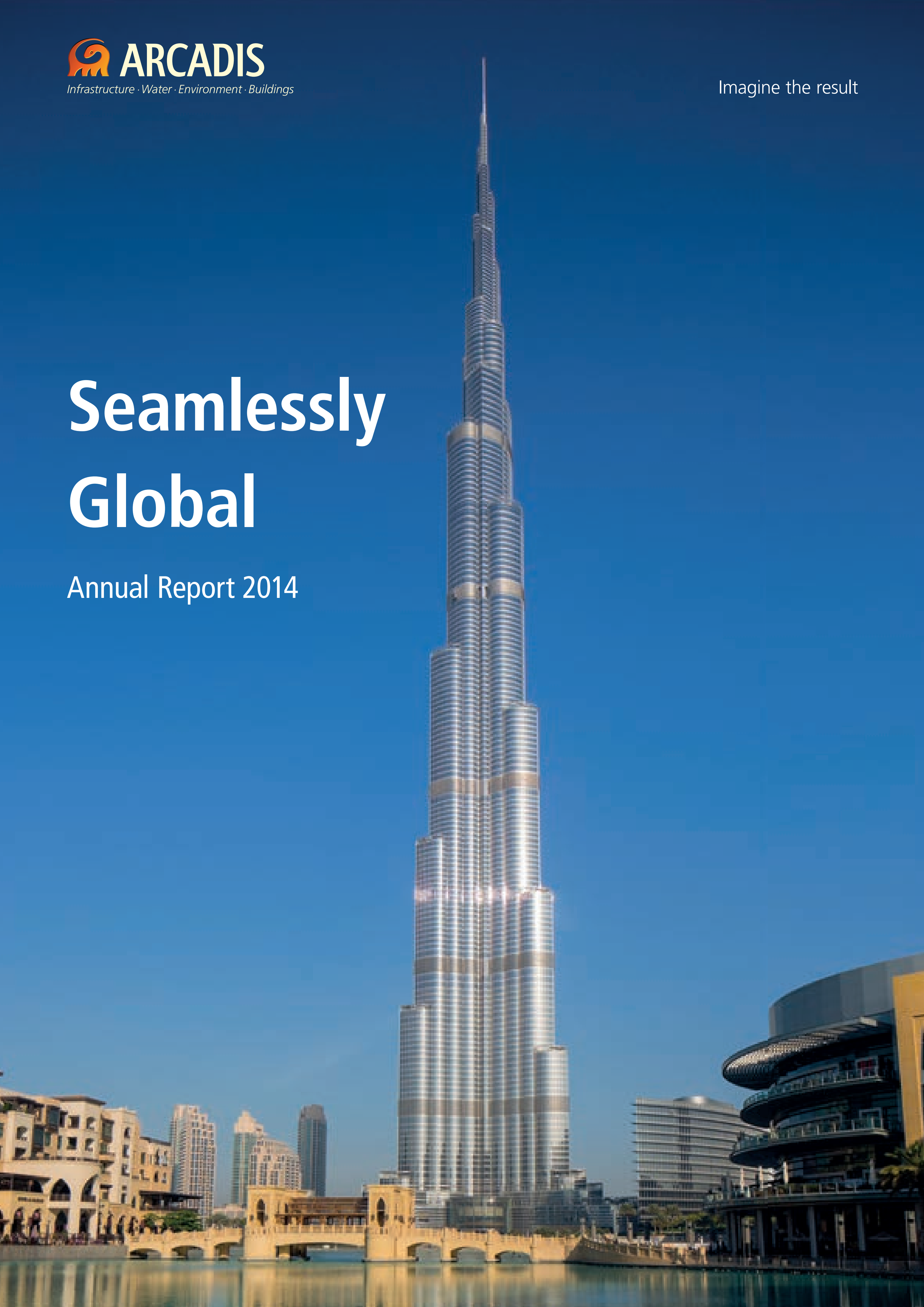
ARCADIS

Infrastructure · Water · Environment · Buildings

Imagine the result

Seamlessly Global

Annual Report 2014



Seamlessly global

ARCADIS is the leading global design & consultancy company operating in the built and natural environment today.

Our Passion is to improve the quality of life and be recognized as the best in everything that we do.
Our Mission is to create exceptional and sustainable outcomes for our clients in natural and built asset environments.
Our Goals are to:

- Create sustainable solutions
- Deliver exceptional outcomes
- Realize people's potential
- Enjoy the journey

We help our clients solve some of the biggest issues facing our world – megatrends that impact us all – such as sustainability, urbanization, asset productivity, resource scarcity, and climate change. We do that by delivering comprehensive solutions that provide sustainable benefit to our clients, and the communities and environments in which we live and work.

We are distinctly global in our thinking and in our reach, yet local when it comes to the delivery and execution of our solutions. Working together with our clients and our 28,000 people worldwide, we provide bespoke solutions to our multinational clients through our global network, wherever they need us. Our unique operating model also ensures that we bring the best of ARCADIS to national or local clients, anywhere in the world… Seamlessly Global.

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For other company addresses see page 164 of this Annual Report

Cover image: ***Burj Khalifa,*** a super-tall (828 meters) skyscraper located in the business district of Dubai that forms the centerpiece of the city's most prestigious urban development. It is the world's tallest man-made structure. Hyder Consulting, part of ARCADIS since 2014, performed the independent peer review of the structural system of the tower, and was its architect and engineer of record.

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ARCADIS at a glance

Who we are

Delivering exceptional and sustainable outcomes

ARCADIS is the leading global natural and built asset design & consultancy firm working in partnership with our clients to deliver exceptional and sustainable outcomes through the application of design, consultancy, engineering, project and management services. ARCADIS differentiates through 28,000 talented and passionate people and its unique combination of capabilities covering the whole asset life cycle, its deep market sector insights and its ability to integrate health & safety and sustainability into the design and delivery of solutions across the globe.

Core values

As a global company, we rely on our core values to guide us in everything we do. These core values we believe will be key to our future success:

- **Integrity:** We perform business in an honest and responsible way, working to the highest professional standards.
- **Client focus:** We are entrepreneurial and agile, passionate about creating value for our clients and achieving high performance.
- **Collaboration:** We believe in diversity, the power of global teamwork and that by working as one we can deliver exceptional outcomes.
- **Sustainability:** We own the responsibility to sustain our world and society in a balanced way with health, safety and the well-being of our people and stakeholders central to all we do.

Global presence

Our diversified portfolio is based on a truly global presence. The ARCADIS network is unique based on leading positions in Europe, North America, Latin America, the Middle East, Asia and since 2014 also Australia Pacific. With the acquisitions of Hyder Consulting, Callison, inProjects and Franz Environmental in 2014, ARCADIS has substantially expanded and strengthened its global footprint. With our strong local presence we are able to maintain long-lasting relationships with our clients and develop a deep-seated understanding of local market conditions. Our global business lines, allow us to leverage our vast expertise, share knowledge and provide the best value added solutions and technology to better serve our globally operating multinational, as well as our local and regional clients.

One firm philosophy

We operate across our network as a single firm. We foster a culture of team spirit, internal collaboration and knowledge sharing that enables us to create synergies and leverage our best practices and client relationships.

Active across the entire value chain

ARCADIS delivers exceptional and sustainable outcomes across the entire value chain through the application of design, consultancy, engineering, project and management services. We differentiate ourselves in key market sectors through our market sector insights, by deepening our market sector capabilities and by developing client relationships that span the entire lifecycle of their assets. We aim to understand the changing needs of our clients and their market sectors to identify new ways to help create value. We are able to design and deliver complex solutions by combining our unique technical, consulting and management skills to provide exceptional and sustainable outcomes for our clients across all phases of asset investments; from planning, through to creation, operation and possible redefinition.

ARCADIS is in the global top ten

We are the leading global natural and built asset design & consultancy firm. We are the largest company in our field in Europe, have a strong position in Latin America and are the leading building-related consultant in Asia. In the United States, we are a top-ten player. In design, we are the global leader in retail and a sizable player in mixed-use developments. We are the largest international architecture/design firm in China. In the global environmental market, we are in the top three, and we are the largest environmental services provider to the private sector globally.

Top-ten international design firms in the world*

1	Worley Parsons Engineering	Australia
2	Jacobs	USA
3	Fluor	USA
4	AECOM Technology Corp.	USA
5	Fugro	Netherlands
6	**ARCADIS**	**Netherlands**
7	AMEC	UK
8	Dar Al-Handasah Consultants	Egypt
9	Bechtel	USA
10	SNC Lavalin Group	Canada

* Source: Engineering News Record, THE TOP 225 INTERNATIONAL DESIGN FIRMS, June 2014

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Our business

What we do

We focus our services on four business lines with individual strengths and strategies. These global business lines enable us to work across disciplines and geographies to deliver integrated solutions to complex challenges. Our goal is to support our clients' business and create sustainable and exceptional outcomes in all the projects we undertake on their behalf.

Integrated solutions for local and global clients

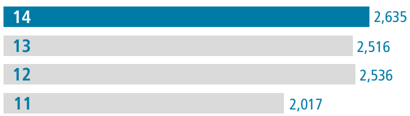
In 2014, ARCADIS expanded its capabilities and is now able to offer full life cycle solutions for clients in most of its major markets including business advisory and consulting, design and engineering and program, project and cost management.

Global position based on local strength

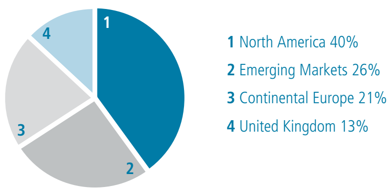
ARCADIS significantly expanded its global reach in recent years and its newly expanded global market position is beneficial to both global and local clients alike. Our global network now serves as an ideal delivery mechanism for solutions for our multinational clients. At the same time by combining our local market understanding with the capabilities of our Global Business Lines, we are able to bring the best of ARCADIS to better serve our local, national and regional clients.

Gross revenues	€2.6b	+5%
Net revenues	€2.0b	+7%
Operating margin	10.1%	

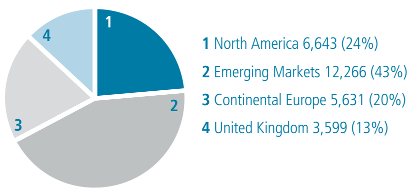
Gross revenues
in € millions



Gross revenues by region



Geographical spread personnel[1)]
At year-end 2014: 28,139



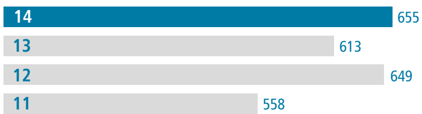
[1)] total number of people including temporary staff

Infrastructure

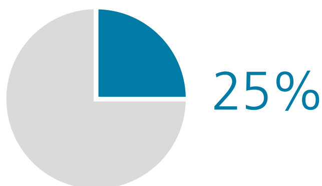
Our infrastructure solutions create the conditions for efficient transportation. We provide business advisory, design, engineering and program management for some of the world's most complex infrastructure projects. By working on high-quality and safe railways, road networks (including tunnels and bridges), ports and waterways and reliable energy supply systems, ARCADIS' infrastructure professionals bring stability, mobility and a better quality of life to communities around the world.

Gross revenues	€655m	+7%
Net revenues	€546m	+7%
Operating margin	9.9%	

Gross revenues Infrastructure
in € millions



Infrastructure % of gross revenues



Clients

Our work in **Infrastructure** is for central and local governments. We also work for utilities, public or private. In addition, we work for developers, contractors and mining firms.

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Water

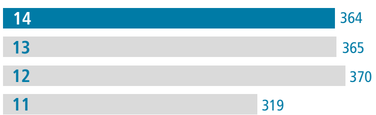
As a global top five player in water services we focus on the entire water cycle, including analysis and design of drinking water supply systems. We advise on advanced treatment technologies for waste water and deliver design, engineering and management services for public utilities and private sector industrial clients. Through our 'Water for Industry' initiative we help industrial clients reduce their water footprint. We are also active in managing rivers and coastal zones, urban and rural water, and water management issues related to climate change and rising sea levels.

Gross revenues €364m 0%

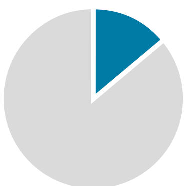
Net revenues €287m +3%

Operating margin 8.8%

Gross revenues Water
in € millions



Water % of gross revenues



14%

Clients

The majority of our clients in **Water** are public bodies and authorities such as water boards, municipalities, provinces and states, central governments, as well as private and public utilities. For industrial clients we are a leading provider of water services to reduce water use, improve sustainability and meet regulatory requirements.

Environment

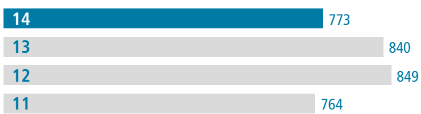
ARCADIS is the leading global environmental solutions provider to private industry, and delivers projects that protect the earth's resources while meeting our clients' economic objectives. From soil, groundwater and sediment remediation and environmental impact assessments, through to consultancy on corporate energy, product stewardship, health and safety and waste management issues, our solutions support environmental policies for companies and governments alike. Our strategic environmental consulting solutions address potential operational, regulatory and/or third-party liabilities.

Gross revenues €773m -8%

Net revenues €490m -7%

Operating margin 10.3%

Gross revenues Environment
in € millions



Environment % of gross revenues

29%

Clients

In **Environment**, a significant portion of our work is for the private sector, including Fortune 500 companies in the oil and gas, chemical, mining, conglomerates and transportation industries. We also work for governments; from federal clients, such as the U.S. Department of Defense, to municipal clients.

Buildings

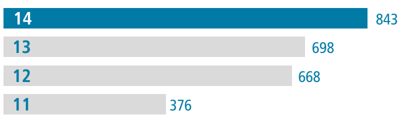
We help leading clients transform their business performance by planning, creating, operating and regenerating their buildings to ensure they are a source of competitive advantage, meet business needs, and generate sustaining business value. We call this Built Asset Consultancy. We deliver world-class architecture, planning, consultancy, project, program and cost management solutions for a wide range of building types from commercial properties to hospitals, schools, government buildings and industrial facilities. We create a balance of form, functionality and environmental stewardship.

Gross revenues €843m +21%

Net revenues €692m +20%

Operating margin 10.5%

Gross revenues Buildings
in € millions



Buildings % of gross revenues

32%

Clients

In **Buildings** we mainly work for owners, managers, operators and developers of real estate, both in the public and private sectors. Corporate occupiers, many of them multinationals with global office footprints, are an increasingly significant client group.

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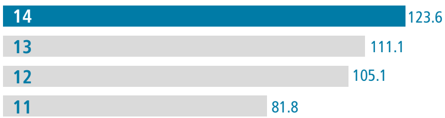
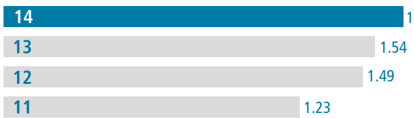
Highlights 2014

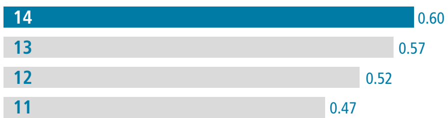
Net income from operations
in € millions



Net income from operations per share
in €



Dividend per share
in €



Operating EBITA margin
in %

Proposed dividend per share
€0.60 increase +5%

2013: €0.57

Cash flow from operating activities
€139 million

2013: €140 million

Net income from operations
€123.6 million +11%

2013: €111.1 million

- Annual gross revenues up +5%, net revenues +7% higher with organic growth at +1%
- Operating EBITA up +8%
- Full year operating margin of 10.1% (2013: 10.0%)
- Net income from operations up +11% at €123.6 million for the year
- ONEurope achieves target, generating 10.2% operating margin in Q4
- Free cash flow for the year of €103.4 million, exceeds net income of €91.6 million
- Dividend proposal €0.60 per share, an increase of 5%
- Overall backlog up +41%, organic increase +7% well spread across all business lines and regions
- European revenues grow +3% organically
- Acquisition Callison brings leading global position in retail and makes ARCADIS number 5 globally in architecture
- Acquisition Hyder brings ~5,000 talented new professionals and stronger positions in Middle East, UK, Germany and Asia and provides access to the Australian market
- With smaller steps of inProjects (Asia) and Franz (Canada) we further strengthen our core business
- Significant investments (€9 million) made to drive organic growth in Urban Clients, Multinational Clients and Global Business Lines
- The diagnostic phase of our performance excellence program is completed and initiatives to expand our margin have started
- In North America we have evolved the operating model, made leadership changes and are confident to see a return to growth in 2015

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Selected financial data

In millions of euros unless otherwise stated

	2014	2013	2012	2011	2010
Gross revenues	**2,635**	2,516	2,536	2,017	2,003
Net revenues	**2,016**	1,893	1,871	1,443	1,375
Operating results					
EBITA	**174.5**	167.7	165.4	144.4	135.9
EBITA operating	**202.9**	188.4	187.8	139.0	144.0
EBITA margin, operating (in %)[1]	**10.1**	10.0	10.0	9.7	10.5
Operating income	**150.3**	151.1	150.5	139.0	129.6
Results from investments accounted for using the equity method	**(0.4)**	5.5	(2.3)	0.3	0.7
Net income from operations[2]	**123.6**	111.1	105.1	81.6	78.4
Net income	**91.6**	96.6	89.0	79.5	73.9
Capital employed					
Balance sheet total	**2,608.0**	1,680.4	1,765.3	1,559.0	1,424.5
Average invested capital	**1,128.2**	957.8	898.3	739.1	670.3
Return on invested capital (in %)[3]	**13.7**	13.3	13.5	13.6	13.9
Total equity	**895.8**	597.6	536.7	455.4	411.2
Total equity as % of balance sheet total	**34**	36	30	29	29
Interest coverage ratio	**9**	10	8	7	7
Average net debt to EBITDA ratio	**1.5**	1.4	1.5	1.4	1.4
Net cash provided by operating activities	**139.5**	**140.1**	**158.4**	**79.6**	**91.8**
Total shares outstanding at December 31 (in thousands)	**82,040**	**73,183**	**71,588**	**69,338**	**66,066**
Data per share (in euros)					
Net income from operations	**1.66**	1.54	1.49	1.23	1.19
Net income	**1.23**	1.34	1.26	1.20	1.12
Dividend proposal	**0.60**	0.57	0.52	0.47	0.47
Shareholders' equity	**10.73**	7.95	7.23	6.34	5.80
Personnel[4]					
Average number of contract employees	**22,061**	21,039	19,507	15,589	14,590
Average number of employees total[5]	**22,964**	21,880	20,283	16,486	15,531
Total number of employees at December 31[5]	**28,139**	21,943	21,696	18,427	15,905
Carbon footprint per FTE (in metric tons of carbon dioxide equivalents)					
Auto transport	**1.29**	1.43	1.60	1.55	1.59
Air transport	**0.93**	0.83	0.90	0.88	0.87
Public transport	**0.14**	0.15	0.15	0.14	0.15
Office energy use	**1.57**	1.56	1.50	1.69	1.73
Total	**3.93**	**3.97**	**4.16**	**4.27**	**4.35**

[1] Operating EBITA is EBITA excluding acquisition, restructuring, and integration-related costs. Operating margin is operating EBITA as a percentage of net revenues
[2] Net income excluding amortization and non-operational items
[3] Excluding acquisitions made in the year
[4] The headcount includes the total number of employees of joint ventures
[5] Including temporary staff

The ARCADIS share

Stock exchange listing
ARCADIS shares are listed on Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). At year-end 2014, the total number of ordinary shares outstanding was 82,039,594.

Dividend
For the year 2014, a dividend is being proposed of €0.60 per share, which increased 5% compared with last year. This represents a pay-out of 40% of net income from operations. It is the 19th year in a row in which ARCADIS has maintained or increased its dividend. Like last year, shareholders will be offered the choice between a cash dividend or a dividend in shares with further details to be provided in the agenda for the Annual General Meeting of Shareholders.

Share price development
On the last trading day of 2014, the ARCADIS share price closed at €24.93, while on the last trading day of 2013, it closed at €25.62, a year-on-year decrease of -2.69%, underperforming the AMX by 1.53%.

ARCADIS' share price on NYSE Euronext Amsterdam

In €	High	Low	Year-end
2010	17.46	13.23	17.42
2011	18.08	11.75	12.10
2012	18.05	12.67	17.89
2013	25.62	18.10	25.62
2014	**28.44**	**22.52**	**24.93**

Equity offering
On November 3, 2014, ARCADIS announced an equity offering of up to 7,555,362 new ordinary shares to partially finance the acquisition of Hyder Consulting PLC. On November 4, 2014, ARCADIS announced that it successfully placed 7,555,362 new ordinary shares at €23 per share raising €174 million. The new issued shares were placed with new and existing shareholders.

Liquidity improved
The average daily trading volume in ARCADIS shares on Euronext Amsterdam in 2014 came to 143,417 shares (2013: 113,582). 61.55% of the shares were traded via Euronext, 17.9% via Turquiose, 11.5% via CHI-X, 5.4% via London Stock Exchange, 2.6% via BATS, 1% via Equiduct, 0.1% via SpartPool and 0.1% via Tom1.

Options
ARCADIS options strengthen the company's visibility in the financial markets. In 2014, the volume in ARCADIS options was 41,354 with a total number of 6,446 trades. This compares to a volume of 47,232 or 8,503 trades during 2013.
Open interest ultimo 2014: 3,637 (2013: 5,500).

Peer group
The ARCADIS share has continued to consistently outperform its peer group. ARCADIS has outperformed its peers since the start of the financial crisis in 2008, leading to a total relative increase of 84%, where peer companies, on average, saw a relative decline of 10%.

During the AGM of May 16, 2014, the peer group of industry peers was extended from 12 to 14 companies including ARCADIS. The peer group consisted of the following international, publicly listed companies in the consulting and engineering business with activities and a size comparable to those of ARCADIS: Aecom (New York Stock Exchange); Atkins (London Stock Exchange); Cardno (Australian Securities Exchange); Grontmij (Euronext Amsterdam); Hyder (London Stock Exchange); Jacobs Engineering (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); SNC-Lavalin (Toronto Stock Exchange); Sweco (The Nordic Exchange, Stockholm); Tetra Tech (NASDAQ); URS Corporation (New York Stock Exchange); WSP (Toronto Stock Exchange).

Mergers
In 2014 URS was acquired by Aecom and Hyder Consulting PLC was acquired by ARCADIS. Within the peer group URS has been replaced by AMEC Foster Wheeler (London Stock Exchange) and Hyder Consulting PLC has been replaced by Stantec Inc. (Toronto Stock Exchange) both per day of merger announcement.

Ownership information
Under the Financial Supervision Act below is the list of the largest shareholders in ARCADIS at December 31, 2014:

Stichting Lovinklaan	17.2%
APG Asset Management	5.52%
Vereniging KNHM	4.09%

The free float as used by NYSE Euronext for listing purposes was set at 75%.

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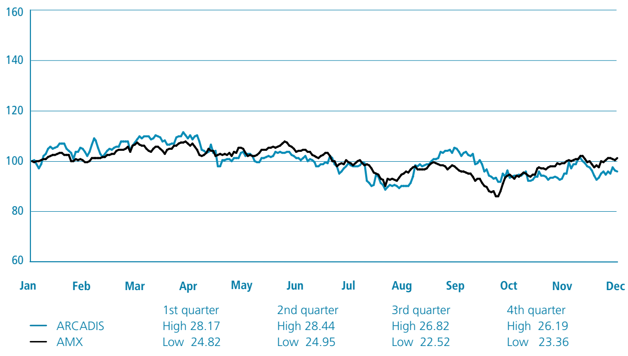
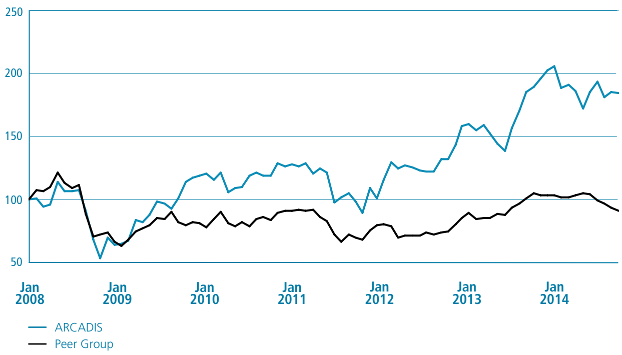
ARCADIS (NYSE EURONEXT) against AMX



ARCADIS (NYSE EURONEXT) against peer group



Institutional Investor Relations

ARCADIS has an active investor relations policy aimed at supporting the company's long-term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments.

To emphasize its focus on the long-term, ARCADIS from 2014 onwards, releases a trading update for the first and third quarters of the year and a full set of financial results for the full and half-year.

Twice a year, at the presentation of its year and half-year results, ARCADIS holds a financial press and analyst conference, which is broadcast live over the internet. A conference call and webcast is also held for financial analysts at the presentation of the first and third quarter trading updates.

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

In 2014, ARCADIS held eighteen investor roadshows, and participated in ten investor conferences in the world's major financial centers including New York, London, Paris, Frankfurt, Amsterdam and Zurich/Geneva, while also hosting reverse roadshows for investors at its offices. A total of 302 investor meetings were held in the year. ARCADIS is currently covered by nine financial analysts.

Retail Investor Relations

Upon invitation ARCADIS participates in retail investor events such as the Financial Cocktails organized by Euronext or events by other shareholder groups. In 2014 ARCADIS also held a dialog meeting with Dutch retail investor organization VEB, discussing strategy, risks and performance. ARCADIS publishes a newsletter for retail investors, which is available upon request and through the investor section of the ARCADIS website.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is scheduled for May 13, 2015, at 2:00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available late March 2015 from the company upon request and will be announced on the company's website.

Financial calendar

April 23, 2015:	First quarter 2015 trading update, conference call and webcast
May 13, 2015:	Annual General Meeting of Shareholders
May 15, 2015:	Ex-dividend quotation
June 3, 2015:	Dividend payment date
July 29, 2015:	Second quarter 2015 report, press conference, analyst meeting and webcast
October 22, 2015:	Third quarter 2015 trading update, conference call and webcast

This calendar may be subject to change and updates will be provided in the Investors section on the company's website.

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Office phone: +31 20 20 11083
Cell phone: +31 627061880

Number of outstanding ordinary shares

	At January 1	Issued	Repurchased	Reissued	At December 31
2010	66,493,187	–	1,250,000	822,821	66,066,008
2011	66,066,008	4,160,000	1,300,000	411,671	69,337,679
2012	69,337,679	2,200,000	1,800,000	1,849,863	71,587,542
2013	71,587,542	785,682	1,450,000	2,259,784	73,183,008
2014	**73,183,008**	**8,287,112**	**1,500,000**	**2,069,474**	**82,039,594**

The Executive Board (from left to right): Stephanie Hottenhuis, Stephan Ritter, Renier Vree (Chief Financial Officer), Zack Smith, Neil McArthur (Chief Executive Officer).

Introduction

2014 marked the first year of our **sustainable growth | performance | collaboration** strategy. We have made considerable progress towards our three-year targets. We have rolled out our investments in organic growth by appointing eleven City Executives in our new Big Urban Clients program to accelerate organic growth in carefully selected metropolitan areas. We have invested in eighteen Core Value Proposition Leaders to create and drive growth and appointed six Market Sector Leaders to enhance our Multinational Client program. All of these investments have started to pay off and, with the exception of North America, our organic growth level is close to our strategic target of >5%. We have successfully completed the introduction of a pan-European operating model, returning our European business to growth, and the targeted 10% margin in the fourth quarter. And we have invested in growth through acquisitions, welcoming 6,000 highly skilled people to our company in the fourth quarter that together create more than €500 million in revenues annually. With these steps we have become a truly global firm, and through our collaboration and performance excellence initiatives are quickly becoming Seamlessly Global.

At ARCADIS, the health, safety and well-being of our employees and stakeholders are central to everything we do. ARCADIS' Total Recordable Case Frequency (TRCF) for 2014 (0.33) is the lowest since ARCADIS began collecting global H&S data in 2004. Our Lost Time Case Frequency (LTCF) for 2014 (0.15) was also the lowest we have ever experienced as a company. ARCADIS' injury rates are well below the average injury rates of the publicly-available U.S. benchmarks for the Architecture and Engineering Industry which were 0.80 and 0.20 respectively.

Near miss reporting, a key process in helping to prevent incidents, has risen dramatically (over 2,800%) since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.

In 2014, macroeconomic uncertainty persisted, yet we were able to deliver increases in revenues, while improving our margin and maintaining cash flow. Organic growth was especially strong in the Middle East and Asia, where capex investment levels are high. In Latin America, reduced investment levels by mining companies is affecting growth opportunities and we are further diversifying into other growth areas such as environment and infrastructure.

In the UK, our momentum is strong, aided by increased demand for business advisory and program management solutions. The decline in the federal environmental market and the migration of some peers into the private sector, caused a decline in our North American environmental business, while the water market in that region remained slow as well. While economic conditions and government investment levels in Continental Europe remained muted, our change to a pan-European business model and focus on specific clients and markets, has allowed us to generate growth and further margin expansion.

In Infrastructure organic revenue growth was essentially flat. Strong growth was achieved in Asia, the Middle East and North America through large projects in urban infrastructure, ports and aviation. In Continental Europe we were able to realize a return to growth mainly by focusing on projects that help our clients improve existing infrastructure networks. In the UK, strong growth was achieved, while in North America our increased program management involvement in infrastructure generated organic growth. In Latin America, reductions in capital investments by mining clients, caused revenue declines that could not be offset sufficiently by public infrastructure and aviation projects.

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In the UK, Middle East and Asia, we grew considerably stronger as a result of the Hyder acquisition, with the new design capabilities in both Rail and Road solutions augmenting our project and program management skills. With Hyder, we now also have a strong infrastructure capability in Australia Pacific.

In the mature Water markets of North America and Continental Europe, investment levels for municipal water plants remained depressed in 2014 due to lack of government funding and delayed procurements. This limited the opportunities for growth in the consulting design market. Our strategic focus therefore broadened to include water for industry solutions and operational consulting to improve the performance of existing facilities. In the UK and Middle East we significantly strengthened our water position through the acquisition of Hyder Consulting. Where traditionally our position in the UK water market was more focused on business advisory and program management, we can now offer our full suite of solutions.

In our Environment business, North America, ARCADIS' largest single market for environmental services, declined on the back of increased competition. We are addressing this through a performance excellence program and were able to push order intake to higher levels in the second half of the year. Meanwhile in the UK and Continental Europe, our private sector solutions are meeting increased demand. Strong growth was achieved in Latin America, where environmental services are no longer limited to capex investments, but now also include a growing number of remediation assignments.

Our Buildings business thrived, driven by strong growth in the Middle East and Asia, and a good performance in the UK. Growth returned to Continental Europe, where our focus on operational expenditure adds value to clients. In design, commercial revenues of RTKL improved in North America as market conditions improve, while several healthcare projects were won in Canada. Our North American business was strengthened through the acquisition of Callison, which also positively impacted our Asian presence, which was also helped by the addition of inProjects. In China, the slowdown in residential investment has not yet materially affected us, as we focus on commercial development, mixed-use and urban planning in tier 1 and 2 cities. With Hyder we also have a strong track record in iconic building design including the world's tallest building, the Burj Khalifa and Emirates Towers in Dubai, together with many of the iconic buildings and the Sydney tower on the Sydney skyline.

In 2014 we welcomed 6,000 talented people into ARCADIS: Hyder Consulting, Callison, inProjects and Franz Environmental. Each of the firms contribute to our strategy, bringing new capabilities, clients, access to markets, and powerful track records that add to our ability to meet client needs. Our ability to collaborate has already created new revenue and opportunities with a significant joint win on Crossrail II in London, Hyder engaging ARCADIS Europe on the iconic London Bridge project, ARCADIS UK and Hyder working together on the runway at Gatwick Airport and RTKL and Callison collaborating on the Swedish medical center in the US.

Hyder with nearly 5,000 people, operates across Asia, the Middle East, Germany, Australia Pacific and the UK. They deliver design and engineering consultancy in transport, property, utilities, energy, resources and environment market sectors. Today Hyder has nearly 1,000 people in global design excellence centers in India, Philippines and Jordan.
Callison operates across eleven offices and has around 1,000 people in the US, UK, Middle East, Asia, Mexico and India. They are the global leader in retail design and also specialize in corporate, entertainment, healthcare and residential architecture.

Franz has more than 100 environmental consultants across Canada, specializing in environmental remediation, site assessments, brownfields and hydrogeology.
With 200 people, inProjects provides project management services across Asia, with offices in Hong Kong, Singapore China, and India.

In 2014 we kicked-off two major business transformation programs aiming to establish performance excellence through a harmonized way of working: the ARCADIS Way. Firstly, our Business Blueprint Project will establish a harmonized foundation of business processes and supporting IT solutions around: client relationship management; enhanced pursuit management; standardized project management and best in class finance & procurement and human capital management and collaboration tools. The full implementation of our Business Blueprint will be a multi-year effort.
Our Performance Excellence program builds on the foundation of the Business Blueprint and accelerates the delivery of performance improvements through sharing of best practices in the coming three years. Together both programs enable the delivery of the performance and collaboration elements of our strategy.

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In 2014 we have joined the World Business Council for Sustainable Development, a CEO-led organization comprising forward-thinking companies, that galvanizes the global business community to create a sustainable future for business, society and the environment. I represent ARCADIS as a council member. This activity is complementary to our existing sustainability efforts and our drive to integrate health & safety and sustainability in the design and delivery of solutions that we provide to our clients. Our continued support for UN Global Compact, the UN sustainability program, also aligns with this approach. We also started a Diversity and Inclusion initiative aligned with our goal to be an employer of choice.

We enter 2015 with confidence. We are making good progress in implementing our **sustainable growth | performance | collaboration** strategy and have significantly enhanced our capabilities in architecture, design & engineering through the acquisitions of Hyder Consulting and Callison. We have truly exceptional people and a unique culture committed to living our passion to improve the quality of life and be recognized as the best in our industry.

In closing, I thank our clients and our shareholders for their continued trust and all our people for their hard work, inspiration and dedication to creating sustainable and exceptional outcomes for our clients.

On behalf of the Executive Board,

Neil McArthur
Chief Executive Officer

Report by the Executive Board

Vision and strategy

THE ARCADIS VISION

We are the leading global natural and built asset design & consultancy firm, working in partnership with our clients to deliver exceptional and sustainable outcomes through the application of design, consultancy, engineering, project and management services. Our talented people work across our business lines in Infrastructure, Water, Environment and Buildings, and across geographies globally, to provide real-life solutions to today's most complex challenges, based on deep global market sector knowledge and a strong understanding of local market conditions. In doing so, they enable us to fulfil our passion to improve the quality of life and be recognized as the best in everything that we do, while delivering on our mission to create exceptional and sustainable outcomes for our clients in natural and built asset environments.

Our goals are clear. We want to:
Create sustainable solutions – to ensure the world remains liveable for the generations following ours
Deliver exceptional outcomes – to maximize the returns our clients make on their investments
Realize people's potential – to provide the right conditions for our people to excel
Enjoy the journey – to be recognized as the best and become the employer of choice in our industry

2014 was the first year we operated under our new 2014-2016 strategy entitled: **sustainable growth | performance | collaboration**. This strategy seeks to build on our strong, well-balanced, global market position and supports our long-term track record of consistent performance delivery with strong revenue growth, double digit margins and cash discipline. The strategy also seeks to deliver on stakeholder value creation with continued quality earnings, a consistent dividend policy and a prudent capital structure for our shareholders, sustainable and exceptional outcomes for our clients, a stimulating and development oriented work environment for our people and sustainable contributions to the communities in which we operate.

We rely on our core values of integrity, client focus, collaboration, and sustainability to guide our daily actions, while our vision and strategy are the basis for our business decisions. For the overall development of our business we primarily focus on the long-term, while our short-term performance and the value we create for our clients allow us to invest in our future. Today more than ever, our work is vital to sustainably solving the challenges that clients and communities face around the world.

We differentiate ourselves through our talented and passionate people; our unique combination of capabilities that cover the whole asset life cycle; our deep market sector insights; and our ability to integrate health & safety and sustainability into the design and delivery of our solutions seamlessly across the globe.

The consolidation in our industry is gaining pace, often driven by client needs. Multinational corporations increasingly elect to work with solution providers that can assist them globally at consistent high quality levels. National and local clients look for world-class solutions to be delivered to their doorstep regardless of where they are sourced in the world. In that sense our industry is following the path that was taken by accountancy firms, IT consultancies, and many other professional service businesses. To successfully meet the demands in our increasingly consolidating environment, being global with strong local positions is a must and in 2014 we continued to build on those strengths by playing an active role as a consolidator.

Favorable long-term outlook

While we now enjoy the benefit of a truly global position, our share of the overall addressable global market is somewhat limited, as our industry is large but still fragmented. This represents a significant opportunity in the years ahead to capitalize on chances for further growth that the current industry structure provides. We have increased our global footprint and especially expanded our exposure to emerging markets, where

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growth opportunities are currently higher. We are confident that the long-term outlook remains favorable for our business and that demand for our capabilities will continue to be strong due to long-term growth drivers and key client trends.

Long-term growth drivers

Globalization. Companies with global operations require support wherever they operate and look for solution providers that can work with them seamlessly around the world. At the same time a growing number of cities compete on the global stage for inward investments. These urban centers look for global firms with integrated solutions to help them succeed.

Urbanization. Global population growth and the migration into urbanized areas result in a growing number of mega cities, especially in emerging markets. These cities require large programmatic investments in residential areas, industrial sites, commercial properties and other social infrastructure. In the developed world urban regeneration and more sustainable solutions provide growth opportunities.

Mobility. All metropolitan areas suffer from congestion, which has a significant impact on local and national economies. Governments are investing to expand the capacity of roads, highways and public transportation. Our intelligent traffic management solutions and rail systems expertise helps them achieve this in the most sustainable, efficient and affordable way.

Climate change. Rising sea levels caused by climate change are an unprecedented challenge for delta areas, where more than 50% of the world's population lives. This creates demand for our solutions to lower greenhouse gases and carbon footprints; detect water resources; and improve water management and flood protection systems, in both the developed world and emerging economies.

Sustainability. Preserving resources and quality of life for future generations is of paramount importance, which is why sustainability is integrated in everything we do. With our environmental capabilities, and as recognized global leader, we are well positioned to address the environmental impact of projects, and propose appropriate mitigation measures.

Scarcity. The scarcity of clean, safe, potable water is a critical issue in today's world. Expanding our water capabilities across the globe, we bring leading edge solutions related to water supply, treatment and reuse to help protect this important resource. Scarcity also exists in areas such as Healthcare, Education, Food, etc. and we have developed Business Advisory capabilities to help serve government and private sector clients.

Asset productivity. In emerging markets our consultancy offer is mainly focused on capital expenditure projects aimed at the realization of new assets for which we provide program, project and cost management. In more mature markets our Business Advisory solutions help clients reduce operational expenditure while enhancing existing asset performance, including reuse for new purposes.

Energy. The demand for energy and the need to reduce harmful emissions associated with fossil fuel-based energy is leading to an increasing demand for both carbon based and renewable energy projects. This trend is a growth driver in all our business lines in both emerging and developed markets.

Natural resources. The exploration and development of natural resources such as mining and oil & gas is becoming more complex as companies active in these fields find themselves in increasingly remote locations, facing environmental challenges or water issues. Projects also become more complex, time critical and require expert program management services to ensure their successful implementation.

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Key client trends

World class capabilities. National, local and global multinational clients require world class capabilities for the design and delivery of their most important projects and programs. Our evolved operating model allows us to bring our differentiated expertise from anywhere in the world to win or deliver work for our clients where the work will be delivered: locally.

Global delivery. Multinational companies require service providers with global capabilities that are delivered seamlessly. Many implement vendor reduction programs aimed at increasing efficiencies and safeguarding quality standards across their operations. We have responded by further increasing our global footprint in the Middle East, Asia and Australia Pacific and by investing in our Multinational Client program.

Increasing focus on sustainability. We observe an increasing trend from our clients towards creating more sustainable solutions. Cities want to create more sustainable environments for their inhabitants, private sector clients want to run their operations in a more sustainable way, reduce emissions and clean up legacy issues. We have responded by bringing this to life through sustainable solutions such as our Performance Driven Design Concept and the Sustainable Target Assessment Rating.

Front-end solutions. Our clients are increasingly demanding front-end solutions to help them achieve their business objectives. These include strategic consultancy, asset management strategies, outlining and structuring investment programs, and managing projects, programs and processes. Our sector focus on lenders and investors, deep knowledge of urban design and master planning and our approach to environmental impact assessments help speed up the pace at which projects come to market.

Complexity and outcome certainty. Individual client projects are becoming larger and increasingly complex or individual projects are being rolled up into programs of work, whilst timescales to start up are requiring a strong focus on delivery certainty. Our world-class approach to program, project and cost management help us to deliver exceptional outcomes for our clients on their most complex programs.

Outsourcing and privatization. As companies focus on their core businesses, more non-core functions, such as environmental management, are being outsourced. A similar trend is visible in the public sector, where budget pressures have increased the focus on policy making, while execution, including design and engineering work, is being outsourced to the private sector. We have responded to this trend by enhancing our consulting capabilities to also assist clients in formulating outsourcing and privatization projects.

Supply chain integration. Alternative delivery methods to enhance supply chain integration are increasing. Design/Build (D/B) and Design, Build, Finance and Operate (DBFO) approaches can promote innovation, reduce errors, lower costs, share risks and optimize projects over their lifecycle. In such projects, ARCADIS advises the end customer (often the government), or the consultant or partner of the consortium implementing the project. Our focus is on overall program management, design or delivering specialized services that help create competitive solutions based on a thorough understanding of local conditions.

Risk participation. Our clients increasingly require suppliers to take on a portion of project risks, ARCADIS controls these risks through its internal procedures. We do not invest (in principle) in project equity and seek to align our responsibilities with our core capabilities. We also select projects, based on our relationship with clients. This allows us to offer Guaranteed Outcomes and fixed price solutions in key areas where we have mastered the technology to consistently deliver successful outcomes for our clients.

Public-private partnerships. Many governments are seeking to attract private capital to (co)finance infrastructure investments, in order to create jobs and strengthen the economic structure of a country or region. We advise on structuring and managing these schemes, and bring investors to projects or projects to investors.

Key success factors

ARCADIS is well positioned in its markets. We are in the global top ten in our field and if contracting revenues are excluded, we are the second largest design & consultancy in our field in the world. We are the leading player in Europe, a top five player in Latin America and the Middle East; and are a top ten firm in the United States. In Asia, we are the number one or number two cost and project management consultancy in each market we are active in, and the largest international design firm in China. We also have a growing position in Australia Pacific. We are the leader in retail design in the world and the largest provider of environmental services to the private sector worldwide. The factors that have contributed to this success

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and which remain fundamental to our strategy are as follows:
- Balanced portfolio of geographies (developed and emerging), clients (public and private), types of work, and business lines.
- Delivery on organic growth targets through focus on existing core markets and clients, three priority markets and four priority value propositions.
- Building capabilities that cover the complete asset lifecycle.
- Acquisitions that add value and divestment of low margin businesses.
- Stable financial performance with good access to financial markets.
- Focus on operational excellence, margin discipline, cash flow and working capital.
- Strong leadership and management, a health & safety focus, a great culture and passionate and talented staff.

SWOT analysis shows ARCADIS' strong position

Strengths	Weaknesses
Strong Health & Safety culture	Revenue decline in North America due to exposure to public markets
Leading market positions in the UK, Europe, the United States, Middle East, Latin America and Asia	Exposure to mature markets where growth opportunities are more limited
Leadership position in business lines with growth potential	Brand name recognition
Diversified client base of multinational and key national clients	
Stable cash flow; healthy balance sheet	
Senior, diverse and experienced leadership team	
Opportunities	**Threats**
Expanding our core business including serving multinational clients and emerging market clients worldwide with the full range of solutions	Government austerity programs leading to fewer investments in infrastructure and water in some mature markets
Growth markets: Emerging Markets, Big Urban Clients and Natural Resources	Shift from Design-Bid-Build to Design & Build in certain markets
Value Propositions: Business Advisory, Program Management, Environment & Industrial Water and Design	Low oil and commodity prices impacting natural resources
Climate change and sustainability	Economic volatility impacting private sector spending
Performance Excellence, including the expanded use of global design centers	Clients aiming to shift more risk to suppliers
M&A: Acceleration of consolidation in our industry	

STRATEGY 2014-2016 sustainable growth | performance | collaboration

We perform a detailed strategic review every three years to ensure our strategic direction is well aligned with market developments and our client's needs. This was done in 2013 and led to the design of our strategy for 2014-2016 entitled: **sustainable growth | performance | collaboration.** This strategy seeks to build on our strong, well-balanced, global market position and supports our long-term track record of consistent performance delivery with strong revenue growth, double digit margins and cash discipline. The strategy also seeks to deliver on stakeholder value creation with continued quality earnings, a consistent dividend policy and a prudent capital structure for our shareholders, sustainable and exceptional outcomes for our clients, a stimulating and development oriented work environment for our people and sustainable contributions to the communities in which we operate.

ARCADIS seeks to further expand into higher growth market sectors and higher margin solutions, including business advisory (consulting), program, project and cost management. Additionally, we seek to create more synergies from what we already have through improved global collaboration, performance excellence and sharing of best practices and where possible sharing of work through the global Design Excellence Centers that were added through the acquisition of Hyder Consulting.

We differentiate ourselves through our talented and passionate people; our unique combination of capabilities that cover the whole asset life cycle; our deep market sector insights; and our ability to integrate health & safety and sustainability into the design and delivery of our solutions seamlessly across the globe.

EXCEPTIONAL & SUSTAINABLE OUTCOMES

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Sustainable Growth: The word sustainable reflects both the growing client demand for more sustainable solutions as well as our own resolve to sustain the development of our company by increasing our organic growth. Sustainable growth comprises three elements: *expanding the core, focused growth and mergers & acquisitions.*

- **Expanding the core:** We will expand our core business throughout our regions and global business lines by focusing on key clients at the local, national and multi-national level, building on the strong client relationships we already have. Our four global business lines will enhance our core value propositions, which are aligned to evolving market and client needs and drive growth on a global basis. We intend to increase our market share through the application of our deep market sector knowledge and by scaling up our outcome driven value propositions.

- **Focused growth:** We will accelerate organic growth by focusing on seven priorities: three end markets and four value propositions.

Three priority market sectors:	Four priority value propositions:
Emerging markets Focused growth in Latin America, Middle East and Asia	**Environment and water** Combine capabilities to create more sustainable solutions for industrial clients
Big urban clients Focus on the world's leading cities, with our integrated solutions	**Program Management** Ensure successful delivery of increasingly complex capex projects and programs
Natural resources Maximize synergy and cross selling in mining in the Americas, drive growth globally in oil and gas	**Business Advisory** Consulting solutions across the entire lifecycle of assets
	Design Architectural design, conceptual design, or specialty engineering solutions

- **Mergers and acquisitions:** The financial criteria for acquisitions remain unchanged in order to maintain the accretive and value enhancing nature of this form of growth. We seek to add companies that align closely with our strategy, to strengthen our existing leadership positions and build differentiated capabilities to better serve our clients. Target companies are also selected based on the potential for a successful integration and maximum synergy creation.

Performance: At ARCADIS, we have the ambition to be recognized as the best in everything we do and are evolving our culture to one of continuous improvement. Performance Excellence touches on many aspects of our work, including client relationships, market sector insights, value proposition development, innovation through sustainable solutions and how we share knowledge and expertise on a global basis. It will help further improve project management, resource utilization and cost controls. Performance Excellence also addresses key enabling processes such as how we recruit and develop our people, how we steer our business, how information technology enables us to work more effectively and how we market ourselves to the outside world. By focusing on Performance Excellence, we will ensure that we remain the partner of choice for our key clients, the employer of choice for our people, and continue to deliver top-quartile shareholder returns.

Collaboration: Through collaboration we leverage our capabilities and global footprint to bring the best of ARCADIS to better serve our local, national and global multi-national clients. We are evolving our operating model by building on our strengths: the successful Multi-National Clients program will be expanded, and we invest in the development of global market sectors where we see strong growth opportunities. The initiative entitled Big Urban Clients, focuses on helping leading cities around the world build and sustain their competitive advantage by leveraging our global knowledge and expertise. Our four global business lines enable the sharing of knowledge and expertise and build core value proposition capabilities to better serve our clients across the globe. In this way we collaborate and leverage our capabilities and global footprint, bringing the best of ARCADIS to our local, national and global clients.

FINANCIAL GOALS

Financially, the company is performing against the following targets for the 2014-2016 period:

Financial targets 2014 - 2016	Target
Organic revenue growth	> 5% CAGR[1]
Inorganic revenue growth	> 5% CAGR[1]
Operating EBITA margin	> 11%
Free cash flow	> Net income
Return on invested capital	> 13%

[1] Compound annual growth rate

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2014 STRATEGIC ACHIEVEMENTS

Acquisitions

In 2014, ARCADIS completed four acquisitions. In Asia, we added inProjects, one of Asia's foremost project management firms, which strengthens ARCADIS' presence in Asia and contributed to creating the region's leading program, project and cost management organization. inProjects employs 200 people in offices in Hong Kong, China, Macau, Singapore and India and provides project management services to blue-chip clients in the retail, hotel, hospitality and leisure sectors. In Canada, we acquired Franz Environmental Inc. (FRANZ). Headquartered in Toronto, FRANZ employs more than 100 environmental consultants and staff in six locations throughout Canada. In the fourth quarter two larger acquisitions were completed. The largest one was Hyder Consulting (Hyder), a ~5,000 people design and engineering consultancy with activities in the Asia, the Middle East, Germany, Australia Pacific and UK, and a leader in infrastructure, water and buildings. The second largest acquisition was Callison, a 1,000 people high level architectural and interior design consultancy with offices in the United States, China, Europe, Middle East and Mexico, specializes in retail and office design and large mixed use projects. These acquisitions add more than €500 million in gross revenues thereby increasing ARCADIS' pro forma gross revenues to €3 billion and creating the leading global natural and built asset design & consultancy firm with more than 28,000 talented professionals across the globe. Geographically, ARCADIS' positions in North America, the UK, Continental Europe, and Emerging Markets have been strengthened by the acquisitions. The transactions also for the first time provide direct access to the Australian market, where ARCADIS can use the existing Hyder footprint to provide a broad range of solutions to its multinational clients, as well as providing new solutions including urban planning, architecture, program management, business advisory and environmental to local clients.

Organic growth investments are working

In line with our ambition to achieve a level of organic growth of more than five percent, we have invested €9 million in building capabilities aligned to our seven growth priorities. These investments included the appointment of six global sector leaders for our chosen market sectors within the Multinational Client program. The sectors are: Chemicals and Pharmaceuticals, Financial Institutions, Conglomerates/ Consumer Goods, Oil & Gas, Automotive & Aerospace and Commercial Developers. The sector leaders are focused on increasing the ARCADIS penetration within this client base. In our Big Urban Clients program, aimed at driving organic growth in strategically selected urban centers, eleven City Executives were appointed. Their role is to drive growth in the urban environment with a focus on sustainability, mobility, and resiliency. We also appointed eighteen global core value proposition leaders (VPL) to design scalable value propositions that are applicable to clients throughout ARCADIS, thereby enabling greater organic growth through global collaboration. Despite the expected lead time of approximately 12 - 18 months, these investments already yielded a good return outside of North America with organic net revenue growth at a level close to our target of >5%. In North America, however, market conditions caused an organic decline of -5%, thereby offsetting growth in other markets, leaving a balance of +1% organic net revenue growth for the total firm for the year.

Pan-European operating model improves performance significantly

The introduction of a pan-European operating model has led to enhanced margins and a return to organic growth. In the fourth quarter of 2014, we achieved the targeted 10% operating margin, delivering an operating margin of 10.2% up from 3.2% mid-2013 in 18 months. The full year operating margin was 8.1% (including Hyder), compared to 5.3% in 2013. We also successfully implemented the corporate strategy in Europe, contributing to the return to growth in most countries. Predominantly in the buildings business line, but increasingly in other segments we are successfully providing Business Advisory solutions to our clients, while in addition to being involved in capex investments, we have forged a stronger position in the market for opex solutions, a segment that offers better growth opportunities. Despite continued harsh market conditions in some European countries, we were able to generate +3% organic growth for the year.

The ARCADIS Way

In 2014 we kicked-off two major business transformation programs aiming to establish performance excellence through a harmonized way of working, the ARCADIS Way. Firstly, our Business Blueprint Project will establish a harmonized foundation of business processes and supporting IT solutions around: client relationship management; enhanced pursuit management; standardized project management and best in class finance & procurement, human capital management and collaboration tools. The full implementation of our Business

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Blueprint will be a multi-year effort. Our Performance Excellence program builds on the foundation of the Business Blueprint and accelerates the delivery of performance improvements by sharing best practices in the coming 3 years. We have identified five key performance drivers where we will share best practices globally to improve performance: project management, resource optimization, global design, procurement and workplace & collaboration. Together both programs establish "The ARCADIS Way" of working and help enable the delivery of the performance and collaboration elements of our strategy.

Achievements on key performance indicators

	Target 2014-2016	2014	2013	2012	2011	2010	2009
Revenue growth	>10%	**7%**	-1%	30%	5%	13%	5%
Organic	*>5%*	***1%***	*0%*	*3%*	*2%*	*0%*	*-6%*
Acquisitions	*>5%*	***6%***	*3%*	*18%*	*1%*	*8%*	*8%*
Currency effects	*No target*	***0%***	*-4%*	*5%*	*-3%*	*4%*	*1%*
Operating EBITA margin[1]	>11%	**10.1%**	10.0%	10.0%	9.7%	10.5%	10.8%
Growth earnings per share[2]	*No target*	**8%**	3%	22%	3%	1%	2%
Cashflow > Net income	>1.0x	**1.1x**	1.3x	1.5x	1.0x	1.2x	2.1x
Return on invested capital[3]	>13%	**13.7%**	13.3%	13.5%	13.6%	13.9%	15.4%

[1] Operating EBITA is EBITA excluding acquisition, restructuring and integration-related costs. Operating margin is operating EBITA as a percentage of net revenues
[2] Net income from operations
[3] Excluding acquisitions made in the year

THE ACQUISITION OF

Hyder Consulting

The acquisition of Hyder Consulting is fully aligned with our strategy. It helps expand our core business by strengthening our capabilities and positions in Middle East, UK, Germany and Asia, allowing us to offer a full range of solutions throughout the asset life cycle in these geographies. At the same time this step makes us stronger in three out of our four global business lines: Infrastructure, Buildings and Water. It also contributes to most of the focused growth areas we have targeted in our strategy. In Emerging markets it creates a leading position in the Middle East and Asia in design and engineering. Through the expansion of our capabilities in London, Doha, Jeddah and other leading cities, this acquisition contributes to our Big Urban Clients program. In Natural Resources – another targeted growth market – it provides us a stronger position in Energy. It also serves to strengthen our overall design capabilities and provides us access to a new geographical market: Australia Pacific.

There is a strong cultural fit between the two firms as is expressed in the compatibility of their core values. Where ARCADIS embraces Integrity, Hyder values Trust, with both firms seeking to perform their business in honest ways. We share the value of Client Focus and want to understand how best to create value on their behalf. ARCADIS favors Collaboration, where Hyder believes in Teamwork, while Sustainability (ARCADIS) and Responsibility (Hyder) also match well. In addition we share a passion to provide our People the opportunity to excel and be the best at everything that we do as firms.

For London Bridge station, Hyder performs detailed design work.

Design Excellence platform for growth

Over the last ten years, Hyder has developed and fine-tuned its approach to Global Design Excellence. Today these centers in the Philippines, India and Jordan employ highly skilled designers and engineers representing 20% of Hyder's people who are an integral part of design teams working for clients in the UK, Middle East, Asia and Australia Pacific. We intend to drive growth and margin expansion in our design and engineering business by adopting the Global Design Excellence model across the ARCADIS global footprint.

Collaborative approach to co-creation

We adopt a co-creation approach to combining new businesses with ARCADIS. Teams with equal representation from both the Hyder and the ARCADIS side are put together to review and maximize the return on the investment, in terms of strategy, top line synergies, systems advantages as well as cost savings. The teams are led by a steering committee in which senior executives of both companies and the ARCADIS Executive Board members are represented. The international and collaborative operating model and culture of Hyder are a good fit with the global collaboration philosophy of ARCADIS and will lead to significant cross-selling opportunities. When announcing the acquisition we communicated a run rate of £15 million in expected synergies from revenue expansion and costs savings by the end of 2016.

Financial details

We have paid £296 million for the acquisition of Hyder Consulting. We had bridge financing arranged with a consortium of banks to fund the deal, with the bridge signed July 2014 for a maximum period of 12 + 6 months. In November, we completed an equity issuance of €174 million which was used to repay part of the outstanding bridge financing.

In 2015, Hyder celebrates 230 years of activity in consulting/engineering. The company was involved in the design of the original Tower Bridge.

THE ACQUISITION OF

Callison

The acquisition of Callison builds well on our strategic direction as it further strengthens our position in two priority markets: the emerging markets (especially China) and Big Urban Clients, enhancing our positons in Los Angeles, New York, London and Shanghai. It enhances our priority value propositions design and business advisory, while also contributing to the expansion of our core business in North America and China. Like ARCADIS, Callison has a strong customer focus and a good track record in generating organic growth. The cultural alignment between the two firms is good as well.

