

**MARK EGLINTON'S CHAIRMAN'S ADDRESS**  
**TENON'S SPECIAL SHAREHOLDERS MEETING**  
**20 March 2017**

**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). As a result, 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, particularly in New Zealand, Europe and North America. Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repairs, remodeling and additions to existing homes, new housing starts, relative exchange rates, interest rates 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, product demand and pricing, input cost and customer concentration risk.

All references in this document to \$ or "dollars" are references to New Zealand dollars unless otherwise stated.  
An exchange rate of 0.71 has been used to calculate any NZ\$ equivalents of US\$ amounts.

Good morning ladies and gentlemen, and welcome to this Special Shareholders' Meeting of Tenon. It is a pleasure to be here with you today.

For those of you who don't know me, I am Mark Eglinton, an Independent Director of Tenon.

On my left is my fellow Independent Director, Stephen Walker. For reasons that I will discuss shortly, the board members who are also directors of Rubicon are not participating in today's Meeting.

I confirm that a quorum is present and that the Meeting is duly constituted.

All shareholders have been sent the Notice of Meeting and you have also been sent Tenon's latest financial results by way of our Half-Year Report for the six months ended 31 December 2016.

Let me begin by introducing you to the Company representatives here today. On my left next to Steve is our General Counsel and Company Secretary, Paul Gillard. In the front row is Sharon Ludher-Chandra, the Company's Senior Vice President, Operational Performance and Growth and next to Sharon is Jane Paice, our Financial Controller.

We also have representatives present from investment bank Deutsche Craigs, our lawyers, Bell Gully, and our auditors, KPMG.

KPMG will act as scrutineers in relation to votes cast at the Meeting.

The principal purpose of today's Meeting is to consider the Proposed Transaction involving the sale of our remaining Clearwood business, which as you know is made up of our mill at Taupo and the related sales and marketing business. The Notice of Meeting contains a full description of the transaction and the steps we propose to take following it.

Given that our majority shareholder, Rubicon, is interested in this transaction, it was not appropriate for the members of the board who are also directors of Rubicon, being George Karaplis, Steve Kasnet and Luke Moriarty, to be involved in approving the transaction as Tenon directors. As a result, the board established a sub-committee made up of the Independent Directors - being myself and Steve. We have led the negotiation and decision-making for the Proposed Transaction on behalf of the Company.

The members of the board who are also directors of Rubicon were not involved in the board's decision-making concerning the Proposed Transaction. As a result, they are not participating in the Meeting today.

Let's now turn to the business of today's Meeting.

The order of business is as shown on this slide.

We have four resolutions that relate to the future direction of your Company. Each resolution needs to be considered in its own right, but there are inter-related aspects to them which would have been evident to you from the Notice of Meeting.

If resolution 1, relating to the proposed Clearwood sale, is not passed, then resolutions 2, 3 and 4 will not be relevant. In those circumstances, Tenon would retain the Clearwood business, the status quo would remain, and Tenon would continue to be listed on the NZX for the immediate future.

Alternatively, if all the resolutions are passed the Company will continue down the pathway outlined in the Notice of Meeting.

Whatever the outcome of this Meeting, it will bring to a conclusion the Strategic Review process that we began over one and a half years ago.

I will now outline each of the four resolutions and then pause and take questions before I formally put the resolutions to you.

The first resolution, which is the principal reason we are here today, relates to the proposed sale of Tenon's only remaining operating business – its New Zealand-based Clearwood business - for US\$55 million to the Tenon Clearwood Limited Partnership.

As shareholders are aware, to assist Tenon in the Strategic Review process, the board appointed Deutsche Craigs to act as advisors throughout both stages 1 and 2 of that process, and to run the sales process on behalf of the Company. The process was thorough, and expressions of interest were received from eight parties, both domestic and international, over an extended time-frame.

In some cases, the interest received was for the Clearwood business together with Tenon's US operating business, however in each case the value attributable to the Clearwood business in the bids was known. This provided us with the ability to compare the offer values for the Clearwood business.

Having considered carefully all the bids received, your Independent Directors have determined that the transaction presented to you today represents the best proposal, in terms of value, conditionality and certainty of completion. At US\$55 million, the consideration payable by the Partnership is materially better than the next-highest offer we received.

To help you with your consideration of the Proposed Transaction, the board commissioned Grant Samuel to evaluate the Transaction, building on the work done in connection with the sale of Tenon's US operating business last year, taking into account Clearwood's latest earnings forecast for FY'17 and updating that work for foreign exchange, log price, and other movements that had occurred since the US sale. You will have seen Grant Samuel's report accompanying the Notice of Meeting.

In summary, Grant Samuel provided separate valuation ranges under two operating scenarios:

- The first being a sale of Clearwood and subsequent liquidation of Tenon; and
- The second a continuation of the current Tenon business "as is" – i.e. no sale.

The respective valuations are as shown on this slide. The column in the middle (shaded) is the consortium offer.

