

TO: THE BUSINESS EDITOR
From: Paul Gillard – General Manager Corporate, **Tenon Limited**
Telephone: 64-9-571 9846
Fax: 64-9-571 9872

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Information on Tenon Limited can be found at <http://www.tenon.co.nz>.

STOCK EXCHANGE LISTINGS: NEW ZEALAND (TEN)

ANNUAL RESULTS TO 30 JUNE 2005

COMPANY REPORTS FIRM OPERATING EARNINGS IN DIFFICULT ENVIRONMENT

AUCKLAND, 11 August 2005 – Tenon today reported net profit after tax for the year of \$29 million, compared with a net loss of \$42 million in the prior year. Of this amount, net earnings after tax for discontinued activities were \$11 million, compared with a loss from discontinued activities of \$64 million in the previous year.

Tenon ended the 2005 financial year with its major restructuring programme and a further significant return of capital to shareholders completed, and a financial result that was in line with the company's expectations as previously disclosed to the market.

Operating earnings from continuing activities were \$33 million, compared with \$37 million in the previous year. However, excluding unusual items and foreign exchange gains and losses, operating earnings from continuing activities were \$35 million, an increase of \$4 million (13%) over the prior year. Underlying earnings growth was achieved in a challenging business environment and after an additional \$5 million allocation of corporate support costs previously borne by the discontinued activities in the prior year.

The highlights included:

- Continued growth and solid earnings contributions from its US distribution businesses, The Empire Company ("Empire") and American Wood Mouldings ("AWM"), whose revenues were up 25% in US dollars.
- Further investment in our USA distribution network through the acquisition of Kok's Woodgoods and the option over Jim White Millwork.
- Announcement of the executive office relocation to the USA to focus on growth opportunities and customer relationships in this key market.
- The return of a further \$321 million of surplus capital to shareholders.
- Successful completion of the agreement to sell the Structural Consumer Solutions business to Carter Holt Harvey Limited ("CHH") for net cash proceeds of \$171 million.

"The Company is now well positioned to grow its United States focussed distribution and manufacturing businesses– a process that began with a move to sell its forest assets and completed with the sale of its Structural Consumer Solutions business to Carter Holt Harvey in April 2005," said Chief Executive, John Dell.

Operating Performance

Total operating revenue was \$419 million, up 37% on the prior year. The majority of the increase came from the full year impact of the consolidation of Empire, whereas the comparative year consolidated Empire's revenue and earnings from 1 November 2003. On a USD basis, prior to the impact of the Empire consolidation, revenue increased 25%, however, the higher average NZD/USD exchange rate – 69 cents for 2004/05 compared with 63 cents in the prior year - reduced this increase in reported revenue to 12% on a NZD basis.

High inventory levels within the USA supply chain placed downward pressure on Moulding and Better lumber prices late in the first half of the year, with prices falling from USD1,360/mbf to USD1,000/mbf before slowly recovering over the second half of the year to close at USD1,075/mbf. The high inventory positions of market participants placed downward pressure on prices and margins of our US distribution businesses in the second half of the year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing activities were \$41 million, in line with market guidance. The full year contribution from the consolidation of Empire underpinned this result, which, together with interest income of \$8 million, offset a large portion of the reduced benefits from foreign exchange gains (a \$2 million loss for FY05 compared to an \$8 million gain in FY04) and an increased allocation of shared services costs (\$5 million). Shared services costs for continuing and discontinuing activities reduced from \$19 million in the prior year to \$11 million with \$7 million charged to continuing activities, compared to \$2 million in the prior year.

As the vast majority of the company's revenues and earnings now arise from operations in the United States, we have adopted the United States dollar as our functional and reporting currency for the 2006 financial year. Going forward, this will provide shareholders and potential investors with clearer measures of the underlying performance of the company's business than can be obtained when the value of transactions conducted throughout a year in US dollars is subsequently translated into New Zealand dollars for accounting purposes.

Financial Position and Cash Flows

The company is in a strong financial position, with net cash of \$51 million.

Net cash flow from operations prior to working capital movements was \$25 million, an increase of \$7 million from the prior year. The company applied \$7 million to working capital investment in support of underlying organic growth, a reduction of \$8 million over the investment in the prior year.

The company has continued to invest in downstream distribution with capital investment at Empire and the acquisition of Kok's Woodgoods in the United States. The modest level of reinvestment in the New Zealand-based processing operations is representative of the difficult operating environment currently being experienced.

Market Outlook

North American lumber prices are expected to remain firm with balanced supply into our North American markets from both New Zealand and South American manufacturers in the short term. Solid Lineal Moulding prices and Boards prices are expected to remain around current levels. Further customer growth will increase revenue from our US distribution businesses.

The company is focussing on growing its business in the independent lumberyard markets in North America to further diversify its operations.

The company is seeking to expand its product range sourced from New Zealand to increase the earnings of its New Zealand operations. For example, a new treated and painted product for external use, Armourwood™, is being trialled in the North American market. If successful, the product should significantly improve the output from the company's Taupo site.

Structural Consumer Solutions Review

Following credible unsolicited approaches in relation to the Structural Consumer Solutions business, the company undertook a strategic review that resulted in the sale of that business to CHH for net cash proceeds of \$171 million. The transfer of assets and staff has run smoothly and we anticipate completing final transition matters in October.