Callison is a global leader in retail design and mixed-use developments, which account for more than 80% of its revenues. The company provides comprehensive services for top retail brands, developers and corporate clients globally, including Nordstrom, Cole Haan, JC Penney, Zara, Williams-Sonoma, and Ikea. Callison applies its design approach called "User Driven Design" for their markets, including mixed use, retail, hospitality, healthcare and corporate interiors. Through the combination of Callison and RTKL – which is home to architecture within ARCADIS – we establish a top five position in architecture design worldwide. In the retail sector, ARCADIS is the leading design firm in the world and the leading player in mixed use/commercial developments in China. In addition, ARCADIS sees opportunities to better support clients globally by leveraging the wide range of capabilities, market reach and scale throughout the US, Asia, Middle East, Europe and South America.

Growth focus for the combination

A joint team has been formed from Callison and RTKL to work on the process of best aligning the two firms, a process taking place under the leadership of an ARCADIS Executive Board member. The focus is to create revenue synergies through new market opportunities to enhance growth.

Financial details

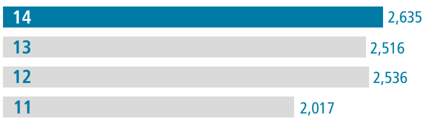
ARCADIS paid €127 million for Callison, which translates to an EBITA multiple of 5.5X. We have a five-year term loan in place in two tranches of $87.5 million and €24.4 million maturing in 2018, which has been arranged with a syndicate of relationship banks.

In Hanoi, Vietnam, Callison designed the 65-story Lotte Center, the first truly self-sufficient live, work, and play destination, featuring a six-story stacked sky garden.

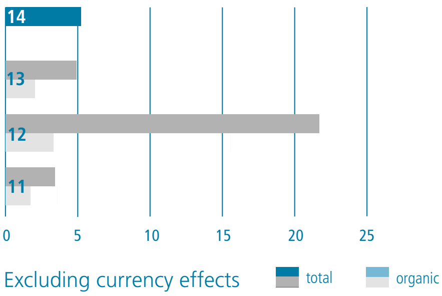
For Watches of Switzerland, Callison designed its flagship store in London's Regent Street.

Results and financing

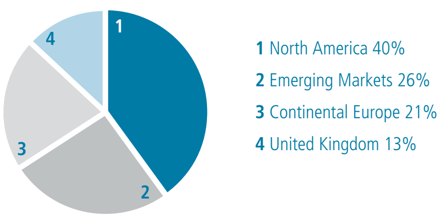
Gross revenues
in € millions



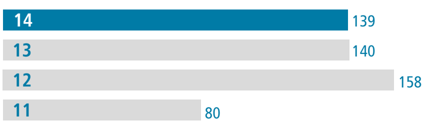
Total gross revenue growth
in %



Gross revenues by region



Cash flow from operating activities
in € millions



Strong growth performance in all regions except North America
For ARCADIS 2014 was a year of investment for sustainable growth. We have invested in two major acquisitions – Hyder Consulting and Callison – strengthening our engineering and design capabilities, and two smaller steps with inProjects (Asia) and Franz (Canada) to expand our core business. We have made significant investments (€9 million) to drive organic growth, including City Executives in our Big Urban Clients program, Global Market Sector Leaders in our Multinational Client program and Core Value Proposition leaders in our four Global Business Lines.

With these steps, overall gross revenues were €2.6 billion, a growth of +5%, of which +6% from acquisitions. Net revenues were up +7% to €2.0 billion of which +6% from acquisitions. Organic growth of net revenues was +1% resulting from increases in Continental Europe, which together with Emerging Markets and the UK helped offset the decline in North America.

The operating margin increased to 10.1% (2013: 10.0%) helped by higher profitability in the UK and especially Continental Europe, at 10.2% reaching its fourth quarter target of 10% margin. The operating margin declined in North America following lower revenues, while also margins in Emerging Markets declined due to Latin America and Hyder. Mainly due to acquisitions the overall backlog was up +41%, while organic backlog growth was strong at +7%, with all business lines and regions contributing. Cash conversion was good with free cash flow at €103.4 million, exceeding net income of €91.6 million.

We have completed the diagnostic of our global performance excellence program and have started implementing initiatives to expand our margin. When it comes to collaboration, our pan-European operating model has demonstrated its effectiveness, as we improved the operating margin from 3.2% to 10.2% in 18 months. Meanwhile we have implemented regional operating models in the UK, Middle East, Latin America, Asia and Australia Pacific. In North America we have evolved the operating model, made leadership changes and are confident to see a return to growth in 2015.

Dividend raised to €0.60 per share
ARCADIS proposes a dividend of €0.60 per share, an increase of 5% compared to last year. The proposed dividend reflects a payout of 40% of net income from operations based on 82.0 million outstanding shares ultimo 2014. The number of shares increased by 12% mainly due to the equity issuance plus stock options that were exercised. Shareholders will again be offered a choice between dividend in cash and in shares. The pay-out percentage is in line with our dividend policy, which aims for a payout of 30 – 40% of net income from operations, in order to provide an attractive dividend yield for shareholders, while setting aside sufficient resources to finance growth.

Revenues in € millions			Growth in revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross revenues	**2,635**	2,516	+5%	0%	+6%	0%
Net revenues[1]	**2,016**	1,893	+7%	+1%	+6%	-1%

[1] Share of revenues produced by ARCADIS' staff

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Revenue and profit

Of the +5% increase in full year gross revenues, +6% came from acquisitions including SENES (March 2013, Canada), inProjects (Asia, March 2014), Franz (Canada, October 2014), and Hyder (International, October 2014) and Callison (US, China, October 2014). Organic net revenue growth was +1% resulting from increases in Continental Europe, which together with Emerging Markets and the UK helped offset the decline in North America. Organic growth outside North America was +5%. Within Emerging Markets, good growth was achieved in the Middle East and Asia, while Latin America declined, mainly due to the reduced capex spend in the mining sector.

Emerging markets fastest growing region

The two major acquisitions in combination with strong organic growth contributed to the expanding presence in Emerging Markets, which is the fastest growing geographical segment. High organic growth was realized in Asia and the Middle East. The strong organic revenue decline in North America caused that segment to decline to 40% of overall gross revenues.

Geography	% of Gross revenues	
	2014	2013
North America	**40%**	44%
Emerging Markets	**26%**	23%
Continental Europe	**21%**	21%
United Kingdom	**13%**	12%

Buildings now the leading business line

Strong revenue growth in Asia, the Middle East and to a lesser extent the UK, have propelled the Buildings activities to the lead position in our activity mix. Infrastructure was impacted by the declines in Latin America, while Environment suffered from the tough conditions in the North American market.

Activity mix	% of Gross revenues	
	2014	2013
Infrastructure	**25%**	24%
Water	**14%**	15%
Environment	**29%**	33%
Buildings	**32%**	28%

Client mix almost unchanged

Reduced spend by public sector clients have shifted the client mix further towards the private sector, where overall demand increased. The impact of acquisitions has hardly affected the client mix. Where Hyder proportionally works more for public sector clients, Franz and Callison do more work for private sector clients.

Clients	% of Gross revenues	
	2014	2013
Public	**24%**	26%
Utilities	**22%**	21%
Private	**54%**	53%

Personnel costs increased

Personnel costs were up 6.5% to €1,504 million (2013: €1,413 million), predominantly as a result of acquisitions. The investments in organic revenue growth of €9 million also contributed to the increase.

Other business costs improved

Other operational costs increased 10.5% to €309 million (2013: €280 million), mainly as a result of acquired activities and acquisition-related expenses.

Depreciation and amortization slightly higher

Depreciation (excluding amortization) was €32.2 million (2013: €34.5 million). Identifiable intangible assets related to acquisitions such as the profit included in the backlog, their customer relationships and brand value are amortized. This amortization increased to €24.2 million (2013: €16.7 million).

Operating income and EBITA improved

Operating income decreased 1% to €150.3 million (2013: €151.1 million). ARCADIS uses operating EBITA to measure the financial performance of operations, while EBITDA is used in our bank covenants. These measures were determined as follows:

In € millions	2014	2013
Operating income reported	**150.3**	151.1
Amortization	**24.2**	16.7
Depreciation	**32.2**	34.5
EBITDA	**206.7**	202.3
EBITA	**174.5**	167.7
Non-operating costs	**28.4**	20.7
Operating EBITA	**202.9**	**188.4**

Non-operating costs in 2014 amounted to €28.4 million, of which €8.5 million was related to the introduction of our pan-European operating model to improve our European performance. In 2013 the amount for Europe was €14.4 million.

Excluding restructuring charges of €15.1 million (2013: €19.6 million) and acquisition-related costs of €13.3 million (2013: €1.1 million), operating EBITA increased +8% to €202.9 million (2013: €188.4 million).

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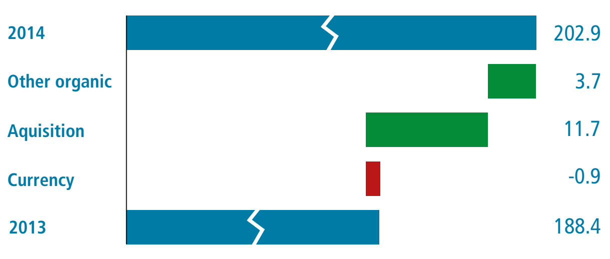
Development operating EBITA 2014-2013 (in € millions)



Margin performance maintained
The operating margin was 10.1%, a slight improvement (2013: 10.0%) aided by the strong margin performance in Continental Europe and the UK, but offset by margin declines in especially North America, dilution from Hyder and costs related to our global performance excellence program.

Lower financing charges
Despite new loans related to acquisitions we were able to reduce financing charges to €17.4 million (2013: €18.1 million) helped by improved financing conditions.

Tax rate lower
At 29.0% the effective tax rate on the profit before income tax from operations was slightly lower (2013: 29.4%) supported by the changes in the geographic mix.

Associated companies improve performance
Income from associated companies was a small loss driven by the energy assets in Brazil versus a considerable gain last year (2013: €5.5 million).

Net income from operations 11% higher
Due to acquisition related charges, net income declined -5% to €91.6 million or -8% to €1.23 per share compared to €96.6 million or €1.34 per share in 2013. Net income from operations, which excludes amortization of identifiable intangible assets and acquisition-related charges (net of tax), increased +11% to €123.6 million or +8% to €1.66 per share (2013: €111.1 million or €1.54 per share).

Cash flow and balance sheet

Free cash flow exceeds net income
At €139 million, cash flow from operating activities was at last year's level. Working capital at year-end was 18.8% of gross revenues, compared to 15.7% for year-end 2013. The main reason for the increase was the higher working capital needs of Hyder and Callison, while working capital was also impacted by a slowdown in payments from clients in the natural resources sector. Free cash flow amounted to €103.4 million (2013: €109.0 million).

Regular investments remained at similar level
Investments in (in)tangible assets (excluding acquisitions) totaled €38.1 million, 18% above 2013 levels. The sale of property and equipment resulted in a cash inflow of €2.0 million (2013: €1.2 million).

Investments in mergers and acquisitions
In 2014, ARCADIS invested €502 million in mergers and acquisitions. Main investments related to:
- The acquisition of inProjects in China in March 2014;
- The acquisition of Hyder (international) in October 2014;
- The acquisition of Callison (US/China) in October 2014;
- The acquisition of Franz (Canada) in October 2014.

In all cases the purchase price was consistent with ARCADIS' valuation approach. The strategic rationale for these investments is explained in the Vision and Strategy section of this report on page 22.

After deduction of acquired cash and debt, mergers and acquisitions resulted in a cash investment of €502 million (net of €27.7 million purchased cash) and an after payment obligation of €11.5 million. Deferred payments for acquisitions were €12.6 million. Mergers and acquisitions added goodwill of €335.2 million and identifiable intangible assets of €142.3 million. In addition, €5.8 million (2013: €7.6 million) was invested in associated companies and other financial non-current assets.

Number of outstanding ordinary shares increased
The total number of outstanding ordinary shares at year-end 2014 was 82,039,594, a 12% increase over the 73,183,008 outstanding at year-end 2013. In total 8,287,112 ARCADIS shares were issued. On November 3, 2014, ARCADIS announced an equity offering of up to 7,555, 362 new ordinary shares to partially finance the acquisition of Hyder Consulting. On November 4, 2014, ARCADIS announced that it successfully placed 7,555,362 new ordinary shares at €23 per share raising €171.3 million (net proceeds). The new issued shares were placed with new and existing shareholders.

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During the year, 1,500,000 shares were repurchased to cover obligations related to incentive plans, while 2,069,474 previously repurchased shares were used for the exercising of options, and another 731,750 were issued for stock dividend. The average number of shares, used for calculating earnings per share, increased to 74.5 million (2013: 72.2 million). For more information on the number of outstanding shares and options and on share purchase plans, please refer to notes 14, 16 and 25 of the Consolidated financial statements.

Balance sheet remains healthy

Acquisitions and currency related effects resulted in an increase of balance sheet total to €2,608 million (2013: €1,680 million) and of net debt (interest-bearing debt minus cash and cash equivalents) to €522.4 million (2013: €194.8 million).

Balance sheet ratios remained strong. The net debt to EBITDA ratio at the end of the year was 2.0 (2013: 1.1), while the interest coverage ratio was 9 (2013: 10).

Goodwill increased to €902 million (2013: €510 million), with an increase of €335 million resulting from acquisitions and currency effects of €57 million. Identifiable intangible assets (excluding software) were €185 million (2013: €60 million). Goodwill is subject to impairment testing once a year. In 2014, this test determined that no goodwill was impaired, reflecting the continued value of the cash generating units.

Net working capital (work in progress plus accounts receivable minus accounts payable and billings in excess of costs) rose to €612 million (2013: €404 million), an increase of 51% over 2013 levels, as a result of acquisitions and currency effects. Net working capital as a percentage of gross revenues (measured per quarter) deteriorated due to higher working capital needs of Hyder and Callison and was also impacted by a slowdown in payments by clients in the natural resources sector ending at 18.8% (2013: 15.7%).

Cash and cash equivalents were €178 million (2013: €151 million). Net debt (interest bearing debt minus cash and cash equivalents) increased to €522 million (2013: €195 million), due to the acquisitions of Callison and Hyder, while the 2014 currency translation impact of USD debt on consolidated Net debt was €55 million. Interest bearing debt also includes after-payment obligations related to acquisitions, totaling €19 million (2013: €14 million).

Long-term loans and borrowings increased to €500 million (2013: €323 million), while short-term loans and borrowings, including the current portion of long-term debt were €196 million (2013: €35 million). At year-end 2014, €319.9 million in short-term credit facilities were available. As part of these facilities, banks issued guarantees (mostly project related) worth €86 million (2013: €83 million).

Shareholders' equity was €896 million, compared to €598 million, at year-end 2013. The table below details the change:

In € millions	Effect
Profit for the period (net income)	93.9
Dividends to shareholders	(43.3)
Issuance of shares	190.5
Exchange rate differences	57.1
Actuarial (loss)/ gain on post-employment benefit obligations	1.6
Effective portion of cash flow hedging	1.4
Share options exercised	29.0
Share based compensation	8.2
Taxes related to Share based compensation	(0.6)
Purchase of own shares	(40.1)
Acquisitions	0.5
Total change	**298.2**

Strong balance sheet ratios

Balance sheet ratios remained strong at year-end 2014:

- Net debt to equity ratio was 0.6 (2013: 0.4);
- Net debt to EBITDA ratio was 2.0 (2013: 1.1);
- Interest coverage ratio was 9 (2013: 10).

Covenants in loan agreements with banks stipulate that the Net debt to EBITDA ratio should be below 3, measured twice a year; at year-end and at end of June. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, compared with last twelve months (pro-forma) EBITDA. According to this definition, Net debt to EBITDA at year-end 2014 was 1.5 (2013: 1.4). ARCADIS' goal is to stay below a net debt to EBITDA ratio of 2.0.

With effect from December 31, 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense ratio must exceed 1.75, measured twice a year at year-end and at the end of June. At December 31, 2014, this ratio calculated in accordance with agreements with lenders is 2.8 (2013: 2.8). ■

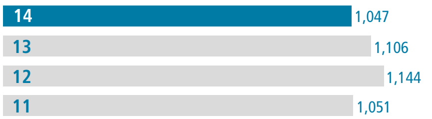
Developments by region
North America

Contribution to gross revenues 2014

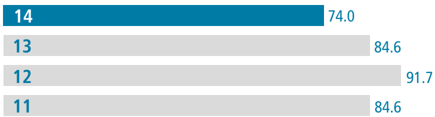
40%

2013: **44%**

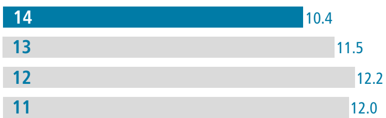
Gross revenues
in € millions



Operating EBITA
in € millions



Operating EBITA margin
in %



	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	1,047	1,106	-5%	-7%	2%	0%
Net	708	738	-4%	-5%	2%	0%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	68.0	80.8
Margin	9.6%	11.0%
Operating EBITA	74.0	84.6
Margin	10.4%	11.5%

Difficult market conditions hamper growth

Organic revenue development was -7% negative as the market conditions in our two largest markets in North America, environment and water, offered little growth opportunity. This was caused mostly by less federal, state and municipal spending in the wake of the government shutdown in late 2013 and the spillover effect and sentiment in the private sector market. There was no currency effect. The effect from acquisitions (SENES, March 2013, Callison and Franz, October 2014), was +2%. Market recovery has been slow in 2014, but backlog development accelerated in the second half of the year, as we adjusted our approach to pursue and win work. In November we started building capacity in anticipation of the execution of projects going forward. Margins were kept at high levels despite the revenue declines.

Peer pressure in the environmental market

Half of the US environmental market relates to public sector work, a market to which ARCADIS has limited access due to ARCADIS being a non US owned entity. The remainder of the market relates to private sector work, of which just under half consists of the more complex work where ARCADIS performs most of its work and is the market leader. After the government shutdown in 2013, the US competitors with strong positions in the federal market were severely affected by revenue declines and started targeting private sector companies to compensate for those declines. As a result we experienced considerable revenue pressure during the year. Adjusting for these changing market conditions, through our performance excellence program we fine-tuned our pursuit strategy for work early 2014 by focusing on existing high value, high growth clients on the private sector side, using our excellent relationships with these clients to generate more growth. While this did not lead to improvement of 2014 revenues, wins in the second half of 2014 did improve backlog and we are well positioned for a return to growth later in 2015. On the public sector side, procurement cycles are stretched, but we have been able to win a number of sizable projects – one after two years of pursuit. Large federal projects included a performance-based environmental remediation at Joint Base McGuire-Dix-Lakehurst (JB-MDL) in New Jersey with a ten-year time frame under an $82 million firm-fixed-price contract, and a ten-year, $125 million performance-based firm-fixed price contract Vandenberg Air Force Base, a U.S. Department of Defense space and missile testing base on California's central coast. We have launched a performance excellence program in our US business in the third quarter which should continue the development of backlog and should lead to further improvements in our performance.

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Water market remains slow
Investment levels in the municipal water market remained subdued during the year. We were able to maintain backlog at good levels, but revenues suffered due to slow decision-making processes at the client level. Our expansion into water and sewer network improvements has allowed us to keep the decline limited. Both the environment and water markets have been affected by declines in the degree of regulatory enforcement resulting from budgetary constraints within enforcement agencies at federal and state levels. The urgency to achieve compliance has faded. Furthermore, virtually no significant new regulation has been passed in the last several years. Despite the tough market conditions we have found success in the New York/New Jersey area following Super Storm Sandy. We have won several significant contracts providing resiliency for government as well as private clients. Similar to environment, the performance excellence program is expected to lead to an improvement of operational performance.

Stronger growth in buildings and infrastructure
In architecture, we strengthened our position in North America with the acquisition of Callison at a time when commercial markets start improving again. Callison has a strong position in retail design and commercial mixed-use development. Our existing architecture practice RTKL generated organic revenue growth, especially in the commercial and healthcare activities, which continued to recover on the back of an overall economic improvement in the US. Canada has also proven to be an attractive market for healthcare with several new project wins. Our infrastructure activities also grew, in part in highway work, but rail is also providing growth opportunities. By combining our skills in program management and construction management with our infrastructure knowledge, we were able to win the Project and Construction Management (PCM) services for a segment of the United States' first high-speed rail system. As the top-ranked PCM firm, ARCADIS will support the California High-Speed Rail Authority with design and construction oversight of a section of the California high-speed rail system, which will connect the mega-regions of the state, contribute to economic development and a cleaner environment, create jobs and preserve agricultural and protected lands. ARCADIS could receive up to $68 million based on actual work performed over a period of approximately five years.

Margins
The operating EBITA margin for North America was 10.4%, a decline compared to last year (2013: 11.5%), as adjustments to the changed market conditions and performance excellence costs affected profitability.

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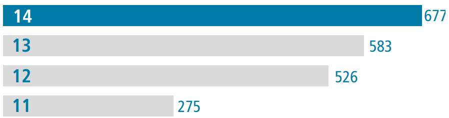
Developments by region
Emerging markets

Contribution to gross revenues 2014

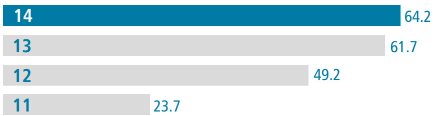
26%

2013: 23%

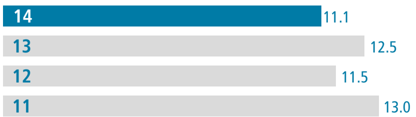
Gross revenues
in € millions



Operating EBITA
in € millions



Operating EBITA margin
in %



	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	677	583	16%	5%	15%	-5%
Net	576	494	16%	6%	15%	-5%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	55.3	59.4
Margin	9.6%	12.0%
Operating EBITA	64.2	61.7
Margin	11.1%	12.5%

Strong organic growth and contribution from acquisitions
With organic growth at +6% our emerging market presence and strategy is paying off well. Beyond that, we also had a strong and growing contribution from acquisitions (inProjects, March 2014, Hyder Consulting, and Callison, October 2014). Combined, these two effects led to growth of +16% in gross revenues and +16% in net revenues including the contribution from our newly added activities in Australia Pacific through Hyder. Organic growth was especially strong in the Middle East and Asia. In Latin America, reduced investment levels from mining firms led to revenue pressure.

Solid growth in Asia
Solid growth was achieved in Asia, with Hong Hong/China, Malaysia and Singapore contributing most to the increase. In China, an increasingly important market for ARCADIS, we strengthened our position through the acquisition of Callison. Combined with RTKL, we now are the largest international design firm in China. Through Callison we can extend our commercial offering down to the individual store level for major luxury brands. China represents more than half of our Asian revenues. We are fully focused on private sector clients, mainly domestic and international real estate developers, corporate clients and large retail brands, and 85% of our revenues is in the non-residential sector. Our project and cost management practice groups are market leading. In addition to a strong and growing portfolio of commercial and mixed use opportunities, we are also diversifying into servicing multinational clients, Asian and international, in the chemical and pharma, automotive, oil and gas and financial institution sectors.

Better chances for large scheme involvement in Middle East
In the Middle East, our main activity was in the buildings market where in 2014 we generated strong growth. Through the acquisition of Hyder Consulting and Callison, we increased our headcount in the Middle East from 600 to 2,200 people, while at the same time broadening the scope of our business not just in buildings but also in environment, infrastructure and water. Hyder significantly strengthens our presence in all of our targeted geographies including Dubai, Abu Dhabi, Qatar and the Kingdom of Saudi Arabia (KSA). The breadth of capabilities and scale advantage positions us even better for the mega-schemes in (social) infrastructure and water in the region, including metro and light rail systems, road and major infrastructure or strategic water supply solutions. Hyder Consulting has an impressive track record in the Middle East, with the engineering of the world's tallest building, the Burj Khalifa in Dubai as a high point. This experience links up well with our program management for the Kingdom Tower in Jeddah, which is to become the tallest building in the world

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at one kilometer high. KSA is a major growth focus. In infrastructure, Hyder currently works on a major roads and drainage infrastructure program for Ashghal and the Doha Expressway and Truck Orbital Motorway in Qatar. In water, Hyder is involved in the Kahramaa's Water Security Mega Reservoirs project in Doha; and the North Manama Causeway and Muharraq for the waste water treatment works in Bahrain. A current ARCADIS project in the region is The Galleria on Al Maryah Island, Abu Dhabi. This is a 33,000 m2 luxury retail and dining destination for which we provided construction management and coordination services contributing to a vibrant destination for the community.

Strategic growth in Latin America
The completion of a number of international mining projects, combined with a slump in local mining investment, has affected performance in Latin America. We have gradually limited our dependence on the mining industry in the past years, by focusing on driving growth in other strategic areas such as public infrastructure work, including aviation, water and activities in the field of environment. Large infrastructure projects included the capacity expansion of Guarulhos Airport, followed by two additional airport wins in Peru and Brazil in the course of the year, extension work on the São Paulo metro system, as well as preparation for the 2016 Olympic Games in Rio. In water, several large project wins were landed with SABESP, the largest water supply and treatment company in the southern hemisphere. In environment we won our largest ever assignment in Brazil from one of our mining clients. Chile continues to be a challenging market with the lower copper prices forcing mining companies to hold back on investments, which also has an broader effect on the Chilean economy. Also here infrastructure and water performed well. Despite the more challenging market circumstances ARCADIS's performance was better than most of its peers working in the region and has secured its leadership market position.

Australia Pacific
As a result of the acquisition of Hyder Consulting, ARCADIS is now also active in Australia Pacific, where the Company has approximately 150 people located in five major cities in Australia as well as in its global excellence centers. Activities predominantly involve design of infrastructure in the transport, mining, water, power and urban development sectors; design of buildings; project management and environmental consulting. General market conditions in Australia in 2014 were challenging, yet Hyder was able to outperform many of its competitors. The mining market decreased substantially as mining clients slowed investment as a result of poor iron ore and coal commodity prices. The infrastructure sector remained flat, with Hyder performing in line with expectations for this sector. The buildings and urban development business performed well, backed by a steadily improving market. This business has grown by increasing market share and recently won the design of a 500 bed hospital in the Northern Beaches area of Sydney.

Margins
Margins declined somewhat as a result of our investments in growth initiatives and a dilutive effect from Hyder. The operating margin was 11.1% (2013: 12.5%).

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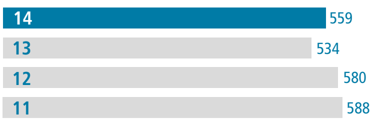
Developments by region
Continental Europe

Contribution to gross revenues 2014

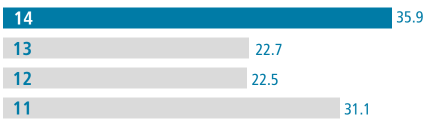
21%

2013: 21%

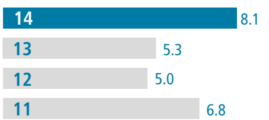
Gross revenues
in € millions



Operating EBITA
in € millions



Operating EBITA margin
in %



	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	559	534	5%	4%	1%	0%
Net	442	427	3%	3%	1%	0%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	26.6	7.9
Margin	6.0%	1.9%
Operating EBITA	35.9	22.7
Margin	8.1%	5.3%

Growth returns with private sector as major driver
While government spending in many European countries remained restricted, we were able to grow our activities mainly on the private sector side. This was driven by increased spending on business advisory (consultancy) and strong performance in both the environmental and buildings markets, especially for multinational clients. In the infrastructure market we performed well in most markets except The Netherlands where spending levels were low. In Water, business was slow as the main Dutch market remained weak. Buildings activities grew as our focus on operational consulting has led to several important project wins. Growth from acquisitions came from Hyder Consulting (October 2014). Organic net revenue growth was 3%.

Focus on multinational clients proves successful
With government spending still at low levels, we invested considerable effort in winning work from private sector firms, with a special focus on multinational clients. This led to successes in environment and buildings where we demonstrated ARCADIS' integrated European strength and capabilities, a result of the introduction of our new pan-European operating model over the last two years. Repeat client and agrochemical firm Syngenta committed ARCADIS to perform another European wide leaching test, supporting the introduction of a new product. For NAM, a Shell-ExxonMobil natural gas joint venture in the Netherlands, ARCADIS will for 5 years manage earthquake damage repairs resulting from land subsidence in the Dutch province of Groningen. For TenneT, a leading European electricity transmission system operator, ARCADIS will perform technical studies and designs needed to maintain and adjust the high voltage power distribution base stations, power lines and support systems. In the Financial Institutions sector we benefitted from the high level of activity in transactions, providing business advisory services and due diligence work in a growing number of European countries. GM Opel has engaged ARCADIS to lead its dealership rebranding program covering 2,500 dealerships in 23 European countries.

Mixed news in Water and Infrastructure
While the European Union was still debating its €300 billion stimulus package, national elections, government restructurings and budget limitations made 2014 a difficult year in the Infrastructure and Water segments. This resulted in revenue declines in traditional markets like the Netherlands and Belgium. In the Netherlands, ARCADIS provided traffic management consultancy for the Nuclear Security Summit – a major international event. Under tight security measures and with the highway network partially reserved for VIP traffic, ARCADIS produced the integral plan for fixed and dynamic traffic detours &

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additional measures for the event, resulting in smooth traffic flow during the Summit. In the Czech Republic, and Poland, infrastructure and water spending is on the rise again. In Poland, ARCADIS provided conceptual multidisciplinary solutions for the roads, bridges, utilities and tender documents for Design and Build contracts for the Southern Bypass of Warsaw, the most significant infrastructure project in Poland in years 2014 – 2020. In cooperation between Dutch and Polish water management experts, we worked on flood hazard management plans for river basins and water regions in Poland in line with European Union requirements. In France, a joint team of French and Dutch specialists was able to win the design for the new Gare de la Folie in Nanterre. In Belgium we worked on the largest ship lock in the world in the harbor of Antwerp, while in Paris, France, work continued on the Grand Paris Metro project. In Germany, Hyder secured industrial property work with BMW for construction management of a new production facility.

Margin target reached

The introduction of the pan-European operating model in 2013 has proven to be very successful. In 2014, we achieved organic net revenue growth in Europe of +3% and we achieved 10.2% operating margin in the fourth quarter, reaching our target of 10%. The full year operating margin was 8.1%. Total restructuring and integration charges amounted to €8.5 million.

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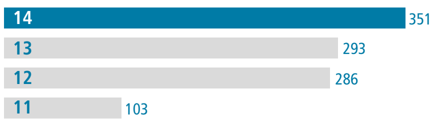
Developments by region
United Kingdom

Contribution to gross revenues 2014

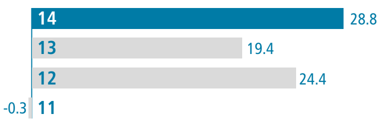
13%

2013: 12%

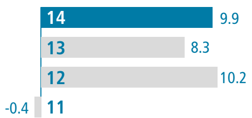
Gross revenues
in € millions



Operating EBITA
in € millions



Operating EBITA margin
in %



	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	351	293	20%	4%	10%	6%
Net	290	234	24%	5%	14%	6%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	24.6	19.6
Margin	8.5%	8.4%
Operating EBITA	28.8	19.4
Margin	9.9%	8.3%

Organic revenue growth strengthens
Revenue growth in the UK market was strong, aided by 4% organic growth and a strong contribution from acquisitions (Hyder Consulting, October 2014). The UK economy gained momentum throughout the year and growth now also extends to areas outside of London, such as Manchester and Birmingham. The referendum around Scottish autonomy caused several months of uncertainty and stalled the investment market, also impacting some of our clients and markets. The London market itself, however, remained robust with solid demand for buildings, business advisory and infrastructure work, while there is a significant increase in Asian and Middle Eastern investment in property and infrastructure. In the environmental market business was slower but started picking up towards the end of the year. Hyder brings strong capabilities in water, effectively expanding our services to include the full water cycle now also in the UK. In infrastructure, Hyder has a strong track record in major projects including iconic historic ones as well as large current jobs including London Bridge Station. A major synergy project was won in the UK in January 2015 with ARCADIS/Hyder becoming involved in Crossrail 2, the proposed new south-west to north-east rail line providing services between Hertfordshire and parts of Surrey and Middlesex via a new tunnel under Central London.

Business Advisory a clear focus
With some smaller hires and additions to our business ARCADIS enhanced its ability to meet increasing client demand in the North West of England and Scotland particularly in the retail, stadia and urban regeneration sectors. This fully aligns with our strategy to broaden our scope of solutions to Big Urban Clients and in the UK it helps diversify more our business beyond London. In the London activities, the addition of a number of property specialists complements our existing focus on business transformation, assurance, portfolio optimization, enterprise sourcing and supply chain management. Meanwhile additional funding is available for schools programs where we have a strong track record.

Hyder Consulting complements our capabilities
Where our focus in the UK has traditionally been on program management, business advisory, built asset consultancy, and environment, the addition of Hyder Consulting complements our activities and considerably broadens the scope of our capabilities. Hyder has been recognized as the oldest design and consultancy in the world with roots going back 230 years in 2015. In its history, Hyder has been involved in a number of very iconic projects. The company has worked on the design of the original Tower Bridge, or famous structures like the Crystal Palace. More recent iconic work includes involvement with the 2012

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Olympics. Hyder brings detailed design, engineering and deep technical skills in transportation infrastructure (road and rail), water and buildings. With almost 1,200 people in the UK, it raises our total number in the UK to 3,600 people. Recent project wins from Hyder Consulting include an appointment to the new Homes and Communities Agency (HCA) Multidisciplinary framework, designed to support public bodies' access to the skills and expertise they need to develop new homes, helping to stimulate economic growth and jobs. The framework will also help facilitate the disposal and development of surplus land more quickly, to meet the demand for housing. The company also secured a place as a key supplier on the Highways Agency's Collaborative Delivery Framework (CDF). This will be used to deliver up to £5 billion of investment in strategic infrastructure projects with Hyder providing project and cost management, engineering, architecture, planning, master planning, landscape architecture, ecology, construction design and management (CDM) and property consultancy.

Private sector demand increased

In private sector work, we see an increase in enquiries from corporates and retail clients needing to rebrand/refresh their customer interfaces, accelerate into new markets and drive efficiency. Financial institutions are increasingly driving regeneration, development and asset management. Our sector focus helps strengthen our position with these clients.

Margins

Full year operating margin was 9.9%, a solid increase over the 8.3% achieved in 2013, resulting from further improvements in EC Harris after integration. ■

Developments by business line
Infrastructure

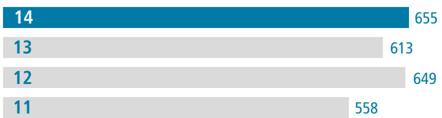
This business line encompasses sustainable solutions for transportation (traffic management, highways, roads, railways, urban transportation systems, ports, waterways, aviation, bridges, tunnels); land development (residential, industrial, recreational, urban and rural planning); power (hydro, thermal, nuclear, wind farms, grid systems); and mining (exploration, operation, logistics). The solutions we provide include business advisory, design, design/build, engineering as well as project, program and construction management for some of the world's most complex projects. In 2014, Infrastructure represented 25% of total revenues (2013: 24%).

Contribution to gross revenues 2014

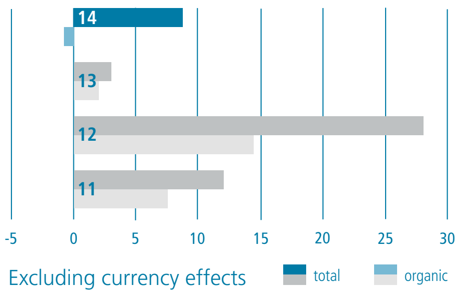
25%

2013: 24%

Gross revenues
in € millions

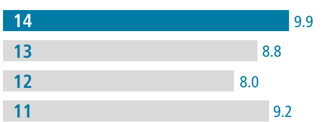


Growth (net revenues)
in %



Excluding currency effects

Operating EBITA margin
in %



Present position and strategy

Delivering world class capabilities globally
Infrastructure development is largely a local activity dominated by clients in national, regional and local governments, as well as railway companies, utilities, mining firms, developers, contractors and operators. Successful project delivery hinges on a strong local market presence. This ensures in-depth knowledge of local clients and their needs, local market conditions, investment flows, regulations and it positions ARCADIS as the trusted, knowledgeable and independent partner for contractor procurement and selection. For contractors our strong local presence provides them with options for efficient design and innovation. It also supports our ability to build bridges between public needs and private sector opportunities, thus stimulating private infrastructure investment where warranted. Urbanization, combined with a need for cities to make better use of their existing footprints, creates an increased level of complexity for local governments. Looking for solutions, these clients increasingly turn to global partners that can deliver best-in-class sustainable solutions from anywhere in the world to address their local issues. While ARCADIS was already well positioned to deliver these integrated solutions in the Netherlands, France, Belgium, United States and Latin America, the addition of Hyder Consulting in October 2014, now allows the company to also deliver its comprehensive infrastructure solutions in the United Kingdom, Middle East, Germany, parts of Asia and in Australia Pacific.

SWOT analysis

Strengths	Weaknesses
Large scale program management capabilities	Limited but growing recognition internationally
Full service specialist in rail, large transport corridors (incl. bridges and tunnels), (air)ports, traffic management	Strong competition in Continental Europe
Mix of consulting, business advisory, design, design/build, engineering, project/program/construction management	Limited presence in North America and Asia
Strong local positions and broad service offering around the world	
Global Design Excellence centers	

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Opportunities	Threats
Increasing importance of life cycle approach for infrastructure assets in mature countries	Uncertainty about government spending in Europe and the United States
Infrastructure for increased mobility in emerging markets, particularly airports, ports and (light)rail	Capex investment reduction in mining following low commodity prices
Public private partnership approach to fulfill strong demand	Clients aiming to shift more project risks to suppliers
Growing demand for renewable energy and refurbishment of existing power grids	

Infrastructure strategy 2014 – 2016

An emphasis on strengthening our position in growth markets

The importance of a good quality infrastructure for economic growth and the competitive position of a country is widely recognized. The World Economic Forum, the European Bank for Reconstruction and Development (EBRD) and the International Monetary Fund (IMF), all recommend to invest extra in infrastructure. Nevertheless, market expectations for infrastructure development vary widely across the world. Infrastructure development is generally slow in mature markets, mainly as a result of lingering government budget deficits after the financial and economic crises. Within these markets ARCADIS targets specific strategic projects by selecting the right world-class teams from throughout ARCADIS to win and deliver these opportunities for our clients. This approach has proven successful for the larger and more complex projects that have come to market. At the same time we focus on areas where we still see growth which in mature markets now mostly revolves around investments in existing assets, to keep operational efficiency at high levels and assure infrastructure availability. In some mature markets, however, governments are using infrastructure development as a driver for economic growth. Case in point is the UK, where government investment in both road and railway systems is rising sharply, or France, where large projects have continued despite concerns about the country's financial woes. Even in the US, large infrastructure projects do come to market, such as the first high speed railway line project in the country's history. In Australia Pacific, a market which was added through the acquisition of Hyder Consulting, infrastructure investment is also on the rise.

In emerging markets, which for ARCADIS means Latin America, Middle East, Asia and Australia Pacific, market growth is more abundant, with Asia and the Middle East offering most of the opportunities. In these markets, new infrastructure roll-out in the form of public transportation systems, aviation, and ports provides a solid basis for growth. Where lack of size held us back in a number of large project opportunities in Middle East in 2014, the significant strengthening of our market positions in Middle East and Asia with the addition of Hyder Consulting, now puts us in a much better position to be successful in those strategic pursuits. Our historical dependence on the mining sector in Latin America has been deliberately reduced over the last number of years through further diversification. This includes forays into public infrastructure such as water supply and distribution, urban transportation and metro systems, energy supply, aviation and one-off large pursuits, such as the work for the Olympic Games in 2016. The declines in mining investment, however, still have a negative effect on overall growth in that region.

Focused Growth through Core Value Propositions

We aim to be the leading transportation solutions partner for our clients. In order to generate more organic growth we have introduced and are investing in Core Value Propositions (CVP's) which represent the main areas in which we add value for our clients. Through these targeted global approaches, we pair our world class knowledge in specific areas more closely to client needs. This way we can bring the best of ARCADIS to our global, national or local clients anywhere in the world. Our investment already started paying off in 2014, while further success is expected in the coming years. In Infrastructure we have six CVP's:

- **Rail Transportation Solutions** is focused on bringing cost effective, efficient and safe mobility throughout the life cycle of rail assets by industry leading expertise in design, management and consulting. This CVP covers all rail (light, heavy, freight, high speed) types as well as associated infrastructure assets such as bridges and tunnels.
- **Road Transportation Solutions** is focused on bringing smart solutions throughout the life cycle of road assets. We can add value to the consulting, design and program and construction management of large and complex programs. We also have extensive expertise and experience in delivering bridges and tunnels for road systems.
- **Airport Solutions** offer a global strength throughout the asset lifecycle of delivering planning, design, feasibility studies & operational improvement to new airports or the expansion of existing airports.
- **Ports & Industrial Infra Solutions** Reliable and cost effective solutions for ports, power and industrial infrastructure based on international best practices, including planning, design, project and program management for harbor extensions, upgrades or fully new harbor development.
- **Mining Solutions** serve global mining clients by planning,

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designing and managing the lifecycle of mining assets. Includes mine development and exploration solutions, transportation and end product logistics and distribution solutions.
- **Smart Infra Solutions** Smart and customized strategies that deliver reliable, safe and cost effective mobility and infrastructure asset performance.

This development is supported by the establishment of three Centers of Excellence which will fortify global marketing and project pursuit work. Continental Europe houses two of these centers for Rail and Ports, with the third for Aviation domiciled in the UK.

Developments in 2014

	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	655	613	7%	0%	10%	-2%
Net	546	512	7%	-1%	10%	-2%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	45.5	35.7
Margin	8.3%	7.0%
Operating EBITA	54.3	45.2
Margin	9.9%	8.8%

Growth held back by declines in mining investments
Gross revenues increased by 7% of which -2% was caused by currency effects and 10% by acquisitions. Infrastructure benefited from the acquisition of Hyder which drove growth in the UK, Continental Europe, Asia, the Middle East and Australia Pacific. Organic net revenue growth in Infrastructure was essentially flat, with the UK, Continental Europe and North America generating growth, while Latin America suffered from lower levels of capital investment by mining clients. Backlog was up by 5% helped by significant wins in the Americas. On the back of our margin improvements in Continental Europe as well as in North America, the overall operating margin rose to 9.9% (2013: 8.8%).

Building global leadership through acquisitions
The acquisition of Hyder Consulting adds considerable strength to our infrastructure capabilities, especially where it comes to road and rail activities. Hyder has an integrated approach to planning and managing transportation solutions to enable clients to achieve sustainable development. From concept to operation, Hyder helps clients around the world to provide safe, efficient and cost-effective transport systems that deliver real benefits to the communities they serve and reinforce ARCADIS' position in the UK, the Middle East, Germany and Asia. Transportation solutions include: asset management, bridge and tunnel design, heavy civil engineering & marine design, highway engineering design, highway maintenance, pedestrian flow modelling, transport technology, transport planning, urban traffic and transport planning. Some of the iconic past projects of Hyder include Tower Bridge in London and Sydney Harbor Bridge in Australia, while current projects include the redesign of London Bridge Station and Manchester Victoria Station. In the past decade, Hyder has developed and fine-tuned the concept of the global Design Excellence Centers, through which it has created a high quality/lower cost delivery model for its design and engineering solutions. Approximately 20% of Hyder's people work in these centers, representing a substantial part of revenues. These centers support the client facing operations in the regions where Hyder operates. The centers themselves are located in the Philippines, India and Jordan and provide access to a pool of qualified engineering resources. For ARCADIS, these centers provide a strong platform for global growth as it can enhance our competitive position and provide client assurances on the availability of high quality people, also in markets where domestic supply of high quality people is limited.

Ports – an entry point for progress
Success in the CVP Ports & Industrial Infra solutions is evidenced by projects won in global cooperation and supported by the global Center of Excellence. In the Middle East, ARCADIS in 2014 won the bid for the Construction Management Services for the new Liquefied Natural Gas (LNG) Terminal, in Aqaba City, Jordan. The offshore part of the terminal comprises a jetty and trestle, capable of facilitating a permanent Floating Storage Regasification Unit with on-shore connections. In Turkey, ARCADIS provided business advisory services around the divestment of a portfolio of port facilities.

ARCADIS also continued construction management and environmental mitigation work on the largest port expansion project in the US, in the port of Long Beach, California. New terminal buildings are constructed to LEED building standards and the new terminal will move twice the amount of cargo while generating half the air pollution. In Malaysia, the distribution center for mining client VALE was successfully completed, applying our strong program management capabilities from Brazil. Opened in October, the facility features a deep water port terminal combined with a two km long access trestle. In Belgium, we are working on the biggest lock in the world in the port of Antwerp, a major port expansion project to help expand that harbor's capacity.

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A stronger position in Aviation

In 2014, we completed the expansion and operational readiness of the third terminal at Guarulhos Airport in Sao Paulo, Brazil, in time for the start of the World Cup Soccer tournament. On the back of this success the Aviation team, supported by the UK-based excellence center, also won two new contracts in Latin America, in total with US$23 million for planning, conceptual design, engineering, program and project management as well as business advisory. One is for the expansion of the Jorge Chávez International Airport, the largest airport in Peru, in the city of Lima. The other contract encompasses project management consulting services for the development of the first private executive airport in Brazil, named Catarina Executive Airport and located at São Roque, in the state of São Paulo. Both contracts will last approximately two years. In a southern European country, ARCADIS provided business advisory services around the privatization of a series of regional airports. In France we are working with Marseille Provence airport on the development of a new terminal, combining the required local knowledge and understanding with specific sector expertise. Our team is led by experts from our French and British offices, who showcased our technical approach and strong master planning capabilities. In Hong Kong we are involved in the development of a new Civil Aviation Department (CAD) Headquarters at Chek Lap Kok airport. This new building will house the Air Traffic Control Centre, CAD senior management and all divisions and supporting facilities. On Heathrow Airport, we are involved in the comprehensive upgrade of Terminal 2, providing project management and risk management solutions.

Strategic rail transport wins

In transportation, ARCADIS has the ability to pull together highly specialized teams to pursue, win and execute strategic projects. These teams bring the best qualified know-how of ARCADIS to the project. In the United States the core value proposition team for Rail, teamed up with the local program management experts, resulting in the win of a contract to support the California High Speed Rail Authority in developing the first high speed rail system in the US. The $68 billion system will run from San Francisco to Los Angeles in two hours 40 minutes with speeds up to 220 miles per hour and will be ready by 2029. Another important US rail project was a ground survey contract for CSX freight rail to increase rail safety implementing an automated train stop system on over 80% of the CSX system. In the Netherlands, our joint venture Asset Rail was able to reduce maintenance costs on rail by 40% while increasing network availability.

Creating critical infrastructure

In the Netherlands, our focused approach led to a contract for TenneT, a leading European electricity transmission system operator. As preferred supplier, ARCADIS will participate in two three-year framework agreements for technical studies and designs needed to maintain and adjust the high voltage power distribution base stations, power lines and support systems to deal with load changes resulting from the connection of wind and solar systems. In November, Hyder Consulting secured a place as a key supplier on the Highways Agency's Collaborative Delivery Framework (CDF) in the United Kingdom. The five-year framework will deliver up to £5 billion of investment on strategic infrastructure projects under the Agency's new transformation as a government-owned company. For Hyder Consulting, the contract has the potential value of up to £12 million per year for the duration of the framework. In January 2015, the first major synergy project with Hyder was announced: our joint involvement in the Crossrail 2 project, a major new infrastructure development in London. ■

Developments by business line
Water

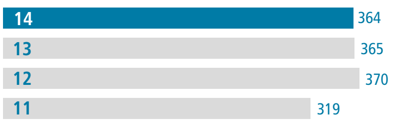
This business line is focused on the entire water cycle: water supply, treatment and distribution; wastewater collection & treatment; water reuse; urban water/stormwater/drainage; and natural water systems (rivers, coasts, integrated water resources and ecosystems), for both public clients and private industrial clients. We assist our clients in understanding and preparing for the growing trends of water scarcity, water quality concerns, extreme weather events, and climate change adaptation. Urbanization and aging infrastructure create asset management and fiscal challenges where we can help. Sustainable design is key to our strategy for developing solutions, whether in natural infrastructure for coastal and rivers or green infrastructure for stormwater.
On the industrial side, helping our clients improve sustainability and reduce their business risks related to water issues is a key topic. Our services performed include consulting, business advisory, design, design/build, engineering, project and program management and construction management. In 2014, Water represented 14% of total revenues (2013: 15%).

Contribution to gross revenues 2014

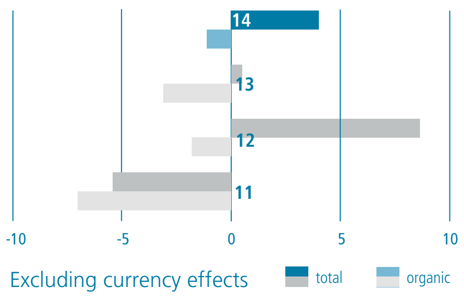
14%

2013: 15%

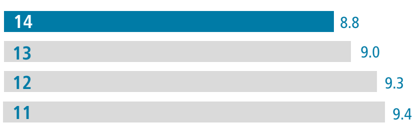
Gross revenues
in € millions



Growth (net revenues)
in %



Operating EBITA margin
in %



Present position and updated strategy

The number one international design firm in water (ENR, 2014)
Long-term trends dominate the global water market. Public sector market growth is driven by the increasing demand for reliable water supplies for the expanding global population as well as increasing pressure to protect the environment and human health through sanitation, wastewater treatment, and stormwater collection and management. In industry, water risk (from inadequate supply, flooding, or more stringent effluent requirements), and reducing water use drive innovation. In older cities, ageing water infrastructure causes considerable water and revenue losses driving network and business process improvements. Globally, communities are facing the effects of climate change and are forced to invest in protective measures against rising tides, or in some cases against a lack of water as a result of changing precipitation patterns and extreme weather. ARCADIS has a very strong position in the global water market and was recognized as the Number one firm, again, in Engineering News Record's listing of International Design Firms for Water. Our full water cycle capabilities position us well in water supply and water/wastewater treatment markets as well as in the growing markets for water conveyance, water resources management, and industrial water. We aspire to be a Top five global water consultancy in all our geographies, and the most recognized sustainable global brand in water.

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SWOT analysis

Strengths	Weaknesses
Full water cycle capabilities & technical excellence	Emergent player in the Middle East
Strong often decades long client relationships: public and private	Entry-level player in Asia
Long history and proven expertise in North America, Europe, UK, and Latin America	Limited position in Design-Build market segment Flat market in US
Mix of consulting, business advisory, design, design/build, engineering, project/ program/ construction management	
Global design excellence centers	
Opportunities	**Threats**
Market growth drivers, like water scarcity, climate change adaptation, urbanization	Lack of adequate funding to construct/improve basic infrastructure
Regulation for water quality	Price competition in local markets
Aging infrastructure	Market shift to cost and schedule certainty and design-build approaches in mature markets
Solutions to improve sustainability for industrial clients	

Water strategy 2014–2016

Expansion in core markets
In the mature markets of North America and Continental Europe, investment levels for municipal water plants remained depressed in 2014 due to lack of government funding and delayed procurements. This limited the opportunities for growth in the consulting design market. Our strategic focus therefore broadened to include operational consulting to improve the performance of existing facilities, and asset management. In the UK and we significantly strengthened our water position through the acquisition of Hyder Consulting. Where traditionally our position in this markets was more focused on business advisory and program management, we can now offer our full suite of solutions. Through Hyder, we have also gained a position in the Australian market.

Growth in Emerging Markets
ARCADIS is well established in the fastest global growth markets in Latin America (Brazil and Chile) and recently Middle East (Oman and Saudi Arabia), which have been targeted for further expansion under the 2014-2016 strategy. In the Middle East, ARCADIS further strengthened its position through the acquisition of Hyder Consulting, which significantly enhances opportunities for growth in the region with a strong position in Qatar, the UAE and Saudi Arabia. The Hyder acquisition also includes large Global Excellence Centers for design in India and Jordan (supporting the Middle East).

Focused Growth through Core Value Propositions
In every Global Business Line (GBL) we have strategically selected focused growth areas that provide an increased opportunity for organic growth. For the GBL water, these Core Value Propositions (CVP's) are:

- **Water Supply & Treatment (public sector)** providing safe water and protecting the environment. This CVP encompasses drinking water (planning, supply and treatment), wastewater (planning, treatment, and disposal) and reclaimed water (planning treatment, and reuse).
- **Water for Industry (private sector)** strives to make businesses better through sustainable effective water supply, treatment, management and conveyance solutions. This CVP covers any water work for private, industrial clients; principally including the oil & gas, mining, chemical/ pharmaceutical, automotive, conglomerate, power, and food and beverage sectors.
- **Water Management (public sector)** enhances the quality, safety and adaptability of urban and coastal, river-based and delta ecosystems. This CVP is focused in four areas: coastal systems (integrated coastal zone management, coastal restoration & protection, delta cities), flood management (flood risk management, dams, levees, storm surge barriers; climate change adaptation, risk and resiliency), riverine systems, and integrated water resource systems/ecosystems.
- **Water Conveyance (public sector)** allows water to move reliably and efficiently to solve our clients' distribution, collection and drainage needs. This CVP includes water (distribution systems for drinking water and reclaimed water, tunnels, pumping and storage), wastewater (collection systems for sanitary and combined sewers, tunnels, pumping and storage), and stormwater (urban water drainage, collection/treatment systems, tunnels, green/sustainable infrastructure, pumping and storage).

Accelerated growth in Business Advisory and Program Management, as value propositions across all four CVPs, is also key to our strategy for growth.

Developments in 2014

	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	364	365	0%	-5%	2%	-1%
Net	287	278	3%	-1%	3%	-1%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	21.7	22.7
Margin	7.6%	8.2%
Operating EBITA	25.3	25.0
Margin	8.8%	9.0%

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Revenues aided by acquisitions
In 2014, gross revenues were flat. Acquisitions contributed +2%, while currency effects were -1%. Organically, gross revenues declined -5%, while net revenues declined -1%. Very strong organic growth in Latin America was the main driver behind the overall performance in Water. During the year no improvement in demand was seen in the municipal market in North America, while revenues were slightly down in Continental Europe and flat in the UK. Hyder contributed to growth in the UK and Middle East. Backlog was up a strong +7%. The operating margin was almost flat last year at 8.8% (2013: 9.0%).

Big Urban Clients strategy proves successful
Our strategic focus on Big Urban Clients in twelve major cities around the world almost always includes water. Two cities where water is driving competitive advantage to the cities, and where ARCADIS is leading the way, are São Paulo (Brazil) and New York City. In **São Paulo**, we are delivering a number of large projects and programs focused on improving the city with the water/wastewater utility, SABESP (364 municipalities and 34 million customers) as our client. Projects include the largest water reuse plant in the southern hemisphere; reduction of system leakage; wastewater treatment improvement and new water system design. In **New York**, a traditional water/wastewater focus for ARCADIS broadened significantly in 2013/2014 to now include resiliency and flood proofing projects for the Metropolitan Transit Authority (subway system protection), the Federal Housing and Urban Development Department, the City's public hospitals, and wastewater treatment plants.

New Water Supplies Coming to Water Scarce Regions
In the more arid areas of the world, such as the Middle East, the focus is on water supply. In Saudi Arabia, ARCADIS is working on the development of an asset database and integrated water, wastewater and treated sewage effluent 2050 Master Plan for the city of Makkah as well as the rehabilitation of the Juranah Dam Reservoir, the water supply source for the city of Makkah. Hyder Consulting is working for KAHRAMAA, the Qatar General Electricity & Water Corporation, providing engineering and environmental consultancy services for the Water Security Mega Reservoirs project in Doha, Qatar. The project entails construction of five mega-reservoir sites and some 200km of large diameter ring mains. Each reservoir site will ultimately comprise up to ten reservoir modules, each of which may be the largest of their type in the world.

Another way to provide alternative water sources is through desalination, essentially turning seawater into potable water. In Carslbad, California, ARCADIS completed the design of the largest desalination plant in the western hemisphere (2 m3/s) providing San Diego County with a new supply of high-quality water that meets or exceeds all state and federal drinking water standards.

Management of Critical Water Resources
In additional to the numerous post-Sandy resilience projects listed above in the New York City / New Jersey region, ARCADIS has continued to grow its water management expertise in other geographies outside the Netherlands and the United States. ARCADIS has been actively managing major water resources in Brazil for the São Francisco River Integration Program. The program is to construct more than 700 kilometers of canals to bring water to four states: Pernambuco, Paraiba, Ceará and Rio Grande do Norte. Also, ARCADIS began water management in a new geography, Poland, where ARCADIS and partners are developing the national flood management plan. ■

Developments by business line
Environment

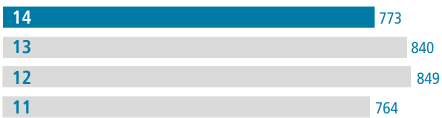
This business line focuses on activities that restore and protect the environment and enhance sustainability. Its largest activity is the cleanup of legacy issues related to soil, groundwater and sediment pollution, and the decommissioning of industrial operations. ARCADIS also assists clients with site closures and redevelopment, incident response, transactional services, environmental impact assessments, planning and permitting, regulatory compliance, product stewardship, ecosystems restoration, climate change issues, contingent liability and reserve management, risk assessment, natural capital, radiological assessments, energy efficiency and renewable energy, health & safety issues and services for noise abatement, air quality, solid waste disposal, and the preservation of nature and landscape.
Our solutions include (strategic) consulting, business advisory, design, and project/program and construction management. In 2014, these activities represented 29% of total revenues (2013: 33%).

