26 March 2013

Market Update

Summary

- Termination of contract with GE Transport
- Market guidance for reported FY2013 EBIT revised
- FY2014 guidance reaffirmed, with expected EBIT in the range of $25 million to $30 million
- Reassessment of uncollected working capital as a result of GE contract termination and impact under the proposed RCR Tomlinson Scheme of Arrangement

Norfolk Group Limited (ASX: NFK) (Norfolk or the Company) announces that the contract with GE Transport (GE) in relation to the radio-based rail signalling system for Fortescue Metals Group’s (FMG) rail duplication project (see ASX announcement 17 August 2012) has been terminated.

GE has exercised its rights under the contract to terminate for convenience. Norfolk subsidiary ODG and GE will continue working together during the notice period to ensure the safe and efficient handover of the project.

ODG and GE are negotiating the settlement of ODG’s claims in relation to the project. These negotiations have not been concluded but could have a material negative impact on the Company’s reported EBIT for the year to 31 March 2013.

Termination of the GE contract will not impact the Company’s expected EBIT for the year to 31 March 2014 (FY2014).

Revised market guidance FY2013

In light of the Termination of the GE Contract and the reassessment of the working capital (more details below) the Company has revised its guidance for FY2013. The Company’s reported EBIT guidance for FY2013 is updated to a loss of $30 million to $20 million.

Underlying EBIT guidance from continuing operations for FY2013 remains at $20 million to $22 million.

FY2014 Outlook

Based on current work in progress, order book and the level of tendering activity, together with the significantly reduced operating cost base, the Company reaffirms that it expects FY2014 EBIT to be in the range of $25 million to $30 million and EBITDA to be in the range of $33 million to $38 million.

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1 as per announcement on 22 March 2013 regarding a proposed Scheme of Arrangement with RCR Tomlinson
Impact on Proposed Scheme of Arrangement

The proposed Scheme of Arrangement with RCR Tomlinson (RCR) announced on 22 March 2013 (Proposed Scheme), included an indicative offer price of $0.38 per share (Offer Price) plus an additional amount calculated on a dollar for dollar basis for Uncollected Working Capital (as defined below) collected prior to scheme implementation.

In addition, 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.

The Offer Price will also adjust for any change in the debt position of the Company.

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 for prior periods or projects that are expected to be completed before the end of FY2013 and the GE contract (Uncollected Working Capital).

Resolution of claims will require either:

a. Negotiated settlement by the parties concerned
b. Expert binding determination
c. Court determination.

In the usual course of business compromises will be made to conclude settlement and often those compromises include a settlement at a lower value than may be achieved by court action.

In the context of the Proposed Scheme, it is likely that Norfolk will be focused on expediting negotiations and settlement with counterparties. Given work to date on claims, and discussions to date which are on-going, it is unrealistic to expect $74m to be collected, and consequently there may be a material write down of this Uncollected Working Capital. The Company currently expects, after impairment, that the collection of the Uncollected Working Capital will be in the range of $39 million to $49 million (an extra $0.24 to $0.30 per share).

The revised FY2013 guidance takes the impairment into account. The impairment does not impact FY2014 guidance which remains unchanged.

ENDS

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 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.