

Financial report

Financial statements

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Consolidated Income statement

for the year ended 31 December

In € thousands	Note	2023	2022 ²
Gross revenues	7	5,003,322	4,028,935
Materials, services of third parties and subcontractors		(1,244,074)	(1,010,258)
Net revenues¹		3,759,248	3,018,677
Personnel costs	9,10	(2,943,798)	(2,363,129)
Other operational costs	9	(363,826)	(297,677)
Depreciation and amortization	14,15,16	(114,428)	(105,948)
Amortization other intangible assets	14	(59,345)	(20,184)
Other income/ (expenses)	8	6,045	(19,303)
Total Operational costs		(3,475,352)	(2,806,241)
Operating income		283,896	212,436
Finance income	11	23,582	7,888
Finance expenses	11	(79,414)	(27,680)
Fair value change of derivatives	11,19	(9,477)	(3,795)
Net finance expense	11	(65,309)	(23,587)
Result from investments accounted for using the equity method	17	4,053	1,588
Profit before income tax		222,640	190,437
Income taxes	12	(63,078)	(59,450)
Result for the period		159,562	130,987
Result attributable to:			
Equity holders of the Company (net income)		159,982	131,520
Non-controlling interests		(420)	(533)
Result for the period		159,562	130,987
Earnings per share (in €)			
Basic earnings per share	13	1.78	1.47
Diluted earnings per share	13	1.78	1.47

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial indicators on page 91 for the definition as used by Arcadis and to reconciliation tables on pages 87 to 90

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

The notes on pages 6 to 71 are an integral part of these Consolidated financial statements

Consolidated Statement of comprehensive income

for the year ended 31 December

In € thousands	2023	2022 ¹
Other comprehensive income, net of income tax		
Result for the period	159,562	130,987
Items that may be subsequently reclassified to profit or loss:		
Exchange rate differences for foreign operations	(28,242)	(36,647)
Reclassification in income statement	349	222
Changes in other comprehensive income	(28,591)	(36,869)
Exchange rate differences for equity accounted investees	(65)	36
Effective portion of changes in fair value of cash flow hedges	(1,648)	129
Items that will not be reclassified to profit or loss:		
Changes related to post-employment benefit obligations	(2,371)	(21,329)
Taxes related to remeasurements on post-employment benefit obligations	289	4,896
Other comprehensive income, net of income tax	(32,037)	(52,915)
Total Comprehensive income for the period	127,525	78,072
Total comprehensive income attributable to:		
Equity holders of the Company	127,854	78,690
Non-controlling interests	(329)	(618)
Total Comprehensive income for the period	127,525	78,072

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Non-GAAP performance measure

In € thousands	Note	2023	2022 ²
Net income from Operations¹			
Result for the period attributable to equity holders (net income)		159,982	131,520
Amortization identifiable intangible assets, net of taxes		45,174	18,565
Disposal and M&A costs, net result from divestments	6	9,904	50,584
Integration costs		10,667	212
Charitable donations	37	105	1,054
Net income from operations		225,832	201,935
Net income from Operations per share¹ (in €)			
Basic earnings per share	13	2.51	2.26
Diluted earnings per share	13	2.51	2.26

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial Indicators on page 91 for the definition as used by Arcadis and to reconciliation tables on pages 87 to 90

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Consolidated Balance sheet

as at 31 December

In € thousands	Note	2023 31 December	2022 31 December Revised ¹
Assets			
Non-current assets			
Intangible assets and goodwill	14	1,504,714	1,580,933
Property, plant and equipment	15	102,237	108,772
Right-of-use assets	16	248,720	284,435
Investments accounted for using the equity method	17	11,381	11,633
Other investments	18	4,295	3,609
Deferred tax assets	12	79,808	83,451
Pension assets for funded schemes in surplus	27	14,581	10,417
Other non-current assets	20	20,414	20,274
Total Non-current assets		1,986,150	2,103,524
Current assets			
Inventories		234	265
Derivatives	19	8,197	15,943
Trade receivables	21	731,035	729,614
Contract assets (unbilled receivables)	22	579,728	623,149
Corporate tax receivables	12	82,756	23,710
Other current assets	23	101,153	71,795
Cash and cash equivalents	24	289,878	272,754
Total Current assets		1,792,981	1,737,230
Total Assets		3,779,131	3,840,754

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

In € thousands	Note	2023 31 December	2022 31 December Revised ¹
Equity and liabilities			
Shareholders' equity			
Total Equity attributable to equity holders of the Company	25,45	1,063,569	995,244
Non-controlling interests	26	(2,338)	(2,009)
Total Equity		1,061,231	993,235
Non-current liabilities			
Provisions for employee benefits	27	40,125	41,652
Provisions for other liabilities and charges	28	51,476	40,862
Deferred tax liabilities	12	52,618	67,133
Loans and borrowings	29	870,923	901,935
Lease liabilities	16	210,940	242,980
Derivatives	19	1,790	-
Total Non-current liabilities		1,227,872	1,294,562
Current liabilities			
Contract liabilities (billing in excess of revenue)	22	503,271	481,872
Provision for onerous contracts (loss provisions)	22	12,732	24,228
Current portion of provisions	27,28	16,671	16,921
Corporate tax liabilities	12	66,538	73,349
Current portion of loans and short-term borrowings	29	-	56,230
Current portion of lease liabilities	16	70,367	72,137
Derivatives	19	9,353	21,904
Bank overdrafts	24	10,359	15,156
Accounts payable, accrued expenses and other current liabilities	30	800,737	791,160
Total Current liabilities		1,490,028	1,552,957
Total Liabilities		2,717,900	2,847,519
Total Equity and liabilities		3,779,131	3,840,754

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

Consolidated Statement of changes in equity

In € thousands	Note	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Hedge reserve	Translation reserve	Retained earnings	Shareholders' equity		
Balance at 1 January 2023¹		1,809	372,460	778	(88,142)	708,339	995,244	(2,009)	993,235
Result for the period		-	-	-	-	159,982	159,982	(420)	159,562
Other comprehensive income:		-	-	(1,648)	(28,398)	(2,082)	(32,128)	91	(32,037)
Total comprehensive income for the period		-	-	(1,648)	(28,398)	157,900	127,854	(329)	127,525
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	26	-	-	-	-	-	-	-	-
Dividends to shareholders	25	-	-	-	-	(66,244)	(66,244)	-	(66,244)
Issuance of shares	25	-	-	-	-	-	-	-	-
Share-based compensation	10	-	-	-	-	6,187	6,187	-	6,187
Taxes related to share-based compensation	12	-	-	-	-	-	-	-	-
Purchase of own shares	25	-	-	-	-	-	-	-	-
Share options exercised	25	-	-	-	-	528	528	-	528
Total transactions with owners of the Company		-	-	-	-	(59,529)	(59,529)	-	(59,529)
Balance at 31 December 2023		1,809	372,460	(870)	(116,540)	806,710	1,063,569	(2,338)	1,061,231

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

In € thousands	Note	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Hedge reserve	Translation reserve	Retained earnings	Shareholders' equity		
Balance at 1 January 2022		1,809	372,460	649	(51,616)	699,486	1,022,788	(1,148)	1,021,640
Result for the period ¹		-	-	-	-	131,520	131,520	(533)	130,987
Other comprehensive income:		-	-	129	(36,526)	(16,433)	(52,830)	(85)	(52,915)
Total comprehensive income for the period¹		-	-	129	(36,526)	115,087	78,690	(618)	78,072
Transactions with owners of the Company:									
Acquisitions and transactions with non-controlling interests	26	-	-	-	-	-	-	(26)	(26)
Dividends to shareholders	25	-	-	-	-	(116,053)	(116,053)	(217)	(116,270)
Issuance of shares	25	-	-	-	-	-	-	-	-
Share-based compensation	10	-	-	-	-	8,568	8,568	-	8,568
Taxes related to share-based compensation	12	-	-	-	-	-	-	-	-
Purchase of own shares	25	-	-	-	-	-	-	-	-
Share options exercised	25	-	-	-	-	1,251	1,251	-	1,251
Total transactions with owners of the Company		-	-	-	-	(106,234)	(106,234)	(243)	(106,477)
Balance at 31 December 2022¹		1,809	372,460	778	(88,142)	708,339	995,244	(2,009)	993,235

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Consolidated Cash flow statement

for the year ended 31 December

In € thousands	Note	2023	2022 ²	Note	2023	2022 ²	
Cash flows from operating activities				Cash flows from investing activities			
Result for the period		159,562	130,987	Investments in (in)tangible assets	14,15	(40,571)	(40,138)
Adjustments for:				Proceeds from sale of (in)tangible assets/ reversal of non-cash items		1,039	677
Depreciation and amortization	14,15,16	114,428	105,948	Investments in consolidated companies	6	(3,231)	(799,605)
Amortization other identifiable intangible assets	14	59,345	20,184	Proceeds from sale of consolidated companies	6	7,219	784
Income taxes	12	63,078	59,450	Investments in/ loans to associates and joint ventures	17	(93)	(36)
Net finance expense	11	65,309	23,587	Proceeds from (sale of) associates and joint ventures	17	-	-
Result from Investments accounted for using the equity method	17	(4,053)	(1,588)	Investments in other non-current assets and other investments	18,20	(5,282)	(4,561)
Adjusted profit for the period (EBITDA)¹		457,669	338,568	Proceeds from (sale of) other non-current assets and other investments	18,20	4,360	7,904
Change in Inventories		32	(32)	Net cash (used in) / from investing activities		(36,559)	(834,975)
Change in Contract assets and liabilities, provision for onerous contracts		51,274	5,572	Cash flows from financing activities			
Change in Trade receivables		(10,323)	16,146	Proceeds from exercise of options	10,25	528	1,251
Change in Accounts payable		(39,921)	(5,030)	Proceeds from issuance of shares	25	-	-
Change in Net working capital		1,062	16,656	Settlement of financing derivatives	19	(12,413)	3,345
Change in Other receivables		(51,282)	(10,651)	New long-term loans and borrowings	29	718,680	747,277
Change in Current liabilities		40,870	(13,404)	Repayment of long-term loans and borrowings	29	(805,925)	(19,256)
Change in Other working capital		(10,412)	(24,055)	New short-term borrowings	29	-	195,545
Change in Provisions	27,28	3,228	(11,105)	Repayment of short-term borrowings	29	-	(284,907)
Share-based compensation	10	6,187	8,568	Payment of lease liabilities	16	(79,251)	(70,610)
Losses on divestments	8	2,418	30,894	Dividends paid		(66,244)	(116,270)
Gains on derecognition of leases		(120)	(301)	Net cash (used in) / from financing activities		(244,625)	456,375
Change in operational derivatives		(2)	531	Net change in Cash and cash equivalents less Bank overdrafts		27,538	(94,576)
Settlement of operational derivatives		796	(1,550)	Exchange rate differences		(5,617)	1,262
Dividend received		4,326	10,531	Cash and cash equivalents less Bank overdrafts at 1 January		257,598	350,912
Interest received		20,425	7,657	Cash and cash equivalents less Bank overdrafts at 31 December		279,519	257,598
Interest paid		(45,946)	(22,005)				
Corporate tax paid		(130,909)	(70,365)				
Net cash (used in) / from operating activities		308,722	284,024				

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial indicators on page 91 for the definition as used by Arcadis and to reconciliation tables on pages 87 to 90

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

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
1082 MS Amsterdam
The Netherlands

Arcadis NV and its consolidated subsidiaries ('Arcadis', 'the Group' or 'the Company') is a 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 Group 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. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the Consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on 22 February 2024. The Consolidated financial statements as presented in this report are unaudited. Audited Consolidated Financial statements will be published together with the Annual Integrated Report on 7 March 2024. The Consolidated financial statements are subject to adoption by the General Meeting of Shareholders, to be held on 8 May 2024.

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, 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.

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.

Translation 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. The most significant accounting estimates and management judgments are related to:

- Segment reporting – see note 5;
- Purchase price allocation – see note 6;
- Revenue recognition ('cost to complete') and estimate of the variable consideration – see note 7;
- Deferred tax recognition and uncertain tax treatments – see note 12;
- Goodwill impairment testing and assumptions underlying recoverable amount – see note 14;
- Leases- estimating the incremental borrowing rate – see note 16;
- Recoverability of trade receivables – see note 21;
- Contract assets (unbilled receivables), contract liabilities (billing in excess of revenue) and provisions for onerous contracts – see note 22;
- Provisions for defined benefit pension obligations – see note 27;
- Recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources – see note 28.

The accounting estimates and judgements in preparing the Consolidated financial statements are 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.

Going concern

Management has assessed the going concern assumption and exercised judgment in making reasonable estimates. Based on the latest available financial (cash flow) forecasts and sensitivity analysis performed, management concluded that there is no material uncertainty related to events and conditions that may cast significant doubt on the Group ability to continue as a going concern.

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 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 the income statement. Impairment losses recognized regarding 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.

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.

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.

New standards, interpretations and amendments adopted by the Group

There are no significant changes in accounting policies but several amendments to International Financial Reporting Standards and interpretations became effective for annual periods beginning on or after 1 January 2023. The new amendments do not have a material impact on the Group's financial performance and the financial position for the year ended 2023.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

We analysed the implication of the new standard to the Group and assessed that it had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 'Making Materiality Judgements' provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the measurement recognition and presentation of any item in the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

For further information, see note 12 on income taxes.

Revision of comparative information

The provisional amounts of IBI Group, DPS Group and Giftge Consult published as of 31 December 2022 has been revised due to the further fair value adjustments noted during the measurement period. IFRS 3.49 requires Arcadis to recognise adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, Arcadis has revised comparative information for prior period presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

The tables below summarize the adjustments recognized for each individual account that impacted published balance sheet for the year ended 31 December 2022. Accounts that were not affected by the revision have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. Refer to Note 6 for information on PPA adjustments.

Revised consolidated income statement for year ended 31 December 2022 (condensed)

	Published	Revisions	Revised
Depreciation and amortization	(105,769)	(179)	(105,948)
Amortization other intangible assets	(15,130)	(5,054)	(20,184)
Total Operational costs	(2,801,008)	(5,233)	(2,806,241)
Operating income	217,669	(5,233)	212,436
Finance expenses	(27,651)	(29)	(27,680)
Net finance expense	(23,558)	(29)	(23,587)
Profit before income tax	195,699	(5,262)	190,437
Income taxes	(60,702)	1,252	(59,450)
Result for the period	134,997	(4,010)	130,987

Revised consolidated balance sheet as at 31 December 2022 (condensed)

In € thousands	Published	Revisions	Revised
Intangible assets and goodwill ¹	1,553,873	27,060	1,580,933
Property, plant and equipment	109,490	(718)	108,772
Right-of-use assets	275,613	8,822	284,435
Deferred tax assets	71,910	11,541	83,451
Other non-current assets	20,889	(615)	20,274
Trade receivables	747,392	(17,778)	729,614
Contract assets (unbilled receivables)	644,859	(21,710)	623,149
Corporate tax receivables	17,840	5,870	23,710
Other current assets	73,956	(2,161)	71,795
Total assets	3,830,443	10,311	3,840,754
Shareholders' equity	1,039,348	(46,113)	993,235
Provisions for other liabilities and charges	36,794	4,068	40,862
Deferred tax liabilities	30,271	36,862	67,133
Lease liabilities	235,947	7,033	242,980
Corporate tax liabilities	63,478	9,871	73,349
Current portion of lease liabilities	71,816	321	72,137
Accounts payable, accrued expenses and other current liabilities	792,891	(1,731)	791,160
Total equity and liabilities	3,830,443	10,311	3,840,754

¹ Out of which currency translation adjustment revision of €(42.1) million

Revised consolidated cash flow statement for year ended 31 December 2022 (condensed)

In € thousands	Published	Revisions	Revised
Result for the period	134,997	(4,010)	130,987
Adjustments for:			
Depreciation and amortization	105,769	179	105,948
Amortization other identifiable intangible assets	15,130	5,054	20,184
Income taxes	60,702	(1,252)	59,450
Net finance expense	23,558	29	23,587
Net change in cash and cash equivalents less Bank overdrafts	(94,576)	-	(94,576)

3 Change in accounting policies

There are no significant changes in accounting policies adopted during the year ended 31 December 2023.

4 Significant events in the current reporting period

The financial position and performance of the Group has been affected by the following events and transactions during the reporting period:

IBI and DPS Purchase Price Allocation (PPA) accounting completion

The Group completed the PPA accounting for IBI Group and DPS Group during the year within the measurement period. The measurement period for IBI and DPS ended on 26 September 2023 and 30 November 2023, respectively. The main PPA adjustments related to identifiable intangibles and contract assets. The goodwill reported for IBI is €450 million and for DPS is €83 million. See note 6 on business combination.

Issuance of financing bond and long term loan

In February 2023, a €500 million bond has been issued by the Group against a fixed rate of 4.875% with a 5-year maturity. The proceeds of this issuance have been used to repay portion of €750 million bridge facility with the remaining balance of €250 million loan outstanding.

In July 2023, €225 million Schuldschein loan with €185 million at floating interest rate and €40 million at fixed interest rate were issued with a 3-year maturity. The remaining bridge facility outstanding balance of €250 million was repaid utilizing the proceeds from issuance of €225 million Schuldschein loan and cash at bank. See note 29 on loans and borrowings.

5 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.

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.

Reportable segments

The operating segment reporting follows the internal reporting used by the “Chief Operating Decision Maker” (“CODM”, being the Executive Leadership Team of the Group), to manage the business, assess the performance based on the available financial information and to allocate resources. The most important performance measures are EBITA (earnings before interest, tax, amortization of identifiable intangible assets, and impairment charges) and operating EBITA, 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 “CODM” also receives information about the segments' net revenue.

Finance expenses, finance income, and fair value change of derivatives are not allocated to individual segments as the underlying instruments are managed on a group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

The amount of segment assets and liabilities is not disclosed. Segment assets and liabilities are not included in the measures used for allocating resources and assessing segment performance. The Group discloses the goodwill by segment (see note 14) which corresponds to the Groups of CGUs for impairment testing purpose. Hereafter, the Groups of CGU's for the purpose of testing for impairment of goodwill, defined at the level of the operating segments are referred to as the CGU or the CGU's (in case of multiple groups of CGU's).

Therefore, the information used by the 'CODM' to monitor progress, and for decision-making about operational matters is based on the four GBAs.

In accordance with IFRS 8, the Company has the following reportable segments as at 31 December 2023:

Operating segment	Reportable segment
Places	Places
Mobility	Mobility
Resilience	Resilience
Intelligence	Intelligence

Geographical information

In € millions	Net revenues by origin		Non-current operating assets	
	2023	2022	2023	2022 ¹
Americas	1,743	1,273	233	283
Europe & Middle East	1,673	1,350	257	309
Asia Pacific	343	396	48	52
Total	3,759	3,019	538	644

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Non-current operating assets consist of property, plant and equipment, right-of-use assets, and intangible assets (excluding Goodwill).

Gross revenues generated in the Netherlands amounted to €363 million in 2023 (2022: €342 million), Net revenues to €291 million (2022: €266 million). Total assets in the Netherlands, including intercompany assets of Arcadis NV and its Dutch holdings companies, amounted to €2,808 million (2022: €2,770 million).

Major customers

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

In € millions	Resilience	Places	Mobility	Intelligence	Total segments	Corporate and unallocated amounts	Total consolidated
2023							
Gross revenue⁴	1,957.7	1,944.2	978.8	122.5	5,003.3	-	5,003.3
Materials, services of third parties and subcontractors	(615.19)	(435.4)	(164.9)	(28.6)	(1,244.1)	-	(1,244.1)
Net revenues¹	1,342.6	1,508.9	813.9	93.9	3,759.2	-	3,759.2
Operating costs	(1,155.5)	(1,361.8)	(706.7)	(78.0)	(3,302.0)	(5.6)	(3,307.6)
Other income	0.7	3.5	0.8	1.0	6.0	-	6.0
Depreciation and amortization	(39.9)	(44.3)	(23.0)	(7.2)	(114.4)	-	(114.4)
EBITA¹	147.9	106.3	84.9	9.7	348.8	(5.6)	343.2
Amortization of other intangible assets	(5.2)	(44.4)	(3.7)	(6.0)	(59.3)	-	(59.3)
Goodwill impairment charges	-	-	-	-	-	-	-
Operating income	142.7	61.9	81.2	3.7	289.5	(5.6)	283.9
Operating EBITA¹	158.8	136.6	90.5	10.9	396.8	(5.6)	391.2
Total capital expenditure²	14.1	15.9	8.6	1.0	39.5	-	39.5

In € millions	Resilience	Places	Mobility	Intelligence	Total segments	Corporate and unallocated amounts	Total consolidated
2022³							
Gross revenue⁴	1,793.1	1,315.1	894.5	26.2	4,028.9	-	4,028.9
Materials, services of third parties and subcontractors	(554.6)	(298.3)	(151.9)	(5.5)	(1,010.3)	-	(1,010.3)
Net revenues¹	1,238.5	1,016.8	742.6	20.7	3,018.6	-	3,018.6
Operating costs	(1,074.4)	(909.5)	(666.2)	(17.5)	(2,667.6)	(23.7)	(2,691.3)
Other income	1.9	7.2	0.6	0.2	9.9	1.4	11.3
Depreciation and amortization	(42.5)	(34.3)	(25.0)	(1.7)	(103.5)	(2.5)	(106.0)
EBITA¹	123.5	80.2	52.0	1.7	257.4	(24.8)	232.6
Amortization of other intangible assets	(4.0)	(11.8)	(2.6)	(1.8)	(20.2)	-	(20.2)
Goodwill impairment charges	-	-	-	-	-	-	-
Operating income	119.5	68.4	49.4	(0.1)	237.2	(24.8)	212.4
Operating EBITA¹	133.8	92.9	72.3	1.9	300.8	(6.3)	294.5
Total capital expenditure²	16.0	13.2	9.6	0.3	39.1	1.0	40.1

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial indicators on page 91 for the definition as used by Arcadis.

