Gunns LIMITED
ABN 29 009 478 148

26 February 2009

Company Announcements Platform
Australian Securities Exchange

STATEMENT BY THE EXECUTIVE CHAIRMAN,
MR JE GAY ON BEHALF OF
THE BOARD OF DIRECTORS

Results for the six months ended 31 December 2008

Net profit after tax	up	95%	to	$33.6m
Reported EBIT	up	57%	to	$69.3m
Underlying EBIT	up	14%	to	$60.8m
Gearing	down	13pts	to	38%
Revenue	up	16%	to	$427.6m
Earnings per share	up	82%	to	6.2 cents
NTA per share	down	9%	to	$1.82

The Company has recorded a substantial increase in net profit after tax for the six months ended 31 December 2008. The profit of $33.6 million was up 95% on the prior year comparative period.

Reported earnings before interest and tax for the period increased to $69.3 million, up 57% on the prior year first half. The result includes non-operating income from the revaluation of financial instruments of $12.0 million (pre tax) and non-operating expenses of $3.5 million (pre tax) arising from business restructuring costs. The financial instrument revaluation income was due to gains on forward exchange contracts related to the pulp mill project, partially offset by losses on revaluation of interest rate swaps. The restructuring expenses relate to the integration of the sawn timber business following the acquisition of Auspine Limited in the prior financial year.

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Underlying operational EBIT for the period increased to $60.8 million, up 14% on the prior year first half. This improvement reflects primarily the contribution from the Forest Products business, including the contribution from Auspine for the full six month period.

Total revenue increased by 16% to $427.6 million with a net operating cash outflow of $4.5 million.

Earnings per share (EPS) for the half increased by 82% to 6.2 cents.

DIVIDEND

The Directors have declared a fully franked interim dividend of 2 cents per share.

The dividend will be paid on 20 April 2009. The record date for the payment is 3 April 2009. The dividend will require a payment of $12.7 million. The Dividend Reinvestment Plan will not be active for this dividend payment.

REVIEW OF OPERATIONS

Group revenue for the period increased to $427.6 million, up 16% on the prior year comparative period.

Forest products revenue increased to $355.9 million, up 18% on the prior year comparative period.

Forest products earnings increased to $59.8 million, up 23% on the prior year comparative period. Sales volume was in line with the prior year comparative period. Market conditions in the export woodchip market weakened through the latter part of the first half, with this trend continuing into the first quarter of the 2009 calendar year. The sawn timber business has remained relatively stable through the period.

The Tasmanian merchandising business maintained turnover and gross margin at levels consistent with the prior year comparative period. Trade based activity remains strong across Tasmania and significant progress has been made on the Launceston store redevelopment. The construction business continues to hold strong forward orders with annual revenue projected to be in line with the 2008 year.

The cool climate wine business experienced sales volume in line with the prior comparative period. The business continues to be profitable with strong demand for cool climate wine in the Australian market.

Earnings from the managed investment business were down $1.0 million from the prior year comparative period. The result reflects an increase in development costs for the period.

The reported operating cash outflow of $4.5 million compares to an operating cash inflow in the prior year first half of $34.7 million. Reported operating cash flows do not include the proceeds of loan securitisation in the period which totalled $33.4 million as compared to $17.1 million in the prior year comparative period.

BOARD UPDATE

During the period the Company has appointed a new director, Mr David Simmons, who joins the Board from his previous position as Managing Director of Hills Industries Limited. Mr Simmons is currently Chairman of the South Australian Centre for Innovation and a Director of Codan Limited and the Commercial Motor Vehicle Group.

Mr Simmons joins fellow directors Mr Paul Teisseire from South Australia and Mr Chris Newman from Victoria, as mainland based directors of the Company.

BANK DEBT REDUCTION AND BALANCE SHEET STRENGTHENING

Significant emphasis has been placed by the Company on substantially reducing debt levels.

In August 2008, the Company raised gross proceeds of $336 million through a non-renounceable rights issue available to all shareholders. The funds raised were partly used to repay debt related to the acquisition of Auspine in the 2008 financial year.

