FLETCHER BUILDING LIMITED

ANNUAL SHAREHOLDERS' MEETING 2002

SPEECH NOTES FOR MR RALPH WATERS

CHIEF EXECUTIVE OFFICER

Thank you Mr Chairman, and good afternoon ladies and gentlemen.

The acquisition of Laminex is an important issue for this meeting, and I will speak to it shortly. But the meeting is also the occasion on which to report to shareholders on the performance of the company in the past year, and that is what I wish to cover first.

Results

It has indeed been a satisfactory year for Fletcher Building. Earnings were up in all of our divisions. Operating profit before unusual items, that is earnings before interest and tax, was $205 million dollars, which was more than double the $94 million in the prior year, and net earnings before unusual items rose from $18 million to $88 million after adjusting the previous year for the change in Capital Notes presentation. This improvement was achieved on a modest revenue increase. The annual report indicates a sales increase from $2.273 billion in the 2001 year to $2.966 billion in the 2002 year. However, because of changes as to how we account for our joint venture PlaceMakers stores between these reported years, the comparison is not like for like. In 2001, the joint venture stores were equity accounted and were for a March year. Thus, the 2001 year did not have sales included in the Fletcher Building reported results – only our share of profits. For 2002, the joint venture stores are consolidated on a June year basis, so fifteen month's sales are included. When both years are restated on a like for like basis, the revenues are $2.74 billion for 2001 and $2.85 billion for 2002, a modest 4% increase on which profit more than doubled.

In short, the company reached a level of performance more in keeping with our aspirations, and ahead of the expected timetable in which to do so. The major influences on our results across the board were improved operating margins, overhead reductions and the lift in trading conditions in the second half of the year. In the case of overhead reductions, it is worth noting that of the employees listed in the annual report as receiving over 100,000 dollars total remuneration, some 94 of these include termination or retirement benefits in the 2002 year and are no longer with the company.

Building Products

There were some excellent business performances. Starting with Building Products where there was a big improvement in operating profit and margins, a decline in funds employed, and consequently a big lift in return on funds. Earnings improved throughout the year, but particularly in the last quarter, when the increase in residential construction finally had a real impact on demand. The improvement was despite significant increases in costs for electricity early in the year and for insurance.

The biggest improvements were in upstream steel, plasterboard, and panel and hardware distribution. Upstream steel had record production and sales volumes, and a $13 million improvement in operating performance. Plasterboard lifted its operating earnings by 17 percent. Panel and hardware distribution lifted its operating earnings by almost 15 percent.

Revenue from wood panels was higher, but so were costs, and earnings were at a similar level to those for 2001, although we are enjoying a good lift in this current year. Results from downstream steel were mixed, with distribution, and roofing and cladding earning below their potential, but an improved performance from the coiled steel paint coating plant. Again, all of these businesses are showing pleasing improvements this year.

Concrete

There was a similar pattern in Concrete – higher operating profit and margins, reduced funds and therefore higher return on funds. Demand was strong in rural areas throughout the year and in the urban centres in the second half. Results also benefited from substantial reductions in overheads and operating costs, tighter control over capital expenditure and improved working capital management.

Cement sales reached record levels, both in the domestic and export markets. Domestic cement prices increased for the first time in several years, whilst production costs were reduced through operational improvements. I am also pleased to advise that the Board has just approved an $18 million dollar investment in the Golden Bay plant at Whangarei, the first in a series of upgrades that is likely to see more than $40 million dollars invested there over the next five years.

Results from aggregates were up strongly, despite a reduction in revenue from changes in customer and product mix following the closure of the Lunn Avenue quarry, because costs also reduced. Earnings from the readymix and concrete products businesses were up significantly. The pipes business lifted revenue and reduced production costs, but margins remained steady due to the highly-competitive nature of the market.

The Concrete businesses in Peru and Bolivia recorded major turnarounds after significant change programmes and some improvement in economic conditions in Peru. As you will recall, we have signed contracts for the sale of operations in Bolivia since the end of the year, with completion due by the end of November.

Construction

Construction operations traded well. Earnings were up very substantially, even if the $10 million dollars of one-off gains is excluded. Whilst a number of projects were completed during the year, new projects won, especially in the infrastructure and health sectors, maintained a strong backlog.

New Zealand residential sales increased – particularly in Auckland. Fletcher Residential benefited from higher land prices, reduced overheads, reduced landholdings and the closure of under-performing branches outside Auckland.

Distribution

In Distribution, revenue, operating profit and margin were all up, as was the return on funds. Funds employed were higher as a result of the increased activity and capital expenditure on PlaceMakers branch upgrades.

PlaceMakers, the major business, had an excellent performance, with strong growth in sales and substantial gains in productivity and margin. The Building Depot lifted sales by 16 percent, but its earnings were below acceptable levels. A number of systems and management changes have been implemented. Hire A Hubby continued to grow its base of franchisees throughout the country.

Finance

It was a good year in terms of building the company's financial strength. Strong cashflows enabled all the key balance sheet ratios to be improved, along with lifting the dividend from 12 to 14 cents per share with full tax credits available. Internal cash flow was used to repay $126 million of debt, reducing total net debt to 398 million dollars inclusive of 230 million dollars of capital notes. Gearing improved from 49 percent to 40 percent, and interest cover improved to 5.8 times.

