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Harrie Noy
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Renier Vree
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Robert Van Overbeek
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Operator
Thank you for standing by and welcome to the ARCADIS Q1 2011 Resorts Analyst conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I must advise you this conference is being recorded today, Wednesday 11th May 2011. I would now like to hand the conference over to your first speaker today, Joost Slooten. Please go ahead sir.

Joost Slooten - ARCADIS
Thank you, Rachel. Good afternoon and good morning. My name is Joost Slooten. I’m the Director of Investor Relations for Arcadia. I’d like to welcome you to this ARCADIS conference call. We are here today to discuss the company’s announcements of the First Quarter Results 2011 which were released this morning. With us during the presentation are Harrie Noy, Chief Executive Officer and Renier Vree, Chief Financial Officer, who will discuss results and answer your questions. The PowerPoint presentation that is being used during today’s call is available through the investor section of the ARCADIS website to which the address is www.arcadis.com/investors. Again, that web address is www.arcadis.com/investors.

Just a few words about procedures before we start.

We will begin with formal remarks and we will 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 would like to call your attention to the risks related to these statements which are more fully described in the company’s risk management reports which are also available on the website.

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

Harrie Noy – ARCADIS
Thank you, Joost, for the introduction and welcome everybody to this ARCADIS First Quarter conference call. I am glad to inform you that we, again, had a good first quarter of 2011.
Going to the first slide, we summarise the headlines of the first quarter and we had a solid performance in the first quarter shown by Cross Avenue; Cross Avenue increased by 4%, net income for Operations is up by 8% and, very importantly, we continued with organic revenue growth. You will recall that organic revenue growth in Arcadia returned in the second half of 2010. We were able to continue organic revenue growth in the first quarter of 2011 with 3% on the gross revenue basis.

Growth is coming for the United States from South America and from Asia. A margin remains at a good level despite a weaker market in Europe. We had a good [order intake]; a higher backlog in all business lines, and we'll come back to that later on, and the [unclear] increase in revenues and profits.

Looking to the overall development we see soft market conditions in Europe but the positive thing is that the soft market conditions in Europe are more than compensated by positive developments in the United States and environmental market in Brazil and Chile and at RTKL.

Moving to the next slide which shows you the highlights of the First Quarter 2011. The United States environmental market is strong. The market picked up in 2010 and we see continued positive developments in the United States environmental market fuelled by private sector spending. Markets in Brazil and Chile are booming driven by investments in mining and energy, and given the strong positions that we have in both Brazil and Chile we benefit from these very favourable market circumstances.

We also see continued growth of RTKL our architectural design practice mainly in Asia and the Middle East. RTKL is expanding internationally very rapidly and benefiting from the healthy market conditions in both Asia and parts of the Middle East.

On the other hand we see a decline of our revenues in Europe causing by government austerity programmes but we also see private sector spending in Europe gradually picking up and we also notice that large infrastructure programmes continue and governments try to save those large infrastructure programmes and continue their investments in order to facilitate infrastructure development.

We had two divestments in the First Quarter [audio] small company with [unclear] and more importantly we also divested our facility management business called ARCADIUS AQUMEN Facility Management – a business in which ARCADIUS had a 50% interest; a business with about 360 employees which was sold as we concluded within a framework of our recently devised
strategy that this does not belong anymore to our core business, also because the synergies that we got from this business were pretty limited.

We expect to close the sale of ARCADIS AQUMEN Facility Management in the second quarter of 2011 and when it's closed we expect to yield, again, around €7 million.

Having explained these highlights to you, I would like to turn the call to Renier Vree, our Chief Financial Officer – Renier.

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**Renier Vree**

Thank you very much, Harrie. Good afternoon all of you. I am now on slide number 5. Our revenues in the first quarter came in at €465 million which is 4% above the level of the First Quarter in 2010. Net revenues were €348 million, up 7%, and in those numbers is a 2% impact of currency especially a strengthening of Reais and UK Pound and to a lesser extent a stronger US dollar.

The EBITA was €32.8 million which is 12% above the level of 2010 including a 3% impact from stronger currencies.

Income from operations before amortisation and non-operational items was €18.5 million, 8% higher and also the earning [special] came in at 28c, 8% higher than the first quarter in 2010.

Turning to the next slide where we show you in a graph the development of the growth split into the impact from acquisitions currency and then most importantly to focus on here is the organic growth where you see in the yellow/orange bars the development of organic growth of gross revenues, and after a negative growth in 2009 and also in the beginning of 2010, you now see that we have returned to organic growth from Q4, 2010 – also, again, positive growth in the first quarter of 2011.

On slide number 7, we can zoom in and see the development of the net revenues for our business line. First looking at the black line which is the total development of net revenues, we see a steady increase in net revenue growth the same quarter of last year, and then looking at the infrastructure business, the red line, we see a very strong growth at 11% in the first quarter. It’s relevant to make the comment here that it was helped by the severe winter conditions in the first quarter in 2010 which depressed revenues at that point in time.
But more importantly the growth comes from a strong growth in Brazil and Chile and also in France. We see a still business in the US and a decrease in other parts of Europe due to budget cuts.

The green line for the environmental business shows the 6% growth here in quarter one; especially the US contributed to this, but also South America. Plus a factor worth mentioning, the blue line for water shows that we have a 3% decline on the revenues. The main impact here is the winding down of the New Orleans project which, as you know, started in 2007 and is now in its final stage, and also public spending cuts [unclear] reductions in the US, and Europe somewhat offset by growth in Brazil. The yellow line for buildings indicates the 2% organic growth we achieved there in the first quarter. Growth continued in RTKL and also a growing private sector added to this in Belgium, Germany and France while the public sector is still declining here.

Then on the next slide, number 8, we see the development of the EBITA, 12% higher in the first quarter, as mentioned, with a currency that's 9% and higher profits came from the US, Brazil, Chile and RTKL, while we saw a lower EBITA from the Netherlands and the U.K, and a number of other European countries.

