

**ARABTEC HOLDING PJSC AND ITS SUBSIDIARIES  
DUBAI - UNITED ARAB EMIRATES**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION AND INDEPENDENT  
AUDITOR'S REVIEW REPORT FOR THE PERIOD  
FROM JANUARY 1, 2010 TO SEPTEMBER 30, 2010**

**Arabtec Holding PJSC and its Subsidiaries  
Dubai - United Arab Emirates**

**Interim Condensed Consolidated Financial Information  
and Independent Auditor's Review Report  
For the Period from January 1, 2010 to September 30, 2010**

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditor's Review Report</b>	<b>1</b>
<b>Interim Condensed Consolidated Statement of Financial Position</b>	<b>2</b>
<b>Interim Condensed Consolidated Statement of Income</b>	<b>3</b>
<b>Interim Condensed Consolidated Statement of Comprehensive Income</b>	<b>4</b>
<b>Interim Condensed Consolidated Statement of Changes in Shareholders' Equity</b>	<b>5</b>
<b>Interim Condensed Consolidated Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Interim Condensed Consolidated Financial Information</b>	<b>7 - 22</b>

## Independent Auditor's Review Report

**The Directors**  
**Arabtec Holding PJSC**  
**Dubai**  
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Arabtec Holding PJSC** (the "Company") **and its Subsidiaries** (collectively the "Group") as at September 30, 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine month period then ended. Management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34). Our responsibility is to issue a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

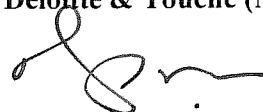
### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

### *Emphasis of matter*

Without qualifying our opinion we draw attention to Note 6 to the interim condensed consolidated financial information which describes a contractual dispute subject to arbitration proceedings, the probable outcome of which cannot currently be determined with reasonable certainty.

for Deloitte & Touche (M.E.)



**Anis F. Sadek**  
**(Registration No. 521)**

**Dubai**  
**November 6, 2010**

**Interim Condensed Consolidated Statement of Financial Position**  
**At September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	Note	September 30, 2010 (Un-audited)	December 31, 2009 (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		599,885	634,051
Other financial assets		178,221	186,467
Trade and other receivables		4,826,491	4,678,301
Due from related parties	7(b)	879,588	720,392
Inventories		385,585	647,642
Other current assets		161,857	149,321
Deferred tax		164	164
<b>Total current assets</b>		<u>7,031,791</u>	<u>7,016,338</u>
<b>Non-current assets</b>			
Other financial assets		43,825	59,641
Investment in associate		3,200	3,200
Intangible assets	9	157,154	195,416
Goodwill		252,265	252,265
Retentions and trade receivables - non-current portion		485,658	211,499
Other non-current assets		9,291	9,389
Property, plant and equipment	10	<u>1,295,315</u>	<u>1,362,714</u>
<b>Total non-current assets</b>		<u>2,246,708</u>	<u>2,094,124</u>
<b>Total Assets</b>		<u>9,278,499</u>	<u>9,110,462</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank borrowings	11	744,482	769,756
Trade and other payables		4,756,720	4,846,602
Due to related parties	7(c)	335,667	375,642
Income tax payable		8,410	8,620
<b>Total current liabilities</b>		<u>5,845,279</u>	<u>6,000,620</u>
<b>Non-current liabilities</b>			
Bank borrowings	11	116,469	187,127
Provision for employees' end of service indemnity		129,570	137,726
Retentions payable - non-current portion		<u>129,349</u>	<u>56,971</u>
<b>Total non-current liabilities</b>		<u>375,388</u>	<u>381,824</u>
<b>Total Liabilities</b>		<u>6,220,667</u>	<u>6,382,444</u>
<b>Capital and reserves</b>			
Issued share capital	15	1,196,000	1,196,000
Statutory reserve		266,250	237,107
Fair value adjustment reserve		( 8,094)	( 2,342)
Retained earnings		<u>1,227,427</u>	<u>960,962</u>
<b>Equity attributable to equity holders of the Company</b>		<u>2,681,583</u>	<u>2,391,727</u>
Non-controlling interests		<u>376,249</u>	<u>336,291</u>
<b>Total Equity</b>		<u>3,057,832</u>	<u>2,728,018</u>
<b>Total Liabilities and Equity</b>		<u>9,278,499</u>	<u>9,110,462</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 2 to 22 was approved by the Board of Directors and authorized for issue on November 6, 2010 and signed on their behalf by:

.....  
Riad Kamal  
Chief Executive Officer and Board Member

**Interim Condensed Consolidated Statement of Income  
For the Period from January 1, 2010 to September 30, 2010  
(In Thousand Arab Emirates Dirhams)**

	Nine month period ended September 30,		Quarter ended September 30,	
	2010 (Un-audited)	2009 (Un-audited)	2010 (Un-audited)	2009 (Un-audited)
Revenue	4,111,255	5,573,289	1,277,933	1,658,122
Direct costs	(3,492,745)	(4,652,516)	(1,096,056)	(1,381,284)
<b>Gross profit</b>	<b>618,510</b>	<b>920,773</b>	<b>181,877</b>	<b>276,838</b>
Other operating income	45,019	78,101	9,678	25,823
Other income	22,325	27,950	12,397	14,049
General and administrative expenses	(317,124)	(369,169)	(155,946)	(100,604)
Changes in fair value of non-current retentions and trade receivables	2,652	(5,708)	(308)	2,772
Finance costs	(27,440)	(43,851)	(6,064)	(7,588)
<b>Profit for the period before tax</b>	<b>343,942</b>	<b>608,096</b>	<b>41,634</b>	<b>211,290</b>
Income tax expense	(1,095)	(5,553)	(556)	(2,136)
<b>Profit for the period</b>	<b>342,847</b>	<b>602,543</b>	<b>41,078</b>	<b>209,154</b>
Attributable to:				
Equity holders of the parent	252,427	511,717	6,801	166,587
Non controlling interests	90,420	90,826	34,277	42,567
	342,847	602,543	41,078	209,154
<b>Basic earnings per share (AED)</b> (based on profit for the period attributable to equity holders of the parent and 1,196 million shares in issue throughout the period)	<b>0.21</b>	<b>0.43</b>	<b>0.006</b>	<b>0.14</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Comprehensive Income  
For the Period from January 1, 2010 to September 30, 2010  
(In Thousand Arab Emirates Dirhams)**

	Nine month period ended ended September 30, 2010 (Un-audited)	2009 (Un-audited)	Quarter ended September 30, 2010 (Un-audited)	2009 (Un-audited)
Profit for the period	342,847	602,543	41,078	209,154
<i>Other comprehensive gain/(loss)</i>				
Net unrealized (loss)/income on revaluation of available for sale investments	( 5,752)	2,726	( 461)	4,520
<b>Total comprehensive income for the period</b>	<b>337,095</b>	<b>605,269</b>	<b>40,617</b>	<b>213,674</b>
<i>Total comprehensive income attributable to:</i>				
Equity holders of the parent	246,675	514,443	6,340	171,107
Non-controlling interests	<u>90,420</u>	<u>90,826</u>	<u>34,277</u>	<u>42,567</u>
	<u>337,095</u>	<u>605,269</u>	<u>40,617</u>	<u>213,674</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity  
For the Period from January 1, 2010 to September 30, 2010  
(In Thousand Arab Emirates Dirhams)

