

depa

*Global Interior Solutions*



**Interim Report 2008**

## Results Overview

Following our IPO in April on the DIFX, Depa is trading in line with market expectations and is on target for 40% revenue and profit growth for the full year. Our H108 net profit has increased by approximately 75% over our H107 profits, and stands at AED 55.6 million compared with AED 31.7 million. We have secured large contracts for landmark projects, bringing our June 30 backlog to approximately AED 2.5 billion (compared with AED 1.6 billion at the end of 2007) with a significant number of those contracts consisting of Abu Dhabi projects. We have signed letters of understanding (LOUs) with a total value of AED 2 billion, of which 20% consist of projects in Abu Dhabi.

Our investments and acquisitions strategy is being successfully implemented, with landmark acquisitions and joint ventures completed since early 2008. An example of the capital increase in Jordan Wood Industries Company, which continues our strategy of vertically integrating manufacturing and procurement, further solidifies our foothold in the Jordanian market, and marks the first step towards establishing the joint venture, Depa Jordan, which occurred shortly after this year's acquisition. Additionally, our joint venture with Design Studio was established to enable Depa to capture large hospitality and commercial contracts in Southeast Asia by leveraging Design Studio's niche market position and regional experience.

Despite the significant growth in profits and revenues, it should be noted that our business is highly seasonal and typically between a quarter and a third of our revenues and profits are realized during the first half of the year. This cyclicity is characteristic of the interior contracting sector and is independent of the size of the company and the geography in which an interior contractor operates.

In the coming months, we anticipate steady demand for our interior fit-out work in Abu Dhabi as well as new markets we have recently entered, such as India and Morocco. We also expect an increase in demand for themed fit-out work in the MENA region as evidenced by the recent contract win by our theming subsidiary, Mivan Depa, for the AED 20.8 million Atlantis nightclub project on the Palm Jumeirah. To position ourselves to secure future themed contracts, we recently completed a 51% joint venture with Paragon Creative, a UAE-based themed fit-out company active in the MENA region.

## Revenues and Seasonality

Historically, Depa's revenues and profits have leaned heavily towards the second half of the year with a 34% - 66% split. There are three main reasons for our revenue seasonality:

- Clients focus their project completion dates towards the end of the year, despite varying start-dates. This leads to most decision-making being made in H2, thus significant seasonality in revenues and profits.
- Variation orders and claims are usually postponed by the client until the end of the year. During the last quarter, Depa realizes the profits from closing

variation orders and claims to clients. Provisions are also cleared up at this time.

- Claims made by our subcontractors are cleared up at the end of the year. At this time, any provisions Depa has released are realized and booked.

For H108, our revenues increased by approximately 25% and our profits by 75% as compared with H107. The discrepancy in revenue growth as compared with prior years' growth is partially a factor of revenue recognition in 2008, where, due to the one-time factor of the IPO, our commercial reporting experienced a 45-day lag in subcontractor payment certification. A delay in payment certificates affects the ability to recognize costs incurred, and as such, revenues and profits related to those costs. Accordingly, our revenues and profits reported for H108 are not reflective of work completed from mid-May 2008 to end of June. However, any effect this has had on financial performance will be adjusted by September and reflected in end-of year financials.

## Backlog and New Contracts

As of the end of June, Depa has a contracted backlog of over AED 2.5 billion which marks a 47% increase from the 2007 figure of AED 1.6 billion. The average time to completion for our current backlog is 14.4 months. Based on the number of awarded contracts in our backlog, we maintain a target of 40% total growth per annum for the Group.

## U.A.E.

We secured contracts for the complete fit-out work for eight prestigious hotels across the UAE, as well as a private palace in Dubai. Most of these orders were won through negotiations, rather than bidding, which is evidence to our market position and brand. The total value of these orders amount to over AED 1 billion and all are due to be completed by December 2009.

In Abu Dhabi, we have recently won the contract for the complete fit-out works for five of the seven hotels located on Yas Island. This island is the site of an AED 147 billion development project by Aldar Properties. In addition to our scope of work, our subsidiary, Parker International, was awarded the contract for the complete supply of the furniture, fixtures and equipment (FF&E) for all seven hotels being built on Yas Island. Depa will also be carrying out the fit-out works for the Millennium Hotel in Abu Dhabi, which is owned by Al Wehdah Club.

