29 August 2019, Dubai UAE

Depa PLC
Results Announcement

Results for the six months ended 30 June 2019

Depa PLC ("Depa"), the leading global interior solutions group, announces its results for the six months ended 30 June 2019.

Summary Financial Results

	H1 2019	H1 2018
Backlog (AEDmn)	2,088	1,890
Revenue (AEDmn)	648.1	852.2
Earnings per share (UAE fils)	(33)	5

Highlights

- **Backlog of AED 2,088mn, up AED 198mn or 10% on H1 2018**
  - Supported by a strong pipeline of opportunities across the Group's addressable market
- **Revenue of AED 648.1mn**
  - Down AED 204.1mn on H1 2018
- **Net cash position**
  - Positive net cash position excluding restricted cash: AED 19.8mn
- **Group Chief Executive Officer's operational review complete**
  - Operational review identified a number of areas for improvement and cost saving initiatives, many already underway
  - In light of the more difficult trading environments that the majority of the Group's key business units are currently facing a number of exposures have been addressed in the de-risking of the balance sheet, impacting the financial results during this reporting period

Kevin Lewis, Group Chief Executive Officer, commented: *"During the first half of the year, Depa Interiors and Vedder have handed over some major projects and each of the key business units has recognised a number of significant project awards. These project wins, with repeat clients, are testimony to the reputation and market-leading position that the Group's key business units command.*

"Depa's performance in the first half lagged that of H1 2018, and with Depa Interiors and DSG generating a net loss. As a consequence of the operational review, a number of cost saving initiatives have been identified and are either implemented or under implementation.

"In light of the financial performance of the Group and the more difficult trading environment that the majority of our key business units are operating in, we have taken corrective action: year to date, Depa has reduced its staff employees by 115 on a net basis; resulting in AED 17.5 million of annual savings. Whilst the more difficult trading conditions do not appear to be dissipating, I remain confident in the strength of each of Depa's key business units."

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Results Announcement

Highlights

Revenue: AED 648.1mn

Backlog: up 10% on H1 2018

Robust balance sheet

Group Chief Executive Officer's Operational Review

During the first half of 2019 Depa has continued to secure key projects across a wide range of sectors in its global addressable market and has completed a Group-wide operational review.

The Group's backlog position remains healthy and diverse with key projects secured by each of the key business units. Vedder, the Group's European key business unit, recently announced an award worth more than AED 116mn, while Depa Interiors secured a commercial fit-out package worth AED 100mn. Deco Group continues to secure luxury retail projects in the Middle East while in Asia, DSG has significantly improved its backlog during 2019, securing major works in Singapore, Thailand, Myanmar and China.

With a view to maximising long-term, sustainable shareholder value, the Group continued with its disposal plans of its non-core assets; including the disposals of its interests in both The Parker Company and Lindner Middle East. These disposals are major milestones in the Group's non-core assets disposal programme which aims to streamline the Group's structure and most importantly allow management to focus on the Group's core business.

Following management's Group-wide operational review during the first half of 2019, the Group's strategic management company has relocated to Dubai Investment Park consolidating its non-project related and management functions. The relocation, along with other key initiatives identified will allow the Group to realise cost-savings and enhance efficiency and productivity.

The Group Chief Executive Officer's operational review also encompassed a deep dive into the Group's project schedules and receivable balances. In light of the more difficult trading environment that the Middle East and Asia businesses are currently facing, provisions were taken against certain receivable balances, impacting the Group's performance in H1 2019.

The operational review also identified a number of areas of potential cost savings. These initiatives primarily focus on a restructuring programme in the Middle East and Asia, savings from travel expenses and a reduction in external service providers' fees; with scope for further improvements. Year to date staff employees have been reduced by more than 115 on a net basis, resulting in AED 17.5mn of annual savings.

In light of the challenges that the Group is facing, Depa will continue to invest in organic growth, while reducing its cost base and improving its productivity.

