25 April 2019, Dubai UAE

Depa PLC

Results Announcement

Results for the year ended 31 December 2018

Depa PLC ("Depa"), the leading global interior solutions group, announces its results for the twelve months ended 31 December 2018.

Summary Financial Results

	2018	2017
Revenue (AEDmn)	1,802.3	1,800.3
Backlog (AEDmn)	2,109	1,794
Earnings per share (UAE fils)	(20)	25
Ordinary dividend per share (UAE fils)	2.6	8.5

Highlights

- **Stable revenue of AED 1,802.3mn**
  - Up AED 2.0mn on 2017, which included positive impact of two major receivable collections

- **Net profit before goodwill impairment of AED 4.4mn**
  - DSG loss (AED 71.5mn) and associated goodwill impairment (AED 129.6mn) negatively impacted 2018
  - 2017 positively impacted by the recovery of two major long outstanding receivables
  - AED 123.5mn loss after NCI, loss per share UAE fils (20)

- **Robust balance sheet**
  - AED 110.8mn net cash (ex-restricted) following AED 95.4mn of dividend payments

- **Backlog of AED 2,109mn, up AED 315mn or 18% on 31 December 2017**
  - Supported by a strong pipeline of opportunities across the Group's addressable market

Hamish Tyrwhitt, Group Chief Executive Officer, commented: *"Depa has made steady progress in 2018. All four key operating groups have contributed to the significantly improved backlog position of the Group with key project awards in the infrastructure, retail and superyacht sectors. These project wins, with repeat clients, are further testimony to the reputation and market-leading position that the Group's key operating groups command.*

"The Group has continued to focus on driving efficiencies, productivity, innovation and harmonisation across the key operating groups. Whilst DSG experienced challenges, operational performance across the rest of the Group has been robust in FY18. Looking forward, our continued focus on securing projects capable of generating a cash-backed profit and on project execution means Depa is well placed going into 2019."

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Highlights

- **Stable revenue: up AED 2.0mn on 2017**
- **Backlog: up 18% on 2017**
- **Robust balance sheet**

Group Chief Executive Officer's Operational Review

With key projects secured across a wide range of sectors in its global addressable market, Depa significantly improved its backlog during 2018. Its backlog position remains healthy and diverse across its key operating groups.

Vedder, the Group's European operating group, secured the entire interior fit-out of three superyachts during 2018. Depa Interiors has continued to diversify its backlog, securing projects in the hospitality, commercial, residential and infrastructure sectors across the Middle East. Deco Group continues to secure luxury retail projects in the Middle East and also secured a commercial fit-out project for a new government client and a package on the Dubai Metro extension. In Asia, DSG has made considerable improvements to its backlog, securing work in Singapore and Malaysia, the Middle East, Thailand and China.

Notable project deliveries include the Dolce & Gabbana, Dior, Valentino, Ralph Lauren, Givenchy, Bottega Veneta and Alexander McQueen boutiques in the new Dubai Mall Fashion Avenue extension.

In the first half of 2018, Depa continued to make improvements to its share listing in a bid to enhance share liquidity, terminating its Global Depository Receipt programme and converting its listing currency from US dollars to UAE dirhams, becoming the first company with a local currency listing on the Nasdaq Dubai.

With a view to maximising long-term, sustainable shareholder value, the Group proceeded with its disposal plans for the non-core assets identified during the 2017 Group-wide strategic review; with a disposal worth AED 7.0mn completed in 2018. In addition, a number of other transactions are progressing well.

During the year, Depa has consistently worked on implementing efficiency and productivity improvements, encouraging collaboration and innovation across the Group's operations. The Group has been actively pursuing the recovery of its remaining long-outstanding receivable balances and will continue to do so. Despite certain challenges, the outlook for the Group remains positive with Depa continuing to invest in organic growth.

- **Revenue of AED 378.8mn up 10% on 2017**
- **EBIT margin of 12.4%**
- **Profit of AED 32.9mn**
- **5 major superyacht projects secured**
- **Record project delivery**

Vedder

Vedder, the Group's European operating group, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 378.8mn and profit of AED 32.9mn, an increase in revenue of AED 34.2mn or 10% on 2017 (AED 344.6mn) and a decrease in profit of AED 0.1mn on 2017 (AED 33.0mn). Vedder delivered an EBIT margin of 12.4% (2017: 13.4%).

