Corporate Participants

Joost Slooten  
*Arcadis N/V – Director of Investor Relations*

Neil McArthur  
*Arcadis N/V – Chief Executive Officer*

Renier Vree  
*Arcadis N/V – Chief Financial Officer*

Conference Call Participants

Dirk Verbiesen  
*Kempen & Co*

Teun Teeuwisse  
*ABN Amro*

Philip Scholte  
*Rabo Bank*

Eugene Klerk  
*Credit Suisse*

Luuk van Beek  
*Petercam*

Quirijn Mulder  
*ING*
Presentation

Operator
Thank you for standing by and welcome to the Arcadis Q3 results conference call. All participant lines are currently muted to eliminate background noise. There will be a presentation followed by a question and answer session. Please be advised this conference is being recorded today, Thursday 1st November 2012. I would now like to hand the conference over to your speaker today, Mr Joost Slooten. Please go ahead sir.

Joost Slooten
Good morning and good morning, 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 results for the third quarter 2012, which we released this morning. With us during the presentation today are Neil McArthur, Chief Executive Officer, and Renier Vree, Chief Financial Officer, who will discuss the figures with you and answer any questions you may have about them. The PowerPoint presentations that are being used during today’s call are available through the publications and presentations section of the Investor website of Arcadis, to which the address is www.arcadis.com/investors.

Just a few words about procedures before we start, we will begin with formal remarks and we’ll call your attention to the fact that in today’s session Management may reiterate forward-looking statements which were made in the press release. We would like to call your attention to the risks related to these statements, which are more fully described in the Company’s risk management report, which is also available on the website, and at the bottom of the press release that was issued this morning.

With these formalities out of the way, well, the agenda for today will be that we go through the results of the third quarter, with Neil McArthur doing a quarterly overview and strategic progress, and then Renier Vree discussing the financial results. We are now on slide three of the presentation and going into slide four with Neil presenting.

Neil McArthur
Thank you Joost. Well, we’re very happy to report strong growth, improved operating margins, and cash flow. In the third quarter, emerging markets drive revenue growth with gross revenues up 34%. We’re very happy to report the recurring EBITA up 35% and operational EBITA 40%
higher. Operational margin improved quarter-over-quarter. You can remember we were at 8.9% in the first quarter, 9.2 in the second quarter, and now we're at 9.9% and net income from operations is up 46% to a record high of 26.5 million in the quarter.

Turning now to year-to-date, our gross revenues are up 30% with strong contributions from our acquisitions. Organic growth both on gross revenues and net revenues are up 4%, and our backlog is up 3% organically. We're very happy to report again that our working capital programme is paying off and we've driven €69 million of improvement in cash flow from operations over last year.

If we look at the outlook, we're maintaining our 2012 outlook with higher revenues organically and from acquisitions with net income from operations, for full year 2012, 20 to 25% higher.

If we turn now to page five and look at our global business lines, the emerging market growth is offsetting challenging conditions in both Europe and the US. When we look at infrastructure, strong organic growth in emerging markets continues. In environment, slower growth in mature markets in the US and Europe. In water, we have growing contribution from our acquisitions EC Harris and ETEP in Brazil, and the US recovery slows; and then our buildings business line, strong growth from acquisitions with synergy benefits and we're very happy to report that the top line synergies in terms of work actually sold with EC Harris and Langdon & Seah is now over €50 million.

If we now turn to page six, our strategic progress continues. Firstly, our merger with EC Harris will be transitioning to the new setup in the UK and Europe effective 1st January 2013, and we've had over €40 million of synergy wins, including most recently the São Paulo Airport extension for the World Cup in 2014 and that's a great example of where we brought the market sector expertise of aviation from EC Harris to bear with our local capabilities with Arcadis Logos and programme management.

Turning now to our merger with Langdon & Seah, the alignment to the Arcadis operating model from a partnership to a publicly-owned company is ongoing and we've booked more than €10 million of synergy wins, including most recently the Museum of Visual Culture in Kowloon, Hong Kong. As we mentioned at the mid-year point, our European review is ongoing and we expect to share those results with you at the year-end. We've also made very good progress on M&A with ETEP in Brazil being closed in the quarter. ETEP, as you know, is the leading engineering project management and consultancy in the water sector in Brazil, which, together with our Arcadis Logos capabilities, gives us the clear number one position in the fast-growing Brazilian
water market plays. Finally, we continued to rebalance our client portfolio, in part driven by access to the lenders/investors segment, which is higher in the value chain.

