

**Arabtec Holding PJSC and its
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2012 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arabtec Holding PJSC and its subsidiaries (the “Group”) as at 30 June 2012, comprising the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statements of cash flows and changes in equity for the six-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently, it 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 statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw attention to the following notes to the interim condensed consolidated financial statements:

- (a) Note 18 which provides details on a contractual dispute that continues to be subject to arbitration proceedings, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.
- (b) Note 23 which describes the uncertainty in connection with the social and political unrest in Syria and the management’s assessment of its impact on one of the Group’s projects.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARABTEC HOLDING PJSC
(continued)**

Other matters

The interim condensed consolidated financial statements of the Group as of 31 March 2012 were reviewed by another auditor whose report dated 8 May 2012 expressed an unqualified conclusion with an emphasis of matter on those interim condensed consolidated financial statements.

Also, the consolidated financial statement as of 31 December 2011 were audited by another auditor whose report dated 7 March 2012 expressed an unqualified opinion with an emphasis of matter on those consolidated financial statements.

Signed by
Ashraf Abu-Sharkh
Partner
Registration No. 690

7 August 2012

Dubai, United Arab Emirates

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2012 (Unaudited)

	Note	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
		2012 <i>AED'000</i>	<i>2011</i> <i>AED'000</i>	2012 <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Revenues		1,320,355	1,216,526	2,612,255	2,458,103
Contract costs		(1,189,468)	(1,080,822)	(2,271,097)	(2,157,548)
GROSS PROFIT		130,887	135,704	341,158	300,555
Other income		25,683	14,072	51,860	35,562
Administrative expenses		(154,224)	(94,865)	(284,234)	(219,370)
Finance costs		(8,604)	(9,841)	(14,811)	(17,146)
(LOSS) / PROFIT BEFORE TAX		(6,258)	45,070	93,973	99,601
Income tax expense	7	(473)	(516)	(616)	(1,045)
(LOSS) / PROFIT FOR THE PERIOD		(6,731)	44,554	93,357	98,556
Other comprehensive income					
Change in fair value of available-for-sale investments	11	51,829	(1,966)	52,170	(2,009)
Exchange difference on translation of foreign operations		969	-	1,475	-
Total other comprehensive income		52,798	(1,966)	53,645	(2,009)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		46,067	42,588	147,002	96,547
<i>Profit for the period attributable to:</i>					
Owners of the Parent		(11,595)	28,972	72,493	55,588
Non-controlling interests		4,864	15,582	20,864	42,968
		(6,731)	44,554	93,357	98,556
<i>Total comprehensive income for the period attributable to:</i>					
Owners of the Parent		41,249	27,218	126,184	53,791
Non-controlling interests		4,818	15,370	20,818	42,756
		46,067	42,588	147,002	96,547
Basic and diluted earnings per share (AED)	17	(0.01)	0.02	0.05	0.04

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	<i>30 June 2012 AED'000 (Unaudited)</i>	<i>31 December 2011 AED'000 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,188,287	1,180,895
Intangible assets	9	317,990	342,840
Investments in associates	10	30,145	-
Accounts receivable and prepayments		714,837	797,719
Other financial assets	11	252,091	201,840
Other non-current assets		36,156	15,451
		<u>2,539,506</u>	<u>2,538,745</u>
Current assets			
Inventories		260,496	319,016
Accounts receivable and prepayments		4,005,602	4,196,580
Due from related parties	12	1,179,142	1,057,806
Bank balances and cash	13	494,810	683,889
		<u>5,940,050</u>	<u>6,257,291</u>
TOTAL ASSETS		<u>8,479,556</u>	<u>8,796,036</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,569,750	1,495,000
Statutory reserve		301,122	293,873
Fair value reserve		39,621	(12,549)
Other capital reserve	5	(2,201)	-
Foreign currency translation reserve		1,257	(264)
Retained earnings		1,092,779	1,177,035
Equity attributable to owners of the Parent		<u>3,002,328</u>	<u>2,953,095</u>
Non-controlling interests		394,057	414,818
Total Equity		<u>3,396,385</u>	<u>3,367,913</u>
Non-current liabilities			
Bank borrowings	14	43,710	55,650
Employees' end of service benefits		173,485	157,810
Retentions payable		89,944	91,760
		<u>307,139</u>	<u>305,220</u>
Current liabilities			
Accounts payable and accruals		3,500,594	3,831,639
Bank borrowings	14	489,775	468,308
Due to related parties	12	785,143	821,371
Income tax payable		520	1,585
		<u>4,776,032</u>	<u>5,122,903</u>
Total liabilities		<u>5,083,171</u>	<u>5,428,123</u>
TOTAL EQUITY AND LIABILITIES		<u>8,479,556</u>	<u>8,796,036</u>

