Disclosure Statement

Drake & Scull International PJSC

May 27, 2024

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Drake and Scull International PJSC ("DSI" or the "Company")
Board of Directors Disclosure Statement

1. DSI's Restructuring Journey

Q4 2018:

- DSI initiated comprehensive review of its projects to assess their performance and exposure.
- Advisory team was appointed, and discussions with creditors were initiated.

Q1 2019:

- Key financial creditors established an ad-hoc group ("**AHG**") to lead this negotiation with DSI.
- AHG appointed financial and legal advisors.

Q2 – Q3 2019:

- Detailed business plan was prepared and presented to AHG.
- Heads of terms of the Restructuring Plan was presented and negotiated with AHG.

Q2 2020:

- Heads of terms was agreed with AHG subject to long-form documentation.
- DSI approached the Financial Reorganization Committee ("**FRC**") to oversee the process, identify the plan creditors, adopt and vote on the Restructuring Plan.

Q3 2020:

- Extensive Creditors Claims Process ("**CCP**") was conducted to allow creditors to register their claims and vote on the Restructuring Plan.

Q1 2022:

- CCP was completed and the Restructuring Plan was approved by the majority (two-thirds) of the Company's creditors on February 10, 2022.

Q4 2023:

- Restructuring Plan was approved by the courts of Dubai on November 1, 2023.
- On December 5, 2023, the courts of Dubai appointed the expert Dr. Redha Darwish Al Rahma to oversee the implementation of the Restructuring Plan and report to the courts on the progress achieved.

Q2 2024:

- Subscription for the capital increase was closed on May 10, 2024, with the Company raising c. AED454 mn, which exceeded the proposed minimum threshold amounting to AED300 mn, as stipulated in the Restructuring Plan.

2. Key Challenges

DSI has been facing various challenges that have put considerable pressure on operations and business continuity:

Operational Challenges:

- Inability to bid for new projects, despite being considered by clients, due to lack of bonding lines and blocked cash.
- Deliver on JV expectations and sustain relationships.
- Execute remaining projects while managing labor and employee issues.

Financial Challenges:

- Large negative equity position and huge accumulated losses.
- Limited cash with no access to working capital.
- Limited backlog driven by current financial challenges.

Legal Challenges:

- Dealing with a significant number of legal cases.
- Attachments on majority of bank accounts and trade licenses (Have been suspended following the issuance of the court judgement).

Regulatory Challenges:

- Trading on Dubai Financial Market ("**DFM**") suspended.
- Extremely high Accumulated Losses to Capital ratio.
- Compliance with regulatory requirements.

3. Accumulated Losses

- **Accumulated losses as of March 31, 2024: AED5.5 bn**
- **Main reasons behind the accumulated losses and the period during which the Company began incurring these losses:**
    - Work in progress and contract receivables related to legacy projects in GCC and India.
    - Full impairment of goodwill and trademark as at December 31, 2018.
    - As a result of poor performance on legacy projects, the actual costs of completing projects were more than the budgets in addition to liquidating bonds.
    - Bank bans and court orders.

The Company began to incur these losses and recognize them in its financial statements from Q3 2015, which were published on DFM at the time.

4. Initiatives Undertaken / to be Implemented to Address the Accumulated Losses

- Agreed with the creditors to write-off 90% of their claims amounting to AED3.4 bn, which will be registered as a gain in the financial statements once written-off.
- Agreed with the creditors to offset the 10% remaining balance of their claims amounting to AED378 mn by issuing Mandatory Convertible Sukuk ("**MCS**") maturing in 5 years, which will have a positive impact on the balance sheet.
- Increase equity through the completion of the capital raise amounting to AED454 mn.
- Develop effective and efficient operational business practices.
- Pursue legal cases to collect outstanding receivables.
- Control overhead costs at the optimal level.

Dealing with the accumulated losses is totally dependent on the successful completion of the Restructuring Plan that was approved by all concerned parties including banks, creditors, and shareholders in addition to governmental authorities.

5. Restructuring Plan Overview

The key commercial terms of the Restructuring Plan are the following:

- Plan creditors, including both financial and trade creditors, agreed to a 90% write-off of their claims. The write-off will be reflected in the financial statements when the restructuring process is completed.
- The remaining 10% balance of plan creditors whose total claims exceed AED1 mn will be swapped for a MCS. Plan creditors whose balance is between AED50,000 and AED1 mn will have the option to receive their remaining 10% balance in cash or as MCS. Plan creditors with a balance of less than AED50,000 will receive their remaining 10% balance in cash.

