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Arabtec Holding (PJSC)

PRESS RELEASE

Arabtec: An Emirati Success Story Building Foundations For The Future

Arabtec Holding PJSC net profit soars by 171% to AED377 million in 2013

- Board to recommend dividend distribution of 40% to shareholders; 10% cash and 30% bonus shares

Dubai, UAE, 18 March 2014 – Arabtec Holding PJSC (the "Company" or "Arabtec"), a leading engineering and construction group of companies specialising in complex projects in the Middle East and North Africa region, today announced its financial results for the full 12-month period ending December 31st, 2013, reporting a net profit attributable to parent of AED377,777 thousand, marking an increase of 171% on 2012.

Key Points

- Total value of projects to date in 2014 surpasses AED200 billlion
- Full-year revenue up 30% to AED7.4 billion;
- Full-year net income up 149% to AED468 million;
- Full-year net income attributable to parent up 171% to AED377,777 thousand;
- Full-year gross margin improves from 10% to 12%;
- Revenue for the fourth quarter of 2013 up 39% to AED2.3 billion;
- Net income for the fourth quarter of 2013 up 136% to AED101 million;
- Net income for the fourth quarter of 2013 attributable to parent up 285% to AED121,775 thousand;
- Backlog up 22% in 2013 from previous year to AED24.1 billion;
- Significant progress made on implementation of growth strategy:
  - *Successfully completed a Rights Issue of AED2.4 billion;*
  - *Arabtec Samsung Engineering launched to expand business in oil and gas, power and related infrastructure;*
  - *Signed Memorandum of Understanding ("MoU") to form Arabtec-GS Infrastructure to focus on heavy infrastructure projects;*
  - *Completed the acquisition of the minority stake in Emirates Falcon Electromechanical Company ("EFECO") to strengthen the specialist Mechanical, Electrical and Plumbing ("MEP") business;*
  - *Completed acquisition of Target Engineering to support strategic expansion in the oil and gas sector;*
  - *Geographic expansion into Jordan and Kazakhstan;*
  - *Continued realignment of the business to position the Company for growth into new markets and sectors;*
  - *Top-tier construction executives to join the Company in 2014.*

Financial Highlights (AED M, unless otherwise stated)

	FY 2012	FY 2013	Change	Q4 2012	Q4 2013	Change
	AED (M)	AED (M)	Percentage	AED (M)	AED (M)	Percentage
Backlog	19,689	24,112	22%	19,689	24,112	22%
Revenues	5,660	7,369	30%	1,653	2,290	39%
Gross profit	576	853	48%	83	248	200%
Margin %	10%	12%	2%	5%	11%	6%
EBITDA	389	637	64%	97	180	85%
Margin %	7%	9%	2%	6%	8%	2%
Net income	188	468	149%	43	101	136%
Net margin %	3%	6%	3%	3%	4%	1%
Earnings per share ("EPS") *	0.09	0.16	78%	0.02	0.03	50%
Net profit to parent **	139	377	171%	32	122	285%
Backlog-to-revenue ***	3.5x	3.3x	-	-	-	-

* Basic EPS
** Net Profit Attributable to Owners of the Parent
*** Ratio measured in years with revenue annualized

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

"2013 was a pivotal year for Arabtec, thanks to the continued backing of our shareholders. Throughout the year, our company and subsidiaries have witnessed significant growth of backlog, revenues, margins and profits, with performance exceeding market and analyst expectations. The Company's strong performance enables the Board to recommend a dividend distribution of 40 percent, reaffirming our commitment to create significant value for our shareholders, in recognition of their continued trust and support."

"The growth strategy we have set in place in 2013 has led our Company towards remarkable progress, as reflected by the full year results. At this stage, Arabtec is well poised to take on a larger number of new projects, as it continues to upgrade its systems, processes and project execution platform, and has an expanding senior management team with world-class expertise, to support the successful growth of the Company. These foundations have led to a 22% increase in backlog in 2013, which has paved the way for an excellent beginning to 2014, which has so far seen unprecedented success that has exceeded all expectations. Arabtec is now well positioned to grow and deliver on its strategy and the major increase in backlog reaffirms Arabtec's long-standing reputation that it has built over the years.

