

Tenon Annual Review – 2011 Fiscal Year

Forward-Looking Statements

There are statements in this document that are “forward-looking statements”. As these 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, declining housing turnover and pricing, declining levels of repairs, remodelling and additions to existing homes in North America, relative exchange rates, interest rates in each market, and profitability of customers, can 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.

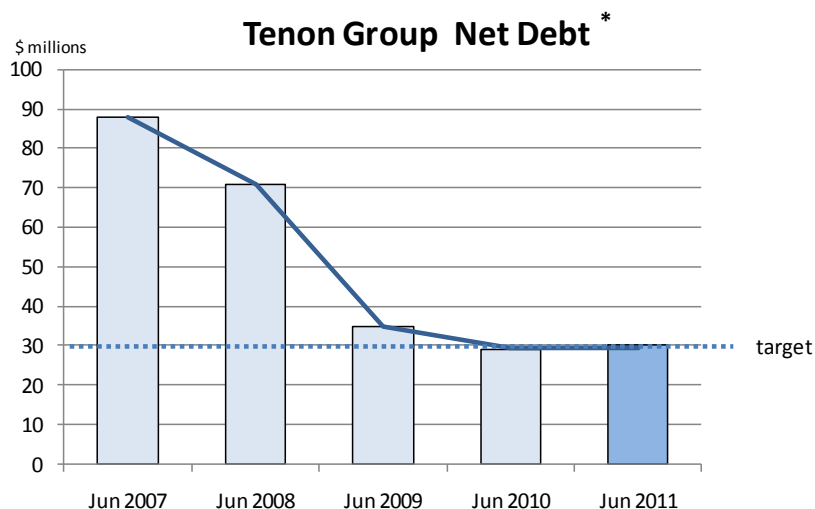
All references in this document to \$ or “dollars” are references to United States dollars unless otherwise stated.

Tenon’s Strategy and Progress

Over the past five years Tenon has undergone a major business transformation that has advanced the Company in almost all aspects of its operating activities. From both an earnings and share price perspective, the significant gains realised from this transformation process have, unfortunately, been ‘swamped’ by an extremely depressed US housing market, the likes of which have not been seen for over seventy five years. It is important, therefore, when looking at the progress that has been made, that we do so in the light of the operating environment that has prevailed over this period.

By way of review, the beginning of this five-year transformation saw us complete a series of growth orientated acquisitions, which included the purchase of Southwest Mouldings (a leading millwork distribution position in the large Texas market) for \$32 million, and the swap of our American Wood Mouldings joint venture holding for 100% ownership of Ornamental Mouldings (\$38 million in equivalent 100% value terms). As events transpired, the end of this acquisition phase coincided with the beginning of the deepest recession that has been seen in the US housing market since the 1930s depression. So, we then immediately set about significantly reducing our balance sheet debt as quickly as possible, whilst at the same time continuing to invest in our core business activities to ensure we maintained and grew our industry-leading position – with the aim of both actions being to secure the long-term future value of the Company.

As the chart below shows, through a tight focus on cash generation in each of our core activities, our balance sheet goal was reached quickly. Total net debt has reduced 65%, from a peak of almost \$90 million down to a target level of around \$30 million, despite the extremely difficult macro-environment over this period.



Our strategic positioning also advanced significantly over this same period, through a number of key initiatives, including our 'One-Company programme.' The first phase of this programme saw the elimination of \$5 million per annum in administrative and back-office costs through the implementation of a Group-wide shared services and back-office platform. The second phase involved a fundamental restructuring of the way in which Tenon services its core customers. Each customer would have a single interface at Tenon, no matter from where in the world, or in which Tenon manufacturing entity, their products were produced. This change resulted in a higher level of service delivery and product innovation, tighter customer relationships, and as a result the emergence of new business and product opportunities with our key customers. These opportunities ranged from new product introductions, to entering into completely new market segments, to organically growing our traditional business with existing customers.

This latter category, organic growth, has played a large role in our overall growth platform over the market downturn period. The achievement in this regard can be seen best in our US full service distribution businesses which now service some 40% more retail stores today than they did at the cycle peak in 2006-7. We now have six major distribution hubs in North America, directly servicing well over 1,100 separate North American locations, with our products now appearing in over 2,000 stores.

We believe Tenon has now built a unique industry position.

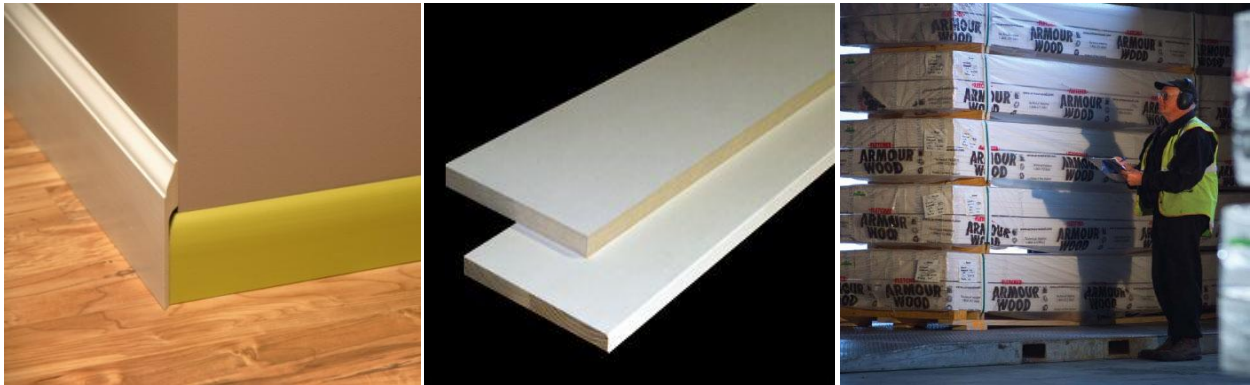
We have 100%-owned manufacturing operations in both New Zealand and North America. These operations are not only an important source of innovation for us in our product offerings to our customers, but they also offer certainty of supply needed when industry supply chains face serious circumstances outside their control (for example, the Chile earthquake which disrupted manufactured product supply out of that country only a year ago). In addition, our New Zealand manufacturing site located at Taupo is well placed to supply FSC certified wood product to meet the specific needs of the US market – particularly high value clear lumber, boards and mouldings from New Zealand's high quality pruned radiata forest resource. This offers us a strong competitive advantage over lumber sourced from other markets.

