquidity position.
2. Efforts to improve working capital management were extended to ensure that responsibility is taken by the Project Management and Client Relationship communities, as well as regional leadership.
3. More detailed reporting has been performed on overdue receivables with better visibility enabling progress to be tracked and allowing for intervention where necessary.
4. The Group Treasury Policy was reviewed, and an update was approved by the Executive Board/ELT.
5. A sensitivity analysis was prepared to provide insight into the impact on Arcadis as a going concern of material changes in external factors which included business underperformance, the financial impact if ALEN's guarantees were called, slow collection of, or inability to collect, (un)billed receivables and/or an increase in net working capital.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

In addition to the regular project management principles, cost and cash management is one of Arcadis' Top 10 Priorities. There will be more focus on improved cash collection, improving cost management and a better understanding of commercial terms, as well as the technical outcomes of projects. There will be a continued focus on overdue receivables, including reports and analysis from Corporate finance on overdue receivables throughout the business being provided to company management for their consideration. Regions which have not yet leveraged the full benefits from the global working capital management program will be closely monitored and targets will be set for their improvement.

Financial Reporting risk

As a globally operating publicly listed company, Arcadis is required to comply with financial reporting requirements. Material misstatements in reporting could significantly affect Arcadis' reputation and/or its stock market value which in turn may result in shareholder issues. It is critical that all operating entities report to the same standards and deliver the same transparent, high quality of reporting, in line with accounting and reporting principles applicable to Arcadis N.V. (IFRS as adopted by the EU).
Arcadis now reports in line with IFRS 9 and 15 which came into force as of 1 January 2018. Arcadis continues to work towards ensuring compliance with IFRS 16 and IFRIC 23 as of 1 January 2019.
PwC continues as statutory auditor for the majority of Arcadis' operating entities. The Independent Auditor's Report on page 250 reflects the significant financial reporting risks (including ALEN) as identified by the external auditor.

Specific risk-mitigating actions in 2018

1. Dedicated expert working groups and a senior management steering committee met periodically to discuss upcoming and effective changes in accounting and/or reporting standards, laws and regulations and to ensure comprehension and compliance in the global finance community.
2. Reviews were carried out with the external auditor and training and guidance was provided on new accounting standards to regional and local finance teams to ensure compliance and consistency across the Arcadis group.
3. Detailed controls were developed, adopted and embedded in the ERP and risk and control matrices to support financial accounting and reporting processes within Arcadis and provide additional risk assurance in this area.
4. The requirement that financial and management reporting packages are reviewed by business management and signed-off by the relevant Regional CFO, in order to improve quality and timeliness, was strengthened.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

Reporting standards will continue to be monitored and further training on the new standards to be implemented as of 1 January 2019 will be delivered. Standardization of systems through Oracle will continue to reinforce the consistency of reporting processes across the group.

There will be a focus on embedding the detailed financial accounting and reporting controls in the Regions which have gone live on the new Oracle ERP platform, with training being provided, and where necessary staff being recruited, to ensure staff competencies follow the changed accounting and reporting control environment.

Information Security risk

Information Security risk continues to present a threat to day-to-day business activities. The risks are rapidly changing and constantly evolving. This increased risk has resulted in a maturing of the certification landscapes. Clients take a greater interest in how organisations protect their data and will choose to do business with organisations which have the best security ratings.

Specific risk-mitigating actions in 2018

1. An updated Information Security strategy has been developed and presented to the ELT for approval.
2. A cyber threat and risk assessment has been carried out in order to identify the high impact areas for Arcadis. As a result of this assessment an Incident Response Process has been designed to deal with high impact cyber threats.
3. Security awareness training has been implemented globally with completion rates and pass rates monitored. Additional support is provided to regions where pass rates are lower than expected.

Risk Appetite: Risk Trend:

Further activities planned for 2019

Following the updated Information Security Strategy, the scope of the Global Information Security Management system will be determined in alignment with ISO27001 to support Arcadis' digital journey, developments in legislation and security threats and include other specific regional requirements. Specific security solutions will be deployed, and new security management processes will be implemented to reduce exposure to Information Security risks. Security awareness training will be incorporated into the global induction program in 2019 meaning all new starters will have security awareness training upon joining Arcadis.

Information Technology risk

The risk of critical IT systems being unavailable or having restricted availability to the business due to malware, employee error or hardware failure leading to loss of operational functionality and business disruption is a constant threat to Arcadis. Arcadis therefore needs to ensure that its IT systems are developed and improved in line with its digital offering to support its future competitiveness in this growing market and enable it to provide its services in an effective and efficient manner.

Specific risk-mitigating actions in 2018

1. The process of IT control testing was reviewed in line with the roll out of the ARC Framework to make it more efficient and effective.
2. Improvements were made to the connectivity of services.
3. IT infrastructure was centralized, including migration of applications and platforms into the global data centers, in order to reduce exposure in terms of availability and to optimize resources.
4. Tools to interrogate where software is installed, enabling a check to ensure that they have appropriate licensing to be carried out, were deployed.

Risk Appetite: Risk Trend:

Further activities planned for 2019

In 2019, IT will focus on transformation of the function so that it more closely reflects the business requirements and can be more responsive to business needs. In connection with the updated Information Security Strategy, additional security controls will be implemented on the IT infrastructure to increase resilience and reduce exposure to cyber threats.

Increasing Stable Decreasing Averse Low Medium High

Compliance risk

Regulatory & Policy Compliance risk

Arcadis does business in accordance with its General Business Principles, laws and regulations including labor laws, privacy regulations, accounting standards, tax laws, health and safety regulations, as well as governance and periodic filing requirements, applicable in the jurisdictions in which it operates. Management is responsible for raising awareness of, and applying, applicable laws and regulations. Global, Regional and Local policies are developed and implemented to support compliance. All new and existing Arcadis employees undertake training on the Arcadis General Business Principles (AGBP). This training provides legal background as well as guidance on recognizing compliance issues and on raising actual or suspected misconduct or irregularities under the applicable reporting procedures. The training uses business dilemmas to create and test awareness and understanding.

Specific risk-mitigating actions in 2018

1. Refresher training on the AGBP was provided to all Arcadians in the form of an online training. This included a test in the form of dilemmas.
2. Arcadis' Privacy Policies (Binding Corporate Rules) relating to both Employee data and the data of Arcadis' Business Partners, Clients and Suppliers were introduced through a global awareness program and a GDPR online training was rolled out to focused regions and functions. An online toolkit with practical tools is made available to guide employees when processing personal data in their daily work.
3. The global integrity and anti-corruption program in 2018 continued to focus on encouraging management to own integrity. To further support this, integrity sessions with senior leadership teams were carried out in selected regions. A third party due diligence initiative, focused on a more consistent global approach was further developed in 2018 and this will be continued in 2019.
4. Several global policies were updated. These included the AGBP, Issue Handling and Reporting procedures and Specific Anti-Corruption standards, the regulations on transactions in Arcadis securities, and the Public Disclosure policy.

Risk Appetite:  Risk Trend: 

Further activities planned for 2019

The Arcadis Privacy policies will continue to be implemented in the regions. Policies and procedures will be reviewed to ensure alignment with the updated ARC framework and further guidance will be provided to the organization on applicability. See the People & Culture section for additional information about Compliance.

Management statements

As a result of the management testing carried out in 2018, the regions and operating companies issued signed Letters/Documents of Representation and In-Control statements to the Executive Board. The Executive Board/ELT has reviewed the Letters of Representation and In-Control statements, along with reports from Internal Audit and the Board Report from the external auditor. It has assessed the effectiveness of the design and operation of the ARC Framework in 2018 and has discussed this with the Audit and Risk Committee and the Supervisory Board.

During 2018, no major failings (i.e. no failings which resulted in material losses or impact) in the design or implementation of the controls under the ARC Framework were observed. Where a control has not worked as expected (e.g. quality of project reviews in Asia, operational performance of ALEN), areas for improvement were identified.

Based on the information referred to above and its assessment, the Executive Board believes that:

1. The report provides sufficient insights into any failings in the effectiveness of the internal managements and control systems;
2. The aforementioned systems provide a reasonable assurance that the financial reporting does not contain any material inaccuracies;
3. Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
4. The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

In accordance with Article 5:25c of the Financial Markets Supervision Act (Wet op het Financieel Toezicht), the Executive Board confirms, to the best of its knowledge, that:

- the Consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of Arcadis and its consolidated companies;
- the Annual Report gives a true and fair view of the position as at 31 December 2018 and the developments during the financial year of Arcadis and its group companies included in the Consolidated financial statements; and
- the Annual Report describes the main risks Arcadis is facing.

The above statements are given on the basis that the ARC Framework is primary designed to bring Arcadis' risk exposure within its appetite and cannot therefore provide full and complete assurance that all human error, unforeseen circumstances, material misstatements, fraud or non-compliance with laws and regulations will be prevented.

The names and functions of the Executive Board members are mentioned on page 122 under 'Composition of the Executive Board'.

Supervisory Board report

This Supervisory Board report provides the manner in which the duties and responsibilities of the Board were fulfilled in 2018; it describes the functioning of the Supervisory and Executive Board, and its compliance to the New Corporate Governance Code. Additionally, a detailed account is given of the respective Supervisory Board Committees, and the topics under discussion throughout the year.

Report by the Supervisory Board

Arcadis NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, both with responsibilities for the Company and its stakeholders, yet each with its own specific task description. The task of the Executive Board is to manage the Company, and to realize its objectives and strategic goals. The task of the Supervisory Board is to supervise and advise the Executive Board.

This Report by the Supervisory Board sets out the manner in which the Supervisory Board fulfilled its duties and responsibilities in 2018. For details on the organizational structure see the paragraphs in the section on Corporate Governance in this Annual Integrated Report. For the activities of the Executive Board and Executive Leadership Team in 2018 see, amongst others, the CEO message, and also the performance by Segment pages in this Annual Integrated Report.

Focus items 2018

As mentioned last year, the Supervisory Board believes that focus is key to achieving the Company strategy and to creating long-term value. This includes that principal risks related to the strategy of the Company should be addressed. In exercising its task in 2018, the Supervisory Board, in coordination with the Executive Board and the Executive Leadership Team, put special emphasis on the following topics:

Creating a more effective management structure

In March 2018, the Executive Board was reduced in size and the Executive Leadership Team (ELT) was introduced in order to have an optimal governance structure to realize long-term value creation and to create close alignment with the Company's strategy.

The team includes the two Executive Board members, three members that represent the Arcadis P&L segments, and four members representing People & Culture, Project Services, Sales & Business Development and Innovation & Transformation. The CEO chairs both the Executive Board and the Executive Leadership Team.

The Supervisory Board believes that the reduction in size of the Executive Board and the introduction of the Executive Leadership Team in March 2018 was a major step forward in optimizing the leadership structure of the Company. The Executive Leadership Team immediately started working on confirmation of roles, way of working and priorities to realize the strategic targets. In September, the Executive Leadership Team confirmed and communicated the top ten global priorities, whereby it committed that no new priority will be added unless a current one is achieved or is taken of the list for other reasons. The steps in 2019 will be to implement the priorities and to further develop the team to its full potential. The Supervisory Board also supported the introduction mid-November of the Arcadis Leadership Network (ALN), a group of 400+ leaders throughout the organization. The ALN has been shaped to support more effective engagement, knowledge sharing and networking, providing tools to help our leaders communicate and succeed.

OUR ROLE. The Supervisory Board extensively discussed and considered the best set up for and team composition of the top leadership level, first and foremost amongst its members and with the CEO (at that point in time the new CFO had not yet joined the Company) and then also with key individuals concerned. The Executive Leadership Team is a substantially smaller group than the previous Senior Management Committee, yet still diverse and globally representative. The change of management structure was discussed in the shareholders meeting on 24 April 2018.

The Supervisory Board supports the (maximum of) top ten global priorities confirmed by the Executive Leadership Team. Maximizing the number of priorities is in line with our last year's focus item 'pruning the number of initiatives'.

Further developing the digital strategy

Arcadis is currently on a journey of transformation and reinvention of its business, spearheaded by the Arcadis digital team. The Arcadis digital team has defined its approach across three time-horizons (today, tomorrow, day after tomorrow) and four realities (experience, data, ecosystems, platforms). 'Today' we will digitally enable and scale our existing value propositions in areas such as Building Information Modelling (BIM), Geographical Information Systems and Advanced Analytics to create an advantage and lay the foundation for a digital knowledge business. For 'tomorrow', we incubate new ideas and technologies such as artificial intelligence and virtual reality to sustain our competitive advantage. We will bring innovation from the outside-in (e.g. working with clients to design and deliver solutions to their biggest problems) and bottom-up (e.g. investing in our knowledge and insight to identify, assess and support the best ideas). For the 'day after tomorrow' we explore longer term options to evolve Arcadis into a data-led, client-centric, 'living' business model. We will understand what the future holds for our business and the 'living cities' we dwell in. We are calling this long-term view 'vision 2030'. Part of this will see us explore new partnerships to accelerate innovation and bring an outside-in perspective to shape the solutions of the future.

OUR ROLE. The Supervisory Board believes that digitalization is crucial to long-term value creation as well as for the sustainability and longevity of the Company. As such it fully supports all efforts in this area and stresses the importance of progress. Within the Supervisory Board a smaller group of Supervisory Board members has been identified to regularly interact with the Leadership of the digital team. This will continue in 2019. The 2018 visits of the Supervisory Board to Chicago and to Amersfoort included presentations by local teams on (steps in) digital services.

Putting our new strategy into practice and ascertain profitable projects

Client focus, Make Every Project Count (MEPC), digital and people efforts have been (further) developed in 2018 and are being implemented and actioned. Combined with ongoing focus on cash and EBITDA this should result in consistent and timely delivery of our services and positive related financial results including improved working capital and a good cash position. As a result of the MEPC program we see a higher focus on project selectivity and financial performance. Further implementation of the Arcadis Way, our global way of working, will also be a significant contributor, with implementation to be balanced with associated risks. Risk is inherent to doing business and to realization of the Company's strategy. Risk identification in combination with good risk management offers opportunities to further improve performance. Further to the action identified in 2017, to update relevant policies and procedures, 2018 saw additional effort in implementation and updating of the underlying risk and control systems. This will continue in the coming period. To drive improvements and to address concerns around our control systems, a new Chief Risk Officer was appointed per 1 September 2018. A new head of Data Security was appointed per 1 June 2018. Last but not least, people, and the performance of our people as well as living and applying our Core Values are key to realizing our priorities and strategy. The Grow, Perform, Succeed initiative (GPS) will be conducive to our people bringing the best they have and fits with our core value of People First. Client focus, the new leadership structure, as well as MEPC and GPS

will be conducive to our core value Collaboration. Various efforts were undertaken in the areas of integrity and sustainability. In this context we like to mention the annual global Integrity & Anti-Corruption program and the implementation of the Global Privacy Program (which will continue in 2019).

OUR ROLE. The Supervisory Board has consistently supported MEPC, client focus and digital, as well as people and value related efforts, and pushed the focus on people development, succession management and diversity and Integrity, as well as profitability and positive cash generation. It also started applying more formalized risk management supervision in the Audit and Risk Committee and full Supervisory Board in line with the New Dutch Corporate Governance Code.

Further rebuild confidence with our investors. Bring down working capital. Progress strategic review CallisonRTKL

Putting our new strategy into place will result in improved and consistent delivery of results, supported by the ongoing implementation of the Arcadis Way. Where reasonably possible, the Company also needs to avoid one-offs. We do expect that the Company will be able to sell Arcadis Logos Energia (ALEN) in 2019. We spent substantial time on discussing the operationalization of the assets and the further investment requirements. With the adjustments to the Middle East portfolio, Middle East working capital will further decrease, and it will not be allowed to reach previous very high levels. Although every business faces (one-off) risks, for Asia the potential thereof should, going forward, be of a nature and level appropriate to that organization now that management has been changed. The Executive Leadership Team member together with the Asia CEO took a number of management actions and performed a portfolio analysis to confirm the way forward. In Latin America, the economy in Brazil is expected to improve under its new President. The Brazilian organization was downsized in such a way that it the business is very well positioned to pick up on opportunities going forward. Earlier in this Report, on page 11, we already commented on the outcome of the strategic review of CallisonRTKL.

OUR ROLE. In-depth and thorough discussions took place during the year between the Supervisory Board and the Executive Board, in particular on the strategic priorities, the financial performance the strategic review of CallisonRTKL and on ALEN as well as on related risks. We are comfortable with and support action taken by management. Reference is made to the Report of the Audit and Risk Committee for more detail. We also note that, same as indicated last year, both the Supervisory Board and Executive Board are comfortable with current (and further improved) debt ratio levels (2.0 for 2018 against 2.3 in 2017).

Health & Safety

We continue to be a strong promotor of Health & Safety and we fully support the Company's attention to further improving our performance in this regard. In 2018, we saw the trend continue to shift from focus on safety elements to focus on health aspects.

OUR ROLE. As to Health & Safety, all our meetings continue to start with an update on Health & Safety status and/or a Health & Safety moment. By sharing experiences and suggestions the Supervisory Board contributes to further awareness and improvement. H&S performance in 2018 was strong and further improved from 2017, which was already a good year. The Supervisory Board is very pleased with this result. The Supervisory Board urges the organization to not become complacent and continue the journey to 'Track to Zero'. We note that several of our priorities were (also) extensively addressed in the respective Committees of the Supervisory Board. Supervisory Board members that are not a member of a relevant Committee frequently sit in on those other Committee meetings. The respective chairpersons of the Committees always report on their discussions during the full Board meetings.

Supervisory Board meetings. Attendance

In 2018, we had seven meetings of which five were regular scheduled meetings. All our meetings were attended by the members of the Executive Board. Our July, September and December meetings were also attended by the members of the Executive Leadership Team. We also had three 'Supervisory Board-only' meetings, as per our regular schedule.

In our scheduled meetings we addressed the focus items listed earlier in this Report, as well as topics that we address every year, including the financials, performance, governance (including composition of the Supervisory Board and Executive Board and related (re-)nominations, the remuneration of the Supervisory Board, Executive Board and Executive Leadership Team, and more in general the preparation of the annual shareholders meeting), Risk Management, Internal Audit, Legal, Claims and Claim related trends, Integrity, Compliance and the Integrity & Anti-Corruption program, People, IT, developments in the organization, important project wins and M&A/divestment/portfolio (opportunities). During the year we monitor progress against the priorities mentioned earlier in this Report. We also discussed shareholder feedback on company performance with the Executive Leadership Team. As is our custom once three years have lapsed, we did a post-merger analysis on Callison in September 2018. We concluded that the strategic rationale and fit largely remained valid, but that integration took too much management attention and that the assumptions related to in particular the activities of Callison in China were too optimistic. A similar analysis was done on Hyder in February 2019 in the Audit and Risk Committee. Hyder strengthened the infrastructure position of Arcadis, allowing us to bring to clients a full suit of solutions from front-end to detailed Design & Engineering, creating significant synergies in the United Kingdom and Australia Pacific. It also jump-stepped working with Global Excellence Centers. It increased critical mass in the Middle East, but with that also our local exposure. At the time, markets considered the acquisition overpriced but we concluded that the outcome is much more nuanced. We added the additional meeting time in the year in view of the strategic review process of CallisonRTKL and the addition of Greg Steele to the Executive Leadership Team with responsibility for AsiaPacific.

Supervisory Board members were rarely absent from either Supervisory Board meetings or Supervisory Board Committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings was 98.6% (2017: 98.2%), for Supervisory Board-only meetings 100% (2017: 95.2%), for Audit and Risk Committee meetings 93.8% (2017: 100%), for Remuneration Committee meetings 100% (2017: 100%) and for Selection Committee meetings 100% (2017: 100%). As for absence from meetings: Mr. Putnam joined the Board in April 2018 and could not attend the October Audit and Risk Committee meeting because of a schedule conflict. Mr. Ang could not attend one of the extra Supervisory Board meetings because of a schedule conflict.

Next to interaction with the Executive Board, the Executive Leadership Team as well as other regional leadership in the Supervisory Board meetings in the form of presentations in areas of responsibility and discussion, interaction also takes place during social events in offices, dinners and one-on-one discussions with various senior leaders. Throughout the year, the Chairman maintained frequent contact with the CEO, CFO as well as with the General Counsel & Company Secretary. Similarly the Chairpersons of the Supervisory Board Committees were in frequent contact with, as applicable, the CEO, CFO, Chief People Officer, Chief Risk Officer, Head of Internal Audit and General Counsel & Company Secretary or her deputy. As is its custom from time to time and also considering share price developments during the year, the Company's core response team (which deals with how to handle any (hostile) approach) met and liaised, and related materials were updated. This team includes the Supervisory Board Chairman and selected other Supervisory Board members.

Finally, we like to mention that all Supervisory Board members, as well as two Executive Board members and one Executive Leadership team member, are board members of the Priority Foundation. This foundation also has ten Arcadis employees in its Board from across the organization. As a group, these ten employees are joined up in another foundation's board, called the Bellevue Foundation. The board of the Priority Foundation meets at least twice a year to discuss Arcadis affairs.
In 2018 the constitutional documents of the Priority Foundation were adjusted to align its board structure to the new Arcadis management structure. Reference is made to note 24 of the Consolidated financial statements for further information on the Priority Foundation and the Bellevue Foundation.

Functioning of the Supervisory Board, the Executive Board and the Executive Leadership Team

Annually we perform our assessment of the functioning of the Supervisory Board, the Supervisory Board Committees and the individual Supervisory Board members. In 2018, we performed the assessments with two structured questionnaires prepared in co-ordination with the Company. The assessment of the Chairman of the Supervisory Board was led by the Vice-Chairman of the Supervisory Board without the presence of the Chairman.

As mentioned last year, since 2016 the Supervisory Board has confirmed that each of the Supervisory Board members takes responsibility that certain specific attention areas/topics are addressed during the meetings. This helps ascertain that we give the topics the required attention and optimize our respective specific expertise. We re-confirmed the (division of the) responsibilities in February 2019. Since 2016 we also structurally evaluate our Supervisory Board meetings amongst ourselves at the end of every scheduled Supervisory Board meeting. We will continue applying this principle. As from 2019 we will also have Supervisory Board-only prior to all scheduled Supervisory Board meetings.

In our meeting in February 2019 we concluded that the induction program of the Supervisory Board is good (this was a development point from February 2018). In February 2018 we expressed criticism on the timing of and sometimes quality (length) of information provided to the Supervisory Board. In February 2019 we re-emphasized the need for further improvement.

In February 2018 we set personal targets for the CEO. During the year we monitored the performance of the Executive Board and the individual Executive Board members in our Supervisory Board-only meeting(s). In February 2019, once the results for full year 2018 were confirmed, we did an assessment of the Executive Board performance, the two Executive Board members and the performance of the Executive Leadership Team. Following the discussions during the year, and following the assessment, we will be providing feedback. Based on the assessment in February 2019, the Supervisory Board has concluded that the relationship between Executive Board and Supervisory Board is good and constructive, whilst sufficiently critical. This is considered essential to having both Boards functioning properly. For the Executive Leadership Team, the next step is to further develop the team to its full potential.

Composition Executive, Supervisory Board and Executive Leadership Team

As at 31 December 2018, the Supervisory Board consisted of seven members, the Executive Board of two members and the Executive Leadership Team of nine members, including the two Executive Board members. In April 2018, Mr. Putnam was appointed to the Supervisory Board to fill the vacancy left by Mr. Grice who resigned after eight years in the Supervisory Board. Mrs. Kuijlaars was appointed to the Executive Board (and the Executive Leadership Team) to fill the vacancy left by Mr. Vree who resigned after eight years in the Executive Board.
All Executive Leadership Team members were appointed in March 2018 with the exception of Mr. Steele who started as Executive Leadership Team member in July 2018.

For information about diversity targets in our Supervisory Board we refer to the chapter on Corporate Governance in this Annual Integrated Report. For the current composition of the Executive Board, the Executive Leadership Team and information about its members, please refer to pages 122 and 123 of this Annual Integrated Report. For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to pages124 and 125 of this Annual Integrated Report.

Corporate Governance

In the chapter on Corporate Governance in this Annual Integrated Report, the governance structure of the Company is described, and we explain the one deviation from the principles and best practice provisions of the Corporate Governance Code. The Supervisory Board meets the requirements of the Code regarding the independence of its Chairman, of the other Supervisory Board members, and of the Supervisory Board as a whole. The Supervisory Board also complies with the best practice provision that its members do not hold more than five supervisory board positions at certain 'large' (listed) companies or entities. The Executive Board members do not hold more than two supervisory board positions with such companies. During 2018, no material transactions involving conflict of interest occurred for Executive or Supervisory Board members.

Supervisory Board Committee reports

Audit and Risk Committee report

M. Schönfeld (Chairman), N. Hoek, I. Grice (until 24 April 2018), M. Lap, M. Putnam (as from 24 April 2018)

In 2018, the Audit and Risk Committee (AARC) met four times. All meetings of the Committee were attended by the CEO, the CFO, the Group Controller (also in capacity of interim CFO prior to the appointment of Mrs. Kuijlaars as CFO in April 2018), as well as the internal and external auditors.

As is customary, ahead of the February meeting the Committee met with the external auditor and the internal auditor, outside the presence of the Executive Board. In its October session the Committee evaluated the performance, independence and financial literacy of the Committee and its members, with a positive conclusion.

The Chairman of the Committee had regular contact with the CEO and the CFO to discuss focus items like financial performance, business risks and other matters. Similarly, the Chairman of the Committee regularly met with the external auditor and the Head of Internal Audit to address any issues and discuss audit findings. It is customary that the Committee shares its main deliberations and findings in the Supervisory Board meeting following the AARC meeting.

Focus and Performance

Financial performance of the Company was the common thread of the Committee's discussions and activities throughout 2018. Increasing external focus, disciplined project management, client selectivity and the reduction of the number of loss-making projects through the Make Every Project Count initiative were discussed in each meeting. Likewise, the growth of pipeline and backlog and the reduction of working capital as well as cost (including non-operating cost) and cash management were recurring agenda items. How to further strengthen our cash collection, in particular in the Middle East, continued to be high on the agenda.

The single-greatest specific attention item of the AARC in 2018 was the development of the clean energy assets in Brazil (ALEN) including related risk and financial reporting. Thorough discussions were held with the people involved as well as with the external auditor on the status of the development of the assets and the negotiations regarding off-take contract(s). These discussions took place both during each AARC meeting, with follow up in the full Supervisory Board and through interim discussions with AARC/Supervisory Board members.

Since half August 2018, bi-weekly written updates were provided to the full Supervisory Board as well. In Q3 2018, delays in progress, increasing costs and assumed lower contract prices triggered a re-assessment of the business case. After extensive discussions which culminated in the October AARC meeting, the Committee agreed with the need to recognize a value adjustment of in total €53 million.

In each meeting, in the presence of the Head of Internal Audit the past quarter's main internal audit findings and follow-up actions were discussed, progress made against the annual internal audit plan was discussed, and the functioning and effectiveness of the internal audit group was assessed. The meeting discussed the advisory role of Internal Audit in the roll-out of the Arcadis Way program (e.g. facilitating risk workshops in Regions where the program has been rolled out) and provided feedback to further improve the assurance role of the department. The Head of Internal Audit also presented the Committee with the positive outcome of a self-assessment on compliance with the requirements that the Dutch Corporate Governance Code imposes on the Internal Audit function.

Also, in each meeting, in the presence of the Chief Risk Officer, the meeting dedicated time to discuss various Risk Management topics, including the embedding of Risk Management in the Company's operations. Each quarter, the meetings reviewed the global top ten high-risk projects and the Key Risk Indicators. The meeting also discussed the introduction of Strategic Pursuit Committees, replacing the Global Tender Boards. In October 2018, the new Chief Risk Officer presented the Company's updated risk universe, the Arcadis Risk and Control (ARC) framework. The meeting also discussed, and reported to the Supervisory Board on, the improved Arcadis Risk Assurance Program. This program aims to assess the effectiveness of both the design and the operation of the ARC framework by providing a continuous annual cycle of 1) planning and scoping, 2) validating of control design, 3) testing of operating effectiveness and 4) reporting and monitoring. The main findings of this annual assessment cycle are discussed in the AARC and SB meetings in February of each year.

We refer to the section on Enterprise Risk Management, on pages 134 through 148 of this Annual Integrated Report, for further information on the topics mentioned. As an overall conclusion for the year, the meeting agreed in its February 2019 meeting that risk and control systems as such are important, in place and are working. However, and also considering events during 2018, there is a key role for culture, discipline and tone from the top in achieving a well-functioning risk management and control system and that needs further attention.

Throughout the year, the Committee was kept closely informed on the implementation of the Company's Privacy program, also in light of the entry into force of the General Data Protection Regulation in May 2018. Practical implementation of the program as well as awareness raising across the business and cultural embedding of the program were discussed in the presence of the Company's Chief Compliance and Privacy Officer.

In the context of the annual results 2018, the meeting discussed and reconfirmed the Company's dividend policy and recommended the dividend proposal of €0.47 per ordinary share to the Supervisory Board. In April, PricewaterhouseCoopers (PwC), the Company's external auditor, presented its audit plan for 2018, which was discussed and approved. As is customary, during the April meeting the AARC also evaluated the performance of PwC and the effectiveness of the external audit process in 2017 and discussed certain improvement areas (for both PwC and the Company).

During the July Committee meeting, PwC's half-year review report was discussed. PwC's key financial reporting risks for 2018 and its audit findings, both at mid-year and at year-end, were aligned to the focus items identified by the Committee and by the Internal Audit department. They included exposure to the ALEN investment; revenue recognition and valuation of (un)billed receivables; implementation of a new way of working (Arcadis Way) and the related migration of the IT system; and recoverability of the goodwill of the Company and indefinite intangible assets resulting from acquisitions.

Throughout the year, the Committee discussed and assessed with PwC the progress made regarding its key audit findings.

Like every year, the Committee frequently reviewed and discussed the Company's quarterly reports on key legal claims and pending litigation, as well as claims statistics. The Committee also discussed assumptions used for impairment testing. The Committee agreed with the value adjustment of €53 million in Q3 based on a re-assessment of the business case on ALEN, and impairments end of the year of €40 million, mainly reflecting re-assessment of the Middle East

The Chief Compliance & Privacy Officer regularly updated the Committee on (potential) integrity issues and related statistics, as well as on the status of the Integrity and Compliance program 2018.

Also on the agenda were a follow-up presentation by PwC on cybersecurity and how the way data is treated in a company is becoming an important trust component. The meeting discussed how the management of cyber security and privacy risks can be used as an opportunity to positively distinct the Company from its peers. The Company's Chief Information Security Officer presented the meeting with the internal perspective, whereby information and information assets play a central role in particular in the Company's digital strategy.

Remuneration Committee report

R. Markland (Chair), N. Hoek, D. Goodwin, W.G. Ang

In 2018, the Arcadis Remuneration Committee (RemCo) met five times. The Chief Executive Officer, the Chief People Officer and the Chief Financial Officer (CFO) were invited to attend (parts of) the meetings. In the first quarter, the RemCo agreed on the departure terms for Mrs. Hottenhuis and agreed on the remuneration for Mrs. S. Kuijlaars who was nominated to be appointed as new CFO. The appointment of Mrs. S. Kuijlaars was approved by the Annual General Meeting on 24 April 2018.

Furthermore, the RemCo prepared in the first quarter the performance evaluation of the Executive Board members for discussion in the Supervisory Board. Other meeting topics included the granting of bonuses and conditional performances shares to the Executive Board, senior management and other key staff, and the 2018 bonus program for the Executive Board and Executive Leadership Team. The RemCo also determined the ranking of Arcadis among the TSR peer group which determines the vesting percentage. Based on the ranking, the conditional performance shares awarded in May 2015 vested against 0% in 2018. In Q3 and Q4 the RemCo reviewed the Executive Board remuneration policy in line with the agreed principle to review the Executive Board remuneration policy every two years. The review had a limited scope and focused only on the Short- and Long-Term Incentive plans. The outcome of the review and the updated Executive Board remuneration policy will be put forward for resolution in the Annual General Meeting in April 2019.

Selection Committee report

N. Hoek (Chair), R. Markland, D. Goodwin, W.G. Ang

In 2018, the Arcadis Selection Committee (ASC) met three times. The Chief Executive Officer and the Chief People Officer attended (parts of) a number of these meetings. In the first quarter of 2018, the Committee advised the Supervisory Board on the selection and nomination of the new Chief Financial Officer. The committee developed a role profile, taking into account the Arcadis challenges and strategy as well as the Executive Board diversity policy. In the selection process both external and internal candidates were considered. Furthermore, the nomination of Mr. M. M. Putnam as a member of the Supervisory Board, replacing Mr. I. Grice (who was not available for re-appointment), was discussed and agreed taking into account the profile and the diversity policy for the Supervisory Board. With the nomination of Mr. Putnam, the committee aimed to bring extensive and deep industry knowledge to the board.

Relevant documents on our corporate website

1. Profile Supervisory Board
2. Diversity Policy for the Supervisory Board
3. Regulation Supervisory Board
4. Re-appointment schedule Supervisory Board
5. Arcadis Remuneration Committee Charter
6. Arcadis Audit & Risk Committee Charter
7. Arcadis Selection Committee Charter

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

In the third quarter, the committee agreed on the process to be followed for selection and (re- appointment of Executive Board members and the selection of Executive Leadership Team members. In the December meeting the committee discussed and agreed on the nomination of Mr. M. Lap for re-appointment as member of the Supervisory Board which re-appointment will be on the agenda of the AGM in 2019. The succession planning discussion for the Executive Board and the Executive Leadership Team was moved to the agenda of the full Supervisory Board for continuation in the first quarter of 2019.

2018 financial statements, and dividend

The Executive Board has prepared this Annual Integrated Report, including the 2018 financial statements. PricewaterhouseCoopers, the external auditor, has issued its auditor report which can be found starting on page 250 of this Annual Integrated Report.

The members of the Executive Board have issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). All members of the Supervisory Board and Executive Board signed the 2018 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

We recommend that the General Meeting (i) adopts the 2018 Financial Statements, (ii) approve the proposal to distribute a dividend of €0.47 per ordinary share, to be provided in cash or in shares at the option of the shareholder(s), and (iii) discharge the members of the Executive Board for their management of the Company and its affairs during 2018, and the members of the Supervisory Board for their supervision over said management.

Concluding remarks

2018 was a challenging year. We are pleased though, to see that the Company continues to head into the right direction and we are convinced that the strategy for 2018-2020 as presented on 21 November 2017 is the strategy to get the Company to where it can and should be. Further ocus on the three strategic pillars People & Culture, Innovation & Growth and Focus & Performance, and on the Top 10 priorities will drive the realization of the potential of this great Company.
We take the opportunity to reiterate our appreciation for the contributions by former Executive Board members Renier Vree and Stephanie Hottenhuis as well as former Supervisory Board member Ian Grice through their respective departure dates. We also thank the current Executive Board, Executive Leadership Team, managers and all of the Arcadis staff worldwide for their continued drive and great work throughout the year. We look forward to a good 2019.

