Corporate Participants

Harry Noy
*ARCADIS – Chief Executive Officer*

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Joost Sloote
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Presentation

Operator
Thank you for standing by and welcome to the ARCADIS Merges with EC Harris and Trading Update 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 that this conference is being recorded today, Monday 17th October 2011. I would now like to hand the conference over to your speaker today, Joost Slooten. Please go ahead sir.

Joost Slooten
Thank you. Good morning. My name is Joost Slooten the Director of Investor Relations for ARCADIS. I would like to welcome you to this ARCADIS conference call. We are here to discuss the Company’s announcement of the merger with EC Harris as well as the trading update that was issued by the Company today in relation to this merger. With us during the presentation today are Harry Noy Chief Executive Officer and Renier Vree Chief Financial Officer who will discuss these developments and answer your questions about them. The PowerPoint presentations that are being used during today’s call are available through the Publications and Presentations section of the investor website of ARCADIS for which the web address is [www.arcadis.com/investors](http://www.arcadis.com/investors), and look for the Publications and Presentations section.

Just a few words about procedures before we start – we will begin with formal remarks and will call your attention to the fact that in today’s session management may reiterate forward looking statements which were made in the press releases. 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.

Harry Noy
Thanks Joost for the introduction and welcome everybody to this ARCADIS conference call related to the merger with EC Harris and also about the trading update that we have provided with respect to the third quarter results. I will start with the agenda which is the first slide included in the presentation. First we will discuss deal highlights and then give some additional information on EC Harris, and then explain the strategic rationale and the combined opportunity that we put into the market. Then I will give you an overview of some major projects of EC Harris and then summarise and then we finalize with the trading update information.

First the transaction highlights – EC Harris is a UK, London based high value consulting and management services company. The company provides project management services as well as consultancy services for property, buildings, plans and other facilities, including infrastructure facilities in commercial, corporate, utility and public markets. Activities include strategic and advisory services, to a large extent project and programme management services, cost management and also transactional support. The company is one of the global leaders in project management related services, has a very strong reputation in the marketplace, EC Harris is a tier A brand in the industry, very well known for its high quality services, both in and outside the UK. The company has £254 million in gross revenues, which is about €290 million, and £222 million in net revenues, which equals about €254 million in net revenues. It is all based on fiscal year 2011, and their fiscal year 2011 ended at the 30th April 2011. Normalized profitability is at 7% which is based on EBITA as a percentage of net revenue and the normalization includes the bonus programme that we have agreed with the partners and also includes normalisation in relation to the pension scheme. The company employs more than 2,600 staff across its territories.

That brings you to the next slide which summarises the transaction highlights. The transaction consideration consists of an undisclosed cash amount and 3 million newly issued ARCADIS shares to EC Harris current partners. The shares have a lock-up period of about 12 months. the EBITA multiple of this transaction is in line with recent larger acquisitions by ARCADIS and that multiple takes into account the net present value of the tax benefit of the goodwill amortisation and excludes synergies. EC Harris has a limited pension deficit which is covered in the deal
pricing, where we talk about a limited pension deficit, this is about £15 million. The transaction will be funded, at least the cash part of the transaction will be funded through the credit facilities that were agreed during our refinancing earlier this year, and it is good to mention I think that ARCADIS’ financial profile will remain conservative with net debt to EBITDA well below two times at the end of 2011. We see substantial scope for market and operational synergies and I will come back to that in a minute, and we expect the acquisition to be accretive to earnings per share as of 2012, and that is all based from net income from operations which excludes amortisation. We have signed the merger agreement last Saturday and the final deal is subject to partner approval, which is expected to occur by the end of October, with the deal closing targeted early November.

That brings me to the next slide – About EC Harris. The next slide gives you some further information on the company. EC Harris is one of the leading firms in programme and project management, not only in the UK, but also internationally. The company has run for a while, has a longstanding heritage and this year actually the company celebrates its 100 years anniversary. The company started out initially as a UK based partnership in cost management in the property sector, and property work includes retail, commercial workplace, hotels, leisure and banks, financial services. The company also provides services to the public sector including central government buildings, healthcare, local government and affordable housing. The company is also active in the transportation market, predominantly in aviation and rail and to a minor extent in highways. The private sector clients include oil and gas industry, energy and the manufacturing industry and also regulated utilities, mostly water but also some nuclear facilities.

The next slide shows you that EC Harris has a diversified portfolio, on the left side the revenue breakdown for the business segment, property sector overall represents 44% of revenues, the public sector overall 25% of revenues, energy and manufacturing 6%, water 5%, international contractors 1%, oil and gas and the chemical industry 3% and transportation 17%. On the right side the revenue breakdown per geography – and this is based on the expected revenue in the current fiscal year which is 2012, which coincides mostly with our 2011. The UK is expected to generated 57% of revenues, Asia 18%, Middle East 14% and other European countries represent 11% of revenue.

