ARCADIS

Infrastructure · Water · Environment · Buildings

PRESS RELEASE

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ARCADIS SHOWS SOLID RESULTS IN LINE WITH RECENT TRADING UPDATE

- Organic revenue growth remains at good level with 3% in the quarter
- U.S. environmental market, South America and Asia main growth markets
- Gross revenues decline 3% due to currency effects and divestments
- Net income from operations 5% lower: currency effects and project losses in Poland
- Recovery of underlying EBITA margin at target level of 10%
- Net income from operations full year 2011 expected to be approximately level with 2010

November 3, 2011 – ARCADIS (NYSE EURONEXT: ARCAD), the international consultancy, design, engineering and management services company, has announced its third quarter 2011 results, which are in line with the trading update, published on October 17 in relation to the merger with EC Harris. Due to currency effects and divestments, gross revenues declined 3% to € 485 million. Organic growth was 3% and mainly came from the U.S. environmental market, South America and Asia. Reduced government spending caused a decline of activities in the Netherlands, Belgium and most notably Poland. Despite margin pressure mostly in the public sector, the underlying margin recovered to the target level of 10%. Net income from operations declined 5% to € 18.2 million. This was caused by currency effects and losses in Poland resulting from the stopping of road projects.

In the first nine months gross revenues were € 1,441 million, slightly below last year. Organic growth was 3%. Net income from operations rose 1% to € 55.2 million.

Mid-October the merger with EC Harris was announced, an international consultancy company headquartered in London providing high-value consulting and management services for the realization and operation of buildings, manufacturing and processing plants and infrastructure facilities. EC Harris has annual gross revenues of approximately € 290 million and 2,600 employees. The merger is partly financed by the issuance of 3 million ARCADIS shares to the selling partners. Closing of the transaction is anticipated by early November.

CEO Harrie Noy said: “Thanks to our geographical spread, organic growth stayed at a good level. Especially in emerging markets, like Brazil, Chile and China, we see strong growth, while we are also very successful in the U.S environmental market. Government austerity programs in Europe and the U.S. are affecting us, but at the same time we benefit from growing private sector investment, also in Europe. With EC Harris we achieve a leading global position in project management and related services high in the value chain, a much stronger foothold in Asia and the Middle East and a strong position in the U.K., key for services to multinational clients. In short, this is an important strategic step for ARCADIS that positions us even better for growth.”

Key figures

Amounts in millions unless otherwise noted	Third quarter			First nine months		
	2011	2010	Δ	2011	2010	Δ
Gross revenue	485	503	-3%	1,441	1,463	-2%
Net revenue	340	346	-2%	1,042	1,025	2%
EBITA	31.8	35.1	-10%	107.5	96.3	12%
EBITA *recurring* [1)]	31.8	35.1	-10%	100.1	96.3	4%
Net income	17.5	18.0	-3%	58.9	51.3	15%
Ditto, per share (in €)	0.26	0.27	-4%	0.89	0.78	15%
Net income from operations [2)]	**18.2**	**19.1**	**-5%**	**55.2**	**54.7**	**1%**
Ditto, per share (in €) [2)]	**0.27**	**0.29**	**-6%**	**0.84**	**0.83**	**1%**
Avg. # of outstanding shares (million)	66.2	65.8		66.0	66.2	

1) Excluding gain on sale of 50% share in AAFM
2) Before amortization and non-operational items (gain on sale AAFM, non-recurring financing charges, costs Lovinklaan)

Third quarter

Gross revenues declined 3%. The currency effect was 5% negative, mainly due to a weaker dollar against the euro. The sale of AAFM[1)] on the one hand and the acquisition of U.S.-based Rise (fourth quarter 2010) and smaller companies on the other hand, on balance had a negative effect on revenues of 1%. Organically gross revenues rose 3%.

Net revenues (revenues generated by own staff) declined 2%. The currency effect was 5% negative, the contribution from acquisitions and divestments on balance 1% positive[1)]. The organic growth of 3% came from South America and Asia, while in the United States the environmental market and to a lesser extent the project management activities contributed to growth, partly offset by declines in the water market. In Europe, France and Germany developed positively, while growing private investment supported recovery in the United Kingdom. Reduced government demand led to a decline of activities in the Netherlands and Belgium. In Poland, gross revenues fell strongly due to the stopping of projects.

