



أبوظبي لبناء السفن

ABU DHABI SHIP BUILDING

ش.م.ع PJSC



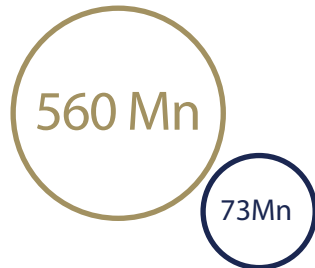
Management Discussion and Analysis

For the Period Ended
30 SEPTEMBER 2017

I. FINANCIAL HIGHLIGHTS

2017

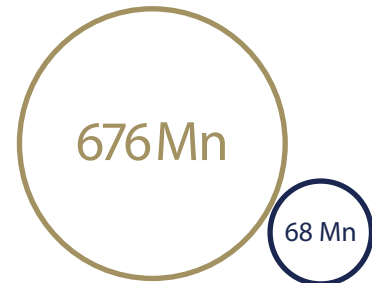
For the nine months ended 30 September 2017, respectively



● Consolidated Revenues
● Consolidated Net Profit

2016

For the nine months ended 30 September 2016, respectively



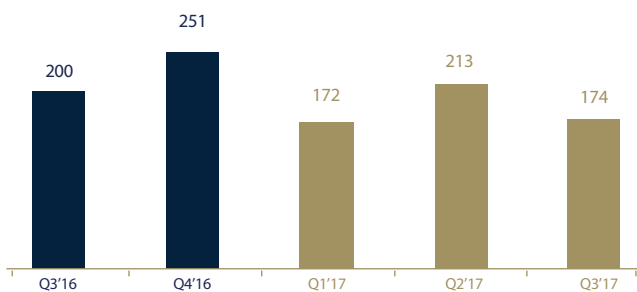
● Consolidated Revenues
● Consolidated Net Profit

Abu Dhabi Ship Building PJSC and its subsidiaries recorded a consolidated net profit of AED 73.2 million after gain on foreign exchange of AED 15.9 million for the nine months ended 30 September 2017 as compared to a consolidated net profit of AED 68.5 million after loss on foreign exchange of AED (0.2) million during the corresponding period in 2016.

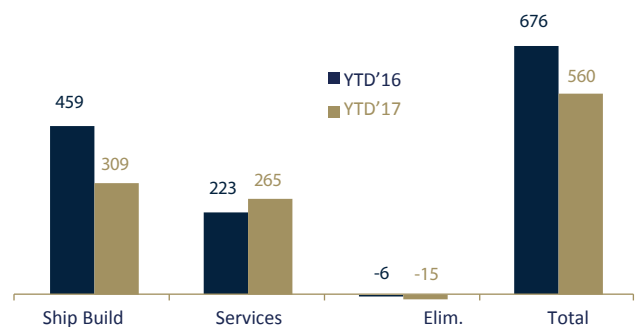
Revenue

Consolidated Contract Revenues Trend (AED'Mn)

Q3 2017 vs. Q3 2016: -13%



Consolidated Segmental Contract Revenues (AED'Mn)

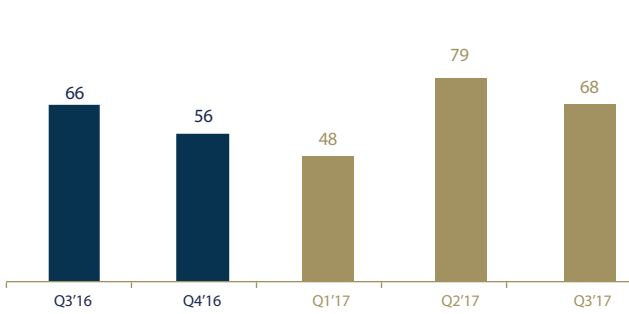


Lower revenue in 2017 as compared to corresponding period in 2016 is attributable to lower activities for Ship Build due to contracted projects nearing completion stage.