Our logistics platform combines this internally manufactured product together with extensive third-party sourcing across three continents, to bring a total portfolio of select millwork products to our customers. This mix of owned manufacturing and third party global sourcing allows us to arrive at critical 'make or buy' decisions that maximise Group earnings under constantly changing market supply and demand, fibre supply, and currency conditions, whilst at the same time maintaining a full inventory of products in every store we supply. In our full service distribution operations, a fleet of trucks on programmed destination 'runs' make daily deliveries of products that have originated not only from Tenon's owned manufacturing sites in New Zealand, the United States and Canada, but also from third-party production facilities in other countries – for example, from China, Brazil and Chile. The logistics capability required to satisfy our customers' product and service needs is substantial, as by both necessity and design our product-to-customer supply chain reaches half way around the world. In some cases product orders can be met simply by accessing stock already residing in our US distribution hubs, whilst in other cases it may need to come from orders that we processed with offshore manufacturers three months ago for delivery into the US today. This aspect of the business has become more complex as the third-party sourced volume sold through our distribution businesses has grown over time. To put some numbers to this third-party sourcing growth, today Taupo (New Zealand) manufactured product represents less than 10% of our total US distribution sales.

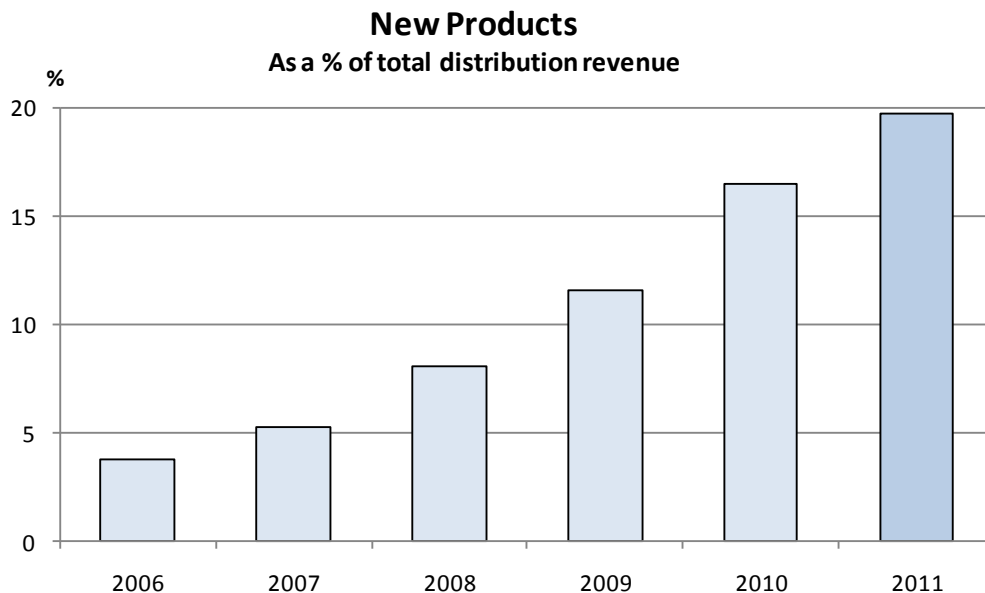
Whilst this logistics capability delivers the core products our customers need on a daily basis, and does so to their demanding quality and fill-rate requirements, traditional product delivery represents only one aspect of our customer value proposition. So, for example, with our retail customers, innovation in new

products and improving in-store service are also critical factors, as both can significantly improve their sales growth and overall store performance. We have advanced our offerings in both these areas.

In new product introductions, as previously reported, we have launched the National Trust Mouldings range which is already present in nearly 500 retail stores, the innovative RapidFit® moulding collection which can be installed over existing mouldings in situ, untreated primed finger-jointed boards, and (through a strategic partnership) Royal PVC synthetic boards. Our ArmourWood® range of treated trim board products represents product innovation in a new market segment. The relevance of the outdoor segment to us is the significant growth potential it offers, given that the total market size is approximately ten times that of our traditional indoor mouldings segment.



The chart below shows the positive impact that new product launches (including in the outdoor segment) have had on our US distribution activities. As you can see, almost 20% of our US distribution revenues today are represented by new products that we have introduced over the past 5-6 years.



