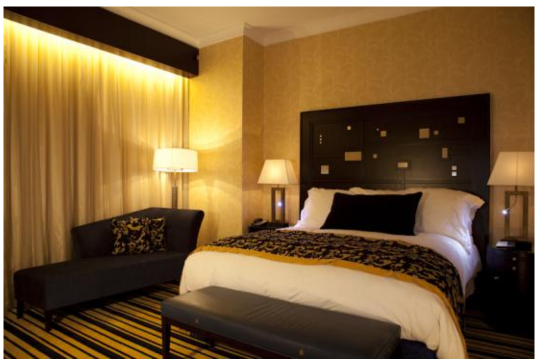
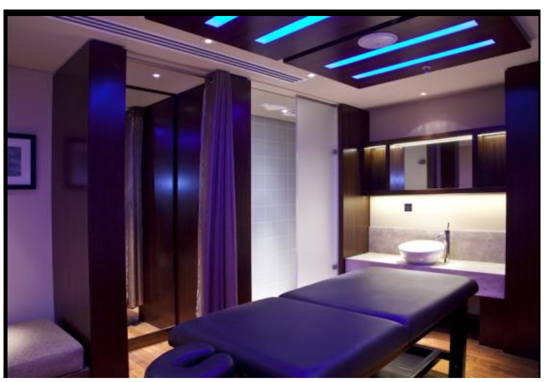
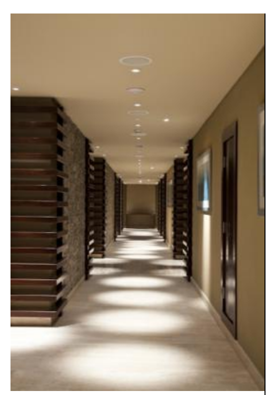
depa

Global Interior Solutions





INTERIM REPORT 2010



UAE ■ Saudi Arabia ■ Qatar ■ Egypt ■ Morocco ■ Libya ■ Jordan ■ Syria ■ India ■ China ■ Singapore

Results Overview

Despite ongoing challenging and difficult market conditions throughout the first half of 2010, Depa has performed in line with expectations on an operational level. The Company remains healthy, and is in a strong position to pursue growth opportunities over the next few years.

However, during the period, Depa has faced delays regarding an outstanding interim claim relating to the Burj Khalifa project, which has had a significant impact on the Company's interim results. This is an exceptional circumstance which, management strongly believes, is not reflective of the Company's strength and future prospects.

Management has had to account for all related expenses to this claim, with no related revenue in H1 2010. The impact of not fully resolving this claim has taken the Company from a net profit position of AED 82 million in H1 2010 (after accounting for provisions of AED 24 million), which represents slight negative growth compared with the same period last year, to a net loss position of AED 103.7 million. However, management believe that this issue should be resolved in time.

The results of the first half of the year also reflect the impact of many projects being delayed to the second half of the year and into early 2011. As a natural consequence of the downturn and delayed projects, this year we are experiencing high levels of seasonality and a delay of expected work, revenues and earnings to future quarters.

In line with our strategy, the backlog has been increasingly diversified over the last few years, and our continued project wins reflect the strength of the Company despite the economic environment. Our backlog stood at AED 2.15 billion for H1 2010 as compared to AED 2.1 billion at the end of 2009, with an increasing amount being derived outside the UAE. As of August 25 2010, the backlog had increased further to an amount of AED 2.4 billion, reflecting some of the projects anticipated for earlier this year, but which experienced delayed start-dates.

Due to our continued long-term focus and efforts on geographical diversification, we continue to increase the proportion of revenues and backlog derived from outside Dubai, notably from Singapore and Abu Dhabi, and have also won projects in Angola, Malaysia, Saudi Arabia, Qatar and China.

Backlog and New Contracts

Our backlog continues to be diversified and strong. As of June 30, 2010, it stood at AED 2.15 billion as compared with AED 2.1 billion at the end of 2009, with an increasing amount being derived outside the UAE.