² Amount of investments in (in) tangible assets.

³ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

⁴ Intercompany revenue (2023: €87.2m) is not material and therefore only external revenue is disclosed in the table above

6 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

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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. The Group does not recognize contingent assets acquired in a business combination.
- Measurement principle: All assets acquired and liabilities assumed in a business combination are measured at acquisition-date 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.

Lease liabilities of acquired leases are measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. Right-of-use asset is measured at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms. Right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the acquisition date and the underlying asset is of low value are not recognized.

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.

If the Company obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

Arcadis NV indirectly holds 100% of the ordinary shares of all these subsidiaries, and does not hold direct interests in most of them 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 2023, the total non-controlling interest amounted to €2.3 million negative (2022: €2.0 million negative) and is as such not material for the Group.

The main consolidated companies as at 31 December 2023 are listed below:

Name of subsidiary	Country of incorporation
Americas	
Arcadis US, Inc.	United States of America
DPS Group Inc.	United States of America
Arcadis Professional Services (Canada) Inc. (formerly : IBI Group Professional Services (Canada) Inc.)	Canada
Arcadis Architects (Canada) Inc. (formerly: IBI Group Architects (Canada) Inc.)	Canada
Arcadis Logos S.A.	Brazil
CallisonRTKL, Inc.	United States of America
Europe & Middle East	
Arcadis Consulting Middle East Ltd.	United Kingdom
Arcadis LLP	United Kingdom
Arcadis Consulting (UK) Limited	United Kingdom
Arcadis Nederland BV	The Netherlands
Arcadis Germany GmbH	Germany
Arcadis France S.A.S.	France
Arcadis Belgium NV	Belgium
White Rock Insurance (Netherlands) Pcc Limited	Malta
DPS Engineering & Construction Limited	Ireland
Asia Pacific	
Arcadis Hong Kong Ltd.	Hong Kong
Arcadis Shanghai Ltd.	China
Arcadis Australia Pacific Holdings Pty Ltd.	Australia

Changes in consolidated interests

Business divestments 2023

In € thousands	2023
Consideration received, satisfied in cash	7,326
Cash and cash equivalents disposed of	(107)
Net cash inflows	7,219

During the year ended 31 December 2023, the Company has realized:

- net gain of €1.8 million from the divestment of two subsidiaries in US and Canada; and
- net loss of €4.2 million from liquidation of an entity in Hong Kong.
- net loss of €1.4 million from divestments and derecognition of tangible assets and Right-of-use.

In addition, the Company incurred M&A costs for a total of €6 million.

Business combinations 2022

Acquisition of IBI Group

On 27 September 2022, the Group acquired 100% of the voting shares of IBI Group Inc., a listed company based in Canada. IBI Group is a technology-driven design firm with global architecture, engineering, planning and technology expertise. This acquisition aims to create a global leader for planning, designing and building the resilient cities of tomorrow.

As at 31 December 2022, the Group had not yet completed its fair value assessment of all assets acquired and liabilities assumed in connection with the IBI Group Acquisition. The Group completed its fair value assessment of all assets acquired and liabilities assumed during the measurement period which ended on 26 September 2023.

The table below presents management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed and published in the annual financial statements for the year ended 31 December 2022, adjustments recognized during the subsequent measurement periods and the final determinations of the fair values for the year ended 31 December 2023. The final determination of the fair values required some adjustments to the preliminary assessments as shown below.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of IBI Group Inc. as at the date of acquisition were:

In € thousands	Note	Preliminary	Adjustments	Final
Assets				
Intangible assets	14	55,452	73,519	128,971
Property, plant & equipment	15	16,427	-	16,427
Right-of-use assets	16	45,197	-	45,197
Other investments	18	1,603	-	1,603
Other non-current assets	20	4,127	(615)	3,512
Trade receivables	21	116,894	(17,505)	99,389
Contract assets (unbilled receivables)	22	54,814	(16,759)	38,055
Corporate tax receivables	12	4,880	(380)	4,500
Other current assets	23	19,699	-	19,699
Cash and cash equivalents	24	26,826	-	26,826
		345,919	38,260	384,179
Liabilities				
Deferred tax liabilities	12	(10,070)	(12,864)	(22,934)
Loans and borrowings	29	(51,770)	-	(51,770)
Lease liabilities	16	(46,693)	-	(46,693)
Contract liabilities (billing in excess of revenue)	22	(56,007)	-	(56,007)
Corporate tax liabilities	12	(1,683)	388	(1,295)
Provisions	28	-	(4,068)	(4,068)
Accounts payable, accrued expenses and other current liabilities	30	(73,964)	1,055	(72,909)
Bank overdrafts	24	(5,607)	-	(5,607)
		(245,794)	(15,489)	(261,283)
Total identifiable net assets at fair value		100,125	22,771	122,896
Goodwill arising on acquisition	14	472,760	(22,771)	449,989
Cash settlement of unreplaced awards		(15,770)	-	(15,770)
Cash consideration transferred		(557,115)	-	(557,115)

The goodwill is attributable to the workforce and the synergies with the acquired business. It has been allocated to the CGUs that the group uses for impairment testing of goodwill: Places, Mobility, Resilience, and Intelligence. It will not be deductible for tax purposes.

Fair values measurement and purchase price allocation accounting

The Group sought an independent valuation for IBI Group's other identifiable intangible assets. Intangible assets identified during the subsequent measurement period relate primarily to customer relationships and amounted to €77 million. Management applied the Multiperiod Excess Earnings Method (MEEM) using discounted cash flow models to value customer relationships acquired. Management's significant estimates and assumptions in applying this methodology included forecast revenues and margins attributable to the customer relationships (in excess of backlog), rates of attrition and discount rates.

The fair value of the trade receivables amounts to €99.4 million. The gross amount of trade receivables is €116.9 million, of which €17.5 million was estimated to be uncollectable at the date of acquisition.

The fair value of contract assets amounts to €38.0 million. The gross amount of contract asset is €54.8 million, an adjustment of €16.8 million was done due to provision on unbilled receivables and correction of percentage of completion of few projects.

The deferred tax liability is mainly related to identifiable intangible assets identified during the year. The Group conducted an assessment of the potential contingent liabilities which resulted in the recognition of a provision of €4.1 million.

The subsequent measurement period adjustments has resulted in revision of comparative income statement, statement of financial position, statement of changes in equity and statement of cash flows as at 31 December 2022.

Acquisition of DPS Group

On 1 December 2022, the Group acquired 100% of the voting shares of DPS Engineering Holdings Limited, a non-listed company based in Ireland. DPS Group is a provider of project services to global leading clients in pharmaceutical, biotechnology, novel therapy, medical technologies and semiconductor manufacturing. This acquisition aims to achieve a global position in pharmaceutical and semiconductor manufacturing markets and create a further enhanced and integrated full-service offering.

As at 31 December 2022, the Group had not yet completed its fair value assessment of all assets acquired and liabilities assumed in connection with the DPS Group Acquisition. The Group completed its fair value assessment of all assets acquired and liabilities assumed during the measurement period which ended on 30 November 2023.

The table below presents management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed and published in the annual financial statements for the year ended 31 December 2022, adjustments recognized during the subsequent measurement periods and the final determinations of the fair values for the year ended 31 December 2023. The final determination of the fair values required some adjustments to the preliminary assessments as shown below.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of DPS Group as at the date of acquisition were:

In € thousands	Note	Preliminary	Adjustments	Final
Assets				
Intangible assets	14	-	111,000	111,000
Property, plant & equipment	15	11,022	(699)	10,323
Right-of-use assets	16	23,804	8,982	32,786
Deferred tax assets	12	8,694	11,527	20,221
Inventories		10	-	10
Trade receivables	21	137,252	(274)	136,978
Contract assets (unbilled receivables)	22	59,531	(4,950)	54,581
Corporate tax receivables	12	344	6,250	6,594
Other current assets	23	6,503	(338)	6,165
Assets classified as held for sale		1,825	(1,825)	-
Cash and cash equivalents	24	27,007	-	27,007
		275,992	129,673	405,665
Liabilities				
Deferred tax liabilities	12	(5,561)	(25,021)	(30,582)
Loans and borrowings	29	(9,045)	-	(9,045)
Lease liabilities	16	(25,461)	(7,325)	(32,786)
Contract liabilities (billing in excess of revenue)	22	(235)	-	(235)
Corporate tax liabilities	12	(1,878)	(10,259)	(12,137)
Accounts payable, accrued expenses and other current liabilities	30	(144,395)	630	(143,765)
Bank overdrafts	24	(31,193)	-	(31,193)
		(217,768)	(41,975)	(259,743)
Total identifiable net assets at fair value		58,224	87,698	145,922
Goodwill arising on acquisition	14	170,963	(87,698)	83,265
Cash consideration transferred		(229,187)	-	(229,187)

The goodwill is attributable to the workforce and the synergies with the acquired business. It has been allocated entirely to the CGU Places. It will not be deductible for tax purposes.

Fair values measurement and purchase price allocation accounting

The Group sought an independent valuation for DPS Group's other identifiable intangible assets. Intangible assets identified during the subsequent measurement period relate primarily to customer relationships and order backlog which amounted to €89 million and €18 million respectively. Management applied the Multiperiod Excess Earnings Method (MEEM) using discounted cash flow models to value customer relationships acquired. Management's significant estimates and assumptions in applying this methodology included forecast revenues and margins attributable to the customer relationships (in excess of backlog), rates of attrition and discount rates.

The deferred tax and corporate tax adjustments relate to purchase price allocation adjustments and establishment of tax positions for entities that did not account for the deferred tax positions before acquisition.

The Group had to align the accounting principles of DPS Group with IFRS (mainly leases and property, plant and equipment) as DPS Group followed The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) for local GAAP purposes. The Group assessed the leases held by DPS Group with extension options that are probable to be exercised and adjusted right of use assets by €8.9 million and lease liabilities by €7.3 million.

The subsequent measurement period adjustments has resulted in revision of comparative income statement, statement of financial position, statement of changes in equity and statement of cash flows as at 31 December 2022.

Acquisition of Giftge Consult

In September 2022, Arcadis acquired 100% of the voting shares in Giftge Consult GmbH, a non-listed company based in Germany. Giftge consult is a leading consulting and engineering company for energy transition solutions in Germany. Arcadis will strengthen its position in the attractive and high growth energy transition sector, complementing services within its global Resilience business area.

The consideration for Giftge Consult business combination amounted to €9.0 million, including a deferred consideration of €0.6 million. An identifiable intangible of €0.7 million and deferred tax liability of €0.2m was

recognized during the subsequent measurement period. The net identifiable assets acquired amounted to €4.0 million and the goodwill amounted to €5.0 million.

The goodwill is allocated entirely to the CGU Resilience. The acquisition accounting has been completed during the measurement period which ended in September 2023.

Due to the relatively limited size of Giftge consult, no further disclosures are provided.

Acquisition of Water Platform Company (formerly HydroLogic Research B.V.)

In February 2022, Arcadis acquired 70% of the voting shares in Water Platform Company B.V., a non-listed Dutch based software company that owns HydroNET. HydroNET is a platform developed by HydroLogic aimed at supporting customers with intelligent water services and digital capabilities. Arcadis will use its worldwide network to develop and accelerate the international roll-out of the HydroNET platform.

The consideration for Water Platform Company business combination amounted to €3.5 million which includes a contingent consideration of €0.8 million. The net identifiable assets acquired amounted to €0.1 million and the goodwill amounted to €3.4 million. The goodwill is allocated entirely to the CGU Intelligence. The acquisition accounting was completed in 2022.

Due to the relatively limited size of Water Platform Company, no further disclosures are provided.

Business divestments 2022

During the year ended 31 December 2022, the Company has completed the following divestments:

- A subsidiary in Czech Republic and its branch in Slovakia;
- A subsidiary in Thailand;
- A subsidiary in Switzerland;
- A subsidiary in Singapore including its subsidiaries in Vietnam and Singapore and its Taiwan branch;
- A subsidiary in Hong Kong including its subsidiary in Vietnam and its branch in Singapore;
- Subsidiaries in Malaysia;
- A part of business activities in resilience in France.

In € thousands	2022
Consideration received, satisfied in cash	13,771
Cash and cash equivalents disposed of	(12,987)
Net cash inflows	784

The total net asset values of the investments disposed are €44.6 million (mainly composed of contract assets of €31.5 million, trade receivables of €17.4 million and contract liabilities of € (14.5) million). The net proceeds from sale of investments are €13.8 million and a loss on disposal of subsidiaries amounted to €30.9 million (non-operating).

Deferred consideration and earn-outs

The contractual deferred consideration and earn-outs for acquisitions are disclosed below.

In € thousands	Initial recognition	Discount effect/interest	2023 Total	2022 Total
Balance at 1 January	7,121	-	7,121	479
Acquisitions	-	-	-	7,799
Interest accrual	-	-	-	-
Releases	(1,856)	-	(1,856)	-
Payments and redemptions	(2,808)	-	(2,808)	(734)
Exchange rate differences	(57)	-	(57)	(423)
Balance at 31 December	2,400	-	2,400	7,121

There is no deferred consideration (2022: €3.1 million) reported as other long-term debt under 'Loans and borrowings' (see note 29). An amount of €2.4 million (2022: €4.0 million) is due within one year and reported as 'Other current liabilities' (see note 30).

This relates to after payments associated with:

- Contingent consideration liabilities assumed from acquiring IBI Group: Hotspot, RLC, Teranis, Telenium, Peter's Energy.
- Water Platform Company for €0.2 million.

The payments made in 2023 relate to RLC Architects (2022) for €1.3 million, Giftge Consult (2022) for €0.6 million, Hotspot (2022) for €0.3 million, Teranis (2021) for €0.3 million, Water Platform Company (2022) for €0.2 million and Telenium (2021) for 0.1 million.

7 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 probable 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, revenue is 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.

Additional costs because of COVID-19 (e.g. additional labor cost, cost incurred to comply with ongoing health & safety requirements) are included in the percentage of completion only if they are needed to contribute to the measure of progress of a performance obligation.

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.

Licenses and Software as a Service

Revenue from (software) licenses is recognized over time, based on time elapsed, in case of a 'right to access'. It is recognized at a point in time in case of a 'right to use', but not before the beginning of the license period. Revenue from Software as a Service (SaaS) is treated as a right to access and is recognized over time, based on time elapsed.

Contract costs and contract cost assets

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 a contract cost 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.

Provisions for onerous contracts

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 provision for onerous contracts is recognized for the lower of the unavoidable costs and the costs of termination.

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 price 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 21.

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	2023	2022
Revenue from services	4,402,752	3,509,389
Construction contract revenue	577,956	513,580
Revenue from licenses	22,614	5,966
Total Gross Revenue	5,003,322	4,028,935

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 developed software, and mainly relate to the operating segment Intelligence.

Timing of revenue recognition

The timing of revenue recognition in 2023 was as follows:

In € thousands	2023	2022
At a point in time	225,579	120,998
Over time	4,777,743	3,907,937
Total Gross Revenue	5,003,322	4,028,935

Contract balances

The Group has recognized the following assets and liabilities related to contracts with customers:

In € thousands	2023	2022 ¹
Other non-current assets	1,327	1,633
Trade receivables	731,035	729,614
Contract assets (Unbilled receivables)	579,728	623,149
Contract liabilities (Billing in excess of costs)	(503,271)	(481,872)
Provision for onerous contracts (loss provisions)	(12,732)	(24,228)
Total	796,087	848,296

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

The Other non-current assets relate to long-term retentions. The Expected Credit Loss allowance is included in the Contract assets (unbilled receivables) balance, see note 22.

Contract costs

The incremental costs to obtain a contract amounted to nil in 2023 and 2022. 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 duration of one year or less. The amounts therefore differ from the contracted backlog.

In € thousands	2024	2025	2026	After 2026	Total
Expected Gross revenue from (partially) unsatisfied performance obligations	1,702,174	546,323	238,992	210,262	2,697,751

8 Other income (expense)

Other income (expense) includes results that arise from events or transactions that are clearly distinct from the ordinary activities of the Company. Gains on the sale of assets are recognized as part of Other income (expense).

In € thousands	2023	2022
Gain / (loss) on divestments	(2,418)	(30,894)
Gain on derecognition of leases	120	301
Gain on sale of assets	182	268
Results from investments	696	(180)
Sub-leasing income	256	139
Other	7,209	11,063
Total Other income/ (expense)	6,045	(19,303)

The net loss on divestments of €2.4 million and €30.9 million is related to the gains and losses recognized on the disposal of consolidated entities in 2023 and 2022, respectively (see note 6).

The category ‘Other’ in 2023 included amongst others government grants mainly in China of €2.4 million (2022: €2.7 million) and several other individually non-significant items. The 2022 result was impacted by amongst others settlement agreements relating to transfer of staff to a competitor of €3.6 million and several other individually non-significant items.

9 Personnel and other operational costs

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

Operational costs include, amongst others, the costs of licenses, testing, data conversation and training costs relating to Cloud computing arrangements that do not provide control over an intangible asset. Part of these costs could be personnel costs if the activities are performed by Arcadis’ personnel.

In € thousands	2023	2022
Salaries and wages	2,196,893	1,854,014
Social charges	243,120	203,478
Pension and early retirement charges	95,659	86,857
Other personnel costs (including temporary labor)	408,126	218,780
Total Personnel costs	2,943,798	2,363,129

In € thousands	2023	2022
Computer related	121,702	97,114
Audit and consultancy services	44,995	61,033
Occupancy	40,001	30,317
Travel	35,251	23,478
Insurances	20,667	17,327
Office related	18,175	14,195
Marketing and advertising	14,752	9,477
Other	68,283	44,736
Total Other operational costs	363,826	297,677

The increase of “computer related”, “occupancy”, “travel” and “other” is mainly attributable to acquisitions of IBI and DPS.

The category “Audit and consultancy services” amounts to €45.0 million, expense (2022: €61.0 million, expense). The lower cost in current year was due to less M&A related incurred costs.

The category “Other” included in 2023, amongst others:

- the impact of changes in provisions for trade receivables (expected credit loss) of €11.9 million, expense (2022: €0.4 million, expense) (see note 21);
- restructuring provision of €6.3 million, expense (2022: €3.0 million, expense);
- Net litigation expense of €11.4 million (2022: €5.8 million, expense) (see note 28);
- membership and licenses renewals of €9.1 million, expense (2022: €6.7 million, expense);
- cost of equipment of €5.0 million, expense (2022: €5.3 million, expense).

10 Share-based compensation

The Company operates share-based incentive plans. The fair value of equity-settled compensations at grant date under the Arcadis long-term incentive plan is recognized as an employee expense (in Salaries and wages), 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 granted shares subject to a market condition is measured using a Monte Carlo simulation model. Measurement inputs include the share price on measurement date, 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). Since 2014, securities under 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.

RSUs are granted conditionally and depend on achieving/meeting certain conditions during the vesting period.

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.

Arcadis NV 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.

As of 31 December 2023, the share option program has expired and there are no more share options outstanding.

Arcadis NV 2019 Long-Term Incentive Plan

In April 2019, the Arcadis NV 2019 Long-Term Incentive Plan (2019 LTIP) was approved by the Annual General Meeting. Based on this plan the Company can grant equity-settled and cash-settled awards to eligible employees. Conditional performance shares granted to Executive Board members must be held for two more years after vesting.

