ARCADIS

Infrastructure · Water · Environment · Buildings

Imagine the result

sustainable growth | performance | collaboration

Annual Report 2013

Imagine the result

In 2013, ARCADIS celebrated its 125th year in business. In that time, we have grown from a small non-profit association in the Netherlands into what is now the leading global natural and built asset design and consultancy firm. Throughout our history we have focused on one thing: to improve the quality of life in the rural and urban environments that we touch. While such a celebration is a good moment to look back at our rich heritage, we also used the year to look forward. As part of our strategy development process, we revisited and redefined our passion, mission, and goals.

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

sustainable growth | performance | collaboration

During 2013, we developed our new 2014-2016 strategy to leverage the power of our 22,000 talented and passionate people to better serve our clients: sustainable growth | performance | collaboration.

Sustainable: our clients demand more sustainable outcomes in the solutions that we provide and we want to create sustainable growth for ARCADIS by improving the level of organic growth that we generate.

Performance: being recognized as the best in everything that we do and having a culture of continuous improvement. In how we work with and support our clients, in our expert market sector knowledge and technical expertise, in our superior and sustainable value propositions, in fully utilizing our resources and managing our business, in creating room for our people to develop to their fullest potential and in generating value for our shareholders.

Collaboration: enabling global reach, to bring the absolute best of ARCADIS (capabilities, people, ideas and passion) to better serve our clients (local, national, regional, global), seamlessly anywhere in the world.

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Cover image: ***The City of ARCADIS.*** Artwork by renowned contemporary artist Joseph Klibansky depicts an imaginary 'merged' Asian and Western world, featuring 33 of ARCADIS' most iconic projects worldwide. Produced to commemorate the ARCADIS 125 year celebration.

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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 and 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 its 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. In 2013, in our strategic update, we built on our existing values and defined the 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 global network is unique based on leading positions in Europe, North America, Latin America, the Middle East and Asia. These segments are the primary axis through which we manage our operations. 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 more local and regional clients.

One firm philosophy

We operate across our network as a single firm. We foster a culture of team spirit and 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 10

We are the leading global natural and built asset design and consultancy firm. We are the largest company in our field in Europe, have a strong position in Latin America and are the dominant building-related consultant in Asia. In the United States, we are a top 10 player. 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 10 international design firms in the world*

1	URS	USA
2	AECOM	USA
3	SNC-Lavalin	Canada
4	CH2M Hill	USA
5	**ARCADIS**	**Netherlands**
6	Altran Technologies	France
7	Atkins	UK
8	Alten Group	France
9	WSP	Canada
10	Tetra Tech	USA

* Source: Swedish Federation of Consulting Engineers and Architects (STD), Dec. 2013

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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.

Consulting grows as we move up the value chain

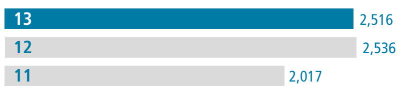
In 2013, ARCADIS continued to move higher in the value chain with approximately 30% of activities in consultancy and another 20% in high value added solutions in program, project and cost management.

Global position based on local strength

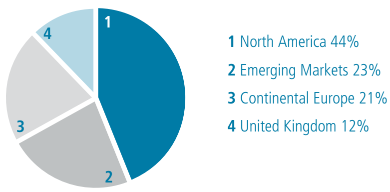
ARCADIS significantly expanded its global reach in recent years and its newly expanded global market position is beneficial to both global and local clients alike. Our global network now serves as an ideal delivery mechanism for solutions for our multinational clients. At the same time by combining our 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.

		Growth
Gross revenue	€2.5b	(1)%
Excl. currency effects		*3%*
Net revenue	€1.9b	1%
Excl. currency effects		*5%*
Operating margin	10%	

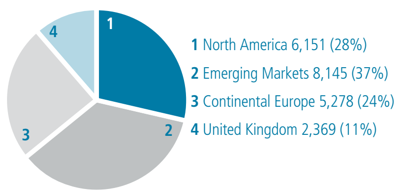
Gross revenue
in € million



Gross revenue by region



Geographical spread personnel[1)]
At year-end 2013



[1)] total number of employees including temporary staff

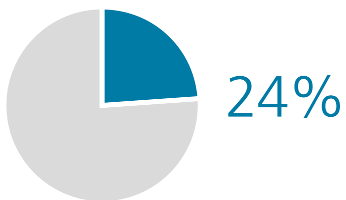
Infrastructure

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.

		Growth
Gross revenue	€613m	(6)%
Excl. currency effects		*(1)%*
Net revenue	€512m	(2)%
Excl. currency effects		*3%*
Operating margin	8.8%	

Gross revenue Infrastructure
in € million

Infrastructure % of group revenue



Clients

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

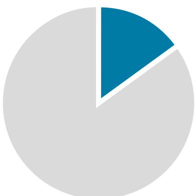
Water

As a global top 5 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.

		Growth
Gross revenue	€365m	(1)%
Excl. currency effects		*2%*
Net revenue	€278m	(3)%
Excl. currency effects		*1%*
Operating margin	9.0%	

Gross revenue Water
in € million

Water % of group revenue



15%

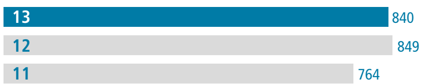
Clients
The majority of our clients in **Water** are public bodies and authorities such as water boards, municipalities, provinces and states, central governments, as well as private and public utilities. For industrial clients we are a leading provider of water services to reduce water use, improve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

Environment

ARCADIS is the leading 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.

		Growth
Gross revenue	€840m	(1)%
Excl. currency effects		*2%*
Net revenue	€528m	4%
Excl. currency effects		*8%*
Operating margin	12.2%	

Gross revenue Environment
in € million



Environment % of group revenue

33%

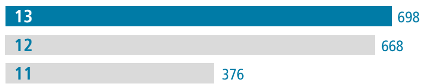
Clients
In **Environment**, a significant portion of our work is for the private sector, including Fortune 500 companies in the oil and gas, chemical, mining, conglomerates and transportation industries. We also work for governments; from federal clients, such as the U.S. Department of Defense, to municipal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

		Growth
Gross revenue	€698m	5%
Excl. currency effects		*8%*
Net revenue	€575m	4%
Excl. currency effects		*7%*
Operating margin	9.4%	

Gross revenue Buildings
in € million



Buildings % of group revenue

28%

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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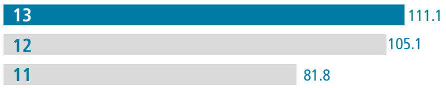
Highlights 2013

Net income from operations
in € million



Proposed dividend per share

€0.57 increase 10%

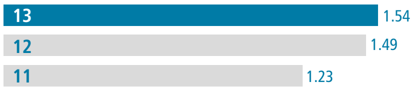
2012: **€0.52**

Cash flow from operating activities

€140 million

2012: **€158 million**

Net income from operations per share
in €

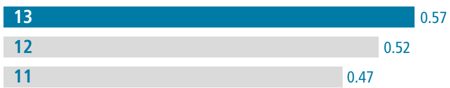


Net income from operations

€111.1 million, growth 6%

2012: **€105.1 million**

Dividend per share
in €



Operating EBITA-margin
in %

- Net income from operations up 6%, earnings per share at €1.54
- Organic net revenue growth 2%, driven by emerging markets and despite strong declines in Europe
- Operating margin maintained at target level of 10%
- Proposed dividend €0.57 per share, 10% higher than 2012, with a choice of cash or shares
- Strong organic growth in Latin America, Middle East and Asia
- Limited growth but strong margins in North America
- UK revenues up with new organization firmly in place and economic confidence returning
- European revenue declines due to lower government spending and continued economic uncertainty; operating margins improved substantially in second half to 7.5% due to new operating model
- Acquisition Geohidrología (Chile) strengthens mining position
- Acquisition SENES (Canada, India) adds environmental opportunities
- Consulting 30% of revenues moving higher in the value chain
- Kingdom Tower and Grand Paris excellent examples of world class program management capabilities
- Post-Sandy work New York demonstrates leadership in water management
- Winning Tyndall Air Force Base in tough federal market is sign of strength for our superior remediation technology
- Three new offices opened in China, following clients into tier two and tier three cities

Selected financial data

Revenue	2013	2012	2011	2010	2009
Gross Revenue	**2,516**	2,536	2,017	2,003	1,786
Net Revenue	**1,893**	1,871	1,443	1,375	1,218
Operating results					
EBITA	**167.7**	165.4	144.4	135.9	121.6
Operating EBITA [1]	**188.4**	187.8	139.0	144.0	131.1
Operating EBITA margin (in %) [1]	**10.0**	10.0	9.7	10.5	10.8
Operating income	**151.1**	150.5	139.0	129.6	114.4
Associates	**5.5**	(2.3)	0.3	0.7	
Net income from operations [2]	**111.1**	105.1	81.6	78.4	74.3
Net income	**96.6**	89.0	79.5	73.9	72.8
Capital employed					
Balance sheet total	**1,680.4**	1,765.3	1,559.0	1,424.5	1,315.2
Average invested capital	**957.8**	898.3	739.1	670.3	538.4
Return on average invested capital (in %)	**13.3**	13.5	13.6	13.9	15.4
Total equity	**597.6**	536.7	455.4	411.2	368.5
Total equity as % of balance sheet total	**36**	30	29	29	28
Interest coverage ratio	**10**	8	7	7	10
Net debt to EBITDA ratio	**1.4**	1.5	1.4	1.4	1.0
Net cash provided by operating activities	**140.1**	**158.4**	**79.6**	**91.8**	**152.5**

Total shares outstanding at December 31 (in thousands)	**73,183**	**71,588**	**69,338**	**66,066**	**66,493**

Data per share (in euro's)					
Net income from operations	**1.54**	1.49	1.23	1.19	1.18
Net income	**1.34**	1.26	1.20	1.12	1.15
Dividend proposal	**0.57**	0.52	0.47	0.47	0.45
Shareholders' equity	**7.95**	7.23	6.34	5.80	5.20
Personnel [3]					
Average number of contract employees	**21,039**	19,507	15,589	14,590	13,519
Average number of employees total [4]	**21,880**	20,283	16,486	15,531	14,417
Total number of employees at December 31	**21,943**	21,696	18,427	15,905	15,195
Carbon footprint per FTE (in metric tons of carbon dioxide equivalents)					
Auto transport	**1.53**	1.94	1.93	1.97	1.94
Air transport	**0.81**	1.08	1.06	1.06	0.78
Public transport	**0.07**	0.09	0.08	0.09	0.08
Office energy use	**1.54**	1.66	1.82	1.94	2.00
Total	**3.95**	**4.77**	**4.89**	**5.06**	**4.80**

In millions of euros unless otherwise noted

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

The ARCADIS share

Stock exchange listing
ARCADIS shares are listed on NYSE Euronext Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX). At year-end 2013, the total number of shares outstanding was 73,183,008.

Options
ARCADIS options strengthen the company's visibility in the financial markets. In 2013, the volume in ARCADIS options came to 47,232 with a total number of 8,503 trades. This compares to a volume of 28,097 or 4,140 trades during 2012. Open interest was strongest during the last quarter of the year.

Dividend
For the year 2013, a dividend is being proposed of €0.57 per share, which is an increase of 10% over last year. This represents a pay-out of 38% of net income from operations. It is the 18th 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 2012, the ARCADIS share price closed at €17.89, while on the last trading day of 2013, it closed at €25.62, a year-on-year increase of 43%. In 2012, ARCADIS was also a top 5 performer on the Amsterdam exchange, with a total share price increase of 48%. For the second year in a row our share price strongly outperformed the Amsterdam Midcap Index (AMX), which in 2013 rose 18% above its prior year level.

ARCADIS' share price on NYSE Euronext Amsterdam

In €	High	Low	Year-end
2009	16.39	7.74	15.83
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**

Liquidity improved with block trades becoming important
The average daily trading volume in ARCADIS shares on NYSE Euronext Amsterdam in 2013 came to 113,582 shares (2012: 83,106). Trading volumes benefitted from renewed appetite from US investors for European equities. Including the volume of a selection of alternative trading platforms (e.g. BATS Chi-X and Turquoise), the average daily volume was 148,742 shares (2012: 110,411) which is 35% higher than the previous year. The overall effective turnover in euro of the Amsterdam Midkap Index increased by 29%. While these exchange volumes give some visibility on liquidity, they together only represent approximately 70% of trading. Another 30% is realized block trades by local brokers in over the counter markets.

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 89%, where peer companies, on average, saw a relative increase of 10%.

The peer group consists 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); Grontmij (NYSE Euronext Amsterdam); Hyder (London Stock Exchange); Jacobs Engineering (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); Tetra Tech (NASDAQ); Sweco (The Nordic Exchange, Stockholm); URS Corporation (New York Stock Exchange); WSP (Toronto Stock Exchange).

Ownership information
Under the Disclosure of Major Holdings in Listed Companies Act below is the list of the largest shareholders in ARCADIS at December 31, 2013:

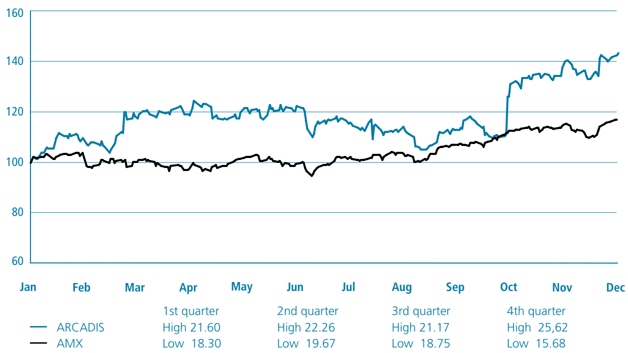
Stichting Lovinklaan	19.2%
ASR Nederland	5.3%
Vereniging KNHM	4.6%
Delta Lloyd N.V	3.1%
Delta Lloyd Deelnemingen Fonds N.V.	3.6%

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

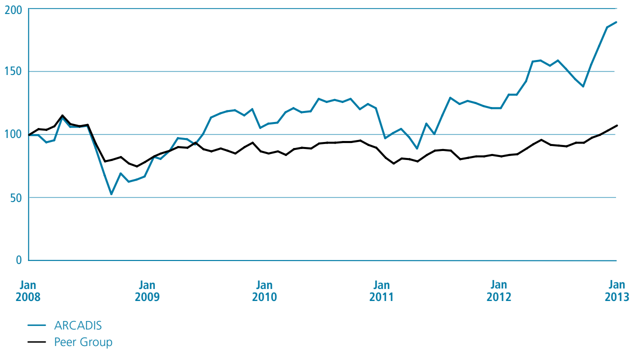
Investor Relations
ARCADIS has an active investor relations policy aimed at supporting the company's long term plans by keeping existing and potential shareholders fully abreast of its strategy and latest operational and financial developments.

To emphasize its focus on the long-term, ARCADIS has decided that, from 2014 onwards, it will release a quarterly trading statement for the first and third quarters of the year, instead of a full set of financial results. Full and half year reporting remains unchanged. First and third quarter trading

ARCADIS (NYSE EURONEXT) against AMX



ARCADIS (NYSE EURONEXT) against peer group



statements will provide at least gross and net revenue details for the quarter and year-to-date developments and will be accompanied by supporting commentary.

Twice a year, at the presentation of its year and half-year results, ARCADIS holds a financial press and analyst conference, 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 2013, ARCADIS held 24 investor roadshows, and participated in 13 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 242 one-on-one meetings were held in the year. ARCADIS is currently covered by ten financial analysts.

Capital Markets Day

On December 4, 2013, ARCADIS organized its first Capital Markets Day in Amsterdam. The conference was dedicated to the launch of ARCADIS' new **sustainable growth** | **performance** | **collaboration** strategy. More detailed information about the strategy can be found in the Vision and Strategy section of the Report by the Executive Board in this Annual Report. Investors and analysts also were informed in more detail on two projects in Amsterdam, the Shell Technology Center and the Amsterdam Central Station project, both sizable multiyear projects for ARCADIS. Reactions to this Capital Markets Day on December 4 were positive, with the stock reaching an all-time high close at the end of the year.

Retail investor newsletter

In December 2013, ARCADIS launched its first retail investor newsletter. This free electronic magazine provides more insight into projects which ARCADIS is involved in, but also on specific regional developments and strategic topics. The magazine is available at http://arcadisinvestormagazine.com/2013/01/en/, which also offers an online subscription feature for future issues. An estimated 20% of ARCADIS outstanding shares are held by retail shareholders including more than 4,000 employees of ARCADIS who participate in the employee share purchase program.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is scheduled for 16 May 2014 at 2:00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available late March 2014 from the company upon request and will be announced on the company's website.

Financial calendar

25 April 2014:	First quarter 2014 trading update, conference call and webcast
16 May 2014:	Annual General Meeting of Shareholders
20 May 2014:	Ex-dividend quotation
9 June 2014:	Dividend payment date
28 July 2014:	Second quarter 2014 report, press conference, analyst meeting and webcast
22 October 2014:	Third quarter 2014 trading update, conference call and webcast

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

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Number of outstanding ordinary shares:

	At January 1	Shares issued	Repurchased	Reissued	At December 31
2009	60,100,948	5,739,351		652,888	66,493,187
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**

The Executive Board (From left to right): Neil McArthur (Chief Executive Officer), Stephanie Hottenhuis, Zack Smith, (seated) Friedrich Schneider, Renier Vree (Chief Financial Officer).

Introduction

In 2013, we celebrated our 125-year history, a unique moment and one that filled us with pride about what we have achieved and how we have improved the quality of life for more than a century. We commemorated this special anniversary with activities for our clients and staff. We summarized our collective history in a book, documenting our legacy of iconic projects created for clients. We developed Creating Tomorrow, a multimedia program for clients aimed at discussing some of the most pressing issues our world is facing today. The internal celebrations brought our global staff closer together, and many of our people participated in a global sporting challenge, beating a goal of 1 million kilometers and in doing so unlocking a donation to selected charities.

At ARCADIS, the health, safety and well-being of our employees and stakeholders are central to everything we do. For the second year in a row, ARCADIS' Total Recordable Case Frequency (TRCF) for 2013 (0.34) is the lowest since ARCADIS began collecting global H&S data in 2004. Our Lost Time Case Frequency (LTCF) for 2013 (0.16) is also the lowest it has ever been. 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. During 2013, four of our operating companies were injury free for the entire year, while during two months of the year, the entire global company was without injuries.

In 2013, despite global macro economic challenges, we delivered increases in net revenues and maintained profitability, driven by continued growth in emerging markets and revenue synergies from recent acquisitions. The year also saw the launch of our updated strategy and evolved operating model that enables us to bring the best of our global capabilities to serve our clients locally wherever they may be.

We achieved organic revenue growth through our strong presence in emerging markets in Latin America, the Middle East and Asia, while the UK also saw a positive development. Despite reduced government spending and hesitancy with private sector spending our North American business was essentially flat, while we continued to deliver high margins. In Continental Europe, where Government austerity has continued to impact demand, we saw a dip in revenues but began to reap the benefits of our new operating model with significantly improved margins in the second half of the year. We won a number of prestigious projects in big urban centers around the world thanks to the increasing collaboration across ARCADIS, including EC Harris, Langdon & Seah and RTKL. We also welcomed 300 new people to ARCADIS, with the acquisitions of Geohydrología in Chile and SENES in Canada and India, further strengthening our position with key clients in these markets and beyond.

Good growth was achieved in Infrastructure, as in the Emerging Markets and in urban centers around the world, public sector clients make significant investments in social infrastructure. Demand in Latin America varied with fewer opportunities in mining and an increase in public sector spending particularly in Brazil. In Continental Europe revenues were lower due to government austerity.

In our Water business, conditions in the mature markets in Continental Europe and North America remained challenging with government spending at low levels. Backlog improved through the capture of important project wins in the fast growing water market in Brazil, where ETEP, the engineering and consultancy company acquired in 2012, contributed to growth. Our 'Water for Industry' program, providing improved water usage for industrial clients, is gaining widespread success.

In our Environment business, we offset strong declines in the North American federal market by continuing to win private sector work, particularly with clients in the oil & gas and mining sectors. In Brazil we saw growth at better prices, while parts of Continental Europe also saw growth. In May, we expanded our environmental activities with the addition of Canadian environmental consultancy SENES, which specializes in the energy, oil & gas, and mining sectors.

Our Buildings business saw strong revenue increases, driven by an expanding presence in the Middle East and Asia, and a good performance in the UK. This offset declining markets in North America and Continental Europe. In design, RTKL grew its commercial revenues in North America and Asia, but was impacted by weakness in the US healthcare and workplace

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markets. We continued to benefit from the synergies between EC Harris and Langdon & Seah, while our Built Asset Consultancy is gaining traction with clients around the world.

In 2013 we laid the basis for our future success by agreeing on our passion and mission, setting new goals, updating our core values and renewing our strategy. 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; and enjoy the journey. Our new values, after thorough consultation, were updated, and now are: Integrity, Client Focus, Collaboration and Sustainability reflecting the kind of organization we aspire to be.

During our first ever Capital Markets Day in December, we launched our new **sustainable growth | performance | collaboration** strategy for the 2014-16 period. This strategy provides a clear roadmap for future growth comprising expanding our core; focused growth priorities and continued Mergers & Acquisitions. Central to our strategy implementation will be to evolve our culture to one of continuous performance improvement and enhanced collaboration in order to bring the best of ARCADIS to our clients and be recognized as the best in our industry. In order to better serve our local, national, regional and global clients and provide enhanced career development opportunities to help our people reach their full potential we are evolving our operating model. During 2013 we appointed a new leader for Europe, implemented a new Pan European operating model, appointed a leader for our new Big Urban Clients program focused on 12 leading cities in the world and appointed a Global Director of Performance Excellence.

In keeping with our heritage, we have not only chosen to make sustainability a core value, but have also engaged on a path 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, aligns with this approach.

In closing, I would like to thank not only our clients and our shareholders for their continued trust but also all our people for their hard work, inspiration and commitment to client service. The year has been a highly significant one for ARCADIS, not only as it marks our 125 year anniversary as a firm but also as an important stage in our evolution as a global company. We are immensely proud of our rich heritage as well as that of all the companies that have joined us over the years.

We enter 2014 with confidence: a rich heritage, talented and motivated people, differentiated capabilities, a leading position in our industry and a clear strategic roadmap for continued success. I look forward to working alongside our people and our clients once more as we deliver on our mission of creating exceptional and sustainable outcomes for our clients in natural and built asset environments.

On behalf of the Executive Board

Neil McArthur
Chief Executive Officer

Celebrating 125 years with pride

At ARCADIS we are proud of our rich 125-year history that has taken us from our humble beginnings in the east of the Netherlands to being the leading global natural and built asset consultancy and design company that we are today. In 2013 we commemorated this special anniversary with a number of activities with our clients and staff.

On April 9, 2013, our 22,000 employees officially kicked off our 125th anniversary festivities across the globe with Meet Up & Celebrate sessions. At about the same time, books entitled 'ARCADIS, A Collective History' were sent to offices worldwide. These books proudly document the rich history of the companies that have joined ARCADIS and the legacy we have created through the projects we have completed for our clients.

Quality of life

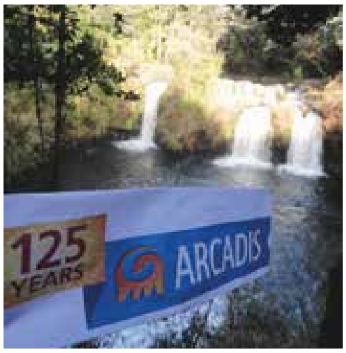
Embedded in our collective history is the firm belief that we use our capabilities to improve the world in which we all live, work and play, while maintaining a balance with environmental needs. We improve the quality of life. We celebrated our anniversary in the Netherlands with Koninklijke Nederlandse Heidemaatschappij (KNHM), which was the foundation of our firm's conception in 1888. Nowadays, KNHM actively supports communities who want to improve their physical living environment.

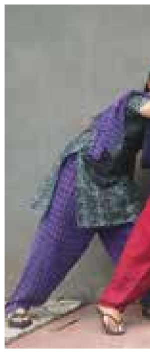
Creating tomorrow

Our joint anniversary program, called Creating Tomorrow, comprised a number of exciting activities that aimed to create a discussion platform for clients, business connections, the experts of today and the talents of tomorrow. Creating Tomorrow was a multimedia program comprising an internet platform with blogs, news, posters, competitions and twitter conversations, as well as several 'What's Next' client events organized in the Netherlands covering important topics as Healthy Planet, Urban Deltas and Connections. For each 'What's Next' session, several clients were asked to provide a real life challenge they are facing. Preselected groups of promising students then had 48 hours to devise the best solution. The overall winner, team Traffic Jam, won the competition's first prize of €10,000.

Giving back to society

Meanwhile, colleagues from around the globe were encouraged to work together to mark our anniversary and make a joint contribution to society. In approximately 125 days, they collectively covered over a million kilometers for charity! Employees were given the opportunity to raise as much money as they could for their local charity-of-choice and add to a global tally of kilometers. When the one-million kilometer mark was reached, ARCADIS donated the appropriate sum of €125,000 across three charities: Juvenile Diabetes Research Foundation, the World Wildlife Fund for Nature and Transparency International.



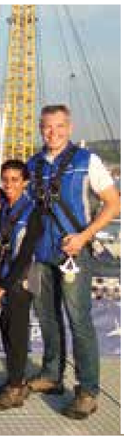



WINNER
CHALLENGE
€ 10.000
ARCADIS


ARCADIS · A COLLECTIVE HISTORY


125
YEARS
ARCADIS
125
YEARS


ARCADIS




ARCADIS


THE COLOR RUN
73383
73890


ARCADIS


Finish
20 Nov '13
POLICE


125
YEARS
ARCADIS

Report by the Executive Board

Vision and strategy

2011-2013 BUILDING ON STRENGTH

Leadership | Balance | Growth

Strategy has been successful
We are operating from a position of strength. Today, we are the leading global design and consultancy firm. We have 22,000 people around the world working from 350 offices in some 40 countries on approximately 25,000 projects per year. Our business portfolio is strong and diverse. We have a good balance between mature and emerging markets, and between private and public sector clients. We have complementary business lines and are continuously improving our business mix with design, consultancy and high value added solutions in program, project and cost management now accounting for more than half of what we do.

Our strategy of growing high added-value services and divesting low margin businesses has been successful. In the period 2008 – 2013, our gross revenues have increased from €1.7 billion to €2.5 billion, a compounded annual growth rate of 7.7%. Net income from operations increased in that same period by almost 9.7% each year, while margins throughout the period have been at or close to our goal of 10%. These results have been achieved despite the economic crisis, which has impacted our business since 2008.

Acquisitions added substantial value
Since 2008 - through a series of acquisitions and mergers - we have built on achieving a global footprint. Through the merger in 2009 with US-based Malcolm Pirnie, we achieved a major position in the global water market and significantly enhanced our presence in the United States. In 2011, we acquired the remaining shares in ARCADIS Logos, Brazil, gaining a 100% ownership position. Also in 2011, our merger with international Built Asset Consultancy EC Harris provided us with a leading position in consultancy, project management and related services, as well as important footholds in the Middle East and Asia. In 2012, we merged with Langdon & Seah, the leading cost and project management consultancy in Asia thereby significantly increasing our strategic presence across 10 Asian countries. In Brazil we added ETEP to secure the leading position in the country's thriving water market. All these acquisitions have delivered synergies by leveraging client relationships, knowledge, experience and capabilities.

2013 STRATEGIC ACHIEVEMENTS

Pan-European operating model
In February 2013, ARCADIS introduced a new pan-European operating model, aimed at better serving our multinational, large national and local clients, by leveraging our best practices and capabilities. The model combines client proximity at the country level with a pan-European leadership team, shared technical capabilities and pan European shared services in support functions. These initiatives were expected to generate annual cost savings of €25 million, which will bring Continental Europe to an EBITA margin of 10% by the fourth quarter of 2014 (compared with 5% in 2012). The roll-out of our new operating model in Europe is on schedule. Savings reached €16 million at the end of the year. Full year restructuring charges amounted to €14.4 million. Building on the progress to date we increased the savings target for ONEurope from €25 million to €32 million, of which a substantial part is expected to be achieved in 2014 to help realize the 10.0% operating margin target for the fourth quarter. Restructuring charges for Continental Europe in 2014 are expected to be €5-6 million.

Acquisitions
Two acquisitions were completed in 2013. In January, ARCADIS acquired Geohidrología Consultores (Geohidrología), one of the largest hydro consulting companies in Chile with 55 employees, working for public and private sector companies, especially in the water and mining sectors. In March, ARCADIS acquired 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 and together they have approximately 250 employees. In the developing Indian and mid-east environmental market, SENES has a growing presence serving large private sector clients.

Leadership | Balance | Growth strategy has worked successfully
Over the past three years, our Leadership | Balance | Growth strategy has propelled us into new, fast growing markets, helped us achieve a position higher in the value chain, and further improved our client mix, while leaving us with stronger positions in each of our business lines.

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Our focus on growth in Emerging Markets has paid off, with multiple successful acquisitions allowing us to grow our presence in those markets from 10% of total revenues in 2010 to 23% now. The most important steps were those of EC Harris which added strength in the Middle East and Asia, Langdon & Seah, which gave us a leadership position in Asia in buildings and ETEP in Brazil, giving us the number one market position in water in Brazil. Synergies with each of these acquisitions were considerable, and also contributed to organic growth. Through the acquisitions we were also able to move higher in the value chain, and focus more on consulting work, which now represents more than 30% of our overall revenues.
In our client mix, we purposely focused on the private sector and strong growth was achieved in our multinational client program with multiple multi-year framework contracts being signed and new multinational clients being added to our portfolio. This was aided by the acquisition of BMG in Switzerland, which caters locally to large multinational Swiss-based clients in the chemical and pharmaceutical segment. In 2013, we have also laid the groundwork for our multinational program for Asian-based clients.

Achievements on key performance indicators

	Target 2011-2013	2013	2012	2011	2010	2009	2008
Growth gross revenue	15%	**(1)%**	26%	1%	12%	3%	15%
Organic	*5-7%*	***0%***	*3%*	*2%*	*0%*	*(6)%*	*6%*
Acquisitions	*8-10%*	***3%***	*18%*	*1%*	*8%*	*8%*	*12%*
Currency effects	*0%*	***(4)%***	*5%*	*(3)%*	*4%*	*1%*	*(3)%*
Operating margin[1]	10%	**10%**	10%	10%	11%	11%	11%
Growth earnings per share[2]	0%	**3%**	22%	3%	1%	2%	14%
Return on invested capital	15%	**13.3%**	13.5%	13.6%	13.9%	15.4%	18.1%

[1] Operating EBITA is EBITA excluding restructuring, integration and acquisition costs. Operating margin is operating EBITA as a percentage of net revenue
[2] Net income from operations

THE ARCADIS VISION

We are the leading global natural and built asset design and 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, 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.

In 2013 we reviewed and renewed our strategy for the period 2014-2016 by understanding evolving client needs, assessing market developments, long term trends and competitive pressures. In addition, we revisited and updated our core values to reflect the changing character of our global company. We also restated our passion, mission and goals going forward.
We rely on our renewed 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.

Favorable long term outlook

Despite our considerable size and leading global position, our overall share of the addressable global market is somewhat limited. This represents a significant opportunity for further growth in our activities in the years ahead. Our increased global footprint and growing presence in emerging markets, where 37% of our people are already based, means that we are ideally positioned to capture higher growth opportunities in these markets. 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 where 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 investment. These urban centers look for global firms with integrated solutions to help them succeed.

Urbanization. Global population growth and the migration of into urbanized areas results 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. This provides the opportunity to design and develop communities in a balanced and intelligent way.

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.

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. Water is already considered 'the oil of the 21st century', with a growing demand for solutions related to water supply, treatment and reuse. Expanding our water capabilities across the globe, we bring leading edge technologies and solutions to our clients and help protect this important resource.

Asset productivity. In emerging markets our consultancy offer is mainly focused on program, project and cost management for capital expenditure projects aimed at the realization of new assets. In more mature markets we help our 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.

Key client trends

Globalization of industry. 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 increasing our global footprint in the Middle East and Asia and by investing in our Multinational Client program.

Front-end services. Our clients are increasingly demanding front-end services 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 and timescales to start up are requiring a strong focus on delivery certainty. Our world-class program, project and cost management solutions help us to deliver exceptional outcomes for our clients.

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. Please refer to the risk management on page 43 of this report for more information.

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

- Today ARCADIS is well positioned, we are in the global top 10 in our field and if contracting revenues are excluded, we are the largest design and consultancy firm in the world. We are the leading player in Europe, a top 5 player in Brazil and Chile; and are a top 10 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. The factors that have contributed to this success 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.
- Solid organic growth through focus on client outcomes and internal synergy.
- Shift towards activities higher in the value chain.
- Acquisitions that have added value and the 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.

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SWOT analysis shows ARCADIS' strong position

Strengths	Weaknesses
Strong safety culture	Revenue decline in Europe due to exposure to public markets
Strong market positions in Europe, the United States, Latin America and Asia	Exposure to mature markets where growth opportunities are more limited
Leadership positions in business lines with growth potential	Brand name recognition
Strong 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 global reach to serve multinational clients and emerging market clients worldwide	Government austerity programs leading to fewer investments in infrastructure and water in mature markets
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	Economic volatility impacting private sector spending
Strong urbanization, especially in emerging markets	
M&A: Acceleration of consolidation in our industry	
Climate change, renewable energy and sustainability	
Outsourcing by companies and governments	

STRATEGY 2014-2016 sustainable growth | performance | collaboration

In December 2013, we announced the launch of our 2014-2016 strategy entitled: **sustainable growth** | **performance** | **collaboration**. The basis of this strategy is the company's strong, well-balanced, global market position. It aims to build on ARCADIS' long term track record of consistent performance delivery with strong revenue growth, double digit margins and cash discipline. It also seeks to deliver on shareholder value creation with continued quality earnings, a consistent dividend policy and a prudent capital structure. 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.

