Corporate Participants

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Presentation

Operator
Thank you for standing by and welcome to the Arcadis Q2 2011 Results Analyst conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I must advise you this conference is being recorded today, Wednesday 3rd August 2011. I would now like to hand over to your first speaker today, Mr Joost Slooten. Please go ahead sir.

Joost Slooten - Arcadis – Director Investor Relations
Thank you operator. Good afternoon. My name is Joost Slooten. I am the Director of Investor Relations for Arcadis. I would like to welcome you to this Arcadis conference call. We are here to discuss the Company’s announcement of the Second Quarter and First Half Year Results 2011, which were released this morning.

With us during the presentation today are Harrie Noy, CEO and Renier Vree, CFO, as well as Board Member, Friedrich Schneider, who will discuss results and answer your questions about
the results. We also have with us today Manoel da Silva, CEO Arcadis Brazil, and later on Hernán Bezamat, CEO Arcadis Chile, who will talk about the very successful activities in their respective countries. The powerpoint presentations that are being used during today’s call are available through the Investor section of the Arcadis website, of 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 will call your attention to the fact that in today’s session Management may reiterate forward-looking statements which were made in the press release. We’d like to call your attention to the risks related to these statements, which are more fully described in the Company’s Risk Management reports which are also available on the website.

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

**Harrie Noy - Arcadis – CEO**

Thank you, Joost, and welcome everybody to this analyst meeting which represents the Second Quarter and First Half Year Results for Arcadis. A special welcome, of course, to those people that attend this analyst meeting conference call – welcome as well to this meeting.

I will go now to the first slide, which shows you the key results of the Second Quarter and First Half Year, and if you look at our results then you will see that we were able to maintain profit and we also continued organic growth in both the First Half and the Second Quarter. Net income from operations in the Second Quarter is slightly higher than last year, 1%, and in the First Half Year net income from operations was 4% higher compared to last year.

We have been able to continue organic growth. We started with organic growth again I think in the third quarter of last year that continued in the fourth quarter of last year, was pretty strong in the first quarter of this year and we were able to continue at the level of 3% in the Second Quarter and in the First Half we were on balance at 4% organic growth. That organic growth is mainly coming from the US environmental market, where we are doing quite well. It’s coming from South America, where we have operations in both Brazil and Chile, which are both growing pretty strongly, and also in Asia we are doing quite well with our Subsidiary RTKL that’s providing design services and is very successful in the commercial property market.

Gross revenue in the Second Quarter was a bit lower than last year, mainly due to currency effects and divestments, particularly the divestments of our facility management business, which
had a negative impact on gross revenues, as we have seen in the Second Quarter. That negative impact was already present in the First Quarter as well, but in combination with the negative currency effect in the Second Quarter we had a slight decline in gross revenues in the Second Quarter. Besides those positive developments that I just mentioned in the US environmental market and in South America and Asia, we have seen continued weak government markets particularly in Europe, causing margin pressure, and in order to deal with that margin pressure we have taken substantial cost reduction measures in order to improve our margin again, as of the Second Half of this year.

For the Full Year 2011 we have given a more specific profit outlook and we expect profit, we refer to net income from operations; we expect our net income from operations to increase by 0-5%. This morning somebody said “zero percent; is that a kind of a profit warning because you mentioned the last time that you expect net income from operations to improve” and when you talk about 0 to 5% then it’s between 0 and 5%, excluding the 0, so we still expect an increase of between 0 and 5%. Looking to these overall developments, you could conclude that the positive developments that we see in the US, Brazil, Chile and Atlantic [audio] compensate for the soft market competition particularly in Europe.

That brings me to the next slide, which summarises the main elements our Second Quarter results. First of all, as I mentioned earlier, we continued organic growth and that is quite positive because that is not self-explanatory as not all of our competitors were able to continue with organic growth. We are able to continue organic growth because we have such a well-diversified portfolio of services, both in terms of geography, in terms of market segments and in terms of client categories.

We maintained our profitability, slightly higher in the Second Quarter, still an increase of 4% over the First Half Year, despite a tremendous currency effect, particularly in the Second Quarter. Currency effect in the Second Quarter was 9% on EBIT level; 9% currency effect negatively impacting our EBIT in the quarter, but despite that negative impact we maintained our profitability. We sold our facility management business, as announced previously, and the transaction was completed. We sold it at a net profit before tax and after tax, because we don’t need to pay tax on that profit, of 7.4 million. Looking at our figures, you should be aware of the fact that we completed that transaction in the Second Quarter, but the business was already because of the [formal] figures as of 1st January; actually it was consolidated by the end of 2010, so in terms of the impact on EBIT and the impact on revenues it is included already as of the First Quarter of this year.
We mentioned to you previously that we have changed our strategy in Brazil. In Brazil we had, besides the consultancy and engineering business, we also had an investment portfolio, a portfolio of energy projects consisting of small hydropower plants on the one hand and biogas installations on the other hand. We intend to divest that investment portfolio and we told you that we expected a contribution from those divestments for this year of 3-5 million on our bottom line. We have realised, already prior to that in the Second Quarter, on an EBIT level that makes a contribution of 9.5 million. If you look at the contribution of the 9.5 million to the bottom line, then it is about 3 million so, of the estimated 3-5 million divestment for the total year, we have realised in the Second Quarter about 3 million.

We have taken a substantial reorganisation charge in the Second Quarter of 6.9 million. That reorganisation charge is taken to improve our margin going forward. We suffer from margin pressure, particularly in Europe, and you know that we have very strong focus on margin. That is the reason we have taken measures to reduce costs in order to improve our margin again, as of the Second Half of this year.

A very important event for Arcadis was that we were able to acquire the remaining shares in Arcadis Logos, which were acquired by mid-July. Manoel da Silva, CEO Arcadis Brazil, is here and he played a very important role in that process and I am very happy that you are here, Manoel, to introduce the Brazilian business a bit more, and we are very happy from our side that Arcadis Logos is now a full member of the Arcadis family. This allows us to benefit even more from the strong growth in the Brazilian market. The acquisition of those 50% shares was partly financed through the issuance of shares; we issued 1.16 million shares to the sellers who were the partners in Arcadis Logos.

The last important event to be mentioned is we have refinanced most of our existing bank loans through private placements in the United States of $110 million, so that is quite positive because it creates room for future growth and it has resulted in one-off charges in the quarter of 3.9 million and Renier will certainly elaborate a little bit more on that.

Those are the key developments in the Second Quarter and, having explained them to you, Renier will give the details of our financial results.

Renier Vree - Arcadis – CFO
Thank you, Harrie, and good afternoon all. Typically numbers tell a story and I think this one has been a quarter in which quite significant events happened, so I think the story is at least as
important as the numbers to really get to the bottom of it. Harry already mentioned AAFM, the sales of the hydropower plant, the reorganisation charges and the refinancing, four of the main events that happened in the Second Quarter.

The gross revenues went down by 4%, adjusted for the currency effect; currency is also an important element of the results this quarter, adjusted for divestments and acquisitions, and the sale of the hydropower plant, organic growth of 2% remained on gross revenues. Net revenues, which are flat compared to last year, there the organic growth was 3% and that is quite an achievement as we see that many competitors are also seeing the downturn in terms of government [spending]. They are fighting hard to maintain topline, so we were very happy that we were able to increase organically again this quarter, because the lower spending on public projects was more than compensated by growth on private spending, and we'll share some more details on that in a minute.

The EBITDA improved by 35% and of course that includes the hydropower plant gain and it also includes the restructuring charges, which I'll show later on, but organically the EBITDA went down by 5% this quarter, on a comparable basis. Net income went up by 1% to €18.5 million, despite the significant currency effects, as mentioned already, and revenue per share went up by 2%.

For the First Half Year it's a bit similar, although the currency effect is less; gross revenues flat nominally and organically up 2%, while net revenues increased 3% and growth remains organic, especially coming from high growth countries like South America and the environmental business in the US. So EBITDA up [24%], mainly for the same reason as mentioned for the Second Quarter and net income from operations up 4%, helped by also a lower tax rate. On the other hand, the minority charges of course with [one-off] interest of a higher amount related to the gains realised in Brazil.

Let's move to the next page, where we have a graph showing the development of organic growth of net earnings per business line. Organic growth continued to be 1% lower than what it was in the First Quarter, but also we should realise that in the First Quarter we were helped with the easy comparison to the First Quarter of 2010 when the severe winter circumstances happened. Infrastructure in the Second Quarter of 7%, especially in South America, but the decline was most visible in the Netherlands and Poland; environment 8% - US the main growth area, but also in Brazil and Chile we see environmental activities growing and buildings flat in the Second Quarter. RTKL was the area where we saw continued growth.
On the other hand, in the UK and the Netherlands, we are seeing a slowdown of activities in buildings; 8% decline in net revenues in the Second Quarter, mainly in the US. There the phasing out of the New Orleans project is a big explanation, but also the government spending in the US is impacting the Water business. We'll show a bit more of that in a minute. The nice trend that we have established in EBITDA continued in the First Half and I will show the reasons for that in a minute and make a comparison between the First Half of this year and the First Half 2010.

