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Joost Slooten
Good morning and good afternoon. My name is Joost Slooten. I am the Director of Investor Relations for ARCADIS, and I would like to welcome you to this ARCADIS conference call and analyst meeting. We are here to discuss the Company’s results for the second quarter and first half of 2012, which we released early this morning. The PowerPoint presentations that are being used for today’s call are available through the publications and presentation section of the investor website from ARCADIS, to which the address is www.ARCADIS.com/investors. Just a few words about procedures before we start. We will begin with formal remarks and we call your attention to the fact that in today’s presentations, 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 website and also are mentioned in the press release, and as you can see on the presentation, page two, which is on the website, there is also a disclaimer, which further describes the limitations of the wording.

With us today from Management are Neil McArthur, Chief Executive Officer, and Renier Vree, Chief Financial Officer, who will discuss the figures with you and answer any questions you may have about them. Also, with us today is Stephanie Hottenhuis, a member of the Executive Board,
Joseph Lee, CEO of Langdon & Seah, and Keith Brooks, Global Director of Property and Social Infrastructure of EC Harris, who will discuss the ARCADIS activities in Asia in more detail later on in the call.

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

Neil McArthur

Thank you Joost and it gives me great pleasure to present the results of ARCADIS NV for the first time as the incoming CEO.

On page four, we can present to you strong growth and improved operating margins. If we look at gross revenues both for the second quarter and the first half you can see that we’re up 29%. We’re particularly happy that net income from operations in Q2 and the first half year are up 28% and that despite softer market conditions or inorganic net revenue growth, we were still able to post 2% organic net revenue growth and if we take into account the impact of Poland, that number would be North of 3%, giving us today first half 4%.

Operational EBITA is up 30% to €42.6 million. We are particularly pleased that our operational margin improved quarter-over-quarter from Q1 to Q2 from 8.9 to 9.2%, despite the one-off non-cash charge in Poland amounting to €5.3 million. We’ve experienced strong growth in infrastructure, slower growth in environment. We have a strong backlog with 5% higher compared with the end of 2011, and we have a strong order intake in both buildings and Water. Our outlook for 2012 is, therefore, higher revenues, organic and from acquisitions, our net income from operations full year 2012 in the range 20 to 25% higher.

If we then zoom in on Q2, we have strong results despite a one-off charge in Poland. We have shown strong organic growth in the emerging markets and in infrastructure; organic decline in our Water business has slowed. We have shown slower market growth in mature markets and the Federal environmental market in the US. In our buildings business we’ve got strong growth from acquisitions and demonstrated organic growth from our architectural business, RTKL. We had this one-off non-cash charge of 5.3 million in Poland and that follows a thorough review of our infrastructure projects in Poland. As I said, our underlying margin quarter-over-quarter improved from Q1 to Q2 from 8.9% to 9.2%. The integration with EC Harris is progressing well and the operating margin is now about 7%.
We've also made very good progress strategically. The merger with EC Harris, our synergy opportunities continue. We have €18 million of wins confirmed and a very strong pipeline of further synergy opportunities. Our strategy operating model and organisation for the combination of our businesses in the UK and Europe has been defined and we are going to transition over the second half of the year to have the new setup effective 1st January 2013. We also made good strategic progress in Asia with the completion of the merger with Langdon & Seah during the second quarter. We had our first synergy wins and we're very proud to report 8 million of booked synergy wins with Langdon & Seah. The focus at the moment is aligning Langdon & Seah to our operating model, as we moved forward. We've initiated an European review and the results are expected by the end of this year. Strategically our M&A activity continues. You will have noticed that we acquired BMG in Switzerland to enhance our capabilities in our Environmental business in Europe, and emerging markets remain a priority for us. Finally, you will notice that our rebalancing of our client portfolio between public and private and between developed and emerging markets continue.

I am just going to take a few minutes on that last point around our client portfolio to share some information. First of all, our private sector growth offsets public sector spending decline. If we go back two years ago, our public sector was 37% of our revenue in Q2. Today that's dropped 27% of our gross revenues and we've seen a very strong growth of our private sector client base from 45% two years ago to 53% today.

If we look geographically, both strong organic growth and our two mergers make emerging markets now our biggest region by headcount. If we go back to June 2010, emerging markets were only 15% of our headcount and ARCADIS had 15,000 people worldwide. Today, at the end of June, we're over 21,000 people worldwide and the emerging markets has grown to 35% of that headcount. Clearly, that has been a strong source of growth for ARCADIS over the last two years. If we look at our gross revenues in the first half of 2010 versus the first half of 2012, we have a compound annual growth of 13%. Our emerging markets has grown to nearly 20% of our gross revenues with a compound annual growth rate of 65%. You can see that the United States is continuing to grow at 5% growth rate and other Europe at 29%, driven mainly by our acquisition and merger with EC Harris.

Our strategy of leadership, balance, and growth remains in place, but moving forward we have three additional areas to accelerate our strategy implementation. First of all, moving higher in the value chain, improving our organic growth, and really making sure that we’re considered to be the best in our profession. If I look at moving higher in the value chain, that's about getting closer to our clients, understanding their evolving needs and working with them to figure out how we can
create value. We also are deepening our capabilities that differentiate ARCADIS in key market sectors for growth and developing client relationships that span the built asset lifecycle, whether that’s helping clients plan, create, operate or reinvent their assets.

In terms of organic growth, we are capturing synergies from our mergers with EC Harris and Langdon & Seah. We’re increasing our focus on the implementation of our global business line strategies and we’re enhancing our client focus and account management capabilities. On our journey to be the best in the industry, we are strengthening our capabilities to ensure industry leadership. We are improving our performance culture not just on margin and cash, but also on growth. We are reviewing our European performance and we are increasing our focus on leadership and staff development to ensure that we are recognised as the best in our industry.

With that, I would like to hand over to our CFO, Renier Vree, who will take you through the second quarter and first year results in more detail.

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Renier Vree
Thank you Neil. Good morning, good afternoon, good evening. Let me start by showing you the scorecard for the second quarter, some of the numbers already mentioned by Neil. You see there the good growth in gross revenues and net revenues that we realised between last year and this year. At first glance, you may see that EBITA dropped 23%, which doesn't look too good, but if you then take into account that in the second quarter of last year we had the gain on the divestment of the stake in ARCADIS Aqumen (AAFM), which brought €7.4 million profits to us, but this year we had €4.2 million of charges related to the acquisition of Langdon & Seah, and therefore the recurring EBITA is the more comparable number, showing there a 5% increase.

Net income from operations also up by 28% and because the number of shares has increased between last year and this year related to the way we funded the mergers, as an increase of 21% in earnings per share. For the first half year, the numbers are pretty comparable, so I don't want to go through them in detail, but also there you see that earnings per share are up 21% in comparison with the first half of 2011.

We look a bit more in detail at the organic growth of ARCADIS and take a starting point from 2008, and it's on slide 14, the yellow bar indicates the organic growth, the blue one the impact of acquisitions, and then the two combined the total growth excluding currency effects, and you can see that we have had an impact of acquisitions over that whole period, but especially in the second quarter, there was a big impact, while the organic growth has been there also
consistently, but in 2012 in the second quarter a bit lower than in the first quarter, and we’ll show some more details about that in a minute.

