Half-Year Report **2015-16**

Contents

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 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, particularly in North America. Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repairs, remodelling 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 and demand and pricing and customer concentration risk. As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

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

Tenon's financial year is 30 June.

Six Months' Highlights – 31 December 2015

Financial and Operational

- **Revenue[4] of $210 million recorded, up 5%** (cpp[8] $200 million excl forest and log sales[4])
- **Net profit after tax trebled to $6 million** (cpp $2 million)
- **Gross margin % expanded to 26%** (cpp 25% adjusted for forest and log sales)
- **EBITDA[5] of $12 million was achieved in the period,** prior to c$1.8 million of project costs relating to the Strategic Review and FX losses (up 70%+ on the cpp, on a comparable basis). After inclusion of these costs, EBITDA was $10 million
- **Operational initiatives were advanced –**
  - **c$7 million NZ manufacturing capital projects well advanced –**
    - The optimising edger was commissioned in August / September '15, and is achieving above target conversions
    - The ripline project is on plan to be commissioned in March '16
    - Financial metrics of each project are very favourable
      - Projects have less than 24 months payback
      - Full benefit of optimising edger to be realised upon ripline commissioning
  - **Texas warehouse consolidation on track –**
    - 367,000 sq ft building to be completed in Dallas (TX) in April '16
    - Logistics, efficiency and rental gains to generate $1+ million pa EBITDA uplift
  - **New advanced procurement and forecasting system (Data Profits) now in place**
  - **New business won –**
    - New and extended National Home Centre product programmes won (e.g. hardwood boards)
  - **Territories expanded –**
    - Pro-dealer regional expansion implemented (e.g. Louisiana and New York)
- **Closing debt (net of cash) of $53 million** (June '15 $58 million), reflecting –
  - Cash flow generated from operations, net of –
    - Expenditure on the Taupo manufacturing projects
    - The November '15 dividend payment
    - Working capital growth to meet the recovering US housing market
  - FY '16 closing debt level projected to be ≈ $50 million[3]

Outlook

- **EBITDA and Net Earnings targeted to materially improve[3]**
  - Earnings objective is for EBITDA (excluding any FX hedging losses, project costs, and (if any) Australia restructuring provisioning – refer *Shareholder Letter*) in the second half of the current FY '16[6] fiscal year to exceed this first six months reported result. This is consistent with our previously stated fiscal 2016 EBITDA target of in excess of US$20 million (subject to same adjustments above)
  - Mid-cycle[7] EBITDA guidance of in excess of US$50 million

Shareholder Value

- **Tenon share price increased 34%[1]**
  - Outperformed the NZX50 index which was up only 5%, and also the ASX50 and Dow Jones indices which were down -12% and -9% respectively

- **Dividend payments commenced for both Interim and Final fiscal year periods**
  - NZ5.00 cps dividend in respect of fiscal '15 was paid in November '15
  - Interim dividend announced in respect of the six months 31 December
    - NZ5.75 cps[2] – an increased payment rate per share
    - To be paid on 4th April '16
    - Dividend record date of 29th March '16 (5pm)
  - Future dividend rates yet to be determined[3]
  - Future payments will also be subject to the outcome of the Strategic Review

- **Strategic Review**
  - To determine best risk-adjusted value path forward for Tenon shareholders
  - Deutsche Craigs and Deutsche Bank have been appointed as exclusive advisors
  - Announcement on outcome of the Review is expected in Q2 of this calendar year

Shareholder Letter

Dear Shareholder,

The two highlight pages that precede this letter succinctly summarise the first six months of Tenon's 30 June 2016 fiscal year. The short story is that the Interim period saw a continuation of the early recovery in Tenon's earnings, driven by a series of macro and company-specific factors, including –

- On-going growth in the US economy
- Continued recovery in the broader US housing market
- A strengthening of the US$:NZ$ exchange rate, closer to long-run equilibrium
- Commissioning of the first of two capital upgrades at our NZ manufacturing plant
- Implementation of core improvement initiatives (e.g. NA procurement)
- Winning new business in our National Home Centre business
- Territorial expansion in our Pro-dealer activities

Net Earnings after Tax trebled (compared with the cpp), and we recorded a 70%+ increase in EBITDA[5] (excluding project costs and FX hedging contract losses). Whilst this was all very pleasing, it is only an early indication of what is yet to come in terms of future upside. You will know that we have already indicated to the market that our **target for the current fiscal year is to produce EBITDA[5] in excess of US$20 million[3]** (excluding project costs and FX hedging contract losses), and our first-half result puts us well on track to comfortably meet this goal.

