Operator: Good day and welcome to the Arcadis half year results conference call. Today’s conference is being recorded. At this time, I would like to turn the conference over to Mr. Joost Slooten, director of investor relations. Please go ahead, sir.

Joost Slooten: Thank you, operator. I would like to welcome you to this Arcadis analyst meeting and video webcast.

We are here to discuss the Company’s first half 2014 results which were released this morning. With us during the meeting are Neil McArthur, chief executive officer, and Renier Vree, chief financial officer.
The PowerPoint presentation that is used is available through the investor section of the Arcadis website for which the address is www.arcadis.com/investors. Just a few words about procedures before we start. We will begin with formal remarks, we call your attention to the fact that in today’s session, management may reiterate forward looking statements which were made in the press release and we would like to call your attention to the risks related to these statements which are more fully described in the press release and on the Company’s website.

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

Neil McArthur^ Thank you, Joost, and welcome to our first half 2014 results. I'm going to take us through the high level results and then hand over to our chief financial officer, Renier Vree to go through the results in detail. I will come back and talk a little bit about the outlook, and then we will open the floor to questions and answers.

In the first half of 2014, we delivered a 13% profit growth, our gross revenues are now EUR1.2b, we had an organic growth of net revenues of 1.5% in the first half of this year, and we are happy to report that our operating EBITDA is up 8% leading to the first half operating margin of 10%, that is up from 9.1% in the first half of 2013. Our net income from operations improved 13% to EUR55.8 million. We are also on track with our one year program to meet our operating margin target of 10% for the fourth quarter of 2014, and we had a significant improvement to free cash flow by EUR49 million versus the same period last year.

A couple of strategic highlights in the first half of the year, the investments in organic growth, they continue, we now have 10 city executives appointed in our big urban clients program as part of our sustainable growth performance and collaboration strategy.

We have 18 core value proposition leaders appointed and up and running, and we have six global market sector leaders appointed. In Asia, as part of our collaboration, remember, we have sustainable growth at the core of everything that we do, both performance and collaboration, we have defined our ONEAsia operating model for Arcadis. And the implementation planning for that is now complete.

As part of our strategy also acquisitions continue, and in the first quarter, we had inProjects strengthening our program project in cost management capabilities in the Asian marketplace. As I said at the core of what we do, performance and collaboration to our performance excellence initiative, the diagnostic has been completed and we are currently designing solutions to further improve both project management, resource management and what we call work sharing at procurement and collaboration.

We turn now to Continental Europe, we are pleased to report a return to growth in Continental Europe, we launched the European multinational client sectors that are well connected with our national commercial teams to drive organic growth in Continental Europe. In terms of performance excellence, we have initiated a number of pilots within Continental Europe and they are giving results today.

Organic net revenue growth is actually at 3% in the first half of 2014 and that is a return to organic growth that we are comfortable communicating now across Continental Europe and we have a strong order backlog up 9% and all of the actions that we took last year and in the first quarter of this year are now
driving operating margin from 3.2% in the first half of 2013 to 7.8% in the first half of this year.

The chart that you are now familiar with, we are on track to our 10% operating margin in Q4, in 2014, top left hand side the original savings target of EUR25 million that we communicated and then the new target that we set for ourselves when we were able to report at the end of last year that we actually had realized EUR16 million of cost out in 2013. The first half savings realized into the P&L are EUR7 million and we are well on track to that EUR32 million. You noticed bottom left that we are not up around EUR18 million of restructuring charges out of the EUR20 million that we envisaged when we started this program.

You can see the return to growth in the top right hand part of the chart in terms of net revenue for the first half, we are now at EUR222 million and you can see that that flattening has now returned to 3% organic growth over the period.

Bottom right, where we are in terms of margin in operating margin in six month increments, and so you can see that in the first half of 2013, we are at 3.2% and we are now at 7.8% and we are on target for 10% in the fourth quarter of this year.

And you note that we always have a higher operating margin in the second half of the year versus the first half of the year.

And with that, I would like to hand over to Renier Vree, our CFO who will take you through the second quarter results and then the first half results in more detail. Renier?

Renier Vree: Yes, thank you, Neil.

And here you see the overview of the last three years of the development of the organic next revenue growth with 1% growth in the second quarter which is lower than we achieved in the first quarter when it was 2% and a main difference is that the mining sector in South America slowed down.

Moving to slide number 10. We look at the P&L overview for the second quarter, you see that the currency developments were negative also for us, 4% on the revenues and a 6% negative impact on EBITA. Overall, our operating EBITA improved significantly and as mentioned, 10.3% was the margin achieved for the quarter. In the second quarter, we recorded EUR3.2 million of restructuring and integration charges, and were still mainly realized for the European operations.

Acquisition related expenses, these are expenses related to advisory work we pay for – and for due diligence were EUR3.6 million and that is an increase compared to last year where it was just over EUR1 million.

