TIMBERCORP
AGRIBUSINESS
INVESTMENT MANAGERS

TIMBERCORP ANNUAL GENERAL MEETING
27 FEBRUARY 2009
10.30AM
ARTHUR STREET AUDITORIUM
SOFITEL MELBOURNE

Welcome, Mr Rodney Fitzroy

Ladies and Gentlemen

My name is Rod Fitzroy and I am the Chairman of Timbercorp Limited. Welcome to the Annual General Meeting and thank you for your interest in our company.

First, I would like to introduce the other members of the Board.

Sol Rabinowicz, Executive Director and Chief Executive Officer

Robert Hance, Non-Executive Director

Gary Liddell, Non-Executive Director

David McKinna, Non-Executive Director, who joined our board on January 19 2009 and is submitted to the AGM today for re-election.

And in attendance

Gideon Meltzer, Joint Company Secretary

I would also like to welcome our immediate past Chairman, Kevin Hayes, who retired from the board on 31 January 2009.

I welcome Ms. Sneza Pelusi and other staff of Deloitte Touche Tomatsu, the company's auditor, and

Ms Lina Wynn and the staff of Computershare Investor Services, the company's registry.

I would also like to acknowledge and welcome a number of representatives of the company's strategic alliance partners.

There being a quorum present, I declare the Meeting open.

Chairman's Address (Rod Fitzroy)

Ladies and Gentlemen

2008 was a difficult year for Timbercorp, in which shareholder value was substantially eroded.

In the rapidly changing credit environment, Timbercorp, like many companies, currently face significant challenges. However, we believe decisions made over the last nine years to develop large scale projects, generating annuity-style revenues will provide a platform for future growth. We have made a number of difficult decisions over the last few months, but again, we believe these decisions will be in the long term interests of the company and its shareholders. We will elaborate on these decisions and the outlook for the year ahead in the Chief Executive Officer's report to shareholders, but let me now review the Company's performance for the year ended 30 September 2008.

Despite the challenges in 2008, the Company grew its revenue, managed its capital position and maintained a reasonable level of profitability.

Timbercorp generated total revenues in excess of $490 million during the year, with a net profit of $44.6 million.

As the slide shows, this profit figure is down on the 2007 result of $65.7 million, reflecting a reduced market offering of Managed Investment Scheme products and several provisions and one-off write-downs that were made during the year.

Earnings per share were 13.1 cents and a dividend of 1.5 cents per share was paid to shareholders. The value of Timbercorp's net assets increased over the year to $595.6 million.

Timbercorp's financial performance this year was underpinned by continued growth in our annuity-style revenues, which are generated by activities such as management of our agribusiness projects, and the rent and finance fees associated with those projects. This recurrent income stream grew by 32 per cent in 2008 to $321 million. EBIT contributions from this segment also increased to $72.6 million. We expect this revenue stream to grow to $360 million in 2009 and continue to grow in subsequent years.

New sales revenue was 16 per cent lower during the year as a result of reduced almond, olive oil and forestry MIS projects offered by Timbercorp in 2008. This was a strategic decision by the company to ensure our product offerings were aligned with the investment climate, the availability of water and the need to reduce the capital intensity of our business.

Total industrial operations revenue was overall $14 million lower than 2007, at $53.1 million. This decline was due to a planned reduction in activity by the horticultural development division, which makes only a modest contribution to earnings. The two other core elements of this segment, plantation forestry harvesting and olive oil processing, were up by 5.5 per cent.

Total EBIT was $141.1 million, down $14 million from the previous year.

While I have already touched on the reduced size of our MIS product offerings that lowered EBIT, another major contributing factor was an increase in borrowing costs of 29 per cent.

One-off cost items and provisions also had a significant impact on profitability. The largest of these was a $16.4 million provision for the 2004 and 2005 table grape projects. The grape varieties planted at the projects' vineyard in Euston in southern New South Wales did not attract the expected premium net price in the marketplace. In response, Timbercorp is altering the mix of varieties to better meet market demand. The provision covers the net costs associated with operating the vineyard with its newly planted varieties until it reaches full productivity.

Additional investment write-downs of $9.8 million were also recorded, predominantly related to CostaExchange's write-off of goodwill following a non-cash restructure of their business. It should be noted that the write-down in no way reflects upon the quality of the CostaExchange investment, which continues to perform well. The balance of the write down relates to cost-overruns on construction of stage one of the tomato glasshouse venture in South Australia. The glasshouse is now in full production and is expected to perform in line with budget.

