Depa Limited
Results for the half year ended 30 June 2017

Depa Limited ("Depa"), the leading global interior solutions group, announces its results for the six month period ended 30 June 2017.

SUMMARY FINANCIAL RESULTS

(AEDmn)	**H1 2017**	**H1 2016**	**change**
Revenue	834.6	772.2	+ 8%
Earnings before interest and tax ("EBIT")	128.8	31.6	+ 308%
Profit after tax	113.3	19.4	+ 484%
Basic earnings per share (AED)	0.19	0.03	+ 0.16
Interim dividend per share (AED)	0.025	0	+ 0.025

HIGHLIGHTS

- **Strong revenue growth: revenue of AED 834.6mn**
  - Up from AED 772.2mn, 8% year-on-year growth
- **Earnings before interest and tax of AED 128.8mn**
  - Up 308% on H1 2016; EBIT margin of 15% compared with 4% in H1 2016
- **Net profit of AED 113.3mn**
  - Up AED 93.9mn on H1 2016, generating basic earnings per share of AED 0.19
- **Continued cash generation and robust balance sheet**
  - Net cash of AED 262.4mn excluding restricted cash
- **Strong financial performance across the Group**
  - Depa Interiors Group's resolution of material legacy items bolstering results
- **Backlog of AED 2,037mn**
  - More than one times 2016 revenue and strong pipeline of opportunities
- **Balance sheet reorganisation complete, enabling payment of dividends**
- **Depa returns to dividend**
  - Interim dividend declared of AED 0.025 per share

Hamish Tyrwhitt, Group Chief Executive Officer, commented: *"Depa's H1 2017 results reflect the Group's continuing progress in executing our clearly defined business strategy. The Group's success is a result of sound operational performance, combined with management's resolution of a number of legacy items. This combination has seen the Group materially improve its already strong balance sheet and at the same time further de-risk the business.*

"In line with Depa's objective to return long term sustainable value to shareholders, Depa is declaring an interim dividend of AED 0.025 per share.

"As the Group moves into the next phase of its strategy, focused on sustainable top and bottom line

growth, the outlook remains the most positive it has been for some time. This will allow Depa to take advantage of both organic and inorganic growth opportunities."

The interim dividend declared is AED 0.025 per ordinary share in respect of the financial half year ending 30 June 2017. The dividend will be paid on 21 September 2017 to those shareholders on the Register of Shareholders at close of business on 8 August 2017.

For further information, please contact:

Depa Limited Tel: + 971 4 446 2100
Hamish Tyrwhitt, Group Chief Executive Officer
Steven Salo, Group Chief Financial Officer

For more information, please refer to the corporate website: www.depa.com

Notes to editors:

Depa is a strategic management company specialising in global interior solutions. Depa's four Key Business Units hold leading positions in their respective markets: Design Studio, Vedder, Depa Interiors Group and Deco Group. Employing thousands of people worldwide, the Group's operations are centred on three regional hubs: Asia, Europe and the Middle East.

Depa's mission, shared by each of its Key Business Units, is to deliver sustainability, profitability and performance for our clients, shareholders and employees. The Group's five core values are integral to everything Depa does: transparency, integrity, accountability, professionalism and exceptional service.

Depa Limited is listed on the Nasdaq Dubai (DEPA:DU) and is headquartered in Dubai, United Arab Emirates.

Cautionary statement:

This document contains certain 'forward looking statements' with respect to Depa's financial condition; results of operations and business; and certain of Depa's plans and objectives with respect to these items. By their very nature, forward looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements. All written or verbal forward looking statements, made in this document or made subsequently, which are attributable to Depa or any other member of the Group or persons acting on their behalf are expressly qualified on this basis. Depa does not intend to update these forward looking statements.

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CHIEF EXECUTIVE OFFFICER'S OPERATIONAL REVIEW

The momentum created in 2016 has been carried into H1 2017 and is reflected in the Group's strong financial performance. This half year, we are, for the first time in a long time, declaring a dividend for our shareholders.