In fact, this is the moment I will do that. Of course, here we show that overview by business line, showing the comparable organic growth of net revenues compared to the same quarter a year before. What you see here, important to note, that in the black line, the growth for ARCADIS in total continues to be positive, so to be precise, 1.6% improvement in organic revenues. This was really driven by the infrastructure business, showing a very strong growth again in the second quarter, a bit down from the first quarter, but has also caused the one-off charge in Poland, but also flow-through revenues, and if you would correct for that then the number is very comparable to quarter one.

The Environmental business declined from the first quarter. A few factors to mention in this respect. First of all, last year in the second quarter we started a few projects, which are called emergency projects for environmental actions; one had to do with an oil spill, another one was for a derailment of a train, where we had quite a few people suddenly very busy with that, so it makes the comparison a bit harder. Also, in the US we see that the Federal Government continues to be slow in bringing new projects to market, which impacts our revenues, although the private sector continues to do well in the US. In the UK, I think you’ll remember that we solved and remediated that business in 2011 by taking out quite some capacity and costs, where as a consequence the business was repaired, but the revenue in that business is now at a lower level than before in order to make it possible. Finally, also in The Netherlands, on the back of lower investments in infrastructure and buildings, there is less activity around the environmental impact assessments, for instance, also having an impact on the revenues of the Environmental business. The Buildings business is negative by a few percentage points, basically continuing that trend also from prior quarters, of course, mostly in the Benelux (Netherlands and Belgium), while RTKL was positive here, and Water, already indicated last time, that we expected that to see the trend improving and that’s also what you see here in the second quarter, but the decline is significantly less than we have seen earlier this year and last year.

If we look at the recurring EBITA for the first half, there is an improvement of 10%, excluding currency that’s 3% and we will show some breakdown of that in a minute, as the amount of 75 million is over the last years again a high point.

Zooming in on the development on slide 17 from the EBITA in the second quarter of last year to this year, there are a number of important factors to distinguish. First of all, our currency was favourable by 10%, helped by the strong US Dollar in particular; the contributions from EC Harris
and Langdon & Seah added 16% to EBITA. Last year, we had a divestment or, I should say, a sale of energy projects in Brazil for hydropower plants that brought a gain last year of €9.5 million. Our restructuring charges this year at 5.2 million are 1.7 million lower than last year. That improved EBITA by 5% on a comparable basis. Poland, the 5.3 million, as already mentioned, that includes half a million of restructuring, so we take here the 14%, the 4.8 million, that prevents a double-count and then in other organic, which is really the underlying profitability, improved by 15%, which has to do with the recovery in the UK that took place and improved contributions from Brazil, the US, and also from The Netherlands.

When we look at the next slide, it's the same picture for the first half of 2012, the trend is very comparable to what you saw on the previous slide, and also here, other organic is a plus 6%, supported by the recovery in the UK and the contributions from Brazil, the US, and TThe Netherlands.

Looking at a percentage basis on the next page, you see that the operational margin, that's the recurring EBITA, where we take our restructuring and integration charges and we exclude the impact of the energy business of Brazil, there the margin improved to 9.2% in the second quarter compared to 8.9% in the first quarter, and if we would not consider the portfolio extension with EC Harris and Langdon & Seah, it's a margin of 9.7%, so again very close to our target of 10%.

Every six months we provide you with the details on the profit margin per region, so you see that here on the next page where The Netherlands basically stabilised its margin despite the tough market conditions at 8.6%, very much supported by the actions for cost management. In the other parts of Europe, the margin dropped from 3% last year to just over 2% this year. Here the loss in Poland has a significant impact; otherwise it would have been at 4. We see a recovery in the UK, as mentioned to you, and also other countries in Europe like Belgium, Germany, France, continue to do fine. The United States was able to further improve its margin from last year and the impact of the integration of Malcolm Pirnie is paying off; of course, the costs were taken out, the availability was further improved, therefore a margin of 13% could be realised. In the emerging markets, the margin is 9.4%, somewhat down from the 11.9% you saw last year. Margins are strong in South America in Langdon & Seah and the activities of EC Harris in Asia and the Middle East are not just at a profit level where they are expected to go, also because the investments we are making there in people going out there to clients, the talent we bring from Europe to Asia and the Middle East to win work for us, and we expect that to improve in the second half of this year.
Other financial details on slide 21, financing charges are below the level of last year. Last year we had some one-offs included when we had the refinancing cost and also the fact that we now deconsolidate the energy business in Brazil has an impact here, but overall also reflecting lower interest rates, but somewhat higher amounts of debt related to the amounts for the acquisitions.

Tax rate was 29%. Last year it was 26%, but that was also based on the tax-free gain on the divestment of the stake in AAFM, and a minority interest I think, you know, related to the divestment; the deconsolidation after we sold two shares, we now report the income from the energy business and income from associates, so the line minority interest has become very small.

On the next page, you see graphically how the net income from operations has developed in the first half over the last five years to a level of 47 million and a bit in 2012, which is an increase of 20% over the same period last year and €68 per share of earnings is also shown here in the trend line.

The cash flow developed favourably, particularly in the second quarter; on page 23, you see that net cash from operations is now for the first six months a plus of almost 3 million against a cash-out of 33 million last year. The Company has grown and become more profitable. It’s also good to see that the efforts we put on the cash flow management in the Company are starting to pay off and that the increase of working capital in the first half of this year, as a percentage, was less than last year. That already makes a difference of close to 30 million and that’s despite the fact that we still think that in terms of receivables, further improvements can be made, so this also bodes well for the future.

The balance sheet reflects that on the next slide, where the net debt ended at the end of June at just over €400 million and if we relate that to the annualised EBITDA, it’s a level of 1.7 based on the two-point average December year-end and end of June, as we have agreed to calculate this with our lenders, and the maturity profile of our facilities shows a good spread over the various sources of funds, and also the maturity of the loans shows a nice spread between 2013 and even 2021.

Let me now talk a bit about the details of the business lines, going to page 26 where we show that the growth from the first half of 2010 to the first half of this year is on average 13% and the biggest growth has been in the Buildings business line, and if you look at the first half then it is still somewhat smaller than Environment, but if you would just take the second quarter, which is probably the indication for the full year, then buildings is becoming our largest business line and
has grown by 29% on average. Infra by 17, also supported by part of the EC Harris activities that are in Infra, and the Environmental business, which is organically at 9% and the Water business, on the back of the slowdown that we saw in the US in the last quarters, -3%.

The margins per business line, this is new; we normally only gave this once a year, but based on popular request we decided to add this to the mid-year package to give you that insight more frequently. You see there that the Infrastructure business reduced the margin from 8.4 last year to now 7.3%; almost all of the loss of Poland had to do with the Infra business. Without that, it would have been around 9% margin. Water, and that's also reflected in the US number, you see that here in the Water margin, now above 10%, showing a good development from where we were a year ago. The Environmental business, despite the fact that the organic growth slowed down, the margin is still holding up very nicely at a level of above 12%, while Buildings is at 7% compared to 8.6% last year. Here we see an impact in The Netherlands and in Belgium of the slowdown in the market where RTKL and also Langdon & Seah are the ones pushing the margin upwards.

The Infrastructure business, as such, on page 28, showing a growth of 27% and a combination of organic and also acquisitions. South America continues to do very well for us, both in the private sector where it’s mining and energy, but also the public sector offers good opportunities. We see that the big projects, the last projects for Infrastructure in, for instance, The Netherlands and France continue and are helping the growth of this business, despite the fact that new work for the public sector in The Netherlands and Belgium are at a relatively low level.

