



ABN Amro - New Zealand Day

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Chief Executive Officer, Tenon Limited

Sydney, Australia
10 March 2005

Historical background - the last 12 months

- Tenon, formerly Fletcher Challenge Forests, completes divestment of forestry assets
 - Sale of Tarawera cutting rights to Hancock for \$165 million (April 2004)
 - Resolution of wood supply obligations with CHH/Norske Skog (April 2004)
 - Completion of leasehold forest sales (April-November 2004)
- Rubicon acquires majority control of Tenon
- Two capital returns:
 - \$349 million (March 2004)
 - \$321 million (February 2005)
- Strategic review of structural business results in sale to Carter Holt Harvey for \$165 million plus working capital adjustments (December 2004)

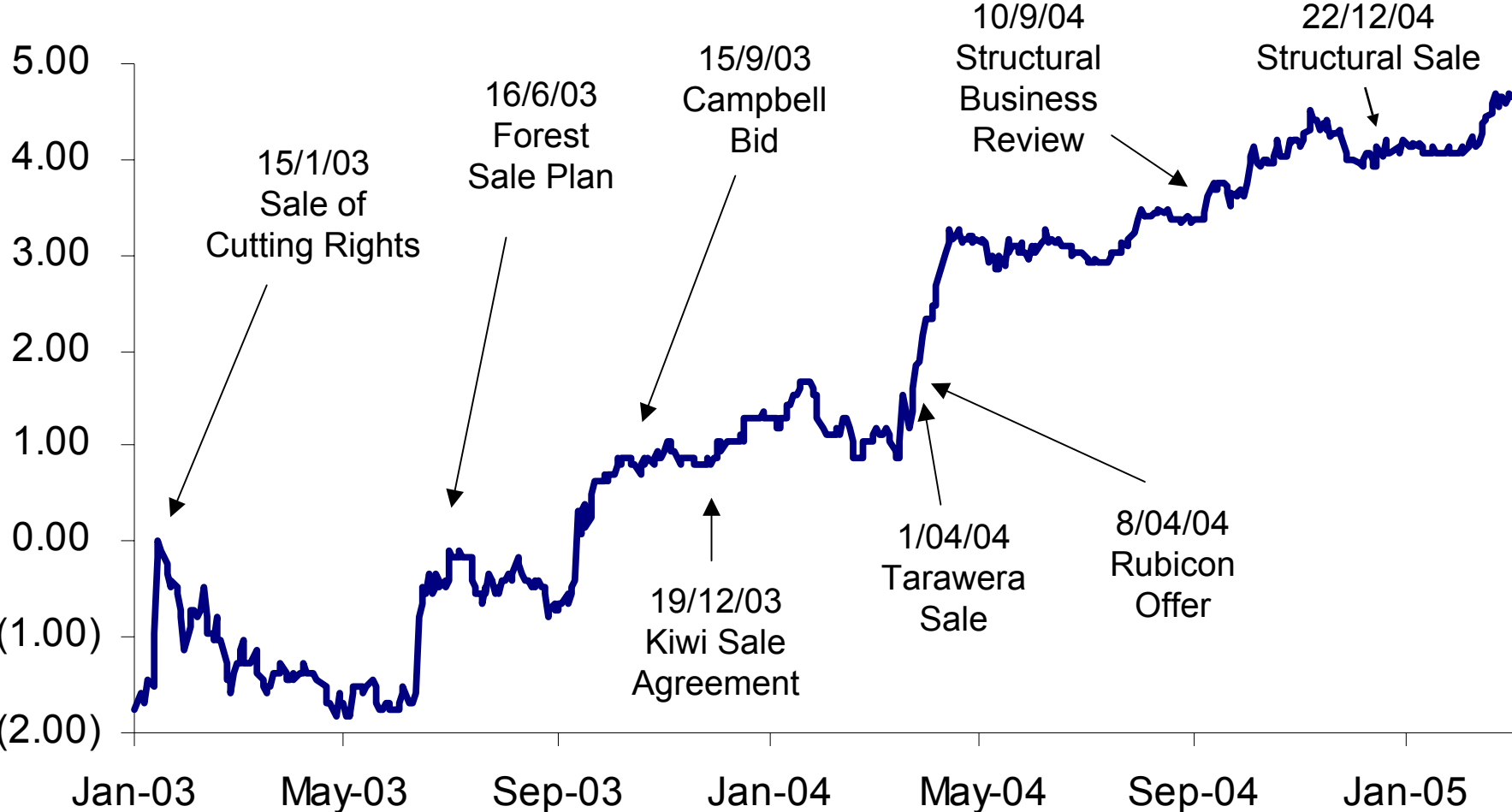


Structural business sale to CHH

- 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 distribution, marketing and manufacturing 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**



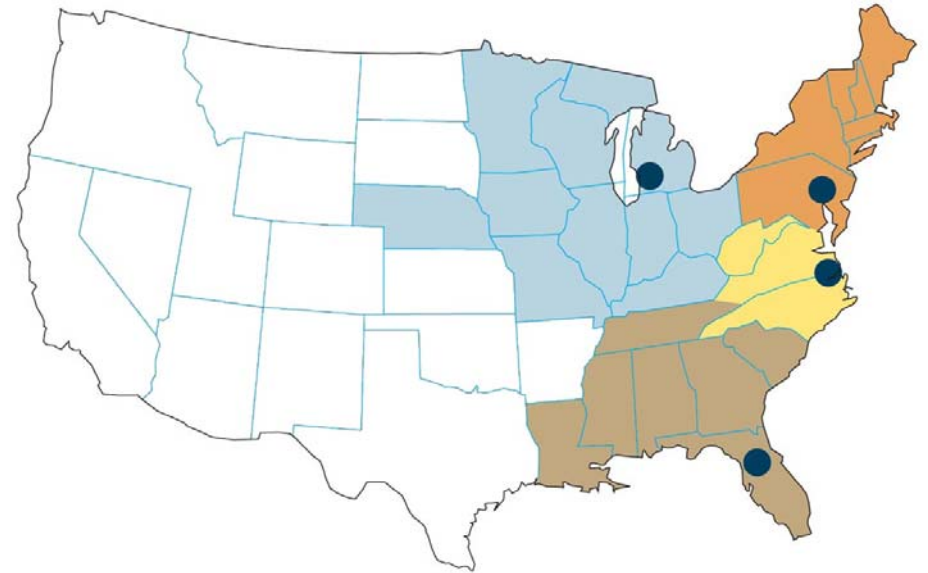
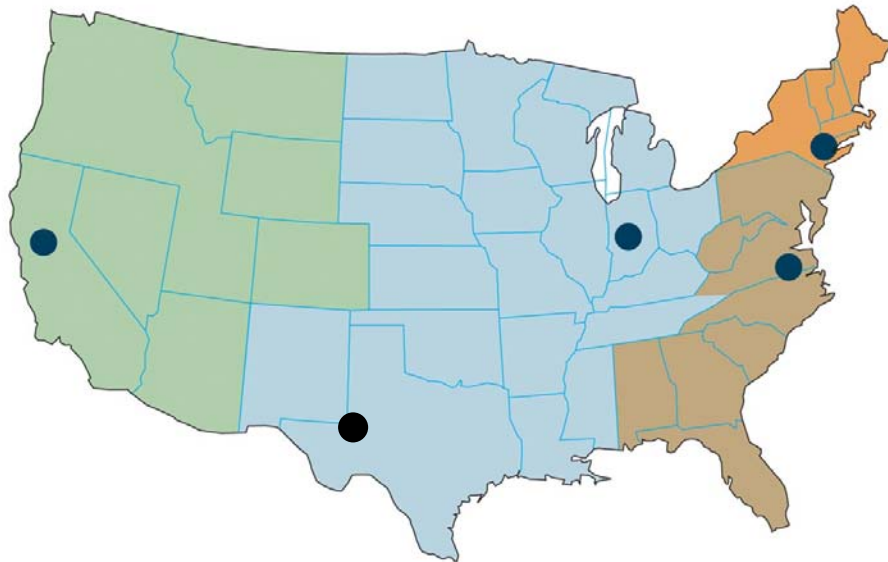
**14th largest US retailer
Second largest US home
improvement retailer
1,075 stores**