"Since the start of 2014, our Company's subsidiaries have been selected to execute a series of new projects, with a total value of AED180 billion, which gives us visibility on our earnings growth for many years to come. The strong foundations that we have built over the past year have allowed Arabtec to continue driving its growth strategy by further expanding the Company's reach into new sectors through new subsidiaries, joint ventures and office locations."

"We look ahead with optimism and excitement as our Company continues to grow and evolve, fast becoming a pillar in the growth of key markets across the region. We have great confidence in our highly skilled team, which will drive the Company as it delivers on current and future projects on time and to the highest of standards. We aim to continue exploring potential opportunities across the region, as part of our commitment to ensuring that Arabtec continues on its path to becoming a globally recognised Company. "

Financial Review

A number of factors have contributed to the strong overall financial performance for Arabtec in 2013, as the Company has emerged well from the downturn in the construction sector with a significant increase in project backlog, totalling AED24.1 billion in value at year end 2013, a 22% increase from the prior year.

The Company reported revenues up 30% to AED7.4 billion in 2013, compared to AED5.7 billion in 2012. Revenues were driven by the Company's growing backlog and continued strong performance in the UAE and Saudi Arabia markets, in addition to management's influence on the project delivery organization. Moreover, the Company's gross margins improved, increasing from 10% in 2012 to 12% in 2013 driven by a continued focus on project execution.

Arabtec's focus in 2013 was the realignment of its businesses to enhance efficiency and position the Company for growth. Earlier in 2013, Arabtec launched cost management measures to optimise operational efficiency and project profitability. The measures employed have started to reflect positively on the results with the selling, general and administrative expenses (SG&A) margin reduced to 7% on costs of AED494 million in 2013 compared to a 2012 margin of 9% on costs of AED485 million. The SG&A margin decrease was partially due to the reallocation of project-related costs to the project delivery organization from overheads resulting in improved utilisation of resources, which provides a more accurate indication of project profitability.

Arabtec's growth strategy and the realignment of the business have enabled the Company to take advantage of a stronger macroeconomic environment. In turn, this has delivered a substantial increase in net profit attributable to the owners of Arabtec of 171% to AED377,777 thousand compared to AED139,171 thousand in 2012.

In light of the Company's outstanding performance in 2013, the Board of Directors proposed a dividend of AED0.4 per share to be distributed as bonus share dividends at 30% of share capital at par value, being 1 bonus share for each 3.3 shares held; in addition to the distribution of cash dividends of AED0.1 per share, or 10% cash dividends.

With the industry returning to growth, the Company has seen continued improvement in its collection cycle resulting in the reversal of certain bad debt and other accruals no longer required, reflected in other income of AED111.1 million, compared to AED33.8 million in 2012 which highlights the industry turnaround. The improvement in the collections cycle is highlighted by a reduction of the overdue portion of receivables by 41%, which resulted in the reversal of bad debt provisions and the collection of AED5.5 billion over the past 12 months. This is a vital element as the Company's growth places more demands on its working capital.

In addition, the collection period of receivables improved to 159 days at year-end 2013 compared to 210 days in 2012. Cash flow from operating activities before working capital adjustments increased 56% to AED770 million from AED495 million in 2012. After working capital adjustments, net cash flow from operating activities decreased from AED219 million in 2012 to AED57 million in 2013, reflecting the significant increase in working capital required by the Company to deliver its growing backlog.

Following the successful AED2.4 billion Rights Issue during 2013, which was oversubscribed by 30%, the Company has AED2.5 billion of cash on its balance sheet at year-end, an increase of 202% on 2012. The Company's gearing is relatively low with a debt to equity ratio of 16%, leaving the business with a flexible and scalable capital structure to enable the Company to maintain the delivery of its growth strategy. The second tranche of the Rights Issue for 2014 was cancelled in November 2013 due to the Company's strong financial position, performance and expected cash generation in the year ahead.

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 Al Ain Hospital, 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.

Operational Review -- Delivering the Growth Strategy

In February 2013, the Board of Arabtec approved a detailed growth strategy, underpinned by both organic and acquisitive growth, and the formation of significant joint ventures to take advantage of opportunities in higher-margin and higher-growth in specialised Engineering, Procurement and Construction ("EPC") sectors.