The Water business, on page 29, growing by 11%. Here currency helped from the US, acquisitions 3%, organically 2% on growth in the plus and on net -3% based on the split between the work we do and how we use our ship contractors. Although the public sector also here has an impact on the revenues, we have seen that industrial clients responded favourably to initiatives we took around wastewater management and water treatment for plants, and the growth we realised there in the US we are now bringing also to Europe those initiatives. We see good opportunities for growth of water treatment in South America (Brazil and Chile) and also in the Middle East we have good prospects on further growth in the Water business. Last year, we had some issues in the Water business in The Netherlands, which have been resolved in the meantime, and also the UK is showing growth here on the back of the AMP5 plan in the UK. The water management market, on the other hand, is somewhat more under pressure, which has to do with the lack of funding in a number of countries.
The Environmental business grew 11% and a combination of organic 5 and on not revenues the organic development was 3. Here we see different trends for different client segments. The US Federal market like the US Army, the Department of Defence, there we are not seeing a lot of new work coming to market, and, as I mentioned earlier, the emergency response projects of last year were completed. The private sector, oil and gas, is the most important market sector for us, continues to grow in the first half year. We also see that in South America, mining and energy continue to be opportunities for further growth there, also related to the Infrastructure projects that take place. US Governments or European Governments are now showing any signs of increasing investments, so we are not too optimistic about the developments there, but the private sector is holding up well in Europe.

Finally, Buildings growing 84%, in fact fully driven by the impact from EC Harris and Langdon & Seah. It’s important to know that the UK market is robust and with the increased presence we have now in the UK through EC Harris, there is an important development, because in other parts of Continental Europe we received declines, like in The Netherlands and Belgium, as mentioned, and in the private sector you see also there investors are a bit uncertain about how economies will develop and are a bit more reluctant to make investment decisions than before. That’s difference in Asia and the Middle East. There we see through RTKL that the investments for architecture and design in commercial real estate, hospitality and healthcare, and you will see more details of that later in our presentations, are continuing to do very well, and what’s also positive is that the US commercial property markets are showing signs of a recovery, be it a mild one, but there the negative trend seems to have stopped. EC Harris did well in the first half and started to improve from Q2 from Q1; the backlog grew at EC Harris, very much also helped by a big project we won in Qatar for project management activities with the Government.

Neil, I hand over back to you to talk about the outlook.
Water, we see that bottoming out and further stabilisation. We have in the US strong order intake and next to public, also private sector work in our business in the US. We are expanding in the industry, water for industry, a new product and service offering there, in niche markets in Europe, South America, and the Middle East. Floods and climate change drive water management demand, but clearly funding at the moment is an issue for those kinds of projects.

In Environment, we see continued growth with our industrial clients, a strong position in the US private sector and, as Renier shared with you, we see slower Federal market growth. We see continued expansion of market share also in Canada and we see a pipeline that is well filled with opportunities. We also see further opportunities in South America and private sector work in Environment in Europe.

In Buildings, we see further stabilisation. EC Harris and Langdon & Seah considerably strengthen our position and, as we've shared with you, we see many synergy opportunities. Property is clearly under pressure here in The Netherlands, but stable in other markets in Europe. We see seek further international expansion of RTKL, and social infrastructure offers opportunities.

That was the outlook per business line, if we then raise that up a level and take the outlook for 2012, we are very happy. We have a backlog that's healthy and 5% higher than the end of 2011. Government budgets, as we shared with you earlier, in Europe and the US are under pressure. Private sector spending may be affected by the current economic uncertainty. We see emerging markets offering ample opportunities. We see expectation of continued organic growth. Maintaining and improving our margins remains an important priority and we've made good progress in that and we shared that with you. Strengthening our capabilities with add-on acquisitions stays very much on the agenda, so for full-year 2012 we see an increase in revenues, both organically and from recent acquisitions, and net income from operations set to increase from between 20 to 25%, barring unforeseen circumstances.

Thank you and with that we would be very happy to take questions.

Questions and Answers

Dirk Verbiesen – Kempen & Co

A question on the restructurings. What is your expectation? Can you give any guidance on what would be driving that for...or any additional restructurings in the second half of the year? That's
the first question. The other question I have is on the Environment. Does the trend in the order book and maybe the pipeline also for the shorter term, provide room to return to top line growth organically for the remainder of the year and especially what would be driving that recovery back to positive growth? I learned that the growth in the backlog of Buildings was exceptionally strong. Can you explain something, what has been driving that? Question number four is – and then I will end – the margin in the emerging markets was a bit under pressure and I think, if I remember correctly, that last year Brazil was a bit weaker due to additional investments or calls that you made providing for future growth. That’s how you explained it back then. What’s been driving, let’s say, the decline in first six months and what is your expectation for the remainder of the year?

Renier Vree
Okay, thank you Dirk. [Audio] in the first half of the year there were two main drivers of that. On the one hand it was the projects we do with EC Harris in the UK to work on the strategy, how can we best go to market as a combined entity. That was basically completed in July and we have decided on the organisational model, so we made cost with consultants to develop that plan and also we had cost, because some people were already...it became pretty clear that their roles would not be needed going forward, so there were also charges related to that. That explains about 2.5 million of the 5.2 in the quarter. The other important bucket was for The Netherlands where the decline of the Buildings business continued and we decided to take additional restructuring to further optimise that business.

If we then look out to the second half of this year, then I would expect that for particularly the UK, some additional costs will have to be made, because there we will now also start to look at which offices do we want to operate from and opportunities to collocate activities of ARCADIS with EC Harris, which would mean that some of the leases may have to be bought off, and that may also be that in the final organisational implementation, some more staff, particularly in overhead positions, could become redundant.

There was also a question, which I then maybe already anticipate on, where the project on the European review would lead to restructuring charges, and I think what Neil also said, we will start a project; we just started that, that will be finished by year-end, so it is not expected that we will see in the second half of this year, charges coming from that project.

If we look at the order book, maybe we have to give you the facts on how the order book developed in the first half year, because we mentioned the increase of 5%, or in Infrastructure it’s
-2%, so a slight decline there on the back of a very strong order book in how it developed in 2011. The Water business grew its order book by 6%. Environment is down 1%, while the Buildings business is up at 20%, and I think that’s what you were referring to, Dirk. That’s very strong growth there and the project we won in the Middle East is part of that, but also the synergy wins with EC Harris and Langdon & Seah are part of that growth of backlog.

What does that mean for the Environmental business? Well, if you look at the overview then you see that the comparables for the second half have also been quite tough to beat, especially in Q3 we had very strong revenues in Environment. We also see that the Federal Government is quite slow, but we know from the pipeline that there is work coming to market and it would be strange if we can’t get our fair share of that, and the private sector also is looking good in the way we see the backlog and the pipeline.

On the emerging markets, that margin indeed dropped, as I explained, and the main reason for that is the revenues of EC Harris, which are in that business, and the margin EC Harris makes in those countries is pretty small in the first half, and I think also last quarter we already explained that some of the business of EC Harris, more than we are used to in ARCADIS, is skewed towards the year-end or some of the contracts they have are performance-based, so we also expect that some of the profits will only be recorded towards the end of year, and I think credit to the way they do the accounting. They don't account for the expected gains from the performance-based contracts, still they are sure that the client has agreed with them, so we would expect that to see coming to the bottom line in the last part of the year.

Did that cover your questions, Dirk?

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**Dirk Verbiesen – Kempen & Co**

Just a follow-up on the emerging markets, has the margin in Brazil improved year-over-year?

