27 August 2020, Dubai UAE

Depa PLC

Results Announcement

Results for the six months ended 30 June 2020

Depa PLC ("Depa"), the leading global interior solutions group, announces its results for the six months ended 30 June 2020.

Summary highlights include:

- **Revenue of AED 536.2mn (H1 2019: AED 648.1mn)**
- **Backlog of AED 1,555mn (H1 2019: AED 2,088mn)**
- **Cash and cash equivalents of AED 68.0mn (H1 2019: AED 80.8mn)**

During the first half of 2020 Depa has continued to secure key projects across a wide range of sectors and its key business units with the Group's backlog position remaining healthy and diverse. Vedder, the Group's European key business unit, recently secured both an exterior and interior package on a new build superyacht totalling more than AED 200mn, while Depa Interiors secured a number of cinema projects in the Kingdom of Saudi Arabia further diversifying its backlog. Deco secured a number of luxury retail projects in the Middle East demonstrating its continued strong relationships with long-term clients.

Entering 2020, the Group was facing a number of headwinds. With the emergence of covid-19, the trading environment within which the Group operates has become even more challenging. Given this backdrop, the Group has recognised a non-cash non-recurring impairment of goodwill and intangibles of AED 86.7mn and AED 11.0mn of investment property impairments. Additionally, a number of provisions have been recognised against certain receivable balances at Depa Interiors reflecting the trading environment and impacting the Group's performance in H1 2020. The implementation of its group-wide transformation and restructuring programme has also seen the Group incur a number of exceptional non-recurring costs.

In light of the challenges that the Group is facing and as a result of the Group-wide strategic review, Depa is taking action to transform its operating model to meet the demands of the evolving market conditions it now faces and build a more agile business. Depa has implemented headcount reductions across the Middle East and Asia, with a number of further cost savings measures successfully effected. The headcount reductions will ensure that the Group has a much more flexible cost base. The management will continue to take swift action to reduce its cost base and ensure its financial sustainability.

Following significant progress on the non-core assets disposal programme during 2019, the Group is continuing to pursue disposals of certain non-core assets with a view to maximising long-term shareholder value.

Kevin Lewis, Group Chief Executive Officer, commented: *"With covid-19's impact on the global economy, DSG's ongoing restructuring and the structural issues experienced by the construction sector in the Middle East, Depa is facing some challenging trading conditions. Accordingly, the Group has conducted a strategic review and is in the process of implementing its transformation plan. The consequence of which has seen headcount reductions, a cost base restructuring across the Group's key business units, in addition to the pursuit of a number of non-core asset disposals. The Group's restructuring programme will continue to run into 2021 with the end product being a more flexible cost base more suited to the market and an improvement in the Group's liquidity position.*

"The management team of Depa have made good progress over the course of a difficult six months and will continue to take swift action where necessary. Pleasingly the Group continues to win new projects which provides the platform for the reset organisation to grow from."

Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 169.0mn and profit of AED 10.4mn, an increase in revenue of AED 4.5mn or 3% on H1 2019 (AED 164.5mn) and an increase in profit of AED 7.9mn on H1 2019 (AED 2.5mn). Vedder delivered an EBIT margin of 9.6% (H1 2019: 3.9%).

Vedder's H1 2019 results were impacted by a warranty expense, redundancy costs and the settlement of a legal matter totalling AED 5.5mn.

Vedder secured an exterior package in early 2020 as a result of the increased focus on the exterior and refit sectors, and in May 2020 Vedder secured an exterior fit-out package for a new-build superyacht, subsequently securing an interior package on the same project in July 2020 with both packages totalling more than AED 200mn. Despite the impact of covid-19, Vedder completed the handover of a large interior and exterior yacht fit-out project worth more than AED 160mn.

Vedder has been actively working on strengthening its backlog with additional major awards expected during the second half of 2020.

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 243.1mn (H1 2019: AED 217.6mn) and a loss of AED 50.2mn (H1 2019: AED 137.7mn).

In light of the more difficult trading environment in the Middle East which has been further impacted by the outbreak of covid-19, provisions of AED 29.6mn have been recorded in relation to receivable balances which has had a negative impact on H1 2020 financial performance. Depa Interiors will continue to pursue all of its contractual entitlements rigorously whether or not the balance has been provided for. Additionally, the slowdown as a result of covid-19 has resulted in extended completion dates for a number of projects primarily in Saudi Arabia. The consequence of the project extensions has had an AED 11.1mn impact on Depa Interiors' profit for the period and also negatively impacted revenue.

In reaction, Depa Interiors has modified its operating model, delivering cost savings and operational agility to better suit the market conditions. Cash collection is a key focus of Depa Interiors with the Middle Eastern construction sector facing a number of structural challenges.