It should be noted that Woolworths announced last month that the Masters home improvement chain in Australia (a JV with Lowe's) is likely to either be wound down or sold. Tenon provides product and services to Masters, however that business is non-material to Tenon's earnings. As any exit from the business may require some (again, likely non-material) restructuring expense depending upon the outcome, this possibility is an additional rider to the EBITDA guidance range noted above.

Our fiscal 2016 result will include the benefit of operational initiatives for only part of the year (e.g. the Taupo capital upgrade projects and related earnings benefits are only phased in as they are commissioned across the year), the new National Home Centre business won is only commencing now, and the benefit of the recently strengthening USD will similarly only have been progressively realised across the fiscal year. Accordingly, **the EBITDA 'run rate' for Tenon should be somewhat higher than the fiscal 2016 EBITDA level reported.**

With that in mind, we have also previously publicly stated that we see our **mid-cycle[7] EBITDA capability as being in excess of US$50 million[3]**, and we remain very comfortable with that statement, particularly given Tenon's presence in both the DIY / retail and new housing segments of the US market, and the organic growth and earnings upside each offers us.

Last August we announced the commencement of dividend payments, and we paid our first dividend of NZ5.0 cps (in November) in respect of the financial year ended 30 June 2015. We have also **announced an interim dividend in respect of our fiscal 2016 year of NZ5.75 cps. This interim dividend represents a 15% increase on last year's dividend**, and is evidence of the confidence we have in the Company's future earnings profile. This dividend will be paid on 4th April 2016, to Tenon shareholders on the share register as at 5pm, 29th March 2016.

During the period we announced that a **Strategic Review** of Tenon would be undertaken, with the assistance of Deutsche Craigs and Deutsche Bank as our exclusive advisors. The purpose of this Review is to determine the most appropriate risk-adjusted value path forward for Tenon shareholders. We are not yet at a point where we can formally announce any conclusions on this process, however we can say that it remains on track for an announcement in Q2 of this calendar year.

Looking ahead, we remain focused on –

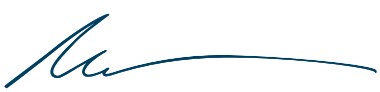
- Meeting our immediate fiscal 2016 earnings targets
- Extracting the full benefit of the operational initiatives we are implementing (e.g. Texas warehouse consolidation)
- Commissioning the ripline upgrade at our Taupo manufacturing site
- Pursuing organic growth (i.e. expanding the breadth and geographic reach of our North American distribution activities)

We are confident we can successfully execute on each of these activity streams.

Whilst lower global activity and the potential for interest rate rises in the US remain as broader macro risks that have the potential to disrupt, we see these as being short-term and transitory risks only – i.e. we still see continued recovery in the US housing market in 2016 as the most likely outcome.

Finally, on behalf of Board and management I would like to thank all our stakeholders for their continued support – as always, it is very much appreciated.

