



“Looking Forward”

Macquarie Investor Briefing

Brett Cruickshank
Chief Financial Officer, Tenon Limited

Millbrook, Queenstown
25 February 2005

Historical Background

- Tenon, formerly Fletcher Challenge Forests, divested forestry assets
 - Sale of Teal cutting rights for \$121 million (March 2003)
 - Sale of forests to Kiwi Consortium for \$560 million (February 2004)
 - Sale of Tarawera cutting rights to Hancock for \$165 million (April 2004)
- Rubicon acquires majority control of Tenon
- Strategic review of structural business results in sale to Carter Holt Harvey for \$165 million (December 2004)
- Two capital returns:
 - \$349 million (March 2004)
 - \$321 million (February 2005)

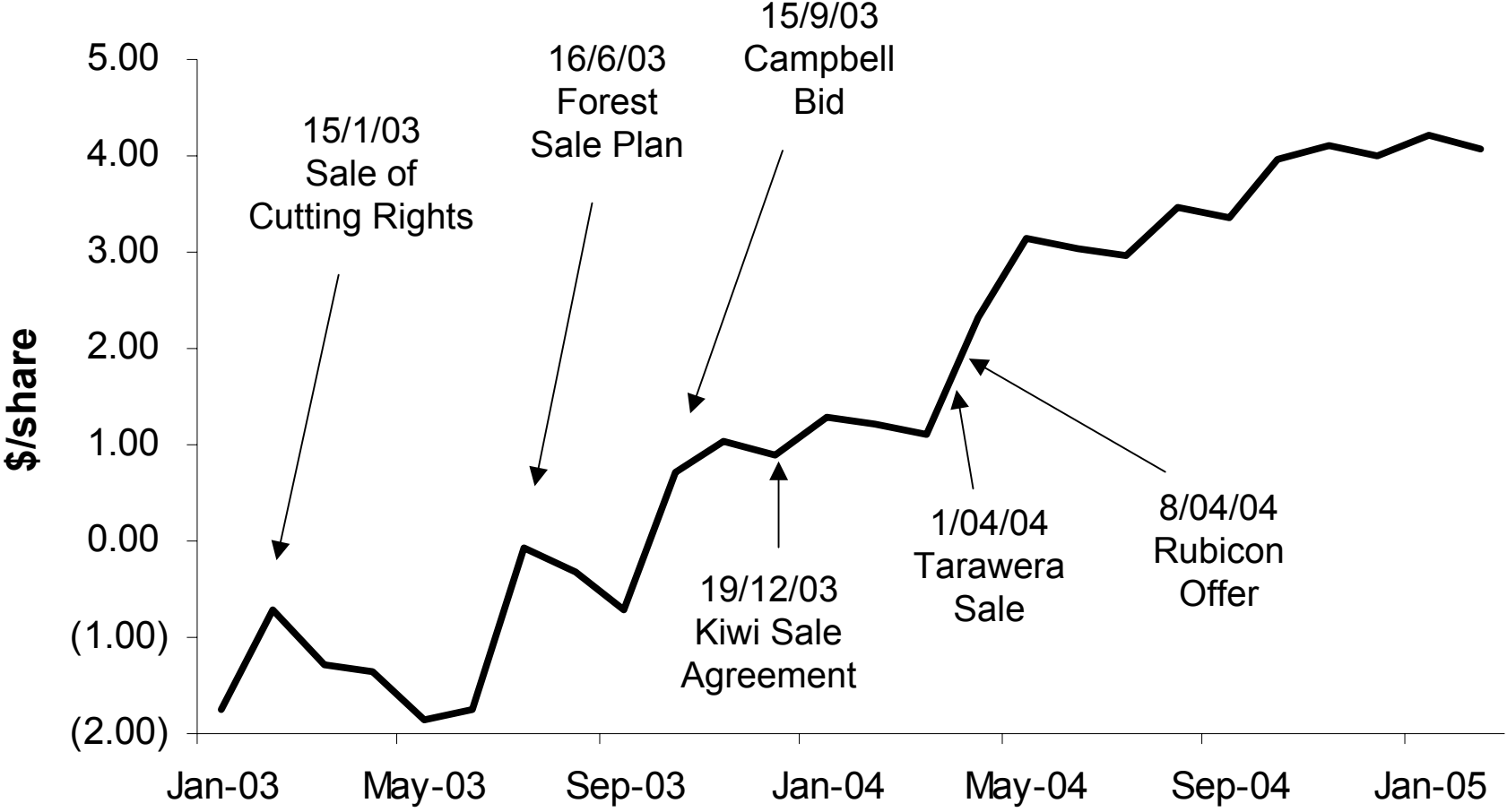


Structural business sale to CHH

- Received unsolicited approaches in relation to our Structural business
- Undertook a strategic review
- Good assets, good market position, good brand *origin*
- With plans for growth
- Sold to Carter Holt Harvey as this maximised value to shareholders
 - \$165 million plus adjustment for working capital
 - Tenon working capital (\$5 million)
- Settlement expected in first quarter of calendar 2005