First, looking at the Second Quarter by itself, this sheet explains the main reasons for the shift in the EBITDA in the Second Quarter 2010 to the Second Quarter 2011. Currency negatively impacted the EBITDA by 5%, partly resulted from the sale of carbon credits this year and a small amount last year and energy projects of course [audio] projects in Brazil, helping the EBITDA. Reorganisation charges had a negative impact of 14% and then, if you calculate the actual results, in the Second Quarter it means that organically the EBITDA went down by 5%, which I mentioned earlier, and that is really a consequence of the lower profitability that we have realised in the Netherlands and also the UK, as mentioned before to you, and also when you look at the table in the press release, there you also see the developments of the EBITDA. I think you arrive at the same conclusion from that.

For the First Half Year the picture is quite similar, although the currency effect is a bit less. Carbon credits were realised in the First Quarter, which are in here, and the organic development therefore was a negative of 3%. If you compare that with the net revenue of 4% that’s an indication that the profit margin went down somewhat, for the same reason as the countries that were mentioned on the previous page. The margins per quarter are here and this time we slightly changed the way we present this, because we saw also in many of the reports that are written about Arcadis, we thought if we take out the carbon credits, the energy projects, the reorganisation charges as well, why not make it easier for you and do the table in the same way, really showing the underlying margins that we realised quarter by quarter.

Here you see 9.6% underlying EBITDA in the Second Quarter compared to 10.4% in the same quarter last here. This really reflects the impact of the government austerity measures on the market – that takes more work and more pressure on fees and that is also the reason that we decided to speed up opportunities to save cost and to maximise visibility and make sure we continue to focus on the margins. Therefore we should see improvements in the Second Half. Other financial details; I already mentioned the carbon credits and on financing charges it’s important to mention that because of the refinancing, some of the costs were associated
with loans’ expense when they were repaid, and also some derivatives became [effected] and also [added to] the expense in the P&L of the Second Quarter.

The tax rate is 21% in the Second Quarter, bringing the First Half Year to 25.5, and you probably know that according to IFRS you have to take the tax rate for the year-to-date period that we include in the Full Year 2011, even if in this case the profit of AAFM that happened in the Second Quarter, which is tax-free – we still have to apply that gain to the Full Year, so that is maybe a bit awkward maybe in the way we would look at the tax percentage, but that is the way the accounting treatment has to be done.

Minority interests, as mentioned, are up because of the higher profits in Brazil, particularly as a consequence of the sale of the hydropower plant. Net income from operations improved by 4% in the First Half, compared with the First Half of last year, despite the negative impact of currency of about 3% over that period and the higher reorganisation charge that we took in the first half.

Turning to the Balance Sheet, working capital represents 17% and last year was 16; one impact is the fact that Arcadis Management set a very low working capital, so if we adjust for that then last year would have been [16.4 - audio]... really spread out across quite a few places in Arcadis [audio] same I.T. system, with some hiccups in the billing in the First Quarter, based on the process of the billing, the approval of debt and getting the payments – that’s the reason that you see the receivables a bit higher at the end of the Second Quarter [audio] improvement programme that we already initiated before seeing those numbers.

Net debt standing at 283 million, of course helped by a weaker US$ here, which also means that the ratio of net debt to EBITDA stands at 1.3 at the end of the Second Quarter; at the end of last year and also at the middle of 2010 the ratio was 1.4, so well within what we have agreed with the banks. A bit more detail on the refinancing – a lot of effort went into this [audio] Private Placement with [5] large investors in the US for an amount of $110 million and we agreed on a 5-year term loan for 155 million; a shorter term loan for 90 million and we have a loan already in place for a few years of €150 million at very attractive rates [audio] ... as a consequence of vehicles, the maturity of our debt went from around two years before the refinancing to more than five years after that.

We are also happy that the sources of funding have changed... nothing wrong with banks, of course, but it helps to have more options to find funds than with banks alone. Private placement is very important and also a vessel for acquisitions that we don’t have to wait, in case the right opportunity presents itself, to make sure we have the funding in place to act on the opportunities.
The banking syndicate further expanded. We had 4 banks before and now we have 6 banks, including a large US bank, Bank of America, and that is helpful for us to streamline the cash management. Of course until now we still had a number of banks involved on cash management and here’s an opportunity to also work with a large bank through that part of our process.

Turning to the business lines, starting with infrastructure, as mentioned organic growth revenue here was 5% and 9% on net revenues; the difference is because of the reduction of outsourcing and the use of less sub-contractors. Brazil and Chile are very important in this respect, driving growth for the infrastructure business, both for mining projects as well as for energy projects. In the US we see, contrary to what many people believe and would expect, activities are stable despite quite some reductions we see happening in the market.

In Europe we see that the austerity measures had an impact on our level of activities but the good news there, as we have said many times before, the large projects of multi-year duration; they continue and the exception to the rule is Poland where, at the end of last year, the government decided to stop a number of projects, even if they were not completed yet. The final part of the famous (or infamous maybe) north-south line in Amsterdam – we are part of the construction that have won the project to complete...

The water business is organically showing a decline of 12%; net revenues at 6% and that’s because also of sub-contracting, particularly the New Orleans project was also using quite some subcontractors and the New Orleans project is in its winding down phase and it is one of the reasons that the activities are going down.

The other issue is budget issue in the US, even if the projects are typically funded a large part by [levies], so based on the usage; it still means that the people that decide on those investments, even given the overall reduced tax income and room to spend on projects, take more time to decide on projects and even when they agree to a project they don’t always allow you to start those projects, so there is a kind of slowness in the coming to market of the water projects, particularly in the US. Nevertheless, we won a few large projects in Washington DC, and we like those projects. They are the more complex projects that make our people very excited. In Europe we see there also an impact of austerity programmes by the government.

Turning to environment, organic growth of 11% on growth revenues and 7 on net revenues – here we see the opposite of some of the other business lines where the work requires us to use sub-contractors to execute remediation, but private sector demand here in the US is very strong, in particular for the oil and gas clients, where many projects are now underway to be executed. We
had wins for projects on GM factories, 89 factories, and also the Department of Defence, our largest client, has quite a few nice projects on its way, where we were the lead consulting engineer. South America is also here, growing the business for environmental projects related to mining and energy.

On the other hand in Europe, also on the back of lower spend on infrastructure, there is less need for environmental impact assessments, which we see reflected in the activities for the government here, while the private sector shows signs of strength and is picking up and compensating part of that shortfall. For instance, in France and Germany that is very visible, where we see the activity going up, and also in the UK – which I think we shared before with you, where we’re struggling a bit on the environmental business – there we see clearly that business is recovering, after the measures that we have taken.

Finally, Buildings: organic growth 1% down on gross revenues and a plus of 1% on net revenues. Here we deconsolidated, starting January 1\textsuperscript{st}, we added right at the end of last year high-end programme management in the US. We see decline happening in the Netherlands and also in the UK, through the lower spend by the government on infrastructure and buildings, but a better story can be told about RTKL. We see still tremendous growth in China, often through mixed retail and shopping malls, while in the Middle East it is more common to work on healthcare projects. Germany and Belgium continued to show growth, for instance for data centres, and work for hospitals in those countries.

Our portfolio continues to be nicely diversified [audio], also given the growth in South America and geographically the Netherlands has become [smaller] because of the sale of AAFM and the rest of the world has picked up that share because of the growth we are seeing in, because of the growth we are seeing in Brazil and Chile.

Client mix is shifting to the private sector, from 37% of public sector a year ago in the first six months, while this year the public sector makes up 30%, and it’s a very significant development which is hard to over-estimate the effort that goes from all our people into this shift, because it means that there is a 20% reduction in the public sector which is more than compensated by growth in activities with our clients from the private sector. Oil and gas are to be mentioned here, and also the mining sector, and also many industrial companies; we see a pick-up everywhere and gaining of market share, where we can move our resources from the public sector to private sector. One of the reasons that this shift is happening from public to private is why we remain optimistic in our outlook.
I think it’s the right moment to hand back to you, Harrie.

Harrie Noy - Arcadis – CEO

Thanks Renier. I am going to provide you with an outlook for the business with respect to 2011. Let me first reiterate that [audio] is increasing and it has to do with the fact that [pressure] in the financial markets continue, and that is having an impact on the real economy... I don’t need to explain it to you, but I just mention this because this is also the environment in which we operate.

Let’s look to the specifics of our business; first of all, infrastructure – in infrastructure we see continued strong growth in South America and we expect that continued strong growth to offset the decline in Europe. Of course there is continued pressure on government budgets in Europe and also in the US, with very strong demand in South America, and we expect that strong demand to continue. Up until now, we mostly benefit from investments in mining and energy, so the work we do both in Chile and in Brazil is largely for the private sector. Manoel will give some examples later during this session.

