ASX / MEDIA ANNOUNCEMENT
28 July 2017

MARKET UPDATE

Decmil Group Limited (ASX: DCG) ("Decmil" or "Company") wishes to provide an update on its expected financial results for the 2017 financial year ("FY17") and outlook for the 2018 financial year.

Despite an initial expectation of a stronger second half to the FY17 year, delays with construction start dates on key projects secured in the first half of FY17 year and also delays with the award of new design and construct tenders bid in the second half of FY17 has resulted in actual revenue for the FY17 year being below previous expectations at approximately $305 million (FY16: $300 million).

Based on the effect of the above, taken together with the previously reported project loss on the Hastings contract and substantial restructuring costs incurred in FY17, the Company expects that FY17 statutory reported EBITDA from continuing operations will be broadly breakeven (before impairments).

In line with the requirements of the accounting standards, Decmil is also undertaking a comprehensive assessment of the carrying value of key assets, which is likely to result in:

- A devaluation of the Company's wholly owned Homeground Gladstone accommodation village due to continued challenging conditions in the Queensland LNG and coal sectors. Following completion of an independent valuation, Homeground Gladstone will be revalued to within the range of ~$85 million - $95 million as at 30 June 2017; and
- Impairment of goodwill associated with the Group's telecommunications business unit.

The above matters are subject to confirmation as part of the Company's FY17 external audit process.

The Group ended FY17 with a strong balance sheet including an overall net cash position, no drawn core senior secured debt ($10 million term loan facility extinguished in H2FY17) and net tangible assets, after the above impairments, of ~$135 million. The Group also has access to $185 million of working capital and bonding facilities to fund operations.

The 2017 financial year represented a year of stabilisation for the Group following the significant decline in revenue experienced in the 2016 financial year resulting from the end of the recent natural resources construction boom. Whilst FY17 will not deliver on initial revenue and earnings growth expectations, it has provided the Group with the opportunity to bed down some of the diversification strategies developed over the past few years.

Accordingly, the business is consolidating its focus on three key sector pillars where the Company has capability and experience namely Infrastructure, Resources and Renewables. These three pillars of focus are summarised in the below table:

Infrastructure	Resources	Renewable Energy
Defence	Iron Ore	Solar PV
Roads, Bridges, Rail	Coal Seam Gas	Wind (Balance of Plant)
Regional Health	LNG	
Corrections		
Immigration		
Education		

The Company is seeing an improvement in market conditions across a number of these sectors including:

- **Infrastructure:** Significant opportunity in the Transport sector in Victoria where the Group is actively pursuing new road and bridge projects as both head contractor and in joint ventures. Also significant opportunity in the Defence sector, New Zealand and in new sectors for Decmil such as Corrections;
- **Resources:** Sustaining capital works and replacement volume projects starting to activate in the WA Iron Ore market; and
- **Renewable Energy:** Actively bidding a number of solar PV projects as an EPC and wind projects as a balance of plant contractor.

At 30 June 2017 the Group had approximately $250 million of committed and visible work in hand for FY18. Additionally the Group is either shortlisted or a preferred contractor on a number of larger design and construct contracts in the infrastructure and renewable energy sectors that will likely contribute to revenue from H2FY18.

Given the above matters and to also preserve working capital for new opportunities in the business in FY18, the Board has resolved to not declare a final dividend for FY17. This will be re-assessed in FY18 given market conditions and working capital requirements.

The FY17 annual report will be released to the market on Wednesday 30 August 2017.

About Decmil

Decmil Group Limited (DGL) offers a diversified range of services to the Australian resources and infrastructure industries. Companies within the group specialise in design, civil engineering and construction; accommodation services; mechanical fabrication; maintenance; and telecommunications. Listed on the Australian Securities Exchange (ASX Code: DCG), Decmil's goal is to maximize returns from our operations to deliver value to our shareholders, clients and other stakeholders.

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