We think that the market in which EC Harris operates offers ample opportunities. We have done an extensive market survey which was executed by KPMG, focused on the UK market and that market survey to a large extent confirmed the expectations with respect to the UK market. It is a mixed picture, with some pluses and minuses. The public sector market is impacted by government austerity programmes; with expected negative growth over the lets say coming two
to three years. The property market is picking up again, particularly in London and the South Eastern part of the UK, where EC Harris has strong positions and the growth expectations for the coming years is 3-5%. The transportation market is mixed, the highway market is negative, but EC Harris has a very limited position in that marketplace, with less than 2% of revenues coming from the highways market. The company is much more active in the aviation market and in the rail market, and those markets are expected to generate positive growth over the coming years; let’s say in the order of magnitude of 3-5% for aviation and the rail market even more than those percentages. Utilities for EC Harris consists of water and nuclear. On the water side there is some pressure on newly built facilities, but positive growth on the repair and maintenance market, while on the nuclear side new investments might come up over the coming period, but also the decommissioning market for nuclear for lets say for all the nuclear power plants is positive and EC Harris is involved in some of those decommissioning projects and might benefit from growth in that market going forward.

Just as the UK market, the markets in other European countries give a mixed picture as well. Asian property markets on the other hand are forecasted to maintain their strong growth base as is also evidenced by RTKLs growing demand in China. The Middle East is expected to see demand increases as well, as several projects that have been delayed over the past couple of years are restarted again.

That brings me to the benefits of the merger. The next slide shows you that based on the merger we actually strengthen our portfolio, we get a more balanced portfolio both in terms of services and in terms of geography, and of course we build strength and skill with combined revenues of about €2.3 billion. On the left side on the slide – the business lines – environment will be about 33% of revenues, water about 15%, buildings obviously increases due to the strong presence of EC Harris in that market segment to about 26% of revenues and infrastructure will be about 26% of revenues. on the right side you see the graph with respect to geography – as EC Harris is hardly represented in the United States, the United State revenues as a percentage of total decreases to about 43%, the rest of the world which includes both South America and Asia and the Middle East is up to about 19%, and then the European market represents 38% of revenues with the Netherlands representing about 15%, the UK about 10% and the remainder of Europe about 13% of revenues, so quite a balanced portfolio from the geographical perspective.

As mentioned, the next slide shows this is an acquisition extension in the project and programme management activities in which EC Harris has a leading position, and together with the strength that ARCADIS already has in those types of activities, we really build a top five position in project and programme management services and related consultancy services. The picture shows you
the distribution of our staff in that type of activity over the different countries, and in total we will have about 6,000 people in project and programme management and related services which is well over €600 million in revenues.

What do we see are the strategic benefits for ARCADIS? First of all we get a global leadership position in project and programme management services, which is part of our strategy. Our goal according to our strategy is obtaining a top five position in those types of services, and given the strength of EC Harris in this field, combined with the position that ARCADIS already had in project and programme management services, we build this desired top five position in these services. The second point is that ARCADIS is very much focused on services high in the value chain, services that allow us to get in touch with our clients in early phases of projects where we really can make a difference with respect to the goals that they want to achieve. EC Harris provides those services, they call it Built Asset Consultancy, which includes project and programme management services and the type of services that they provide, provide a perfect fit with our ambition to expand our services high in the value chain. The third point has to do with programme management. We see in the market increased opportunities to get involved in major investment programmes, for example major investment programmes related to major sporting events, like the Olympics and world championship football, where clients look for programme managers that are able to manage those investment programmes. Programme management is also to do with managing the investments in property for multinational customers that are looking for service providers that can help them across the globe. With EC Harris we have an increased opportunity to get involved in those types of major investment programmes.

There is also a geographical component related to this merger. We have the ambition to further expand in Asia; EC Harris has about 550 people in Asia. They are in Asia already based on a 30 years history, so they have a strong foothold in Asia and that fits within our strategic goals with our business in Asia. EC Harris has also an established position in the Middle East with about 340 people, which is also a good addition to the relatively limited position that ARCADIS has in the Middle East. In the UK we have had the desire to expand our position already for a long period of time, and with EC Harris we are able to build a long term defendable position in the UK market based on their 100 years of history in that market. This expansion in the UK is also important in relation to our MNC clients, because many multinational clients are based in the UK as well, and it is actually difficult to imagine that we can have a strong MNC programme without having a strong presence in the UK, and the advantage of having that presence in the UK is also that many of those multinational customers that are based in the UK have from history strong ties with the Far East, really India and Hong Kong, and also that is favourable in view of the further development of our MNC programme.
The next point is we also expand our services offering in the European countries, with higher value added services and with EC Harris we also had a well established brand, as I mentioned before, a real PA brand and key leadership is being added to ARCADIS also.

The next slide gives you an overview of the strategic benefits for EC Harris’ perspective. For them it gives an opportunity to be the leading Global Built Asset Consultancy; that is their goal, and with the merger with ARCADIS they actually accelerate their strategic vision. They also expand their reach to the United States to South America, and it provides a greater penetration in the European marketplace.

Looking at the UK – ARCADIS adds capabilities and market presence in the UK, particularly on the environmental services. We create an increased skill and scope in project management related services, and together we are better positioned for the biggest programmes, the same argument also counts for ARCADIS. Of course through the merger with ARCADIS they expand their capability range, especially on the design side and the environmental side, the infrastructure side, and the water side. We provide access to our multinational customers which is also an important area for synergies. EC Harris gets the brand value, the financial strength and the support of a successful public company, and of course we create greater opportunities for their key leaders and staff.

