ARCADIS

Infrastructure · Water · Environment · Buildings

Imagine the result

GLOBAL REACH

ANNUAL REPORT 2012

Imagine the result

Our mission is to improve quality of life around the world by creating places of distinction and providing sustainable solutions that enhance the built and natural environments. In doing so, we produce exceptional value for our clients, employees, shareholders and society.

Global reach

In 2012, ARCADIS continued to strengthen its footprint, achieving a substantial presence in each of its targeted regions, and a unique global position. We are now the leading pure play global engineering and consultancy firm. Fostering long-term client relationships and conducting business on a client basis rather than on a project basis lies at the heart of our 'Leadership, Balance Growth' strategy.

Today we provide global reach, bringing the best of our capabilities, people, ideas and energy to our clients anywhere in the world. Our four Global Business Lines; Infrastructure, Water, Environment and Buildings, enable us to leverage our global expertise, ensure global delivery of services and share resources across our operating companies. This approach provides significant value to our multinational, key national and local clients who benefit from the unique value-added services developed globally and delivered locally.

ARCADIS NV
Gustav Mahlerplein 99-103
1082 MS Amsterdam, The Netherlands
Tel +31 20 2011011
Fax +31 20 2011003
E-mail ir@arcadis.com
Internet www.arcadis.com
Chamber of Commerce Arnhem, The Netherlands
Trade registry no. 09051284
VAt: nl 0062.93.700.B.01
For other company addresses see page 133 of the Annual Report

Cover image: *Gardens by the Bay,* a Langdon & Seah project (Photo courtesy of Gardens by the Bay Andy Kwek)

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ARCADIS at a glance

Who we are

Professional services for the human habitat

ARCADIS is the leading pure play global engineering and consultancy firm providing consultancy, planning, architectural design, engineering and management services for Infrastructure, Water, Environment and Buildings. We plan, develop, design, implement, and help maintain and operate assets for companies and governments. With nearly 22,000 employees and €2.5 billion in revenues we have an extensive global network supported by strong local market positions.

Core values

As a global company, we are committed to three core values in everything we do:

- Integrity: we do business in an honest way, to the highest professional standards, and strive to be a reliable partner, treating others with respect;
- Entrepreneurship: we drive initiatives and develop business opportunities that create value and use our resources in the best interests of our clients;
- Agility: we look to anticipate and react fast to changing market conditions, we are responsive to the needs of our clients and colleagues, and eager to perform.

In addition to these core values, we consider Sustainability to be fundamental to how we work. It permeates our thinking and activities, and provides solutions that help preserve our planet for future generations. We have a strong Health & Safety culture and our proud of our performance well ahead of our industry standards. Our vision to be recognized as the best in our industry demands excellence in everything that we do.

Global Reach

The ARCADIS global network is uniquely based on strong operating positions in Europe, the United States, South America, Asia and the Middle East. This strong local presence allows us to maintain long-lasting relationships with our clients and thoroughly understand local market conditions. Through our global business lines we leverage our vast expertise, share knowledge and provide the best value added services and technology to better serve our globally operating multinational as well as our more regional and local clients.

One firm philosophy

We operate across our network as a single firm. We foster a culture of team spirit and internal collaboration and knowledge sharing that enables us to create synergies and leverage our client relationships.

Active across the entire value chain

ARCADIS provides services across the entire value chain, with a focus on those with high added value. We differentiate ourselves in key market sectors by deepening our capabilities and developing client relationships that span the entire lifecycle of their assets. We aim to understand the changing needs of our clients and their sectors to find new ways to help create value. We are able to deliver complex projects and solutions by combining our unique, technical, consulting and management skills to provide positive outcomes for our clients across all phases of asset investments; from planning, through to creation, operation and possible re-definition.

ARCADIS is in the global top 10

We are the leading pure play global engineering and consultancy firm. We have a leading position in Europe, South America and in building-related consulting in Asia. In the United States, we are currently in the top 10. In the global environmental market, we are positioned in the top three, and we are the largest environmental services provider to the private sector globally.

Top 10 international design firms in the world*

1	AECOM	USA
2	URS	USA
3	CH2M Hill	USA
4	SNC-Lavalin	Canada
5	**ARCADIS**	**Netherlands**
6	Altran Technologies	France
7	WS Atkins	UK
8	Alten Groupe	France
9	WSP and Genivar (pro forma)	Canada
10	Fugro NV	Netherlands

* Source: Swedish Federation of Consulting Engineers and Architects (STD), Dec. 2012

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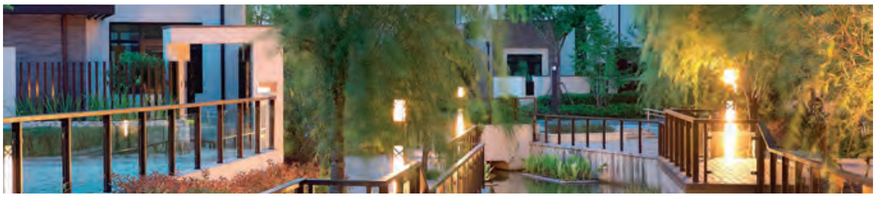
Our business

What we do



We focus our services on four business lines with individual strengths and strategies. These global business lines enable us to work across disciplines and geographies to deliver integrated solutions to complex challenges. Our goal is to support our clients' business and provide positive outcomes in all the projects we undertake on their behalf.

Shift to emerging markets and private sector work

In 2012, ARCADIS significantly expanded its global reach through strategic mergers and acquisitions, which included Langdon & Seah, BMG and ETEP. These steps, and the earlier addition of EC Harris in late 2011, have significantly shifted the geographical footprint of the company towards emerging markets.

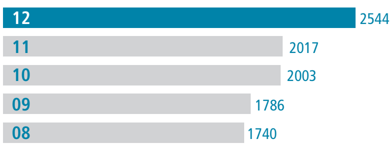
Expanding in these regions was a core strategic theme. In 2010, emerging markets represented 10% of revenues, while at the end of 2012 this had risen to 21%. When looking at total headcount on a geographical basis, the change becomes even more apparent, going from 16% in 2010, to 36% at the end of 2012.

Another important change driven by our strategy in recent years, has been the shift towards more private sector work. We expect fewer growth opportunities from the public sector in mature markets in Europe and the US. Whereas ARCADIS derived 46% of its revenues from private sector clients in 2010, that percentage had reached 55% in 2012.

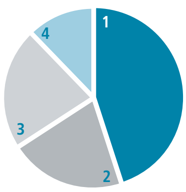
Gross revenue
€2.5b
Net revenue €1.9b

Total growth
26%
Operational margin **10%**

Gross revenue
in € million



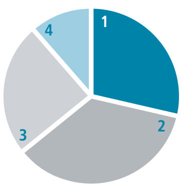
Gross revenue by region



1 United States 45%
2 Emerging Markets 21%
3 Europe* 22%
4 The Netherlands 12%

*excluding the Netherlands

Geographical spread personnel[1)]



1 United States 6,234 (29%)
2 Emerging Markets 7,747 (36%)
3 Europe* 5,291 (24%)
4 The Netherlands 2,424 (11%)

*excluding the Netherlands

[1)] total number of employees including temporary staff

Infrastructure

Our infrastructure services create the conditions for efficient transportation. We provide program management for some of the world's most complex infrastructure projects. By working on high-quality and safe railways, road networks (including tunnels and bridges), reliable energy supply systems and development of land for different purposes, ARCADIS' infrastructure professionals bring stability, mobility and a better quality of life to communities around the world.

Gross revenue
€657m
Net revenue €532 m

Total growth
18%
Operational margin **8.1%**

Gross revenue Infrastructure
in € million

Infrastructure % of group revenue

26%

Clients

Our work in **Infrastructure** is for governments: municipalities, cities, states and ministries. We also work for utilities, which can be publicly or privately owned. In addition, our infrastructure clients include developers, contractors and mining firms who call upon us for their extensive infrastructure needs, including roads, railroads, pipelines and harbors.

Water

As a global top 10 player in water services we focus on the entire water cycle, including analysis and design of drinking water supply systems. We advise on advanced treatment technologies for waste water and deliver design, engineering and management services for public utilities and private sector industrial clients. Our recently added 'Water for Industry' initiative focuses on helping industrial clients reduce their water footprint. We are also active in managing rivers and coastal zones, urban and rural water, and water management issues related to climate change and rising sea levels.

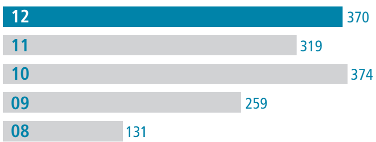
Gross revenue
€370m

Total growth
16%

Net revenue
€286 m

Operational margin **9.3%**

Gross revenue Water
n € million



Water % of group revenue

15%

Clients

The majority of our clients in **Water** are public bodies and authorities such as water boards, municipalities, provinces and states, central governments, as well as private and public utilities. For industrial clients we are a leading provider of water services to reduce water use, improve sustainability and meet regulatory requirements.

Environment

ARCADIS is the leading environmental services provider to private industry, and delivers projects that protect the earth's resources while meeting our clients' economic objectives. From soil, groundwater and sediment remediation and environmental impact assessments, through to consultancy on corporate energy, product stewardship, health and safety and waste management issues, our services support environmental policies for companies and governments alike.

Gross revenue
€849m

Total growth
11%

Net revenue
€506 m

Operational margin **12.6%**

Gross revenue Environment
in € million

Environment % of group revenue

33%

Clients

In **Environment**, a significant portion of our work is for the private sector, including the oil and gas, chemical, mining and transportation industries. Many Fortune 500 companies are longstanding clients. We also work for governments; from federal clients, such as the U.S. Department of Defense, to municipal clients.

Buildings

We help leading clients transform their business performance by planning, creating, operating and regenerating their buildings to ensure they are a source of competitive advantage, meet business needs, and generate sustaining business value. We call this Built Asset Consultancy. We deliver world-class architecture, planning, consultancy, project, program and cost management services for a wide range of building types from commercial properties to hospitals, schools, government buildings and industrial facilities. We create a balance of form, functionality and environmental stewardship.

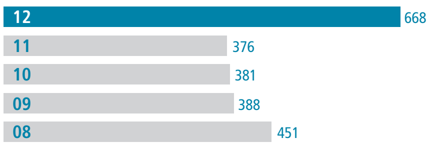
Gross revenue
€668m

Total growth
78%

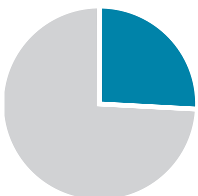
Net revenue
€554 m

Operational margin **9.9%**

Gross revenue Buildings
in € million



Buildings % of group revenue



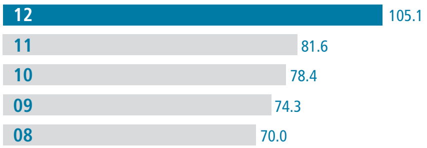
26%

Clients

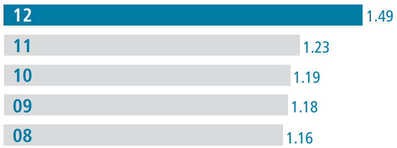
In **Buildings** we mainly work for owners, managers, operators and developers of real estate, both in the public and private sectors.

Highlights 2012

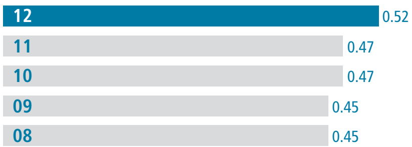
Net income from operations
in € million



Net income from operations per share
in €



Dividend per share
in €



Proposed dividend per share

€0.52

2011: **€0.47**

Net income from operations

€105.1 Growth 29%

2011: **€81.6 million**

Cash flow from operating activities

€158 million

2011: **€80 million**

- Record revenue and profit in 2012
- Net income from operations 29% higher, earnings per share at €1.49 from €1.23 in 2011
- Proposed dividend €0.52 per share, 11% higher than in 2011, choice of cash or shares
- Organic revenue growth throughout the year, resulting in 4% net revenue for full year
- Strong performance in emerging markets both organically as well as through mergers and acquisitions
- Excellent growth in South America, where investments in mining and energy are now supplemented by public infrastructure investments
- RTKL especially successful in Middle East healthcare market and Asia
- Mixed picture in Europe: growth in France and Germany but declines in other countries due to ongoing government austerity
- Almost €70 million in synergy bookings with EC Harris and Langdon & Seah achieved
- Operational margin of 10%, at target level with strong contribution from acquisitions
- Merger with Langdon & Seah provides leading position in Asian buildings market with strong synergy potential
- Acquisition of ETEP in Brazil secures a leading position in fast-growing Brazilian water market
- Acquisition of BMG gives access to Swiss market and several major multinational chemical and pharmaceutical clients

Selected financial data

Revenue	2012	2011	2010	2009	2008
Gross revenue	**2,544**	2,017	2,003	1,786	1,740
Net revenue	**1,878**	1,443	1,375	1,218	1,162
Operating results					
EBITA	**166.4**	144.4	135.9	121.6	131.8
EBITA recurring	**188.8**	139.0	144.0	131.1	121.6
EBITA margin, operational (in %) [1]	**10.0**	9.7	10.5	10.8	10.5
Operating income	**151.5**	139.0	129.6	114.4	119.6
Associates	**(3.1)**	0.3	0.7	_	(0.1)
Net income from operations [2]	**105.1**	81.6	78.4	74.3	70.0
Net income	**89.0**	79.5	73.9	72.8	57.3
Capital employed					
Balance sheet total	**1,770.9**	1,559.0	1,424.5	1,315.2	1,058.4
Average invested capital	**898.3**	739.1	670.3	538.4	478.2
Return on average invested capital (in %)	**13.5**	13.6	13.9	15.4	18.1
Total equity	**536.7**	455.4	411.2	368.5	219.9
Total equity as % of balance sheet total	**30**	29	29	28	21
Interest coverage ratio	**8**	7	7	10	7
Net debt to EBITDA ratio	**1.5**	1.4	1.4	1.0	1.3
Net cash provided by operating activities	**158.0**	**79.6**	**91.8**	**152.5**	**80.5**

Total shares outstanding at December 31 (in thousands)	**71,588**	**69,338**	**66,066**	**66,493**	**60,101**

Data per share (in euros)					
Net income from operations	**1.49**	1.23	1.19	1.18	1.16
Net income	**1.26**	1.20	1.12	1.15	0.95
Dividend proposal	**0.52**	0.47	0.47	0.45	0.45
Shareholders' equity	**7.23**	6.34	5.80	5.20	3.35
Personnel [3]					
Average number of contract employees	**19,507**	15,589	14,590	13,519	13,180
Average number of employees total [4]	**20,283**	16,486	15,531	14,417	13,977
Total number of employees at December 31 [4]	**21,696**	18,427	15,905	15,195	14,101
Carbon footprint per FTE (in metric tons of carbon dioxide equivalents) [5]					
Auto transport	**1.94**	1.93	1.97	1.94	2.13
Air transport	**1.08**	1.06	1.06	0.78	0.94
Public transport	**0.09**	0.08	0.09	0.08	0.08
Office energy use	**1.66**	1.82	1.94	2.00	2.16
Total	**4.77**	**4.89**	**5.06**	**4.80**	**5.31**

In millions of euros unless otherwise noted

[1] Operational margin: recurring EBITA as a percentage of net revenue, excluding impact of energy projects in Brazil, carbon credit and restructuring costs
[2] Net income excluding amortization and non-operational items
[3] The headcount includes the total number of employees of proportionally consolidated companies
[4] Including temporary staff
[5] Comparative figures adjusted for consistency with GRI Guidelines

The ARCADIS share

Stock exchange listing

ARCADIS shares are listed at the NYSE Euronext stock exchange in Amsterdam under the symbol ARCAD, where it is a constituent of the Amsterdam Midkap Index® (AMX).
At year-end 2012, the total number of shares outstanding was 71,587,542.

Options

The volume in ARCADIS options amounted to 28,097, with a total number of 4,140 trades. This compares to a volume of 36,746 or 5,565 trades during 2011. Open interest was strongest in the first and fourth quarter of the year. The options strengthen ARCADIS' visibility in the financial markets.

Dividend

For the year 2012, a dividend is being proposed of €0.52 per share, which is an increase of 11% over last year. This represents a pay-out of 35% of net income from operations.
It is the 17th year in a row in which ARCADIS has maintained or increased its dividend. Shareholders will be offered the choice between a cash dividend or a dividend in shares. Further details will be provided in the agenda for the Annual General Meeting of Shareholders.

Share price development

On the last trading day of 2011, the ARCADIS share price closed at €12.10, while on the last trading day of 2012, it closed at €17.89, an increase of 48%, making ARCADIS one of the best performing stocks on the Amsterdam exchange. Over almost the entire year the share price outperformed the Amsterdam Midcap Index (AMX), which ended 14% higher for the year. On January 23, the stock price touched €15 with project announcements positively impacting share price development such as the announcement of a $17 million construction management contract in Brazil and the extension of our Tour-Bordeaux high speed railway line contract in France. The announcement of the leadership change at ARCADIS from Harrie Noy to Neil McArthur, and associated nomination of Stephanie Hottenhuis to the Executive Board were well received by the market. Following the announcement of the merger with Langdon & Seah in April, the €16 level was hurdled and the stock price climbed on to reach €17 in the week of April 23. In the period from May through October, the stock performance flattened out and occasionally dipped as negative market sentiment with regard to the European financial crisis affected stock markets. The ETEP acquisition in Brazil created a small positive effect in August. Second quarter results were also well received. In November, around the announcement of the third quarter results, the stock price started to climb again, ending at close to €18 in December.
During the year, ARCADIS featured at any one time on the favorites lists of the following brokers: Rabo Securities, SNS Securities, Kempen & Co, ABN AMRO, Petercam and Cheuvreux.

ARCADIS share price on NYSE Euronext Amsterdam NV

In €	High	Low	Year-end
2008	15,65	6,10	9,40
2009	16,39	7,74	15,83
2010	17,46	13,23	17,42
2011	18,08	11,75	12,10
2012	**18,05**	**12,67**	**17,89**

Liquidity is lower

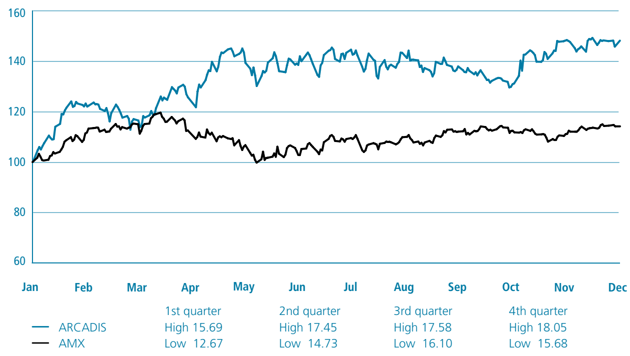
The average daily trading volume in ARCADIS shares on NYSE Euronext Amsterdam in 2012 came to 83,106 (2011: 116,654). Including the volume of a selection of alternative trading platforms (BATS, Chi-X, Equiduct and Turquoise), the average daily volume was 92,763 (2011: 124,853) or somewhat higher, but still 25% below the previous year. The lower trading volumes were not unique to ARCADIS as overall stock exchange volumes were lower due to the effects of the financial crisis and market uncertainties. The overall volume decline on the Amsterdam Midkap Index was 20%.

Peer group

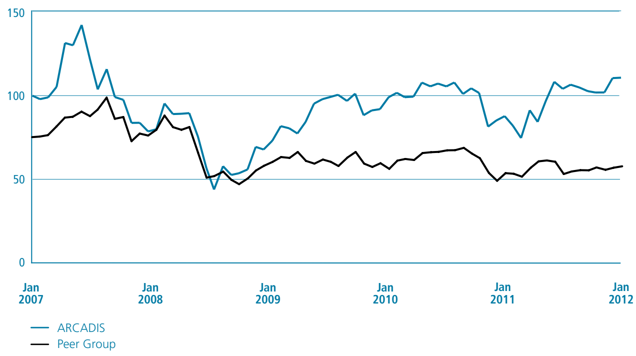
To benchmark its share price performance, ARCADIS has selected a group of peer companies. This group consists of international, publicly listed companies in the consulting and engineering business with activities and a size comparable to ARCADIS. This peer group includes the following companies: Aecom (New York Stock Exchange); Atkins (London Stock Exchange); Grontmij (NYSE Euronext Amsterdam); Hyder (London Stock Exchange); Jacobs Engineering (New York Stock Exchange); Pöyry (Helsinki Stock Exchange); RPS (London Stock Exchange); Tetra Tech (NASDAQ); Sweco (The Nordic Exchange, Stockholm); URS Corporation (New York Stock Exchange); WSP* (London Stock Exchange).

* WSP merged with Canadian-based Genivar in 2012.

ARCADIS (NYSE EURONEXT) against AMX



ARCADIS (NYSE EURONEXT) against peer group



Ownership information

Under the Disclosure of Major Holdings in Listed Companies Act, we can provide the following information about ownership in ARCADIS:

Stichting Lovinklaan	19.5%	(holding end 2012)
ASR Nederland	5.6%	(holding end 2012)
Delta Lloyd N.V	5.07%	(holding end 2012)
Delta Lloyd Deelnemingen Fonds N.V.	5.03%	(holding end 2012)

Investor Relations

ARCADIS has an active investor relations policy aimed at keeping existing and potential shareholders well informed about its strategy and the latest operational and financial developments. It follows a quarterly reporting cycle and informs the market through press releases on other important developments, such as significant project wins. Twice a year, at the presentation of its annual and semi-annual results, ARCADIS conducts a financial press conference and analyst meeting, broadcast live over the internet. At the presentation of the first and third quarter results, a conference call is held for financial analysts, that is also accessible through a live audio link via the ARCADIS website. In April, a special conference call was held on the merger with Langdon & Seah, while during the second quarter press conference and analyst meeting , an overview presentation was provided on ARCADIS' activities in Asia, including those of EC Harris and RTKL. During 2012, ARCADIS performed 24 investor road shows, and participated in 12 investor conferences, while also hosting reverse road shows for investors at its offices. A total of 245 one-on-one meetings were held in the year.

Socially Responsible Investors

A growing number of Socially Responsible Investors (SRI) see ARCADIS as an investment opportunity. ARCADIS is committed to engaging with this important stakeholder audience and aims to provide information in this area.

ARCADIS regularly reports its corporate social responsibility efforts, using the Global Reporting Initiative framework. As part of its membership of the U.N. Global Compact, a voluntary initiative for entities supporting sustainable business practices in terms of human rights, labor standards, environment and anti-corruption, the company submitted its third Communication on Progress report. The company also participates in the Carbon Disclosure Project, a program aimed at transparency on carbon footprint reporting, run by an organization acting on behalf of 655 institutional investors holding US$78 trillion in assets under management. ARCADIS presented at several specialized Socially Responsible Investor conferences during 2012, discussing the company's contribution to sustainability through its projects and its own carbon footprint reduction program. For more information please refer to the chapter on Corporate Social Responsibility in this report.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is scheduled for 7 May 2013 at 2:00 p.m. in Amsterdam, the Netherlands. The agenda for this meeting will be available in late March 2013 from the company upon request and will be announced on the company's website.

Financial calendar (tentative)

23 April 2013:	First quarter 2013, conference call and webcast
7 May 2013:	Annual General Meeting of Shareholders
9 May 2013:	Ex-dividend quotation
31 May 2013:	Dividend payment date
31 July 2013:	Second quarter 2013, press conference, analyst meeting, webcast
23 October 2013:	Third quarter 2013, conference call and webcast

Number of outstanding ordinary shares:

	At January 1	Shares issued	Repurchase	Reissuance	At December 31
2008	60,501,555		825,000	424,393	60,100,948
2009	60,100,948	5,739,351		652,888	66,493,187
2010	66,493,187		1,250,000	822,821	66,066,008
2011	66,066,008	4,160,000	1,300,000	411,671	69,337,679
2012	**69,337,679**	**2,200,000**	**1,800,000**	**1,849,863**	**71,587,542**

The Executive Board (From left to right): Renier Vree (Chief Financial Officer), Neil McArthur (Chief Executive Officer), Stephanie Hottenhuis, Friedrich Schneider, Steve Blake, Zack Smith (appointee).

Introduction

In 2012, despite challenging market conditions in more mature markets, ARCADIS delivered record revenues and profits on the back of organic growth in emerging markets and a growing contribution from acquisitions. Important progress was made on our strategic ambitions, with continued focus on core clients, leveraging capabilities globally, and expanding in selected developing regions, achieving true global reach in the process.

Our overall growth was impressive. In the past 15 months, we have added 36% more people to the firm, adding significant presences in both the Middle East and Asia. We take an accelerated approach to integrating these new activities, ensuring a seamless transition to new operating models. Our strong organic growth was driven by South America and the Middle East, where we strengthened our presence and captured synergies from recent acquisitions. This helped us offset weaker demand in the United States and Europe, where government austerity programs continued to impact our growth. During the year we made good progress in enhancing our Health & Safety capabilities and culture, delivering our best H&S performance, far ahead of the industry standard.

We made good progress on the implementation of our Leadership, Balance, Growth strategy, with key client focus, seamless global delivery, and emerging market growth. We also sharpened the strategy, with additional focus on delivering higher margin services, improving organic growth, and on being the best in our industry through improvements to our processes, performance culture, and by developing capabilities that ensure industry leadership.

In Infrastructure, we continued to see strong organic growth in emerging markets, as well as important contributions from EC Harris and synergy wins. South America is a growth market, with new infrastructure projects in the pipeline. In Europe, where local and national public sector spending remains under pressure, we increased our involvement in large infrastructure projects in France.

Our Water business demonstrated growth, positive developments in order intake, and contributions from EC Harris, and ETEP. We are now the undisputed leader in the fast developing Brazilian water market, with opportunities for synergies through technology exchange with our US water activities.

In Environment, revenues grew, particularly in Brazil and Chile, where demand from the mining industry remained solid. This offset the slowdown in the US, as well as Europe, where government budgets remained under pressure, while private sector work increased. July saw the addition of Swiss environmental services company BMG, with strong client relationships in major Swiss multinational chemical and pharmaceutical companies.

In Buildings, our gross revenues almost doubled, driven largely by acquisitions. In Europe, conditions weakened in real estate markets, most notably in the Netherlands. Our architects, RTKL, performed well in the Middle East and Asia. Significant synergies were achieved with EC Harris and Langdon & Seah. EC Harris capitalized on the favorable buildings market in London, secured large programs and projects in the Middle East, and is on track to reach the 10% margin target in 2013, one year ahead of plan. Our merger with Langdon & Seah, the leading cost and project management company in Asia, significantly boosted our presence in Asia, and created strong growth.

In January, CEO Harrie Noy, who during his 12 years at the helm built ARCADIS into a strong and successful international firm with a sound financial position, announced that he would step down in May 2012. It is an honor to succeed him as CEO and Chairman of the Executive Board, and to lead ARCADIS in the next stage of its development. To this end, we implemented several important leadership changes in the year, including new director appointments for Environment; Buildings; Multi National Clients; Strategy; Mergers and Acquisitions; and Information Technology. These add further strength and depth in our leadership teams for the next stage of our development and growth towards market leadership.

In closing, I would like to thank not only our clients and our shareholders for their continued trust but also all our people for their hard work, inspiration and commitment to client service. I would also like to say a special thank you to our leadership teams across the globe – successfully managing 36% growth in staff in just 15 months has been an incredible feat.

I look forward with enthusiasm to 2013 when we will celebrate our 125 year anniversary. I take great pride in our past accomplishments and am confident of our future success to help create a better, more sustainable world.

On behalf of the Executive Board
Neil McArthur
Chief Executive Officer

Farewell Harrie Noy

On January 30, 2012 it was announced that Harrie Noy, after 37 years of service at the company, of which 18 were as a board member and 12 as CEO and Chairman of the Executive Board, would step down and be succeeded by Neil McArthur.

Harrie Noy (1951) joined the company in 1975 and spent his entire career with ARCADIS, mostly in management positions. In 1994, he became a member of the Executive Board and in 2000, CEO and Chairman of the Executive Board. Under his leadership the company's gross revenues grew from €750 million to €2.0 billion, the number of employees rose from 7,500 to almost 18,500, and the market capitalization went from €150 million to €1.1 billion by the end of 2011. The basis for this success was a new strategy, resulting in a focus on a selected number of growth markets, the sale of non-core activities, better margins through activities higher in the value chain, and higher organic growth through enhanced synergies and improved internal cooperation, and targeted acquisitions.

Harrie Noy formally stepped down at the end of the General Meeting of Shareholders in Amsterdam on May 16, 2012. On June 6, during his farewell party he was made Commander in the Order of Orange-Nassau, an honor bestowed by Her Majesty the Queen of the Netherlands, and presented by Clemens Cornielje, Commissioner for the Queen in the Province of Gelderland.

Harrie Noy was also made an Honorary Member of the Dutch association of consulting engineers, the first person to receive this honor in 20 years. The award was presented by Ed Nijpels, chairman of the Dutch association of consulting engineers.

In October 2012, Harrie Noy won the Strategy Award of the Dutch organization for strategy and management, while in November he received the Lifetime Achievement Award at the European CEO Conference of the British Association of Consulting Engineers ACE. The Lifetime Achievement Award is for a CEO who has made an exceptional, prolonged contribution to the industry during his career.

We wish Harrie and his wife Tini all the best.

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Report by the Executive Board

Vision and strategy

The ARCADIS vision

ARCADIS is the leading pure play global engineering and consultancy firm comprising consultants, planners, architects, scientists, engineers and project managers who work across business lines and geographies to provide real-life solutions to today's most complex challenges. Our work in Infrastructure, Water, Environment and Buildings is all about creating balance; between the built and natural environments, the creative and the functional, the innovative and the proven, present needs and future legacy, and between imagination and results. In doing so, we fulfill our mission to improve quality of life in the human habitat.

Our vision and strategy are the basis for our business decisions and we rely on our core values of **integrity, entrepreneurship** and **agility** to guide our daily actions. Our focus is primarily on the long-term, while our short-term performance reflects the value we create for clients and allows us to invest in our future. Today more than ever, our work is vital to sustainably solving the challenges that clients and communities face around the world.

The following elements are key to our long-term strategy:

Focus on growth markets. Our four dedicated global business lines in Infrastructure, Water, Environment and Buildings, allow us to offer clients integrated business solutions and one-stop shopping directed at creating positive outcomes. Our broad range of capabilities, deep level of expertise, innovative approaches and close client relationships, enable us to capitalize on market trends and grow our business.

Global reach based on strong home market positions. We gain a key competitive advantage by globally leveraging our expertise and seamlessly delivering services to our multinational, key national and local clients. Strong client relationships and a deep understanding of local conditions are critical to our success. Therefore, strong home market positions are the cornerstones of our global network.

Balance. We seek to create balance in everything we do. In our work we aim to provide sustainable solutions that strike a balance between the needs of our stakeholders. We also run our business in a socially responsible way, based on a balanced approach to people, planet and profit. As part of this commitment, we report on our sustainability progress in a transparent way and within the framework of the Global Reporting Initiative (GRI).

'One firm' concept. We operate as one firm across the globe with a brand that reflects our mission and is recognized for quality and reliability of client outcomes. Internal collaboration and resource sharing to meet client needs are an integral part of our business culture. By leveraging client relationships, exchanging knowledge and cross selling, we create synergies that benefit our clients.

Client focus. We serve our clients wherever they operate, with the best combination of sector know-how, professional skills and technology. In doing so we help create competitive advantages for our clients in their respective markets.

People are key to our success. Our people's commitment, skills and entrepreneurship differentiate us in today's competitive markets. By attracting, retaining and developing talented people who can deliver positive outcomes for clients, we create profitable growth and value for our shareholders.
We have a strong health & safety culture, focused on ensuring that anyone involved in our projects goes home safely every night.

Market and client trends

Emerging markets continue to drive growth

Market conditions for ARCADIS are strongly influenced by public and private sector investments and by economic cycles. The economic slowdown of recent years has continued to create challenging conditions in Europe and the United States, where public sector spending has continued to fall. Meanwhile, investments from the private sector are also affected by market uncertainties. These more difficult market conditions were offset by continued strong growth in our emerging markets in Brazil, Chile, and more recently in Asia and parts of the Middle East. In 2012, emerging markets accounted for the largest

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single portion of ARCADIS' organic growth, compensating for organic revenue declines in more mature markets.

Long term outlook favorable

ARCADIS is the leading pure play global engineering and consultancy firm. Despite the size of our company, we currently have a limited market share in our global addressable market, creating ample opportunity for growth in our activities going forward. We expect the short-term pressures in more mature markets to remain. However, given our global footprint and with 36% of our people now in emerging markets, we are ideally positioned to benefit from and capture higher growth in South America, Asia and Middle East. We are confident on the favorable long term outlook for our business and the demand for our capabilities is strong due to long-term growth drivers and key client trends.

Long-term growth drivers

Urbanization. Population growth and migration to cities drive urbanization, which results in a growing number of mega cities, especially in emerging markets. This creates large programmatic investments in residential areas, industrial sites, commercial properties and other facilities. This growth creates the opportunity to design and develop sustainable communities where urban quality of life is delivered in an unprecedented, intelligent way. In mature markets, people also move to cities, leading to the redevelopment of deteriorated inner city areas to meet modern day standards of living and working.

Mobility. All metropolitan areas suffer from congestion, with negative economic effects. Governments invest to expand the capacity of roads, highways and public transportation. Our intelligent traffic management solutions and rail systems expertise help them do that more affordably.

Asset utilization. In emerging markets our consultancy offer is mainly focused on program, project and cost management for capital expenditure projects aimed at the realization of new assets. In more mature markets the focus is shifting from capital expenditure for new assets to operational expenditure to enhance the performance of existing assets, including the reuse of assets for new purposes. Our Built Asset Consultancy is a critical solution in these markets.

Water. The scarcity of clean, safe, potable water is a critical issue in many parts of the world. Water is considered 'the oil of the 21st century', with a growing demand for services related to water supply, treatment and reuse. Expanding our water capabilities across the globe, we can bring best practices in water to all clients and help conserve this important resource.

Renewable energy. Economic growth, expanding populations, and the need to reduce harmful emissions, are increasing demand for renewable energy projects. This trend is a growth driver for all our business lines.

Climate change. Rising sea levels caused by climate change are an unprecedented challenge for delta areas, where more than 50% of the world's population lives. This creates demand for our services to help reduce greenhouse gasses; lower carbon footprints; identify new water resources; and improve water management and flood protection.

Sustainability. Preserving resources and quality of life for future generations is of paramount importance, which is why sustainability is integrated in everything we do. With our specialized environmental capabilities and recognition as a global leader in this field, we are well positioned to evaluate the environmental impact of projects and advise on appropriate mitigation measures.

Key client trends

Public-private partnerships. Many governments are seeking to attract private capital to (co)finance infrastructure investments, which create jobs and strengthen the economic structure of a country or region. We advise on structuring and managing these schemes, and bring investors to projects or projects to investors.

Globalization of industry. Multinational companies require service providers with global capabilities. Many implement vendor reduction programs aimed at increasing efficiencies and safeguarding quality standards across their operations. We have responded by increasing our global footprint in the Middle East and Asia and by investing in our Multinational Client program.

Outsourcing and privatization. As companies focus on their core businesses, more non-core functions, such as environmental management, are being outsourced. A similar trend is visible in the public sector, where budget pressures have increased the focus on policy making, while execution, including design and engineering work, is being outsourced to the private sector. We responded by enhancing our consulting capabilities to assist clients in formulating projects, rather than merely reacting to their requests for proposals.

Supply chain integration. Alternative delivery methods to enhance supply chain integration are increasing. Design/Build (D/B) and Design, Build, Finance and Operate (DBFO) approaches can promote innovation, reduce errors, lower costs, share risks and optimize projects over their lifecycle. In such projects, ARCADIS advises the end customer (often the government), or the consultant or partner of the consortium implementing the project. Our focus is on delivering specialized services that create competitive solutions based on a thorough knowledge of local conditions.

Front end services. Our clients are increasing demand for front-end services to help them achieve their business objectives. These include strategic consultancy, asset management, outlining and structuring investment programs, and managing projects, programs and processes. Our sector focus on lenders and investors, deep knowledge of urban design and master planning and our approach to environmental impact assessments help speed up the pace at which projects come to market.

Risk participation. Our clients increasingly require suppliers to take on a portion of project risks, which ARCADIS controls through its internal procedures. We do not invest (in principle) in project equity and seek to align our responsibilities with our core capabilities. We also select projects based on our relationship with clients. This allows us to offer Guaranteed Outcomes, fixed price solutions in areas where we have mastered the technology to successfully deliver positive outcomes for our clients. For more information about risk management please refer to page 42 of this annual report.

Building on strength

Strategy has been successful

Our strategy of growing high added-value services and divesting low margin businesses has been successful, and today ARCADIS is focused on business lines with long-term growth potential. In the period 2005 – 2012, our gross revenues rose from €1 billion to €2.5 billion, a compounded annual growth rate of 14.3%. Net income from operations increased in that same period by almost 17.8% each year, while margins throughout the period were at or close to our goal of at least 10%. These results have been achieved despite the economic crisis, which impacted our business since 2008.

Acquisitions added substantial value

Since 2005, we have divested low margin businesses with combined revenues of around €170 million. In that same period, through a series of acquisitions and mergers, we have added almost €1.3 billion in revenues.
In 2005, we acquired Blasland, Bouck and Lee (BBL) to gain a leading position in the global environmental market. In the buildings market we acquired several project management companies and in 2007, added RTKL, one of the world's leading architectural design and planning firms. Through the merger in 2009 with US-based Malcolm Pirnie, we achieved a major position in the global water market and significantly enhanced our presence in the United States. In 2011, we acquired the remaining shares in ARCADIS Logos, Brazil, gaining a 100% ownership position. Also in 2011, our merger with international Built Asset Consultancy EC Harris provided us with a leading position in consultancy, project management and related services, as well as important footholds in the Middle East and Asia. In 2012, we merged with Langdon & Seah, the leading cost and project management consultancy in Asia thereby significantly increasing our strategic presence across 10 Asian countries. In Brazil we added ETEP, securing the leading position in the country's thriving water market.
At the same time, many smaller acquisitions have further strengthened our home market positions while adding specialized capabilities. All these acquisitions have delivered synergies by leveraging client relationships, knowledge, experience and capabilities.

Key success factors

Today ARCADIS is well positioned as a premier international professional services firm. We are in the global top 10 in our field and if contracting revenues are excluded, we are the largest pure play consultancy and engineering firm in the world. We are the leading player in Europe, a top five player in Brazil and Chile; and are a top 10 firm in the United States.
In Asia, we are the number one or number two cost and project management consultancy in each market we are active in.
The factors that have contributed to this success and which remain fundamental to our strategy are as follows:

- Broad spread of geographies (developed and emerging), clients (public and private) and business lines.
- Solid organic growth through focus on client outcomes and internal synergy.
- Shift towards activities higher in the value chain.
- Acquisitions that have added value.
- Stable financial performance with good access to financial markets.
- Focus on operational excellence, margin discipline, cash flow and working capital.
- Strong leadership and management, a health & safety focus, a great culture and talented staff.

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SWOT analysis shows ARCADIS' strong position

Strengths	Weaknesses
Strong safety culture	Under par margin performance in Europe due to exposure to public markets
Strong market positions in Europe, the United States, South America and Asia	Exposure to mature markets where growth opportunities are more difficult
Leadership positions in business lines with growth potential	Brand name recognition
Strong client base of multinational and key national clients	
Stable cash flow and healthy balance sheet	
Senior leadership team	
Opportunities	**Threats**
Global reach to serve multinational clients and emerging market clients worldwide	Government austerity programs leading to fewer investments in infrastructure and water in mature markets
Built Asset Consultancy offering	Shift from Design Bid Build to Design & Build in certain markets
Middle East and Asia	Economic uncertainty impacting private sector spending
Strong urbanization, especially in emerging markets	
Alternative delivery, including private financing, for infrastructure	
Climate change, renewable energy and sustainability	
Outsourcing by companies and governments	
Acceleration of consolidation in our industry	

Strategy 2011 – 2013: Leadership, Balance, Growth

We review our strategy every three years to ensure our strategic direction is aligned to the market conditions and client needs. In 2012, our Leadership, Balance, Growth strategy continued to evolve as we sharpened our focus on key areas that are enabling us to achieve our ambitions.

Strategic ambitions

Our ambition is to further build and strengthen our leadership positions in each of our business lines. Each business line has specific objectives that are explained in the business line section of this report. Beyond these goals, our leadership ambition also includes:

- **Quality, innovation and operational excellence.** We are recognized for the quality of our services and the innovative solutions we provide. This means being at the forefront of developments and aiming for excellence in design, technical capabilities, and operational skills.
- **Focus on high added value services and positive outcomes for clients.** Leadership implies being active at the high end of the value chain, where we can truly contribute to our clients' success by creating positive outcomes and where we can command an equitable return for our contribution. We look for opportunities to outsource or divest activities that offer lower added value.
- **Superior growth and profitability.** We aim to be in the upper quartile of our peer group. This is reflected in our financial goals, as explained below.
- **Employer of choice.** To realize our leadership ambition we aim to attract and retain the best people. We offer staff an international, inspiring, safe and healthy workplace that provides ample opportunities for personal growth.
- **Balance as key differentiator.** Balance is part of our mission and an integral part of the way we do business. Integrating sustainability in everything we do helps our clients achieve their missions, strengthens our market position and helps us attract and retain the best people.

Key elements to realize our ambitions

We will realize our ambitions by continuing to focus on the following areas:

Focus on key clients

We work according to a client-focused business model and run our business on a client rather than on a project basis, by focusing on our long-term relationships with select multinational, key national and local clients who appreciate the value-added services we provide. Through (international) account management and cross-selling of services, together with a client-focused attitude, we meet our clients' needs and help them realize their goals.

Move higher in the value chain

We aim to understand evolving client and sector needs and on finding new ways to help create value. To achieve this, we are deepening our capabilities to differentiate ARCADIS in key market sectors, and developing our client relationships to span the entire built asset lifecycle.

Improve organic growth

We are focused on growing organically by capturing synergies from our strategic mergers, such as with EC Harris, Langdon & Seah, BMG or ETEP. To achieve this we will increase our focus on Global Business Line strategy implementation, while enhancing our client focus and account management systems as part of our Multinational Client Program, directed also at broadening our offering of services to this important client base.

Leverage capabilities globally

In each business line we have identified specialist knowledge and capabilities that can be leveraged to enter new markets or enlarge market share in existing ones. We also look at acquisitions that add capabilities we can leverage through our global network.

Grow selected emerging markets

Our focus is on expanding in markets that offer substantial long-term growth prospects in Asia, Latin America and the Middle East.

Acquisitions to drive growth

Acquisitions are important to realizing our strategic goals. Our priorities are driven by the strategic needs of each business line, and aim to expand specific capabilities or strengthen our presence in a particular country. ARCADIS has a good track record in acquisitions, a strong international network and a healthy balance sheet, that allows it to continue playing an active role in the consolidation of our industry. Important criteria for acquisitions are: strategic fit, cultural fit, company reputation and quality of management. Financially, we aim for acquisitions that are earnings accretive, have margins in line with ARCADIS' targets (or can be brought to that level within three years) and are value-enhancing, with a return on investment of at least 15%.

Being the best

We strive to be the best in all our activities by strengthening our capabilities to better serve our clients' needs, further improve our performance culture, ensure industry leadership through operational excellence and market sector proficiency, and by instilling strong leadership skills in our people.

Capabilities to enable our strategic ambitions

- **Branding and positioning.** We aim for a brand that differentiates ARCADIS as a premier international professional service provider, with a reputation based on the quality of our services, our ability to create balance, our client-driven approach, and thought leadership in each business line.
- **Organization and people.** In our organization , our global business lines drive the strategy, develop synergies, ensure a seamless delivery of services globally and share resources across regions. Our planning process, management structure and incentive programs facilitate an alignment between our operating companies and the global business lines. We create opportunities for talent, foster collaboration and engagement, and invest in the professional development of our staff.
- **Knowledge management and IT.** ARCADIS companies are connected to an intranet-based knowledge management system called 'The Source', which employees use to access our knowledge base. Managed by our global experts, we have Communities of Practice across all business lines that share knowledge and expertise and cooperate on technical issues, best practices and product and market development.

Financial goals

Ambitious targets

Within the framework of our strategy, we have set the following ambitious financial targets for the period 2011-2013:

- **Growth:** 15% per year, of which 5 – 7% organic. This target was set in 2010 and includes the possible impact of government austerity programs, but also assumes 'normal' levels of economic growth in the United States and Europe.
- **Margin:** at least 10% (operational EBITA as a percentage of net revenue).
- **Return on invested capital:** 15%, based on net income from operations, excluding interest charges, as a percentage of shareholders' equity plus net interest-bearing debt, calculated as an average over four quarters.

Net income from operations is before amortization and other non-operational items like (material) book gains and restructuring and integration charges. Organic growth and margin targets for each business line are specified in the business line section of this report.

Strategic achievements 2012

Synergy with EC Harris

Our merger in November 2011 with EC Harris, the global Built Asset Consultancy headquartered in London, has proven to be a major step forward in our ambitions. After an accelerated strategy development and integration planning for the UK and European mainland activities in the first six months of 2012, the remainder of the year was used to prepare of the implementation of the new operating model per the first of

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January 2013. The combined strengths have already resulted in global synergy wins of over €58 million, while the pipeline of joint opportunities continues to grow. Examples of wins to date include contracts for major programmatic social infrastructure building projects in Qatar, and services to Abu Dhabi Ports Company (ADPC), or the Guarulhos Airport in Brazil. We have seen many of our Multinational Clients recognize the value of Built Asset Consultancy and our merger also expanded our geographical reach in the Middle East and Asia.

Asia growth through Langdon & Seah merger

In April, ARCADIS announced a merger agreement with Davis Langdon & Seah, the leading cost and project management consultancy working across Asia, with 2,800 people in 10 countries. The company was renamed to Langdon & Seah (L&S) shortly after the merger. Revenues from Langdon & Seah in 2012 were over US$130 million, with operating margins above the ARCADIS target level. L&S was established in 1934 and with that is the longest established and largest cost and project management and quantity surveying consultancy in Asia. It has a total of 37 offices located in mainland China (14 offices, 1,100 people), Hong Kong/Macau (2 offices, 400 people) and other parts of Asia (21 offices, 1,500 people), including Singapore, Philippines, Thailand, Vietnam, Indonesia, Korea, India and affiliates in Malaysia and Brunei. Its presence in mainland China dates back 20 years. L&S has a number one or two market position in its field of activities in all countries where it operates, and synergy wins of over 10 million were achieved in 2012. These included the appointment as full-service quantity surveying consultant for the first phase of the M+, a Museum of Visual Culture at the West Kowloon Cultural District in Hong Kong, secured with the help of ARCADIS and its architecture subsidiary RTKL. In addition, L&S clients are assisted with their investments in Europe, and North and South America through the ARCADIS offices in these regions.

Strengthened position in Brazil yields results

Our acquisition activities in Brazil have provided us with a strong leadership position in a fast-growing water market, following the acquisition of ETEP Consultoria, Gerenciamento e Serviços Ltda, Brazil's largest water engineering and consultancy company. Since 1999, we have rapidly increased our presence in Brazil, growing from some 200 people in 1999 to 3,000 and gross revenues of more than €230 million by the end of 2012. Our position has enabled us to benefit from a number of opportunities through our wholly-owned Brazilian subsidiary ARCADIS Logos, which signed several major contracts during the year, including one for engineering services to the Belo Monte hydroelectric power plant (world's third largest hydropower project); project management consultancy services for the expansion of the Guarulhos Airport, in São Paulo. By following our core client Vale abroad, we are now involved in three major overseas port and infrastructure investments in Oman, Malaysia, and Mozambique.

Global strength in program, project and cost management

The merger with L&S and before that, the merger with EC Harris, have elevated ARCADIS to the world stage in program management and related services. ARCADIS' capabilities comprise some 8,000 professionals and leading market positions in most major geographic markets throughout the world including Europe, Middle East, Asia, US and Brazil. We are now able to help our clients realize the most complex projects and programs globally.

Providing positive outcomes through Built Asset Consultancy

Through our merger with EC Harris we have strengthened our ability to create positive outcomes for our clients by offering Built Asset Consultancy (BAC). BAC helps leading clients transform their business performance by planning, creating, operating and regenerating their assets to ensure they are a source of competitive advantage meeting business needs while generating and sustaining value.

