

**TO: THE BUSINESS EDITOR**  
 From: Paul Gillard – General Manager Corporate, **Tenon Limited**  
 Telephone: 64-9-368 4195  
 Fax: 64-9-368 4197

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

STOCK EXCHANGE LISTING: NEW ZEALAND (TEN)

**TENON INCREASES FLEXIBILITY IN ITS EXISTING BANKING FACILITY**

Auckland, 29 May 2009 – Today Tenon announced that amendments had been agreed to the terms of its 5-year Syndicated Banking Facility (“Facility”) which will significantly improve the Company’s flexibility at this point in the business cycle.

Mark Eglinton, the CEO of Tenon, said "Tenon's banking covenants, which were originally set when the Facility was signed in June 2007, assumed that the business environment would improve over time, and, accordingly, the bank ratios were structured to progressively tighten during the first two years of the Facility’s five-year term. Clearly, at that time no-one foresaw the onset of the global credit crisis and its impact on the US housing market, and this Facility amendment is a reflection of that fact and the significantly different circumstances and operating environment of today.”

The chart below shows the increased flexibility that has been made to the leverage and interest coverage covenants under the Facility amendments that have now been agreed.

		Existing Covenants		Amended Covenants *	
		Leverage	Interest cover	Leverage	Interest cover
		(times x)		(times x)	
2009	Jun	3.00	3.50	4.00	2.75
	Sep	3.00	3.50	4.00	2.75
	Dec	3.00	3.50	3.85	2.75
2010	Mar	3.00	3.50	3.85	3.00
	Jun	3.00	3.50	3.75	3.00
	Sep	3.00	3.50	3.75	3.00
	Dec	3.00	3.50	3.50	3.50
2011	Mar	3.00	3.50	3.50	3.50
	Jun	3.00	3.50	3.25	3.50
	Sep	3.00	3.50	3.25	3.50
	Dec	3.00	3.50	3.00	3.50
2012	Mar	3.00	3.50	3.00	3.50
	Jun	3.00	3.50	3.00	3.50

\* An additional standard Borrowing Base covenant has been added as part of the amendments. Based on the Company's current assumptions relating to the value of the assets used in the calculation of the borrowing base (which values will be reviewed by the bank from time to time) this covenant is not expected to come into play before either of the Leverage or Interest Cover covenants.

Whilst amending the Facility in the current market environment has resulted in an increase in the bank lending margin payable, in line with current market rates, this has been mitigated to some extent by the Company reducing the Facility size (and hence its undrawn line/commitment fees) from US\$75 million to US\$55 million (made up of a revolver facility of US\$35 million and a term loan of approximately US\$20 million). The Company considers a US\$55 million Facility to be adequate for its current needs, particularly as the drawn amount today is only US\$38 million (excluding approximately \$4 million of mortgages that fall outside the Facility). In addition, the Facility has an “accordion” feature, whereby (with the approval of the bank syndicate) an additional US\$15 million can be drawn upon without the need to negotiate a new banking agreement.

The term of the facility, which expires in June 2012, remains unchanged.

Mr Eglinton said “The bank syndicate has been very supportive of Tenon, and has acknowledged the excellent efforts the Company has made in reducing its net interest bearing debt (including deferred liabilities) by more than half in less than two years - from US\$88 million at June 2007 to the current level of approximately US\$42 million. The relatively strong cashflow of our underlying businesses, even in the extremely difficult recent operating environment, has allowed us to achieve this debt reduction, whilst maintaining best in industry service levels and continuing to invest in the future of the Company – the acquisition of the minority interest in Southwest Moulding Co for US\$9 million and the launch of the Outdoor range of products being two examples over that period.”

In its Half-Year Report for the six-months to December 2008, Tenon indicated that a “flattish” second-half on first-half earnings performance was likely. Consistent with that statement, and by way of market update, including the impact of foreign exchange losses of approximately US\$2 million for the year (which have resulted from a lower average NZ:US dollar cross rate for the year than the Company’s hedged rate) the Company forecasts a full year (June 2009) EBITDA in a range of US\$10-\$11 million (barring any unforeseen events, or material movement in the current operating environment).

Tenon is a wood products processing, marketing and distribution business, focusing on the high value moulding and millwork markets in the United States. It has strong supplier relationships for finished mouldings and boards with the independent pro dealer segment and has channels into two of the largest home improvement chains in the United States - Lowe’s and (indirectly) The Home Depot – and it also supplies appearance grade lumber to a number of US moulding and millwork manufacturers. Tenon operates through three major divisions, (i) Fletcher Wood Solutions Inc. (“FWS”) which operates the New Zealand manufacturing facilities and distributes its products in North America through a sales and marketing office in Maryland USA, (ii) the Ornamental Mouldings group, which has manufacturing facilities in the US and Canada, and (iii) the Empire group (which includes Southwest Moulding) which is a large scale specialty distribution business.

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