ARCADIS
Infrastructure · Water · Environment · Buildings

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PRESS RELEASE

ARCADIS IMPROVES MARGIN AND CASH FLOW WHILE CAPTURING STRONG GROWTH IN EMERGING MARKETS

- Emerging markets drive revenue growth
- Year-to-date gross revenues up 30% with strong contribution from acquisitions
- Organic growth gross revenues year-to-date 4% higher; net revenues 4% higher
- Operational margin improved quarter over quarter to 9.9%
- Quarterly EBITA up 35%, net income from operations increased 46%
- Working capital program drives €69 million improvement in cash flow from operations over last year
- Outlook 2012 maintained: higher revenues organic and from acquisitions, income 20 – 25% higher

November 1, 2012 – ARCADIS (NYSE EURONEXT: ARCAD), a leading international consultancy, design, engineering and management services company, has announced strong third quarter 2012 results. Gross revenues increased by 34% to €650 million on the back of strong organic growth in emerging markets and a growing contribution from acquisitions, including EC Harris, Langdon & Seah, ETEP and BMG. In the third quarter, organic gross revenue growth amounted to 1%, and net revenue growth to 3%, with strong growth in emerging markets being partly offset by challenging market conditions in Europe and increasingly also in the United States. Infrastructure was again the strongest growth segment, led by operations in South America. Profitability improved as evidenced by the quarter-over-quarter increase of the operational margin to 9.9%, in part fuelled by Langdon & Seah and margin improvements in EC Harris.
For the first nine months gross revenues grew 30% to €1,878 million. Organic growth was 4% (in net revenues also 4%). Net income from operations rose 33% to €73.7 million.

Strategically, the company made two further steps during the quarter. Mid-July, it acquired Swiss-based environmental consultancy BMG (50 employees, revenues €9 million), gaining a premier position in the Swiss environmental market and global access to several major multinational chemical and pharmaceutical clients. In early August, we completed the acquisition of ETEP (300 people, revenues €20 million), the largest water engineering and consultancy company in Brazil. Combined with ARCADIS Logos, we are now the undisputed leader in the fast developing Brazilian water market.

CEO Neil McArthur said: “Our strategy to grow our presence in emerging markets is clearly paying off. Our continued organic growth was derived from our strong performance in South America and the Middle East. EC Harris demonstrated growth, combined with further margin improvement. This was also the case with Langdon & Seah, despite slowing growth in Asia. More synergy wins with both acquisitions were booked during the quarter, in total now amounting to more than €50 million. In mature markets, conditions are still challenging, with the US and some European markets showing further signs of a slowdown. We continue to focus on margin improvement and were able to close in on our target margin level of 10%, achieving 9.9% in the quarter. Our programs to improve working capital and cash flow are starting to pay off and we were able to significantly improve our cash flow in the quarter.”

Key figures

Amounts in millions unless otherwise noted	Third quarter			First nine months		
	2012	2011	Δ	2012	2011	Δ
Gross revenue	650	485	34%	1,878	1,441	30%
Organic gross revenue growth	1%			4%		
Net revenue	480	340	41%	1,389	1,042	33%
Organic net revenue growth	3%			4%		
EBITA	42.7	31.8	35%	114.0	107.5	6%
EBITA *recurring* [1)]	42.7	31.8	35%	118.2	100.1	18%
EBITA operational	47.4	33.8	40%	129.5	99.0	31%
Net income	23.1	17.5	32%	61.0	58.9	4%
Ditto, per share (in €)	0.33	0.26	23%	0.87	0.89	-2%
Net income from operations [2)]	**26.5**	**18.2**	**46%**	**73.7**	**55.2**	**33%**
Ditto, per share (in €) [2)]	**0.37**	**0.27**	**36%**	**1.05**	**0.84**	**26%**
Avg. # of outstanding shares (million)	70.9	66.2		70.0	66.0	

1) 2012 excluding acquisition cost Langdon & Seah, 2011 excluding profit on the sale of AAFM, YTD in 2011 influenced by result of energy business in Brazil of €11.7 million
2) Before amortization and non-operational items

Third quarter

Gross revenues grew 34%. There was a positive currency effect of 7%, mainly due to a stronger dollar against the euro. Acquisitions, most notably EC Harris and Langdon & Seah, contributed 26% to growth. Organically, gross revenues rose 1%, less than in the previous quarter reflecting a slowdown in mature markets.