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.

Sustainable Growth | **Performance** | **Collaboration** will contribute to a stronger performance of the company in the years ahead.

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

EXCEPTIONAL & SUSTAINABLE OUTCOMES

- **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 focused core 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 12 of 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 will evolve 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 health and safety, 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 will leverage our capabilities and global footprint to bring the best of ARCADIS to better serve our local, national and global multi-national clients. We will evolve our operating model by building on our strengths: the successful Multi-National Clients program will be expanded, and we will invest in the development of global market sectors where we see strong growth opportunities. A new initiative entitled Big Urban Clients, will focus 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 will 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 will collaborate and leverage our capabilities and global footprint, bringing the best of ARCADIS to our local, national and global clients.

Detailed strategies for each of our four Global Business Lines Infrastructure, Water, Environment and Buildings have been developed and are aligned with our strategic priorities.

NEW FINANCIAL GOALS

Ambitious targets

Strong financial management has been essential for ARCADIS' success to date and will remain so going forward. Key elements of our financial management are a high attention to cost control, detailed tracking of performance across the dimensions of geographies, clients, and business lines, and a disciplined approach to working capital. The company will also remain prudent with regard to its capital structure, fund its debt using diversified sources and maintain its dividend policy at 30-40% of net income from operations.

In risk management, ARCADIS will continue to apply its go/no go policy when mitigating risks related to clients and projects, focus on hard and soft controls in auditing performance, and will continue to be selective in investing in acquisitions and creating synergy through successful integration.

Financially, the company has set the following new targets for the 2014-2016 period:

Financial targets 2014 - 2016	Target
Organic revenue growth	> 5% CAGR*
Inorganic revenue growth	> 5% CAGR*
Operating EBITA margin	> 11%
Free Cash Flow	> Net Income
Return on invested capital	> 13%

*) Compounded annual growth rate

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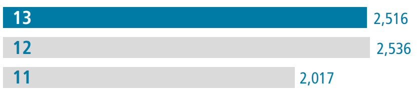
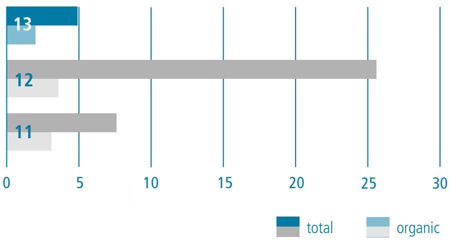
Results and financing

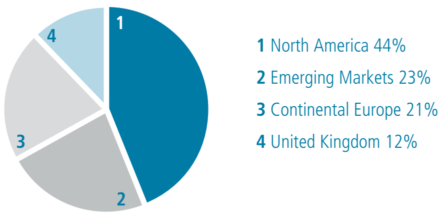
Gross revenue
in € million



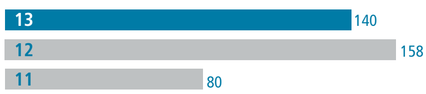
Total gross revenue growth in %
Excluding currency effects



Gross revenue by region



Cash flow from operating activities
in € million



Growth emerging markets compensates for European decline

For ARCADIS 2013 was a year of transition. The company launched a program to improve its European performance, designed its strategy for the period 2014-2016 and achieved growth despite difficult market conditions. Overall gross revenues were €2.5 billion almost reaching last year's levels, while net revenues slightly topped last year at €1.9 billion notwithstanding negative currency effects impacting growth by 4%. Despite less subcontracting in the US and Continental Europe organic development of gross revenue was slightly positive, while net revenues grew organically by 2%. Acquisitions contributed 3% to growth. Profitability improved with net income from operations (before amortization and non-operational items) increasing 6% to €111.1 million or on a per share basis €1.54, against €1.49 in 2012. The operating margin reached the target level of 10.0%, equal to last year. Free cash flow from operations amounted to €109.0 million (2012: €124.8 million), exceeding net income of €96.6 million.

Our targeted growth strategy in emerging markets continues to pay off with strong organic growth in Latin America, the Middle East and Brazil. In Continental Europe, revenues declined, but operating margins improved with cost savings from the roll-out of our pan-European business model. Organic net revenues in North America were essentially flat as private sector growth was offset by lower public sector spend. The UK operations saw a good year with growth in revenues.

Dividend raised to €0.57 per share

ARCADIS proposes a dividend of €0.57 per share, an increase of 10% compared to last year. The proposed dividend reflects a payout of 38% of net income from operations based on 73.2 million outstanding shares ultimo 2013. The number of shares increased by 2% mainly due to 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.

Revenue and profit

Revenue in € millions			Growth in revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	**2,516**	2,536	(1)%	0%	3%	(4)%
Net[1]	**1,893**	1,871	1%	2%	3%	(4)%

[1] Share of revenue produced by ARCADIS' staff

While we achieved solid gross revenue growth in Emerging Markets and to a lesser extent in the UK, this was insufficient to compensate for the contraction of Continental European markets and the slow markets in North America. These factors also affected net revenue development, although a 2% organic increase was achieved, the difference coming from reduced subcontracting in North America and a shift in our business mix to business advisory. Organic net revenue growth was again strong in Emerging Markets and positive in the UK and North America. In Europe an organic decline of 6% reflected the tough market conditions, especially in the public sector. At -4% the currency effect was strong, particularly as a result of the lower value of the Brazilian real and the US dollar against the euro.

The contribution of 3% from acquisitions came from Langdon & Seah (Asia, April 2012), BMG (Switzerland, August 2012), ETEP (Brazil, August 2012), Geohidrología (Chile, January 2013) and SENES (Canada/India, March 2013).

Geographical mix further shifts to emerging markets

The strong organic growth that was achieved as a result of our expanding presence in Emerging Markets, combined with acquisitions in these geographies, now make this segment the second largest in ARCADIS behind North America. Strong organic growth was realized in Brazil, Asia and the Middle East, while the acquisitions of Langdon & Seah, ETEP and Geohidrología also helped to raise the contribution from Emerging Markets to gross revenues to 23% (2012: 20%), surpassing Continental Europe. Stable revenues in North America caused the relative size of that segment to decline to 44%.

Geography	% of Gross revenue	
	2013	2012
North America	**44%**	45%
Emerging Markets	**23%**	21%
Continental Europe	**21%**	23%
United Kingdom	**12%**	11%

Buildings becomes more significant

With a strong performance in Asia, the Middle East and to a lesser extent the UK, the Buildings activities were the fastest growing segment. Infrastructure was impacted by the declines in Europe, while the net impact of organic growth and weaker currencies kept Environment stable. Water remained level with the acquisition of ETEP offsetting organic declines in some other regions.

Portfolio	% of Gross revenue	
	2013	2012
Infrastructure	**24%**	26%
Water	**15%**	15%
Environment	**33%**	33%
Buildings	**28%**	26%

Private sector sees further gains

Public sector investment and finances remain under pressure in Continental Europe and North America, but this was compensated by growth in public sector exposure in Emerging Markets, and growth at state and municipal levels in the US causing public sector to strengthen in our mix. Private sector revenues grew, aided by strong growth in our work for multinational clients, but on a relative basis it was slightly behind last year. Utilities saw a slight increase. This category includes clients which operate as a separate organization, either publicly or privately owned, providing a public service. Examples are water utilities, energy companies, healthcare institutes, railway organizations.

Clients	% of Gross revenue	
	2013	2012
Public	**26%**	25%
Utilities	**21%**	20%
Private	**53%**	55%

Personnel costs increased

Personnel costs were up 2.6% to €1,413 million (2012: €1,377 million), predominantly as a result of organic revenue growth, acquisitions and restructuring charges.

Other business costs improved

Other operational costs declined by 5.9% to €280 million (2012: €297 million), mainly as a result of our targeted cost actions related to the introduction of our pan-European business model.

Depreciation and amortization slightly higher

Depreciation (excluding amortization) amounted to €34.5 million (2012: €32.5 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 €16.7 million (2012: €14.9 million).

Operating income and EBITA improved

Operating income increased 1% to €151.1 million (2012: €150.5 million). ARCADIS uses operating EBITA (operating income before amortization and non-operating costs) to measure the financial performance of operations, while EBITDA (operating income before depreciation and amortization) is used in our bank covenants. These measures were determined as follows:

In € millions	2013	2012	2013	2012
Operating income reported	**151.1**	150.5	**151.1**	150.5
Amortization	**16.7**	14.9	**16.7**	14.9
Depreciation			**34.5**	32.5
EBITDA			**202.3**	197.8
EBITA	**167.7**	165.4		
Non-operating costs	**20.7**	22.4		
Operating EBITA	**188.4**	**187.8**		

Continued on next page

EBITA increased 1% to €167.7 million. The currency effect was -5%, while the contribution from acquisitions was on balance 7%. Organic EBITA development was -1% with improved contributions from Emerging Markets being offset by declines in Europe.

Non-operating costs in 2013 amounted to €20.7 million, the majority of which at €14.4 million was related to the introduction of our pan-European operating model to improve our European performance. In 2012 the costs related to the merger of Langdon & Seah of €4.2 million were included in non-operating costs, while in 2013 €1.1 million was recorded for SENES.

Operating EBITA increased slightly to €188.4 million (2012: €187.8 million). The currency effect was -4%, while acquisitions contributed 5%. Organically, operating EBITA was flat. Operating EBITA improved more than 22% organically in Emerging Markets. Margins in the US were lower but still above our target level.

Development operating EBITA 2013-2012 (in € millions)

Margin performance maintained
The margin (EBITA as % of net revenue) was 8.9% (2012: 8.8%). Excluding non-operating costs, the underlying operating margin reached the strategic target level of 10.0%, which was equal to last year. While operating margins in Emerging Markets improved on the back of strong revenue growth, Continental Europe delivered better operating margins as a result of the introduction of our pan-European business model and associated cost savings. Operating margins in the UK were lower, impacted by €3 million fewer benefits from the partnership structure of EC Harris (2012: €7 million gain). Operating margins in the US came down somewhat, but in the second half were again at traditional levels.

Lower financing charges
On the back of lower debt and more favorable financing terms, financing charges were 17% lower than last year at €18.1 million (2012: €21.8 million).

Tax rate higher
The effective tax rate was 29.4%, up from 28.1% in 2012, which was amongst others caused by less positive impact of share based payments, and higher effective tax rates for some operating companies. These factors were partly compensated by a more favorable geographical spread of profits.

Associated companies improve performance
The contribution from associated companies was €5.5 million, which compares favorably against a loss of €2.3 million in 2012. While our associated companies in Brazil benefitted from developments in the energy market, our associated companies in Asia improved their results from strong market growth.

Net income and net income from operations higher
Net income rose 9% to €96.6 million or €1.34 per share compared to €89.0 million or €1.26 per share in 2012. ARCADIS uses net income from operations as financial performance indicator, which is based on EBITA and excludes non-operating costs (see calculation on page 75 of this report). Net income from operations was €111.1 million or €1.54 per share, an increase of 6% over the 2012 result of €105.1 million or €1.49 per share.

Cash flow and balance sheet

Free cash flow exceeds net income
At €140.1 million, cash flow from operating activities was somewhat behind last year's record level of €158.4 million. Working capital developments also impacted cash flow and despite improvements in the second half of the year, the working capital ended at 15.7% of gross revenues, compared to 14.9% for 2012. Free cash flow, after regular investments in ongoing businesses, amounted to €109 million (2012: €125 million) and exceeded net income, which amounted to €96.6 million.

Regular investments remained at similar level
Investments in (in)tangible assets (excluding acquisitions) totaled €32.2 million, slightly below 2012 levels. The sale of property and equipment resulted in a cash inflow of €1.2 million (2012: €1.2 million).

Investments in mergers and acquisitions
In 2013, ARCADIS invested €26.8 million in mergers and acquisitions. Main investments related to:
- The acquisition of Geohidrología in in Chile in January 2013;
- The acquisition of SENES in Canada and India in March 2013;

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 19.

After deduction of acquired cash and debt, mergers and acquisitions resulted in a cash investment of €16.5 million (net of €1 million purchased cash) and an after payment obligation of €5.0 million. Deferred payments for acquisitions were €10.3 million, bringing the total acquisition-related cash outflow to €26.8 million. Mergers and acquisitions added goodwill of €12.4 million and identifiable intangible assets of €6.1 million. In addition, €7.6 million (2012: €4.4 million) was invested in associated companies and other financial non-current assets.

Number of outstanding shares increased
The total number of outstanding shares at year-end 2013 increased 2% to 73,183,008. During the year, 1,450,000 shares were repurchased to cover obligations related to incentive plans, while 2,259,784 previously repurchased shares were used for the exercising of options, and another 785,682 were issued for stock dividend. The average number of shares, used for calculating earnings per share, increased to 72.2 million (2012: 70.4 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 financial statements.

Balance sheet remains healthy
The balance sheet total declined to €1,680 million (2012: €1,765 million), mainly resulting from exchange rate differences. Goodwill decreased to €510 million (2012: €515 million), with an increase of €12 million resulting from acquisitions, which was more than offset by negative currency effects of €18 million. Identifiable intangible assets (excluding software) were €60 million (2012: €72 million). Goodwill is subject to impairment testing once a year. In 2013, 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 receivables minus accounts payable and billings in excess of costs) rose to €404 million, an increase of 1.5% over 2012 levels, as a result of slower payments by public sector clients in mature markets and lower accounts payable reflecting reduced outsourcing. Net working capital as a percentage of gross revenues (measured per quarter times four) started high, but improved throughout the year, ending at 15.7% (2012: 14.9%).

Cash and cash equivalents totaled €151 million (2012: €226 million). Net debt (cash and cash equivalents minus interest-bearing debt) declined to €208 million (2012: €283 million), while currency had a negative effect of €16.7 million. Interest-bearing debt also includes after-payment obligations related to acquisitions, totaling €14 million (2012: €22 million).

Long-term loans and borrowings increased to €323 million (2012: €301 million), while short-term loans and borrowings, including the current portion of long term debt were €35 million (2012: €201 million). At year-end 2013, €148 million in short-term credit facilities were available. As part of these facilities, banks issued guarantees (mostly project related) worth €83 million (2012: €88 million).

Shareholders' equity was €595 million, compared to €536 million, at year-end 2012. The table below details the change:

In € million	Effect
Net income from book-year 2013	97
Dividend payment for book-year 2012	(37)
Issuance of shares	17
Currency exchange rate differences	(31)
Actuarial (loss)/gain on post-employment benefit obligations	(4)
Effective portion of cash flow hedging	1
Exercising of options	29
Option costs	8
Fiscal effects related to option plans	10
Repurchase of shares	(29)
Taxes on transactions with owners of the company	(1)
Total change	**59**

Strong balance sheet ratios
Balance sheet ratios remained strong at year-end 2013:
- net debt to equity ratio was 0.4 (2012: 0.5);
- net debt to EBITDA ratio was 1.0 (2012: 1.3);
- interest coverage ratio was 10 (2012: 8).

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 12 months (pro-forma) EBITDA. According to this definition, net debt to EBITDA at year end 2013 was 1.4 (2012: 1.5). 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 EBITDAR 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, 2013, this ratio calculated in accordance with agreements with lenders is 2.78. ■

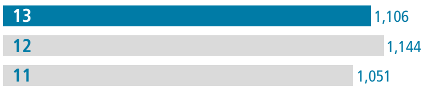
Developments by region
North America

Contribution to revenues 2013

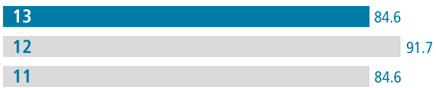
44%

2012: **46%**

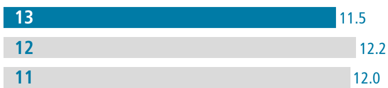
Gross revenue North America
in € million



Operating EBITA North America
in € million



Operating EBITA-margin North America
in %



	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	1,106	1,144	(3)%	(2)%	1%	(2)%
Net	738	750	(2)%	0%	1%	(3)%

All amounts in millions of euros
Operating margin excludes restructuring costs

	2013	2012
EBITA	80.8	89.6
Margin	11.0%	11.9%
Operating EBITA	84.6	91.7
Margin	11.5%	12.2%

Strong performance despite market uncertainty
While organic growth was restricted due to challenging market conditions and lower subcontracting, total growth was also affected by currency effects of -3%. The acquisition of SENES (Canada, March 2013), contributed 1% to revenues. The US market is in slow recovery, but political turmoil around debt issues, sequestration and limited government expenditure affected growth during the year.

Environmental and water benefit from private sector work
In the environmental market, we work mostly for private sector companies, where spending levels were maintained, especially among multinational clients in the oil & gas and mining sectors. Federal market conditions deteriorated, causing an influx of competition into the private sector. Nevertheless, we won some of the small number of Federal projects that came to market, including the remediation of Tyndall Air Force Base, a US$32 million 7-year remediation project in Florida. Since our acquisition of Malcolm Pirnie in 2009, the US water market experienced low spending levels and declines in municipal work. In 2013, the market started turning, which was reflected in a backlog improvement in the second half of the year. Meanwhile our growing 'Water for Industry' program benefits from already strong relationships with private sector clients in broad range of sectors. In water management, the aftermath of hurricane Sandy generated growth, especially around New York City.

Buildings market slow but improving; Infrastructure sees growth
The introduction of the Affordable Care Act created a lot of uncertainty and low investment levels in healthcare. Demand for government building projects was also sluggish, affecting Federal work and local education investments. Commercial real estate, housing and workplace work is beginning to rise, with Built Asset Consultancy offering growth opportunities. For the first time in a number of years, growth returned to our infrastructure business, resulting from the success of our Intelligent Traffic Management solutions, and growth in municipal projects, including program management of a major metro project in Los Angeles.

Margins recovered to same high level as last year
The operating EBITA margin for North America was 11.5%, a decline compared to last year, due to a temporary slump in the second quarter caused by higher than expected legal costs and salary increases, which were required to retain staff. Margin improved to 12% in the second half of the year, similar to 2012. Restructuring charges amounted to €2.7 million (2012: €2.3 million) and were related to organizational adjustments due to reduced demand in environment and water earlier in the year.

Emerging markets

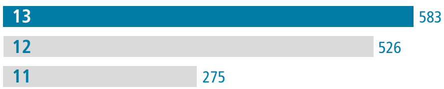
Contribution to revenues 2013

23%

2012: **20%**

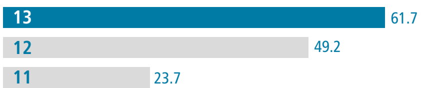
Gross revenue Emerging Markets

in € million



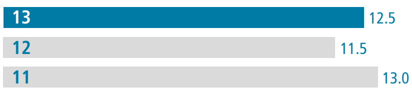
Operating EBITA Emerging Markets

in € million



Operating EBITA-margin Emerging Markets

in %



	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	583	526	11%	11%	8%	(8)%
Net	494	429	15%	14%	9%	(8)%

All amounts in millions of euros.
Operating margin excludes restructuring costs

	2013	2012
EBITA	59.4	44.5
Margin	12.0%	10.4%
Operating EBITA	61.7	49.2
Margin	12.5%	11.5%

Organic growth drives strong performance

Our emerging market growth strategy is successful with organic growth at 11% in gross revenues and 14% in net revenues, driven by strong demand and acquisition synergy effects. The 8% growth from acquisitions was from Langdon & Seah (Asia, April 2012), ETEP (Brazil, August 2012) and Geohidrologiá (Chile, January 2013). Organic growth was strong in Brazil, the Middle East and Asia. Revenue synergy wins between ARCADIS, RTKL, EC Harris and Langdon & Seah were more than €90 million.

Private sector driving growth in China

Half of our Asian revenues are from China, and almost exclusively from private real estate developers and corporates. We opened three new offices in China (19 now in China/Hong Kong/Macau) following our clients to help realise their projects as real estate investment was high in many sectors. Other Asian markets also grew. In Malaysia, we plan a new financial district in Kuala Lumpur of 28 hectares, while in Brunei we manage the iconic Brunei-Muara to Temburong Bridge project, and won a three year cost engineering contract from Shell. As the Singapore market matures, our Built Asset Consultancy and water expansion provide further growth opportunities.

Strong growth in Latin America

Growth in Brazil was strong, with the slow-down in mining barely affecting ARCADIS as we continue to work on the more strategic mining projects. Public sector work grew due to the World Cup and Olympic Games with projects including Guarulhos Airport in Sao Paulo and the Olympic Village and sporting venues in Rio. Water activities grew through the acquisition of ETEP, with synergies leading to several sizable new project wins to start during early 2014. The energy market grows as evidenced by the 583MW thermal power plant project in Manaus for Amazonas Distribuidora de Energia where we are performing owner's engineering services, while environmental activities grew due to private sector demand. In Chile and Peru, we lowered our capacity in reaction to more difficult market conditions.

Major programs drive Middle East growth

In the Middle East, Buildings is our largest activity, with projects of considerable size such as the Kingdom Tower project, where we are program managers for the world's tallest building. Meanwhile investments in both social infrastructure (healthcare, education, tourism, sports facilities, parks, commerce, retail) and core infrastructure (ports, airports, rail, bridges, tunnels) continue to provide opportunities and drive growth.

Margins at high levels

Margins improved further as we strengthen our market positions and become more involved in large, complex projects. Operating margin improved to 12.5% (2012: 11.5%).

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Continental Europe

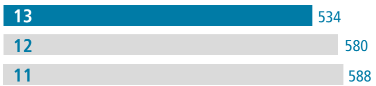
Contribution to revenues 2013

21%

2012: **23%**

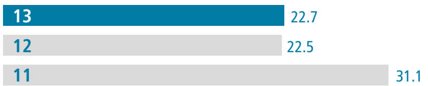
Gross revenue Continental Europe

in € million



Operating EBITA Continental Europe

in € million



Operating EBITA-margin Continental Europe

in %

	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	534	580	(8)%	(9)%	1%	0%
Net	427	452	(6)%	(6)%	1%	0%

All amounts in millions of euros
Operating margin excludes restructuring costs

	2013	2012
EBITA	7.9	17.3
Margin	1.9%	3.8%
Operating EBITA	22.7	22.5
Margin	5.3%	5.0%

Growth affected by low government spending

Low government spending and uncertain economic conditions affected markets in Continental Europe. Activities declined through the year, although towards the end of the year, growth in private sector work returned. The organic net revenue decline that resulted was 6%. Growth from acquisitions came from BMG (Switzerland, July 2012).

European focus on growth areas and margin improvement

Early in the year, we introduced our new operating model to better serve our clients, by leveraging our best practices and capabilities delivered through a more effective and efficient pan-European operation. It combines local client proximity, shared technical capabilities and pan-European support services under one European leadership team. Our targeted collaborative growth strategy yielded results. Major project wins included the Grand Paris metro project in France, building projects for corporates such as BNP Paribas, Deutsche Bank, Opel and Philips, water management projects in Germany and Poland and environmental work across Europe for a major automotive client.

Private sector growth

Private sector work grew in some European markets, such as in buildings in the Netherlands, where we differentiate ourselves through our Built Asset Consultancy approach, focusing on operational expenditure, helping clients improve returns on existing assets. Growth was also achieved in the environmental market in France. Through BMG, which caters to leading global chemical and pharmaceutical firms we won a first global framework contract with one of these clients in 2013.

Water management provides opportunity, infrastructure still difficult

In 2013, Germany, Poland and the Czech Republic saw some of the most severe flooding in years during summer rain storms, leading to public and private sector opportunities. In Ozarow, Poland, ARCADIS is performing flood risk assessment for logistics centers. In Dresden the new wastewater system designed by ARCADIS worked well and the 2013 floods have not affected the city. Infrastructure markets remained depressed as public funding levels were low.

Margin improvement ahead of plan

The operating margin in Europe improved to 5.3% (2012: 5.0%), and was ahead of plan as cost actions were accelerated. As the performance improvement actions initiated in the first half of 2013 kicked in, operating margins substantially improved over the second half of the year to 7.5%. With the progress made to date, we are on target to achieve the goal of reaching a 10% operating margin in the fourth quarter of 2014. Total restructuring and integration charges amounted to €14.4 million in 2013. Building on the progress to date we increased the annual savings target for ONEurope from €25 million to €32 million.

United Kingdom

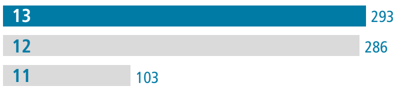
Contribution to revenues 2013

12%

2012: **11%**

Gross revenue United Kingdom

in € million

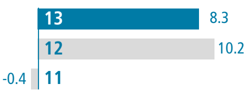


Operating EBITA United Kingdom

in € million

Operating EBITA-margin United Kingdom

in %



	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	293	286	2%	7%	0%	(5)%
Net	234	240	(3)%	2%	0%	(5)%

All amounts in millions of euros
Operating margin excludes restructuring costs

	2013	2012
EBITA	19.6	14.0
Margin	8.4%	5.9%
Operating EBITA	19.4	24.4
Margin	8.3%	10.2%

Organic revenue growth strengthens
With our UK activities fully integrated and aligned as per the beginning of the year, our full focus was on winning and executing work for clients. With the UK economy gaining strength and London high-end residential demand continuing, we grew, most notably in our buildings business. Organic gross revenue growth strengthened to 7%.

London residential market drives growth
EC Harris was able to benefit from favorable market conditions in London. In the commercial sector volumes started to grow and office activity continues to steadily improve. Our UK team is in the detailed planning phase of One Lime Street, a commercial office tower in Central London, and has assisted in planning 40 Leadenhall Street, a 37 story office in the City of London with low carbon emissions. Refurbishments are popular as they align with developers' shortened delivery horizons. Public budgets remain low, creating chances for asset led transformation assignments. Outside of London, building markets remained challenging.

Water market preparing for next spending wave
Overall spend for Asset Management Program 6 (AMP) in the water market has not yet been confirmed and opportunities in the water market were limited. Early indications are that capital spending levels for England and Wales for 2015-2020 will be around £25 billion making the sector still very attractive as a source of long term sustainable revenue. From 2015, the new regulatory environment will have a big impact on how capex delivery is procured and managed and this development may benefit us.

Environmental focus on growing private sector market
ARCADIS continues to support a large multinational industrial manufacturing company in southern England by helping them close and dispose of their redundant facilities. This program brings in most of ARCADIS' world class capability, including deactivation, decommissioning, decontamination, and demolition (D4) solutions.

Infrastructure sees growth
As many clients prepared their business plans for the next round of Regulation, we saw increased activity in business advisory across most sectors, as well as continued growth in project delivery work. This resulted in good growth in rail activities, energy, and aviation, further evidence for the recognition of our value propositions by clients. EC Harris were involved in procuring the two largest infrastructure programs in the UK during 2013, with a combined total of around £10 billion, for National Grid and Thames Water.

Margins
Operating margin in the second half was 9.1%, a good increase over the 7.6% achieved in the first half. Operating margin for the full year ended at 8.3% (2012: 10.2%) but was impacted by a €3 million decline of the benefits from the partnership structure in EC Harris. ■

Developments by business line
Infrastructure

This business line encompasses 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, windmill farms, grids); and mining (program and project management). In the 2011-2013 time frame, this business line has experienced a compounded annual revenue growth of 5%, with strong growth in Latin America compensating significant declines in Continental European markets. In 2013, Infrastructure represented 24% of total revenues (2012: 26%).

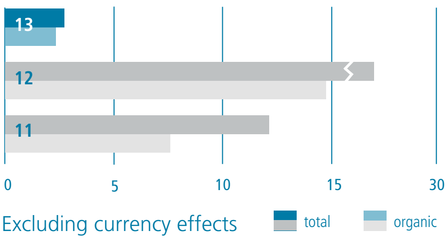
Contribution to revenues 2013

24%

2012: **26%**

Gross revenue Infrastructure
in € million

Infrastructure growth (net revenue)
in %



Excluding currency effects

Operating EBITA-margin Infrastructure
in %

Present position and updated strategy

Maintaining strong local positions while expanding in emerging markets
The infrastructure market is predominantly a local market that services national, regional and local governments, as well as railway companies, utilities, mining firms, developers, contractors and operators. In this sector a strong local presence is a competitive advantage. This ensures the development of in-depth knowledge of local clients and their needs, local conditions, investment flows, regulations and allows companies to build bridges between public needs and private opportunities. This enables us to anticipate market developments, target specific must-win projects, deliver integrated, tailored solutions and leverage specialized expertise across our global footprint. In addition to our strong home market positions in Continental Europe, the United States, and Latin America, we are growing a presence in fast growing economies in the Middle East and longer term in Asia.

SWOT analysis

Strengths	Weaknesses
Large scale program management capabilities	Insufficient recognition internationally
Specialist in rail, large transport corridors (incl. bridges and tunnels), (air)ports, traffic management	Limited but rapidly growing presence in strong growth markets such as Middle East and Asia
Ability to offer integrated solutions, along the whole value chain and across Business Lines	
Strong local positions and broad service offering	
Opportunities	**Threats**
Increasing importance of life cycle thinking for infrastructure assets in mature countries	Government austerity programs in Europe and the United States
Infrastructure for increased mobility in emerging markets, particularly airports, ports and rail	Increasing price competition
PPP approach to fulfill strong demand	Short term reduction in capex programs in mining
Growing demand for renewable energy and for refurbishment of existing power networks	

Infrastructure strategy 2014 – 2016

Market growth mainly in emerging markets
In the foreseeable future, growth in the addressable infrastructure markets in Europe is expected to be relatively flat as government investment is limited. Instead, governments look toward improved effectiveness of their existing assets, driving demand for maintenance and operational efficiency. In North America, Federal spending is flat but in the south/southwestern states and in municipal work, spending is moderately growing focused on fixing aging infrastructure. Growth expectations in the emerging markets are substantial,

which for ARCADIS means Latin America, the Middle East and Asia. In Latin America this will be a combination of private sector investment by mining and power companies, while public investment in urban transportation and airports is also expected to increase. In the Middle East, social infrastructure development, including development of large urban transportation systems, is driving growth. In Asia, our focus is on the development of ports and airports.

Strategic choices
In Infrastructure, we aspire to be the leading transportation solutions partner for clients. We operate from a strong home base in Continental Europe, the UK and the US, where we have world class expertise in rail, roads including Intelligent Traffic Systems, ports and aviation, and large scale project management in mining and energy related projects. We intend to continue to win significant work by focusing on developing integrated solutions by combining capabilities between different business lines and regions. Examples are the combination of infrastructure with buildings skills in railway stations, water skills in conveyance tunnels, or with environmental skills where it concerns impact assessments and route trace studies.

Through Business Advisory we will deliver solutions throughout the asset lifecycle, focusing on capital investments of clients (Capex) and managing those well, while also helping clients improve their operational expenditure (Opex) in mature markets and increasingly in emerging markets.

In program management, we manage our client's investment programs. These large scale programs can include mining facilities or oil & gas investments, such as railroads or pipelines, but also harbor facilities and airports.

In addition, we target accelerated organic growth in emerging markets, for big urban clients in cities where we have a strong footprint and for natural resources clients. All of these markets offer above average growth potential that we can capitalize on.

Developments in 2013

	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	613	649	(6)%	(1)%	0%	(5)%
Net	512	525	(2)%	2%	0%	(5)%

All amounts in millions of euros.
Operating margin excludes restructuring costs

	2013	2012
EBITA	35.7	38.3
Margin	7.0%	7.3%
Operating EBITA	45.2	42.2
Margin	8.8%	8.0%

Growth continues while Europe remains challenging
Gross revenues declined by 6% predominantly as a result of negative currency effects of 5%. Organically, gross revenues declined by 1%, while net revenues rose by 2% with the difference resulting from reduced subcontracting in Continental Europe. These results reflect tough market conditions in Continental Europe, which were partly compensated by growth in Emerging Markets and to a lesser extent in North America. The introduction of our pan-European operating model helped improve operating margins in the second half of the year. Operating margin rose to 8.8% (2012: 8.0%).

Growth in Emerging Markets
While our public infrastructure footprint in Emerging Markets has historically been modest, it now has grown to 40% of our infrastructure revenues as markets become better accessible. In Brazil, ARCADIS Logos was selected to perform project and construction management services for the Olympic Park and Village for the Rio 2016 Olympic Games, a project comprising 75 hectares of Olympic Village and 34 competition venues. In Jordan we won a project to provide construction management and design reviews for the Aqaba New Port Project, based on our ability to handle large scale projects. Port work for mining client VALE in Mozambique and Malaysia, also contributed to growth.

Creating efficient urban transportation systems
For an increasing number of large cities, ARCADIS is selected as the consultant of choice for large transportation solutions. In Paris we provide project and program management, and technical advisory services, for a 100 km section of the ambitious "Grand Paris Express" metro system. For Los Angeles County, ARCADIS provides construction management support for the Regional Connector Transit Corridor Project, an eight-year, $1.3 billion design-build tunneling project. In the Netherlands, an ARCADIS consortium was selected to perform the ZuidasDok contract in Amsterdam, a six year framework agreement for plan development and preparatory work, including design, planning and project management. In Chile, ARCADIS was contracted as part of a consortium to provide engineering, consulting and design for the stations of Line 3 of the Santiago Metro in Chile, with 22 km of track and 18 new stations. ARCADIS is also involved in upgrading the Sao Paulo metro system in Brazil.

