ARCADIS

Infrastructure · Water · Environment · Buildings

REPORT THIRD QUARTER 2010

ARCADIS NV
Report third quarter 2010

- Gross revenues increase 7% in third quarter
- Organic net revenue growth 2%; all business lines contribute to this growth
- Net income from operations increases 5%
- Margin remains at good level, despite more challenging market in Europe
- Strategy 2011-2013 completed; goals for growth and EBITA margin maintained
- Outlook for full year 2010 unchanged: slight increase of net income from operations

ARCADIS in the third quarter of 2010 reported net income from operations of € 19.1 million, 5% more than last year. Gross revenues increased 7% to € 503 million, mainly due to a weaker euro against other currencies relevant to ARCADIS. Net revenues grew organically by 2%. All business lines contributed to this increase. The strongest growth came from the U.S. environmental market, while RTKL, Brazil and Chile also contributed to growth. As a result of reduced spending in the municipal markets, activities in Europe declined. In Brazil some energy projects were sold, partially compensating for the project losses from the first two quarters. Also excluding this effect, the margin was maintained at a good level.

In the first nine months of 2010 gross revenues rose 12% to almost € 1.5 billion. The growth mainly came from the merger with Malcolm Pirnie. The strong organic revenue decline of the first quarter could not yet be fully offset. Net income from operations increased 8% to € 54.7 million.

The most positive development in this quarter is that our net revenues for the first time since the start of the crisis show organic growth again. The economic recovery is driving market improvement in the United States. This results in increasing environmental expenditure of companies, while our strong competitive position allows us to win market share. RTKL is also growing again, especially due to successful expansion of activities in Asia and the Middle East. In Brazil and Chile investments in mining and energy projects are the main growth drivers. Offsetting this is the softening of the European market, where pressure on government budgets leads to revenue declines and price pressure. With our new strategic plan we can benefit from a further economic recovery and we aim at creating more opportunities in rapidly growing markets.

Key figures

Amounts in € million, unless otherwise noted	Third Quarter			First Nine months		
	2010	2009	▲	2010	2009	▲
Gross revenues	503	470	7%	1,463	1,302	12%
Net revenues	346	318	9%	1,025	895	14%
EBITA	35.1	29.8	18%	96.2	86.1	12%
EBITA *recurring*	35.1	32.0	10%	96.2	88.3	9%
Net income from operations [1)]	**19.1**	**18.2**	**5%**	**54.7**	**50.8**	**8%**
Ditto per share (in €) [1)]	**0.29**	**0.28**	**5%**	**0.83**	**0.82**	**1%**
Av. number of outstanding shares (millions)	65.8	65.6		66.2	62.1	

[1)] Before amortization and non-operational items

Third quarter

Gross revenues grew 7%, net revenues (revenues produced by own staff) rose by 9%. The currency effect was 7%. The contribution from acquisitions and divestments on balance was negligible. Organically, gross revenues were stable, while net revenues increased 2%. The difference is the result of the completion of a number of large projects with substantial subcontracting in the fourth quarter of 2009.

The organic growth mainly came from the United States, where the recovering economy resulted in an increasing demand for environmental services. In Brazil and Chile the strong economy led to healthy growth, while RTKL showed a strong recovery, mainly due to more work from Asia and the Middle East. Excluding Germany, all European countries saw revenue declines, especially due to lower demand from local governments.

Recurring EBITA[1] rose by 10% to € 35.1 million. The currency effect was 9%, the acquisition impact was marginal. The organic increase of 1% resulted also from the sale of some energy projects in Brazil which on balance yielded a gain of € 1.3 million. Even though procedures for the sale of carbon credits are up and running again, this did not yet result in income in the quarter (2009: € 0,2 million). The costs for reorganization, including integration of Malcolm Pirnie, amounted to € 1.5 million (2009: € 2.3 million). Operationally, EBITA saw a slight

[1] *In Q3 2009, EBITA was negatively impacted by € 2.2 million in costs related to a one-off distribution of bonus shares under the share participation program of the Lovinklaan Foundation, main shareholder of ARCADIS. These costs were earmarked as non-recurring.*

ARCADIS PERFORMANCE IN LINE WITH EXPECTATIONS

STRATEGY 2011 – 2013 MAINTAINS GOALS FOR GROWTH AND MARGIN

decline. This was the balance of continuing profit improvements in the U.S., stronger results in RTKL, a good performance in Brazil and Chile and less profit from Europe.