Grant Samuel concluded that the consideration payable by the Partnership under the Proposed Transaction of US\$55 million is within its assessment of the valuation range for the Clearwood business (including a premium for control) of US\$52.0 – US\$62.5 million. This equates to NZ\$1.99 – NZ\$2.45 per share, net of estimated transaction, wind up and liquidation costs (net of cash) of US\$6 million. Grant Samuel has also provided a valuation range of US\$40 – US\$47.8 million for the Company should it continue as a listed stand-alone entity comprising only the Clearwood business.

As a thorough sales process has been run, and the Proposed Transaction value exceeds Grant Samuel's valuation range for Tenon as a continuing business and is within Grant Samuel's valuation range for a sale of the Clearwood business and subsequent winding up of the Company, **your Independent Directors unanimously recommend that shareholders vote in favour of the Proposed Transaction. This a superior result for Tenon shareholders than for the Company to remain listed.**

If shareholders vote in favour of the Proposed Transaction, then we have proposed that a second capital return of US\$43 million be made immediately following the sale to shareholders from the sale proceeds by the Company paying shareholders US\$1.327 for each share on issue (or around NZ\$1.87 for each share) – this is addressed by the share cancellation and capital return the subject of resolution 2. This is subject to receiving final orders from the High Court.

Following the sale and the capital return, Tenon will have sold all its operating assets and returned the bulk of the proceeds to shareholders. We have therefore decided that Tenon should then be delisted from the NZX (which is addressed by resolution 3) and that the Company enter into a voluntary solvent liquidation process later this year (which is to be facilitated by the constitutional amendments covered by resolution 4).

As stated in the Notice of Meeting, the Company currently assesses the surplus cash for ultimate distribution following the liquidation process to be up to US\$5.8 million (or around NZ 25 cents per existing share and NZ 50 cents per remaining share following the second capital return – giving around NZ\$2.12 in total for each share currently on issue), although it is difficult to quantify the surplus cash amount precisely until the liquidation process has been completed.

If all resolutions are passed by shareholders, this sale and the liquidation of the Company will bring to a final conclusion the Strategic Review process that began over one and a half years ago.

If shareholders approve the resolutions put to the Meeting today, there can be no doubt that the Strategic Review will have delivered considerable value to our shareholders. More than US\$125 million (including dividends) will have been returned to shareholders, which will equate to a total shareholder return in US dollars of approximately 50% since we started the Strategic Review process in 2015.<sup>1</sup>

**For those reasons, the Independent Directors unanimously recommend that shareholders vote in favour of all of the resolutions being put to shareholders today.**

This is a good point for me to stop, and ask if there are any questions on anything that I have said so far in terms of the matters that are to be put to this Meeting.

Thank you ... we will now move on to the substantive matters for the day – Resolutions 1 to 4.

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<sup>1</sup> In US\$ functional currency, inclusive of dividends, and from the announcement of the strategic review in August 2015 through to the liquidation of Tenon and the distribution of surplus cash to shareholders (assumed to be US\$5.8 million).

Each resolution to be put to you today is to be voted on separately, either by way of an ordinary or a special resolution. An ordinary resolution is required to be passed by a 50% majority of the votes of the shareholders entitled to vote and voting on the resolution. A special resolution is required to be passed by a 75% majority of the votes of the shareholders entitled to vote and voting on the resolution.

Rubicon is subject to some restrictions on voting, and I will discuss those with you when I formally put each resolution to you for voting.

**Resolution 1 – the Proposed Transaction is an Ordinary Resolution and Rubicon are entitled to vote on one of the two components.**

As I previously stated, this resolution, relating to the proposed sale of the Clearwood business for US\$55 million to the Tenon Clearwood Limited Partnership, is the principal reason we are here today.

Turning to the resolution.

To consider and, if thought fit, pass the following as an ordinary resolution under Listing Rules 9.1 and 9.2:

*That the sale of the Clearwood business and associated assets on the terms set out in the Sale Agreement, for a price of approximately US\$55 million, as described in the Explanatory Memorandum, be approved.*

Resolution 1 is proposed as an ordinary resolution to satisfy Listing Rules 9.1 and 9.2.

Rubicon can vote on Resolution 1 for the purposes of the approval required under Listing Rule 9.1, which relates to the approval as a major transaction.

However, Rubicon's votes cannot be including in the voting on Resolution 1 for the purposes of the approval required under Listing Rule 9.2, which relates to transactions with related parties.

So we are going to count votes on Resolution 1 twice, once including any votes cast by Rubicon to satisfy listing rule 9.1 and once excluding Rubicon's votes to satisfy listing rule 9.2

Approval is required under both Listing Rules 9.1 and 9.2, so if shareholders do not pass the resolution under either of Listing Rules 9.1 or 9.2 the resolution will not be effective.

Do we have any questions on this resolution before I ask you to vote?

Thank you. Please mark your ballot papers and hold them for now.

Turning now to Resolution 2 - the capital return.

**Resolution 2 – the Second Capital Return is a special resolution and Rubicon is entitled to vote**

As with the first capital return completed in December last year, this second capital return is proposed to be effected by way of cancellation of Tenon shares pursuant to a Court-approved scheme of arrangement.

