Gunns Limited
2010 Full Year Results Briefing

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Wayne Chapman – Company Secretary

August 2010

Gunns LIMITED

FY10 Results

FY10 Operating Environment

- Substantial shift in woodchip markets
- Integration of sawn timber operations (Gunns/ITC/Auspine)
- No MIS sales

FY10 Strategic Initiatives

- Focus on social license
- Expansion of managed plantation estate from 207,000 hectares to 339,000 hectares
- Implementation of restructure program following February 2010 strategic review
- ITC timber processing and Great Southern plantation management investments
- Divestment of non-core or non-contributing assets
- Structured process for pulp mill equity investment

FY10 Results
- Financial Highlights

	FY09	FY10	Change
Revenue	$769.3m	$704.0m	↓ 8%
Underlying EBIT[1]	$107.4m	$51.4m	↓ 52%
Underlying NPAT[1]	$53.8m	$33.4m	↓ 38%
Reported EPS (Fully Diluted)	8.1 cents	2.8 cents	↓ 65%
Underlying EPS[1]	9.1 cents	3.4 cents	↓ 63%
Dividend (Fully Franked)	4.0 cents	Nil	↓ 100%
Gearing[2]	33%	30%	↓ 9%

Notes:
1 Refer to slide 6 for a reconciliation of underlying results
2 Gearing = net debt divided by net debt plus equity

FY 2010

Financial Summary

FY10 Results Summary

Summary of FY10 Results

A$ million (YE 30 June)	FY09	1st HY 10	2nd HY 10	FY 10	% change
Revenue	**769.3**	**325.9**	**378.5**	**704.4**	↓ **8.4**
Reported EBIT	110.8	4.8	(90.1)	(85.3)	↓ 177.0
Underlying EBIT	**107.4**	**7.5**	**43.9**	**51.4**	↓ **52.1**
Net interest	40.1	9.8	8.8	18.6	↓ 53.6
Tax (expense)/benefit	(15.0)	(5.5)	137.3	131.8	↑ 978.7
Reported NPAT (incl associates)	**56.2**	**0.4**	**28.1**	**28.5**	↓ **49.3**
Adjust non-operating & significant items	(2.4)	2.7	2.2	4.9	↑ 304.2
NPAT (before non-operating & significant items)	**53.8**	**2.3**	**31.1**	**33.4**	↓ **37.9**
Reported EPS (cents)	**8.1**	**(0.4)**		**2.8**	↓ **65.4**
EPS (before non-operating items) (cents)	**9.1**	**(0.2)**		**3.4**	↓ **62.6**
Final dividend (cents)	**2**			**Nil**	↓ **100.0**
Total dividends (cents)	**4**			**Nil**	↓ **100.0**

Source: Gunns Appendix 4E

FY10 Results Summary

Reconciliation of statutory to underlying results

A$ million (YE 30 June)	FY09	1st HY 10	2nd HY 10	FY 10
Underlying EBIT	**107.4**	**7.5**	**43.9**	**51.4**
Unrealised loss on financial instruments	21.6	(0.7)	(8.0)	(8.7)
Doubtful debt provision – MIS loans	(8.7)	-	(9.0)	(9.0)
Business acquisition and restructuring costs	(9.5)	(3.0)	(12.3)	(15.3)
Gain on acquisition of assets		2.8	4.6	7.4
Impairment provision – MIS assets			(88.4)	(88.4)
Impairment provision – Wine assets			(29.4)	(29.4)
Impairment provision – Land			(4.5)	(4.5)
Impairment provision – FEA investment		(1.8)	(8.9)	(10.7)
Impairment provision – Timber and other assets			(7.1)	(7.1)
MIS Fee income			24.5	24.5
Gain on sale of assets			4.5	4.5
Reported EBIT	**110.8**	**4.8**	**(90.1)**	**(85.3)**

Source: Gunns management accounts

FY10 Results Summary

Divisional Results

A$ million (YE 30 June)	Revenue 2009	Underlying EBIT 2009	Margin 2009	Revenue 2010	Underlying EBIT 2010	Margin 2010
Forest Products	394.6	91.1	23.1%	307.0	44.7	14.6%
Sawn Timber	202.5	4.5	2.2%	270.3	15.7	5.8%
Total from Core Operations	**597.1**	**95.6**	**16.0%**	**577.3**	**60.4**	**10.5%**
Other and discontinued operations	172.0	18.2		126.7	(3.6)	
Corporate costs		(6.4)			(5.4)	
Group Total	**769.1**	**107.4**		**704.0**	**51.4**	

- Forest products business comprises: Export woodchips, Plantation management and Forest valuation
- Sawn Timber business comprises: Hardwood and softwood timber and veneer production
- Other operations comprise: MIS administration and finance, Merchandising (discontinued May 2010), Wine (discontinued August 2010) and Construction

FY10 Cash Flow Summary

Reconciliation of cash flows

(YE 30 June)	2009 A$ million	2010 A$ million
Underlying EBIT	**107.4**	**51.4**
Depreciation & Amortisation	29.7	32.4
Change in Working Capital	(24.6)	(6.1)
Movement in Provisions	(0.5)	2.8
Interest Payments	(62.5)	(34.7)
Tax Payments	(1.0)	16.5
Other	6.8	(0.3)
Operating Cash Flow	**55.3**	**62.0**

Capital Expenditure & Working Capital

Capital Expenditure	2010 Actual A$ million	2011 Forecast A$ million
Pulp Mill	39.2	7.1 (to Dec 2010)
Standing timber/vineyards/orchards	24.3	8.7
Forest roads	6.0	7.7
Other	17.9	9.3

Inventory (end of financial year)	2010 Actual A$ million	2011 Forecast A$ million
Timber products	153.6	134.3
Forest products	38.6	38.6
Other	9.3	0