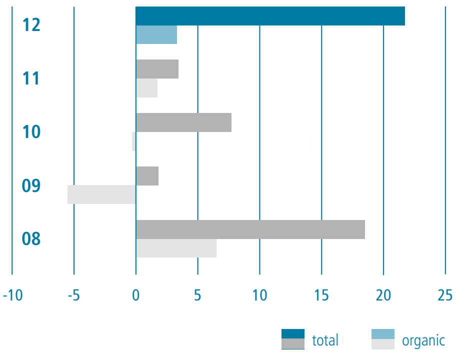
Achievements on key performance indicators

	Target 2011-2013	2012	2011	2010	2009	2008	2007
Growth gross revenue	15%	**26%**	1%	12%	3%	15%	22%
Organic	*5-7%*	***3%***	*2%*	*0%*	*-6%*	*6%*	*16%*
Acquisitions	*8-10%*	***18%***	*1%*	*8%*	*8%*	*12%*	*10%*
Currency effect		***5%***	*-3%*	*4%*	*1%*	*-3%*	*-4%*
Operational margin[1)]	>10%	**10.0%**	9.7%	10.5%	10.8%	10.5 %	10.1%
Growth earnings per share[2)]	No target	**22%**	3%	1%	2%	14%	24%
Return on invested capital	15%	**13.5%**	13.6%	13.9%	15.4%	18.1%	20.1%

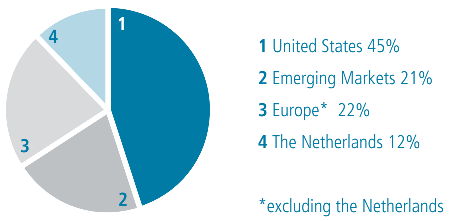
[1] Operational margin is based on recurring EBITA as percentage of net revenue, but excludes restructuring and integration costs and the impact of energy projects in Brazil
[2] Net income from operations

Results and Financing

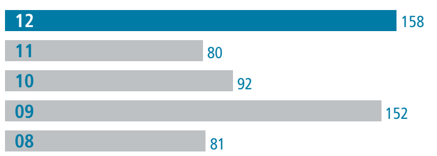
Total gross revenue growth in %
Excluding currency effect



Gross revenue by region



Cash flow from operating activities
in € million



Strong performance driven by emerging market growth

ARCADIS had an excellent year in 2012 with strong revenue growth, an important strategic merger, two targeted acquisitions and good financial performance in profit, margin as well as in cash flow. Gross revenues grew by 26%, reaching over €2.5 billion, while net revenues increased by 30% to €1.9 billion. Net income from operations (before amortization and non-operational items) increased 29% to €105.1 million or on a per share basis €1.49, against €1.23 in 2011. The operational margin was 10.0% (2011: 9.7%) driven in part by continued strong margin performance of our US business. Cash flow from operations was €158.0 million (2011: €79.6 million). We have targeted growth in emerging markets under our Leadership Balance Growth strategy, and in 2012 delivered on that goal by almost doubling our business in those geographies. This was achieved by a combination of acquisitions, accounting for almost two-thirds of that growth, and strong organic growth. The strongest overall growth was in the buildings business in property markets in the UK, Asia and the Middle East, while the strongest organic growth was achieved in Infrastructure, especially in South America. In developed markets in Europe and the US, market conditions remained challenging, mostly affecting our Infrastructure and Water business lines.

Dividend raised to €0.52 per share

ARCADIS proposes a dividend of €0.52 per share, an increase of 11% compared to last year. The proposed dividend reflects a payout of 35% of net income from operations based on 71.6 million outstanding shares ultimo 2012. Share count increased by 3% due to issuing shares for the acquisition of Langdon & Seah. Shareholders will be offered a choice between a cash dividend and a dividend in shares. The pay-out percentage is in line with our dividend policy, which aims for a payout of 30 – 40% of net income from operations, to provide an attractive dividend yield for shareholders, while setting aside sufficient resources to finance growth.

Revenue and profit

Revenue in millions			Growth in revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	**€2,544**	€2,017	26%	3%	18%	5%
Net revenue[1]	**€1,878**	€1,443	30%	4%	22%	4%

[1] Share of revenue produced by ARCADIS' staff

After the merger with Built Asset Consultancy EC Harris in November 2011, another important merger was realized in April 2012 with cost and project management consultancy Langdon & Seah in Asia. The acquisitions of environmental consultancy BMG in Switzerland and water consultancy ETEP in Brazil also contributed to the revenue increases from acquisitions and the overall growth of 26%. Organic gross revenue growth was 3% and for net revenue 4%. This difference reflects reduced subcontracting following the completion of the Floriade project in the Netherlands. The organic growth was driven mainly by growth in South America, where in addition to continued demand from the private sector, public sector work is also increasing.

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In developed markets in Europe, revenue declined due to challenging conditions for public sector clients. Nevertheless, France and Germany realized revenue growth on the back of a strong performance in rail work and environmental consulting respectively. US revenues were 1% higher with growth in private sector work at strong margins being partly offset by environmental and water services to public sector clients.

Further shift of geographical mix to emerging markets

Our strategy of expanding presence in emerging markets already paid off in 2011, but did even more so in 2012. Continued strong organic growth in Brazil, Chile, Asia and the Middle East, combined with growth through acquisitions of EC Harris in Asia and the Middle East, Langdon & Seah in Asia and ETEP in Brazil raised the contribution from emerging markets to gross revenues to 21% (2011: 14%). Revenues in the Netherlands declined, resulting from government spending reductions and difficult conditions in the buildings market. Other European countries grew from the merger with EC Harris, offsetting an organic decline. The relative size of US activities in our total mix declined to 45%.

Geography	% of Gross revenue	
	2012	2011
Netherlands	12%	16%
Other Europe	22%	18%
United States	45%	52%
Emerging markets	21%	14%

Buildings becomes important part of portfolio

In the portfolio, Buildings grew fastest as the mergers with EC Harris and Langdon & Seah contributed mostly to this business line. Infrastructure held up well due to strong organic growth in Brazil and Chile and a contribution from EC Harris. Environment's share reduced somewhat despite an organic growth of 4%. Water increased slightly as a small organic increase was supported by growth through the acquisition of ETEP.

Portfolio	% of Gross revenue	
	2012	2011
Infrastructure	26%	28%
Water	15%	16%
Environment	33%	38%
Buildings	26%	18%

Client mix shifts to private sector

As austerity programs exert pressure on public sector finances in Europe and the United States, on a relative basis, public sector revenues declined considerably. Our focus on private sector clients offset this, with strong growth in the oil & gas and mining sectors and the inflow of work for lenders and investors through EC Harris and for developers from Langdon & Seah. Utilities were relatively stable. This category includes clients which operate as a separate organization, either publicly or privately owned, providing a public service. Examples are water utilities, energy companies, healthcare institutes, railway organizations.

Clients	% of Gross revenue	
	2012	2011
Public	25%	29%
Utilities	20%	19%
Private	55%	52%

Personnel costs increased

Personnel costs were up 33.1% to €1,383 million (2011: €1,039 million), of which 26% resulting from acquisitions. In addition, there were some staff increases to strengthen the corporate functions. Personnel costs were affected by higher charges for restructuring and lower staff utilization in Europe resulting from lower demand.

Other business costs improved

Other business costs rose 21.7% to €298 million (2011: €245 million). This is well below the increase of net revenue of 30.1%. In the UK, project Create delivered savings in occupancy costs, while cost saving programs also paid off in the other European countries.

Depreciation almost level; amortization higher due to acquisitions

Depreciation (excluding amortization) at €32.6 million (2011: €27.7 million) was €4.8 million above last year, due to the acquired companies. Under IFRS, identifiable intangible assets related to acquisitions must be separated from goodwill and amortized over their economic lifetime. For ARCADIS, this importantly relates to the profit included in the backlog of acquired companies and the customer relationships of these companies. Following the string of large acquisitions completed over the last 15 months, amortization increased to €14.9 million (2011: €5.4 million).

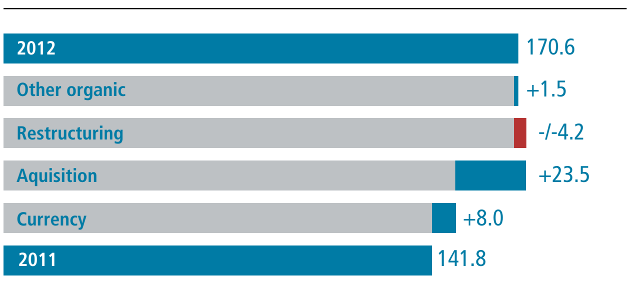
Operating income and EBITA improved

Operating income increased 9% to €151.5 million (2011: €139.0). ARCADIS uses recurring EBITA (operating income before amortization) to measure the financial performance of operations, while EBITDA (operating income before depreciation and amortization) is used in the bank covenants. These measures were determined as follows:

In € millions	2012	2011	2012	2011
Operating income reported	**151.5**	139.0	**151.5**	139.0
Amortization	**14.9**	5.4	**14.9**	5.4
Depreciation			**32.5**	27.7
EBITDA			**198.9**	172.1
EBITA	**166.4**	144.4		
Non-recurring items	**4.2**	-/-2.6		
Recurring EBITA	**170.6**	141.8		
Non-operational items	**18.2**	-/-2.8		
Operational EBITA	**188.8**	**139.0**		

In 2012, the costs related to the merger with Langdon & Seah of €4.2 million were classified as non-recurring, while in 2011 it included the gain on the sale of the facility management business AAFM and the costs related to the acquisition of EC Harris.
On a recurring basis, EBITA increased 20% to €170.6 million (2011: €141.8 million). The currency effect was 6%, while acquisitions contributed on balance 16%. EBITA was also impacted by the organizational adjustments due to reduced market demand, and integration of activities due to recent mergers and acquisitions. This resulted in €18.2 million of costs for reorganization and integration (2011: €12.7 million). Operational EBITA (excluding integration and restructuring costs and effects from energy projects Brazil) was €188.8 million (2011: €139.0 million), an increase of 36%, with an organic growth of 1%. While in emerging markets organic growth in EBITA was 21% and in the US 1%, the Dutch and other European activities experienced organic declines due to the one-off non-cash project related charge in Poland in the second quarter and price pressure due to increased competition.

Development recurring EBITA 2011-2012



Strong margin performance

The margin (recurring EBITA as % of net revenue) was at 9.1% (2011: 9.8%). Excluding reorganization and integration costs, the underlying operational margin came to 10.0%.
This compares to 9.7% in 2011 and reflects mainly improved profitability in the UK, and a continued strong margin performance in the US. The impact of acquisitions on margins was twofold. EC Harris improved its margin through the year, delivering more than 9% EBITA for the year, putting us on track to achieve the 10% margin target already by 2013, one year ahead of plan. Langdon & Seah retained its high margin at well above average levels.

Higher financing charges

Financing charges were lower than last year at €21.8 million (€23.4 million) but as last year's amount included €3.9 million one-off costs for the refinancing of loans, they were on balance €2.1 million higher. This increase was mainly caused by investments in acquisitions and somewhat higher interest rates on the debt that was refinanced in 2011.

Tax rate slightly above last year

The effective tax rate was 28.1%, at the same level as 2011 (28.0%). In 2011, the tax rate was supported by the favorable impact of the non-taxable profit related to the divestment of AAFM. In 2012, the favorable geographical spread (helped by the acquisition of Langdon & Seah), as well as the positive impact of taxes related to share-based payments supported a lower tax rate.

Associated companies pull back

The contribution from associated companies was negative €3.1 million (2011: +€0.3 million) mainly related to operational losses in Logos Energia resulting from delays in the start-up of new plants.

Net income and net income from operations higher

Net income climbed to €89.0 million or €1.26 per share compared to €79.5 million or €1.20 per share in 2011. ARCADIS uses net income from operations as financial performance indicator, which is based on recurring EBITA and excludes amortization and other non-operational items (see calculation on page 75 of this report). Net income from operations was €105.1 million or €1.49 per share (2011: €81.6 million or €1.23 per share). The increase in net income from operations of 29% was higher than of that in recurring EBITA (+20%) due to a lower effective tax rate and lower minority interests following the acquisition of Arcadis Logos.

Continued on next page ▶

Cash flow and balance sheet

Cash flow at healthy level
At €158.0 million (2011: €79.6 million) net cash from operating activities was much stronger. The improvement stems from higher operating income, as well as an improvement in working capital. Free cash flow, after regular investments in ongoing businesses, was €124.4 million (2011: €44.9 million).

Regular investments remained at similar level
Investments in (in)tangible assets (excluding acquisitions) totaled €34.8 million, slightly under 2011 levels. The fact that strong growth of the Company has not led to increased investments is related to the deconsolidation of the energy business in Brazil at year-end 2011, which had high investment levels. Additionally, investments in the US were higher, while investments in Europe declined. The sale of property and equipment resulted in a cash inflow of €1.2 million (2011: €0.6 million).

Substantial investments in mergers and acquisitions
The main investments were related to:
- The merger with Langdon & Seah, completed as per April 2012. In addition to a cash payment, the merger was financed by issuing 2.2 million ARCADIS shares to the selling partners, with lock up periods varying from 12 to 36 months after closing;
- The acquisition of BMG in Switzerland as per July 2012;
- The acquisition of ETEP in Brazil as per August 2012.

In all cases the purchase price was consistent with ARCADIS' valuation approach. The strategic rationale for these investments is explained in the Vision and Strategy section of this report on page 17.

Mergers and acquisitions resulted in a cash investment of €62.2 million (after deduction of acquired cash) and an additional after payment obligation of €15.8 million. Deferred payments for acquisitions from earlier years were €10.4 million, bringing the total acquisition-related cash outflow to €72.6 million. Mergers and acquisitions added goodwill of €75.6 million and identifiable intangible assets of €39.3 million. In addition, €15.5 million (2011: €22.9 million) was invested in associated companies and other financial non-current assets, the difference related to the now deconsolidated energy business in Brazil. Predominantly collection of long-term receivables led to a cash inflow of €3.2 million (2011: €14.0 million).

Number of outstanding shares increased
The total number of outstanding shares at year-end 2012 increased to 71,587,542 (2011: 69,337,679), mainly due to the issuance of 2,200,000 shares for acquisition purposes. During the year, 1,800,000 shares were repurchased to cover obligations related to option plans, while 1,849,863 previously repurchased shares were used for the exercising of options. The average number of shares, used to calculate earnings per share, increased to 70.4 million (2011: 66.5 million). For more information on the number of outstanding shares and options and on share purchase plans, please refer to notes 15, 17 and 26 of the financial statements.

Balance sheet remains healthy
Balance sheet total rose to €1,771 million (2012: €1,559 million), mainly resulting from acquisitions and exchange rate differences. Goodwill increased to €515 million (2011: €444 million), €76 million caused by acquisitions and the remainder by currency effects. Identifiable intangible assets (excluding software) were €72 million (2011: €47 million). Goodwill is subject to impairment testing once a year. In 2012, this test determined that no goodwill was impaired, reflecting the continued value of the cash-generating units.

Acquisitions pushed net working capital (work in progress plus accounts receivables minus accounts payable and billings in excess of costs) up by €21.0 million. Total net working capital increased €35 million. Net working capital at year end as a percentage of gross revenue (measured at the fourth quarter level times four) was 14.9% (2011: 15.1%). While good progress was made in managing receivables, less prepayments were received due to changes in the GRiP® market in the US. Payables were lower as the level of subcontracting for environmental projects in the US decreased and due to the completion of the Floriade project in the Netherlands.
Cash and cash equivalents totaled €229 million (2011: €158 million). Net debt (cash and cash equivalents minus interest-bearing debt) rose to €282 million (2011: €268 million), while currency effects had a positive effect of €4 million. This also includes after-payment obligations related to acquisitions, totaling €22 million (2011: €20 million).

Long-term loans and borrowings went down to €301 million (2011: €371 million), while short-term loans and borrowings, including the current portion of long-term debt were €201 million (2011: €44 million) due to the upcoming refinancing of part of our debt in 2013. Bank overdrafts and short term debt were up as cash pooling with newly added companies will be implemented in 2013. At year-end 2012, €130 million in short-term credit facilities were available. As part of these facilities, banks issued guarantees (mostly project related) worth €88 million (2011: €85 million).

Shareholders' equity was €536 million, compared to €455 million, at year-end 2011. The table below details the change:

In € million	Effect
Net income from book-year 2012	90
Dividend payment for book-year 2011	(33)
Issuance of shares	33
Currency exchange rate differences	(10)
Actuarial (loss)/gain on post-employment benefit obligations	(1)
Effective portion of cash flow hedging	1
Exercising of options	18
Option costs	8
Fiscal effects related to options plans	3
Repurchase of shares	(28)
Total change	**81**

Strong balance sheet ratios

Balance sheet ratios remained strong at year-end 2012:

- net debt to equity ratio was 0.5 (2011: 0.6);
- net debt to EBITDA ratio was 1.3 (2011: 1.5);
- interest coverage ratio was 8 (2011: 7).

Covenants in loan agreements with banks stipulate that the net debt to EBITDA ratio should be below 3.0, measured twice a year; at year end and at end of June. The calculation is based on the average of net debt at the moment of measurement and on the previous moment of measurement, compared with last 12 months (pro-forma) EBITDA. According to this definition, net debt to EBITDA at year end 2012 was 1.5 (2011: 1.4). ARCADIS' goal is to stay below a net debt to EBITDA ratio of 2.0. ■

Developments by business line
Infrastructure

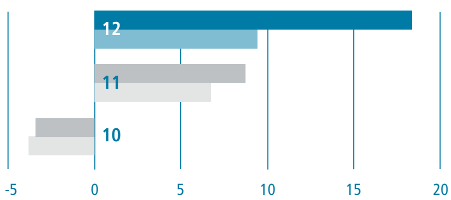
This business line encompasses services for transportation (traffic management, highways, roads, railways, ports, waterways, bridges, tunnels); land development (residential, industrial, recreational, urban and rural planning); energy (hydropower, windmill farms, grids); and mining (program and project management). Infrastructure was our business line with the strongest organic growth in the year, with a total contribution to revenues in 2012 of 26% (2011: 28%).

Contribution to revenues 2012

26%

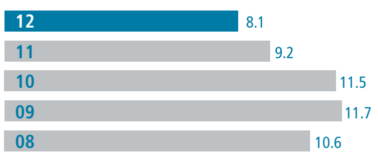
2011: **28%**

Infrastructure growth
in %



Excluding currency effect

EBITA-margin Infrastructure
in %



Operational

Present position and updated strategy

Building on strong local positions

The infrastructure market is predominantly a local market, servicing national, regional and local governments, as well as railway companies, utilities, mining firms, developers and contractors. In-depth knowledge of local conditions and client needs is critical for success, as is our ability to leverage knowledge globally from across our company. ARCADIS has strong home market positions in many European countries, the United States, and Brazil and Chile, and a growing presence in the Middle East and Asia. This enables us to anticipate market developments, deliver integrated, tailored solutions and leverage specialized expertise across our global footprint.

SWOT analysis

Strengths	Weaknesses
Large scale program management capabilities	Insufficient recognition internationally
Specialist in rail, large transportation corridors (including bridges and tunnels), ports, traffic management	Limited but rapidly growing presence in strong growth markets such as Middle East and Asia
Ability to offer integrated solutions	
Strong local positions and broad service offering	
Opportunities	**Threats**
Infrastructure for increased mobility especially in emerging markets, particularly airports, ports, rail	Government austerity programs in Europe and the United States
PPP approach to fulfill strong demand for infrastructure	Increasing price competition
Growing demand for renewable energy and for refurbishment of existing energy networks	Short term reduction in capital expansion programs of mining companies

Ambition and targets 2011 – 2013

Our ambition is to be a recognized global player with strong local market positions, leading in selected segments and providing integrated solutions. Targets under our Leadership Balance Growth strategy as set at the end of 2010 are for organic growth of 3 – 5% per year and for margins of 8 – 9%.

Infrastructure strategy 2011 – 2013

We have identified three pillars to achieve our ambitions:

- Organic growth by leveraging our world class capabilities. We focus on:
  - Large transportation corridors and PPP. We have a strong track record in large transportation projects. With public budgets under pressure, the market is shifting towards Public-Private Partnerships (PPP) and Design-Build, allowing us to capitalize on our ability to develop smart, integrated solutions, tailored to local conditions.

  - Public transportation. Investments in public transportation continue to be prioritized. As experts in rail infrastructure, offering a unique combination of civil engineering and rail systems skills, we benefit from these investments.
  - Ports and waterways. We have strong front-end consultancy and design capabilities which allow us to be involved in the early stages of projects.
  - Intelligent Traffic Management. Demand for intelligent traffic systems and solutions is increasing, an area where we have specialist expertise.
- Organic growth by building upon local presence. While markets for local infrastructure are under pressure, niche markets, such as (renewable) energy projects, still offer ample opportunities. In Brazil and Chile, we are benefitting from continuing infrastructure investments mainly for mining and energy clients, with the 2016 Olympic Games and World Cup 2014 in Brazil creating additional momentum in the market.
- Mergers and acquisitions to build our global position. To fulfill our global ambitions in Infrastructure, we will continue to look for expansion opportunities in those markets where sustainable growth is expected. Meanwhile, we continue to expand our activities in infrastructure projects (including social infrastructure) by focusing on large program management opportunities, using our global infrastructure capabilities and sector know-how in support of client needs. In addition, we will intensify our efforts in work sharing of lower added-value services, to increase competitiveness and efficiency.

Developments in 2012

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	657	558	18%	9%	10%	0%
Net	532	420	27%	16%	13%	-1%

All amounts in millions of euros.
Operational margin excludes restructuring costs and impact energy projects

	2012	2011
Recurr. EBITA	40.2	47.2
Margin	7.4%	11.2%
Operational margin	8.1%	9.2%

Strong organic growth in emerging markets continued
Gross revenues grew by 18%, of which the contribution from acquisitions was 10%. Organic gross revenues increased by 9% and net revenues by 16%, the difference explained by less subcontracting in Brazil. Our margin declined due to lower margins in Brazil, France, Belgium and the US, which were in part compensated by improvements in EC Harris and our Chilean activities.
Our strategy to grow our presence in emerging markets continued to pay off, with strong organic growth in Brazil and Chile which offset the declines seen in most European countries. In addition to ongoing work in energy and mining, new public infrastructure projects are being planned. These included the extension of Guarulhos Airport in São Paulo, Brazil, in time for the World Cup in 2014. This project highlights our global reach and synergy realization by combining EC Harris' leading airport market sector knowledge and consulting expertise with our leading program management capabilities from ARCADIS Logos in Brazil. In Chile, as a partner in a consortium, ARCADIS was awarded a contract to provide engineering consulting services for the civil works on Lines 3 and 6 of the Metro System in Santiago and later, an expansion to this contract. Both projects are part of the Urban Transport Investment Plan for the city aimed at expanding its current 100-km network to 140 km. Support is provided by the European rail and tunneling experts from ARCADIS in the Netherlands and France.

Although the mining sector in South America appears to be cooling, short term, ARCADIS Logos continues to win new projects, such as the assistance we provide to Vale, a leading global mining client, for a major project in Malaysia, and more recently, another project in Mozambique.

France stands out due to large projects
Conditions in infrastructure markets in continental Europe continued to be challenging, with declines in most countries, except for France where our involvement in large infrastructure projects generated growth. In the high speed railway project between Tours and Bordeaux we are designing more than 250 main bridges, as well as two segments of earth & civil works and two railway connections for about 60 kilometers. In Toulouse we won a contract to provide engineering, procurement and construction management services for the civil works on the 5 km extension of line B of the Metro System.

Government austerity in Europe; new Transportation Bill in US
As the European debt crisis continues, many countries cut spending or delayed publicly funded projects, triggering fierce competition in the sector, also on price. In the Netherlands, further declines originated from reduced spending on road projects. Road work also caused issues in Poland where, following a poor performance in 2011, a review of the Polish business resulted in a non-cash charge of €5.3 million. The non-cash charge was created for re-scoping of road projects by the client, project cost overruns and overstated work in progress. In the US, a long waited new Federal Transportation Bill has been approved, which brings midterm prospects, but no short term opportunities. A project was won in Louisiana for Intelligent Transport Management, an activity in which we have a growing reputation. ■

Developments by business line
Water

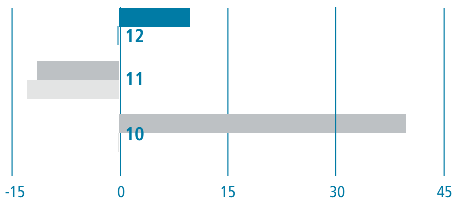
This business line is focused on the entire water cycle. We support the supply of clean drinking water by water planning, hydraulic modeling, treatability studies, regulatory compliance analysis and treatment system design. For wastewater, we advise on collection, advanced treatment technologies, reuse, bio-solids and odor control, and we deliver design and engineering services. In addition, we provide management and consulting services to operators to maximize the performance of systems. Our extensive water supply and water treatment know-how is increasingly applied for industrial clients who are interested in reducing their water use and improving the quality of effluents. We also advise on water management and flood control, for rivers, coastal zones, urban and rural water, and on issues related to climate change. In 2012, Water represented 15% of revenues (2011: 16%).

Contribution to revenues 2012

15%

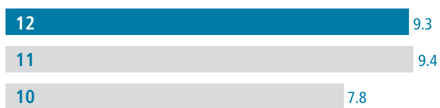
2011: **16%**

Water growth
in %



Excluding currency effect

EBITA-margin Water
in %



Operational

Present position and updated strategy

Top 10 global water consultant

The international water market is driven by long-term trends, including the increasing scarcity of clean, potable water, and the effects of climate change. Our 2009 merger with US-based Malcolm Pirnie gave us a top 10 position among global water consultants and made us one of only a few companies covering the full water cycle. In 2012, we enhanced our position as the leading player in the fast-growing Brazilian market with the acquisition of ETEP, which has also increased our possibilities for US technology exchange. These developments, along with our international network of strong local positions, excellent client relationships, and long term experience, provide us with a uniquely strong competitive edge.

SWOT analysis

Strengths	Weaknesses
Full water cycle capabilities	Limited position in emerging markets
Leader in wide range of treatment technologies	
Complete mix of design, engineering and consultancy services	
Strong client relationships	
Dutch heritage and experience in coastal protection and water management	
Opportunities	**Threats**
Growing global demand for potable water	Government austerity programs leading to delay of investments
Regulatory water quality requirements	Increasing price competition in local markets
Ageing water infrastructure requiring upgrades	Market shift to cost and schedule certainty and design-build approaches
Water management to combat climate change effects	
Solutions to improve sustainability for industrial clients	

Ambition and targets 2011 – 2013

Our ambition is to build a leading position in the global water market based on our longstanding experience and integrated approach to the water cycle in current core markets and selected new geographies. Targets under our Leadership Balance Growth strategy as set at the end of 2010 are for organic growth of 5 – 7% per year and for margins of 10 – 11%.

Water strategy

Changing market conditions, including reductions in municipal water spending and the shift from design-bid-build to design-build as the preferred model for the delivery of water supply and waste water treatment installations in the US, have triggered a mid-cycle review of our water strategy.

To achieve our ambitions we now plan to:

- ***Expand services to industrial clients.*** ARCADIS has excellent relationships with many industrial clients in environmental services. With water becoming scarcer and increasingly being seen as an asset and an integral part of the sustainability footprint, these industrial clients are interested in making their water systems future proof.
- ***Adjust our delivery mechanism for water treatment in the United States.*** The US market is an important part of our water business, where we have a strong position as a design firm. While many clients continue to require these types of services, the market is shifting towards design-build and maintenance upgrades of collection and distribution systems. Our 'Outside the Fence' initiative focuses on the collection and distribution market; and our design-build approach through teaming relationships in the municipal market aims to defend and further expand our position in the US water market.
- ***Leverage our Dutch water management capabilities.*** Our work in New Orleans has shown how successful this can be. Focus is on coastal regions and rivers in the United States (New York/New Jersey post Sandy, California), Europe, Brazil and Asia, where cities situated in delta areas are under threat from rising sea levels and other climate related threats.
- ***Expand into selected new regions.*** We are using our US-based experience and reputation to expand internationally. Our initial focus is on Brazil (in cooperation with ETEP), Chile and the Middle East. We also see opportunities in drinking water treatment and industrial water in the Netherlands and Belgium.

Developments in 2012

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	370	319	16%	1%	6%	6%
Net	286	251	14%	-2%	7%	6%

All amounts in millions of euros.
Operational margin excludes restructuring costs

	2012	2011
Recurr. EBITA	25.3	20.6
Margin	8.8%	8.2%
Operational margin	9.3%	9.4%

Gross revenues increase aided by acquisitions

Gross revenues increased by 16%. The contribution of acquisitions (EC Harris, ETEP) was 6%. The currency effect 6%. Organically, gross revenues rose 1%, while net revenues declined. The difference can be explained by extensive subcontracting in new projects in the US. Compared to last year, the US market is stabilizing, supported by industrial water projects and new opportunities in local municipalities. Organic growth was strong in Chile and Brazil. The Middle East, UK and the Netherlands generated growth in water treatment. The water management market is still difficult due to lack of public funding. In the fourth quarter, ARCADIS became involved in emergency water projects triggered by hurricane Sandy. We assisted clients in damage assessment work, emergency funding procurement, and consulted on future-proof solutions, especially to private sector clients from the telecommunications, banking and transportation industries.

Slow US recovery with backlog growth

The US water market is inching closer to a recovery, however political issues and the slow economy are still affecting growth. Nevertheless, a significant amount of new projects were booked in 2012, contributing to an increased backlog. The lack of growth in the municipal water market has triggered the development of two key programs, 'Outside the Fence' focused on collection and distribution for municipal clients and the 'Water for Industry' initiative. Industries now consider water as a strategic issue to be included in all planning and operational discussions. In addition, waste and wastewater, for a long time considered a liability by industrial clients, are now looked upon as potential assets where waste constituent recovery, treated wastewater reuse and energy production from waste are viable outcomes from processing and treatment.
For one large global pharmaceutical client, we provided evaluation and design services for 13 sites in the US, Ireland, France, Belgium and Singapore. In Singapore we are pilot testing a membrane bioreactor and we are in discussions regarding potential turnkey design-build-construction activities at several US facilities.

Stronger positions in emerging markets

In early August we completed the acquisition of ETEP, the largest independent water engineering and consultancy company in Brazil. Combined with ARCADIS Logos, we are now the undisputed leader in the fast developing Brazilian water market. Through the Global Business Line Water, ARCADIS aims to further extend the global reach of its water activities and ensure that its world class knowledge, expertise and capabilities deliver the maximum amount of synergies. In the case of ETEP this means implementation of US developed technologies in the Brazilian water market and cooperating on bringing water services to our industrial client base in Brazil.
In the Middle East, our work in Oman is progressing well and we have been awarded a significant project assignment from its main, government owned water supply company. Significant industrial water opportunities are also presenting themselves in Saudi Arabia and other countries in the region. In Asia, water work for industrial clients is growing, while at the same time several governmental clients are soliciting our involvement for their water challenges – especially for our water management and flood control services in areas such as Thailand, Indonesia and the Philippines. ■

Developments by business line
Environment

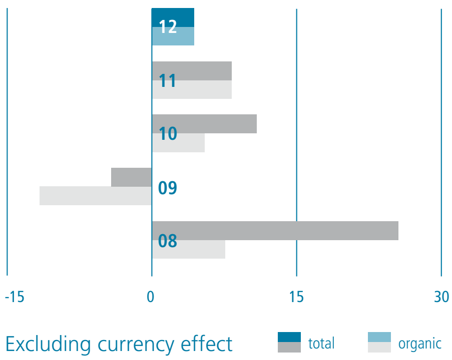
This business line is focused on activities that protect the environment and enhance sustainability. The largest activity is the cleanup of legacy issues related to soil, groundwater and sediment pollution, and the decommissioning of industrial operations. ARCADIS also assists clients with site closures and redevelopment, incident response, transactional services, environmental impact assessments, planning and permitting, regulatory compliance, product stewardship, ecosystems restoration, climate change issues, energy efficiency and renewable energy, health & safety issues and services for noise abatement, air quality, solid waste disposal, and the preservation of nature and landscape. In 2012, these activities represented 33% of revenues (2011: 38%).

Contribution to revenues 2012

33%

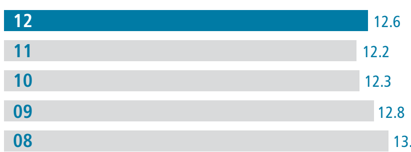
2011: **38%**

Environment growth
in %



Excluding currency effect

EBITA-margin Environment
in %



Operational

Present position and strategy

ARCADIS is the global leader in Environment

The environmental market is largely driven by legacy issues related to soil, groundwater and sediment contamination. ARCADIS is the leading player in this field and the largest global provider of environmental services to the private sector. Our biggest differentiator is our advanced, proprietary cost-effective remediation technology, which allows us to help clients bring sites to regulatory closure in shorter time frames and at considerably lower costs. Our leading position is further strengthened by our worldwide presence and strong local resources that enable us to seamlessly serve multinational clients internationally; our Guaranteed Outcomes program for guaranteed solutions; and our health & safety program and culture. Our acquisition of BMG in Switzerland in 2012, has provided us with a premier position in this market and global access to several major multinational chemical and pharmaceutical clients.

SWOT analysis

Strengths	Weaknesses
Proprietary technology	Some gaps in geographic footprint where we rely on strategic partners
Cost-effective remediation technology Guaranteed Outcomes	
Global footprint with home country strengths	
Strong multinational and key national client base	
Strong health & safety culture	
Opportunities	**Threats**
Continued regulation and environmental awareness worldwide	Less environmental spending by private sector clients during economic uncertainty
Proprietary technology and track record to offer Guaranteed Outcomes	Less environmental work due to reduced infrastructure investments
Partnerships with multinational clients looking for global service providers	
Redevelopment of contaminated industrial sites	
Services related to climate change and sustainability	

Ambition and targets 2011 – 2013

Our ambition is to remain the world's leading environmental services provider, based on a strong client focused approach, delivering high value added services to key multinational, national and local clients. Targets under our Leadership Balance Growth strategy as set at the end of 2010 are for organic growth of 7 – 9% per year and for margins of 12 – 13%.

Environment strategy 2011 – 2013

We have identified three pillars to achieve our ambitions:

- ***Growth in current geographies.*** We drive growth in Europe and South America, leveraging relationships with multinational clients and using our advanced remediation capabilities, while further expanding our position in the United States. Special attention is given to mining, energy, chemical and pharmaceutical sector clients and the US Department of Defense internationally.
- ***Building select new geographies.*** Priorities are Canada, Middle East, Asia and Australia. These are promising markets, where we can also deliver services to multinational clients.
- ***Diversifying capabilities.*** While remediation continues to be a large and attractive market, we aim to diversify by increasing work in D4 (Deactivation, Decommissioning, Decontamination and Demolition); Environmental Permitting and Planning; and Strategic Environmental Consultancy. We are further strengthening our capabilities in sustainability, climate change and renewable energy.

Developments in 2012

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	849	764	11%	4%	0%	7%
Net	506	468	8%	2%	0%	6%

All amounts in millions of euros.
Operational margin excludes restructuring costs and impact carbon credits

	2012	2011
Recurr. EBITA	61.0	56.5
Margin	12.0%	12.1%
Operational margin	12.6%	12.2%

Stable performance driven by the private sector

The year started off strong with good growth in private sector environmental work in the US, while also in South America the mining and energy business drove demand for environmental support services. As economic uncertainty prevailed during the year, clients became more careful in investing in environmental issues and private sector growth slowed mainly in the US. Margins were kept at the same level as last year, despite the more difficult market conditions in some markets. Oil and gas clients, our biggest client sector in Environment, continued to contribute to growth in this segment. In 2012 in Wedel, Germany, ARCADIS assisted a large oil client in returning a 45 acre site back to the local community.

Growing contribution to greening emerging markets

ARCADIS is growing its environmental revenues in emerging markets, as multinational clients call upon us to introduce global best practices or to deal with legislative changes. ARCADIS worked with a large oil and gas major in Indonesia to create an Environmental Sensitivity Map for its Resources at Risk pilot study project. The project identifies a broad range of sensitive environmental resources that could be impacted in the case of an uncontrolled oil release. In China, the twelfth five year plan is directed at making the country more sustainable, and new industrial and environmental policies threaten a shut-down or relocation of production locations for multinational clients. ARCADIS assesses the risk exposure and possible relocation issues, which are usually not identified under normal audit activities. In Chile, the worlds' largest copper producer, Codelco Chile, called upon ARCADIS to redesign a smelter plant to maximize metallurgical yield and minimize environmental impacts, reducing emissions of carbon dioxide, ashes and particulate matter.

Government markets continue to suffer from austerity measures

Demand from the public sector continued to decline, especially in Europe, where fewer environmental impact assessment projects were commissioned as infrastructure investments dropped. US federal environmental spending was also impacted by austerity measures. Despite these challenging market conditions, several large environmental contracts were won. In Germany, a five year environmental framework contract was signed with the US Army Corps of Engineers to assist US facilities in Europe with regulatory compliance. The European Union asked ARCADIS to advise more than 150 European cities on how to deal with the impact of climate change, working with these cities to develop and apply tailor-made climate adaptation strategies. In the US, we were selected by the Air Force Center for Engineering and the Environment (AFCEE) to provide restoration services at Moody Air Force Base, a task order with a total value to ARCADIS of approximately US$18 million.

From GRIP® to Guaranteed Outcomes

ARCADIS has pioneered the guaranteed remediation market as early as 1994. It later developed GRIP®, a very successful insurance-backed fixed price model for environmental remediation challenges, based on high quality environmental solutions. While successful and sought after by clients, 2012 saw a change in this market, resulting from the departure of the insurance providers. As ARCADIS clients have rarely had to use the insurance policies issued under GRIP®, the company is convinced it can also comfortably offer fixed price solutions without insurance backing. This Guaranteed Outcome offering will again provide ARCADIS with a clearly differentiated position in the market for environmental remediation solutions.

In the strategic D4 activities (deactivation, decommissioning, decontamination, demolition) our best practice exchange between the US and Europe paid off. Good advances were made in Germany where we were certified to deal with hazardous substances. Newly acquired BMG in Switzerland brings asbestos inventory and design for abatement and removal knowledge. A first multi-million dollar D4 project was completed in Canada drawing upon PCB experience and turnkey prime contractor expertise. In Brazil, we secured one of the largest D4 projects through our assessment expertise. In 2012, we also expanded our D4 services in the US to facilities with active client operations, requiring different and unique skill sets and expertise. Additional opportunities in oil and gas include pipeline system removal and closure, and decommissioning of upstream facilities. ■

Developments by business line
Buildings

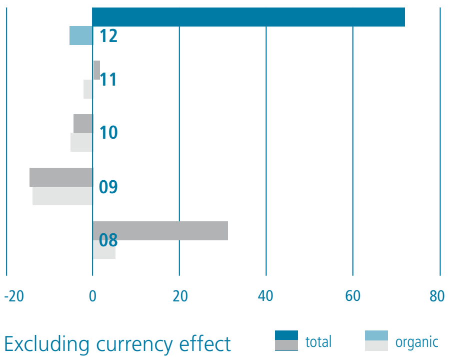
This business line helps leading clients transform their business performance by planning, creating, operating and regenerating their assets to ensure they are a source of competitive advantage, meet business needs, and generate sustaining business value. ARCADIS consults to real estate owners, investors and operators to find innovative ways to create and use existing space, while enhancing productivity and returns, by finding the right balance between efficiency, functionality, experience and brand.
We design, plan and manage the construction of buildings, cities and communities that improve quality of life, raise standards of living, and address local needs, with sustainability an integral part of all of our designs. Contribution of these activities to 2012 revenues was 26% (2011: 18%).

Contribution to revenues 2012

26%

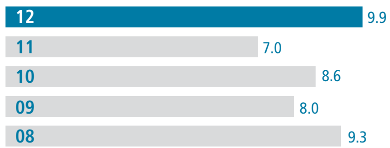
2011: **18%**

Buildings growth
in %



Excluding currency effect

EBITA-margin Buildings
in %



Operational

Present position and strategy

Integrated solutions higher in the value chain

The buildings market is largely driven by investments by private investors and developers (commercial real estate); institutions (health, cultural, education); end-users (all types of buildings); and governments (public buildings). In recent years, we have transitioned to services with higher added value that improve profitability. In April 2012, Langdon & Seah merged with ARCADIS, providing us with the leading position in cost and project management capabilities across Asia. This significant expansion, combined with the earlier merger with EC Harris (November 2011), the capabilities of RTKL and legacy ARCADIS capabilities now create a leading position in this business line. RTKL provides world class urban design and architecture solutions while EC Harris provides a full spectrum of built asset consultancy services. The mergers also fit ARCADIS' strategic goal to build a leading global position in **program management** and related services. ARCADIS' capability comprises some 8,000 professionals and leading market positions in most major geographies throughout the world including Europe, Middle East, Asia, US and Brazil.

SWOT analysis

Strengths	Weaknesses
Global Built Asset Consultancy throughout the asset life-cycle, including a wide range of high added value services	Limited presence in buildings market in South America
Strong global program, project and cost management capabilities	
Global brand in architecture and urban planning with RTKL	
Strong Middle East and Asian footprint	
Opportunities	**Threats**
Demand for integrated services, including green buildings	Sensitivity to economic cycles
Corporate clients seeking global partners	Austerity programs affecting public spending in institutional buildings
Growth in emerging markets in Asia and Middle East	
Market sector specialization	

Ambition and targets 2011 – 2013

Our ambition is to be the global partner of choice, leading in all our market sectors by attaining a top five position in buildings design and program/project management services. Targets under our Leadership Balance Growth strategy as set at the end of 2010 are for organic growth of 5 – 7% per year and margins of 10 – 11%.

Buildings strategy 2011 – 2013

The recent mergers with EC Harris and Langdon & Seah were major steps in achieving our strategic ambitions, which will also have an impact on our strategy going forward. Up till now the focus is on:

- ***Expanding front-end capabilities and Program Management.*** This allows us to be more involved at an earlier phase of projects and win larger assignments. The mergers with EC Harris and Langdon & Seah have considerably expanded our front end consultancy and project/program management capabilities.
- ***Expanding into Asia, Middle East and Brazil.*** These geographies offer strong growth potential. EC Harris has strengthened our footprint in the Middle East and Asia, while Langdon & Seah has brought us a leading position in a broad range of Asian markets.
- ***Growing Healthcare and Workplace.*** In Healthcare, we have a unique combination of high level design skills, installations expertise, equipment planning and project management. In Workplace, we use our multinational client program to develop and leverage relationships with clients who benefit from our seamless global service delivery. In Commercial we look to further strengthen our already strong reputation.

Developments in 2012

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	668	376	78%	-5%	78%	5%
Net	554	305	82%	-4%	80%	5%

All amounts in millions of euros.
Operational margin excludes restructuring costs

	2012	2011
Recurr. EBITA	44.9	17.4
Margin	8.1%	5.7%
Operational margin	9.9%	7.0%

Strong growth from acquisitions with synergy benefits

Overall gross revenue growth was 78% and for net revenue 82%. Two strategic mergers contributed to the very strong growth in this business line. EC Harris (completed in November 2011) and Langdon & Seah (April 2012) each performed well, both companies grew, in part as a result of synergies. With EC Harris a total of €58 million in revenue synergy bookings were generated during the year, with a strong pipeline of additional opportunities. EC Harris improved its margin through the year, delivering more than 9% EBITA for the year, putting us on track to achieve the 10% margin target already by 2013, one year ahead of plan. With Langdon & Seah, revenue synergies during 2012 were more than €10 million. The M+ Museum of Visual Culture in Kowloon, Hong Kong is a prime example, combining ARCADIS and RTKL expertise in cultural facility projects with Langdon & Seah's strong quantity surveying experience. Langdon & Seah retained its margin at well above average levels, despite temporary market uncertainties in Asia (mainly China) during the year. Our extensive Asian network provides an excellent platform to serve our multinational clients, while strong urbanization and social infrastructure development in the region are major drivers for growing demand in all our business lines. In addition, multinational Langdon & Seah clients who invest outside of Asia can now also be supported by ARCADIS in other regions. In developed markets in Europe and the US, revenues remained under pressure, with the notable exception of London, where demand for high end residential property development is increasing.

Built Asset Consultancy creates strong and developing opportunities for growth

Development schemes in emerging economies are growing in size and complexity and increasingly require portfolio thinking combined with new skills and capabilities. Through its Built Asset Consultancy approach EC Harris has proven to be well positioned for involvement in these larger schemes, such as for Qatar's public works authority. For five years, a joint venture between EC Harris and Mace will deliver a major program of social infrastructure building projects across Qatar for a total contract value of £72 million. Meanwhile, the focus in developed markets is shifting from capital expenditure to operational expenditure, making better use of existing facilities. A good example is EC Harris helping Lloyds Banking Group in the delivery of capital construction across its retail banking network, head offices and data centers throughout the UK.

Middle Eastern healthcare successes

RTKL in 2012 became involved in three new healthcare facilities in Saudi Arabia and will be leading design work for King Abdullah Medical City, the King Faisal Specialist Hospital and Research Center (KFSH & RC) and the Military Medical Complex at the Premises of King Khalid International Airport (MODA). Each project also boasts an impressive speed of delivery from concept to completion of design and will contain state-of-the-art technology and incorporate elements of sustainability into the design.

Raising the quality of urban life in Asia

With quantity surveying, cost management and LEED consultancy services, Langdon & Seah is involved in a large number of major developments in Asia. Examples include the Gardens by the Bay project, opened in 2012. This project is an integral part of a strategy by the Singapore government to raise the quality of life by enhancing greenery and flora. We helped transform 54 hectares into a massive garden. In the Makati Central Business District in Manila, we assisted in realizing the Zuellig Building. It is the first office building in the Philippines to receive a LEED Gold pre-certification from the US Green Building Council. In Hong Kong, Langdon & Seah is the quantity surveying consultant for the design of the Third Runway Reclamation, Infrastructure, Third Concourse and Terminal 2 Expansion. This project includes reclamation of approximately 650 hectares of land. In Kuala Lumpur, Malaysia, Langdon & Seah completed work on KL Eco City. In the Tianhe district of Guangzhou, China, a first class commercial development comprising a 39-story Grade-A office tower, an 110,000 sqm shopping center, an 8-story cultural center, a 28-story 5-star hotel, a 30-story office and hotel complex tower. Langdon & Seah is providing full pre and post contract quantity surveying services for the project. ■

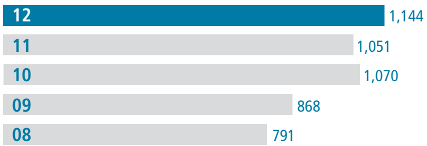
Developments by region
United States

Contribution to revenues 2012

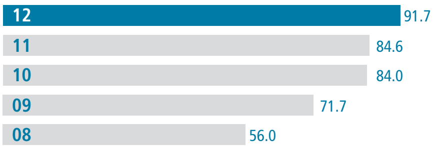
45%

2011: **52%**

Gross revenue United States
in € million

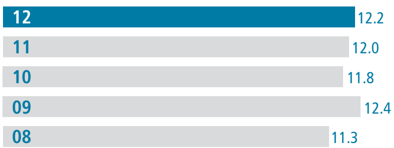


EBITA United States
in € million



Operational

EBITA-margin United States
in %



Operational

	Revenue		Growth of revenue			
	2011	2010	Total	Organic	Acquisitions	Currency
Gross	1,144	1,051	9%	1%	0%	8%
Net	750	707	6%	-2%	0%	8%

All amounts in millions of euros
Operational margin excludes restructuring costs

	2011	2010
Recurring Ebita	89.6	79.9
Margin	11.9%	11.3%
Operational margin	12.2%	12.0%

Environmental slowdown affects growth
More than two-thirds of our environmental revenues are generated in the United States and this represents a substantial part of our US business. Although the year started strong, this market experienced tougher conditions in the course of 2012 as government spending was further reduced. Growth of environmental services to the US private sector also slowed in the wake of continued uncertain economic conditions. Compared to 2011 there were fewer emergency response projects, which also impacted revenue growth. Despite the slowdown in government spending, some large projects were won, including the Moody's Air Force base environmental restoration project.

Water market stabilizing, margin strongly improved
Compared to last year, the US water market is stabilizing. This is driven by new opportunities emerging in local municipalities, especially by our focus on projects in network management and design for water supply and sewer systems. In addition, we are successfully rolling out our Water for Industry program. In this program, we cross sell water services to industrial clients with whom we already have a strong relationship in environmental services. This market offers a substantial opportunity and our technological know-how in this field qualifies us well to assist these clients in reducing the use of process water, introduce reuse concepts for water and improve the quality of the effluent that leaves industrial facilities. While revenues started to grow again in the fourth quarter, backlog went up sharply. Following the finalization of the integration of Malcolm Pirnie the margin remained above 10%.

Infrastructure and buildings markets remain slow
In the American infrastructure market, the need to invest in infrastructure traditionally exceeds the available funds. The passing of a new transportation law has not changed this situation as funding levels are unchanged from previous years. We are continuing to exploit our regional positions in areas where we see good opportunities for our expertise in intelligent traffic solutions. The slow turnaround in the housing market and limited funding for government investment are not supporting an improvement in the buildings market. Commercial properties are seeing signs of growth, while healthcare continues to see low growth levels, also in architecture.

