17 May 2013

Norfolk Group Limited FY2013 Financial Results

Summary:

- Full financial year 2013 revenue of $938.5 million[1]
- Earnings Before Interest and Tax (**EBIT**) loss of $58.0 million.[1]
- Net loss for the year of $42.6 million.
- Order book of $710 million as at 31 March 2013.
- 8% Reduction in Lost Time Injury Frequency Rate
- Norfolk Group (**Norfolk**) and RCR Tomlinson (**RCR**) remain committed to completing the scheme of arrangement announced by Norfolk on 15 April 2013 (**Scheme**)

Norfolk Group Limited (ASX: NFK), a leading provider of integrated engineering solutions, announces full year revenue of $938.5 million[1] and an EBIT loss of $58.0 million[1] for the financial year to 31 March 2013.

Chairman, Rod Keller, said: "The last year has been a challenging year for the Norfolk Group, which is reflected in our financial performance. We had to make some tough decisions and implement a number of initiatives to ensure the sustainability of the Group.

The Board remains confident that the Company's core underlying value remains strong. We believe that we are now heading in the right direction and that Norfolk's operational and financial performance will significantly improve in the year ending 31 March 2014."

The Group's order book stands at $710m as at 31 March 2013. This solid order book, combined with the ODG Haden restructure which has resulted in a materially lower operating cost base, positions Norfolk to return to the consistent level of earnings delivered in prior years.

Importantly, despite the difficult times, Norfolk remains committed to maintaining its safety focus and reduced its Lost Time Injury Frequency Rate by 8% compared to the prior year.

Norfolk's FY2013 financial performance

Norfolk experienced a loss for the year ended 31 March 2013 of $42.6 million. Earnings Before Interest and Tax (EBIT) was a loss of $58.0 million[1]. This result was driven by the impairment of Work in Progress (WIP) and restructuring costs.

Norfolk has experienced a significant build up of WIP relating to claims and variations under several large contracts which have now been completed or terminated. These contracts have experienced a variety of difficulties including significant scope change, delays, schedule change and acceleration demands. Given the disputed nature of the claims on these contracts and the delay in getting engagement from the various clients, Norfolk has re-assessed their recoverable value and written down the carrying value of the associated WIP.

As Norfolk has also not received full payment from customers for work that has been completed under these contracts, Norfolk experienced significant operating cash outflow which has caused the Company to increase its level of net debt to $53.2 million, an increase of $56.8 million compared to the prior period. The increased net debt and the Company's performance in FY13,

[1] From continuing operations

has resulted in Norfolk breaching certain financial covenants under the terms of its bank financing facilities. The financiers have waived their rights in respect of some of the covenant breaches but they have not waived their rights in respect of all of the breaches. The effect of the unwaived breaches is to entitle the financiers to demand immediate repayment of some or all of the amounts owing to them under these facilities. There has been no such demand for repayment by the financiers.

Divisional performance

O'Donnell Griffin delivered revenue of $610.3 million and an EBIT loss of $49.7 million for the year ended 31 March 2013. The O'Donnell Griffin result was directly impacted by the difficult contracts and associated WIP impairments noted above. In response O'Donnell Griffin has reassessed its project management processes and established a Project Management Office to provide specialist project management guidance and oversight. The result was also impacted by significant restructuring costs associated with the creation of ODG Haden. This has reduced the operating cost base, which together with the solid order book and highly prospective pipeline of opportunities, positions the division well for recovery in FY2014.

Haden delivered $269.1 million[1] revenue and an EBIT loss of $0.4 million[1] for the year ended 31 March 2013. The result was significantly impacted by restructuring costs and some specific contract WIP impairments. The increase in revenue, albeit modest, is pleasing in light of the significant restructure work which has been undertaken in Haden to position the division to return to profitability. Haden has been operating in difficult market conditions for some time and is now appropriately sized to leverage its national footprint.

Resolve FM delivered revenue of $69.6 million and EBIT of $3.5 million. This result is lower than the prior year which was supported by exceptional volumes in the custodial and detention centre sector. Resolve FM continues to deliver consistent revenue and performance year on year.

Scheme update

RCR is working closely with Norfolk to prepare the scheme booklet. As part of this process, RCR has considered Norfolk's financial results and both companies remain committed to achieving the successful completion of the Scheme.

Rod Keller noted *"The Company continues to work towards the successful completion of the scheme of arrangement with RCR. Completion of the scheme will deliver immediate and certain value in the form of cash consideration for Norfolk Shareholders and will create a significantly enhanced company and greater opportunities for both its staff and customers.*"

At this stage, it is anticipated that the scheme booklet will be dispatched to Norfolk shareholders in accordance with the indicative scheme timetable set out in the Scheme Implementation Deed, being mid-June 2013.

Interim funding from RCR

As announced on 14 May 2013, RCR has provided $10.25 million in funds to ODG Haden Maintenance Pty Ltd and ODG Haden Construction Pty Ltd to fund employee entitlements and loan fees.

The loan provides Norfolk with headroom under its current banking facilities and enables the Company to contract for future work as it continues to further the Scheme process.

[1] From continuing operations

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For further information

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Norfolk Group Limited

Norfolk is a leading provider of integrated engineering services in the electrical, HVAC (heating, ventilation and air conditioning) and facilities management markets.

Norfolk employs more than 2,700 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.