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Interim Financials 2014

ARCADIS NV

Condensed consolidated interim financial report

First half year ended June 30, 2014

Introduction

This report contains the interim financial report of ARCADIS NV ('the Company' or 'the Group'), and consists of the interim management report and condensed consolidated interim financial statements, including risk assessment and the responsibility statement of the Executive Board. The information in this interim financial report is unaudited.

The principal activities of the Company and its subsidiaries ('the Group') are described in the interim management report hereafter.

Interim Management Report

Highlights

- Gross revenues €1,198 million; organic growth net revenues +1.5% in first half 2014
- Operating EBITA up 8% leading to an H1 operating margin of 10.0% (H1 2013: 9.1%)
- Net income from operations improves 13% to €55.8 million
- ONEurope on track to meet 10% operating margin target by Q4 2014
- Free Cash Flow improved by €49 million versus the same period last year
- Good visibility maintained thanks to 6% increase in net revenue backlog (organic +4%) versus year-end 2013
- Outlook: ARCADIS expects net revenues to be comparable with last year, and net income from operations to be 5% to 10% higher than in 2013, barring unforeseen circumstances

July 28, 2014 – ARCADIS (NYSE EURONEXT: ARCAD), the leading global natural and built asset design and consultancy firm, today announced it has maintained growth and improved profitability in the first half year ended 30 June 2014, compared to the same period last year. Organic net revenue growth was +1.5% for the first half year. All regions saw organic growth with the exception of North America, where our relative performance however is good given the current environment: public sector revenues remain under pressure, private sector market continues to be competitive. Overall strong profit growth was realized despite investing in organic growth initiatives.

ARCADIS CEO Neil McArthur about the results: "I am very pleased with the operating margin we achieved, especially in light of the investments we are making in organic growth. In addition, the higher margin was supported by improvements in Continental Europe, and the UK. After many quarters of declines we saw Continental Europe return to growth. Also growth in Emerging Markets held up with the exception of mining in Latin America, where we could shift resources to water and transportation projects. In the UK, growth was solid and market conditions are further improving. In the United States, we dealt with pressure in federal and municipal markets and sustained competition for private sector work. Profitability in the US was maintained due to proactive cost management. Given the backlog, our investments in growth priorities, and the prospect of winning some large projects I am confident that we will be able to keep net revenues at prior year levels and grow our 2014 net income from operations to be 5% to 10% higher than in 2013."

Review of performance

Key figures first half year

Amounts in € millions unless otherwise noted	First halfyear 2014	2013	△
Gross revenues	1,198	1,240	-3%
Organic gross revenue growth	**0%**		
Net revenues	932	950	-2%
Organic net revenue growth	**+1.5%**		
EBITA	83.3	76.4	+9%
Operating EBITA	**92.7**	**86.2**	**+8%**
Operating margin	**10.0%**	**9.1%**	
Net income	45.6	41.4	+10%
Ditto per share (in €)	0.63	0.58	+9%
Net income from operations[1]	**55.8**	**49.5**	**+13%**
Ditto per share (in €)[1]	**0.77**	**0.69**	**+12%**
Weighted average number of shares (millions)	72.7	71.5	+2%
Free Cash Flow[2]	**(11.9)**	**(60.7)**	

[1] Before amortization and non-operational items (net of tax)
[2] Cash flow from operating activities minus investments in (in)tangible assets

First half year

Due to adverse currency effects of -4% overall net revenues declined. The contribution from acquisitions (SENES, inProjects) was 1%. Organically gross revenues were flat, but net revenues grew by +1.5%. The decline in North America caused by a slowdown in public sector markets and sustained competition in the private sector, was compensated by continued growth in Emerging Markets and the UK and a return to growth in Europe. In Emerging Markets, the Middle East and Asia continued to perform well, while Latin America realized lower growth on the back of reduced mining investments, which was partially compensated by growth in water and environment.