Sincerely,



Luke Moriarty

Chairman

16 February, 2016

Footnotes

1. *This is for the period from 1 July '15 through to the writing of this report, adjusting for the November dividend.*
2. *Imputation credits will not be attached to the dividend, due to Tenon's current non-tax paying position in New Zealand.*
3. *Future actual earnings, cash flow, net debt and dividend payment outcomes will be dependent upon continued US housing market recovery, interest rates, NZ$:US$ cross rate, and the Strategic Review (amongst other drivers, many of which are beyond Tenon's control). In particular, the guidance noted herein assumes no adverse changes in either macro-market conditions or the NZ$:US$ cross rate.*
4. *Revenue historically includes the sale of logs at the NZ (Taupo) manufacturing site under back-to-back forest stumpage arrangements. As planned, these arrangements terminated during the 2015 fiscal year. Whilst additive to revenue, these log sales were carried out at zero margin and did not contribute to Net Earnings. The log sales number included in revenue in the six months to 31 December '15 was $nil, which compares with $6 million recorded in the cpp, and $nil in the immediately prior six month period to 30 June '15. Revenue also includes the sale of residual forest assets (from time to time) that the Group holds. The revenue from the sale of forests in the six months to 31 December '15 was $nil, which compares with $3 million recorded in the cpp, and $nil million in the six month period to 30 June '15. Revenue excluding both forest and back-to-back stumpage sales was $210 million for the six months to 31 December '15, $200 million in the cpp, and $197 million in the immediately prior six-month period to 30 June '15.*
5. *EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance, because that number removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures. Refer also to Note 5 of our 31 December 2015 Condensed Interim Financial Statements. Tenon's EBITDA is calculated as Net Profit after Taxation of $6 million (cpp $2 million), plus Tax Expense of $1 million (cpp $nil), plus Financing Costs of $2 million (cpp $2 million), plus depreciation and amortisations of $1 million (cpp $2 million).*
6. *Tenon's fiscal year is 30 June, so FY '16 refers to the 12 months ending 30 June 2016.*
7. *Tenon defines mid-cycle as 1.6 million housing starts, NZ$:US$0.6500, projected FY '16 gross margin % held flat, benefit of current Taupo optimisation capex, and limited organic growth.*
8. *cpp refers to the corresponding prior period – i.e. the comparable six-month period to 31 December 2014.*

Interim Financial Statements

Contents

Consolidated Income Statement

for six months ended 31 December 2015

	Note	Tenon Group Six Months Dec 2015 US$m	Tenon Group Year Ended June 2015 US$m	Tenon Group Six Months Dec 2014 US$m
Revenue		**210**	406	209
Cost of Sales		**-155**	-308	-160
Gross Profit		**55**	98	49
Distribution Expense		**-37**	-74	-38
Administration Expense		**-8**	-14	-7
Strategic Review Costs	4	**-1**	–	–
Operating Profit before Financing Costs		**9**	10	4
Financing Costs		**-2**	-4	-2
Profit before Taxation		**7**	6	2
Tax Expense		**-1**	–	–
Net Profit after Taxation		**6**	6	2
Earnings Per Share Information				
Basic and Diluted Net Earnings per Share (cents)		**9.1**	9.9	3.7
Basic and Diluted Weighted Average Number of Shares Outstanding (millions)	7	**64.8**	65.3	65.3

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income

for six months ended 31 December 2015

	Tenon Group		
	Six Months Dec 2015 US$m	**Year Ended June 2015 US$m**	**Six Months Dec 2014 US$m**
Net Profit after Taxation for the period	**6**	**6**	2
Items that may be recycled to the Consolidated Income Statement:			
Net movement of Cash Flow Hedges net of Tax	**1**	**-1**	–
Movement in Currency Translation Reserve	**–**	**-3**	-1
Other Comprehensive Income for the period, net of Tax	**1**	**-4**	-1
Total Comprehensive Income for the period	**7**	**2**	1

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Consolidated Balance Sheet

as at 31 December 2015

	Note	Tenon Group Six Months Dec 2015 US$m	Year Ended June 2015 US$m	Six Months Dec 2014 US$m
ASSETS				
Current Assets:				
Cash and Cash Equivalents		**1**	–	1
Inventory		**77**	81	73
Trade and Other Receivables		**31**	34	29
Total Current Assets		**109**	115	103
Non Current Assets:				
Fixed Assets		**26**	24	23
Forest Assets		**1**	1	1
Goodwill		**67**	67	67
Deferred Taxation Asset		**10**	11	11
Total Non Current Assets		**104**	103	102
Total Group Assets		**213**	218	205
LIABILITIES AND GROUP EQUITY				
Liabilities				
Current Liabilities:				
Bank Overdraft		**–**	3	1
Trade and Other Payables and Provisions		**31**	37	33
Current Debt	6	**3**	1	4
Total Current Liabilities		**34**	41	38
Non Current Liabilities:				
Non Current Debt	6	**51**	54	45
Total Non Current Liabilities		**51**	54	45
Total Group Liabilities		**85**	95	83
Group Equity				
Capital	7	**532**	532	532
Reserves		**-404**	-409	-410
Total Group Equity		**128**	123	122
Total Group Liabilities and Equity		**213**	218	205
Net Assets per Share (US$)		**1.98**	1.90	1.87
Net Tangible Assets per Share (US$)		**0.79**	0.69	0.68
Shares used for Net Assets per Share (millions)	7	**64.8**	64.8	65.1

