26 August 2021, Dubai UAE

Depa PLC

Results Announcement

Results for the six months ended 30 June 2021

Depa PLC ("Depa"), the leading global interior solutions group, announces its results for the six months ended 30 June 2021.

Summary highlights include:

- **Revenue of AED 394.9mn (H1 2020: AED 526.6mn)***
- **Net loss of AED 39.8mn (H1 2020 167.6mn)**
- **Backlog of AED 1,062mn (H1 2020: AED 1,555mn)**
- **Cash and cash equivalents of AED 91.9mn (H1 2020: AED 68.0mn)**

**Note the above figures are shown excluding assets held for sale and / or classified as discontinued operations*

Following a challenging year in 2020, Depa's financial performance improved during the first half of 2021 with Depa Interiors, Deco Group and Vedder all generating a net profit for H1 2021. The improvement in performance is as a result of the transformation programme implemented during 2020 and H1 2021, which has significantly reduced the Group's fixed cost base, the positive impact of a legacy project receivable collection in Depa Interiors, and the continued restructuring of DSG.

At 31 December 2020, Vedder was classified as held for sale; however, due to a range of factors, Vedder is now classified as part of Depa's ongoing operations.

The Group continues to focus on its non-core asset disposal programme and has successfully completed the disposal of a financial investment during the period, generating cash of AED 8.1mn.

Despite the improved performance during the first half of 2021, the overall market conditions remain challenging with ongoing liquidity issues in the Middle Eastern construction market and the same sector facing difficult banking conditions, none of which are expected to improve in the near future.

Kevin Lewis, Group Chief Executive Officer, commented: *"Following the implementation of the Group's transformation plan during 2020 and H1 2021, Depa has seen improved financial performance during the first half of 2021. Trading conditions for the Group remain challenging with the structural issues continuing in the construction sector in the Middle East. While the Group continues to secure new projects, the ongoing impact of covid-19 on the global economy has seen some delays in project awards impacting the Group's backlog position.*

"Despite the challenging outlook, the fruits of our transformation programme are beginning to show with three of the Group's KBUs returning to profitability: Depa Interiors, Deco Group and Vedder. The senior management team is focused on building on this positive momentum generated in H1 2021."

Operational Review

Vedder

Vedder, the Group's European key business unit, specialising in the superyacht, residence fit-out and private jet market, generated revenue of AED 203.2mn and profit of AED 8.0mn, an increase in revenue of AED 34.2mn or 20% on H1 2020 (AED 169.0mn).

During H1 2021 Vedder successfully delivered a number of projects including an interior and exterior package on a new build superyacht worth in excess of AED 130mn. Despite the covid-19 related lockdowns in Europe significant progress has been achieved on the ongoing projects as evidenced by the strong revenue generation for the period. While project awards have been delayed during the period due to the impact of covid-19, Vedder has been working on a number of opportunities with the related awards expected during H2 2021 which will see Vedder continue to strengthen its backlog.

Depa Interiors

Depa Interiors is the Group's Middle Eastern business providing fit-out services to the hospitality, residential, commercial, transport, and civil infrastructure sectors. Depa Interiors generated revenue of AED 132.0mn (H1 2020: AED 243.1mn) and a profit of AED 9.1mn (H1 2020: AED 50.1mn loss).

Depa Interiors implemented a transformation programme during 2020 and H1 2021, which saw it reduce its fixed costs, resulting in a more flexible cost base that is better suited to the prevailing market conditions in the UAE and KSA. The results of this programme along with the positive impact of a legacy project receivable collection has seen Depa Interiors generate a profit in the first half of 2021. Project extensions continue to challenge Depa Interiors with delays experienced in many of its KSA based projects.

Depa Interiors successfully collected a legacy receivable balance relating to the Meydan project during H1 2021 and cash collection remains a key focus of Depa Interiors given the liquidity challenges that the Middle Eastern construction sector is facing.

Depa Interiors' delivered a number of key projects during H1 2021 including an Expo 2020 project and a significant commercial project for a UAE based airline. A significant hospitality project was secured in KSA with progress made on a number of other opportunities which are expected to be awarded during H2 2021.

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 2021 Deco Group generated revenue of AED 56.0mn (H1 2020: AED 76.6mn) and a profit of AED 1.2mn (H1 2020: AED 5.9mn loss). While Deco Group generated a profit during H1 2021, performance has been impacted by delays in project awards which is largely due to the covid-19 lockdowns in Europe where a number of Deco's clients head offices are based. 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 projects for Versace, Dior, Cartier and Dolce & Gabbana during the period. Deco achieved strong project delivery during the period, successfully delivering a number of projects for repeat clients including the Dior store in Galleria Mall, Abu Dhabi, while Carrara successfully handed over a number of hospitality packages in Dubai.

