depa

Global Interior Solutions

Press Release

DEPA ANNOUNCES INTERIM 2014 FINANCIAL RESULTS

01 September 2014; Dubai, UAE: Depa Limited ("the Company") [Nasdaq Dubai: "Depa"], one of the world's leading interior contracting companies, announced its financial and operational results for the six month period ended 30th June 2014.

Mr Nadim Akhras, Interim Group CEO, Depa, said:

"We had a positive start into the first half of the year. We were able to fully leverage our strengths in a highly competitive environment and the majority of our international portfolio has performed well, with major contributions from Vedder, our luxury yacht interior contracting subsidiary, Design Studio Group in Asia and Deco Emirates, who completed 45 projects and contracts in the luxury retail and hospitality sector.

"However, the GCC construction market has witnessed a significant shift towards lower margin projects as inexperienced players and new entrants look to gain market share. As a result, we continue to be extremely selective in what we bid for and how projects are priced. Furthermore, our diversification strategy has allowed us to counteract the challenging situation for contractors in the GCC. We are looking at new opportunities in South Asia, Africa and CIS, having signed over AED 579 million of new contracts in the first six months of the year, and are now approaching the second half of the year with cautious optimism."

FINANCIAL OVERVIEW

Depa's Net Profit after Non-Controlling Interest for H1 2014 was AED 27 million as compared to AED 33 million in H1 2013. The Company witnessed a 10% decline in Gross Profit to AED 118 million from AED 131 million and a 9% decrease in Revenue to AED 920 million from AED 1,010 million. Margins have been maintained at 13% in line with H1 2013.

These decreases are because Depa has closed operations in a number of locations where the Company was incurring continuous losses. These, as mentioned in the FY 2013 Annual Report, include the subsidiaries in Azerbaijan, India, Jordan and in the UK. Also, a significant decrease in Revenue was seen in Qatar and Angola as two key projects being undertaken in these locations are in their final stage of completion. Revenue was also lower for Design Studio Group as they focused on profitable projects rather than achieving top line results. That is why the Revenue generated by Design Studio Group decreased by 20.9% but net profit increased by 83.2%, compared to the same period in 2013.

During H1 2014, the Company generated cash from operations amounting to AED 72 million compared to cash used in operations of AED 7 million in H1 2013. The major impact can be seen from reduction in trade receivables of AED 448 million as at 30th June 2014 compared to AED 574m at end of FY 2013.

Total Assets as at 30th June 2014 were AED 3.09 billion compared to AED 3.2 billion as at 31st December 2013. Total Liabilities at the end of H1 2014 decreased to AED 1.62 billion as compared to AED 1.75 billion at the end of FY 2013. Total Equity increased slightly from AED 1.45 billion to AED 1.47 billion due to profit earned during H1 2014.

BACKLOG

The Company has signed AED 579 million of new contracts during the first half of the year whilst completing 66 projects in Europe, Middle East and Africa. The increase in the number of completed projects and a much stricter and more selective approach to new contracts has led to a decline in Backlog numbers to AED 2.42 billion, compared to AED 3.06 billion as at 30th June 2013.

Vedder has signed AED 218 million of new contracts. Two of these contracts were with its new strategic partner, super yacht builder Amels. In Asia, Design Studio Group added two contracts providing joinery for luxurious condominiums in Singapore, two fit-out contracts for hotels and one for a 60-story tower in Malaysia. In the Middle East, half year contract wins include an AED 86 million Qatari government tower and a contract for the interior fit-out and renovation of 25 branches of the National Bank of Abu Dhabi, in Abu Dhabi, worth AED 62 million.

As at 30th June 2014, the hospitality sector made up the largest portion of the Backlog at 36% and a substantial increase on the 22%in H1 2013. The infrastructure sector fell to 23% and remained in second position, followed by the yacht sector at 20%. The latter was driven primarily by soaring global demand for super yachts and new contracts coming through from the acquired Loher Ramexklusiv business. The residential sector stayed constant at 17%. Geographically, the Middle East remained the top region at 48%, whilst Asia and Europe saw a climb in their backlog numbers on a year-on-year basis to 30% from 25% and 19% from 15% of the total Backlog respectively.

GEOGRAPHIC DIVERSIFICATION

Depa has continued to push ahead with implementing its geographic diversification strategy into higher-margin emerging markets as the internal reorganisation has allowed Depa to approach new countries in Asia, Africa and CIS without the challenges experienced in previous years. The Company is concentrating on the hospitality projects in Sri Lanka and Africa as a rise in tourism pushes visitor numbers to record highs. In 2011, the Sri Lanka Tourism Development Authority stated that there were 104 tourist hotels under construction and as these projects near the interior contracting phase; Depa has opened discussions with major hotels to complete their fit-out and refurbishment requirements. In Africa, Depa continues to maintain its exposure whilst examining the opportunities across the wider market. Nigeria alone has 6,500 rooms under construction and 49 hotels in the pipeline and through its well-established procurement subsidiary, The Parker Company, Depa is planning to map out the countries, sub-sectors and companies where it can add the most value and drive these opportunities forward.

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