- 2004 American Chamber of Commerce Awards - Overall Winner, all categories
- 2004 American Chamber of Commerce NZ Exporter of the Year - goods
- 2003 Trade NZ Exporter of the Year – wood products category
- AWM 2003 – The Home Depot's category vendor of the year
- Empire/AWM Combined sales exceed US\$400 million



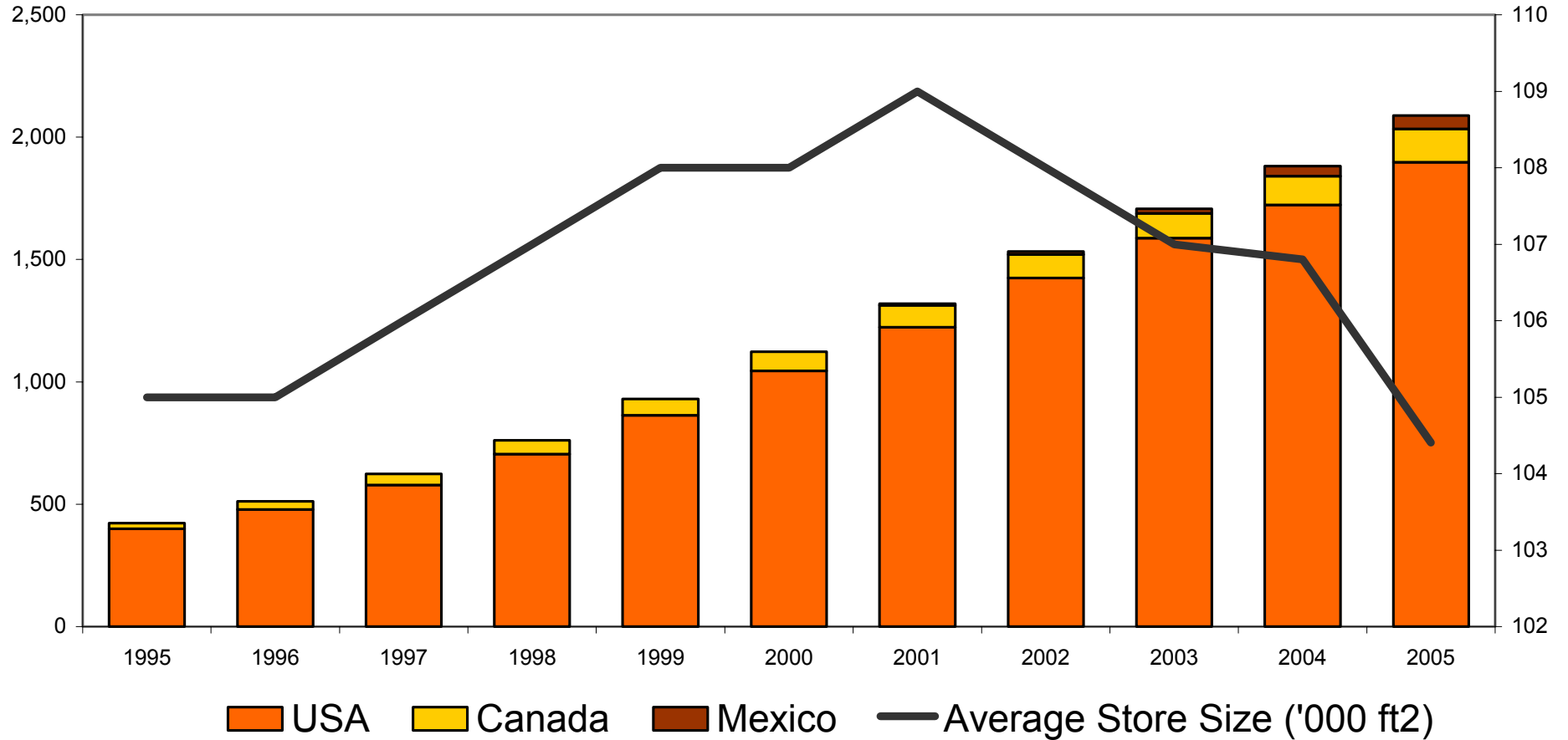
US distribution centres and service areas

