

**Arabtec Holding PJSC and its subsidiaries  
Dubai - United Arab Emirates**

**Review report and interim financial information  
for the three month period ended 31 March 2012**

## Arabtec Holding PJSC and its Subsidiaries

### Table of Contents

	<u>Page</u>
<b>Independent auditor's review report</b>	<b>1</b>
<b>Interim condensed consolidated statement of financial position</b>	<b>2</b>
<b>Interim condensed consolidated statement of income</b>	<b>3</b>
<b>Interim condensed consolidated statement of comprehensive income</b>	<b>4</b>
<b>Interim condensed consolidated statement of changes in equity</b>	<b>5</b>
<b>Interim condensed consolidated statement of cash flows</b>	<b>6</b>
<b>Notes to the interim condensed consolidated financial information</b>	<b>7 - 23</b>

## INDEPENDENT AUDITOR'S REVIEW REPORT

**The Directors**  
**Arabtec Holding PJSC**  
**Dubai**  
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabtec Holding PJSC (the "Company") and its Subsidiaries (collectively the "Group") as at 31 March 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

### *Emphasis of matter*

Without qualifying our conclusion we draw attention to Note 7 to the interim condensed consolidated financial information which describes a contractual dispute that continues to be subject to arbitration proceedings, the probable outcome of which cannot be determined with reasonable certainty at the date of this report.

Deloitte & Touche (M.E.)



Samir Madbak  
Registration No. 386

8 May 2012

**Interim condensed consolidated statement of financial position  
At 31 March 2012**

	Note	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,184,723	1,180,895
Intangible assets	12	81,829	94,211
Goodwill		248,629	248,629
Trade and other receivables - non-current portion		752,329	797,719
Other financial assets		211,152	207,365
Other non-current assets		10,030	9,926
<b>Total non-current assets</b>		<b>2,488,692</b>	<b>2,538,745</b>
<b>Current assets</b>			
Trade and other receivables		3,715,676	3,907,107
Other financial assets	10	151,549	151,028
Inventories		287,895	319,016
Other current assets		125,444	138,114
Due from related parties	9 (b)	1,203,392	1,057,806
Cash and cash equivalents	8	631,041	683,889
Deferred tax		331	331
<b>Total current assets</b>		<b>6,115,328</b>	<b>6,257,291</b>
<b>Total Assets</b>		<b>8,604,020</b>	<b>8,796,036</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		1,495,000	1,495,000
Statutory reserve		302,281	293,873
Fair value adjustment reserve		(12,208)	(12,549)
Foreign currency translation reserve		242	(264)
Retained earnings		1,252,715	1,177,035
<b>Equity attributable to equity holders of the Parent</b>		<b>3,038,030</b>	<b>2,953,095</b>
Non-controlling interests		420,244	414,818
<b>Total Equity</b>		<b>3,458,274</b>	<b>3,367,913</b>
<b>Non-current liabilities</b>			
Bank borrowings	14	45,694	55,650
Provision for employees' end of service indemnity		165,625	157,810
Retentions payable - non-current portion		76,722	91,760
<b>Total non-current liabilities</b>		<b>288,041</b>	<b>305,220</b>
<b>Current liabilities</b>			
Bank borrowings	14	464,705	468,308
Trade and other payables		3,549,663	3,831,639
Due to related parties	9 (c)	841,902	821,371
Income tax payable		1,435	1,585
<b>Total current liabilities</b>		<b>4,857,705</b>	<b>5,122,903</b>
<b>Total Liabilities</b>		<b>5,145,746</b>	<b>5,428,123</b>
<b>Total Equity and Liabilities</b>		<b>8,604,020</b>	<b>8,796,036</b>

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 Riad Kamal  
 Chief Executive Officer and Board Member

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of income  
for the three month period ended 31 March 2012**

	Note	Three Month Period Ended 31 March	
		2012 AED'000 (Unaudited)	2011 AED'000 (Unaudited)
Revenues		1,291,900	1,241,577
Direct costs		(1,081,629)	(1,076,726)
<b>Gross profit</b>		<b>210,271</b>	<b>164,851</b>
Other operating income		6,718	10,057
Other income		7,507	11,433
General and administrative expenses		(130,010)	(121,932)
Net changes in fair value of non-current retentions and trade receivables		3,576	(2,573)
Investment income		8,376	-
Finance costs		(6,207)	(7,305)
<b>Profit before tax</b>	<b>6</b>	<b>100,231</b>	<b>54,531</b>
Income tax expense	<b>15</b>	<b>(143)</b>	<b>(529)</b>
<b>Profit for the period</b>		<b>100,088</b>	<b>54,002</b>
<b>Attributable to:</b>			
Equity holders of the Parent		84,088	26,616
Non-controlling interests		16,000	27,386
		<b>100,088</b>	<b>54,002</b>
<b>Basic earnings per share (AED)</b> (based on profit for the period attributable to equity holders of the parent and 1,495 million shares in issue throughout the period)		<b>0.06</b>	<b>0.02</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of comprehensive income  
for the three month period ended 31 March 2012**