Reported EBITA grew 9% to €83.3 million despite currency effects of -5%. Excluding restructuring charges and acquisition-related costs, operating EBITA increased 8% to €92.7 million (H1 2013: €86.2 million). The operating margin was 10.0%, a considerable improvement (H1 2013: 9.1%) aided by margin improvements in Continental Europe and the UK. Restructuring and integration charges amounted to €5.5 million (H1 2013: €8.7 million) and were mainly related to cost actions in Europe. Acquisition related costs were €3.9 million (H1 2013: €1.1 million).

At 29.6% the effective tax rate was slightly higher (H1 2013: 28.8%) mostly caused by the non-deductibility of acquisition-related costs. As a result of improved financing conditions, financing charges went down considerably to €7.8 million (H1 2013: €10.1 million). Income from associated companies was a loss of €1.0 million (H1 2013: +€1.4 million) due to the underperformance of hydropower assets in Brazil.

Net income rose 10% to €45.6 million or €0.63 per share compared to €41.4 million or €0.58 per share in the first half of 2013. Net income from operations was €55.8 million or €0.77 per share, an increase of 13% (H1 2013: €49.5 million or €0.69 per share).

Cash flow and balance sheet

Cash flow from operations turned slightly positive at €0.2 million in the first half of 2014 (H1 2013: -€40.6 million). Net working capital as a percentage of gross revenues was flat at 18.4%. Net debt came down significantly from €401 million at the end of the first half of 2013 to €284 million at the end of the first half of 2014. Based on average net debt our leverage ratio improved to 1.1 (Q2 2013: 1.5).

Developments by business line

Figures below are for the first half year of 2014 compared to the same period last year, unless otherwise mentioned.

	Infra-structure	Water	Environ-ment	Buildings
Gross revenue growth[1]	-4%	-6%	-10%	+6%
Of which:				
- Organic	+1%	-1%	-6%	+7%
- Acquisitions	0%	-1%	+1%	+1%
- Currency impact	-5%	-5%	-4%	-2%
Net revenue growth[1]	-5%	-4%	-8%	+7%
Of which:				
- Organic	0%	+1%	-4%	+8%
Backlog development[2]	-1%	+5%	+5%	+6%

[1] Rounding and reclassifications may impact totals
[2] Organic development compared to year-end 2013

Infrastructure *(25% of gross revenues)*
Organic net revenue growth in Infrastructure was essentially flat, with the UK and Continental Europe contributing to growth. North American infrastructure revenues were slightly up. We saw a decline in mining work in Latin America, caused by the reduction in capital investments by mining clients, which also impacted the backlog of the Infrastructure business.

Water *(14% of gross revenues)*
Water activities returned to growth driven by Emerging Markets, and more specifically by Latin America. Net revenues in Continental Europe started picking up, but market conditions remain soft. In North America growth in our 'Water for Industry' program was offset by project delays by municipal water clients. In the UK order intake was up markedly, but revenues fell short due to start up delays. Overall backlog improved in all regions except for North America.

Environment *(31% of gross revenues)*
Environmental revenues declined as market conditions in the US federal and municipal market remained soft due to spending constraints and continued strong private sector competition in North America. Emerging Markets (especially Brazil) achieved high revenue growth, including from multinational clients. In Continental Europe revenues were stable. The backlog improved most in Continental Europe and Latin America.

Buildings *(30% of gross revenues)*
In Buildings strong growth was led by Emerging Markets of the Middle East and Asia. Solid growth was also achieved in the UK and Continental Europe, where we benefitted from the increased demand for projects related to operating expenditure and program management. In North America, revenues remained stable. Significant growth was achieved in design and architecture globally. Strong order intake drove up the backlog.

ONEurope progress update

In Continental Europe, net revenues grew organically in the first half by 3%, while backlog was up 9%. Operating margins in Continental Europe in the second quarter were 7.5%, somewhat below 8.1% of the first quarter due to less working days. We are on track to meet our 10% operating margin target in the fourth quarter of 2014.