We increased the provision for doubtful debts associated with investor loans and project receivables by a further $7.1 million to $17.5 million. These debts represent 3.5 per cent of the total loan book, compared to 2.5 per cent previously.

More information on arrears management will be contained in the Chief Executive Officer's report.

Cash at 30 September 2008 was $32.6 million, compared to $45 million in 2007.

Total current liabilities increased to $684.2 million partly due to the $127.4 million of debt associated with assets which are now held for sale and $69 million for Timbercorp's reset preference shares, which are either repayable or convert to ordinary shares on 30 September 2009 at Timbercorp's option. In addition, bank facilities of $235 million have been classified as current liabilities in the absence of waivers of certain covenants at 30 September 2008. Subsequent to the reporting date, these covenants were waived by the relevant banks.

Gearing levels were slightly lower at 151.6 per cent (net debt over equity) or 61.1% (debt over debt plus equity).

Due to a deterioration of market conditions that stalled the Company's annual program of asset sales into associated trust entities, the Company restructured its borrowing arrangements with some of its lenders. These arrangements incorporate the Company's plans to sell selected assets and apply a portion of the proceeds to reduce debt. The Company is now well advanced in a process to sell its forestry assets. I am pleased to advise that the assets have already attracted interest from a number of prospective buyers. The Chief Executive Officer will elaborate on our asset realisation program in his address.

The Company's total assets are $1.7 billion, up from $1.6 billion in the previous period. Net assets increased to $595.6 million, up $75 million or 14.6%. The assets held for sale of $376 million take total current assets to $630.8 million, up from $339.1 million.

Net Tangible Assets per share in 2008 were 131.9 cents, up 1 per cent on the previous year. The NTA figure excludes some $117 million of water rights held by the company, which, since 2007, are now classified as intangible assets.

Timbercorp's business model to date has been to generate increasing earnings through the acquisition or generation of capital assets, funded initially through borrowings.

This model was successful in sustaining the growth of Timbercorp for many years. However, the model was also extremely capital intensive, requiring both equity and debt to fund growth.

As detailed at last year's AGM, and our half-year and full-year results announcements, the Company was focused on stabilising debt and working with our banks to manage our capital position throughout 2008 and will be a priority in 2009.

An increase in debt of $71.9 million was largely required to fund increases in the loan book to project investors that facilitated new sales in 2008.

Net capital expenditure fell 62% to $98 million in 2008 although a capex tail of some $200 million over the next four years remains in order to complete the development of existing horticultural properties committed prior to 2008. This is predominately for the acquisition of additional permanent water rights.

Actively managing our debt reduction strategy will continue to be a major focus for Timbercorp in 2009.

To this end, Timbercorp will divest its forestry land portfolio through a sale and leaseback transaction, with a portion of the proceeds from the sale to be used to reduce debt and to fund Timbercorp's capital commitments in financial year 2009 and financial year 2010. Under the proposed leaseback terms, the land will remain available to the Company for use in its existing forestry business and possible successive rotations.

We will also rationalise our horticultural assets, by selling selected sites through a similar sale and leaseback transaction, with the proceeds used to reduce debt and pursue growth options. Horticultural assets considered to be strategic will be retained.

One of the major highlights for the year was Timbercorp's continued growth in agricultural production. The Company has produced in excess of 70,000 tonnes of horticultural goods in citrus, almonds, olives, mangoes, table grapes and avocados, worth in excess of $100million. As newly planted trees mature, the productivity of the horticultural estate will continue to grow. Generally our horticultural projects achieved substantial yields relative to the prevailing drought conditions over southern Australia.

In forestry, 526,000 green metric tonnes of wood fibre was harvested in 2008. A price increase of 9.5% was achieved on the back of a 4.6% increase the year before.

Increasing volumes of horticultural produce and the harvest of the forestry estate is also providing downstream benefits to our industrial businesses. For example, in the period, the olive oil processing at Boort became earnings positive for the first time.

Timbercorp's agribusiness assets are geographically diverse, and the current water scenario at each site is dependent on its location.

For example, Timbercorp's mango, avocado and citrus properties in the Northern Territory and northern Queensland have received some very high rainfall recently, while the forestry plantations in Western Australia and Victoria received close to average rainfall over the reporting period.

