

**Press Release**

## Arabtec net income rises 212% to AED162mn in Q3 2013

**Dubai, UAE (13 November 2013)** – Arabtec Holding PJSC (the “Company” or “Arabtec”), a leading engineering and construction group specialising in complex projects in the Middle East and North Africa region, has reported a net profit of AED162 million in the third quarter of 2013, and a year-to-date net profit of AED367 million, up 212% and 153% respectively for the same period in 2012.

### Key Points

- Q3 revenue up 39% to AED1.9 billion
- Q3 net income up 212% to AED162 million
- Revenue for the nine-month period to September 2013 up 27% to AED5.1 billion
- Net income for the nine-month period to September 2013 up 153% to AED367 million
- Backlog up 29% from prior year to AED23.5 billion Significant progress made on implementation of Group strategy across the business:
  - Arabtec Samsung Engineering launched to expand business into oil and gas, power and related infrastructure
  - Acquisition of the minority stake in Emirates Falcon Electromechanical Company (“EFECO”) in September 2013 to strengthen the specialist Mechanical, Electrical and Plumbing (“MEP”) business
  - Recently signed Memorandum of Understanding (“MoU”) to form Arabtec-GS Infrastructure, a business focused on heavy infrastructure projects
  - Continued realignment of the business to position the Company for growth into new markets and sectors
  - Successfully completed Rights Issue of AED2.4 billion
- Second tranche of the Rights Issue for 2014 cancelled due to strong financial position, performance and low debt gearing levels

### Financial Highlights (AED M, unless otherwise stated)

	9mths 2012	9mths 2013	Change	Q3 2012	Q3 2013	Change
	AED (M)	AED (M)	Percentage	AED (M)	AED (M)	Percentage
Backlog	18,167	23,500	29%	18,167	23,500	29%
Revenues	4,007	5,080	27%	1,395	1,937	39%
Gross profit	493	605	23%	152	232	53%
Margin %	12%	12%	-	11%	12%	1%
EBITDA	308	457	48%	103	184	79%
Margin %	8%	9%	1%	7%	9%	2%
Net income	145	367	153%	52	162	212%
Net margin %	4%	7%	3%	4%	8%	4%
Earnings Per Share (“EPS”) *	0.07	0.13	86%	0.02	0.03	50%
Net Profit **	108	256	137%	35	101	189%
Cash Flow from Operating Activities ***	179	234	31%	-	-	-
Backlog-to-Revenue ****	3.4x	3.5x	-	-	-	-

\* Basic EPS

\*\* Net Profit Attributable to Owners of the Parent

\*\*\* Q3 2012 Cash flow from Operating Activities is calculated from the restated 2011 audited financial statements

\*\*\*\* Ratio measured in years with revenue annualized

Hasan Abdullah Ismaik, Managing Director and CEO of Arabtec Holding commented:

*“Today’s results, which beat market expectations, demonstrate that the business is performing well and that the contract wins in 2012 are now making a notable contribution to cash flow and earnings. We are also pleased to see growth in our key markets of UAE and Saudi Arabia, which continue to be important drivers across a number of our business segments.*

*“The positive results are further supported by the healthy GCC construction market growth and fundamentals, giving us confidence in our growth strategy. We continue to make significant progress with the realignment of our business and the implementation of our growth strategy. We announced the launch of Arabtec Samsung Engineering for the expansion in the oil & gas, power and related infrastructure segments; we signed an MoU to form Arabtec-GS Infrastructure, a business focused on heavy infrastructure; and we also acquired the remaining 45% minority stake in EFECO.*

*“We are very confident that our growth strategy will help us achieve our aim of growing Arabtec’s existing business and expanding into higher-margin and higher-growth sectors. The recently announced new project wins have increased our overall backlog, providing clear visibility for the strength of our future earnings. Ultimately, we remain committed to delivering superior returns to our shareholders.”*

*“Our positive results and accomplishments confirm that Arabtec is at the beginning of a new phase of long-term expansion. We are focused on growing Arabtec to become a major global corporation, while maintaining our strong roots in the United Arab Emirates and the Middle East. This is our commitment to our shareholders.”*

## **Financial Review**

Management’s continued focus on project execution and the project delivery organization has contributed to the enhanced performance in Q3.