In Dubai, our joint venture, Lindner Depa, won an AED 375 million contract for the Dubai Metro. The scope of work consists of the complete fit-out of 13 of the Dubai Metro's Red Line stations and is expected to be completed in September 2009.

Also in Dubai, we were awarded the contract for the complete fit-out works for the new hotel in the Mall of the Emirates, owned by Majid Al-Futtaim. In Sharjah, we secured the contract for the Centro Rotana hotel in Sharjah Airport, which is owned by Air Arabia.

We are currently witnessing a surge in demand for interior works in Abu Dhabi. In particular, the significant construction boom started a few years ago in Abu Dhabi now has reached the point where interior works are to begin. As such, it is worth noting that our Dubai vs. Abu Dhabi revenue and backlog ratio within the UAE is changing dramatically from 84% Dubai and 16% Abu Dhabi for 2007 revenues to 63% Dubai and 37% Abu Dhabi for current backlog.

## **Bahrain**

We are expanding our presence in Bahrain, as evidenced by two recent contract wins. Our subsidiary, Deco, won the contract for the complete fit-out of Saks Fifth Avenue in Bahrain City Centre, a landmark shopping mall owned by Majid Al-Futtaim and expected to open later this year. The project has a contract value of AED 22.2 million and is expected to be completed in September. This prestigious contract win marks Deco's entry into the Bahraini market.

Our joint venture, Mivan Depa, was awarded the contract for the Arcapita Bank headquarters, which is the first building to be erected in the prestigious Bahrain Bay development. The total contract value is AED 75.6 million and the project is scheduled for completion in May 2009. The scope of our work consists of the internal fit-out of the basement, ground floor reception, and five floors of office space. The entire Bahrain Bay development comprises 1.1 million square meters of land and is set to become the heart of the new business district in Bahrain. This project marks Mivan Depa's first entry in the Bahraini market.

In addition, we are involved in the early stages of a development of a high-end resort in Bahrain.

## **Letters of Understanding**

Depa has recently signed Letters of Understanding worth AED 1.2 billion, underscoring Depa's market dominance in the Middle East and increasing presence in high-growth Asia. The Letters of Understanding include AED 495 million from projects in Abu Dhabi.

Letters of Understanding allow Depa to secure project commitments from clients in advance of project starting dates while allowing for flexibility in pricing, material selection, and design development until a few months prior

to project mobilization date, at which point a finalized contract (with final contract value) is signed. The LOU structure continues to serve as a useful tool in our project risk management, as the LOUs ensure that most price-related risk is factored into the contract value. This structure is also advantageous for the client because there are fewer variations in the final contract.

Historically, we used to sign contracts during the first six months of a project's development by the main contractor and/or developer. The disadvantage to this approach is that any price increase and variations between the time the contract was signed and the time that our actual on-site work began, often 12 – 18 months later, was not factored into the contract value. Our strategy over the last few years has been to sign contracts only a few months prior to site mobilization for our own staff, but sign LOUs, with a contract value range indication, before that. This has led to our average backlog time-to-completion being reduced to 14.4 months.

The LOU structure provides us with 18 – 36 month visibility on revenues, and based on this visibility, we expect Abu Dhabi and Asia to become increasingly important markets for us. This structure has provided Depa with advance selection of projects and has enabled Depa to maintain its strong market position in the GCC and MENA regions, despite the increased presence of competitors.

## **MacroEconomics and The Parker Company**

The Parker Company, a world-leading, large scale hospitality FF&E (Furniture, Fixtures and Equipment) procurement company based in the US, which we acquired in H2 2007, has seen a 30% increase in business in H108 when compared with H107. The Parker Company generates the vast majority of its business from the US and Europe, and in times of economic downturn, the hospitality industry begins to refurbish its properties.

Accordingly, the growth that The Parker Company has experienced during this economic slowdown in the US and Europe is indicative of the demand for interior works during all economic cycles. During times of economic strengths, newly-built hotels need fit-out work; whereas during times of economic weakness, hotels refurbish on 7 – 14 – 21 year cycles. At the 7-year mark, hotels conduct a soft refurbishment, which includes furniture, carpets, wall-coverings, and curtains, amongst other items. At the 14-year mark, hotels conduct a more intense refurbishment, which includes bathrooms, flooring, and a redesign of public areas. Finally, at the 21-year mark, hotels conduct a full-scale refurbishment, including all electrical and mechanical works.

