

# Annual General Meeting

27 February 2009



**TIMBERCORP**  
AGRIBUSINESS  
INVESTMENT MANAGERS

*Welcome*

**Mr Rod Fitzroy**  
**Chairman**



**TIMBERCORP**  
AGRIBUSINESS  
INVESTMENT MANAGERS

## Order of proceedings

- Notice of Meeting
- Chairman's Address
  - 2007-08 review and financial overview*
- Chief Executive Officer's address
  - Outlook for 2008-09*
- Questions on accounts
- Voting procedures
- Resolutions - ordinary and special business items
- Close of meeting

# Chairman's Address

## Mr Rod Fitzroy

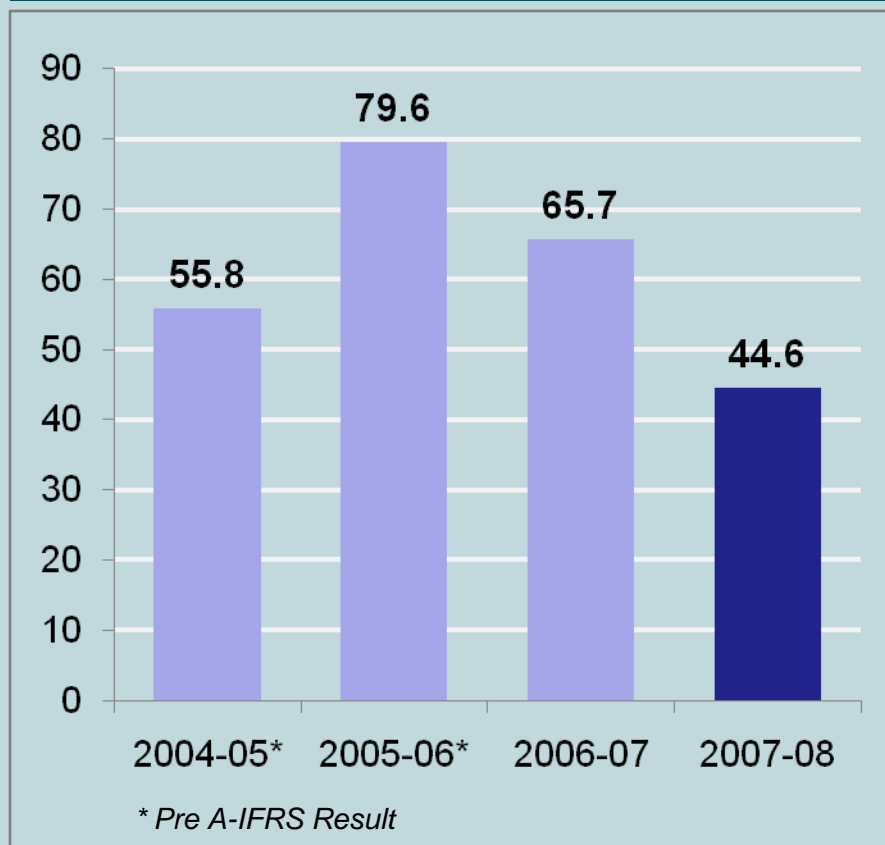
*Review of year ending 30 September  
2008 and financial overview*



**TIMBERCORP**  
AGRIBUSINESS  
INVESTMENT MANAGERS

# Financial performance

## Net profit after tax



## Financial results

|                   |           |
|-------------------|-----------|
| Total revenue     | \$494.4m  |
| Net profit        | \$44.6m   |
| EPS (basic)       | 13.1¢     |
| Dividend          | 1.5¢ (ff) |
| Return on equity  | 8%        |
| Shareholder funds | \$595.6m  |

## Financial performance (cont.)

|                                   | 2007-08<br>(\$m) | 2006-07<br>(\$m) | Change<br>(%) |
|-----------------------------------|------------------|------------------|---------------|
| Revenue                           |                  |                  |               |
| • Annuity style                   | 321.5            | 243.4            | 32            |
| • New business                    | 119.8            | 143.0            | (16)          |
| • Industrial operations and other | 53.1             | 67.2             | (21)          |
| EBIT                              | 141.7            | 155.9            | (9)           |
| Borrowing costs*                  | 82.0             | 63.6             | 29            |
| Profit before tax                 | 59.8             | 92.3             | (35)          |