Amsterdam, the Netherlands, 13 February 2019

On behalf of the Supervisory Board
Niek W. Hoek, Chairman

Remuneration report

The remuneration policy for the Executive Board is determined by the Supervisory Board, based on the advice of the Arcadis Remuneration Committee ('RemCo'), and aims to attract, motivate and retain qualified executives for an international company of Arcadis's size and complexity to deliver our business strategy.

This report outlines the application of the remuneration policy for the Executive Board in 2018 as well as actual performance in 2018 against set performance criteria by means of a market-compliant remuneration policy.

Executive board remuneration policy

In April 2017, the General Meeting of Shareholders ('General Meeting') adopted the revisions to the remuneration policy for the Executive Board as proposed by the Supervisory Board, with effective date 1 January 2017. The revisions made served to ensure continued alignment of the remuneration policy for the Executive Board with relevant market practice.

Remuneration in line with median level of reference groups

The remuneration policy for Executive Board members aims to support the business strategy, enhance the link between pay and performance and align the interests of our Executive Board members with shareholders' interests by stimulating share ownership while adopting the highest standards of good corporate governance.

Remuneration for Executive Board members consists of fixed remuneration, short-term variable remuneration, long-term variable remuneration and other benefits, such as a pension scheme. Variable remuneration is an important part of the total package and is based on annual performance criteria that support long-term value creation.

Arcadis has developed from a multi-local to a leading international company with clear focus to create a sustainable future. In order to align with Arcadis' size (in terms of revenues, average market capitalization, total assets and number of FTE), geographic and industry scope, and labor market competition, the remuneration policy is based on a comparison[1] against two reference groups of sixteen companies each. A clear distinction is made between Dutch headquarter companies with significant international activities on the one hand and global industry peer companies on the other hand. In both groups, Arcadis is positioned around the median in terms of the average of the aforementioned parameters.

[1] The benchmark with these reference groups was executed in 2016 by an external vendor, specialized in executive compensation

Internal pay ratio

32

2017: **31**

Dutch headquarter companies	Global industry peer companies
Aalberts Industries (NL)	AECOM (USA)
AkzoNobel (NL)	Amec Foster Wheeler (UK)
BAM (NL)	Cardo (AUS)
Boskalis (NL)	CBRE (USA)
Brunel (NL)	Hill International (USA)
DSM (NL)	Jacobs Engineering (USA)
Fugro (NL)	Jones Lang LaSalle (USA)
KPN (NL)	Pöyry (FIN)
PostNL (NL)	RPS Group (UK)
SBM Offshore (NL)	SNC Lavalin (CAN)
TKH Group (NL)	Stantec (CAN)
Tom Tom (NL)	Sweco (Sw)
Randstad (NL)	Tetra Tech (USA)
Refresco (NL)	Worley Parsons (AUS)
Vopak (NL)	WS Atkins (UK)
Wolters Kluwer (NL)	WSP Global (CAN)

The remuneration policy aims to align Arcadis with the market median of both reference groups on Total Direct Compensation (the sum of fixed remuneration, short-term variable remuneration and long-term variable remuneration).

Internal pay ratio

When drafting the remuneration policy for the Executive Board, Arcadis takes into account the pay ratio within the organization.

For 2018, Arcadis has a pay ratio of 32, implying that the CEO pay is 32 times the average pay within the organization. The Arcadis internal pay ratio is calculated by dividing the total CEO compensation by the average employee compensation [2,3].

The internal pay ratio of 2018 has slightly increased compared to the pay ratio of 2017, which was 31.

2 Average employee compensation is based on total personnel costs and the average number of full-time employees over two years excluding CEO as disclosed in note 8 of the Consolidated financial statements on page 188 and as stated in the 5-year summary on page 262

3 In light of transparency and clarity, Arcadis applies a methodology to calculate the internal pay ratio that is IFRS-driven (i.e. linked to Arcadis' Notes to the consolidated Financial Statements)

4 Mrs. Hottenhuis resigned from the Executive Board as of 11 March 2018 and left Arcadis on 15 August, 2018

Changes in leadership structure

In 2018, Arcadis decided to change its leadership structure to create stronger alignment with strategic priorities and improve strategy execution which change included the introduction of the Executive Leadership Team. See page 44 for more information on the new leadership structure as well as page 127 in the Corporate Governance section in this Integrated Annual report. The Executive Board changed into a two-member board consisting of Mr. Oosterveer and Mrs. Kuijlaars who succeeded Mr. Vree, who left Arcadis on 1 March 2018. Mrs. Kuijlaars was appointed by the General Meeting on 24 April 2018 for a period of four years with the same remuneration package as Mr. Vree had as former CFO for Arcadis. Mr. Ritter and Mrs. Hopkins resigned from the Executive Board on 11 March 2018 and joined the Executive Leadership Team as of 11 March 2018[4].

Fixed remuneration

In 2018, the fixed compensation for the Executive Board has not changed. The following annual fixed remuneration levels applied to (former) members of the Executive Board (as set by the General Meeting in April 2017):

	Annual fixed remuneration
CEO (P. Oosterveer)	€660,000
CFO[5] (S. Kuijlaars)/former CFO (R. Vree)[6]	€475,000
Member Executive Board (former member S. Hottenhuis)[7]	€440,000
Member Executive Board (former member S. Ritter)[8]	€440,000
Member Executive Board (former member M.A. Hopkins)[9]	US$672,000

5 CFO compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our CFO was employed for a full year

6 Former CFO compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our former CFO was employed for a full year

7 Former EB member compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our former EB member was employed for a full year

8 Former EB member compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our former EB member was employed for a full year

9 Former EB member compensation as disclosed above compared to the consolidated Financial Statements is normalized as if our former EB member was employed for a full year

For 2019 no raises in annual fixed remuneration are foreseen.

Short-term variable remuneration

The short-term variable remuneration ranges from 0% to 85% of the fixed remuneration, with 50% payout when targets are met. The short-term variable remuneration is paid fully in cash in line with the remuneration policy.

Performance criteria

In order to support the Company's strategy, the financially driven criteria determine 75% of the short-term variable remuneration, reflecting the Company's financial priorities, while the non-financial criteria determine 25% of the remuneration.

In %

Criterion	Weight
Financial criteria	**75**
Collective financial criteria:	50
- Earnings per share	25
- Return on invested capital	25
Individual financial criteria[10]:	25
- CEO: organic growth (all operating Segments)	
- CFO: free cash flow	
- Other Members: organic growth (Segment)	
Non-financial criteria	**25**
- Strategy implementation	
- People development	
- Role modeling behavior	
- Health & Safety	
Total	

10 A minimum threshold Arcadis EBITA % was set for payout on the individual targets

The short-term variable remuneration targets are pre-set annually by the Supervisory Board based on the plan and budget for the respective year, and in light of the strategic aspirations. No payout will be made for below threshold performance. All short-term variable remuneration criteria allow for rewarding excellent performance. Short-term variable remuneration will not exceed 85% of the fixed compensation.

In 2018, the threshold performance of a minimum operating EBITA margin required for the payment of the individual financial criteria was achieved.

Over performance year 2018, the bonus percentage is based on the following:

In %

		Short-term variable remuneration as percentage of fixed remuneration in 2018		
Criterion	Weight	Minimum	At target	Maximum
Earnings per share	25	0	12.5	21.25
Return on invested capital	25	0	12.5	21.25
Individual financial target:	25	0	12.5	21.25
- CEO: organic growth (all operating Segments)				
- Other members: organic growth Segments				
- CFO: free cash flow				
Non-financial criteria	25	0	12.5	21.25
Total	**100**	**0**	**50**	**85**

In 2018, the performance of Executive Board members against the targets set for EPS, ROIC, Organic Growth and Free Cash Flow was as follows:

In %

	2018 Performance on financial criteria	
Criterion	Pay-out as % of target	Pay-out as % of fixed remuneration[11]
EPS	0%	0%
ROIC	0%	0%
Organic Growth (Mr. P. Oosterveer)	104%	12.9%
Free Cash Flow (Mrs. S. Kuijlaars)	170%	21.25%
Organic Growth (Mrs. Hopkins)	132%	16.4%
Organic Growth (Mr. Ritter)	90%	11.25%

11 The pay-out % are based on a normalized annual fixed salary. The actual pay out percentage for former board members is based on period January 2018 to 11 March 2018 and for the CFO from May to December 2018

Mrs. Hottenhuis received an on target pay-out, see note 49 of the Company financial statements.

Performance against the non-financial targets was assessed by the Supervisory Board. This was derived from the Company's strategy and focused on success in implementing the three pillars of the strategy, including our People first strategy, role modeling behavior by living our core values and behaviors, and being a Health & Safety steward. The outcomes varied by individual (former) Executive Board member and ranged between 14% and 19% of fixed remuneration.

Taking into account the overall performance, bonuses for the CEO and CFO were respective 31.8% and 35.3% of fixed remuneration. Bonuses for the other two (former) EB members for the period 1 January 2018 to 11 March 2018, when they resigned from the EB vary between 24.7% and 37.0% of fixed remuneration for that period.

Performance against the set financial targets has been verified by our external auditor.

Long-term variable remuneration: performance shares

The long-term variable remuneration aims to align the interests of the members of the Executive Board with long-term shareholder's interests. Therefore, under the remuneration policy, members of the Executive Board receive annually conditional performance shares. The conditional performance shares will vest and become unconditional after three years and are restricted for another two years after vesting. Under the remuneration policy, the size of the award continues to be defined as a percentage of fixed salary, with the actual grant being determined by this percentage of fixed remuneration and the fair value of the shares awarded. As per our Remuneration policy, in 2018 the following long-term variable percentages applied to create a strong alignment with the shareholder's interest:

Chief Executive Officer	110%
Chief Financial Officer	100%

With respect to the long-term variable remuneration under the remuneration policy, in April 2018 the Chief Executive Officer of the Executive Board was granted 87,790 conditional performance shares and the Chief Financial Officer was awarded 63,440 conditional performance shares, including 6,000 conditional shares to compensate for loss of long-term variable remuneration with her previous employer.

Peer group and vesting

The vesting percentage of the performance shares is conditional upon the achievement of performance measured as relative Total Shareholder Return (TSR), which is defined as share price movements including dividends, assuming dividends are reinvested over three years.

The TSR performance of Arcadis is measured against the performance of direct competitors. The current TSR group is as follows:

TSR peer group
Arcadis (NL)
AECOM (USA)
Cardno (AUS)
Hill International (USA)
Jacobs Engineering (USA)
Pöyry (FIN)
RPS Group (UK)
SNC-Lavalin (CAN)
Sweco (Sw)
Tetra Tech (USA)
Stantec (CAN)
Wood Group (UK)
Worley Parsons (AUS)
WSP Global (CAN)

The position of Arcadis within the peer group, after three years, determines the final number of conditional performance shares that vest and becomes unconditional, in accordance with the following table:

TSR performance incentive table

Position	Vesting
1	200%
2	175%
3	150%
4	125%
5	100%
6	75%
7	50%
8	0%
9	0%
10	0%
11	0%
12	0%
13	0%
14	0%
Expecting vesting %	62.5%[12]

12 Expected vesting percentage, assuming each position has an equal chance

Vested shares

Conditional performance shares vested in 2018

In April 2018, the conditional performance shares granted in 2015 vested against 0% due to the performance of Arcadis in the period 2015 – 2017 resulting in the 12th place for Arcadis in the peer group. Please refer to the information in the table on page 246 for more information on shares.

Conditional performance shares to vest in 2019

Over the period 2016 - 2018 Arcadis ended on the 14th place of the peer group. Therefore, the conditional performance shares that were granted in 2016 will vest against 0% . Please refer to the information in the table on page 246 for more information on shares.

Retirement and other benefits, contracts

Retirement benefits

In 2018, all non-US Executive Board members participated in the Arcadis Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 68 years. The contribution from the participants is 6.5% of the pensionable salary (annual base salary minus offset) for the salary part below €105,075 (maximum pensionable salary under Dutch tax legislation). Executive Board members participating in the Arcadis Netherlands pension plan also receive an annual cash allowance in line with market practice in the Netherlands for the salary part above €105,075. Our US board member received €11,000 as pension allowance for the period from 1 January up to and including 11 March 2018.

Other benefits

Executive Board members receive a fixed allowance for expenses, as well as other customary fringe benefits, including the use of a company car. They may also participate in the Employee Stock Purchase Plan (ESPP) to purchase up to a maximum of €400 per month of Arcadis shares from the Lovinklaan Foundation at a discount (see note 9 of the Consolidated financial statements). In line with best practice, the company provides benefits which the Supervisory Board considers appropriate for a global company which needs to attract and retain Executive Board members from different parts of the world.

Management agreements and severance pay

In line with current Dutch legislation, all Executive Board members work for Arcadis NV under a management agreement: Mr. P. Oosterveer (appointed in 2017) and Mrs. S. Kuijlaars (appointed in 2018) have a four-year term and a maximum severance pay of one year's base salary. Management agreements with Executive Board members do not contain provisions on severance payments in case of termination resulting from a change in control.

13 The severance payment that was paid to Mrs. Hottenhuis is in line with the Dutch Corporate Governance Code as well as the terms and conditions of the management agreement between Arcadis NV and Hottenhuis. Mrs. Hottenhuis resigned from the Executive Board on 11 March 2018 and left Arcadis on 15 August 2018. For the severance payment, please refer to note 49 of the Company financial statement on page 243

Mrs. Hottenhuis who left in the course of 2018, also worked for Arcadis NV under a management agreement. She received a contractual severance payment equal to one year's base salary[13].

Other elements of the remuneration policy

The Dutch Corporate Governance Code contains additional best practices regarding executive remuneration. Based on the advice of the RemCo, the Supervisory Board is satisfied that it has complied with these additional best practices in 2018. Before setting proposed targets for Supervisory Board approval, the RemCo carried out scenario analyses of the possible financial outcomes of meeting target levels, as well as maximum performance levels, and how they may affect the level and structure of the total remuneration of the members of the Executive Board.

Remuneration overview

For more information on remuneration and share ownership of Executive Board members, please refer to notes 49 and 50 of the Company financial statements in this report.

Remuneration Supervisory Board

The General Meeting determines the remuneration of Supervisory Board members. The remuneration for Supervisory Board members was lastly adjusted in 2018, based on a benchmark analysis by an external advisor of remuneration at companies that are in the same labor market reference groups as mentioned before for the Executive Board remuneration. The remuneration of the Supervisory Board members is as follow:

In €	Chairman	Member
Yearly fixed remuneration SB	80,000	55,000
Yearly fixed cost compensation SB	3,000	2,000
Membership AARC	12,000	8,000
Membership ASC and RemCo	10,000	7,000

In 2017, the General Meeting approved an attendance fee for all Supervisory Board members of €2,500 for every visit for meetings that takes place outside of the country of domicile of a Supervisory Board member and that does not involve intercontinental travel, or €4,000 for every visit for meetings that involves intercontinental travel. No attendance fee is paid if the meeting takes place in the country of domicile of a Supervisory Board member.

Remuneration of Supervisory Board members is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of Arcadis shares by a Supervisory Board member is meant as a long-term investment.

For more information on remuneration and share ownership of Supervisory Board members, please refer to notes 49 and 51 of the Company financial statements in this report.

Other information

The Company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. The articles of association of Arcadis NV provide current and former Executive Board members and Supervisory Board members with an indemnification for all costs and expenses arising from and against any claim, action or lawsuit related to actions and/or omissions in their function as Executive Board or Supervisory Board members.

On behalf of the Arcadis Remuneration Committee
Ruth Markland, Chair

A new campus in Hong Kong

Client: University of Chicago

Hong Kong
China

University of Chicago's new campus in Hong Kong opened its doors to students in August 2018 and was officially opened by Hong Kong's Chief Executive in November 2018.

Challenge: University of Chicago wanted to open a new campus in Hong Kong.

Solution: Arcadis was initially appointed as the University's Hong Kong local representative and Project Management Consultant, and subsequently provided multi-disciplinary consultancy services including Furniture Fittings and Equipment Coordination and Move Management. Arcadis also managed the engagement of the University's Operator through our Facilities Management Consultancy Services.

Impact: The new campus houses the Booth School of Business' Executive MBA Program and other University non-degree executive education programs, including free seminars on social innovation. The project site is heritage listed and the design of the new campus is anchored by a three-storey new construction building integrated with existing heritage buildings which will be adaptively reused.

Financial statements

Consolidated Income statement

for the year ended 31 December

In € thousands	Note	2018	2017
Gross revenues	6	**3,255,574**	**3,218,889**
Materials, services of third parties and subcontractors		(815,651)	(782,383)
Net revenues[1]	*6*	*2,439,923*	*2,436,506*
Personnel costs	8,9	(1,886,914)	(1,865,613)
Other operational costs	8	(354,686)	(371,252)
Depreciation and amortization	13, 14	(42,600)	(39,586)
Amortization other intangible assets	13	(22,721)	(30,979)
Impairment charges	13	(40,386)	–
Other income	7	5,777	857
Total Operational costs		**(2,341,530)**	**(2,306,573)**
Operating income		**98,393**	**129,933**
Finance income	10	14,059	12,022
Finance expenses	10	(42,090)	(44,229)
Fair value change of derivatives	10	920	6,241
Net finance expense	10	**(27,111)**	**(25,966)**
Expected Credit Loss on shareholder loans and corporate guarantees	15	(53,925)	–
Result from investments accounted for using the equity method	15	(12,692)	(11,619)
Profit before income tax		**4,665**	**92,348**
Income taxes	11	(30,413)	(20,481)
Result for the period		**(25,748)**	**71,867**

Result attributable to:		
Equity holders of the Company (net income)	(26,701)	70,804
Non-controlling interests	953	1,063
Result for the period	**(25,748)**	**71,867**

Earnings per share (in €)			
Basic earnings per share	12	(0.31)	0.82
Diluted earnings per share	12	(0.31)	0.81

1 Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators on page 267 for the definition as used by Arcadis

The notes on pages 174 to 234 are an integral part of these Consolidated financial statements

Consolidated Statement of comprehensive income

for the year ended 31 December

In € thousands	2018	2017
Other comprehensive income, net of income tax		
Result for the period	(25,748)	71,867
Items that may be subsequently reclassified to profit or loss:		
Exchange rate differences for foreign operations	7,256	(87,729)
Exchange rate differences for equity accounted investees	(468)	(3,984)
Effective portion of changes in fair value of cash flow hedges	94	1,760
Items that will not be reclassified to profit or loss:		
Changes related to post-employment benefit obligations	4,858	5,101
Other changes	–	(2,098)
Other comprehensive income, net of income tax	**11,740**	**(86,950)**
Total Comprehensive income for the period	**(14,008)**	**(15,083)**
Total comprehensive income attributable to:		
Equity holders of the Company	(14,882)	(16,098)
Non-controlling interests	874	1,015
Total Comprehensive income for the period	**(14,008)**	**(15,083)**

The notes on pages174 to 234 are an integral part of these Consolidated financial statements

Non-GAAP performance measure

In € thousands	Note	2018	2017
Net income from operations[1]			
Result for the period attributable to equity holders (net income)		(26,701)	70,804
Amortization identifiable intangible assets, net of taxes		17,769	24,473
Goodwill impairment charges, net of taxes	13	40,386	–
Valuation changes of acquisition-related provisions, net of taxes	27	(4,754)	–
M&A costs		1,000	4,035
Expected Credit loss on shareholder loans and corporate guarantees	15	53,925	–
One-off pension cost	26	4,242	–
Lovinklaan employee share purchase plan[2]	9	1,724	1,703
Net income from operations		**87,591**	**101,015**
Net income from operations per share[1] (in €)			
Basic earnings per share	12	1.01	1.18
Diluted earnings per share	12	1.01	1.15

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators on page 267 for the definition as used by Arcadis

2 The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation, and the Company has no influence on this scheme. Accordingly, the Company treats the related share-based expenses as non-operational

Consolidated Balance sheet

as at 31 December

In € thousands	Note	2018	2017
Assets			
Non-current assets			
Intangible assets and goodwill	13	1,054,246	1,074,262
Property, plant & equipment	14	103,578	92,643
Investments accounted for using the equity method	15	7,756	22,807
Other investments	16	637	607
Deferred tax assets	11	36,261	33,310
Pension assets for funded schemes in surplus	26	2,040	1,754
Derivatives	17	1,637	3,892
Other non-current assets	18	26,548	28,921
Total Non-current assets		**1,232,703**	**1,258,196**
Current assets			
Inventories		217	236
Derivatives	17	10,058	6,088
Trade receivables	19	583,740	579,135
Contract assets (unbilled receivables)	20	545,492	565,113
Corporate tax receivables	11	31,095	25,165
Other current assets	22	64,055	79,819
Assets classified as held for sale	21	377	4,417
Cash and cash equivalents	23	240,815	267,942
Total Current assets		**1,475,849**	**1,527,915**
Total Assets		**2,708,552**	**2,786,111**

	Note	2018	2017
Equity and liabilities			
Shareholders' equity			
Total equity attributable to equity holders of the Company	24, 43	**941,920**	**977,886**
Non-controlling interests	25	2,199	2,691
Total Equity		**944,119**	**980,577**
Non-current liabilities			
Provisions for employee benefits	26	45,848	50,896
Provisions for other liabilities and charges	27	21,743	26,699
Deferred tax liabilities	11	66,393	66,909
Loans and borrowings	28	386,061	474,429
Derivatives	17	1,115	1,134
Total Non-current liabilities		**521,160**	**620,067**
Current liabilities			
Contract liabilities (billing in excess of cost)	20	255,581	248,162
Contract liabilities (loss provisions)	20	115,643	114,797
Current portion of provisions	26, 27	14,955	15,031
Corporate tax liabilities	11	35,925	31,753
Current portion of loans and short-term borrowings	28	202,163	214,266
Derivatives	17	9,614	5,418
Bank overdrafts	23	135	1,805
Accounts payable, accrued expenses and other current liabilities	29	609,257	552,971
Liabilities classified as held for sale	21	–	1,264
Total Current liabilities		**1,243,273**	**1,185,467**
Total Liabilities		**1,764,433**	**1,805,534**
Total Equity and liabilities		**2,708,552**	**2,786,111**

The notes on pages 174 to 234 are an integral part of these Consolidated financial statements

Consolidated Statement of changes in equity

In € thousands	Note	Attributable to equity holders of the Company							
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholder' equity	Non-controlling interests	Total equity
Balance at 1 January 2017		**1,721**	**372,560**	**(3,285)**	**2,607**	**625,466**	**999,069**	**2,647**	**1,001,716**
Result for the period		–	–	–	–	70,804	70,804	1,063	71,867
Other comprehensive income:									
Exchange rate differences		–	–	–	(91,665)	–	(91,665)	(48)	(91,713)
Effective portion of changes in fair value of cash flow hedges	17	–	–	1,561	–	–	1,561	–	1,561
Taxes related to effective portion of changes in fair value of cash flow hedges	11	–	–	199	–	–	199	–	199
Remeasurements on post-employment benefit obligations	26	–	–	–	–	6,116	6,116	–	6,116
Taxes related to remeasurements on post-employment benefit obligations	11	–	–	–	–	(1,015)	(1,015)	–	(1,015)
Other changes		–	–	–	–	(2,098)	(2,098)	–	(2,098)
Other comprehensive income, net of income taxes		**–**	**–**	**1,760**	**(91,665)**	**3,003**	**(86,902)**	**(48)**	**(86,950)**
Total comprehensive income for the period		**–**	**–**	**1,760**	**(91,665)**	**73,807**	**(16,098)**	**1,015**	**(15,083)**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	25	–	–	–	–	–	–	–	–
Dividends to shareholders	24	–	(21,002)	–	–	(15,476)	(36,478)	(971)	(37,449)
Issuance of shares	24	27	20,975	–	–	–	21,002	–	21,002
Share-based compensation	9	–	–	–	–	10,838	10,838	–	10,838
Taxes related to share-based compensation	11	–	–	–	–	284	284	–	284
Purchase of own shares	24	–	–	–	–	(8,343)	(8,343)	–	(8,343)
Share options exercised	24	–	–	–	–	7,612	7,612	–	7,612
Total transactions with owners of the Company		**27**	**(27)**	**–**	**–**	**(5,085)**	**(5,085)**	**(971)**	**(6,056)**
Balance at 31 December 2017		**1,748**	**372,533**	**(1,525)**	**(89,058)**	**694,188**	**977,886**	**2,691**	**980,577**
Impact of changes in accounting policies	3	–	–	–	–	(6,664)	(6,664)	–	**(6,664)**
Balance at 1 January 2018		**1,748**	**372,533**	**(1,525)**	**(89,058)**	**687,524**	**971,222**	**2,691**	**973,913**
Result for the period		–	–	–	–	(26,701)	(26,701)	953	(25,748)
Other comprehensive income:									
Exchange rate differences		–	–	–	6,867	–	6,867	(79)	6,788
Effective portion of changes in fair value of cash flow hedges	17	–	–	160	–	–	160	–	160
Taxes related to effective portion of changes in fair value of cash flow hedges	11	–	–	(66)	–	–	(66)	–	(66)
Remeasurements on post-employment benefit obligations	26	–	–	–	–	5,793	5,793	–	5,793
Taxes related to remeasurements on post-employment benefit obligations	11	–	–	–	–	(935)	(935)	–	(935)
Other comprehensive income, net of income taxes		–	–	94	6,867	4,858	11,819	(79)	11,740
Total comprehensive income for the period		–	–	**94**	**6,867**	**(21,843)**	**(14,882)**	**874**	**(14,008)**
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	25	–	–	–	–	–	–	(806)	(806)
Dividends to shareholders	24	–	(26,716)	–	–	(13,693)	(40,409)	(560)	(40,969)
Issuance of shares	24	32	26,684	–	–	–	26,716	–	26,716
Share-based compensation	9	–	–	–	–	6,686	6,686	–	6,686
Taxes related to share-based compensation	11	–	–	–	–	101	101	–	101
Purchase of own shares	24	–	–	–	–	(10,307)	(10,307)	–	(10,307)
Share options exercised	24	–	–	–	–	2,793	2,793	–	2,793
Total transactions with owners of the Company		**32**	**(32)**	**–**	**–**	**(14,420)**	**(14,420)**	**(1,366)**	**(15,786)**
Balance at 31 December 2018		**1,780**	**372,501**	**(1,431)**	**(82,191)**	**651,261**	**941,920**	**2,199**	**944,119**

The notes on page 174 to 234 are an integral part of these Consolidated financial statements

Consolidated Cash flow statement

for the year ended 31 December

In € thousands	Note	2018	2017
Cash flows from operating activities			
Result for the period		(25,748)	71,867
Adjustments for:			
Depreciation and amortization	13, 14	42,600	39,586
Amortization other identifiable intangible assets	13	22,721	30,979
Impairment charges	13	40,386	–
Income taxes	11	30,413	20,481
Net finance expense	10	27,111	25,966
Expected Credit Loss on shareholder loans and corporate guarantees	15	53,925	
Result from Investments accounted for using the equity method	15	12,692	11,619
Adjusted profit for the period (EBITDA)		204,100	200,498
Change in Inventories		18	(43)
Change in Contract assets and liabilities		31,848	4,733
Change in Trade receivables		5,583	(11,203)
Change in Accounts payable		(6,004)	8,595
Change in Net working capital		31,445	2,082
Change in Other receivables		22,111	6,972
Change in Current liabilities		15,617	(4,703)
Change in Other working capital		37,728	2,269
Change in Provisions	26, 27	(9,321)	(14,217)
Share-based compensation	9	6,686	10,838
Sale of activities net of cost (AHFS)		–	(1,756)
Change in operational derivatives		89	(393)
Settlement of operational derivatives		(10)	(152)
Dividend received		–	712
Interest received		15,927	9,888
Interest paid		(37,732)	(33,771)
Corporate tax paid		(34,739)	(24,867)
Net cash from operating activities	(A)	**214,173**	**151,131**

In € thousands	Note	2018	2017
Cash flows from investing activities			
Investments in (in)tangible assets	13, 14	(68,764)	(59,324)
Proceeds from sale of (in)tangible assets		3,640	5,865
Investments in consolidated companies		(9,964)	(5,141)
Proceeds from sale of consolidated companies		37	5,273
Investments in/loans to associates and joint ventures	15	(31,848)	(23,998)
Proceeds from (sale of) associates and joint ventures	15	1,923	9,464
Investments in other non-current assets and other investments	16, 18	(2,640)	(4,869)
Proceeds from (sale of) other non-current assets and other investments	16, 18	5,999	6,553
Net cash (used in)/from investing activities	(B)	**(101,617)**	**(66,177)**
Cash flows from financing activities			
Proceeds from exercise of options	24	2,793	7,612
Proceeds from issuance of shares	24	–	–
Purchase of own shares	24	(10,307)	(8,343)
Settlement of financing derivatives	17	3,264	(139)
New long-term loans and borrowings	28	110	266
Repayment of long-term loans and borrowings	28	(3,084)	(454)
New short-term borrowings	28	230,000	200,000
Repayment of short-term borrowings	28	(347,345)	(213,513)
Dividends paid		(14,290)	(17,263)
Net cash (used in)/from financing activities	(C)	**(138,859)**	**(31,834)**
Net change in Cash and cash equivalents less Bank overdrafts	(A+B+C)	**(26,303)**	**53,120**
Exchange rate differences		846	(46,150)
Cash and cash equivalents less Bank overdrafts at 1 January		266,137	259,167
Cash and cash equivalents less Bank overdrafts at 31 December		**240,680**	**266,137**

The notes on pages 174 to 234 are an integral part of these Consolidated financial statements

Notes to the Consolidated financial statements

1 General information

Arcadis NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located at:

Gustav Mahlerplein 97-103
1082 MS Amsterdam
The Netherlands

Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company') is the leading global Design & Consultancy firm for natural and built assets. Applying deep market sector insights and collective design, consultancy, engineering, project and management services, the Company works in partnership with clients to deliver exceptional and sustainable outcomes throughout the lifecycle of their natural and built assets.

In accordance with Articles 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries and investments accounted for using the equity method is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

2 Basis of preparation

Statement of compliance

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in conformity with Part 9 of Book 2 of the Dutch Civil Code. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 13 February 2019. The Consolidated financial statements as presented in this Annual Integrated Report are subject to adoption by the General Meeting of Shareholders, to be held on 25 April 2019.

Basis of measurement

The Consolidated financial statements have been prepared on historical cost basis, except for the following items, which are measured at a different basis on each reporting date:

- derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- net defined benefit (asset)/liability, which is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- contingent consideration assumed in a business combination, which is measured at fair value; and
- financial assets at fair value through profit or loss, which are measured at fair value.

For more detailed information on the measurement basis reference is made to the significant accounting policies as included in the relevant notes to the Consolidated financial statements.

Basis of consolidation

The Consolidated financial statements include the accounts of Arcadis NV and its subsidiaries, and the Company's interests in jointly controlled entities and associates.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Comparative figures

No material events occurred that resulted in an amendment of the comparative figures due to changes in accounting policies or errors. IFRS 9 and IFRS 15 are applied modified retrospectively, with no restatement of the 2017 closing balance but adjustments to the 2018 opening balance (see note 3).

Foreign currencies

Functional and reporting currency

The Consolidated financial statements are presented in euros, which is the Company's functional and reporting currency. All amounts shown in the financial statements are in thousands of euros unless otherwise stated. Items included in the financial information of each of Arcadis' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). If the functional currency of a (foreign) subsidiary, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognized as translation differences in Other comprehensive income, and presented in the Translation reserve in equity.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of entities using the foreign exchange rate at transaction date. The functional currency of the foreign entities is in general the local currency. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at the balance sheet date.

Exchange rate differences are included in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including Goodwill and fair value adjustments arising on acquisitions, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date.

Foreign currency differences are recognized in Other comprehensive income, and presented in the Translation reserve in Equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the Non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the Translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Accounting estimates and management judgements

The preparation of the Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. This includes:

- Trade receivables - see note 19;
- Taxation - see note 11;
- (Goodwill) impairment testing – see note 13;
- Investments accounted for using equity method and related (off balance sheet) guarantees – see note 15;
- Contract assets (unbilled receivables) and contract liabilities (billing in excess of cost) – see note 20;
- Provisions – see notes 26 and 27; and
- Capital and financial risk management – see note 30.

The key accounting estimates and judgements in preparing the Consolidated financial statements are further explained in the relevant notes to the Consolidated financial statements. In general, the judgements, estimates and assumptions are based on market-information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Impairment

The carrying amounts of the assets of Arcadis, other than Contract assets and liabilities, Deferred tax assets and Financial instruments, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the assets recoverable amount is estimated. Goodwill and other assets that have an indefinite useful life are tested annually for impairment, and when an impairment trigger is identified.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present values using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized with regard to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial instruments

Non-derivative financial assets

Financial assets include trade receivables, other receivables and loans and borrowings. Loans, receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

From 1 January 2018, all financial instruments are initially measured at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs. The Group classifies its financial assets as those to be measured subsequently at fair value (either through Other comprehensive income or through profit or loss) or those to be measured at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition, based on the business model for managing the assets and the contractual terms of the cash flows, and assesses the designation at each reporting date.

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported as a net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Cash flow statement

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated into euros using average exchange rates, approximating the foreign exchange rate at transaction date. Exchange rate differences on cash items are shown separately in the Cash flow statement. Receipts and payments with respect to income tax and interest are included in the Cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in Cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the Cash flow statement in the same category as those of the hedged item.

Recent accounting developments

On 1 January 2018 several new standards, amendments to standards and interpretations became effective for annual periods beginning on or after 1 January 2018. The impact of changes in accounting policies on the opening balance of the Company is disclosed in note 3. For the impact of new standards not yet effective reference is made in the next table.

Standard	IFRS 16 - Leases
Implementation date	1 January 2019, with early adoption permitted
Endorsed by the EU	Yes
Impact	IFRS 16 replaces the existing guidance in IAS 17 'Leases' and significantly changes how Arcadis, as lessee, accounts for its operating lease contracts from 1 January 2019. The operating leases, related to buildings, lease cars and other (IT) assets, will be recognized on the balance sheet as a right to use the asset and a financial liability will be recognized for the future rental payment obligation. Currently the operating leases are presented off-balance sheet (see note 31). Lease arrangements with a term shorter than one year or related to an asset of low value (< €5,000) will be exempted from recognition. In 2018, Arcadis implemented accounting software to make the lease calculations, determined the incremental borrowing rates to be used at 1 January 2019, and collected the relevant data points from all the lease contracts. The Company is currently in the final stage to validate all lease data and expects the following impact: • Assets and liabilities of the Group increase with the net present value of future lease payments, in the range of €290 to €330 million for 2019. See note 31 for the undiscounted lease commitments as at 31 December 2018 • Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) increases as the rental lease payments will be presented as depreciation and net finance expense rather than operational cost, in the range of €70 to €85 million for 2019 (EBITA €8 to €11 million for 2019) • Operating cash flows increase and investing and financing cash flows decrease as the lease payments will no longer be considered as operational, in the range of €64 to €70 million for 2019 • No current tax impact, as the deferred tax asset and liability related to the right of use asset and liability will be recognized for the same amount • No significant impact of the activities of Arcadis as a lessor, as these are not material Arcadis has elected to apply the 'modified retrospective approach', and as such the right-of-use assets will be recognized at the transition date as an amount equal to the respective lease liability, using the incremental borrowing rate. The company will not restate comparative amounts for the year prior to first adoption. For comparison purposes Arcadis will disclose in its trading updates during 2019 comparative figures based on IAS17. IFRS 16 impacts the bank covenants; the Interest Coverage ratio is already lease-adjusted and for the leverage ratio a consent request to the lenders of the Company will be prepared in the first half of 2019 to adjust the ratio for the impact of IFRS 16. In the credit facilities refinanced in January 2019 (see note 33) this has already been catered for as IFRS 16 is deemed to be inapplicable and the definition of financial indebtedness explicitly excludes operating leases.