For Depa, refurbishment work and newly-built work carry the same profit margins and growth potential. In particular, some of the refurbishment work we have conducted in Dubai, for hotels we originally fit-out ten years ago, has had margins over and above some new-build work. As such, we



strongly believe that in times of an economic slowdown, the demand for our services will still be extremely strong.

### **Investments and Acquisitions**

Depa has committed to invest approximately US\$ 70 million, up to August this year, in companies that are strategic and related, ensuring that our investments and acquisition targets are on track, and in line with prior years' returns.

We continue to pursue a backward vertical integration strategy with suppliers. This type of acquisition enables us to secure key supplies which are difficult to procure due to high global demand. Our vertical integration strategy also allows us to capture a larger part of the value chain through the suppliers who benefit from our business orders.

Our joint ventures and acquisitions also serve to further our horizontal expansion strategy. We seek to diversify geographically by acquiring interior contractors with a presence in lucrative markets where Depa has no presence. We are also interested in acquiring interior contractors specializing in lucrative interior segments not covered by Depa in order to expand Depa's interior service offering.

Often, when seeking a potential strategic acquisition, if no suitable investment opportunities are found, we may establish our own entity or joint venture in order to accomplish the same goal. The investments we make seek to add value to the overall business, and include such Greenfield operations, which may not be as profit-generating as an acquisition in the short term, but are often more value-accretive in the long-run.

#### *Completed Acquisitions and Joint Ventures*

##### **Jordan Wood Industries Company**

We acquired a 22.2% stake (worth AED 27.9 million) in Jordan Wood Industries Company (JWICO) in May, bringing our total holding in the company to 36.4%. This acquisition continues our strategy of vertically integrating manufacturing and procurement. The move further solidifies our foothold in the Jordanian market. It also marked the first step towards the joint venture Depa Jordan, which was established in July with Depa holding a 70% stake valued at AED 3.7 million. Depa and JWICO have successfully completed interior fit-out projects together in the past, including Le Royal Amman and Sheraton Amman Al Nabil Hotel and Towers.

JWICO, a public shareholding company listed on the Amman Stock Exchange, is an Amman-based wood manufacturing specialist that supplies furnishings such as kitchen cabinets, bedroom and office furniture to customers in Jordan and other countries. The company was founded in 1975 by Najib Qubain, the current chairman and general

manager. Its main selling channels are through its showroom and export department in Amman, as well as by winning bids on various projects. Its factories are built on a total land area of 21,000 square meters upon which the factories occupy 15,000 square meters.

JWICO has the largest market share in the hotel furniture manufacturing sector in Jordan. It has developed long-standing client relationships by providing high-quality products and services on-time and within budget. JWICO has more than 30 years of experience in the industry and is considered to be the region's leading manufacturer of high-end kitchen cabinetry, bedroom and office furniture.

The company's client base includes individual local customers (78.5%), local projects (12.3%), and export countries and real estate developers (9.2%). JWICO has completed many projects in the region including King Abdullah Hospital, Sheraton Hotel, and Union Bank in Amman.

##### **Thrislington**

We have acquired a 100% stake in Company B valued at US\$ 5 million. Company B manufactures steel demountable partition systems, modular clean rooms, and fire-rated door sets. The company is based in Abu Dhabi and operates throughout the MENA region. Established in 1997, the 10,000 m2 manufacturing facility is ISO certified and fully equipped with the latest CAD/CNC machinery with its own epoxy polyester powder coating plant. The acquisition will enable Depa to use the land, factory and equipment for an ongoing joint venture with a prefabrication company.

##### **Depa Design Studio**

In April, Depa entered into a joint venture with Design Studio (DDS), with Depa holding 55% and Design Studio holding 45%. Design Studio is Singapore's leading interior fit-out specialist with a strong presence in high-growth countries such as Thailand, Indonesia, Vietnam, and Malaysia. The joint venture was established to enable Depa to capture large hospitality and commercial contracts in Southeast Asia by leveraging Design Studio's niche market position. Depa has been a shareholder in Design Studio since 2006.