When we turn to the next slide we can see the development of the EBITA split over a number of factors. We see the impact of currency again of 3%; acquisitions had in the end... the growth from additions and the impact of divestments in the end resulted in 20% impact. Carbon credits were €2.2 million which is equivalent of 7% improvement, and then there is a remaining 2% government positive development of the EBITA. That consists of an increase of restructuring charges, €1.7 million this quarter compared to €700,000 last year, and also last year there was a loss for the energy project in Brazil of €1.9 million which didn't happen this quarter, and therefore the underlying EBITA margin – if you take it all together – was almost stable.

[Audio] net number [audio] 9.4% this quarter compared to 9.5% in the first quarter in 2010, and last year, if we take out the loss of... include the loss of the energy project the EBITA last year was 9% and if we take out this year the carbon credit [audio] with a small margin which was a [audio] of Europe public clients and some setbacks in the UK.

In the UK we changed a number of key leaders in our management team there. They reassessed the project portfolio and concluded that on a few projects we had to take some hits with an impact of just under €1 million.
On the next plate we see that financing charges increased from €4.1 million in 2010 to €4.6 million in 2011. This growth came from the currency impact, a stronger dollar and Reais and the fact that our growing business in Brazil needs additional working capital which requires financing.

The tax rate was 31% below the level of 34.5% in 2010; and the 31% is the same as the rate we achieved for the full year 2010.

The amount of minority interest increased because of the larger share of profits from Brazil of which we own 50% plus 1 share, as most of you will know.

Looking at the balance sheet, working capital ended at 16.7% which is .1 of a % higher than in the first quarter of last year, and we take into account that we deconsolidated the AFM business which has a very low level of working capital. In fact we see that the working capital ratio slightly improved.

Now that was €255 million at the end of the quarter, a consequence of the negative cash flow in the quarter which is typical for the seasonal pattern of our business and share purchases which we always do in the first quarter related to the option programmes that we have in place, and, consequently, the ratio of net debt over EBITDA came in at 1.3, a touch higher than last year, but still well within the bandwidth of 3, as a maximum that we have agreed with our banks.

Then let's now look in some more detail in the development of our business lines. First the infrastructure business and now I am on page number 14 - infrastructure being 27% of revenues. Organic growth here was 6% on growth revenues and even 11% on net revenues. I already mentioned the fact that the severe winter last year, the impact on the results; and that Brazil and Chile are the main driving factors of the good growth that we are realising in this business line.

The US, our exposure to [unclear] is less than in Europe. There the business is stable. We see a decline in Europe, especially on a local level due to the austerity programmes that are being implemented everywhere. Nevertheless large projects – often multi-year projects – continue with the exception of Poland, as we explained already in the last quarter to you. While France, I think it's good to reiterate the large contract that we have won, here, for the [Ren] subway which will keep us busy for quite a while.

Then the water business, 17% of revenues. Organically revenues declined 13% - net revenues only 3%, and that's a consequence of the completion of a number of large projects

...
subcontracting was substantial. That includes the project in New Orleans that we referred to earlier.

We also see that governments are tightening their belts in Europe and the U.S, but we are very proud that we won a large project in the US in Virginia worth $43 million – one of the largest projects for water that was around, and that we were able to win a substantial multi-million dollar contract in the Middle East, in Oman, to be precise, which is a very prestigious contract to add to our portfolio.

The environmental business 38% of our company organic growth 12% of a net level 6%. Here the US is driving the growth with strong demand from the private sector and particularly the oil and gas clients. Many remediation projects are being executed which also require substantial subcontracting typically. We see that environmental business in South America in Brazil and Chile has started to grow further and in Europe we see the public part of the market with the governments is under pressure but on the private side the market is clearly picking up and we see that, for instance, in France, in Germany and also the UK is recovering from the situation they had before.

In this quarter we had an important project win for General Motors and we involved in the clean up of the 89 automotive sites which is one of the biggest contract we have ever been involved in, and also a large project with the Department of Defence where there's an overall contract of $500 million which is six companies, of which we are one; and given our performance reputation in the US market, we think that we have a good chance of having more than our fair share of that contract.

Buildings in slide number 17 representing 18% of the business. Organically this business was flat but on a net revenue basis there was an increase of 8% and organically of 2%, and here the divestment or the deconsolidation of AAFM plays an important role because here they have a high level of subcontracting 4% of the management [audio]. Rise was added to the portfolio at the end of 2010 which brings us higher in the value chain for programme management consulting.

We see here continuous growth RTKL in Asia and the Middle East where they show how they can export that knowledge from the US into those countries and regions, but also in Belgium, Germany and France we see here that the market is picking up from the private sector and on the other hand the public sector is still at a relatively low level of activities.
That brings all this together on a client mix basis on slide 18 where the public sector represented 38% of our revenues in 2010 and became now 30% in 2011. We see that utilities remain stable at 20% as one would expect from this client group; and the private sector grew from 42% to 50% in 2011 driven by the clients in the oil and gas and mining sector. I think with this Harrie is going to discuss the outlook.

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**Harrie Noy**

Thanks, Renier. That brings us to first slide 19 which is showing that we are going to discuss the outlook and then the outlook per segments on slide 20. That slide summarised the outlook for each of the market segments. Starting with infrastructure we could summarise the outlook in terms of the strong growth in South America offsetting the decline in Europe. We see tight government budgets in Europe which continued to have an impact on our business, and the same in the United States, but keep in mind that our exposure to the infrastructure and transportation markets in the United States is limited and the impact of these government budgets in these geographies is more than offset by the strong demand that we see in South America. That's the trend that we have seen over the past few quarters and we expect that trend to continue over the quarters to come.

Although government budgets in Europe are under pressure, we see that most European governments try to spare large projects as much as they can sometimes by continuing to spend money and in other cases by involving private financing of these projects through public/private partnerships. That's also reflected in our backlog. Our backlog in infrastructure in Europe continues to be strong filled with many large projects with projects also that are financed where we don't have a signal that these projects will be discontinued.

