FletcherBuilding

## News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FBU), AUSTRALIA (FBU).

Auckland, 13 August 2003

**ANNUAL RESULTS**

**SUMMARY**

Directors today announced the financial results for the year ended 30 June 2003. Net profit after tax and minority interests was $168 million, compared to $88 million before unusual items and $93 million after unusual items in the previous year. There were no unusual items in the latest result.

Fletcher Building achieved earnings before interest, tax and unusual items of $331 million in the year to 30 June 2003 – 61 percent ahead of the 2002 year. The result reflected strong demand throughout the year and the benefits of management changes, asset sales and cost reductions over the past two years.

The lift in earnings enabled a substantial increase in dividends – from a total 14 cents per share in the previous year to 19 cents per share. Total shareholders return (TSR) was a very creditable 43% for the 12 months.

All divisions lifted their operating earnings for the second successive year. Building Products' earnings before interest and tax were $112 million, (previously $85 million). Concrete earned $83 million (previously $60 million). Construction earned $34 million (previously $30 million). Distribution earned $55 million (previously $34 million). The Laminex Group contributed $44 million operating earnings in the period of ownership.

The Chief Executive Officer and Managing Director, Mr Ralph Waters, said the results highlighted the progress made by the company. The 24.4 percent return on average funds employed was significantly ahead of the cost of capital. Meanwhile, the Laminex acquisition had transformed the company, from one that was essentially captive to the New Zealand market to a truly Australasian business with enhanced earnings and growth prospects.

Mr Waters said the outlook for the current year was for some softening in both the New Zealand and Australian residential building markets, which are the main economic drivers for the company. Despite these issues the company expects further improvement and another satisfactory year.

**Results**

- Operating earnings before unusual items up 61 per cent to $331 million, including a contribution of $44 million from the Laminex Group.
- Group net earnings (after interest, tax and minority interests) up 81 percent to $168 million.
- Total dividend for the year of 19 cents per share.
- Cashflow from operations up from $187 million to $276 million.
- Interest cover up from 5.8 times to 7.3 times despite increase in net debt (from $398 million $858).
- Earnings per share increased from 25.5 cents to 43.4 cents.

**Contact:**

| | |
|---|---|
| Ralph Waters | Bill Roest |
| Chief Executive Officer | Chief Financial Officer |
| Phone: +64 9 525 9169 | Phone: +64 9 525 9165 |
| Fax: +61 9 525 9032 | Fax: +64 9 525 9032 |

**End**

**FLETCHER BUILDING LIMITED**
**FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2003**

Directors today announced the financial results for the year ended 30 June 2003. Net profit after tax and minority interests was $168 million, compared to $88 million before unusual items and $93 million after unusual items in the previous year. There were no unusual items in the latest result.

Revenue rose from $2.966 billion to $3.221 billion. After adjusting for disposals and acquisitions, the increase in revenue was 7 percent. All divisions increased their operating earnings for the second successive year, supported by strong demand in both New Zealand and Australia and by continued operational improvements. High power prices in New Zealand and the increase in the New Zealand dollar reduced earnings in some businesses in the second half of the year. Operating earnings (earnings before interest and tax) were $331 million, compared to the update provided on 8 April 2003, when directors forecast operating earnings in the $310-320 million range if the high power prices prevailing at that time were to continue. Thankfully, the power price subsided, and the company's results have exceeded the forecast provided in the update.

The Laminex Group, acquired on 13 November 2002, has made a positive contribution to this result. Laminex's Australian and New Zealand earnings were in line with the top end of our expectations, but its export margins were constrained by the strengthening Australian dollar.

This strong result has enabled Fletcher Building to increase dividends again. A final dividend of 10 cents per share, up from the interim dividend of 9 cents and last year's final dividend of 8 cents, will result in a full year dividend of 19 cents per share, compared to 14 cents per share in the previous full year.