Strategy is adding value – TEN share price (adjusted)



To the future

- A focus on manufacturing, marketing and distribution of appearance solid wood products, characterised by:
 - Relatively low capital intensity
 - High and increasing returns on capital
 - Significant investment in distribution
 - Strong market positions
 - Significant growth opportunities



Building value

“Tenon appearance products - 10,000 stores by 2010” **10³**

Key Strategies

- Expand and leverage distribution
- Ensure low cost position from core products and infrastructure
- Maximise the total value of fibre

Key Segments

- | | |
|------------------------|---------------------|
| • Mouldings and Boards | USA / Europe |
| • Furniture | USA / Europe / Asia |
| • Doors and Windows | USA / Other |
| • Industrial Lumber | NZ / Asia |
| • Outdoor products | USA / Europe |



US distribution

**50% holding in
AWM - supplier to
The Home Depot**

**67% holding in
Empire - supplier to
Lowe's**



**Second largest US retailer
Largest US home
improvement retailer
1,882 stores**

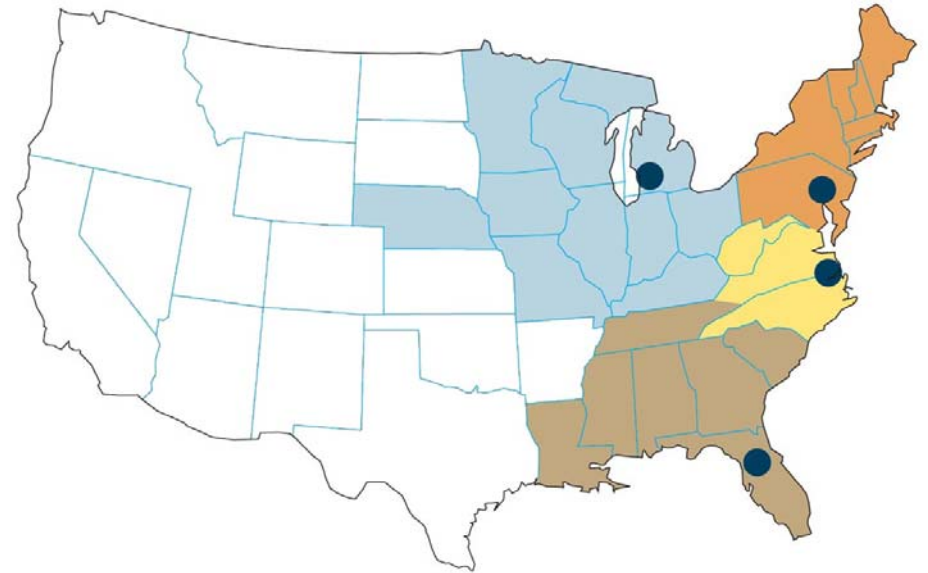
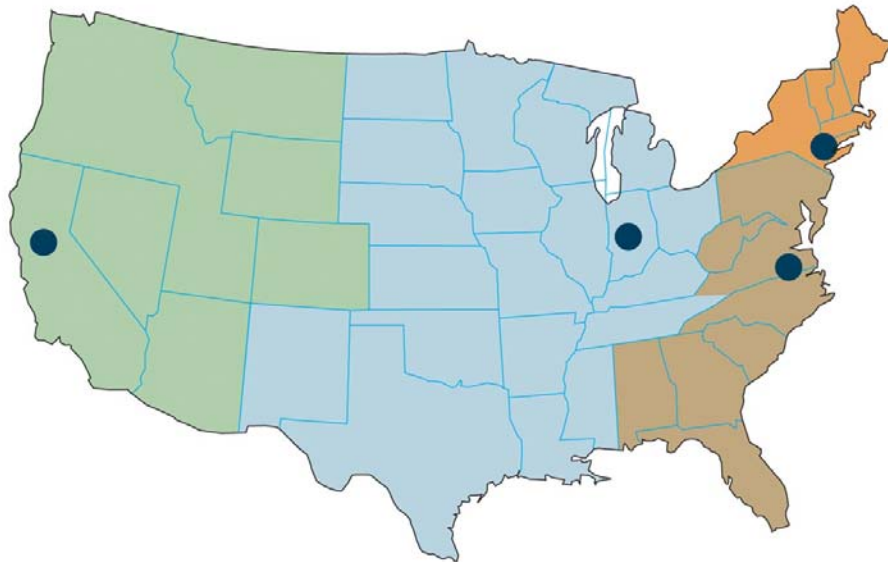


