

DIRTT Announces Record Q3 Revenue

CALGARY, AB – November 1, 2017 – DIRTT Environmental Solutions Ltd. (“DIRTT” or the “Company”) (TSX: DRT) today announced its financial results for the three- and nine-month periods ended September 30, 2017, including record Q3 revenue. DIRTT uses technology to design and manufacture fully custom, high-performance interior construction projects with lead times as fast as two weeks. This news release contains references to Canadian dollars and United States dollars. Canadian dollars are referred to as “\$” and United States dollars are referred to as “US\$”.

Select financial highlights:

- Record quarterly revenues of \$84.0 million, an increase of 17.5% or \$12.5 million over Q3 2016;
- Healthcare sales eclipsed 21% of quarterly revenue for the first time;
- Gross profit increased by \$4.9 million, or 16.0% over Q3 2016, to \$35.9 million;
- Gross profit % decreased 60 basis points from Q3 2016, from 43.3% to 42.7%;
- Adjusted gross profit of \$37.6 million and adjusted gross profit % of 44.8%;
- Adjusted EBITDA of \$10.8 million and adjusted EBITDA % of 12.8%;
- Net income was \$4.2 million and net income per share was \$0.05; and
- Purchased 906,768 common shares through the normal course issuer bid, at a weighted average price of \$5.72 per common share, for a total cost of \$5.2 million.

Select operational highlights:

- Developed a code-supported flexible medical gas system that, when launched in the coming months, will mark a significant advancement for healthcare construction;
- Selected by Sutter Health for the comprehensive interior construction of a new medical office building in downtown San Francisco, equaling approximately 158,000 square feet;
- Completed DIRTT’s first significant healthcare project in Kuwait, reinforcing the powerful healthcare construction opportunity for DIRTT in the Middle East region; and
- Sales, marketing and business development headcount increased by 5% over Q3 2016.

DIRTT continues to gain momentum in the healthcare sector, as evidenced by a strong third quarter. “The healthcare industry is begging for a change in the implementation of their medical environments,” says DIRTT CEO Mogens Smed. “DIRTT effectively meets the need of a more flexible, faster and better way to build. As a result, we’re seeing more and more DIRTT clients returning for second, third and fourth projects.”

DIRTT President Scott Jenkins says the company will continue to invest in growth and innovation, particularly as it relates to healthcare, with developments such as the flexible medical gas system. “We’re driving positive change in how people construct their space, fueled by technology, creativity and the knowledge that it can be done better,” says Jenkins.

Jenkins adds that DIRTT’s year-over-year revenue growth this quarter would have exceeded 21% if not for the decline in value of the US dollar vs. the Canadian dollar, however the US dollar has strengthened as we start the fourth quarter.

