PARTICIPANTS

Corporate Participants

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Harrie L. J. Noy – Chairman-Executive Board & Chief Executive Officer
Renier Vree – Chief Financial Officer

Other Participants

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Teun Teeuwisse – Analyst, ABN AMRO Bank NV (Broker)
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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by and welcome to the Arcadis NV Q1 2012 Results Analyst Call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. [Operator Instructions] [audio gap] (0:24) that this conference is being recorded today, Wednesday, the 9th of May 2012. I would now like to hand the conference over to your speakers today, Joost Slooten. Please go ahead, sir.

Joost Slooten, Director-Communications & Investor Relations

Thank you, Heidi. Good morning and good afternoon. My name is Joost Slooten. I'm the Director of Investor Relations for Arcadis, and I'd like to welcome you to this Arcadis conference call. We are here to discuss the company’s results for the first quarter 2012, which were released this morning.

With us during the presentation today are Harrie Noy, Chief Executive Officer; Renier Vree, Chief Financial Officer; and Neil McArthur, Member of the Executive Board who will succeed Harrie Noy as CEO next week.

The PowerPoint presentations that are being used during today’s call are available through the Publications & Presentations section of the Investor website of Arcadis for which the address is www.arcadis.com/investors; www.arcadis.com/investors.

Just a few words about procedures before we start, we will begin with formal remarks, and we’ll call your attention to the fact that in today’s session, management may reiterate forward-looking statements which were made in the press release. We’d like to call your attention to the risks related to these statements which are more fully described in the company’s risk management reports and also in this morning’s press release.

With these formalities out of the way, Harrie, please begin.

Harrie L. J. Noy, Chairman-Executive Board & Chief Executive Officer

Thank you, Joost, and welcome, everybody, to this Arcadis first quarter 2012 conference call. I’m very happy to report that Arcadis had a strong quarter, strong first quarter in 2012 with a strong performance.
I'll start at slide number three which gives you the overview of the results in the first quarter 2012. First of all, our gross revenues increased by 28%. Net income from operations was up with 28% as well. Organic net revenue growth improved to 6%, compared to 3% that we realized in 2011 over the total year. And that 6% is driven by strong growth in Infrastructure and Environment. These two segments performed extremely well. But also, Water and Buildings are stabilizing.

Our margin remained at a good level despite continued pressure, particularly in government markets. And our order intake was at a good level as well. And backlog increased in all of our business lines. And we have given an outlook for 2012. We expect an increase in revenues and profits, resulting from both organic growth and from the recent acquisitions. And I'll come back to the outlook at the end of our presentation. And the strong performance that we have had in the first quarter reflects the strong market positions of Arcadis and our well-diversified portfolio, both geographically but also in terms of business lines.

That brings me to the next slide which gives you an overview of the highlights of the first quarter of 2012. First of all, and I think that's quite important as an underlying trend for the strong performance in the first quarter, we have seen an increased organic growth. It's quite positive, as I mentioned. In the last quarter of 2011, we had 2% organic growth of net revenues. And in the first quarter of 2012, we have been able to increase it to the level of 6%, so a good organic growth to start the year with. That's driven by strong performance and continued growth in Brazil and Chile where we benefit – where we continue to benefit from our investments in both energy and mining; RTKL, which continues to grow its business both in the Middle East and in Asia; and our environmental businesses doing quite well based also on strong performance and strong growth in the United States.

In Europe, our private sector spending is picking up as well, having a positive impact on investments in Buildings in certain countries and also positively impacting the environmental business that we have in Europe. France, Germany and UK contributed to growth in the first quarter. But less public spending caused declines in the Netherlands, Belgium, Poland and also in the United States water market.

The profitability of our existing business improved. I think that’s quite an achievement in the first quarter as well. So, if we exclude acquisitions, and particularly the acquisition of EC Harris that was closed in the fourth quarter of 2011, then the profitability of our existing business actually improved, and that's also quite a strong underlying trend and with the improved performance in the first quarter of 2012. As far as EC Harris is concerned, we'll give you a bit more details later on. Performance is in line with expectations. And overall, both private sector spending and the emerging markets drive growth as we have seen also in 2011. So, that trend has continued in the first quarter of 2012.

The next slide gives you an overview of the distribution of our revenues over the different client categories, and that slide clearly shows that private sector is driving the growth of our business. It compares the first quarter of 2010 with first quarter of 2011 and the first quarter of 2012 and you see that over the two-year period the public sector went down from 38% to 24%. So, considerable decrease of the percentage of our business that comes from the public sector.

On the other hand, private sector has grown as a percentage of our total business from 42% to 50%. So, considerable increase of growth for the private sector. Over that same period, our revenue has increased as well so that underlines how strong the private sector has increased over the two-year period.

Keep in mind that the distribution of the different client categories in the first quarter of 2012 was also impacted by the merger with EC Harris that was concluded in the fourth quarter of 2011. And
EC Harris has also a bit more work in the private sector than the average within Arcadis and it has also the impact of, of course, the distribution for the total company.

The next slide gives you an overview of the potential that Arcadis has for growth in emerging markets, and that’s shown by the pie charts. The left pie chart gives you the head count and the distribution of our people of different geographies.

As of the end of December 2011, that shows that we had 34% of our people in the United States, 29% in other European countries, 14% in the Netherlands and 23% in emerging markets. Through the merger with DLS, the percentage of people in the emerging markets substantially increased from 23% to 33%. And that’s, I think, a strong basis for growth going forward.