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**Renier Vree**

The margin in Brazil, year-over-year, if I compare first half this year, first last year, was up, yes.

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**Teun Teeuwisse – ABN Amro**

A few questions from my side, first of all on Poland. Can you indicate what has been going on there, whether it was a lack of controls that caused you to take these costs in Poland, what are
the future plans for Poland, and do you anticipate any further risks in the region? A second question would be on the Infra in Brazil. Do you already see anything coming to the market relating to the upcoming World Cup and Olympics in Brazil? A third question is on your guidance. You guide for 20 to 25% growth in income from operations. You made 47.2 million in the first half of this year, so that leaves about 50 to 54 million for the second half of the year, but if I’m correct, adjusted for the non-recurring items, your income from operations would have been exceeding 30 million in the second quarter of this year, so it seems extremely cautious that you guide for only 50 million of income from operations for the second half of the year, and can you confirm that 60 million, i.e., twice 30 million, wouldn’t be a bit more normal number for you to achieve or at least a target that you should achieve?

Neil McArthur

Maybe I’ll take the first couple. On Poland, the first question, what was going on, what are the future plans, what are the future risks? In terms of our Infrastructure business and the road business in Poland, we have contracts that have been ongoing for a long period of time (five to eight years in some cases). Funding, as you know, in Eastern European Governments is significantly less. They’ve taken that opportunity to renegotiate prices for contracts and to stop contracts and to postpone contracts. The result of that is that we had more capacity initially on board last year than was being contracted moving forward with our client, so we had to take some capacity actions that we took last year. Because of that, we then ended up in, as you know, a reported loss in Poland last year. The consequence of that is that we changed Management in the first quarter of this year and, in putting in new Management, they’ve gone and done a very comprehensive review project-by-project of what our current working process for each contract and what is our estimated cost to completion for each one of those road contracts, and that has resulted in this one-off charge.

Further risk in Poland? No, it’s done; we don’t want to talk about Poland hopefully in the future again. The future plans are that we have our business with EC Harris that we are combining with ARCADIS in Poland. We have our Environmental business and we’re scaling down our Infrastructure business to make it profitable moving on a go-forward basis in Poland.

Infrastructure, will there be opportunities coming to market for the World Cup and for the Olympics? Yes, there will be. That’s as we suggested in the presentation, most public sector type work in Brazil in particular. Those opportunities are being prepared to come to market and we expect to be a key player in that, given our good position in Brazil.
Renier Vree
Then your third question on the guidance that we have provided, that you made the calculation of 20 to 25%; as you did, that would mean and indicate an income from operations between €98 million and €102 million, so somewhere between 51 and €55 million for the second half. I take your challenge, but if you do a completely issue-free Q2 you would have about €30 million times two, added it all up it would be at a higher number than we guided for. I think we also have to be realistic. Q3 is typically a quarter with a lot of holidays in parts of the world where people spend less time with their clients and, therefore, earnings are typically a bit slower in Q3 than in Q2. Also, when you look back historically and the second element is also that, as a company, we have a reputation to achieve our targets and we want to keep it that way.

Teun Teeuwisse – ABN Amro
So I'm going to assume 25 and 35 million then for Q3 and Q4.

Renier Vree
Your assumptions are your responsibility, Teun.

Teun Teeuwisse – ABN Amro
One final question on working capital. What is the progress on working capital? How satisfied are you with the current working capital position and when do you expect it to improve towards a level where you are happy with?

Renier Vree
That's a combination of answers. On the one hand, I think the progress on cash flow in the quarter was good on working capital. Am I happy? No, I'm not yet happy. I think our intention has increased a lot and we see that back in our organisation. Everybody is busy to make sure that our clients pay on time, that the bills go out of the door on time in a world where credit is, at times, quite scarce, so that effort certainly is paying off. We expect with all the efforts that we are making that reductions of working capital, particularly on the receivable side, will take place in the second half of this year.
Question
I have one follow-up question on the charge in Poland. I understand that it was a non-cash charge, but will that become cash in the future while you unwind those projects?

Renier Vree
That's a very good question and I hope one day I can say yes, but we are a prudent company, we have to apply prudent standards in the way we do our accounting, so we are still in fierce discussion with the client about those projects and we’ll definitely aim for collecting some of that write-off, but at this point in time it’s too uncertain to make a prediction for that. It’s also good to mention here that a cash charge led to a loss in Poland and given that we also had last year a loss, we decided not to take any tax credit for it, because at this point in time we are not sure enough that we can, in the five years that are given, to fully compensate tax losses before they would get lost, that we want to take a tax asset for that, so that means that loss in EBITA in Poland also fully went into net income from operations.

Dieter Furniere – KBC Securities
A couple of questions, a short one to begin with. Your net debt position, could you say what the impact was of the US Dollar on net debt, so what swing did that result in? Second question is also again on Poland, but especially for calculating the European margin. If you look at your operational EBITDA margin, you don’t exclude the Polish charges, so assuming that everything in Poland is, for instance, in Infrastructure, would that mean that we could add that back to see some kind of a recurring operational EBITDA margin for the second half of the year, so I see that year-on-year you went from 8.4 to 7.3, so would that mean it would be underlying at 9.3 or were the charges also in Environment or in other activities? Then a third question on EC Harris. You talked about the integration is on track in order to meet targeted margins. Could you confirm that you mean 7% margin or you mean the 10% margin? You go to what timeframe you mean with being on track and also on the synergies related to that you say we go for cost synergies in 2013. In what range would you see them? I know that you gave some range for Malcolm Pirnie, for instance, in the past. How much do you target for EC Harris? Thank you.

Renier Vree
Okay, Dieter, the first one on the net debt. Yes, we have a significant part of our debt in US Dollars. Relatively, it became a bit less, because the two last mergers were funded through Euro debt. I didn't make a detailed calculation, but if you take approximately a 10% shift from last year
in the US Dollar and debt level in Dollars of about 300 million then I would say take around $30 million would be a pretty accurate figure to assume here.

On Poland, yes, nearly all of the losses were in the Infrastructure. Also, part of it was for restructuring, so we have to be careful when we look at operational margin to take out that half a million of Poland and only apply 4.8 million to it, which would mean that the margin of Infrastructure is around 9%, which is a type of margin that I think we feel with the businesses we also do in South America is a margin we’d expect also to see for the second half of this year.

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**Neil McArthur**

Yes, in terms of EC Harris under margin improvement, we’ve communicated that we are going to take three years to get to above our 10% margin target as ARCADIS. In terms of cost synergies, we’ve clearly been through the strategy development, the operating model, the organisation design in a very accelerated timeframe over the first half of this year. We clearly have our plans of the [2B] situation. We’re transitioning to it over the second half of this year, but I don’t want to be drawn on a specific number at this stage for the cost synergies that we will actually be able to realise. By the end of the year, we will be able to share that with you.

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**Philip Scholte – Rabo Securities**

A couple of questions, could you already say something more about the review in Europe maybe as to what are the underlying reasons for starting that? Is it really strategically? Do you plan maybe to divest businesses? What is the purpose of the review in Europe? Secondly, on the contribution of the acquisitions, maybe we have made the wrong calculation, again, but if I make the calculation, I think that the margin of the acquisitions is about 7%, the combination of EC Harris and David Langdon, and it seems that, therefore, EC Harris has made only 5% margin, again, in the quarter. Can you confirm that?