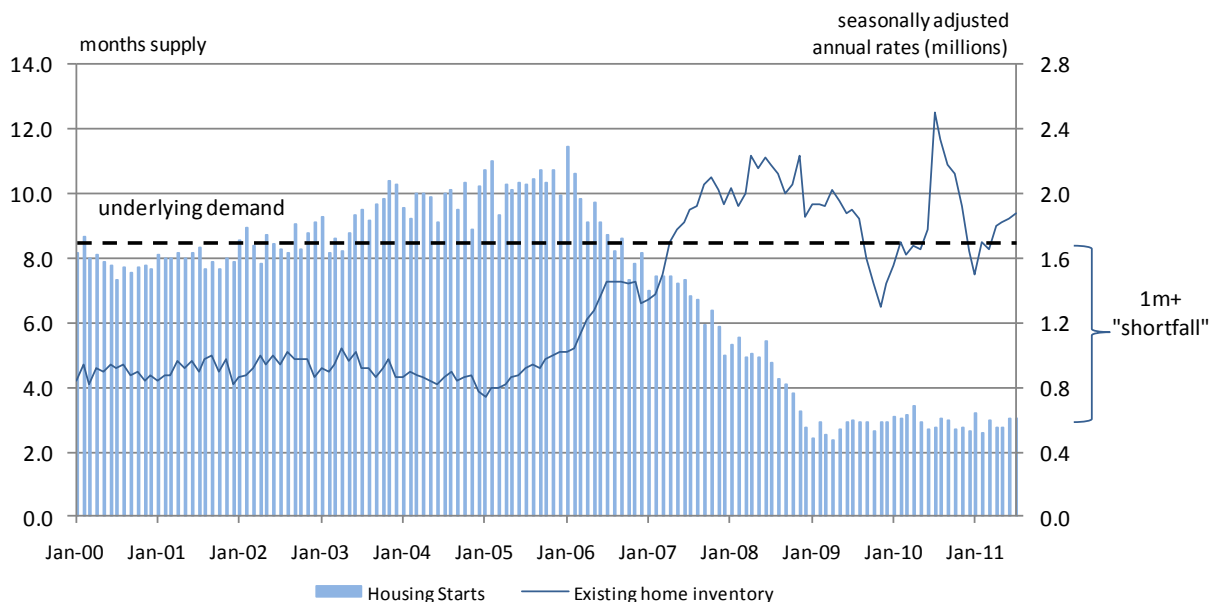
In terms of innovative service offerings, we can use the retail customer again as an example. Once our product reaches the stores, our full service distribution businesses stock the aisles, use proprietary IT systems we have developed internally to manage store SKUs and inventory replenishment, and through our analytics team apply the knowledge gained from this SKU management to develop targeted customer product offerings on both a regional and store-by-store basis. We believe that the incremental value that these performance management services generate for our customers differentiates our business model from others, and has helped to solidify our key customer relationships.

Our existing customer relationships and the value we can deliver to those customers, offer us the opportunity to leverage our market position by expanding the range of products we can supply through these established channels, as well as providing us the opportunity to grow organically with our key customers as they expand their own market reach. These relationships have been built up over decades, and we constantly remind ourselves that we exist only as long as we continue to add significant value to our customers' customers. This can only come from a culture of 'customer-first,' and this is transparent and fundamental to everything we do. Only by improving our customers' performance, can we continue to be successful and grow.

So, it is our unique mix of owned manufacturing facilities, a world-class logistics platform with extensive third-party global sourcing, a proprietary customer performance management programme, established relationships in the leading market channels, and a focus on innovation and the customer in everything that we do, that has allowed us to build a leading industry position – whether that be (for example) our number one position in interior mouldings sold through our full service distribution business, or our number one position in stair parts distribution in the large Texas pro-dealer market, or our number two position in imported clear and finger jointed mouldings sold through our US wholesale operation, or our position in decorative mouldings sold to the large format home improvement retailers.

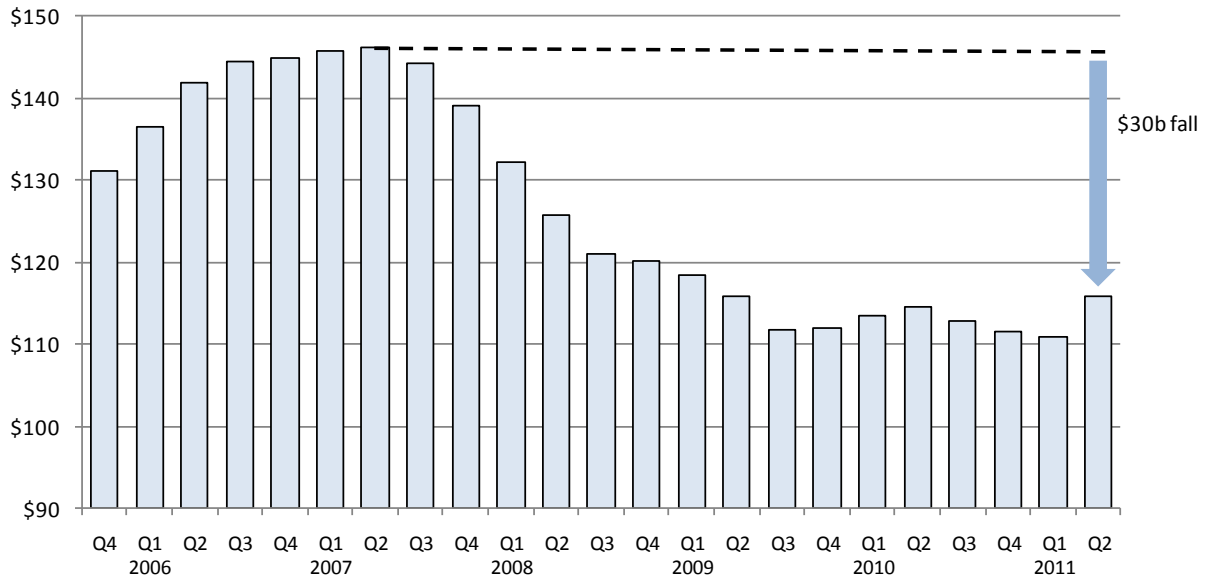
As previously noted, this enviable position has been built in an operating environment that the US housing sector has not seen since the 1930s depression era. Shareholders will have read (in our previous Annual Reports) and heard a lot about this, so there is no need to repeat it again here in detail, other than to briefly comment upon the extent of the decline that has occurred by way of a few macro-driver comments.