**14th largest US retailer
Second largest US home
improvement retailer
1,075 stores**

- Trade NZ Exporter of the Year – wood products category
- AWM – The Home Depot's category vendor of the year
- Empire/AWM Combined sales exceed US\$350 million

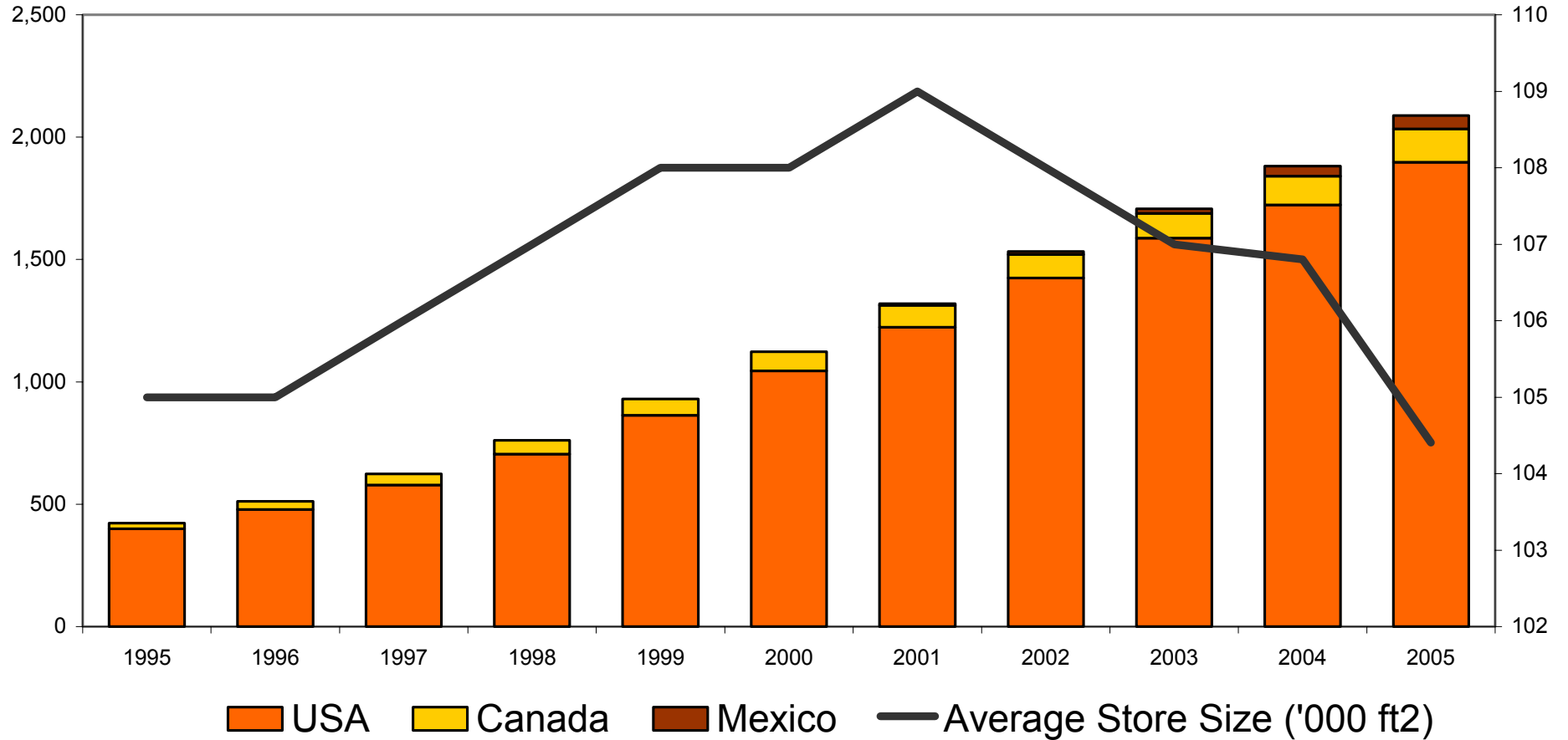
US distribution centres and service areas

