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البحرية الوطنية  
NATIONAL MARINE  
DREDGING COMPANY

## Directors' Report & Management Discussion and Analysis

The Board of Directors of National Marine Dredging Company ("NMDC" or the "Group") have the pleasure of presenting the 2022 Annual Report along with the audited financial statements as at and for the year ended 31 December 2022.

### Highlights

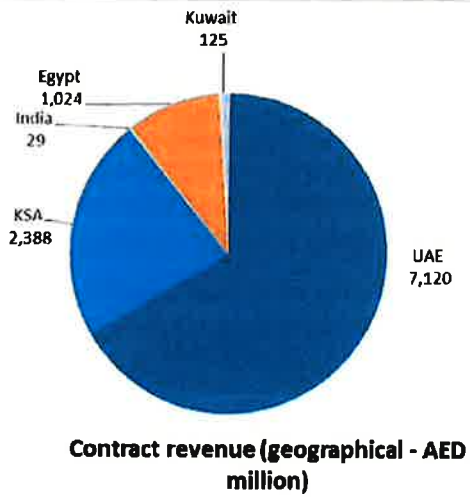
- 2022 was another challenging but successful year for NMDC Group, which is in its second year of the merger with National Petroleum Construction Company ("NPCC"). The merger, which took place on 11 February 2021, resulted in a large scale transformation of the size, scale and breadth of NMDC's operations. This transformation has been reflected in the Groups revenue and profits and overall financial position.
- NMDC Group is continuously raising its ambition, with an optimistic outlook for the marine and EPC markets. The Group holds on to a strong and diversified portfolio of ground-breaking projects mirrored in the consolidated net profit crossing the threshold of AED 1 billion, consecutively for the second time in its history.
- 2022 consolidated net profit at AED 1.3 billion is 30% higher than that of the previous year, while revenues at 10.7 billion are 35% higher than 2021.
- With the current global market engraved with uncertainties, NMDC thrives through ongoing growth and expansion strategy as a global EPC and Marine Dredging group. The Group's all year round unceasing presence and participation in local and International events allows the Group to latch opportunities as new contracts, Memorandum of Understandings, and partnership agreement are signed.
- During the year, the Group entered into a collaboration with Abu Dhabi Ports Company PJSC ("ADPC") to expand its service offerings and capabilities in the Survey and Diving ("S&D") arena. The Group incorporated a joint venture, Safeen Survey and Subsea Services LLC ("Safeen") and made an in-kind contribution to Safeen by way of a transfer of its S&D Division assets, revenue contracts and manpower resources. The Group then disposed 51% of its interest in Safeen to ADPC, retaining 49% interest



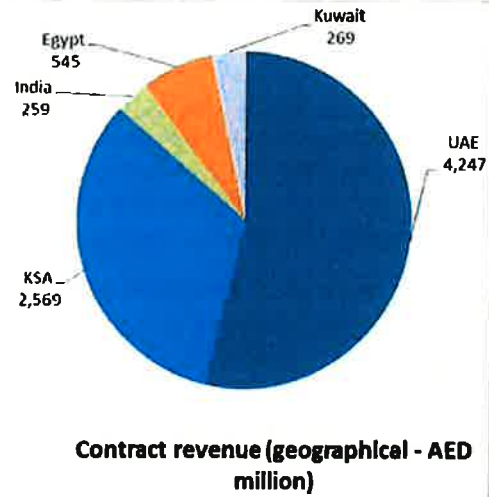
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- In addition to the ongoing portfolio of projects, the Group has been awarded with new projects worth AED 9,644 million during 2022.
- The Geographical spread of the Group consolidated revenue of AED 10,685 million (2021: AED 7,889 million) presented in the pie chart below represents the Groups strong presence in Middle East and North Africa (MENA) region.

FY Dec' 2022



FY Dec' 2021





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- **As a testament to its continuing growth, the Group has been awarded projects in total of AED 9,644 million in FY2022 and AED 220m in January 2023 respectively as summarised below:**

