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Company Announcements Platform
Australian Stock Exchange Limited

MARKET UPDATE

Integrated forest products company Gunns Limited has today provided a market update based on a preliminary, unaudited net profit after tax (NPAT) for the 2008 financial year of approximately \$67 million.

Earnings before interest and tax, before non-operating items and including revenue from MIS financing, are expected to be approximately \$185 million.

The figures are based on preliminary unaudited accounts for the year ended 30 June 2008. The profit result is after accounting for non operating costs expensed in the period of \$11.7 million (after tax). These costs include the revaluation of financial instruments related to the pulp mill project (\$7.6 million) and business acquisition and restructuring costs (\$4.1 million).

Key drivers of Gunns' 2008 net profit after tax were a strong performance from hardwood operations, challenging industry conditions in the softwood market and higher interest costs, in addition to the non-operating items.

For statutory purposes, revenue from MIS financing (equating to \$18.5 million) will be reclassified to interest revenue in the 2008 financial statements.

EBIT from Gunns' hardwood operations for the year has increased by approximately 30% over the prior year. This increase is primarily a result of an improving Asian woodfibre market.

Demand from this sector has continued to strengthen through the 2008 calendar year, with strong pulp markets and increasing global competition for wood supply. The pricing outlook for the 2009 year remains positive. Gunns' woodchip sales volume for the first half of the 2009 financial year is projected to exceed 2 million gmt (an increase of more than 15% on the previous half year).

EBIT for the Auspine business is expected to be approximately \$28 million. The business has experienced significantly weakened trading conditions through the June quarter as a result of slowing domestic construction activity levels and strong import competition. Key factors for an improvement in markets will be expected reductions in domestic interest rates and a weakening in the Australian dollar.

MIS sales for the year were stronger than expected at \$122 million (excluding GST) with woodlot development of approximately 16,000 hectares in line with expectations.

As a part of a review of its broader capital structure the company is currently considering the divestment of a tranche of plantation forest. The offer under consideration will realise approximately \$170 million. If the transaction is completed the funds will be applied to the reduction of debt.

The company's full year profit results are scheduled to be released on 28 August 2008. The results release will include an update on the Bell Bay Mill project.

Further Information

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