American Wood Moulding
50% owned

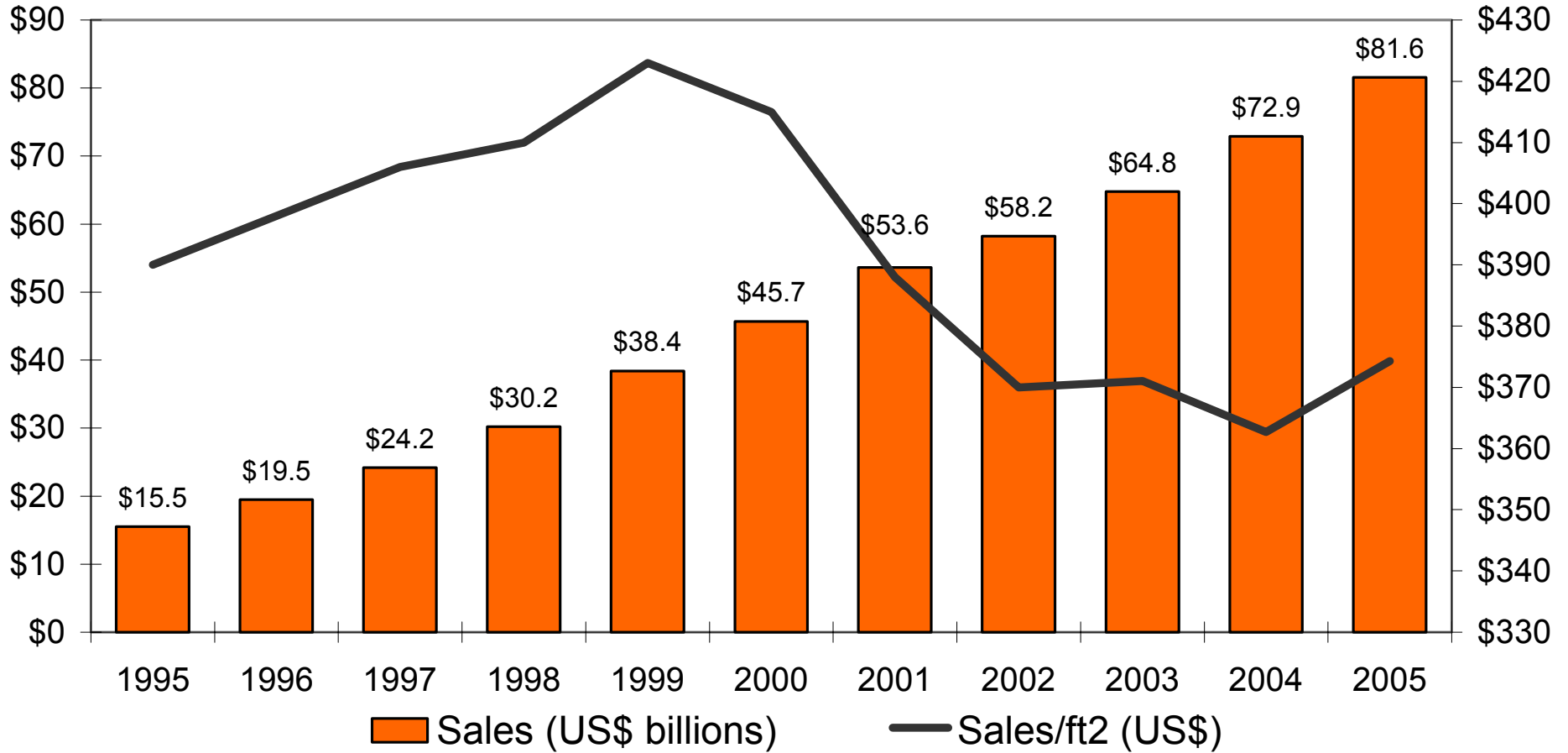


The Empire Company
67% owned

