

Drake & Scull Announces H1 2016 Financial Results

H1 2016 Highlights

- Extended slowdown in the construction sector has impacted H1 2016 financials adversely
- Revenue of AED 1.83 billion in H1 2016
- Net loss for the period of AED 216 million mainly attributed to project cancellations and additional one-off provisions
- Total backlog stands at AED 9.37 billion as of 30th June 2016
- New project wins in Rail & Infrastructure and Oil & Gas sectors amounting to AED 570 million
- Promising outlook for the company in the GCC rail sector
- Ongoing measures to strengthen the balance sheet, optimize the capital structure, boost working capital, reduce overheads and improve operational efficiency
- Continued progress in disposal of non-core assets
- Operational restructuring resulted in QoQ SG&A savings of AED 14.2 million

Q2 2016 Highlights

- Q2 2016 revenue of AED 805 million
- Q2 2016 net loss of AED 225 million
- Total impact of project cancellations, additional one-off provisions and adjustments taken in Q2 2016 amount to AED 192 million
- Total value of project awards secured in Q2 2016 is AED 227 million

Press Release



[Dubai, UAE, 14th August, 2016] – Drake & Scull International PJSC (“DSI” or the “Company”), a regional leader in engineering, procurement, construction and commissioning, reported today its financial results for the first half of the fiscal year ended 30 June 2016.

Operational progress in Q2 2016 continued to follow the trends observed in Q1 2016, with a noted improvement in revenue and operational performance on newly awarded projects within the core UAE market and a noticeable decline in the rest of the region. Furthermore, a growing order intake in the Rail & Infrastructure as well as Oil & Gas divisions in Qatar and Iraq respectively has helped offset a slowdown in activity in key markets such as the Kingdom of Saudi Arabia (KSA).

DSI reported a year on year decline of 23 % in revenue, which stood at AED 1.83 billion in H1 2016 as compared to AED 2.39 billion achieved in H1 2015. The fall in revenue is due to the significant contraction and prolonged volatility in the regional construction sector, the slow progress on ongoing projects, a decline in new project awards and adjustments across key markets in the GCC.

The net loss for H1 2016 was AED 216 million as compared to a net profit of AED 34 million in H1 2015. The loss is specifically attributable to project cancellations and additional one-off provisions taken in light of the challenges in the sector. A majority of these provisions emanate from Saudi Arabia, with the total impact on the bottom line amounting to AED 192 million. These cancellations were executed by clients on individual one-off projects with minimal bearing on DSI’s ability to continue operations in Saudi Arabia and other markets.

DSI’s ongoing projects order backlog stood at AED 9.37 billion as of 30 June 2016, as compared to AED 13.24 billion in H1 2015. The decline in the projects’ backlog reflects the adjustments carried out in Q2 2016 pertinent to project cancellations in KSA.

Despite the slowdown in the regional project awards, DSI managed to secure AED 570 million worth of new project awards year to date including the AED 343 million Doha Metro Depot and Stabilising Yards contract as well as the AED 227 million Zubair Oil Field project in Iraq. These key wins further reinforce the company’s strategic decision to concentrate on sector-specific, core engineering projects with high operating margins.

DSI has also remained on track with its cost-reduction programme which will improve operational efficiency and reduce overheads. The company has implemented a number of

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measures and initiatives to optimize its capital structure, including the sale of non-core assets to generate cash and improve liquidity. The cost-reduction programme is progressing on schedule and is expected to realize significant cost savings by the end of 2016.

Commenting on the results, Khaldoun Tabari, CEO and Vice Chairman of Drake & Scull International PJSC, said: "Our financial results have been impacted due to the substantial provisions for project delays and cancellations over the last six months, brought on by clients principally based in Saudi Arabia. We believe that these developments reflect the considerable challenges we have been facing across the region due to a very challenging macro-economic environment.

We are in the process of embarking on a new strategy to reposition ourselves as a leader in the market. We will also initiate fundamental changes to our group and leadership structure which will be supplemented by a reorganization and realignment of senior management roles as part of our efforts to enhance and streamline our operative framework.

Despite the challenges, our business remains operationally and financially robust. Due to our longstanding partnership with major international and local banks, we continue to retain strong lines of credit and secured access to funding to deliver our ongoing projects backlog. We remain committed and focused on running efficient, low-cost and sustainable and cash generating operations and are confident about the medium- and long-term prospects of the regional industry."

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About Drake & Scull International PJSC

Drake & Scull International PJSC (DSI) (“DSI” or the “Company”), is a regional leader in engineering, procurement, construction and commissioning.

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 and India, 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 arm, Drake & Scull Construction (DSC), which is the General Civil Contracting unit, Drake & Scull Oil & Gas, which undertakes oil pipelines and related petrochemical projects, Drake & Scull Rail & Infrastructure for Rail and Infrastructure, 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 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 14001:2004, 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 50 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 centres, petrochemical, rail, commercial, government, leisure, and infrastructure sectors.

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