If we turn now to page seven, you can see that sector mix where now private sector is accounting for 58% of our gross revenue in the third quarter 2012 and, turning to page eight very quickly, with our two latest mergers, our emerging markets are by far and away the largest market by headcount with 36% of our headcount now in emerging markets, exactly the same percentage as the total of Europe, meaning the Netherlands and other Europe.

Finally, turning to page nine, our emerging markets have been a strong source of growth. You can see that our emerging markets now contribute 20% of our gross revenue, and that's up 63% in terms of compound annual growth rate.

With that, I'd like to turn the floor now to Renier Vree, our Chief Financial Officer, who will take us through the results in more detail.

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Renier Vree

Yes, thank you Neil. Let me start on page 11 where you see the key financial figures over the third quarter and you will see that on all financial indicators there is a significant improvement, whether that's revenue, EBITA or net income, and more analysis of those numbers will follow in the next slides.

On the next page, the same overview as shown for the year-to-date results. Also there you can see the strong performance we have had this year, and one thing that's good to explain that the difference between EBITA and recurring EBITA comes from the gain or divestment in 2011. The AAFM divestment of €7.4 million, while in 2012 in the second quarter we recorded acquisition costs of €4.2 million related to the acquisition of Langdon & Seah.

Moving to page 13, you see there the development of our gross revenues and in the third quarter and total growth of revenues, gross revenues, was 34% and from the graph it's visible that acquisitions accounted for 26% of that growth, while currency was 7% and underlying organic growth of revenues were 1% in the third quarter, and it's not exactly the same, but overall in 2012 the acquisitions were really the main drivers of our top line growth.

On the next page, the same overview is presented with the organic growth development per business line, and you will recognise that the differences between the businesses are significant.
We have seen nine quarters of sequential organic net revenue growth where infrastructure is leading the pack, and the earlier slides that Neil presented already indicated some of the reasons, and South America and the developments there are the main reasons for that very high growth of infrastructure. Water declined somewhat also from...in comparison with the previous quarter, despite the improved order book, because of clients asking us to take it a bit easy in executing projects to preserve their funding. Our environmental business is just below zero, especially in South America. Within the US it dipped below zero, also because the large amount of work, for instance, to response to oil spills in the third quarter of 2011 made it a hard comparison. Building is a combination of growth at [unclear] and architectural practice, while the Benelux region is the market where we see significant decline of revenues.

Moving to the next page, page 15, this shows the overview of recurring and operational EBITA over the first nine months in the last five years, and the main difference between those two elements are restructuring charges in 2012. That's the only difference. In prior years there was also the impact from the energy business in Brazil, which, as you know, we started to deconsolidate as of 2012.

On the next page, the development of recurring EBITA is shown for the third quarter. The improvement was 35%, which breaks out into a currency impact of 8%, mainly the stronger US Dollar, the acquisitions and there are four of them, and in terms of importance on the numbers, EC Harris, Langdon & Seah, ETEP and BMG make up that percentage. Restructuring charges were 8% higher than the third quarter last year. This time €4.6 million against 2 million last year. The main reasons were a reduction of capacity in the buildings business in the Netherlands and integration costs related to EC Harris, and that means that other organic EBITA development was -1%, also indicating that on an apples to apples basis our margin remained the same as last year, despite some open market situations we are facing.

On the next page, the same overview is shown for the year-to-date figures with EBITA from going from 100 million last year to 118 this year. Also here currency plays a role of 7%, the acquisitions contribute 20%, while the gains on the energy business, the divestments of energy assets last year contributed almost 12 million as a one-off in 2011. Restructuring charges are a notch below the level...or, no, are much higher than last year, 11.3 this year against 10.5 million last year, so other organic EBITA grew 4%, which puts us in line with the development of our net revenues, again indicating stable margins, which can also be seen on the next page where we show the operational margin of our business. In the third quarter, as Neil already indicated when he highlighted our performance, 9.9% operational margin, and if you back out now EC Harris and Langdon & Seah, the two main mergers in the last 12 months, the percentage becomes 9.8, also
indicating that those two acquisitions perform very much now in line together with the average for Arcadis, and important also to reiterate the comment that sequentially we have made good waves in improving the margin during this year.