Financial Position
- as at 30 June 2009

Financial position

A$ million (As at 30 June)	FY 09	FY 10	% change
Total assets	2,456.2	2,546.3	↑ 3.7%
Net debt	654.3	652.0	-
Net equity	**1,321.9**	**1,492.9**	↑ **12.9%**
Net debt / (debt + equity)	33%	30%	↓ 10.0%
NTA per share[1]	1.8	1.62	↓ 10.0%
Net interest expense[2]	**40.1**	**18.6**	↓ **53.6%**

Source: Gunns Appendix 4E

[1] Number of shares based on closing issued and paid up capital: FY10: 807 million, FY09: 637 million; FORESTS treated as debt (at $120 million face value)

[2] Net interest includes MIS financing revenue of $22 million in FY10 and $19 million in FY09

Debt Facilities

A$ million (As at 30 June)	FY 10	TERM
Senior facility	$380m	Refinance due January 2012[1]
Working capital facilities	$108m	Annual review
Forestry land trust	$12m	June 2013 review
Securitised loan facility	$76m	
Lease facilities		
- Woodchip assets	$41m	Term to December 2011
- Woodchip vessel	$17m	Term to March 2016
- Sundry equipment	$25m	2-4 year term
TOTAL	**$659m**	

Source: Gunns Appendix 4E

Notes:
1 - $10m quarterly repayments commence December 2010

Balance Sheet

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Forest Assets

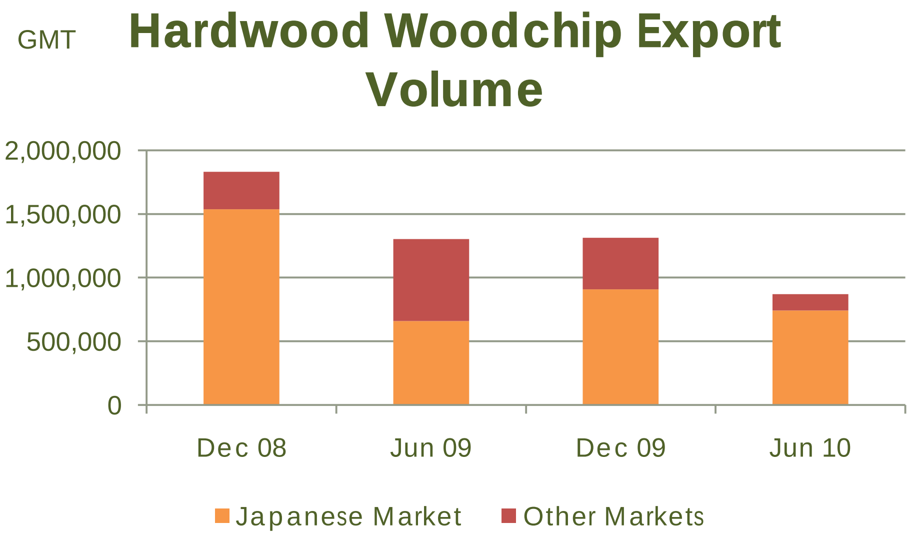
- **Land** – Land is valued at $761 million. During the year a directors' valuation of Tasmanian forestry land was undertaken. This valuation was referenced to an independent assessment of the value of the Tasmanian forestry land assets. The land value is net of a provision for impairment for land under MIS leases of $113 million. This impairment will be progressively reduced as the MIS leases complete. The revaluation resulted in a decrement to the asset revaluation reserve of $37.5 million (net of tax) and a profit and loss expense of $4.5 million.

- **Roads** - Forest roads have been independently valued at June 2010 and are recorded on a fair value basis at $141.4 million. Previously roads were carried at a written down value from historical cost. This revaluation resulted in an increment to the forest road value of $74.2 million (through the asset revaluation reserve).

- **Deferred lease and maintenance receivable** - An impairment expense of $88.4 million was recorded for future receivables from MIS woodlot projects. The impairment charge arises from a review of expected future harvest volumes, market prices and demand for specific wood products. The recoverable value of this asset is reviewed annually and is subject to physical inventory assessments and movements in market values for wood products.

