18 February 2013

Update on Strategic Review and Market Guidance

Summary

- **Completion of an extensive review and restructure of the business**
- **Revised market guidance issued for FY2013**
- **Mr Glenn Wallace announces resignation as Managing Director and CEO**
- **Appointment of Mr Peter Richards as Managing Director and CEO**
- **Commencing formal process in relation to potential corporate transaction**
- **FY2014 expected EBIT in the range of $25 million to $30 million**

Norfolk Group Limited (ASX: NFK) (Norfolk or the Company) announces that as part of its strategic review process previously announced to the market (see ASX announcement 27 November 2012), it has:

- completed a review of major contracts, outstanding WIP, contract claims and variations;
- completed a major restructure of the business to improve efficiencies and reduce costs; and
- commenced a formal process in relation to a potential corporate transaction, which could involve the sale or a merger of the Company.

As a result of the review, the Company expects the underlying EBIT for the year to 31 March 2013 (FY2013) will be in the range of $20 - $22 million and reported EBIT for the full year to 31 March 2013 will be in the range of $6 - $8 million.

Revised market guidance FY2013

Set out below is a reconciliation of the Company's reported EBIT guidance for FY2013 to underlying EBIT:

Reported EBIT guidance from continuing operations	$6 - $8 million
Add: Non-recurring restructure and strategic review costs	$4 million
Add: Impairment of WIP relating to prior years	$10 million
Underlying EBIT guidance from continuing operations	$20 - $22 million

(a) Restructure Costs

The Company conducted a significant restructure and amalgamation of brands and operations to create ODG HADEN in FY2013.

The launch of ODG HADEN on 16 October 2012 provided:

- an opportunity to create internal synergies, further streamline processes, encourage greater cross-selling across the Company's suite of services and opened up new market opportunities; and
- resulted in a number of efficiencies including the rationalisation of multiple sites and services, and the removal of headcount to reduce the on-going operating cost base of the Company.

The one-off costs in relation to the restructure are expected to be approximately $4 million in FY2013. The Company expects to realise annualised savings of approximately $11 million as a result of the restructure.

(b) Impairment of Work in Progress (WIP)

A detailed review of major contracts has been completed to assess outstanding WIP and contract claims. The build-up of WIP and the resulting contractual claims are predominantly due to project delays and changes in scope requested by clients.

The Company has prudently reassessed the recovery of some of those claims, in light of current information and the state of negotiations with clients, to provide more certainty around its FY2013 year end earnings.

The Company expects the impact of the impairment to WIP on reported EBIT for the full year to be $16 million. Of this, approximately $10 million relates to WIP accrued in prior years, with the balance attributable to the current financial year.

(c) Bank Facility Agreements

Norfolk is working constructively with its financiers in relation to the potential implications that the revised FY2013 guidance could have on its bank facility agreements.

The Company's financiers have confirmed their support of Norfolk and the company will continue to provide updates on any material developments in relation to discussions with its financiers.

Management Change

The Board has accepted the resignation of its founding Managing Director and Chief Executive Officer, Mr Glenn Wallace. Mr Wallace will be available to facilitate an orderly transition and will continue to advise the Company on the potential corporate transaction process (see below).

Norfolk Chairman, Mr Rod Keller said: *"Glenn was instrumental in founding Norfolk and the Board thanks him for his many years of service. Glenn has guided Norfolk through a period of significant change, directing a strategy that has created a truly diversified group with highly regarded positions in its markets and delivering, with the exception of this difficult year, stable earnings for shareholders."*

The Board has appointed Mr Peter Richards as Managing Director and CEO. Mr Richards has been a Director of the Company for more than two years and was previously CEO of Dyno Nobel until its takeover in June 2008.

Mr Keller said: *"We are pleased that Peter has agreed to take this role at an important time for the Company, especially in light of his understanding of the Norfolk business, from his time as a Director. Peter has more than 30 years' experience and the proven ability to lead senior management to deliver results in difficult times."*

Mr Richards will reduce his other public company directorships to focus on his role as Managing Director and CEO.

Update on potential corporate transaction process

Further to the announcement to the market on 27 November 2012, the Board continues to believe that a sale or merger of the Company on appropriate terms will:

- maximise shareholder value and result in a combined business with increased scale; and
- produce material revenue benefits and cost synergies.

Accordingly, the Board is actively exploring a sale or merger of the Company in the short term. While no assurance can be given that a transaction will eventuate, the Board and the Company's financial adviser have received a number of expressions of interest and enquiries in relation to a potential change of control transaction and has implemented a formal process to facilitate this.

Norfolk is being advised by KPMG Corporate Finance and Allens.

FY2014 Outlook

Based on current work in progress, order book and the level of tendering activity, the Company expects a FY2014 EBIT in the range of $25 million to $30 million and EBITDA in the range of $33 million to $38 million.

Critical factors underpinning the Board's FY2014 guidance include:

- the recent restructure and amalgamation of brands to create ODG HADEN has materially lowered the on-going operating cost base of the Company;
- the strong and consistent current order book of $768 million;
- signs of increased tendering activity; and
- the thorough review of the carrying value of WIP which has reduced the risk to future earnings.

The Board believes that the underlying value of the Company is strong and remains confident in the ability of management to deliver results more consistent with prior years.

Mr Keller said: *"The FY2013 WIP impairments ensure that as much certainty as possible is provided for the future reporting position of the Company. Given the number and quality of projects in the pipeline, coupled with the recent initiative to address our cost base, margins are expected to improve in FY2014."*

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Norfolk Group Limited
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Norfolk employs more than 3,000 people, including highly skilled engineers, electricians, air conditioning technicians and apprentices, across more than 120 locations throughout Australia, New Zealand and Asia. Norfolk has more than 10,000 customers across a range of sectors including infrastructure, industrial, commercial, resources, retail, government and communications.

For further information on Norfolk, please visit www.norfolkgl.com.