Net revenues (revenues generated by own staff) rose 41%. Currencies contributed 6%, and acquisitions 32%. The organic growth of 3% mainly came from the emerging markets in South America. In Europe markets did not improve. In the United States, market conditions toughened somewhat as government spending was further reduced.
The difference in growth between gross and net revenue reflects reduced subcontracting following the completion of the Floriade project in the Netherlands.

(Recurring) EBITA rose 35% to €42.7 million. The currency effect was 8% positive, while acquisitions on balance contributed 36%, fuelled by stronger profit contributions from both EC Harris and Langdon & Seah. Organically, EBITA declined 9%. While South America further improved its contribution, these were more than offset by declines in Europe and the US. Restructuring and integration costs during the quarter amounted to €4.6 million (2011:

€2.0 million) mainly directed at integration of EC Harris and ongoing capacity adjustments in Europe. Adjusted for this, EBITA declined organically 1%. Operational EBITA rose 40% to €47.4 million (2011: €33.8 million).

The margin (recurring EBITA as a percentage of net revenue) came out to 8.9% (2011: 9.4%). Corrected for reorganization and integration charges the operational margin was 9.9%, compared to 10.0% in 2011, and well ahead of the margin in the second quarter of 2012 of 9.2%.

Financing charges amounted to €5.0 million (2011: €6.1 million), lower than last year due to lower debt and lower interest rates. The tax rate was 26.3% (2011: 30.7%). Net income from operations rose 46%.

Cash flow from operating activities during the quarter amounted to €64 million (2011: €31 million) with the improvement mainly coming from strong working capital management. Working capital as a percentage of gross revenue improved and came out to 16.8% (2011: 17.9%).

First nine months

Gross revenues were 30% higher than last year. The positive currency effect was 5%, while the contribution of acquisitions on balance was 21%. The organic increase in gross revenue amounted to 4% almost entirely resulting from strong growth in South America and Asia.

Net revenues rose by 33%. The currency effect was 5%, the effect of acquisitions and divestments on balance 24%. Organic growth amounted to 4%.

EBITA was €114.0 million, up 6% from last year. Excluding the effect of the sale of AAFM last year and the acquisition cost of L&S this year, recurring EBITA was up 18% to €118.2 million. The currency effect was 7%, the contribution from acquisitions was 20%. The deconsolidation of the Brazilian energy business had a negative impact of 12%. Organically, recurring EBITA rose 3%. Reorganization and integration costs amounted to €11.3 million (2011: €10.5 million). Operational EBITA rose 31% to €129.5 million (2011: €99.0 million).

Financing charges were €15.5 million (2011: €18.4 million). The tax rate of 28.0% (2011: 27.0%) is based on the expected tax rate for the full year. Net income from operations rose 33%.

Developments by business line

Figures noted below concern gross revenues for the first nine months of 2012 compared to the same period last year, unless otherwise mentioned.

- ***Infrastructure*** *(26% of gross revenues)*
  Gross revenues grew 24%. The currency effect was 0%, the contribution from acquisitions (EC Harris) 12%. Organically gross revenues increased 12%, net revenues 18%. The strong organic growth in Brazil and Chile more than offset declines in most European countries. In addition to work in the energy and mining markets, South America is now

also experiencing growth in public infrastructure projects with metro projects in Chile, and airport projects in Brazil. In France, our involvement in large infrastructure projects continued to drive growth. Recently a large metro project in Toulouse was added.