EBITA declined 10% to € 31.8 million. Of this, 6% was caused by negative currency effects. The contribution of acquisitions on balance was zero. Brazilian energy projects generated a loss of € 0.3 million, against a sales gain last year of € 1.3 million. The contribution from carbon credits from Brazil was € 0.3 million (2010: zero). Reorganization charges amounted to € 2.0 million (2010: € 1.5 million). Excluding these effects the underlying EBITA was slightly higher than last year. The return to profitability in the United Kingdom and higher profits in North and South America were almost fully offset by lower results in parts of Europe, also due to losses in Poland.

[1)] The sale of the 50% share in AAFM was completed early June 2011, but the interest in AAFM was already deconsolidated as per ultimo December 2010. Because AAFM had a significant amount of third party work, the effect of the sale on net revenues was much smaller than on gross revenues.

The margin (recurring EBITA as a percentage of net revenue) came out to 9.4% (2010: 10.1%). Adjusted for carbon credits, effects from energy projects and reorganization charges, the underlying margin was 10.0% versus 10.3% last year.

Financing charges rose to € 6.1 million (2010: € 5.0 million) due to the expansion of our ownership in Brazil and higher interest rates on refinanced debt. The tax rate was 30.7% (2010: 32.6%). Net income from operations declined 5%. This is less than the decline in EBITA because ARCADIS, from the third quarter of 2011, has acquired the remaining interest in the consulting and engineering activities of ARCADIS Logos in Brazil.

First nine months

Gross revenues were 2% lower than last year. The currency effect was 4% negative, while the contribution of acquisitions and divestments on balance was 1% negative. Excluding the contribution from the sale of energy projects in Brazil (in the second quarter), gross revenues organically increased by 3%.

Net revenues increased 2%. The currency effect was 3% negative, the effect of acquisitions and divestments on balance 1% positive. Excluding the contribution from the sale of energy projects, the organic growth was 3%.

EBITA was € 107.5 million. Excluding the profit from the sale of AAFM, recurring EBITA rose 4% to € 100.1 million. The currency effect was 4% negative, the contribution from acquisitions and divestments on balance was zero (excluding AAFM). The recurring EBITA contained the following special items:

- A contribution on balance of € 9.2 million (pre-tax) from Brazilian energy projects, while in 2010 this represented a loss of € 3.2 million.
- A contribution from carbon credits of € 2.5 million (2010: € 0.1 million).
- Reorganization and integration costs of € 10.6 million (2010: € 4.8 million).

Taking these effects into account, the organic decline of EBITA was 1%. The margin (recurring EBITA as a percentage of net revenues) amounted to 9.6% (2010: 9.4%). Adjusted for the special items outlined above, the underlying margin was 9.6% versus 10.1% last year.

Financing charges amounted to € 18.4 million and excluding the non-recurring effects of the refinancing, completed in June 2011, to € 14.5 million (2010: € 13.7 million). The tax rate of 27.0% (2010: 33.5%) is based on the expected tax rate for the full year. This is considerably lower than last year, also as a result of the tax free gain on the sale of AAFM. Net income from operations rose 1%.

Developments by business line

Figures noted below concern gross revenues for the first nine months of 2011 compared to the same period last year, unless otherwise mentioned.

- ***Infrastructure*** *(28% of gross revenues) Growth figures excluding sale of energy projects in Brazil.* Gross revenues grew 5%. The currency effect was zero, the contribution from acquisitions minus 1%. Organically gross revenues increased 5%, net revenues 8%. Growth was strongest in Brazil and Chile, especially in mining and energy projects. Due to government austerity, activities declined in the Netherlands, Belgium and the Czech Republic. Large projects generally continued, except in Poland where road projects were stopped, resulting in a strong revenue decline. In the United States, Germany and England demand for project management pushed revenues up, while France also saw growth.

