



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)

Tenon announces exit from AWM and purchase of Ornamental Mouldings

November 3, 2006 – Tenon announced today that it has exited its 50% investment in American Wood Mouldings (“AWM”), and acquired 100% of Ornamental Mouldings (“Ornamental”). It has sold its AWM investment to the Hagen family (Tenon’s partner in AWM) in return for 50% of Ornamental. Tenon has simultaneously acquired the remaining 50% of the Ornamental business at a cost of USD 18.75 million (and assumes Ornamental’s small net internal debt balance of USD 3 million), and now holds 100% of Ornamental. As previously mentioned, Tenon’s pro-rata share of AWM’s debt was approximately USD 21 million. There is no change in look-through debt for the Tenon group from the total AWM-Ornamental “swap” transaction.

Luke Moriarty, the Chairman of Tenon, said: “Without doubt, the Ornamental transaction is both a very positive and highly significant move for Tenon. It now not only puts Tenon into a position of control in all its business activities – which was not the case with our 50% investment in AWM, where the management contract over that business was effectively held by our partner – but by exiting AWM it also removes Tenon from a business that contributed next-to-nothing in terms of our bottom-line earnings last year. In contrast, Ornamental’s operating earnings last year were more than USD 7 million.”

Mark Eglinton, Tenon’s CEO, said: “By driving Tenon much harder in the second half of 2006, we managed to more-than-double our first half’s disappointing earnings performance. However, the Ornamental swap transaction has now directly addressed the source of that earnings problem, the very poor performance from our AWM investment, which has clearly been a factor holding back our share price. The acquisition of Ornamental increases Tenon’s 100% controlled earnings and provides further value growth opportunities for the group. At the same time a new supply agreement with AWM preserves existing volumes of mouldings produced at Taupo. On the basis of FY06 earnings and current trading multiples, net of debt, we believe this transaction adds more than 75 cents per share of additional value to Tenon.”

The Company said it views Ornamental as the pre-eminent player in the US decorative mouldings segment. As its name suggests, Ornamental is a manufacturer

and supplier of high-value ornate mouldings and decorative products. From its four-site manufacturing operations in North Carolina and Ontario (Canada), and from its offshore sourcing activities, Ornamental supplies decorative wood products to independent furniture and cabinet manufacturers, as well as high-quality mouldings to the large national home centre customers. In addition to providing Tenon with yet further product diversification, the niche position Ornamental occupies in the marketplace affords it a degree of protection from general market movements.

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