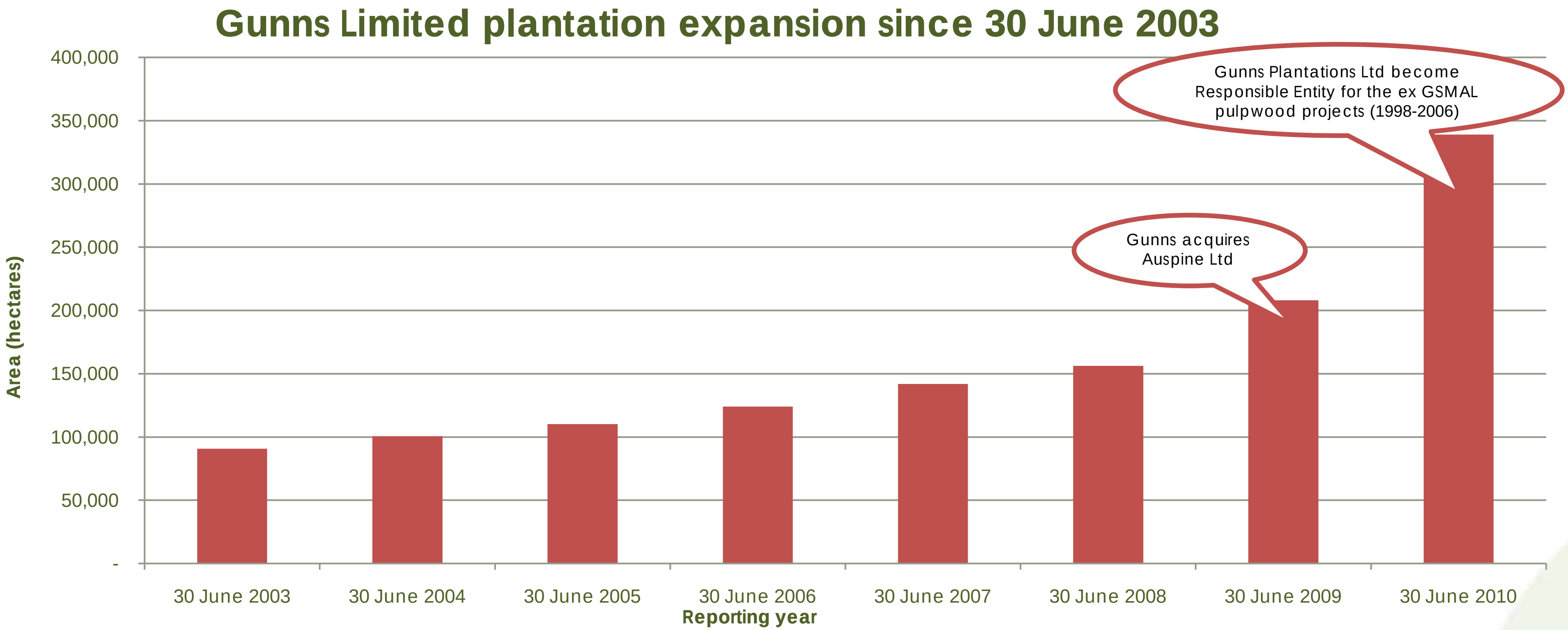
Review of Operations and Strategy

Forest Products
- Woodchips



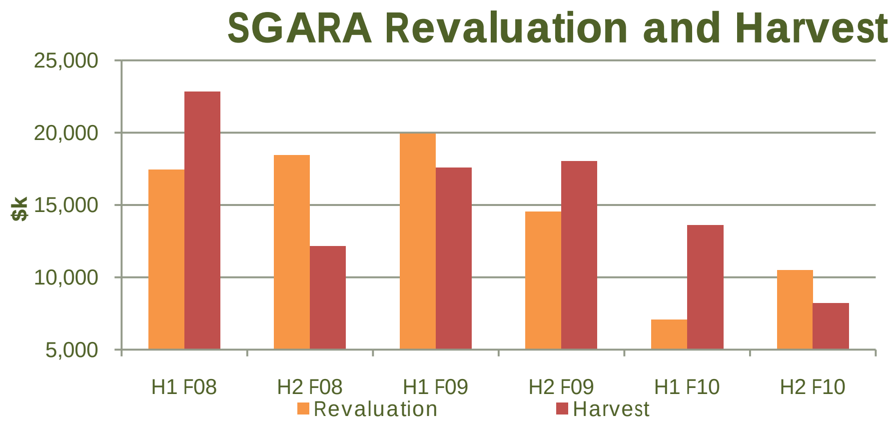
- Hardwood woodchip sales volume of 2.2 million gmt (Revenue: $188.3 million)
- Softwood woodchip sales volume of 0.4 million gmt (Revenue: $25.1million)
- Japanese demand for hardwood is focused on plantation fibre
- The business is proactively engaged to achieve dual certification
- 2011 outlook of improved sales volume (hardwood - 3.2 million gmt; softwood 0.5 million gmt)
- Commencement of sales ex: Portland (2Q 2011) and Albany (1Q 2011)

Forest Products
- Plantation management

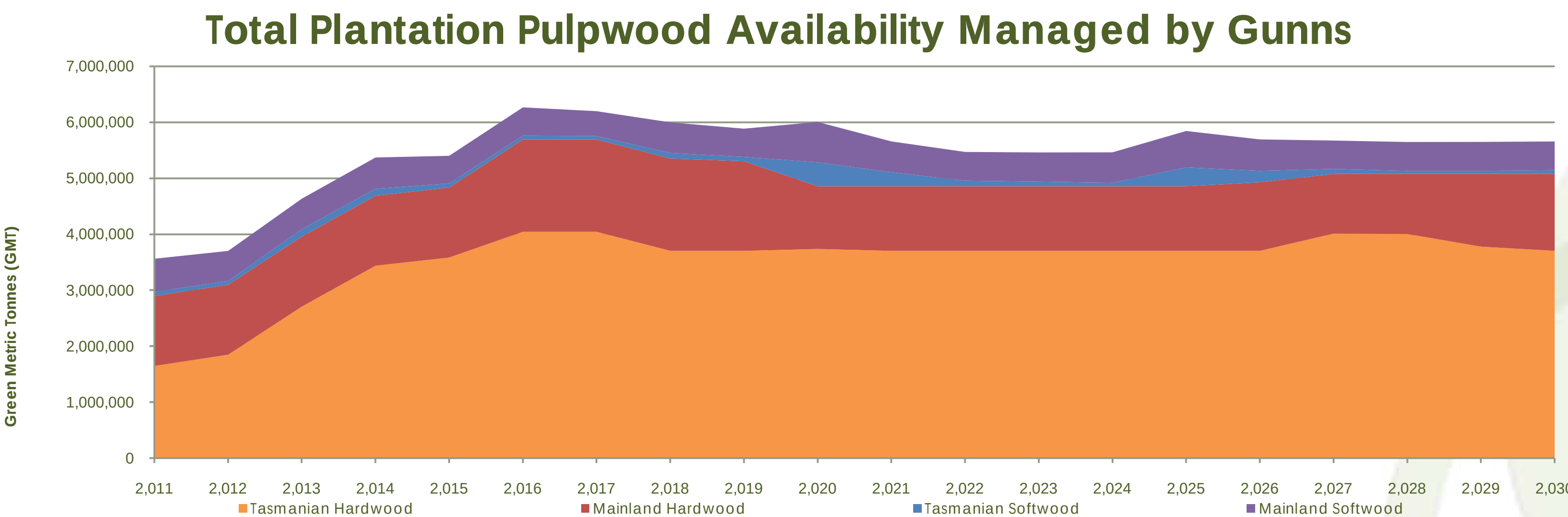


- Plantation forest under management
  - Gunns equity (including joint ventures) 65,000 hectares
  - GPL woodlot projects 106,000 hectares
  - GS woodlot projects 130,000 hectares
  - Other 38,000 hectares
- Forecast plantation harvest in 2011 of 3.5 million gmt (hardwood 2.8 million gmt, softwood 0.7 million gmt)