Standard	IFRIC 23 - Uncertainty over Income Tax Treatments
Implementation date	1 January 2019, with early adoption permitted
Endorsed by the EU	Yes
Impact	IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation will be implemented by Arcadis from 1 January 2019 to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. When Arcadis considers it probable that tax authorities accept a tax treatment it will be treated as such in the income tax filings. When it is not considered probable that a particular tax treatment is accepted, Arcadis uses the most likely amount or the expected value of the tax treatment. Arcadis substantially completed its impact assessment. Based on the existing uncertain tax positions at 31 December 2018 the Company expects no material impact of applying the interpretation. The cumulative effect of initially applying the interpretation, if any, will be recognized in Shareholder's equity of 1 January 2019, without adjusting comparative figures.

3 Changes in accounting policies

As from 1 January 2018, IFRS 9 and IFRS 15 were adopted without restating comparative information. The impact of the new standards is recognized in the opening balance sheet of 1 January 2018.

The table below summarizes the adjustments recognized for each individual account. Accounts that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by IFRS standard below.

In € thousands	31 Dec 2017	Impact IFRS 9	Impact IFRS 15	1 Jan 2018
Non-current assets				
Investments accounted for using the equity method	22,807	(885)	–	21,922
Deferred tax assets	33,310	548[1]	82	33,940
Current assets				
Trade receivables	579,135	(1,080)	–	578,055
Contract assets (unbilled receivables)	565,113	(179)	(309)	564,625
Current liabiltiies				
Accounts payable, accrued expenses and other current liabilities	552,971	4,841	–	557,812
Shareholders' equity				
Total equity attributable to equity holders of the Company	977,886	(6,437)	(227)	971,222

[1] The impact reported in the Interim Financial Statements 2018 has been revised (with €1.2 million) for changes in the assessment of tax deductibility of the Expected Credit Loss on the corporate guarantees

IFRS 9 - impact of adoption

On 1 January 2018 (the date of initial application of IFRS 9), the Company assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of this no reclassifications needed to be recognized. In addition, the Company concluded that there is no impact on the Company's hedge accounting policy.

The opening balance is only impacted by the Expected Credit Losses (ECL), for which a simplified approach has been used based on a lifetime expected loss allowance for Trade receivables (individually non-impaired items) and Contract assets and liabilities. For the Net investment in ALEN and related corporate guarantees a Probability of Default (PD) of 5.75% has been applied as at 1 January 2018, resulting in a €0.9 million opening balance adjustment in the Investments accounted for using the equity method and €4.8 million opening balance in Other current liabilities.

Arcadis applied the clarification in IAS 28.14A, although not endorsed yet. The Expected Credit Loss model is applied to loans that form part of the Net investment, before recognizing its share of losses from application of the equity method on these loans.

To measure the Expected Credit Losses, the positions have been grouped based on the shared credit risk characteristics and days past due. As Contract assets and liablities have substantially the same risk characteristics as Trade receivables, the Company concluded that the loss rates for Trade receivables are a reasonable approximation of the loss rates for Contract assets and liabilities. All Loss Given Defaults have been determined at 100%.

In summary, the loss allowance for Trade receivables and Contract assets and liabilities as at 1 January 2018 was determined as follows:

In € thousands	Current	More than 30 days past due	More than 90 days past due	More than 120 days past due
Expected loss rate[1]	0.15%	0.10%	0.23%	0.59%
Gross carrying amount	397,721	63,769	13,825	96,472
Expected Credit Loss	592	65	32	569

[1] Weighted average loss rate for the Group. Loss rates (in a range of 0.1% -2.0%) have been applied to individual positions

For changes in Expected Credit Losses during 2018 see notes 15, 19 and 20.

IFRS 15 - impact of adoption

Following an impact analysis performed, and which was finalized during 2018, the Company concluded that the impact of IFRS 15 is limited. The analysis led to the following insights on the five step model framework in the standard:

Step 1 - Identify the contract with the customer

Arcadis had stringent requirements in its accounting policies on the existence of agreements with customers before contract assets and related revenues are recognized, and which are in line with IFRS 15. When considering whether a contract (either in writing or verbal) is approved and the customer is committed to its obligation, contractual terms and conditions, experience with the customer and local laws and regulations are taken into account.

Step 2 - Identify the performance obligations in the contract

Arcadis manages its project at the level of significant components within a contract, or in more detail. The way of working under IAS 11 and IAS 18 facilitated the application of IFRS 15. Only for a limited number of contracts the Company concluded that multiple instead of single performance obligations needed to be recognized under IFRS 15, resulting in an opening balance adjustment of €0.3 million on Contract assets in the Americas segment.

Where Arcadis acted (for individual performance obligations) as a principal under the previous standards it concluded that it still acts as a principal under IFRS 15.

Step 3 - Determine the transaction price

Arcadis had stringent thresholds for components in its accounting policies that are in line with the IFRS 15 criteria on variable considerations (e.g. bonuses and incentives) and scope changes (e.g. variation orders). The implementation of IFRS 15 therefore did not result in an opening balance adjustment following changes in the determination of the transaction price of work in progress at 31 December 2017.

Step 4 - Allocate the transaction price to the performance obligations in the contracts

Arcadis generally allocates the transaction price to separate performance obligations using the expected costs plus a margin, which may include management estimate and judgment. The application of IFRS 15 has not resulted in an opening balance adjustment specifically relating to this step in the model.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation

Inherent to the type of business, Arcadis' customers generally benefit over time from customer specific services. From consultancy and program, project and cost management services the customer directly benefits. For design and engineering work the customer either controls the asset as it is created or enhanced, or it does not have an alternative use to Arcadis but standard terms and conditions in contracts secure the Company's right to payment for performance completed to date. The identified revenue that qualified for recognition at a point in time is limited, see note 6.

Following the requirements of the standard, additional disclosures have been added to the internal reporting for external disclosure purposes. See note 6 for these disclosures. The new standard did not result in amended internal disclosures to management, other than what is disclosed in the Segment reporting note (see note 4).

4 Segment reporting

An operating segment is a component of the Company that engages in business activities that can result in revenue and expenses, including revenues and expenses related to transactions with other components of the same Company.

The operating segment reporting follows the internal reporting used by the Executive Board of the Company, to manage the business, assess the performance based on the available financial information and to allocate the resources. The most important performance measure is EBITA (earnings before interest, tax, amortization of identifiable intangible assets, and impairment charges) as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. However, the Executive Board also receives information about the segment's revenue and assets.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The information used by management to monitor progress, and for decision-making about operational matters, is at operating segment level. The Company has a global network based on home market positions, and operates in a local-to-local market, which enables it to maintain the relationships with clients and to understand the local market conditions. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment. This does not apply to CallisonRTKL, which has been identified as a separate operating and reportable segment, due to the nature of its services and being active in a global market.

Following IFRS 8, the Company has the following segments as at 31 December 2018:

Operating segment	Reportable segment
Americas	Americas (Americas)
Europe & Middle East	Europe & Middle East (EME)
Asia Pacific	Asia Pacific (APAC)
CallisonRTKL	CallisonRTKL

Geographical information

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

	Net revenues by origin		(In)tangible assets	
In € millions	**2018**	2017	**2018**	2017
Americas	904	907	471	457
Europe & Middle East	1,160	1,144	497	520
Asia Pacific	376	386	190	190
Total	**2,440**	**2,437**	**1,158**	**1,167**

Major customers

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

In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	**Total segments**	Corporate and unallocated amounts	**Total consolidated**
2018								
Timing of revenue recognition:								
At a point in time	*36.6*	*260.6*	*0.2*	*8.1*	–	*305.5*	–	*305.5*
Over time	*1,149.9*	*1,131.8*	*375.1*	*293.3*	–	*2,950.1*	–	*2,950.1*
External Gross revenues	**1,186.5**	**1,392.4**	**375.3**	**301.4**	–	**3,255.6**	–	**3,255.6**
Inter-segment	2.6	9.5	4.6	4.7	(21.4)	–	–	–
Total Gross revenues	**1,189.1**	**1,401.9**	**379.9**	**306.1**	(21.4)	**3,255.6**	–	**3,255.6**
Materials, services of third parties and subcontractors	(433.7)	(268.6)	(48.5)	(86.3)	21.4	(815.7)	–	(815.7)
Net revenues[1]	*755.4*	*1,133.3*	*331.4*	*219.8*	–	*2,439.9*		*2,439.9*
Operating costs	(690.2)	(1.048.2)	(299.5)	(195.2)	–	(2,233.1)	(8.5)	(2,241.6)
Other income	0.1	3.0	2.6	0.1	–	5.8	–	5.8
Depreciation and amortization	(9.7)	(13.4)	(8.6)	(6.4)	–	(38.1)	(4.5)	(42.6)
EBITA[1]	**55.6**	**74.7**	**25.9**	**18.3**	–	**174.5**	**(13.0)**	**161.5**
Amortization other intangible assets	(1.5)	(12.1)	(6.2)	(3.2)	–	(23.0)	0.3	(22.7)
Goodwill impairment charges	(6.5)	(33.9)	–	–	–	(40.4)	–	(40.4)
Operating income	**47.6**	**28.7**	**19.7**	**15.1**	–	**111.1**	**(12.7)**	**98.4**
Net finance expense	(17.4)	(0.0)	(2.0)	0.1	–	(19.3)	(7.8)	(27.1)
Expected Credit Loss on shareholder loans and corporate guarantees[2]	–	–	–	–	–	–	(53.9)	(53.9)
Result from investments accounted for using the equity method[2]	–	0.6	–	–	–	0.6	(13.3)	(12.7)
Segment profit before income tax	**30.2**	**29.3**	**17.7**	**15.2**	–	**92.4**	**(87.7)**	**4.7**
Income taxes	(1.6)	(19.2)	(9.3)	(6.0)	–	(36.1)	5.7	(30.4)
Result for the period	**28.6**	**10.1**	**8.4**	**9.2**	–	**56.3**	**(82.0)**	**(25.7)**
Non-controlling interests	–	(1.0)	–	–	–	(1.0)	–	(1.0)
Net income	**28.6**	**9.1**	**8.4**	**9.2**	–	**55.3**	**(82.0)**	**(26.7)**
Operating EBITA[1]	**58.7**	**83.5**	**27.1**	**20.4**	–	**189.7**	**(12,5)**	**177.2**
Net income from operations[1]	**89.3**	**52.8**	**13.8**	**12.8**	–	**168.7**	**(81.1)**	**87.6**
Total assets	**807.4**	**1,068.1**	**468.5**	**280.6**	–	**2,624.6**	**84.0**	**2,708.6**
Investments accounted for using the equity method[2]	0.1	6.4	–	1.3	–	7.8	–	7.8
Other financial assets	16.9	8.6	0.4	2.7	–	28.6	0.1	28.7
Total liabilities	**491.2**	**360.4**	**128.2**	**109.4**	–	**1,089.2**	**675.2**	**1,764.4**
Total capital expenditures	**13.9**	**11.9**	**15.3**	**8.0**	–	**49.1**	**19.6**	**68.7**
Total number of employees[3]	**6,981**	**12,213**	**5,249**	**1,676**	–	**26,119**	**209**	**26,328**

1 Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators on page 267 to 269 for the definition as used by Arcadis
2 In 2018 the net investment in ALEN has been transferred to Corporate, see note 15, and is internally reported as a separate segment
3 As at 31 December, excluding temporary staff

In € millions unless otherwise stated	Americas	EME	APAC	CallisonRTKL	Eliminations	**Total segments**	Corporate and unallocated amounts	**Total Consolidated**
2017[1]								
External Gross revenues	1,166.5	1,343.3	389.0	320.1	–	3,218.9	–	3,218.9
Inter-segment	3.5	12.9	5.1	6.9	(28.4)	–	–	–
Total Gross revenues	**1,170.0**	**1,356.2**	**394.1**	**327.0**	**(28.4)**	**3,218.9**	**–**	**3,218.9**
Materials, services of third parties and subcontractors	(421.6)	(249.7)	(44.7)	(94.8)	28.4	(782.4)	–	(782.4)
Net revenues[2]	*748.4*	*1,106.5*	*349.4*	*232.2*	–	*2,436.5*	–	*2,436.5*
Operating costs	(701.3)	(1,020.1)	(313.1)	(204.8)	–	(2,239.3)	2.4	(2,236.9)
Other income	0.1	(0.1)	0.7	0.1	–	0.8	0.1	0.9
Depreciation and amortization	(11.2)	(11.6)	(7.9)	(6.6)	–	(37.3)	(2.3)	(39.6)
EBITA[2]	36.0	74.7	29.1	20.9	–	160.7	0.2	160.9
Amortization other intangible assets	(1.5)	(15.8)	(10.3)	(3.4)	–	(31.0)	–	(31.0)
Impairment charges	–	–	–	–	–	–	–	–
Operating income	34.5	58.9	18.8	17.5	–	129.7	0.2	129.9
Net finance expense	(23.8)	2.0	(0.7)	(0.2)	–	(22.7)	(3.3)	(26.0)
Result from investments accounted for using the equity method	(12.3)	0.8	–	(0.1)	–	(11.6)	–	(11.6)
Segment profit before income tax	(1.6)	61.7	18.1	17.2	–	95.4	(3.1)	92.3
Income taxes	6.5	(13.0)	(11.3)	(3.9)	–	(21.7)	1.3	(20.4)
Result for the period	**4.9**	**48.7**	**6.8**	**13.3**	**–**	**73.7**	**(1.8)**	**71.9**
Non-controlling interests	–	(1.1)	–	–	–	(1.1)	–	(1.1)
Net income	**4.9**	**47.6**	**6.8**	**13.3**	**–**	**72.6**	**(1.8)**	**70.8**
Operating EBITA[2]	**47.2**	**84.5**	**29.7**	**23.8**	**–**	**185.2**	**1.2**	**186.4**
Net income from operations[2]	**6.6**	**63.5**	**13.2**	**17.9**	**–**	**101.2**	**(0.2)**	**101.0**
Total assets	**796.9**	**1,161.7**	**469.7**	**287.1**	**–**	**2,715.4**	**70.7**	**2,786.1**
Investments accounted for using the equity method	15.6	6.0	–	1.2	–	22.8	–	22.8
Other financial assets	21.8	8.0	0.7	2.7	–	33.2	–	33.2
Total liabilities	**531.0**	**493.7**	**180.2**	**112.0**	**–**	**1,316.9**	**488.6**	**1,805.5**
Total capital expenditures	**11.7**	**15.9**	**15.4**	**3.3**	**–**	**46.3**	**13.0**	**59.3**
Total number of employees[3]	**6,616**	**12,090**	**5,612**	**1,642**	**–**	**25,960**	**202**	**26.162**

1 Excluding the impact of changes in accounting policies, see note 3
2 Non-GAAP performance measure. Reference is made to the Glossary Financial & Non-Financial indicators on pages 267 to 269 for the definition as used by Arcadis
3 As at 31 December, excluding temporary staff

5 Consolidated interests and business combinations

Subsidiaries
Subsidiaries are all companies over which the Company has control. Control over an entity exists when the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

Loss of control
Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any profit or loss arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Business combinations
Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Company.

IFRS 3 establishes the following principles in relation to the recognition and measurement of items arising in a business combination:

- Recognition principle: Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree are recognized separately from goodwill. Acquired intangible assets must be recognized and measured at fair value in accordance with the principles if it is separable or arises from other contractual rights, irrespective of whether the acquiree had recognized the asset prior to the business combination occurring.
- Measurement principle: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date fair value. This, for example, means that for contingent liabilities arising in a business combination the requirements of IAS 37 do not apply; contingent liabilities are measured at fair value.

Goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

Contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

The nature of business of the Arcadis subsidiaries listed on the next page is similar, except for CallisonRTKL (as described in note 4). They provide comprehensive knowledge-based consultancy, design, engineering and management services in the expertise areas of infrastructure, water, environment and buildings.

Arcadis NV indirectly holds 100% of the ordinary shares of all these subsidiaries, but does not hold direct interests itself as a result of the intermediate holding structure within the Group. All subsidiaries are included in the financial consolidation. The proportion of the voting rights held directly by the parent company does not substantially differ from the proportion of ordinary shares held.

At 31 December 2018, the total non-controlling interest amounted to €2.2 million (2017: €2.7 million), and is as such not material for the Group.

The main consolidated companies as at 31 December 2018 are listed below:

Name of subsidiary	Country of incorporation
Americas	
Arcadis US, Inc.	United States of America
Arcadis Logos S.A.	Brazil
Europe & Middle East	
Arcadis Consulting Middle East Ltd.	United Kingdom
Arcadis LLP	United Kingdom
Arcadis Consulting (UK) Limited	United Kingdom
Arcadis Nederland BV	Netherlands
Arcadis Deutschland GmbH	Germany
Arcadis France S.A.S.	France
Arcadis Belgium NV	Belgium
Asia Pacific	
Arcadis Asia Ltd.	Hong Kong
Arcadis Australia Pacific Holdings Pty Ltd.	Australia
CallisonRTKL	
CallisonRTKL, Inc.	United States of America

Changes in consolidated interests

2018

On 2 January 2018, Arcadis acquired all shares in SEAMS, a UK based software and analytics firm. Together with SEAMS, Arcadis will be able to provide clients with a unique blend of technical and asset knowledge combined with advanced analytics.

The total consideration for the business combination amounted to £11.4 million (€12.8 million), of which £7.9 million (€8.9 million) was paid on completion and £3.5 million (€3.9 million) is recognized as deferred consideration. This includes a £1.2 million (€1.4 million) contractual after-payment and a £2.3 million (€2.5 million) earn-out. In addition an employment linked consideration has been agreed with a maximum of £4.2 million (€4.6 million) to be paid in the next two years. The net identifiable assets acquired amounted to £3.8 million (€4.3 million) and goodwill to £7.6 million (€8.6 million). The acquisition accounting has been completed in 2018.

On 27 July 2018, Arcadis acquired all shares in IBUe GmbH, a people engineering consultancy for environment and energy. With this acquisition Arcadis strenghtened its position as a partner in the field of transmission networks in Germany. The total consideration for the business combination amounted to €0.6 million.

The provisional net identifiable assets acquired amounted to €0.1 million and the goodwill to €0.5 million. Due to the limited size of IBUe, no material Purchase Price Allocation (PPA) adjustments are expected in 2019.

The acquisition accounting for E2 ManageTech, acquired by Arcadis in July 2017, has been completed in the first half of 2018 without any measurement-period adjustments. The acquisition was not material for the Group.

There are no other material changes in consolidated interests in 2018 and thus no further disclosures are provided in this note. For Assets classified as held for sale see note 21.

2017

On 26 July 2017, Arcadis acquired all shares in E2 ManageTech for a total consideration of US$15.3 million, including a contractual after-payment of US$0.5 million and a maximum earn-out of US$6.0 million (based on the financial performance of the company).

On 31 August 2017, Arcadis sold its interest in the Czech Infrastructure business. This resulted in a loss of €1.9 million, which is recognized as part of Other income of 2017. Furthermore, in 2017 Arcadis processed the sale of its interest in Brunei, including Utamacon Sdn Bhd, JBPUSdn Bhd and partnership Arcadis Brunei.

Deferred consideration

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

In € thousands	Initial recognition	Discount effect/Interest	**2018 Total**	2017 Total
Balance at 1 January	**6,844**	**1,117**	**7,961**	**4,074**
Acquisitions	3,900	–	3,900	5,251
Interest accrual	–	506	506	319
Releases	(1,266)	–	(1,266)	–
Payments and redemptions	(2,025)	(376)	(2,401)	(1,111)
Exchange rate differences	37	(113)	(76)	(572)
Balance at 31 December	**7,490**	**1,134**	**8,624**	**7,961**

An amount of €5.2 million (2017: €6.5 million) of deferred consideration is reported as other long-term debt under 'Loans and borrowings' (see note 28). An amount of €3.4 million (2017: €1.5 million) is due within one year and reported as 'Other current liabilities' (see note 29).

At 31 December 2018, the deferred consideration relating to acquisitions prior to 2018 amount to €4.5 million, and relates to E2 Manage Tech (2017) and Estudos Téchnicos e Projectos ETEP Ltda (2012).

The release of after payments of €1.3 million is recognized in 'Other income' (see note 7).

6 Revenue

Revenue is recognized by the Group following the five step model in IFRS 15, consisting of
1) identification of the contract
2) identification of the performance obligations in the contract
3) determination of the transaction price
4) allocation of the transaction price to performance obligations in the contract, and
5) recognition of revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties (e.g. VAT). It includes initial amounts agreed in the contract plus any variations in contract work and variable consideration, to the extent that it is highly probably that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

The Group recognizes revenue when it transfers control over a product or service to a customer. For performance obligations that are transferred over time, revenues and costs are recognized in profit or loss in proportion to the percentage of completion of the transaction at reporting date. The percentage of completion is measured by actual (labor) costs incurred in relation to total estimated (labor) costs (input method). In the Group's view this best reflects the value delivered to the customer in a business that mainly uses human and intellectual capital (of its employees) for completion of the performance obligations towards the customer.

For performance obligations that are transferred at a point in time, revenues and costs are recognized in profit or loss when the customer receives the ability to direct the use of the asset and substantially obtains all the benefits of it.

In the comparative period, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer, the outcome of the transaction could be measured reliably, when it was probable that the economic benefits associated with the transaction would be collected, and the stage of completed could be measured. The stage of completion was also measured by actual costs incurred in relation to total estimated costs.

Contract costs
Contract costs include the costs to fulfil a contract, such as direct labor, costs of materials, services of third parties and subcontractors, and costs that are explicitly chargeable to the customer under the contract. They are recognized as an asset in Contract assets and liabilities, if they are expected to be recovered.

Costs to obtain a contract are only recognized as an asset in Contract assets and liabilities if they are incremental and expected to be recovered. They are recognized on a systemic basis consistent with the recognition of costs to fulfill a contract.

Loss provisions
Estimates of project management are used to assess the progress and estimated outcome of a performance obligation. When it becomes probable that the total expected costs to complete all performance obligations in a contract exceed the total transaction price (consideration) of these performance obligations, a loss provision is recognized for the lower of the unavoidable costs and the costs of termination.

Loss provisions are separately disclosed as a Contract liability following the implementation of IFRS 15, whereas in previous periods these were part of the Work in progress balance.

Financing component
Arcadis generally does not have any significant contracts where the period between the transfer of the promised goods or services to customer and the payment by the customer, as contractually agreed, exceeds one year. If applicable, the transaction prices is adjusted for the time value of money.

Payments of customers after the agreed payment term are covered by the accounting policy on Trade receivables, see note 19.

Agent versus principal

For each performance obligation the Group assesses whether the nature of Arcadis' commitment is to provide the goods and/or services itself, or to arrange for those good(s) and/or service(s) to be provided by another party. Arcadis assesses whether it controls the specified good(s) and/or service(s) before it is transferred to the customer.

Arcadis is typically a principal in case of subcontracted work, as Arcadis is primarily responsible for fulfilling the promise to provide the specified good(s) and/or service(s) and bears primary responsibility for it meeting customer specifications, and has discretion in establishing the price towards the customer.

When Arcadis acts as an agent, only the fee/commission is recognized on a net basis in Gross revenues.

Gross versus net revenues

Gross revenues consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Group. Net revenue is a non-GAAP performance measure, which represents revenue generated by own staff. It is a sub-total calculated as Gross revenue minus Materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractors.

Disaggregation of revenues

Gross revenues arise from the following major categories:

In € thousands	2018	2017
Revenues from services	2,564,058	2,589,003
Construction contract revenue	686,333	629,886
Revenue from licenses	5,183	–[1]
Total revenues	**3,255,574**	**3,218,889**

[1] Not measured and reported in 2017 as separate category as it was immaterial

Revenues from services rendered represent fee income receivable in respect of services provided during the period. Construction contracts include the rendering of services, which are directly related to the construction of assets, contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets. Revenues from licenses represent fee income receivable in respect of allowing customers using Arcadis' software, and mainly relate to Europe & Middle East.

In addition to the operating segments, the Executive Board also monitors certain financial information based on four areas of expertise. The revenues for each of these areas are as follows:

In € millions	2018	2017
	Gross revenue	Gross revenue
Infrastructure	739	773
Water	406	415
Environment	838	821
Buildings	1,273	1,210
Total	**3,256**	**3,219**

For revenue by reporting segment and geography see note 4.

Timing of revenue recognition

The timing of revenue recognition in 2018 was as follows:

In € millions	2018
At a point in time	306
Over time	2,950
Total revenues	**3,256**

Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

In € thousands	2018
Other non-current assets	1,523
Trade receivables	583,740
Contract assets (unbilled receivables)	545,492
Other current assets	52
Contract liabilities (billing in excess of costs)	(255,582)
Contract liabilities (loss provisions)	(115,643)
Other current liabilities	-
Total	**759,582**

The Other non-current assets relate to long-term retentions. The Expected Credit Loss allowance following the adoption of IFRS 9 is included in the Contract assets (unbilled receivables) balance, see note 20.

Contract costs

The Contract assets balance includes an amount of €0.4 million for incremental costs to obtain a contract. The practical expedient of paragraph 94 of IFRS 15, stating that those costs can be expensed when incurred if the amortization period is one year or less, is not applied.

Transaction price remaining performance obligations

The table below includes revenue expected to be recognized in the future related to performance obligations that are (partially) unsatisfied at the reporting date. The practical expedient of paragraph 121 of IFRS 15 is applied, and the table therefore does not disclose information about remaining performance obligations that have original expected durations of one year or less. The amounts therefore differ from the contracted backlog.

In € thousands	2019	2020	2021	After 2021	Total
Expected revenue from (partially) unsatisfied performance obligations with original expected duration of > 1 year	1,084,356	336,899	96,257	292,310	**1,809,822**

7 Other income

Other income includes results that arise from events or transactions that are clearly distinct from the ordinary activities of the Company. Gains or losses on the sale of assets are recognized as part of Other income.

In € thousands	2018	2017
Book gain/(loss) on sale of assets	1,297	2,094
Results from investments	(384)	118
Release of after-payments	1,266	–
Other	3,598	(1,355)
Total Other income	**5,777**	**857**

The book gain/(loss) on the sale of assets includes, amongst others, the gain on the sale of a building in Germany, which was classified as Asset held for sale at 31 December 2017. The result from investments includes the fair value loss recognized on Other investments (see note 16). The release of after-payments relates to an australian acquisition made before 2017.

In 2018, the category 'Other' included €0.5 million of government grants (2017: €0.2 million) and several individually non-significant results of, amongst others, insurance refunds and indirect tax claims.

8 Operational costs

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

In € thousands	2018	2017
Salaries and wages	1,454,052	1,431,516
Social charges	156,937	152,989
Pension and early retirement charges	68,312	71,171
Other personnel costs (including temporary labor)	207,613	209,937
Total Personnel costs	**1,886,914**	**1,865,613**

In € thousands	2018	2017
Occupancy	103,127	110,567
Travel	59,772	54,556
Office related	88,424	98,337
Audit and consultancy services	36,541	34,604
Insurances	17,315	20,197
Marketing and advertising	7,587	6,668
Other	41,920	46,323
Total Other operational costs	**354,686**	**371,252**

Share-based payment charges in scope of IFRS 2 are recognized in Salaries and wages. The average number of contract employees in 2018 was 26,419 (2017: 26,075).

In 2018, 'Other' includes amongst others the impact of changes in provisions for trade receivables of €10.2 million (expense), restructuring provision of €8.4 million (expense) and litigation provisions of €5.9 million (income) (see note 27).

9 Share-based compensation

The Company operates share-based incentive plans. The fair value of share-based compensations at grant date under the Arcadis long-term incentive plan is recognized as an employee expense, with a corresponding increase in equity, over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the actual number of awards meeting these vesting conditions.

The fair value of the granted shares is measured using a Monte Carlo simulation model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

As the fair value is amortized over the vesting period, the costs are recognized in the Income Statement. The amortization costs are adjusted for effects of cancelled and forfeited grants. The vesting and exercise of rights to acquire shares may be conditional to performance conditions and other conditions, as set by the Supervisory Board.

Long-term incentive plans

To stimulate the realization of long-term Company goals and objectives, Arcadis NV uses Long-Term Incentive Plans (LTIPs). The outstanding options and conditional performance shares at 31 December 2018 relate to the LTIPs from 2005, 2010 and 2014.

Since 2014, securities under the LTIPs are solely granted in the form of Restricted Share Units (RSUs) and represent an equal number of ordinary shares, subject to meeting the applicable vesting conditions. The RSUs will be converted into ordinary shares on the vesting date, and are delivered as soon as practical thereafter.

Arcadis NV 2005 and 2010 Long-Term Incentive Plans

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

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

Arcadis NV 2014 Long-Term Incentive Plan

In 2014, the Supervisory Board approved the continuation of the Arcadis NV 2010 Long-Term Incentive Plan in the form of the Arcadis NV 2014 Long-Term Incentive Plan (2014 LTIP). The revised Plan was approved by the General Meeting of Shareholders in May 2014.

The 2014 LTIP provides for a maximum of 10,000,000 shares or options to be allocated during a five-year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of the Company.

Options and shares granted are conditional in nature and depend on, amongst others, attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as stock price appreciation plus dividend yield.

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

Each year, a three-year cycle begins, whereby achievements are measured at the end of the vesting date against a peer group of companies of comparable size and breadth. Arcadis' position in the peer group determines whether the options and RSUs granted earlier become unconditional. See the 'Remuneration Report' for more information.

The following table shows the indexation on measured performance applicable to the number of RSUs at date of vesting under the 2014 LTIP that may become unconditional at the end of each three-year period depending on Arcadis' relative position in comparison to the peer group, and subject to continued employment.

In %	RSUs that vest for management	RSUs that vest for senior executives
Position against peer group		
First	200	150
Second	175	125
Third	150	125
Fourth	125	100
Fifth	100	100
Sixth	75	75
Seventh	50	50
Eighth	–	50
Ninth	–	50
Tenth	–	25
Eleventh	–	25
Twelfth to fourteenth	–	–

To prevent dilution, (a portion of) the shares required to meet the obligations from exercising LTIPs can be purchased by the Company (instead of issuing new shares), with due consideration to the Company's balance sheet, in particular available freely distributable reserves and available cash. Alternatively, shares may be issued, whereby it is intended to limit this to 1% of the number of issued shares.

Outstanding options

The number and weighted average exercise price of the share options under the 2005 and 2010 Arcadis LTIPs are as follows:

	Number of options	Weighted average exercise price (in €)
Balance at 1 January 2017	**3,666,567**	**16.16**
Increase/(decrease) by performance measure	–	–
Exercised	(561,984)	13.81
Expired	(403,409)	20.32
Cancelled	(194,312)	15.98
Balance at 31 December 2017	**2,506,862**	**16.03**
Increase/(decrease) by performance measure	–	–
Exercised	(190,170)	13.74
Expired	(68,621)	19.12
Cancelled	(72,241)	16.79
Balance at 31 December 2018	**2,175,830**	**16.09**

The weighted average share price at exercise date in 2018 was €18.08 (2017: €17.89).

The number of outstanding options at 31 December 2018 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2018	Exercised in 2018	Expired in 2018	Cancelled in 2018	Outstanding 31 December 2018
2007	€20.23	6,300	–	(6,300)	–	–
2008	€13.77	51,251	(46,250)	(5,001)	–	–
2009	€12.06	321,082	(41,260)	(950)	(3,680)	275,192
2010	€14.33	205,968	(14,696)	(125)	–	191,147
2010	€16.84	21,500	(5,000)	–	–	16,500
2011	€16.18	270,729	(13,956)	–	(1,900)	254,873
2011	€16.48	79,957	–	(3,400)	(21,893)	54,664
2011	€14.06	210,200	(5,100)	(6,100)	(2,000)	197,000
2012	€14.72	355,085	(32,419)		(16,000)	306,666
2012	€15.74	433,463	(31,489)	(2,268)	(8,749)	390,957
2013	€20.96	541,327	–	(44,477)	(18,019)	478,831
2013	€18.26	10,000	–	–	–	10,000
Total		**2,506,862**	**(190,170)**	**(68,621)**	**(72,241)**	**2,175,830**

The weighted average exercise price of the share options exercisable at 31 December 2018 is €16.09 (2017: €16.03).

Outstanding Restricted Share Unit (RSUs)

In 2018, the following number of RSUs have been granted under the 2014 LTIP:

	Number of RSUs	Grant date	Vesting date	Share price at grant date	Average fair value at grant date[1]
Annual grant	697,522	26 April 2018	ex-dividend date 2021	€15.75	€11.85
Additional grants	5,615	July and September 2018	ex-dividend date 2021	€15.19[2]	€17.40

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

The fair value was determined using a Monte Carlo simulation model, which takes into account the market conditions expected to impact Arcadis' TSR performance in relation to the peer group, and the assumptions used for the largest series of RSUs granted were:

	2018	2017
Expected dividend yield (in %)	2.94	2.64
Risk-free interest rate (in %)	0.02	(0.05)
Expected volatility (in %)	41.26	32.95
Expected life of RSUs (in years)	3	3

The expected volatility (for the 2018 grant) is calculated based on the share price movements of the 36 months prior to grant date. The annual charge to profit or loss is adjusted for estimated forfeitures, if any, and these estimated forfeitures are revised if the number of RSUs expected to vest differs from previous estimates.

The total amount to be expensed over the vesting period is calculated by taking the granted RSUs within a calendar year multiplied by the fair value of the RSUs at grant date. This amount is expensed over a three-year period, whereby the costs recognized in a year also take into account cancellations and forfeitures.

LTIP costs recognized in 2018

Costs are spread over the vesting period, and included in 'Salaries and wages' (see note 8). In 2018, an amount of €5.1 million (2017: €9.2 million) is included for the share-based compensation granted to employees in the period 2016-2018. This is excluding a €1.7 million expense relating to the Employee Share Purchase Plan, see below.

Employee Share Purchase Plan (Lovinklaan Foundation)

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

At 31 December 2018, 3,436 employees participated in the plan (2017: 3,706). The cost included in the Company's financial statements amounted to €1.7 million (2017: €1.7 million). As the ESPP is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme, the related share-based expenses are treated as non-operational and excluded from Net Income from Operations.