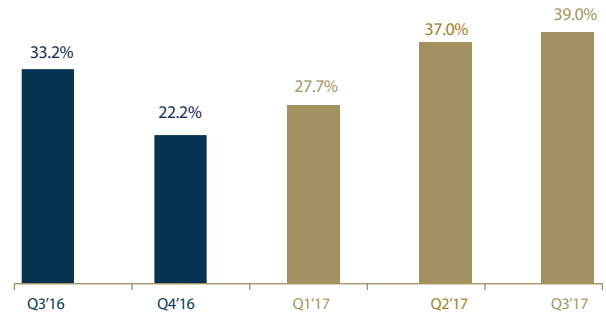
Gross Profit

Consolidated Gross Profit Trend (AED'Mn)

Q3 2017 vs. Q3 2016: +2%



Consolidated Gross Profit % Trend

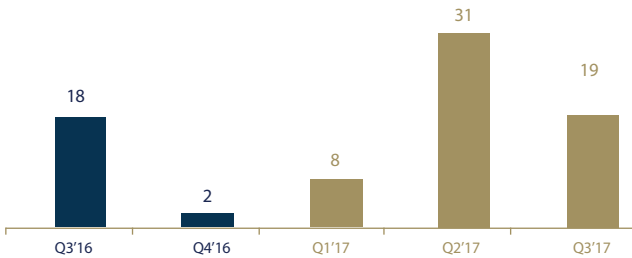


Lower gross profit in 2017 as compared to corresponding period in 2016 is mainly driven by lower progress of projects under Ship Build.

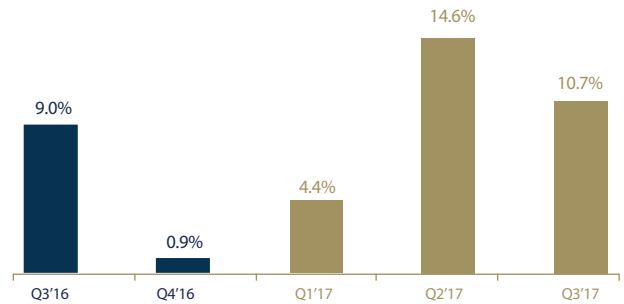
Pre-FX Profit

Consolidated Pre-FX Profit Trend (AED'Mn)

Q3 2017 vs. Q3 2016: +3%



Consolidated Pre-FX Profit % Trend

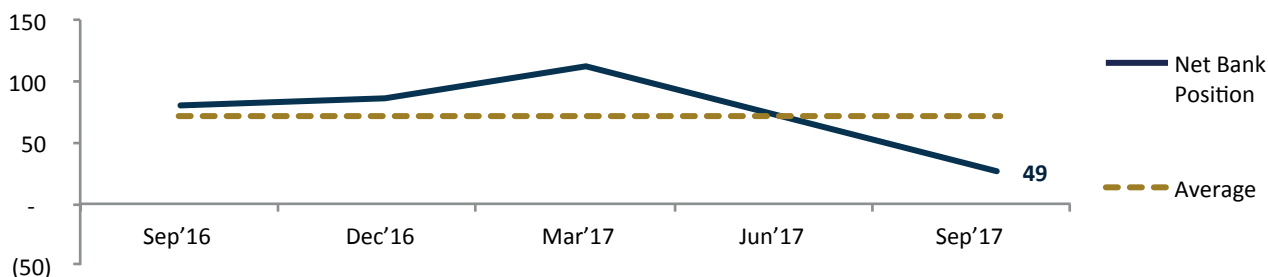


Reported profit before foreign exchange was comparatively lower primarily due to lower gross profit and increased operating expenses mainly driven by the new floating dock facility in Mina Zayed Port. Operating Profit % has shown an increase as ADSB continues to drive margin efficiencies.

Liquidity

Net Bank Position Trend (AED'Mn)