Airports taking off
At Guarulhos Airport in Sau Paulo, Brazil, ARCADIS now also won the contract to manage the operational readiness of the airport. The expansion is part of the investment program from the Brazilian Federal Government to cope with increasing passenger demand, boosted by the 2014 World Cup and the 2016 Olympic Games. Phase one of the R$3 billion project, to be accomplished early 2014, comprises building a new terminal - increasing the airport´s total handling capacity from 30 million to 60 million passengers per year. ARCADIS company EC Harris supports the project with its expertise in Built Asset Consultancy and its deep sector knowledge of airports. In the UK we have been delivering major capacity projects like the new Terminal 2A at London Heathrow which will open in June 2014, as well as helping prepare the airport's capital business plan for the next wave of investment under their Regulatory contract.

Industrial energy solutions
ARCADIS has an extensive and growing presence in the power supply market, assisting clients with program management, design, planning and permitting work for a broad range of power systems including thermal, hydro, nuclear, wind and solar installations. For Amazonas Distribuidora de Energia in Brazil we are the owner's engineer on a 583MW gas-fired thermal power plant in Manaus. In hydropower we are performing permitting work related to fauna for the Jirau dam complex and continue to work on the Belo Monte dam complex as owner's engineer. The Dynamic Tidal Power system, co-developed by ARCADIS, is a new way to win power from tidal movements that is on its way to be pilot tested in China. ■

Developments by business line
Water

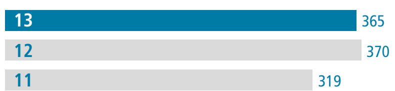
This business line is focused on the entire water cycle. We ensure adequate and safe water supply, environmental stewardship, and fiscal responsibility for our clients through design and engineering solutions. We support the supply of clean drinking water through planning, hydraulic modeling, treatability studies, regulatory compliance and treatment system design. For wastewater, we design advanced treatment technologies, for reuse, nutrient and energy recovery, biosolids management and odor control systems, also assisting clients with delivery, collection and drainage needs. We advise and design water management and flood control for rivers, coastal zones, and for climate change and extreme weather issues. For private sector industrial clients, we reduce water usage and improve the quality of effluents. For all our water clients we offer business advisory to optimize business practices and financial outcomes in treatment and conveyance systems. In 2013, Water represented 15% of total revenues (2012: 15%).

Contribution to revenues 2013

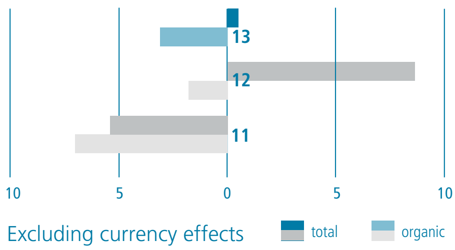
15%

2012: **15%**

Gross revenue Water
in € million



Water growth (net revenue)
in %



Operating EBITA-margin Water
in %

Present position and updated strategy

Top 5 global water consultancy

The international water market is driven by long-term trends, including the increasing scarcity of clean, potable water for expanding populations globally, and the effects of climate change, as well as by industrial clients looking to reduce water usage. Following our 2009 merger with US-based Malcolm Pirnie, and the 2012 merger with Brazil-based ETEP we achieved the Number 1 ranking in 2013 in Engineering News Record for International Design Firms for Water. In 2013, we strengthened our position in Water with the acquisition of Geohidrología in Chile, active in groundwater resources. These steps, along with our international network of strong local positions, excellent client relationships, and long-term experience, give us a strong competitive edge. We aspire to be a Top 5 Water consultancy in all our geographies.

SWOT analysis

Strengths	Weaknesses
Full water cycle capabilities	Limited position in Asia and Middle East where demand is high
Leader in wide range of treatment technologies	
Complete mix of design, engineering and consultancy services	
Strong client relationships	
Dutch heritage and experience in water management	
Opportunities	**Threats**
Growing global demand for potable water	Limited public funding available to construct/improve basic infrastructure
Regulatory water quality requirements	Increasing price competition in local markets
Ageing water infrastructure requiring upgrades	Market shift to cost and schedule certainty and design-build approaches in mature markets
Water management to combat climate change effects	Delta cities may not have the funding needed to implement adaptation strategies
Solutions to improve sustainability for industrial clients	

Water strategy 2014 – 2016

The fastest growth in the addressable water markets for ARCADIS is in the Middle East and Brazil, where demand for clean water is high and water capacity development is a high priority. Growth is also expected in North America and the United Kingdom, mostly in efficiency improvements in existing facilities, which face aging infrastructure. North America will also benefit from water management spending related to extreme weather events. Asia is expected to grow, with ARCADIS focusing mostly on private sector water work, delta city water management and operational systems improvements. In Europe, water spending is expected to flatten out, with growth opportunities in water management outside the Netherlands. A growing market in many countries is that of water loss, resulting from leaking old water networks and losses in customer billing and collection. Other aging infrastructure growth areas are asset management and operations optimization.

Strategic choices
In Water, ARCADIS aspires to be the world leader in providing sustainable, full cycle water solutions. In addition to expanding our core business as part of our 2014-2016 strategy, the priorities are:

- Water for Industry;
- Water Management;
- Emerging Markets.

Expanding our core
In North America and Europe capital expenditure on new plants or expansions is limited. These markets lend themselves well for our business advisory services and program management solutions aimed at reducing operating costs or enhancing throughput with technical innovations. Modernization of aging infrastructure is a growing market, in part driven by water quality regulations and the ambition to implement more sustainable solutions in existing systems, while also triggered by water loss during transportation.

Water for Industry
With our strong industrial client base only partly served with water solutions, 'Water for Industry' is a priority, assisting these clients by consulting, designing and delivering cost effective solutions to water challenges. Corporations across a broad range of global industries want to increase water security and protect water supplies while reducing water, capital and operations costs, and compliance risks.

Water Management
In water management, we are globally recognized for iconic projects such as the protection of New Orleans post hurricane Katrina or protecting The Netherlands. Clients rely on us to protect against the effects of climate change and prepare assets for extreme weather events. Large delta cities are increasingly driving our water management business, like New York City, which is implementing projects and programs to plan for extreme weather and climate change effects after superstorm Sandy.

Emerging Markets
Significant upside is possible in emerging markets, especially in Brazil, where we are market leader with ~20% market share. Brazil builds basic infrastructure to universalize water and sanitation coverage. In Brazil there are also many chances for system improvements, including water loss reduction. In the Middle East, we see significant growth opportunities in water/wastewater, water management and water for industry.

In Asia (Southeast Asia and India), we focus on opportunities in industrial water, water/wastewater treatment as well as on water management, where demand is driven by extreme weather events. ARCADIS is particularly well positioned as a recognized global expert.

Developments in 2013

	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	365	370	(1)%	(1)%	4%	(3)%
Net	278	286	(3)%	(3)%	3%	(3)%

All amounts in millions of euros.
Operating margin excludes restructuring costs

	2013	2012
EBITA	22.7	25.3
Margin	8.2%	8.8%
Operating EBITA	25.0	26.7
Margin	9.0%	9.3%

Gross revenues increase aided by acquisitions
In 2013, gross revenues decreased by 1%. Acquisitions contributed 4% and were offset by currency effects of -3%. Organically, gross revenues declined 1%, while net revenues declined by 3%, mostly due to declines in Continental Europe where government austerity affected revenues. In North America revenues were lower as last year a large amount of emergency work was performed in the fourth quarter due to superstorm Sandy. In Emerging Markets we recorded a number of significant project wins, while ETEP (Brazil) and Geohidrología (Chile) contributed to growth from acquisitions. 'Water for Industry' solutions are now being delivered to leading Multi National Clients globally. Operating margin slightly declined to 9.0% (2012: 9.3%), mainly due to lower margins in Continental Europe.

Post-Sandy work growth driver
After superstorm Sandy hit the Northeastern United States in October 2012, ARCADIS provided short-term assistance to water systems. Since then, the aftermath of the storm has created a multitude of opportunities. For New York Economic Development Corporation we studied various alternatives for flood risk reduction in Lower Manhattan simulating storm scenarios and performed a feasibility study on a multi-purpose levee in the East River, known as 'Seaport City'. We assist New York City Health and Hospitals Corporation to weather proof their facilities and do the same for the Nassau County Department of Public Works for five wastewater treatment plants and over 30 pump stations.

Operational consulting to enhance efficiencies
In Europe and North America, capital expenditure on projects is limited, so clients focus on reducing operational spend. In the Netherlands, ARCADIS upgrades design and maintenance of bridges and locks in the IJsselmeer area under a five-year contract. In the run-up to AMP6, we are assisting clients like Thames Water, Scottish Water, Welsh Water in validating the commercial viability of their business plans identifying target areas for future efficiency and developing investment program delivery strategies. In the United States, ARCADIS assisted Birmingham Water Works (BWWB) in Alabama in stabilizing their 2013 and 2014 operational and maintenance budgets by applying business advisory services through our Built Asset Consultancy approach. ■

Developments by business line
Environment

This business line focuses on activities that 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, 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. In 2013, these activities represented 33% of revenues (2012: 33%).

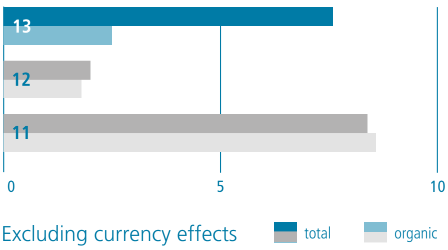
Contribution to revenues 2013

33%

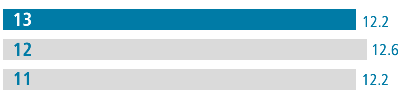
2012: **33%**

Gross revenue Environment
in € million

Environment growth (net revenue)
in %



Operating EBITA-margin Environment
in %



Present position and strategy

ARCADIS is the global leader in Environment

The environmental market is largely driven by legacy issues related to soil, groundwater and sediment contamination. We are a leading player in this field and the largest global provider of environmental solutions to the private sector. Our biggest differentiator is the application of advanced, proprietary, cost-effective remediation technology, helping clients bring sites to regulatory closure in shorter time frames and at considerably lower costs. Our sector focused and tailored solutions drive more value in the preliminary stages of remediation projects. Our leading position is strengthened by our global presence and strong local resources, enabling us to seamlessly serve multinational clients worldwide; our Guaranteed Outcomes program; and our health & safety program and culture. Through the acquisition of Canadian-based SENES in 2013, we strengthened our position in Canada and Asia, with stronger expertise in environmental solutions for the mining, energy, oil & gas sectors that can be applied throughout our network.

SWOT analysis

Strengths	Weaknesses
Proprietary technology, Global Knowledge Networks connecting worldwide expertise	Some gaps in geographic footprint where we rely on strategic partners
Cost-effective remediation technology, Guaranteed Outcomes	Small position in Asia
Global footprint with home country strengths	
Strong multinational and key national client base	
Strong health and safety culture	
Opportunities	**Threats**
Continued regulation and environmental awareness worldwide	Less environmental spending by public sector clients during recessions
Proprietary technology and track record to offer Guaranteed Outcomes	Less environmental impact assessment work due to reduced infrastructure investments
Partnerships with multinational clients looking for global service providers	
Redevelopment of contaminated industrial sites	
Services related to climate change and sustainability	

Environment strategy 2014- 2016

Largest markets in United States and Europe

All of the environmental markets to which ARCADIS has access are expected to grow in the coming years. The largest markets are the United States and Europe, primarily driven by strict regulations and enforcement. In Latin America, environmental impact assessments generate growth, although environmental remediation is picking up. In the Middle East and Asia, the market size is limited but growing, as latent demand is building, especially in clean air and water. Regulatory drivers are limited, although the Chinese government has identified environment as a key issue, indicating potential for growth. Remediation is likely to provide stronger opportunities long term.

Global thought leader in environment
In Environment, ARCADIS' aspires to be the world leader in restoring and sustaining the environment. For the 2014-2016 period, our growth focuses on three areas: sustainable investments, sustainable operations and sustainable closures. Our sustainable investment solutions assists our clients in securing the environmental and social license to operate, anywhere in the world. These solutions relate to new assets and are therefore more buoyant in emerging markets. Early involvement with our clients positions us for longer term relationships and allows for a broader range of our capabilities to be brought in.

For a growing number of clients we manage environmental issues, including regulatory compliance and health & safety matters creating value over extended time periods, while reducing risks and costs, and making operations more sustainable.

In sustainable closures, our sector knowledge and extensive subsurface technology and expertise are key differentiators, allowing us to drive the closure of legacy assets with more certainty and in a more sustainable way than our competitors. Through our program management capabilities we effectively address large portfolios of sites, while our proprietary remediation technology makes us a global thought leader. We plan to build on our leading position by ensuring our deep sector insights and technical knowledge are shared throughout our global network, bringing the most relevant technology to any site that requires remediation.

Developments in 2013

	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	840	849	(1)%	(2)%	3%	(3)%
Net	528	506	4%	3%	3%	(4)%

All amounts in millions of euros.
Operating margin excludes restructuring costs

	2013	2012
EBITA	60.0	61.0
Margin	11.4%	12.0%
Operating EBITA	64.2	63.9
Margin	12.2%	12.6%

Performance driven by the private sector
In 2013, gross revenues declined by 1%. The contribution of acquisitions (SENES, BMG) was 3%. The currency effect was -3%. Organically, gross revenues declined by 2%, while net revenues rose by 3%, the difference explained by reduced subcontracting. The decline in the North American federal market was compensated by growth in private sector work, particularly with Multi National clients in oil & gas and mining. Growth continued in Brazil at better prices, while parts of Continental Europe also saw growth. Operating margin was 12.2%, slightly below the 12.6% of 2012 as competition increased in the US market.

Multi National clients offer strong growth
ARCADIS' leading global position is essential in securing work with Multi National clients, driving double digit growth in 2013. A key focus is to win bigger, more complex projects, creating significant value to clients. For Syngenta, ARCADIS performed 160 groundwater samplings in 11 countries in a certification program for one of its products. Large projects also include mining reclamation, combining sector knowledge, remediation and water technologies. We also grew through framework contracts with clients. In Greensborough, North Carolina, we completed an 11 year remediation project at a former bulk fuel terminal of Total. For Solvay in France, ARCADIS and SENES assisted in projects related to Natural Occurring Radioactive Materials on a site for rare earth extraction. In the US, we surveyed 14 chemical facilities in 7 different states for Solvay, while in the UK we assisted this client on site assessments for a former chemical manufacturing facility. In Yamal, Russia we provided environmental, social and health & safety advice on a new LNG site, mitigating possible impacts before project implementation.

Acquisitions drive growth beyond their own borders
Two acquisitions contributed to growth in 2013. Through BMG (Switzerland, July 2012) we secured global framework contracts for some of its clients contributing to global growth. SENES, the Canadian based environmental consulting firm teamed with our Brazilian firm to win a contract for environmental, health, safety and social compliance at a new paper pulp mill.

US market remains challenging
Impacted by the government shutdown and sequestration, the US Federal market came under considerable pressure during the year and peers from this market, started focusing on private sector work. We continued to win Federal work and were selected by the Air Force Center for Civil Engineering Center (AFCEC) to provide restoration services at Tyndall Air Force Base, a 7 year project with a total price of approximately $32 million. Meanwhile our private sector business performed well. In Augusta, Georgia, ARCADIS is applying its proprietary in-situ reactive zone technology to remediate a large scale groundwater contamination for a private sector client. For a global mining client, ARCADIS implemented a mine reclamation project in Canada. In the project we combine our mining market sector knowledge and expertise, with our leading edge remedial and water technologies to return the mined land to a sustainable natural setting ready for reuse.

Emerging markets driven by capital expenditure
In the emerging markets, we assist clients in organizing procedures and obtaining permits to allow for their capital investments to move ahead. In the case of the Jirau hydro power plant in Brazil, this work included monitoring more than 2,000 flora species during the construction phase to assure that there is minimum impact to the environment. During the project 23 new species were discovered.

Guaranteed Outcomes in demand
ARCADIS has pioneered the guaranteed remediation market through its GRIP® program, a very successful fixed price model for environmental remediation challenges. Today, ARCADIS continues to be a leading player in this market with its Guaranteed Outcome solutions, providing clients a fixed price solution for their remediation challenges and providing itself with a clearly differentiated market position. ■

Developments by business line
Buildings

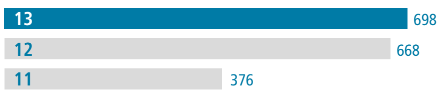
This business line helps leading clients transform their business performance by planning, creating, operating and regenerating their assets to ensure they are a source of competitive advantage, meet business needs, and generate sustained business value. ARCADIS consults to real estate owners, investors, operators and occupiers to find innovative ways to create and use existing space, while enhancing productivity and returns, finding the right balance between efficiency, functionality and performance. We also design, plan and manage the construction of buildings, cities and communities that improve quality of life, raise standards of living, with sustainability an integral part of all of our designs. This business line contributed 28% to total revenues in 2013 (2012: 26%).

Contribution to revenues 2013

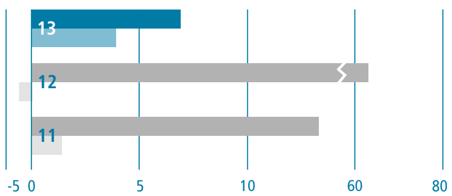
28%

2012: **26%**

Gross revenue Buildings
in € million



Buildings growth (net revenue)
in %



Excluding currency effects total organic

Operating EBITA-margin Buildings
in %

Present position and strategy

Integrated solutions higher in the value chain

The buildings market is largely driven by investments by private investors and developers; institutions; end-users; and governments. In recent years, we have met changing client needs by transitioning towards higher value added solutions that improve client performance and increase our profitability. Since merging with Langdon & Seah in 2012, we are a leader in cost and project management across Asia, building successfully on the merger with EC Harris in 2011, which added the full spectrum of Built Asset Consultancy capabilities. We are well on our way towards achieving a leading global position in program management. We expanded the capabilities of RTKL, leading in master-planning and performance driven design, across mature and emerging markets. With these additions we are now 8,000 professionals strong, with leading market positions in Europe, Middle East, Asia, US and Latin America. The focus on client needs and bringing the best of ARCADIS to our clients paid off in 2013 with EC Harris and Langdon & Seah generating revenue synergy bookings of over €90 million. Our BAC approach, led by EC Harris, delivered more than €60 million of new bookings across other operating companies.

SWOT analysis

Strengths	Weaknesses
Global Built Asset Consultancy throughout the asset lifecycle	Extent of footprint in South America
Wide range of high added value services	Weak markets in continental Europe
Strong specialist sector and asset specific knowledge	
Business advisory capability	
Strong global program, project and cost management capabilities	
Global brand in master planning, urban design, architecture and performance driven design with RTKL	
Strong global footprint including Middle East and Asia	

Opportunities	Threats
Demand for value creation through integrated services, including green buildings	Sensitivity to economic cycles
Corporate clients seeking global partners	Increased competition in emerging markets
Growth in emerging markets in Asia and Middle East	New entrants (competitors) such as management consultancies, integrated real estate agents and Facilities Management contractors
Capital constraints & oversupply in mature markets driving demand for improved asset performance	

Buildings strategy 2014 – 2016

All markets to see growth in coming years
All of the buildings markets in which ARCADIS operates are expected to grow, with strongest growth expected in the Middle East and Asia, where we have leading positions. In China, urban migration and a growing affluent middle class, provide strong drivers for private sector investments in a broad range of buildings. Another growth market is the Middle East where governments implement large social infrastructure programs, and private sector developers pursue commercial and mixed use projects.

Strategic choices
Our ambition in Buildings is to be the leading built asset solution partner, strategically focused on delivering solutions that realize value and bring the best of ARCADIS to our clients. We continue to invest in program management; business advisory; master planning and urban design; architecture and performance driven design, and contract solutions.
Program management helps clients reach their business objectives by optimizing and managing their large capital investment and asset management programs. We intend to accelerate growth given the sizeable market opportunity. Key client groups have been identified and we launched in 2013 our own program management academy to support this growth and further differentiate our capabilities. For multinational clients we focus on portfolio opportunities, centrally managing and locally providing certainty of delivery. In our Big Urban Client segment, we focus on big urban schemes to deliver sustainable solutions. Lastly, we focus on single big events, such as Olympic Games or World Cup soccer which require considerable amounts of deadline driven investment and complex interface management.
In business advisory, we focus on creating exceptional and sustainable outcomes for clients by concentrating on adding value at the start of the investment process and providing advisory services throughout the asset lifecycle.
In architecture and performance driven design our focus is on developing designs that demonstrably help to improve and sustain performance of our clients assets, measured against impact on People, Planet and Prosperity. We also continue to invest in developing our leading positions in cost/project management and build out our leadership positions in Asia and the Middle East.

Developments in 2013

	Revenue		Growth of revenue			
	2013	2012	Total	Organic	Acquisitions	Currency
Gross	698	668	5%	5%	4%	(3)%
Net	575	554	4%	4%	5%	(3)%

All amounts in millions of euros.
Operating margin excludes restructuring costs

	2013	2012
EBITA	49.3	40.8
Margin	8.6%	7.4%
Operating EBITA	54.0	55.0
Margin	9.4%	9.9%

Strong organic growth from emerging markets
Overall gross revenues increased by 5% while net revenue increased by 4%. The currency effect was -3%. The contribution from acquisitions (Langdon & Seah) on net revenue was 5%, while organic growth amounted to 4%. Our activities in Emerging Markets saw strong organic revenue growth, while the UK also performed well. This performance more than offsets declines in North America and Continental Europe. In architecture, RTKL grew commercial revenues in North America and Asia, but saw weakness in US healthcare and workplace. Operating margin was 9.4%, which was slightly behind last year (2012: 9.9%), mainly as a result of the EC Harris partner benefit effect.

From capital expenditure to operational asset value creation
The buildings market in Continental Europe remained under pressure as economies struggled and capital investment remained depressed. The U.S. saw a similar trend. In these markets ARCADIS assists clients to improve asset productivity by creating more value from existing assets. For Philips, this resulted in a three-year framework contract with ARCADIS supplying project management for a broad range of real estate related projects. For ExxonMobil, ARCADIS designs and implements a global workplace transformation to achieve a minimum of 10% real estate savings globally while improving the workplace environment.

UK market driven by London prime residential development
Solid growth was achieved in the UK on the back of strong demand for high end residential development in London. The UK team is involved in several of these projects including The Heron, the Empress State Building and Hertsmere House.

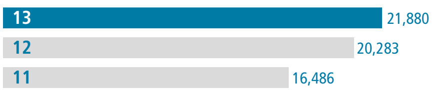
Big investment programs drive growth in the Middle East
ARCADIS has identified that in the Gulf Cooperation Council region in the Middle East in excess of 117 major programs (each > $1 billion) are planned for completion by 2030. This is on top of a number of large schemes already under construction, some of which involve ARCADIS. In Abu Dhabi, we provide program management services for a new campus for New York University, which sees this as a major hub in its global university network. In Qatar, public authority Ashghal relies on our program management skills to deliver a major program of social infrastructure building projects across the country. For our Big Urban Client program, we have selected Doha in Qatar and Jeddah in Saudi Arabia given the myriad opportunities for ARCADIS involvement in large scale projects.

Continued strong growth in Asia
Our activities in Asia have seen strong growth. Capital expenditure is high and we benefit through work from private sector developers. Langdon & Seah opened three new China offices during the year, bringing the total to 19 in China/Hong Kong/Macau. Also in other Asian markets business is robust with Malaysia, Philippines and Indonesia growing with above average rates. In Southern Malaysia, ARCADIS is involved in the Medini project, part of the Iskandar mega development where ARCADIS has already defined the master plan and is now acting as the design & development manager to maximize the value of the land and realize the vision to create a truly 'Smart City'. Our architecture subsidiary RTKL has a leading position in retail/commercial mixed use developments in China. In 2013 it worked on two MixC developments in Nanning and Shenyang which comprise unique one-stop shopping, dining, entertainment and leisure experiences, each fitted into the local culture and making use of landscape features. ■

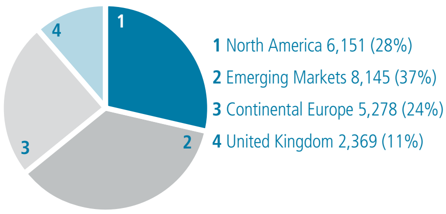
People and organization

ARCADIS' strategy is focused on building leadership positions in each of its business lines. To achieve this goal, our ability to attract and retain excellent people is key. We aim to be an employer of choice, offering an international and inspiring workplace that allows people to develop their ultimate potential. We seek to attract, engage and develop talented people with strong values throughout our global operations, and offer a working environment in which commitment and professionalism are the standard.

Average number of employees
Including temporary staff

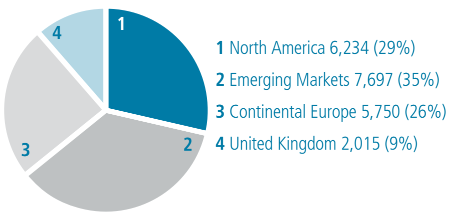


Geographical spread personnel[1)]
At year-end 2013



1) total number of employees including temporary staff

Geographical spread personnel[1)]
At year-end 2012



1) total number of employees including temporary staff

We attract people to ARCADIS through our:
- core values of integrity, client focus, collaboration and sustainability;
- healthy and safe work environment;
- exceptional and sustainable outcomes that we deliver to clients;
- long-term relationships with clients who recognize and reward the added value that we provide;
- our collaborative yet performance focused culture, which provides room for entrepreneurship, and personal and professional development;
- increasingly international career opportunities;
- sharing of success and rewarding it accordingly;
- international and diverse workforce at all levels of the organization.

Employee numbers rise; fastest growth in Emerging Markets
The total number of people working for ARCADIS at year-end 2013 was approximately 21,030 (2012: 21,020). Including temporary staff, our total capacity at year-end 2013 had grown by 1% to 21,943 (2012: 21,696). The increase in the number of people resulted from the acquisitions of Geohydrología in Chile and SENES in Canada and India, adding a total of slightly more than 300 people. Organically, we saw a reduction in the number of people in Continental Europe, in response to continued challenging market conditions, and the implementation of our pan-European operating model. In North America and the UK organic growth levels were essentially flat. At the same time, Emerging Markets saw an increase in the number of people, under good business conditions. By year-end 2013, some 37% of our staff was located in these markets. Given expected growth levels in Emerging Markets, and our focused growth strategy for these markets, this trend is likely to continue in the years ahead.

Other staffing trends
Voluntary staff turnover rose to 12% (2012: 10%), with turnover highest in Asia, where demand for our services and qualified staff is high. The average age of ARCADIS people is 38.6 years, down from 39.1 in 2012. Of our people, 36% is female, up 3% compared to 2012. In Langdon & Seah 52% of our people is female. At 1.7% absenteeism was slightly higher than last year's level (1.5%) but still well below industry averages. Excluding ARCADIS' US activities and RTKL, the percentage of employees under a flexible contract was 11% (2012: 8%). Of the total ARCADIS employee base 10% is covered by a collective labor agreement. ARCADIS believes in employee development and supports this

process with regular performance reviews, which are performed annually for most of our people. As a result of increased cross-border collaboration, our people also work more internationally. In 2013, 179 employees were permanently or temporarily transferred internationally.

Strengthening senior leadership

Our rapid growth in recent years and our recently launched strategy for the 2014-2016 period, including the evolution of our operating model, requires a further strengthening of our senior leadership. During 2013 several steps were made to strengthen senior leadership both at the global as well as at the regional levels. Appointments this year included an externally recruited Global Director of Mergers & Acquisitions, later being appointed to Global Director Corporate Development combining Strategy and Mergers & Acquisitions. A new Chief Information Officer (CIO) was also externally recruited. Another new role is that of the Global Director Performance Excellence, aimed at improving the effectiveness and efficiency of our core processes in order to bring the best of ARCADIS' capabilities to optimally serve clients and projects anywhere in the world.
Also new is the position of Global Director Big Urban Clients, an important strategic initiative of ARCADIS aimed at assisting major metropolitan areas in improving their competitiveness and the quality of life for their inhabitants. A new Global Business Line leader for Water was recruited externally.
The departments Corporate Communications and Investor Relations were split, and a new Global Director Marketing & Communications was appointed to strengthen this function.
Regional appointments included that of an externally recruited Chief Executive Officer in Europe, to lead the transformation to a pan-European operating model. The CEO for Brazil was appointed to the position of regional CEO for Latin America, also leading the activities in Chile. Our CIO, Global Director for Corporate Development, CEO for the Middle East, and CEO for the UK were appointed to the Senior Management Committee.
In addition to the Executive Board and all major corporate functions, this committee now comprises all global business leaders, all regional leaders and the leaders of our Multi National Clients and Big Urban Clients initiatives.

Key appointments and hires for strategy implementation

In support of the choices that were made in our 2014-2016 strategy, we have engaged on a program to appoint global and regional sector and client leaders to further strengthen our sector know-how and client engagement efforts. In addition we are appointing 17 core value proposition leaders for strategic priority areas to design scalable value propositions that are applicable to clients throughout ARCADIS, thereby supporting international collaboration. These investments are key to the implementation of our strategy and to achieving our targeted level of more than 5% organic growth.

Driving global collaboration through a multitude of programs

Collaboration is one of our core values and a central element of our strategy. In 2013 several initiatives were set up to enhance collaboration and make international cooperation easier. Since the initiation of our ARCADIS Quest program (www. arcadisquest) in 2008, more than 330 of our people were given the opportunity to work in and learn from various operating companies around the world. To accelerate the implementation and realization of ARCADIS strategy cross border, an extended version of the Quest program has been launched in 2012. In total 15 SuperQuest assignments supported the global business lines and operating companies to implement strategic projects.
Global Shapers (www.arcadisglobalshapers.com), our global initiative for young professionals carried its initial success into its second year with hundreds of young professionals connecting and sharing knowledge in an active online community. Furthermore in 2013 a selection of 100 of our best and brightest young professionals met each other face-to-face in Asia to work on tools that support ARCADIS' growth ambitions.

Sharing capacity to improve client solutions

As our pan-European operating model is rolled out, we have started sharing capabilities across geographical borders and exchanging people where this can better serve our clients. Meanwhile a special initiative was undertaken to build capabilities in the Middle East, where there is need for experienced project managers - during 2013, the first transfers were accomplished.

Leadership and talent development

In 2013, we increased our focus on leadership development activities that are both inspirational and performance driven. Through a methodology of assessments and external benchmarks, we have an in-depth view on the collective capabilities of the leadership group as well as on the individual capabilities of our leaders. The Global Succession Planning process has been extended creating a global map of longer term talent and the talent pipeline activities around the globe. A new Top Potential Program aimed at identifying and accelerating international careers of our best future leadership talent was successfully launched during 2013.

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The leadership development programs continued during 2013 with the introduction of the Senior Leadership Program (SLP), aimed at high performing senior leaders. 2013 also saw the launch of the ARCADIS Program Management Academy in response to a growing market need for more highly qualified Program Managers able to deliver program outcomes through a differentiated, certified set of capabilities and techniques. 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, also continued to run successfully.

Accelerating innovation

Innovation at ARCADIS takes place on a daily basis in close collaboration with clients in the projects that are performed on their behalf. We also seek to stimulate innovation within the company through our global 'Imagine…' competition. In addition, in 2013 we developed a funding mechanism for innovation together with ARCADIS' largest shareholder, the Lovinklaan Foundation. Through this mechanism entitled Satellite, a selected number of ideas will get seed funding for further development. The program will be launched in 2014.

Contributing to sustainable urban development

Through its Shelter Program, ARCADIS' partnership with UN-Habitat, the United Nations agency for human settlements, ARCADIS employees can apply their 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 more than 277 volunteers from across ARCADIS and is supported financially by the Lovinklaan Foundation. After a very positive evaluation by UN-Habitat, the contract was extended for two years. Shortly after typhoon Haiyan hit the Philippines, the Shelter program has been asked by UN-Habitat Philippines to provide support and a team of six ARCADIS people worked in the area, providing support on urban planning, water management, sanitation, construction and civil engineering. A follow-up team worked in the Tacloban area around mid-January 2014.

Employer of choice

Based on independent research under 60,000 employees of the leading 200 Dutch companies, ARCADIS was voted best employer in the Netherlands in December 2013. Earlier in the year, the CEO of ARCADIS company EC Harris was nominated for the People Focussed CEO of the Year Award.

Sharing the success

A renewed version or our employee share purchase program, also sponsored by the Lovinklaan Foundation, is being rolled out globally. This way people in newly acquired companies and new geographies can purchase ARCADIS shares from the Foundation at a discount, thus stimulating share ownership among employees and increasing their involvement in the company. The program is open to all ARCADIS employees with fixed employment contracts. By the end of 2013, more than 4,000 employees participated in the program. ■

Risk management

ARCADIS' approach to risk management

Risk in relation to our business
In our day-to-day business decisions, we always seek to strike a balance between maximizing business opportunities within the framework of our strategy, while identifying, assessing and minimizing the risks that 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 risks 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 risks substantially.