And these days, for those of you who are not totally familiar with it, IFRS stipulates that you have to incur those costs in the quarters where you make those costs and you cannot always have them coincide with the announcement of transactions. The organic EBITA improved significantly as mentioned despite the currency headwind.

Organically, there was an increase of EUR7 million and that impact was mostly achieved in Continental Europe and in the UK. And we will show some more details of that in a minute.
And then I move to the results of the first half here on the slide 13, an overview of our portfolio on the left, the regions and on the right side, the business lines, for the regions, North America is the largest region but also the one that is from a top line perspective, under pressure. Nevertheless, the margins remain strong at 11% showing good focus there on managing the cost in line with revenue developments.

The emerging markets, we continue to see here a significant growth in Asia and in the Middle East, while Latin America softened and that is really the reason and only the reason because of the mining sector. Margins remain strong in the emerging markets despite the fact that we are investing in organic growth as outlined by Neil.

Continental Europe, as mentioned, returned to growth, we saw a significant improvement of margins but in the UK, also here, the organic growth continued and the margin improvement was also visible in the UK following the actions we took after the merger with EC Harris.

Looking at the business lines, infrastructure was flat and the positive trend here came from continental Europe which was a big change compared to the past while in Latin America, we saw an offset to that.

In the water business, this business line came back to growth in the first half year, and here, it was really South America where we saw the most positive development also helped by the improvements and the growth realized in the merger with ETEPE a company we acquired two years ago which could compensate for the decline we saw in North America.

And the environmental business was softer, because of the market circumstances in North America and here, also here, Latin America had a strong positive influence.

And finally, buildings, here we saw good growth in all regions, where particularly, Asia remains strong throughout the first half year.

Then the profit and loss overview, for the first half, where the currency effect was already mentioned before but also visible from the results in the first half, our EBITA improved by 9% operationally with 8% restructuring charges for the first half year amounted to EUR5.5 million so less than the year before.

Because most of the work to be done in Continental Europe has taken place in the meantime, they are largely incurred in the second quarter.

Net income for operations was EUR55.8 million which was a new high for us in the history of Arcadis and it was 13% which brought the earnings per share to EUR0.77 for the first half.

Then on slide 15, the overview of the development of the operating margin and this indicates that both in the first and second quarter of this year, the margin further improved.

And that we are now already at the level of 10% which was achieved in the last two years, more in the second half of the year. Moving on to the cash flow, our working capital was stable at 18.4%, we saw improvements in working capital in the Continental Europe and also in the UK, on the other hand, clients in South America and North America were slower in paying the bills and in the case of
South America, even -- unilaterally sometimes increased their payment terms for new contracts.

Despite all of that, the cash flow developed much more positive than a year ago and we are down in terms of free cash flow, EUR12 million year to date compared to almost EUR61 million in the first half of last year.

And as a consequence of that and other movements, our net debt position improved significantly compared to a year ago.

And therefore, on slide 17, you can see that the balance sheet further improved with our average net debt so it would take the June end number and the December end number and then take the average of the two, that is how we calculate this for our banks.

The ratio here was 1.1 and if we just take the point in time of the end of June of this year, then our leverage ratio was 1.3 so both comfortably within the governance with our lenders. We also refinanced part of our loans, both the loans coming due this year, as well the ones coming due next year and given the opportunities in the marketplace, we decided to do that early on.

And those have now been refinanced for five years and so in 2019, those debts will mature and you see from the spread in terms of timing and sources of funding that our loan portfolio is in a good shape.

Then on to the regional developments, the graph on the left shows the development in the first half year over the last four years where an average growth of 8% took place, and the importance of North America came slightly down as the combination of the revenue decline but also the weaker currency development that played a bit of a role here.

While, you see the increase particularly in Continental Europe now with the growth there, and if you look at the headcount, in the meantime, it is 39% of our staff that is operating in the emerging markets.

And the further overview of the regional developments if you look at North America, there, as mentioned, stable operating margin, in fact, slightly up from 10.9% to 11% despite the negative developments in the top line, in the emerging markets, growth underlying of revenues but just due to currency not visible from these figures, but operating margin is somewhat down because of the investments in organic growth that largely take place in the emerging markets and while in Continental Europe, we now see the increase in revenues but also the strong improvement in our operating margin and also in the UK, growth in revenues and improvement in operating margins.

Showing again the overview for the business lines starting on slide 22, the positive developments of the buildings business can be seen here with an 8% growth for the first half year, and while infrastructure came down to almost zero, water moved up in the first half year from negative developments last year while the developments in North America had an impact on the environmental business.