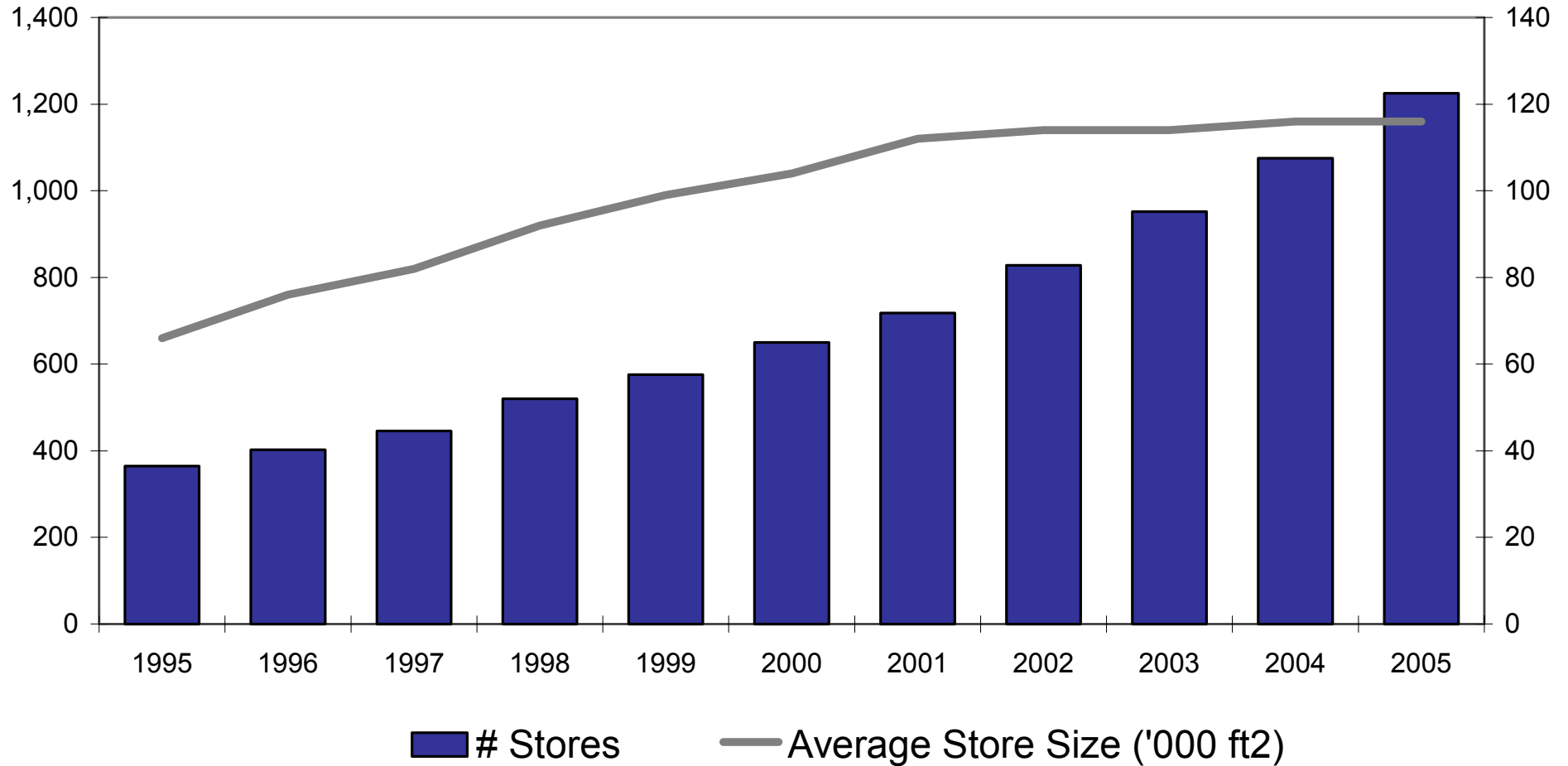
The Home Depot - stores



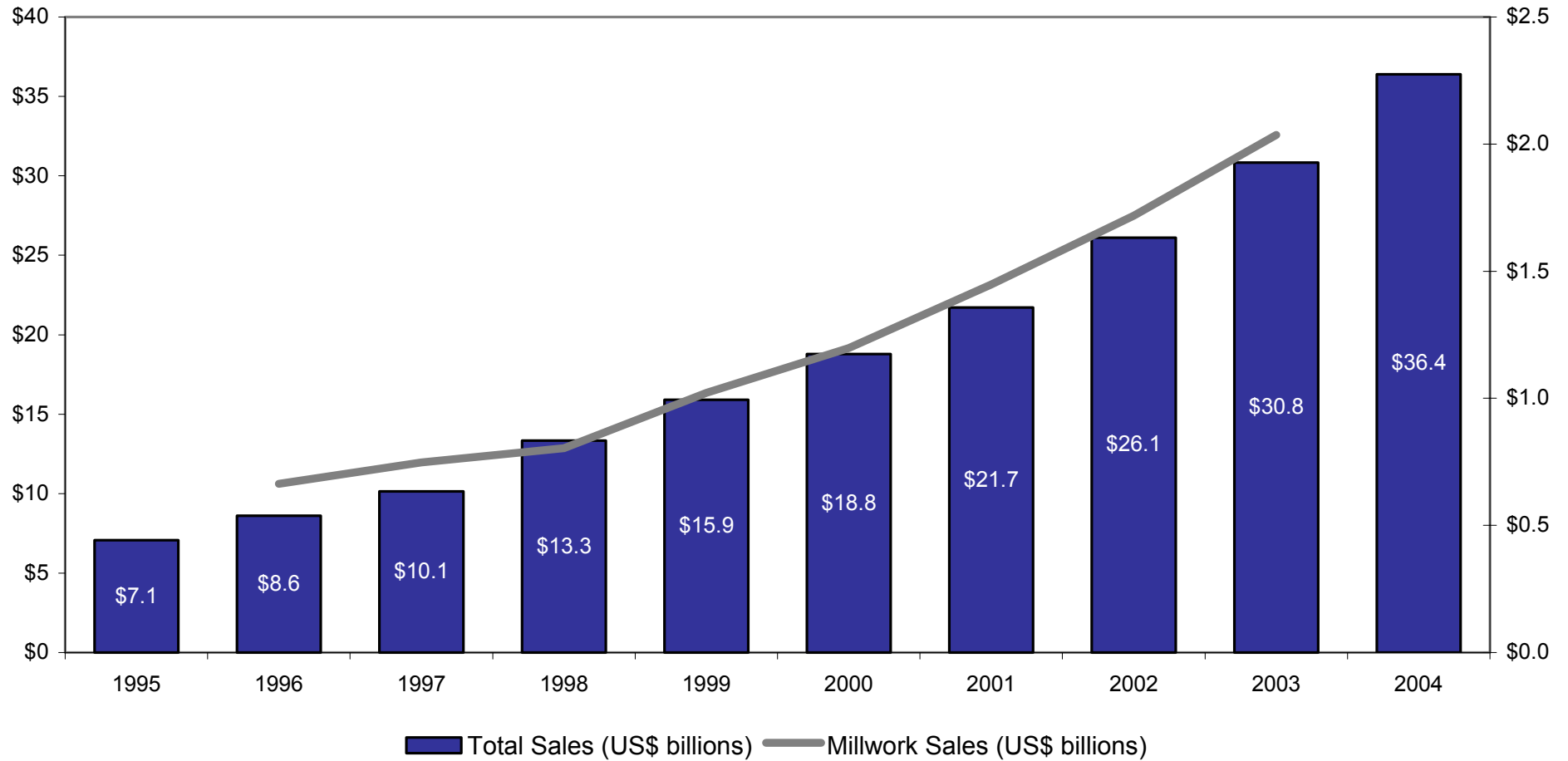