Risk appetite in relation to strategy
ARCADIS' risk management policies aim to identify, assess and manage risks. We aim to provide high value-added and consulting type solutions, under contract terms that limit our liabilities. Although we are routinely involved in major turnkey (contracting) projects and Guaranteed Outcome Solution projects (with higher risks), these are pursued under the premise that we have the technical and project management skills to adequately control these risks. 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. Key controls embedded in our ARCADIS Business Control Framework 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 risks that may impact our business operations. The framework is named ARCADIS Business Control Framework (ABC). The key characteristics of our Risk Management are:
- Focus on primary business risks;
- It is principle rather than rule-based; and
- It represents the minimum requirements that operating companies have to meet.

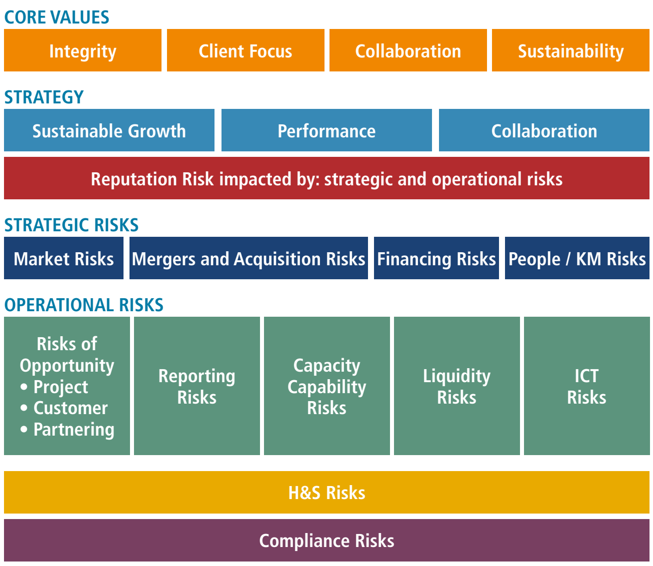
The ABC Framework is made up of global governance standards and global and operating company policies and standards. The ABC Framework has been rolled out globally. Internal Audit is responsible for auditing compliance.

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 risks. 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 reviewed the process.

Our Risk Management Committee, which was established in 2011, includes representatives from the Executive Board, 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 2013, the Committee reviewed the experience that was gained in using soft control surveys, assessing the organizational culture and how people deal with integrity issues, fraud and bribery amongst others. The committee also discussed the lessons learned from failures in our industry.

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.



Reputational risks (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

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reference. Any reputational 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.

Market risks (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. These risks 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.

Acquisition risks (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 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 risks (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. 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 risks (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 Academy.

Client & Project risks (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 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 risks with regard to its receivables, unfavourable 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 risks. Main project risks and claims are assessed quarterly, and if required, provisions are taken to cover risks. All claims with a potential impact above a certain size are monitored at corporate level and discussed with the Audit Committee each quarter.

Reporting risks (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 risks (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 revenue 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 risks (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 risks (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.

Health & Safety risks (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

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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 risks
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 anti-corruption, 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 2013.

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 Annual 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, 2013 and the developments during the financial year of ARCADIS and its group companies included in the annual 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 pages 64 and 65 under 'Information on Members of the Supervisory and Executive Boards'. ■

Sustainability

At ARCADIS we have designed our new strategy in 2013 to deliver on our mission to create exceptional and sustainable outcomes for our clients in natural and built asset environments. Our talented people, their expertise, passion and entrepreneurship combined with our leading edge capabilities and global reach will help make this a reality. We are committed to operating our business in a sustainable and socially responsible way, based on a 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 stakeholders. Our employees 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.

Our Sustainability policy applies to all ARCADIS employees and governs our approach to all our activities. It comprises five pillars:

- Corporate governance (also see page 68 of this Report)
- General Business Principles
- Environmental sustainability
- Health and safety
- Community involvement

Sustainability is an integral part of our strategy. The implementation and performance of our Sustainability policy is the responsibility of the Executive Board and of the senior management in each of the operating companies. In parallel to this, each of the five pillars is overseen by our Director of Sustainability who supports global implementation. We believe that applying a vigorous Sustainability practice within our own organization also creates the right mindset to integrate Sustainability in the work we do for our clients and the communities we serve.

Stakeholder engagement

We have a diverse set of stakeholder groups including clients, employees, shareholders, suppliers, partners and the communities we operate in. We seek to engage with stakeholders on a regular basis to deepen our insight into their needs and expectations, and to serve them better. Engagement helps us direct our strategy and actively promote the initiatives that address their needs. These include:

- *Sustainable urbanization.* The Shelter Program, our partnership with UN-Habitat, connects the expertise of our employees with that of UN-Habitat to address some of the world's most pressing urbanization issues and improve the quality of life in rapidly growing cities. It generates high levels of commitment of both our staff members and external stakeholders.
- *Biodiversity.* Our initiative to promote biodiversity in cooperation with the Dutch arm of the International Union for Conservation of Nature (IUCN) is unique in that the participating companies are engaged in a long term sustainability commitment.
- *Assessment and Impact.* We conduct regular internal surveys to gauge internal awareness of our Sustainability policy and initiatives such as the Shelter Program. These assessments also allow us to identify trends and emerging regulations that can affect sustainability performance. Our last survey took place in 2012, and resulted in a number of actions being implemented including the establishment of a Sustainability Task Force.

We engage with our shareholders through various channels, including our annual shareholders' meeting, one on ones with institutional investors, our Capital Markets Day, customer surveys and public hearings for specific projects. Feedback from our own employees is assembled through performance reviews which are held annually with the majority of our people.

Supplier policy

ARCADIS purchases goods and services from a wide range of suppliers around the world, and encourages them to apply high Sustainability standards.

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. Because of the nature of our business and the countries in which we operate, we are rarely faced with human rights and labor standards issues. Nevertheless, we feel obliged to ensure these are respected in our work and projects. ARCADIS regards its primary suppliers

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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.

In relation to high risk countries and for the purposes of post-merger/acquisition activities ARCADIS has soft controls in place, which also 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.

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 employees 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 staff. 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 aimed at increasing awareness of ARCADIS 'Business Principles and values. The last round of compliance training for all staff was completed in 2012, also by the employees of companies that were new to ARCADIS, including EC Harris and Langdon & Seah.
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 2013, 45 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 9 cases pending from before 2013 were also still under investigation during the year. In total 35 investigations were concluded. Most of the cases related to treatment of employees and a limited number involved business integrity issues. Company-wide, we had 2 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 Director of Sustainability.

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. 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®
In 2013, we continued to be involved in sustainable design initiatives on behalf of clients. In Brussels we provided structural and service engineering for a new building for local electricity transmission system operator Elia, that has become the largest net zero energy building in Belgium, certified by both BREEAM and Passive House. Langdon & Seah completed project and cost management services for the new Hong Kong University Centennial Campus that achieved LEED certification with a 'Platinum' rating thanks to its energy efficiency and the preservation of the natural surrounding environment. In Amsterdam, simply positioning the Sint Nicolaas Lyceum school building near Zuidas to maximize the use of sunlight was a simple way to save energy. In California, ARCADIS provided construction management services and a constructability review for the new Long Beach Airport passenger concourse which added 35,000 ft^2, including two new LEED-certified buildings with a peaceful garden core, improvements to the existing terminal and a new security screening checkpoint building. In Germany, ARCADIS provided project management and certification services for the first 'green hospital' in the country, located in Mannheim-Speyer. The Zuellig building in the Philippines for which we provided cost and project management won the ENR 2013 Global Best Project in the Green Project category. For Hong Kong International Airport we worked on projects to conserve energy as well as water. In Dalian (China), Brunei, Kuala Lumpur, and in Singapore, we are involved in Green Mark Gold certified building developments. In the UK we are assisting Imperial College, Kings College and the University of Manchester with different aspects of their environmental agenda.

Minimizing our own carbon footprint

Global Sustainability Program
In 2013, 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.

Carbon footprint results
Nominal metrics per FTE by emission source

	2008	2009	2010	2011	2012	2013
Scope 1 Vehicles (km/FTE)	4,485	4,391	4,459	4,065	4,594	**4,000**
Scope 2 Electricity (kWh/FTE)	3,250	3,127	3,025	2,845	2,757	**2,696**
Scope 3 Air (km/FTE)	6,421	5,332	7,059	7,061	7,131	**6,682**
Scope 3 Auto (km/FTE)	3,037	2,537	3,021	3,085	3,003	**2,661**
Scope 3 Public Transport (km/FTE)	1,001	993	1,073	1,051	1,119	**1,262**
Scope 3 Natural Gas (kWh/FTE)	1,023	1,005	1,072	1,009	965	**1,319**
Scope 3 Other Fuel (kWh/FTE)	54	56	53	42	33	**22**
Paper Consumption (kg/FTE)	52	53	48	44	44	**39**
FSC/PCW Paper (%)	59%	74%	74%	78%	72%	**71%**

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

CO2 Emissions (MT CO2/FTE)	2008	2009	2010	2011	2012	2013
Scope 1 Vehicles (Business)	0.98	0.92	0.90	0.81	0.85	**0.78**
Scope 1 Vehicles (Commuting)	0.11	0.11	0.11	0.11	0.18	**0.15**
Scope 2 Electricity	1.73	1.60	1.54	1.49	1.32	**1.29**
Scope 3 Air	0.78	0.65	0.87	0.88	0.90	**0.81**
Scope 3 Auto	0.72	0.59	0.65	0.70	0.70	**0.60**
Scope 3 Public Transport	0.06	0.06	0.06	0.06	0.07	**0.07**
Scope 3 Natural Gas	0.19	0.19	0.20	0.19	0.18	**0.25**
Scope 3 Fuel (Other)	0.01	0.01	0.01	0.01	0.00	**0.00**
Total	**4.59**	**4.14**	**4.34**	**4.25**	**4.20**	**3.97**

Carbon footprint analysis
While rapidly expanding our business through acquisitions and going through vast changes in our geographical footprint, we have been able to further improve our sustainability performance. 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. 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 and will develop new realistic goal levels in the course of 2014.

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 we do. This core value along with our Health and Safety Global Vision and Policy focuses us on a culture that strives for zero incidents.

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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.

In 2013 ARCADIS was recognized by several clients for its performance in health & safety and received praise from FMC Corporation, Lyondellbassell, BP Remediation Management and the US Naval Facilities Command, 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, Geoff Germann. Mr. Germann reports directly to Zack Smith, Executive Board member, who has global responsibility for Health & Safety.

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 we perform and 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 0 incidents and we strive to reduce our incident rates every year from the year before. Eventually, with this vision, we will achieve 0.

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, 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 in educating our staff in minimizing their exposure to harmful agents that can lead to disease.

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 second year in a row, ARCADIS' Total Recordable Case Frequency (TRCF) for 2013 (0.34) 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 70%. Our Lost Time Case Frequency (LTCF) for 2013 (0.16) 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.

During 2013, four of our operating companies were injury free for the entire year, while during two months of the year, the entire global company was without injuries.

The table below provides our injury and illness rates by region for the last 3 years.

Near miss reporting, a key process in helping to prevent incidents, has risen dramatically (over 400%) since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent future injuries.

ARCADIS Historical Injury and Illness Rates by Region – 2011 – 2013

	Year	Total Hours Worked (in thousands)	Fatalities	Total Recordable Case Frequency (TRCF)	Lost time Case Frequency (LTCF)	Operational Illness Frequency
ARCADIS Global						
ARCADIS Global	**2013**	**39,018**	**0**	**0.34**	**0.16**	**0.02**
	2012	32,166	0	0.36	0.18	0.00
	2011	27,229	0	0.46	0.25	0.04
By Region of the World						
Asia*	**2013**	**6,533**	**0**	**0.18**	**0.15**	**0.00**
Europe**	**2013**	**13,476**	**0**	**0.30**	**0.19**	**0.00**
	2012	14,208	0	0.41	0.24	0.00
	2011	9,963	0	0.38	0.28	0.00
North America***	**2013**	**11,467**	**0**	**0.38**	**0.05**	**0.03**
	2012	11,439	0	0.35	0.07	0.00
	2011	11,851	0	0.41	0.08	0.07
South America	**2013**	**7,542**	**0**	**0.50**	**0.27**	**0.03**
	2012	6,519	0	0.28	0.25	0.00
	2011	5,415	0	0.74	0.55	0.07

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

Accomplishments in 2013

ARCADIS accomplished much in the area of H&S in 2013. Through our initiatives and goals for the year, ARCADIS:
- Educated more than 2,900 senior and mid-level managers in comprehensive H&S stewardship
- Completed nearly 1,000 senior leadership H&S assessments
- Awarded its first annual TRACK awards for excellence in H&S implementation, innovation and intervention
- Held our 5th Annual Global H&S Day in November with the theme of 'Understanding Your Risk Tolerance' to increase awareness about how we perceive and tolerate risk
- Executed an agreement with iJET to begin the

implementation of a global program of operational and travel risk management for safety, security and health for our international opportunities
- Completed H&S assessments of 12 ARCADIS Operating companies, with the remainder to be completed in the 1st quarter of 2014
- Developed the ARCADIS H&S strategy for 2014 – 2016 and reviewed and revised our Global H&S Vision and Policy with new, long-term commitments.

Objectives for 2014 and beyond

In 2014, we will continue to implement our risk- and behavior-based approach under the theme of our 'TRACK to 0' and 'If Not Me, Then Who?' initiatives. TRACK is 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 towards 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 2014, we will:
- 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 2014 include the continued improvement in near miss reporting and incident investigation so that we can learn from those events. From these, we learn better ways to control the hazards we face everyday, 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

UN-Habitat Partnership Program

In 2013, we extended our global partnership with UN-Habitat, the United Nations agency for human settlements, for another two years until the end of 2015. This partnership, 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. During the last three years, 50 missions, trainings and other Shelter activities have been organized in Asia, Africa and Middle America, in which over 120 ARCADIS experts have shared their expertise and skills to help bring our joint mission forward. Moreover we are a main sponsor of the World Urban 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.

Program activities in 2013 included:
- Completion of Shelter Missions on erosion control in Rwanda, water management in Haiti (three missions) and urban coastal protection and environmental protection in Costa Rica, and finally a Shelter Rapid Response mission to The Philippines in November/December to support reconstruction efforts in Tacloban, which was heavily affected by the typhoon Haiyan.
- Support from the home offices for a UN-Habitat drinking water project in Afghanistan and for the preparation of an UN-Habitat report on global long-term water assessment.
- Shelter support workshops for UN-Habitat from our offices in The Philippines, Netherlands and the UK.
- Third Annual Shelter Academy for knowledge transfer in October in The Netherlands, organized in cooperation with UN-Habitat.
- Organization of UN-Habitat World Day activities in ARCADIS offices worldwide on October 7.
- Participation in the World Urban Campaign activities and steering committee.
- Advisory support for the UN-Habitat Cities and Climate Change Program.

In September, Shelter was recognized at the UK Corporate Engagement Awards, winning a Bronze award in the category 'Best pro bono work for charitable social or ethical cause'.

Celebration ARCADIS 125 years

In 2013 ARCADIS celebrated its 125th anniversary. One of the highlights of the year was the Sporting Challenge, during which colleagues from around the globe were encouraged to make a joint contribution to society. In approximately 125 days, they collectively covered 1,029,983 km. When the one-million kilometer mark was reached, ARCADIS donated the appropriate sum of €125,000 across three charities: Juvenile Diabetes Research Foundation, the World Wildlife Fund for Nature and Transparency International.

Reporting standards

We have followed the Global Reporting Initiative's (GRI) G3 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 indicator relevant for the business. Following thorough self-assessment and analysis of the information prepared in support of our disclosures as part of our GRI submission for 2013, we have declared application of the GRI principles at level C. ■

Outlook 2014

Backlog

Organically backlog is up 3% from the year-end level of 2012 with a strong contribution from Buildings and Water, where in the fourth quarter order intake was strong. Infrastructure and Environment saw backlog declines.

Progress in ONEurope

Building on the progress to date we increased the savings target for ONEurope from €25 million to €32 million, of which a substantial part is expected to be achieved in 2014 to help realize the 10.0% operating margin target for the fourth quarter. Restructuring charges for Continental Europe in 2014 are expected to be €5-6 million.

Outlook by business line

In the **infrastructure** market, **continued growth**: strong growth is expected in Emerging Markets, particularly in Brazil and the Middle East, where our presence is sizable, representing 40% of Infrastructure revenues. Growth is also expected in the US market, where we have a strong position in niche segments such as intelligent traffic management. In the UK, where the economy is improving and considerable investments in rail are expected, we see opportunities in program management. In Continental Europe we expect a stabilization of revenues based on recent project wins in a number of European markets.

In the **water** market, **return to growth**: we expect to see a return to organic growth in the course of the year. We expect strong market demand in Brazil, where we recently won a number of sizable and innovative contracts that are taking time to commence. In the course of the year we expect to see growth in the US replacing emergency work post Sandy with our water solutions for private and public clients. In the UK, we expect growth in both the regulated water market and the water management market, especially as a consequence of the recent and ongoing floods. In Continental Europe we expect to see a stabilization based on flood-related projects in Germany and growth in water solutions for our private clients. Global growth will be supported by our successful 'Water for Industry' program.

The **environmental** market, **low growth**: we expect to benefit from capital expenditure spending in Brazil on large scale projects, all of which require extensive environmental impact assessments. While our backlog is down in the US, and the Federal market (15% of US environmental revenues) is still difficult, private sector demand is good, although we may see increased price pressure as more companies focus on the private sector. European revenues are expected to grow due to rising private sector demand.

In the **buildings** market, **continued growth**: we expect to see growth due to strong capital investment programs in the Middle East and Asia. In the UK we expect the London market to develop well and support overall growth in the UK. In the US we expect low growth from a return of the commercial market and from rolling out our business advisory solutions across a broader portfolio of clients. With the backlog in Europe trending positively and by further expanding our business advisory solutions, we foresee stabilization during 2014.

Outlook 2014-2016

On December 4, 2013, ARCADIS announced its **sustainable growth | performance | collaboration** strategy. This strategy provides a clear roadmap for future growth comprising expanding our core, focused growth priorities and continued mergers & acquisitions. For this period new financial targets were set:

- Organic revenue growth > 5% CAGR
- Inorganic revenue growth > 5% CAGR
- Operating EBITA margin > 11%
- Free Cash Flow > Net Income
- Return on invested capital > 13%

In 2014 we will invest in capabilities to drive organic growth and performance excellence to enhance our performance over the three year period. We expect to increase revenues and net income from operations in 2014, barring unforeseen circumstances.

Amsterdam, the Netherlands, 19 February 2014

Executive Board
Neil C. McArthur, *Chief Executive Officer*
Renier Vree, *Chief Financial Officer*
Stephanie Hottenhuis, *Member Executive Board*
Friedrich M.T. Schneider, *Member Executive Board*
Zack Smith, *Member Executive Board* ■

Report by the Supervisory Board

2013 Financial Statements, dividend and post balance sheet date events

The Executive Board has prepared this Annual Report, including the 2013 Financial Statements. KPMG Accountants N.V. audited the Financial Statements; their report and certification can be found in the independent auditor's report section. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2013 Financial Statements.

On 18 February 2014, the Audit Committee discussed the 2013 Financial Statements with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the external auditor. In the same meeting it discussed KPMG's report on the audit of the financial statements 2013 and the management letter. Particular attention was paid to the key audit matters, such as project revenue recognition and valuation of (un)billed receivables as well as the valuation of goodwill. Additionally, the outcome of soft control surveys that took place in two entities and the scope of the audit work were reviewed including feedback from site visits by KPMG's group audit team. The Audit Committee also had a discussion with the internal and external auditor, without management being present.

On 19 February 2014, we discussed in our full Supervisory Board meeting the 2013 Annual Report, including the 2013 Financial Statements, with the Executive Board, in the presence of the auditor. Particular focus was on the risk paragraphs. We agreed with the Annual Report, including the Financial Statements. We also approved grant of bonuses to members of the Executive Board and senior management. Together with the Executive Board we confirmed the priorities for 2014. In our closed meeting, we evaluated the performance of the Executive Board and its individual members in 2013 and we discussed the composition of and nominees for the Supervisory Board, Audit Committee and Selection and Remuneration Committee and Executive Board.

We agree with the Executive Board's proposal to distribute a dividend of €0.57 per share, to be provided in cash or in shares at the option of the shareholder. The General Meeting of Shareholders will be asked to discharge the members of the Executive Board for their management of the company and its affairs during 2013 and the members of the Supervisory Board for their supervision over said management. The members of the Executive Board have signed the 2013 Financial Statements in accordance with section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het financieel toezicht). Together with the members of the Supervisory Board, they have also signed the 2013 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code.

We were very pleased that in May 2013, following our nomination, the shareholders resolved to appoint Mr. Niek Hoek to the Supervisory Board. We are also pleased to be able to confirm that Mr. Ian Grice has confirmed to be available for re-election as Supervisory Board member and that Mr Renier Vree has confirmed to be available for re-election as Executive Board member and CFO for another 4-year term, and we will make a nomination for their re-appointment. In the upcoming shareholders meeting in May 2014 my third and last four-year term as Supervisory Board member and Chairman of the Supervisory Board ends. I am honored to have been a member of the Supervisory Board for twelve years, of which I have chaired the Board for 10 years. Arcadis has shown a remarkable development over this decade. Net revenues more than tripled, operating margin went up by more than 50%, EPS from operations almost quadrupled and the number of employees more than doubled to well over 20,000 today. Shareholders realised an annual compounded return of 693% at the time of writing this report. But equally important Arcadis creates exciting employment opportunities for talented professionals all over the world as we are employing more nationalities than ever today in 40 countries. The full credit for this excellent performance goes to the hard working Arcadis executives and their entire staff.

Supervisory Board Meetings in 2013

In 2013, we had ten meetings, seven of which were regular meetings with the Executive Board. Four of the meetings were preceded by "closed meetings", without Executive Board members present. In the two additional meetings in January we discussed contemplated acquisitions. In a meeting 22 March we approved the agenda for the 2013 shareholders meeting, the relevant agenda items, the explanatory notes and the other shareholder meeting materials (given the legal requirement of a 42 day notice period for the shareholder meeting, we had this discussion prior to our regular end of March meeting). Throughout the year the Chairman has been in regular contact with the CEO and occasionally with other Executive Board members. Supervisory Board members were rarely absent from either full board meetings or committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings, was 91.4%, for the Audit Committee meetings 91.7% and for the Selection and Remuneration Committee meetings 100%. The limited non-attendance is explained by other previously set engagements (virtually all in relation to the extra meetings that were convened on short notice) or health reasons.

In the meetings with the Executive Board a number of recurring items were discussed. These included financial performance, developments in operating companies, risk management, working capital, cash flow, claims, compliance, health and safety, important project wins and investor relations. We received regular updates on the integration progress with EC Harris and Langdon & Seah. We regularly discussed potential acquisition opportunities as well as business performance and opportunities. Quarterly results and press releases related to quarterly results were discussed prior to publication. The Chairmen of the two committees of the Board reported on their meetings, as applicable. During the year we worked on finding potential candidates for the future vacancy in the Supervisory Board due to my upcoming retirement. This task has become more complex as a result of the recent governance law in the Netherlands with regard to the limitation of board memberships and minimum gender rules. During the year we met several times with the Board of the Bellevue Foundation, consisting of ten ARCADIS employees from all over the world, to discuss ARCADIS affairs. This year we also spent a lot of time in various meetings discussing, and providing input on, the ARCADIS strategy for the next three year cycle (2014-2016) and the operating model, as developed during the year and published on the Capital Market Day on 4 December 2013.

As confirmed in the introductory paragraphs of our Supervisory Board report on 2012, we performed, in our meeting on 26 February 2013, with the external auditor present, our review of the 2012 annual report and related documents and we approved the dividend proposal. Other topics were the approval of the grant of bonuses to members of the Executive Board and senior management and discussion of the new legislation regarding mandatory change of audit firm. Special attention was paid to Health & Safety responsibilities in various types of contracts as well as the concept "If not me, then who" that we promote within ARCADIS. In our closed meeting, we evaluated the performance of the Executive Board and its individual members in 2012 and we discussed the composition of and nominees for the Supervisory Board, Audit Committee and Selection and Remuneration Committee and Executive Board. Following the changes in the Executive Board in 2012, including the change of CEO, we were pleased to note that the EB functioned well in 2012.

At the end of March, we met in Hong Kong as guests of the local organizations of EC Harris, RTKL and Langdon & Seah. A guest speaker attended part of our meeting to discuss overall Asian economic developments. We discussed our strategy for Asia and the corporate strategy development process. We also discussed the M&A policy and potential acquisitions and we received an extensive presentation on IT. We visited and met with local clients as well as our local staff (Langdon & Seah, EC Harris and RTKL). Our response manuals (for the event ARCADIS would face any hostile situation) were updated and provided.

On 8 May the first quarter results were discussed and we had our final preparations for the shareholder meeting later that day. We approved the grant of performance-based shares and options to members of the Executive Board and senior management and the granting of performance-based options to key staff, all for the 2013-2016 performance cycle. We had presentations on and discussions about Europe and Risk Management. Regarding the strategy process we received an update on core business strategies, growth opportunities and the operating model.

30 July we discussed, with the external auditor present, the second quarter results and the half-year review report of the auditor. Further to discussions in the Audit Committee we received an update on Poland and any lessons learned from the Imtech case and we received an update on claims, claim statistics and related (trend) developments. As is our custom we evaluated a previous acquisition: the 2009 merger with Malcolm Pirnie. We concluded that the strategic fit is as projected at the time and good. The integration took more effort than anticipated. Our closed meeting was focused in particular on succession management and talent management for senior positions in the company.

In September, we had a two-day meeting in Denver, Colorado in the US. We spent most of our time discussing strategy, including our views on financial target setting. We met with senior management of ARCADIS US and RTKL, and were updated on developments in these businesses and the business lines. We also received an update on Health & Safety and an update on compliance activities (with a focus on integrity and anti-corruption) and on legal developments in Dutch corporate law.

At the end of October we discussed the third quarter results. Strategy discussion focused on functional strategies, targets and implementation plans. The newly appointed CEO Europe

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gave an introduction including his initial observations on ARCADIS activities in Europe and the progress to implement the pan-European operating model. In a closed meeting we continued our discussions on potential SB candidates.

In December, we had a closed meeting in which we again discussed the vacancy in the Supervisory Board. We also performed the evaluation of the Supervisory Board and the individual members. This included an evaluation of the Chairman of the Supervisory Board, performed by the Vice Chairman without the Chairman being present. We discussed the performance of the Executive Board, which discussion we continued and finalized in February 2014. The overall conclusion was that overall both Boards, the Chairman, and the individual Board members are continuing to function well. In our regular December meeting we approved the operating plan and budget for 2014 after extensively discussing economic and market developments and risks and opportunities. We received a presentation on investor relations and discussed in particular the feedback on the Capital Markets Day on 4 December in which the new strategy was presented. Based on a presentation by the Human Resources department we agreed that significant progress has been made on talent identification and succession management.

Results and Strategy

The company performed well in 2013. Despite difficult market conditions particularly in Europe, caused by pressure on government budgets, an organic growth of 2% of net revenue was achieved, with an underlying margin at the target level of 10%. Two smaller acquisitions in the beginning of the year strengthened our presence in Canada and India (SENES) and in Chile (Geohidrología). We extended our co-operation with UN-Habitat to improve the urban quality of life in deprived parts of the world. During the year the 125th anniversary of ARCADIS was celebrated. On 20 November the official celebration event took place in the Concert Hall in Amsterdam, in the presence of Her Royal Highness Princess Beatrix of the Netherlands. Mr Ian Grice, Maarten Schönfeld and I attended the event.

Important priorities for 2014 include further engraining Health & Safety into our culture, implementing our corporate strategy, leading the evolution to the new operating model and completing the transformation of Continental Europe. Inorganic growth remains part of our strategic goals and in 2014 we will continue to evaluate merger opportunities. With net debt to EBITDA ratio at year end 2013 of 1.0 the ARCADIS balance sheet remains healthy, giving room for further expansion, also through acquisitions.

Corporate governance

ARCADIS complies with the Dutch Code on Corporate Governance. In a separate chapter of this annual report the governance structure of the company is described and the limited deviations from the principles and best practices of the Code are explained.

The Supervisory Board meets the requirement of the Code regarding the independence of supervisory board members. The Supervisory Board also complies with the best practice provision and the law in force since 1 January 2013 that its members do not hold more than five supervisory board positions at "large companies" and/or publicly listed Dutch companies. The Executive Board members do not hold more than two supervisory board positions with companies as referred to in the previous sentence. During 2013, no transactions involving conflicts of interest occurred for Executive or Supervisory Board members that were material to the company.

Committees of the Supervisory Board

Audit Committee

(M. Schönfeld, chairman; I. Grice; N. Hoek)

In 2013 this committee met four times. After Mr. Niek Hoek was appointed to the Supervisory Board in May 2013, he joined the Audit Committee and Mrs. Ruth Markland changed from Audit Committee member to member of the Selection and Remuneration Committee. All Audit Committee meetings were attended by the CFO, the internal auditor and the external auditor, whilst the CEO was regularly present. In addition to the full committee meetings, the Chairman of the committee had regular contact with the CFO to discuss progress on various matters. In a closed meeting 21 October 2013 the functioning, independence and financial literacy of the committee and its members were evaluated, with a positive conclusion.

The financial results, including working capital and cash flow developments, were discussed on a quarterly basis and the proposed quarterly press releases were reviewed. In each meeting updates were given on legal claims, pending litigation, certain project risks and integrity issues. End of July the external auditor's half-year review report and the company's 2013 outlook were discussed. The committee regularly discussed the working capital reduction program and also discussed assumptions used for impairment testing. The Committee was updated on the "soft controls" program, as part of which surveys were conducted in France and Czech Republic. Also on the agenda were presentations by the respective CFOs of the ARCADIS organizations in Europe, RTKL and Asia (L&S). The chairman of the Audit Committee and Mr. Ian Grice attended the annual ARCADIS CFO conference to meet the finance leadership of the company. In addition, we discussed and recommended the dividend proposal.

During the year, in the presence of the internal and external auditors, results of their respective observations and reports were reviewed. Also continuous attention was paid to risk management, including the implementation of the ARCADIS Business Control Framework and ICT developments.

The committee approved an update of the policy on auditor independence which was presented in view of new legislation. In consultation with the Executive Board the performance of the external auditor was evaluated and findings were reported to the Supervisory Board. KPMG's audit plan and fee proposal for the 2013 audit were discussed and approved. In view of the new legislation prescribing mandatory audit firm rotation, during the year a team was appointed, including the Chairman of the committee, to find a new audit firm to replace KPMG.

Selection and Remuneration Committee
(R. van Tets, chairman; G. Nethercutt; A. Perez, R. Markland)

In 2013, the ARCADIS Selection and Remuneration Committee (ASRC) reviewed and redesigned our three-year compensation cycle, hence it met eight times, in the presence of the CEO, Neil McArthur and the Corporate Director Human Resources. Whenever specific expertise was required, subject matter experts were invited and attended the meeting. The results will be 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 global top 60 positions were reviewed. Other meeting topics included the granting of bonuses and performance-based shares and options to the Executive Board and senior management, the granting of performance based options to key staff and the 2013 bonus program for the Executive Board and senior management. The committee also determined ARCADIS' ranking among the peer group as the basis for the vesting of shares and options in May 2014. Other topics discussed were changes in key management positions and the programs for talent identification and management and succession management in top positions.

As I will step down from the Supervisory Board at the General Meeting of Shareholders, the committee spent a considerable amount of time on identifying candidates to replace me and in preparing the discussions in the full Supervisory Board on this matter.

The Supervisory Board has decided to appoint Ruth Markland as the new committee chairwoman. Therefore the chair of the SB and the ASRC will no longer be combined. The name will be changed to Remuneration Committee and the Selection Committee will change to Nomination Committee. This Committee will be chaired by the SB Chairman.

Finally, in light of his retirement, the ASRC also approved that any of Steve Blake's unvested options and restricted shares (granted in May 2011 and May 2012) will fully vest at the original vesting date and become exercisable immediately. Also a two year extension of the exercise period was agreed with Steve Blake.

Composition Executive and Supervisory Board

The Supervisory Board consists of seven members and the Executive Board consists of five members. 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.

Executive Board
For the current composition of the Executive Board and information about its members, please refer to page 65 of this Annual Report. As announced on December 20, 2013, Mr. Friedrich Schneider will step down from the Executive Board at the end of his second term at the ARCADIS General Shareholder Meeting on May 16, 2014. The Board is grateful for eight years of dedicated service to the growth of ARCADIS.

Supervisory Board
For the current composition of the Supervisory Board, its committees and information about its members, please refer to page 64 of this Annual Report.

Compliments

The Supervisory Board recognizes the significant and successful change ARCADIS has gone through to become a more global company. We would like to thank management and all ARCADIS staff for their hard work and dedication. Given the continued economic uncertainties in Europe and slow growth in the US we would also like to compliment management and all ARCADIS staff around the world on the continued strong results and for the comprehensive new strategy that has been developed.

Amsterdam, the Netherlands, 19 February 2014
On behalf of the Supervisory Board
Rijnhard W.F. van Tets, Chairman

In recognition of the 12 years Rijnhard van Tets served on the Supervisory Board, of which 10 years as its chairman, his colleagues in the Supervisory Board would like to acknowledge his significant contributions towards the successful growth of the company and thank him most sincerely for his leadership during this long period. His unstinting dedication to serving ARCADIS, his experience, profound knowledge of the business, tact, analytical skills and good humor, have formed the basis of a very successful chairmanship.