In summary the following applies to these grants:

- Annual grant to Executive Board (EB) and Executive Leadership Team (ELT) members: subject to continued employment during the vesting period of three years, and achieving performance conditions (1/3 Total Shareholder Return, 1/3 Earnings per share and 1/3 sustainability);
- Annual grant to other employees: subject to continued employment during the vesting period of three years; no performance conditions.

For EB and ELT members, the position of Arcadis within the peer group, after three years, determines the final number of shares subject to meeting a Total Shareholder Return condition (1/3) that vest and become unconditional, in accordance with the following performance incentive zone:

RSUs that vest for EB/ELT

Ranking	14-8	7	6	5	4	3	2	1
Vesting	0%	50%	75%	100%	125%	150%	175%	200%

Arcadis NV 2023 Long-Term Incentive Plan

In 2023, the Supervisory Board approved the continuation of the Arcadis NV 2019 Long-Term Incentive Plan in the form of the Arcadis NV 2023 Long-Term Incentive Plan (2023 LTIP). The Plan was approved by the General Meeting of Shareholders in May 2023.

Similar to 2019 LTIP terms, the Company can grant equity-settled and cash-settled awards to eligible employees. Conditional shares based on continued employment and achievement of performance conditions are granted to EB and ELT members. Grants to other employees are only subject to continued employment during the vesting period.

The performance incentive zone for meeting the Total Shareholder Return condition presented in the 2019 LTIP applies to 2023 LTIP.

Outstanding options

The number and weighted average exercise price of the share options under the 2010 Arcadis LTIPs are as follows:

	Number of options	Weighted average exercise price (in €)
Balance at 1 January 2022	104,046	18.50
Exercised	(49,385)	17.41
Expired	(13,959)	15.18
Balance at 31 December 2022	40,702	20.96
Exercised	(25,200)	20.96
Expired	(15,502)	20.96
Balance at 31 December 2023	-	-

The weighted average share price at exercise date was €38.03 (2022: €38.74). Part of the exercised options have been settled in cash instead of shares and resulted in a cash inflow of €0.5 million.

The number of outstanding options at 31 December 2023 is as follows:

Year of issue	Share price at grant date	Outstanding 1 January 2023	Exercised in 2023	Expired in 2023	Outstanding 31 December 2023
2013	€20.96	40,702	(25,200)	(15,502)	-
Balance at 31 December 2023		40,702	(25,200)	(15,502)	-

Outstanding Restricted Share Unit (RSUs)

In 2023, the following number of RSUs have been granted under the 2023 LTIP:

	Number of RSUs	Grant date	Vesting date ¹	Share price at grant date	Fair value at grant date
Annual grant EB/ELT	65,395	16 May 2023	16 May 2026	€39.52	€30.51/ € 37.18
Annual grant other employees	176,596	16 May 2023	16 May 2026	€39.52	€37.18

¹ Vesting is on the 5th day after ex-dividend date in the third year after the grant.

The fair value (€37.18) of the RSUs granted to other employees as part of the annual grant and the RSUs granted to the EB and ELT members subject to meeting Earnings per share (1/3) and sustainability (1/3) conditions were determined by adjusting the share price at the grant date with the present value of dividends expected to be paid during the vesting period. The fair value (€30.51) of RSUs granted to EB and ELT members subject to meeting a Total Shareholder Return condition (1/3) was determined using a Monte Carlo simulation model, which considers the market conditions expected to impact Arcadis' TSR performance in relation to the peer group, and the following assumptions:

	2023	2022
Expected dividend yield (in %)	2.3	1.7
Risk-free interest rate (in %)	3.22	1.22
Expected volatility (in %)	30.07	36.24

The expected volatility is calculated based on the share price movements of the 36 months prior to grant date.

The total outstanding RSUs at 31 December 2023 is as follows:

Year of issue	Granted	Unconditional in	Total amount to be expensed over the vesting period (in €)	Fair value at grant date	Outstanding 1 January 2023	Granted in 2023	De/(In)crease by performance measure 2023	Vested in 2023	Cancelled/ forfeited in 2023	Outstanding 31 December 2023
2020 (8 May)	114,210	2023	1,732,565	€12.12/ €9.15	171,315	-	-	(163,924)	(7,391)	-
2020 (8 May)	244,710	2023	2,965,885	€12.12	173,056	-	-	(173,056)	-	-
2020 (14 September)	5,859	2023	139,991	€18.22/ €17.82	8,789	-	-	(8,789)	-	-
2021 (3 May)	253,371	2024	8,762,776	€33.14 / €38.40	231,949	-	10,269	-	(69,561)	172,657
2021 (3 May)	25,150	2023	845,543	€33.62	25,150	-	-	(25,150)	-	-
2021 (4 August)	6,394	2024	242,077	€37.86	6,394	-	-	-	-	6,394
2021 (3 November)	1,032	2024	42,456	€41.14	1,032	-	-	-	-	1,032
2022 (16 May)	73,387	2025	2,582,489	€35.29/ €35.14	73,387	-	-	-	(44,187)	29,200
2022 (16 May)	196,759	2025	6,914,111	€35.14	190,453	-	-	-	(18,774)	171,679
2022 (3 August)	563	2025	18,026	€32.02	563	-	-	-	-	563
2023 (16 May)	65,395	2026	2,285,991	€30.51/ €37.18	-	65,395	-	-	-	65,395
2023 (16 May)	176,596	2026	6,565,839	€37.18	-	176,596	-	-	(5,272)	171,324
Total					882,088	241,991	10,269	(370,919)	(145,185)	618,244

LTIP costs recognized in 2023

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 and the expected vesting. This amount is expensed over the vesting period, whereby the costs recognized in a year also consider cancellations and forfeitures. The expected vesting for RSUs with a Total Shareholder Return performance condition is already taken into account in the fair value.

The expected vesting for the RSUs granted in 2021 to the Executive Board and Executive Leadership Team subject to the performance conditions 'Earnings per share' and 'Sustainability' are estimated at 31 December 2023 at 116%.

Costs for the LTIP are spread over the vesting period and included in 'Salaries and wages' (see note 9). An amount of €6.2 million (2022: €8.6 million) is included in the results of 2023 for the share-based compensation granted in the period 2020 - 2023. Lower cost for the year as compared to prior year is mainly due to the additional vesting of 2019 and 2020 annual grants in the prior year and increase in the number of forfeited shares in the current year.

11 Net finance expenses

Net finance expenses comprise 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 9).

In € thousands	2023	2022 ¹
Interest income on notional cash pools	18,969	6,261
Other interest income	4,613	1,627
Finance income	23,582	7,888
Interest expense on loans and borrowings	(57,160)	(13,556)
Interest expense on notional cash pools	(18,390)	(5,731)
Other interest expense	(1,183)	(1,754)
Interest expense on leases	(9,017)	(7,292)
Foreign exchange differences	6,336	653
Finance expense	(79,414)	(27,680)
Fair value change of derivatives	(9,477)	(3,795)
Total	(65,309)	(23,587)

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Arcadis utilizes notional cash pools, in which debit and credit balances both attract interest income and interest expense, respectively. Finance income increased to €23.6 million (2022: €7.9 million) due to higher interest rates within notional cash pools.

Finance expense, including the interest expense on leases, increased to €79.4 million due to higher interest rates within notional cash pools (€18.4 million), which is offset by higher interest income within the cash pools, and a higher average debt position throughout 2023 than last year. The interest expense on loans and borrowings of €57.2 million (2022: €13.6 million) was higher than last year due to higher average gross debt over the year (after refinancing the €750.0 million bridge loan with €500.0 million Eurobond and €225.0 million Schuldschein loans) to finance the acquisition of IBI Group and DPS Group in the final quarter of 2022 and higher interest rates on loans. The net result from foreign exchange differences and fair value change of derivatives for the year arrived at €3.1 million negative which is the same as last year (€3.1 million negative), mainly from the interest rate swaps on the 2023 Schuldschein loans.

The carrying amount of the financing transaction fees taken into account in the valuation of the underlying loans and borrowings, at 31 December 2023 amounts to €7.3 million (2022: €4.4 million) on the balance sheet. The increase in this amount mainly relates to the transaction fees related to the Eurobond financing. The amortized cost booked in 2023 amounts to €1.0 million (2022: €0.8 million) and is booked under Other interest expense. The interest on lease liabilities of €9.0 million (2022: €7.3 million) is based on the Incremental Borrowing Rate, see note 16.

12 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.

When the Group 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 tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment

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.

In reference to chapter 2 Basis of preparation, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation.

The Arcadis group is within the scope of the OECD Pillar Two model rules. The Arcadis Group operates in multiple countries around the globe, which have enacted or planned to enact new legislation to implement the global minimum top-up tax (Pillar Two or GloBe rules). Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure.

The Arcadis group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. Under the legislation, the group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

The Arcadis group will apply the transitional safe harbor Pillar Two rules, and based on an initial high level assessment of these rules using 2022 country-by-country data, the vast majority of entities within the group has an effective tax rate that exceeds 15%.

The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This initial assessment indicates that there may be an immaterial impact for a small minority of entities within the group. This is also dependent on the impact of specific adjustments to be made envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

Income tax recognized in profit or loss for the period:

In € thousands	2023	2022 ¹
Current tax expense		
Current year	102,390	118,555
Adjustments for previous years	(28,245)	9,057
Total current tax expense	74,145	127,612
Deferred tax expense		
Origination and reversal of temporary differences	(39,518)	(54,298)
Adjustments for previous years	22,155	(12,309)
Changes in tax rates	285	339
(De)recognition of deferred tax assets	6,011	(1,894)
Total deferred tax expense	(11,067)	(68,162)
Total	63,078	59,450

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

In 2022, the US Tax Cuts and Jobs Act of 2017 ('Section 174') eliminated the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for tax purposes. Similar to the previous year, this provision has led to a deferred tax asset and a current tax payable ending in a net zero impact. A change in estimate of the impact during the year was the main driver of the adjustments for previous years in deferred tax as well as in current tax.

At 31 December 2023, the corporate income tax receivable amounted to €82.8 million (2022: €17.8 million) and the corporate income tax liability amounted to €66.5 million (2022: €63.5 million). During 2023, the Group paid corporate income taxes for a total amount of €130.9 million (2022: €70.4 million).

The effective corporate income tax rate (income taxes divided by profit before income tax, mainly excluding total result from investments) is 28.9% (2022: excluding total result from investments: 31.5%).

The effective tax rate differs from the corporate income tax rate in the Netherlands, primarily due to the net negative impact of non-deductible items and statutory tax rates in jurisdictions in which we operate that are different than the Dutch statutory income tax rate and non-deductible items. The net negative impact was partially offset by changes in de-recognition of deferred tax assets, prior year adjustments and other.

In % and € thousands	2023 (%)	2023	2022 (%)	2022 ³
Corporate tax rate in the Netherlands	25.8	56,395	25.8	48,723
Adjustment corporate income tax rates other countries	2.7	5,956	1.8	3,479
Weighted average corporate income tax rate	28.5	62,351	27.6	52,202
Non-deductible expenses/ (income)	0.6	1,356	9.2	17,398
(De)recognition of deferred tax assets	2.8	6,011	(1.4)	(2,636)
Adjustments for previous years	(2.8)	(6,089)	(1.7)	(3,252)
Other	(0.2)	(551)	(2.2)	(4,262)
Effective tax rate^{1,2}	28.9	63,078	31.5	59,450

¹ Taxes on income divided by income before taxes, excluding result from Investments accounted for using the equity method.

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Deferred tax

The movement in deferred tax balances during the year 2023 was as follows:

In € thousands	Net balance at 1 January 2023 ¹	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2023	Assets	Liabilities
Intangible assets and goodwill	(99,236)	13,049	(8,552)	-	(7,748)	862	(101,625)	25,344	(126,969)
Property, plant and equipment	(1,095)	(102)	-	-	585	19	(593)	4,242	(4,835)
Right-of-use assets and lease liabilities	6,958	682	-	-	(561)	(140)	6,939	96,189	(89,250)
Trade and other receivable, including contract assets	(1,214)	3,848	-	-	23,124	(45)	25,713	29,316	(3,603)
Loans and borrowings	-	4,237	-	-	-	-	4,237	4,237	-
Accrued expenses	32,582	(3,772)	-	-	21,291	(333)	49,768	66,491	(16,723)
Share-based compensation	2,816	-	-	-	(2,816)	-	-	-	-
Deferred compensation	2,536	-	-	-	(2,536)	-	-	-	-
Net operating losses	21,389	(3,593)	94	-	(3,752)	(71)	14,067	14,067	-
Provisions	6,615	1,759	444	-	8,841	(230)	17,429	22,839	(5,410)
Others	44,967	(5,041)	8,230	-	(35,339)	(1,562)	11,255	19,604	(8,349)
Deferred tax assets/liabilities	16,318	11,067	216	-	1,089	(1,500)	27,190	282,329	(255,139)
Offsetting	-	-	-	-	-	-	-	(202,521)	202,521
Net deferred taxes	16,318	11,067	216	-	1,089	(1,500)	27,190	79,808	(52,618)

The movement in deferred tax balances during the year 2022 was as follows:

In € thousands	Net balance at 1 January 2022	Recognized in profit or loss	Recognized in Other comprehensive income and Equity	Acquisitions	Other	Exchange rate differences	Net balance at 31 December 2022 ¹	Assets ¹	Liabilities ¹
Intangible assets and goodwill	(59,861)	5,489	-	(43,723)	-	(1,141)	(99,236)	838	(100,074)
Property, plant and equipment	1,916	(983)	-	(2,724)	546	150	(1,095)	1,927	(3,022)
Right-of-use assets and lease liabilities	6,351	(189)	-	533	(21)	284	6,958	6,958	-
Contract assets and liabilities	(2,682)	2,323	-	(1,999)	-	1,144	(1,214)	19,056	(20,270)
Derivatives	(23)	22	-	-	-	1	-	-	-
Accrued expenses	23,649	2,558	-	7,828	(2,640)	1,187	32,582	32,631	(49)
Share-based compensation	3,078	(457)	-	-	-	195	2,816	2,816	-
Deferred compensation	(3,336)	(1,009)	4,896	-	1,898	87	2,536	2,536	-
Net operating losses	8,684	8,924	-	4,447	-	(666)	21,389	21,389	-
Provisions	5,082	2,342	-	149	(1,125)	167	6,615	7,843	(1,228)
Others	(3,053)	49,142	-	83	109	(1,314)	44,967	50,429	(5,462)
Deferred tax assets/liabilities	(20,195)	68,162	4,896	(35,406)	(1,233)	94	16,318	146,423	(130,105)
Offsetting	-	-	-	-	-	-	-	(62,972)	62,972
Net deferred taxes	(20,195)	68,162	4,896	(35,406)	(1,233)	94	16,318	83,451	(67,133)

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off 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 2023, the Gross amount of net operating losses, amounting to €53.5 million (2022: €88.4 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
2024	19	19	-	-
2025	208	208	-	-
2026	6,741	6,639	103	26
2027	12,176	11,675	500	103
2028	14,748	12,175	2,573	539
>2028	5,248	698	4,550	1,365
Unlimited	119,833	74,102	45,731	12,034
Total	158,973	105,516	53,457	14,067

The majority of the above-mentioned deferred tax assets relate to tax jurisdictions in which Arcadis has suffered a tax loss in the current of a preceding period. Significant judgement is required in determining whether deferred tax assets are realizable. Arcadis determines this on the basis of expected taxable profits arising from the reversal of recognized deferred tax liabilities and on the basis of budgets, cash flow forecasts and impairment models. Where utilization is not considered probable, deferred tax assets are not recognized.

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was €231.0 million (2022: €164.4 million). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

13 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	2023	2022
Average number of issued shares	90,442,091	90,442,091
Average number of treasury shares	(618,845)	(1,072,627)
Total average number of ordinary outstanding shares	89,823,246	89,369,464
Average number of potentially dilutive shares	13,567	62,296
Total average number of diluted shares	89,836,813	89,431,760

The average number of potentially dilutive shares is based on the average share price of 2023 on the Euronext Amsterdam Stock Exchange and the outstanding exercisable options that were in the money. As of 31 December 2023, the share option program has expired and there are no more share options outstanding (2022: 40,702 in the money and exercisable).

For the calculation of earnings per share, no distinction is made between the different classes of shares (see note 25).

The total earnings of the Group and the earnings per share are as follows:

In € thousands	2023	2022 ²
Net income	159,982	131,520
Net income from Operations ¹	225,832	201,935

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial indicators on page 91 for the definition as used by Arcadis

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

In €	2023	2022 ²
Earnings per share/Diluted earnings per share		
Net income	1.78/ 1.78	1.47/ 1.47
Net income from Operations ¹	2.51/ 2.51	2.26/ 2.26

¹ Non-GAAP performance measure. Reference is made to the Glossary Financial indicators on page 91 for the definition as used by Arcadis

² Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

14 Intangible assets and goodwill

Goodwill

Goodwill arises from business combinations and represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. Goodwill in respect of equity accounted investees is included in the carrying amount of the investment. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets mainly consist of customer relationships, trade names and expected profits in the backlog of acquired companies at the acquisition date. Measurement of Other intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to expected profits in the backlog of the acquired companies, the customer lists at the acquisition date and the trade name value. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets. Subsequently, the assets are amortized over the estimated useful life. The amortization is recognized in profit or loss on a straight-line basis, except for the backlog which is calculated based on the expected pattern of consumption of future economic benefits embodied in the backlog. 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.

Configuration and customization costs relating to cloud computing arrangements, whereby the Company does not obtain an intangible asset, are expensed when incurred. In such case, prepaid licenses are recognized as prepaid expenses (as part of Other current assets) and testing, training and data conversion costs are recognized as Personnel costs and/or Other operational costs 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	1 – 13
Intangibles under development	Not amortized (yet)

In € thousands	Goodwill ¹	Other intangible assets ¹	Software ¹	Intangibles under development	Total
Cost	830,619	272,080	74,114	-	1,176,813
Accumulated amortization	-	(247,871)	(62,736)	-	(310,607)
Balance at 1 January 2022	830,619	24,209	11,378	-	866,206
Additions	-	-	6,141	1,138	7,279
Acquisitions of subsidiaries	542,055	236,911	3,907	-	782,873
Disposals	(6,769)	-	(311)	-	(7,080)
Amortization charges	-	(20,184)	(6,972)	-	(27,156)
Exchange rate differences	(35,816)	(4,384)	(954)	(35)	(41,189)
Movement 2022	499,470	212,343	1,811	1,103	714,727
Cost	1,330,089	504,607	82,897	1,103	1,918,696
Accumulated amortization	-	(268,055)	(69,708)	-	(337,763)
At 31 December 2022¹	1,330,089	236,552	13,189	1,103	1,580,933
Additions	-	-	8,682	632	9,314
Disposals	(7,729)	-	(70)	-	(7,799)
Amortization charges	-	(59,345)	(5,749)	-	(65,094)
Reclassifications	-	(212)	930	(1,034)	(316)
Exchange rate differences	(4,544)	(8,194)	414	-	(12,324)
Movement 2023	(12,273)	(67,751)	4,207	(402)	(76,219)
Cost	1,317,816	426,469	64,442	701	1,809,428
Accumulated amortization	-	(257,668)	(47,046)	-	(304,714)
At 31 December 2023	1,317,816	168,801	17,396	701	1,504,714

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

The amortization charge for Intangible assets is recognized in the following line items in the Consolidated income statement:

In € thousands	2023	2022 ¹
Amortization of Other intangible assets	59,345	20,184
Depreciation and amortization	5,749	6,972

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

Goodwill

Reflecting the new GBA reporting structure, as of 1 January 2022, the goodwill has been re-allocated following 'IAS 36.87' applying a two-step approach: first step allocation of 100% of CallisonRTKL goodwill to Places (CallisonRTKL is a former operating segment fully integrated into Places), second step allocation of the remaining amount to the GBAs based on the relative values.

Consecutive to acquisition of IBI Group by end of September 2022, the fourth CGU Intelligence has been created and is composed of Arcadis GEN (initially allocated to Resilience and Mobility equally), IBI Group intelligence segment, and Water Platform Company acquired in 2022.

DPS Group goodwill has been allocated entirely to the CGU Places, and Giftge Consult goodwill to the CGU Resilience.

For annual impairment testing, goodwill is allocated to Cash-Generating Units (CGUs). The CGU is the lowest level within the Group at which Goodwill is monitored for internal management purposes.

The carrying amount of the goodwill is allocated to each of the CGUs as follows:

In € thousands	2023	2022 ¹
Places	622,597	633,433
Resilience	348,337	349,351
Mobility	262,757	263,317
Intelligence	84,125	83,988
Total Goodwill	1,317,816	1,330,089

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

Impairment testing for cash-generating units containing goodwill

The recoverable amount of Goodwill for impairment testing purpose has been determined 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 2024 as approved by the Executive Board and projections for 2025 - 2028, after which a terminal value was calculated using an estimated growth rate.

