ARCADIS

Infrastructure · Water · Environment · Buildings

REPORT SECOND QUARTER AND FIRST HALF 2010

ARCADIS NV Report second quarter and first half 2010

- Gross revenue growth in second quarter 23%, in the first half year 15%
- Net income from operations in second quarter 8% higher, in the first half year 9%
- In second quarter no further organic revenue decline
- Infrastructure and Water remain solid, Environment and Buildings improve
- Excluding non-recurring effects the margin remains at a good level
- For full year 2010 slight increase of net income from operations expected

ARCADIS in the second quarter of 2010 has improved its profit on the back of strong revenue growth. Gross revenues rose 23% to € 512 million, aided by the acquisition of Malcolm Pirnie in the middle of last year. The growth was much stronger than in previous quarters as organic revenue development was better in all business lines. The stronger U.S. dollar and Brazilian real had a positive currency effect of 5%. Net income from operations improved 8% to € 18.5 million. Excluding non-recurring effects the margin remained at a good level.

In the first half year gross revenues increased 15% to € 960 million. Growth mainly came from the merger with Malcolm Pirnie. Because the weakening of the Euro only started in the second quarter, the currency effect in the first half year was 2%. As in the first quarter revenues declined organically, partly because of the severe winter, also the first half year showed an organic revenue decline. Net income from operations rose 9% to € 35.6 million. In Brazil a loss was taken on an energy project, which is expected to be compensated by a gain resulting from a sale in the second half year. Excluding this non-recurring effect, the margin at 9.6% was at almost the same level as last year.

Given the current market, we have operationally a good quarter behind us. Revenues rose strongly, also because for the first time since the beginning of 2009 we saw no further organic decline. In the infrastructure- and water market net revenue grew organically, despite pressure on local government budgets. The recovery in the environmental market appears to continue, especially in the United States, where demand from private sector clients is picking up. The situation in the commercial property market has stabilized organic revenue decline in buildings has slowed. Although the increased level of competition causes price pressure across the board, by addressing changing market conditions early and through a strict cost control program we were able to keep the margin at a good level. The integration with Malcolm Pirnie is on schedule and the synergy benefits in acquiring projects have more than exceeded our expectations.

Key figures

Amounts in € million, unless otherwise noted	Second Quarter			First Half Year		
	2010	2009	▲	2010	2009	▲
Gross revenue	512	415	23%	960	833	15%
Net revenue	353	287	23%	679	577	18%
EBITA	31.8	28.5	12%	61.1	56.3	9%
Net income from operations [1)]	**18.5**	**17.1**	**8%**	**35.6**	**32.6**	**9%**
Ditto per share (in €) [1)]	**0.28**	**0.28**	**0%**	**0.54**	**0.54**	**0%**
Av. number of outstanding shares (millions)	66.1	60.2	10%	66.3	60.2	10%

[1)] Before amortization and non-operational items

Second quarter

Both gross and net revenues (revenues from our own staff) grew by 23%. The currency effect was 5%. The contribution from acquisitions (mainly Malcolm Pirnie) was 18%. The organic development of gross revenue was slightly positive, and for net revenue slightly negative. In the United States, economic recovery results in an increasing demand for environmental services leading to organic activity growth for the first time since the crisis. The strong economy also positively impacted activities in Chile and Brazil. In most European countries we saw organic growth, although this is softening due to reduced demand from local governments. The strongest organic decline still occurred in England and with RTKL, although the real estate market is stabilizing and RTKL is expanding in Asia and the Middle East.

EBITA rose 12% to € 31.8 million. The currency effect was 5%, the contribution from acquisitions 14%. The organic decline of 7% was the result of a loss of € 2.6 million taken on an energy project in Brazil. The reorganization costs, including integration Malcolm Pirnie, at € 2.6 million were at the same level as last year (€ 2.7 million). Operationally a slight organic EBITA improvement occurred. On balance, this was the result of a profit improvement in the U.S. environmental market, good

ARCADIS IMPROVES PROFIT

ON THE BACK OF STRONG REVENUE GROWTH

performance in Brazil, better results at RTKL and in the U.K. (also as a result of restructuring), offset by less profit in the Netherlands and some other European countries as a result of price pressure.