Summary Financial Results

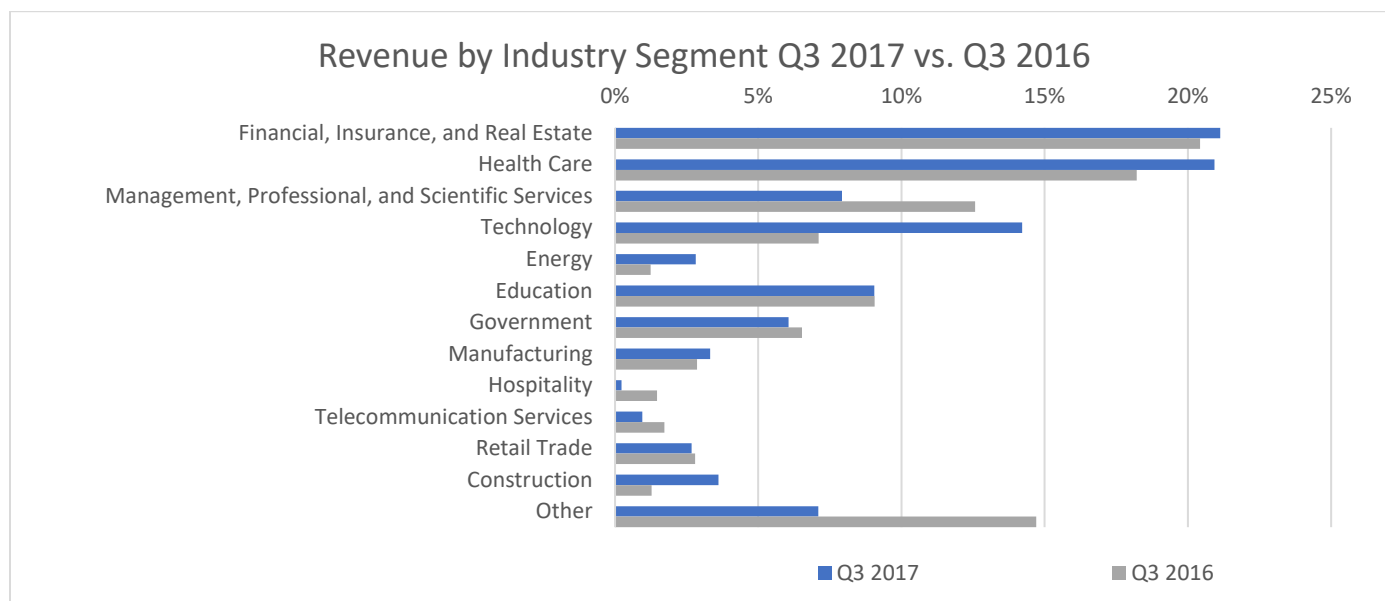
	Q3	Q3	Q3 YTD	Q3 YTD
(\$ thousands, except per share amounts)	2017	2016	2017	2016
Revenue	84,022	71,531	219,087	188,706
Gross profit	35,911	30,955	92,764	82,348
Gross profit %	42.7%	43.3%	42.3%	43.6%
Adjusted gross profit ⁽¹⁾	37,617	31,656	96,194	84,691
Adjusted gross profit % ⁽¹⁾	44.8%	44.3%	43.9%	44.9%
Selling, general and administrative ("SG&A")	29,891	25,041	90,799	75,730
SG&A as a % of revenue	35.6%	35.0%	41.4%	40.1%
Adjusted SG&A ⁽¹⁾	26,456	20,847	78,336	63,662
Adjusted SG&A as a % of revenue ⁽¹⁾	31.5%	29.1%	35.8%	33.7%
Operating income	6,020	5,914	1,965	6,618
Adjusted EBITDA ⁽¹⁾	10,765	11,081	16,905	20,044
Adjusted EBITDA as % of revenue ⁽¹⁾	12.8%	15.5%	7.7%	10.6%
Income tax expense	1,919	2,082	2,011	3,040
Net income (loss)	4,179	4,029	(93)	2,939
Net income (loss) per share - basic and diluted	0.05	0.05	(0.00)	0.03
Cash flows provided by operating activities	6,091	(1,236)	10,103	13,701
Cash flows provided by operating activities ⁽¹⁾ before changes in non-cash working capital	9,306	9,088	13,675	15,575
As at			September 30, 2017	December 31, 2016
Cash and cash equivalents			70,658	93,554
Working capital			94,877	112,590
Long-term debt			14,083	18,760

Note: ⁽¹⁾ See "Non-IFRS Measures".