Q3 2017 v3. Q3 2016: -50%

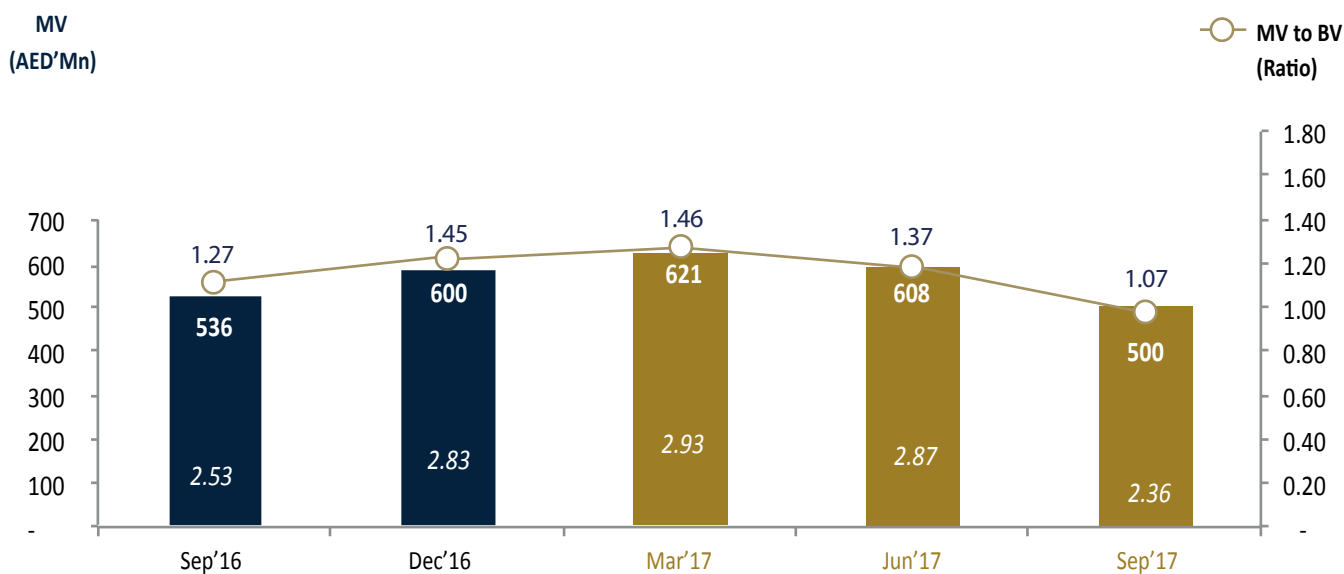


Cash position decreased by AED 55 million [53%] as significant outflows were processed during the period. ADSB expects to improve its liquidity position by year end based on expected inflows from its customers.

The Group's available overdraft facility with various commercial banks is AED 353 million and is available for drawdown as of 30 September 2017.

Market Capitalization

Market Value (AED'Mn) & Market Value to Book Value (Ratio) Trend



As equity increased by 13% (net of AED 21.2 million dividends declared in 20 April 2017) and share price decreased by 17% from 31 December 2016, the market value to book value ratio as of 30 September 2017 is at 1.07 with 26% decrease.

II. OPERATIONAL HIGHLIGHTS

1. Ship Build:

Ship Build segment continues to perform under the best practices model and support its customers towards completion of its existing contracts.

A. Naval Ship Building:

This unit is ADSB's international and national prime contracting business, which concentrates on the design, build, integration, commission, test, trials, integrated logistics support and delivery of complex maritime assets for the defense and paramilitary sectors across the GCC and beyond.

ADSB is proud to demonstrate local ship building capability for complex naval warships, as it maintains its position as the region's largest naval ship building company in collaboration with strategic design partners, which also assist in the future services support for these and other vessels.

Baynunah Program

ADSB's flagship program to construct six state-of-the art 72-meter corvette class Baynunah vessels for the UAE Navy.

During this quarter, ADSB executed its commitments as per UAE Navy class improvement requirements with additional software and platform upgrades on the vessels. In relation to this, fourth quarter of this year will see ADSB conducting the 'post-delivery live missile firing' on the last two vessels. Further, the first 'unmanned aerial vehicle' capability upgrade will be performed soon after missile firing.

ADSB has also made notable progress under a separate contract for implementing capability enhancements on Baynunah class vessels for the installation/integration of 'advanced satellite communication capability' (SATCOM). So far, in total, ADSB has successfully completed this extensive enhancement on five vessels during their respective post-delivery 'navigational refit'. The third quarter marked completion of the fifth vessel's upgrade, during its 'refit schedule'. This technology upgrade on the last vessel is planned for completion early next year.