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**Renier Vree**

I’ll take the last one first to get out of the way and there we have to compare calculations, Philip, because I can’t confirm that EC Harris in the quarter was above 7%. Langdon & Seah maintained the margin that they had also in that overview you got when we showed the presentation on the acquisition, which is [possibly a] 14% margin, so those numbers were as expected and on target, so we have to compare notes to see where there is a gap in the spreadsheet.
Neil McArthur
On the question of Europe, if we go back to 2010, our margin for non-Netherlands Europe was 5%, in 2011 it was 2.5%, this half year it’s 2.2%. If you look back the one-offs in Poland, it would be around 4%, so that’s significantly below our target of 10% and so we’re going to study what the opportunity is in Europe and we’re going to go through that process very carefully over the second half of this year.

Philip Scholte – Rabo Securities
But can you maybe...you already shed some light on what are the underlying reasons for that. Is that strategic positioning, type of services you provide, scale?

Neil McArthur
What we’re going to look at is how we can leverage our capabilities more Pan-European to serve our clients better that are Pan-European or global. We’re going to be looking at our mid-office, how we actually do work and then actually how we support our business through our support processes and thinking of things like IT, finance, HR, infrastructure.

Philip Scholte – Rabo Securities
Right, right, maybe coming back on EC Harris – not on the numbers by the way – but are you talking about investments for future growth, but I actually thought that the low margin of EC Harris was due to the fact that they have already made significant investments for future growth. How can I reconcile those statements?

Renier Vree
In that 7% is also the part of the business, which is below that level, which is in emerging markets, so it’s consistent with investments that were and are ongoing in EC Harris to grow that business in the emerging markets, so it’s not a big change compared to, I would say, what EC Harris was doing prior to becoming part of the ARCADIS Group.

Neil McArthur
And it does generate wins, because the Ashghal win is the outcome of one of those investments [current].

Quirijn Mulder – ING
Two questions, one about EC Harris, how was the development in the first half year-on-year and can you give me some feeling on where the robust growth comes from, and the second question with regards to carbon credits, I think that the market is already dead. It seems that you were still trying to sell this business. Can you update us on that development there?

Renier Vree
Starting with the one on carbon credits, indeed we have in Brazil a number of assets still for sale. One category of assets are related to the hydropower plants or projects in that field and the second category is the bio-gas installations which come with the carbon emission rights which are then having a certain value based on the price of carbon credits.

On the bio-gas installations we decided together with over 50% of the shareholders to make some additional investments this year, to increase the output of the bio-gas installations, so it is more likely that 2013 will be the year that we can divest those assets and the price of carbon credit will have an impact on the ultimate valuation and that price is currently low. I know it was a lot higher a while ago. I also read of all kinds of initiatives being taken or being suggested to find a way to make the price higher again, so I would say also in that timeframe, like giving ourselves a bit more time to sell, we may also be able to benefit from hopefully higher carbon credit prices in 2013.

Neil McArthur
In terms of EC Harris’ development, we’re very happy with the progress that we’re making. We’re seeing growth in the order book quite significantly. We see that back in the order book that we shared with you in our buildings business. We have won large projects in the Middle East like the [Ashkal] project, we’re seeing growth of EC Harris’ business in Asia, so we’re well on track in terms of our expectations for that business.

Participant
This is about the US. You suffer from the downturn in the environmental services for public spending. It seems to me that as far as I know that 85% of your revenue in environmental services US are private clients, so what can be then the effect of the 15% of the public spending.

Renier Vree
I don’t know that 15% is the right number, I think it is a bit higher than that and lets also be sure the US environmental business is not in negative territory, it is just much slower growth than we have seen before. We are not talking about the business that is in decline. That is to make sure that we don’t get the assumptions wrong here on that business.

Neil McArthur
Just remember Renier said when we showed the organic growth quarter by quarter, the coloured spaghetti chart, the green drop was driven by a drop in our Dutch business and our UK business.

Kris Kippers – Petercam
Good afternoon, just a small follow up as the questions have been asked already, but just again on the environment. With the slowdown witnessing indeed in Q2, could you shed some detail on if you would extract the impact of the US Federal Government on those numbers, what the organic growth would have been in that quarter. That will be helpful thank you.

Renier Vree
Let me check my notes and make that calculation, but it will be a substantial part of it.

Gregory Simpson - UBS
Good afternoon, just two questions, firstly regarding the Middle East. Could you just talk a little bit about how performance has been there and what is the outlook and opportunities looking like, and then secondly the US transportation bill you mentioned, what impact in terms of projects might that have and when do you see that coming through. Thank you.

Neil McArthur
Our performance in the Middle East as I will reiterate what I said around the majority of our business today is EC Harris in the Middle East. We have a very strong order book, we are seeing that Qatar is becoming a very important country for us and we have been redeploying resources from the UAE into Qatar to meet those emerging client needs. We’re very confident that over time Qatar and the Middle East will improve margins and continue to drive nice organic growth for us in the region.

In terms of the US transportation bill, it is now approved, the question is how much funding will be allocated and released. That is something that we have a position in infrastructure in the US where we will be able to benefit from that, how much funding will be released and in what timeframe. That is a little bit crystal ball gazing given we’re going into the presidential election period.

Joost Slooten
Operator if there are no more questions, then we would like to switch through to the second part of our presentation. If I could ask Stephanie Hottenhuis to step up to the microphone and start her talk about the ARCADIS presence and activities in Asia.

Presentation

Stephanie Hottenhuis
Good afternoon everybody. You heard several times that Asia will be extremely important for our growth going forward and the purpose of this presentation is to show you how we intend to achieve that.

For those who have been following us you know that we have three groups of ARCADIS active in Asia, RTKL focusing on design and infrastructure, EC Harris, focusing on build asset consultancy, projects and programme management, and Langdon & Seah focusing on cost management, quantity surveying, and project management.

We will briefly go through each of these practices and that is why I will be joined by Joseph Lee the Chief Executive Officer of Langdon & Seah who is on audio and Keith Brooks the Director of Property and Social Infrastructure who is with us here.
What you see on this slide is that ARCADIS now has a vast geographical footprint across Asia. If you count all these offices we have 46 offices which demonstrate to you that our presence is deep. In China only we have 19 offices where we are benefitting from the development in younger and aggressively growing cities outside Shanghai and Beijing that everybody knows. That means that we have close to 4,000 experts, engineers, and consultants active in Asia. When you look at the staff numbers you will see that the largest majority of these experts are in China, followed quickly by Hong Kong and Singapore and these three markets, quite advanced markets are three-quarters of our staff presence and strength in Asia at the moment.

We do translate that into a very strong competitive position, leading in the building sector in Asia. What we have been aiming to achieve and have achieved is that in the Asian market in the building sector, at the moment our capacity is to deliver services to the entire assets lifecycle, starting with urban planning, architecture and design, managing the assets, creating the assets, managing the operational expenditure of the asset and that is our task now to connect these dots through synergies. That translates to strong revenues in Asia, now amounting to some €200 million per annum. I also would like to draw attention to the fact that strengthened by the new merger we have long term presence which translates into long term clients, Langdon & Seah, over 75 years of activity, EC Harris over 30 and RTKL over 15. We have done our research ourselves, but also independent ranking sources in Asia show that in the area of cost consultancy and project management, we are either number one or number two in each individual of the markets I showed. We have seen out of experience that provided we select the right opportunities, the right clients and the right mix, the profitability in this market is stronger than in more mature markets. Profitability of projects where we are active across the lifecycle of the asset is stronger than projects with individual solutions. This allows us if we connect the synergies of these three practices to also enhance our profitability. It goes back to some of the questions you were asking.