The key assumptions used in the projections are:

- (Net) revenue growth: based on experience and market analysis;
- EBITDA margin development: based on historical performance, plan 2024 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 components of the WACC include the Cost of Equity, Cost of Debt and Cost of Lease Liabilities.

The business plans include management's estimate about the level and timing of the execution of (the improvement of) operating performance and margins.

The applied assumptions in the test of 2023 are included in the below table, for those CGUs with goodwill as at 31 December 2023.

In € thousands	Average annual (net) revenues growth ¹	EBITDA margin ²	Pre-tax discount rate	Terminal growth rate ³
Places	3.5%	12.1-15.7%	10.5%	1.5%
Resilience	6.5%	13.9-16.2%	10.5%	1.6%
Mobility	5.8%	13.3-15.9%	10.5%	1.5%
Intelligence	8.8%	20.4-21.9%	9.5%	1.5%

¹ The average annual (net) revenues growth represents average for the period from 2024 to 2028

² EBITDA margin represents 2024 to 2028 range as % of (net) revenues

³ On a long-term basis the service demand growth rate is expected to be almost similar from one GBA to another

The applied assumptions as disclosed in the 2022 financial statements was as follows:

In € thousands	Average annual (net) revenues growth ¹	EBITDA margin ²	Pre-tax discount rate	Terminal growth rate ³
Places	5.6%	10.4-12.7%	11.7%	1.6%
Resilience	5.6%	12.5-12.6%	11.0%	1.6%
Mobility	5.6%	12.4-12.6%	10.3%	1.5%
Intelligence	5.6%	14.4-18.8%	10.4%	1.4%

¹ The average annual (net) revenues growth represents average for the period from 2024 to 2027

² EBITDA margin represents 2023 to 2027 range as % of (net) revenues

³ On a long-term basis the service demand growth rate is expected to be almost similar from one GBA to another

The weighted average pre-tax discount rate was 10.5% (2022: 10.9%) 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 8.0% (2022: 8.6%), which includes country specific premiums when applicable.

Observations from impairment testing

The annual impairment test at 31 December 2023 and sensitivity analysis around the key assumptions in that test have indicated sufficient headroom for all CGUs, and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value.

The expected future cash flows used in the goodwill impairment analysis are based on management's estimates. Events in our end-markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of the Group.

Other intangible assets

The carrying amounts recognized in the Consolidated balance sheet for Other intangible assets are as follows:

In € thousands	2023	2022 ¹
Customer Relationships	147,780	176,350
Trade names	807	8,304
Backlog	16,774	46,541
Other	3,440	5,357
Total Other intangible assets	168,801	236,552

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

15 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 is calculated using the straight-line method to allocate the cost of an asset net of its residual value, over its estimated useful life or, in the case of leasehold improvements, the shorter of the asset's useful life and the lease term. 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	Not exceeding 30
Furnitures and fixtures	Not exceeding 5
(IT) equipment	Not exceeding 5
Property, plant and 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

In 2023 and 2022 no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements that materially impacted the Company. No properties were registered as security for bank loans.

In € thousands	Land and Buildings ¹	Furniture and fixtures ¹	IT equipment	Property, plant and equipment under development	Total
Cost	56,202	113,219	119,815	5,241	294,477
Accumulated depreciation	(42,872)	(76,581)	(92,473)	-	(211,926)
Balance at 1 January 2022	13,331	36,638	27,342	5,240	82,551
Additions	7,150	10,126	17,086	2,551	36,913
Acquisitions/ divestments	15,832	5,969	3,596	(39)	25,358
Disposals	(32)	(3,543)	(681)	(186)	(4,442)
Reclassifications	383	(1,166)	4,550	(3,521)	246
Depreciation charges	(4,863)	(11,392)	(15,226)	-	(31,481)
Exchange rate differences	(613)	6	(30)	264	(373)
Movement 2022	17,857	-	9,295	(931)	26,221
Cost	78,923	124,611	144,336	4,309	352,179
Accumulated depreciation	(47,735)	(87,973)	(107,699)	-	(243,407)
At 31 December 2022¹	31,188	36,638	36,637	4,309	108,772
Additions	5,680	7,597	18,426	(446)	31,257
Disposals	(35)	(880)	(33)	(40)	(988)
Reclassifications	2,473	(3,760)	295	1,308	316
Depreciation charges	(5,636)	(11,178)	(19,091)	-	(35,905)
Exchange rate differences	(758)	(79)	(295)	(83)	(1,215)
Movement 2023	1,724	(8,300)	(698)	739	(6,535)
Cost	71,936	81,030	128,735	5,048	286,749
Accumulated depreciation	(39,024)	(52,692)	(92,796)	-	(184,512)
At 31 December 2023	32,912	28,338	35,939	5,048	102,237

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

For more details on acquisitions and divestments, see note 6.

16 Right-of-use assets and lease liabilities

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Contracts may contain both lease and non-lease components. The Group allocates the consideration to these components based on its relative stand-alone prices. Non-lease components are not included in the right-of-use asset and lease liability but accounted for separately.

Right-of-use assets

At commencement of a lease, the Group measures right-of-use assets initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The cost of the right-of-use assets comprise the following:

- Amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received at or after the commencement date;
- Any initial direct costs; and
- Restoration costs i.e estimate of the costs to be incurred for dismantling, removal and/ or restoration to the conditions required by the terms of the lease.

See note 28 for the accounting policy on provisions for right-of-use assets (restoration provisions).

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments that are not paid at the commencement date discounted using an implicit rate of interest, unless this cannot readily be determined, in which case an incremental borrowing rate is used. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate or the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Judgment is applied to determine the lease term for some lease contracts in which it is a lessee that include renewal and termination options. The assessment of whether the Group is reasonably certain to exercise such option impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. At reporting date all facts and circumstances are considered that create an economic incentive in determining whether it is reasonably certain that an extension or termination option will be recognized. Changes in the estimate are recognized prospectively.

Incremental Borrowing Rate

The Incremental Borrowing Rate (IBR) is determined based on a build-up approach, whereby each category of leases has an IBR based on the country (and currency) of the lessee and the lease term.

Lease incentives

Lease incentives are deducted from the right of use assets if received before the commencement date of the lease; they are deducted from the lease liability if received at or after the commencement date of the lease.

Amounts received for leasehold improvements are depreciated over a period not longer than the lease term.

Short-term and low value leases

Payments associated with short-term and/or low value leases are recognized on a straight-line basis as an expense in profit or loss.

As a lessor

The Group sub-leases some of its buildings, although not significant. The head leases are presented in the right-of-use assets and the sub-lease contracts are treated as operating leases under IFRS 16. Income from sub-leases is presented in Other income, see note 8.

Rent concessions

Rent concessions are accounted for as lease modifications by the Group.

This note provides information for leases where the Group is a lessee.

Leasing activities

The Group's lease portfolio consists of almost 2,790 active lease contracts at 31 December 2023 (2022: 2,504), mainly related to real-estate and vehicles lease contracts. Approximately 89% of the value of the lease liability is from land and buildings.

Lease terms

Lease terms are generally negotiated locally, with support from the Global Workplace director and/or regional real estate or procurement teams where needed. Contracts are negotiated on an individual basis and contain a wide range of terms and conditions, such as early termination clauses and renewal rights. They may contain both lease and non-lease components, whereby the Group has elected not to include the service element in leases (e.g. fuel, insurance) in the right-of-use asset and lease liability.

Termination clauses and renewal rights are included in several real estate leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal right, or not exercise a termination clause. Both extension and termination options are however only included in the lease term if it is reasonably certain that a lease will be extended or terminated.

Factors that are considered in terminating or renewing leases include amongst others:

- Significant penalties involved;
- Leasehold improvements made with a significant remaining value; and
- Costs and business disruption required to replace a leased asset.

An amount of €17 million (2022: €19 million) extension and/or renewal options are included in the Group's lease liability at 31 December 2023 reflecting that the Group could not replace leased assets without significant cost or business disruption.

As at 31 December 2023, potential future cash outflows of €152 million (undiscounted) (2022: €164 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). During 2023, the financial impact of the reassessment of reasonable certainty led to a decrease in recognized lease liabilities and right-of-use assets of €2.6 million (2022: €5.5 million).

If the leased asset is abandoned, the depreciation of the Right-of-use asset needs adjustment as of the date the lessee makes the decision to abandon the asset, so that as of the cease use date, the carrying amount of the Right-of-use asset is zero. Assuming there are no changes in the lease payments, the lease liability will remain the same.

Right-of-use assets with a carrying value of €2.7 million (2022: nil) were abandoned during the year. However, the abandoned lease will be partially subleased in 2024, hence accelerated depreciation of the right-of-use asset amounts to €0.2 million. The remaining lease liabilities for the abandoned leases amount to €2.8 million (2022: €0.8 million).

The Group does not have leases with variable lease payments and does not provide residual value guarantees.

Maturity profile

The undiscounted value of lease commitments as at 31 December 2023 amounts to €315.1 million (2022: €351.2 million) and the maturity is as shown in the table below.

Maturity	2023	2022 ¹
0 - 1 Year	72,600	76,314
1 - 2 Year	57,879	61,864
2 - 3 Year	47,329	51,169
3 - 4 Year	39,706	42,020
4 - 5 Year	29,879	34,986
> 5 Year	67,728	84,832
Total	315,121	351,185

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

The undiscounted maturity of all sub-leasing contracts at 31 December 2023 amounts to €0.2 million (2022: €0.3 million) and is not material for the Group.

Amounts recognized in the Consolidated balance sheet

Right-of-use assets

The following right-of-use assets are recognized in the balance sheet:

In € thousands	Leased land and buildings ¹	Leased furnitures and fixtures ¹	Leased (IT) equipment ¹	Leased vehicles ¹	Total
Balance at 1 January 2022	204,705	434	1,502	22,346	228,987
Additions and remeasurements	40,118	(69)	52	7,947	48,048
Depreciation charges	(55,275)	(200)	(1,149)	(10,870)	(67,494)
Acquisitions/ divestments	73,175	592	1,169	1,834	76,770
Derecognitions	(277)	(36)	-	(84)	(397)
Exchange rate differences	(1,720)	22	48	171	(1,479)
Movement 2022	56,021	309	120	(1,002)	55,448
At 31 December 2022¹	260,726	743	1,622	21,344	284,435
Additions and remeasurements	21,150	488	923	17,851	40,412
Depreciation charges	(58,139)	(624)	(792)	(13,220)	(72,775)
Derecognitions	(392)	13	(6)	(442)	(827)
Exchange rate differences	(2,447)	(15)	(25)	(38)	(2,525)
Movement 2023	(39,828)	(138)	100	4,151	(35,715)
At 31 December 2023	220,898	605	1,722	25,495	248,720

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Lease liabilities

The following lease liabilities are recognized in the balance sheet:

In € thousands	2023	2022 ¹
Balance at 1 January	315,117	255,015
Additions and remeasurements	39,390	48,380
Payments	(79,251)	(70,610)
Acquisitions/ divestments	-	76,516
Interest	9,017	7,292
Exchange rate differences	(2,966)	(1,476)
Closing balance	281,307	315,117
Non-current	210,940	242,980
Current	70,367	72,137
Total	281,307	315,117

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Right-of-use assets and lease liabilities decreased mainly due to lease terminations in several office spaces in the US, in line with the Company's plan to fully maximize the utilization of leases among numerous subsidiaries in the region. This is partially offset by additions and remeasurements as a result of new office leases and vehicle leases in central Europe and lease extensions exercised during the period.

Amounts recognized in the Consolidated income statement

In € thousands	Note	2023	2022 ¹
Depreciation		72,775	67,654
Interest expense	11	9,017	7,292
Other operational costs for short-term leases	9	5,047	4,128
Other operational costs for low-value leases	9	4,102	301
Other income for gain on derecognition lease	8	(120)	(301)
Other income from sub-leasing	8	(256)	(139)
Total		90,565	78,935

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

17 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.

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 are 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.

Name of entity	Place of business/ country of incorporation	Associate/ joint venture	% of ownership interest 2023	% of ownership interest 2022
Géodynamique 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%
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 2023	Associates 2022	Joint ventures 2023	Joint ventures 2022	Total 2023	Total 2022
Balance at 1 January	9,504	17,594	2,129	1,250	11,633	18,844
Share in result by Arcadis	4,171	2,156	(118)	(568)	4,053	1,588
Investments	24	-	62	1,695	86	1,695
Divestments	-	-	-	-	-	-
Received dividends	(3,910)	(10,268)	(416)	(263)	(4,326)	(10,531)
Exchange rate differences	(18)	22	(47)	15	(65)	37
Balance at 31 December	9,771	9,504	1,610	2,129	11,381	11,633

There are no loans to associates or joint ventures outstanding as at 31 December 2023 (2022: nil).

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. The Group has no contingent liabilities relating to interests in joint ventures at 31 December 2023 (2022: nil).

The €3.9 million dividend received in 2023 was a result of share of last year net income and good cash position at the end of year while the €10.3 million dividend received in 2022 was a result of a favorable outcome of a commercial arbitration held in 2021.

18 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	2023	2022
Balance at 1 January	3,609	2,152
Investments	-	1,227
Acquisitions through business combination	-	1,603
Divestments	-	(1,137)
Fair value changes	696	(180)
Exchange rate differences	(10)	(56)
Balance at 31 December	4,295	3,609

The other investments at 31 December 2023 mainly corresponds to:

- Value of the investment in the Techstars cohorts for €2.5 million (2022: €1.8 million).
- Value of investment in Switch Energy for €1.1 million (2022: €1.1 million), acquired through IBI Group business combination.

A level 3 valuation was used to determine the fair value. Due to the inherent uncertainty of valuation of privately held companies, the fair value may however differ from what would have been used had a readily available market existed for all companies.

19 Derivatives

General

The Group uses derivatives in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivatives to be used for hedging purposes can include forward foreign exchange rate contracts, foreign exchange swaps and interest rate swaps and a combination of those, such as cross-currency interest rate swaps. The Group does not hold or issue derivatives for trading purposes. To the extent possible 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 change 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 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 change 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 of 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 inception of the hedge and at each reporting date, the Group makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values of the cash flows of the 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 cash flow 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 fair value changes 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:

In € thousands	Assets		Liabilities		Total	
	2023	2022	2023	2022	2023	2022
Interest rate derivatives:						
Current	-	-	-	2,401	-	(2,401)
Non-current	-	-	1,790	-	(1,790)	-
Foreign exchange derivatives:						
Current	8,197	15,943	9,353	19,503	(1,156)	(3,560)
Non-current	-	-	-	-	-	-
Total	8,197	15,943	11,143	21,904	(2,946)	(5,961)

See note 31 for the Group Treasury policy and the valuation techniques used for the derivatives. Group Treasury is consulted by entities for alignment of hedge accounting with the Group Treasury policy guidelines and assisted with documentation of the hedge relationship, derivatives valuations and effectiveness testing.

As per 31 December 2023, the Group has €185.0 million (notional amount) of floating-to-fixed interest rate swaps to manage the interest rate risk on the €185.0 million Schuldschein loans issued in July 2023. The market value of these derivatives at 31 December 2023 was €1.8 million negative (2022: not applicable) and hedge accounting is applied on these derivatives. Of these interest rate swaps, €100.0 million will mature in January 2025 and €85.0 million will mature in January 2026.

In October 2023, the €40.0 million fixed-to-floating cross currency interest rate swap to manage the currency and interest rate risk of a subsidiary matured.

Effects of hedge accounting on the financial position and performance

In € thousands	2023	2022
Cross currency interest rate swaps		
Notional amount	-	40,000
Maturity date	n/a	2023
Hedge ratio	-	1:1
Change in fair value of outstanding hedging instruments	-	(3,777)
Change in value of hedged item used to determine hedge effectiveness	-	3,921
Ineffectiveness	-	(37)

In € thousands	2023	2022
Interest rate swaps maturing in 2025		
Notional amount	100,000	-
Maturity date	2025	n/a
Hedge ratio	1:1	n/a
Change in fair value of outstanding hedging instruments	(544)	-
Change in value of hedged item used to determine hedge effectiveness	517	-
Ineffectiveness	(27)	-

In € thousands	2023	2022
Interest rate swaps maturing in 2026		
Notional amount	85,000	-
Maturity date	2026	n/a
Hedge ratio	1:1	n/a
Change in fair value of outstanding hedging instruments	(1,354)	-
Change in value of hedged item used to determine hedge effectiveness	1,273	-
Ineffectiveness	(81)	-

During 2023, the Group hedged currency exposures related to transactions in currencies other than the functional currency for subsidiaries by way of foreign exchange forward rate contracts in order to minimize volatility in the operating income of these subsidiaries due to changes in foreign exchange rates. In addition, foreign currency corporate balance sheet positions arising due to foreign currency receivables, payables and loan balances were hedged by way of foreign exchange forward rate contracts and foreign exchange swaps.

The movements in fair value of all derivatives are shown in the table below:

In € thousands	2023	2022
Balance at 1 January	(5,961)	2,271
Changes in Income statement	(6,773)	(3,574)
Changes through Other comprehensive income	(1,648)	129
Cash settlement derivatives	11,746	(2,549)
Exchange rate differences	(310)	(2,238)
Balance at 31 December	(2,946)	(5,961)

The change in fair value of derivatives recognized in profit or loss is €3.8 million positive (2022: €0.6 million negative) together with foreign exchange results of €9.5 million negative (2022: €4.3 million negative) also flowing through profit or loss. Hence the overall profit or loss effect of foreign exchange contracts and derivatives amounts to €5.7 million negative (2022: €4.9 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	2023	2022
Interest rate derivatives	(1,139)	395
Foreign exchange derivatives (classified as cash flow hedges)	269	269
Cost of hedging reserve	-	114
Total	(870)	778

20 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	2023	2022 ¹
Balance at 1 January	20,274	22,213
New receivables	4,587	3,515
Acquisitions through business combination	-	2,588
Received	(4,360)	(6,767)
Exchange rate differences	(87)	686
Reclassification to short term	-	(1,961)
Balance at 31 December	20,414	20,274

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Other non-current assets include long-term receivables of €10.5 million (2022: €9.0 million) related to the deferred compensation plan in the United States of America operating company, see note 27 for further details. The remaining amount consists of various other long-term receivables such as rental deposits, judicial deposits and retentions.

21 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	2023	2022 ¹
Trade receivables	789,386	781,339
Provision for trade receivables (individually impaired bad debt)	(60,105)	(53,702)
Provision for trade receivables (Expected Credit Loss)	(726)	(790)
Receivables from associates	2,480	2,767
Total at 31 December	731,035	729,614

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

Of the total gross Trade receivables, approximately 3% is subject to a so-called 'paid-when-paid' clause (2022: 6%). 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 31.

Ageing of Trade receivables

In € thousands	2023			2022		
	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables ¹	Provision bad debt	Provision ECL
Not past due	517,982	(3,420)	(292)	508,983	(3,310)	(329)
Past due 0-30 days	95,572	(821)	(19)	86,360	(953)	(32)
Past due 31-60 days	39,949	(780)	(12)	49,840	(1,878)	(10)
Past due 61-120 days	35,807	(1,178)	(72)	33,093	(374)	(77)
Past due 121-364 days	37,107	(3,851)	(226)	42,601	(4,662)	(224)
More than 364 days due	62,969	(50,055)	(105)	60,462	(42,525)	(118)
Total	789,386	(60,105)	(726)	781,339	(53,702)	(790)

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

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 (stage 1 and 2) and individually credit impaired items (stage 3). To apply the simplified approach to the "healthy" portfolio, Arcadis grouped the Trade receivables by country and the days past due. No specific measures were taken by the Group to extend credit terms for customers. The expected loss rate for the stage 1 and 2 losses is based on the country risk and varies from 0.0% to 1.0% for positions less than 90 days past due and up to 6.9% for items past due more than 90 days.

The total provision for Trade receivables developed as follows:

In € thousands	2023	2022
Opening balance	54,492	53,186
Acquisitions/ divestments	-	2,359
Additions charged to profit or loss	17,031	2,885
Release of unused amounts	(5,131)	(2,467)
Remeasurement Expected Credit Loss	-	101
Utilizations	(4,960)	(2,631)
Exchange rate differences	(601)	1,059
Closing balance	60,831	54,492

22 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 revenue). Recognized loss provisions are separately presented as Provision for onerous contracts. Contract assets, Contract liabilities and the related Provision for onerous contracts are together generally also referred to as Work in progress.

Contract assets 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, Contract liabilities and the Provision for onerous contracts see the revenue accounting policy in note 7.

