



Gunns Half Year Results Briefing 2010

February 2010



Current Performance

- The woodfibre business has been significantly impacted by the strong \$A and declining volumes.
- The sawn timber business has shown signs of recovery from the cyclical bottom due to overhead reduction following integration of all businesses.
- The MIS business has been severely impacted by loss of confidence in that market and funding available to finance the schemes.
- The retail business has shown profit growth following recent capital expenditure.

Strategic Review

- Focussed on unlocking the value in Gunns land and plantation assets.
- Positioning for participation in the industry restructure.
- Providing potential investors with a means to join Gunns in the industry consolidation opportunity.
- Provides for potential investors in the pulp mill to co-invest in the plantation estate.

Gunns Half Year Results 2010

Summary of Gunns' FY09 statutory results

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Revenue	427.6	341.7	325.9	(4.0)
Reported EBIT	69.3	41.5	4.8	(88.1)
Net interest	26.4	13.1	9.8	(25.2)
Tax expense	9.4	5.6	(5.5)	(227.9)
Reported NPAT (incl associates)	33.6	22.6	0.4	(98.2)
Adjust non-operating items	(8.2)	5.2	2.7	(47.6)
NPAT (before non-operating items)	27.9	26.2	2.3	(91.3)
Reported EPS (cents)	6.2	1.9	(0.4)	(121.1)
EPS (before non-operating items) (cents)	5.0	2.8	(0.2)	(105.6)
Final dividend (cents)	4.0	2.0		
Total dividends (cents)	-	6.0		

Source: Gunns Appendix 4E

Reconciliation of statutory to underlying results

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10
Underlying EBIT	60.8	45.0	7.5
Gain on financial instruments relating to Mill Project	(12.8)	(9.6)	0.7
Doubtful debt provisions	-	8.4	-
Business acquisition and restructuring costs	3.5	6.0	3.0
Gain on ITC Income adjustment	-	-	(2.8)
Devaluation of FEA shares	-	-	1.8
Reported EBIT	69.3	40.2	4.8

Source: Gunns management accounts

Forest Products

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Revenue	225.2	133.0	140.6	5.7
EBIT	57.4	33.7	6.9	(79.5)
EBIT margin	22.5%	25.3%	4.9%	(80.6)

Source: Gunns Appendix 4E

Woodfibre

- Sales recovered in the half due primarily to improved sales to Japan.
- Profitability was severely impacted by \$US denominated sales which comprised 30% of sales by volume in the half.
- The volumes to Japan have been adversely affected by continued misinformation on environmental grounds from NGO.
- The business is proactively engaged with NGO's to achieve dual certification of AFS and FSC.
- Cost control has been a key focus, with permanent overhead reductions implemented in the half.

Sawn Timber

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Revenue	130.7	108.2	127.7	20.6
EBIT	2.4	(2.1)	5.5	(393.6)
EBIT margin	1.8%	(1.9%)	4.3	(343.6)

Source: Gunns Appendix 4E

- Sales volumes stabilised and has shown improvements in the last quarter of the calendar year.
- Integration of all businesses has been completed, resulting in lower costs of overhead and improved profitability.
- Consolidation of the Scottsdale sites, following the contract loss in 2008 to FEA by Auspine, now completed with the business profitable.
- Purchase of the ITC Hardwood business completed in December 2009. Integration completed in February 2010 and forecast cost synergies should be achieved by 30 June 2010. The target stock reduction of \$30m over 18 months will be achieved.
- Targeted price increase from 1 February 2010 of 5% achieved.

Plantation MIS

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Revenue	18.9	49.5	5.8	(88.3)
EBIT	3.9	3.5	(3.7)	(205.7)
EBIT margin	20.6%	7.1%	(63.8)%	(1,002.2)

Source: Gunns Appendix 4E

- Sales reflect the difficult MIS market.
- Gunns will offer Walnuts 2010 to a maximum amount of \$13.2m.
- Gunns currently has Woodlot 2010 Project waiting ATO approval and will make a final decision on an offer in the current year in line with the Strategic Review of the business in the coming month.
- Due to the turmoil in the industry the sector will not achieve the returns experienced in prior years.

Other (includes five Mitre 10 outlets, construction and wine production)

A\$ million (YE 30 JUNE)	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Revenue	52.9	51.0	51.8	106
EBIT	1.7	0.5	3.0	500
EBIT margin	32.0%	1.0%	5.8%	490.7

Source: Gunns Appendix 4E

- Mitre 10 performed strongly, reflecting the implementation of the Launceston store upgrade. This trend is anticipated to continue in the full year.
- Construction was below forecast; however, the second half will show a strong improvement due to the current order book held.
- Wine sales improved significantly in the domestic market, however export markets were greatly affected by the strength of the \$A. The current vintage is expected to exceed 2009.