The total outstanding RSUs at 31 December 2018 is as follows:

Year of issue	Granted	Unconditional in	Total amount to be expensed over the vesting period (in €)	Share price at grant date	Outstanding 1 January 2018	Granted in 2018	Decrease by performance measure 2018	Vested in 2018	Cancelled/ forfeited in 2018	Outstanding 31 December 2018
2015 (1 January)	90,000	2018	2,082,600	€24.93	52,604	–	–	–	(52,604)	–
2015 (15 May)	565,670	2018	14,045,586	€27.15	450,298	–	(407,807)	–	(42,491)	–
2016 (27 April)	901,530	2019	5,297,987	€14.30	766,339	–	–	–	(79,431)	686,908
2017 (28 April)	1,085,815	2020	17,471,310	€15.91	1,064,215	–	–	–	(138,074)	926,141
2018 (26 April)	697,522	2021	8,265,635	€15.75	–	697,522	–	–	(25,709)	671,813
2018 (July-September)	5,615	2021	97,710	€15.19	–	5,615	–	–	–	5,615
Total					**2,333,456**	**703,137**	**(407,807)**	**–**	**(338,309)**	**2,290,477**

10 Net finance expenses

Net finance expenses comprises finance income, finance expenses and the fair value change of derivatives at fair value through profit or loss. Finance income comprises interest income on funds invested and finance expenses comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration.

Finance income and finance expenses are recognized in profit or loss, using the effective interest method. The fair value changes of derivatives comprise the fair value changes on financial assets at fair value through profit or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in Other operational costs (see note 8).

In € thousands	2018	2017
Interest income	14,059	12,022
Finance income	**14,059**	**12,022**
Finance expense	(36,933)	(35,740)
Foreign exchange differences on financial liabilities	(5,157)	(8,489)
Finance expenses	**(42,090)**	**(44,229)**
Fair value changes of derivatives	920	6,241
Total	**(27,111)**	**(25,966)**

The Net finance expenses were slightly higher than last year, mainly due to higher floating interest rates in the United States, which was partially compensated by a lower net debt.

Arcadis utilizes notional cash pools, in which debit and credit balances both attract interest income and expense. In 2018, interest income on cash pools was €7.8 million (2017: €6.1 million) and interest expense on cash pools was €8.3 million (2017: €6.2 million). The interest income and interest expense from cash pools in the comparative figures of 2017 have been restated to reflect all notional cash pools in operation.

Net interest expenses in 2018 amounted to €22.9 million (2017: €23.7 million), and included interest income from notional cash pools of €7.8 million (2017: €6.1 million) and other interest income of €6.2 million (2017: €5.9 million). Interest expenses consisted of €25.0 million on loans and borrowings (2017: €25.9 million), €8.3 million related to notional cash pools (2017: €6.2 million), and €3.6 million of other interest expense (2017: €3.6 million).

11 Income taxes

Income taxes comprise current and deferred tax. Income tax is recognized in profit or loss, except to the extent that the tax arises from items recognized in other comprehensive income, directly in equity or from a business combination.

Current tax

Current tax is the expected tax payable on taxable income for the year and adjustments to tax payable related to previous years. It is measured using the tax rates enacted or substantively enacted at the reporting date. The difference between income tax recognized in profit or loss and income tax paid in the cash flow statement differs primarily due to deferred tax recognized on temporary differences and payment of income tax occurring after the reporting date.

Deferred tax

Deferred tax is recognized using the balance sheet method and it is not recognized for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and
- investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Measurement of deferred tax is based upon tax rates enacted or substantially enacted expected to be applied in the years in which the temporary differences are expected to reverse. Deferred taxes are not discounted.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future profits will be available against which they can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax recognized in profit or loss:

In € thousands	2018	2017
Current tax expense		
Current year	42,531	33,318
Adjustments for previous years	(7,535)	(1,733)
Total current tax expense	**34,996**	**31,585**
Deferred tax expense		
Origination and reversal of temporary differences	(8,983)	(5,255)
Adjustments for previous years	5,447	1,950
Changes in tax rates	226	(11,656)
(De)recognition of deferred tax assets	(1,273)	3,857
Total deferred tax expense	**(4,583)**	**(11,104)**
Total income taxes expense	**30,413**	**20,481**

At balance sheet date the corporate tax receivable amounted to €31.1 million and the corporate tax liability amounted to €35.9 million. During 2018, the Company paid taxes for a total amount of €34.7 million (2017: €24.9 million). The higher amount of taxes paid was mainly caused by higher preliminary tax assessments, partly caused by lower tax loss compensation.

Effective tax rate reconciliation

The effective corporate income tax rate (income taxes divided by profit before income tax, mainly excluding total result from Investment in ALEN) is 42.7% (2017: 19.7%). For 2018 the effective tax rate was mainly impacted by non-deductible goodwill impairment charges of €40.4 million, excluding these impairments the effective tax rate is 27.2%. Furthermore, the effective tax rate was impacted by among others the geographical mix of income, non-deductible expenses and provision-to-return accruals relating to prior years.

In % and € thousands	2018 (%)	2018	2017 (%)	2017
Corporate tax rate in the Netherlands	25.0	17,820	25.0	25,992
Adjustment corporate income tax rates other countries	2.7	1,945	5.4	5,665
Weighted average corporate income tax rate	**27.7**	**19,765**	**30.4**	**31,657**
Non-deductible expenses/(income)	19.0	13,578	6.3	6,500
Adjustments for previous years	(2.9)	(2,088)	0.2	217
Other	(1.1)	(842)	(17.2)	(17,893)
Effective tax rate[1]	**42.7**	**30,413**	**19.7**	**20,481**

[1] Taxes on income divided by Income before taxes, excluding results from Investment accounted for using the equity method and the Expected Credit Loss on Shareholder Loans and Corporate Guarantees

Deferred tax

The movement in deferred tax balances during the year 2018 was as follows:

In € thousands	Net balance at 31 December 2017	Impact of IFRS 9	Impact of IFRS 15	Net balance at 1 January 2018	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Net balance at 31 December 2018	Assets	Liabilities
Intangible assets and goodwill	(42,531)	–	–	(42,531)	(125)	–	–	(4,626)	(47,282)	848	48,130
Property, plant & equipment	(193)	–	–	(193)	(817)	–	–	(878)	(1,888)	1,739	3,627
Contract assets and liabilities	(24,063)	–	82	(23,981)	2,679	–	–	(1,416)	(22,718)	3,598	26,316
Accrued expenses	20,853	–	–	20,853	874	–	–	939	22,666	23,384	718
Derivatives	66	–	–	66	–	(66)	–	–	–	–	–
Share-based compensation	654	–	–	654	93	–	–	(102)	645	645	–
Deferred compensation	3,762	–	–	3,762	413	–	–	322	4,497	4,497	–
Net operating losses	2,365	–	–	2,365	1,694	–	737	(585)	4,211	4,211	–
Provisions	3,459	–	–	3,459	(91)	(935)	–	1,966	4,399	4,422	23
Others	2,029	548	–	2,577	(137)	–	(569)	3,467	5,338	6,599	1,261
Deferred tax assets/liabilities	**(33,599)**	548	82	**(32,969)**	**4,583**	**(1,001)**	168	**(913)**	**(30,132)**	**49,943**	**80,075**
Offsetting	–	–	–	–	–	–	–	–	–	(13,682)	(13,682)
Net deferred taxes	**(33,599)**	548	82	**(32,969)**	**4,583**	**(1,001)**	**168**	**(913)**	**(30,132)**	**36,261**	**66,393**

The movement in deferred tax balances during the year 2017 was as follows:

In € thousands	Net balance at 1 January 2017	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Net balance at 31 December 2017	Assets	Liabilities
Intangible assets and goodwill	(64,011)	16,313	–	–	5,167	(42,531)	7,869	50,400
Property, plant & equipment	(426)	583	–	2	(352)	(193)	1,888	2,081
Contract assets and liabilities	(36,738)	9,523	–	(618)	3,770	(24,063)	1,909	25,972
Accrued expenses	24,310	207	–	(2)	(3,662)	20,853	22,965	2,112
Derivatives	(132)	–	199	–	(1)	66	66	–
Share-based compensation	517	–	–	–	137	654	528	(126)
Deferred compensation	5,010	(183)	–	–	(1,065)	3,762	3,762	–
Net operating losses	9,269	(7,724)	–	550	270	2,365	2,365	–
Provisions	–	1,154	(1,015)	–	3,320	3,459	3,459	–
Others	13,478	(8,769)	–	(32)	(2,648)	2,029	5,292	3,263
Deferred tax assets/liabilities	**(48,723)**	**11,104**	**(816)**	**(100)**	**4,936**	**(33,599)**	**50,103**	**83,702**
Offsetting	–	–	–	–	–	–	(16,793)	(16,793)
Net deferred taxes	**(48,723)**	**11,104**	**(816)**	**(100)**	**4,936**	**(33,599)**	**33,310**	**66,909**

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set of current tax against current tax liabilities and when the deferred tax assets and liabilities relate to the same taxation authority and the same taxable entity.

At 31 December 2018, the gross amount of net operating losses, amounting to €19.8 million (2017: €11.9 million), for which a Deferred tax asset has been recognized expires as follows:

in € thousands	Total net operating losses	Net operating losses not recognized	Net operating losses recognized	**Deferred tax asset recognized**
2019	1,916	1,068	848	232
2020	3,340	3,250	90	27
2021	2,181	2,181	0	0
2022	773	773	0	0
2023	6,583	6,583	0	0
>2023	3,866	1,718	2,148	564
Unlimited	87,984	71,222	16,762	3,388
Total	**106,643**	**86,795**	**19,848**	**4,211**

For the net operating losses recognized, management is of the opinion that it is probable that these losses will be compensated by future taxable profits. An amount of €86.8 million (2017: €90.4 million) relating to Net operating losses was not recognized at the balance sheet date.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover share/option plans). Diluted earnings per share is calculated based on the basic earnings per share and using the weighted average number of shares and options outstanding during the period as far as these have a potential dilutive effect, i.e. when the exercise price of these options is lower than the share price. The average number of potentially diluted shares is based on the average share price in the period on the Euronext Amsterdam Stock Exchange and the options that were in the money.

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

Number of shares	**2018**	2017
Average number of issued shares	88,411,719	86,904,123
Average number of treasury shares	(1,287,985)	(1,026,843)
Total average number of ordinary outstanding shares	**87,123,734**	**85,877,280**
Average number of potentially dilutive shares	–	1,959,235
Total average number of diluted shares	**87,123,734**	**87,836,515**

Of the outstanding options at 31 December 2018, none were in the money and also exercisable (2017: 1,959,235). Exercising options may lead to dilution. To avoid dilution as much as possible, Arcadis repurchases its own shares, which are reissued at the moment options are exercised.

The total earnings of the Group and the earnings per share are as follows:

In € thousands	**2018**	2017
Net income	(26,701)	70,804
Net income from operations[1]	87,591	101,015

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators on page 267 for the definition as used by Arcadis

In €	**2018**	2017
Earnings per share/Diluted earnings per share		
Net income	(0.31) / (0.31)	0.82 / 0.81
Net income from operations[1]	1.01 / 1.01	1.18 / 1.15

[1] Non-GAAP performance measure, to provide transparency on the underlying performance of our business. Reference is made to the Glossary Financial & Non-Financial indicators on page 267 for the definition as used by Arcadis

13 Intangible assets and goodwill

Goodwill

Goodwill arises from business combinations and represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill in respect of equity accounted investees is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets mainly consist of customer relationships, trade names and expected profits in the backlog of acquired companies at the acquisition date. Measurement of Other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these indentifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life. The amortization is recognized in profit or loss on a straight-line basis. The amortization methods and useful lives, as well as residual values, are reassessed annually.

Software

Software is measured at cost less accumulated amortization and impairment losses. Software has a finite life and is amortized on a straight-line basis over the estimated useful life. The amortization methods and useful lives, as well as residual values, are reassessed annually. Subsequent costs are recognized in the carrying amount of Software only when it increases the future economic benefits. All other expenditures are recognized in profit or loss as incurred.

Estimated useful lives

The estimated useful lives of Goodwill and Intangible assets varies according to their respective categories, as shown below.

Category	Years
Goodwill	Not amortized
Software	0.5 - 10
Other intangible assets	3 - 10
Intangibles under development	Not amortized (yet)

In € thousands	Goodwill	Other intangible assets	Software	Intangibles under development	Total
Cost	999,389	305,434	79,212	29,319	1,413,354
Accumulated amortization	–	(175,702)	(67,288)	–	(242,990)
At 1 January 2017	**999,389**	**129,732**	**11,924**	**29,319**	**1,170,364**
Additions	–	–	5,217	13,350	18,567
Acquisitions of subsidiaries	9,723	1,679	(1)	–	11,401
Disposals	–	–	(1,203)	–	(1,203)
Amortization charges	–	(30,979)	(5,486)	–	(36,465)
Impairment charges	–	–	–	–	–
Reclassifications	–	(88)	14,446	(14,345)	13
Exchange rate differences	(79,098)	(8,485)	(818)	(16)	(88,417)
Movement 2017	**(69,375)**	**(37,873)**	**12,155**	**(1,011)**	**(96,104)**
Cost	930,014	281,797	79,997	28,309	1,320,117
Accumulated amortization	–	(189,938)	(55,917)	–	(245,855)
At 31 December 2017	**930,014**	**91,859**	**24,080**	**28,309**	**1,074,262**
Additions	–	–	4,925	20,903	25,828
Acquisitions of subsidiaries	9,103	1,443	2,290	–	12,836
Disposals	–	–	(385)	(85)	(470)
Amortization charges	–	(22,721)	(9,126)	–	(31,847)
Impairment charges	(40,386)	–	–	–	(40,386)
Reclassifications	–	–	2,193	(3,988)	(1,795)
Exchange rate differences	16,017	(249)	50	–	15,818
Movement 2018	**(15,266)**	**(21,527)**	**(53)**	**16,830**	**(20,016)**
Cost	914,748	268,269	79,517	45,139	1,307,673
Accumulated amortization	–	(197,937)	(55,490)	–	(253,427)
At 31 December 2018	**914,748**	**70,332**	**24,027**	**45,139**	**1,054,246**

In 2018, a reclassification of €1.8 million has been made to Property, plant and equipment.

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2018	2017
Amortization Other intangible assets	22,721	30,979
Depreciation and amortization	9,126	5,486

Goodwill

For annual impairment testing, goodwill is allocated to Cash-Generating Units (CGUs). The CGU is the lowest level within the Group at which Goodwill is monitored for internal management purposes.

Goodwill capitalized was assigned to our CGUs as follows:

In € thousands	2018	2017
North America	255,997	245,467
Latin America	–	6,756
Continental Europe	76,086	75,717
United Kingdom	230,359	224,378
Middle East	59,563	93,990
Asia	86,191	83,332
Australia Pacific	54,938	55,726
CallisonRTKL	151,614	144,648
Total Goodwill	**914,748**	**930,014**

Impairment testing for cash-generating units containing goodwill

The recoverable amount of Goodwill for impairment testing purposes is based on a value in use calculation, which is complex and judgmental. The calculations use cash flow projections based on historical performance, our plan for 2019 as approved by the Executive Board and projections for 2020 - 2023, after which a terminal value was used at an average rate of 0.6% (2017: 0.8%), being the difference between local and the Eurozone inflation forecasts.

The key assumptions used in the projections are:

- (Net) revenue growth: based on experience and market analysis;
- Operating EBITA margin development: based on historical performance, plan 2019 and management's long-term projections; and
- Weighted average cost of capital (WACC): based on the market participants view on rates of return demanded for investments equivalent to those in the Company.

The business plans include management's estimate about the level and timing of the execution of (the improvement of) operating performance and margins. In line with previous years, for impairment testing purposes a more prudent outlook and phasing has been taken into account for the development of revenues and margins. The applied assumptions in the test are included in the next table.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	2.2%	7.8% - 8.0%	8.9%	0.6%
Latin America	7.4%	3.9% - 4.1%	13.3%	1.8%
Continental Europe	1.1%	7.5% - 7.9%	8.9%	0.1%
United Kingdom	2.1%	8.3% - 8.5%	8.4%	0.3%
Middle East	1.3%	6.2% - 6.5%	8.4%	1.1%
Asia	1.4%	7.3% - 9.3%	9.7%	1.1%
Australia Pacific	3.2%	10.0% - 11.4%	9.7%	0.9%
CallisonRTKL	0.7%	8.7%	9.4%	0.7%

The key assumptions included in the 2017 test for each CGU are disclosed below.

In %	Average (net) revenue growth	Operating EBITA margin	Pre-tax discount rate	Terminal growth rate
North America	3.7%	7.5% - 9.0%	11.1%	0.9%
Latin America	7.0%	4.0% - 8.2%	13.2%	2.0%
Continental Europe	0.2%	6.7% - 8.0%	9.2%	0.2%
United Kingdom	6.8%	8.5% - 9.0%	8.7%	0.5%
Middle East	2.2%	6.5% - 8.6%	8.9%	1.1%
Asia	3.5%	8.5% - 9.5%	9.6%	1.0%
Australia Pacific	6.2%	10.4% - 11.4%	9.7%	0.9%
CallisonRTKL	2.1%	9.1% - 9.5%	10.6%	1.0%

The weighted average pre-tax discount rate was 9.0% (2017: 10.0%) and has been determined by iterative computation so that the value in use determined using pre-tax cash flows and a pre-tax discount rate equals the value in use determined using post-tax cash flows and a post-tax discount rate. The weighted average post-tax discount rate used is 6.9% (2017: 7.3%), which includes country specific premiums when applicable.

Observations from impairment testing

The outcome of the Goodwill impairment test calculation at 31 December 2018 revealed that the recoverable amount of the Company decreased compared to prior year. The recoverable amount for all CGUs, except Latin America and Middle East, exceeded the carrying amount.

For Latin America, an impairment charge of €6.5 million has been recognized in 2018. This reflects our future business expectations in Latin America, where in Brazil the post-electoral economic sentiment is positive but concrete measures and progress is yet to come.

For Middle East, an impairment charge of €33.9 million has been recognized in 2018. This reflects our future business expectations in the Middle East as a result of the decision to be more selective and de-risk the portfolio.

The total impairment loss on Goodwill recognized in 2018 amounts to €40.4 million.

The impairment test and sensitivity analysis around the key assumptions have indicated sufficient headroom for all other CGUs and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value. Based on both quantitative and qualitative factors management has concluded that for those CGUs an impairment is not necessary.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the Group.

Other intangible assets

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

In € thousands	2018	2017
Customer relationships	65,474	80,793
Trade names	3,908	4,583
Backlog	146	5,214
Other	804	1,269
Total Other intangible assets	**70,332**	**91,859**

During 2018 and 2017, no changes were made in the useful life, amortization methods or the residual values of the Other intangible assets.

Software and Intangibles under development

Investments in Software mainly relate to the implementation of harmonized systems, which is part of the implementation of the Arcadis Way. In 2018 an amount of €25.8 million was invested in Software and Intangibles under development. The Intangibles under development of €45.1 million are related to the development of software not yet in use (2017: €28.3 million), and are not yet amortized.

14 Property, plant & equipment

Property, plant & equipment is measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are recognized in the carrying amount of Property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit or loss on a straight-line basis over the estimated useful life. The estimated useful life of Property, plant & equipment vary according to their respective categories, as shown in the table hereafter.

Category	Years
Land	Not depreciated
Buildings	30 - 40
Furnitures and fixtures	5 - 10
(IT) equipment	3 - 5
Property, plant & equipment under development	Not depreciated (yet)

Depreciation methods and useful life, as well as residual values, are reassessed annually. When parts of an item of Property, plant & equipment have different useful life, they are accounted for as separate items (major components) of Property, plant & equipment.

Gains on the sale of an item of Property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, plant & equipment and are recognized within Other income in the Consolidated income statement. Losses on the sale of an item of Property, plant & equipment are recognized within Other operational costs in the Consolidated income statement.

The determination of impairment of Property, plant & equipment involves the use of estimates. The recoverable amount is determined by discounting the estimated future cash flows to present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The identification of impairment indicators, as well as the estimation of future cash flows, discount rates and the determination of the fair value for the assets requires management to make significant judgements.

Leased assets

Leases in which the Company is the lessee and assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Other leases are operating leases, and such leased assets are not recognized in the Company's balance sheet. See note 31 for the off balance sheet commitments.

During 2018, no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements.

At 31 December 2018, the carrying amount of Property, plant & equipment financed by financial leases was nil (2017: nil). At 31 December 2018 and 31 December 2017, no properties were registered as security for bank loans.

In 2018, a reclassification of €1.8 million has been made from Intangible assets, and €1.0 million from Other provisions (relating to a dilapidation provision).

In € thousands	Land and buildings	Furnitures and fixtures	(IT) Equipment	Property, plant & equipment under development	**Total**
Cost	16,496	160,937	118,606	1,061	297,100
Accumulated depreciation	(5,285)	(98,082)	(93,306)	–	(196,673)
At 1 January 2017	**11,211**	**62,855**	**25,300**	**1,061**	**100,427**
Additions	1,000	22,500	15,208	2,048	40,756
Acquisitions/(divestments)	(965)	21	(251)	(103)	(1,298)
Disposals	(2,462)	(1,663)	(147)	(391)	(4,663)
Assets held for sale	(2,170)	–	–	–	(2,170)
Reclassifications	(1,636)	606	3,681	(494)	2,157
Depreciation charges	(1,166)	(17,604)	(15,330)	–	(34,100)
Exchange rate differences	(540)	(5,892)	(1,916)	(117)	(8,465)
Movement 2017	**(7,939)**	**(2,032)**	**1,245**	**943**	**(7,783)**
Cost	7,042	135,403	98,749	2,004	243,198
Accumulated depreciation	(3,769)	(74,580)	(72,206)	–	(150,555)
At 31 December 2017	**3,273**	**60,823**	**26,543**	**2,004**	**92,643**
Additions	1,899	21,077	13,660	6,300	42,936
Acquisitions/(divestments)	–	–	1,011	44	1,055
Disposals	(401)	(2,643)	(914)	(58)	(4,016)
Assets held for sale	–	–	–	–	–
Reclassifications	954	2,937	(555)	(587)	2,749
Depreciation charges	(1,602)	(17,430)	(14,441)	–	(33,473)
Exchange rate differences	12	1,240	198	234	1,684
Movement 2018	**862**	**5,181**	**(1,041)**	**5,933**	**10,935**
Cost	6,777	136,834	91,511	7,937	243,059
Accumulated depreciation	(2,642)	(70,830)	(66,009)	–	(139,481)
At 31 December 2018	**4,135**	**66,004**	**25,502**	**7,937**	**103,578**

15 Investments accounted for using the equity method

Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the contractual rights and obligations, rather than the legal structure of the joint arrangement.

- Joint ventures are joint arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are accounted for using the equity method, where interests in joint ventures are initially recognized at cost, including transaction cost. Subsequently the Group's share of the profit or loss and movements in other comprehensive income are included in the Consolidated financial statements, whereby the calculation is based on the Group's accounting policies. When the Group's share of losses in a joint venture equals or exceeds its interest in a joint venture, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Loans to joint ventures are carried at amortized cost less any impairment losses.
- Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations are accounted for the Group's direct rights to the assets, liabilities, revenues and expenses of the joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are combined on a line-by-line basis with corresponding items in the Group's financial statements.

Associates

Associates are those entities in which the Group has significant influence, but no control over financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20% of the voting power of the entity. Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially, investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The Consolidated financial statements include the Group's share of the net profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Group. The application of the equity method is applied to loans that form part of a Net investment. Loans to associates are carried at amortized cost less any expected credit losses. The Group applies the Expected Credit Loss model to loans that form part of the Net investment, before recognizing its share of losses from application of the equity method on these loans.

Investments in associates and joint ventures

The nature of business of the Group's associates and joint ventures is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings. The most significant investments in associates and joint ventures are listed below together with the Group's balance sheet impact and share in profit of loss.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2018	% of ownership interest 2017
Arcadis Logos Energia S.A.	Brazil	Associate	49.99%	49.99%
Geodynamique et Structure S.A.	France	Associate	48.68%	48.68%
Asset Rail B.V.	Netherlands	Associate	40.00%	40.00%
CARE/RTKL Ltd	Saudi Arabia	Joint venture	45.00%	45.00%
Stroomdal I	Netherlands	Joint venture	33.30%	33.30%
TECHT Ltd	United Kingdom	Joint venture	50.00%	50.00%

The movement in associates and joint ventures in the Consolidated balance sheet is as follows:

In € thousands	Associates 2018	Associates 2017	Joint ventures 2018	Joint ventures 2017	**Total 2018**	Total 2017
Balance at 31 December	**19,827**	**21,746**	**2,980**	**2,984**	**22,807**	**24,730**
Impact IFRS 9	(885)	–	–	–	**(885)**	–
Balance at 1 January	**18,942**	**21,746**	**2,980**	**2,984**	**21,922**	**24,730**
Share in result by Arcadis	(12,766)	(11,878)	74	259	(12,692)	(11,619)
Acquisitions	–	–	–	–	–	–
Investments	31,964	23,998	11	53	31,975	24,051
Divestments	(2,050)	(9,518)	–	–	(2,050)	(9,518)
Received dividends	–	(604)	–	(108)	–	(712)
Reclassifications	–	(141)	–	–	–	(141)
Expected Credit loss	(30,932)	–	–	–	(30,932)	–
Exchange rate differences	(469)	(3,776)	2	(208)	(467)	(3,984)
Balance at 31 December	**4,689**	**19,827**	**3,067**	**2,980**	**7,756**	**22,807**

The balance sheet positions in associates includes loans to Arcadis Logos Energia S.A. (ALEN), which are considered part of the Net investment in ALEN. There are no other loans to associates or joint ventures outstanding as at 31 December 2018.

The joint ventures have share capital consisting solely of ordinary shares, which are held indirectly by the Group, and are non-listed shares. As such there is no available quoted market price for the shares.

At 31 December 2018, the Group has no contingent liabilities relating to interests in joint ventures (2017: nil).

Material associates

Arcadis Logos Energia S.A. (ALEN) is a material associate, which holds investments in several energy assets in Brazil. For more details on the activities of ALEN see page 118 of this report.

The share capital of ALEN solely consists of ordinary shares, which are not listed and as such there is no quoted market price available for the shares. The country of incorporation or registration, which is also the principal place of the business, is Brazil.

Arcadis has no control over ALEN, as the Group does not direct the relevant activities. Arcadis does not have the majority of existing voting rights, potential voting rights are at 31 December 2018 not substantive and also special relationships do not result in power. The funding provided to ALEN is to ensure that the development of the energy assets and the subsequent sale can be completed successfully, not to exercise power over ALEN. As such ALEN was not consolidated under the application of IFRS 10.

Net exposure

The Group's net exposure relating to ALEN as at 31 December 2018 relates to its:

- Equity investment
- Debt investment via shareholder loans
- Corporate guarantees provided to lenders of ALEN

The positions of Arcadis relating to ALEN are summarized as follows:

In € thousands	Note	31 Dec 2018	1 Jan 2018	31 Dec 2017
Equity investment		–	(13,848)	(13,848)
Shareholder loans		–	29,237	29,237
Impact IFRS 9 (net investment)	3	–	(885)	–
Net investment in ALEN		–	**14,504**	**15,389**
Impact IFRS 9 (corporate guarantees)	3,29	(27,834)	(4,841)	–
On balance sheet exposure		**(27,834)**	**9,663**	**15,389**
Off-balance sheet guarantees		87,137	84,002	84,002
Net exposure		**59,303**	**93,665**	**99,391**

The net exposure decreased significantly in 2018, mainly due to the recognition of Arcadis' share in the losses of ALEN and expected credit losses on the shareholder loans and corporate guarantees.

As a result of IFRS 9, an Expected Credit Loss was recognized in the opening balance of €0.9 million on the Net investment and €4.8 million on the corporate guarantees provided to lenders of ALEN and its investments. The latter is presented as a 'Other liability', see notes 3 and 29.

Net investment

Arcadis' equity investment includes 49.99% of share capital, representing 49.99% of voting rights. The other 50.01% of share capital and voting rights are held by Logos Holding S.A. On the level of shareholders decisions are taken by a simple majority of shares, except for certain decisions (e.g. sale of substantial part of the business) whereby 2/3 majority of shares are required.

The equity investment in and shareholder loans to ALEN are part of the Net investment, to which the equity method is applied. The movement in the Net investment in ALEN was as follows:

In € thousands	Equity	Shareholder loans	Net investment
At 31 December 2017	(13,848)	29,237	**15,389**
Impact IFRS 9	–	(885)	(885)
Balance at 1 January 2018	**(13,848)**	**28,352**	**14,504**
Reclassification	13,848	(13,848)	–
Share in result by Arcadis	–	(13,285)	(13,285)
New loans and accrued interest	–	31,837	31,837
Redemptions	–	–	–
Expected Credit loss	–	(30,932)	(30,932)
Exchange rate differences	–	(2,124)	(2,124)
At 31 December 2018	–	–	–

Until December 2018 the shareholder loans had no maturity date and an interest rate based on the daily average of overnight interbank loans in Brazil (CDI), being a floating rate, and a fixed spread ranging from 4.5% to 5.5% per annum .

In December 2018 the shareholder loans were transferred from Arcadis Logos S.A. to the corporate holding company that also owns the equity interest. At the same time the interest on the shareholder loans was reduced to nil, with the consent of ALEN, to stop accruing further interest payable in ALEN and related withholding taxes, as it is expected that ALEN will not be able to repay this to Arcadis in the future. The maturity date of the loans were changed to December 2019.

Due to the accounting for the shareholder loans based on the equity method, the classification of the shareholder loans has not changed as a result of the amended loan conditions.

ALEN balance sheet and income statement

The tables below summarize the balance sheet and income statement of ALEN, reflecting the amounts presented in the financial statements of the associate on a 100%-basis, where applicable adjusted for differences in accounting policies between the Group and the associate.

In € thousands		ALEN
	2018	2017
Current assets	2,670	7,244
Non-current assets	60,655	66,107
Total assets	**63,325**	**73,351**
Current liabilities	106,414	55,280
Non-current liabilities	15,231	45,773
Total liabilities	**121,645**	**101,053**
Net assets	**(58,320)**	**(27,702)**

The Current liabilities at 31 December 2018 include €49.8 million of loans from external lenders, which mature in different tranches during 2019. The current liabilities also include €55.1 million of shareholder loans from Arcadis to ALEN, which are in the accounts of Arcadis itself fully impaired as at 31 December 2018.

In € thousands		ALEN
	2018	2017
Revenues	653	808
Post-tax profit or loss	(34,128)	(29,631)

Arcadis recognized operational losses to the level of the Net investment at 1 January 2018; further losses were recognized as an impairment on the shareholder loans.

Guarantees

The shareholders in ALEN, Logos Holding S.A. and Arcadis, provided corporate guarantees to the lenders of ALEN for loans to ALEN and its affiliates. The total amount of guarantees provided by Arcadis at 31 December 2018 was €87 million (2017: €84 million), of which €63 million was related to bank loans provided to ALEN (2017: €68 million) and €24 million to bank loans provided to affiliates of ALEN (2017: €16 million).

Logos Holding S.A. has provided a counter guarantee to Arcadis, secured by a right of pledge of Logos Holding's shares and voting rights in ALEN. Arcadis is able to exercise this right when Arcadis is requested to pay out under the guarantees provided to the lenders of ALEN and Logos Holding S.A. cannot pay Arcadis its share. This was however neither applicable nor expected as at 31 December 2018 as the lenders of ALEN did not make use of the guarantees received.

Due to the provided corporate guarantees Arcadis is exposed to the risk of ALEN running into financial difficulty that might trigger a default on debt that would, in turn, result in the relevant lenders claiming repayment from Arcadis for the full amount of the guarantees provided.

The next table summarizes the movements in the corporate guarantees provided by Arcadis. Based on the re-assessment of the business case and the related valuation an expected credit loss of €27.8 million is recognized at 31 December 2018 on these guarantees, see note 29. The opening balance liability amounted to €4.8 million (see note 3), an additional €23.0 million was recognized in profit or loss of 2018.

In € millions	**2018**	2017
Corporate guarantees at 1 January	**84**	**76**
New guarantees	19	34
Repayments	(7)	(14)
Exchange rate differences	(9)	(12)
Corporate guarantees at 31 December	**87**	**84**

The new guarantees in 2019 relate primarily to new loans for the investments in the plant of one of ALEN's affiliates and accrued interest.

Developments in 2018

Progress continued to be made in 2018 by ALEN in the completion of the energy assets. Reference is made to page 118 of this report for further details.

In summary the following result on ALEN has been recognized in the Consolidated income statement:

In € thousands	2018	2017
Share in result by Arcadis	(13,285)	(12,315)
Result from investments accounted for using the equity method	**(13,285)**	**(12,315)**
Impairment on shareholder loans	(31,817)	–
Remeasurement Expected Credit Loss on shareholder loans and corporate guarantees	(22,108)	–
Expected Credit loss on shareholder loans and corporate guarantees	**(53,925)**	–
Total result from investment in ALEN	**(67,210)**	**(12,315)**

A re-assessment of the business case of ALEN was prepared in Q3 2018, following delays in the completion of these assets, lower than expected market prices for the gas, and delays in signing off-take contracts for the delivery of the gas. In the trading update of Q3 2018 it was announced that this led to €53.9 million of impairments and expected credit losses in addition to the operational loss recognized to date of €10.4 million, thus totaling a loss of €64.3 million in the first three quarters of the year. In Q4 an additional loss of €2.9 million has been recognized. The amount of €53.9 million is adjusted in Net income from operations, see page 181.

In Q4 2018 an independent third party verified the business case, resulting in Arcadis' conclusion that no further credit losses are expected on ALEN and its affiliates. The valuation is based on a value in use calculation, which is complex and judgmental. Sensitivity testing has been performed and taken into account in management's conclusion. A 1% change in sales prices for gas and energy has an estimated impact of R$7 million (€1.6 million) on the value-in-use. A 1% change in the landfill gas supply volume has an estimated impact of R$1 million (€0.2 million) on the value-in-use. The transaction value of investments of ALEN could differ from the outcomes of the value in use calculations.

16 Other investments

Other investments relate to interests in companies over which the Group has no significant influence nor control. Other investments are accounted for at fair value through profit or loss.

In € thousands	2018	2017
Balance at 1 January	**607**	**656**
Investments	1,047	115
Divestments	–	(160)
Impairment	(1,017)	–
Exchange rate differences	–	(4)
Balance at 31 December	**637**	**607**

In 2018, the Company invested via Techstars in innovative start-ups that aim to transform the natural and built environment in line with Arcadis' long-term vision 'to shape the cities of the future'. Due to the highly uncertain cash flow forecasts an impairment loss of €1.0 million has been recognized in 'Other income'.

17 Derivatives

General

The Company uses derivatives in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivatives include forward foreign exchange rate contracts, foreign exchange swaps and interest rate derivatives. The Company does not hold or issue derivatives for trading purposes. Hedge accounting is applied for cash flow hedges related to forecasted transactions and fair value hedges.