The Home Depot - net sales



Lowes - stores



Lowes - net sales

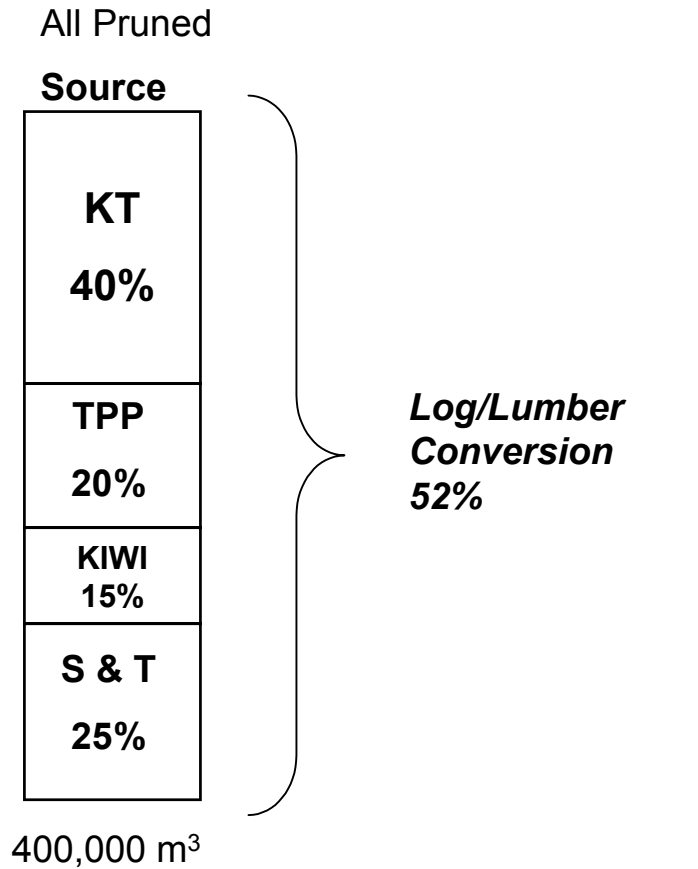


Clearwood (Taupo)