Backlog

Backlog was up 6% year to date. Of this increase 4% was from organic growth and 2% resulted from currency effects. The decline in backlog in infrastructure is mainly caused in Latin America. Water and Buildings achieved strong backlog growth, as did Environment albeit to a lesser extent. The outlook for order intake improved during the quarter as we are currently negotiating final contract terms for several large project wins.

Outlook per business line

In the **infrastructure market, stable revenues:** growth is expected to continue in the Middle East and Continental Europe, although the European market is still fragile. This growth will be offset by lower spend by mining clients in Latin America, where new orders are more likely to generate growth in 2015.

In the **water market, low growth:** In North America, market conditions are soft but expected to improve, while in Emerging Markets Latin America remains strong. In the UK, we expect to benefit from recent new contract wins and framework renewals, while the water market in Continental Europe is likely to remain soft.

The **environmental market, no growth:** soft market in second half with order intake in North America expected to improve markedly, impacting the environmental revenues from 2015 onward. The other geographies, including Continental Europe are expected to show good growth in the second half of the year.

In the **buildings market, strong growth:** we foresee continued growth in all regions. The Middle East and Asia will benefit from strong spending in retail/mixed use. The UK – now also outside London – Continental Europe, and North America are expected to grow as real estate markets improve and program management and business advisory services gain further momentum.

Outlook

Barring unforeseen circumstances, ARCADIS expects net revenues to be comparable with last year, and net income from operations to be 5% to 10% higher than in 2013.

Risk Assessment

In our Annual Report 2013, we have extensively described risk categories and risk factors that could adversely affect our business and financial performance. These risk factors are deemed to be included by reference in this report.

For the remainder of 2014, we have not assessed any additional risks and uncertainties, which might result in pressure on revenues and income.

Additional risks not known to us, or currently believed not to be material, may occur and could later turn out to have material impact on our business, financial objectives or capital resources.

Responsibility Statement

This interim financial report contains the figures of ARCADIS NV for the first half year of 2014, and consists of the first half year management report, segment reporting, condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements, and the responsibility statement of the Executive Board. The financial information in this report is unaudited.

The Executive Board of ARCADIS NV hereby declares that at the best of their knowledge, the interim financial statements, which have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and additional Dutch disclosure requirements for interim financial reports, give a true and fair view of the assets, liabilities, financial position and profit of ARCADIS NV and its consolidated companies, and the first half year management report gives a fair view of the information pursuant to section 5:25d subsection 8 and 9 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Amsterdam, the Netherlands, July 25, 2014

Neil C. McArthur, Chairman of the Executive Board
Renier Vree, Chief Financial Officer
Stephanie Hottenhuis, Member of the Executive Board
Stephan Ritter, Member of the Executive Board
Zack Smith, Member of the Executive Board

Condensed consolidated statement of financial position

Before allocation of profit

Amounts in € millions

Assets	Note	June 30, 2014	December 31, 2013
Intangible assets		592.0	584.9
Property, plant & equipment		66.1	65.7
Investments accounted for using the equity method		31.6	33.3
Other investments		1.1	1.0
Deferred tax assets		33.6	37.6
Other non-current assets		27.1	26.2
Total non-current assets		**751.5**	748.7
Inventories		0.3	0.4
Derivatives		0.1	0.3
(Un)billed receivables		757.7	723.0
Corporate income tax receivable		20.1	19.8
Other current assets		64.1	37.2
Cash and cash equivalents		181.3	151.0
Total current assets		**1,023.6**	931.7
Total assets		**1,775.1**	1,680.4

