

ASX / MEDIA ANNOUNCEMENT
5 May 2016

GROUP UPDATE

Decmil Group Limited (ASX: DCG) ("Decmil" or "Company") wishes to provide an update on certain operational matters in the Company and its outlook for the remainder of FY16 and FY17.

Fuel Depot Project in Hastings

Decmil is currently undertaking a fuel depot tank project at the Hastings fuel terminal.

A series of industrial relations and operational issues over recent weeks have resulted in a delay to the project timeline and an increase in project costs.

Following a thorough review, the project is now expected to achieve its critical milestones by 30 June 2016. However, as a result of the issues outlined above, the project will have a \$6.0 to \$6.5 million negative impact on the Group's previously expected EBITDA for FY16 and cash position at 30 June 2016.

Restructuring Activities

As indicated previously the 2016 financial year is a transformational year for the Group as it restructures its traditional natural resources-based business and progresses its entry into new sectors with greater growth opportunities.

In addition to the restructuring activities undertaken in the first half of the financial year, activities currently underway in the second half include:

- The discontinuance of a business division in Western Australia that was focused on the installation of entertainment, security and fire systems predominantly to the WA resources sector due to challenges in this market;
- Further management restructuring, cost reduction and rationalisation in parts of the Group's traditional construction and engineering business, particularly those exposed to parts of the resources sector; and
- Incurring one off costs in establishing Decmil's permanent office in New Zealand, which is enabling the Group to pursue growth opportunities in that market.

Managing Director Scott Criddle said: "While these activities will contribute to the future success and sustainability of the Group, they have come with one off costs that will be incurred in this financial year.

"Over our 37 year history as a business, Decmil continually adapts to capture new opportunities and navigates the challenges of changing markets. This agility will ensure our future growth and success, for the benefit of our customers, investors and staff."

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FY16 Guidance

Based on current conditions in Decmil's market and having regard to the matters above, Group Revenue for FY16 is now expected in the range of \$300 to \$320 million.

Underlying EBITDA, excluding the revaluation of Decmil's Homeground accommodation village and the matters described above, is expected to be in the range of \$17.5 to \$20 million.

In FY16 the Group has made progress in a number of key strategic areas including:

- The Decmil business in Queensland securing further operational work in the LNG sector, including a variety of brownfield maintenance works;
- The Decmil business achieving \$100m of work in the Defence sector nationally across the 2015 and 2016 financial years;
- The Main Roads financial rating of recently-acquired subsidiary Cut & Fill increased from F25 to F150+ in-line with the Group's rating and R5/B4 technical accreditation obtained in New South Wales. This has allowed Cut & Fill to commence bidding larger projects in the range of \$50 - \$100 million;
- The new Telecommunications division formed following the acquisition of SC Services being appointed to a number of new national panel arrangements in both the wireless and fibre sectors;
- Scope Australia pursuing a number of EPC opportunities in the gold, lithium and iron ore sectors;
- Homeground Gladstone continues to break even at the EBITDA level at low occupancy, with an improving occupancy outlook going into FY17; and
- Decmil's office in New Zealand has successfully been established and is now undertaking work in both the North and South islands.

FY17 Outlook

Restructuring activities on Decmil's traditional business is expected to be complete by the start of the 2017 financial year. Based on a restructured traditional business and incorporating a full 12 months' contribution from the new businesses acquired or established in the 2016 financial year, Decmil expects FY17 Group revenue to be in excess of \$400 million.

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 maximise returns from our operations to deliver value to our shareholders, clients and other stakeholders.

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