In February 2009, a transaction with GMO Renewable Resources for the divestment of approximately 33,000 hectares of radiata pine plantation at a value of $173 million was finalised. Under the terms of the transaction, the Company retains ownership of the land and management rights for the forest, with a contractual right to acquire timber as harvested.

The share issue and the plantation divestment together generated net proceeds of $489 million.

Following these transactions, usage of senior debt facilities has been reduced from $790 million to $400 million through the course of the 2009 year to date, bringing the gearing level of the Company to approximately 32%. Following repayment of the Auspine current debt from the proceeds of the GMO Renewable Resources transaction, there are no refinancing commitments required on Company senior debt facilities until 2012, further adding to the strength of the Group.

These transactions have considerably strengthened the Company's balance sheet, enhancing the flexibility to respond to opportunities. Net assets at 31 December 2008 were $1.3 billion, up from $993 million in the prior year. Net tangible assets are now valued at $1.82 per share.

Financing expense for the group is expected to be significantly reduced in the second half in comparison to the prior year due to the combination of the debt reduction and lower interest rates.

FORESTS SECURITIES

The Board has resolved to continue the term of the FORESTS securities for a further 2 year period. Options for redemption or repurchase will be reviewed in light of developments in financial markets. The FORESTS securities pay a quarterly distribution to holders calculated on a 90 day bill rate with a 5% margin. The distribution is franked with the cash payment net of the value of the associated franking credit.

PULP MILL PROJECT

The Bell Bay Pulp Mill project is being maintained in a ready status to proceed on achieving financial close. Only moderate expenditure and management emphasis is necessary to maintain this ready status.

The Company has considered the strategic value in introducing a joint venture partner, with a strong industry position to the project, and is engaged in negotiation with a number of parties who have expressed interest. It is expecting to reach agreement on key terms with a partner by the end of April 2009. The introduction of a joint venture partner is expected to bring construction, operational and marketing experience to the project.

The primary source of funding for the development will be a project finance debt facility which is being coordinated by a leading European bank. The global financial crisis has had a significant impact on credit markets and project funding. The Company will continue to maintain its relationships with key project banks through this period to be in a position to progress financing as markets improve.

OUTLOOK

Global softening in commodity trade has led to customers reducing inventory levels, which is likely to result in a 15% reduction in woodchip sales for the second half. Sales outside of the Japanese market are increasing, assisted by favourable currency and freight cost movements, and increased management focus on developing new markets.

A recovery in woodchip volume is expected later this calendar year. The fundamentals of the forest products business remain strong, based upon Gunns competitive advantage due to its proximity to the growing Asian market, access to high quality resource, and economies of scale.

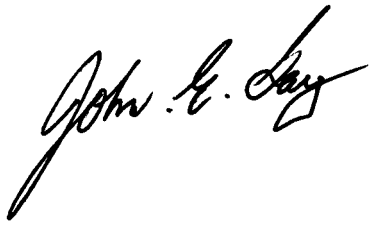
Domestic construction activity remains constrained although the impacts of recent Government initiatives to encourage residential housing activity and reduced borrowing costs are expected to provide a basis for improvement from current activity levels.

The MIS market has changed significantly from the 2008 year. The deterioration in financial markets is expected to reduce the demand for MIS products; however, the impact of this on our business is likely to be mitigated by reduced competition in the sector.

The Company has always placed considerable emphasis on cost control. This focus has continued during the current period to ensure margins and profitability are maintained during this difficult economic climate. Our export businesses presently have the benefit of a lower currency and declining freight cost. This opens opportunities in new markets and positions the business to increase sales as the customer inventory positions are rebuilt.

This Company is unable to provide guidance for the full year result until the conclusion of current woodchip contract negotiations. These negotiations are currently in progress. An updated earnings outlook will be provided following their conclusion which is expected to be in April 2009.

The Company has focused on reducing debt and on cost control to ensure a profitable asset base. This has resulted in a strong balance sheet that is well positioned to deal with the current economic climate and take advantage of emerging opportunities.



JE Gay
Executive Chairman