



## ASX & MEDIA RELEASE

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### **GUNNS RESTRUCTURING PROGRESSING TO PLAN**

Gunns Limited Managing Director Greg L'Estrange today said the company was on track to reduce its net debt from \$616 million to \$360 million by the end of January 2012.

Mr L'Estrange told the company's Annual General Meeting that the company's transformation from the native forest sector and non-core activities was almost complete, with the remaining sale processes concluding by the end of January.

He said the completion of these sales prior to the expiry of the company's current senior debt facility of \$340 million, would allow the company to reduce its total indebtedness from \$665 million in December 2009 to \$360 million.

"We are proactively working with the banking syndicate to extend the facility to allow for the completion of the divestment program and to achieve clarity around the Bell Bay pulp mill. It is estimated that this facility will be reduced to approximately \$216 million as of 31 January 2012.

"Although this remains at a high level due to the value of the encumbered assets, the conclusion of the Bell Bay pulp mill process will allow for the long-term structuring of the company's debt to be finalised," he said.

The company expects to net \$185 million cash before 31 January 2012, from asset sales currently under way. These transactions will complete the company's exit from the Australian native forest sector.

Mr L'Estrange said the company had made outstanding progress on its transformation strategy.

"This progress has been fundamental in transforming the company and providing for the environment that will allow a pulp mill to be created," he said.

"If we had not made the changes that we have, there was simply no chance of attracting debt or equity to the broader company activities, let alone the pulp mill project."

"Bringing to a conclusion the equity and debt required to construct the Bell Bay pulp mill will complete the transformation of the company to a modern and sustainable business."

"It not only allows us to significantly reduce our reliance on the Asian woodchip market, it underwrites the continued planting of the plantation base which supports it."

"The work undertaken over the past 18 months on the transformation of the company now allows the project to stand on its own, without the implied association of with the native forest debate in Tasmania."

Mr L'Estrange said the company was continuing positive negotiations for a preferred equity partner in the mill; however, the company was not yet in a position to announce the partner, due principally to the current financial crisis in Europe.

"We remain positively engaged in the discussions and the main topics are around equity contribution, timing and an agreed debt funding process," he said.

"The negotiations are no longer about the potential brand damage of being associated with a company engaged in the Tasmanian native forest industry."

"During the past year we have completed some significant permit milestones, including the granting of our operating permits by the Federal Environment Minister."

"This followed the completion of a detailed hydrodynamic study in Bass Strait which confirmed the project will not adversely impact the marine environment."

"At the same time our federal permits have been strengthened to include the commitment to Elemental Chlorine Free light technology and 100 per cent plantation usage within the mill."

At the completion of earthworks, which began in August, the company's investment so far in the mill will be \$240 million. The mill's projected capital cost, including investment so far, is \$2.3 billion.

## **Outlook**

Mr L'Estrange said the current year would again be a difficult trading year, with both the domestic housing market and the international woodchip markets being very competitive.

The business will also be impacted by the conclusion of a number of the transactions mentioned today, for finalisation in the coming couple of months.

The final timing of these transactions will allow Gunns to update the market, which the company expects to do prior to 20 December 2011.

#### Gunns asset sales completed:

- Withdrawal from managed investment scheme market
- Tasmanian retail stores
- Tasmanian native forest land
- Wine business
- Walnut business
- Construction
- Hotel
- Motel
- Entally Estate
- Tasmanian native forest woodchip business
- A large number of surplus vacant commercial properties.

#### Gunns asset sales currently underway:

- Auspine land and tree estate – scheduled for completion prior to 31 January 2012
- West Australian jarrah business – subject to approval by the buyer's board and scheduled for settlement on 1 December.
- Tasmanian hardwood sawn timber – scheduled for settlement 1 December.
- Heyfield native forest sawmilling business – due for settlement in December.
- MIS loan book – scheduled for completion prior to 31 January 2012.
- Orana woodchip vessel – scheduled for completion before 17 January 2012.

#### **Contact**

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