



## **News Release**

**TO: THE BUSINESS EDITOR**  
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Information on Tenon Limited can be found at <http://www.tenon.co.nz>.

STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

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### **TENON MEETS EARNINGS FORECAST FOR HALF-YEAR TO 31 DECEMBER 2007**

Note: All dollar amounts are United States dollars.

AUCKLAND, 14 February 2008 – Tenon today reported Earnings before interest tax and depreciation (“EBITDA”) for the 6 months ended December 2007 of \$9 million - in-line with earnings guidance the Company had previously provided the market. Whilst the result is the same number as was reported for the 6 months ended December 2006, it has been achieved in a far more difficult operating environment.

Commenting on the result, Chief Executive, Mark Eglinton, said “This is a very encouraging performance. Being able to maintain earnings at prior year levels in very weak market conditions is a reflection of the benefit of both the Ornamental Mouldings acquisition and the intensity with which we have pursued cost-out initiatives throughout the Company. We are particularly pleased that we have been able to achieve those gains whilst maintaining the highest level of service and product quality to our customers.

“Our operating environment deteriorated as the six month period progressed, with new housing starts, housing inventories, and house prices in the United States all showing a continued negative trend. These factors, combined with a reduction in the supply of credit to new homeowners and a drop in renovation spending, have all acted to make our day-to-day market environment very difficult. In addition, we have faced a very strong NZ:US dollar – something our US-based competitors are not so exposed to. So, all things considered, we believe this half-year result is a very creditable performance for the Company.”

Net Cash from Operating Activities for the six months was \$15 million (which included a positive net working capital movement of \$5 million). This compares very favourably with the \$6 million previously recorded in the six-months period to 31 December 2006, and the \$14 million result for the 12 months to 30 June 2007. Apart from the \$8 million spent on the acquisition of an additional 24.5% of Southwest Mouldings in August, the remaining capital expenditure of only \$1 million was largely of a maintenance nature. This strong net cash-flow performance allowed Tenon to reduce net debt (including deferred liabilities) from \$88 million at 30 June 2007 down to \$77 million at balance date.

The Company said that while the sector in which it operated continued to experience the fallout from the US sub-prime mortgage market collapse Tenon had been able to maintain its operational earnings performance by continuing its focus on constantly improving its cost competitiveness and service delivery to its customers. “We continue to achieve savings in delivered costs as demonstrated by the on-going profitability of our NZ operations even during the period of market turmoil and the extremely high NZ dollar,” Mr Eglinton said.

“In this environment the real challenge for participants in our sector is to service customers to their expectations whilst continuing to balance inventory levels throughout the supply chain - a challenge our people deliver on every day. During this period we also remain determined to continue to advance the strategic positioning and competitiveness of all our businesses. In this respect, in the six months period reported on today, we have:

- Realigned the operating shifts and staffing levels at all our operating facilities, to match production with changing demand conditions;
- Advanced our “One-Company” initiatives, designed to streamline the business and reduce costs;
- Continued our focus on supply chain optimisation, in order to manage our inventory and working capital levels to meet both our customer needs and our own internal cash generation targets;
- Furthered the execution of our organic growth programs, such as our Outdoor program and our pre-finished mouldings program;
- Completed the acquisition of a further 24.5% of our subsidiary Southwest Mouldings for \$8m taking Tenon's holding to 75.5%.

“In addition to these operational and strategic moves, during the period we also made a significant change to the financing position of the Company, with the announcement (in July) that we had completed the total refinancing of the Group with a banking syndicate in the United States. This new \$100 million 5-year facility, led by JP Morgan Chase, includes all the banks that had previously had banking relationships with the Tenon Group. That this refinancing was able to be secured on good terms in difficult financial market conditions.

Commenting on the outlook, the Company said that it was assuming market conditions would continue to be very difficult for the balance of its 2008 fiscal year. “Looking forward, as we cannot control the macro-drivers that influence our business – namely the NZ:US exchange rate and the US housing market conditions – we will be concentrating on those aspects of our activities that we believe can influence our earnings performance in the short-medium term. We will maximise our specialty-sales opportunities, further reduce delivered cost, manage working capital, improve business processes and extract synergies across the entire Group. In addition, we will opportunistically look to sales outside of the US markets for our higher value specialty products.

“If we do that, then we can be very confident Tenon will be competitively positioned to take advantage of any broad market recovery when the macro-conditions decide to move in our favour,” he said.

ENDS

Forward Looking Statements: Except to the extent that they relate to historic information, there are forward-looking statements included in this release. 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). Accordingly, actual results and conditions may differ materially from those expressed or implied by such statements.