

15 December 2008

Dear Shareholder,

Timbercorp recently released its financial results for the year ending 30 September 2008. Net profit after tax and minority interests for the year fell 32% to \$44.60 million. A final dividend will not be paid leaving the full year dividend at 1.5 cents per share. A summary of the financial results is attached to this letter.

The past year has been a difficult one for the company. Timbercorp has managed not only a deteriorating global economic situation but also drought conditions at our almond, olive and citrus farms in the southern Murray-Darling Basin.

However, despite the difficult environment, the company has been able to successfully grow total revenue, reduce costs, manage our capital position and maintain profitability over the past year. These are important achievements given the global economy and have set up Timbercorp to manage what is likely to be challenging conditions in 2009.

Over the past three months, Timbercorp has been undertaking a strategic review of the company to identify a structure and strategy that will underpin the future growth and outlook of the company. This review is well advanced and a number of key strategic decisions have been taken.

Based on this review, the Board believes the best course of action for the future is to transform the business away from its focus on investment management into a fully integrated agribusiness company. As a result, Timbercorp will not be offering any new agribusiness Managed Investment Schemes (MIS) in the coming year.

This decision to stand out of the MIS market will negatively impact earnings in the short-term, but benefits Timbercorp by reducing costs and simplifying the business structure, while allowing the company to focus on selling selected assets to retire debt and taking advantage of opportunities to consolidate our position in the agribusiness sector. Strong earnings growth is expected from 2010 onwards irrespective of revenue from new sales.

This earnings growth will be generated by the increasing annuity style revenue, which is generated largely from fees related to our existing projects. This year, annuity-style revenue increased to \$321m. It is expected to increase further in 2009 to in excess of \$360m and exceed \$400m in 2010.

Timbercorp will also realise strong revenue growth from its industrial operations division as the harvest of our plantation forestry estate expands into Victoria and South Australia and volumes of olive oil processed increase as groves mature.

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While there will be no new MIS projects in the short-term, Timbercorp retains its existing portfolio based on MIS and is committed to maximising returns for the more than 18,000 investors who have invested in the company's projects. We will also revisit the decision on MIS in 2010 in light of any improvement in the economic and regulatory conditions.

Timbercorp has an active plan to reduce debt in 2009. In particular, we plan to sell and lease back our forestry land portfolio and use a portion of the proceeds to substantially repay debt and fund Timbercorp's capital commitments in FY2009 and FY2010. Under the leases, the land will remain available to Timbercorp for use in its existing forestry business and for successive rotations. A select number of horticulture assets will also be sold and leased back, but the majority of group assets will be retained. The assets for sale are highly sought after and interest from prospective purchasers to date has been very strong. This process will be managed by Goldman Sachs JB Were.

The Board and Senior Management of Timbercorp recognise the last twelve months have seen a significant reduction in shareholder value. The company retains its solid underlying base and we are in the process of undertaking a series of actions designed to improve long-term profitability. There are many opportunities in the agribusiness sector and Timbercorp is well placed to take advantage of them. We have a world class portfolio of horticultural assets and investments that generate recurrent revenues with organic growth locked in over the long term. This positions Timbercorp as the leading forestry and horticulture company in Australia and a significant operator in a global context.

I look forward to reporting to you the developments in implementing the actions recommended by our strategic review and the sale of selected assets.

Yours sincerely



Sol Rabinowicz
Chief Executive Officer

Timbercorp Limited (ASX: TIM)

Summary of financial performance for the year ended 30 September 2008

Financial statements	
Total revenue	\$494.4m (up 9%)
Net profit after tax	\$44.6m (down 32%)
Net assets	\$596m (up 14%)
Full year dividend	1.5 cents per share (down 79%)

Earnings per share (EPS)	
Basic EPS	13.1 cents per share (down 42%)
Diluted EPS	9.3 cents per share (down 57%)

Revenue breakdown	
Annuity style revenue	\$321.5m (up 32%)
New business	\$119.8m (down 16%)
Industrial operations and other	\$53.1m (down 21%)

Assets and debt	
Cash	\$32.6m (down 27%)
Total assets	\$1,729.4m (up 8%)
Net debt	\$903.1m (up 10%)
Gearing (debt/[debt+equity])	61.1%
Gearing (net debt/equity)	151.6%