What we have not included yet is the work for the government particularly in Brazil, related to the Olympics. Olympics are taking place in 2016. We see the first movements in the market with respect to the [resources] that are necessary to accommodate those Olympic games. I don’t know whether you have ever visited Brazil, either Sao Paulo or Rio de Janeiro, visiting those airports it is absolutely clear that huge investments are necessary in order to accommodate those games. I can assure you that besides the physical necessity, there’s also the Brazilian [pride – audio] and they do everything to show that Brazil is a strong economy. That requires a lot of investment in infrastructure and we are sure we are going to benefit from that over the coming period of time.

Europe, on the other hand, we have this pressure on government budgets and Renier mentioned already that large projects are generally protected from it because governments do their utmost to continue with those large projects and if they cannot continue it with their own investments, governments are looking for public/private partnerships. A good example is France, as I mentioned before, with the high speed rail line from Tours-Bordeaux, which is partly financed privately and partly financed publicly. That is I think a good example, also in other European countries, to continue with those infrastructure investments which are definitely necessary also to stimulate the economy going forward.
With respect to those big projects, we have a healthy backlog, so we have also good opportunities to continue to work on those projects. We do not expect an improvement in the local markets in the short term, so budget pressure will continue in those markets, which also means that pricing pressure continues. Given the fact that we expect this continued pricing pressure, we have taken measures that we already discussed.

Water was actually showing I would say the most disappointing development in the Second Quarter also for us. We did not expect such a strong impact from the tightening of the government budgets in the water market, definitely not in that short term. Renier explained it and we see that pressure on revenue. That does not mean that the market is collapsing. The market is not collapsing. The market continues at a reasonable level, with also good new project opportunities, very strongly focused on the renewal, expansion and efficiency improvement of existing facilities, mainly in large cities.

We also still believe that the utility character of water protects that market to a large extent. We see delays, given the fact of budget shortages coming from tax avenues, but we think that the utility character of water protects that market. Probably over the coming quarters we will see a continuing decline because we are also adjusting our capacity to the present market circumstances, but I expect that as of next year that will stabilise again as we build a basis for growth in the water market as well. That is also because we are working on expanding our water business to markets that have ample growth opportunities, like Brazil, Chile and the Middle East, and we expect that it’s going to continue to contribute to our revenues in water, in the near future.

Environment: we are doing quite well in environment and we expect continued growth. If we look at what’s going on in the market and how we are doing in the market, we think that we are gaining market share in the market. In the US, we grew in the Second Quarter organically by about 9%, a tremendous achievement but we think that we are outgrowing the market with those percentages. That has to do with our strong competitive position on the one hand and the fact that we see that clients are outsourcing large portfolios of contaminated sites and that helps us with our competitive position, because there are not that many companies that are able to deal with those large portfolios of contaminated sites and also to give certain guarantees to clients with respect to the remediation of those sites.

The contract that we won for General Motors and the contracts that we announced earlier- all these are large contracts and we have a very strong competitive edge with respect to those types of contracts. I mention the large contracts and the good thing is that if we look through our backlog, we see that the backlog up until now in environment is mainly filled with let’s say more
traditional projects, including those large projects but not clear projects, so we are burning backlog at this point in time. The good news is that we see big projects in the pipeline, real big clear project in the pipeline that offer ample opportunities, which still have to materialise, of course, but with some of those projects we are also in negotiation phase and we have good hopes that we will materialise those projects somewhere in the remainder of this year.

Renier mentioned already Brazil and Chile, and be aware of the fact that the huge investments that take place in those countries, both in mining and energy projects – all these investments require sustainability. They need to be done and they need to be implemented in a sustainable way, which means a lot of environmental services are related to those investments and we benefit from that, as we do from picking up of private sector demand in Europe. It’s gradual picking up. It’s not at the level where it is in the United States, but we see that private sector demand is picking up and we benefit from that at this present time, particularly in France and Germany, and see that also coming in the UK.

The last segment is Buildings, where the situation has definitely improved. The commercial property market has stabilised. In both Europe and the US it is not improving and I do not expect the situation in the commercial property market to improve in the near term, although there are pockets with substantial activity; for example, the market in the Southeast of the UK is doing quite well and there we see definitely that property investments, also in commercial property, are picking up.

RTKL continues to focus on international expansion, both in the commercial property market and in the healthcare market; very successful in Asia and the Middle East, and we expect that trend to continue, also based on the large projects that they have won recently. Also here pressure on public markets, but on the other hand we see corporate investment increasing. We have acquired a framework contract for IBM, for Europe and the Middle East, and we expect more of the discussions that we are having with corporate clients at this point in time to succeed and to result in those types of framework contracts, where we are going to help those corporate with their building needs across a number of countries.

That brings me to the overall outlook. Our backlog is still pretty healthy, although it is stable compared to the end of the year. We reported I think at the end of the First Quarter that our organic backlog was 5% and at the end of the Second Quarter it is again organically stable compared to the end of the year, which means that we had a slight decline of backlog in the Second Quarter, which is happening regularly because backlog, especially [audio] those big projects it goes with ups and downs.
Compared to the end of 2010 infrastructure was down by 2%, also because we had huge order intake, particularly in Brazil last year, and we are now trying to work all those projects and filling the pipeline again. Water, minus 1% compared to the end of last year, environment up by 2% compared to the end of last year, and buildings up by 1% compared to last year. All in all that results in a stable backlog compared to the end of last year.

Government budgets are under pressure and it will take a while before that situation is going to change but, on the other hand, we expect private sector spending to have a positive impact on the two segments where we are mainly active in the private sector, which is environment and buildings. Emerging markets continue to offer a lot of potential and we are focusing very much on those markets in order to benefit from that potential. We have implemented cost reduction measures and we expect those cost reduction measures to have a positive impact on margins in the Second Half 2011 and when we talk about margins, we talk about the underlying margin which is the margin excluding restructuring charges and excluding carbon credits.

The underlying margin – we expect that margin will improve and, if you calculate the underlying margin, because we saw from your notes this morning that some of you made a wrong calculation because you have not just reduced EBITDA for those impacts but you have also reduced net revenue for those, so the contribution from the energy projects in Brazil is going through net revenue and through EBITDA, and that has a substantial impact on the margin, so please take that into account. Given the cost reduction measures that we have taken, we expect the underlying margin in the second half of the year to be above 10% again, and we are targeting for the total year a margin of 10%, given the fact that we expect our margin for the total year to be above 10% that we will be around 10% for the total year – that is our expectation.

We continue with expansion of the Company through acquisition and we have opportunities for it because we expect consolidation is speeding up. Refinancing that we have put in place creates the financial headroom to do so and we have given an outlook for the full year 2011 of increased net income from operations of 0-5%, which includes the gains from the sale of AAFM, barring unforeseen circumstances. Just a few remarks with respect to that estimate – please take into account that that estimate also includes a serious currency impact compared to last year. That currency impact in euros, based on the dollar/euro exchange rate, the impact is about €3.5 million negative impact on the bottom line because of the currency impact.

The second point which is good to mention is it also includes those restructuring charges that we have taken earlier in the First Half Year and we expect the restructuring charges in the Second
Half Year will be around the same level as we have seen them in the Second Half 2010. Under IFRS you cannot take restructuring costs once you have a very detailed plan in place that discusses how these costs are being taken and that is why we expect still a bit to come, also with respect to the [integration – audio] in the US where we are speeding up the indication of the corporate functions. We expect that to be completed in Q3 this year, which is a bit sooner than we initially intended and that also requires a bit of cost to make sure we do that integration properly, so that’s all included.

Having given you this explanation, I would like to hand back to Joost – Joost, I think we are now ready for questions.

**Joost Slooten - Arcadis – Director Investor Relations**

Thank you. We are ready for questions in the room and then later on we’ll go online for questions from the callers, so if you want to go ahead and ask a question – yes?

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**Questions and Answers**

**Question from the floor**

*(Introduction off-mic in venue)*... First of all, the tone of voice of your press release is, in my opinion, clearly more negative compared to Q1. What in your view has changed, other than the increase in uncertainty?

The second question is on your cost reduction measures... can you indicate what the scope is of those cost reductions, so what is the pay-back time for it and can you also indicate why you are doing it in the Netherlands now? Is the outlook so much weaker? If I look at slide 10 of your presentation, you see that margins are down in the quarter, year-on-year; are you doing enough?

The third and final question is on the Brazil energy projects... how much have you already sold and what is remaining?

**Harrie Noy - Arcadis – CEO**

Let me go through your questions. First of all, we try to be realistic when we write the press release – as realistic as we can – to reflect what is going on in the marketplace. If I would
mention two developments which are maybe a bit more negative than we initially expected, then it’s the impact of the government austerity programs in Europe which have caused more margin pressure than we initially anticipated and which have forced us to take those cost reduction measures that we have taken in the second quarter; that is certainly one thing. The other element which I want to mention is the negative growth in water, which we were expecting but not to the extent that we have seen in the Second Quarter. Those were the two developments that were a bit more negative than we anticipated.