Amsterdam, the Netherlands, 19 February 2014
On behalf of the Supervisory and Executive Boards
George R. Nethercutt Jr., Vice Chairman

Remuneration Report

This report has been prepared by the Selection and Remuneration Committee of the Supervisory Board. There have been no changes to the remuneration framework for the Executive Board and the Supervisory Board in 2013, as both the remuneration of the Executive Board and of the Supervisory Board were reviewed and updated in 2011. Within the framework of the policy as adopted by the General Meeting of Shareholders (GMS) in May 2011, compensation of the Executive Board members is determined by the Supervisory Board, based on advice of the Selection and Remuneration Committee. The Committee reviews the remuneration policy every three years to verify its market conformity. This process has been started again in 2013 and will result in a proposal to the GMS in May 2014.

Remuneration Executive Board

In 2011, the review of the remuneration policy for the Executive Board was completed by the Selection and Remuneration Committee, based on a benchmark study performed by an external advisor, that focused on the appropriate labor market reference group that best reflected the size and positioning of ARCADIS and the appropriate remuneration structure. A similar review of the remuneration policy for the Executive Board has been done in 2013/2014 following the three year cycle.

Remuneration policy

Compensation in line with median level of reference group

The remuneration policy is aimed at attracting, motivating and retaining qualified management for a global company of ARCADIS' size and complexity. The remuneration for Executive Board members consists of a fixed base salary, a short-term variable remuneration (cash bonus), a long-term variable remuneration (shares and options), a pension plan and other fringe benefits. Variable remuneration is an important part of the total package and is based on performance criteria that incentivize value creation in the short and longer term. The remuneration policy aims at compensation in line with the median level of primarily the Dutch part of a selected labor market reference group.

Labor market reference group

The labor market reference group consists of Dutch companies, as well as a number of European industry peers, both of comparable size and complexity. It includes: CSM (NL), Nutreco (NL), Aalberts (NL), USG People (NL), Heymans (NL), Imtech (NL), Draka (NL), Fugro (NL), Boskalis (NL), Grontmij (NL), Atkins (UK), Pöyry (Fin), WSP (Canada), RPS (U.K.) and Sweco (S).

Fixed base salary

In 2011, after the assessment results showed that the fixed base salary of the members of the Executive Board was below the median level of the Dutch part of the peer group, the Supervisory Board proposed to increase the fixed annual salary to the median level as of 1 July 2011. This was approved by the GMS. In 2012 and 2013, fixed base salary levels were not adjusted. The following annual base salaries apply to 2013.

	Base salary in 2013
CEO	€560,000
CFO	€420,000
Member EB (non U.S.)	€400,000
U.S. member EB	$640,000

Short-term variable remuneration: bonuses

Bonuses may vary from 0% to 60% of fixed base salary, with 40% being applicable when targets are achieved. The financial targets, which determine 75% of the bonus, are related to earnings per share (EPS, based on net income from operations, excluding currency impacts), and return on invested capital (ROIC, as defined by the financial goals, described on page 23). The remaining 25% of the bonus is determined by non-financial targets, derived from the company strategy, and are set for each Executive Board member individually. Since 2012 the non-financial target can be overachieved, allowing for rewarding excellent results on these targets, with a maximum bonus contribution up to 15% of base salary, without exceeding the maximum bonus percentage of 60%. Targets are preset annually by the Supervisory Board based on the plan and budget for the respective year. In 2013 the bonus percentage is determined using the following table:

Criterion	Weight	Cash bonus as percentage of base salary in 2013		
		Minimum	At target	Maximum
EPS	45%	0%	18%	27%
ROIC	30%	0%	12%	18%
Discretionary criteria	25%	0%	10%	15%
Total	**100%**	**0%**	**40%**	**60%**

Continued on next page

The non-financial criteria give the possibility to include sustainability or other elements of corporate social responsibility as important targets into the bonus program.

Targets for 2013 and performance against these targets were as follows:
- The EPS target was based on the 2013 budget being €1.54. Minimum and maximum are achieved at -10% and +10% compared to target. With 2013 actual EPS at budget rates at €1.58 the target was overachieved by 13%, resulting in 20% of base salary for this target.
- The ROIC target for 2013 was set at 13.5%, with minimum being achieved at 11.5%, maximum at 15.5%. As actual 2013 ROIC was at 13.3%, 11% of base salary was achieved for this target
- Non-financial targets are tuned to the specific responsibilities of individual Executive Board members. Based on performance, the bonus varied from 10% to 15% of base salary for these targets.

This resulted in bonuses varying between 42% and 46% of base salary.

Because of his retirement in 2013, Steve Blake received a pro-rated bonus in June 2013 for the year 2013 (January-May) of $107,000.

Long-term variable remuneration: shares and options

The remuneration policy includes the granting each year of performance-based shares and options. These 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 granted options and shares vest and become unconditional. The tables below show the peer group for the period 2011 – 2013 as well as the applicable vesting schemes.

Peer group	
For 2009 - 2011 [1]	For 2012 - 2014 [1]
ARCADIS (NL)	ARCADIS (NL)
Atkins (UK)	Atkins (UK)
Grontmij (NL)	Grontmij (NL)
Poyry (Fin)	Poyry (Fin)
Sweco (Sw)	Sweco (Sw)
WYG (UK)	Hyder (UK)
WSP (UK) 3)	Genivar (Canada) 3)
Aecom (US	Aecom (US
Jacobs (US)	Jacobs (US)
Tetra Tech (US)	Tetra Tech (US)
URS (US)	URS (US)
	RPS (UK)

Vesting 2009-2011[1]		Vesting 2012-2014[1]	
Position	Vesting	Position	Vesting
1	150%	1	150%
2	133%	2	133%
3	117%	3	117%
4	100%	4	100%
5	83%	5	83%
6	67%	6	67%
7	50%	7	50%
8	0%	8	0%
9	0%	9	0%
10	0%	10	0%
11	0%	11	0%
12	0%	0	0%
Exp.:[2]	64%	Exp.[2]	58%

[1] The years mentioned refer to the years of granting of conditional shares and options.

[2] Expected vesting percentage, assuming each position having equal chance.

Performance measurement

For the shares and options granted as of 2008, 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.

Number of shares and options

In 2011, the numbers of conditional shares and options to be granted were reset to bring the value of the long-term incentive in line with the percentage of base salary that is aimed for. This is 50% for the CEO and 40% for the other Executive Board members. The value was calculated using the average ARCADIS share price in the first quarter of 2011 of €17.24 and an expected vesting percentage of 58.3% (equal chance for each position in ranking after three years). The numbers of conditional shares and options to be granted annually were fixed for three years (2011-2013) and approved by the GMS in 2011. They are as follows:

Target LTI as % of base		To be granted in 2011-2013		Vesting of shares		Vesting of options	
		Shares	Options	Min	Max	Min	Max
CEO	50%	17.500	35.000	0	26.250	0	52.500
Member EB	40%	10.000	20.000	0	15.000	0	30.000

The exercise price for options granted is the closing price of the ARCADIS shares on the first trading day after the GMS on which the shares are quoted ex-dividend. Options are valid for a 10-year period. Except for paying income tax on vested shares, shares must be retained for a period of at least two years after vesting or at least until termination of employment when this is shorter.

Vested shares and options

In May 2013, the shares and options that were granted in May 2010 became unconditional at 117% of the originally granted numbers. This was due to ARCADIS' performance in the period 2010-2012 resulting in the third place among the peer group.

Over the period 2011-2013 ARCADIS ended in the fifth place among the peer group. Therefore the shares and options that were granted in May 2011 will become unconditional in May 2014 at 83% of the originally granted numbers. Please refer to the table on page 123 for more information on shares and options.

Policy in case of a take over

In the event of a takeover of ARCADIS, the treatment of shares and options granted to the Executive Board (and other senior staff) will be determined by the Supervisory Board, upon advice by the Selection and Remuneration Committee, taking into account the share price in the period preceding the disclosure of an offer, as well as all other relevant circumstances at that moment. This means that the exercise price of outstanding options and the number of unvested conditional shares can be adjusted to correct for (part of) the increase in share price caused by the offer. Unvested shares and options will vest proportionally to the number of months of the three-year vesting period that elapsed since the grant date.

Pensions, other benefits, contracts

Pensions

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 63 years. The contribution from the participants is 6.28% of the pensionable salary (annual base salary minus offset). Mr. Schneider, who is a German citizen, receives compensation for the limited tax deductibility of his own contribution to the pension fund. Mr. Smith, who operates from the United States, participates in the 401k plan of ARCADIS US.

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.

Employment contracts and severance pay

Mr. Blake, who retired in 2013, was appointed to the Executive Board as per 1 January 2010 until the General Meeting of Shareholders in 2013. The maximum severance pay for him was set at 18 months. With Mr. McArthur, appointed in to the Executive Board in 2011, with Mr. Schneider, reappointed in 2010 (to step back from the Executive Board in 2014), with Mr. Vree, appointed in 2010, with Mrs. Hottenhuis, appointed in May 2012, and with Mr. Smith, appointed in May 2013, a four-year term and a maximum severance pay of one year's base salary has been agreed. 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 Selection and Remuneration Committee, the Supervisory Board has evaluated these additional best practices in 2011, resulting at that time 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 financial statements in this Report.

Remuneration Supervisory Board

The GMS determines the remuneration of Supervisory Board members. As mentioned before, the remuneration was reviewed in 2011, based on benchmark analysis by an external advisor, of remuneration at companies that are part of the Amsterdam Midkap Index (AMX). In view of the outcome of this analysis and the increased responsibilities of Supervisory Board Members, the GMS approved in May 2011, the following remuneration as per July 1, 2011:

	Chairman	Member
Yearly fixed remuneration	€ 60,000	€ 45,000
Yearly fixed cost compensation	€ 3,000	€ 2,000
Membership AAC	€ 10,000	€ 7,000
Membership ASRC	€ 6,000	€ 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 44 and 46 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. Since 2005, ARCADIS NV provides 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 GMS in 2005, a similar indemnification was provided to Supervisory Board members.

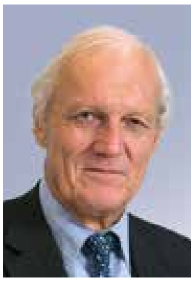
On behalf of the Selection and Remuneration Committee
Rijnhard W.F. van Tets, Chairman. ■

Name			Granting				Vesting		Lock up
	Date	Type	Number	Share price[1]	Value[2]	Date	Vesting %	Number	until[3]
N. McArthur [4]	May-11	Shares	20,000	16.18	166	May-14			May-16
		Options	40,000	16.18	108				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.
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			May-16
		Options	20,000	16.18	54				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.
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.
F. Schneider	May-06	Shares	15,000	12.38	117	May-09	100%	15,000	May-11
		Options	37,500	12.38	108		100%	37,500	
	May-07	Shares	15,000	19.89	187	May-10	117%	17,505	May-12
		Options	37,500	19.89	125		117%	43,762	
	May-08	Shares	10,800	13.03	88	May-11	100%	10,800	May-13
		Options	21,600	13.03	42		100%	21,600	
	May-09	Shares	10,800	10.91	74	May-12	150%	16,200	May-14
		Options	21,600	10.91	41		150%	32,400	
	May-10	Shares	10,800	14.33	97	May-13	117%	12,603	May-15
		Options	21,600	14.33	54		117%	25,207	
	May-11	Shares	10,000	16.18	83	May-14			May-16
		Options	20,000	16.18	54				
	May-12	Shares	10,000	15.74	113	May-15			May-17
		Options	20,000	15.74	70				
	May-13	Shares	10,000	20.96	125	May-16			May-18
		Options	20,000	20.96	74				
Z. Smith	May-13	Shares	10,000	20.96	125	May-16			May-18
		Options	20,000	20.96	74				n.a.
S. Blake	May-10	Shares	10,800	14.33	97	May-13	117%	12,603	May-15
		Options	21,600	14.33	54		117%	25,207	
	May-11	Shares	10,000	16.18	83	May-14			May-16
		Options	20,000	16.18	54				
	May-12	Shares	10,000	15.74	113	May-15			May-17
		Options	20,000	15.74	70				

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 employed at ARCADIS.
6) When 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.

Information on members of the Supervisory

Supervisory Board


Rijnhard van Tets


Maarten Schönfeld


George Nethercutt


Ruth Markland


Armando R. Perez


Ian Grice


Niek Hoek

Rijnhard W.F. van Tets (1947) - Chairman

Dutch nationality, term 2002-2014

Selection and Remuneration Committee (Chairman)

Current position:
Managing Partner of Laaken Asset Management

Previous positions:
Banque Européenne de Credit (Brussels) and Société Générale (Paris, 1973-1975), Sogen Swiss and First Boston Corporation (New York, 1975-1983). Member of the Executive Board of ABN AMRO Bank (1988-2002). Advisor to the Executive Board of ABN AMRO Bank (2002-2007).

Non-executive board functions:
• Chairman of the Supervisory Board of Euronext N.V. • Chairman of the Supervisory Board of Euronext Amsterdam N.V. • Member of the Supervisory Board of NYSE Euronext Inc. • Member of the Board of Petrofac Plc. • Member Supervisory Board International Flavors & Fragrances I.F.F. (The Netherlands) Holding B.V. • Member Supervisory Board BNP Paribas OBAM N.V.

Maarten Schönfeld (1949)

Dutch nationality, term 2008-2016

Audit Committee (Chairman)

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 AFM • Member Supervisory Board S&B Industrial Minerals S.A., Greece • 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

George R. Nethercutt, Jr. (1944)

U.S. nationality, term 2005-2013

Selection and Remuneration 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 the Science 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).

Other 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

Ruth Markland (1953)

British nationality, term 2009-2013

Selection and Remuneration 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

Armando R. Perez (1951)

U.S. nationality, term 2009 - 2013

Selection and 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 • Member of the Advisory Board of the School of International and Public Affairs at Florida International University • Chairman of the Executive Advisory Committee of the Chapman Graduate Business School at Florida International University (2003-2008) • Member of the Board of Trustees of the Pan American Development Foundation

Ian M. Grice (1953)

British nationality, term 2010-2014

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 John Graham Ltd
• Non-executive director of Merryck Ltd.

Niek W. Hoek (1956)

Dutch nationality, term 2013-2017

Audit Committee

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

Other functions:
• CEO Delta Lloyd N.V.

Non-executive board functions:
• Vice-Chairman of the Dutch Association of Insurers
• 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.

and Executive Boards

Executive Board

Neil McArthur

Renier Vree

Friedrich Schneider

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:
Neil McArthur is member of the Dutch Council of INSEAD.

Renier Vree, MSc, RC (1964)

Dutch nationality, term 2010-2014

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

Friedrich M.T. Schneider, MA, PhD (1962)

German nationality, term 2006-2014

Current position:
Member of the Executive Board

Previous positions:
Before joining ARCADIS, he served as Member of the Executive Board at Rheinhold & Mahla AG, where he led the industry service business for Northern Europe (Denmark, Norway, Sweden), Benelux (Netherlands, Belgium) and Spain. Dr. Schneider was also responsible for the Technology Division (ship and sound insulation). At Bilfinger Berger AG (Civil Division), he served as a director and executed infrastructure projects in Australia, the Middle East, Libya, Ghana, the USA and Panama. At Bentec GmbH he held the position of CEO and supplied on and offshore drilling rigs to the Oil and Gas industry.

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 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.

1. **Neil C. McArthur, BSc, MBA, MIMechE, FRICS (1961), British nationality**
   CEO and Chairman of the Executive Board since 2012
2. **Renier Vree, MSc, RC (1964), Dutch nationality**
   Chief Financial Officer since 2010
3. **Stephanie Hottenhuis, MB, MA (1965), Dutch nationality**
   Member of the Executive Board since 2012
4. **Friedrich M.T. Schneider, MA PhD (1962), German nationality**
   Member of the Executive Board since 2006
5. **Zach Smith, BSc MSc (1956), U.S. nationality**
   Member of the Executive Board since 2013
6. **Richard Clare, BSc MRICS (1953), British nationality**
   Corporate Senior Vice President ARCADIS NV since 2012
7. **Curt Cramer, BSc (1962), U.S. nationality**
   Global Director Performance Excellence since 2013
8. **Roland van Dijk, MSc, MBA (1970), Dutch nationality**
   Global Director Corporate Development since 2014
9. **Tom Haak, MSc (1956), Dutch nationality**
   Corporate Director Human Resources since 2006 (until April 2014)
10. **Lia Belilos, BSc (1962), Dutch nationality**
    Corporate Director Human Resources (as of April 2014)
11. **Joost Slooten (1961), Dutch nationality**
    Director Investor Relations since 2014
12. **Gerard Spans, MSc (1966), Dutch nationality**
    Chief Information Officer since 2013
13. **Philip Youell, MBA, MCIM, (1960), British nationality**
    Global Director Marketing & Communications since 2014
    CEO EC Harris Ltd. since 2003

Executive Board

1 2 3
4 5





6 7 8 9
10 11 12 13

Corporate Staff Directors








14. Eleanor Allen, MSc (1969), U.S. nationality
Global Director Water since 2013

15. Mark Fenner, BSc, MBA (1958), U.S. nationality
Global Director Environment since 2012

16. Rob Mooren, MSc (1956), Dutch nationality
Global Director Infrastructure since 2013

17. Tim Neal, BSc, MBA, FRICS (1967), British nationality
Global Director Buildings since 2013

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

19. Gary Coates, BSc (1951), U.S. Nationality
CEO ARCADIS U.S., Inc. since 2013
COO ARCADIS U.S., Inc. since 2010

20. Joseph Lee, FRICS (1953), Chinese nationality
CEO Langdon &Seah since 2005

21. Bartheke Weerstra, LLM (1973), Dutch nationality
General Counsel & Company Secretary since 2010

22. Stephan Ritter, BSc, MBA (1968), German nationality
CEO ARCADIS Europe since 2013

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

24. John Williams, BSc (1964), British nationality
CEO ARCADIS Middle East since 2014

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

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

27. Lance Josal, FAIA (1955), U.S. nationality
CEO RTKL Associates Inc. since 2009

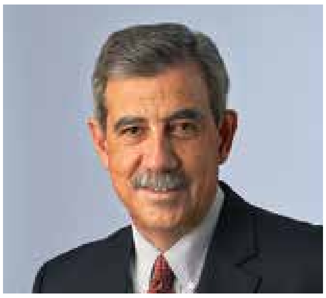
Global Business Line Directors

14 15 16 17




Regional Directors

Company Secretary







18 19 20 21
22 23 24

Other members Senior Management Committee



25 26 27

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 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 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 65 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 seven). 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, 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 12 years in office. The Supervisory Board has established two committees from amongst its members: an Audit Committee and a combined Selection and 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 64 of this Report.

General Meeting of Shareholders

At least once a year, ARCADIS NV convenes a shareholder meeting. Meetings are convened by the Executive 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. 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 2013, the total number of ordinary shares issued was 74,821,878. 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 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, seven 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 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. 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 Board have time to duly consider the situation and the interests involved. For more information, please see Note 14 to the 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 his remuneration) is approved by the Supervisory Board, on the recommendation of the Audit Committee. Prior to publication, the quarterly Financial Statements and quarterly 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.

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:

III.2.2: One of the Supervisory Board members (Mr. Hoek) is a board member of Delta Lloyd. Delta Deelnemingen Fonds NV and Delta Lloyd Asset Management N.V. together have a shareholding in ARCADIS close to 10%. ARCADIS meets the requirement of best practice provision III.2.1 (all members of the Supervisory Board, with the exception of up to one member, are independent within the meaning of best practice provision III.2.2).

III.5: ARCADIS does not have a separate remuneration committee and a separate selection and appointment committee but combines the two in the Selection and Remuneration Committee, consistent with the practice established in 1998. The current size of the Supervisory Board, the allocation of responsibilities among its members, and the fact that the current committee is functioning satisfactorily, justify this deviation. The Chairman of the Supervisory Board also chairs this committee, which we consider necessary given the selection and nomination tasks of this committee. Under the Code, the Chairman of the Supervisory Board can be chairman of the Selection and Appointment Committee but not of the Remuneration Committee. In this respect, ARCADIS deviates from best practice provision III.5.11.

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. ■

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Consolidated statement of financial position as at December 31

Before allocation of profit

In EUR 1,000

Assets	Note	2013	2012[1]
Non-current assets			
Intangible assets	5	**584,867**	596,197
Property, plant & equipment	6	**65,731**	79,012
Investments accounted for using the equity method	7	**33,325**	32,270
Other investments	8	**1,008**	842
Deferred tax assets	19	**37,592**	38,437
Other non-current assets	9	**26,221**	23,763
Total non-current assets		**748,744**	770,521
Current assets			
Inventories		**374**	679
Derivatives	10	**268**	1,644
(Un)billed receivables	11	**722,979**	716,626
Corporate income tax receivable		**19,783**	11,770
Other current assets	12	**37,304**	37,683
Cash and cash equivalents	13	**150,986**	226,407
Total current assets		**931,694**	994,809
Total assets		**1,680,438**	1,765,330

Equity and liabilities

Shareholders' equity			
Share capital		**1,496**	1,481
Share premium		**201,530**	201,545
Hedging reserve		**(3,735)**	(4,845)
Translation reserve		**(58,446)**	(27,859)
Retained earnings		**357,232**	276,266
Net income		**96,603**	88,974
Total equity attributable to equity holders of the Company	14	**594,680**	535,562
Non-controlling interests	15	**2,914**	1,101
Total equity		**597,594**	536,663
Non-current liabilities			
Provisions for employee benefits	17	**36,372**	35,162
Provisions for other liabilities and charges	18	**21,189**	24,386
Deferred tax liabilities	19	**40,228**	41,129
Loans and borrowings	20	**322,919**	300,505
Deriviatives	10	**1,359**	3,832
Total non-current liabilities		**422,067**	405,014
Current liabilities			
Billing in excess of cost	11	**186,196**	176,311
Corporate tax liabilities		**13,490**	13,595
Current portion of loans and borrowings	20	**29,327**	68,686
Current portion of provisions	17,18	**7,291**	9,681
Derivatives	10	**3,238**	810
Accounts payable		**123,625**	134,069
Accrued expenses		**39,748**	37,158
Bank overdrafts	13	**397**	49,954
Short-term borrowings		**5,118**	80,543
Other current liabilities	21	**252,347**	252,846
Total current liabilities		**660,777**	823,653
Total liabilities		**1,082,844**	1,228,667
Total equity and liabilities		**1,680,438**	1,765,330

[1] 2012 figures have been restated for comparative reasons, as joint ventures are no longer proportionately consolidated following new accounting standard IFRS 11 'Joint Arrangements'

The Notes on page 80 to 117 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income for the year ended December 31

In EUR 1,000

	Note	2013	2012[1]
Gross revenue	22	**2,515,920**	2,536,167
Materials, services of third parties and subcontractors		**(623,420)**	(664,975)
Net revenue		**1,892,500**	1,871,192
Personnel costs	24	**(1,412,730)**	(1,377,428)
Operational costs	24	**(279,766)**	(297,407)
Depreciation and amortization	5,6	**(34,520)**	(32,456)
Amortization other intangible assets	5	**(16,651)**	(14,910)
Other income	23	**2,257**	1,490
Total operational costs		**(1,741,410)**	(1,720,711)
Operating income		**151,090**	150,481
Interest income	26	**4,282**	2,874
Financial expenses	26	**(25,898)**	(25,061)
Fair value change of derivatives	10,26	**3,520**	399
Net finance expense		**(18,096)**	(21,788)
Income from associates		**5,502**	(2,340)
Profit before income tax		**138,496**	126,353
Income taxes	27	**(39,147)**	(36,160)
Profit for the period		**99,349**	90,193
Other comprehensive income, net of income tax			
Items that may subsequently be reclassified to profit and loss			
Exchange rate differences for foreign operations		**(30,778)**	(9,810)
Effective portion of changes in fair value of cash flow hedges		**1,110**	1,372
Items that will not be reclassified to profit and loss			
Changes related to post-employment benefit obligations		**(4,170)**	(415)
Other comprehensive income, net of income tax		**(33,838)**	(8,853)
Total comprehensive income for the period		**65,511**	81,340
Net income from operations[2]			
Profit for the period attributable to equity holders of the company (net income)		**96,603**	88,974
Amortization identifiable intangible assets, net of taxes		**12,854**	11,388
Non-recurring[3]		**813**	4,158
Lovinklaan employee share purchase plan[4]		**813**	530
Net income from operations		**111,083**	105,050
Profit attributable to:			
Equity holders of the Company (net income)		**96,603**	88,974
Non-controlling interests		**2,746**	1,219
Profit for the period		**99,349**	90,193
Total comprehensive income attributable to:			
Equity holders of the Company		**62,956**	80,146
Non-controlling interests		**2,555**	1,194
Total comprehensive income for the period		**65,511**	81,340
Earnings per share (in euros)			
Basic earnings per share	16	**1.34**	1.26
Diluted earnings per share	16	**1.29**	1.23
Net income from operations per share[2] (in euros)			
Basic earnings per share	16	**1.54**	1.49
Diluted earnings per share	16	**1.48**	1.45

1 2012 figures have been restated for comparative reasons, as joint ventures are no longer proportionately consolidated following new accounting standard IFRS 11 'Joint arrangements'
2 This is an unaudited non-GAAP performance measure, to make underlying performance of our business more transparent
3 The non-recurring items relate to acquisition cost for SENES and Geohidrología (2012: acquisition costs of Langdon & Seah)
4 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 payments expenses as non-operational expenses

The Notes on page 80 to 117 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In EUR 1,000

	Note	Attributable to equity holders of the parent company							
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at January 1, 2012		1,437	168,380	(6,217)	(18,074)	309,919	455,445	(94)	455,351
Profit for the period						88,974	88,974	1,219	90,193
Exchange rate differences		–	–		(9,785)	–	(9,785)	(25)	(9,810)
Effective portion of changes in fair value of cash flow hedges	10			1,372			1,372		1,372
Taxes related to post-employment benefit obligations						2,217	2,217		2,217
Actuarial gain/(loss) on post-employment benefit obligations	17					(2,632)	(2,632)		(2,632)
Other comprehensive income		–	–	1,372	(9,785)	(415)	(8,828)	(25)	(8,853)
Total comprehensive income for the period		–	–	1,372	(9,785)	88,559	80,146	1,194	81,340
Transactions with owners of the Company:									
Dividends to shareholders	14					(33,454)	(33,454)		(33,454)
Issuance of shares	14	44	33,165				33,209	1	33,210
Share-based compensation	14,25					7,908	7,908		7,908
Taxes related to share-based compensation	19					2,879	2,879		2,879
Purchase of own shares	14					(28,460)	(28,460)		(28,460)
Share options exercised	14					17,889	17,889		17,889
Total transactions with owners of the Company		44	33,165			(33,238)	(29)	1	(28)
Balance at December 31, 2012		**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**
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**
Changes related to post-employment benefit obligations	17					**(4,170)**	**(4,170)**		**(4,170)**
Other comprehensive income		**–**	**–**	**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**

The Notes on page 80 to 117 are an integral part of these consolidated financial statements

Consolidated statement of cash flows for the year ended December 31

In EUR 1,000

Cash flows from operating activities	Note	2013	2012
Profit for the period		**99,349**	90,193
Adjustments for:			
Depreciation and amortization	*5,6*	**51,171**	47,366
Income taxes	*27*	**39,147**	36,160
Net finance expense	*26*	**18,096**	21,786
Income from associates		**(5,502)**	2,340
		202,261	197,845
Share-based compensation	*14,25*	**7,614**	7,908
Change in operational derivatives	*10*	**3,701**	356
Settlement of operational derivatives	*10*	**(1,377)**	(828)
Change in inventories		**301**	218
Change in receivables		**(26,846)**	22,954
Change in provisions		**(4,844)**	(2,530)
Change in billing in excess of costs		**14,133**	(14,183)
Change in current liabilities		**1,826**	(7,874)
Dividend received		**2,106**	1,485
Interest received		**4,121**	3,092
Interest paid		**(21,670)**	(22,855)
Corporate tax paid		**(41,236)**	(27,223)
Net cash flow from operating activities		**140,090**	158,365

Cash flows from investing activities			
Investments in (in)tangible assets	*5,6*	**(32,237)**	(34,721)
Proceeds from sale of (in)tangible assets	*5,6*	**1,156**	1,175
Investments in consolidated companies	*4*	**(26,845)**	(72,641)
Investments in associates and other investments	*4,7,8*	**(1,292)**	(11,089)
Proceeds from sale of associates and other investments	*7,8*	**28**	
Investments in other non-current assets		**(6,298)**	(4,450)
Proceeds from (sale of) other non-current assets		**2,866**	3,182
Net cash flow used in investing activities		**(62,622)**	(118,544)

Cash flows from financing activities			
Proceeds from exercise of options	*14*	**28,683**	17,889
Purchase of own shares	*14*	**(29,132)**	(28,460)
Settlement of financing derivatives	*10*	**4,792**	(6,441)
New long-term loans and borrowings	*20*	**68,215**	894
Repayment of long-term loans and borrowings	*20*	**(69,070)**	(465)
New short-term borrowings		**5,138**	80,287
Repayment of short-term borrowings		**(80,031)**	(38,089)
Dividend paid		**(21,383)**	(33,454)
Other changes		**(2,212)**	
Net cash flow from financing activities		**(95,000)**	(7,839)

Net change in cash and cash equivalents less bank overdrafts		**(17,532)**	31,982
Exchange rate differences		**(8,332)**	(6,258)
Cash and cash equivalents less bank overdrafts at January 1	*13*	**176,453**	150,729
Cash and cash equivalents less bank overdrafts at December 31	*13*	**150,589**	176,453

The Notes on page 80 to 117 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 level and as such, the segments are based on the operating companies. Based on qualitative and quantitative measures the operating company information is aggregated, adding up operating companies which are active in a similar economic environment. 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 this Annual Report.

In EUR 1,000

2013	North America	Emerging Markets	Continental Europe	United Kingdom	Eliminations	Total segments	Corporate and unallocated amounts	Total consolidated
External gross revenue	1,145.7	423.3	534.2	410.8		2,514.0	1.9	2,515.9
Intersegment	2.5	2.3	4.0	3.0	(11.8)			
Total gross revenue	1,148.2	425.6	538.2	413.8	(11.8)	2,514.0	1.9	2,515.9
Materials, third parties and subcontractors	(379.4)	(59.0)	(111.3)	(85.5)	11.8	(623.4)		(623.4)
Net revenue	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	(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)
Segment profit before income tax	69.1	38.3	12.7	21.6		141.7	(8.7)	133.0
Income from associates	0.5	4.0	0.7	0.3		5.5		5.5
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 in associates	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
[2] At December 31, excluding temporary staff

In EUR 1,000

2012	North America	Emerging Markets	Continental Europe	United Kingdom	Eliminations	Total segments	Corporate and unallocated	Total consolidated
External gross revenue	1,176.3	383.3	580.3	395.3		2,535.2	1.0	2,536.2
Intersegment	2.0	0.5	2.9	1.7	(7.1)			
Total gross revenue	1,178.3	383.8	583.2	397.0	(7.1)	2,535.2	1.0	2,536.2
Materials, third parties and subcontractors	(401.3)	(59.6)	(131.6)	(79.6)	7.1	(665.0)		(665.0)
Net revenue	777.0	324.2	451.6	317.4		1,870.2	1.0	1,871.2
Operating costs	(668.3)	(278.7)	(422.8)	(292.8)		(1,662.6)	(12.2)	(1,674.8)
Other income	0.1	0.8	1.3	0.1		2.3	(0.8)	1.5
Depreciation	(14.5)	(4.0)	(10.0)	(3.6)		(32.1)	(0.4)	(32.5)
EBITA[1]	94.3	42.3	20.1	21.1		177.8	(12.4)	165.4
Amortization other intangible assets	(2.3)	(4.7)	(1.0)	(6.9)		(14.9)		(14.9)
Operating income	92.0	37.6	19.1	14.2		162.9	(12.4)	150.5
Net finance expense	(20.5)	(4.2)	4.9	(3.4)		(23.2)	1.4	(21.8)
Segment profit before income tax	71.5	33.4	24.0	10.8		139.7	(11.0)	128.7
Income from associates	0.2	(3.9)	0.9	0.5		(2.3)		(2.3)
Taxes	(20.1)	(11.1)	(6.9)	(2.9)		(41.0)	4.8	(36.2)
Profit for the period	51.6	18.4	18.0	8.4		96.4	(6.2)	90.2
Non-controlling interests		(1.1)		(0.1)		(1.2)		(1.2)
Net income	51.6	17.3	18.0	8.3		95.2	(6.2)	89.0
Operating EBITA[1]	96.4	47.0	25.3	31.4		200.1	(12.3)	187.8
Net income from operations[1]	53.0	25.0	18.8	14.0		110.8	(5.7)	105.1
Total assets	708.5	260.8	367.7	308.1		1,645.1	120.2	1,765.3
Investments in associates	0.7	26.7	4.3	0.6		32.3		32.3
Other financial assets	15.7	3.2	5.4	0.1		24.4	0.2	24.6
Total liabilities	530.6	109.7	89.1	113.9		843.3	385.4	1,228.7
Total capital expenditures	20.6	5.9	6.7	1.1		34.3	0.4	34.7
Total number of employees[2]	6,459	6,215	5,039	3,227		20,940	80	21,020

[1] Unaudited, non-GAAP
[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 Europe and in Emerging Markets; and
- EC Harris, which has business activities in the Middle East and Asia and therefore is also represented in Emerging Markets.

