

# Management Discussion and Analysis

Net profit before tax for the period ended 31 March 2025 was AED 1 million compared with AED 14 million in the comparable period in the previous year due primarily to delays in revenue recognition, the costs of the IDEX/NAVDEX exhibition which takes place every two years, and increased IFRS9 provisions on receivables which will be reversed when payment is received.

The accumulated IFRS9 provision is now AED 20 million relating primarily to accumulated receivables for which the receipt of funds has been delayed by the signature of contract amendments. Had payment been received in the first quarter of 2025, net profit would have been ahead of last year. It is anticipated that payment will be received late in the second quarter or early third quarter of 2025.

Other revenues and profits can now be recognised in the second quarter following the approval by shareholders at the General Meeting of related party transactions.

Revenues in the first 3 months of 2025 were AED 253 million, comparable with the AED 276 million in 2024, which again reflects the contribution from the prestigious Falaj3 contract to build four new Offshore Patrol Vessels for the UAE Navy, where ADSB has now successfully completed twelve milestones. In February 2025 the First of Class was commissioned by the UAE Navy at a ceremony held at the NAVDEX exhibition.

The revenues also include the progress contribution from the new contract to build three BR71 MKII 71-meter corvettes along with ADSB-designed patrol boats and logistical support for the Angolan Navy where ADSB has now successfully completed ten major milestones and all three of the corvettes are now in production.

PUBLIC

During the period, the Small Boat business segment continued with the build of twenty-four Search and Rescue boats and planned to deliver five house boats in the second quarter. The MRO and Mission Systems business segments completed a total of 20 dockings, berthing and boat launchings. Further research and development on autonomous and semi-autonomous systems, in partnership with other EDGE and related companies, will continue during 2025.

After payments made to major Falaj3 and Angola sub-contractors during the period, the net cash position as of 31 March 2025 remained strong at AED 354 million but is expected to decline in the second quarter of 2025 as payments to suppliers are made when due. The company maximized its positive cash position and earned AED 2.1 million from interest on fixed deposits in the first quarter of 2025, but this figure was lower than the AED 2.6 million earned in the corresponding period last year.

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 is enabling the Company to pass the benefits back to the domestic customer through enhanced production and maintenance capacity, and economies of scale.

We continue to serve our military and commercial customers and are confident that the profitability achieved in the last years will be maintained in the current year after the timing differences and provisions seen in the first quarter are reversed in the remainder of the year.

**David Massey**  
Chief Executive Officer

**PUBLIC**