	<b>Three Month Period Ended 31 March</b>	
	<b>2012 AED'000 (Unaudited)</b>	<b>2011 AED'000 (Unaudited)</b>
<b>Profit for the period</b>	<b>100,088</b>	<b>54,002</b>
<i>Other comprehensive loss</i>		
Net unrealised gain/(loss) on revaluation of available for sale investments	<b>341</b>	<b>(43)</b>
<b>Total comprehensive income for the period</b>	<b>100,429</b>	<b>53,959</b>
<i>Total comprehensive income attributable to:</i>		
Equity holders of the Parent	<b>84,429</b>	<b>26,573</b>
Non-controlling interests	<b>16,000</b>	<b>27,386</b>
	<b>100,429</b>	<b>53,959</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of changes in equity  
for the three Month Period Ended 31 March 2012**

	Attributable to equity holders of the parent							
	Share capital AED'000	Statutory reserve AED'000	Fair value adjustment reserve AED'000	Foreign currency translation reserve AED'000	Retained earnings AED'000	Total AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 31 December 2010 (audited)	1,196,000	267,819	(7,494)	-	1,241,549	2,697,874	404,444	3,102,318
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10,496)	(10,496)
Unrealised loss on available-for-sale investments recognised directly in equity	-	-	(43)	-	26,616	(43)	-	(43)
Profit for the period	-	-	-	-	26,616	26,616	27,386	54,002
<b>Total comprehensive income for the period</b>	-	-	-	-	-	26,573	27,386	53,959
Transfer to statutory reserve	-	2,661	-	-	(2,661)	-	-	-
<b>Balance at 31 March 2011 (Unaudited)</b>	<b>1,196,000</b>	<b>270,480</b>	<b>(7,537)</b>	<b>-</b>	<b>1,265,504</b>	<b>2,724,447</b>	<b>421,334</b>	<b>3,145,781</b>
Balance at 31 December 2011 (audited)	1,495,000	293,873	(12,549)	(264)	1,177,035	2,953,095	414,818	3,367,913
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10,929)	(10,929)
Non-controlling interests arising on, - Acquisition and incorporation of subsidiaries	-	-	-	-	-	-	355	355
Unrealised gain on available-for-sale investments recognised directly in equity	-	-	341	-	84,088	84,088	16,000	100,088
Profit for the period	-	-	-	-	-	84,429	16,000	100,429
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,429</b>	<b>16,000</b>	<b>100,429</b>
Exchange differences arising on translation of foreign operations	-	-	-	506	-	506	-	506
Transfer to statutory reserve	-	8,408	-	-	(8,408)	-	-	-
<b>Balance at 31 March 2012 (Unaudited)</b>	<b>1,495,000</b>	<b>302,281</b>	<b>(12,208)</b>	<b>242</b>	<b>1,252,715</b>	<b>3,038,030</b>	<b>420,244</b>	<b>3,458,274</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**Interim condensed consolidated statement of cash flows  
for the three month period ended 31 March 2012**

	<b>Three Month Period Ended 31 March</b>	
	<b>2012 AED'000 (Unaudited)</b>	<b>2011 AED'000 (Unaudited)</b>
<b>Net cash from operating activities</b>	<b>27,413</b>	210,794
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(58,854)	(32,102)
Proceeds from sale of property, plant and equipment	2,808	23,645
Repayment of loan to a related party	(82)	(159)
<b>Net cash used in investing activities</b>	<b>(56,128)</b>	(8,616)
<b>Cash flows from financing activities</b>		
Dividends paid to non-controlling interests	(10,929)	(10,496)
Capital contribution from non-controlling interests	355	-
Repayments of bank borrowings (net)	(13,559)	(146,866)
<b>Net cash used in financing activities</b>	<b>(24,133)</b>	(157,362)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(52,848)</b>	44,816
Cash and cash equivalents at the beginning of the period	683,889	588,130
<b>Cash and cash equivalents at the end of the period</b>	<b>631,041</b>	632,946

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**Notes to the interim condensed consolidated financial information  
for the three month period ended 31 March 2012**

**1. Establishment and operations**

Arabtec Holding PJSC (the “Company”) is a Public Joint Stock Company established under the laws of the United Arab Emirates pursuant to the resolution of the Department of Economic Development, Dubai, number 71 dated 2 July 2004. The Company commenced operations on 20 September 2004.