The last point to mention, which you already referred to, is the general uncertainty that has increased compared to the end of Q1 this year. On the other hand, if we look to those positive developments, then I must say that these negative developments have been offset largely because of the positive developments which are also much more positive than we expected. If you had asked me whether we would do 9% organic growth in the US environmental market, I would have looked to heaven and asked for some more realism with respect to the opportunities that the market offered, but we did 9% organic growth in environmental as well, which was better than expected.

If I look to the growth that we realised, particularly in Brazil – Manoel is going to substantiate that later on – that growth is also stronger than we expected. We have now one project in Brazil, a huge investment project – Manoel will explain it – that we have working on one project 300 people, so the developments in those countries are also a bit more positive, and that is the reason why, on balance, organic growth maintained at the level of 3%, given the fact that water was worse than expected and the impact in Europe was also worse than expected – still maintaining 3% is I think quite an achievement.

The scope of cost reduction; to be honest with you, we also accelerated the cost reduction because we had those one-off gains through the sale of the energy projects. I think that’s what everybody would expect us to do, to use those positive impacts in order to do what is necessary to improve the competitiveness of our business, particularly in Europe. These cost reduction measures apply to the Netherlands, but not only to the Netherlands; it applies to the UK and it applies to Poland, because those are the places where the need for those cost reduction measures were definitely the strongest.

If we talk about the scope of those cost reduction measures it includes reshuffling of offices; in the Netherlands we have done quite a bit of acquisitions over the past couple of years. We have a lot of small offices as a result of those small acquisitions and we are using the present market circumstances to close down these offices and to integrate people in key centres within the
Netherlands. That is one element and the other element is that we look very critically at overhead functions and reduce that wherever we can in order to deal with competition and, thirdly, we [keep] the capacity wherever needed in order to rightsise capacity with the demand from the marketplace.

Are we doing enough? That is a good question that we are asking ourselves regularly as well. We think so, because we rightfully speeded up some of those programmes, as I have just explained, and even if we do everything, which we can – everything that’s needed, under the present market circumstances it’s still difficult to maintain your margin at a level where it was when the market was booming. I think nobody would expect that to happen, so we work on margin improvement, as I mentioned, and we expect our margin to go up again and to be above 10% in the second half of the year and we expect that it could be close to 10% for the total year.

Energy projects – what is remaining – we mentioned at the end of the first quarter that we expected a gain on the sale of those projects of 3-5 million. The project that we have sold now accounts for 3 million out of the 3-5 million and, at the end of the day, which means for the total year it will end up probably close to 5 million, somewhere between 4-5 million on the bottom line. Be aware of the fact that in Brazil we have acquired now [100% of the engineering] business but not of the energy projects, so these energy projects are being sold but the profits are being distributed according to the previous shareholding of 50/50. The 1-2 million which is still upcoming, this year at least – that 1-2 million is our share and will have an impact on our bottom line.

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**Question from the floor**

First of all, you said that growth in Brazil had exceeded your expectations and that the 9% growth in US Environment was far beyond your expectation – how sustainable is that growth right now?

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**Harrie Noy - Arcadis – CEO**

That largely depends on what is happening with the economy, I would say, because particularly environmental spending in the US is largely private sector driven and we see that there’s good appetite in the private sector at this point in time to deal with environmental issues, but if we want to continue growth at this level the economy should continue to do reasonably well. That is I think the main factor in determining whether it’s sustainable or not. What is also important, the [gap] project that I mentioned, is clear project materialising and we have good reason to believe that
somewhere in the second half of this year these projects will materialise and, when that happens, that also gives strong benefit for continued growth in environment.

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**Question from the floor**

Would you also reduce costs in the Netherlands if your outlook for 2012 was good?

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**Harrie Noy - Arcadis – CEO**

As mentioned, nobody expects that the government austerity programmes will go away anytime soon, so we adjust our capacity because it is definitely necessary for the coming period, which goes beyond the next half year; we have to improve our competitiveness in order to compete in a more difficult market and the government market is not going to improve in 2012.

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**Question from the floor**

Just a couple of follow-ons; regarding the reorganisation charge of almost 7 million, could you give a split on for example what the recurring cost savings of that is and also regarding how much of that is attributed to local markets and what is attributed to other segments you are working on? How many people were made redundant or how many shifts reduced as a result of making redundancies?

Secondly, on the water market, indeed you anticipate a slowdown, but not to the extent we saw in Q2, which was also on my estimate, but could you shed some light on the split between the New Orleans impact and the [un-impacted] part? Then, regarding your working capital which remained high in Q2, apparently you have got a new plan in place which has already been executed in two countries; could you also share with us the impact of what that was in terms of sales, the working capital after the execution of these plans in France and the UK?

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**Harrie Noy - Arcadis – CEO**

Could you say something about the cost savings, Renier?

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**Renier Vree - Arcadis – CFO**

Sure. When you look at the investments we did in reorganising a number of countries, the focus is typically to bring those countries to the required level of profitability, so as long as the exact
amount is adjusted to bring them to the profit level – in some countries you pay a small amount and the cost goes away immediately but in other countries, like the country we are sitting in, you have to typically pay easily a year’s salary, so if you say well, can you give me an actual amount of annualised cost reductions, then I would say typically pay-back a year is on average a reasonable indication that annualised cost savings would amount to when we’ve fully implemented those metrics.

Also include some cost for real estate, offices as Harrie mentioned; typically there the lease period is longer than a year, so for that part the pay-back … of course the next follow-up question will be the percentage for offices or percentage for people (laughter) and I would say offices is probably about a third or so, if you want to have a rough indication. The slowdown in the US in the water business and the impact of New Orleans is a significant part of that – about one third or so of the reduction that’s caused by the winding down of the activities for the New Orleans project.

Your last question on the working capital, indeed we have piloted the project to improve [management] in the UK and in France, and I am very pleased that the UK is already showing improvement, and it is also the place where we decided to start because it was obvious that they could improve the working capital and France started a bit later, so there it is too early to see it from their numbers but in the course of the second half, all the other countries are implementing the same processes and approach, managing and working with the people in the field to make sure that the right contracts are being negotiated, which also optimises the cash flow management of those contracts. Our ambition is to get to working capital levels that are below where it was before.

Question from the floor
Just a question on the restructuring you took; quite a big chunk of the restructuring was in the Netherlands and you have already discussed this earlier today, but if I look at the underlying margins in the Netherlands in Q2 it’s not that negative, I would say, the trend; it goes down, but not a big surprise I would say, but still if you do a big part of your restructuring, is that because the market is deteriorating so fast, or how should we see this, because it’s not reflected in margins yet, so I am bit in the woods there.

Harrie Noy - Arcadis – CEO
(Laughter)... We’ll get you out of the woods!
Question from the floor
That would be welcome and, on the interest charges, can you remind us the average year-on-year change on the average rate on your new facilities versus the old facilities – has this gone up and by how much?

Second, given your restructuring and the increased base, you said in the first quarter on the targets you’ve set for organic growth rate of 5-7% that it could be challenging this year to meet that; do you feel that it has increased to be challenging, looking at your statements on the trends and, given your work base and the number of employees etc, and the restructurings you take now and maybe also in the second half, do you feel that the organisation remains well-positioned to get to 5-7% in 2012 as well, or are you trimming down so much that that could be another challenge?

Harrie Noy - Arcadis – CEO
The first question, to get you out of the woods because you could be lonely in that wood... if you see how Arcadis has done in the Netherlands over the past couple of years, then obviously we have done quite a bit better than many of our competitors have done, and that has to do with the fact that we (more than our competitors) have those big projects, and those big projects continue. Nevertheless, we also suffer from the downturn in the local markets and besides the downturn in the local markets, although governments do their utmost to continue with those large projects, there is some pressure on government spending as well, so in that respect the world is changing.

In addition, given the fact that everybody suffers so much in the local markets, there is also over-capacity in the marketplace and when there is over-capacity in the marketplace then competition increases and margins go down. The only way to counter this, if you say margin is our highest priority, is to make sure we do two things; first of all that we make our cost structures more effective, which means reducing overhead costs so that we can more effectively compete in the marketplace and, secondly, making sure that we don’t have the kind of capacity which people want to use at whatever price possible, so better to take out some capacity so that – how do you say – that people don’t feel challenged to acquire work at too low margins.

That is what we don’t want. We want to focus on margins and not necessarily on getting our workload filled. Margin is our highest priority and in order to sustain margins, also going forward,
we have taken those measures to increase our competitiveness but also reduce the challenge that people feel to get work in where the margins are not sufficiently high.

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**Renier Vree - Arcadis – CFO**

On interest charges, you have seen that the 10-year private placement was done at a level of 5.1% for that period. That is higher than the average interest rates we had to date. The overheads of the other loans are at lower rates, so if you look at the average then it will not be very different than what we have so far so, to predict going forward, I think the level of interest that we have seen in the past is also going to [play] in the future, given the current level of net debt. Of course you have to take into account that most of the debt is in US$, and in this case the weaker dollar works in our favour.