On the next page, 19, some further financial details. The financing charges were 5 million, below the level of last year by just over €1 million, as a consequence of having lower interest rates, but also we deconsolidated the energy business in Brazil and in last year, 2011, in the year-to-date numbers, there are costs related to the refinancing we did in 2011. The tax rate year-to-date is 28%. It was 29% in the expectation that we showed you at mid-year, but because of R&D tax credits we will receive in the US we could bring that tax rate down, and that means that in the third quarter there is a catch-up, and therefore the rate in the quarter is even 26% to make the year-to-date number that indicated 28%. Last year it was 1% lower even, but that was related to the non-taxable one-off gain for the divestment of AAFM. The income from associates was negative by €1 million. Here we see that some operational losses related to the biogas business in Brazil, where we are still making investments to bring then gas production to the maximum level, can be partially offset by positive results from a L&S associate in Malaysia. Finally, the minority interests are lower than they were a year ago because of the acquisition of the remaining interest in Arcadis Logos that took place in July 2011.

Moving to page 20, we show here the overview of net income from operations and earnings per share for the first nine months, and he or she visually that income from operations improved 33% against last year, and earnings per share is up 26%, also reflecting the increased number of shares because of the shares issued in relation to the acquisition of EC Harris and Langdon & Seah.

On the next page, 21, the development of the cash flow, there is a significant improvement over the first nine months against last year, in which an important part happened in the third quarter, and particularly in working capital, the cash needed to run the Company developed positively, so we needed far less cash for working capital, which is also visible from the working capital percentage, which dropped now more than 1% below the level we were a year ago and that's basically all coming from improvements from the accounts receivable, both the built and the unbuilt accounts receivable, and therefore net cash from operations year-to-date is €69 million higher than it was last year.

This has an impact on the balance sheet, which is shown on the next page, where net debt decreased by 27 million in the quarter, despite the fact that we added ETEP and BMG, which were both paid in cash in the quarter to the Arcadis company, and also our net debt to EBITDA
ratio stayed at 1.7, equal to second quarter and just a notch up from Q3 2011, prior to the larger acquisitions that happened since. The maturity profile of our funding, the committed facilities, didn’t change, so there is no difference with previous reports, indicating that we have both in terms of the sources of funding and maturity of the loans a good spread.

I would like to take you through the business lines, starting on page 24, showing how the growth has been from the first nine months 2010 through the first nine months of 2012, a compounded annual growth rate of 13%, and there you see that infrastructure grew by 14%, a combination of growth in the market and also some acquisition impact. Water was almost stable, a slight decline because of the markets that we operate in. The environmental business grew 10% because of market forces and our performance in those markets. Finally, buildings showed the biggest increase to 31% compounded growth rate, especially because of the acquisitions of EC Harris and Langdon & Seah.

On the next slide, some more details on the performance of the business lines. In infrastructure, we have organic growth year-to-date of 12%. On net revenues, even 18%, as we were able to reduce the level of outsourcing. The growth from acquisitions of 12% is especially from EC Harris, and in South America we continue to see a very high growth in the private sector, but also now increasingly in the public sector, of which the airport in São Paulo is one example and we expect that there is more to come. France is also a country where we continue to see growth in the infrastructure business. We added a win on the Toulouse metro project this quarter, and I think you may remember from previous reports that the [DGV] projects, the metro in Paris, and the projects in [Rennes] all are part of the infrastructure activities in France. In other European countries we see a decline. The Netherlands, Belgium, and Germany are three of them where the infrastructure business is shrinking.

Moving on the next page to water, water had a stable organic development on gross revenues. In net revenues, a decline of 5%, the developments in the US are most important here, where we signal an uncertainty with our clients, particularly in the public sector, about the Elections, about the fiscal cliff, and therefore they want us to be…they are reluctant to go fast in projects and we see compensation from that from the industrial water programme, we run significant work with Merck and some other chemical and automotive companies. We will leverage our relationship that we have with those clients on the environmental side and help clients to reduce their wastewater output and also improve the quality of the water before it goes back into the system. EC Harris had some water activities, but ETEP, of course, is the main reason that we have acquisitive revenue development in the water business, and we are very excited now with the 20% market share in the water business in Brazil, and all the knowledge we have particularly also
in the US for the water business, how we can grow that business in Brazil. On the water
management market, we still a lack of funding and there it will require political decisions to get
that business growing faster again.