In contrast, Timbercorp's almond orchards and olive groves in Victoria and our citrus orchards in South Australia have been affected by reduced allocations of water. These properties are in the drought affected southern Murray-Darling Basin and the current allocations against the high security water licences held for properties range from 18 to 35 per cent, which represent historic lows. By way of indication, authorities in the Lower Murray System have provided allocations of 100% of permanent water rights almost every year except in the last three years.

Together with our strategic partners, we have implemented comprehensive drought management strategies at each of the affected properties. These strategies have sought to maximise water use efficiency capitalising on the Company's investment in state-of-the-art irrigation infrastructure. Under the drought management plan, temporary water has been acquired to supplement the permanent allocations.

As a result of the drought management strategies and the water purchases, all orchards and groves received sufficient water to deliver substantial crops in the 2008 season and ensure tree health for the future.

This year also saw the implementation of the Water Stewardship Initiative at our horticultural sites. This is a comprehensive standard for responsible irrigation management that the Company is currently being independently audited against. The Stewardship Initiative will help Timbercorp remain a leader in responsible water use in the agribusiness sector and ensure the company remains transparent and accountable in this important area.

Timbercorp's leadership role in the area of water stewardship demonstrates its commitment to the environmental and social sustainability of its business activities.

You will see from the annual report, Timbercorp takes its responsibilities to communities in rural and regional Australia, and our obligations as a manager of precious natural resources, very seriously.

Over the past two decades, Timbercorp has acquired and developed significant natural resources, in the form of land, water and vegetation. The company is obliged to manage these resources responsibly and to utilise them in a manner that not only generates returns for our investors but also protects and enhances them for the future.

We manage around 9,000 hectares of native vegetation and wetlands that are home to numerous native species of flora and fauna and have made significant investments in improving environmental values across our properties.

We have also invested more than $200 million in developing one of the most efficient and sophisticated large-scale irrigation systems in the southern hemisphere.

Timbercorp's activities in this sustainability area were recognised in the 2008 Social Responsibility Index compiled by Reputex, where we were awarded an 'A+' for the second consecutive year. We were also named 'Best Large Forestry Manager' in the Forest Stewardship Council Australia's inaugural industry awards. I would like to congratulate all staff involved in the achievement of that award.

In line with the Company's articulated succession plan, several important changes took place at the Board level in the past year.

On 30 June 2008, Mr Robert Hance retired as the Chief Executive Officer. Robert was one of the original founders of Timbercorp and has been a driving force in the growth of the Company since its inception. He has also been a major figure in the evolution of the corporate agribusiness sector in Australia. We are fortunate that we retain his skills and experience on the Board as a Non-Executive Director.

Following Robert's retirement, Sol Rabinowicz assumed the role of Chief Executive Officer. Sol has been with Timbercorp since 1996 and in this time has held a variety of important roles, including Company Secretary, Chief Financial Officer and most recently Deputy Chief Executive Officer. Since taking over the reins as CEO, Sol has been proactive in leading the executive team to meet the challenges and to reposition the company for the future.

Also, at the end of the Company's financial year, Mr Kevin Hayes stepped down as the Chairman of the Board of Directors and retired from the Board at the end of last month. Kevin was an assured and skilful Chairman who drew on his broad corporate experience and knowledge to the benefit of Timbercorp and its Board of Directors over the past six years.

Other changes to the Board during the year include the retirement of John Vaughan, who served on the Board as an Executive Director. John remains the Non Executive Chairman of subsidiary company Timbercorp Forestry.

Also, Dr David McKinna has joined the Board as a non-executive Director. David brings to the Board extensive experience in the agribusiness sector gained during his more than 25 years as the principle of the specialist consultancy firm McKinna et al. Shareholders will have the opportunity to hear from David shortly.

The Board is conducting a review of its skill set and requirements for the future. As a result of this review, we hope to announce some further developments in this area during 2009. Subject to the support from shareholders for Item 5 of the Agenda, it is intended that there will be an expansion of the Board to ensure the presence of skills which will help to transform the company in line with its corporate strategy.

Timbercorp has developed over the last twenty years into one of Australia's leading agribusiness investment managers.

The Board of Directors believes the Company now needs to take the next steps in its evolution.

