

27 August 2008

## COMPANY ANNOUNCEMENT

### CEO Boardroom Radio Transcript 27 August 2008

We attach the company's Boardroom Radio transcript interview which was undertaken on Wednesday 27 August 2008.

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**WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO**

**BOARDROOM RADIO AUSTRALIA (BRR) INTERVIEW WITH MARCUS DERHAM, CHIEF EXECUTIVE OFFICER OF WILLMOTT FORESTS LIMITED (WFL)**

WEDNESDAY, AUGUST 27 2008, 2:30PM AEST

BRR Today on Boardroom Radio we speak with Mr Marcus Derham the Chief Executive Officer of Willmott Forests Limited.

Welcome to Boardroom Radio Marcus.

WFL Thanks Terence, I'm happy to be here.

BRR Marcus, you're joining us today to talk about your full year results for 2008.

What has driven the good woodlot sales in FY2008?

WFL There are a number of factors commencing with a highly rated product that delivers annuity style income, diversification of species and geographical location along with a range of end markets.

A good product is imperative, but, it's virtually useless without distribution.

This is an area where we have focussed heavily in the last few years and our distribution strategy has certainly paid-off recently.

FY2008 saw Willmott Forests distribute our product nationally, we achieved a significant uplift in all states of Australia and we more than doubled our market share and our total sales.

The average age of our customer base has reduced, the amount of business written per advisor has increased and more than 50% of our sales came from taxpayers below the top marginal tax rate. All this shows that we have gained significant traction across the wider investment community.

We've managed to bring forestry more into the mainstream.

BRR Can you provide any guidance for woodlot sales in FY2009 and FY2010?

WFL We are expecting an increase in woodlot sales in FY2009 and again in FY2010.

## WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO

BRR Can you provide a summary of the highlights of the FY2008 accounts covering the Balance Sheet and Profit & Loss?

WFL Certainly....

- Woodlot sales were up 115%;
- Total revenue increased by 30%;
- Underlying EBITDA, NPAT & EPS all increased by around 40%;
- NTA was up from \$1.57 in FY2007 to \$1.72 in FY2008;
- We generated Net Operating Cash of \$48.2m (up from \$8.8m in FY07); and
- Revenue Carried Forward to FY2009 is \$75m (up from \$35m in FY07).

BRR Can you talk us through the FY2008 annual accounts?

WFL Starting with the Profit & Loss....

....Total revenue has grown by 29% to \$ 90.8m up from \$70.3m in the previous year.

We have \$75M of carried forward revenue from the current year Woodlot Projects to underpin 2009 revenues.

To put this in perspective we are carrying forward more revenue from FY2008 to FY2009 than the company had in total revenue for the FY2007 year.

Underlying Net Profit After Tax has increased by 40% up from \$8.1M in FY2007 to \$11.3M in FY2008.

Earnings per share have jumped by 39% to 19.2 cents per share.

Looking at NTA....

....The Company continues to trade profitably and adds to its Net Tangible Assets position annually.

The current NTA is \$1.72 (compared with \$1.57 in FY2007).

Readers of the company's financial statements should note that the plantation land owned by the company is carried at a cost of \$100M. The market value of this land on an 'in use' basis would be well in excess of this carrying value.

## WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO

Regarding cash flow...the capital management initiatives that the company has implemented in the last two years are evident by the reported strong cash flows from operating activities of \$48.2M (compared to \$8.8M in FY2007)

BRR What is the franking credit position of the company?

WFL \$24.9M at present.

We expect to continue to enjoy significant franking credit surpluses going forward that will ensure that all distributions to ordinary and preference shareholders will remain fully franked.

BRR You have had some positive announcements recently?

WFL On the timber processing side....

...we secured a 20 year wood license from the NSW Government which gives us exclusive access to Forests NSW sawlog resource in Bombala.

On the back of that we formed a 50:50 Joint Venture with Dongwha – a major Korean company with Global timber processing operations - to expand our Willmott Timbers processing business in Bombala.