Arialah Program

In December 2013, ADSB signed a contract with GHQ Armed Forces for the supply of two 67-meter offshore patrol vessels to the Critical Infrastructure and Coastal Protection Authority (CICPA).

During 2017, the program has made significant progress and has achieved major milestones including completion of platform sea acceptance trials. The second vessel achieved major milestones ahead of schedule during the third quarter with the installation and integration of combat systems. With final acceptance trials underway, the vessel is expected to be delivered to the CICPA within the fourth quarter of this year.

Kuwait Landing Crafts and Sea Keepers Program

Contract with The Ministry of Defense of the State of Kuwait for the construction of two 64-meter Landing Crafts, one 42-meter Landing Craft and five 16-meter Sea Keepers.

The third quarter of 2017 marked significant achievements in the program with the successful delivery of two

64m Landing Crafts on 27 July 2017 and 24 August 2017, respectively, and 42-meter landing craft's final acceptance in Kuwait on 13 July 2017. The two 64-meter landing crafts final acceptance in Kuwait are scheduled in the fourth quarter of the year.

B. Small Boats Construction (SBC):

The SBC segment vigorously pursued clients, shipyards and designers during the NAVDEX 2017 for securing new designs and contracts, besides showcasing the Sea Keeper boat. This quarter has been quite significant with two new projects were finalized and confirmed. The segment has continued to pursue its efforts in identifying new designs and contracts, and optimizing the operational costs. The details of various SBC projects currently under execution are appended below:

15-meter Boats

Post completion of 30 Boats earlier, three additional boats were built and delivered by ADSB, as an extension to the previous contract. The acceptance trial of all three boats have been completed in the third quarter, and the boats are expected to be delivered in the fourth quarter.

10-meter Boats

ADSB has signed two contracts with CICPA for supply of 22 (15 + 7) high speed Interceptor Boats with speeds of 60 knots. Production commenced on 01 September 2017 based on mutual agreement on the revised technical specifications, operational profile and delivery schedule. In accordance with the revised schedule, demonstration trials of first boat has been completed and construction activities of the project are on schedule.

15.6-meter Offshore Support Vessels

The order for construction and delivery of 4 Offshore Support vessels was received from ETIMAD in March 2017. The project is based on exploring new design partners as part of the consultancy studies for SBC. As per the build strategy, all fiberglass structural parts (hull, deck, superstructure and small parts) for these boats will be built by Neil Marine, Sri Lanka and will be shipped to ADSB. Assembly, outfitting and trials of these boats will be undertaken at ADSB based on technical inputs and installation drawings by Neil Marine. The material procurement is being concurrently focused at to achieve the project delivery by May 2018.

16-meter VIP Limo

An agreement for construction and supply of one VIP Limo boat has been signed with Safwa Marine on 22 June 2017. The Engineering and Procurement activities for the project are in progress along with Lamination phase. The Lamination of main Hull, deck and wheel house is nearing completion and deliveries of main equipment commenced.

2. Services:

Maintenance, repair and overhaul (MRO) of all types of military and commercial vessels, jack up barges/rigs and platforms.

Marine Support Services

The MSS contract has marked a significant progress in the third quarter of this year. A joint team of ADSB has successfully concluded an international recruitment drive towards filling specific skill sets of Through Life

Capability Management (TLCM) capability. The MSS team continue to support the UAE Navy under the MSS contract by providing TLCM and Integrated Logistic Support (ILS) services of Legacy ships of UAE Navy.

Naval/Commercial MRO

ADSB continues to provide professional prompt and quality repairs for both the UAE Navy fleet, in accordance with the highest military standards, as well as the commercial vessels.

ADSB Floating Dock operations remained busy in the year 2017. In the last consecutive three months, it has observed 100% occupancy, and the average occupancy for the last nine months was 82%. The latest highlight of September 2017 is the E-marine Cable Ship UMM AL ANBER, a 133-meter long which has docked in the floating dock facility. ADSB has slated another achievement this year by winning the “Enterprise Award” in the Seatrade Maritime Awards Middle East, Indian Subcontinent and Africa which was held on 09 October 2017 at Madinat Jumeirah, Dubai for valuable contribution of its Floating Dock to the Ship repair industry in the region.



Rizwan Chowdhari
Chief Financial Officer