Contribution to gross revenues 2014

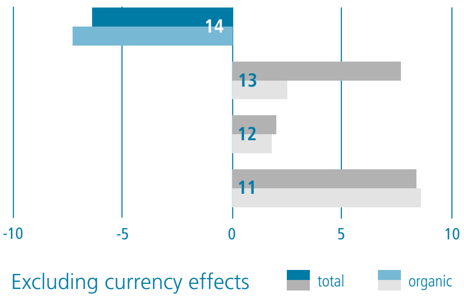
29%

2013: 33%

Gross revenues
in € millions

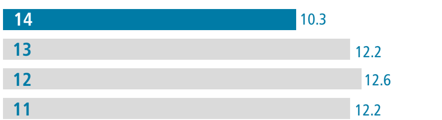


Growth (net revenues)
in %



Excluding currency effects

Operating EBITA margin
in %



Present position and strategy

A strong global market position

Long-term growth prospects for the environmental market are favorable as environmental regulation globalizes and sensitivity to corporate reputation and sustainability increases. Over time these corporate clients outsource more non-core functions and consolidate the number of environmental vendors they work with. These clients also seek to shed environmental liabilities, enabling them to invest the money instead into growth opportunities. Within this increasingly global playing field, size, geographical scope and depth of service, are key to success. ARCADIS is a leading player in the global environmental market. We are the largest global provider of remediation solutions to the private sector worldwide and have a growing position in the market for strategic environmental consulting, environmental planning and business advisory.

We principally differentiate ourselves through a thorough grasp on our client's needs and delivering solutions that enhance their business performance and competitiveness. We also differentiate ourselves through our proprietary and cost-effective technologies, helping clients bring sites to regulatory closure quicker and at considerably lower costs.

Through our global geographic coverage we can assist our multinational clients in maintaining regulatory compliance anywhere they operate, while we tailor those solutions through our sector knowledge drive value in all the stages of environmental projects. Combined with our strong local resources, we can seamlessly implement large programs worldwide. Where warranted we can

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offer Guaranteed Outcomes while our health & safety program and culture are geared towards an injury-free delivery on all of our projects.

SWOT analysis

Strengths	Weaknesses
Global footprint with home country strengths	Lack of new environmental regulation in US impacting market growth
Strong multinational and key national client base	Small position in Asia
Global Core Value Propositions connecting worldwide expertise	Some gaps in geographic footprint where we rely on strategic partners
Unique proprietary capabilities in complex remediation projects	Competitiveness for smaller remediation projects
Deep sector experience	
Strong health and safety culture	
Opportunities	**Threats**
Continued regulation and environmental awareness worldwide	Less environmental spending by public sector clients during recessions especially North America
Partnerships with multinational clients looking for global service providers	Less environmental impact assessment work due to reduced infrastructure investments in selected developed markets
Broader solutions for industrial clients including remediation at industrial sites	Less investments in natural resources sector - mining and oil & gas - due to low commodity prices
Strategic Environmental Consulting especially related to climate change and sustainability	

Environment strategy 2014-2016

Pushing for growth in North America and Continental Europe
North America and Continental Europe are the largest environmental markets in the world, driven by strict regulations and enforcement. In these markets our strategy is aimed at further expanding our already strong position in complex environmental restoration challenges and providing a broader range of solutions including Strategic Environmental Consulting and more straight forward remediation. In the US, our efforts are based on a client-centric approach, identifying high value and high growth clients and pursuing a programmatic approach to solutions to add value to the client's business.
In Continental Europe we reap the benefits from now being able to deliver as a unified business throughout the continent. At the same time we have strengthened our position by taking our well-developed environmental construction services expertise from the United States into Continental Europe. This positions us better for large restoration programs with key national and multi-national clients. A similar approach was followed in Latin America, where in addition to the expanding restoration market, growth is driven by environmental impact assessments related to infrastructure development.
In the Middle East and Asia, our activities are limited, as is the market size due to undemanding regulatory enforcement. With regulatory drivers still limited, our strategy is to grow our business through work for existing clients with a clear environmental agenda and build up partnerships to establish a position in markets that show promise.

Focused growth through Core Value Propositions
In Environment, ARCADIS' aspires to be the world leader in restoring and sustaining the environment. In our 2014-2016 strategy, this entails the introduction of four Core Value Propositions, reflecting areas in which ARCADIS has a strong competitive offering. We are investing in these value propositions to accelerate organic growth. The four Core Value Propositions are:

- **Site Evaluation and Restoration** provides restoration strategy, site investigation, remedy design & implementation and is focused on assisting clients in complex and large or multisite environmental solutions – for multisite programs we also address less complex environmental issues.

- **Environmental Construction Services** is focused on delivering earthworks & sediments, treatment systems, (D4) Deactivation, Decommissioning, Decontamination and Demolition - and operations/maintenance and monitoring in a cost effective and highly controlled way, primarily on an in-situ basis. Developed in the US, we are now making the knowledge and capabilities of these activities available in other regions.

- **Strategic Environmental Consulting** uses audits, due diligence, environmental management systems, safety & risk management approaches and strategic consulting for clients to ensure regulatory compliance, product stewardship, air quality, and sustainability.

- **Environmental Planning** focuses on corporate environmental, social and health impact assessments, regulatory environmental impact assessments, mitigation and monitoring solutions and independent expert reviews and was strengthened by on-boarding a number of world-class professionals in key technical areas

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Developments in 2014

	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	773	840	-8%	-8%	2%	0%
Net	490	528	-7%	-7%	2%	-1%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	45.6	60.0
Margin	9.3%	11.4%
Operating EBITA	50.4	64.2
Margin	10.3%	12.2%

Performance driven by the private sector
In 2014, gross revenues were -8% lower. Currency effects were negligible. Organically, gross revenues declined -8% while net revenues declined by -7%. Despite the contract wins in the third and fourth quarter, revenues in North America declined, as market conditions in the US federal market remained soft and competition in private sector remained strong. Continental Europe was relatively stable, however in the UK revenues declined. As a result of strong growth in Latin America, Emerging Markets performed well. Backlog developed favorably and during 2014 increased by +4% organically. The operating margin was 10.3%, (2013: 12.2%) mainly as a result of US market developments.

Adjusting to a changing North American market
In the US, ARCADIS' largest single market for environmental services, revenues declined strongly on the back of reduced market demand and increased competition. The government shut-down in late 2013, led to a downturn in the federal environmental market, causing increased competition in the private sector. At the same time a lack of new regulation and enforcement allows clients to postpone investments, while professionalization of procurement processes has caused longer project lead times.
In addressing this situation ARCADIS took several steps. Early in the year, we adjusted capacity to protect our margin. Subsequently we focused on high value, high growth clients to forge a return to growth. A performance excellence program was started in the US in the course of the year, focused on further improving margin performance and a return to organic growth in 2015. Backlog grew for the first time in four years and several large programs were won which will impact 2015.

Winning more large complex projects
Our focus to win bigger, more complex projects, and with that create significant value to clients, has paid off in 2014.
After a two year procurement process, the US Air Force Civil Engineer Center selected ARCADIS for a $125 million contract to clean up 107 sites on the 150 square-mile Vandenberg Air Force Base in California. The largest performance based contract we have ever won with the US federal government. Using proven cleanup technologies, ARCADIS will clean up fourteen groundwater plumes, 31 soil contaminated sites, 58 petroleum-impacted sites and four landfills.
ARCADIS was also hired by the U.S. Army Corps of Engineers, Tulsa District to complete performance-based environmental remediation activities at Joint Base McGuire-Dix-Lakehurst (JB-MDL) in New Jersey. Under this ten-year, $82 million firm-fixed-price contract, ARCADIS will restore 104 sites impacted by historical operations, using a combination of proven and innovative remediation technologies.

In Sardinia, Italy, ARCADIS will lead the environmental design for the reclamation of the Porto Torres area as part of a consortium with Astaldi. With 350,000 square meters, this is the largest environmental project on record in Italy at this time.
Based on earlier successes, Syngenta awarded ARCADIS with a new pan-European agrochemical product stewardship project to be completed over the next five years. This project involves collecting environmental data to help keep a top-selling agrochemical in the marketplace and provide assurance to regulators and stakeholders that the product is not detrimental to groundwater, surface water or drinking water.

Restoration also picking up in Emerging Markets
Most of our work in Emerging Markets, is related to organizing procedures and obtaining permits for capital investments to move ahead. Another driver for growth is environmental due diligence work related to transactions. For a large US client, ARCADIS won a due diligence and EHS compliance services project for a portfolio of about 65 facilities across Asia Pacific. Restoration is the third growth driver in these markets. In Brazil, ARCADIS won the largest restoration project in its local history which will span a five-year period. The project involves restoration along a 892km railroad, transporting iron ore. The project is valued at $25 million. ARCADIS was recognized as having the best technical team, dedicated environmental construction resources and strong program management.

Partnerships and acquisitions help expansion
To expand our capabilities in safety and risk management approaches, we entered into an alliance with a 250 person Indian-based risk management firm. In October 2014, the acquisition of Franz was announced. This 100 person environmental company in Canada specializes in environmental remediation, site assessments, brownfields, and hydrogeology and complements ARCADIS' services throughout the region.

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We continued training programs across the regions, and experienced greater global collaboration among our multi-regional teams to deliver large and complex capital projects.

Energy market creates opportunities
Permitting and environmental impact assessment work is also picking up in the energy market. For TenneT, a regional European high voltage grid provider, ARCADIS will deliver a comprehensive communication and public consultation management approach across a number of high voltage line extension projects in Germany. For this same client, ARCADIS is performing environmental work related to connecting wind parks at sea to the on-shore grid.

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Developments by business line
Buildings

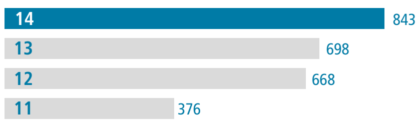
This business line helps our clients transform business performance by planning, creating, operating, and regenerating their assets to ensure they are a source of competitive advantage, meet business needs, and generate sustained business value. Our vision is to be the leading global built asset solutions partner, providing exceptional value for our clients, people, shareholders and the communities in which we work. We help our clients improve and sustain business performance by making the most from their investment and expenditure in assets in the built environment, whether they are planning, creating, operating or redefining those assets. We are a global leader in retail design and one of the largest companies in the design of mixed-use developments. Our approach to projects is directed at improving the quality of life, and raising standards of living, with sustainability an integral part of all of our designs. We deliver world-class design, planning, consultancy, project, program, and cost management for buildings, cities and communities. This business line contributed 32% to total revenues in 2014 (2013: 28%).

Contribution to gross revenues 2014

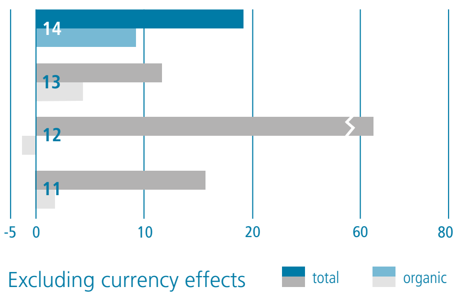
32%

2013: 28%

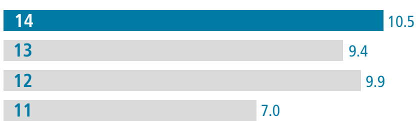
Gross revenues
in € millions



Growth (net revenues)
in %



Operating EBITA margin
in %



Present position and strategy

Global leadership positions in a growing number of segments
Our clients, private investors and developers, leading global retail brands, institutions, end-users, and governments drive market growth in the buildings segment through their investment programs. Through the past acquisitions of EC Harris and Langdon & Seah, we have developed a strong global market position in Program Management, and continue to develop and attract the best talent through The ARCADIS Program Management Academy, benefitting all of our global and regional client activities. In Asia we are a leader in cost & project management services, and have started building from this significant strength. The Global Excellence Center based in Manila from Hyder Consulting should help to support our global operations and capacity in target BUC cities.
In Business Advisory we continued our development of industry leading integrated solutions, combining the core strengths of ARCADIS to solve our client's most pressing challenges. An example of this has been our latest white paper on "Surplus Assets" where we combine our Business Advisory, Masterplanning, Design, and Development Management capabilities with environmental expertise to develop asset portfolio strategies that reduce liability and holding costs while maximizing return on capital employed against the triple bottom line (people, planet, profit).

Our design offering was significantly strengthened with the acquisitions of Callison and Hyder Consulting. With Callison, we are now the clear global leader in retail design, a leader in mixed-use development, the largest

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international designer in China and a top five player in global architecture. The addition of Hyder Consulting fully complements these high end design, program management and cost consulting skills with capabilities aimed at maximizing land asset value through integrated building design and engineering solutions. Hyder Consulting were the architect and engineer of record of the Burj Khalifa, the world's tallest building at 828 meters. We already see significant synergy benefits in the high rise space.

SWOT analysis

Strengths	Weaknesses
Global Built Asset Consultancy throughout the asset lifecycle	Extent of footprint in South America
Strong specialist sector and asset specific knowledge	Weak markets in Continental Europe
Leading global brands in master planning, architecture and, retail, and mixed use design with RTKL and Callison	Limited scope of services in North America
Detailed design and engineering, Global Design Excellence Centers	
Strong global program, project and cost management capabilities	
Strong global footprint especially in the Middle East, UK, and Asia	
Opportunities	**Threats**
Demand for value creation through integrated solutions, including green buildings	Sensitivity to economic cycles
Corporate clients seeking global partners	Increased competition in emerging markets
North America demand potential for Integrated Value Propositions increasing	New entrants (competitors) such as management consultancies, integrated Real Estate Agents, Facilities Management contractors, and the emergence of consultant contractors
Growth in emerging markets in Asia and Middle East – especially supporting overseas investments into regions in which we have strong footprint and market knowledge	
Capital constraints & oversupply in mature markets driving demand for improved asset performance	

Buildings strategy 2014–2016

Strength through collaboration

In our 2014-2016 strategy we have selected five areas in which we have focused our accelerated growth as part of our vision to be the leading global built asset solutions partner.

We have developed significant strength and capacity over the past year in our Core Value Propositions. These are:

- **Master Planning & Sustainable Urban Development** is about comprehensive approaches to urban development, planning and design, landscaping, (smart) transportation planning, urban regeneration and marketing.
- **Performance Driven Design** touches on buildings design, documentation & delivery, engineering, analytics and performance evaluations to ensure that clients get buildings realized that are aligned to their business, brand and design needs.
- **Commercially Led Program Management** exemplifies ARCADIS' program, project and cost management solutions and capabilities in the controlled, optimized and de-risked delivery of complex real estate projects and large infrastructure development programs.
- **Business Advisory** focuses on assisting clients in assessing and planning out the viability of asset developments or transformations, judging key components like finance & funding, assurance and portfolio and asset optimization strategies.
- **Contract Solutions** assists clients with complex issues like strategic procurement & contract advice, providing dispute avoidance, or if needed dispute resolution, while also providing forensic support and expert witness services.

We have invested in our program management and business advisory capabilities, through strategic hires and development of the ARCADIS Program Management Academy.
Our drive to create a leading global Business Advisory capability has attained high levels of success attracting top talent key hires and with clients looking to achieve major business change. Examples of key wins this year for Business Advisory can be seen with clients like Hartford MDC, American Express and National Grid.
Within Contract Solutions, we have finalized our global operating model, rolling out our dispute avoidance, mitigation, and resolution offering to target markets.

Growth through client focus

This year we have seen revenue growth in all building markets in which we are active as a result of these strategically driven steps and an increased number of market opportunities. The strongest growth continues to be in the Middle East, where we have benefited from a number of large Program Management assignments in social infrastructure. We have strengthened our position in key cities through our Big Urban Client (BUC) approach and through the acquisition of Hyder and Callison which brings additional capabilities and people in a number of these cities in the US, Middle East, Europe and Asia. We have continued our strong growth in Asia, with no slow-down in order intake from our long-term clients. Concerns about a

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slowdown in China are persistent, as a result we have strategically strengthened our focus in other geographical markets and fortified our approach in specific sectors such as Retail, Airports, and Healthcare where our capabilities are strong.

We have witnessed the turning point in corporate occupiers market in specific markets as corporates become less capital constrained. Our insight and combined design & delivery capability in workplace have positioned us well to support major clients through our Multi-National Client program to pick up on their occupier consolidation and expansion plans. We have reacted to the strong growth in inward Asian investment into North American and Europe, by developing specific integrated propositions that leverage our global footprint and capabilities to de-risk investment and developments. Our Contract Solutions team have demonstrated their unique capability and strength of proposition in the market working on five of the current global mega disputes (disputes where greater than US$1billion is in dispute). The launch of the 2014 Global Dispute Index research paper has captured high profile attention to the insight and capabilities of this group.

Developments in 2014

	Revenues		Growth of revenues			
	2014	2013	Total	Organic	Acquisitions	Currency
Gross	843	698	21%	11%	9%	1%
Net	692	575	20%	10%	9%	1%

All amounts in millions of euros.
Operating margin excludes acquisitions, restructuring and integration-related costs

	2014	2013
EBITA	61.7	49.3
Margin	8.9%	8.6%
Operating EBITA	72.9	54.0
Margin	10.5%	9.4%

Strong organic growth from emerging markets
Overall gross revenues increased by +21% while net revenues increased by +20%. The currency effect was positive at +1%. Acquisitions (inProjects, Hyder, Callison) contributed +9% to growth, while organic net revenue growth was +10%. Strong organic growth was achieved in the Emerging Markets. Good growth was also achieved in Continental Europe and in the UK, where growth outside of London is picking up, while demand in the capital held up. In North America, good organic growth was also achieved in architecture where revenues in commercial, healthcare, and workplace picked up. Organic backlog growth in 2014 was +10%. The operating margin was 10.5%, which was a considerable improvement over last year (2013: 9.4%), mainly due to improvements in the UK performance.

Building global leadership through acquisitions
Through the acquisition of Hyder we have made a large step in improving our high rise buildings expertise. The engineering design capabilities of Hyder in this area are highly complementary to ARCADIS and their experience includes a number of iconic and world class project references. This includes Burj Khalifa, the tallest building in the world, but also Emirates Towers in Dubai, and the Wave, a 35 story residential tower in Broadbeach, Queensland, Australia. Through the acquisition of Callison we accelerated our growth in architecture and performance driven design, strengthening our position in two of our priority markets; emerging markets (especially China), and Big Urban Clients (LA, New York, London, and Shanghai). Callison also brings us an undisputed #1 leadership position in retail and strengthens our position in mixed use projects. Combined with RTKL, Callison makes us the largest international architectural design firm in China. Examples of Callison projects include the delivery of Porsche showrooms in an effort to meet the insatiable appetite for that client's product in China, Greenbelt 3 in Manila, the Philippines, which opened to overwhelming accolades by residents, tourists, tenants and community leaders.

Middle East is strong market with major programs
Investment levels in the Middle East continue to deliver major growth opportunities for ARCADIS. Already, we are involved in most of the large public authority investment programs in Qatar and a growing number of initiatives in the Kingdom of Saudi Arabia including the program management for the Kingdom Tower which at one kilometer high will be the tallest building in the world and the architectural design of two commercial buildings in the Riyadh financial district. The other two growth markets we focus on in the region are Abu Dhabi and Dubai. Together with Hyder Consulting, our track record of building schemes in Middle East was significantly strengthened. Other ARCADIS involvements in the region include Hamad Medical City in Qatar, the biggest health development in the world, featuring three new facilities and a research center of more than 250,000 sqm^2. Our contribution is project and design management services. In Amman, Jordan, we successfully rescued the Taj Mall project, an upscale 170-store shopping complex, that had stalled mid-construction, with significant costs already spent and an environment of continuing delays and unsafe working practices. It opened in 2014.

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Asia position strengthened while growth continues
We achieved strong growth in our Asian activities. Growth from acquisitions not only came from Callison and Hyder Consulting, but also from inProjects, a 200 person project management firm, that was added in March 2014. InProjects provides project management services to a number of blue-chip clients in the retail, hotel, hospitality and leisure sectors including Adidas, Swarovski, Citibank, Apple and Starbucks. The firm is active in Hong Kong, China, Macau, Singapore and India. In China, there is an insistent discussion around market growth risks and a possible slowdown. Our clients – mainly private sector developers – have not reduced their investment levels. A slowdown is visible in residential where we have limited activity. While revenue increases continue to be driven by Hong Kong/China, countries like Malaysia and Singapore are also contributing to growth. In Thailand, India and Vietnam market conditions were more challenging. In 2014, ARCADIS increased backlog in Asia among other things through mixed- use, retail and healthcare projects, also in a business advisory role. In Guangzhou, China, we assisted our client Pramerica in repositioning a retail mall for better performance. In Shenzhen, China, the Avic Center mixed use development opened in 2014, designed by RTKL. In Beijing, Starwood Hotels & Resorts' W Hotels luxury boutique brand has opened its first property, a 349-key hotel is the second W in mainland China and the first one designed by RTKL. Also in that city, RTKL designed the award winning Gualv New City Hospital focused on patient wellness, digitization and sustainability. In Cheon Ho, Korea, we started work on a retail design project for Hyundai department Store Co. In Hanoi, Callison delivered Vietnam's first truly self-sufficient live, work and play destination, centrally located in the city's embassy district. In an effort to attract international companies and travelers to the country's growing economy, the Lotte Center high-rise features the latest in sustainable design solutions and modern conveniences and is the second highest building in Hanoi.

Growth chances increasing in North America
Global office construction is rising strongly, also in North America. This is an effect of general economic improvements and creates pockets of growth in certain local markets, such as Houston. The commercial design market, in which we have significantly enhanced our position through the acquisition of Callison, is also growing. The US also experienced an increase in industrial construction demand, which is closely tied to lower energy prices, driving a resurgence in US industrial activity. While healthcare in the US remains challenging, we have won several significant opportunities in Canada. Just a few days after the acquisition of Callison, we were able to announce the first Callison/RTKL synergy project, a $3 million assignment to design the expansion of the Swedish Neuro Institute at Swedish Medical Cherry Hill Campus. In large scale master planning, RTKL was selected by the City of Las Vegas to develop a master plan for the reuse and redevelopment of its downtown area, including the famous Strip. We worked on master planning and architectural design for the renovation of Royal Hawaiian Center and have a long-term engagement with Ala Moana Center with its design incorporating local Hawaiian materials, plants and symbolic imagery to complement the Hawaiian lifestyle and enhance the character of this premier retail destination.

Broader growth in UK market and a pick-up in Europe
Market growth broadened from London to other UK cities including Manchester and Birmingham. In 2014, we strengthened our position in the UK through some smaller additions. A significant project win in the UK was the project and cost management on the University of Manchester's new £60m Graphene Engineering Innovation Centre (GEIC). It will complement the university's other facility, the UK National Graphene Institute, upon which we have also taken a leading role. In Continental Europe, buildings market growth is driven by private sector initiatives and mostly focused on improving the performance of existing assets in the form of OPEX consulting. Case in point is the earthquake damage resolution work that ARCADIS will perform in the Groningen province in the northeast of the Netherlands on behalf of NAM as part of a consortium. The team will manage and coordinate structural strengthening of buildings, while also working on making the affected buildings more sustainable. ■

Developments by client type
Big Urban Clients

In ARCADIS' 2014-2016 strategy a new client-oriented program was introduced: Big Urban Clients (BUC). BUC is part of our focused organic growth strategy. The program was set up in response to a number of trends that affect urban environments:

- Rapid urban growth around the world
- Increased complexity in urban development
- Need to enhance livability and accessibility
- Address ageing infrastructure and real estate

This is where ARCADIS which possesses a broad range of integrated solutions and the ability to transfer solutions between global urban areas, can provide help and create value for our clients.

The BUC program leverages ARCADIS' strong position in several of the world's most dynamically developed and emerging cities, with solid stakeholder relationships and a proven track record for delivering iconic projects. After having tested the BUC approach in Chicago and London during 2013, ARCADIS selected twelve cities in the first wave of the BUC program launch. During 2014 City Executives were appointed for Chicago, New York City and Los Angeles in North America, Sao Paulo in Latin America, London and Amsterdam/ Rotterdam in Europe, Doha and Jeddah in the Middle East and Singapore, Shanghai and Kuala Lumpur in Asia. Their role is to ensure the BUC is fully aware of ARCADIS' capabilities while at the same time, ARCADIS is fully familiar with the needs within the BUC. Based on this combined knowledge, the City Executive is best positioned to ensure that there is a match between the issues our clients are facing and how best to deliver ARCADIS' global capabilities.

The goal of the BUC program is to increase market share in specific locations and serve our clients with our best capabilities, building on existing client relationships across all ARCADIS value propositions. To achieve this, we need to:

- Maintain high level client and political relationships
- Become the recognized trusted advisor and thought leader in sustainable urban development
- Win large projects/ programs prioritized globally
- Grow the business by closing large commercial deals

In New York City, a team including ARCADIS is a winner of the Housing and Urban Development (HUD)-sponsored Rebuild by Design competition. ARCADIS was responsible for the engineering behind the concept, and also the cost estimating for a design concept dubbed the "Big U"- a series of protective measures stretching around the south tip of Manhattan from West 57th St to East 42nd St. in a U-shape.

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In 2014, the Rotterdam Central Station was opened, an new iconic building for the city. From the start of this project in 2004 ARCADIS has delivered all the engineering and technical consultancy for this project for its client ProRail. Work included feasibility studies, design of construction, installation and rail systems, design coordination, procurement and construction management.

Driving competitive advantage for clients

For developed cities we can drive competitive advantage by attracting investment into public infrastructure through asset-led transformation, regeneration and sustainable infrastructure development We turn liabilities into assets (e.g. urban brownfields, decommissioning) and create new revenue streams for cities. All of these efforts should increase quality of life for inhabitants, as we develop sustainable solutions.

For emerging cities, we can drive competitive advantage through Smart Master Planning, balancing business and social infrastructure and by delivering high-quality assets with certainty of outcomes and speed to market. We help urban clients create legacy, including the transfer of knowledge and also increase quality of life, realizing more sustainable solutions by contributing our environmental expertise (water, air, land).

The BUC program has three core differentiators where ARCADIS has a clear right to win. These core capabilities are the key to improving urban sustainability:

MOBILITY	Creating integrated transport solutions to provide connectivity and transport choices
	Advancing intelligent transport to connect people with cities
	Enhancing connectivity with public transport
RESILIENCY	Establishing unique sustainable environments that respond to local climate and context
	Protecting communities from climate change, while enhancing a city's natural environmental and urban design
	Integrating resiliency with community design
REGENERATION	Reusing depleted assets to maximize a city's true potential
	Transforming underperforming cities' assets into high-value social and cultural growth engines
	Breathing new life into developed BUC cities

A selection of 2014 successes

A number of significant commissions underline the relevance of the BUC program. In New York City, we worked on a number of flood protection measures. These include the Big U, a system that will protects ten consecutive miles of coastal Manhattan. It will shield the city against floods and provides social, economic, and environmental benefits to the city. In Kuala Lumpur, we provided Business Advisory services on the Tun Razak Exchange (TRX), an iconic 70-acre development by 1MDB, the Malaysian Government's Investment Company. TRX is set to become a leading center for international finance and business with world-class residential, hospitality, retail, leisure and cultural offerings. In Singapore, we were selected by the Changi Airport Group (CAG) to expand the Changi Airport which is paramount to the economic vision of Singapore's future. The project includes risk management consulting, masterplanning, functional studies, design and aviation consultancy. Chicago Transit Authority (CTA) is engaging us to provide construction management services for the Wilson Station Reconstruction project, the largest station in the CTA system. The assignment encompasses phased replacement of four operational elevated rail lines (substructure and elevated/superstructure), replacement of power and signalization systems, construction of three passenger entrance/ exit facilities and the restoration of two historically significant buildings; all of which needs to be completed while the station remains open to the public as an active rapid transit facility. We were selected by the Qatar Rail Company (QRC) to perform cost management, commercial management and contract solution services for the €34 billion metro rail that will be built in Doha. In December, the QRC signed the framework contract awarding ARCADIS a fee of €8.4 million. ARCADIS will work as the prime consultant across the whole metro-rail program. ■

Developments by client type
Multinational Clients

ARCADIS' program for Multinational Clients (MNC) goes back more than 20 years, but is reviewed and sharpened every year. Our MNC program is designed to bring the best of ARCADIS to private and industrial organisations who value longer-term partnerships. The Program focusses on a carefully selected portfolio of clients who have needs across multiple countries and business lines. Within the program, clients benefit from best-in-class service, with a fast and agile approach in responding to their needs, supported by dedicated global and regional account leaders. In 2014 – as part of our 2014-2016 strategy – we invested in accelerating organic growth in our MNC program by expanding our sector focus through dedicated market sector specialists. Their role is to bring deep sector knowledge to clients in those market sectors and ensure clients benefit from the broad capabilities of ARCADIS.

Corporate Identity roll-out for Opel in Europe.

In 2014, a total of 44 Fortune 500 companies across six sectors were clients of our MNC program. The sectors included Oil & Gas, Automotive & Aerospace, Financial Institutions, Chemical & Pharmaceuticals, Conglomerates and Mining. In 2015 the sector Commercial Developers will be added.

Business outcomes for our clients

The program is set up within global sectors headed up by market experts; this structure differentiates us from peers, increasing proximity to clients and ensuring sector insight analysis and information is easily shared and accessible, helping clients understand how they compare to others and apply best practice for business improvement.

Oil & Gas is our largest sector by volume and holds close relationships with Exxon Mobil, Shell, BP and other industry leaders. Traditionally, we have focused our efforts in this sector on environment assessment and remediation services, and our clients have valued the high level of health & safety stewardship, and the quality and certainty of outcome we have provided in whichever territory served. In line with our 2014-2016 strategy, we have effectively dealt with the volatility seen within the oil and gas industry as well as trends to divest downstream assets, by re-focusing on mid- and up-stream markets offering front-end support including our value adding contract solutions capabilities.

The **Automotive & Aerospace** sector was established within the last two years to respond to growing demand from our European clients including BMW, Landrover/Jaguar, Ford, General Motors, Opel, helping them with capital expansion

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Callison also works for multinational automotive clients. They design Porsche dealerships in China.

plans in Asia and Latin America and a variety of other solutions in asset consulting and environmental issues. The market sector team provided solutions drawn from ARCADIS' four business lines such as environmental and regulatory compliance, investment support, planning and permitting, project and cost management.

Financial Institutions has been added as a sector within the last two years, and is driving strong organic growth. Success has come through taking our due diligence offerings to a wider client portfolio including JP Morgan, as well as supporting BNP Paribas and others to manage flagship capital investment programs. Our global sector team structure allows us to identify and respond to client needs quickly, helping our clients make even better investment choices and setting us ahead of peers.

The **Chemicals & Pharmaceuticals** sector remains a consistent and value adding part of the MNC Program, providing valued insights to Bayer, Novartis and others particularly on complex environmental issues and environmental stewardship. During 2014 our 'Optimizing Operational Expenditure' research and insight paper was launched, broadening the way we support clients in the sector to include business advisory themes across a number of operational and asset related categories. We worked with BASF on efficiency of utilization of real estate assets, and with Syngenta on investments in product ranges as well as production facilities.

The **Conglomerates** sector includes long-term relationships with GE and Rolls Royce particularly supporting clients with environment and remediation services. In addition, we are now also helping to manage large capital programs and deliver asset optimization solutions similar to those within Chemicals and Pharmaceutics sector.

Within the **Mining** sector, ARCADIS focused on Latin America and North America. We offered a full range of solutions to this sector including upfront planning and permitting, design, program and construction management, water management and environmental restoration. With the global down turn in the Mining sector, we have continued to work closely with our existing clients on their high-priority projects. We are well positioned to address our clients' full asset life cycle needs as market conditions improve.

The **Commercial Developers** sector will be a new addition to the MNC Program in 2015. This addition creates a more balanced portfolio, with additional pull for Buildings propositions, and directly brings Langdon & Seah, RTKL and Callison clients into the portfolio including China Resources and Sun Hung Kai. With this addition the MNC Program will focus on 57 multinational client relationships within six market sectors, building on established success.

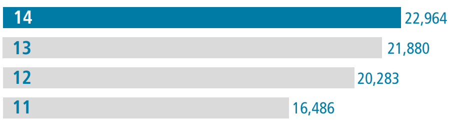
Strong organic growth in specific sectors

In 2014, like in earlier years, the strong account management focus in the MNC Program, now further supported with sector know-how, is driving high levels of organic growth. Including oil & gas which was impacted by falling oil prices, the program generated 6% of growth across the clients that were part of it during the year. In Automotive, significant growth was achieved with BMW in Asia through a Beijing R&D center, distribution centers in Thailand, Korea, Malaysia, and production facilities in Shenyang, China. More widely, we achieved additional recognition of the Sector as a Global Solutions Consultancy. In the sector Conglomerates the General Electric Solar Project stood out as an important win mention the country(ies). It helped strengthen relationships with GE by providing innovative solutions to reduce liabilities and achieve their business objectives. In Chemical & Pharmaceuticals, we won another European assignment for Syngenta assisting them in a new pan-European agrochemical product stewardship project to be completed over the next five years. In the Financial Institutions Sector, several individual countries were transitioned towards Master Service Agreements (MSA's). Examples are with Blackstone and Citigroup in Asia and Europe, Deutsche Bank in Europe, and JP Morgan in North America. In Oil & Gas we agreed a new global framework agreement with Shell. This contract is an example of our expanding upstream hydrocarbon project capabilities in key geographies. In mining we won a new contract with Ferrous to deliver engineering, procurement and construction management (EPCM) consulting services for the expansion of the Viga iron ore project in Brazil. ■

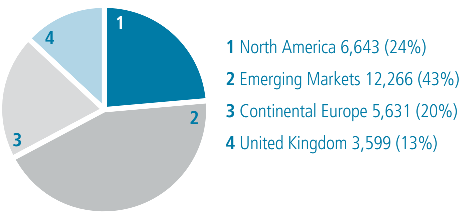
People and organization

At ARCADIS we focus on attracting, engaging and inspiring excellent people. We do so by purposely providing people the possibility to realize their full potential. And while we work on creating sustainable solutions and exceptional outcomes for our clients and all of our stakeholders, our goal is also that we enjoy the journey. We believe in collaboration – it is a core value and a central part of our strategy. Collaboration allows us to offer global solutions to our clients, and build long-term client relationships with them, while at the same time providing opportunities for our people to work in global teams. We are the most international company in our field in the world and find inspiration in our ability to work with culturally diverse teams around the world on a broad selection of important projects. We believe in performance which is fuelled by our passion to be the best and by our desire to deliver the best of ARCADIS to our clients anywhere in the world. We work hard at being an employer of choice, realizing that we need to strike the right balance between our high performance culture and the personal interests of our people. We celebrate our successes, learn continuously and through our strong health and safety culture we care for each other to ensure we all go home safely at night.

Average number of people
Including temporary staff

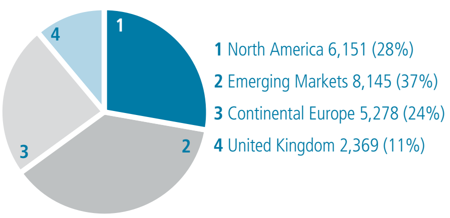


Geographical spread personnel[1)]
At year-end 2014: 28,139



1) total number of people including temporary staff

Geographical spread personnel[1)]
At year-end 2013: 21,943



1) total number of people including temporary staff

Strong increases driven by acquisitions
We have seen strong growth in the number of people working for ARCADIS, mostly resulting from the acquisitions that were completed in the second half of 2014. The total number of ARCADIS people at year-end 2014 was 22,061 (2013: 21,039). When including temporary staff, our total capacity at year-end 2014 grew by 28% to 28,139 (2013: 21,943). The increase was mostly driven by the acquisitions of inProjects (200 people), Callison (1,002 people), Hyder Consulting (4,740 people) and Franz Environmental (100) people, as well as some smaller additions in the UK totaling (50) people. In organic terms, our number of people was slightly up and results from additions in Asia and the UK, offset by capacity reductions mostly in North America.

Other staffing trends
Voluntary staff turnover was unchanged at 12%, with turnover highest in Asia. Our efforts to create a more balanced and diverse composition of people within ARCADIS was helped by Callison which has 47% females among its people but somewhat diluted by the addition of Hyder, where 25% of people are female. For the whole company 35% of our people were female, compared to 36% in 2013. The average age of ARCADIS people declined to 36.8 years, versus 38.6 years in 2013. Absenteeism was 1.5%, down from last year's level of 1.7%. Employee development is supported by annual performance reviews, in the majority of our business as part of our goal to allow people to reach their full potential within ARCADIS. In 2014, 67% of our people went through a performance review.

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Fostering a more diverse ARCADIS
In January 2014, ARCADIS decided to develop a proactive global Diversity and Inclusion (D&I) program based on the conviction that a diverse workplace that is equal for all people regardless of gender, age, cultural background, ethnicity, or sexual orientation, will promote an inclusive workforce and lead to loyal and more engaged employees. Research shows that businesses with diverse and inclusive cultures have more positive business results by being able to attract and retain the best people from diverse backgrounds, getting better performance from diverse teams, and having greater customer insight and support when they mirror the diversity of their clients. A core D&I team was established, sponsored by our CEO and led by two members of the Senior Management Committee. This team assessed our current D&I status, and formulated areas for attention and improvement that have been included in a global and regional action plans. Starting in 2015 we will track and report our D&I performance globally. One of the global targets that has been set is to have at least 30% diversity candidates (internal or external) on the slate for every leadership position we need to fill. All regions have developed a D&I plan for 2015 and support the global D&I commitments. Progress will be reviewed quarterly and taken into account as part of the performance appraisal of the regional leadership teams.

Strengthening senior leadership
During 2014, we continued to build strength in our global leadership teams in support of our rapid growth and the implementation of our strategy for the 2014-2016 period. We have made headway in establishing a more robust succession planning framework within ARCADIS. During 2014, that has resulted in a significant increase of talent identification at all levels of the organization around the world. Consequently, this will enable us to build more diverse career trajectories. Next to implementing procedures to strengthen our leadership, a number of key appointments were made to further steer growth. At the beginning of the year we appointed a new Global Director Human Resources with extensive international experience, also in Asia. In May, our CEO for Continental Europe, who had successfully led the transition in Europe to a new operating model and improved its performance, was promoted to the Executive Board. He was succeeded in September by the leader of the European buildings division, who contributed to growth in Continental Europe through the implementation of our built asset consultancy thinking in a tough market. In Asia, the new position of CEO Asia was created and filled, to build on the combined strengths of the ARCADIS businesses in the region and create the leading organization in Asia in delivering exceptional outcomes to clients. Early 2015 a new CEO was appointed in North America, while further strengthening of the leadership team is planned in 2015. Also regional leadership changes were made on the back of the Hyder acquisition, while a new Global Design Director was appointed to manage the Global Design Excellence Centers and Australia Pacific was added as a seventh region. Leadership appointments also included positions instrumental to the execution of our strategy. These included the appointment of sector leaders for our chosen global market sectors within the Multinational Client program. The sectors are: Chemicals and Pharmaceuticals, Financial Institutions, Conglomerates/Consumer Goods, Oil & Gas, Automotive & Aerospace and Commercial Developers . Sector leaders are focused on increasing the penetration within this client base. In our Big Urban Clients program, aimed at driving organic growth in strategically selected urban centers, eleven City Executives were appointed. We also appointed eighteen global core value proposition leaders for strategic priority areas. Their role is to design scalable value propositions that are applicable to clients throughout ARCADIS, thereby supporting international collaboration and driving organic growth.

Building a high performance team culture
To successfully deliver seamless global services to our clients, enable the fluent exchange of knowledge and capabilities, and deliver the best of ARCADIS to clients anywhere in the world, we have a number of programs in place to foster collaboration and focus on performance. Our Quest program (www.arcadisquest.com) is aimed at providing people the opportunity to go on short or extended missions to exchange knowledge with other experts in the world. This can be done on an individual basis or in teams. Between the teams that initiated the engagements and the receiving teams, more than a thousand people have been touched by the Quest program since its inception in 2008. The third rendition of our Global Shapers program (www.arcadisglobalshapers.com), our global initiative for young professionals, brought together a selection of 100 of these people in the United States to connect and share knowledge. While there, the group worked on developing ideas that can help ARCADIS improve its leadership and marketing skills and connect quicker and more effectively in virtual teams. Meanwhile we have developed a network of 300 Global Shapers who continue to be active and ensure that ARCADIS remains an attractive and relevant place of work for younger generations.

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Our global leaders program (ARCADIS Global Leadership Forum) aims to bring together senior leaders and top potentials of our company to enlarge their network, collaborate on key strategic themes and create a ripple effect in the organization through communication and engagement. This year's AGLF focused on living and leading the transformation. 150 leaders gathered in the U.S. to take stock of where we are in the implementation of our **sustainable growth | performance | collaboration** strategy and what is needed to build a culture of high-performing teams and delivering exceptional outcomes for our clients. Total investment by the Lovinklaan Foundation, ARCADIS largest shareholder, in the global staff exchange, network, development and innovation programs in 2014 amounted to €1.1 million.

Leadership and talent development

In the 2014 leadership development programs a total of almost 60 executives participated. Our programs include the Senior Leadership Program (SLP), aimed at high performing senior leaders and the Advanced Management Program (AMP), which aims to increase top potentials' abilities to implement the ARCADIS strategy and to take the next step in realizing their leadership aspirations.

Measuring and improving engagement

In the highly competitive markets in which we operate, our people are the differentiating factor to sustainable success. In order for ARCADIS to create a work environment in which people feel valued, are engaged with our core values and are given the right conditions in which they can realize their full potential, we need to know how engaged our people are. In October 2014, we therefore launched the first global engagement survey called YourVoice. The survey gives our people the opportunity to have their say and allows ARCADIS to monitor progress in this area.

A total of 73% of our people participated in the survey, already a signal of high engagement. Of those respondents, 80% agree ARCADIS is a great place to work and 94% said they would recommend our products and services. 94% of our people believe our company is committed to health & safety, while 60% indicated that they see the company has become more collaborative than a year ago. 92% of our people see us as client focused and 78% understand our passion, mission and values. An area for improvement is that of effective change implementation by our leaders, where only 62% of staff believe we make the mark.

ARCADIS Academy delivers solid returns

ARCADIS aims to be a global leader in program and project management for large investment schemes. Our Program Management Academy (PMA) is a key vehicle in developing that capability. In 2014 a significant investment was made to accelerate the program and create the next generation of ARCADIS Program Managers. During the year, we started partnering with Oxford Saïd Business School (Oxford University) to make sure the ARCADIS programs and experiences are in sync with the best academic knowledge, thus delivering the highest quality of directly applicable learning. Program management leadership and executive groups also worked on further unifying and streamlining our program management approaches globally. The success of the PMA also spawned the launch of the ARCADIS Client Development Academy with the creation of a global development framework, key modules and a Pilot launch in Washington during 2014. In the coming year we aim to further broaden the Academy to cover our core professional competences as well as leadership.

Volunteering for sustainable urban development

In 2014 120 ARCADIS people from around the world participated in our Shelter Program, ARCADIS' partnership with UN-Habitat, the United Nations agency for human settlements. Through this program we apply our knowledge and skills in a range of projects, assessments, trainings and site visits that help UN-Habitat achieve its goals for sustainable urbanization. The Program has approximately 300 volunteers from across ARCADIS and is supported financially by the Lovinklaan Foundation. In 2014, Shelter volunteer teams worked in the Philippines to provide further support for communities that were destroyed by typhoon Haiyan, Rwanda on urban master planning, and the Solomon Islands on water management.

Sharing in the creation of value

Enrollment in our employee share purchase program is growing. This program, also sponsored by the Lovinklaan Foundation, allows people in ARCADIS companies to purchase ARCADIS shares from the Foundation at a discount, thus stimulating share ownership and increasing involvement with the company. The program is open to ARCADIS employees with fixed employment contracts. By the end of 2014, 4,109 people participated in the program (2013: >4,000). ■

Risk management

ARCADIS' approach to risk management

Risk in relation to our business
In our day-to-day business decisions, we seek to strike a balance between maximizing business opportunities within the framework of our strategy, while at the same time minimizing the strategic and operational risks which are inevitably involved. A clear and well-structured risk management process allows us to do this in a controlled and transparent manner and to manage residual risk. Market conditions and client expectations, including a growing tendency to share risk with contractors and service providers, increase the size and complexity of the projects we work on. However, our geographical, market and client spread mitigate the potential risk substantially.

Risk appetite in relation to strategy
ARCADIS' risk management policies aim to identify, assess and manage risk. We provide high value-added and consulting type solutions, under contract terms that limit our liabilities. Although we are routinely involved in major turnkey projects with higher risk, these are pursued under the premise that we have the technical, and project management skills to adequately control the risk. Our policy is not to take equity stakes in projects and only by exception and for specific reasons would we deviate from this starting point. In total 56 key controls are defined to manage ARCADIS' risk, which are embedded in the ARCADIS Business Control Framework (ABC). These are classified into zero, critical and balanced tolerance indicating the level of acceptable risk appetite.

Risk Management and internal control
In addition to direct business reasons, the regulatory and reporting framework applicable to ARCADIS requires effective risk management. ARCADIS' risk management is based on a global Enterprise Risk Management (ERM) process, which provides a structured, consistent and transparent approach to identify, assess and manage risk that may impact our business operations. The framework is named ABC. The key characteristics of our risk management are:
- Focus on primary business risk;
- It is principle rather than rule-based; and
- It represents the minimum requirements that operating companies have to meet.

The ABC Framework is made up of global governance standards and global and operating company policies and standards. The ABC Framework has been rolled out globally.

Responsibility for risk management
The Executive Board, under the supervision of the Supervisory Board, has overall responsibility for the ARCADIS risk management and control systems. Management teams of regional and operating companies and global business lines are responsible for operational performance and effectiveness and for managing the associated risk. This is done within the framework of the ERM process as issued and governed by the Executive Board.

As part of the ERM process the various risks that ARCADIS faces in the pursuit of its updated strategy have been identified. The main risks were selected following comprehensive discussions that included the likelihood of their occurrence and their potential impact. The Executive Board, Audit Committee and the Supervisory Board review the identified strategic and operational risk annually.

The growth in size and complexity of ARCADIS warranted a next step in the development and professionalization of Risk Management and Internal Audit functions, which for that purpose were split into two separate departments effective January 2014. The Risk Management function reports to the CFO and supports the strategic and operational performance of ARCADIS by supporting the operating companies in identifying and assessing risk, and implementing mitigating measures. The global function consists of more than 20 people, who perform risk management roles in the regions in which ARCADIS is present Internal Audit, reports to the CEO with a functional line to the CFO and has a reporting line into the Audit Committee. It focuses on the improvement of quality of governance, risk management and controls by providing independent and objective assurance, evaluation, promoting and advising on effective risk management based on audit outcomes, control and governance processes and the promotion and monitoring of the implementation of recommendations by internal audit, risk management, legal, Health & Safety and external audit teams. Internal Audit is responsible for auditing compliance with the internal controls as included in the ARCADIS Business Control Framework and seeks effective alignment with Risk Management and other internal control functions.

Our Risk Management Committee includes representatives from the Executive Board and the Legal, Risk Management and Internal Audit functions as well as representation from Operations and is charged with supporting the review and implementation of the ERM process. In 2014, the Committee met three times to review and discuss the mapping of controls,

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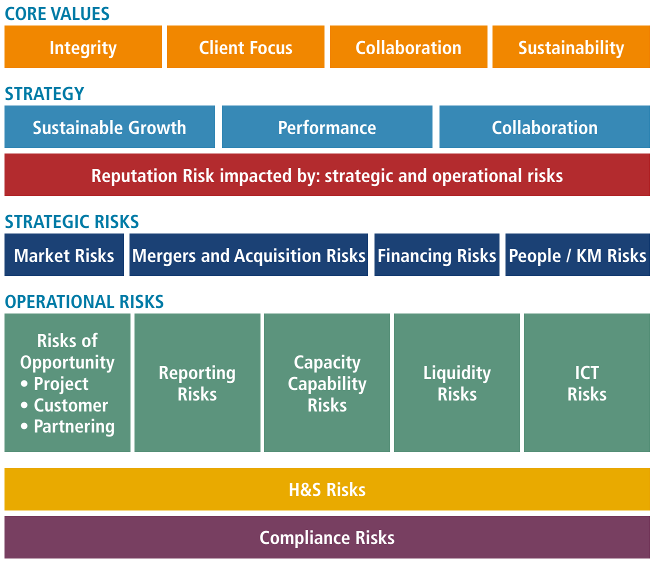
information security, the risk management charter, the overall status of the ARCADIS Business Control (ABC) framework, outcomes of risk workshops, soft control surveys and further improvements in our risk management approach. Soft control surveys were performed in 17 countries across multiple regions, providing valuable input on the organizational culture and staff behavior in the different operating companies of ARCADIS and how people deal with integrity issues, fraud and bribery amongst others. Including the soft control surveys of previous two years in total 3,250 respondents provided feedback to steer Risk Management enhancements. This input is also used in the design of the risk management workshops that are organized around ARCADIS to further enhance risk awareness. A total of 56 of these risk workshops were held with in total almost 700 staff attending. End of the year all of our employees took the bi-annual global online business principles training organized out of the Human Resource and Legal departments. Additionally, multiple content & awareness trainings were provided on integrity, anti-corruption and other relevant topics.

Information Security gets more attention
A communication error that led to the inadvertent early release of our 2013 annual results underpinned the necessity, amongst other factors, to strengthen Information Security. A greater visibility of ARCADIS, increased regulation around data collection, storage, distribution and maintenance, new connecting and collaborating trends in IT across networks (social media, cloud computing, mobility and bring-your-own-device) as well as increases in cyber security threats – together necessitate more attention for Information Security. For that reason in 2014, ARCADIS developed an Information Security strategy and appointed a Global Information Security Officer. Appropriate policies are being revised, and an ARCADIS wide implementation program is being prepared including compliance and monitoring mechanisms.

Main risks and how these are managed

Below is an overview of the main risks we face and how these are managed in relation to our core values and strategy. While the risks covered below are considered the most relevant risks to ARCADIS, other risks and residual risks could have a similar or more severe impact on the Company. Our most important risks are: contract issues, project failures, integrity issues, health & safety breakdowns, information security breaches and business partner issues.

As risks vary, regular assessments are made of the proportion of risk in certain areas, which also relate to the growth of the company, its geographical presence, activities and general risk trends. Increased risk was assessed to be present during 2014 in the area of reputation resulting from ARCADIS' increased exposure to emerging markets, the attraction of more attention from Non-Governmental Organizations and our involvement in larger projects. Acquisition risk increased as deal sizes increased, while the people risk increases as we seek to collaborate better and create a high performance culture. We



continuously update our risk measures and approaches to mitigate for the evolving risk profile of ARCADIS.

Reputation risk (strategic)
Issues arising from mistakes in projects, non-compliance with laws and regulations or our business principles, Health & Safety issues, client or supplier issues, or controversies around projects may affect our reputation as a reliable, high quality solution provider.
Possible impact: ARCADIS operates most of its businesses under the ARCADIS name or endorses sub-brands with an ARCADIS reference. Any reputation damage may have a wide impact and could affect our reputation and ability to attract new business.
Mitigation: ARCADIS has a go/no go system in place through which it also assesses possible reputation risks related to clients or projects. Beyond that we have quality control systems in place to help manage such risks. These include a compliance program, a proactive Health & Safety policy, a client focus program and criteria for selection of partners. In addition, communication on major events and crises is centralized to help us manage our reputation effectively.

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Market risk (strategic)
Our markets may decline, as a result of economic downturns, government austerity programs, changes in legislation and regulations, or political instability.
Possible impact: Changes in market conditions may lead to increased competition or an inability on the part of ARCADIS to procure new projects. This may result in lower revenues and margins.
Mitigation: We foster entrepreneurship, close client relationships and comprehensive sector knowledge. Our proximity to clients and the sectors in which they operate enables us to anticipate changes in market conditions at an early stage. At a corporate level, our Corporate Development department and Global Business Line Teams monitor market trends to adjust to developments in a timely way. In addition, we update our strategy every three years and as needed intermittently to ensure the Company remains focused on long-term growth markets.

Merger & acquisition risk (strategic)
Growth through acquisitions is part of our strategy. This entails a number of specific risks related to the preparation and execution of an acquisition and integration.
Possible impact: Items such as balance sheet misrepresentations, insufficient backlog and unforeseen claims may have an adverse effect on revenues and margins. Integration issues and a lack of retention of key people may also negatively impact our performance.
Mitigation: Acquisition processes are managed centrally and include a thorough analysis of, and due diligence on, the strategic fit, fit with our business principles, management and reputation, culture, financials and policies & procedures. Acquisition contracts include customary representations, warranties and indemnities while employment agreements and non-compete clauses, as well as stock options, are used for retention purposes. In larger privately held company acquisitions, we prefer to pay part of the purchase price in ARCADIS shares to promote the alignment of the former owners with our long-term interests. Our post-merger integration processes help us to focus on market and organizational integration, and includes alignment with ARCADIS' ABC Framework. This includes a time schedule with an immediate focus on zero tolerance issues and a phased approach for other risk categories. Larger acquisitions are evaluated after three years and discussed with the Supervisory Board.

Financing risk (strategic)
To properly fund its business, invest in innovation and organic growth and to do acquisitions, ARCADIS needs access to capital.
Possible impact: Restrictions in access to or lack of capital may limit ARCADIS' ability to fulfil its obligations in delivering solutions to its clients. Lack of capital for acquisitions may weaken our relative position in our rapidly consolidating industry.
Mitigation: ARCADIS has access to credible sources of funding and has long-term financing arrangements with banks to fund its daily capital needs under a well-spread out debt maturity schedule. In past years, ARCADIS has diversified its sources of funding and has also attracted capital through US Private Placements for longer time periods from institutional investors. In 2014, ARCADIS did an equity placement to partly finance the acquisition of Hyder Consulting through an accelerated book building approach. The issuance grossed €174 million. ARCADIS has a well-developed working capital management system and centralized cash management approach, limiting capital costs. We focus on maintaining a solid financial performance in the short and long-term, with debt levels that stay well within our loan covenants, transparent reporting, and a proactive investor relations program.

People risk (strategic)
ARCADIS has a strategic ambition to be the best in everything it undertakes, which includes attracting and retaining the best people and allow them to reach their full potential. In addition, we strategically rely on collaboration to leverage our capabilities and global footprint to bring the best of ARCADIS to better serve our local, national and global clients.
Possible impact: Failure to develop a balanced culture focused on performance and collaboration may negatively impact our ability to successfully pursue work and provide leading edge solutions for our clients. This in turn can lead to loss of opportunities, client relationships and ultimately loss of revenues.
Mitigation: ARCADIS manages the recruitment and selection of people based on job qualifications, but also on the ability to work in global teams and perform under high pressure conditions. In addition, ARCADIS has a multitude of programs directed at improving collaboration and knowledge exchange around the world, including our Quest exchange program, generation Y engagement program, centers of excellence, and targeted education programs, such as our Program Management and Client Development Academies.

Client & Project risk (operational)
ARCADIS works on tens of thousands of projects annually for many different clients and encounters a variety of risks. Client selection determines our ability to perform work effectively, while also impacting remuneration for the performance we deliver. Project selection is critical to our success as project demands need to match our ability to provide the right solutions and not

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introduce undue limitations or liabilities to our performance. Partner selection is essential to successful project completions.
Possible impact: Inappropriate client selection may expose ARCADIS to risk with regard to its receivables, unfavorable discussions with regard to scope changes and other issues, resulting in lower margins. Improper project selection and management may lead to cost overruns, while contractual conditions may result in considerable liabilities, claims and loss of clients. Selecting inappropriate partners may result in design failures, project delays, conflicts of interest, again resulting in possible liabilities and negative effects on revenues and/or margins.
Mitigation: An extensive and globally prescribed go/no go process prescribes client and project selection that are carefully weighed against a broad set of criteria. Our thorough review of contract conditions, regular project reviews, selection, training and performance reviews of people, quality management systems, and a global insurance policy also limit our project risk. Main project risks and claims are assessed quarterly, and if required, provisions are taken to cover risk. All claims with a potential impact above a certain size are monitored at corporate level and discussed with the Audit Committee each quarter.

Reporting risk (operational)
The size and the complexity of ARCADIS' fast growing organization may introduce challenges with regard to the way in which we report our (financial) performance.
Possible impact: A material misrepresentation of our (financial) performance, misjudgement of our backlog, or other management judgments with regard to our financial performance, may trigger the need for restatements. Recent events in the market place have shown that such restatements (if sizable) can have a severe impact on a company's reputation and stock market value.
Mitigation: ARCADIS performs monthly project reviews and for large projects performs a deep dive every quarter to review project progress and assess both revenue and profitability. Project revenues are reviewed by finance staff, while finance directors of the operating companies report to the CFO of ARCADIS, not to the local managing directors.

Capacity/capability risk (operational)
Employee utilization is a key driver for ARCADIS' financial success. More effective use of the time available from our experts can be a strong driver for our margin performance.
Possible impact: A decrease in workload may reduce employee utilization. Experience indicates that a strong market downturn can cause a substantial decrease in annual revenues for the business in that market. Such conditions could seriously impact margins and profitability.
Mitigation: All operating companies monitor and report order intake and billability on a bi-weekly basis. In Europe, our policy is to have a certain percentage of our people on flexible contracts.

Liquidity risk (operational)
A free flow of capital is crucial for future success to fund our growth strategy.
Possible impact: Financial risks include credit, liquidity, currency and interest rate risks. Of these, our risk assessments have shown liquidity risks to be the most important. This includes the availability of sufficient financial resources to finance our growth strategy.
Mitigation: Liquidity risks are centrally managed by giving a high priority to working capital and cash flow, which are reported by all operating companies on a monthly basis to the Corporate Treasury department. More extensive information on financial risks (including sensitivity analysis), and the way these are managed can be found in Note 30 to the Financial Statements in this Annual Report.