Financial position as at 30 June 2009

Gunns' financial position as at 30 June 2009

A\$ million, as at 30 JUNE	1 st HY 09	2 nd HY 09	1 st HY 10	% change
Total assets	2,628.9	2,456.2	2,623.3	6.8
Net debt	810.2	654.3	661.0	2.8
Net equity	1,337.5	1,321.9	1,457.6	10.3
Net debt / equity	0.6	0.5	0.5	(6.8)
NTA per share ¹	1.82	1.8	1.6	(11.7)
Net interest ²	26.4	13.1	9.8	(25.2)

Source: Gunns Appendix 4E

- Net interest has decreased progressively due to debt reductions and the lower interest rate environment.
- The increase in total assets in the most recent half has not resulted in any increase in net debt.

¹ Number of shares based on closing issued and paid up capital: FY09: 637 million, FY08: 407 million; FORESTS treated as debt (at \$120 million face value)

² Net interest includes MIS financing revenue of \$19 million in FY09 and \$20 million in FY08

- Appointment as RE and Manager to Great Southern pulpwood schemes (1998–2006) from January 2010
- Remuneration for management services from a share of proceeds as each scheme is harvested
- Harvest profile increases from 500,000 gmt pa currently to 2.0m gmt pa
- Acquisition of ancillary assets to operate business (\$10m)
- Standing timber and MIS interest sales to be concluded
- Sale process to be implemented for Great Southern land estate

- Pulp Mill is in a “project-ready” status:
 - Separate project management team to Gunns’ day-to-day operational team; requires minimal input from Gunns’ executive management.
 - Minimal cost being incurred to maintain “project-ready” status.
 - Reports independently to the Board on a regular basis.
- Pulp Mill will now operate on 100% plantation resource from commencement.
- Negotiations with debt financiers have progressed, now awaiting finalisation of equity.
- Equity discussions and detailed information exchanges with potential investors continue positively.
- Clear recognition by potential investors that the Pulp Mill is a valuable asset with access to a highly attractive resource base.
- Improvement in equity and credit markets are expected to assist in the finalisation of the project financing.

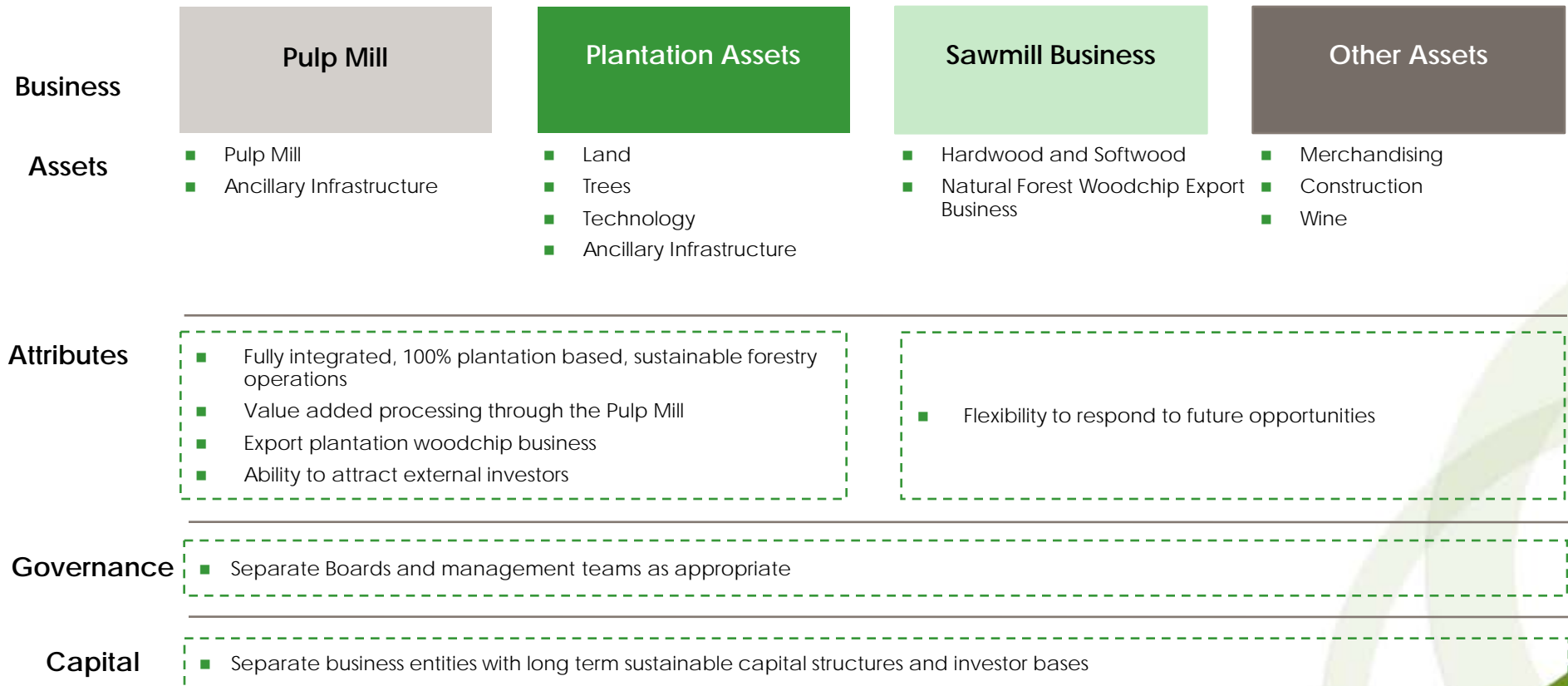
- Key export markets for woodchips have stabilised but are unlikely to improve in the current calendar year. Pricing for markets ex Japan should strengthen in the second half.
- Timber Division should show a significant lift in earnings following the acquisition of ITC and general price increases in February.
- Retail and Construction continue to improve profitability.
- Cost and working capital control will remain a high priority.
- Earnings from the Great Southern management commence in 2010.