Dongwha are attracted to Willmott Forests because we are resource rich with a strong track record of performance in the plantation industry.

In the Forestry MIS space last year...

...we completed the takeover of BioEnergy / BioForest which has delivered us an exceptional return in a short timeframe. This has enabled us to bring our Premium Forestry Blend product to market – which has been a huge success.

And.... let's not forget about our arrangements with Hancock Victorian Plantations (the 'Hancock Land Deal' as we call it) – where we are able to access Hancock's second rotation land throughout Victoria.

We're proud of these achievements as every one of them is expected to deliver significant shareholder value.

BRR When will the company benefit from a cash flow perspective from the JV with Dongwha?

## WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO

WFL The new mill facility in Bombala is expected to commence operations during FY2010 with full production being reached in FY2011.

BRR Can you quantify the current dollar value of the 20 year wood license from the NSW government you were recently awarded?

WFL It's difficult to quantify, other than to say that it is a very valuable asset.

In terms of value-added products it will be worth in excess of \$60M of revenue per annum for the Joint Venture or \$1.2B (in today's \$'s) over the life of the contract.

BRR How settled is the tax environment for Forestry MIS?

WFL This is as settled as I've seen it in my experience and I've been in the sector for almost quarter of a century.

A couple of years back our industry went through a detailed Plantations & Tax Review by the Federal Government. In my role as chair of the peak plantation industry body - Treefarm Investment Managers Association (known as TIMA) - I was at the forefront of this review. The outcome was an excellent one that provided our industry with 100% tax deductibility and a secondary market.

That's not to say that we won't be reviewed in future, but, we have an excellent story and continued Government support is expected.

BRR What differentiates Willmott Forests in the sector?

WFL In a nut shell it's 'products' – 'people' – and 'service'

We've been packaging up plantation forestry investment products and offering them to the retail market longer than anyone – so we certainly understand what the market wants. Our products are always highly rated and this is evident from our recent results.

Our people are first class – they possess both experience and passion – which is a formidable mix.

...and, we have an innate focus on quality and service in all that we do.

Financially, we have a strong balance sheet and we have significant land assets that are a must for any serious forestry business.

## WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO

BRR How will secondary market trading help Willmott Forests' MIS offers?

WFL Our new Premium Forestry Blend product is a perfect example of this. It was launched last week nationally and it is the first Forestry MIS product to have a 'built-in' secondary market. We at Willmott Forests, believe this is the way forward and early indications from our Dealer network tell us we are on a winner here.

BRR Is there an appetite for institutional and offshore pension fund involvement in Australian forestry?

WFL Absolutely!

We are seeing increasing interest in this area both domestically and globally.

We believe we are well placed to participate on a number of fronts.

BRR How well is Willmott Forests placed to benefit from carbon trading?

WFL We are as well placed, if not better placed than most businesses in the sector.

Having said that, we have always been cautious in this arena as to date the carbon trading market has provided as many pitfalls as it has opportunities. We see this changing in the short to medium term and we are well placed to capitalise in this arena.

BRR How do you see Willmott Forests growing its business going forward?

WFL Clearly our core business is plantation forestry and we are particularly well placed to continue to grow our plantation resources via forestry funds management activities.

Emerging carbon markets are expected to be a positive factor in the medium term.

Our timber processing operations in Bombala are about to undergo a major upgrade that will deliver sustainable returns to our shareholders.

## **WFL – 2008 Full Year Results Overview – Mr Marcus Derham, CEO**

And..., we have entered the 'energy space' via our BioForest and Ethtec businesses – these have, and will continue to be sound strategic plays for us.

In summary...

...we have a solid core business in which we are a market leader, a number of initiatives that are designed to enhance that core business and a management team that will deliver positive outcomes.

Anyone who is looking for exposure in the plantation sector should look at us as a viable vehicle.

BRR Marcus Derham the Chief Executive Officer of Willmott Forests, thanks for joining us today and telling us about your full year 2008 annual results.

WFL Thanks Terence.

INTERVIEW CONCLUDED.