American Wood Moulding
50% owned

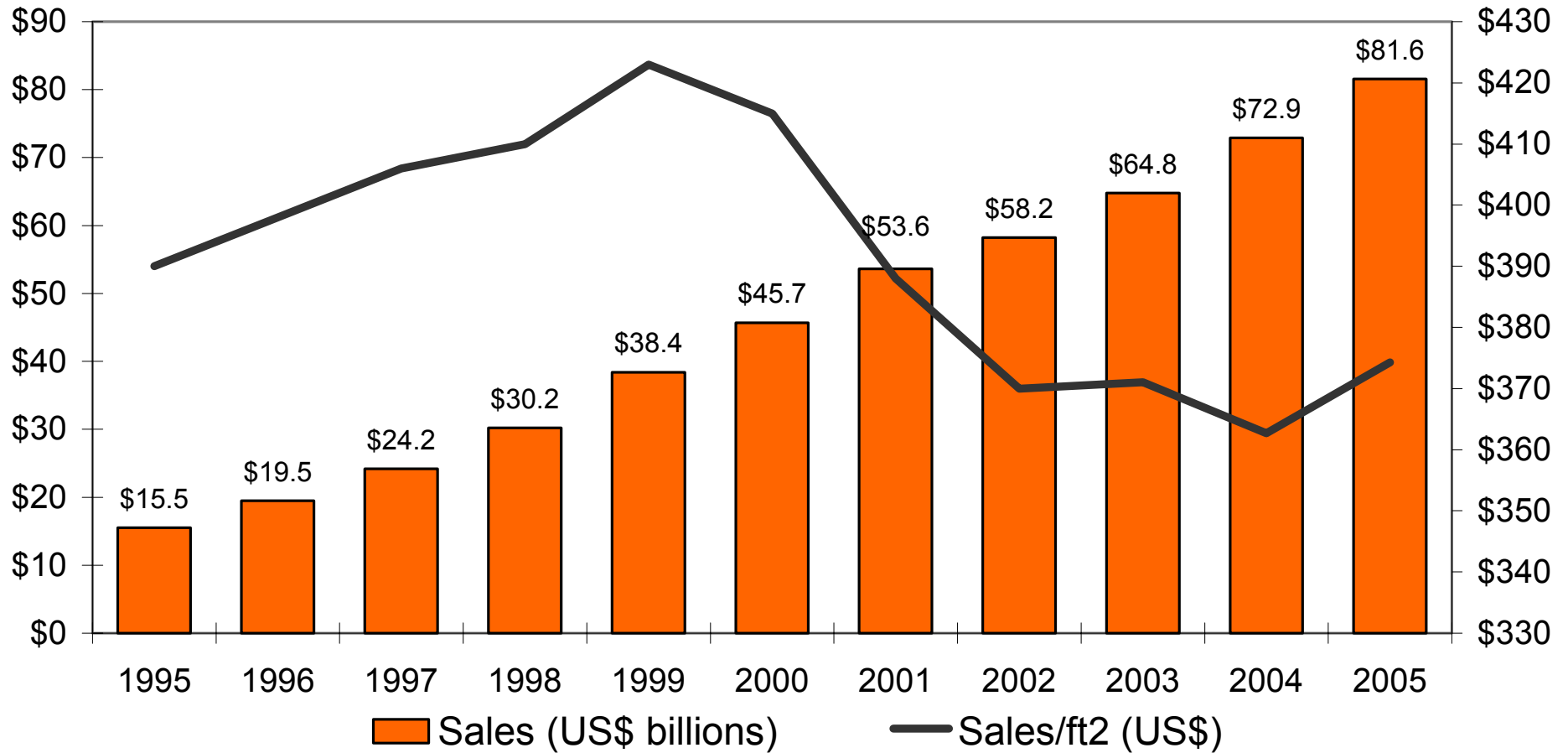


The Empire Company
67% owned

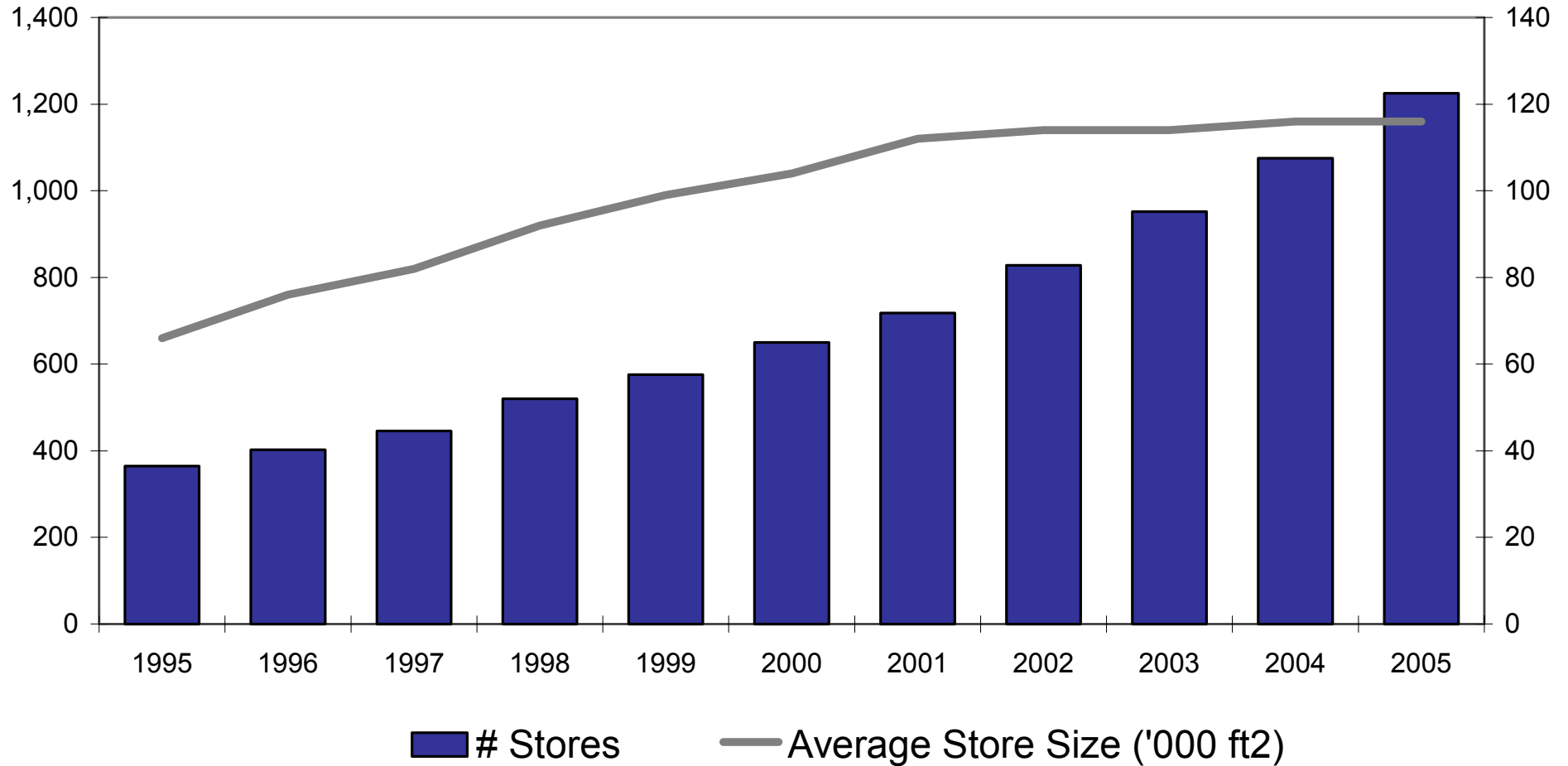
The Home Depot - stores



