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23 April 2004

Denise McNabb
Business Editor
The Independent
P O Box 105 192
AUCKLAND

Dear Denise

Response to The Independent's Article of 21 April

The article "Commission probes Tenon share purchase" (21 April) contains information from un-named sources that is materially inaccurate and misleading.

The article states that on 7 April Tenon had announced an increase in its projected June year result, for the Company's continuing wood processing businesses, from NZ\$21 million to NZ\$32 million.

This is incorrect in two respects.

First, it ignores a market announcement by Tenon on 11 March that its projected result would be increased by \$7 million to \$28 million.

Second, the announcement of a further increase in the projected result to \$32 million was made on 8 April. This announcement was made immediately after a decision by the Board, only that morning, that such an increase could prudently be anticipated, on the basis of the facts and assumption checked and confirmed to the Board by the Company's management at that meeting.

Tenon assumes that the "management briefing" referred to in the article is an off-site management strategic planning meeting held on 22-23 March, which all Tenon senior managers attended.

The Chairman, Sir Dryden Spring, did not attend the management meeting. He joined the group at dinner, after the meeting, to make a presentation on the Board's expectations of management.

There was no discussion on any yet-to-be announced increase in the Company's projected profit at the management meeting or at the dinner.

Progress in continuing negotiations to sell the Tarawera forest and settle associated issues with Carter Holt Harvey and Norske Skog Tasman was discussed at the management meeting. Participants were not, as stated by the Independent, asked to sign a non-disclosure agreement, at or after the meeting. However, they were advised that the information about these negotiations was confidential and was not to be disclosed to any other persons.

Management at that meeting were also reminded of the fact that, as the information was share price sensitive, trading by executives or directors would not be approved until disclosure had been made to the market of the outcome of the negotiations. This disclosure took place on 1 April 2004.

The purchase of shares by the Chairman and Chief Executive, after the announcement of the Tarawera forest sale and agreement on terms for settlement of associated issues with Carter Holt Harvey and Norske Skog Tasman, occurred before they were apprised of the revised profit forecasts that were delivered to the Board and announced on 8 April.

The Company is confident that it has handled the disclosure of the revised profit forecast correctly and that the share purchases by the Chairman and Chief Executive were made in a proper manner.

Yours faithfully

A handwritten signature in black ink, appearing to be 'P. Gillard', written in a cursive style.

Paul M. Gillard
Director, Corporate & Legal Services