1 March 2018, Dubai UAE

Depa Limited

Results Announcement

Depa announces record profits for FY17: net profit of AED 153.6mn up 195%

Depa Limited ("Depa"), the leading global interior solutions group, announces its results for the twelve months ended 31 December 2017.

Summary Financial Results

(AEDmn)	2017	2016	Change
Net profit	153.6	52.0	+195%
Revenue	1,800.3	1,730.3	+4%
EBIT margin	10.1%	4.7%	+540bp
Earnings per share (UAE fils)	25	7	+257%
Net cash (ex-restricted)	261.5	141.7	+85%
Backlog	1,794	1,927	-7%
Ordinary dividend per share (UAE fils)	8.5	-	+8.5 fils.

Highlights

- **Full year net profit of AED 153.6mn**
  - Up AED 101.6mn from AED 52.0mn in 2016: 195%
  - Generating earnings per share of UAE 25 fils
- **Robust revenue growth: revenue of AED 1,800.3mn**
  - Up from AED 1,730.3mn, 4% year-on-year growth
- **Strong margins: EBIT margin of 10.1%**
  - EBIT margin up 540bp compared with 4.7% in 2016
- **Robust balance sheet: AED 261.5mn net cash (ex-restricted) at year end**
  - Up AED 119.8mn from AED 141.7mn in 2016
- **Backlog of AED 1,794mn**
  - Supported by a strong pipeline of opportunities across the Group's addressable market
- **Full year ordinary dividend of UAE 8.5 fils plus special dividend of UAE 7.0 fils per share**
  - Interim ordinary dividend of UAE 2.5 fils and final ordinary dividend of UAE 6.0 fils per share
  - Special dividend of UAE 7.0 fils per share

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Results Announcement

Highlights

Robust revenue growth: up 4% year on year

Strong margins: EBIT margin of 10.1%

Net profit of AED 153.6mn

Robust balance sheet

Strong pipeline of opportunities

Full year ordinary dividend of UAE 8.5 fils

Special dividend of UAE 7.0 fils per share

Hamish Tyrwhitt, Group Chief Executive Officer, commented: *"Depa has made strong progress in 2017. The Group's success in 2017 has been driven by the execution of the clearly defined strategy, including the resolution of several major long-outstanding receivables underpinned by sound operational performance. On the back of progress made in 2017, the Group now moves its focus to achieving its longer-term strategic objectives of delivering consistent sustainable top and bottom line growth, cash backed profit and long-term shareholder value creation.*

"Throughout 2017, the Group has materially strengthened its balance sheet and further de-risked the business through receivable collection, implementing the Group's risk management systems and embedding a culture of accountability. The Group-wide strategic review has also been completed with appropriate plans in place to dispose of non-core assets and ultimately, maximise shareholder value creation. As a result of these actions, Depa paid its first ordinary dividend since 2010 in September 2017. This, together with the proposed final ordinary dividend, would bring the full year ordinary dividend to UAE 8.5 fils per share. Depa is also proposing a special dividend of UAE 7.0 fils per share.

"All four key business units continue to win quality projects and progress project execution. Consequentially, the outlook for the Group as a whole remains the most positive it has been for some time. This positive outlook, along with Depa's market leading positions and strong balance sheet, will allow the Group to take full advantage of both organic and inorganic growth opportunities"

Group Chief Executive Officer's Operational Review

The momentum created in 2016 has carried through into 2017 and is reflected in the Group's strong financial performance, setting the Group up well for 2018.

Pleasingly, the strategic review completed in 2017 has reinforced the rationale for the 2016 reorganisation of the Group. The strategic review also resulted in the identification of all non-core assets and decisive disposal plans have been set for each of these.

During the year, the Group-wide focus on cash collection resulted in several major long-outstanding receivables being collected. The collection of the few remaining long-outstanding receivables will continue to be pursued in 2018. The Group's focus is less on the past and more on the future: delivering existing projects for our clients and winning new quality projects.

Depa continued to invest in and grow a strong leadership team in 2017, with several key appointments made in the key business units. The Group continued to embed its performance driven culture and completed an organisational review, establishing a consistent and appropriate salary and grading structure across the Group globally. 2018 will see further work in this area deliver savings through an organisational mapping process to identify where each key business unit can achieve efficiencies and productivity savings.

