Arabtec Holding announces H1 2015 results

- Full review of projects and adoption of more conservative approach to revenue, cost and profit recognition impacts results
- Revenue in H1 of AED 3.6 billion
- Net loss in Q2 of AED 718 million
- Restructuring programme in place to reduce SG&A
- Important management appointments

Dubai, 15 August 2015 – "Arabtec Holding PJSC", a leading engineering and construction group of companies specializing in complex projects in the Middle East and North Africa, today announced its H1 2015 results.

The Board of Directors has undertaken a careful review of its accounting policies in respect of recognizing revenue, cost and profit and adopted a more conservative approach than that previously used, as announced in the group's Q1 results. The Board has also undertaken a full review of the reported contract positions compared with its internal commercial assessment of project performance up to 30 June 2015 and forecast project performance through to completion; and the overall level of contract risk provisions in the business in light of any and all identified operational issues. Following this review, the Board has identified a number of poorly performing projects and is taking corrective action in response to these legacy issues. The implementation of the more conservative approach to revising revenue, costs and profits, in addition to fully reflecting the findings of the Board's operational review in the group's financials have impacted the H1 2015 results.

As a result of the above, in conjunction with the continuation of the difficult trading environment, the company's revenues from continuing operations declined by 8.1% to AED 1,800 million in Q2 compared with same period in 2014 and by 4.1% to AED 3,590 million in H1 compared to same period in 2014. Direct costs are reported 31% higher in Q2 and 29% in H1 of 2015, primarily due to identified operational issues and careful review of revenue and cost estimation. Consequently, the loss attributable to the shareholders of the parent company amounted to AED 718.3 million in Q2 of the current year, compared to a net profit of AED 102.4 million for the same period of the past year. The first half 2015 loss reached AED 998.1 million, compared with a net profit of AED 240.3 million in H1 of 2014.

As announced, the group has recently taken significant measures to reduce SG&A costs, implementing an extensive restructuring programme aimed at reaching the highest levels of operational efficiency whilst maintaining the group's competitiveness in the market. The benefits of the restructuring programme will be reflected in our Q4 results and fully in 2016. The process will continue into 2016 to further reduce costs and thereby improve overall efficiencies.

As previously announced, the group has taken action to strengthen the management of the group, including the appointment of a new acting group Chief Financial Officer. This appointment, together with a number of other internal appointments, have resulted in a more streamlined structure and improved operational decision making.

The company remains focused on following up its commercial rights on its projects, which will positively impact the future results of the company.

As of today, the company's backlog remains healthy at over AED 20.2 billion. Arabtec has the necessary talent, support and other resources in place to deliver the projects on time, with highest quality and safety, which has been one of the company's many stengths.

"Arabtec" will remain committed to delivering quality projects for its clients and the recently awarded projects are further testament to the company's strong history of project delivery with highest quality. The restructuring process, management changes, and the adoption of more conservative policies show Arabtec is on track to enhance its position within the industry, and to enable the company perform in the currently challenging environment.

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About Arabtec Holding

A leading engineering and construction group of companies specializing 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 specializations 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 have 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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