- ***Water*** *(15% of gross revenues)*
  Gross revenues increased 13%. The currency effect was 7%, the contribution from acquisitions (EC Harris, ETEP) was 6%. Organically, gross revenues were flat, while net revenues declined 5%. Order intake developed positively. The water-for-industry program continues to grow in significance, also outside of the US. With the addition of ETEP in Brazil, our position in that market has significantly strengthened, also creating opportunities for synergy with our US water activities in technology exchange.
- ***Environment*** *(33% of gross revenues)*
  Gross revenues rose 14%. The currency effect was 8%. Organically, gross revenues grew 6%, net revenues 2%. In the US, the public sector environmental market is in decline, although at the beginning of the quarter the Moody's Airforce base contract was won. Private sector growth in the US is slowing somewhat. Strong growth continued in South America and especially Chile where demand for environmental services to the mining industry remained solid. In Europe the government market is still under pressure, resulting in less environmental impact assessment projects, while private sector work is picking up slowly.
- ***Buildings*** *(26% of gross revenues)*
  Gross revenues grew 94%, net revenues 98%. The currency effect was 6%, the contribution from acquisitions 95%. Organically gross revenues declined 7%, net revenues 5%, mainly resulting from a slowdown in the Netherlands on the back of poor conditions in public sector markets. RTKL continued to do well in the Middle East and Asia. In most European countries activities declined due to government austerity. EC Harris and L&S saw growth during the quarter, while revenue synergies were more than €50 million.

Outlook

In the **Infrastructure market** we have a basis for sustained growth. We remain positive about opportunities for growth in South America. Although the mining sector started to cool somewhat, the transportation sector and investments for the soccer World Cup and Olympic Games generate new growth opportunities. Our backlog for work in Middle East bodes well for growth in Qatar, among other countries. In the US and the Benelux market conditions remain more challenging given public sector declines. The market outlook for the United Kingdom and France is more positive as both countries continue to invest in large infrastructure projects.

In the **Water market** stabilization is within reach. The backlog in our US water business is healthy after a strong order intake (YTD 7%). The program to provide water services to industrial clients is successful. In Brazil, the combination of our water business with that of ETEP has elevated us to the number one position in that market. This also allows us to develop enhanced business solutions for our Brazilian clients via technology exchange from our US water practice. In Europe we expect the water market to be stable. The water management market is still difficult due to lack of public funding.

In the **Environmental market** demand for environmental services from private sector clients is stable. In Europe and the US, public sector environmental work is in decline. Demand in South America remains stable and we expect to be able to expand our position. Economic sentiment will play an important role in client decisions to invest in new projects.

In the **Buildings market** our position has been considerably strengthened due to the mergers with EC Harris and L&S, with synergy opportunities created in Europe, US, the Middle East, Latin America and Asia. Within the generally challenging market environment in Europe, the Dutch market stands out as weak, while the UK market remains solid. The Asian market is cooling, but we are confident growth will continue but at a lower pace in the short term. Our strong position in the Middle East offers significant opportunities for growth.

CEO Neil McArthur concluded: "Government investments in Europe and the US remain under pressure and in the private sector investment decisions may be affected by the continuing economic uncertainty. Nevertheless, we see that the emerging markets (South America, Asia and the Middle East) and synergy opportunities with the companies added to ARCADIS in the last year offer opportunities for growth. Our backlog is up 3% compared to year-end 2011. Where market conditions allow we focus on generating revenue growth, in situations where demand is softer, we aim for margin retention and improvement. Further strengthening of our capabilities through add-on acquisitions stays on the agenda. Based on the backlog situation, initiatives in the global business lines, and despite weaker economic developments in some geographies for full year 2012 we expect increased revenues both organically and from recent acquisitions. We expect net income from operations to increase by 20 – 25%. This is barring unforeseen circumstances."