The Board and senior management are well advanced in a major strategic review of the Company. The objective of the review is to secure the future of Timbercorp by building on its unique range of agribusiness assets, reducing capital intensity, improving our net debt position and taking advantage of our annuity style income to capture growth opportunities.

To date, the review has arrived at several outcomes. The first major one has been the decision to reorient the Company to concentrate on becoming a fully integrated agribusiness. This decision has deferred consideration of expanding our funds management business and meant Timbercorp will stand-out of the MIS market this year.

In the face of a difficult environment, I would like to acknowledge the commitment and contribution of our staff who have been working long hours to transform the company. They have done so without complaint, but rather a desire to do whatever it takes to protect the company during challenging conditions and return it to growth from 2010.

I will now hand-over to the Chief Executive Officer, Sol Rabinowicz who will provide further detail of the outlook for the year ahead.

CEO's Address -Sol Rabinowicz

Thank you, Chairman. Ladies and Gentlemen.

I will now turn to the outlook for the current financial year.

As the Chairman outlined, the company has responded to a challenging environment in 2008 which has continued into the current year. Essentially, our traditional business model, which supported strong growth in earnings over the period from 2001 through to 2007, is no longer appropriate in the prevailing economic environment. Through that period, we acquired substantial capital assets with continuing capital obligations and funded those acquisitions through a mix of equity, debt and funds raised from the partial sale of assets into associated property trusts. These funding sources are no longer accessible, which has led to our decision to simplify the business, reduce capital intensity, sell assets and cut operating costs to raise cash to reduce debt and meet further capital expenditure on existing farm assets.

We believe these decisions will re-establish the business on a path to growth from 2010. In relation to 2009, however, we face a number of continuing challenges, none more pressing than global economic conditions and the drought in south-eastern Australia.

The economic conditions have had an impact on our loan book and project receivables, both of which support our annuity-style revenues.

As at 30 September 2008 overdue loans and outstanding project receivables represented 3.5 per cent of total receivables. Of course, continuing adverse market conditions can be expected to maintain pressure on loan and project arrears. It should be noted that the company holds security over the borrowers' lots and their right to income, both of which increase in value over time.

In relation to annual payments of rent and management fees, the major grower invoice run takes place in October of each year. To date, we are running only slightly behind our collections position at the same time last year. This is pleasing given the current economic conditions but even a few percentage points on substantial billings will lead to increased arrears. As with the loan security, as projects move closer to maturity, increasing amounts of project proceeds become available to offset against outstanding project invoices so we expect the arrears to reduce over the medium term.

The company monitors both loan book and project arrears closely and continues to increase the level of resourcing in this area as we take increased action to minimise arrears.

The global economic downturn has also led to reduced demand and prices for a number of our project commodities.

In the case of woodchips, Japan, who is the world's largest importer of woodchips and Australia's largest customer, is now in recession. Our Japanese paper mill customers are reducing production and recently have started to curtail supply of woodchips, although we do not expect woodchip prices to fall this year. These times prove the importance of strong and long standing relationships with a major Japanese Trading house, as we currently enjoy. Looking forward, Timbercorp is continuing to receive strong signals from Japanese customers as to the demand for our wood fibre in the medium and long term. We will vary our harvesting and exporting program according to market conditions and expect a reduction of industrial operations earnings in 2009, although it is too early to know to what extent it will be reduced.

Turning to other global traded products, we also expect olive oil prices and almond prices to soften in line with generally weaker prices for all commodities. In the case of almonds, the weak price has also been caused by an unprecedented three years of record crops in California where some 80% of the world's almonds are produced. We remain confident of the medium to long term outlook for both olive oil and almonds.

In a positive sense, we have seen farm operating costs, such as fuel and fertiliser, fall from the record highs experienced in 2008.

The lower Australian dollar will also assist the prices of our export crops, in particular almonds and citrus, which are traded in US dollars.

Another challenge relates to continuing drought conditions over the southern half of the Murray Darling Basin.

We have gained a lot of knowledge and expertise from managing dry conditions in recent years and we will be applying this to the management of our projects in 2009. Indications are currently that our almond, later olive and citrus projects in the Murray Darling Basin will yield well in 2009. Our early olive projects are expected to yield below our targets this year partly due to the drought, but have established tree growth to carry a substantial increase in crop yields in 2010. Unfortunately, the requirement to purchase temporary water to supplement low allocations has added to project costs and reduced net project returns to growers over the period.