If you look to the chart on the top-right side of the slide, then you can see that our revenue, gross revenue in the first quarter of 2012 coming from the private sector has considerably grown compared to – from emerging markets has considerably grown compared to the gross revenue in emerging markets in the first quarter of 2011. We come from, let’s say, a bit over €50 million to close to €100 million, which shows you that we almost have doubled our business in one year time coming from emerging markets, that has, of course, an impact from the merger with EC Harris, but the impact from the merger with DLS is not included in that picture yet. So, I expect that in the second quarter of 2012, we will see a continued growth from emerging markets also helped by the merger with Davis Langdon & Seah.

Then we go to more details, and I would like to hand over the presentation to Renier. Renier?

Renier Vree, Chief Financial Officer

Yes. Thank you, Harrie. Good afternoon.

When we look at slide seven, you see there the main financial performance indicators with revenue up 28% as was mentioned, EBITA at 16%. That indicates that the addition of EC Harris dilutes the margin somewhat since their margin is below the average of Arcadis. Net income of 28% and earnings per share of 23% because the number of shares increased on the back of the pay out of the Arcadis Logos shareholders and the addition of the shares related to the acquisition of EC Harris.

Let me move to slide eight which is the development of the organic growth of the business for gross revenues. This is for five years in a row taking the first quarter. And then we look at the yellow bar, it clearly shows that we have lived in a volatile world where organic growth has shifted dramatically between the years. And then in the first quarter now with 9%, we are very close to the type of growth we saw four years ago. Also, the growth from acquisitions went up significantly with 17% growth in this quarter. And when we are also adding the currency impact. We are at the 28% that was mentioned earlier.

On slide number nine, we look at development of the organic growth of the four business lines. Infrastructure is leading the pack, showing growth of 15% organically, and that’s largely driven by the activities in Brazil, as well as in Chile. The Environmental business did again very well, showing a growth of 9%. And here, it’s the U.S., the UK and again South America that are the main contributors to the organic growth.

The Water business went down 5%, still down but the rate of decline improved compared to the prior quarters and which is mainly because the decline in the U.S. was less. On the other hand, growth was reported in the Netherlands, Brazil and the Middle East.
The Buildings business has a negative development of 2%. And here, growth was visible in RTKL and also the activities we do in Asia and the Middle East, with RTKL and otherwise, while declines were in the Netherlands. And with Arcadis UK, I think you remember we reduced staffing significantly in the first part of 2011.

In slide 10, you see the trend graph of our EBITDA from almost €28 million in 2008 to the €38 million in the first quarter of 2012.

Moving on to slide 11, here we explain how the EBITA has developed from the first quarter 2011 to 2012 with a small currency impact of 3% because of the stronger U.S. dollar. In the acquisitions, an impact of 8% largely EC Harris. EC Harris delivered approximately 5% EBITA this quarter. But there are also cost related to acquisitions like EC Harris and before like stock options, which we had to take over a period of three years. That's why you cannot just take this 8% and apply it simply to EC Harris.

In the Energy business, deconsolidation, that to a decline of EBITA of 7%. Restructuring charges were slightly lower than what we saw in 2011, now at €1.5 million. And that means that overall, the organic underlying EBITA improved by 11% and that was driven by Brazil, the U.S., but also the Netherlands, which is a significant performance we think given [indiscernible] (00:13:03) circumstances there. And Poland it's a country where we saw [indiscernible] (13:11).

We take this altogether – you see on slide 12, that our underlying margin what we call the operational margins or if we take out the activities for energy projects in Brazil and carbon credits, which are anyhow not anymore in our EBITA this year. But also the reorganization and integration charges, and that means that we report an operational margin of 8.9%. And if we exclude the contribution of EC Harris, it's 9.7% showing that the underlying EBITA has improved 40 basis points.

Some other financial details, the financing charge is slightly up because of the increased level of debt related to the acquisitions. On the other hand, we benefit in this line of the P&L that effect that we now deconsolidate the energy activities in Brazil, which also carry debt. The tax rate was 28% below the level of 2011.

As a consequence of the fact that we have R&D credits in the U.S. and also in the Netherlands related to the innovation books and because EC Harris has a company on average a lower tax rate than we have for the remaining part of Arcadis. Underlying minority interest has changed significantly also related to the deconsolidation of Arcadis Logos Energia, but more importantly the fact that now the consulting business is 100% owned by Arcadis.

On slide 14, we give you a brief version of the cash flow showing that the cash from operations is largely in line with 2011. The big contributor to cash flow in a negative way in the sense is working capital. We always see that working capital is negative in the first quarter when projects are being built up, and payments from clients are typically largely coming in, in the last part of the year. And the trend here is similar to 2011 despite the fact that the company has grown 9% organically.

Another effect we see here is that in Brazil we decided last year to merge all the legal entities, which means that now Brazil is operating with one legal entity. And according to Brazilian law, every individual client has to approve that we now invoice with a different legal entity, which took some time, which is why the amount of receivables in Brazil increased in the first quarter, which will be repaired in the second quarter. So, overall, the cash flow is in line with where we expected it to be.

And then finally, on this part, the balance sheet, which remains healthy, the net debt position at the end of the first quarter is €333 million, which means that the ratio net debt/EBITDA based on that
two-period average is 1.6. And of course, this debt level is before taking into account the merger with Davis Langdon & Seah, that would another 0.2 to 0.3 to where this net debt/EBITDA ratio.