At the moment we have a very strong client base with the companies that have been joining ARCADIS, but we are also benefitting from growing public sector opportunities, especially in social infrastructure, things like healthcare, education, but also ports, airports, all have very ambitious expansion programmes across Asia. Similarly we see these developments in the water sector. We have also reported that our bookings have been strong in the emerging markets in Asia, and that means that we have a very well filled pipeline of projects and opportunities.

This slide shows you a selection of the clients we are servicing at the moment. We have selected more the names that you would recognise but I do want to make the point that next to these multinational clients we are servicing very strong and growing regional and national clients.
The name of the game for us is called synergy now. We have expanded our footprint and synergy and creating cross-sell opportunities our practices is absolutely our number one, number two and number three focus areas. That means specifically that we have the opportunity and are working how to leverage build asset consultancy, advice and solutions, project management to the Langdon & Seah clients, very deep local national client base. We are expanding our services to the ARCADIS multinational clients in Asia. We are traditionally strong in these clients but now we can show them and bring our footprint. What we are also seeing that the Asian continent is starting to develop its own strong top tier developers, especially based in Singapore, in Hong Kong or out of Malaysia who are heavily investing in China, and we see ourselves as their logical partner to take them on this growth and these developments. Naturally now that we have this Asian footprint we are looking how to expand our services in water and environment. Later I have an example about an environmental, a green building project that would give a little bit of flavour to this statement.

Our opinion is that the Asian market offers excellent growth opportunities. We are reading the same papers and we have heard that China is moderating its growth somewhat. However out of our own experience, we know that the short-term slowdown is especially in the residential market; that is not a market that we are heavily exposed to. Almost all of our projects – you will see later – have to do with mixed developments. They have a residential component, but most of them have a very strong commercial, retail or hospitality component. As you will also see in the other listing, we have Asia that is very much looking like a continent with a mixed picture of growth, but most of it is moderate or strong. The only market that is mature with somewhat lower growth figures, let's say lower than four is Singapore. All of the other markets have either moderate growth, such as Hong Kong or such as Thailand and Brunei, or strong growth in the mid tier markets like Indonesia and the Philippines where the growing middle class, but also recently more stable governments are boosting investor confidence and we are seeing these development turn into projects.

Focusing on the Chinese market, because that is the most significant market where we are also strongly focusing on, I have two comments on the architectural and on the programme of project management market and how we are responding. It is true that the general market is cooling somewhat down from, we would say hyperactive to heated. We have activities in the commercial and in the healthcare markets and we do see that these activities are coming, but they are coming in somewhat different ways, meaning the clients are now focusing much more on quality and more stable market relationships. Before we had a situation when an iconic name or a brand was creating excitement and generated work, now when the opportunities and the clients are
more selective, what we are seeing that client relationships, knowledge of the asset and sticking to your client actually is more important, and this is a game that we are very, very good at and is our strategy going forward.

In programme and project management, our clients are reporting that the impact of the Euro crisis actually affects exports and market confidence, but on the other hand they are also reporting that the central Chinese Government is still cash rich, has ample opportunities to invest, and determines the timing of investments in China and Hong Kong. The current understanding in airports and transportation, two areas, airports and ports offer traditional strength for ARCADIS, is expected to turn up in demand in the second quarter, we are following these opportunities, increase social infrastructure spend is expected to stay healthy. I will show you several projects, one of them will be in healthcare and you will see also there we are selective about the opportunities that they have to be internationally renowned iconic hospital buildings and we are successful in that. We have grown our backlog in the second quarter substantially.

With this I would like to give the opportunity for Joseph Lee the Chief Executive Officer of Langdon & Seah to take us on a tour of the projects of Langdon & Seah in the region. I will be operating the slides so Joseph please tell me next slide and I can press the button for you.

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**Joseph Lee**

Thank you Stephanie. Good afternoon everybody. Let me first of all give you an overview of the services that we provide in Asia. Primarily we are concentrated on quantity surveying and cost management, but we do provide development and project management for our clients. For development management, what we mean is we have the clients to bid for the land. We also provide environmental and sustainability service, due diligence, legal support, project monitoring and also we do construction research. On the sectors that we serve we cover almost everything, from office, to residential, healthcare, public, and private PBB, so every sector we are involved in all these projects.

Next slide please. I am going to show you a few of our representative projects over Asia. For the first slide we have on the left hand side the Hong Kong Science Park, on the right hand corner is the Hong Kong Terminal 2, known as the Sky Plaza, the bottom picture shows the new Hong Kong cruise terminal, which is being constructed at the old Kai Tak Airport. For those of you who have been in Hong Kong before 1997 you will remember that you landed at the Kai Tak Airport and this new terminal is being built there. This is a design and build contract and we represent the developer which is the Hong Kong Government as the consultant for this project.
Next slide please. The next slide we show two projects in Macau, on the left hand side is the Macau Tower which has an observation deck on top, the right hand side is a very unique gaming hotel in Macau. If you go to Macau now you see a lot of hotels there which are very similar to the ones in America, but this one is very unique, it took us a hard time to cost out the construction costs for this very special design.

Next slide please. In this slide we are going to show you a good mix of the projects that we do in China. On the left top hand corner there is a development in Shenyang by a Hong Kong developer. It is a mixed development with office buildings, hotel, and a big shopping arcade. The bottom left hand corner is the CCTV in Beijing and the right hand side one is another combo development. This one is Guangzhou southern part of China; it comprises a couple of office towers, another big shopping centre.

Next slide please. Again this is a combo development in the centre of Kuala Lumpur the capital of Malaysia. Again this comprises all different types of developments, and our involvement in this is the full cost consultancy service.

Next slide please. You will see here a few projects that we have done in the Philippines. The top left hand is a shopping centre in Makati City. Bottom left is the Shangri La Hotel in the Philippines. The Shangri La Hotel is an Asian brand hotel. They are developers themselves, apart from the Philippines, they also have developed quite a number of hotels in China, and we are also involved in these projects. Recently they have also moved to Europe. The latest hotel in Europe is the one in Paris. We understand that they are looking for further opportunities in Europe, so this will create a lot of possible synergies for our colleagues in Europe. The right hand side one is RCBC Plaza also in Makati, Philippines. It comprises offices and some residential development.

Next slide please. Top left hand shows the MPR station in Singapore. In Asia, especially in Hong Kong, Singapore and Malaysia, we do have a lot of deal extensions to our existing railway system, and I am very pleased to report that our market coverage for the MPR station is more than 50% so that is very exciting. Bottom left hand corner is the Vivo city in Singapore, this is being constructed and on the right hand side you will see a tall office building in Seoul, Korea, this is known as the Seoul International Finance Centre and it is developed by AIG, again we provide cost consultancy services for this project.
Next slide please. Top left hand is the Bangkok International Airport. Top right hand corner you will see a private residence in Phuket Thailand, so this is a very good example of the correct mix of projects that we cover, from a small private residence to the JW Marriott Hotel in Thailand.

The final slide that I am going to show you is the New Songdo city development in Seoul near the airport. This is a massive development, it is now being constructed. Our services for this project in addition to providing cost consultancy services, we are also helping the client to look for interested developers to develop in some of the possible developments within this complex.

With that it ends my presentation, thank you.