The strategy identified key growth opportunities in a number of sectors including oil and gas, power, infrastructure and medium and low-income housing; in addition to extending the Company's footprint across the Middle East & North Africa ("MENA") region.

The Company has made significant progress with the implementation of its ambitious growth strategy. The key achievements in the four main growth areas were:

1. Oil and Gas, Power and Related Infrastructure

Arabtec has strengthened its EPC expertise and expanded its capabilities to bid for medium and large scale EPC projects, in MENA's oil and gas, power and related infrastructure sectors.

In September 2013, Arabtec and Samsung Engineering announced the launch of their new joint venture company, Arabtec Samsung Engineering. The joint venture will be an active bidder for large-scale contracts, in excess of USD3 billion, in each of the three sub-sectors across the MENA region. A number of EPC projects have already been identified and are in the process of being tendered.

Arabtec has reiterated its drive towards expanding its EPC capabilities by increasing its stake in Target Engineering to 100%, furthering its ability to bid for small to medium-scale EPC contracts in MENA's oil and gas, power and related infrastructure.

Arabtec's acquisition of Target Engineering complements Arabtec-Samsung Engineering, ensuring that Arabtec is uniquely placed as a full service EPC player, addressing the medium to large-scale projects market.

In November 2013, Arabtec demonstrated further progress in diversifying the business into higher margin and high growth segments of engineering and construction, through signing a MoU 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. The partnership further complements Arabtec's expertise in the infrastructure sector and will allow both companies to capitalise on a range of new opportunities in this fast growing sector. The two companies will also benefit from their buying power in procurement, which will enhance project profitability.

2. Strengthening Existing Businesses

In addition to the acquisition of Target Engineering, Arabtec has expanded its MEP division, through the acquisition of the remaining 45% minority stake in its subsidiary, EFECO, raising Arabtec's ownership to 100%. The Company has also announced its plans to strengthen EFECO's capital base by injecting capital up to AED500 million, to enhance its capability to carry out large-scale projects.

This transaction is an integral part of the Company's strategy to capture growth, enhance its value chain and increase its market share of higher-margin projects, mainly in the specialised engineering and construction services sectors. With the current upswing in the construction industry, EFECO will play an integral role in diversifying Arabtec's sources of income and optimising the revenue-generating businesses.

As the Company continues to grow, Arabtec has also placed a focus on building and strengthening its senior management team as a core part of the Company's strategy for growth and development. Throughout 2013, Arabtec recruited top-level professionals from leading global corporations to be the driving force behind the Company's plans to become a global leader. In addition, the Company will continue bringing on board top tier senior executives with an outstanding construction track record to join its subsidiaries, as well as significantly increase its labour force across key markets to meet the demands of the growing backlog.

3. Systems Restructuring

In 2013, Arabtec implemented a comprehensive organisational restructuring that reviewed the Company's employee relations and main human resources policies. Remuneration schemes of all corporate employees have since been reviewed and are now benchmarked against global best practices, ensuring that Arabtec is able to attract and retain the best talent to support its dynamic growth.

Arabtec's project incentive structure is being extended as far as the supervisory levels of the Company to provide greater rewards to those closely involved with the successful delivery of completed projects.

New standards were also introduced to improve the working and living conditions of labourers. These standards include new measures to prevent unethical recruitment activities in the home countries of construction workers, as well as the introduction of a recruitment fee reimbursement policy for labourers.

Another strategic step in Arabtec's transformation in 2013 includes the introduction of new policies that govern procurement processes, therefore enabling the Company to reduce supplier costs in the future. Additionally, the Company has developed a comprehensive set of policies and procedures for its construction arm, which are currently in the final stages of being introduced to ensure consistent, effective and efficient operations.

4. Real Estate Development and Affordable Housing

Arabtec continues to implement its strategy of diversifying across the MENA region and other selected markets. In Saudi Arabia, the Company maintained the expansion of its constructions activities in this high-growth market, which complements Arabtec's existing operations at El Hasa in the Eastern Province, where the Company is building a large-scale residential project comprising 5,000 villas.