Our four Key Business Units (Design Studio, Vedder, Depa Interiors Group and Deco Group) are the Group's central drivers of value for our shareholders. There are significant opportunities for our KBUs to work together and H1 2017 has seen a much higher level of cooperation between our respective KBUs.

As previously announced, the Group has made strong progress resolving a number of legacy receivables in H1 2017, recovering a significant amount of cash. The resolution of the remainder continues to be a key area of focus.

The Group continues to roll-out the new four-gate work winning process across the Group, which has enhanced the Group's approach to risk management; in addition to multiple other benefits: a) increased win-rates given more effort can be focused on the projects where we have the best chance of success; b) enhanced profitability as we pursue the most financially-rewarding projects; c) additional cost-savings from more efficient use of resources; and d) a more targeted approach to project wins reducing the overall risk profile of the Group.

The Group has continued to develop its performance-driven culture. In addition to the short-term incentive plan introduced in 2016, we have reviewed the Group's organisational structure. In addition to ensuring each KBU is as efficient as possible, this process will also ensure a consistent and appropriate salary and grading structure is in place for the Group globally.

The strategic review that was commenced in H1 2017 is nearing completion. As part of this strategic review, the Group is assessing its holdings in each of its assets with a view to maximising returns. The Group will continue to invest primarily in organic growth, while continuously assessing inorganic or acquisitive opportunities against its strategic and financial objectives.

Depa continues to invest in our five core values: transparency, integrity, accountability, professionalism and exceptional service; instilling these values across each of our KBUs will ensure that the Group delivers for all of our stakeholders: most importantly our clients, our employees and our shareholders.

Design Studio

The Group's Asian business, Design Studio generated revenue of AED 179.1mn and EBIT of AED 6.6mn, representing flat revenue year-on-year (H1 2016: AED 178.0mn) and decrease in EBIT by AED 13.8mn on H1 2016 (AED 20.4mn). Design Studio continues to see strength in the hospitality and commercial sectors, supporting revenue, and to seek opportunities within and outside its key markets of Singapore and Malaysia, with expansion into the Middle East, Thailand, China and other international markets progressing. EBIT in H1 2017 was lower than in H1 2016 due to foreign exchange movements, restructuring costs and project mix resulting in an EBIT margin of 4%, down on H1 2016 (11%). Overall, Design Studio generated a profit of AED 5.0mn (H1 2016: AED 17.3mn).

Vedder

The Group’s European business, Vedder, which is focused on the superyacht and private jet fit-out market, had another solid six months. Vedder generated revenue of AED 152.9mn and EBIT of AED 16.5mn, representing revenue growth of 2% on H1 2016 (AED 149.9mn) and an increase in EBIT by AED 3.1mn or 23% on H1 2016 (AED 13.4mn). The improved EBIT margin (11%) compared with H1 2016 (9%) was primarily driven by project mix. Vedder generated profit of AED 11.7mn, up AED 2.3mn or 24% on H1 2016 (AED 9.4mn).

Vedder continues to build on its long-standing success. Over the first six months of the year, Vedder secured a major new-build project along with a number of other smaller projects and refit works. With Vedder’s backlog at record level, its market leading position ensures that Vedder is well poised going into the second half of the year.

Depa Interiors Group

Depa Interiors Group had an outstanding six months, generating revenue of AED 362.9mn, representing an increase of AED 43.9mn or 14% on H1 2016 (AED 319.0mn). EBIT in the first six months amounted to AED 112.1mn compared with AED 6.7mn in H1 2016, an increase of AED 105.4mn. The improvement in both revenue and EBIT was driven by sound operational performance, along with the resolution of a number of legacy items. As a result, Depa Interiors Group generated an EBIT margin of 31%, a significant improvement on H1 2016 (2%). Profit generated for the period amounted to AED 98.2mn, up AED 100.0mn on H1 2016.

In the first quarter of the year, Depa Interiors Group resolved and received a material payment, concluding the settlement of an iconic Dubai project. Additionally, in the second quarter, Depa Interiors Group also resolved and received payment concluding the settlement of a project that was initiated in the first six months of 2012 and was executed by Depa's joint venture company, Lindner Depa Interiors LLC.