Keith Brooks
Thank you Stephanie, good afternoon everyone. I just thought I would give you a brief run through of the EC Harris operations in Asia. I am now looking at slide number 54 entitled Core Sectors and Services.

The EC Harris business in Asia has been one of investment in growth actually, both revenue and profit and investment has taken a number of forms. The investment in local leadership and talent, and also relocating talent from other parts of the EC Harris business to that region to take advantage of emerging markets, all with a view to bringing our build asset consultancy offer to the clients in that market, which really focuses around three areas. That is the planning of those assets, the creation of those assets and then the ongoing operation of those assets, all with a view to driving a better performance and a better outcome for our clients.

All of that was obviously given greater impetus with the acquisition and merger with Langdon & Seah, and then the existing business there with RTKL, which we are very excited about. Both of those areas really gives us that added impetus to go and drive further growth and synergy in that part of the world.

In terms of what we do and the sectors that we’re focused on – traditionally we were very much focused on the corporate real estate and the retail sectors, but more recently looking to diversify into the social infrastructure aviation, healthcare sectors as Stephanie has already alluded to. In terms of what we do, really broken down into a number of core services, so we have asset investment and finance and strategy and transformation services which tend to very much focus on the planning of the assets, programme and project management cost and commercial
management tend to really focus on the creation of those assets, and then we move through to the operations where our asset performance and facilities management business focus.

I have now moved on a slide to talk about the Hong Kong International Airport. For those of you who don't know one of the busiest airports in the world and with a particular challenge to respond to the growing private and business jet market China. China is forecast to be the largest market in the world by 2018 for private jets and business jets. What Hong Kong International Airport has to do is work out how they increase capacity and the infrastructure to meet that demand, and what they engaged EC Harris to do is put together a general aviation traffic forecast from 2012 to 2030; that is a key bit of strategic work that really helps the client decide where they are going to prioritise investment to become a leader in that market. That is a good example of where we moved capability and expertise from the UK to go and target that particular market, the aviation market in China.

Moving on, Singapore Sports Hub, again an example of where we transferred knowledge from another part of the business to this region, this is the largest PPP project in Singapore, their flagship project, comprising of 55,000 seat national arena and funded by a consortium of ten banks. We act for that consortium of banks, in what is called an independent certifier role, it is a role that was developed in the PPP market in the UK, and again we transfer capability into this part of the world to go and take it to market here. Our role is to basically ensure that the obligations under the project agreement and the expectations of the Sports Council of Singapore are met through the delivery of that asset.

Vestas Regional HQ, this is an example where are providing cost management and project management services and the creation of this asset. Vestas, for those of you who don't know are one of the largest wind turbine manufacturers in the world, and they consolidated three existing facilities into one. What was important here was the sustainability credentials and this project I think is the third most sustainable office in the world, achieving a lead platinum for office interiors mark, and again we were the project managers, the cost managers and advised on the health, safety and sustainability consultancy for this project.

Moving onto Kingfisher – Kingfisher operates across Asia and particularly in China as a number of brands, B&Q, Castorama and Screwfix all focused on the DIY market, and that presented a number of challenges for them and this is an example of where we have helped a client in the operation of the assets, and we implemented a web based technology system, something that we pioneered within EC Harris called On2 and this effectively enables the client to manage their
portfolio of assets in a much more direct visible transparent way, so they can make faster
decisions and drive better performance from the management of those facilities.

METRO Group the fourth largest retailer in the world, a very aggressive expansion in many
markets across the world and engaged EC Harris as their delivery partner to help design, develop
a programme management platform to bring much greater pace to their investment programme,
and in particular in Asia. We have delivered a number of stores for them in China and Indonesia,
as well as in parts of Europe. Our role there is to programme manage the delivery of these stores
and manage the local delivery part of working very closely with the METRO Group’s executive.

Moving onto...

[Break in audio]

Stephanie Hottenhuis

Welcome back, we are at the slide of the Year of the Tower. As you can see there we have
featured a collection of eight RTKL design towers, all of them set to open in 2013. To catch up a
little bit the time I would only like to comment on two, the third one, the Wuxi Suning is 328
metres, so a little bit higher than the Shard, the tallest European building and it is going to be
quite a spectacular design with shining glass all over. The one for example that is the second to
the left, the one in Jakarta, is a sustainable building; it is also a mixture development. There will
be a hospitality floor, a hotel, commercial, prime commercial floor, but the interesting thing about
that building is that it is a designed to produced its energy on site. It has an onsite water
processing facility and a lot of technological innovation, how to create climatic comfort in the
building. That is why we have coined the word that for us this is the year of the tower.

When you look at the other three projects, I would like to show you quickly, to demonstrate the
point I made earlier, they're top notch Chinese or Asian developers that have become and turning
to steady clients of ours, this is one of them, the China Life Headquarters in Shenzhen, it is
actually an interior architectural design, the interesting thing about that design, the colleagues
would tell you is that the exterior is turning onto the interior and the flooring space between inside
and outside is very cleverly continued as you can see in this picture. This one for example, the
China Resource Centre is also a top notch, top tier Chinese developer that we are servicing and
you see that that is also a mixed use development with commercial space, with a shopping mall,
with residential, with serviced flats. The Parkson Department Store developed in China, there is
a chain of these stores in China, and this is a Malaysian developer. Parkson is a Malaysian
based developer that is now expanding into China, and is turning into an Asian multinational client. One last example of our healthcare practice, it will be not a secret to anybody that the large social infrastructure improvement programmes in China involves a lot of healthcare; that there is a rising middle class that is ready to pay for the facilities and the types of facilities that you see a big of surge of there. We do have to select these opportunities for the iconic and international competition. This is not the standard, but we are choosing these projects because we can add value to them.

Thank you.

Questions and Answers

Participant
A couple of questions. What is the typical scope of a project in Asia, maybe for all the three companies, for let's say EC Harris and RTKL? In creating cross-selling synergies, what is very important of course for your division, who is taking the initiative for these, is it RTKL because they are more on the front end, is it more EC Harris because they have the complete value chain, or is it maybe the other. A third question is the office network in Asia – are you planning to combine it or to integrate the offices? Those were my questions.

Stephanie Hottenhuis
I will start and give the colleagues a compliment. The typical scope really varies. When you look at the architectural and design commissions, they can be several million, so we have between 2, 4, 5 million commissions, but we also have a lot of cost management or quantity surveying commissions that would be between 2-4.5 million, so it is really very, I can give you an average but it is not very telling of the pipeline that we have, but anyway for us a substantial commission would be 2 million and up, and we are happy and proud of it.

What we can say about who is taking the initiative is that in our synergy conversations, the organisation with the best client relationship is taking the initiative. We are sitting together and discussing who has the highest or best or strongest relationship, regardless of which DNA source of ARCADIS they come from, and then we discuss with them how they can bring the other capabilities of the Group to bare. It can be anywhere. What we can definitely see that Langdon & Seah bring us deeper to the national Asian clients, while EC Harris have traditionally obviously better relationships with the multinational clients. That is why that was a very head on acquisition
because there was no cannibalisation amongst these two groups; they really complimented each other in terms of good client relationships.

Offices, yes, we are definitely looking to see where we can combine. This will really have to do with the most cost effective solution, but we would like our teams to get together, the sooner the better. We just have to take the prudent decision in terms of when to take that cost.