The balances of Contract assets and Contract liabilities, as well as the Provision for onerous contracts, are as follows:

In € thousands	2023				2022			
	Contract assets	Contract liabilities	Provision for onerous contracts	Net position	Contract assets ¹	Contract liabilities	Provision for onerous contracts	Net position
Cumulative revenue	6,857,283	6,066,817	-	12,924,100	6,385,824	5,310,863	-	11,696,687
Loss provisions	-	-	(12,732)	(12,732)	-	-	(24,228)	(24,228)
Expected Credit Loss allowance	(988)	(3,878)	-	(4,866)	(83)	-	-	(83)
Billings to date	(6,276,567)	(6,566,210)	-	(12,842,777)	(5,762,592)	(5,792,735)	-	(11,555,327)
Total	579,728	(503,271)	(12,732)	63,725	623,149	(481,872)	(24,228)	117,049

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Advances received and retentions held by clients reported as part of Contract assets and liabilities amount to:

In € thousands	2023	2022
Amount of advances received	149	423
Amount of retentions held by clients	6,577	3,807

Advances received relate to advance payments received from clients 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 €1.3 million (2022: €1.6 million) of retentions have been recognized as 'Other non-current assets' (see note 20).

Expected Credit Loss allowance

The Expected Credit Loss allowance developed as follows:

In € thousands	2023	2022
Balance at 1 January	83	1,459
Remeasurement Expected Credit Loss	4,783	(1,376)
Balance at 31 December	4,866	83

23 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	2023	2022 ¹
Other receivables	39,058	14,182
Prepaid expenses	62,095	57,613
Balance at 31 December	101,153	71,795

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

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 service contracts, rent and insurances. Current year balance includes renewal of significant IT software required for the Company's daily operations.

24 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 at the balance sheet date can be specified as below.

In € thousands	2023	2022
Bank and cash	254,433	240,256
Deposits	35,445	32,498
Balance at 31 December	289,878	272,754
Bank overdrafts	(10,359)	(15,156)
Cash and cash equivalent less bank overdraft	279,519	257,598

The average effective interest rate earned on cash during 2023 was 3.6% (2022: 1.5%). At 31 December 2023, €270.0 million of Cash and cash equivalents was freely available (2022: €243.2 million).

Restricted cash amounting to €19.9 million is composed of cash balances mainly held in China (2022: €29.6 million); the improvement is the result of improved cash repatriation policies. The Group has control over these balances; however, repatriation may be limited due to restrictive local regulatory and judicial requirements. As a result, the cash balances of some countries cannot be fully included in the global cash pooling or liquidity enhancement structures. In line with industry practice, the Company considers cash outside of global cash pooling or liquidity enhancement structures to be restricted if the Group is unable to repatriate cash within a defined period via either dividends, intercompany loans, or settlement of intercompany invoices.

At 31 December 2023, Cash and cash equivalents and Bank overdrafts have not been offset (comparable to 2022). The Bank overdraft at 31 December 2023 is €10.4 million (2022: €15.2 million).

25 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.

Number of shares	Authorized share capital	Issued and paid-up capital
2023		
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,808,842
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	1,808,854

The development of the number of shares issued/outstanding during 2023 and 2022 are presented in the table below.

Number of shares	Ordinary shares	Priority shares	Treasury stock	Total issued shares
Balance at 1 January 2022	89,009,239	600	1,432,852	90,442,691
Shares issued (stock dividend)	-	-	-	-
Shares cancelled	-	-	-	-
Repurchased shares	-	-	-	-
Exercised shares and options	563,335	-	(563,335)	-
At 31 December 2022	89,572,574	600	869,517	90,442,691
Shares issued (stock dividend)	-	-	-	-
Shares cancelled	-	-	-	-
Repurchased shares	-	-	-	-
Exercised shares and options	400,355	-	(400,355)	-
At 31 December 2023	89,972,929	600	469,162	90,442,691

Priority shares

Total number of outstanding priority shares at 31 December 2023 is 600 (2022: 600). In 2023, 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 six (6) vacancies at 31 December 2023): seven (7) members of Arcadis' Supervisory Board, two (2) members of Arcadis' Executive Board, one (1) member of the Executive

Leadership Team and all ten (10) members from the Board of Stichting Bellevue (a foundation seated in Amsterdam, 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 three (3) members appointed by the Board itself. The Chairman (or another member) of the Supervisory Board and the CEO (or the other 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 2023: 16,744,304).

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. No shares were issued in 2023 (2022: nil).

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 and to fulfill commitments for stock dividend. 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.

The following numbers of shares were repurchased over the past five years:

Year	Number of shares	Price at time of purchase (in €)
2019	850,000	13.82 to 17.59
2020	504,386	12.30 to 27.96
2021	2,316,830	27.58 to 40.24
2022	-	-
2023	-	-

The repurchased shares are to cover for the vesting/exercise of shares and options granted and commitment for stock dividend. The cash equivalent of the temporary repurchased shares are deducted from Retained earnings.

Of the purchased shares, a total number of 400,355 has been placed back in the market through the exercise of options in 2023 (2022: 563,335). Net proceeds included in Retained earnings amounted to €0.5 million (2022: €1.3 million).

At 31 December 2023, the number of repurchased shares in stock (treasury stock) amounted to 469,162 (2022: 869,517).

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
2019	87,711,327	1,426,786	(850,000)	757,115	89,045,228
2020	89,045,228	-	(504,386)	1,577,872	90,118,714
2021	90,118,714	616,854	(2,316,830)	590,501	89,009,239
2022	89,009,239	-	-	563,335	89,572,574
2023	89,572,574	-	-	400,355	89,972,929

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. €28.4 million was deducted to the Translation reserve in 2023 (2022: €36.5 million addition).

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. An amount of €1.7 million was deducted to the Hedging reserve in 2023 with nil tax effect on the same (2022: €0.1 million addition with nil tax effect).

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

The profit attributable to the equity holders of the Company over fiscal year 2023 amounts to €160.0 million. The Executive Board, with the approval of the Supervisory Board, proposes to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €76.5 million, which represents a dividend of €0.85 per ordinary share (2022: €0.74). Of the total Retained earnings, an amount of €9.6 million of legal reserves is restricted in distribution (2022: €9.6 million). See note 45 to the Company financial statements for further details.

26 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	2023	2022
Balance at 1 January	(2,009)	(1,148)
Share in profit for the year	(420)	(533)
Dividends to non-controlling shareholders	-	(217)
Acquisitions/(divestments)	-	(26)
Exchange rate differences	91	(85)
Balance at 31 December	(2,338)	(2,009)

At 31 December 2023, the non-controlling interests mainly consisted of:

- Hyder & Solaiman Elkhareiji Engineering Consultants P.C. (30%) (2022: 30%)
- Gerenciamento Nacala Ltda (40%) (2022: 40%)
- Water Platform Company B.V. (30%) (2022: 30%)

27 Provisions for employee benefits

Most of the pension plans of the Group qualify as defined contribution pension plans. However, the Group also operates a few 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 2023
Defined benefit pension plans	14,581	25,658	11,077
Other deferred compensation plans	-	20,320	20,320
Total provision for employee benefits	14,581	45,978	31,397
Non-current	14,581	40,125	25,544
Current	-	5,853	5,853
Total	14,581	45,978	31,397

In € thousands	Asset side	Liability side	Total 2022
Defined benefit pension plans	10,417	28,715	18,298
Other deferred compensation plans	-	17,773	17,773
Total provision for employee benefits	10,417	46,488	36,071
Non-current	10,417	41,652	31,235
Current	-	4,836	4,836
Total	10,417	46,488	36,071

Pension costs recognized in profit or loss

The total pension costs recognized in profit or loss were as follows:

In € thousands	2023	2022
Total defined benefit pension plans	3,907	3,135
Total defined contribution pension plan and other deferred compensation plans	91,243	83,624
Total pension costs	95,150	86,759

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	2023	2022
Personnel costs	95,659	86,857
Finance expenses/ (income)	(509)	(98)
Total pension costs	95,150	86,759

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 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 100% of the pension assets for funded schemes in surplus. The defined benefit liability is mainly due to the termination indemnity plan in Arcadis Middle East (41% of the total defined benefit liability) and other individually immaterial defined benefit pension plans within the Group.

As at 31 December 2023 both defined benefit pension plans in the UK have a surplus of €14.6 million (31 December 2022: €10.4 million). This increase is mainly due to better asset performance despite the reduction in the discount rate.

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.

In June 2023, a High Court legal ruling in the UK decided that rule amendments to certain pension plans were invalid if they were not accompanied by the correct actuarial confirmation. While the ruling only applied to the specific pension scheme in question, if the ruling stands, it will form part of the case law and can therefore be expected to apply across other pension schemes, including EC Harris Group Pension Scheme and Acer Group Pension Scheme. Disclosures have been calculated assuming that this ruling will not affect the benefits of either Scheme on the basis that there is a reasonable prospect of successful appeal against the ruling.

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.

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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	2023			2022		
	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)	78,848	82,192	(3,344)	74,291	80,350	(6,059)
Acer Group Pension Scheme (AGPS)	168,995	180,232	(11,237)	163,353	167,711	(4,358)
ME Termination Indemnity Plan (HME)	10,478	-	10,478	14,178	-	14,178
Other defined benefit pension plans	16,841	1,661	15,180	16,008	1,471	14,537
Total defined benefit pension plans			11,077			18,298

The next table 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 hereafter), 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 2022	(7,565)	(18,999)	19,653	18,056	11,145
Current service cost	-	-	793	-	-
Interest expense/ (income)	(164)	(411)	263	-	-
One-off equalization cost	-	-	-	-	-
Reclassification	-	-	-	-	-
Subtotal	(164)	(411)	1,056	2,654	3,135
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/ (income)	43,608	102,478	-	-	-
(Gain)/ loss from change in financial assumptions	(45,973)	(94,749)	(384)	-	-
(Gain)/ loss from change in demographic assumptions	(82)	(1,783)	(298)	-	-
Experience (gain)/ loss	5,286	12,250	1,679	-	-
Total remeasurement	2,839	18,196	997	(703)	21,329
Exchange rate differences	349	438	1,334	169	2,290
Contributions by employer	(1,518)	(3,582)	-	-	(5,100)
Benefit payments from plans	-	-	(8,862)	(1,771)	(10,633)
Divestment	-	-	-	(3,868)	(3,868)
Balance at 31 December 2022	(6,059)	(4,358)	14,178	14,537	18,298
Current service cost	-	-	910	-	-
Interest expense/ (income)	(341)	(301)	466	-	-
One-off equalization cost	-	-	-	-	-
Reclassification	-	-	-	-	-
Subtotal	(341)	(301)	1,376	3,173	3,907
Remeasurement:					
Return on plan assets excluding amounts included in interest expense/ (income)	2,088	(4,746)	-	-	-
(Gain)/ loss from change in financial assumptions	2,704	5,165	32	-	-
(Gain)/ loss from change in demographic assumptions	(2,536)	(5,341)	33	-	-
Experience (gain)/ loss	2,550	1,937	553	-	-
Total remeasurement	4,806	(2,985)	618	(68)	2,371
Exchange rate differences	(130)	(122)	(249)	(148)	(649)
Contributions by employer	(1,620)	(3,471)	-	-	(5,091)
Benefit payments from plans	-	-	(5,445)	(2,314)	(7,759)
Balance at 31 December 2023	(3,344)	(11,237)	10,478	15,180	11,077

The current and non-current breakdown of defined benefit pension plan is as follows:

	2023	2022
Non-current	10,573	18,271
Current	504	27
Total	11,077	18,298

(A) EC Harris group pension scheme (ECH)

Plan assets allocation

All invested assets shown in the table below are quoted.

In € thousands / %	2023	%	2022	%
Equities	10,350	13	8,874	11
Property and real estate	1,171	1	1,547	2
Cash	1,165	1	924	1
Other ¹	69,506	85	69,005	86
Total at 31 December	82,192	100	80,350	100

¹ Others include private credit, diversified growth funds and liability driven investment fund

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2023	2022
Discount rate	4.60	4.90
Pension increases	1.95-3.40	2.05-3.45
Retail price index inflation	3.30	3.40
Consumer price index inflation	2.30	2.40

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 15 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	2023	2022
Male/female currently age 65	21.7/ 24.3	22.5/ 24.9
Male/female reaching age of 65 in 20 years	23.0/ 25.6	23.8/ 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 the mortality assumptions. In 2023, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	5,767
Rate of inflation	0.5%	3,460
Life expectancy	one-year change	3,460

The sensitivity analysis as disclosed in the 2022 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	5,638
Rate of inflation	0.5%	3,383
Life expectancy	one-year change	2,255

Defined benefit liability and employer contributions

The Company expects €1.6 million in contributions to be paid to the plan in 2024. The estimated net pension costs to be recognized in the Consolidated income statement in 2024 amounts to €0.2 million, relating to net interest charges. The estimated weighted average duration of the defined benefit obligation is around 15 years.

(B) Acer Group Pension Scheme (AGPS)**Plan assets allocation**

All invested assets shown in the table below are quoted.

In € thousands / %	2023	%	2022	%
Equities	25,823	14	21,389	13
Fixed income	-	-	1,219	1
Property and real estate	10,057	6	11,941	7
Hedge funds	86,278	48	88,535	52
Cash	1,901	1	1,119	1
Others ¹	56,173	31	43,508	26
Total at 31 December	180,232	100	167,711	100

¹ Others include alternatives, credit, diversifying and protection strategies, and insured pensions

Actuarial assumptions

The principal actuarial assumptions at the reporting dates are:

In %	2023	2022
Discount rate	4.60	4.90
Pension increases	1.95-3.40	2.05-3.45
Retail price index inflation	3.30	3.40
Consumer price index inflation	2.30	2.40

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 15 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	2023	2022
Male/female currently age 65	21.7/ 24.2	22.5/ 24.8
Male/female reaching age of 65 in 20 years	23.0/ 25.6	23.8/ 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 life expectancy. In 2023, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	10,381
Rate of inflation	0.5%	6,921
Life expectancy	one-year change	6,921

The sensitivity analysis as disclosed in the 2022 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	10,149
Rate of inflation	0.5%	6,766
Life expectancy	one-year change	6,766

Defined benefit liability and employer contributions

The Group has agreed that it will aim to eliminate any pension plan deficit within the next nine years. Therefore, funding levels are monitored on an annual basis.

The Company expects €3.5 million in contributions to be paid to the plan in 2024. The estimated net pension costs to be recognized in the Consolidated income statement in 2024 amounts to €0.6 million, relating to net interest charges. The estimated weighted average duration of the defined benefit obligation is around 15 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 %	2023	2022
Discount rate	4.80-5.20	4.60-4.75
Salary increases (expected, per annum)	0-3.00	0-2.00

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 three years, which is lower than in previous years due to the strategic decision made in 2020 to reduce the footprint in the Middle East.

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	2023	2022
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 2023, the sensitivity analysis was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	77
Salary increases	0.5%	74

The sensitivity analysis as disclosed in the 2022 financial statements was as follows:

In % / € thousands	Change in assumptions	Change in pension liability
Discount rate	0.5%	57
Salary increases	0.5%	63

Defined benefit liability and employer contributions

The Company expects €0.3 million of service costs and €0.3 million of interest costs to be recognized in the Consolidated income statement in 2024. The estimated weighted average duration of the defined benefit obligation is around 1 year.

(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 below.

Other deferred compensation plans

The other deferred compensation plans consist of the following balances:

In € thousands	2023	2022
Deferred salaries	10,462	9,039
Future jubilee payments	3,667	3,256
Other	6,191	5,478
Balance at 31 December	20,320	17,773

The movement in the other deferred compensation is as follows:

In € thousands	2023	2022
Balance at 1 January	17,773	21,469
Acquisitions	-	(31)
Additions	3,134	81
Amounts used/released	(156)	(4,465)
Exchange rate differences	(431)	719
Balance at 31 December	20,320	17,773
Non-current	14,972	12,964
Current	5,348	4,809
Balance at 31 December	20,320	17,773

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 20 for an amount of €10.5 million (2022: €9.0 million).

Future jubilee payments

An amount of €3.7 million is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels (2022: €3.3 million).

Other

Other deferred compensation includes €5.7 million of long service leave provisions in Australia, where employees are entitled to long service leave after a certain number of years of continuous service (2022: €5.1 million). The time allowance and conditions of entitlement are set out in legislation and vary by territory. An amount of €3.9 million is expected to be paid within one year (2022: €3.6 million).

28 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 11).

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 ¹	Restoration	Other	Total
Balance at 1 January 2022	2,264	27,676	4,839	7,101	41,880
Additions	6,618	11,995	866	1,399	20,878
Amounts used	(3,138)	(2,238)	(330)	(803)	(6,509)
Release of unused amounts	(286)	(2,689)	(1)	(654)	(3,630)
Reclassifications	-	-	354	(101)	253
Exchange rate differences	37	288	(119)	(132)	74
Balance at 31 December 2022	5,495	35,032	5,609	6,810	52,946
Additions	10,810	14,951	643	1,191	27,595
Amounts used	(5,675)	(6,120)	(528)	(374)	(12,697)
Release of unused amounts	(724)	(3,542)	(280)	(962)	(5,508)
Reclassifications	-	-	255	117	372
Exchange rate differences	(84)	(321)	(53)	44	(414)
Balance at 31 December 2023	9,822	40,000	5,646	6,826	62,294
Non-current	3,999	36,817	5,089	5,571	51,476
Current	5,823	3,183	557	1,255	10,818
Balance at 31 December 2023	9,822	40,000	5,646	6,826	62,294

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Restructuring

Provisions for restructuring include costs related to certain staff compensation and costs directly related to the existing plans to execute restructurings, mainly in Middle East, DPS, Continental Europe, United Kingdom and CallisonRTKL. 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.

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 provision of €40.0 million (2022: €35.0 million) is the best estimate of the potential financial risk, net of insurance coverage. 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. For IBI and DPS acquisitions, the Group has reviewed the potential contingent liabilities and recognized liabilities as revision to 2022 reported balances. See note 6 for further details on business combination disclosures.

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.

Restoration provision for leased assets

For lease contracts that require the Company to maintain an underlying asset during the lease term and/or restore it to its original condition before returning to the lessor at the end of the lease, a restoration provision is recognized when the obligation arises. For the same amount a right-of-use asset is recognized and depreciated over the lease term. The discount rate used is the Incremental Borrowing Rate.

Other

The category other provisions include individually immaterial items, and the Company expects that they will be substantively used within one to five years.

29 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 their duration. 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.

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, trade and other payables. Initially these liabilities are recognized at fair value plus the 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 that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at reporting date.

Loans and borrowings at 31 December are as follows:

In € thousands	Interest rates between	2023	2022
Short-term bank loans	1.2% - 3.5%	-	56,230
Long-term bank loans	1.2% - 6.5%	354,710	878,680
Debentures	6.5%	20,366	20,121
Senior unsecured notes	4.9%	495,847	-
Other long-term debt ¹	3.0% - 6.9%	-	3,134
Total loans and borrowings		870,923	958,165
Current		-	56,230
Non-current		870,923	901,935
Total		870,923	958,165

¹ Including retentions and expected deferred consideration not due within one year, amounting to €0.0 million (31 December 2022: €3.1 million)

The movement in non-current loans and borrowings is as follows:

In € thousands	2023	2022
Balance at 1 January	901,935	187,510
New debt	718,680	747,277
Accrued interest	-	-
Redemptions	(750,000)	(19,256)
Acquisitions (deferred consideration)	-	47,198
From long-term to current position other long-term	-	(56,921)
Other	428	-
Exchange rate differences	(120)	(3,873)
Balance at 31 December	870,923	901,935

Aggregate maturities of non-current loans and borrowings are as follows:

In € thousands	2023	2022
2024	-	749,955
2025	96,890	99,514
2026	223,392	-
2027	51,469	52,466
2028	499,172	-
After 2028	-	-
Balance at 31 December	870,923	901,935

The movement in short-term debts and current portion of long-term debts is as follows:

In € thousands	2023	2022
Balance at 1 January	56,230	76,057
New debt	-	195,545
Acquisitions	-	13,686
Redemptions	(55,925)	(284,907)
Other	-	(731)
From long-term to current position other long-term	-	56,921
Exchange rate differences	(305)	(341)
Balance at 31 December	-	56,230

Fair value

The fair value of the Group's loans and borrowings has been estimated at €874.5 million, based on quoted market prices for the same or similar loans or on the current rates offered to the Group for debt with similar maturities (2022: €951.9 million).

Long Term loans

Eurobond

In February 2023, a €500.0 million Eurobond has been issued against a fixed rate of 4.875% with a 5-year maturity. The proceeds of this issuance have been used to repay a part (€500.0 million) of the €750.0 million bridge loan facility.