On the other hand with respect to the local markets, we do not expect an improvement within the short term and that also means that price pressure in these markets will continue.

As far as water is concerned, we expect that market to be relatively stable due to its utility character. We had recently a considerable amount of new projects [unclear] in the United States. Renier mentioned the big US $43 million project. We are also looking to our [order intake], that [order intake] is pretty healthy and that certainly reflecting the utility character of the segment.

The market for new facilities in the United States is, of course, down given the fact that the expansion of residential areas is down and our focus is very much on the renewal and the expansion of existing facilities in large cities.
We also see the demand for process optimisation growing, also to reduce costs, and we can help
outlines in that respect.

We continue to further expand our activities outside the United States with the help of
Malcolm Pirnie focusing on Chile, Brazil and the Middle East; and as mentioned we have scored
the first successes and we expect further successes also in Chile and Brazil to come in the period
ahead.

With respect to environment we expect the growth that we have experienced over the past few
quarters to continue driven by, on the one hand the economic recovery, but on the other hand
also by an outsourcing trend where clients tend to outsource their environmental activities more
to companies like ours and given the strong competitive position that we have we think we can
benefit from those trends and that's the basis for continued growth in the environmental market.

We had recently a number of large contracts won but if we look to the pipeline of projects then we
also conclude that this pipeline continues to be well filled with large projects but also with [gib]
opportunities that we expect to materialise in the remainder of this year.

We also expect growth in Brazil and Chile to continue and we also think that the private sector
demand in Europe will increase and will compensate for the decline of public sector demand. In
buildings the situation has improved. The commercial property market is stable in the United
States and in Europe at the low level but we see demand for redevelopment of existing property
growing.

[Afgear] continues to focus on international expansion basically Asia and the Middle East and if
we look to [RTKL's order intake], then at this point in time about 75% of their [Order intake] is
coming from outside the United States and mainly coming from Asia and the Middle East where
the property markets are doing quite well.

We see pressure on public markets and we suffer from that both in the United States and in
Europe. On the other hand we see corporate investments increasing both in Europe and the
United States but also in Asia and the Middle East where we benefit from those investments with
our project management services but also with our architectural design activities.

That brings me to slide 21, the Outlook for 2011. Our backlog is healthy and growing. Our
backlog at the end of the first quarter 2011 was again 5% higher than the backlog at the end of
2010 and this 5% represents an organic growth of our backlog, so does not include any currency impacts, does not include any impacts of acquisitions, is the organic increase of our backlog compared to the end of 2010.

If we look to the increase of our backlog in our different market segments the 5% as equity [very little difference] [i.e.] our backlog grew organically by 4% and water grew organically by 4% as well, and in environment and buildings it grew by 5% for each of those business lines; so a very healthy development of our backlog and a very sound basis for our revenue development in the remainder of 2011.

Government budgets are under pressure. That will not change in the near term but on the other hand private spending is growing, driven by the economic recovery and that has a positive impact on both environment and also on buildings.

Emerging markets offer a lot of potential, and ARCADIS is benefiting from it especially in South America and in Asia and we expect that trend to continue in the remainder of this year.

Margin in a high priority for us, as you know. We want to maintain and focus on margin, especially in those markets which are experiencing price pressure at the moment. We expect the sale of [Biogas] which we announced at the end of the fourth quarter last year, we expect that sale to be finalised in the second quarter this year. You remember that we have signed a contract to sell the Biogas business in Brazil, at least most of it, and we are waiting for a [pullful] of the cities of Sao Paulo and Rio de Janeiro and we expect that approval to come in, in the course of the second quarter, and then that sale will be finalised with a positive impact on our bottom line in the range of 3-5 million as we announced at the end of the fourth quarter.

Acquisitions are high on our agenda. We want to further expand our business through acquisitions based on a better strategy; high priority for further expanding our business in emerging markets. We also want to benefit from the consolidation particularly in Europe and we want to strengthen our business lines through specific acquisitions that fit the strategy that we have defined for each of our business lines.

Summarising the outlook for the full year 2011, we expect an increase of revenues and profits for the total of 2011 and that is bearing unforeseen circumstances and currency impacts and that outlook also excludes the impact of the gain on the sale of ARCADIS AQUMEN Facility Management.
That concludes our introduction and that means that we are not ready to take any of your questions. Operator?

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Questions and Answers

**Operator**

Thank you. We will now begin the questions and answer session. If you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel that request please press the # key. Your first question comes from Teun Teeuwisse from ABN AMRO.

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**Teun Teeuwisse – ABN AMRO**

Good afternoon, gentlemen; it’s Teun Teeuwisse at ABN. I actually have two questions; first of all on the UK. Can you outline a bit more what happened or exactly what went wrong and if this is it or do you think that it’s possible to make the earnings anyway? And the second question is on the water business and the outlook you gave the net revenue trend has been [down] since the second quarter of 2010; backlog is improving. How sure are you that you can return to rose again and when do you expect to return to rose again? Can you please give some more colour on that? Thank you.

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**Harrie Noy – ARCADIS**

First your question on the UK. As you mentioned, last year we had some issues in our environmental business in the UK because several large projects were finished and we couldn’t fill in with new projects. We had some management issues in our environmental business as well and that’s the reason why, in the [first] quarter of last year we changed management. We brought in a very experienced manager from the United States that’s very familiar with our environmental market in order to bring our environmental business in the UK back on track and he is doing a great job in that respect, but, of course, he is also cleaning up things a bit, and we thought that we had cleaned up a bit by the end of last year but unfortunately that was not fully the case which meant that we had to take some additional project provisions in the first quarter of this year, close to I think €1 million, and I think that with that we have cleaned up the cupboard, so to speak, and we expect our business to recover in the remainder of the year, and, actually, if we exclude those
one-offs that was have taken in the first quarter we see already a much better performance of our environmental business in the first quarter, actually, than we had in the total of 2010.