Information technology risk (operational)
In ARCADIS' increasingly global operations, we rely on collaboration to win work and bring the best of ARCADIS to clients, wherever they operate. Seamless communications and connectivity are paramount to that approach.
Possible impact: Information Technology (IT) is fundamental to our daily operations and is critical to our supporting processes and portfolio of capabilities and increasingly relying on providing services to clients with integrated applications or services (webhosting). Communication and collaboration requires operating information and communication technology systems that meet the needs of an increasingly mobile and socially connected workforce. ARCADIS must guard against the risks of loss or corruption of critical, confidential, financial data and the disruption of productivity.
Mitigation efforts run across three areas; People, process/structure, and technology. Risk awareness surrounding safe IT usage amongst our people, including the employees of partner companies with whom we collaborate on projects is essential. This includes use of (social) networks, access such as password safety and information integrity. Processes/structures and technology are set up to provide preventive and repressive controls, such as physical and logical security, backup of data, restore testing and business continuity plans and disaster recovery testing.

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Health & Safety risk (operational)
Through our project engagements, our people may work in hazardous conditions or dangerous environments that may lead to accidents. Nevertheless, also the office environment may be risk prone if people are not properly aware of health & safety aspects.
Possible impact: Health & Safety (H&S) incidents may translate into project stoppages, loss of working hours, medical costs, or worst case in loss of life. All of these incidents are associated with extra costs or liabilities and as a result may impact company performance.
Mitigation: ARCADIS has a proactive Health & Safety policy and culture. ARCADIS strives to provide a healthy and safe work environment for all of its employees, clients and subcontractors. In addition, our Global Health & Safety Vision and Policy commits us to proactively identify and control the H&S risks of our work to prevent injuries and strive every day for zero incidents. Our Global H&S Management System prevents risks and our behavior-based approach encourages continuous improvement of H&S performance.

Compliance risk
With Integrity as one of our core values, ARCADIS has a zero tolerance approach with regard to compliance issues.
Possible impact: As a global company, ARCADIS operates in a world that is generally becoming increasingly regulated, and in geographies with different business practices and cultures. Failure to meet regulatory compliance may expose the Company to fines, other penalties and reputational risks.
Mitigation: We have an integrity focused compliance program, which aims to further improve awareness among employees on our policies & procedures and business dilemmas they may face. Applicable policies & procedures include our General Business Principles, policies confirming procedures for issue reporting and content policies with clear guidance on anticorruption, trading prohibitions etc. Specific trainings and awareness sessions are provided during the year. Compliance officers have been appointed in all operating companies. An integrity phone line allows employees to report issues anonymously if uncomfortable going to management or compliance officers. For additional information refer to the Sustainability chapter.

Management statements

Assessment of internal control
The Executive Board has reviewed the effectiveness of internal risk management and control systems, based upon the following information:

- Report of internal audit, including an evaluation and conclusions regarding internal control in the operating companies, based on operating company management reports on its testing of entity level controls, general ICT controls and (automated and manual) process level controls. Internal audit evaluated these reports, and identified improvement areas and discussed findings with management. Subsequently, operating company management signed a Letter of Representation for its reporting and an in-control statement for the primary and supporting processes.
- Reports of internal audit on audits performed throughout the year. Findings and measures to address issues were discussed with local management, the Executive Board and the Audit Committee.
- Management letter from the external auditor with findings and remarks regarding internal controls. This letter has been discussed with the Audit Committee and the Supervisory Board.

In control statement
The Executive Board is responsible for the design and functioning of the internal risk management and control systems. Although such systems are intended to optimally control risks, they can never, however well designed or functioning, provide absolute certainty that human errors, unforeseen circumstances, material losses, fraud or infringements of laws or regulations will not occur. In addition, the efforts related to risk management and internal control systems should be balanced with the costs of their implementation and maintenance.
Based on the approach as outlined above, the Executive Board believes that to the best of its knowledge, the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in 2014.

Responsibility statement
In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Executive Board confirms that to the best of its knowledge:

- the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss of ARCADIS and its consolidated companies;
- the Annual Report gives a true and fair view of the position as per December 31, 2014 and the developments during the financial year of ARCADIS and its group companies included in the Consolidated Financial Statements; and
- the Annual Report describes the principal risks ARCADIS is facing.

The names and functions of the Executive Board members are mentioned on page 91 under 'Information on Members of the Executive Board'. ■

Sustainability

At ARCADIS, our mission is to create sustainable and exceptional outcomes for our clients in natural and built asset environments. The expertise, passion and entrepreneurship of our 28,000 talented people, combined with our leading edge capabilities and global reach will help make this a reality. In addition, we operate our business in a sustainable and socially responsible way, based on our global Sustainability policy. This policy is anchored in ARCADIS' General Business Principles which embed integrity in our business and describe our responsibilities and commitments towards all of our stakeholders. Our people uphold these principles in their everyday work and are required to sign our integrity code. Sustainability is also one of our core values. Equally important is the attitude of our people as reflected in our passion: to improve the quality of life and be recognized as the best in everything that we do.

Materiality
Our Sustainability policy applies to all ARCADIS employees and governs our approach to all our activities. It is strongly embedded in our corporate business strategy and comprises five pillars which are described in this chapter:

- Corporate governance (please see page 94)
- General Business Principles
- Environmental sustainability
- Health and safety
- Community involvement

In 2014 we have started to apply the principle of materiality to define our main sustainability topics which are important for both our company and our key stakeholders. Amongst others we conducted a materiality survey with our Senior Management Committee and Core Value Proposition Leaders and requested them to define what the most material sustainability issues are for our company in the view of our clients and other stakeholders. In addition we performed materiality discussions with selected clients. The outcome of these materiality surveys and discussions led to four material issues on which we focus to improve our policies, processes and implementation for these issues in 2015.

The material issues on which we will focus in 2015 are:
Environmental reporting – to include additional quantitative data, and topics like operational eco-efficiency, climate strategy, water scarcity.
Environmental policy management system - We already have a centralized database for environmental data in some of our largest markets, such as the United States and the Netherlands capturing our carbon footprint, paper use and solid waste data. We will start to work on a centralized data collection system for the whole of ARCADIS in 2015 aligned with the process of developing and rolling out our Business Blue Print.
Labor practice indicators and human rights – We have started the collection of information on labor KPIs like diversity, equal remuneration, freedom of association and lay-offs. Moreover we are working on a general supply chain management strategy including Human Rights and Labor rights.
Talent attraction and retention - We are collecting more information on how we seek to attract, engage and retain talented people, including the performance appraisals, percentage of performance based remuneration per employee category, balance of variable compensation based on corporate and individual performance, corporate indicators for performance related compensation, type of individual performance appraisal, employee turnover rate and trend of employee engagement. For clients, the most material issues are our occupational health and safety performance and codes of conduct/compliance/corruption and bribery which are already extensively covered in this chapter.

Management structure and processes
Sustainability is an integral part of our strategy and an inherent part of the way we do business. The implementation and performance of our Sustainability policy is led by our Global Director of Sustainability and CSR who reports directly to the CEO, where the latter has global responsibility for Sustainability within ARCADIS. The Global Director of Sustainability is supported by a Core Sustainability Team (CST) which develops the group-wide sustainability strategy and associated policies and directs the implementation thereof after Executive Board sign-off. The CST also manages the relationships with non-

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governmental organizations, trade associations, and other network groups to promote and develop sustainable development in the value chains in which our clients and our firm participate.

Stakeholder engagement

Our main stakeholders are our clients, people, shareholders, suppliers, partners and the communities in which we operate. We seek to engage and to create dialogues with stakeholders on a regular basis to deepen our insight into their needs and expectations, and to develop sustainability solutions which serve them better. We do this both on a global level and on a local level. These stakeholder activities help us to gain more insight in their expectations, it will contribute to focus on the sustainability topics that really matter, it helps to manage risks and opportunities and it will help us to make the right decisions in our sustainability strategy which is anchored in our business strategy.

Our stakeholder engagement activities include:

Clients

Our clients increasingly ask for sustainable solutions and we work closely together with our customers to address their needs (for specific examples see the paragraph Environmental Sustainability on page 65). By definition our solutions are developed in close cooperation with our clients, a process during which their feedback is continuously integrated in the projects we perform on their behalf, also where it comes to aspects related to Sustainability.
For 80% of our revenues we measure client satisfaction levels, based on local criteria in the operating countries. We are in the process of setting global criteria and improving our tools to monitor global customer engagement and satisfaction as part of our performance excellence program, which will lead to further improvements in 2015.

Our people

In 2014 we continued to engage our people on community involvement with the Shelter program, our partnership with UN-Habitat, and many local initiatives – see paragraph Community Involvement for more details. We conducted a global internal employee engagement survey in 2014 for all staff members excluding Hyder and Callison. There is strong support for our strategy and passion to improve the quality of life and be recognized as the best. 97% of our people say we are committed to health & safety; 86% that we are client focused and we scored 4 out of 5 on overall job satisfaction. Improvement areas vary by region but mainly concern people development; work/life balance and compensation/benefits. Moreover feedback from our employees is assembled through performance reviews which are held annually with the majority of our staff members and in 2014 with 67% of our people.

Shareholders

We continuously engage with our shareholders through various channels, including our annual shareholders' meeting, one on ones with institutional investors, and shareholder visits to specific projects. Moreover we participate in investor conferences and meetings. In 2014, a meeting was also held with the Dutch representative body for retail shareholders, the VEB. In 2014 we participated for the first time in the RobecoSAM, Dow Jones Sustainability Index survey.

Partners

ARCADIS has several partnerships and memberships. These include UN Global Compact, UN-Habitat, IUCN Netherlands Leaders for Nature, Carbon Disclosure Project and World Business Council for Sustainable Development. We participate in meetings, taskforces and steering committees in order to demonstrate our sustainability commitments, to find common grounds to address sustainability challenges, to keep up to date with important new developments and to adapt our own sustainability strategy. We are also engaged in dialogues with leading NGO's, like IUCN and Amnesty International.

We have a partnership since 2010 with UN-Habitat, the United Nations agency for human settlements, aimed at a common goal: To improve the quality of life in rapidly growing cities. With this partnership we address the urgent challenge of sustainable organization. We participate in the Steering committee of the World Urban Campaign. This partnership generates high levels of commitment of both our staff members and external stakeholders.

In 2014, ARCADIS became a member *of the World Business Council for Sustainable Development* (WBCSD). This is a CEO-led organization comprising forward-thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. ARCADIS CEO Neil McArthur, represents the company as WBCSD Council Member. ARCADIS takes an active role in WBCSD projects on water, sustainable cities and natural capital.

ARCADIS subsidiary RTKL is a signatory to The China Accord, an industry-led coalition which pledges to plan and design built environments to carbon neutral or high-performance

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standards in keeping with the ambition of the Chinese authorities to improve the urban environment.

ARCADIS is member of CDP, a leading international, not-for-profit organization that works to transform the way the world does business to prevent climate change and protect our natural resources. CDP provides a global system for companies to measure, disclose, manage and share vital environmental information. ARCADIS discloses environmental risks and information to CDP in order to be transparent and to be better able to manage these risks strategically.

Our initiative to contribute to maintaining and improving biodiversity through our business in cooperation with *Leaders for Nature*, the business engagement network of the Netherlands Committee of the International Union for Conservation of Nature (IUCN), which is unique in that the participating companies are engaged in practical sustainability commitments.

Human rights and labor rights
Because of the nature of our business and the countries in which we operate, we were traditionally rarely faced with human rights and labor standards issues. In recent years ARCADIS has grown strongly and increasingly operates in countries where human and labor rights are a potential issue. Therefore it is important to identify our critical suppliers and our risks in the supply chain.

In relation to high risk countries and for the purposes of post-merger/acquisition activities ARCADIS has soft controls in place, which amongst others focus on corruption. The "In Control" statement filed annually by all of the operating companies and subsidiaries to attest to the level and application of controls in their business, also includes information related to corruption.

Supplier policy
ARCADIS purchases goods and services from a wide range of suppliers around the world, and encourages them to apply high sustainability standards. We regard our primary suppliers as partners and collaborate with them to help achieve our sustainability ambitions.

UN Global Compact
ARCADIS is member of the UN Global Compact (UNGC) since 2009 and is committed to both its objectives as well as the ten universal principles regarding human rights, labor standards, environmental stewardship and anticorruption. Our values, mission and strategy are fully aligned with the UNGC principles, and our signing of these principles is reflective of our ambition to be a Sustainability leader. We are committed to making the UNGC and its principles part of the day-to-day operations of our company. ARCADIS regards its primary suppliers as partners and collaborates with them to help achieve its ambitions. Our annual Communication on Progress (COP) submitted to the UN Global Compact Office can be found on www.arcadis.com/globalcompact.aspx.

World Business Council for Sustainable Development
In 2014, ARCADIS joined the World Business Council for Sustainable Development (WBSCD). Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. The Council is made up of 192 global firms and acts as the voice of business in several bodies (e.g. UN Climate Summit, Sustainability Development Goals). ARCADIS was formally admitted into the WBCSD on the 9th of April 2014. Since then it has become actively involved in the following work streams:
- Water Cluster
- Zero Emission Cities Sector Project
- Ecosystem & Landscape Management Cluster
- Redefining Value Cross Cutting Project / Natural Capital Protocol

In November 2014, ARCADIS CEO Neil McArthur participated in the WBSCD Council Meeting in Atlanta, in the United States, where WBSCD members focused on Redefining Value (moving from financial to natural and social capital) and 'Business Setting the Pace'. The 2015 Council Meeting will be in Paris running along the 21st edition of the United Nations Framework Convention on Climate Change Conference of the Parties (COP). The coming year WBCSD will focus on:
- The Road to Paris (business solutions and technical round tables)
- Redefine Value (measure natural and social capital)
- Sustainable Development Goals (business seen as partner); and to
- Scale up solutions to meet the worlds challenges.

One of the spin offs from proactive membership of The Council is that ARCADIS makes valuable connections with global companies, building an understanding of their business challenges and in several cases this has already led to early opportunities to provide them with our expertise. In 2015 the company will scale up our activities to increase our contribution to sustainability through our work with clients and how

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we deliver our services, how we run our business and the things we can do to give back to society.

General Business Principles

Integrity is one of our core values. Today's complex business environment demands that we firmly embed integrity in our daily business practices. We require all of our people to sign and comply with the ARCADIS General Business Principles, which are summarized in the six areas below. For full details, please visit: www.arcadis.com/General_Business_Principles.aspx.

Integrity as a core value. Our goal is to conduct our business honestly and fairly. Our commitment to integrity determines the way we do business and how we treat our people. The General Business Principles Directives provide specific guidelines related to gifts, hospitality and payments to third parties.

Respect for local laws and cultures. We comply with national laws and respect the cultures of the countries in which we operate. We support the principles of free enterprise and fair competition and observe applicable regulations. We promote, defend and support our legitimate business interests with due regard to the law and the interests of society.

Value for customers. We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create optimal value for clients. We focus on continuously improving our services through investment in our knowledge base and the development of employee competencies. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

Responsible employment practices. Our people are the key to our success and we respect their human and labor rights so they may work in a safe, healthy, professional and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives. Every ARCADIS employee has an equal opportunity for personal recognition, advancement, career development and compensation, regardless of background or beliefs. The same policy applies to recruitment. No form of discrimination or harassment is tolerated. We strive to ensure fundamental human and labor rights are respected throughout our operations.

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

Monitoring and accountability. Every two years, ARCADIS employees complete online compliance training (also performed in 2014) aimed at increasing awareness of ARCADIS' Business Principles and values. This training specifically addresses issues like corruption, collusion, bribery and other risks that our employees may be exposed to. The last round of compliance training for all staff was completed in 2014.

ARCADIS monitors compliance with the Business Principles in all operating companies on a quarterly basis. Management of operating companies certifies compliance through a Letter of Representation. Employees are not held responsible for the loss of work resulting from compliance.

ARCADIS also has a whistleblower procedure – including an anonymous global Integrity Phone Line – which ensures employees will not suffer negative consequences from reporting violations. Reports of suspected misconduct can be made in all languages spoken in our operating countries. Breach of the Business Principles can lead to sanctions, including termination of employment.

In 2014, 64 alleged breaches or "near misses" of the ARCADIS General Business Principles were reported to the ARCADIS Corporate Compliance Committee, all of which were investigated, while seventeen cases pending from before 2014 were also still under investigation during the year. In total 59 investigations were concluded. Most of the cases related to corruption / bribery / unreasonable gifts & hospitality, followed by inappropriate behavior. Company-wide, we had four dismissals on grounds related to breaches of the General Business Principles.

Environmental Sustainability

As a core value and a strategic driver for its business, ARCADIS aims to apply the principles of sustainable development across its own operations and in the solutions it provides to its clients. In doing so, it acknowledges the challenge of meeting human needs, while protecting the environment and natural resources for future generations. These efforts are supported by a global team led by the Global Director of Sustainability and CSR.

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Providing sustainable solutions

Sustainability is an integral part of projects
The most significant environmental impact of our work is in projects for clients, many of which have a direct positive impact. We aim to proactively provide sustainable alternatives to projects for clients and may decline work that does not include adequate measures to evaluate environmental issues or mitigate adverse effects. A large part of the activities of our Environment business line is in the remediation of contaminated sites, and in sustainability services that help clients reduce waste and improve their carbon footprint. In Infrastructure, we help urban centers reduce emissions by designing public transport systems and managing renewable energy schemes. In our Water business line, we help clients supply clean, safe, potable water and treat waste water and reduce the use of potable water in industrial processes. In Buildings, we seek to integrate energy and resource efficiency into our designs and minimize the impact these projects may have on the environment. Increasingly, we are also designing 'green buildings' on behalf of a growing number of clients.

Sustainability by Design®
For the municipality of Houten, the Netherlands, ARCADIS designed a new low cost, energy efficient and carbon friendly Thrift Store. The high performance design was achieved through good insulation, scalable installation design, a bottom heat exchange system to manage heating and cooling during winter and summer months, the use of solatubes to project daylight from the outside into the building, as well as solar panels. Most materials used in the construction of the building were recycled from local projects. Its front was fitted with breeding space for protected bird species. The design won ARCADIS the Good Green Award from The Chicago Athenaeum: Museum of Architecture and Design in cooperation with the European Centre for Architecture Art Design and Urban Studies.

In the UK, ARCADIS through EC Harris worked on the Imperial College masterplanning team as sustainability consultants to establish a sustainability vision for the Estate and enhance sustainability outcomes through the Estate masterplan. Our approach is underpinned by a Whole Life Value analysis to identify the best value approach to achieving sustainability outcomes. The Estate masterplan is focused on two sites in London, the new campus at Imperial West and the existing campus at South Kensington. A key focus of the project is the delivery of a STAR Framework to guide, assess and improve sustainability performance during the development of the Imperial West masterplan. The STAR Framework identifies key sustainability issues under ten categories and has been developed with the design team and Imperial College to focus on issues most relevant to Imperial West. The Framework outlines Sustainability Principles, Key Questions and Performance Indicators with a Whole Life Value analysis providing further insight to inform decision making.

Performance-Driven Design (PDD) is a strategy developed by ARCADIS architecture subsidiary RTKL to improve the value of the built environment. PDD aims to provide as much value as possible by tailoring design solutions to the needs of the specific clients and communities we serve. By drawing on ample evidence about the social, economic, and environmental impact of design, PDD seeks to apply the greatest available intelligence to create compelling design with measurable benefits to people, place, and planet.

Minimizing our own carbon footprint

Global Sustainability Program
In 2014, we continued to implement our Global Sustainability Program, aimed at reducing the environmental impact of our own operations through global policies in the following focus areas:
- Transportation, ground and air
- Energy and water usage in our offices
- Paper usage and type
- Waste reduction and disposal or recycling
- Selection of purchased materials and products

Carbon Footprint Methodology
Since 2010, ARCADIS follows a standardized approach in reporting data consistent with the World Resources Institute General Reporting Protocol (GRP). In doing so, our carbon footprint reflects the way we do business rather than a change in methodology or business acquisition. The result helps track our reduction efforts more closely, allowing us to identify key areas to improve, bringing value to our stakeholders. We continue to sharpen our approach to further understand the full impact of our operations on direct and indirect greenhouse gas emissions and the environment as a whole.

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Carbon footprint results
Nominal metrics per FTE by emission source

	2009	2010	2011	2012	2013	2014
Scope 1 Vehicles (km/FTE)	4,374	4,431	4,077	4,450	3,916	**3,465**
Scope 2 Electricity (kWh/FTE)	3,124	3,024	2,843	2,759	2,708	**2,877**
Scope 3 Air (km/FTE)	5,293	7,013	7,071	7,131	6,772	**7,314**
Scope 3 Auto (km/FTE)	2,301	2,671	2,733	2,662	2,384	**2,283**
Scope 3 Public Transport (km/FTE)	1,633	1,702	1,717	1,732	1,809	**1,827**
Scope 3 Natural Gas (kWh/FTE)	1,030	1,100	1,023	988	1,375	**1,094**
Scope 3 Other Fuel (kWh/FTE)	60	56	42	33	22	**21**
Paper Consumption (kg/FTE)	53	48	44	44	39	**39**
FSC/PCW Paper (%)	74%	74%	78%	72%	76%	**82%**

Emissions per FTE by emission source (MT CO2e/FTE)

CO2 Emissions (MT CO2/FTE)	2009	2010	2011	2012	2013	2014
Scope 1 Vehicles (Business)	0.92	0.90	0.82	0.85	0.79	**0.66**
Scope 1 Vehicles (Commuting)	0.11	0.11	0.11	0.13	0.10	**0.10**
Scope 2 Electricity	1.59	1.53	1.49	1.32	1.30	**1.37**
Scope 3 Air	0.65	0.87	0.88	0.90	0.83	**0.93**
Scope 3 Auto	0.54	0.58	0.62	0.62	0.54	**0.53**
Scope 3 Public Transport	0.14	0.15	0.14	0.15	0.15	**0.14**
Scope 3 Natural Gas	0.19	0.20	0.20	0.18	0.26	**0.20**
Scope 3 Fuel (Other)	0.01	0.01	0.01	0.00	0.00	**0.00**
Total	**4.16**	**4.35**	**4.27**	**4.16**	**3.97**	**3.93**

Carbon footprint analysis
While rapidly expanding our business through acquisitions and going through vast changes in our geographical footprint, we have been able to reduce our overall footprint on an FTE basis. More offices have been combined and moved to locations closer to public transportation, while at the same time we are looking to reduce the carbon footprint per employee by making more efficient use of office space. This program will continue in 2015 as part of our performance excellence program. Travel is limited to the extent needed and replaced by conference calls, video calls and other tools to maintain efficient working relationships without the need for contact in person. Where possible, we strive to use LEED certified office spaces.

Objectives for future years
We are committed to making progress annually, through the continuous improvement of our program elements and by the refinement of our policies, procedures and guidelines which affect our carbon footprint.

Health and safety

Part of our company DNA
At ARCADIS, the health, safety, and well-being of our employees and stakeholders are central to everything that we do. Along with our Health and Safety Global Vision and Policy, this core value focuses us on a culture that strives for zero incidents. Achieving zero is a challenging objective and our Executive Board, Senior Leadership, and all ARCADIS staff understand, believe in, demonstrate, and communicate our H&S commitments and engage in the continual improvement of our H&S system and performance each and every day. As a result, in 2014, ARCADIS was recognized by several clients for its performance in health & safety and received praise from BP Remediation Management, BNSF Railway, CSX, Marathon Petroleum, Shell, and Syngenta, among others.

The implementation of the H&S Vision and Policy is accomplished through the ARCADIS Global H&S Management System, which focuses on a proactive and preventive risk- and behavior-based approach for the continuous improvement of H&S performance, while allowing for the nuances of local culture, client expectations, and regulations. Our Global Health & Safety team is responsible for overseeing the ongoing development and implementation of our program. It is a joint management-worker H&S team that represents 100% of the workforce at the global level. The Global H&S Team is led by the Global H&S Director who reports directly to an Executive Board member, who has global responsibility for Health & Safety within ARCADIS.

Our risk- and behavior- based program focuses on leading indicators that allow us to proactively identify and prioritize risks in the projects that we lead and the activities that we perform. This program also allows us to continuously develop approaches to eliminate or at least, reduce the risks to our employees and stakeholders, including subcontractors, clients, and the public. As stated above and in our Global H&S Vision and Policy, our goal is to achieve zero incidents and every year we strive to reduce our incident rates from the year before. Eventually, with this vision, we will achieve zero.

The Global H&S Management System implemented by ARCADIS includes comprehensive education and training to assist our employees and their families in eliminating injuries and illness at work and at home. Our health and safety share program provides current information on best practices, lessons learned from our own as well as our stakeholders' incidents,

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and health and wellness information as it relates to the workplace and travel. Teaming with an outside travel safety, security, and health services company, our employees have information available to them at all times regarding the preventive measures available to eliminate or minimize risk on our projects. We also partner with various medical professionals to help us educate our staff about minimizing their exposure to harmful agents that can lead to disease.

ARCADIS' Global H&S management system identifies and tracks work-related risks through annual risk identification and assessment at business the level (e.g., tracking incidents). In addition, ARCADIS consolidates identified work-related risks (e.g., incidents) at corporate level as a management tool, and we maintain information system/database containing work-related risks (e.g., incidents, accidents). Data are reviewed by ARCADIS H&S professionals monthly.

ARCADIS ensures effective management (e.g., assessment, mitigation, and prevention) of work-related risks through prioritization and action plans with quantified targets for Regional CEOs. In addition, ARCADIS discusses work-related risks documentation between human resources and managers of business units on a regular basis, as well as between the H&S leadership and regional executive management/board of directors on at least on a quarterly basis. ARCADIS also reviews work-related incidents against targets, and conducts internal inspections and consultations by H&S specialists. We undergo independent external verification of health, safety, and well-being, as well. Finally, H&S targets are embedded in performance appraisal and remuneration of management.

ARCADIS provides training to prevent work-related risks and/or occupational health hazards across the organization through internal and external seminars, as well as training on potential work-related risks/occupational health hazards. We also provide documentation or information systems available, e.g., brochures on potential work-related risks/occupational health hazards and dissemination of work-related risks information via our corporate intranet. This material covers topics such as emergency training, personal protective equipment (PPE), etc. ARCADIS also tracks the number of hours spent on education/training, and quantifies targets of education/training. These targets are linked to tangible results, as shown through a reduction in the number of work-related risks. Fully 100% of our company is covered through this effort.

Health and safety performance

ARCADIS measures work-related injury and illness rates using standard definitions and measurement techniques that match those of regulatory bodies that are relevant to our operations and those of our clients.

For the third year in a row, ARCADIS' Total Recordable Case Frequency (TRCF) for 2014 (0.33) is the lowest it has been since ARCADIS began collecting global H&S data in 2004, when it was 1.13. Work-related injury rates have steadily improved since that time with the introduction of our global health and safety program in 2006. Since 2004, our TRCF has decreased by over 70%. Our Lost Time Case Frequency (LTCF) for 2014 (0.15) is also the lowest it has ever been and has also decreased by 70% over the same time period. ARCADIS injury rates are well below the average injury rates of the publicly-available U.S. benchmarks for the Architecture and Engineering Industry, which were 0.80 and 0.20 respectively.
Near miss reporting, a key process in helping to prevent incidents, has risen dramatically (over 2,800%) since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.
The table below provides our injury and illness rates by region.

ARCADIS Historical Injury and Illness Rates by Region – 2012 – 2014

	Year	Total Hours Worked (in thousands)	Fatalities	Total Recordable Case Frequency (TRCF) Per 200,000 hours	Lost time Case Frequency (LTCF) Per 200,000 hours	Operational Illness Frequency Per 200,000 hours
ARCADIS Global						
ARCADIS Global	**2014**	**39,294**	**0**	**0.33**	**0.15**	**0.02**
	2013	39,018	0	0.34	0.16	0.02
	2012	32,166	0	0.36	0.18	0.00
By Region of the World						
Asia*	**2014**	**8,747**	**0**	**0.11**	**0.05**	**0.00**
	2013	6,533	0	0.18	0.15	0.00
Europe	**2014**	**7,801**	**0**	**0.36**	**0.31**	**0.00**
	2013	13,476	0	0.30	0.19	0.00
	2012	14,208	0	0.41	0.24	0.00
Middle East	**2014**	**958**	**0**	**0.21**	**0.21**	**0.00**
North America**	**2014**	**11,282**	**0**	**0.35**	**0.07**	**0.00**
	2013	11,467	0	0.38	0.05	0.03
	2012	11,439	0	0.35	0.07	0.00
Latin America	**2014**	**7,081**	**0**	**0.59**	**0.23**	**0.06**
	2013	7,542	0	0.50	0.27	0.03
	2012	6,519	0	0.28	0.25	0.00
United Kingdom***	**2014**	**3,425**	**0**	**0.29**	**0.06**	**0.12**

Note: * no Asian region prior to 2013 **includes all of RTKL ***includes all of EC Harris

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Objectives for 2015 and beyond
In 2015, we will continue to implement our risk- and behavior-based approaches under the theme of our "TRACK to 0" and "If Not Me, Then Who?" initiatives. TRACK is an acronym for Think through the tasks; Recognize, Assess, and Control hazards; and Keep H&S first in all things. This initiative is focused on using the TRACK process in all aspects of our work to proactively mitigate hazards to drive toward zero incidents. "If Not Me, Then Who?" focuses on watching out for the health and safety of oneself, as well as others. To drive these focus areas in 2015, we will undertake the following actions:

- Focus on continually improving the implementation of the ARCADIS Global H&S Management System with emphasis on near miss reporting, incident investigation, project H&S planning, and behavior-based observations.
- Look to continue to enhance our H&S System with the assessment and selection of options for global data and information management subcontractor management process and improved safety by design capabilities. Implementation of these tools is planned to begin in 2015.
- Further extend our H&S culture into the services we deliver and the value we bring to our clients.

Performance targets for 2015 include the continued improvement in H&S planning as well as incident investigation (so that we can learn from those events). From these, we learn better ways to control the hazards that we face every day, which allows us to minimize the chances of future injuries and illnesses.

For more information about our health and safety policy and performance please visit our website: www.arcadis.com.

Community Involvement

Our passion is to improve the quality of life; this also applies to the communities in which we operate. Sustainable urbanization is our main area on which we focus in our company-wide community involvement strategy, since we are well positioned to address this challenge with our expertise on the fields of infrastructure, water, environment, buildings and urban planning. As our towns and cities grow at unprecedented rates, urbanization is one of the most pressing challenges facing the global community in the 21st century. Making sustainable improvements to the urban environment is critical to delivering lasting results for all our communities. For this reason ARCADIS has a global partnership with UN-Habitat, the United Nations agency for human settlements. ARCADIS also dedicates time, expertise and money to many local community involvement initiatives.

UN-Habitat Partnership Program

The partnership with UN-Habitat, known as the Shelter Program, was signed in March 2010 and is aimed at our common goal: to improve the quality of life in rapidly growing cities around the world. Through the Shelter Program we provide pro bono expertise for UN-Habitat projects, mostly by visiting projects and providing consultancy on location, in close cooperation with UN-Habitat and the local government. In addition to the consultancy work in some locations the Shelter program participates in training courses and workshops.
In 2014, ten missions, trainings and other Shelter activities have been organized in Asia, Africa and Middle America , in which over 25 ARCADIS experts have shared their expertise and skills to help bring our joint mission forward. In 2014 200+ staff members joined a Shelter activity.

Program activities in 2014 included:
- As follow-up of the first rapid response mission after typhoon Haiyan in November 2013, a Shelter team worked in February 2014 with UN-Habitat Philippines to provide further support for the destroyed communities.
- Ten Shelter missions, amongst others on urban coastal protection to Haiti, on master planning for secondary cities in Rwanda and on water management in the Philippines and the Solomon Islands.
- Presentation of the Shelter Program Manager about the partnership at the 7th World Urban Forum in Medellin, Colombia in April.
- Visit of Dr. Joan Clos, the executive director of UN-Habitat and the vice secretary general of the United Nations at the ARCADIS headquarters in Amsterdam, including the resigning of the Memorandum of Understanding for the World Urban Campaign.
- Fourth Annual Shelter Academy to provide knowledge for high level officials from Partner Cities from UN-Habitat in September in The Netherlands, organized in cooperation with UN-Habitat.
- Participation in the World Urban Campaign activities and steering committee.

Several projects of the Shelter program are part of the Cities and Climate Change Initiative of UN-Habitat, in which local governments are supported to develop strategies to counter the effects of climate change and prevent flooding.
Moreover we are a main sponsor of the World Urban

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Campaign, an initiative of UN-Habitat acknowledged by the United Nations as a lead advocacy platform on urban issues to increase awareness and knowledge for better cities, better life through successful urban solutions.
The program is financially supported by the Lovinklaan Foundation, ARCADIS' largest shareholder, which represents our staff.

Urban October
Urban October was developed by UN-Habitat to raise awareness, promote participation, generate knowledge and engage the international community towards a New Urban Agenda, starting on *World Habitat Day* on 6 October 2014 and ending on *World Cities Day* taking place on 31 October in Shanghai. ARCADIS was marking this event by organizing 15 workshops on sustainable urbanization in offices all over the world. Staff members were challenged to give their view on this topic and to contribute to the Urban Agenda of Habitat III, the United Nations Conference on Housing and Sustainable Urban Development to take place in 2016. The outcomes of these workshops have been bundled and shared with UN Habitat.

Recognition
In recognition and appreciation of the support of ARCADIS for UN-Habitat Philippines, ARCADIS CEO Neil McArthur received in Manila in November 2014 a recognition plaque, signed by UN-Habitat country program manager Chris Rollo and Undersecretary Cecilia Alba, secretary general of the Housing and Urban Development Coordinating Council of Philippines government.

Community involvement activities

We encourage our people to get involved in local community programmes with expertise, time and donations.
A few examples:

Water for People
ARCADIS North America is a global sponsor of Water For People, committing to a $100,000 annual donation. Water For People exists for one purpose, and it is as simple as the name: for all people to have safe, continuous water.

KNHM
ARCADIS Netherlands has a partnership with KNHM in which ARCADIS invests €300,000 annually. With this program we support people who want to improve the quality of life of their neighbourhood and assists people who want to realise their idea aiming at the improvement of the physical living environment. We support people with our knowledge.

Tondo School
Hyder, which had become part of ARCADIS in 2014, has a partnership since 2007 with the Philippine Community Fund (PFC) and designed the Tondo School for the children of the Smokey Mountain rubbish dump in Manila. This school was built using recycled shipping containers and has become a true example of sustainability by providing the children and their families with food and health care, as well as offering employment for their parents.

United Way Fall Giving Campaign
Callison, part of ARCADIS since 2014, for almost 30 years, gives back to the community through United Way. By bringing together a variety of community leaders - from business, government and local citizens - United Way identifies major issues in our communities and then works together to find solutions.

A Place to Go
The "A Place to Go" project is a very successful local fundraising project of the RTKL office in Washington, DC which led to the building of a school in Kenya. RTKL Team members travelled to Kenya for the grand opening celebration of the school.

EC Harris supports several initiatives around the world, including Habitat for Humanity, the Mother Theresa Foundation and the CRASH program in the UK. CRASH is a practical charity addressing the issues of homelessness by harnessing the skills, products and goodwill of the construction and property industry to improve hostels, day centres, night shelters, training centres and move-on accommodation, for frontline homelessness agencies who work directly with homeless people.

Value of our community involvement activities

For the Shelter Program activities on average we provide four years' worth of working time annually. These hours are composed of expertise from our people going on Shelter missions or working in our offices on Shelter programs. Moreover ARCADIS donates €160,000 on an annual basis to UN-Habitat, amongst others for the sponsorship of the World Urban Campaign. The Shelter program is financially supported by the Lovinklaan Foundation for a maximum of €440,000 per year

The table below gives a non-exhaustive overview of the monetary value of ARCADIS pro bono corporate citizenship

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activities for 2014 in some of the countries in which the company is active. The information below comprises commitments outside of the Shelter program as detailed above.

Financial funds	Total amount (€ thousands)
Funds donated by ARCADIS to charitable institutions	686
Funds donated by company staff to charitable institutions (sometimes matched by the company)	164

Reporting standards

We have followed the new Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines while compiling the Sustainability performance covered in this report. The GRI framework is the most widely used standardized Sustainability reporting framework in the world. A detailed overview of our GRI performance is provided on our website http://www.arcadis.com/GRI.aspx. Levels of materiality were taken into consideration in selecting the indicators relevant for the business. ■

Outlook 2015

Record backlog +41%

The full year backlog increase amounts to +41% with +10% from currency effects, +7% organic backlog growth while the remaining increase comes from acquisitions. All business lines and regions achieved organic backlog increases in the year.

Positive effect from investments

2015 is the second year of our **sustainable growth | performance | collaboration strategy**, and we intend to make good progress on all three elements. Organic growth is expected to benefit from the investments in value propositions, city executives, and sector specialists made in 2014. Inorganic growth will be significant following the acquisitions of especially Callison and Hyder. Performance is top of the agenda as we start executing our Performance Excellence program. Collaboration is emphasized via the design of the Business Blueprint, and the co-creation via Design-to-Lead (Callison) and Evolve-to-Win (Hyder) which should help drive synergy growth.

Outlook by business line

In the **Infrastructure** market, **strong overall growth** is expected. Activities in the UK, Middle East, Continental Europe, Asia and Australia Pacific will benefit from growth through the Hyder acquisition. In Latin America, we expect the mining sector to remain soft. In North America we expect growth. For the UK we foresee increased government spending, while Continental Europe may see increased infrastructure spending.

In **Water** we expect to achieve **growth in all regions**. In Latin America we have a strong backlog, mostly in municipal water work. In North America we expect a return to low growth as municipal spending picks up and from water related work by Big Urban Clients. In Continental Europe we expect low growth, and in the Middle East/UK we expect to benefit from the addition of Hyder's water capabilities.

In the **Environmental** market, we expect a **return to low growth**. For North America we expect a return to low growth later in the year, aided by the backlog that was built up over 2014. In Latin America our strategic environmental consulting value proposition creates additional growth opportunities. In the UK and Continental Europe, we expect to achieve growth.

In the **Buildings** market, **strong growth** is expected to continue, in Asia and the UK resulting from strong capital expenditure by Big Urban Clients. In architecture we expect an increase in demand in North America, helped by Callison. Also in Continental Europe we expect to see good growth driven by the private sector and business advisory. Given uncertainties in oil price, in the Middle East, growth will be country specific, but opportunities remain favorable.

Outlook

With our strong market positions, strategic progress, recent acquisitions, and record backlog, we expect 2015 revenues and profit to increase significantly, barring unforeseen circumstances.

Amsterdam, the Netherlands, February 18, 2015

Executive Board
Neil C. McArthur, *Chief Executive Officer*
Renier Vree, *Chief Financial Officer*
Stephanie Hottenhuis, *Member Executive Board*
Stephan Ritter, *Member Executive Board*
Zack A. Smith, *Member Executive Board*

Report by the Supervisory Board

Introduction

ARCADIS NV has a two-tier Board structure, consisting of the Executive Board and the Supervisory Board, with responsibilities for the company and its stakeholders, but each with its own specific task description. The task of the Executive Board is to manage the company and to realize its goals, objectives, strategy, policy and results. The task of the Supervisory Board is to supervise and advise the Executive Board. For further details see the paragraphs on organizational structure in the chapter on Corporate Governance in this Annual Report.

In exercising its task in 2014 the Supervisory Board, in coordination with the Executive Board, put special emphasis on the following topics:

- Health & Safety. ARCADIS puts H&S first. In 2014 the focus was on further engraining the H&S DNA into culture and on further improving our performance and systems implementation;
- Delivering company-wide performance, with a focus on organic growth;
- Leading the evolution to the new operating model with particular emphasis on collaboration, regionalization, Big Urban Clients, Sector Leadership, Core Value Proposition Leaders and Senior Executive Compensation;
- Complete the transformation of Europe leading to 10.2% operating margin in Q4 2014;
- Enhancing leadership: capabilities, top talent, succession management, performance culture; and
- Driving M&A processes to fill acquisition pipeline, explore strategic acquisitions and integrate new acquisitions successfully.

In 2014 we had eleven meetings, seven of which were regular meetings. All meetings were attended by the members of the Executive Board. Four of the meetings were preceded by "Supervisory Board -only" meetings. The four additional meetings were convened to discuss M&A opportunities, and related financing. M&A updates were also provided in regular Supervisory Board meetings. Related decision making was scheduled as appropriate. An overview of topics recurring during the year, and a summary of topics discussed in specific meetings is set out below under "Supervisory Board meetings in 2014".

Final item to mention in this introduction is that in May 2014 the third and final four-year term of Mr. Rijnhard van Tets ended. The Supervisory Board is very grateful for the skillful and diligent manner in which Mr. Van Tets led the ARCADIS Supervisory Board over a period of twelve years. His wisdom and business acumen contributed significantly to the successful development of ARCADIS into a truly global player with a clear strategic vision. We appreciate the many contributions Mr. Van Tets made and enjoyed his team spirit and good company over that period. After Mr. Van Tets stepped down, Mr. Schönfeld agreed to perform the role of interim Chairman of the Supervisory Board through the end of 2014. We are very grateful to Mr. Schönfeld. As from January 1, 2015, I have taken up the role of Chairman of the Supervisory Board.

2014 Financial Statements, dividend and post balance sheet events

The Executive Board has prepared this Annual Report, including the 2014 Financial Statements. KPMG, the external auditor, has issued its auditor report and certification which can be found starting on page 156 of this Annual Report.

On February 17, 2015, the Audit Committee discussed the 2014 Financial Statements, the external auditor report, the dividend proposal and the management letter, as well as the paragraph in the Annual Report on Risk Management with the CEO, CFO and the external and internal auditors. Particular attention was paid to key audit matters such as project revenue recognition, valuation of (un)billed receivables and valuation of goodwill.

The Audit Committee also had a discussion with both the external and the internal auditors, without the attendance of Executive Board members.

On February 18, 2015, the Supervisory Board discussed the 2014 Annual Report, including the 2014 Financial Statements and related topics with the Executive Board, in the presence of the external auditor. In relation to the 2014 Annual Report the discussion focused in particular on further strengthening Audit and Risk Management and related functions. In this meeting we also evaluated the priorities for 2014 and confirmed the priorities for 2015. We believe that 2014 was a successful year for ARCADIS where priorities referred to in the introduction above received appropriate attention, which translated into substantial improvements to the business. ARCADIS has made significant investments to drive organic growth including City Executives in the Big Urban Client program, Global Market Sector leaders in the Multi National Client program and Core Value proposition leaders in the four Global Business Lines.

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We were pleased with the new companies that joined the ARCADIS group in 2014, and in particular with Hyder and Callison, which are highlighted in the Vision and strategy chapter of this report. We were also pleased to see markedly improved performance in Europe through the successful implementation of a Pan European operating model. Organic growth was strong in the Middle East, Asia, while also the UK and Continental Europe grew, demonstrating the success of the investments in organic growth. Revenue declined in North America and Chile. ARCADIS' well-developed geographic spread and portfolio is one of the strengths of ARCADIS which ascertained that overall the financial results for 2014 were good.

We approved the 2014 Annual Report, including the 2014 Financial Statements and the dividend proposal. In our Supervisory Board-only session we self-assessed our performance, that of our (interim) Chairman and that of the individual Supervisory Board members. We also evaluated the performance of the Executive Board and its individual members, and in particular that of the CEO Mr. McArthur whose first term of four years will end in May 2015. We believe both Boards, and its individual members functioned well during the year. We approved the grant of short term remuneration (bonus) to members of the Executive Board and senior management. And we are pleased to be able to confirm that Mr. McArthur indicated to be available for re-election and that we have made a nomination to the General Meeting to re-appoint Mr. McArthur for another four-year term as member of the Executive Board and CEO.

We are also pleased to have found a good candidate available to fill the existing vacancy in the Supervisory Board. We have made a nomination to the General Meeting to appoint Mr. Michiel P. Lap for a four-year term as a member of the Supervisory Board. His extensive international experience, and knowledge of the financial world are important to our company as we expand. I look forward to working with him on the further development of ARCADIS.

The members of the Executive Board have issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). All members of the Supervisory and Executive Boards signed the 2014 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code (Burgerlijk Wetboek).

We recommend that the General Meeting adopts the 2014 Financial Statements. We agree with the proposal of the Executive Board to distribute a dividend of €0.60 per ordinary share, to be provided in cash or in shares at the option of the shareholder(s). The General Meeting will be asked to discharge the members of the Executive Board for their management of the company and its affairs during 2014, and the Supervisory Board for its supervision over said management.

Supervisory Board Meetings in 2014

Summary of discussions in specific meetings

February 19 we discussed the 2013 results and related items, all as set out in last year's annual report. The director Corporate Development gave a presentation on M&A (acquisition policy and pipeline discussion) and the CEO Europe presented on developments in and actions for Europe. On February 10, 2014, just prior to 5pm some of the unaudited ARCADIS N.V. financials became known outside ARCADIS as a result of a communication error. Following consultation with the AFM, the Executive Board issued its unaudited fourth quarter and full year annual results 2013 by press release ahead of market opening on February 11, 2014. In the ARCADIS Audit Committee meeting on February 18, 2014 as well as in our full Board meeting on February 19, we extensively discussed suitable information security procedures and protocols to prevent this type of mishap.

March 25 we met in Doha, Qatar, one of cities that comprise our new Big Urban Client program, as guests of the local organization. We met with clients, local management and staff. We discussed the Middle East activities, opportunities and strategy as well as local Health & Safety considerations.
We also discussed the Latin America Strategy. The Supervisory Board appreciates the continued effort made to bring our Health & Safety standards and expertise to the Region through local project work. We also covered the agenda, and any other preparations, for the Annual General Meeting. The AGM agenda included the proposed appointment to the Executive Board of Mr. Stephan Ritter and the proposed re-appointment of Mr. Renier Vree (CFO) and Mr. Ian Grice (Supervisory Board). The agenda also included proposals to (i) amend the ARCADIS N.V. articles of association, mainly to bring the articles up to date (articles were last amended in 2008), transfer the corporate seat to Amsterdam and improve consistency of terminology, (ii) adjust the remuneration policy of the Executive Board and appoint the external auditor (including a new audit firm for 2015). In a Supervisory Board only meeting we resolved on the nomination of Mr. Stephan Ritter and the nominations for Mr. Vree and Mr. Grice. Task division within the Executive Board was addressed, subject to appointment of

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Mr. Ritter. We also approved the grant of long-term remuneration to Executive Board members. On the same day we met with the Board of the Priority Foundation (the foundation that holds all priority shares in ARCADIS NV and that has approval rights related to major decisions by ARCADIS NV, see also page 95 of this Annual Report).

May 16 we discussed the first quarter results. We approved the grant of performance based shares to members of the Executive Board, senior management and key staff. Also on the agenda were risk management, performance excellence and IT.
We believe that globally reputational and acquisition risks are increasing necessitating a continued emphasis on cultural compatibility of potential acquisitions. Compliance with our Business Principles remains essential as well. The surveys that are used to measure our performance on soft controls and to identify areas that we can further improve are helpful, and the focused risk related workshops that are provided throughout the global organization are effective. The Supervisory Board also supports the prioritization of information security. We also decided that we would split the ARCADIS Selection and Remuneration Committee into two separate Committees, the Selection and Appointment Committee and the Remuneration Committee. With this change we further aligned our organization structure to the provisions in the Dutch Corporate Governance Code.

July 25 we discussed, in the presence of the external auditor, the second quarter results, the half year results and the half-year review report of the external auditor. Further to discussions in the Audit Committee we were also updated on key claims, claim statistics and related (trend) developments as well as on (potential) Integrity issues. As is our custom, we evaluated a previous M&A transaction, the 2010 acquisition of RISE. We concluded that while RISE strengthened our project and program management capabilities it did not fully meet the acquisition case financials and we considered the learning points for future M&A. Our Supervisory Board-only meeting was focused in particular on succession management and talent management for senior positions in the company.

End of September we had a two-day meeting in White Plains, New York. We spent most of our time on discussing overall strategy implementation and strategy updates for the various Regions and activities as well as for performance excellence, branding & marketing, multi-national clients and the four global business lines. We received presentations on Health & Safety and on M&A. We also met with senior management of ARCADIS US and RTKL.

October 21 we discussed the third quarter results. We discussed compliance -with a focus on Integrity and anti-corruption-, and we received an update on developments in Dutch corporate law, securities law, corporate law and reporting obligations. We also discussed the initial integration & co-creation plans for Hyder & Callison. After our meeting we had a meeting with the Board of the Priority Foundation.

December 12 we had a Supervisory Board-only meeting in which we discussed the vacancy in the Supervisory Board and the required profile and competencies of potential candidates. Furthermore we discussed functioning of the Executive Board and the importance of achieving organic growth targets with our new operating model. In the regular meeting, after extensively discussing economic and market developments and risk and opportunities, we approved the Plan and Budget 2015. We received presentations on Succession Management, IT and an update on Branding strategy. We confirmed that I would take the Chairman role as from January 1, 2015, and we (re-) confirmed the composition of the various Supervisory Board committees.

General
In our meetings with the Executive Board we discussed a number of recurring items or follow up to items and topics highlighted above. To the extent not already mentioned these include Health & Safety, compliance, claims, important project wins, financial performance, developments in operating companies, audit and risk management, working capital and cash flow, financing and balance sheet ratios. In our meetings, Committee Chairpersons summarized to the full Supervisory Board the discussions in their respective meetings. Prior to our meetings with the Board of the Priority Foundation we met with the Board of the Bellevue Foundation, consisting of ten ARCADIS employees from all over the world to discuss ARCADIS affairs.

Supervisory Board members were rarely absent from either Supervisory Board meetings or Committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings was 97.4%, for the Audit Committee meetings was 100%, for the Selection and Remuneration Committee meetings was 91.7%. In case members could not attend in person they contributed before the relevant meeting to the decision making. Throughout the year the (interim) Chairman maintained intensive contact with the CEO, CFO and occasionally with other Executive Board members.

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Results and Strategy

ARCADIS performed well in 2014. Despite difficult market conditions, particularly in North America, an organic growth of +1% was achieved, with the operating margin at 10.1% despite considerable investments in organic growth. Europe recovered well achieving an operating margin of 10.2% in Q4 up from 3.2% just 18 months earlier.

We realized four mergers & acquisitions. Two smaller ones, FRANZ Environmental, in Canada, strengthening our local presence and inProjects, one of Asia's foremost project management companies. We also acquired Callison, of similar size as RTKL and a global leader in retail design and mixed-use developments - making us a top-five player in the global architecture market - and Hyder Consulting, a nearly 5,000 people design & engineering consultancy with activities in the UK, the Middle East, Germany, Asia and Australia, a leader in infrastructure, water and buildings. These acquisitions add more than €500 million in annualized gross revenues thereby increasing ARCADIS' gross revenues pro-forma to €3 billion and creating the leading global natural and built asset design & consultancy company with more than 28,000 talented professionals across the globe.

In November we launched a successful equity offering to partially finance the acquisition of Hyder, raising €171.3 million (net proceeds). Our Net debt to EBITDA ratio at year-end was 2.0, signaling strong balance sheet ratios.

2014 was the first year of our 2014-2016 strategy: **sustainable growth | performance |collaboration**. 2014 was a year of investment to drive organic growth and saw the launch of a new regional operating model - we are pleased with the progress made by the Executive Board and the Senior Management Team on implementation of the strategy, please refer to the Vison and strategy section of this Annual Report for more information.

Corporate Governance

In the chapter Corporate Governance of this Annual Report the governance structure of the company is described and we explain the very limited deviations from the principles and best practice provisions of the Code.

The Supervisory Board meets the requirements of the Code regarding the independence of Supervisory Board members. The Supervisory Board also complies with the best practice provision and the law as in force since January 2013 that its members do not hold more than five supervisory board positions at certain "large" (listed) companies or entities. The Executive Board members do not hold more than two supervisory board positions with such companies. During 2014 no material transactions involving conflict of interest occurred for Executive or Supervisory Board members.

Audit committee

(M. Schönfeld, Chairman/member; N. Hoek, interim Chairman/member; I. Grice, member)

In 2014 this committee met four times. Its Chairman, Mr. Maarten Schönfeld, took the role of interim Chairman of the Supervisory Board in May 2014. To avoid combining two chairmanships, Mr. Niek Hoek agreed to take the role of interim Chairman of the Audit Committee. Since January 1, 2015, when Mr. Schönfeld and Mr. Hoek switched chairmanships, the committee is once again chaired by Mr. Schönfeld. All Audit Committee meetings were attended by the CEO and the CFO as well as the internal auditor and the external auditor. In addition, the Chairman of the committee had regular contact with the CFO to discuss progress on various matters. In a closed meeting on October 20, 2014 the functioning, independence and financial literacy of the committee and its members were evaluated, with a positive conclusion.

The financial results, including progress in reducing working capital and cash flow developments, were discussed on a quarterly basis and the proposed quarterly press releases were reviewed. Also on the agenda were key legal claims, claims statistics, pending litigation, certain project risks and (potential) integrity issues. The committee regularly discussed the working capital and assumptions used for impairment testing. The Committee was updated on the separation of the Risk Management and Internal Audit functions as per January 1, 2014, on the further roll-out of the "soft controls" program, as part of which surveys were conducted in six jurisdictions in Europe and one in Asia, and on the risk workshop titled 'understanding and living the ARCADIS values 2014' which took place in Latin America, Europe, Middle East and Asia (56 workshops in total). Also on the agenda were presentations by the Chief Information Officer on major IT initiatives, by the Head of Tax on global tax trends, and by the General Counsel on the global legal strategy of ARCADIS. In addition, the committee discussed and recommended the dividend proposal.

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- Mr. Ian Grice attended the annual ARCADIS CFO conference to meet the finance leadership of the company.

During the year, in the presence of the internal and external auditors, results of their respective observations and reports were reviewed. KPMG's audit plan and fee proposal for the 2014 audit were discussed and approved. During the mid-year committee meeting the external auditor's half-year review report and the company's 2014 outlook were discussed. In consultation with the Executive Board the performance of the external auditor was evaluated and findings were reported to the Supervisory Board. The committee also reviewed compliance with the policy on auditor independence. The Committee approved the appointment of PWC as external auditor for the financial year 2015 and was updated on the auditor transition process from KPMG to PWC. Further to the unintended premature release of certain financial information on February 10, 2014, we discussed in our meeting on February 18, 2014, management and other actions to improve internal controls around the release process.

Selection and remuneration committee

(R. van Tets (until June 2014, Chairman) M. Schönfeld (Chairman) ; G. Nethercutt; N. Hoek, A. Perez, R. Markland)

In 2014, the ARCADIS Selection and Remuneration Committee (ASRC) met eight times (incl. conference calls) in the presence of the CEO, Neil McArthur, and the Corporate Director Human Resources. In the first quarter the remuneration review was finalized. The results were submitted to the General Meeting of Shareholders for approval in the General Meeting of Shareholders in May 2014. Furthermore, the Committee prepared the performance evaluation of the Executive Board members for discussion in the Supervisory Board. In addition, the performance ratings of incumbents in the Senior Management Committee were reviewed. Other meeting topics included the granting of bonuses and performance-based shares to the Executive Board, senior management and other key staff and the 2015 bonus program for the Executive Board and senior management. The committee reviewed the Senior Executive Program, this remuneration scheme will apply to the most senior executives in the firm. The Committee also determined ARCADIS' ranking among the peer group as the basis for the vesting of shares and options in May 2015. In December 2014 the committee did a market comparison remuneration analysis of the Executive Board members in view of increased scope of responsibilities due to the recent acquisitions. In addition, the Committee also agreed to compensate for the loss of pension due to the implementation of the new pension law per January 1, 2015.

In the first quarter of 2014 the Committee discussed and agreed upon the re-appointment of the CFO, Mr. R. Vree, as well as the replacement of Mr. F. Schneider as Member of the Executive Board, by Mr. S. Ritter. Other topics discussed were changes in key management namely the appointment of members of the Senior Management Committee, the programs for talent identification/management and succession management in top positions.

The Supervisory Board decided to split the ASRC in a Remuneration Committee (ARC) and a Selection Committee (ASC). Ruth Markland was appointed as the new Committee chairwoman for the ARC. The Selection Committee is chaired by the Supervisory Board Chairman. The Committee agreed on a adjustment of the compensation for the Committee's chairperson. This will be submitted to the General Meeting of Shareholders for approval in May 2015.

Finally, in light of his departure, the ASRC also approved that Mr. F. Schneider will be paid an at target, but pro-rated, bonus over 2014 of EUR 66,667. Also, any of Mr. F. Schneider's unvested options and restricted shares will vest at the original vesting date and shall be pro-rated.

Composition Executive and Supervisory Board

The Supervisory Board consists of seven members, one vacancy, and the Executive Board consists of five members. In 2014 Mr. Schneider's second term in the Executive Board ended and Mr. Stephan Ritter was appointed as his successor. Mr. Vree was re-appointed as member of the Executive Board. Mr. Grice was re-appointed as member of the Supervisory Board. Each of the Boards includes one female member. With this we exceed the average gender diversity within Boards of Dutch listed companies. Diversity, including gender related, will continue to be an important consideration in the selection processes for (re-)appointment of Board members. At the same time, our first priorities when considering vacancies in either Board remain quality, expertise and experience.
For the current composition of the Executive Board and information about its members, please refer to page 91 of this Annual Report.