Bridge loan facility

The bridge loan facility used to acquire IBI Group and DPS Group in 2022 has been repaid in the course of 2023. Of the €750.0 million outstanding at the start of 2023, €500.0 million was repaid with the issuance of a €500.0 million Eurobond in February 2023. The remaining €250.0 million was repaid during the third quarter of 2023 using the proceeds from the €185.0 million newly issued Schuldschein loans and €65.0 million with available cash.

Schuldschein loans

In July 2023, €40.0 million of Schuldschein loans (2015 tranche) was repaid ahead of contractual repayment schedule (originally in October 2023). In October 2023, €17.0 million of Schuldschein loans (2020 tranche) were repaid in accordance with the contractual repayment schedule. In July 2023, €225.0 million of

Schuldschein loans have been issued with a 3-year maturity. €40.0 million was issued at a fixed rate (5.1%) and €185.0 million was issued at a floating rate (6M Euribor + 1.35%).

The €185.0 million floating rate Schuldschein loans have been swapped with two floating-to-fixed interest rate swaps. For more information, see note 19.

At 31 December 2023, the non-current portion of long-term debt includes a total of Schuldschein debt in the amount of €358.0 million maturing in 2025, 2026 and 2027.

Debentures

At 31 December 2023, the non-current portion of long-term debt acquired after the acquisition of IBI Group includes €20.4 million of Debentures. The 6.5% Debentures have a maturity of 31 December 2025 and are listed on the Toronto Stock Exchange.

On or after 31 December 2023, but prior to 31 December 2024, the 6.5% Debentures are redeemable, in whole or in part from time to time at the option of the Group at a price equal to 103.25% of the principal amount of the Debentures redeemed plus accrued and unpaid interest. On or after 31 December 2024 but prior to the maturity date of 31 December 2025, the Debentures are redeemable at a price equal to their principal amount plus accrued and unpaid interest. On redemption or at maturity on 31 December 2025, the Group will repay the debentures in cash.

Revolving Credit Facility

In Q4 2023, Arcadis used both the extension option as well as the accordion option available in the Revolving Credit Facility (RCF) to extend and increase the RCF. Following the exercise of these options, the RCF has been extended by 2 years to 2028 and increased by €100.0 million to €600.0 million, with €95.0 million maturing in October 2026 and the remaining €505.0 million maturing in October 2028.

Short Term Credit facilities

The total available short-term credit facilities amount to €412.3 million, which include all uncommitted credit facilities, bank guarantee facilities and surety bond lines with financial institutions of which €196.7 million has been used as per 31 December 2023 (2022: €379.7 million and €158.3 million respectively).

The Group has short-term uncommitted credit facilities of €120.0 million with relationship banks and three bank guarantee facilities totaling €75.9 million (2022: €120.0 million and €76.2 million, respectively). These short-term credit facilities are used for the financing of working capital and general corporate purposes of the Group.

By the end of the year 2023, the total amount of bank guarantees and letters of credit that were outstanding under the €75.9 million guarantee facilities amounted to €48.1 million (2022: €41.3 million). Additionally, there were other outstanding bank guarantees, letters of credit and surety bonds amounting to €145.6 million (2022: €107.1 million).

Interest rates

The interest rate ranges for the total loans and borrowings are as follows:

In € thousands	2023	2022
0% - 4%	74,057	874,044
3% - 7%	796,867	84,121
Balance at 31 December	870,924	958,165
Weighted average interest rate ¹	4.7%	2.8%

¹ On interest-bearing debt (including the interest effect of swaps)

Financial covenants

The leverage covenant for the €600.0 million syndicated Revolving Credit Facility and the 2020 Schuldschein loans prescribes that the average net debt to EBITDA ratio is not to exceed the maximum of 3.5x, which is confirmed to the lenders twice a year.

At 31 December 2023, the average net debt to EBITDA ratio calculated in accordance with the credit documentation of the 2020 Schuldschein loans and the €600.0 million syndicated Revolving Credit facility is 2.2x. No other financial covenants exist for these credit facilities.

The leverage covenant for the 2023 Schuldschein loans prescribes that the average net debt to Operating EBITDA ratio is not to exceed the maximum of 3.5x, which is confirmed to the lenders twice a year.

At 31 December 2023, the average net debt to Operating EBITDA ratio calculated in accordance with the credit documentation of the 2023 Schuldschein loans is 2.0x. No other financial covenants exist for these credit facilities.

All outstanding loans and the syndicated Revolving Credit Facility do not longer contain an interest coverage ratio.

30 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	2023	2022 ¹
Accounts payable		312,641	334,110
Accrued expenses		95,851	100,089
Payables to employees		206,556	193,280
Taxes and social security contributions		104,445	101,439
After-payments relating to acquisitions	6	2,400	3,888
Other liabilities		78,844	58,354
Balance at 31 December		800,737	791,160

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.
See note 2

Of the total accounts payable approximately 41% is subject to a so-called 'paid-when-paid' clause (2022: 35%). 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 31.

Other liabilities include various accrued liabilities, such as to be paid occupancy costs, consultancy costs, insurance costs and interest costs. Any lease incentives ('tenant improvement allowances') received are part of the right-of-use asset, see note 16.

31 Capital and financial risk management

Arcadis' activities expose the Group 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 Group 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 Group Treasury, in line with the guiding principles of the Group Treasury Policy, as updated and approved by the Executive Board in May 2021.

Arcadis Audit and Risk Committee oversees how management monitors compliance with the Group 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 Group.

(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 Group may not have sufficient cash to satisfy its liabilities and its growth and continued operations could be adversely impacted.

The key objective of the Group's counterparty risk management is to minimize the risk of losses as a result of failure of an individual financial counterparty that could negatively impact the Group's results. Arcadis aims to centralize cash balances with banks that have also provided committed credit facilities to the Group in order to reduce this 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 manage the related credit risk. Furthermore, Arcadis strongly focuses on clients by strengthening the commercial relationship and being more selective to which clients services are offered. 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 and monitored regularly.

The carrying amount of financial assets represents the maximum credit exposure. Per 31 December 2023, the maximum exposure to credit risk was:

In € thousands	Note	2023	2022 ¹
Financial assets:			
Trade receivables	21	731,035	729,614
Other receivables	23	39,058	14,182
Other non-current assets	20	20,414	20,274
Derivatives	19	8,197	15,943
Loans to associates and joint ventures	17	-	-
		798,704	780,013
Cash and cash equivalents less bank overdrafts	24	279,519	257,598
Balance at 31 December		1,078,223	1,037,611

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

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 21.

The ageing of Trade receivables and the provision for Trade receivables at reporting date is disclosed below and in note 21. 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 21.

In € thousands	2023			2022		
	Gross Receivables	Provision bad debt	Provision ECL	Gross Receivables ¹	Provision bad debt	Provision ECL
Not past due	517,982	(3,420)	(292)	508,983	(3,310)	(329)
Past due 0-30 days	95,572	(821)	(19)	86,360	(953)	(32)
Past due 31-60 days	39,949	(780)	(12)	49,840	(1,878)	(10)
Past due 61-120 days	35,807	(1,178)	(72)	33,093	(374)	(77)
Past due 121-364 days	37,107	(3,851)	(226)	42,601	(4,662)	(224)
More than 364 days due	62,969	(50,055)	(105)	60,462	(42,525)	(118)
Total	789,386	(60,105)	(726)	781,339	(53,702)	(790)

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

There are various reasons for delays in payments that result in past due amounts and that impact Days Sales Outstanding (DSO). Arcadis has overdue receivables which are generally considered collectible and for which the risk of impairment is remote.

Amounts due at 31 December 2023 subject to the 'paid-when-paid principle' are disclosed in note 21. 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. At 31 December 2023, no material loans to associates were outstanding.

Cash and cash equivalents

The credit risk of Cash and cash equivalents is the risk that counterparties are not able to repay amounts owed to Arcadis upon request of Arcadis. The objective of the Group 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, a good reputation and belong to the group of Core banks which also provide committed credit facilities. The related risk is monitored on an ongoing basis both at local entity and group level. The Group keeps approximately 62% (2022: 66%) of its cash reserves at our Core banks and is only allowed to invest in short-term, 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. The change in percentage of Core banks compared to previous years is mainly caused by the acquisition of IBI Group and DPS Group in 2022 that are using other banks than our own Core banks. The Group is in the process of shifting these bank accounts to our own Core banks. No Expected Credit Losses are recognized on the cash and cash equivalents.

Guarantees and letters of credit

On behalf of the Group and local entities, financial institutions (such as banks and insurance companies) have provided bank guarantees, surety bonds and letters of credit amounting to €150.3 million outstanding as at 31 December 2023 (2022: €151.6 million). In addition, Arcadis NV has provided financial guarantees to banks for a maximum amount of €160.3 million (2022: €177.6 million). No Expected Credit Losses are recognized from these 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 committed credit facilities and 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 Group Treasury Policy supports this principle by stating that the minimal liquidity at any given point in time should always exceed €200.0 million.

Neither the aged (un)billed receivables of individual customers, nor the profile of the accounts receivable portfolio, impose a significant threat to the Group's liquidity planning.

Over the course of the year, fluctuations occur in the working capital needed to finance operations. The Group strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy (average) net debt to (Operating) 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 related cash outflows to suppliers, as the timing of the payment of the supplier is dependent on the collection of the receivable from a client. This could however be impacted by contractual clauses and/or local laws and regulations that limit the maximum extension of payment terms 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 2023 subject to the 'paid-when-paid principle' are disclosed in note 30. 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 2023							
Type	Interest/fees	Available		Utilized		Available		Utilized	
in € millions		CAD	EUR	CAD	EUR	CAD	EUR	CAD	EUR
Bridge Loan Facility	EURIBOR		€0.0		€0.0		€750.0		€750.0
Revolving Credit Facility	EURIBOR		€600.0		€0.0		€500.0		€0.0
Debentures IBI	6.5%	CA\$29.8	€20.4	CA\$29.8	€20.4	CA\$29.3	€20.1	CA\$29.3	€20.1
Senior unsecured notes	4.875%		€500.0		€500.0				
Committed facilities	EURIBOR		€0.0		€0.0		€0.0		€0.0
Uncommitted multi-currency facilities	Floating		€120.0		€0.0		€120.0		€0.0
Schuldschein notes	Fixed/floating		€358.0		€358.0		€190.0		€190.0
Guarantee facility	0.30% - 0.65%		€75.9		€48.1		€76.2		€41.3
Other (loans)	Various		€20.3		€3.0		€33.7		€9.9
Other (bank guarantees and surety bonds)	Various		€196.1		€145.6		€149.8		€107.1

A description and analysis of the credit lines listed above and its movements compared to last year is provided in note 29.

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 the debt service obligations.

No collateral has been pledged for liabilities or contingent liabilities.

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In € thousands	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Contractual obligations at 31 December 2023					
Guarantees on behalf of associates	-	-	-	-	-
Off balance sheet lease commitments	3,826	3,826	-	-	-
Foreign exchange contracts:					
Outflow	(677,552)	(677,552)	-	-	-
Inflow	682,608	682,608	-	-	-
Interest rate swaps:					
Outflow	(198,759)	(7,068)	(191,691)	-	-
Inflow	199,363	7,343	192,020	-	-
Cross Currency swaps:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Deferred consideration	2,400	2,400	-	-	-
Interest	171,878	41,839	79,682	50,357	-
Lease obligations	281,307	64,810	93,918	62,118	60,461
Loans and borrowings	870,923	-	371,751	499,172	-
Short-term bank debt	-	-	-	-	-
Accounts payable	312,641	312,641	-	-	-
Total	1,648,635	430,847	545,680	611,647	60,461
Contractual obligations at 31 December 2022					
Guarantees on behalf of associates	-	-	-	-	-
Off balance sheet lease commitments	-	-	-	-	-
Foreign exchange contracts:					
Outflow	(542,500)	(542,500)	-	-	-
Inflow	536,666	536,666	-	-	-
Interest rate swaps:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
Cross Currency swaps:					
Outflow	42,618	42,618	-	-	-
Inflow	(41,024)	(41,024)	-	-	-
Deferred consideration	5,309	2,176	3,133	-	-
Interest	38,211	22,456	13,238	2,517	-
Lease obligations ¹	315,117	73,005	104,579	69,189	68,344
Loans and borrowings	958,165	56,230	849,469	52,466	-
Short-term bank debt	-	-	-	-	-
Accounts payable ¹	334,110	334,110	-	-	-
Total	1,646,672	483,737	970,419	124,172	68,344

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

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(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 set by the Group Treasury policy.

(C1) Currency risk

The key objective of the Group foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by Group Treasury to reduce and limit the adverse effects of exchange rate changes on the Group'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 counterparty, 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 subsidiaries of Arcadis enter into forward foreign exchange contracts with Group Treasury in order to hedge these transaction risks.

Borrowings are denominated in currencies that partly match the cash flows generated by the underlying operations of the Group, primarily Euro and US dollar.

Arcadis group companies can have positions in foreign currencies which are different than their respective functional currencies. For the main currencies the following positions per currency (translated in euros) are the cumulative gross exposures of non-functional currencies of all Arcadis group companies combined.

In € thousands	in EUR	in USD	in GBP	in CNY	in BRL	in AED	in CAD	in AUD
At 31 December 2023								
Trade receivables	1,117	56,139	23,225	10,337	20,067	3,893	5,171	3,847
Cash and cash equivalents	4,497	7,795	341	435	-	23	1,069	904
Derivatives	-	73,207	29,875	(8,809)	(75)	(15,863)	(84,164)	120,516
Loans and borrowings	-	(64,891)	(53,904)	(638)	-	8,913	81,228	(120,734)
Accounts payable	(943)	(65,298)	(3,204)	(199)	(19,759)	(252)	(3,097)	(525)
Balance exposure	4,672	6,952	(3,668)	1,127	233	(3,286)	208	4,007
At 31 December 2022								
Trade receivables	4,722	29,513	24,504	36,335	21,229	5,000	4,983	4,200
Cash and cash equivalents	3,080	13,854	2,111	592	-	205	1,593	1,044
Derivatives	-	71,752	117,356	(8,523)	(2,539)	(15,098)	(75,403)	89,865
Loans and borrowings	-	(70,281)	(116,890)	-	(674)	11,653	75,382	(93,600)
Accounts payable	(5,801)	(24,191)	(26,413)	(1,189)	(18,663)	(982)	(3,419)	(200)
Balance exposure	2,001	20,647	668	27,215	(647)	778	3,136	1,309

The below exchange rates were applied in the year.

In €	2023		2022	
	Average	Year-end	Average	Year-end
US Dollar (USD)	0.92	0.91	0.95	0.93
Pound Sterling (GBP)	1.15	1.15	1.17	0.13
Australian Dollar (AUD)	0.61	0.62	0.66	0.63
Chinese Yuan Renminbi (CNY)	0.13	0.13	0.14	0.13
Canadian Dollar (CAD)	0.69	0.68	0.73	0.69
Brazilian Real (BRL)	0.19	0.19	0.18	0.18
United Arab Emirates Dirham (AED)	0.25	0.25	0.26	0.25

Arcadis uses derivative financial instruments 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 Group Treasury policy. The Group seeks to apply hedge accounting where possible to manage volatility in profit or loss. All foreign exchange forward transactions outstanding at year-end are due to mature in 2024 and Q1 2025.

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 Group at year-end are revalued, which results in a hypothetical impact on net income and equity as summarized below.

In €	2023		2022	
	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% change euro against the US dollar	19.1	60.5	6.9	66.8
10% change euro against the Pound Sterling	10.6	43.0	3.1	48.9
10% change euro against the Australian Dollar	4.0	17.9	-	14.3
10% change euro against the Canadian Dollar	0.6	6.9	0.1	7.2

All material balance sheet positions have been hedged with foreign exchange contracts. The translation risk relating to subsidiaries with a functional currency other than the Group reporting currency of Euro are not hedged, in accordance with the Group Treasury policy.

(C2) Interest rate risks

The Group 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 debt with variable interest rates. Based on the interest risk profile, financial instruments were outstanding during the year to cover part of the interest rate risk on long-term borrowings. This risk is applicable to long-term debt, short-term debt and bank overdrafts in the Consolidated balance sheet amounting to €881.3 million at year-end 2023 (2022: €970.2 million). The decrease versus last year is driven by repayment of loans that were issued for the acquisition of IBI Group and DPS Group in 2022.

The Group arranged for two floating-to-fixed interest rate swaps for the €185.0 million floating interest rate Schuldschein loan that was issued in July 2023. One swap (€100.0 million) will mature in January 2025; the other swap (€85.0 million) will mature in January 2026.

The 2015 €40.0 million fixed-to-floating cross currency swap to manage currency risk and interest rate risk matured in October 2023.

Further information can be found in Note 19.

The Group Treasury Policy states that the fixed portion of net debt 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. As of December 2023, this minimum fixed portion of 40% was applicable.

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 Group 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 €	2023		2022	
	Impact of pre-tax profit for the year	Impact on equity	Impact of pre-tax profit for the year	Impact on equity
Ten basis-points change to interest rate	0.1	0.1	0.3	0.3

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 and allows for sufficient flexibility towards the execution of Arcadis' strategy.

The Group sets the amount of capital in proportion to its risk appetite. The Group 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 volume hedges for the transfer of shares under Arcadis' long-term incentive plans and to off-set the dilutive effect of scrip dividends.

Consistent with the financial covenants agreed with the banks, the Group monitors capital on the basis of the average Net debt to (Operating) EBITDA ratio. This ratio is calculated as the average interest-bearing debt minus cash and cash equivalents divided by (Operating) EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

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To obtain access to the debt capital markets, the Group obtained an investment grade credit rating of BBB- (Stable outlook) from Standard & Poor's. The Group and its subsidiaries are not subject to external capital requirements, other than financial covenants under the credit documentation of its committed credit facilities, as disclosed in the notes to these financial statements.

During 2023, Arcadis' strategic goal on financing, which was unchanged from 2022, was to maintain a Net debt to (Operating) EBITDA ratio between 1.5x and 2.5x in order to secure access to finance at a reasonable cost.

Financial covenants

The financial covenant set under the contracts of the committed credit facilities that are applicable to Arcadis includes a Total Leverage ratio. The Total Leverage ratio for the €600.0 million Revolving Credit Facility and the Schuldschein loans issued in 2020 has a maximum of 3.5x.

For the Revolving Credit Facility, the Applicable Rating of the Rating Agency (S&P) prevails over the average net debt to EBITDA ratio in case of a rating of at least BBB or Baa2, which is the case at year-end. The Total Leverage ratio for the Schuldschein loans issued in 2023, which is based on Operating EBITDA, has a maximum of 3.5x

Both ratios are included in the next tables.

In € millions	Note	31 December 2023	31 December 2022 ³
Long-term loans and borrowings	29	870.9	901.9
Current portion of loans and borrowings	29	-	56.2
Lease liabilities	16	210.9	242.9
Current portion of lease liabilities	16	70.4	72.1
Bank overdrafts	24	10.4	15.2
Total debt		1,162.6	1,288.3
Less: cash and cash equivalents	24	(289.9)	(272.8)
Net debt		872.7	1,015.5
Less: non-current portion deferred consideration	6	-	(3.1)
Net debt according to debt covenants		872.7	1,012.4
EBITDA according to debt covenants¹		463.0	412.3
Adjusted Operating EBITDA according to debt covenants²		510.9	n/a

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 indicators on page 91)

² EBITDA adjusted for share-based compensation, restructuring, integration, disposal and acquisition related costs and net result from divestments, and any material one-off exceptional non-cash impairments and/or material one-off exceptional non-cash write-offs.

³ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

Ratios

In €	2023	2022
Average net debt to EBITDA ratio according to debt covenants RCF and 2020 Schuldschein (Total Leverage Ratio)	2.2	1.6
Average net debt to adjusted Operating EBITDA ratio according to debt covenants for 2023 Schuldschein	2.0	n/a

The ratios as disclosed above are calculated based on the definitions as agreed with and aligned between the different providers of committed credit facilities. The calculation of the average Net debt to (Operating) EBITDA ratio is based on the average net debt of Q2 and Q4. Throughout 2023, Arcadis complied with all financial and non-financial covenants.