In Asia the leases is a longer term than we are used to seeing them in Europe, and in fact it is a good idea to negotiate term leases because the developers, because of the overheated economy actually the tenants are pushing us to go short while we want longer, the reverse of what we have in markets that we know in Europe and that is why we just have to figure out what the best solution is, but we definitely are going to be consolidating offices and bringing people together, not only for costs, but also for synergies.

Participant
I am trying to imagine the results of synergy and cross selling effects. I cannot imagine that some developers, you can go to a client and say, I have also an architectural firm here in my pocket and to bring the story to ask them to do the architectural work, because the developer or a project management should be in my view somewhat more independent, in my view. Can you maybe elaborate on that and can you also give some view on the synergy effects you believe in the cross selling between LS and EC Harris, especially in China with regards to the project management and the asset management in that respect.

Keith Brooks
Just picking up on the first question, I think we see different buying patterns from clients in different markets, and there is no doubt about it if you look at the Asia emerging market and you look at the Middle East emerging market. Clients are displaying a willingness and a desire to buy in a bundled service. I think Neil you referenced a one-stop shop approach, so we’re definitely seeing opportunities for that in Asia and in the Middle East, as real synergy opportunities actually.

Participant
...I do not want to be bound to this architectural firm.
Keith Brooks
I think the way they are looking at it, they are looking at organisations such as ARCADIS to actually bring ideas and value to their investment programmes. They're actually looking to us to bring ideas to them to help better improve the development of the management of those assets, and they see the integration of those services as a real opportunity to do that.

Stephanie Hottenhuis
You are right there, should be ones we would say no thank you, we actually want to keep that separated, and then of course we stay there.

Participant
If I look at the types of services that Langdon & Seah is performing and what you guys at EC Harris are doing, I would actually expect the margin performance to be the other way around. Is the Langdon & Seah margin, is that really a sustainable margin you believe. How come they are making such a fantastic margin?

Neil McArthur
They have fantastic margins; they have a very well run business. It is more than 75-year history across the region, extremely well run locally. As Keith said in terms of EC Harris their business model is a global business model serving global clients where we have deployed capability locally and moved people around in order to service those client needs. As Keith also said there has been investment by EC Harris to grow the business both in the Middle East and in Asia very successfully, but that is the cost of start up in building those client relationships by moving people from Europe to be partners in China or in Hong Kong or across Asia in order to follow their clients and serve them. We’re on that journey of making those businesses profitable through increasing the revenue side of the equation and broadening the portfolio of clients together with Langdon & Seah that we can jointly serve in this case in Asia.

As we said, 8 million synergies already in a very short period of time. We’re very excited about those opportunities that we have created together and we look forward to continued growth both on the revenue side but also on margin improvement with EC Harris.
I appreciate the margin upside potential in EC Harris, but aren’t you a bit afraid of the downside risk in the margins of Langdon & Seah?

**Joseph Lee**

On the margin side I think the Philippines and Thailand have been very successful there, we are the number one firm there and in these two countries especially the competition is very, very small, so we have the ability to demand for a good fee in these two countries. In China for example and Hong Kong we do have very strong competition, so our margin there is not as good as the other two countries, but overall because of our number one position clients respect our service, they are prepared to pay a premium for our service and that is how we achieve good margins.

**Neil McArthur**

We demonstrated across Asia in the building segment we’re the clear number one.

**Stephanie Hottenhuis**

The answer is really positioning. When you have the one or two position, as well, you can obviously dictate because the clients come to you for quality and they’re translating margins.

**Dieter Furniere – KBC Securities**

Three questions. The first you talk about using the Asian activities now of L&S and of EC Harris as a platform for growth in water and in environment. Can you do that organically from the current base or how do you want to tackle that. The second question is – we saw the charges for EC Harris now after six months that you bought the activities for making an exercise, also that of integration. Do you expect something similar in the second half of the year because of the integration of the Asian activities? A third question – do you see a lot of loose items or some kind of documentaries on Asia and on a lot of shopping malls which will remain kind of empty. Do you see that as a certain risk that the government would in some ways try to intervene to stop the real construction of all these shopping malls?

**Stephanie Hottenhuis**
On your first question, of course we are already now with this footprint carefully looking at water and the environment. We are going to have a more consistent strategic look next year, this year was the year of EC Harris in Europe, next year we are going to focus on looking at how we expand our footprint in Asia towards the other business lines of ARCADIS.

Keith Brooks
The reason for that is we have got great synergy opportunities already between Langdon & Seah and EC Harris that we want people to focus on; it is really tangible there today in our buildings of that business.

Stephanie Hottenhuis
Focus on buildings, plan for the rest.

Renier Vree
Your question on charges for EC Harris in the second half year, well no reason to worry about that for Asia because there is much more opportunity, everybody is growing to help make the growth successful. The optimisation of leases, but I don't expect any significant charges for that, and for sure not in the second half of this year in Asia.

Stephanie Hottenhuis
Regarding the third question about the empty shopping malls, in fact that is something that indeed can be managed in terms of credit availability by the Chinese Government, however at the same time there are two factors that counteract that we are strong on, first of all our footprint, we are not dependent on one single country, we have a very deep footprint and can benefit, for example by the growth of a sleeping giant, Indonesia. Secondly social infrastructure is going to play a very important role for this middle class going forward.

Joseph Lee
I also want to add something on the shopping mall. The comment that some shopping malls are empty I think you are referring to the old shopping malls, but for the new ones, the newly shopping malls, those we are involved in, business is in fact very, very good. We have a lot of customers going to these shopping malls. If you read the latest comment made by our Prime
Minister, China is going to stimulate more local consumption and the people in China they have accumulated quite a lot of wealth, so I do not see that there is a threat that there are too many shopping malls being built in China now resulting in empty shopping malls. The new ones have a lot of customers. The old ones may be sacrificing from this, but not the new ones.

Keith Brooks

Final comment on the shopping mall point. That actually in itself creates a fantastic opportunity for us, because in many ways it replicates what happened in Europe where we saw a number of existing shopping centres actually suffering in downtown, and not being reflective of new retailers new offers and customer demands. Again we’re seeing great traction at the moment where the owners of underperforming shopping centres are pulling on our expertise to help them reposition those assets and attract new customers. Again that is a great example of where say a downturn in another economy, you can transfer those skills and apply them in Asia. We are seeing significant growth opportunities in that market.

 Participant

About the multinational firms – if we look at the client base of ARCADIS, we see it is multinationals, they are mostly, let me say oil and gas and chemical firms with a lot of environmental issues, is it helpful for them to ask ARCADIS to solve their problem for environmental issues for example in the Far East, with some background from EC Harris or LS. Is that possible? I don't see that. I see building is a different segment compared to environmental services. We know that multinational clients look for one or two suppliers to service them all over the world. Is ARCADIS able to deliver that on the back of the services EC Harris is delivering in the Far East for example?

Stephanie Hottenhuis

We have an environmental team in Shanghai, it is about ten people, actually fully environmental that have been there for the last... 2005 I think we opened that office, and they have been very successful in servicing multinational clients. However that market is one-step short of really opening up, because in most of these countries we do not see environmental legislation and regulation that guides the multinationals to what they need to do in order to be compliant. We are very ready and we are monitoring, in fact we are participating in a project in China to review the draft regulations, so when these get adopted, they will definitely open a bigger market than we
see at the moment. That is where we have to deploy from our leading position in the environment elsewhere.

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**Joost Slooten**

If there are no further questions I would like to thank everybody for participating in the call today and we look forward to speaking to you all again in the third quarter. Thank you very much for your participation, thank you.