	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Issued share capital	Statutory reserve	Fair value adjustment reserve	Retained earnings	Total		
<b>Balance at December 31, 2008 (Audited)</b>	1,196,000	187,616	( 5,941)	515,545	1,893,220	224,722	2,117,942
Dividends paid to non-controlling shareholders	-	-	-	-	-	( 21,672)	( 21,672)
Profit for the period	-	-	-	511,717	511,717	90,826	602,543
Unrealised gain on available-for-sale investments recognized directly in equity	-	-	2,726	-	2,726	-	2,726
Comprehensive income for the period	-	-	-	-	514,443	90,826	605,269
Interim transfer to statutory reserve	-	51,172	-	( 51,172)	-	-	-
<b>Balance at September 30, 2009 (Un-audited)</b>	1,196,000	238,788	( 3,215)	976,090	2,407,663	293,876	2,701,539
<b>Balance at December 31, 2009 (Audited)</b>	1,196,000	237,107	( 2,342)	960,962	2,391,727	336,291	2,728,018
Dividends paid to non-controlling interests	-	-	-	-	-	( 24,611)	( 24,611)
Profit for the period	-	-	-	252,427	252,427	90,420	342,847
Unrealised loss on available-for-sale investments recognized directly in equity	-	-	( 5,752)	-	( 5,752)	-	( 5,752)
Comprehensive income for the period	-	-	-	-	246,675	90,420	337,095
Transfer from non-controlling interest on share purchase	-	-	-	4,181	4,181	( 4,181)	-
Reduction in non-controlling interest due to purchase of additional shares (Note 17)	-	-	-	-	-	( 21,670)	( 21,670)
Interim transfer to statutory reserve	-	25,243	-	( 25,243)	-	-	-
<b>Balance at September 30, 2010 (Un-audited)</b>	1,196,000	262,350	( 8,094)	1,192,327	2,642,583	376,249	3,018,832

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Cash Flows**  
**For the Period from January 1, 2010 to September 30, 2010**  
**(In Thousand Arab Emirates Dirhams)**

	<b>Nine month period ended</b>	
	<b>September 30,</b>	
	<u>2010</u>	<u>2009</u>
	(Un-audited)	(Un-audited)
<b>Net cash from operating activities</b>	<u>194,849</u>	<u>351,684</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	( 144,899)	( 185,739)
Proceeds from sale of property, plant and equipment	48,276	30,500
Proceeds from disposal of available for sale investments	8,709	-
Additional investment in subsidiary (Note 17)	( 21,670)	-
Investment in associate	-	( 3,200)
Investments in other financial assets	-	( 26,860)
Repayment of/(increase in) loans to related parties	<u>1,112</u>	<u>( 1,721)</u>
<b>Net cash used in investing activities</b>	<u>( 108,472)</u>	<u>( 187,020)</u>
<b>Financing activities</b>		
Dividends paid to non-controlling interests	( 24,611)	( 21,672)
Repayments of bank borrowings (net)	<u>( 95,932)</u>	<u>( 242,099)</u>
<b>Net cash used in financing activities</b>	<u>( 120,543)</u>	<u>( 263,771)</u>
<b>Net decrease in cash and cash equivalents</b>	( 34,166)	( 99,107)
Cash and cash equivalents at the beginning of the period	<u>634,051</u>	<u>757,437</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>599,885</u>	<u>658,330</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Notes to the Interim Condensed Consolidated Financial Information**  
**For the Period from January 1, 2010 to September 30, 2010**

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**1. Establishment and operations**

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the laws of the United Arab Emirates pursuant to a trade license issued by the Department of Economic Development, Dubai and the Ministry of Economy.

The principal object of the Company is to invest in the construction sector through the acquisition of contracting and related companies.

The Company’s shares are listed on the Dubai Financial Market (DFM).

The registered office of the Company is P.O. Box 72122 Dubai, U.A.E.

