ASX ANNOUNCEMENT

22 AUGUST 2017

VALMEC REPORTS STRONG FY17 EARNINGS / ENTERING GROWTH CYCLE

- Revenue growth of 43% to $72.9 million
- EBITDA increase of 35% to $4.1 million
- Strong operating cashflow generation of circa $4 million funding expansion of service business
- Entering FY2018 with $55 million of secured and preferred tenderer contracts and $17m in expected service contract extensions
- Improved visibility of tender pipeline expected to convert during the year
- Over 2000 days LTI free.

Diversified Energy and Infrastructure Services Group, Valmec Limited (ASX: VMX) today announced its full year result for the year ended 30 June 2017, headlined by a 43% jump in revenues to $72.9 million.

Valmec Managing Director Steve Dropulich said that after several years of increased volatility in the energy and resource sectors due to declining commodity prices and the associated economic adversity facing our clients, the Valmec strategy to remain actively involved with clients at early stages of their project development is now delivering returns.

"Against a current backdrop of sustained upward pressure on domestic gas prices driving client development opportunities, our company continues to secure preferred contractor status on tendered projects, order book growth is underway and we are now witnessing stronger and more robust pipelines of work across all of our delivery sectors into FY2018 and beyond, " Mr Dropulich said.

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was $4.1 million up significantly up from the previous year (FY2016: $3.03 million). Second half revenues of $43 million generated approximately $3 million of this FY2017 EBITDA or an EBIDTA margin of 7.5%. Valmec expects this level of EBITA margin to improve even further during FY2018 as a result of increasing and consistent revenues with stronger gross margin recovery.

- Group Overheads (excluding finance costs and depreciation) for the year were $7.6 million which reflected a reduction of 6% over the prior year. This level of overheads is now expected to remain steady even with expected further growth in revenues during FY18.

- Reported net profit after tax (NPAT) for the year, was $1.5 million up from the previous year (FY2016: $0.18 million) and is expected to strengthen considerably during FY 2018 through improved EBITDA margins and reduced depreciation and interest costs.

- Earnings per share for the reporting period was 1.9 cents.

- Stronger revenues during the period have translated into balance sheet growth with net assets of the consolidated group increasing to $17.2 million as at the reporting date. With continued expansion of the Gas Services division, Valmec also increased its investment in Inventories during the year by $2.2 million or over 47% compared to June 2016.

- Debt levels at the reporting date are largely consistent with the prior year and coupled with expanded project facilities provided by its financiers, Valmec remains well placed to service its revenue growth expectations for FY2018.

- Cashflow from operations continues to see growth on comparative reporting periods, recording a $1.8 million improvement on the prior year even after incorporating the additional investment of $2.2 million in service business inventories during the year.

Health and Safety

Health and safety performance continues to be a key focus of the group and remained strong throughout FY2017 with a recorded TRIFR (total recordable injury frequency rate) of 0.61 as at 30 June 2017. Importantly we continued to preserve our recorded LTIFR (lost time injury frequency rate) of zero and at the reporting date, Valmec recorded over 2,100 days without a lost time injury.

In a period where Valmec has experienced significant activity growth and increased numbers of employees, it is a testament to our management, staff culture and supervisor leadership in the field that has allowed us to keep our people safe and continue to achieve these important safety performance milestones.

Managing Director Comments

Commenting on the FY 2018 outlook, Valmec Managing Director Steve Dropulich said:

"*Whilst Valmec experienced revenue growth of over 40% during FY2017 which in itself is a significant achievement, it is the increasing early contractor involvement (ECI) and tendering activities within larger gas construction projects across Australia, coupled with Valmec's increased recognition as a preferred contractor within infrastructure and service markets, which underpins management's expectations of both a stronger and more resilient order book moving forward.*

After several challenging years in our industry, it is especially pleasing to experience the growth during FY2017 and have the heightened optimism and visibility over FY2018 and beyond. Our people have remained resilient in continuing to deliver safe, efficient and quality solutions to our clients at all times, and in doing so, have established a strong foundation for Valmec's future".

About VALMEC

Valmec is a diversified Australian energy and infrastructure services group providing specialised packaged equipment, construction, maintenance, commissioning and integrity maintenance services to the resources, energy and infrastructure sectors.

Founded by an experienced team of EPC and contracting professionals each with more than 25 years in the Australian gas industry, Valmec's focus is on the delivery of innovative project solutions, superior service and faster time-to-market options than the competition.

Valmec employs approximately 220 project and support personnel, operating out of fully equipped offices and workshop facilities in Western Australia, South Australia, New South Wales and Queensland.

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