



## ASX Announcement

(ASX: NWH)

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25 November 2014  
NRW Holdings Limited  
181 Great Eastern Highway  
Belmont, 6104, Western Australia

### Operating Update

#### **FY15 Revenue**

NRW Holdings Limited (NRW) provided Revenue guidance on the current financial year in its full year results announcement on the 20th August 2014. At that time Revenues for FY15 were expected to be between \$1 billion to \$1.2 billion.

NRW has already secured work in the current financial year taking the total value of FY15 Revenue cover to \$800 million. NRW anticipates, subject to winning new work in accordance with its expectations over the next six months that it will meet the lower end of the previous guidance.

#### **Roy Hill Project Update**

To date NRW have handed over three of the five sections, we have completed around 87% of the total works and by the end of this week we will have completed 290 kilometers of the 330 kilometers of critical path Rail formation contracted. The project has progressed well and to date NRW has met all milestones in order to sustain overall project timescales and in particular the track laying scope carried out by other contractors. Work has progressed to the agreed schedule despite an increase in actual quantities compared to that anticipated at the start of the contract.

#### **FY15 Earnings**

Earnings for FY15 are likely to be materially lower than FY14 and will be significantly dependent on a successful outcome to a series of current and ongoing negotiations with Samsung on the Roy Hill rail project. In particular, a number of contract interpretations remain outstanding between the parties, to the extent that the final outcome on the contract, and NRW's FY15 earnings, cannot at this time be reliably determined.

As a result of this uncertainty if resolution is not achieved to those negotiations by 31<sup>st</sup> December the half year accounts may need to reflect the status of the negotiations at that time in accordance with IAS 11 accounting convention (which recognises value only to the extent of costs incurred on the contract), which would negatively impact on the first half performance of the company, but would not be reflective of the company's expected outcome.

Given the commercially sensitive nature of the discussions with Samsung, no further update should be expected until those discussions have concluded.

Commenting on the position, Chief Executive Officer and Managing Director Jules Pemberton said,

"We will work diligently to ensure we generate the appropriate value from the excellent work we have performed on the Roy Hill rail project. It is also worth confirming that the Concrete project for the same client is currently progressing well."

## **Working Capital Position**

Current net debt numbers are similar to those reported at June 14 (\$33 million) as a result of other improvements in working capital management offsetting the additional cash outflow sustained up to the end of October on the Roy Hill rail contract. Cash holdings remain on average above \$100 million whilst debt continues to be reduced

## **Anticipated Impairment of Asset Carrying Value**

NRW has undertaken a preliminary review of asset carrying values including Goodwill and Construction and Mining equipment owned and operated by the company. The Action Mining Services business (AMS) now rebranded Action Equipment Services (AES) is continuing to experience challenging market conditions which is likely to affect the value of its Goodwill. The external equipment resale market has also experienced adverse movements in resale prices which are unlikely to support some written down values particularly on older under utilised fleet, despite depreciation policies adopted by the company representing in our view normal machine utilisation and through-life-costs.

The review will be concluded prior to the announcement of the half year result. An impairment of circa \$50 million is anticipated.

### **For further information, please contact:**

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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.*