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**Harrie Noy - Arcadis – CEO**

Then we go to the growth targets, the 5-7% - we are not going to realise 5-7% in 2011, but that is probably not what you would expect. We have done actually 4% in the First Half Year and a bit over 3% in the Second Quarter of this year, and I think we will continue the remainder of this year around this level, given the fact that these positive and negative impacts that are included in the First Half Year most likely will continue in the Second Half of the year, which is a tremendous positive achievement. I remember that when we disclosed those targets some of you reacted with strong disbelief that we would be able to product organic growth at all in 2011. Nevertheless, we achieved a decent organic growth in 2011 and our goal – as I said, we never said the 5-7% was going to be applied to 2011 – it is going to be applied to every year of the 3-year period. How the reductions are going to impact the possibility to achieve that target, going forward, is difficult to predict. It also depends a bit on whether we are able to expand the Company in other places and with other capacity, and that is what we are going to evaluate once we are in the budgeting process. After we have enjoyed a bit of holiday, then we are going to focus on the budgeting process and that will give, I think, more light on 2012. So I would like to get [unclear] with respect to that question once we have disclosed the third quarter results.

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**Question from the floor**

Yes, a couple of questions from my side. First with regard to the increasing uncertainty, did you have some concrete stories there or let me say cancellations whatsoever from the more uncertainty with regard to economic growth. That is my first question. Then give also some breakdown in water between let me say what is protected and what is Malcolm Pirnie at this
moment for you? It was I think in the past 70 against 30, so maybe you can update us on that and what is the direction of that? And then if you look at the Netherlands for example you see a 25, [23%] decline in the first half year and the 64 million. Can you give some breakdown with regard to what you do for the [local government] and what your large projects, because we have the North-South line, we have [audio] so that is a big chunk of the total Dutch market, so can you indicate what is [audio] the rest of the market taking into account what you have seen in these live projects probably not changing that much. Those are my questions for this moment.

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**Harrie Noy - Arcadis – CEO**

First about the increasing uncertainty, are there any specific signals that have stimulated us to make that remark, no. Not at this point in time. But of course we are not blind to what is going on in the market place. So given—we see also what is happening with the economy just as you do and I think we all have the feeling that this creates more uncertainty with respect to any market in which any company operates given the fact that it is so unpredictable how this is going to impact the economy. And that is the reason why we have included that remark and so we don’t have any specific signals. We are just impacted by the same feeling as you’re impacted with that this might have an impact going forward.

Then with respect to water, the distribution between protection and Malcolm Pirnie, I think that has not changed that much. [Renier], I don’t know what your feeling is?

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**Renier Vree - Arcadis – CFO**

No if you look at—I mean it is a question of Malcolm Pirnie as a percentage of total water—?

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**Question from the floor**

Yes that is the idea.

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**Renier Vree - Arcadis – CFO**

In fact we can’t even exactly measure it anymore because operationally it is really one water division now in the US. And if you look at the share of the US water business as part of the total water activities of Arcadis, then it is around 75%. So there is no significant change in that.
Harrie Noy - Arcadis – CEO

Because also the distribution between water management on the one hand and water treatment on the other hand, so the typical Malcolm Pirnie business versus the traditional type of Arcadis water activities I don’t think that there is a lot of change.

Renier Vree - Arcadis – CFO

30% is water management, 70% is treatment and supply.

Harrie Noy - Arcadis – CEO

Exactly. Then your question about the Netherlands, you mentioned there is decline in revenue. Be aware of the fact that large parts of the decline in revenue in the Netherlands is coming from the sale of RFM, particularly on gross revenue. It had a very strong impact because I think RFM was doing about 150 million annually on a 100% basis, we took 50% of that in our figures because 50% was consolidated I think on the 50% basis.

Renier Vree - Arcadis – CFO

65 per year.

Harrie Noy - Arcadis – CEO

So, more than that I think, so I think organically the Dutch business declined by around 5% or something in the first half. Then I think you gave a very nice overview of the large projects, I couldn’t improve that. So these projects are continuing. I don’t know exactly what percentage that is of the total business but it is certainly important with respect to the profitability of our infrastructure business in the Netherlands and it is continuing although as I mentioned before also some pressure on spending from central government.

Question from the floor

But that is…the pressure from the central government is that postponement of work or is that because they—

Harrie Noy - Arcadis – CEO
Yes it is more discussions for the programmes that are being implemented and so on. I think I mentioned before that [audio] pretty well so Minister Schultz was present and there was clearly the intention to continue with investments in the [audio] of the projects so she is doing absolutely her utmost with those programmes, but she also operates of course in a budget environment which is more tight than it has been before. Any other questions?

**Question from the floor**
Two questions, two remaining questions; first on the—you made some statements on the easy comes in the first quarter due to the winter impact explaining some of the slowdown in the second quarter. Was there an impact in all the clusters I would say and looking at the tax rate you mentioned some of the impacts in the second quarter what should be a good run rate for the second half or what is your guidance for the tax rate for the second half of the year?

**Harrie Noy - Arcadis – CEO**
Maybe first as the slowdown in the period of 2010 is concerned that of course in itself did not have an impact anymore in the second quarter in the comparison—

**Question from the floor**
Yes, I understand that.

**Harrie Noy - Arcadis – CEO**
But it had to do with the fact that the growth in infrastructure seemed to slow down compared to the growth that we reported in the first quarter of this year and that is not a real slow down of growth in infrastructure because whereas the growth in the first quarter was overstated as the comparison base in the first quarter of 2010 also now.

**Question from the floor**
So on a like for like basis infra was…was stronger now?

**Harrie Noy - Arcadis – CEO**
Yes, it was I think equally strong as in the first quarter even a bit stronger if you take into account let’s say the more than 5% dip that we showed in the graph in the first quarter of 2010. So I think it was equal or even a bit stronger than the growth that we had seen in the first quarter of this year.

**Question from the floor**
And the impact on buildings?

**Harrie Noy - Arcadis – CEO**
Buildings that shows a little bit of volatility. I would say buildings at this point in time is more or less stable. So the growth that is being produced by RTKL is being offset by declines basically in government markets. Then the tax side?

**Renier Vree - Arcadis – CFO**
Yes on tax rate the way it works is you have to estimate the tax rate for the full year then applied that to the year to date results. We have applied 25.5% for the first half year, a little bit higher in Q1 therefore lower in Q2 to get to the 25.5, the 25.5 is always what we will apply as it looks today for the second half of 2011.

**Question from the floor**
So the estimate is 25.5?

**Renier Vree - Arcadis – CFO**
Correct.

**Question from the floor**
Yes, I think I have to come back on the situation in the US again. It is holding up pretty well up until now of course probably due to the environment but aren’t you afraid about the impact of potential budget cuts there increasing competitiveness across the board? I mean I hear you talking about the situation in Europe where low volumes lead to pricing pressure in general. Is that a scenario which you also see in the US or are looking at or are afraid of?
Harrie Noy - Arcadis – CEO

I never say never, but I don’t expect that to happen to be honest, because the work that we do for the private sector is based on the very strong competitive edge that we have. I don’t see that even when the federal government would slow down their investments for example in environmental projects that that would impact our position with the private sector. I think that we have come out of the downturn in the United States market that took place in 2008 and 2011 stronger than many of our competitors did. Maybe of our—particularly the smaller competitors were seriously hit in that period of time. And Arcadis was also strongly hit. Everybody has forgotten that but in 2008/2009 it was really tough in the United States environmental market, really tough. We did a lot of work and we do a lot of work for the private sector and the private sector was seriously impacted by what happened with the economy. And I think I mentioned that in those days we had discussions with all of our clients about our fee schedule and those clients that asked us in those days, 2008/2009 to reduce our fee schedule by 10% were the more positive ones. So this was a tremendous impact in those days. And I think our US management has dealt very well with it also by reducing the cost and whatever they could and I think that has increased our competitive edge in environmental management. We have come out of that crisis in 2008/2009 stronger than we entered it. With potentially when let’s say normal circumstances would come up again with the potential to create more leverage in that business. Also from a management perspective because we have reduced our costs also, so I—even in the scenarios that you were describing I would not expect that type of an impact. What could happen is there is maybe an indirect impact. Let’s say if—and that is the reason why Obama has been so hesitant up until now to reduce government spending because it could impact the general economy and the government is an important player in the economy. When a government spending goes down that would have a negative impact on the growth and so on that type of scenario and then the whole economic environment would change and it would definitely also have an impact in our business.

Question from the floor
If you are gaining these big portfolio kind of things, why are you gaining those things? I mean is nobody else capable of doing it?