The Company has the following significant subsidiaries over which it exercises effective control:

<u>Name of subsidiary and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Arabtec Construction LLC, Dubai, U.A.E.	100%	Civil construction and related works
Austrian Arabian Ready Mix Concrete Co. LLC, Dubai, U.A.E.	100%	Manufacture and transportation of ready mix concrete products
House of Equipment Co. LLC, Dubai, UAE (Note 17)	66.67%	Trading and leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	Civil construction and related works
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of pre cast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete product
Emirates Falcon Electromechanical Co. EFECO LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
EFECO, Saudi Arabia	50%	Electrical mechanical and plumbing contracts
Arabtec Engineering LLC, Dubai, UAE	80%	Infrastructure construction works
Arabtec Pakistan (Pvt) Limited (under formation), Pakistan	60%	Civil construction and related works
Target Engineering Construction Company, Abu Dhabi, UAE	60%	Civil construction and related works
Gulf Steel Industries FZC, Sharjah, UAE	55%	Fabrication of steel structures and profiles
Arabtec Saudi Arabia LLC, Saudi Arabia	45%	Civil construction and related works

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

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**1. Establishment and operations (continued)**

The investment in Arabtec Pakistan (Pvt) Limited is held by third parties in trust and for the benefit of the Company. The investment in Arabtec Engineering LLC, Dubai is held by two of the shareholders on trust and for the benefit of the Company.

The Company and its subsidiaries, referred to collectively in this financial information as the "Group" are primarily engaged in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of readymix concrete and construction equipment supply and rental.

The Company has the following associate over which it exercises significant influence:

<u>Name of associate and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Polypod Middle East LLC, Abu Dhabi, UAE	40%	Assembly of bathroom pods and other types of pods on the same concept.

**2. Basis of preparation**

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting. This financial information is presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Group is domiciled.

The interim condensed consolidated financial information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Although the Company owns less than 50% of the equity shares in Arabtec Construction LLC, Doha, Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Doha and Arabtec Saudi Arabia LLC, Saudi Arabia, the Group has the power to govern the strategic operating and financial decisions of these companies and therefore treats them as subsidiaries.

The results of subsidiaries acquired or disposed of during the period are included in the interim condensed consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

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**3. Significant accounting policies**

The condensed financial information has been prepared under the historical cost basis, except for revaluation of certain assets. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2009.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that were applied to the consolidated financial statements as at and for the year ended December 31, 2009.

Profits are recognized on projects in the early stages of completion if it is anticipated that these projects will, by the year end, be at a stage of completion sufficient to warrant profit recognition.

**4. Segment information**

The Group has four reportable segments: business construction, precast and concrete production, drainage and electromechanical works and marine construction. The business construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The precast and concrete production segment produces ready mix concrete and precast mainly to serve the business construction segment. The drainage and electromechanical segment is involved in the execution of the drainage, electrical and mechanical works. The fourth segment is involved in marine construction.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2009. Arabtec Holding PJSC evaluates performance on the basis of profit or loss from operations before tax expense.

Arabtec Holding PJSC accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Arabtec Holding PJSC's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Most of the businesses were acquired/formed as individual units, and the management at the time of the acquisition was retained.

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

4. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED'000	Precast and concrete production AED'000	Drainage and electro- mechanical works AED'000	Marine construction AED'000	All other AED'000	Total AED'000
<b>September 30, 2010 (Un-audited)</b>						
Revenues from external customers	3,345,788	33,312	584,370	72,255	75,530	4,111,255
Inter-segment revenues	-	96,932	369,342	-	13,233	479,507
Other income	100,177	5,196	735	349	5,063	111,520
Interest expense	18,302	-	4,274	890	3,947	27,413
Depreciation	104,107	28,988	14,457	3,852	14,659	166,063
Reportable segment profit/ (loss) before tax	267,550	( 19,518)	120,695	8,366	( 5,840)	371,253
Income tax expense/ (credit)	1,359	( 639)	375	-	-	1,095
Reportable segment assets	7,571,574	399,999	1,042,900	90,726	208,917	9,314,116
Expenditures for reportable segment non-current assets	126,589	8,789	7,184	1,210	1,128	144,900
Reportable segment liabilities	5,745,981	194,794	724,356	80,160	108,978	6,854,269