Margins remain strong
Despite the more challenging market conditions, margins were kept at a strong level. The margin improvement in the water activities supported this strong performance. Restructuring charges amounted to €2.1 million (2011: €4.7 million) and were related to the integration with Malcolm Pirnie and the adjustment of the organization to reduced demand, especially in the water market. Excluding these charges, the operational margin improved to 12.2%.

Emerging markets

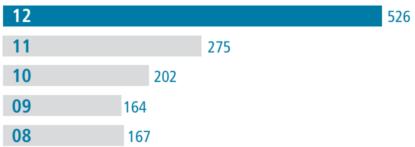
Contribution to revenues 2012

21%

2011: **14%**

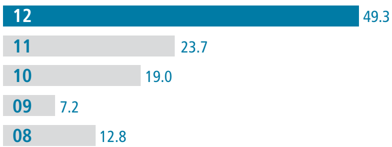
Gross revenue Emerging Markets

in € million



Ebita Emerging Markets

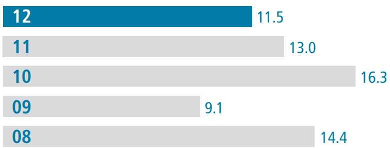
in € million



Operational

EBITA-margin Emerging Markets

in %



Operational

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	526	275	91%	35%	58%	-2%
Net	430	194	121%	52%	72%	-3%

All amounts in millions of euros. Operational margin excludes restructuring costs, carbon credits and energy projects

	2012	2011
Recurring Ebita	48.7	39.0
Margin	11.3%	20.1%
Operational margin	11.5%	13.0%

Strong organic growth

Our strategic shift to grow in emerging markets is paying off with an almost doubling of our business in 2012. The contribution from acquisitions came from EC Harris (Middle East and Asia, since November 2011), Langdon & Seah (Asia, April 2012) and ETEP (Brazil, August 2012). Despite reduced investments by the global mining industry in the latter part of the year, we created strong organic growth in emerging markets. South America contributed well, with Chile and Brazil now also delivering public sector opportunities, such as metro systems and airport work. In Brazil, public sector investments relate to the upcoming World Cup soccer and Olympic Games to be held in the country in 2014 and 2016 respectively.

Building a strong footprint in Asia

Through the merger with EC Harris, we already boosted our position in Asia, adding more than 650 professionals in the region. In April 2012 we announced the merger with Langdon & Seah, adding another 2,800 professionals and US$125 million in revenues in 10 Asian countries. Langdon & Seah is the largest project management and cost consultancy firm in Asia and holds the number one or number two position in each market in which it operates. In addition to giving us a strong footprint and well-performing local business in Asia, it also provides a platform for further growth through the addition of water and environmental activities to serve both our multinational and local clients. We are also able to serve Langdon & Seah clients that want to invest outside of Asia.

Creating a leading position in the Brazilian water market

Together with ARCADIS Logos' water capabilities, the addition of ETEP creates the undisputed leader in water engineering and consultancy in Brazil. ETEP has 300 employees, gross revenues of approximately €20 million and a strong growth track record in the attractive Brazilian water market with strong margins. ETEP is highly specialized in water supply, treatment and wastewater providing program and project management, engineering and consultancy services. ETEP works for both public and private sector clients.

Middle East invests in social infrastructure

Governments in the Middle East invest in the development of social infrastructure (healthcare, education, tourism, ports, sports facilities, parks). We benefit from these investments through large program management assignments, and architecture projects. We help Qatar deal with its population and economic growth and the realization of the Qatar National Vision 2030 providing program management for a significant number of government buildings and facilities. In Saudi Arabia we are working on the architectural design of financial centers, major hospitals and medical facilities through RTKL.

Margin at good level

The strong growth performance was matched with a good margin performance. Despite the fact that we invested for further growth in these regions, we were able to deliver strong, above average margins of 11.5%.

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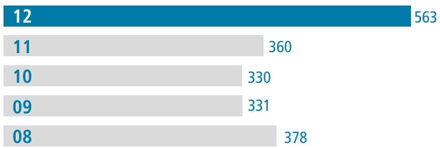
Europe excluding The Netherlands

Contribution to revenues 2012

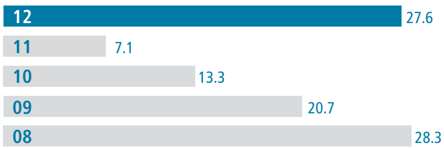
22%

2011: **18%**

Gross revenue Europe excluding The Netherlands
in € million

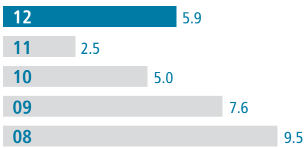


EBITA Europe excluding The Netherlands
in € million



Operational

EBITA-margin Europe excluding The Netherlands
in %



Operational

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	563	360	57%	-4%	59%	2%
Net	463	290	60%	-3%	61%	2%

All amounts in millions of euros
Operational margin excludes restructuring costs

	2012	2011
Recurring Ebita	16.1	3.7
Margin	3.5%	1.3%
Operational margin	5.9%	2.5%

Addition of EC Harris drives growth in Europe
The merger with EC Harris served to strengthen our position across Europe and made a strong contribution to the overall growth of 57% during the year. In the last two months of the year, EC Harris also contributed to organic growth, although this was not enough to compensate for the organic revenue declines in other European countries, leaving an overall organic gross revenue decline of -4%.

Political and financial crises fuel uncertainty
Throughout Europe, governments restructure their finances, while elections and financial regulations from the European Union feed uncertainty impacting also private sector growth, which was already at low levels. The buildings market is particularly hard hit as banks are limiting project and mortgage funding. EC Harris' UK performance was aided by the growing London market. In environmental activities, local UK work continued to decline, but work for international clients saw an increase. In France, our involvement in large projects helped increase revenues. French infrastructure funding in general appears to come under pressure somewhat, although our backlog remained at high levels. In Belgium, the overall market slowed in 2012 both in the public and private sector, triggering cost reduction measures. Germany saw growth in environmental activities, in part based on large assignments won for the US Army Corps of Engineers. The buildings market was more challenging. Through the acquisition of BMG in Switzerland, we gained access to a new geographical market, and more importantly, to the headquarters of a number of major pharmaceutical and chemical companies that should provide global project opportunities.

Central Europe sees challenging conditions
Following a poor performance in 2011, leadership changes were made in our Polish activities early in the year. A review of the Polish business resulted in a non-cash charge of €5.3 million. The non-cash charge was created for overstated work in progress, project cost overruns and re-scoping of road projects by the client, the Polish Road Authority. Market conditions in Poland continue to be difficult. In the Czech Republic, market conditions led to staff reductions and some margin pressure. Our Czech project management business was combined with the activities of EC Harris.

Margins somewhat improved, but further steps needed
Although the operational margin in Europe improved to 5.9% (2011: 2.5%), it is still far from the overall margin target of 10%. The margin throughout Europe was impacted by revenue and price pressure as well as from the merger with EC Harris. Total restructuring and integration charges amounted to €11.4 million. It has been announced that ARCADIS will move to a Pan-European operating model to improve client service, better leverage our capabilities across geographies, provide enhanced career opportunities for our people, while creating a more effective and efficient support organization.

The Netherlands

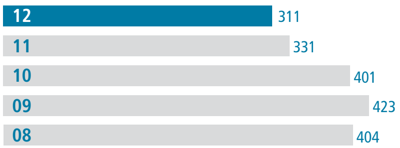
Contribution to revenues 2012

12%

2011: **16%**

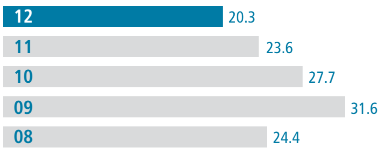
Gross revenue The Netherlands

in € million



EBITA The Netherlands

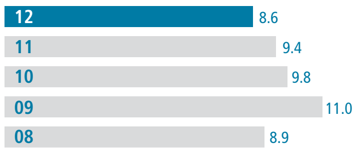
in € million



Operational

EBITA-margin The Netherlands

in %



Operational

	Revenue		Growth of revenue			
	2012	2011	Total	Organic	Acquisitions	Currency
Gross	311	331	-6%	-6%	0%	0%
Net	235	252	-7%	-7%	0%	0%

All amounts in millions of euros
Operational margin excludes restructuring costs

	2012	2011
Recurring Ebita	16.2	19.2
Margin	6.9%	7.6%
Operational margin	8.6%	9.4%

Revenue and price pressure increases

Revenue and price pressure in the Dutch market continued, mainly as a result of government austerity programs. While this initially mostly impacted activities at the municipal level, it now also has an effect on central government spending. This affects activities in all business lines. The Buildings business line not only suffered from reduced government spending, but also faced the effects of less private sector investment. This is caused by a combination of overcapacity in the office market, a stalled commercial market and a housing market that is very slow. In the environmental sector, growth on the private sector side was not enough to compensate for declines in public sector work. In water, local and regional markets are under pressure, growth was realized through involvement in water management outside of the Netherlands (Asia, Brazil, US). In Infrastructure the focus is shifting to working more with contractors in Public Private Partnership projects as traditional clients such as ProRail or Rijkswaterstaat have substantially reduced the volume of work they bring to market and have expressed a preference for alternative delivery of projects. We continue to aim for involvement with larger, more complex projects and bring innovations such as BIM (Building Information Management) to create a differentiated positioning.

Marquis projects continue

From April through October 2012, the Floriade global horticultural exposition took place in Venlo in the Netherlands. For this major global event, completed on time and within budget, ARCADIS designed and realized the entire park over a period of several years. Going forward, the site will be used as a sustainable business park. In 2012, the Hanzelijn railway line for which ARCADIS provided the design was officially opened, connecting the Dutch towns of Lelystad and Zwolle. For the railway station in the city of Eindhoven, ARCADIS provided a new architectural design. In Amsterdam, ARCADIS is involved in the finalization of the North-South metro line, with responsibility for all rail related features and the finishing of the underground stations. ARCADIS assisted high tech client ASML respond to rapidly increased market demand for its electronic chip makers by helping it expand the size of its production facilities with an accelerated schedule. The construction design by ARCADIS also won us the National Steel Award 2012.

Margin only slightly lower

As market demand decreases, we continuously adjust staffing levels. During 2012 this led to a further reduction in staff of some 130 people. Restructuring charges related to these adjustments amounted to €4.1 million (2011: €4.4 million). Excluding these charges, the operational margin was 8.6% (2011: 9.4%). The reduction compared to 2011 was entirely the result of price pressure, despite timely adjustments of staffing levels and other cost saving measures. ■

People and organization

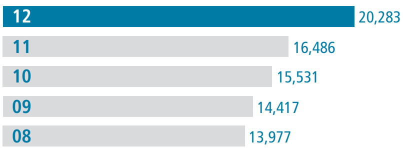
ARCADIS' strategy is focused on building leadership positions in each of its business lines. To achieve this goal, our ability to attract and retain excellent people is key. We aim to be an employer of choice, offering an international and inspiring workplace that provides ample opportunities for personal growth. We seek to attract, engage and develop talented people with strong values throughout our global operations, and offer a working environment in which commitment and professionalism are the standard.

Growth in total number of employees

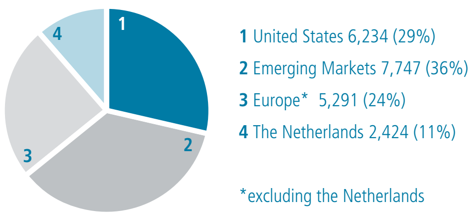
18%

2011: **16%**

Average number of employees
Including temporary staff

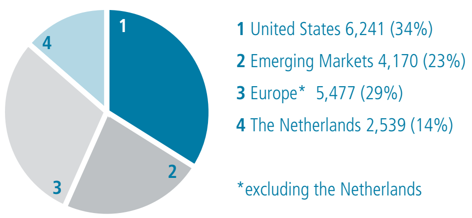


Geographical spread personnel[1)]
At year-end 2012



[1)] total number of employees including temporary staff

Geographical spread personnel[1)]
At year-end 2011



[1)] total number of employees including temporary staff

We attract people to ARCADIS through our:
- core values of integrity, entrepreneurship and agility;
- innovative and challenging projects that make a positive contribution to society;
- long-term relationships with clients who recognize and reward the added value that we provide;
- culture, which meets the expectations of high-level professionals and provides autonomy, and entrepreneurship, as well as personal and professional development;
- increasingly international career opportunities;
- sharing of success and rewarding it accordingly;
- healthy and safe work environment;
- international and diverse workforce at all levels of the organization.

Number of employees increased
The total number of employees at year-end 2012 increased to 21,020 (2011: 17,605). Including temporary staff, our total capacity at year-end 2012 had grown by 17.7% to 21,696 (2011: 18,427). Employee growth came mainly as the result of our merger with Langdon & Seah, which added 2,800 more people, with subsequent acquisitions of BMG and ETEP adding 50 and 300 people respectively. At the same time, organic growth of the business drove an increase of 260 people (close to 1.5%).

Shift to emerging markets continues
The geographical spread of our people continued to shift towards emerging markets during 2012. By year-end 2012, some 36% of our staff was located in these markets, compared to 23% a year ago. Voluntary staff turnover increased to 10% (2011: 8.6%). At 1.5%, absenteeism was comparable to last year's level (1.6%). Excluding ARCADIS' US activities and RTKL, the percentage of employees under a flexible contract was 8% (2011: 11%).

Knowledge sharing across the global network
We actively encourage cross-company collaboration and knowledge sharing on an ongoing basis through web events and social networking. In addition, the ARCADIS Quest program helps strengthen our network by offering our people the opportunity to work in and learn from various operating companies around the world. In 2012, we launched Global Shapers (www.arcadisglobalshapers.com) a program for young professionals to harness their energy and stimulate the power of the new generation. In the year, 100 young professionals joined the program

which comprises a range of activities designed to facilitate and improve knowledge sharing by making international connections.

Developing talent and leadership

Our development and leadership programs are critical to ensure we have the right people in key positions as we continue to expand globally. These include high-level roles in the operating companies and global business lines such as general management positions, top specialists, top program and project managers and global account management roles.

The ARCADIS Leadership Model is central to our global leadership development efforts. We use it to select, assess and develop our current and future leaders by formulating the leadership profile we are looking for and using specific evaluation criteria to find people for those positions. We implemented several important leadership changes in the year, including new director appointments for Environment; Buildings; Multi National Clients; Strategy; Mergers and Acquisitions; and Information Technology. These key leaders will support the implementation of our strategy while adding further strength and depth in our leadership teams for the next stage of our development.

The Talent Challenge, a one day assessment to help our most talented people assess and fulfill their career ambitions within the company was repeated in 2012 with some 71 participants. The Advanced Management Program, which aims to increase top & high potentials' abilities to implement the ARCADIS strategy and to take the next step in realizing their talents and leadership aspirations, continued to run successfully and had 35 participants in 2012.

In 2012, we enhanced and redesigned our leadership programs aimed at junior and senior levels. The most significant change was the creation of a new ARCADIS Leadership Council, which is helping to engage our most senior leaders, and align and accelerate the implementation of our strategy. The first two Council meetings were held in June and October, in addition to quarterly calls. The ARCADIS Global Leadership Forum was also held in June in Amsterdam and was attended by 170 current and future leaders of the organization. The technology enabled event focused on connecting our international leadership, developing their capabilities and jointly creating our future.

Consistency in rewarding employees

In 2012, we made a start in aligning job levels and pay practices for the most senior global positions (excluding the Executive Board) by developing a global job matrix for these positions in consultation with an external advisor. Having insight in the relative job weight of positions is at the foundation of consistent performance and career management and pay practices. This matrix therefore forms the basis for guidelines on salary management, bonus programs and long-term incentives for our most senior global positions. Further implementation will take place during 2013.

Today several different policies on international mobility exist creating inconsistencies in the terms and conditions for employees on assignment. With employee numbers increasing and the desire to leverage our global capabilities, more emphasis is placed on the company's overall capabilities to transfer employees efficiently and effectively. In 2012, an internal project team started to review our current policies and work towards a global international mobility policy in 2013.

Fostering innovation

Although innovation at ARCADIS mostly takes place in close collaboration with clients, we also seek to stimulate innovation amongst our people through our global 'Imagine…' competition. In 2012, 75 entries were put forward for consideration by the jury from a wide spread of countries. Most entries came from the UK (20) and the Netherlands (17) followed by Brazil and the US with 10 submittals each. Water was the favorite topic for innovation with some 19 ideas.

Working for a more sustainable future

2012 was the second year for the Shelter Program, ARCADIS' partnership with UN-HABITAT, the United Nations agency for human settlements. Through this Program, ARCADIS employees can apply their knowledge and skills in a range of projects, assessments, trainings and site visits that help UN-HABITAT achieve its goals for sustainable urbanization. The Program has more than 250 volunteers from across ARCADIS and is supported financially by the Lovinklaan Foundation.

Sharing the success

Since 2001, the Lovinklaan Foundation, ARCADIS' largest shareholder representing the employees, has facilitated an employee share purchase program. This allows employees to purchase ARCADIS shares from the Foundation, at a discount, thus stimulating share ownership among employees and increasing their involvement in the company. By the end of 2012, almost 3,600 employees participated in the program. ■

Risk management

ARCADIS' approach to risk management

Key element of business processes

Risk is intrinsic to entrepreneurship, one of ARCADIS' core values. We seek to strike a balance between maximizing business opportunities within the framework of our strategy, while identifying, assessing and minimizing the risks involved. A well-defined risk management process facilitates this in a controlled and transparent manner. Changing market conditions and client behavior, including a tendency to shift more risks to contractors and service providers, the increasing size and complexity of projects, as well as more stringent regulations and reporting requirements, have increased the importance of effective risk management.

Enterprise Risk Management

ARCADIS' risk management is based on a global Enterprise Risk Management (ERM) process. This involves a structured, consistent and transparent approach to identify, control and mitigate significant risks that may affect achieving our objectives. The scope of ERM is broad, with a focus on all primary business risks, not just risks related to financial reporting. The process includes an annual review as well as a more in depth analysis every three years within the framework of our strategy update. In 2011, we established a Risk Management Committee with representation from the Executive Board, legal, audit and operations, to support the review and implementation of the risk management process. In 2012, the Risk Management Committee focused on assessing the current framework of policies and procedures that make up the ARCADIS Risk Management System. This review included a focus on the selection of risks and whether our system still aligns with those, but also included an update and ensuring management alignment with the risk management policies, also given the recent strong growth of the company. These actions resulted in a new Risk Management and Audit Charter and the introduction of the measure of risk appetite dependent on the type of risk (zero tolerance for risks related to integrity or compliance with laws; critical tolerance or balanced tolerance for other risks). In addition, the committee focused on the integration (plan, execution, governance and risk management) of EC Harris and Langdon & Seah. Finally, the committee focused on optimizing the effectiveness of the internal audit function in relation to the Risk Management & Control system and the role of the external auditor.

Risk assessment

Based on the ERM process, the strategic, operational, compliance and financial risks ARCADIS faces in pursuit of its strategy were identified. An overview of risks is presented in the section on risk management on our website at www.arcadis.com/Governance/. In-depth discussions on the likelihood of occurrence of these risks and their potential impact, led to a selection of the main risks. This process was reviewed by the Audit Committee and the Supervisory Board.

Risk appetite in relation to strategy

ARCADIS' policy aims at limiting the Company's risk exposure. Risks are usually linked to the contract type under which services are provided. Our strategy aims to provide high value added professional services, based on a strong client-focused approach. This allows us to perform most of our business under contract terms that limit our liabilities. Whilst ARCADIS is also involved in turnkey (contracting) projects and other similar projects based on alternative delivery approaches that usually entail higher risks, these are pursued under the premise that we have the technical and project management skills to control these risks. ARCADIS is applying specific risk management procedures to minimize risks related to projects under the Guaranteed Outcomes program. Our policy is not to take equity stakes in projects and only by exception and for specific reasons do we deviate from this. Although our policy is to avoid or mitigate risks, it cannot be ruled out that in certain cases events occur that may seriously impact the Company and its performance.

Main risks and how these are managed

Below is an overview of the main strategic, operational, compliance and financial risks we face and how these are managed. While these are considered the most relevant to ARCADIS, other risks may have a similar or more severe impact on the Company.

Market risks (strategic)

Possible impact: Our markets may decline, temporarily or structurally, and changes in market conditions may lead to increased competition. These risks can be caused by economic downturns, government austerity programs, changes in political priorities or in legislation and regulations, political instability, consolidation of clients and changes in tendering procedures. This all may result in lower revenues and margins.
Mitigation: At ARCADIS, we foster entrepreneurship and close client relationships deep in the organization. Our proximity to clients enables us to anticipate changes in market conditions at an early stage. At a strategic level, Global Business Line Teams monitor market trends to adjust to strategic and long term developments in a timely way. In addition, every three years we

update our strategy to ensure the Company remains focused on long term growth markets.

Acquisition risks (strategic)
Possible impact: Growth through acquisitions is part of ARCADIS' strategy and involves several risks. Balance sheet misrepresentations, insufficient backlog and unforeseen claims may have an adverse effect on revenues and margins. Integration risks and lack of retention of key people may negatively impact performance.
Mitigation: Acquisition processes are managed centrally and include a thorough analysis of strategic fit, an assessment of management and reputation, and extensive due diligence, including review of backlog and human resources policies. Contracts include representations, warranties and escrows to cover guarantees, while employment and non-compete contracts, as well as stock options, are used for retention purposes. We use after payments to link purchase price to post acquisition performance. Part of the purchase price is sometimes paid for in ARCADIS shares to promote alignment of the former owners with the long term interests of ARCADIS. Together with management of the acquired company a post-acquisition plan is developed which focuses on market and operational synergies and the organizational integration process, including alignment with ARCADIS' governance, financial reporting and business control framework. Larger acquisitions are evaluated after three years in terms of strategy, synergies, performance, people and organization, and lessons learned. These evaluations are discussed with the Supervisory Board.

Reputational risks (strategic)
Possible impact: ARCADIS is operating most of its business under the ARCADIS name or endorses sub-brands with an ARCADIS reference, which allows building a strong global brand. However, as a consequence, any reputational damage may have an impact beyond local markets and can potentially seriously affect our reputation and business. Reputational issues are typically linked to other risks the Company faces, such as mistakes in projects, non-compliance with laws and regulations or business principles, health & safety issues, client or supplier issues.
Mitigation: ARCADIS has quality systems in place, a compliance program, a proactive health & safety policy, a client focus program and criteria for selection of partners, all aimed at minimizing the risks of business failures and reputational issues. In addition, external communication on major events or issues is centralized to manage our reputation effectively. See also mitigation of other major risks.

Project risks (operational)
Possible impact: ARCADIS works on thousands of projects annually. Although in most cases project risks are limited, projects may incur serious cost overruns, delays, errors, omissions, which may lead to substantial claims while contractual conditions may result in considerable liabilities.
Mitigation: Risk management involves project and client approval procedures, including a go/no go process and review of contract conditions; regular project reviews; selection, training and performance reviews of people; procedures for project management; quality management systems; procedures for claims reporting and management; and a global insurance policy. Project risks and claims are assessed quarterly, and if required, provisions are taken to cover risks. All claims with a potential impact above a certain size are monitored at corporate level and discussed quarterly with the Audit Committee.

Capacity risks (operational)
Possible impact: A decrease in workload may reduce staff utilization. Experience indicates that strong market downturns can cause a 15% decrease in annual revenue for the business in that market. This may seriously impact margin and profitability.
Mitigation: All operating companies monitor and report order intake and billability bi-weekly. In Europe, our aim is to employ 10% to 15% of staff on flexible contracts, given recent capacity reductions the current level is below 10%. On a strategic level, our portfolio management aims for a good balance in geography, business lines and client categories in order to spread market, strategic and operational risks.

Knowledge management and innovation risks (operational)
Possible impact: Inability to leverage know-how, capabilities and client relationships or lack of innovation to develop new business may hamper growing our business in line with our strategic objectives.
Mitigation: ARCADIS has made substantial investments in knowledge management. Within the global business lines, global experts are responsible for the development and distribution of knowledge through Communities of Practice. Relationships with global clients are managed through our Multinational Clients Program. Most of our innovation takes place in close relationship with clients within projects. Each business line has specific innovation programs, for example, remediation technologies in Environment. In addition, innovation is stimulated through our global 'Imagine...' competition and similar initiatives of operating companies.

Continued on next page ▶

Information technology risks (operational)
Possible impact: Information Technology (IT) is fundamental to ARCADIS' daily operations and will increase in significance. IT is critical to our supporting processes as well as to our service portfolio. Client and market developments will increasingly rely on providing services to clients with integrated IT related tools, applications or services (webhosting). Communication and collaboration with all stakeholders require properly structured and effectively operating information and communication technology systems that cater well to the needs of an increasingly mobile and socially connected workforce as well as technology trend of bring your own devices or software. ARCADIS must guard against the risks of loss or corruption of critical / confidential data, disruption of productivity, unreliable reporting of financial information and avoid expenses to remediate these impacts.
Mitigation runs through three lines: people, process / structure and technology. The first line of defense are people, both our own staff and the staff of partner companies with whom we collaborate on projects. Risk awareness surrounding IT use, (social) network use, and the proper guarding of access on how to enter our networks is the most important element in this defense. Our people and partners are bound by confidentiality across the networks and communications channels used by the company. This is governed by the ARCADIS General Business Principles, Public Disclosure Policy, Media Manual and Social Media Policy. The second line of defense, process / structure, relates to both preventive and repressive controls: signature authority to IT related investments and expenses (including client facing ICT), physical and logical security, backup of data and restore testing and business continuity plans and disaster recovery testing are the most important elements of this line of defense. Operating structure / process often requires specific technology which we procure in close cooperation with technology providers.

Compliance risks
Possible impact: Failure to meet regulatory compliance may expose the Company to fines, other penalties and reputational risks. As a global company, ARCADIS is expanding into geographies with different business practices and cultures.
Mitigation: ARCADIS has General Business Principles and related policies and procedures in place and a compliance program which includes stimulating awareness of employees regarding business dilemmas and monitoring and reporting on Compliance, Integrity or other issues. Compliance officers have been appointed in all operating companies, while an integrity phone line allows employees to report issues anonymously. For additional information refer to the chapter on Corporate Social Responsibility on page 46 of this report.

Liquidity risks (financial)
Possible impact: Financial risks include credit, liquidity, currency and interest rate risks. The risk assessment showed liquidity risks to be the most important. This also includes the availability of sufficient financial resources to finance our growth strategy.
Mitigation: Risks are managed by giving high priority to working capital and cash flow, which are reported by all operating companies on a monthly basis. The corporate treasury department is responsible for liquidity (risk) management based on our treasury policy. To have entry to capital markets we focus on solid financial performance both in the short and long term, debt levels that stay well within the loan covenants, transparent reporting and proactive investor relations. We also aim for diversity in our sources of funding and the duration of our loans to reduce vulnerability. More extensive information on financial risks (including sensitivity analysis), and the way these are managed can be found in note 31 to the Financial Statements of this annual report.

Risk management and internal control

The ARCADIS Business Control (ABC) Framework
Based on the outcome of the Enterprise Risk Assessment, the ARCADIS Business Control Framework (ABC) has been developed. Key characteristics of this framework are:

- It focuses on primary business risks;
- It is based on aggregated standards and policies;
- It is principle rather than rule-based and therefore leaves room for operating companies to determine the most efficient way to meet standards and policies;
- It represents the minimum requirements that operating companies have to meet.

The ABC Framework is made up of global governance standards (e.g. ARCADIS General Business Principles, complaints procedure, approval procedures), global policies (e.g. health and safety policy, treasury policy, human resources policy) and operating company policies and standards (e.g. go/no go procedures, quality systems). In addition, it includes all key controls which need to be in place in order to comply with the policies and standards. On our global intranet, a central repository with documentation of the complete framework is available. The ABC Framework was already fully operational at corporate level, ARCADIS Netherlands and ARCADIS U.S. by the end of 2010, while the remaining operating companies completed implementation in 2011. For every acquisition an implementation schedule is established. This schedule will warrant implementation of the ABC Framework. Our external auditor KPMG reviewed the control framework and based on its observations and the experiences so far, the ABC Framework was updated. This update, as well as implementation of the ABC Framework, was discussed with the Audit Committee. Internal audit regularly audits compliance with this risk based approach. In addition to the systematic approach outlined above, regular communication between the various levels of management is in place to better identify and address risks at an early stage.

ARCADIS has assessed that the rule-based approach can be strengthened through the development of a set of soft controls, directed amongst other things, at identifying cultural issues in mitigating the risk of project cost overruns and insufficient management oversight.

Management statements

Assessment of internal control

The Executive Board has reviewed the effectiveness of internal risk management and control systems, based upon the following information:

- Report of internal audit, including an evaluation and conclusions regarding internal control in the operating companies. This was based on reports of operating company management on its testing of entity level controls, general ICT controls and (automated and manual) process level controls. Internal audit evaluated these reports, identified areas for further improvements and discussed findings with management. Subsequently, operating company management signed a Letter of Representation for its reporting and an in control statement for the primary and supporting processes.
- Reports of internal audit on audits performed throughout the year. Findings and measures to address issues were discussed with local management, the Executive Board and the Audit Committee.
- Management letter from the external auditor with findings and remarks regarding internal control. This letter has been discussed with the Audit Committee and the Supervisory Board.

The Executive Board concluded that good progress was made with further improvements of risk management and internal control in the Company and that the issues identified did not materially impact the consolidated accounts of ARCADIS NV. This conclusion as well as the review of internal risk management and control systems has been discussed with the external auditor, the Audit Committee and the Supervisory Board.

In control statement

The Executive Board is responsible for the design and functioning of the internal risk management and control systems. Although such systems are intended to optimally control risks, they can never, however well designed or functioning, provide absolute certainty that human errors, unforeseen circumstances, material losses, fraud or infringements of laws or regulations will not occur. In addition, the efforts related to risk management and internal control systems should be balanced with the costs of their implementation and maintenance.

Based on the approach as outlined above, the Executive Board believes that to the best of its knowledge, the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in 2012.

Responsibility statement

In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Executive Board confirms that to the best of its knowledge:

- the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss of ARCADIS and its consolidated companies,
- the Annual Report gives a true and fair view of the position as per December 31, 2012 and the developments during the financial year of ARCADIS and its group companies included in the annual Financial Statements, and
- the Annual Report describes the principal risks ARCADIS is facing.

The names and functions of the Executive Board members are contained in the section on Information on Members of the Supervisory and Executive Boards on page 64 of this report. ■

Corporate Social Responsibility

At ARCADIS we are committed to operating our business in a socially responsible and sustainable way, based on a global policy for Corporate Social Responsibility (CSR). This policy is anchored in ARCADIS' General Business Principles that embed integrity in our business and describe our responsibilities and commitments towards stakeholders. Our employees uphold these principles in their everyday work and must sign our integrity code. Equally important is the attitude of our people as reflected in our mission: passionately contributing to a balanced and sustainable development of the human habitat, in open dialogue with all stakeholders.

Our CSR policy applies to all ARCADIS employees and governs our approach to all our activities. It comprises five pillars:
- Corporate governance (also see page 68 of this Report)
- General Business Principles
- Environmental sustainability
- Health and safety
- Community involvement

CSR is an integral part of our strategy. The implementation and performance of our CSR policy is the responsibility of the Executive Board and of the senior management in each of the operating companies. In parallel to this, each of the five pillars is overseen by our Director of Sustainability who supports global implementation. We believe that applying vigorous CSR practice within our own organization also creates the right mindset to integrate CSR in the work we do for our clients and the communities we serve.

Stakeholder engagement
We have a diverse set of stakeholder groups including clients, employees, shareholders and the communities we operate in. We seek to engage with stakeholders on a regular basis to deepen our insight into their needs and expectations, and to serve them better. Engagement helps us direct our strategy and actively promote the initiatives that address their needs. These include:

- *Sustainable urbanization.* The Shelter Program, our partnership with UN-HABITAT, connects the expertise of our employees with that of UN-HABITAT to address some of the world's most pressing urbanization issues and improve the quality of life in rapidly growing cities.
- Biodiversity. Our initiative to promote biodiversity in cooperation with the Dutch arm of the International Union for Conservation of Nature (IUCN) is unique in that the participating companies are engaged in a long term sustainability commitments.
- *Climate Change.* We subscribe to the Cancun Communiqué on Climate Change, a call from the international business community for global action on climate change.
- *Assessment and Impact.* We conduct regular internal surveys to gauge internal awareness of our CSR policy and initiatives such as the Shelter Program. These assessments also allow us to identify trends and emerging regulations that can affect sustainability performance. Our last survey took place in 2012, and resulted in a number of actions being implemented including the establishment of a Sustainability Task Force.

Supplier policy
ARCADIS purchases goods and services from a wide range of suppliers around the world, and encourages them to apply high standards of CSR.

U.N. Global Compact
ARCADIS is member of the U.N. Global Compact (UNGC) and is committed to its objectives and principles regarding human rights, labor standards, environmental stewardship and anti-corruption. Because of the nature of our business and the countries in which we operate, we are rarely faced with human rights and labor standards issues. Nevertheless, we feel obliged to ensure these are respected in our work and projects. ARCADIS regards its primary suppliers as partners and collaborates with them to help achieve its ambitions.

General Business Principles

Integrity is one of our core values, and we take concrete steps to ensure that it is firmly embedded in our daily business practices. We require all employees to sign and comply with the ARCADIS General Business Principles, which is summarized in the six areas below. For full details, please visit: www.arcadis.com/gbp

Integrity as a core value. Our goal is to conduct our business honestly and fairly. Our commitment to integrity determines the way we do business and how we treat our staff. The General Business Principles Directives provide specific guidelines related to gifts, hospitality and payments to third parties.

Respect for local laws and cultures. We comply with national laws and respect the cultures of the countries in which we operate. We support the principles of free enterprise and fair competition and observe applicable regulations. We promote, defend and support our legitimate business interests with due regard to the law and the interests of society.

Value for customers. We are a reliable partner for our clients and aim to deliver our services without jeopardizing stakeholder interests. We offer services under terms that do not compromise our independent professional judgment and aim to create optimal value for clients. We focus on continuously improving our services through investment in our knowledge base and the development of employee competencies. We are transparent with clients about conflicts of interest that could emerge during the execution of our services.

Responsible employment practices. Our people are the key to our success and we respect their human and labor rights so they may work in a safe, healthy, professional and supportive environment. We encourage engagement and support personal development through comprehensive policies and initiatives. Every ARCADIS employee has an equal opportunity for personal recognition, advancement, career development and compensation, regardless of background or beliefs. The same policy applies to recruitment. No form of discrimination or harassment is tolerated. We strive to ensure fundamental human and labor rights are respected throughout our operations.

Dealing with dilemmas. The integrity code cannot anticipate the array of dilemmas we may face in our day-to-day operations. An active integrity policy means recognizing dilemmas and taking responsibility for resolving them. We encourage employees to discuss business dilemmas with each other and with their management, to make integrity an essential part of our culture.

Monitoring and accountability. Every two years, ARCADIS employees complete online compliance training aimed at increasing awareness of ARCADIS' Business Principles and values. A new round of compliance training for all staff was completed in 2012, also by the employees of companies that are new to ARCADIS, including EC Harris and Langdon & Seah.

ARCADIS monitors compliance with the Business Principles in all operating companies on a quarterly basis. Management of operating companies certifies compliance through a Letter of Representation. Employees are not held responsible for the loss of work resulting from compliance. ARCADIS also has a whistleblower procedure – including an anonymous global Integrity Phone Line – which ensures employees will not suffer negative consequences from reporting violations. Breach of the Business Principles can lead to sanctions, including termination of employment.

Environmental sustainability

ARCADIS recognizes the principles of sustainable development and acknowledges the challenge of meeting human needs, while protecting the environment and natural resources for future generations. Sustainability is an integral part of our business. We provide sustainable solutions for clients, while sustainable practices are integrated into our own operations, supported by a global team led by our Director of Sustainability.

Providing sustainable solutions

Sustainability is an integral part of projects

The most significant environmental impact of our work is through the projects we do for clients, of which a large part has a direct positive impact. In our Environment business line, we clean up environmental legacy sites and help clients reduce their waste and emissions. In Infrastructure, we help reduce carbon emissions by designing public transport systems and program manage renewable energy schemes. For clients in the business line Water, we work to supply clean, safe, potable water and treat waste water. In Buildings, we design 'green buildings' on behalf of a growing number of clients. Our aim is to integrate energy and resource efficiency into our designs and minimize the impact that our clients' projects have on the environment.

We may provide unsolicited sustainable alternatives to our clients and decline to be associated with projects if a client is unwilling to support adequate measures to evaluate environmental issues or mitigate adverse effects.

Sustainability by Design®

We are continuously involved in sustainable design initiatives on behalf of clients and across our operations. In Maryland, RTKL helped Siemens, achieve its first LEED certification for operation and maintenance of an existing building, achieving

Continued on next page ▶

significant improvements in energy efficiency. In the Netherlands, the world horticultural exhibition Floriade was held on a site ARCADIS designed and developed according to Cradle-to-Cradle principles. For the US Air Force, ARCADIS is doing a pilot study for a High Concentration Anaerobic Bioreactor (HCAB) to convert organic waste base into biogas with the goal of alternative power generation, and significant reductions in landfill waste volumes.

Minimizing our own carbon footprint

Global Sustainability Program

In 2012, we continued to implement our Global Sustainability Program, aimed at reducing the environmental impact of our own operations through global policies in the following focus areas:

- Transportation, ground and air
- Energy and water usage in our offices
- Paper usage and type
- Waste reduction and disposal or recycling
- Selection of purchased materials and products

Carbon Footprint Methodology

Since 2010, ARCADIS follows a standardized approach in reporting data consistent with the World Resources Institute General Reporting Protocol (GRP). In doing so, the selection of emission factors and calculations were refined, which has increased the scope of our carbon footprint. The new reporting methodology also helps track our reduction efforts more closely. We continue to sharpen our approach to further understand the full impact of our operations on direct and indirect greenhouse gas emissions and the environment as a whole.

Carbon footprint results
Nominal metrics per FTE by emission source

	2008*	2009*	2010*	2011*	2012
Scope 1 Vehicles (km/FTE)	5,336	5,252	5,339	4,807	**4,956**
Scope 2 Electricity (kWh/FTE)	3,542	3,401	3,275	3,039	**2,966**
Scope 3 Air (km/FTE)	7,706	6,407	8,548	8,456	**8,583**
Scope 3 Auto (km/FTE)	3,396	2,905	3,396	3,445	**3,434**
Scope 3 Public Transport (km/FTE)	1,001	993	1,073	1,051	**1,119**
Scope 3 Natural Gas (kWh/FTE)	1,471	1,465	1,573	1,480	**1,439**
Scope 3 Other Fuel (kWh/FTE)	80	84	80	63	**48**
Paper Consumption (kg/FTE)	44	45	39	34	**33**
FSC/PCW Paper (%)	59%	74%	74%	78%	**72%**

* adjusted to maintain consistency with GRP reporting guidelines

Emissions per FTE by emission source (MT CO2e/FTE)

	2008*	2009*	2010*	2011*	2012
Scope 1 Vehicles (Business)	1.15	1.09	1.06	0.95	**0.95**
Scope 1 Vehicles (Commuting)	0.15	0.15	0.14	0.14	**0.15**
Scope 2 Electricity	1.89	1.74	1.66	1.55	**1.40**
Scope 3 Air	0.94	0.78	1.06	1.06	**1.08**
Scope 3 Auto	0.82	0.69	0.76	0.83	**0.83**
Scope 3 Public Transport	0.08	0.08	0.09	0.08	**0.09**
Scope 3 Natural Gas	0.27	0.26	0.28	0.27	**0.26**
Scope 3 Fuel (Other)	0.01	0.01	0.01	0.01	**0.01**
Total	**5.31**	**4.80**	**5.06**	**4.89**	**4.77**

* adjusted to maintain consistency with GRP reporting guidelines

Carbon footprint analysis

While rapidly expanding our business through acquisitions and going through vast changes in our geographical footprint, we have been able to further improve our sustainability performance. More offices have been moved to locations closer to railway stations, while at the same time we are looking to reduce the carbon footprint per employee by making more efficient use of office space. Travel is limited to the extent needed and replaced by conference calls, video calls and other tools to maintain efficient working relationships without the need for contact in person. Where possible, we prefer to use LEED certified office spaces.

Objectives for future years

We have previously stated a goal of reaching a carbon footprint at a 50% reduction against our baseline calculations in 2008. Given our recent strong growth in emerging markets where the focus on sustainability is currently less prevalent than in our traditional markets, we need to reassess our target. We are committed to making progress annually, through the continuous improvement of our program elements and by the refinement of our policies, procedures and guidelines which affect our carbon footprint and will develop new realistic goal levels in the course of 2013.

Health and safety

Part of our company DNA

ARCADIS strives to provide a healthy and safe work environment for all of its employees, clients and subcontractors. In addition, our Global Health & Safety Vision and Policy commits us to proactively identify and control the H&S risks of our work to prevent injuries and strive everyday for zero incidents. These commitments are fully supported by the ARCADIS Executive Board and their achievement led by our management group and then stewarded by all ARCADIS staff through personal behavior. ARCADIS has a Global H&S Management System, which focuses on a proactive and preventive risk and behavior-based approach for the continuous improvement of H&S performance. Our Global Health & Safety Committee oversees development and implementation of our program. The Global H&S Committee is led by the Global H&S Director who reports directly to Steve Blake, who within the Executive Board, has global responsibility for Health & Safety.

Our risk- and behavior- based program focuses on leading indicators that allow us to proactively identify and prioritize risks in the projects that we lead and the activities we perform and continuously develop approaches for eliminating or at least, reducing the risks to our employees, partners including subcontractors, clients and the public.

Health and safety performance

ARCADIS measures work-related injury and illness rates using standard definitions and measurement techniques that match those of regulatory bodies that are relevant to our operations and those of our clients. The following table provides these rates per 200,000 hours worked in 2011 and 2012 for ARCADIS. In addition, the table shows the average injury rates for the Architecture and Engineering industry as established by the US Bureau of Labor Statistics for 2011 (2012 average rates will not published until later in 2013).

	Year	Total hours worked globally	Total Recordable Case Frequency (TRCF)	Lost Time Case Frequency (LTCF)	Near miss reporting (reports per 200,000 hours)
ARCADIS	2012	32,166,369	**0.36**	**0.18**	**19.7**
	2011	27,229,116	**0.46**	**0.25**	**11.5**
US Bureau of Labor Statistics	2011	Not applicable	**1.00**	**0.30**	**Not reported**

The TRCF for 2012 (0.36) is the lowest it has been since ARCADIS began collecting global H&S data in 2004, when in that year our TRCF was 1.13. Work-related injury rates have steadily improved since that time and with the introduction of our global health and safety program in 2006. Since 2004, our Total Recordable Case Frequency (TRCF) has dropped 68%. Our Lost Time Case Frequency (LTCF) has dropped 73% in the same time period. Near miss reporting, a key process in helping to prevent incidents, has dramatically risen over 350% since 2006, which indicates better hazard recognition and greater stewardship for sharing experiences to help prevent injuries in the future. ARCADIS injury rates are well below the average injury rates of the publicly-available U.S. benchmarks for the Architecture and Engineering Industry.

Accomplishments in 2012

ARCADIS accomplished much in the area of H&S in 2012. Through our initiatives and goals for the year, ARCADIS:
- Increased H&S staffing to provide greater support to our employees, including appointing a H&S Manager for Europe
- Instituted improved H&S planning processes for project-specific H&S planning
- Implemented 22 H&S technical standards for more consistent H&S conduct
- Improved Senior Leader involvement and stewardship in H&S
- Held our 4th Annual Global H&S Day in November with the theme of 'If Not Me, Then Who?' to increase awareness about personal behavior for one's own H&S but also about helping others when a hazard or risk exists.

Objectives for 2013

In 2013, we will continue to implement our risk and behavior-based approach under the theme of our 'TRACK to 0' and 'if Not Me, Then Who?' initiatives. TRACK is **T**hink through the tasks; **R**ecognize, **A**ssess, and **C**ontrol hazards; and **K**eep H&S first in all things. This initiative is focused on using the TRACK process in all aspects of our work to proactively mitigate hazards to drive towards zero incidents. 'If Not Me, Then Who?' focuses on watching out for oneself as well as others. To drive these focus areas in 2013, we will:
- Further educate our managers in H&S Stewardship and Leadership by helping them better understand, believe in, show and share our H&S culture and values
- Continue to improve and expand project H&S planning as a continuation of our 2012 objective in this area
- Assess our activities on a regular basis through the completion of manager-conducted H&S assessments of our projects and offices to assure that the expectations of our H&S system have been implemented to promote employee engagement and interaction and identify areas of non-conformance for improvement.

For more information about our health and safety policy and performance please visit our website: www.arcadis.com.

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UN-Habitat Partnership Program

In 2012, we completed the second year of our three-year partnership with UN HABITAT, the United Nations agency for human settlements. The global partnership known as Shelter is aimed at supporting UN HABITAT with their mission to improve the quality of life in rapidly growing cities around the world. Through the Shelter Program, we contribute to realizing this mission by making our staff, capabilities and experience available for selected projects, assessments, trainings and site visits that support UN HABITAT's goals. The program is financially supported by the Lovinklaan Foundation, ARCADIS' largest shareholder, which represents our staff

The Shelter Program is supported by more than 250 volunteers and now spans four continents where it has been (and in some cases continues to be) active in 19 countries and more than 25 cities around the world. Program activities in 2012 included:
- Completion of 31st Shelter Mission (December 2012)
- 7th follow-up mission to Haiti
- Return missions to the Philippines, Sri Lanka and Indonesia
- Launch of the 2nd Annual Shelter Academy in Amsterdam
- 6th World Urban Forum, Naples: Keynote presentation on building infrastructure

Reporting standards

We have followed the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines while compiling the CSR performance covered in this report. The GRI framework is the most widely used standardized CSR reporting framework in the world. A detailed overview of our GRI performance is provided on our website www.arcadis.com/GRI.

We became member of the U.N. Global Compact in September 2009 and support its principles covering human rights, labor rights, environment and anti-corruption. Sections of this chapter on Corporate Social Responsibility cover our progress in 2012 in these areas, which is our annual Communication on Progress (COP) submitted to the U.N. Global Compact Office. Further details are provided on www.arcadis.com/global compact. ■

Outlook 2013

In the **Infrastructure market**, our involvement in many multi-year large projects, and our strong position in Brazil and Chile provide a good basis for continued growth. Although mining clients pace their investments in these countries, public sector work is on the rise. Government budget cuts in continental Europe are likely to also impact investments in large projects, which may affect our growth. Projects using alternative financing and delivery concepts, like PPP, and increased government outsourcing provide opportunities to combat this.

In the **water market** tight government budgets are causing revenue pressure, although in some markets, such as the US, we are able to offset this with private sector work and projects for network improvements. Flood protection work, such as related to Hurricane Sandy may offer additional opportunities. In addition, we target further expansion in selected markets in Europe and are capitalizing on opportunities in the Middle East. In South America, especially in Brazil and Chile, recent investments in water companies have considerably strengthened our position and create new avenues for growth.

The **environmental market** is growing slightly, driven by the private sector. In the US, we benefit from the trend that private sector firms outsource non-core activities, but we still face challenging public sector conditions. Our advanced technology allows us to bring contaminated sites to closure quicker and at lower cost. We believe that we are gaining market share, especially in complex projects and portfolios of sites and our Guaranteed Outcomes offering should help us maintain a strong position in these markets. Mining, energy and manufacturing projects drive demand for environmental services in Brazil and Chile. In Europe, demand from the private sector is picking up, compensating for a decline in government work.

In the **buildings market**, we now have a strong position with excellent opportunities for synergies and global growth. The commercial real estate market in Europe is in decline while the US market is starting to recover. In London, Asia and the Middle East we have a strong position where we see significant growth potential. We are well positioned to help our clients with large investment programs and provide built asset consultancy to maximize value throughout an asset's lifecycle.

Europe

ARCADIS announced the introduction of a new pan-European operating model that is directed at better serving our multinational, large national and local clients, by leveraging our best practices and capabilities. The model combines client proximity at the country level with a pan-European leadership team and shared services in support functions. These initiatives are expected to generate annual cost savings of €25 million, which should bring Continental Europe to an EBITA margin of 10% by the fourth quarter of 2014 (compared with 5% in 2012). Total restructuring charges in 2013/2014 are expected to be approximately €20 million.

We have excellent potential for continued synergies with newly acquired companies and stronger positions in key growth markets. Our backlog developed in line with revenue growth and is steady at 11 months of revenue. We expect continued growth in Infrastructure and Buildings, a stable market in Environment, and a further recovery in Water. Maintaining, and where possible, improving our margin is an important priority. We have developed a clear path for margin improvement in Europe, which should help us achieve overall target levels, also in 2013. Further strengthening our position through acquisitions remains on the agenda. For full year 2013 we expect a further increase of revenues and profit. This is barring unforeseen circumstances.