Harrie Noy - Arcadis – CEO
Nobody is maybe a bit too strong, but there are not that many companies that are able to that. The 89 sites that we are going to remediate it is a [framework] contract and so on and we have not contracted the 89 sites but that is the programme and if we do well and if we deliver to our promise we think that we will do the 89 sites. And there are not there many companies that can deal with those large programmes so it is a matter of skill that you need and secondly it is also a matter of promise that you can make to your clients with respect to the timeframe needed to close those projects. And given the technology that we have available we have a really convincing story for our clients and that is also the basis for increasing our market share I think. It is really a good story and we are really strong in that respect. We are not always going to benefit from it but really I try to convince you.

**Question from the floor**

On M&A my other favourite subject on the wires I hear you talking about that you are expecting a deal in the second half. Can you say something about pipeline and expectation?

**Harrie Noy - Arcadis – CEO**

We are aiming to a deal in the second half, because [audio] I once did that when I was relatively new as a CEO of the company. I thought we were going to make it and so on and we didn’t make and then I heard it for a period of at least three years so I don’t make any promise anymore in that respect. But mentioned already for a period of time that this is a high priority for Arcadis, so we are spending a lot of energy on it, but remaining critical, so it is not a matter of okay we said we are going to do it and now we feel kind of a burning need to do it and to things which don’t fit our strategy. Now it should fit our strategy. We definitely see a lot of interest in the market place. That interest is definitely stronger than it has been for a period of time, so we are looking to that business and are interested to have this business. Our highest priority is definitely expanding into emerging markets being Brazil on the one hand and Asia on the other hand. Difficulty is sometimes a bit price expectations because we don’t want to be irresponsible towards our shareholders so the deal at the end of the day must create shareholder value and if not then it doesn’t make any sense. So that is sometimes creating a bit of a difficulty and sometimes we say these price expectations, we are not going to meet those price expectations because it doesn’t make any sense. And sometimes people have those dollar signs in their eyes and you can’t convince them that it is ridiculous. But that is a priority, the second priority is the consolidation—we think that consolidation will accelerate, is accelerating to a certain extent and as far as consolidation is concerned the focus is on Europe because there are the consolidation [potential] is at least as strong as in the United States and we have already a strong position in the United States.
States, but Europe in terms of consolidation has a priority over the United States. And thirdly we are looking for let's say niche acquisitions which could be a geographical niche or which could be a niche in terms of special capabilities that we would acquire. The niche in terms of geography will be for example Canada, a lot going on in that country from a mining perspective but also oil and gas is doing a lot of investments in Canada and so if we could acquire a company that could act as a platform for example to introduce our environmental services that would also be very helpful. So these are...let's say the directions that we take. The goal is certainly to see whether we can conclude something this year but I can't promise. That is just a goal that we are working on and see what comes out of it.

**Question from the floor**
A couple more questions on Brazil maybe now for the first half, the first one, how many energy projects remain to be sold in Brazil? You have sold a few now and how many are left? The second one is on the effect of carbon credits, we have not seen an impact in Q2 does it mean that in the coming quarters there will also not be an effect? And there was one maybe also regarding [Philip’s] question, the full control of Logos, is that really helping you to do more M&A in Brazil?

**Harrie Noy - Arcadis – CEO**
Maybe as far as the energy project is concerned, let's say that the three projects that we have sold, the three contribute to our bottom line three million, the remaining, up till the five million that we mentioned after the first quarter we expect this year somewhere in the range of one to two million and that is then the most important cherries have gone. There is still a bit to come I think with a few projects, two basically. Yes we focus on 2012 but we need to find buyers of course as well. But there will be a few smaller cherries left but the pudding has been consumed.

**Question from the floor**
All these are held in the 50/50 consolidation?

**Harrie Noy - Arcadis – CEO**
Everything is 50/50 yes. And the idea is that because this is the [audio] what is at least as important in this respect is that we free up capital. And that is the idea that we free up the capital and that is also partly used for the investment in the other 50% that we have acquired, but we can
also use some of those proceeds that are still upcoming to further expand in Brazil. So the good
ting is that we free up capital to reinvest in the core business of Arcadis. The full control, yes in
terms of acquisition it is not so much an issue of control, because we have fully aligned with our
partners in Arcadis Logos and so it was not an issue of gaining the full control in order to further
expand through acquisitions it was more a matter if we wanted to maintain the 50/50 it was
difficult for the other partners to come up with the money which was needed for those
investments.

Question from the floor
For non European acquisitions?

Harrie Noy - Arcadis – CEO
Yes, exactly that was—but also for any acquisition, given the fact that most of the financial
resources that we produce in the company went to financing working capital because in such a
strong growth scenario we need quite a bit of working capital to finance growth as well. So it is
more creating the financial room to further expand in Brazil than that the control was such an
important issue, because we were fully aligned with our partners. And as far as carbon credits is
concerned, Renier will tell you on whether we are still expecting something.

Renier Vree - Arcadis – CFO
I think the way we will have the deal for biogas does mean that the carbon credits are part of the
deal. So we sell the future carbon credits as part of that deal, so we should not expect future
carbon credits specifically say on the line of carbon credits in our P&L.

Harrie Noy - Arcadis – CEO
So the good news is that in the future our P&L will be more easy to read.

Renier Vree - Arcadis – CFO
Actually there will be a small remaining portion.

Question from the floor
A couple of small questions remaining; on your guidance you noted between the zero and the 5% currencies and restructuring, I assume that also the one to two million in the second half from energy projects is included in that guidance.

**Harrie Noy - Arcadis – CEO**

Yes.

**Question from the floor**

And then a second question is on your M&A in Europe, because you talk about the fragmented market and you also clearly see that in the margins. I was wondering when going for acquisitions you target kind of technologies that is mainly geographically based and you focus on your current geographies and second to that when you look at the margins of the acquired companies, you always said we want to acquire a company with similar margins. We have focused on countries which have margins similar to your European activities or to your global activities so for the group activities and that is it for me.

**Harrie Noy - Arcadis – CEO**

First as far as consolidation in Europe is concerned we have been focused on our strategic goals so we value add potential targets against the strategic goals that we have for each of the business lines. So it is not so much about geographical expansion, we also look to geographies in Europe of course, but it is also about adding the type of capabilities that we need to build leadership positions in certain segments. So that is important and second item which is important that has to do with geography that is could it help Arcadis in also further growing in high growth markets because some of those companies have good potential to expand into high growth markets because they have a presence already. So we evaluate tactics in the light of our overall strategy of the same. Increasing margins that is a good point and we always mentioned that we are looking for companies that have similar margins as Arcadis, or where we think that we can bring them to similar margins within a three year period. And that is, given where we are in the European market, that is something that we have to take into account as well. I would like to go to the presentations, maybe on final question from participants via conference call?

**Operator**

There are no questions from the telephones. Thank you.
Harrie Noy - Arcadis – CEO
Okay then I propose that we finish this part of the analyst meeting and that we go to the presentations. I don’t know in which order you want them to do that.

Joost Slooten - Arcadis – Director Investor Relations
Well we are going to do Brazil first and then Chile.

Harrie Noy - Arcadis – CEO
Okay, so then I would like to give the floor to Manoel Antonio with a lot of last names. Manoel is the CEO of our Brazilian operation.

Manoel da Silva – Arcadis Brazil – CEO
So good afternoon everybody. Here we have Arcadis Brazil which is booming and I think it is more blooming than booming and that is a very special picture of my tree at my home, but it gives a good idea about I think the situation that we have today within Brazil. If you know the Brazilian anthem, the national Brazilian anthem, it says about the sleeping giant and Brazil has been really in that position for I don’t know 400 years maybe? And actually in the last five years the whole situation has changed and even the government now cannot disturb that much the situation we have. So just a brief story about Logos was founded in 1969; it was an initiative of seven engineers, these are what we call the seven founders. We started as an hexagon, that was our logo and today we are a salamander which is a big change from geometric picture to a very organic presentation. We, after thirty years we decided to join Arcadis, actually the negotiations start in 1998. I was part of the negotiation team then. It took us one year to develop the negotiation and then when we were up to finish in January 1999 we had a big devaluation in Brazil and then we decided to wait a little bit and see how things would evolve from there. And finally in September 1999 we completed the negotiations and we started beginning as Logos and then we in the future, in 2006 after we create the company as Arcadis Logos.

We have had some acquisitions in Brazil, in 2001, 2002 and 2003 which was a way to diversify our activity in Brazil because until then we were fully specialised, focused, whatever you can call up in project management. So we did not do anything else beside unless for project management and the way then was really to start the diversification process by acquisition. But
although the acquisitions were really small companies or a company which had become small which was the case of Enerconsult which was an Italian company, Electroconsult from Milan. They started activity in Brazil [audio] so from the foundation in ‘69 and when we joined Arcadia we were about let’s say 200 people and today we are really in June 2,244 and going up. So after the negotiation now for the full 100% Arcadis we were 25 partners and 12 were really executive partners, meaning that the founders were still there back in June and those who also were like executive partners but were beyond age, the group was really let’s say mature at least above 70 that was one of the reasons for this change. And those that were really executive partners remain now as Arcadis offices in the company. We are really the third consulting and engineering company in Brazil which is not very easy to compare nowadays but there is a change in the profile and we have a lot of EPC contracts, so some of the company they are not anymore consultants they have become EPC contractors.