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

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4. Segment information (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	September 30, 2010 <u>AED'000</u> (Un-audited)
<b>Revenues</b>	
Total revenues for reportable segments	4,515,032
Other revenues	75,730
Elimination of intersegment revenues	( 479,507)
<b>Group's revenues</b>	<u>4,111,255</u>
<b>Profit</b>	
Total profit for reportable segments	377,093
Other loss	( 5,840)
Other corporate expenses	( 27,311)
<b>Income before income tax expense</b>	<u>343,942</u>
<b>Assets</b>	
Total assets for reportable segments	9,105,199
Other assets	208,917
Corporate assets	585,714
Elimination of inter-segment receivables	( 661,331)
<b>Group's assets</b>	<u>9,238,499</u>
<b>Liabilities</b>	
Total liabilities for reportable segments	6,745,291
Other liabilities	108,978
Corporate liabilities	26,729
Elimination of inter-segment payables	( 585,913)
Elimination of payable to corporate headquarters	( 75,418)
<b>Group's liabilities</b>	<u>6,219,667</u>

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

4. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED '000	Precast and concrete production AED '000	Drainage and electro- mechanical works AED'000	Marine construction AED'000	All other AED '000	Total AED'000
<b>September 30, 2009 (Un-audited)</b>						
Revenues from external customers	4,854,041	20,604	469,261	108,329	121,054	5,573,289
Inter-segment revenues	-	276,024	297,356	-	17,362	590,742
Interest income	27,950	-	-	-	-	27,950
Interest expense	28,766	100	4,257	1,816	8,912	43,851
Depreciation	121,969	30,342	16,082	3,390	24,079	195,862
Reportable segment profit before tax	495,667	33,648	116,479	7,510	10,325	663,629
Income tax expense	4,316	333	904	-	-	5,553
Reportable segment assets	7,081,451	385,146	888,704	145,797	272,465	8,773,563
Expenditures for reportable segment non-current assets	126,474	24,237	6,533	1,751	26,744	185,739
Reportable segment liabilities	5,515,170	154,801	667,109	136,088	160,409	6,633,577
<b>December 31, 2009 (Audited)</b>						
Reportable segment assets	7,483,965	392,938	884,703	57,234	241,093	9,059,933
Expenditures for reportable segment non-current assets	231,863	29,780	12,432	2,179	23,810	300,064
Reportable segment liabilities	5,933,389	163,738	609,038	52,608	132,408	6,891,181

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

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4. Segment information (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

	September 30, 2009 AED'000 (Un-audited)
<b>Revenues</b>	
Total revenues for reportable segments	6,042,977
Other revenues	121,054
Elimination of inter-segment revenues	( 590,742)
<b>Group's revenues</b>	<u>5,573,289</u>
<b>Profit</b>	
Total profit for reportable segments	653,304
Other profit	10,325
Other corporate expenses	( 55,533)
<b>Income before income tax expense</b>	<u>608,096</u>
<b>Assets</b>	
Total assets for reportable segments	8,501,098
Other assets	272,465
Corporate assets	599,414
Elimination of inter-segments receivables	( 462,695)
<b>Group's assets</b>	<u>8,910,282</u>
<b>Liabilities</b>	
Total liabilities for reportable segments	6,473,168
Other liabilities	160,409
Corporate liabilities	37,861
Elimination of inter-segment payables	( 425,945)
Elimination of payable to corporate headquarters	( 36,750)
<b>Group's liabilities</b>	<u>6,208,743</u>

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

4. Segment information (continued)

*Geographical information*

	September 30, 2010		September 30, 2009	
	Revenues	Non-current assets	Revenues	Non-current assets
	AED '000	AED '000	AED '000	AED '000
GCC Countries	4,044,631	1,752,768	5,529,960	1,335,656
Pakistan	3,585	391	2,396	783
Levant	35,783	4,596	40,933	8,709
Russia	27,256	336	-	-

- a) Revenues are attributed to countries on the basis of the construction projects' location.  
b) Non-current assets exclude financial instruments and corporate assets.