Amsterdam, the Netherlands, 26 February 2013

Executive Board
Neil C. McArthur, *Chief Executive Officer*
Renier Vree, *Chief Financial Officer*
Steven B. Blake, *Member Executive Board*
Stephanie Hottenhuis, *Member Executive Board*
Friedrich M.T. Schneider, *Member Executive Board*

Report by the Supervisory Board

2012 Financial Statements, dividend and post balance sheet date events

The Executive Board has prepared this annual report, including the 2012 Financial Statements. KPMG Accountants N.V. audited the Financial Statements; their report and certification can be found in the independent auditor's report section. The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2012 Financial Statements.

On 25 February 2013, the Audit Committee discussed the 2012 Financial Statements with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the external auditor. The Audit Committee also had a discussion with the internal and external auditor, without management being present.

On 26 February 2013, we discussed in our full Supervisory Board meeting the 2012 annual report, including the 2012 Financial Statements, with the Executive Board, in the presence of the auditor. The auditor's report and the quality of internal risk management and control systems were discussed in the Audit Committee and subsequently reviewed by us.

We agree with the Executive Board's proposal to distribute a dividend of €0.52 per share, to be provided in cash or in shares at the option of the shareholder. The General Meeting of Shareholders will be asked to discharge the members of the Executive Board for their management of the company and its affairs during 2012 and the members of the Supervisory Board for their supervision over said management.

The members of the Executive Board have signed the 2012 Financial Statements in accordance with section 5:25c.2.c of the Financial Markets Supervision Act (*Wet op het financieel toezicht*). Together with the members of the Supervisory Board, they have also signed the 2012 Financial Statements in accordance with section 2:101.2 of the Dutch Civil Code. Our US Executive Board member Mr. Steve Blake has decided to retire at the end of his current term after the General Meeting of Shareholders on 7 May 2013, after 26 years with the company of which 8 in the Executive Board. We greatly appreciate Mr. Blake's impressive contribution to ARCADIS and in particular the growth of ARCADIS US. In Mr. Zack Smith (1956) we have a strong internal candidate as our nominee to succeed Mr. Blake in the Executive Board subject to shareholder approval. We are delighted that recently Mr. Niek Hoek has agreed to be nominated for a Supervisory Board membership subject to shareholder approval to fill the vacancy as a result of the passing away earlier last year of Mr. Gerrit Ybema.

Supervisory Board Meetings in 2012

In 2012, we had a busy year with ten meetings; seven regular meetings with the Executive Board three of which were preceded by "closed meetings", without Executive Board members present. In addition, we had three extra meetings by conference call, one of which was not attended by Executive Board members. These extra meetings dealt primarily with proposed acquisitions. In between meetings the Chairman was in regular contact with the CEO and occasionally with other Executive Board members. Supervisory Board members were rarely absent from either full board meetings or committee meetings. The attendance percentage for the full Supervisory Board meetings, including the extra meetings, was 88%, for the Audit Committee meetings 92% and for the Selection and Remuneration Committee meetings 93%. When Supervisory Board members could not attend meetings, this was for various reasons which include in the case of the extra meetings that were convened on short notice, other previous engagements, health reasons, or technical difficulties (hurricane Sandy).

In the meetings with the Executive Board a number of recurring items were discussed. These included financial performance, developments in operating companies, working capital, cash flow, claims and potential risks, compliance, health and safety, important project wins, investor relations and the integration plans, and progress, for and with EC Harris and Langdon & Seah. We regularly discussed potential acquisitions. In relation thereto we discussed a desire to pace our acquisitions, also to allow the organization to dedicate sufficient leadership attention to successful post-acquisition integration activities. At the same time we recognize the importance of considering, and realizing, acquisition opportunities resulting from the dynamics of the market. Performance within Europe, and plans for Europe going forward, were also regularly discussed. We supported the Executive Board in its initiative to develop a global IT strategy and to further professionalize the IT function of the Company. Press releases related to quarterly results were discussed prior to publication. The Chairmen of the two committees of the Board reported on their meetings, as applicable. During the year we worked hard to fill the vacancy in the Supervisory Board after board member Gerrit Ybema passed away in February. This task has become more complex as a result of the new governance law with regard to the limitation of board memberships and the minimum gender rules. During the year we met several times with the Board of the Bellevue Foundation, consisting of ten ARCADIS employees from all over the world, to discuss ARCADIS affairs.

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On 28 January 2012 we discussed the composition of the Executive Board. Further to Harrie Noy's desire to step down as CEO after having led the company for twelve years, eighteen years in the Executive Board and 37 years with the company, we resolved to appoint Neil McArthur as the new CEO as from the end of the Annual General Meeting of Shareholders 2012. After an extensive assessment process with a very positive outcome, we also decided to nominate Stephanie Hottenhuis as new Executive Board member. She joined Arcadis in 1995. We discussed and agreed with the task distribution within the Executive Board in its proposed new composition, as put forward by the Executive Board.

On 24 February 2012 we performed our review of the 2011 annual report and related documents. We agreed with the 2011 annual report, including the annual accounts, and approved the dividend proposal. We also reviewed legal and regulatory matters and claims, and the assessment of the Executive Board on internal risk management and control systems. We approved the granting of bonuses to members of the Executive Board and senior management. We approved an update of the Executive and Supervisory Board regulations regarding compliance with anti-corruption legislation. In our closed meeting, we evaluated the performance of the Supervisory Board and its individual members, and the Executive Board and its individual members in 2011. The functioning of the Chairman of the Supervisory Board was addressed by the Vice-Chairman, without the Chairman being present. The overall conclusion was that both Boards, the Chairman, and the individual Board members are functioning well. In addition to certain other further improvements, we agreed that in 2012 supporting Neil McArthur in his role as the proposed new CEO was a top priority for us.

At the end of March, we met in Rio de Janeiro, Brazil to visit ARCADIS Logos. We agreed with the draft agenda for the Annual General Meeting of Shareholders. Further to our January meeting and as recommended by the Selection and Remuneration Committee, we to the extent required reconfirmed our decision to make a binding nomination to appoint Mrs Stephanie Hottenhuis to the Executive Board. Considering his valuable contribution to the Supervisory Board, we also resolved to make a non-binding nomination to re-appoint Mr. Maarten Schönfeld to the Supervisory Board. Furthermore, we had a discussion on Strategy Implementation, including discussions on overall market developments in the areas where we are active and for each of our Business Lines. Regarding Enterprise Risk Management we discussed the status of the implementation of the ARCADIS Business Control Framework. We agree with its focus on primary business risks and the principle based approach of the framework (apply or explain). We discussed the major enterprise risks as described in more detail on pages 42 of this annual report. We discussed the acquisition opportunity in Brazil of a consulting engineering company in water treatment (ETEP). We also extensively discussed the possible acquisition of Langdon & Seah. Subsequent thereto more information became available on Langdon & Seah and on 5 April 2012 we gave our approval to this acquisition.

In May, the first quarter results were discussed and we prepared for the General Meeting of Shareholders. We were informed that on 4 April Her Majesty Queen Beatrix opened the Floriade, the World Horticulture Exhibition, as developed, designed and implemented by ARCADIS Netherlands. We approved the granting of performance-based shares and options to members of the Executive Board and senior management and the granting of performance-based options to key staff. We had presentations on and discussion with the CEO of ARCADIS Netherlands about the Dutch engineering, consultancy and project management market as well as the European market overall.

In August, we discussed in the presence of the external auditor, the second quarter results and the half-year review of the auditor. We paid specific attention to developments in ARCADIS Poland. Further to work in the Audit Committee we discussed claim statistics and (trend) developments thereof. Furthermore, the director of multinational clients gave a presentation and we approved the acquisition of ETEP. Also on the agenda was the evaluation of certain previous acquisitions.

In September, we had a now traditional two-day strategy meeting in Boulder, Colorado in the US. We met with senior management of ARCADIS US and RTKL, and were updated on developments in each of these businesses. We also received an update on compliance activities (with a focus on integrity and anti-corruption) and on developments in Dutch corporate law. We spent most of our time on discussing strategy - developing a common understanding of our industry, understanding our major competitors and reviewing global business line performance halfway through the implementation of the 2011-2013 strategic plan Leadership, Balance and Growth. Health and Safety remained high on the company's priority list and the director Health & Safety gave a presentation on achievements and further improvements on this subject.

On 10 October, we convened an extra meeting by conference call to discuss succession management for certain key positions.

On 31 October, the third quarter results were discussed. With the global director for Buildings we discussed recent developments and its consequences for our strategy.

In December, we had a closed meeting in which we discussed our preferred candidate for the vacancy in the Supervisory Board. We also performed the evaluation of the Supervisory Board and the individual members in 2012. This included an evaluation of the Chairman of the Supervisory Board, headed by the Vice Chairman and without the Chairman being present. We discussed the performance of the Executive Board, which discussion we continued and finalized in February 2013 in relation to the granting of bonuses to the Executive Board. The overall conclusion was that both Boards, the Chairman, and the individual Board members are functioning well. We concluded that the transition in leadership from Harrie Noy to Neil McArthur had been a well prepared and smooth process. In our regular December meeting, we approved the operating plan and -budget for 2013, after discussions on economic and market developments and on risks and opportunities. Based on a presentation by the corporate director for Human Resources, we observed significant progress on talent identification and succession management. Furthermore an update on the European organization transformation project was provided.

Results and Strategy

In our view the company continued to do very well in 2012. Despite difficult market conditions particularly in Europe, caused by pressure on government budgets, an organic growth of 3% of gross revenue, 4% of net revenue was achieved, with an underlying margin at the target level of 10%. The acquisitions of Langdon &Seah and ETEP strengthen our presence in emerging markets. Both mergers bring more balance in our revenues and results geographically. Important priorities for 2013 are developing our next corporate strategy plan 2014-2016; improving results in Europe; integration of Langdon & Seah and further capturing of synergies from our recent mergers. EC Harris was seamlessly integrated and we booked significant revenues and costs synergies. Although a lot of emphasis has been placed on integrating various large mergers and acquisitions, we will continue to look at new opportunities in this respect to fulfil our strategic goals. With an average net debt to EBITDA ratio at year end 2012 of 1.5 the ARCADIS balance sheet is healthy, giving room for further expansion, also through acquisitions.

Corporate governance

ARCADIS complies with the Dutch Code on Corporate Governance. In a separate chapter of this annual report the governance structure of the company is described and the limited deviations from the principles and best practices of the Code are explained.

The Supervisory Board meets the requirement of the Code in that all of its members are independent. It also complies with the best practice provision and the law in force since 1 January 2013 that its members do not hold more than five supervisory board positions at "large companies" and/or publicly listed Dutch companies. None of the Executive Board members holds supervisory board positions with such companies. During 2012, no transactions involving conflicts of interest occurred for Executive or Supervisory Board members, that were material to the company.

Committees of the Supervisory Board

Audit Committee

(M. Schönfeld, chairman; I. Grice; R. Markland)
In 2012, this committee met four times, with one extra meeting by conference call. All meetings were attended by the CFO, the Group Auditor and the external auditor. The CEO was present regularly. In addition, the Chairman of the committee had regular contact with the CFO to discuss progress on various matters. In a closed meeting end of October 2012, the functioning, independence and financial literacy of the committee and its members were evaluated.

The financial results, including working capital and cash flow developments, were discussed on a quarterly basis and the quarterly press releases were reviewed. In each meeting, updates were given on legal claims and pending litigation, certain project risks and integrity issues. During the mid-year committee meeting we paid specific attention to ARCADIS Poland. End of July the external auditor's half-year review and the company's 2012 outlook were discussed. The committee regularly discussed the working capital reduction program and also discussed assumptions used for impairment testing. Specific attention was paid to the calculation of the cost-of-capital, the valuation of the portfolio of energy assets in Brazil and the sensitivity analysis of impairment risks. The Committee was briefed by the CFO on the gradual introduction of so-called soft controls. Also on the agenda were presentations by the CFOs of the various ARCADIS organisations in the US, the Netherlands, UK and Brazil. The chairman of the Audit Committee attended the annual ARCADIS CFO conference to meet the finance leadership of the

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company. In addition, we discussed and recommended the dividend proposal. We also addressed risk management in relation to the company's insurance policy based on a presentation by the Group treasurer.

During the year, in the presence of the internal and external auditors, results of their respective observations and reports were reviewed. Also continuous attention was paid to the implementation of the ARCADIS Business Control Framework. End of October the Internal Audit Plan 2013 was discussed and approved.
In view of various merger and acquisition proposals the Committee regularly discussed with the CEO and CFO the financing of such investments, including various types of funding instruments suited for the company's balance sheet.

The committee reviewed compliance with the policy on auditor independence. In consultation with the Executive Board the performance of the external auditor was evaluated and findings were reported to the Supervisory Board. KPMG's audit plan and fee proposal for the 2012 audit were discussed and approved.

Selection and Remuneration Committee
(R. van Tets, chairman; G. Nethercutt; A. Perez)
In 2012, the Selection and Remuneration Committee met five times, in the presence of the previous CEO, Harrie Noy (until May 16, 2012), his successor, Neil McArthur, and the Corporate Director of Human Resources. Whenever required, subject matter experts where invited and attended the meeting.
The committee prepared the performance evaluation of Executive Board members for discussion in the Supervisory Board. In addition, the performance ratings of the incumbents in global top 50 positions were reviewed.
Other meeting topics included the granting of bonuses and performance-based shares and options to the Executive Board and senior management, the granting of performance-based options to key staff and the 2013 bonus program for the Executive Board and senior management. The committee also determined ARCADIS ranking among the peer group as the basis for the vesting of shares and options in May 2013.
Other topics discussed were changes in key management positions and the programs for succession management in top positions and talent identification.
Other than arrangements around the retirement of Harrie Noy the committee did not discuss any changes to the remuneration of the Supervisory Board and the remuneration policy for the Executive Board as policies have been reviewed and adjusted in 2011. Regarding the retirement of Harrie Noy, it was agreed that any unvested options and restricted shares (granted in May 2010 and May 2011) will fully vest at the original vesting date and become exercisable immediately. Also, a two year extension of the exercise period was agreed with Harrie Noy.

Composition Executive and Supervisory Board

The Supervisory Board consists of six members (one vacancy) and the Executive Board consists of five members. Each of the Boards includes one female member. With this we substantially exceed the average diversity within Boards of Dutch listed companies. Diversity, including gender related, has always been, and will continue to be, an important consideration in the selection processes for (re-)appointment of Board members. At the same time, our first priorities when considering vacancies in either Board remain quality, expertise and experience.

Executive Board
In the General Meeting of Shareholders on 16 May 2012, Mrs Stephanie Hottenhuis was appointed as member of the Executive Board for a period of four years.

For the current composition of the Executive Board and information about its members, please refer to page 65 of this annual report.

Supervisory Board
For the current composition of the Supervisory Board, its committees and information about its members, please refer to page 64 of this annual report.

At the end of the General Meeting of Shareholders on 7 May 2013, the second term of Mr. George Nethercutt and the first terms of Mrs Ruth Markland and Mr. Armando Pérez will expire. Each are available for reappointment and in view of their valuable contribution in the present team we intend to make a non-binding nomination for their respective reappointments.

Compliments

We want to compliment management and all ARCADIS staff on the very good results. These have been achieved despite challenging circumstances in major parts of our markets. We therefore express our great appreciation for the dedication and hard work of everybody involved. ■

Amsterdam, the Netherlands, 26 February 2013
On behalf of the Supervisory Board,
Rijnhard W.F. van Tets, Chairman

Remuneration Report

This report has been prepared by the Selection and Remuneration Committee of the Supervisory Board. There have been no changes to the remuneration framework for the Executive Board and the Supervisory Board in 2012, as both the remuneration of the Executive Board and of the Supervisory Board were reviewed and updated in 2011. Within the framework of the policy as adopted by the General Meeting of Shareholders (GMS) in May 2011, compensation of the Executive Board members is determined by the Supervisory Board, based on advice of the Selection and Remuneration Committee. In 2013, in preparation of the GMS of May 2014, the remuneration package for the Executive Board and the Supervisory Board will be reviewed again. This is in line with the policy to review Executive Board and Supervisory Board remuneration every three years.

Remuneration Executive Board

In 2011, the review of the remuneration policy for the Executive Board was completed by the Selection and Remuneration Committee, based on a benchmark analysis performed by an external advisor. It was then concluded that the labor market reference group needed to be adjusted, to reflect the changed size and positioning of ARCADIS, but that the remuneration structure could be maintained. A similar review of the remuneration policy for the Executive Board will be done again in 2013/2014 following the three year cycle.

Remuneration policy

Compensation in line with median level of reference group
The remuneration policy is aimed at attracting, motivating and retaining qualified management for an international company of ARCADIS' size and complexity. The remuneration for Executive Board members consists of a fixed base salary, a short-term variable remuneration (cash bonus), a long-term variable remuneration (shares and options) and a pension plan and other fringe benefits. Variable remuneration is an important part of the total package and is based on performance criteria that incentivize value creation in the short and longer term. The remuneration policy aims at compensation in line with the median level of primarily the Dutch part of a selected labor market reference group.

Labor market reference group
The labor market reference group consists of Dutch companies, as well as a number of European industry peers, both of comparable size and complexity. It includes: CSM (NL), Nutreco (NL), Aalberts (NL), USG People (NL), Heymans (NL), Imtech (NL), Draka (NL), Fugro (NL), Boskalis (NL), Grontmij (NL), Atkins (UK), Pöyry (Fin), WSP[1] (U.K.), RPS (U.K.) and Sweco (S).

[1] Acquired by GENIVAR in 2012

Fixed base salary

In 2011, after the assessment results showed that the fixed base salary of the members of the Executive Board was below the median level of the Dutch part of the peer group, the Supervisory Board proposed to increase the fixed annual salary to the median level as of 1 July 2011. This was approved by the GMS. In 2012, fixed base salary levels were not adjusted. The following annual base salaries apply in 2012.

	Base salary in 2012
CEO	€560,000
CFO	€420,000
Member EB (non U.S.)	€400,000
U.S. member EB	$640,000

Short-term variable remuneration: bonuses

Bonuses may vary from 0% to 60% of fixed base salary, with 40% being applicable when targets are achieved. The financial targets, which determine 75% of the bonus, are related to earnings per share (EPS, based on net income from operations, excluding currency impacts), and return on invested capital (ROIC, as defined by the financial goals, described on page 21). For members of the Executive Board responsible for a geographic area, the EBITA of that area can be added as a criterion. The remaining 25% of the bonus is determined by non-financial targets, derived from the company strategy, and are set for each Executive Board member individually. Before 2011, the non-financial targets could not be overachieved, which resulted in a maximum bonus contribution from these targets of 10% of base salary. As of 2012, this has been changed, allowing for rewarding excellent results on these targets, with a maximum bonus contribution up to 15% of base salary, without exceeding the maximum bonus percentage of

60%. Targets are preset annually by the Supervisory Board based on the plan and budget for the respective year. In 2012 the bonus percentage is determined using the following table:

Criterion	Weight	Cash bonus as percentage of base salary in 2012		
		Minimum	At target	Maximum
EPS	45%	0%	18%	27%
ROIC	30%	0%	12%	18%
Discretionary criteria	25%	0%	10%	15%
Total	**100%**	**0%**	**40%**	**60%**

The non-financial criteria give sufficient possibilities to include sustainability or other elements of corporate social responsibility as important targets into the bonus program. For the Executive Board member from the United States, the level of EBITA generated by the US operations is added, with the following adjusted weights: EPS 30%; ROIC 20%; EBITA US 25%; non-financial criteria 25%.

Targets for 2012 and performance against these targets were as follows:

- The EPS target was based on 2012 budget. Minimum and maximum are achieved at -10% and +10% compared to target. With 2012 EPS at €1.49 the target was overachieved by 9.3%, resulting in 26.5% of base salary for this target.
- The ROIC target for 2012 was set at 13.2%, with minimum being achieved at 11.2%, maximum at 15.2%. As 2012 ROIC was at 13.5%, 12.9% of base salary was achieved for this target.
- Non-financial targets are tuned to the specific responsibilities of individual Executive Board members. Based on performance, the bonus varied from 11% to 15% of base salary for these targets.
- The EBITA target for the Executive Board member from the United States was achieved at 93%, resulting in 9.3% of base salary for this target.

This resulted in bonuses varying between 48% and 56% of base salary.

Because of his retirement in July 2012, Harrie Noy received a pro-rated bonus in June 2012 for the year 2012 (January-June) of €175,000.

Long-term variable remuneration: shares and options

The remuneration policy includes the granting each year of performance-based shares and options. These vest and become unconditional after three years dependent on ARCADIS' relative performance against a peer group of comparable, listed companies. Performance is measured as *Total Shareholder Return* (TSR), defined as share price increase, including reinvested dividends. This stimulates creating shareholder value on the longer term. An outcome of the 2011 remuneration review was to adjust the peer group, and reset numbers of shares and options to be granted.

Peer group and vesting

At the end of each three-year cycle, ARCADIS' performance is measured against the companies in the peer group. ARCADIS' ranking determines whether and to what extent the originally granted options and shares vest and become unconditional. The tables below show the peer group for the period 2008 – 2010 and the period 2011 – 2013 as well as the applicable vesting schemes.

Peer group	
For 2008-2010[1]	For 2011-2013[1]
ARCADIS (NL)	ARCADIS (NL)
Atkins (UK)	Atkins (UK)
Grontmij (NL)	Grontmij (NL)
Poyry (Fin)	Poyry (Fin)
Sweco (Sw)	Sweco (Sw)
WYG (UK)	Hyder (UK)
WSP (UK) [3]	WSP (UK) [3]
Aecom (US)	Aecom (US)
Jacobs (US)	Jacobs (US)
Tetra Tech (US)	Tetra Tech (US)
URS (US)	URS (US)
	RPS (UK)

Vesting for 2008-2010[1]		Vesting for 2011-2013[1]	
Position	Vesting	Position	Vesting
1	150%	1	150%
2	133%	2	133%
3	117%	3	117%
4	100%	4	100%
5	83%	5	83%
6	67%	6	67%
7	50%	7	50%
8	0%	8	0%
9	0%	9	0%
10	0%	10	0%
11	0%	11	0%
12			0%
Expected:[2]	64%	Expected:[2]	58%

[1] The years mentioned refer to the years of granting of conditional shares and options.
[2] Expected vesting percentage, assuming each position having equal chance.
[3] Delisted as of August 2012 following the merger with GENIVAR.

Continued on next page

Performance measurement
For the shares and options granted as of 2008, performance is based on the average TSR over the three-year period. This prevents incidents such as temporary sentiments or take-over rumors related to specific companies having a strong impact on relative performance.

Number of shares and options
In 2011, the numbers of conditional shares and options to be granted were reset to bring the value of the long-term incentive in line with the percentage of base salary that is aimed for. This is 50% for the CEO and 40% for the other Executive Board members. The value was calculated using the average ARCADIS share price in the first quarter of 2011 of €17.24 and an expected vesting percentage of 58.3% (equal chance for each position in ranking after three years). The numbers of conditional shares and options to be granted annually were fixed for three years (2011-2013) and approved by the GMS in 2011. They are as follows:

Target LTI as % of base		To be granted in 2011-2013		Vesting of shares		Vesting of options	
		Shares	Options	Min	Max	Min	Max
CEO	50%	17,500	35,000	0	26,250	0	52,500
Member EB	40%	10,000	20,000	0	15,000	0	30,000

The exercise price for options granted is the closing price of the ARCADIS shares on the first trading day after the GMS on which the shares are quoted ex-dividend. Options are valid for a 10-year period. Except for paying income tax on vested shares, shares must be retained for a period of at least two years after vesting or at least until termination of employment when this is shorter.

Vested shares and options
In May 2012, the shares and options that were granted in May 2009 became unconditional at 150% of the originally granted numbers. This was due to ARCADIS' performance in the period 2009-2011 resulting in the first place among the peer group.

Over the period 2010-2012 ARCADIS ended in the third place among the peer group. Therefore the shares and options that were granted in May 2010 will become unconditional in May 2013 at 117% of the originally granted numbers. Please refer to the table on page 110 for more information on shares and options.

Policy in case of a take over
In the event of a takeover of ARCADIS, the treatment of shares and options granted to the Executive Board (and other senior staff) will be determined by the Supervisory Board, upon advice by the Selection and Remuneration Committee, taking into account the share price in the period preceding the disclosure of an offer, as well as all other relevant circumstances at that moment. This means that the exercise price of outstanding options and the number of unvested conditional shares can be adjusted to correct for (part of) the increase in share price caused by the offer. Unvested shares and options will vest proportionally to the number of months of the three-year vesting period that elapsed since the grant date.

Pensions, other benefits, contracts

Pensions
Executive Board members (excluding Mr. Blake) participate in the ARCADIS Netherlands pension plan. This is a collective defined contribution plan with the premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 63 years. The contribution from the participants is 6.28% of the pensionable salary (annual base salary minus offset). Mr. Schneider, who is a German citizen, receives compensation for the limited tax deductibility of his own contribution to the pension fund. Mr. Blake, who operates from the United States, participates in the 401k plan of ARCADIS US.

Other benefits
Executive Board members receive a fixed allowance for expenses, as well as other customary fringe benefits, including the use of a company car. They may also participate in the Employee Stock Purchase Plan to purchase up to a maximum of €400 per month of ARCADIS shares from the Lovinklaan Foundation at a discount.

Employment contracts and severance pay
Mr. Noy, who retired on 1 July 2012, was appointed for an indefinite period. His contract did not contain any severance pay provisions. With Mr. McArthur, appointed in to the Executive Board in 2011, with Mr. Schneider, reappointed in 2010, with Mr. Vree, appointed in 2010, and with Mrs. Hottenhuis, appointed in May 2012, a four-year term and a maximum severance pay of one year's base salary has been agreed. Due to his long tenure with the company, the maximum severance pay for Mr. Blake, who was appointed to the Executive Board as per 1 January 2010 until the General Meeting of Shareholders in 2013, was set at 18 months. Contracts of Executive Board members do not contain provisions for the event of the termination of employment resulting from a change in control.

Other elements of the remuneration policy

In December 2009, a revised Code on Corporate Governance became effective which contains additional best practices regarding executive remuneration. Based upon advice of the Selection and Remuneration Committee, the Supervisory Board has evaluated these additional best practices in 2011, resulting at that time in the following conclusions:

- The remuneration policy as described before is aligned with the strategy and the financial goals of the company and its related risks. It includes a good balance between fixed and variable remuneration and between short and long-term remuneration and is (relatively) simple and understandable.
- The remuneration for Executive Board members is in reasonable proportion to that for the next level in the organization. ARCADIS' Senior Management Committee members and other operating company directors, have a remuneration structure comparable to the Executive Board.
- A scenario analysis that was made with respect to the potential outcomes of the variable remuneration gave no cause to adjust the remuneration policy.
- The Supervisory Board recognizes that conditionally awarded variable remuneration components could produce unfair results due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved. In such case the Supervisory Board will use its judgment to make adjustments (downwards or upwards) to the value of these variable remuneration components, taking into account the relevant circumstances. This ultimum remedium clause has been included in the long term incentive plan.
- The Supervisory Board will use its best efforts – taking into account the relevant circumstances – to recover from the Executive Board members any variable remuneration awarded on the basis of incorrect financial or other data. This claw back clause has been included in the bonus program and in the long term incentive plan.

Remuneration overview

For more information on remuneration and share and option ownership of Executive Board members, please refer to Notes 43 and 44 of the financial statements in this Report.

Remuneration Supervisory Board

The GMS determines the remuneration of Supervisory Board members. As mentioned before, the remuneration was reviewed in 2011, based on benchmark analysis by an external advisor, of remuneration at companies that are part of the Amsterdam Midkap Index (AMX). In view of the outcome of this analysis and the increased responsibilities of Supervisory Board Members, the GMS approved in May 2011, the following remuneration as per July 1, 2011:

	Chairman	Member
Yearly fixed remuneration	€ 60,000	€ 45,000
Yearly fixed cost compensation	€ 3,000	€ 2,000
Membership AAC	€ 10,000	€ 7,000
Membership ASRC	€ 6,000	€ 6,000

In addition, non-Dutch members receive an attendance fee per physical meeting of €2,000 for European members and US$4,000 for members from the United States. Remuneration is not dependent on company results. Supervisory Board members are not eligible to receive shares or options as part of their remuneration package. Possible share ownership of ARCADIS shares by a Supervisory Board member is meant as a long-term investment.

For more information on remuneration and share ownership of Supervisory Board members, please refer to Notes 43 and 45 of the financial statements in this report.

Other information

The company has not granted any loans, advances or guarantees to Executive or Supervisory Board members. In 2005, ARCADIS NV provided Executive Board members an indemnification for all costs and expenses from and against any claim, action or lawsuit related to actions and/or omissions in their function as Executive Board members. As approved by the GMS in 2005, a similar indemnification was provided to Supervisory Board members.

On behalf of the Selection and Remuneration Committee
Rijnhard W.F. van Tets, Chairman ■

Continued on next page ▶

Name	Date	Type	Granting Number	Share price[1]	Value[2]	Date	Vesting Vesting %	Number	Lock up until[3]
N. McArthur [4]	May-11	shares	20,000	16.18	166	May-14			May-16
		options	40,000	16.18	108				n.a.
		options[5]	70,000	16.18	366				n.a.
	May-12	shares	17,500	15.74	198	May-15			May-17
		options	35,000	15.74	122				n.a.
R. Vree [6]	May-10	shares	21,600	14.33	194	May-13			May-15
		options	43,200	14.33	108				n.a.
		options[5]	30,000	14.33	113				n.a.
	May-11	shares	10,000	16.18	83	May-14			May-16
		options	20,000	16.18	54				n.a.
	May-12	shares	10,000	15.74	113	May-15			May-17
		options	20,000	15.74	70				n.a.
S. Blake	May-10	shares	10,800	14.33	97	May-13			May-15
		options	21,600	14.33	54				n.a.
	May-11	shares	10,000	16.18	83	May-14			May-16
		options	20,000	16.18	54				n.a.
	May-12	shares	10,000	15.74	113	May-15			May-17
		options	20,000	15.74	70				n.a.
S. Hottenhuis	May-12	shares	10,000	15.74	113	May-15			May-17
		options	20,000	15.74	70				n.a.
F. Schneider	May-06	shares	15,000	12.38	117	May-09	100%	15,000	May-11
		options	37,500	12.38	108		100%	37,500	n.a.
	May-07	shares	15,000	19.89	187	May-10	117%	17,505	May-12
		options	37,500	19.89	125		117%	43,762	n.a.
	May-08	shares	10,800	13.03	88	May-11	100%	10,800	May-13
		options	21,600	13.03	42		100%	21,600	n.a.
	May-09	shares	10,800	10.91	74	May-12	150%	16,200	May-14
		options	21,600	10.91	41		150%	32,400	n.a.
	May-10	shares	10,800	14.33	97	May-13			May-15
		options	21,600	14.33	54				n.a.
	May-11	shares	10,000	16.18	83	May-14			May-16
		options	20,000	16.18	54				n.a.
	May-12	shares	10,000	15.74	113	May-15			May-17
		options	20,000	15.74	70				n.a.
H.L.J. Noy	May-05	shares	30,000	5.98	113	May-08	133%	39,999	May-10
		options	75,000	5.98	93		133%	99,999	n.a.
	May-06	shares	30,000	12.38	233	May-09	100%	30,000	May-11
		options	75,000	12.38	216		100%	75,000	n.a.
	May-07	shares	30,000	19.89	375	May-10	117%	35,010	May-12
		options	75,000	19.89	250		117%	87,525	n.a.
	May-08	shares	18,000	13.03	147	May-11	100%	18,000	May-13
		options	36,000	13.03	71		100%	36,000	n.a.
	May-09	shares	18,000	10.91	123	May-12	150%	27,000	May-14
		options	36,000	10.91	68		150%	54,000	n.a.
	May-10	shares	18,000	14.33	162	May-13			May-15
		options	36,000	14.33	90				n.a.
	May-11	shares	17,500	16.18	145	May-14			May-16
		options	35,000	16.18	94				n.a.

1) Share price in euro.
2) Value at granting in thousands of euros.
3) Shares have a lock up period of two years after vesting, except for using shares to pay for tax obligations. For options a lock up is not applicable (n.a.).
4) When N. McArthur was appointed to the Executive Board, he received twice the normal numbers granted, and an additional number of 70,000 non conditional options, to compensate for loss of rights at his previous employer.
5) These options are non conditional in the sense that they vest after three years, independent of TSR performance, but only when Mr. Vree / Mr. McArthur are still employed at ARCADIS.
6) When R. Vree was appointed to the Executive Board, he received twice the normal numbers granted, and an additional number of 30,000 non conditional options, to compensate for loss of rights at his previous employer.

Information on Members of the Supervisory

Supervisory Board


Rijnhard van Tets


George Nethercutt


Maarten Schönfeld


Ruth Markland


Armando R. Perez


Ian Grice

Rijnhard W.F. van Tets MSc (1947) - Chairman

Dutch nationality, term 2002-2014

Selection and Remuneration Committee (Chairman)

Current position:
Managing Partner of Laaken Asset Management

Previous positions:
Banque Européenne de Credit (Brussels) and Société Générale (Paris, 1973-1975), Sogen Swiss and First Boston Corporation (New York, 1975-1983). Member of the Executive Board of ABN AMRO Bank (1988-2002). Advisor to the Executive Board of ABN AMRO Bank (2002-2007).

Non-executive board functions:
• Chairman of the Supervisory Board of Euronext N.V. • Chairman of the Supervisory Board of Euronext Amsterdam N.V. • Member of the Supervisory Board of NYSE Euronext Inc. • Member of the Board of Petrofac Plc. • Member Supervisory Board International Flavors & Fragrances I.F.F. (The Netherlands) Holding B.V. • Member Supervisory Board BNP Paribas OBAM N.V.

George R. Nethercutt, Jr. (1944)

U.S. nationality, term 2005-2013

Selection and Remuneration Committee

Previous positions:
Member of Board of Directors of Juvenile Diabetes Research Foundation International (2005-2011). Chairman Permanent Joint Board on Defense, US/Canada. Member, Defense Advisory Board on Incident Preparedness (2009-2010). Member of the United States House of Representatives (1995-2005). During that time, he served on the Appropriations Committee and the Defense, Interior and Agriculture Subcommittees, as well as on the Science Committee and the Energy and Space Subcommittees. Practiced law in the private sector, focusing on corporate, estate and probate and adoption law (1977-1994). Worked in the US Senate in Washington, D.C., concentrating on oil and gas, natural resources, mining and trading affairs (1972-1977).

Other functions:
• Member of the Board of Directors of Hecla Mining Company • Member of the Board of Directors of The Washington Policy Center • Member of the Board of Chancellors of Juvenile Diabetes Research Foundation International • Member of the Board of Directors of Juvenile Diabetes Research Foundation The Netherlands • Chairman of the Board of Directors of The George Nethercutt Foundation • Member of Board of Directors of IP Street Corporation • Of Counsel Lee & Hayes LLP international law firm

Maarten Schönfeld (1949)

Dutch nationality, term 2008-2016

Audit Committee (Chairman)

Previous positions:
Vice-Chairman of the Executive Board and CFO of Stork B.V. (2001-2008). Several senior international management positions within Royal Dutch Shell Plc. (1977-2001; USA, Argentina, Portugal, Switzerland, Germany and the Netherlands). Worked in Malawi, Africa for the United Nations Development Program (1974-1976).

Non-executive board functions:
• Member Supervisory Board S&B Industrial Minerals S.A., Greece • Member Advisory Board Technical University Delft • Member Advisory Board University of the Arts, The Hague • Member Supervisory Board AFM • Chairman Board Children Fund of Malawi • Member Board Stichting Continuïteit ICT

Ruth Markland (1953)

British nationality, term 2009-2013

Audit Committee

Previous positions:
Lawyer, Nabarro Nathanson (1975-1977); Lawyer/Partner, Freshfields (1977-2003) in their offices in London, Singapore and Hong Kong.

Non-executive board functions:
• Non-executive director The Sage Group PLC
• Non-executive director Standard Chartered PLC

Armando R. Perez (1951)

U.S. nationality, term 2009 - 2013

Selection and Remuneration Committee

Previous positions:
Member of the Board of Directors of Malcolm Pirnie Inc. (2007-July 2009), Management Consultant with several companies (1976-1980). Several senior management positions at ESSO, EXXON and EXXONMOBIL (1980-2008); Puerto Rico, Caribbean, The Netherlands, Chile, South America, global.

Other functions:
• Vice-President Board of Directors of COANIQUEM Burned Children Foundation • Member of the Advisory Board of the International Center of Baptist Health South • Member of the Advisory Board of the School of International and Public Affairs at Florida International University
• Chairman of the Executive Advisory Committee of the Chapman Graduate Business School at Florida International University (2003-2008)
• Member of the Board of Trustees of the Pan American Development Foundation

Ian M. Grice (1953)

British nationality, term 2010-2014

Audit Committee

Previous positions:
Group Chief Executive Alfred McAlpine Plc (2003-2008), Executive Board Director Alfred McAlpine Plc (1995-2003), Director John Mowlem Construction Plc, Managing Director Mowlem Management Ltd and Managing Director Mowlem Facilities Management Ltd (1981-1995), various technical and management positions French Kier Ltd (1979-1981), John Mowlem Plc (1976-1979), Tileman & Company Ltd (1975-1976), and John Laing Plc (1974-1975).

Non-executive board functions:
• Non-executive director John Graham Ltd
• Non-executive director/chairman of the Remuneration Committee of Diploma Plc
• Non-executive chairman of Newby Management UK Ltd. • Non-executive director of Merryck Ltd.

and Executive Boards

Executive Board


Neil McArthur


Renier Vree


Friedrich Schneider


Steven Blake


Stephanie Hottenhuis

Neil C. McArthur, BSc, MBA, MIMechE, FRICS (1961)

British Nationality, term 2011-2015

Current position:
CEO and Chairman of the Executive Board ARCADIS N.V.

Previous positions:
He started his career in 1982 with Shell International Petroleum Maatschappij, Exploration & Production, where he worked as a project manager on large investment projects in Qatar and the Netherlands. After completing his MBA in 1990, he started working for Booz & Company, a leading international strategy and management consultancy. As member of the Global Executive Committee and Managing Director Europe, he was responsible for the activities in 15 European countries and consulted to Fortune 500 clients in the global energy, chemical and utilities markets. In 2011 he was appointed to the Executive Board of ARCADIS N.V. and in January 2012 announced as the new CEO.

Renier Vree, MSc, RC (1964)

Dutch nationality, term 2010-2014

Current position:
Chief Financial Officer

Previous positions:
Before joining ARCADIS, he worked in several financial management positions for Philips, having started with that company in 1987. From 1994 through 2002 he worked as Financial Director/Chief Financial Officer for Philips business units in the United States and Asia, including Malaysia and Hong Kong. From 2002 through 2004 he was director of global efficiency improvement programs for Philips. In 2004 he was appointed Chief Financial Officer of Philips Lighting.

Other functions:
- Chairman Curatorium Post-graduate Chartered Controller/ EMFC Programme University of Maastricht

Friedrich M.T. Schneider, MA, PhD (1962)

German nationality, term 2006-2014

Current position:
Member of the Executive Board

Previous positions:
Before joining ARCADIS, he held various management positions at Rheinhold & Mahla AG, Bilfinger Berger AG, Bentec GmbH and Preussag AG

Non-executive board functions:
- Member of the Supervisory Board at Ecolutions GmbH & Co KG

Steven B. Blake, MSc (1956)

U.S. nationality, term 2010 - 2013

Current position:
Member of the Executive Board
Chairman and CEO ARCADIS US, Inc.

Previous positions:
Steve joined ARCADIS in 1987 and served in many management positions in ARCADIS including: President of a subsidiary (Spill and Tank Management); Director of Hydrocarbon Services Division; Director of Programs; Vice President of Strategic Operations and Company President. He was appointed CEO of ARCADIS U.S. in 1996 and then served on the ARCADIS Executive Board for 4 years (1999-2003) responsible for North and South America.

Stephanie Hottenhuis, MB, MA (1965)

Dutch nationality, term 2012 – 2016

Current position:
Member of the Executive Board

Previous positions:
In September 2011 Stephanie Hottenhuis was appointed ARCADIS Director Europe where she was responsible for the European operations of ARCADIS (excluding the Netherlands and UK). Stephanie Hottenhuis has a Business degree (Hons) and started with ARCADIS' international projects business, ARCADIS Euroconsult, where she was Business Unit Manager for Eastern Europe and Asia from 1996 to 2000. From 2001 to 2008 Ms Hottenhuis was in charge of the Multinational Clients program of ARCADIS. She established ARCADIS China in 2005 as a greenfield operation and was responsible for it until 2008. From 2005 to 2008 Stephanie Hottenhuis was a Member of the Executive Board of AYH, now ARCADIS UK. From 2008 to 2011, Stephanie Hottenhuis was CEO of ARCADIS Deutschland GmbH.

1. **Neil C. McArthur, BSc, MBA, MIMechE, FRICS (1961), British nationality**
   CEO and Chairman of the Executive Board since 2012

2. **Steven B. Blake, MSc (1956), U.S. nationality**
   Member of the Executive Board since 2010
   CEO ARCADIS U.S., Inc. since 2003

3. **Stephanie Hottenhuis, MB, MA (1965), Dutch nationality**
   Member of the Executive Board since 2012

4. **Friedrich M.T. Schneider, MA, PhD (1962), German nationality**
   Member of the Executive Board since 2006

5. **Renier Vree, MSc (1964), Dutch nationality**
   Chief Financial Officer since 2010

6. **Richard Clare, BSc, MRICS (1953), British nationality**
   Corporate Senior Vice President ARCADIS NV since 2012

7. **Tom Haak, MSc (1956), Dutch nationality**
   Corporate Director Human Resources since 2006

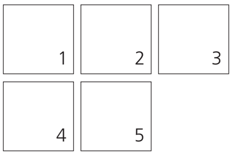
8. **Gerard Spans, MSc (1966), Dutch nationality**
   Chief Information Officer since 2013

9. **Roland van Dijk, MSc, MBA (1970), Dutch nationality**
   Director of Mergers and Acquisitions since 2012

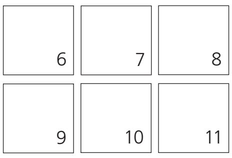
10. **Julien Cayet, MBA (1970), French nationality**
    Director Strategy since 2012

11. **Joost Slooten (1961), Dutch nationality**
    Director Corporate Communications and Investor Relations since 2011

Executive Board



Corporate Staff Directors



12. Bill Dee, BSCE, MSEE (1948), U.S. nationality
Global Director Water since 2010

13. Mark Fenner, BSc, MBA (1958), U.S. nationality
Global Director Environment since 2012

14. Yann Leblais, MSc (1952), French nationality
Global Director Infrastructure since 2009

15. Matt Bennion, BSc (Hons), FRICS (1971), British nationality
Global Director Buildings since 2012

16. Bartheke Weerstra, LLM (1973), Dutch nationality
General Counsel & Company Secretary since 2010

17. Manoel da Silva, MSc (1953), Brazilian nationality
CEO ARCADIS Logos Ltda. since 2008

18. Gary Coates, BSc, (1951), U.S. Nationality
COO ARCADIS U.S., Inc. since 2010

19. Rob Mooren,MSc (1956), Dutch nationality
CEO ARCADIS Nederland BV since 2009

20. Lance Josal, FAIA (1955), U.S. nationality
CEO RTKL Associates Inc. since 2009

21. Philip Youell, MBA, MCIM (1960), British Nationality
CEO EC Harris Ltd. since 2003

22. Joseph Lee, FRICS, (1953), Chinese nationality
CEO Langdon & Seah since 2005

23. David Sparrow, BSc (Hons), MRICS (1959), British nationality
Global Director Multinational Clients since 2012

Global Business Line Directors


12 13
14 15 16

Company Secretary



Other members Senior Management Committee



17 18 19
20 21 22 23




Corporate Governance

ARCADIS is committed to the principles of good governance: integrity, transparency, accountability and proper supervision. It has complied with the Dutch Corporate Governance Code since it was first introduced in 2003, with few deviations. Compliance with the principles and best practices of this code, including an explanation of deviations, was fully discussed in the General Meeting of Shareholders in May 2004 and accepted by the shareholders. Since that date, no material changes have been made to the corporate governance structure.

In December 2008, the Dutch Corporate Governance Code Monitoring Committee (the "Frijns Committee") presented an update of the Dutch Corporate Governance Code, which became effective by decree on 10 December 2009 (the "Code"). In the Annual Report 2009, an overview was given of the actions taken to comply with the Code, as updated. At the Annual Meeting of Shareholders that was held on 12 May 2010, the compliance of ARCADIS with the Code was on the agenda for discussion and shareholders concurred with the way compliance with the Code was being handled. Any future changes in the Company's corporate governance structure and its compliance with the Code will be submitted to shareholders for their consideration. An overview of the corporate governance structure of ARCADIS and an explanation of deviations from the principles and best practices of the Code are provided below. For additional information about Corporate Governance at ARCADIS please visit our website at: www.arcadis.com/governance.aspx.

Organizational structure

ARCADIS NV is a public limited liability company (Naamloze Vennootschap) under Dutch law. The company is managed by the Executive Board under supervision of the Supervisory Board. Since 2003, ARCADIS has been an international holding company. Members of the Executive and Supervisory Boards are appointed and dismissed by the general meeting of shareholders (the "General Meeting"). As proposed by the Executive Board, and with prior approval of the Supervisory Board and the ARCADIS Priority Foundation, the General Meeting can amend the Articles of Association. Such a decision requires a majority of at least three/fourth of the votes cast in a meeting in which at least three/fourth of the issued share capital is represented. If the quorum is not met, a second meeting is required, in which the resolution can be adopted by a majority of at least three/fourth of the votes, regardless of the share capital represented in the meeting.

Executive Board

The Executive Board manages the Company and is responsible for the Company's goals, objectives, strategy, policy and results. The Supervisory Board determines the number of Executive Board members after consultation with the Executive Board. The General Meeting appoints the Executive Board members. For every appointment the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two/thirds of the votes, representing more than half of the issued share capital. On a non-binding nomination, the General Meeting decides by simple majority. The General Meeting can dismiss an Executive Board member. Such a decision, other than proposed by the Supervisory Board, requires at least two/thirds of the votes, representing at least half of the issued share capital. The Supervisory Board appoints one of the members of the Executive Board as Chairman and determines, in consultation with the Executive Board, the division of tasks. The present composition of the Executive Board and information about its members are provided on page 65 of this Report.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board in the performance of its management tasks and supervises the overall development of the Company and its affiliates. In doing so, the Supervisory Board is guided by the interests of the Company and its stakeholders. The Supervisory Board consists of at least three members (currently six). Members are appointed by the General Meeting. For every appointment the Supervisory Board is entitled to make a nomination. The General Meeting can overrule a binding nomination by a resolution adopted by a majority of at least two/thirds of the votes, representing more than one/third of the issued share capital. In case of a non-binding nomination the General Meeting decides by simple majority. The General

Meeting can dismiss a member of the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two/thirds of the votes, representing at least one/third of the issued share capital.

The Supervisory Board appoints one of its members as Chairman and one as Vice-Chairman. Members are appointed for a maximum period of four years. They are eligible for reappointment for two additional four-year terms, up to a maximum of 12 years in office. The Supervisory Board has established two committees from amongst its members: an Audit Committee and a combined Selection and Remuneration Committee. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. The tasks and procedures of the committees are outlined in their charters, which can be found on our website. The present composition of the Supervisory Board and information about its members are provided on page 64 of this Report.

General Meeting of Shareholders

At least once a year, ARCADIS NV convenes a shareholder meeting. Meetings are convened by the Executive or Supervisory Board. Meetings can also be convened at the request of shareholders jointly representing at least ten percent of the Company's issued share capital. Shareholders that hold such minimum percentage of shares as provided in the Dutch Civil Code (currently at least one percent of the issued share capital or shares representing a value of at least €50 million) may submit, at least 60 days prior to a scheduled meeting, a proposal to place items on the agenda of the meeting.
Each shareholder is entitled to attend shareholder meetings in person or be represented by written proxy and to exercise voting rights with due observance of the provisions in the Articles of Association. Each outstanding share entitles the holder to one vote. Resolutions are adopted by simple majority unless the Articles of Association or the law provide(s) otherwise.

ARCADIS advocates active shareholder participation at shareholder meetings. Since 2007, the Articles of Association allow for communication and voting by electronic means. For more information about the powers of the General Meeting as well as the Company's Articles of Association, please visit www. arcadis.com/governance.aspx.

Share capital

The authorized share capital of ARCADIS NV consists of ordinary shares, cumulative financing preference shares, priority shares and cumulative preference (protective) shares, each with a nominal value of €0.02. At year end 2012, the total number of ordinary shares issued was 74,036,196. Currently, only ordinary shares and 600 priority shares have been issued. A further explanation on the capital structure is given in note 15 to the Financial Statements. Priority shares and cumulative preference shares have an impact on the governance of the Company.