Net profit attributable to the Owners of the Parent grew by 189% to AED101 million in Q3 2013 compared to the same period in 2012. The Company reported revenues of AED1.9 billion in Q3 2013, up 39% compared to the same period in 2012 driven by strong performance from the UAE and Saudi Arabia operations.

For the nine-month period to September, net profit attributable to the Owners of the Parent grew by 137% to AED256 million compared to the same period in 2012. The Company reported revenues of AED5.1 billion for the nine-month period to September, up 27% compared to the same period in 2012, driven by the growing backlog, continued strong performance in the UAE and Saudi Arabia markets, in addition to management’s influence on the project delivery organisation.

Arabtec has maintained double-digit gross margins with 12% in Q3 2013, up from 11% for the same period in 2012. The stable double-digit margins reflect management’s increased focus on project execution.

The Company is continuing to focus on the realignment of its businesses to enhance efficiency. The measures employed have started to reflect positively on the results with the selling, general and administrative expenses (“SG&A”) margin down to 7% of revenue in Q3 2013 compared to 9% of revenue for the same period in 2012. The decrease in SG&A is primarily due to the reallocation of project-related overheads in 2013 to the appropriate projects which improved the utilisation of resources and provides a more accurate indication of project profitability.

With the industry returning to growth, the Company has seen continued improvement in its receivables collection cycle enabling the reversal of certain bad debt provisions which are reflected in other income along with the reversal of certain excess bonus provisions. The reduction in the receivables collection cycle is also driven by agreements reached with certain clients in Q3 2013 regarding the payment of long overdue receivables. The improvements in the Company’s operations are further highlighted by the increase in cash flow from operating activities to AED234 million as of September from AED179 million for the same period in 2012.

## **Earned Value**

Arabtec is winning larger, more complex projects such as The Louvre Abu Dhabi; airport projects such as the Midfield Terminal Building at Abu Dhabi International Airport; and hospital projects such as Aldara Hospital in Saudi Arabia, which by their nature require a longer mobilisation period prior to construction getting fully under way. In such projects, the contribution to earnings (Earned Value) is weighted towards the later period of the project life-cycle, at which point the Company will realise the peak cash flow impact on its results.

## **Implementation of Growth Strategy**

In February 2013, the Board of Arabtec approved a detailed growth strategy, which is underpinned by organic as well as acquisitive growth, and the formation of significant joint-ventures to take advantage of higher-margin, higher-growth specialised construction opportunities. The Company has already made significant progress in delivering key milestones in its growth strategy.

### ***Contract Awards***

As of Q3 2013, Arabtec had a backlog of AED23.5 billion, representing a 29% increase from prior year. Year-to-date as of September 2013, Arabtec has been awarded AED7.7 billion (net) of projects.

Highlighting the Company's geographic expansion, Arabtec was awarded a AED2 billion contract for the construction of a mixed-use development comprising of 5 towers in Kazakhstan; as well as two contracts valued at AED770 million and AED720 million for the Saraya Aqaba and St. Regis Amman projects in Jordan.

The Q3 2013 backlog has been further enhanced by contract awards in Q4 2013 whereby Arabtec was awarded an AED1.8 billion contract for the construction of a mixed-use, high-rise tower on Sheikh Zayed Road in Dubai. The project will be one of Dubai's 10 tallest buildings and the second tallest tower in the Central Business District, rising 369.1 meters. The tower will comprise office space, retail areas, an internationally branded hotel and luxury apartments.

Also in Q4 2013, Arabtec was awarded a contract for the construction of the final phase of Tiara Hotel on Palm Jumeirah. The earlier phases of the AED550 million project were executed by Arabtec, and work on the final phase, valued at AED200 million, will begin in Q1 2014 and is expected to take up to 18 months to complete.