**Information about major customers**

Revenues from 4 customers of the building construction segment represent approximately AED 1.36 billion (September 30, 2009: AED 1.90 billion) of the Group's total revenues.

5. Results for the period

The results for the nine months ended September 30, 2010 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Costs that occur unevenly during the financial year are anticipated or deferred in the interim condensed consolidated financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense arises from the Group's activities in Qatar and the Kingdom of Saudi Arabia.

During the period, as a result of collections made, the Group made a net reversal of allowances for doubtful debts amounting to AED 76.8 million which was recorded as a credit to general and administrative expenses.

Also during the period, the Group has recorded an allowance for impairment losses on steel inventories of AED 22 million charged to general and administrative expenses.

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

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**6. Contract dispute**

On December 25, 2008, the Arabtec Construction L.L.C. WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Venture") for the construction of the Nad Al Sheba racecourse in Dubai, in which the Group has a 50% share, received notice from the contract owner, Meydan L.L.C. ("Meydan") purporting to terminate the contract on January 9, 2009 for reasons which management consider did not justify such termination. Subsequently, by way of its notice dated January 10, 2009, the Joint Venture purported to terminate the contract on January 24, 2009 on a number of grounds including failure to pay certified amounts, the Joint Venture's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.65 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Venture on December 29, 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the December 31, 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction L.L.C. is paying interest.

On January 11, 2009, the Joint Venture served its request for arbitration. Since then, the arbitration proceedings have commenced and the amount claimed by the Joint Venture is approximately AED 2.8 billion (Group's share: AED 1.4 billion). Management believes, based on continuing legal opinion received, that the prospects of success in the arbitration are good and that no additional provisions for the dispute are required at the end of the reporting period.

In accordance with the Group's accounting policy relating to contracts where the outcome cannot be estimated reliably, revenue has been recognised only to the extent of contract costs incurred to date, which management considers is not doubtful of recovery and therefore no provision has been made against the amounts due from the customer for contract work. No profit has been recognised on the contract to date pending the outcome of the Group's claim and conclusion of the arbitration proceedings.

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

**7. Related party transactions**

- a) The Group entered into a variety of transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise the Group's major shareholders, directors and entities related to them, companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.
- b) At the interim consolidated statement of financial position date, due from related parties comprised the following:

	<b>September 30,</b> <b>2010</b>	December 31,
	<u>AED'000</u>	<u>2009</u>
	<b>(Un-audited)</b>	<b>(Audited)</b>
<b>Joint ventures</b>		
Amounts due from joint venture partners	<u>377,543</u>	<u>388,394</u>
<b>Other related parties</b>		
<i>Entities with common ownership and management</i>		
Al Waab City W.L.L., Doha, Qatar	470,724	258,122
National Industrial Contracting Company WLL, Qatar	2,068	2,082
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	-	43,930
Haseeb Rasoul Est., UAE	15,828	15,023
Others	<u>13,425</u>	<u>12,841</u>
	<u>502,045</u>	<u>331,998</u>
	<u>879,588</u>	<u>720,392</u>

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

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**7. Related party transactions (continued)**

- c) At the interim consolidated statement of financial position date, due to related parties comprised the following:

	<b>September 30,</b> <b>2010</b>	December 31,
	<u>AED'000</u>	<u>2009</u>
	<b>(Un-audited)</b>	<b>(Audited)</b>
<i>Joint ventures</i>		
Amounts due to joint venture partners	<u>186,913</u>	<u>247,609</u>
<i>Other related parties</i>		
<i>Entities with common ownership and management</i>		
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	56,083	43,137
WCT Engineering Berhad, Malaysia	8,904	8,298
Depa Interiors LLC, Dubai, UAE	17,370	17,520
Others	4,031	9,431
<i>Current account of a director and major shareholder of the parent company</i>		
Mr. Riad Kamal - a director and major shareholder	36,106	33,012
Current accounts of shareholders in subsidiaries	<u>25,260</u>	<u>16,635</u>
	<u>147,754</u>	<u>128,033</u>
	<u>334,667</u>	<u>375,642</u>