Revenue of AED 164.5mn up 2% on H1 2018

EBIT margin of 3.9%

Profit of AED 2.5mn

Major superyacht project secured

Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 164.5mn and profit of AED 2.5mn, an increase in revenue of AED 3.2mn or 2% on H1 2018 (AED 161.3mn) and a decrease in profit of AED 11.7mn on H1 2018 (AED 14.2mn). Vedder delivered an EBIT margin of 3.9% (H1 2018: 12.4%).

Vedder's H1 2019 results were impacted by a warranty expense, redundancy costs and the settlement of a legal matter totalling AED 5.5mn. These items are non-recurring in nature.

In June 2019, Vedder secured an interior fit-out package for a new-build superyacht worth more than AED 116mn. The award of this significant package from a repeat client is testament to Vedder's unparalleled project delivery, timely execution and quality craftsmanship. Vedder also completed the handover of a large interior yacht fit-out package during June 2019.

Vedder has been actively working on strengthening their backlog with additional major awards expected during the second half of 2019.

An expansion of the Lüdinghausen facilities is currently being considered which will further facilitate Vedder's continued growth.

Revenue of AED 217.6mn

Loss of AED 137.7mn

Significant commercial fit-out award

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 217.6mn (H1 2018: AED 312.2mn) and a loss of AED 137.7mn (H1 2018: AED 18.1mn profit).

In light of the more difficult trading environment in the Middle East provisions of AED 81.0mn have been recorded in relation to receivable balances which have had a significant negative impact on H1 2019 financial performance. A revision to the expected credit loss model also resulted in an additional provision of AED 16.1mn. Depa Interiors will continue to pursue all of its contractual entitlements rigorously whether or not the balance has been provided for. Additionally, a number of Depa Interiors' projects have faced significant delays, primarily in UAE and KSA. The consequence of four delayed projects has had a AED 59.3mn impact on Depa Interiors' profit for the period and also negatively impacted revenue.

As a result of the review, operations have been restructured which will allow Depa Interiors to realise cost-savings going forward particularly in relation to staff costs, travel expenses and service provider costs where initiatives have been identified and are underway.

Depa Interiors has continued to focus on diversifying its backlog and has recently secured a commercial office fit-out package for the new headquarters of a leading UAE airline worth AED 100mn.

- **Revenue of AED 107.9mn**
- **EBIT margin of 1.7%**
- **Profit of AED 1.0mn**

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 H1 2019 Deco Group generated revenue of AED 107.9mn (H1 2018: AED 121.2mn) and profit of AED 1.0mn (H1 2018: AED 15.7mn). Deco Group delivered an EBIT margin of 1.7% (H1 2018: 13.8%). The profit and EBIT margin in H1 2018 was positively impacted by the sale of its leasing rights as part of Carrara's factory consolidation plan (AED 4.4mn), while H1 2019 was negatively impacted by delays on a select number of Eldiar projects.

Deco continues its long-term relationship with several major luxury retailers, winning the fit-out of a new Chanel boutique in Abu Dhabi and a Dolce and Gabanna boutique in Saudi Arabia during the period. Deco also secured fit-out packages for Louis Vuitton, Dior and Christian Louboutin in the Dubai Mall.

- **Revenue of AED 139.1mn**
- **Loss of AED 50.1mn**
- **Significant backlog improvement**

DSG

The Group's Asian business, DSG, delivered revenue of AED 139.1mn (H1 2018: AED 248.2mn) and a loss of AED 50.1mn (H1 2018 profit: AED 3.6mn).

DSG's revenue has decreased mainly due to lower revenue recognised in the Singapore, Malaysia and manufacturing business units, while DSG recognised an increase in revenue in its International business unit. Provisions for receivables of AED 18.6mn, mainly Malaysian balances, also negatively impacted the financial performance in H1 2019.

DSG has identified and implemented a number of cost saving initiatives including; streamlining of factories, increased focus on the utilisation of its China factory and headcount reductions.

DSG's backlog significantly improved during the first half of 2019, increasing by 22% from AED 363mn to AED 444mn over the period as it continues to secure opportunities across Singapore, Thailand and China along with the award of its first project in Myanmar.

During the period, Depa increased its board participation in DSG during H1 2019, through the appointment of two Depa executives.