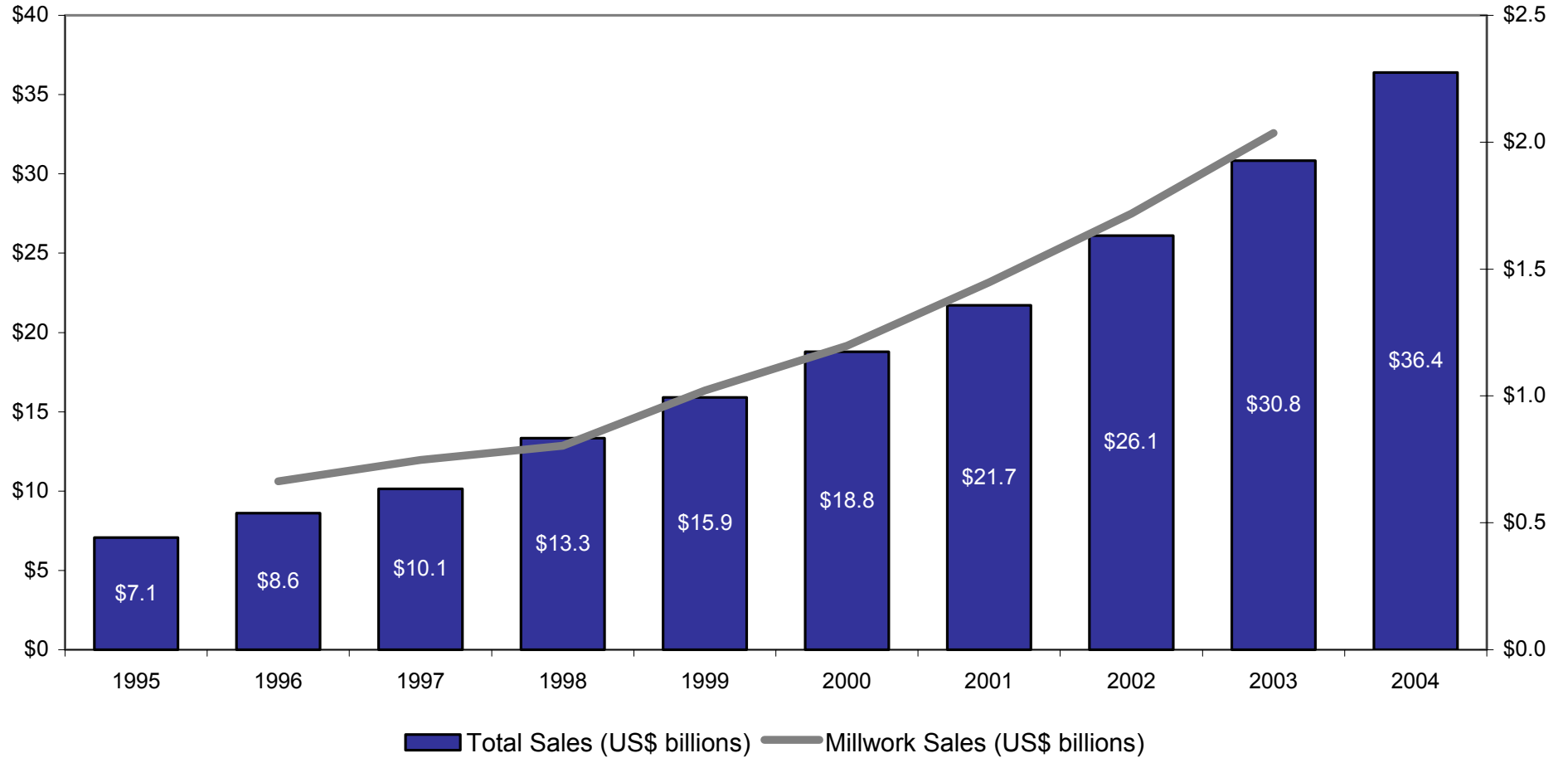
The Home Depot - net sales



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

All Pruned


Source

KT 40%
TPP 20%
KIWI 15%
S & T 25%

