Management Discussion and Analysis

HIGHLIGHTS

Revenues in 2022 were significantly higher than the previous year at AED 660 million compared with AED 254 million in 2021, which reflected a full year's contribution from the prestigious Falaj3 contract to build four new Offshore Patrol Vessels for the UAE Navy which commenced in the fourth quarter of 2021. ADSB successfully completed three milestones of the Falaj3 project during the year either on or ahead of schedule and within budget, and a 4th milestone was completed post-year end in the first quarter of 2023.

Net profit for the year of AED 20.5 million continued to demonstrate the improving trend and was almost double the AED 11.0 million net profit reported last year.

During the year to December 2022 the Company continued its activities under both the MSS Military contract and for Commercial customers, and completed a total of 186 dockings. Other contracts included the purchase and refurbishment of a tug, the docking of a large vessel for mid-life refit, and delivery of three VIP Limos. The Company also signed a contract to build two 28-meter tugs which is ADSB's first commercial ship building project and several other smaller projects are ongoing.

After the year end at the NAVDEX exhibition in February 2023 the Company was pleased to announce a contract to build twenty-four Search and Rescue boats for CICPA. This was an order for the ADSB designed and built vessels which were showcased at NAVDEX 2021. The Company has continued with this strategy and in 2023 showcased a new 17-meter autonomous mine counter measures vessel which generated significant interest from customers.

We continue to implement the strategy of expanding the design portfolio both with in house designs and through working with partners to generate designs in the 50-meter to 100-meter range, and a number of MOUs with leading industry players have been signed in the course of the year.

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ADSB has signalled its intention to develop export sales in recent years and throughout the year was engaged in negotiations which led to the announcement at NAVDEX of a very significant contract to build three BR71 MKII 71-meter corvettes along with ADSB designed patrol boats and logistical support for the Angolan Navy. This contract, worth over AED 3.9 billion, is a very significant deal for ADSB and the largest export order in the Company's history.

The order book now stands at over AED 8 billion and further large potential export sales are in the early stages of negotiation, with a potential pipeline of an additional several AED billion. The business will see a very significant increase in activity in the next few years, and a capacity enhancement program with the necessary CAPEX will commence later this year.

After payments made to major Falaj3 sub-contractors during the year, the net cash position as of 31 December 2022 was AED 273 million which continues to show a significant improvement on the substantial overdraft in previous years. The cash position is expected to remain healthy throughout 2023.

While the UAE Navy will always be the Company's main customer, and indeed ADSB was set up to be a strategic national asset for the UAE, ADSB is now demonstrating the results of its expansion strategy which will reduce the dependence on the UAEN and enable the Company to pass the benefits back to the domestic customer in terms of expanded design capability, enhanced production and maintenance capacity, and economies of scale.

I would like to take this opportunity to thank our wise leadership for their patronage, and for their continuous support of ADSB. I also wish to thank our Board of Directors for their invaluable direction and guidance, our esteemed customers and partners for their trust, and finally, our management and staff for their dedication and commitment towards ADSB's success.

We continue to serve our military and commercial customers and look to the future with increased confidence.

David Massey
Chief Executive Officer

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