Riad Burhan Kamal
Chief Executive Officer and Board Member
7 August 2012

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2012 (Unaudited)

	<i>Attributable to owners of the parent company</i>								
	<i>Share capital</i> <i>AED'000</i>	<i>Statutory reserve</i> <i>AED'000</i>	<i>Fair value reserve</i> <i>AED'000</i>	<i>Other capital reserve</i> <i>AED'000</i>	<i>Foreign currency translation reserve</i> <i>AED'000</i>	<i>Retained earnings</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Non-controlling interests</i> <i>AED'000</i>	<i>Total equity</i> <i>AED'000</i>
Balance at 1 January 2012	1,495,000	293,873	(12,549)	-	(264)	1,177,035	2,953,095	414,818	3,367,913
Profit for the period	-	-	-	-	-	72,493	72,493	20,864	93,357
Other comprehensive income for the period	-	-	52,170	-	1,521	-	53,691	(46)	53,645
Total comprehensive income for the period	-	-	52,170	-	1,521	72,493	126,184	20,818	147,002
Transfer to statutory reserve	-	7,249	-	-	-	(7,249)	-	-	-
Acquisition of non-controlling interests (note 5)	-	-	-	(2,201)	-	-	(2,201)	(15,799)	(18,000)
Bonus shares issued (note 15)	74,750	-	-	-	-	(74,750)	-	-	-
Dividend paid to shareholders (note 16)	-	-	-	-	-	(74,750)	(74,750)	-	(74,750)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(25,780)	(25,780)
Balance at 30 June 2012	1,569,750	301,122	39,621	(2,201)	1,257	1,092,779	3,002,328	394,057	3,396,385

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2012 (Unaudited)

	<i>Attributable to owners of the parent company</i>							<i>Total equity AED'000</i>
	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Fair value reserve AED'000</i>	<i>Foreign currency translation reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>	<i>Non-controlling interests AED'000</i>	
Balance at 1 January 2011	1,196,000	267,819	(7,494)	-	1,241,549	2,697,874	404,444	3,102,318
Profit for the period	-	-	-	-	55,588	55,588	42,968	98,556
Other comprehensive income for the period	-	-	(2,009)	-	-	(2,009)	-	(2,009)
Total comprehensive income for the period	-	-	(2,009)	-	55,588	53,579	42,968	96,547
Transfer to statutory reserve	-	5,558	-	-	(5,558)	-	-	-
Bonus shares issued	299,000	-	-	-	(299,000)	-	-	-
Non controlling interest arising on acquisition and incorporation of subsidiaries	-	-	-	-	-	-	1,692	1,692
Dividends paid to non-controlling interests	-	-	-	-	-	-	(62,909)	(62,909)
Balance at 30 June 2011	<u>1,495,000</u>	<u>273,377</u>	<u>(9,503)</u>	<u>-</u>	<u>992,579</u>	<u>2,751,453</u>	<u>386,195</u>	<u>3,137,648</u>

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2012 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June</i>	
		<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
OPERATING ACTIVITIES			
Profit for the period before tax		93,973	99,601
Adjustments for:			
Depreciation		111,445	109,970
Amortisation of intangible assets		24,850	24,765
Provision for employees' end of service benefits		25,357	19,431
Gain on disposal of property, plant and equipment		(4,861)	-
Interest expenses		14,811	17,146
		265,575	270,913
Working capital changes:			
Inventories		58,520	28,278
Accounts receivable and prepayments		273,860	386,651
Due from/to related parties		(157,564)	(7,793)
Accounts payable and accruals		(332,861)	(239,146)
Cash from operations		107,530	438,903
Interest paid		(14,811)	(17,146)
Employees' end of service benefits paid		(9,682)	(9,276)
Income tax paid		(1,681)	(2,913)
Net cash from operating activities		81,356	409,568
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(142,595)	(123,142)
Proceeds from disposal of property, plant and equipment		28,619	34,675
Acquisition of a subsidiary, net of cash acquired		-	(1,351)
Acquisition of associates	10	(30,145)	-
Acquisition of non-controlling interests	5	(18,000)	-
Net movement in other non-current assets		(18,786)	-
Net cash used in investing activities		(180,907)	(89,818)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		(25,780)	(62,909)
Dividend paid to shareholders	16	(74,750)	-
Proceeds/ (repayment) of bank borrowings, net		9,527	(210,844)
Net cash used in financing activities		(91,003)	(273,753)
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(190,554)	45,997
Net exchange adjustment		1,475	-
Cash and cash equivalents at 1 January		683,889	588,130
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	494,810	634,127

