



## ASX Announcement

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31 August 2015  
NRW Holdings Limited  
181 Great Eastern Highway  
Belmont, 6104, Western Australia

### NRW reports full year results for FY2015

Australian civil and mining contractor NRW Holdings Limited (ASX: NWH) today announced its results for the year ending 30 June 2015.

The results show a net loss in the year of \$229.8 million on revenues of \$775.9 million. The loss is driven by an impairment of assets, (\$157.3 million) reflecting significant reductions in current asset market values, a write-off of goodwill, and a loss on the Roy Hill Rail Project for Samsung C&T, (Samsung).

### Samsung dispute

Despite committing to an agreed resolution process in February 2015, the Roy Hill Rail (RHR) Project dispute is unresolved. An update of the dispute is set out below.

- The adjudication process under the Construction Contracts Act 2004 (WA) (CCA) has to date resulted in awards of circa \$26M in favour of NRW, with further claims pending.
- Samsung's response has been to contest payment through either judicial review of the determination or by resisting enforcement.
- The review of the first determination in NRW's favour is listed for hearing in the Supreme Court of WA on 14 September 2015. The review of the second determination in NRW's favour is listed for hearing in the Supreme Court of WA on 29 September 2015.
- Contract quantities have been agreed are not disputed by either party. The valuation of claims and variations and "Samsung back charges" remains outstanding.
- RHR Project loss is based on:
  - the agreed revised schedule of quantities; and
  - variations determined in favour of NRW through the CCA process, less allowances for Samsung back charges.
- NRW anticipates significant cash inflow based on its assessment of the settlement value, which, due to the contractual dispute resolution process including arbitration in Singapore (under SIAC), remains commercial in confidence.
- NRW's lending group remains supportive. They have been provided regular updates on the dispute and have agreed a revised covenant reporting regime within which NRW expects to be in compliance.

## Business Summary

- Order Book of \$663 million at August 2015, which includes the recent award from Rio Tinto for Nammuldi and the Middlemount Contract extension to 2020 secured earlier in the year.
- Following award of the Nammuldi Contract in August 2015, NRW's total fleet utilisation has improved to 75%. These assets are deployed on a number of long-term contracts with a minimum two-year tenure and up to a five-year tenure.
- Year-end cash balance impacted by Samsung dispute and debt repayments from \$155.5 million to \$34.6 million.
- Significant reduction in debt of \$47.3 million, down from \$189.5 million at June 2014 and compared to \$142.2 million at June 2015.
- Right-sized and restructured business to recognise current market environment
  - Headcount reduced from 3092 (June 2014) to 846 at 30 June 2015.
- Continued leading safety performance: TRIFR at 3.88.

Jules Pemberton, NRW's Chief Executive Officer and Managing Director, commenting on the results said:

"Whilst we have yet to achieve a resolution on the dispute, our objective on the Roy Hill Rail Project is to achieve a fair commercial outcome through ongoing discussions with Samsung senior management, the Supreme Court action and the contractual dispute resolution process".

"The business has managed through the cash flow impact of Samsung's decision to restrict payments to NRW on the RHR Contract since April, has continued to make all debt repayments when due and is in compliance with its banking covenants".

"The impairment charge of \$157.3 million is higher than reported at the half year recognising further deterioration of equipment values in the second half of the financial year".

"During what has clearly been a challenging year, the recent contract award for Rio Tinto at Nammuldi and the three year \$330 million Middlemount Contract extension announced in February, provide a level of confidence that the business can return to profitability in FY16".

## Outlook

NRW remains committed to working closely with its clients, with a focus on lowering operating costs and delivering improved productivity. However, whilst this low commodity price environment persists, spending on expansions and new projects in the resources sector is likely to remain subdued.

Despite these headwinds and the competitive landscape, recent wins such as the two-year Nammuldi Mining Contract and the three-year extension to the Middlemount Contract to 2020, have provided reason for optimism as we enter the 2016 financial year.

As at August 2015, NRW's forward order book totals \$663 million, of which \$250 million is secured revenue for delivery during FY16. Encouragingly tender activity is high with the pipeline currently assessed at \$2.5 billion.

NRW is also pleased to have been selected as the only West Australian-based contractor in consortia with global infrastructure provider Salini Impregilo as one of three shortlisted tenderers for the Forrestfield Airport Link Project. This government backed infrastructure project, together with a number of WA road programs, is expected to commence during the 2016 calendar year and should provide some balance to the downturn in the resources sector.

Over the past 12 months, the business has taken further actions to reduce its cost base to match expected revenue. Headcount numbers have been reduced by 2,246. The management team has been restructured to remove layers in the organisation, which are no longer appropriate given the lower activity levels. As the cost base is reset, we have achieved overhead reductions in excess of 35% whilst ensuring we still retain the necessary resources to address major opportunities as they arise.

## Dividend

The Board has determined not to pay a dividend in respect of FY15.

### For further information, please contact:

Jules Pemberton  
CEO and Managing Director

Kim Hyman  
Company Secretary

Andrew Walsh  
Chief Financial Officer

+61 8 9232 4200

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**About NRW Holdings Limited:**

*NRW is a diversified provider of contract services to the resources and infrastructure sectors in Australia and internationally. With extensive operations in Western Australia and Queensland, NRW's geographical diversification is complemented by its delivery of a wide range of operations. These encompass civil expertise including bulk earthworks and concrete installation; contract mining and drill and blast. NRW also encompasses a comprehensive refurbishment and rebuild service for earthmoving equipment and machinery.*