The geographical information is as follows:

	Net revenues by origin		Non-current assets[1]	
	2013	2012	**2013**	2012
North America	**737.7**	750.4	**241.6**	243.4
Emerging Markets	**494.3**	429.4	**111.2**	121.8
Continental Europe	**426.8**	451.6	**160.3**	157.9
United Kingdom	**233.7**	239.8	**137.6**	152.3
Total	**1,892.5**	1,871.2	**650.7**	675.4

[1] Excluding financial instruments, investments in associates and deferred tax assets

General notes to the consolidated financial statements

1 General information

ARCADIS NV is a public company organized under Dutch law. Its statutory seat is Arnhem 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 associates 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 statement of income 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 19, 2014. The consolidated financial statements as presented in this Report are subject to adoption by the General Meeting of Shareholders, to be held on May 16, 2014.

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. Exceptions to the historical cost basis include:

- Derivative financial instruments and share-based payment arrangements, which are measured at fair value; and
- 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).

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. The 2012 comparative figures have only been restated as a consequence of the adoption of IFRS 11 'Joint Arrangements'. Disclosures have been adjusted where required, including restatement of comparative figures.

For more details on changes in accounting standards see 'IFRS accounting standards and interpretations adopted as from 2013 (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 or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

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 percent 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
Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup 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.

Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities 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 or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

Contingent considerations payable are recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Non-controlling interests (note 4, 15)

Non-controlling interests acquired in a business combination
The Company recognizes non-controlling interest acquired in a business combination at the proportionate share of the recognized amounts of the identifiable net assets of the acquired entity. This accounting policy relates only to 'present ownership interests' (such as equity instruments) that entitle their holders to a proportionate share of the net assets of an entity in the event of liquidation.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests are accounted for as equity transactions with owners in their capacity as owners. As a result no goodwill is recognized on such transactions. Adjustments to these non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the fair value of any consideration paid (or received) and the adjustment to the value of the non-controlling interest is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Foreign currency

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 or loss.

Foreign operations
The statements of 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 or loss as part of the gain or loss on disposal.

Impairment (note 5, 11)

The carrying amounts of the assets of ARCADIS, other than work in progress 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, or when an impairment trigger was 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 or 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 or 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, since the Company elected as part of its transition to IFRS (per January 1, 2004) to restate only those business combinations that occurred on or after January 1, 2003.

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 or loss as incurred.

Other intangible assets
Other intangible assets, mainly consist of 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 5 years.

Amortization is recognized in profit or 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 or 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 other 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 statement of financial position.

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 or 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 or loss (note 10)

A financial asset is classified at fair value through profit or 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 or 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 or loss. Attributable transaction costs are recognized in profit or loss as incurred. Currently, the only financial instruments accounted for at fair value through profit or 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 or 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.

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

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 or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. The gain or loss on re-measurement to fair value of the interest rate related derivatives is recognized in profit or 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 statement of financial position 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 or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit or loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives 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 – 125 percent.

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

Deferred taxes (note 19, 27)

Deferred tax assets and liabilities are recognized on the statement of financial position, 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
- the differences relating to investments in subsidiaries and jointly controlled entities 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 payments, 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 payment expense. If the estimated future tax deduction exceeds the amount of the related cumulative share-based payment expense, the excess of the associated income tax is recognized directly in equity.

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.

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 statement of financial position. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position as trade receivables.

Equity (note 14)

Equity attributable to equity holders

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.

Non-controlling interests (note 15)
Reference is made to the part Acquisitions of non-controlling interests in this note.

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 or loss in the period during which services are provided by employees.

Defined benefit plans
Some of the pension plans within ARCADIS qualify as defined benefit plans.

Cost related to defined benefit plans are recognized as personnel costs in profit or 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 obligation is calculated annually by independent actuaries using the projected unit credit method. 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.

Actuarial gains and losses 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 actuarial gains or losses are recognized in profit or 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 payments 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 or loss over the duration of the debts. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities. Reference is also made to the part Non-derivative financial liabilities of this note.

Revenue (note 22)

Services
Revenue from services rendered is recognized in profit or 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 revenue 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.

Revenue is 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 or loss.

Construction contracts
Contract revenue 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 revenue and can be measured reliably.

When the outcome of a construction contract can be estimated reliably, revenue and cost are recognized in profit or 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 revenue is 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 or 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.

Sale of investments (note 23)

When the sale of 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 or 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 or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in other business cost.

Income from associates (note 7)

ARCADIS' share in earnings from associates is recognized in profit or 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 or 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, using enacted or substantially enacted tax rates at the reporting date, and any adjustments to tax payable related to previous years.

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 or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding ordinary shares purchased by the Company and held as treasury shares (i.e. shares purchased to cover 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 statement of cash flows 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 statement of cash flows. Receipts and payments with respect to income tax are included in the cash flow 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 statement of cash flows 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 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

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.

Property, plant & equipment (note 6)
Measurement of property, plant & equipment involves the use of estimates for determining the fair value of property, plant & equipment acquired in a business combination. The fair value of property, plant & equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between willing parties in an arm's length transaction. The market value of items of plant, equipment, fixtures and furniture is based on the market prices for similar items.

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 of revenue recognition.

(Un)billed receivables (note 11)
The fair value of (un)billed receivables is estimated as the present value of future cash flows, discounted at the applicable market rate of interest at the reporting date.

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.

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 payment transactions (note 25)
The fair value of share-based payment 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 2013 (and onwards)

Several new standards have been adopted by ARCADIS starting January 1, 2013. Where applicable, the 2012 comparative figures have been restated. These changes however are not material, and mainly relate to the deconsolidation of proportionally consolidated joint ventures, following IFRS 11 'Joint Arrangements'.

As of January 1, 2013, the Company has adopted the following new standards, including consequential amendments to other standards.

IFRS 10 *'Consolidated Financial Statements'* changes the definition of control, with focus on the need to have both power to control and exposure or rights to variable returns from the investee. ARCADIS reassessed the control conclusion for all subsidiaries and associated companies. The application of this new standard had no impact on the consolidation of investments held by the Group.

As a result of **IFRS 11 *'Joint Arrangements'***, the Company changed the accounting policy for interests in joint arrangements. Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the joint arrangements.

Investments in joint ventures are accounted for based on the equity method, and no longer proportionately consolidated. The standard has been applied retrospectively and comparative figures have been restated. This resulted in a deconsolidation of assets and liabilities as per December 31, 2012 of €5.5 million (January 1, 2012: €5.8 million). The deconsolidation resulted in lower gross revenues for 2012 of €8.3 million, while EBITA decreased with €1.0 million.

IFRS 12 *'Disclosure of Interests in Other Entities'* extends the disclosures on consolidated and non-consolidated entities in which the Company has involvement. For ARCADIS these disclosures relate to its subsidiaries, joint arrangements and associates. These additional disclosures are included in these consolidated financial statements and are applied retrospectively.

IFRS 13 *'Fair Value Measurement'* provides guidance for measuring fair value, and contains disclosure requirements for fair value measurements. The standard is applicable to both financial and non-financial items measured at fair value, and is applied prospectively as from January 1, 2013. The standard has no material impact on the fair value measurements carried out by the Group and on ARCADIS' financial position or performance.

As a result of the amendments in **IAS 1 *'Presentation of Financial Statements'*** ('Presentation of Items of Other Comprehensive Income') the disclosures related to other comprehensive income have been modified to present separately items that may be reclassified subsequently to profit or loss and items that will not be reclassified. The amendment has no impact on the Group's financial position or performance.

Revised IAS 19 *'Employee Benefits'* has limited impact on the ARCADIS consolidated financial statements, since the Company already changed its accounting policy in 2011 and eliminated the deferral of actuarial gains and losses and plan changes ('the corridor approach'), which is the most important change in revised IAS 19. All actuarial gains and losses are recognized immediately in other comprehensive income and the effects of plan changes are generally recognized in the statement of income when they occur. Besides this change, the recognition and measurement of defined benefit pension expenses and their presentation in the statement of income were amended. Changes in defined benefit obligations and plan assets have been split into three components: service costs, net interest on the net defined benefit liability/ (asset) and remeasurements of the net defined benefit liability/ (asset). Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 have been replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined liability or asset. Differences between actual returns on plan assets and the (estimated) interest income are recognized as part of the remeasurements in other comprehensive income. Additional disclosure requirements have been added for risks and plan objectives.

The adjustments only had a minor impact on the Company's financial position and for materiality reasons comparative numbers have not been restated.

- As a result of the amendments in **IFRS 7 *'Financial Instruments: Disclosures'*** additional disclosures are required with respect to the offsetting of assets and liability.
- As a result of the amendment to **IAS 36 *'Impairment of Assets'*** disclosure requirements are further crystalized and it repairs unintended disclosure requirements of IFRS 13. The amendment was early adopted by the Group and has no material impact.

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

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014, 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. However, it is expected that there will be no significant effect on the Group's consolidated financial statements. The most relevant amendments and changes for ARCADIS are described below.

IFRS 9, '*Financial instruments*', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The classification is made at initial recognition, depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. ARCADIS has not yet determined IFRS 9's full impact, but expects no material impact.

Notes to the consolidated statement of financial position

As disclosed in Note 3, some of the accounting policies applied by the Company in preparing this years consolidated financial statements have been changed compared to last year. All comparative figures presented in the notes to the consolidated statement of financial position have been restated if the effect is considered material and to reflect the retrospective application of the changes in accounting policies.

4 Consolidated interests

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

Name of subsidiary	Place of business/ country of incorporation
ARCADIS Nederland Holding BV	Netherlands
ARCADIS U.S. Inc.	United States
RTKL Associates Inc.	United States
ARCADIS Belgium Holding NV	Belgium
ARCADIS Deutschland GmbH	Germany
ARCADIS France S.A.S.	France
ARCADIS UK (Holdings) Ltd.	United Kingdom
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
Inversiones ARCADIS Chile Ltda	Chile
EC Harris (BAC) Ltd.	United Kingdom
Langdon & Seah Holdings 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. Except for ARCADIS NV, no preference shares are issued by the group. All subsidiaries are included in the 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 as per December 31, 2013 is €2.9 million (2012: €1.1 million) and as such is not material for the Group.

Significant restrictions

Restricted cash is defined internally as cash or short-term deposits that cannot efficiently be repatriated to the Netherlands within five working days of a request being made.

Cash is considered restricted in countries where there are exchange control regulations or significant treasury, legal or tax-related obstacles that make the efficient repatriation of cash from that jurisdiction difficult. In addition, cash that is blocked to enable the issuance of bank guarantees is also considered restricted.

Cash and short-term deposits of €51.6 million are held mainly in Brazil, Chile, China and other Asian countries and are subject to local restrictions that render cash in that country to be considered restricted.

Changes in consolidated interests

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 accounting 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. The 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 revenue 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 remeasurement 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 geographic segments as follows:

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

The 2013 acquisitions had the following effect on assets and liabilities at December 31, 2013:

	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 tax asset	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/ (received)	**22,468**
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 related to earlier acquisitions	9,174
Total net cash outflow/ (inflow)	**26,845**

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

	Contractual	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.

2012

During 2012, the following major changes in consolidated interests took place:

- On April 11, 2012, the Company acquired 100% of the shares in Davis Langdon & Seah, a cost and project management, and quantity surveying consultancy working across Asia, with 2,800 people in ten countries (37 offices). In addition to its core activities, the company provides cost engineering services to the oil, gas and petrochemical industries and due diligence advisory services and dispute resolution/litigation support. As of May 18, 2012 the name of the company has been changed into Langdon & Seah ("L&S").
- On July 19, 2012, ARCADIS Deutschland acquired 100% of the shares in BMG Engineering AG ("BMG"), an environmental services company based in Zurich, Switzerland, with almost 50 employees. The company is specialized in environmental remediation projects, and additionally provides consultancy services in energy efficiency and environmental stewardship.
- On August 3, 2012, ARCADIS Logos obtained the full ownership (100%) of Estudos Téchnicos e Projetos ETEP Ltda. ("ETEP"), a water engineering and consultancy company, headquartered in São Paulo, Brazil, with 300 employees. It is a specialized company in water supply, water treatment and wastewater. The company provides program and project management as well as engineering, consultancy and related services.

Business combinations

Langdon & Seah

To increase our footprint in Asia, and as part of the Company's strategic goal to build a leading global position in program management and related services, we acquired Langdon & Seah in April 2012. This acquisition contributed €82.0 million to 2012 annual gross revenue. The contribution to the consolidated profit for the period amounted to €8.4 million, which is excluding financing and acquisition related expenses and after amortization of identifiable intangible assets (net of tax) of €2.7 million. The total cost related to the acquisition amounted to €4.2 million.

The total investment in this acquisition in 2012 was €99.6 million, including goodwill of €55.3 million. This also includes €7.0 million goodwill for associated company L&S Malaysia, see also Note 7' Investments in associates'. The consideration transferred consisted of €59.1 million in cash, €33.2 million in ARCADIS shares and €7.3 million in deferred consideration.

The fair value of the 2.2 million ordinary shares issued to the L&S partners to finance the acquisition was based on the listed average share price of ARCADIS NV at April 11, 2012, of €15.08 per share. The shares have a lock up period of 12 – 36 months after closing.

The deferred consideration of €7.3 million functions as security for indemnification for the representations and warranties provided by the selling directors/ shareholders. The deferred consideration plus accrued interest will be paid in October 2014.

Other business combinations

The other acquisitions contributed approximately €14.9 million to 2012 annual gross revenue. The contribution to the consolidated profit for the period amounted to approximately €0.8 million, which is excluding financing and acquisition related expenses and after amortization of identifiable intangible assets (net of tax) of approximately €1.3 million.

The total investment in these other acquisitions in 2012 was €39.5 million, including goodwill of €27.4 million. The consideration transferred consisted of €31.0 million in cash and €8.6 million in deferred consideration, based upon the present value of expected future profits (€5.3 million), and retentions for an amount of €3.3 million. The contingent consideration, which will be paid in 2016, depends on realized profits of one of the acquired companies during 2013, 2014 and 2015, with a maximum of €4.0 million. The retention is a security for indemnification for the representations and warranties provided by one of the acquired companies, and will be paid in tranches in the period between August 2015 and August 2018.

Other disclosures regarding business combinations

Management estimates that if the 2012 acquisitions had occurred on January 1, 2012, the consolidated gross revenue would have been approximately €2,586 million and the consolidated profit for the period excluding acquisition expenses related to the acquisition and after amortization of identifiable intangible assets, would have been approximately €93.6 million.

The total costs related to all the acquisitions in 2012 amounted to €4.4 million.

The goodwill recognized in the financial statements relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to the acquisition of ETEP is expected to be tax-deductible for income tax purposes. The carrying value of goodwill changed as a result of acquisitions and adjustments on after-payments and acquisition accounting as follows:

Changes in goodwill[1]	2012
Goodwill on acquisitions in 2012	75,602
Adjustments due to after-payments and acquisition accounting	-
Total change in goodwill	75,602

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

Goodwill per geographic segment[1]	2012
Emerging Markets	69,574
Continental Europe	6,028
Total change in goodwill	75,602

[1] Excluding the goodwill amount of €7.0 million related to the acquisition of L&S Malaysia, which is recognized as an investment in associates. See Note 7 ' Investments accounted for using the equity method'.

The 2012 acquisitions had the following effect on assets and liabilities as of December 31, 2012:

	Langdon & Seah			Other aquisitions	Total
	Pre-acquisition carrying amount	Fair value adjustments	Recognized values on acquisition	Recognized values on acquisition	Recognized values
Assets					
Non-current assets					
Intangible assets	708	30,240	30,948	8,363	39,311
Property, plant & equipment	3,684		3,684	479	4,163
Other non-current assets	4,582		4,582	26	4,608
Deferred tax assets	2,364		2,364		2,364
Total non-current assets	**11,338**	**30,240**	**41,578**	**8,868**	**50,446**
Current assets					
(Un)billed receivables (gross)	45,614		45,614	4,131	49,745
Provision for (un)billed receivables	(1,986)	(534)	(2,520)	(152)	(2,672)
Other current assets	5,019		5,019	399	5,418
Corporate tax asset				357	357
Cash and cash equivalents	15,607		15,607	4,478	20,085
Total current assets	**64,254**	**(534)**	**63,720**	**9,213**	**72,933**
Total assets	**75,592**	**29,706**	**105,298**	**18,081**	**123,379**
Liabilities					
Non-current liabilities					
Provisions	4,812	1,526	6,338	316	6,654
Deferred tax liabilities		7,004	7,004	498	7,502
Total non-current liabilities	**4,812**	**8,530**	**13,342**	**814**	**14,156**
Current liabilities					
Billing in excess of cost	22,937		22,937	266	23,203
Corporate tax liabilities	3,434		3,434	1,008	4,442
Trade and other liabilities	21,270		21,270	3,817	25,087
Total current liabilities	**47,641**		**47,641**	**5,091**	**52,732**
Total liabilities	**52,453**	**8,530**	**60,983**	**5,905**	**66,888**
Total net asset value			**44,315**	**12,176**	**56,491**
Recorded goodwill			48,244	27,358	75,602
Recorded goodwill on associates			7,046		7,046
Consideration paid/ (received)			**99,605**	**39,534**	**139,139**
Issued shares			(33,209)		(33,209)
After-payments unpaid total			(7,250)	(8,567)	(15,817)
After-payments paid in 2012				2,635	2,635
Cash (acquired)/ disposed			(15,282)	(4,478)	(19,760)
Net cash outflow related to 2012 transactions			**43,864**	**29,124**	**72,988**
After-payments related to earlier acquisitions				10,443	10,443
Total net cash outflow/ (inflow)			**43,864**	**39,567**	**83,431**

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

	Contractual	Interest	2012 Total	2011 Total
Balance at January 1	19,241	486	**19,727**	11,255
Acquisitions	15,817		**15,817**	15,782
Interest accrual		573	**573**	499
Payments/ Redemptions	(13,078)	(647)	**(13,725)**	(8,119)
Exchange rate differences	(239)	(15)	**(254)**	310
Balance at December 31	**21,741**	**397**	**22,138**	19,727

Of the total amount of after-payments €12.6 million is included under Loans and borrowings as other long-term debt, while €9.5 million (due within one year) is included under other current liabilities.

5 Intangible assets

	Goodwill	Other intangible assets	Software	Total
Cost				
Balance at January 1, 2012	444,038	94,022	38,227	576,287
Acquisitions through business combinations	75,602	39,239	71	114,912
Investments			4,809	4,809
Disposals		(1,360)	(3,201)	(4,561)
Exchange rate differences	(4,160)	(165)	(261)	(4,586)
Balance at December 31, 2012	515,480	131,736	39,645	686,861
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**
Amortization				
Balance at January 1, 2012		46,687	28,357	75,044
Amortization charge for the year		14,910	6,056	20,966
Disposals		(1,360)	(3,161)	(4,521)
Exchange rate differences		(590)	(235)	(825)
Balance at December 31, 2012		59,647	31,017	90,664
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**
Carrying amounts				
At January 1, 2012	444,038	47,335	9,870	501,243
At December 31, 2012	515,480	72,089	8,628	596,197
At January 1, 2013	515,480	72,089	8,628	596,197
At December 31, 2013	**509,637**	**59,710**	**15,520**	**584,867**

The main part of the Other intangible assets and Software will be amortized within the coming three years. During 2013 and 2012, 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 total goodwill capitalized was assigned to our geographic segments as follows:

	2013	2012
North America	**252,028**	253,862
Emerging Markets	**71,409**	73,061
Continental Europe	**66,288**	62,239
United Kingdom	**119,912**	126,318
Total goodwill	**509,637**	515,480

Goodwill in North America relates to two cash-generating units, being RTKL (€52.1 million) and ARCADIS US (€199.9 million), while 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 (€48.2 million) and ARCADIS Logos (€18.7 million). See Note 4' Consolidated interests' for more information.

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

	2013	2012
Amortization other intangible assets	**16,651**	14,910
Depreciation and amortization	**8,876**	6,056

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 2014 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 3% (2012: 3%).

The pre-tax discount rate used in discounting cash flows to their present value in order to determine the value in use is 9.8% (2012: 10.3%), 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 WACC used is 7.0% (2012: 7.5%), 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 2014 and management's long-term projections. The margins fall in a range between 7.0% and 13.5%; and
- 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 2013 showed that the recoverable amount for each cash-generating unit exceeded the carrying amount and as such did not result in any impairments.

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

Sensitivity to changes in assumptions

	North America	Emerging Markets	Continental Europe	United Kingdom
Revenue growth rate 2014 (%)	**0-3.8**	**(3.3)-8.9**	**0.3-25**	**9.1**
Long term revenue growth rate (%)	**3**	**3**	**3**	**3**
EBITA margin (%)	**10.5**	**11-13.5**	**7.1-10**	**9**
Discount rate (%)	**7**	**8.0-9.9**	**7-8.5**	**7**

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.

6 Property, plant & equipment

During 2013, no changes were made in the useful lives, depreciation methods and the residual values of property, plant & equipment. At December 31, 2013, the carrying amount of tangible fixed assets financed by financial lease, was €0.1 million (2012: €0.4 million). Both at December 31, 2013, and December 31, 2012, no properties were registered as security for bank loans.

	Land and buildings	Furniture and fixtures	Total
Cost			
Balance at January 1, 2012	3,188	165,416	168,604
Acquisitions through business combinations		4,163	4,163
Investments	104	29,808	29,912
Disposals	(1,079)	(13,428)	(14,507)
Exchange rate differences	140	(1,820)	(1,680)
Balance at December 31, 2012	2,353	184,139	186,492
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**
Depreciation			
Balance at January 1, 2012	1,213	93,667	94,880
Depreciation charge for the year	648	25,752	26,400
Disposals	(1,105)	(12,268)	(13,373)
Exchange rate differences	45	(472)	(427)
Balance at December 31, 2012	801	106,679	107,480
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**
Carrying amounts			
At January 1, 2012	1,975	71,749	73,724
At December 31, 2012	1,552	77,460	79,012
At January 1, 2013	1,552	77,460	79,012
At December 31, 2013	**1,471**	**64,260**	**65,731**

7 Investments accounted for using the equity method

The amounts recognized in the balance sheet are as follows:

	2013	2012
Associates	**31,603**	29,984
Joint ventures	**1,722**	2,286
Balance at December 31	**33,325**	32,270

The amounts recognized in the income statement are as follows:

	2013	2012
Associates	**4,793**	(3,058)
Joint ventures	**709**	718
Total income recognized	**5,502**	(2,340)

Investments in associates

	2013	2012
Balance at January 1	29,984	23,974
Equity share in income	4,793	(3,058)
Acquisitions	(53)	5,411
Goodwill related to acquisition		7,046
Investments	1,272	45
Divestments	(28)	(122)
Received dividends	(1,001)	(907)
Exchange rate differences	(3,364)	(2,404)
Balance at December 31	**31,603**	29,984

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 the associates listed below 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 2013 and 2012

The nature of business of the ARCADIS associates listed above 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	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%

ARCADIS NV indirectly holds the percentages of the ordinary shares of all associates listed above, but does not hold any direct interest itself as a result of the intermediate holdings structure within ARCADIS. Except for ARCADIS NV, no preference shares are issued by the Group.

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 statement of financial position at December 31

	ARCADIS Logos Energia S.A		Langdon & Seah Malaysia	
	2013	2012	2013	2012
Current assets	27,070	19,896	11,584	11,686
Non-current assets	41,820	43,454	1,182	1,056
Total assets	68,890	63,350	12,766	12,742
Current liabilities	(28,937)	(21,661)	(7,252)	(5,463)
Non-current liabilities	(6,449)	(7,643)	(2,282)	(5,355)
Total Liabilities	(35,386)	(29,304)	(9,534)	(10,818)
Net assets	33,504	34,046	3,232	1,924

Summarized statement of comprehensive income for the period ended December 31

	ARCADIS Logos Energia S.A		Langdon & Seah Malaysia	
	2013	2012	2013	2012
Revenue	360	770	12,442	12,384
Post tax profit or loss from continuing operations	5,468	(7,566)	1,226	(508)
Total comprehensive income	5,468	(7,566)	1,226	(508)

Reconciliation of summarized financial information

	ARCADIS Logos Energia S.A		Langdon & Seah Malaysia	
	2013	2012	2013	2012
Balance at January 1	33,912	46,390	1,924	
Profit/ loss for the period	5,468	(7,566)	1,226	(508)
Acquisitions				2,442
Exchange rate differences	(5,876)	(4,778)	82	(10)
Balance at December 31	33,504	34,046	3,232	1,924
Interest in associates	50%	50%	100%	100%
Goodwill and other (fair value) adjustments	(2,759)	(2,826)	7,046	7,046
Carrying value	**13,993**	14,197	**10,278**	8,970

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 €7,332 (2012: €6,817).

Investments in joint ventures

	2013	2012
Balance at January 1	**2,286**	1,567
Equity share in income	**709**	718
Acquisitions		514
Investments	**20**	60
Received dividends	**(1,105)**	(578)
Exchange rate differences	**(188)**	5
Balance at December 31	**1,722**	2,286

The Company has several interests in jointly controlled entities, of which the none are individual material to the group. These joint ventures 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 ventures 2013 and 2012

Name of entity	Place of business/ country of incorporation	% of ownership interest
DuoFlora 2012 BV	Netherlands	50%
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.

ARCADIS NV indirectly holds the percentages of the ordinary shares of all joint ventures listed above, but does not hold any direct interest itself as a result of the intermediate holdings structure within ARCADIS. Except for ARCADIS NV, no preference shares are issued by the Group.

Commitments and contingent liabilities in respect to joint ventures at December 31, 2013, and 2012

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.

	2013	2012
Balance at January 1	**842**	191
Investments	**232**	
Acquisitions/ (divestments)	**(12)**	615
Exchange rate differences	**(54)**	36
Balance at December 31	**1,008**	842

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 'Provisons for employee benefits' for further details. In addition Other non-current assets also include assets related to projects which currently are not in development.

	2013	2012
Balance at January 1	**23,763**	18,341
Acquisitions/ (divestments)	**427**	864
New receivables	**6,065**	4,352
Received	**(2,854)**	(2,760)
Other changes and exchange rate differences	**(1,180)**	2,966
Balance at December 31	**26,221**	23,763

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	
	2013	2012	2013	2012	2013	2012
Interest rate derivatives:						
- current			**401**	151	**(401)**	(151)
- non-current			**1,359**	3,832	**(1,359)**	(3,832)
Foreign exchange derivatives:						
- current	**268**	1,644	**2,837**	659	**(2,569)**	985
Total	**268**	1,644	**4,597**	4,642	**(4,329)**	(2,998)

During 2013, the Company kept $115 million (2012: $160 million) of interest rate swaps to hedge interest rate risk on $270 million of long-term loans outstanding and applied hedge accounting to these interest rate derivatives. The market value of these derivatives as at year end 2013 was €1.8 million negative (2012: €4.0 million negative).

Also, during 2013 the Company hedged currency exposures related to transactions in currencies other than the functional currency in the UK, Poland and US 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 & the Netherlands were hedged by way of foreign exchange forward transactions.

Some subsidiaries have elected to apply hedge accounting allowing changes in the valuations of hedges to be posted to equity. Others have elected not to do so, and all related fair value changes are recognized immediately in profit or loss. Where entities wish to 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.

	2013	2012
Balance at January 1	(2,998)	(12,702)
Changes in Statement of income	(243)	6
Changes through Other comprehensive income (equity)	2,225	2,379
Cash settlement derivatives	(3,413)	7,269
Exchange rate differences	100	50
Balance at December 31	(4,329)	(2,998)

The change in fair value of derivatives in profit or loss is €0.2 million together with foreign exchange results of €0.7 million also flowing through profit or loss. Hence the overall profit and loss effect of foreign exchange contracts and derivatives amounts to €0.9 million positive.

The total (after-tax) amount included in Other comprehensive income within equity on the line hedging reserve amounted to a loss of €3.7 million after tax, and related to interest rate hedges and some foreign exchange transactions classified as cash flow hedges.

The tax effect of the fair value changes recorded in Other comprehensive income within equity is €1.5 million (2012: €1.4 million).

	2013	2012
Interest rate derivatives	(3,792)	(6,896)
Foreign exchange derivatives	58	2,051
Total	(3,734)	(4,845)

11 (Un)billed receivables

Includes items maturing within one year.

	2013	2012
Unbilled receivables	307,696	312,018
Trade receivables	439,122	431,782
Provision for bad debts	(31,219)	(35,889)
Receivables from associates	7,380	8,715
Total (un)billed receivables	722,979	716,626

The provision for bad debts has developed as follows:

	2013	2012
Balance at January 1	35,889	36,394
Acquisitions/ divestments	454	2,672
Additions charged to income	7,126	12,720
Release of unused amounts	(5,399)	(12,864)
Utilizations	(5,671)	(2,808)
Exchange rate differences	(1,180)	(225)
Balance at December 31	31,219	35,889

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:

	2013	2012
Cost incurred on uncompleted contracts and estimated earnings	4,844,461	4,397,873
Billings to date	(4,722,961)	(4,262,166)
Total work in progress	121,500	135,707

The majority of outstanding amounts are expected to be collected within one year.

	2013	2012
Cost incurred and estimated earnings in excess of billings	307,696	312,018
Billings in excess of costs incurred and estimated earnings	(186,196)	(176,311)
Total work in progress	121,500	135,707

Amount of advances received	7,380	12,648
Amount of retentions held by client	4,799	3,465

12 Other current assets

	2013	2012
Other receivables	12,785	12,392
Prepaid expenses	24,519	25,291
Balance at December 31	37,304	37,683

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 2013 and 2012 consisted of the following:

	2013	2012
Deposits	20,440	14,535
Bank and cash	130,546	211,872
Balance at December 31	150,986	226,407
Bank overdrafts used for cash management purposes	(397)	(49,954)
Cash and cash equivalents in the cash flow statement	150,589	176,453

The average effective interest rate earned on cash during 2013 was 1.2% (2012: 0.5%). At December 31, 2013, €98.9 million of cash and cash equivalents were freely available (2012: €129.6 million).

Restricted cash amounting to €51.6 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 or causes tax complications.

14 Equity attributable to equity holders

2013	Authorized share capital	Subscribed share capital
Ordinary shares (120,000,000; nominal value €0.02)	**2,400,000**	1,496,438
Cumulative preferred 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**	1,496,450

The development of shares outstanding during 2012 and 2013 is presented in the table below:

	Ordinary shares		Total Outstanding shares	
	2013	2012	2013	2012
Outstanding at January 1	**71,587,542**	69,337,679	**71,588,142**	69,338,279
Shares issued	**785,682**	2,200,000	**785,682**	2,200,000
Repurchased shares	**(1,450,000)**	(1,800,000)	**(1,450,000)**	(1,800,000)
Exercised shares and options	**2,259,784**	1,849,863	**2,259,784**	1,849,863
Outstanding at December 31	**73,183,008**	71,587,542	**73,183,608**	71,588,142

Priority shares

Total number of outstanding priority shares at January 1, 2013, and December 31, 2013, is 600 (no changes in 2013). During 2013, 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 20 board members: 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 Preference (Protective) Shares

Currently no cumulative preference (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 preference 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 of Shareholders decides, under the approval of the Supervisory Board and of Stichting Prioriteit ARCADIS NV, about the issuance of shares or grant of rights to acquire shares. The meeting can also delegate its authority to issue shares to the Executive Board. As long as any such delegation stands, the meeting cannot decide to issue. During 2013, 785,682 shares were issued for the distribution of stock dividend.

Purchase of shares

The Executive Board can, 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 2013, no shares were issued to cover obligations in relation to options (2012: nil).

The following numbers of shares were purchased:

Year	Number of shares	Price at time of purchase
2009	825,000	€8.19 to €14.01
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**

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 shares purchased, a total number of 2,259,784 (2012: 1,849,863) has been placed back in the market through the exercise of options in 2013. The net proceeds were €28.7 million (2012: €17.9 million).

At December 31, 2013, the number of repurchased shares in stock was 1,638,870 (2012: 2,448,654).

Number of outstanding ordinary shares:

Year	January 1	Issued shares	Repurchased shares	Reissued shares	December 31
2009	60,100,948	5,739,351		652,888	66,493,187
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**

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 €173.2 million of the share premium would not be taxable under the 1964 Dutch income tax legislation (2012: €173.2 million).

Translation reserve

Translation reserve (a statutory reserve) comprises all foreign exchange rate differences arising as of 2004 from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans with a permanent nature. In 2013, €30.6 million was added to the Translation reserve, including a tax benefit of €0.6 million (2012: €9.8 million and €0.2 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. At year-end 2013, the Hedging reserve gross amount was €3.7 million and €0.9 million of tax (2012: €4.8 million and €2.4 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 2013, the Executive Board with the approval of the Supervisory Board proposes to add the amount of €54.9 million to Retained earnings. The remainder of €41.7 million can be distributed as a dividend, which represents a dividend of €0.57 per outstanding ordinary share. Of the total amount of Retained earnings €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:

	2013	2012
Balance at January 1	**1,101**	(94)
Share in profit for the year	**2,746**	1,219
Dividends to non-controlling shareholders	**(742)**	
Other changes		1
Exchange rate differences	**(191)**	(25)
Balance at December 31	**2,914**	1,101

The changes in non-controlling interests in 2013 and 2012 mainly relate to the share in profit for the year of these interests and the distribution of dividends.

