Management Discussion and Analysis

The year ended 31 December 2025 was notable for the receipt of a Letter of Award from EDGE in relation to the AED 7 billion supply of eight missile boats to the Kuwait Navy, in addition to the earlier AED 495 million refit contract. The terms and conditions for this sub-contract were subsequently finalized and approved by the shareholders in its General Meeting towards the end of January 2026, and formally signed by both parties before end of February 2026.

Our order book now stands at in excess of AED 12 billion, the highest in ADSB's 30-year history, and the company is now building 16 vessels larger than 60 meters and over 100 composite boats. In addition to this order book, the Company has a significant pipeline of potential new business both for its key customers, the UAE Navy and National Guard, and for export.

The Kuwait program is projected to make a significant contribution to profitability, and this order book will sustain the profitability of the company for the next several years. However, the Kuwait contract will result in an accounting adjustment which will defer some profits from the current year of the contract to year two onwards.

Net profit before tax for the year ended 31 December 2025 of AED 32.9 million was lower compared to the net profit before tax of AED 85.5 million in the previous year due to some delays resulting from customer change requests and operational adjustments relating to the Kuwait program, and to business development expenses including the costs of the IDEX/NAVDEX exhibition which takes place every two years.

We are projecting a return to the recent profit trend in the current year and strong profit growth in subsequent years. Revenues also are expected to more than double in the next few years as we start to deliver on the Kuwait program.

It is too early to predict the impact on revenues and profitability in the current year from the regional conflict but if supply chain disruption and non-availability of onsite support from OEM suppliers continues for an extended period, the impact on revenue recognition and profits could be significant. ADSB is giving all possible support to its customers the UAE Navy and National Guard and to EDGE on other urgent projects.

Revenues in 2025 of AED 1.408 billion, which was slightly lower than the AED 1.496 billion last year, again reflect the contribution from the prestigious Falaj3 contract to build four new Offshore Patrol Vessels for the UAE Navy, where ADSB has now successfully completed thirteen milestones, and another one was subsequently completed in January 2026. In February 2025, the First of Class was commissioned by the UAE Navy at a ceremony held at the NAVDEX exhibition. In February 2026, ADSB subsequently launched the Second of Class of these vessels.

The revenues also include the progress contribution from the 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 fifteen major milestones and all three of the corvettes are now in production and six interceptor boats were delivered in the fourth quarter. The first-of-class was launched after the year end in March 2026.

During the year, the Small Boat business segment continued with the build of twenty-four Search and Rescue boats and delivered five boats in total and another five house boats for a different program.

The MRO and Mission Systems business segments completed a total of 67 dockings, berthing and boat launchings. Further research and development on autonomous and semi-autonomous systems, in partnership with other EDGE and related companies, has continued during 2025.

After payments made to major Falaj3 and Angola suppliers in 2025, the net cash position as of 31 December 2025 remained strong at AED 287 million and is expected to improve in the first quarter of 2026 due to expected receipts of customer advances net of supplier payments. The company maximized its positive cash position and earned interest on fixed deposits of AED 3.7 million in 2025.

We would like to gratefully acknowledge the invaluable support of the UAE Navy and EDGE in awarding the Kuwait program and hope that the increased scale and capability of ADSB's operations will bring benefits to our customers.

We would like to take this opportunity to thank our wise leadership for their patronage, and for their continuous support of ADSB. We also wish to thank our Board of Directors for their direction and guidance, our valued customers and partners for their trust, and finally, our management and staff for their dedication and commitment towards ADSB's success.

We continue to serve our military and commercial customers and look forward to the future with increased confidence.

David Massey
Chief Executive Officer