And the other part of the graph, I think you've seen that before, which shows the maturity of our committed loan facilities. And that shows a good spread and has no change compared to the previous quarters.

On the business lines on slide 17, you see the activity mix split over the four business lines. The most important change between 2011 and the first quarter this year is the growth in Buildings, which is obviously linked to the acquisition of EC Harris.

A few remarks on the individual business lines. Infrastructure saw a strong growth of 37%, of which 21% organic on gross revenues and 15% on net revenues. The difference is because of the high level of subcontracting for the remaining completion of the Floriade project where we have the turnkey responsibility including the subcontractors we need for that. Brazil and Chile were delivering a very strong growth here in the meantime. Those two countries make up over 30% of the infrastructure revenues.

In Europe, we saw that the large projects continued. In the Netherlands, its particularly important, but also in France, we saw that the projects that were won over the last quarters continue to drive growth and infrastructure. And as Harrie already mentioned, the government spending remains soft, leading to declines in infrastructure in the Netherlands, Belgium and also in Poland. But in the U.S., there is some pickup from increased demand for project management of infrastructure projects.

The Water business grew 9%, organically 2%, but on net revenues, the organic activities declined 5%. And the reason for the difference here is also a high level of subcontracting, particularly in the U.S. for some large projects. We did see in the U.S. that the market starts to stabilize, also helped by the fact that we focused on some niche markets to gain additional revenues. Similarly, in the Netherlands, there we see also the market picking up this year compared to last year. Water is also an activity that, because of the projects we do for the mining sector, leads to additional work in Brazil. And also with the municipalities in Brazil, we have won some water projects. Like in the Middle East, where with the former Malcolm Pirnie organization, we have won projects there that will have led to growth of the Water activities.

And last year, because of the slowdown of government spending, we spent increasingly more efforts on winning work with the private sector, what we call the Water for Industry program, and also that one is yielding results, where we help private clients to reduce the usage of water.

The Environmental business grew 13% organically, on growth level, 10%; on net revenue, 9%. Here, it was again the U.S. leading the charge with a strong growth from the private sector, also helped by the increased market share where clients continue to outsource their engineering activities for this business.

In Brazil and Chile, the investments for mining and for energy like hydropower plants lead to an increase in activities for Environmental Services. On the downside here, it's, again, Europe, less work for the government, also has an impact on the environmental permitting and environmental impact assessment type of services.

The private sector, like in previous quarters, continues to improve. That's visible in the UK and also Germany and Belgium. And I think, recently, we announced a large contract for the Department of Defense from the United States, which will bring increased revenues in Germany.

And finally, Buildings, growing 64% largely because of EC Harris. Organically, it declined 6% then we take out the impact of subcontractors, the decline was only 2%. The decline was mostly in
Europe and the U.S. related to government clients. While we see that RTKL further increased the revenues in Asia and the Middle East for commercial property work and also for hospitals like the one we announced in Saudi Arabia recently. And also the private sector helps to drive growth in Belgium, also showing that not everything is down in Europe in this respect. And EC Harris is performing as we expected. They focus on specific market segments, and on balance, that has been going very well for us in the first quarter.

I think, Harrie, I'll turn it over to you here.

**Harrie L. J. Noy, Chairman-Executive Board & Chief Executive Officer**

Thanks, Renier.

I'll continue, maybe a few remarks about the merger with Davis Langdon & Seah, the merger that was announced on the 11th of April, has not had any impact on our first quarter results but will be included as well to second quarter in 2012. I will do it fairly quickly because I think you're all aware of the fact that we merged with DLS.

So, slide number 23, gives you the key characteristics of DLS, a well-established premium brand in Asia, with a heritage of more than 75 years, I think that’s quite important. The company exists already for a long period of time. It’s really an A brand in Asia, and it has the number one or the number two position in each of its markets in all the countries where they are present.

The next slide shows you the footprint, quite an impressive footprint. This is definitely providing Arcadis with a strong growth platform across Asia, including China. And we will definitely benefit from this growth platform over the coming years.

The next slide shows you the well-diversified geographical presence based on the number of people, with about 40% of the DLS people in China. We will certainly also benefit from growth opportunities in that exciting part of the world.

The next slide gives you the development of revenues and profits over the past five-year period, showing that the company has been able to grow both in terms of revenues, but also in terms of profitability with margins which are well above the Arcadis target margin.

The next slide, slide 27, gives you an overview of the deal terms. I will not go over it in detail. But it’s I think important to remember that we issued 2.2 million shares to the DLS partners both to finance the merger, but also for retention purposes, and to align our objectives going forward.

The next slide 28 gives you an overview of the strategic benefits of Arcadis. And to summarize it very shortly, DLS provides Arcadis with a leading platform for expansion in the Asian markets. And that was, of course, what we are looking for already for a period of time. Business is very complementary to the business that EC Harris has in the region, and we see ample opportunities for synergies both with the EC Harris business, but definitely also with the Arcadis business in Environment and Water.