DSG

The Group's Asian business, DSG, delivered revenue of AED 3.7mn (H1 2020: AED 40.4mn) and a loss of AED 53.3mn (H1 2020: AED 27.2mn). DSG's revenue continued to decrease due to the slowdown in operations as a result of its ongoing restructuring process.

During 2020 and H1 2021 DSG restructured its operations and it continues to focus on cost reduction and the sale of non-core assets while serving its clients on ongoing projects. DSG's Singaporean and Malaysian entities continue to operate under a court supervised creditor moratorium while it undertakes its restructuring. The coup in Myanmar has seen DSG's client suspend works on what was DSG's largest project. In order to improve its liquidity position DSG is in the process of negotiating the facility agreements with Depa and HSBC.

Backlog

Backlog has been impacted by delays in projects awards as a result of covid-19 related lockdowns in Europe and the challenging trading environment in the Middle East. Despite this, the Group has secured a number of luxury retail fit-outs in the Middle East and expects a number awards during H2 2021 following progress by Vedder and Depa Interiors on a number of important opportunities. Depa's backlog of AED 1,062 at 30 June 2021 remains at more than 1 times annual revenue.

Outlook

The Group-wide outlook for the remainder of 2021 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. In Asia DSG is currently focused on the execution of its restructuring plan.

Financial Review

Financial performance

During the six months to 30 June 2021, Depa's continuing operations generated revenue of AED 394.9mn, a decrease of AED 131.7mn on H1 2020 (AED 526.6mn). Including discontinued operations, Depa generated revenue of AED 394.9mn in H1 2021 (H1 2020: AED 536.2mn). H1 2021 revenue was impacted by reduced revenue generation in Depa Interiors and the slowdown in operations in DSG during its ongoing restructuring.

Expenses in H1 2021 decreased by AED 107.0mn to AED 445.5mn (H1 2020: AED 552.5mn), primarily due to the reduction in revenue.

Net reversals for doubtful debts of AED 26.5mn (H1 2020: net provisions AED 24.2mn) primarily relates to the major legacy receivable collection by Depa Interiors in H1 2021.

In the six months to 30 June 2021, associates generated a breakeven position (H1 2020 profit: AED 1.4mn).

Net finance expense remained in line with H1 2020 at AED 7.9mn (H1 2020: AED 8.0mn) and the Group recognised an income tax expense of AED 7.8mn in H1 2021 (H1 2020: AED 4.8mn), the increase primarily relating to DSG.

Discontinued operations, which include DSG's China business generated a breakeven position in six month period ended 30 June 2021 (H1 2020: loss AED 8.4mn).

Consequently, the Group generated a loss for the period of AED 39.8mn (H1 2020: 167.6mn) and a net loss after non-controlling interests of AED 35.7mn (H1 2020: AED 164.8mn).

Cash flow

Net cash inflow from operating activities amounted to AED 15.2mn (H1 2020: outflow AED 8.8mn) as a result of working capital improvement following some large project related receipts.

Net cash inflows from investing activities for H1 2021 amounted to AED 66.0mn (H1 2020: outflow AED 1.1mn) due, primarily, to the reclassification of Vedder as part of the Group's continuing operations and the sale of a financial asset.

Net cash inflows from financing activities for the period were AED 1.8mn (H1 2020: outflows AED 12.1mn).

Foreign exchange differences resulted in an AED 0.1mn positive movement (H1 2020: AED 3.4mn) in the reported cash and cash equivalents.

As a result of the above, the Group ended the first half of 2021 with cash and cash equivalent of AED 91.9mn (H1 2020: 68.0mn).

Financial position

The Group seeks to maintain adequate liquidity levels to meet its ongoing requirements and works with its long-standing relationship banks to obtain the requisite working capital facilities necessary to meet its project execution financing needs. That said, the ongoing liquidity issues in the Middle East contracting sector have impacted the lending market and this has not improved during the first half of 2021.

Cash and bank balances as at the 30 June 2021 stood at AED 180.4mn (H1 2020: AED 213.9mn).

At period end, equity attributable to equity holders of the parent equated to AED 190.4mn (H1 2020: AED 557.1mn).

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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