Forest sale process

The company obtained third party consents for the transfer of 95% in value of the non-freehold estate transfers to the Kiwi Consortium within the time period permitted by the forest sale agreements and completed the Tarawera land sale transaction. Since 30 June 2005, we have completed the sale of two further estates for \$4.5 million, and the value of forests that remain to be sold is not material.

Capital Return

The company returned \$321 million of capital to shareholders by cancelling three out of every four shares on issue and paying \$1.5333 per share cancelled. Including the \$349 million capital returned in the prior year, the company has returned \$670 million since the inception of the forest sale process.

Dividend Policy

As indicated prior to the sale of the Structural Consumer Solutions business, dividends on Tenon shares will be determined at the discretion of the board, based primarily upon the company's financial performance, movements in equity, financial position, cash flow and future business requirements. In light of future business requirements including potential investment opportunities under consideration and the large capital return shareholders received in the period, Tenon does not anticipate paying a dividend in the near term.

Strategic Priorities

Commenting on today's results announcement the Chairman of Tenon, Mr Tony Gibbs, said "The end of year results reflect good growth in our North American based operations, largely offset by an unfavourable exchange rate as earnings were translated into New Zealand dollars. With regard to our New Zealand-based continuing export operations, the current operating environment continues to be difficult. However, our high quality US distribution channel has provided robust earnings while focusing on growth into new customer segment and product offerings."

"The United States of America offers the most attractive growth opportunities for the company and accordingly, as previously advised to the market, the Board has determined that our Chief Executive designate, Mark Eglinton, should, from 1 October 2005, be based in our Baltimore office to focus on the Company's growth mandate and to work closely with our equity partners in our US distribution operations," Mr Gibbs said.

Tenon

CONDENSED FINANCIAL STATEMENTS

(Extracted from Audited Financial Statements)

for the year ended 30 June

	2005	2004
	NZ\$m	NZ\$m
STATEMENT OF FINANCIAL PERFORMANCE		
Operating Revenue	419	305
Operating Expenses	(386)	(266)
Unusual Items ⁽¹⁾	-	(2)
Operating Earnings	33	37
Funding Costs	(2)	(1)
Earnings before Taxation	31	36
Taxation	(9)	(11)
Earnings after Taxation	22	25
Minority Interest	(4)	(3)
Net Earnings from Continuing Operations	18	22
Net Earnings from Discontinued Operations ⁽²⁾	11	(64)
Net Earnings	29	(42)

(1) Unusual items for June 2004 relate to costs associated with the partial takeover offer by Rubicon Forests Limited.

(2) On 28 April 2005, Tenon sold its Structural Consumer Solutions business for \$171 million including working capital movements. During 2004, the Group sold its forest assets for \$725 million allowing the Group to focus on its investment in higher margin wood processing, marketing and distribution activities and return surplus capital to shareholders.

Segmental Financial Information

Tenon's Appearance Consumer Solutions business operates in one segment.

Tenon

CONDENSED FINANCIAL STATEMENTS

(Extracted from Audited Financial Statements)
as at 30 June

2005
NZ\$m

2004
NZ\$m

STATEMENT OF FINANCIAL POSITION

Assets

Cash and Liquid Deposits	51	141
Stocks	60	52
Debtors	51	42
Current Assets - Discontinued Operations	7	204
Total Current Assets	169	439
Fixed Assets	43	44
Investments	29	34
Goodwill	12	12
Deferred Taxation Asset	8	22
Term Assets - Discontinued Operations	-	72
Total Assets	261	623

Liabilities

Creditors	47	36
Provision for Current Taxation	4	1
Current Liabilities - Discontinued Operations	12	54
Total Current Liabilities	63	91
Term Debt	12	34
Total Liabilities	75	125

Equity

Group Equity	173	470
Minority Equity	13	28
Total Group Equity	186	498
Total Liabilities and Equity	261	623

Tenon

CONDENSED FINANCIAL STATEMENTS

(Extracted from Audited Financial Statements)

for the year ended 30 June

	2005	2004
	NZ\$m	NZ\$m
STATEMENT OF CASH FLOWS		
Net Earnings from Continuing Operations	18	22
Adjustment for Items not involving Cash:		
Depreciation, Amortisation and Provisions	8	-
Taxation	1	1
Minority Interest	4	3
Equity Earnings	(6)	(8)
Cash Flow from Operations before Net Working Capital Movements	25	18
Net Working Capital Movements	(7)	(15)
Net Cash from Operating Activities	18	3
Repayment of loan to Associate	9	-
Purchase of Fixed Assets	(5)	(7)
Purchase of Investments	(1)	(1)
Purchase of Subsidiary	(5)	(17)
Net Cash to Investing Activities	(2)	(25)
Net Debt Settlements	(20)	(94)
Capital Return Paid to Shareholders	(321)	(349)
Net Cash to Financing Activities	(341)	(443)
Net Cash from Discontinued Operations	235	561
Net Movement in Cash Held	(90)	96
Add Opening Cash and Liquid Deposits	141	47
- Continuing Operations	141	-
- Discontinued Operations	-	47
Effect of Exchange Rate Changes on Net Cash	-	(2)
Closing Cash and Liquid Deposits	51	141

ENDS