Revenue

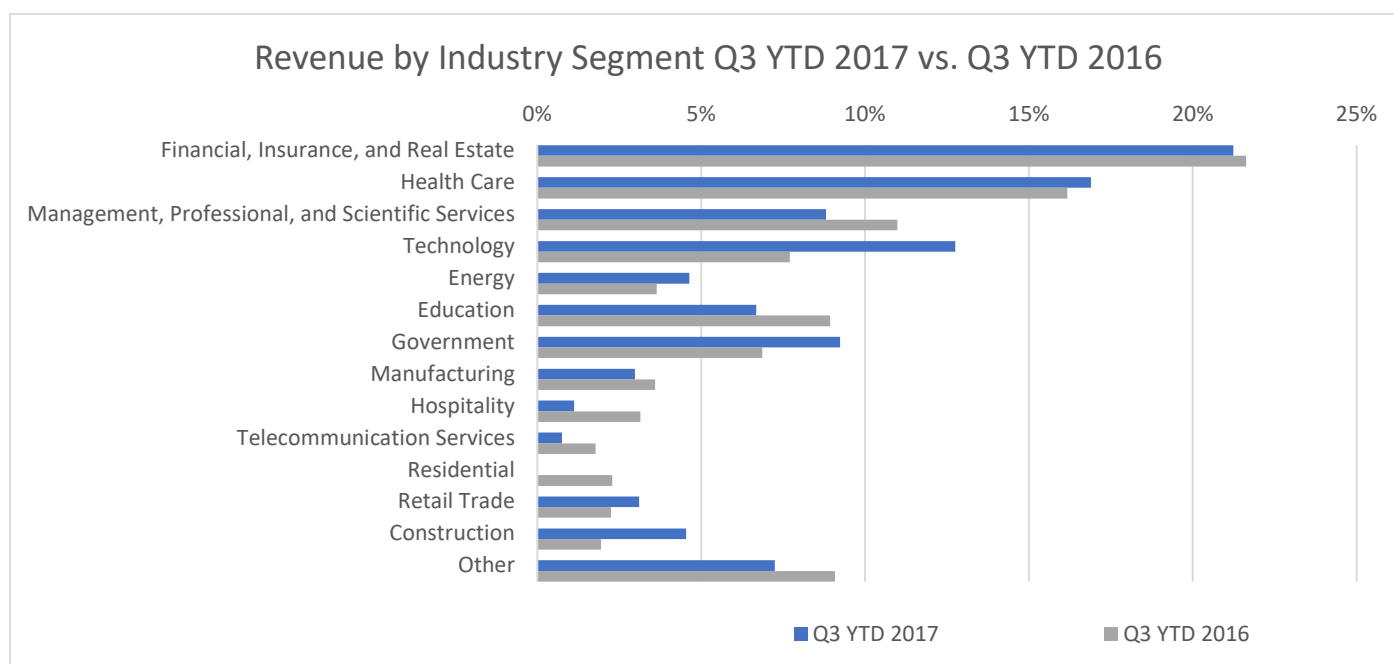
Revenue for Q3 2017 increased by \$12.5 million (17.5%) over Q3 2016. This increase is attributable to a general increase in activity from small and medium-sized projects across a range of industry segments. These segments include healthcare, which increased from 18% of total revenue in Q3 2016 to 21% of total revenue in Q3 2017, and technology, which increased from 7% of total revenue in Q3 2016 to 14% in Q3 2017. The Company also recorded installations revenue in Q3 2017 of \$3.9 million, compared with \$2.1 million in Q3 2016.

The majority of our revenue is collected in US dollars, whereas our reporting currency is Canadian dollars. The resulting fluctuations in the US dollar against the Canadian dollar may have a positive or negative impact on our revenue. The US dollar (average rate) decreased from 1.3046 in Q3 2016 to 1.2528 in Q3 2017, resulting in a negative impact on overall revenue in the period, as compared to the same quarter in 2016.



Revenue for YTD 2017 increased by \$30.4 million (16.1%) over YTD 2016. This increase is attributable to a general increase in activity from small and medium-sized projects across a range of industry segments. These segments include: technology, which increased from 8% of total revenue in YTD 2016 to 13% in YTD 2017; health care, which increased from 16% of total revenue in YTD 2016 to 17% in YTD 2017; construction, which increased from 2% of total revenue in YTD 2016 to 5% in YTD 2017 and government, which increased from 7% of total revenue in YTD 2016 to 9% in YTD 2017. In addition, the Company recorded installations revenue in YTD 2017 of \$8.7 million compared with \$2.5 million in YTD 2016.

The average US dollar exchange rate decreased from 1.3213 in YTD 2016 to 1.3074 in YTD 2017, resulting in a negative impact on overall revenue in the period, as compared to the same period in 2016.