Forest Products
- Forest valuation

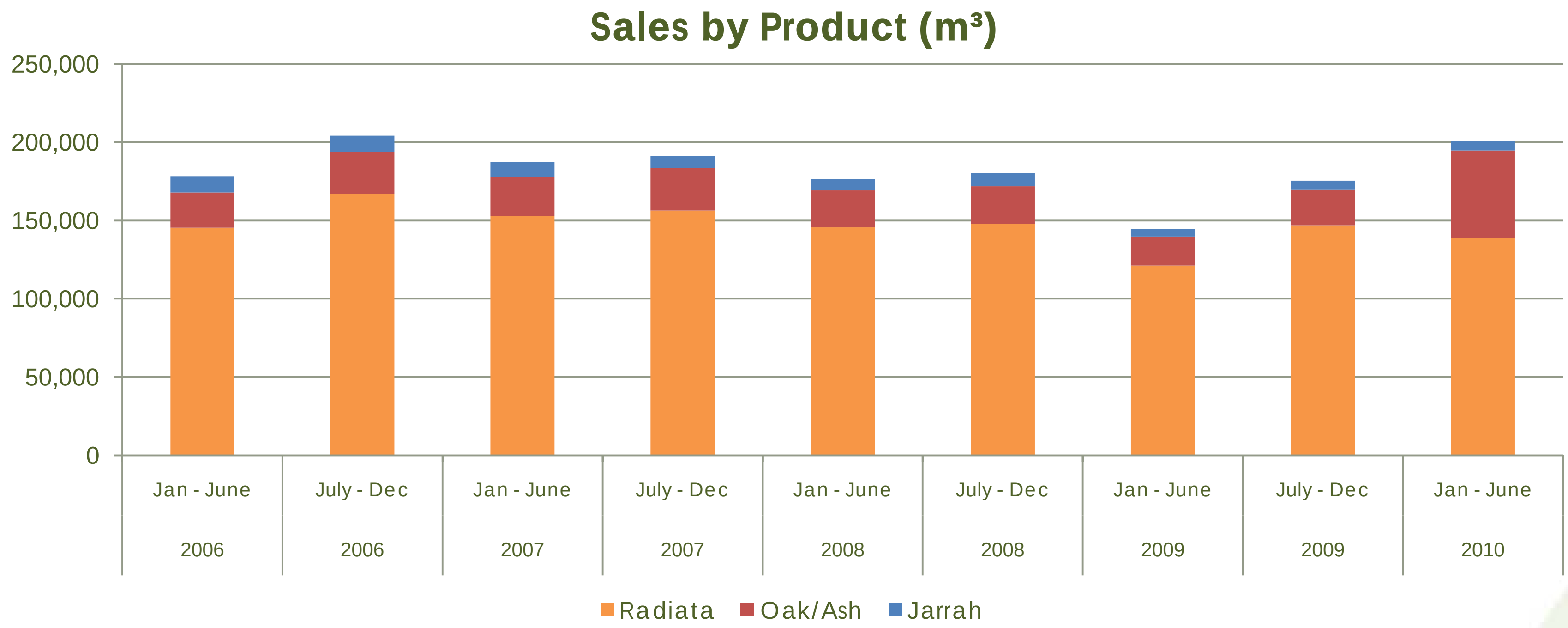


- SGARA
  - Forest valuation increase $17.5 million (Hardwood: $12.4 million - Softwood: $5.1 million)
  - Forest resource harvested $22.9 million (Hardwood: $21.8 million - Softwood: $1.1 million)
  - Harvest value for FY 2011 forecast at $25 million



Note – mainland hardwood volume assumes Great Southern estate is replanted and managed by Gunns

Timber Products



- Volume improvement in 2nd half mainly due to ITC acquisition.
- Integration of all businesses has been substantially completed, resulting in lower costs of overhead and improved profitability.
- Purchase of the ITC Hardwood business completed in December 2009. The targeted stock reduction of $30 million over 18 months is on schedule.
- Price increase from 1 February 2010 of 5% achieved.

Other Businesses

Business	Status	Commentary
MIS Administration and finance	Continuing	■ Net annual operating cost in FY 2010 \$4.7 million ■ Budget cost for FY2011 of \$4 million
Wine	Under sale contract	■ Sale completion scheduled for August 2010
Construction	Under Review	■ 2010 revenue of \$35.4 million ■ 2011 forecast revenue of \$36 million
Retail	Sold	■ Completed sale to Danks on 1 June 2010 for \$40 million

MIS Administration and Finance

- MIS business focus on the management of existing schemes
  - GPL schemes (woodlot, wine grape and walnut)
  - Great Southern pulpwood schemes
- No new offers proposed
- Annual administration and compliance cost of $4 million for 2011
- Finance loan book
  - $273 million owed by MIS investors
  - Funded by specific securitisation facilities ($76 million) and balance sheet debt $197 million
- 3,062 loan funded
- Loans split by project type as follows:
  - $9.6 million wine grape
  - $21.5 million walnut
  - $241.9 million woodlot
- Interest earned from the year was $21.6 million and interest expense was $17.5 million

Corporate Strategy

- Strategic review undertaken in February 2010 focussed Gunns development as a manager and processor of plantation wood products
- Subsequent actions undertaken to implement this strategy:
  - Strengthening Gunns social licence
  - Pulp Mill investment
  - Transitioning forest operations to a plantation base
    - Management of Great Southern plantations
    - Participation in industry review
  - Exit from non core or non contributing businesses
  - Balance sheet
    - Exiting low yielding assets
    - Debt reduction program

Corporate Strategy
- Business Framework

Business	**Pulp Mill**	**Forest Products**	**Sawmills**	**Other Businesses**
Assets	▪ Pulp Mill ▪ Ancillary Infrastructure ▪ Tasmanian plantations	▪ Mainland plantation management ▪ Export woodchip operations	▪ Hardwood and Softwood	▪ MIS administration and finance ▪ Construction
Attributes	▪ Fully integrated, 100% plantation based, sustainable forestry operations ▪ Value added processing through the Pulp Mill ▪ Ability to attract external investors	▪ Flexibility to respond to future opportunities		
Governance	▪ Separate Boards and management teams as appropriate			
Capital	▪ Separate business entities with long term sustainable capital structures and investor bases			