Excluding the project loss in Brazil, the margin (EBITA as a percentage of net revenue) was 9.7%, comparable to last year (9.9%). The contribution from the sale of carbon credits was the same as last year at € 0.1 million.

At € 4.6 million, financing charges were considerably above last year (2009: € 1.3 million), when we had a currency gain generated on loans in Brazil, while this year charges rose through acquisitions and currency effects. Net income from operations was € 18.5 million, an increase of 8%.

First Half Year

Gross revenue was 15% higher. The currency effect was 2%, the contribution from acquisitions 17%. Organically, gross revenue declined 4%.

Net revenue rose 18%. The currency effect was 2%, the contribution from acquisitions 18%. The organic decline was 2%. This decline was lower than in gross revenue due to completion of a number of large projects with substantial subcontracting in Brazil and the Netherlands.

EBITA rose 9% to € 61.1 million. Acquisitions contributed 14% and currency effects 1%. The organic decline was 7%. This includes a loss of € 4.5 million on an energy project in Brazil which is expected to be compensated in the second half year by sale proceeds. Reorganization costs, including those for the integration of Malcolm Pirnie, were € 3.3 million (2009: € 5.3 million). While in the first quarter the operational results still worsened somewhat, the second quarter saw an improvement, especially due to the better performance in the U.S. environmental market and Brazil.

Excluding the project loss in Brazil, the margin was 9.6% (2009: 9.8%). The contribution from the sale of carbon credits in Brazil was € 0.1 million, just like last year. In the mean time certification has started up again as a result of which it is expected that the contribution will increase as of the fourth quarter. To create more focus in the Brazilian activities and to better use the myriad opportunities in Brazil, the sale of the portfolio of energy projects (including Biogas) is being considered.

Financing charges were € 8.7 million, against € 3.7 million last year (excluding the effect of derivatives of which the sale generated € 7.5 million early 2009). The increase is primarily the result of acquisitions. Net income from operations rose 9% to € 35.6 million. Against higher financing charges stood lower taxes and a higher contribution from associated companies.

Developments by business line

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

Infrastructure *(25% of gross revenue)*
Gross revenues were level with last year. The currency effect was 5%. Organically gross revenues declined 5% also because of the completion of projects with substantial subcontracting. After the severe winter, activities grew again, resulting in 2% organic growth in net revenues. Central government programs generated growth in the Netherlands, Belgium, France and Central Europe, but as a result of pressure in local markets growth is softening. In the United States activities declined due to lower budgets in cities and states, while in Brazil and Chile, especially mining is contributing to growth.

Water *(20% of gross revenue)*
Gross revenues more than doubled as a result of the merger with Malcolm Pirnie. The currency effect was 2%. Organically gross revenues were flat, but net revenues rose 5%, especially through increased demand in water management in almost all countries in which ARCADIS is active. In Brazil a large contract was won for the expansion of the waste water systems in São Paulo. Pressure on local government budgets also impacts the water market, but to a lesser extent. Malcolm Pirnie is able to offset declines in the western and southern U.S. with more work in the northeast.

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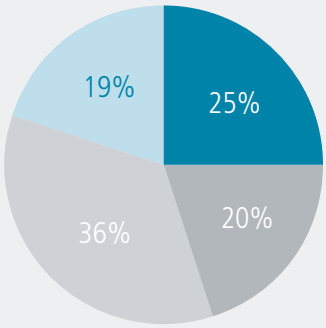
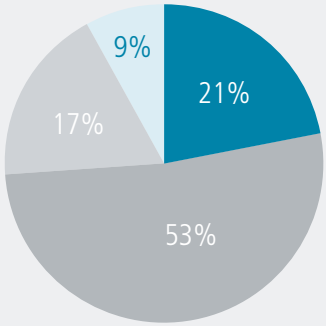


GROSS REVENUE BY BUSINESS LINE

- 25% Infrastructure
- 20% Water
- 36% Environment
- 19% Buildings



GROSS REVENUE BY REGION

- 21% The Netherlands
- 53% United States
- 17% Europe excluding teh Netherlands
- 9% Rest of world

Environment *(36% of gross revenue)*
Gross revenues rose 13%. The currency effect was 2% and the contribution from acquisitions 11% (environmental activities Malcolm Pirnie). The organic gross revenue decline in the first quarter turned around into an increase of 7% in the second quarter, mainly as a result of growth in the U.S. environmental market. Here large environmental remediation projects were started with substantial subcontracting. The increase in net revenues which ensued was offset by slowdowns in a number of European countries, resulting on balance in a 1% decline in net revenues. In Brazil the environmental market is also recovering.