Measurement and recognition

All derivative financial instruments are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. A gain or loss on remeasurement to the fair value of the interest rate derivatives is recognized in profit or loss under fair value change of derivatives. The fair value changes of forward foreign exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the balance sheet as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

Hedge accounting

For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value changes of those derivatives is deferred in Other comprehensive income and presented in the hedging reserve in Equity. The hedging reserve includes the cash flow hedge reserve and the costs of hedging. Changes in the fair value of the currency basis since the inception of the hedging relationship will be deferred into a separate component of Other comprehensive income. The amount recognized in Other comprehensive income as a cash flow hedge reserve is released to the related lines in profit or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit or loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives, strategy in undertaking the hedge transaction, the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the hedge inception and at each reporting date, the Company makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items.

The economic relationship between the hedging instrument and the hedged item is, amongst others, determined based upon matching notional amounts, a minimal fair value of the hedging instrument at inception, matching the underlying hedged risk (interest benchmark rate or currency pair), matching repricing and payment dates and an assessment of the likelihood of default of the hedging counterparty. Sources of ineffectiveness can, amongst others, be driven by movements in the credit spread of Arcadis and the relevant hedging counterparty, mismatch of payment flow frequencies, mismatch of interest conditions such as interest floors and possible changes to the critical terms of the economic relationship.

When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the hedging reserve in equity are released to profit or loss under the fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise these will be released to profit or loss at the same time as the hedged item.

Fair value

A fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of derivatives is determined by using valuation models that incorporate various inputs, such as forward interest rate curves and the credit worthiness of counterparties. The methods and assumptions used to estimate the fair value are consistent with the prior year.

The fair value of derivatives held by the Company as at the balance sheet date is presented in the table below:

	Assets		Liabilities		Total	
In € thousands	**2018**	2017	**2018**	2017	**2018**	2017
Interest rate derivatives:						
Current	–	–	–	–	–	–
Non-current	1,637	3,892	1,115	1,134	522	2,758
Foreign exchange derivatives:						
Current	10,058	6,088	9,614	5,418	444	670
Non-current	–	–	–	–	–	–
Total	**11,695**	**9,980**	**10,729**	**6,552**	**966**	**3,428**

See note 30 for the Corporate Treasury policy and the valuation techniques used for the measurement of derivatives. The Corporate Treasury department is consulted by operating companies for alignment of hedge accounting with the Company's treasury policy guidelines and assisted with documentation of the hedge relationship, derivatives valuations and effectiveness testing.

During 2018, the Company held for a notional amount of €81.5 million (2017: €81.5 million) floating to fixed interest rate swaps to hedge interest rate risk of €81.5 million of long-term variable loans outstanding, and applied hedge accounting to €36.0 million of these interest rate derivatives.

The market value of these derivatives at 31 December 2018 was €1.1 million negative (2017: €1.3 million negative). In addition, the Company has €40.0 million of fixed to floating cross currency swaps to manage the currency and interest rate risk of a subsidiary. The market value of these derivatives ultimo 2018 was €1.6 million positive (2017: €3.8 million positive), and hedge accounting is also applied for these derivatives.

Effects of hedge accounting on the financial position and performance

In € thousands	**2018**
Interest rate swaps	
Notional amount	36,000
Maturity date	2022
Hedge ratio	1:1
Change in fair value of oustanding hedging instruments	(1,031)
Change in value of hedged item used to determine hedge effectiveness	693
Ineffectiveness	338
Interest rate swaps	
Notional amount	40,000
Maturity date	2023
Hedge ratio	1:1
Change in fair value of oustanding hedging instruments	(2,443)
Change in value of hedged item used to determine hedge effectiveness	1,692
Ineffectiveness	243

During 2018, the Company also hedged currency exposures related to transactions in currencies other than the functional currency for subsidiaries in Belgium, Hong Kong, the Netherlands, United Kingdom and United States of America by way of foreign exchange forward rate contracts in order to minimize volatility in the operating income of these subsidiaries due to changes in exchange rates. In addition, foreign currency corporate balance sheet positions arising due to foreign currency receivables and loan balances were hedged by way of foreign exchange forward rate contracts and foreign exchange swaps.

The movements in fair value of the derivatives are shown in the table below.

In € thousands	**2018**	2017
Balance at 1 January	**3,428**	**(4,446)**
Acquisitions	95	–
Changes in Income statement	1,336	7,028
Changes through Other comprehensive income	(424)	907
Cash settlement derivatives	(3,351)	(61)
Exchange rate differences	(118)	–
Balance at 31 December	**966**	**3,428**

The change in fair value of derivatives recognized in profit or loss is €0.8 million positive (2017: €6.6 million positive) together with foreign exchange results of €5.9 million negative (2017: €8.1 million negative) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to €5.0 million negative (2017: €1.5 million negative).

Hedging reserve

The total (after-tax) amount included in Other comprehensive income, on the line hedging reserve within equity, can be specified as follows:

In € thousands	2018	2017
Interest rate derivatives	(2,221)	(1,627)
Foreign exchange derivatives (classified as cash flow hedges)	269	102
Cost of hedging reserve	521	–
Total	**(1,431)**	**(1,525)**

18 Other non-current assets

Other non-current assets are non-derivative financial assets, and include long-term receivables (due for settlement after one year). Long-term receivables are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2018	2017
Balance at 1 January	**28,921**	**30,683**
Acquisitions/(divestments)	1,138	(671)
New receivables	2,590	4,754
Received	(5,979)	(4,611)
Reclassification to short-term	(488)	–
Other changes and exchange rate differences	366	(1,234)
Balance at 31 December	**26,548**	**28,921**

Other non-current assets include long-term receivables of €11.0 million (2017: €13.6 million) related to the deferred compensation plan in the United States of America operating company, see note 26 for further details. The remaining amount consists of various other long-term receivables such as rental deposits, judicial deposits and retentions.

19 Trade receivables

Trade receivables include amounts billed to customers for work performed but not yet paid by the clients, and which are expected to be collected within a year after reporting date. Trade receivables are initially measured at fair value, which normally represents the consideration the Company expects to receive within the payment term (invoice amount excluding costs collected on behalf of third parties, such as sales taxes). Subsequently Trade receivables are measured at the consideration expected to be collected.

The Company uses the Expected Credit Loss (ECL) model. Trade receivables are reviewed for collectability on a case-by-case basis at regular intervals. If a Trade receivable is considered credit impaired (e.g. the customer has failed to make a payment when contractually due) the expected loss is determined as the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of expected future cash flows discounted at the effective market interest rates.

A simplified approach is applied that uses a lifetime expected loss allowance to recognize losses for possible impairment of Trade receivables that are not individually impaired yet. The Expected Credit Loss is recognized in Other operational costs.

In € thousands	31 Dec 2018	1 Jan 2018	31 Dec 2017
Trade receivables	643,435	634,876	634,876
Provision for trade receivables (individually impaired bad debt)	(60,445)	(56,714)	(56,714)
Provision for trade receivables (Expected Credit Loss)	(753)	(1,080)	–
Receivables from associates	1,503	973	973
Total Trade receivables	**583,740**	**578,055**	**579,135**

The opening balance adjustment is due to the implementation of IFRS 9, see note 3 for further details.

Of the total gross Trade receivables, less than 5% is subject to a so-called 'paid-when-paid' clause. They are classified as current as Arcadis expects to collect the amounts within one year.

Further information about Arcadis' exposure to credit risk is included below and in note 30.

Ageing of Trade receivables

	2018			2017	
In € thousands	Gross receivables[1]	Provision bad debt	Provision ECL	Gross receivables[1]	Provision bad debt
Not past due	324,533	(2,348)	(302)	297,247	(2,241)
Past due 0 - 30 days	106,072	(1,193)	(60)	109,363	(754)
Past due 31 - 60 days	48,280	(475)	(23)	41,396	(381)
Past due 61 - 120 days	37,481	(1,055)	(37)	39,475	(1,184)
Past due 121 - 364 days	49,566	(7,661)	(78)	53,273	(5,247)
More than 365 days past due	77,503	(47,713)	(253)	94,122	(46,907)
Total	**643,435**	**(60,445)**	**(753)**	**634,876**	**(56,714)**

1 Excluding receivables from associates

The improvement in the trade receivables overdue more than one year is due to strong collections of positions in amongst others the Middle East. Early January 2019 the Company also collected €21 million of Trade receivables for a significant position past due more than 120 days at 31 December 2018.

Individual assessments, in combination with the fact that the actual write-offs of Trade receivables in recent years did not cause us to expect that the provision should be significantly higher, resulted in the conclusion that the provision for bad debt is sufficient to cover for Trade receivables for which there is objective evidence of an impairment.

Provision for Trade receivables

The total provision for Trade receivable includes the Expected Credit Loss for individually non-impaired items due to the implementation of IFRS 9 as of 1 January 2018. To apply the simplified approach Arcadis grouped the Trade receivables by country and the days past due. The expected loss rate is based on the country risk.

In summary, the loss allowance for Trade receivables as at 31 December 2018 was determined as follows:

In € thousands	Current	More than 30 days past due	More than 90 days past due	More than 120 days past due
Expected loss rate[1]	0.08%	0.06%	0.12%	0.46%
Gross carrying amount	427,064	68,993	15,268	71,696
Expected Credit Loss	361	43	18	331

1 Weighted average loss rate for the Group, based on individual positions in countries and the applicable PDs

The remeasurement of Expected Credit Loss, being the difference between the opening and closing balance provision, is recognized in 'Other operational costs' and amounted to €0.3 million. See the table below and note 3 for further details on the opening balance impact.

The total provision for bad debt and Expected Credit Loss developed in 2018 as follows:

In € thousands	
Balance at 31 December 2017	**56,714**
Impact IFRS 9	1,080
Balance at 1 January 2018	**57,794**
Acquisitions/(divestments)	932
Additions charged to profit or loss	25,619
Release of unused amounts	(15,141)
Remeasurement Expected Credit Loss	(327)
Utilizations	(8,672)
Exchange rate differences	993
Balance at 31 December 2018	**61,198**

20 Contract assets and liabilities

When revenue (cost for contract work performed to date plus recognized profits) exceeds the progress billings, the surplus is shown as a Contract asset (unbilled receivables). When progress billings exceed the revenue (cost for contract work performed to date plus recognized profits), the balance is shown as a Contract liability (billing in excess of cost). Recognized loss provisions are separately presented as Contract liability (loss provisions). Contract assets and liabilities are generally also referred to as Work in progress.

Contract assets and liabilities are subject to the Expected Credit Loss (ECL) model. Arcadis applies a simplified approach that uses a lifetime expected loss allowance to recognize losses for possible impairment, in line with the accounting for Expected Credit Loss on Trade receivables. The Expected Credit Loss is recognized in Other operational costs.

For further details on the recognition of Contract assets and liabilities see the revenue accounting policy in note 6.

The balances of Contract assets and Contract liabilities (including loss provisions) are as follows:

	2018			2017		
In € thousands	Contract assets	Contract liabilities	Net position	Contract assets	Contract liabilities	Net position
Cumulative revenue	5,734,783	3,166,842	8,901,625	5,652,622	2,997,587	8,650,209
Loss provisions	–	(115,643)	(115,643)	–	(114,797)	(114,797)
Expected Credit Loss allowance	(93)	–	(93)	–	–	–
Billings to date	(5,189,198)	(3,422,423)	(8,611,621)	(5,087,509)	(3,245,749)	(8,333,258)
Total	**545,492**	**(371,224)**	**174,268**	**565,113**	**(362,959)**	**202,154**

Advances received and retentions held by clients reported as part of Contract assets and liabilities amount to:

In € thousands	2018	2017
Amount of advances received	425	3,605
Amount of retentions held by clients	1,559	1,286

Advances received relate to advanced payments which are received on projects not yet started. Retentions relate to amounts retained by clients which will be paid to the Company after successful completion of the contract. The outstanding retentions recognized as part of the Contract assets and liabilities are expected to be collected within a year; an amount of €1.5 million of retentions have been recognized as 'Other non-current assets' (see note 6).

Expected Credit Loss allowance

An Expected Credit Loss allowance has been recognized for Contract assets. The same loss rates have been applied as on Trade receivables (see note 19), as substantially the same risk characteristics apply for the same type of contracts. In the Company's view this is a reasonable approximation.

The Expected Credit Loss allowance developed in 2018 as follows:

In € thousands	
Balance at 31 December 2017	–
Impact IFRS 9	179
Balance at 1 January 2018	**179**
Remeasurement Expected Credit Loss	(86)
Exchange rate differences	–
Balance at 31 December 2018	**93**

The remeasurement of €0.1 million (income), being the difference between the opening and closing balance allowance, is recognized in 'Other operational costs' and is due to a combination of changes in loss rates and a lower net positions at 31 December 2018.

21 Assets classified as held for sale

In accordance with IFRS 5, non-current assets and disposal groups are classified as 'held for sale' when the following criteria are met:

- Management is committed to a plan to sell;
- The asset is available for immediate sale;
- An active programme to locate a buyer is initiated;
- The sale is highly probable within twelve months of classification as held for sale;
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

Immediately prior to classification as held for sale, the assets or groups of assets are measured at carrying value. Subsequently, assets and disposal groups classified as held for sale are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

Following a portfolio analysis performed it was decided at the end of 2018 to dispose of an Asian business unit (in operating segment Asia Pacific), which is expected to be sold in 2019. The business unit is non-material and included in the Assets held for sale as at 31 December 2018. The fair value less costs to sell is estimated €0.2 million lower than the carrying amount; this loss is recognized in 2018.

Assets held for sale recognized as at 31 December 2017 included the beneficial ownership in the subsidiaries in Brunei and a building in Germany. The sales took place in 2018 and the results are recognized respectfully as a €1.8 million loss (in 2017) and a €1.4 million gain (in 2018) in Other income (see note 7).

22 Other current assets

Other current assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortized cost, using the effective interest method and net of any impairment losses.

In € thousands	2018	2017
Other receivables	26,242	38,960
Prepaid expenses	37,813	40,859
Balance at 31 December	**64,055**	**79,819**

Other receivables are non-trade receivables and include, among others, deposits, claims to be received, interest to be received and short-term loans/prepayments to personnel. Prepaid expenses mainly include prepayments of IT contracts, rent and insurances.

23 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits maturing within three months from the acquisition date, and used by the Company in managing its short-term commitments. For cash flow reporting purposes bank overdrafts are included in Cash and cash equivalents.

Cash and cash equivalents and Bank overdrafts are offset to the extent the offsetting criteria have been met, which include the legally enforceable 'right to set off' and the intention to settle on a net basis.

Cash and cash equivalents at the balance sheet date can be specified as below.

In € thousands	2018	2017
Bank and cash	232,851	250,680
Deposits	7,964	17,262
Balance at 31 December	**240,815**	**267,942**
Bank overdrafts used for cash management purposes	(135)	(1,805)
Cash and cash equivalents less bank overdrafts	**240,680**	**266,137**

The average effective interest rate earned on cash during 2018 was 1.1% (2017: 1.0%). At 31 December 2018, €204.7 million of Cash and cash equivalents was freely available (2017: €157.8 million).

Restricted cash amounting to €36.1 million is mainly composed of cash balances held in China, India and Brazil and some joint venture accounts held globally (2017: €108.5 million, based on the ability to repatriate local cash balances within five working days). Arcadis has control over these balances, however, repatriation may be limited due to local regulatory requirements or restrictions. The cash in Mozambique has been repatriated in 2018.

Due to local legal requirements, in some regions cash balances cannot be included in the global cash pooling structures. In line with industry practice, Arcadis considers cash to be restricted if the Company is unable to repatriate cash within a defined period via either dividends, intercompany loans or settlement of intercompany invoices.

At 31 December 2018, no Cash and cash equivalents and Bank overdrafts have been offset (2017: nil).

24 Equity attributable to equity holders

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and rights to acquire shares are recognized as a deduction of equity, net of any tax effects.

Priority shares and preference shares are classified as equity since these are non-redeemable, or only redeemable at the Company's option. Dividends on these shares are recognized as distributions within equity.

Repurchase of shares
When share capital is repurchased, the consideration paid, including directly attributable costs net of any tax effects, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or reissued, subsequently any amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends
Dividends are recognized as a liability in the period in which they are declared.

In €	Authorized share capital	Issued and paid-up capital
2018		
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,780,306
Cumulative preferred (protective) shares (150,000,000, nominal value €0.02)	3,000,000	–
Cumulative financing preferred shares (30,000,000, nominal value €0.02)	600,000	–
Priority shares (600, nominal value €0.02)	12	12
Total as at 31 December	**6,000,012**	**1,780,318**

The development of the number of shares issued/outstanding during 2018 and 2017 is presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
At 1 January 2017	**84,792,172**	**600**	**1,274,696**	**86,067,468**
Shares issued (stock dividend)	1,340,343	–	–	1,340,343
Repurchased shares	(419,042)	–	419,042	–
Exercised shares and options	749,585	–	(749,585)	–
At 31 December 2017	**86,463,058**	**600**	**944,153**	**87,407,811**
Shares issued (stock dividend)	1,608,094	–	–	1,608,094
Repurchased shares	(580,958)	–	580,958	–
Exercised shares and options	221,133	–	(221,133)	–
At 31 December 2018	**87,711,327**	**600**	**1,303,978**	**89,015,905**
Outstanding shares				
At 31 December 2017	**86,463,058**	**600**	**944,153**	**87,407,811**
At 31 December 2018	**87,711,327**	**600**	**1,303,978**	**89,015,905**

Priority shares

Total number of outstanding priority shares at 31 December 2018 is 600. During 2018, no preferred (protective) shares or financing preference shares were issued or outstanding.

The priority shares have been issued since 1987 and are all held by Stichting Prioriteit Arcadis NV; a foundation with its corporate seat in Arnhem. Special rights under the Articles of Association of Arcadis NV linked to these priority shares concern decision making related to, among others:

- The issuance, acquisition and disposal of shares in the Company;
- Amendments to the Articles of Association;
- The dissolution of the Company and the filing for bankruptcy;
- The entry into or termination of long-term cooperative ventures of substantial significance; and
- Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

Pursuant to the articles of association of the Priority Foundation, the Board of the Stichting Prioriteit Arcadis NV consists of twenty (20) board members (with one vacancy at 31 December 2018): seven (7) members of Arcadis' Supervisory Board, two (2) members of Arcadis' Executive Board, one (1) member of the Executive Leadership Team and ten (10) members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of the Group).

Cumulative Preferred (Protective) Shares

Currently no cumulative preferred (protective) shares have been issued. However, an option agreement to acquire such shares has been entered into between Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') and Arcadis NV under that agreement. The Preferred Stock Foundation has been granted the right to acquire protective shares up to a maximum equal to the number of outstanding shares at the date in question (call option).

The Board of the Preferred Stock Foundation consists of four persons appointed by the Board itself, after prior approval of the Executive Board of Arcadis NV. The Chairman (or another member) of the Supervisory Board and the CEO (or another member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right or the exercise of voting rights on acquired shares.

Cumulative financing preferred shares

Since 2002, the Articles of Association of Arcadis NV include the possibility to issue cumulative financing preferred shares. Currently, no such shares have been issued.

Agreements with shareholders

The Articles of Association of Stichting Lovinklaan stipulate that their Articles of Association cannot be amended without prior approval of Stichting Prioriteit Arcadis NV. In a separate agreement between Stichting Prioriteit Arcadis NV and Stichting Lovinklaan it is stipulated that prior approval of Stichting Prioriteit Arcadis NV is required for any resolution concerning the disposal or transfer of shares in Arcadis NV if, as a result of such resolution the number of shares held by Stichting Lovinklaan will drop below 12,000,000 (number of shares held at 31 December 2018: 15,988,735).

Issuance of shares

The General Meeting decides, with the approval of the Supervisory Board and Stichting Prioriteit Arcadis NV, about the issuance of shares or grant of rights to acquire shares. The General Meeting can also delegate its authority to issue shares, or part thereof, to the Executive Board. As long as any such delegation stands, the General Meeting cannot decide to issue. During 2018, a total of 1,608,094 shares were issued to distribute to those shareholders that opted to receive their dividend in the form of shares (stock dividend) (2017: 1,340,343).

Purchase of shares

As mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit Arcadis NV, the Executive Board may purchase fully paid-up shares in Arcadis NV. The mandate is not needed in case the shares are purchased to be transferred to employees. As a result of its Long-Term Incentive Plan(s) or related arrangements, Arcadis needs to provide shares to persons working for Arcadis. The intention is to minimize dilution by purchasing (a portion of) the shares needed for such Long-Term Incentive Plan(s) (or related arrangements), as opposed to issuing new shares. In 2018, no shares were issued to cover for obligations in relation to the vesting of RSUs or the exercise of options (2017: nil).

The following numbers of shares were repurchased over the past five years:

Year	Number of shares	Price at time of purchase (in €)
2014	1,500,000	25.77 to 28.02
2015	1,500,000	25.16 to 31.15
2016	1,000,000	11.38 to 17.75
2017	419,042	17.42 to 19.91
2018	**580,958**	**16.61 to 20.06**

The repurchased shares are to cover for the vesting/exercise of shares and options granted. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 221,133 has been placed back in the market through the exercise of options in 2018 (2017: 749,585). Net proceeds included in Equity amounted to €2.8 million (2017: €7.6 million).

At 31 December 2018, the number of repurchased shares in stock (treasury stock) amounted to 1,303,978 (2017: 944,153).
The number of outstanding ordinary shares over the past five years developed as follows:

Year	1 January	Issued shares	Repurchased shares	Reissued shares	31 December
2014	73,183,008	8,287,112	(1,500,000)	2,069,474	82,039,594
2015	82,039,594	813,946	(1,500,000)	1,952,611	83,306,151
2016	83,306,151	2,143,932	(1,000,000)	342,089	84,792,172
2017	84,892,172	1,340,343	(419,042)	749,585	86,463,058
2018	**86,463,058**	**1,608,094**	**(580,958)**	**221,133**	**87,711,327**

Share premium

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares or exercise of share options.

Translation reserve

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. In 2018, €6.9 million was added to the Translation reserve (2017: €91.7 million deducted).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In 2018, €0.1 million was added to the Hedging reserve, including a tax effect of €0.1 million (2017: €1.8 million negative and €0.2 million, respectively).

Retained earnings

The Executive Board proposes, with the approval of the Supervisory Board, which part of the profit shall be reserved. The remaining part of the profits shall be at the disposal of the General Meeting of Shareholders and may be distributed as dividend. The holder of the priority shares is entitled to a dividend of 5% of the par value of the priority shares, prior to any dividend distribution being made. On these shares no further distributions shall be made.

Profit allocation

For the fiscal year 2018, the Executive Board, with the approval of the Supervisory Board, proposes to add the full loss for the period to Retained earnings. From the Retained earnings an amount of €41.2 million is proposed as dividend, which represents a dividend of €0.47 per outstanding ordinary share (2017: €0.47). Of the total Retained earnings, an amount of €74.2 million of legal reserves is restricted in distribution (2017: €36.4 million). See note 43 of the Company financial statements for further details.

25 Non-controlling interests

Non-controlling interests represent the net assets which are not held by the Company and are presented within total equity in the Consolidated balance sheet as a separate category. Profit or loss and each component of Other comprehensive income are attributed to the equity holders and to the non-controlling interests.

The movements in non-controlling interests are specified below.

In € thousands	2018	2017
Balance at 1 January	**2,691**	**2,647**
Share in profit for the year	953	1,062
Dividends to non-controlling shareholders	(560)	(970)
Acquisitions/(divestments)	(806)	–
Exchange rate differences	(79)	(48)
Balance at 31 December	**2,199**	**2,691**

At 31 December 2018, the non-controlling interests mainly consist of:

- Arcadis and Towell Sdn. Bhd. (25%) (2017: 25%)
- Hyder Middle East Limited International Company (30%) (2017: 30%)
- Hyder & Solaiman Elkhereiji Engineering Consultants (30%) (2017: 30%)
- Gerenciamento Nacala Ltda (40%) (2017: 40%)
- Arcadis CED Project Service Bureau BV (45%) (2017: 45%)

26 Provisions for employee benefits

The majority of the pension plans of the Group qualify as defined contribution pension plans. However, the Group also operates a number of defined benefit pension plans.

Defined contribution pension plans

For defined contribution pension plans, the Group pays fixed contributions into a separate entity, which are charged to profit or loss in the period during which services are provided by employees. The Group's legal or constructive obligation is limited to the contributions paid into the plans. Prepaid contributions are recognized as an asset to the extent that Arcadis has the unconditional right to cash refunds or reduction in future payments.

Defined benefit pension plans

Some of the pension plans qualify as defined benefit pension plans. For these plans, the costs are recognized as personnel costs and financing costs in profit or loss. The amount charged to personnel costs is the cost of accruing pension benefits promised to employees over the year, plus the costs of individual events such as past service benefit changes, settlements and curtailments (such events are recognized immediately in profit or loss).

The amount charged to financing costs is the net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Any differences between the expected interest on assets and the return actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the plans, are recognized immediately in profit or loss.

The majority of the defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. These plans are subject to regular actuarial review by external actuaries, using the projected unit credit method.

The defined benefit pension plan on the balance sheet comprises the present value of the defined benefit pension obligation and the fair value of plan assets. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds (or suitable alternative where there is no active corporate bond market) that are denominated in the currency in which the benefits will be paid, and with maturity dates approximating to the terms of the related pension obligations.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in profit or loss.

The table below provides a summary of the total provision for employee benefits at the balance sheet date.

In € thousands	Asset side	Liability side	**Total 2018**
Defined benefit pension plans	2,040	34,789	32,749
Other deferred compensation plans	–	17,288	17,288
Total provisions for employee benefits	**2,040**	**52,077**	**50,037**
Non-current	2,040	45,848	43,808
Current	–	6,229	6,229
Total	**2,040**	**52,077**	**50,037**

In € thousands	Asset side	Liability side	Total 2017
Defined benefit pension plans	1,754	39,586	37,832
Other deferred compensation plans	–	17,465	17,465
Total provisions for employee benefits	**1,754**	**57,051**	**55,297**
Non-current	1,754	50,896	49,142
Current	–	6,155	6,155
Total	**1,754**	**57,051**	**55,297**

Pension costs recognized in profit or loss

The total pension costs recognized in 2018 and 2017 were as follows:

In € thousands	**2018**	2017
Total defined benefit pension plans	9,660	2,222
Total defined contribution pension plans and other deferred compensation plans	58,857	69,396
Total pension costs	**68,517**	**71,618**

The pension expenses of defined benefit and defined contribution pension plans are recognized in the following line items in the Consolidated income statement:

In € thousands	**2018**	2017
Personnel costs	68,312	71,171
Finance expenses	205	447
Total pension costs	**68,517**	**71,618**

The pension costs include a one-off impact for defined benefit plans in the UK, following the judgment in a GMP equalization case end of October 2018 that states that pension scheme trustees are obliged to adjust the excess payable under schemes in order that the total benefits received by male and female members with equivalent age, service and earnings histories are equal. The impact on the EC Harris Group Pension Scheme and Acer Group pension scheme is estimated at €4.2 million, which is recognized as an expense in 'Personnel costs' in 2018.

Defined benefit pension plans

Description of plans

The defined benefit pension plans of the Group are either career average, final salary or hybrid plans. In addition, there is a termination indemnity plan for Arcadis Middle East, which pays out a single lump sum at exit (regardless of age, service or reason for exit).

The two main defined benefit pension plans are in the UK, being the 'EC Harris Group Pension Scheme' and the 'Acer Group Pension Scheme' (formerly Hyder), which account for approximately 7% of the total defined benefit liability (2017: 16%). The remaining liability is due to the termination indemnity plan in Arcadis Middle East (formerly Hyder) (40% of the total defined benefit liability as at 31 December 2018) and other individually immaterial defined benefit pension plans within the Group (53% of the total defined benefit liability as at 31 December 2018).

The EC Harris Group Pension Scheme has been closed for future accruals since 31 January 2011, whereas the Acer Group Pension Scheme was closed for future accruals since 30 April 2011. Both plans are funded plans. The other defined benefit pensions plans are mainly active and funded plans.

Governance

The majority of the defined benefit pension plans are established as independent foundations or similar entities, with operations governed by local regulations and practice in each country. Boards of Trustees, which consist of employer and employee representatives, are generally required to act on behalf of the plan's stakeholders and perform periodic reviews on the solvency of the funds in accordance with local laws and regulations. They are responsible for administering the plan assets and for defining the investment strategy.

Investment strategy

The investment strategy of the Group in respect of the funded plans is implemented within the framework of the various local requirements of the countries where the plans are based. The objective is to control the risks and maintain an appropriate balance between the risks and the long-term returns. Therefore, the investments are well diversified and managed within the asset-liability matching (ALM) frameworks of the funds. Within these frameworks the objective is to match assets to the pensions obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Specification defined benefit pension plans

The table below provides a summary of the classification of the defined benefit pension plans at 31 December.

In € thousands	2018			2017		
	Present value of obligation	Fair value of plan assets	**Total**	Present value of obligation	Fair value of plan assets	**Total**
EC Harris Group Pension Scheme (ECH)	96,945	98,985	(2,040)	103,859	105,613	(1,754)
Acer Group Pension Scheme (AGPS)	212,447	208,249	4,198	227,377	219,648	7,729
ME Termination Indemnity Plan (HME)	13,013	–	13,013	12,421	–	12,421
Other defined benefit pension plans			17,578			19,436
Total defined benefit pension plans			**32,749**			**37,832**

The movement in the defined benefit pension plans is as follows:

In € thousands	2018	2017
Balance at 1 January	**37,832**	**50,397**
Acquisitions	–	–
Additions	8,650	5,132
Amounts used	(1,032)	(875)
Pension plan changes to net asset position	(13,711)	(13,465)
Exchange rate differences	1,010	(3,357)
Balance at 31 December	**32,749**	**37,832**
Non-current	32,722	37,754
Current	27	78
Total	**32,749**	**37,832**

The table on the next page provides a summary of the changes in the defined benefit obligations and the fair value of the plan assets for the UK (A and B), Arcadis Middle East (C) and the other defined benefit pension plans (D). It also provides a reconciliation of the funded status of the plans to the amounts recognized in the Consolidated balance sheet.

In € thousands	ECH	AGPS	AME	Other	**Total**
Balance at 1 January 2017	**3,309**	**15,147**	**14,006**	**17,935**	**50,397**
Current service cost	36	–	2,218		
Interest expense/(income)	47	381	349		
Subtotal	**83**	**381**	**2,567**	**2,947**	**5,978**
Remeasurements:					
Return on plan assets excluding amounts included in interest expense/(income)	(1,402)	(7,411)	–		
(Gain)/loss from change in financial assumptions	5,376	11,074	(130)		
(Gain)/loss from change in demographic assumptions	(4,731)	(9,377)	–		
Experience (gain)/loss	(1,206)	799	744		
Total remeasurement	**(1,963)**	**(4,915)**	**614**	**1,721**	**(4,543)**
Exchange rate differences	(61)	(504)	(1,251)	(1,542)	(3,358)
Contributions by employer	(3,122)	(2,380)	–	(4,266)	(9,768)
Benefit payments from plans	–	–	(3,515)	2,641	(874)
Balance at 31 December 2017	**(1,754)**	**7,729**	**12,421**	**19,436**	**37,832**
Current service cost	31	–	2,156		
Interest expense/(income)	(70)	167	331		
One-off equalization cost	565	3,677	–		
Subtotal	**526**	**3,844**	**2,487**	**2,873**	**9,730**
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/(income)	5,976	9,392	–		
(Gain)/loss from change in financial assumptions	(7,200)	(14,858)	401		
(Gain)/loss from change in demographic assumptions	1,818	(947)	94		
Experience (gain)/loss	621	1,566	934		
Total remeasurement	**1,215**	**(4,847)**	**1,429**	**(3,590)**	**(5,793)**
Exchange rate differences	23	(32)	333	687	1,011
Contributions by employer	(2,050)	(2,496)	–	(4,453)	(8,999)
Benefit payments from plans	–	–	(3,657)	2,625	(1,032)
Balance at 31 December 2018	**(2,040)**	**4,198**	**13,013**	**17,578**	**32,749**

(A) EC Harris group pension scheme (ECH)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands/%	2018	%	2017	%
Equities	10,662	11	7,295	7
Fixed income	64,275	65	61,163	58
Property and real estate	6,022	6	5,389	5
Hedge funds	–	–	16,053	15
Cash	6,606	7	4,890	5
Other	11,420	11	10,823	10
Total at 31 December	**98,985**	**100**	**105,613**	**100**

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2018	2017
Discount rate	2.90	2.55
Pension revaluation in deferment	2.50	2.55
Pension increases	2.50 - 3.60	2.50 - 3.65
Retail price index inflation	3.50	3.55
Consumer price index inflation	2.50	2.55

The discount rate is based on yields on UK AA-rated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of twenty years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2018	2017
Male/female currently aged 65	22.3 / 24.3	22.4 / 24.4
Male/female reaching age of 65 in 20 years	24.0 / 26.1	24.2 / 26.2

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in the mortality assumptions.

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	8,900
Rate of inflation	0.5%	4,500
Life expectancy	one-year increase	3,800

The sensitivity analysis as disclosed in the 2017 financial statements was as follows:

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	10,700
Rate of inflation	0.5%	5,100
Life expectancy	one-year increase	4,500

Defined benefit liability and employer contributions

The Company expects €1.6 million in contributions to be paid to the plan in 2019. The estimated net pension costs to be recognized in the Consolidated income statement in 2019 amounts to €51,000 positive. An amount of €81,000 relates to net interest charges (credit) and €30,000 to service costs/operating charges. The estimated weighted average duration of the defined benefit obligation is around 18 years.

(B) Acer Group Pension Scheme (AGPS)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands/%	2018	%	2017	%
Equities	50,828	24	70,632	32
Fixed income	65,453	32	70,773	32
Property and real estate	6,926	3	6,781	3
Hedge funds	69,763	34	65,172	30
Cash	15,279	7	6,290	3
Total at 31 December	**208,249**	**100**	**219,648**	**100**

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2018	2017
Discount rate	2.90	2.55
Pension increases	2.20 - 3.30	2.20 - 3.35
Retail price index inflation	3.50	3.55
Consumer price index inflation	2.50	2.55

The discount rate is based on yields on UK AA-rated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of 18 years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy underlying the values of the liabilities in the defined benefit plans are as follows:

In years	2018	2017
Male/female currently aged 65	22.4 / 24.4	22.5 / 24.5
Male/female reaching age of 65 in 20 years	24.1 / 26.2	24.3 / 26.3

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to, amongst others, the discount rate, rate of inflation and changes in life expectancy. In 2018, the sensitivity analysis was as follows:

In %/€ thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	18,900
Rate of inflation	0.5%	11,100
Life expectancy	one-year increase	7,800

The sensitivity analysis as disclosed in the 2017 financial statements was as follows:

In %/€ thousands	% change in assumptions	Change in pension liability
Discount rate	0.5%	22,500
Rate of inflation	0.5%	12,400
Life expectancy	one-year increase	9,000

Defined benefit liability and employer contributions

The Group has agreed that it will aim to eliminate any pension plan deficit within the next ten years. Therefore, funding levels are monitored on an annual basis.