The result represents a 23.0 percent return on average equity and a 24.4 percent return on average funds employed, compared with 16.9 percent and 22.5 percent respectively in the June 2002 year.

| **Results** | **Operating Revenue** | | **EBIT** | |
|---|---|---|---|---|
| **Period Ended NZ$million** | **12 Mths to June 2003** | 12 Mths to June 2002 | **12 Mths to June 2003** | 12 Mths to June 2002 |
| Building Products | **865** | 820 | **112** | |
| Distribution | **807** | 686 | **55** | 34 |
| Concrete | **497** | 470 | **83** | 60 |
| Construction | **618** | 871 | **34** | 30 |
| Laminates & Panels | **432** | - | **44** | - |
| Restatement of PlaceMakers [1] | **-** | 119 | **-** | - |
| Corporate | **2** | **-** | **3** | -4 |
| **Total Before Unusuals** | **3221** | 2966 | **331** | 205 |
| - Unusuals | | | **-** | 5 |
| Total EBIT After Unusuals | | | **331** | 210 |
| - Funding Costs | | | **-59** | -51 |
| Earnings Before Taxation | | | **272** | 159 |
| - Taxation | | | **-85** | -54 |
| Earnings After Taxation | | | **187** | 105 |
| - Minority Interests | | | **-19** | -12 |
| **Net Earnings as per Published Accounts** | | | **168** | 93 |

Note:
1. Restates PlaceMakers results on a comparable basis following the change in accounting period for the Joint Venture Partnerships

## OPERATIONAL REVIEW

### Building Products

Results reflect the strength of the residential housing market, and the continuing focus on productivity gains. Margins were improved through margin management programmes in a number of businesses, and through further cost reductions in manufacturing, particularly in Fletcher Aluminium and Dimond. The impact of the strong New Zealand dollar on export revenue, and the electricity pricing in the last quarter, took some gloss from the results in the second half.

Significant earnings increases were recorded by Fletcher Aluminium, all sectors of the Downstream Steel business, Winstone Wallboards and Scott Panel and Hardware. In Downstream Steel, CSP Galvanising and Fletcher Reinforcing more than doubled earnings and achieved excellent results. Fletcher Wood Panels and the Upstream Steel were most affected by the appreciating New Zealand dollar and the electricity pricing, and their earnings were reduced.

Fletcher Wood Panels and Scott Panel and Hardware will report in future as part of the newly-formed Laminates and Panels division.

### Concrete

Activity remained strong throughout the year, and demand for cement, readymix concrete and aggregates was at the highest levels on record. Operating earnings were also at a record level.

Golden Bay Cement lifted earnings by improving margins through increased volumes and ongoing operational improvements, offset in part by higher electricity and distribution costs. Winstone Aggregates recorded a significant improvement in earnings for the second successive year. Firth readymix and concrete products recorded exceptional performances, with operating earnings more than 50 percent higher than those for the previous year. Stresscrete benefited from restructuring initiatives, some of which are ongoing, to record its best ever result. The Humes concrete pipes business benefited from a number of changes made in the previous year, and from strong demand, to record a 33 percent improvement in operating earnings.

The business in Peru improved its operating earnings by $3 million, recording positive earnings for the first time since it commenced operations in 1995. The Fijian business has undergone some operational improvements and is no longer trading at a loss. The Bolivian business and the investment in India were sold during the year, releasing $19 million in cash.

### Construction

The year was marked by strong trading conditions, the successful completion of some major projects and the winning of quality work.

Fletcher Homes recorded an exceptional result, with the benefit of increasing prices and reducing landholdings. Engineering operations recorded another strong result. The Manukau Waste Water project was substantially completed, whilst the scope of the Grafton Gully motorway contract was extended. Building operations made good progress on the Auckland Hospital contract, and completed the PwC Tower in Auckland and the Lambton Tower project in Wellington. The South Pacific market has become more buoyant, and stronger results are expected in the 2004 year. The last major contract in Australia was completed on behalf of the company and almost all issues relating to the Australian exit have been resolved.

Fletcher Construction held $448 million of backlog at 30 June 2003, which compared favourably with the level held at the end of the previous year.

**Distribution**

PlaceMakers had another excellent year, with gains in both trade and retail sales of more than 20 percent, and with improved margins. Joint Venture Partnerships were re-established in Kaitaia, Huntly and Levin. The two adjacent Hamilton branches were merged and a new Joint Venture Partnership established there at the end of the year. The upgrade of PlaceMakers' information technology infrastructure was concluded, establishing a stable operating platform and an improved point-of-sale system.

The Building Depot continued to focus on the do-it-yourself retail market. Revenue gains were disappointing, but system changes implemented in the latter part of the year helped lift margins to healthy levels. Hire A Hubby had a satisfactory year. Agreements are expected to be concluded that will lead to the divestment of both of these businesses in August.

**Laminates and Panels**

The Laminex Group made a significant contribution to earnings following its acquisition on 13 November 2002. The Australian market sectors in which it operates – residential construction, renovations and commercial construction – were all buoyant during the 2003 year.