Buildings *(19% of gross revenue)*
Gross revenues declined 8%. The currency effect was nil and the contribution from acquisitions was 1%. The organic gross revenue decline was 9%, in net revenue 11%. Because the commercial market in England and the United States has stabilized and RTKL is compensating the declines in the U.S. and Europe with work in Asia and the Middle East, the decline in activities clearly became smaller in the second quarter. In Belgium the activities were under some pressure, while in the United States and Germany project management for public sector projects increased.

Outlook

Although the economy is recovering, especially in the United States, the recovery is still fragile, and thus uncertainty continues. It is also unclear how and to what extent the expected government budget cuts will impact the markets relevant to ARCADIS.

The **infrastructure market** is expected to remain robust because many large projects are based on multi-year programs for which funding is committed. This holds true for investments in the Dutch road and railway network, but also for example for large projects in Central Europe in which ARCADIS is involved. Because the demand for infrastructure is big, the importance of PPP will increase in Europe and the United States. In Brazil, the recently won large projects provide a sound basis for growth.

In the **water market** the attention to climate change and the increasing threat of flooding are important drivers for growth in water management. Demand for clean drinking water and waste water treatment is also increasing. Because these utilities are usually financed from specific water charges, the pressure on local government budgets only has a limited effect. Synergy with Malcolm Pirnie offers many opportunities, both in the United States and internationally, whereby the priority lies with Chile, Brazil and the Middle East.

In the **environmental market** regulation and sustainability provide a solid basis. As a result of the economic recovery, demand from companies is on the rise, especially in the United States. Corporations focus more on their core business which leads to outsourcing of whole portfolios of contaminated sites and vendor reduction. This has already yielded large contracts. Our strong competitive position allows us to grow market share. We also benefit from growing demand for consultancy on energy savings and carbon footprint reduction.

In the **buildings market** it appears the bottom has been reached. The commercial real estate market is stable at a low level, with no recovery in sight. Although in the U.S. new legislation is causing delays in healthcare, the backlog at RTKL is healthy resulting from assignments from Asia and the Middle East for commercial and healthcare projects. This, and the continued demand from the (semi)public sector, can help improve gross revenues in the second half year. Facility management can also contribute to this.

In the second quarter our backlog again saw growth resulting in a total increase for the first half year of 8% compared to the end of 2009. The increase in the second quarter mainly came from infrastructure and to a lesser extent from water and environment, while in buildings, order intake weakened somewhat. Given the healthy backlog we expect to see a modest organic growth of activities in the second half. Maintaining margins remains a priority offsetting pricing pressure with cost savings and a client focused approach. In addition to market synergies the integration with Malcolm Pirnie will also create operational benefits as of 2011. Further expansion of activities through acquisitions is on the agenda.

Barring unforeseen circumstances we expect for full year 2010 a slight increase of 0 – 5% of net income from operations.

Executive Board
Arnhem, the Netherlands, August 4, 2010

For a full overview of our first half 2010 results, analysis and a risk paragraph please refer to the half year report published on our website: www.arcadis.com.

The figures in this statement are unaudited.

