

2010 Financial Results and Outlook




Forestry Tasmania

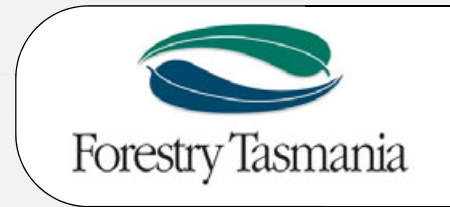
FY10 Operating Environment

- Global Financial Crisis
- High Australian dollar
- Pulpwood sales down
 - Closure of Australian Paper mills
 - Norske Skog transition to softwood
 - Woodchip market transitions to China
- Sustained domestic sawlog demand



Strategic Initiatives

- Broaden customer base
 - Identify new customers in Chinese market
 - Resumption of whole log exports
- New Strategic Direction
 - Trees on Farms
 - Forest Technical Services
 - Biomass opportunities
 - Tourism portfolio restructure



Financial Highlights

| | FY09 | FY 10 |
|-----------------------|------------|-------------|
| Revenue | \$182.952m | \$162.277m |
| Operating Expenses | \$164.606m | \$161.012 m |
| Profit before tax/CSO | \$18.346 | \$1.265m |
| Operating profit | \$9.256m | (\$7.997m) |
| Total Assets | \$970m | \$700m |

Economic contribution

| Returns to Govt/Economy | FY09 | FY10 |
|-------------------------|------------|------------|
| Payroll tax | \$1.721m | \$1.690m |
| Rates | \$2.483m | \$2.815m |
| Returns to Economy | | |
| - Employees | \$33.899m | \$34.002m |
| - Contractors | \$88.259m | \$80.671m |
| - Suppliers | \$37.917m | \$44.459m |
| Capital Expenditure | \$30.290m | \$22.356m |
| Contribution to GDP | \$560.000m | \$563.000m |

Outlook

- Sales returning to normal levels
 - Sawlog demand sustained
 - Pulpwood sales into China growing
 - Whole log export trials successful
 - Ta Ann mills mitigate fall in Japanese woodchip sales
- Contractor capacity reduced
- Industry Review may lead to significant change
- Gunns moving to plantation resource
- Opportunities for Trees on Farms, Forest Technical Services

Corporate Strategy – Industry Review

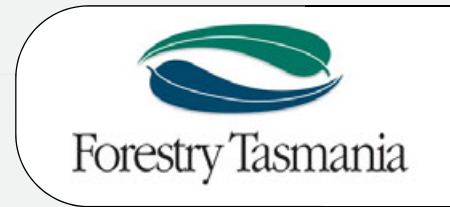
- Possible scenarios:
 - Significant reduction in native forest resource
 - Sawlog supplies down by 50 per cent
 - Native forest pulp wood down by 50 per cent
 - Significant increase in forest reserves
 - A plantation based pulp mill
 - Gunns moving to plantation only resource
 - An agreed transition period
 - Biomass plant using residues and waste wood



Industry Review – Vision for FT

Change is inevitable – community wants a balance between jobs and the environment.

- **FT already has a strong brand**
 - Corporate reputation grew over past three years
 - Satisfaction grew from 57 per cent to 62 per cent
 - Dissatisfaction fell – from 26 per cent to 21 per cent
 - 78 per cent satisfaction with last contact with FT staff
- **FT Vision**
 - **A world recognised leader in environmental forestry, enjoying the full support of reputable environmental organisations**



Opportunities for FT

- Managing the transition out of native forest harvesting by Gunns
- Expansion of Trees on Farms project – for carbon capture, conservation outcomes, and resource replacement
- Expansion of Forest Technical Services – international advisor
- Carbon capture projects within and outside Tasmania
- Biomass using residues
- Special species timber management
- Ongoing stewardship of state forests
- Seek out high end value adding opportunities - LVL

Conclusion

- An operating loss of \$8m for FY10
- Market demand has rebounded
- Industry Review underway – change is inevitable
- Business focus – reposition FT to seize new emerging opportunities and assist with the transition