The principal object of the Company is to invest in the construction sector through the acquisition of contracting and related companies.

The Company’s shares are listed on the Dubai Financial Market (DFM).

The registered office of the Company is P.O. Box 72122 Dubai, UAE.

The Company and its subsidiaries, referred to collectively in this financial information as the “Group” are primarily engaged in the construction of high-rise towers, buildings and residential villas, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of readymix concrete and construction equipment supply and rental.

The Company has the following subsidiaries over which it exercises effective control:

<u>Name of subsidiary and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Arabtec Construction LLC, Dubai, U.A.E.	100%	Civil construction and related works
Austrian Arabian Ready Mix Concrete Co. LLC, Dubai, U.A.E.	100%	Manufacture and transportation of ready mix concrete products
House of Equipment Co. LLC, Dubai, UAE	66.67%	Trading and leasing of construction equipment
Arabtec Construction W.L.L., Doha, Qatar	49%	Civil construction and related works
Arabtec Precast LLC, Dubai, UAE	100%	Manufacture of precast panels
Nasser Bin Khaled Factory Ready Mix Concrete Co. LLC, Doha, Qatar	49%	Manufacture and transportation of ready mix concrete products
Emirates Falcon Electromechanical Co. EFECO LLC, Dubai, UAE	55%	Electrical mechanical and plumbing contracts
Arabtec Engineering Services LLC, Dubai, UAE	80%	Infrastructure construction works
Arabtec International Company, Limited, Republic of Mauritius	100%	Civil construction and related works
Arabtec Construction Syria LLC, Syrian Arab Republic	100%	Civil construction and related works
Arabtec Pakistan (Pvt) Limited, Pakistan	60%	Civil construction and related works
Target Engineering Construction Company, Abu Dhabi, UAE	60%	Civil construction and related works
Gulf Steel Industries FZC, Sharjah, UAE	55%	Fabrication of steel structures and profiles

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**1. Establishment and operations (continued)**

<u>Name of subsidiary and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia	45%	Civil construction and related works
Arabtec Egypt for Construction SAE, Arab Republic of Egypt	55%	Civil construction and related works
Arabtec Construction LLC (Foreign Company), State of Palestine	100%	Civil construction and related works
Arabtec – Musawa W.L.L., Kingdom of Bahrain (under formation)	75%	Civil construction and related works
Arabtec Angola, Republic of Angola (under formation)	49%	Civil construction and related works
EFECO Saudi LLC, Kingdom of Saudi Arabia	39%	Electrical, mechanical and plumbing contracts
EFECO Qatar W.L.L., Doha, Qatar	27%	Electrical, mechanical and plumbing contracts
EFECO LLC, Palestine	100%	Electrical, mechanical and plumbing contracts
Arabtec Construction Machinery LLC, Kingdom of Saudi Arabia	58%	Trading and leasing of construction equipment
Saudi Austrian Arabian Ready Mix Co LLC, Kingdom of Saudi Arabia	62%	Manufacture and transportation of ready mix concrete products
Idrotec Srl, Italy	48%	Civil construction and related works
Arabtec Construction LLC, State of Kuwait (under formation)	100%	Civil construction and related works
Arabtec-Envirogreen Facility Management Services LLC, Dubai, UAE	51%	Building maintenance and cleaning services, facilities management and security services
Arabtec Construction India (Pvt) Limited	63%	Civil construction and related works
Arabtec Investments Holding Limited	100%	Holding or investments of shares or commercial shareholding

The investment in Arabtec Pakistan (Pvt) Limited is held by third parties in trust and for the benefit of the Company. The investment in Arabtec Engineering LLC, Dubai is held by two of the shareholders on trust and for the benefit of the Company.

The Company has the following associate over which it exercises significant influence:

<u>Name of associate and domicile</u>	<u>Percentage of beneficial holding</u>	<u>Principal activities</u>
Polypod Middle East LLC, Abu Dhabi, UAE	40%	Assembly of bathroom pods and other types of pods on the same concept.