Teun Teeuwisse – ABN AMRO
And is it possible that you can recover the provision again during the year?

Harrie Noy – ARCADIS
In environment that's probably a bit challenging but we might get close.

Teun Teeuwisse – ABN AMRO
Okay.

Harrie Noy – ARCADIS
In the water business your analysis is, I think, totally correct. On that revenue organic growth was still down; backlog has improved. We certainly will see a continuation of some of those impacts that we have seen in the first quarter continuing into the second quarter. It has to do with the completion of the New Orleans project. That project is not finished, let's say, from one day to the other. That project is winding down gradually. We had a major impact in the first quarter; we will have an impact in the second quarter as well, but I think after the second quarter that project will be finished in total and we are filling in the gap which is created by the project over time. When exactly that will be done to the extent that we return to organic growth is difficult to predict but somewhere in the coming quarters I think based on the back of that, that we are creating in, in the water business, we will return at least to a stable business, I think, with the potential of some growth going forward.

Teun Teeuwisse – ABN AMRO
Okay, and the new projects which you mentioned to have secured already, can they make up for the loss of the revenues from the New Orleans project?
Harrie Noy – ARCADIS
I think over time that will be possible but in the short term that will not be fully [linked] so I think in the second and the third quarter we still might see some impact in this, but I have [audio] disappear.

Teun Teeuwisse – ABN AMRO
Okay, thank you very much.

Harrie Noy – ARCADIS
You're welcome.

Operator
Your next question comes from Robert Van Overbeek of Cheuvreux. Please ask your question.

Robert Van Overbeek - Cheuvreux
Hello, good afternoon, one question, on the biogas activities in Brazil. Can you give any additional information – maybe value or the [unclear] activities which are up [for sale] in the second quarter? Hello?

Renier Vree - ARCADIS
Yes. We got your question. What I was going to say is the book gain was already explained by Harry how much profit we expect to make from it. I don't have the exact amount available that we have on the balance sheet for this; that's absolutely more than…but it's not that we have [books], so the cash flow that we get from this is not substantially higher at the moment of recognising the deal. What is worth mentioning is that next to recognising the gain in the second quarter when we have all the approvals obtained from the French authorities that have to do that, there will also be over the next years additional income once certain performance criteria are being met together with the new owner of those assets.
Robert Van Overbeek – Cheuvreux
You said that the expected book gain was already mentioned. Can you repeat that? I'm not referring to the sale of the facility management activities at the moment.

Renier Vree - ARCADIS
[We've got of] the biogas?

Robert Van Overbeek - Cheuvreux
Only the biogas, yes.

Renier Vree - ARCADIS
Right. It's a €3-5 million of impact on that income.

Robert Van Overbeek - Cheuvreux
Okay, yes, thanks.

Harrie Noy – ARCADIS
[One of these] comment to make in this respect because we have explained at the end of the fourth quarter last year that we changed our strategy in Brazil and that change was actually driven by the huge opportunities that we have within our core business in the Brazilian market, so initially we had two businesses, so to speak. We had a consultancy engineering and project management business on the one hand and we had these investment businesses on the other hand, and the investment businesses consisted of two types of projects – the biogas projects and the small hydro power plants, and that [whole] investment business is going to be divested and the idea is that we use the proceeds that we get from those divestments to further expand our activities in Brazil.

We see Brazil as a very promising market for ARCADIS. We have a very strong competitive position in the market because as an international consultancy [engineer] we were, I think, the first one to enter Brazil in 1999. We see today several attempts of our competitors to enter that market, but given where the market is at this point in time it's not that easy to enter the market, so we have clearly this advantage of being ahead of our competitors in the market and we definitely
want to benefit from that advantage by further expanding in the market by also investing the proceeds that we get from the divestments of the energy business, so that's the strategy; that's our philosophy with respect to the Brazilian market.

Robert Van Overbeek - Cheuvreux
Okay, thank you.

Operator
Your next question comes from Eugene Klaerk of Credit Suisse. Please ask your question.

Eugene Klaerk - Credit Suisse
Good afternoon, gentlemen, a few questions if I may. First of all, can you just indicate whether you still feel comfortable with your targets that you set following the strategic review for this year, and I'm particularly referring to the [5-7%] organic growth target that you mentioned. Do you still feel, following the first quarter, that that is achievable? The second question is, on the new contracts, can you give us an indication of the duration of these contracts, for example Virginia, the 43 million that you mentioned – is that within 12 months or over what sort of time frame should you be expecting to see revenue being accrued? And then I guess in terms of your emerging market business can you give us a feel for what your total exposure revenue-wise is to emerging markets, both at direct and indirect i.e. Brazil, Chile, but also RTKL, for example, their business that they do in the Middle East and Asia. What is the total percentage of revenue currently coming from emerging market contracts? Thank you.

Harrie Noy – ARCADIS
Let me start to answer a few questions and then Renier will take it over. First of all with respect to those targets it may be good to mention that we have set those targets for the three year period 2011/2013, so it's a target for the period and we always have said that the first year of the period 2011 will probably be the most difficult year given the fact that we are coming from a situation where the economic crisis has also impacted our business considerably. Compared to the period that we prepare the strategy, we see actually organic growth picking up faster than we initially expected. We had an organic growth in the fourth quarter of last year of 3% on net, 5% on gross. This quarter we had 3% on gross, 4% on net, which is, I think, a sold step up to the 5-7% growth target that we have set for the period.
As far as the new contracts are concerned, the duration of these contracts differ but most of these contracts have a duration which goes beyond the 12 months period. For example, the $43 million contract for Virginia I think it's about a three year contract. I'm not 100% sure but I think that you have to think about this period of time. The remediation contract for General Motors for the 89 locations which is a contract that has the potential [and it will] be one of the largest contracts that we have done ever in environment but also in the total of our business. That contract has a duration that will be I think at least five years, if not longer.

And the good thing, of course, of these long lasting contracts is that they provide us with a backlog over time and these contracts, the General Motor contracts, is not immediately taken in our backlog; that's just taken in our backlog phase by phase depending on the green light that we get from our client to continue with the project.