From an operational perspective, Depa Interiors Group’s leadership in its home market, the United Arab Emirates, continues to serve it well and ensures that it continues to secure landmark fit-out projects. Structural issues currently affecting the construction market in some GCC countries ensure that Depa Interiors Group’s focus will remain on the UAE over the medium term. Importantly, Depa Interiors Group is continuing to see ample opportunities within its addressable market in the UAE, driven by Dubai’s preparations for Expo 2020.

During the first six months of the year, Depa Interiors Group has secured a number of major contracts, including a project for a government ministry in Jeddah and the Mandarin Oriental Hotel in Dubai. Depa Interiors Group is undertaking a review of its business development and work-winning strategy. The result of which will see a new client relationship management approach implemented which will better target and service major repeat and new clients.

Deco Group

Deco Group comprises Deco, which is focused on high-end retail fit-out; Carrara, which supplies and installs premium marble; and Eldiar, which manufactures quality carpentry and joinery works. Deco Group recorded another strong six months, generating revenue of AED 142.0mn and EBIT of AED 8.4mn, representing a revenue increase of AED 36.1mn or 34% on H1 2016 (AED 105.9mn) and an increase in EBIT of AED 1.6mn or 24% on H1 2016 (AED 6.8mn).

The strong revenue growth was driven by the progress on the major project awards that Deco Group achieved in 2016; whilst maintaining its EBIT margin at 6% in line with H1 2016. Overall, Deco Group generated profit of AED 8.0mn, up AED 2.9mn or 57% on H1 2016 (AED 5.1mn).

During the first six months of 2017, Deco Group completed the handover of its largest project to date, the new Robinsons department store at Dubai's Festival City, and the retail fit-out for a leading US-based global electronics brand in Dubai Mall. In addition to securing the fit-out of the Dubai Mall Dolce & Gabbana store in the first quarter of 2017, Deco Group won the fit-out project for the new Bottega Veneta (a new client) store in Dubai Mall in the second quarter and subsequent to the period end it also won the fit-out of the new Valentino store, also in Dubai Mall.

Eldiar and Carrara continue to make good progress, with Carrara finalising the consolidation of its manufacturing facilities. Once complete, the consolidation is expected to generate significant efficiencies with estimated cost savings of over AED 1.8mn per annum. The factory consolidation is expected to be complete by the end of 2017.

Backlog

During the first six months of the year, the Group has secured a number of major contracts, including a project for a government ministry in Jeddah; the Mandarin Oriental Hotel in Dubai; a major private yacht project in Germany; the fit-out of the Dubai Mall Dolce & Gabbana store; and the fit-out of the Dubai Mall Bottega Veneta store.

At 30 June 2017, the Group's backlog totalled AED 2,037mn, representing more than one times 2016 revenue. Additionally, the Group's new four-gate work winning will enable the Group to better manage its risk profile and increase its focus on the most financially-rewarding projects within its risk parameters.

Outlook

Whilst a number of the Group's key markets are experiencing structural challenges, the quality and strength of Depa's existing backlog, a solid pipeline of prospective new work and a strong net cash position ensure the Group is well placed to continue to compete in its core markets and navigate risk. The Group is moving into the next phase of its strategy, focused on sustainable top and bottom line growth. The strong market leading positions enjoyed by each of its KBUs will enable the Group to take advantage of both organic and inorganic growth opportunities.

The outlook for the Group remains the most positive it has been for some time and the Group expects to generate reasonable growth in the second half of 2017 compared with H2 2016.

FINANCIAL REVIEW

Financial performance

For the six months to 30 June 2017, sound operational performance across the Group's Key Business Units, along with the resolution of a number of material legacy items underpinned the Group's strong financial performance.

Depa generated revenue of AED 834.6mn, an increase of AED 62.4mn or 8% on H1 2016 (AED 772.2mn); from which, the Group generated EBIT of AED 128.8mn, an increase of AED 97.2mn or 308% on H1 2016 (AED 31.6mn). The Group's EBIT margin increased to 15% from 4% in H1 2016.