US Housing Starts and Existing Home Inventory



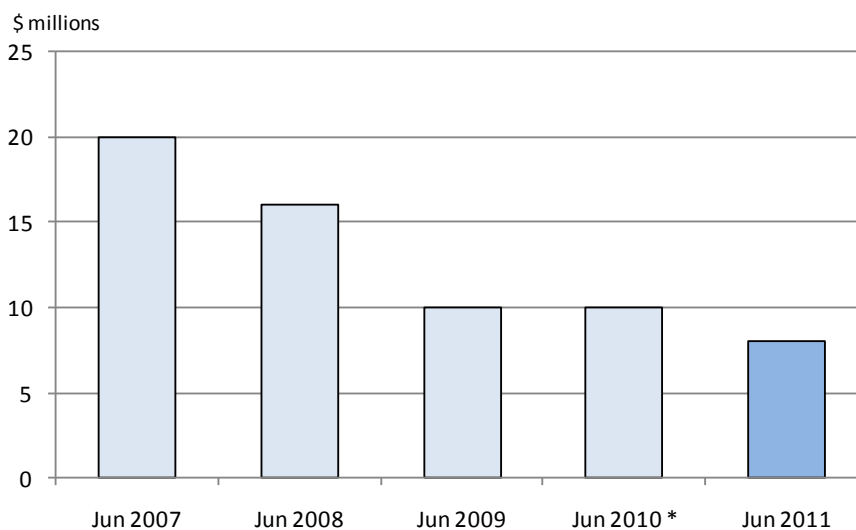
Leading indicator of remodeling activity (LIRA)

Homeowner improvements 4-quarter moving totals
\$ billions



The first chart shows that new housing starts have declined quite dramatically, from a peak of 2.3 million houses per annum in 2006 down to only circa 600,000 per annum today – a fall of almost 75% - and today’s unsustainably low level of activity has prevailed for the last three years. At the same time, the inventory of homes available for sale as measured in months of supply, has risen from a long-run level of 5-6 months to the current figure of 9.4 months. The second chart shows the decline in remodelling spend in the US that has occurred over a similar period – a reduction of some \$30 billion since 2007. While these macro drivers have obviously had a major and noticeable impact on our retail distribution activities in the US, our manufacturing operations at Taupo have, in addition, suffered significant cost pressures from increasing pruned log prices (a result of the strong China demand for wood fibre to meet China’s domestic growth needs) and an oppressively high NZD:USD foreign exchange rate.

EBITDA



* Includes \$2m in restructuring/non-recurring costs

Given this environment, it is no surprise that Tenon's earnings have reduced over this period. Despite all of the profit improvement initiatives we have put in place, it has been impossible to offset the full extent of the market decline in the macro-operating environment given its magnitude. Indeed, with the level of demand drop-off that has been seen and the cost pressure from the rising NZD:USD exchange rate, the positive has been the extent to which our earnings have held up to date. The reason for that is as just discussed – i.e. through a combination of cost-out and rationalisation initiatives, organic growth with existing customers, new customer acquisition, and new product launches, we have been able to mitigate the full effect of the housing downturn.

We have further moved to lessen the impact on us of the US macro-environment by accessing opportunities outside of the North American market. By way of example, from its beginnings only a couple of years ago, the volume of manufactured product out of our Taupo site being sold into the China market already represents over 15% of all of our third-party sales from New Zealand.

Shareholders will know that while our prime focus is, naturally, on Tenon's absolute performance, we also keep a very close eye on the progress of our competitors, and on how Tenon's performance compares relatively. While the comparable universe is not large, we are comfortable that on most key metrics we have out-performed. One statistic may be enough to show this – i.e. the extent of decline in operating earnings over this down-cycle period. Tenon's earnings have dropped 60% across the five-year downturn, while the average of our peer group has dropped more than 100% over this same period. Clearly neither result is acceptable, but it is still worth acknowledging that in a very tough environment we are still doing better than 'the pack.'

When making these comparisons, it is true that we have been quite fiscally prudent over the course of the US housing downturn. As discussed, rather than being aggressively speculative, we have operated an FX strategy specifically designed to protect the earnings of our Taupo operation by mitigating the impact of the rising NZ dollar on our cost base – and in this past year that strategy added \$2 million to operating earnings. In recent years we have also chosen to expend financial resources on organically growing our business with our existing customers (in order to establish greater earnings leverage to the cyclical market recovery when it occurs), rather than to grow through acquisition, which to date we have considered carries a far greater risk profile and greater debt burden than organic growth. There will again come a time for acquisition through debt financing, but that time has certainly not been over the past 3-4 years, and we believe our decision in that regard has proved to be the right one. We have been aggressively focused on debt reduction, and we have avoided the temptation to re-leverage our balance sheet given that market conditions continued to be very uncertain. We have not made dividend payments over this period, instead focusing on debt reduction and organic growth. While we understand that this policy may have been unpopular with some shareholders in the short-term, the longer-term pay-off from the use of these funds on organic growth and on building a stronger balance sheet will come with buoyant share price gain when the market recovery begins.

It is important to recall that our fiscal conservativeness allowed us to pass through the global credit crisis without needing to go back to our shareholders and ask for a fresh capital injection. It also allowed us to operate within our bank ratios when others struggled to do so. In this regard, we have always consciously moved early to refinance the Group's debt facilities when the opportunity has arisen to do so, in order to deliver the best possible outcome, rather than take the risk that volatility in debt markets might return again when our facilities are closer to their natural expiry dates. We did exactly this again in June this year, when, 12 months ahead of the then existing facility expiry we put in place a new \$57.5 million syndicated debt facility (with an additional \$12.5 million 'accordion' feature) under an asset-based lending structure. The term of the facility is five years, with an expiry date of June 2016. Being able to secure this new facility at this time, and on favourable terms that do not require us to meet fixed charge (e.g. interest) or leverage coverage requirements, is a reflection of the excellent market positioning that we have created and also of the strong banking relationships that have been established in recent years.