- The Umm Shaif Field contract from ADNOC in UAE for a contract value of AED 3,474 million. It is worth mentioning that Umm Shaif is ADNOC's most historic offshore asset, and 2022 marks the 60th anniversary of the UAE's first oil export of Umm Shaif crude oil (July 1962);
- Projects from Saudi Aramco in total of AED 2,471 million which includes Jafurah Development Programme and MNIF 14 Jacket projects for AED 1,689 million and AED 782 million respectively;
- Lower Zakum Field Contract for building a New Main Gas Line project (NMGL) from ADNOC for AED 2,000 million;
- Suez Canal dredging works KM 122-132 in Egypt for AED 1,000 million;
- Charter of DLS-4200 vessel to Yunneng Wind Power Co. Ltd for AED 364 million;
- Tharwa Town Reclamation Works from Ansab Contracting in Kingdom of Saudi Arabia for AED 256 million;
- A project for dredging works at the entrance to the navigation channel and the trench of the quay wall in Safaga Port in Egypt with a contract value of AED 79 million; and
- In January 2023, ADNOC has awarded the Group the pre-construction service agreement (PCSA) related to the Offshore Facilities of the Hail and Ghasha Gas Development project for approximately AED 220 million.



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#### • Other events/highlights

- NPCC, a subsidiary of NMDC, has been ranked as the number one EPC Company in the Middle East, topping Oil & Gas Middle East magazine's EPC Contractors List 2022.
- At the annual ADIPEC 2022 conference, the world's most influential gathering for the energy ecosystem, the Group has signed a Purchase Order Agreement with Abu Dhabi-based Al Gharbia Pipe Company (AGPC) for the supply of 87 KMs of 34" Submerged Arc Welding Line Pipes for the Lower Zakum Long Term Development Phase-1 (LZ LTDP-1) New Main Gas Line Project.
- On 19<sup>th</sup> July NPCC, a subsidiary of NMDC has signed an agreement with Technip Energies to establish a new joint company called NT Energies headquartered in Abu Dhabi. The new joint venture is to accelerate energy transition in the U.A.E and the MENA region.
- The Group has signed a Memorandum of Understanding (MOU) with James Fisher and Sons (James Fisher) to cooperate on key projects in the oil and gas sector. This collaboration will initially focus on exclusive diving projects in the Middle East.
- The Group actively participated in the Egypt Petroleum Show and signed various memorandums of understanding to further strengthen its presence in the Egypt market.
- Adding a new chapter to the Group's history, the Group will construct a new 400,000 square meter fabrication yard in Ras Al Khair port (Saudi Arabia's newest industrial port) to be completed in the year 2026.



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### **Financial Results**

The Group achieved revenues of AED 10,685 million and net profits of AED 1,304 million for the year 2022 as compared to revenues of AED 7,889 million and net profits of AED 1,003 million in 2021.

Despite the improved performance, due to the impact of continuous global unstable economic conditions on the future operations and performance of the Group, the Directors have proposed that no dividends be paid for 2022, in order to enable the Group to maintain its cash reserves to fund its ambitious growth plans and to meet the challenges that may lie ahead.

### **Financial Position**

The Group's equity stands at AED 6,541 million at the end of 2022, which is an increase of 19% from 2021. The growth is primarily on account of the net profit recorded in the year 2022.

In 2022 Group maintained a debt-to-equity ratio at 27% which is lower than in 2021 due to reduction in debt on account of repayments and increase in equity value as mentioned above.

### **Capital Expenditure**

In order to deliver our clients with services to the highest standard, we continue to invest in latest technologies, machinery and equipment that would support the future execution of large, complex projects and improve our margins. Accordingly, we have invested in Fixed Assets worth AED 821 million in 2022 against AED 179 million in 2021. The majority of the capital expenditure in 2022 relates to additions of a Cutter Suction Dredger for AED 425 million, and a DP3 vessel for AED 109 million. The remaining capital expenditure relates to Dry-Docking, Automation/upgrade, and Major Overhaul of existing vessels, and investments in other equipment.



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## **Fleet**

The Group currently owns a marine fleet of more than 120 vessels consisting of:

- 23 dredgers + 3 floating booster stations
- 3 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity & more than 300 pax accommodation each)
- 1 Self Propelled Heavy Lift Shift (With 2,500t lifting capacity with 240 pax accommodation)
- 3 towed Derrick / Pipelaying barges
- 6 Self Elevating Platform work barges
- 80+ other support craft (Tugs, Barges, Multicats, Accommodation barge, etc)
- Extensive range of land based equipment (Excavators, cranes, generators, etc)

Following the merger, cross utilization of the fleet between the main business units is a key element of the Group fleet management strategy to ensure the maximization of utilization and cost effective work execution on our portfolio of projects.