The next slide gives you the overview of our portfolio, including EC Harris and including Davis Langdon & Seah for the full year 2011, so that’s the pro forma picture, showing you that Arcadis has €2.4 billion in revenues. If you look to the first quarter 2012 where we are close to €600 million, then you will see that we are probably going to do a bit better than €2.4 billion in 2012 with a good distribution over the different market segment, different business lines. And also, geographically, it’s quite a good picture with quite some growth opportunities in emerging markets given the fact that our head count in emerging markets even if 33% was [indiscernible] (00:25:44).
That brings me to the outlook, going to slide 31, which gives you an overview of the outlook in the different business lines. Infrastructure, we expect continued growth. We have had a level of 15% organic growth in the first quarter of 2012, and it's not expected that that level of growth is going to continue over the next quarter. So, we will see a slow down a bit, but nevertheless we expect continued growth based on the fact that governments in Europe do their utmost to continue with large projects partly through public-private partnerships, and also focus on potential investments in public transportation projects. The markets in Brazil and Chile continue to be strong, and we have a very strong backlog in both of these countries, and we expect that the Olympic Games will give a further impetus in Brazil. On the other hand, in Europe we do not expect an improvement in local markets, and that will have – and that will continue to have an impact on pricing pressure.

Water, we have seen in the first quarter that's bottoming out, and we expect further stabilization. So, we expect that the negative organic growth that we still have in the first quarter that we will gradually develop to a stable situation where organic growth is around zero. And that will probably happen in the course of this year.

In the United States, we focus very much on water network upgrades and efficiency improvements of existing installations in order to help our clients to reduce costs with respect to those assets. We definitely focus also on expanding our business for industrial customers. We focus on niche markets in Europe, and we actively scored already our first successes in the Netherlands using Malcolm Pirnie’s expertise. We are looking to expand that business in South America and Middle East as well and also there we booked our first successes.

Floods and climate change remains an important issue, so demand for water management is healthy but financing is an issue particularly in the United States where we still see continuing to delays in contracts in that respect.

Environment, we expect continued growth. Arcadis as you know, a strong position with private sector clients in the United States. and we expect those clients to continue to invest in environmental issues with particularly good circumstance in oil and gas industries, in the mining industries, chemical industries, but also in Automotive, we see strong demand for our services. We think that we can continue to expand our market share as we have done in 2011. And we’re also expanding our business towards Canada with quite a bit of opportunities in mining but also in oil and gas.

The pipeline is well filled also with larger projects as we explained at the end of the fourth quarter. We also expect continued growth in South America and private sector work in Europe is picking up. That's clearly the case in the United Kingdom where we have booked strong growth in environment in the first quarter but also in other European countries, we see that private sector work is driving growth in Europe as well.

Buildings, we expect further stabilization, which means an organic growth of around zero as we have seen in the first quarter as well. Of course, EC Harris and DLS strengthen our position considerably with many opportunities for synergies, and we are working hard on it, and we’ve booked, I think, in the meantime somewhere between €10 million and €15 million in synergies with EC Harris, and we’re working on building those types of programs with DLS as well.

On the commercial side, we see a slow recovery in the United States. On the other hand, public investments, public sector investments continue to be under pressure. On the other hand, we see more corporate spending and also more interest in international framework contracts as you have seen with the contract for Lloyds Bank that EC Harris was able to book recently.

RTKL is confronted with the slowdown of investments in healthcare in the United States and focuses more on further international expansion, and particularly the Middle East and Asia continue to be their focus areas.
And briefly to the next slide, slide 32, the outlook for 2012. Our backlog is at a good level and increased when compared to the end of 2011, on an organic basis, so that excludes the impact of EC Harris. So, on organic basis, the increase of our backlog overall was 3% with a 1% increase in Infrastructure, a 4% in Water. So, 4% increase in our backlog in Water, which was, I think, the first increase in backlog for quite a period of time. I think in 2011, we still had the minus 5%, and that changed to plus – a positive 4% in the first quarter of 2012. Environment, plus 3%; and Buildings, plus 6%. And that adds up to a total increase of 3% despite the fact that we have strong organic revenue growth in the first quarter, our backlog has build-up.

Government budgets in Europe and the United States continued to be under pressure, but on the other hand, private sector spending is increasing both in the United States, but also in Europe, we see definitely the private sector spending is picking up. Emerging markets continue to offer ample opportunities as we have seen in the recent past. And based on all those developments, we expect a continuation of organic growth in our business.

You know that Arcadis very strongly focuses on margins, so maintaining and improving margins whenever we can is an important priority going forward. We recently have done some major acquisitions, both through the merger with EC Harris but also now through the merger with Davis Langdon & Seah. Nevertheless, we continue to strengthen our business with add-on acquisitions, and that is something that demands on our agenda.

For the full year 2012, as I mentioned in the beginning, we expect an increase of revenues and profits. And as we got some comments from some of you, that it is pretty easy with those acquisitions we have added that this outlook is both based on organic development and of course, based on the recent acquisitions that we have made. And that’s all barring unforeseen circumstances.

With that, I would like to end our presentation, and open the call for questions and answers. Operator?
QUESTION AND ANSWER SECTION

Operator: We may now begin the question-and-answer session. [Operator Instructions] Your first question comes from Philip Scholte from Rabo Bank. Please ask your question.

<Q – Philip Scholte – Rabo Securities (Broker)>: Yes, good afternoon. A question on your impressive organic growth rate. You already said that you expected maybe to moderate for the Infrastructure business, but is there anything particular or one-off happening in the quarter that it accelerated so much? And then can you say something about maybe your expectations for the remainder of the year? I mean, is this an organic growth rate which you consider to be sustainable for this year and possibly also next year?

And the second question is on the underlying margin, I have some difficulties in reconciling the numbers you gave us because if I make the calculation, it looks like EC Harris made a margin of only 2% in the quarter, if I want to get to the underlying ex-EC Harris of 9.7%. So, can you help us make that calculation?