The margin (recurring EBITA as a percentage of net revenues) at 10.1% remained at a good level (2009 also 10.1%). Excluding the impact of Brazilian energy projects, the margin came out to 9.9%.

Financing costs were € 5.0 million and were higher than last year (€ 3.3 million), due to currency effects and higher interest charges on Brazilian loans. Net income from operations came out to € 19.1 million, an increase of 5%. This is less than the EBITA increase as more profit came from Brazil (where ARCADIS has a 50.01% share) and financing charges were higher.

First nine months

Gross revenues rose 12%, while net revenues were 14% higher. The currency effect was 4%. The contribution from acquisitions (mainly Malcolm Pirnie) was 11%. Organically, gross and net revenues declined 2% and 1% respectively.

Recurring EBITA rose 9% to € 96.2 million. The currency effect was 4%, the contribution from acquisitions 8%. The organic decline of 4% was caused by losses on an energy project in Brazil which in the third quarter was partially compensated by sales proceeds. On balance, a negative effect of € 3.2 million remains. This is expected to be further compensated in the fourth quarter. Reorganization costs, including costs for the integration of Malcolm Pirnie, were € 4.8 million (2009: € 7.6 million). Operationally there was a slight EBITA decrease. Excluding the impact of the Brazilian energy projects, the margin was 9.7% (2009: 9.9%).

Financing charges were € 13.7 million, against € 7.0 million last year (excluding the effect of derivatives, of which the sale generated € 7.5 million early 2009). The increase is mainly the result of acquisitions. Net income from operations rose 8% to € 54.7 million. Higher financing charges and a larger minority interest were offset by a lower tax rate and a higher contribution from associated companies.

Developments by business line

Figures noted below concern gross revenues for the first nine months of 2010 compared to the same period last year, unless otherwise noted. As of 2010, Water is a separate business line, whereas previously this was part of Infrastructure.

Infrastructure *(26% of gross revenue)*
Gross revenues rose 1%. The currency effect was 5%. Organically gross revenues declined 5% but net revenues rose 2%. The difference occurred due to completion of projects with substantial subcontracting in the fourth quarter 2009.
A reduction in spending of mostly local governments in Europe is causing pressure on revenues. After a decline earlier this year, U.S. activities seem to stabilize, while in Brazil and Chile growth is increasing due to a strong economy and investments in mining and energy.

Water *(19% of gross revenue)*
Gross revenues increased 67%, mainly as a result of the merger with Malcolm Pirnie. The currency effect was 5%. Organically, gross revenues rose 1% and net revenues 4%. Although in the third quarter activities increased, the growth is slowing down due to the pressure on government budgets, both in Europe and the United States. In California a contract was signed with the Delta Stewardship Council for consultancy services regarding water management and the restoration of wetlands.

Environment *(36% of gross revenue)*
Gross revenues rose 12%. Acquisitions (Malcolm Pirnie) contributed 7%. The currency effect was 4%. Organically, gross revenues rose 1%, net revenues were flat. The recovery in the U.S. environmental market continues, with 8% growth in the quarter. In Brazil, activities also increased. In Europe, revenues declined due to less government spending and because the economic recovery has not yet yielded more demand from private sector companies. However, a large contract was won for the U.S. Army in Europe.

Buildings *(19% of gross revenue)*
Gross revenues declined 4%. The currency effect was 2%, acquisitions contributed 1%. Organically gross revenues declined 6%, net revenues 7%.

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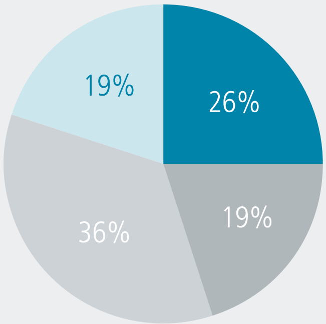
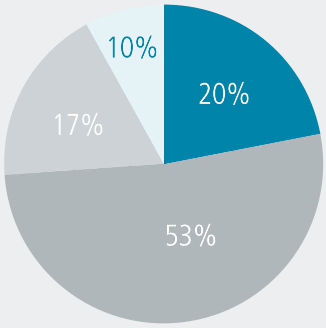


GROSS REVENUE BY BUSINESS LINE

- 26% Infrastructure
- 19% Water
- 36% Environment
- 19% Buildings



GROSS REVENUE BY REGION

- 20% The Netherlands
- 53% United States
- 17% Europe excluding teh Netherlands
- 10% Rest of world

The third quarter saw a strong recovery with an organic growth of 2%. The recovery was strongest in RTKL, mainly due to an increase in work from Asia and the Middle East. Demand for project management was up in Germany, while in the U.K. some improvement occurred. The acquisition of architecture firm AHS in Beijing, further strengthened the position of RTKL in China.