Design Studio has three core businesses that complement Depa's business activities: the supply and installation of manufactured furniture products to private residential developments, interior fit-out services for hospitality and commercial projects in Southeast Asia, and the distribution of brand names products to overseas markets.

Singapore has reached the implementation stage of the multi-year construction projects announced in 2006 with an estimated AED 144.6 billion of projects scheduled for completion by 2010. As a result of a significant increase in tourism levels in recent years, Singapore requires 5,000 hotel rooms to be completed or renovated within the next few years to keep up with demand.

Our joint venture with Design Studio has already proven successful in enabling us to win large contracts in Southeast Asia, as evidenced by the JV's first contract win since formation in July for the prestigious Marina Bay Sands Hotel for a contract value of AED 186.5 million. The Marina Bay Sands will combine world-class convention and exhibition facilities, a luxury hotel, an iconic art and science museum, Las Vegas-style gaming, state of the art theaters, and a spread of shopping and dining outlets in one unique destination.

### Paragon Creative

In July, we entered into a 51% joint venture worth AED 1.1m with Paragon Creative, a theming fit-out company based in the UK and UAE and active throughout the MENA region. Paragon has been operating in the UAE for the past 4 years. This joint venture will enable us to keep up with the increasing demand for themed fit-out work in the MENA region.

Paragon Creative has over 24 years of practical and creative experience in themed fit-out work and has completed over 600 projects. Paragon offers high quality scenic work, sculptural work, and model making. Paragon's portfolio of work includes Ski Dubai, Khalifa Park Maritime Museum, Dubai Mall, The Arabian Horse Museum, Atlantis on The Palm, and the Camel Museum.

Additionally, we are in the process of closing several deals including a stake in the world's leading yacht manufacturer based in Germany, and an architectural an interior design company based in Asia.

### Capital Expenditure

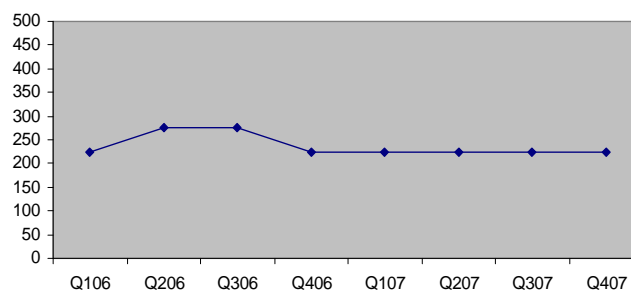
Our capital expenditure plans for 2008 include the establishment of factories in Morocco and India, as well as the purchase of staff accommodation and further investment in existing subsidiaries. In H108, the net cash used in capital expenditure was AED 69.9, of which AED 50.7 million were related to land and building, AED 5.6 million were related to machinery and equipment, AED 3.0 million were related to motor vehicles, and AED 5.7 million were related to furniture and office equipment.

We have already purchased the lands for the factories, and expect to complete the set-up of the factory in India and Morocco during 2009.

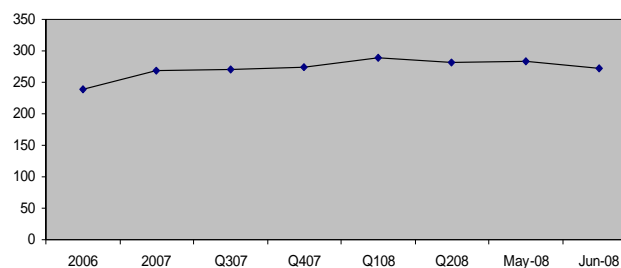
### Cost Inflation

As the price for commodities and raw materials fluctuates globally, we have found that our core materials of gypsum and hardwood, have remained steady throughout 2006 and 2007 and our price expectations for these core components, as well as others such as carpets and tiles, are forecasted to remain constant throughout 2008. Additionally, given our contract structure, where we only sign contracts with clients a few months prior to mobilization, any price increase in materials or staff costs are passed forward in the value chain.