In December 2013, Arabtec launched a new subsidiary to lead Arabtec's expansion into property development, Arabtec Real Estate Development Company ("Arabtec Real Estate"). The Company is focused on developing lifestyle communities through strategic joint ventures with leading real estate developers and investors in the UAE, with plans to expand to other GCC countries and the wider MENA region. Arabtec Real Estate will take advantage of the higher-margin development segment of the industry. The Company looks to leverage niche opportunities available in addition

to the underserved medium and low-income sector in key high-growth markets across all countries in the MENA region with emphasis on the UAE, Saudi Arabia, Egypt, Algeria and Morocco.

Key contracts awarded in 2013

By the end of 2013, Arabtec's backlog increased by 22% to AED24.1 billion, up from AED19.7 billion at the end of 2012. This significant increase gives Arabtec clear visibility on its future revenues. The Company is now well positioned in heading into a new phase of significant growth. A number of the new projects awarded to Arabtec are outside of the UAE, such as Kazakhstan, and Jordan, demonstrating the Company's diversified earnings profile and spreading of risk distribution across different geographies.

Oil and Gas and Related Infrastructure

Oil and gas and infrastructure projects accounted for 27% of the Company's backlog by the end of 2013, which is consistent with 2012; however, in value the oil, gas and infrastructure backlog has increased 19% to AED6.4 billion at the end of 2013 compared to AED5.4 billion at the end of 2012.

High-value infrastructure projects awarded in 2013 included an AED3.3 billion contract to build a new 358,000 square metre hospital in Al Ain, enabling the Company to expand into new high-margin areas of construction.

Housing

Residential projects awarded in 2013 include a contract award for AED180 million at the Dubai Silicon Oasis, and a contract award for AED240 million to construct 253 new residential villas at the 'Casa' district in Dubai's Arabian Ranches.

Hospitality

Arabtec has further grown its already extensive portfolio of projects in the hospitality sector having won a series of new contracts. In addition to the construction of the prestigious AED2.4 billion Louvre and AED1 billion Fairmont Hotel and Serviced Apartments in Abu Dhabi, Arabtec was selected to construct the final phase of the Tiara Hotel on Palm Jumeirah, valued at AED200 million.

Further afield, the Company expanded its reach into Central Asia, by signing a deal to take part in the construction of the AED4 billion Abu Dhabi Plaza project in Kazakhstan, as part of a joint venture.

In addition, Arabtec expanded into Jordan, having won an AED720 million contract to build The St. Regis Amman and The Residences at The St. Regis Amman project. The Company then further grew its presence in the country by signing a deal for AED770 million to construct four international hotels as part of the Saraya Aqaba project. These projects re-emphasizes the Company's commitment to geographic expansion as well as its ability to construct complex, large-scale projects.

The gross value of new contracts awarded to Arabtec in 2013 totalled AED9.9 billion. This growth presents a solid reflection of the potential available in markets across the region, and stands as testament to the trust that Arabtec's customers and partners place in the work of the Company.

Outlook for performance in 2014

Arabtec has had an outstanding start to 2014, with a series of high-value projects in the MENA region announced in the first quarter, with the total value of announced projects for 2014 exceeding AED180 billion.

Arabtec started 2014 with an aim to capitalise on identified opportunities across the region, which would act in the benefit of the Company and its shareholders. To do so, Arabtec launched five new subsidiaries, to expand the Company's reach into new sectors, and in line with the Company's strategy. Two of the subsidiaries will focus on infrastructure projects inside and outside the UAE, one will focus on water and energy projects and one will concentrate on the Egyptian market.

In the UAE, Arabtec began its year with an award of an AED2.6 billion contract to Arabtec Construction for building a mixed-use development in Abu Dhabi's Reem Island. The development will include a 61-storey residential tower, alongside a 15-storey tower comprising a five star hotel and hotel apartments.

Additionally, the Company signed an MoU valued at AED21.8 billion to build 36 towers in Dubai and Abu Dhabi, an agreement which will be one of the largest in the real estate sector in the region and Arabtec's biggest project by value in the UAE. Arabtec also won an AED1 billion contract to build 1,500 Emaar townhouses in Dubai as part of the Mira community in the first phase of the Reem development.