Equity and Liabilities	Note	June 30, 2014	December 31, 2013
Equity attributable to equity holders of the Company		603.9	594.7
Non-controlling interests		3.3	2.9
Total equity	6,7	**607.2**	597.6
Provisions for employee benefits		38.0	36.4
Provisions for other liabilities and charges		18.7	21.2
Deferred tax liabilities		50.1	40.2
Loans and borrowings	9	356.9	322.9
Derivatives		-	1.4
Total non-current liabilities		**463.7**	422.1
Billing in excess of cost		175.5	186.2
Corporate tax liabilities		10.8	13.5
Current portion of loans and borrowings		0.5	29.3
Current portion of provisions		6.9	7.3
Derivatives		3.6	3.2
Accounts payable		125.5	123.6
Accrued expenses		30.1	39.8
Bank overdrafts		0.6	0.4
Short-term borrowings		104.9	5.1
Other current liabilities		245.8	252.3
Total current liabilities		**704.2**	660.7
Total equity and liabilities		**1,775.1**	1,680.4

Condensed consolidated statement of comprehensive income

Amounts in € millions, unless otherwise stated

	Note	First half year	
		2014	2013
Gross revenues		**1,197.7**	1,239.8
Materials, services of third parties and subcontractors		**(266.1)**	(289.7)
Net revenues		**931.6**	950.1
Operational and Personnel cost		**(834.4)**	(859.3)
Depreciation		**(14.5)**	(14.9)
Other income		**0.6**	0.5
EBITA[1]		**83.3**	76.4
Amortization identifiable intangible assets		**(7.6)**	(8.6)
Operating income		**75.7**	67.8
Net finance expense	*12*	**(7.8)**	(10.1)
Income from associates	*13*	**(1.0)**	1.4
Profit before income tax		**66.9**	59.1
Income taxes	*14*	**(20.1)**	(16.6)
Profit for the period		**46.8**	42.5
Other comprehensive income, net of income tax			
Items that may subsequently be reclassified to profit and loss:			
Exchange rate differences from foreign operations		**13.1**	(12.3)
Effective portion of changes in fair value of cash flow hedges		**(0.1)**	0.7
Items that will not be reclassified to profit and loss:			
Changes related to post-employment benefit obligations		**0.0**	(1.2)
Other comprehensive income, net of income tax		**13.0**	(12.8)
Total comprehensive income for the period		**59.8**	29.7
Net income from operations			
Profit for the period attributable to equity holders of the company (net income)		**45.6**	41.4
Amortization identifiable intangible assets, net of taxes		**6.1**	6.7
Lovinklaan employee share purchase plan		**0.4**	0.5
Acquisition related items		**3.7**	0.9
Net income from operations[1]		**55.8**	49.5
Profit attributable to:			
Equity holders of the Company (net income)		**45.6**	41.4
Non-controlling interests		**1.2**	1.1
Profit for the period		**46.8**	42.5
Total comprehensive income attributable to:			
Equity holders of the Company		**58.7**	28.6
Non-controlling interests		**1.1**	1.1
Total comprehensive income		**59.8**	29.7
Earnings per share (in euros)			
Basic	*8*	**0.63**	0.58
Diluted	*8*	**0.60**	0.56

The presentation of certain line-items in the Condensed consolidated statement of comprehensive income has been changed for transparency reasons. This has no impact on any figures.

[1] This is a non-GAAP performance measure, to make the underlying performance of the business more transparent