Laminex's full year performance was significantly above that for the 2002 year. Domestic sales were up by 10 percent. Export sales were curtailed by the increase in domestic demand and margins impacted by the significantly stronger Australian dollar. Operating earnings were up 22 percent as a result of the domestic activity, improved margins, and synergies from the integration of the Wesfi and Formica businesses.

Laminex successfully consolidated several independent warehouses in Melbourne into one new distribution centre, and also began construction of large distribution centres in Adelaide and Sydney that will enable similar consolidations early in 2004. Manufacturing facilities were upgraded with the installation of a second paper treater at the particleboard facility at Dardanup, Western Australia.

The Laminex Group has been integrated with Fletcher Wood Panels and Scott Panel and Hardware to form the Laminates and Panels division. This new division will trade under the Laminex Group banner. The 2003 results do not include those for Fletcher Wood Panels and Scott Panel and Hardware.

## FINANCIAL REVIEW

### Balance Sheet

Net debt increased to NZ$858 million at 30 June 2003, compared with NZ$398 million at June 2002, reflecting the funding of the Laminex acquisition offset by the various financing initiatives.

With strong earnings and operating cash flow, and with gearing (net debt / net debt plus equity) at 49.9 percent, Fletcher Building remains in a sound financial position. The gearing level, whilst increased from the June 2002 position of 40.2 percent, is comfortably within all relevant debt covenants. Interest cover (EBITDA / Interest) was 7.3 times compared to 5.8 times at June 2002.

The purchase of Laminex was financed by:

- the issue of 44 million ordinary shares at NZ$2.95 each – a premium of 5 percent on the pre-announcement closing price
- a further NZ$34 million of equity raised in November 2002
- a NZ$150 million capital notes issue completed in December 2002
- and the replacement of the existing bank borrowing facilities with a new NZ$800 million syndicated facility.

### Cash Flow

Cash flow from operations was NZ$276 million. This was after an increase of NZ$40 million in working capital as a result of the timing of cash flows on large construction projects, together with the increase in working capital required to maintain operations at the current activity levels.

Capital expenditure, excluding acquisitions and divestments, totalled NZ$88 million.

### Dividend

The final dividend of 10 cents per share will be payable on 13 November 2003 and will carry full tax credits. Details are provided in the summary attached.

## STRATEGY

The company's major strategic priorities have been to improve earnings, improve the reliability of earnings through the economic cycle, and achieve value adding growth.

Excluding the earnings from Laminex, the company has earned around $100 million more in operating earnings than it did when last at the peak of the New Zealand economic cycle, in 2000. This is, in large part, an indication of the extent of the internal performance improvement across the company's portfolio.

Following the Laminex acquisition, the company expects to derive two-thirds of its future revenues from New Zealand, and thus to be less reliant on the New Zealand economic cycle. The acquisition is providing synergies through the integration of Laminex with the existing wood panels businesses, and increased scope for growth.

The strategic focus of the company continues to be on performance improvement – particularly through appropriate capital investment in existing operations – and on growth through acquisitions where opportunities meet the strict acquisition criteria.

## OUTLOOK

Demand is expected to soften in both New Zealand and Australia over the coming year, and the stronger currencies of each country will affect export margins. Despite these issues, the Board expects further improvement and another satisfactory year.

## DIVIDEND SUMMARY

| NZ Cents Per Share | NZ Residents | Non Residents |
|---|---|---|
| Dividend declared | 10.0000 | 10.0000 |
| Tax credits | 4.9254 | |
| Dividend withholding payment refund | | 4.9254 |
| **Gross Dividend** | **14.9254** | **14.9254** |
| NZ tax (33%) | -4.9254 | |
| Non resident withholding tax (15%) | | -2.2388 |
| **Net Cash Dividend to Shareholders** | **10.0000** | **12.6866** |

*As individual shareholders' circumstances may differ, these New Zealand tax and non resident withholding tax calculations are for guidance only.*

**Key Dividend Dates**
Shares quoted cum dividend on New Zealand Exchange until close of business 24 October 2003. Dividend entitlement date: 24 October 2003. Payment date: 13 November 2003.

Shares quoted cum dividend on Australian Stock Exchange until close of business 17 October 2003. Dividend entitlement date: 24 October 2003. Payment date: 13 November 2003.

**Dividend Reinvestment Plan**

A dividend reinvestment plan will operate for dividends paid by Fletcher Building, including this dividend. The pricing period for shares issued under the dividend reinvestment plan is the 5 business days ending on 31 October 2003. Documentation for participation in the plan is available from the share registry.