The contract in the Middle East for water, I think that was a five year contract, so these contracts, have in general quite long durations.

As far as emerging markets is concerned, Renier?

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**Renier Vree - ARCADIS**

Yes, Eugene, when we look at the revenues we have said directly in emerging markets so Brazil, Chile, Middle East, a bit of China; then in the quarter that was approximately 11% of our revenues. It may be good to also mention that a year ago that was 6% so it has almost doubled in one year, and then, you're absolutely right that our total exposure, so to say, in emerging markets is higher than that because we have business in China, in the Middle East, done by people of RTKL in the US and the UK. We have activities in the Middle East which are produced by people that are active in our European [opcos], so there the percentage is higher. At this moment in time we don't have a measurement system in place that we know exactly how much that is. In fact it's one of the initiatives we have taken to get that information twice a year produced by the organisations. If I would have to make an estimate then I would say that it's probably about 5% higher including the indirect revenues; so the 11% would be say at least 5% higher if we include the indirect production for emerging markets.
Eugene Klaerk - Credit Suisse
If I can just ask one follow up question. Regarding the additional larger contracts, what has been your largest contract to date excluding General Motors and when do you expect these larger projects to start kicking in? Is it as of Q2; is it as of Q4? When should we start to see something coming in?

Renier Vree - ARCADIS
I think one of the largest contracts that we had up to now was the New Orleans contract which was actually two contracts which we acquired shortly after each other and that was $200 million so that at least gives you an indication of the size that we are talking when we talk about the General Motors contract. It's the potential size of the contract so we are talking about serious sized contracts, and the General Motor contract is a contract which is, I think, if we do our work well – fully executed by ARCADIS – whereas in the New Orleans contract we worked in kind of a consortium where we were leading but we were also having subcontractors performing part of the services. The General Motors contract we will subcontract part of the activities as well, but that's then the execution of remediation which, as you know, is always subcontracted because we do not execute ourselves; we usually outsource that to specialised contractors.

And then the contracts that we have, that is the General Motors contracts, I think have been started already. The $500 million framework contract that we got from the Department of Defence I think we are one of six but we were the first one I think that got the first task order of about half a million so that work has been started already.

The contracts that we see in the pipeline, that depends of course when these contracts are actually being scored and that will be gradually over time.

Eugene Klaerk - Credit Suisse
Thank you.

Renier Vree - ARCADIS
You're welcome.
Kris Cippers - Petercom
Yes, good afternoon, gentlemen. Question on your infrastructure looking at a decline there is clearly a split between governmental and local business. Could you share with us some kind of indication how steep that decline was in the local business, for example. Then a second question, regarding your strategy in M&A it appears that also some competitors are looking at, of course, the Asian or Australian markets. Do you consider any issue on the pricing level? Could you shed some light on what pricing levels currently offer some emerging players in that region? And then just a follow on question regarding the amortisation we saw; amortisation somewhat lower in Q1, the first is Q4 at 1.1 million. Do you consider it as a good run rate for the remainder of the year? Thank you.

Harrie Noy – ARCADIS
Your first question with respect to the split between local and central government in terms of the decline that we are experiencing, that is difficult to say because we don't [regist] that the project on those criteria, but if we look to the [descriptions] that we are having with the management of our operating companies, then it's clear that in most cases where we have issues with government spending it's focusing on the local markets, and actually we call it government spending but it's not only government spending, it's also the fact that private sector investors are not investing in a development of, for example, new residential areas. As a consequence local governments have less income and as a consequence they invest less, and they need to invest less also in providing infrastructure for those new residential areas.

On central Government the picture is mixed between the different countries. What we see, for example, in the Netherlands in a clear drive from the Minister to continue with the big projects. As you know we do a lot of work in the [real in] construction market. It's difficult to imagine all the [audio] – the real infrastructure would go down, not [unclear] then, and based on the [statements Minister] we expect that [they do their] utmost to safeguard investments in large infrastructure [portfolios].

In France, for example, we see a whole number of projects coming to the market and have extensive [unclear] in high speed railway lines; also with private financing, but there are also initiatives upcoming for huge investments in the greater Paris region particularly with respect to
public transportation which offer, I think, excellent opportunities given the specialised knowledge that we have in that segment and the good client relationships that we have.

On the other hand Eastern Europe in, is this respect, a bit the exception. That's the only place in Europe where we actually see that large projects where we were working on were put on hold and that's definitely causing issues, particularly in Poland, where we were working on those projects with a whole number of staff and all the [trans] governments said you have to stop working because we have budget issues, so that's, I think, the overall picture.

Looking at your question with respect to acquisitions, you're totally right. We are not the only ones looking to expand in these areas that you mentioned so we are in a competitive field. On the other hand, based on the discussions that we are having with companies, we clearly get the impression that we are seen as a potential attractive partner for two reasons. First of all we have many companies that are excited about the fact that we have such a well spread geographical [pot] and many companies, particularly in Asia and also in Australia, are excited by the fact that we have such strong capabilities in both water and environment.

And the other reason is that companies are, I think, if they are considering a potential sale, more inclined to do it with a company that has a proven track record in dealing with integration processes in the way which we do which is also covered than, for example, just to an American-based or UK-based player.

Then amortisation, Renier?

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**Renier Vree - ARCADIS**

You're correct that amortisation was [audio] in the quarter of course related to the intangibles of acquisitions that are amortised over time; and when looking at the acquisitions for which amortisation takes place indeed [the assumption we use per month] [audio] as a proxy for the run rate for the rest of this year.

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**Kris Cippers - Petercom**

Perfect, thank you.
Renier Vree - ARCADIS

Any other questions?

Operator

Your next question comes from Philip Scholte of Rabobank. Please ask your question.