Cost control continues to be a key focus of the Group, in addition to the collection of the Group's receivables. Whilst the Group has made significant progress in resolving a number of legacy receivables, there are structural issues affecting some of the main contractors in the Middle East. As a consequence of the resolution of these legacy items and these structural issues, H1 2017 saw the Group record a AED 32.5mn net reversal of allowances for doubtful debts, at the same time as significantly decreasing its trade receivable balance.

In the first half of 2017, associates generated a small loss (AED 0.9mn), compared to AED 1.1mn profit in H1 2016.

Net finance expense amounted to AED 5.0mn, in line with H1 2016 (AED 4.9mn).

As a result of the above, the Group generated profit before tax of AED 123.8mn, an increase of AED 97.1mn on H1 2016 (AED 26.7mn).

The Group recognised an income tax expense of AED 10.5mn in the first six months of 2017, an increase of AED 3.2mn or 44% on H1 2016 (AED 7.3mn).

Consequently, the Group generated profit for the period of AED 113.3mn, an increase of AED 93.9mn or 484% on H1 2016 (AED 19.4mn).

Non-controlling interests amounted to AED 0.8mn compared with AED 3.1mn in H1 2016.

As a result, the Group generated net profit after non-controlling interests of AED 112.5mn, an increase of AED 96.2mn or 590% on H1 2016 (AED 16.3mn).

Following the Group's return to profit in 2016, Depa's focus on delivering sustainable cash backed profit continues. For H1 2017, Depa generated basic earnings per share of AED 0.19, an increase of AED 0.16 or 533% on H1 2016 (AED 0.03 per share) and diluted earnings per share of AED 0.18 (H1 2016: AED 0.03 per share).

Cash flow

Cash generation throughout the first six months was strong, ending H1 2017 with a net cash position of AED 443.0mn and net cash excluding restricted cash of AED 262.4mn, up AED 120.7mn or 85% on 31 December 2016 (AED 141.7mn).

Net cash inflows from operating activities amounted to AED 115.5mn, an increase of AED 146.2mn on H1 2016 (net outflow: AED 30.7mn).

Net cash outflows from investing activities amounted to AED 0.1mn, a decrease of AED 20.1mn on H1 2016 (inflow: AED 20.0mn). The difference year-on-year primarily relates to a positive movement experienced in H1 2016 as a result of fixed deposits.

During H1 2017, the Group reduced its funded borrowings by AED 24.5mn. Consequently, net cash outflows from financing activities amounted to AED 36.4mn, a decrease of AED 21.6mn or 37% on H1 2016 (AED 58.0mn).

Foreign exchange differences resulted in an AED 18.0mn positive movement (H1 2016: AED 20.7mn) in the reported cash and cash equivalents.

Financial position

The Group ensures that it maintains adequate liquidity to meet its operational requirements and maintains appropriate working capital facilities via its strong bank relationships. Cash and cash equivalents at 30 June 2017 stood at AED 368.0mn, an increase of AED 153.5mn or 72% on 30 June 2016 (AED 214.5mn).

During the first six months of the year, the Group has developed a detailed treasury strategy which will see the Group focus on partnering with a select number of core relationship banks that can support Depa's growth potential and geographic footprint. In addition to other benefits, the application of the Group's treasury strategy will move Depa towards maintaining an investment grade credit profile and lower its cost of capital.

At 30 June 2017, total equity stood at AED 1,353.1mn, an increase of AED 132.0mn from 31 December 2016 (AED 1,221.1mn).

The Group's ordinary shares outstanding during the period amounted to 607,860,365, (614,726,448 issued shares net of 6,866,083 shares held in treasury).

Interim dividends

The utilisation of a portion of Depa's share premium account to offset its accumulated losses in full was implemented in H1 2017, following its approval by the Group's shareholders at the latest shareholder meeting. Following our strong financial results, Depa has declared an interim dividend of AED 0.025 per share.

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