- ***Water*** *(17% of gross revenues)*
  Gross revenues declined 14% at a negative currency effect of 4%. Organically, gross revenues declined 10%, net revenues 6%. The decline partly came from the finishing of the New Orleans project where ARCADIS worked on coastal protection since 2007. Although in the United States several large projects were won, budget issues at local governments have a negative impact on the market. Also in Europe, the market is under pressure due to government austerity. In the Netherlands activities are picking up somewhat. For several multinational companies large water contracts were won.
- ***Environment*** *(38% of gross revenues)*
  Gross revenues rose 5%. The currency effect was 6% negative. Organically, gross revenues grew 11%, net revenues 9%. Increasing private sector demand and expansion of market share are generating strong growth in the United States. In Brazil and Chile, investments in mining and energy are generating significant environmental work. In Europe the government market is under pressure, resulting in less environmental impact assessment projects. This is offset by a pick-up in private sector demand, resulting in a strong recovery of activities in England and continued growth in Germany and France.
- ***Buildings*** *(17% of gross revenues)*
  Gross revenues declined 12%, net revenues 1%. The difference came from the deconsolidation of AAFM which contained significant subcontracting. The currency effect was minus 3%. Organically gross revenues declined 3%, net revenues 2%. RTKL grew in Asia and the Middle East, mainly due to success in commercial real estate in China, but was affected by the stagnant U.S. market. In the Netherlands, England and the United States, activities declined due to government austerity, while in Belgium, Germany and France private investments generated growth.

Outlook

Infrastructure markets in Europe and the United States are negatively impacted by government austerity programs. This is offset by the continued strong growth in Brazil and Chile, further fuelled in Brazil by the 2016 Olympics. European governments are making an effort to safeguard large projects, in part through private financing. Our backlog is healthy, with large projects for which financing is in place. The situation in local markets is not expected to improve soon as a result of which price pressure will remain.

Also in the **water market** tight government budgets cause pressure on revenues. In the U.S., our focus is on expansion, renewal and efficiency improvement of existing facilities in large cities. In the Netherlands, central government policy is a strong pillar under the market. Because of the utility character of the water market, the basis for investments in water facilities remains solid. Markets in South America and the Middle East offer many opportunities. This also applies to expansion of activities for industrial clients.

The **environmental market** is developing favorably. In the U.S. we benefit from the trend that companies are outsourcing non-core activities, allowing us to enlarge market share. The earlier won large projects lay the groundwork for continued growth, while the pipeline of GRiP® projects is well filled. Mining and energy projects are creating ample demand for environmental services in Brazil and Chile, with opportunities to also assist clients in other parts of South America. In Europe demand from private sector companies is increasing, offsetting the decline on the public sector side.

EC Harris considerably strengthens our position in the **buildings market**, with many opportunities for synergy and growth in the Middle East and Asia. The commercial real estate market in Europe and the United States is stable with increasing demand for renovation of existing properties. RTKL offsets stagnation in the U.S. market by fully focusing on further international expansion. The public sector market is under pressure, but private companies are investing again and are increasingly interested in international framework contracts.

CEO Harrie Noy concluded: “Our backlog is strong despite a slight decline in the third quarter. Government spending in Europe and the U.S. is under pressure, but private sector spending is increasing while Brazil, Chile, Asia and parts of the Middle East offer ample opportunities. The merger with EC Harris and their ‘Built Asset Consultancy’ approach strengthens our competitive position in all business lines in which we are active. Although unrest in the financial markets has resulted in increased uncertainty about development of the economy, we expect that market trends will not change significantly in the fourth quarter. Due to the weak market conditions in Poland and somewhat higher financing charges and tax rate than initially foreseen, we anticipate net income from operations for full year 2011 to be approximately level with 2010. This is excluding the € 7.4 million gain on the sale of AAFM, excluding consolidation of and costs related to the merger with EC Harris, and barring unforeseen circumstances.”

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About ARCADIS:
ARCADIS is an international company providing consultancy, design, engineering and management services in infrastructure, water, environment and buildings. We enhance mobility, sustainability and quality of life by creating balance in the built and natural environment. ARCADIS develops, designs, implements, maintains and operates projects for companies and governments. With 16,000 employees and more than EUR 2 billion in revenues, the company has an extensive international network supported by strong local market positions. ARCADIS supports UN-HABITAT with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Visit us at: www.arcadis.com