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity

for six months ended 31 December 2015

Tenon Group	Note	Shares US$m	Retained Earnings US$m	Cash Flow Hedge Reserves US$m	Revaluation Reserve US$m	Net Currency Translation US$m	Total Group Equity and Reserves US$m
As at 1 July 2014		533	-418	–	1	6	122
Net Profit after Taxation for the period		–	2	–	–	–	2
Other Comprehensive Income for the period		–	–	–	–	-1	-1
Total Comprehensive Income Attributable to the Equity holders of the Parent		–	2	–	–	-1	1
Share Buyback	7	-1	–	–	–	–	-1
As at 31 December 2014		532	-416	–	1	5	122
As at 1 July 2014		533	-418	–	1	6	122
Net Profit after Taxation for the year		–	6	–	–	–	6
Other Comprehensive Loss for the year		–	–	-1	–	-3	-4
Total Comprehensive Income Attributable to the Equity holders of the Parent		–	6	-1	–	-3	2
Share Buyback	7	-1	–	–	–	–	-1
As at 30 June 2015		532	-412	-1	1	3	123
As at 1 July 2015		532	-412	-1	1	3	123
Net Profit after Taxation for the period		–	6	–	–	–	6
Other Comprehensive Income for the period		–	–	1	–	–	1
Total Comprehensive Income Attributable to the Equity holders of the Parent		–	6	1	–	–	7
Dividend	8	–	-2	–	–	–	-2
As at 31 December 2015		532	-408	–	1	3	128

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows

for six months ended 31 December 2015

		Tenon Group		
	Note	Six Months Dec 2015 US$m	Year Ended June 2015 US$m	Six Months Dec 2014 US$m
Cash was Provided:				
From Operating Activities				
Receipts from Customers		**212**	404	213
Total Provided		**212**	404	213
Payments to Suppliers, Employees and Other		**201**	401	207
Tax Paid		**–**	1	–
Total Applied		**201**	402	207
Net Cash from Operating Activities		**11**	2	6
To Investing Activities:				
Purchase of Fixed Assets		**3**	6	3
Total Applied		**3**	6	3
Net Cash to Investing Activities		**-3**	-6	-3
From Financing Activities:				
Debt Drawdowns		**6**	13	5
Total Provided		**6**	13	5
Debt Settlements		**7**	7	5
Interest and Refinancing Fees paid		**1**	3	1
Dividends Paid	8	**2**	–	–
Share Buyback		**–**	1	1
Total Applied		**10**	11	7
Net Cash (to) / from Financing Activities		**-4**	2	-2
Net Movement in Cash Held		**4**	-2	1
Add Opening Cash, Cash Equivalents and Overdrafts		**-3**	-1	-1
Closing Cash, Cash Equivalents and Overdrafts		**1**	-3	–

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Reconciliation of Consolidated Net Earnings to Consolidated Net Cash from Operating Activities

for six months ended 31 December 2015

	Tenon Group		
	Six Months Dec 2015 US$m	**Year Ended June 2015 US$m**	**Six Months Dec 2014 US$m**
Cash was Provided from:			
Net Profit after Taxation	**6**	6	2
Add Financing Costs	**2**	4	2
Adjustments:			
Depreciation	**1**	3	2
Taxation	**1**	-1	–
Forest Assets	**–**	1	1
Cash Flow from Operations before Net Working Capital Movements	**10**	13	7
Net Working Capital Movements	**1**	-11	-1
Net Cash from Operating Activities	**11**	2	6
Net Working Capital Movements:			
Trade and Other Receivables	**2**	-1	5
Inventory	**3**	-16	-7
Trade and Other Payables	**-4**	6	1
	1	-11	-1

The accompanying notes form part of and are to be read in conjunction with these condensed consolidated interim financial statements.