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

**7. Related party transactions (continued)**

- d) The nature of significant related party transactions and the amounts involved were as follows:

	<b>Nine-month period ended</b>		<b>Quarter ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Un-audited)
	<b>AED '000</b>	AED '000	<b>AED '000</b>	AED '000
<b><i>Joint ventures</i></b>				
Manpower and other charges to joint ventures	<b>67,860</b>	78,101	<b>18,856</b>	25,823
<b><i>Other related parties</i></b>				
Contract and other revenue	<b>334,190</b>	669,756	<b>82,836</b>	208,846
Sub-contracting costs	-	36,998	-	9,170
Wages and salaries	<b>9,735</b>	6,760	<b>3,630</b>	3,726
Interest received on loans	<b>21</b>	121	<b>71</b>	41
Rent income	<b>1,823</b>	2,550	<b>653</b>	592
Purchase of property, plant and equipment	<b>683</b>	17,785	<b>281</b>	10,648
Sale of property, plant and equipment	-	11,035	-	10,786
Equipment hire	<b>1,502</b>	2,800	<b>232</b>	710
Fair value increase arising on investments held in trust by a director/shareholder	-	1,831	-	4,402

- e) The Group has provided a loan (included in other financial assets - non-current) of AED 1.5 million (December 31, 2009: AED 2.7 million) to a non-controlling shareholder in House of Equipment Co. LLC and AED 1.8 million (December 31, 2009: AED 1.6 million) to the shareholders of Polypod Middle East LLC. Interest on the loan is charged at 7% per annum.

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

**7. Related party transactions (continued)**

- f) The remuneration of directors and other members of key management during the period were as follows:

	<b>Nine-month period ended</b>		<b>Quarter ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
Management fees to directors	<b>1,500</b>	1,350	<b>500</b>	450
Short term benefits	<b>14,698</b>	48,529	<b>447</b>	11,151
Post employment benefits	<b>93</b>	432	<b>20</b>	65

The remuneration of directors and key executives is determined by the Board of Directors having regard to individual performance and market trends.

- g) Included in trade and other payables is an amount of AED 22.2 million (December 31, 2009: AED 21.7 million) representing contributions from employees and directors towards a staff welfare scheme. Assets of the scheme are included in the consolidated statement of financial position under cash and cash equivalents AED 12.9 million (December 31, 2009: AED 12.2 million) and other current assets AED 9.3 million (December 31, 2009: AED 9.5 million).

**8. Joint ventures**

The Group had the following significant interests in joint ventures (JV) arrangements:

	<u>Share in JV</u>
a) Samsung/Arabtec joint venture project	40%
b) Six Construct/Arabtec joint venture projects	50%
c) Samsung/Six Construct/Arabtec joint venture project	30%
d) Arabtec/Max Bogl joint venture projects	50%
e) Arabtec/Mace joint venture project	50%
f) Arabtec/Aktor joint venture projects	50%/60%
g) Arabtec/Emirates Sunland joint venture projects	50%
h) Arabtec/WCT Engineering joint venture projects	50%
i) Arabtec/Engineering Enterprises Company joint venture projects	50%
j) Arabtec/AMN Holdings joint venture project	60%
k) Arabtec/Dubai Contracting Company joint venture project	50%
l) Target Engineering and Construction Company LLC/Marintek Middle East and Asia FZE joint venture project	65%
m) Arabtec Engineering Services/WCT Engineering joint venture project	50%
n) Arabian Construction Company/Arabtec joint venture project	50%
o) Arabtec/National Projects and Construction joint venture project	50%

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

**8. Joint ventures (continued)**

The Group is entitled to a proportionate share of the joint ventures' assets and revenues and bears a proportionate share of the liabilities and outgoings.

