

H1 2018 Investor Presentation

August 2018



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Backlog and new contract awards are non-IFRS metrics based on management's estimates of awarded, signed and ongoing contracts which have not yet been completed, and serve as an indication of total size of contracts to be executed. These figures and classifications are unaudited, have not been verified by a third party, and are based solely on management's estimates.

Performance Highlights

Robust revenue growth coupled with enhanced profitability

H1 2018 vs H1 2017

Revenue ▲	EBIT ▲	Net Profit ¹ ▲	Backlog ▲	SG&A ▲
AED 4,812 mn	AED 179 mn	AED 113 mn	AED 16.1 bn	3.3%
+13.3% y-o-y compared to AED 4,246 mn in H1'17	+102.8% y-o-y compared to AED 88 mn in H1'17 Margin improved by 164 basis points to 3.7%	+96.9% y-o-y compared to AED 57 mn in H1'17 Margin improved by 100 basis points to 2.3%	Solid pipeline of tender opportunities of AED 34.6 bn	SG&A as a % of revenue declined by 57 basis points compared to 3.9% in H1'17

H1 2018 Project Awards



Villas at AKOYA Oxygen
AED 628 million



Dubai Municipality Infrastructure
AED 433 million



Uptown Cairo
AED 157 million



Creekside Horizon
AED 117 million

Note:

1. Net profit attributable to parent

Strategic Roadmap

Key focus on strategic alignment of the Group to its vision, mission and values



Performance Highlights

On track to achieve strategic priorities for the year

Contract Wins

DAMAC AKOYA Oxygen Villas, Dubai Municipality Infrastructure, EMAAR Uptown Cairo & EMAAR Creekside Horizon

Market Growth

Strengthening regional footprint on select countries including UAE, KSA, Egypt & Bahrain as well as building presence in the infrastructure space

Productivity

SG&A has seen a consistent reduction to reach 3.3% of revenue compared to 3.9% in H1 2017

Receivables

Improved receivables collection and debtor days reduced by 17 days from 185 in Q1 2018 to 168 in Q2 2018

Cash Flow

Current trade receivables reduced by AED 223 mn compared to Q1 2018 producing a positive net cash from operating activities of AED 206 mn in Q2 2018

Debt

Net debt decreased by AED 158 mn from AED 1,760 mn in Q1 2018 to AED 1,602 mn in Q2 2018. Net debt to equity ratio decreased from 1.4 in Q1 2018 to 1.2 in Q2 2018

Emiritisation

Awarded in three categories and honored by H.E. Nasser Thani Al Hameli, the Minister of Human Resources in the Emiritisation Government Accelerator Program

Strategic Priorities 2018

Rebasing the business through a range of initiatives

Productivity

- Measures to increase workforce productivity
- Implement short- term incentive plan

Efficiency

- Simplify and closely integrate the Group's operating structure
- Remove duplicated functions and activities through shared services and outsourcing
- Implement benchmark organisational spans and layers to create a lean and agile organisation

Innovation

- Implementation of innovative methods for construction
- Improve cost savings and benefits through integrated supply chain management
- Integrate of BIM and 3D modelling into new projects
- Explore opportunities to reduce waste through the modularisation of building design

Strengthen Balance Sheet

- Improve net debt to equity ratio
- Continue to divest or develop non-core assets and investments

Market & Growth

- Achieve target work winning rate
- Pursue opportunities in the infrastructure sector to secure sustainable growth of the Group
- Develop framework & competency to offer other funding solutions for Government projects

Governance

- Complete roll-out of Business Standards across the Group
- Roll out 4-gate work winning tools across OpCo's
- Implement standardised processes and tools across the Group

Income Statement

The Group has reported a steady improvement in profitability

AED (mn)	Q2 2018	Q2 2017	Variance	H1 2018	H1 2017	Variance
Revenue	2,392	2,060	16.1%	4,812	4,246	13.3%
EBIT	83	62	34.7%	179	88	102.8%
Margin (%)	3.5%	3.0%		3.7%	2.1%	
Net Profit for the period	49	41	21.0%	115	42	175.2%
Margin (%)	2.1%	2.0%		2.4%	1.0%	
Net Profit attributable to the owners of the parent	49	40	24.1%	113	57	97.0%