<A – Harrie Noy – Arcadis NV>: Philip, I’m a bit disappointed that we have to help you with calculations. But anyhow, we’re going to do [indiscernible] (34:48). Let me first answer your question on organic growth, because I fully agree that the organic growth rate that we have produced in the first quarter is quite impressive and it’s the balance between, let's say, a very strong growth that we have experienced in both Brazil and Chile. The strong growth that we have seen in the environmental market including the United States and the fact that the negative developments that we have seen in the Water business last year are turning to a more positive development with less organic decline.

As mentioned at the end of the fourth quarter, we do not think that the organic growth levels that we have seen both in Infrastructure and in Environment are going to continue for the full year 2012. Let’s say, the 15% in Infrastructure is very high, also taking into account what’s going on in Europe. And also in Environment, I think the 9% that we produced in the first quarter is also a very high level. So, we expect that these two levels, both in Infrastructure and Environment, are going to slow down a bit.

The reason, by the way, that Infrastructure is so high is the strong growth in Brazil and Chile on the one hand, but also the fact that in Europe, the negative developments are not that bad. So, we see declines in the Netherlands, Belgium and Poland. But these are, let’s say, declines somewhere in the range of 2%, 3%, I think, 4%, maybe. And Poland might be a bit higher, but Poland in itself is a small operation which has only a limited impact on revenue growth for the total group.

So, in these two business lines, Infrastructure and Environment where we have a very strong organic growth in the first quarter, we probably see some slowing down of that level of growth going forward.

On the other hand, I think that Water is going to continue on the path that it has shown in the first quarter. So, in the first quarter it was minus 5%. And we expect that minus 5% will gradually develop through to 0%, which means that that business is stabilizing, actually. And the same is already the case, more or less, in Buildings.

So, the two lines, the green line and the red line, will slow down a little bit, but, on the other hand, the Water line and the Buildings line will probably go up a bit. And on balance, we will an organic growth that will be a bit lower I think than the 6% that we have shown in the first quarter.

<Q – Philip Scholte – Rabo Securities (Broker)>: Right. Can you say something about the growth of the Infra Chile and Brazil together? Can you put a number on that?
<A – Harrie Noy – Arcadis NV>: That’s very strong because it wasn’t finished, we couldn’t achieve the overall growth of 15%. We have given you an indication by indicating that this is now 30% of our overall business. So 30% of our business is going very strong. We see some negatives in Europe but not to the extent that we have seen them in the quarters in 2011. But I think it’s a bit too early to be too specific because some developments in one quarter can give kind of a distorted picture for the total year.

<Q – Philip Scholte – Rabo Securities (Broker)>: Right. And one short follow-up on that. Can you say overall how much of the organic growth is driven by wage and, therefore, price increases?

<A – Harrie Noy – Arcadis NV>: That’s – Renier, any indication from your side?

<A – Renier Vree – Arcadis NV>: I would say in Europe that’s very limited. In the U.S., there is some benefit from that and then we also see that clients are willing to accept the price increases. And also in Belgium, I know that we had success with increasing our prices. And I think, as you know in South America, it’s very low that fees can be changed according to the underlying inflation. So if I would do a quick calculations what was the impact, then, maybe around 2% or so at max.

<A – Harrie Noy – Arcadis NV>: I think that if you look to growth in relation to profitability, then you’ll see that we have an organic growth of net revenues of 6%, while EBITDA increased organically by 11%. And I think that this is largely the results of an improvement of productivity in most of those countries – in most of the countries, except for Poland where we still have a loss.


<A – Harrie Noy – Arcadis NV>: So, then a question with respect to the underlying margin. Renier, can you help, Philip, in this respect?

<A – Renier Vree – Arcadis NV>: I thought I already did, but I'll try again. Because if you look at it the pure performance of EC Harris, Philip, then their EBITA margin was around 5%. Then there are also because of the acquisition of EC Harris and prior-year acquisitions, there are costs related to that, which for instance, in the case of options have to be amortized over three years. Also those have an impact on EBITA. So, that’s why you cannot just simply do the calculation I think as you try to do it. So, we have to take out some of, say, the EBITA that is not assigned to EC Harris to come to a clean comparison. But believe me when I say that EC Harris was around 5%.

<Q – Philip Scholte – Rabo Securities (Broker)>: Right. But if I would put the contribution from acquisitions on revenue, that is EC Harris, I take the 5% margin and then I make the calculation the other way around in getting to an underlying EBITA number, I guess the margin is not 9.7%, but maybe other costs are having an impact there.

<A – Harrie Noy – Arcadis NV>: Then you make the wrong calculation because we have made that calculations well of course, as you can imagine. And I think we can guide you through the calculation outside of the meeting.

<Q – Philip Scholte – Rabo Securities (Broker)>: Right. Thanks. Thank you very much.

<A – Harrie Noy – Arcadis NV>: Okay. Other questions?

Operator: Your next question comes from Teun Teeuwisse from ABN AMRO. Please ask your question.
<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yes. Good afternoon, gentlemen. A question I have on the Environmental business in Europe. Can you indicate what’s the growth rate in public has been versus the growth rate in private?

And then secondly, on EC Harris, can you indicate what the seasonality is in the EC Harris profitability because supposedly, due to seasonality, the EBIT margin in Q1 has been a bit under pressure. And also on EC Harris, can you indicate what the organic growth rate has been in the first quarter and also remind me what it has been in the fourth quarter of last year?