As of August 25 2010, the backlog had increased further to an amount of AED 2.4 billion, reflecting some of the projects anticipated for earlier this year, but which experienced delayed start-dates. We expect the backlog to remain at this healthy level and additional large contracts to materialize by the end of the year reflecting the strength of the Company despite the economic environment..

The key projects we are working on, as of August 25 2010, are listed in the following chart and account for approximately 75% of our backlog, with another 260 projects constituting the remaining 25%.

BACKLOG LIST, AS OF AUGUST 25, 2010

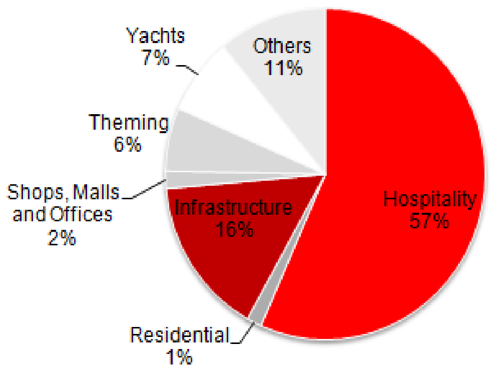
Project Name	Country	Backlog Value (AED million)
Confidential Hotel	Angola	219,860,550
PPM Conrad Hotel	UAE	191,344,059
Twin Tower Hotel	Qatar	120,721,228
IPIC Headquarters building AD	UAE	103,857,578
Dubai Metro - Green Line	UAE	103,290,575
Ritz Carlton Millenia	Singapore	86,824,596
Doha City Center - Phase III	Qatar	78,595,914
Abu Dhabi Stock Exchange	UAE	72,697,776
Tiara Palm Hotel	UAE	72,417,235
Reflection	Singapore	69,270,873
Hamad Medical Corporation	Qatar	65,028,214
Ferrari Experience - Yas Island	UAE	55,142,737
Mazagan Villas	Morocco	49,217,817
The Boulevard	Jordan	43,671,529
Al Turki Business Park	Saudi Arabia	39,428,818
Conrad Hotel Project Stone Works	UAE	37,000,000
Conrad Hotel	UAE	31,552,506
Private Yacht (68m)	Germany	30,245,577
Al Ghurair City Expansion - Phase II	UAE	29,276,398
Goodwood Residence	Singapore	26,065,336
Conrad Hotel Project	UAE	24,947,585
Medical research unit at Weil Conell Medical College	Qatar	20,889,820
ITC Grand Chola Guest rooms	India	19,613,496
Liviaat Pasir Ris	Singapore	19,603,065
Royal Mirage III	UAE	18,312,190
Meadow @ Pierce	Singapore	16,977,600
Private Yacht (90m)	Germany	16,228,744
Retail Experience- Welcome Pavilion	UAE	14,868,496
University Hospital Healthcare City Stone	UAE	14,842,256
The Marq	Singapore	13,567,500
Dhafir Develpmt. - Beach Tower for Mohamed Al Dhaheri	UAE	13,494,883
East Hotel - MOE	UAE	13,199,543
Centro Hotel	UAE	12,907,806
Private Yacht	UAE	12,259,397
MODA Accommodation Building	Saudi Arabia	11,177,183
Private Villa	UAE	11,067,365
Viva @ Suffolk	Singapore	11,016,000
ITC Chennai 7 Stars Rooms	India	10,998,110
Arabian Construction Co.- Capital Plaza	UAE	10,759,781
Total		**1,812,240,136**

Our backlog also reflects the Company's long term strategy and efforts of diversifying our revenues by sector and by geography. In terms of sector diversification, hospitality remains at 51% as compared to 57% on December 31 2009, and we believe that the hospitality market will remain a significant component of the Company's backlog as it is one of our key market niches and an area where we add significant value to the developers.