With an industry-leading position firmly established, Tenon is now very well positioned to take advantage of future growth opportunities in our home markets of North America and Australasia, and also in new geographies where we can earn superior margin through the application of our value-added product and service model.

Fiscal 2011 Highlights

Overall, 2011 saw no respite from the difficult operating environment that has been with us for the past 3-4 years. The fiscal year began reasonably, but then US economic growth faltered in the second half, due to a combination of extreme weather conditions, high gasoline prices, global industrial supply chain disruptions following the earthquake in Japan, and most recently, the US federal budget debacle. These factors were reflected in lower consumer confidence, with many preferring debt reduction as a better use of discretionary income than investment in housing – whether that be house purchasing or home remodelling. Expenditure on housing was constrained further by the removal of the home buyer tax credit incentive, tightening access to credit, and falling house prices – important factors which slowed new buyers entering the market.

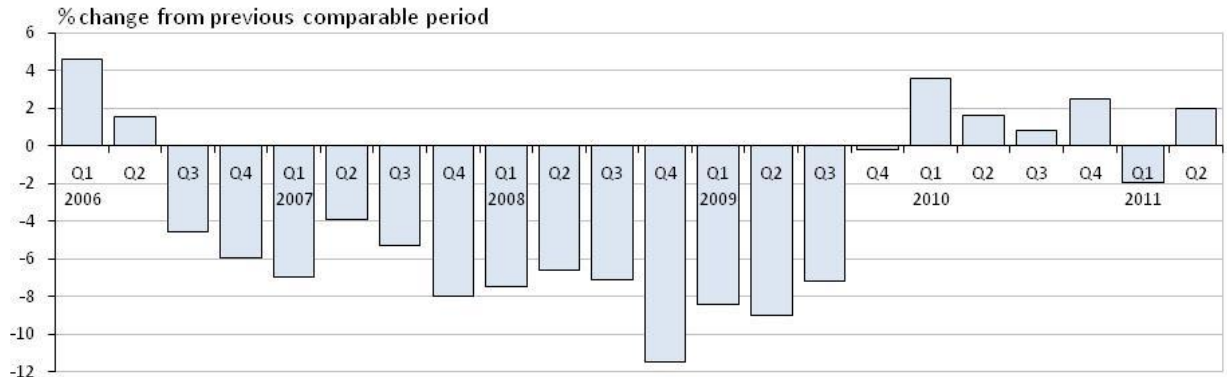
The latter part of the second half of the year saw a lower level of demand than the first, as uncertainty as to the strength of the US economic recovery grew. This can be seen in US GDP growth, which recorded average growth of 2.4% for the first six months of fiscal 2011 but only 0.8% for the second six months. These factors all flowed directly through to a lower demand level in the US housing sector, and ultimately also through to industry earnings, with operating revenues among US publicly traded wood products companies being down approximately 12% in the last quarter of the fiscal year compared with the corresponding quarter in 2010.

In summary, the charts on the next page show that almost all the key sector value drivers either remained flat or showed deterioration year-on-year.

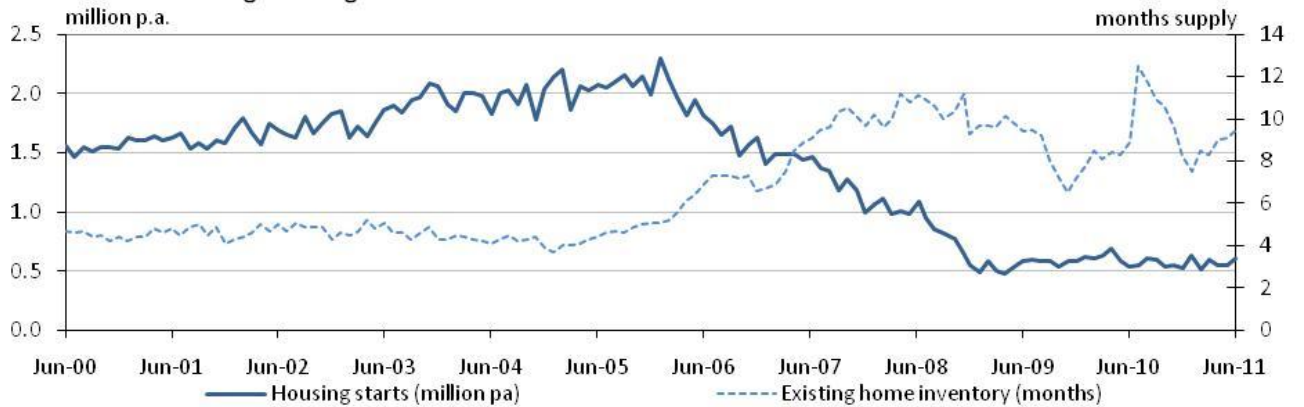
Although the large home centre stores did begin to show some life in terms of their year-on-year store sales comparisons, unfortunately the millwork component in these numbers continued to lag the overall store performance, remaining in negative territory for the full period. New housing starts, although ending the year slightly up, were on average lower across the year than they were in 2010. Existing homes available for sale rose from 8.9 months of supply at the beginning of the year, to peak at 12.5 months during the year, before ending fiscal 2011 at 9.2 months.