Turning to the environmental business on page 27, the organic growth year-to-date of 6%, a bit
less in net revenues. On the private sector side, the picture remains positive with oil and gas
conglomerates and mining contributing to growth, but on the Federal Government side the market
is in decline, although we did win in the third quarter a project with Moody’s Air Force Base in the
US. Also, last year, as mentioned, we had the Emergency Response Project. That's also a
reason why the comparison is harder and revenue development is less positive this year. In
Europe, we recognised pressure with the public sector. We also reduced our capacity in the UK
last year, which made the business now profitable, but also smaller in terms of size.

The buildings business finally, on page 28, and this business almost doubled compared to last
year, fully contributed because of the acquisitions we did, organically a decline of 7% on gross
and 5% on net. We do see that the market in London is very robust. There are investments
happening in the high-end residential, in hotels. We see good business developments with the
lenders and investors sector. On the other hand, there are declines in Europe, particularly the
Netherlands and Belgium have weak markets, but also in the US where the healthcare sector is
still waiting for clarity on the developments there in the regulations before more investments will
be rewarded. RTKL continues to do well in China and the Middle East. Those are projects
around commercial real estate, shopping malls, but also in hospitality and healthcare in, for
instance, Saudi Arabia. We are happy that EC Harris and Langdon & Seah realised growth
during the quarter. Unfortunately we can't call it dynamic, because that requires them to be for 12
months in Arcadis, so this bodes well for the future, and already mentioned by Neil we have
revenue synergies of EC Harris and Langdon & Seah of 50 million, of which 40 through EC Harris
10 with Langdon & Seah.

With that, Neil, I turn it back over to you.

Neil McArthur

Thanks Renier, so turning now to page 29. In summary, our leadership balance and growth
strategy, and the three focus areas that we mentioned at the mid-year, are delivering results. If
we talk about leadership balance and growth, focusing on our core clients, leveraging our
capabilities globally, and expanding in selected emerging markets, we are having great success.
If we look at the acquisitions that we've done in the last quarter, BMG was very much around
identifying leading edge capabilities in the environmental sectors serving the global pharmaceutical industry majors in Switzerland, so that's very much in line with our strategy, similarly the acquisition of ETEP, the leading water engineering and project management consultancy in Brazil, gives us a leading position in the water market in Brazil, and if you think about the Brazilian water market, about 45% of the households are still not connected to sanitation in Brazil and that gives us a huge opportunity moving forward that we're very excited about.

If you then look at the demand for built asset consultancy with EC Harris and Arcadis and Langdon & Seah, as Renier mentioned, we have more than 50 million already sold work in terms of revenue synergies that help us move on the journey to be higher in the value chain, and, as Renier pointed out, that will help drive higher levels of organic growth moving forward in that intersection, as that moves from the first year of acquisition into ongoing business with Arcadis.

Finally, under being the best, I think we've made a significant step forward in the way that we are managing our business and our margins, even in a very difficult climate today with an operating margin improvement to 9.9%. Secondly, we're seeing fruit being born from the efforts of our working capital reduction programme with the increase of 69 million in operating cash flow, and we're going to continue on many other elements to ensure that we become recognised as the best in our profession.

Now, if we then turn to page 30 and talk about the outlook per business line, in terms of infrastructure we see sustained growth. The markets in Brazil and Chile are strong. We see public sector increasing just as we explained, for example the São Paulo airport. Yes, we recognise a slowing of the mining sector. We see now improvement in the local markets in Europe and clearly the fiscal cliff in the US may affect spending. We have a strong backlog in the Middle East, and the UK and France continue to invest in large infrastructure projects, and we are well positioned for that. In water, we see that bottoming out and further stabilisation. In the US there is improved backlog and private sector work increases. We see a very much strengthened Brazilian position with enhanced synergy opportunities, not just on the water treatment side, but also on the water management side where we have capabilities being transferred from our European operations to Brazil for sold work, as we speak. Clearly, on floods and climate change driven damage water management, but funding is an issue.

If we turn now to environment, we see continued growth with industrial clients. We have a strong position in the US private sector, although growth is slowing. We see opportunities in South America and industrial clients in Europe and the overall economic sentiment may, in fact, impact
investment decisions moving forward. In our buildings business line we are positioning for growth. We've talked quite a bit during this presentation of the impact of EC Harris and Langdon & Seah in strengthening our position, with very strong synergy opportunities that we’re very excited about moving forward. We see Europe as challenging, the Netherlands is particularly weak, but yet the UK is quite solid with a good market in London, where, with EC Harris’s premiere positioning around built asset consultancy, we have a very good position and prospects in and around London. We see the Asian market cooling, but growth continues, and we see significant chances still in the Middle East.