The next slide shows you the combined opportunity – we become a 19,000 person global consultancy, with leading positions in high value consulting and management services concerning built assets, a strong base to further expand programme management for large investment programmes, an integrated offering with high end a la carte specialities, a global platform for growth including expansion into Asia. We think that together we are highly attractive to attain and Retain the best people. We continue to have a strong balance sheet and are positioned for further growth. We have very similar cultures, client focused collaborative and forward thinking, and last Friday we met 180 partners and that confirmed our view that there is a good cultural match and we experienced also on their side a strong excitement about joining forces together, given the ample opportunities that we see in the marketplace.

The synergy opportunities are elaborated on the next slide. So first of all we think that we can sell EC Harris’ services to ARCADIS’ clients both in the UK and internationally, with a focus on MNC clients. I must say that EC Harris is very excited about our MNC programme, and we have had ample discussions about our synergy opportunities, and we see quite a bit of low hanging fruit in this respect where we can bring their services to many of our clients. The other way
around is also true, selling the ARCADIS services to EC Harris clients, for example EC Harris is not active in the environmental market as ARCADIS is, in which case opportunities, but also on the infrastructure side and the water side we see opportunities to cross-sell our services to the EC Harris clients. Another point, a third point is leveraging our private sector clients across geographies; that is true for both the multinational clients that EC Harris services and the multinational clients that ARCADIS services. Our combined offering in the UK will strengthen our market position in the UK, and we see also a possibility to strengthen our position in strategic advisory project delivery and programme management services as mentioned before. We will combine our efforts to further expand our position in Asia, and although this merger with EC Harris is a major step forward in realising our strategic ambitions, that doesn’t mean that we will stop expanding our position in Asia. The expansion into Asia remains high on the priority list.

The next slide brings me to some post-merger actions. First of all we will continue to focus on our business and performance, both on the ARCADIS side and the EC Harris side. As soon as the merger is effective, so after closing, we will install an integration team to steer and coordinate the integration process. The integration team will be led by one of the members of our Executive Board, and that integration team will first identify and prioritise synergy opportunities with a focus on the low hanging fruit. The leadership of that integration team we will also develop a strategy and a plan for the integration in the UK, with the idea that we will eventually integrate the ARCADIS UK business into the Eagle business in 2012, probably in the second half of 2012. We will also develop a global strategy for our combined project management and built asset consultancy businesses, EC Harris is strong in that field and they will certainly have an impact on the ARCADIS strategy in this respect. We will maintain the EC Harris brand. As I mentioned the EC Harris brand is a very strong brand, very well known as a quality business, and the transition will be addressed through the combined strategy, and the speed of that transition will be determined both by the market and by the EC Harris people. The leadership team in EC Harris will remain in place with the CEO of EC Harris becoming a member of the ARCADIS Senior Management Committee, and EC Harris is going to play an important role in the global business like buildings and they will actually fill in the vacancy that we have at this point in time for the Director of the Global Business Line Buildings, which will also give them a strong impact on our strategy in the building business line going forward.

Then the next few slides give you an overview of some projects in which EC Harris is involved. I will go through them fairly quickly. EC Harris has acquired in 2010 a global framework agreement with Shell to provide programme controls, contract advisory work and real estate project management services across 26 countries, really focused on providing added value for managing the assets that Shell has in those 26 countries.
The next slide gives you a picture of the services that they provide in the aviation sector. BAA operator of Heathrow Airport is a major client of EC Harris, they have a three year framework for managed services with that customer for the capital investment programme at Heathrow, but they also work for BAA at several regional airports, including Southampton, Glasgow and Edinburgh.

Another major customer is HSBC, particularly in the Far East, a major customer in Hong Kong and other parts of the Far East. EC Harris provides project and programme management services, facility management and cost consultancy all over the place.

The next project is a project in London – Chelsea Barracks where the company provides cost and project management services for the design and master planning of this major development in London city.

The next project is a sports facility in Singapore, with 55,000 seats, where the company provides independent kind of testing services, basically reviewing the work that has been provided by others in order to give the client a feel that everybody works within the contract conditions.

The next slide gives you an overview of a major project in Abu Dhabi. The company is well represented in the Middle East as I mentioned and this is the single largest hotel in Abu Dhabi, where the company provided cost consultancy and project management services, during the delivery of this major investment project.

The next project is the Doha Festival City project where the company also provides project management and cost consultancy services for a huge retail/commercial centre.

The next project is the Magnox project where the company is involved in the decommissioning to the UK’s first generation of nuclear power stations, where they provide consultancy solutions particularly with the procurement and contracting strategies that that client is pursuing.

The next project is an example in the healthcare space where the company provides healthcare planning consultancy services for major capital programmes.

That brings me to the transaction summary. EC Harris is a top level consultancy active high in the value chain, a global leader in programme management. The gross revenue is €290 million, 2,600 employees, a diversified portfolio of services and geography, market opportunities are plentiful, deal terms cash and 3 million shares with the lock-up period of 12 months. The final
profile of ARCADIS remains conservative, expected to be accretive to earnings per share as of 2012, combined firm 2.3 billion in revenues, about 19,000 staff globally. The strategic rationale for both sides is strong, ample synergy opportunities and we expect partner approval by the end of October with the close of this transaction early November.