Giving you now some more details on the four business lines, first, infrastructure, here, revenues were stable and the biggest contributors to growth were Continental Europe and the UK and due to the lower level of investments by mining companies in Latin America, we saw a reduction in Latin America for infrastructure which also had an impact on the order intake and also
good to mention that we are in contract negotiations for some exciting large projects and infrastructure which will help our backlog in the second half of this year.

Then on to the water business line, here, we have a low level of growth and Latin America was the main contributor to this both in water management and water treatment and water supply and continental Europe managed to grow its revenues again in the first half of this year, while in North America, we did see on the private sector side, an improvement in water for industry so helping industrial clients to save on water with municipal and government was very slow in awarding projects and allowing even one project to be worked on.

In the UK, the order intake went up and also overall, backlog improved outside North America in all regions.

Moving on to the environmental business, where overall, there was no growth in this business, the revenues declined and the federal government didn't award any significant projects recently and also the municipal markets were soft and because many of our competitors are much more active in this market, we have seen still a strong competition for work in the private sector in North America which impacted the revenue significantly. The growth was especially visible in South America and also led to an improvement in the backlog in that region and also in continental Europe, the backlog environment improved.

And also, here, it's worth mentioning that we are in final discussions on some large projects which bodes well for the developments of backlog in environment.

And finally, the buildings business line, you have seen here strong growth, the highest growth came again from the emerging markets of the Middle East and Asia. While in the UK and Continental Europe, we benefited from the shift we made some time ago to not only focus on capital investments but also on operational expense reductions for our clients. Another good piece of news here is that was first particularly, London, the area of growth in the UK and also the growth started to take place in the areas outside London.

We also did see that architectural activities were particularly strong in the first half of this year. And all these factors together not only led to increase in revenues but also the backlog developed well in the first half. And with that, I hand it back over to Neil.

Neil McArthur^ Super. Thank you, Renier. Clearly, our priorities for 2014 from a leadership perspective are very much aligned to our strategy and so first and foremost, completing the ONEurope transformation and deliver that 10% operating margin in the fourth quarter.

Our investment for the increased organic growth around expanding our core activities and then focused growth on seven priorities, I think Renier alluded to the disproportionate amount of investment that we put into the emerging markets in the first half of 2014.

Driving performance excellence and culture of continuous improvement in order to raise margins in cash flow and you have seen that in certain regions of the world, we have been able to deliver on that in the UK and continental Europe.

Strengthening collaboration by evolving the operating model, our business steering and our culture and as we highlighted, we have completed now the design for Arcadis in Asia and we are moving into implementation with that.
Clearly, the focus on M&A is on expanding our core and on the seven priorities for growth identified in our sustainable growth performance and collaboration strategy.

If we look at the outlook per business line, infrastructure, we expect stable revenues, growth is expected in the Middle East and Continental Europe to continue and lower spend with mining clients in Latin America as Renier highlighted also in the first half of this year.

Water, low growth, market conditions in North America are soft but expected to improve. In the emerging markets in Latin America, we expect them to stay strong and our UK revenues at current levels in Continental Europe remains somewhat soft.

Environment, no growth, and North America is soft but order intake is expected to improve markedly and impacting revenues from 2015 onward and good growth in all of the other regions around the Arcadis world.

Building strong growth, continued growth in all regions with improvements in the real estate market in North America and Continental Europe being visible, and strong spending in retail mixed used in the Middle East and Asia driving that strong growth.

So when we look at the overall financial outlook, the outlook for order intake improved during the quarter and we are currently negotiating the contract terms of several large project wins that Renier alluded to going through the business line by business line. We have good visibility maintained thanks to the 6% increase in the net revenue backlog versus the year-end 2013. And we expect net revenues to be comparable with last year and net income from operations to be 5% to 10% higher than in 2013 barring any unforeseen circumstances.

And with that, Joost?

+++ q-and-a
Joost Slooten^ Any questions from the room?

Teun Teeuwisse^ Thank you. It's Teun Teeuwisse at Kempen. A few questions. First of all, on your outlook, regarding -- for net revenue to be comparable with last year, but can you tell me what it implies for the organic growth forecast for the second half of the year. And your guidance for net income from operations to increase by 5% to 10%, what does that imply for your expectation for the EBITA margin for the second half of the year.

Then the second question is on the US. Can you tell me how the revenue growth trend or the revenue decline trend was throughout the first half of the year, so Q1 compared to Q2?

And then on Continental Europe, if I'm correctly in Q1 you indicated that Continental Europe organic growth was at 0% -- was flat. Is it correct that in Q2 then organic growth was 6%? And how does working days then impair your profitability in the second quarter because I don't really understand that because you were growing faster in the second quarter than the first quarter if I'm correct? Thanks.

Neil McArthur^ Okay. Let me take first part of the first question. Renier will take the second one. So around organic growth we've been very consistent in saying that 2014 should be seen as a year we're investing for organic growth
over the 3-year period, and we've made quite a significant investment that we've shared with you in terms of people in driving organic growth.