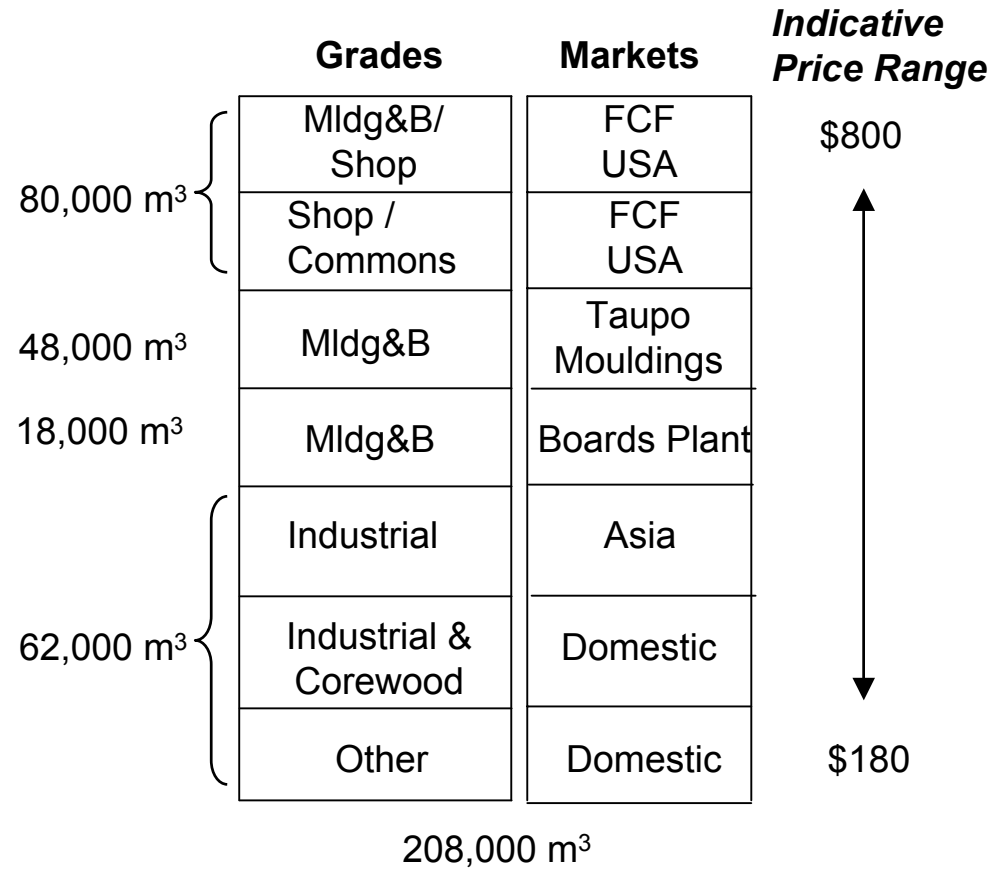
- Sawmill built pre 1960, 8 kilns, surfacing and recovery operation
- Solid lineal moulding plant commissioned in 1996, 3 moulders
- Boards plant commissioned in 2001
- Total team of 300 on 24 hours a day, 7 days a week operation
- Log supply now 100% pruned butt – 400,000 m³ pa – 40 trucks per day
- Focus of value and grade recovery rather than production throughput
- Sawmill supplies Moulding & Better grade lumber direct into North American market, and as feedstock to Taupo Mouldings and Boards plants