Gypsum Price, US\$



Price of hardwood (\$/M3)



### Staff and the Labor Market

Unlike many other companies operating in the contracting sectors, we are pleased to announce that we are not experiencing a staff shortage. This is due to our proactive recruiting and training and development measures. Our human resources department conducts worldwide recruitment trips and has expanded its recruitment channels to new countries such as Vietnam and Mexico. As a result of our improved recruiting system implemented in May, our current time-to-fill for open positions stands at 30 days for workers and 45 days for staff, down from 82 days in April. The increase in staff costs within our financial statements is a result of an increase in the number of staff and is n

proportion to our expected revenue and profit growth for the full year.

Additionally, we are committed to providing a high level of welfare to all our staff and are consequently able to retain workers longer, negating “back-fill” recruitment and allowing us to concentrate on our existing workers to fulfill growth needs. By providing training and development, we increase staff retention and fill our staff needs from an internal pool, which is more cost-effective and time-efficient than attracting new hires. Our turnover rate at the end of 2007 was 7%, while we experienced 6.5% wage inflation as a company. As a result of these initiatives, our profit per head is the highest in the contracting sector regionally, and one of the highest globally.

Finally, should there be an unexpected increase in wages and salaries, given our contract structure of signing contracts with clients a few months prior to mobilization, and our average backlog of 14.4 months, the impact of the increased costs would be forwarded into the contract value.

Company	Employees	2007 Profit (US\$, millions)	Profit Per Employee (US\$)
Depa	7,350	44	5,986
Havelock Europa Plc	1,617	9	5,566
LCL Corporation Bernhard	3,000	7	2,333
MITIE	39,000	87	2,231

### Liquidity and DIFX

The DIFX appointed a new CEO, Jeffrey Singer, from the NASDAQ OMX in June. Under his leadership, the DIFX is taking serious initiatives to attract the regional liquidity provided by retail investors, as well as attract an increasing number of institutional investors. The initiatives include:

- Shares of DIFX-traded companies may be listed in AED
- The exchange will be open for Sunday trading
- The exchange will be open to local brokers and retail investors
- DFM ‘investment numbers’ can be used on DIFX
- DFM and DIFX will unify platform and board
- DIFX will be the first derivatives platform in the region with plans to offer futures and options based on stocks listed on the DIFX, DFM, and Abu Dhabi Securities Exchange later in 2008

These changes are expected to result in increased activity on the DIFX by the end of the year, and we expect that they will, indeed, impact the liquidity on the exchange positively.

### Financial Results

We are pleased to report 75% net profit growth and 66% Adjusted EBITDA growth for H108 as compared to H107.

The revenue growth for the same period was 25%, which is not reflective of part of works completed during June 2008 due to a delay within the Commercial reporting as a one-time effect of our recent IPO. Profits for this period were also not reported. However, any effect this has had on financial performance will be adjusted by the end of the year.

The net profit growth after minority interest of 75% from H107 to H108 (AED 31.8 million to AED 55.6 million) compared to contract income growth 25% from H107 to H108 (AED 593.9 to AED 741.1) is caused by several factors:

- The turn-around in Depa Egypt’s performance, reducing losses from AED (-6.5) million in H107 to AED (-3.5) million in H108. This contributed 9.4% out of the total growth of net profit change, and can be attributed to the Company’s strategy of delaying contract signings until the project is ready for mobilization.
- Depa Qatar and Depa Morocco’s development into profit-generating entities, as opposed to start-ups in the same time-period last year. Jointly, they reported a net loss of (-2.1) million in H107, as compared with a profit of AED 4.8 million in H108. This contributed 21.7% out of the total growth of net profit during this period.
- In addition, reduced amortization expenses of AED 7.8 million in H107 compared to AED 2.8 million in H108 contributed 16% out of the total growth of net profit after minority interest from H107 to H108.

	Revenue		Contract/Gross Profit	
	2007	2008	2007	2008
UAE	528.4	569.8	88.5	110.5
MENA (ex-UAE)	65.5	150.5	(5.5)	9.7
RoW	0.0	20.8	0.0	10.4

A significant amount of profit growth was driven from the MENA area (ex-UAE). This is attributed to considerable growth in our Moroccan and Qatari operations, as well as a positive turn-around in Egypt as compared with the loss in Egypt in 2007. Rest of World revenues and profits are derived mainly from Depa India, and from The Parker Company, which has experienced 30% growth as compared with the same period last year. Financials of The Parker Company were not consolidated in H107 as Depa completed this acquisition in H207.