If you were to take North America out of the equation in terms of our organic growth, we'd already be at our target for the rest of the world. If you look at Arcadis as a whole, we're delivering 1.5% organic growth at the moment. Without the US we're at our target of 5%.

Looking forward, clearly in North America, we're indicating that we expect an increase in the order book around environmental for the second half of the year that will impact revenues in 2015 we expect. So in terms of organic growth at the second half of the year in the similar ranges and maybe slightly above what we've seen for the first half of the year.

Renier Vree^ When it comes to a net income from operations, indeed, the 5% to 10% growth bracket that we have indicated that assumes that our operating EBITA in the second half will remain at the level that we have seen in the second quarter of this year.

Teun Teeuwisse^ In terms of the US

Renier Vree^ Yes. When it comes to the US there was no big difference between the performance in North America in the first quarter or in the second quarter. And maybe on to Continental Europe, they were indicated in the first quarter that we didn't see a decline. In fact, we saw a slight tick-up already visible in the first quarter and that further strengthened in the second quarter of this year.

The working days comment was more aimed at explaining the margins second quarter compared to first quarter. It's not comparable against last year. It's a quarter that will be the organic growth comparison. If we are referring to the fact that over the last working days in the second quarter this year than in the first quarter. And then obviously, when there is no working days that also no profit to be achieved.

Teun Teeuwisse^ Okay. So basically net revenues in the second quarter were lower than they were in the first quarter in Continental Europe.

Renier Vree^ In absolute amounts, I would have to look at that.

Teun Teeuwisse^ Okay. And then one final question because in H1 you did a lot of growth investments in the emerging markets, what is your guidance for the second half of the year? Will that continue?

Neil McArthur^ Well, those investments are mainly around new people and new positions, so those investments have been made, and they have been clearly at work for half a year now in a new operating model context. So we would like to see the benefits of those starting to move towards the P&L in the second half and then on into 2015.

Teun Teeuwisse^ And you're not intending any incremental investments anymore in emerging markets?

Neil McArthur^ We have -- as you see there are two big urban client leaders still to be brought on. We have identified 12. We have 10 in place today.

Teun Teeuwisse^ Okay. Thanks.
Bjorn Krook\textsuperscript{a} Bjorn Krook, ABN. 2 questions. In the UK you see a big year-on-year improvement in the margin. Can you explain a bit what's going on there? Is that the market improving other forces at work?

And then for the restructuring charges in the second half, you said that for Continental Europe, most of the work has been done. Does that mean that we will not see any restructuring charges in the second half for Continental Europe? Thank you.

Neil McArthur\textsuperscript{a} Well, if you look at -- I'll take the first one. If you look at the improvement in margin in the UK, remember we put in place a new operating model with the merger with EC Harris at the beginning of 2013, which means that we're now reaping the benefits of that new operating model working much more effectively and efficiently, which has allowed us to continue to drive top line growth and capture higher margin through that business in the UK.

Renier Vree\textsuperscript{a} Yes, when it comes to restructuring in the second half, I would expect that to be on the lower level than in the first half. We're not yet done in Continental Europe. I think we also indicated in the past that especially changes in the office infrastructure typically take more time to bring to completion, so some of those costs will continue. But also in other places for instance in Chile where the mining market is soft, we are taking actions to make sure that we keep our organizational structure in tune with the markets' demand. And also there occasionally, as an example, restructuring cost will be taken.

Bjorn Krook\textsuperscript{a} Yes, quick follow-up if I may. On the North American market, I think around this time last year you spoke about price increase, the wage increases which would be followed by price increases. How is that situation developing?

Renier Vree\textsuperscript{a} We have seen in the US particularly an issue with winning work because there are less work available in the market. It's very competitive. A competition doesn't just mean price. It's often also a case of access to the client, making sure you bring the best work, you can start when the client wants you to start. You have the reputation to do a good job. You are in the region where a client has a project. And then now everybody is aiming for a strong work in the private sector particularly.

There is no strong price erosion. So I would say that the price levels we could put in place last year we were able to maintain. And in fact, that you now have kept our strong margin was more than we were able to manage the cost in line with the lower revenues not so much to deal with price pressure as such.

Bjorn Krook\textsuperscript{a} So it's purely a volume issue.

Renier Vree\textsuperscript{a} Correct.

Quirijn Mulder\textsuperscript{a} Quirijn Mulder from ING. By business segment, can you give me some feeling on the development that had been the first and the second quarter about the developments there, in general, especially for environmental services? So first quarter was maybe weaker because of weather conditions, so we should expect some improvement in that segment in the second quarter. And we didn't get a feeling that it was happening there. That is only an example for these [two issues].
Neil McArthur^ Yes, but I understand your question, Quirijn. But don't forget we always compare with the same quarter a year ago, so winters are in Q1 this year as they were last year. In fact, winter was, in Europe, less severe and the US more severe. So there hasn't been a strong change in the development of the environmental market in the US in the first half of the year. In general, we can say that Continental Europe did see an uptick throughout its business lines in the second quarter compared to the first quarter. So that was a clear shift in trend.