Capacities

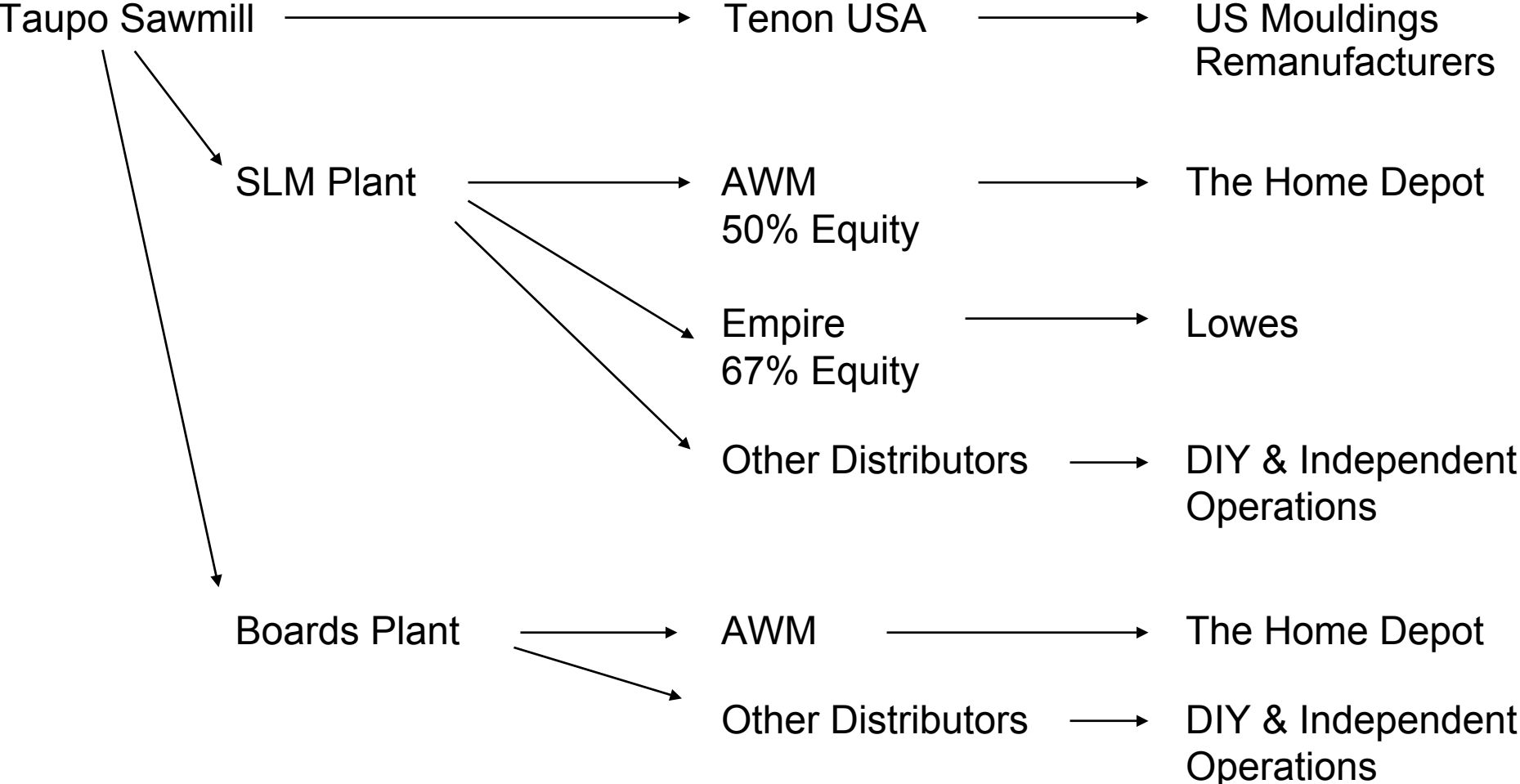
LOGS



LUMBER



Product to Market



Growth

- Tenon appearance products – 10,000 stores by 2010
- Expand US position – through acquisitions and organic growth
- Replicate US channel-to-market model in Europe, providing
 - A supply channel for high value product; and
 - Equity profits
- China procurement

Acquired 20% Zenia House



Corporate costs

- Credible history of cost reduction
- Structural sale provides opportunity to right-size corporate costs
- New organisational structure close to finalisation
- Believe projected cash cost of \$6 million is appropriate for small listed company

Financial outlook

\$million	Actual FY04	Projected FY05
EBITDA	64	60 - 64

(before unusual items and prior to sale of structural business)

- Underlying earnings growth in excess of 30%
- Marked by impact of foreign exchange movement and corporate costs
- Current forecast subject to NZD/USD exchange rate and some improvement in Moulding & Better prices
- Projected net cash of approximately \$50 million at June 2005



Summary

- Forest divestment strategy successfully implemented
- Decision on Structural business divestment was based on maximising shareholder value
- Defined growth plans in US distribution and options on China procurement and European strategy
- Shareholder value focus strongly evidenced by strategy and actions



Tenon

Wood Solutions to the World