Condensed consolidated statement of changes in equity

Amounts in € millions

	Attributable to equity holders of the parent company							
	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Shareholders' equity	Non-controlling interest	Total equity
Balance at December 31, 2012	1.5	201.5	(4.8)	(27.9)	365.3	535.6	1.1	536.7
Profit for the period (net income)					41.4	41.4	1.1	42.5
Other comprehensive income:								
Changes related to post-employment benefit obligations					(1.2)	(1.2)		(1.2)
Exchange rate differences				(12.3)		(12.3)		(12.3)
Effective portion of changes in fair value of cash flow hedges			0.7			0.7		0.7
Other comprehensive income			0.7	(12.3)	(1.2)	(12.8)	-	(12.8)
Total comprehensive income for the period			0.7	(12.3)	40.2	28.6	1.1	29.7
Transactions with owners of the Company:								
Dividends to shareholders		(16.7)			(20.6)	(37.3)	(0.8)	(38.1)
Issuance of shares	-	16.7				16.7		16.7
Share-based compensation					3.8	3.8		3.8
Taxes related to share-based compensation					(1.9)	(1.9)		(1.9)
Purchase of own shares					(29.1)	(29.1)		(29.1)
Options exercised					18.7	18.7		18.7
Total transactions with owners of the Company	-	-			(29.1)	(29.1)	(0.8)	(29.9)
Balance at June 30, 2013	1.5	201.5	(4.1)	(40.2)	376.4	535.1	1.4	536.5
Balance at December 31, 2013	**1.5**	**201.5**	**(3.7)**	**(58.5)**	**453.9**	**594.7**	**2.9**	**597.6**
Profit for the period (net income)					**45.6**	**45.6**	**1.2**	**46.8**
Other comprehensive income:								
Changes related to post-employment benefit obligations								
Exchange rate differences				**13.2**		**13.2**	**(0.1)**	**13.1**
Effective portion of changes in fair value of cash flow hedges			**(0.1)**			**(0.1)**		**(0.1)**
Other comprehensive income			**(0.1)**	**13.2**		**13.1**	**(0.1)**	**13.0**
Total comprehensive income for the period			**(0.1)**	**13.2**	**45.6**	**58.7**	**1.1**	**59.8**
Transactions with owners of the Company:								
Dividends to shareholders[1]		**(19.2)**			**(19.1)**	**(38.3)**	**(0.7)**	**(39.0)**
Issuance of shares	**-**	**19.2**				**19.2**		**19.2**
Share-based compensation					**2.6**	**2.6**		**2.6**
Taxes related to share-based compensation					**(0.3)**	**(0.3)**		**(0.3)**
Purchase of own shares					**(41.8)**	**(41.8)**		**(41.8)**
Options exercised					**9.1**	**9.1**		**9.1**
Total transactions with owners of the Company	**-**	**-**			**(49.5)**	**(49.5)**	**(0.7)**	**(50.2)**
Balance at June 30, 2014	**1.5**	**201.5**	**(3.8)**	**(45.3)**	**450.0**	**603.9**	**3.3**	**607.2**

[1] For the stock dividend 731,750 shares with a total value of €19.2 million were issued, which is paid out of share premium

Condensed consolidated statement of cash flows

Amounts in € millions

	First half year	
	2014	2013
Cash flow from operating activities		
Profit for the period	46.8	42.5
Adjustments for:		
- Depreciation and amortization	22.1	23.5
- Income taxes	20.1	16.6
- Net finance expense	7.8	10.1
- Income from associates	1.0	(1.4)
	97.8	91.3
Share-based compensation	2.6	3.8
Change in operational derivatives	0.0	(1.8)
Settlement of operational derivatives	0.1	1.9
Change in inventories	0.0	0.1
Change in receivables	(45.3)	(70.8)
Change in provisions	(2.8)	(0.3)
Change in billing in excess of costs	(12.3)	2.9
Change in current liabilities	(21.8)	(29.7)
Dividend received	0.3	0.8
Interest received	2.9	1.3
Interest paid	(10.4)	(10.5)
Corporate tax paid	(10.9)	(29.6)
Net cash from operating activities	0.2	(40.6)
Cash flows from investing activities		
Investments in (in)tangible assets	(12.4)	(21.1)
Proceeds from sale of (in)tangible assets	0.2	1.0
Investments in consolidated companies	(8.0)	(17.4)
Investments in associates and other financial non-current assets	(2.8)	(2.8)
Proceeds from sale of associates and other financial non-current assets	3.3	1.0
Net cash used in investing activities	(19.7)	(39.3)
Cash flows from financing activities		
Proceeds from exercise of options	9.1	18.7
Purchase of own shares	(41.8)	(29.1)
Settlement of financing derivatives	(0.0)	1.2
New long-term loans and borrowings	29.4	68.8
Repayment of long-term loans and borrowings	(29.5)	(68.8)
Changes in short-term borrowings	99.8	65.3
Dividend paid	(19.8)	(21.4)
Net cash from financing activities	47.2	34.7
Net change in cash and cash equivalents less bank overdrafts	27.7	(45.2)
Exchange rate differences	2.4	(1.5)
Cash and cash equivalents less bank overdrafts at January 1	150.6	176.4
Cash and cash equivalents less bank overdrafts at June 30	180.7	129.7