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**
2012	600	70,398,579	72,325,118

The diluted number of 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 weighted average number of ordinary shares used for the calculation of earnings per share for the years 2013 and 2012 is calculated as follows:

	2013	2012
Average number of issued shares	**74,503,240**	73,427,429
Average number of repurchased shares	**(2,347,955)**	(3,028,250)
Total average number of outstanding shares	**72,155,285**	70,399,179
Of which:		
Priority shares	**600**	600
Ordinary shares	**72,154,685**	70,398,579

For the calculation of earnings per share, no distinction is made between the different classes of shares.

Total earnings of ARCADIS:

	2013	2012
Net income	**96,603**	88,974
Net income from operations	**111,083**	105,050
Earnings per share (in euros)		
Net income	**1.34**	1.26
Net income from operations	**1.54**	1.49

At December 31, 2013, the number of outstanding options is 8,033,010 (2012: 9,641,156). Of the outstanding options at December 31, 2013, 3,406,866 options were in the money and exercisable (2012: 3,329,404 in the money and exercisable). 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.

	2013	2012
Average number of outstanding shares	**72,155,285**	70,399,179
Average number of diluting shares	**2,713,769**	1,925,939
Total average number of diluted shares	**74,869,054**	72,325,118
Earnings per diluted share (in euros)		
Net income	**1.29**	1.23
Net income from operations	**1.48**	1.45

17 Provisions for employee benefits

	Pension obligations	Deferred compensation	Total
Balance at January 1, 2013	21,553	14,204	35,757
Additions	2,373	1,711	4,084
Amounts used	(535)	(101)	(636)
Pension plan changes to net asset position	(1,053)		(1,053)
Exchange rate differences	(422)	(630)	(1,052)
Balance at December 31, 2013	**21,916**	**15,184**	**37,100**
Non-current	**21,866**	**14,506**	**36,372**
Current	**50**	**678**	**728**
Total	**21,916**	**15,184**	**37,100**

Pension obligations

General

Within ARCADIS there are a number of defined benefit pension plans. The main plan is in EC Harris, which accounts for almost 76% of the total pension plan obligations. However, this plan is closed for future accruals as from January 31, 2011. Some smaller plans are in place in 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 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.

Movements in EC Harris' defined benefit obligation, plan assets, and net pension liability

The table below provides a summary of the changes in the defined benefit obligations and the fair value of their plan assets for 2013 (and comparative figures for 2012). It also provides a reconciliation of the funded status of the plan to the amounts recognized in the consolidated statement of financial position.

	Present value of obligation	Fair value of plan assets	Total
Balance at January 1, 2012	72,985	50,396	22,589
Current service cost		(368)	368
Interest expense/ income	3,580	2,680	900
	3,580	2,312	1,268
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense/income		1,163	(1,163)
- Gain/ loss from change in financial assumptions	2,020		2,020
- Experience gain/ loss	883		883
	2,903	1,163	1,740
Exchange differences	1,494	964	530
Contribution by plan participants		9,489	(9,489)
Benefit payments from plan	(1,122)	(1,122)	–
Balance at December 31, 2012	79,840	63,202	16,638
Balance at January 1, 2013	79,840	63,202	16,638
Current service cost		(252)	252
Interest expense/ income	3,485	2,813	672
	3,485	**2,561**	**924**
Remeasurements:			
- 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
- Experience gain/ loss			
	4,061	**2,855**	**1,206**
Exchange rate differences	(1,249)	(943)	(306)
Contribution by plan participants		3,072	(3,072)
Benefit payments from plans	(2,253)	(2,253)	–
Balance at December 31, 2013	**83,884**	**68,494**	**15,390**

The net pension liability is recognized in the consolidated statement of financial position under the provisions for employee benefits.

Plan assets allocation

All invested assets shown in the table below are quoted.

	December 31, 2013	in %	December 31, 2012	In %
UK Equities	11,706	17	12,777	20
Overseas Equities	11,566	17	15,175	24
Fixed interest Gilts	10,376	15	4,545	7
Fixed interest Non-government bonds	2,295	3	9,028	14
Index-lined Gilts	12,165	18	7,892	13
Property	6,372	9	5,982	9
Hedge funds	11,121	16	6,553	10
Commodities		0	349	1
Cash	2,893	5	901	2
Total	68,494	100	63,202	100

Pension costs recognized in profit or loss

The total pension costs recognized in 2013 and 2012 were as follows:

	2013	2012
Interest expenses/ (income)	672	900
Service cost	252	368
Total defined benefit plans EC Harris	924	1,268
Total defined benefit plans other operating companies	395	411
Total defined contribution plans	44,605	40,700
Total pension costs	45,924	42,379

The pension expenses of defined benefit and defined contribution plans are recognized in the following line items in the Consolidated statement of comprehensive income:

	2013	2012
Personnel costs	45,252	41,479
Financing charges	672	900
Total pension costs	45,924	42,379

Actuarial gains and losses recognized in Other comprehensive income

	2013	2012
Balance of (gains)/ losses at January 1	6,732	4,100
Recognized (gains)/ losses during the year	4,170	2,632
Balance of (gains) / losses December 31	10,902	6,732

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are:

in %	2013	2012
Discount rate	4.6	4.6
Pension revaluation in deferment	2.9	2.5
Pension increases	2.5-3.7	2.5-3.4
Retail price index inflation	3.6	3.2
Consumer price index inflation	2.9	2.5

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 21 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:

	2013	2012
Male/ female currently aged 65	22.7/24.4	22.6/24.3
Male/ female reaching age of 65 in 20 years	24.9/25.9	24.8/25.9

Sensitivity analysis

The calculation of the defined benefit obligation 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%.

In millions of euros	%-change in assumptions	Change in pension charges	Change in pension liability
Discount rate	(0.1)%	56	1,500
Rate of benefit increase	0.1%	24	500

Expected contributions and benefits

The Company expects €3.2 million in contributions to be paid to the EC Harris' defined benefit plan in 2014 which consists of:

- €3.0 million as the agreed upon annual contribution based on the current recovery plan; and
- €0.2 million related to contribution to the plan administration costs.

The estimated pension costs to be recognized in the consolidated statement of comprehensive income in 2014 amounts to €0.9 million (of which €0.6 million net interest costs and €0.3 million service costs/ operating charge).

Other defined benefit plans

For some smaller defined benefit plans the total provision for pension liabilities amounts to €5.3 million, with actuarial gains and losses recognized in other comprehensive income of €0.8 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

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. At the end of 2013, the amount recognized under deferred compensation for these deferred salaries was €13.9 million (2012: €12.4 million). This amount is covered by a receivable on the fund, which is recognized under other non-current assets. In 2013 the receivable was €13.9 million (2012: €12.9 million). Additionally €1.1 million (2012: €1.1 million) is recognized for future jubilee payments based on the current agreements in the collective labor agreements and the related staff levels.

18 Provisions for other liabilities and charges

	Restruc-turing	Litigation	Other	Total
Balance at January 1, 2013	9,698	15,526	8,248	33,472
Additions	12,315	4,277	1,721	18,313
Amounts used	(13,063)	(4,048)	(447)	(17,558)
Release of unused amounts	(1,841)	(2,553)	(1,488)	(5,882)
Exchange rate differences	(151)	(156)	(286)	(593)
Balance at December 31, 2013	**6,958**	**13,046**	**7,748**	**27,752**
Non-current	**3,165**	**10,450**	**7,574**	**21,189**
Current	**3,793**	**2,596**	**174**	**6,563**
Total	**6,958**	**13,046**	**7,748**	**27,752**

Restructuring

Provisions for restructuring includes 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 insurances 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. Estimates by management and (external) advisors lead to an indication of the potential financial risk and whether or not that risk is covered by the insurance policies. This, in turn, determines the amount ARCADIS provides for.

Other provisions

The other provisions is for expected contract losses and warranties. 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.

Unrecognized deferred tax assets and liabilities

In 2013, a deferred tax asset of €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 profits in the companies where these losses were made. At December 31, 2013, the gross amounts of the net operating loss carry forwards for which no deferred tax assets have been recognized in the balance sheet, with a total of €11.3 million (2012: €20 million), can be carried forward indefinitely.

The movement in unrecognized deferred tax assets and liabilities during the year is as follows:

	Balance at January 1, 2013	Additions	Recognition net in income	Recognized in equity	Exchange rate differences	Balance at December 31, 2013
Tax losses	5,745	(799)	562		(109)	**5,399**
Total	**5,745**	**(799)**	**562**		**(109)**	**5,399**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following balance sheet items:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Goodwill / intangibles	**5,079**	10,190	**29,954**	27,044	**(24,875)**	(16,854)
Property plant & Equipment	**2,395**	2,061	**2,914**	4,504	**(519)**	(2,443)
Work in progress	**3,977**	3,595	**28,461**	31,572	**(24,484)**	(27,977)
Acrued expenses	**20,704**	21,069	**1,512**	1,080	**19,192**	19,989
Derivatives	**962**	3,970	**9**	1,611	**953**	2,359
Share-based compensation	**17,215**	8,119			**17,215**	8,119
Deferred compensation	**3,252**	869			**3,252**	869
Net operating losses	**3,790**	12,752			**3,790**	12,752
Others	**3,211**	2,673	**371**	2,179	**2,840**	494
Offsetting	**(22,993)**	(26,861)	**(22,993)**	(26,861)		
Balance at December 31	**37,592**	38,437	**40,228**	41,129	**(2,636)**	(2,692)

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 €38.3 million of the deferred tax liabilities at December 31, 2013, will be utilized within one year (2012: €38.8 million). The estimated utilization of deferred tax assets within one year at December 31, 2013, is €39.8 million (2012: €43.2 million). The gross operating losses that might be compensated by future profits amount to €43.3 million at December 31, 2013, and €81.3 million at December 31, 2012.

At December 31, 2013, the gross amounts of the net operating loss carry forwards for which deferred tax assets have been recognized in the Consolidated statement of financial position, with a total of €17.4 million (2012: €52.2 million) expire as follows:

	2014	2015	2016	2017	2018	Later	Unlimited
Amount to expire	2.9	3.5	3.5	3.2	0.8	0.4	3.1

The movement in deferred tax balances during the year 2013 was as follows:

	Balance at January 1, 2013	Recognized net in profit or loss	Recognized in other compre-hensive income	(De)-consolidations	Exchange rate differences	Balance at December 31, 2013
Goodwill / intangibles	**(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**	**(1,023)**	**(1,005)**	**(2,636)**

The movement in deferred tax balances during the year 2012 was as follows:

	Balance at January 1, 2012	Recognized net in profit or loss	Recognized in other compre-hensive income	(De)-consolidations	Exchange rate differences	Balance at December 31, 2012
Goodwill / intangibles	(426)	(7,471)		(7,502)	(1,455)	(16,854)
Property, plant & equipment	(2,926)	393			90	(2,443)
Work in progress	(26,570)	(1,676)			269	(27,977)
Accrued expenses	24,522	(4,360)			(173)	19,989
Derivatives	3,904	(116)	(1,410)		(19)	2,359
Share-based compensation	1,750	5,039	1,330			8,119
Deferred compensation	1,944	(1,039)			(36)	869
Net operating losses	8,423	4,434			(105)	12,752
Others	748	(2,756)		2,364	138	494
Tax assets /(liabilities)	11,369	(7,552)	(80)	(5,138)	(1,291)	(2,692)

20 Loans and borrowings

	2013	2012
Bank loans	**339,579**	355,322
(interest rates between 0.9% and 17.9%)		
Financial lease contracts	**186**	392
(interest rates between 2.4% and 11.5%)		
Other long-term debt	**12,481**	13,477
(interest rates between 0% and 6.1%)		
Total	**352,246**	369,191
Current portion[1]	**29,327**	68,686
Balance at December 31 (non-current)	**322,919**	300,505

[1] Excluding after-payments for acquisitions, reference is made to Note 21 'Other current liabilities'

Aggregate maturities of long-term debt are as follows:	2013	2012
2014	**1,890**	31,590
2015		56,743
2016	**65,135**	116,877
2017	**176,894**	4,960
2018		
After 2018	**79,000**	83,784
Balance at December 31	**322,919**	300,505

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 €341.0 million (2012: €369.5 million).

The weighted average interest rate for 2013 and 2012 on interest-bearing debt (including the interest effect of swaps) was 3.6% and 3.2%, respectively. From the total amount of loans and borrowings at December 31, 2013, €195.6 million has interest rates in the range of 0% to 4%. The remainder of €156.7 million has interest rates in the range of 4% to 15%. At year-end 2012 the interest rates ranged from 0% to 4% for total bank loans of €272.7 million and from 4% to 17% for bank loans of €96.5 million. Under other long-term debt, retentions and expected after-payments not due within one year are included, amounting to €12.0 million (2012: €12.6 million).

The long-term bank loans include $230 million of term loans (2012: $270 million) attracting an US LIBOR denominated interest rate, and will mature in 2015 and 2016. 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 issued in 2013 and maturing in 2018. ARCADIS also has a €150 million Revolving Credit Facility during the year, of which nothing was used at year-end (2012: €80 million). The current portion of long term debt relates to $40 million of term loans (2012: $90 million) attracting a USD LIBOR denominated interest rate.

At year end, $115 million of floating rate bank debt has been converted by way of interest rate swaps into USD fixed rate debt, at an average rate of 2.50% and the average remaining lifetime of these swaps is eleven months. 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, 2013, the Net Debt to EBITDA ratio calculated in accordance with agreements with the banks is 1.39 (2012: 1.52).

With effect from December 31, 2013, a lease-adjusted interest coverage ratio is also applicable in which EBITDAR to Relevant Net Finance Expense ratio must exceed 1.75. At December 31, 2013, this ratio calculated in accordance with agreements with lenders is 2.78.

The total short-term facilities amount to €224.0 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €86.3 million has been used as at December 31, 2013 (2012: €115.8 million including multi-currency and guarantee facility of which €88.3 million was used). The effective interest rates for bank overdrafts are between 1.7% and 9.0% (2012: 1.6-9.0%).

ARCADIS has short term uncommitted debt facilities of €98 million with four banks and a €50 million guarantee facility with one bank (2012: €80 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 2013, the total amount of bank guarantees and letters of credit that were outstanding under the €50 million guarantee facility amounted to €27.7 million (2012: €33.8 million). Additionally there were other outstanding guarantees and letters of credit amounting to €58.6 million (2012: €57.4 million).

21 Other current liabilities

	2013	2012
Taxes and social security contributions	**66,501**	63,068
Payables to employees	**141,140**	143,453
After-payments for acquisitions	**1,849**	9,544
Other liabilities	**42,857**	36,781
Balance at December 31	**252,347**	252,846

Notes to the consolidated statement of income

22 Revenues

The Company's revenues arise from the following categories:

	2013	2012
Revenues from services	**1,839,900**	1,992,161
Construction contract revenues	**676,020**	544,006
Total gross revenues	**2,515,920**	2,536,167

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

	2013	2012
Book gain on sale of assets	**152**	600
Results from investments	**383**	890
Release of after payments	**1,722**	
Total other income	**2,257**	1,490

In 2013, other income mainly came from the release of the ETEP and Geofos after payments. Additionally, sale of assets and results from investments were included.

In 2012, other income related to sale of assets, none of which was individually material. In addition a dividend from investments was received.

24 Operational costs

	2013	2012
Salaries and wages	**1,052,589**	1,030,534
Social charges	**124,655**	124,662
Pension and early retirement charges	**45,252**	41,521
Other personnel costs including temporary labor	**190,234**	180,711
Total personnel costs	**1,412,730**	1,377,428
Occupancy expenses	**86,436**	91,694
Travel expenses	**55,252**	56,953
Office expenses	**51,677**	56,387
Audit and consultancy costs	**29,875**	34,344
Insurance costs	**12,266**	12,653
Marketing and advertising expenses	**3,768**	5,155
Other operational costs	**40,492**	40,221
Total other operational costs	**279,766**	297,407
Total	**1,692,496**	1,674,835

The average number of contract employees in 2013 was 21,039 (2012: 19,507).

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 are under the 2005 and 2010 Long-Term Incentive plan.

ARCADIS NV 2005 Long-Term Incentive Plan

The 2005 Long-Term Incentive Plan was approved in May 2005 by the General Meeting of Shareholders. Following are the primary changes that were introduced:

- In addition to rights to shares (option rights), other share-related incentives can 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 en key employees. 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 Shareholders Meeting, whereby the exercise price will match the closing price of ARCADIS NV shares on the day of the grant.

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 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 vest for management	Percentage of conditional options and shares that vest 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		

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 financial position, 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.

Options granted in 2013

In 2013, the following options have been granted under the 2010 Long-Term Incentive Plan:

Occasion for granting shares	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Recruitment grant	10,000	1/1/2013	1/1/2023	18.26	3.68
Annual grant of options	745,500	9/5/2013	8/5/2023	20.96	3.68-4.20
Total	**755,500**				

During 2013, a total of 2,124,920 options and 134,864 shares were exercised while 294,273 options and 5,050 shares were cancelled or forfeited.

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 2013, an amount of €6.9 million (2012: €7.5 million) is included under other personnel cost for the share-based payments granted to employees in 2013, 2012, 2011, and 2010 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 options granted were:

	May options 2013	May options 2012	Acquisition L&S 2012
Fair value at grant date	**3.68-4.2**	3.49-3.84	4.56
Share price	**20.96**	15.74	14.72
Exercise price	**20.96**	15.74	14.72
Expected dividend yield	**2.48**	2.89	2.85
Risk-free interest rate (%)	**0.93**	1.56	1.61
Expected volatility (%)	**39.85**	42.12	42.06
Expected life of option (years)	**5**	5	5
Expected forfeitures (%)	**11.0**	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 ARCADIS options in $	Weighted average exercise price in $	Number of ARCADIS options in €	Weighted average exercise price in €
Balance at January 1, 2012	18,225	4.42	9,982,535	15.42
Granted			1,996,286	14.60
Exercised	(7,575)	4.29	(1,719,615)	10.82
Forfeited/ cancelled			(628,700)	15.41
Balance at December 31, 2012	10,650	4.51	9,630,506	14.39
Balance at January 1, 2013	**10,650**	**4.51**	**9,630,506**	**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	**4,500**	**5.00**	**8,028,510**	**15.90**

No granted options expired in 2013. The weighted average share price at the date of exercise for share options exercised in 2013 was €21.37 (2011: €17.11).

Total options outstanding at December 31, 2013, were as follows:

Year of issue	Exercise price	Outstanding January 1, 2013	Granted in 2013	Increase by performance measure 2013	Exercised in 2013	Cancelled/ forfeited in 2013	Outstanding December 31, 2013
Exercisable options:							
2003	€2.80	44,271			39,177	5,094	
2003	€3.83	4,500			4,500		
2004	$5.00	6,150			1,650		4,500
2005	€6.48	185,142			89,288		95,854
2006	€12.37	362,900			138,587	5,100	219,213
2007	€20.23	1,693,937			288,444	33,224	1,372,269
2008	€13.77	526,322			258,651	833	266,838
2009	€12.06	1,964,009			840,576	10,000	1,113,433
2009	€12.06	108,292			108,292		
2010	€14.33	750,132		55,547	271,102	9,962	524,615
2010	€16.84	104,611			10,000		94,611
2010	€16.98	31,200					31,200
2011	€13.59	134,653			64,653		70,000
2012	€15.35	70,000			10,000		60,000
Subtotal		5,986,119					3,852,533
Non-exercisable options:							
2011	€13.59	70,000					70,000
2011	€16.18	713,883				27,450	686,433
2011	€16.48	295,000					295,000
2011	€14.06	882,500				121,200	761,300
2012	€15.35	140,000					140,000
2012	€14.72	739,368				26,000	713,368
2012	€15.74	814,286				47,029	767,257
2013	€20.96		745,500			8,381	737,119
2013	€18.26		10,000				10,000
Subtotal		3,655,037					4,180,477
Total		**9,641,156**	**755,500**	**55,547**	**2,124,920**	**294,273**	**8,033,010**

The weighted average exercised price of the share options exercisable at December 31, 2013 was €15.44 (2012: €14.69). The outstanding options per December 31, 2013, have a weighted average contractual life of 6.5 years (2012: 7.0 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 the 'Other personnel costs', see Note 24.

The following parameters were used to calculate the costs:

Share price at grant date 2009	€10.91
Share price at grant date 2010	€14.33
Share price at grant date 2011	€16.18
Share price at grant date 2012	€15.74
Share price at grant date 2013	€20.96
Foregone dividend	8.32%
Performance discount	33.40%

Overview of incentive shares granted:

Provisional (rights to) shares granted on	Granted	Unconditional in	In/(de)crease because of ranking in the peer group	Total amount to be expensed over the vesting period, in €
May 11, 2009	110,300	2012	50%	755,500
May 14, 2010	114,400	2013	17%	1,029,513
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**

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 investment per employee is limited to €400 per month. Ultimo 2013, 4,080 employees participated in the plan (2012: 3,568). The cost of the Employee Share Plan in 2013 included in the Company's financial statements amounted to €0.7 million (2012: €0.4 million).

26 Net finance expense

In financial income and expenses, exchange rate differences on foreign currency loans are also included. Financial expenses in 2013 decreased compared to 2012 reflecting cash generated during the year and the successful efforts made to centralize more cash in the organization to repay external debt. To a lesser extent, increased cash balances in Brazil helped increase interest income during the year, while an interest rate swap matured during the year, allowing ARCADIS to profit from lower floating interest rates. Due to a weak US dollar, reported interest costs of financing our US dollar debts also helped lower interest expense. Interest expense in 2013 amounted to €17.0 million (2012: €20.5 million).

	2013	2012
Interest income	**4,282**	2,874
Foreign exchange differences on financial liabilities	**(4,596)**	(1,747)
Fair value changes of derivatives	**3,520**	399
Financial expenses	**(21,302)**	(23,314)
Total	**(18,096)**	(21,788)

In 2013, there were exchange rate gains on the hedging of foreign currency loans and intercompany income by way of FX 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 liabilities of the fiscal unit as a whole. The weighted average tax rate on profit before taxes for the group was 28.3% (2012: 28.6%).

Explanation of effective tax rate	2013			2012		
	Gross amount	Taxes	In %	Gross amount	Taxes	In %
Profit before taxes from operations	**132,994**	**39,147**	**29.4**	128,693	36,160	28.1
Profit from associates	**5,502**		**(1.1)**	(2,340)		0.5
Profit before taxes	**138,496**	**39,147**	**28.3**	126,353	36,160	28.6
Nominal tax rate in the Netherlands			**25.0**			25.0
Foreign tax rate differences			**8.6**			2.9
Settlements related to previous years			**(0.9)**			(1.5)
Income from associates			**(1.1)**			0.5
Non-taxable amounts and others			**(3.3)**			1.7
Effective tax rate			**28.3**			28.6

The tax effects of significant timing 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	2013	2012
Current year	**40,534**	30,539
Adjustments for previous years	**(1,152)**	(1,931)
Total current tax	**39,382**	28,608
Deferred tax	**(235)**	7,552
Total taxes on income	**39,147**	36,160

Other notes to the consolidated financial statements

28 Commitments and contingent liabilities

Summary of commitments

					Amounts due by period
	Less than 1 year	1-5 years	More than 5 years	Total Dec. 31, 2013	Total Dec. 31 2012
Operating lease contracts	80,673	178,498	38,633	297,803	314,762
Guarantees	25,274	28,039	30,120	83,434	88,342
Total commitments	105,947	206,537	68,753	381,237	403,104

Operating leases

Future minimum payments for the non-cancellable operating leases during the next five years and thereafter are as follows:

Years ending December 31	2013	2012
2013		74,214
2014	80,673	60,940
2015	66,458	49,635
2016	50,838	38,673
2017	37,413	27,676
2018	23,788	21,700
Thereafter	38,633	41,924
Total	297,803	314,762

The Company's 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, 2013, €91 million was recognized as an expense in profit or loss with regard to operating leases (2012: €76 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 €83.4 million (2012: €88.3 million). Guarantees related to investments in associates are €7.5 million (at December 31, 2012: €8.8 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 consolidated financial position, consolidated results of operations and cash flows for a particular period.

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.

The transactions with all other related parties are disclosed in the table below:

	Transactions with associates		Transactions with joint ventures		Transactions with post-employment benefit plans		Other	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Sales (to)	**23.6**	19.4	**11.7**	31.4				
Purchases (from)	**0.7**	0.1		1.8				
Loans (to)	**0.2**	2.8						
Receivables (from)	**6.3**	7.4	**4.6**	6.0			**0.2**	0.1
Payables (to)	**0.2**	0.6	**5.1**	0.4		2.4	**0.6**	0.8
Dividends received (from)	**2.1**	1.8	**(0.3)**	0.1				
Provision for doubtful debts related to outstanding balances	**0.2**			0.1				
Related expenses to these bad or doubtful debts			**0.2**	0.1				
Transfer of pension premiums and cost charges					**25.1**	31.3		
Contributions							**3.6**	2.1

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 2013 (and 2012), 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 the Stichting Pensioenfonds ARCADIS Nederland (SPAN, pension fund) and the pension fund of EC Harris.

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. During 2013, the transactions between ARCADIS and SPAN comprise of the transfer of pension premiums and cost charges, and amounted to €22.5 million (2012: €21.8 million). At year-end 2013, the amount due to SPAN was €1.9 million (2012: €1.9 million).

In addition, the Company contributed €2.6 million (2012: €9.5 million) to the pension plan of EC Harris (defined benefit plan). See also 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 2013, the Foundation had an interest of 19.2% in ARCADIS (2012: 19.5%). 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 2013 amounted to €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 2013, 90 and 100 employees participated in the several Quest programs and Global Shapers program respectively. Financial support amounted to €1.4 million (2012: €1.1 million).

During 2013 and 2012, 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 it to a variety of financial risks. These include:

- 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, and 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 our liabilities, and our 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 centralise cash at banks who 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 statement of financial position. Trade receivables are presented net of an allowance for impairment, 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 statement of financial position trade receivables are presented net of an allowance for impairment of €31.2 million (2012: €35.9 million).

The aging of trade receivables and the impairment losses recognized for bad debts at reporting date were:

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	**232,720**	**(1,874)**	223,457	(1,780)
Past due 0-30 days	**88,556**	**(956)**	86,196	(311)
Past due 31-120 days	**59,190**	**(1,000)**	52,259	(573)
More than 120 day due	**58,657**	**(27,389)**	69,871	(33,225)
Total	**439,122**	**(31,219)**	431,783	(35,889)

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 €83.4 million (2012: €88.3 million). In addition, ARCADIS NV has provided corporate guarantees to banks for a maximum amount of €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:

	2013	2012
Financial assets:		
(Un)billed receivables	**722,979**	716,626
Other receivables	**12,776**	12,381
Other non-current assets	**26,221**	23,763
Derivatives	**268**	1,644
Loans to associates	**4,933**	3,986
	767,177	758,400
Cash and cash equivalents	**150,986**	226,407
Total	**918,163**	984,807

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 64% 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 $270 million (2012: $360 million) paying a USD LIBOR denominated rate.
- A €150 million Revolving Credit Facility attracting a EURIBOR-denominated rate of which nothing was used at year end (2012: utilization was €80 million).
- There are €25 million of undrawn committed facilities attracting an interest rate that is EURIBOR-denominated (2012: €25 million, nil utilization).
- Uncommitted multi-currency facilities of €98 million equivalents (2012: €80 million) with a consortium of banks attracting a floating interest rate. At the end of 2013 none (2012: €24.6 million) 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 issued during 2013 to refinance maturing bank debt and was 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 end 2013, €27.7 million (2012: €33.8 million) of this facility was used.
- Additionally there are several other facilities dealing with both loans and guarantees, totaling €75.9 million, and as at end 2013 €59.8 million was used (2012 €69.2 million of which €57.4 million was used).

Over the course of the year, considerable fluctuations occur 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, 2013 and 2012, 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, 2013.

Contractual obligations at December 31, 2013	Payments due by period				
	Total amount	Less than1 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**

Contractual obligations at December 31, 2012	Payments due by period				
	Total amount	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	314,762	74,214	110,575	66,349	63,624
Capital (finance) lease obligations	612	220	376	16	
Foreign exchange contracts:					
- outflow	252,628	252,628			
- inflow	(251,958)	(251,958)			
Interest rate swaps:					
- outflow	4,680	2,393	2,287		
- inflow	(682)	(291)	(391)		
After-payments for acquisitions	21,740	9,544	7,197		4,999
Interest	55,785	10,290	16,505	11,769	17,221
Other long-term liabilities	355,836	68,466	87,100	116,636	83,634
Short-term bank debt	80,543	80,543			
Total	833,946	246,049	223,649	194,770	169,478

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 FX transaction exposure management is aimed at the active management of FX 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 which 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 statement of financial position 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 statement of financial position:

In Eur 1,000

December 31, 2013	EUR	USD	GBP	CNY	BRL
Trade receivables	**347**	**22,683**	**7,320**	**2,677**	
Cash and cash equivalents	**5,988**	**12,593**	**570**	**12,048**	**584**
Derivatives		**96,781**	**17,163**		
Loans and borrowings	**(46,059)**	**(104,701)**	**(16,592)**		
Trade payables	**(147)**	**(9,687)**	**(5,370)**	**(3)**	
Balance exposure	**(39,871)**	**17,669**	**3,091**	**14,722**	**584**

December 31, 2012	EUR	USD	GBP	CNY	BRL
Trade receivables	1,099	13,384	14,508	2,973	
Cash and cash equivalents	2,277	4,836	(2,412)	1,350	318
Derivatives	(500)	52,729	2,396		
Loans and borrowings	(46,059)	(51,441)	275		
Trade payables	(414)	(6,637)	(3,231)		
Balance exposure	(43,597)	12,871	11,536	4,323	318

The following significant exchange rates applied during the year:

EUR per unit		2013		2012
	Average	Ultimo	Average	Ultimo
US Dollar (USD)	**0.75**	**0.73**	0.78	0.76
Pound Sterling (GBP)	**1.18**	**1.20**	1.23	1.22
Brazilian Real (BRL)	**0.35**	**0.31**	0.40	0.36

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 or loss. All FX forward transactions outstanding at year end are due to mature in 2014.

Sensitivity analysis

A 10 percent strengthening of the euro against the US dollar at December 31, 2013, with all other variables held constant, would have decreased profit and loss by €1.8 million (December 31, 2012 a loss of €1.3 million). A 10 percent strengthening of the euro against the Pound Sterling at December 31, 2013, with all other variables held constant, would have decreased profit and loss by €0.3 million, while the impact on equity would be a loss of €5.1 million. At December 31, 2012, the impact on profit and loss would have been a loss of €1.2 million, while the impact on equity would be a loss of €5.1 million.

The analysis above assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012. 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
A 10 percent strengthening / weakening of the euro against the US dollar at December 31, 2013, with all other variables held constant would have increased / decreased net income by €3.9 million (2012 €4.0 million), while equity would have been €13.4 million higher / lower (2012: €10.9 million). A 10 percent strengthening / weakening of the euro against the Pound Sterling at December 31, 2013, with all other variables held constant would have increased / decreased net income by €0.3 million (2012: €0.6 million), while equity would have been €18.1 million higher / lower (2012: €18.6 million). A 10 percent strengthening / weakening of the euro against the Brasilian Real December 31, 2013, with all other variables held constant would have increased / decreased net income by €1.5 million (2012: €0.9 million), while equity would have been €7.0 million higher / lower (2012: €7.7 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 2013 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 €345.8 million at year-end 2013 (2012: €488.4 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 contracts were entered into. One interest rate derivative transacted by ARCADIS matured in 2013. ARCADIS now has $115 million of floating to fixed interest rate swaps at an average fixed rate of 2.50%. These derivatives have a remaining duration of eleven months as at end 2013.

Treasury Policy states that the fixed portion of the Net Debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. ARCADIS has been compliant with Treasury Policy during 2013.

Sensitivity analysis
At December 31, 2013, 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 (2012: €0.1 million) higher/lower, as a high percentage of ARCADIS net debt has been fixed. In 2013, there would also have been a higher/lower change in equity of €0.1 million (2012: €0.2 million) reflecting a change in valuation of IRS transactions at year end used to hedge interest rate risk. The Company has outstanding interest rate swaps with a $115 million notional amount which decreased during 2013 from $160 million at end 2012. 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 2013, ARCADIS' strategic goal on financing, which was unchanged from 2012, 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, 2013, and at December 31, 2012, were as follows:

In millions of euros	December 31, 2013	December 31, 2012
Long-term debt	**311.0**	287.9
Current portion of long-term debt	**29.3**	68.7
Bank overdraft and short-term bank debts	**5.5**	131.8
Total debt	**345.8**	488.4
Less: cash and cash equivalents	**(151.0)**	(229.1)
Net debt	**194.8**	259.3
EBITDA[1)]	**204.5**	209.0
Net debt to EBITDA (at year end net debt)	**1.1**	1.30
Net debt to EBITDA ratio according to bank agreements[2)]	**1.39**	1.52

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, 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 or 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 borrowings	**5,515**		**5,515**			**5,515**	**5,515**
Total financial liabilities	**672,179**		**667,582**	**2,839**	**1,758**	**672,178**	**660,950**

December 31, 2012	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category				Fair value
			Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through other comprehensive income	Total	
Investments in associates	32,270	32,270					
Other investments	842		466		376	842	842
Other non-current assets	23,763		23,763			23,763	25,705
(Un)billed receivables:							
- Trade receivables	395,893		395,893			395,893	398,384
- Unbilled receivables	312,018		312,018			312,018	313,551
Derivatives	1,644			1,644		1,644	1,644
Cash and cash equivalents	226,407		226,407			226,407	229,097
Total financial assets	992,837	32,270	958,547	1,644	376	960,567	969,223
Loans and borrowings:							
- Non-current	300,505		300,505			300,505	300,934
- Current	68,686		68,686			68,686	68,678
Derivatives	4,642			659	3,983	4,642	4,642
Billing in excess of cost	176,311		176,311			176,311	177,410
Accounts payable	134,069		134,069			134,069	135,772
Bank overdrafts and short term borrowings	130,497		130,497			130,497	131,814
Total financial liabilities	814,710		810,068	659	3,983	814,710	819,250

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) 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 Subsequent events

There were no material events after December 31, 2013, that would have changed the judgment and analysis by management of the financial condition of the Company at December 31, 2013, or the profit for the period of the year 2013.

