Gunns LIMITED
ABN 29 009 478 148

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MEDIA RELEASE

GUNNS ANNOUNCES $33.6 MILLION HALF-YEAR PROFIT

- **Bottom line net profit after tax up 95 per cent on prior corresponding period**
- **Underlying operational EBIT up 14 per cent to $60.8 million**
- **Revenue up 16 per cent to $427.6 million**
- **Balance sheet strengthened with senior bank debt reduced from $790 million to $400 million**

Integrated forest products company Gunns Limited today announced a substantial increase in net profit after tax for the half year ended 31 December 2008. The profit of $33.6 million was up 95 per cent on the prior corresponding period.

Earnings before interest and tax increased 57 per cent to $69.3 million. This included 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.

Underlying operational EBIT was $60.8 million, an increase of 14 per cent, in line with the most recent profit guidance.

Revenue increased by 16 per cent to $427.6 million with a net operating cash outflow of $4.5 million. Earnings per share (EPS) for the half increased by 82 per cent to 6.2 cents.

Gunns Chairman John Gay said the result was driven by a solid performance by the core forest products division.

“Forest products revenue increased 18 per cent to $355.9 million, while earnings increased 23 per cent to $59.8 million,” he said.

The board has 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.

BANK DEBT REDUCTION AND BALANCE SHEET STRENGTHENING

Mr Gay said the company had significantly strengthened its balance sheet during the half with a $336 million equity raising and the $173 million sale of a 33,000 hectare softwood plantation resource, which contributed to a significant reduction in bank senior debt from $790 million to $400 million.

“These transactions have considerably strengthened the company’s balance sheet, enhancing our flexibility to respond to opportunities,” he said.

The company’s gearing level is now approximately 32 per cent and there are no refinancing commitments required on senior debt facilities until 2012.

Registered Head Office: 78 Lindsay Street (PO Box 572) Launceston Tasmania Australia 7250

Telephone: 03 6335 5201 Int: +613 6335 5201 ● Fax: 03 6331 7587 Int: +613 6331 7587

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.

PULP MILL PROJECT

Mr Gay said the company was in negotiations with a number of parties who have expressed interest in becoming a joint venture partner in the proposed Bell Bay Pulp Mill.

“We are expecting to reach agreement on key terms with a partner by the end of April 2009,” he said.

“We believe there is strategic value in introducing a partner with a strong industry position to the project, including bringing construction, operational and marketing experience.

The primary source of funding for the development will be a project finance debt facility which is being coordinated by a leading European bank.

This is a project that has become even more crucial for the Tasmanian and Australian economies as the impact of the global financial crisis is felt on employment.

It is a project which will provide over 2,000 jobs during a two-year construction period and 1,600 new jobs during operation.

At a time when many companies are making workers redundant, we are one of the few with a major job creation project being progressed.”

Mr Gay said the mill project is being maintained in a ready status to proceed on achieving financial close.

OUTLOOK

Global softening in commodity trade has led to customers reducing inventory levels, which is likely to result in a 15 per cent reduction in woodchip sales for the second half.

Sales outside of the Japanese market are increasing, assisted by favourable currency and freight cost movements.

A recovery in woodchip volume is expected through the 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.

Management are actively working to progress opportunities in new markets and position the business to increase sales.

The company has focussed 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.

CONTACT

Investors
Wayne Chapman
03 6335 5224

Media
Matthew Horan
0403 934 958