Turning now to page 31, our outlook for 2012 is unchanged, but first of all a comment; Government budgets in Europe and the US are clearly still under pressure and the overall economic sentiment may, in fact, impact investment decisions. However, our backlog is 3% higher than year-end 2011. We see that emerging markets and we've shared that with you, a number of examples, today, offer opportunities for growth. However, maintaining and improving margins and working capital will remain important priorities moving forward, and we will continue to look to strengthen capabilities with add-on acquisitions, which means that for full year 2012 our outlook is unchanged, around increase of revenues both organically and from recent acquisitions, and that net income from operations we expect to increase between 20 and 25% barring unforeseen circumstances.

Joost Slooten
Thank you Neil and, operator, I think we’re now ready to take questions.

Questions and Answers

Dirk Verbiesen – Kempen & Co
Good afternoon gentlemen, a few questions from my side, if possible could you say anything on the progress in the margins you have seen at EC Harris in the third quarter, also compared to Q2 and Q1. The second question I have is the deterioration in the order book environment in Q3 which was quite significant. What is the current assessment you have for this and do you see that as a temporary thing, also knowing the remarks you already made during the call, could you say anything on the current market conditions and the number of requests for projects. Is that still okay or is that also coming down. The third question I have – it may be too early for that – but could you share anything with us on the progress you have made so far on the review in your
European business. The last question I have is on Brazil, what is the order momentum you see there and also the overall performance of Brazil in terms of margins.

Renier Vree
This is Renier, thanks for your questions. Let me start with EC Harris, well the margin of EC Harris developed well in the quarter. I think you remember that the first quarter was a bit slow, already in the second quarter we indicated EC Harris to operate now at 7% and I am happy to report that in the third quarter the margin was 8%, so that is going pretty well and also for the last quarter this year we expect EC Harris to do well.

On the order book it is maybe good to mention the development of order book over the four business lines, so for the end of September the backlog for infra was 5% down compared to end of last year. Water was up 7%. Environment was negative by 7%. Buildings grew by 19%, and as an operated average of all those businesses together is a plus of 3%. I understand your remark about environment, because if you look at a quarter by itself then the backlog in an environment by 6% and the most important reason for that was the situation in the US where we were burning backlog.

Maybe in general, the third quarter typically sees a decline of 2% in backlog, it goes back to 2011 and also 2010, also, then we had a 2% backlog, typically of holiday season, less people selling work and less clients willing to award work. That drop in backlog is not something that concerns us. In environment, the US market became tougher in the third quarter which is also visible from results in organic growth but also from backlog and I think also in the fourth quarter that will develop in a similar way, I don't think we should expect things to change dramatically either positively or negatively in the fourth quarter when comparing with the third quarter.

Neil McArthur
Perhaps I can take the third one Renier. In terms of Europe we mentioned at the midyear point that the performance from a margin perspective in Europe was unacceptably low and that we were going to initiate a review. That review has started. We also communicated that we needed until the end of 2012 to complete our diligent work. The team is up and running full speed and we are confident that we will be able to come back to the market at the end of the year to share with you a full set of recommendations on how we're going to move forward in Europe. I wouldn't like to say anything more than that today.
Renier Vree
Finally on Brazil, Brazil had again a good quarter, with strong revenue development as you could see from our report, and also profit-wise developed positively. In terms of momentum, in terms of order book then we could see there that the mining sector is slowing down somewhat. They asked us to take a bit more time for some projects and are more careful in deciding on making new capital investments. Based on that we expect growth to continue, but probably in Brazil it will not be at the levels we have seen in the last quarters.

Dirk Verbiesen – Kempen & Co
Can you say anything on the margins, the progress you have seen there, because last year it was a bit of a mixed picture and also at the last year in terms of emerging markets and especially Brazil I think?

Renier Vree
That was not so much Brazil; I think there was the effect of the EC Harris Asia business and EC Harris that made the margin go down. Brazil has continued to be strong margins throughout the year.

Neil McArthur
Above our average.

