

**TO: THE BUSINESS EDITOR**

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## **Tenon Expects Continuing Businesses to Exceed Financial Projections**

Auckland, 8 April 2004 – Tenon announced today that the earnings of its continuing processing, marketing and distribution businesses for the year to 30 June 2004 were expected to exceed the projection contained in the explanatory memorandum in connection with the forest sale, which was forwarded to shareholders earlier this year. The major contributor to this change is the price recovery of one of the Company's major exports to the United States, Moulding and Better lumber, which has moved off the cyclical lows reached in June 2003.

Tenon now projects earnings before interest, tax, depreciation and amortisation ("EBITDA") for the continuing operations to be in the range of NZ\$58-\$60m, inclusive of the attributed realised foreign exchange gains of approximately NZ\$7m announced last month, compared to the NZ\$45m projection in the explanatory memorandum.

Net profit after tax for the continuing operations for the same period, inclusive of the NZ\$7m foreign exchange gains, is now projected to be approximately NZ\$32m, compared to the NZ\$21 million projection in the explanatory memorandum. Operating cash flow is also expected to exceed projection although not by the same magnitude, as business growth is resulting in increased working capital requirements.

The net result after accounting for the discontinued forest segment trading result and the loss on sale of the forest assets is expected to be a net loss of approximately NZ\$33m.

Commenting on the earnings upgrade, Chief Executive Officer John Dell said, "notwithstanding the higher New Zealand dollar, the continuing business of Tenon has performed above expectation during the first quarter of the 2004 calendar year. In addition, the price for Moulding and Better lumber is now US\$1,240 per thousand board feet which is significantly higher than the December 2003 level of US\$1,050 per thousand board feet assumed in the earnings projection contained in the explanatory memorandum. This price increase, together with the continuing sound performance from the Company's separate United States distribution businesses, has more than offset the impact of the stronger New Zealand dollar.

The structural consumer solutions business that primarily services New Zealand continues to enjoy robust demand. However, as a result of the high New Zealand dollar, competition has been refocused into the New Zealand market, which is likely to reduce earnings for this business segment to slightly below the projection for the period to 30 June 2004.”

FORWARD LOOKING STATEMENTS: There are statements included in this release which are “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995, and they are included herein in reliance upon the safe harbours created by that Act. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Tenon Limited, its operations, the markets in which it competes and other factors (some of which are beyond the control of Tenon Limited).

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