That brings us to the trading update that we had for this morning in relation to this acquisition, and I would like to ask Renier to provide you with the trading update.

**Renier Vree**

Good morning everybody. On the back of the exciting acquisition of EC Harris we give you an update of our trading. Overall the developments in the third quarter and this is based on preliminary results are very much in line with what we have seen in the first half. If we look at revenues, then we see that the strong growth we have seen in the first half year continues also in the third quarter, particularly in South America with high growth in Brazil and Chile, on the back of investments in mining and energy. In the United States we continue to see the strong growth in the environmental business with the private sector. We also have realised the growth in project management and programme management services, and some of that growth is offset by a decline in the water activities, due to pressure from local government budgets.

In Europe we see that Germany and France continue to develop well, while in the UK business is also picking up helped by increased private sector spending. RTKL develops positively, again helped by strong developments in the Middle East and Asia. On the more negative side we see that growth in the Netherlands and Belgium is negative, as a consequence of lower spending by in particular the government, while in Poland there is a sharp decline of our revenues because major road projects were put on hold.

When you look at the overall revenues numbers – we expect them to be negative by 2-3%; that includes a currency impact of around 5%, which means that organically revenues continue to grow by about 3% like they did in the first half of this year.

Moving onto profitability – in the third quarter we expect our EBITDA developed organically flat and that is despite the losses that are realised in Poland. We take into account the weaker US Dollar than in Q3 of last year, and the fact that we had no gains from the divestments in Brazil which brought €1.3 million to EBITDA in 2010. Reported EBITDA is expected to be around 10% below the level of Q3 2010.
For the full year we anticipate net income from operations to be approximately level with 2010, which is a change compared to our previous guidance which indicated that net income of operations will be 0-5% higher than 2010. The reasons for the change in the guidance is the mentioned business situation in Poland, but also we see that financing cost are a bit higher, also because the US Dollar is stronger than it was a while ago, and as you know a lot of our debt is put in the United States. Secondly our tax rate is up because relatively more profitability is coming from the United States, where the average tax rate is higher than average. The net income from operations excludes the gains related to the divestment of AFM of €7.4 million, but also excludes the impact of the consolidation of EC Harris that we expect to happen from November and acquisition related costs, and of course unforeseen circumstances.

What is included in the net income from operations, and no change to the guidance before, is the gain of the divestment that already happened earlier this year in Brazil. The divestment of hydropower plants – you remember that it was €9.5 million of EBITDA, or net income of just over €3 million generated from that, and that point in time we also guided that we expected additional divestments to take place in the remaining part of this year, with an impact of approximately €1-2 million, and we expect that still to happen in the fourth quarter of this year, bringing the total impact of the divestments in Brazil on net income from operations of a level between €4-5 million.

I think with that I give back to Joost.

Joost Slooten
Operator if we could open up for questions please. We would like to start with the questions about the merger with EC Harris, and then move onto the questions about the trading update.

Questions and Answers

Operator
Dirk Verbiesen, Kempen.

Dirk Verbiesen – Kempen
Good morning gentlemen. I have got a few questions – firstly on the acquisition and then also on the trading conditions as we speak. Firstly on the impact of the acquisition on your overall margins will be about, will dilute your margin by about 50 basis points leaving all else equal. What does this do to your outlook and also the target that you have set for 10% margin. Does that still stand or do you say, okay we have a wider margin range going forward, and especially 2012 as that will be the full year impact at that stage.

The second question is the exposure that EC Harris in the property business – how much of that is UK and if so how is that diversified over the countries or especially with regard to the booming London property market, and maybe a weaker market outside London. That is the reason for my question.

Then on the order book – does the order book of EC Harris change to your order book in terms of visibility.

Then another question on EC Harris – I saw an article and also some numbers from 2009 and 2010 where EC Harris states that they have a pretext margin in 2009 and 2010 of 12.1 and 12.6%. Is that an accounting difference or maybe different wage costs as its partnership? Can you explain on that, and also what the trend has been in recent years comparing the 7% that you have stated?

Then on the current trading if I may – is it correct that the EBITDA margin in the third quarter is slightly below 10%, the underlying EBITDA margin thank you.

**Harry Noy**

Let me first go to the answers related to the acquisition and then Renier will give an answer on the question with respect to the trading update.

I think you are right; there will be an impact on the overall margin for ARCADIS. Based on this acquisition, we consider this to be a short term impact. If we look at the 7% margin that EC Harris produces then that is actually a good margin given the present circumstances as part of their business. Overall the company continues to do reasonably well. In the recent past we maintain our target margin of 10%. That target margin of 10% also applies to the business of EC Harris. It will take a bit of time in order to grow the margin to the level of 10%, but our goal is definitely to get the margin there at that level within a period of three years, also of course a bit depending on market circumstances.
In the bonus programme that we have agreed with the company there are strong drivers to increase margin, so that there is a strong focus on this item going forward.

With respect to the property business which is good for lets say 44% of the total – part of it is coming from the UK, 15% out of 44%, not 15% of the 44, but 15% out of the 44 is related to the UK market, which is to a large extent also focused on the regions where the business is doing relatively well at the moment, which also means that going forward we expect the property business actually to produce a slight growth in the order of magnitude of 3-5%.