In March 2018, Vedder announced the award of their largest project to-date, securing an interior fit-out package for a private superyacht worth more than AED 130mn. In July 2018, Vedder announced another contract win of more than AED 74mn, demonstrating the strength of Vedder's reputation the client awarded the entire interior package to Vedder. Vedder secured two additional entire interior packages during October 2018 worth more than AED 150mn in total. The award of three entire interior packages to Vedder during the year is testament to Vedder's unparalleled project delivery, timely execution and quality craftsmanship.

Vedder's continued growth will be further facilitated by the expansion of their Lüdinghausen facilities for which planning permission is currently being sought. This will enable Vedder to provide a higher volume of services to the growing superyacht market.

- **Revenue of AED 656.2mn**
- **EBIT margin of 5.7%**
- **Profit of AED 25.4mn**
- **Significant backlog growth**
- **Continued backlog diversification**

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. Depa Interiors generated revenue of AED 656.2mn (2017: AED 837.4mn) and profit of AED 25.4mn (2017: 131.7mn). Depa Interiors delivered an EBIT margin of 5.7% (2017: 18.7%). The higher levels of revenue, profit and EBIT margin in 2017 is attributable to the recovery of two long outstanding receivables that positively impacted those results.

Following the appointment of Kevin Lewis as Managing Director of Depa Interiors in early 2018, operations have been restructured in order to increase efficiencies across its business, harmonise manufacturing processes and increase collaboration between locations. In addition to Kevin's appointment, Depa Interiors further strengthened its management team with several other key management appointments.

Depa Interiors has focused on diversifying its backlog and has recently secured a significant package of work worth more than AED 110mn for a large scale infrastructure project in Abu Dhabi. This is in addition to an infrastructure package in Riyadh worth more than AED 80mn which was awarded in July 2018. Depa Interiors has also secured significant awards in the hospitality, commercial and residential sectors and has a solid pipeline of prospective work including multiple projects connected to the Expo 2020 development. Depa Interiors' growing backlog coupled with improvements in operations, estimation and the bidding and tendering process will ensure it is well placed to leverage the opportunities in the UAE and other Middle Eastern markets over the coming years.

- **Revenue of AED 251.6mn**
- **EBIT margin of 9.7%**
- **Profit of AED 22.4mn**
- **Strong project delivery**
- **Secured commercial fit-out for new government client**

Deco Group

Middle East-based Deco Group comprises Deco, which is focused on the retail and commercial fit-out sector; carpentry and joinery experts Eldiar; and Carrara, which supplies and installs premium marble, stone and granite.

In 2018 Deco Group generated revenue of AED 251.6mn (2017: AED 283.6mn) and profit of AED 22.4mn, an increase of AED 6.1mn or 37% on 2017 (AED 16.3mn). Deco Group delivered an EBIT margin of 9.7%, a significant increase on 2017 (5.9%). The profit and EBIT margin in 2018 was positively impacted by the sale of its leasing rights as part of Carrara's factory consolidation plan, while 2017 was negatively impacted by a select number of loss making projects in Eldiar.

2018 saw Deco deliver several projects for repeat clients, completing the interior fit-out works for the Dolce & Gabbana, Dior, Valentino, Ralph Lauren and Givenchy boutiques for the new Dubai Mall Fashion Avenue extension along with the Bottega Veneta and Alexander McQueen boutiques which are both new clients.

Deco continues its long-term relationship with several major luxury retailers, winning the fit-out of new Chanel boutiques in Dubai Mall, Dubai Airport and New Delhi. Deco also secured the fit-out works for the Gucci and Louis Vuitton boutiques at Mall of the Emirates. During 2018 Deco was awarded the commercial fit-out works for a new government client and Carrara secured a package of works on the Dubai Metro extension.

Whilst some factory enhancements remain ongoing, Carrara's factory consolidation was largely completed during 2018.

- **Revenue of AED 454.7mn**
- **Loss of AED 71.5mn**
- **Factory rationalisation**
- **Right sized workforce**

DSG

The Group's Asian business, DSG, delivered revenue of AED 454.7mn an increase of AED 87.8mn or 24% on 2017 (AED 366.9mn) and loss of AED 71.5mn (2017 profit: AED 4.7mn).

Whilst DSG's revenue is significantly improved on 2017 and its backlog is also higher than at the start of the year, its overall financial performance lagged the rest of the Group's key operating groups. DSG's 2018 performance was affected by underutilisation of its factories, cost overruns from delays on a Dubai based project and restructuring charges relating to its plans to close its Malaysian factory and its showrooms.

DSG improved its backlog during 2018 and the business continued to secure opportunities both within its target markets of Singapore and Malaysia, as well as the Middle East and other international markets. As part of on-going business development activities, in May 2018, DSG established a joint venture in Thailand in a bid to capitalise on opportunities within the Thai market.