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ARCADIS NV
CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in € millions, unless otherwise stated	Third quarter		First nine months	
	2011	2010	**2011**	2010
Gross revenue	**484.8**	502.6	**1,441.0**	1,462.6
Materials, services of third parties and subcontractors	**(145.0)**	(156.5)	**(399.2)**	(438.0)
Net revenue	**339.8**	346.1	**1,041.8**	1,024.6
Operational cost	**(301.1)**	(304.1)	**(921.7)**	(908.2)
Depreciation	**(7.0)**	(7.1)	**(20.2)**	(20.5)
Other income	**0.1**	0.2	**7.6**	0.3
EBITA	**31.8**	35.1	**107.5**	96.2
Amortization identifiable intangible assets	**(1.0)**	(1.6)	**(3.1)**	(4.8)
Operating income	**30.8**	33.5	**104.4**	91.4
Net finance expense	**(6.1)**	(5.0)	**(18.4)**	(13.7)
Income from associates	**(0.2)**	0.2	**0.7**	1.0
Profit before taxes	**24.5**	28.7	**86.7**	78.7
Income taxes	**(7.6)**	(9.3)	**(23.2)**	(26.0)
Profit for the period	**16.9**	19.4	**63.5**	52.7
Attributable to:				
Net income (Equity holders of the Company)	**17.5**	18.0	**58.9**	51.3
Minority interest	**(0.6)**	1.4	**4.6**	1.4
Net income	**17.5**	18.0	**58.9**	51.3
Amortization identifiable intangible assets after taxes	**0.6**	1.0	**1.9**	3.1
Lovinklaan employee share purchase plan	**0.1**	0.1	**0.3**	0.3
Net effects of financial instruments		-	**1.5**	-
Result on divestment of AAFM activities (non-recurring)			**(7.4)**	
Net income from operations	**18.2**	19.1	**55.2**	54.7
Net income per share (in euros)	**0.26**	0.27	**0.89**	0.78
Net income from operations per share (in euros)	**0.27**	0.29	**0.84**	0.83
Weighted average number of shares (in thousands)	**66,153**	65,758	**65,957**	66,162

ARCADIS NV
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in € millions

Assets	September 30, 2011	December 31, 2010
Intangible assets	**368.0**	373.4
Property, plant & equipment	**99.1**	93.4
Investments in associates	**26.7**	30.5
Other investments	**0.2**	0.2
Deferred tax assets	**40.6**	29.1
Derivatives	**0.7**	0.1
Other non-current assets	**24.9**	24.4
Total non-current assets	**560.2**	551.1
Inventories	**0.5**	0.4
Derivatives	**1.1**	0.4
(Un)billed receivables	**617.4**	591.9
Corporate income tax receivable	**4.6**	4.1
Other current assets	**67.0**	44.4
Assets classified as held for sale	**-**	24.4
Cash and cash equivalents	**150.8**	207.8
Total current assets	**841.4**	873.4
Total assets	**1,401.6**	1,424.5

Equity and Liabilities		
Shareholders' equity	**380.6**	392.8
Non-controlling interests	**15.6**	18.4
Total equity	**396.2**	411.2
Provisions	**23.6**	26.6
Deferred tax liabilities	**19.2**	11.0
Loans and borrowings	**384.6**	318.2
Derivatives	**7.7**	7.2
Total non-current liabilities	**435.1**	363.0
Billing in excess of costs	**152.8**	157.2
Corporate tax liabilities	**6.3**	14.8
Current portion of loans and borrowings	**18.0**	68.1
Current portion of provisions	**10.3**	6.4
Derivatives	**4.3**	3.9
Accounts payable	**114.1**	139.6
Accrued expenses	**13.2**	15.9
Bank overdrafts	**8.9**	9.5
Short term borrowings	**45.3**	12.7
Other current liabilities	**197.1**	199.0
Liabilities classified as held for sale	**-**	23.2
Total current liabilities	**570.3**	650.3
Total equity and liabilities	**1,401.6**	1,424.5