The order book of EC Harris is in line with our expectations for this type of company, which means that the order book is a bit lower than the order book in ARCADIS, as expressed in terms of months of revenue available for the future. That is also obviously with the type of activities that are similar to the types of activities of EC Harris within ARCADIS. The length of their order book is actually not that much different from what we see in parts of the building business line.

How did the company do in the recent years? as I mentioned their book year is different from the calendar year, so their fiscal year 2010, both revenues and profitability of the company was down, due to the financial crisis in 2008, which had a strong impact in the calendar year 2009, which was their fiscal year 2010, a little bit complicated, but in that year both revenue and profitability went down. In their fiscal year 2011 which was finished by the end of April 2011, so mostly 2010, the company started to grow again, slight growth, I think somewhere between 0 and 5%, while also profitability improved. The margins that are being reported by the company can't be compared with the normalised margins that we have used as a basis for the valuation, and that will also be the basis that is there for the future reporting of the profitability of the company. These margins have been normalised by us to include a revised bonus scheme which is totally different than the bonus scheme which was in place during the partnership period, so in that sense it cannot be compared and the margins have also been normalised for the pension costs, because we take over that liability, but that means that the contribution to the pension fund will no longer go through the P&L going forward. It should be noted that with respect to the pension liability, the defined benefit programme has been closed already for a period of time, so there are no additional liabilities going forward, so this is a liability from the past which is limited in size.

Then the current trading.

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Renier Vree
Yes Dirk your question on the underlying EBITDA for the first quarter, and I think you have seen in the press release and you know that the definition of underlying EBITDA means excluding the impact of changes in currencies, acquisitions and reorganisation and the sale of energy assets and carbon credits. I would expect and as you have seen the results for Q3 are provisional; that the underlying EBITDA will be very close to 10%.

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Dirk Verbiesen – Kempen
Just for the record – have there been any major restructurings?

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Renier Vree
In the third quarter there were no major restructurings besides the one of course in Poland we are working on to reduce there the capacity in line with the market developments. The other one which is more ongoing is related to the integration in the US, there in order to achieve cost savings and you know there are ongoing programmes, not something that was started. But with our water business being weaker in the US, there we have moved a number of projects forward in order to build down capacity in the water business in the US.

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Harry Noy
The reorganisation costs were a notch higher than last year.

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Renier Vree
Slightly above the level we had in Q3 2010.

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Harry Noy
Which is in line with what we mentioned after the second quarter that we expected for the remainder of the year, reorganisation costs to be in line with what we have seen in the second half of last year.

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Operator
Eugene Klerk, Credit Suisse.
**Eugene Klerk – Credit Suisse**

Good morning gentlemen, a couple of questions from me if I may. First of all – is there a reason why the Chief Exec of EC Harris is not on the call just to outline the company, considering that they will also supply some sort of senior officials to the Group? It would have been a good opportunity for them to introduce themselves a bit more, if you can talk on that.

Secondly – you state in your press release that EC Harris will continue to operate as a partnership. What does that mean? Do you have a revenue share agreement with them? Do you have an EBIT share agreement with them or are they tied in, in exactly the same fashion as senior management of ARCADIS.

Thirdly – in terms of the number of senior partners that have approved, you state 28. How many senior partners are there in total, i.e. is the 28 the 100% number or are there senior partners that haven't agreed to this. If that is the case, do you have any idea as to why that is?

Then I think in terms of the impact of the acquisition – can you indicate what the acquisition cost is that you will work its way through the P&L, both in 2011 and in 2012, if possible.

Then finally can you give us a feel for the growth potential for EC Harris, post acquisition. Clearly the UK exposure is still quite large within that UK public related is still quite large. I would imagine that the growth outlook for that part of the business is not particularly exciting. If you can update us on that; that would be very helpful.

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**Harry Noy**

With respect toy our first question about the CEO of EC Harris – we discussed it but there is a major communication effort going on also within EC Harris, and as we didn't want to postpone this conference call, we decided that he would focus on the internal communication of EC Harris and communication with some of their major clients what is taking place this morning as well and we would focus on the conference call with you folks in order to get you updated as soon as we could. But we will certainly create an opportunity going forward to give more extensive presentations on the company, and then you will certainly get the same feel of excitement that we have already given the fact that we have experienced their business over a period of time already.
You mentioned correctly that EC Harris continues as a partnership. The company is actually managed already to a large extent as a corporate, but legally the partnership is in place and will remain in place going forward. The reason for that is quite simple – we want to maintain lets say the commitment and the entrepreneurism of the existing partners going forward. We have of course in terms of distribution a somewhat different system than the system that was in place in the past, and that system goes through the partnership, it is actually quite similar to the bonus programme that we have in all the parents of ARCADIS, and the bonus programme is structured in such a way that it is very much focused on margin and margin improvements going forward.

