

ASX Announcement

28 February 2015



Diploma half year results 2015

Leading Western Australian construction & property development company Diploma (ASX:DGX) today announced a net loss after tax of \$1.2 million for the 6 months ended 31 December 2014 on revenue of \$47m.

The first 6 months of FY15 has been a difficult period for the Group which is reflected in the results, however, operationally there have been a number of positives that will see the Group turn this result around in FY16.

The HY15 result was significantly impacted from delays in commencement of new third party construction work along with the completion during the period of a number of projects. Diploma announced in excess of \$100 million in new external construction work during FY14, however, due to delayed starts beyond the control of Diploma, less than 5% of this new work has been completed as at 31 December 2014.

Approximately \$60m of the external construction work has now commenced with Diploma to have a clearer understanding before 30 June 2015 with regards to the timing of commencing the balance of external work secured.

The result was further impacted by a provision for non-recovery of back charges levied against a subcontractor at completion of the Wickham project in the North West of WA. Diploma incurred significant cost in the rectification and re-works in the supply and installation of modules for this project and is expecting to recover this from the subcontractor. A provision for non-recovery has been allowed for in the HY15 results.

In addition to this Diploma has a record amount of its own internal construction work on hand resulting in a significant amount of revenue and earnings being eliminated prior to achieving practical completion of the projects.

The Group is expecting to complete four internal projects during the FY16 year. All four projects are currently under construction and include Rockingham Quest, 288 Lord, Capri and Quest Adelaide Tce. As announced on 17 February 2015, Rockingham Quest and Quest Adelaide Tce have been sold for \$63.5m subject to completion of due diligence by the respective buyers expected before the end of March 2015.

**CONSTRUCTION
PROPERTY DEVELOPMENT
CIVIL CONTRACTING**

Diploma Group Limited ACN 127 462 686

Diploma is at the forefront of construction and diversified development throughout Western Australia with projects spanning high rise residential, hotel, heritage restoration, mining related infrastructure and retail centres.

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ASX: DGX

Settlement of the sale contracts are expected in July 2015 and March 2016. Diploma's cash balance will significantly improve with the sale of its two Quest Serviced Apartment developments. The sale of these two projects will net Diploma approximately \$20 million in cash.

288 Lord in Highgate and Capri Apartments in Rockingham are both 82% and 80% presold respectively and are tracking to program. Sales of the remaining lots will continue to occur until completion of the projects in August 2015 and January 2016.

Diploma's has sought to build its development pipeline beyond the FY16 year and has recently announced the acquisitions of 254-256 West Coast Hwy Scarborough, Centro Avenue Subiaco and the \$160m former Chemlabs site redevelopment in East Perth. The total development pipeline now stands at \$400 million (Diploma share \$280 million). This pipeline will contribute to FY16, FY17 and FY18.

The construction divisions' secured forward order book over the next 30 months now stands at \$242m.

Diploma recently announced it had been selected by the Metropolitan Redevelopment Authority to redevelop the former Chemlabs site in East Perth. Diploma's vision for the site includes 226 apartments, a 1700m² supermarket and 1500m² of commercial tenancies with a value on completion of \$160m. Diploma will joint venture the project with its partner Wingate Property.

Commenting on the result, Diploma Group's Managing Director Nick Di Latte said, "The first half loss is obviously disappointing for the Group. Delays to commencing third party construction work have really impacted the profit result for the first 6 months as has the decision to provision against the Wickham contract however, with the work book ahead in both the Construction and Property divisions and a significantly improved cash position expected upon completion of our four internal projects, Diploma is well placed to turn this result around and return to profit in FY16".

Ends



Chemlabs East Perth