The attached notes 1 to 24 form part of these interim condensed consolidated financial statements

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

1 ACTIVITIES

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the Laws of the United Arab Emirates pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The company commenced operations on 20 September 2004.

The principle objective of the company is to invest in the construction sector through the acquisition of contracting and related companies. The shares of the Company are listed on the Dubai Financial Market (DFM). The registered office of the company is P. O Box 72122, Dubai, UAE.

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 ready mix concrete and construction equipment supply and rental.

2 SUBSIDIARIES

The interim condensed consolidated financial statements incorporate the operations of the Company and its subsidiaries (the “Group”)

The extent of the Group’s shareholding in, and the principal activities of subsidiaries are as follows:

<i>Name of subsidiary and its domicile</i>	<i>Percentage of beneficial holding</i>		<i>Principal activities</i>
	<i>2012</i>	<i>2011</i>	
Arabtec Construction LLC, Dubai, UAE	100%	100%	Civil construction and related works
Austrian Arabian Ready Mix Concrete Co LLC, Dubai, UAE	100%	100%	Manufacture and transportation of ready mix concrete products
House of Equipment Co LLC, Dubai, UAE	66.67%	66.67%	Trading & Leasing of construction equipment
Arabtec Construction LLC, Doha, Qatar	49%	49%	Civil construction and related works
Arabtec Precast LLC, Dubai, UAE	100%	100%	Manufacture of precast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co LLC, Doha, Qatar	49%	49%	Manufacture and transportation of ready mix concrete products
Emirates Falcon Electromechanical Co EFECO LLC, Dubai, UAE	55%	55%	Electrical, Mechanical & Plumbing contracts
Arabtec Engineering services LLC, Dubai, UAE	80%	80%	Infrastructure Construction works
Arabtec International Company Limited, Republic of Mauritius	100%	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	100%	Civil construction and related works
Arabtec Pakistan (Pvt) Limited, Pakistan	60%	60%	Civil construction and related works
Target Engineering construction Company, Abu Dhabi, UAE	60%	60%	Civil construction and related works
Gulf Steel Industries FZC, Sharjah, UAE	100%	55%	Fabrication of steel structures and Profiles

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

2 SUBSIDIARIES (continued)

<i>Name of subsidiary and its domicile</i>	<i>Percentage of beneficial holding</i>		<i>Principal activities</i>
	2012	2011	
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia	45%	45%	Civil construction and related works
Arabtec Egypt for construction SAE, Arab Republic of Egypt	55%	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	100%	Civil construction and related works
Arabtec Musawa WLL, Kingdom of Bahrain (under formation)	75%	75%	Civil construction and related works
Arabtec Angola, Republic of Angola (under formation)	49%	49%	Civil construction and related works
EFECO Saudi LLC, Kingdom of Saudi Arabia	39%	39%	Electrical, Mechanical & Plumbing contracts
EFECO Qatar WLL, Doha, Qatar	27%	27%	Electrical, Mechanical & Plumbing contracts
EFECO LLC, State of Palestine	100%	100%	Electrical, Mechanical & Plumbing contracts
Arabtec Construction Machinery LLC, Kingdom of Saudi Arabia	58%	58%	Trading and Leasing of construction equipment
Saudi Austrian Arabian Ready Mix Company LLC, Kingdom of Saudi Arabia	62%	62%	Manufacture and transportation of ready mix concrete products
Idrotec Srl, Italy	48%	48%	Civil construction and related works
Arabtec Construction LLC, State of Kuwait (under formation)	100%	100%	Civil construction and related works
Arabtec-Envirogreen Facility Management Services LLC, Dubai, UAE	51%	51%	Building maintenance and cleaning services, facilities management and security services
Arabtec Construction India (Pvt) Limited, India	63%	63%	Civil construction and related works
Arabtec Investments Holding Limited, JAFZA, Dubai, UAE	100%	100%	Holding or investment of shares or commercial holding