During 2017, the roll-out of the Group's four-gate work winning system was completed and the business is now utilising the system to manage the Group's risk profile. This system provides a) increased win-rates, given more effort can be focused on the projects with the best chance of success; b) enhanced profitability as the most financially-rewarding projects are pursued; c) 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 continues to invest in organic growth, while continuously assessing acquisition opportunities against its strategic and financial objectives. The strategic review completed in 2017 identified the areas where organic investment is required and where inorganic growth will be pursued with a view to maximising long-term sustainable shareholder value.

Each of the Group's key business units are individually well placed to deliver success in 2018.

Strong revenue growth: up 15% year on year to AED 344.6mn

EBIT margin of 13.4%

Profit of AED 33.0mn, up 96% year on year

Merger of factories to drive efficiencies

Vedder

The Group's European business, Vedder, which is focused on the superyacht, private jet and high-net worth residence fit-out market, had a strong year. Vedder generated revenue of AED 344.6mn and profit of AED 33.0mn, representing an increase in revenue of AED 45.7mn or 15% on 2016 (AED 298.9mn) and an increase in profit of AED 16.2mn or 96% on 2016 (AED 16.8mn).

Vedder delivered an EBIT margin of 13.4%, up strongly on 2016 (8.1%). The 2016 merger of Vedder's functions, between its factories in Ludinghausen and Haidfling, has helped to drive efficiencies in 2017.

Vedder is widely recognised as the world's leading interior fit-out service provider for superyachts. Its reputation and longevity is testament to the quality of its work. As a result Vedder continues to secure major projects from Europe's leading shipyards and in late 2017 won a major residential project in Florida. With Vedder's backlog at record levels and its market leading position, Vedder is well positioned going into 2018.

Strong revenue growth: up 28% year on year to AED 837.4mn

Strong margins: EBIT margin of 18.7%

Profit of AED 131.7mn

Collection of a number long-outstanding receivables

Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, and transport and civil infrastructure sectors. 2017 was a strong year for Depa Interiors. Depa Interiors generated revenue of AED 837.4mn and profit of AED 131.7mn, representing an increase in revenue of AED 182.0mn or 28% on 2016 (AED 655.4mn) and an increase in profit of AED 128.2mn on 2016 (AED 3.5mn).

Depa Interiors delivered an EBIT margin of 18.7%, up strongly on 2016 (3.3%). The improvement in financial performance was driven by the collection of a number of long-outstanding receivables underpinned by strong operational performance on its current project portfolio. The year saw Depa Interiors resolve and receive payment in respect of an iconic Dubai project completed in 2010; and reach settlement and receive payment in respect of a project that was initiated in 2012.

During 2017 Depa Interiors completed a review of its business development and work winning strategy, the result of which was the implementation of a new client relationship management approach which better targets and services major repeat and new clients. This client-driven approach to business development will be developed over the course of 2018.

Depa Interiors secured several major contracts in 2017, including a project for a government ministry in Jeddah, the Hilton Double Tree and Garden Inn in Riyadh and a private beach residence in Abu Dhabi. Depa Interiors continues to see ample opportunities within its addressable market in the UAE, driven by Dubai's preparations for Expo 2020.

Robust revenue growth: up 3% year on year to AED 283.6mn

EBIT margin of 5.9%

Profit of AED 16.3mn

Deco delivered largest contract to date

Consolidation of Carrara factories to generate efficiencies and productivity savings

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the high-end retail and commercial fit-out sector, carpentry and joinery experts Eldiar, and Carrara, which supplies and installs premium marble, stone and granite. Deco Group had yet another good year.

The group generated revenue of AED 283.6mn representing an increase in revenue of AED 8.5mn or 3% on 2016 (AED 275.1mn). Profit for the year was AED 16.3mn (2016: AED 21.8mn), with the decrease a result of a select number of loss making projects in Eldiar.

Deco Group delivered an EBIT margin of 5.9% (2016: 8.2%).

2017 saw Deco deliver its largest contract to date, the new Robinsons department store at Dubai's Festival City. During the year, Deco also completed the retail fit-out project in the Dubai Mall for a leading US-based global electronics brand.

Deco Group has also secured new work on several Dubai Mall stores, including Dolce & Gabbana, Valentino and Bottega Veneta (a new client).

In 2017 Carrara secured premises neighbouring one of its existing factories; Carrara is in the final stages of relocating all of its operations from its other two factories into this sole extended premise. The consolidation of Carrara's factories is expected to generate significant efficiencies and productivity savings.