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About ARCADIS:
ARCADIS is a leading 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 21,000 employees and more than €2.4 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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CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Third quarter		First nine months	
Amounts in € millions, unless otherwise stated	**2012**	2011	**2012**	2011
Gross revenue	**649.5**	484.8	**1,877.9**	1,441.0
Materials, services of third parties and subcontractors	**(170.0)**	(145.0)	**(488.6)**	(399.2)
Net revenue	**479.5**	339.8	**1,389.3**	1,041.8
Operational cost	**(428.8)**	(301.1)	**(1,252.3)**	(921.7)
Depreciation	**(8.0)**	(7.0)	**(23.6)**	(20.2)
Other income	**-**	0.1	**0.6**	7.6
EBITA	**42.7**	31.8	**114.0**	107.5
Amortization identifiable intangible assets	**(4.7)**	(1.0)	**(10.7)**	(3.1)
Operating income	**38.0**	30.8	**103.3**	104.4
Net finance expense	**(5.0)**	(6.1)	**(15.5)**	(18.4)
Income from associates	**(1.0)**	(0.2)	**(1.6)**	0.7
Profit before taxes	**32.0**	24.5	**86.2**	86.7
Income taxes	**(8.7)**	(7.6)	**(24.6)**	(23.2)
Profit for the period	**23.3**	16.9	**61.6**	63.5
Attributable to:				
Net income (Equity holders of the Company)	**23.1**	17.5	**61.0**	58.9
Non-controlling interests	**0.2**	(0.6)	**0.6**	4.6
Net income	**23.1**	17.5	**61.0**	58.9
Amortization identifiable intangible assets after taxes	**3.3**	0.6	**8.2**	1.9
Lovinklaan employee share purchase plan	**0.1**	0.1	**0.3**	0.3
Net effects of financial instruments				1.5
Non-recurring[1]	**-**		**4.2**	(7.4)
Net income from operations	**26.5**	18.2	**73.7**	55.2
Net income per share (in euros)	**0.33**	0.26	**0.87**	0.89
Net income from operations per share (in euros)	**0.37**	0.27	**1.05**	0.84
Weighted average number of shares (in thousands)	**70,926**	66,153	**70,055**	65,957

[1] In 2012 the non-recurring items relate to the acquisition cost for Langdon & Seah, while in 2011 the result on the divestment of AAFM activities was included