Corporate Strategy
- Strengthening Gunns Social Licence

Gunns LIMITED

- Expanded stakeholder engagement
  - Formal and informal programs
  - Resolution of litigation
  - Moving from conflict to resolution

- Review of native forest operations
  - Cessation of broad scale native forest conversion
  - Sale of freehold native forest – no longer required for production

- Cessation of 1080 usage

- Dual certification process

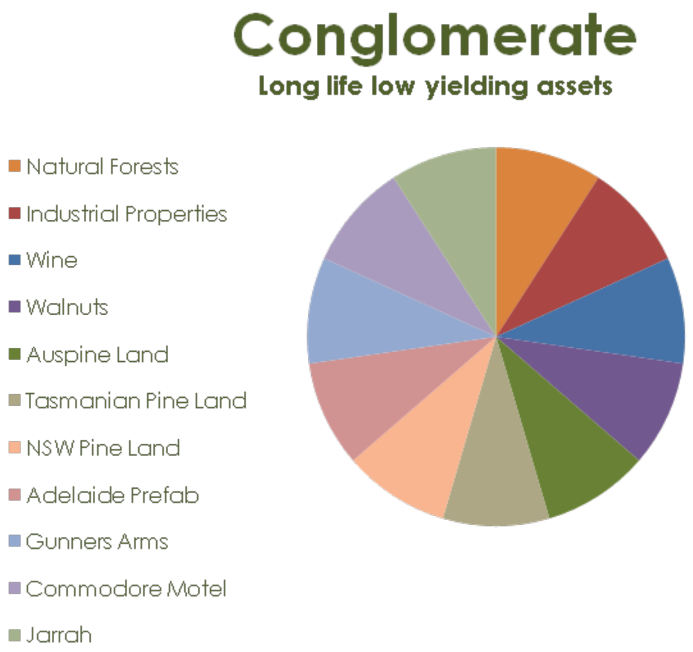
Corporate Strategy
- Industry Review

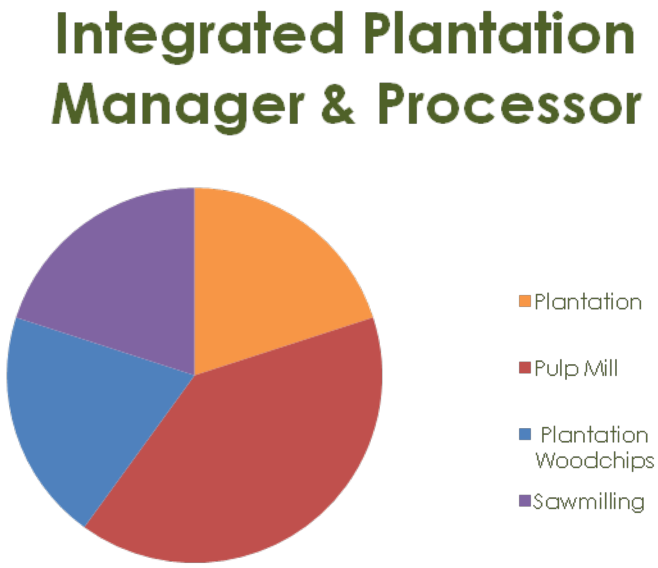
- Gunns supports the transition of the forest industry to a plantation resource base and the achievement of conservation outcomes for native forests consistent with community aspirations.

- As an owner and manager of a significant pulpwood plantation estate, Gunns objective is to maximise the value of this resource to its stakeholders as a sustainable business operation. The development of the Bell Bay pulp mill is fundamental to achieving this outcome.

- Implementation of a transition strategy will require substantial change to forest management, employment and investment and must be undertaken on an equitable basis to all parties.

Corporate Strategy
- Transformation Process





1. Many businesses
2. Excessive levels of encumbered assets
3. Excessive debt levels to earnings
4. Potential investors do not understand the business

1. A focussed business
2. A balanced debt to equity ratio
3. Earnings matched to debt
4. Strong cash generation
5. Investors have a clear understanding of the business

Corporate Strategy
- Sale of Non Core Assets

o Retail business	Sale completed May 2010
o Native forest land	Under contract – completion September 2010
o Surplus commercial sites	
– Austins Ferry	Under contract – completion November 2010
– Killafaddy	Under contract – completion November 2010
– Waverley	Under contract – completion November 2010
– Canningvale	Under contract – completion November 2010
– Gunners Arms/Commodore	Under contract – completion September 2010
o Wine operations	Under contract – completion August 2010
o Walnut assets	Sale process in progress Target: December 2010
o Green Triangle pine estate	Sale process under review Target: December 2010
o Timber pre-fabrication facility	Under contract – completion October 2010