For the other regions, I don't think there was a huge difference and maybe infrastructure. Today you saw Latin America, the mining clients, there you see a tapering off of the revenues because of big projects outside Brazil like on Mozambique and in Malaysia. Those projects were completed, which impacted infrastructure revenues in the second quarter.

Quirijn Mulder^ But for environmental services, the largest part is in US? In the first quarter, you suffered from the winter conditions as we understood, so there should be that the second quarter should be better. And let me say quarter year-on-year calculated, so the first quarter is suffering year-on-year because the winter condition is weaker and the second quarter should be better. And I don't get the feeling that the second quarter in environment serves as year-on-year a lot better.

Neil McArthur^ Well, we don't give details by quarter by business line as you know. But from a regional trend, I just like to reiterate what I just said that in North America the market didn't improve in the second quarter compared to the first quarter, so in that sense the volume impact was more severe in the second quarter.

On the other hand, in South America and in Continental Europe, it was the opposite. So those forces were all at the same time coming into effect in the second quarter.

Renier Vree^ But as we have shown we are in a decline in the environmental business organically in the first half of this year.

Quirijn Mulder^ My other question is about the order book. Order book first quarter was organically up by 6% is now up by 4%. Can you explain that -- let me say deceleration of growth?

Neil McArthur^ Yes. Well, and the order book declined by 2% in the second quarter. It's not uncommon by the way. Of course, typically in the first quarter you get also annual contracts awarded, so it's always the stronger quarter historically in terms of order intake. And in the second quarter you consume some of that backlog that was created in the first quarter. So the decline of 2% in the second quarter is not unusual number to report on.

Dirk Verbiesen^ KBC Securities.

Question on your comments on also referring to turn for second half growth in revenues and your comments on orders especially infrastructure and -- or prospects I should say in environment and infrastructure. Can you be a bit more specific where you are in that respect? And does that -- your statements on the positive impact on growth largely affect the order book, meaning that it's concerning larger multi-year projects or do you also refer to -- and then I'm coming back to what Teun said on the top line impact for those projects and
where are you in discussions with clients or have you made some kind of a probability with, let's say, our chances including yourself or...

Neil McArthur^ No, we're not -- we don't declare probability weighted pipeline. What we declare is when we've actually verbally have a notification that we're in contract negotiations to win multiyear contracts particularly in the environmental space. And that as we said would have a markedly increase in the order book for this year, in the second half and -- well, we did affect revenues in 2015 in environmental.

Dirk Verbiesen^ Same goes for infrastructure, is that size of projects any different there?

Neil McArthur^ Well, clearly infrastructure projects -- if we're talking large infrastructure projects, they are smaller than the larger environmental multi-year contracts. And those ones tend to get started much sooner because you have clients that have capital expenditure projects that need to be project managed and that's what we're talking about.

Luuk van Beek^ You indicated you expect the backlog in the environment -- by the way, Luuk van Beek from Petercam. You indicated that the backlog in environment is likely to improve in the second half because of the context that you're negotiating. Will it also make you less vulnerable to the very competitive markets where you see public sector companies competing against you? Do you see a general change in that situation?

Neil McArthur^ In North America, clearly, the knock-on effect of less government spending and the shutdown has seen less private sector contracts coming to market this year. We're winning our fair share of those in terms of the public sector markets. We are very focused on winning the large multiyear environmental contracts that are out there. And as I said, we're in contract negotiations with multiyear environmental contracts.

Joost Slooten^ Okay.

Bjorn Krook^ Just a quick follow-up on something that Teun just asked. What did you say exactly about the operational margin that is behind the 5% to 10% EPS growth from operations? Because I understood you said that it would be -- the assumption is flat EBITDA margins on Q2.

Neil McArthur^ What I said is that I would expect in the second half of the year the operating EBITDA margin to be in line with what you have achieved in the second quarter.

Bjorn Krook^ That's what I said, right?

Neil McArthur^ Yes, so we said the same thing. Yes.

Bjorn Krook^ You have no improvement or the same improvement or...

Neil McArthur^ No, no, to be -- I mean, in the second quarter we did I think 10.3%, so I expect it to be around that level also in the second half.

Bjorn Krook^ Okay. Thank you.

Edwin de Jong^ Hello, Edwin de Jong, SNS Securities. A couple of questions left. In Latin America, could you give some more color on the differences that you see
in Chile actually and in Brazil especially how was going mining in Brazil? And the last one is actually we've seen a large merger -- Aecom and URS. And do you have any vision on how that changes the environmental than the market environments for your business?