Index to Notes to the Condensed Consolidated Interim Financial Statements

Note

Notes to the Condensed Consolidated Interim Financial Statements

1 General Information

Tenon Limited (the Company) and its Subsidiaries (together the Group) is a leading moulding and millwork distribution business, supported by wholly owned specialised manufacturing operations. It operates in one division – the Moulding and Millwork segment – and the products it distributes are used equally in new home construction and DIY applications. The Group focuses primarily on the North American market, where over 90% of its revenue is sourced, and where the Group has strong direct and indirect vendor relationships with national and regional pro-dealers and with the largest home improvement chains in the United States. Over 85% of the products it distributes and supplies are sourced externally through its global logistics network, with Tenon's own specialist manufacturing being specifically targeted to desired applications – for example, Tenon's NZ large scale manufacturing operation supplies its North American distribution activities with high-value clearwood products which are in industry short supply, and its US manufacturing activities provide customised short lead-time delivery (e.g. stairparts) and highly specialised (e.g. decorative) products for distribution throughout North America.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 136 Customs Street West, Auckland, New Zealand.

The Company is listed on the New Zealand stock exchange. As at 31 December 2015 the Group was 59.78% owned by Rubicon Limited and its subsidiaries (June 2015: 59.78%).

These condensed consolidated interim financial statements have been reviewed by the Group's Auditor but not audited.

These condensed consolidated interim financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 16 February 2016.

2 Summary of Significant Accounting Policies

The accounting policies applied are consistent with those applied in the audited annual financial statements for the year ended 30 June 2015, as described in those financial statements.

2.1 Basis of Presentation

The condensed consolidated interim financial statements presented are those of Tenon Limited and Subsidiaries (the Group) and have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Financial Markets Conduct Act 2013 and the Companies Act 1993.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the years ended 30 June 2015 and 30 June 2014, which have been prepared in accordance with New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The presentation currency used in the preparation of these condensed consolidated interim financial statements is United States dollars, rounded to the nearest million.

Notes to the Condensed Consolidated Interim Financial Statements continued

2 Summary of Significant Accounting Policies continued

2.2 Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and New Zealand Equivalent to International Accounting Standard (IAS) 34, Interim Financial Reporting. The interim financial statements also comply with IAS 34.

The condensed consolidated interim financial statements do not include all of the information required to be disclosed for full annual financial statements. The Group has designated itself as a profit-oriented entity for the purposes of compliance with NZ IFRS.

2.3 Changes in Accounting Policy and Disclosures

There have been no changes in accounting policy in the period to 31 December 2015. On 13 January 2016, the International Accounting Standards Board (IASB) issued the new leases standard, IFRS 16 Leases. The standard requires lessees to recognise most leases on their balance sheets. For lessors, there is little change to the existing accounting in IAS 17. Tenon is currently not a lessor but does have property and vehicle operating leases that will be required to be recognised on-balance sheet under the new standard. The impact has not yet been calculated. Application is required for annual periods beginning on or after 1 January 2019. Other interpretations and standards issued in the current period are considered unlikely to have a financial impact on the Group accounts but may require additional disclosures. At this stage the Group does not plan to early adopt any new standards and will implement new standards as they become mandatory.

Notes to the Condensed Consolidated Interim Financial Statements continued

3 Segmental Information Summary

Tenon derives its revenue from and operates within one material operating segment, being the Moulding and Millwork segment. Tenon provides a wide range of Moulding and Millwork products to an extensive number of customers in this one segment. The Board and the Executive Management team assess Tenon's performance, and review the allocation of resources, from reports presented as a single business operating within this one segment. Consequently no segmental information by business class is disclosed. The chief operating decision-makers have been identified as the Tenon Group Board and the Executive Management team, who make strategic decisions.