Priority shares
The 600 priority shares, held by the ARCADIS Priority Foundation (Stichting Prioriteit ARCADIS NV), entitle the holder to a right of approval regarding certain important decisions. These include the issuance, acquisition or disposal of shares, amendments to the Articles of Association, dissolution of the Company as well as certain major co-operations, acquisitions and divestments. The board of the Priority Foundation is comprised of three members of the Executive Board, seven members of the Supervisory Board and ten members who are ARCADIS employees. All resolutions of the board require a majority of at least sixty percent of the votes cast, implying that employee support is needed for those far-reaching decisions. For more information, please see note 15 to the Financial Statements.

Cumulative preference (protective) shares
Currently, no cumulative preference shares have been issued. However, an option agreement to acquire and transfer such shares has been entered into between the ARCADIS Preferred Stock Foundation (Stichting Preferente Aandelen ARCADIS NV) and ARCADIS. The objective of this foundation is to protect the interests of ARCADIS, its enterprise(s) and all of those involved. In the event of an unfriendly takeover attempt or another hostile situation, preference shares can be used to facilitate that the Executive and Supervisory Board have time to duly consider the situation and the interests involved. For more information, please see note 15 to the Financial Statements.

Regulation concerning securities
ARCADIS has regulations regarding transactions in ARCADIS securities that apply to all employees unless stipulated

Continued on next page

otherwise. These regulations also prohibit Executive and Supervisory Board members from executing transactions in the securities of certain other listed companies, regardless of whether they have inside information or not.

Financial reporting and role of auditors

Before being presented to the General Meeting for adoption, annual Financial Statements as prepared by the Executive Board must be examined by an external certified public auditor. The General Meeting has the authority to appoint the auditor. Each year the Supervisory Board nominates the auditor for (re) appointment by the General Meeting, taking into account the advice of the Audit Committee. The auditor's assignment (including his remuneration) is approved by the Supervisory Board, on the recommendation of the Audit Committee. Prior to publication, the quarterly Financial Statements and quarterly reports are discussed with the Audit Committee, in the presence of the external auditor, in preparation for consideration by the Supervisory Board. The external auditor attends the meetings of the Supervisory Board in which the annual and half-year Financial Statements are to be approved and the audit report of the external auditor is discussed. The ARCADIS Policy on Auditor Independence contains rules and procedures for the engagement of the external auditor, in order to ensure its independence. According to these procedures, the Audit Committee must approve all audit, audit related and permitted non-audit services to be provided by the external auditor.

The Audit Committee annually evaluates the functioning of the external auditor, in consultation with the Executive Board, and the outcome is reviewed by the Supervisory Board. Also the desirability of rotating the external auditor's lead partner is evaluated. ARCADIS changed partners in 2001, 2006 and 2008. ARCADIS has an internal audit function which operates under the responsibility of the Executive Board, with reporting lines to the CEO, CFO and the Audit Committee. The scope of work of the internal audit function is regulated in an Internal Audit Charter. The external auditor and the Audit Committee are involved in the preparation and approval of the annual internal audit plan. Internal Audit Reports are discussed with the Audit Committee in the presence of the external auditor.

Compliance with Dutch corporate governance code

ARCADIS applies the principles and best practices of the Dutch Corporate Governance Code published in December 2003 and as amended in December 2009, except for the following and for the reasons set out below:

II.2.8: For Executive Board members to be (re)appointed after the Code first became effective, in principle a maximum severance payment that is consistent with the Code is or will be included in their contracts. This applies to the members (re) appointed to the Executive Board in 2010, 2011 and 2012. The Executive Board member appointed in November 2009 is, in case of a "not-for-cause" termination of his contract, eligible to a severance payment of 18 months fixed (base) salary, which is in line with his employment contract at that time and justified by his longstanding tenure with ARCADIS.

III.5: ARCADIS does not have a separate remuneration committee and a separate selection and appointment committee but combines the two in the Selection and Remuneration Committee, consistent with the practice established in 1998. The current size of the Supervisory Board, the allocation of responsibilities among its members, and the fact that the current committee is functioning satisfactorily, justify this deviation. The Chairman of the Supervisory Board also chairs this committee, which we consider necessary given the selection and nomination tasks of this committee. Under the Code, the Chairman of the Supervisory Board can be chairman of the Selection and Appointment Committee but not of the Remuneration Committee. In this respect, ARCADIS deviates from best practice provision III.5.11.

IV.1.1: In 2003, the Articles of Association of the Company were amended to abandon the structure regime. At that time, provisions were included in the Articles of Association that prescribe that binding nominations for the appointment or dismissal of members of the Executive and Supervisory Board can only be overruled by the General Meeting by a qualified majority. This was done in view of the percentage of share ownership of the Lovinklaan Foundation. It was further stipulated that nominations to the Executive Board would normally be binding, whereas nominations to the Supervisory Board would, under normal circumstances, be non-binding. The General Meeting explicitly approved this practice in 2003 by adopting the resolution to make the related amendments to the Articles of Association.

Financial Statements 2012

Notes overview

Consolidated statement of financial position as at December 31

Before allocation of profit

In EUR 1,000

Assets	Note	2012	2011
Non-current assets			
Intangible assets	5	**596,214**	501,257
Property, plant & equipment	6	**79,176**	73,895
Investments in associates	8	**29,984**	23,974
Other investments	9	**842**	191
Deferred tax assets	21	**38,441**	34,201
Derivatives	11		
Other non-current assets	10	**25,705**	18,341
Total non-current assets		**770,362**	651,859
Current assets			
Inventories		**679**	893
Derivatives	11	**1,644**	736
(Un)billed receivables	12	**719,180**	691,894
Corporate income tax receivable		**11,770**	8,825
Other current assets	13	**38,138**	46,545
Cash and cash equivalents	14	**229,097**	158,203
Total current assets		**1,000,508**	907,096
Total assets		**1,770,870**	1,558,955

Equity and liabilities	Note	2012	2011
Shareholders' equity			
Share capital		**1,481**	1,437
Share premium		**201,545**	168,380
Translation reserve		**(27,859)**	(18,074)
Hedging reserve		**(4,845)**	(6,217)
Retained earnings		**276,266**	230,412
Net income		**88,974**	79,507
Total equity attributable to equity holders of the Company	15	**535,562**	455,445
Non-controlling interests	16	**1,101**	(94)
Total equity		**536,663**	455,351
Non-current liabilities			
Provisions for employee benefits	18	**35,162**	38,566
Provisions for other liabilities and charges	19	**24,386**	13,175
Deferred tax liabilities	20	**41,129**	22,828
Loans and borrowings	21	**300,505**	371,431
Derivatives	11	**3,832**	5,181
Total non-current liabilities		**405,014**	451,181
Current liabilities			
Billing in excess of cost	12	**177,410**	169,227
Corporate tax liabilities		**13,942**	10,265
Current portion of loans and borrowings	21	**68,686**	664
Current portion of provisions	18, 19	**9,681**	10,719
Derivatives	11	**810**	8,257
Accounts payable		**135,772**	154,276
Accrued expenses		**37,208**	32,120
Bank overdrafts	14	**51,271**	5,509
Short-term borrowings		**80,543**	38,123
Other current liabilities	22	**253,870**	223,263
Total current liabilities		**829,193**	652,423
Total liabilities		**1,234,207**	1,103,604
Total equity and liabilities		**1,770,870**	1,558,955

The notes on page 80 to 119 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income for the year ended December 31

In EUR 1,000

	Note	2012	2011
Gross revenue	23	**2,544,462**	2,017,365
Materials, services of third parties and subcontractors		**(666,236)**	(574,025)
Net revenue		**1,878,226**	1,443,340
Personnel costs	25	**(1,382,498)**	(1,039,318)
Other operational costs	25	**(298,287)**	(245,148)
Depreciation and amortization	5,6	**(32,541)**	(27,651)
Amortization other intangible assets	5	**(14,910)**	(5,384)
Other income	24	**1,490**	13,147
Total operational costs		**(1,726,746)**	(1,304,354)
Operating income		**151,480**	138,986
Finance income	27	**2,868**	7,151
Finance expenses	27	**(25,106)**	(27,524)
Fair value change of derivatives	11,27	**399**	(2,967)
Net finance expense		**(21,839)**	(23,340)
Income from associates		**(3,048)**	267
Profit before income tax		**126,593**	115,913
Income taxes	28	**(36,400)**	(32,427)
Profit for the period		**90,193**	83,486
Other comprehensive income, net of income tax			
Exchange rate differences for foreign operations		**(9,810)**	2,800
Effective portion of changes in fair value of cash flow hedges		**1,372**	(2,274)
Changes related to post-employment benefit obligations		**(415)**	(4,100)
Other comprehensive income, net of income tax		**(8,853)**	(3,574)
Total comprehensive income for the period		**81,340**	79,912
Net income from operations [3]			
Profit for the period attributable to equity holders of the company (net income)		**88,974**	79,507
Amortization identifiable intangible assets, net of taxes		**11,388**	3,620
Effects of financial instruments		**-**	1,460
Non-recurring [1]		**4,158**	(3,340)
Lovinklaan employee share purchase plan [2]		**530**	328
Net income from operations		**105,050**	81,575
Profit attributable to:			
Equity holders of the Company (net income)		**88,974**	79,507
Non-controlling interests		**1,219**	3,979
Profit for the period		**90,193**	83,486
Total comprehensive income attributable to:			
Equity holders of the Company		**80,146**	75,917
Non-controlling interests		**1,194**	3,995
Total comprehensive income for the period		**81,340**	79,912
Earnings per share (in euros)			
Basic earnings per share	17	**1.26**	1.20
Diluted earnings per share	17	**1.23**	1.17
Net income from operations per share [3] (in euros)			
Basic earnings per share	17	**1.49**	1.23
Diluted earnings per share	17	**1.45**	1.20

[1] The non-recurring result in 2012 relates to the acquisition costs of Langdon & Seah, while in 2011 the book profit on the divestment of ARCADIS Aqumen Facility Management and the acquisition costs of EC Harris were included.

[2] The Lovinklaan employee share purchase plan is controlled by the Lovinklaan Foundation and the Company has no influence on this scheme. Accordingly, the Company does consider the related share-based payments expenses as non-operational expenses.

[3] This is a unaudited non-GAAP performance measure, to make the underlying performance of our business more transparant.

The notes on page 80 to 119 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In EUR 1,000

	Note	Attributable to equity holders of the parent company							
		Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
Balance at January 1, 2011		1,354	106,788	(3,943)	(20,858)	309,459	392,800	18,395	411,195
Profit for the period						79,507	79,507	3,979	83,486
Exchange rate differences					2,784		2,784	16	2,800
Effective portion of changes in fair value of cash flow hedges	*11,20*			(2,274)			(2,274)		(2,274)
Actuarial (loss)/gain on post-employment benefit obligations	*18*					(4,100)	(4,100)		(4,100)
Other comprehensive income				(2,274)	2,784	(4,100)	(3,590)	16	(3,574)
Total comprehensive income for the period				(2,274)	2,784	75,407	75,917	3,995	79,912
Transactions with owners of the Company:									
Dividends to shareholders	*15*					(31,010)	(31,010)	(2,168)	(33,178)
Issuance of shares	*15*	83	61,592				61,675		61,675
Share-based compensation	*15,26*					6,788	6,788		6,788
Taxes related to share-based compensation	*20*					(1,370)	(1,370)		(1,370)
Purchase of own shares	*15*					(21,599)	(21,599)		(21,599)
Share options exercised	*15*					3,343	3,343		3,343
Purchase of non-controlling interests	*4,16*					(31,099)	(31,099)	(20,316)	(51,415)
Total transactions with owners of the Company		83	61,592			(74,947)	(13,272)	(22,484)	(35,756)
Balance at December 31, 2011		**1,437**	**168,380**	**(6,217)**	**(18,074)**	**309,919**	**455,445**	**(94)**	**455,351**
Profit for the period						**88,974**	**88,974**	**1,219**	**90,193**
Exchange rate differences					**(9,785)**		**(9,785)**	**(25)**	**(9,810)**
Effective portion of changes in fair value of cash flow hedges	*11,20*			**1,372**			**1,372**		**1,372**
Taxes related to post-employment benefit obligations						**2,217**	**2,217**		**2,217**
Actuarial (loss)/gain on post-employment benefit obligations	*18*					**(2,632)**	**(2,632)**		**(2,632)**
Other comprehensive income				**1,372**	**(9,785)**	**(415)**	**(8,828)**	**(25)**	**(8,853)**
Total comprehensive income for the period				**1,372**	**(9,785)**	**88,559**	**80,146**	**1,194**	**81,340**
Transactions with owners of the Company:									
Dividends to shareholders	*15*					**(33,454)**	**(33,454)**		**(33,454)**
Issuance of shares	*15*	**44**	**33,165**				**33,209**	**1**	**33,210**
Share-based compensation	*15,26*					**7,908**	**7,908**		**7,908**
Taxes related to share-based compensation	*20*					**2,879**	**2,879**		**2,879**
Purchase of own shares	*15*					**(28,460)**	**(28,460)**		**(28,460)**
Share options exercised	*15*					**17,889**	**17,889**		**17,889**
Total transactions with owners of the Company		**44**	**33,165**			**(33,238)**	**(29)**	**1**	**(28)**
Balance at December 31, 2012		**1,481**	**201,545**	**(4,845)**	**(27,859)**	**365,240**	**535,562**	**1,101**	**536,663**

The notes on page 80 to 119 are an integral part of these consolidated financial statements

Consolidated statement of cash flows for the year ended December 31

In EUR 1,000

Cash flows from operating activities	Note	2012	2011
Profit for the period		**90,193**	83,486
Adjustments for:			
Depreciation and amortization	*5,6*	**47,451**	33,035
Taxes on income	*28*	**36,400**	32,427
Net finance expense	*27*	**21,839**	23,340
Income from associates		**3,048**	(267)
		198,931	172,021
Share-based compensation	*15,26*	**7,908**	6,788
Sale of activities, net of cost			(13,000)
Change in operational derivatives	*11*	**356**	(6,387)
Settlement of operational derivatives	*11*	**(828)**	6,044
Change in inventories		**219**	(251)
Change in receivables		**24,491**	(48,400)
Change in provisions		**(2,530)**	2,319
Change in billing in excess of costs		**(14,218)**	4,934
Change in current liabilities		**(10,137)**	11,202
Dividend received		**918**	226
Interest received		**3,086**	3,899
Interest paid		**(22,905)**	(27,569)
Corporate tax paid		**(27,258)**	(32,199)
Net cash flow from operating activities		**158,033**	79,627

Cash flows from investing activities			
Investments in (in)tangible assets	*5,6*	**(34,801)**	(35,267)
Proceeds from sale of (in)tangible assets	*5,6*	**1,175**	551
Investments in consolidated companies	*4*	**(72,641)**	(86,966)
Proceeds from sale of consolidated companies	*4*		5,790
Investments in associates and other investments	*4,8,9*	**(11,089)**	(101)
Proceeds from sale of associates and other investments	*8,9*		33
Investments in other non-current assets		**(4,390)**	(22,770)
Proceeds from (sale of) other non-current assets		**3,182**	13,992
Net cash flow used in investing activities		**(118,564)**	(124,738)

Cash flows from financing activities			
Proceeds from exercise of options	*15*	**17,889**	3,343
Purchase of own shares	*15*	**(28,460)**	(21,599)
Settlement of financing derivatives	*11*	**(6,441)**	(4,276)
New long-term loans and borrowings	*21*	**894**	347,906
Repayment of long-term loans and borrowings	*21*	**(705)**	(322,785)
New short-term borrowings		**80,287**	38,103
Repayment of short-term borrowings		**(38,089)**	(12,049)
Dividend paid		**(33,454)**	(33,178)
Net cash flow from financing activities		**(8,079)**	(4,535)

Net change in cash and cash equivalents less bank overdrafts		**31,390**	(49,646)
Exchange rate differences		**(6,258)**	4,108
Cash and cash equivalents less bank overdrafts at January 1	*14*	**152,694**	198,232
Cash and cash equivalents less bank overdrafts at December 31	*14*	**177,826**	152,694

The notes on page 80 to 119 are an integral part of these consolidated financial statements

Segment information

The Company has four reportable segments, which are based on the reporting structure of the Company to the Executive Board. The information management uses to monitor progress and for decision making about operational matters is at operating company level and as such, the segments are based on the operational companies. Based on qualitative and quantitative measures the operating company information is aggregated, adding up operating companies which are active in a similar economic environment. This results in geographical segmenting, as disclosed below.

The most important performance measure is EBITA, as management believes this is key in evaluating the results of the segments relative to other companies that operate within the same industry.
Inter-segment pricing is determined on an arm's length basis.

Operating companies are active in four main areas: Infrastructure, Water, Environment and Buildings.
For more information on the activities performed in these four main areas please refer to section 'Developments per business line' in the Annual Report.

In EUR 1,000 (unless otherwise stated)

2012	United States	Emerging Markets	Europe excl. the Netherlands	The Netherlands	Eliminations	Total segments	Corporate and unallocated segments	Total consolidated
External gross revenue	1,176.3	383.3	672.9	311.0		2,543.5	1.0	2,544.5
Intersegment	2.0	2.6	4.3	4.2	(13.1)	-		-
Total revenue	1,178.3	385.9	677.2	315.2	(13.1)	2,543.5	1.0	2,544.5
Materials, third parties and sub-contracting	(401.3)	(61.8)	(136.3)	(80.0)	13.1	(666.3)		(666.3)
Net revenue	777.0	324.1	540.9	235.2		1,877.2	1.0	1,878.2
Operating costs	(668.3)	(278.7)	(508.5)	(213.1)		(1,668.6)	(12.2)	(1,680.8)
Other income	0.1	0.8	0.5	0.9		2.3	(0.8)	1.5
Depreciation	(14.5)	(4.0)	(8.4)	(5.3)		(32.2)	(0.3)	(32.5)
EBITA**	94.3	42.2	24.5	17.7		178.7	(12.3)	166.4
Amortization identifiable intangible assets	(2.3)	(4.7)	(7.9)			(14.9)		(14.9)
Operating income	92.0	37.5	16.6	17.7		163.8	(12.3)	151.5
Net finance expense	(20.5)	(4.2)	1.2	0.2		(23.3)	(1.5)	(21.8)
Segment profit before tax	71.5	33.3	17.8	17.9		140.5	(10.8)	129.7
Income from associates	0.2	(3.9)	0.5	0.1		(3.1)		(3.1)
Taxes	(20.1)	(11.1)	(6.8)	(3.2)		(41.2)	4.8	(36.4)
Profit for the period	51.6	18.3	11.5	14.8		96.2	(6.0)	90.2
Non-controlling interests		(1.1)	(0.1)			(1.2)		(1.2)
Net income	51.6	17.2	11.4	14.8		95.0	(6.0)	89.0
Recurring EBITA**	94.3	46.4	24.5	17.7		182.9	(12.4)	170.5
Net income from operations**	53.0	24.8	18.0	14.8		110.6	(5.5)	105.1
Total assets	708.5	260.8	515.7	165.7		1,650.7	120.2	1,770.9
Investments in associates	0.7	26.7	1.7	0.9		30.0		30.0
Other financial assets	15.7	3.2	2.1	5.3		26.3	0.2	26.5
Total liabilities	530.6	109.7	117.0	91.5		848.8	385.4	1,234.2
Total capital expenditures	20.6	5.9	5.2	2.7		34.4	0.4	34.8
Total number of employees*	6,459	6,215	6,015	2,251		20,940	80	21,020

* Per December 31, excluding temporary staff
** Unaudited, non-GAAP

In EUR 1,000 (unless otherwise stated)

2011	United States	Emerging Markets	Europe excl. the Netherlands	The Netherlands	Eliminations	Total segments	Corporate and unallocated segments	Total consolidated
External gross revenue	1,074.1	241.3	368.1	331.0		2,014.5	2.9	2,017.4
Intersegment	1.2	0.4	3.9	3.2	(8.7)			
Total revenue	1,075.3	241.7	372.0	334.2	(8.7)	2,014.5	2.9	2,017.4
Materials, third parties and sub-contracting	(350.3)	(75.6)	(74.0)	(82.6)	8.7	(573.8)	(0.3)	(574.1)
Net revenue	725.0	166.1	298.0	251.6		1,440.7	2.6	1,443.3
Operating costs	(627.1)	(131.6)	(292.2)	(227.6)		(1,278.5)	(5.9)	(1,284.4)
Other income	0.0	6.9	0.3	8.8		16.0	(2.8)	13.2
Depreciation	(13.0)	(3.7)	(5.5)	(5.0)		(27.2)	(0.5)	(27.7)
EBITA **	84.9	37.7	0.6	27.8		151.0	(6.6)	144.4
Amortization identifiable intangible assets	(3.8)	(0.1)	(1.4)	(0.1)		(5.4)		(5.4)
Operating income	81.1	37.6	(0.8)	27.7		145.6	(6.6)	139.0
Net finance expense	(21.3)	(7.9)	3.3	0.1		(25.8)	2.4	(23.4)
Segment profit before tax	59.8	29.7	2.5	27.8		119.8	(4.2)	115.6
Income from associates	0.2	(1.1)	0.3	0.6			0.3	0.3
Taxes	(18.9)	(7.2)	(2.2)	(3.4)		(31.7)	(0.7)	(32.4)
Profit for the period	41.1	21.4	0.6	25.0		88.1	(4.6)	83.5
Non-controlling interests		(4.0)				(4.0)		(4.0)
Net income	41.1	17.4	0.6	25.0		84.1	(4.6)	79.5
Recurring EBITA**	84.9	37.7	3.5	20.4		146.5	(4.7)	141.8
Net income from operations**	59.0	23.1	5.9	17.6		105.6	(24.0)	81.6
Total assets	696.5	128.1	507.6	204.1		1,536.3	22.7	1,559.0
Investments in associates	0.4	21.8	1.9	0.6		24.7	(0.7)	24.0
Other financial assets	14.1	2.9	1.3	0.2		18.5		18.5
Total liabilities	558.5	44.8	185.1	120.0		908.4	195.2	1,103.6
Total capital expenditures	14.0	11.1	6.2	3.6		34.9	0.3	35.2
Total number of employees*	6,407	2,596	6,173	2,359		17,535	70	17,605

* Per December 31, excluding temporary staff
** Unaudited, non-GAAP

Geographical information differs from the segment information above because of the activities of:

- RTKL, which geographically is also represented in Europe and in Emerging Markets;
- APS, which through APS Gulf is also represented in Emerging Markets; 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:

	Net revenues by origin		Non-current assets*	
	2012	2011	**2012**	2011
United States	**750.4**	707.1	**243.4**	245.8
Emerging Markets	**429.3**	194.5	**121.8**	18.3
Europe excluding the Netherlands	**463.4**	290.1	**197.0**	194.3
The Netherlands	**235.1**	251.6	**113.2**	116.8
Total	**1,878.2**	1,443.3	**675.4**	575.2

*Excluding financial instruments, investments in associates, and deferred tax assets

General notes to the consolidated financial statements

1 General information

ARCADIS NV is a public company organized under Dutch law. Its statutory seat is Arnhem and its principal office is located at: Gustav Mahlerplein 97 – 103, 1082 MS Amsterdam, the Netherlands. Phone: +31-20-2011011.

ARCADIS NV and its consolidated subsidiaries ("ARCADIS", "the Group" or "the Company"), is an international company providing comprehensive knowledge-based consultancy, design, engineering and management services in the areas of infrastructure, water, environment and buildings.

In accordance with articles 379 and 414, Book 2 of the Dutch Civil Code, the list of subsidiaries and associates is filed with the Chamber of Commerce in Arnhem.

Consolidated interests

The main consolidated companies are listed below, stating the country in which they are domiciled, if outside the Netherlands, and the percentage of ownership.

ARCADIS Nederland Holding BV, (100%) *Arnhem*
ARCADIS U.S. Inc., (100%) *Denver, Colorado, United States*
RTKL Associates Inc., (100%) *Baltimore, Maryland, United States*
ARCADIS Belgium Holding NV, (100%) *Brussels, Belgium*
ARCADIS Deutschland GmbH, (100%) *Darmstadt, Germany*
ARCADIS France S.A.S., (100%) *Paris, France*
ARCADIS UK (Holdings) Ltd, (100%) *London, United Kingdom*
ARCADIS Sp. z.o.o., (100%) *Warsaw, Poland*
ARCADIS CZ a.s., (100%) *Prague, Czech Republic*
ARCADIS Italia S.r.l., (100%) *Assago (MI), Italy*
ARCADIS Chile S.A., (100%) *Santiago, Chile*
ARCADIS Logos S.A., (100%) *São Paulo, Brazil*
Inversiones ARCADIS Chile Ltda, (100%) *Santiago, Chile*
EC Harris (BAC) Ltd.,(100%) *London, United Kingdom*
Langdon & Seah Holdings Ltd. (100%), *Hong Kong*
Langdon & Seah Singapore Pte Ltd. (100%), *Singapore*

2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in conformity with the Dutch Civil Code, Book 2, Title 9. As the financial data of ARCADIS NV are included in the consolidated financial statements, the statement of income of ARCADIS NV is condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Executive Board and Supervisory Board on February 26, 2013. The financial statements as presented in this report are subject to adoption by the General Meeting of Shareholders, to be held on May 7, 2013.

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, unless stated otherwise in the significant accounting policies.

Functional and presentation currency

The consolidated financial statements are presented in euro, which is the Company's functional and reporting currency. All amounts shown in the financial statements are in thousands of euro unless otherwise stated. Items included in the financial information of each of ARCADIS' entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). If the functional currency of a foreign subsidiary, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognized as translation differences in other comprehensive income, and presented in the translation reserve in equity.

Estimates and management judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the information disclosed. This includes purchase price accounting related to a business combination, impairment testing, revenue recognition, (un)billed receivables, provisions, taxation and financial risk management. These key accounting estimates and judgements in preparing the consolidated financial statements are further explained in note 3 'Significant accounting policies'. In general, the judgements, estimates and assumptions are based on market-information, knowledge, historical experience and other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and by all subsidiaries.

Changes in accounting policies

The accounting policies applied by the Company in preparing the consolidated financial statements have not changed in 2012.

Amendments in current accounting standards that became effective for the reporting period 2012 did not have a material impact on the ARCADIS accounting policies. Disclosures have been adjusted where required. For more details on the changes in accounting standards see 'IFRS accounting standards adopted as from 2012' at the end of this note.

Basis of consolidation

The consolidated financial statements include the accounts of ARCADIS NV and its subsidiaries, and the Company's interests in jointly controlled entities and associates.

Subsidiaries (note 1)

Subsidiaries are companies over which ARCADIS NV has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Jointly controlled entities (note 7)

Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

The consolidated financial statements include the Company's proportionate share of the entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases. The calculation is based on the ARCADIS' accounting principles.

Associates (note 8)

Associates are those entities in which ARCADIS has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when ARCADIS holds between 20 and 50 percent of the voting power of the entity. The consolidated financial statements include the Company's share of the income and expenses of the associates, whereby calculation is based on ARCADIS' accounting principles.

Associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. Initially investments in associates are recognized at cost, including transaction cost. Goodwill identified on the acquisition of the associate is included in the carrying amount of the investment.

The consolidated financial statements include ARCADIS' share of the profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of ARCADIS. When the share of losses exceeds the interest in an associate, the carrying amount is reduced to zero, and recognition of further losses is discontinued unless ARCADIS has an obligation or has made payments on behalf of the investee. Loans to associates are carried at amortized cost less any impairment losses.

Loss of control

Upon the loss of control, the assets and liabilities, non-controlling interests and other components of equity related to the subsidiary are derecognized. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If a non-controlling interest in the subsidiary is retained, such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Business combinations (note 4)

Business combinations are accounted for using the purchase accounting method as at acquisition date, which is the date on which control is transferred to the Company.

For acquisitions on or after January 1, 2010, goodwill at acquisition date is measured as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed.
When the fair value of the consideration is less than the fair value of the net assets acquired, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, recognized in profit or loss.

Contingent considerations payable are recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

For acquisitions between January 1, 2004 and January 1, 2010 goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, whereby transaction cost incurred in connection with the business combination were capitalized as part of the cost of the acquisition. If the cost of the acquisition were lower than the fair value of the net assets acquired this difference was recognized immediately in profit or loss.

Non-controlling interests (note 4, 16)

Non-controlling interests acquired in a business combination

The Company recognizes any non-controlling interest acquired in a business combination at the proportionate share of the recognized amounts of the identifiable net assets of the acquired entity. This accounting policy relates only to 'present ownership interests' (such as equity instruments) that entitle their holders to a proportionate share of the net assets of an entity in the event of liquidation.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests are accounted for as equity transactions with owners in their capacity as owners. As a result no goodwill is recognized on such transactions. Adjustments to these non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. The difference between the fair value of any consideration paid (or received) and the adjustment to the value of the non-controlling interest is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of entities using the foreign exchange rate at transaction date. The functional currency of the foreign entities in general is the local currency. Assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity using the exchange rates at balance sheet date. Exchange rate differences are included in profit or loss.

Foreign operations

The statements of income of foreign operations are translated into euros using average exchange rates, approximating the foreign exchange rates at transaction date. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at exchange rates at the reporting date.

Foreign currency differences are recognized in other comprehensive income, and presented in the translation reserve in equity. For subsidiaries not wholly owned, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Impairment (note 5, 12)

The carrying amounts of the assets of ARCADIS, other than work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.
If such indication exists, then the asset's recoverable amount is estimated.

Receivables are first individually assessed for impairment, and if they are found not to be impaired they are collectively assessed for impairment. In the collective impairment testing receivables with similar risk characteristics are grouped together, and historical trends of the Company and management judgement are used to assess an impairment.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date, or when an impairment trigger was identified.

The recoverable amount is the greater of the fair value less costs to sell and value in use. In assessing the value in use, estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized with regard to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets (note 5)

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. All acquisitions are accounted for by applying the purchase accounting method. Goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Goodwill has an indefinite useful life and is annually tested for impairment.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill in respect of equity accounted associates is included in the carrying amount of the investment.

Goodwill is only recognized for acquisitions on or after January 1, 2003, since the Company elected as part of its transition to IFRS (per January 1, 2004) to restate only those business combinations that occurred on or after January 1, 2003.

Software

Software is measured at cost less accumulated amortization and impairment losses. Software has a finite life and is amortized on a straight-line basis over the estimated useful life, which is 3 to 5 years. The amortization methods and useful lives, as well as residual values, are reassessed annually.

Subsequent costs are recognized in the carrying amount of software only when it increases the future economic benefits. All other expenditures are recognized in profit or loss as incurred.

Other intangible assets

Other intangible assets, mainly consisting of expected profits in the backlog of the acquired companies at the moment of acquisition, are measured at cost less accumulated amortization and impairment losses.

Initially these other intangible assets are recognized at the fair value at the moment of acquisition.
Subsequently, they are amortized over the estimated useful life, which varies from 0.5 to 5 years.
Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The amortization methods and useful lives, as well as residual values, are reassessed annually.

Property, plant & equipment (note 6)

Property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are recognized in the carrying amount of property, plant & equipment if it is probable that future economic benefits will be obtained. The costs of day-to-day servicing of property, plant & equipment are expensed as incurred.

Depreciation, based on the cost of an asset less its residual value, is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful life of buildings ranges from 30 to 40 years, for furniture and fixtures this varies from 3 to 8 years. Land is not depreciated. Depreciation methods and useful lives, as well as residual values, are reassessed annually.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

Gains and losses on the sale of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognized net within other income in the consolidated statement of comprehensive income.

Leased assets (note 6)

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as financial leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Other leases are operating leases, and such leased assets are not recognized in the Company's statement of financial position.

Financial instruments

Non-derivative financial assets (note 9, 10, 12, 13, 14)

Financial assets include trade and other receivables, cash and cash equivalents and loans and borrowings. Loans and receivables, and deposits are recognized on the date they are originated. All other financial assets are recognized initially on trade date. These non-derivative financial instruments are initially recognized at fair value. Subsequently, these are measured at amortized cost, using the effective interest method, less any impairment losses.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or if the contractual rights to the cash flows are transferred in a transaction in which substantially all the risks and rewards related to the ownership of the financial asset are transferred.

The Company recognizes the following classes of non-derivative financial assets: financial assets at fair value through profit or loss, financial assets available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition and assesses the designation at every reporting date.

Financial assets at fair value through profit or loss (note 11)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the purchase and sale decisions are based on fair value in accordance with the Company's risk management and investment strategy. The assets are measured at fair value, and the changes in fair value are recognized in profit or loss. Attributable transaction costs are recognized in profit or loss as incurred. Currently, the only financial instruments accounted for at fair value through profit or loss are derivative financial instruments (as explained in the paragraph 'Derivative financial instruments, including hedge accounting'); ARCADIS does not hold financial instruments classified as held for trading.

Financial assets available-for-sale
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition these are measured at fair value in other comprehensive income and presented in the fair value reserve in equity, unless the fair value cannot be determined reliably. In such a case, the investment is carried at cost. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Loans and receivables (note 10, 12, 13)
Loans and receivables are financial assets with fixed or determinable payments, not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequently these assets are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Other receivables (note 10, 13)
Other receivables are measured at amortized cost less any impairment losses.

Cash and cash equivalents (note 14)
Cash and cash equivalents comprise cash balances and call deposits maturring within three months from the acquisition date, and used by the Company in managing its short-term commitments. For cash flow purposes bank overdrafts are included in cash and cash equivalents.

Non-derivative financial liabilities (note 21)
Debt securities issued and subordinated liabilities are recognized on the date they are originated. All other financial liabilities are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial liabilities include loans and borrowings, bank overdrafts and trade and other payables. Initially these liabilities are recognized at fair value plus directly attributable transaction costs. Subsequently these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Derivative financial instruments, including hedge accounting (note 11, 21, 27, 31)

General
The Company only uses derivative financial instruments for specific purposes in order to hedge the exposure to foreign exchange risks and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments include forward exchange rate contracts and interest rate derivatives. In accordance with its Treasury Policy, the Company does not hold or issue derivative financial instruments for trading purposes. Currently, hedge accounting is only applied for cash flow hedges related to forecasted transactions.

Measurement and recognition
All derivative financial instruments are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss when incurred. Subsequently, derivatives are measured at fair value derived from market prices of the instruments or valuation techniques, with the fair value changes recognized in profit or loss, unless hedge accounting is applied. The gain or loss on re-measurement to fair value of the interest rate related derivatives is recognized in profit or loss under fair value change of derivatives. The fair value changes of forward exchange contracts are recognized in operating income. The carrying values of the derivatives are recognized in the statement of financial position as derivatives, which can be classified as current or non-current assets or liabilities, depending on the maturity of the contracts.

Hedge accounting
For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss. In specific cases hedge accounting is applied for cash flow hedges. In that case, the effective part of the fair value changes of those derivatives is deferred in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is released to the related lines in profit or loss at the same time as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivatives is included in profit or loss immediately.

At inception of the hedge, the relationship between the hedging instrument and the hedged item is documented – including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk – and, in case of hedge accounting, the methods that will be used to assess the effectiveness of the hedge. Both at the hedge inception and at each reporting date, the Company makes an assessment whether the derivatives used are highly effective in offsetting changes in fair values or cash flows of hedged items, and whether the actual results of each hedge are within a range of 80 – 125 percent.

When a derivative ceases to be highly effective or in case of early redemption of the hedged item, hedge accounting is discontinued prospectively. When a cash flow hedge relationship is terminated, the fair value changes deferred in the hedging reserve in equity are released to profit or loss under fair value change of derivatives only when the hedged transaction is no longer expected to occur. Otherwise these will be amortized to profit or loss at the same time as the hedged item.

Deferred taxes (note 20, 28)

Deferred tax assets and liabilities are recognized on the statement of financial position, providing for temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on enacted or substantially enacted tax rates and tax laws at reporting date. Deferred taxes are not discounted.

Deferred taxes are not recognized for:
- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss; and
- the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets for unused tax losses, tax credits and deductible temporary differences are only recognized when it is probable that there will be future taxable profits against which to settle the temporary differences or not-yet-compensated taxable losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

For share-based payments, the deferred tax is determined based on the manner in which the award is expected to be settled and in accordance with applicable tax legislation. The information used in estimating the deductions available in future periods is consistent with the information used to determine the share-based payment expense. If the estimated future tax deduction exceeds the amount of the related cumulative share-based payment expense, the excess of the associated income tax is recognized directly in equity.

In determining the amount of current and deferred tax ARCADIS takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes ARCADIS to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories is based on the first in – first out principle, and comprises all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(Un)billed receivables (note 12)

Unbilled receivables represent the gross unbilled amount expected to be collected from customers for contract work performed to date. Unbilled receivables are measured at cost plus profit recognized to date less progress billings and a provision for foreseeable losses. Cost includes all expenditures related directly to specific projects and direct attributable overhead incurred in the Company's contract activities based on normal operating capacity. Billed receivables are measured at amortized cost less any impairment losses. If payments received from customers exceed the cost incurred plus profits recognized, the difference is presented as deferred income (billings in excess of cost) in the statement of financial position.

Assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the Group accounting policies. Impairment loss on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Equity (note 15)

Equity attributable to equity holders

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and rights to acquire shares are recognized as a deduction of equity, net of any tax effects.

Priority shares and preference shares are classified as equity since these are non-redeemable, or only redeemable at the Company's option. Dividends on these shares are recognized as distributions within equity upon approval by the Company's shareholders.

Repurchase of shares
When share capital is repurchased in order to prevent dilution as a result of the share option plan, the consideration paid, including directly attributable costs net of any tax effects, is deducted from equity.
Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, any amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Dividends
Dividends are recognized as a liability in the period in which they are declared.

Non-controlling interests (note 16)
Reference is made to the part Acquisitions of non-controlling interests in this note.

Provisions (note 19)

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at net present value, taking into account the timing of the cash outflows. The discount rate reflects the current market assessments of the time value of money and the risks specific to the liability. Unwinding of the discount is recognized as a finance expense.

Employee benefits

Pensions (note 18, 25)

Defined contribution plans
Within most operating companies the pension plans qualify as a defined contribution plan. The Company pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognized as a cost in profit or loss in the period during which services are rendered by employees.

Defined benefit plans
In some countries and/or operating companies, pension plans exist that qualify as defined benefit plans.
Cost related to defined benefit plans are recognized as personnel costs in profit or loss, except for the interest costs related to the defined benefit pension provision which are recognized as finance expense. The majority of defined benefit pension plans are funded with plan assets that have been segregated in a trust or foundation. Valuation of these plans are carried out on an annual basis by independent actuaries, using the projected unit credit method. The net obligation represents the amount of future benefits that employees have earned in return for their service in the current and prior periods, discounted to its present value, and taking into account unrecognized past service costs. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on bonds denominated in the currency in which the benefits are expected to be paid and that have maturity dates approximating the terms of the obligations.

When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan within the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities. Any adjustments to the benefit are recognized in other comprehensive income; these adjustments will not be reclassified to profit or loss in a subsequent period.

Since January 1, 2011 all actuarial gains and losses arising from defined benefit plans are immediately recognized in other comprehensive income. When the benefits of a plan improve, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not previously been recognized.

Other long-term employee benefits
The Company's net obligation for long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, with return of any related assets deducted. Any actuarial gains or losses are recognized in profit or loss in the period in which they arise.

Short-term employee benefits
Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if a present legal or constructive obligation to pay these amounts exists as a result of past services provided by the employees, and the obligation can be estimated reliably.

Share-based payment transactions (note 26)

Within ARCADIS, equity-settled share-based compensation plans exist. The grant date fair value of share-based payments under the ARCADIS long-term incentive plan is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options and shares. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as expense is based on the actual number of awards meeting these conditions at vesting date.

The fair value of the granted options is determined using the binomial option-pricing model taking into account the effect of the market and non-vesting conditions attached to the options. The cost charged will be adjusted for the actual number of share-based incentives that are forfeited. The vesting and exercise of rights to acquire shares may be conditional on the satisfaction of performance conditions or on continued employment, or both, as set by the Supervisory Board.

Loans and borrowings (note 21)

Interest-bearing debts are measured at amortized cost, in which the difference between the proceeds and the final repayment amount is charged to profit or loss over the duration of the debts. The portion of long-term debt that has to be repaid within one year after the balance sheet date is presented as the current portion of long-term debt under current liabilities. Reference is also made to the part Non-derivative financial liabilities of this note.

Revenue (note 23)

Services

Revenue from services rendered is recognized in profit or loss if the outcome of the transaction can be estimated reliably. The outcome of a transaction can be estimated reliably when both the amount of revenue and the cost incurred to date and to complete the transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will be collected, and the stage of completion can be measured.

Revenue is recognized in proportion to the percentage of completion of the transaction at reporting date.
The stage of completion for revenues from services is determined as a percentage of the contract costs incurred in relation to the total estimated contract costs (input measure), and are only recognized to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the percentage of completion of the contract.

The percentage of completion is assessed by reference to the contract costs incurred for work performed to date in proportion to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

The balances of cost incurred and invoices sent for projects for which no order-confirmation has been received at balance sheet date are recognized in profit or loss.

Advance investments that can be identified separately, measured reliably and are attributable to design, build, finance and operate contracts are accounted for as contract costs only when it is probable that the contract will be obtained. Advance investments in the development of a contract that do not meet these criteria are recognized in profit or loss. Generally, it is only considered probable that a design, build, finance and operate contract will be obtained upon receipt of a contract signed by the client.

Materials, services of third parties and subcontractors

Under materials, services of third parties and subcontracts project-related costs of materials and services charged by third parties, including the costs of subcontractors, are recognized.

Sale of investments (note 24)

When the sale of a subsidiary classified as a continued operation, a jointly controlled entity or an associate leads to a gain, this gain is recognized separately as part of other income. A loss is recorded under other operational costs.

Operational costs (note 25)

All employee-related cost as well as non-project-related out-of-pocket expenses, are recognized as operational cost as incurred.

Net finance expense (note 27)

The net finance expense comprises finance income, finance expense and the fair value change of derivatives at fair value through profit and loss. Financing income comprises interest income on funds invested and financing expense comprise interest expense on borrowings, and the unwinding of discount on provisions and contingent consideration. Finance income and finance expenses are recognized in profit or loss as it accrues, using the effective interest method. The fair value changes of derivatives comprises the fair value changes on financial assets at fair value through profit or loss, as far as these relate to financing items in the Company. These fair value changes are partially offset by the foreign currency gains and losses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense if it concerns exchange rate results on financing items. Exchange rate results on operating items are included in other business cost.

Income from associates (note 8)

ARCADIS' share in earnings from associates is recognized in profit or loss. For investments at cost in which ARCADIS does not have significant influence, only dividends received are included in income.

Income taxes (note 20, 28)

Income taxes comprise both current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to business combinations or to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates at the reporting date, and any adjustments to tax payable related to previous years.

Additional income taxes that arise from the distribution of dividends are recognized at the same time that the liability to pay the related dividend is recognized.

Earnings per share (note 17)

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period, excluding the temporarily repurchased shares used to cover option plans. Diluted earnings per share is calculated using the weighted average number of shares and options outstanding during the period as far as these have a potential dilutive effect, i.e. when the exercise price of these options is lower than the share price.

Cash flow statement

The statement of cash flows has been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences on cash items are shown separately in the statement of cash flows. Receipts and payments with respect to income tax are included in the cash flow from operating activities. Interest payments and receipts are included in cash flows from operating activities. The cost of acquisition of subsidiaries, associates and joint ventures, and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged item.

Segment reporting

The operating segment reporting follows the internal reporting used by the Executive Board of the Company to manage the business, assess the performance and to allocate the resources. The Company has a global network based on home market positions, which enables it to maintain the relationships with clients and to understand the local market conditions. The Company mainly operates in a local-to-local market. As a result, the geographic basis of the operating companies is the basis in determining the operating segments, whereby those geographical areas with economic and operating similarities are aggregated into one operating segment. The differentiation in the type of services provided by the various group companies is limited. These services in general extend to consulting, engineering and project management services.

The most relevant measure in evaluating the operating results of the segments is EBITA (earnings before interest, tax, and amortization of intangible assets).

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Determination of fair values and management judgements

Intangible assets (note 5)
Measurement of intangible assets acquired in a business combination involves the use of estimates for determining the fair value at acquisition date. This mainly relates to the expected profits in the backlog of the acquired companies and the customer lists at the moment of acquisition, and the value of the tradename. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets.

Impairments of property, plant & equipment and intangible assets (note 5, 6)
The determination of impairments of property, plant & equipment and intangible assets involves the use of estimates. The recoverable amount is determined by discounting the estimated future cash flows to present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The identification of impairment indicators, as well as the estimation of future cash flows, discount rates and the determination of the fair value for the assets requires management to make significant judgements.

Property, plant & equipment (note 6)
Measurement of property, plant & equipment involves the use of estimates for determining the fair value of property, plant & equipment acquired in a business combination. The fair value of property, plant & equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between willing parties in an arm's length transaction. The market value of items of plant, equipment, fixtures and furniture is based on the market prices for similar items.

Revenue recognition (note 23)
For construction contracts and part of the service contracts revenue is recognized based upon percentage of completion. In determining the percentage of completion estimates of project management are used to assess the progress of the project and the estimated outcome. The estimates influence the timing of revenue recognition.

(Un)billed receivables (note 12)
The fair value of (un)billed receivables is estimated as the present value of future cash flows, discounted at the applicable market rate of interest at the reporting date.

Derivative financial instruments (note 11)
The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties, and is based on broker quotes. The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

Non-derivative financial liabilities (note 21)
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the Company specific market rate of interest at reporting date.

Share-based payment transactions (note 26)
The fair value of share-based payment transactions is measured using a binomial option-pricing model. Measurement inputs include the share price on measurement date, exercise price of the instrument, the expected volatility, weighted average expected life of the instrument and the risk-free interest rate.

IFRS accounting standards adopted as from 2012

Amendments in current standards IAS 12 *'Income Taxes'* and IFRS 7 *'Financial Instruments: Disclosures'* became effective as from January 1, 2012. These changes did not have a material impact on ARCADIS' consolidated financial statements and have been included in the accounting policies as far as applicable.

IFRS accounting standards and interpretations adopted as from 2013 (and onwards)

Several new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013 (or later periods), and have not been applied in preparing these consolidated financial statements. Management intends to apply these standards as per the official IFRS effective date, which may precede the mandatorily date as per EU-endorsement. A detailed analysis of the impact of the application of these new standards was not yet performed. However, it is expected that there will be no significant effect on the Group's consolidated financial statements. The most relevant amendments and changes for ARCADIS are described below.

IFRS 9 *'Financial Instruments'* becomes mandatory for the Group's 2015 consolidated financial statements. This standard is part of a complete revision of the current standard IAS 39 *'Financial Instruments: Recognition and Measurement'*, and introduces certain new requirements for the classification and measurement of financial assets and liabilities, and for derecognition of financial instruments. IFRS 9 divides all financial assets that are currently in scope of IAS 39 into two classifications, those measured at amortized cost and those measured at fair value. Financial liabilities mostly remain measured at amortized cost. New requirements apply when an entity chooses to measure a liability at fair value through profit or loss ('fair value option'). In that case, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss (unless it creates or increases an accounting mismatch). The standard is also proposed to be expanded for impairment and provisioning, and general hedge-accounting. The related changes in the guidance for asset and liability offsetting have been effected by changes in IFRS 7 *'Financial Instruments: Disclosures'* (effective as from January 1, 2013) and IAS 32 *'Financial Instruments: Presentation'* (effective as from January 1, 2014), both with retrospective application. The new standard IFRS 9 requires retrospective application, except for the part related to general hedge accounting.

IFRS 10 *'Consolidated Financial Statements'*
As from 2013 IFRS 10 is the one single IFRS standard applicable for consolidation, and replaces IAS 27 *'Consolidated and Separate Financial Statements'* and SIC 12 *'Consolidation – Special Purpose Entities'*. IFRS 10 changes the definition of control, with the same criteria to be applied to all entities. The revised control definition focuses on the need to have both power to control and risk related to the returns before control applies. As per EU-endorsement the new standard is mandatorily effective as from January 1, 2014 and requires retrospective application.

IFRS 11 *'Joint Arrangements'* replaces the current IAS 31 *'Interests in Joint Ventures'*, introduces revised recognition and measurement for joint arrangements and gives more guidance on how to classify joint arrangements. The standard identifies joint operations or joint ventures, depending on the rights and obligations of the parties to the joint arrangements, whereas the current IAS 31 distinguishes jointly controlled entities, jointly controlled assets and jointly controlled operations. Under the new standard, joint ventures are accounted for using the equity method, whereas ARCADIS currently uses the option of proportional consolidation. As per EU-endorsement the new standard is mandatorily effective as from January 1, 2014 and requires retrospective application. The impact of this new standard on the consolidated financial statements will be limited, since the Company only has some smaller joint ventures.

IFRS 12 *'Disclosure of Interests in Other Entities'*
IFRS 12 requires extensive disclosure of information about consolidated and non-consolidated entities in which the Company has involvement. For ARCADIS these disclosures relate to its subsidiaries, joint arrangements and associates. The information should give insights in the basis of control, any restrictions on consolidated assets and liabilities, and the involvement of non-controlling interest holders in the activities of the consolidated companies. As per EU-endorsement the new standard is mandatorily effective as from January 1, 2014 and requires retrospective application.