The Company expects €2.2 million in contributions to be paid to the plan in 2019. The estimated net pension costs to be recognized in the Consolidated income statement in 2019 amounts to €0.1 million net interest costs and nil service costs/operating charges. The estimated weighted average duration of the defined benefit obligation is around 18 years.

(C) Arcadis ME End of service benefits (AME)

Plan assets

There is no local regulation that requires a level of funding of the plan, therefore no assets have been set aside to fund these arrangements.

Actuarial assumptions

The principal actuarial assumptions at the reporting date are:

In %	2018	2017
Discount rate	3.80	3.25
Salary increases (expected, per annum)	3.50	2.00

As there is no deep market in corporate bonds within the Gulf Cooperation Council (GCC) region and the limited number of government bonds available do not provide an adequate reference, the discount rate is based on the US AA-rated corporate bond market as a proxy. The payments have an average duration of four years.

Demographic assumptions for mortality, withdrawal, and retirement are used in determining the liability. Because of the nature of the benefit, which is a lump sum payable on exit due to any cause, a combined single decrement rate has been used. The retirement age used for the actuarial valuations is as follows:

In years	2018	2017
Male/female Saudi Arabia	60 / 55	60 / 55
Male/female other countries	65 / 65	65 / 65

Sensitivity analysis

The calculation of the liability of AME is sensitive to the discount rate and salary increases. In 2018, the sensitivity analysis was as follows:

In %/€ thousands	% change in assumptions	Change in liability
Discount rate	0.5%	400
Salary increases	0.5%	400

The sensitivity analysis as disclosed in the 2017 financial statements was as follows:

In %/€ thousands	% change in assumptions	Change in liability
Discount rate	0.5%	1,500
Salary increases	0.5%	1,500

Defined benefit liability and employer contributions

The Company expects €2.1 million of service costs and €0.5 million of interest costs to be recognized in the Consolidated income statement in 2019. The estimated weighted average duration of the defined benefit obligation is around four years.

(D) Other defined benefit pension plans

The other defined benefit pension plans are individually immaterial and mainly relate to France, Germany and the UK. No detailed disclosures for these individual plans are provided. For the movement in the balance sheet position of these other defined benefit pension plans in total we refer to the table on the right.

Other deferred compensation plans

The other deferred compensation plans consist of the following balances:

In € thousands	2018	2017
Deferred salaries	10,988	13,600
Future jubilee payments	2,600	2,160
Other	3,700	3,676
Balance at 31 December	**17,288**	**19,436**

The movement in the other deferred compensation is as follows:

In € thousands	2018	2017
Balance at 1 January	**19,436**	**22,772**
Acquisitions	–	(15)
Additions	672	162
Amounts used/released	(2,960)	(1,375)
Exchange rate differences	140	(2,108)
Balance at 31 December	**17,288**	**19,436**
Non-current	11,086	13,359
Current	6,202	6,077
Total	**17,288**	**19,436**

Deferred salaries

The deferred salaries mainly include a plan for deferred compensation of our operating company in the United States. Management of this operating company can elect not to have its salary paid out, but rather invested in a fund by the Company, and is offered a choice of three different portfolio types: risk averse, neutral and risky. The risk is the responsibility of the participants. The related assets are included in note 18 for an amount of €11.0 million (2017: €13.6 million).

Future jubilee payments

An amount of €2.6 million is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels (2017: €2.1 million).

Other

Other deferred compensation includes €3.6 million of long service leave provisions in Australia, where employees are entitled to long service leave after a certain number of years of continuous service. The time allowance and conditions of entitlement are set out in legislation, and vary by territory. An amount of €2.7 million is expected to be paid within one year after the balance sheet date (2017: €2.7 million).

27 Provisions for other liabilities and charges

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at net present value, taking into account the timing of the cash outflows. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance expense (see note 10).

The amounts recognized as provisions reflect management's best estimate of the expenditures required to settle the present obligations at the balance sheet date or to transfer it to a third party at that time.

In € thousands	Restructuring	Litigation	Other	**Total**
Balance at 1 January 2017	**6,657**	**28,071**	**9,407**	**44,135**
Acquisitions/(disposals)	(56)	–	142	86
Additions	8,067	3,970	2,625	14,662
Amounts used	(10,715)	(2,891)	(1,304)	(14,910)
Release of unused amounts	(553)	(3,965)	(2,731)	(7,249)
Reclassifications	877	–	(387)	490
Exchange rate differences	(42)	(1,269)	(329)	(1,640)
Balance at 31 December 2017	**4,235**	**23,916**	**7,423**	**35,574**
Acquisitions/(disposals)	(21)	148	6	133
Additions	8,843	3,853	2,058	14,754
Amounts used	(7,703)	(747)	(628)	(9,078)
Release of unused amounts	(404)	(9,750)	(1,110)	(11,264)
Reclassifications	(40)	(242)	1,095	813
Exchange rate differences	43	(279)	(227)	(463)
Balance at 31 December 2018	**4,953**	**16,899**	**8,617**	**30,469**
Non-current	1,524	12,821	7,398	21,743
Current	3,429	4,078	1,219	8,726
Total	**4,953**	**16,899**	**8,617**	**30,469**

Restructuring

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in Continental Europe. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated, and its intended execution has been announced. Existing plans currently include reduction of staff capacity in certain parts of the Company that are expected to be executed in the coming year.

Litigation

Clients of Arcadis sometimes claim, justified or not, that they are not satisfied with the services provided by the Company. While the outcome of these claims cannot be predicted with certainty, management believes that, based on (external) advisors and information received, the provisions of €16.9 million (2017: €23.9 million) are the best estimate of the potential financial risk and whether or not that risk is covered by the insurance policies. These insurance policies include a global professional liability insurance and in addition, local insurance in a number of countries. In general, these insurance policies have a self-insured retention and a maximum pay-out level.

Outstanding litigation (including the provisions, defense costs and reimbursement coverage) is reviewed periodically and revisions are made when necessary. Since the outcome cannot be predicted with certainty and settlement of claims could take several years, final settlement could differ from this best estimate.

The movement in the litigation provision in 2018 includes a release of €5.7 million of acquisition-related claims (€4.8 million net of tax) (2017: nil). The remainder relates to various individually non-material claims.

Further information ordinarily required by IAS 37 has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Other

The category other provisions mainly relates to provisions for warranties and onerous rental contracts. The provisions are based on the obligation that the Company has with counterparties involved and the estimated cash out flows. No individual items within the other provisions are material and the Company expects that the other provisions will be substantively used within one to five years.

In 2018, a reclassification has made for a dilapidation provision to Property, plant and equipment.

28 Loans and borrowings

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and repayments over time is charged to profit or loss over the duration of the debts. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities.

Debt securities and issued and subordinated liabilities are recognized on the date they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts and trade and other payables. Initially these liabilities are recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at that reporting date.

Loans and borrowings at 31 December are as follows:

In € thousands	Interest rates between	2018	2017
Bank loans	1.3% - 5.0%	202,163	194,427
Loan notes issued to financial institutions	1.7% - 5.1%	380,793	445,841
Financial lease contracts	3.0% - 4.0%	100	85
Other long-term debt[1]	3.0% - 6.9%	5,168	7,262
Short-term borrowings	1.0% - 5.0%	–	41,080
Total loans and borrowings		**588,224**	**688,695**
Current[2]		202,163	214,266
Non-current		386,061	474,429
Total		**588,224**	**688,695**

1 Including retentions and expected after-payments not due within one year, amounting to €5.2 million (2017: €6.5 million)
2 Excluding after-payments for acquisitions, see note 5

The movement in non-current loans and borrowings is as follows:

In € thousands	2018	2017
Balance at 1 January	**474,429**	**700,464**
New debt	110	266
Accrued interest	239	226
Redemptions	(3,779)	(454)
From non-current to current liabilities	(3,620)	–
Acquisitions (deferred consideration)	3,900	5,140
From long-term to current position other long-term	(97,468)	(184,632)
Exchange rate differences	12,250	(46,581)
Balance at 31 December	**386,061**	**474,429**

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2018	2017
2019	–	104,180
2020	133,385	127,874
2021	97,907	91,608
2022	114,793	110,790
2023	39,976	39,977
After 2023	–	–
Balance at 31 December	**386,061**	**474,429**

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	2018	2017
Balance at 1 January	**214,266**	**55,279**
New debt	230,000	200,000
Redemptions	(347,345)	(213,513)
Acquisitions (deferred consideration)	–	20
From long-term to current position other long-term	97,468	183,701
Exchange rate differences	7,774	(11,221)
Balance at 31 December	**202,163**	**214,266**

Interest rates

The interest rate ranges for the total loans and borrowings are as follows:

In %	2018	2017
0% - 4%	255,784	519,101
4% - 7%	332,440	169,594
Balance at 31 December	**588,224**	**688,695**
Weighted average interest rate[1]	3.8%	3.2%

[1] On interest-bearing debt (including the interest effect of swaps

Fair value

The fair value of the Company's loans and borrowings has been estimated based on quoted market prices for the same or similar loans or on the current rates offered to the Company for debt with similar maturities, and is estimated at €587.4 million (2017: €648.6 million).

Bank loans (Term loans)

At 31 December 2018 the long-term bank loans (Term loans) became nil, as the amount of €202.2 million (2017: €214.2 million) is maturing in 2019 and therefore presented as short-term. End of January 2019 it has been refinanced, see note 30 and 33.

The long-term debt includes US$110.0 million in fixed rate 5.1% US Private Placement Notes with a maturity in 2021 and Schuldschein debt consisting of €210.0 million and US$83 million fixed notes maturing in 2020, 2022 and 2023.

At 31 December 2018, €81.5 million of floating rate bank debt has been converted by way of interest rate swap into EUR fixed rate debt, at a rate of approximately 0.5%. The weighted average remaining lifetime of the swap is 2.2 years. See note 17 for further disclosures on derivatives.

The €300 million Revolving Credit facility matures in December 2022. No changes were made to this loan facility and the debt covenants remain unchanged and consistent with all other debt components.

Debt covenants

The debt covenant for the above mentioned long-term debt facilities states that the average net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to the group of banks twice a year. At 31 December 2018, the average net debt to EBITDA ratio calculated in accordance with agreements with the banks is 2.0 (2017: 2.3), see also note 30.

With effect from 31 December 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense (Net Finance Expense plus Operating Lease Expense) must exceed 1.75. At 31 December 2018, this ratio calculated in accordance with agreements with lenders is 2.6 (2017: 2.4).

Credit facilities

The total short-term credit facilities amount to €438.5 million, which include all uncommitted loans and bank guarantee facilities with financial institutions of which €177.5 million has been used as at 31 December 2018 (2017: €429.6 million and €204.1 million respectively).

The Company has short-term uncommitted debt facilities of €121.8 million with relationship banks and two bank guarantee facilities totaling €61.6 million (2017: €120.8 million and €52.8 million respectively). These short-term facilities are used for the financing of working capital and general corporate purposes of the Company.

By the end of the year 2018, the total amount of bank guarantees and letters of credit that were outstanding under the €61.6 million guarantee facilities amounted to €31.5 million (2017: €34.5 million). Additionally, there were other outstanding guarantees and letters of credit amounting to €143.0 million (2017: €167.1million).

29 Accounts payable, accrued expenses and other current liabilities

Other current liabilities are non-derivative financial liabilities, which are initially recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

In € thousands	Note	2018	2017
Accounts payable		235,545	237,190
Accrued expenses		40,698	34,271
Payables to employees		140,311	126,282
Taxes and social security contributions		81,311	69,539
After-payments relating to acquisitions	5	3,456	1,499
Payables to associates		639	535
Provision for Expected Credit Loss on corporate guarantees	15	27,834	–
Other liabilities		79,463	83,655
Balance at 31 December		**609,257**	**552,971**

Of the total accounts payable approximately 50% is subject to a so-called 'paid-when-paid' clause. The expectation is that all accounts payable will be paid within the normal course of business and are therefore classified as short-term liabilities. Further information about Arcadis' exposure to liquidity risk is included in note 30.

For further details on the provision for Expected Credit Loss on corporate guarantees see note 15. The opening balance adjustment due to IFRS 9 amounted to €4.8 million (see note 3), and the remeasurement of €23.0 million is recognized in 'Expected Credit Loss on corporate guarantees' (see note 15).

Other liabilities include various accrued liabilities, such as to be paid occupancy costs, insurance costs and interest costs.

30 Capital and financial risk management

Arcadis' activities expose the Company to a variety of financial risks, including (A) credit risks, (B) liquidity risks, and (C) market risks.

These risks are inherent to the way the Company operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by Arcadis Corporate Treasury, in line with the guiding principles of the Treasury Policy, as approved by the Executive Board.

Arcadis' Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and the Arcadis control framework. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(A) Credit risks

Credit risk arises from receivables from customers as well as cash balances and fair values of derivatives with financial counterparties (e.g. banks). The credit risk on customers is influenced mainly by the individual characteristics of each customer. Arcadis usually invoices clients for services according to the progress of the work. If clients refuse or are unable to meet their contractual payment obligations, the Company may not have sufficient cash to satisfy its liabilities and its growth and continued operations could be adversely impacted.

The key objective of the Company's counterparty credit risk management is to minimize the risk of losses as a result of failure of an individual counterparty that could negatively impact the Company's results. Arcadis aims to centralize cash balances with banks that have also provided committed credit facilities to the Company in order to reduce counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity and at group level. Normally Arcadis only deals with counterparties that have a sufficiently strong credit rating. Where possible, Arcadis uses credit ratings provided by external credit rating agencies, thus monitoring creditworthiness in order to reduce the related credit risk. Furthermore, Arcadis strongly focuses on clients by strengthening the commercial relationship. Through systematic account management we aim to build long-term relationships with selected multinational and key national/local clients. We already have a relationship with the majority of our multinational clients for more than five years. New customers are analyzed individually for creditworthiness before services are offered.

The carrying amount of financial assets represents the maximum credit exposure. At balance sheet date, the maximum exposure to credit risk was:

In € thousands	Note	2018	2017
Financial assets:			
Trade receivables	3, 19	583,740	579,135
Contract assets (unbilled receivables)	3, 20	545,492	565,113
Other receivables	22	26,242	38,960
Other non-current assets	18	26,548	28,921
Derivatives	17	11,695	6,088
Loans to associates and joint ventures	15	–	27,442
		1,193,717	**1,245,659**
Cash and cash equivalents less bank overdrafts	23	240,680	266,137
Total		**1,434,397**	**1,511,796**

Trade receivables

Trade receivables are presented net of a provision for expected credit losses. The credit risk is measured and analyzed on a local level at regular intervals, taking into consideration, amongst others, the financial situation of the debtor and ageing of receivables. Expected losses are determined in line with IFRS 9, see note 19.

The ageing of Trade receivables and the provision for Trade receivables at reporting date is disclosed below and in note 19. The ageing of receivables has led to the recognition of (expected) credit losses and calibration of assumptions as included in the Goodwill impairment test.

The movement schedule for the provision for Trade receivables is included in note 19.

	2018			2017	
In € thousands	Gross receivables[1]	Provision bad debt	Provision ECL	Gross receivables[1]	Provision bad debt
Not past due	324,533	(2,348)	(302)	297,247	(2,241)
Past due 0 - 30 days	106,072	(1,193)	(60)	109,363	(754)
Past due 31 - 60 days	48,280	(475)	(23)	41,396	(381)
Past due 61 - 120 days	37,481	(1,055)	(37)	39,475	(1,184)
Past due 121 - 364 days	49,566	(7,661)	(78)	53,273	(5,247)
More than 365 days past due	77,503	(47,713)	(253)	94,122	(46,907)
Total	**643,435**	**(60,445)**	**(753)**	**634,876**	**(56,714)**

[1] Excluding receivables from associates

There are various reasons for delays in payments that result in past due amounts and impact Days Sales Outstanding (DSO). Arcadis has overdue receivables which are generally considered collectible and for which the risk of impairment is remote. Especially for our larger projects the following areas are addressed in our ongoing Working Capital program as part of the Arcadis Way:

- Customers may uphold payments that are due in accordance with invoicing timing schedules until a further milestone in a project is reached, thereby not formally adhering to agreed payment schedules but not disputing the invoice.
- Receivables on larger projects often consist of multiple elements of which individual minor items may be disputed, require further clarification or documentation and that upholds the payment of the total invoiced amount.
- As business practice, or as part of our contracts, it is common that when Arcadis is a sub-contractor, we only get paid when our customers get paid by the ultimate client - the so called 'paid-when-paid principle'.

Amounts due at 31 December 2018 subject to the 'paid-when-paid principle' are disclosed in note 19. Further details on how Arcadis uses this principle to manage working capital is disclosed in the section on liquidity risk.

Other receivables and non-current assets

Other receivables and Other non-current assets are monitored for expected credit losses. They do not contain impaired assets and are not past due.

Loans to associates and joint ventures

Loans to associates and joint ventures are subject to credit risk. A significant loss has been recognized in 2018 on the loans to Arcadis Logos Energia S.A. (ALEN), see note 15 for further details.

Cash and cash equivalents

The credit risk of Cash and cash equivalents is the risk that counter parties are not able to repay amounts owed to Arcadis upon request of Arcadis. The objective of the Company is to minimize credit risk exposure in Cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings and good reputation. The related risk is monitored on an ongoing basis both at local entity and corporate level. The Company keeps approximately 82% (2017: 78%) of its cash reserves at our core banks and only invests in liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations in the short-term.

Guarantees and letters

The Company provided bank guarantees and letters of credit amounting to €174.5 million outstanding as at 31 December 2018 (2017: €201.6 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €234.9 million (2017: €197.4 million) to support local financing facilities. For an overview of all off-balance sheet commitments, including guarantees, see note 31.

See note 15 for further details on the guarantees provided by Arcadis to the lenders of Arcadis Logos Energia S.A. (ALEN) and the related Expected Credit Loss. No Expected Credit Loss is recognized on other guarantees.

(B) Liquidity risks

Liquidity risk is the risk that Arcadis will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable Arcadis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Arcadis. Our Treasury Policy supports this principle by stating that the Company aims to have no more than 33% of total fixed debt to be refinanced in any one year.

Neither the aged (un)billed receivables of individual customers, nor the profile customer receivable portfolio of CGUs, impose a significant threat to the Company's liquidity planning.

Over the course of the year, considerable fluctuations occurred in the working capital needed to finance operations. The Company strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy (lease-adjusted) interest coverage and net debt to EBITDA ratio.

To manage working capital, but only if legally allowed and commercially possible, Arcadis agrees with part of its sub-contractors so-called 'paid-when-paid' clauses. This means that Arcadis is in such instances better able to match the cash inflows from debtors with the cash outflows to suppliers, as the timing of the payment of the supplier is dependent on the collection of our receivable on a client. This could however be impacted by contractual clauses and/or local laws and regulations that limit the maximum extension of payment to a moment before Arcadis gets paid by its client. In case of non-payment by the debtor Arcadis still has to fulfil its obligations towards the supplier under a 'paid-when-paid' clause. Accounts payable at 31 December 2018 subject to the 'paid-when-paid principle' are disclosed in note 29. The expectation is that all accounts payable will be paid within the normal course of business and are therefore classified as short-term liabilities.

Lines of credit

The Company maintains the lines of credit as summarized in the table below.

In millions		31 December 2018		31 December 2017	
Type	Interest/fees	Available	Utilized	Available	Utilized
Term loan	US$LIBOR	US$202.5	US$202.5	US$202.5	US$202.5
Term loan	EURIBOR	€24.5	€24.5	€24.5	€24.5
Revolving Credit Facility	EURIBOR	€300.0	€0.0	€300.0	€40.0
Committed facilities	EURIBOR	€35.0	€0.0	€35.0	€0.0
Uncommitted multi-currency facilities	Floating	€121.8	€0.0	€120.8	€0.0
US Private Placement notes	5.1%	US$110.0	US$110.0	US$110.0	US$110.0
US Private Placement notes	5.0%	–	–	US$90.0	US$90.0
Schuldschein notes	Fixed/floating	€210.0	€210.0	€210.0	€210.0
Schuldschein notes	Fixed/floating	US$83.0	US$83.0	US$83.0	US$83.0
Guarantee facility	0.3% - 0.65%	€61.6	€31.5	€50.0	€31.6
Other (loans)	Various	€77.6	€3.1	€61.1	€2.5
Other (loans and guarantees)	Various	€177.5	€143.0	€197.6	€169.9

An amount of US$202.5 million and €24.5 million of committed Term Loans were to mature in June and September 2019. The process to refinance this debt has been finalized end of January 2019 by signing a new credit facility agreement for the following:

- US$87.5 million Term Loan with a maturity in 2024
- €24.5 million Term Loan with a maturity in 2024
- US$115 million Revolving Credit Facility (RCF) with a maturity in 2024 (with two one-year extension options)

Contractual obligations

The following tables describe our commitments and contractual obligations for the following five years and thereafter. The other long-term debt obligations are our cash debt service obligations. Operating lease obligations are the non-cancellable future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year at 31 December 2018, together with any further terms for which Arcadis has the option to continue to lease the asset, with or without further payment, it is reasonably certain that the Arcadis will exercise the option.

No collateral has been pledged for liabilities or contingent liabilities.

In € thousands	**Total**	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual obligations at 31 December 2018:					
Operating lease obligations	356,180	82,367	127,175	68,135	78,503
Capital (finance) lease obligations	–	–	–	–	–
Guarantees on behalf of associates	87,137	87,137	–	–	–
Foreign exchange contracts:					
Outflow	1,002,797	1,002,797	–	–	–
Inflow	(1,005,722)	(1,005,722)	–	–	–
Interest rate swaps:					
Outflow	1,060	396	548	116	–
Inflow	(529)	(222)	(259)	(48)	–
Cross Currency swaps:					
Outflow	53,852	1,864	3,708	48,280	–
Inflow	(45,118)	(1,029)	(2,042)	(42,047)	–
Deferred consideration	8,624	3,456	5,168		–
Interest	33,163	16,736	15,929	1,673	(1,175)
Other long-term liabilities	582,954	202,163	226,703	154,088	
Short-term bank debt	–	–	–	–	–
Accounts payable	235,545	235,545	–	–	–
Total	**1,309,943**	**625,488**	**376,930**	**230,197**	**77,328**
Contractual obligations at 31 December 2017:					
Operating lease obligations	332,910	93,048	142,744	67,014	30,104
Capital (finance) lease obligations	9	9	–	–	–
Guarantees on behalf of associates	84,002	84,002	–	–	–
Foreign exchange contracts:					
Outflow	724,281	724,281	–	–	–
Inflow	(724,102)	(724,102)	–	–	–
Interest rate swaps:					
Outflow	1,456	396	712	348	–
Inflow	(770)	(227)	(392)	(151)	–
Cross Currency swaps:					
Outflow	55,661	1,814	3,713	3,708	46,426
Inflow	(46,142)	(1,024)	(2,047)	(2,047)	(41,024)
Deferred consideration	7,820	6,987	833	–	–
Interest	45,732	17,786	21,762	6,335	(151)
Other long-term liabilities	641,079	173,177	225,592	202,398	39,912
Short-term bank debt	41,080	41,080	–	–	–
Accounts payable	237,190	237,190	–	–	–
Total	**1,400,206**	**654,417**	**392,917**	**277,605**	**75,267**

(C) Market risks

Market risk includes currency risk (C1) and interest rate risk (C2) and comprises the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Arcadis' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(C1) Currency risk

The key objective of the Company's foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by Corporate Treasury to reduce and limit the adverse effects of exchange rate changes on the Company's profitability.

Trade and financing transactions in non-functional currencies

The subsidiaries of Arcadis mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances however, invoices are in the functional currency of the counter party, which results in a currency exposure for the subsidiary. The exposure to foreign exchange risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the company enters into forward foreign exchange contracts in order to hedge these transaction risks.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the euro and US dollar.

The Company has an exposure to positions in the Consolidated balance sheet in foreign currencies which are different than respective functional currencies of the subsidiaries. For the main currencies the following positions per currency (translated in euros) were included in the Consolidated balance sheet.

In € thousands	in EUR	in US$	in GBP	in CNY	in BRL	in AED
At 31 December 2018						
Trade receivables	3,576	36,789	2,654	1,620	–	1,460
Cash and cash equivalents	1,923	30,138	1,151	1,639	–	–
Derivatives	24,453	111,881	69,641	(5,208)	(3,984)	(28,035)
Loans and borrowings	(24,453)	(108,309)	(67,486)	3,078	4,033	30,945
Accounts payable	(1,876)	(20,215)	(2,561)	(211)	–	–
Balance exposure	**3,623**	**50,284**	**3,399**	**918**	**49**	**4,370**
At 31 December 2017						
Trade receivables	9,887	32,355	976	–	5,962	1,957
Cash and cash equivalents	5,220	26,327	1,963	–	2,272	(1,494)
Derivatives	24,453	116,455	30,520	(21,997)	8,913	(39,971)
Loans and borrowings	(70,511)	(115,159)	(30,520)	22,331	(8,907)	38,539
Accounts payable	(59,208)	(35,762)	(2,484)	–	(753)	–
Balance exposure	**(90,159)**	**(24,216)**	**455**	**334**	**7,487**	**(969)**

The below exchange rates were applied in the year.

	2018		2017	
In €	Average	Year-end	Average	Year-end
US Dollar (US$)	0.85	0.87	0.89	0.83
Pound Sterling (GBP)	1.13	1.11	1.14	1.12
Chinese Yuan Renminbi (CNY)	0.13	0.13	0.13	0.12
Brazilian Real (BRL)	0.23	0.23	0.28	0.25
United Arab Emirates Dirham (AED)	0.23	0.24	0.24	0.23

Arcadis uses derivatives in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Company's Treasury policy. The Company seeks to apply hedge accounting where possible to manage volatility in profit or loss. Most foreign exchange forward transactions outstanding at year-end are due to mature in 2019.

Sensitivity analysis currency risks

Foreign currency sensitivity analyses are performed by applying an expected possible volatility of a currency, assuming all other variables, in particular interest rates, remain constant. All monetary assets and liabilities of the Company at year-end are revalued, which results in a hypothetical impact on net income and equity as summarized below.

In € millions	2018 Impact on net income	2018 Impact on equity	2017 Impact on net income	2017 Impact on equity
10% change euro against the US dollar	2.1	46.9	2.9	42.4
10% change euro against the Pound Sterling	1.9	76.8	1.9	56.9
10% change euro against the Brazilian Real	0.3	7.8	1.7	5.4

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than their own denominated currency are not hedged.

(C2) Interest rate risks

The Company manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank credits with variable interest rates. Based on our interest risk profile, financial instruments were used during the year to cover part of the interest rate risk on long-term financing. This risk is applicable to long-term debt, short-term debt and bank overdrafts in the Consolidated balance sheet amounting to €583.2 million at year-end 2018 (2017: €684.0 million).

The Company has €81.5 million of floating to fixed interest rate swaps with a fixed rate of approximately 0.5% and these will mature between 2020 and 2022.

The Company has €40.0 million of fixed to floating cross currency swaps to manage currency risk and interest rate risk in accordance with the Treasury Policy.

The Treasury Policy states that the fixed portion of the net debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. Arcadis has been compliant with this aspect of the Treasury Policy during 2018.

Sensitivity analysis Interest rate risk

Interest rate sensitivity analyses are performed by applying an expected possible volatility of interest rates, assuming all other variables remain constant. All interest-bearing liabilities of the Company at year-end are revalued, which results in a hypothetical impact on the pre-tax profit for the year and equity as summarized below.

In € millions	2018 Impact on pre-tax profit for the year	2018 Impact on equity	2017 Impact on pre-tax profit for the year	2017 Impact on equity
Ten basis-points change to interest rate	0.1	0.1	0.2	0.2

Capital risk management

Arcadis' objectives when managing capital are to safeguard Arcadis' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimizes its cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be altered by adjusting the amount of dividends paid to shareholders, return capital to shareholders, or issue new debt or shares. From time to time, Arcadis purchases its own shares, which are used as hedging for the transfer of shares under the Arcadis' share option program.

Consistent with the debt covenants agreed with the banks, the Company monitors capital on the basis of the average Net Debt to EBITDA ratio. This ratio is calculated as interest-bearing debt minus cash and cash equivalents divided by EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

There were no changes in Arcadis' approach to capital management during the year. The Company and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

During 2018, Arcadis' strategic goal on financing, which was unchanged from 2017, was to maintain a net debt to EBITDA ratio not exceeding 2.0 in order to secure access to finance at a reasonable cost. The financing goal is to maintain a net debt to EBITDA ratio of 1.0 - 2.0 times.

Bank covenants

Bank covenants applicable to Arcadis include the Total Leverage ratio (maximum 3.0) and the lease-adjusted Interest Coverage ratio (minimum 1.75). These ratios are included in the next table.

In € millions	Note	2018	2017
Long-term loans and borrowings	28	386.1	474.4
Current portion of loans and borrowings	28	202.2	214.3
Bank overdrafts	23	0.1	1.8
Total debt		**588.4**	**690.5**
Less: cash and cash equivalents	23	(240.8)	(267.9)
Net debt		**347.6**	**422.6**
Less: non-current portion deferred consideration	5	(5.2)	(6.5)
Net debt according to debt covenants		**342.4**	**416.1**
EBITDA according to debt covenants[1]		**205.8**	**202.5**

1 EBITDA adjusted for share-based compensation and acquisition effects, in accordance with debt covenants Non-GAAP performance measure, to provide transparency on the underlying performance of our business (reference is made to the Glossary Financial & Non-Financial indicators on pages 267 to 269 for the definition as used by Arcadis)

Ratios

	2018	2017
Net debt to EBITDA[1] (at year-end net debt)	1.7	2.1
Net debt to EBITDA[1] ratio according to debt covenants (at average net debt, Total Leverage Ratio)	2.0	2.3
EBITDA to relevant Net finance expense ratio (lease - adjusted interest coverage ratio)	2.6	2.4

1 Non-GAAP performance measure, to provide transparency on the underlying performance of our business (reference is made to the Glossary Financial & Non-Financial indicators on pages 267 to 269 for the definition as used by Arcadis)

The ratios as disclosed above are calculated based on the definition as agreed with and aligned between the different providers of committed credit facilities. The calculation of the average net debt to EBITDA ratio is based on the average net debt of Q2 and Q4. Thoughout 2018, Arcadis complied with all bank covenants.

Going concern assumption

Management has assessed the going concern assumption, also in light of the refinancing of the Term loans maturing in 2019 (see page 224). The refinancing has been secured end of January 2019, see notes 30 and 33. A sensitivity analysis has been performed, taking into account amongst others the refinancing of ALEN (see note 15) and the current plans and cash flow forecasts, and resulted in the conclusion that there is no material uncertainty related to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Consolidated balance sheet, are as follows:

In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IFRS 9 category[1]			**Total**	Fair value
			Amortized cost	Fair value through Profit or Loss	Fair value through Other comprehensive income		
At 31 December 2018							
Investments in associates and joint ventures	7,756	7,756					
Other investments	637	–	–	637	–	637	637
Other non-current assets	26,548	–	26,548	–	–	26,548	26,548
(Un)billed receivables:							
Trade receivables	583,740	–	583,740	–	–	583,740	583,740
Contract assets (unbilled receivables)	545,492	–	545,492	–	–	545,492	545,492
Derivatives	11,695	–	–	12,069	(374)	11,695	11,695
Cash and cash equivalents	240,815	–	240,815	–	–	240,815	240,815
Total Financial assets	**1,416,683**	**7,756**	**1,396,595**	**12,706**	**(374)**	**1,408,927**	**1,408,927**
Loans and borrowings:							
Non-current	386,061	–	386,061	–	–	386,061	386,066
Current	202,163	–	202,163	–	–	202,163	201,370
Derivatives	10,729	–	–	10,459	270	10,729	10,729
Contract liabilities (billing in excess of cost)	255,581	–	255,581	–	–	255,581	255,581
Contract liabilities (loss provision)	115,643	–	115,643	–	–	115,643	115,643
Accounts payable	235,545	–	235,545	–	–	235,545	235,545
Bank overdrafts and short-term bank debts	135	–	135	–	–	135	135
Total Financial liabilities	**1,205,857**	–	**1,195,128**	**10,459**	**270**	**1,205,857**	**1,205,069**

[1] Applicable from 1 January 2018

Fair value hierarchy

The financial instruments carried at fair value are analyzed by valuation method, using the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value within the Company are categorized in Level 2.

In € thousands	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category: Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through Other comprehensive income	**Total**	Fair value
At 31 December 2017							
Investments in associates and joint ventures	22,807	22,807					
Other investments	607	–	607			607	607
Other non-current assets	28,921	–	28,921	–	–	28,921	28,921
(Un)billed receivables:							
Trade receivables	579,135	–	579,135	–	–	579,135	579,135
Contract assets (unbilled receivables)	565,113	–	565,113	–	–	565,113	565,113
Derivatives	9,980	–	–	9,196	784	9,980	9,980
Cash and cash equivalents	267,942	–	267,942	–	–	267,942	267,942
Total Financial assets	**1,474,505**	**22,807**	**1,441,718**	**9,196**	**784**	**1,451,698**	**1,451,698**
Loans and borrowings:							
Non-current	474,429	–	474,429	–	–	474,429	476,509
Current	173,186	–	173,186	–	–	173,186	173,088
Derivatives	6,552	–	–	5,347	1,205	6,552	6,552
Contract liabilities (billing in excess of cost)	248,162	–	248,162	–	–	248,162	248,162
Contract liabilities (loss provision)	114,797		114,797	–	–	114,797	114,797
Accounts payable	237,190	–	237,190	–	–	237,190	237,190
Bank overdrafts and short-term bank debts	42,885	–	42,885	–	–	42,885	42,885
Total Financial liabilities	**1,297,201**	–	**1,290,649**	**5,347**	**1,205**	**1,297,201**	**1,299,183**

The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date. These calculations are tested for reasonableness by comparing them with bank valuations.

For loans and receivables fair value is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the Company specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.

31 Commitments and contingent liabilities

Leases in which the Company does not assume substantially all the risks and rewards are classified as operating leases. For operating leases, lease payments (excluding costs for services such as insurance and maintenance, which are expenses as incurred) are recognized as an expense on a straight-line basis unless another systemic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Guarantees are accounted for as a contingent liability until such time it becomes probable that the Company will be required to make a payment under the guarantee.

Contingent liabilities are possible or present obligations of sufficient uncertainty that it does not quality for recognition as a provision (see note 27), unless it is assumed in a business combination (see note 5). Contingent liabilities are reviewed continuously to assess whether an outflow of resources has become probable.

Summary of commitments

In € thousands	31 Dec 2018	31 Dec 2017
Less than 1 year	82,367	93,048
1 - 5 years	195,310	209,758
More than 5 years	78,503	30,104
Operating lease contracts	**356,180**	**332,910**
Bank guarantees	174,475	201,591
Corporate guarantees	234,942	176,445
Eliminations	(96,377)	(92,443)
Guarantees	**313,040**	**285,593**
Other commitments	21,541	34,118
Total	**690,761**	**652,621**

Operating leases

The Company's operating lease arrangements mainly relate to contracts for leased cars, buildings and IT assets. Car leases typically run for a period of three to five years, lease contracts for buildings in many instances run for a period between four to ten years, and the operating leases of IT assets run for a period between two to four years.