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012****2. Basis of preparation**

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting. This financial information is presented in United Arab Emirates Dirhams (AED) since that is the currency of the country in which the Parent Company is domiciled.

The interim condensed consolidated financial information does not include all the information required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011. In addition, results for the period from 1 January 2012 to 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The interim condensed consolidated financial information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Although the Company owns less than 50% of the equity shares in Arabtec Construction LLC, Qatar, Nasser Bin Khaled Factory Readymix Concrete Co. LLC, Qatar, Arabtec Saudi Arabia LLC, Kingdom of Saudi Arabia, EFECO Kingdom of Saudi Arabia, EFECO Qatar WLL, Idrotec Srl, Italy and Arabtec Angola, Republic of Angola, the Group has the power to govern the strategic operating and financial decisions of these companies and therefore recognises them as subsidiaries.

The results of subsidiaries acquired or disposed of during the period are included in the interim condensed consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**3. Application of new and revised International Financial Reporting Standards (IFRSs)****New and revised IFRSs applied with no material effect on the condensed consolidated financial statements**

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure - Transfer of Financial Assets*
- Amendments to IAS 12 *Deferred Tax - Recovery of Underlying Assets*

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**3. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**New and revised IFRSs in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
• Amendments to IFRS 7 <i>Financial Instruments : Disclosure – Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2013
• IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
• IFRS 11 <i>Joint Arrangements</i>	1 January 2013
• IFRS 12 <i>Disclosure of interests in other entities</i>	1 January 2013
• IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
• Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
• IAS 19 (as revised in 2011) <i>Employee Benefits</i>	1 January 2013
• IAS 27 (as revised in 2011) <i>Separate Financial Statements</i>	1 January 2013
• IAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>	1 January 2013
• Amendments to IAS 32 <i>Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2014
• IFIRC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable. The management are still in the process of evaluating the impact of adoptions of these new standards and interpretations on the Group's consolidated financial statements.

**4. Significant accounting policies**

The interim condensed consolidated financial information has been prepared under the historical cost basis, except for revaluation of certain assets. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the Group's annual consolidated financial statements as at and for the year ended 31 December 2011.

Profits are recognized on projects in the early stages of completion if it is anticipated that these projects will, by the year end, be at a stage of completion sufficient to warrant profit recognition.

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**5. Segment information**

The Group has five reportable segments: building construction, precast and concrete production, drainage and electromechanical works, marine construction and trading. The building construction segment primarily engages in the construction of high-rise towers, buildings and residential villas. The precast and concrete production segment produces ready mix concrete and precast mainly to serve the building construction segment. The drainage and electro mechanical segment is involved in the execution of the drainage, electrical and mechanical works. The marine segment is involved in marine construction. The trading segment is involved in the trading of heavy equipment and steel.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011. Arabtec Holding PJSC evaluates performance on the basis of profit or loss from operations before tax expense.

Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties, i.e. at current market prices.

The reportable segments described above are strategic business units that offer different products and services. They are managed separately because each business requires different expertise, technology and marketing strategies. Most of the businesses were acquired/formed as individual units, and the management at the time of the acquisition was retained.

Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012

5. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED'000	Precast and concrete production AED'000	Drainage and electro- mechanical works AED'000	Marine construction AED'000	Trading AED'000	Total AED'000
<b>31 March 2012 (Unaudited)</b>						
Revenues from external customers	967,574	38,004	227,865	40,212	18,245	1,291,900
Inter-segment revenues	2,688	17,884	154,688	-	440	175,700
Other income	6,559	561	849	-	(462)	7,507
Interest expense	(1,945)	-	(3,267)	(497)	(498)	(6,207)
Depreciation	(32,834)	(8,600)	(7,487)	(3,732)	(1,255)	(53,908)
Reportable segment profit/(loss) before tax	82,952	(8,619)	27,497	2,856	(4,455)	100,231
Income tax expense	(29)	-	(114)	-	-	(143)
Reportable segment assets	7,129,821	381,555	1,107,524	139,182	93,024	8,851,106
Expenditures for reportable segment non-current assets	49,641	11,668	3,780	250	3,930	69,269
Reportable segment liabilities	(4,708,998)	(232,019)	(741,313)	(129,776)	(42,179)	(5,854,285)

Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012

5. Segment information (continued)

Information about reportable segment profit or loss, assets and liabilities

	Building construction AED'000	Precast and concrete production AED'000	Drainage and electro- mechanical works AED'000	Marine construction AED'000	Trading AED'000	Total AED'000
<b>31 March 2011 (Unaudited)</b>						
Revenues from external customers	913,694	21,839	229,647	42,321	34,076	1,241,577
Inter-segment revenues	-	19,535	63,616	-	11,208	94,359
Other income	9,733	811	364	3	522	11,433
Interest expense	(3,552)	-	(1,174)	(415)	(2,164)	(7,305)
Depreciation	(17,783)	(9,467)	(5,908)	(17,943)	(3,235)	(54,336)
Reportable segment profit/ (loss) before tax	31,388	(12,202)	31,430	3,895	20	54,531
Income tax expense	(456)	-	(73)	-	-	(529)
<b>31 December 2011 (Audited)</b>						
Reportable segment assets	7,229,421	362,464	1,209,700	175,596	93,362	9,070,543
Expenditures for reportable segment non-current assets	125,622	8,188	19,411	40,329	1,684	195,234
Reportable segment liabilities	(4,973,105)	(204,309)	(781,435)	(157,502)	(42,302)	(6,158,653)

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**5. Segment information (continued)**

**Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:**

	<b>31 March 2012 AED'000 (Unaudited)</b>
<b>Revenues</b>	
Total revenues for reportable segments	1,467,600
Elimination of intersegment revenues	(175,700)
<b>Group's revenues</b>	<b>1,291,900</b>
<b>Profit</b>	
Total profit before tax for reportable segments	116,640
Other corporate expenses	(16,409)
<b>Income before income tax expense</b>	<b>100,231</b>
<b>Assets</b>	
Total assets for reportable segments	8,851,106
Corporate assets	478,754
Elimination of inter-segments receivables	(725,840)
<b>Group's assets</b>	<b>8,604,020</b>
<b>Liabilities</b>	
Total liabilities for reportable segments	5,854,285
Corporate liabilities	17,301
Elimination of payable to corporate head quarters	(615,115)
Elimination of inter-segment payables	(110,725)
<b>Group's liabilities</b>	<b>5,145,746</b>



**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**5. Segment information (continued)**

**Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:**

	31 March 2011 AED'000 (Unaudited)
<b>Revenues</b>	
Total revenues for reportable segments	1,335,936
Elimination of intersegment revenues	(94,359)
	<hr/>
<b>Group's revenues</b>	1,241,577
	<hr/>
<b>Profit</b>	
Total profit before tax for reportable segments	70,420
Other corporate expenses	(15,889)
	<hr/>
<b>Gross profit before income tax expense</b>	54,531
	<hr/>
	31 December 2011 AED'000 (Audited)
<b>Assets</b>	
Total assets for reportable segments	9,070,543
Corporate assets	470,699
Elimination of inter-segments receivables	(745,206)
	<hr/>
<b>Group's assets</b>	8,796,036
	<hr/>
<b>Liabilities</b>	
Total liabilities for reportable segments	6,158,653
Corporate liabilities	14,676
Elimination of inter-segment payables	(634,481)
Elimination of payable to corporate headquarters	(110,725)
	<hr/>
<b>Group's liabilities</b>	5,428,123
	<hr/>

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**5. Segment information (continued)**

**Geographical information**

	31 March 2012	31 March 2012	31 March 2011	31 December 2011
	Revenues	Non-current	Revenues	Non-current
	AED'000	assets	AED'000	assets
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
GCC Countries	1,252,992	1,925,612	1,185,888	2,515,765
Pakistan	-	23	-	26
Levant	8,877	4,112	55,689	15,645
Egypt	28,542	6,864	-	6,837
Russia	1,489	439	-	472

- a) Revenues are attributed to countries on the basis of the construction projects' location.  
b) Non-current assets exclude financial instruments and corporate assets.

**Information about major customers**

Revenues from 4 customers of the building construction segment represent approximately AED 350 million (31 March 2011: AED 306 million) of the Group's total revenues.

**6. Results for the period**

The results for the three month period ended 31 March 2012 reflect the results of the Group's continuing projects and new projects commenced during the period and are not significantly affected by any seasonal or cyclical operations.

Costs that occur unevenly during the financial year are anticipated or deferred in the interim condensed consolidated financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense arises from the Group's activities in Qatar, Syria, Palestine and the Kingdom of Saudi Arabia and has increased as the activities in these jurisdictions have increased.