  We note that all plan creditors with claim balances between AED50,000 and AED1 mn opted for the cash settlement option.
- The Company raised capital amounting to AED454 mn, which exceeded the minimum amount of AED300 mn, required for the successful completion of the restructuring.
- The Company intends to issue the MCS in June 2024, in line with the timeline of the Restructuring Plan.

6. Financial Impact of the Restructuring Plan

- Writing off liabilities will result in a capital gain that positively impacts shareholders' equity.
- MCS will enhance the equity position as they will be converted into shares.
- The capital increase will support the recapitalization process and enhance the Company's liquidity. The cash proceeds will be used for:
  a) Allow access to bank guarantees, which are considered a pivotal pillar for winning new projects and completing current projects.
  b) Finance business activities and settling obligations.

c) Enhance the efficiency and effectiveness of working capital, leading to an increase in the profitability margin.

7. Restructuring Plan Impact on the Financial Statements

- Raising equity through the completion of the capital raise amounting to AED454 mn, where 1,815,709,276 new shares were issued, and a negative reserve of AED1.36 bn was recorded.
- Achieving a capital gain of AED 3.4 bn as a result of writing off 90% of the plan creditors claims amounting to AED 3.8 billion, which will enhance shareholders' equity.
- Reversing accrued interest expenses and provisions for legal cases of c. AED 414 mn.
- Issuing MCS amounting to AED365 mn.

All the abovementioned impact, expected to materialize in Q2 2024 financials, leading to an overall equity improvement of c. AED 4.6 bn.

8. Mandatory Convertible Sukuk

Terms:

- 5-year maturity.
- Zero-coupon.
- Mandatorily exchangeable into shares of DSI at maturity or earlier upon the occurrence of certain early conversion events.
- Entitlement to any dividends paid by DSI pro-rata to targeted ownership.

Conversion:

- Sukuk holders are expected to receive 35% of the issued share capital of DSI, subject to certain adjustments. These adjustments relate to certain events such as the buy-back of MCS by DSI during the tenor of MCS. It should be noted that negotiations with creditors led to the adoption of the 35% mentioned above, which is an excellent percentage for shareholders compared to other restructuring operations.
- Reduction in the outstanding MCS due to buy-back will lead to pro-rata reduction in the ownership of the Company for the MCS holders.

Distributable Proceeds:

- 35% (or the adjusted MCS creditors ownership percentage) to be paid to holders of the MCS and distributed as special profit payment in relation to settlement of legal cases related to:
  - Previous management.
  - Previous external auditors with respect to circumstances arising prior to 31 December 2017.
- MCS holders who participate in the Initial Dutch Auction will not be eligible for the Distributable proceeds, to the extent of their participation.

- MCS holders who sell their MCS to the Company/Issuer after the Initial Dutch Auction and prior to equity conversion will remain eligible for the relevant portion of distributable proceeds.

9. MCS Conversion Analysis

- The MCS will be converted into shares 5 years after their issuance, and the number of newly issued shares will be calculated upon conversion as follows:

$$\frac{\text{Total Outstanding Shares Prior to Conversion} \times \text{MCS Share Percentage}}{(1 - \text{MCS Share Percentage})} \qquad \frac{2{,}887 \text{ mn} \times 35\%}{(1 - 35\%)}$$

- The following table summarizes the number of shares that will be issued to sukuk holders according to the value of these sukuks upon conversion:

MCS Conversion to Shares				
Outstanding MCS at Conversion (AED mn)	**364.6**	**250.0**	**200.0**	**150.0**
Ownership at Conversion (%)	**35%**	**24%**	**19%**	**14%**
Total Share Outstanding before Conversion (mn)	**2,887**			
New Shares to be Issued at Conversion (mn)	**1,554**	**917**	**689**	**488**
Price per Share (AED)	**0.23**	**0.27**	**0.29**	**0.31**

10. Use of Proceeds of the Capital Raise and Impact on the Financial Position

- The Company successfully completed its capital increase by raising around AED454 mn through issuing new shares to current shareholders at a price of AED0.25 per share. The difference between the nominal value of AED 1.0 per share and the issue price of AED 0.25 per new share will be recorded as a Discount in Share Capital in the balance sheet.
- The Share Discount will impact the Company's financial position by reducing the Shareholders' Equity. Over time, this deficit will be offset by the Company's future profits. During this period, the Company will not distribute any profits to shareholders. It should be noted that based on the business plan prepared by the Company, it is expected that it will return to achieving profits in 2026.
- The Company intends to use the net proceeds raised from the Capital Increase as follows:
  - **Up to AED50 mn:** settlement of small creditors' claims eligible to receive cash and to buy-back the MCS as per the terms of the restructuring.