Segment information

The Company has four reportable segments, based on the Company's internal reporting structure to the Executive Board. The Company's internal reporting to the Executive Board is at Operating Company level (OpCo), which is subsequently aggregated into the reportable segments based on qualitative and quantitative measures.

In assessing the performance of the operating segments, management uses EBITA.

Segment	Gross revenues external First half year		Total Gross revenues First half year	
	2014	**2013**	**2014**	**2013**
North America	**515.1**	558.9	**518.3**	559.9
Emerging markets	**197.8**	213.4	**198.7**	213.6
Continental Europe	**271.5**	263.2	**273.2**	265.4
United Kingdom	**213.3**	204.3	**214.3**	205.5
Total segments	**1,197.7**	1,239.8	**1,204.5**	1,244.4
Inter-segment revenues			**(6.8)**	(4.6)
Total consolidated	**1,197.7**	1,239.8	**1,197.7**	1,239.8

Segment	EBITA First half year	
	2014	**2013**
North America	**37.9**	41.3
Emerging markets	**19.8**	24.9
Continental Europe	**15.0**	2.1
United Kingdom	**16.5**	15.8
Total segments	**89.2**	84.1
Corporate and unallocated segments	**(5.9)**	(7.7)
Total consolidated	**83.3**	76.4

Segment	Total Assets As at June 30		Total Liabilities As at June 30	
	2014	**2013**	**2014**	**2013**
North America	**813.2**	721.2	**597.2**	536.9
Emerging markets	**283.5**	271.1	**111.1**	110.2
Continental Europe	**339.3**	349.5	**123.8**	140.7
United Kingdom	**320.5**	298.2	**125.3**	114.8
Total segments	**1,756.5**	1,640.0	**957.3**	902.6
Corporate and unallocated segments	**18.6**	126.0	**210.5**	326.9
Total consolidated	**1,775.1**	1,766.0	**1,167.9**	1,229.5

The reconciliation of EBITA to total profit before income tax is as follows:

	First half year	
	2014	**2013**
EBITA for reportable segments	**89.2**	84.1
Corporate and unallocated	**(5.9)**	(7.7)
Amortization	**(7.6)**	(8.6)
Operating income	**75.7**	67.8
Net finance expense	**(7.8)**	(10.1)
Income from associates	**(1.0)**	1.4
Profit before taxes	**66.9**	59.1

Geographical information differs from segment information above due to the activities of:

- RTKL, which geographically is also represented in Emerging Markets and United Kingdom; and
- EC Harris, which has business activities in the Middle East and Asia and therefore is also represented in Emerging Markets.

The geographical information is as follows:

Geographical classification	Gross revenues by origin First half year	
	2014	**2013**
North America	**489.7**	543.0
Emerging markets	**281.8**	291.4
Continental Europe	**271.5**	263.2
United Kingdom	**154.7**	142.2
Total	**1,197.7**	1,239.8

Notes to the condensed consolidated interim financial statements

1. Reporting entity

ARCADIS NV ('the Company' or 'Group') is a public company organized under Dutch law. Its statutory seat and its principal office is located in Amsterdam, the Netherlands. The condensed consolidated interim financial statements as at and for the six month-period ended June 30, 2014 include the financial statements of ARCADIS NV, its subsidiaries, and the interests in associates and jointly controlled entities.

2. General information

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's independent auditor. The review report of KPMG is published on page 14 of this report.

3. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2013, which have been prepared in accordance with IFRS as adopted by the European Union. These consolidated financial statements are available upon request from the Company's registered office at Gustav Mahlerplein 97-103, 1082 MS Amsterdam, The Netherlands, or at www.arcadis.com.