IFRS 13 *'Fair Value Measurement'*

IFRS 13 provides a single framework that defines fair value, provides guidance on fair value determination and contains disclosure requirements for fair value measurements. The standard is applicable to both financial and non-financial items measured at fair value. The standard is effective as from January 1, 2013 and requires prospective application.

IAS 1 *'Presentation of Financial Statements'* (amendment 2011)

The amendment requires separation of items presented in other comprehensive income into two groups, based on the possibility to recycle these items into the statement of income in the future. The amendments only impact presentation and disclosures. They will be adopted as from January 1, 2013 and will be applied retrospectively.

IAS 19 *'Employee Benefits'*

In 2011 ARCADIS already changed its accounting policy and eliminated the deferral of actuarial gains and losses and plan changes ('the corridor approach'), and as such already applied the most important change in the new IAS 19.

Besides this change, the recognition and measurement of defined benefit pension expenses and their presentation in the statement of income were amended. Changes in defined benefit obligations and plan assets will be split into three components: service costs, net interest on the net defined benefit liability/(asset) and remeasurements of the net defined benefit liability/(asset).
The expected return on plan assets is no longer included in the statement of income. Instead, the (estimated) finance income is calculated on the plan assets and included in the net interest amount on the net defined benefit liability/(asset). Differences between actual returns on plan assets and the (estimated) finance income are recognized as part of the remeasurements in other comprehensive income. Additional disclosure requirements have been added for risks and plan objectives and the distinction between short-term and long-term benefits has been revised.

IAS 19 also introduced minor changes to the definition and accounting for termination benefits, while the amended accounting and presentation for pensions as mentioned above, also applies for costs relating to other long-term employee benefits.

The amendments will be adopted as from January 1, 2013 and will be applied retrospectively.

Notes to the consolidated statement of financial position

4 Changes in consolidated interests

2012

During 2012, the following major changes in consolidated interests took place:

- Per April 11, 2012, the Company acquired 100% of the shares in Davis Langdon & Seah, a cost and project management, and quantity surveying consultancy working across Asia, with 2,800 people in 10 countries (37 offices). In addition to its core activities, the company provides cost engineering services to the oil, gas and petrochemical industries and due diligence advisory services and dispute resolution/litigation support. Since May 18, 2012 the name of the company has been changed into Langdon & Seah ("L&S").
- Per July 19, 2012, ARCADIS Deutschland acquired 100% of the shares in BMG Engineering AG ("BMG"), an environmental services company based in Zurich, Switzerland, with almost 50 employees. The company is specialized in environmental remediation projects, and additionally provides consultancy services in energy efficiency and environmental stewardship.
- Per August 3, 2012, ARCADIS Logos obtained the full ownership (100%) of Estudos Téchnicos e Projetos ETEP Ltda. ("ETEP"), a water engineering and consultancy company, headquartered in São Paulo, Brazil, with 300 employees. It is a specialized company in water supply, water treatment and wastewater. The company provides program and project management as well as engineering, consultancy and related services.

Business combinations

Langdon & Seah

To increase our footprint in Asia, and as part of the Company's strategic goal to build a leading global position in program management and related services, we acquired Langdon & Seah in April 2012. This acquisition contributed €82.0 million to 2012 annual gross revenue. The contribution to the consolidated profit for the period amounted to €8.4 million, which is excluding financing and acquisition related expenses and after amortization of identifiable intangible assets (net of tax) of €2.7 million. The total cost related to the acquisition amounted to €4.2 million.

The total investment in this acquisition in 2012 was €99.6 million, including goodwill of €55.3 million. This also includes the €7.0 million goodwill for the associated company L&S Malaysia, see also note 8 'Investments in associates'. The consideration transferred consisted of €59.1 million in cash, €33.2 million in ARCADIS shares and €7.3 million in deferred consideration.

The fair value of the 2.2 million ordinary shares issued to the L&S partners to finance the acquisition was based on the listed average share price of ARCADIS NV at April 11, 2012 of €15.08 per share. The shares have a lock up period of 12 – 36 months after closing.

The deferred consideration of €7.3 million will function as security for indemnification for the representations and warranties provided by the selling directors/shareholders. The deferred consideration plus accrued interest will be paid in October 2014.

Other business combinations

The other acquisitions contributed approximately €14.9 million to 2012 annual gross revenue. The contribution to the consolidated profit for the period amounted to approximately €0.8 million, which is excluding financing and acquisition related expenses and after amortization of identifiable intangible assets (net of tax) of approximately €1.3 million.

The total investment in these other acquisitions in 2012 was €39.5 million, including goodwill of €27.4 million. The consideration transferred consisted of €31.0 million in cash and €8.6 million in deferred consideration, based upon the present value of expected future profits (€5.3 million), and retentions for an amount of €3.3 million. The contingent consideration, which will be paid in 2016, depends on realized profits of one of the acquired companies during 2013, 2014 and 2015, with a maximum of €4.0 million. The retention is a security for indemnification for the representations and warranties provided by one of the acquired companies, and will be paid in tranches in the period between August 2015 and August 2018.

Other disclosures regarding business combinations

Management estimates that if the 2012 acquisitions had occurred on January 1, 2012, the consolidated gross revenue would have been approximately €2,586 million and the consolidated profit for the period excluding acquisition expenses related to the acquisition and after amortization of identifiable intangible assets, would have been approximately €93.6 million.

The total costs related to all the acquisitions in 2012 amounted to €4.4 million.

The goodwill recognized in the financial statements relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to the acquisition of ETEP is expected to be tax-deductible for income tax purposes. The carrying value of goodwill changed as a result of acquisitions and adjustments on after-payments and acquisition accounting as follows:

Changes in goodwill[1]	2012
Goodwill on acquisitions in 2012	**75,602**
Adjustments due to after-payments and acquisition accounting	-
Total change in goodwill	**75,602**

The total change in goodwill was assigned to our geographic segments as follows:

Goodwill per geographic segment[1]	2012
Emerging Markets	**69,574**
Europe excluding the Netherlands	**6,028**
Total change in goodwill	**75,602**

[1] Excluding the goodwill amount of €7.0 million related to the acquisition of L&S Malaysia which company is recognized as an investment in associates. See note 8 'Investments in associates'.

The purchase accounting for ETEP and BMG is included on a provisional basis.

The 2012 acquisitions had the following effect on assets and liabilities:

	Langdon & Seah			Other acquisitions	Total
	Pre-acquisition carrying amount	Fair value adjustments	Recognized values on acquisition	Recognized values on acquisition	Recognized values
Assets					
Non-current assets					
Intangible assets	708	30,240	30,948	8,363	39,311
Property, plant & equipment	3,684		3,684	479	4,163
Other non-current assets	4,582		4,582	26	4,608
Deferred tax assets	2,364		2,364	-	2,364
Total non-current assets	**11,338**	**30,240**	**41,578**	**8,868**	**50,446**
Current assets					
Inventories	-		-	-	-
(Un)billed receivables (gross)	45,614		45,614	4,131	49,745
Provision for (un)billed receivables	(1,986)	(534)	(2,520)	(152)	(2,672)
Other current assets	5,019		5,019	399	5,418
Corporate tax asset	-		-	357	357
Cash and cash equivalents	15,607		15,607	4,478	20,085
Total current assets	**64,254**	**(534)**	**63,720**	**9,213**	**72,933**
Total assets	**75,592**	**29,706**	**105,298**	**18,081**	**123,379**
Liabilities					
Non-current liabilities					
Provisions	4,812	1,526	6,338	316	6,654
Deferred tax liabilities	-	7,004	7,004	498	7,502
Loans and borrowings	-		-	-	-
Total non-current liabilities	**4,812**	**8,530**	**13,342**	**814**	**14,156**
Current liabilities					
Billing in excess of cost	22,937		22,937	266	23,203
Corporate tax liabilities	3,434		3,434	1,008	4,442
Trade and other current liabilities	21,270		21,270	3,817	25,087
Total current liabilities	**47,641**	**-**	**47,641**	**5,091**	**52,732**
Total liabilities	**52,453**	**8,530**	**60,983**	**5,905**	**66,888**
Total net asset value			**44,315**	**12,176**	**56,491**
Recorded goodwill			48,244	27,358	75,602
Recorded goodwill on associates			7,046		7,046
Goodwill recognized directly in equity					-
Book (gain) / loss					-
Consideration paid / (received)			**99,605**	**39,534**	**139,139**
Issued shares			(33,209)	-	(33,209)
After-payments unpaid total			(7,250)	(8,567)	(15,817)
After-payments paid in 2012				2,635	2,635
Cash (acquired) / disposed			(15,282)	(4,478)	(19,760)
Net cash outflow related to 2012 transactions			**43,864**	**29,124**	**72,988**
After-payments related to earlier acquisitions				10,443	10,443
Total net cash outflow / (inflow)			**43,864**	**39,567**	**83,431**

The total amount of contractual after-payments and earn outs for acquisitions is as follows:

	Contractual	Interest	2012 Total	2011 Total
Balance at January 1	19,241	486	**19,727**	11,255
Acquisitions	15,817		**15,817**	15,782
Interest accrual		573	**573**	499
Payments / Redemptions	(13,078)	(647)	**(13,725)**	(8,119)
Exchange rate differences	(239)	(15)	**(254)**	310
Balance at December 31	**21,741**	**397**	**22,138**	19,727

Of the total amount of after-payments €12.6 million is included under Loans and borrowings as other long-term debt, while €9.5 million (due within one year) is included under Other current liabilities.

2011

During 2011, the following major changes in consolidated interests took place:

- Per January 1, 2011, ARCADIS Deutschland acquired 100% of the shares in Gesellschaft für ökologische Bautechnik mbH (GFOEB), a Berlin-based consulting company that specializes in sustainability services for buildings.
- Per June 3, 2011, ARCADIS sold its 50% stake in the joint venture ARCADIS Aqumen Facility Management. See the separate paragraph 'Divestment of joint venture'.
- Per July 18, 2011, the Company acquired the remaining shares in the project management, consulting, engineering and environmental activities of ARCADIS Logos, in which it already held a 50%+1 share. See the separate paragraph in this note 'Acquisition of non-controlling interests'.
- Per November 4, 2011, ARCADIS obtained the full ownership (100%) of EC Harris LLP, an international 'built asset consultancy' headquartered in London, active in the property, public, transportation, water and industrial sectors. This company provides consulting and management services for the realization and operation of buildings, manufacturing and processing plants and infrastructure facilities. EC Harris is situated in 28 countries, mainly throughout UK, continental Europe, the Middle East and Asia.
- Per December 19, 2011, ARCADIS Logos sold 2 shares in ARCADIS Logos Energia S.A. which resulted in the loss of control of this subsidiary (50% minus 1 of the issued shares). Since December 19 ARCADIS Logos Energia S.A. became an associate of the Company (effective as per December 31, 2011). From this moment on ARCADIS ceased the consolidation of ARCADIS Logos Energia S.A., including the proportional consolidation of the jointly controlled entities within ARCADIS Logos Energia S.A.. For more information see the separate paragraph 'Loss of control of activities', further note 7 'Interests in jointly controlled entities' and note 8 'Investments in associates'.

Business combinations

The acquisition of EC Harris LLP contributed €52.8 million to 2011 annual gross revenue. The contribution to the consolidated profit for the period amounted to €1.7 million, which is excluding financing and acquisition expenses related to these acquisition and after net amortization of identifiable intangible assets of €0.9 million. If the acquisition had occurred on January 1, 2011, management estimates that the consolidated gross revenue would have been €2,264 million and the consolidated profit for the period excluding acquisition expenses related to the acquisition and after amortization of identifiable intangible assets, would have been €91.8 million. Excluding the non-recurring profits from divestments, as disclosed in note 24 'Other income', this would be €78.4 million.

The total investment in this acquisition in 2011 was €115.3 million, including goodwill of €81.6 million. The consideration transferred consisted of €58.6 million in cash, €42.1 million in ARCADIS shares and €14.6 million in deferred consideration.

The fair value of the ordinary shares issued to finance the acquisition was based on the listed average share price of ARCADIS NV at November 4, 2011 of €14.08 per share. The issued 3.0 million ARCADIS shares to the EC Harris partners have a lock up period of 12 months after closing.

The deferred consideration for EC Harris amounts to €14.6 million. This retention will function as security for the indemnification for the representations and warranties provided by the selling partners. The deferred consideration plus accrued interest will be paid in tranches in the period between November 2012 and November 2013.

The total costs related to acquisitions amount to €6.2 million.

The goodwill recognized in the financial statements relates to the workforce of the companies acquired and the synergies expected from the business combinations. Goodwill related to the acquisition of EC Harris is expected to be tax-deductible for income tax purposes. The carrying value of goodwill changed as a result of acquisitions and adjustments on after-payments and acquisition accounting as follows:

Changes in goodwill	2011
Goodwill on acquisitions in 2011	82,842
Adjustments due to after-payments and acquisition accounting	(84)
Total change in goodwill	82,758

The total change in goodwill was assigned to our geographic segments as follows:

Goodwill per geographic segment	2011
United States	(84)
Emerging Markets	35,394
Europe excluding the Netherlands	47,448
Total change in goodwill	82,758

The 2011 acquisitions, deconsolidation and divestment(s) had the following effect on assets and liabilities:

	EC Harris			Other acquisitions		Divestments	Total
	Pre-acquisition carrying amount	Fair value adjustments	Recognized values on acquisition	Recognized values on acquisition	Adjustments previous PPA	Recognized values on moment of divestment	Recognized values
Assets							
Non-current assets							
Intangible assets	8	41,516	41,524		145	(2,589)	39,080
Property, plant & equipment	3,907		3,907	2,013		(34,082)	(28,162)
Other non-current assets	666		666	3	(61)	(27,085)	(26,477)
Deferred tax assets				16,336		(5,635)	10,701
Total non-current assets	4,581	41,516	46,097	18,352	84	(69,391)	(4,858)
Current assets							
Inventories	218		218				218
(Un)billed receivables (gross)	54,669		54,669	962		(4,718)	50,913
Provision for (un)billed receivables	(2,311)	(585)	(2,896)			68	(2,828)
Other current assets	16,677		16,677	(22)		(16,894)	(239)
Corporate tax asset				16		(977)	(961)
Cash and cash equivalents	10,819		10,819	(735)		(5,103)	4,981
Total current assets	80,072	(585)	79,487	221		(27,624)	52,084
Total assets	84,653	40,931	125,584	18,573	84	(97,015)	47,226
Non-controlling interests	(118)		(118)	(3,223)		(16,794)	(20,135)
Liabilities							
Non-current liabilities							
Provisions	21,693		21,693				21,693
Deferred tax liabilities	(68)	7,531	7,463			(2,558)	4,905
Loans and borrowings	311		311	872		(34,500)	(33,317)
Total non-current liabilities	21,936	7,531	29,467	872		(37,058)	(6,719)
Current liabilities							
Billing in excess of cost	3,788		3,788	255			4,043
Corporate tax liabilities	1,958		1,958	116		(2,894)	(820)
Trade and other current liabilities	56,726		56,726	1,699		(37,049)	21,376
Total current liabilities	62,472		62,472	2,070		(39,943)	24,599
Total liabilities	84,290	7,531	91,821	(281)		(93,795)	(2,255)
Total net asset value			33,763	18,854	84	(3,220)	49,481
Recorded goodwill			81,558	1,284	(84)		82,758
Goodwill recognized directly in equity				31,099			31,099
Book (gain) / loss						(7,443)	(7,443)
Consideration paid / (received)			115,321	51,237		(10,663)	155,895
Issued shares			(42,133)	(19,543)			(61,676)
After-payments unpaid			(14,562)	(1,220)			(15,782)
Cash (acquired) / disposed			(10,819)	735		4,873	(5,211)
Net cash outflow related to 2011 transactions			47,807	31,209		(5,790)	73,226
After-payments related to earlier acquisitions				7,950			7,950
Total net cash outflow / (inflow)			47,807	39,159		(5,790)	81,176

Acquisition of non-controlling interests in 2011

Effectively July 18, ARCADIS acquired the remaining shares in ARCADIS Logos, in which the Company already held 50% plus 1 share. The acquisition encompassed the project management, consultancy, engineering and environmental activities of ARCADIS Logos which are core business to ARCADIS. The energy producing assets of ARCADIS Logos Energia, consisting of Biogas installations and small hydropower plants, were not part of the deal.

The purchase price for the remaining shares amounted to €49.2 million, and was partly financed by issuing 1.16 million ARCADIS NV shares to the Logos Holding partners. These shares will have a lock up period of 6 months with incentives for the active partners to hold them for at least 18 months after closing.

The carrying amount of the net assets in the Group financial statements at date of acquisition was €6.7 million. The Company recognized a decrease in non-controlling interests of €3.2 million and a decrease in retained earnings of €3.0 million.

The effect of changes in the ownership interest of the subsidiary ARCADIS Logos can be summarized as follows:

	2011
Ownership interest at the beginning of the year	21,799
Effect of increase in ownership interest	3,244
Share of comprehensive income	26,720
Ownership interest at the end of the year	51,763

Divestment of joint venture

Per June 3, 2011, the 50% stake in the joint venture ARCADIS Aqumen Facility Management (AAFM) was sold to Asito Dienstengroep, since the activities were no longer part of ARCADIS' core activities. The AAFM activities were reported as assets and liabilities held for sale in the statement of financial position per December 31, 2010. Before the held for sale classification, this joint venture was proportionally consolidated in the Company's consolidated financial statements. The consolidated book-profit on the divestment amounted to €7.4 million. There were no other material divestments in 2011.

Loss of control of activities in 2011

Following the sale of 2 shares in ARCADIS Logos Energia S.A., the Company lost control of this subsidiary, and consolidation ceased. The Company recognized a gain of €5.6 million related to the deconsolidation of ARCADIS Logos Energia in the statement of comprehensive income (in the line Other income). This gain was calculated as the difference between the fair value at moment of derecognition and the carrying amount of that moment. The fair value, which also was used for the initial recognition of ARCADIS Logos Energia as an associate, has been determined based on the discounted future cash flows expected in ARCADIS Logos Energia resulting from the planned divestment of its associates, and as such contains elements of management judgement.

5 Intangible assets

	Goodwill	Other intangible assets	Software	Total
Cost				
Balance at January 1, 2011	353,015	52,613	39,017	444,645
Acquisitions through business combinations	82,758	41,661	8	124,427
Investments			4,656	4,656
Divestments	(2,589)			(2,589)
Disposals		(2,570)	(5,682)	(8,252)
Exchange rate differences	10,854	2,318	128	13,300
Balance at December 31, 2011	444,038	94,022	38,127	576,187
Balance at January 1, 2012	**444,038**	**94,022**	**38,127**	**576,187**
Acquisitions through business combinations	**75,602**	**39,239**	**72**	**114,913**
Investments			**4,820**	**4,820**
Disposals		**(1,360)**	**(3,251)**	**(4,611)**
Exchange rate differences	**(4,160)**	**(165)**	**(211)**	**(4,536)**
Balance at December 31, 2012	**515,480**	**131,736**	**39,557**	**686,773**
Amortization and depreciation				
Balance at January 1, 2011		42,700	28,555	71,255
Amortization charge for the year		5,384	5,202	10,586
Disposals		(2,570)	(5,670)	(8,240)
Exchange rate differences		1,173	156	1,329
Balance at December 31, 2011		46,687	28,243	74,930
Balance at January 1, 2012		**46,687**	**28,243**	**74,930**
Amortization charge for the year		**14,910**	**6,064**	**20,974**
Disposals		**(1,360)**	**(3,211)**	**(4,571)**
Exchange rate differences		**(590)**	**(184)**	**(774)**
Balance at December 31, 2012		**59,647**	**30,912**	**90,559**
Carrying amounts				
At January 1, 2011	353,015	9,913	10,462	373,390
At December 31, 2011	444,038	47,335	9,884	501,257
At January 1, 2012	444,038	47,335	9,884	501,257
At December 31, 2012	**515,480**	**72,089**	**8,645**	**596,214**

The main part of the other intangible assets and software will be amortized within the coming 4 years. During 2012 and 2011, no changes were made in the useful lives, amortization methods and the residual values of the intangible assets with finite lives (Other intangible assets and Software).

The total goodwill capitalized was assigned to our geographic segments as follows:

	2012	2011
United States	**253,862**	257,889
Emerging Markets	**73,060**	6,319
Europe excluding the Netherlands	**165,786**	157,058
The Netherlands	**22,772**	22,772
Total goodwill	**515,480**	444,038

The goodwill in the United States relates to two cash-generating units, being RTKL (€54 million) and ARCADIS US (€199.9 million), while the goodwill in Europe, excluding the Netherlands, mainly relates to the cash-generating unit in the UK. In Emerging markets the goodwill mainly relates to the two recent acquisitions of Langdon & Seah and ETEP, see note 4 'Changes in consolidated interests' for more information.

The amortization charge is recognized in the following line items in the statement of income:

	2012	2011
Amortization other intangible assets	**14,910**	5,384
Depreciation and amortization	**6,064**	5,201

Impairment testing for cash-generating units containing goodwill

For annual impairment testing, goodwill is allocated to cash-generating units. The cash-generating unit is the lowest level within ARCADIS at which goodwill is monitored for internal management purposes. Where applicable, cash generating units are grouped together following the segment reporting as used within ARCADIS. The impairment test compares the carrying value of the cash-generating units (including goodwill) with the recoverable amounts. Goodwill is impaired if the recoverable amount of the cash-generating unit to which it is allocated is lower than the carrying value. The recoverable value is determined based on a value in use calculation. These calculations use cash flow projections based on historical performance and the plan for 2013 as approved by the Executive Board. Projections were extrapolated with stable or declining growth rates for a period of 8 years, after which a terminal value was calculated. Growth rates were capped at a long-term average growth rate, and typically do not exceed 3% (2011: 3%).

The pre-tax discount rate used in discounting cash flows to their present value in order to determine the value in use is 10.3% (2011: 11.4%), and where applicable, a surcharge is added for specific country risks. The pre-tax discount rate has been determined by iterative computation so that value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate. The post-tax WACC used is 7.5% (2011: 8%), and where applicable, a surcharge is added for specific country risks.

The key assumptions used in the predictions are:
- Revenue growth: based on experience and market analysis;
- Margin development: based on historical performance, plan 2013 and management's long-term projections. The margins fall in a range between 7.1% and 13.5%; and
- WACC: based on the market participants view on rates of return demanded for investments equivalent to those in the Company, and based on the current leverage of the Company.

For the main groups of cash-generating units the (range of) long-term key assumptions are the following:

	United States	Emerging markets	Europe
Revenue growth	**3%**	**3%**	**3%**
EBITA margin	**10.5%**	**11% - 13.5%**	**7% - 9%**
Discount rate	**7.5%**	**8.5% - 10.5%**	**7.5% - 9.5%**

The impairment test for cash-generating units containing goodwill performed in 2012 showed that the recoverable amount for each cash-generating unit exceeded the carrying amount and as such did not result in any impairments.

Sensitivity to changes in assumptions

The expected future cash flows used in the impairment analysis are based on management's estimates. Events in our end markets as well as the financial markets and the overall economy may have an adverse impact on the estimated future cash flows of ARCADIS business. The impairment test indicated sufficient headroom for all cash-generating units, and as such a reasonably possible change in any of the assumptions would not cause the carrying value to exceed the recoverable amount. However, the headroom for ARCADIS Poland is more sensitive to the changes in the assumptions, as the carrying amount approximates the recoverable amount. The total goodwill recognized for ARCADIS Poland is €4 million.

6 Property, plant & equipment

	Land and buildings	Furniture and fixtures	Total
Cost			
Balance at January 1, 2011	34,174	156,566	190,740
Acquisitions through business combinations	1,777	4,143	5,920
Investments	3,524	27,087	30,611
Divestments	(34,985)	(6,325)	(41,310)
Disposals	(1,435)	(17,953)	(19,388)
Exchange rate differences	133	2,226	2,359
Balance at December 31, 2011	3,188	165,744	168,932
Balance at January 1, 2012	**3,188**	**165,744**	**168,932**
Acquisitions through business combinations		**4,163**	**4,163**
Investments	**104**	**29,877**	**29,981**
Disposals	**(1,079)**	**(13,428)**	**(14,507)**
Exchange rate differences	**141**	**(1,820)**	**(1,679)**
Balance at December 31, 2012	**2,354**	**184,536**	**186,890**
Depreciation			
Balance at January 1, 2011	6,893	90,483	97,376
Depreciation charge for the year	1,402	21,047	22,449
Divestments	(5,794)	(1,434)	(7,228)
Disposals	(1,376)	(17,395)	(18,771)
Exchange rate differences	88	1,123	1,211
Balance at December 31, 2011	1,213	93,824	95,037
Balance at January 1, 2012	**1,213**	**93,824**	**95,037**
Depreciation charge for the year	**648**	**25,829**	**26,477**
Disposals	**(1,105)**	**(12,267)**	**(13,372)**
Exchange rate differences	**45**	**(473)**	**(428)**
Balance at December 31, 2012	**801**	**106,913**	**107,714**
Carrying amounts			
At January 1, 2011	27,281	66,083	93,364
At December 31, 2011	1,975	71,920	73,895
At January 1, 2012	1,975	71,920	73,895
At December 31, 2012	**1,553**	**77,623**	**79,176**

During 2012, no changes were made in the useful lives, depreciation methods and the residual values of the property, plant & equipment.

At December 31, 2012, the carrying amount of tangible fixed assets financed by financial lease, was €0.4 million (2011: €0.6 million). Both at December 31, 2012 and December 31, 2011, no properties were registered as security for bank loans.

7 Interests in jointly controlled entities

The Company has several interests in jointly controlled entities, of which the most important are as per December 31, 2012 Asset Rail BV, Loxia BV and DuoFlora BV (and during 2011 also Biogás Energia Ambiental S.A.). As result of the deconsolidation of ARCADIS Logos Energia S.A. in 2011, Biogás Energia Ambiental S.A. was no longer consolidated on a proportional basis (effective as per December 31, 2011).

The financial statements (on 100% basis) of the proportionally consolidated jointly controlled entities (in millions of euros) are:

	2012	2011
Non-current assets	**6.5**	0.8
Current assets	**18.1**	22.7
Total assets	**24.6**	23.5
Non-current liabilities		
Current liabilities	**19.1**	22.7
Total liabilities	**19.1**	22.7
Gross revenue	**48.8**	102.9
Expenses	**46.0**	92.0

8 Investments in associates

	2012	2011
Balance at January 1	**23,974**	30,493
Equity share in income	**(3,058)**	267
Acquisitions	**3,129**	
Goodwill related to acquisition	**7,046**	
Investments	**2,335**	9,191
Divestments	**(122)**	(14,163)
Received dividends	**(907)**	(226)
Exchange rate differences	**(2,413)**	(1,588)
Balance at December 31	**29,984**	23,974

As part of the acquisition of Langdon & Seah (L&S) in 2012, the Company acquired Langdon & Seah Malaysia. Although ARCADIS is entitled to 100% of the results, the Company does not control the Malaysian entity from an IFRS perspective. Consequently, the Malaysian entity is accounted for as an associate measured at equity value. The initial investment was €11.8 million, including a €2.3 million loan to the company and goodwill of €7.0 million.

Effective December 31, 2011, ARCADIS Logos ceased control of its subsidiary ARCADIS Logos Energia S.A., and as such from 2012 the results have been recognized as 'income from associates'. Until 2011 the results of ARCADIS Logos Energia were recognized in the consolidated statement of comprehensive income on separate line items.

Summary of financial information on the main equity-accounted associates on a 100% basis, in millions:

Associates	% of equity	Assets		Liabilities		Equity		Gross Revenue		Net income	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
ARCADIS Logos Energia S.A.*	49.99	**48.3**	102.3	**24.7**	71.4	**23.6**	31.0	**0.8**	22.2	**(5.4)**	3.1
Geodynamique et Structure	42.7	**3.1**	2.5	**0.7**	0.6	**2.4**	1.9	**2.7**	2.0	**0.6**	0.2
CARE/RTKL Ltd.	45.0	**3.5**	2.8	**2.2**	2.1	**1.3**	0.8	**5.2**	3.1	**0.5**	0.5
Towell & ARCADIS LLC	50.0	**1.5**	2.9	**0.4**	1.6	**1.1**	1.3	**3.7**	10.4	**0.3**	0.5
EC Harris and Turner & Townsend Project Mgt.	50.0	**2.4**	3.5	**1.4**	2.0	**1.0**	1.5	**4.6**	0.9	**0.4**	0.1
Bio Science Park CV	50.0	**3.4**	3.4	**5.9**	3.4	**(2.5)**	(2.5)	**-**	-	**-**	-
Langdon & Seah Malaysia	100.0	**12.4**		**10.5**		**1.9**		**9.5**		**(0.5)**	
Combinatie De Ploen VOF	50.0	**0.3**	0.3	**-**	-	**0.3**	0.3	**-**	0.1	**-**	0.1

* The 2011 result included in 'net income' for ARCADIS Logos Energia as disclosed in the table above only concerns the results of its associates Breitener Energética S.A. (5.5%) and Retiro Baixo Energética S.A. (25.5%)`

9 Other investments

	2012	2011
Balance at January 1	**191**	193
Investments		
Acquisitions/(divestments)	**615**	(2)
Exchange rate differences	**36**	
Balance at December 31	**842**	191

The other investments relate to shareholdings in companies where ARCADIS has no significant influence. As a result of the acquisition of Langdon & Seah some shareholdings in Malaysia were added.

10 Other non-current assets

	2012	2011
Balance at January 1	**18,341**	24,404
Acquisitions/(divestments)	**864**	(15,419)
New receivables	**4,352**	14,313
Received	**(2,760)**	(5,536)
Other changes and exchange rate differences	**4,908**	579
Balance at December 31	**25,705**	18,341

Other non-current assets mainly includes long term receivables related to the deferred compensation plan in ARCADIS US. See note 18 'Provisons for employee benefits' for further details. In addition other non-current assets also include assets related to projects which currently are not in development.

11 Derivatives

The value of derivatives held by the Company per balance sheet date is reported in the table below:

	Asset		Liability		Total	
	2012	2011	2012	2011	2012	2011
Interest rate derivatives:						
- current			**(151)**	(1,070)	**(151)**	(1,070)
- non-current			**(3,832)**	(5,138)	**(3,832)**	(5,138)
Foreign exchange derivatives:						
- current	**1,644**	736	**(659)**	(7,187)	**985**	(6,451)
- non-current		-	**-**	(43)		(43)
Total	**1,644**	736	**(4,642)**	(13,438)	**(2,998)**	(12,702)

During 2012 the Company kept $160 million of interest rate swaps to hedge interest rate risk on $470 million of long-term loans (2011: $470 million) and applied hedge accounting to these interest rate derivatives. The market value of these derivatives as at end 2012 was €3.8 million negative (2011: €5.1 million negative).

Also, during 2012 the Company hedged currency exposures related to transactions in currencies other than the functional currency in the UK, Poland and US by way of foreign exchange forward deals in order to minimise volatility in net income due to changes in exchange rates. In addition, foreign currency balance sheet positions arising due to foreign currency receivables and loan balances in the UK, Belgium & the Netherlands were hedged by way of foreign exchange forward transactions.

Some subsidiaries have elected to apply hedge accounting allowing changes in the valuations of hedges to be posted to equity. Others have elected not to do so, and all related fair value changes are recognized immediately in profit or loss. Where entities wish to apply hedge accounting, Corporate Treasury has assisted these entities in terms of hedge documentation, derivatives valuations and effectiveness testing, with revaluation results being posted to equity. The changes in fair value of the derivatives are shown in the below table.

Change in value of derivatives	2012	2011
Balance at January 1	**(12,702)**	(10,597)
Deconsolidation		(391)
Changes in statement of income	**6**	3,183
Changes through Other comprehensive income (equity)	**2,379**	(2,991)
Cash settlement derivatives	**7,269**	(1,768)
Exchange rate differences	**50**	(138)
Balance at December 31	**(2,998)**	(12,702)

The change in fair value of derivatives in profit or loss is €0.0 million, while foreign exchange results of €2.3 million also flow through profit or loss. Hence the overall profit and loss effect of foreign exchange contracts and derivatives amounts to €2.3 million negative.

The total (after-tax) amount included in other comprehensive income within equity on the line hedging reserve amounted to a loss of €4.8 million after tax, and related to interest rate hedges and some foreign exchange transactions classified as cash flow hedges.

	2012	2011
Interest rate derivatives	**(6,896)**	(7,021)
Foreign exchange derivatives	**2,051**	804
Total	**(4,845)**	(6,217)

12 (Un)billed receivables

Includes items maturing within one year.

	2012	2011
Unbilled receivables	**313,551**	286,135
Trade receivables	**434,273**	440,072
Provision for bad debts	**(35,889)**	(36,394)
Receivables from associates	**7,245**	2,081
Total (un)billed receivables	**719,180**	691,894

The provision for bad debts has developed as follows:

	2012	2011
Balance at beginning January 1	**36,394**	40,303
Acquisitions/divestments	**2,672**	2,828
Additions charged to income	**12,720**	10,183
Release of unused amounts	**(12,864)**	(12,943)
Utilizations	**(2,808)**	(4,634)
Other changes		
Exchange rate differences	**(225)**	657
Balance at December 31	**35,889**	36,394

The exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 31,'Capital and financial risk management'.

Work in progress

Costs and estimated earnings on uncompleted service contracts and construction contracts are as follows:

	2012	2011
Cost incurred on uncompleted contracts and estimated earnings	**4,411,416**	4,006,922
Billings to date	**(4,275,275)**	(3,890,014)
Total work in progress	**136,141**	116,908

The majority of outstanding amounts are expected to be collected within one year.

	2012	2011
Cost incurred and estimated earnings in excess of billings	**313,551**	286,135
Billings in excess of costs incurred and estimated earnings	**(177,410)**	(169,227)
Balance at December 31	**136,141**	116,908

Amount of advances received	**12,648**	24,065
Amount of retentions held by clients	**3,465**	6,631

13 Other current assets

	2012	2011
Other receivables	**12,840**	18,524
Prepaid expenses	**25,298**	28,021
Balance at December 31	**38,138**	46,545

14 Cash and cash equivalents

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. Cash and cash equivalents at December 31, 2012, and 2011 consisted of the following:

	2012	2011
Deposits	**14,534**	13,917
Bank and cash	**214,563**	144,286
Balance at December 31	**229,097**	158,203
Bank overdrafts used for cash management purposes	**(51,271)**	(5,509)
Cash and cash equivalents in the cash flow statement	**177,826**	152,694

The effective interest rate earned on cash during 2012 was 0.5% (2011: 0.8%). At December 31, 2012 €129.6 million of cash and cash equivalents were freely available (2011: €133.9 million). The sizeable increase in restricted cash is due to a much greater level of cash balances held in Asian countries, with restrictions on cross-border cash movements. In addition higher cash levels were recorded in Brazil and Chile, were repatriation of this cash is more difficult or causes tax complications.

15 Equity attributable to equity holders

2012	Authorized share capital	Subscribed share capital
Ordinary shares (120,000,000, nominal value €0.02)	**2,400,000**	1,480,724
Cumulative preferred shares (150,000,000, nominal value €0.02)	**3,000,000**	
Cumulative financing preferred shares (30,000,000, nominal value €0.02)	**600,000**	
Priority shares (600, nominal value €0.02)	**12**	12
Total	**6,000,012**	1,480,736

The development of shares outstanding during 2012 is presented in the table below:

	Ordinary shares		Total outstanding shares	
	2012	2011	2012	2011
Outstanding per January 1	**69,337,679**	66,066,008	**69,338,279**	66,066,608
Shares issued	**2,200,000**	4,160,000	**2,200,00**	4,160,000
Repurchased shares	**(1,800,000)**	(1,300,000)	**(1,800,000)**	(1,300,000)
Exercised shares and options	**1,849,863**	411,671	**1,849,863**	411,671
Outstanding per December 31	**71,587,542**	69,337,679	**71,588,142**	69,338,279

Total number of outstanding priority shares per January 1, 2012 and December 31, 2012 is 600 (no changes in 2012). During 2012, no preferred shares or financing preferred shares were issued or outstanding.

Priority shares

The priority shares have been issued since 1987 and are all held by Stichting Prioriteit ARCADIS NV, a foundation with corporate seat in Arnhem. Special rights under the Articles of Association of ARCADIS NV linked to these priority shares concern decision making related to:

1 The issuance, acquisition and disposal of shares in the Company;
2 Amendments to the Articles of Association;
3 The dissolution of the Company and the filing for bankruptcy;
4 The entry into or termination of long-term cooperative ventures of substantial significance; and
5 Investments (including entering into participations) for an amount equal to at least 25% of the shareholders' equity.

The board of the Stichting Prioriteit ARCADIS NV consists of 20 board members: 7 members of ARCADIS' Supervisory Board, 3 members of ARCADIS' Executive Board, and 10 members from the board of Stichting Bellevue (a foundation established in Arnhem, whose board members are appointed by and from the international employees of ARCADIS).

Cumulative Preference (Protective) Shares

Currently no cumulative preference (protective) shares have been issued. However, an option agreement to issue, acquire and transfer such shares has been entered into between Stichting Preferente Aandelen ARCADIS NV (the 'Preferred Stock Foundation') and ARCADIS NV. The Preferred Stock Foundation has been granted the right to acquire protective shares up to a maximum equal to the number of outstanding shares at the date in question (call option). ARCADIS NV has been granted the right to issue up to the same number of preference shares to the Foundation (put option).

The Board of the Preferred Stock Foundation consists of four persons appointed by the Board itself, after prior approval of the Executive Board of ARCADIS NV. The Chairman (or another member) of the Supervisory Board and the CEO (or another member of the Executive Board) will be invited to attend the board meetings of this foundation. This will not apply if a decision is to be made on the exercise of the option right by the Foundation or the exercise of voting rights on acquired shares.

Cumulative Financing Preferred Shares

Since 2002 the Articles of Association of ARCADIS NV include the possibility to issue cumulative financing preference shares. Currently, no cumulative financing preference shares have been issued.

Agreements with shareholders

The Articles of Association of Stichting Lovinklaan stipulate that their Articles of Association cannot be amended without prior approval of Stichting Prioriteit ARCADIS NV. In a separate agreement between Stichting Prioriteit ARCADIS NV and Stichting Lovinklaan it is stipulated that prior approval of Stichting Prioriteit ARCADIS NV is required for any resolution concerning the disposal or transfer of shares in ARCADIS NV if, as a result of such resolution the number of shares held by Stichting Lovinklaan will drop below 12,000,000.

Issuance of shares

The General Meeting of Shareholders decides, under the approval of the Supervisory Board and of Stichting Prioriteit ARCADIS NV, about the issuance of shares or grant of rights to acquire shares. The meeting can also delegate its authority to issue shares to the Executive Board. As long as any such delegation stands, the meeting cannot decide to issue.

Purchase of shares

The Executive Board can, as mandated by the General Meeting of Shareholders and with approval from the Supervisory Board and Stichting Prioriteit ARCADIS NV, purchase fully paid up shares in ARCADIS NV. The mandate is not needed in case the shares are purchased to be transferred to employees in line with existing employee share or option plans. Regarding the grant of options or other rights to acquire shares under the ARCADIS Incentive plans or in relation to acquisitions, the intention is to minimize dilution by purchasing (a portion of) the shares needed for these plans. In 2012, no shares were issued to cover obligations in relation to options (2011: nil). The following numbers of shares were purchased:

Year	Number of shares	Price at time of purchase
2007	1,050,000	€16.03 to €20.57
2008	825,000	€8.19 to €14.01
2010	1,250,000	€13.32 to €16.17
2011	1,300,000	€13.31 to €16.49
2012	**1,800,000**	**€12.65 to €17.43**

The repurchased shares are to cover for the options granted. The cash equivalent of the temporary repurchased shares has been deducted from the retained earnings.

Of the shares purchased, a total number of 1,849,863 (2011: 411,671) has been placed back in the market through the exercise of options in 2012. The net proceeds were €17.9 million (2011: €3.3 million).

At December 31, 2012, the number of repurchased shares in stock was 2,448,654 (2011: 2,498,517).

Number of outstanding ordinary shares:

Year	January 1	Issued shares	Repurchased shares	Reissued shares	December 31
2008	60,501,555		825,000	424,393	60,100,948
2009	60,100,948	5,739,351		652,888	66,493,187
2010	66,493,187		1,250,000	822,821	66,066,008
2011	66,066,008	4,160,000	1,300,000	411,671	69,337,679
2012	**69,337,679**	**2,200,000**	**1,800,000**	**1,849,863**	**71,587,542**

Share premium

Share premium represents the premium paid in excess of the par value of shares at the time of the issuance of new shares or exercise of share options. If ARCADIS declared a distribution to shareholders payable from the share premium, at least €173.2 million of the share premium would not be taxable under the 1964 Dutch income tax legislation (2011: €78.4 million).

Translation reserve

Translation reserves (a statutory reserve) comprise all foreign exchange differences arising as of 2004 from the translation of the financial statements of foreign operations as well as from the translation of intercompany loans with a permanent nature. In 2012, €9.8 million was deducted from the translation reserve, including a tax benefit of €0.2 million (2011: €2.8 million and €0.3 million, respectively).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. At year-end 2012, the reserve amounted to €4.8 million, net of €2.4 million tax (2011: €6.2 million and €3.8 million, respectively).

Retained earnings

The Executive Board is authorized to propose to the Annual General Meeting of Shareholders, with the approval of the Supervisory Board, which part of the profit shall be reserved. The remaining part of the profits shall be at the disposal of the General Meeting of Shareholders and is added to the equity of the Company. The holder of the priority shares is entitled to a dividend of 5% of the par value of the priority shares, prior to any dividend distribution being made. On these shares no further distributions shall be made. For the fiscal year 2012, the Executive Board with the approval of the Supervisory Board proposes to add the amount of €51.8 million to the retained earnings. The remainder of €37.2 million can be distributed as a dividend, which represents a dividend of €0.52 per outstanding ordinary share. Of the total amount of retained earnings €39.9 million is restricted in distribution. See also note 38 'Shareholders' equity' to the company financial statements.

16 Non-controlling interests

The movements in non-controlling interests can be reconciled as follows:

	2012	2011
Balance at January 1	**(94)**	18,395
Share in profit for the year	**1,219**	3,979
Dividends to non-controlling shareholders		(2,168)
Purchase of non-controlling interests		(20,227)
Non-controlling interests arising on business combinations		(118)
Other changes	**1**	29
Exchange rate differences	**(25)**	16
Balance at December 31	**1,101**	(94)

The changes in non-controlling interests in 2012 relate to the share in profit for the year of these interests. In 2011, the changes mainly resulted from the acquisition of the remaining shares in ARCADIS Logos.

17 Earnings per share

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

Year	Priority shares	Ordinary shares	Diluted number of ordinary shares
2012	**600**	**70,398,579**	**72,325,118**
2011	600	66,509,824	68,120,606

The diluted number of shares is calculated by using the monthly number of options outstanding and the monthly average share price on the Euronext Amsterdam Stock Exchange. Only options with exercise prices below the average share price are taken into account.

The weighted average number of ordinary shares used for the calculation of earnings per share for the years 2012 and 2011 is calculated as follows:

	2012	2011
Average number of issued shares	**73,427,429**	68,706,855
Average number of repurchased shares	**(3,028,250)**	(2,196,431)
Average number of outstanding shares	**70,399,179**	66,510,424
Of which:		
Priority shares	**600**	600
Ordinary shares	**70,398,579**	66,509,824

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

Total earnings of ARCADIS:

	2012	2011
Net income from operations	**105,050**	81,575
Net income	**88,974**	79,507
Earnings per share (in euros):		
Net income	**1.26**	1.20
Net income from operations	**1.49**	1.23

At December 31, 2012, the number of outstanding options is 9,554,467 (2011: 9,914,071). Of the outstanding options at December 31, 2012 3,329,404 options were in the money and exercisable (2011: 588,138 in the money and exercisable). Exercising options may lead to dilution. This dilution is calculated on a weighted average basis. To avoid dilution as much as possible, ARCADIS repurchases own shares, which are reissued at the moment options are exercised.

	2012	2011
Average number of outstanding shares	**70,399,179**	66,510,424
Average number of diluting shares	**1,925,939**	1,610,182
Average number of diluted shares	**72,325,118**	68,120,606
Earnings per diluted share (in euros):		
Net income	**1.23**	1.17
Net income from operations	**1.45**	1.20

18 Provisions for employee benefits

	Pension obligations	Deferred compensation	Total
Balance at January 1, 2012	26,780	12,487	39,267
Additions	1,679	1,970	3,649
Amounts used	(571)		(571)
Pension plan changes to net asset position	(6,858)		(6,858)
Exchange rate differences	523	(253)	270
Balance at December 31, 2012	**21,553**	**14,204**	**35,757**
Non-current	**21,466**	**13,696**	**35,162**
Current	**87**	**508**	**595**
Total	**21,553**	**14,204**	**35,757**

Pension obligations

General

Within ARCADIS there are a number of defined benefit pension plans. The main plan is in EC Harris, which accounts for almost 77% of the total pension plan obligations. However, this plan is closed for future accrual as from January 31, 2011. Some smaller plans are in place in other operating companies for limited groups of (former)employees which are not included in the detailed disclosures because these plans are not material. The benefits of the plans are based primarily on years of service and employees' compensation. Obligations under the defined benefit plans are provided for by depositing funds with trustees or separate foundations, under insurance policies, or by balance sheet provisions. The valuation of the obligations under the pension plans are carried out regularly by independent qualified actuaries. Balance sheet provisions have been recognized based on IAS 19 'Employee Benefits' and the measurement date for all these defined benefit plans is December 31.

Defined benefit pension plans

The measurement of the defined benefit pension plans is based on projections, taking into account interest on the value of the obligations, benefit payments from the plan, and assumed salary increases.

Movements in EC Harris defined benefit obligation, plan assets, and net pension liability

The table below provides a summary of the changes in the defined benefit obligations and the fair value of their plan assets for 2012 (and comparative figures for 2011). It also provides a reconciliation of the funded status of the plan to the amounts recognized in the consolidated statement of financial position.

Defined benefit obligation	2012	2011
Balance at January 1	72,985	
Acquisitions		66,204
Interest costs	3,580	545
Benefits paid by the plan	(1,122)	(137)
Actuarial (gains)/losses	2,903	4,313
Exchange rate differences	1,494	2,060
Balance at December 31	**79,840**	**72,985**
- of which: funded plans	*79,840*	*72,985*

Fair value of plan assets	2012	2011
Balance at January 1	50,396	
Acquisitions		48,036
Employer's contribution	9,488	463
Benefits paid by the plan	(1,122)	(137)
Expected return on plan assets	2,801	423
Actuarial (gains)/losses	675	213
Exchange rate differences	964	1,398
Balance at December 31	**63,202**	**50,396**
Net pension asset / (liability)	**(16,638)**	**(22,589)**

The net pension liability is recognized in the consolidated statement of financial position under the provisions for employee benefits.

Plan assets allocation

	December 31 2012	in %	December 31 2011	In %
Equity securities	23,017	36	24,095	48
Corporate bonds	7,256	12	6,173	12
Government bonds		-	7,748	15
Property	5,705	9	5,169	10
Fund of hedge funds	-	-	4,942	10
Tactical asset allocation fund / cash	359	1	2,269	5
Liability driven investment portfolio	7,892	12		
Diversified growth funds	18,973	30		
Total	**63,202**	**100**	**50,396**	**100**

Pension costs recognized in profit or loss

The total pension costs recognized for the year 2012 resp. 2011 were as follows:

	2012	2011
Interest costs on the defined benefit obligation	3,580	545
Expected return on plan assets	(2,801)	(423)
Total defined benefit plans EC Harris	779	122
Total defined benefit plans other operating companies	900	596
Total defined contribution plans	40,700	33,933
Total pension costs	**42,379**	**34,651**

The pension expenses of defined benefit and defined contribution plans are recognized in the following line items in the consolidated statement of comprehensive income:

	2012	2011
Personnel costs	41,600	34,529
Financing charges	779	122
Total pension costs	**42,379**	**34,651**

Actuarial gains and losses recognized in other comprehensive income

	2012	2011
Balance of (gains) / losses at January 1	4,100	
Recognized (gains) / losses during the year	2,229	4,100
Balance of (gains) / losses December 31	6,329	4,100

Based upon the three-year formal actuarial valuation of the pension scheme in 2012, experience losses were recognized of €0.9 million. These are included in the actuarial gains and losses.

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages) are:

in %	2012	2011
Discount rate	4.6	4.8
Expected return on plan assets [2]	n/a	5.0
Pension revaluation in deferment	2.5	2.6
Pension increases	2.5 - 3.4	2.5 - 3.5
Retail price index inflation	3.2	3.3
Consumer price index inflation	2.5	2.6

The discount rate is based on yields on UK AA-rated corporate bonds, with durations comparable to the duration of the pension plan's liabilities. Based on the assumptions described in this note, these payments have an average duration of 22 years.