Continued on next page

For the current composition of the Supervisory Board, its Committees, and information about its members, please refer to page 90 of this Annual Report.

Compliments

We are grateful for the important contributions of the Executive Board, Senior Management Committee, managers and staff worldwide. We enjoyed the passion, dedication and commitment of our people to building ARCADIS into the leading global natural and built asset design & consultancy firm it is today. We welcome the new important additions to ARCADIS through mergers & acquisitions and look forward to their successful integration.

Amsterdam, the Netherlands, February 18, 2015
On behalf of the Supervisory Board
Niek Hoek, Chairman

Remuneration Report

This report has been prepared by the ARCADIS Remuneration Committee ("ARC") of the Supervisory Board. Within the framework of the remuneration policy for the Executive Board and the Supervisory Board as adopted by the Annual General Meeting of Shareholders ("AGM") in May 2011, remuneration of the Executive Board members is determined by the Supervisory Board, based on advice of the ARC. The Committee reviews the remuneration policy every three years to verify its market conformity. After reviewing the existing remuneration policy in 2013 – 2014, the proposed revisions to the existing remuneration policy for Executive Board members have been adopted by the AGM in May 2014. The AGM also adopted the proposed revisions to the remuneration policy for the Supervisory Board in May 2014.

Remuneration Executive Board

The review of the remuneration policy for the Executive Board was completed in 2014 by the ARC, based on a benchmark study performed by an external advisor, that focused on the appropriate labor market reference groups that best reflected the size and positioning of ARCADIS and the appropriate remuneration structure.

Remuneration policy

Remuneration in line with median level of reference group
Upon the launch of the new ARCADIS strategy for 2014 to 2016, the revised remuneration policy is aimed at market median and should serve to attract, motivate and retain international executives of the highest caliber in order to deliver our ambitious business strategy. The changes to the remuneration policy aim to support the business strategy, further enhance the link between pay and performance and further align the interests of the members of the Executive Board with shareholders' interests by stimulating share ownership – all while adopting the highest standards of good corporate governance.

Remuneration for Executive Board members consists of fixed remuneration, short-term variable remuneration, long-term variable remuneration, and retirement benefits and as well as other benefits. Variable remuneration remains an important part of the total package and is based on performance criteria that incentivize value creation in the short and long term.

In order to align with ARCADIS' size, (geographic and industry) scope and labor market competition, the remuneration policy is based on a comparison against two reference groups of fourteen companies each. The first group focuses on Dutch headquartered companies with significant international activities. The second group consists mainly of global industry peers:

Reference group 1	Reference group 2
Aalberts Industries (NL)	AECOM (US)
Boskalis (NL)	CBRE (US)
Fugro (NL)	Jacobs Engineering (US)
Imtech (NL)	Jones Lang LaSalle (US)
Nutreco (NL)	Pöyry (FIN)
SBM Offshore (NL)	RPS Group (UK)
Ten Cate (NL)	Sweco (S)
TKH Group (NL)	Tetra Tech (US)
TNT Express (NL)	WS Atkins (UK)
Vopak (NL)	WSP Global (CA)
Jones Lang LaSalle (US)	Boskalis (NL)
SWECO (S)	Fugro (NL)
Tetra Tech (US)	Imtech (NL)
WS Atkins (UK)	SBM Offshore (NL)

The remuneration policy aims at Total Direct Compensation levels (the sum of fixed remuneration, short-term variable remuneration and long-term variable remuneration) in line with the median of both reference groups.

Fixed remuneration

The 2014 review showed that the fixed remuneration of the members of the Executive Board was below the median levels of the applicable reference groups. Therefore, the Supervisory Board proposed to increase the fixed remuneration to the median level as of 1 July 2014. This was approved by the AGM. The following annual base salaries apply to 2014.

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	Fixed remuneration in 2014	Annual remuneration
CEO (N. McArthur)	**€600,800**	€630,000
CFO (R. Vree)	**€437,500**	€450,000
Member EB (S. Hottenhuis)	**€411,700**	€420,000
Member EB (S. Ritter)	**€260,900[1)]**	€420,000
Member EB (Z. Smith)	**$658,700**	$672,000

[1)] Appointed by General Meeting in May 2014.

Short-term variable remuneration

The short-term variable remuneration can range from 0% to 85% of the fixed remuneration, with 50% being the target. In order to increase alignment with shareholders and to stimulate share ownership, 20% of the short-term variable remuneration is paid out in shares. These shares are restricted for five years.

Performance criteria

The strategy for 2014 to 2016 includes a clear focus on sustainable growth, (financial) performance and collaboration. In order to support the strategy, the financially driven criteria determine 75% of the short-term variable remuneration, reflecting the Company's financial priorities, while the non-financial criteria determine 25% of the short-term variable remuneration. These criteria are set for each member of the Executive Board individually, and are derived from the Company strategy. Elements like internal collaboration between different parts of the Company are included in here.

Criterion	Weight
Financial criteria	**75%**
Collective financial criteria	50%
- Earnings per share	
- Return on invested capital	
Individual financial criterion	25%
- Chairman: organic growth (corporate)	
- Chief Financial Officer: free cash flow	
- Board Members: organic growth (regional)	
Non-financial criteria	**25%**
Total	**100%**

The part of the short-term variable remuneration determined by the individual financial criteria will only be awarded under the condition that a minimal operating profit margin of 9% is achieved (exclucing the impact of acquisitions).

Targets are set annually by the Supervisory Board based on the plan and budget for the respective year. In 2014 the bonus percentage is determined using the following table:

		Short term variable remuneration as percentage of fixed remuneration in 2014		
Criterion	**Weight**	**Minimum**	**At target**	**Maximum**
EPS	25%	0%	12.5%	21.25%
ROIC	25%	0%	12.5%	21.25%
Individual financial target:	25%	0%	12.5%	21.25%
- Chairman: Organic Growth (corporate)				
- Chief Financial Officer: Free cash flow				
- Board Members: Organic growth (regional)				
Non-financial criteria	25%	0%	12.5%	21.25%
Total	**100%**	**0%**	**50%**	**85%**

The performance against the preset targets has been reviewed and confirmed by our external auditor. This resulted in bonuses varying between 27% and 54% of base salary. In line with the revised remuneration policy, 20% of these bonuses are paid in shares to the Executive Board. Because of his departure in 2014, Friedrich Schneider received a pro-rated bonus in June 2014 for the year 2014 (January – May).

Long-term variable remuneration: performance shares

The long-term variable remuneration serves to align the interests of the members of the Executive Board with long-term shareholders' interests. Therefore, the focus of the variable remuneration has shifted to long-term performance under the revised remuneration policy. Also, in line with best market practices that show a reduced prevalence of option compensation, long-term variable remuneration for the Executive Board is based on performance shares only. This is different from the 2011 – 2013 practice when Executive Board members were granted both performance shares as well as options.

The remuneration policy includes the granting each year of performance-based shares. As in the 2011 – 2013 period, performance shares vest and become unconditional after three years, dependent on ARCADIS' relative performance against a peer group of comparable, listed companies. Performance is measured as *Total Shareholder Return* (TSR), defined as share price increase, including reinvested dividends. This stimulates creating shareholder value on the longer term.

Peer group and vesting

At the end of each three-year cycle, ARCADIS' performance is measured against the companies in the peer group. ARCADIS' ranking determines whether and to what extent the originally

Continued on next page

granted performance shares vest and become unconditional. Performance is based on the average TSR over the three-year period. This prevents incidents such as temporary sentiments or take-over rumors related to specific companies having a strong impact on relative performance.
The tables below show the peer group for the period 2014 - 2016 and the previous peer group for the period 2011 – 2013 as well as the applicable vesting schemes for those periods.

Peer group 2014 - 2016[1]	Peer group 2011 - 2013[1]
ARCADIS (NL)	ARCADIS (NL)
AECOM (US)	Atkins (UK)
Cardno (AUS)	Grontmij (NL)
Grontmij (NL)	Poyry (Fin)
Amec Foster Wheeler (UK)[2]	Sweco (Sw)
Jacobs Engineering (US)	Hyder (UK) / Amec Foster Wheeler (UK)
Pöyry (FIN)	WSP Group (Canada)
RPS Group (UK)	Aecom (US)
SNC-Lavalin (CAN)	Jacobs (US)
Sweco (S)	Tetra Tech (US)
Tetra Tech (US)	URS (US) / Stantec (US)
Stantec (US)[2]	RPS (UK)
WS Atkins (UK)	
WSP Global (CAN)	

[1] The years mentions referred to the years of granting of performance shares and/ or options.
[2] Amec and Stantec are replacing Hyder Consulting and URS since both companies are delisted after being acquired.

Vesting 2011-2013 awards[1]		Future vesting 2014-2016 awards[1]	
Position	Vesting	Position	Vesting
1	150%	1	200%
2	133%	2	175%
3	117%	3	150%
4	100%	4	125%
5	83%	5	100%
6	67%	6	75%
7	50%	7	50%
8	0%	8	0%
9	0%	9	0%
10	0%	10	0%
11	0%	11	0%
12	0%	12	0%
		13	0%
		14	0%
Expected:	64%	Expected:	62.5%

[1] Expected vesting percentage, assuming each position has equal chance.

Number of shares and options

The long-term variable remuneration comprises of conditional performance shares to be granted each year. The shares will vest and become unconditional upon achievement of performance after three years, and are restricted for another two years. For the years 2014, 2015 and 2016, the number of shares granted is fixed. The principle being that the fair value represents 90% of fixed remuneration for the Chairman and for the Chief Financial Officer and 65% of fixed remuneration for the other members of the Executive Board. The value is based on the average ARCADIS share price in the first quarter of 2014 and the expected vesting percentage based on an equal probability chance for each position against the TSR peer group after three years (62.5%), corrected for dividend. In 2014, the Chairman was granted 36,500 performance shares, the Chief Financial Officer was granted 26,000 shares, while the other members of the Executive Board were granted 17,500 performance shares.

Vested shares and options

In May 2014, the shares and options that were granted in May 2011 became unconditional at 83% of the originally granted numbers. This was due to ARCADIS' performance in the period 2011-2013 resulting in the 5th place among the peer group.

Over the period 2012-2014 ARCADIS ended in the 3rd place among the peer group. Therefore the shares and options that were granted in May 2012 will become unconditional in May 2015 at 117% of the originally granted numbers. Please refer to the table on page 88 for more information on shares and options.

Retirement and other benefits, contracts

Retirement benefits

Executive Board members (excluding Mr. Smith) participate in the ARCADIS Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 67 years. The contribution from the participants is 6.28% of the pensionable salary (annual base salary minus offset). Mr. Smith, who operates from the United States, participates in the 401k plan of ARCADIS US.

In May 2014 the General Meeting of Shareholder approved that changes in local legislation will be studied when the event occurs.

Other benefits

Executive Board members receive a fixed allowance for expenses, as well as other customary fringe benefits, including the use of a company car. They may also participate in the Employee Stock Purchase Plan to purchase up to a maximum of €400 per month of ARCADIS shares from the Lovinklaan Foundation at a discount.

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Employment contracts, management agreements and severance pay

Mr. N. McArthur, appointed into the Executive Board in 2011, and Mrs. S. Hottenhuis, appointed in May 2012, both have an employment contract with ARCADIS NV. Due to changed Dutch legislation, Mr. R. Vree, reappointed in May 2014, and Mr. S. Ritter, appointed in May 2014, work for ARCADIS NV under a management agreement. All four have a four-year term and a maximum severance pay of one year's base salary. Contracts of Executive Board members do not contain provisions for the event of the termination of employment resulting from a change in control.

Other elements of the remuneration policy

In December 2009, a revised Code on Corporate Governance became effective which contains additional best practices regarding executive remuneration. Based upon advice of the ARCADIS Remuneration Committee, the Supervisory Board has evaluated these additional best practices in 2014 (in light of the 2013 – 2014 review of the Executive Board remuneration policy) resulting in the following conclusions:

- The remuneration policy as described before is aligned with the strategy and the financial goals of the company and its related risks. It includes a good balance between fixed and variable remuneration and between short and long-term remuneration and is (relatively) simple and understandable.
- The remuneration for Executive Board members is in reasonable proportion to that for the next level in the organization. ARCADIS' Senior Management Committee members and other operating company directors, have a remuneration structure comparable to the Executive Board. A scenario analysis that was made with respect to the potential outcomes of the variable remuneration gave no cause to adjust the remuneration policy.
- The Supervisory Board recognizes that conditionally awarded variable remuneration components could produce unfair results due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved. In such case the Supervisory Board will use its judgment to make adjustments (downwards or upwards) to the value of these variable remuneration components, taking into account the relevant circumstances. This ultimum remedium clause has been included in the long term incentive plan.
- The Supervisory Board will use its best efforts – taking into account the relevant circumstances – to recover from the Executive Board members any variable remuneration awarded on the basis of incorrect financial or other data. This claw back clause has been included in the bonus program and in the long term incentive plan.

Remuneration overview

For more information on remuneration and share and option ownership of Executive Board members, please refer to Notes 42 and 43 of the Company financial statements in this Report.

Remuneration Supervisory Board

The GMS determines the remuneration of Supervisory Board members. The remuneration for Supervisory Board members was reviewed in 2014, based on benchmark analysis by an external advisor, of remuneration at companies that are in the same reference market groups as mentioned before. In view of the outcome of this analysis, the AGM approved in May 2014, the following remuneration as per July 1, 2014:

	Chairman	Member
Yearly fixed remuneration	€ 65,000	€ 50,000
Yearly fixed cost compensation	€ 3,000	€ 2,000
Membership AAC	€ 10,000	€ 7,000
Membership ASC & ARC	€ 9,000	€ 6,000

In addition, non-Dutch members receive an attendance fee per physical meeting of €2,000 for European members and US$4,000 for members from the United States. Remuneration is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of ARCADIS shares by a Supervisory Board member is meant as a long-term investment.
For more information on remuneration and share ownership of Supervisory Board members, please refer to Notes 42 and 44 of the financial statements in this report.

Other information

The company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. In 2005, ARCADIS NV provided Executive Board members an indemnification for all costs and expenses from and against any claim, action or lawsuit related to actions and/or omissions in their function as Executive Board members. As approved by the AGM in 2005, a similar indemnification was provided to Supervisory Board members.

On behalf of the ARCADIS Remuneration Committee
Ruth Markland, Chairman

Name	Granting date	Type	Granted number of shares and options	Share price[1]	Value[2]	Vesting date	Vesting %	Granted number of shares and options after vesting period	Lock up period[3]
N. McArthur [4]	May-11	Shares	20,000	16.18	166	May-14	83%	16,660	May-16
		Options	40,000	16.18	108		83%	33,320	n.a.
		Options[5]	70,000	16.18	366				n.a.
	May-12	Shares	17,500	15.74	198	May-15			May-17
		Options	35,000	15.74	122				n.a.
	May-13	Shares	17,500	20.96	219	May-16			May-18
		Options	35,000	20.96	129				n.a
	May-14	Shares	36,500	25.42	688	May-17			May-19
R. Vree [6]	May-10	Shares	21,600	14.33	194	May-13	117%	25,207	May-15
		Options	43,200	14.33	108		117%	50,414	n.a.
		Options[5]	30,000	14.33	113				n.a.
	May-11	Shares	10,000	16.18	83	May-14	83%	8,330	May-16
		Options	20,000	16.18	54		83%	16,660	n.a.
	May-12	Shares	10,000	15.74	113	May-15			May-17
		Options	20,000	15.74	70				n.a.
	May-13	Shares	10,000	20.96	125	May-16			May-18
		Options	20,000	20.96	74				n.a.
	May-14	Shares	26,000	25.42	490	May-17			May-19
Z. A. Smith	May-13	Shares	10,000	20.96	125	May-16			May-18
		Options	20,000	20.96	74				n.a.
	May-14	Shares	17,500	25.42	330	May-17			May-19
S. Hottenhuis	May-12	Shares	10,000	15.74	113	May-15			May-17
		Options	20,000	15.74	70				n.a.
	May-13	Shares	10,000	20.96	125	May-16			May-18
		Options	20,000	20.96	74				n.a.
	May-14	Shares	17,500	25.42	330	May-17			May-19
S. Ritter	May-14	Shares	17,500	25.42	330	May-17			May-19
F. Schneider [7]	May-06	Shares	15,000	12.38	117	May-09	100%	15,000	May-11
		Options	37,500	12.38	108		100%	37,500	n.a.
	May-07	Shares	15,000	19.89	187	May-10	117%	17,505	May-12
		Options	37,500	19.89	125		117%	43,762	n.a.
	May-08	Shares	10,800	13.03	88	May-11	100%	10,800	May-13
		Options	21,600	13.03	42		100%	21,600	n.a.
	May-09	Shares	10,800	10.91	74	May-12	150%	16,200	May-14
		Options	21,600	10.91	41		150%	32,400	n.a.
	May-10	Shares	10,800	14.33	97	May-13	117%	12,603	May-15
		Options	21,600	14.33	54		117%	25,207	n.a.
	May-11	Shares	10,000	16.18	83	May-14	83%	8,330	May-16
		Options	20,000	16.18	54		83%	16,660	n.a.
	May-12	Shares	10,000	15.74	113	May-15		6,667	May-17
		Options	20,000	15.74	70			13,334	n.a.
	May-13	Shares	10,000	20.96	125	May-16		3,334	May-18
		Options	20,000	20.96	74			6,667	n.a.

1) Share price in euro.
2) Value at granting in thousands of euros.
3) Shares have a lock up period of two years after vesting, except for using shares to pay for tax obligations. For options a lock up is not applicable (n.a.)
4) When N. McArthur was appointed to the Executive Board, he received twice the normal numbers granted and an additional number of 70,000 non conditional options, to compensate for loss of rights at his previous employer.
5) These options are non-conditional in the sense that they vest after three years, independent of TSR performance, but only when Mr. Vree / Mr. McArthur are still working at ARCADIS.
6) When Mr. R. Vree was appointed to the Executive Board, he received twice the normal numbers granted, and an additional number of 30,000 non conditional options, to compensate for loss of rights at his previous employer.
7) Shares and options granted to Mr. F. Schneider in May 2012 and May 2013 are pro-rated.

Information on members of the Supervisory Board

Supervisory Board


Niek Hoek


Maarten Schönfeld


George Nethercutt


Ruth Markland


Armando R. Perez


Ian Grice

Niek W. Hoek (1956) - Chairman

Dutch nationality, term 2013-2017

Audit Committee, Selection & Appointment Committee (Chair), Remuneration Committee

Previous positions:
Member of the Supervisory Board of Euronext N.V.
Chairman Executive Board Delta Lloyd
Several functions within Delta Lloyd and Shell

Non-executive board functions:
- Chairman of the Supervisory Board of Stadsherstel Amsterdam N.V.
- Chairman of the Supervisory Board of Stichting Zuiderzeemuseum
- Member of the Supervisory Board of NIBC Bank N.V.
- Member of the Supervisory Board of Anthony Veder

Ian M. Grice (1953)

British nationality, term 2010-2018

Audit Committee

Previous positions:
Group Chief Executive Alfred McAlpine Plc (2003-2008), Executive Board Director Alfred McAlpine Plc (1995-2003), Director John Mowlem Construction Plc, Managing Director Mowlem Management Ltd and Managing Director Mowlem Facilities Management Ltd (1981-1995), various technical and management positions French Kier Ltd (1979-1981), John Mowlem Plc (1976-1979), Tileman & Company Ltd (1975-1976), and John Laing Plc (1974-1975).

Non-executive board functions:
- Non-executive director of Merryck Ltd.

Ruth Markland (1953)

British nationality, term 2009-2017

Remuneration Committee (Chair), Selection & Appointment Committee

Previous positions:
Lawyer, Nabarro Nathanson (1975-1977); Lawyer/ Partner, Freshfields (1977-2003) in their offices in London, Singapore and Hong Kong.

Non-executive board functions:
- Non-executive director The Sage Group PLC
- Non-executive director Standard Chartered PLC

George R. Nethercutt, Jr. (1944)

U.S. nationality, term 2005-2017

Remuneration Committee, Selection & Appointment Committee

Previous positions:
Member of Board of Directors of Juvenile Diabetes Research Foundation International (2005-2011). Chairman Permanent Joint Board on Defense, US/ Canada (2005-2009). Member, Defense Advisory Board on Incident Preparedness (2009-2010). Member of the United States House of Representatives (1995-2005). During that time, he served on the Appropriations Committee and the Defense, Interior and Agriculture Subcommittees, as well as on theScience Committee and the Energy and Space Subcommittees. Practiced law in the private sector, focusing on corporate, estate and probate and adoption law (1977-1994). Worked in the US Senate in Washington, D.C., concentrating on oil and gas, natural resources, mining and trading affairs (1972-1977).

Non-executive board functions:
- Member of the Board of Directors of Hecla Mining Company
- Member of Board of Directors of IP Street Corporation

Other functions:
- Member of the Board of Directors of The Washington Policy Center
- Member of the Board of Chancellors of Juvenile Diabetes Research Foundation International
- Member of the Board of Directors of Juvenile Diabetes Research Foundation The Netherlands
- Chairman of the Board of Directors of The George Nethercutt Foundation
- Of Counsel Lee & Hayes LLP international law firm

Armando R. Perez (1951)

U.S. nationality, term 2009-2017

Selection & Appointment Committee, Remuneration Committee

Previous positions:
Member of the Board of Directors of Malcolm Pirnie Inc. (2007-July 2009), Management Consultant with several companies (1976-1980). Several senior management positions at ESSO, EXXON and EXXONMOBIL (1980-2008), Puerto Rico, Caribbean, The Netherlands, Chile, South America, global.

Other functions:
- Vice-President Board of Directors of COANIQUEM Burned Children Foundation
- Member of the Advisory Board of the International Center of Baptist Health South
- Chairman of the Executive Advisory Committee of the Chapman Graduate Business School at Florida International University (2003-2008)
- Member of the Executive Committee of the Board of Trustees of the Pan American Development Foundation

Maarten Schönfeld (1949)

Dutch nationality, term 2008-2016

Audit Committee (Chair)

Previous positions:
Vice-Chairman of the Executive Board and CFO of Stork B.V. (2001-2008). Several senior international management positions within Royal Dutch Shell Plc. (1977-2001; USA, Argentina, Portugal, Switzerland, Germany and the Netherlands). Worked in Malawi, Africa for the United Nations Development Program (1974-1976).

Non-executive board functions:
- Member Supervisory Board Fugro N.V.
- Member Supervisory Board S&B Industrial Minerals Finance Holdings S.a.r.l., Luxembourg
- Member Supervisory Board Technical University Delft
- Member Supervisory Board University of the Arts, The Hague
- Board Chairman Children Fund of Malawi
- Board Member Stichting Continuïteit ICT

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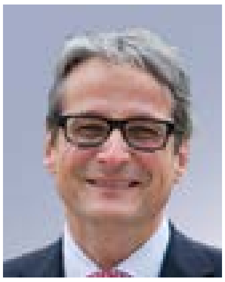
Information on members of the Executive Board

Executive Board


Neil McArthur


Renier Vree


Stephan Ritter


Stephanie Hottenhuis


Zack Smith

Neil C. McArthur, BSc, MBA, MIMechE, FRICS (1961)

British Nationality, term 2011-2015

Current position:
CEO and Chairman of the Executive Board ARCADIS N.V.

Previous positions:
Neil McArthur started his career in 1982 with Shell International Petroleum Maatschappij, Exploration & Production, where he worked as a project manager on large investment projects in Qatar and the Netherlands. After completing his MBA in 1990, he started working for Booz & Company, a leading international strategy and management consultancy. As member of the Global Executive Committee and Managing Director Europe, he was responsible for the activities in 15 European countries and consulted to Fortune 500 clients in the global energy, chemical and utilities markets. In 2011 he was appointed to the Executive Board of ARCADIS N.V. and in January 2012 announced as the new CEO.

Other functions:
- Co-Chairman of the Dutch Council of INSEAD.

Renier Vree, Msc, RC (1964)

Dutch nationality, term 2010-2018

Current position:
Chief Financial Officer

Previous positions:
Before joining ARCADIS, Renier Vree worked in several financial management positions for Philips, having started with that company in 1987. From 1994 through 2002 he worked as Financial Director/Chief Financial Officer for Philips businesses in the United States and Asia, including Malaysia and Hong Kong. From 2002 through 2004 he was director of global efficiency improvement programs for Philips. In 2004 he was appointed Chief Financial Officer of Philips Lighting.

Other functions:
- Chairman Curatorium Post-graduate Chartered Controller/EMFC Programme University of Maastricht
- Chairman Supervisory Board Tendris B.V.

Stephan Ritter, MB (1968)

German nationality, term 2014-2018

Current position:
Member of the Executive Board

Previous positions:
Stephan Ritter joined ARCADIS as a CEO of ARCADIS Continental Europe in 2013. Before joining ARCADIS he worked for General Electric in various positions. From 2009 to 2013 he was General Manager of Renewable Energy Europe. Prior to that, from 2004-2009, he was General Manager Global Services in GE Enterprise Solutions, Sensing & Inspection Technologies. During his time with GE Healthcare and GE Capital, from 1999 to 2003, he got certified as a Lean Six Sigma Master Black Belt and held leadership roles in project acquisition and customer management.

Stephanie Hottenhuis, MB, MA (1965)

Dutch nationality, term 2012–2016

Current position:
Member of the Executive Board

Previous positions:
In September 2011 Stephanie Hottenhuis was appointed ARCADIS Director Europe where she was responsible for the European operations of ARCADIS (excluding the Netherlands and UK). Stephanie Hottenhuis has a Business degree (Hons) and started with ARCADIS' international projects business, ARCADIS Euroconsult, where she was Business Unit Manager for Eastern Europe and Asia from 1996 to 2000. From 2001 to 2008 Ms Hottenhuis was in charge of the Multinational Clients program of ARCADIS. She established ARCADIS China in 2005 as a greenfield operation and was responsible for it until 2008. From 2005 to 2008 Stephanie Hottenhuis was a Member of the Executive Board of AYH, now ARCADIS UK. From 2008 to 2011, Stephanie Hottenhuis was CEO of ARCADIS Deutschland GmbH.

Other positions:
- Member Supervisory Board TenneT Holding B.V.

Zack A. Smith, BSc MSc (1956)

U.S. nationality, term 2013-2017

Current position:
Member of the Executive Board

Previous positions:
Zack Smith joined ARCADIS in 2002 and has held several positions in the US operations including: Chief Strategy and Sales Officer, Environmental Division President, Infrastructure Operations and Client Development Director as well other operational, client development and discipline roles in ARCADIS US. He has more than 30 years of experience in engineering consulting having worked for global firms and having founded and owned his own firm.

Continued on next page

Overview of Senior Management

1. **Curt Cramer, BSc (1962), U.S. nationality**
   Global Director Performance Excellence since 2013
2. **Roland van Dijk, MSc, MBA (1970), Dutch nationality**
   Global Director Corporate Development since 2014
3. **Lia Belilos, BSc (1962), Dutch nationality**
   Corporate Director Human Resources since 2014
4. **Joost Slooten (1961), Dutch nationality**
   Director Investor Relations since 2014
5. **Gerard Spans, MSc (1966), Dutch nationality**
   Chief Information Officer since 2013
6. **Philip Youell, MBA, MCIM, (1960), British nationality**
   Global Director Marketing & Communications since 2014
7. **Bartheke Weerstra, LLM (1973), Dutch nationality**
   General Counsel & Company Secretary since 2010
8. **Eleanor Allen, MSc (1969), U.S. nationality**
   Global Director Water since 2013
9. **Mark Fenner, BSc, MBA (1958), U.S. nationality**
   Global Director Environment since 2012
10. **Rob Mooren, MSc (1956), Dutch nationality**
    Global Director Infrastructure since 2013
11. **Tim Neal, BSc, MBA, FRICS (1967), British nationality**
    Global Director Buildings since 2013

Corporate Staff Directors






1 2 3 4
5 6

Global Business Line Directors




8 9
10 11

Company Secretary

7

Continued on next page

12. Manoel da Silva, MSc (1953), Brazilian nationality
CEO ARCADIS Latin America since 2013

13. John Jastrem, BSc (1955), U.S. Nationality
CEO ARCADIS U.S., Inc. since 2015

14. Greg Steele BE, Grad Dip Bus, FIEAust (1961), Australian nationality
CEO ARCADIS Australia Pacific since 2015

15. Erik Blokhuis (1967), Dutch nationality
CEO ARCADIS Europe since 2015

16. Alan Brookes, BSc, FRICS (1961), British nationality
CEO ARCADIS United Kingdom since 2014

17. Wael Allan, BEng, MSc (1963), British nationality
CEO ARCADIS Middle East since 2015

18. Kenneth Poon, MPhil, FRICS; FHKIS; RPS, RCE (1956), Chinese nationality
CEO ARCADIS Asia since 2015

19. Graham Reid, BSc (Hons), FICE (1962) British nationality
Global Design Director since 2015

20. David Sparrow, BSc (Hons), MRICS (1959), British nationality
Global Director Multinational Clients since 2012

21. John Batten, BSc, MSc (1954), U.S. nationality
Global Director Big Urban Clients since 2014

22. Lance Josal, FAIA (1955), U.S. nationality
CEO RTKL & Callison since 2015

Regional Directors

12 13 14 15
16 17 18

Other members Senior Management Committee

19 20 21 22

Corporate Governance

ARCADIS is committed to the principles of good governance: integrity, transparency, accountability and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. Compliance with the principles and best practices of this code, including an explanation of deviations, was fully discussed in the General Meeting of Shareholders in May 2004 and accepted by the shareholders. Since that date, no material changes have been made to the corporate governance structure.

In December 2008, the Dutch Corporate Governance Code Monitoring Committee presented an update of the Dutch Corporate Governance Code, which became effective by decree on 10 December 2009 (the "Code").

In the Annual Report 2009, an overview was given of the actions taken to comply with the Code, as updated. At the Annual Meeting of Shareholders that was held on 12 May 2010, the compliance of ARCADIS with the Code was on the agenda for discussion and shareholders concurred with the way compliance with the Code was being handled. Any material future changes in the Company's corporate governance structure and its compliance with the Code will be submitted to shareholders for their consideration. An overview of the corporate governance structure of ARCADIS and an explanation of deviations from the principles and best practices of the Code are provided below. For additional information about Corporate Governance at ARCADIS please visit our website at: www.arcadis.com/governance.aspx.

Organizational structure

ARCADIS NV is a public limited liability company (Naamloze Vennootschap) under Dutch law. The company is managed by the Executive Board under supervision of the Supervisory Board. Since 2003, ARCADIS NV has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the general meeting of shareholders (the "General Meeting"). As proposed by the Executive Board, and with prior approval of the Supervisory Board and the ARCADIS Priority Foundation, the General Meeting can amend the Articles of Association. Such a decision requires a majority of at least three/fourth of the votes cast in a meeting in which at least three/fourth of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three/fourth of the votes, regardless of the share capital represented in the meeting.

Executive Board

The Executive Board manages the Company and is responsible for the Company's goals, objectives, strategy, policy and results. The Supervisory Board determines the number of Executive Board members after consultation with the Executive Board. The General Meeting appoints the Executive Board members. For every appointment the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two/thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two/thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chairman and determines, in consultation with the Executive Board, the division of tasks. The present composition of the Executive Board and information about its members are provided on page 91 of this Report.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board in the performance of its management tasks and supervises the overall development of the Company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the Company and its stakeholders. The Supervisory Board consists of at least three members (currently six). Members are appointed by the General Meeting. For every appointment the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two/thirds of the votes, representing more than one/third of the issued share capital. In case of a non-binding nomination the General Meeting decides by simple majority. The General Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board,

Continued on next page

requires at least two/thirds of the votes, representing at least one/third of the issued share capital.

The Supervisory Board appoints one of its members as Chairman and one as Vice-Chairman. Members are appointed for a maximum period of four years. They are eligible for reappointment for two additional four-year terms, up to a maximum of twelve years in office. The Supervisory Board has established three committees from amongst its members: an Audit Committee, a Selection and Appointment Committee and a Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The present composition of the Supervisory Board and information about its members are provided on page 90 of this Report.

General Meeting of Shareholders

At least once a year, ARCADIS NV convenes a shareholder meeting. Meetings are convened by the Executive and/or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least ten percent of the company's issued share capital if authorized by the relevant Dutch court. Shareholders that hold at least three percent of the issued share capital have the right to propose an item for the agenda. The Company will include the item on the agenda if it receives the substantiated proposal clearly stating the item to be discussed, or a draft resolution, in writing at least 60 days prior to the meeting date. Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise. ARCADIS advocates active shareholder participation at shareholder meetings. Since 2007, the Articles of Association allow for communication and voting by electronic means. For more information about the powers of the General Meeting as well as the Company's Articles of Association, please visit: www.arcadis.com/governance.aspx.

Share capital

The authorized share capital of ARCADIS NV consists of ordinary shares, cumulative financing preference shares, priority shares and cumulative preference (protective) shares, each with a nominal value of 0.02. At year-end 2014, the total number of ordinary shares issued was 83,108,990. Currently only ordinary shares and 600 priority shares have been issued. A further explanation on the capital structure is given in Note 14 to the Consolidated Financial Statements. Priority shares and cumulative preference shares have an impact on the governance of the Company.

Priority shares

The 600 priority shares, held by the ARCADIS Priority Foundation (Stichting Prioriteit ARCADIS NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the Company as well as certain major co-operations, acquisitions and divestments. The board of the Priority Foundation is comprised of three members of the Executive Board, all members of the Supervisory Board and ten members who are ARCADIS employees. All resolutions of the board require a majority of at least sixty percent of the votes cast, implying that employee support is needed for those far-reaching decisions. For more information, please see Note 14 to the Consolidated Financial Statements.

Cumulative preference (protective) shares

Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the ARCADIS Preferred Stock Foundation (Stichting Preferente Aandelen ARCADIS NV) and ARCADIS NV. The objective of this foundation is to protect the interests of ARCADIS, its enterprise(s) and all of those involved. In the event of an unfriendly takeover attempt or another hostile situation, preference shares can be used to facilitate that the Executive and Supervisory Boards have time to duly consider the situation and the interests involved. For more information, please see Note 14 to the Consolidated Financial Statements.

Regulation concerning securities

ARCADIS has regulations regarding transactions in ARCADIS securities that apply to all employees unless stipulated otherwise. These regulations also prohibit Executive and Supervisory Board members from executing transactions in the securities of certain other listed companies, regardless of whether they have inside information or not.

Continued on next page

Financial reporting and role of auditors

Before being presented to the General Meeting for adoption, annual Financial Statements as prepared by the Executive Board must be examined by an external certified public auditor. The General Meeting has the authority to appoint the auditor. Each year the Supervisory Board nominates the auditor for (re-)appointment by the General Meeting, taking into account the advice of the Audit Committee. The auditor's assignment (including remuneration) is approved by the Supervisory Board, on the recommendation of the Audit Committee. Prior to publication, the quarterly and half year results and reports are discussed with the Audit Committee, in the presence of the external auditor, in preparation for consideration by the Supervisory Board. The external auditor attends the meetings of the Supervisory Board in which the annual and half-year Financial Statements are to be approved and the audit report of the external auditor is discussed. The ARCADIS Auditor Independence Policy contains rules and procedures for the engagement of the external auditor, in order to ensure its independence. The Audit Committee annually evaluates the functioning of the external auditor, in consultation with the Executive Board, and the outcome is reviewed by the Supervisory Board. Also the desirability of rotating the external auditor's lead partner is evaluated. ARCADIS changed partners in 2001, 2006 and 2008. ARCADIS has an internal audit function which operates under the responsibility of the Executive Board, with reporting lines to the CEO, CFO and the Audit Committee. The scope of work of the internal audit function is regulated in an Internal Audit Charter. The external auditor and the Audit Committee are involved in the preparation and approval of the annual internal audit plan. Internal Audit Reports are discussed with the Audit Committee in the presence of the external auditor.

Change of external auditor

In the AGM 2014 the general meeting appointed KPMG Accountants N.V. as auditor of the 2014 Financial Statements and PriceWaterhouseCoopers Accountants N.V. as auditor of the 2015 Financial Statements (which automatically implies a change in lead partner).

Compliance with Dutch Corporate Governance Code

ARCADIS applies the principles and best practices of the Dutch Corporate Governance Code published in December 2003 and as amended in December 2009, except for the following and for the reasons set out below:
IV.1.1: In 2003, the Articles of Association of the Company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association. ■

Financial Statements 2014

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Consolidated Balance sheet

as at December 31

Before allocation of profit

Amounts in EUR 1,000

Assets	Note	2014	2013
Non-current assets			
Intangible assets and goodwill	5	1,113,722	584,867
Property, plant & equipment	6	84,114	65,731
Investments accounted for using the equity method	7	32,679	33,325
Other investments	8	1,377	1,008
Deferred tax assets	19	50,375	37,592
Other non-current assets	9	29,199	26,221
Total non-current assets		1,311,466	748,744
Current assets			
Inventories		292	374
Derivatives	10	5,583	268
(Un)billed receivables	11	1,025,759	722,979
Corporate income tax receivable		26,231	19,783
Other current assets	12	60,391	37,304
Cash and cash equivalents	13	178,311	150,986
Total current assets		1,296,567	931,694
Total assets		2,608,033	1,680,438

Equity and liabilities			
Shareholders' equity			
Share capital		1,662	1,496
Share premium		372,619	201,530
Hedging reserve		(2,302)	(3,735)
Translation reserve		(1,484)	(58,446)
Retained earnings		429,957	357,232
Net income		91,583	96,603
Total equity attributable to equity holders of the Company	14	892,035	594,680
Non-controlling interests	15	3,812	2,914
Total equity		895,847	597,594
Non-current liabilities			
Provisions for employee benefits	17	75,068	36,372
Provisions for other liabilities and charges	18	22,439	21,189
Deferred tax liabilities	19	97,335	40,228
Loans and borrowings	20	500,383	322,919
Derivatives	10	129	1,359
Total non-current liabilities		695,354	422,067
Current liabilities			
Billing in excess of cost	11	237,458	186,196
Corporate tax liabilities		24,729	13,490
Current portion of loans and borrowings	20	1,544	29,327
Current portion of provisions	17,18	11,205	7,291
Derivatives	10	6,005	3,238
Accounts payable		173,731	123,625
Accrued expenses		44,154	39,748
Bank overdrafts	13	16,301	397
Short-term borrowings	20	193,962	5,118
Other current liabilities	20	307,743	252,347
Total current liabilities		1,016,832	660,777
Total liabilities		1,712,186	1,082,844
Total equity and liabilities		2,608,033	1,680,438

The notes on page 105 to 146 are an integral part of these Consolidated financial statements

Consolidated Statement of comprehensive income
for the year ended December 31

Amounts in EUR 1,000

	Note	2014	2013
Gross revenues	*22*	**2,634,918**	2,515,920
Materials, services of third parties and subcontractors		**(619,002)**	(623,420)
Net revenues		**2,015,916**	1,892,500
Personnel costs	*24*	**(1,504,339)**	(1,412,730)
Other operational costs	*24*	**(309,076)**	(279,766)
Depreciation and amortization	*5,6*	**(32,229)**	(34,520)
Amortization other intangible assets	*5*	**(24,174)**	(16,651)
Other income	*23*	**4,212**	2,257
Total operational costs		**(1,865,606)**	(1,741,410)
Operating income		**150,310**	151,090
Finance income	*26*	**12,866**	4,282
Finance expenses	*26*	**(24,085)**	(25,898)
Fair value change of derivatives	*10,26*	**(6,162)**	3,520
Net finance expense		**(17,381)**	(18,096)
Result from investments accounted for using the equity method	*7*	**(440)**	5,502
Profit before income tax		**132,489**	138,496
Income taxes	*27*	**(38,551)**	(39,147)
Profit for the period		**93,938**	99,349
Other comprehensive income, net of income taxes			
Items that may be subsequently reclassified to profit and loss:			
Exchange rate differences for foreign operations		**57,078**	(30,778)
Effective portion of changes in fair value of cash flow hedges		**1,433**	1,110
Items that will not be reclassified to profit and loss:			
Changes related to post-employment benefit obligations		**1,751**	(4,170)
Other comprehensive income, net of income taxes		**60,262**	(33,838)
Total comprehensive income for the period		**154,200**	65,511
Net income from operations[1]			
Profit for the period attributable to equity holders of the Company (net income)		**91,583**	96,603
Amortization other intangible assets (net of income taxes)		**19,042**	12,854
Non-recurring[2]		**12,218**	813
Lovinklaan employee share purchase plan[3]		**757**	813
Net income from operations		**123,600**	111,083
Profit attributable to:			
Equity holders of the Company (net income)		**91,583**	96,603
Non-controlling interests		**2,355**	2,746
Profit for the period		**93,938**	99,349
Total comprehensive income attributable to:			
Equity holders of the Company		**151,729**	62,956
Non-controlling interests		**2,471**	2,555
Total comprehensive income for the period		**154,200**	65,511
Net income from operations per share[1] **(in euros)**			
Basic earnings per share	*16*	**1.66**	1.54
Diluted earnings per share	*16*	**1.59**	1.48
Earnings per share (in euros)			
Basic earnings per share	*16*	**1.23**	1.34
Diluted earnings per share	*16*	**1.18**	1.29

[1] Unaudited non-GAAP performance measure, to provide transparency on the underlying performance of our business

[2] Non-recurring items relate to acquisition-related costs which were incurred for Hyder Consulting, Callison and some other bolt-on acquisitions (2013: acquisition costs of SENES and Geohidrología). See note 4 'Consolidated interests'

[3] The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme. Accordingly, the Company considers the related share-based expenses as non-recurring expenses

The notes on page 105 to 146 are an integral part of these Consolidated financial statements

Consolidated Statement of changes in equity

Amounts in EUR 1,000

	Note	Attributable to equity holders of the Company							
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at January 1, 2013		1,481	201,545	(4,845)	(27,859)	365,240	535,562	1,101	536,663
Profit for the period (net income)		–	–	–	–	96,603	96,603	2,746	99,349
Other comprehensive income, net of income taxes:									
Exchange rate differences		–	–	–	(30,587)	–	(30,587)	(191)	(30,778)
Effective portion of changes in fair value of cash flow hedges	*10,19*	–	–	1,110	–	–	1,110	–	1,110
Taxes related to post-employment benefit obligations		–	–	–	–	(2,128)	(2,128)	–	(2,128)
Re-measurements on post employment benefit obligations	*17*	–	–	–	–	(2,042)	(2,042)	–	(2,042)
Other comprehensive income, net of income taxes		–	–	1,110	(30,587)	(4,170)	(33,647)	(191)	(33,838)
Total comprehensive income for the period		–	–	1,110	(30,587)	92,433	62,956	2,555	65,511
Transactions with owners of the Company:									
Dividends to shareholders	*14*	–	(16,700)	–	–	(20,641)	(37,341)	(742)	(38,083)
Issuance of shares	*14*	15	16,685	–	–	–	16,700	–	16,700
Share-based compensation	*14,25*	–	–	–	–	7,614	7,614	–	7,614
Taxes related to share-based compensation	*19*	–	–	–	–	10,213	10,213	–	10,213
Purchase of own shares	*14*	–	–	–	–	(29,132)	(29,132)	–	(29,132)
Share options exercised	*14*	–	–	–	–	28,683	28,683	–	28,683
Taxes on transactions with owners of the Company		–	–	–	–	(575)	(575)	–	(575)
Total transactions with owners of the Company		15	(15)	–	–	(3,838)	(3,838)	(742)	(4,580)
Balance at December 31, 2013		**1,496**	**201,530**	**(3,735)**	**(58,446)**	**453,835**	**594,680**	**2,914**	**597,594**
Profit for the period (net income)		**–**	**–**	**–**	**–**	**91,583**	**91,583**	**2,355**	**93,938**
Other comprehensive income, net of income taxes:									
Exchange rate differences		**–**	**–**	**–**	**56,962**	**–**	**56,962**	**116**	**57,078**
Effective portion of changes in fair value of cash flow hedges	*10,19*	**–**	**–**	**1,433**	**–**	**–**	**1,433**	**–**	**1,433**
Taxes related to post-employment benefit obligations		**–**	**–**	**–**	**–**	**(871)**	**(871)**	**–**	**(871)**
Re-measurements on post employment benefit obligations	*17*	**–**	**–**	**–**	**–**	**2,622**	**2,622**	**–**	**2,622**
Other comprehensive income, net of income taxes		**–**	**–**	**1,433**	**56,962**	**1,751**	**60,146**	**116**	**60,262**
Total comprehensive income for the period		**–**	**–**	**1,433**	**56,962**	**93,334**	**151,729**	**2,471**	**154,200**
Transactions with owners of the Company:									
Acquisitions		**–**	**–**	**–**	**–**	**–**	**–**	**496**	**496**
Dividends to shareholders	*14*	**–**	**(19,216)**	**–**	**–**	**(22,138)**	**(41,354)**	**(2,069)**	**(43,423)**
Issuance of shares	*14*	**166**	**190,305**	**–**	**–**	**–**	**190,471**	**–**	**190,471**
Share-based compensation	*14,25*	**–**	**–**	**–**	**–**	**8,169**	**8,169**	**–**	**8,169**
Taxes related to share-based compensation	*19*	**–**	**–**	**–**	**–**	**(555)**	**(555)**	**–**	**(555)**
Purchase of own shares	*14*	**–**	**–**	**–**	**–**	**(40,121)**	**(40,121)**	**–**	**(40,121)**
Share options exercised	*14*	**–**	**–**	**–**	**–**	**29,016**	**29,016**	**–**	**29,016**
Total transactions with owners of the Company		**166**	**171,089**	**–**	**–**	**(25,629)**	**145,626**	**(1,573)**	**144,053**
Balance at December 31, 2014		**1,662**	**372,619**	**(2,302)**	**(1,484)**	**521,540**	**892,035**	**3,812**	**895,847**

The notes on page 105 to 146 are an integral part of these Consolidated financial statements

Consolidated Cash flow statement
for the year ended December 31

Amounts in EUR 1,000

Cash flows from operating activities	Note	2014	2013
Profit for the period		**93,938**	99,349
Adjustments for:			
Depreciation and amortization	*5,6*	**56,403**	51,171
Income taxes	*27*	**38,551**	39,147
Net finance expense	*26*	**17,381**	18,096
Result from Investments accounted for using the equity method		**440**	(5,502)
Adjusted profit for the period		**206,713**	202,261
Share-based compensation	*14,25*	**8,169**	7,614
Change in operational derivatives	*10*	**–**	3,701
Settlement of operational derivatives	*10*	**–**	(1,377)
Change in Inventories		**95**	301
Change in Receivables		**(18,169)**	(26,846)
Change in Provisions		**(6,367)**	(4,844)
Change in Billing in excess of costs		**(14,680)**	14,133
Change in Current liabilities		**3,908**	1,826
Dividend received		**711**	2,106
Interest received		**6,322**	4,121
Interest paid		**(22,577)**	(21,670)
Corporate tax paid		**(24,655)**	(41,236)
Net cash from operating activities		**139,470**	140,090
Cash flows from investing activities			
Investments in (in)tangible assets	*5,6*	**(38,084)**	(32,237)
Proceeds from sale of (in)tangible assets	*5,6*	**1,992**	1,156
Investments in consolidated companies	*4*	**(502,243)**	(26,845)
Proceeds from sale of consolidated companies	*4*	**(52)**	–
Investments in associates and other investments	*4,7,8*	**(152)**	(1,292)
Proceeds from sale of associates and other investments	*7,8*	**1,502**	28
Investments in other non-current assets		**(5,651)**	(6,298)
Proceeds from (sale of) other non-current assets		**5,290**	2,866
Net cash (used in)/ from investing activities		**(537,398)**	(62,622)
Cash flows from financing activities			
Proceeds from exercise of options	*14*	**29,016**	28,683
Proceeds from issuance of shares	*14*	**171,253**	–
Purchase of own shares	*14*	**(40,121)**	(29,132)
Settlement of financing derivatives	*10*	**(2,800)**	4,792
New long-term loans and borrowings	*20*	**118,384**	68,215
Repayment of long-term loans and borrowings	*20*	**(54,937)**	(69,070)
New short-term borrowings		**359,997**	5,138
Repayment of short-term borrowings		**(171,233)**	(80,031)
Dividends paid		**(24,207)**	(21,383)
Other changes		**–**	(2,212)
Net cash (used in)/ from financing activities		**385,352**	(95,000)
Net change in Cash and cash equivalents less Bank overdrafts		**(12,576)**	(17,532)
Exchange rate differences		**23,997**	(8,332)
Cash and cash equivalents less Bank overdrafts at January 1	*13*	**150,589**	176,453
Cash and cash equivalents less Bank overdrafts at December 31	*13*	**162,010**	150,589

The notes on page 105 to 146 are an integral part of these Consolidated financial statements

Segment information

The Company has four reportable segments, which are based on the reporting structure of the Company to the Executive Board. The information used by management to monitor progress and for decision making about operational matters is at Operating Company (OpCo) level and as such, the segments are based on the Operating Companies. Based on qualitative and quantitative measures the OpCo information is aggregated, adding up OpCos which are active in similar economic environments. This results in geographical segmenting, as disclosed below.

The most important performance measure is EBITA, as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry. Inter-segment pricing is determined on an arm's length basis.

Operating Companies are active in four main areas: infrastructure, water, environment and buildings. For more information on the activities performed in these four main areas please refer to section 'Developments per business line' in the Annual Report.

Amounts in EUR millions unless otherwise stated

2014	North America	Emerging Markets	Continental Europe	United Kingdom	Eliminations	Total segments	Corporate and unallocated amounts	Total Consolidated
External gross revenues	1,112.6	401.9	554.4	563.5	–	2,632.4	2.5	2,634.9
Inter-segment	6.6	1.8	2.0	3.9	(14.3)	–	–	–
Total gross revenues	1,119.2	403.7	556.4	567.4	(14.3)	2,632.4	2.5	2,634.9
Materials, services of third parties and subcontractors	(362.9)	(49.0)	(118.4)	(103.3)	14.3	(619.3)	0.3	(619.0)
Net revenues	756.3	354.7	438.0	464.1	–	2,013.1	2.8	2,015.9
Operating costs	(663.7)	(304.8)	(400.6)	(427.9)	–	(1,797.0)	(16.4)	(1,813.4)
Other income	0.2	0.5	0.7	1.2	–	2.6	1.6	4.2
Depreciation and amortization	(15.1)	(5.0)	(6.7)	(3.1)	–	(29.9)	(2.3)	(32.2)
EBITA[1]	77.7	45.4	31.4	34.3	–	188.8	(14.3)	174.5
Amortization other intangible assets	(4.3)	(9.4)	(0.3)	(10.2)	–	(24.2)	–	(24.2)
Operating income	73.4	36.0	31.1	24.1	–	164.6	(14.3)	150.3
Net finance expense	(19.6)	(0.6)	4.8	(3.2)	–	(18.6)	1.2	(17.4)
Result from Investments accounted for using the equity method	0.3	(2.9)	0.4	0.3	–	(1.9)	1.5	(0.4)
Segment profit before income tax	54.1	32.5	36.3	21.2	–	144.1	(11.6)	132.5
Income taxes	(18.0)	(11.9)	(7.3)	(5.8)	–	(43.0)	4.4	(38.6)
Profit for the period	36.1	20.6	29.0	15.4	–	101.1	(7.2)	93.9
Non-controlling interests	–	(2.0)	(0.1)	(0.2)	–	(2.3)	–	(2.3)
Net income	36.1	18.6	28.9	15.2	–	98.8	(7.2)	91.6
Operating EBITA[1]	85.2	46.4	40.0	44.9	–	216.5	(13.6)	202.9
Net income from operations[1]	44.0	19.7	29.2	31.0	–	123.9	(0.3)	123.6
Total assets	1,111.5	274.0	402.7	680.8	–	2,469.0	139.0	2,608.0
Investments accounted for using the equity method	1.5	27.6	2.9	0.7	–	32.7	–	32.7
Other financial assets	21.7	3.3	5.4	–	–	30.4	0.2	30.6
Total liabilities	826.5	110.6	211.2	307.2	–	1,455.5	256.7	1,712.2
Total capital expenditures	12.8	5.9	6.5	4.1	–	29.3	8.8	38.1
Total number of employees[2]	7,218	6,807	4,868	8,084	–	26,977	134	27,111

[1] Unaudited, non-GAAP measure
[2] At December 31, excluding temporary staff

Amounts in EUR millions unless otherwise stated

2013	North America	Emerging Markets	Continental Europe	United Kingdom	Eliminations	Total segments	Corporate and unallocated amounts	Total Consolidated
External gross revenues	1,145.7	423.3	534.2	410.8	–	2,514.0	1.9	2,515.9
Inter-segment	2.5	2.3	4.0	3.0	(11.8)	–	–	–
Total gross revenues	1,148.2	425.6	538.2	413.8	(11.8)	2,514.0	1.9	2,515.9
Materials, services of third parties and subcontractors	(379.4)	(59.0)	(111.3)	(85.5)	11.8	(623.4)	–	(623.4)
Net revenues	768.8	366.6	426.9	328.3	–	1,890.6	1.9	1,892.5
Operating costs	(663.5)	(311.9)	(407.8)	(295.9)	–	(1,679.1)	(13.4)	(1,692.5)
Other income	–	2.3	1.1	–	–	3.4	(1.2)	2.2
Depreciation and amortization	(15.7)	(6.4)	(9.1)	(1.7)	–	(32.9)	(1.6)	(34.5)
EBITA[1]	89.6	50.6	11.1	30.7	–	182.0	(14.3)	167.7
Amortization Other intangible assets	(1.8)	(7.3)	(0.9)	(6.6)	–	(16.6)	–	(16.6)
Operating income	87.8	43.3	10.2	24.1	–	165.4	(14.3)	151.1
Net finance expense	(18.7)	(5.0)	2.5	(2.5)	–	(23.7)	5.6	(18.1)
Result from Investments accounted for using the equity method	0.5	4.0	0.7	0.3	–	5.5	–	5.5
Segment profit before income tax	69.6	42.3	13.4	21.9	–	147.2	(8.7)	138.5
Income taxes	(21.5)	(12.1)	(2.9)	(7.5)	–	(44.0)	4.9	(39.1)
Profit for the period	48.1	30.2	10.5	14.4	–	103.2	(3.8)	99.4
Non-controlling interests	–	(2.7)	–	(0.1)	–	(2.8)	–	(2.8)
Net income	48.1	27.5	10.5	14.3	–	100.4	(3.8)	96.6
Operating EBITA[1]	93.3	52.9	25.7	30.6	–	202.5	(14.1)	188.4
Net income from operations[1]	50.1	33.0	11.2	19.8	–	114.1	(3.0)	111.1
Total assets	668.6	254.4	331.2	300.3	–	1,554.5	125.9	1,680.4
Investments accounted for using the equity method	1.0	28.2	3.1	0.4	–	32.7	0.6	33.3
Other financial assets	17.8	2.7	6.7	–	–	27.2	–	27.2
Total liabilities	479.7	104.0	126.0	115.6	–	825.3	257.5	1,082.8
Total capital expenditures	15.6	5.5	9.4	1.1	–	31.6	0.6	32.2
Total number of employees[2]	6,478	6,548	4,850	3,072	–	20,948	82	21,030

[1] Unaudited, non-GAAP measure
[2] At December 31, excluding temporary staff

Geographical information differs from the segment information above because of the activities of:

- RTKL, which geographically is also represented in Continental Europe and in Emerging Markets;
- EC Harris, which has business activities in the Middle East and Asia and therefore is also represented in Emerging Markets;
- Hyder, which geographically is also represented in Continental Europe and in Emerging Markets; and
- Callison, which geographically is also represented in the United Kingdom and in Emerging Markets.

The geographical information is as follows:

	Net revenues by origin		Non-current assets[1]	
	2014	2013	**2014**	2013
North America	**708.4**	737.7	**333.9**	241.6
Emerging Markets	**575.7**	494.3	**415.9**	111.2
Continental Europe	**441.6**	426.8	**185.7**	160.3
United Kingdom	**290.2**	233.7	**262.3**	137.6
Total	**2,015.9**	1,892.5	**1,197.8**	650.7

[1] Excluding financial instruments, Investments accounted for using the equity method, and deferred tax

Notes to the Consolidated financial statements

1 General information

ARCADIS NV is a public company organized under Dutch law. Its statutory seat is Amsterdam and its principal office is located at:

Gustav Mahlerplein 97 – 103
1082 MS Amsterdam, the Netherlands
Phone: +31-20-2011011

ARCADIS NV and its consolidated subsidiaries ("ARCADIS", "the Group" or "the Company"), is an international company providing comprehensive knowledge-based consultancy, design, engineering and management services in the areas of infrastructure, water, environment and buildings.

In accordance with articles 379 and 414, Book 2 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 the Dutch Civil Code, Book 2, Title 9. As the financial data of ARCADIS NV is included in the Consolidated financial statements, the Company income statement of ARCADIS NV is condensed in conformity with section 402 of Book 2 of the Dutch Civil Code.

The Consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on February 18, 2015. The Consolidated financial statements as presented in this report are subject to adoption by the General Meeting of Shareholders, to be held on May 13, 2015.

Basis of measurement

The Consolidated financial statements have been prepared on historical cost basis, unless stated otherwise in the significant accounting policies in note 3 'Significant accounting policies'. Exceptions to the historical cost basis include:

- derivative financial instruments and share-based compensation arrangements, which are measured at fair value;
- employee benefits (defined benefit pension plans), which are measured by means of actuarial calculations, present value calculations and fair value calculations (related to the plan assets); and
- purchase price allocations which are measured at fair value.