The movement in each of the macro-drivers is reflective of the high current unemployment level in the US, declining equity in homes resulting from falling house prices, the high level of property foreclosures, and a lack of consumer confidence – issues that still remain to be addressed. Whilst it is clear that the current US economic woes may largely have stemmed from a debt-fuelled housing bubble, it must be equally clear that the answer to the economic problem also rests with the housing sector. Until house prices begin to rise, consumer confidence is unlikely to be restored – and neither of those two things can occur until credit availability for house lending is once again freed up to allow home sales (particularly the existing home inventory on the market) to return to healthier levels. The US home buyer tax credit incentive was removed during the year, making year-on-year operating comparisons difficult, however looking forward it is largely accepted by the US administration that support for the sector (hopefully by way of improved credit availability) will need to be put in place to assist the immediate-short term outlook. Added to the difficult US operating environment was the strengthening of the NZD:USD exchange rate, which moved from an opening level of 69 cents to close the fiscal year at just under 82 cents, averaging 76 cents for the year.

"Big Box" Building Retailers Average (Total) Same Store Sales

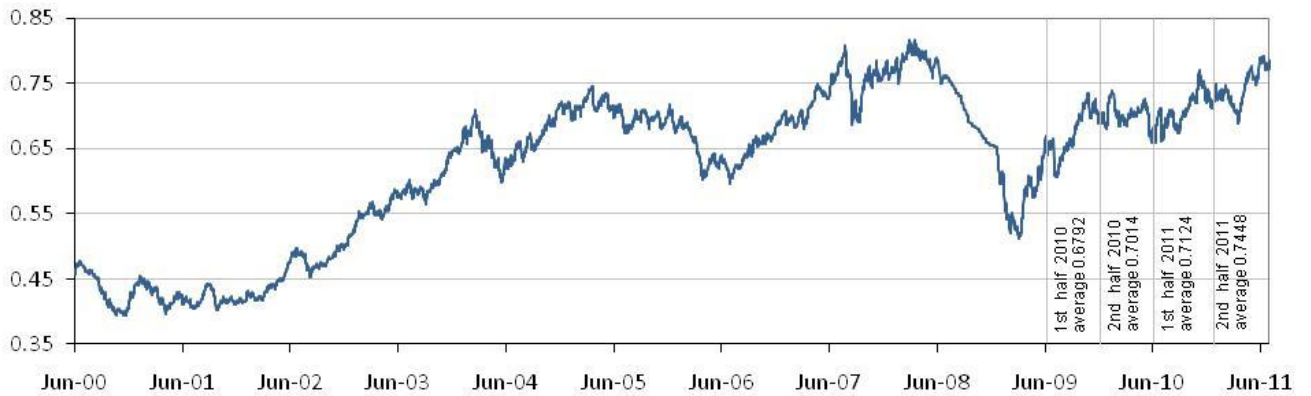


New and Existing Housing
million p.a.



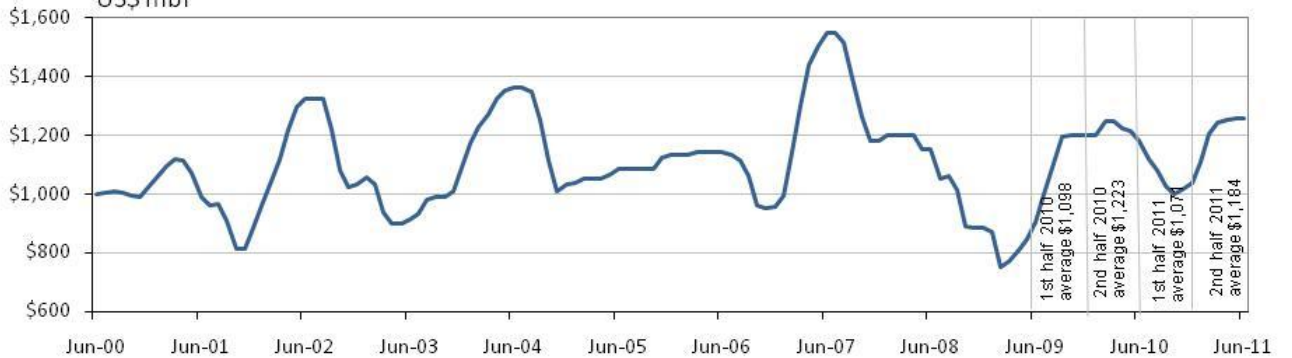
NZD/USD Exchange Rate

NZD/USD exchange rates shown are effective rates (i.e. hedged)