Additionally, Deco is in the process of merging Eldiar's operations with its own, providing Deco's high-end retail and commercial offering with Abu Dhabi based manufacturing facilities. This combination will result in further rationalisation savings for Deco Group over the course of 2018.

Significant operational improvements

Revenue of AED 366.9mn

EBIT margin of 1.6%

Profit of AED 4.7mn

Design Studio

The Group's Asian business, Design Studio, made significant operational progress during the year under its new leadership team. Whilst revenue and profit were down on 2016, Design Studio is now much better placed to win work and achieve sustainable cash backed profit as it enters 2018. In 2017 Design Studio generated revenue of AED 366.9mn (2016: AED 482.3mn) and profit of AED 4.7mn (2016: AED 57.3mn).

Design Studio delivered an EBIT margin of 1.6%, down on 2016 (14.4%).

Design Studio's revenue generation was affected by a slow-down in a number of its key markets with Singapore contributing significantly less revenue in 2017 than the prior year. From a profit perspective, Design Studio saw a number of projects experience cost overruns and reduced margins, impacting current year profit. Material restructuring costs were also incurred during the year in order to reduce manufacturing costs going forward.

From an operational perspective, Design Studio merged its Singaporean operations, reorganised its management and restructured its manufacturing facilities during 2017. The business continued to win opportunities both within its target markets of Singapore and Malaysia, as well as the Middle East, Thailand, China and other international markets. Contract wins included the Funan DigitaLife Mall and the Outpost Sentosa Hotel in Singapore; the Citizen M Hotel and Robinsons department store in Kuala Lumpur; and the Shenzhen Hengyu Residences in China.

Backlog of AED 1,794mn

Strong pipeline of opportunities

Backlog

During the year, the Group secured a number of major contracts, including a major residential project in Florida, a project for a government ministry in Jeddah; a major yacht project in Germany; the Dubai Mall Dolce & Gabbana and Bottega Veneta stores; the Funan DigitaLife Mall and the Outpost Sentosa Hotel in Singapore**;** the Citizen M Hotel and Robinsons department store in Kuala Lumpur**;** and the Shenzhen Hengyu Residences in China.

Depa ended the year with a backlog of AED 1,794mn. The backlog remains healthy with the Group pursuing a strong pipeline of opportunities in its global addressable market. Dubai's Expo 2020, global superyacht orders, the market leading position of Depa's key business units, together with strong growth in the Group's core markets, provide strong tailwinds for Depa to continue to grow its backlog with attractive, profitable projects.

Depa now focuses on the next phase of its strategy

Long-term sustainable shareholder value creation

Organic and inorganic growth opportunities

Outlook

Depa is now focused on the next phase of its strategy: delivering consistent sustainable top and bottom line growth, cash backed profit and long-term shareholder value creation. The strong market leading positions enjoyed by each key business unit, together with the financial strength of Depa Group, will enable the Group to take advantage of both organic and inorganic growth opportunities.

Financial Review

Financial performance

2017 saw the Group generate record profits through the resolution and collection of a number of material long-outstanding receivables underpinned by sound operational performance: the Group generated profit for the period of AED 153.6mn, an increase of AED 101.6mn or 195% on 2016 (AED 52.0mn).

For the twelve months to 31 December 2017, Depa generated revenue of AED 1,800.3mn, an increase of AED 70.0mn or 4% on 2016 (AED 1,730.3mn).

Whilst the Group has made significant progress in collecting payments in respect of a number of long outstanding receivables, structural issues affecting some of the main contractors in the Middle East remain. As a consequence of the resolution of these long outstanding receivables and these structural issues, 2017 saw the Group record a AED 27.5mn net reversal of allowances for doubtful debts, at the same time as decreasing its trade receivable balance.

In the twelve months to 31 December 2017, associates generated a small loss of AED 1.4mn, compared to AED 5.3mn profit in 2016.

Net finance expense amounted to AED 11.4mn (2016: AED 10.1mn); as a result, the Group generated profit before tax of AED 170.4mn (2016: AED 71.7mn).

The Group recognised an income tax expense of AED 16.8mn in 2017 (2016: AED 19.7mn). The decrease in tax expense is mainly attributable to the decrease in profit generated in taxable Asian countries in 2017 compared with 2016. Further, the effective tax rate on operations in countries which are taxable decreased to 13% (2016:18%).