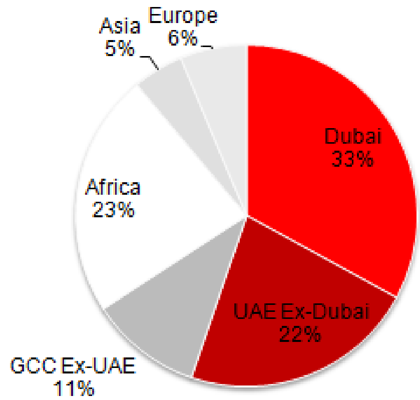
With regards to geographical diversification, we continue to witness Dubai becoming a decreasing portion of our backlog, currently constituting only 26% of our backlog as compared to 33% in December 31, 2009.

BACKLOG MARKET SEGMENT DISTRIBUTION

BACKLOG GEOGRAPHICAL DISTRIBUTION



FY2009



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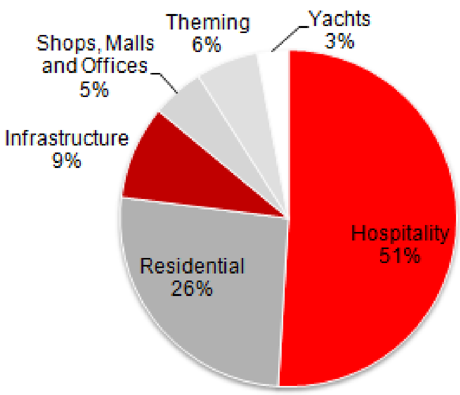
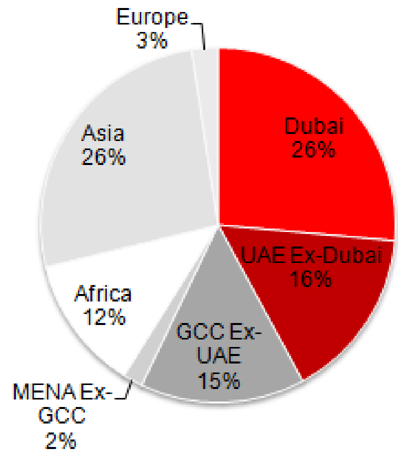


H12010



H12010

Sectors of Focus

Infrastructure

The Company continues to be active in the infrastructure segment, generating AED 82 million in revenues from projects in this market niche in H1 2010 compared to AED 66 in H1 2009 . This indicates a continued commitment to this market as well as sustained activity within the infrastructure segment despite the macroeconomic conditions. As is typical, infrastructure works have proven to be counter-cyclical with many upcoming opportunities regionally, and internationally, in this market segment. However, these projects tend to be quite long-term and have project timelines that stretch out over many years. Given that Depa is at the end of this pipeline, we foresee our activities within these works in the coming few years rather than in the immediate future.

Refurbishment

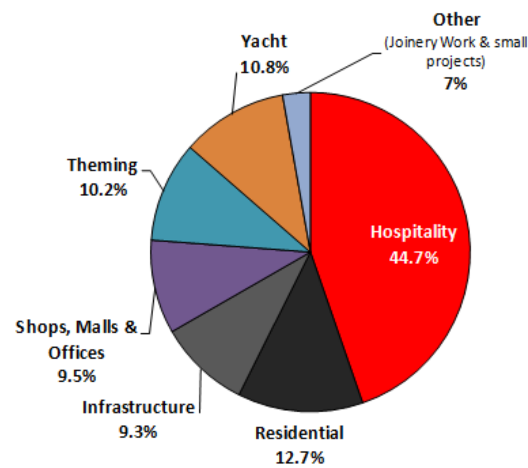
The refurbishment of hotels has been an activity in which we have seen an increase over the last year. However, whereas we have seen this counter-cyclical business pick up in international markets, we have yet to witness these activities regionally, although we are aware that many hotel properties are currently engaged in discussions regarding this matter.

During the first half of 2010, Depa has become involved in the early stages of many refurbishment projects by working on mock-up rooms with hotels in Dubai, Singapore, Jeddah and London. Additionally, the Company signed, and is executing, the refurbishment a large hotel project in Singapore.