Geographic segmental reporting for the periods ended December 2015, June 2015 and December 2014 split between North America and Australasia is shown below.

December 2015 – 6 months	North America US$m	Australasia US$m	Total US$m
Operating Revenue (1)	188	22	**210**
Non Current Assets (2)	76	18	**94**
Capital Expenditure	1	2	**3**

June 2015 – year ended	North America US$m	Australasia (3) US$m	Total US$m
Operating Revenue (1)	357	49	**406**
Non Current Assets (2)	76	16	**92**
Capital Expenditure	1	5	**6**

December 2014 – 6 months	North America US$m	Australasia (3) US$m	Total US$m
Operating Revenue (1)	178	31	**209**
Non Current Assets (2)	77	14	**91**
Capital Expenditure	1	2	**3**

(1) Operating revenue excludes transfers between geographical segments. Such transfers are accounted for at competitive market rates charged to unaffiliated customers for similar goods. Transfers are eliminated on consolidation.

(2) Excludes Deferred Taxation Asset.

(3) Australasia sales includes $6 million of log sales made under a back-to-back forest stumpage agreement, that was terminated in the 2015 year, and $3 million of revenue from the harvesting of forest assets.

Notes to the Condensed Consolidated Interim Financial Statements continued

4 Strategic Review

On 28 August 2015, the Board of Directors announced a strategic review of Tenon would be undertaken. Deutsche Craigs and Deutsche Bank have been appointed as Tenon's exclusive advisors for the purpose of the review. On 16 February 2016 the Board announced that it expected to announce the outcome of the review prior to 30 June 2016. The strategic review costs of $1.2 million are all administrative costs.

5 Non-GAAP Measures

Tenon uses EBITDA when discussing financial performance. EBITDA is Earnings before Interest, Tax, and Depreciation and Amortisation. As it is not uniformly defined or utilised, Tenon's EBITDA 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 believes that EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age and depreciation policies.

The following table reconciles Net Profit after Taxation to EBITDA:

	Tenon Group		
	Six Months Dec 2015 US$m	Year Ended June 2015 US$m	Six Months Dec 2014 US$m
Net Profit after Taxation	**6**	6	2
Plus Income Tax Expense	**1**	–	–
Plus Financing Costs	**2**	4	2
Operating Profit before Financing Costs	**9**	10	4
Plus Depreciation and Amortisation	**1**	3	2
EB1TDA (1)	**10**	13	6

(1) December 2015 includes strategic review costs and FX losses of $1.8 million (June 2015: FX losses $0.6 million, December 2014: FX losses $0.6 million).

6 Current and Non-Current Debt

As at 31 December 2015, the Group was fully compliant with all the requirements of its bank facility and no additional banking covenants were operative (refer to Note 15 of the Tenon June 2015 Consolidated Financial Statements for details of the debt facility terms). Undrawn availability was $20 million as at 31 December 2015.

The total size of Tenon's syndicated bank credit facility does not decrease with reductions in the Term Loan balance being offset by an increased Revolver facility. The assumption made in the table below is that, commencing in September 2016, the maximum $1 million repayment under the excess cash flow provision of the facility will be made and the Term Loan balance reduced accordingly.

	Term Loan		Revolver Line	Total
Dec 2015	9.90		65.10	75.00
June 2016	9.12	(a)	65.88	75.00
June 2017	6.55	(b)	68.45	75.00
June 2018	3.98	(b)	71.02	75.00
June 2019	1.41	(b)	73.59	75.00
June 2020	–		–	–

(a) Scheduled Term Loan repayment of $130,952 per month.

(b) Scheduled Term Loan repayment of $130,952 per month and $1 million excess cash flow repayment on 30 September.

All non-current debt is denominated in United States Dollars.

The current debt of $3 million as at 31 December 2015 reflects the annual Term Loan repayment of $1.6 million, the estimated excess cash flow payment of $1 million in September 2016, and principal payments of $0.4 million (New Zealand dollar denominated debt).