Non-controlling interests amounted to AED 1.3mn compared with AED 6.5mn in 2016. The non-controlling interests primarily relate to the Group's ownership of Design Studio as well as The Parker Company.

As a result of the above, Depa generated basic and diluted earnings per share of UAE 25 fils, an increase of UAE 18 fils on 2016 (UAE 7 fils per share).

Cash flow

Cash generation throughout the year was boosted by the recovery of long outstanding receivables. Working capital expanded in the latter half of the year, primarily due to project execution schedules and payment delays being experienced on a few large projects, reducing the Group's overall cash conversion for the year. Consequently, net cash inflows from operating activities increased to AED 143.5mn (2016: AED 61.9mn). This increase is expected to partially unwind over the second half of 2018 with the Group maintaining its sharp focus on cash collections.

Net cash outflows from investing activities for the year amounted to AED 23.5mn (2016: inflow AED 28.7mn). The difference year-on-year primarily relates to cash inflows being recorded in 2016 due to the sale of assets and proceeds from the redemption of held to maturity investments and fixed deposits.

During 2017, the Group reduced its funded borrowings by AED 76.7mn (2016: AED 72.1mn) and paid its first ordinary dividend since 2010. Consequently, net cash outflows from financing activities increased to AED 115.1mn (2016: AED 92.5mn).

Foreign exchange differences resulted in an AED 32.7mn positive movement (2016: AED 10.4mn) in the reported cash and cash equivalents. These primarily related to the strengthening of the Singaporean Dollar and Euro against the UAE Dirham.

As a result of the above, the Group ended the year with a net cash position of AED 396.8mn and a net cash position, excluding restricted cash, of AED 261.5mn, an increase of AED 119.8mn on 2016 (AED 141.7mn).

Financial position

The Group ensures that it maintains adequate liquidity to meet its requirements and appropriate working capital facilities for all of its needs via its strong bank relationships. Cash and cash equivalents at year end stood at AED 308.6mn (2016: AED 271.0mn).

At year end, equity attributable to equity holders of the parent equated to at AED 1,397.0mn, an increase of AED 181.3mn on 2016 (AED 1,215.7mn).

The Group's outstanding ordinary shares at year end amounted to 608,701,656, (issued ordinary shares of 615,567,739 less 6,866,083 treasury shares).

Dividend

2017 saw Depa pay its first ordinary dividend since 2010.

In line with the Group's dividend policy of paying out between 25% and 50% of profits annually, an ordinary dividend of UAE 8.5 fils per ordinary share is being recommended for the year ended 31 December 2017 for approval by the shareholders at the Annual General Meeting to be convened at 13:00 on 25 April 2018 at Level 35 Vision Tower, Business Bay, Dubai (2016: nil).

Following the payment of an interim ordinary dividend of UAE 2.5 fils in September 2017, the final ordinary dividend for the year would therefore be UAE 6.0 fils per ordinary share, payable on 20 May 2018 with a record date of 6 May 2018 and the shares trading ex-dividend on 3 May 2018.

Approval will also be sought for a special dividend of UAE 7.0 fils per share with the same timings as the final ordinary dividend.

Listing improvements and enhanced share liquidity

As part of its commitment to deliver long-term sustainable shareholder value, Depa is undertaking a range of initiatives to increase the attractiveness of its shares to regional and international institutional and retail investors, improve liquidity and ensure more efficient pricing of its shares.

On 29 January 2018, Depa announced the appointment of SHUAA Capital International to begin liquidity provision services, ensuring a tight bid-offer spread and sufficient order sizes / market depth that investors will have confidence that they trade in and out of the shares as required.

On 26 February 2018, Depa completed the termination of its Global Depository Receipt programme. The limited liquidity of the programme did not justify the cost.

The conversion of Depa's listing currency on the Nasdaq Dubai trading platform from US Dollars to UAE Dirhams is expected to become effective in March 2018. By removing an often-cited hindrance by regional investors, the redenomination of Depa's listing currency is expected to increase the attractiveness of its shares to regional institutional and retail investor bases and improve liquidity.

In an effort to enhance transparency and investor access, the Group is also committed to making all market disclosures, such as this market announcement, in both Arabic and English language.

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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 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 its 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, which 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, whether 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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