Then you had a question with respect to the senior partners. The 28 partners that have signed up were selected as such, so within the framework of the whole due diligence process, we selected and we interviewed 28 partners. that was done a couple of weeks ago, of course with all those people signing a confidentiality agreement, but we interviewed those people in order to get a feel for the senior people in the company, and also to check our assumptions with respect to cultural fit and so on. We actually were gladly surprised by two things. First of all after the introduction of ARCADIS there was also a very positive mood on the EC Harris side with those 28 people. Secondly based on the discussions that we had for a half a day including a dinner during the evening, we got a feeling that it was a very good cultural fit between them and us, and that was actually confirmed last Friday afternoon when we had a meeting with the 180 partners. We have got lots of excitement, people see the opportunities, people see the synergy possibilities that we together have and also on the cultural side, our team and we were with about 10 people over there, our whole team felt that it was a good fit.

The 28 people that were selected for those interviews were also invited to sign up an [irrevocable, and all 28 that were invited actually have signed up. of those people all of them have signed up the irrevocables and these 28 that have signed up, the irrevocables represent over 50% of the votes that we need to get the transaction passed in the partner meeting that will take place by the end October.

Then with respect to the acquisition costs – we don’t know the amount exactly, but we estimate that the total acquisition costs in 2011 will be over €4 million. That is not included in the guidance that we have given, as is not included as well the contribution from EC Harris over the last period. We don’t expect that they will have a major contribution, because they will also be confronted with costs, and that is also the reason that we have said we expect the deal to be accretive as of 2012.
Then with respect to the growth potential – I think we largely share your analogies that particularly the public market in the UK is not very exciting over the next two to three years. The property market will show moderate growth, at least that is what we expect in the order of magnitude of 3-5%. On the transportation side we expect that aviation and rail market see opportunities, highways is pretty negative, but that is a market segment where EC Harris is hardly active.

We think that overall the situation in the UK will be compensated by the growth opportunities in Asia and the Middle East. We are a bit cautious in evaluating this merger. We have not take into account growth in 2012, although the company itself expects some 5% growth in 2012, but we have been a bit more cautious, but we think that as of 2013 the company will start to grow again, moderately in the UK but stronger in the areas outside the UK.

Operator
Kris Kippers, Petercam.

Kris Kippers – Petercam
Good morning, a couple of questions still. I have heard little comment on the synergies, I presume these synergies are mainly on costs in the UK, but mainly also indeed on the cross-selling in the rest of the world. Could you shed some light on that?

Then a second question is more on the transaction itself. How come you suddenly opt for a transaction with the bulk of activities in the UK, but the remainder of course indeed in emerging countries, but I presume that the focus was more on emerging markets. I am just wondering whether the rationale of the deal was just top get indeed into that top ten of the UK market versus a more emerging footprint and giving up a little bit of your environmental footprint as well. Thank you.

Harry Noy
First of all with respect to the synergies – we focused a lot on cross-selling opportunities and I think I have highlighted those cross-selling opportunities. We see a lot of opportunities particularly with respect to our multinational customers, but also in terms of the complimentary and services that we offer. We did not elaborate too much on cost synergies although there are definitely cost synergies, and those cost synergies have to do with the fact that EC Harris has also a widely spread network of offices across Europe particularly and we expect to gain cost
synergies from that over time. That will not happen in the first 12 months, but that will happen I think in the period and after, because we can combine our network of offices and that will definitely create cost synergies as well.

Why a transaction with a considerable amount of activities in the UK? There are several reasons for it – first of all the discussions with EC Harris didn’t start yesterday. We started knocking on their door about five years ago, and at a certain point in time processes accelerate and you get an opportunity and we thought that given the strong strategic fit and given the need for ARCADIS at the end of the day also to be present in the UK and to have a long term defendable position in the UK; that this was a good opportunity to strengthen our business with services high in the value chain, building a leading position in project and programme management services, and strengthening our position in the UK with expansion opportunities in Asia and the Middle East, and by being present in the UK, also being able to deliver services to multinational customers. Overall we thought that this was a good reason to do this transaction because we feel that the strategic fit is quite extraordinary.

This does not mean – what you have seen recently with larger acquisitions – that we said, okay now we focus on those larger acquisitions and we are going to focus first on integration before doing the next steps. That will not be the case in this particular case given the fact that we have also initiatives going on for expansion in Asia. We will not stop those initiatives, but these initiatives continue and actually given the type of services that EC Harris provides in the buildings market at the high end of the value chain; that actually is also I think a good basis for further expansion in Asia, also with let’s say similar types of businesses.

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**Kris Kippers – Petercam**

Just to make sure – you’re not time constrained from a management point of view to make another sizable acquisition in due course?

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**Harry Noy**

That is a correct assumption.

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**Operator**

Philip Scholte, Rabo Bank.
**Philip Scholte – Rabo Bank**

Good morning gentlemen. First of all maybe another question on synergies. Can you say something more about the synergies you are currently seeing for the Malcolm Pirnie acquisitions maybe to give us a bit more examples on the potential on the cost side there.

The second one is just more accounting wise – the goodwill resulting from deal will indeed be tax deductible.

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**Renier Vree**

Philip it is a very straight answer to the goodwill amortisation. Most of the goodwill will be realised in the UK, because that is where the partnership resides. The goodwill is tax deductible over a period of 25 years, and we will follow that accounting treatment as well.

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**Philip Scholte – Rabo Bank**

Is that another type of goodwill as you usually do that, usually it is the profit in the order book or will this be more like a traditional goodwill accounting.