H1 2018:

- ✓ SG&A improved by 57 basis points to 3.3% compared to 3.9% in H1 2017
- ✓ EBIT margin improved by 164 basis points to 3.7%
- ✓ Net Profit Margin improved by 141 basis points to 2.4%

Balance Sheet

Net debt decreased by AED 158 mn in Q2 2018 compared to Q1 2018

Balance Sheet AED mn	Q2FY18 30-Jun	FY17 31-Dec		Q2FY18 30-Jun	FY17 31-Dec
ASSETS			EQUITY AND LIABILITIES		
Non-current assets			Equity		
Property, plant and equipment	702	754	Share capital	1,500	1,500
Goodwill	249	249	Other reserves	(39)	(35)
Investment properties	595	596	Retained earnings (accumulated losses)	92	120
Trade and other receivables	729	752	Equity attributable to equity holders of the Parent	1,551	1,585
Advances paid to suppliers and subcontractors	254	291	Non-controlling interests	(260)	(244)
Investment in associates	212	224	Total equity	1,291	1,341
Other non-current assets	38	38	Non-current liabilities		
Total non-current assets	2,779	2,904	Bank borrowings	728	790
Current assets			Provision for employees' end of service indemnity	197	201
Trade and other receivables	5,223	5,289	Retention payable	454	386
Advances paid to suppliers & subcontractors	1,022	1,258	Total non-current liabilities	1,379	1,377
Other financial assets	203	182	Current liabilities		
Due from related parties	705	714	Bank borrowings	1,632	1,843
Inventories	144	117	Trade and other payables	4,372	4,815
Other current assets	361	335	Adv. received from customers for contract work	1,875	2,010
Cash and bank balances	758	1,144	Due to related parties	635	53
Total current assets	8,416	9,039	Income tax payable	11	20
			Total current liabilities	8,525	9,225
			Total liabilities	9,904	10,602
Total Assets	11,195	11,943	Total Equities and Liabilities	11,195	11,943

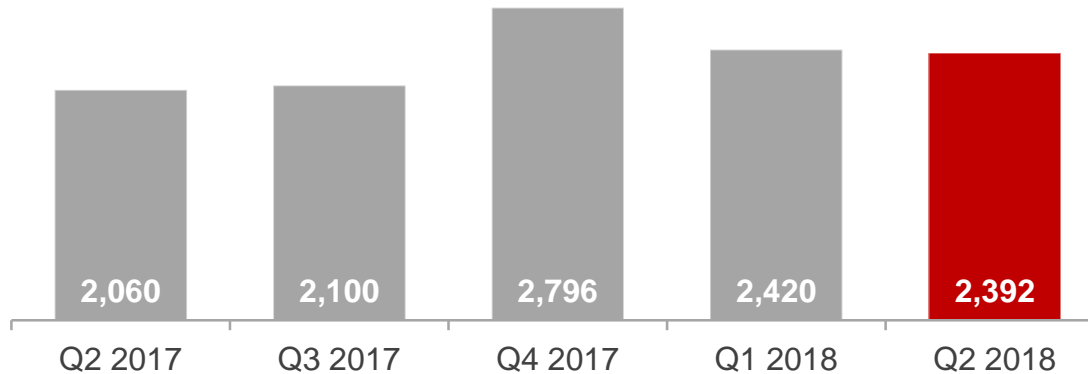
✓ Net Debt to equity ratio improved from 1.4x in Q1 2018 to 1.2x in Q2 2018