On 21 February 2017, the Company received initial orders granted by the High Court under section 236 of the Companies Act directing the Company to seek shareholder approval for the second capital return. This involves returning capital to shareholders by the Company cancelling one out of every two ordinary shares in the Company held by each shareholder and paying US\$2.654 for every ordinary share cancelled (which equates to US\$1.327 for each share on issue immediately prior to the cancellation). The High Court has

required that the second capital return be approved by a special resolution of shareholders entitled to vote and voting on the resolution. All shareholders, including Rubicon, are entitled to vote on this resolution.

Resolution 2 is subject to Resolution 1 being passed and the Proposed Transaction being completed.

Turning to the resolution.

To consider and, if thought fit, pass the following as a special resolution pursuant to an order of the High Court of New Zealand made at Auckland on 21 February 2017 and Listing Rules 7.6.1(d), 7.6.5 and 9.1:

*That, subject to Resolution 1 being passed and completion of the Proposed Transaction occurring, the arrangement relating to the return of capital to the Company's shareholders, as described in the Explanatory Memorandum and the Arrangement Plan, under which the Company will return approximately US\$43 million of capital pro rata to shareholders, be approved.*

Do we have any questions on this resolution before I ask you to vote?

Thank you.

Again, please mark your ballot papers and hold them for now.

Now, we move on to Resolution 3, which relates to the proposed de-listing of Tenon.

### **Resolution 3 – the De-Listing is an ordinary resolution and Rubicon are not entitled to vote**

Assuming resolutions 1 and 2 are passed and following the payment to shareholders pursuant to the second capital return, the Company will have no continuing business and limited residual assets. The board does not consider that it would then be appropriate for the Company to continue to be listed on the NZX Main Board. Accordingly, the Company requested that NZX de-list the Company on 31 July 2017.

Consistent with its normal policy, NZX has required that the Company obtain an approving resolution of ordinary shareholders who are "members of the public" as a condition to its de-listing. Accordingly, Resolution 3 is proposed as an ordinary resolution requiring approval by a simple majority of the votes of shareholders entitled to vote and voting on that resolution. Based on the information available to it, the Company expects that all ordinary shareholders, other than Rubicon, will be "members of the public" able to vote on Resolution 3.

Turning to the resolution.

To consider and, if thought fit, pass the following as an ordinary resolution:

*That, subject to Resolutions 1 and 2 being passed and completion of each of the Proposed Transaction and the Second Capital Return occurring, and with effect on 31 July 2017, the cessation of the Company's listing with NZX Limited, and cessation of quotation of the Company's ordinary shares on the NZX Main Board, be approved.*

Do we have any questions on this resolution before I ask you to vote?

Thank you.

Again, please mark your ballot papers and hold them for now.

Now, we move on to the final resolution to be put to this Meeting, Resolution 4, which relates to the proposed amendments to the Constitution of Tenon.

#### **Resolution 4 – Amendments to Constitution is a special resolution and Rubicon are entitled to vote**

The fourth and final resolution relates to the proposal to allow Tenon to reduce the number of directors on the board, to save costs, and to give the authority to the board to liquidate Tenon. Both of these matters require amendments to be made to Tenon's constitution.

Once the Proposed Transaction has completed, Tenon will have no continuing business. Accordingly, the proposal is to commence the voluntary liquidation of Tenon on a date selected by the board during the period between: (a) the date that is six months after payment is made to shareholders under the second capital return; and (b) 31 December 2017. The Company's remaining net cash will be distributed at the conclusion of the liquidation.

The proposed amendments to the Company's constitution have been approved by the NZX in accordance with Listing Rule 6.1.1.

Resolution 4 is proposed as a special resolution in accordance with the Companies Act. Resolution 4 is subject to Resolutions 1 and 2 being passed and completion of each of the Proposed Transaction and second capital return occurring. All shareholders, including Rubicon, can vote on resolution 4.

Turning to the resolution.

To consider and, if thought fit, pass the following as a special resolution under section 32(2) of the Companies Act:

*That, subject to Resolutions 1 and 2 being passed and completion of each of the Proposed Transaction and the Second Capital Return occurring, the constitution of the Company be amended as set out in the Notice of Meeting*

Are there any questions on this resolution?

Thank you. Can you please now mark your voting papers accordingly.

That completes the formal business today. If you hold up your voting papers they will be collected now.

Thank you ladies and gentlemen - the formal results will be announced to the NZX later today upon final tallying.

**I now declare the Meeting formally closed.**

On behalf of the board and management team I would like to thank you for your attendance today and also for your support over the period of the Strategic Review and generally.

If the resolutions are passed by shareholders and the sale completes, we expect that this will be the last shareholders' meeting of Tenon, which was of course originally Fletcher Challenge Limited. If that is to be the case, can I also take this opportunity to thank shareholders, directors (both past and present) and the Company's management and employees, many of whom have been involved with the Company over a long period of time, for all of their support of the Company over the years, their patience and hard work during different market cycles and challenges we have faced, their support for the various transactions and proposals we have brought to you and for their contribution to Tenon and its business.

We would be delighted if you are available to stay for a while now and have a tea or coffee with us.

Thank you.