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

2 SUBSIDIARIES (continued)

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

Name of associate and its domicile	Percentage of beneficial holding		Principal activities
	2012	2011	
Polypod Middle East LLC, Abu Dhabi, UAE	35%	18%	Assembly of bathroom pods and other types of pods on the same concept
Gulf Capital PJSC – Salboukh project, Saudi Arabia	24%	-	Development of Salboukh residential compound in Riyadh
Envirecon, Kingdom of Saudi Arabia	30%	-	Manufacture of concrete and mixture, additives and other construction chemicals

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 in trust and for the benefit of the Company.

3 ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED) being the functional and reporting currency of the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011.

Although the Company owns less than 50% of the equity shares of Arabtec Construction LLC, Qatar, Nasser Bin Khalid Factory Ready Mix Concrete Co. LLC, Qatar, Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia, EFECO Saudi LLC, Kingdom of Saudi Arabia, EFECO Qatar WLL, Qatar, Idrotec Srl, Italy and Arabtec Angola, Republic of Angola, the Group has the power to govern the strategic operating and financial decisions of these companies and, therefore, recognises them as subsidiaries.

3.2 Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the following new standards and interpretations as of 1 January 2012:

IAS 12- Deferred Tax: Recovery of Underlying Assets (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

3 ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies (continued)

New standards, interpretations and amendments thereof, adopted by the Group (continued)

IFRS 7 – Disclosures – Transfer of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, a group has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the group retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the group's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When a group's date of transition to IFRS is on or after the functional currency normalisation date, the group may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

The above amendments to IFRS standards did not have any impact on the accounting policies, financial policies, financial position or performance of the Group.

The Group has merged its interim condensed consolidated statement of income and statement of comprehensive income into one single interim condensed statement of comprehensive income. This new presentation has no impact on the financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

4 SEASONALITY OF OPERATIONS

The Group has five operating segments: building construction, precast and concrete production, drainage and electro mechanical works, marine construction and trading.

The results for the six month period ended 30 June 2012 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.

Management have concluded that this does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting. Notwithstanding, the results for the six month period ended 30 June 2012 are not necessarily indicative of the results that might be expected for the year ending 31 December 2012.

5 ACQUISITION OF NON CONTROLLING INTERESTS

During the period, the Group acquired the remaining shareholding of 45% in Gulf Steel Industries FZC from its non-controlling interests, increasing its ownership interest to 100%. A cash consideration of AED 18 million was paid to the non-controlling interests. The difference between the consideration paid and the carrying value of the interest acquired has been recognised in other capital reserve of AED 2,201 thousand.

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

6 SEGMENT INFORMATION

Primary segment information

The Group has five operating segments: building construction, precast and concrete production, drainage and electro mechanical works, marine construction and trading.

The building 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 building construction segment. The drainage and electro mechanical segment is involved in the execution of the drainage, electrical and mechanical works. The marine segment is involved in marine construction. The trading segment is involved in the trading of heavy equipment and steel.

The above segments are the basis on which the company reports its segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

Segment wise statement of income information for six months ended 30 June 2012 and three months ended 30 June 2012 is presented below:

<i>Six months ended 30 June 2012</i>	<i>Building Construction AED'000</i>	<i>Precast and concrete production AED'000</i>	<i>Drainage and electro mechanical works AED'000</i>	<i>Marine construction AED'000</i>	<i>Trading AED'000</i>	<i>Total AED'000</i>
Revenues	1,988,749	74,425	451,948	53,424	43,709	2,612,255
Contract costs	(1,758,040)	(62,017)	(363,163)	(47,359)	(40,518)	(2,271,097)
Gross profit	230,709	12,408	88,785	6,065	3,191	341,158
Other income	44,686	1,859	3,248	768	(271)	50,290
Administration expenses	(157,609)	(32,654)	(49,235)	(2,782)	(8,756)	(251,036)
Finance costs	(4,722)	-	(8,270)	(906)	(913)	(14,811)
Income tax expense	(438)	(64)	(114)	-	-	(616)
Net segment results	112,626	(18,451)	34,414	3,145	(6,749)	124,985