\* Includes \$14.1m relating to hybrids

# Earnings

- Earnings impacted by:
  - Fall in new sales revenue
  - Increased borrowing costs
  - Increased operating costs due to drought and high energy and fuel prices
- Impact of provisions and one-off costs
  - \$16.4m provision for table grapes project
  - Equity accounted investment write-downs of \$9.8m (mainly CostaExchange write-off of goodwill and tomato glasshouse)
  - Increase in provision for doubtful debts from project investors (from 2.5% of total to 3.5%)

## Performance Summary 2008

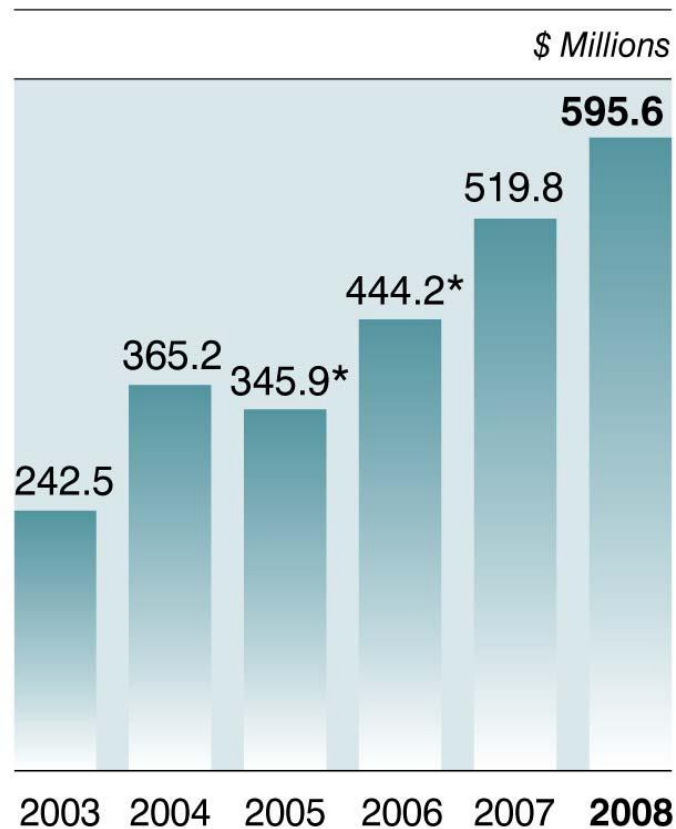
|                              | <b>2008 \$m</b> | <b>2007 \$m</b> | <b>% change</b> |
|------------------------------|-----------------|-----------------|-----------------|
| Cash                         | 32.6            | 45.1            | - 27            |
| Current Liabilities          | 684.2           | 418.3           | +84             |
| Net Debt                     | 903.1           | 818.7           | +10             |
| Total Assets                 | 1,729.4         | 1,599.3         | + 8             |
| Gearing (debt/[debt+equity]) | 61.1%           | 62.4%           |                 |
| Interest cover (times) *     | 1.73            | 2.45            |                 |