Teun Teeuwisse – ABN Amro
Good afternoon gentlemen. On your outlook especially on your income from operations outlook, I am wondering implicitly you’re stating that Q4 is going to be a decline of 8%, increase of 7%, whereas the increase in Q3 was still 46%. How can you explain that and I do realise that of course last year in November you included your acquisition, so that has an impact, but it seems like a very steep drop. The second question is one working capital. Can you give us a bit more insight in what has been achieved now? You improved your working capital somewhat. Do you have any indications when you think you can achieve your target of working capital of 15% of revenues? Then a third question is on the restructuring charges, can you give a breakdown where these restructuring charges have been and what your expectations is for further charges.
for the fourth quarter. Will it be stable, do you expect it to increase in the fourth quarter, some more insight in that please. Thank you.

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**Renier Vree**

On the outlook I think the answer was in fact already given by you. Indeed EC Harris joined ARCADIS in November last year so the impact of the additional growth of revenues and profit from EC Harris will be significantly less year in comparison than last year. Another way to look at outlook assume Q4 resembles somewhat Q3, and the outlook makes a lot of sense. I think that is the way we take a look at it. When working capital – we are happy that we reduced working capital by more than one percentage point. I think we guided earlier that we want to bring it down over time by two percentage points. End of last year we were at 15%, and I think I mentioned in pervious calls that it would be great if we achieve 14% this year, basically meaning that the momentum we had now in Q3, also there continues. We should be 1% lower this year end than last year and then there is still work to be done to bring it down further by another percentage point thereafter.

Mostly the reduction came from receivables by having different processes and paying more attention at every part of the Company in both the invoicing process as well as the collection process.

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**Neil McArthur**

This has full visibility all the way up to the executive board and Renier is driving a process to make sure that we are driving working capital out of the business and collecting on our invoices.

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**Teun Teeuwisse – ABN Amro**

Does that imply that you have to make a lot of significant changes in how people invoice now.

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**Renier Vree**

Not significant, that depends a bit per country. In some countries we went to more of a centralised billing process where it happens more by region or by office, but in other places it is more standardising the way we measure, having more frequent monitoring in place, making sure that project leader, business management and finance meet weekly to review unbuilt work and overdue receivables and take the appropriate actions. It is a lot of individual measures that
maybe one by one makes sense, but do them all collectively and consistently and well is still an art.

On the restructuring, in Q3 the most important amounts were spent in the Netherlands. About half of that spend, and the other one was at EC Harris where it is more integration charges that were made. As far as Q4 is concerned, it is always a little bit hard to predict exact amounts, but we made quite some progress in deciding how to collate the activities of EC Harris and ARCADIS, and particularly in the UK that means that we will vacate some offices this quarter and next quarter which will lead to some lease break costs, also the project of bringing the organisations together, there will be some people in staff functions that may leave ARCADIS, and therefore we will see cost for that project in the coming quarters, including in the fourth quarter.

Teun Teeuwisse – ABN Amro
Would it be fair to say that your restructuring costs will likely go up compared to the third quarter?

Renier Vree
Well the third quarter is probably there a reasonable level to assume in terms of restructuring charges, maybe a notch higher than Q3.

Teun Teeuwisse – ABN Amro
I had one follow up question on the outlook, because if I look at the backlog trends, obviously water and buildings have a backlog right now, whereas you see that growth rates are almost negative there. What is the time lag when you think that this should translate to an improvement in growth rates in these segments?

Renier Vree
In building there is a big effect of EC Harris next quarter, the growth they report which is not organic for us and will be organic from next month, from December onwards. In water it is really the municipalities that know what to do. They have water to work, they agreed to start projects, but they ask us to work slower on those projects than we would really like because of the uncertainty on their funding near term. I think getting more transparency in the US on the elections and avoiding the fiscal cliff is going to help in the water business.
Teun Teeuwisse – *ABN Amro*

One final follow up, because in buildings of course you mentioned the effect of EC Harris, but can you indicate what the organic growth of the order book has been in buildings.

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**Renier Vree**

This was the organic growth, but the organic growth of backlog we would take the backlog when we acquire a company into the backlog, but then the backlog that is in that company happens after they are acquired it becomes organic.

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**Neil McArthur**

Revenues will be acquisition for a year; backlog becomes organic as of day one, once it is added.