Strategic Review

“Strategic realignment of Gunns’ existing businesses will realise the inherent value of the current business, enhance the pulpmill investment profile and allow Gunns to participate in the “once in a generation” industry consolidation.

- Following a period of rapid plantation growth across the industry, a new business structure is required based on traditional forestry capabilities.
- A realignment will allow Gunns to realise the inherent value of its significant land and plantation assets for the benefit of its shareholders.
- Gunns’ land, and plantation assets comprise ~ 40% of Gunns’ total company assets (currently \$2.6billion).
- The ongoing restructure of the hardwood plantation sector in Australia will provide future growth opportunities.
- Gunns must adapt to an evolving export customer base and customer preferences.
- Investors now want to reallocate capital to this industry segment and be part of the reshaping of the sector.
- Is also consistent with strong interest from potential Pulp Mill investors in land and plantation assets.
- Is designed to achieve a long-term sustainable capital structure and investor base.

The re-alignment will create a clear delineation between Gunns' plantation based sustainable forestry operations and the natural forest woodchip export and other business, allowing the introduction of new capital for growth.



“Strategic realignment continues Gunns’ commitment to full environmental sustainability”

- The continuing development of a plantation based resource is a strategic priority for Gunns and is critical to the Company’s future.
- Significant proportion of Gunns’ future value will be realised through its integrated sustainable forestry operations:
 - Pulp Mill now 100% plantation based from commencement.
 - Creates an environmentally sustainable supply base for Gunns’ export woodchip customers and the Pulp Mill.
 - Seek dual certification (PEFC and FSC) for plantation wood supply and pulp output.
- Gunns will continue proactive engagement with the community, stakeholders and NGO’s to communicate the enhanced environmental credentials of its strategic realignment.

- Realise inherent value within Gunns' significant land and plantation asset base.
- Creation of a clear industry leader in integrated, sustainable forestry management.
- Improve Gunns' ability to meet demand in export markets:
 - Better aligned to Japan's increasing focus on procuring woodchip from sustainable forestry sources.
 - Positioned to capitalise on growing Chinese demand for pulp and hardwood chip.
- Will facilitate access to new capital and allow Gunns to participate in a "once in a generation" industry consolidation opportunity, by;
 - Enhancing the investment in the pulpmill.
 - Allowing for a reduction of debt in Gunns Limited.
 - Providing the opportunity to participate in the emerging industry restructure.
- Strong links to the Pulp Mill, which when completed, will enhance the value of Gunns' plantation assets.

- Run a defined process in parallel with the existing Pulp Mill process:
 - Financial, legal and tax advisors have been appointed to assist Gunns implement this strategic re-alignment.
 - Create long term corporate and capital structure, providing improved financial flexibility.
 - Optimise investor base within each business.

- Key next steps:
 - Commence process and expand existing Pulp Mill discussions to include plantation asset base.
 - Engage with interested parties.
 - Provide an update to the market by the end of April 2010.
 - Seek to announce final structure and external investors by 30 June 2010.