And then, a final question on working capital. You are in a working capital improvement program right now but when do you expect the result from that? Working capital as a percentage of sales increased this year. What is your target for your working capital as a percentage of sales? And can you also indicate what happened this quarter with your debtors remaining stable, whereas your creditors came down pretty heavily compared to the fourth quarter of last year. Thank you.

<A – Harrie Noy – Arcadis NV>: Thanks, Teun, for your questions.

I’m going to answer the first and probably the second question. First, your question with respect to the Environmental business. We have experienced growth in our Environmental business in Europe, and I think it’s fair to say that all of that growth is actually coming from private sector clients because we have seen a decline in our public sector work because lots of our public sector work in Europe is related to infrastructure work. We recently won that contract for DoD, Department of Defense, in Germany, that’s a part of our public sector because it’s part of defense. But that contract has not had an impact in the first quarter yet, but it’s going to have an impact in the quarters going forward. But the growth in Europe at this point in time coming from the private sector and has had quite a good impact because, for example, in the UK, our business has experienced considerable growth. But also, for example, in Belgium and Germany, we have had growth but all coming from private sector.

Then, going to EC Harris, first of all, I think it’s important to mention that EC Harris is now part of Arcadis since the 1st of November last year and that originally, EC Harris had a different book year with also the quarters shifted compared to the Arcadis quarters. Also had the three periods of four months during the year and that makes a comparison of the figures a bit difficult.

What we – based on our own analysis, we think that the business overall in the first quarter was stable compared to a year ago and maybe a slight growth. I’m a bit cautious because there’s some uncertainty given the fact that we have to make some interpretation of figures. But I think, overall, the business is stable, maybe slightly growing compared to a year ago. We mentioned that business, because we had done within the framework of due diligence we have done a same analysis for 2011 compared to 2010. And I think we mentioned previously that the business had low single-digit growth in 2011 compared to 2010.

Then if we look to EC Harris in a bit more detail, then we see within EC Harris quite a similar pattern compared to what we see within Arcadis. So, the private sector clients in different sectors show growth. For example, they have good growth in oil and gas, good growth also with commercial developers, good growth in renewable energy, lenders and investors, aviation. Those types of markets are producing growth for them.

On the other hand, the government market is more difficult with one difference compared to Arcadis, and the difference is that the central government is having a bigger negative impact for them compared to local governments. Actually, local governments are, let’s say, more or less stable, while the central government is having a negative impact on their business.

Overall, the performance in the UK is quite good, I would say, in line with expectations. We see also that in the Middle East, there’s a huge potential. So, the performance in the Middle East was
lagging behind a bit in the first quarter, but that’s largely due to some large contract wins that we expect shortly where we have the capacity already available to produce those contracts.

And Asia is doing, let’s say, it’s relatively well with also some major projects in the pipeline and potentially having a positive impact going forward. So, that’s, I think, giving a little bit of flavor with respect to how EC Harris is developing. Then with respect to working capital, Renier, I would like to give the floor to you.

<A – Renier Vree – Arcadis NV>: Yes. Hi, Teun. Of course, one of my favorite topics. And on your question, when do we see results, and I think we already start to see results. As you also indicated that on the debtors. Well, most of our focus is we see improvements, a lot of attention to this – in our operating entities despite the fact that, as I explained earlier in Brazil, we had the setback in the first quarter because of the change of legal entity. And other element in the working capital was indeed around the creditors, which has to do with the large subcontracting for the Floriade and also in the U.S., and therefore the position of creditors was pretty high at the end of 2011, and those have been paid in the first quarter of this year leading to a net cash outflow from that.

So, and the way I look at the underlying elements of working capital, we are starting to see success, and I expect that to continue and become even more visible in the course of this year.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: But would you say then that’s compared to the fourth quarter, right now you have a more normalized working capital level?

<A – Renier Vree – Arcadis NV>: Well, on the creditors, yes. On the debtors, I think we are impacted by what I mentioned in Brazil.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Yes.

<A – Renier Vree – Arcadis NV>: So, the debtor level is relatively high.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: And when is that going to change? How long will that take?

<A – Renier Vree – Arcadis NV>: That will be fixed in this quarter.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay. And one final question, on your Water business because if I look at your organic growth in your gross revenues compared to your net revenues, you see that there is clearly an impact of more subcontracting. But how long is this going to continue? Do you expect this to continue for the full year, or is this is a one-off effect this quarter?

<A – Renier Vree – Arcadis NV>: Well, we see this regularly happening, and we can’t always predict that. I think, as you’ve seen also in the past that you tender for projects, and when you win them and the client wants us to be responsible for the contract management including managing the subcontractors and also the financial flows going through our P&L, then we accept that as part of the contract. So, this has happened in the first quarter. And then, we also see that in the next quarter. It’s not something we planned as such because we don’t see it as core business when it happens. It’s just the outcome of the way we support our clients.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: And then you get higher EBIT margins for that then?

<A – Renier Vree – Arcadis NV>: Yes. Well, of course, on a net basis, it helps a little bit because we make some percentages, not a lot, on the cost of the subcontractors, which ultimately paid by the client. So, it helps indeed slightly in improving the margins.
<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: Okay. Thank you very much.

<A – Harrie Noy – Arcadis NV>: Maybe one additional comment, Teun, [ph] particularly (00:50:40) with the analysis that Renier made. But I think the fact that we have seen this impact, particularly in the United States, is also showing that there’s more activity in the market. Different types of contracts entering in the market and, obviously, we are benefiting from that. So, in that respect, it supports our feeling that the market is gradually becoming a bit better. It’s certainly not the most exciting place to be at this point in time, but it’s certainly currently improving at this point in time.