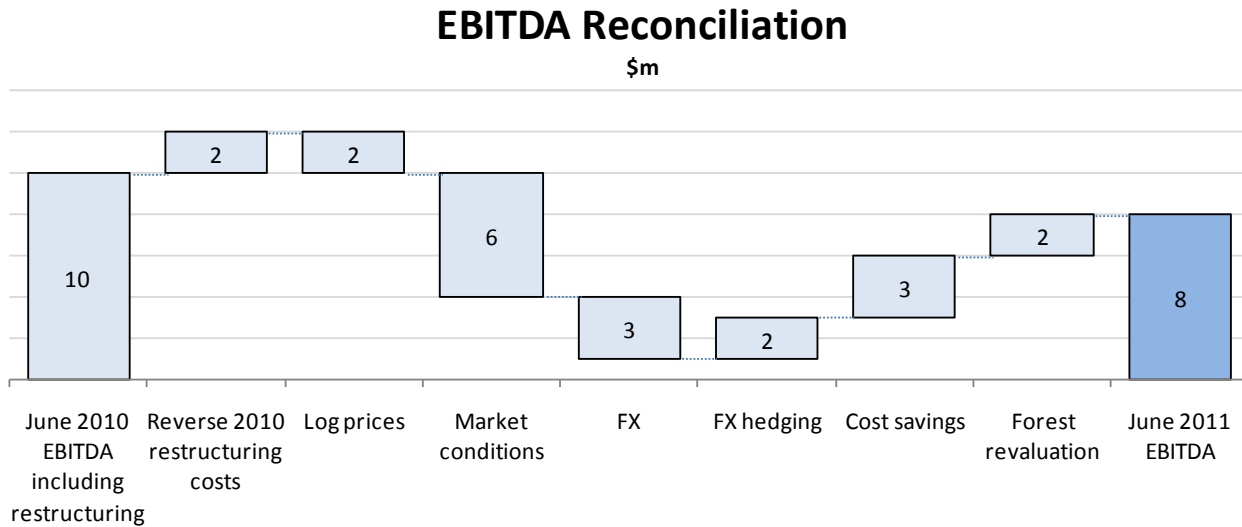


Moulding & Better Lumber Pricing

US\$ mbf



Against this difficult market background, our operating earnings or EBITDA (i.e. earnings before interest, tax, depreciation and amortisations) declined from \$10 million (including restructuring charges of \$2 million) in fiscal 2010 to \$8 million in fiscal 2011 – in line with the market guidance we had previously issued to the NZX. Although simplified, the earnings reconciliation chart below provides a succinct summary of the key movements that drove the change in earnings year-on-year.



As this reconciliation shows, targeted initiatives were in place to address the lower level of demand that was faced during the year. For example, Tenon has retained some residual forest assets as a partial natural hedge to movements in log (i.e. feedstock) prices into the Taupo sawmill, and the revaluation of these forest assets in the period (as required under IAS 41) offset the increase in the average log cost recorded across the year. We continued our financial and operational hedging strategies across the Group, which included establishing a three-year electricity hedge over one-third of our electricity usage at Taupo, effecting interest rate hedges over greater than 50% of our drawn debt today, and continuing our active foreign exchange cover strategy. This latter activity added some \$2 million to EBITDA as compared with the ‘do nothing’ alternative of simply taking cover on the day as required, and this hedging strategy offset two thirds of the adverse NZD:USD exchange rate movement (69 cents to 76 cents) that occurred in the period. We also benefited from actions taken last year which flowed through to this year’s earnings, the most significant of which was the rationalisation of US manufacturing activities which saw the closure of our Kok’s Woodgoods facility. This, together with other cost savings initiatives introduced in the period, added approximately \$3 million to EBITDA in 2011. However, the extensive cost-out programme that we have been continuously ‘renewing,’ was only able to address 50% of the impact from a decline in market conditions, and it was primarily this difference that flowed through to reduce the earnings result for 2011.

As reported last year, fiscal 2010 included the positive sales impact from the Chile earthquake, however 2011 saw the negative impact of this event, as the temporary inventory spike last year which was needed to satisfy customer security of supply concerns had to fully clear the supply chain. The clearing process generated supply (and margin) pressures in fiscal 2011, and this is included in the ‘market conditions’ bar in the chart above. Overall, had it not been for the lingering impact of the Chile earthquake our earnings (inclusive of restructuring costs) would have been on a par with those recorded in fiscal 2010, despite a deteriorating operating environment. This is a reflection of the many positive operating initiatives we have in place across the entire Group that have targeted both the revenue and cost lines.

Some of these initiatives we put in place during the year did not actually impact the fiscal 2011 results, but will instead generate benefits in future periods. Examples of these include –

- Reducing the number of physical inventory locations used in our Fletcher Wood Solutions' US wholesale distribution activities, from 18 separate warehouse sites down to 11;
- Restructuring and strengthening our Asian sourcing function, which services (ex-China) our Empire, Southwest, and Ornamental operations in the US;
- At Ornamental, exiting lower contribution retail SKUs, and launching a new range of cabinetry products targeted at the kitchen cabinet professional contractors;
- Introducing new products for the budget conscious DIY consumer, such as 'RetroTread' and 'Easy Mantle;' and
- Launching the Creative Stairparts programme, which replaces an existing third-party source, allowing the programme to be brought 'in-house.'

Each of these is expected to produce earnings upside for us in coming periods.

Looking to other financial highlights, revenue of \$326 million was recorded, which although relatively flat year-on-year (\$329 million in 2010), was pleasing given the decline experienced in the wider US operating environment. Operating profit before financing costs was \$2 million (2010, \$4 million), and this combined with a favourable working capital movement, contributed to \$5 million of net cash from operating activities being generated in very difficult market conditions. A net loss of \$2 million was recorded, reflecting higher financing costs in the period (resulting from the establishment of the new five-year syndicated finance facility) and higher tax expense (with previously recognised US tax benefits being written-off as they expired unutilised). Without these two non-recurring factors, a break-even bottom line result would have been recorded (2010, \$2 million profit).

At \$52 million, our year end working capital level was in line with the levels reported at both December and June 2010, indicating that we have largely achieved the debt improvement to be gained from working capital optimisation. To this point, we closed fiscal 2011 with net debt of \$30 million, which compares with the \$29 million reported in June 2010 and the \$30 million level at December 2010.

As already discussed, on 24 June this year we put in place a new five-year syndicated debt facility. This new facility provides us with far greater operational flexibility than we have previously had, particularly in that it has no fixed charges (e.g. interest) or leverage coverage ratio requirements. Although our previous facility did not expire until June 2012, we took the opportunity to put in place the new facility well ahead of time in order to take advantage of a refinancing window we saw developing for asset-based financing of this type in our segment of the market. The timely closing of this financing deal was important, particularly given tumultuous global financial market movements since then.