\* EBIT / Borrowing costs



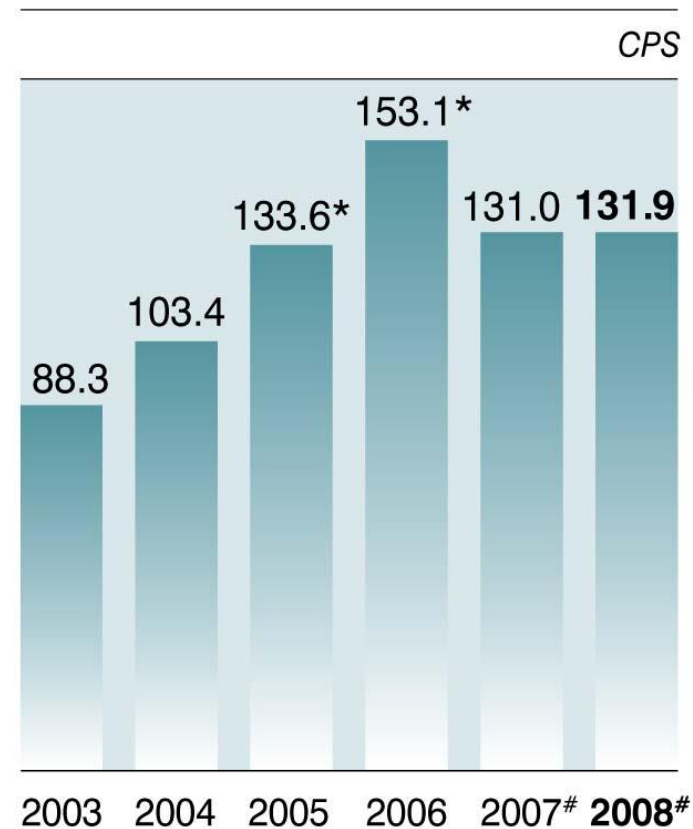
# Assets

## Net assets



\* Post A-IFRS Result

## NTA per ordinary share



\* Post A-IFRS Result

<sup>#</sup>Adjusted for reclassification of water

## Capital intensity

- Past company growth driven by acquisition or generation of geared capital assets.
- Net debt at 30 September 2008 of \$903.1m. Servicing debt has impacted earnings and debt level has been a drag on share price.
- Debt position stabilised in 2007-08. Net capex fell 62% to \$98m. A capex tail associated with completing development of existing horticultural properties expected at approximately \$200m over next 4 years.
- Any new business initiatives will be less capital intensive.

## Capital and debt management

- Debt a major focus for Timbercorp throughout 2007-08 and will continue to be so in 2008-09 especially through asset sales
- Timbercorp current debt of \$568m at Sept 08, comprising:
  - \$69m in reset preference shares repayable or convert on 30 September 2009 at the company's option
  - \$127m against assets held for resale
  - \$105m to be repaid out of assets held for resale
  - \$100m that will expire on or after Dec 2010
  - \$167m of current loans including lease, finance and margin loans, and short-term debt in securitisation trust

Other debt facilities expire variously between late 2009 and 2011 unless extended further in the ordinary course of business



## Operating highlights

- Achieved substantial horticultural harvest despite drought – especially almonds, citrus and later olives
- Olive oil processing volumes increased and earnings positive.
- Achieved 9.5% increase in woodchip price up from 4.6% last year
- 526,000 gmt of wood fibre harvested
- Preparation for wood fibre harvest in Green Triangle

## Water resource management

- Variable rainfall across Australia in 2008:
  - High to very high rainfall in Queensland and Northern Territory (mangoes, citrus and avocados)
  - Close to average rainfall in Western Australia and western Victoria (forestry)
  - Ongoing dry conditions across southern Murray-Darling Basin, historic low irrigation water allocations (almonds, olives and citrus)
- Comprehensive management plans developed for drought affected sites, including purchases of temporary water
- First year of independent audits under Water Stewardship Initiative



TIMBERCORP  
AGRIBUSINESS  
INVESTMENT MANAGERS

# Sustainability



The mark of responsible forestry

SW-FM/COC-001327

© 1996 Forest Stewardship Council A.C.





## Corporate governance

- Mr Robert Hance retired as CEO on June 30 2008; remains on the board as a non-executive director
- As per succession plan, Mr Sol Rabinowicz became CEO on 1 July 2008.
- Mr Kevin Hayes retired as Chairman in September 2008 and from the Board of Directors on 30 January 2009
- Mr Rod Fitzroy became Chairman on 1 October 2008
- Mr David McKinna joined the Board of Directors 19 January 2009
- Board review process continuing to determine Board needs and composition in the future



## Strategic review

- Timbercorp Board of Directors, with input from senior management, commenced a comprehensive strategic review of the company in August 2008
- Objectives of the review were to manage the immediate difficult environment and also position the company for the next decade
- First initiatives from the review have been announced
- Review will be ongoing



