



ASX ANNOUNCEMENT

Update on first half earnings guidance

Perth, 13 February 2013: VDM Group Ltd (ASX: VMG; “VDM” or “the Company”) wishes to provide an update to the market regarding its expected result for the first half of the 2013 financial year.

In October 2012, the Company forecast a likely loss before tax of \$7 to \$9 million subject to a number of factors, including the resolution of unapproved variations, and excluding any potential impairment of goodwill or reduction in the carrying value of deferred tax. Further, at the AGM the Company outlined additional risks to the operating performance which at that point could not be quantified. The Company now has better visibility on these impacts.

The Company has since further considered its position in relation to the unapproved claims and variations. Whilst the Company believes these amounts are recoverable and contractually due, under sections 13 and 14 of Australian Accounting Standard AASB111 Construction Contracts, it is not possible to recognise as revenue unapproved variations or claims where there is a risk that the client may not approve payment. Accordingly, the Company has decided to exclude the revenue on these claims and variations until certainty is attained on each contract. These claims and variations will continue to be vigorously pursued by the Company.

This position, whilst conservative, will ensure that the future trading results of the Company are not impacted any further by these materially completed projects.

VDM now expects to report a loss before tax for the first half of FY2013 of approximately \$23 million when it releases its financial results on 28 February 2013, including the additional provision against unapproved variations in the order of \$12 million.

Cash Position

The Company is pleased to report that cash flows from operating activities have been positive, notwithstanding the reported loss.

BOARD & MANAGEMENT

Mr Andrew Broad
MANAGING DIRECTOR

Mr Michael Delany Perrott AM
NON-EXECUTIVE CHAIRMAN

Mr Barry Nazer
NON-EXECUTIVE DIRECTOR

Mr Michael Fry
NON-EXECUTIVE DIRECTOR

Mr Richard Mickle
NON-EXECUTIVE DIRECTOR

Mr David Coyne
CHIEF FINANCIAL OFFICER
COMPANY SECRETARY

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ASX CODE

VMG

As at 31 December 2012, VDM had a cash balance of approximately \$22 million, down by approximately \$1.5m on the balance at 30 June 2012. Pending finalisation of the half year audit review of the financial statements, the Company expects to report positive cash flows from operating activities for the first 6 months of the financial year of approximately \$500,000.

Goodwill and Tax Assets

As previously advised, the Company committed to review and assess the carrying value of its goodwill and deferred tax assets. This assessment requires the Company to make certain projections regarding the future revenue and earnings capability of its business, which often results in a range of possible outcomes.

Given the historical trading performance of the Company and the significant slowdown in the construction sector experienced during the past 6 months, the Board has decided to utilise revenue and earnings expectations toward the lower end of the range of outcomes. Accordingly, the Company expects to impair the entire carrying value of goodwill and to significantly reduce the recognised value of its deferred tax assets. Both items are non-cash flow items.

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About VDM Group

VDM is an engineering and construction company that services the mining and resources, transport and civil infrastructure and urban development sectors. VDM's highly skilled engineers develop innovative technical solutions for clients and deliver projects that are cost effective, reliable and sustainable.