Where possible the length of contracts being renewed is reduced in order to generate some flexibility for the future.

During the year ended 31 December 2018, €92 million was recognized as an expense in profit or loss with regard to operating leases (2017: €103 million).

Guarantees

Arcadis has issued corporate guarantees as security for credit facilities and bank guarantee facilities. Bank guarantees are, amongst others, issued in relation to projects, advances received, tender bonds or lease commitments to avoid cash deposits. Bank guarantees issued for project performance can be claimed by clients where Arcadis fails to deliver in line with the agreed contract. In such cases, the liability of the bank should be no greater than the original liability on Arcadis and where the failure to perform arose due to an error or omission by Arcadis, the claim would be covered by the professional indemnity insurance cover.

The tables below summarize the outstanding corporate and bank guarantees, including the Arcadis Logos Energia S.A. (ALEN) related guarantees (see note 15). They reflect only items that have been drawn or utilized that are not already shown on the balance sheet.

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	129.2	–	(30.4)	98.8
Bank guarantee financing	93.7	174.5	(53.9)	214.3
Other	12.1	–	(12.1)	–
Balance at 31 December 2018	**234.9**	**174.5**	**(96.4)**	**313.0**

[1] To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once. Included in these eliminations is also the liability already recognized for the expected credit loss on the guarantees issued in relation to ALEN (see note 15)

In € millions	Corporate guarantees	Bank guarantees	Eliminations[1]	Total
Debt facility financing	108.6	–	(24.6)	84.0
Bank guarantee financing	55.2	201.6	(55.2)	201.6
Other	12.6	–	(12.6)	–
Balance at 31 December 2017	**176.4**	**201.6**	**(92.4)**	**285.6**

[1] To avoid double-counting and the overstatement of contingent obligations, only one instance of any off-balance sheet item is reported, e.g. if Arcadis NV has provided a corporate guarantee for a local bank guarantee facility, any claim for payment by a client on an outstanding bank guarantee can only be honored once

The increase in corporate guarantees is due to increased corporate guarantees for bank guarantee financing, additional ALEN related guarantees (see note 15) and exchange rate differences. On 31 December 2018, only a part of the local bank guarantee facilities and local debt facilities have been used.

Other commitments

The other commitments include the service part of a long-term global IT outsourcing contract, which runs for a remaining period of three years.

Contingent liabilities

Litigation

The Company is involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Management ensures that these cases are firmly defended. In some of these proceedings, claimants allegedly claim amounts for project contract breaches that are significant to the Consolidated financial statements.

All legal and regulatory claims and proceedings are assessed on a regular basis. In consultation with in-house and external legal counsels, management regularly evaluates facts and circumstances of those claims and, based on the analysis of possible outcomes of litigation and settlements, provisions are accrued for. Provisions are accrued for only where management believes it is probable that Arcadis will be held liable, the amount is reasonably estimable, and the claim has not been insured. These provisions are reviewed periodically and adjusted if necessary to the extent that cash outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies.

Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on the Company's balance sheet, profit or loss, and cash flows for a particular period.

Tax

Arcadis operates in a high number of jurisdictions, and is subject to a variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to changes and interpretation. Therefore Arcadis is exposed to varying degrees of uncertainty and significant judgement is required in determining the global tax position. The Company accounts for its income taxes on the basis of its own internal analyses supported by external advice. The Company continually monitors its global tax position including changes in tax laws or interpretations of such laws. Whenever uncertain tax positions arise, the Company assesses the potential consequences and recognizes liabilities depending on the strength of the Company's position and the resulting risk of loss.

32 Related party transactions

A related party is a person or an entity that is related to the Group. These include both people and entities that have, or are subject to, the influence or control of the Group (e.g. key management personnel). Transactions with related parties are accounted for in accordance with the requirements of relevant IFRSs and take into account the substance as well as the legal form.

General

The related parties of the Company comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit Arcadis NV, Stichting Preferente Aandelen Arcadis NV, Stichting Pensioenfonds Arcadis Nederland (SPAN, liquidated on 30 June 2018), the members of the Executive Board, the Executive Leadership Team and the Supervisory Board.

In accordance with article 2:379 and 414 of the Dutch Civil Code, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Amsterdam.

Transactions with subsidiaries

The financial transactions between the Company and its subsidiaries comprise operational project related transactions, financing transactions and other transactions in the normal course of business activities. Transactions within the Group are not included in these disclosures as these are eliminated in the Consolidated financial statements.

Transactions with joint arrangements

The Group has entered into transactions on an arm's length basis through joint arrangements during the year 2018. Total revenues from joint arrangements amounted to €166.0 million (2017: €102.8 million).

Transactions with associates

The Group has entered into transactions with the associates, see note 15 and the table on page 199.

Transactions with key management personnel

The Executive Board of Arcadis NV is key management personnel as defined in IAS 24. For the composition of the Executive Board in 2018 see note 49 and page 242.

In March 2018, Arcadis also introduced the Executive Leadership Team (ELT) which consists of the CEO and the CFO, together with six executives and the Chief People Officer. For the composition and the dates of members joining the ELT see page 123.

The ELT focuses on delivering on all of the components of the strategic plan, with clear accountability and a strong focus on improving execution on all of the projects. Each member of the ELT is also considered key management personnel as defined in IAS 24.

The table below specifies the total remuneration of key management personnel , for the period that they were either an Executive Board or Executive Leadership Team member in 2018, and for remuneration received in the capacity of key management personnel. Comparative figures of the ELT are not applicable. For comparative figures of the Executive Board only see note 49 of the Company financial statements.

In € thousands	**2018**
Salary	3,275
Bonus	1,462
Pension compensation	515
Pension	74
LTIP expense	2,318
Termination benefit	461
Total	**8,105**

For disclosures on (former) Executive Board and Supervisory Board remuneration, and their interests held in the Company see notes 49, 50 and 51 of the Company financial statements.

In 2018 (and 2017), no transactions involving conflicts of interest for key management personnel occurred which were material to the Company. In addition, the Company has not granted any loans, advances or guarantees to key management personnel.

Transactions with post-employment benefit plans

Main post-employment benefit plans are Stichting Pensioenfonds Arcadis Nederland (SPAN, liquidiated on 30 June 2018) and the pension funds of EC Harris (ECH) and Hyder (AGPS).

SPAN was an independent foundation responsible for the administration of the pension rights under the existing pension plan for Dutch employees. The pension plan was a collective defined contribution plan with a premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years.

In July 2018, the pensions have been transferred to Het Nederlandse Pensioenfonds, an independent foundation acting as a general pension fund for multiple employers. Arcadis has its own 'circle' whereby participants share risks with each other. Het Nederlandse Pensioenfonds is not a related party as defined in IAS 24.

In 2018, the transactions between Arcadis and SPAN comprised of the transfer of pension premiums and cost charges, which amounted to €11.8 million (2017: €22.8 million). At year-end 2018, the amount due to SPAN was nil (2017: nil). In addition, the Company contributed €2.1 million (2017: €3.1 million) to the plan of EC Harris, €2.5 million to the plan of Hyder (2017: €2.5 million), and €4.5 million to other defined benefit plans (2017: €4.1 million), see note 26.

Transactions with Lovinklaan Foundation

Stichting Lovinklaan (Lovinklaan Foundation) is one of the main shareholders of Arcadis. The board of the Foundation consists of Arcadis employees. At 31 December 2018, the Foundation had an interest of 18.2% in Arcadis NV (2017: 18.2%). The Foundation has an Employee Stock Purchase Plan/Global Share Plan (see note 8), in place which allows Arcadis employees to purchase Arcadis shares from the Foundation with a discount, which is funded by the Foundation (€1.7 million in 2018, see note 8). The Company has no involvement in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

In 2010, Arcadis and UN-Habitat launched a global partnership under the name Shelter, aimed at improving quality of life in rapidly growing cities around the world. Arcadis contributes with employees, expertise and skills to this initiative. The Lovinklaan Foundation supports the initiative. Actual contribution over 2018 amounted to €0.4 million (2017: €0.4 million).

Lovinklaan Foundation supports the Quest program and the Global Shapers program within Arcadis. The programs are initiatives to collect and exchange knowledge and expertise amongst Arcadis employees and to accelerate the implementation of strategic projects of Arcadis and as such, contributes to the Arcadis strategy of international collaboration and global business lines. In 2018, 105 employees (2017: 100) participated in the Global Shapers program. The contribution for Global Shapers amounted €0.4 million. In addition, Arcadis received €0.8 million funding for the Quest program as well as €0.1 million for the Roots of Arcadis. The Foundation also contributed in 2018 €0.4 million to the program Expedition DNA.

During 2018 and 2017, no other financial transactions apart from the above mentioned took place between the Foundation and the Company, except for the dividends on the shares.

A summary of transactions with related parties (excluding Key Management Personnel) in the financial year is disclosed in the table below:

	Transactions with associates		Transactions with joint arrangements		Transactions with post-employee benefit plans		Other	
In € millions	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Sales (to)	13.6	11.0	166.0	102.8	–	–	1.1	1.0
Purchase (from)	3.7	2.0	10.7	1.2	–	–	0.1	0.1
Loans (to)	31.8	27.4	–	–	–	–	–	–
Receivables (from)	1.5	0.5	13.0	14.0	0.2	–	0.4	–
Payables (to)	0.6	0.2	6.6	1.0	–	–	0.2	–
Dividends received (from)	–	–	–	–	–	–	–	–
Provision for bad debts related to outstanding balances	0.1	–	1.1	0.8	–	–	–	–
Related expenses to these bad or doubtful debts	0.1	–	0.2	–	–	–	–	–
Provision for outstanding loan balances	31.8	–	–	–	–	–	–	–
Transfer of pension premiums and cost changes	–	–	–	–	21.5	28.5	–	–
Contributions	–	–	–	–	9.0	–	4.5	1.8

Transactions with other related parties

In 2018, Arcadis NV contributed €62,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') (2017: €60,000) and €1,000 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2017: €1,000). See note 24 for further information on these foundations.

33 Events after the balance sheet date

A subsequent event is a favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue. Events after the reporting date that provide evidence of conditions that existed at the reporting date are adjusted within the financial statements. Events that are indicative of a condition that arose after the reporting date of a material size or nature are disclosed below.

An amount of US$202.5 million and €24.5 million of committed Term Loans were to mature in June and September 2019. The process to refinance this debt has been finalized on end of January 2019 by signing a new credit facility agreement for the following:

- US$87.5 million Term loan with a maturity in 2024
- €25 million Term loan with a maturity in 2024
- US$115 million Revolving Credit facility (RCF) with a maturity in 2024 (with two one-year extension options)

There were no other material events, that would have changed the judgement and analysis by management of the financial condition of the Company at 31 December 2018, or the result for 2018.

Company financial statements

Company Balance sheet

as at 31 December - before allocation of profit

In € thousands	Note	2018	2017
Assets			
Non-current assets			
Intangible assets	38	55,857	41,143
Property, plant & equipment	39	855	682
Investments in subsidiaries	40	1,358,526	1,389,493
Loans issued to subsidiaries and other investments	41	227,253	210,433
Deferred tax assets	45	679	704
Derivatives		–	–
Total Non-current assets		**1,643,170**	**1,642,455**
Current assets			
Derivatives		9,415	5,328
Receivables	42	244,154	224,179
Corporate income tax receivable		8,884	–
Cash and cash equivalents		18,570	23,167
Total Current assets		**281,023**	**252,674**
Total Assets		**1,924,193**	**1,895,129**

In € thousands	Note	2018	2017
Equity and liabilities			
Shareholders' equity			
Share capital		1,780	1,748
Share premium		372,501	372,533
Hedging reserve		(1,431)	(1,525)
Translation reserve		(82,191)	(89,058)
Other legal reserves		74,225	36,426
Retained earnings		603,737	586,958
Undistributed profits		(26,701)	70,804
Total Shareholders' equity	24, 43	**941,920**	**977,886**
Non-current liabilities			
Provisions	44	11,976	1,500
Deferred tax liabilities	45	–	393
Long-term debt	46	419,775	380,897
Derivatives		1,115	1,134
Total Non-current liabilities		**432,866**	**383,924**
Current liabilities			
Current portion of provisions	44	256	125
Derivatives		8,685	4,567
Bank overdrafts	47	–	1,805
Short-term borrowings	47	–	40,000
Corporate income tax payable		–	3,708
Trade and other liabilities	47	540,466	483,114
Total Current liabilities		**549,407**	**533,319**
Total Equity and liabilities		**1,924,193**	**1,895,129**

The notes on pages 238 to 247 are an integral part of these Company financial statements

Company Income statement

for the year ended 31 December

In € thousands	Note	2018	2017
Corporate charges to subsidiaries	35	98,565	79,411
Total Corporate income		**98,565**	**79,411**
Personnel costs	52	(39,138)	(31,274)
Other operational costs	36	(21,122)	(17,719)
Depreciation and amortization	38, 39	(4,447)	(2,201)
Total Operational costs		**(64,707)**	**(51,194)**
Operating income		**33,858**	**28,217**
Finance income		9,446	12,630
Finance expenses		(24,043)	(5,827)
Fair value change of derivatives		4,586	(10,525)
Net finance expense	37	**(10,011)**	**(3,722)**
Profit before income tax		**23,847**	**24,495**
Income taxes		177	1,077
Net income subsidiaries		(50,725)	45,232
Result for the period		**(26,701)**	**70,804**

The notes on pages 238 to 247 are an integral part of these Company financial statements

Notes to the Company financial statements

34 General

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared using the option of article 2:362 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 of the Consolidated financial statements.

In the Company financial statements, subsidiaries of Arcadis NV are accounted for using the equity method. The presentation of the Balance sheet slightly deviates from the requirements of Dutch law (e.g. name conventions), in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

35 Corporate charges to subsidiaries

Corporate charges to subsidiaries include items such as headquarter support service fees, royalty fees, and license fees. It includes 'true-ups' for the previous year, which have been calculated and settled in 2018 following the final 2017 results.

36 Other operational costs

In € thousands	2018	2017
Occupancy	1,110	1,570
Travel	1,715	1,593
Office related	696	303
Audit and consultancy services	9,998	5,596
Insurances	519	8,385
Marketing and advertising	695	554
Other	6,389	(282)
Total	**21,122**	**17,719**

37 Net finance expense

The net finance expense includes income and expenses relating to intercompany loans. Foreign exchange differences on financial liabilities are part of the finance expenses.

38 Intangible assets

In € thousands	Software	Intangibles under development	Total
Cost	14,329	26,081	40,410
Accumulated depreciation	(9,837)	–	(9,837)
at 1 January 2017	**4,492**	**26,081**	**30,573**
Additions	–	12,667	12,667
Reclassification	12,439	(12,439)	–
Depreciation charges	(2,097)	–	(2,097)
Movement 2017	**10,342**	**228**	**10,570**
Cost	26,718	26,309	53,027
Accumulated depreciation	(11,884)	–	(11,884)
At 31 December 2017	**14,834**	**26,309**	**41,143**
Additions	–	19,030	19,030
Reclassification	3,199	(3,199)	–
Depreciation charges	(4,316)	–	(4,316)
Movement 2018	**(1,117)**	**15,831**	**14,714**
Cost	29,917	42,140	72,057
Accumulated depreciation	(16,200)	–	(16,200)
At 31 December 2018	**13,717**	**42,140**	**55,857**

The Intangibles under development of €42.1 million (2017: €26.3 million) are mainly related to Software not yet in use.

39 Property, plant & equipment

In € thousands	Furniture and fixtures
Cost	2,435
Accumulated depreciation	(1,650)
at 1 January 2017	**785**
Additions	1
Acquisitions of subsidiaries	–
Disposals	–
Depreciation charges	(104)
Movement 2017	**(103)**
Cost	2,436
Accumulated depreciation	(1,754)
At 31 December 2017	**682**
Additions	304
Acquisitions of subsidiaries	–
Disposals	–
Depreciation charges	(131)
Movement 2018	**173**
Cost	2,740
Accumulated depreciation	(1,885)
At 31 December 2018	**855**

40 Investments in subsidiaries

In € thousands		
Balance at 31 December 2017	**1,389,493**	**1,434,963**
Impact of changes in accounting policies	**(6,664)**	–
Balance at 1 January 2018	**1,382,829**	**1,434,963**
Share in income of subsidiaries	(50,725)	45,232
Capital contributions	5,292	40,672
Capital repayments	–	(46,261)
Other changes	5,363	3,909
Reclassification to provision for negative equity of investments	(10,476)	–
Exchange rate differences	5,291	(89,022)
Balance at 31 December 2018	**1,358,526**	**1,389,493**

41 Loans issued to subsidiaries and other investments

In € thousands	2018	2017
Balance at 1 January	**210,433**	**223,110**
Loans issued to subsidiaries	112,285	93,252
Redemptions	(96,366)	(88,620)
Investments	–	–
Exchange rate differences	901	(17,309)
Balance at 31 December	**227,253**	**210,433**

As Arcadis NV applies the same valuation principles in the Company financial statements as those applied in the Consolidated financial statements, IFRS 9 is also applicable to intercompany loans and receivables. The assessment of the Expected Credit Loss did not result in a material impact on the Company financial statements. To have consistency between the Consolidated and standalone equity no loss has been recorded, which is in line with the clarification as provided by the Raad voor de Jaarverslaggeving (RJ) that a reversal of the Expected Credit Loss can be included in the carrying amount of the loans.

Noted is that Arcadis NV has control, directly or indirectly, over all the subsidiaries it granted loans and can convert these into equity if needed. In 2018 no loans have been converted into equity.

42 Receivables

In € thousands	2018	2017
Receivables from subsidiaries and associates	236,711	211,809
Other receivables	7,443	12,370
Balance at 31 December	**244,154**	**224,179**

The Receivables from subsidiaries and associates mainly relate to short-term financing by means of current accounts.

Arcadis applied the simplified approach under IFRS 9 to its intercompany current receivables and concluded that the Expected Credit Loss is immaterial. See note 19 of the Consolidated financial statements for further details on the simplified approach and note 41 on the treatment of the Expected Credit Loss on intercompany positions in the Company financial statements.

43 Shareholders' equity

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Retained earnings	Undistributed profits	Total
Balance at 1 January 2017	**1,721**	**372,560**	**(3,285)**	**2,607**	**49,884**	**511,428**	**64,154**	**999,069**
Net income	–	–	–	–	–	–	70,804	70,804
Exchange rate differences	–	–	–	(91,665)	–	–	–	(91,665)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	1,760	–	–	–	–	1,760
Remeasurements on post-employment benefit obligations, net of income taxes	–	–	–	–	–	5,101	–	5,101
Other changes	–	–	–	–	–	(2,098)	–	(2,098)
Other comprehensive income, net of income taxes	**–**	**–**	**1,760**	**(91,665)**	**–**	**3,003**	**–**	**(86,902)**
Total comprehensive income for the period	**–**	**–**	**1,760**	**(91,665)**	**–**	**3,003**	**70,804**	**(16,098)**
Transactions with owners of the Company:								
Dividends to shareholders	–	(21,002)	–	–	–	–	(15,476)	(36,478)
Addition to other (statutory) reserves	–	–	–	–	(13,458)	62,136	(48,678)	–
Issuance of shares	27	20,975	–	–	–	–	–	21,002
Share-based compensation, net of income taxes	–	–	–	–	–	11,122	–	11,122
Purchase of own shares	–	–	–	–	–	(8,343)	–	(8,343)
Share options exercised	–	–	–	–	–	7,612	–	7,612
Total transactions with owners of the Company	**27**	**(27)**	**–**	**–**	**(13,458)**	**72,527**	**(64,154)**	**(5,085)**
Balance at 31 December 2017	**1,748**	**372,533**	**(1,525)**	**(89,058)**	**36,426**	**586,958**	**70,804**	**977,886**
Impact of changes in accounting policies	–	–	–	–	–	(6,664)	–	(6,664)
Balance at 1 January 2018	**1,748**	**372,533**	**(1,525)**	**(89,058)**	**36,426**	**580,294**	**70,804**	**971,222**
Net income	–	–	–	–	–	–	(26,701)	(26,701)
Exchange rate differences	–	–	–	6,867	–	–	–	6,867
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	94	–	–	–	–	94
Remeasurements on post-employment benefit obligations, net of income taxes	–	–	–	–	–	4,858	–	4,858
Other comprehensive income, net of income taxes	**–**	**–**	**94**	**6,867**	**–**	**4,858**	**–**	**11,819**
Total comprehensive income for the period	**–**	**–**	**94**	**6,867**	**–**	**4,858**	**(26,701)**	**(14,882)**
Transactions with owners of the Company:								
Dividends to shareholders	–	(26,716)	–	–	–	–	(13,693)	(40,409)
Addition to (utilization of) other (statutory) reserves	–	–	–	–	37,799	19,312	(57,111)	–
Issuance of shares	32	26,684	–	–	–	–	–	26,716
Share-based compensation, net of income taxes	–	–	–	–	–	6,787	–	6,787
Purchase of own shares	–	–	–	–	–	(10,307)	–	(10,307)
Share options exercised	–	–	–	–	–	2,793	–	2,793
Total transactions with owners of the Company	**32**	**(32)**	**–**	**–**	**37,799**	**18,585**	**(70,804)**	**(14,420)**
Balance at 31 December 2018	**1,780**	**372,501**	**(1,431)**	**(82,191)**	**74,225**	**603,737**	**(26,701)**	**941,920**

The total Legal reserves include the Hedging reserve, Translation reserve and Other legal reserves and are non-distributable. The other legal reserves relate to earnings retained by subsidiaries, associates and joint ventures, as well as internally developed software. For information on shares purchased to cover the Company's option plans, see note 24 of the Consolidated financial statements.

For further details on the opening balance impact due to changes in accounting policies see note 3 of the Consolidated financial statements.

44 Provisions

In € thousands	2018	2017
Balance at 1 January	**1,625**	**2,298**
Additions	10,626	125
Deductions because of use	(19)	(798)
Release of unused amounts	–	–
Balance at 31 December	**12,232**	**1,625**
Current	256	125
Non-current	11,976	1,500
Balance at 31 December	**12,232**	**1,625**

The provisions of Arcadis NV relate to claims and litigations for an amount of €1.5 million (2017: €1.5 million); the remainder is related to restructuring. An amount of €10.5 million is added to the provision for negative equity of a direct subsidiary of the Company, in accordance with article 2:403 paragraph 1 of the Dutch Civil Code.

45 Deferred tax assets and liabilities

In € thousands	Deferred tax assets	Deferred tax liabilities	Total
Balance at 1 January 2017	**704**	**(393)**	**311**
Additions/deductions	–	–	–
Changes recognized directly in equity/OCI	–	–	–
Balance at 31 December 2017	**704**	**(393)**	**311**
Additions/deductions	368	–	368
Changes recognized directly in equity/OCI	–	–	–
Reclassification	(393)	393	–
Balance at 31 December 2018	**679**	–	**679**

46 Long-term debt

In € thousands	2018	2017
Loans from group companies	250,794	212,413
Loan notes issued to financial institutions	168,981	168,484
Balance at 31 December	**419,775**	**380,897**

In 2020, an amount of €70 million of the loan notes issued to financial institutions is due. The remaining amount is due after 2020.

47 Current liabilities

In € thousands	2018	2017
Bank overdrafts	–	1,805
Short-term borrowings	–	40,000
Suppliers	7,856	9,996
Payables to group companies	517,374	462,181
Other liabilities	15,236	10,937
Balance at 31 December	**540,466**	**524,919**

The payables to group companies mainly relate to the internal cash pool. The short-term borrowings of €40 million drawn on the Revolving Credit Facility (RCF) as at 31 December 2017 have been repaid in 2018. Refer to note 28 and 30 of the Consolidated financial statements for further information on Arcadis' lines of credit.

48 Commitments and contingent liabilities

Commitments and contingent liabilities

As parent company of the fiscal unity in the Netherlands, the Company is severally liable for the corporate income tax and value added tax liabilities of the fiscal unity. The companies that form part of the Arcadis NV tax group account for their tax position based on their own taxable result. The tax charge is settled with the Company based on the finalized tax return.

At the end of 2018, the Company had commitments for rent and lease obligations amounting to €9.7 million (2017: €13.4 million). Additionally, the Company entered into long-term service commitments relating to the global IT outsourcing contract of €21.5 million (2017: €33.8 million).

Guarantees & short-term facilities

Arcadis NV has pledged a limited number of guarantees for the short-term credit and guarantee facilities that are available for use to its operating companies. The total amount available under these facilities is €183.5 million of which €31.5 million is used at the balance sheet date (2017: €173.6 million of which €34.5 million was used). In addition to this amount, Arcadis NV has corporate guarantees for an amount of €234.9 million available (2017: €176.4 million).

For a total overview of all off-balance sheet guarantees provided by Arcadis NV or its subsidiaries see note 31 of the Consolidated financial statements.

49 Remuneration of EB and SB members

Remuneration of Executive Board members

In 2018, an amount of €4.5 million (2017: €6.4 million) was charged to the Company for remuneration of the current and former Executive Board members, including pension charges and the LTIP expense.

As reflected in the 'Remuneration report' and the table on page 159, a number of 151,230 conditional (performance) shares were granted to Executive Board members as variable remuneration (2017: 283,110).

For an explanation of the Remuneration Policy, see the 'Remuneration Report' included in this Annual Integrated Report on pages 159 to 164.

The Executive Board consisted of the following members in 2018:

Name	Function	Period	Changes in the year
Peter Oosterveer	CEO	1 Jan - 31 Dec 2018	
Renier Vree	CFO	1 Jan - 1 March 2018	Resigned as CFO and left Arcadis
Sarah Kuijlaars	CFO	24 April - 31 Dec 2018	Appointed as new CFO by the AGM
Stephanie Hottenhuis	EB member	1 Jan - 11 March 2018	Left Arcadis on 15 August 2018
Stephan Ritter	EB member	1 Jan - 11 March 2018	Joined the ELT on 11 March 2018
Mary Ann Hopkins	EB member	1 Jan - 11 March 2018	Joined the ELT on 11 March 2018

The remuneration in the tables on the next page is for the period that each person was part of the Executive Board. It includes all remuneration that has been expensed during the year and which was received in the capacity of Executive Board membership. Remuneration received in the capacity of Executive Leadership Team member is included in the disclosure on key management personnel remuneration in note 32 of the Consolidated financial statements.

Overview of remuneration of Executive Board members in 2018

In € thousands	Salary	Bonus[1]	Pension compensation	Pension	LTIP expense[2]	Termination benefit[3]	**Total 2018**	Conditional (performance) shares Number	Conditional (performance) shares Value[4]
Peter Oosterveer	660	210	167	17	728	–	1,782	87,790	1,089
Sarah Kuijlaars	326	115	57	12	175	–	685	63,440[5]	787
Total current Board members	**986**	**325**	**224**	**29**	**903**	–	**2,467**	**151,230**	**1,876**
Renier Vree	79	–	14	3	190	–	286	–	–
Stephanie Hottenhuis	85	55	15	3	165	461	784	–[6]	–[6]
Stephan Ritter	85	21	12	3	302	–	423	–[6]	–[6]
Mary Ann Hopkins	108	40	11	–	396	–	555	–[6]	–[6]
Total former Board members	**357**	**116**	**52**	**9**	**1,053**	**461**	**2,048**	–	–

1 The bonus is based on the results achieved in 2018, this bonus will be paid in 2019
2 The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months
3 The payment is made in accordance with the remuneration policy, and includes €21,000 of Dutch pseudo final tax levy ('pseudo eindheffing') payable by Arcadis
4 This amount is charged over a three-year period to the Company's income statement and only includes the expense for grants received in the capacity of Executive Board member
5 No grant received in 2018 in the capacity of Executive Board member

Overview of remuneration of Executive Board members in 2017

In € thousands	Salary[1]	Bonus[2]	Pension compensation	Pension	LTIP expense[3]	Termination benefit	**Total 2017**	Conditional performance shares Number	Conditional performance shares Value[4]
Peter Oosterveer	448	307	99	20	324	–	1,199	87,790	1,459
Renier Vree	535	305	83	25	531	–	1,480	57,440	955
Stephanie Hottenhuis	440	255	76	23	362	–	1,156	39,910	663
Stephan Ritter	440	301	64	23	362	–	1,190	39,910	663
Mary Ann Hopkins	598	424	60	–	288	–	1,370	58,060	965
Total current Board members	**2,461**	**1,592**	**382**	**91**	**1,867**	–	**6,395**	**283,110**	**4,705**

1 Salary of Peter Oosterveer represents eight months of salary in 2017. Salary of Renier Vree includes four months temporary gross supplement of €15,000 per month for fulfilling the interim CEO role, as described further in this note
2 The bonus is based on the results achieved in 2017, this bonus was paid in 2018
3 The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months
4 This amount is charged over a three-year period to the Company's Income statement
5 A number of 6,000 shares has no performance condition, see the 'Remuneration report' on page 159 of this Annual Integrated Report

Remuneration of Supervisory Board members

At year-end 2018, the Supervisory Board consisted of seven members (2017: seven). The joint fixed remuneration for 2018 amounted to €0.6 million (2017: €0.6 million), specified as follows:

In € thousands	2018	2017
Niek W. Hoek	105	105
Deanna Goodwin	80	81
Ruth Markland	81	79
Ian M. Grice[1]	29	68
Michael Putnam[2]	61	–
J.C. Maarten Schönfeld	73	73
Michiel Lap	84	67
Wee Gee Ang[2]	84	57
George R. Nethercutt[1]	–	29

[1] Ian M. Grice resigned from the Supervisory Board on 24 April 2018; George R. Nethercutt resigned on 26 April 2017
[2] Michael Putnam was appointed as member of the Supervisory Board on 24 April 2018; Wee Gee Ang was appointed on 26 April 2017

50 Interests held by members of the EB

The interests held in the share capital of Arcadis NV by members of the Executive Board were:

Number of shares Arcadis NV - Current EB members	31 December 2018	31 December 2017
Peter Oosterveer	15,000	–
Sarah Kuijlaars	3,250	–

Number of conditional (performance) shares Arcadis NV[1] - Current EB members	31 December 2018	31 December 2017
Peter Oosterveer	175,580	87,790
Sarah Kuijlaars	63,440	–

Number of conditional performance shares Arcadis NV[1] - Former EB members	31 December 2018[2]	31 December 2017
Renier Vree	31,845	109,440
Stephanie Hottenhuis	29,754	74,910
Stephan Ritter	57,410	74,910
Mary Ann Hopkins	98,060	98,060

[1] Amounts are based on granting 100% of the reference numbers, with maximal extension to 200% (see note 9). For the description of the LTIP plan, please refer to the paragraph 'Long-term variable remuneration' on page 188 of this Annual Integrated Report
[2] Balance only includes conditional performance shares received in the capacity of Executive Board member, see also the table on page 245

In 2018, the aggregate numbers of stock options (1) and conditional performance shares (2) held by (former) members of the Executive Board are as follows:

Stock options (1)	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2018	Increase/(decrease) by performance measure	Vested in 2018	Exercised in 2018	Expired in 2018	Outstanding at 31 December 2018	Expiration date
Renier Vree									
	2010	14.33	80,414	–	–	–	–	80,414	14-05-2020
	2011	16.18	16,660	–	–	–	–	16,660	19-05-2021
	2012	15.74	23,334	–	–	–	–	23,334	17-05-2022
	2013	20.96	20,000	–	–	–	–	20,000	09-05-2023
			140,408	–	–	–	–	**140,408**	
Stephanie Hottenhuis									
	2008	13.03	5,000	–	–	(5,000)	–	–	09-05-2018
	2009	10.91	2,800	–	–	–	–	2,800	09-05-2019
	2010	14.33	6,535	–	–	–	–	6,535	14-05-2020
	2011	16.18	4,998	–	–	–	–	4,998	19-05-2021
	2012	15.74	23,334	–	–	–	–	23,334	17-05-2022
	2013	20.96	20,000	–	–	–	–	20,000	09-05-2023
			62,667	–	–	(5,000)	–	**57,667**	
Stephan Ritter									
	2013	20.96	20,000	–	–	–	–	20,000	09-05-2023
			20,000	–	–	–	–	**20,000**	
Total stock options			**223,075**	–	–	(5,000)	–	**218,075**	

Conditional performance shares (2)	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2018	Granted in 2018	Increase/(decrease) by performance measure	Forfeited in 2018	Outstanding at 31 December 2018	Vesting date
Peter Oosterveer								
	2017	15.91	87,790	–	–	–	87,790	ex-dividend date 2020
	2018	15.75	–	87,790	–	–	87,790	ex-dividend date 2021
			87,790	**87,790**	–	–	**175,580**	
Sarah Kuijlaars								
	2018	15.75	–	6,000	–	–	6,000	ex-dividend date 2020
	2018	15.75	–	57,440	–	–	57,440	ex-dividend date 2021
			–	**63,440**	–	–	**63,440**	
Total current EB members			**87,790**	**151,230**	–	–	**239,020**	
Renier Vree								
	2015	24.83	26,000	–	(26,000)	–	–	26-04-2018
	2016	14.30	26,000	–	–	(10,111)	15,889	ex-dividend date 2019
	2017	15.91	57,440	–	–	(41,484)	15,956	ex-dividend date 2020
			109,440	–	**(26,000)**	**(51,595)**	**31,845**	
Stephanie Hottenhuis								
	2015	24.83	17,500	–	(17,500)	–	–	26-04-2018
	2016	14.30	17,500	–	–	(4,375)	13,125	ex-dividend date 2019
	2017	15.91	39,910	–	–	(23,281)	16,629	ex-dividend date 2020
			74,910	–	**(17,500)**	**(27,656)**	**29,754**	
Stephan Ritter								
	2015	24.83	17,500	–	(17,500)	–	–	26-04-2018
	2016	14.30	17,500	–	–	–	17,500	ex-dividend date 2019
	2017	15.91	39,910	–	–	–	39,910	ex-dividend date 2020
			74,910		**(17,500)**	–	**57,410**	
Mary Ann Hopkins								
	2016	14.30	40,000	–	–	–	40,000	ex-dividend date 2019
	2017	15.91	58,060	–	–	–	58,060	ex-dividend date 2020
			98,060	–	–	–	**98,060**	
Total former EB members			**357,320**	–	**(61,000)**	**(79,251)**	**217,069**	
Total conditional performance shares			**445,110**	**151,230**	**(61,000)**	**(79,251)**	**456,089**	

51 Shares and options held by members of the SB

Members of the Supervisory Board hold no Arcadis shares and/or options.