- **Up to AED100 mn:** payment to cover mandatory Accounts Payable, as outlined in the Restructuring Plan and Restructuring Plan related expenses.
- **Minimum AED300 mn:** fund future operations and potential acquisitions supporting the Company's growth.

After the success of the capital increase and the issuance of MCS, the equity will improve from negative AED4.4 bn to c. AED163 mn (based on the financial statements of Q1 2024).

Balance Sheet (AED mn)	As of March 31, 2024 Pre-Restructuring (As Reported)	As of March 31, 2024 Post-Restructuring *(Pro Forma)
Current Assets	**238**	**678**
Non-Current Assets	**121**	**121**
Total Assets	**359**	**800**
Total Liabilities	**4,833**	**637**
Total Equity	**(4,474)**	**163**
Share Capital	1,071	2,887
Share Discount	-	(1,362)
MCS	-	365
Accumulated Losses	(5,513)	(1,695)
Statutory Reserves & Others	107	107
Non-Controlling Interests	(139)	(139)

*Restructuring Plan is assumed complete on March 31, 2024

*The financial statements related to the company's capital increase will be subject to review by the external auditor. The final results will be included in the Financial statment for the second quarter of 2024.

11. Backlog and Business Plan

- Current Backlog:

The current backlog of the Company amounting to AED638 mn will be executed between 2024 and 2028 according to the below execution schedule:

2024	2025	2026	2027	2028
349	**181**	**79**	**20**	**9**

It is important to highlight that the operations are being depleted due to the inability to win new projects as well as the significant liabilities on its books. However, the Company is expected to relaunch its operations from Q3 2024, which will allow it to increase its backlog.

- The following table summarizes the financial projections for the next five years based on the plan developed by the Company and the market situation during these years.

AED mn	2024	2025	2026	2027	2028	2029
Revenue	**315**	**608**	**1,407**	**2,422**	**3,061**	**3,336**
Gross Profit	**16**	**61**	**141**	**253**	**339**	**384**
Gross Profit Margin	**5%**	**10%**	**10%**	**10%**	**11%**	**12%**
General & Admin. Expenses	**(130)**	**(115)**	**(120)**	**(157)**	**(199)**	**(217)**
One-off Gain	**3,818**	**-**	**-**	**-**	**-**	**-**
EBITDA	**(69)**	**(44)**	**33**	**111**	**154**	**184**
EBITDA Margin	**-**	**-**	**2%**	**5%**	**5%**	**6%**

12. Reference Price Adopted Upon the Resumption of Trading

- The Company proposes to set the reference price of the share upon the resumption of trading at AED0.25 based on the following factors: (1) The last trading price of AED0.37 does not represent a true and fair estimate of the reference price; (2) The offering price of the capital increase of AED0.25 represents the price at which the shareholders agreed to inject fresh capital into the Company; and (3) the number of shares that were issued during the capital increase at AED0.25 will represent c. 63% of the post money capital base. The Company considers that adopting the offering price of the capital increase as the Reference Price is the most relevant benchmark to compare the performance of the Company's shares against on the first day of trading.

13. Capital Restructuring Advisory Team

Restructuring Advisor: Aaronite Partners

Advisory team of the Company:

Financial Advisor	TRUSSBRIDGE
Legal Advisor on Restructuring Plan	ALLEN & OVERY
Legal Advisor on Local Court Matters	HADEF & PARTNERS
Legal Advisor on the Capital Increase	IBRAHIM & PARTNERS
Valuation Advisor	KPMG

Advisory team of the Creditors:

Financial Advisor	Deloitte.
Legal Advisor on Restructuring Plan	Linklaters

Drake and Scull International PJSC

Ahmad Al Kilani

Vice Chairman

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