

22 March 2013

Proposed Scheme of Arrangement with RCR Tomlinson

Summary

- Norfolk and RCR enter into exclusive arrangement in respect of the proposed acquisition by RCR of all outstanding shares in Norfolk for a cash consideration of \$0.38 per share (plus an amount detailed below relating to Uncollected Working Capital) under a scheme of arrangement
- Finalisation of the RCR Proposal is subject to due diligence and RCR and Norfolk entering into a scheme implementation agreement
- The Board of Norfolk will unanimously recommend the Proposed Scheme, upon finalisation and agreement of the RCR Proposal in the absence of a superior proposal and subject to an independent expert concluding that the Proposed Scheme is in the best interests of shareholders
- Substantial shareholder, Maui Capital, states its intention to support the Proposed Scheme in the absence of a superior proposal and subject to an independent expert concluding that the Proposed Scheme is in the best interests of shareholders

Norfolk Group Limited (ASX: NFK) (**Norfolk** or the **Company**) is pleased to announce that it has entered into an exclusivity undertaking with RCR Tomlinson Limited (**RCR**) with a view to finalising and agreeing RCR's proposal to acquire all the issued shares in Norfolk (**RCR Proposal**) by way of a scheme of arrangement (**Proposed Scheme**).

The RCR Proposal is the result of the formal review process for a potential control transaction that was announced on 18 February 2013.

Norfolk Chairman, Mr Rod Keller said: *"The RCR Proposal represents an attractive value for the core underlying business, whilst enabling shareholders to maintain exposure to the value of excess uncollected working capital associated with certain projects which are expected to be completed before the implementation of the proposed scheme."*

Proposed Consideration

The RCR Proposal implies an indicative cash offer price of \$0.38 per share (**Offer Price**), which is based on an assumed net debt position of \$78 million as at 31 March 2013. In aggregate, the RCR Proposal implies an enterprise value of approximately \$140 million and an equity value of approximately \$61.7 million (**Aggregate Equity Consideration**)¹. The Offer Price will be revised up or down on a dollar for dollar basis if the net debt position and additional working capital funding requirement confirmed by RCR in due diligence is higher or lower than \$78 million.

¹ As at the date of this announcement, Norfolk had 158,890,730 ordinary shares on issue and 3,412,656 unlisted performance rights outstanding.

Uncollected Working Capital

Norfolk is carrying approximately \$74 million of uncollected working capital at current book value. This working capital relates to claims and variations under several contracts completed in prior periods or projects that are expected to be completed before implementation of the Proposed Scheme (**Uncollected Working Capital**).

The value of the Uncollected Working Capital is not included in the Offer Price of \$0.38 per share. Norfolk and RCR intend to implement a mechanism in conjunction with the Proposed Scheme to enable the release of any incremental value to Norfolk shareholders after the implementation of the Proposed Scheme (such as contingent value rights). RCR will also have a right to purchase the outstanding balance of Uncollected Working Capital prior to the implementation of the Proposed Scheme should they determine to do so by agreement with the Board of Norfolk.

Conditions to finalising the RCR Proposal

Finalisation of the RCR Proposal is conditional upon:

- (a) completion of due diligence by RCR; and
- (b) RCR and Norfolk entering into a scheme implementation agreement, which will include customary exclusivity provisions and defeating conditions including a market fall condition, regulatory requirements, RCR financing finalisation and no material adverse change in relation to NFK.

Exclusivity and Cost Reimbursement Undertaking

Norfolk has given an exclusivity and cost reimbursement undertaking to RCR, subject to the fiduciary or statutory duties of Norfolk's Directors.

Board Recommendation and Voting Intentions

Upon entry into a scheme implementation agreement in respect of the Proposed Scheme, the Board of Norfolk will unanimously recommend the Proposed Scheme, subject to no superior proposal emerging and an independent expert concluding (and not altering that conclusion prior to the Proposed Scheme meeting) that the Proposed Scheme is in the best interests of shareholders. Each Norfolk Director will also vote any Norfolk shares they directly or indirectly own, control or represent in favour of the Proposed Scheme, again subject to no superior proposal emerging and an independent expert concluding (and not altering that conclusion prior to the Proposed Scheme meeting) that the Proposed Scheme is in the best interests of shareholders.

Shareholder Support

Maui Capital Limited and its associates (**Maui Capital**) are shareholders in Norfolk and hold a relevant interest in excess of 20 per cent of the Company. Maui Capital has a nominee on the Norfolk Board. Maui Capital has authorised Norfolk to announce its intention to support the RCR Proposal by voting its shares in favour of the Proposed Scheme, subject to no superior proposal emerging and an independent expert concluding (and not altering that conclusion prior

to the Proposed Scheme meeting) that the Proposed Scheme is in the best interests of shareholders.

Conclusion

The Norfolk Board and RCR look forward to working cooperatively together for the benefit of both companies and their shareholders. The acquisition by RCR of Norfolk will create a significantly enhanced company for both staff and customers.

Norfolk is being advised by KPMG Corporate Finance and Allens.

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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 airconditioning) and facilities management markets.

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.