Outlook

The economic recovery in the U.S. and Europe is still fragile. Recent economic measures in the U.S. again underline this point. In Europe, governments have announced considerable austerity measures to get their budgets back in order. It is still unclear what the effect of this will be on the economy and to what extent it will influence markets relevant to us. The markets in Brazil and Chile are developing positively while also in Asia and parts of the Middle East many opportunities exist for further expansion of our activities.

In the **infrastructure** market many large projects are based on multiyear programs for which financing is already in place. In the Netherlands, the cancellation of the FES fund will not affect ongoing or already funded investments. To meet the large demand for infrastructure, governments will increasingly use PPP contracts. In Brazil and Chile recent large contract wins provide a solid basis for continued growth.

Facilities in the **water** market are mostly financed from specific water charges, so this market is less sensitive to government austerity programs. Synergy with Malcolm Pirnie is generating a significant number of new orders, both in the U.S. as well as internationally.

The **environmental** market is expected to recover further, especially by increasing demand from private sector firms. Outsourcing of portfolios of contaminated locations and vendor reduction provide opportunities to further increase our market share. The signing of new GRiP® projects has been delayed, but the pipeline is well filled. We also benefit from the growing demand for energy savings and carbon footprint reduction.

The situation in the **buildings** market has improved. The market for commercial real estate in Europe and the U.S. is stable at a low level. Although legislation is causing delays in the U.S. healthcare market, the backlog for RTKL is healthy due to assignments from Asia and the Middle East. Through the acquisition of AHS, RTKL can capitalize on the considerable investments in Chinese healthcare.

The economic recovery results in growing investments from the private sector with positive effects in the environmental and buildings markets. Government austerity programs are causing uncertainty, especially in the European infrastructure market. Our order book declined slightly in the third quarter, but is still 6% above the level at the start of the year. Maintaining margins remains a key priority. We remain alert to make necessary adjustments in response to changing market conditions. The integration with Malcolm Pirnie is on schedule and, in addition to top line synergy, will also bring operational benefits in 2011. Our updated strategy is our guide to benefit from the many opportunities in the market place and to further expand our business through acquisitions. Barring unforeseen circumstances we expect for full year 2010 a slight increase of 0 – 5% of net income from operations.

Strategy 2011 – 2013: Leadership, Balance, Growth

Current strategy successful

ARCADIS has a planning process in which the strategy is reviewed every three years. This was done again in 2010. In doing so it was concluded that the current strategy is successful. Over the past five years gross revenues saw a compounded annual growth of 15%, and net income from operations of more than 25%. Despite the economic crisis which started in 2008, we realized an average annual organic growth of more than 6% for the 2005-2009 period, while the margin remained above our goal of at least 10%. The main factors which contributed to this success are: a good spread in geographies, clients and business lines; solid organic growth through client focus and internal synergy; a shift towards activities higher in the value chain; acquisitions which add value; reduction of working capital; strong management and talented people throughout the organization. These will also remain key elements for the updated strategy.

Growth and margin targets maintained

Given the results that were achieved, the strategy for the period 2011-2013 is a logical continuation of the current strategy. Despite the aftermath of the economic crisis, the outlook for the coming period is positive. For the more mature markets in Europe and North America the growth expectation is 4-5%, while for emerging markets this is 5-10%. With our updated strategy we want to achieve at least a level of organic growth that surpasses market growth. We want to realize this by:

- Further implementing a client focused business model in which a client oriented attitude, (international) account management and cross selling to existing clients are core elements.
- Leveraging our specialist knowledge and experience to enter new markets or enlarge our market share in countries where we already have a position.
- Expanding in emerging markets. This includes further growth in Brazil and Chile and strengthening positions in Asia and the Middle East.

The growth goal is maintained at 15% per year, while the margin target remains at least 10%. The goal for return on invested capital of 15% is retained. Taking into account the possible effects of government austerity programs, the goal for organic growth in the period 2011- 2013 has been set at 5-7% per year. In addition, acquisitions will fulfill an important role in realizing our strategic goals. The consolidation in our industry offers good opportunities for this. ARCADIS has extensive experience in creating synergy through acquisitions, has a strong international network and a healthy balance sheet. These factors position us excellently for active participation in the consolidation process.

