DEPA GROUP

DISCLOSURE

29 AUGUST 2016

DEPA GROUP ANNOUNCES H1-2016 FINANCIAL RESULTS

DEPA GROUP RETURNS TO PROFITABILITY ON A STRONG BACK LOG

Depa Limited [Nasdaq Dubai: DEPA; "the Company"/"the Group"], today announces its financial and operational results for the six months period ended 30 June 2016 ["H1-2016"].

H1-2016 HIGHLIGHTS

- AED 2,203 million backlog* [31 December 2015: AED 2,103 million]
- AED 772 million revenue [H1-2015: AED 841 million]
- AED 124 million gross profit [H1-2015: AED 82 million]
- 16% gross margin [H1-2015: 10%]
- AED 16 million net profit after NCI [H1-2015: AED 15 million]
- AED 125 million net cash [31 December 2015: AED 125 million]
- AED 2,522 million total assets [31 December 2015: AED 2,490 million]
- AED 1,207 million total equity [31 December 2015: AED 1,173 million]

OPERATIONAL HIGHLIGHTS

Overview

In H1-2016, Depa embarked upon restructuring its operating model by creating a strategic management company at the holding level and consolidating its various businesses into six operating entities. The objective of the strategic management company is to provide oversight and a solid support structure enabling our brands to reach their full potential.
The six operating entities are:

1. Depa Interiors is headquartered in Dubai with branch offices in various countries across the MENA region. Depa Interiors sets the standard for interior fit-out in these markets by delivering prestigious projects like the new Presidential Palace in Abu Dhabi and KAPSARC in Riyadh, KSA among its portfolio.

2. Design Studio Group is listed on the Singapore Exchange and is Asia's premier furniture manufacturer, interior fit-out and product specialist covering South East Asia and China markets for Depa Group.

3. Vedder is headquartered in Germany and creates unique interiors for luxury yachts, residences, hotels, public buildings, banks, office buildings, shops and exclusive one-off projects.

4. Deco is based in Dubai and has grown to be one of the region's largest and most professional interior contractors and furniture manufacturers for high end retail clients and corporate

offices. In addition, Deco oversees two other operating companies - Carrara Middle East which is a market leading producer and installer of high quality stone and Eldiar – our joinery based in Abu Dhabi.

5. Lindner Middle East is a joint venture with Lindner AG and provides architects, consultants and clients with dedicated technical solutions for all Lindner interior fit-out products in the Middle East. The expertise of the company extends not only to office space materials, but also to bespoke solutions for airports, railway stations, operating theatres, auditoriums, theatres, concert and conference halls, sport centres and stadiums.

6. The Parker Company is a procurement consulting firm with offices in Dubai, Zurich and Miami. The company works with all major hotel chains in addition to independent hotels, resorts, and arenas. Having completed a host of international hospitality projects, it is well suited to handle the purchasing needs of any size and quality project anywhere on the globe.

Backlog

The Group secured 152 contracts worth AED 937 million in the first six months of FY2016, strengthening our order book by 5% to AED 2,203 million as compared to 31 December 2015.

Depa Interiors was successful in signing projects valued at AED 304 million in H1-2016 which included Saadiyat Rotana resort in Abu Dhabi, Shangri-La hotel refurbishment and another notable hotel development in Dubai.

Design Studio Group secured 31 contracts worth AED 338 million in the first half of 2016, strengthening its order book to AED 546 million as at 30 June 2016.

Vedder continued to build on its success from previous years and signed two new projects valued at AED 135 million in the first half of 2016. These signings helped the company's backlog reach near record levels resulting in both production facilities operating at capacity over the next 18-24 months.

Deco Emirates signed contracts worth AED131 million in H1-2016 - the main contributions are two strategically important projects for the company namely a flagship store at Dubai Mall and Robinsons - a high end department store at Dubai Festival City. With these projects signing, the current backlog has propelled to AED 126 million. In addition, the company signed several projects namely Gucci, Valentino and Dolce & Gabbana stores at City Walk and Dubai Mall in UAE and Qatar during the first half of the year. In addition, Carrara Middle East was able to secure new contracts worth AED 32 million distributed across three main sectors - hospitality, commercial and retail.