So this is how we work until then with three operating companies, Logos Engenharia, Enerconsult, Arcadis Tetraplan and Arcadis Logos Energia was the investment arm. It is important to say that when we joined Arcadis and then we had just started with Logos Engenharia, the whole point about Arcadis Logos Energia was to create opportunities. So that was a way that we could create our own opportunities and to make sure that we would keep [audio] working and not then depend that much in the let’s say economical situation. Okay, what happened then in 2010, the demand in Brazil is pretty high so it was not making sense anymore to keep inventing new opportunities when the client had really high demand for our services. So we did not want to be competing with the client in that regard, so that was the first decision then in 2010 to start divesting this Logos Energia and by that way we could prepare Arcadis Logos for growth including in terms of acquisition. And then February here, someone, I don’t know if it is the same group, ask Harrie about what about the partners. I don’t know maybe it was you? And then Harrie said, I have not ever checked the pockets okay but so far we have not had any problem. But that probably is that the opportunities in Brazil are big and it would impossible to have this 25 partners in partnership with Arcadis and will not be able to really to take the opportunities we have right now in Brazil. So the partners did not want to block Arcadis Logos in terms of growth that was the main reason for us to decide to have this transaction because that would not even be fair with the 2,000 people working there. So the opportunities are there and we must take then right now.

So just to give you an idea, so there we have the [audio] which was formed in 1989, it was a very small [audio] 2003 and Enerconsult and this is our environmental arm, Enerconsult is a typical engineering company doing design, engineering, some project management. They are a number one company in Brazil in terms of engineering for thermal power plants. We acquired in 2001
and then Logos Engenharia which is really the alma mater in Brazil where everything started which is still the [PMC] and company. By the end of the year we will integrate the three companies as one company Arcadis Logos and they will be working as divisions from that point on.

So if we look today first half what we have that in Brazil we are almost 80% is really private then we have 5% in terms you can call companies as we classify it here and only 18% is public. This has been the situation I think I say 2008 we start growing the private sector in terms of segment of the clients. And it is funny to remember that in 2008 we thought that could be a problem because of the private sector given the crisis could be short in terms of investment and really that was not really the case. And we still—so we kept the situation with very high on the side of private sector. If you go to the business line here then you will see that we are largely what we call at infrastructure with 73%, environment is 17 and water 10%. Water has a—it will become larger and larger in Brazil because of priority in terms of sanitation and everything else. So we can see there will be a big expansion in water in Brazil. If we open the infrastructure because otherwise we will not be consistent if you think about infrastructure usually you think about public investment.

Actually what we have here as infrastructure, so you see the 17% environment, 10% water and then breaking down what we classify as infrastructure you will find that 46% is related to mining investment, not about the mine itself but it is about in the mining sector we are talking about water pipelines and whatever a lot of things related to mining. We will have like energy at 12% which could really be infrastructure but most of this private. 4% is pulp and paper and that has also a big potential in Brazil, the situation there depends on the exchange rates, so far a lot of investments are not moving [audio] the exchange rate which is considered to be too low for those investments. So when you match the infrastructure side and the public or the private clients you have to understand this picture otherwise it will not make sense, when you think infrastructure in the traditional way.

So performance we go through 2005 to 2010; so it has been good and better. We still have here in 2010 the situation that was the consolidation with also our activities like in the hydropower plant [audio] which when we create some distortion, when you go to—so when you look to 2009, most of the effect that we have in 2009 was because of this particular project, [audio] where there we are really also [audio] EDC contract so that task is completed and let’s say we are back in our normal life in that sense. The first half as you see was really good and it has been good and let’s say with sustainable growth. [audio] in Brazil so you can see by the ramp up we have for 2009 and for 2010, so we kept above 1,500 for almost two years okay and the situation in here that we
had a lot of change of projects but people were let's say migrating from one project to the other project. So we were somehow lucky in the sense that we were fading out, fading in in those projects since I would say middle of 2009 we start really acquiring large, large contracts. Each contract has about [audio] so that requires a lot of people. We shall be at the level of 2,500 at the end of the year given the current portfolio we have today. SO that means we are, since the beginning of the year and we still have to continue doing that, hiring two people per working day because it is really... This is my way to say that this is an issue, but it is not a problem so it requires a lot of attention to mobile this kind of people, the situation in Brazil today is about full employment, we can say [audio]. So it is not only about to get people but also the right people and so far so good. I think we are doing well.

So here just to give like—I don’t want to teach anybody about the situation but just show a picture about what is Brazil. Harrie, Friedrich and Renier went to Brazil and we had an event on the 18th July because it was the closing day okay and then I showed some history. And I am from the time working as Logos that we had 700% of inflation, so when we really talk about inflation we are specialists, we know how to survive in an era of inflation. Here in the blue line you have the interest rate which last week was back to the 12.5, so everybody is of the opinion that this is again the limit, but then you have here in the white and getting weaker and weaker, the dollar, so dollar goes down and then the red line is the NPC one of the inflation index so when you deduct the inflation with this dotted blue line you have the actual interest rate that we can see that is more of less on the level of 6% and that is really the balance that the government is trying to control, but if they raise up the interest rates then more money comes to Brazil, the exchange rate goes down. If they do not control with the interest higher the consumption goes up and then you have the inflation.

So really in Brazil to be the equilibrist and to balance is a challenge for any finance minister. So—but the situation is there, so dollar I don’t know today but it was like in the range again of 1.6, when we started the negotiation with Arcadis in 1999 the devaluation was from 1.9 to 1.7, so that means we are today the same level dollar when we started with Arcadis in 1999. The point is that we [audio] 450 billion are foreseen in the next five years, most of it coming from private sector, but again the government has also to invest anyway, but infrastructure—the demand for infrastructure is pretty high.

So then just to—I go briefly just to give you dimension okay, so really I put here those are ongoing projects we have. You can see that goes from north to south of Brazil and from West to East so that means we are really—we have projects in the whole of Brazil. You can see here by this column here all projects are from 120 to 100, 200 people, 100 people and in the range of
R$100 million. So the dimension of what we have today in Brazil. I will go quickly through them just to give through the pictures you can visualise what we are doing. So this is one project called Juruti owned by ALCOA. We have just completed. We did a huge installation for bauxite ore, so involved the entire mine installation and the railway and the river port facilities. Let’s go quickly…so this was a 2 billion investment, we had just 120 people there, $50 million in personnel and we are finishing it right now.

Belo Monte, maybe some of you have heard about, is an 11,000MW is the new project. I started my career working in [unclear]. I work nine years in the construction of [unclear]. It was so far the largest one with 14,000MW and now Belo Monte will be 11,000. There is a lot of discussion about whether that would or not have a big impact, environmental impact. We got our first contract there. It is a small one in relative terms but it is 20 million for seven months, but we have a strong position to get really on the engineer contract for the whole project starting 2012. So we will be very well positioned there in that regard. Here in Belo Monte one thing…only about excavation you are talking about 210 million cubic metres excavation so this is a lot. So concrete is a lot, so this will be really big and we would have a consortium with THEMAG which is a Brazilian company.

Then we are moving from north to south, this is in São Luís, Maranhão. It is a VALE project. VALE maybe is our biggest client and we work with VALE since [unclear]. We were the project managers in [unclear] that means we have almost 30 years of contracts with VALE. So this is a port facility in São Luís. It is a two billion investment for VALE in 2013, we have 80 people over then, it is a $30 million contract. Then there is [audio] but also in the north, is a thermal power plant…1,000MW thermal power plant and so we are up to compete in 2012 so again 1.5 billion in our contract…I don’t remember what is the number because we don’t have it yet anyway.

Then the São Francisco River project which is the deviation of part of the water of São Francisco River to the dry part of Brazil; this was designed—there are drawings made by the Don Pedro for the Brazilian king in 1880 something—before 1885 maybe, because in ’88 he was gone. So this was how to supply water to that very dry part of Brazil. So the project is enormous with 900km canals, 40km of tunnels, a lot of excavation, $4 billion this was like [audio] preferred project. We have a contract $47 million and 80 people work there since 2010.

Now just the most maybe amazing; some of you have maybe heard about [unclear] so this is one of the projects developed by the EBX group, today is Anglo Ferrous. Anglo Ferrous owned the mine and the pipeline and it is called the super port, Açú. So this is a multi billion project, it is iron ore to be transported from the state of Minas Gerais, it is 600km to the pipeline. It goes to Açú,
Açu is north in the state of Rio De Janeiro. It is huge, just to give you what you can see here in this white part so we have the hydraulic [audio], we have the Belgians...what is the name of the Belgian company [audio] plus the Chinese working there. So maybe the two largest dredging companies in the [audio] just to give you the size of the port; this is besides what they have today which is about the export [audio] actually the big project is a complex, so they plan to have a steel plant, [audio] so it is really like a country they want to have there. So they have after VALE, EBX or the X Group as we call is today our biggest client. So we have today 295 people working with them there. The $70 million contract just this week they asked us for another 200 people so this is how they—if they want you respond.