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

6 SEGMENT INFORMATION (continued)

<i>Three months ended 30 June 2012</i>	<i>Building Construction AED'000</i>	<i>Precast and concrete production AED'000</i>	<i>Drainage and electro mechanical works AED'000</i>	<i>Marine construction AED'000</i>	<i>Trading AED'000</i>	<i>Total AED'000</i>
Revenues	1,021,175	36,421	224,083	13,212	25,464	1,320,355
Contract costs	(936,466)	(27,509)	(189,391)	(12,636)	(23,466)	(1,189,468)
Gross profit	84,709	8,912	34,692	576	1,998	130,887
Other income	20,095	1,298	1,762	768	190	24,113
Administration expenses	(88,514)	(19,978)	(24,420)	(646)	(4,067)	(137,625)
Finance costs	(2,777)	-	(5,003)	(409)	(415)	(8,604)
Income tax expense	(409)	(64)	-	-	-	(473)
Net segment results	13,104	(9,832)	7,031	289	(2,294)	8,298

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

6 SEGMENT INFORMATION (continued)

<i>Six months ended 30 June 2011</i>	<i>Building Construction AED '000</i>	<i>Precast and concrete production AED '000</i>	<i>Drainage and electro mechanical works AED '000</i>	<i>Marine construction AED '000</i>	<i>Trading AED '000</i>	<i>Total AED '000</i>
Revenues	1,406,187	54,177	147,858	770,627	79,254	2,458,103
Contract costs	(1,243,089)	(39,382)	(131,188)	(681,099)	(62,790)	(2,157,548)
Gross profit	<u>163,098</u>	<u>14,795</u>	<u>16,670</u>	<u>89,528</u>	<u>16,464</u>	<u>300,555</u>
Other income	25,978	3,528	424	2,712	194	32,836
Administration expenses	(93,420)	(23,328)	(20,722)	(37,039)	(41,496)	(216,005)
Finance costs	1,490	182	(3,712)	(11,985)	(3,121)	(17,146)
Income tax expense	(837)	-	-	(208)	-	(1,045)
Net segment results	<u><u>96,309</u></u>	<u><u>(4,823)</u></u>	<u><u>(7,340)</u></u>	<u><u>43,008</u></u>	<u><u>(27,959)</u></u>	<u><u>99,195</u></u>

Arabtec Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6 SEGMENT INFORMATION (continued)

<i>Three months ended 30 June 2011</i>	<i>Building Construction AED '000</i>	<i>Precast and concrete production AED '000</i>	<i>Drainage and electro mechanical works AED '000</i>	<i>Marine construction AED '000</i>	<i>Trading AED '000</i>	<i>Total AED '000</i>
Revenues	492,493	32,338	(81,789)	728,306	45,178	1,216,526
Contract costs	(429,408)	(17,538)	48,184	(645,474)	(36,586)	(1,080,822)
Gross profit	<u>63,085</u>	<u>14,800</u>	<u>(33,605)</u>	<u>82,832</u>	<u>8,592</u>	<u>135,704</u>
Other income	8,752	2,412	372	2,709	(328)	13,917
Administration expenses	(11,121)	(10,016)	(2,999)	(34,650)	(35,287)	(94,073)
Finance costs	5,042	182	(2,538)	(11,570)	(957)	(9,841)
Income tax expense	(381)	-	73	(208)	-	(516)
Net segment results	<u><u>65,377</u></u>	<u><u>7,378</u></u>	<u><u>(38,697)</u></u>	<u><u>39,113</u></u>	<u><u>(27,980)</u></u>	<u><u>45,191</u></u>

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6 SEGMENT INFORMATION (continued)

The following table presents segment assets, segment liabilities and other information of the Group's operating segments as at 30 June 2012 and 31 December 2011.

	<i>Building Construction AED'000</i>	<i>Precast and concrete production AED'000</i>	<i>Drainage and electro mechanical works AED'000</i>	<i>Marine construction AED'000</i>	<i>Trading AED'000</i>	<i>Total AED'000</i>
<i>30 June 2012</i>						
Segment assets	<u>6,973,768</u>	<u>359,589</u>	<u>1,198,163</u>	<u>139,323</u>	<u>99,253</u>	<u>8,770,096</u>
Segment liabilities	<u>4,559,379</u>	<u>218,855</u>	<u>873,987</u>	<u>130,032</u>	<u>49,220</u>	<u>5,831,473</u>
	<i>Building Construction AED'000</i>	<i>Precast and concrete production AED'000</i>	<i>Drainage and electro mechanical works AED'000</i>	<i>Marine construction AED'000</i>	<i>Trading AED'000</i>	<i>Total AED'000</i>
<i>31 December 2011</i>						
Segment assets	<u>7,229,421</u>	<u>362,464</u>	<u>1,209,700</u>	<u>175,596</u>	<u>93,362</u>	<u>9,070,543</u>
Segment liabilities	<u>4,973,105</u>	<u>204,309</u>	<u>781,435</u>	<u>157,502</u>	<u>42,302</u>	<u>6,158,653</u>