Lindner Middle East won AED 40 million in new orders in H1-2016. Two of the largest orders were secured in India where the company continues to increase its market share.

Market Outlook

While we expect the operating environment in the vast majority of our key markets to remain challenging and competitive for the remainder of the year, given the quality and strength of our existing backlog and addressable markets, we are cautiously optimistic about the future. We will continue to remain focused on our core markets and will remain vigilant of risks that could impact our business.

The Group remains well-positioned to engage current market conditions with a strong balance sheet and a healthy net cash position of AED 125 million as at 30 June 2016.

FINANCIAL PERFORMANCE OVERVIEW

Revenue and Profitability

Despite 8% reduction in revenue, the Group managed to grow its gross profit by 51% to AED 124m [H1-2015: AED 82m]. As a result, the gross margin percentage improved significantly from 10% in H1-2015 to 16% in H1-2016, which was achieved primarily by further streamlining of our operations across all major geographies. In addition, gross margin in H1-2015 was also pressured by one-off closure costs pertaining to some subsidiaries and projects in the MENA region.

The Group generated revenue of AED 772 million in H1-2016 compared to AED 841 million in H1-2015. The decrease in the top line is primarily due to a slowdown in two of our key markets – Singapore and KSA. However, this impact was partially offset by our Dubai contracting operations which grew its revenue threefold compared to H1-2015.

Our general and administrative expenses for the first six months were AED 107 million compared to AED 98 million in H1-2015. This slight increase of AED 9m is primarily attributable to legal fees incurred on cash collection and foreign exchange losses.

As a result, the Group achieved AED 16m in Net Profit after NCI compared to AED 15 million in H1-2015.

Balance Sheet

Total Assets amounted to AED 2,522 million on 30 June 2016 compared to AED 2,490 million on 31 December 2015. This is mainly due to increase in unbilled revenue in our UAE operation, as most of the purchasing for on-going projects was done in H1-2016 to meet delivery schedules.

Total Liabilities as at 30 June 2016 were AED 1,316 million [31 December 2015: AED 1,317 million].

Total Equity increased to AED 1,207 million from AED 1,173 million as at 31 December 2015 due to profit for the period and exchange gain impact on translation of some foreign operations.

Working Capital

Working capital increased from AED 487 million as of 31 December 2015 to AED 542 million, primarily due to higher unbilled revenue. The Current Ratio as at 30 June 2016 was 1.5 [31 December 2015: 1.4]. Net Gearing ratio has improved to 0.19 from 0.22 as at 31 December 2015 as a result of timely repayment of bank loans.

Cash Flow & Net Cash Position

Net Cash position as at 30 June 2016 was AED 125 million which is very similar to 31 December 2015. Bank borrowings reduced to AED 231 million compared to AED 258 million as at 31 December 2015. Depa's overall liquidity position remains stable and the Group's banking facilities are more than sufficient to meet its business needs in the foreseeable future.

During H1-2016, cash used in operating activities was AED 34 million compared to AED 89 million cash generated in H1-2015. Higher unbilled revenue and reduction in trade payables contributed to this cash usage.

Cash generated from investing activities amounted to AED 20 million compared to AED 47 million cash used in H1-2015. This was a result of liquidation of term deposits in order to meet operational requirements.

Cash used in financing activities amounted to AED 55 million compared to AED 77 million in H1-2015. This relates primarily to scheduled repayments of bank loans.

***Subsequent Event**

On August 21, 2016, Depa Interiors received notification of termination from one of its clients on a AED 65m project which was signed in May 2016. There is no material impact on H1 2016 Financials.

ENDS

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The mission of Depa Group and its subsidiaries is to deliver sustainability, profitability and performance for our clients, shareholders and employees. We do this by embodying the values of transparency, integrity, accountability, professionalism and exceptional service. As a NASDAQ Dubai-listed company clients can have confidence that Depa Group's subsidiaries operate to international standards of governance and quality management.