<Q – Teun Teeuwisse – ABN AMRO Bank NV (Broker)>: All right. Thank you very much.


Operator: Your next question comes from Dirk Verbiesen from Kempen. Please ask your question.

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: Good afternoon, gentlemen. Some question from my side. I tried to get a better hold of your growth ambitions for 2012, also following Philip’s comments in this regard. Would you say it’s achievable to return to your 5% to 7% organic growth rate for the full year after the strong start we’ve seen in Q1, and I’m referring to gross revenues here?

Also maybe some follow-up on the restructuring efforts you made, when do you expect to reap the full benefits of the measures taken in 2011 and maybe even the latter in 2010? And also, what do you expect to take in the remainder of 2012 following the charge in the Q1 of €1.5 million?

Yes, forgive me if I missed that, but you still feel comfortable – do you still feel comfortable with the target margin for EC Harris of at least 7% for the full year after Q1? And maybe some smaller follow-ups on the targets of your add-on acquisitions, do you see some isolated target areas or is it – can it happen across the board?

And do you also, regarding to Brazil, see any impact given the strong growth seen there from Olympic projects, or does that still need to take place, and, if so, when do you think the actual contract should be starting to be awarded?

<A – Harrie Noy – Arcadis NV>: Thanks, Dirk. Lots of questions. First of all, with respect to the organic growth, indeed we have set an ambition of 5% to 7%, and we always mentioned that realizing that ambition would also be dependent on the economical circumstances. And compared to the time that we set those goals, economic circumstances have certainly not improved. And that’s the main reason I think that up till the first quarter of this year we were not able to achieve that goal of 5% to 7%.

You were referring to that goal in terms of gross revenue. I think we will focus more on net revenue because that’s having a big impact on the overall performance of the company. So, I would take as a reference the 6% net revenue growth that we have done in the first quarter.

And I think, overall, it’s very ambitious to assume that we can make the 6% for the total year. I think it’s more realistic to expect that we will be somewhat below the 6%. How much below the 6% is difficult to predict given the fact that we should realize that there are still quite a bit of uncertainties in the marketplace particularly in Europe but also in the United States. We have elections this year in the United States.

There are still quite a bit of uncertainty. Also political uncertainty could have an impact on what’s going in Europe. So, I think it’s – we shouldn’t fix ourselves too much on a specific number. I think we are happy with what we have achieved in the first quarter. The backlog is going up, so we are
well-positioned to continue organic growth that's what we have taken into account in the outlook. But at what level exactly is at this point in time is still difficult to predict. The next question...

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: If I – can I – if I may add, referring to this, before you – so far you said, I think, the 3% that we achieved in 2011 will probably be possible again in 2012. Should we now see that as an “at least” ambition or...

<A – Harrie Noy – Arcadis NV>: I think that at this point in time, we feel more comfortable with 3% than we felt with the 3% before. And let’s say, and the developments that we have seen in the first quarter then I mean the positive market developments that we have seen in the first quarter, then I think your conclusion might be a realistic one. But still keep in mind that given what's going on in the economy today, that’s not a given, and we will have to work pretty high in order to achieve it.

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: Okay.

<A – Renier Vree – Arcadis NV>: And maybe on restructuring, Dirk, when you look at how we spent the money restructuring last year, it was mostly in the U.S., the Netherlands and the UK. And I think when the question about when do we see the benefits, well, they are very visible because those all three countries were able to improve their margins this quarter compared to a year ago. And I think that also bodes well for the future.

Regarding the question, is there more restructuring required in the next quarters? I think the – compared to what we saw last year was the very big chunks, I don’t see that happening, but it’s likely that there are always pockets of opportunity where we can improve availability or have to make adjustments based on the market situation. So, I do expect that there are also in the next quarter some amounts for restructuring going to be needed to make sure we focus on that margin as Harrie mentioned.

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: Okay.

<A – Harrie Noy – Arcadis NV>: And are you still comfortable with the EC Harris margin, Renier?

<A – Renier Vree – Arcadis NV>: Yes, I think regarding EC Harris, we mentioned to you before that we aim for at least 7% this year and that's what we continue to aim for. And of course, being at 5% in Q1 – although they're getting to know which other -- or having their reporting systems aligned, moving to our quarterly process, that’s not a highway where you can travel very fast. So, we take it step by step. But we are definitely aiming and expecting that EC Harris will deliver 7%.

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: Okay.

<A – Harrie Noy – Arcadis NV>: Then the last point that you mentioned, Dirk, is the target with [indiscernible] (00:57:44) acquisitions. I think the focus will be on adding specific capabilities that will allow us to benefit even more from the growth markets that we see at this point in time. And to give you an example, in that respect, we benefit considerably from growth in South America, particularly on the infrastructure side. We acquired a few years ago Malcolm Pirnie that has given us considerable additional water capabilities, but we had a strong foothold in the Water market in South America. It's difficult to transfer those capabilities and to benefit from growth in the Water market in South America. So, for example, an acquisition in the Water market in South America will definitely be on our list. Another example would be we benefit from the growth of RTKL in Asia and the Middle East. So, expanding that capabilities in specific segments where they could benefit from additional growth that would also be something that we might consider.