Theming

The theming part of our business and revenues, which includes museums and theme parks, has also performed quite well in H1 2010, with a significant portion of revenues coming from the Ferrari Theme Park in Abu Dhabi. This large, very prestigious and complicated project has been undertaken by Mivan Depa, our joint venture focused on theming and museum works, as well as Depa Abu Dhabi. These two business units have combined their efforts and strengths in order to complete the interior works of this project, bringing the revenues generated by theming in H1 2010 to 10.2% of the total revenues. Looking forward, we expect to continue to see demand for theming work in the region, including several museums in Abu Dhabi and Oman.

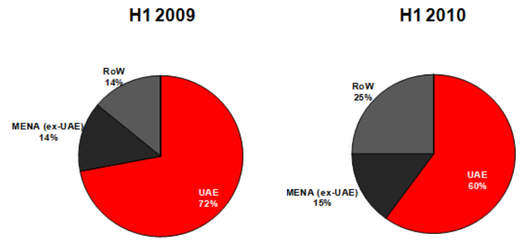
REVENUES BY SECTOR



Geographical Growth

As the Company grows, we continue to focus on our long-term objective of building a truly global business. With operations currently spanning from Angola to Germany to Singapore, our services are being utilized in sixteen countries, and we continue to witness growth in new markets where we have identified opportunities, including countries with potential a few years down the line, such as China.

REVENUE DIVERSIFICATION

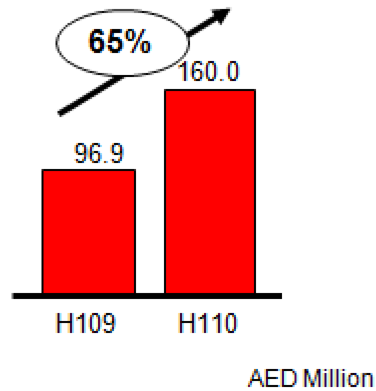


We have continued to increase our presence in new markets, reducing reliance on any one or two key markets, and continuing to diversify the business geographically, in line with our strategy over the last five years. In particular, we have seen significant growth in revenues in our Singapore operations and our Abu Dhabi operations, with Singapore witnessing 122% growth over the same period in 2009 and Abu Dhabi witnessing 51% growth over the same period in 2009.

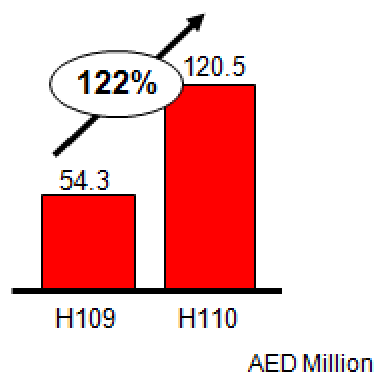
Abu Dhabi

Our operations in Abu Dhabi have witnessed an exciting first half of 2010, delivering the Wahdah Sports Club and beginning to complete the Ferrari Theme Park. Additionally, we have signed a new Rotana hotel in Abu Dhabi this year and are in final negotiations with clients for three additional projects, which again, have been delayed by a few quarters. Abu Dhabi are operations reported an increase of 51.2% in revenues in H1 2010 compared to the same period in 2009. We believe that this subsidiary will continue to thrive over the next few years.

DEPA ABU DHABI REVENUES



DEPA DESIGN STUDIO (SINGAPORE) REVENUES



Saudi Arabia

Depa Saudi Arabia has been operational since 2008 and has completed three hotel projects to-date. This subsidiary is in a very strong position to undertake an increasing amount of work in Saudi Arabia, but has been impacted by the delay in project commitments and start-dates, which we believe will be signed within the next few quarters. Furthermore, we anticipate a noticeable increase in the demand for hospitality projects in Saudi Arabia over the next few years, and are confident that we are in a position to take on much of this work and grow our business there rapidly over the next few years.