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**Eugene Klerk – Credit Suisse**

Good afternoon, two questions from me. Could you indicate where you think your debt levels will be at the year-end and what you think is a fair guidance if you can look into fiscal year 13 for debt next year? The other question that I have is can you give us a feel for the breakdown of headcount in particular, in the Netherlands and elsewhere in Europe. Where do you stand on that right now?

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**Renier Vree**

On debt Eugene that is really a difficult question because in the end… by the end of the year clients are paying. Typically in our fourth quarter the development of cash is the best of all quarters, so if last year is an indication and maybe because we already did so well in cash development this year, the impact will be a bit less in the fourth quarter. We should still see a significant reduction by year-end, and assuming no acquisitions take place then I would expect somewhere around 300 million to be a reasonable estimate for year end.

For next year, well it all depends on whether acquisitions happen and how they are being funded. the business as it is generates profits, equal to cash, we pay 40% dividend if you look back at the last years and then you can I think make your own calculations what a reasonable estimate is for the debt that it could be by the end of next year.
Neil McArthur
On headcount the Netherlands has about 2,300 staff and then about a quarter of our total headcount of 21,600 is in the rest of Europe.

Philip Scholte – Rabo Bank
Good afternoon, a couple of questions. On Brazil is there a big difference in margins between your mining clients and where you are now moving in the public or the infrastructure side. Is it actually quite easy to maybe shift your employees from mining into airport infrastructure and how easy is it to move people around within the Brazilian operations? Secondly also on Brazil, can you update us a bit on where we stand on the biogas divestments? Is that still in process? Should we expect that this year, next year, any expected proceeds from that. Lastly can you say anything about the organic growth of EC Harris year-to-date?

Neil McArthur
Maybe I take the first one Philip, the margins between the mining sector and the major public infrastructure work that we’re doing in Brazil is approximately the same, in the same range of order of magnitude. In terms of moving people around between programme and project and cost management for mining and infrastructure projects, that is a very specific capability of cost management, project management and programme management and whether we’re doing that on a realisation of a power station or whether we’re doing that on the realisation of major infrastructure project, at the working level it is less relevant. At the very senior levels of the project directors it is more difficult to move people around with the experience. We’re able to fungibly move staff between those sectors.

Renier Vree
On biogas yes we are definitely still working on the divestment, but it is also quite clear that it only makes sense to do a divestment and to get a decent price for the assets when the assets are performing at maximum performance. It takes a bit more time to get the output of the landfills and the gas they produce to the level that we think a price can be optimised. We expect that in the course of next year we can start really to talk more seriously with potential sellers and then realise the cash and the gains from that. Right now it is still too early to speculate on the exact timing and any amounts with that divestment.
Philip Scholte – Rabo Bank
The loss you report in the participations I guess it is, is that really work done by you or is that write-downs on value?

Renier Vree
For some of the assets, the cost we make before the plant is fully operational, so you could call it under occupancy of those assets; those losses are then captured into those results.

Neil McArthur
Then if we go to your third question Philip around EC Harris’ organic growth, what we’re very excited about are the synergy opportunities that we’re seeing between ARCADIS, EC Harris and Langdon & Seah, and when you look at the opportunities for build asset consultancy with our multinational client programme within ARCADIS on a global basis, that has helped EC Harris to drive 6% organic growth so far.

Philip Scholte – Rabo Bank
Maybe one short follow up, in your outlook slide you say something about environment, continued growth, do you expect environment to continue to report positive growth numbers in the next couple of quarters as a total business line.

Renier Vree
I would say that it is hard to have a definite view on 2013 but the price effect we are confident about, that will show growth, the public sector I think will still show decline in Q4 against Q4 last year, and if you take the two together, how it nets out and also the positive development in south America, I would say it is too early to give a good view on that. It is probably going to be a small number anyway.

Neil McArthur
It is a small number either way.
**Luuk van Beek – Petercam**

I have a question about the water business. You are less firm about the stabilisation of revenues; I assume that is because of the slowdown in the public sector. Is it really dependent on the public sector when that growth or that stabilisation will come? Are there enough opportunities in the industry sector to generate growth or to stabilise revenues.