Depa Interiors' continued focus on diversifying its backlog has seen it secure a number of cinema fit-out packages in Saudi Arabia. Strong progress has been made on a number of other opportunities with some large awards expected during the second half of 2020.

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 2020 Deco Group generated revenue of AED 76.6mn (H1 2019: AED 107.9mn) and a loss of AED 6.0mn (H1 2019: AED 1.0mn profit). H1 2020 performance was negatively impacted by temporary site shutdowns as a result of covid-19.

Deco continues its long-term relationship with several major luxury retailers, winning fit-out packages for Louis Vuitton and Dior in Dubai airport and Versace and Dolce and Gabanna packages in Dubai Mall. Carrara also secured a number of projects in the UAE and successfully handed over its Dubai Metro expansion project.

DSG

The Group's Asian business, DSG, delivered revenue of AED 50.0mn (H1 2019: AED 139.1mn) and a loss of AED 27.2mn (H1 2019: AED 50.1mn).

DSG's revenue has decreased mainly due to the impact of covid-19 and the slowdown in operations during the ongoing restructuring process.

DSG continues to serve its clients while taking steps to restructure and rationalise its operations, reduce costs and sell non-core assets. DSG's Singaporean and Malaysian entities continue to operate under a court supervised creditor moratorium while it completes its restructuring. During H1 2020, DSG has made significant progress on a number cost reduction initiatives which has seen it significantly decrease its cost base most significantly via considerable headcount reductions.

In order to improve its liquidity position DSG is in the process of negotiating the facility agreements with Depa and HSBC.

Backlog

During the period the Group secured a number of major contracts, including a number of cinema fit-out packages in the Kingdom of Saudi Arabia, a significant superyacht interior and exterior fit-out project and a number of luxury retail fit-outs for repeat clients. Depa's backlog of AED 1,555 at 30 June 2020 remains at more than 1 times annual revenue.

Outlook

The Group-wide outlook for the remainder of 2020 is mixed but challenging overall. Whilst Depa's European business continues to perform strongly despite the uncertainty of covid-19, the Middle East based business units have been adversely affected in terms of delayed project awards and the ongoing liquidity issues in the market which are not expected to improve in the near future. Whilst in Asia DSG is currently focused on the execution of its restructuring plan.

Financial Review

Financial performance

During the six months to 30 June 2020, Depa generated revenue of AED 536.2mn, a decrease of AED 111.9mn on H1 2019 (AED 648.1mn). H1 2020 revenue was negatively impacted by covid-19 and the slowdown in operations in DSG during its ongoing restructuring.

Expenses in H1 2020 decreased by AED 142.2mn to AED 570.5mn (H1 2019: AED 712.7mn).

Net provisions for doubtful debts of AED 24.2mn (H1 2019: AED 118.1mn) primarily relates to Depa Interiors.

The Group recognised an impairment of AED 86.7mn in relation to the write down of goodwill and intangibles and a net loss on the change in fair value of investment properties of AED 11.0mn.

In the six months to 30 June 2020, associates generated a profit of AED 1.4mn (H1 2019 loss: AED 2.9mn).

Net finance expense increased by AED 2.9mn to AED 8.0mn (H1 2019: AED 5.1mn).

The Group recognised an income tax expense of AED 4.8mn in H1 2020 (H1 2019: AED 5.6mn).

Consequently, the Group generated a loss for the period of AED 167.6mn (H1 2019: 206.4mn) and a net loss after non-controlling interests of AED 164.8mn (H1 2019: AED 202.8mn).

Cash flow

Net cash outflow from operating activities amounted to AED 8.8mn (H1 2019: AED 97.5mn) as a result of working capital improvement following some large project related receipts.

Net cash outflows from investing activities for H1 2020 amounted to AED 1.1mn (H1 2019: inflow AED 15.5mn).

Net cash outflows from financing activities for the period were AED 12.1mn (H1 2019: inflow AED 6.9mn).

Foreign exchange differences resulted in an AED 3.4mn positive movement (H1 2019: AED 3.8mn negative) in the reported cash and cash equivalents.

As a result of the above, the Group ended the first half of 2020 with cash and cash equivalent of AED 68.0mn (H1 2019: 80.8mn).

Financial position

The Group ensures that it maintains adequate liquidity to meet its requirements and to work with its long-standing relationship banks to obtain the requisite working capital facilities necessary to meet its project needs. That said, the emergence of covid-19 has had a material impact on the lending market over the course of H1 2020.

Cash and bank balances as at the 30 June 2020 stood at AED 213.9mn (H1 2019: AED 186.2mn).

At period end, equity attributable to equity holders of the parent equated to AED 500.4mn (H1 2019: AED 905.1mn).

The Group’s outstanding ordinary shares at end of H1 2020 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.

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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