Functional and presentation 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.

Estimates and management judgements

The preparation of the Consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. This includes purchase price accounting related to a business combination, impairment testing, revenue recognition, (un)billed receivables, provisions, taxation and financial risk management. These key accounting estimates and judgements in preparing the Consolidated financial statements are further explained in note 3 'Significant accounting policies'. 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.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated financial statements.

Changes in accounting policies

The accounting policies applied by the Company in preparing the Consolidated financial statements changed following the adoption of new accounting standards and amendments to standards. Disclosures have been adjusted where required, including restatement of comparative figures presented for previous year(s).

For more details on the changes in accounting standards see 'IFRS accounting standards and interpretations adopted as from 2014 (and onwards)' at the end of this note.

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.

Subsidiaries (note 4)

Subsidiaries are all companies over which ARCADIS NV 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 surplus or deficit arising on the loss of control is recognized in profit and 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.

Joint ventures (note 7)

Joint ventures are arrangements in which ARCADIS 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. Under the equity method of accounting, interests in joint ventures are initially recognized at cost, including transaction cost. Subsequently ARCADIS' share of the profit or loss and movements in other comprehensive income are included in the Consolidated financial statements, whereby calculation is based on the ARCADIS accounting policies. When ARCADIS' share of losses in a joint venture equals or exceeds its interest in a joint venture, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Associates (note 7)

Associates are those entities in which ARCADIS has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when ARCADIS holds between 20 and 50% 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 ARCADIS' share of the net profit/ (loss) and other comprehensive income of the associates, after adjustments to align the accounting policies with those of ARCADIS. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless ARCADIS has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated financial statements. Unrealized gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations (note 4)

Business combinations are accounted for using the purchase accounting method as at acquisition date, which is the date on which control is transferred to the Company.

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. When the fair value of the consideration is less than the fair value of the net assets acquired, a bargain purchase gain is recognized immediately in profit and loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit and 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 considerations payable are recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit and loss.

Non-controlling interests (note 15)

Non-controlling interests represent the net assets 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.

Foreign currencies

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 in general is the local currency. Assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at balance sheet date. Exchange rate differences are included in profit and loss.

Foreign operations

The Statement of comprehensive income of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at exchange rates at the reporting date.

Foreign currency differences are recognized in other comprehensive income, and presented in the translation reserve in equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit and loss as part of the gain or loss on disposal.

Impairment (note 5, 11)

The carrying amounts of the assets of ARCADIS, other than (un)billed receivables and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

Receivables are first individually assessed for impairment, and if they are found not to be impaired they are collectively assessed for impairment. In the collective impairment testing receivables with similar risk characteristics are grouped together, and historical trends of the Company and management judgement are used to assess impairment.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date, and when an impairment trigger is identified.

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 value 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 cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized with regard to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units 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.

Intangible assets (note 5)

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. All acquisitions are accounted for by applying the purchase accounting method. Goodwill 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. When the excess is negative (negative goodwill), it is recognized immediately in profit and loss. Goodwill has an indefinite useful life and is annually tested for impairment.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill in respect of equity accounted associates is included in the carrying amount of the investment.

Goodwill is only recognized for acquisitions on or after January 1, 2003, as part of its transition to IFRS (at January 1, 2004). Only those business combinations that occurred on or after January 1, 2003 are restated.

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, which is 3 to 5 years. 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 and loss as incurred.

Other intangible assets

Other intangible assets, mainly consist of customer relationships and expected profits in the backlog of the acquired companies at the moment of acquisition.

Initially these Other intangible assets are recognized at the fair value at the moment of acquisition. Subsequently, they are amortized over the estimated useful life, which varies from 0.5 to 10 years.

Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets. The amortization methods and useful lives, as well as residual values, are reassessed annually.

Property, plant & equipment (note 6)

Property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are recognized in the carrying amount of Property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of Property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit and loss on a straight-line basis over the estimated useful lives. The estimated useful life of buildings ranges from 30 to 40 years, for furniture and fixtures this varies from 3 to 8 years. Land is not depreciated. Depreciation methods and useful lives, as well as residual values, are reassessed annually.

When parts of an item of Property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of Property, plant & equipment.

Gains and losses 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 net within Comprehensive income in the Consolidated Statement of comprehensive income.

Leased assets (note 6)

Leases in which the Company is the lessee and assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Other leases are operating leases, and such leased assets are not recognized in the Company's Balance sheet.

Financial instruments

Non-derivative financial assets (note 8, 9, 11, 12, 13)

Financial assets include trade and other receivables, cash and cash equivalents and loans and borrowings. Loans and receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date. These non-derivative financial instruments are initially recognized at fair value. Subsequently, these are measured at amortized cost, using the effective interest method, less any impairment losses.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or if the contractual rights to the cash flows are transferred in a transaction in which substantially all the risks and rewards related to the ownership of the financial asset are transferred.

The Company recognizes the following classes of non-derivative financial assets: financial assets at fair value through profit and loss, financial assets available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date.

Financial assets at fair value through profit and loss (note 10)

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if the purchase and sale decisions are based on fair value in accordance with the Company's risk management and investment strategy. The assets are measured at fair value, and the changes in fair value are recognized in profit and loss. Attributable transaction costs are recognized in profit and loss as incurred. Currently, the only financial instruments accounted for at fair value through profit and loss are derivative financial instruments (as explained in the paragraph 'Derivative financial instruments, including hedge accounting'). ARCADIS does not hold financial instruments classified as held for trading.

Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Subsequent to initial recognition these are measured at fair value through other comprehensive income and presented in the fair value reserve in equity, unless the fair value cannot be determined reliably. In such a case, the investment is carried at cost. When an investment is derecognized, the gain or loss accumulated in equity is reclassified, through other comprehensive income, to profit and loss.

Loans and receivables (note 9, 11, 12)

Loans and receivables are financial assets with fixed or determinable payments, not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequently these assets are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Other receivables (note 9, 12)

Other receivables are measured at amortized cost less any impairment losses.

Cash and cash equivalents (note 13)
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 purposes bank overdrafts are included in cash and cash equivalents.

Non-derivative financial liabilities (note 20)
Debt securities issued and subordinated liabilities are recognized on the date they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts and trade and other payables. Initially these liabilities are recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments, including hedge accounting (note 10, 20, 26, 30)

General
The Company only uses derivative financial instruments for specific purposes in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments include forward exchange rate contracts and interest rate derivatives. In accordance with its Treasury Policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Currently, hedge accounting is only applied for cash flow hedges related to forecasted transactions.

Measurement and recognition
All derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit and 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 and loss, unless hedge accounting is applied. The gain or loss on re-measurement to fair value of the interest rate related derivatives is recognized in profit and loss under fair value change of derivatives.

The fair value changes of forward exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the Balance sheet as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

Hedge accounting
For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value changes of those derivatives is deferred in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is released to the related lines in profit and loss at the same time as the hedged cash flows affect profit and loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit and loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the hedge inception and at each reporting date, the Company makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items, and whether the actual results of each hedge are within a range of 80 to 125%.

Offsetting of financial assets and liabilities
When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the hedging reserve in equity are released to profit and loss under fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise these will be amortized to profit and loss at the same time as the hedged item.

Financial assets and liabilities are offset and the net amount reported 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.

Deferred taxes (note 19, 27)

Deferred tax assets and liabilities are recognized on the Balance sheet, providing for temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on enacted or substantially enacted tax rates and tax laws at reporting date. Deferred taxes are not discounted.

Deferred taxes are not recognized for:
- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries, branches and associates and interest in joint arrangements, to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets for unused tax losses, tax credits and deductible temporary differences are only recognized when it is probable that there will be future taxable profits against which to settle the temporary differences or not-yet-compensated taxable losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For share-based compensations, the deferred tax is determined based on the manner in which the award is expected to be settled and in accordance with applicable tax legislation. The information used in estimating the deductions available in future periods is consistent with the information used to determine the share-based compensation expense. If the estimated future tax deduction exceeds the amount of the related cumulative share-based compensation expense, the excess of the associated income tax is recognized directly in equity.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories is based on the first in – first out principle, and comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(Un)billed receivables (note 11)

When cost for contract work performed to date plus the recognized profits less recognized losses exceeds the progress billings, the surplus is shown as unbilled receivables. Cost includes all expenditures related directly to specific projects and direct attributable overhead incurred in the Company's contract activities based on normal operating capacity. Billed receivables are measured at amortized cost less any impairment losses. Amounts received from customers before the actual work is performed are presented as deferred income (billings in excess of cost) in the Balance sheet. Amounts billed for work performed but not yet paid by the customer are included in the Balance sheet as trade receivables.

Equity (note 14, 15)

Equity attributable to equity holders (note 14)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue 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 upon approval by the Company's shareholders.

Repurchase of shares

When share capital is repurchased in order to prevent dilution as a result of the share option plan, 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.

Provisions (note 18)

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 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.

Employee benefits

Pensions (note 17, 24)

Within ARCADIS various post-employment schemes exists, including both defined contribution and defined benefit pension plans.

Defined contribution plans

The majority of the pension plans in ARCADIS qualify as a defined contribution plan. The Company pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognized as a cost in profit and loss in the period during which services are provided by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plans

Some of the pension plans within ARCADIS qualify as defined benefit plans. Costs related to defined benefit plans are recognized as personnel costs in profit and loss, except for the interest costs related to the defined benefit pension provision which are recognized as finance expense.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The majority of defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. Valuation of these plans is carried out on an annual basis by independent actuaries, using the projected unit credit method. The defined benefit obligation represents the amount of future benefits that employees have earned in return for their service in the current and prior period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds 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 obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurements 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 income.

Other long-term employee benefits

The Company's net obligation for long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, with return of any related assets deducted. Any re-measurements are recognized in profit and loss in the period in which they arise.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if a present legal or constructive obligation to pay these amounts exists as a result of past services provided by the employees, and the obligation can be estimated reliably.

Share-based compensation (note 25)

Within ARCADIS, equity-settled share-based compensation plans exist. The grant date fair value of share-based compensations under the ARCADIS long-term incentive plan is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options and shares. The amount recognized as an expense is adjusted to reflect the actual number of share options 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 conditions at vesting date.

The fair value of the granted options is determined using the binomial option-pricing model taking into account the effect of the market and non-vesting conditions attached to the options. The cost charged will be adjusted for the actual number of share-based incentives that are forfeited. The vesting and exercise of rights to acquire shares may be conditional on the satisfaction of performance conditions or on continued employment, or both, as set by the Supervisory Board.

Loans and borrowings (note 20)

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and the final repayment amount is charged to profit and loss over the duration of the debts.

The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities. Reference is also made to the part Non-derivative financial liabilities of this note.

Revenues (note 22)

Services

Revenues from services rendered are recognized in profit and loss if the outcome of the transaction can be estimated reliably. The outcome of a transaction can be estimated reliably when both the amount of revenues and the cost incurred to date and to complete the transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will be collected, and the stage of completion can be measured.

Revenues are recognized in proportion to the percentage of completion of the transaction at reporting date. The stage of completion for revenues from services is determined as a percentage of the contract costs incurred in relation to the total estimated contract costs (input measure), and are only recognized to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit and loss.

Construction contracts
Contract revenues includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.

When the outcome of a construction contract can be estimated reliably, revenues and cost are recognized in profit and loss by reference to the stage of completion of the contract activity by the end of the reporting period. The stage of completion is measured based upon the proportion of contract cost incurred for work performed to date in relation to the estimated total contract cost.

When the outcome of a construction contract cannot be estimated reliably, contract revenues are recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit and loss.

Other revenues
Other revenues relate to activities which are not included under construction contracts and services, for example sale of licenses, and assets specifically related to project work. These revenues are recognized once the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with these items.

Materials, services of third parties and subcontractors

Under materials, services of third parties and subcontracts project-related costs of materials and services charged by third parties, including the costs of subcontractors, are recognized.

Other income (note 23)

When the sale of an asset, a subsidiary classified as a continued operation, a jointly controlled entity or an associate leads to a gain, this gain is recognized separately as part of other income. A loss is recorded under other operational costs.

Operational costs (note 24)

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

Net finance expense (note 26)

The net finance expense comprises finance income, finance expense and the fair value change of derivatives at fair value through profit and loss. Financing income comprises interest income on funds invested and financing expense comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration. Finance income and finance expenses are recognized in profit and loss as it accrues, using the effective interest method. The fair value changes of derivatives comprises the fair value changes on financial assets at fair value through profit and 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 business cost.

Result from investments accounted for using the equity method (note 7)

ARCADIS' share in earnings from associates and joint ventures is recognized in profit and loss. For investments at cost in which ARCADIS does not have significant influence, only dividends received are included in income.

Income taxes (note 19, 27)

Income taxes comprise both current and deferred tax. Income tax is recognized in profit and loss except to the extent that it relates to business combinations or to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, and any adjustments to tax payable related to previous years. It is measured using the tax rates that have been enacted or substantively enacted at the reporting date. Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized.

Earnings per share (note 16)

Basic earnings per share is calculated by dividing the profit and 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 option plans). Diluted earnings per share is calculated 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.

Cash flow statement

The Cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences on cash items are shown separately in the Cash flow statement, of Receipts and payments with respect to income tax are included in the cash flows from operating activities. Interest payments and receipts are included in 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.

Segment reporting

The operating segment reporting follows the internal reporting used by the Executive Board of the Company to manage the business, assess the performance and to allocate the resources. The Company has a global network based on home market positions, which enables it to maintain the relationships with clients and to understand the local market conditions. The Company mainly operates in a local-to-local market. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment. The differentiation in the type of services provided by the various group companies is limited. These services in general extend to consulting, engineering and project management services.

The most relevant measure in evaluating the operating results of the segments is EBITA (earnings before interest, tax, and amortization of Identifiable intangible assets).

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Determination of fair values and management judgements

Revenue recognition (note 22)

For construction contracts and part of the service contracts revenue is recognized based upon percentage of completion. In determining the percentage of completion estimates of project management are used to assess the progress of the project and the estimated outcome. The estimates influence the timing and amount of revenue recognition.

When the expected costs to complete a contract outweigh the expected benefits, then an onerous contract provision is recognized, which involves estimations of the outcome of projects in progress.

Intangible assets (note 5)

Measurement of intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to the expected profits in the backlog of the acquired companies and the customer lists at the moment of acquisition, and the value of the trade name. The fair value is based on discounted cash flows expected to be received from these Identifiable intangible assets.

Impairments of property, plant & equipment and intangible assets (note 5, 6)

The determination of impairments of property, plant & equipment and intangible assets 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.

Derivative financial instruments (note 10)

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties, and is based on broker quotes. The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

Income taxes (note 19, 27)

In determining the amount of current and deferred tax ARCADIS takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes ARCADIS to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Provisions (note 17,18)

The amounts recognized as a provision are management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. This is the amount management expects to pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

(Un)billed receivables (note 11)

The fair value of (un)billed receivables for disclosure purpose is estimated as the present value of future cash flows, discounted at the applicable market rate of interest at the reporting date.

Non-derivative financial liabilities (note 20)

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.

Share-based compensation transactions (note 25)

The fair value of share-based compensation transactions is measured using a binomial option-pricing model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

IFRS accounting standards and interpretations adopted as from 2014 (and onwards)

As of January 1, 2014, the Company has adopted the following new standards, including consequential amendments to other standards. The adoption of these standards and interpretations don't have a significant effect on the Group's Consolidated financial statements.

- As a result of the amendments to **IFRS 10, IFRS 12 and IAS 27** an exception from consolidation has been introduced for investment entities. Furthermore, disclosure requirements for investment entities have been introduced.

- As a result of the amendment to **IAS 32, 'Financial Instruments: Presentation'** requirements for offsetting financial assets and financial liabilities on the Balance sheet are further crystalized.

- As a result of the amendment to **IAS 39, 'Financial Instruments: Recognition and measurement'** legislative changes have been introduced to improve transparency and regulatory oversight of over-the-counter (OTC) derivatives.

IFRS accounting standards and interpretations adopted as from 2015 (and onwards)

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these Consolidated financial statements. These standards and interpretations will only be applicable after endorsement by the European Union. Management has no intention to apply these standards earlier than the official effective date, and has not yet performed a detailed analysis of the impact of the application of these new standards. The most relevant new standards, amendments and changes for ARCADIS are described below.

- **IFRS 15, 'Revenue from Contracts with Customers'**, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing guidance, including IAS 18 'Revenue', IAS 11'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'. ARCADIS has not yet determined the full impact of IFRS 15.

  IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- **IFRS 9, 'Financial Instruments'**, replaces the existing guidance in IAS 39 'Financial instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on (de)recognition of financial instruments from IAS 39. ARCADIS has not yet determined the full impact of IFRS 9.

  IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

4 Consolidated interests

The main consolidated companies are listed below, including the country in which they are domiciled.

Name of subsidiary	Country of incorporation
ARCADIS Nederland BV	Netherlands
ARCADIS U.S., Inc.	United States
RTKL Associates Inc.	United States
Callison, LLC	United States
EC Harris UK (Holdings) Ltd.	United Kingdom
Hyder Consulting Plc.	United Kingdom
ARCADIS Belgium NV	Belgium
ARCADIS Deutschland GmbH	Germany
ARCADIS France S.A.S.	France
ARCADIS Sp. z.o.o.	Poland
ARCADIS CZ a.s.	Czech Republic
ARCADIS Italia S.r.l.	Italy
ARCADIS Chile S.A.	Chile
ARCADIS Logos S.A.	Brazil
ARCADIS Asia Ltd.	Hong Kong
Langdon & Seah Singapore Pte Ltd.	Singapore

The nature of business of the ARCADIS subsidiaries listed above is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

ARCADIS NV indirectly holds 100% of the ordinary shares of all subsidiaries listed above, but does not hold any direct interest itself as a result of the intermediate holdings structure within ARCADIS.

All subsidiaries are included in the financial consolidation. The proportion of the voting rights in the subsidiaries held directly by the parent company does not substantially differ from the proportion of ordinary shares held.

The total non-controlling interest at December 31, 2014, is €3.8 million (2013: €2.9 million) and as such is not material for the group.

Changes in consolidated interests

2014

During 2014, the following changes in consolidated interests took place:

- On March 3, 2014, ARCADIS fully acquired inProjects Ltd, one of Asia's foremost project management firms. inProjects became part of EC Harris, strengthening ARCADIS' presence in Asia and creating the region's leading program, project and cost management organization. inProjects employs circa 200 people across its network of offices in Hong Kong, China, Macau, Singapore and India.
- On October 3, 2014, ARCADIS fully acquired Franz Environmental Inc., a 100 people company specialized in environmental remediation, site assessments, brownfields, and hydrogeology. With the addition of Franz, ARCADIS grows its presence in North America and its ability to deliver services to its clients located, or with interests, in Canada. Coming shortly after the acquisition of SENES in 2013, ARCADIS now has approximately 360 people throughout Canada to serve public and private clients in the government, industrial, manufacturing, mining, oil and gas sectors and beyond.
- On October 16, 2014, ARCADIS completed the step acquisition of 100% of the shares in Hyder Consulting Plc., a 4,600 people design and engineering consultancy with activities in the UK, the Middle East, Germany, Asia and Australia. Hyder Consulting is a leading firm in infrastructure, water and buildings.
- On October 17, 2014, ARCADIS fully acquired Callison LLC, a 1,000 people high level architectural and interior design consultancy with offices in the United States, China, Europe, Middle East and Mexico. Callison specializes in retail and office design and large mixed use projects. The acquisition was first announced in August 2014 and final steps included approval from the Beijing Municipal Commission of Commerce, received on October 17, 2014.

Throughout the year ARCADIS completed acquisitions of some smaller companies, mainly based in the UK. These acquisitions are individually or combined not material for the group and therefore not further disclosed in this note.

Business combinations

The acquisitions entered into in 2014 are part of the Company's strategic goals to strengthen its position as the leading pure play global engineering and consultancy firm. Of all 2014 acquisitions, the acquisition of Hyder Consulting Plc. ("Hyder") and Callison Inc. ("Callison") are considered individually material to the Group and are described below. None of the other acquisitions are considered to be individually significant.

All acquisitions have been accounted for using the acquisition method, in accordance with IFRS 3. The purchase price allocation for all acquisitions is included on a provisional basis. The goodwill recognized relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to these acquisitions is not expected to be tax-deductible for income tax purposes, unless stated otherwise.

Hyder

With the acquisition of Hyder Consulting, ARCADIS now becomes the oldest consulting and engineering company on record, with activities dating back two hundred and thirty years. Hyder is a unique company with a long history of being the leading edge of design and engineering. The geographical coverage and capabilities of Hyder are highly complementary to ARCADIS. In the UK, Germany, Middle East and Asia, Hyder's design and engineering services fully complement ARCADIS' design, consultancy and project management while Hyder's presence in Australia creates a platform to provide the full range of ARCADIS capabilities. Hyder's engineering strength in transportations, property and utilities will further strengthen ARCADIS' leadership position across its Global Business Lines.

Measured on a yearly basis, the acquisition of Hyder adds approximately €389 million in gross revenues and €23 million in EBITA. The acquisition contributed €102.9 million to 2014 annual gross revenues. The contribution to consolidated profit for the period amounted to €5.6 million, which is excluding financing and acquisition related expenses and after amortization of identifiable intangible assets (net of income taxes) of €2.6 million. The total costs related to the acquisition amounted to €9.5 million, recognized in Other operational costs. The total consideration amounted to €369.7 million, and consisted of cash; no deferred consideration is applicable.

The re-measurement to fair value of ARCADIS' existing shareholding in Hyder at the date of acquisition, resulted in a one-off gain of €1.6 million. This amount is included in the Statement of comprehensive income under 'Other income' (see note 23).

Goodwill recognized for accounting purposes amounts to €250.4 million.

Callison

Together with Callison, ARCADIS became a top five player in the global architecture market. The company will also become the clear global leader in retail design, the leading player in mixed use and commercial developments in Asia and with more than 500 people the leading international design and architecture firm in China. The combination also provides ARCADIS opportunities to better support clients globally by leveraging the wide range of capabilities, market reach and scale throughout the different regions.

Measured on a yearly basis, the acquisition of Callison adds approximately €124 million in gross revenues and €15 million in EBITA. The acquisition contributed €22.2 million to 2014 annual gross revenues. The contribution to consolidated profit for the period amounted to €1.4 million, which is excluding financing and acquisition related expenses and after amortization of Identifiable intangible assets (net of income taxes) of €1.9 million. The total costs related to the acquisition amounted to €4.2 million, recognized in Other operational costs.

The total consideration amounts to €126.5 million, and consists of €113.3 million in cash (net of €10.1 million purchased cash) and €3.1 million in deferred consideration. The deferred consideration of €3.1 million represents the fair value of expected future payments, determined on the combined financial performance of Callison and one of the ARCADIS entities in the next two years. The deferred consideration is payable in 2015 and 2016 respectively.

Goodwill recognized for accounting purposes amounts to €65.5 million. Goodwill expected to be deductible for income tax purposes amounted to €28.8 million.

Other business combinations

The total consideration for all other bolt-on acquisitions amounted to €32.8 million, consisting of €21.2 million in cash (net of €3.1 million purchased cash) and €8.4 million deferred consideration. In 2014, an amount of €2.1 million has been paid and the remainder of deferred consideration is payable between 2015 and 2017. The goodwill measured was €19.4 million and Identifiable intangible assets amounted to €6.0 million.

The aggregated impact of the other acquisitions on consolidated gross revenues, EBITA and profit for the period is not material in respect of IFRS 3 disclosure requirements.

Other disclosures regarding business combinations

The carrying value of Goodwill changed as a result of acquisitions and adjustments on after-payments and acquisition accounting as follows:

Changes in Goodwill	2014
Goodwill on acquisitions in 2014	335,243
Adjustments due to after-payments and acquisition accounting	–
Total change in Goodwill	**335,243**

The window period for re-measurement of goodwill following the provisional purchase price allocation for Geohidrología Consultores Ltda. and SENES Consultants Limited expired in January and March 2014 respectively, and did not result in any adjustments to Goodwill recognized.

The total change in Goodwill was assigned to our segments as follows:

Change per segment	2014
North America	37,834
Emerging Markets	204,543
Continental Europe	8,712
United Kingdom	84,154
Total change in goodwill	**335,243**

The 2014 acquisitions had the following effect on ARCADIS' assets and liabilities as at the respective acquisition dates:

	Hyder			Callison			Other acquisitions	Total
	Pre-acquisition carrying amount	Fair value adjustments	Recognized values on acquisition	Pre-acquisition carrying amount	Fair value adjustments	Recognized values on acquisition	Recognized values on acquisition	Recognized values
Assets								
Non-current assets								
Intangible assets	54,294	52,169	106,463	312	34,363	34,675	6,194	147,332
Property, plant & equipment	10,252	–	10,252	3,751	–	3,751	405	14,408
Other non-current assets	–	–	–	853	–	853	–	853
Deferred tax assets	11,383	(1,823)	9,560	–	–	–	–	9,560
Total non-current assets	**75,929**	**50,346**	**126,275**	**4,916**	**34,363**	**39,279**	**6,599**	**172,153**
Current assets								
(Un)billed receivables (gross)	174,896	(1,470)	173,426	44,056	–	44,056	10,800	228,282
Provision for (un)billed receivables	(4,067)	(156)	(4,223)	(2,241)	–	(2,241)	(122)	(6,586)
Other current assets	14,376	–	14,376	2,984	–	2,984	1,437	18,797
Corporate income tax	–	–	–	14	–	14	–	14
Cash and cash equivalents	14,450	–	14,450	10,063	–	10,063	3,149	27,662
Total current assets	**199,655**	**(1,626)**	**198,029**	**54,876**	**–**	**54,876**	**15,264**	**268,169**
Total assets	**275,584**	**48,720**	**324,304**	**59,792**	**34,363**	**94,155**	**21,863**	**440,322**
Non-controlling interests	**496**	**–**	**496**	**–**	**–**	**–**	**–**	**496**
Liabilities								
Non-current liabilities								
Provisions	43,479	826	44,305	–	–	–	–	44,305
Deferred tax liabilities	3,230	21,886	25,116	1,070	5,570	6,640	1,479	33,235
Loans and borrowings	7,644	(191)	7,453	256	–	256	24	7,733
Derivatives	100	–	100	–	–	–	–	100
Total non-current liabilities	**54,453**	**22,521**	**76,974**	**1,326**	**5,570**	**6,896**	**1,503**	**85,373**
Current liabilities								
Billing in excess of cost	38,993	4,472	43,465	7,993	–	7,993	7	51,465
Corporate tax liabilities	3,957	138	4,095	1,845	–	1,845	1,317	7,257
Trade and other liabilities	79,675	297	79,972	16,472	–	16,472	5,647	102,091
Total current liabilities	**122,625**	**4,907**	**127,532**	**26,310**	**–**	**26,310**	**6,971**	**160,813**
Total liabilities	**177,078**	**27,428**	**204,506**	**27,636**	**5,570**	**33,206**	**8,474**	**246,186**
Total net asset value			**119,302**			**60,949**	**13,389**	**193,640**
Recorded goodwill			250,367			65,507	19,369	335,243
Book (gain)/ loss			–			–	–	–
Consideration paid			**369,669**			**126,456**	**32,758**	**528,883**
After-payments unpaid total			–			(3,050)	(8,436)	(11,486)
After-payments paid in 2014			–			–	2,115	2,115
Cash (acquired)/ disposed			(14,450)			(10,064)	(3,149)	(27,663)
Net cash outflow related to 2014 transactions			**355,219**			**113,342**	**23,288**	**491,849**
After-payments paid related to earlier acquisitions			–			–	10,446	10,446
Total net cash outflow			**355,219**			**113,342**	**33,734**	**502,295**

The total amount of contractual after-payments and earn outs for acquisitions is as follows:

	Initial recognition	Discount effect/ Interest	2014 Total	2013 Total
Balance at January 1	13,268	534	**13,802**	22,138
Acquisitions	16,567	429	**16,996**	4,998
Interest accrual	–	500	**500**	186
Release	–	–	**–**	(1,722)
Payments/ Redemptions	(12,561)	(123)	**(12,684)**	(10,333)
Exchange rate differences	172	(200)	**(28)**	(1,465)
Balance at December 31	**17,446**	**1,140**	**18,586**	13,802

Of the total amount of after-payments, €11.5 million is included in the Balance sheet under Loans and borrowings as other long-term debt, while €7.1 million (due within one year) is included under Other current liabilities.

Ultimo 2014, after-payments relating to acquisitions prior to 2014 amount to €5.0 million, mainly related to Geohidrología Consultores Ltda (2013), SENES Consultants Limited (2013) and Estudos Téchnicos e Projectos ETEP Ltda. ("ETEP"; 2012).

2013

During 2013, the following changes in consolidated interests took place:

- On January 30, 2013, ARCADIS Chile acquired 100% of the shares in Geohidrología Consultores Ltda., a hydro consulting company in Chile with 55 employees. The company, headquartered in Santiago, was initially established as a groundwater resources and groundwater modelling firm. It has developed capabilities in surface hydrology, environmental and hydraulic engineering services. More recently Geohidrología has added geothermal resources capabilities to assist its clients in reducing their energy consumption. In addition the company offers environmental services. With the acquisition of Geohidrología, ARCADIS is adding the core capability of hydrogeological engineering and becomes the market leader in this field.
- On March 21, 2013, ARCADIS acquired 100% of the shares in SENES Consultants Limited and its affiliated company DCS Limited. SENES is a Canadian-based firm specializing in environmental, radiological and risk assessment services for the mining, energy, oil & gas and industrial sectors. DCS provides site assessment and remediation services. Together they have approximately 250 employees. SENES has six offices spread throughout Canada, one office in the United States and a majority interest in a subsidiary with four offices in India.

Business combinations

The acquisitions entered into in 2013 have been accounted for using the acquisition method. The purchase price allocation for both acquisitions is included on a provisional basis. None of the acquisitions are considered to be individually significant. The total consideration for these acquisitions amounted to €22.5 million, consisting of €16.5 million in cash (net of €1.0 million purchased cash) and €5.0 million deferred consideration that will be paid between 2013 and 2016. Goodwill measured was €12.4 million and Identifiable intangible assets amounted to €6.1 million. The Goodwill recognized relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to these acquisitions is expected not to be tax-deductible for income tax purposes. Measured on a yearly basis, the aggregated impact on consolidated gross revenues and profit for the period is not material in respect of IFRS 3 disclosure requirements.

After-payments for acquisitions prior to 2013 amounted to €9.2 million, mainly related to the acquisition of EC Harris.

The window period for re-measurement of Goodwill following the provisional purchase price allocation for Langdon & Seah expired in April 2013 and did not result in any adjustment to the Goodwill recognized.

Other disclosures regarding business combinations

The carrying value of Goodwill changed as a result of acquisitions and adjustments on after-payments and acquisition accounting as follows:

Changes in Goodwill	2013
Goodwill on acquisitions in 2013	12,352
Adjustments due to after-payments and acquisition accounting	–
Total change in Goodwill	12,352

The total change in Goodwill was assigned to our segments as follows:

Change per segment	2013
North America	9,924
Emerging Markets	2,428
Total change in Goodwill	12,352

The 2013 acquisitions had the following effect on ARCADIS' assets and liabilities on the respective acquisition dates:

	Total Recognized values
Assets	
Non-current assets	
Intangible assets	6,073
Property, plant & equipment	575
Other non-current assets	374
Deferred tax assets	478
Total non-current assets	**7,500**
Current assets	
(Un)billed receivables (gross)	11,826
Provision for (un)billed receivables	(454)
Other current assets	616
Corporate income tax receivable	422
Cash and cash equivalents	958
Total current assets	**13,368**
Total assets	**20,868**
Liabilities	
Non-current liabilities	
Deferred tax liabilities	1,500
Loans and borrowings	289
Total non-current liabilities	**1,789**
Current liabilities	
Billing in excess of cost	1,188
Corporate tax liabilities	751
Trade and other liabilities	7,024
Total current liabilities	**8,963**
Total liabilities	**10,752**
Total net asset value	**10,116**
Recorded goodwill	12,352
Consideration paid	**22,468**
Issued shares	–
After-payments unpaid total	(4,998)
After-payments paid in 2013	1,159
Cash (acquired)/ disposed	(958)
Net cash outflow related to 2013 transactions	**17,671**
After-payments paid related to earlier acquisitions	9,174
Total net cash outflow	**26,845**

The total amount of contractual after-payments and earn outs for acquisitions is as follows:

	Initial recognition	Discount effect/ Interest	2013 Total	2012 Total
Balance at January 1	21,741	397	**22,138**	19,727
Acquisitions	4,998	–	**4,998**	15,817
Interest accrual	–	186	**186**	573
Release	(1,722)	–	**(1,722)**	–
Payments/ Redemptions	(10,333)	–	**(10,333)**	(13,725)
Exchange rate differences	(1,416)	(49)	**(1,465)**	(254)
Balance at December 31	**13,268**	**534**	**13,802**	22,138

Of the total amount of after-payments €12.0 million is included under Loans and borrowings as other long-term debt, while €1.8 million (due within one year) is included under other current liabilities.

5 Intangible assets and goodwill

	Goodwill	Other intangible assets	Software	Intangibles under development	Total
Cost					
Balance at January 1, 2013	515,480	131,736	39,645	–	686,861
Acquisitions through business combinations	12,352	6,059	14	–	18,425
Investments	–	–	12,112	–	12,112
Transfer from property, plant & equipment	–	–	4,122	–	4,122
Disposals	–	(1,054)	(1,292)	–	(2,346)
Exchange rate differences	(18,195)	(4,463)	(1,747)	–	(24,405)
Balance at December 31, 2013	509,637	132,278	52,854	–	694,769
Balance at January 1, 2014	**509,637**	**132,278**	**52,854**	**–**	**694,769**
Acquisitions through business combinations	**335,243**	**142,316**	**5,016**	**–**	**482,575**
Investments	**–**	**–**	**4,003**	**10,155**	**14,158**
Disposals	**–**	**–**	**(2,912)**	**–**	**(2,912)**
Exchange rate differences	**56,712**	**16,134**	**3,663**	**–**	**76,509**
Balance at December 31, 2014	**901,592**	**290,728**	**62,624**	**10,155**	**1,265,099**
Amortization					
Balance at January 1, 2013	–	59,647	31,017	–	90,664
Amortization charge for the year	–	16,651	8,876	–	25,527
Disposals	–	(1,054)	(1,205)	–	(2,259)
Exchange rate differences	–	(2,676)	(1,354)	–	(4,030)
Balance at December 31, 2013	–	72,568	37,334	–	109,902
Balance at January 1, 2014	**–**	**72,568**	**37,334**	**–**	**109,902**
Amortization charge for the year	**–**	**24,174**	**7,675**	**–**	**31,849**
Disposals	**–**	**–**	**(2,120)**	**–**	**(2,120)**
Exchange rate differences	**–**	**8,917**	**2,829**	**–**	**11,746**
Balance at December 31, 2014	**–**	**105,659**	**45,718**	**–**	**151,377**
Carrying amounts					
At January 1, 2013	515,480	72,089	8,628	–	596,197
At December 31, 2013	509,637	59,710	15,520	–	584,867
At December 31, 2014	**901,592**	**185,069**	**16,906**	**10,155**	**1,113,722**

Goodwill

Goodwill capitalized was assigned to our segments as follows:

	2014	2013
North America	327,606	252,028
Emerging Markets	280,114	71,409
Continental Europe	74,930	66,288
United Kingdom	218,942	119,912
Total goodwill	901,592	509,637

Goodwill in North America mainly relates to three cash-generating units, being RTKL (€59.4 million), ARCADIS US (€226.7 million) and the recently acquired company Callison (€65.5 million). The goodwill in Continental Europe mainly relates to ARCADIS NL (€22.7 million) and ARCADIS Germany (€11.3 million). In Emerging markets, Goodwill mainly relates to the acquisitions of Langdon & Seah (€52.2 million) and ARCADIS Logos (€19.0 million). Goodwill in the UK mainly relates to the new acquisitions of Hyder (€250.4 million) and inProjects (€3.5 million). See note 4 'Consolidated interests' for more information.

The amortization charge is recognized in the following line items in the Statement of comprehensive income:

	2014	2013
Amortization Other intangible assets	24,174	16,651
Depreciation and amortization	7,675	8,876

Impairment testing for cash-generating units containing goodwill

For annual impairment testing, goodwill is allocated to cash-generating units. The cash-generating unit is the lowest level within ARCADIS at which goodwill is monitored for internal management purposes. Where applicable, cash generating units are grouped together following the segment reporting as used within ARCADIS. The impairment test compares the carrying value of the cash-generating units (including goodwill) with the recoverable amounts. Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the carrying value. The recoverable value is determined based on a value in use calculation. These calculations use cash flow projections based on historical performance and the plan for 2015 as approved by the Executive Board. Projections were extrapolated with stable or declining growth rates for a period of eight years, after which a terminal value was calculated. Growth rates were capped at a long-term average growth rate, and typically do not exceed 4.0% (2013: 3.0%).

The pre-tax discount rate used in discounting cash flows to their present value in order to determine the value in use is 9.3% (2013: 9.8%), and where applicable, a surcharge is added for specific country risks. The pre-tax discount rate has been determined by iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate. The post-tax discount rate used is 6.5% (2013: 7.0%), and where applicable, a surcharge is added for specific country risks.

The key assumptions used in the predictions are:

- Revenue growth: based on experience and market analysis;
- Margin development: based on historical performance, plan 2015 and management's long-term projections. The margins fall in a range between 8.0% and 13.5%; 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, and based on the current leverage of the Company.

The impairment test for cash-generating units containing goodwill performed in 2014 showed that the recoverable amounts for each cash-generating unit exceeded the carrying amounts and as such did not result in any impairments.

For the main groups of cash-generating units the (range of) key assumptions are the following:

All in %	North America	Emerging Markets	Continental Europe	United Kingdom
Revenue growth rate 2015	9.3-13.4	5.2-22.3	(1.0)-7.9	13.2
Long-term revenue growth	3	3-4	3	3
EBITA margin	10.5-12.4	9.6-13.5	8.0-10.0	11.0
Post-tax discount rate	6.5	7.4-9.4	6.5-7.8	7.1

The expected future cash flows used in the 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 ARCADIS business. The impairment test indicated sufficient headroom for all cash-generating units, and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be lower than the carrying value.

Other intangible assets and Software

Other intangible assets increased significantly during the year, mainly due to the acquisitions of Callison and Hyder. The carrying amounts recognized in the balance sheet are as follows:

	2014	2013
Customer relationships	114,784	29,854
Backlog	35,750	15,080
Trademarks	27,391	6,103
Other	7,144	8,673
Total Other intangible assets	185,069	59,710

The main part of the Other intangible assets and Software will be amortized within the coming three years. Intangibles under development are not amortized. During 2014 and 2013, no changes were made in the useful lives, amortization methods and the residual values of the intangible assets with finite lives (Other intangible assets and Software). The Intangibles under development of €10.2 million are related to the purchase of licenses and development of Software not yet in use.

6 Property, plant & equipment

During 2014, no changes were made in the useful lives, depreciation methods and the residual values of Property, plant & equipment elements.

At December 31, 2014, the carrying amount of Tangible fixed assets financed by financial lease, was €1.7 million (2013: €0.1 million). Ultimo 2014 and 2013, no properties were registered as security for bank loans.

	Land and buildings	Furniture and fixtures	Total
Cost			
Balance at January 1, 2013	2,353	184,139	186,492
Acquisitions through business combinations	–	575	575
Investments	102	20,023	20,125
Transfer to intangible assets	–	(4,122)	(4,122)
Disposals	(81)	(11,552)	(11,633)
Exchange rate differences	(191)	(6,633)	(6,824)
Balance at December 31, 2013	2,183	182,430	184,613
Balance at January 1, 2014	**2,183**	**182,430**	**184,613**
Acquisitions through business combinations	**5,369**	**9,039**	**14,408**
Investments	**251**	**23,675**	**23,926**
Disposals	**(105)**	**(13,525)**	**(13,630)**
Exchange rate differences	**114**	**15,482**	**15,596**
Balance at December 31, 2014	**7,812**	**217,101**	**224,913**
Depreciation			
Balance at January 1, 2013	801	106,679	107,480
Depreciation charge for the year	65	25,579	25,644
Disposals	(70)	(10,498)	(10,568)
Exchange rate differences	(84)	(3,590)	(3,674)
Balance at December 31, 2013	712	118,170	118,882
Balance at January 1, 2014	**712**	**118,170**	**118,882**
Depreciation charge for the year	**360**	**24,194**	**24,554**
Disposals	**(101)**	**(12,329)**	**(12,430)**
Exchange rate differences	**99**	**9,694**	**9,793**
Balance at December 31, 2014	**1,070**	**139,729**	**140,799**
Carrying amounts			
At January 1, 2013	1,552	77,460	79,012
At December 31, 2013	1,471	64,260	65,731
At December 31, 2014	**6,742**	**77,372**	**84,114**

7 Investments accounted for using the equity method

The amounts recognized in the Balance sheet are as follows:

	2014	2013
Associates	**31,136**	31,603
Joint ventures	**1,543**	1,722
Balance at December 31	**32,679**	33,325

The amounts recognized in the Statement of comprehensive income are as follows:

	2014	2013
Associates	**(561)**	4,793
Joint ventures	**121**	709
Total income recognized	**(440)**	5,502

Investments in associates

	2014	2013
Balance at January 1	**31,603**	29,984
Equity share in income	**(561)**	4,793
Acquisitions	**–**	(53)
Investments	**152**	1,272
Divestments	**(1,502)**	(28)
Received dividends	**(412)**	(1,001)
Exchange rate differences	**1,856**	(3,364)
Balance at December 31	**31,136**	31,603

As part of the acquisition of Langdon & Seah (L&S) in 2012, the Company acquired Langdon & Seah Malaysia. Although ARCADIS is entitled to 100% of the results, the Company does not control the Malaysian entity from an IFRS perspective. Consequently, the Malaysian entity is accounted for as an associate measured at equity value.

ARCADIS has interests in a number of associates, of which management judges ARCADIS Logos Energia S.A. and L&S Malaysia as material to the group. The share capital of these associates consists solely of ordinary shares, non-listed shares, and as such there is no quoted market price available for their shares. The country or incorporation or registration is also the principal place of the business.

Nature of investments in associates 2014 and 2013

The nature of business of the ARCADIS associates listed is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

Name of entity	Place of business/ country of incorporation	% of ownership interest
ARCADIS Logos Energia S.A.	Brazil	49.99%
Geodynamique et Structure	France	42.7%
CARE/RTKL Ltd.	Saudi Arabia	45%
Towell & ARCADIS LLC	Oman	50%
EC Harris and Turner&Townsend Project Mgt.	United Kingdom	50%
Langdon & Seah Malaysia	Malaysia	100%

Summarized financial information for associates

The table below summarizes the financial information for the material associates. The information reflects the amounts presented in the financial statements of the associates on a 100%-basis, where applicable adjusted for differences in accounting policies between the group and the associates.

Summarized Balance sheet at December 31

	ARCADIS Logos Energia S.A.		Langdon & Seah Malaysia	
	2014	2013	2014	2013
Current assets	11,706	27,070	13,242	11,584
Non-current assets	33,964	41,820	2,035	1,182
Total assets	45,670	68,890	15,277	12,766
Current liabilities	24,145	28,937	7,402	7,252
Non-current liabilities	2,951	6,449	2,145	2,282
Total Liabilities	27,096	35,386	9,547	9,534
Net assets	18,574	33,504	5,730	3,232

Summarized Statement of comprehensive income for the period ended December 31

	ARCADIS Logos Energia S.A.		Langdon & Seah Malaysia	
	2014	2013	2014	2013
Revenues	299	360	14,498	12,442
Post tax profit or loss from continuing operations	(8,338)	5,468	2,766	1,226
Total comprehensive income	(8,338)	5,468	2,766	1,226

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of its interest in associates.

	ARCADIS Logos Energia S.A.		Langdon & Seah Malaysia	
	2014	2013	2014	2013
Balance at January 1	33,504	33,912	3,232	1,924
Profit/ loss for the period	(8,338)	5,468	2,776	1,226
Exchange rate differences	1,440	(5,876)	(278)	82
Balance at December 31	26,606	33,504	5,730	3,232
Interest in associates	50%	50%	100%	100%
Goodwill and other (fair value) adjustments	(1,801)	(2,759)	6,738	7,046
Carrying value	11,502	13,993	12,468	10,278

The difference between the total carrying value of associates and the carrying values shown in the table above is related to the non-material associates not separately disclosed, with a total carrying amount of €7.2 million (2013: €7.3 million).

The aggregate amount of the Company's share in profit or loss from all individually immaterial associates is not material for disclosure purposes.

Investments in joint arrangements

	2014	2013
Balance at January 1	1,722	2,286
Equity share in income	121	709
Investments	–	20
Received dividends	(300)	(1,105)
Exchange rate differences	–	(188)
Balance at December 31	1,543	1,722

The Company has several interests in jointly controlled entities, which individually nor in the aggregate are material to the group.

These jointly controlled entities have share capital consisting solely of ordinary shares, which is held indirectly by the group. They are all private companies and there is no quoted market price for their shares.

Nature of investments in joint arrangements 2014 and 2013

Name of entity	Place of business/ country of incorporation	% of ownership interest
Stroomdal I	Netherlands	33.33%
Grubbenvorst VOF	Netherlands	16.66%
Asset Rail BV	Netherlands	20%

The nature of business of the ARCADIS joint ventures listed above is similar. They provide comprehensive knowledge-based consultancy, design, engineering and management services in the area of infrastructure, water, environment and buildings.

Commitments and contingent liabilities in respect to joint ventures at December 31, 2014 and 2013

The group has no contingent liabilities relating to the Group's interest in the joint ventures.

8 Other investments

Other investments relate to shareholdings in companies where ARCADIS has no significant influence.

	2014	2013
Balance at January 1	1,008	842
Investments	1,071	232
Divestments	(766)	(12)
Exchange rate differences	64	(54)
Balance at December 31	1,377	1,008

9 Other non-current assets

Other non-current assets mainly include long-term receivables related to the deferred compensation plan in ARCADIS US. See note 17 'Provisions for employee benefits' for further details.

	2014	2013
Balance at January 1	26,221	23,763
Acquisitions/ (divestments)	853	427
New receivables	4,580	6,065
Received	(4,525)	(2,854)
Other changes and exchange rate differences	2,070	(1,180)
Balance at December 31	29,199	26,221

10 Derivatives

The value of derivatives held by the Company as at the balance sheet date is reported in the table below:

	Assets		Liabilities		Total	
	2014	2013	2014	2013	2014	2013
Interest rate derivatives:						
- current	–	–	1,321	401	(1,321)	(401)
- non-current	–	–	129	1,359	(129)	(1,359)
Foreign exchange derivatives:						
- current	5,583	268	4,684	2,837	899	(2,569)
- non-current	–	–	–	–	–	–
Total	5,583	268	6,134	4,597	(551)	(4,329)

During 2014, the Company kept $75 million (2013: $115 million) of interest rate swaps to hedge interest rate risk on $75 million of long-term loans outstanding and applied hedge accounting to these interest rate derivatives. The market value of these derivatives ultimo end 2014 was €0.3 million negative (2013: €1.8 million negative).

Also, during 2014 the Company hedged currency exposures related to transactions in currencies other than the functional currency in the UK, Netherlands and Belgium by way of foreign exchange forward deals in order to minimize volatility in net income due to changes in exchange rates. In addition, foreign currency balance sheet positions arising due to foreign currency receivables and loan balances in the UK, Belgium and the Netherlands were hedged by way of foreign exchange forward transactions.

In consultation with Corporate Treasury, some subsidiaries have applied hedge accounting allowing changes in the valuations of hedges to be posted to equity. Subsidiaries who have not applied hedge accounting recognized related fair value changes immediately in profit and loss. Where entities apply hedge accounting, Corporate Treasury has assisted these entities in terms of hedge documentation, derivatives valuations and effectiveness testing, with revaluation results being posted to equity.

The changes in fair value of the derivatives are shown in the below table.

	2014	2013
Balance at January 1	(4,329)	(2,998)
Deconsolidation	(226)	–
Changes in Income statement	13,425	(243)
Changes through Other comprehensive income (equity)	1,282	2,225
Cash settlement derivatives	(10,529)	(3,413)
Exchange rate differences	(174)	100
Balance at December 31	(551)	(4,329)

The change in fair value of derivatives in profit and loss is €13.4 million together with foreign exchange results of €12.4 million also flowing through profit and loss. Hence the overall profit and loss effect of foreign exchange contracts and derivatives amounts to €1.0 million positive.

The total (after-tax) amount included in other comprehensive income within equity on the line hedging reserve amounted to a loss of €2.3 million after tax, and related to interest rate hedges and some foreign exchange transactions classified as cash flow hedges.

	2014	2013
Interest rate derivatives	(2,199)	(3,792)
Foreign exchange derivatives	(102)	58
Total	(2,301)	(3,734)

11 (Un)billed receivables

Includes items maturing within one year.

	2014	2013
Unbilled receivables	476,304	307,696
Trade receivables	582,765	439,122
Provision for bad debts	(36,530)	(31,219)
Receivables from associates	3,220	7,380
Total (un)billed receivables	1,025,759	722,979

The provision for bad debts has developed as follows:

	2014	2013
Balance at January 1	31,219	35,889
Acquisitions	6,586	454
Additions charged to profit and loss	5,364	7,126
Release of unused amounts	(2,107)	(5,399)
Utilizations	(6,962)	(5,671)
Exchange rate differences	2,430	(1,180)
Balance at December 31	36,530	31,219

The exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 30 'Capital and financial risk management'.

Work in progress

Costs and estimated earnings on uncompleted service contracts and construction contracts are as follows:

	2014	2013
Cost incurred on uncompleted contracts plus estimated earnings	**5,608,936**	4,844,461
Billings to date	**(5,370,090)**	(4,722,961)
Total work in progress	**238,846**	121,500

The majority of outstanding amounts are expected to be collected within one year.

	2014	2013
Cost incurred and estimated earnings in excess of billings	**476,304**	307,696
Billings in excess of costs incurred and estimated earnings	**(237,458)**	(186,196)
Total work in progress	**238,846**	121,500

Amount of advances received	**1,386**	7,380
Amount of retentions held by client	**4,283**	4,799

Advances received relate to advances which are received on projects not yet started. Retentions relate to amounts retained by clients which will be returned to the company after successful completion of the contract.

12 Other current assets

	2014	2013
Other receivables	**23,312**	12,785
Prepaid expenses	**37,079**	24,519
Balance at December 31	**60,391**	37,304

13 Cash and cash equivalents

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. Cash and cash equivalents ultimo 2014 and 2013 consisted of the following:

	2014	2013
Bank and cash	**162,008**	130,546
Deposits	**16,303**	20,440
Balance at December 31	**178,311**	150,986
Bank overdrafts used for cash management purposes	**16,301**	397
Cash and cash equivalents on the balance sheet	**162,010**	150,589

The average effective interest rate earned on cash during 2014 was 1.2% (2013: 1.2%). At December 31, 2014, €101.4 million of cash and cash equivalents was freely available (2013: €98.9 million).

Restricted cash amounting to €60.6 million is mainly composed of cash balances held in Asian countries as well as Brazil and Chile, where there are restrictions on cross-border cash movements or repatriation of this cash is more difficult.

14 Equity attributable to equity holders

2014	Authorized share capital	Subscribed share capital
Ordinary shares (120,000,000, nominal value €0.02)	2,400,000	1,662,180
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	6,000,012	1,662,192

The development of shares outstanding during 2014 and 2013 is presented in the table below:

	Ordinary shares		Total Outstanding shares	
	2014	2013	2014	2013
Outstanding at January 1	**73,183,008**	71,587,542	**73,183,608**	71,588,142
Shares issued	**8,287,112**	785,682	**8,287,112**	785,682
Repurchased shares	**(1,500,000)**	(1,450,000)	**(1,500,000)**	(1,450,000)
Exercised shares and options	**2,069,474**	2,259,784	**2,069,474**	2,259,784
Outstanding at December 31	**82,039,594**	73,183,008	**82,040,194**	73,183,608

Priority shares

Total number of outstanding priority shares at December 31, 2014, is 600 (no changes in 2014). During 2014, no preferred shares or financing preferred 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, inter alia:

1. The issuance, acquisition and disposal of shares in the Company;
2. Amendments to the Articles of Association;
3. The dissolution of the Company and the filing for bankruptcy;
4. The entry into or termination of long-term cooperative ventures of substantial significance; and
5. Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

The Board of the Stichting Prioriteit ARCADIS NV consists of twenty board members (with currently one vacancy): seven members of ARCADIS' Supervisory Board, three members of ARCADIS' Executive Board, and ten members from the Board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of ARCADIS).

Cumulative Preferred (Protective) Shares

Currently no cumulative preferred (protective) shares have been issued. However, an option agreement to issue, acquire and transfer such shares has been entered into between Stichting Preferente Aandelen ARCADIS NV (the 'Preferred Stock Foundation') and ARCADIS NV. 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). ARCADIS NV has been granted the right to issue up to the same number of preferred shares to the Foundation (put option).

The Board of the Preferred Stock Foundation consists of four persons appointed by the Board itself, after prior approval of the Executive Board of ARCADIS NV. The Chairman (or another member) of the Supervisory Board and the CEO (or another member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right by the Foundation 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 cumulative financing preferred 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.

Issuance of shares

The General Meeting decides, with the approval of the Supervisory Board and Stichting Prioriteit ARCADIS N.V., about the issuance of shares or grant of rights to acquire shares. The General Meeting can also delegate its authority to issue shares, or part thereof, to the Executive Board. As long as any such delegation stands, the General Meeting cannot decide to issue. During 2014, 731,750 shares were issued to distribute to those shareholders that opted to receive their dividend in the form of shares. Additionally, ARCADIS issued 7,555,362 new ordinary shares on November 6, 2014 following an accelerated book building process. The net proceeds of this equity offering of €171.3 million were used to partially refinance the bridge facility that was arranged for ARCADIS' acquisition of Hyder.

Purchase of shares

The Executive Board may, as mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit ARCADIS NV, purchase fully paid-up shares in ARCADIS NV. The mandate is not needed in case the shares are purchased to be transferred to employees in line with existing employee share or option plans. Regarding the grant of options or other rights to acquire shares under the ARCADIS Incentive plans or in relation to acquisitions, the intention is to minimize dilution by purchasing (a portion of) the shares needed for these plans. In 2014, no shares were issued to cover obligations in relation to options (2013: nil).

The following numbers of shares were purchased:

Year	Number of shares	Price at time of purchase
2010	1,250,000	€13.32 to €16.17
2011	1,300,000	€13.31 to €16.49
2012	1,800,000	€12.65 to €17.43
2013	1,450,000	€18.40 to €21.99
2014	**1,500,000**	**€25.77 to €28.02**

The repurchased shares are to cover for the options granted and to limit dilution from dividend paid in shares. The cash equivalent of the temporary repurchased shares has been deducted from Retained earnings.

Of the purchased shares, a total number of 2,069,474 (2013: 2,259,784) has been placed back in the market through the exercise of options in 2014. Net proceeds amounted to €29.0 million (2013: €28.7 million).

Ultimo 2014, the number of repurchased shares in stock was 1,069,396 (2013: 1,638,870).

Number of outstanding ordinary shares:

Year	January 1	Issued shares	Repurchased shares	Reissued shares	December 31
2010	66,493,187	–	1,250,000	822,821	66,066,008
2011	66,066,008	4,160,000	1,300,000	411,671	69,337,679
2012	69,337,679	2,200,000	1,800,000	1,849,863	71,587,542
2013	71,587,542	785,682	1,450,000	2,259,784	73,183,008
2014	**73,183,008**	**8,287,112**	**1,500,000**	**2,069,474**	**82,039,594**

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. If ARCADIS declared a distribution to shareholders payable from the share premium, at least €346.8 million of the share premium would not be taxable under the 1964 Dutch income tax legislation (2013: €173.2 million).

Translation reserve

Translation reserve (a statutory reserve) comprises all foreign exchange differences arising as of 2004 from the translation of the financial statements of foreign operations. In 2014, €57.0 million was added to the translation reserve, including a tax effect of €2.2 million (2013: deduction of €30.6 million and €0.6 million, respectively).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. In 2014, the hedging reserve amounts to €2.3 million negative, including a tax effect of €0.7 million (2013: €3.7 million negative and €0.9 million, respectively).

Retained earnings

The Executive Board decides, 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 is added to the equity of the Company. 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. For the fiscal year 2014, the Executive Board, with the approval of the Supervisory Board, proposes to add the amount of €42.4 million to the retained earnings. The remainder of €49.2 million can be distributed as a dividend, which represents a dividend of €0.60 per outstanding ordinary share. Of the total amount of retained earnings €29.4 million (2013: €31.5 million) is restricted in distribution. See also note 37 'Shareholders' equity' to the Company financial statements.

15 Non-controlling interests

The movements in non-controlling interests can be reconciled as follows:

	2014	2013
Balance at January 1	2,914	1,101
Share in profit for the year	2,355	2,746
Dividends to non-controlling shareholders	(2,069)	(742)
Acquisitions	496	–
Exchange rate differences	116	(191)
Balance at December 31	3,812	2,914

The changes in non-controlling interests in 2014 and 2013 mainly relate to the share in profit for the year of these interests and the distribution of dividends.

Ultimo 2014, the non-controlling interests mainly consists of ARCADIS and Towell Sdn. Bhd. (25%), Gerenciamento Nacala Lda (40%) and Hyder & Solaman Elkhereji Consulting Company (30%). For further disclosures on the change of non-controlling interests through acquisitions, refer to note 4 'Consolidated interests'.