Gross Profit / Adjusted Gross Profit / Gross Profit % / Adjusted Gross Profit %

Gross profit increased to \$35.9 million in Q3 2017 from \$31.0 million in Q3 2016, a 16.0% increase. However gross profit % declined by 60 basis points, from 43.3% to 42.7%. This decrease was due primarily to higher depreciation and amortization expense relating to increased investment in manufacturing-related assets.

Adjusted gross profit for Q3 2017 improved by 18.8%, from \$31.7 million in Q3 2016 to \$37.6 million in Q3 2017. Adjusted gross profit % increased by 50 basis points, from 44.3% to 44.8%, due to higher revenue.

The lower US dollar to Canadian dollar average exchange rate (Q3 2017 – 1.2528; Q3 2016 – 1.2882) had a negative impact to gross profit and adjusted gross profit in Q3 2017 compared with Q3 2016.

Gross profit increased to \$92.8 million YTD 2017 from \$82.3 million in YTD 2016, a 12.6% increase. However, YTD gross profit % declined 130 basis points, from 43.6% to 42.3%. This decrease was due primarily to changes in product/service revenue, greater volatility in the timing of monthly and quarterly production volumes, and an increase in installations revenue which typically results in lower gross profit than our standard manufacturing process.

Adjusted gross profit for YTD 2017 improved by 13.6%, from \$84.7 million in YTD 2016 to \$96.2 million in YTD 2017. However, adjusted gross profit % declined 100 basis points, from 44.9% to 43.9%, for the same reasons discussed above with respect to gross profit.

SG&A Expenses / Adjusted SG&A Expenses / SG&A % / Adjusted SG&A %

Selling, general and administrative ("SG&A") % increased by 60 basis points from 35.0% to 35.6% in Q3 2017 compared with Q3 2016. SG&A expenses increased by \$4.9 million, or 19.4%, for Q3 2017 compared with Q3 2016. The increase reflects DIRTT's accelerated investment in long-term growth initiatives that were incurred in 2017 and 2016. The most significant change can be attributed directly to sales-related efforts, as salaries and commissions increased by \$3.2 million. These costs reflect the addition of personnel to generate and support higher business volumes, and commissions on the higher revenues attained in the period. Other increases in SG&A in Q3 2017 included travel and marketing costs of \$0.9 million, rent expense of \$0.5 million, and \$1.1 million in other operating expense items. These increases were offset by a decrease in stock-based compensation of \$0.1 million and depreciation and amortization expense of non-manufacturing-related assets of \$0.7 million.

Adjusted SG&A % increased by 240 basis points from 29.1% to 31.5% in Q3 2017 compared with Q3 2016. Adjusted SG&A expenses increased by \$5.6 million, or 26.9%, for Q3 2017 compared with Q3 2016. The cause of this increase is as discussed above with respect to SG&A, excluding the impact from decreased non-cash depreciation and amortization of non-manufacturing-related assets and decreased stock-based compensation expenses incurred in the period.

SG&A % increased by 130 basis points from 40.1% to 41.4% in YTD 2017 compared with YTD 2016. SG&A expenses increased by \$15.1 million, or 19.9%, for YTD 2017 compared with YTD 2016. This increase reflects DIRTT's improved operating results in the period and ongoing investment in long-term growth initiatives. The most significant change can be attributed directly to sales-related efforts, as salaries and commissions increased by \$8.7 million. These costs reflect the addition of personnel to generate and support higher business volumes, and commissions on the higher revenues attained in the period. Included in the increase of \$8.7 million is \$0.9 million related to severance and restructuring costs incurred during YTD 2017. Other increases in SG&A in YTD 2017 included travel and marketing costs of \$3.1 million, rent expense of \$0.9 million, depreciation and amortization expense of non-manufacturing-related assets of \$0.8 million, software licenses of \$0.4 million, Board of Directors fees and related expenses of \$0.3 million, communications expense of \$0.2 million and \$1.3 million in other operating expense items. These increases were offset by a decrease in stock-based compensation of \$0.4 million and professional service fees of \$0.2 million.