Financial Performance Trend

Consistent margin enhancement primarily driven by change in contract mix

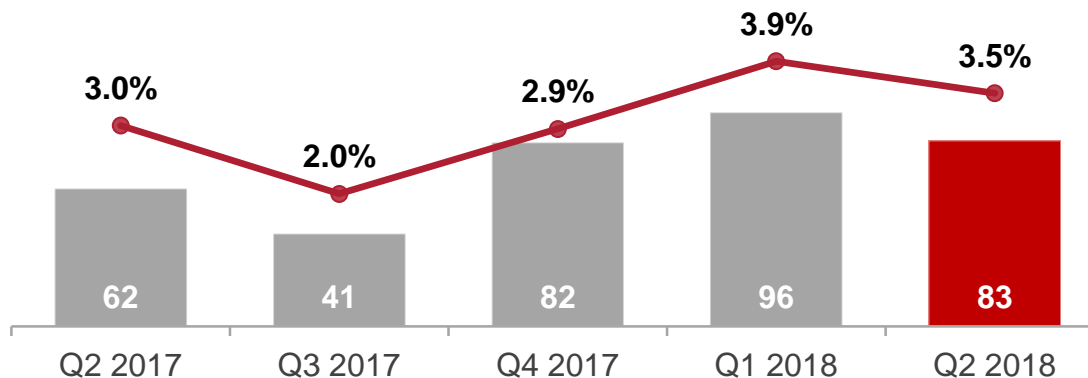
Revenue (AED mn)

Y-o-Y Growth: 16.1%



EBIT (AED mn)

+48 basis points



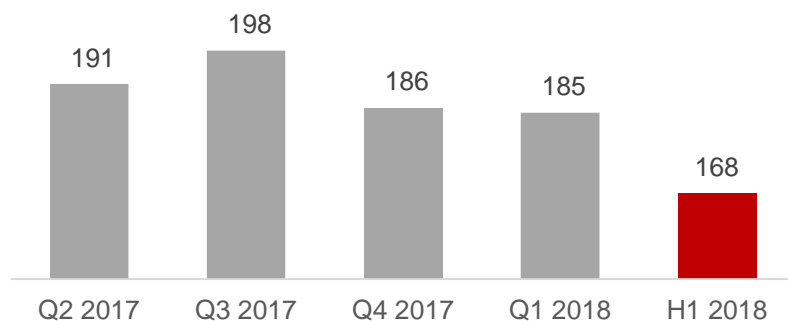
- Revenue has been consistently increasing since 2017 and recorded a y-o-y growth of 16.1% in Q2 2018
- EBIT margins have improved by 48 basis points compared to Q2 2017
- Higher contribution from new contracts is the primary driver for consistent improvement in margins

Receivables Analysis

Greater emphasis on cash collection has resulted in gradual improvement in debtor days

Current Receivables AED mn	Q4FY17 31Dec	Q1FY18 31Mar	Q2FY18 30Jun	Change (vs. Q1 FY18)
Contract receivables ⁽¹⁾	1,876	1,869	1,822	(47)
Amounts due from customers for contract work ⁽²⁾	2,981	3,199	2,969	(230)
Trade and other receivables	57	55	50	(4)
Provision for doubtful debts	(264)	(377)	(371)	6
Total (excluding retentions)	4,650	4,745	4,470	(275)
Retentions receivable	640	701	753	52
Trade & other receivables - Current	5,290	5,446	5,223	(223)
Advances paid to suppliers and sub contractors	1,258	1,284	1,022	(261)

Debtor Days



* Calculated based on rolling 12 months actual revenue and excluding retentions

Notes:

1. Revenue certified and payable by clients
2. Work completed including a. billed but not certified and b. unbilled

- Current trade receivables reduced by AED 223 mn compared to Q1 2018 with a 17 day improvement in debtor days, producing a positive net cash from operating activities of AED 206 mn in Q2 2018
- Retentions receivables increased by AED 52 million compared to Q1 2018, providing visibility of cash generation in near term