16 Earnings per share

For calculating the earnings per share, the following numbers of average shares were used:

Year	Priority shares	Ordinary shares	Diluted number of ordinary shares
2013	600	72,154,685	74,869,054
2014	**600**	**74,459,527**	**77,699,416**

The diluted number of ordinary shares is calculated by using the monthly number of options outstanding and the monthly average share price on the Euronext Amsterdam Stock Exchange. Only options with exercise prices below the average share price are taken into account.

The average number of ordinary shares used for the calculation of earnings per share for the years 2014 and 2013 is calculated as follows:

	2014	2013
Average number of issued shares	76,397,375	74,503,240
Average number of repurchased shares	(1,937,248)	(2,347,955)
Total average number of outstanding shares	74,460,127	72,155,285
Of which:		
Priority shares	600	600
Ordinary shares	74,459,527	72,154,685

For the calculation of earnings per share, no distinction is made between the different classes of shares.

Total earnings of ARCADIS:

	2014	2013
Net income	91,583	96,603
Net income from operations	123,600	111,083
Earnings per share (in euros)		
Net income	1.23	1.34
Net income from operations	1.66	1.54

Ultimo 2014, the number of outstanding options is 5,842,281 (2013: 8,033,010) and Restricted Share Units is 718,939 (2013: 441,439). Of the outstanding options at December 31, 2014, 3,694,701 options were in the money and exercisable (2013: 3,406,866). Exercising options may lead to dilution. This dilution is calculated on a weighted average basis. To avoid dilution as much as possible, ARCADIS repurchases own shares, which are reissued at the moment options are exercised.

	2014	2013
Average number of outstanding shares	74,460,127	72,155,285
Average number of diluting shares	3,239,289	2,713,769
Total average number of diluted shares	77,699,416	74,869,054
Earnings per diluted share (in euros)		
Net income	1.18	1.29
Net income from operations	1.59	1.48

17 Provisions for employee benefits

The table below provides a summary of the total provision for employee benefits at December 31, including defined benefit pension plans as well as deferred compensation.

	2014	2013
Defined benefit pension plans:		
EC Harris Group Pension Scheme (ECH)	**10,044**	15,390
Acer Group Pension Scheme (AGPS)	**20,227**	–
Other	**25,537**	6,526
Total Defined benefit pension plans	**55,808**	21,916
Deferred compensations:		
Deferred salaries	**17,517**	13,931
Future jubilee payments	**1,200**	1,108
Other	**3,575**	145
Total deferred compensations	**22,292**	15,184
Total provisions for employee benefits	**78,100**	**37,100**

Pension costs recognized in profit and loss

The total pension costs recognized in 2014 and 2013 were as follows:

	2014	2013
Interest expense	**1,173**	672
Service costs	**61**	252
Total defined benefit plans ECH and AGPS	**1,234**	924
Total defined benefit plans Other	**4,972**	395
Total defined contribution plans	**44,626**	44,605
Total pension costs	**50,832**	45,924

The pension expenses of defined benefit and defined contribution plans are recognized in the following line items in the Consolidated Statement of comprehensive income:

	2014	2013
Personnel costs	**49,659**	45,252
Financing charges	**1,173**	672
Total pension costs	**50,832**	45,924

Re-measurements recognized in Other comprehensive income, net of income taxes

	2014	2013
Balance of re-measurements at January 1	**(10,902)**	(6,732)
Recognized re-measurements during the year	**1,751**	(4,170)
Balance of re-measurements at December 31	**(9,151)**	(10,902)

Movement of defined benefits obligation

	2014	2013
Balance at January 1	**21,916**	21,553
Acquisitions	**36,317**	–
Additions	**6,206**	2,373
Amounts used	**(358)**	(535)
Pension plan changes to net asset position	**(10,883)**	(1,053)
Exchange rate differences	**2,610**	(422)
Balance at December 31	**55,808**	21,916
Non-current	**55,750**	21,866
Current	**58**	50
Total	**55,808**	21,916

Defined benefit obligations

General

Within ARCADIS there are a number of defined benefit pension plans. The two main plans are in EC Harris and Hyder, which account for approximately 54% of the total pension plan obligations. However, the EC Harris plan is closed for future accruals as from January 31, 2011 whereas the plan of Hyder is closed for future accruals as from April 30, 2011. Some smaller plans are in place in EC Harris, Hyder and other Operating Companies for limited groups of (former) employees which are not included in the detailed disclosures because these plans are not material. The benefits of the plans are based primarily on years of service and employees' compensation. Obligations under the defined benefit plans are provided for by depositing funds with trustees or separate foundations, under insurance policies, or by balance sheet provisions. The valuation of the obligations under the pension plans are carried out regularly by independent qualified actuaries. Balance sheet provisions have been recognized based on IAS 19 'Employee Benefits' and the measurement date for all these defined benefit plans is at December 31.

Defined benefit pension plans

The measurement of the defined benefit pension plans is based on projections, taking into account interest on the value of the obligations, benefit payments from the plan, and assumed salary increases.

EC Harris

Movements in EC Harris defined benefit obligation, plan assets, and net pension liability

Within EC Harris multiple defined benefit plans are established. The main plan is the EC Harris Group Pension Scheme (ECH). The table below provides a summary of the changes in the defined benefit obligations and the fair value of their plan assets for 2014 (and comparative figures for 2013). It also provides a reconciliation of the funded status of the plan to the amounts recognized in the Consolidated Balance sheet.

	Present value of obligation	Fair value of plan assets	Total
Balance at January 1, 2013	79,840	63,202	16,638
Current service cost	–	(252)	252
Interest expense/ income	3,485	2,813	672
Subtotal	3,485	2,561	924
Re-measurements:			
Return on plan assets excluding amounts, included in interest expense/ income	–	2,855	(2,855)
Gain/loss from change in financial assumptions	4,061	–	4,061
Total re-measurements	4,061	2,855	1,206
Exchange rate differences	(1,249)	(943)	(306)
Contributions by employer	–	3,072	(3,072)
Benefit payments from plans	(2,253)	(2,253)	–
Balance at December 31, 2013	83,884	68,494	15,390
Balance at January 1, 2014	**83,884**	**68,494**	**15,390**
Current service cost	**–**	**(61)**	**61**
Interest expense/ income	**3,935**	**3,277**	**658**
Subtotal	**3,935**	**3,216**	**719**
Re-measurements:			
Return on plan assets excluding amounts, included in interest expense/ income	**–**	**13,062**	**(13,062)**
Gain/ loss from change in financial assumptions	**14,036**	**–**	**14,036**
Gain/ loss from change in demographic assumptions	**751**	**–**	**751**
Experience gain/ loss	**(1,781)**	**–**	**(1,781)**
Total re-measurements	**13,006**	**13,062**	**(56)**
Exchange rate differences	**6,463**	**5,608**	**855**
Contribution by employer	**–**	**6,864**	**(6,864)**
Benefit payments from plans	**(2,103)**	**(2,103)**	**–**
Balance at December 31, 2014	**105,185**	**95,141**	**10,044**

The net pension liability is recognized in the Consolidated Balance sheet under the provisions for employee benefits.

Plan assets allocation

All invested assets shown in the table below are quoted.

	2014	In %	2013	In %
UK Equities	**3,411**	**3%**	11,706	17%
Overseas Equities	**10,354**	**11%**	11,566	17%
Fixed interest Gilts	**23,834**	**25%**	10,376	15%
Fixed interest Non-government bonds	**–**	**0%**	2,295	3%
Index-linked Gilts	**17,867**	**19%**	12,165	18%
Property	**7,330**	**8%**	6,372	9%
Hedge funds	**18,437**	**19%**	11,121	16%
Commodities	**8,339**	**9%**	–	0%
Cash	**5,569**	**6%**	2,893	5%
Total	**95,141**	**100%**	68,494	100%

Actuarial assumptions

The principal actuarial assumptions at the reporting date are:

in %	2014	2013
Discount rate	**3.6**	4.6
Pension revaluation in deferment	**2.5**	2.9
Pension increases	**2.5-3.5**	2.5-3.7
Retail price index inflation	**3.2**	3.6
Consumer price index inflation	**2.5**	2.9

The discount rate is based on yields on UK AA-rated 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 20 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:

	2014	2013
Male/ female currently aged 65	**22.8/24.8**	22.7/24.4
Male/ female reaching age of 65 in 20 years	**25.1/26.8**	24.9/25.9

Sensitivity analysis

The calculation of the defined benefit obligation of ECH is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the employee benefit liability by about 2-3%.

	%-change in assumptions	Change in pension liability
Discount rate	0.5%	10,900
Rate of inflation	0.5%	5,100

Expected contributions and benefits

The Company expects €3.0 million in contributions to be paid to the EC Harris' defined benefit plan in 2015.

The estimated pension costs to be recognized in the Consolidated Statement of comprehensive income in 2015 amounts to €0.4 million (of which €0.3 million net interest costs; and €0.1 million service costs/operating charge).

Hyder

Movements in AGPS defined benefit obligation, plan assets, and net pension liability

Within Hyder multiple defined benefit pension plans are established. The main plan is the Acer Group Pension Scheme (AGPS). The table below provides a summary of the changes in the defined benefit obligations and the fair value of their plan assets for 2014 as of acquisition date. It also provides a reconciliation of the funded status of the plan to the amounts recognized in the Consolidated Balance sheet.

	Present value of obligation	Fair value of plan assets	Total
Acquisitions	206,801	183,179	23,622
Interest expense/ income	2,136	1,731	405
Total re-measurements	**208,937**	**184,910**	**24,027**
Re-measurements:			
Return on plan assets excluding amounts, included in interest expense/ income	–	10,819	(10,819)
Gain/ loss from change in financial assumptions	7,610	–	7,610
Gain/ loss from change in demographic assumptions	168	–	168
Experience gain/ loss	(1,128)	–	(1,128)
Total re-measurements	**6,650**	**10,819**	**(4,169)**
Exchange rate differences	7,941	7,218	723
Contribution by employer	–	354	(354)
Benefit payments from plans	(1,587)	(1,587)	–
Balance at December 31, 2014	**221,941**	**201,714**	**20,227**

The net pension liability is recognized in the Consolidated Balance sheet under the provisions for employee benefits.

Plan assets allocation

All invested assets shown in the table below are quoted.

	2014	In %
Equities	**58,183**	29%
Fixed interest Gilts including insured pensioners	**20,221**	10%
Fixed interest non-UK government bonds	**35,834**	18%
Index-linked Gilts	**20,630**	10%
Property	**529**	0%
Hedge funds	**52,437**	26%
Cash	**13,880**	7%
Total	**201,714**	100%

Actuarial assumptions

The principal actuarial assumptions for the AGPS at the reporting date are:

in %	2014
Discount rate	**3.6**
Pension increases	**2.1-3.05**
Retail price index inflation	**3.2**
Consumer price index inflation	**2.2**

The discount rate is based on yields on long-dated high quality corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of 18 years.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

	2014
Male/ female currently aged 65	**22.8/24.9**
Male/ female reaching age of 65 in 20 years	**25.0/27.2**

Sensitivity analysis

The calculation of the defined benefit obligation of AGPS is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the employee benefit liability by about 3%.

	%-change in assumptions	Change in pension liability
Discount rate	0.5%	20,600
Rate of inflation	0.5%	14,200

Expected contributions and benefits

The Company expects €2.5 million in contributions to be paid to the AGPS defined benefit plan in 2015 which consists of:

- €2.2 million as the agreed upon annual contribution based on the current recovery plan; and
- €0.3 million related to contribution to the plan administration costs.

The estimated pension costs to be recognized in the Consolidated Statement of comprehensive income in 2015 amounts to €0.7 million net interest costs.

Other plans

Other defined benefit plans

For some smaller defined benefit plans the total provision for pension liabilities amounts to €25.5 million, with actuarial gains and losses recognized in Other comprehensive income of €0.3 million.

Defined contribution plans

For a major part of the employees within ARCADIS defined contribution plans are in place (reference is made to note 24 'Operational costs' for the related costs to these plans). The obligations for these plans are recognized as a cost in the Consolidated Statement of comprehensive income in the period in which services are rendered by the employees. For the total costs recognized for these plans see the part above on pension costs recognized.

Deferred compensation

Deferred compensation	2014	2013
Balance at January 1	**15,184**	14,204
Acquisitions	**4,006**	–
Additions	**1,606**	1,711
Amounts used	**(560)**	(101)
Exchange rate differences	**2,054**	(630)
Balance at December 31	**22,290**	**15,184**
Non-current	**19,318**	14,506
Current	**2,972**	678
Total	**22,290**	**15,184**

The United States Operating Company has a plan for deferred compensation. The management of the 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.

Additionally, €1.2 million (2013: €1.1 million) is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels.

The other deferred compensations are mainly related to long service leave provisions in Australia.

18 Provisions for other liabilities and charges

	Restructuring	Litigation	Other	Total
Balance at January 1, 2014	6,958	13,046	7,748	27,752
Acquisitions	783	2,363	3,464	6,610
Additions	9,828	4,233	(2,661)	11,400
Amounts used	(8,554)	(3,324)	(363)	(12,241)
Release of unused amounts	(1,118)	(2,297)	(722)	(4,137)
Exchange rate differences	222	452	556	1,230
Balance at December 31, 2014	**8,119**	**14,473**	**8,022**	**30,614**
Non-current	3,633	12,572	6,234	22,439
Current	4,486	1,901	1,788	8,175
Total	**8,119**	**14,473**	**8,022**	**30,614**

Restructuring

Provisions for restructuring include costs related to certain compensation to staff and cost directly related to the existing plans to execute certain restructurings. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated and its intended execution has been announced. Existing plans currently include reduction of staff capacity in certain parts of the company that are expected to be implemented in the coming 24 months.

Litigation

ARCADIS has global professional liability insurance coverage 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. Clients sometimes claim, justified or not, that they are not satisfied with the services provided by ARCADIS. While the outcome of these claims cannot be predicted with certainty, management believes that, based on (external) advisors and information received, the provisions of €14.5 million is the best estimate about the indication of the potential financial risk and whether or not that risk is covered by the insurance policies.

Litigations (including the provisions, defense costs and reimbursement coverage) are reviewed periodically and revised when necessary. Since the outcome cannot be predicted with certainty, final settlement can differ from this best estimate which leads to the release of unused amounts and have their impact on the Consolidated Balance sheet and consolidated results of operation for the period. Further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets' has not been disclosed on the grounds that it can be expected to seriously prejudice the outcome of the disputes.

Other provisions

In some cases, ARCADIS may extend warranties after the completion of activities. In such cases, a provision is recognized, based on estimated cash out flows. Because settlement in these cases generally takes place within a short time frame and because the amounts are relatively limited, no discounting takes place.

19 Deferred tax assets and liabilities

In assessing the valuation of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry-forward period are revised.

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following Balance sheet items:

	Assets		Liabilities		Net	
	2014	2013	**2014**	2013	**2014**	2013
Intangible assets and goodwill	**3,678**	5,079	**66,728**	29,954	**(63,050)**	(24,875)
Property, plant & equipment	**4,349**	2,395	**2,203**	2,914	**2,146**	(519)
Work in progress	**1,978**	3,977	**42,984**	28,461	**(41,006)**	(24,484)
Accrued expenses	**24,562**	20,704	**3,836**	1,512	**20,726**	19,192
Derivatives	**741**	962	**–**	9	**741**	953
Share-based compensation	**11,260**	17,215	**–**	–	**11,260**	17,215
Deferred compensation	**7,732**	3,252	**–**	–	**7,732**	3,252
Net operating losses	**8,586**	3,790	**–**	–	**8,586**	3,790
Others	**7,226**	3,211	**1,321**	371	**5,905**	2,840
Offsetting	**(19,737)**	(22,993)	**(19,737)**	(22,993)	**–**	–
Balance at December 31	**50,375**	37,592	**97,335**	40,228	**(46,960)**	(2,636)

Deferred tax assets and liabilities are offset only when the deferred tax assets and liabilities relate to the same taxation authority and same taxable entity, and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

Approximately €64.2 million of the deferred tax liabilities at December 31, 2014, will be utilized within one year (2013: €38.3 million). The estimated utilization of deferred tax assets within one year at December 31, 2014, is €37.4 million (2013: €39.8 million).

The movement in deferred tax balances during the year 2014 was as follows:

	Balance at January 1, 2014	Recognized in net income	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Balance at December 31, 2014
Intangible assets and goodwill	**(24,875)**	**(3,261)**	**–**	**(30,930)**	**(3,984)**	**(63,050)**
Property, plant & equipment	**(519)**	**424**	**–**	**2,270**	**(29)**	**2,146**
Work in progress	**(24,484)**	**(10,990)**	**–**	**(1,163)**	**(4,369)**	**(41,006)**
Accrued expenses	**19,192**	**(991)**	**–**	**–**	**2,525**	**20,726**
Derivatives	**953**	**–**	**(275)**	**–**	**63**	**741**
Share-based compensation	**17,215**	**515**	**(6,484)**	**–**	**14**	**11,260**
Deferred compensation	**3,252**	**170**	**(872)**	**4,994**	**188**	**7,732**
Net operating losses	**3,790**	**4,505**	**–**	**–**	**291**	**8,586**
Others	**2,840**	**1,856**	**–**	**1,154**	**55**	**5,905**
Tax assets/ (liabilities)	**(2,636)**	**(7,772)**	**(7,631)**	**(23,675)**	**(5,246)**	**(46,960)**

The movement in deferred tax balances during the year 2013 was as follows:

	Balance at January 1, 2013	Recognized in net income	Recognized in Other comprehensive income and Equity	Acquisitions	Exchange rate differences	Balance at December 31, 2013
Intangible assets and goodwill	(16,854)	(6,135)	–	(1,500)	(386)	(24,875)
Property, plant & equipment	(2,443)	1,822	–	(2)	104	(519)
Work in progress	(27,977)	2,266	–	286	941	(24,484)
Accrued expenses	19,989	(121)	–	85	(761)	19,192
Derivatives	2,359	107	(1,478)	–	(35)	953
Share-based compensation	8,119	3,642	5,454	–	–	17,215
Deferred compensation	869	2,725	–	–	(342)	3,252
Net operating losses	12,752	(6,353)	(2,128)	–	(481)	3,790
Others	494	2,282	–	109	(45)	2,840
Tax assets/ (liabilities)	(2,692)	235	1,848	(1,022)	(1,005)	(2,636)

The gross amount of net operating losses that might be compensated by future profits amounted to €99.6 million at December 31, 2014, and €43.3 million at December 31, 2013.

At December 31, 2014, the gross amount of net operating losses for which deferred tax assets have been recognized in the Consolidated Balance sheet, with a total of €38.1 million (2013: €17.4 million) expires as follows:

	2015	2016	2017	2018	2019	Later	Unlimited
Amount to expire	0.5	1.1	0.9	0.9	–	18.0	16.7

Unrecognized deferred tax assets

At December 31, 2014, a deferred tax asset of €12.3 million (2013: €5.4 million) for net operating losses was not recognized. The opinion of management is that it is not probable that these losses will be compensated by future taxable profits in the companies where these losses were made. The gross amount of net operating losses for which no deferred tax assets have been recognized in the Consolidated Balance sheet amounted to €61.5 million (2013: €26.0 million), out of which €50.9 million (2013: €11.3 million), relates to losses which can be carried forward indefinitely.

The movement in unrecognized deferred tax assets and liabilities during the year is as follows:

	Balance at January 1, 2014	Acquisitions	Recognition net in income	Recognized in equity	Exchange rate differences	Balance at December 31, 2014
Net operating losses	5,399	7,541	(396)	–	(246)	**12,298**
Total	**5,399**	**7,541**	**(396)**	**–**	**(246)**	**12,298**

20 Loans and borrowings

	2014	2013
Bank loans	**488,611**	339,579
(interest rates between 0.8% and 6.5%)		
Financial lease contracts	**593**	186
(interest rates between 3.4% and 5.0%)		
Other long-term debt	**12,723**	12,481
(interest rates between 0% and 6.9%)		
Total	**501,927**	352,246
Current portion[1]	**1,544**	29,327
Balance at December 31 (non-current)	**500,383**	322,919

[1] Excluding after-payments for acquisitions, reference is made to Note 21 'Other current liabilities'

Aggregate maturities of long-term debt are as follows:	2014	2013
2015	**–**	–
2016	**138,754**	65,135
2017	**4,534**	176,894
2018	**171,146**	–
2019	**95,041**	–
After 2019	**90,908**	79,000
Balance at December 31	**500,383**	322,919

The fair value of the Company's loans and borrowings has been estimated based on quoted market prices for the same or similar loans or on the current rates offered to the Company for debt with similar maturities, and is estimated at €494.0 million (2013: €341.0 million).

The weighted average interest rate for 2014 and 2013 on interest-bearing debt (including the interest effect of swaps) was 2.7% and 3.6%, respectively. From the total amount of loans and borrowings at December 31, 2014, €331.1 million (2013: €195.6 million) has interest rates in the range of 0% to 4% (2013: 0-4%).

The remainder of €172.1 million (2013: €156.7 million) has interest rates in the range of 4% to 7% (2013: 4-15%). Under other long-term debt, retentions and expected after-payments not due within one year are included, amounting to €11.5 million (2013: €12.0 million).

In quarter two of 2014, ARCADIS refinanced $115 million of existing term loans that were due to mature in June 2014 and January 2015. Both tranches of debt now have a maturity date in 2019.

In quarter three of 2014, £296 million of short term bridge financing was raised with a consortium of relationship banks to facilitate the acquisition of Hyder Consulting. In November 2014, an equity issuance of ca. 7.5 million ARCADIS NV ordinary shares at €23 per share took place, which raised €173.8 million gross, with the net proceeds of €171.3 million used to partially repay bridge debt. At end of 2014, €119 million of bridge debt remains outstanding and matures in July 2015. ARCADIS has the option to extend the maturity date of this debt by another six months if deemed desirable.

ARCADIS also availed of $87.5 million and €24.4 million of floating rate term loans from relationship banks to support the acquisition of Callison. This debt will mature in 2018.

The long-term bank loans include $357.5 million of term loans (2013: $230 million) attracting a US LIBOR denominated interest rate, and will mature in 2016, 2018 and 2019.

The long-term bank loans also include $110 million in fixed rate 5.1% US Private Placement Notes with a maturity in 2021 and 5.0% US Private Placement Notes maturing in 2018. ARCADIS also has a €150 million Revolving Credit Facility during the year, of which €70 million was used at year-end (2013: €0 million). The current portion of long term debt amounting to €1.5 million (2013: €29.3 million) relates to local debt obligations in the business.

At year end, $75 million of floating rate bank debt has been converted by way of one interest rate swap into USD fixed rate debt, at a rate of 2.51% and the remaining lifetime of this swap is one month. For disclosures on the derivatives, see note 10 'Derivatives'.

The debt covenant for the above mentioned long-term debt facilities states that the Net debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to the group of banks twice a year. At December 31, 2014, the average Net debt to EBITDA ratio calculated in accordance with agreements with the banks is 1.5 (2013: 1.4).

With effect from December 31, 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDA to Relevant Net Finance Expense ratio must exceed 1.75. At December 31, 2014, this ratio calculated in accordance with agreements with lenders is 2.8 (2013: 2.8).

The total short-term facilities amount to €319.9 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €113.2 million has been used as at December 31, 2014 (2013: €224.0 million including multi-currency and guarantee facility of which €86.3 million was used). The effective interest rates for bank overdrafts are between 1.5% and 9.0% (2013: 1.7 - 9.0%).

ARCADIS has short term uncommitted debt facilities of €100.7 million with relationship banks and two guarantee facilities totaling €70 million (2013: €98 million and respectively €50 million). These short-term facilities are used for the financing of working capital and general purposes of ARCADIS.

By the end of the year 2014, the total amount of bank guarantees and letters of credit that were outstanding under the €50 million guarantee facility amounted to €22.1 million (2013: €27.7 million). Additionally there were other outstanding guarantees and letters of credit amounting to €76.1 million (2013: €58.6 million).

21 Other current liabilities

	2014	2013
Payables to employees	**147,995**	141,140
Taxes and social security contributions	**77,528**	66,501
After-payments for acquisitions	**7,130**	1,849
Other liabilities	**75,090**	42,857
Balance at December 31	**307,743**	252,347

22 Revenues

The Company's revenues arise from the following categories:

	2014	2013
Revenues from services	**1,995,833**	1,839,900
Construction contract revenues	**639,085**	676,020
Total revenues	**2,634,918**	2,515,920

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.

23 Other income

In 2014, Other income includes a one-off gain resulting from the revaluation of the Hyder shares ARCADIS already held (ca. 25.7%) at the date of the formal and full acquisition. This IFRS required step-up resulted in a one-off gain of €1.6 million.

	2014	2013
Book gain on sale of assets	**243**	152
Results from investments	**1,546**	383
Release of after-payments	**825**	1,722
Revaluation shares to fair value	**1,598**	–
Total Other income	**4,212**	2,257

In 2013, Other income mainly came from the release of some after payments on previous acquisitions. Additionally, proceeds from the sale of assets and results from investments were included.

24 Operational costs

	2014	2013
Salaries and wages	**1,156,506**	1,052,589
Social charges	**143,689**	124,655
Pension and early retirement charges	**49,659**	45,252
Other personnel costs (including temporary labor)	**154,485**	190,234
Total personnel costs	**1,504,339**	1,412,730
Occupancy expenses	**91,128**	86,436
Travel expenses	**57,323**	55,252
Office expenses	**57,138**	51,677
Audit and consultancy costs	**36,094**	29,875
Insurance costs	**14,399**	12,266
Marketing and advertising expenses	**4,152**	3,768
Other operational costs	**48,842**	40,492
Total other operational costs	**309,076**	279,766
Total operational costs	**1,813,415**	1,692,496

The average number of contract employees in 2014 was 22,463 (2013: 21,039).

25 Share-based compensation

Option and share purchase plans

To stimulate the realization of long-term Company objectives and goals, ARCADIS NV has option and share plans, as well as a share purchase plan. Over the years several incentive share option plans have been in place. The majority of outstanding options relate to the 2005, 2010 and 2014 Long-Term Incentive Plans ('LTIP').

ARCADIS NV 2005 Long-Term Incentive Plan

The General Meeting of Shareholders approved the 2005 Long-Term Incentive Plan in May 2005. Following primary changes were introduced:

- In addition to rights to shares (option rights), other share-related incentives could be granted, such as Stock Appreciation Rights, Conditional shares and Incentive shares;
- The granting of (rights to) shares can be related to the goals or performance criteria as set by the Supervisory Board. This Committee also determines the moment at which the granted (rights to) shares can be exercised; and
- The number of (rights to) shares totals 7,500,000.

In its December 2005 meeting, the Supervisory Board approved the ARCADIS NV 2005 Long-Term Incentive Plan.

ARCADIS NV 2010 Long-Term Incentive Plan

In 2010, the Supervisory Board approved the continuation of the ARCADIS 2005 Long-Term Incentive Plan in the form of the ARCADIS 2010 Long-Term Incentive Plan (the '2010 LTIP'). The revised Plan was (also) approved by the General Meeting of Shareholders in May 2010.

The 2010 LTIP provides for the periodic allocation of (conditional) options and (conditional) shares to the members of the Executive Board and key staff. The objective is to strengthen the personal ties of the participants with the Company, to let them benefit from the increase of the ARCADIS share price, and to align their interest with the interest of the shareholders of the Company.

The Plan provides for a maximum of 10,000,000 shares or options to be allocated during a five year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of ARCADIS. The options and shares annually granted to members of the Executive Board and selected key employees are conditional and have a vesting period of three years. Vesting is dependent on performance criteria set forth in advance. The granting of such options and shares will take place each year on or about the second day after the Annual General Meeting of Shareholders, whereby the exercise price will match the closing price of ARCADIS NV shares on the day of the grant.

The following table indicates the number of options and conditional shares granted under the 2005 and 2010 Long-Term Incentive Plans that can become unconditional at the end of each three-year period depending on ARCADIS' relative position in comparison to the peer group.

Position against peer group	Percentage of conditional options and shares that vests for management	Percentage of conditional options and shares that vests for key staff
First	150	115
Second	133	110
Third	117	105
Fourth	100	100
Fifth	83	95
Sixth	67	90
Seventh	50	85
Eighth	–	80
Below Eighth	–	–

ARCADIS NV 2014 Long-Term Incentive Plan

In 2014, the Supervisory Board approved the continuation of the ARCADIS 2010 Long-Term Incentive Plan in the form of the ARCADIS 2014 Long-Term Incentive Plan (the '2014 LTIP'). The revised Plan was (also) approved by the General Meeting of Shareholders in May 2014.

This Plan provides for a maximum of 10,000,000 shares or options to be allocated during a five-year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of ARCADIS.

Total Shareholder Return

Options and shares granted are conditional in nature and depend on attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as share price increase plus dividend. This measure stimulates the creation of shareholder value in the longer term. Each year, a three year cycle begins, whereby achievements are measured at the end of the period against a peer group of companies of comparable size and breadth. ARCADIS' position in the peer group determines whether the (conditional) options and shares granted earlier become unconditional. See the 'Remuneration Report' for more information.

The following table indicates the number of options and shares granted under the 2014 LTIP that may become unconditional at the end of each three-year period depending on ARCADIS' relative position in comparison to the peer group.

Position against peer group	Percentage of conditional shares that vests for management	Percentage of conditional shares that vests for key staff
First	200	150
Second	175	125
Third	150	125
Fourth	125	100
Fifth	100	100
Sixth	75	75
Seventh	50	50
Eighth	–	50
Ninth	–	50
Tenth	–	25
Eleventh	–	25
Twelfth to fourteenth	–	–

To prevent dilution, the shares (or a portion thereof) required to meet the obligations in relation to the exercise of options or other rights to acquire shares, can be purchased by the Company with due consideration to the Company's Balance sheet, in particular the cash available within the Company. Alternatively, shares can be issued, whereby it is intended to limit this to a maximum of 1% of the number of issued shares.

Restricted Share Unit (RSUs) granted in 2014

In line with the remuneration policy of the Executive Board, which aims to align with current best practices that show a reduced prevalence of option compensation, only RSUs were granted in 2014 to senior management and key staff, whereby these RSUs have a vesting period of three years.

In 2014, the following number of RSUs have been granted under the 2014 LTIP:

Occasion for granting shares	Number of RSUs	Grant date	Vesting date	Share price at grant date	Fair value at grant date
Annual grant	419,305	20/5/2014	19/5/2017	€25.42	€18.84

Restricted Share Units and Options

During 2014, a total of 1,947,117 options and 101,493 shares were exercised while 158,982 options and 19,955 RSUs were cancelled or forfeited.

Share Option Plans

In accordance with IFRS 2, the Company's share option plans qualify as so-called equity-settled plans. As a consequence, the Company has to charge the fair value of the share options to income over the vesting period. The corresponding amount is directly credited to equity.

In 2014, an amount of €7.4 million (2013: €6.9 million) is included under other personnel cost for the share-based compensations granted to employees in 2014, 2013, 2012 and 2011 under the different option plans. In calculating the cost, the fair value of each option was estimated as of the date of grant, using the binomial option-pricing model.

The fair value and the assumptions used for the largest series of RSUs granted were:

	2014	2013
Excepted dividend yield	**2.15**	2.48
Risk-free interest rate (%)	**0.59**	0.93
Expected volatility (%)	**28.03**	39.85
Expected life of RSU (years)	**3**	5
Expected forfeitures (%)	**11.0**	11.0

The expected volatility is calculated based on the share price movements of the 60 months prior to grant date.

The number and weighted average exercise price of the share options under the combined ARCADIS share option plans are as follows:

	Number of USD options	Weighted average exercise price (USD)	Number of EUR options	Weighted average exercise price (EUR)
Balance at January 1, 2013	10,650	4.51	9,608,402	14.39
Granted	–	–	811,047	20.47
Exercised	(6,150)	4.15	(2,118,770)	13.24
Forfeited/ cancelled	–	–	(294,273)	15.25
Balance at December 31, 2013[1)]	**4,500**	**5.00**	**8,006,406**	**15.90**
Balance at January 1, 2014	**4,500**	**5.00**	**8,006,406**	**15.90**
Effect of peer group	–	–	**(58,026)**	**16.18**
Exercised	**(4,500)**	**5.00**	**(1,947,117)**	**14.95**
Forfeited/ cancelled	–	–	**(158,982)**	**16.76**
Balance at December 31, 2014	**–**	**–**	**5,842,281**	**16.17**

[1)] The 2013 closing balance is adjusted for a small unforeseen transaction recorded in 2014

No granted options expired in 2014. The weighted average share price at the date of exercise for share options exercised in 2014 was €25.87 (2013: €21.37).

Total options outstanding at December 31, 2014, were as follows:

Year of issue	Share price at grant date	Outstanding January 1, 2014	Increase/ (decrease) by performance measure 2014	Exercised in 2014	Cancelled/ forfeited in 2014	Outstanding December 31, 2014
Exercisable options:						
2004	$5.00	4,500	–	(4,500)	–	–
2005	€6.48	95,854	–	(71,318)	–	24,536
2006	€12.37	219,213	–	(95,912)	–	123,301
2007	€20.23	1,338,053	–	(359,373)	(6,000)	972,680
2008	€13.77	266,791	–	(127,754)	(2,000)	137,037
2009	€12.06	1,114,583	–	(301,703)	(4,075)	808,805
2010	€14.33	524,758	–	(193,115)	(772)	330,871
2010	€16.84	96,833	–	(30,333)	(3,000)	63,500
2010	€16.98	31,200	–	(31,200)	–	–
2011	€13.59	140,000	–	(140,000)	–	–
2011	€16.18	686,433	(58,026)	(172,292)	(7,808)	448,307
2011	€16.48	303,644	–	(65,663)	–	237,981
2011	€14.06	761,300	–	(158,454)	(55,165)	547,681
2012	€15.35	200,000	–	(200,000)	–	–
Subtotal		5,783,162	(58,026)	(1,951,617)	(78,820)	3,694,699
Non-exercisable options:						
2012	€14.72	713,368	–	–	(16,000)	697,368
2012	€15.74	767,257	–	–	(24,291)	742,966
2013	€20.96	737,119	–	–	(39,871)	697,248
2013	€18.26	10,000	–	–	–	10,000
Subtotal		2,227,744	–	–	(80,162)	2,147,582
Total		**8,010,906**	**(58,026)**	**(1,951,617)**	**(158,982)**	**5,842,281**

The weighted average exercised price of the share options exercisable at December 31, 2014, was €15.62 (2013: €15.44).

Total Restricted Share Units outstanding at December 31, 2014, were as follows:

Year of issue	Share price at grant date	Outstanding January 1, 2014	Granted in 2014	Increase/ (decrease) by performance measure 2014	Exercised in 2014	Cancelled/ forfeited in 2014	Outstanding December 31, 2014
Non-exercisable Restricted Share Units:							
2011	€16.18	121,850	–	(20,357)	(101,493)	–	–
2012	€15.74	139,900	–	–	–	(4,815)	135,085
2013	€20.96	177,100	–	–	–	(11,421)	165,679
2014	€25.42	–	419,305	–	–	(3,719)	415,586
Total		**438,850**	**419,305**	**(20,357)**	**(101,493)**	**(19,955)**	**716,350**

The outstanding options at December 31, 2014, have a weighted average contractual life of 5.8 years (2013: 6.5 years).

Incentive shares

On an annual basis the Supervisory Board approves the conditional granting of incentive shares to the members of the Executive Board. The costs are spread over the three-year vesting period, and are included in 'Other personnel costs', see note 24 'Operational costs'.

The following parameters were used to calculate the costs:

Share price at grant date 2011	€16.18
Share price at grant date 2012	€15.74
Share price at grant date 2013	€20.96
Share price at grant date 2014	€25.42
Foregone dividend	6.3%
Performance discount	42.7%

Overview of incentive shares granted:

Provisional (rights to) shares granted on	Granted	Unconditional in	Total amount to be expensed over the vesting period (EUR)
May 20, 2011	135,200	2014	1,119,500
May 18, 2012	149,000	2015	1,150,714
May 9, 2013	177,100	2016	2,219,152
May 20, 2014	**419,305**	**2017**	**7,899,706**

Employee Share Purchase Plan (Lovinklaan Foundation)

The Company facilitates an Employee Share Purchase Plan that allows employees to periodically purchase shares in the Company at a previously set discount. The shares and the discount are made available by Lovinklaan Foundation. This Plan has been implemented in a number of countries were ARCADIS is located. The personal investment per employee is limited to €400 per month. Ultimo 2014, 4,109 employees participated in the Plan (2013: 4,080). The cost of the Employee Share Plan in 2014 included in the Company's financial statements amounted to €0.8 million (2013: €0.8 million).

26 Net finance expense

Financial expenses in 2014 were higher than 2013 with cash generated during the year and successful efforts made to centralize more cash in the organization to repay external debt being more than offset by costs associated with the acquisitions of Hyder Consulting and Callison.

	2014	2013
Interest income	6,093	4,282
Foreign exchange differences on financial liabilities	6,773	(4,596)
Fair value changes of derivatives	(6,162)	3,520
Financial expenses	(24,085)	(21,302)
Total	**(17,381)**	(18,096)

To a lesser extent, increased cash balances in Brazil helped increase interest income during the year, while a floating to fixed interest rate swap matured during the year, allowing ARCADIS to profit from lower floating interest rates. The average EUR/USD foreign exchange rate for the year was similar to 2013 while Euro interest rates helped limit the cost impact of higher debt in the Company. Net interest expenses in 2014 amounted to €18.0 million (2013: €17.0 million).

In 2014 there were exchange rate gains on the hedging of foreign currency loans and intercompany income by way of foreign exchange forward deals. These gains were offset by losses related to the revaluation of foreign currency intercompany loan balances.

27 Income taxes

For income tax purposes ARCADIS NV is the parent of the fiscal unit ARCADIS NV, and is therefore liable for the tax liabilities of the fiscal unit as a whole. The weighted average tax rate on profit before taxes for the group was 29.1% (2013: 28.3%).

Explanation of effective tax rate	2014			2013		
	Gross amount	Taxes	In %	Gross amount	Taxes	In %
Profit before income tax from operations	132,929	38,551	29.0	132,994	39,147	29.4
Result from investments accounted for using the equity method	(440)	–	0.1	5,502	–	(1.1)
Profit before income tax	**132,489**	**38,551**	**29.1**	138,496	39,147	28.3
Nominal tax rate in the Netherlands			25.0			25.0
Foreign tax rate differences			7.5			8.6
Settlement related to previous years			(0.7)			(0.9)
Result from investments accounted for using the equity method			0.1			(1.1)
Non-taxable amounts and others			(2.8)			(3.3)
Effective tax rate			**29.1**			28.3

The tax effects of temporary differences that give rise to year-end deferred tax assets and liabilities are offset within each taxable entity. Deferred tax assets in excess of these amounts are recognized if their realization is more likely than not.

Tax recognized in profit and loss	2014	2013
Current year	31,764	40,534
Adjustments for previous years	(985)	(1,152)
Total current tax	30,779	39,382
Deferred tax	7,772	(235)
Total income taxes	**38,551**	39,147

28 Commitments and contingent liabilities

Summary of commitments

	2014	2013
Less than 1 year	**100,588**	80,673
1-5 years	**199,444**	178,498
More than 5 years	**45,926**	38,632
Operating lease contracts	**345,958**	297,803
Guarantees	**88,269**	83,434
Total commitments	**434,227**	**381,237**

Operating leases

The Company's operating lease arrangements mainly relate to contracts for leased cars and buildings. Car leases typically run for a period of three years, while lease contracts for buildings in many instances run for a period between five to ten years. Steps are being taken to reduce the length of contracts being renewed in order to generate some flexibility for the future and limit the burden of contingent liabilities.

During the year ended December 31, 2014, €100 million was recognized as an expense in profit and loss with regard to operating leases (2013: €91 million).

Guarantees

As a partner in a number of partnerships, ARCADIS is liable for the contractual obligations these companies enter into. The potential risk pertaining to these obligations amounted to €88.3 million (2013: €83.4 million). Guarantees related to investments in associates are €7.6 million (2013: €7.5 million).

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 outside legal counsels, management regularly evaluates relevant 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 a liability has been occurred, 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 and loss, and cash flows for a particular period.

Tax

The Company is exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. 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, and whenever uncertainties arise, the Company assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

29 Related party transactions

General

The related parties of ARCADIS comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit, Stichting Pensioenfonds ARCADIS Nederland (SPAN), and the Executive Board and Supervisory Board.

In accordance with Book 2 of the Dutch Civil Code, articles 379 and 414, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Amsterdam.

All transactions with subsidiaries, associates and joint ventures are on an arm's length basis.

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 ARCADIS 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 2014. Total revenues from joint arrangements amounted to €35.7 million (2013: €11.7 million), within the joint arrangements also joint operation of Hyder are included. In addition €11.2 million transactions have moved from associates to joint arrangements.

The transactions with all other related parties are disclosed in the table below (all amounts in millions):

	Transactions with associates		Transactions with joint arrangements		Transactions with post employee benefit plans		Other	
	2014	2013	2014	2013	2014	2013	2014	2013
Sales (to)	**13.7**	23.6	**35.7**	11.7	**–**	–	**–**	–
Purchases (from)	**0.6**	0.7	**5.8**	–	**–**	–	**–**	–
Loans (to)	**0.5**	0.2	**–**	–	**–**	–	**–**	–
Receivables (from)	**4.2**	6.3	**15.9**	4.6	**0.2**	–	**0.7**	0.2
Payables (to)	**0.3**	0.2	**(0.5)**	5.1	**–**	–	**–**	0.6
Dividends received (from)	**0.6**	2.1	**0.1**	(0.3)	**–**	–	**–**	–
Provision for doubtful debts related to outstanding balances	**–**	0.2	**0.6**	–	**–**	–	**–**	–
Related expenses to these bad or doubtful debts	**–**	–	**(0.2)**	0.2	**–**	–	**–**	–
Transfer of pension premiums and cost charges	**–**	–	**–**	–	**30.6**	25.1	**–**	–
Contributions	**–**	–	**–**	–	**–**	–	**3.8**	3.6

Transactions with key management personnel of the entity

The members of the Executive Board and the Supervisory Board are considered key management personnel as defined in IAS 24 'Related Party Disclosures'. For details on their remuneration and interests held in the Company reference is made to notes 42, 43 and 44. During 2014 (and 2013), no transactions involving conflicts of interest for Executive or Supervisory Board members which were material to the Company occurred.

Transactions with post-employment benefit plans

Main post-employment benefit plans are Stichting Pensioenfonds ARCADIS Nederland (SPAN, pension fund) and the pension funds of EC Harris (ECH) and Hyder (AGPS).

SPAN is the independent foundation that is responsible for the administration of the pension rights under the existing pension plan for Dutch employees. This pension plan is a collective defined contribution plan with a premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 63 years. As of 2015, the average pay scheme will be based on a retirement age of 67 years. During 2014, the transactions between ARCADIS and SPAN comprise of the transfer of pension premiums and cost charges, and amounted to €22.7 million (2013: €22.5 million). At year-end 2014, the amount due to SPAN was nil (2013: €1.9 million).

In addition, the Company contributed €6.9 million (2013: €2.6 million) to the pension plan of EC Harris (defined benefit plan) and €0.4 million to the pension plan of Hyder (AGPS; defined benefit plan). See note 17 'Provisions for employee benefits'.

Transactions with other related parties

Stichting Lovinklaan (Lovinklaan Foundation) is the main shareholder of ARCADIS. The board of the Foundation consists of ARCADIS employees. At year-end 2014, the Foundation had an interest of 17.2% in ARCADIS NV (2013: 19.2%). The Foundation has an employee share purchase plan in place which allows ARCADIS employees to purchase ARCADIS shares from the Foundation with a discount. The Company has no involvement in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

In 2010, ARCADIS and UN-Habitat launched a global partnership under the name Shelter, aimed at improving quality of life in rapidly growing cities around the world. ARCADIS contributes employees, expertise and skills to this initiative. The Lovinklaan Foundation supports the initiative and committed to contribute €0.4 million on an annual basis. Actual contribution over 2014 amounted to €0.9 million (2013: €0.4 million).

Lovinklaan Foundation supports several Quest programs and the Global Shapers program within ARCADIS. The programs are initiatives to collect and exchange knowledge and expertise amongst ARCADIS employees and to accelerate the implementation of strategic projects of ARCADIS and as such contributes to the ARCADIS strategy of international collaboration and global business lines. In 2014, 99 employees participated in the several Quest programs and 100 employees participated in the Global Shapers program respectively. Financial support amounted to €1.8 million (2013: €1.4 million).

During 2014 and 2013, no other financial transactions than mentioned above took place between the Foundation and the Company, except for the dividends on the shares.

30 Capital and financial risk management

ARCADIS' activities expose the Company to a variety of financial risks, including credit risk, liquidity risk, and market risk.

These risks are inherent to the way the Company operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by ARCADIS Corporate Treasury, in line with the guiding principles of the Treasury Policy, as approved by the Executive Board.

ARCADIS' Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and the ARCADIS control framework. It also reviews the adequacy of the risk management framework. in relation to the risks faced by the Company.

Credit risk

Credit risk arises from receivables from customers as well as balances and settlements with 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 (percentage of completion – method). If clients refuse or are unable to meet their contractual payment obligations, the Company may not have sufficient cash to satisfy its liabilities, and its growth rate and continued operations could be adversely impacted.

The key objective of the Company's counterparty credit risk management is to minimize the risk of losses as a result of failure of an individual banking counterparty that could negatively impact the Company's results. ARCADIS aims to centralize cash at banks that have also provided credit to the Company in order to try and reduce counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity level. Normally ARCADIS only deals with counterparties that have a sufficiently high credit rating. Where possible, ARCADIS uses credit ratings provided by external agencies, thus monitoring creditworthiness in order to reduce the related credit risk. Furthermore, ARCADIS strongly focuses on clients by strengthening the relationship. Through systematic account management we aim to build long-term relationships with select 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.

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the Balance sheet. Trade receivables are presented net of a provision bad debt, which is based on individually significant exposures, and a collective loss component for groups of trade receivables in respect of losses that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of ageing analysis. Next to ageing analysis additional circumstances, like the recent impact of the credit crisis on the financial situation of customers are being evaluated continuously. When necessary, additional impairment allowances were recognized. The collective loss component allowance is determined based on historical data of payment statistics for similar financial assets.

In the Balance sheet, Trade receivables are presented net of a provision for bad debt of €36.5 million (2013: €31.2 million). The ageing of trade receivables and the provision for bad debts at reporting date were:

	Gross receivable 2014	Provision bad debt 2014	Gross receivable 2013	Provision bad debt 2013
Not past due	**261,124**	**(1,764)**	232,720	(1,874)
Past due 0-30 days	**125,276**	**(919)**	88,556	(956)
Past due 31-120 days	**99,974**	**(2,009)**	59,190	(1,000)
More than 120 day due	**96,391**	**(31,838)**	58,656	(27,389)
Total	**582,765**	**(36,530)**	439,122	(31,219)

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations.

For the movement schedule for the allowance of impairment of trade receivables reference is made to note 11 '(Un)billed receivables'.

The Company provided bank guarantees and letters of credit. The total amount of outstanding guarantees and letters of credit amounted to €88.3 million (2013: €83.4 million). In addition, ARCADIS NV has provided corporate guarantees to banks for a maximum amount of €27.9 million (2013: €19.4 million) to provide local financing facilities.

The carrying amount of financial assets represents the maximum credit exposure. At balance sheet date, the maximum exposure to credit risk was:

	2014	2013
Financial assets:		
(Un)billed receivables	**1,025,759**	722,979
Other receivables	**23,312**	12,776
Other non-current assets	**29,199**	26,221
Derivatives	**5,583**	268
Loans to associates	**3,869**	4,933
	1,087,722	767,177
Cash and cash equivalents	**178,311**	150,986
Total	**1,266,030**	918,163

The credit risk of cash and cash equivalents is the risk that counter parties are not able to repay amounts owed to ARCADIS upon request of ARCADIS. The objective of ARCADIS is to minimize credit risk exposure in cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings and good reputation. The related risk is monitored on an ongoing basis both at local entity and corporate level. ARCADIS keeps approximately 56% of its cash reserves at our core banks and only invests in liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that ARCADIS will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable ARCADIS to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ARCADIS. Treasury Policy supports this principle by stating that the ARCADIS aims to have no more than 33% of total fixed debt to be refinanced in any one year.

The Company maintains the following lines of credit:
- Utilized Term Loans amounting to $357.5 million (2013: $270 million) paying a USD LIBOR-denominated rate and to €24.5 million paying a EURIBOR denominated rate.
- A €150 million Revolving Credit Facility attracting a EURIBOR-denominated rate of which €70 million was used at year-end (2013: nil utilization).
- There are €25 million of undrawn committed facilities attracting an interest rate that is EURIBOR-denominated (2013: €25 million, nil utilization).
- Uncommitted multi-currency facilities of €101 million equivalents (2013: €98 million) with a consortium of banks attracting a floating interest rate. At the end of 2014, €15 million (2013: none) of these uncommitted facilities were used.
- $110 million of 5.1% 2021 US Private Placement notes were outstanding.
- $90 million of 5.0% 2018 US Private Placement notes were outstanding at year-end.
- A €50 million guarantee facility with one bank. The interest paid on this guarantee facility normally ranges between 0.30% and 0.65% of the utilized part of the facility. At year-end 2014, €22.1 million (2013: €27.7 million) of this facility was used.
- Additionally there are several other facilities dealing with both loans and guarantees, totaling €149.2 million, and as at year-end 2014 €69.7 million was used (2013: €75.9 million, of which €59.8 million was used).

Over the course of the year, considerable fluctuations occurred in the working capital needed to finance operations. Also acquisitions may lead to increases in borrowed capital. ARCADIS strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy (lease-adjusted) interest coverage and Net debt to EBITDA ratio.

The following tables describe, as of December 31, 2014 and 2013, our commitments and contractual obligations for the following five years and thereafter. The long-term debt obligations are our cash debt service obligations. Operating lease obligations are the non-cancellable future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2014.

Contractual obligations at December 31, 2014					Payments due by period
	Total amount	Less than1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	**340,644**	**100,588**	**137,519**	**61,925**	**40,612**
Capital (finance) lease obligations	**316**	–	**316**	–	–
Foreign exchange contracts:					
- outflow	**433,839**	**433,046**	**793**	–	–
- inflow	**(433,912)**	**(433,912)**	–	–	–
Interest rate swaps:					
- outflow	**385**	**385**	–	–	–
- inflow	**(36)**	**(36)**	–	–	–
After-payments for acquisitions	**18,254**	**7,178**	**11,076**	–	–
Interest	**45,384**	**12,354**	**15,810**	**13,743**	**3,477**
Other long-term liabilities	**489,879**	**1,267**	**129,242**	**268,037**	**91,333**
Short-term bank debt	**193,962**	**193,962**	–	–	–
Total	**1,088,715**	**314,832**	**294,758**	**343,705**	**135,422**

Contractual obligations at December 31, 2013					Payments due by period
	Total amount	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	297,803	80,673	117,296	61,201	38,633
Capital (finance) lease obligations	217	30	186	1	–
Foreign exchange contracts:					
- outflow	335,456	335,456	–	–	–
- inflow	(332,849)	(332,849)	–	–	–
Interest rate swaps:					
- outflow	2,190	1,848	342	–	–
- inflow	(248)	(192)	(56)	–	–
After-payments for acquisitions	13,268	1,796	11,472	–	–
Interest	42,144	9,112	14,060	13,083	5,889
Other long-term liabilities	340,079	29,298	54,887	176,895	78,999
Short-term bank debt	5,118	5,118	–	–	–
Total	703,178	130,290	198,187	251,180	123,521

Market risk

Market risk includes currency risk and interest rate risk 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, while optimizing the return on risk.

• Currency risk

The key objective of the Company's foreign exchange transaction exposure management is aimed at the active management of foreign exchange exposures by corporate treasury to reduce and limit the adverse effects of exchange rate changes on the Company's profitability subject to competitive conditions and to bring the currency profile of ARCADIS in line with shareholders' expectations.

Trade and financing transactions in non-functional currencies (transaction risk)

The subsidiaries of ARCADIS mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances however, invoices are in the functional currency of the counter party, which results in a currency exposure for the subsidiary. The exposure to currency risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the company enters into forward contracts in order to hedge transaction risks.

The Company also has some exposure to currency risk for borrowings that are denominated in another currency than the functional currency. This relates to intercompany loans of €46 million for a company that has the British pound as functional currency and $91 million for a company with a euro functional currency.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the euro and US dollar.

The Company has an exposure with respect to positions in the Balance sheet in foreign currencies which are different than respective functional currencies of the subsidiaries. For the main currencies the following positions per currency (translated in euros) were included in the Balance sheet:

At December 31, 2014	EUR	USD	GBP
Trade receivables	5,284	21,483	3,967
Cash and cash equivalents	4,086	(152,882)	(4,928)
Derivatives	24,453	142,175	2,574
Loans and borrowings	(69,412)	42,521	4,375
Trade payables	(1,828)	(7,780)	(18,024)
Balance exposure	**(37,417)**	**45,517**	**(12,036)**

At December 31, 2013	EUR	USD	GBP
Trade receivables	347	22,683	7,320
Cash and cash equivalents	5,988	12,593	570
Derivatives	–	96,781	17,163
Loans and borrowings	(46,059)	(104,701)	(16,592)
Trade payables	(147)	(9,687)	(5,370)
Balance exposure	(39,871)	17,669	3,091

The following significant exchange rates applied during the year:

EUR per unit	2014		2013	
	Average	Ultimo	Average	Ultimo
US Dollar (USD)	**0.75**	**0.83**	0.75	0.73
Pound Sterling (GBP)	**1.24**	**1.29**	1.18	1.20
Brazilian Real (BRL)	**0.32**	**0.31**	0.35	0.31

ARCADIS uses derivatives in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Company's treasury policy guidelines. The Company seeks to apply hedge accounting where possible to manage volatility in profit and loss. Most foreign exchange forward transactions outstanding at year-end are due to mature in 2015.

Sensitivity analysis balance sheet positions

- A 10% strengthening/ weakening of the euro against the US dollar at December 31, 2014, with all other variables held constant, would have decreased/ increased balance sheet positions via profit and loss by €4.5 million (2013: €1.8 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at December 31, 2014, with all other variables held constant, would have decreased/ increased balance sheet positions via profit and loss by €1.2 million (2013: €0.3 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at December 31, 2014, with all other variables held constant, would have decreased/ increased balance sheet positions via equity by €5.1 million (2013: €5.1 million).

All material balance sheet positions have been hedged with foreign exchange contracts.

The analysis above assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2013. Loans and borrowings in the UK subsidiary, which were denominated in euros, relate to intercompany financing, and the related exchange rate differences are recognized directly in equity as part of the investment in that company.

Translation risk related to investments in foreign subsidiaries, associates and joint ventures

ARCADIS has subsidiaries with a functional currency other than the euro. As a result the Consolidated financial statements of ARCADIS are exposed to translation risk related to equity, intercompany loans of a permanent nature, and earnings of foreign subsidiaries and investment in associates and joint ventures. The Company does not use financial instruments to hedge this risk.

Sensitivity analysis Net income and Equity

- A 10% strengthening/ weakening of the euro against the US dollar at December 31, 2014, with all other variables held constant would have decreased/ increased net income by €4.0 million (2013: €3.9 million), while equity would have been €19.8 million higher/ lower (2013: €13.4 million).
- A 10% strengthening/ weakening of the euro against the Pound Sterling at December 31, 2014, with all other variables held constant would have decreased/ increased net income by €1.5 million (2013: €0.3 million), while equity would have been €25.5 million higher/ lower (2013: €18.1 million).
- A 10% strengthening/ weakening of the euro against the Brazilian Real at December 31, 2014, with all other variables held constant would have decreased/ increased net income by €0.6 million (2013: €1.5 million), while equity would have been €8.1 million higher/ lower (2013: €7.0 million).

• Interest rate risk

ARCADIS manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity, provisions and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank credits with variable interest rates. Based on our interest risk profile, financial instruments were used during 2014 to cover part of the interest rate risk on long-term financing. This risk is applicable to long-term debt, short-term debt and bank overdrafts in our Balance sheet amounting to €700.7 million at year-end 2014 (2013: €345.8 million).

Floating rate debt results in cash flow interest rate risk. In order to achieve a mix of fixed and floating rate exposure within the Company's policy, a number of interest rate swap (IRS) contracts were entered into. Although only one IRS remains, the fixed rate US private placement ensures the desired mix of fixed and floating debt. One interest rate derivative transacted by ARCADIS matured in 2014.

ARCADIS now has one $75 million floating to fixed interest rate swaps with a fixed rate of 2.51% and this will mature in January 2015.

Treasury Policy states that the fixed portion of the Net Debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit and loss. ARCADIS has been compliant with Treasury Policy during 2014.

Sensitivity analysis Interest rate risk

At December 31, 2014 if interest rates had been 10 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been €0.1 million (2013: €0.1 million) higher/ lower, as a high percentage of ARCADIS net debt has been fixed. In 2014, there would also have been a higher/ lower change in equity of nil (2013: €0.1 million) reflecting the change in valuation of IRS transactions at year end used to hedge interest rate risk.

The Company has outstanding interest rate swaps with a $75 million notional amount that decreased during 2014 from $115 million at year-end 2013. These derivatives limit the exposure the Company runs to changes in US floating interest rates on its floating debt portfolio.

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.