Backlog of AED 2,109mn, up 18% on 2017

Strong pipeline of opportunities

Backlog

During the year the Group secured a number of major contracts, including two large scale infrastructure projects in the Middle East, three entire interior superyacht fit-outs and a number of luxury retail fit-outs for repeat clients. Depa ended the year with backlog of AED 2,109mn, up AED 315mn or 18% on 31 December 2017 (AED 1,794mn).

Well positioned to take advantage of growth opportunities

Outlook remains positive

Outlook

The quality of Depa's secured backlog and pipeline of prospective work, in addition to the market leading positions that its key operating groups maintain and its robust balance sheet, ensures the Group is well positioned to take advantage of organic growth opportunities as they arise.

Despite certain challenges, the outlook for the Group remains positive.

Financial Review

Financial performance

During the twelve months to 31 December 2018, Depa generated revenue of AED 1,802.3mn, an increase of AED 2.0mn on 2017 (AED 1,800.3mn). 2017 revenue was positively impacted by the recovery of two major long outstanding receivables.

Expenses in 2018 increased by AED 279.3mn to 1,896.4mn (2017: AED 1,617.1mn). The Group's 2018 expenses include AED 129.6mn of goodwill impairment relating to DSG, AED 8.1mn relating to the closing of DSG's Malaysia facilities and showrooms and AED 3.7mn impairment loss for the associate which was disposed of. 2017 expenses also include the positive impact arising from the recovery of the two major long outstanding receivables.

In the twelve months to 31 December 2018, associates generated a loss of AED 2.5mn (2017: AED 1.4mn).

Net finance expense amounted to AED 10.0mn slightly less than the prior year (2017: AED 11.4mn).

The Group recognised an income tax expense of AED 18.6mn in 2018 (2017: AED 16.8mn).

Consequently, the Group generated a loss for the period of AED 125.2mn (2017 profit: 153.6mn). Excluding the goodwill impairment, the Group generated a profit of AED 4.4mn.

Non-controlling interests amounted to positive AED 1.7mn (2017: negative AED 1.3mn). DSG's losses were partially offset by stronger results of a number of other non-wholly owned subsidiaries.

As a result, the Group generated net loss after non-controlling interests of AED 123.5mn (2017 profit: AED 152.3mn).

Cash flow

Net cash outflows from operating activities amounted to AED 13.3mn (2017: inflow AED 143.5mn). 2017 operating cash flows include the recovery of two major long outstanding receivables; whilst project payment timings resulted in an increase in working capital balances of AED 47.1mn in 2018.

Net cash inflows from investing activities for 2018 amounted to AED 8.6mn (2017: outflow AED 23.5mn) with the group realising AED 7.0mn from the disposal of an associate during the period as part of its non-core asset disposal programme.

During 2018, the Group reduced its borrowings by AED 19.6mn excluding overdrafts (2017: AED 76.7mn) and paid a dividend to shareholders of

AED 95.4mn (2017: 15.4mn). Consequently, net cash outflows from financing activities for the period were AED 132.6mn (2017: AED 115.1mn).

Foreign exchange differences resulted in an AED 11.6mn negative movement (2017: AED 32.7mn positive impact) in the reported cash and cash equivalents.

As a result of the above, the Group ended 2018 with net cash excluding restricted cash of AED 110.8mn (2017: 261.5mn).

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 the 31 December 2018 stood at AED 159.7mn (2017: AED 308.6mn).

At period end, equity attributable to equity holders of the parent equated to AED 1,140.9mn (2017: AED 1,397.0mn).

The Group's outstanding ordinary shares at end of 2018 amounted to 611,586,670 (issued ordinary shares of 618,452,753 less 6,866,083 treasury shares).

To improve the financial position as presented in the Group's consolidated financial statements, the Board of Directors is recommending that the shareholders approve the conversion of the share premium account into distributable reserves at Depa's upcoming 2019 general meeting.

Dividend

An ordinary interim dividend of UAE 2.6 fils per ordinary share was paid on 21 October 2018.

Following the interim dividend payment the Board are not recommending the payment of a final dividend.

The board reiterated its commitment to not only ensuring the sustainability of long-term shareholder value but also to its previously stated dividend policy of paying out 25% to 50% of earnings each year, equating to a dividend cover of 2 to 4 times.

For further information, please contact:

Depa PLC
Tel: + 971 4 446 2100

Hamish Tyrwhitt, Group Chief Executive Officer
Steven Salo, Group Chief Financial Officer

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 operating groups 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 operating group, 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 PLC 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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