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 17	Amortized cost	Carrying value per IFRS 9 category		Total	Fair value
				Fair value through Profit or Loss	Fair value through Other comprehensive income		
At 31 December 2023							
Investments in associates and joint ventures	11,381	11,381	-	-	-	-	-
Other investments	4,295	-	-	4,295	-	4,295	4,295
Other non-current assets	20,414	-	20,414	-	-	20,414	20,414
Trade receivables	728,555	-	728,555	-	-	728,555	728,555
Derivatives	8,197	-	-	9,716	(1,519)	8,197	8,197
Cash and cash equivalents	289,878	-	289,878	-	-	289,878	289,878
Total Financial assets	1,062,720	11,381	1,038,847	14,011	(1,519)	1,051,339	1,051,339
Loans and borrowings:							
Non-current	870,923	-	870,923	-	-	870,923	874,534
Current	-	-	-	-	-	-	-
Derivatives	11,143	-	-	11,143	-	11,143	11,143
Accounts payable	312,641	-	312,641	-	-	312,641	312,641
Lease liabilities	281,307	-	281,307	-	-	281,307	281,307
Deferred consideration	2,400	-	-	2,400	-	2,400	2,400
Bank overdrafts and short-term bank debts	10,359	-	10,359	-	-	10,359	10,359
Total Financial liabilities	1,488,773	-	1,475,230	13,543	-	1,488,773	1,492,384

In € thousands	Carrying value per IFRS 9 category					Total	Fair value
	Carrying amount	Out of Scope IFRS 17	Amortized cost	Fair value through Profit or Loss	Fair value through Other comprehensive income		
At 31 December 2022							
Investments in associates and joint ventures	11,633	11,633	-	-	-	-	-
Other investments	3,609	-	-	3,609	-	3,609	3,609
Other non-current assets ¹	20,274	-	20,274	-	-	20,274	20,274
Trade receivables ¹	726,847	-	726,847	-	-	726,847	726,847
Derivatives	15,943	-	-	15,814	129	15,943	15,943
Cash and cash equivalents	272,754	-	272,754	-	-	272,754	272,754
Total Financial assets	1,051,060	11,633	1,019,875	19,423	129	1,039,427	1,039,427
Loans and borrowings:							
Non-current	901,935	-	901,935	-	-	901,935	895,671
Current	56,230	-	56,230	-	-	56,230	56,238
Derivatives	21,904	-	-	21,904	-	21,904	21,904
Accounts payable ¹	334,110	-	334,110	-	-	334,110	334,110
Lease liabilities ¹	315,117	-	315,117	-	-	315,117	315,117
Deferred consideration	5,309	-	-	5,309	-	5,309	5,309
Bank overdrafts and short-term bank debts	15,156	-	15,156	-	-	15,156	15,156
Total Financial liabilities	1,649,761	-	1,622,548	27,213	-	1,649,761	1,643,505

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. See note 2

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 Group are categorized in Level 2, except for the other investment in Techstars and the deferred consideration whereby a Level 3 valuation has been used (see note 18).

The fair value of foreign exchange forward rate 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.

The fair value of loans and receivables is based on the present value of future principal and interest cash flows, discounted at the Group 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.

32 Commitments and contingent liabilities

Committed lease payments for short-term and/or low-value leases are reported as off-balance sheet commitment. The 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.

Non-financial 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 such guarantee. Financial guarantees are subject to the Expected Credit Loss model, and a credit loss is recognized for the expected cash shortfalls.

Contingent liabilities are potential obligations of sufficient uncertainty that it does not qualify for recognition as a provision (see note 28), unless it is assumed in a business combination (see note 6). Contingent liabilities are reviewed periodically to assess whether an outflow of resources will become probable.

Summary of commitments

In € thousands	31 December 2023	31 December 2022
Short-term leases	706	1,151
Low-value leases	3,120	340
Total committed off-balance leases	3,826	1,491

In € thousands	31 December 2023	31 December 2022
Bank guarantees	150,260	151,563
Corporate guarantees	160,261	177,580
Eliminations	(110,267)	(114,102)
Guarantees	200,254	215,041
Leases	3,826	1,491
Other commitments	37,018	953
Total	241,098	217,485

Leases

The Group's lease arrangements mainly relate to contracts for leased cars, building and other (IT) equipment. These leases have varying terms, termination clauses and renewal rights. For leased assets the Group has recognized right-of-use assets and lease liabilities as at 31 December 2023, except for short-term and/or low-value leases. The lease expense recognized in profit or loss of 2023 relating to short-term and/or low-value leases amounted to €9.1 million (2022: €4.4 million).

See note 16 for further information on leases.

Guarantees

Arcadis has issued corporate guarantees as security for credit facilities, bank guarantee facilities and surety bond lines. Guarantees or guarantee-like items issued by a financial intermediary (such as bank guarantees and surety bonds) can be issued in relation to projects, advances received, tender bonds or lease commitments to avoid cash deposits. Bank guarantees or surety bonds 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. Where the failure to perform arose due to an error or omission by Arcadis, the claim could be covered by the professional indemnity insurance cover.

The tables below summarize the outstanding corporate and bank guarantees. 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	3.6	-	-	3.6
Bank guarantee and surety bond financing	116.8	150.3	(70.5)	196.6
Other	39.8	-	(39.8)	-
Balance at 31 December 2023	160.3	150.3	(110.3)	200.3

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.

In € millions	Corporate guarantees	Bank guarantees	Eliminations ¹	Total
Debt facility financing	3.6	-	-	3.6
Bank guarantee and surety bond financing	135.8	151.6	(75.9)	211.5
Other	38.2	-	(38.2)	-
Balance at 31 December 2022	177.6	151.6	(114.1)	215.1

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 vast majority of outstanding bank guarantees and surety bonds relates to the commercial performance on projects (e.g. Performance guarantees, Tender bonds, Warranty bonds or Advance payment guarantees) and rental guarantees. On 31 December 2023 and throughout the year, the vast majority of the outstanding bank guarantees and surety bonds posed an immaterial and insignificant risk to Arcadis.

On 31 December 2023, only a part of the local bank guarantee facilities and local debt facilities have been used.

Other commitments

The other commitments amount to €37.0 million (2022: €1.0 million) and include the service part of several long-term global IT service contracts, which runs for a remaining period of one to 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.

33 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, take into account the substance as well as the legal form, and made on terms equivalent to those that prevail in arm's length transactions.

General

The related parties of the Company include subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit Arcadis NV, Stichting Preferente Aandelen Arcadis NV, 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 2023. Total revenues from joint arrangements amounted to €259.5 million (2022: €245.0 million).

Transactions with associates

The Group has entered into transactions with associates, see note 17 and the table on the next page.

Transactions with key management personnel

The table below specifies the total remuneration of key management personnel, for the period that they met the criteria, and for remuneration received in the capacity of key management personnel. This includes the remuneration of the Executive Board members of €4.3 million (2022: €4.4 million) and Supervisory Board members of €0.5 million (2022: €0.5 million).

The remuneration in below table covers the period that members qualified as key management personnel.

In € thousands	2023	2022
Salary	4,740	3,700
Bonus	2,935	2,451
Pension compensation	472	295
Pension	99	179
LTIP expense	2,631	4,120
Fringe benefits	768	433
Termination benefits	800	433
Total	12,445	11,611

In 2023 (and 2022) 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

The main post-employment benefit plans are the pension funds of EC Harris (ECH) and Hyder (AGPS). In 2023, the Company contributed €1.6 million (2022: €1.5 million) to the plan of EC Harris and €3.5 million to the plan of Hyder (2022: €3.6 million), see note 27.

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. The Foundation had an interest of 18.51% in Arcadis NV at 31 December 2023 (2022: 18.2%).

Other contributions made by the Lovinklaan Foundation in 2023 to Arcadis related to the following programs:

- Skills Powered Organisation: €2.7 million (2022: €0.3 million)
- Expedition DNA: €0.7 million (2022: €0.3 million)
- Shelter: €0.2 million (2022: €0.4 million)
- Sustain Abilities: €0.2 million (2022: nil)
- Imagine: €0.03 million (2022: nil)
- Local Sparks: nil (2022: €0.1 million)
- Roots of Arcadis: nil (2022: €0.1 million)

In 2023 (and 2022) no other financial transactions apart from the above mentioned took place between the Foundation and the Company, except for the dividends on the shares.

Transactions with other related parties

Arcadis NV contributed €45,000 to Stichting Preferente Aandelen Arcadis NV (the 'Preferred Stock Foundation') in 2023 (2022: €55,000) and €500 to Stichting Prioriteit Arcadis NV (the 'Priority Share Foundation') (2022: €1,500). See note 25 for further information on these foundations.

The contribution to Stichting Bellevue amounted to €68,000 (2022: €68,000).

Summary

A summary of transactions with related parties (excluding Key Management Personnel) in the financial year is disclosed in the table below:

In € millions	Transactions with associates		Transactions with joint arrangements		Transactions with post-employee benefit plans		Other	
	2023	2022	2023	2022	2023	2022	2023	2022
Sales (to)	14.3	11.5	259.5	245.0	-	-	0.8	0.9
Purchase (from)	0.2	-	0.6	0.8	-	-	0.1	-
Loans (to)	-	-	-	-	-	-	-	-
Receivables (from)	2.5	2.8	8.8	5.4	-	-	0.1	0.2
Payables (to)	0.0	-	0.1	0.4	-	-	-	-
Impairment of loans (to)	-	-	-	-	-	-	-	-
Dividends received (from)	3.9	10.3	0.4	0.3	-	-	-	-
Provision for bad debts related to outstanding balances	-	-	-	-	-	-	-	-
Related expenses to these bad or doubtful debts	-	-	-	-	-	-	-	-
Provision for outstanding loan balances	-	-	-	-	-	-	-	-
Transfer of pension premiums and cost changes	-	-	-	-	2.1	0.3	-	-
Contributions	-	-	-	-	5.1	5.1	0.3	0.4

34 Events after the balance sheet date

A subsequent event is a favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue. Events after the reporting date that provide evidence of conditions that existed at the reporting date are adjusted within the financial statements. Events that are indicative of a condition that arose after the reporting date of a material size or nature are disclosed below.

There are no material subsequent events, that would have changed the judgment and analysis by management of the financial condition of the Company at 31 December 2023, or the result for 2023.

Unaudited

Company financial statements





Company Balance sheet

as at 31 December - before allocation of profit

In € thousands	Note	2023	2022
Assets			
Non-current assets			
Intangible assets and goodwill	39	1,540	1,035
Property, plant and equipment	40	570	548
Right-of-use assets	41	1,510	2,023
Investment in subsidiaries ¹	42	2,291,882	2,082,723
Loans issued to subsidiaries and other investments	43	342,107	460,444
Deferred tax assets		1,203	-
Total Non-current assets		2,638,812	2,546,773
Current assets			
Derivatives		7,237	14,312
Trade receivables	44	191,215	156,795
Corporate income tax receivable		-	-
Cash and cash equivalents		21,823	20,749
Total Current assets		220,275	191,856
Total Assets		2,859,087	2,738,629

In € thousands	Note	2023	2022
Equity and liabilities			
Shareholders' equity			
Share capital		1,809	1,809
Share premium		372,460	372,460
Hedging reserve		(870)	778
Translation reserve		(116,540)	(88,139)
Other legal reserves		9,590	9,590
Retained earnings		637,139	567,228
Undistributed profits		159,982	131,520
Total Shareholders' equity¹	25,45	1,063,570	995,246
Provisions	46	8,781	13,868
Deferred tax liabilities	47	-	3,105
Non-current liabilities			
Long-term debt	48	1,058,841	1,148,008
Lease liabilities	41	766	1,315
Long-term derivatives		1,790	-
Total Non-current liabilities		1,061,397	1,149,323
Current liabilities			
Current portion of provisions	46	1,191	1,605
Derivatives		8,231	18,873
Bank overdrafts		53	146
Short-term borrowings	48	-	17,000
Current portion of lease liabilities	41	780	721
Corporate income tax payable		1,716	1,666
Current liabilities	49	713,368	537,076
Total Current liabilities		725,339	577,087
Total Liabilities		1,795,517	1,743,383
Total Equity and liabilities		2,859,087	2,738,629

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022. The notes on pages 75 to 86 are an integral part of these Company financial statements



Company Income statement

for the year ended 31 December

In € thousands	Note	2023	2022
Corporate charges to subsidiaries	36	147,046	200,941
Total Corporate Income		147,046	200,941
Personnel costs	54	(93,946)	(116,452)
Other operational costs	37	(27,637)	(57,649)
Depreciation and amortization	39,40,41	(857)	(2,305)
Total Operational costs		(122,440)	(176,406)
Operating income/ (expense)		24,606	24,535
Finance income		35,255	8,638
Finance expenses		(82,980)	(13,435)
Fair value change of derivatives		(5,618)	(3,155)
Net finance expense	38	(53,343)	(7,952)
Profit before income tax		(28,737)	16,583
Income taxes		2,153	(6,519)
Net income subsidiaries ¹		186,566	121,456
Result for the period		159,982	131,520

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022
The notes on pages 75 to 86 are an integral part of these Company financial statements



Notes to the Company financial statements

35 General

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company financial statements are prepared based on the accounting principles of recognition as applied in 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. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In the Company financial statements, subsidiaries of Arcadis NV are accounted for using the equity method. To achieve optimal transparency between the Consolidated financial statements and the Company financial statements name conventions are aligned.

36 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 2023 following the final 2022 results. The decrease in the Corporate charges are due to the split of holding activities between Arcadis Global BV and Arcadis NV effective 1 July 2023.

37 Other operational costs

In € thousands	2023	2022
Occupancy	839	595
Travel	3,553	1,679
Office related	357	293
Computer related	4,545	8,516
Audit and consultancy services	12,781	30,890
Insurances	1,952	1,384
Marketing and advertising	3,222	1,744
Charitable donations	130	1,054
Intercompany charges	257	9,978
Other	1	1,516
Total Other operational costs	27,637	57,649

The consultancy charges decreased during the year due to the significant acquisition cost of IBI and DPS in 2022.

The intercompany charges decreased as a result of the split the holding activities between Arcadis Global BV and Arcadis NV that resulted in significant lower recharges from operating companies directly to the company .



38 Net finance expense

The net finance expense includes income and expenses relating to external loans and bonds, intercompany loans and leases. Foreign exchange differences on financial liabilities and interest on leases are part of the finance expenses.

In € thousands	2023	2022
Interest income from loans to subsidiaries	27,949	6,495
Other finance income	7,306	2,143
Finance income	35,255	8,638
Interest expense on external loans and borrowings	(44,208)	(6,068)
Interest expense on loans from subsidiaries	(4,963)	(3,556)
Interest expense on external leases	(26)	(33)
Other external interest expense	(36,262)	(8,627)
Foreign exchange differences	2,479	4,849
Finance expense	(82,980)	(13,435)
Fair value change of derivatives	(5,618)	(3,155)
Total	(53,343)	(7,952)

39 Intangible assets

In € thousands	Software
Cost	12,975
Accumulated amortization	(11,421)
At 1 January 2022	1,554
Additions	1,035
Amortization charges	(1,554)
Movement 2022	(519)
Cost	14,010
Accumulated amortization	(12,975)
At 31 December 2022	1,035
Additions	632
Amortization charges	(127)
Movement 2023	505
Cost	14,642
Accumulated amortization	(13,102)
At 31 December 2023	1,540



40 Property, plant & equipment

In € thousands	Furniture and fixtures	Computer hardware	Prepayments on fixed assets	Total
Cost	1,730	32	-	1,762
Accumulated depreciation	(1,142)	(17)	-	(1,159)
Balance at 1 January 2022	588	15	-	603
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charges	(50)	(5)	-	(55)
Movement 2022	(50)	(5)	-	(55)
Cost	1,730	32	-	1,762
Accumulated depreciation	(1,192)	(22)	-	(1,214)
At 31 December 2022	538	10	-	548
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charges	(31)	(4)	-	(35)
Movement 2023	(31)	(4)	-	(35)
Cost	1,730	32	57	1,819
Accumulated depreciation	(1,223)	(26)	-	(1,249)
At 31 December 2023	507	6	57	570

41 Right-of-use assets and lease liabilities

Amounts recognized in the Company balance sheet

Right-of-use assets

In € thousands	Leased land and buildings	Leased (IT) equipment	Leased vehicles	Total
Balance at 1 January 2022	2,387	5	254	2,646
Additions	-	-	88	88
Depreciation	(594)	(5)	(97)	(696)
Derecognition of fully depreciated assets	-	-	-	-
Remeasurements	-	-	(15)	(15)
Balance at 31 December 2022	1,793	-	230	2,023
Additions	-	-	107	107
Depreciation	(601)	-	(95)	(696)
Derecognition fully depreciated assets	-	-	-	-
Remeasurements	166	-	(90)	76
Balance at 31 December 2023	1,358	-	152	1,510

Lease liabilities

In € thousands	2023	2022
Balance at 1 January	2,036	2,670
Additions	107	91
Payments of lease liabilities	(699)	(743)
Remeasurements	76	(15)
Interest	26	33
Balance at 31 December	1,546	2,036
Non-current	766	1,315
Current	780	721
Total	1,546	2,036



Amounts recognized in the Company income statement

In € thousands	2023	2022
Depreciation	696	696
Interest expense (included in Net finance expense)	26	33
Other operational costs for short-term leases	-	-
Total	722	729

42 Investment in subsidiaries

In € thousands	2023	2022
Balance at 1 January	2,082,723	1,534,330
Share in income of subsidiaries ¹	186,566	121,457
Dividends received	(82,165)	(48,000)
Capital contributions	308,957	534,860
Capital redemptions	(171,344)	(1,155)
Remeasurements on post-employment benefit obligations, net of income taxes	(2,158)	(16,433)
Other charges	142	129
Provision for negative equity of investments	(5,091)	(7,341)
Exchange rate differences ¹	(25,748)	(35,124)
Balance at 31 December	2,291,882	2,082,723

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022

For the remeasurements on post employee benefits obligations, see note 27.

The exchange rate differences mainly relate to the British Pound Sterling, US Dollar and Canadian Dollar rates.

43 Loans issued to subsidiaries and other investments

In € thousands	2023	2022
Balance at 1 January	460,444	185,819
Loans issued to subsidiaries	66,924	359,607
Redemptions	(176,885)	(89,265)
Investments	-	-
Divestments	-	98
Others	-	-
Exchange rate differences	(8,376)	4,185
Balance at 31 December	342,107	460,444

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.

The exchange rate differences mainly relate to loans in US Dollar, British Pound Sterling and Canadian Dollar.



44 Receivables

In € thousands	2023	2022
Receivables from subsidiaries and associates	175,351	144,027
Other receivables	15,864	12,768
Balance at 31 December	191,215	156,795

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 21 of the Consolidated financial statements for further details on the simplified approach and note 43 on the treatment of the Expected Credit Loss on intercompany positions in the Company financial statements.

The Other receivables include €7.8 million of prepaid amounts, mainly related to software licenses and other prepaid IT support (2022: €9.7 million).



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45 Shareholders' equity

In € thousands	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Retained earnings	Undistributed profits	Total
Balance at 1 January 2023¹	1,809	372,460	778	(88,139)	9,590	567,228	131,520	995,246
Net income	-	-	-	-	-	-	159,982	159,982
Exchange rate differences	-	-	-	(28,401)	-	-	-	(28,401)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	(1,648)	-	-	-	-	(1,648)
Remeasurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	(2,082)	-	(2,082)
Other comprehensive income, net of income taxes	-	-	(1,648)	(28,401)	-	(2,082)	-	(32,131)
Total comprehensive income for the period	-	-	(1,648)	(28,401)	-	(2,082)	159,982	127,851
Transactions with owners of the Company:	-	-	-	-	-	-	-	-
Acquisitions and transactions with non-controlling interests	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	65,278	(131,520)	(66,242)
Addition to (utilization of) other (statutory) reserves	-	-	-	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	-	-
Cancellation of shares	-	-	-	-	-	-	-	-
Share-based compensation, net of income taxes	-	-	-	-	-	6,187	-	6,187
Purchase of own shares	-	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	528	-	528
Total transactions with owners of the Company	-	-	-	-	-	71,993	(131,520)	(59,527)
Balance at 31 December 2023	1,809	372,460	(870)	(116,540)	9,590	637,139	159,982	1,063,570
Balance at 1 January 2022	1,809	372,460	649	(51,615)	9,590	522,014	167,881	1,022,788
Net income ¹	-	-	-	-	-	-	131,520	131,520
Exchange rate differences ¹	-	-	-	(36,524)	-	-	-	(36,524)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	-	-	129	-	-	-	-	129
Remeasurements on post-employment benefit obligations, net of income taxes	-	-	-	-	-	(16,433)	-	(16,433)
Other comprehensive income, net of income taxes¹	-	-	129	(36,524)	-	(16,433)	-	(52,828)
Total comprehensive income for the period¹	-	-	129	(36,524)	-	(16,433)	131,520	78,692
Transactions with owners of the Company:	-	-	-	-	-	-	-	-
Acquisitions and transactions with non-controlling interests	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	51,828	(167,881)	(116,053)
Addition to (utilization of) other (statutory) reserves	-	-	-	-	-	-	-	-
Issuance of shares	-	-	-	-	-	-	-	-
Cancellation of shares	-	-	-	-	-	-	-	-
Share-based compensation, net of income taxes	-	-	-	-	-	8,568	-	8,568
Purchase of own shares	-	-	-	-	-	-	-	-
Share options exercised	-	-	-	-	-	1,251	-	1,251
Total transactions with owners of the Company	-	-	-	-	-	61,647	(167,881)	(106,234)
Balance at 31 December 2022¹	1,809	372,460	778	(88,139)	9,590	567,228	131,520	995,246

¹ Revised in accordance with IFRS 3.49 to reflect the adjustments to the provisional opening balances of acquired entities recognized as at 31 December 2022.