### Outlook

Demand for our services remains strong, backed by fundamental economic and tourism growth in the MENA region, as well as India and South-East Asia. In addition, government commitment to infrastructure development in the GCC region is strong, and this is an area we have already entered with the Dubai Airport and Metro project wins.

Whereas the real-estate development and contracting industry have experienced some project delays, these have not impacted our work or time-frames as our scope comes several years after the construction companies begin their works. Accordingly, we have several years to plan our work on a project while the construction is ongoing, and to assess the progress of a project prior to including it in our own plans and forecasts.

Overall, we expect to have a strong contracted backlog until the end of 2008 and are on target for at least 40% revenue and profit growth by the end of 2008.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Selected Income Statement Data	For the period from 1 January 2008 to 31 March 2008	from inception to 30 June 2008	Group Performance
	<i>AED (million)</i>		
Contract Income	279.6	461.6	741.1
Contract Cost	<u>(241.1)</u>	<u>(369.4)</u>	<u>(610.5)</u>
<b>Contract Profit</b>	<b>38.5</b>	<b>92.1</b>	<b>130.6</b>
General and administrative expenses	<u>(35.5)</u>	<u>(38.0)</u>	<u>(73.5)</u>
			0.0
Other Income /(expense)	2.8	3.4	6.2
Interest cost, net	<u>(0.9)</u>	0.3	<u>(0.5)</u>
Share of profit/(loss) from associates	1.5	1.9	3.4
<b>Net profit for the period before tax</b>	<b><u>6.3</u></b>	<b><u>59.7</u></b>	<b>66.1</b>
Income Tax		<u>(1.4)</u>	<u>(1.4)</u>
<b>Net profit for the period</b>	<b><u>6.3</u></b>	<b><u>58.4</u></b>	<b>64.7</b>
Attributable to:			
Equity holders of parent	5.5	50.1	55.6
Minority Interest	0.9	8.2	9.1

As Depa Ltd had an inception date of the date of share Swap transaction, the net profit of Depa United Group for the period from 1 January 2008 to 31 March 2008 of AED 6,340,990 has been reported directly through the statements of changes in equity rather than the Income Statement. For the purpose of reporting of full group activity for the first half of 2008 and to facilitate Group performance comparison with similar period in 2007, the Income statement of First Half of 2008 was consolidated as above.

Selected Income Statement Data

	<u>First Half 2007</u>	<u>First Half 2008</u>
	<i>AED (million)</i>	
Contract Income	593.9	741.1
Contract Cost	<u>(510.8)</u>	<u>(610.5)</u>
<b>Contract Profit</b>	<b>83.1</b>	<b>130.6</b>
General and administrative expenses	<u>(57.0)</u>	<u>(73.6)</u>
Gain on acquisition of Subsidiary	0.0	
Other Income /(expense)	4.6	6.1
Finance income/(cost) net	<u>(1.8)</u>	<u>(0.5)</u>
Share of profit/(loss) from associates	1.8	3.4
<b>Net profit for the period before tax</b>	<b><u>30.7</u></b>	<b><u>66.0</u></b>
Income Tax	1.0	<u>(1.3)</u>
<b>Net profit for the period</b>	<b><u>31.7</u></b>	<b><u>64.7</u></b>
Attributable to:		
Equity holders of parent	31.8	55.6
Minority Interest	<u>(0.1)</u>	9.1



**Selected Balance Sheet Data**

	As of June.30,2007	As of June.30,2008
Property, plant and equipment	124.3	220.2
Total current assets	884.1	2093.6
Total assets	1446.2	2915.3
Total equity	672.3	1674.8
Total liabilities	773.9	1240.5

**Selected Financial Data and Ratios**

	<u>First Half 2007</u>	<u>First Half 2008</u>
EBITDA	55.5	91.1
EBIT	38.3	75.8
Adjusted EBITDA	49.1	81.6
Adjusted EBIT	31.9	66.3
Capital Expenditures	20.2	69.9