The assumptions for the expected return on plan assets for the 2012 calculations are based on the expected long-term returns for the different asset classes held by the pension plan. For government and corporate bonds, the expected returns are based on the yields of relevant long-dated bonds, where applicable adjusted for the possibility of risks for defaults and downgrades. For equities, the expected return has been set above the return expected on government bonds. The expected return for the diversified growth funds is assumed to be slightly lower than that on equities, due to lower volatility of return expected. The expected returns on the liability driven investment portfolio and cash are assumed to be in line with the return on long-dated government bonds.

Demographic assumptions regarding future mortality are based on published statistics and mortality tables. The current life expectancy (in years) underlying the values of the liabilities in the defined benefit plans are as follows:

	2012	2011
Male currently aged 65	22.6	22.4
Male reaching age of 65 in 20 years	24.8	24.7

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the mortality assumptions set out above. As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the employee benefit liability by about 2-3%.

The overall expected long-term rate of return on assets is 5.0%[1]. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments, but including the yearly assumed expenses of running the pension plan.

In millions of euros	%-change in assumptions	Change in pension charges	Change in pension liability
Discount rate	-/-0.1%	63	1.7
Expected return on plan assets	n/a	n/a	n/a
Rate of benefit increase [2]	0.1%	27	0.6

Experience adjustments and historical information

Actuarial gains and losses are defined in IAS 19 as experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. They include changes in the fair value of plan assets other than the expected returns. Actuarial gains and losses can be large and volatile. A five-year record shows the defined benefit obligation, the fair value of the plan assets and the resulting surplus or deficit, and the 'experience adjustments' in each year on the assets and liabilities.[3]

	2012	2011(II)	2011(I)[3]	2010[3]	2009[3]	2008[3]
Present value of defined benefit obligation	79,840	72,985	61,534	62,277	42,806	53,458
Fair value of plan assets	63,202	50,396	48,458	44,140	33,334	43,978
(Surplus) deficit in the plan	16,638	22,589	13,076	18,137	9,472	9,480
Experience adjustments on:						
- defined benefit obligation (gain) / loss	883	-	-	(14)	(837)	(4)
- plan assets (gain) / loss	(675)	(213)	(1,024)	(6,464)	10,067	7,925

Expected contributions and benefits

Expected contributions and benefits
The Company expects €3.0 million in contributions to be paid to the EC Harris' defined benefit plan in 2013 which consists of:

- 2.8 million as the agreed upon annual contribution based on the current recovery plan; and
- 0.2 million related to contribution to the plan administration costs.

The estimated pension costs to be recognized in the consolidated statement of comprehensive income in 2013 amounts to €0.9 million (of which €0.7 million net interest costs and €0.2 million service costs/operating charge).

1) This expected rate of return on assets only relates for the period ending December 31, 2012 (as disclosed in column 2011), not for future periods based on the changes in the accounting principles (in IAS 19 *'Employee Benefits'*) as from January 1, 2013. As from 2013 the net interest amount on the net defined benefit liability (or asset) will be determined by multiplying the net defined liability (or asset) by the applicable discount rate for the reporting period.

2) April 6, 1997 pension in payment only

3) The amounts related to the financial years 2008 – 2011(I) are calculated as per balance sheet date of April 30, which is the former closing date of the financial year of EC Harris before the acquisition by ARCADIS. For the Company it's impracticable to make retrospective restatements for these amounts because of the considerable related costs. The amounts included in the column 2011(II) are calculated as per balance sheet date of December 31, 2011 and the experience adjustments for the period November 1 – December 31, 2011.

Other defined benefit plans

For some smaller defined benefit plans the total provision for pension liabilities amounts to €4.9 million, with actuarial gains and losses recognized in other comprehensive income of €0.4 million.

Defined contribution plans

For a major part of the employees within ARCADIS defined contribution plans are in place (reference is made to note 25 'Operational costs' for the related costs to these plans). The obligations for these plans are recognized as a cost in the consolidated statement of comprehensive income in the period in which services are rendered by the employees. For the total costs recognized for these plans see the part above on pension costs recognized.

Deferred compensation

The United States operating company has a plan for deferred compensation. The management of the company can elect not to have its salary paid out, but rather invested in a fund by the company, and is offered a choice of three different portfolio types: risk averse, neutral and risky. The risk is the responsibility of the participants. At the end of 2012, the amount recognized under deferred compensation for these deferred salaries was €12.4 million (2011: €11.3 million). This amount is covered by a receivable on the fund, which is recognized under other non-current assets. In 2012 the receivable was €12.9 million (2011: €11.3 million).

Additionally €1.1 million (2011: €1.0 million) is recognized for future jubilee payments based on the current agreements in the collective labour agreements and the related staff levels.

19 Provisions for other liabilities

	Restructuring	Litigation	Other	Total
Balance at January 1, 2012	3,784	17,594	1,815	23,193
Additions	11,307	5,989	1,809	19,105
Acquisitions through business combinations		316	6,338	6,654
Amounts used	(3,759)	(3,534)	(747)	(8,040)
Release of unused amounts	(1,624)	(4,792)	(1,047)	(7,463)
Exchange rate differences	(10)	(47)	80	23
Balance at December 31, 2012	**9,698**	**15,526**	**8,248**	**33,472**
Non-current	**3,705**	**12,684**	**7,997**	**24,386**
Current	**5,993**	**2,842**	**251**	**9,086**
Total	**9,698**	**15,526**	**8,248**	**33,472**

Restructuring

Provisions for restructuring includes costs related to certain compensation to staff and cost directly related to the existing plans to execute certain restructurings. A provision is only recognized once the decision to execute said restructuring has been taken, its costs can be reasonably and fairly estimated and its intended execution has been announced. Existing plans currently include reduction of staff capacity in certain parts of the company that are expected to be implemented in the coming 24 months.

Litigation

ARCADIS has global professional liability insurance coverage and in addition, local insurance in a number of countries. In general, these insurance policies have a self-insured retention and a maximum pay-out level. Clients sometimes claim, justified or not, that they are not satisfied with the services provided by ARCADIS. Estimates by management and (external) advisors lead to an indication of the potential financial risk and whether or not that risk is covered by the insurance policies. This, in turn, determines the amount ARCADIS provides for.

Other provisions

The other provisions is for expected contract losses and warranties. In some cases, ARCADIS may extend warranties after the completion of activities. In such cases, a provision is recognized, based on estimated cash out flows. Because settlement in these cases generally takes place within a short time frame and because the amounts are relatively limited, no discounting takes place.

20 Deferred tax assets and liabilities

In assessing the valuation of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax assets considered realizable, however, could change in the near term if future estimates of projected taxable income during the carry-forward period are revised.

Unrecognized deferred tax assets and liabilities

In 2012, a deferred tax asset of €5.7 million for net operating losses was not recognized. The opinion of management is that it is not probable that these losses will be compensated by future profits in the companies where these losses were made. At December 31, 2012, the gross amounts of the net operating loss carry forwards for which no deferred tax assets have been recognized in the balance sheet, with a total of €20 million (2011: €11 million), can be carried forward indefinitely.

The movement in unrecognized deferred tax assets and liabilities during the year is as follows:

	Balance at January1, 2012	Additions	Recognition net in income	Recognized in equity	Exchange rate differences	Balance at December 31, 2012
Tax losses	2,901	2,983	-	(95)	(44)	**5,745**
Tax credits	-					**-**
Total	**2,901**	**2,983**	**-**	**(95)**	**(44)**	**5,745**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following balance sheet items:

	Assets		Liabilities		Net	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Goodwill / intangibles	**10,191**	14,860	**27,044**	15,286	**(16,853)**	(426)
Property Plant and Equipment	**2,065**	1,539	**4,504**	4,460	**(2,439)**	(2,921)
Work in progress	**3,595**	955	**31,572**	27,525	**(27,977)**	(26,570)
Accrued expenses	**21,069**	24,979	**1,080**	457	**19,989**	24,522
Derivatives	**3,970**	3,906	**1,611**	3	**2,359**	3,903
Share-based compensation	**8,119**	1,750			**8,119**	1,750
Deferred compensation	**869**	1,943			**869**	1,943
Net operating losses	**12,752**	8,422			**12,752**	8,422
Others	**2,672**	2,525	**2,179**	1,775	**493**	750
Offsetting	**(26,861)**	(26,678)	**(26,861)**	(26,678)		
Balance at December 31	**38,441**	34,201	**41,129**	22,828	**(2,688)**	11,373

Deferred tax assets and liabilities are offset only when the deferred tax assets and liabilities relate to the same taxation authority and same taxable entity, and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

Approximately €38.8 million of the deferred tax liabilities at December 31, 2012, will be utilized within one year (2011: €38.9 million). The estimated utilization of deferred tax assets within one year at December 31, 2012, is €43.2 million (2011: €38.5 million).

The gross operating losses that might be compensated by future profits amount to €81.3 million at December 31, 2012, and €44.4 million at December 31, 2011.

At December 31, 2012, the gross amounts of the net operating loss carry forwards for which deferred tax assets have been recognized in the statement of financial position, with a total of €52.2 million (2011: €32.3 million) expire as follows:

	2013	2014	2015	2016	2017	Later	Unlimited
Amount to expire	1.6	1.1	1.2	6.8	1.2		40.3

The movement in deferred tax balances during the year 2012 was as follows:

	Balance at January 1, 2012	Recognized net in income/ profit or loss	Recognized in other compre-hensive income	(De)-consolidations	Exchange rate differences	Balance at December 31, 2011
Goodwill / intangibles	**(426)**	**(7,472)**		**(7,502)**	**(1,453)**	**(16,853)**
Property, plant & equipment	**(2,921)**	**393**			**89**	**(2,439)**
Work in progress	**(26,570)**	**(1,676)**			**269**	**(27,977)**
Accrued expenses	**24,522**	**(4,361)**			**(172)**	**19,989**
Derivatives	**3,903**	**(117)**	**(1,410)**		**(17)**	**2,359**
Share-based compensation	**1,750**	**5,039**	**1,330**			**8,119**
Deferred compensation	**1,943**	**(1,039)**			**(35)**	**869**
Net operating losses	**8,422**	**4,434**			**(104)**	**12,752**
Others	**750**	**(2,755)**		**2,364**	**134**	**493**
Tax assets /(liabilities)	**11,373**	**(7,554)**	**(80)**	**(5,138)**	**(1,289)**	**(2,688)**

The movement in deferred tax balances during the year 2011 was as follows:

	Balance at January 1, 2011	Recognized net in income/ profit or loss	Recognized in other compre-hensive income	(De)-consolidations	Exchange rate differences	Balance at December 31, 2011
Goodwill / intangibles	(4,598)	(2,672)		8,607	(1,763)	(426)
Property, plant, & equipment	(833)	(1,937)			(151)	(2,921)
Work in progress	(23,691)	(2,299)			(580)	(26,570)
Accrued expenses	25,437	(3,820)		2,558	347	24,522
Derivatives	3,027	(16)	781		111	3,903
Share-based compensation	6,574	(2,686)	(2,138)			1,750
Deferred compensation	1,489	498			(44)	1,943
Net operating losses	6,487	6,674		(4,576)	(163)	8,422
Others	4,218	(2,432)		(793)	(243)	750
Tax assets /(liabilities)	18,110	(8,690)	(1,357)	5,796	(2,486)	11,373

21 Loans and borrowings

	2012	2011
Bank loans	**355,322**	360,990
(interest rates between 0.9% and 17.9%)		
Financial lease contracts	**392**	586
(interest rates between 2.4% and 11.5%)		
Other long-term debt	**13,477**	10,519
(interest rates between 0% and 6.1%)		
Total	**369,191**	372,095
Current portion [1]	**68,686**	664
Balance at December 31 (non-current)	**300,505**	371,431

Aggregate maturities of long-term debt are as follows:	2012	2011
2013		78,038
2014	**38,141**	31,590
2015	**56,743**	57,952
2016	**116,877**	118,807
2017	**4,960**	
After 2017	**83,784**	85,044
Balance at December 31	**300,505**	371,431

[1] Excluding after-payments for acquisitions, reference is made to note 22 'Other current liabilities'

The fair value of the Company's loans and borrowings has been estimated based on quoted market prices for the same or similar loans or on the current rates offered to the Company for debt with similar maturities, and is estimated at €369.5 million (2011: €370.9 million).

The weighted average interest rate for 2012 and 2011 on interest-bearing debt (including the interest effect of swaps) was 3.2% and 3.8%, respectively. From the total amount of loans and borrowings at December 31, 2012, €272.7 million has interest rates in the range of 0% to 4%. The remainder of €96.5 million has interest rates in the range of 4% to 17%. At year-end 2011 the interest rates ranged from 0% to 4% for total bank loans of €286.1 million and from 4% to 18% for bank loans of €86.0 million.

Under other long-term debt, retentions and expected after-payments not due within one year are included, amounting to €12.6 million (2011: €9.4 million).

The long-term bank loans include $ 270 million of term loans (2011: $ 360 million) attracting a US LIBOR denominated interest rate, and will mature between 2014 and 2016. The long-term bank loans also include $ 110 million in fixed rate 5.1% US Private Placement Notes issued in 2011, with a maturity in 2021. ARCADIS also has a €150 million Revolving Credit Facility during the year, of which €80 million was used at year-end (2011: €35 million).

At year end, $ 160 million of floating rate bank debt has been converted by way of interest rate swaps into USD fixed rate debt, at an average rate of 2.49% and the average remaining lifetime of these swaps is 17 months. For disclosures on the derivatives, see note 11 'Derivatives'.

The debt covenant for the above mentioned long-term debt facilities states that the Net Debt to EBITDA ratio is not to exceed the maximum ratio of 3.0, which is confirmed to the group of banks twice a year. At December 31, 2012, the Net Debt to EBITDA ratio calculated in accordance with agreements with the banks is 1.52 (2011: 1.41).

The total short-term facilities amount to €199.2 million, which include all uncommitted loans and guarantee facilities with financial institutions of which €115.8 million has been used as at December 31, 2012 (2011: €171.0 million including multi-currency and guarantee facility of which €88.8 million was used). The effective interest rates for bank overdrafts are between 1.6% and 9.0% (2011: 1.2% - 18.0%), considerably lower than end 2011 as there is no overdraft usage in Brazil outstanding.

ARCADIS has short term uncommitted debt facilities of €80 million with four banks and a €50 million guarantee facility with one bank (2011: €56 million and respectively €50 million). The interest rate on this short-term facility is EONIA-denominated and is used for the financing of working capital and general purposes of ARCADIS.

By the end of the year 2012, the total amount of bank guarantees and letters of credit that were outstanding under the €50 million guarantee facility amounted to €33.8 million (2011: €35.9 million). Additionally there were other outstanding guarantees and letters of credit amounting to €57.4 million (2011: €52.8 million).

22 Other current liabilities

	2012	2011
Taxes and social security contributions	**63,373**	61,886
Payables to employees	**143,540**	118,971
After-payments for acquisitions	**9,544**	10,342
Other liabilities	**37,413**	32,064
Balance at December 31	**253,870**	223,263

Notes to the consolidated statement of income

23 Revenue

The Company's revenues arise from the following categories:

	2012	2011
Revenues from services	1,994,877	1,526,861
Construction contract revenue	549,585	487,725
Carbon credits		2,779
Total revenues	2,544,462	2,017,365

Construction contracts include the rendering of services which are directly related to the construction of assets, contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

24 Other income

	2012	2011
Book gain on sale of assets	600	147
Dividend from investment	890	
Result on sale of activities		13,000
Total other income	1,490	13,147

In 2012 other income related to sale of assets, none of which was individually material. In addition a dividend from investments was received.

In 2011, the other income included the bookprofit on the divestment of ARCADIS Aqumen Facility Management (€7.4 million) and the gain related to the deconsolidation of ARCADIS Logos Energia S.A. (€5.6 million).

25 Operational costs

	2012	2011
Salaries and wages	1,031,316	794,207
Social charges	124,777	101,729
Pension and early retirement charges	41,600	34,529
Other personnel costs including temporary labor	184,805	108,853
Total personnel costs	1,382,498	1,039,318
Occupancy expenses	91,939	75,169
Travel expenses	57,099	52,108
Office expenses	56,693	44,010
Audit and consultancy costs	34,374	32,013
Insurance costs	12,663	9,395
Marketing and advertising expenses	5,271	4,762
Other operational costs	40,248	27,691
Total other operational costs	298,287	245,148
Total	1,680,785	1,284,466

The average number of contract employees in 2012 was 19,507 (2011: 15,589).

26 Share-based compensation

Option and share purchase plans

To stimulate the realization of long-term Company objectives and goals, ARCADIS NV has option and share plans, as well as a share purchase plan. Over the years several incentive share option plans have been in place. The majority of outstanding options are under the 2005 and 2010 Long-Term Incentive plan.

ARCADIS NV 2005 Long-Term Incentive Plan

The 2005 Long-Term Incentive Plan was approved in May 2005 by the General Meeting of Shareholders. Following are the primary changes that were introduced:

- In addition to rights to shares (option rights), other share-related incentives can be granted, such as Stock Appreciation Rights, Conditional shares and Incentive shares;
- The granting of (rights to) shares can be related to the goals or performance criteria as set by the Supervisory Board. This Committee also determines the moment at which the granted (rights to) shares can be exercised; and
- The number of (rights to) shares totals 7,500,000.

In its December 2005 meeting, the Supervisory Board approved the ARCADIS NV 2005 Long-Term Incentive Plan.

ARCADIS NV 2010 Long-Term Incentive Plan

In 2010 the Supervisory Board approved the continuation of the ARCADIS 2005 Long-Term Incentive Plan in the form of the ARCADIS 2010 Long-Term Incentive Plan (the '2010 LTIP'). The revised Plan was (also) approved by the General Meeting of Shareholders in May 2010.

The 2010 LTIP provides for the periodic allocation of (conditional) options and (conditional) shares to the members of the Executive Board en key employees. The objective is to strengthen the personal ties of the participants with the Company, to let them benefit from the increase of the ARCADIS share price, and to align their interest with the interest of the shareholders of the Company.

The Plan provides for a maximum of 10,000,000 shares or options to be allocated during a five year period, all of which may be granted as 'qualified' options in accordance with Section 422 of the United States Internal Revenue Code 1986. Such 'qualified' options may be granted only to employees of ARCADIS. The options and shares annually granted to members of the Executive Board and selected key employees are conditional and have a vesting period of three years. Vesting is dependent on performance criteria set forth in advance. The granting of such options and shares will take place each year on or about the second day after the Annual Shareholders Meeting, whereby the exercise price will match the closing price of ARCADIS NV shares on the day of the grant.

Total Shareholder Return

Options and shares granted are conditional in nature and depend on attaining a performance measure after three years. The performance measure is Total Shareholder Return (TSR), defined as share price increase plus dividend. This measure stimulates the creation of shareholder value in the longer term. Each year, a three year cycle begins, whereby achievements are measured at the end of the period against a peer group of companies of comparable size and breadth. ARCADIS' position in the peer group determines whether the (conditional) options and shares granted earlier become unconditional. See the 'Remuneration Report' for more information.

The following table indicates the number of options and shares that can become unconditional at the end of each three year period depending on ARCADIS' relative position in comparison to the peer group.

Position against peer group	Percentage of conditional options and shares that vest for management	Percentage of conditional options and shares that vest for key staff
First	150.0	115
Second	133.3	110
Third	117.0	105
Fourth	100.0	100
Fifth	83.0	95
Sixth	67.0	90
Seventh	50.0	85
Eighth	0.0	80
Below Eighth	0.0	0

To prevent dilution, the shares (or a portion thereof) required to meet the obligations in relation to the exercise of options or other rights to acquire shares, can be purchased by the Company with due consideration to the Company's financial position, in particular the cash available within the Company. Alternatively, shares can be issued, whereby it is intended to limit this to a maximum of 1% of the number of issued shares.

Options granted in 2012

In 2012 the following options have been granted under the 2010 Long-Term Incentive Plan:

Occasion for granting shares	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Acquisition of Langdon & Seah	750,000	11-4-2012	10-4-2022	14.72	4.56
Other M&A related	210,000	11-4-2012	10-4-2022	15.35	2.41-3.82
Annual grant of options	852,000	18-5-2012	17-5-2022	15.74	3.49-3.84
Total	**1,812,000**				

During 2012, a total of 1,727,190 options and 122,674 shares were exercised while 628,700 options and 25,300 shares were cancelled or forfeited.

In accordance with IFRS 2, the Company's share option plans qualify as so-called equity-settled plans. As a consequence, the Company has to charge the fair value of the share options to income over the vesting period. The corresponding amount is directly credited to equity.

In 2012 an amount of €7.5 million (2011: €6.6 million) is included under other personnel cost for the share-based payments granted to employees in 2012, 2011, 2010, and 2009 under the different option plans. In calculating the cost, the fair value of each option was estimated as of the date of grant, using the binomial option-pricing model.

The fair value and the assumptions used for the largest series of options granted were:

	2012 May options	2012 Acquisition L&S	2011 May options	2011 Acquisition EC Harris	2011 Acquisition Logos
Fair value at grant date	**3.49-3.84**	**4.56**	2.67-3.21	4.42	5.16
Share price	**15.74**	**14.72**	16.18	14.06	16.48
Exercise price	**15.74**	**14.72**	16.18	14.06	16.48
Expected dividend yield	**2.89**	**2.85**	2.85	2.85	2.85
Risk-free interest rate (%)	**1.56**	**1.61**	3.05	1.98	2.82
Expected volatility (%)	**42.12**	**42.06**	41.59	42.12	40.56
Expected life of option (years)	**5**	**5**	5	5	5
Expected forfeitures (%)	**11.0**	**11.0**	11.0	11.0	11.0

The expected volatility is calculated based on the share price movements of the 60 months prior to grant date.

The number and weighted average exercise price of the share options under the combined ARCADIS share option plans are as follows:

	Number of ARCADIS options in $	Weighted average exercise price in $	Number of ARCADIS options in €	Weighted average exercise price in €
Balance at January 1, 2011	37,365	4.17	8,075,687	15.29
Granted			2,421,700	15.15
Exercised	(19,140)	3.81	(313,624)	10.57
Forfeited / cancelled			(287,917)	14.53
Balance at December 31, 2011	18,225	4.42	9,895,846	15.42
Balance at January 1, 2012	**18,225**	**4.42**	**9,895,846**	**15.42**
Granted			**1,996,286**	**14.60**
Exercised	**(7,575)**	**4.29**	**(1,719,615)**	**10.82**
Forfeited / cancelled			**(628,700)**	**15.41**
Balance at December 31, 2012	**10,650**	**4.51**	**9,543,817**	**14.39**

No granted options expired in 2012. The weighted average share price at the date of exercise for share options exercised in 2012 was €17.11 (2011: €15.73).

Total options outstanding at December 31, 2012 were as follows:

Year of issue	Exercise price	Outstanding January 1, 2012	Granted in 2012	Peered in 2012	Exercised in 2012	Cancelled/ forfeited in 2012	Outstanding December 31, 2012
Exercisable options:							
2002	€3.60	9,000			9,000		
2003	€2.80	139,262			94,991		44,271
2003	€3.83	9,100			4,600		4,500
2004	$ 5.00	9,125			2,975		6,150
2005	€6.48	412,651			219,475	8,034	185,142
2006	€12.37	630,392			257,892	9,600	362,900
2007	€20.23	1,753,709				142,173	1,611,536
2008	€13.77	742,166		45	185,501	33,388	523,322
2009	€12.06	140,000			101,708		38,292
2009	€12.06	2,806,576		184,241	845,701	112,257	2,032,859
2010	€16.98	20,800					20,800
2011	€13.59	70,000			5,347		64,653
Non-exercisable options:							
2010	€14.33	822,890				103,146	719,744
2010	€16.98	10,400					10,400
2011	€16.84	135,000					135,000
2011	€16.18	763,000				49,200	713,800
2011	€16.48	300,000				5,000	295,000
2011	€14.06	1,000,000				117,500	882,500
2011	€13.59	140,000					140,000
2012	€15.35		210,000				210,000
2012	€14.72		750,000			10,632	739,368
2012	€15.74		852,000			37,770	814,230
Total		**9,914,071**	**1,812,000**	**184,286**	**1,727,190**	**628,700**	**9,554,467**

The outstanding options per December 31, 2012 have a weighted average contractual life of 7.0 years (2011: 7.2 years).

Incentive shares

On an annual basis the General Meeting of Shareholders approves the conditional granting of incentive shares to the members of the Executive Board. The costs are spread over the three year vesting period, and are included in the 'Other personnel costs', see note 25.

The following parameters were used to calculate the costs:

Share price at grant date 2008	€13.03
Share price at grant date 2009	€10.91
Share price at grant date 2010	€14.33
Share price at grant date 2011	€16.18
Share price at grant date 2012	€15.74
Foregone dividend	8.32%
Performance discount	40.95%

Overview of incentive shares granted:

Provisional (rights to) shares granted on	Granted	Unconditional in	In/(de)crease because of ranking in the peer group	Total amount to be expensed over the vesting period, in €
May 9, 2008	101,700	2011	0%	831,900
May 11, 2009	110,300	2012	50%	755,500
May 14, 2010	114,400	2013		1,029,513
May 20, 2011	135,200	2014		1,119,500
May 18, 2012	**149,000**	**2015**		**1,150,714**

Employee Share Purchase Plan (Lovinklaan Foundation)

The Company facilitates an Employee Share Purchase Plan that allows employees to periodically purchase shares in the Company at a previously set discount. The shares and the discount are made available by Lovinklaan Foundation. This plan has been implemented in a number of countries were ARCADIS is located. The investment per employee is limited to €400 per month. Ultimo 2012 3,568 employees participated in the plan (2011: 4,444). The cost of the Employee Share Plan in 2012 included in the Company's financial statements amounted to €0.4 million (2011: €0.2 million).

27 Net finance expense

	2012	2011
Interest income	**2,868**	4,169
Foreign exchange differences on financial liabilities	**(1,747)**	2,982
Fair value changes of derivatives	**399**	(2,967)
Financial expenses	**(23,359)**	(27,524)
Total	**(21,839)**	(23,340)

In financial income and expenses, exchange rate differences on foreign currency loans are also included. Financial expenses in 2012 decreased compared to 2011 reflecting the deconsolidation of the Brazilian power venture at the end of 2011. In addition, a number of interest rate swaps matured during the year, giving ARCADIS more ability to profit from lower floating interest rates. In addition, merger and acquisition activity during the year (Langdon & Seah, ETEP, BMG) had a negative effect on financial expense. Interest expense in 2012 amounted to €20.5 million (2011: €23.3 million).

In 2012 there were limited exchange rate gains on the hedge of currency exposures by way of FX forward deals. The gains related to the hedge of foreign currency intercompany loans as well as the hedging of intercompany income.

28 Income taxes

ARCADIS NV is for income tax purposes the parent of the fiscal unit ARCADIS NV, and is therefore liable for the liabilities of the fiscal unit as a whole. The weighted average tax rate on profit before taxes was 28.8% (2011: 27.9%).

Explanation of effective tax rate	2012			2011		
	Gross amount	Taxes	In %	Gross amount	Taxes	In %
Profit before taxes from operations	**129,641**	**36,400**	**28.1**	115,646	32,427	28.0
Profit from associates	**(3,048)**		**0.7**	267		0.1
Profit before taxes	**126,593**	**36,400**	**28.8**	115,913	32,427	27.9
Nominal tax rate in the Netherlands			**25.0**			25.0
Foreign tax rate differences			**2.9**			7.2
Tax losses previously not recognized			**0.0**			0.0
Settlements related to previous years			**(1.5)**			(0.7)
Income from associates			**0.7**			(0.1)
Non-taxable amounts and others			**1.7**			(3.5)
Effective tax rate			**28.8**			27.9

Tax recognized in profit or loss	2012	2011
Current year	**30,777**	24,521
Adjustments for previous years	**(1,931)**	(784)
Total current tax	**28,846**	23,737
Deferred tax	**7,554**	8,690
Total Taxes on income	**36,400**	32,427

The tax effects of significant timing differences that give rise to year-end deferred tax assets and liabilities are offset within each taxable entity. Deferred tax assets in excess of these amounts are recognized if their realization is more likely than not.

Other notes to the consolidated financial statements

29 Commitments and contingent liabilities

Summary of commitments

	Amounts due by period				
	Less than 1 year	1-5 years	More than 5 years	Total Dec. 31, 2012	Total Dec. 31 2011
Operating lease contracts	**74,214**	**176,924**	**63,624**	**314,762**	299,381
Guarantees	**45,624**	**21,399**	**21,318**	**88,342**	85,292
Total commitments	**119,838**	**198,323**	**84,942**	**403,104**	384,673

Operating leases

Future minimum payments for the non-cancellable operating leases during the next five years and thereafter are as follows:

Years ending December 31	2012	2011
2012		75,505
2013	**74,214**	57,259
2014	**60,940**	44,534
2015	**49,635**	34,803
2016	**38,673**	26,805
2017	**27,676**	18,910
Thereafter	**63,624**	41,565
Total	**314,762**	299,381

The Company's lease arrangements mainly relate to contracts for leased cars and buildings. Car leases typically run for a period of 3 years, while lease contracts for buildings in most instances run for a period between 5 to 10 years, with an option to renew the leases after that date.

During the year ended December 31, 2012, approximately €76 million was recognized as an expense in profit or loss with regard to operating leases (2011: €64 million).

Guarantees

As a partner in a number of partnerships, ARCADIS is liable for the contractual obligations these companies enter into. The potential risk pertaining to these obligations amounted to €88.3 million (2011: €85.3 million). Guarantees related to investments in associates are €8.8 million (at December 31, 2011: nil).

Contingent liabilities

Litigation

The Company is involved in various legal and regulatory claims and proceedings as a result of its normal course of business, either as plaintiff or defendant. Management ensures that these cases are firmly defended. In some of these proceedings, claimants allegedly claim amounts for project contract breaches that are significant to the consolidated financial statements.

All legal and regulatory claims and proceedings are assessed on a regular basis. In consultation with in-house and outside legal counsels, management regularly evaluates relevant facts and circumstances of those claims and, based on the analysis of possible outcomes of litigation and settlements provisions are accrued for. Provisions are accrued for, only where management believes it is probable that a liability has been occurred, the amount is reasonably estimable, and the claim has not been insured. These provisions are reviewed periodically and adjusted if necessary to the extent that cash outflow of related proceedings is probable, including defense costs and reimbursements by our insurance policies.

Since the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, final settlement can differ from this estimate and could require revisions to the estimated provision, which could have a material adverse effect on the Company's consolidated financial position, consolidated results of operations and cash flows for a particular period.

30 Related party transactions

General

The related parties of ARCADIS comprise subsidiaries, jointly controlled entities, associates, temporary partnerships, Stichting Lovinklaan, Stichting Bellevue, Stichting Prioriteit, Stichting Pensioenfonds ARCADIS Nederland (SPAN), and the Executive Board and Supervisory Board.

In accordance with Book 2 of the Dutch Civil Code, articles 379 and 414, the list of subsidiaries, joint ventures, and associates is filed with the Chamber of Commerce in Arnhem.

All transactions with subsidiaries, associates and joint ventures are on an arm's length basis.

Transactions with subsidiaries

The financial transactions between the Company and its subsidiaries comprise operational project related transactions, financing transactions and other transactions in the normal course of business activities. Transactions within the ARCADIS Group are not included in these disclosures as these are eliminated in the consolidated financial statements.

The transactions with all other related parties are disclosed in the table below:

	Transactions with associates		Transactions with joint ventures		Transactions with post-employment benefit plans		Other	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Sales (to)	**19.4**	11.3	**31.4**	32.6				
Purchases (from)	**0.1**	-	**1.8**	1.1				
Loans (to)	**2.8**	0.1	**-**	0.7				
Receivables (from)	**7.4**	6.3	**6.0**	3.8	**-**	-	0.1	-
Payables (to)	**0.6**	0.2	**0.4**	1.4	**2.4**	1.6	0.8	0.1
Dividends received (from)	**1.8**	0.2	**0.1**	1.1				
Provision for doubtful debts related to outstanding balances		0.1	**0.1**	-				
Related expenses to these bad or doubtful debts		0.1	**0.1**	-				
Transfer of pension premiums and cost charges					**31.3**	20.7		
Contributions							2.1	0.8

Transactions with key management personnel of the entity

The members of the Executive Board and the Supervisory Board are considered key management personnel as defined in IAS 24 *'Related Party Disclosures'*. For details on their remuneration and interests held in the Company reference is made to notes 43 and 44. During 2012 (and 2011), no transactions involving conflicts of interest for Executive or Supervisory Board members which were material to the Company occurred.

Transactions with post-employment benefit plans

Main post-employment benefit plan are the Stichting Pensioenfonds ARCADIS Nederland (SPAN, pension fund) and the pension fund of EC Harris.

SPAN is the independent foundation that is responsible for the administration of the pension rights under the existing pension plan for Dutch employees. This pension plan is a collective defined contribution plan with a premium based on the ambition of a pension payment that, under certain conditions, is comparable to an average pay scheme with a retirement age of 63 years. During 2012, the transactions between ARCADIS and SPAN comprise of the transfer of pension premiums and cost charges, and amounted to €21.8 million (2011: €20.2 million). At year-end 2012, the amount due to SPAN was €1.9 million (2011: €1.6 million).

In addition, the Company contributed €9.5 million (2011: €0.5 million) to the pension plan of EC Harris (defined benefit plan). See also note 18 'Provisions for employee benefits'.

Transactions with other related parties

Stichting Lovinklaan (Lovinklaan Foundation) is the main shareholder of ARCADIS. The board of the Foundation consists of ARCADIS employees. At year-end 2012, the Foundation had an interest of 19.5% in ARCADIS (2011: 19.7%). The Foundation has an employee share purchase plan in place which allows ARCADIS employees to purchase ARCADIS shares from the Foundation with a discount. The Company has no involvement in executing the plan, besides processing payments from employees to the foundation through the salary system of the Company.

In 2010 ARCADIS and UN-Habitat launched a global partnership under the name Shelter, aimed at improving quality of life in rapidly growing cities around the world. ARCADIS contributes employees, expertise and skills to this initiative. The Lovinklaan Foundation supports the initiative and committed to contribute €0.4 million on an annual basis. Actual contribution over 2012 amounted to €0.4 million.

Lovinklaan Foundation supports several Quest programs and the Global Shapers program within ARCADIS. The programs are initiatives to collect and exchange knowledge and expertise amongst ARCADIS employees and to accelerate the implementation of strategic projects of ARCADIS and as such contributes to the ARCADIS strategy of international collaboration and global business lines. In 2012 120 and 100 employees participated in the several Quest programs and Global Shapers program respectively. Financial support amounted to €1.1 million (2011: 71 participants, €0.4 million).

During 2012 and 2011, no other financial transactions than mentioned above took place between the Foundation and the Company, except for the dividends on the shares.

31 Capital and financial risk management

ARCADIS' activities expose it to a variety of financial risks. These include:

- Credit risk;
- Liquidity risk; and
- Market risk.

These risks are inherent to the way the Company operates as a multinational with locally operating subsidiaries. The Executive Board is responsible for the design and functioning of the internal risk management systems. The day-to-day risk management activities related to the financial risk management are carried out by ARCADIS Corporate Treasury, in line with the guiding principles of the Treasury Policy, as approved by the Executive Board.

ARCADIS' Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and the ARCADIS control framework, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk arises from receivables from customers as well as balances and settlements with banks. The credit risk on customers is influenced mainly by the individual characteristics of each customer. ARCADIS usually invoices clients for services according to the progress of the work (percentage of completion – method). If clients refuse or are unable to meet their contractual payment obligations, the Company may not have sufficient cash to satisfy our liabilities, and our growth rate and continued operations could be adversely impacted.

The key objective of the Company's counterparty credit risk management is to minimize the risk of losses as a result of failure of an individual banking counterparty, that could negatively impact the Company's results. ARCADIS aims to centralise cash at banks who have also provided credit to the Company in order to try and reduce counterparty risk.

The exposure to credit risk is monitored on an ongoing basis at local entity level. Normally ARCADIS only deals with counterparties that have a sufficiently high credit rating. Where possible, ARCADIS uses credit ratings provided by external agencies, thus monitoring creditworthiness in order to reduce the related credit risk. Furthermore, ARCADIS strongly focuses on clients by strengthening the relationship. Through systematic account management we aim to build long-term relationships with select multinational and key national / local clients. We already have a relationship with the majority of our multinational clients for more than 5 years. New customers are analyzed individually for creditworthiness before services are offered.

Generally, the maximum exposure to credit risk is represented by the carrying value of the financial assets in the statement of financial position. Trade receivables are presented net of an allowance for impairment, which is based on individually significant exposures, and a collective loss component for groups of trade receivables in respect of losses that have been incurred but not yet identified. The risk related to individual significant exposures is measured and analyzed on a local level, mainly by means of ageing analysis. Next to ageing analysis additional circumstances, like the recent impact of the credit crisis on the financial situation of customers are being evaluated continuously. When necessary, additional impairment allowances were recognized. The collective loss component allowance is determined based on historical data of payment statistics for similar financial assets.

In the statement of financial position trade receivables are presented net of an allowance for impairment of €35.9 million (2011: €36.4 million).

The ageing of trade receivables and the impairment losses recognized for bad debts at reporting date were:

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	**225,784**	**(1,780)**	249,068	(3,546)
Past due 0-30 days	**86,236**	**(311)**	72,711	(967)
Past due 31-120 days	**52,346**	**(573)**	56,392	(1,503)
More than 120 days due	**69,907**	**(33,225)**	61,901	(30,378)
Total	**434,273**	**(35,889)**	440,072	(36,394)

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of reporting date that the debtors will not meet their payment obligations.

For the movement schedule for the allowance of impairment of trade receivables reference is made to note 12 '(Un)billed receivables'.

The Company provided bank guarantees and letters of credit. The total amount of outstanding guarantees and letters of credit amounted to €88.3 million (2011: €85.3 million).
In addition, ARCADIS NV has provided corporate guarantees to banks for a maximum amount of €20.7 million to provide local financing facilities.

The carrying amount of financial assets represents the maximum credit exposure. At balance sheet date, the maximum exposure to credit risk was:

	2012	2011
Financial assets:		
(Un)billed receivables	**719,180**	691,894
Other receivables	**12,840**	18,524
Other non-current assets	**25,705**	18,341
Derivatives	**1,644**	736
Loans to associates	**4,452**	1,620
	763,821	731,115
Cash and cash equivalents	**229,097**	158,203
Total	**992,918**	889,318

The credit risk of cash and cash equivalents is the risk that counter parties are not able to repay amounts owed to ARCADIS upon request of ARCADIS. The objective of ARCADIS is to minimize credit risk exposure in cash and cash equivalents by investing in liquid securities and entering into transactions involving derivative financial instruments only with counterparties that have sound credit ratings and good reputation. The related risk is monitored on an ongoing basis both at local entity and corporate level. ARCADIS keeps approximately 62% of its cash reserves at our core banks and only invests in liquid securities with counterparties that have an investment grade rating from Standard & Poor's, Moody's or Fitch. Management monitors these ratings and does not expect any such counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that ARCADIS will not be able to meet its financial obligations as they fall due. The primary objective of liquidity management is providing for sufficient cash and cash equivalents to enable ARCADIS to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ARCADIS. Treasury Policy supports this principle by stating that the ARCADIS aims to have no more than 33% of total fixed debt to be refinanced in any one year.

The Company maintains the following lines of credit:
- Utilized Term Loans amounting to $360 million (2011: $360 million) paying a USD LIBOR denominated rate.
- A €150 million Revolving Credit Facility attracting a EURIBOR-denominated rate of which €80 million was used at year end (2011: utilization was $ 35.0 million).
- There are €25 million of undrawn committed facilities attracting an interest rate that is EURIBOR-denominated (2011: €24 million, nil utilization).
- Uncommitted multi-currency facilities of €80 million (2011: €56 million) with a consortium of banks. The interest rate on the uncommitted facilities is EONIA-denominated. At the end of 2012 €24.6 million (2011: nil) of these uncommitted facilities were used.
- $ 110 million of 5.1% US Private Placement Notes were outstanding.
- A €50 million guarantee facility with one bank. The interest paid on this guarantee facility normally ranges between 0.35% and 0.5% of the utilized part of the facility. At end 2012, €33.8 million (2011: €35.9 million) of this facility was used.
- Additionally there are several other facilities dealing with both loans and guarantees, totaling €69.2 million, and as at end 2012 €57.4 million was used (2011 €65.0 million of which €52.8 million was used).

Over the course of the year, considerable fluctuations occur in the working capital needed to finance operations. Also acquisitions may lead to increases in borrowed capital. ARCADIS strives to have a good liquidity position at all times, strictly controlling working capital by optimizing billing and collection and consequently maintaining a healthy interest coverage and Net Debt to EBITDA ratio.

The following table describes, as of December 31, 2012, our commitments and contractual obligations for the following five years and thereafter. The long-term debt obligations are our cash debt service obligations. Operating lease obligations are the non-cancellable future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2012.

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Contractual obligations 2012	Payments due by period				
	Total amount	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	**314,762**	**74,214**	**110,575**	**66,349**	**63,624**
Capital (finance) lease obligations	**612**	**220**	**376**	**16**	**-**
Foreign exchange contracts:					
- outflow	**252,628**	**252,628**			
- inflow	**(251,958)**	**(251,958)**			
Interest rate swaps:					
- outflow	**4,680**	**2,393**	**2,287**		
- inflow	**(682)**	**(291)**	**(391)**		
After-payments for acquisitions	**21,740**	**9,544**	**7,197**	**-**	**4,999**
Interest	**55,785**	**10,290**	**16,505**	**11,769**	**17,221**
Other long term liabilities	**355,836**	**68,466**	**87,100**	**116,636**	**83,634**
Short-term bank debt	**80,543**	**80,543**			
Total	**833,946**	**246,049**	**223,649**	**194,770**	**169,478**

Contractual obligations 2011	Payments due by period				
	Total amount	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	299,381	75,505	101,792	61,609	60,475
Capital (finance) lease obligations	781	195	586		
Foreign exchange contracts:					
- outflow	291,686	290,336	1,350		
- inflow	(284,524)	(283,674)	(850)		
Interest rate swaps:					
- outflow	9,695	4,930	4,394	371	
- inflow	(2,417)	(1,079)	(1,175)	(163)	
After-payments for acquisitions	19,241	9,942	9,299		
Interest	44,353	12,334	13,996	8,283	9,740
Other long-term liabilities	364,870	469	99,725	176,692	87,984
Short-term bank debt	38,123	38,123			
Total	781,189	147,081	229,117	246,792	158,199

Market risk

Market risk includes currency risk and interest rate risk and comprises the risk that changes in market prices, such as foreign exchange rates and interest rates will affect ARCADIS' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

• Currency risk

The key objective of the Company's FX transaction exposure management is aimed at the active management of FX exposures by Corporate Treasury to reduce and limit the adverse effects of exchange rate changes on the Company's profitability subject to competitive conditions and to bring the currency profile of ARCADIS in line with shareholders' expectations.

Trade and financing transactions in non-functional currencies (transaction risk)

The subsidiaries of ARCADIS mainly operate in local markets, and as such both sales invoices and purchase invoices are mainly denominated in local currencies. In some instances however, invoices are in the functional currency of the counter party, which results in a currency exposure for the subsidiary. The exposure to currency risk on sales and costs denominated in another currency than the respective functional currencies of the subsidiaries is very limited. Only in limited cases e.g. for material transactions, the company enters into forward contracts in order to hedge transaction risks.

The Company also has some exposure to currency risk for borrowings that are denominated in another currency than the functional currency. This relates to intercompany loans of €46 million for a company which has the British pound as functional currency and $ 91 million for a company with a euro functional currency.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the euro and US dollar.

The Company has an exposure with respect to positions in the statement of financial position in foreign currencies which are different than respective functional currencies of the subsidiaries. For the main currencies the following positions per currency (translated in in euros) were included in the statement of financial position:

In Eur 1,000

December 31, 2012	EUR	USD	GBP	CNY	BRL
Trade receivables	1,099	13,384	14,508	2,973	
Cash and cash equivalents	2,277	4,836	(2,412)	1,350	318
Derivatives	(500)	52,729	2,396		
Loans and borrowings	(46,059)	(51,441)	275		
Trade payables	(414)	(6,637)	(3,231)		
Balance exposure	**(43,597)**	**12,871**	**11,536**	**4,323**	**318**

December 31, 2011	EUR	USD	GBP	CNY	BRL
Trade receivables	1,796	14,203	16,894	1,663	
Cash and cash equivalents	4,957	3,597	2		
Derivatives	(1,500)	42,018	(2,875)		
Loans and borrowings	(48,000)	(49,271)	(3,115)		
Trade payables	(2,099)	(7,006)	(17,881)	(203)	
Balance exposure	(44,846)	3,541	(6,975)	1,460	-

The following significant exchange rates applied during the year:

EUR per unit	2012		2011	
	Average	Ultimo	Average	Ultimo
US dollar (USD)	0.78	0.76	0.72	0.77
Pound Sterling (GBP)	1.23	1.22	1.15	1.20
Brazilian Real	0.40	0.36	0.43	0.41

ARCADIS uses derivatives in order to manage market risks associated with changes in foreign exchange rates as well as interest rates. All transactions are carried out in accordance with the Company's Treasury Policy guidelines. The Company seeks to apply hedge accounting where possible to manage volatility in profit or loss. All FX forward transactions outstanding at year end are due to mature in 2013.

Sensitivity analysis

A 10 percent strengthening of the euro against the US dollar at December 31, 2012, with all other variables held constant, would have decreased profit and loss by €1.3 million. (December 31, 2011 a loss of €0.4 million). A 10 percent strengthening of the euro against the Pound Sterling at December 31, 2012, with all other variables held constant, would have increased profit and loss by €1.2 million, while the impact on equity would be a loss of €5.1 million. At December 31, 2011, the impact on profit and loss would have been a loss of €0.7 million, while the impact on equity would be a loss of €5.3 million.

The analysis above assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011. Loans and borrowings in the UK subsidiary, which were denominated in euros, relate to intercompany financing, and the related exchange rate differences are recognized directly in equity as part of the investment in that company.

Translation risk related to investments in foreign subsidiaries, associates and joint ventures

ARCADIS has subsidiaries with a functional currency other than the euro. As a result the consolidated financial statements of ARCADIS are exposed to translation risk related to equity, intercompany loans of a permanent nature, and earnings of foreign subsidiaries and investment in associates and joint ventures. The Company does not use financial instruments to hedge this risk.

Sensitivity analysis

A 10 percent strengthening / weakening of the euro against the US dollar at December 31, 2012, with all other variables held constant would have increased / decreased net income by €4.0 million (2011 €3.5 million), while equity would have been €10.9 million higher / lower (2011: €6.8 million). A 10 percent strengthening / weakening of the euro against the Pound Sterling at December 31, 2012, with all other variables held constant would have increased / decreased net income by €0.6 million (2011: €0.7 million), while equity would have been €18.6 million higher / lower (2011: €18.3 million). A 10 percent strengthening / weakening of the euro against the Brasilian Real December 31, 2012, with all other variables held constant would have increased / decreased net income by €0.9 million (2011: €2.2 million), while equity would have been €7.7 million higher / lower (2011: €5.2 million).

• Interest rate risk

ARCADIS manages interest rate risks by financing fixed assets and part of current assets with shareholders' equity, provisions and long-term debt. The remainder of current assets is financed with short-term debt including revolving bank credits with variable interest rates. Based on our interest risk profile, financial instruments were used during 2012 to cover part of the interest rate risk on long-term financing. This risk is applicable to long-term debt, short-term debt and bank overdrafts in our balance sheet amounting to €488.4 million at year-end 2012 (2011: €406.3 million).

Floating rate debt results in cash flow interest rate risk. In order to achieve a mix of fixed and floating rate exposure within the Company's policy, a number of interest rate swap contracts were entered into. A number of interest rate derivatives transacted by ARCADIS matured in 2012. ARCADIS now has $160 million of floating to fixed interest rate swaps at an average fixed rate of 2.49%. These derivatives have a remaining duration of 17 months as at end 2012.

Treasury Policy states that the fixed portion of the Net Debt ratio should be at least 40% to protect against increases in interest rates as well as providing some certainty on expectations for interest expense in profit or loss. ARCADIS has been compliant with Treasury Policy during 2012.

Sensitivity analysis

At December 31, 2012 if interest rates had been 10 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been €0.1 million (2011: €0.0 million) higher/lower, as a high percentage of ARCADIS net debt has been fixed. In 2012, there would also have been a higher/lower change in equity of €0.2 million (2011: €0.3 million) reflecting a change in valuation of IRS transactions at year end used to hedge interest rate risk. The Company has outstanding interest rate swaps with a $ 160 million notional amount which decreased during 2012 from $ 305 million at end 2011. These derivatives limit the exposure the Company runs to changes in US floating interest rates on its floating debt portfolio.