52 Employees

At 31 December 2018, Arcadis NV had 138 full-time employees (2017: 132). For information on the RSUs and options granted to employees of Arcadis NV - excluding members of the Executive Board - as meant by article 2:383d paragraph 1 of the Dutch Civil Code, see note 9 to the Consolidated financial statements.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2018	2017
Salaries and wages	18,321	13,098
Social charges	1,407	1,208
Pension and early retirement charges	669	779
Other personnel costs (including temporary labor)	18,741	16,189
Total personnel costs	**39,138**	**31,274**

53 External auditor fees and services

In accordance with article 2:382a of the Dutch Civil Code the following table details the aggregate fees billed by our external auditor, PricewaterhouseCoopers Accountants NV, including the foreign offices of PricewaterhouseCoopers of the last two fiscal years for various services:

Type of services provided (in € millions)	2018	2017
Audit fees	3.4	3.5
Audit-related fees	0.3	0.4
Tax fees	–	–
Other non-audit fees	–	–
Total	**3.7**	**3.9**

Audit-related fees consist of fees for services that are traditionally performed by the external auditors. In addition to the statutory audit of Arcadis NV, PricewaterhouseCoopers Accountants NV was engaged by the Supervisory Board to perform specific agreed upon procedures.

Of the total fees billed an amount of €1.0 million relates to PricewaterhouseCoopers Accountants NV (2017: €1.0 million) and the remainder to its foreign offices.

Amsterdam, the Netherlands, 13 February 2019

Executive Board
Peter Oosterveer
Sarah Kuijlaars

Supervisory Board
Niek Hoek
Michiel Lap
Maarten Schönfeld
Ruth Markland
Michael Putnam
Deanna Goodwin
Wee Gee Ang

Other information

Other information

Profit allocation

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board, with the approval of the Supervisory Board, shall annually decide which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting of Shareholders.

The loss attributable to the equity holders of the Company over fiscal year 2018 amounts to €26.7 million. The Executive Board, with the approval of the Supervisory Board, proposes to deduct an amount of €67.9 million from the retained earnings and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €41.2 million from the retained earnings, which represents a dividend of €0.47 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

Audit and Risk Committee policies and procedures

The Audit and Risk Committee has adopted a charter that details the duties and responsibilities of the Audit and Risk Committee. These duties and responsibilities include, amongst other things, reviewing and overseeing the financial and operational information provided by Arcadis to its shareholders and others, systems of internal controls, financial risk management, accounting and financial reporting processes, the independence, qualifications and performance of the external auditor of Arcadis and the performance of the internal audit function.

Special rights to holders of priority shares

The priority shares are held by Stichting Prioriteit Arcadis NV. The Board of the Stichting Prioriteit Arcadis NV consists of twenty (20) board members (with one vacancy at 31 December 2018): seven (7) members of Arcadis' Supervisory Board, two (2) members of Arcadis' Executive Board, one (1) member of the Arcadis' Executive Leadership Team, and ten (10) members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of Arcadis). Each board member has one vote whereby in the event of a vacancy, the number of votes that can be exercised by the Executive Board and Executive Leadership Team members together with the Supervisory Board members shall equal the number of votes that can be exercised by the employee members. Stichting Prioriteit Arcadis NV has special statutory rights, which includes approval of the amendment of the Articles of Association of Arcadis NV, and certain other topics, which have been described in note 24 of the Consolidated financial statements.

Independent auditor's report

To: the General Meeting and Supervisory Board of Arcadis NV

Report on the financial statements 2018

Our opinion

In our opinion:

- Arcadis NVs Consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Arcadis NVs Company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Arcadis NV, Amsterdam ('the Company'). The financial statements include the Consolidated financial statements of Arcadis NV together with its subsidiaries ('the Group') and the Company financial statements.

The Consolidated financial statements comprise:

- the Consolidated balance sheet as at 31 December 2018;
- the following statements for 2018: the Consolidated income statement and the Consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The Company financial statements comprise:

- the Company balance sheet as at 31 December 2018;
- the Company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the Consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Arcadis NV in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Arcadis NV is a global design & consultancy firm for natural and built assets. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In note 2 of the Consolidated financial statements, the company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the higher inherent risk of material misstatement of project revenue recognition, valuation of contract assets and valuation of goodwill, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the valuation of Arcadis' shareholder loans to associate Arcadis Logos Energia ('ALEN') and the corporate guarantees issued in relation to the bank loans of ALEN and its underlying investments as key audit matter because of the judgment required. These items all involve making assumptions and considering future events that are inherently uncertain.

Other areas of focus, that were not considered as key audit matters were the continued roll-out of the Arcadis Way, which mainly relates to the migration of local ERP systems to the central Oracle ERP system for several components, the application of the new accounting standards IFRS 9 and 15 and the impact assessment of IFRS 16 (which has been disclosed in note 2 of the financial statements).

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the global design & consultancy industry. We therefore included specialists in the areas of IT audit, forensics, treasury, share based payments and income tax and experts in the areas of valuations and actuaries in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €5.1 million.

Audit scope

- We conducted audits on 11 components and performed specified procedures on 2 components.
- Site visits were conducted to locations in the Netherlands, United States, United Kingdom, Middle East and to associate ALEN in Brazil.
- Audit coverage: 77% of consolidated revenue, 81% of consolidated total assets and 72% of consolidated profit before tax.

Key audit matters

- Project revenue recognition and valuation of contract assets.
- Valuation of goodwill.
- Valuation of Arcadis' shareholder loans to ALEN and the corporate guarantees issued in relation to the bank loans of ALEN and its underlying investments.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€5.1 million (2017: €4.7 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 4.6% of profit before tax, adjusted for Expected Credit Loss on shareholder loans and corporate guarantees; Result from investments accounted for using the equity method and Impairment charges.
Rationale for benchmark applied	We used profit before tax as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the company. As the 2018 result includes several one off items, we have adjusted the profit before tax for the financial statement line items Credit loss on shareholder loans and corporate guarantees, Result from investments accounted for using the equity method and Impairment charges.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.4 and €4.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above €250,000 (2017: €245,000) and reclassifications above €1 million (2017: €1 million) as well as misstatements below these amounts that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Arcadis NV is the parent company of a group of entities. The financial information of this group is included in the Consolidated financial statements of Arcadis NV.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components of Arcadis NV which include group entities in the Netherlands, United Kingdom, Australia and the Unites States. We subjected five components in these countries to audits of their complete financial information, as those components are individually financially significant to the group. Additionally, we selected five components for audit procedures to achieve appropriate coverage on financial line items in the Consolidated financial statements. Two component were subject to specific risk-focussed audit procedures as they include significant or higher risk areas.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	77%
Total assets	81%
Profit before tax	72%

None of the remaining components represented more than 4% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for Arcadis NV. For the other components in scope we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the Consolidated financial statements as a whole.

We issued instructions to the component teams in our audit scope. These instructions included among others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year including upon the conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the Consolidated financial statements.

The group engagement team visits the component teams and local management on a rotational basis and taking into account the significance of individual components to the group. In the current year, the group audit team visited the component auditors in the Netherlands, the United Kingdom, the United States, Middle East and the associate ALEN located in Brazil. For each of these locations we reviewed selected working papers of the component auditors.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included, goodwill impairment testing, accounting for derivative financial instruments and share based payments. The group team also performed testing over the central ERP system.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Our focus on fraud

Our objectives

We assess and respond to the risk of fraud in the context of our audit of the financial statements. In this context and with reference to the sections on responsibilities in this report, our objectives in relation to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

However, because of the characteristics of fraud, particularly those involving sophisticated and carefully organised schemes to conceal it, such as forgery, deliberate failure to record transactions and collusion, our audit might not detect instances of material fraud.

Our risk assessment

We obtained an understanding of the entity and its environment, including the entity's internal control. We made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the Supervisory Board. In addition, we considered other external and internal information. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. Fraud risk factors are events or conditions, which indicate an incentive or pressure, an opportunity, or an attitude or rationalisation to commit fraud. We, together with our forensic specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Executive Board, executive leadership team and other members of management that may represent a risk of material misstatement due to fraud. In our risk assessment we also considered the potential impact of performance based bonus schemes which the company has in place at certain components.

Furthermore, Arcadis NV is a global company, operating in multiple jurisdictions. Therefore, we considered the risk of bribery and corruption as a result of operations in countries with an above average risk profile according to the Transparency International corruption perception index. We updated our understanding of the internal controls that Arcadis has in place to address and manage the risk of bribery and corruption when doing business in higher risk territories. These procedures included assessing the design and existence of the Arcadis General Business Principles, template agent contracts and vendor due diligence procedures. As part of our risk assessment we gained an understanding of the comprehensive governance structure as detailed in section 'Governance & Compliance' of the Annual Report. As part of this understanding, we also reviewed internal audit reports and followed up on the outcome of compliance reports (including complaints and whistleblowers).

Our response to the risk of fraud

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures, which include journal entry testing and evaluating accounting estimates for bias (including retrospective reviews of prior year's estimates). In particular, our procedures consisted of evaluating key estimates and judgements as well as data analysis to identify high-risk journal entries. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
We considered the possibility of fraudulent or corrupt payments made through third parties and conducted detailed procedures on third party vendors in high-risk jurisdictions. Our procedures included verifying whether commission payments were at arm's length.

We also incorporated elements of unpredictability in our audit in all regions.

We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

We refer to the three key audit matters in the next paragraph of this report, which are all examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Due to the nature of the Group's activities, we recognise that certain key audit matters which we reported in our independent auditor's report on the financial statements 2017 are continuing to be significant in the audit of the financial statements and therefore may not change significantly year over year. As compared to prior year, we have not identified new key audit matters. We removed last year's key audit matter related to management override of controls considering the absence of significant findings in the last three years.

Key audit matter	How our audit addressed the matter
Project revenue recognition and valuation of contract assets Refer to notes 6, 19 and 20 of the financial statements We consider this a key audit matter since project revenue recognition and the valuation of contract assets are significant to the financial statements based on the quantitative materiality and because of the degree of management judgement involved. Management applies judgement to determine the cost to complete for contracts, which is the basis for revenue recognition and contract asset valuation, as well as for assessing provisions for loss-making contracts. Also the valuation of contract assets requires significant management judgement in determining recoverability, especially in the Middle East region, considering the above average ageing and the magnitude of the contract assets.	We performed substantive audit procedures on individually significant projects as well as high-risk projects. In addition, we took a sample over the remaining population to ensure sufficient coverage over all projects. These substantive procedures focused on assumptions applied by Arcadis to determine the cost to complete. The procedures included obtaining evidence to support applied hourly rates and reconciling changes in budgets to supporting evidence such as contract modifications. We also discussed the progress of the projects with the respective project managers and management of the operating companies. With regards to the above average ageing and magnitude of the contract assets in the Middle East region, specific attention has been given to the collection and valuation of five contracts with significant contract assets. We have discussed management's position papers for these projects during our Middle East site visit with the responsible project managers, the contract solutions team and the regional CFO and CEO. We have obtained supporting documentation, which included support for contract modifications, correspondence with the client and minutes confirming the status of negotiations with the client. The Company's disclosures concerning the contract assets and the related risks such as credit risk in note 19 to the Consolidated financial statements have also been assessed and are considered adequate.
Valuation of goodwill Refer to note 13 of the financial statements We focused on this area given the magnitude of the goodwill balance (€915 million as at 31 December 2018) and because the Executive Board's assessment of the 'value in use' of the group's eight Cash Generating Units (CGUs) is subject to estimation uncertainty. This involves significant judgement about the future revenue growth, operating EBITA margin, and the discount rates applied in cash flow forecasts. For the Middle East CGU, an impairment charge of €33.9 million was recognized in 2018. This reflects management's decision to be more selective and de-risk the portfolio. For the Latin America CGU, an impairment charge of €6.5 million has been recognized in 2018, reflecting Arcadis' future business expectations in Latin America. After this impairment, there is no remaining goodwill balance for this CGU. Note 13 to the Consolidated financial statements discloses the key assumptions applied bymanagement for goodwill impairment testing.	Our audit procedures included, an assessment of assumptions applied in the model, testing of the inputs to the model, assessing the disclosure note, testing mathematical accuracy of the goodwill impairment model and a reconciliation of the model to the five year forecasts and long term strategic plans that were approved by senior management. Our valuation experts supported us in the evaluation of the discount rate as well as other assumptions and methodologies used. We have challenged the assumptions applied by management, especially for the sensitive CGUs. This was done by, amongst others, comparing the assumptions to the historic performance of the company, local economic developments, development of the book-to-bill ratio, contract backlog and industry outlook. We also have taken into account the sensitivity of the value in use to changes in the respective assumptions. Based on our procedures performed, we consider management's key assumptions to be reasonable.

Key audit matter	How our audit addressed the matter
Valuation of Arcadis' shareholder loans to ALEN and corporate guarantees issued in relation to the bank loans of ALEN and its underlying investments Refer to note 15 of the financial statements Arcadis Logos Energia ('ALEN') is a 49.99% owned Brazilian associate in the Arcadis group. The company's activities relate to developing gas-to-gas and gas-to-power energy plants through its equity investments. These plants are still under construction or in a start-up phase, and do not yet generate positive cash flows. ALEN's investments in the assets are financed by shareholder loans from Arcadis (€55.1 million) and external bank loans. Arcadis NV has issued corporate guarantees in relation to the bank loans of ALEN and its underlying investments to the amount of €87.1 million (2017: €84.0 million). Arcadis is exposed to the risk of ALEN running into financial difficulty that might trigger a default on bank loans that would, in turn, result in the relevant banks claiming repayment from Arcadis for the full amount of the guarantees provided. Significant judgement is applied in the Company's assessment of the analysis of potential credit losses. During 2018, Arcadis has reassessed its business case for ALEN, considering noted delays in the construction process and obtaining signed customer contracts, increasing costs and assumed lower contract prices. Based on these insights, it was concluded that ALEN will likely not get in a position to repay its shareholder loans to Arcadis and fully repay the external bank loans. An external valuator supported the valuation of the updated business cases. Consequently, Arcadis recognized expected credit losses for the shareholder loans to ALEN (€29.7 million) and the corporate guarantees issued (€22.1 million).	ALEN is one of the components in our group audit. We have visited the ALEN associate in Brazil in order to obtain a better understanding of its business, underlying investments, assess the risks involved and status of the plants. As part of this visit we met with local management as well as the component audit team. ALEN was in our group audit scope to test the results from this associate and assess the carrying amounts of its assets. We consider Arcadis' main exposure to be its shareholder loans to ALEN and the corporate guarantees issued by Arcadis in relation to the bank loans of ALEN and its underlying investments. In accordance with IFRS 9, the expected credit loss on shareholder loans and guarantees is based on external market information for expected credit losses. We evaluated if this aligned with a third party valuation report. We discussed the business plans and the third party valuation report with management and challenged the main assumptions of the business case. These assumptions include, amongst others, the level of investments required to complete the assets, the market potential of the businesses (including distribution agreements, volumes and customer contracts) and the future extension of related concessions. Furthermore, our valuation experts assisted us in evaluating the adequacy of the applied valuation methodology, the discount rate applied and assessed sensitivities of the model. We also read the minutes of ALEN's board meetings and inspected the bank loan agreements of ALEN and its underlying investments covered as part of the corporate guarantees, amongst others to identify any specific bank covenants or agreements that could trigger the banks to call the corporate guarantees. Based on our procedures performed, we consider management's assumptions underlying the valuation of Arcadis'shareholder loans and corporate guarantees in relation to ALEN not unreasonable.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the Annual Integrated Report contains other information that consists of:

- introduction;
- Executive Board report;
- the Supervisory Board report; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Arcadis NV on 13 May 2015 by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on 13 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 4 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 53 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 13 February 2019

PricewaterhouseCoopers Accountants NV
Original has been signed by J.E.M. Brinkman RA

Appendix to our auditor's report on the financial statements 2018 of Arcadis NV

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the Consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the Audit and Risk Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Assurance report of the independent auditor

To: the Executive Board and Supervisory Board of Arcadis NV

Assurance report on selected financial and non-financial indicators in the Annual Integrated Report 2018

Our Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the indicators marked with symbol ✓ of Arcadis NV are not prepared in all material respects, in accordance with Arcadis NVs reporting criteria.

What we have reviewed

The object of our assurance engagement concerns selected financial and non-financial indicators marked with symbol ✓ included in section '2018 at a glance' of the Annual Integrated Report 2018 of Arcadis NV (hereafter: 'the indicators').

1. Number of employees (headcount as at 31 December)
2. Voluntary turnover rate (as % of total staff)
3. Females in total workforce (as % of total staff)
4. Employee engagement score (on a scale of 0-4)
5. Total Recordable Case Frequency (TRCF, per 200,000 work hours)
6. Arcadis Way implementation progress (as % of net revenues)
7. Organic revenue growth Global Key Clients (net revenues)
8. Organic revenue growth (net revenues)
9. Gross revenues (in € millions)
10. Net Income from Operations per share (in €)
11. Dividend per share (proposed, in €)
12. Net Income from Operations (in € millions)
13. Operating EBITA margin (as % of net revenues)
14. Net Working Capital (as % of gross revenues)
15. Days Sales Outstanding (DSO)
16. Return on Invested Capital (ROIC)
17. Net debt to EBITDA ratio (average)
18. Free Cash Flow (in € millions)

We have reviewed these indicators in the accompanying Annual Integrated Report 2018 of Arcadis NV, Amsterdam for 2018. All other information in the Annual Integrated Report 2018 is not in scope of this engagement. Therefore, we do not report or conclude on this other information.

The basis for our conclusion

We conducted our assurance engagement, in accordance with Dutch law, including the Dutch Standard 3000A 'Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements)' ('Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'). This assurance engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section 'Our responsibilities for the assurance engagement' of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Arcadis NV in accordance with the 'Code of Ethics for Professional Accountants, a regulation with respect to independence' ('Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' - ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the 'Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct' ('Verordening gedrags- en beroepsregels accountants'-VGBA).

We apply the 'Detailed rules for quality systems' ('Nadere voorschriften kwaliteitssystemen') and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Criteria for our assurance engagement

Arcadis NV developed its reporting criteria, which are disclosed together with the detailed information on the reporting scope and reporting process and methods in section 'Glossary financial & non-financial indicators'. We consider the reporting criteria to be relevant and appropriate for our review.

Responsibilities for the indicators and the assurance engagement

Responsibilities of the Executive Board and Supervisory Board

The Executive Board of Arcadis NV is responsible for the preparation of the indicators in accordance with the Arcadis NVs reporting criteria, including the identification of the intended users and the criteria being applicable for the purposes of the intended users.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation of the indicators that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the company's reporting process on the indicators.

Our responsibilities for the assurance engagement

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Our conclusion aims to provide limited assurance. The procedures performed by obtaining a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those performed in obtaining reasonable assurance in an assurance engagement. The performed procedures in this context consisted mainly of gathering information from officers of the entity and applying analytical procedures set out in relation to the information included in the indicators. The assurance obtained in assurance engagements aimed at providing limited assurance is therefore significantly lower than the assurance obtained in assurance engagements aimed at providing reasonable assurance.

Misstatements may arise due to fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the indicators. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the assurance engagement, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our main procedures include:

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the indicators.
- Obtaining an understanding of the reporting processes for the indicators, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the indicators with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the indicators responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing relevant staff responsible for providing the information for the indicators, and responsible for carrying out internal control procedures on the indicators and the consolidating of the indicators;
  - Determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive;
  - Obtaining assurance information that the indicators reconcile with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends of the indicators.
- Evaluating the consistency of the indicators with the other information in the Annual Integrated Report 2018, which is not included in the scope of our review.
- Evaluating the disclosure, presentation and assertions made to the indicators in the Annual Integrated Report 2018;
- To consider whether the indicators as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

Amsterdam, 13 February 2019

PricewaterhouseCoopers Accountants NV
Original has been signed by J.E.M. Brinkman RA

Other financial data

Quarterly financial data

In € millions unless otherwise stated	2018 Quarter 1	2018 Quarter 2	2018 Quarter 3	2018 Quarter 4	2017 Quarter 1	2017 Quarter 2	2017 Quarter 3	2017 Quarter 4
Gross revenues								
In the quarter	767	819	808	862	818	830	766	805
Cumulative	767	1,586	2,394	3,256	818	1,648	2,414	3,219
In the quarter	24%	25%	25%	26%	25%	26%	24%	25%
Cumulative	24%	49%	74%	100%	25%	51%	75%	100%
Net revenues								
In the quarter	599	621	613	607	628	628	585	595
Cumulative	599	1,220	1,833	2,440	628	1,256	1,841	2,437
In the quarter	25%	25%	25%	25%	26%	26%	24%	24%
Cumulative	25%	50%	75%	100%	26%	52%	76%	100%
EBITA								
In the quarter	37.2	42.2	42.9	39.2	42.2	38.2	40.0	40.5
Cumulative	37.2	79.4	122.3	161.5	42.2	80.4	120.4	160.9
In the quarter	23%	26%	27%	24%	26%	24%	25%	25%
Cumulative	23%	49%	76%	100%	26%	50%	75%	100%
Operating EBITA[1]								
In the quarter	43.1	44.9	45.4	43.8	46.7	43.8	45.1	50.8
Cumulative	43.1	88.0	133.4	177.2	46.7	90.5	135.6	186.4
In the quarter	24%	25%	26%	25%	25%	23%	24%	27%
Cumulative	24%	49%	75%	100%	25%	49%	73%	100%

[1] Excluding acquisition, restructuring and integration-related costs

Five-year summary

People & Culture

	2018	2017	2016	2015	2014
Employee engagement					
Total number of employees at 31 December	27,354	27,327	27,080	26,947	28,139
Average total number of employees	27,545	27,208	27,178	27,622	22,964
Total number of FTEs in GECs at 31 December	2,475	2,593	2,019	1,298	1,017
Total Number of FTEs at 31 December (incl. GECs)	25,996	25,909	25,594	25,630	26,956
Employee engagement score (scale 0 - 4)	3.10	3.03	–	3.07	3.07
Talent management & learnings and development					
Voluntary turnover rate (as % of total staff)	15.6%	14.6%	15.0%	15.0%	12.5%
Identified leadership potential rate (retention %)	69%	94%	90%	72%	–
Diversity and inclusion					
Females in total workforce (as % of total staff)	37%	37%	36%	35%	35%
Health and safety					
Total Recordable Case Frequency (TRCF)	0.18	0.26	0.26	0.29	0.33
Lost Time Case Frequency (LTCF)	0.06	0.11	0.10	0.13	0.15
Business ethics					
Employees passing Code of Conduct training (in %)	98%	97%	94%	92%	94%
Number of AGBP alleged breaches (including near misses)	77	76	99	105	58
Investigated AGBP alleged breaches	100%	100%	100%	100%	100%
Tax policies and compliance					
Group Effective Tax Rate over past five years	25.9%	–	–	–	–
Privacy (and personal data protection)					
Number of appointed privacy officers in the year	12	10	–	–	–
Risk management framework					
Number of internal audits conducted in the year	24	24	32	35	23
Client experience					
Client experience score	45	–	–	–	–

Innovation & Growth

	2018	2017	2016	2015	2014
Organic Revenue growth					
Organic revenue growth (net revenues, in %)	3%	1%	-4%	0%	1%
Book-to-bill ratio (net revenues)	0.97	1.02	0.94	0.93	1.02
Organic revenue growth Global Key Clients (net revenues, in %)	10%	17%	6%	9%	6%
Organic revenue growth Global Cities (net revenues, in %)	11%	6%	14%	10%	n/a
Innovation and digitilization					
% of revenues using BIM level 2	34%	–	–	–	–
Arcadis Way implementation progress (as % of net revenues)	33%	31%	3%	–	–
Energy and emissions - carbon footprint per FTE (in metric tons of carbon dioxide equivalents)					
Auto transport	0.99	1.21	1.29	1.25	1.32
Air transport	0.81	0.83	0.90	0.88	0.98
Public transport	0.18	0.19	0.18	0.17	0.16
Office energy use	1.01	1.11	1.13	1.26	1.42
Total carbon footprint	2.98	3.34	3.50	3.56	3.88
Environmental non-compliance					
# of identified environmental non-compliances	0	0	–	–	–
Climate change					
% of revenues that relate to relevant SDGs	80%	–	–	–	–

As some of the above KPIs are newly defined, some previous years comparatives are not available

Focus & Performance

In € millions unless otherwise stated	2018	2017	2016	2015	2014
Direct economic value generated					
Gross revenues	3,256	3,219	3,329	3,419	2,635
Net revenues	2,440	2,437	2,468	2,597	2,016
Direct economic value distributed					
Earnings per share (in €)	(0.31)	0.82	0.76	1.19	1.23
Dividend per share (in €)	0.47	0.47	0.43	0.63	0.60
Profit & loss performance					
Operating EBITA	177.2	186.4	175.5	250.3	202.9
Operating EBITA margin (in %)	7.3%	7.6%	7.1%	9.6%	10.1%
EBITDA	204.1	200.5	207.4	247.4	206.7
Net income from operations	87.6	101.0	90.9	137.2	123.6
Balance sheet performance					
Net working capital (in %)	15.1%	16.9%	17.5%	17.1%	17.4%
Days Sales Outstanding (DSO)	80	88	91	84	83
Return on invested capital (ROIC)	4.7%	7.3%	6.8%	9.3%	13.7%
Year-end net debt to EBITDA ratio	1.7	2.1	2.3	1.9	2.0
Average net debt to EBITDA ratio	2.0	2.3	2.5	2.2	1.5
Cash flow performance					
Free cash flow	149.0	97.7	80.0	120.6	103.4

As some of the above KPIs are newly defined, some previous years comparatives are not available

Segment information

Amounts in € millions (Rounding may impact totals)	2018	2017
Gross revenues		
Europe & Middle East	1,392	1,337
Americas	1,186	1,175
Asia Pacific	375	387
CallisonRTKL	301	320
Total	**3,256**	**3,219**
Net revenues		
Europe & Middle East	1,133	1,113
Americas	755	751
Asia Pacific	331	344
CallisonRTKL	220	229
Total	**2,440**	**2,437**
EBITA		
Europe & Middle East	68.4	74.0
Americas	51.7	36.0
Asia Pacific	24.2	30.1
CallisonRTKL	17.3	20.8
Total EBITA	**161.5**	**160.9**
Non-recurring[1]	15.6	25.5
Total Operating EBITA	**177.2**	**186.4**
Operating EBITA[2]		
Europe & Middle East	77.4	84.3
Americas	54.9	47.5
Asia Pacific	25.4	30.7
CallisonRTKL	19.4	23.9
Total Operating EBITA	**177.2**	**186.4**

Amounts in %	2018	2017
Segment mix (gross revenues)		
Europe & Middle East	43	42
Americas	36	37
Asia Pacific	12	12
CallisonRTKL	9	10
Total	**100**	**100**
Segment mix (net revenues)		
Europe & Middle East	46	46
Americas	31	31
Asia Pacific	14	14
CallisonRTKL	9	9
Total	**100**	**100**
EBITA margin		
Europe & Middle East	6.0%	6.7%
Americas	6.8%	4.8%
Asia Pacific	7.3%	8.7%
CallisonRTKL	7.9%	9.1%
Total	**6.6%**	**6.6%**
Operating EBITA margin		
Europe & Middle East	6.8%	7.6%
Americas	7.3%	6.3%
Asia Pacific	7.7%	8.9%
CallisonRTKL	8.8%	10.4%
Total	**7.3%**	**7.6%**

1 Acquisition, restructuring, integration-related costs and changes in acquisition-related litigation provisions
2 Operating EBITA is EBITA adjusted for non-recurring costs

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Glossary financial & non-financial indicators

Arcadis requested its external auditor to provide limited assurance on a selection of financial and non-financial indicators included in this Annual Integrated Report.

The selected indicators that fall within the scope of limited assurance by our external auditor are summarized on the '2018 at a glance page' on page 4 and 5 as marked with the ✓ symbol, further, these indicators are to be found throughout this Annual Integrated Report. These indicators are amongst the most material indicators for Arcadis. (See page 250 for the Assurance report of the independent auditor, which included details on the scoping and outcomes.)

Unless described otherwise, the scope of the indicators is based on Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company'). Arcadis aims to increase the assurance scope for information in the Annual Integrated Report in coming years. For a description of the definitions of these indicators (and some others used in this Annual Integrated Report) please refer to the section here below, and on the next page.

	Indicator	Definition
People & Culture	Number of employees	Employees expressed in number of individuals at the balance sheet date. Employees are defined as individuals that are in an employment relationship with Arcadis, according to national law or its application
	Employee engagement score	The average result of the engagement index questions that are part of the employee engagement survey 'Your Voice', measured from 0-4 and 4 being the top grade. The engagement index questions consist of nine questions that are consistent over years
	Voluntary turnover rate	Voluntary termination of employees (see definition above) divided by the average number of employees during the period. A termination is voluntary when the decision for termination is made by the employee
	Identified leadership potential rate	Retention rate of employees who are considered to have top-level potential (A&B level)
	Females in total workforce	Number of women employed at Arcadis as % of total employees
	Total Recordable Case Frequency (TRCF)	The number of recordable injuries or illness per 200,000 working hours. An injury or illness is recordable if it is work-related and is medical according to the US occupational safety and health administration (OSHA) rules
	Lost Time Case Frequency (LTCF)	The number of lost-time injuries or illness per 200,000 working hours
	Employees passing Code of Conduct training	Percentage of employees that have passed the AGBP training and test. This training and test have the objective of increasing awareness of potential conflicts and dilemmas, guiding employees to make ethical decisions
	Number of AGBP alleged breaches (including near misses)	Number reported integrity issues related to the Arcadis General Business Principles
	Investigated AGBP alleged breaches	Number of investigated integrity issues relating to the Arcadis General Business Principles
	Group Effective Tax Rate over the past five years	Weighted average Effective Tax Rate (ETR) over the past five years. ETR: Taxes on income divided by Income before income taxes, excluding Results from investments accounted for using the equity method and the Expected Credit Loss on shareholder loans and corporate guarantees
	Number of appointed privacy officers (in the year)	Number of appointed privacy officers in the period by Arcadis
	Number of internal audits (in the year)	Number of internal audits performed in a calendar year. The objective is to assess the operating effectiveness of business controls and provide recommendations to remediate identified risks that could potentially impact the realization of strategic objectives
	Client experience score	Client satisfaction shown in a Net Promotor and Client Loyalty Score

	Indicator	Definition
Innovation & Growth	Organic revenue growth	Year-on-year Net revenue change minus contributions from acquisitions in that period plus contributions of divestments in the previous period, minus exchange rate differences, and adjusted, if applicable, for non-recurring items.
	Book-to-bill ratio	Period net order-intake in Net revenues divided by the period Net revenues
	Organic revenue growth Global Key Clients	Organic Net revenue growth generated by our Global Key Clients program compared to last year. The Global Key Clients is a set of clients that is determined by Arcadis based on multiple criteria set by the Executive Board. The Global Key Clients for the year are determined before the year starts
	Organic revenue growth Global Cities	Organic Net revenue growth generated by our Global Cities program compared to last year
	% of revenues using BIM level 2	The Net revenue of Architecture or Design & Engineering projects, where more than one project discipline creates or collaboratively manages object-based information in a predefined way to have a single source of truth. Object-based is where a data set represents a physical real-world assets characteristic in a reusable form
	Arcadis Way implementation progress	Total of Net revenues for the year of the cumulative regions and/or countries that have migrated on to the Oracle software as part of Arcadis Way, divided by total Net revenues for the Arcadis Group
	Arcadis' carbon footprint	The amount of greenhouse gases produced by Arcadis' employees measured in metric tons of carbon dioxide per full time equivalent (FTE)
	Number of identified environmental non-compliances	Number of incidents in which Arcadis failed to meet environment related laws, regulations and standards in the execution of projects for clients
	% of revenues that relate to relevant SDGs	The percentage of total Net revenues that relate to SDGs deemed relevant for Arcadis

	Indicator	Definition
Focus & Performance	Gross revenues	The gross inflow of economic benefits during the period arising in the course of ordinary activities. Gross revenues of Arcadis consist of external revenues net of value-added tax, rebates and discounts and after eliminating sales within the Arcadis Group
	Net revenues	Gross revenues minus materials, services of third parties and subcontractors, which are project-related costs of materials and services charged by third parties, including cost of subcontractor. Net revenues entails revenues produced by the activities of Arcadis own staff
	Dividend per share	Dividends issued by Arcadis for every outstanding ordinary share
	EBITA	Earnings Before Interest, Taxes, and Amortization divided by Impairment of goodwill and/or identifiable assets
	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization divided by Impairment of goodwill and/or identifiable assets
	Operating EBITA	EBITA excluding restructuring, integration, and acquisition related costs
	Operating EBITA margin	Operating EBITA as percentage of net revenues
	Net Income from Operations	Net income before non-recurring items (e.g. valuation changes of acquisition-related provisions, M&A costs, expected credit loss on shareholder loans and corporate guarantees and one-off pension costs), the impairment/amortization of goodwill/identifiable assets, and share-based compensations related to the Lovinklaan Foundation share purchase plan
	Net Income from Operations per share	Net Income from operations in the year, divided by the average number of ordinary shares in the year
	Net Working Capital	Sum of Contract assets (unbilled receivables), Inventories and Trade receivables minus Accounts payables, Contract liabilities (billing in excess of costs) and Contract liabilities (loss provisions)
	Net Working Capital as % of gross revenues	Net working capital/Gross revenues of last three months of the year * 4
	Days Sales Outstanding (DSO)	(Trade receivables + Unbilled receivables - Billings in excess of cost - Loss provision) x 91 days)/Gross revenues of last three months of the year
	Return on invested capital (ROIC)	The sum of earnings before interest after taxes and income from associates divided by average group equity, amortized goodwill and net debt
	Net debt to EBITDA ratio (average)	Average net debt ultimo for the year/EBITDA. A measure of a Company's ability to pay off its incurred debt. This ratio gives the investor the approximate amount of time that would be needed to pay off all debt, excluding interest, taxes, depreciation and amortization
	Free cash flow	Cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets

Other

AARC: Arcadis Audit and Risk Committee.

ARC: Arcadis Risk & Control Framework.

ASC: Arcadis Selection Committee.

Advanced Management Program: Internal training program for Arcadis managers.

AGBP: Arcadis General Business Principles. A set of working ethics for our employees.

Backlog: Value of signed orders in the portfolio to be filled, expressed as gross or net revenue.

CGUs: Cash Generating Units.

Cash Flow Operating Activities: Profit for the period adjusted for non-cash items and cash flow from working capital.

Defined Benefit: When the benefit on retirement from a pension fund to its participants is fixed.

Defined Contribution: When the value of the contribution to the pension fund made by the company is fixed.

ELT: Executive Leadership Team

Goodwill: The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired.

IFRS: International Financial Reporting Standards.

Impairment test: An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset.

Net cash position: Cash and cash equivalents minus Bank overdrafts.

Net debt: Interest bearing debt minus all cash and cash equivalents.

Operating income: Earnings before interest and taxes.

Order intake: The amount of new projects for which contracts have been signed or orally agreed on, expressed in gross or net revenue.

Peer group: Group of listed companies that is comparable to Arcadis both in size and activity.

Percentage-of-completion: Method to recognize revenue and expenses in an Income statement in proportion to the percentage of completion of the contract.

Proxy solicitation: Means to provide shareholders the opportunity to vote without being present at the shareholders meeting.

RemCo: Arcadis Remuneration Committee.

Total shareholder return: Stock price appreciation plus dividend yield.

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