Of course, drought is one of the many variables experienced in agriculture, and our investors, by participating in these projects and becoming growers themselves, are also exposed to agricultural risk. To the extent possible, Timbercorp and our partners, do whatever we can to mitigate these risks.

The Chairman outlined the Company's focus on managing our debt position, including the sale of our forestry and specific horticulture assets to repay borrowings. A number of other initiatives are also being undertaken to reduce costs including a significant restructure in line with our new business direction that has reduced corporate overheads.

Turning to MIS, shareholders will be aware that in February 2007 the Australian Taxation Office revised its interpretation of the laws relating to non-forestry managed investment schemes. The MIS companies challenged the decision through a test case that was heard by the full bench of the Federal Court of Australia. On December 19 the Court handed down a unanimous decision in favour of industry.

The ATO has chosen not to appeal against the decision and they now accept the deductibility of project costs for non forestry managed investment schemes.

Timbercorp welcomes this announcement as it is consistent with our long held position and the generally held interpretation of the law that has applied for decades.

Despite this decision, Timbercorp will stand out of the MIS market in 2009 as previously announced. We will consider MIS in future years as part of the strategic review process.

New MIS sales have been the most significant contributor to earnings in past years. The decision not to offer MIS will of course eliminate new sales earnings in 2009. However, it will also significantly reduce future capex and the associated pressure on additional funding.

While we will see a reduction in this revenue segment, we expect other revenue streams to perform well. In particular annuity-style revenue is expected to increase to $360 million in 2009 and beyond this level in subsequent years.

The current global economic conditions will impact industrial operations in 2009 although we anticipate this segment to perform strongly in the coming years with the harvest of up to 1 million green metric tonnes per annum of wood fibre in the Green Triangle coming on line and increasing volumes of olive oil processed through our processing facility at Boort.

The combination of growth in annuity-style revenues and industrial operations revenue is expected to drive earnings' growth in 2010 and beyond.

Turning to the strategic review, we are progressing well on a number of initiatives announced at the Full Year Results.

Stage 1 of the review is primarily concerned with simplifying and deleveraging the Timbercorp business. The decision not to offer MIS in 2009 and the savings in operational expenditure outlined previously are necessary to achieve this outcome.

The basis on which we will deleverage the business is through a sale and leaseback of the forestry land portfolio and specific horticultural assets.

We are well progressed with this sale process, which is being managed by Goldman Sachs JBWere.

The sale process for the forestry assets is now well advanced and a number of parties have submitted non-binding indicative proposals. I am sure you will understand that given the sensitivity around the process I am unable to provide further information at this stage.

We will, of course, provide shareholders with further information as soon as we finalise any transaction.

The next phase of the Strategic Review will focus on the process of transforming the company into a business for the future. We have deferred plans to expand our funds management business into complementary areas of agribusiness such as carbon sequestration and renewable energy.

Instead, we will leverage our world class portfolio of assets, operations and investments to transform the Company into an integrated agribusiness company.

Through our managed investments in olive oil, almonds, citrus, avocados, mangoes, glasshouse tomatoes and table grapes and our strategic investment in leading agricultural producers, processors and marketing companies, Timbercorp sits at the hub of Australia's fresh food supply chain.

We will reanalyse Timbercorp's assets and operations in the context of the full agri-supply chain and look for opportunities for both rationalisation and further growth across our portfolio.

Consistent with the strategy to develop Timbercorp's agribusiness operations, Timbercorp will seek to acquire additional skills in agribusiness within both its Board and staff. We are fortunate that Dr David McKinna has joined the board. As shareholders will hear, Dr McKinna has significant experience at all levels of the agribusiness supply chain and has been involved in the development of successful global agribusiness strategies.

Following a restructure of the balance sheet and working towards transformation of the business, Stage 3 of the Company's strategic review process will be to re-establish a path to growth over the medium to long term. The company has already identified a range of growth options that it expects to pursue once it has worked its way through the earlier stages of its strategy.

Ladies and Gentlemen, we firmly believe the long term fundamentals for agribusiness remain strong with an increasing global population, declining arable land and changing dietary preferences. The opportunities within the agrifood supply chain and large scale corporate farming with all of its related efficiencies are significant and we look forward to realising them.

Finally, it would be remiss of me if I did not thank my fellow executives and staff for their continued support, hard work and dedication to the company throughout the year.

Thank you.