Leading positions in four market segments

It is our ambition to further build and strengthen leading positions in each of the business lines in which ARCADIS is active. In **Infrastructure** our ambition is a leading position in providing integrated solutions based on strong home market positions. In **Water** we strive for a leading position in selected geographical markets based on our integral approach of the entire water cycle. In **Environment** our ambition is to be the leading global service provider of high value-added environmental services to key multinational, national and local clients. In **Buildings** we want to be a global partner based on a top position in design, consulting and project management. The goals per business line are:

	Organic growth goal	Margin target
Infrastructure	3 - 5%	8 - 9%
Water	5 - 7%	10 - 11%
Environment	7 - 9%	12 - 13%
Buildings	5 - 7%	10 - 11%

More information on the updated strategy can be found on the ARCADIS website: www.arcadis.com

Executive Board
Arnhem, the Netherlands, November 11, 2010

The figures in this statement are unaudited.

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Condensed consolidated statement of income

	Third quarter		First nine months	
	2010	2009	2010	2009
Gross revenue	502.6	469.6	1,462.6	1,302.3
Materials, services of third parties and subcontractors	(156.5)	(151.6)	(438.0)	(407.1)
Net revenue	346.1	318.0	1,024.6	895.2
Operational cost	(304.1)	(282.0)	(908.2)	(792.0)
Depreciation	(7.1)	(6.3)	(20.5)	(17.9)
Other income	0.2	0.1	0.3	0.8
EBITA	35.1	29.8	96.2	86.1
Amortization identifiable intangible assets	(1.6)	(3.3)	(4.8)	(5.3)
Operating income	33.5	26.5	91.4	80.8
Net finance expense	(5.0)	(3.3)	(13.7)	0.5
Income from associates	0.2	-	1.0	-
Profit before taxes	28.7	23.2	78.7	81.3
Income taxes	(9.3)	(8.8)	(26.0)	(29.7)
Profit for the period	19.4	14.4	52.7	51.6
Attributable to:				
Net income (Equity holders of the Company)	18.0	13.9	51.3	50.7
Minority interest	1.4	0.5	1.4	0.9
Net income	18.0	13.9	51.3	50.7
Amortization identifiable intangible assets after taxes	1.0	2.1	3.1	3.4
Lovinklaan employee share purchase plan	0.1	2.2	0.3	2.3
Net effects of financial instruments	-	-	-	(5.6)
Net income from operations	19.1	18.2	54.7	50.8
Net income per share (in euros)	0.27	0.21	0.78	0.82
Net income from operations per share (in euros)	0.29	0.28	0.83	0.82
Weighted average number of shares (in thousands)	65,758	65,606	66,162	62,093

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Hedging reserve	Cumulative translation reserve	Retained earnings	Total share-holders' equity	Minority interest	Total equity
Balance at December 31, 2008	1.2	36.2		(40.2)	210.4	207.6	12.3	219.9
Profit for the period					50.7	50.7	0.9	51.6
Exchange rate differences				8.0		8.0	2.8	10.8
Effective portion of changes in fair value of cash flow hedges			(1.0)			(1.0)		(1.0)
Taxes related to share-based compensation					1.3	1.3		1.3
Other comprehensive income			(1.0)	8.0	1.3	8.3	2.8	11.1
Total comprehensive income for the period			(1.0)	8.0	52.0	59.0	3.7	62.7
Dividends to shareholders					(27.1)	(27.1)	(0.1)	(27.2)
Share-based compensation					6.9	6.9		6.9
Additional paid in capital	0.1	70.6				70.7		70.7
Options exercised					1.5	1.5		1.5
Balance at September 30, 2009	1.3	106.8	(1.0)	(32.2)	243.7	318.6	15.9	334.5
Balance at December 31, 2009	1.3	106.8	0.1	(28.4)	271.9	351.7	16.8	368.5
Profit for the period					51.3	51.3	1.4	52.7
Exchange rate differences				4.1		4.1	1.4	5.5
Effective portion of changes in fair value of cash flow hedges			(3.6)			(3.6)		(3.6)
Taxes related to share-based compensation					0.1	0.1		0.1
Other comprehensive income			(3.6)	4.1	0.1	0.6	1.4	2.0
Total comprehensive income for the period			(3.6)	4.1	51.4	51.9	2.8	54.7
Dividends to shareholders					(30.0)	(30.0)		(30.0)
Purchase of own shares					(18.7)	(18.7)		(18.7)
Share-based compensation					6.1	6.1		6.1
Options exercised					3.7	3.7		3.7
Acquisition of non-controlling interests					(0.2)	(0.2)	0.2	
Balance at September 30, 2010	1.3	106.8	(3.5)	(24.3)	284.2	364.5	19.8	384.3