**EBITDA/EBIT**

	<u>First Half 2007</u>	<u>First Half 2008</u>
Profit for the year	31.7	64.7
Income tax	(1.0)	1.3
Finance cost	2.7	5.6
Finance cost recognized in cost of sales	5.8	9.3
	-0.9	-5.1
<b>EBIT</b>	<b>38.3</b>	<b>75.8</b>
Depreciation	9.4	12.5
Amortization	7.8	2.8
<b>EBITDA</b>	<b>55.5</b>	<b>91.1</b>
<b>EBIT</b>		
Adjusted for Share or (profit) loss associate	(1.8)	(3.4)
Other income	(4.6)	(6.1)
<b>Adjusted EBIT</b>	<b>31.9</b>	<b>66.3</b>

Depreciation	9.4	12.5
Amortization	7.8	2.8
<b>Adjusted EBITDA</b>	<b>49.1</b>	<b>81.6</b>

**NOTES:**

*Share of profit/(loss) in associates*

Share of profit of associate companies increased by AED 1.6 million or 88.9% from AED 1.8 million to AED 3.4 million. Return on investment in associates declined from 7.2% in the first half of 2007 compared with 2.8% in the first half of 2008 mainly as our share of profit from our associate, Decolight Trading Co. LLC was not incorporated in the first half 2008 financials and is expected to report full year share of profit in the end of year 2008 financials, similarly was the case of our associate Design Studio Furniture Manufacturer LTD as its reporting requirements to Singapore stock exchange differs from our time line of reporting and disclosure of our financials for the first half 2008. In a subsequent event after our financials were prepared, Design Studio Furniture Manufacturer Company declared its first half 2008 financials and our share of profit is calculated as AED 1.8 million which would be included in second half 2008 financials.

*Net finance income/ (cost)*

Net finance cost decreased from AED (1.8) million in the first half 2007 to AED (0.5) million, the decrease was mainly related to interest income booked in the first half of 2008 of AED 5.1 million mainly from short term deposit income from IPO proceeds compared to AED 0.9 million for the first half of 2007.

*Other income*

Other income increased by AED 1.5 million from AED 4.6 million in the first half of 2007 to AED 6.1 million in the first half 2008. The increase in other income in the first half of 2008 was mainly from GDR listing fees obtained in the value of AED 3.6 million.

## Liquidity and Capital Resources

For the purpose of reporting of full group activity for the first half of 2008 and to facilitate Group performance comparison with similar period in 2007, the cash flow from January 1 2008 till March 31 2008 for Depa United Group and from inception date to June 30 2008 for Depa Limited were consolidated as follows:

### Selected Cash Flow Data

	from inception to 30 June 2008	Group Performance from January 1 2008 till June 30 2008
Net cash used in operating activities	<u>173.2</u>	<u>104.2</u>
Net cash used in investing activities	<u>(116.6)</u>	<u>(116.7)</u>
Net cash provided from financing activities	<u>932.8</u>	<u>932.8</u>
<b>Cash and cash equivalents</b>		
Beginning cash and cash equivalents	<u>0.0</u>	<u>69.1</u>
Ending cash and cash equivalents	<u>989.4</u>	<u>989.4</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>989.4</b>	<b>920.2</b>

The table below presents our cash flows for the first half 2007, 2008 respectively:

### Selected Cash Flow Data

	first half 2007	first half 2008
Net cash used in operating activities	<u>(49.7)</u>	<u>104.2</u>
Net cash used in investing activities	<u>(48.6)</u>	<u>(116.7)</u>
Net cash provided from financing activities	<u>74.5</u>	<u>932.8</u>
<b>Cash and cash equivalents</b>		
Beginning cash and cash equivalents	<u>48.4</u>	<u>69.1</u>
Ending cash and cash equivalents	<u>24.6</u>	<u>989.4</u>
<b>Net increase (decrease) in cash</b>	<b>(23.8)</b>	<b>920.2</b>

## and cash equivalents

### Indebtedness

The following table summarizes our net indebtedness as of June 30, 2007 and June 30 2008.

### Indebtedness

	As of June.30,2007	As of June.30,2008
Cash and Bank balances (A)*	25.0	989.4
Bank Loans (B)	290.1	431.5
Current C	245.5	234.2
Non-current (D)	44.6	197.3
Total current net indebtedness (A-C)	<u>(220.5)</u>	755.2
Total non-current net indebtedness (A-D)	<u>(19.6)</u>	792.1
Total net indebtedness (A-B)	<u>(265.1)</u>	557.9
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\*The increase in cash related mainly to the increase in share capital of AED 883 million