Cashflow Statement

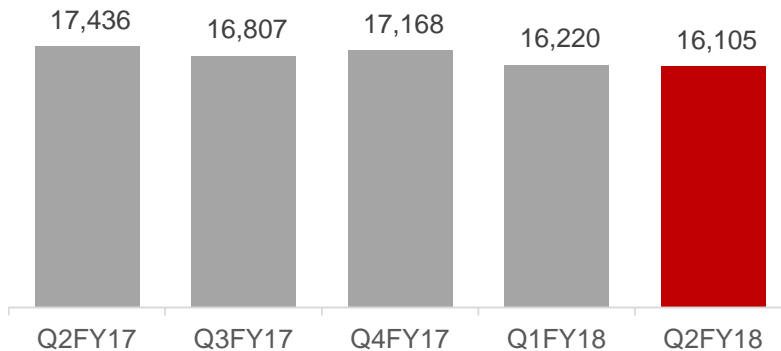
Committed and focused to improve cash generation

(AED mn)	Half Year Ended		Variance
	2018	2017	
Cash flow from operations before working capital changes	260	170	89
Change in working capital	(217)	(1,136)	919
Others	(34)	(20)	(15)
Cash from (used) in operating activities	8	(985)	(186)
Cash used in investing activities	(19)	(49)	30
Cash from (used) financing activities	(251)	1,626	(1,857)
Net decrease in cash	(262)	592	(854)
Cash at the beginning of the period	501	543	(43)
Net foreign exchange difference	(6)	0	(6)
Cash at the end of the period	232	1,136	(903)

Backlog

Strong backlog supported by high profile project wins

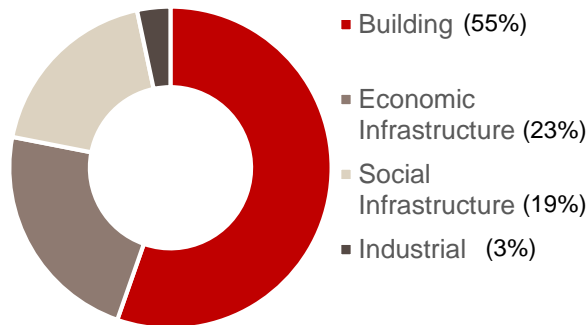
Backlog (AED mn)



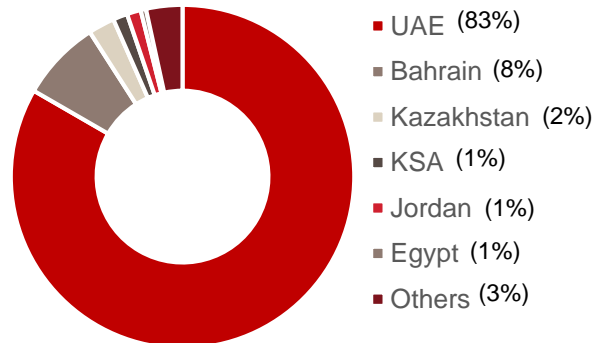
Major Wins (YTD 2018)

Project Name	Value (AED mn)	From	Description
AKOYA Oxygen	424	DAMAC Properties	916 Villas
Infrastructure Project	433	Dubai Municipality	Industrial sewerage and drainage system
Uptown Cairo	157	Emaar Misr	Phase III and IV of Village E "Levana"
Creekside Horizon	117	Emaar properties	MEP works of the Creek Horizon

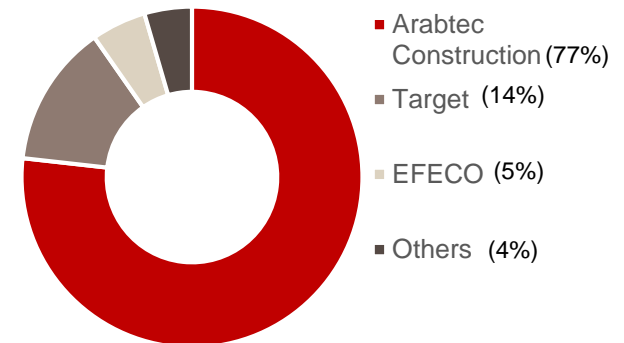
By Sector (Jun 2018)



By Geography (Jun 2018)



By Subsidiary (Jun 2018)