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in € millions **Assets**	**September 30, 2012**	December 31, 2011
Intangible assets	**614.2**	501.3
Property, plant & equipment	**78.0**	73.9
Investments in associates	**33.3**	24.0
Other investments	**0.4**	0.2
Deferred tax assets	**31.1**	34.2
Derivatives	**-**	-
Other non-current assets	**27.4**	18.3
Total non-current assets	**784.4**	651.9
Inventories	**0.7**	0.9
Derivatives	**4.0**	0.7
(Un)billed receivables	**745.5**	691.9
Corporate income tax receivable	**12.7**	8.8
Other current assets	**63.8**	46.6
Cash and cash equivalents	**211.5**	158.2
Total current assets	**1,038.2**	907.1
Total assets	**1,822.6**	1,559.0
Equity and liabilities		
Shareholders' equity	**513.3**	455.5
Non-controlling interests	**0.5**	(0.1)
Total equity	**513.8**	455.4
Provisions for employee benefits	**34.3**	38.6
Provisions for other liabilities and charges	**19.8**	13.2
Deferred tax liabilities	**35.8**	22.8
Loans and borrowings	**316.6**	371.4
Derivatives	**4.3**	5.2
Total non-current liabilities	**410.8**	451.2
Billing in excess of cost	**179.5**	169.2
Corporate tax liabilities	**11.1**	10.3
Current portion of loans and borrowings	**70.1**	0.7
Current portion of provisions	**9.8**	10.7
Derivatives	**0.7**	8.3
Accounts payable	**130.0**	154.3
Accrued expenses	**37.0**	32.1
Bank overdrafts	**67.7**	5.5
Short term borrowings	**124.9**	38.1
Other current liabilities	**267.2**	223.2
Total current liabilities	**898.0**	652.4
Total equity and liabilities	**1,822.6**	1,559.0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in € millions	Share capital	Share premium	Hedging Reserve	Cumulative translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
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
Balance at December 31, 2011	**1.4**	**168.4**	**(6.2)**	**(18.1)**	**310.0**	**455.5**	**(0.1)**	**455.4**
Profit for the period					**61.0**	**61.0**	**0.6**	**61.6**
Exchange rate differences				**2.8**		**2.8**	**-**	**2.8**
Taxes related to employee benefit obligations					**1.8**	**1.8**		**1.8**
Effective portion of changes in fair value of cash flow hedges			**1.0**			**1.0**		**1.0**
Other comprehensive income			**1.0**	**2.8**	**1.8**	**5.6**	**-**	**5.6**
Total comprehensive income for the period			**1.0**	**2.8**	**62.8**	**66.6**	**0.6**	**67.2**
Transactions with owners of the Company:								
Dividends to shareholders					**(33.5)**	**(33.5)**		**(33.5)**
Issuance of shares	**0.1**	**33.1**				**33.2**		**33.2**
Share-based compensation					**6.3**	**6.3**		**6.3**
Taxes related to share-based compensation					**1.7**	**1.7**		**1.7**
Purchase of own shares					**(28.5)**	**(28.5)**		**(28.5)**
Options exercised					**12.0**	**12.0**		**12.0**
Acquisition of non-controlling interests								
Total transactions with owners of the Company	**0.1**	**33.1**			**(42.0)**	**(8.8)**		**(8.8)**
Balance at September 30, 2012	**1.5**	**201.5**	**(5.2)**	**(15.3)**	**330.8**	**513.3**	**0.5**	**513.8**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in € millions	First nine months **2012**	2011
Cash flows from operating activities		
Profit for the period	**61.6**	63.5
Adjustments for:		
- Depreciation and amortization	**34.3**	23.3
- Taxes on income	**24.6**	23.2
- Net finance expense	**15.5**	18.4
- Income from associates	**1.6**	(0.7)
	137.6	127.7
Share-based compensation	**6.3**	4.8
Sale of activities and assets, net of cost	**-**	(7.4)
Change in fair value of derivatives in operating income	**(1.9)**	(3.1)
Settlement of operational derivatives	**1.3**	1.6
Change in inventories	**0.1**	(0.1)
Change in receivables	**(24.5)**	(59.0)
Change in provisions	**(6.1)**	1.1
Change in billing in excess of costs	**(14.8)**	(3.8)
Change in current liabilities	**0.8**	(26.3)
Dividend received	**0.4**	0.6
Interest received	**2.6**	2.8
Interest paid	**(17.2)**	(19.4)
Corporate tax paid	**(18.2)**	(22.2)
Net cash from operating activities	**66.4**	(2.7)
Cash flows from investing activities		
Investments in (in)tangible assets	**(23.0)**	(28.4)
Proceeds from sale of (in)tangible assets	**0.8**	0.4
Investments in consolidated companies	**(76.9)**	(33.8)
Proceeds from sale of consolidated companies	**-**	9.1
Investments in associates and other financial non-current assets	**(3.9)**	(15.6)
Proceeds from sale of associates and other financial non-current assets	**1.6**	13.1
Net cash used in investing activities	**(101.4)**	(55.2)
Cash flows from financing activities		
Proceeds from options exercised	**12.0**	2.6
Issued shares	**-**	-
Purchase of own shares	**(28.5)**	(21.6)
Settlement of financing derivatives	**(11.1)**	(5.0)
New long-term loans and borrowings	**0.4**	325.4
Repayment of long-term loans and borrowings	**(0.2)**	(310.4)
Changes in short-term borrowings	**86.5**	43.7
Dividend paid	**(33.5)**	(33.2)
Net cash from financing activities	**25.6**	1.5
Net change in cash and cash equivalents less bank overdrafts	**(9.4)**	(56.4)
Exchange rate differences	**0.4**	0.1
Cash and cash equivalents less bank overdrafts at January 1	**152.7**	198.2
Cash and cash equivalents less bank overdrafts at September 30	**143.7**	141.9

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