

The Proposed Company

It was not surprising to read the news about Arabtec Construction LLC a wholly- owned subsidiary of Arabtec Holding announcing the partnership agreement to establish a new company in Saudi Arabia in the name of "Arabtec Saudi Arabia" after the Chief Executive Officer's announcement to focus their expansion plans outside Dubai and United Arab Emirates (UAE), particularly in Saudi Arabia and Qatar. Arabtec Holding's Chief Executive Officer (CEO) has announced that this expansion is a natural step to help compensate for the drop the company has witnessed in the UAE following the global financial crisis.

Arabtec Construction has concluded the joint venture in Saudi Arabia with CPC Services Company; a member of the Saudi Bin Laden Group and Prime International Group Services LTD; a wholly owned subsidiary of the leading Saudi Group engaged in diverse investments and business activities in the Kingdom. The aim of the "Arabtec Saudi Arabia" is to take advantage of the ongoing growth in the construction and infrastructure market in the biggest economy in the gulf region.

Share Capital Structure

Arabtec Construction LLC will hold a 45% stake in the new company, while CPC Services and Prime Group will hold 35% and 20% stake respectively. The company has a total paid-up capital of SAR 150mn (USD 40mn). In the first year of operation the new company will be targeting SAR 1.5bn turnover and it is expected to grow to SAR 3bn to 5bn in the next two to three years.

Projects

Arabtec Holding CEO announced its first project for "Arabtec Saudi Arabia" will be in the capital city of Riyadh where the company is well-positioned to accomplish this project through available and substantial Arabtec resources currently available in the UAE. Arabtec has started the necessary arrangements to start mobilizing its workforce and equipments to Saudi Arabia to participate in this project.

Our View

We believe that this move will help Arabtec to diversify away from its dependence on contracts in Dubai and UAE, where the construction and real estate industry is witnessing a strong pressure after the global financial crisis in mid-2008. It is a well known fact that Developers and construction firms in the region are either delaying or cancelling projects as they have been hit hard by the after effect of the global financial crisis. Saudi Arabia's construction industry is still holding well compared to Dubai, where infrastructure and expansion plans are still underway. Arabtec Construction partnering with two of the giant construction companies in Saudi Arabia will help "Arabtec Saudi Arabia" become one of the leading construction companies in the Kingdom of Saudi Arabia.

Financial Status

Arabtec Holding recently announced its FY2008 where the company reported a net profit of AED 945mn an increase of 77% compared to AED 535mn in the corresponding period the previous year. The company's net profit declined by 3.8% in the fourth quarter of 2008 to report AED 188.5mn compared to AED 195.7mn in the previous quarter. The company reported an increase in revenue to reach AED 9.6mn in FY 2008 compared to AED 4.2mn in the same period of 2007. The company along with the Malaysian Engineering Firm WCT Bhd are seeking compensation of not less than USD 460mn for work done for Dubai-based Meydan LLC on a Dubai horse-racing track that was cancelled in January 2009 due to delivery delays. It is worth noting that the contract was worth USD 1.3mn.

Arabtec Holding CEO has also announced that construction firms still have not been notified by Dubai's Emaar Properties about the possible cancellation to build more than 500 villas at Warsan Estate project after a group of investors sent a petition to the developer to cancel the project. This project was awarded to Arabtec on July 2008. Arabtec still has sufficient funds to complete all its projects, and the company is not looking into raising fresh capital or tap credit markets.

The company operates in the UAE, Qatar, Jordan, Syria and Pakistan, with Dubai contributing more than half of its revenues. The company has projects underway worth Dh10 billion and Dh300 million in Russia and Qatar, respectively.

Research Team		
	Telephone	E-mail
Joice Mathew	+968 2476 3311	joice@usoman.com
Ghadeer Hassan	+968 2476 3320	ghadeer@usoman.com
Partha Sarathi Swain	+968 2476 3318	partha@usoman.com
Said Hassan Al Lawati	+968 2476 3318	said@usoman.com

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action. Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance.

United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to companies mentioned herein or inconsistent with any recommendation and related information and opinions. United

Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.