Governance

Our Annual Shareholder Meeting (ASM) was held in Wellington (New Zealand) in November last year. We had very high voting statistics, with approximately 82% of the Company's total issued shares being voted, and with all resolutions put to the meeting being passed with more than a 99% majority. This year our ASM will return to Auckland. Venue details and timing will be separately provided to shareholders with the Notice of Meeting.

Our CEO, Tom Highley, resigned during the year, and will be leaving the Company in early October. In every role Tom has held in his ten years with the Company, he has brought a tireless energy and enthusiasm to the accomplishment of the Company's strategic and operational goals. Since he took on the CEO role in 2009, he completely restructured the senior management roles to ensure the organisation is appropriately aligned with our key customers' needs. He has operated the Company

through what has been the toughest housing and credit market conditions that our sector has seen for more than 75 years. He is leaving the Company in very good strategic shape, well positioned to prosper when US housing market conditions recover. We wish Tom well for his future endeavours.

Following Tom's resignation, we announced the appointment of Tony Johnston to the role of Chief Operating Officer. Tony has over 20 years experience in international sales, marketing and distribution in the wood products sector, and he has actually returned to Tenon having formerly been a senior executive of the Company in its early stages of growth into the US. In that role he led the North American Consumer Solutions business, where he spearheaded Tenon's entry into the North American distribution market, at that stage to address the growing availability of high value product from our Taupo manufacturing operation. Whilst Tenon has since grown significantly from those initial beginnings, Tony's understanding of our market channels, the customer performance levels we must meet in order to be successful, as well as of the opportunities in the market to advance Tenon, will all be extremely valuable to us moving forward as we plan our growth strategy well beyond the current market downturn.

The Company is fortunate that it has strong management depth operationally, and that these senior management changes can occur seamlessly across the Group. The industry experience amongst the lead management team averages well over 20 years per manager today. This depth of industry knowledge and experience gives us considerable comfort that we will continue to meet our strategic and operational agenda moving forward.

Looking Ahead

There are some strong positive fundamentals that will support, and drive, a recovery in the US housing sector. These include –

- US housing affordability at 40-year highs;
- US new home inventories at 40-year lows;
- US mortgage rates at 40-year lows;
- Robust population growth in line with long-term trends;
- Housing starts per head of population growth at 60-year lows;
- An aging US housing stock, with two-thirds of the total being greater than 25 years old; and
- US housing activity at well below underlying long-term demand.

To these last two points, US new home building is currently running at slightly over a third of the projected 1.7 million long-run level, and the median age of US homes is now over 35 years - so there is significant pent-up demand accumulating.

However, there are also some considerable hurdles to be overcome before a recovery can occur. These include the high unemployment level in the US, the back-log of foreclosed properties and unsold existing housing inventories, home prices that have fallen 30%+ from their peak through to today and have not yet stabilised, and restricted access to mortgage credit. These factors dictate that the outlook for the immediate 12 months period will remain uncertain. In addition, it is likely that Tenon will continue to be affected by a strong NZD:USD exchange rate, although the absolute level we will need to deal with over the next 6-12 months is an unknown. Indeed, there are so many moving variables that could make a significant difference to us in the short term, that it is extremely difficult to predict the course of our next fiscal year. By way of illustration, the chart below tracks the NZD:USD exchange rate over a four week period in July-August this year. You can see that the volatility is extreme, and on an annualised basis the difference between the peak and the low in this chart translates into more than \$5 million in EBITDA to us (assuming all other variables are held constant).

NZD/USD exchange rate



Given the current extreme volatility in the key industry factors that drive our earnings, it is possible to see EBITDA (before restructuring costs) outcomes for Tenon, for the first six months of the new fiscal year, ranging anywhere from 'flat' on the previous six-month period to break-even. Beyond that broad guidance, and for the reasons noted above, we will join our colleagues in the sector and refrain from giving a more precise statement at this stage. We will, however, update you on our earnings progress at our ASM later this year.

While short term earnings performance will still be largely dictated by the US housing market, the reality is that the macro-environment is largely an 'uncontrollable' for us. However, in terms of what we can control in our earnings outlook, we will continue to advance opportunities that will expand our earnings base by leveraging Tenon's existing specialty business model. In this respect, shareholders can expect to see the following types of activities in 2012 –

- New product innovation in high growth applications – particularly in the large outdoor segment. The intention is to announce a major new initiative this financial year;
- A restructuring of our NZ operations – to ensure they can operate profitably at a high NZD:USD exchange rate. Whilst this is likely to result in a short-term restructuring cost, any charge will be fully recovered within a 12 month period;
- Active participation in emerging supply trading opportunities – this may involve investment in wholesale markets in order to provide greater supply chain visibility; and
- Growth into non-US markets – particularly, China (as previously discussed), Australia and Europe.

Interestingly, the multiples at which our sector is now beginning to trade indicate that investors are starting to look beyond the next 12 months earnings period to assess value. As signs of market recovery emerge, investors will naturally select those companies best positioned to take advantage of the cyclical upside in the US housing sector – and for the reasons outlined in this Report, we believe Tenon will be an attractive investment in that regard.

Accordingly, the real value focus for Tenon must now clearly reside with those 'controllable' things that have the potential to strongly 'move the dial' in terms of value for our shareholders. In this regard, in order to drive efficiencies, industry consolidation is something in which Tenon can, and should, now play a key role. With an industry-leading position established, strong customer and channel relationships in

place, 'best in class' full service capabilities expanded, long-term debt financing recently secured for another five years, and management structure settled, Tenon is now well positioned to actively participate in this process – and we intend to do so over the coming period.

We will update you on our progress as events unfold.

As a final and very important note, we would like to thank all of our shareholders, employees and customers for their continued support throughout this past year. It is very much appreciated.

26 August 2011