Capital risk management

ARCADIS' objectives when managing capital are to safeguard ARCADIS' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure that optimizes its cost of capital.

ARCADIS sets the amount of capital in proportion to risk. ARCADIS manages the capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be altered by adjusting the amount of dividends paid to shareholders, return capital to capital providers, or issue new debt or shares. From time to time, ARCADIS purchases its own shares, which are used for transferring shares under the ARCADIS' share option program.

Consistent with the debt covenants agreed with the banks, ARCADIS monitors capital on the basis of the Net Debt to EBITDA ratio. This ratio is calculated as interest bearing debt minus cash and cash equivalents divided by EBITDA. EBITDA is calculated as earnings before interest, tax, depreciation and amortization.

There were no changes in ARCADIS' approach to capital management during the year. The Company and its subsidiaries are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

During 2012, ARCADIS' strategic goal on financing, which was unchanged from 2011, was to maintain a Net Debt to EBITDA ratio not greater than 2.0 in order to secure access to finance at a reasonable cost. The Net Debt to EBITDA ratios at December 31, 2012 and at December 31, 2011 were as follows:

In millions of euros	December 31, 2012	December 31, 2011
Long-term debt	**287.9**	362.0
Current portion of long-term debt	**68.7**	0.7
Bank overdraft and short-term bank debt	**131.8**	43.6
Total debt	**488.4**	406.3
Less: cash and cash equivalents	**(229.1)**	(158.2)
Net debt	**259.3**	248.1
EBITDA [1]	**209.0**	185.2
Net Debt to EBITDA (at year end net debt)	**1.3**	1.5
Net Debt to EBITDA ratio according to bank agreements [2]	**1.52**	1.41

[1] adjusted for income related to acquisitions and divestments in order to bring nominator and denominator both at the same level of activities

[2] the calculation of the Net Debt to EBITDA ratio as presented is based on the average net debt of Q2 and Q4

Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognized in the statement of financial position, are as follows:

December 31, 2012	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category				Fair value
			Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through other comprehensive income	Total	
Investments in associates	**29,984**	**29,984**					
Other investments	**842**		**466**		**376**	**842**	**842**
Other non-current assets	**25,705**		**25,705**			**25,705**	**25,705**
(Un)billed receivables:							
- Trade receivables	**398,384**		**398,384**			**398,384**	**398,384**
- Unbilled receivables	**313,551**		**313,551**			**313,551**	**313,551**
Derivatives	**1,644**			**1,644**		**1,644**	**1,644**
Cash and cash equivalents	**229,097**		**229,097**			**229,097**	**229,097**
Total financial assets	**999,207**	**29,984**	**967,203**	**1,644**	**376**	**969,223**	**969,223**
Loans and borrowings:							
- Long term	**300,505**		**300,505**			**300,505**	**300,934**
- Current	**68,686**		**68,686**			**68,686**	**68,678**
Derivatives	**4,642**			**659**	**3,983**	**4,642**	**4,642**
Billing in excess of cost	**177,410**		**177,410**			**177,410**	**177,410**
Accounts payable	**135,772**		**135,772**			**135,772**	**135,772**
Bank overdrafts and short-term borrowings	**131,814**		**131,814**			**131,814**	**131,814**
Total financial liabilities	**818,829**		**814,187**	**659**	**3,983**	**818,829**	**819,250**

December 31, 2011	Carrying amount	Out of Scope IFRS 7	Carrying value per IAS 39 category				Fair value
			Loans and receivables/ other liabilities	Fair value through Profit or Loss	Fair value through other comprehensive income	Total	
Investments in associates	23,974	23,974					
Other investments	191				191	191	191
Other non-current assets	18,341		18,341			18,341	18,341
(Un)billed receivables:							
- Trade receivables	403,678		403,678			403,678	403,678
- Unbilled receivables	286,135		286,135			286,135	286,135
Derivatives	736				736	736	736
Cash and cash equivalents	158,203		158,203			158,203	158,203
Total financial assets	891,258	23,974	866,357		927	867,284	867,284
Loans and borrowings:							
- Non-current	371,431		371,431			371,431	370,267
- Current	664		664			664	664
Derivatives	13,438			7,230	6,208	13,438	13,438
Billing in excess of cost	169,227		169,227			169,227	169,227
Accounts payable	154,276		154,276			154,276	154,276
Bank overdrafts and short-term borrowings	43,632		43,632			43,632	43,632
Total financial liabilities	752,668		739,230	7,230	6,208	752,668	751,504

Fair value hierarchy
The financial instruments carried at fair value are analyzed by valuation method, using the following levels:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs.

All financial instruments carried at fair value within the Company are categorized in level 2.

The fair value of forward exchange contracts is based on quoted market prices at the balance sheet date, being the present value of the quoted forward price. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of the contract, using market interest rates.

The fair value of interest rate swaps is consistent with bank valuations. These valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at measurement date.

For loans and receivables fair value is determined for disclosure purposes based on the present value of future principal and interest cash flows, discounted at the Company specific market rate of interest at reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at reporting date. Due to the short-term character of the receivables, the fair value equals the carrying value.

32 Subsequent events

On January 31, 2013 ARCADIS announced that it acquired 100% of the shares of Geohidrologia Consultores in Santiago, Chile. The company is active in hydro consulting, and employs 55 employees. The acquisition will not materially impact the financial position of ARCADIS.

As such, there were no material events after December 31, 2012 that would have changed the judgement and analysis by management of the financial condition of the Company at December 31, 2012 or the profit for the period of the year 2012.

Company statement of financial position as at December 31

Before allocation of profit

In EUR 1,000

Assets	Note	2012	2011
Non-current assets			
Intangible assets	33	**283**	211
Property, plant & equipment	34	**1,384**	1,478
Investments in subsidiaries	35	**225,409**	185,338
Other investments	36	**387,614**	192,682
Deferred tax assets	40	**9,964**	3,988
Total non-current assets		**624,654**	383,697
Current assets			
Derivatives		**537**	481
Receivables	37	**280,134**	265,915
Corporate income tax receivable		**6,088**	
Cash and cash equivalents		**7,731**	3,874
Total current assets		**294,490**	270,270
Total assets		**919,144**	653,967

Equity and liabilities			
Shareholders' equity			
Share capital		**1,481**	1,437
Share premium		**201,545**	168,380
Translation reserve		**(27,859)**	(18,074)
Statutory reserves		**32,925**	32,479
Hedging reserve		**(4,845)**	(6,217)
Retained earnings		**243,431**	197,933
Undistributed profits		**88,974**	79,507
Total Shareholders' equity	38	**535,562**	455,445
Non-current liabilities			2,000
Provisions	39	**2,000**	1,351
Deferred tax liabilities	40	**1,905**	1,991
Long-term debt			
Total non-current liabilities		**3,905**	5,342
Current liabilities			
Corporate tax liabilities		**4,580**	
Derivatives	11	**667**	1,130
Bankoverdrafts	41	**49,792**	3,890
Short-term borrowings	41	**80,000**	35,000
Trade and other liabilities	41	**244,638**	153,160
Total current liabilities		**379,677**	193,180
Total equity and liabilities		**919,144**	653,967

Company statement of income for the year ended December 31

In EUR 1,000

		2012	2011
Net income subsidiaries	35	**60,318**	62,257
Other results	42	**28,656**	17,250
Net income		**88,974**	79,507

The notes on page 121 to 126 are an integral part of these company financial statements

Notes to the company statement of financial position

General

Unless stated otherwise, all amounts are rounded in thousands of euros.
The company financial statements have been prepared using the option of section 362 of Book 2 of the Netherlands Civil Code, meaning that the accounting principles used are the same as for the consolidated financial statements. Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in note 2 'Basis of preparation' and 3 'Significant accounting policies' to the consolidated financial statements.

Subsidiaries of ARCADIS NV are accounted for using the equity method. The presentation of the statement of financial position slightly deviates from the requirements of Dutch law, in order to achieve optimal transparency between the consolidated financial statements and the company financial statements.

As the financial data of ARCADIS NV are included in the consolidated financial statements, the statement of income of ARCADIS NV is condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code.

33 Intangible assets

	Software
Cost	
Balance at January 1, 2011	4,431
Disposals	(3,810)
Balance at December 31, 2011	621
Balance at January 1, 2012	**621**
Investments	**237**
Balance at December 31, 2012	**858**
Amortization	
Balance at January 1, 2011	4,034
Amortization charge for the year	186
Disposals	(3,810)
Balance at December 31, 2011	410
Balance at January 1, 2012	**410**
Amortization charge for the year	**165**
Balance at December 31, 2012	**575**
Carrying amounts	
At January 1, 2011	397
At December 31, 2011	211
At January 1, 2012	211
At December 31, 2012	**283**

34 Property, plant & equipment

	Furniture and fixtures
Cost	
Balance at January 1, 2011	1,950
Investments	332
Disposals	(136)
Balance at December 31, 2011	2,146
Balance at January 1, 2012	**2,146**
Investments	**145**
Balance at December 31, 2012	**2,291**
Depreciation	
Balance at January 1, 2011	550
Depreciation charge for the year	255
Disposals	(137)
Balance at December 31, 2011	668
Balance at January 1, 2012	**668**
Depreciation charge for the year	**239**
Balance at December 31, 2012	**907**
Carrying amounts	
At January 1, 2011	1,400
At December 31, 2011	1,478
At January 1, 2012	1,478
At December 31, 2012	**1,384**

35 Investments in subsidiaries

	2012	2011
Balance at January 1	**185,338**	167,850
Share in income	**60,318**	62,257
Cost of share-based payments recognized in subsidiaries	**6,577**	5,729
Dividends received	**(21,600)**	(16,900)
Purchase of non-controlling interest		(31,099)
Changes related to post-employment benefit obligations	**(415)**	(4,100)
Change in hedging reserve for cash flow hedges	**1,372**	(2,274)
Other changes	**1,549**	106
Exchange rate differences	**(7,730)**	3,769
Balance at December 31	**225,409**	185,338

36 Other investments

	2012	2011
Balance at January 1	**192,682**	21,949
Loans issued to subsidiaries	**233,219**	173,178
Redemptions	**(42,779)**	(1,166)
Exchange rate differences	**4,492**	(1,279)
Balance at December 31	**387,614**	192,682

Loans issued to subsidiaries mainly relate to the financing of the acquisition of L&S, BMG and ETEP in 2012. In addition the loan to ARCADIS US was transferred to ARCADIS NV to optimize the financing structure of the company, and a loan was issued to ARCADIS Poland. The interest percentages related to new issued loans are based on GBP LIBOR, PLN WIBOR and EURIBOR, respectively.

37 Receivables

	2012	2011
Receivables from subsidiaries	**277,153**	261,011
Taxes and social security contributions	**1,222**	4,376
Other receivables	**1,759**	528
Balance at December 31	**280,134**	265,915

The receivables from subsidiaries mainly relate to short-term financing by means of current accounts.

38 Shareholders' equity

	Share capital	Share premium	Hedging reserve	Translation reserve	Statutory reserve	Retained earnings	Undistributed profits	Total
Balance at January 1, 2011	1,354	106,788	(3,943)	(20,858)	52,243	183,286	73,930	392,800
Net income							79,507	79,507
Exchange rate differences				2,784				2,784
Effective portion of changes in fair value of cash flow hedges			(2,274)					(2,274)
Actuarial (loss) / gain on post-employment benefit obligations						(4,100)		(4,100)
Other comprehensive income			(2,274)	2,784		(4,100)		(3,590)
Total comprehensive income for the period			(2,274)	2,784		(4,100)	79,507	75,917
Transactions with owners of the Company:								
Share-based compensation						6,788		6,788
Tax related to share-based payments						(1,370)		(1,370)
Dividends to shareholders							(31,010)	(31,010)
Addition to other (statutory) reserves					(19,764)	62,684	(42,920)	
Issuance of shares	83	61,592						61,675
Purchase of own shares						(21,599)		(21,599)
Options exercised						3,343		3,343
Purchase of non-controlling interest						(31,099)		(31,099)
Total transactions with owners of the Company	83	61,592			(19,764)	18,747	(73,930)	(13,272)
Balance at December 31, 2011	1,437	168,380	(6,217)	(18,074)	32,479	197,933	79,507	455,445
Balance at January 1, 2012	**1,437**	**168,380**	**(6,217)**	**(18,074)**	**32,479**	**197,933**	**79,507**	**455,445**
Net income							**88,974**	**88,974**
Exchange rate differences				**(9,785)**				**(9,785)**
Effective portion of changes in fair value of cash flow hedges			**1,372**					**1,372**
Taxes related to post-employment benefit obligations						**2,217**		**2,217**
Actuarial (loss) / gain on post-employment benefit obligations						**(2,632)**		**(2,632)**
Other comprehensive income			**1,372**	**(9,785)**		**(415)**		**(8,828)**
Total comprehensive income for the period			**1,372**	**(9,785)**		**(415)**	**88,974**	**80,146**
Transactions with owners of the Company:								
Share-based compensation						**7,908**		**7,908**
Taxes related to sharebased compensation						**2,879**		**2,879**
Dividends to shareholders							**(33,454)**	**(33,454)**
Addition to other (statutory) reserves					**446**	**45,607**	**(46,053)**	
Issuance of shares	**44**	**33,165**						**33,209**
Purchase of own shares						**(28,460)**		**(28,460)**
Options exercised						**17,889**		**17,889**
Purchase of non-controlling interest								
Total transactions with owners of the Company	**44**	**33,165**			**446**	**45,823**	**(79,507)**	**(29)**
Balance at December 31, 2012	**1,481**	**201,545**	**(4,845)**	**(27,859)**	**32,925**	**243,341**	**88,974**	**535,562**

Statutory reserves include €20.2 million (2011: €16.7 million) for reserves relating to earnings retained by subsidiaries and €12.7 million (2011: €15.8 million) for earnings from associates and joint ventures. Statutory reserves are non-distributable.

For information on shares purchased to cover the Company's option plans, see note 15 'Equity attributable to equity holders' of the consolidated financial statements.

39 Provisions

	Litigation	Total
Balance at January 1	**2,000**	**2,000**
Balance at December 31	**2,000**	**2,000**
Non-current	**2,000**	**2,000**
Current		
Total	**2,000**	**2,000**

40 Deferred tax assets and liabilities

	Deferred tax assets	Deferred tax liabilities	Total
Balance at January 1, 2011	9,227	(242)	8,985
Additions / deductions	(2,632)	(1,016)	(3,648)
Other changes	(222)	(146)	(368)
Changes recognized directly in equity	(2,385)	53	(2,332)
Balance at December 31, 2011	3,988	(1,351)	2,637
Balance at January 1, 2012	**3,988**	**(1,351)**	**2,637**
Additions / deductions	**5,203**	**(672)**	**4,531**
Other changes	**-**	**118**	**118**
Changes recognized directly in equity	**773**	**-**	**773**
Balance at December 31, 2012	**9,964**	**(1,905)**	**8,059**

41 Current liabilities

	2012	2011
Bank overdrafts	**49,792**	3,890
Suppliers	**2,758**	4,014
Payable to group companies	**233,164**	148,163
Pension liabilities	**1,823**	565
Short-term bank debt	**80,000**	35,000
Other liabilities	**6,893**	418
Total	**374,430**	192,050

The short-term credit facilities total €80 million, of which €24.6 million is used (2011: €56 million, €nil was used). No current receivables or other assets have been pledged.

Additionally there are €175 million of committed facilities attracting an interest rate that is EURIBOR-denominated (2011: €174 million, €35 million utilization), of which €95 million is undrawn (2011: €115 million).

Commitments and contingent liabilities

The Company is for income tax purposes the parent of the fiscal unit ARCADIS NV and is therefore liable for the liabilities of the fiscal unit as a whole.

Ultimo 2012 the Company had commitments for rent and lease obligations amounting to €4.1 million (2011: €4.6 million). The decrease related mainly to reduction in leaseholds on buildings.

Guarantees

ARCADIS NV has pledged a limited amount of guarantees for the short-term credit and guarantee facilities that are available for use to its operating companies. The total amount available under these facilities is €130 million of which €58.4 million was used at the balance sheet date (2011: €106 million of which €35.9 million was used). In addition to this amount, ARCADIS NV has issued corporate guarantees in 2012 for an amount of €20.7 million.

Notes to the company statement of income

42 Net income

Net income of subsidiaries is the share of ARCADIS NV in the results of its subsidiaries.
Other results relate to the financial performance of ARCADIS NV, and mainly include intercompany financial income such as management fees and royalty and branding fees, and financing income and expenses.

43 Remuneration of Executive Board and Supervisory Board

In 2012 an amount of €4.8 million (2011: €3.3 million) was charged to the Company for remuneration of Executive Board members including pension charges. This includes a one-off amount of €0.4 million 'crisis levy' ('crisisheffing') that was charged to the Company, following the Dutch tax law regulations. As variable remuneration, 57,500 performance shares and 115,000 performance options were granted. Reference is made to the 'Remuneration Report'. For information on the shares repurchased to cover for the exercise of options granted to Executive Board members and other key management personnel please see note 15 'Equity attributable to equity holders' of the consolidated financial statements. In the schedule below, the different components of the remuneration for each Executive Board member are provided.

For an explanation of the Remuneration Policy, see the 'Remuneration Report' included in this Annual Report on pages 58 to 62.

In EUR 1,000

	Year	Salary	Bonus [1]	Pension	Performance shares		Performance options	
					Number	Amount [2]	Number	Amount [2]
Neil C. McArthur [3]	**2012**	**500**	**314**	**82**	**17,500**	**198**	**35,000**	**122**
	2011	133	54	27	20,000	166	110,000 [4]	474
Renier Vree	**2012**	**420**	**236**	**77**	**10,000**	**113**	**20,000**	**70**
	2011	381	156	61	10,000	83	20,000	54
Stephanie Hottenhuis [5]	**2012**	**250**	**200**	**25**	**10,000**	**113**	**20,000**	**70**
Steven B. Blake	**2012**	**501**	**249**		**10,000**	**113**	**20,000**	**70**
	2011	431	207		10,000	83	20,000	54
Friedrich M.T. Schneider	**2012**	**400**	**200**	**79**	**10,000**	**113**	**20,000**	**70**
	2011	377	136	66	10,000	83	20,000	54
Former board member								
Harrie L.J. Noy [6]	**2012**	**280**	**175**	**63**				
	2011	509	213	133	17,500	145	35,000	94

1. The bonus is based on the results achieved in 2012 respectively 2011. This bonus will be paid in 2013 respectively 2012
2. This amount is charged over a 3-year period to the Company's statement of comprehensive income
3. Member of the Executive Board since September 1, 2011
4. Includes 70,000 unconditional options
5. Member of the Executive Board since May 16, 2012
6. Stepped down from the Executive Board per July 1, 2012

Year-end 2012, the Supervisory Board consisted of six members. The joint fixed remuneration for 2012 totaled €0.4 million (2011: €0.4 million), specified as follows:

In EUR 1,000

	2012	2011
Rijnhard W.F. van Tets	**66**	58
Ian Grice	**66**	61
Ruth Markland	**67**	58
George R. Nethercutt Jr.	**64**	63
Armando R. Pérez	**57**	52
J.C. Maarten Schönfeld	**55**	46
Gerrit Ybema	**13**	44

44 Interests held by members of the Executive Board

The interests held in the share capital of ARCADIS NV by members of the Executive Board were:

Shares ARCADIS NV	December 31, 2012	December 31, 2011
Neil C. McArthur	**40,411**	40,101
Renier Vree	**668**	310
Steven B. Blake	**143,228**	119,118
Stephanie Hottenhuis	**5,386**	
Friedrich M.T. Schneider	**36,340**	26,409
Conditional shares ARCADIS NV*		
Neil C. McArthur	**37,500**	20,000
Renier Vree	**41,600**	31,600
Steven B. Blake	**30,800**	30,400
Stephanie Hottenhuis	**15,800**	
Friedrich M.T. Schneider	**30,800**	31,600

* Amounts based on granting of 100% of the reference numbers, with maximal extention to 150%. See note 26 'Share-based compensation'. The conditional shares granted in 2009 became unconditional in May 2012.
For description of the plan, please refer to the paragraph 'Long-term variable remuneration' on page 59 of this Annual Report.

In 2012, the aggregate numbers of (conditional) share options held by the members of the Executive Board are as follows:

	Granted in	Exercise price in €	Outstanding at January 1, 2012	Granted in 2012	Increase by performance measure	Exercised in 2012	Outstanding at December 31, 2012	Expiration date
Neil C. McArthur	2011	16.18	110,000				110,000	19-05-2021
	2012	15.74		35,000			35,000	17-05-2022
Renier Vree	2010	14.33	73,200				73,200	14-05-2020
	2011	16.18	20,000				20,000	19-05-2021
	2012	15.74		20,000			20,000	17-05-2022
Steven B. Blake	2003	2.98	45,000			45,000		13-05-2013
	2005	5.98	39,000				39,000	10-05-2015
	2006	12.38	39,000				39,000	18-05-2016
	2007	19.89	30,341				30,341	18-05-2017
	2008	13.03	19,200				19,200	09-05-2018
	2009	10.91	19,200		9,600		28,800	09-05-2019
	2009	12.33	100,000				100,000	09-05-2019
	2010	14.33	21,600				21,600	14-05-2020
	2011	16.18	20,000				20,000	19-05-2021
	2012	15.74		20,000			20,000	17-05-2022
Stephanie Hottenhuis	2005	5.98	9,000			9,000		10-05-2015
	2006	12.38	9,000				9,000	18-05-2016
	2007	19.89	9,450				9,450	18-05-2017
	2008	13.03	5,000				5,000	09-05-2018
	2009	10.91	5,600		2,800	5,600	2,800	09-05-2019
	2010	14.33	5,600				5,600	14-05-2020
	2011	16.18	6,000				6,000	19-05-2021
	2012	15.74		20,000			20,000	17-05-2022
Friedrich M.T. Schneider	2006	12.38	37,500			15,000	22,500	18-05-2016
	2007	19.89	43,762				43,762	18-05-2017
	2008	13.03	21,600				21,600	09-05-2018
	2009	10.91	21,600		10,800	32,400		09-05-2019
	2010	14.33	21,600				21,600	14-05-2020
	2011	16.18	20,000				20,000	19-05-2021
	2012	15.74		20,000			20,000	17-05-2022

45 Shares and options held by members of the Supervisory Board

Members of the Supervisory Board hold no ARCADIS options or shares.

46 Employees

The number of employees (FTEs) in ARCADIS NV in 2012 (December, 31) was 60 (2011: 49).

For information on the options granted to employees of ARCADIS NV (excluding members of the Executive Board) as meant by Book 2 of the Dutch Civil Code article 383d paragraph 1, see note 26 'Share-based compensation' to the consolidated financial statements.

47 Principal accountant fees and services

The following table details the aggregate fees billed by our external accountant, KPMG Accountants N.V. including the foreign offices of KPMG, for the last two fiscal years for various services (in millions of €):

Type of services provided	2012	2011
Audit fees	**2.4**	2.1
Audit-related fees [1]	**0.1**	0.3
Tax fees [2]	**0.7**	0.9
Other non-audit fees [3]	**0.2**	1.8
Total	**3.4**	**5.1**

[1] Audit-related fees for the years ended December 31, 2012 and 2011 consist of fees for services that are traditionally performed by the independent accountants.
[2] Tax fees for the years ended December 31, 2012 and 2011 consist of fees expensed for tax compliance.
[3] This relates to other non-audit fees including due diligence. In 2011 this mainly relates to the acquisition of EC Harris.

Amsterdam, the Netherlands, February 26, 2013

Executive Board	**Supervisory Board**
Neil C. McArthur	Rijnhard W.F. van Tets
Renier Vree	Ian Grice
Stephanie Hottenhuis	Ruth Markland
Steven B. Blake	George R. Nethercutt Jr.
Friedrich M.T. Schneider	J.C. Maarten Schönfeld
	Armando R. Pérez

Other information

Profit allocation

Article 27 of the Articles of Association stipulates, among other things, that the Executive Board with the approval of the Supervisory Board shall annually propose which part of the profit shall be allocated to the reserves. The remaining part of the profit shall be at the disposal of the Annual General Meeting of Shareholders.

The Executive Board with the approval of the Supervisory Board proposes to present for acceptance to the Annual General Meeting of Shareholders to reserve an amount of €51.8 million and distribute a dividend amount of €37.2 million from the profits of the fiscal year 2012, amounting to €89.0 million, which represents a dividend of €0.52 per ordinary share.

Audit Committee pre-approval policies and procedures

The Audit Committee of the Supervisory Board has adopted a charter that details the duties and responsibilities of the Audit Committee. These duties and responsibilities include, amongst other things, reviewing and monitoring the financial statements and internal accounting procedures, approving the scope and terms of audit services to be provided by the independent auditor and monitoring the services provided by the independent auditor. All non-audit services provided by the independent auditor must be pre-approved by the Audit Committee. The Audit Committee will consider whether the provision of such services by the auditor is compatible with the auditor's independence.

Special rights to holders of priority shares

The priority shares are held by Stichting Prioriteit ARCADIS NV, whose board is composed by 20 members. They each have one vote on the board of the Foundation.
The Stichting Prioriteit ARCADIS NV has special statutory rights, which includes approval of the amendment of the Articles of Association of ARCADIS NV, and certain other topics, which have been described in note 15 'Equity attributable to equity holders' of the consolidated financial statements.

Independent auditor's report

Report on the financial statements

We have audited the accompanying financial statements for the year ended December 31, 2012 of ARCADIS NV, Arnhem. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on pages 74 to 119. The company financial statements comprise the company balance sheet as at December 31, 2012, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on pages 120 to 126.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report by the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ARCADIS N.V. as at December 31, 2012, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ARCADIS NV as at December 31, 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report by the Executive Board as included on pages 17 to 51, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Report by the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, the Netherlands, February 26, 2013

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

Other financial data

Net revenue = 100%

Consolidated statement of income in %	2012	2011
Gross revenue	**135.5**	139.8
Materials, services of third parties, and subcontractors	**(35.5)**	(39.8)
Net revenue	**100.0**	100.0
Operational costs	**(89.5)**	(89.0)
Depreciation and amortization	**(1.7)**	(1.9)
Amortization other intangible assets	**(0.8)**	(0.4)
Other income	**0.1**	0.9
Operating income	**8.1**	9.6
Net finance expense	**(1.2)**	(1.6)
Income from associates	**(0.2)**	0.0
Profit before tax	**6.7**	8.0
Income taxes	**(1.9)**	(2.2)
Profit for the period	**4.8**	5.8
Attributable to:		
Income for the period (equity holders of the parent)	**4.7**	5.5
Non-controlling interests	**0.1**	0.3
Net income from operations	**5.6**	5.7
EBITA margin recurring	**9.1**	9.8

Quarterly financial data				2012				2011
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Gross Revenue								
Quarterly	**594,576**	**633,843**	**649,479**	**666,564**	464,747	491,454	484,791	576,373
Cumulative	**594,576**	**1,228,419**	**1,877,898**	**2,544,462**	464,747	956,201	1,440,992	2,017,365
Quarterly (%)	**23.4**	**24.9**	**25.5**	**26.2**	23.0	24.4	24.0	28.6
Cumulative (%)	**23.4**	**48.3**	**73.8**	**100.0**	23.0	47.4	71.4	100.0
Net income from operations								
Quarterly	**23,574**	**23,663**	**26,448**	**31,365**	18,449	18,536	18,173	26,417
Cumulative	**23,574**	**47,237**	**73,685**	**105,050**	18,449	36,985	55,158	81,575
Quarterly (%)	**22.4**	**22.5**	**25.2**	**29.9**	22.6	22.7	22.3	32.4
Cumulative (%)	**22.4**	**45.0**	**70.1**	**100.0**	22.6	45.3	67.6	100.0
Net income from operations per share (in euros)								
Quarterly	**0.34**	**0.34**	**0.37**	**0.44**	0.28	0.28	0.28	0.39
Cumulative	**0.34**	**0.68**	**1.05**	**1.49**	0.28	0.56	0.84	1.23

Ten-year summary

These figures are derived from the published financial statements of the years concerned.

Consolidated balance sheet	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Intangible assets	**596.2**	501.3	373.4	342.7	249.3	226.9	154.2	127.9	55.4	41.4
Property, plant & equipment	**79.2**	73.9	93.4	84.8	66.5	63.9	55.0	56.0	43.6	44.9
Investments in associates and other investments	**30.8**	24.2	30.7	26.2	15.7	20.0	5.2	7.5	5.6	
Deferred tax assets	**38.4**	34.2	29.1	18.0	12.2	14.1	8.3	13.2	9.7	
Derivatives			0.1	1.2	3.8					
Other non-current assets	**25.8**	18.3	24.4	20.0	15.0	8.0	12.0	12.6	8.1	12.4
Total non-current assets	**770.4**	651.9	551.1	492.9	362.5	332.9	234.7	217.1	122.4	98.7
Inventories	**0.7**	0.9	0.4	0.5	0.8	0.7	0.5	0.4	0.5	15.2
Derivatives	**1.6**	0.7	0.4	0.1	0.2	-	-	1.7	-	
(Un)billed receivables	**719.2**	691.9	591.9	555.1	538.5	464.8	373.4	321.0	271.3	202.1
Other current assets	**38.1**	46.6	44.4	35.9	32.0	27.5	23.8	31.9		
Corporate income tax receivable	**11.8**	8.8	4.1	6.2	6.4	3.2	2.6	4.0	-	
Assets classified as held for sale			24.4							
Cash and cash equivalents	**229.1**	158.2	207.8	224.5	117.9	92.6	101.5	73.9	48.2	31.3
Total current assets	**1,000.5**	907.1	873.4	822.3	695.9	588.8	501.8	433.0	320.0	248.6
Total assets	**1,770.9**	1559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1	442.3	347.3
Shareholders' equity	**535.6**	455.5	392.8	351.7	207.6	187.7	188.9	176.2	136.4	136.5
Non-controlling interest	**1.1**	(0.1)	18.4	16.8	12.3	11.5	11.8	11.9	9.0	7.6
Total equity	**536.7**	455.4	411.2	368.5	219.9	199.2	200.7	188.1	145.4	144.1
Provisions	**59.6**	51.8	26.6	28.4	26.7	15.7	19.9	15.8	27.4	20.0
Deferred tax liabilities	**41.1**	22.8	11.0	10.8	6.0	14.7	20.4	26.3	12.1	
Loans and borrowings	**300.5**	371.4	318.2	342.1	266.8	165.1	119.3	116.1	13.0	29.7
Derivatives	**3.8**	5.2	7.2	0.8	16.9	21.2	5.8	-	-	
Total non-current liabilities	**405.0**	451.2	363.0	382.1	316.4	216.7	165.5	158.2	52.5	49.7
Billing in excess of cost	**177.4**	169.2	157.2	158.8	182.7	142.9	111.9	89.3	40.3	
Corporate tax payable	**13.9**	10.3	14.8	7.4	18.7	17.2	1.9	8.2	9.9	
Trade and other liabilities	**637.9**	472.9	455.1	398.4	320.7	345.7	256.5	206.4	194.3	153.5
Liabilities classified as held for sale			23.2							
Total current liabilities	**829.2**	652.4	650.3	564.6	522.1	505.8	370.3	303.8	244.5	153.5
Total equity and liabilities	**1,770.9**	1559.0	1,424.5	1,315.2	1,058.4	921.7	736.5	650.1	442.3	347.3
Total equity as % of balance sheet total	**30**	29	29	28	21	22	27	29	33	41
Interest coverage ratio	**8**	7	7	10	7	14	17	17	10	13
Net Debt to EBITDA ratio [1]	**1.5**	1.4	1.4	1.0	1.3	1.1	0.4	0.6	(0.1)	0.7
Acquisitions	**87.8**	109.8	50.6	92.8	84.8	98.0	53.8	80.9	17.3	46.1
Investments	**34.8**	35.3	35.7	26.3	28.4	33.3	19.3	17.7	12.5	18.2
Depreciation	**32.5**	27.7	27.3	24.5	23.3	20.4	17.7	15.2	15.7	16.1
Cash flow (net income + amortization and depreciation)	**136.4**	112.5	107.5	104.4	92.8	87.5	70.9	54.6	38.3	38.6
Net cash provided by operating activities	**158.0**	79.6	91.8	152.5	80.5	78.9	86.4	66.8	44.8	59.1
Average number of employees (in thousands)	**19,507**	15,589	14,590	13,519	13,180	11,304	9,685	9,208	9,419	8,827
Total shares issued (x 1,000) [2]	**74,036**	71,836	67,676	67,676	61,937	61,937	61,937	61,937	61,937	61,293
Maximum increase from exercising options	**9,554**	9,914	8,113	8,311	5,725	5,117	3,810	4,311	3,801	4,683

[1] From 2008 onwards calculated according to bank covenants.
[2] All total shares, share amounts, per share ratio's and closing prices are retrospectively adjusted for the share split of May 2008.
The 2003 financial data are not adjusted to comply with the International Financial Reporting Standards (IFRS).
These figures are derived from the published financial statements of the years concerned.

amounts in millions of euros unless otherwise stated

Consolidated statement of income	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross revenue	**2,544.5**	2,017.4	2,002.8	1,785.8	1,739.9	1,510.2	1,233.0	1,001.1	900.8	840.6
Materials, services of third parties and subcontractors	**(666.3)**	(574.1)	(628.1)	(568.2)	(578.0)	(505.8)	(395.6)	(297.8)	(268.2)	(245.2)
Net revenue	**1,878.2**	1,443.3	1,374.7	1,217.6	1,161.9	1,004.5	837.5	703.3	632.5	595.4
Personnel costs	**(1,382.5)**	(1,039.3)	(983.2)	(865.5)	(801.2)	(693.3)	(581.3)	(484.5)	(448.7)	(428.8)
Other operational costs	**(298.3)**	(245.1)	(228.6)	(207.7)	(207.6)	(185.2)	(159.6)	(143.2)	(132.3)	(114.5)
Depreciation and amortization	**(32.5)**	(27.7)	(27.3)	(24.5)	(23.3)	(20.4)	(17.7)	(15.2)	(15.7)	(16.1)
Other income	**1.5**	13.2	0.3	1.7	2.0	1.6				
EBITA	**166.4**	144.4	135.9	121.6	131.8	107.2	78.8	60.4	35.9	36.0
Amortization other intangible assets	**(14.9)**	(5.4)	(6.3)	(7.2)	(12.2)	(12.2)	(8.3)	(6.0)	(0.4)	(1.2)
Operating income	**151.5**	139.0	129.6	114.4	119.6	95.0	70.5	54.4	35.5	34.9
EBITA margin %	**8.9**	10.0	9.9	10.0	11.3	10.7	9.4	8.6	5.7	6.0
Net financing expenses	**(21.8)**	(23.4)	(18.3)	(3.6)	(23.6)	(8.6)	(3.5)	(1.8)	(3.5)	(2.8)
Income from associates	**(3.1)**	0.3	0.7		(0.1)	(0.8)	(0.5)	1.4	2.4	2.6
Profit before income tax	**126.6**	115.9	112.0	110.8	95.9	85.5	66.5	53.9	34.5	34.6
Income taxes	**(36.4)**	(32.4)	(34.6)	(37.0)	(32.9)	(28.0)	(20.1)	(17.3)	(10.4)	(11.7)
Profit for the period	**90.2**	83.5	77.4	73.8	63.0	57.5	46.4	36.6	24.1	22.9
Attributable to:										
Equity holders of the Company (net income)	**89.0**	79.5	73.9	72.8	57.3	54.9	44.9	33.4	22.2	21.4
Non-controlling interest	**1.2**	4.0	3.5	1.0	5.7	2.6	1.5	3.2	1.9	1.5
Net income from operations	**105.1**	**81.6**	**78.4**	**74.3**	**70.0**	**62.3**	**50.0**	**33.4**	**23.8**	**22.5**
Return on equity in %	**18.0**	18.7	19.9	26.0	29.0	29.2	24.6	21.4	16.3	15.8
Return on assets in %	**7.6**	7.8	8.2	9.3	9.7	10.3	9.6	9.9	8.7	10.0
Dividend proposal	**37.2**	32.6	31.1	29.9	27.0	24.8	20.3	13.4	9.9	9.8

Data per share* (in euros, unless otherwise stated)

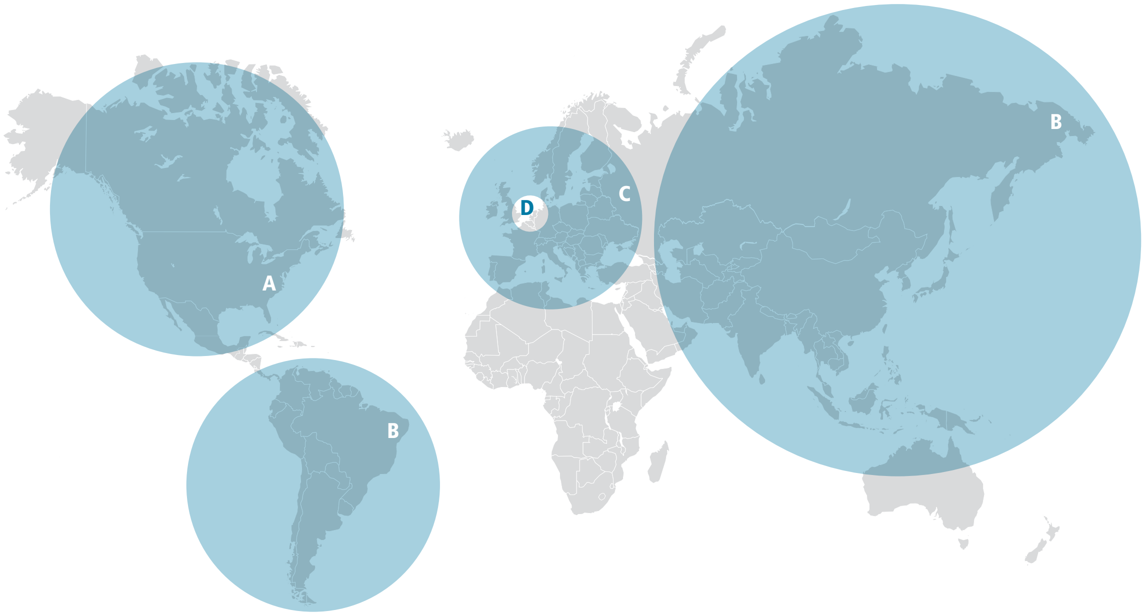
Earnings per share from operations	**1.49**	1.23	1.19	1.18	1.16	1.02	0.82	0.55	0.39	0.38
Net earnings per share	**1.26**	1.20	1.12	1.15	0.95	0.90	0.74	0.55	0.37	0.36
Dividend proposal	**0.52**	0.47	0.47	0.45	0.45	0.41	0.33	0.22	0.16	0.16
Shareholders' equity	**7.23**	6.34	5.80	5.20	3.35	3.03	3.05	2.84	2.20	2.23
Closing price Amsterdam Euronext	**17.89**	12.10	17.42	15.83	9.40	15.77	15.57	8.93	4.57	3.11

*All total shares, share amounts, per share ratio's and closing prices are retrospectively adjusted for the share split of May 2008.

The 2003 financial data are not adjusted to comply with the International Financial Reporting Standards (IFRS).
These figures are derived from the published financial statements of the years concerned.

amounts in millions of euros unless otherwise stated

Geographical distribution



Organization structure ARCADIS NV

A United States

Personnel: **6,234**
Gross Revenue **€1,144m**
Global revenues of: **45%**
Ebita **€91.7m**
Operational Margin: **12.2%**

ARCADIS US

RTKL

B Emerging Markets

Personnel: **7,747**
Gross Revenue **€526m**
Global revenues of: **21%**
Ebita **€49.3m**
Operational Margin: **11.5%**

Brazil
ARCADIS Logos

Chile
ARCADIS

Asia
ARCADIS Asia
RTKL
EC Harris
Langdon & Seah

Middle East
RTKL
EC Harris

C Europe Excluding The Netherlands

Personnel: **5,291**
Gross Revenue **€563m**
Global revenues of: **22%**
Ebita **€27.6m**
Operational Margin: **5.9%**

Belgium
ARCADIS Belgium

Czech Republic
ARCADIS CZ

France
ARCADIS

Germany
ARCADIS Deutschland

Italy
ARCADIS

Poland
ARCADIS Polska

Romania
ARCADIS

United Kingdom
ARCADIS UK
EC Harris
RTKL

D The Netherlands

Personnel: **2,424**
Gross Revenue **€311m**
Global revenues of: **12%**
Ebita **€20.3m**
Operational Margin: **8.6%**

ARCADIS Nederland

Head office

ARCADIS NV
"Symphony"
Gustav Mahlerplein 97-103
1082 MS Amsterdam
P.O. Box 7895
1008 AB Amsterdam
The Netherlands
Phone: +31 (0)20 2011 011
Fax: +31 (0)20 2011 003
E-mail: info@arcadis.com
Internet: www.arcadis.com
CEO
Neil McArthur, BSc, MBA

Principal offices

Belgium
ARCADIS Belgium nv/sa
Koningsstraat 80
1000 Brussels
Belgium
Phone: +32 2 505 75 00
Fax: +32 2 505 75 01
E-mail: info@arcadisbelgium.be
Internet: www.arcadisbelgium.be
Managing Director
Luc Hellemans

Brazil
ARCADIS Logos S.A.
Rua Líbero Badaró, 377 - 11º Andar
CEP 01009-906, São Paulo
Brazil
Phone: +55 11 3117 3171
Fax: +55 11 3105 7351
E-mail: contato@arcadislogos.com.br
Internet: www.arcadislogos.com.br
CEO
Manoel Antonio Avelino da Silva, MSc

Chile
ARCADIS Chile S.A.
Avda. Antonio Varas 621
Providencia, Santiago
Chile
Phone: +56 22 3816000
Fax: +56 22 3816001
E-mail: info@arcadis.cl
Internet: www.arcadis.cl
CEO
Hernán Bezamat Cuadra, Civ. Eng.

China
ARCADIS Asia
United Plaza, Unit 2206,
1468 Nanjing Rd (West), Jin'An District
Shanghai 200040
Peoples Republic of China
Phone: + 86 (0) 21 6039 7199
Fax: +86 21 60397111
E-mail: info@arcadis.cn
Internet: www.arcadis.cn
Executive Director
Thomas Kustusch

Czech Republic
ARCADIS CZ a.s.
Geologická 988/4
152 00 Prague 5
Czech Republic
Phone +420 234 654 111
Fax +420 234 654 112
E-mail: info@arcadis.cz
Internet: www.arcadis.cz
CEO
Václav Hořejší

France
ARCADIS ESG
9 Avenue Réaumur
92354 Le Plessis-Robinson Cedex
France
Phone: +33 1 46 01 24 68
Fax: +33 1 46 01 35 99
E-mail: direction@arcadis-fr.com
Internet: www.arcadis-fr.com
Managing Director
Paul Souaid

Germany
ARCADIS Deutschland GmbH
Europaplatz 3
64293 Darmstadt,
P.O. Box 100331
64203 Darmstadt
Germany
Phone: +49 6151 3880
Fax: +49 6151 388999
E-mail: info@arcadis.de
Internet: www.arcadis.de
Managing Director
Walter Verbruggen

Italy
ARCADIS ITALIA Srl
Via G..Galilei, 16
20090 Assago (MI)
Italy
Phone: +39 02 4884 1600
Fax: +39 02 4884 9056
E-mail: info@arcadis.it
Internet: www.arcadis.it
Managing Director
Domenico Santi

The Netherlands
ARCADIS Nederland BV
Nieuwe Stationsstraat 10
6811 KS Arnhem
P.O. Box 33
6800 LE Arnhem
The Netherlands
Phone: +31 26 3778 911
Fax : +31 26 3778 560
E-mail: info@arcadis.nl
Internet: www.arcadis.nl
CEO
Rob Mooren, MSc

Poland
ARCADIS Polska Sp. z o.o.
ul. Pulawska 182
02-670 Warsaw
Poland
Phone: +48 22 203 2000
Fax: +48 22 203 2001
E-mail: arcadis@arcadis.pl
Internet: www.arcadis.pl
CEO
Marcin Klammer

Romania
ARCADIS Eurométudes S.A.
Calea Grivitei nr. 136
Corp B, etaj 2
Sector 1 Bucharest
Romania
Phone: +40 21 31 22699
Fax: +40 21 31 22697
E-mail: office@arcadis-ro.com
Managing Director
Alexandrina Iulia Otelea

United States
ARCADIS U.S., Inc.
630 Plaza Drive
Suite 100
Highlands Ranch
CO 80129-2379
United States
Phone: +1 720 344 3500
Fax: +1 720 344 3535
E-mail: AUSInternet@arcadis-us.com
Internet: www.arcadis-us.com
CEO
Steve Blake

RTKL
RTKL Associates Inc.
901 South Bond Street
Baltimore
Maryland 21231
United States
Phone: +1 410 537 6000
Fax: +1 410 276 2136
Internet: www.rtkl.com
President and CEO
Lance K. Josal, FAIA

EC Harris
ECHQ
34 York Way, London
N1 9AB
United Kingdom
Phone: +44 (0) 20 7812 2000
Fax: +44 (0) 20 7812 2001
Email: info@echarris.com
Website: www.echarris.com
CEO
Philip Youell

Langdon & Seah
38/F, AIA Kowloon Tower, Landmark East
100 How Ming Street
Kwun Tong,
Kowloon,
Hong Kong
Tel : +852 2830 3500
Fax : +852 2576 0416
Email : info@hk.LangdonSeah.com
Website: www.langdonSeah.com
Chief Executive
Joseph Lee

Glossary

AAC: ARCADIS Audit Committee.
Advanced Management Program:
Internal training program for ARCADIS managers.
Backlog: Value of signed orders in the portfolio to be filled, expressed as gross or net revenue.
Billability: Number of hours worked chargeable to a client.
Cash Flow Operating Activities: Profit for the period adjusted for non-cash items and cash flow from working capital.
DBFO: Design Build Finance and Operate projects are those in which ARCADIS is responsible (alone or in cooperation with partners) for design, realization, finance and operations.
Debt to EDITDA: A measure of a company's ability to pay off its incurred debt. This ratio gives the investor the approximate amount of time that would be needed to pay off all debt, excluding interest, taxes, depreciation and amortization.
Defined Benefit: When the benefit on retirement from a pension fund to its participants is fixed.
Defined Contribution: When the value of the contribution to the pension fund made by the company is fixed.
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization/Impairment of goodwill/identifiable assets.
EBITA: Earnings Before Interest, Taxes and Amortization/ Impairment of goodwill/identifiable assets.
Flexibility (flex) index: Measurement of the capability to adjust staffing levels in the short term by adjusting the number of temporary staff contracts in relation to the total.
Free cash flow: Cash flow from operating activities minus investments in property plant and equipment.
General Business Principles: A set of working ethics for our employees.
Goodwill: The difference between the costs of an acquisition over the fair value of the identifiable net assets acquired.
Gross revenue: The gross inflow of economic benefits during the period arising in the course of ordinary activities.
GRiP®: Guaranteed Remediation Program is an environmental service whereby ARCADIS takes responsibility for possible risks.
IFRS: International Financial Reporting Standards
Impairment test: An assessment on the value of an asset in use, whereby estimated future cash flows are discounted to reflect market conditions and the risks specific to the asset.
Multinational clients: Private sector clients with locations in various countries.
Net cash position: Cash and cash equivalents compared to bank overdraft facilities.
Net debt: Interest bearing debt minus all cash and cash equivalents.
Net income from operations: Net income before non-recurring items, the amortization/impairment of goodwill/identifiable assets and share-based payments related to the Lovinklaan Foundation share purchase plan.
Net revenue: Gross revenue minus materials, subcontracting and services from third parties which is the revenue produced by the activities of ARCADIS staff.
Net working capital: Sum of unbilled receivables, inventories and trade receivables minus suppliers and billing in excess of costs.
One-stop shopping concept: Offering a full range of activities to each client.
Operating income: Earnings before interest and taxes
Order intake: The amount of new projects for which contracts have been signed, expressed in gross or net revenue.
Organic growth: Changes of revenue and income of the ordinary activities as a result of change in output of the company, which is excluding acquisitions, divestments and currency effects.
Peer group: Group of listed companies that is comparable to ARCADIS both in size and activity.
Percentage-of-completion: Method to recognize revenue and expenses in a statement of income in proportion to the percentage of completion of the contract
Proxy solicitation: Means to provide shareholders the opportunity to vote without being present at the shareholders meeting.
Return On Invested Capital: The sum of earnings before interest after taxes before amortization (EBIA) and income from associates divided by average group equity and net debt.
Senior Management Committee: ARCADIS Senior Management consisting of the Executive Board, the Staff Directors and the CEO's of major operating companies.
Total shareholder return: Stock price appreciation plus dividend yield
Voluntary turnover percentage: Voluntary termination of permanent own staff divided by the average number of permanent own staff during the period.
Webcasting: Broadcast via the internet of press conferences or analyst meetings.

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The forward looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward looking statements.

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