**7. Contract dispute**

On 25 December 2008, Arabtec Construction L.L.C. WCT Engineering Berhad (Dubai Branch) Joint Venture (the "Joint Venture") for the construction of the Nad Al Sheba racecourse in Dubai, in which the Group has a 50% share, received notice from the contract owner, Meydan L.L.C. ("Meydan") purporting to terminate the contract on 9 January 2009 for reasons which management consider did not justify such termination. Subsequently, by way of its notice dated 10 January 2009, the Joint Venture purported to terminate the contract on 24 January 2009 on a number of grounds including failure to pay certified amounts, the Joint Venture's exclusion from the site and Meydan's wrongful calls on the Performance Security and Advance Payment Guarantee.

Notice of the call of the Performance Security amounting to AED 461.3 million (Group's share: AED 230.65 million) and the Advance Payment Guarantee amounting to AED 77.3 million (Group's share: AED 38.6 million) was received by the Joint Venture on 29 December 2008. Both securities were payable on demand and, on payment by the banks concerned, management has recorded a receivable for the net amount due from Meydan, pending resolution of the dispute. The corresponding liability recorded at the 31 December 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction L.L.C. is paying interest, which will form part of the claim.

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**7. Contract dispute (continued)**

On 11 January 2009, the Joint Venture served its request for arbitration. Since then, the arbitration proceedings have commenced and the amount claimed by the Joint Venture is approximately AED 2.8 billion (Group's share: AED 1.4 billion). Management believes, based on continuing legal opinion received, that the prospects of success in the arbitration are good and that no additional provisions for the dispute are required at the end of the reporting period.

Based on recent tribunal directions in the quarter, management anticipates that the arbitration will be concluded during the year 2013.

In accordance with the Group's accounting policy relating to contracts where the outcome cannot be estimated reliably, revenue has been recognised only to the extent of contract costs incurred to date, which management considers is not doubtful of recovery and therefore no provision has been made against the amounts due from the customer for contract work. No profit has been recognised on the contract to date pending the outcome of the Group's claim and conclusion of the arbitration proceedings.

**8. Cash and cash equivalents**

Cash and cash equivalents comprise bank balances, cash and short-term deposits held by the Group. The details are as follows:

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
Cash and bank balances	328,629	311,942
Short term bank deposits	302,412	371,947
	<u>631,041</u>	<u>683,889</u>

Cash and cash equivalents include advances which were received from project owners to fund certain projects in progress.

**Bank balances and cash located:**

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
Within UAE	478,669	410,701
Outside UAE	152,372	273,188
	<u>631,041</u>	<u>683,889</u>

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**8. Cash and cash equivalents (continued)**

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
Bank balances and cash denominates in following currencies:-		
United Arab Dirham (AED)	454,019	367,845
United States Dollar (USD)	5,511	8,330
Kuwait Dinars (KWD)	13,917	36,402
Qatar Riyals (QAR)	49,799	62,573
Pakistan Rupees (PKR)	6,052	6,252
Saudi Riyals (SAR)	85,331	187,768
Other currencies	16,412	14,719
	<u>631,041</u>	<u>683,889</u>

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Fixed deposits having a maturity after three months earn interest at rates between 2.75% to 3% per annum (31 December 2011: between 2.75% to 3.25% per annum).

**9. Related party transactions**

a) The Group entered into a variety of transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise the Group's major shareholders, directors and entities related to them, companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

b) At the reporting date, due from related parties comprised the following:

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
<b>Joint ventures</b>		
Amounts due from joint venture partners	416,865	370,081
<b>Other related parties</b>		
<i>Entities with common ownership and management</i>		
Al Waab City W.L.L., Doha, Qatar	249,458	248,889
Nasser Bin Khaled Al-Thani and Sons Group and its related parties, Qatar	11,730	11,611
Saudi Bin Laden Group, Kingdom of Saudi Arabia	429,339	323,119
Advance Vision Co., Kingdom of Saudi Arabia	75,656	85,117
Aabar Investments PJSC	9,408	-
Others	10,936	18,989
	<u>786,527</u>	<u>687,725</u>
	<u>1,203,392</u>	<u>1,057,806</u>

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**9. Related party transactions (continued)**

c) At the end of the reporting period, due to related parties comprised the following:

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
<i>Joint ventures</i>		
Amounts due to joint venture partners	<b>239,362</b>	244,065
<i>Other related parties</i>		
<i>Entities with common ownership and management</i>		
Nasser Bin Khaled Al-Thani and Sons Group its related parties, Qatar	<b>47,023</b>	46,402
Saudi Bin Laden Group, Kingdom of Saudi Arabia	<b>478,473</b>	456,000
WCT Engineering Berhad, Malaysia	<b>8,142</b>	8,105
Others	<b>8,349</b>	6,989
<i>Current account of a director and major shareholder of the parent company</i>		
Mr. Riad Kamal - a Director and a shareholder	<b>27,435</b>	22,930
Current accounts of shareholders in subsidiaries	<b>33,118</b>	36,880
	<b>602,540</b>	577,306
	<b>841,902</b>	821,371

d) The nature of significant related party transactions and the amounts involved were as follows:

	<b>Three Month Period Ended 31 March</b>	
	<b>2012 AED'000</b>	2011 AED'000
<i>Joint ventures</i>		
Manpower and other charges to joint ventures	<b>6,718</b>	10,057
<i>Other related parties</i>		
Contract and other revenue	<b>154,053</b>	108,586
Subcontractor costs	<b>2,249</b>	-
Purchase of property, plant and equipment	<b>1,926</b>	443
Rent income	<b>385</b>	731
Wages and salaries	<b>1,800</b>	2,461

e) The Group has provided a loan of AED 1.3 million (31 December 2011: AED 1.6 million) to a minority shareholder in House of Equipment Co. LLC and AED 3.9 million (31 December 2011: AED 3.9 million) to the shareholders of Polypod Middle East LLC. Interest on the loan is charged at 6-7% per annum.

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**9. Related party transactions (continued)**

f) The remuneration of directors and other members of key management during the period was as follows:

	<b>Three Month Period Ended 31 March</b>	
	<b>2012 AED'000</b>	<b>2011 AED'000</b>
Attendance fees to Board of Directors	450	550
Bonus to Board of Directors for 31 December 2011	3,034	-
Short term benefits	9,683	8,357
End of service indemnity	145	307

The remuneration of key executives and attendance fees of the Board of Directors are determined by the Board of Directors, after taking into account the recommendations of the Remuneration Committee having regard to individual performance and market trends.

Attendance fees and bonuses to Board of Directors were approved in the Annual General Meeting on 28 April 2012 in respect of 2011.

g) Included in trade and other payables is an amount of AED 22.4 million (31 December 2011: AED 21.2 million) representing voluntary contributions from employees and directors which are ring fenced in order to fund certain benefits for employees on an ad-hoc basis, as determined by the appointed committee. Assets of the scheme are included in the interim condensed consolidated statement of financial position under cash and cash equivalents AED 13.4 million (31 December 2011: AED 13.4 million) and other current assets AED 9.0 million (31 December 2011: AED 7.8 million).

**10. Other financial assets**

Held to maturity investment amounting to AED 177.06 million (2011: AED 175 million) represents *Anka'a Sukuk Bonds issued by Anka'a Sukuk Limited (Nakheel PJSC)* included in the other financial assets under non current assets. This investment carries guaranteed interest rates of 10% p.a. The investment will be redeemed upon maturity on the period ended August 31, 2016. In Target Engineering Construction Company, Abu Dhabi, UAE, AED 18.73 million of this investment is earmarked for transfer to non-controlling interests for settling their outstanding dividends.

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**11. Joint ventures**

The Group had the following significant interests in joint ventures (JV):

	<u>Share in JV</u>
a) Samsung/Arabtec joint venture project	40%
b) Six Construct/Arabtec joint venture projects	50%
c) Samsung/Six Construct/Arabtec joint venture project	30%
d) Arabtec/Max Bogl joint venture projects	50%
e) Arabtec/Aktor joint venture projects	50%/60%
f) Arabtec/Emirates Sunland joint venture projects	50%
g) Arabtec/WCT Engineering joint venture projects	50%
h) Arabtec/Engineering Enterprises Company joint venture projects	50%
i) Arabtec/AMN Holdings joint venture project	60%
j) Arabtec/Dubai Contracting Company joint venture project	50%
k) Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FZE joint venture project	65%
l) Arabtec Engineering Services/WCT Engineering joint venture project	50%
m) Arabian Construction Company/Arabtec joint venture project	50%
n) Arabtec/National Projects and Construction joint venture project	50%
o) Arabtec/Al Saad joint venture project	66.66%
p) Arabtec/Al Mukawilon joint venture project	60%
q) Arabtec/Combined Group Contracting Company joint venture project	60%

The Group is entitled to a proportionate share of the joint ventures' assets and revenues and bears a proportionate share of the liabilities and outgoings.