# Chief Executive Officer's Address

**Mr Sol Rabinowicz**

*Outlook for the year ending  
30 September 2009*



**TIMBERCORP**  
AGRIBUSINESS  
INVESTMENT MANAGERS

# Outlook

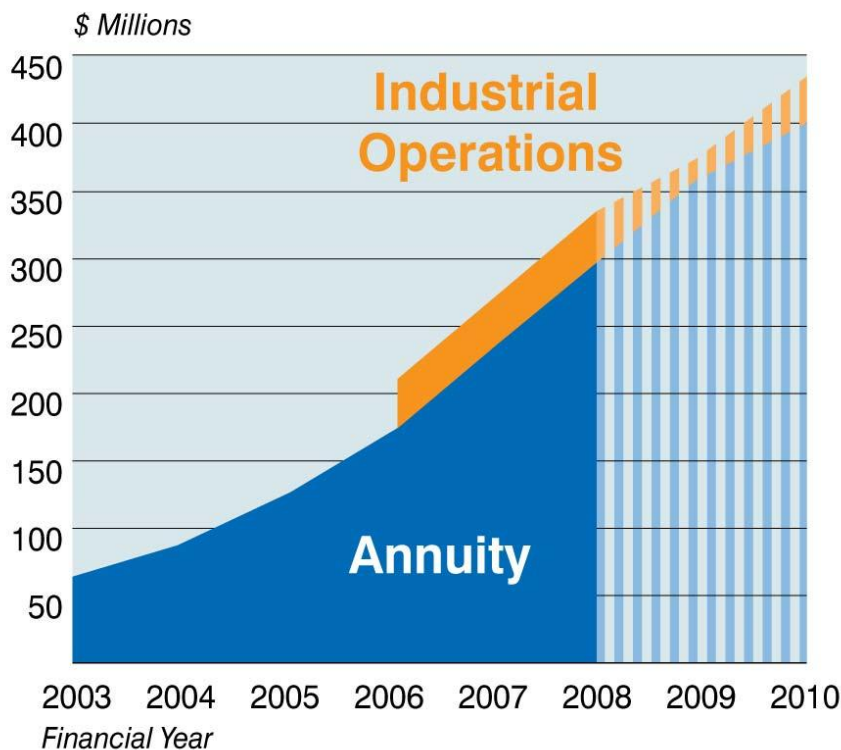
- In line with the Board's strategic review, the short-term to be a period of actively managing debt position and consolidation of existing income.
- Previous year characterised by difficult external financial and operating challenges.
- Monitoring impact of the global economic downturn on:
  - Project loans and receivables
  - Commodity prices
- Environmental outlook
  - Reduced water allocations in Murray Darling Basin

## Regulatory update - MIS

- Federal Court found in favour of MIS industry in test case on ATO's revised interpretation of non-forestry MIS (applied from 1 July 2008)
- Timbercorp pleased with the decision as it was in line with our position
- Despite test case win, Timbercorp will stand-out of MIS market in 2009. Current economic conditions and investment market not conducive to offering MIS this year
- Company remains committed to existing MIS growers
- Timbercorp's position on MIS will be reconsidered in 2010 based on prevailing economic conditions
- New business and sales divisions downsized

# Earnings outlook

## Industrial Operations vs Annuity Style Revenue



- Annuity style revenue expected to exceed \$360m in 2009
- Industrial operations revenue growth as eucalypt harvest progresses and volume of horticultural operations increase
- No MIS and new sales will negatively impact NPAT in 2009 with recovery in 2010

## Strategic review update – Stage 1

**STAGE**

**1**

**Simplify &  
deleverage**

the business

*> now until 2010*

- Reduce debt - key focus on asset sales, restructuring options and opex savings
- Limit capital and debt intensiveness of business – No MIS in 09

## Strategic review update – Asset sales

- Timbercorp well progressed in process for selling:
  - 50,000 hectares of plantation forestry land
  - Horticulture assets with a value of up to \$200 (assets that have been selected for sale initially are Boort olive grove and two small almond groves carried at value of \$92m)
- Sales will be undertaken on a long-term leaseback basis and will not affect project investors
- Sales will significantly reduce debt and also help fund objectives of becoming a fully integrated agribusiness
- Goldman Sachs JBWere managing the sales process

