

1 December 2025

Arbitration update

The Board of Southern Cross Electrical Engineering Limited ("SCEE") advises that SCEE's subsidiary, Heyday, has been unsuccessful in its arbitration proceedings claiming against the CPB Dragados Samsung Joint Venture ("CDSJV") for additional costs incurred in performing works on the WestConnex M5 motorway tunnel project in Sydney. The commencement of the arbitration was announced to the ASX on 2 December 2024.

Background

Heyday's works on the underground tunnels of the project were anticipated for completion in November 2019, but significant changes to the scope and schedule of those works were experienced meaning substantial completion was not achieved until mid-2020 and resulted in significant extra cost to Heyday.

Heyday was compensated for some of those costs during the project and recovered certain sums through security of payment processes in 2021 but, having pursued all other available avenues to resolve this matter, commenced the arbitration claiming \$22m from CDSJV comprising additional delay and disruption costs, associated indirect costs, other unpaid variations, and related sums.

Award

The contract provided strict terms regarding the notice and timing for bringing claims against CDSJV. The outcome of the arbitration has fundamentally turned on the interpretation of these time-bar provisions.

Heyday expected from the conduct and actions of CDSJV during the course of its works that the time-bar provisions would not be strictly enforced. Heyday also believed it had good arguments that the time bar provisions in the contract would not be held to be effective and that the merits of its claims were otherwise sound, such that it was right to bring these proceedings.

Unfortunately, the arbitrator has disagreed with this interpretation and found that the time-bar provisions had to be strictly applied to Heyday's claims. The arbitrator has determined in his Partial Final Award, issued on 28 November, that:

1. Heyday's claims in the arbitration were time-barred and dismissed; and
2. Sums paid to Heyday under the earlier security of payment processes were also time-barred and are to be repaid.



Financial Impact

The effect of the award is:

1. Heyday has previously recognised a contract asset of \$19m which will now not be recovered and will be written off in SCEE's accounts. This item has no cash impact.
2. Heyday will repay CDSJV \$15m it received under the earlier security of payment processes. As this was previously recognised as revenue, this will have both a profit and cash impact.
3. It is expected that CDSJV will be entitled to interest on (2) above, and to its costs, which amounts will not be known until the arbitrator issues the Final Award on 22 December 2025. The Board estimates these will together total circa \$10m and will have an effect on both profit and cash.

These items are all pre-tax and will be recognised in the first half-year accounts. The timing of the cash outflow, which will be paid from cash reserves, is not yet known but would be anticipated early in the second half of this financial year.

Outlook

The impact on FY26 guidance is as follows:

	Previous Guidance	Updated Guidance
FY26 EBITDA	\$65m-\$68m	\$21m-\$24m

Comment

Commenting on the above, SCEE Group Chairman Karl Paganin said "The Board is extremely disappointed with this outcome but notes that this matter is one-off in nature, concerns events that took place approximately six years ago, and the ongoing business is unaffected with underlying FY26 EBITDA, excluding the impact of the arbitration, expected to remain in line with our original guidance of \$65m-\$68m. Significant changes to the processes and procedures of the Group, in particular to the commercial management function, have been implemented since that time to ensure events like this will not reoccur.

Despite the impact of the award, the Group will maintain a strong balance sheet and be well capitalised for the opportunities ahead. The Board anticipates in FY27 the Group will return to its normalised profitability with the buoyant data centre and renewables sectors offering considerable potential for further growth on that."

Authorised for release by the Board of Directors

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