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At 30 June 2012 (Unaudited)

6 SEGMENT INFORMATION (continued)

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

	<i>Six month period ended 30 June</i>	
	<i>2012 AED'000</i>	<i>2011 AED'000</i>
Profit		
Total profit for reportable segments	124,985	99,195
Other corporate expenses	(33,198)	(3,365)
Other corporate income	1,570	2,726
Profit for the period	93,357	98,556
	<i>Three month period ended 30 June</i>	
	<i>2012 AED'000</i>	<i>2011 AED'000</i>
Profit		
Total profit for reportable segments	8,298	45,191
Other corporate expenses	(16,599)	(792)
Other corporate income	1,570	155
(Loss) / profit for the period	(6,731)	44,554
	<i>30 June 2012 AED'000</i>	<i>31 December 2011 AED'000</i>
Assets		
Total assets for reportable segments	8,770,096	9,070,543
Corporate assets	465,463	470,699
Elimination of inter-segments receivables	(756,003)	(745,206)
Group's assets	8,479,556	8,796,036
	<i>30 June 2012 AED'000</i>	<i>31 December 2011 AED'000</i>
Liabilities		
Total liabilities for reportable segments	5,831,473	6,158,653
Corporate liabilities	7,701	14,676
Elimination of payable to corporate head quarters	(110,725)	(110,725)
Elimination of inter-segment payables	(645,278)	(634,481)
Group's liabilities	5,083,171	5,428,123

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6 SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue and total assets information regarding geographic segments for the periods ended 30 June 2012 and 30 June 2011:

	<i>30 June 2012 Revenues AED'000</i>	<i>30 June 2011 Revenues AED'000</i>	<i>30 June 2012 Total assets AED'000</i>	<i>31 December 2011 Total assets AED'000</i>
GCC Countries	2,527,085	2,378,329	8,357,510	8,659,924
Others	85,170	79,774	122,046	136,112
	<u>2,612,255</u>	<u>2,458,103</u>	<u>8,479,556</u>	<u>8,796,036</u>

7 INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e., the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

The major components of income tax expense in the interim condensed consolidated income statement are:

	<i>Six month period ended 30 June</i>	
	<i>2012 AED'000</i>	<i>2011 AED'000</i>
Income taxes		
Current income tax expense	<u>616</u>	<u>1,045</u>

8 PROPERTY, PLANT AND EQUIPMENT

During the six month period ended 30 June 2012, the Group acquired assets with a cost of AED 142.60 million (six month period ended 30 June 2011: AED 123.14 million) of various types of property, plant and equipment. Assets with a net book value of AED 23.8 million were disposed by the Group during the six month period ended 30 June 2012 (six month period ended 30 June 2011: AED 89.05 million).

9 INTANGIBLE ASSETS

Intangible assets include the following balances:

	<i>30 June 2012 AED'000</i>	<i>31 December 2011 AED'000</i>
Goodwill	248,629	248,629
Other Intangible assets	69,361	94,211
	<u>317,990</u>	<u>342,840</u>

During the period, the amortization of other intangible assets amounted to AED 24.85 million (six month period ended 30 June 2011: AED 24.76 million). There were no additions to intangible assets during the period.