South East Asia

The Company continues to expand its operations in South East Asia through both its interest in the manufacturing company, Design Studio, as well as the contracting joint venture, Depa Design Studio (DDS). In the first half of 2010, DDS was successful in winning the refurbishment project of the Ritz Carlton Singapore and the fit-out of the Grand Hyatt in Malaysia. Additionally, the manufacturing division, Design Studio, has a healthy backlog for the next eighteen months, ensuring the continued success of these ventures. The management continues to believe that there is significant growth potential in South East Asia and continues to focus efforts in this area of the world as well as the GCC and Africa. Revenues from our Asia operations represented 14.3% of the Company's total revenues in H1 2010 versus 4.9% in H1 2009.

Angola

Africa continues to represent a market with long-term growth potential for the Company. Specifically, we have found success in working on projects in Angola and in securing additional projects in this country over the last few months. Most recently, we have signed a US$60 million with Sonangol, and we are working on securing additional projects in this market.

We continue to look to the GCC for opportunities for near-term growth and to South East Asia for medium-term growth opportunities, whereas Africa holds significant growth opportunities for the Company in the long-term.

Capital Expenditure

We have not, as management, anticipated that we will invest heavily this year in setting up new business or investing in capital.

Our Property, Plant and Equipment additions amounted to AED 10.4 million in H1 2010 compared to AED 14.9 million for same period in 2009. Additionally, 30% of our capital expenditure in H1 2010 was towards implementing an Enterprise Resource Planning and 24% was towards new machinery for our manufacturing businesses.

This has been an exciting year for the Company in terms of acquisitions completed, with an important company, Carrara Middle East Industrial Company (‘Carrara’), being added to the Group.

Carrara is a leading marble producer and installation company in the region, and has completed projects such as Burj Khalifa and Mall of the Emirates. Carrara's potential to become a key regional player is significant, as are the synergies between the two companies.

We have, for a while, anticipated that much of Depa's future growth would come from the Far East and Asia. As such, we invested AED 74.2 million in Design Studio between 2007 and the end of H1 2010, as a step in the vertical integration of the Company and, more importantly, an international expansion into Asia. Over the last few years, we worked on numerous projects with Design Studio, including the Shoreline apartments and the

Intercontinental Dubai Festival City in Dubai. We then proceeded to set up the joint venture, Depa Design Studio (DDS), to capture the interior contracting market in the South East Asia market. DDS went on to sign the largest ever interior contract in Singapore on the plush resort island of Sentosa. Working with Design Studio over the past few years in these two capacities has made us realize their potential and future in the Far East. As a trusted and proven partner, we have found that to capture the Asian market, we could, in fact, not ask for a better partner. Accordingly, we proceeded to offer to acquire the remaining shares of Design Studio on June 28th 2010. As of the time of the writing of this report, this acquisition was still ongoing. The acquisition is funded using a combination of debt and cash. We believe that this acquisition is key to Depa's growth in Asia and possibly China, which, in effect, is an important part of the Company's long-term success.

Nasdaq - DFM Consolidation

Depa has a primary listing on the NASDAQ Dubai, which has been consolidated with the local exchange, the Dubai Financial Market (DFM). As a result of this consolidation, all trading, clearing, settlement and custody have been outsourced to the DFM.

One of the anticipated outcomes of this consolidation was an increase in the liquidity of the shares as it was thought that being on the DFM platform would allow additional access to local brokers and retail investors. However, as this consolidation occurred in the summer months, when liquidity on all regional exchanges is quite low, we will not be able to assess whether or not this had an impact on Depa shares until later during the year. Bearing that in mind, when comparing the volumes traded since the consolidation on July 11, 2010 until August 12, 2010 with the volumes traded last year during the same period, we find that liquidity has increased by almost 50% from 4.3 million shares traded in 2009 to 6.4 million shares in 2010, with the total number of trades increasing from 51 to 71.