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 25 to the Consolidated financial statements.

46 Provisions

In € thousands	2023	2022
Balance at 1 January	15,473	21,284
Additions	1,250	1,530
Deductions because of use	(1,660)	-
Release of unused amounts	(5,091)	(7,341)
Balance at 31 December	9,972	15,473
Non-current	8,781	13,868
Current	1,191	1,605
Total	9,972	15,473

The provisions of Arcadis NV at 31 December 2023 relate to a provision for negative equity of a direct subsidiary of the Company, in accordance with article 2:403 paragraph 1 of the Dutch Civil Code is €8.8 million (2022: €13.8 million). At 31 December 2023, the restructuring provision amounted to €1.2 million (2022: €1.6 million). At 31 December 2023, other provision is nil (2022: €0.1 million).

47 Deferred tax assets and liabilities

In € thousands	Deferred tax assets	Deferred tax liabilities	Total
Balance at 1 January 2022	-	(2,901)	(2,901)
Additions/ deductions	-	(204)	(204)
Changes recognized directly in equity/ OCI	-	-	-
Balance at 31 December 2022	-	(3,105)	(3,105)
Additions/ deductions	1,203	3,105	4,308
Changes recognized directly in equity/ OCI	-	-	-
Balance at 31 December 2023	1,203	-	1,203

48 Long-term debt

In € thousands	Loans from group companies	Loan notes issued to financial institutions	Total
Balance at 1 January 2022	192,570	146,728	339,298
New financing	213,914	747,277	961,191
Redemptions	(134,743)	-	(134,743)
From long-term to short-term	-	(15,386)	(15,386)
Exchange rate differences	(2,352)	-	(2,352)
Balance at 31 December 2022	269,389	878,619	1,148,008
New financing	120,179	718,680	838,859
Redemptions	(179,088)	(746,642)	(925,730)
From long-term to short-term	-	-	-
Exchange rate differences	(2,308)	12	(2,296)
Balance at 31 December 2023	208,172	850,669	1,058,841

During 2023, €17.0 million of Schuldschein loans and €750.0 million of bridge loan facility were repaid. In addition, new financing was arranged with €500.0 million of Eurobond loans and €225.0 million of Schuldschein loans.

No loans were reclassified from long-term to short-term loans during 2023; all loans outstanding on 31 December 2023 have a maturity beyond 2024.



The loans notes issued to financial institutions are all due within five years.

Please refer to note 29 for more detail on the long-term debts at consolidated level.

49 Current liabilities

In € thousands	2023	2022
Suppliers	9,916	11,356
Payables to group companies	638,146	480,355
Other liabilities	65,306	45,365
Balance at 31 December	713,368	537,076

The payables to group companies mainly relate to the internal cash pool. Other liabilities include an amount of €1.7 million which relates to additional tax to be paid on behalf of certain Executive Board and Executive Leadership team members based in the UK due to a tax legislation change on timing of tax on restricted share units. See note 51 for further details.

The increase of other liabilities is mainly related to accrued bonuses and advisory costs.

Refer to note 29 and 31 to the Consolidated financial statements for further information on Arcadis' lines of credit.

50 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 2023, the Company had commitments for rent and lease obligations that are exempted from IFRS16 (short-term and/or low value leases) amounting to €3.8 million (2022: €1.5 million). Additionally, the Company entered into long-term service commitments relating to a global IT outsourcing contract of €37.0 million (2022: €1.0 million).

Guarantees & short-term facilities

The Company 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 €195.9 million of which €48.1 million is used at 31 December 2023 (2022: €196.2 million of which €41.3 million was used). In addition to this amount, the Company has corporate guarantees for an amount of €160.3 million available (2022: €177.6 million).

For an overview of all off-balance sheet guarantees provided by either Arcadis NV or its subsidiaries see note 32 to the Consolidated financial statements.

51 Remuneration of EB and SB members

Remuneration of Executive Board members

In 2023, an amount of €4.3 million (2022: €4.4 million) was charged to the Company for remuneration of the current and former Executive Board members, including pension charges, the LTIP expense and fringe benefits.

As reflected in the table on the next page, a number of 31,883 conditional (performance) shares were granted to Executive Board members as variable remuneration (2022: 33,653).



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Overview of remuneration of Executive Board members in 2023

In € thousands	Salary	Bonus	Pension compensation	Pension	LTIP expense ¹	Fringe benefits	Total 2023	Conditional (performance) shares	
								Number	Value ²
Alan Brookes ³	457	319	112	-	436	89	1,413	19,281	673,999
Virginie Duperat-Vergne	501	362	72	21	507	280	1,743	12,602	440,524
Total current Board members	958	872	184	21	943	369	3,347	31,883	1,114,523
Peter Oosterveer ⁴	254	182	63	7	586	45	1,137	-	-
Total former Board member	254	182	63	7	586	45	1,137	-	-

¹ The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months

² 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

³ Appointed as CEO and Chair of the Executive Board on 12 May 2023

⁴ Retired as CEO and Chair of the Executive Board on 12 May 2023

The fringe benefits of current and former board members of €0.4 million (2022: €0.3 million) include a representation and expense allowance, a car allowance, social security premium (of which €0.3 million in France) and health and disability insurance. A recent tax legislation change relating to timing of tax on restricted share units in the UK has resulted in additional tax liability of €1.2 million on the shares vested in 2023 and prior years for Alan Brookes (previous Arcadis LLP member). See note 49.

Overview of remuneration of Executive Board members in 2022

The next table includes all remuneration that has been expensed during 2022 and which was received in the capacity of Executive Board membership.

In € thousands	Salary	Bonus	Pension compensation	Pension	LTIP expense ¹	Fringe benefits	Total 2022	Conditional (performance) shares	
								Number	Value ²
Peter Oosterveer	680	518	165	19	1,392	58	2,832	20,350	716,117
Virginie Duperat-Vergne	489	372	72	19	371	267	1,590	13,303	468,133
Total current Board members	1,169	890	237	38	1,764	325	4,423	33,653	1,184,250

¹ The LTIP expense relates to the charge to the Income statement in the year based on the plans granted in the preceding 36 months

² 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



Remuneration of Supervisory Board members

At 31 December 2023, the Supervisory Board consisted of eight members (2022: six). The joint fixed remuneration for 2023 amounted to €0.5 million (2022: €0.5 million), specified as follows:

In € thousands	2023	2022
Michiel Lap	116	101
Michael Putnam	84	82
Deanna Goodwin	88	91
Niek Hoek ¹	26	83
Wee Gee Ang ¹	32	77
Carla Mahieu	68	68
Barbara Duganier ²	59	-
Linda Morant ³	6	-
Peter de Wit ³	-	-

¹ Resigned from the Supervisory Board on 12 May 2023

² Joined the Supervisory Board on 12 May 2023

³ Joined the Supervisory Board on 13 December 2023

52 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 2023	31 December 2022
Alan Brookes ¹	38,358	-
Virginie Duperat-Vergne	5,726	-
Number of conditional (performance) shares Arcadis NV ²		
Current EB members	31 December 2023	31 December 2022
Alan Brookes ¹	39,176	-
Virginie Duperat-Vergne	41,981	35,238
Number of conditional (performance) shares Arcadis NV ²		
Previous EB member	31 December 2023	31 December 2022
Peter Oosterveer ³	24,412	80,738

¹ Alan Brookes was appointed as CEO and Chair of the Executive Board on 12 May 2023

² Amounts are based on granting 100% of the reference numbers, with maximal extension to 116% (see note 10).

³ Peter Oosterveer retired as CEO and Chair of the Executive Board on 12 May 2023



In 2023, the aggregate numbers of conditional performance shares held by members of the Executive Board are as below. The board members did not hold stock options in 2023.

Conditional performance shares	Granted in	Share price at grant date (in €)	Outstanding at 1 January 2023	Granted in 2023	Increase/ (decrease) by performance measure	Vested in 2023	Forfeited in 2023	Outstanding at 31 December 2023	Vesting date
Alan Brookes									
	2020	12.82	8,661	-	4,331	(12,992)	-	-	ex-dividend date 2023
	2021	34.64	10,353	-	-	(2,650)	-	7,703	ex-dividend date 2024
	2022	36.92	12,192	-	-	-	-	12,192	ex-dividend date 2025
	2023	39.52	-	19,281	-	-	-	19,281	ex-dividend date 2026
			31,206	19,281	4,331	(15,642)	-	39,176	
Virginie Duperat-Vergne									
	2020	12.82	5,859	-	2,930	(8,789)	-	-	ex-dividend date 2023
	2021	34.64	16,076	-	-	-	-	16,076	ex-dividend date 2024
	2022	36.92	13,303	-	-	-	-	13,303	ex-dividend date 2025
	2023	39.52	-	12,602	-	-	-	12,602	ex-dividend date 2026
			35,238	12,602	2,930	(8,789)	-	41,981	
Total board members			-	66,444	31,883	7,261	(24,431)	-	81,157
Peter Oosterveer ¹									
	2020	12.82	35,817	-	17,909	(53,726)	-	-	ex-dividend date 2023
	2021	34.64	24,571	-	-	-	(7,508)	17,063	ex-dividend date 2024
	2022	36.92	20,350	-	-	-	(13,001)	7,349	ex-dividend date 2025
Total board members			80,738	-	17,909	(53,726)	(20,509)	24,412	

¹ Peter Oosterveer retired as CEO and Chair of the Executive Board on 12 May 2023

53 Shares held by members of the SB

None of the members of the Supervisory Board held Arcadis shares in 2023 and 2022.



54 Employees

At 31 December 2023, Arcadis NV had 19 full-time employees on its payroll (2022: 135). As of 1 July 2023, most of the employees have been transferred to Arcadis Global BV. For information on share-based remuneration granted to employees of Arcadis NV, as meant by article 2:383d paragraph 1 of the Dutch Civil Code, see note 10 to the Consolidated financial statements.

Personnel costs for Arcadis NV consisted of the following:

In € thousands	2023	2022
Salaries and wages	22,010	30,027
Social charges	1,055	1,909
Pension and early retirement charges	847	1,751
Other personnel costs (mainly intragroup)	70,034	82,765
Total personnel costs	93,946	116,452

The other personnel costs include an amount of €0.1 million of payments in relation to the termination of employment agreements (2022: €0.2 million).

55 External independent 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 independent auditor, PricewaterhouseCoopers Accountants N.V., including the foreign offices of PricewaterhouseCoopers of the last two fiscal years for various services:

Type of services provided (in € millions)	2023	2022
Audit fees	5.0	4.9
Audit-related fees	0.2	0.3
Tax fees	-	-
Other non-audit fees	-	-
Total	5.2	5.2

Audit-related fees consist of fees for services that are traditionally performed by the external independent auditor. In addition to the statutory audit of Arcadis NV, PricewaterhouseCoopers Accountants N.V. was engaged by the Supervisory Board to perform specific agreed upon procedures.

Of the total fees billed, an amount of €2.1 million relates to PricewaterhouseCoopers Accountants N.V. (2022: €1.4 million) and the remainder to its foreign offices.



Alternative Performance Measures

Arcadis uses throughout its financial publications, alternative performance measures (APMs) in addition to the figures which are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. The purpose of the alternative performance measures is to provide greater insights into the financial and operating results of the company. These metrics are used to drive the business performance and should be viewed as complementary, rather than a substitute for, the figures determined according to IFRS. They are subject to the same internal control process as other reporting. These terms may be defined in a different way by other companies and are therefore not always comparable to similar measures used by other companies.

Net Revenues

The company analyzes the financial performance in relation to net revenues for the total business and Global Business Areas. Net Revenue reflects more closely the revenues generated by the fees received for our services and is defined as Gross Revenue (revenue per IFRS), minus materials, services of third parties and subcontractors.

In € thousands	2023	2022
Gross revenues	5,003,322	4,028,935
Materials, services of third parties and subcontractors	(1,244,074)	(1,010,258)
Net revenues	3,759,248	3,018,677



Organic growth

Organic growth represents comparable net revenue growth excluding the impact of acquisitions, divestments and currency translation. Organic growth is used as an indicator of the underlying change in the revenue performance of the Company and its Business Areas.

In %	Resilience		Places		Mobility		Intelligence		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total Growth	8.4%	19.0%	48.4%	15.7%	9.6%	15.1%	355.7%	0.0%	24.5%	17.7%
(-) winddowns	(0.3%)	(0.5%)	(6.1%)	(4.0%)	(2.1%)	(1.6%)	0.0%	0.0%	(2.3%)	(2.0%)
Total Growth excluding winddowns	8.7%	19.6%	54.5%	19.7%	11.7%	16.7%	355.7%	0.0%	26.9%	19.7%
(-) acquisitions and divestments	0.8%	0.8%	54.3%	9.9%	2.4%	0.8%	248.7%	0.0%	20.4%	4.5%
(-) Currency effect*	(2.3%)	9.0%	(2.6%)	5.0%	(2.8%)	3.6%	(7.5%)	0.0%	(2.6%)	6.3%
(-) Other effect**	(0.4%)	(0.6%)	0.2%	0.6%	(1.1%)	(0.5%)	54.7%	0.0%	0.0%	0.0%
Organic growth	10.6%	10.3%	2.7%	4.2%	13.3%	12.9%	0.0%	0.0%	9.0%	8.9%

* FX effects

** Other effect – relates to reallocation or move of operations and projects between the business areas during the year. The organic growth is adjusted to show the underlying change in revenue within each Business area.

Operating EBITA

Operating EBITA is used by the Company as a measure of underlying profit/loss of business operations and is defined as Operating Income before Amortisation of intangible assets (EBITA) adjusted for non-recurring and non-operating items, such as restructuring of a business area or location, Merger & Acquisitions (M&A), costs related to integration of acquired entities and profit or loss on disposal of operations. Operating EBITA is one of the key decision metrics of the Group management.

In € thousands	Resilience		Places		Mobility		Intelligence		Corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Operating Income*	142,663	119,503	61,913	68,430	81,209	49,390	3,690	(84)	(5,580)	(24,803)	283,896	212,436
Amortisation of Intangibles*	5,226	3,974	44,399	11,812	3,695	2,590	6,025	1,808	-	-	59,345	20,184
EBITA*	147,889	123,477	106,312	80,242	84,904	51,980	9,715	1,724	(5,580)	(24,803)	343,241	232,620
Restructuring costs	3,614	2,485	20,814	4,284	2,338	1,462	477	29	-	1,548	27,242	9,808
Integration costs	3,364	164	5,172	48	1,701	-	430	-	-	-	10,667	212
M&A costs	1,492	4,932	3,562	7,406	667	4,706	268	123	-	2,766	5,990	19,932
Other	41	-	43	-	21	-	-	-	-	1,054	105	1,054
Dilapidation costs	14	2	-	-	-	-	-	-	-	-	14	2
Net effect of sale of assets	2,371	2,720	666	906	877	14,131	-	-	-	13,107	3,914	30,864
Operating EBITA	158,785	133,780	136,569	92,886	90,509	72,278	10,890	1,876	(5,580)	(6,328)	391,173	294,492

*Revised to reflect PPA adjustments



Alternative Performance Measures

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Days sales outstanding and net working capital

Days sales outstanding (DSO) represents the number of days by which the Company is paid for the services it has delivered. It is calculated by taking the Company's Net trade receivables position relative to its Gross Revenue expressed in number of days. Net trade receivables includes trade receivables as well as contract assets (revenue earned not billed) and contract liabilities (billings in excess of revenue on contracts) and provision for onerous contracts. Gross Revenue in this metric is based on trailing 3 months Gross Revenue (annualised) to reflect the most relevant revenue period in relation to the net trade receivables. The company use this to judge the level of capital tied up in its projects and the investment requirement for organic growth.

Net working capital % is defined as Net working capital divided by annualized gross revenues.

In € thousands	2023	2022 Revised
Reported 3 months gross revenue	1,288,905	1,178,133
Adjustments (Acquisitions and GBA moves)*	-	101,738
Adjusted 3 months gross revenue	1,288,905	1,279,871
Annualized Adjusted 3 months gross revenue	5,155,620	5,119,485

In € thousands	2023	2022 Revised
(+) Contract Assets	579,728	623,149
(+) Trade receivables**	728,555	726,847
(-) Contract Liabilities	503,271	481,872
(-) Provision for onerous contracts	12,732	24,228
Net trade receivables	792,280	843,897
Day Sales Outstanding (Net trade receivables/ Adjusted 3m gross revenue) *91	56	60

In € thousands	2023	2022 Revised
(+) Contract Assets	579,728	623,149
(+) Trade receivables**	728,555	726,847
(-) Contract Liabilities	503,271	481,872
(-) Provision for onerous contracts	12,732	24,228
(-) Account payable	312,641	334,110
(+) Inventories	234	265
Net Working Capital	479,873	510,051
Net Working Capital %	9.3%	10.0%

* Adjustments related to acquisitions in 2022 relates to DPS Ltd that was acquired in December 2022 with full amount of working capital in balance sheet but only one month Gross revenue. Adjustment to bring in proforma 3 months gross revenue to give correct NWC% at period end.

** Trade receivables presented in the consolidated statement of financial position includes receivable from associates but it is excluded from net working capital calculation.



Free cash flow

The Company reports on Free cash flow (FCF) and it is used to evaluate cash available for financing activities, including shareholder distributions and debt servicing, after investment in maintaining and growing the business. This measure is derived from the financial statements with a reconciliation below.

In € thousands	2023	2022
Net cash from operating activities	309	284
(-) Capital expenditure	(40)	(39)
(-) Lease payments	(79)	(71)
Free cash flow	190	173

Net Debt to Operating EBITDA

Net Debt to Operating EBITDA reflects the most recent leverage position of the company as it measures the operating income before amortization and depreciation relative to its net debt position. Net Debt is calculated in accordance with note 31 in the consolidated financial statements. Operating EBITDA is Operating EBITA adjusted for depreciation.

In € millions	2023	2022 Revised
Net debt	873	1,012
Operating EBITDA*	506	464
Net debt to Operating EBITDA	1.7	2.2

*2022 Operating EBITDA reflects pro forma IBI group and DPS Group results.

Return on Net Working Capital

Return on Net working capital measures the return we generate on the capital we have invested in Net working capital. It is measured as a % of Operating EBITA over Net working capital.

In € millions	2023	2022 Revised
Operating EBITA	391.2	294.5
Net Working Capital	480.0	510.0
Return on Net Working Capital (%)	81.5%	57.7%



Glossary financial indicators

	Term	Definition
Financial	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 entail 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/Impairment of goodwill and/or identifiable assets.
	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization/Impairment of goodwill and/or identifiable assets.
	Operating EBITA	EBITA excluding restructuring, integration, disposal and acquisition related costs and net result from divestments.
	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, disposals and M&A costs, net result from divestments, 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 revenue) and Provision for onerous contracts.
	Net Working Capital as % of gross revenues	Net Working Capital/Gross revenues of last three months of the year * 4.
	Return on Net Working Capital	The Operating EBITA for the year divided by the Net Working Capital at year-end.
	Days Sales Outstanding	(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.
	Net debt to operating EBITDA ratio (average)	Average Net Debt (average of end of first half of year and end of second half of the year) / Operating EBITDA
	Free cash flow	Cash flow from operating activities minus (dis)(in)vestments in (in)tangible assets and including lease payments.
	Integration costs	Costs specifically related to the reorganization and onboarding of acquired entities. These costs include but are not limited to onboarding and streamlining of technology platforms and operations, reorganization of operating model, associated activities and personnel costs directly linked to integration activities.
	Backlog	Backlog is defined as the value of work contracted, but not completed as at the reporting date. Net backlog or backlog net revenues excludes sub-contractor and third party costs i.e the future revenue to be executed by Arcadis staff.
	Order intake	Order intake reflects the amount of new projects for which contracts have been signed or variations agreed. The value in order intake reflects the scope of our services and excludes Sub consultant and third party costs and will convert into Net Revenue when executed. The management consider this an important measure in order to track future revenue development.
Net Order intake	Order intake less cancellations during the period.	



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