FletcherBuilding

2003 Annual Meeting of Shareholders

2.00pm Tuesday 11 November 2003
Eden Park Function Centre, Mt Eden

Address by:
Dr Roderick Deane
Chairman
Fletcher Building Limited

FLETCHER BUILDING LIMITED
ANNUAL SHAREHOLDERS' MEETING 2003

SPEECH NOTES FOR DR RODERICK DEANE
CHAIRMAN

Good afternoon and welcome to the third annual shareholders' meeting of Fletcher Building Limited.

I advise that a quorum is present and the meeting is duly constituted.
We will review the year in detail a little later. Before we do so, let me briefly introduce my fellow board members and then outline the meeting process.

Paul Baines has extensive experience in financial and strategic management and has several directorships including Telecom New Zealand and the Reserve Bank of New Zealand.

Hugh Fletcher is also a director of the Reserve Bank of New Zealand, and of several other NZ companies, including Ports of Auckland and Rubicon, and is a member of a number of academic and government advisory committees.

Geoff McGrath retired earlier in the year as Managing Director of GWA International an Australia-based manufacturer of building products.

Ralph Norris is the Chief Executive of Air New Zealand. Before that he was the CEO of the ASB Bank and held a senior role in the Commonwealth Bank of Australia.

Sir Dryden Spring has several directorships of New Zealand and Australian companies, including the National Bank of New Zealand and Fletcher Challenge Forests, and is well known to New Zealanders for his roles in the dairy industry and in trade forums.

Kerrin Vautier is a research economist, a university lecturer, and an external monetary policy advisor to the Reserve Bank. She also has other company directorships in New Zealand and was formerly a member of the Commerce Commission.

Ralph Waters is our Managing Director and is also a director of Fisher & Paykel Appliances Holdings.

And Martin Farrell is our Company Secretary and General Counsel.

This afternoon Ralph Waters and I will make presentations on the operations of the company. Hopefully we will cover most matters that are important to you, but if not there will be an opportunity for you to put questions and discuss matters of general interest to the company.

After this we will move to the formal part of the meeting with the consideration of the four resolutions outlined in the notice of meeting.

When we get to question time, it would be preferable if you could move to one of the standing microphones distributed around the room. If this is difficult for any reason, please feel free to raise your hand and we will bring a roaming microphone to you.

I should mention at this time two changes to the manner in which we will conduct the business of this meeting compared with previous years.

First, we will deal with any questions before voting on the resolutions.
This will give all shareholders the opportunity to discuss any matters before they have to vote.

Secondly, this year the resolutions will be decided by a show of hands. This will enable us to get through the formal business more efficiently. Although a large number of our shareholders are not present today, those who have lodged postal votes are deemed to be here for the purposes of a vote on a show of hands. I will comment further on the procedures before we ask you to vote.

The 2003 year was one of exceptional progress for Fletcher Building.

The profit after tax of $168 million was 91% up on the prior year's pre-unusual after-tax profit.

The company completed a major acquisition - Laminex, in Australia -approved by shareholders at this meeting last year. There has been a seamless integration with Fletcher Building, and a pleasing operating performance in line with the top end acquisition proposal expectations.

There were further sales of assets not germane to Fletcher Building's strategic direction, in Bolivia, Australia and India.

The company was substantially refinanced, with a strongly priced equity raising by way of a placement, a new series of capital notes and new banking facilities.

All-in-all the progress made has been such that the company's results are often favourably commented upon by investors and commentators. While the company has experienced a particularly favourable business environment in Australia and New Zealand, it has at the same time developed and implemented new strategic initiatives, and maintained a tight operational focus.

Further, since balance date, Tasman Building Products, an Australasian building products business, has been acquired - part funded by a further successful equity placement. Directors are aware that some shareholders would like to have participated in this equity raising through a rights offering. Unfortunately given the time constraints around the Tasman Building Products acquisition, the amount required to be raised, and the substantial work and cost required to provide an offering document to all shareholders that complies with the legal requirements of their home jurisdiction, this was not practical. With the Distribution division's strategic direction being concentrated on the trade rather than the retail market, the Building Depot and Hire A Hubby businesses have each been sold.

With so much corporate activity in the company over the year it is a credit to management that operational earnings were also pleasing. Earnings before interest and tax, the usual measure for operational earnings, were $331 million, up from $94 million in 2001 and $205 million in 2002. While there was assistance from a very strong housing market, these earnings, after adjusting out any contribution from Laminex, were around $100 million higher than when the company was last at the peak of the building cycle. Moreover, the returns on investment now are demonstrably better than at that time. These are the better measures of the progress the company has made over the past two years.