### ***Joint Ventures***

In September 2013, Arabtec and Samsung Engineering announced the launch of their new joint venture company, Arabtec Samsung Engineering, to bid for large-scale Engineering, Procurement and Construction ("EPC") contracts in MENA's oil and gas, power and related infrastructure sectors, which can range from US\$3 – 10 billion in value. Arabtec Samsung Engineering will be an active bidder in the tender process for large-scale contracts expected in 2013 and beyond in each of the three sub-sectors. A number of EPC projects have already been identified and are in the process of being tendered.

In November 2013, Arabtec signed a MoU to form a joint-venture with GS Engineering and Construction Corporation, a leading international engineering and construction company based in South Korea. Once launched, the joint venture will pursue heavy infrastructure engineering and construction projects, such as metro, railway, bridge, port, and tunnel projects in the MENA region.

### ***Acquisitive Growth***

In September 2013, Arabtec acquired the remaining 45% minority stake in EFECO, its MEP arm, which it did not already own to increase its ownership in EFECO to 100%. This transaction is an integral part of the Company's strategy to capture growth and increase its market share in the higher margin, specialised engineering and construction services sectors.

EFECO was established in 2001 to offer electromechanical services to the construction industry in the Middle East through its operations in the UAE, Qatar, Palestine and Saudi Arabia. The Company provides design, procurement, installation, testing and commissioning services for electrical, air conditioning, plumbing, sanitary works, instrumentations, telecommunication and fire-fighting systems in residential and commercial developments. The Company also provides expertise in the infrastructure sector, including road works, paving, sewage, drainage, irrigation and landscaping works.

### **Rights Issue**

In June 2013, Arabtec successfully raised AED2.4 billion in the first phase of its Rights Issue, which was nearly 30% oversubscribed by its shareholders and is being used to provide funding for its growth strategy.

Given the Company's strong financial position, performance and low debt gearing levels, the Board has resolved to cancel the second phase of the Rights Issue. The Company will look into alternative methods of funding, if and when required, and depending on market conditions.

### **Key contracts awarded in 2013**

Note: Table shows Arabtec's share of project value (approximate values)

<b>Project</b>	<b>Country</b>	<b>Contract Value</b>
Abu Dhabi Plaza	Kazakhstan	AED 2 billion
Sheikh Zayed Road Tower *	UAE	AED 1.8 billion
Fairmont Hotel Abu Dhabi	UAE	AED 1 billion
Louvre Abu Dhabi Museum	UAE	AED 800 million
Saraya Aqaba	Jordan	AED 770 million
St. Regis Amman	Jordan	AED 720 million
Arabian Ranches	UAE	AED 240 million
Tiara Hotel *	UAE	AED 200 million
Silicon Oasis	UAE	AED 180 million

\*Contracts awarded in Q4 2013.

- Ends -

### **About Arabtec Holding PJSC**

Arabtec is a leading engineering and construction group specialising in complex projects in the Middle East and North Africa region, including high-rise commercial and residential development, infrastructure and oil and gas.

The UAE-based group's impressive list of completed projects includes iconic buildings such as the world's tallest building, the Burj Khalifa in Dubai, and Abu Dhabi landmark, the Emirates Palace Hotel; as well as other technically challenging work on airports and related infrastructure.

Arabtec was the first private construction firm to go public when it was listed on the Dubai Financial Market in 2005. Today, Arabtec Holding consists of many subsidiaries, with specialisations spanning all segments of the construction cycle. The group is currently working on some of the most prestigious projects in the Middle East, such as the Louvre Museum in Abu Dhabi and a regeneration project in the centre of the Qatari capital, Doha, and is expanding into other regions. The group is also expanding in the oil and gas, power and related infrastructure sectors.

Arabtec's strong track record and commitment to timely and cost-efficient delivery has contributed to its rapid growth in recent years and a reputation for quality that has often translated into a market-led pricing premium for completed projects.

For more information, please visit [www.arabtecholding.com](http://www.arabtecholding.com)

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