Integrated Capabilities

Delivering a competitive advantage to the group



Ownership: 100%
Arabtec Construction is a leader in the UAE construction industry and has successfully completed a broad range of construction projects in the residential, commercial and infrastructure sectors



Ownership: 100%
Target Engineering is a leading single source EPC contractor and has a special category classification in marine works, buildings and steel structure works in Abu Dhabi



Ownership: 100%
EFECO is one of the biggest and most respected MEP giants engaged in providing electromechanical building services to the construction industry in the Middle East



Ownership: 24%
Depa Group is one of the world's leading providers of interior solutions. Portfolio of diverse interiors companies allows Depa to act as a single point of contact for the most complex interior projects



Ownership: 80%
Arabtec Engineering Services provides engineering services related to infrastructure works including sewerage, water and irrigation networks



Ownership: 100%
Austrian Arabian Ready mix provides ready mix concrete across UAE, KSA and Qatar

Core Competencies



Economic Infrastructure



Residential



Hospitality



Social Infrastructure



Commercial

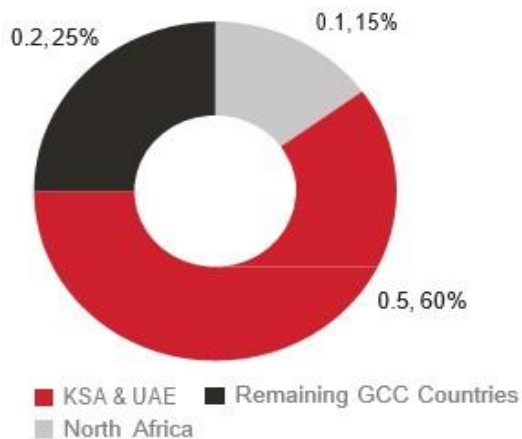


Industrial

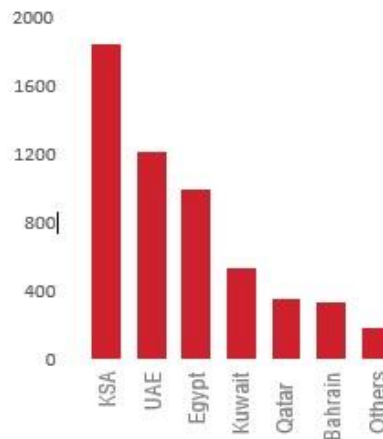
Market Outlook

The UAE construction market is estimated to grow at 9.1% CAGR

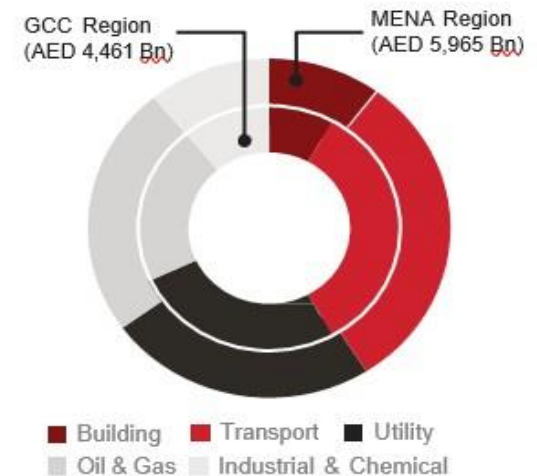
No. of Construction Contracts:
MENA Region (2017, AED Tn,%)



Pre-Execution Construction Projects by
Country (2018-2022)



Pre-Execution Construction Projects by
Segment (2018-2022)



- Over 25,000 live construction projects in the MENA region exceeding AED 0.9 Tn in 2017 (vs. AED 0.6 Tn in 2014) of which 60% are in the UAE & KSA
- Investments in real estate and infrastructure are estimated to be over AED 3.7 Tn and AED 3 Tn respectively, in 2016-22

- The UAE construction market is estimated to grow at 9.1% Compound Annual Growth Rate (CAGR) in line with work ramping up on projects connected to Expo 2020 and the UAE Vision 2021
- The UAE's construction industry project pipeline for pre-execution construction projects is estimated at AED 1.2 Tn



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