## **Information Technology**

During the year 2022, NMDC Group has demonstrated noticeable achievements in all areas. It has automated many business processes to increase customer satisfaction level and implemented new infrastructure to enhance service delivery. In 2022, the Group also launched the **ERTIQAA** project, which is the Business Process Reengineering project and Oracle Fusion implementation project. Upon completion, processes across business units will be harmonised using a unified system.

Set out below are the major achievements during the year:

- AVEVA ERM Phase 1 A project went live.
- Oracle HCM - Unified Oracle HCM to accommodate the new changes and policies regarding the merging of corporate team.
- Oracle cloud goal and performance system - Unified goal and appraisal system for the corporate team after the merging
- Enhanced and unified the communication between NMDC group (NMDC- NPCC) through: direct land line, MS teams, VPN direct channels, unified email contacts.



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### **Quality, Health, Safety and Environmental ("QHSE")**

2022 was remarkable for the QHSE department in terms of achievements and the improved synergy creation following the integration and fusion of the department across the business units (BU). 2022 was a continuation of our strong performance path, with Zero fatalities, one Lost Time Recordable Incident Rate (LTIR) of 0.08 per Million manhours worked as well as a Total Recordable Incident Rate (TRIR) of 0.44.

Building up a more solid platform for our QHSE practices and culture, along with unification of QHSE practices, processes and culture across the Group remains a priority that will elevate the Group to even higher levels in 2023.

Some strategic targets and initiatives were set and achieved consistent with our focus on increasing our ability to meet internal and external stakeholders' expectations and providing support for the businesses to improve the NMDC's bottom line effect.

#### **Key achievements:**

- All Business units within NMDC Group have passed the surveillance audit for ISO 14001, 45001 and 9001, OHSAD-SF.
- NMDC has passed the accreditation certification by ANAB (ANSI National Accreditation Board) on 10 HSE-related Training Programs
- At NPCC, the Low rework rate stood at 1.06%.
- QHSE Managed to arrange more than 265K QHSE Training hours and 22 HSE campaigns.
- NMDC-Group records exceeded 100 million working hours in the oil and gas projects without LTI.
- Achieved excellent Project Quality Index for ARAMCO projects – 96.38%
- 130 Internal QHSE Audits carried out on all departments, projects, and vessels as per our Quality Assurance Program to ensure high-quality services and compliance with applicable standards and procedures.
- 88 High-profile QHSE tours and site visits made by management during 2022



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### Quality, Health, Safety and Environmental ("QHSE") (continued)

The quest for excellent performance and promotion of QHSE culture in the Group has resulted in the implementation of the following initiatives:

- HSE day was held across the Group to celebrate our achievements, promote a safety culture and reward excellence
- Establishment of a dimensional control role in NPCC's Quality department to ensure the Quality of dimensions critical structures.
- Initiate a Quality walkabout program to improve quality culture, communication, and awareness
- Our customers' satisfaction index stood above 75%
- Aramco Award for NPCC as "*best environmentally friendly contractor*" is a continuation of our positive environmental impact.

### Our Competitive Strengths

We believe that we are well positioned to maintain and enhance our leadership position in the markets that we operate in, on account of our competitive strengths, some of which are:

#### *One of the largest integrated EPC and dredging entities in the region*

The recent merger has transformed NMDC into one of the leading fully integrated EPC players in the region, with increased scale, revenue and cost synergies, access to wider markets and revenue diversification (segmental, geographic and client base), and strong capabilities across the value chain to support future expansion plans.

#### *Largest Portfolio of Marine Assets in the UAE*

The Group owns a dredging and marine construction fleet consisting of 23 dredgers with capacities ranging from 1,795 KW to 26,100 KW, including two Trailing Suction Hopper Dredgers with capacities of 6000m<sup>3</sup> and 8000m<sup>3</sup>, 3 Dynamic Positioning (DP2/DP3) Derrick / Pipelaying barges (with 4,200t & 1,600t lifting capacity & more than 300 pax accommodation each, 1 Self Propelled Heavy Lift Ship (With 2,500t lifting capacity with 240 pax accommodation), 3 towed Derrick / Pipelaying barges, 6 Self Elevating Platform work barges.

Our vessels are supported by modern marine equipment such as tugs and multicat crafts, and ably assisted by A-Frame and barges wherever necessary. As part of NMDCs strategy, it continually reviews and expands its fleet to meet the challenging demands of customers and provide a first class service on all projects sanctioned.