Adjusted SG&A % increased by 210 basis points from 33.7% to 35.8% in YTD 2017 compared with YTD 2016. Adjusted SG&A expenses increased by \$14.7 million, or 23.0%, for YTD 2017 compared with YTD 2016. The reason for the increase is the same as discussed above with respect to SG&A, excluding the impact from increased non-cash depreciation and amortization of non-manufacturing-related assets and decreased stock-based compensation expense incurred in the period.

The impact of the weakening US dollar to Canadian dollar average exchange rates during the three and nine-month periods ended September 30, 2017 partially reduced the overall increase in SG&A and adjusted SG&A expenses across the organization, as certain of these SG&A expenditures are denominated in US dollars.

Adjusted EBITDA / Adjusted EBITDA %

Adjusted EBITDA decreased \$0.3 million for Q3 2017 compared with Q3 2016. Adjusted EBITDA % for Q3 2017 declined 270 basis points from 15.5% in Q3 2016 to 12.8% in Q3 2017. The decrease in Q3 2017 was mainly due to higher adjusted SG&A expenses of \$5.6 million and an increase in foreign exchange loss of \$0.7 million, partially offset by higher adjusted gross profit of \$6.0 million.

Adjusted EBITDA decreased \$3.2 million for YTD 2017 compared with YTD 2016. Adjusted EBITDA % for YTD 2017 declined 290 basis points from 10.6% in YTD 2016 to 7.7% in YTD 2017. The decrease in YTD 2017 was mainly due to higher adjusted SG&A expenses of \$14.7 million, partially offset by higher adjusted gross profit of \$11.5 million.

Foreign exchange ("FX") gains or losses are primarily the result of the period-end revaluation of monetary assets and liabilities held within our Canadian companies, the largest components of which are holdings of US dollar cash and cash equivalents and long-term debt. The increase in foreign exchange loss of \$0.7 million in Q3 2017 is the result of significant fluctuations in the CAD-US exchange rate in the quarter-over-quarter periods. During Q3 2016, the US dollar decreased by \$0.02 compared to Q2 2016, resulting in a \$0.3 million gain on the revaluation of these monetary assets and liabilities. Conversely, the US dollar depreciated during Q3 2017 by \$0.05 compared to Q2 2017, resulting in a \$0.4 million loss being recognized. These amounts exclude any gains or losses resulting from the revaluation of our US dollar-denominated long-term debt, as these amounts have been re-added in the determination of Adjusted EBITDA, as per reconciliation below.

	Q3	Q3		Q3 YTD	Q3 YTD	
(\$ thousands)	2017	2016	Variance	2017	2016	Variance
FX (gain) loss as reported	(117)	(138)	21	(24)	868	(892)
FX (gain) loss on debt revaluation	(533)	138	(671)	(1,032)	(168)	(864)
FX loss (gain) included in Adjusted EBITDA	416	(276)	692	1,008	1,036	(28)

Outlook

We believe the multiple efficiencies created with DIRTT Solutions result in a superior alternative to conventional construction, across all sectors of the construction industry. We expect ongoing pursuit of further opportunities in the healthcare, education, government, corporate and residential sectors, and we expect to see rising global construction activity result in increased revenue. Revenue growth is monitored as a key metric in the evaluation of our long-term business growth strategy, which is comprised of five core initiatives, as follows:

- (1) Increase penetration of existing markets. We maintain increased investment in programs that support our existing sales Partners throughout North America and international markets. This includes our previously announced programs to support our top-tier Partners and develop our next-tier Partners for increased market penetration and higher profitability, our DIRTT Green Learning Center loan program, and increasing investment in the research and development of product innovations and ICE software to support market-specific solutions. Collectively, we believe these are contributing factors to the momentum we are seeing as we enter the fourth quarter of the year.
- (2) Expand into new geographies, such as the Middle East, India, Southeast Asia, United Kingdom and Europe. DIRTT's first international Partner, NMG Workplace Solutions, maintains significant investment into their business as they identify and secure healthcare opportunities throughout the Middle East region. Healthcare offers immense potential within the Middle East and NMG has recently secured several important projects within that market. We expect continued growth in that region with NMG. External to North America and the Middle East, DIRTT continues its international expansion with investment in the following: the June 2017 addition of a Partner in the United Kingdom, Architectural Wallsz, alongside our DIRTT-owned Green Learning Center in London; our Partner in Singapore, ITS Group; and our Partner in India, Shreeji Innova. Escalating construction costs, labor challenges, increasing demand for high-quality materials and timeline pressures present further opportunities for strategic international expansion and long-term growth.
- (3) Target and penetrate new industry verticals. We intend continued investment as we progress further into new markets including residential and create solutions tailored to that market, such as the Leaf™ sustainable folding wall, which now supports integrated technologies within the wall; and continued development of timber frame construction.
- (4) Accelerate investment in new solutions and technologies. Throughout the remainder of 2017, we expect continued investment in product and software development to further expand our solution offerings, as well as in certain manufacturing equipment to support these developments. We also plan to continue investment in our existing GLCs to ensure each location represents DIRTT accurately with the latest innovations. We believe our software innovations, such as ICEreality™ and ICE's recently unveiled experience that allows multiple people to explore a space in virtual reality in real-time and from separate locations—will change the way people design, create, collaborate and build interiors.
- (5) Build and maintain strategic partnerships with industry leaders to monetize solutions, with continued investment resulting in partnerships such as, for example, this year's integration of ICE software with SAP's enterprise resource planning system.

We believe the investment our Partners are making in our business, such as increased investment in Green Learning Centers and higher attendance at DIRTT Connexx, are collectively indicative of long-term prospects for our business.

Approximately 80% to 85% of DIRTT's revenue is denominated in US dollars, and the US dollar weakened significantly against the Canadian dollar in the time periods leading up to and subsequent to quarter end. To offset the potential for resulting volatility, DIRTT maintains significant US-based operations; approximately 45% to 50% of costs remain based in US dollars.

Liquidity and Capital Resources

At September 30, 2017, we had \$70.7 million in cash and cash equivalents compared with \$93.6 million at December 31, 2016. At September 30, 2017, we also had access to an undrawn US\$18.0 million revolving credit facility.

Non-IFRS Measures

Adjusted gross profit, Adjusted gross profit %, Adjusted SG&A, Adjusted SG&A %, Adjusted EBITDA, Adjusted EBITDA % and cash provided by operating activities before changes in non-cash working capital are non-IFRS measures. Non-IFRS measures do not have a standard meaning as prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented and calculated by other companies. DIRTT believes the non-IFRS measures are useful supplemental measures that may assist investors in assessing DIRTT's business. The non-IFRS measures should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of its financial statements. For a reconciliation of these non-IFRS measures as well as the rationale for management's use of such measures, see the Company's management's discussion and analysis for the three and nine-month periods ended September 30, 2017, available at <http://www.sedar.com>.

Conference Call Details

A conference call and webcast for the investment community will be hosted by DIRTT's President, Scott Jenkins, and Vice President of Finance, Ha Tran, on Thursday, November 2, 2017 at 9 a.m. ET (7 a.m. MT) to discuss the third quarter results in greater detail.

To access the conference call by telephone, dial +1 877.479.7708 (toll-free in North America). Please dial-in 10 minutes prior to the start of the call. In addition, a live webcast (listen-only mode) of the conference call will be available at: <https://edge.media-server.com/m6/p/zqeuyuh7>.

Investors are invited to submit questions by email before and during the conference call. Please send them to ir@dirtt.net.

A replay of the conference call will be available at +1 855.859.2056 by entering passcode 2975899, from noon (ET) Thursday, November 2, 2017 until 11:59 p.m. (ET) Thursday, November 9, 2017 at <https://edge.media-server.com/m6/p/zqeuyuh7>, and on DIRTT's website at www.dirtt.net/company/investor.