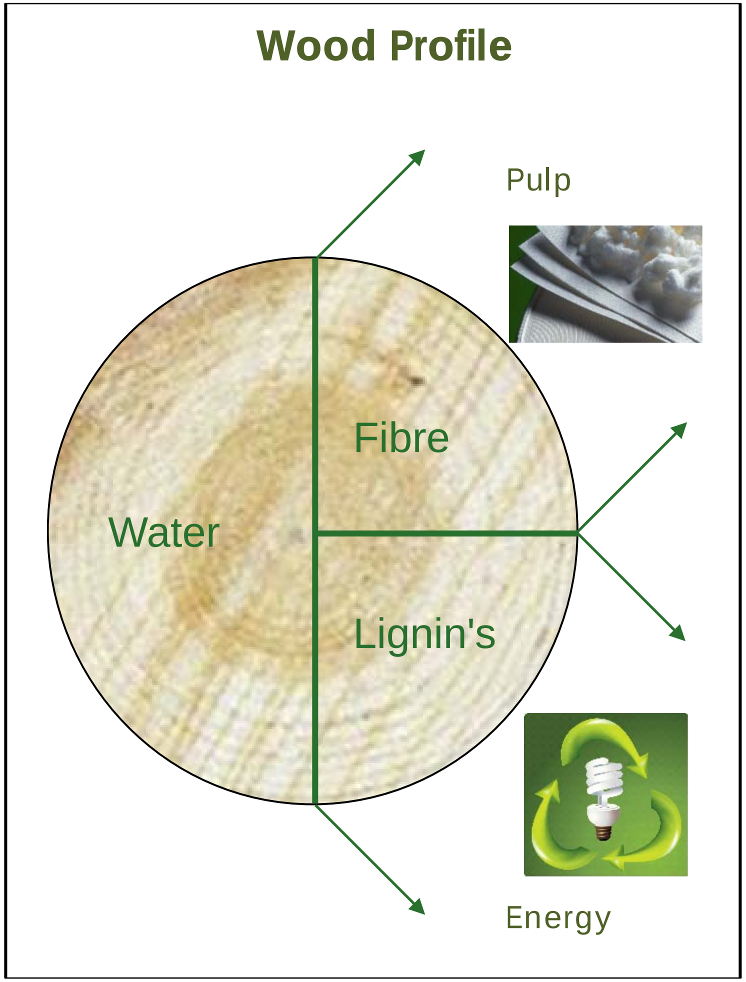
Corporate Strategy
- Pulp Mill Investment

- Equity investment program is progressing in due diligence phase
- Proposed investment structures maintain Gunns equity at 50-70%
- Tasmanian plantation assets incorporated in mill investment (value circa. $1 billion)

- Pulp Mill is in a "project-ready" status:
  - Appointment of Timo Piilonen as Project Director
  - Minimal cost being incurred to maintain "project-ready" status
  - Environmental permit obligations being maintained

- Pulp Mill operates on 100% plantation resource from commencement
- Completion of Gunns financial program and continuing to build our social engagement are critical to progressing the mill project

Pulp Mill Investment
- Maximisation of Plantation Fibre



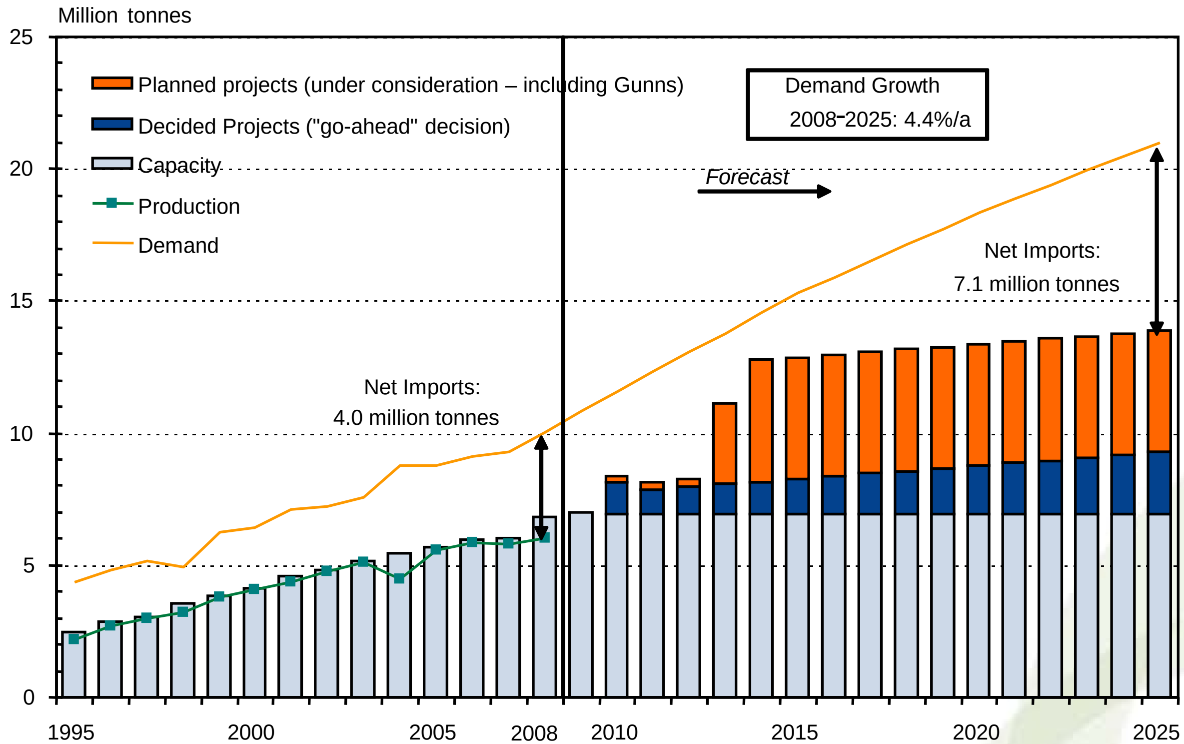
- Mill concept involves downstream processing to maximise shareholder value from the extensive plantation resource developed by the Company
- Modern processing model entails:
  - pulp mills being located close to the forest resource and paper manufacturing facilities close to the customer
  - an integrated utilisation of fibre and energy that allows extraction of full value from the plantation resource
- Gunns has access to over 300,000 hectares of high quality eucalyptus fibre and extensive associated infrastructure within a logical catchment of the proposed mill

Pulp Mill Investment

- Market Balance Asia Pacific Market BHKP

Positive market supply/ demand dynamics in the region based on:

- Demand growth will outstrip supply in the region
- Limited worldwide land availability and growing conditions that support growing plantation fibre on a sufficient scale
- This limited availability, combined with the time to establish a critical mass of resource, creates a significant barrier to entry for additional supply from competing sources