Arabtec is further contributing to Abu Dhabi's infrastructure development as its MEP subsidiary, EFECO, was awarded an AED263 million contract to provide mechanical, electrical and plumping work at the Midfield Terminal building in Abu Dhabi as part of a joint venture.

The year 2014 also opened doors to new opportunities for Arabtec to expand across other growing markets. The Company announced its plans to open its first office in the Iraqi capital of Baghdad, to capitalise on the country's high potential, particularly in the oil, and gas and infrastructure sectors. Arabtec also announced its plans to launch its regional headquarters in Belgrade, Serbia, to drive and diversify the operations of the Company and its subsidiaries in countries of the wider Balkan region.

In Jordan, Arabtec Construction signed an MoU valued at AED5.7 billion contract to construct the country's first themed entertainment resort, the Red Sea Astrarium, in Aqaba, Jordan. The 74-hectare entertainment park will host four hotels providing 2,000 rooms in total.

Expanding further into the North African market, Arabtec signed a historic MoU with the Egyptian Ministry of Defense to develop and construct one million mid-income homes across thirteen locations in Egypt, with total development value of AED147 billion, the biggest project of its kind in the region and the first project for Arabtec Real Estate. The project, which is expected to create up to one million jobs for Egyptian people, is set to be completed over a five-year span, providing millions of Egyptians with affordable access to modern residential spaces.

With an aim to continue building on its skills and expertise of delivering large-scale projects, Arabtec launched a one-of-a kind major recruitment drive across the region, to recruit and sustain top-level talent and expertise to support in the Company's vision throughout the coming years.

The achievements accomplished within the starting months of 2014 form a clear indication that Arabtec's growth strategy is starting to materialize. The Company will continue to explore new opportunities across the region and beyond, particularly in rapidly evolving markets such as the UAE, as well as Egypt, Saudi Arabia, Iraq, Egypt, Algeria and Morocco.

With the Company's positive outlook and defined growth strategy, Arabtec has firmly put in place the right platform and has the flexibility in its capital structure to take its business to new heights over the coming years and capitalise on the recovery of the region's markets.

"*We aim to continue on our streak of achievements by capitalising on value creating opportunities across our business sectors. We are confident that our strategic roadmap will translate into high and sustainable returns for our shareholders, whose interests remain at the heart of all of our decisions. In the years ahead, starting with 2015 onwards, our shareholders will begin to reap the benefits of steady growth in revenues, driven by an unprecedented upswing in our backlog and the increasing contribution of the earned value of major projects, such as the Louver Abu Dhabi, which will be felt in the final stage of their life cycles*."

"We are optimistic about what 2014 will bring for our Company and have an unwavering commitment to ensuring that Arabtec continues to play a leading role in the development of this region. I am deeply thankful for the strong support and trust of our Board of Directors, as well as our employees and workers across all of our sites and offices, who have been the key driving force behind our successes as a Company. " stated Ismaik in concluding remarks.

Key contracts awarded in 2013

Note: Table shows Arabtec's share of project value (approximate values) awarded in 2013.

Project	Country	Contract Value
Abu Dhabi Plaza	Kazakhstan	AED 2 billion
Sheikh Zayed Road Tower	UAE	AED1.8 billion
Al Ain hospital	UAE	AED1.7 billion
Fairmont Hotel Abu Dhabi	UAE	AED1 billion
Business Bay, Dubai	UAE	AED810 million
Louvre Abu Dhabi Museum	UAE	AED800 million
Saraya Aqaba	Jordan	AED770 million
St. Regis Amman	Jordan	AED720 million
Arabian Ranches	UAE	AED240 million
Tiara Hotel	UAE	AED200 million
Silicon Oasis	UAE	AED180 million

Key projects announced in 2014

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

Project	Country	Project Value
1 million low-income housing units	Egypt	AED147.6 billion
36 towers in Abu Dhabi and Dubai	UAE	AED21.8 billion
Themed entertainment resort in Aqaba	Jordan	AED5.7 billion
Mixed-use development in Reem Island	UAE	AED2.6 billion
1,500 townhouses in Dubai	UAE	AED1 billion
MEP contract at Abu Dhabi International Airport	UAE	AED263 million

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About Arabtec Holding

A leading engineering and construction group of companies 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 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.

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