Backlog of AED 2,088mn, up 10% on H1 2018

Strong pipeline of opportunities

Backlog

During the period the Group secured a number of major contracts, including a large commercial fit-out project in the Middle East, a significant superyacht interior fit-out and a number of luxury retail fit-outs for repeat clients. Depa's backlog of AED 2,088mn at H1 2019 is up AED 198mn or 10% on H1 2018 (AED 1,890mn).

Group-wide operational review completed

Outlook remains mixed

Outlook

The Group-wide outlook for the remainder of 2019 is mixed. Whilst Depa's European business continues to benefit from a strong market and its market leading position, the market in the Middle East holds both structural challenges as well as opportunities. Whilst in Asia significant market opportunities are presently identifiable, caution must be observed in new market expansion.

Financial Review

Financial performance

During the six months to 30 June 2019, Depa generated revenue of AED 648.1mn, a decrease of AED 204.1mn on H1 2018 (AED 852.2mn). H1 2019 revenue was negatively impacted by lower revenue recognition in DSG and Depa Interiors with Depa Interiors' reduction including the impact of the increases to cost to complete on four major delayed projects in UAE and KSA.

Expenses in H1 2019 decreased by AED 77.4mn to AED 722.8mn (H1 2018: AED 800.2mn). The Group's H1 2019 expenses include AED 10.2mn relation to the write down of goodwill and intangibles relating to DSG and AED 2.8mn relating to a loss on the disposal of TPC and LME.

Net provisions for doubtful debts of AED 118.1mn (H1 2018 reversal AED 0.7mn) primarily relates to DSG and Depa Interiors with AED 16.1mn relating to the revision of the expected credit loss model.

In the six months to 30 June 2019, associates generated a loss of AED 2.9mn (H1 2018: AED 2.8mn).

Net finance expense amounted to AED 5.1mn in line with the prior year (H1 2018: AED 5.1mn).

The Group recognised an income tax expense of AED 5.6mn in H1 2019 (H1 2018: AED 9.0mn).

Consequently, the Group generated a loss for the period of AED 206.4mn (H1 2018 profit: 35.8mn).

Non-controlling interests amounted to positive AED 3.6mn (H1 2018: negative AED 4.9mn). DSG's losses were partially offset by stronger results of a number of other non-wholly owned subsidiaries which were disposed of during H1 2019.

As a result, the Group generated net loss after non-controlling interests of AED 202.8mn (H1 2018 profit: AED 30.9mn).

Cash flow

Net cash outflows from operating activities amounted to AED 97.5mn (H1 2018: AED 32.4mn) as a result of the timing of project related receipts and payments and operating losses at DSG and Depa Interiors.

Net cash inflows from investing activities for H1 2019 amounted to AED 15.5mn (H1 2018: outflow AED 0.6mn) with the Group realising AED 25.7mn from the disposal of TPC and LME net of cash disposed and deferred proceeds during the period as part of its non-core asset disposal programme. H1 2018 included a dividend payment of AED 79.3mn.

During H1 2019, the Group increased its borrowings by AED 14.3mn excluding overdrafts (H1 2018: AED 8.7mn decrease). Net cash inflows from financing activities for the period were AED 33.3mn (H1 2018: outflow AED 96.7mn).

Foreign exchange differences resulted in an AED 3.8mn negative movement (H1 2018: AED 0.8mn) in the reported cash and cash equivalents.

As a result of the above, the Group ended the first half of 2019 with net cash excluding restricted cash of AED 19.8mn (H1 2018: 140.8mn).

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 30 June 2019 stood at AED 80.8mn (H1 2018: AED 178.1mn).

At period end, equity attributable to equity holders of the parent equated to AED 930.9mn (H1 2018: AED 1,322.4mn).

The Group's outstanding ordinary shares at end of H1 2019 amounted to 614,145,794 (issued ordinary shares of 618,452,753 less 4,306,959 treasury shares).

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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: DSG, 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 PLC is listed on the Nasdaq Dubai (DEPA: DU) and is headquartered in Dubai, United Arab Emirates.

Unaudited trading statement:

All figures contained in this trading statement are unaudited.

Cautionary statement:

This document may contain 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 any such forward looking statements.

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