We have also received shareholder approval to re-denominate our shares to the local currency, UAE Dirhams, and to split our shares at a 2:1 level. However, we continue to await regulatory approval regarding the change in currency. A share split would be performed simultaneously with the change to Dirhams.

Financial Results

Our top line declined in H1 2010 to AED 845.5 million compared to AED 1,107.6 million in 2009 which is a drop of 23.7% mainly attributable to the impact of the interim claim for Burj Khalifa. This claim, if collected in full, would have reduced the drop in revenues to only 6.9% of same period last year revenues. However, we have also seen a decline in Dubai-based projects and contracts, whereas our Abu Dhabi operations have witnessed a growth of 51.2% from AED 129.2 million in H1 2009 to AED 195.3 million in H1 2010.

Contract profit margin declined to (3.3)% in H1 2010 compared to a profit of 15.9% in H1 2009 mainly due to the expenses booked against an interim claim to be submitted for the Burj Khalifa project. This claim, if collected in full, would have led to an increase in gross profit margins to 15.3%.

General and administrative expenses (excluding newly acquired subsidiary, Carrara, provisions of doubtful debt and amortization of intangible assets) remained at the same level of AED 75 million in both H1 2009 and H1 2010. However, due to the decline of contract income in H1 2010 compared to H1 2009, G&A expenses margin returned to earlier levels 9.4% in H1 2010 compared to 6.8% in H1 2009 (and 9.9% in H1 2008).

The above led Net Profits to decline to a loss of AED (103.7) million with a net loss margin of (12.3)% in H1 2010 compared to a net profit of AED 91.7 million with a net profit margin of 8.3% in H1 2009.

Balance Sheet

Total Assets as on June 30th 2010 declined by (4.9)% from AED 3,343 million on June 2009 to AED 3,178 million on June 2010. This was matched by a decline of (6.7) % for Total Liabilities to AED 1,412 million on June 2010 compared to AED 1,515 on June 2009.

Total Equity declined by (4.2) % to AED 1,675 million on June 2010 compared to AED 1,749 on June 2009.

Cash Flow and Bank Facilities

We have experienced a significant increased in cash generated from operations as compared with the same period last year. Our cash from operations generated AED 35.6 million in H1 2010 versus a loss of AED (15) million in H1 2009. Our major collection achievements, which drove this increase, were noticed in our contracting companies in Dubai and Singapore.

Cash used in investment activities amounted to AED (176.1) million in H1 2010 compared to AED (4.1) million in 2009 mainly due to the acquisition of Carrara to the value of AED 34.2 million net of cash and AED 134 million utilized in the public offering investment preparations for Design Studio furniture Manufacturing Company in Singapore.

Our cash used in financing activities was AED (7) in H1 2010 including dividends physically distributed of AED (80) million compared to cash used in financing activities of AED (167) million in H1 2009 which included physical dividends of AED (68) million and Share Buybacks of AED (19) million.

Our Bank facilities position remains strong with limits still above the regions of AED 2 billion and pricing relatively similar to 2009 pricing in regards to working capital and project financing facilities.

Our cash in hand remains strong at AED 402 million on June 2010 compared to AED 552 million as on June 2009. Our net debt position on June 2010 (calculated as Cash in Hand less short and long term bank borrowing) remained in a favorable position of AED 68 million compared to a favorable position of AED 236 million as of June 30 2009.

Working Capital

Our working capital declined in H1 2010 to AED 860 million compared to AED 945 million in H1 2009 mainly due to decline in Contract Income in H1 2010. Our Liquidity ratio remained strong at 1.7:1 in June 2010 as well as June 2009. Similarly Total Debt to Equity ratio also remained similar at a strong position of 0.8:1.

Receivables days increased to 267 days in H1 2010 (90 days excluding unbilled revenues) compared to 192 days (63 days excluding unbilled revenues) in H1 2009. AP days also declined to 53 days in H1 2010 compared to 66 days in H1 2009.

