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**3 January 2013**

**ASX ANNOUNCEMENT – OPUS GROUP LIMITED (ASX Code: OPG)**

**MARKET UPDATE – KEY HIGHLIGHTS**

- Non-core asset sales undertaken to reduce Net Debt
- Integration of MPG business further progressed with closure of Mulgrave facility in November
- Short term loan transaction with conversion to equity proposed with two existing shareholders providing up to A\$3.4m to fund the closure costs of Mulgrave and other funding requirements

**SALE OF NON-CORE ASSETS TO REPAY DEBT**

OPUS Group advises that it has signed an agreement for the sale and leaseback of its Singapore owned building.

The expected pre-tax net proceeds from the transaction are A\$7.2m (subject to exchange rate movements). The sale and completion of the transaction is subject to a number of conditions including approval by local Singaporean authorities. Completion is expected to occur in April 2013.

The transaction includes a lease agreement with an initial term of ten years, plus a renewal option for a further five years on commercial terms.

In addition, the OPUS Group has sold land and buildings in Maryborough, Victoria which were surplus to requirements. Pre-tax net proceeds of A\$0.5m will be realised from the transaction on settlement.

Cliff Brigstocke said “As stated in our market update on 7 November 2012, non-core assets had been identified for disposal with the proceeds used to repay debt. The sale and leaseback transaction for the Singapore facility and sale of the Maryborough property release significant cash proceeds for this purpose.”

The disposal of non-core assets is an important part of the OPUS Group’s strategy to reduce overall Net Debt.

**COST REDUCTIONS AND MULGRAVE FACILITY CLOSURE**

During the first quarter of FY2013, a number of additional cost reduction initiatives within the Group’s Publishing were identified and have been implemented in Q2.

A decision was made to consolidate the Publishing division’s colour printing business facilities and to close the MPG Mulgrave site, resulting in closure, relocation and restructuring cash costs being

**OPUS Group Limited A.B.N. 48 006 162 876**

12 Rachael Close, Silverwater, 2128, NSW, Australia. Ph: +61 2 9584-7680 Fax: +61 2 9648-5887

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incurred. The equipment from Mulgrave has been relocated to the Group's Maryborough and Canberra facilities.

#### **SHORT TERM LOAN FROM EXISTING SHAREHOLDERS WITH CONVERSION OPTION**

OPUS Group has agreed, (subject to final consent of its senior lender), to enter into a conditional short term loan transaction, convertible into ordinary shares, with two existing related party shareholders (Knox Investment Partners & Richard Celarc) providing up to A\$3.4m of additional funds to the Group. The loan documentation with respect to these loans is expected to be finalised shortly.

As part of the overall debt reduction strategy, the Board consider the terms of the loan arrangement to be commercial and on an arms-length basis with each related party shareholder. As such, OPUS Group shareholder approval is not required under Chapter 2E of the Corporations Act 2001 (Related Party Transactions) with respect to the loan component of the arrangement. However, as more fully set out below, the conversion of the loans to equity will be subject to shareholder approval.

Key terms of each loan include:

- Loan term until 31 March 2014.
- Subject to shareholder approval, the loans may be converted to equity in whole or in part at the option of the lender.
- Interest is payable at a rate of 15% per annum, or 24% if shareholders do not approve the option to convert to equity. Interest may be capitalised.
- For shares converted up to 15% of the OPUS Group total shares on issue, the conversion price will be an amount equal to 75% of the volume weighted average price of OPUS Group Limited Ordinary Shares calculated over the 15 trading days on which trades in the Ordinary Shares were recorded immediately before the date on which Conversion occurs. The conversion percentage will be 80% for shares converted in excess of 15% of the total OPUS Group shares on issue.
- Facility fee of 4%.
- These loans are subordinated to the loans provided by OPUS Group's senior lender.

As noted above, it will be a condition precedent to each loan's possible conversion into shares that shareholder approval is obtained. OPUS Group has undertaken to request Shareholder Approval by 31 March 2013 with respect to the Conversion Option prior to maturity. Shareholders will receive a comprehensive notice of meeting and explanatory information by the end of February 2013.

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## **OPUS GROUP NET DEBT REDUCTION STRATEGY**

As noted in previous market releases, the OPUS Group intends to reduce its overall Net Debt level beyond the current scheduled debt repayments over the FY 13 and FY 14 years. The above restructuring activities and non-core asset sales are key milestones of this strategy.

As part of the overall Net Debt reduction strategy, the Board continues to assess the OPUS Group's capital structure, where a number of different options are being reviewed.

OPUS Group management are currently working closely with the Group's financier to reset a financing package that provides appropriate ongoing financial versatility for the business. The financing package is being positioned to support the future growth of the Group's core businesses and the implementation of the OPUS Group's debt reduction strategy with the support of its financiers.

## **ASIC REGULATORY GUIDE 230 DISCLOSING NON-IFRS FINANCIAL INFORMATION**

In December 2011, ASIC issued Regulatory Guide 230. To comply with this Guide, OPUS Group is required to make a clear statement about the non-IFRS information included in this release.

In addition to statutory reported amounts, non-IFRS measures are used by Senior Management and the Directors' as the primary measures of assessing financial performance of the Group and individual operating segments.

Non-IFRS measures used in describing financial performance include:

- **Pro-forma financial information**

Pro-forma financial information is prepared on the basis that McPherson's Printing Pty Limited ('MPG') results are included for the full year ended 30 June 2012 as compared to the reported result which included the trading of MPG for the period 31 March 2012 to 30 June 2012 only.

- **Adjusted EBITDA**

Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA') excludes the effects of certain items such as restructuring costs, material merger transaction costs, legal expenses and other related costs.

- **Items excluded from Adjusted EBITDA**

Items excluded from Adjusted EBITDA reflect the effects of certain items such as restructuring costs, material merger transaction costs, legal expenses and related costs.

- **Operating cash flow pre interest, tax and items excluded from Adjusted EBITDA**

Operating cash flow pre interest, tax and items excluded from Adjusted EBITDA represents the operating cash flows from trading activities excluding net tax payments, net interest and cash flows related to the items excluded from Adjusted EBITDA.

- **Net Debt**

Net Debt is calculated as total interest bearing liabilities less cash and cash equivalent balances (net of bank overdrafts). This measure excludes bank guarantees and letters of credit recognised off balance sheet. Interest bearing liabilities include finance leases.

Given the complexity of the merger transaction undertaken in FY2012 and the impact of the merger on comparative financial results the Board and management of the OPUS Group consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the combined business. This release and the included non-IFRS disclosures have not been audited.

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## **ABOUT OPUS GROUP**

OPUS Group is an Asia-Pacific, technology based (Australian headquartered) business services and communication group. The OPUS Group employs a flexible technology platform that allows it to produce and distribute published content to suit the timing and scale requirements of a range of customer segments. The OPUS Group's competitive advantage lies in its ability to deliver innovative, customised solutions for customers across multiple specialist divisions.

The OPUS Group holds leading positions in its respective markets and has long term relationships with its customers. Operating across Publishing and Outdoor Media, OPUS Group has expanded to become one of the leading specialist players in the Asia-Pacific region.

In addition, the OPUS Group has significant global capability offering an end-to-end value chain through modern facilities in Singapore, Sydney, Melbourne, Maryborough, Canberra and Auckland and further global reach via strategic content distribution alliances in North America, the United Kingdom, Europe, Philippines and China.

### **Contacts:**

#### **For investors:**

CEO, Cliff Brigstocke +61 2 9748 7857

CFO, Bob Alexander +61 2 9748 7857

#### **For media:**

Helen McCombie +61 2 9290 3073