Neil McArthur^ Do you want to do Chile and Brazil?

Renier Vree^ Yes, let me do the first one on Chile and Brazil. What we see throughout South America is that the market for public transportation like airports, highways, market for environmental services for water is all very strong. We grow significantly. The mining market is the one which is in decline because of the lower capital expenditures that our mining clients have taken recently.

We expect in the second half of this year that that will continue. While for next year we have become more optimistic what we see that new work started to be handed out, so we think we have seen or are seeing currently the bottom of that reduction in spending, and that next year also the infrastructures are the private infrastructure of business with mining clients will start to improve in 2015.

Edwin de Jong^ That's both in Brazil and in Chile.

Renier Vree^ Well, Brazil is much more important to us in terms of size, so it's for -- I mean, on Brazil, I'm a bit more sure. I mean, Chile is smaller for us, so there I have less data about, but I think the overall signals about capital expenditures are similar between the two countries.

Neil McArthur^ Just addressing the proposed Aecom-URS transaction, clearly, the communication is that the benefits are all about restructuring. And with restructuring, the magnitude that they're talking about that comes with people uncertainty, and we see that today with -- in the marketplace for talent that there is uncertainty there on both sides -- URS and Aecom. It brings with it to a degree client uncertainty as well, which creates opportunities for us as well with clients that we want to have a bigger market share first to proactively go after that today.

And then if you look at the financials for the deal, it's much predicated on the success of the restructuring and the ability to generate a lot of free cash flow in order to pay down the large level of debt -- TBD.

Edwin de Jong^ Thanks.

Andre Mulder^ Andre Mulder, Kepler. Two questions. First, can you give us a feel about the working days effect has been with your margin have gone through without that effect?

Secondly, any conference call for Aecom and URS that were talking about clients wanted an integrated approach. Can you mention what parts of the industry are especially affected by that because you said it's not entirely the total industry and some of our clients are telling us differently?

Renier Vree^ Well, let me take the first one, and it's not an exact science. But based on our calculations, the number of working days would have been the same in the second quarters. In the first quarter, the operating margin in Continental Europe would have been approximately half a percentage point higher.
And if you look at the integrated approach, in certain geographic and market sector intersections there is a demand from clients to have what I'll call a single solution of design build. So if you take, for example, new build water in the US for water treatment, that is the case.

We don't need to position as buying a construction firm with all of the risks associated with having a construction firm as part of ARCADIS but what we can do is very successfully joint venture with selected construction firms in order to be the designer in a design-build solution where we're covered contractually for the liabilities associated with the design but not with late delivery on the construction side.

So for example in Carlsbad in California, we are in a joint venture for the western world's largest desalination plant, a joint venture with -- and it's really designed from -- in a local US contractor and that we believe is the best way for ARCADIS to win market share in that market sector without the risk of vertically integrating into construction. If you look in the industry, there are others that have chosen that path and are disintegrating vertically, Balfour Beatty and Parsons Brinckerhoff being the other example.

Yes, let me just come back on the question of operating margin where we're discussing margins at Q2 and the rest of the year. Our assumption is that the margin is the same but that excludes the improvement of Continental Europe. So Continental Europe will fuel on top of that in the second half of the year just to be totally clear on the expectations.

And one other question on this AECOM and URS thing, we've also seen AMEC and Foster Wheeler. You said that came to surprise that AECOM and URS came together and do you see also that any other signals in the industry that something is happening?

I'm not aware of any other signals in the industry. No, there is clearly the Foster Wheeler-AMEC deal. There's the proposed URS-AECOM deal. And we know that Balfour Beatty is -- Parsons Brinckerhoff are for sale as well.

Two questions, [Kirang Ulf] from [I.G.]. About North America, the first quarter, you were quite clear expecting in the recovery in the second half of 2014. What has changed that you are not seeing it anymore so clearly you're both -- and let me say postponing that in 2015 in fact.

And your other question is with regard to the margin. Second half 2013 must be 10.9 almost. You now say 10.3 plus that recovery in Europe. Does that translate in something like 9% for the European market some sort of guessing from my side they're different?

Well, starting from the last one, we do give guidance on profitability and I gave you an insight on operating margin. We don't go as far as giving you an insight on the expected margin by region if you don't -- if you don't mind, Kirang.

On the first one?

Yes, the -- clearly the -- if -- as I said, we're very -happy with the initiatives that we have in organic growth outside of North America. We have seen decline in the first half in North America.
We believe that our performance is the strongest relatively versus our peers and it will be interesting to see what's reported out over this reporting season and we were quite clearly at the top of the pack in terms of North America.

In the first quarter, we believe we will be there in the second quarter as well which means that as we look out towards the second half of the year, we've said that we see an increasing order book in the largest business which is environment but we've also cautioned that that will have a bigger impact on revenues in 2014 than in the second half of -- sorry, in 2015 than in the second half of 2014.