The following amounts are included in the Group's interim condensed consolidated financial information as a result of the proportionate consolidation of the joint ventures:

	<b>31 March 2012</b>	31 December 2011
	<b>AED'000</b>	AED'000
	<b>(Unaudited)</b>	(Audited)
Current assets	<b>1,090,541</b>	1,125,087
Non-current assets	<b>64,424</b>	89,990
Current liabilities	<b>1,012,234</b>	1,073,877
Non-current liabilities	<b>33,224</b>	55,099
Contingent liabilities	<b>721,170</b>	724,048

	<b>Three Month Period Ended 31 March</b>	
	<b>2012</b>	2011
	<b>AED'000</b>	AED'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>125,400</b>	407,874
Expenses	<b>120,810</b>	360,509

**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**12. Intangible assets**

During the period, amortization of intangible assets was approximately AED 12.4 million (during the same period in 2011: AED 12.4 million). There were no additions to intangible assets during the period.

**13. Property, plant and equipment**

During the period, the Group purchased approximately AED 58.2 million (during the same period in 2011: AED 32.1 million) of various types of property, plant and equipment and disposed of property, plant and equipment with a net book value of AED 33.2 million (during the same period in 2011: AED 23.1 million) for proceeds of AED 13.4 million (during the same period in 2011: AED 23.7 million).

Property, plant and equipment (NBV) located:-

	UAE AED'000	Other GCC AED'000	Non GCC AED'000	Total AED'000
As of 31 March 2012 (Unaudited)	<u>943,605</u>	<u>230,140</u>	<u>10,978</u>	<u>1,184,723</u>
As of 31 December 2011 (Audited)	<u>1,037,807</u>	<u>131,603</u>	<u>11,485</u>	<u>1,180,895</u>

**14. Bank borrowings**

During the period, the Group obtained new short-term bank loans in the amount of AED 10.9 million (during the same period in 2011: AED 15.0 million). The loans bear interest at variable market rates and are repayable within 1 year. The proceeds were used to meet short-term expenditure needs. Repayments of other bank loans amounting to AED 31.2 million (during the same period in 2011: AED 75.8 million) were made in line with agreed repayment terms.

**15. Income tax charge**

Interim period income tax is accrued based on the estimated average annual effective income tax rate on taxable income of 4.4% (3 months ended 31 March 2011: 1.2%). The increase in the tax charge for the period is as a result of an increase in profit earned in taxable jurisdictions.

**16. Operating leases**

*The Group as lessee:*

	<b>Three Month Period Ended 31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>AED'000</b>	<b>AED'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Minimum lease payments under operating leases recognized as expense during the period	<u><u>12,700</u></u>	<u><u>15,647</u></u>



**Notes to the interim condensed consolidated financial information (continued)  
for the three month period ended 31 March 2012**

**16. Operating leases (continued)**

At the reporting date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
Within one year	<b>30,972</b>	31,018
In the second to fifth years inclusive	<b>10,279</b>	9,125
	<b><u>41,251</u></b>	<u>40,143</u>

Operating lease payments represent rentals payable by the Group for land, certain labour camps and vehicles.

**17. Commitments and contingencies**

	<b>31 March 2012 AED'000 (Unaudited)</b>	31 December 2011 AED'000 (Audited)
<b><i>Commitments</i></b>		
Commitments for the acquisition of property, plant and equipment	<b>34,276</b>	35,237
<b><i>Contingent liabilities</i></b>		
Performance and bid bonds	<b>2,364,862</b>	2,528,861
Advance payment bonds	<b>931,292</b>	992,288
Financial guarantees	<b>38,297</b>	58,042
Retention bonds	<b>459,866</b>	462,681
Labour guarantees	<b>35,708</b>	33,731
Letters of credit	<b>83,076</b>	123,457

**18. Dividends approved**

At the Annual General Meeting held on 3 April 2011, the shareholders had approved the issue of a bonus share dividend amounting to 299,000,000 shares on the basis of 1 bonus share for each 4 shares held.

At the Board of Directors meeting on 7 March 2012, the directors resolved to propose a bonus share dividend of 74.75 million shares and a cash dividend of AED 74.75 million, which was approved by the shareholders at the Annual General Meeting of the Company held on 28 April 2012.

**19. Approval of the interim condensed consolidated financial information**

The interim condensed consolidated financial information for the three month period ended 31 March 2012 was approved by the Board of Directors and authorised for issue on 8 May 2012.