




COO's address - 2013 review

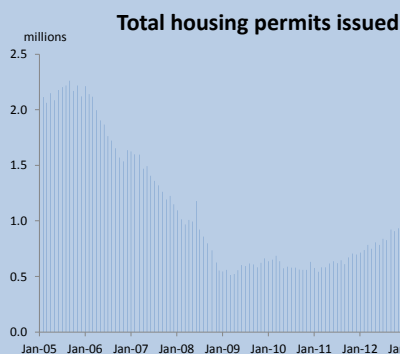
Tony Johnston - Chief Operating Officer

Review of past 12 months

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- Good news to convey
 - Tangible positive achievement to point to
 - Tenon has had a very busy year
 - Keeping up with the opportunities from a growing market
 - Managing a larger range of products and customers

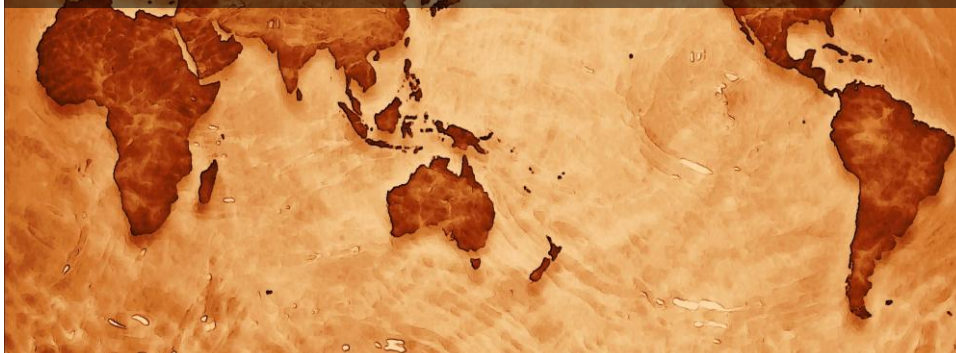
Business environment turning positive

- US housing market is emerging from a six year slump
- Tenon is healthier, fitter and better positioned
- Continued transformation into a company with a strong growth plan
- Set up well for the future



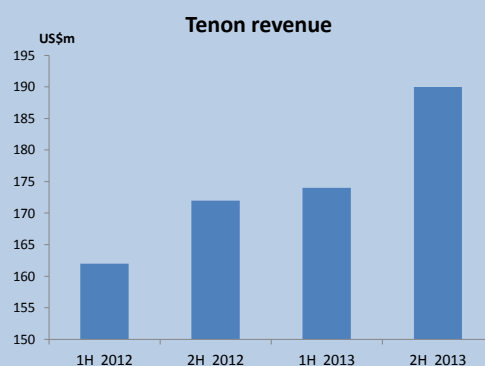
Our operational plan

- Reduce costs through greater efficiency
- Increase business through organic growth and step changes into new areas
- Deliver on our exceptional and proprietary customer service system



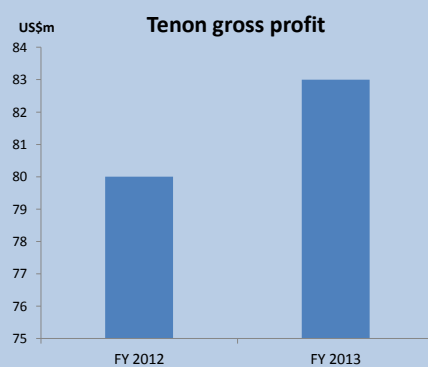
Financial performance

- Revenues were \$US364m ↑ \$30m or 9% on fiscal 2012



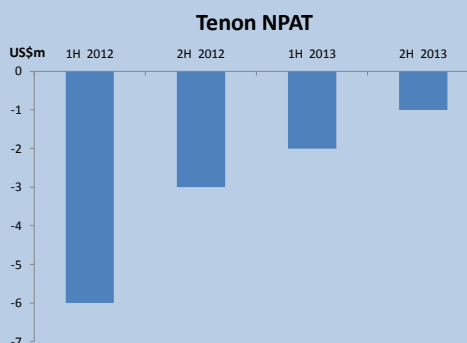
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- Year ended with sales into this sector more than 30% up
- Gross operating margin of \$83m ↑ \$3m on fiscal 2012