Teun Teeuwisse^ Two more questions from my side. First one is one return on invested capital. Do you what your return on invested capital for the first half year has been?

And the second question on the working capital, do you expect given the current working capital trends that your free cash flow will exceed net income this year?

Renier Vree^ Our return on invested capital is in the metric that we calculate on an annual basis. So I don't have the number for you for the first half-year. You could do the calculation and then I think it wouldn't be too different from where it was for the full-year last year, probably slightly up.

Teun Teeuwisse^ Yes, that was at 14%.

Renier Vree^ Yes, so that's -- I would have made a guess -- I would have...

Renier Vree^ Given the similar number. In working capital, well, we always see that in the second half year, we managed to work down our working capital and we are working very hard on this.

Our incentive system is based on this and in our reviews, this is one of the key topics next to, of course, growth and profitability that we discussed, so based on that and then the cash flow that will be generated from that, I would be disappointed if we cannot have a cash flow that exceeds our net income also in the 2014.

Teun Teeuwisse^ But does that require your working capital by yearend as a percentage of revenues to be lower than last year?

Renier Vree^ I think they will be in the -- would be in the same ballpark as last year, you know, the two together.

Teun Teeuwisse^ Okay, thanks.

Willem Burgers^ (inaudible). Willem Burgers, Add Value Fund. Referring to your capital markets days of November last year, you revealed some targets for 2014 onto '16. I wonder, do you feel -- still feel comfortable with your medium-term targets in order to achieve them more particularly? Is it needed for the US market to improve substantially in order to be able to reach these targets?

And secondly, you mentioned inorganic revenue growth of at least 5% on a compound average growth rate. Can you talk to us a bit more about your acquisition program? Has anything changed on that end compared to November last year?
Neil McArthur: All right. So as we said, if you take US out of the equation, today, we're at around our long-term three year target for organic growth in the rest of the world. And being six months into a three-year strategy, we are not unhappy with that progress given the investments that we've made.

Clearly, our target in the short run is to drive more growth into our US business recognizing the pressure on the top-line that we've talked about particularly in the environmental and in the water business.

It is our number one priority from leadership at the moment. As I said, we were -- we've moved swiftly and managed to increase our margins in the first half of this year despite that pressure on the top-line.

We're doing everything that we can in order to fill the pipeline of opportunities in North America. And if that were to come back to even zero growth then you can imagine that we're moving well on the way to our long-term target for organic growth. It is a priority for us and our leadership team in the US are very much focused on it.

If I look at the inorganic part of our strategy, it was greater than 5% compound annual growth rate over the period. And as we've said before, we are looking for acquisition candidates both to expand our core and the seven focus priorities for growth that we have.

In the world of deals, you cannot be definitive about the time that you can create value for your shareholders and we will continue to look for opportunities to do that into the future.

Unidentified Audience Member: One final question on what Renier said on working capital trends if I remind correctly in Lat Am and US which deteriorated. And that's both basically in decline and we're in more difficult markets where you are right now. Is that normal behavior? Do you -- is it coinciding with the decline that you also see worse payments?

Renier Vree: Well, unfortunately, you see that more often that when the markets are a bit difficult clients take advantage and then -- and intend to extend the payment terms. Often, you can partly compensate that by being even more focused on the work in progress and so bill the client faster so that's still overall your working capital doesn't get too much impact.

But currently, you see in North America and most of the mining companies that they push deals away, on the more positive side that I mentioned that in the UK and in Continental Europe with all the efforts we have done there to implement good practices around invoicing and collection where we had success, so therefore, the two forces are currently exactly in balance as our working capital is the same.

And I guess we will always have to face opportunities in one place and the challenges in another place to fight the battle for lower working capital.

Unidentified Audience Member: Thanks.

Joost Slooten: Okay, I see no more questions in the room. Can we please go to the line and see if there are any questions from outside of the room?

Operator: Thank you. If you would like to ask a question over the phone, please press the star or asterisk key followed by the digit 1 on your telephone. Please
ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, please press star-1 to ask a question. We will pause for a moment to allow everyone to signal.

We will take our first question from Philip Scholte of Rabobank. Please go ahead.

Philip Scholte: Yes, good afternoon. Philip Scholte. I'm still a little bit puzzled by your outlook. It seems to imply actually that we are going to see some margin pressure in the second half for the whole group in order to get to your guidance range.

Is that the way to look it because despite Continental Europe continuing to improve that that was actually going to happen? Or put otherwise, is there anything else below operating EBITA because, of course that is not the line you're guiding at, is there anything particularly that we should take into account for the second half of the year?