Company statement of financial position as at December 31

Before allocation of profit

In EUR 1,000

Assets	Note	2013	2012
Non-current assets			
Intangible assets	32	**6,063**	283
Property, plant & equipment	33	**1,401**	1,384
Investments in subsidiaries	34	**260,032**	225,409
Other investments	35	**314,322**	387,614
Deferred tax assets	39	**18,404**	9,964
Total non-current assets		**600,222**	624,654
Current assets			
Derivatives	10	**71**	537
Receivables	36	**291,530**	280,134
Corporate income tax receivable		**5,521**	6,088
Cash and cash equivalents		**5,098**	7,731
Total current assets		**302,220**	294,490
Total assets		**902,442**	919,144

Equity and liabilities			
Shareholders' equity			
Share capital		**1,496**	1,481
Share premium		**201,530**	201,545
Hedging reserve		**(3,735)**	(4,845)
Translation reserve		**(58,446)**	(27,859)
Statutory reserves		**31,469**	32,925
Retained earnings		**325,763**	243,341
Undistributed profits		**96,603**	88,974
Total Shareholders' equity	14,37	**594,680**	535,562
Non-current liabilities			
Provisions	38	**2,000**	2,000
Deferred tax liabillities	39	**305**	1,905
Long-term debt		**40,950**	
Total non-current liabilities		**43,255**	3,905
Current liabilities			
Corporate tax liabilities		**4,351**	4,580
Derivatives	10	**2,568**	667
Bank overdrafts		**104**	49,792
Short-term borrowings		**391**	80,000
Trade and other liabilities	40	**257,093**	244,638
Total current liabilities		**264,507**	379,677
Total equity and liabilities		**902,442**	919,144

Company statement of income for the year ended December 31

In EUR 1,000

		2013	2012
Net income subsidiaries	34	**69,409**	60,318
Other results	41	**27,194**	28,656
Net income		**96,603**	88,974

The Notes on page 119 to 124 are an integral part of these company financial statements

Notes to the company statement of financial position

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 statement of financial position 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 statement of income of ARCADIS NV is condensed in conformity with section 402 of Book 2 of the Dutch Civil Code.

32 Intangible assets

	Software
Cost	
Balance at January 1, 2012	621
Investments	237
Balance at December 31, 2012	858
Balance at January 1, 2013	**858**
Investments	**7,884**
Balance at December 31, 2013	**8,742**
Amortization	
Balance at January 1, 2012	410
Amortization charge for the year	165
Balance at December 31, 2012	575
Balance at January 1, 2013	**575**
Amortization charge for the year	**2,104**
Balance at December 31, 2013	**2,679**
Carrying amounts	
At January 1, 2012	211
At December 31, 2012	283
At January 1, 2013	283
At December 31, 2013	**6,063**

The investment of €7.9 million is mainly related to the purchase of licenses.

33 Property, plant & equipment

	Furniture and fixtures
Cost	
Balance at January 1, 2012	2,146
Investments	145
Balance at December 31, 2012	2,291
Balance at January 1, 2013	**2,291**
Investments	**238**
Balance at December 31, 2013	**2,529**
Depreciation	
Balance at January 1, 2012	668
Depreciation charge for the year	239
Balance at December 31, 2012	907
Balance at January 1, 2013	**907**
Depreciation charge for the year	**221**
Balance at December 31, 2013	**1,128**
Carrying amounts	
At January 1, 2012	1,478
At December 31, 2012	1,384
At January 1, 2013	1,384
At December 31, 2013	**1,401**

34 Investments in subsidiaries

	2013	2012
Balance at January 1	**225,409**	185,338
Share in income	**69,409**	60,318
Cost of share-based payments in subsidiaries	**6,122**	6,577
Dividends received	**(14,165)**	(21,600)
Changes related to post-employment benefit obligations	**(2,040)**	(415)
Change in hedging reserve for cash flow hedges	**1,110**	1,372
Other changes	**2,053**	1,549
Exchange rate differences	**(27,866)**	(7,730)
Balance at December 31	**260,032**	225,409

35 Other investments

Loans issued to subsidiaries mainly relate to the financing of the acquisition of Senes and the operational financing in EC Harris (subsequently being repaid) in 2013. The interest percentages related to new issued loans are based on USD LIBOR and GBP LIBOR respectively.

	2013	2012
Balance at January 1	**387,614**	192,682
Loans issued to subsidiaries	**36,517**	233,219
Redemptions	**(103,858)**	(42,779)
Exchange rate difference	**(5,951)**	4,492
Balance at December 31	**314,322**	387,614

36 Receivables

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

	2013	2012
Receivables from subsidiaries	**287,403**	277,153
Taxes and social security contributions	**992**	1,222
Other receivables	**3,135**	1,759
Total	**291,530**	280,134

37 Shareholders' equity

	Share capital	Share premium	Hedging reserve	Translation reserve	Statutory reserve	Retained earnings	Undistributed profits	Total
Balance at January 1, 2012	1,437	168,380	(6,217)	(18,074)	32,479	197,933	79,507	455,445
Net income							88,974	88,974
Exchange rate differences				(9,785)				(9,785)
Effective portion of changes in fair value of cash flow hedges			1,372					1,372
Taxes related to post-employment benefit obligations						2,217		2,217
Actuarial (loss)/ gain on post employment benefit obligations						(2,632)		(2,632)
Other comprehensive income			1,372	(9,785)		(415)		(8,828)
Total comprehensive income for the period			1,372	(9,785)		(415)	88,974	80,146
Transactions with owners of the Company:								
Share-based compensation						7,908		7,908
Tax related to share-based payments						2,879		2,879
Dividends to shareholders							(33,454)	(33,454)
Addition to other (statutory) reserves					446	45,607	(46,053)	
Issuance of shares	44	33,165						33,209
Purchase of own shares						(28,460)		(28,460)
Options exercised						17,889		17,889
Total transactions with owners of the Company	44	33,165			446	45,823	(79,507)	(29)
Balance at December 31, 2012	1,481	201,545	(4,845)	(27,859)	32,925	243,341	88,974	535,562
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			**1,110**					**1,110**
Actuarial (loss)/ gain on post-employment benefit obligations						**(4,170)**		**(4,170)**
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 payments						**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**

Statutory reserves include €18.3 million (2012: €20.2 million) for reserves relating to earnings retained by subsidiaries and €13.2 million (2012: €12.7 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

	2013	2012
Balance at January 1	2,000	2,000
Balance at December 31	2,000	2,000
Non-current	2,000	2,000
Total	2,000	2,000

39 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities	Total
Balance at January 1, 2012	3,988	(1,351)	2,637
Additions / deductions	5,203	(672)	4,531
Other changes		118	118
Changes recognized directly in equity	773		773
Balance at December 31, 2012	9,964	(1,905)	8,059
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	4,798		4,798
Balance at December 31, 2013	18,404	(305)	18,099

40 Trade and other liabilities

The short-term credit facilities total €98.1 million, of which nothing is used (2012: €80 million, €24.6 million was used). No current receivables or other assets have been pledged.

	2013	2012
Bank overdrafts	104	49,792
Suppliers	2,008	2,758
Payable to Group companies	246,314	233,164
Pension liabilities	1,240	1,823
Short-term debt	391	80,000
Other liabilities	7,531	6,893
Total	257,588	374,430

Additionally there are €175 million of committed facilities attracting an interest rate that is EURIBOR-denominated (2012: €175 million), of which €175 million is undrawn (2012: €95 million).

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 2013 the Company had commitments for rent and lease obligations amounting to €4.4 million (2012: €4.1 million). The increase related mainly to additions in 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 €148.1 million of which €27.7 million is used at the balance sheet date (2012: €130 million of which €58.4 million was used). In addition to this amount, ARCADIS NV has issued corporate guarantees in 2013 for an amount of €19.4 million (2012: €20.7 million).

Notes to the company statement of income

41 Net income

Net income of subsidiaries is the share of ARCADIS NV in the results of its subsidiaries. Other results relate to the financial performance of ARCADIS NV, and mainly include intercompany financial income such as management fees and royalty and branding fees, and financing income and expenses.

42 Remuneration of Executive Board and Supervisory Board

In 2013, an amount of €5.2 million (2012: €4.8 million) was charged to the Company for remuneration of Executive Board members, including a one-off severance payment of €0.4 million for Mr. Friedrich Schneider, and pension charges. This also includes a one-off amount of €0.4 million 'crisis levy' ('crisisheffing') that was charged to the Company, following the Dutch tax law regulations. As variable remuneration, 57,500 performance shares and 115,000 performance options 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 59 to 62.

In EUR 1,000

	Year	Salary	Bonus[1]	Pension	Performance shares		Performance options	
					Number	Amount[2]	Number	Amount[2]
Neil C. McArthur	**2013**	**560**	**258**	**122**	**17,500**	**219**	**35,000**	**129**
	2012	500	314	82	17,500	198	35,000	122
Renier Vree	**2013**	**420**	**189**	**81**	**10,000**	**125**	**20,000**	**74**
	2012	420	236	77	10,000	113	20,000	70
Zack Smith[3]	**2013**	**297**	**136**		**10,000**	**125**	**20,000**	**74**
Stephanie Hottenhuis[4]	**2013**	**400**	**172**	**71**	**10,000**	**125**	**20,000**	**74**
	2012	250	200	25	10,000	113	20,000	70
Friedrich M.T. Schneider[5]	**2013**	**400**	**168**	**83**	**10,000**	**125**	**20,000**	**74**
	2012	400	200	79	10,000	113	20,000	70
Former board member								
Steven B. Blake[6]	**2013**	**204**	**81**					
	2012	501	249		10,000	113	20,000	70

1) The bonus is based on the results achieved in 2013 respectively 2012, and will be paid in 2014 respectively 2013
2) This amount is charged over a 3-year period to the Company's statement of comprehensive income
3) Member of the Executive Board since May 7, 2013
4) Member of the Executive Board since May 16, 2012
5) To step down from the Executive Board on May 16, 2014. Salary 2013 excludes a severance payment of €0.4 million payable in 2014
6) Stepped down from the Executive Board per June 1, 2013

Year-end 2013, the Supervisory Board consisted of seven members. The joint fixed remuneration for 2013 totaled €0.4 million (2012: €0.4 million), specified as follows:

In EUR 1,000

	2013	2012
Rijnhard W.F. van Tets	**66**	66
Ian Grice	**68**	66
Ruth Markland	**65**	67
George R. Nethercutt Jr.	**72**	64
Armando R. Perez	**72**	57
J.C. Maarten Schonfeld	**55**	55
Niek Hoek	**34**	–

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:

Shares ARCADIS NV	December 31, 2013	December 31, 2012
Neil C. McArthur	**41,689**	40,411
Renier Vree	**13,004**	668
Zack Smith	**10,149**	
Stephanie Hottenhuis	**5,809**	5,386
Friedrich M.T. Schneider	**44,217**	36,340
Conditional shares ARCADIS NV[1)]		
Neil C. McArthur	**55,000**	37,500
Renier Vree	**30,000**	41,600
Zack Smith	**19,000**	
Stephanie Hottenhuis	**23,000**	15,800
Friedrich M.T. Schneider	**30,000**	30,800

[1)] Amounts based on granting of 100% of the reference numbers, with maximal extension to 150%. See Note 25 'Share-based compensation'. The conditional shares granted in 2010 became unconditional in May 2013

For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 60 of this Annual Report.

In 2013, the aggregate numbers of (conditional) share options held by the members of the Executive Board are as follows:

	Granted in	Exercise price in €	Outstanding at January 1, 2013	Granted in 2013	Increase by performance measure	Exercised in 2013	Outstanding at December 31, 2013	Expiration date
Neil C. McArthur	2011	16.18	110,000				110,000	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	73,200		7,214		80,414	05-14-2020
	2011	16.18	20,000				20,000	05-19-2021
	2012	15.74	20,000				20,000	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	5,600		935		6,535	05-14-2020
	2011	16.18	6,000				6,000	05-19-2021
	2012	15.74	20,000				20,000	05-17-2022
	2013	20.96		20,000			20,000	05-09-2023
Friedrich M.T. Schneider	2006	12.38	22,500				22,500	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	21,600		3,607		25,207	05-14-2020
	2011	16.18	20,000				20,000	05-19-2021
	2012	15.74	20,000				20,000	05-17-2022
	2013	20.96		20,000			20,000	05-09-2023
Zack 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				9,000	05-19-2021
	2012	15.74	9,000				9,000	05-17-2022
	2013	20.96		20,000			20,000	05-09-2023

44 Shares and options held by members of the Supervisory Board

Members of the Supervisory Board hold no ARCADIS options or shares.

45 Employees

The number of employees (FTEs) in ARCADIS NV at December 31, 2013 was 74 (2012: 60). 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 €):

Type of services provided	2013	2012
Audit fees	**2.7**	2.4
Audit related fees [1]	**0.1**	0.1
Tax fees [2]	**0.8**	0.7
Other non-audit fees	**0.1**	0.2
Total	**3.7**	**3.4**

[1] Audit-related fees for the years ended December 31, 2013 and 2012 consist of fees for services that are traditionally performed by the independent accountants.
[2] Tax fees for the years ended December 31, 2013 and 2012 consist of fees expensed for tax compliance.

Amsterdam, the Netherlands, February 19, 2014

Executive Board
Neil C. McArthur
Renier Vree
Stephanie Hottenhuis
Zack Smith
Friedrich M.T. Schneider

Supervisory Board
Rijnhard W.F. van Tets
Ian Grice
Ruth Markland
George R. Nethercutt Jr.
Armando R. Pérez
J.C. Maarten Schönfeld
Niek Hoek

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 Executive Board with the approval of the Supervisory Board has resolved to reserve an amount of €54.9 million and proposes to present for acceptance to the Annual General Meeting of Shareholders to distribute a dividend amount of €41.7 million from the profits of the fiscal year 2013, amounting to €96.6 million, which represents a dividend of €0.57 per ordinary share, at the option of the respective shareholder(s) in cash or in the form of shares.

Audit Committee pre-approval policies and procedures

The Audit Committee of the Supervisory Board has adopted a charter that details the duties and responsibilities of the Audit Committee. These duties and responsibilities include, amongst other things, reviewing and monitoring the financial statements and internal accounting procedures, approving the scope and terms of audit services to be provided by the independent auditor and monitoring the services provided by the independent auditor.

Special rights to holders of priority shares

The priority shares are held by Stichting Prioriteit ARCADIS NV, whose board is composed by 20 members. They each have one vote on the board of the Foundation. The 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.

Independent auditor's report

To: The Annual General Meeting of Shareholders of ARCADIS N.V.

Report on the audit of the financial statements

Our opinion with respect to the consolidated 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, 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

Our opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Arcadis N.V. as at December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Our engagement

We have audited the accompanying financial statements 2013 of Arcadis N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2013, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on page 74 to 117 . The company financial statements comprise the company balance sheet as at December 31, 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on page 118 to 124.

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 responsibility for the audit of the financial statements of our report. We are independent of the Company within the meaning of the relevant Dutch ethical requirements as included in the 'Verordening op de gedrags- en beroepsregels accountants' (VGBA) and the 'Verordening inzake de onafhankelijkheid van accountants' (ViO) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Executive Board and Supervisory Board, but are not intended to represent all matters that were discussed with them.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Project revenue recognition and valuation (un)billed receivables are essential to the financial statements

Project revenue recognition and the valuation of (un)billed receivables are key to the audit. The correct application of revenue recognition criteria and the valuation of (un)billed receivables are essential to the financial statements and require significant management judgment.

We tested internal controls, performed detailed procedures on individually significant projects, including discussions with project leaders, and evaluated management's assumptions in the determination of amongst others the percentage of completion of a project, estimates to complete for both revenue and costs, and provisions for loss making projects or provisions for bad debts. We pay specific attention to and request legal opinions in situations where the outcome of project results or the recoverability of (un)billed receivables is dependent on the outcome of legal proceedings or arbitration. We further focused on the adequacy of the Company's disclosures about the (un) billed receivable impairment and the related risks such as credit risk, liquidity risk and the aging of receivables in Note 30 of the financial statements.

Sensitivities with respect to the valuation of goodwill

Goodwill represents 30% of the balance sheet total and 85% of total equity. The annual impairment test was significant to our audit because the assessment process is complex and requires judgment. The Company used assumptions on margin development, revenue growth and the discount rate. We included in our team a valuation expert in order to assist us in evaluating the assumptions, methodologies and data used by the Company by comparing them to external data on the developments in the market, assessing the historical accuracy of management's estimates and the sensitivities in these. We specifically focused on the sensitivity in the available headroom of cash generating units where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.

We also focused on the adequacy of the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive. We refer to the Company's disclosures about goodwill and its recoverability included in Note 5 of the financial statements.

The scope of our group audit

Our Group Audit focused on six operating companies, subject to a full scope audit. We also performed specified audit procedures on two operating companies. Together with the Group Functions on which we also performed a full scope audit, these operating companies represent the principal business locations and account for 92% of the Group's assets, 77% of the Group's revenue and 95% of the Group's operating income. We, as group audit team, evaluated the planning, findings and conclusions of the local audits to ensure we can rely on the audit work performed. Additionally we performed site visits to operating companies in the Netherlands, Poland, USA, Hong Kong, Singapore, Brazil and Chile.

Going concern

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we concur with the Executive Board's use of the going concern basis of accounting in the preparation of the Company's financial statements.

The Executive Board has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Company. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither the Executive Board nor the auditor can guarantee the Company's ability to continue as a going concern.

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 these financial statements in accordance with International EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibility for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Dutch Standards on Auditing we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We are independent of the Company within the meaning of the Dutch law and regulation in respect of the independence and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the Executive Board report and other information

Pursuant to the legal requirement under Part 9 of Book 2 of the Dutch Civil Code regarding our responsibility to report on the Executive Board report and the other information:

- We have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the other information as required by Part 9 of Book 2 has been annexed.
- We report that the Executive Board report, to the extent we can assess, is consistent with the financial statements.

Amstelveen, February 19, 2014
KPMG Accountants N.V.

R.P. Kreukniet RA

Other financial data

Net revenue = 100%

Consolidated statement of income in %	2013	2012
Gross revenue	**132.9**	135.5
Materials, services of third parties, and subcontractors	**(32.9)**	(35.5)
Net revenue	**100.0**	100.0
Operational costs	**(89.4)**	(89.5)
Depreciation and amortization	**(1.8)**	(1.7)
Amortization other intangible assets	**(0.9)**	(0.8)
Other income	**0.1**	0.1
Operating income	**8.0**	8.1
Net finance expense	**(1.0)**	(1.2)
Income from associates	**0.3**	(0.1)
Profit before tax	**7.3**	6.8
Income taxes	**(2.1)**	(1.9)
Profit for the period	**5.2**	4.9
Attributable to:		
Income for the period (equity holders of the parent)	**5.1**	4.8
Non-controlling interests	**0.1**	0.1
Net income from operations	**5.9**	5.6
EBITA margin recurring	**10.0**	10.0

Quarterly financial data	2013				2012			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross Revenue								
Quarterly	**601,717**	**638,052**	**633,343**	**642,808**	592,154	632,889	647,375	663,749
Cumulative	**601,717**	**1,239,769**	**1,873,112**	**2,515,920**	592,154	1,225,043	1,872,418	2,536,167
Quarterly (%)	**23.9**	**25.4**	**25.2**	**25.5**	23.3	25.0	25.5	26.2
Cumulative (%)	**23.9**	**49.3**	**74.5**	**100.0**	23.3	48.3	73.8	100.0
Net income from operations								
Quarterly	**25,386**	**24,080**	**29,342**	**32,275**	23,574	23,663	26,448	31,365
Cumulative	**25,386**	**49,466**	**78,808**	**111,083**	23,574	47,237	73,685	105,050
Quarterly (%)	**22.9**	**21.7**	**26.4**	**29.0**	22.4	22.5	25.2	29.9
Cumulative (%)	**22.9**	**44.6**	**71.0**	**100.0**	22.4	45.0	70.1	100.0
Net income from operations per share (in euros)								
Quarterly	**0.36**	**0.34**	**0.40**	**0.44**	0.34	0.34	0.37	0.44
Cumulative	**0.36**	**0.69**	**1.09**	**1.54**	0.34	0.68	1.05	1.49

Ten-year summary

These figures are derived from the published financial statements of the years concerned.

Consolidated balance sheet	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Intangible assets	**584.9**	596.2	501.3	373.4	342.7	249.3	226.9	154.2	127.9	55.4
Property, plant & equipment	**65.7**	79.0	73.9	93.4	84.8	66.5	63.9	55.0	56.0	43.6
Investments in associates and other investments	**34.3**	33.1	24.2	30.7	26.2	15.7	20.0	5.2	7.5	5.6
Deferred tax assets	**37.6**	38.4	34.2	29.1	18.0	12.2	14.1	8.3	13.2	9.7
Derivatives				0.1	1.2	3.8				
Other non-current assets	**26.2**	23.8	18.3	24.4	20.0	15.0	8.0	12.0	12.6	8.1
Total non-current assets	**748.7**	770.5	651.9	551.1	492.9	362.5	332.9	234.7	217.1	122.4
Inventories	**0.4**	0.7	0.9	0.4	0.5	0.8	0.7	0.5	0.4	0.5
Derivatives	**0.3**	1.6	0.7	0.4	0.1	0.2	–	–	1.7	–
(Un)billed receivables	**723.0**	716.6	691.9	591.9	555.1	538.5	464.8	373.4	321.0	271.3
Other current assets	**37.2**	37.7	46.6	44.4	35.9	32.0	27.5	23.8	31.9	
Corporate income tax receivable	**19.8**	11.8	8.8	4.1	6.2	6.4	3.2	2.6	4.0	–
Assets classified as held for sale				24.4						
Cash and cash equivalents	**151.0**	226.4	158.2	207.8	224.5	117.9	92.6	101.5	73.9	48.2
Total current assets	**931.7**	994.8	907.1	873.4	822.3	695.9	588.8	501.8	433.0	320.0
Total assets	**1,680.4**	1,765.3	1,559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1	442.3
Shareholders' equity	**594.7**	535.6	455.5	392.8	351.7	207.6	187.7	188.9	176.2	136.4
Non-controlling interest	**2.9**	1.1	(0.1)	18.4	16.8	12.3	11.5	11.8	11.9	9.0
Total equity	**597.6**	536.7	455.4	411.2	368.5	219.9	199.2	200.7	188.1	145.4
Provisions	**57.6**	59.6	51.8	26.6	28.4	26.7	15.7	19.9	15.8	27.4
Deferred tax liabilities	**40.2**	41.1	22.8	11.0	10.8	6.0	14.7	20.4	26.3	12.1
Loans and borrowings	**322.9**	300.5	371.4	318.2	342.1	266.8	165.1	119.3	116.1	13.0
Derivatives	**1.4**	3.8	5.2	7.2	0.8	16.9	21.2	5.8	–	–
Total non-current liabilities	**422.1**	405.0	451.2	363.0	382.1	316.4	216.7	165.5	158.2	52.5
Billing in excess of cost	**186.2**	176.3	169.2	157.2	158.8	182.7	142.9	111.9	89.3	40.3
Corporate tax payable	**13.5**	13.6	10.3	14.8	7.4	18.7	17.2	1.9	8.2	9.9
Trade and other liabilities	**461.0**	633.7	472.9	455.1	398.4	320.7	345.7	256.5	206.4	194.3
Liabilities classified as held for sale				23.2						
Total current liabilities	**660.7**	823.6	652.4	650.3	564.6	522.1	505.8	370.3	303.8	244.5
Total equity and liabilities	**1,680.4**	1,765.3	1,559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1	442.3
Total equity as % of balance sheet total	**36**	30	29	29	28	21	22	27	29	33
Interest coverage ratio	**10**	8	7	7	10	7	14	17	17	10
Net debt to EBITDA ratio [1]	**1.4**	1.5	1.4	1.4	1.0	1.3	1.1	0.4	0.6	(0.1)
Acquisitions	**28.1**	83.7	109.8	50.6	92.8	84.8	98.0	53.8	80.9	17.3
Investments	**32.2**	34.7	35.3	35.7	26.3	28.4	33.3	19.3	17.7	12.5
Depreciation	**34.5**	32.5	27.7	27.3	24.5	23.3	20.4	17.7	15.2	15.7
Cash flow (net income + amortization and depreciation)	**147.7**	136.3	112.5	107.5	104.4	92.8	87.5	70.9	54.6	38.3
Net cash provided by operating activities	**140.1**	158.4	79.6	91.8	152.5	80.5	78.9	86.4	66.8	44.8
Average number of employees (in thousands)	**21,039**	19,507	15,589	14,590	13,519	13,180	11,304	9,685	9,208	9,419
Total shares issued (x 1,000) [2]	**74,822**	74,036	71,836	67,676	67,676	61,937	61,937	61,937	61,937	61,937
Maximum increase from exercising options	**8,033**	9,554	9,914	8,113	8,311	5,725	5,117	3,810	4,311	3,801

[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 statement of income	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Gross revenue	**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	900.8
Materials, services of third parties and subcontractors	**(623.4)**	(665.0)	(574.1)	(628.1)	(568.2)	(578.0)	(505.8)	(395.6)	(297.8)	(268.2)
Net revenue	**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	632.5
Personnel costs	**(1,412.7)**	(1,377.4)	(1,039.3)	(983.2)	(865.5)	(801.2)	(693.3)	(581.3)	(484.5)	(448.7)
Other operational costs	**(279.9)**	(297.4)	(245.1)	(228.6)	(207.7)	(207.6)	(185.2)	(159.6)	(143.2)	(132.3)
Depreciation and amortization	**(34.5)**	(32.5)	(27.7)	(27.3)	(24.5)	(23.3)	(20.4)	(17.7)	(15.2)	(15.7)
Other income	**2.3**	1.5	13.2	0.3	1.7	2.0	1.6			
EBITA	**167.7**	165.4	144.4	135.9	121.6	131.8	107.2	78.8	60.4	35.9
Amortization other intangible assets	**(16.6)**	(14.9)	(5.4)	(6.3)	(7.2)	(12.2)	(12.2)	(8.3)	(6.0)	(0.4)
Operating income	**151.1**	150.5	139.0	129.6	114.4	119.6	95.0	70.5	54.4	35.5
EBITA margin %	**8.9**	8.8	10.0	9.9	10.0	11.3	10.7	9.4	8.6	5.7
Net finance expense	**(18.1)**	(21.8)	(23.4)	(18.3)	(3.6)	(23.6)	(8.6)	(3.5)	(1.8)	(3.5)
Income from associates	**5.5**	(2.3)	0.3	0.7		(0.1)	(0.8)	(0.5)	1.4	2.4
Profit before income tax	**138.5**	126.4	115.9	112.0	110.8	95.9	85.5	66.5	53.9	34.5
Income taxes	**(39.1)**	(36.2)	(32.4)	(34.6)	(37.0)	(32.9)	(28.0)	(20.1)	(17.3)	(10.4)
Profit for the period	**99.4**	90.2	83.5	77.4	73.8	63.0	57.5	46.4	36.6	24.1
Attributable to:										
Equity holders of the company (net income)	**96.6**	89.0	79.5	73.9	72.8	57.3	54.9	44.9	33.4	22.2
Non-controlling interest	**2.8**	1.2	4.0	3.5	1.0	5.7	2.6	1.5	3.2	1.9
Net income from operations	**111.1**	**105.1**	**81.6**	**78.4**	**74.3**	**70.0**	**62.3**	**50.0**	**33.4**	**23.8**
Return on equity in %	**17.1**	18.0	18.7	19.9	26.0	29.0	29.2	24.6	21.4	16.3
Return on assets in %	**8.0**	7.6	7.8	8.2	9.3	9.7	10.3	9.6	9.9	8.7
Dividend proposal	**41.7**	37.2	32.6	31.1	29.9	27.0	24.8	20.3	13.4	9.9

Data per share * (in euros, unless otherwise stated)

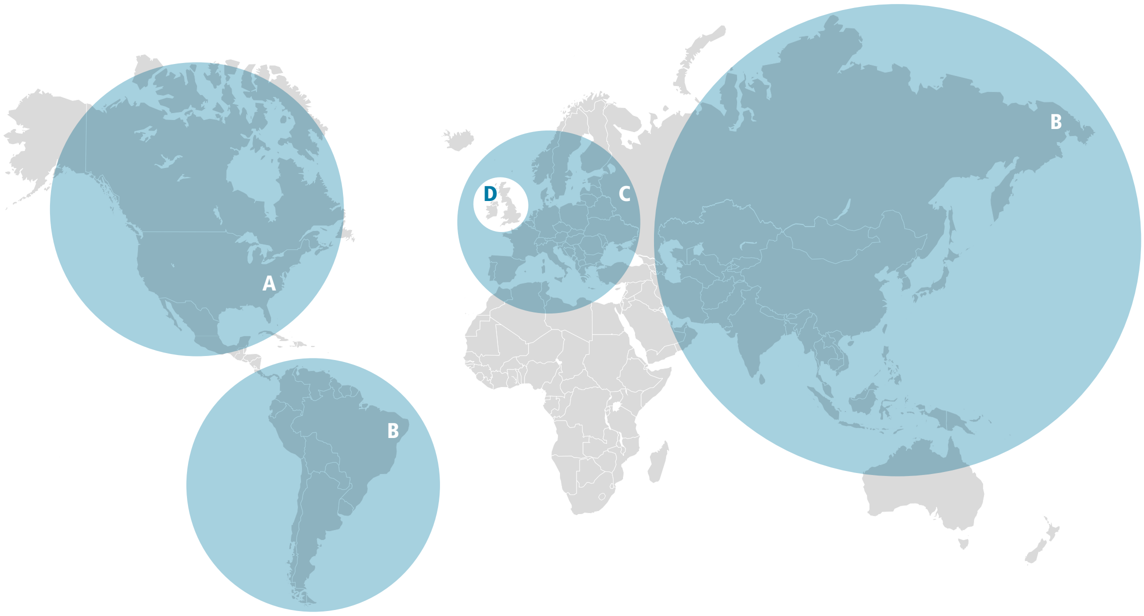
Earnings per share from operations	**1.54**	1.49	1.23	1.19	1.18	1.16	1.02	0.82	0.55	0.39
Net earnings per share	**1.34**	1.26	1.20	1.12	1.15	0.95	0.90	0.74	0.55	0.37
Dividend proposal	**0.57**	0.52	0.47	0.47	0.45	0.45	0.41	0.33	0.22	0.16
Shareholders' equity	**7.95**	7.23	6.34	5.80	5.20	3.35	3.03	3.05	2.84	2.20
Closing price Amsterdam Euronext	**25.62**	17.89	12.10	17.42	15.83	9.40	15.77	15.57	8.93	4.57

*All total shares, share amounts, per share ratio's and closing prices are retrospectively adjusted for the share split of May 2008.

The 2003 financial data are not adjusted to comply with the International Financial Reporting Standards (IFRS).
These figures are derived from the published financial statements of the years concerned.

amounts in millions of euros unless otherwise stated

Geographical distribution



Organization structure ARCADIS NV

A North America

Personnel: **6,151**
Gross Revenue **€1,106m**
Global revenues of: **44%**
Operating EBITA **€84.6m**
Operating Margin: **11.5%**

ARCADIS US

RTKL

B Emerging Markets

Personnel: **8,145**
Gross Revenue **€583m**
Global revenues of: **23%**
Operating EBITA **€61.7m**
Operating Margin: **12.5%**

Brazil
ARCADIS Logos

Chile
ARCADIS

Asia
ARCADIS Asia
RTKL
EC Harris
Langdon & Seah

Middle East
ARCADIS
RTKL
EC Harris

C Continental Europe

Personnel: **5,278**
Gross Revenue **€534m**
Global revenues of: **21%**
Operating EBITA **€22.7m**
Operating Margin: **5.3%**

Belgium
ARCADIS Belgium

Czech Republic
ARCADIS CZ

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ARCADIS

Germany
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Italy
ARCADIS

Poland
ARCADIS Polska

Romania
ARCADIS

Netherlands
ARCADIS Nederland

Switzerland
ARCADIS BMG

D United Kingdom

Personnel: **2,369**
Gross Revenue **€293m**
Global revenues of: **12%**
Operating EBITA **€19.4m**
Operating Margin: **8.3%**

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EC Harris

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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 payments 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 a statement of income 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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The forward looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward looking statements.