About DIRTT | www.DIRTT.net

DIRTT Environmental Solutions (Doing it Right This Time) uses its proprietary 3D software to design, manufacture and install fully customized, prefabricated interiors. The Company's customers in the corporate, government, education and healthcare sectors benefit from DIRTT's precise design and costing; rapid lead times with the highest levels of customization and flexibility; and faster, cleaner construction. DIRTT's manufacturing facilities are in Phoenix, Savannah, Kelowna and Calgary. DIRTT's team supports nearly 100 Partners throughout North America, the United Kingdom, the Middle East and Asia. DIRTT trades on the Toronto Stock Exchange under the symbol "DRT."

For further information, please contact:

Kim MacEachern
Investor Relations, DIRTT
KMacEachern@DIRTT.net
403.618.4539

or

Liane MacNeil
Media Relations, DIRTT
LMacNeil@DIRTT.net
587.896.7287

Forward-Looking Statements

Certain information and statements contained in this news release constitute “forward-looking information” and “forward-looking statements” (collectively, “Forward-Looking Information”) as defined under applicable Canadian securities laws and the Company hereby cautions investors about important factors that could cause the Company’s actual results or outcomes to differ materially from those projected in any Forward-Looking Information contained in this news release. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “will continue”, “is anticipated”, “believes”, “estimated”, “intends”, “plans”, “projection” and “outlook”), are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Information.

In particular and without limitation, this news release contains Forward-Looking Information pertaining to the following: comments with respect to the Company’s revenue, objectives and priorities for 2017 and beyond; project timetables; its growth strategies and opportunities; its ability to meet working capital requirements and financial obligations; use and deployment of the Company’s capital; and its outlook for its operations and the Canadian, US and international economies, and in particular, the US and Canadian construction industry.

With respect to Forward-Looking Information contained in this news release, assumptions have been made regarding the Company, among other things:

- its ability to manage its growth;
- competition in its industry;
- its ability to enhance current products and develop and introduce new products;
- its ability to obtain components and products from suppliers on a timely basis and on favorable terms;
- its ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing taxes in Canada and the US and any other jurisdictions in which the Company currently or may conduct its business in the future;
- future development plans for its assets unfolding as currently envisioned;
- future capital expenditures to be made by the Company;
- future sources of funding for its capital program;
- the impact of increasing competition on the Company; and
- its success in identifying risks to its business and managing the risks mentioned below.

The Company’s actual results or outcomes could differ materially from those expressed in the Forward-Looking Information as a result of the risks normally encountered in its industry such as:

- maintaining and managing growth;
- history of losses;
- risks related to new technology;
- competition risks;
- operating results and financial condition fluctuations on a quarterly and annual basis;
- risks related to intellectual property;
- risks related to additional capital requirements;
- customer base and market acceptance;
- software and product defects and design risks;

- availability of key supplies;
- dependence on key personnel;
- commodity price risk;
- credit risk;
- the effect of government regulation;
- risks related to international expansion;
- risks related to physical facilities;
- legal risks;
- foreign currency and fiscal matters;
- risks related to future acquisitions;
- risks related to Forward-Looking Information;
- reliance on third parties; and
- conflicts of interest.

Since actual results or outcomes could differ materially from those expressed in the Forward-Looking Information provided by or on behalf of the Company, investors and others should not place undue reliance on any such Forward-Looking Information.

DIRTT cautions that the foregoing lists of factors are not exhaustive. Further, Forward-Looking Information is made as of the date hereof, and the Company undertakes no obligation to update Forward-Looking Information to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable Canadian securities laws. New factors emerge from time to time, and it is not possible for DIRTT's management to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in Forward-Looking Information. No assurance can be given that these expectations will prove to be correct and such Forward-Looking Information contained in this news release should not be unduly relied upon. In addition, this news release may contain Forward-Looking Information attributed to third party industry sources.

For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's annual financial statements, management's discussion and analysis and annual information form for the year ended December 31, 2016, all of which are available at <http://www.sedar.com>.

Market and Industry Data

Certain market and industry data contained in this news release is based upon information from government or other third-party publications, reports and websites or based on estimates derived from such publications, reports and websites. Government and other third-party publications and reports do not guarantee the accuracy or completeness of their information. While the Company believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process and other limitations and uncertainties inherent in any statistical survey.