Notes to the Condensed Consolidated Interim Financial Statements continued

7 Capital

	Tenon Group		
	Six Months Dec 2015 US$	Year Ended June 2015 US$	Six Months Dec 2014 US$
Capital			
Reported Capital:			
Reported Capital at the beginning of the period	**531,716,189**	532,565,229	532,565,229
Share Buyback (2)	**–**	-849,040	-398,898
Reported Capital at the end of the period	**531,716,189**	531,716,189	532,166,331

	Tenon Group		
	Six Months Dec 2015	Year Ended June 2015	Six Months Dec 2014
Tenon Ordinary Shares – fully paid (1)			
Number of Shares at the beginning of the period	**64,814,931**	65,419,124	65,419,124
Share Buyback (2)	**–**	-604,193	-297,329
Number of Shares at the end of the period	**64,814,931**	64,814,931	65,121,795

(1) Includes 182,548 (June 2015: 182,548, December 2014: 182,548) fully paid Tenon Limited Ordinary Shares held by the Tenon Employee Share Purchase Scheme, accounted for as treasury stock.

(2) The Company has been conducting an on-market share buy-back of up to 1.2 million shares, comprising three separate tranches, the first two of which have been completed. As at 30 June 2015, 875,750 shares had been acquired under the share buybacks at an average on-market purchase price of NZ$1.70. The shares were cancelled upon acquisition by Tenon Limited. No shares have been purchased and cancelled in the current period.

Notes to the Condensed Consolidated Interim Financial Statements continued

8 Dividends and Equity

	Six Months Dec 2015 US$m	Year Ended June 2015 US$m	Six Months Dec 2014 US$m
Dividends declared and paid by Tenon Limited are as follows:			
Dividend paid (NZ 5.00 cents per share in November 2015)	**2**	–	–
Interim dividend declared (December 2015: NZ 5.75 cents per share) subsequent to period but not yet provided (refer note 9)	**2**	2	–

9 Post Balance Date Events

Masters' announcement

On 18 January 2016, Woolworths Limited announced that it intended to take full ownership of the Masters Home Improvement chain ("Masters") in Australia, which it had previously operated as a joint venture with Lowe's (Tenon's largest customer in the United States). Tenon had became a supplier to the Masters operation in August 2014. Once it has gained full ownership of the Masters chain, Woolworths has announced its intention to pursue an exit of the business either by way of sale or wind-up. Tenon does not believe that there is any impairment issue due to the supply agreement that Tenon has with Masters in relation to inventory it held at December.

Dividend announcement

On 16 February 2016, an interim dividend of NZ 5.75 cents per share was approved by the Board of Directors. This dividend will have no imputation credits attached given the current non-tax paying position of Tenon in New Zealand. In accordance with NZ IFRS, this amount has not been recognised as a liability as at 31 December 2015, but will be brought to account during the 2016 financial year.

Investor Information

Tenon reports six-monthly for the half-year (to 31 December) and full year (to 30 June).

Copies of the Half-Year Reports, Annual Reports and Tenon's announcements to the New Zealand Exchange are available on the Company's website, www.tenonglobal.com.

Dividend

An interim dividend for the 2016 financial year of NZ$0.0575 per share is payable on 4 April 2016 to shareholders on the register at 5pm on Tuesday 29 March 2016. The dividend will have no imputation credits attached given the current non-tax paying position of Tenon in New Zealand.

Share Registry Enquiries

Enquiries

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New Zealand
Telephone: 64-9-488-8777
Facsimile: 64-9-488-8787
E-mail: enquiry@computershare.co.nz
Please assist our registry by quoting your CSN or shareholder number.

Managing your shareholding online

To change your address, update your payment instructions, and to view your investment portfolio including transactions,
please visit: www.computershare.co.nz/investorcentre.

Electronic Communications

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. To initially access this website, you will need your CSN or Holder Number and FIN. You will be guided through a series of steps to register your account, including setting up a new user ID and password for on-going use of the website.

Once logged in, click on "My Profile". In the Communication preferences panel, click "update".

Alternatively send your name, address and CSN or holder number to ecomms@computershare.co.nz advising you wish to receive your Tenon shareholder communications by email.

Company Websites

www.tenonglobal.com
www.tenon.co.nz
www.tenonmanufacturing.co.nz
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