All amounts in this report are in millions of euros, unless otherwise stated.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Executive Board and Supervisory Board on July 25, 2014.

Estimates and management judgements

The preparation of interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the period as well as the information disclosed. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, management used judgements, estimates and assumptions in the application of the accounting policies and valuation principles in the same areas as those applied for the preparation of the 2013 consolidated financial statements.

Seasonality

There is no significant seasonal pattern included in the year-to-date figures, since the Company's activities are hardly subject to seasonality.

4. Significant accounting policies

The accounting policies applied and methods of computation used in preparing these condensed consolidated interim financial statements are the same as those applied in the Company's 2013 consolidated financial statements. Amendments in current accounting standards that became effective for the reporting period did not have a material impact on the ARCADIS accounting policies.

Following IAS 34, taxes on income in the condensed consolidated interim financial statements are accrued using the effective tax rate that would be applicable to the expected total annual earnings.

5. Changes in consolidated interests

Early March, ARCADIS announced the acquisition of inProjects, a 200 people firm with offices in Hong Kong, China, Macau, Singapore and India with net revenues of €11 million in 2013. inProjects provides project management services to blue-chip clients in the retail, hotel, hospitality and leisure sectors and strengthens our leadership position in project management.

The acquisition of inProjects has been accounted for using the acquisition method. The purchase accounting is included on a provisional basis and is not considered to be significant for the group. Total consideration amounted to €6.4 million, consisting of €5.5 million in cash and €0.9 million as deferred consideration payable in 2016. Goodwill measured was €2.2 million and identifiable intangible assets amounted to €0.9 million. Provisional goodwill recognized in the condensed consolidated interim financial statements relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to this acquisition is expected not to be tax-deductible for income tax purposes. Measured on a half-yearly basis, the aggregated impact on consolidated gross revenue and profit for the period is not material in respect of IFRS 3 disclosure requirements.

After-payments in the first half year for acquisitions prior to 2014 amounted to €0.5 million.
The window period for remeasurement of goodwill following the provisional purchase price allocation for Geohydrología and SENES expired in the first half year of 2014 and did not result in any adjustment to the goodwill recognised.

6. Shareholders' equity

In accordance with Article 7 paragraph 1 of the Articles of Association, the Company is authorized to purchase own shares to cover the liabilities in line with share and option plans for employees.

In the first half of 2014, the Company purchased 1,500,000 shares from the market. Through the exercise of options 965,590 shares were reissued. The options were exercised at a weighted average price of €14.28 per share. For stock dividend the Company issued 731,750 new shares.

At June 30, 2014, the number of outstanding ordinary shares was 73,382,848 (December 31, 2013: 73,183,008).

7. Dividend

Dividend for the period ended December 31, 2013 was paid in May 2014. Based on the number of shares outstanding and a declared dividend of €0.57 per share, the total dividend amounted to €39.0 million, of which €19.8 million was paid in cash and €19.2 million in stocks. Relating to the stock dividend, 731,750 new shares were issued with a total value of €19.2 million, paid from the share premium reserve.

8. Earnings per share

For calculating the earnings per share, the following numbers of weighted average shares were used:

		First half year
	2014	**2013**
Average number of issued shares	**74,947,902**	74,167,143
Average number of repurchased shares	**(2,234,877)**	(2,643,928)
Average number of outstanding shares*	**72,713,025**	71,523,215
Average number of diluting shares	**3,550,778**	2,732,751
Average number of diluted shares	**76,263,803**	74,255,966
***Of which:**		
Priority shares	**600**	600
Ordinary shares	**72,712,425**	72,522,615

The diluted number of shares is calculated by using the weighted average number of options outstanding and the average stock price on Euronext Amsterdam. Only options with exercise prices below the average stock price are taken into account. In assessing the "per share" performance, one of the key-indicators is net income from operations.

For the calculation of earnings per share, no distinction is made between the different classes of shares.