Condensed consolidated statement of income

	Second quarter		First half year	
	2010	2009	2010	2009
Gross revenue	**511.8**	414.7	**960.0**	832.7
Materials, services of third parties and subcontractors	**(158.8)**	(128.0)	**(281.5)**	(255.5)
Net revenue	**353.0**	286.7	**678.5**	577.2
Operational cost	**(314.3)**	(252.9)	**(604.1)**	(510.0)
Depreciation	**(6.9)**	(5.7)	**(13.4)**	(11.6)
Other income	**-**	0.4	**0.1**	0.7
EBITA	**31.8**	28.5	**61.1**	56.3
Amortization identifiable intangible assets	**(1.6)**	(0.9)	**(3.2)**	(2.0)
Operating income	**30.2**	27.6	**57.9**	54.3
Net finance expense	**(4.6)**	(1.3)	**(8.7)**	3.8
Income from associates	**0.1**	(0.1)	**0.8**	-
Profit before taxes	**25.7**	26.2	**50.0**	58.1
Income taxes	**(8.5)**	(9.4)	**(16.7)**	(20.9)
Profit for the period	**17.2**	16.8	**33.3**	37.2
Attributable to:				
Net income (Equity holders of the Company)	**17.4**	16.6	**33.3**	36.8
Minority interest	**(0.2)**	0.2	**-**	0.4
Net income	**17.4**	16.6	**33.3**	36.8
Amortization identifiable intangible assets after taxes	**1.1**	0.5	**2.1**	1.3
Lovinklaan employee share purchase plan	**-**	-	**0.2**	0.1
Net effects of financial instruments				(5.6)
Net income from operations	**18.5**	17.1	**35.6**	32.6
Net income per share (in euros)	**0.26**	0.27	**0.50**	0.61
Net income from operations per share (in euros)	**0.28**	0.28	**0.54**	0.54
Weighted average number of shares (in thousands)	**66,131**	60,231	**66,327**	60,204

Amounts in € millions,
unless otherwise stated

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Condensed consolidated balance sheet

Assets	June 30, 2010	Dec 31, 2009
Intangible assets	**388.3**	342.7
Property, plant & equipment	**91.5**	84.8
Investments in associates	**30.4**	26.2
Other investments	**0.2**	0.2
Other non-current assets	**24.4**	19.8
Derivatives	**0.1**	1.2
Deferred tax assets	**20.2**	18.0
Total non-current assets	**555.1**	492.9
Inventories	**0.4**	0.5
Derivatives	**0.7**	0.1
(Un)billed receivables	**642.9**	555.1
Other current assets	**53.1**	35.9
Corporate tax assets	**7.9**	6.2
Cash and cash equivalents	**164.6**	224.5
Total current assets	**869.6**	822.3
Total assets	**1,424.7**	1,315.2
Equity and Liabilities		
Shareholders' equity	**349.8**	351.7
Minority interest	**19.2**	16.8
Total equity	**369.0**	368.5
Provisions	**29.8**	28.4
Deferred tax liabilities	**12.5**	10.8
Loans and borrowings	**337.4**	342.1
Derivatives	**7.4**	0.8
Total non-current liabilities	**387.1**	382.1
Billing in excess of cost	**171.1**	158.8
Corporate tax liabilities	**9.2**	7.4
Current portion of loans and borrowings	**67.3**	5.6
Current portion of provisions	**6.2**	6.0
Derivatives	**7.9**	2.7
Accounts payable	**129.8**	128.9
Accrued expenses	**15.6**	21.3
Bankoverdrafts	**10.2**	12.0
Short term borrowings	**23.2**	14.9
Other current liabilities	**228.1**	207.0
Total current liabilities	**668.6**	564.6
Total equity and liabilities	**1,424.7**	1,315.2

Condensed consolidated statement of cash flows

	First half year 2010	2009
Cash flow from operating activities		
Profit for the period	**33.3**	37.2
Adjustments for:		
Depreciation and amortization	**16.6**	13.6
Taxes on income	**16.7**	20.9
Net finance expense	**8.7**	(3.8)
Income from associates	**(0.8)**	-
	74.5	67.9
Share-based compensation	**4.5**	2.8
Sale of activities and assets, net of cost	**-**	(0.4)
Change in fair value of derivatives in operating income	**(0.1)**	-
Change in inventories	**-**	0.2
Change in receivables	**(49.9)**	31.0
Change in deferred taxes	**4.1**	-
Change in provisions	**(0.9)**	2.8
Change in billing in excess of costs	**(4.1)**	(19.9)
Change in current liabilities	**(16.8)**	(14.9)
Dividend received	**0.3**	0.1
Interest received	**1.6**	2.7
Interest paid	**(8.8)**	(7.8)
Corporate tax paid	**(12.2)**	(29.6)
Net cash from operating activities	**(7.8)**	34.9
Cash flows from investing activities		
Investments in (in)tangible assets	**(13.0)**	(14.1)
Divestments of (in)tangible assets	**0.4**	0.6
Investments in consolidated companies	**(5.7)**	(1.1)
Proceeds from sale of consolidated companies		0.4
Investments in associates and other financial non-current assets	**(5.1)**	(2.4)
Divestments of associates and other financial non-current assets	**3.4**	1.1
Net cash used in investing activities	**(20.0)**	(15.5)
Cash flows from financing activities		
Proceeds from options exercised	**2.3**	0.6
Purchase of own shares	**(18.7)**	
New long-term loans and borrowings	**4.4**	1.8
Repayment of long-term loans and borrowings	**(6.2)**	(8.6)
Changes in short-term borrowings	**5.9**	2.0
Dividend paid	**(30.0)**	(27.2)
Realization of derivatives	**(6.5)**	-
Net cash from financing activities	**(48.8)**	(31.4)
Net change in cash and cash equivalents less bank overdrafts	**(76.6)**	(12.0)
Exchange rate differences	**18.5**	(0.9)
Cash and cash equivalents less bank overdrafts at January 1	**212.5**	111.7
Cash and cash equivalents less bank overdrafts at June 30	**154.4**	98.8

