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STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

Tenon Issues Positive Market Update As US Housing Market Gains Momentum

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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). As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements. 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. Fluctuations in industrial output, commercial and residential construction activity, changes in availability of capital, housing turnover and pricing, levels of repairs, remodelling and additions to existing homes in North America, relative exchange rates, interest rates in each market, input prices such as log prices, and profitability of customers, can each have a substantial impact on Tenon's results of operations and financial condition. Other risks include competitor product development and demand and pricing and customer concentration risk.

All references in this document to \$ or "dollars" are references to United States dollars unless otherwise stated.

New Zealand based wood products manufacturer and distributor, Tenon, confirmed today that it expected a significant turnaround in earnings as the US housing recovery gains further momentum.

US building permits in April exceeded 1 million new homes, the highest level recorded since June 2008, signalling a much stronger level of new building activity than the fewer than 500,000 houses built at the cycle low. Over the past 12 months US home prices have, on average, increased 11% (the largest annual gain recorded since April 2006), and the National Association of Realtors predicts further rises of 13% cumulatively in calendars 2013 and 2014. If such further increases were to occur, they would imply an increase of over USD2 trillion in US household wealth, giving further confidence to homeowners to spend on home improvement activities.

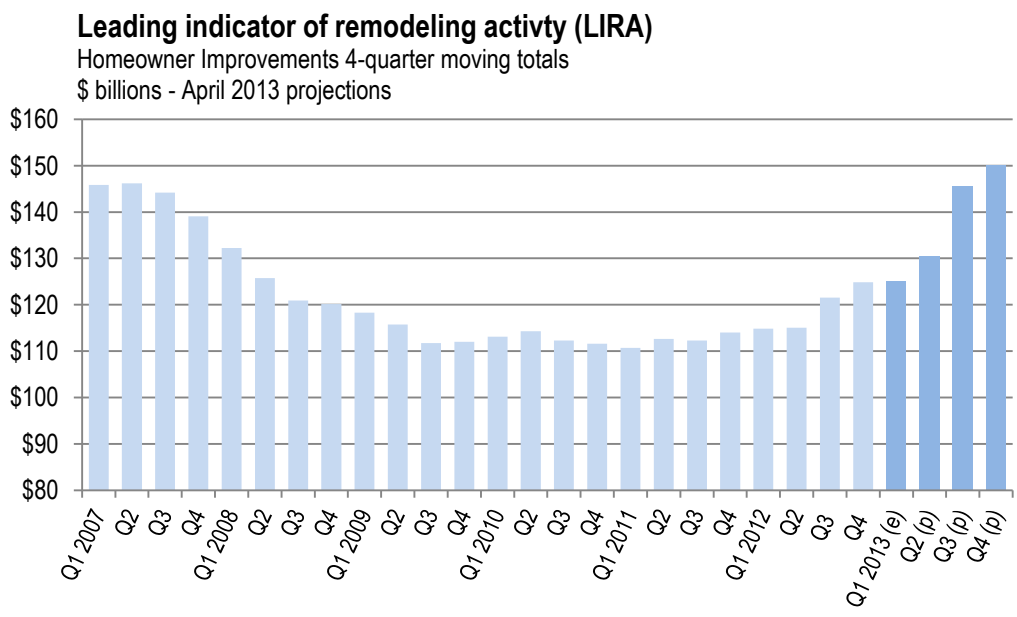
EBITDA (i.e. earnings before interest, tax, and depreciation) for Tenon's 30 June 2013 fiscal year is now forecast to be in a range of USD4-5 million, assuming existing operating conditions remain for the balance of the year. Operating Profit before Financing Costs (i.e. EBITDA less depreciation) for its fiscal '13 year is forecast to be USD8-9 million better than then USD8 million loss (including restructuring costs) recorded in the previous year.

Luke Moriarty, the company's Chairman, said "While this forecast represents a considerable improvement on our last year's 'bottom of the cycle' result, our expectation is that our next fiscal year will be much stronger yet. Assuming the US housing market continues on its recovery path and the NZD:USD cross rate remains around the current range, then we would expect our (June) fiscal '14 EBITDA to be more than twice this year's forecast EBITDA, and our calendar '14 EBITDA to be materially higher than that again."

Tony Johnston, Tenon’s Chief Operating Officer, said, “In addition to the benefits that will accrue from the restructuring initiatives we have put in place over the past two years, we have also gained confidence from the continued recovery of the US housing market, which began to take hold during our current fiscal year. Revenues from our pro-dealer activities (which now represent approximately 45% of Tenon’s total North American revenues, and which supply the new housing market) are up around 25% year-on-year, and we are expecting that our retail activities (i.e. our sales to the large home improvement centre stores), which have now begun to show positive store comparisons, will lift further in this next fiscal year.”

“In addition to the internal growth the Company had put in place from new product launches and expanded existing programs (e.g. the plank panelling, Find It, pine clear boards, hardwood boards, doors and stair parts programs), Tenon has also achieved market share growth and geographic expansion (e.g. greater volumes ex-Taupo into Europe). Combined, these will have a positive impact on earnings going forward, and our forecasts are now also supported by the emergence of much stronger US housing data.”

The chart below shows Harvard’s Housing Studies Leading Indicator of Remodelling Activity (LIRA), which projects much higher activity level in US remodelling in the second half of the current calendar year (i.e. the first half of Tenon’s fiscal ’14 year). It is the remodelling segment that drives Tenon’s large home centre store sales.



Harvard’s projected activity is supported by the strong rise in house prices recorded over the past year. US home prices have now recovered to the level they were at in 2007, and more than US\$1.6 trillion has been added to homeowners’ equity over the past 12 months. This is important to the remodelling market, as rising home price gives homeowners the confidence to take on remodelling projects, in the belief that any spend will be reflected in their home value. In addition, in many cases the price rises recorded also provide the homeowners’ equity to fund the remodelling projects undertaken.

In terms of the pro-dealer segment, Mr Johnston said “New housing starts (per annum) in the US for the four months reported this calendar year have averaged 935,000 - almost twice the 478,000 per

annum figure recorded at the bottom of the cycle. The latest May report on building permits recorded a figure of 1.02 million (annualised) new homes permitted – which is up more than 25% on last year. If these permits convert to new home building activity then this will help drive revenue growth in our pro-dealer activities next year.”

The company said that continued cycle recovery, product expansion, and market share growth, had each contributed to a higher level of working capital need. As a result, debt at 30 June '13 is forecast to be in a range of USD45-50 million (USD 44 million at 31 December '12).

As to the current Tenon share price, Mr Moriarty said, “We don't believe Tenon's current traded share price reflects the company's earnings potential under a recovering US housing market - particularly for calendar '14, which is the year most analysts are using to derive their comparable company multiple valuations. We are confident the share price will re-rate as our future earnings profile reveals itself during the coming year.”

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About Tenon

Tenon is a wood-products processing, marketing and distribution business, focusing on high-value markets in North America. Tenon has strong supplier relationships with the independent pro-dealer (i.e. new housing) segment, and channels into the world's largest (DIY) home improvement centre stores (i.e. Lowe's and The Home Depot). As well as providing a channel to market for product made at Tenon's large clearwood remanufacturing facility in Taupo (NZ), its distribution business also sources significant quantities of finished product from other international suppliers for sale into North America. Tenon ships over 8,000 40' containers annually, through an internal logistics system that sources specialised product from China, Chile, Brazil, United States, Canada, and New Zealand. In addition to Tenon's Taupo operation selling product into the North American market, it also has an export presence into Europe, China and Australia.