Then in Brazil, the Olympics, good question. What we see at this point in time is the tendering processes have started, particularly on the program management level. And we are involved in those processes. It's difficult to predict in Brazil when those processes are going to be concluded,
but we expect certainly in this year, that some of these processes that are ongoing will be concluded. But keep in mind, I think we are well-positioned for those types of projects. But keep in mind that besides our direct involvement in these projects, there was also an indirect impact on the marketplace because there will be a lot of investments. And one way or the other, we are going to benefit from those investments, either directly or indirectly.

But we are in tendering procedures, and expect that some of those tendering procedures will be finished in the course of this year.

<Q – Dirk Verbiesen – Kempen & Co. NV (Securities)>: Okay. Thank you.

<A – Harrie Noy – Arcadis NV>: You’re welcome. Other questions?

Operator: [Operator Instructions] Your next question comes from Eugene Klerk from Credit Suisse. Please ask your question.

<Q – Eugene Klerk – Credit Suisse Securities (Europe) Ltd.>: Good afternoon, gentlemen. Two questions. First of all, can you give the – some guidance on the tax rate, the effective tax rate, for the remainder of the year? Secondly, what number of shares do you expect will be outstanding at the end of Q2. I guess, thirdly, just raising the number of questions here slightly, but thirdly, in terms of the net margin, if you’d like, and that is net revenues over gross revenues, and just to be clear, what level will you expect for the remainder of the year, because I think that we had a pretty high margin in Q1.

And then, I guess, finally, can you just clarify what the absolute revenue contribution of EC Harris was in Q1?

<A – Harrie Noy – Arcadis NV>: You could calculate that last – against the last presentation from the data that we have provided in the press release. But Renier will guide you through those questions. Renier, the guidance with respect to the tax rate?

<A – Renier Vree – Arcadis NV>: Hey, Eugene, on the tax rate, the way we do that, following IFRS is that the rate we provide for the quarter is also the rate we guide for the full year. But that means that we have an expectation that the tax rate will be 28% for this year.

Tackling the question on the number of shares, now because of Davis Langdon, we will add 2.2 million shares to the number we had at the end of the quarter, which I think was 68.8 million. That will mean that will be that expect the end of Q2 to be at around 71 million shares following that logic.

On EBITDA margin, I think you have asked for guidance on EBITA margins. Is that [indiscernible] (1:02:11)?

<A – Harrie Noy – Arcadis NV>: No, the margin between net revenue and gross revenue.

<A – Renier Vree – Arcadis NV>: Okay. Okay. That spread. Well, that’s not something we track as an indicator because it’s goes up and down a bit all the time. If you exclude acquisitions, it’s remarkably flat. So differences can be there. When you look going forward, both EC Harris and Davis Langdon have very limited subcontracting. So, their activities will be in terms of revenues equal for gross and net; meaning that the spread between gross and net will decline for that part.

For the remaining part of Arcadis, I would say I don’t expect significant changes. But again, it’s not something we will manage as such. In terms of EC Harris revenues, yes, I think I’ve already indicated that the calculations can be met. But, when I look at the figures that I have here in front of me, then gross revenues were €82 million and net revenues were €69 million.
<Q – Eugene Klerk – Credit Suisse Securities (Europe) Ltd.>: Is there – just if I can have a few follow-up questions. But the €82 million, I think based on the indications for last year’s – or at the acquisition last year for full-year revenues, this sort of suggest that the €80 million is slightly ahead by about 10% of that number. I mean, is that correct? Or is there a seasonality in here?

<A – Harrie Noy – Arcadis NV>: There is some seasonality in the EC Harris numbers. Although, as indicated before, they didn’t keep their books in the same way as we do so. So, it’s not easy to make a very clear comparison. I think last year, when we did the acquisition, we guided for around €300 million of gross revenues. And as mentioned earlier, we feel that they have a strong first quarter. So, we don’t want to guarantee that there was organic growth in the quarter because the facts to underpin that are not strong enough. EC Harris did well from a revenue point of view and also debt backlog, as I mentioned earlier, has developed well in the quarter.

<A – Renier Vree – Arcadis NV>: Keep in mind that there’s also a currency impact, because I think the pound has strengthened a bit compared to the euro compared to a year ago.

<Q – Eugene Klerk – Credit Suisse Securities (Europe) Ltd.>: That’s very good news.

<A – Renier Vree – Arcadis NV>: Very good to somebody, I guess.

<Q – Eugene Klerk – Credit Suisse Securities (Europe) Ltd.>: Exactly. Thank you very much.

<A – Renier Vree – Arcadis NV>: Okay.

<A – Harrie Noy – Arcadis NV>: Are there any other questions? We have room for one final question.

Operator: There seems to be further questions at this time. Please continue.

Harrie L. J. Noy, Chairman-Executive Board & Chief Executive Officer

Okay. Then I would propose to finalize this Arcadis first quarter 2012 conference call. This was my last conference call. And yesterday when preparing this conference call together with Joost and Renier, we were trying to make count of how many conference calls we’ve had over the period of time that I have the pleasure to be the CEO of the company. I think it was well over 50. So, I’m ending now more than 50 conference call with most of you.

So, thank you for having the patience to listen to all those conference calls. I think the good news that we have seen in the first quarter of this year shows you that Arcadis is in a good shape. So, I am happy to leave the company in very good hands and in good shape with my successor, Neil McArthur who will take over as of next week. And I’m sure that under his leadership and with the contribution of all the other team members, Arcadis will continue to prosper from the strength that the company has in the markets in which it operates.

I thank you all for – again for your patience and for your feedback to us, and I hope to see you soon. Thank you, all. Bye-bye.
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