Capital expenditure, at $51 million dollars, was well below depreciation and amortisation of $89 million.

That concludes my comments on results. The chairman will comment on trading in the current year and the outlook for this financial year later in the meeting.

Laminex

I will move on now to add a little to the Chairman's comments about the Laminex Group. The chairman has spoken about the strategic attraction of the purchase and the impact on Fletcher Building. We thought it would be helpful for me to paint a brief portrait of the company so that you can see where it fits in with our existing operations.

Let me begin by saying that I believe this is a highly desirable opportunity for Fletcher Building. Laminex is in our preferred geography for expansion, in an industry that we understand very well through many years of involvement, and is compatible with our existing operations. It has very strong market positions, and a capable, stable management team.

There are three broad product segments.

In the Premium Decorative Surfaces segment, through its Laminex and Formica brands, the Laminex Group supplies a range of high-pressure laminates, used for kitchen and commercial benchtops, cabinet linings and marine panels; and supplies colour decorated woodpanels used in kitchen and bathroom cupboards, furniture and fittings for offices and shops.

In the Trade Woodpanels segment, through its Formex brands, it supplies raw or white coated medium density fibreboard used for cupboards, benches, furniture, and as a substrate for decorative panels; and it supplies raw or white coated particleboard used in furniture, shelving, flooring and so on, and also as a substrate.

The Assorted Products segment includes sawn timber, veneers, doors, vanity units and components used in commercial and residential applications.

Laminex has leading market shares across its product range, as detailed in the explanatory memorandum.

By far the largest proportion of Laminex's revenue – almost half – comes from the premium segment. Trade woodpanels account for about a quarter, and the balance is split between assorted products and exports of MDF and particleboard.

We would like to show you a short presentation on the Laminex business so that you may get a better feel for the breadth and size of its operations.

Laminex is unique in this part of the world in the breadth of its production capabilities, covering laminate and woodpanel production, and in its geographic spread. It manufactures at six sites in Australia and a high-pressure laminates plant in Papakura, in Auckland. There are plants in Victoria, Queensland and Western Australia. They are located close to raw materials, and produce a broad range of products and colours, thus optimizing the ability to locally supply the major population centres.

Laminex also has interests in two joint ventures in Western Australia that supply essential inputs to its operations in that State. It has a 50 percent interest in a softwood sawmilling operation that provides shavings and chip; and a 50 percent interest in a resin manufacturing joint venture that supplies synthetic resins for its production processes.

Laminex has a national distribution network of 43 outlets, of which 30 are specialised Laminex Group Service Centres, which incorporate showroom facilities and provide expert advice and assistance to customers. There are also a number of third-party distribution arrangements, and more than 8,000 marketing and information displays in independent outlets.

Laminex's export strategy has been focused on being a long-term preferred supplier to customers for woodpanel products in Asia. Its major export markets include Korea, China and Taiwan, and there are also sales to Japan, Indonesia, Hong Kong, the Philippines and Vietnam.

Laminex's strong overall position has been enhanced by the rationalisation in the Australian MDF and particleboard industries, led by Laminex under its current management team. This has involved the acquisition of the Formica business in 1999 and the Wesfi group in 2001, reducing the number of participants and enabling the industry's production capacity to be restructured for more efficient utilisation. The benefits of the Wesfi acquisition are still to be fully realized. Laminex is now ideally placed to capitalise if the relatively steady demand growth over recent years continues.

Of equal importance is its development of new innovative products and technologies. Laminex has a commitment to maintaining a leading edge in design. It regularly updates the colours and designs of its products and works closely with architects and trade customers to specify new products.

The success of the strategic and market initiatives is reflected in a revenue increase of more than 100 percent in the three years up to 30 June 2002. There has also been a strong rise in earnings. In summary, Laminex has been completely repositioned. The management team that has achieved this remains in place, and we are confident it will make a smooth transition to Fletcher Building's ownership.

Whilst short-term fluctuations are a feature of the building industries, it is performance over the whole economic cycle that matters. There is every reason to expect that Laminex will continue to perform well. It will also create a very beneficial structural shift for Fletcher Building, diversifying the group's revenue base so that about a quarter of total revenue will be derived from the Australian market.

Integration of Laminex

The Chairman has referred to the issue of synergy benefits gained from integrating Laminex's operations with the existing operations of Fletcher Building.

Fletcher Building as it currently stands has more than $300 million of annual turnover in businesses directly related to Laminex's operations – that is, in our wood panels and joinery distribution businesses. Laminex manufactures in Australia and New Zealand. Fletcher Building manufactures in New Zealand and exports to Australia. Both companies export to customers in Asia. Both companies have strong distribution networks in their home countries, and separate distribution pathways to the Asian markets. With this commonality of facilities and geographical markets, it doesn't take too much imagination to conclude that there is potential for benefits of various kinds.

It would be unrealistic to attempt to quantify these with precision at this stage, but a conservative expectation is for them to be not less than $5 million dollars in the 2004 year, and to increase in subsequent years.

I began this part of my presentation by stating my enthusiasm for the proposal to acquire the Laminex Group, and I trust the basis for this is now evident to you. As the chairman has stated, the proposal has the unanimous support of your directors. I encourage you strongly to vote in favour of it as it will be a further important step, on top of strong underlying performance, in making Fletcher Building one of New Zealand's most successful companies.

Thank you.