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**Renier Vree**

One is what happens for statutory purposes and that is what I was referring to; that is why we get the tax advantage of amortising the goodwill over a fixed period of time. For commercial purposes we have to apply IFRS whether we like it or not I add to that, and that means that we have to split the difference between the book value and the price we pay in various elements like the order book, like the value of the customers and the remaining part through a goodwill which cannot be amortised. On that we will apply an annual impairment check, so there is a different accounting treatment for the commercial books than for the statutory books.

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**Harry Noy**

Then with respect to the cost synergies you are probably referring I think to the cost synergies coming from the merger with Malcolm Pirnie. I think we mentioned that those cost synergies would be looking at between $5-10 million and I think that at the end of the day we will be at the high end of that range that we have given you. the integration with Malcolm Pirnie will be finished by the end of this year, lets say the operational integration was actually completed by the
beginning of this year, then we started with the integration of the corporate functions and the last phase of the integration of the corporate functions has actually taken place in the third quarter I think of this year, also included some severance and some reorganisation and restructuring costs, but the benefits of it will be considerable and we expect that these benefits will at the end of the day will be at the high end of that range that we initially provided.

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**Eugene Klerk – Credit Suisse**

Sorry just a follow up question – you mentioned that you first started talking to EC Harris about five years ago. Could you explain why the company has made such a dramatic turn in terms of selling itself? Last year the Chief Executive gave a very clear interview outlining that they felt that they could grow very well organically and acquire as EC Harris additional companies, and even talked about a flotation at some point. Clearly that was a few years after they had met ARCADIS. What all of a sudden caused EC Harris to change their view, and the 188 partners who actually signed up unanimously for a flotation deciding to basically eliminate that and sell itself to ARCADIS?

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**Harry Noy**

That is actually a question that you should ask them, but of course we have discussed this with them as well, and there are actually two reasons for that. First of all the company has quite an ambition to grow their business which was also I think reflected in the material that you were referring to. But of course as we have seen with other partnerships that we have merged with over time, the resources that are available within in the partnership in order to finance that growth is limited. That is certainly a reason to look at other sources for financing growth than just relying upon on the partner resources. We have seen it with our partners in Brazil, we have see it with Malcolm Pirnie, we have see it with RTKL and so on all the same reasons at a certain point in time when you really want to grow a partnership, it creates limitations, and I think that is what EC Harris have seen as well.

They have a strong vision going forward, they see ample opportunities which we support in creating growth in the marketplace, also because a lot of customers that want to lets say outsource management of their investment programmes to companies like EC Harris, have also the possibility to add value for those customers. We see lots of opportunities to create growth. Then you have to look at what you are going to do in order to make that growth possible. I think the company also concluded that looking at the different alternatives that ARCADIS was a good opportunity. That took some time, because flotation was one of the alternatives that we
considered as well. what we see with other companies that we have had discussions with, this was actually the same with Malcolm Pirnie, it was the same with RTKL, they had flotation on their radar screen also, in order to attract additional finances, but of course looking at a scenario where you go as a relatively small company to the marketplace to [flotate] or merge with another company like ARCADIS where you get access to additional resources and also a much stronger base that supports your global footprint and your global admissions, and I think in that discussion they came to the conclusion after a period of time I have to say that emerging with ARCADIS would offer substantial benefits over other scenarios that have been considered. We have supported them of course in that discussion.

Operator
Dieter Furniere, KBC Securities.

Dieter Furniere – KBC Securities
Good afternoon. I have there questions actually. The first was on the net debt position of EC Harris. What I understood from the past that you always tended to acquire net debt free companies, so if you could give an indication on that.

My second question is a bit related to the question that Kris asked on your opportunity to step into further acquisitions. I understood you still really are looking for Asia, I think Brazil is also still on your agenda, especially after your bought out ARCADIS Logos minorities. Would you see deals possible in these two countries within lets say a one year timeframe based on the acquisition you performed now.

A third question is then related to your trading update. I witnessed you come a bit more negative on Belgium where before you always hinted for Belgium is good in private and now you don’t talk about private anymore, you purely focus on government budgets. Is this based on what you see already in the third quarter, or is this also already an assessment of the issues with Dexia Bank, its impacts on the communities which have a large participation in Dexia. Is it based on that?

Also related to that on France – you still see strength there. Could you give a better indication on your exposure there to do government, or is it mainly projects related to CCCP projects or larger projects. Thank you.
Renier Vree
On the debt you are right; typically we acquire most of the companies that have debt free positions. In this case there is a small net debt that we take over as part of the merger. I think an amount somewhere between £5 and 10 million which is fully considered in the purchase price.

Harry Noy
Then the opportunity for further acquisitions – your question was will it be possible to do that within the one year timeframe, you were particularly referring to Asia and Brazil. The answer is yes. We see opportunities, we are in discussion that does not mean that success is being guaranteed, but these processes [audio] will continue. As I pointed out earlier on, given the fact that we have expended our Executive Board again, that we have appointed a Director for Europe, I think we have also the management capacity organised in order to deal with the situation.

Then you were referring to Belgium – we see some of those developments already taking place in the third quarter and the reason that we have mentioned it is that also those positive developments on the private sector continued, but in the third quarter these developments were a bit outweighed by the developments on the public sector side. As you might expect that this could continue going forward, we have mentioned that in the press release.