The following amounts are included in the Group's interim condensed consolidated financial statements as a result of the proportionate consolidation of the joint ventures:

	<b>September 30,</b>		<b>December 31,</b>	
	<b>2010</b>		<b>2009</b>	
	<b>AED'000</b>		<b>AED'000</b>	
	<b>(Un-audited)</b>		<b>(Audited)</b>	
Current assets	1,289,242		1,765,663	
Non-current assets	94,048		111,002	
Current liabilities	1,261,594		1,592,249	
Non-current liabilities	48,829		37,136	
Contingent liabilities	798,978		839,333	
	<u>                    </u>		<u>                    </u>	
	<b>Nine-month period ended</b>		<b>Quarter ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
Revenue	768,849	861,944	155,525	324,050
Expenses	739,113	857,340	151,404	320,614
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**9. Intangible assets**

During the period, amortization of intangible assets was approximately AED 38.3 million (during the same period in 2009: AED 34.99 million). There were no additions to intangible assets during the period.

**10. Property, plant and equipment**

During the period, the Group purchased approximately AED 144.9 million (during the same period in 2009: AED 185.73 million) of various types of property, plant and equipment and disposed of property, plant and equipment with a net book value of AED 41.9 million (during the same period in 2009: AED 26.04 million) for proceeds of AED 48.3 million (during the same period in 2009: AED 30.5 million).

**Notes to the Interim Condensed Consolidated Financial Information - continued**  
**For the Period from January 1, 2010 to September 30, 2010**

**11. Bank borrowings**

In addition to movements on overdraft balances, during the period, the Group obtained new short-term bank loans in the amount of AED 97.7 million (during the same period in 2009: AED 480.5 million). The loans bear interest at variable market rates and are repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to AED 225.9 million (during the same period in 2009: AED 722.6 million) were made in line with previously disclosed repayment terms.

**12. Income tax charge**

Interim period income tax is accrued based on the estimated average annual effective income tax rate on taxable income of 0.78% (nine months ended September 30, 2009: 3.68%).

**13. Operating lease**

*The Group as lessee:*

	<b>Nine-month period ended</b>		<b>Quarter ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
Minimum lease payments under operating leases recognized as expense for the period	<b>36,968</b>	<b>37,990</b>	<b>7,082</b>	<b>12,663</b>

At the interim consolidated statement of financial position date, the Group had outstanding commitments under cancelable operating leases, which fall due as follows:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
Within one year	<b>28,331</b>	<b>42,351</b>
In the second to fifth years inclusive	<b>5,940</b>	<b>6,042</b>
Later than five years	<b>750</b>	<b>400</b>
	<b>35,021</b>	<b>48,793</b>

Operating lease payments represent rentals payable by the Group for land, certain labour camps and vehicles.

Notes to the Interim Condensed Consolidated Financial Information - continued  
For the Period from January 1, 2010 to September 30, 2010

14. Commitments and contingencies

	September 30, <u>2010</u> AED'000 (Un-audited)	December 31, <u>2009</u> AED'000 (Audited)
<i>Commitments</i>		
Commitments for the acquisition of property, plant and equipment	50,370	43,917
<i>Contingent liabilities</i>		
Performance and bid bonds	2,860,778	2,707,463
Advance payment bonds	1,087,464	1,193,268
Financial guarantees	41,319	25,329
Retention bonds	450,625	457,105
Labour guarantees	33,024	33,924
Letters of credit	236,485	131,398

15. Share capital

Share capital as at September 30, 2010 and December 31, 2009 amounted to AED 1.196 billion. There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

16. Dividend declaration

No dividends were proposed by the directors for the year ended December 31, 2009.

17. Additional investment in subsidiary

On April 7, 2010, the Company has acquired an additional 33.34% shares in House of Equipment Co. LLC, Dubai, UAE, bringing its total holding to 66.67% in the subsidiary.