Amounts in € millions,
unless otherwise stated

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					36.8	36.8	0.4	37.2
Exchange rate differences				11.5		11.5	2.1	13.6
Effective portion of changes in fair value of cash flow hedges			1.0			1.0		1.0
Taxes related to share-based compensation					1.0	1.0		1.0
Other comprehensive income			1.0	11.5	1.0	13.5	2.1	15.6
Total comprehensive income for the period			1.0	11.5	37.8	50.3	2.5	52.8
Dividends to shareholders					(27.1)	(27.1)	(0.1)	(27.2)
Share-based compensation					2.8	2.8		2.8
Options exercised					0.6	0.6		0.6
Balance at June 30, 2009	1.2	36.2	1.0	(28.7)	224.5	234.2	14.7	248.9
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					**33.3**	**33.3**		**33.3**
Exchange rate differences				**10.9**		**10.9**	**2.2**	**13.1**
Effective portion of changes in fair value of cash flow hedges			**(3.1)**			**(3.1)**		**(3.1)**
Taxes related to share-based compensation					**(0.9)**	**(0.9)**		**(0.9)**
Other comprehensive income			**(3.1)**	**10.9**	**(0.9)**	**6.9**	**2.2**	**9.1**
Total comprehensive income for the period			**(3.1)**	**10.9**	**32.4**	**40.2**	**2.2**	**42.4**
Dividends to shareholders					**(30.0)**	**(30.0)**		**(30.0)**
Purchase of own shares					**(18.7)**	**(18.7)**		**(18.7)**
Share-based compensation					**4.5**	**4.5**		**4.5**
Options exercised					**2.3**	**2.3**		**2.3**
Acquisition of non-controlling interests					**(0.2)**	**(0.2)**	**0.2**	
Balance at June 30, 2010	**1.3**	**106.8**	**(3.0)**	**(17.5)**	**262.2**	**349.8**	**19.2**	**369.0**

Geographical information first half year

Gross revenue	2010	2009
Netherlands	**200.6**	204.7
Other European countries	**165.2**	162.3
United States	**509.8**	387.1
Rest of world	**84.4**	78.6
Total	**960.0**	832.7

Geographic mix (gross revenue)	2010	2009
Netherlands	**21%**	25%
Other European countries	**17%**	19%
United States	**53%**	47%
Rest of world	**9%**	9%
Total	**100%**	100%

EBITA	2010	2009
Netherlands	**13.3**	14.7
Other European countries	**6.6**	5.0
United States	**39.2**	33.5
Rest of world	**2.0**	3.1
Total	**61.1**	56.3

Margin	2010	2009
Netherlands	**9.2%**	10.3%
Other European countries	**4.9%**	3.6%
United States	**11.1%**	12.9%
Rest of world	**4.5%**	8.1%
Total	**9.0%**	9.8%

Information about business lines first half year

Gross revenue	2010	2009
Infrastructure	**244.4**	245.0
Water	**187.9**	82.4
Environment	**341.1**	301.3
Buildings	**186.6**	204.0
Total	**960.0**	832.7

Activity mix (gross revenue)	2010	2009
Infrastructure	**25%**	30%
Water	**20%**	10%
Environment	**36%**	36%
Buildings	**19%**	24%
Total	**100%**	100%

Amounts in € millions or %

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.
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