So Angra which is important although it is a nuclear power plant; Logos worked on the first unit in 1974 and now the third one, we are the only [audio] which is a $70 million contract, 150 people, we have just started end of 2010 there. Then in terms of water we work for SABESP which is the company from São Paulo State for 35 years and we have a huge sanitation programme. Today we have 80 people working them, $22 million contract. Then there is another thermo power plant just to [audio] the very south of Brazil we are just completing it. We have got 40 people, $9 million. We are just finishing. And then iron ore [audio] which is in Oman, this is VALE, this is a hub that VALE has—is starting operating right now. So the iron ore we will go to Oman in a huge 300,000 tonnes vessels and there they have the distribution. We are just finishing there and we are moving with Vale to Malaysia where they will have an installation still bigger than this one in Oman. So this was a total invest of 1.3 billion. We have 70 people there and about today I think 40 people are Brazilian and then the other are local.

So to complete the situation we have in Brazil which is why I said at the beginning that even the government cannot disturb that much, investment must be made and again goes in infrastructure. I can see a situation that will go back to more [audio] transportation, airports, ports, the typical infrastructure will be higher demand in the coming years. We don't see any problem in terms of the investment at least in the next five years. In terms of the company we are fully prepared with this 2,200 people really gives us capacity to respond. The changing now with Arcadis, I think this is a very important point that as we see ourselves, now we have 200 key people instead of 25 partners, actually with this change we increased our let's say internal motivation. It is more people driving the business than really what we had before with the partners. By the end of 2011 we will have the three operating companies integrated and that will produce a lot of synergies and also [audio]. And with that we have been very responsive to our clients especially like VALE and today we are outside Brazil. We are in Oman as I said, in Malaysia, in Argentina with VALE. So really we—from Brazil we go abroad only for—with the clients. Investment as you can see in the horizon; oil and gas is always big. We don't have a position in oil and gas so that is part of our
priority to get a better position in oil and gas. We have a very strong position in energy, in sanitation, transportation because we have also the [audio] and Rio 2016 is really one of our priorities. Tomorrow I will be in London because we are completing a joint venture with a UK company and a Brazilian company, ready to start working towards to get a good contract for Rio 2016 which is like to be in the market early in 2012.

Just final figures about Brazil, in the next ten years after 2020 we have to add 70,000MW in terms of power, 100,000KM of transmission lines, that means to increase power in about 70% and to double what we have in transmission lines and as part of that, but not in terms of the number, there is a programme now for the integration of South America both in terms of power and also in terms of the grid, but you can really—the rain season from Venezuela to Brazil is totally different so you can optimise the natural resource by doing this. So this is today a priority for a lot of us. And I am done.

Harrie Noy - Arcadis – CEO
Thank you, Manoel. I will propose that we do the questions during the drinks and that we finish with [audio].

Joost Slooten - Arcadis – Director Investor Relations
Hernán I would say go ahead.

Hernán Bezamat – Arcadis Chile – CEO
Hello everyone. Let me introduce [Claudia Rogan] who is our finance manager. Are you seeing this live with a nice picture of our building? That is our new building and our new building was inaugurated 15 days ago and Harrie was present here. It is 100% for Arcadis and I think that our workers have a better standard of condition to do their work and also we are improving our commercial image in our country. Let’s move on to the next slide.

Here you are seeing our country, I would like to a short introduction about our country. Our surface is very easy to calculate because you have to multiple 4,000km length by 200 wide, so our country looks like a long beach down a country. That is the typical comment I will see. Well you see that our main activities in the northern area of Chile is mining activity [audio] and we produce 35% of the total copper production in the world. Forestry is also very relevant, we are the fourth largest producer [audio] Brazil and Chile is in the fourth place so we are very famous
also in vineyards and wine production. Salmon we are the second largest producer in the world after Norway. Those are our main exports. Chile at this moment has a very strong economic condition, we are growing this year—our GDP will grow around 6%, 7%. You have to remember that last year we suffered an earthquake and also we grew around 5% last year, so we have an inflation rate of 3% and our interest rate is 5.25. Our central bank has a target of 3% of inflation rate per year and it is on target. Our total GDP is 200 billion dollars.

Here you can see the list of our exports and it is very clear. 50% of our export is related with mining. Unfortunately regarding our total export, 25% of our export are going through Asia and in mining 60% of our copper and other mining like gold, silver travel to China and Japan, so we had to say that our economy depends on Asia performance. So that is very important nowadays know the present scenario that we are listening or we are reading regarding US and Europe.

We are the largest copper producer and considering that at present level production we produce per year 5.4 million of metric tonnes of copper and considering that level of production we have copper for the next 57 years because our [audio] of copper is 350 million. So knowing that we have a nice future for copper we have to invest money for mining and you can see the level of investment, a tremendous amount of money for us and also to link in our mining strategy on our mining economy dependent that we have to create conditions to growth in that area and energy is crucial. So we do—and considering that I will explain later that Arcadis Chile involves 80% mining and 20% infra and this 20% means energy at the end, we are aligned with the future of potential investment that we are planning to do or planning to develop in our country.

Arcadis Chile started in 1981 as Geotécnica Consultores with four founders. We moved from 1981 to after 30 years, now we consolidate our brand together with [audio] our 30 years in Chile and we have a very strong brand in this moment and it is very relevant in 2007 we acquired Idesol & Idetec, 70 people at that time. It created a lot of synergy aligning with our strategy of one stop shopping, because that is the model that we are implementing in Chile in Arcadis Chile being a mining client or being a [audio] client you can find all the package of solutions, a package of disciplines to solve your potential new business of our clients. Other important issues here due to we are involved in mining, the H&S is a crucial high level of our business, of aligning with global Arcadis H&S [audio], H&S is at the same level than our commercial business philosophy.

Strong growth, you can see that we have grown a lot during the last five years and in this moment we are—if you analyse our latest estimate for 2011 we are planning to grow around 20, 25% against 2010 and in June we are exactly on target. So that is in our view, the latest estimate will be achievable. And also you can see we have a tremendous growth after 2007, after the [audio].
Here we have a lot of projects in this moment and our backlog is growing year by year and in this moment we have projects through the next eight months. Here I will show you some projects that we are managing. You probably know BHP Billiton, [the oil account] manager for BHP is how we manage that account in Arcadis work is managed by a Chilean guy [audio] because we have the main office located here in Chile and they are [defining] world class supplier and Arcadis was considered on that short list due to we presented two innovation projects because they have selected [audio] and two belonged to Arcadis. One is how to optimise the water reserves because as I mentioned to you the mining activities are located in the northern area of our country and we need to optimise the use of water. And we were selected as one of the main relevant suppliers to solve that problem that is aligned with our water study after Malcolm Pirnie [audio].

The following is other BHP project that we have [audio] the recovery copper when you have [audio] copper you have to go through a leaching process and we have presented other innovation projects that can allow to BHP to increase the benefit in the long run between 50 and 100 million of dollars.

The other project is a tremendous project, it is the highest project that we have managed in our 30 years. That is the environmental project for Transelec. We have to—as a country [convention] in aligning with our mining strategy we need to invest and to increase our generation of energy for the future. There is a three billion project in the south and we are doing the environmental evaluation for that power line of 1,000km. That is very relevant and we are working with excellent results and we are close to [audio] and this project is of $12 million and we are in the next process to obtain an extension of 3.5 doing engineering support, aligning with our strategy of one stop shopping.

The next is a working that we are working together with Arcadis France and Vinci. El Teniente is one of the five [audio] they produce 400,000 metric tonnes of copper and we obtain a business, a project to develop two tonners, one to move product and the other to move the people inside because this is an underground—it is the biggest underground mine in the world.

The following is Quellaveco; Quellaveco is an Anglo American project in Peru and that was in some ways the driver to install a subsidiary in Arcadis Peru. We have an office there. It has 20 people working and that is the driver of Peru. It is the third largest producer of copper as we mentioned Chile produces the 35% then USA 8% and then Peru and Peru you know is located in our—in the north border of our country and is growing around seven to eight or 10% and the
characteristic of the copper metallurgical condition is similar to Chile, so we have a lot of advantage to present to our clients. And that is part of our strategy in order to grow in Peru.

And that is all.

Harríe Noy - Arcadis – CEO
Thanks Hernán for this excellent overview and this nice presentation of our business in Chile. Joost, I propose that we finish the [audio] part of the meeting. There is ample opportunity to have questions I think bilaterally and we can do that while we drink a glass of soft drinks or wine, whatever you want. With this I would like to finish this conference call as well. Thanks everybody for participating and we will meet you next time [audio].