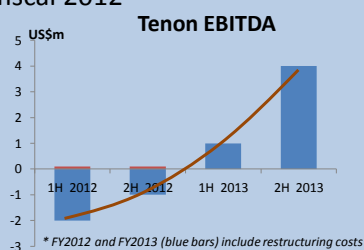
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- EBITDA positive and increasing through the year
- Revenues, gross margins and earnings showed improvement in the year and importantly strengthened through the year
- Continuing momentum as recovery in repair and remodelling sector commences

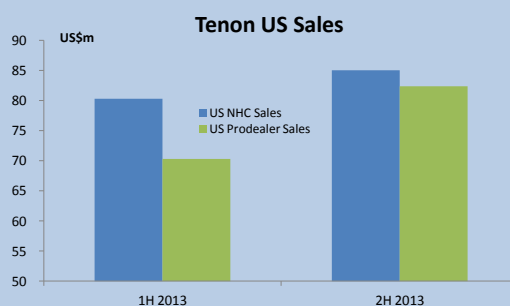


Achievements in 2012

- Further cost out and efficiencies at Taupo
- Significant expansion in demand for and sales of high valued clear wood products from our Taupo plant into Europe and the USA
- Cost reductions and efficiency initiatives in our award winning North American distribution operations
- Production efficiencies from the consolidation of Ornamental's manufacturing operations into one facility and successful ramp-up
- Warehouse efficiencies through relocation of South West Mouldings
- Gains from further implementation of shared services back office
- Introduction of new product lines at Empire
- Increased market share into the growing new home construction market
- Increased sales in Australia

Opportunity to realise rewards

- Realise rewards from these initiatives as sales increase:
 - Newly introduced product lines
 - 7% of this year's sales
 - Expanded market share
 - Increased demand from the market
- Top line revenue growth and improving margins are the way we see the future



Debt refinancing

- In August we signed a new syndicated bank facility led by PNC bank
- A five-year US\$70 million facility
- 30% greater debt capacity
- Does not expire until September 2018

Looking ahead

- Excellent strategy for value creation in the US
- Taupo in an excellent position of world-class producer
- Markets are growing and performance is improving
- Growth outside North American markets is progressing
 - Quadrupled clearwood sales in Europe



Summary

- Expanded the breadth of our activities
- Costs have been reduced or removed wherever possible
- Maintained our commitment to providing unrivalled service
- Weathered the storm of the Global Financial Crisis and the collapse of the North American markets
- Today our business is stronger, and better positioned strategically, than it was when we were sailing the peak wave of the last cycle
- Applaud the tireless efforts of our excellent people worldwide
- The company, and its shareholders, will now begin to reap the rewards for these efforts

Non-GAAP measures

¹ EBITDA stands for Earnings before Interest, Tax, and Depreciation and Amortisations. EBITDA is a non-GAAP measure, not recognised within IFRS. As it is not uniformly defined or utilized this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS. Tenon uses EBITDA when discussing financial performance because we believe the measure provides useful comparative earnings information and because it is used internally to evaluate performance. EBITDA is also a widely used earnings measure used in the investment community, particularly by equity analysts when focusing on comparable company performance, as the measure removes distortions caused by differences in asset age and depreciation policies. For fiscal 2013, Tenon's EBITDA reconciliation to its IFRS reported earnings measure of Net Profit / (Loss) after Taxation was as follows -

Net Profit / (Loss) after taxation of US\$3 million – income tax benefit of US\$ nil + Financing Costs of US\$4 million + depreciation and amortisations of US\$4 million = EBITDA US\$5 million.

Forward-looking Statements

There are forward-looking statements included in this document. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Tenon, its operations, the markets in which it competes and other factors (some of which are beyond the control of Tenon). In particular Tenon's operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it competes. Amongst other things, fluctuations in industrial output, commercial and residential construction activity, changes in availability of capital, changes in housing turnover and pricing, changes in the levels and types of housing repairs and remodelling and additions to existing homes in North America, relative exchange rates, interest rates in each market, profitability of customers, competitor product development, demand and pricing, and customer concentration risk can each have a substantial impact on Tenon's results of operations and financial condition. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. Valuations (company, business and product) are inherently subjective, and Tenon makes no warranty or undertaking as to information included herein, and actual outcomes could differ materially from any value or financial information and assumption included herein. The information contained herein is, subject to the assumptions used, believed to be materially accurate as at the date of this document (or as at the date otherwise noted in this document) but Tenon gives no warranty of accuracy or reliability and take no responsibility for accuracy or reliability. No investment decision should be taken on the basis of information contained herein.