Amounts in € millions, unless otherwise stated

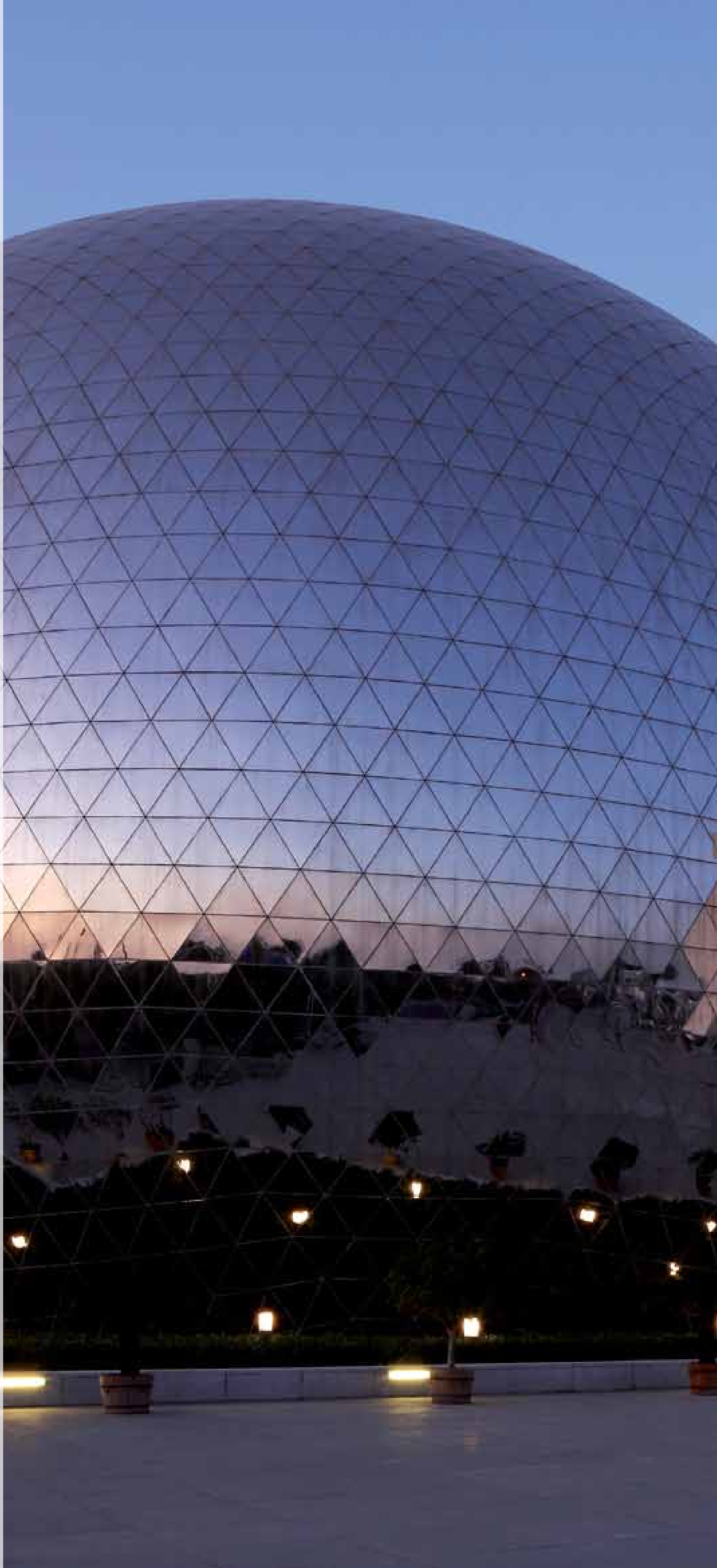
Condensed consolidated balance sheet

Assets	Sept 30, 2010	Dec 31, 2009
Intangible assets	**357.6**	342.7
Property, plant & equipment	**89.4**	84.8
Investments in associates	**29.2**	26.2
Other investments	**0.2**	0.2
Other non-current assets	**24.1**	19.8
Derivatives	**0.1**	1.2
Deferred tax assets	**22.2**	18.0
Total non-current assets	**522.8**	492.9
Inventories	**0.4**	0.5
Derivatives	**3.9**	0.1
(Un)billed receivables	**601.6**	555.1
Other current assets	**53.5**	35.9
Corporate tax assets	**4.3**	6.2
Cash and cash equivalents	**164.7**	224.5
Total current assets	**828.4**	822.3
Total assets	**1,351.2**	1,315.2
Equity and Liabilities		
Shareholders' equity	**364.5**	351.7
Minority interest	**19.8**	16.8
Total equity	**384.3**	368.5
Provisions	**27.9**	28.4
Deferred tax liabilities	**12.3**	10.8
Loans and borrowings	**305.3**	342.1
Derivatives	**9.5**	0.8
Total non-current liabilities	**355.0**	382.1
Billing in excess of cost	**149.2**	158.8
Corporate tax liabilities	**6.9**	7.4
Current portion of loans and borrowings	**61.8**	5.6
Current portion of provisions	**6.7**	6.0
Derivatives	**2.2**	2.7
Accounts payable	**117.1**	128.9
Accrued expenses	**15.2**	21.3
Bankoverdrafts	**13.9**	12.0
Short term borrowings	**24.3**	14.9
Other current liabilities	**214.6**	207.0
Total current liabilities	**611.9**	564.6
Total equity and liabilities	**1,351.2**	1,315.2

Condensed consolidated statement of cash flows

	First nine months 2010	2009
Cash flow from operating activities		
Profit for the period	**52.7**	51.6
Adjustments for:		
Depreciation and amortization	**25.3**	23.2
Taxes on income	**26.0**	29.7
Net finance expense	**13.7**	(0.5)
Income from associates	**(1.0)**	-
	116.7	104.0
Share-based compensation	**6.1**	6.9
Sale of activities and assets, net of cost	**-**	(0.8)
Change in fair value of derivatives in operating income	**1.7**	(0.2)
Change in inventories	**0.1**	0.2
Change in receivables	**(38.9)**	40.2
Change in deferred taxes	**-**	7.5
Change in provisions	**(0.5)**	-
Change in billing in excess of costs	**(14.7)**	(19.5)