ARCADIS sets the amount of capital in proportion to risk. ARCADIS 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-capital providers, or issue new debt or shares. From time to time, ARCADIS purchases its own shares, which are used for transferring shares under the ARCADIS' share option program.

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

There were no changes in ARCADIS' approach to capital management during the year. The Company and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

During 2014, ARCADIS' strategic goal on financing, which was unchanged from 2013, was to maintain a Net debt to EBITDA ratio not greater than 2.0 in order to secure access to finance at a reasonable cost.

The Net debt to EBITDA ratios at December 31, 2014 and at December 31, 2013 were as follows:

In millions of euros	December 31, 2014	December 31, 2013
Long-term debt	**488.9**	311.0
Current portion of long-term debt	**1.5**	29.3
Bank overdrafts and short-term bank debts	**210.3**	5.5
Total debt	**700.7**	345.8
Less: cash and cash equivalents	**(178.3)**	(151.0)
Net debt	**522.4**	194.8
EBITDA[1]	**257.7**	204.5
Net debt to EBITDA (at year-end net debt)	**2.0**	1.1
Net debt to EBITDA ratio according to bank covenants (at average net debt)[2]	**1.5**	1.4

[1] Adjusted for income related to acquisitions and divestments in order to bring nominator and denominator both at the same level of activities

[2] The calculation of the Net debt to EBITDA ratio as presented is based on the average net debt of Q2 and Q4

Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognized in the Balance sheet, are as follows:

December 31, 2014	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category				Fair value
			Loans and receivables/ other liabilities	Fair value through Profit and Loss	Fair value through other comprehensive income	Total	
Investments in associates	**32,679**	**32,679**	–	–	–	–	–
Other investments	**1,377**	–	**1,377**	–	–	**1,377**	**1,377**
Other non-current assets	**29,199**	–	**29,199**	–	–	**29,199**	**29,199**
(Un)billed receivables:							
- Trade receivables	**546,235**	–	**546,235**	–	–	**546,235**	**546,235**
- Unbilled receivables	**476,304**	–	**476,304**	–	–	**476,304**	**476,304**
Derivatives	**5,583**	–	–	**5,583**	–	**5,583**	**5,583**
Cash and cash equivalents	**178,311**	–	**178,311**	–	–	**178,311**	**178,311**
Total financial assets	**1,269,688**	**32,679**	**1,231,426**	**5,583**	–	**1,237,009**	**1,237,009**
Loans and borrowings:							
- Non-current	**500,383**	–	**500,383**	–	–	**500,383**	**502,535**
- Current	**1,544**	–	**1,544**	–	–	**1,544**	**1,544**
Derivatives	**6,134**	–	–	**6,134**	–	**6,134**	**6,134**
Billing in excess of cost	**237,458**	–	**237,458**	–	–	**237,458**	**237,458**
Accounts payable	**173,731**	–	**173,731**	–	–	**173,731**	**173,731**
Bank overdrafts and short term Bank debts	**210,263**	–	**210,263**	–	–	**210,263**	**210,263**
Total financial liabilities	**1,129,513**	–	**1,123,379**	**6,134**	–	**1,129,513**	**1,131,665**

December 31, 2013	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category				Fair value
			Loans and receivables/ other liabilities	Fair value through Profit and Loss	Fair value through other comprehensive income	Total	
Investments in associates	33,325	33,325	–	–	–	–	–
Other investments	1,008	–	575	–	433	1,008	1,008
Other non-current assets	26,221	–	26,221	–	–	26,221	26,221
(Un)billed receivables:							
- Trade receivables	407,903	–	407,903	–	–	407,903	407,903
- Unbilled receivables	307,696	–	307,696	–	–	307,696	307,696
Derivatives	268	–	–	268	–	268	268
Cash and cash equivalents	150,986	–	150,986	–	–	150,986	150,986
Total financial assets	927,407	33,325	893,381	268	433	894,082	894,082
Loans and borrowings:							
- Non-current	322,919	–	322,919	–	–	322,919	311,916
- Current	29,327	–	29,327	–	–	29,327	29,101
Derivatives	4,597	–	–	2,839	1,758	4,597	4,597
Billing in excess of cost	186,196	–	186,196	–	–	186,196	186,196
Accounts payable	123,625	–	123,625	–	–	123,625	123,625
Bank overdrafts and short term Bank debts	5,515	–	5,515	–	–	5,515	5,515
Total financial liabilities	672,179	–	667,582	2,839	1,758	672,179	660,950

The financial assets and liabilities disclosed in the table above are categorized in Level 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 Company are categorized in Level 2.

The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is consistent with bank valuations. These valuations are tested for reasonableness 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.

For loans and receivables fair value is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the Company specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.

31 Events after the balance sheet date

There were no material events after December 31, 2014, that would have changed the judgment and analysis by management of the financial condition of the Company at December 31, 2014, or the profit for the period of the year 2014.

Company Balance sheet
as at December 31

Before allocation of profit

Amounts in EUR 1,000

Assets	Note	2014	2013
Non-current assets			
Intangible assets	32	**12,731**	6,063
Property, plant and equipment	33	**1,224**	1,401
Investments in subsidiaries	34	**408,872**	260,032
Loans issued to subsidiaries and other investments	35	**708,886**	314,322
Deferred tax assets	39	**16,496**	18,404
Total non-current assets		**1,148,209**	600,222
Current assets			
Derivatives		**5,505**	71
Receivables	36	**354,634**	291,530
Corporate income tax receivable		**1,000**	5,521
Cash and cash equivalents		**17,165**	5,098
Total current assets		**378,304**	302,220
Total assets		**1,526,513**	902,442

Equity and liabilities	Note	2014	2013
Shareholders' equity			
Share capital		**1,662**	1,496
Share premium		**372,619**	201,530
Hedging reserve		**(2,302)**	(3,735)
Translation reserve		**(1,484)**	(58,446)
Statutory reserves		**29,411**	31,469
Retained earnings		**400,546**	325,763
Undistributed profits		**91,583**	96,603
Total Shareholders' equity	14,37	**892,035**	594,680
Non-current liabilities			
Provisions	38	**1,500**	2,000
Deferred tax liabillities	39	**180**	305
Long-term debt		**94,286**	40,950
Total non-current liabilities		**95,966**	43,255
Current liabilities			
Corporate income tax liabilities		–	4,351
Derivatives		**4,203**	2,568
Bank overdrafts	40	**280,706**	104
Short-term borrowings	40	**188,800**	391
Trade and other liabilities	40	**64,803**	257,093
Total current liabilities		**538,512**	264,507
Total equity and liabilities		**1,526,513**	902,442

Company Income statement
for the year ended December 31

Amounts in EUR 1,000

	Note	2014	2013
Net income subsidiaries	34,41	**83,556**	69,409
Other results	41	**8,027**	27,194
Net income		**91,583**	96,603

The notes on page 148 to 154 are an integral part of these Company financial statements

Notes to the Company financial statements

General

Unless stated otherwise, all amounts are rounded in thousands of euros. The Company financial statements have been prepared using the option of section 362 of Book 2 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the Consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 'Basis of preparation' and 3 'Significant accounting policies' to the Consolidated financial statements.

Subsidiaries of ARCADIS NV are accounted for using the equity method. The presentation of the Balance sheet slightly deviates from the requirements of Dutch law, in order to achieve optimal transparency between the Consolidated financial statements and the Company financial statements.

As the financial data of ARCADIS NV is included in the Consolidated financial statements, the Income statement of ARCADIS NV is condensed in conformity with section 402 of Book 2 of the Dutch Civil Code.

32 Intangible assets

	Software	Intangibles under development	Total
Cost			
Balance at January 1, 2013	858	–	858
Investments	7,884	–	7,884
Balance at December 31, 2013	8,742	–	8,742
Balance at January 1, 2014	**8,742**	**–**	**8,742**
Investments	**554**	**8,192**	**8,746**
Balance at December 31, 2014	**9,296**	**8,192**	**17,488**
Amortization			
Balance at January 1, 2013	575	–	575
Amortization charge for the year	2,104	–	2,104
Balance at December 31, 2013	2,679	–	2,679
Balance at January 1, 2014	**2,679**	**–**	**2,679**
Amortization charge for the year	**2,078**	**–**	**2,078**
Balance at December 31, 2014	**4,757**	**–**	**4,757**
Carrying amounts			
At January 1, 2013	283	–	283
At December 31, 2013	6,063	–	6,063
At December 31, 2014	**4,539**	**8,192**	**12,731**

The Intangibles under development of €8.2 million are mainly related to the purchase of licenses and development of Software not yet in use.

33 Property, plant & equipment

	Furniture and fixtures
Cost	
Balance at January 1, 2013	2,291
Investments	238
Balance at December 31, 2013	2,529
Balance at January 1, 2014	**2,529**
Investments	**30**
Balance at December 31, 2014	**2,559**
Depreciation	
Balance at January 1, 2013	907
Depreciation charge for the year	221
Balance at December 31, 2013	1,128
Balance at January 1, 2014	**1,128**
Depreciation charge for the year	**207**
Balance at December 31, 2014	**1,335**
Carrying amounts	
At January 1, 2013	1,384
At December 31, 2013	1,401
At December 31, 2014	**1,224**

34 Investments in subsidiaries

	2014	2013
Balance at January 1	**260,032**	225,409
Share in income of subsidiaries	**83,556**	69,409
Cost of share-based compensations in subsidiaries	**6,412**	6,122
Dividends received	**–**	(14,165)
Purchase of controlling interest	**95,005**	–
Changes related to post-employment benefit obligations	**1,751**	(2,040)
Change in hedging reserve for cash flow hedges	**1,488**	1,110
Other changes	**(77,047)**	2,053
Exchange rate differences	**37,675**	(27,866)
Balance at December 31	**408,872**	260,032

As at year-end, ARCADIS NV directly holds ca. 25.7% of the acquired shares in Hyder Consulting Plc. The remaining part is held by ARCADIS UK Investments BV - part of the ARCADIS group companies - with the intention to move the full ownership from ARCADIS NV to ARCADIS UK Investments BV early 2015.

Other changes relate to a structure change within the ARCADIS group structure, whereby shares of ARCADIS Nederland Holding BV were transferred from ARCADIS NV to ARCADIS Europe BV.

35 Loans issued to subsidiaries and other investments

Loans issued to subsidiaries in 2014 mainly relate to the financing of the acquisitions of Hyder and Callison. Furthermore, a intercompany loan has been granted to ARCADIS Europe BV in relation to the structure change as described in note 34 'Investments in subsidiaries'.

The loans issued before 2014 mainly relate to the financing of the acquisition of SENES and the operational financing in Langdon & Seah and EC HARRIS. The majority of the loans has a permanent nature. The interest percentages related to new issued loans are based on USD LIBOR and GBP LIBOR respectively.

	2014	2013
Balance at January 1	**314,322**	387,614
Loans issued to subsidiaries	**387,810**	36,517
Redemptions	**(8,527)**	(103,858)
Investments	**185**	–
Exchange rate differences	**15,096**	(5,951)
Balance at December 31	**708,886**	314,322

36 Receivables

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

	2014	2013
Receivables from subsidiaries	**352,847**	287,403
Taxes and social security contributions	**–**	992
Other receivables	**1,787**	3,135
Total	**354,634**	291,530

37 Shareholders' equity

	Share capital	Share premium	Hedging reserve	Translation reserve	Statutory reserve	Retained earnings	Undistributed profits	Total
Balance at January 1, 2013	1,481	201,545	(4,845)	(27,859)	32,925	243,341	88,974	535,562
Net income	–	–	–	–	–	–	96,603	96,603
Exchange rate differences	–	–	–	(30,587)	–	–	–	(30,587)
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	1,110	–	–	–	–	1,110
Taxes related to post-employment benefit obligations	–	–	–	–	–	(2,128)	–	(2,128)
Actuarial gain/ (loss) on post-employment benefit obligations	–	–	–	–	–	(2,042)	–	(2,042)
Other comprehensive income	–	–	1,110	(30,587)	–	(4,170)	–	(33,647)
Total comprehensive income for the period	–	–	1,110	(30,587)	–	(4,170)	96,603	62,956
Transactions with owners of the Company:								
Share-based compensation	–	–	–	–	–	7,614	–	7,614
Tax related to share-based compensation	–	–	–	–	–	10,213	–	10,213
Dividends to shareholders	–	(16,700)	–	–	–	–	(20,641)	(37,341)
Addition to other (statutory) reserves	–	–	–	–	(1,456)	69,789	(68,333)	–
Issuance of shares	15	16,685	–	–	–	–	–	16,700
Purchase of own shares	–	–	–	–	–	(29,132)	–	(29,132)
Options exercised	–	–	–	–	–	28,683	–	28,683
Withholding taxes dividend	–	–	–	–	–	(2,212)	–	(2,212)
Taxes on interest on equity	–	–	–	–	–	1,637	–	1,637
Total transactions with owners of the Company	15	(15)	–	–	(1,456)	86,592	(88,974)	(3,838)
Balance at December 31, 2013	1,496	201,530	(3,735)	(58,446)	31,469	325,763	96,603	594,680
Balance at January 1, 2014	**1,496**	**201,530**	**(3,735)**	**(58,446)**	**31,469**	**325,763**	**96,603**	**594,680**
Net income	–	–	–	–	–	–	**91,583**	**91,583**
Exchange rate differences	–	–	–	**56,962**	–	–	–	**56,962**
Effective portion of changes in fair value of cash flow hedges, net of income taxes	–	–	**1,433**	–	–	–	–	**1,433**
Taxes related to post-employment benefit obligations	–	–	–	–	–	**(871)**	–	**(871)**
Actuarial gain/ (loss) on post-employment benefit obligations	–	–	–	–	–	**2,622**	–	**2,622**
Other comprehensive income	**–**	**–**	**1,433**	**56,962**	**–**	**1,751**	**–**	**60,146**
Total comprehensive income for the period	**–**	**–**	**1,433**	**56,962**	**–**	**1,751**	**91,583**	**151,729**
Transactions with owners of the Company:								
Share-based compensation	**–**	**–**	**–**	**–**	**–**	**8,169**	**–**	**8,169**
Tax related to share-based compensation	**–**	**–**	**–**	**–**	**–**	**(555)**	**–**	**(555)**
Dividends to shareholders	**–**	**(19,216)**	**–**	**–**	**–**	**–**	**(22,138)**	**(41,354)**
Addition to other (statutory) reserves	**–**	**–**	**–**	**–**	**(2,058)**	**76,523**	**(74,465)**	**–**
Issuance of shares	**166**	**190,305**	**–**	**–**	**–**	**–**	**–**	**190,471**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(40,121)**	**–**	**(40,121)**
Options exercised	**–**	**–**	**–**	**–**	**–**	**29,016**	**–**	**29,016**
Total transactions with owners of the Company	**166**	**171,089**	**–**	**–**	**(2,058)**	**73,032**	**(96,603)**	**145,6236**
Balance at December 31, 2014	**1,662**	**372,619**	**(2,302)**	**(1,484)**	**29,411**	**400,546**	**91,583**	**892,035**

Statutory reserves include €17.5 million (2013: €18.3 million) for reserves relating to earnings retained by subsidiaries and €11.9 million (2013: €13.2 million) for earnings from associates and joint ventures. Statutory reserves are non-distributable.

For information on shares purchased to cover the Company's option plans, see note 14 'Equity attributable to equity holders' of the Consolidated financial statements.

38 Provisions

The provisions held at ARCADIS NV mainly relate to litigation claims. During 2014, management released an amount of €0.5 million since the anticipated exposure on a claim has decreased.

	2014	2013
Balance at January 1	**2,000**	2,000
Realease of unused amounts	**500**	–
Balance at December 31 (non-current)	**1,500**	2,000

39 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities	Total
Balance at January 1, 2013	9,964	(1,905)	8,059
Additions/ deductions	3,642	1,594	5,236
Other changes	–	6	6
Changes recognized directly in equity/ OCI	4,798	–	4,798
Balance at December 31, 2013	18,404	(305)	18,099
Balance at January 1, 2014	**18,404**	**(305)**	**18,099**
Additions/ deductions	**4,632**	**125**	**4,757**
Changes recognized directly in equity/ OCI	**(6,540)**	**–**	**(6,540)**
Balance at December 31, 2014	**16,496**	**(180)**	**16,316**

40 Current liabilities

	2014	2013
Bank overdrafts	**280,706**	104
Suppliers	**10,502**	2,008
Payable to group companies	**43,879**	246,314
Pension liabilities	**1,050**	1,240
Short-term debt	**188,800**	391
Other liabilities	**9,372**	7,531
Total	**534,309**	257,588

Bank overdrafts mainly represent the Company taking excess cash from notional cash pools involving other group companies, together with the usage of one bilateral bank overdraft line of €15 million.

In 2014, a short-term facility of £296 million to finance the recent acquisition of Hyder was agreed. In the last quarter of 2014 ARCADIS NV partially repaid drawings under the facility by issuing new shares leaving €119 million outstanding.

There are €70 million (2013: nil) of short term borrowings outstanding under the €150 million Revolving Credit Facility with a syndicate of banks.

Additionally there are €25 million (2013: €25 million) of committed facilities attracting an interest rate that is EURIBOR-denominated, which are not drawn (2013: nil).

Commitments and contingent liabilities

The Company is for income tax purposes the parent of the fiscal unit ARCADIS NV and is therefore liable for the liabilities of the fiscal unit as a whole.

Ultimo 2014, the Company had commitments for rent and lease obligations amounting to €3.3 million (2013: €4.4 million). The decrease reflects the reduced outstanding period of leaseholds on buildings.

Guarantees

ARCADIS NV has pledged a limited amount 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 €170.7 million of which €43.5 million is used at the balance sheet date (2013: €148.1 million of which €27.7 million was used). In addition to this amount, ARCADIS NV has corporate guarantees for an amount of €27.9 million available (2013: €19.4 million).

41 Net income

Net income of subsidiaries reflects the share of ARCADIS NV in the results of its subsidiaries. Other results relate to the financial performance of ARCADIS NV (stand-alone), and mainly include intercompany financial income such as management fees, royalty and branding fees, and financing income and expenses.

42 Remuneration of Executive Board and Supervisory Board members

In 2014 an amount of €5.0 million (2013: €5.2 million) was charged to the Company for remuneration of Executive Board members including pension charges. As variable remuneration, 115,000 performance shares were granted. Reference is made to the 'Remuneration Report'. For information on the shares repurchased to cover for the exercise of options granted to Executive Board members and other key management personnel please see note 14 'Equity attributable to equity holders' of the Consolidated financial statements. In the schedule below, the different components of the remuneration for each Executive Board member are provided.

For an explanation of the Remuneration Policy, see the 'Remuneration Report' included in this Annual Report on pages 84 to 88.

Amounts in EUR 1,000

	Year	Salary	Bonus[1]	Bonus in share value[1]	Pension	Performance shares		Performance options	
						Number	Amount[2]	Number	Amount[2]
Neil C. McArthur	**2014**	**601**	**242**	**61**	**127**	**36,500**	**688**	**–**	**–**
	2013	560	258	–	122	17,500	219	35,000	129
Renier Vree	**2014**	**437**	**194**	**49**	**84**	**26,000**	**490**	**–**	**–**
	2013	420	189	–	81	10,000	125	20,000	74
Zack A. Smith[3]	**2014**	**496**	**129**	**32**	**–**	**17,500**	**330**	**–**	**–**
	2013	297	136	–	–	10,000	125	20,000	74
Stephanie Hottenhuis	**2014**	**412**	**182**	**45**	**74**	**17,500**	**330**	**–**	**–**
	2013	400	172	–	71	10,000	125	20,000	74
Stephan Ritter[4]	**2014**	**261**	**107**	**27**	**45**	**17,500**	**330**	**–**	**–**
Former board member									
Friedrich M.T. Schneider[5]	**2014**	**567**	**67**	**–**	**32**	**–**	**–**	**–**	**–**
	2013	400	168	–	83	10,000	125	20,000	74

[1] The bonus is based on the results achieved in 2014 respectively 2013, this bonus will be paid in 2015 respectively 2014. Part of the bonus has been remunerated in shares for 2014
[2] This amount is charged over a three-year period to the Company's Income statement
[3] Member of the Executive Board since May 7, 2013
[4] Member of the Executive Board since May 17, 2014
[5] Stepped down from the Executive Board per June 1, 2014. Salary 2014 includes a severance payment of €0.4 million

At year-end 2014, the Supervisory Board consisted of seven members. The joint fixed remuneration for 2014 totaled €0.5 million (2013: €0.4 million), specified as follows:

	2014	2013
Niek Hoek	**61**	34
Ian Grice	**71**	68
Ruth Markland	**71**	65
George R. Nethercutt Jr.	**77**	72
Armando R. Perez	**77**	72
J.C. Maarten Schönfeld	**69**	55
Rijnhard W.F. van Tets[1]	**26**	66

[1] Stepped down from the Supervisory Board per May 16, 2014

43 Interests held by members of the Executive Board

The interests held in the share capital of ARCADIS NV by members of the Executive Board were:

Number of shares ARCADIS NV	December 31, 2014	December 31, 2013[1]
Neil C. McArthur	**50,815**	41,708
Renier Vree	**17,251**	13,014
Zack A. Smith	**14,236**	10,193
Stephanie Hottenhuis	**7,341**	5,828
Stephan Ritter	**140**	–
Number of conditional shares ARCADIS NV[2]		
Neil C. McArthur	**71,500**	55,000
Renier Vree	**46,000**	30,000
Zack A. Smith	**32,000**	19,000
Stephanie Hottenhuis	**37,500**	23,000
Stephan Ritter	**17,500**	–

[1] 2013 figures updated to reflect minor administrative adjustments
[2] Amounts based on granting of 100% of the reference numbers, with maximal extension to 200%. See note 25 'Share-based compensation'. The conditional shares granted in 2011 became unconditional in May 2014. For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 85 of this Annual Report.

As from 2014, ARCADIS aims to align with current best practices that show a reduced prevalence of option compensation, ARCADIS has shifted from a long-term variable remuneration based on options and shares to a long-term variable remuneration based on performance shares only.

In 2014, the aggregate numbers of Restricted Share Units and stock option plans held by members of the Executive Board are as follows:

Stock options	Granted in	Share price at grant date (in EUR)	Outstanding at January 1, 2014	Granted in 2014	Increase/ (decrease) by performance measure	Exercised in 2014	Outstanding at December 31, 2014	Expiration date
Neil C. McArthur	2011	16.18	110,000	–	(6,680)	–	103,320	05-19-2021
	2012	15.74	35,000	–	–	–	35,000	05-17-2022
	2013	20.96	35,000	–	–	–	35,000	05-09-2023
Renier Vree	2010	14.33	80,414	–	–	–	80,414	05-14-2020
	2011	16.18	20,000	–	(3,340)	–	16,660	05-19-2021
	2012	15.74	20,000	–	–	–	20,000	05-17-2022
	2013	20.96	20,000	–	–	–	20,000	05-09-2023
Zack A. Smith	2006	12.38	12,000	–	–	–	12,000	05-18-2016
	2007	19.89	31,499	–	–	–	31,499	05-18-2017
	2008	13.03	6,000	–	–	–	6,000	05-09-2018
	2009	10.91	8,050	–	–	–	8,050	05-09-2019
	2010	14.33	7,349	–	–	–	7,349	05-14-2020
	2011	16.18	9,000	–	(1,651)	–	7,492	05-19-2021
	2012	15.74	9,000	–	–	–	9,000	05-17-2022
	2013	20.96	20,000	–	–	–	20,000	05-09-2023
Stephanie Hottenhuis	2006	12.38	9,000	–	–	–	9,000	05-18-2016
	2007	19.89	9,450	–	–	–	9,450	05-18-2017
	2008	13.03	5,000	–	–	–	5,000	05-09-2018
	2009	10.91	2,800	–	–	–	2,800	05-09-2019
	2010	14.33	6,535	–	–	–	6,535	05-14-2020
	2011	16.18	6,000	–	(1,002)	–	4,998	05-19-2021
	2012	15.74	20,000	–	–	–	20,000	05-17-2022
	2013	20.96	20,000	–	–	–	20,000	05-09-2023
Stephan Ritter	2013	20.96	20,000	–	–	–	20,000	05-09-2023
Friedrich M.T. Schneider[1)]	2006	12.38	22,500	–	–	17,500	5,000	05-18-2016
	2007	19.89	43,762	–	–	43,762	–	05-18-2017
	2008	13.03	21,600	–	–	21,600	–	05-09-2018
	2010	14.33	25,207	–	–	25,207	–	05-14-2020
	2011	16.18	20,000	–	(3,340)	16,660	–	05-19-2021
	2012	15.74	20,000	–	(6,666)	–	13,334	05-17-2022
	2013	20.96	20,000	–	(13,333)	–	6,667	05-09-2023

[1)] Stepped down from the Executive Board per June 1, 2014

Conditional shares	Granted in	Share price at grant date (in EUR)	Outstanding at January 1, 2014	Granted in 2014	Increase/ (decrease) by performance measure	Exercised in 2014	Outstanding at December 31, 2014	Vesting date
Neil C. McArthur	2011	16.18	20,000	–	(3,340)	16,660	–	05-19-2014
	2012	15.74	17,500	–	–	–	17,500	05-17-2015
	2013	20.96	17,500	–	–	–	17,500	05-09-2016
	2014	25.42		36,500	–	–	36,500	05-19-2017
Renier Vree	2011	16.18	10,000	–	(1,670)	8,330	–	05-19-2014
	2012	15.74	10,000	–	–	–	10,000	05-17-2015
	2013	20.96	10,000	–	–	–	10,000	05-09-2016
	2014	25.42		26,000	–	–	26,000	05-19-2017
Zack A. Smith	2011	16.18	4,500	–	(751)	3,749	–	05-19-2014
	2012	15.74	4,500	–	–	–	4,500	05-17-2015
	2013	20.96	10,000	–	–	–	10,000	05-09-2016
	2014	25.42		17,500	–	–	17,500	05-19-2017
Stephanie Hottenhuis	2011	16.18	3,000	–	(501)	2,499	–	05-19-2014
	2012	15.74	10,000	–	–	–	10,000	05-17-2015
	2013	20.96	10,000	–	–	–	10,000	05-09-2016
	2014	25.42	–	17,500	–	–	17,500	05-19-2017
Stephan Ritter	2014	25.42	–	17,500	–	–	17,500	05-19-2017

44 Shares and options held by members of the Supervisory Board

Members of the Supervisory Board do not hold any ARCADIS shares and/ or options.

45 Employees

The number of employees (FTEs) in ARCADIS NV at year-end was 86 (2013: 74). For information on the options granted to employees of ARCADIS NV - excluding members of the Executive Board - as meant by Book 2 of the Dutch Civil Code article 383d paragraph 1, see note 25 'Share-based compensation' to the Consolidated financial statements.

46 Principal accountant fees and services

The following table details the aggregate fees billed by our external accountant, KPMG Accountants N.V. including the foreign offices of KPMG, for the last two fiscal years for various services (in millions of EUR):

Type of services provided	2014	2013
Audit fees	**2.7**	2.7
Audit-related fees	**0.1**	0.1
Tax fees	**0.8**	0.8
Other non-audit fees	–	0.1
Total	**3.6**	3.7

Audit-related fees consist of fees for services that are traditionally performed by the independent accountants. Tax fees consist of fees expensed for tax services.

Amsterdam, the Netherlands, February 18, 2015

Executive Board
Neil C. McArthur
Renier Vree
Stephanie Hottenhuis
Stephan Ritter
Zack Smith

Supervisory Board
Niek Hoek
Ian Grice
Ruth Markland
George R. Nethercutt Jr.
Armando R. Pérez
J.C. Maarten Schönfeld

Other information

Profit allocation

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board, with the approval of the Supervisory Board, shall annually decide which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting of Shareholders.

The profit attributable to the equity holders of the Company over the fiscal year 2014 amounts to €91.6 million. The Executive Board, with the approval of the Supervisory Board, resolved to add an amount of €42.4 million to the reserves and to present for approval to the General Meeting of Shareholders its proposal to distribute a dividend amount of €49.2 million from the profits of the fiscal year 2014, which represents a dividend of €0.60 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

Audit Committee policies and procedures

The Audit Committee has adopted a charter that details the duties and responsibilities of the Audit Committee. These duties and responsibilities include, amongst other things, reviewing and overseeing the financial and operational information provided by ARCADIS to its shareholders and others, systems of internal controls, financial risk management, accounting and financial reporting processes, the independence, qualifications and performance of the external auditor of ARCADIS and the performance of the internal audit function.

Special rights to holders of priority shares

The priority shares are held by Stichting Prioriteit ARCADIS NV, whose board is composed of three Executive Board members, six Supervisory Board members and ten employees. The board currently consists of twenty members (with currently one vacancy). Each board member has one vote whereby in the event of a vacancy, the number of votes that can be exercised by the Executive Board members together with the Supervisory Board members shall equal the number of votes that can be exercised by the employee members. Stichting Prioriteit ARCADIS NV has special statutory rights, which includes approval of the amendment of the Articles of Association of ARCADIS NV, and certain other topics, which have been described in note 14 'Equity attributable to equity holders' of the Consolidated financial statements.

Appointment of the external auditor

At the Annual General Meeting of Shareholders held on May 16, 2014 KPMG Accountants N.V. was appointed to audit the 2014 Financial Statements. Against the background of new legislation regarding audit firm rotation, and the lead partner of KPMG completing his maximum seven year term after 2014, ARCADIS initiated a selection process for the audit of the 2015 Financial Statements. After careful consideration of the candidates the Audit Committee and Supervisory Board recommended to the shareholders to give the assignment to PwC Accountants N.V. The Annual General Meeting of Shareholders appointed PwC Accountants N.V. to audit the 2015 Financial Statements.

Independent auditor's report

To: Annual General Meeting of Shareholders of ARCADIS N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of ARCADIS N.V. (the Company), based in Amsterdam as set out on page 97 to 154. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the Consolidated financial statements give a true and fair view of the financial position of ARCADIS N.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- the Company financial statements give a true and fair view of the financial position of ARCADIS N.V. as at December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The Consolidated financial statements comprise:
- the Consolidated Balance sheet as at December 31, 2014
- the Consolidated statements of comprehensive income, changes in equity and cash flows for 2014
- notes, comprising a summary of the significant accounting policies and other explanatory information

The Company financial statements comprise:
- the Company Balance sheet as at December 31, 2014
- the Company Income statement for 2014
- notes, comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities for the audit of the financial statements" of this report.

We are independent of ARCADIS N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements may arise from fraud or error and will be considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 7 million. The materiality is determined with reference to consolidated profit before income tax of which it represents 5.3 per cent. We also take into account misstatements and/or possible misstatements, if any, that in our opinion are material for qualitative reasons.

Audits of group entities (components or operating companies) were performed using materiality levels determined by the judgment of the group audit team, having regard to the materiality for the consolidated financial statements as a whole. Component materiality did not exceed EUR 5 million and for the majority of the components, materiality is significantly less than this amount.

We reported to the Supervisory Board all unadjusted misstatements in excess of EUR 0.35 million, which were identified during the audit, as well as misstatements below that threshold that in our view must be reported on qualitative grounds.

Scope of the group audit

ARCADIS N.V. is the parent company of the ARCADIS Group. The financial information of this group is included in the financial statements of ARCADIS N.V.

Considering our ultimate responsibility for the opinion, we are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be performed for components. Decisive were the size and/or risk profile of the components. On this basis, we selected components for which an audit or review had to be carried out on the complete set of financial information or specific items.

Applying these scoping criteria led to a full scope audit at the main operating companies in the U.S., UK, the Middle East, the Netherlands, Brazil, Hong Kong and Singapore, including the newly acquired Hyder Group. Furthermore, we performed specified audit procedures at consolidated level on significant risk areas such as goodwill and other asset impairment testing.

This resulted in a coverage of 79 per cent of gross revenues and 92 per cent of total assets. In addition, we performed procedures at consolidated level to re-examine our assessment that there are no significant risks of material misstatement within the non-significant components.

We provided detailed instructions to component auditors, that included significant audit areas including the relevant risks of material misstatement, the procedures to be performed, and the information required to be reported back to us. We visited the component auditors in Brazil, UK, U.S. and the Netherlands and performed file reviews. In addition, conference calls were held with all the component auditors. During these visits and calls, the planning and risk assessment, audit approach and the findings and observations reported to us were discussed in more detail. Any further work deemed necessary by us was subsequently performed by the component auditors and reviewed by us.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence to provide an opinion on the financial statements.

Our key audit matters

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Project revenue recognition and valuation of (un)billed receivables
Project revenue recognition and the valuation of (un)billed receivables are significant to the financial statements based on the quantitative materiality and the degree of management judgment required to account for complex projects and to apply the percentage of completion method. We therefore determined this to be a key audit matter. In our test work we involved the component auditors. We tested key internal controls and performed detailed procedures on individually significant projects such as substantiating transactions with underlying documents and performing recalculations of management's models to determine project revenue recognition. We used among others contracts, client and sub-contractor correspondence and internal revenue and cost forecasts. In addition, we discussed the progress of projects with project leaders.

With the outcome of those discussions and the results of our audit procedures, we assessed management's assumptions in the determination of the percentage of completion of a project, estimates to complete for both revenue and costs and provisions for loss making projects or provisions for billed receivables. We requested and assessed legal opinions in situations where the outcome of project results or the recoverability of (un)billed receivables was dependent on the outcome of legal proceedings or arbitration. We further focused on the Company's disclosures about the (un)billed receivable provision and the related risks such as credit risk, liquidity risk and the aging of receivables in note 30 to the Consolidated financial statements.

Valuation of goodwill
Goodwill mainly relates to goodwill paid on acquisitions such as on the recent acquisitions of EC Harris, Langdon & Seah, Hyder and Callison and represents 35 per cent of the balance sheet total. Procedures over management's annual impairment test were significant to our audit because the assessment process is complex, requires significant judgment and imposes significant estimation uncertainties. Goodwill is allocated to Cash Generating Units (CGUs). Management used assumptions in respect of future market and economic conditions such as the economic growth, expected inflation rates and the impact of the competition on expected market share, revenue and margin development. The key assumptions, such as the Weighted Average Cost of Capital (WACC), are included in note 5 to the Consolidated financial statements.

For our audit we assessed how management monitors the financial performance of the CGUs to which goodwill is allocated, methodologies used and the CGU determination. We tested the key assumptions and underlying data by comparing them to external data and by analysing sensitivities such as the impact on the headroom if the forecasted EBITDA margin were decreased, or the WACC were increased.

We included in our team a valuation expert to assist us with our assessment of the WACC, inflation and the appropriateness of the model used. We specifically focused on the sensitivity in the available headroom of CGUs and whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. We assessed the adequacy of the Company's disclosures included in note 5 about those assumptions to which the outcome of the impairment test is most sensitive.

Acquisition accounting Hyder Consulting and Callison
In October 2014, the Company obtained control over Hyder Consulting and Callison and consolidates these companies as of the acquisition date. Based on the quantitative materiality of the acquisitions and the significant degree of management judgment that the provisional purchase price allocation requires, we have determined this to be a key audit matter.

Management prepared the provisional purchase price allocation to net assets, customer relationships, trade names, other intangible assets and goodwill assisted by an external valuation expert. We have assessed the competence and relevant experience of the expert engaged by management. We used our own valuation specialists to audit the reasonableness of management's valuation methodologies and assumptions, using source data and market data. Furthermore we assessed the sensitivity of management's estimates and assumptions used in the purchase price allocation and audited the adequacy of the related disclosures in note 4 to the financial statements.

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Report by the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may have not detected all errors and fraud.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the Report by the Executive Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report by the Executive Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report by the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report by the Executive Board, to the extent we can assess, is consistent with the financial statements.

Engagement

Our first appointment as auditor of ARCADIS N.V. was before 2008. We were most recently re-appointed by the Annual General Meeting of Shareholders on May 16, 2014, as auditor of ARCADIS N.V. for 2014.

Amstelveen, February 18, 2015

KPMG Accountants N.V.

R.P. Kreukniet RA

Other financial data

Net revenues = 100%

Consolidated Income statement in %	2014	2013
Gross revenues	**130.7**	132.9
Materials, services of third parties, and subcontractors	**(30.7)**	(32.9)
Net revenues	**100.0**	100.0
Personnel and Other operational costs	**(90.0)**	(89.4)
Depreciation and amortization	**(1.6)**	(1.8)
Amortization Other intangible assets	**(1.2)**	(0.9)
Other income	**0.2**	0.1
Operating income	**7.4**	8.0
Net finance expense	**(0.9)**	(1.0)
Result from investments accounted for using the equity method	**0.0**	0.3
Profit before income tax	**6.6**	7.3
Income taxes	**(1.9)**	(2.1)
Profit for the period	**4.7**	5.2
Attributable to:		
Income for the period (equity holders of the parent)	**4.5**	5.1
Non-controlling interests	**0.1**	0.1
Net income from operations	**6.1**	5.9
EBITA margin operating	**10.1**	10.0

Quarterly financial data				2014				2013
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross revenues								
Quarterly	**587,687**	**609,991**	**629,601**	**807,639**	601,717	638,052	633,343	642,808
Cumulative	**587,687**	**1,197,678**	**1,827,279**	**2,634,918**	601,717	1,239,769	1,873,112	2,515,920
Quarterly (%)	**22.3**	**23.2**	**23.9**	**30.7**	23.9	25.4	25.2	25.5
Cumulative (%)	**22.3**	**45.5**	**69.3**	**100.0**	23.9	49.3	74.5	100.0
Net income from operations								
Quarterly	**25,526**	**30,295**	**31,979**	**35,800**	25,386	24,080	29,342	32,275
Cumulative	**25,526**	**55,821**	**87,800**	**123,600**	25,386	49,466	78,808	111,083
Quarterly (%)	**20.7**	**24.5**	**25.9**	**29.0**	22.9	21.7	26.4	29.0
Cumulative (%)	**20.7**	**45.2**	**71.0**	**100.0**	22.9	44.6	71.0	100.0
Net income from operations per share (in euros)								
Quarterly	**0.35**	**0.42**	**0.43**	**0.46**	0.36	0.34	0.40	0.44
Cumulative	**0.35**	**0.77**	**1.20**	**1.66**	0.36	0.69	1.09	1.54

Ten-year summary

These figures are derived from the published financial statements of the years concerned.

Amounts in millions of euros unless otherwise stated

Consolidated Balance sheet	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Intangible assets and goodwill	1,113.7	584.9	596.2	501.3	373.4	342.7	249.3	226.9	154.2	127.9
Property, plant & equipment	84.1	65.7	79.0	73.9	93.4	84.8	66.5	63.9	55.0	56.0
Investments in associates and other investments	34.1	34.3	33.1	24.2	30.7	26.2	15.7	20.0	5.2	7.5
Deferred tax assets	50.4	37.6	38.4	34.2	29.1	18.0	12.2	14.1	8.3	13.2
Derivatives	–	–	–	–	0.1	1.2	3.8	–	–	–
Other non-current assets	29.2	26.2	23.8	18.3	24.4	20.0	15.0	8.0	12.0	12.6
Total non-current assets	**1,311.5**	748.7	770.5	651.9	551.1	492.9	362.5	332.9	234.7	217.1
Inventories	0.3	0.4	0.7	0.9	0.4	0.5	0.8	0.7	0.5	0.4
Derivatives	5.6	0.3	1.6	0.7	0.4	0.1	0.2	–	–	1.7
(Un)billed receivables	1,025.8	723.0	716.6	691.9	591.9	555.1	538.5	464.8	373.4	321.0
Corporate income tax receivable	26.2	19.8	11.8	8.8	4.1	6.2	6.4	3.2	2.6	4.0
Other current assets	60.3	37.2	37.7	46.6	44.4	35.9	32.0	27.5	23.8	31.9
Assets classified as held for sale	–	–	–	–	24.4	–	–	–	–	–
Cash and cash equivalents	178.3	151.0	226.4	158.2	207.8	224.5	117.9	92.6	101.5	73.9
Total current assets	**1,296.5**	931.7	994.8	907.1	873.4	822.3	695.9	588.8	501.8	433.0
Total assets	**2,608.0**	1,680.4	1,765.3	1,559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1
Shareholders' equity	892.0	594.7	535.6	455.5	392.8	351.7	207.6	187.7	188.9	176.2
Non-controlling interests	3.8	2.9	1.1	(0.1)	18.4	16.8	12.3	11.5	11.8	11.9
Total equity	**895.8**	597.6	536.7	455.4	411.2	368.5	219.9	199.2	200.7	188.1
Provisions	97.6	57.6	59.6	51.8	26.6	28.4	26.7	15.7	19.9	15.8
Deferred tax liabilities	97.3	40.2	41.1	22.8	11.0	10.8	6.0	14.7	20.4	26.3
Loans and borrowings	500.4	322.9	300.5	371.4	318.2	342.1	266.8	165.1	119.3	116.1
Derivatives	0.1	1.4	3.8	5.2	7.2	0.8	16.9	21.2	5.8	–
Total non-current liabilities	**695.4**	422.1	405.0	451.2	363.0	382.1	316.4	216.7	165.5	158.2
Billing in excess of cost	237.5	186.2	176.3	169.2	157.2	158.8	182.7	142.9	111.9	89.3
Corporate tax payable	24.7	13.5	13.6	10.3	14.8	7.4	18.7	17.2	1.9	8.2
Trade and other liabilities	754.6	461.0	633.7	472.9	455.1	398.4	320.7	345.7	256.5	206.4
Liabilities classified as held for sale	–	–	–	–	23.2	–	–	–	–	–
Total current liabilities	**1,016.8**	660.7	823.6	652.4	650.3	564.6	522.1	505.8	370.3	303.8
Total equity and liabilities	**2,608.0**	1,680.4	1,765.3	1,559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1
Total equity as % of Balance sheet total	34	36	30	29	29	28	21	22	27	29
Interest coverage ratio	9	10	8	7	7	10	7	14	17	17
Net debt to EBITDA ratio[1]	1.5	1.4	1.5	1.4	1.4	1.0	1.3	1.1	0.4	0.6
Acquisitions	502.4	28.1	83.7	109.8	50.6	92.8	84.8	98.0	53.8	80.9
Investments	38.1	32.2	34.7	35.3	35.7	26.3	28.4	33.3	19.3	17.7
Depreciation and amortization	32.2	34.5	32.5	27.7	27.3	24.5	23.3	20.4	17.7	15.2
Cash flow (net income + amortization and depreciation)	148.0	147.7	136.3	112.5	107.5	104.4	92.8	87.5	70.9	54.6
Net cash provided by operating activities	139.5	140.1	158.4	79.6	91.8	152.5	80.5	78.9	86.4	66.8
Average number of employees	22,061	21,039	19,507	15,589	14,590	13,519	13,180	11,304	9,685	9,208
Total shares issued (x 1,000)[2]	83,109	74,822	74,036	71,836	67,676	67,676	61,937	61,937	61,937	61,937
Maximum increase from exercising options/ shares	5,842	8,033	9,554	9,914	8,113	8,311	5,725	5,117	3,810	4,311

[1] From 2008 onwards calculated according to bank covenants
[2] All total shares, share amounts, per share ratio's and closing prices are retrospectively adjusted for the share split of May 2008

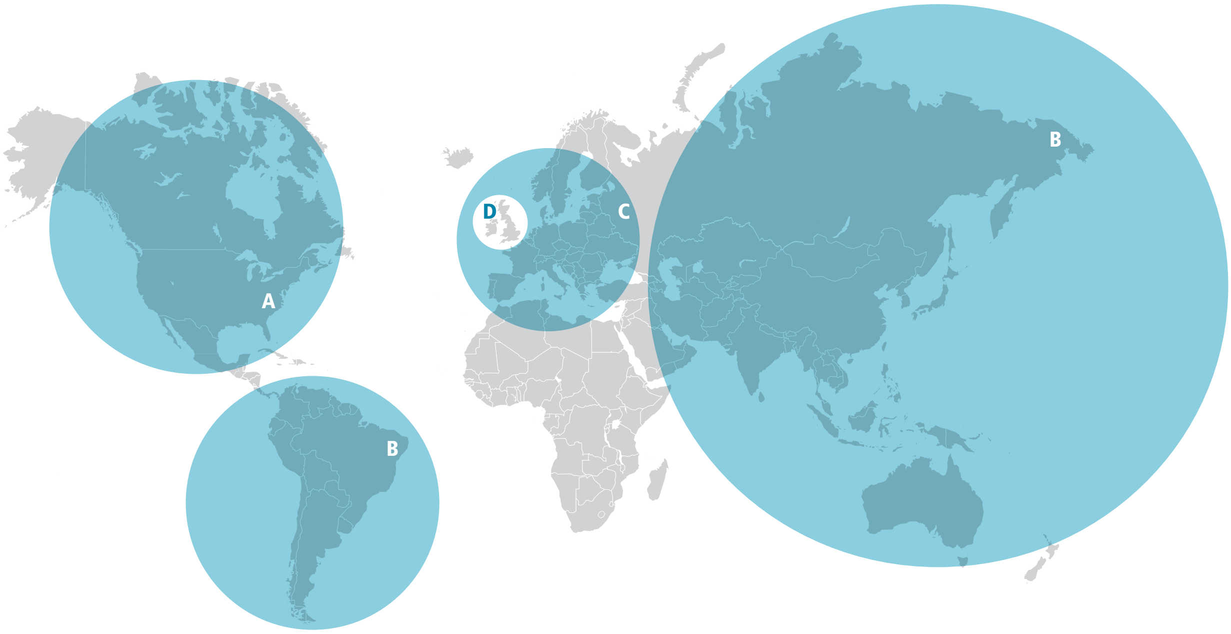
Amounts in millions of euros unless otherwise stated

Consolidated Income statement	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gross revenues	**2,634.9**	2,515.9	2,536.2	2,017.4	2,002.8	1,785.8	1,739.9	1,510.2	1,233.0	1,001.1
Materials, services of third parties and subcontractors	**(619.0)**	(623.4)	(665.0)	(574.1)	(628.1)	(568.2)	(578.0)	(505.8)	(395.6)	(297.8)
Net revenues	**2,015.9**	1,892.5	1,871.2	1,443.3	1,374.7	1,217.6	1,161.9	1,004.5	837.5	703.3
Personnel costs	**(1,504.3)**	(1,412.7)	(1,377.4)	(1,039.3)	(983.2)	(865.5)	(801.2)	(693.3)	(581.3)	(484.5)
Other operational costs	**(309.1)**	(279.9)	(297.4)	(245.1)	(228.6)	(207.7)	(207.6)	(185.2)	(159.6)	(143.2)
Depreciation and amortization	**(32.2)**	(34.5)	(32.5)	(27.7)	(27.3)	(24.5)	(23.3)	(20.4)	(17.7)	(15.2)
Other income	**4.2**	2.3	1.5	13.2	0.3	1.7	2.0	1.6	–	–
EBITA	**174.5**	167.7	165.4	144.4	135.9	121.6	131.8	107.2	78.8	60.4
Amortization Other intangible assets	**(24.2)**	(16.6)	(14.9)	(5.4)	(6.3)	(7.2)	(12.2)	(12.2)	(8.3)	(6.0)
Operating income	**150.3**	151.1	150.5	139.0	129.6	114.4	119.6	95.0	70.5	54.4
EBITA margin %	**8.7**	8.9	8.8	10.0	9.9	10.0	11.3	10.7	9.4	8.6
Net finance expense	**(17.4)**	(18.1)	(21.8)	(23.4)	(18.3)	(3.6)	(23.6)	(8.6)	(3.5)	(1.8)
Result from investments accounted for using the equity method	**(0.4)**	5.5	(2.3)	0.3	0.7	–	(0.1)	(0.8)	(0.5)	1.4
Profit before income tax	**132.5**	138.5	126.4	115.9	112.0	110.8	95.9	85.5	66.5	53.9
Income taxes	**(38.6)**	(39.1)	(36.2)	(32.4)	(34.6)	(37.0)	(32.9)	(28.0)	(20.1)	(17.3)
Profit for the period	**93.9**	99.4	90.2	83.5	77.4	73.8	63.0	57.5	46.4	36.6
Attributable to:										
Equity holders of the company (net income)	**91.6**	96.6	89.0	79.5	73.9	72.8	57.3	54.9	44.9	33.4
Non-controlling interest	**2.4**	2.8	1.2	4.0	3.5	1.0	5.7	2.6	1.5	3.2
Net income from operations	**123.6**	**111.1**	**105.1**	**81.6**	**78.4**	**74.3**	**70.0**	**62.3**	**50.0**	**33.4**
Return on equity in %	**12.3**	17.1	18.0	18.7	19.9	26.0	29.0	29.2	24.6	21.4
Return on assets in %	**6.2**	8.0	7.6	7.8	8.2	9.3	9.7	10.3	9.6	9.9
Dividend proposal	**49.2**	41.7	37.2	32.6	31.1	29.9	27.0	24.8	20.3	13.4

Data per share[1)] (in euros, unless otherwise stated)										
Earnings per share from operations	**1.66**	1.54	1.49	1.23	1.19	1.18	1.16	1.02	0.82	0.55
Net earnings per share	**1.23**	1.34	1.26	1.20	1.12	1.15	0.95	0.90	0.74	0.55
Dividend proposal	**0.60**	0.57	0.52	0.47	0.47	0.45	0.45	0.41	0.33	0.22
Shareholders' equity	**10.73**	7.95	7.23	6.34	5.80	5.20	3.35	3.03	3.05	2.84
Closing price Amsterdam Euronext	**24.93**	25.62	17.89	12.10	17.42	15.83	9.40	15.77	15.57	8.93

[1)] All total shares, share amounts, per share ratio's and closing prices are retrospectively adjusted for the share split of May 2008

Geographical distribution



Organization structure ARCADIS NV

A North America

Personnel: **6,643**
Gross revenues **€1,047m**
Global revenues of: **40%**
Operating EBITA **€74.0m**
Operating margin: **10.4%**

ARCADIS US

RTKL

Callison

B Emerging Markets

Personnel: **12,266**
Gross revenues **€677m**
Global revenues of: **26%**
Operating EBITA **€64.2m**
Operating margin: **11.1%**

Brazil
ARCADIS Logos

Chile
ARCADIS

Mexico
Callison

Asia
ARCADIS Asia
RTKL
EC Harris
Langdon & Seah
Callison
Hyder

Middle East
ARCADIS
RTKL
EC Harris
Callison
Hyder

Australia
Hyder

C Continental Europe

Personnel: **5,631**
Gross revenues **€559m**
Global revenues of: **21%**
Operating EBITA **€35.9m**
Operating margin: **8.1%**

Belgium
ARCADIS Belgium

Czech Republic
ARCADIS CZ

France
ARCADIS

Germany
ARCADIS Deutschland
Hyder

Italy
ARCADIS

Poland
ARCADIS Polska

Romania
ARCADIS

Netherlands
ARCADIS Nederland

Switzerland
ARCADIS BMG

D United Kingdom

Personnel: **3,599**
Gross revenues **€351m**
Global revenues of: **13%**
Operating EBITA **€28.8m**
Operating margin: **9.9%**

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EC Harris

RTKL

Hyder

Callison

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Glossary

AAC: ARCADIS Audit Committee.
Advanced Management Program: Internal training program for ARCADIS managers.
Backlog: Value of signed orders in the portfolio to be filled, expressed as gross or net revenue.
Billability: Number of hours worked chargeable to a client.
Cash Flow Operating Activities: Profit for the period adjusted for non-cash items and cash flow from working capital.
DBFO: Design Build Finance and Operate projects are those in which ARCADIS is responsible (alone or in cooperation with partners) for design, realization, finance and operations.
Debt to EDITDA: 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.
Defined Benefit: When the benefit on retirement from a pension fund to its participants is fixed.
Defined Contribution: When the value of the contribution to the pension fund made by the company is fixed.
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization/Impairment of goodwill/identifiable assets.
EBITA: Earnings Before Interest, Taxes and Amortization/Impairment of goodwill/identifiable assets.
Flexibility (flex) index: Measurement of the capability to adjust staffing levels in the short term by adjusting the number of temporary staff contracts in relation to the total.
Free cash flow: Cash flow from operating activities minus investments in property plant and equipment.
General Business Principles: A set of working ethics for our employees.
Goodwill: The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired.
Gross revenue: The gross inflow of economic benefits during the period arising in the course of ordinary activities.
GRiP®: Guaranteed Remediation Program is an environmental service whereby ARCADIS takes responsibility for possible risks.
IFRS: International Financial Reporting Standards
Impairment test: An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset.
Multinational clients: Private sector clients with locations in various countries.
Net cash position: Cash and cash equivalents compared to bank overdraft facilities.
Net debt: Interest bearing debt minus all cash and cash equivalents.
Net income from operations: Net income before non-recurring items, the amortization/impairment of goodwill/identifiable assets and share-based compensations related to the Lovinklaan Foundation share purchase plan.
Net revenue: Gross revenue minus materials, subcontracting and services from third parties which is the revenue produced by the activities of ARCADIS staff.
Net working capital: Sum of unbilled receivables, inventories and trade receivables minus suppliers and billing in excess of costs.
One-stop shopping concept: Offering a full range of activities to each client.
Operating income: Earnings before interest and taxes.
Order intake: The amount of new projects for which contracts have been signed, expressed in gross or net revenue.
Organic growth: Changes of revenue and income of the ordinary activities as a result of change in output of the company, which is excluding acquisitions, divestments and currency effects.
Peer group: Group of listed companies that is comparable to ARCADIS both in size and activity.
Percentage-of-completion: Method to recognize revenue and expenses in an Income statement in proportion to the percentage of completion of the contract.
Proxy solicitation: Means to provide shareholders the opportunity to vote without being present at the shareholders meeting.
Return On Invested Capital: The sum of earnings before interest after taxes before amortization (EBIA) and income from associates divided by average group equity and net debt.
Senior Management Committee: ARCADIS Senior Management consisting of the Executive Board, the Staff Directors and the CEO's of major operating companies.
Total shareholder return: Stock price appreciation plus dividend yield
Voluntary turnover percentage: Voluntary termination of permanent own staff divided by the average number of permanent own staff during the period.
Webcasting: Broadcast via the internet of press conferences or analyst meetings.

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1. *Hyder Consulting will celebrate 230 years in consulting engineering in 2015. Some of its early work included Tower Bridge in London.*

2. *In New York City, a team including ARCADIS is a winner of the Housing and Urban Development (HUD)-sponsored Rebuild by Design competition. ARCADIS was responsible for the engineering behind the concept, and also the cost estimating for a design concept dubbed the "Big U"- a series of protective measures stretching around the south tip of Manhattan from West 57th St to East 42nd St. in a U-shape.*

3. *Qatar General Electricity & Water Corporation (KAHRAMAA) has appointed Hyder Consulting to undertake the engineering and environmental consultancy services for the Water Security Mega Reservoirs project in Doha, Qatar. The project entails construction of five mega-reservoir sites and some 200km of large diameter ring mains. Each reservoir site will ultimately comprise up to ten reservoir modules, each of which may be the largest of their type in the world.*

4. *Since 1975, Callison's collaborative relationship with Nordstrom has delivered distinct shopping experiences in more than 155 new and remodeled stores.*

5. *The Port of Nacala in northern Mozambique is the deepest port in Southern Africa. It is also a terminal for coal from the Moatize mine located in the province of Tete, which is connected to the harbor by a 912 km long railway track, enabling the export of 18 Mtpa of coal to supply big markets like Asia, Europe, India and the Americas. On behalf of Vale and Caminhos de Ferro de Moçambique ARCADIS provided construction strategy and coordination, planning, cost and quality control, engineering support, facilities management and management in the areas of safety, health and environment.*

6. *The new Louis Vuitton Building near Hongqiao in Shanghai is currently undergoing trial operations. Its formal name is L' Avenue, residents have dubbed it the "boot building". It will house LVMH's China headquarters, a luxury mall and office space. Langdon & Seah provided full pre and post contract quantity surveying services.*

7. *The Hong Kong Jockey Club worked with EC Harris on a very diverse portfolio of construction projects including the racecourse and training facilities, golf courses, retail branches and other corporate, residential and community facilities.*

8. *Rotterdam, the Netherlands, features a new central station for which ARCADIS provided all the engineering and technical solutions during the ten-year period of construction.*

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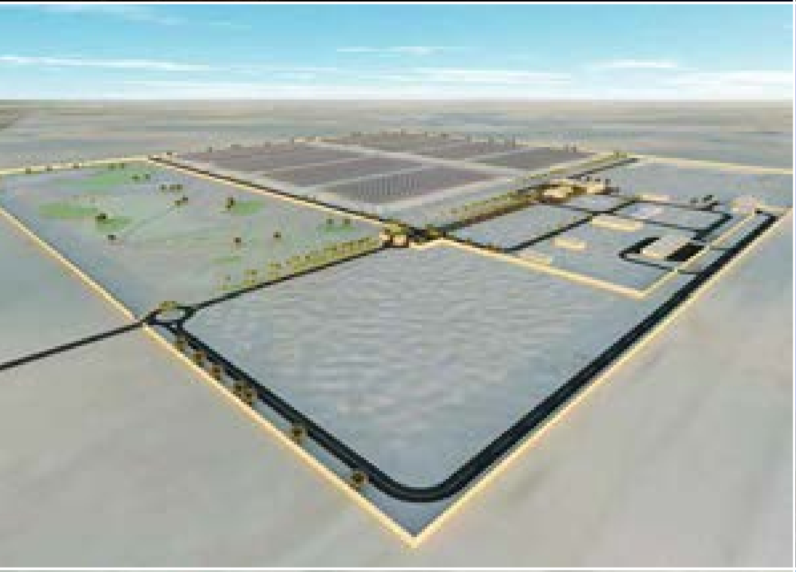


NORDSTROM
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