

29 August 2008

Company Announcements Platform  
Australian Stock Exchange Limited

**CAPITAL RAISING PRESENTATION**

Please find attached presentation in relation to a Gunns Limited Capital Raising.

Yours faithfully



**Wayne Chapman**  
*Company Secretary*

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## **Gunns capital raising**

**29 August 2008**

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# Overview of capital raising

- Accelerated non-renounceable pro-rata entitlement offer of up to approximately \$430 million<sup>1,2</sup>
  - Institutional Entitlement Offer of \$300 million<sup>1</sup>
  - Retail Entitlement Offer: Up to \$130 million<sup>1,2</sup>
- Purpose of capital raising is to recapitalise Gunns' balance sheet
  - Repayment of extended working capital facility of \$225 million that was used to partially finance acquisition of Auspine (which is due for repayment)
  - Repayment of a portion of company debt
- Robust balance sheet post capital raising
  - FY09 pro-forma interest cover of circa 3.9x<sup>3</sup> (including MIS financing revenue in net interest)
  - FY09 pro-forma interest cover of circa 3.0x<sup>3</sup> (excluding MIS financing revenue from net interest)
- Gunns has appointed Credit Suisse (Australia) Limited, J.P. Morgan Australia Limited and Macquarie Capital Advisers Limited as joint lead managers

<sup>1</sup> Assumes register split of 70% institutional / 30% retail

<sup>2</sup> Assumes 100% take up under Retail Entitlement Offer

<sup>3</sup> Interest cover = EBIT / net interest. Assumes capital raising of \$300 million occurred on 30 June 2008; MIS financing revenue expected to be \$22.3 million in FY09; excludes any proceeds from proposed sale of plantation forest; excludes distribution on FORESTS; EBIT excludes \$6.1 million of expected business restructuring costs

# Offer structure

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## Pricing

- Final offer price and entitlement ratio will be set by a bookbuild process to be conducted as part of Institutional Entitlement Offer

## Non-renounceable

- Entitlements are not tradeable on ASX or otherwise transferable
- Shareholders will not receive any value in respect of entitlements not taken up

## Entitlements not taken up

- New Shares not taken up by Eligible Institutional Shareholders and New Shares which would have been offered to Ineligible Institutional Shareholders will be offered to Eligible Institutional Shareholders who subscribe for more than their Entitlement and to other institutional investors

## Dividends

- New Shares issued under the Entitlement Offer will not be entitled to Gunns' 2008 final dividend of 4 cents per share (as no New Shares will be issued until after the record date for the dividend)

## Underwriting

- The Institutional Entitlement Offer is settlement underwritten; the Retail Entitlement Offer will not be underwritten

# Pro-forma financial position post capital raising (Institutional only)

## Summary balance sheet (assuming \$300 million capital raising occurred on 30 June 2008)

A\$ million, YE 30 JUNE 2008	Actual	Adjustments for Institutional Entitlement Offer	Pro-forma after Institutional Offer
<b>Total Assets</b>	<b>2,591.0</b>	<b>3.4</b>	<b>2,594.2</b>
<b>Liabilities</b>			
Current interest-bearing borrowings	353.1	(276.4)	76.8
Non-current interest-bearing borrowings	705.3	(9.0)	696.3
Other liabilities	539.2		539.2
<b>Total Liabilities</b>	<b>1,597.7</b>	<b>(285.4)</b>	<b>1,312.4</b>
<b>Total Equity</b>	<b>993.3</b>	<b>288.8</b>	<b>1,282.1</b>
<b>Gearing (ND/ ND + E)<sup>1</sup></b>	<b>51.4%</b>		<b>37.3%</b>
<b>Gearing (ND / E)<sup>1</sup></b>	<b>105.6%</b>		<b>59.6%</b>
<b>NTA per share</b>	<b>\$2.01<sup>2</sup></b>		<b>\$1.68<sup>3</sup> — \$1.86<sup>4</sup></b>

**Note:** The pro-forma financial information excludes any funds raised under the Retail Entitlement Offer and excludes any proceeds received from the proposed sale of plantation forest. The funds raised are net of transaction costs of \$14.7 million and a deferred tax benefit for \$3.4 million is recognised in relation to the transaction costs. FY09 outlook numbers are not detailed forecasts but represent Gunns' current expectations based on anticipated trading conditions. Gunns' results could vary materially dependent on those conditions

## FY09 interest coverage (assuming \$300 million capital raising occurred on 30 June 2008)

A\$ million	FY09 pro-forma NPAT	FY09 EBIT	FY09 pro-forma net interest	Interest Cover (EBIT / net interest)
<b>Including MIS revenue in net interest</b>	<b>110<sup>7</sup></b>	<b>200<sup>5</sup></b>	<b>50</b>	<b>3.9x</b>
<b>Excluding MIS revenue from net interest</b>	<b>110<sup>7</sup></b>	<b>222<sup>6</sup></b>	<b>72</b>	<b>3.0x</b>

<sup>1</sup> Net debt calculations include cash on hand of \$9.5 million

<sup>2</sup> Number of shares based on closing and issued and paid up capital: FY08: 407m shares; FORESTS treated as debt (at face value of \$120m)

<sup>3</sup> Based on offer price of \$1.20 resulting in 250m shares being issued under capital raising

<sup>4</sup> Based on offer price of \$1.60 resulting in 188m shares being issued under the capital raising