The France situation is a bit different. Our portfolio in France is on the infrastructure side of course more focused on governments. We see that market still continuing at a good level, also based on the recent projects that we announced in France, so that is quite positive. I think that has also to do with the fact that France has a long tradition in financing public infrastructure also with private funds, and I think that is being used in order to continue with investments in infrastructure projects. On the private sector side we do a lot of work on the environmental market and there were benefit from the fact that also private sector spending in environment is picking up.

Operator
Quirijn Mulder, ING.

Quirijn Mulder – ING
Good morning. I have five questions for you – four on the acquisition and the last one on the trading update. Can you give an indication as to what number of new MNCs do you add to your
portfolio, given the fact that you indicate that there will be some synergy effects from multinational companies which you didn’t have on the list for namesake for ARCADIS.

My next question is of course with the continuation of the situation Brazil – are you still quite aggressively looking at acquisitions in the infrastructure there, taking into affect that you have already consumed half of your war chest.

Then of course can you give an indication of the profitability by region, some indication where the differences are.

Then with regards to the tax deductible story there – can you indicate what the net present value is of that value of that total tax deductible, given the fact that it is 25 years. I think it should not be very high.

Then with regard to the trading update on Poland – as I remember it started last year the problems in Poland with the working on the highways, somewhere in October or November. Can you indicate to me that is that true that the comparison base is becoming easy in the fourth quarter and that the problem was especially in the third quarter, or has the situation gone from bad to worse in total? Those were my questions.

**Harry Noy**

The first question has to do with the multinational customers – I think the synergy with respect to the multinational customers comes to a large extent from us as ARCADIS as being to use the capabilities from EC Harris to extend our services offering with our multinational customers. I think that is more important than the other way around. There is a good example, for example we recently had the discussion with one of our multinational clients where our focus is very much on the environment and they approached us through their supply chain management in order to see what we could do in optimising their asset portfolio. We have some capabilities in that respect, but we expand our capabilities substantially through EC Harris. Given the fact that many of multinational companies are under pressure, looking for cost savings and so on, we see ample opportunities to do the types of services that EC Harris is now providing for Shell for example, where they are also looking in optimisation of their asset portfolio in order to get a better performance at lower costs.

The other way around is also definitely an opportunity, but I think what I mentioned to you is more important.
Then brazil – I would say the focus for acquisitions going forward is on the emerging markets, where brazil and Asia play an important role, and it will depend a bit I think on the processes that are ongoing, what will happen in the future. The point is that processes are usually not very predictable in terms of how much time it takes to bring a target to a point where we can disclose a deal. But I am hopeful that we will be able to fulfil our ambition in those emerging regions as well.

The profitability per region – we have not disclosed those profitability figures per region. We focus on the total of EC Harris; that is where we have given you an indication, and I would like to leave it with that.

Then the net present value of the tax benefit – Renier do you want to say anything about it?

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**Renier Vree**

I think the easiest way to give you an indication is you assume approximately 10% of the total purchase price, they are not far off.

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**Harry Noy**

Then with respect to the highways – you are right that issue is already going on for a period of time, but it has gotten worse. Where we initially were expecting the government would restart projects again, this is not happening, so at the end of the second quarter that somewhere in the third quarter these projects would pick up again and that these projects would be restarted. That is not going to happen. We don’t see that it is going to happen to the extent we initially expected in the fourth quarter as well. that has resulted in a serious reduction of profitability, because wee had part of the capacity still onboard to be able to execute those projects, but in the meantime we have implemented measures to adjust our capacity to the level needed for the projects going forward, so that is the issue.

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**Quirijn Mulder – ING**

My additional question to that – are you still free to hold and to work on the highways given the fact that most is paid by the European Commission

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**Harry Noy**
I think that was our assumption initially as well, but the parliament has contribute to those investment projects as well, and decided to stop those projects. ARCADIS had a very strong provision in the market, where we benefited when circumstances were good, but now the market is deteriorating.

**Quirijn Mulder – ING**
You are going to reorganise the people there? You are going to reduce the headcount?

**Harry Noy**
Yes, seriously.

**Philip Scholte – Rabo Bank**
I am sorry guys. One for clarity reasons. Your updated guidance for Q3; that does not include the finalisation of the sale of the biogas project, so that will be deferred to Q4?

**Harry Noy**
That is correct.

**Philip Scholte – Rabo Bank**
Then for the full year, at the half year numbers you actually said that you were still looking for an underlying EBITDA margin of 10%. Does that still stand or should we consider that as being unachievable?

**Renier Vree**
A very fair question, but I think in order to also make our next meeting which is planned for 3rd November useful and interesting; we would like to give you an answer by that time.

**Harry Noy**
We are still in the preliminary phase and we got the results early last week, so these are preliminary figures that we give a trading update on in relation to the merger with EC Harris. We
want to be a bit cautious and we will give more details I think once we issue our press release with respect to the third quarter, which is expected to take place on the 3rd November 2011, and with that I would like to finalise this ARCADIS conference call.

I hope to meet you all at the 31st November at the next conference call when we can discuss in more detail the third quarter results and the...for now I would like to thank you for your attention to this call, and I wish you a good start of the week. Thank you.