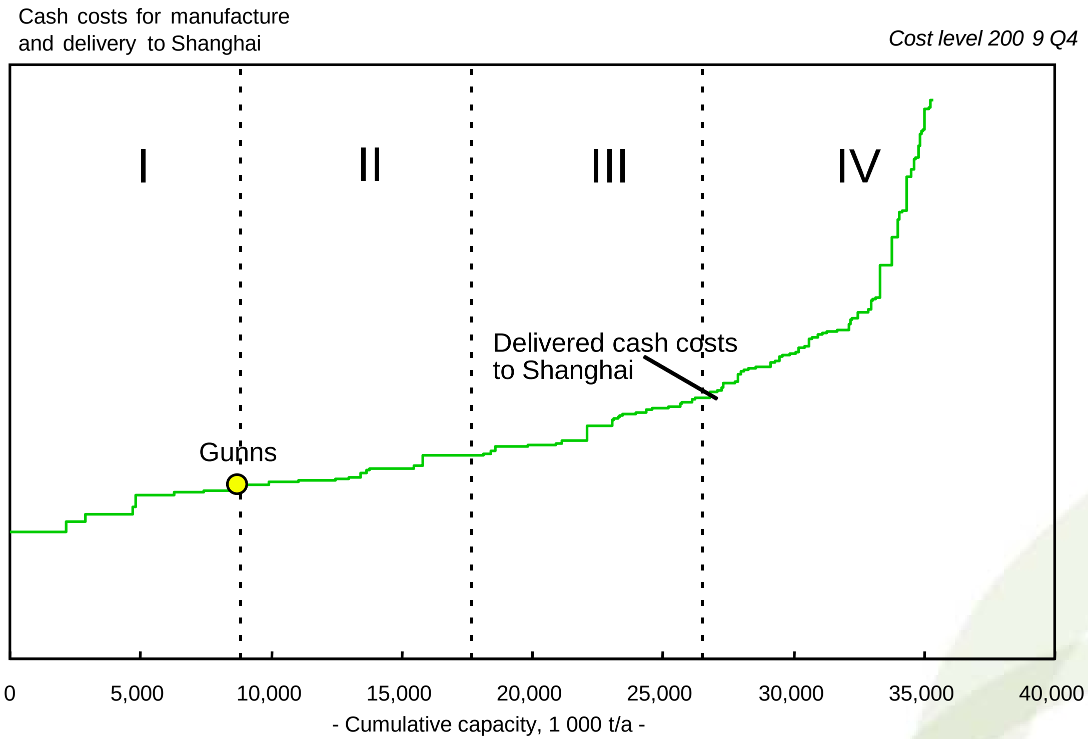
Note: Estimated pulp capacity may vary depending on pulp and paper market conditions. Supply data current as at May 2010 and includes only producers in Asia Pacific (including Australia). Forecasts have been prepared in good faith and with reasonable care but should not be relied on as a promise of the future.

Source: Pőyry 2010

Pulp Mill Investment
- Cumulative Cost Curve Global Market BHKP

Strong competitive position based on:

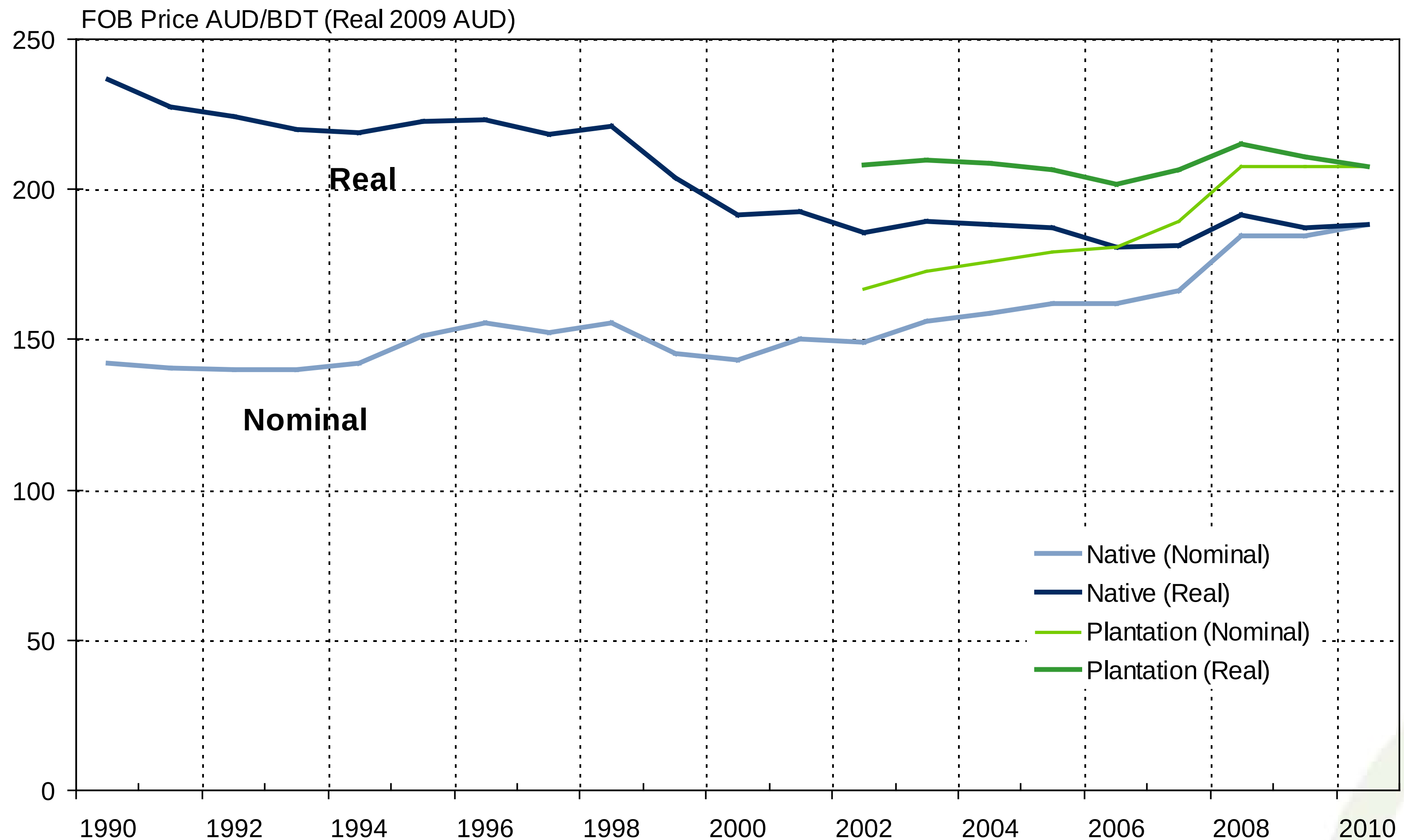
- Close proximity of the forest resource to the mill location
- Proximity of the mill to the main demand growth centres in Asia compared to other predominant supply regions in South America
- Modern technology and mill size providing for significant economies of scale and cost efficiency
- Mill concept allows significant revenues from renewable energy



