

Drake & Scull Reports Results for the First Nine Months of 2015

Nine Months 2015 Highlights

- Revenue for the first nine months of AED 2.83 billion
- Net loss for the period of AED 951 million impacted by one-off provisions and revenue adjustments taken in light of the current challenging market conditions
- Strong project lines of credit to deliver project backlog
- Total backlog stands at AED 12.35 billion as of 30 September 2015 with significant project awards year to date amounting to AED 2.4 billion primarily in the UAE
- Ongoing measures to strengthen the balance sheet, boost working capital, reduce SG&A and improve operational efficiency
- Well positioned to secure GCC rail sector projects with AED 5 billion worth of tenders to be awarded

Q3 2015 Highlights

- Q3 2015 revenue of AED 434 million
- Q3 2015 net loss of AED 985 million
- Total provisions, revenue and gross profit adjustments taken in Q3 2015 amount to AED 984 million
- Total value of project awards secured in Q3 2015 is AED 960 million

[UAE, 12 November 2015] Drake & Scull International PJSC (DSI), a regional market leader in the integrated design, engineering and construction disciplines of General Contracting, Mechanical, Electrical and Plumbing (MEP), Water and Power, Rail and Oil and Gas today reported its financial results for the first nine months of the fiscal year ended 30 September 2015.

The current challenging macro-economic environment; characterized by weaker oil prices, a slowdown in the construction sector and a more competitive landscape has caused developers and clients to defer payments and delay projects across DSI's major markets.

This has prompted the Board to conduct a review of its projects and take a more conservative approach to its financial position. Consequently, the Company has taken a number of one-off provisions related to ongoing arbitration and legal cases in the UAE and KSA in addition to revenue and gross profit adjustments for uncertified variations orders and disputed extensions of

Press Release



time claims, accrued certified work and other general provisions across several major projects in the GCC.

Results

The Company reported AED 2.83 billion in revenue for the first nine months of the year compared to AED 3.60 billion reported during the same period in 2014. The decline is due to the more conservative approach to revenue recognition and to adjustments for uncertified variations orders and disputed extensions of time claims.

The net loss for the first nine of months of 2015 was AED 951 million compared to a net profit of AED 97 million reported for the same period last year. The decline was mainly due to the one-off provisions and revenue and gross profit adjustments taken in the third quarter amounting to AED 984 million. The impact of these one-off provisions and adjustments has been completely absorbed and profitability is expected to normalize in fiscal 2016 as new projects awards pick up momentum and contribute to revenue and profit.

Despite the market challenges, the business remains operationally and financially efficient. Due to longstanding partnerships with major international and local banks, the Company continues to retain strong project lines of credit and access to funding to deliver ongoing projects.

The Company has initiated a cost-cutting programme to improve operational efficiency and reduce SG&A. The company is also taking a number of measures to boost working capital, reduce debt levels and improve the capital structure by selling non-core assets to generate cash and improve liquidity.

Backlog

DSI has successfully been awarded AED 2.4 billion worth of new projects year to date, despite the challenging market environment. The UAE, Oman and Kuwait markets accounted for 73%, 15% and 12% of the new awards respectively. The Engineering and General Contracting businesses constituted 78% and 22% of total awards respectively, cementing Engineering as DSI's primary growth driver for sustainable profitability across DSI's largest markets.

As of 30 September 2015, the Company's substantial order backlog of over 160 projects stood at AED 12.35 billion. KSA and the UAE remain the largest markets for DSI, accounting for 32% and 20% of the total backlog respectively.

The development of the regional rail networks, urban transportation projects in the MENA region is poised to enter a period of rapid growth. Around AED 5 billion worth of rail projects

Press Release



are currently in the tender pipeline and DSI's extensive experience with rail projects in Asia and Europe, particularly in MEP, and its strategic alliances with leading global rail experts positions the Company well to win a significant proportion of these projects and drive the Company's future profitability.

Commenting on the results, Khaldoun Tabari, CEO and Vice-Chairman of Drake & Scull International PJSC, said: "As the current regional construction sector remains extremely challenging we have taken a pre-emptive and prudent view of our exposure related to key projects and have introduced cost efficiency measures to preserve cash and initiatives to reduce debt."

"Longer-term we remain confident about the prospects for the Company. We believe that regional government diversification programs and required infrastructure investments remain a significant tailwind in the GCC and that our clients remain fully committed to funding and completing their ongoing projects."

-Ends-

Press Release



About Drake & Scull International PJSC

Drake & Scull International PJSC (DSI) is a regional market leader delivering world class quality projects via end to end solutions that provide integrated design, engineering and construction disciplines of General Contracting, Mechanical, Electrical and Plumbing (MEP), Water and Power, Rail, Water and Wastewater Treatment, Waste to Energy and Oil and Gas, through People, Innovation, and Passion.

DSI established its first office in Abu Dhabi in 1966, and has since expanded operations to encompass offices in Dubai, Abu Dhabi, Egypt, Kuwait, Oman, Saudi Arabia, Qatar, Jordan, Algeria, Iraq, India, Thailand, as well as managing projects in Europe and other parts of North Africa.

DSI's main business streams include Drake & Scull Engineering, which serves as the MEP and Water & Power arm, Drake & Scull Construction (DSC), which is the General Civil Contracting unit, Drake & Scull Oil & Gas, which undertakes oil pipelines and related petrochem projects, Drake & Scull Rail, Germany based Passavant Energy & Environment which focuses on Water and wastewater treatment as well as waste to energy and Drake and Scull Development, focusing on the Infrastructure sector.

In 2008, DSI offered 55% of its shares to the public and the IPO was oversubscribed 101 times. Ernst & Young ranked the IPO among the top 20 global IPOs in 2008.

DSI has since then used the funds to integrate, establish and acquire businesses that complement its corporate strategy of expansion into new markets, via organic and inorganic growth.

The fully Integrated Management Systems, certified to ISO 9001:2008, ISO 14001:2005, ISO 27001:2013 and OSHAS 18001:2007 standards are compliant with leading building, health and safety regulations, as well as sound environmental and energy management procedures.

DSI is a leader through experience, and has established a regional leadership position over 49 years of successfully completing the most complex projects on time, within budgets and matching set quality parameters.

DSI has delivered more than 700 projects around the world in the last five decades catering to aviation, residential, mixed use, power plants, district cooling plants, hospitality, healthcare, renewable energy, data centers, petrochemical, rail, commercial, government, leisure, and infrastructure sectors.

Press Release



For further information, please contact:

Rabih Abou Diwan Drake & Scull International Mobile: +971 52 800 34 12 Rabih.aboudiwan@drakescull.com	Rupert Young / Jade Mamarbachi Brunswick Tel: +971 4 446 6720 Email: dsi@brunswickgroup.com
---	---