ARCADIS NV
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in € millions	Share capital	Share premium	Hedging Reserve	Cumulative translation reserve	Retained earnings	Total shareholders' equity	Minority interest	Total equity
Balance at December 31, 2009	1.3	106.8	0.1	(28.4)	271.9	351.7	16.8	368.5
Profit for the period					51.3	51.3	1.4	52.7
Exchange rate differences				4.1		4.1	1.4	5.5
Effective portion of changes in fair value of cash flow hedges			(3.6)			(3.6)		(3.6)
Other comprehensive income			(3.6)	4.1	-	0.5	1.4	1.9
Total comprehensive income for the period			(3.6)	4.1	51.3	51.8	2.8	54.6
Transactions with owners of the Company								
Dividends to shareholders					(30.0)	(30.0)	-	(30.0)
Share-based compensation					6.1	6.1		6.1
Taxes related to share-based compensation					0.1	0.1		0.1
Purchase of own shares					(18.7)	(18.7)		(18.7)
Options exercised					3.7	3.7		3.7
Acquisition of non-controlling interests					(0.2)	(0.2)	0.2	-
Total transactions with owners of the Company					(39.0)	(39.0)	0.2	(38.8)
Balance at September 30, 2010	1.3	106.8	(3.5)	(24.3)	284.2	364.5	19.8	384.3
Balance at December 31, 2010	**1.3**	**106.8**	**(3.9)**	**(20.9)**	**309.5**	**392.8**	**18.4**	**411.2**
Profit for the period					58.9	58.9	4.6	63.5
Exchange rate differences				(9.2)		(9.2)	(2.4)	(11.6)
Effective portion of changes in fair value of cash flow hedges			(3.5)			(3.5)		(3.5)
Other comprehensive income			**(3.5)**	**(9.2)**	-	**(12.7)**	**(2.4)**	**(15.1)**
Total comprehensive income for the period			**(3.5)**	**(9.2)**	**58.9**	**46.2**	**2.2**	**48.4**
Transactions with owners of the Company								
Dividends to shareholders					(31.0)	(31.0)	(2.2)	(33.2)
Share-based compensation					4.8	4.8		4.8
Taxes related to share-based compensation					(1.7)	(1.7)		(1.7)
Purchase of own shares					(21.6)	(21.6)		(21.6)
Issuance of shares	-	19.5				19.5		19.5
Options exercised					2.6	2.6		2.6
Acquisition of non-controlling interests					(31.0)	(31.0)	(2.8)	(33.8)
Total transactions with owners of the Company	-	**19.5**			**(77.9)**	**(58.4)**	**(5.0)**	**(63.4)**
Balance at September 30, 2011	**1.3**	**126.3**	**(7.4)**	**(30.1)**	**290.5**	**380.6**	**15.6**	**396.2**

ARCADIS NV
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in € millions	First nine months 2011	2010
Cash flow from operating activities		
Profit for the period	**63.5**	52.7
Adjustments for:		
- Depreciation and amortization	**23.3**	25.3
- Taxes on income	**23.2**	26.0
- Net finance expense	**18.4**	13.7
- Income from associates	**(0.7)**	(1.0)
	127.7	116.7
Share-based compensation	**4.8**	6.1
Sale of activities and assets, net of cost	**(7.4)**	-
Change in fair value of derivatives in operating income	**(1.5)**	1.7
Change in inventories	**(0.1)**	0.1
Change in receivables	**(59.0)**	(38.9)
Change in provisions	**1.1**	(0.5)
Change in billing in excess of costs	**(3.8)**	(14.7)
Change in current liabilities	**(26.3)**	(24.8)
Dividend received	**0.6**	0.4
Interest received	**2.8**	2.4
Interest paid	**(19.4)**	(13.9)
Corporate tax paid	**(22.2)**	(19.4)
Net cash from operating activities	**(2.7)**	15.2
Cash flows from investing activities		
Investments in (in)tangible assets	**(28.4)**	(25.1)
Proceeds from sale of (in)tangible assets	**0.4**	2.0
Investments in consolidated companies	**(33.8)**	(12.8)
Proceeds from sale of consolidated companies	**9.1**	-
Investments in associates and other financial non-current assets	**(15.6)**	(7.6)
Proceeds from sale of associates and other financial non-current assets	**13.1**	4.2
Net cash used in investing activities	**(55.2)**	(39.3)
Cash flows from financing activities		
Proceeds from options exercised	**2.6**	3.7
Issued shares	**-**	-
Purchase of own shares	**(21.6)**	(18.7)
Settlement of financial derivatives	**(5.0)**	(8.8)
New long-term loans and borrowings	**325.4**	8.2
Repayment of long-term loans and borrowings	**(310.4)**	(8.2)
Changes in short-term borrowings	**43.7**	8.0
Dividend paid	**(33.2)**	(30.0)
Net cash from financing activities	**1.5**	(45.8)
Net change in cash and cash equivalents less bank overdrafts	**(56.4)**	(69.9)
Exchange rate differences	**0.1**	8.2
Cash and cash equivalents less bank overdrafts at January 1	**198.2**	212.5
Cash and cash equivalents less bank overdrafts at September 30	**141.9**	150.8

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