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**Neil McArthur**

What we're trying to do clearly is one of the biggest markets that we have is the US municipal market and what we have been on a journey is to redirect those capabilities into what we're calling Water for Industry and that has been very successful. As we're driving growth and the growth that we're driving there is in some way making up for the short fall but we're not there yet. The growth that we see in water moving forward will also be driven by the opportunities in Brazil that I talked about, where as I said 45% of the households are not connected to sanitation today, and we still continue to see and will see increasing demand for water management consulting services on a global basis, when you look at flooding that has happened, not just with Hurricane Sandy in New York, but also recently in the last year in both Thailand and the Philippines, where we're in discussions about helping on the water management side there as well. Our prospects in water are good. It is still a short-term issue in terms of translating that order book that is up 7% in water to actual revenue.

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**Quirijn Mulder – ING**

Good afternoon everyone. A couple of questions, with regard to environmental slowdown in that market, are you expecting some recovery soon is that an effect let me say of the oil spill finalisation, will that go on for a longer period and that effect of that decline there.

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**Renier Vree**

If you look at the effect of the oil spill, what we call the instant response, rapid response teams, that was especially in the third quarter last year, a little bit also in Q4 and some of it in Q2, as we explained last time. The impact in Q4 will be less than it was in Q3. In terms of making the comparison with the prior year our life is a bit easier in Q4.

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**Quirijn Mulder – ING**
Then with regard to the order position in environment services in the US, is that let me say, is the total decline in order book is that indicated for the whole, is that also indicated for the US operations or not?

You say -7% for environmental services in your order book organically, so for the US is that the same percentage given the importance of the US.

Renier Vree
Definitely, the US plays a significant role in that.

Quirjin Mulder – ING
With regard to the contracts, you have waited very long for large contracts in the environmental business from the DOD and the Us Government in general. As far as I understand, the contract from the air force is relatively small compared to the whole remediation contract of 3 billion the company is going to undertake. Can we expect more contracts there or is there something, is your position, has it weakened in that market.

Renier Vree
What we see is that clients are today often are breaking up contracts into smaller chunks, and of course when you do phase one of a project you are also best positioned to get phase two and three after that, but they are more reluctant to award phase one, two, three together, so we are happy when we win those projects in an early phase because we know there is a good outlook for additional business after that, but it Is not like before when we won big projects where you knew you would have three years of work worth of projects. We have now to work a bit harder to make sure we also get selected for the subsequent phases.

Quirjin Mulder – ING
The contract for the air force is about eight years. I am still somewhat puzzled here.

Renier Vree
Eight years that means that there is supervision going to happen for eight years, but more specific work which has to be engineered that should happen during those eight years is still to be awarded during those eight years.

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**Neil McArthur**

I would say two things, on the capital expenditure for public utilities it is very clear that governments are hesitant to spend money or commit. We have a number of those projects where we have been awarded the contract but haven’t been able to fully start work because of the release of the funding for previously committed to awarded contracts. That is one thing. That is a clear slowing. If you then flip to the operational expenditure side, there is a huge opportunity for us with our Red Oak consulting business for example in the US on water and build asset consultancy approach with EC Harris to work with public utilities in reducing their operational expenditure and increasing the effectiveness of the assets that they have. We see that both in water and in distribution type utilities.

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**Teun Teeuwisse – ABN Amro**

Yes gentlemen, looking into your presentation I see that on slide 9 you mentioned that the Netherlands for the first nine months now makes up 12% of the total gross revenues. Given that you disclosed the gross revenue for the first half of the year, I come up with a 17% decline at least for the third quarter. Is that correct?

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**Renier Vree**

No that is not correct. The decline in the Netherlands in the third quarter is not 17%.

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**Teun Teeuwisse – ABN Amro**

If I use the number you provide here the 12% of gross revenues I come up with that number, what should it be then?

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**Renier Vree**

The decline for the Netherlands was about 6%.
Teun Teeuwisse – ABN Amro
That came down from about 1% growth in the first half of the year.

Neil McArthur
Decline is relative though you have to watch out because we have had growth in other areas that was quicker.

[No further questions]

Joost Slooten
Thank you for participating in this ARCADIS third quarter conference call.

Neil McArthur
I would just like to reiterate that we have had a very good quarter where we’re very, very happy with the result that we have delivered both in terms of the growth and working towards in terms of synergy with the four acquisitions that we have had in the last year, and making that all work. We are beginning to see that flow now into an improved operating margin that we’re very happy about. The internal initiatives around working capital means that we are able to significantly improve our net debt position and our cash flow and we’re very happy with that and we’re looking forward to... we have continued recognition of the economic climate, the next quarter and then onto 2013. Thank you all very much.