<sup>5</sup> FY09 EBIT estimate excludes expected business restructuring costs of \$6.1 million and **excludes** MIS financing revenue of \$22.3 million

<sup>6</sup> FY09 EBIT estimate excludes expected business restructuring costs of \$6.1 million and **includes** MIS financing revenue of \$22.3 million

<sup>7</sup> Estimated FY09 NPAT expected to be \$98 million (assuming \$300 million capital raising occurs on 1 September 2008 and after expensing business restructuring costs of \$6.1million)

# Pro-forma financial position post capital raising (Institutional + Retail)

## Summary balance sheet (assuming \$430 million capital raising occurred on 30 June 2008)

A\$ million, YE 30 JUNE 2008	Actual	Adjustments for Insto + Retail Entitlement Offer	Pro-forma after Institutional and Retail Entitlement Offer
<b>Total Assets</b>	<b>2,591.0</b>	<b>4.2</b>	<b>2,595.2</b>
<b>Liabilities</b>			
Current interest-bearing borrowings	353.1	(276.4)	76.8
Non-current interest-bearing borrowings	705.3	(135.7)	569.6
Other liabilities	539.2	—	539.2
<b>Total Liabilities</b>	<b>1,597.7</b>	<b>(412.1)</b>	<b>1,185.6</b>
<b>Total Equity</b>	<b>993.3</b>	<b>416.3</b>	<b>1,409.6</b>
<b>Gearing (ND/ ND + E)<sup>1</sup></b>	<b>51.4%</b>		<b>31.1%</b>
<b>Gearing (ND / E)<sup>1</sup></b>	<b>105.6%</b>		<b>45.2%</b>
<b>NTA per share</b>	<b>\$2.01<sup>2</sup></b>		<b>\$1.61<sup>3</sup> — \$1.82<sup>4</sup></b>

**Note:** The pro-forma financial information assumes 100% take up for the Retail Entitlement Offer and exclude any proceeds received from the proposed sale of plantation forest. The funds raised are net of transaction costs of \$18.0 million and a deferred tax benefit for \$4.2 million is recognised in relation to the transaction costs. FY09 outlook numbers are not detailed forecasts but represent Gunns' current expectations based on anticipated trading conditions. Gunns' results could vary materially dependent on those conditions

## FY09 interest coverage (assuming \$430 million capital raising occurred on 30 June 2008)

A\$ million	FY09 pro-forma NPAT	FY09 EBIT	FY09 pro-forma net interest	Interest Cover (EBIT / net interest)
<b>Including MIS revenue in net interest</b>	<b>119<sup>7</sup></b>	<b>200<sup>5</sup></b>	<b>37</b>	<b>5.3x</b>
<b>Excluding MIS revenue from net interest</b>	<b>119<sup>7</sup></b>	<b>222<sup>6</sup></b>	<b>59</b>	<b>3.6x</b>

<sup>1</sup> Net debt calculations include cash on hand of \$9.5 million

<sup>2</sup> Number of shares based on closing and issued and paid up capital: FY08: 407m shares; FORESTS treated as debt (at face value of \$120m)

<sup>3</sup> Based on offer price of \$1.20 resulting in 358m shares being issued under capital raising

<sup>4</sup> Based on offer price of \$1.60 resulting in 269m shares being issued under the capital raising

<sup>5</sup> FY09 EBIT estimate excludes expected business restructuring costs of \$6.1 million and **excludes** MIS financing revenue of \$22.3 million

<sup>6</sup> FY09 EBIT estimate excludes expected business restructuring costs of \$6.1 million and **includes** MIS financing revenue of \$22.3 million

<sup>7</sup> Estimated FY09 NPAT expected to be \$104 million (assuming \$430 million capital raising occurs on 1 September 2008 and after expensing expected business restructuring costs of \$6.1million)

# Sources and uses of funds

A summary of sources and uses of funds is provided below

Sources	\$ million
Institutional Entitlement Offer	300
Retail Entitlement Offer	0 to 130
Total	300 to 430

Uses	\$ million
Refinancing of extended working capital facility	225
Other debt reduction and payment of Offer costs	75 — 205
Total	300 to 430

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# Investment highlights

- Australia's leading vertically integrated forestry products company
- Australia's #1 wood fibre supplier
- Positioned to benefit from positive wood fibre market outlook
- Vertical integration provides strong platform across the forestry value chain
- Operations underpinned by sizeable asset base
- Identified growth and profit improvement opportunities
- Capital raising will result in strengthened balance sheet
- Opportunity to increase your investment in Gunns on attractive terms

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# Timetable

Event	Date
Institutional Entitlement Offer launched	Friday 29 August 2008
Institutional bookbuild	Monday 1 September to Wednesday 3 September 2008
Record date under Entitlement Offer	7.00pm AEST on Wednesday 3 September 2008
Gunns' Shares resume trading on ASX	Thursday 4 September 2008
Lodgement of prospectus with ASIC	Thursday 4 September 2008
Retail Entitlement Offer	Thursday 4 September to Wednesday 24 September 2008
Settlement of Institutional Entitlement Offer	Thursday 11 September 2008
Issue of New Shares under Institutional Entitlement Offer and normal trading of those Shares commences	Friday 12 September 2008
Settlement of Retail Entitlement Offer	Thursday 2 October 2008

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