Renier Vree: Yes, Philip, correct. So the guidance of net income operations of 5% to 10% higher assumes the margin as I have indicated before. There's also the line in the P&L called income from associates which is I would say a less predictable line. You know, and you see -- over time that you've all seen that sometimes there is a gain and other times, there is a small gain or a loss.

So in the first half of this year, there was an impact of that and the largest contributor to deadline is around energy assets in Brazil. You may know that we have stakes in energy companies in Brazil which are being divested, and in fact, the divestment process continues.

In the first half, we had an impact that operationally was less profitable. In fact, one was giving in two cases also because of the high energy prices in Brazil that took place. We expect in the second half of the year that they'll not be at the same level as it was from last year.

So -- and I think of more associates, we expect that the profitability, they'll be at the lower level than the last year and, of course, that plays a role in making the outlook for the full-year.

Philip Scholte: Right. But it wouldn't be another loss in the second half, I sort of concludes my remarks.

Renier Vree: Well, this is not the best predictable part of the P&L, so I don't expect a loss indeed. But I think last year, there was quite a nice profit. I don't expect that will happen either.

Philip Scholte: Right, right. Okay. And my second question actually is around the acquisition cost, the 3.6 million, which is quite a substantial amount. Is that something of which we can still look forward to the result of that or is that a closed file and is it well, sort of sunk cost?

Neil McArthur: Well, clearly, we've taken the cost into our P&L, so there are some costs at this point in time and we can't talk about any timing of any deal or deals in the future. But they cover both advisor and due diligence costs. That's as we indicated earlier in the call.

Philip Scholte: Right, all right. And was that related to one single file?
Neil McArthur^ Those costs for the first half-year clearly cover ones that have been completed in the first half like in projects and other files that we've been working on.

Philip Scholte^ Right, several. All right, thanks.

Operator^ As a reminder, to ask a question over the phone, please press star-1 on your telephone keypad.

We will take our next question from Edward Donoghue of One Investment. Please go ahead.

Edward Donohue^ Good afternoon, gentlemen. A couple of questions if I may. Just looking at the environmental order book that you're building in the US, can you give an idea of the sort of the embedded pricing that's actually going into that and how we should look at that versus history?

And the other one is that, Okay, you've been very fast as you always have done in reducing your cost base in the US. However, as you get the business coming back in, you're obviously going to have to rehire potentially because you're going to have to scale up. Bearing in mind we actually had a slight hiccup with regard to wages and staffing last year in the US, can you give an idea of comfort that that wouldn't repeat itself? That's one.

And then the second question just on the UK, if I heard it correct, you were saying on working days adjusted at the margin in Q2 would have been equal to that of Q1, but if I look at it, you had roughly 6% revenue growth in the UK so I'm missing -- am I missing something with regard to operational leverage?

Bearing in mind, you've actually been putting a lot of effort into having it more efficient as you pointed out after January 1, 2013, the building of more restrictions and delivery model in the UK. So could you just explain that a bit?

Renier Vree^ And maybe starting to the last one, there may be some confusion there because you are referring to Continental Europe but it's (inaudible).

Edward Donohue^ Okay, apologies.

Renier Vree^ That's not for the UK and no problem.

Edward Donohue^ Within the same question, let's just change the name, what about Continental Europe then?

Renier Vree^ Well, in Continental Europe, then margin in the second quarter was lower than the first quarter. It actually dropped from 8.1% to 7.5%. And in fact, the reason for that was the lower number of working days in the second quarter.

Edward Donohue^ Yes, but I thought you had a question which -- and the lines are very bad and so I apologize, but it sounded that you said if you corrected for the working days, the margin would have been the same -- similar Q2 versus Q1, but there was a pickup in your business in Continental Europe.

Renier Vree^ Okay, yes, within the...

Edward Donohue^ Yes?
Renier Vree^ Sorry.

(Crosstalk)

Renier Vree^ No, no. The pickup refers to the revenues in the second quarter compared to the second quarter of 2013 but the margin discretion was between Q1 and Q2. That probably created the question with some -- with some people.

Edward Donohue^ Okay, all right.

Renier Vree^ And then on the first -- on the environmental business in North America, indeed, we have been agile in adapting the cost base. Well, we look at the markets as well. As mentioned, it is competitive in the sense of having to spend more work than before to bring in the work.

The pricing as such is in a good and stable level and given the fact that we are expecting to win some nice projects, we will indeed have to bring back staff, but it always brings also the opportunity to bring in some new and people that may be at the lower cost level than incumbents or people that were there before. So it also brings opportunities to make sure that we can also going forward achieve the same margins as before.

Edward Donohue^ Right. Okay, thanks.

Renier Vree^ You're welcome.

Operator^ There are currently no further questions in the phone queue.

Joost Slooten^ If there are no further questions from the phone, and I see no further questions in the room then I'd like to thank everyone for their attention and close this meeting. Thank you very much.

Neil McArthur^ Thank you.

Operator^ That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.