SELECTED INCOME STATEMENT DATA

	H1-2010	H1-2009 *AED million*
Contract Income	845.5	1107.6
Contract Cost	*(873.5)*	*(931.3)*
Contract Profit	***(28)***	***176.3***
General and Administrative expenses	*(112.7)*	*(84.8)*
Gain on acquisition of Subsidiary Other Income/ (expense)	*16.7*	*10.0*
Finance income/ (cost) net	*0.3*	*8.2*
Share of profit/ (loss) from associates	*7.1*	*6.1*
Net profit before tax	***(116.6)***	***115.8***
Income tax	*(0.9)*	*(2.5)*
Net profit	***(117.5)***	***11.3***
Attributed to:		
Equity holders of parent	*(103.7)*	*91.7*
Minority interest	*(13.8)*	*21.6*

SELECTED FINANCIAL DATA AND RATIOS

	H1-2010	H1-2009 *AED million*
EBITDA	(83.7)	133.6
EBIT	(113.5)	112.2
Adjusted EBITDA	(107.5)	117.5
Adjusted EBIT	(137.3)	96.1
Net Capital Expenditure	10.4	48

SELECTED CASH FLOW DATA

	H1-2010	H1-2009 *AED million*
Net cash used in operating activities	35.6	(15.4)
Net cash used in investing activities	(176.1)	(4.2)
Net cash provided from financing activities	(7.1)	(167.5)
Cash and cash equivalents		
Beginning cash and cash equivalents	425.7	738.7
Ending cash and cash equivalents	278.1	551.7
Net increase (decrease) in cash and cash equivalents	(147.6)	(187.0)

SELECTED BALANCE SHEET DATA

	H1-2010	H1-2009 *AED million*
Property, plant and equipment	323.0	327.8
Total current assets	2,037.5	2,283.2
Total assets	3,178.3	3,342.9
Total equity	1,766.7	1,827.4
Total liabilities	1,411.6	1,515.5

INDEBTEDNESS

	H1-2010	H1-2009 *AED million*
Cash and Bank balances (A)*	402.1	551.7
Bank Loans (B)	333.6	315.4
Current (C)	194.4	214.7
Non-current (D)	139.2	100.7
Total current net indebtedness (A-C)	207.7	337.0
Total non-current net indebtedness (A-D)	262.9	451.0
Total net indebtedness (A-B)	68.5	236.3

Corporate Governance

The Company continues to adhere to international best practice in corporate governance matters, ensuring compliance with the Dubai Financial Services Authorities (DFSA) on all matters in this regard. During the first half of 2010, the Depa Board of Directors received two resignations from non-executive, non-independent members of the Board, Ms Maha Al Ghunaim and Mr Mohammad Al Hashimi.

Strategy, Risks and Uncertainties

Our strategy of delivery of high-end interior solutions to a broad scope of market segments, and across a wide range of geographies continues to drive the Company's employees, mission, and activities. We persist in our efforts to consolidate our industry, made evident by the acquisitions we have made over the last six years, and increasingly so, over the last six months.

As we continue to identify growth opportunities within our reach and our scope, we will continue to pursue them both organically, as well as through further acquisitions.

Outlook

The macroeconomic climate has had a significant impact on companies and industries around the world. As a well-diversified company, we have been fortunate to have been impacted to a manageable extent.

Our expectations for 2010 were that this would be the most difficult year for the Company in a long time, and indeed, it has been, particularly due to delayed start dates on many anticipated projects. However, we are also aware that the opportunities for growth in 2011 and 2012 are quite promising and that the Company is in a very strong position to capture them.

As such, whereas the delay of project completion and start-dates has pushed revenues and profits to the second half of this year, we expect that our full year financial results for 2010 will be slightly lower than 2009 when excluding the one-time effect of Burj Khalifah. However, the growth opportunities presenting over the next few years combined with the strong management and structure that the Company has established allows us to confidently assess 2011 and 2012 as years of growth and strong results.

Board Members

A. Mazrui

Abdullah Al Mazrui, Chairman

Mohannad Sweid, Chief Executive Officer