Philip Scholte - Rabobank

Good afternoon, gentlemen. I wanted to start with the US where there is, of course, in talk about public budget cuts there as well. Where were you and can you maybe talk about you [are in] that situation and also possibly talking about the EPA, the Environmental Protection Agency, which appears to be one of the favourite areas or divisions to reduce the budget of Republicans, so to me it is worrisome so I was wondering how you look at that.

Secondly, on M&A, you sound like you are slowly but gradually making a deal. Is that true and can we expect something of any sort of substantial size this year or can you maybe quantify a little bit more as to timing on that area?

And thirdly, then, on your full year outlook, if I may, if you would exclude the gain on the biogas sale, would you then still expect net profit growth or is the margin in that respect within that proceed or the gain of the sale?

Harrie Noy – ARCADIS

Let me first start with your question with respect to the United States. I've seen your note in this respect and I must say that we are not as concerned as you are in this sense. Of course there is this issue of public budget cuts in the United States but keep in mind that our exposure in the infrastructure market and the transportation market is limited, so we are not a strong player in the US transportation market which I think is the first one to suffer from public budget cuts.

Secondly, in the water market, we see some impact; and the water market is definitely driven by spending from municipalities because that's how the system works; but also in the US system people pay separately for the use of water and for the treatment of water, and that gives a certain amount of protection. Of course we have already had the impact of less spending in the so called [shin belt] States where a lot of investments took place let's say in the period before 2009; there are a lot of people [were] moving to those shin belt States and a lot of residential development
took place in those areas. That's all done; that's already done as of 2009, so that does not have any additional impact anymore, and, what we see, is investments in the upgrade and the innovation of existing facilities and that investment continues. [There is] some pressure but we do not expect that is going to be a drama.

And then, thirdly, if you look to the environmental market, because you are particularly referring to the EPA spending, if you look to the environmental market, our [working] environment is dominated by private sector spending. Of course [audio] Federal Government as well and we are not negative about [unclear], that's mainly work for the United States Department of Defence and they continue to have pretty solid budgets, not only for Defence but also for the negative impact the Defence sometimes causes on the environment – so we don't have any indication that that's under pressure, and our private spending is, to a large extent, driven by private sector spending. If the EPA budget would be under pressure, that EPA's more going to push private sector companies to spend on the improvement of the environment given the fact that they have limited budgets by themselves, so we don't see a negatives consequence in that respect.

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**Philip Scholte** - **RABO Bank**

May I have a brief follow up? Can you quantify the private percentage within environment?

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**Harrie Noy** – **ARCADIS**

In the United States? That's probably above 85%; maybe even more.

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**Philip Scholte** - **RABO Bank**

Right, great.

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**Harrie Noy** – **ARCADIS**

Then M&A. This is of course the award winning question to answer, and this answer does not indicate that you are right because experience has taught me to be cautious in this respect. You can have a lot of discussions and things can go well but at the end of the day there's only a deal after you have signed an agreement and that has still to be proven, but obviously given where we are in our development this is a high priority. That's not a guarantee that we will be successful but we see good interest in the market and we have discussions with this. We see that this consolidation trend is continuing, so I am pretty confident that at a certain point in time we will be
successful but it is difficult to make any statement about timing. I did that in the past when I did not have so much experience and it didn't work out very well; and so if you look at this point in time I'm a bit more cautious.

Then the full year outlook, can you say something about that, Renier?

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**Renier Vree – ARCADIS**

Yes, sure. As we mentioned in the outlook we exclude the impact of the gain on the AAFM because that really showing a complete business. Over the years we have always treated reserves on the energy project in Brazil at our normal difference, be that gains or losses, and that also applies to 2011.

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**Philip Scholte - Rabobank**

All right. I fully agree with that, the reason behind my question was really more like, do you get a feel of how big that profit growth is that you are guiding to? Of course that gain already delivers you 3-5 million. If I would exclude that would you then still be looking at profit growth?

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**Harrie Noy – ARCADIS**

That depends to a large extent on currencies as well. I think we are confident that we can continue the growth of profit and revenue and we will give more specific guidance after the second quarter. Keep in mind that there is with respect to the [unclear] installation is a rather complicated deal. At the end of the day the profits that are generated will be recognised over time. Besides that business we are also in the process of selling the small hydro power plants. We expect at least five of those small hydro power plants to be sold in the course of this year as well, and, as you are used to from ARCADIS, we will report the contributions that we get from those sales separately so it is clear where the profit is coming from.

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**Philip Scholte - Rabobank**

Right, okay. Thank you very much.

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**Operator**

Your next question comes from Dirk Verbiesen of Kempen. Please ask your question.
Dirk Verbiesen - Kempen

Yes, good afternoon, gentlemen. If I may, to make it clear at least to me is on the guidance you just discussed, so the 3-5 million book gain will not be a one-time gain – is that correct? Is that the number which will be spread over the years or...?

Harrie Noy – ARCADIS

The 3-5 million is the amount that we expect in 2011 but eventually over time – as Renier mentioned – depending on achieving certain milestones, we expect some after payments to come in over the coming period.

Dirk Verbiesen - Kempen

Above the 3-5 million one time gain.

Harrie Noy – ARCADIS

Yes.

Dirk Verbiesen - Kempen

And that 3-5 is included in your statement on higher earnings leaving all things equal.

Harrie Noy – ARCADIS

Because it’s included [unclear] so in that respect it is in the outlook statement, but as I have guided just a minute ago we expect, and we are confident, that we will show an increase of revenue and profits in 2011 and how that will exactly work out that’s what we’re going to disclose after the second quarter.

Dirk Verbiesen - Kempen

And on your statement on revenues growth, what condition do you use looking at the current dollar rate which will be unfavourable especially in the second and third quarter, if things stay as they are. Do you mean by stating revenues growth on an organic basis?
Harrie Noy – ARCADIS
Yes, we mean on an organic basis; [it acts] with the impact of currencies – and to be precise in this respect, if you look to the currency impacts for the total year – I'm not talking about the [unclear] but a total year, then the currency impact at the present level of the currencies could be in the range of 3-4% negative for the total year.

