26 November 2008

Norfolk Group Limited 1H2009 Financial Results

Key points:

- **1H2009 Revenue of $382.8 million for EBIT of $10.3 million and NPAT of $4.9 million[1]**
- **EBIT margin impacted by weak New Zealand market, strengthening of management team and 1H2009 'one off' costs**
- **$730 million of FY2009 revenue underpinned by current contracts, work orders and ongoing service commitments (up from $680 million at 31 August 2008)**
- **Gross profit from maintenance and recurring services increased to 55% (from 51%)**
- **Solid balance sheet; net operating cashflow up**
- **Declaring maiden interim dividend of 2.0 cents per share, fully franked**
- **FY2009 EBIT forecast within a range of $27.0 to $30.0 million**

Norfolk Group Ltd (ASX: NFK), a leading international provider of integrated building and engineering services, announces revenue for the six months to 30 September 2008 of $382.8 million, for a net profit after tax (NPAT) of $4.9 million (excluding loss from interest rate mark to market swaps), or earnings per share of 3.73 cents.

Norfolk's revenue for the half was up from $365.9 million for the previous corresponding period (pcp). Group EBIT of $10.3 million (pcp $14.8 million) and EBIT margin of 2.7 per cent (pcp 4.0 per cent) were below the previous corresponding period, impacted primarily by a weak New Zealand market. The EBIT margin for Australian operations is stable for the half at 4.7 per cent.

EBIT (AU$ million)	1H2009	1H2008
Australia	$15.6	$15.1
New Zealand	-$0.1	$2.9
India	$0.1	$0.1
Corporate	-$5.3	-$3.3

EBIT Margin	1H2009	1H2008
Australia	4.7%	4.7%
New Zealand	-0.2%	6.2%
India	8.5%	10.0%

The key factors influencing the first half of the 2009 financial year were:

- Rapid decline in economic activity in New Zealand
- Strengthening of the Norfolk management team
- 1H2009 'one-off' costs

'One-off' costs for the half include relocation costs, recruitment and establishment costs of new branches in India.

Full year backlog and pipeline, increase in maintenance and recurring revenue

As at the end of October 2008, $730 million of FY2009 revenue was underpinned by contracts, work orders and ongoing service commitments (up from $680 million as at 31 August 2008), with the combined current value of tendered opportunities across the Group in excess of $2 billion.

[1] Excludes loss from interest rate mark to market swaps. Norfolk enters swap contracts to fix the interest rate it pays. However, over the life of each swap, the mark to market movement of the swap is always nil.

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Norfolk continues to focus on attracting quality revenue through the targeting of recurring maintenance service contracts, which increased to 55 per cent of gross profit for the half, and alliance-style contracting, which contributed 6.2 per cent of gross profit for the half.

Norfolk also continues to win work through its high-quality customer base, and remains focused on the infrastructure, rail, water, government and resources sectors.

On 19 November 2008, Norfolk subsidiary O'Donnell Griffin, and alliance partners Laing O'Rourke and Connell Wagner, were nominated as the preferred proponent for the RailCorp Program Alliance (RPA) valued at up to $1 billion. O'Donnell Griffin's component of the alliance contract is estimated to be worth up to $400 million over the next five years.

Cashflow and balance sheet

Norfolk's net operating cashflow for the period was $3.4 million. The Group's net debt at 30 September 2008 was $58 million. Norfolk operates within its banking covenants and debt facility limits. Its main senior debt facility is not due for renewal until July 2010.

Maiden Interim Dividend declared

The Board has declared a maiden interim dividend of 2.0 cents per share, fully franked, payable on 29 January 2009, with a record date of 15 January 2009. The dividend is within the Board's policy of paying out between 50 per cent to 65 per cent of NPAT in dividends.

The Board intends to activate a dividend reinvestment plan (DRP) and will notify shareholders of the plan rules as soon as possible. The Directors intend the DRP to be applicable to the 1H2009 interim dividend.

New Zealand Business Review and Cost Management Program

Norfolk has concluded its review of the Electrical and Mechanical businesses in New Zealand and will complete a restructure of those businesses by the end of calendar 2008. The focus of the review has been on creating improved processes and systems to deliver greater cost efficiencies.

Outcomes of the New Zealand review include:
- Consolidation of the Electrical and Mechanical businesses (New Zealand only)
- Combining and centralising the finance and administration functions
- Restructuring of the service business into regions and closure of non-profitable branches
- Rationalisation of branches through co-location of businesses

A Group-wide cost management program initiated in the middle of calendar 2008 has already realised a number of cost savings for the company.

Increased efficiencies from the New Zealand review and further cost savings from the Group-wide program are expected to flow through and, in time, cost leverage will be achieved against increasing revenue.

Outlook

The fundamentals of the Norfolk businesses are solid, supported by a continued focus on recurring maintenance service contracts and alliance contracting, and a targeted approach to the infrastructure, rail, water, government and resources sectors.

Key fundamentals supporting the Norfolk business:
- Norfolk continues to win new business across the Group, in sectors that remain relatively robust.

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- Norfolk has continued to expand revenue from service maintenance, recurring and alliance style contracts.
- The restructure of New Zealand Electrical and Mechanical operations, after a rapid decline in economic activity in that market, will deliver savings.
- The Group-wide cost management program will take effect and deliver flow-through benefits.
- Middle East and India expansion opportunities will help to diversify revenue streams.

Notwithstanding Norfolk's backlog and major contract wins, the continued extreme economic unpredictability has led to the company revising its FY2009 EBIT forecast to be within a range of $27.0 million to $30.0 million.

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Norfolk Group Limited

Norfolk is a leading international provider of integrated building and engineering services. In Australia, Norfolk is number one in the electrical and non-residential HVAC (heating, ventilation and air conditioning) maintenance services markets.

Norfolk employs more than 3,600 people, including highly skilled engineers, electricians, plumbers, air conditioning technicians and apprentices, across more than 150 sites throughout Australia, New Zealand and India. Norfolk has more than 19,500 customers across a range of sectors including infrastructure, industrial, commercial, resources, retail, government and communications.

For further information on Norfolk visit www.norfolkgl.com