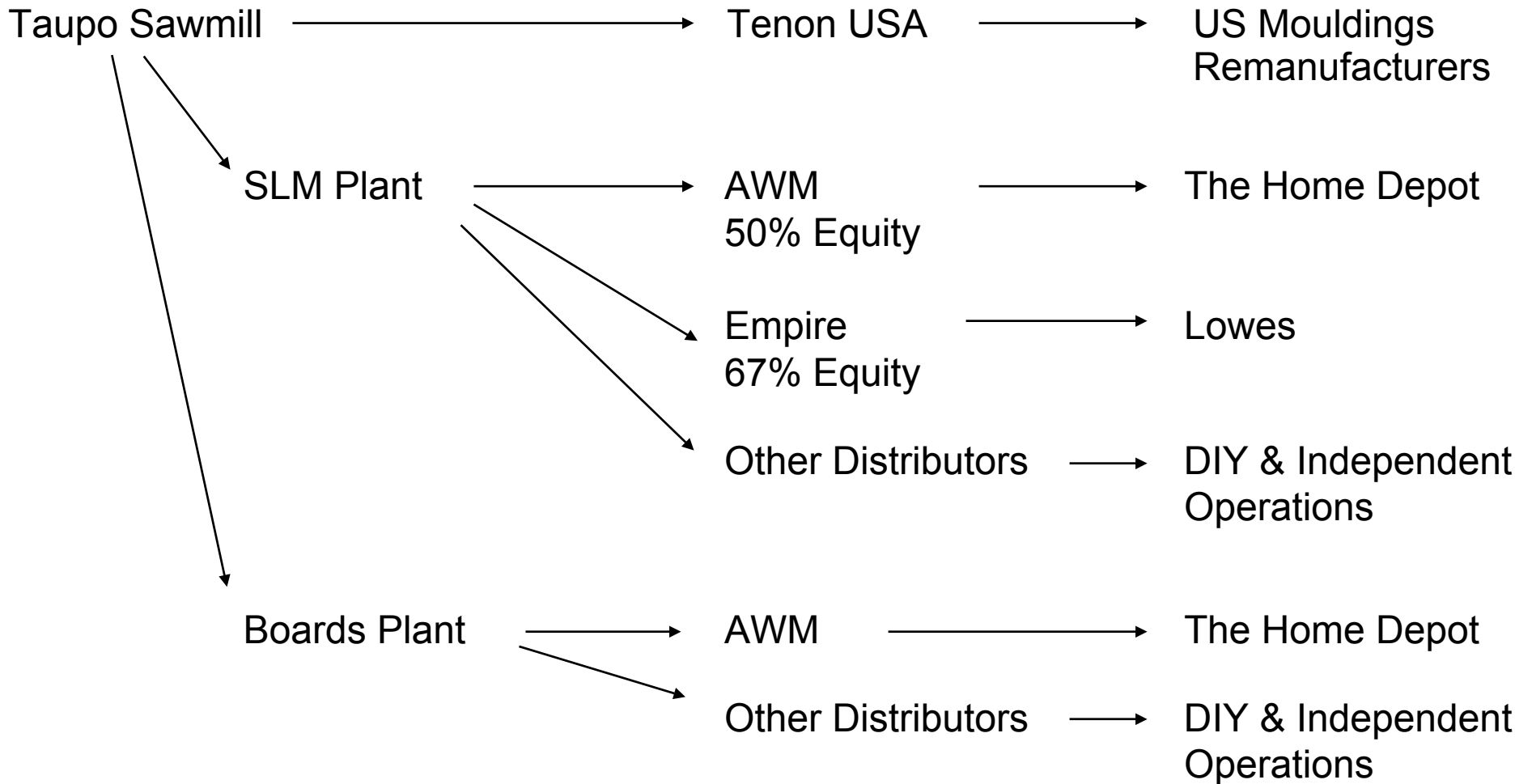
400,000 m³

*Log/Lumber
Conversion
52%*

LUMBER

	Grades	Markets	Indicative Price Range
80,000 m ³	Mldg&B/ Shop	FCF USA	\$800
	Shop / Commons	FCF USA	
48,000 m ³	Mldg&B	Taupo Mouldings	
18,000 m ³	Mldg&B	Boards Plant	
62,000 m ³	Industrial	Asia	
	Industrial & Corewood	Domestic	
	Other	Domestic	
208,000 m ³			