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At 30 June 2012 (Unaudited)

10 INVESTMENTS IN ASSOCIATES

During the period, the Group acquired the following new investments in associates:

	<i> Holding %</i>	<i> 30 June 2012 AED'000</i>
Gulf Capital PJSC - Salboukh Project	24 %	29,067
Envirecon	30 %	38
Polypod Middle East LLC	35%	1,040
		<u>30,145</u>

11 OTHER FINANCIAL ASSETS

The other financial assets include the following balances:

	<i> 30 June 2012 AED'000</i>	<i> 31 December 2011 AED'000</i>
<i>Held to Maturity</i>		
<i>At amortised cost</i>		
Nakheel Sukuk	-	175,020
<i>Available-for-sale</i>		
<i>At fair value</i>		
Nakheel Sukuk	245,102	-
Investments in equity securities	6,989	8,428
<i>At cost</i>		
Investment in unquoted equity securities	-	18,392
	<u>252,091</u>	<u>201,840</u>

The Group holds 235,320 thousands units of Sukuk bonds of AED 1 each issued by Nakheel Anka'a Sukuk Limited. These bonds carry a coupon rate of 10% per annum. During the period ended 30 June 2012, the Group changed the classification of its Sukuk from held to maturity to available-for-sale. An amount of AED 52 million representing the difference between the carrying value at amortised cost of the held to maturity and the fair value of the Sukuk has been recorded in other comprehensive income.

12 RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties during the six month periods ended 30 June 2012 and 30 June 2011, as well as balances with related parties as of 30 June 2012 and 31 December 2011:

	<i> Six month period ended 30 June 2012</i>			<i> At 30 June 2012</i>	
	<i> Revenues AED'000</i>	<i> Purchases AED'000</i>	<i> Other expenses AED'000</i>	<i> Amount due to AED'000</i>	<i> Amount due from AED'000</i>
Joint Venture	237,756	-	220,285	256,870	306,894
Other related parties	459,959	2,972	11,492	528,273	872,248
	<u>697,715</u>	<u>2,972</u>	<u>231,777</u>	<u>785,143</u>	<u>1,179,142</u>

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At 30 June 2012 (Unaudited)

12 RELATED PARTY TRANSACTIONS (continued)

	<i>Six month period ended 30 June 2011</i>			<i>At 31 December 2011</i>	
	<i>Revenues AED'000</i>	<i>Purchases AED'000</i>	<i>Other expenses AED'000</i>	<i>Amount due to AED'000</i>	<i>Amount due from AED'000</i>
Joint Venture	429,320	-	394,817	249,904	444,046
Other related parties	640,381	2,630	1,585	571,467	613,760
	<u>1,069,701</u>	<u>2,630</u>	<u>396,402</u>	<u>821,371</u>	<u>1,057,806</u>

	<i>30 June 2012 AED'000</i>	<i>31 December 2011 AED'000</i>
<i>Current account of directors and major shareholders</i>		
Mr. Riad Kamal - a Director and a shareholder of the Parent company	<u>41,456</u>	<u>23,096</u>
Current accounts of non-controlling shareholders in subsidiaries	<u>110,399</u>	<u>37,519</u>

Compensation of key management personal

The remuneration of directors and other key members' management of the Group during the period were as follows:

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	<i>2012 AED'000</i>	<i>2011 AED'000</i>	<i>2012 AED'000</i>	<i>2011 AED'000</i>
Attendance fees to directors	450	450	900	1,000
Short term benefits	1,887	3,170	11,570	10,359
Employees' end of service benefits	79	75	224	232
Discretionary bonus accrued	3,572	-	6,606	-
	<u>5,988</u>	<u>3,695</u>	<u>19,300</u>	<u>11,591</u>

13 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>30 June 2012 AED'000</i>	<i>30 June 2011 AED'000</i>
Cash and bank balances	300,686	350,220
Short term bank deposits	194,124	283,907
Cash and cash equivalents	<u>494,810</u>	<u>634,127</u>

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14 BANK BORROWINGS

During the period, the Group obtained additional short term bank borrowings of AED 10.9 million. These borrowings bear interest at prevailing market rates and are repayable within one year. The funds are utilised for meeting the Group's working capital requirements.

15 SHARE CAPITAL

	30 June 2012 AED'000	<i>31 December 2011 AED'000</i>
<i>Authorised issued and fully paid up:</i>		
1,569,750 thousand shares of AED 1 each	1,569,750	1,495,000
(31 December 2011: 1,495 million shares of AED 1 each)	<u>1,569,750</u>	<u>1,495,000</u>

The Annual General Meeting of the shareholders approved a bonus issue of 1 share for every 20 shares held in the meeting dated 28 April 2012, thereby increasing the number of shares from 1,495 million to approximately 1,570 million.

16 CASH DIVIDENDS

During the Annual General Meeting held on 28 April 2012, the shareholders approved a cash dividend of AED 0.05 per share totalling AED 74.75 million relating to year ended 31 December 2011.