Dirk Verbiesen - Kempen
Yes, exactly, yes.

Harrie Noy – ARCADIS
That's a fact of life. Unfortunately we can't manage that because if we could manage that we would probably be at your side of the table.

Dirk Verbiesen - Kempen
And on the market conditions in the buildings market, do you feel that balance of higher demand for renewal and refurbishments in existing real estate will compensate for the pressure in the public market?

Harrie Noy – ARCADIS
No, I think that that's a bit too optimistic. We will definitely have some impact from that public sector spending in buildings where we expect compensation to come from is from the positive developments of RTKL in the international market, especially Asia and the Middle East, and where we also see additional compensation aside from the refurbishment that you were referring to is the corporate spending; so you'll see corporate spending increasing as well.

[It's a bullish market] as I've mentioned before if I look to the different market segments and I think the growth that we are experiencing in Brazil and Chile is a solid growth. The growth that we are experiencing in the environmental market is solid as well. Buildings is more vulnerable; RTKL is doing a great job but it's a bit more vulnerable than the developments that I just referred to.
Dirk Verbiesen - Kempen
And with respect to that also, could you please repeat the growth you've seen in the order book in the different segments – I missed that one.

Harrie Noy – ARCADIS
Okay, I'm glad to do that because these are wonderful figures. It's actually 4, 4, 5, 5 – so it's 4% in infrastructure, 4% in water, 5% in environment and 5% in buildings and these are all organic growth figures so they don't include any impacts from currencies neither from acquisitions.

Dirk Verbiesen - Kempen
But this 5% in buildings definitely points to a positive balance of the positive trends you see versus the public pressure, or not?

Harrie Noy – ARCADIS
That's absolutely true; that's absolutely true but we have seen last year in buildings a positive development in the first quarter as well and then that some positive development in the first quarter was compensated by a negative development of the same magnitude in the second quarter, and that's what I mean with that market being more vulnerable. We talk, usually, about big projects and so on; they come or they don't come, so it's a bit more vulnerable.

Dirk Verbiesen - Kempen
And more general in the broader picture. Do you feel that the pressure you see in the European markets also with regard to pricing in some markets versus some favourable developments in emerging markets and also private sector US what we learnt from this call, so do you feel that in that respect it's good that you are able to defend your margins or maybe increase them a bit further into the year, with the normal seasonality, also taking that into account?

Harrie Noy – ARCADIS
I'm not 100% sure whether I understand your question.
Dirk Verbiesen - Kempen

You were making some remarks on price pressure in European markets especially in the Netherlands. On the other hand we are quite encouraging statements on trans- and emerging… South America but also I think private sector in the US year on year. Do you feel that on balance you are able to protect or even lift your margins further into the year?

Harrie Noy – ARCADIS

Definitely given these positive trends that's definitely offsetting the margin pressure in Europe it's a bit difficult to predict whether that will be fully offset but we will certainly be able to defend our overall margin given these positive trends that we see. We have also seen that in the first quarter; there are some special items in the first quarter that we mentioned but basically we see that our margin is holding up also reasonably well in the first quarter. I think that's what I can say in that respect.

Dirk Verbiesen - Kempen

Okay, and a last question on the restructuring charge you took in the first quarter. Apart from the costs for Malcolm Pirnie or the integration of that and also looking at the growth you are now seeing again in your order book, is this the end of the restructurings, and if not could you say where you still see room or you feel obliged to take measures, or…

Harrie Noy – ARCADIS

No, I think this is definitely not the end of the restructuring because these overall [audio] figures [audio] but there are huge differences if you look at the underlying plans. For example, infrastructure, it's a balance of very a strong order intake in South America, in some parts of Europe but we are lagging in other parts of Europe, and given the fact that we can't shift our staff easily across the globe, we have to adjust ourselves in those markets where order intake [have] [audio] lagging behind, so we will certainly see some ongoing restructuring in the course of this year.

Dirk Verbiesen - Kempen

Okay, but you don't expect to see big jumps versus last year or what we've seen in the first quarter – big differences?
Harrie Noy – ARCADIS
These things tend to differ for different quarters and we’re not going to look at the last quarter last year to say, hey, the last quarter last year we had this reorganisation so we have to speed up or we have to slow down reorganisation or to be in line with the cost that we produced last year. We take the measures we think are necessary to take.

Dirk Verbiesen - Kempen
Okay, thank you very much.

Operator
Once again, if you wish to ask a question please press *1 on your telephone keypad. Your next question comes from Dieter Furniere of KBC Securities. Please ask your question.

Dieter Furniere - KBC Securities
Yes, hello, also a couple of questions from my side. The first question is on the evolution of net debt; could you quantify what the currency effect was on that? My second question relates to environment and especially the margin evolution there. You don’t give details on that but I was wondering the pricing pressure that was witnessed in 2009 and 2010 which we also saw in the revenues decline, so it’s likely also you had less opportunities to push through prices, and do we see this now coming in into the quarters or do you still see similar levels as the quarters before?

Harrie Noy – ARCADIS
Could you repeat that because I could not totally follow what you mentioned with your margins.

Dieter Furniere - KBC Securities
Yes, like in environment I understood that you witnessed some pricing pressure over the last two years and so I was wondering, this is likely now in the backlog so you’re now executing these contracts at some lower prices, so do you see somewhat lower margins in environment and hence then also in the US?
And then my third question was relating to the EBITA revolution especially because of the sale of the biogas facilities; you guide for 3-5 million on that profit of a net income from operations. Could you quantify a bit what the impact would be on that, on EBITA or you will report it on EBITA, I think, so you have 50%; you have some taxes. Is it correct to say that it will be between 10-15 million impact on the EBITA or is this a misinterpretation? Thank you.

Harrie Noy – ARCADIS
On the net debt, if you look at our net debt and you probably know that the significant part of our debt is in US dollars and a much smaller part is in Brazilian Reais. If you calculate the impact from the end of December to the end of March then the net debt went down by approximately $25 million because of currency impacts. Does that answer your question?