It is not surprising, therefore, that shareholders have been rewarded for that progress with total shareholder return of 43% for the June 2003 year - that is, share price appreciation plus the gross dividends including the value of tax credits. That is on top of 24% in the previous year. Dividends totalling 19 cents for the 2003 year were up substantially, from 14 cents in the previous year on an expanded capital base.

Growth

The company has invested around $1 billion since the last shareholders meeting on acquiring Laminex and Tasman Building Products. Our stated strategy since early 2002 has been to make a meaningful acquisition or acquisitions in Australia, assessed against a set of demanding criteria that would enhance Fletcher Building's earnings, provide less dependence on the New Zealand market and its cycle, and also provide new growth paths.

Laminex has met all these requirements to date. We continue to benefit from the continuity in the Laminex senior management team, which has remained committed to building the new Laminates and Panels business. Synergies are already running at a rate of around $10 million per annum - nearly double those advised at last year's annual meeting of $5 million per annum from 2004 onwards. The major gains have been in trans-Tasman freight savings, margin improvements in New Zealand and a sizeable organisational reduction in New

Zealand. Fortuitously, this is compensating for lower export margins resulting from the stronger Australian dollar against the US dollar.

Tasman Building Products is a smaller but equally appropriate acquisition. It was on our list of preferred acquisition targets, should it become available, even before Laminex... but the proposed Initial Public Offering of Laminex last year necessitated that we address that opportunity first. When Tasman was offered for sale this year, we were fortunate to have the resources to be able again to respond to the vendor's timetable and secure the opportunity.

Tasman is the Australasian market leader in fibreglass insulation, metal roofing tiles and access flooring systems, and is number two in stainless steel sinks. For many of you it will be better known through its Pink Batts insulation products. The Tasman business was in years past a unit of Carter Holt Harvey, and our acquisition brings ownership of the business home to New Zealand. The Tasman staff are very pleased to again be part of a New Zealand publicly listed company, and we could not have found a better cultural fit. The business is excellently managed, it has a highly reliable earnings record and it is on the brink of some real growth opportunities.

Some finance writers, analysts and even some shareholders have expressed reservations about these acquisitions, based on the patchy New Zealand record of cross border acquisitions. While we are at the early stages, I can confidently say that given the thoroughness of the pre-acquisition due diligence, the compelling strategic logic and, most importantly, the way the post-acquisition integration process has been handled in each of these transactions, we expect these acquisitions will continue to be successful and create value for shareholders.

Board

As noted at this meeting last year, the Board decided that, given the level of investment in Australia, it was appropriate for an Australia-based director to be added to the Board. I am pleased to say that, following an extensive search, a short list of appropriate potential directors was interviewed, and Geoff McGrath was appointed after meeting individually with all Fletcher Building directors. Geoff was, for more than 10 years, Chief Executive of GWA International - a Brisbane-based, Australian Stock Exchange listed, building products company with an enviable record of profit growth over a very long period. He knows our industry and the players in it very well indeed. Geoff will, of course, be standing for re-election at this meeting. It is pleasing to see from the postal votes already received the high level of support for his continued involvement with the company.

In the past few years, corporate governance has been a major focus for many people interested in achieving better value outcomes for corporates, including minimising the chances of corporate failures. There is an array of provisions and procedures in place that affect the company, arising from the exchanges on which we are listed and from regulatory regimes in the jurisdictions in which we operate. There is, however, no substitute for directors and management of the company being highly knowledgeable in what they do and acting with integrity, enthusiasm and commitment to the goals of the organisation. Your directors accept their role in ensuring that Fletcher Building has these attributes as the foundation for its future prospects.

We have traversed in some detail the corporate governance practices in place in the company in the annual report, so I will not repeat them here. Directors do believe that we have the appropriate procedures and, more importantly, the right people in the company to achieve high standards of corporate governance.

It is appropriate on that note to pass over to your Chief Executive, Ralph Waters, to speak on the operating results. I will comment on the outlook after that.

Outlook

I would now like to provide an update on current trading.

Although we noted in our full year results announcement and our annual report that we expected some slowdown in activity and demand this year, that has not yet been evident in either the New Zealand or Australian markets. On the contrary, strong trading has continued for the first quarter and all divisions are ahead of both their own plans and last year. The only real negative to trading has been the effect of the stronger New Zealand and Australian currencies on export margins.

From 1 October 2003 the company will also benefit from the earnings of Tasman Building Products, whose results are well ahead of last year and ahead of the projections on which our acquisition was based. As was the case last year, our present business mix results in a stronger first half than second half, but that will be moderated by the inclusion of the full six months of Tasman Building Products earnings in that second half.

If there is to be a slowing in activity levels, it is now unlikely, in our view, to be in time to have a material impact on this year's earnings... so we expect that this will be another good year for Fletcher Building and its shareholders.

Thank you.