Costs estimated using Pöyry's cost-competitiveness modeling. Based on forward exchanges rates predicted for 2016 as at March 2010. AUD rate used: AUD1 = USD0.77. Forecasts have been prepared in good faith and with reasonable care but should not be relied on as a promise of the future.

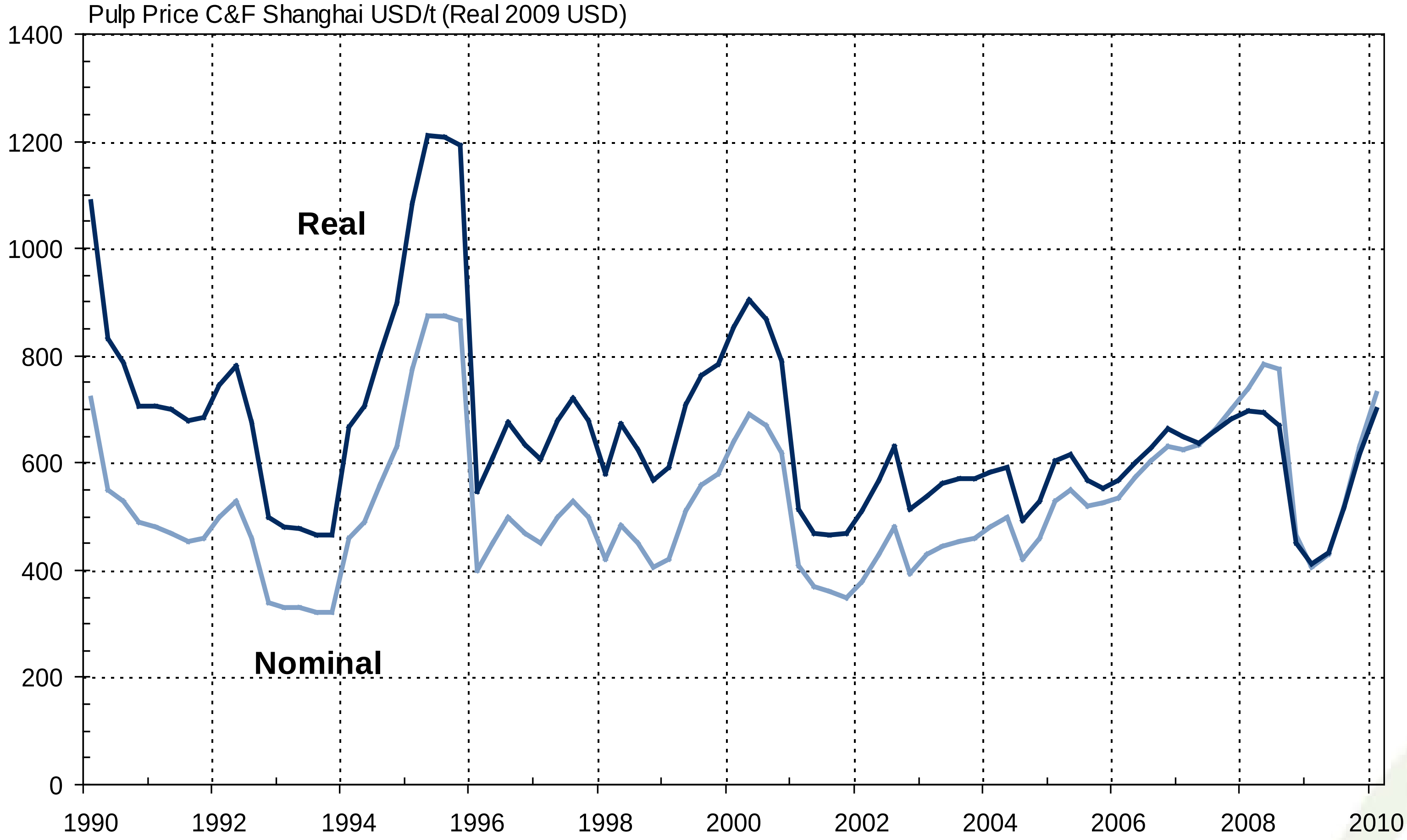
Source: Pőyry 2010

Pulp Mill Investment
- FOB Woodchip Prices



Source: Pöyry 2010

Pulp Mill Investment
- Price of BEKP 1990-2010 in China



* Prices C&F Shanghai or equivalent port; net price or very small discounts.
Deflator used for real prices US WPI.

Source: Pőyry 2010

Summary and Outlook

Summary
- Business Priorities For 2011

- Focus on balance sheet improvement
  - Sale of non core and surplus assets
  - Targeted debt reduction of $200 million

- Resolution of pulp mill equity investment process

- Progressing industry repositioning and community engagement

- Operational improvement from core businesses
  - Working capital reduction
  - Margin improvement

Outlook

- EBIT guidance to FY2011 of $50 million to $60 million

- Key export markets for woodchips have stabilised with progressive improvement expected assuming currency stability

- Timber earnings improving in line with expected lift in demand for construction activity and cost synergy benefits realised

- Cost and working capital control will remain a high priority.