## Strategic review update – Stage 2

**STAGE**

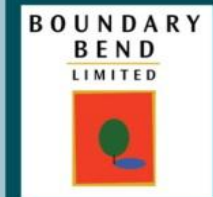
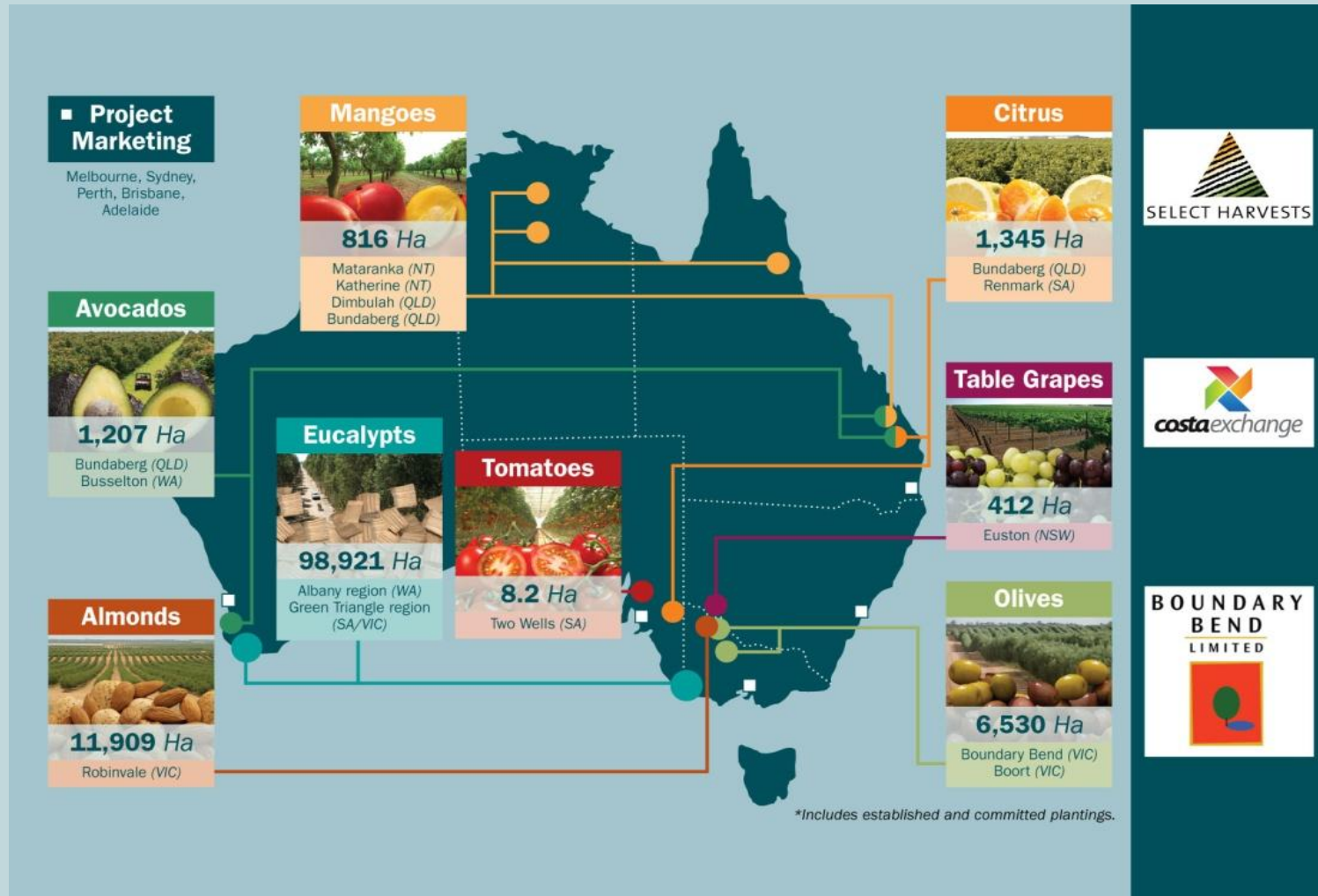
**2**

**Transform**

the business into  
an integrated  
agribusiness  
company  
> *from 2009*

- Increase agribusiness skills on board and executive
- Organic growth opportunities - re-analyse full agri-supply chain opportunities for corporate agribusiness and overlay TIM assets and operations

# Agribusiness assets and investments





## Strategic review update – Stage 3

**STAGE**

**3**

**Grow**

the business  
once debt has  
been reduced

- Re-establish growth path
- Growth options identified



## Opportunities in agribusiness sector

- While economic conditions remain difficult, the US\$5 trillion global agribusiness sector characterised by sound fundamentals and a generally positive outlook
- Demand for food and fibre, and the land and water used to produce it, remains strong underpinned by continued population growth and falls in global arable land
- Significant opportunities to drive efficiencies through corporatisation and integration of the agribusiness sector in Australia

## Order of proceedings

- Notice of Meeting
- Chairman's Address
  - 2007-08 review and financial overview*
- Chief Executive Officer's address
  - Outlook for 2008-09*
- **Questions on accounts**
- Voting procedures
- Resolutions - ordinary and special business items
- Close of meeting

## Order of proceedings

- Notice of Meeting
- Chairman's Address
  - 2007-08 review and financial overview*
- Chief Executive Officer's address
  - Outlook for 2008-09*
- Questions on accounts
- **Voting procedures**
- Resolutions - ordinary and special business items
- Close of meeting

## Order of proceedings

- Notice of Meeting
- Chairman's Address
  - 2007-08 review and financial overview*
- Chief Executive Officer's address
  - Outlook for 2008-09*
- Questions on accounts
- Voting procedures
- Resolutions - ordinary and special business items
- Close of meeting

## Order of proceedings

- Notice of Meeting
- Chairman's Address
  - 2007-08 review and financial overview*
- Chief Executive Officer's address
  - Outlook for 2008-09*
- Questions on accounts
- Voting procedures
- Resolutions - ordinary and special business items
- **Close of meeting**