Earnings per share (in euros)		First half year
	2014	**2013**
- Basic	**0.63**	0.58
- Diluted	**0.60**	0.56
Net income from operations per share (in euros).		
- Basic	**0.77**	0.69
- Diluted	**0.73**	0.67

9. Loans and borrowings

In the first half of 2014 ARCADIS refinanced $115 million of bank debt maturing in June 2014 ($40 million) and January 2015 ($75 million) through arranging a new 5 year term loan for a similar amount. The term loan was signed in June 2014 and attracts a variable USD LIBOR rate plus a spread based on leverage. No other credit lines, committed or uncommitted were concluded during this period. ARCADIS made use of the €150 million Revolving Credit Facility (RCF) to help finance acquisitions and ongoing business, with usage as per June 30, 2014 on this particular facility being €100 million (June 30, 2013: €110 million).

10. Financial instruments

The carrying amount of financial assets and financial liabilities is a reasonable approximation of fair value. There are only non-material differences between the carrying amount and fair value for both the non-current and current part of the loans and borrowings. These differences are comparable to the differences as disclosed in the last annual financial statements.

All financial instruments carried at fair value within the Company are categorized in 'level 2', which is equal to last year. The valuation techniques and the inputs used in the fair value measurement did not change in the first half of 2014 compared to last year.

11. Share-based payments

In the first half of the year, 419,305 performance shares were granted under the Company's Long-term Incentive Plan 2014.

The fair value of the performance shares is obtained by multiplying the expected vesting percentage of each performance plan with the share price at the date of grant.

	May grant 2014
Expected vesting	74.11%
Share price (date of grant)	€25.42
Fair value	€18.84

The performance shares are granted conditionally and depend on achieving certain performance measures after three years. The costs of the incentive shares are spread over the three-year vesting period.

12. Net finance expense

Financing charges for the period amounted to €7.8 million (2013: €10.1 million). The decreased net finance expense are mainly due to increased interest income on deposits in certain emerging markets and cheaper USD borrowing costs.

13. Income from and associates

Income from associates of €1.0 million negative (last year €1.4 million positive) decreased by €2.4 million due to the performance of hydropower assets in Brazil.

14. Income taxes

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average effective tax rate applied for the first half year of 2014 is 29.6% (2013: 28.8%).

15. Related party transactions

From time to time ARCADIS enters into related party transactions with associates and jointly controlled entities. These transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation.

There were no significant related party transactions in the first six month-period ended June 30, 2014, and the nature of the related party transactions conducted do in substance not deviate from the transactions as reflected in the consolidated financial statements as at and for the year ended December 31, 2013.

ARCADIS was no party to any material transaction or loan with parties who hold at least 10% of the shares in ARCADIS.

16. Subsequent events

There were no material events after June 30, 2014, that would have changed the judgement and analysis by management of the financial condition of the Company at June 30, 2014, or the profit for the period of the first half of 2014.

Amsterdam, the Netherlands, July 25, 2014
The Executive Board

Review report

To: the Executive Board and Supervisory Board of ARCADIS NV

Introduction

We have reviewed the accompanying condensed consolidated interim financial information as at June 30, 2014 of ARCADIS NV, Amsterdam, which comprises the condensed consolidated statement of financial position as at June 30, 2014, the condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the period of six months ended June 30, 2014, and the notes. The Executive Board of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2014 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, July 28, 2014

KPMG Accountants N.V.
R.P. Kreukniet RA

About ARCADIS:

ARCADIS is the leading ***global natural and built asset design and consultancy firm*** working in partnership with our clients to deliver ***exceptional and sustainable outcomes*** through the application of design, consultancy, engineering, project and management services. ARCADIS differentiates through its talented and passionate people and its unique combination of capabilities covering the whole asset life cycle, its deep market sector insights and its ability to integrate health & safety and sustainability into the design and delivery of solutions across the globe. We are 22,000 people that generate €2.5 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world.
Please visit: www.arcadis.com