

Arabtec announces audited 2016 financial results as it prepares Recapitalisation Programme and delivers on new strategy

- Arabtec announces revenue of AED 8.2 billion for FY 2016, up 7.1% from FY 2015
- Group maintains AED 18 billion backlog, equivalent to over two years of revenue
- FY 2016 net loss of AED 3.5 billion versus AED 2.8 billion in FY 2015
- Group plans to raise AED 1.5 billion in equity via a Rights Offering fully committed by its largest shareholder, Aabar Investments PJS
- Embarks on a three-stage strategic plan to achieve profitable growth

Dubai, UAE – 22 March 2017: Arabtec Holding PJSC (“Arabtec” or “the Group”), a leading contractor for social and economic infrastructure, announces its audited financial results for the fiscal year ending 31 December 2016 (“FY 2016”).

The Group also confirms the decision by its Board of Directors to launch a Recapitalisation Programme to secure the Group’s sustainable and successful future. The Board’s action builds on the appointment, in late 2016, of a new management team brought in to reposition the company as it looks ahead to a strong, committed growth pipeline.

A statement released by Arabtec’s Board of Directors said: *“In spite of the challenging industry environment which adversely impacted our financial performance for FY 2016, Arabtec is well positioned for future growth. This is reinforced by our Group’s astute leadership team, new corporate strategy, and strong project backlog and pipeline. Specifically, the Recapitalisation Programme and rejuvenated corporate strategy will put the Group on the right trajectory to future profitability.”*

FY 2016 Financial Results

Arabtec achieved revenue of AED 8.16 billion for FY 2016, an increase of 7.1 per cent from AED 7.62 billion recorded in FY 2015. The Group also announces that its backlog of existing and committed future projects stands at AED 18.0 billion, equivalent to more than two years of annual revenue. Arabtec’s increased annual revenue, the magnitude of its project backlog and potential new business pipeline highlight the continuing strength of the Group’s operating divisions.

The Group recorded a gross loss of AED 0.9 billion in FY 2016, up from a gross loss of AED 1.9 billion in FY 2015. However, the net loss was AED 3.5 billion for FY 2016, compared to a net loss of AED 2.8 billion in FY 2015. The bulk of the spike in operating expenses is attributable to AED 1.9 billion in non-recurring impairment losses on receivables and other items. Recurring SG&A expenses decreased by AED 193 million demonstrating Arabtec’s effective cost control measures.

The Group’s financial performance is reflective of the adverse market conditions, which have had a negative impact on the construction industry across the GCC.





Hamish Tyrwhitt, Group CEO of Arabtec Holding PJSC, said, *“Arabtec acknowledges the disappointing losses incurred for the financial year, and our Group’s approach to prudent financial management – specifically in addressing impairments from high risk items – provides our shareholders with demonstrable steps in securing visibility on the future of our business and reinvigorating the Group.”*

Mr. Tyrwhitt added, *“I would like to extend my sincere gratitude to the shareholders, Board and employees of Arabtec Holding, who will all play a key role in this journey moving forward. We are confident that the combination of the Recapitalisation Programme and the strategic plan of the business will enable Arabtec Holding to capitalise on the positive long-term outlook for the construction and engineering sector in our key geographic markets.”*

Recapitalisation Programme

As of 31 December 2016, accumulated losses in the balance sheet amounted to AED 4.6 billion or 101% of issued share capital and total liabilities exceeded total assets by AED 251 million. The Group requires new capital to fund completion of ongoing projects, support the new business plan and provide financial flexibility to pursue growth opportunities. Given the highly leveraged balance sheet, leadership decided that raising equity would be the most prudent approach. As a result, the board launched a Recapitalisation Programme to raise AED 1.5 billion in equity, extinguish accumulated losses on the balance sheet and ultimately secure the Group’s sustainable and successful future. The programme will primarily consist of two steps.

Step one is a Rights Offering to increase the issued share capital of the Company through the issuance of 1,500,000,000 new shares at an offer price of AED 1 per new share. The Rights Offering is fully committed by Aabar Investments PJS, Arabtec’s largest shareholder. All shareholders are invited to subscribe and non-participating shareholders would be diluted up to 24.53%.

Step two is a capital reduction exercise that extinguishes the accumulated losses as of 31 December 2016 on the balance sheet by effectuating a cancellation, on a pro rata basis, of up to 4,615,065,000 shares of AED 1 each in the share capital of the Company. In addition to quelling accumulated losses, the Recapitalisation Programme will put the Group on an accelerated path to resuming dividend payments.

The key terms of the Recapitalisation Programme will be disclosed prior to the Annual General Assembly, during which a special resolution will be scheduled for shareholders to approve the Company’s Recapitalisation Programme

Strategic Repositioning

In conjunction with the Recapitalisation Programme, Arabtec developed a phased three-year strategic roadmap to reposition the Group to deliver profitable and sustainable growth for its shareholders.





Phase 1 will stabilise the business in FY 2017 with the implementation of the Recapitalisation Programme, the establishment of Arabtec Holding as a strategic management company, aligning the Group's organisational design and adopting a Group-wide Risk Management Plan. Moreover, the Group will embed a performance-based culture, resolve legacy claims and receivables and dispose of non-core assets. Phase 2 will prepare the business to grow, securing an annual backlog of projects of at least AED 8-9 billion at Group level while maintaining a lean organisation and on-time and on-budget delivery of projects in 2018. Phase 3 seeks consistent growth in net profit and improved cash flow generation and target regular dividend distribution, as the Group continues to improve project gross margins and ensure on-time delivery of projects.

As a strategic management company, Arabtec Holding will ensure alignment of all of the Group's activities with its vision, mission, and values. It will also refocus the Group on its core competencies, key geographies, and develop stronger cooperation across its operating entities.

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About Arabtec Holding:

Arabtec is a leading contractor for social and economic infrastructure. The Group improves the quality of life of people living in the communities that it creates. Arabtec'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 list on the Dubai Financial Market in 2005. Today, the Group consists of numerous subsidiaries with specialisations spanning all segments of the construction cycle, with a vision of building the future.

For more information, please visit www.arabtecholding.com.

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