Change in current liabilities	**(24.8)**	(30.8)
Dividend received	**0.4**	0.2
Interest received	**2.4**	4.1
Interest paid	**(13.9)**	(12.8)
Corporate tax paid	**(19.4)**	(37.3)
Net cash from operating activities	**15.2**	61.7
Cash flows from investing activities		
Investments in (in)tangible assets	**(25.1)**	(19.2)
Divestments of (in)tangible assets	**2.0**	1.7
Investments in consolidated companies	**(12.8)**	(78.9)
Proceeds from sale of consolidated companies	**-**	0.4
Investments in associates and other financial non-current assets	**(7.6)**	(6.8)
Divestments of associates and other financial non-current assets	**4.2**	1.2
Net cash used in investing activities	**(39.3)**	(101.6)
Cash flows from financing activities		
Proceeds from options exercised	**3.7**	1.5
Issued shares	**-**	5.8
Purchase of own shares	**(18.7)**	-
New long-term loans and borrowings	**8.2**	-
Repayment of long-term loans and borrowings	**(8.2)**	-
Changes in short-term borrowings	**8.0**	73.3
Dividend paid	**(30.0)**	(27.2)
Realization of derivatives	**(8.8)**	-
Net cash from financing activities	**(45.8)**	53.4
Net change in cash and cash equivalents less bank overdrafts	**(69.9)**	13.5
Exchange rate differences	**8.2**	(2.7)
Cash and cash equivalents less bank overdrafts at January 1	**212.5**	111.7
Cash and cash equivalents less bank overdrafts at September 30	**150.8**	122.5

Amounts in € millions



Profile

ARCADIS is an international company providing consultancy, design, engineering and management services in infrastructure, water, environment and buildings. We enhance mobility, sustainability and quality of life by creating balance in the built and natural environment. ARCADIS develops, designs, implements, maintains and operates projects for companies and governments. With 15,000 employees and EUR 1.8 billion in revenues, the company has an extensive international network supported by strong local market positions. ARCADIS supports UN-HABITAT with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. Please visit: www.arcadis.com

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