

MARKET RELEASE
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CAVALIER
CORPORATION

Cavalier negotiating to sell wool scour interest to focus on core carpet business

Cavalier Corporation Limited (NZX: CAV) announces that it is nearing completion in negotiations to sell its interest in Cavalier Wool Holdings Limited (CWH) which has wool scouring operations based in Napier and Timaru.

This sale comprises its 27.5% shareholding in CWH and the property held by 50% owned CWS Assets Limited (CWSA) which has been leased to CWH.

CWH is currently owned by Scouring Investments Limited (45%), Accident Compensation Corporation (13.75%), Direct Capital Investments Limited (13.75%) and Cavalier. The proposed transaction is to an experienced industry participant, who will purchase 70% of the shares of CWH, with Scouring Investments Limited retaining a 30% share.

At the same time, Cavalier will enter into a long-term scouring agreement with CWH to secure its ongoing access to wool scouring services on arm's length commercial terms.

Cavalier will receive approximately \$13.5 million in cash from the transaction, resulting in a non-cash write down of approximately \$11.8 million of its equity investment in CWH and CWSA.

Cavalier CEO Paul Alston says: "We were approached by an experienced wool scour investor and our partners have all agreed to accept the offer. We do not believe it is essential to own scouring infrastructure to secure the supply of scoured wool.

"The sale proceeds will significantly reduce our debt and strengthen our balance sheet enabling us to explore investments in our core business of manufacturing and marketing high end carpet solutions."

A further announcement will be made upon finalisation of the negotiations or in the event such negotiations are not successful and no transaction arises.

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