Dieter Furniere - KBC Securities
Yes.

Harrie Noy – ARCADIS
Okay.

Dieter Furniere - KBC Securities
Then the margin evolution?

Harrie Noy – ARCADIS
I'll try to answer that. You are right in the sense that we had margin pressure in environment in the period, I think, as of the second half of 2008 and continuing into 2009 and let's say the first half of 2010, definitely it's gradually...now the market is picking up that margin pressure of course it's gradually disappearing. Let's say some of those projects have indeed a very long time horizon. On the other hand many of those contracts have also the possibility to adjust pricing on an annual basis in negotiation with clients of course, so I do not expect a major impact from contracts that we acquired, let's say, in the period 2008/2009, first half 2010, all margins going forward.
And then the sale of biogas, Renier can you answer that question? The sale of the biogas, is that also going to impact EBIT? It will impact net income at a level of 3-5 million. The question was, is the impact...

**Renier Vree - ARCADIS**

It will also impact EBITA, and then of course there is the minority interest that comes back from it so the 3-5 million is the impact on that income, but it will also be part of EBITA.

**Dieter Furniere - KBC Securities**

But is the calculation correct if you say the guidance 3-5 million, we assume you have the 50% stake, so then we reverse calculate also with the tax rate, I think assuming 35% that this could have an impact on EBITA between let's say 9-15 million?

**Renier Vree - ARCADIS**

Okay. I see what you have been doing. I don't have the answer. That seems logical what you are doing. I would say the answer is yes for the moment but I will check and let you know if the calculation is not correct. We are not focusing that much on it because it's not part of...that certainly wasn't any course of business and we are going to report those numbers separately so that for transparency purposes you see what's going on in the business.

**Dieter Furniere - KBC Securities**

Yes, for our [unclear] it's somewhat important to have the right figures in there. I was also looking at the impact of the sale of the biogas facility. Will this also significantly reduce the finance expenses in Brazil; your net debt position in Brazil? I think usually renewable energy projects are quite heavily financed with non-recourse debt. It there also some impact to be expected from that over the coming quarter – so let's say from Quarter 3, 4 when the biogas facilities are out?

**Harrie Noy – ARCADIS**

You are correct. There is indeed investment and long term debt involved in the biogas installations. The way the contract will work is that we at, say, closing the deal in our books we take the first gain and get the first cash in and over time based on performance we get additional profit and cash into our books which would also be used to pay off their debt over time, but you
do not think just in terms of quarters. The total contract is going to last more like something over three years to where the full payment of the contract comes into our books.

**Dieter Furniere - KBC Securities**

It's not that the biogas… I thought it would be deconsolidated when you sell it so hence that also the debt related to the biogas facility and specific is gone. Of course you can pay down debt with the proceeds but I was purely referring to the biogas facility in itself and its impact on finance expenses.

**Harrie Noy – ARCADIS**

Yes, so the consolidated part of the debt of course goes out the moment we deconsolidate that business.

**Dieter Furniere - KBC Securities**

Okay, and that's significant or couldn't you guide us?

**Harrie Noy – ARCADIS**

It's not huge but it's relevant.

**Dieter Furniere - KBC Securities**

Okay, that was it, thanks.

**Renier Vree - ARCADIS**

Then we have, I think, room for one more question.

**Operator**

Your next question comes from Quirijn Mulder of ING. Please ask your question.
Quirijn Mulder - ING

Not with one question, a couple of them, but I'll keep them short. RTKL the book to [build] ratio – was it again above the one? That's my first question, and is it right to expect that RTKL… The growth of RTKL against the rest of the business was in building. Will that support the margin development for buildings in total in 2011? Is that a logical thing?

My second question is about the breakdown in government. You give an indication 30% is government-related. Can you give a breakdown between the local and the Federal Government in that 30% or an indication of it?

And then with regards to the big contracts you have won, is it logical to expect that the organic growth in the second quarter will be higher than in the first quarter year on year? Is that a logical consequence, or is that premature there?

And my final question with regard to reorganisation, is it logical to think that the first country for reorganisation will be Poland given the fact that the Government has halted everything with regard to the [engining] on the highways? How much patience do you have for the Polish Government there, in fact?

That is all my questions.

Harrie Noy – ARCADIS

Okay. Thank you for those questions. We'll answer them as quickly as you put them to the table. With respect to RTKL, the answer is yes, so the book to bill ratio is above 1 because RTKL is definitely contributing to the improvement of our backlog in buildings. Your second assumption answer is also yes, given the fact that RTKL's margins have kept up during the crisis and they are growing so becoming a larger part of the business that will support margin development going forward.

Then as far as government is concerned, overall is 30% of our business and I think in the meantime municipalities is a bit over half of that. Then with respect to organic growth, I think you were a bit too fast going around the corner, so to speak. The logical consequence that you thought of is not as logical as you might think because organic growth in one specific quarter can be determined by all kinds of issues so I wouldn't say that necessarily organic growth in the second quarter is higher than in the first quarter. I expect the growth to continue but not necessarily higher or lower according to your reasoning.
And with respect to reorganisation you are again right, because we are looking at potentially adjusting our capacity in Poland because we can't wait for too long.

Are you there? Hello?

Quirijn Mulder - ING
Yes. One final then, last year the government really was 36%. Was the breakdown the same?

Harrie Noy – ARCADIS
No, I think municipalities as a percentage were a bit higher.

Quirijn Mulder - ING
Yes, okay, so 55-60% - maybe that range?

Harrie Noy – ARCADIS
Yes.

Quirijn Mulder - ING
Okay, thank you.

Harrie Noy – ARCADIS
I think we have answered a lot of questions. If there are any further questions from your side you can always contact Investment Relations, Joost Slooten, so having said this, I would like to conclude this ARCADIS First Quarter conference call. Thank you all for your attention and we are looking forward to discussing the second quarter results in early August. Thank you all, and have a good day.

Renier Vree - ARCADIS
Bye, bye.