#### *Strong relationships with Customers*

EPC Contracting and Dredging and Marine Construction are our mainstream business's positioning us at the top as one of the largest players in the region, with an established track record and strong relationships with most of the customers in the region. Today our operations are a highly-sophisticated business, and our latest modern technology helps our customers not only meet their needs but to exceed their expectations.





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### Our strategies

As a Group, we are committed to high quality growth while becoming a largest independent turnkey solution provider in the region. Our growth strategy is underpinned by the following seven strategic objectives that are each supported by a set of underlying initiatives:

- Grow returns through access to new markets and new segments
- Activate selected step-out opportunities to generate new revenue streams
- Solidify Strategic Position through strengthening government and client relationships
- Realize the full potential of the synergies from the merger
- Embrace highest standards of project controls
- Inspire the group's commitment to Net-Zero by launching an ESG Strategy backed by credible actions
- Foster the Group's portfolio growth to build integrated end-to-end service delivery

### Internal control systems and their adequacy

The Company's internal control system is established to ensure that the Board and Management are able to achieve their business objectives in a prudent manner, safeguarding interests of the Company's shareholders and other stakeholders, whilst at the same time minimizing key risks such as fraud, unauthorized business activity, misleading financial statements, un-informed risk-taking, or breach of legal or contractual obligations, and also ensuring highest quality achieved in a safe and sustainable environment.

The guidelines for design and implementation of the internal control systems is provided by the Company's approved Corporate Governance Manual and applicable regulations. The Board and its Committees provide oversight on the systems, and the Management is responsible for ensuring that adequate internal controls (both financial and operational) are in place and applied to safeguard and manage the assets of the Company, in an effective and efficient manner.

The Company's internal control is designed to mitigate, not eliminate, significant risks faced. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Company through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, assurance and control functions such as External Audit, Internal Audit, Ethics & Compliance, Quality, Health, Safety and Environment function. These ongoing processes, which comply with leading practices and the Corporate Governance Guide, were in place throughout the year under review and up to the date of approval of the annual report and financial statements.

During the year 2022, the Company was subject to the following independent assessments and improvement initiatives on its internal control system:



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### **Internal control systems and their adequacy (continued)**

Annual external audit and interim reviews of NMDC Group consolidated financial statements through Deloitte, a professional services firm. The external audit work covers assessment of internal controls over financial reporting, although the same does not entail expressing an opinion on the effectiveness of the Company's internal controls.

Process reviews of NMDC Group business processes and functions through the Internal Audit Function, according to an Internal Audit Plan approved by the Audit Committee. The scope of internal audit for the year 2022 covered both core and support processes at NMDC Group, and were prioritized in accordance with Risk Analysis Methodology.

Compliance program was further strengthened by conducting fraud awareness workshops for employees across the group and via internal communications on code of business conduct and whistleblowing awareness.

The Board met its internal control responsibilities in 2022 by reviewing presentations on independent assessments that were conducted, discussing control issues at Board meetings and reviewing the detailed reports from Board Committees, and found that the internal control environment was satisfactory for 2022. During 2022, the Company did not face any major issue requiring disclosure in any report or to the market.

### **Emiratization**

Emiratization is a Key performance indicator of NMDC Group vision and mission for the past years and surely for year 2022.

NMDC Group trains Emiratis in various fields and provides life skills. Various initiatives and channels have been taken at NMDC Group in 2022 for boosting the U.A.E national's talent in the EPC' O&G and dredging and civil marine industry:

NMDC Group has collaborated with Government entities, universities and institutes to hire UAE Nationals in the EPC O&G construction and maritime transport industry through its fresh graduate engineering program.

Fresh Graduate's engineers are tested; interviewed and selected to start an exciting career with the Group through a two years fresh graduate program during which they learn and proceed with on the job training on our sites and in various departments.

In Addition; NMDC Group has established its Dredging Academy through which semi- skilled U.A.E national workforces is hired to be trained in the core activity of the business being dredging. Life dredging simulators are established in the Academy for this particular purpose; and detailed courses are also provided by our industry experts.

As of 2022 U.A.E Nationals constitute 7% of the organization workforce, with plans to keep increasing in the coming years.



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### **ACKNOWLEDGMENT**

On behalf of the Board, I wish to express our appreciation for the support and cooperation of the financial institutions, suppliers, subcontractors, business associates and government authorities and expect the same in future for sustaining the Group's growth rate. The Board would like to place on record its appreciation of the hard work, commitment and unstinting efforts put in by the Group's employees at all levels.

  
**Mohammed Thani Murshed Al Rumaithi**  
Chairman