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

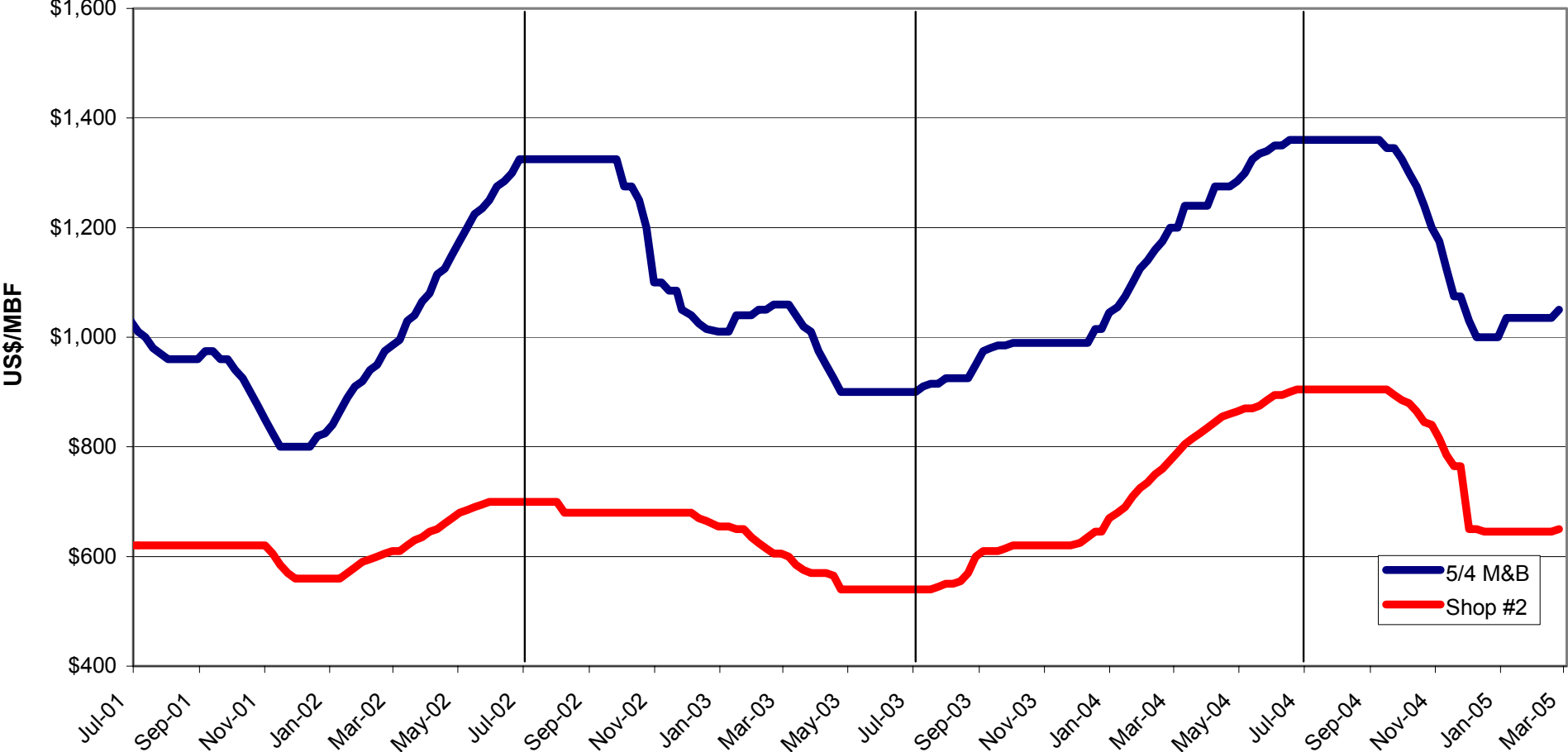
Financial outlook

\$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%
- Masked 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

Recent price trends



Summary

- Forest divestment strategy successfully implemented
- Structural business conditionally sold to CHH - settlement end of March 2005
- 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