17 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 72 million (six month period ended 30 June 2011: AED 56 million) by the weighted average number of shares outstanding during the period of 1,570 million.

The weighted average number of shares outstanding during the period ended 30 June 2011 has been amended for bonus shares issued during 2012 (note 15).

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2012 AED	<i>2011 AED</i>	2012 AED	<i>2011 AED</i>
Earnings per share	(0.01)	0.02	0.05	0.04

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18 CONTRACT DISPUTE

On 25 December 2008, Arabtec Construction LLC 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 LLC ("Meydan") purporting to terminate the contract on 9 January 2009 for reasons which management consider did not justify such termination. Subsequently, by way of its notice dated 10 January 2009, the Joint Venture purported to terminate the contract on 24 January 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 29 December 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 31 December 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction LLC is paying interest, which will form part of the claim.

On 11 January 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). In June 2012, Meydan has further lodged a claim before Dubai Court contesting the validity of the arbitration tribunal and claiming a sum of AED 3.5 billion plus interests. Management believes, based on continuing legal opinion received, that the prospects of success in the arbitration and legal case 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.

19 JOINT VENTURES

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

	Share in JV
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/Aktor joint venture projects	50%/60%
f) Arabtec/Emirates Sunland joint venture projects	50%
g) Arabtec/WCT Engineering joint venture projects	50%
h) Arabtec/Engineering Enterprises Company joint venture projects	50%
i) Arabtec/AMN Holdings joint venture project	60%
j) Arabtec/Dubai Contracting Company joint venture project	50%
k) Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE joint venture project	65%
l) Arabtec Engineering Services/WCT Engineering joint venture project	50%
m) Arabian Construction Company/Arabtec joint venture project	50%
n) Arabtec/National Projects and Construction joint venture project	50%
o) Arabtec/AI Saad joint venture project	66.66%
p) Arabtec/Al Mukawilon joint venture project	60%
q) Arabtec/Combined Group Contracting Company Joint Venture	60%

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

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19 JOINT VENTURES (continued)

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

	30 June 2012 AED'000	31 December 2011 AED'000
Current assets	1,003,737	1,125,087
Non-current assets	61,480	89,990
Current liabilities	944,590	1,073,877
Non-current liabilities	32,723	55,099
Contingent liabilities	735,157	724,048

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Revenue	112,356	181,484	237,756	429,320
Expenses	99,475	177,502	220,285	394,817

20 EXPENDITURE COMMITMENTS

At the reporting date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2012 AED'000	31 December 2011 AED'000
Future minimum lease payments:		
Within one year	29,245	31,018
In the second to fifth years inclusive	9,875	9,125
Later than 5 years	36,368	36,368
Total operating lease expenditure contracted for at the reporting date	75,488	76,511

	<i>Three month period ended 30 June</i>		<i>Six month period ended 30 June</i>	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Minimum lease payments under operating leases recognized as expense during the period	11,131	5,398	23,831	36,506

21 COMMITMENTS AND CONTINGENCIES

At 30 June 2012, the Group had contingent liabilities in respect of performance and bid bonds, advance payment bonds, financial guarantees, retention bonds, labour guarantees and letters of credit amounting to AED 3,891,686 thousand (31 December 2011: AED 4,199,060 thousand).

At 30 June 2012, the Group had commitments for the acquisition of property, plant and equipment amounts to AED 34,958 thousand (31 December 2011: AED 35,237 thousand).

22 GOODWILL

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite life is based on value-in-use calculation that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2011.

23 POLITICAL UNREST IN SYRIA

The Group has a project in Syria that has been suspended after to the commencement of the current political events and civil unrest in this country. The Group management has taken proactive measures by entering into negotiations with its Syrian client in order to realise its assets and ensure that any exposure on its financial statements is covered.

While it is difficult to quantify the effect of these events on the future financial statements, the significance of this impact will depend on the extent and the length until which these events and their effect will last. In the management's opinion, the events in Syria will not materially affect the Group's financial position or performance in the future.

24 COMPARATIVE FIGURES

Prior year figures shown in the consolidated statement of financial position have been reclassified, wherever necessary, to conform to the current presentation of the interim condensed consolidated statement of financial position. Identically, prior period figures previously shown in the interim condensed consolidated statement of comprehensive income have been reclassified to conform to the current period presentation. These reclassifications have no impact on the financial position, performance or cash flows of the Group as previously stated.