

DIRECTORS' REPORT

The directors are pleased to present their report and the audited financial statements for the year ended 31st December 2016.

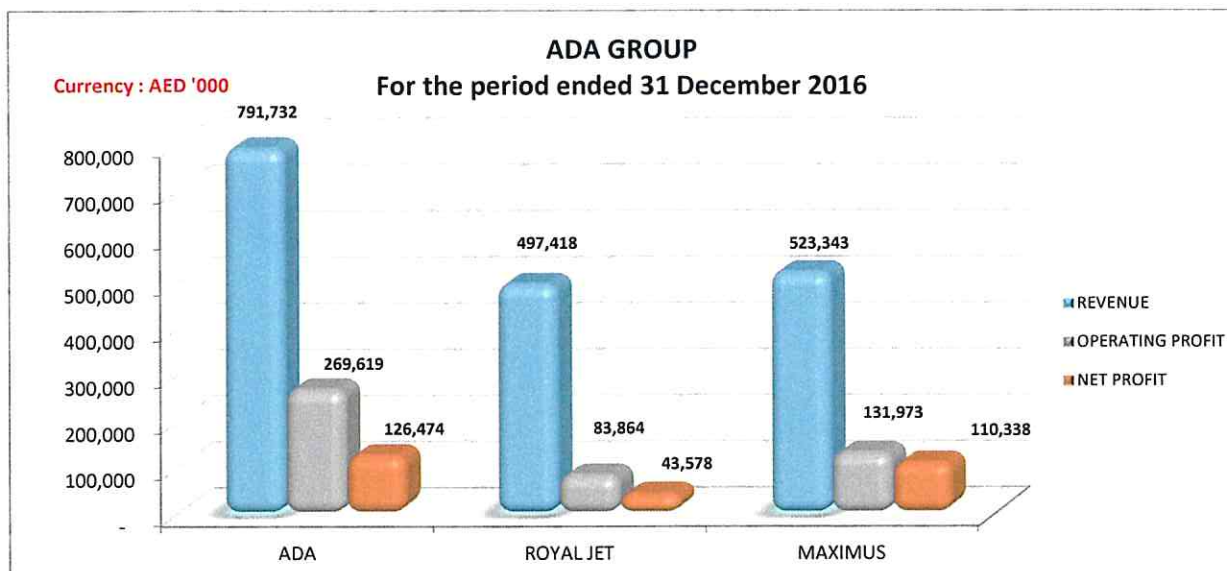
FINANCIAL AND OPERATIONAL REVIEW

Year on year financial performance for the year ended 31st December 2016 is as follows: -:

	31 December 2016	31 December 2015	Increase/ (Decrease)
Turnover	1,805,236	2,181,612	(17%)
Operating Profit	486,328	553,283	(12%)
Operating Profit %	27%	25%	
Net profit	280,390	277,347	1%
Net profit %	16%	13%	
EPS for the period	0.58	0.60	(3%)
	31 December 2016	31 December 2015	
Total Assets	4,802,803	4,670,458	3%
Total Liabilities	2,006,746	2,055,211	(2%)
Total Equity	2,796,057	2,615,247	7%

Abu Dhabi Aviation (ADA) is the largest commercial helicopter operator in the Middle East, operating 57 helicopters (15 Augusta Westland AW139s, 22 Bell 412s, 19 Bell 212s and 1 Augusta Westland AW109) and 4 fixed-wing aircraft (DHC-8).

ADA's strategic view is to diversify its activities within aviation and non-aviation sectors. ADA provides the following aviation services: oil and gas, search and rescue, medical evacuation, aerial survey and photography, firefighting, crop spraying, VIP and general air transport. ADA has 100% ownership in Abu Dhabi Aviation Training Centre L.L.C. for simulator training and has 70% equity in Agusta Westland Aviation Services L.L.C. for spare parts distribution centre and repair and overhaul facility. ADA has established a real estate company (ADA International Real Estate Sole Proprietorship Co. L.L.C.) to manage the Group's land and properties in the UAE and overseas.



Abu Dhabi Aviation parent company made **AED 791.73m** revenue in 2016 compared with **AED 888.41m** in 2015 (**11% decrease**) on a standalone basis. During the year, the company faced significant challenges as a result of the global economic slowdown and falling oil prices where most companies negotiated down their contracts and/or reduced the scope of work in addition to difficulty in placing aircraft from expired contracts into immediate new opportunities. This resulted in reducing the company's net profit to **AED 126.48m** compared with **AED 150.51m** in previous year. That said, ADA is well positioned to quickly ride the awaited market upturn through various LOI's for new aircraft types and fleet replacement. ADA reserve favourable slots with Bombardier (Dash-8 Q400, Leonardo (AW139, AW169 and AW189) and Bell Helicopters (Bell 525) in addition to discussions and lining up potential aircraft lease with reputable leasing companies. ADA's strong cash position (including significant amount of government receivables to be collected soon), significant bank facilities and strong balance sheet supports its planned and imminent growth.

Maximus Air L.L.C. (MAX) made **AED 523.34m** revenue in 2016 compared with **AED 835.84m** in 2015 (**37% decrease**). This decline in revenue was due to reallocation of transport charter contract to Royal Jet. Government remains a major customer for Maximus for sub-charter flights. 2016's net profit was **AED 110.34m** compared with **AED 106.36m** in 2015. The drop in revenue did not adversely affect the net profit due to the efficient running of the company at low overheads and linking the main costs directly to revenue.

Royal Jet L.L.C. (RJ) made **AED 497.42m** revenue in 2016 compared with **AED 460.92m** in 2015 (**8% increase**). Royal Jet made **AED 43.58m** net profit in 2016 compared with **AED 20.48m** in 2015 (**113% increase**). The increase is due to winning a military shuttle services and increased transactions with Presidential Flight and VIP Charter on the company's new aircraft. RJ is restructuring its fleet with the introduction of new aircraft and holding four older aircraft for sale in 2017.

Abu Dhabi Aviation Training Centre L.L.C (ADATC) is completing the construction of phase 1 project with eight bays. The building will be completed and furnished by the end of Q1 2017. ADATC already operates one aircraft simulator through Etihad facility which has received the second aircraft simulator ready for installation. ADATC signed an agreement with CAE, Inc. for two additional aircraft simulators expected at the end of 2017. The company expects to lease bays to third parties, as well as introduce more simulator centre for phase 1 and later for phase 2 which will cater for nine aircraft simulators.

Agusta Westland Aviation Services L.L.C. is a joint venture between ADA (70%) and Leonardo S.P.A. the aircraft manufacturer (30%). The company brings in the Original Equipment Manufacturer's expertise and technical support to the region. Agusta Westland Aviation Services is a spare parts distribution centre for Agusta Westland aircraft, the company brings in expanding capabilities into the region (e.g. floats and rafts inspection and overhaul as well as overhaul of certain dynamic component) as well as being an MRO facility. Both ADA and Leonardo have ambitious expansion plans in terms of physical presence as well as expanding its capabilities and services.

ADA Group have maintained a tight control over costs and ensured high levels of efficiency and value for money approach for all of its expenditures, through restructuring and renegotiating existing expenditures as well as new investments. This prudent approach and sound financial management has helped ADA Group reached its anticipated profitability in a time where most companies suffered severe reduction in their financial performance and profitability in comparison with prior years. ADA will maintain its stringent cost control approach while focusing on growth and value for money investments.

Nader Al Hammadi

Chairman

