

ANNUAL
REVIEW
2007



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This Annual Review summarises the company's operational and financial activities for the year ended 30 June 2007. This is not an Annual Report or a Concise Annual Report as provided for in the Companies Act 1993.

You can obtain a printed copy of the Annual Report if you complete and return the attached Notice. You can obtain an electronic copy of the Annual Report by going to the following website address: <http://www.fletcherbuilding.co.nz/corporate/resultsreports.aspx>



Annual shareholders' meeting

The notice of meeting, voting form and RSVP card for the Fletcher Building 2007 annual shareholders' meeting to be held at 10.00 am on Tuesday 13 November 2007 at the Rangitoto Ballroom, Langham Hotel, Auckland, New Zealand, will be mailed to shareholders closer to that time.



An international company based in New Zealand, with operations in Infrastructure, Distribution, Building Products, Steel and Laminates & Panels
Significant operations in New Zealand, Australia, the South Pacific, Asia, North America and Europe



Highlights

Another successful year, with record earnings and the acquisition of Formica Corporation providing new growth opportunities

Net earnings of \$484 million and eleventh consecutive dividend increase

Improved safety performance – lost time injuries declined by 32 percent on last year

Leadership development programme strengthened further

\$225 million invested to acquire and enhance the performance of existing businesses

Chief executive succession completed and new senior management team in place

Further improvements from environmental sustainability initiatives and reduced carbon dioxide emissions

Acquisition of Formica Corporation adds further geographical diversity to earnings

Chairman's review

Results

The company is able once again to report record earnings and increased dividends. Our net earnings after tax for the year to 30 June 2007 were \$484 million, up 28 percent on the previous year.

This significant increase in net earnings is principally the result of a one-off tax benefit of \$70 million, plus the tax benefit from other unusual items such as plant insurance recoveries. Even without these taxation benefits, the result would still have been an improvement on the prior year, notwithstanding the relatively soft markets for a number of the group's businesses.

Sales were \$5.9 billion, 7 percent higher than the previous year. All divisions recorded increased sales notwithstanding slower markets, particularly in New South Wales and Victoria. While New Zealand's residential market remained flat, good sales growth was achieved by the Infrastructure and Distribution divisions.

The result represents a 26 percent return on average equity and 24.8 percent on average funds employed. Earnings per share were 101.9 cents, up from 81.3 in the previous year. Total shareholder return (TSR – the increase in share price plus pre-tax dividends) was 42 percent. This follows TSR of 40 percent, 61 percent and 33 percent in the three previous years. As an aside, Boston Consulting Group reported that Fletcher Building had the highest TSR among the largest New Zealand publicly listed companies over the five years to 31 December 2006, with a compound rate of 38 percent.

Dividend

Directors approved the eleventh consecutive dividend increase when declaring a final dividend of 23 cents per share. The interim dividend was 22 cents per share, and the total dividend for the year of 45 cents per share is up 12.5 percent from 40 cents in the previous year. The final dividend will be paid on 11 October 2007. It is fully credited for New Zealand and Australian tax purposes. Non-New Zealand shareholders also benefit from the supplementary dividends attached to the imputation credits. Further details are available in the Investor Information section of the annual report.

Succession

Jonathan Ling took up the role of Chief Executive Officer in September 2006. He has lost no time in putting his stamp on the organisation, renewing the management agenda and, in the final part of the year, delivering a major strategic acquisition that opens up a new frontier of growth.

Jonathan's promotion created the opportunity for significant change in the senior management team, increasing breadth and diversity and providing new opportunities for the development of leaders across the business. The group has five divisions, four of which are now headed by new divisional chief executives. The acquisition of Formica Corporation from the start of the 2008 financial year will bring new talent and diversity based on its extensive international operations.

Sir James Fletcher

New Zealand lost an outstanding citizen and business leader with the death of Sir James Fletcher on 30 August 2007. Sir James was Managing Director of Fletcher Holdings from 1942 until 1979, leading the company through a long period of expansion and developing new industries that provided employment for thousands of people. He was instrumental in the success of many businesses that today form part of Fletcher Building. He remained actively involved in business as a director of Fletcher Challenge until 1990, and then with the charitable works of the Fletcher Trust for another decade.

Sir James was an imaginative leader with a willingness to take calculated risks in the interests of growth. He commanded the respect of his colleagues and gave it in equal measure. Many people who knew or worked with him are still involved with Fletcher Building and will be especially sad at his passing.

The selection and establishment of a new chief executive is perhaps the most important task faced by a board of directors. Accordingly, I am very pleased that the transition has been accomplished without a missed beat in terms of capturing strategic opportunities, performance and profitability, and with a positive reception from shareholders and the investment markets.

Corporate governance

The company has maintained its well proven corporate governance practices which combine active participation by a largely independent board through ten regular, and a number of special, meetings through the year. These are supplemented by regular site visits.

No significant changes to our governance practices have arisen during the year. A summary of these practices is provided in the annual report, and for fuller review the governance policies are reported on the company's website.

Acquisition of Formica Corporation

The Formica Corporation acquisition was announced on 23 May 2007 and completed on 2 July 2007, with the result that the newly acquired business will make a full contribution to performance in the 2008 year. Formica Corporation is the world's leading manufacturer of high-pressure laminates, with a globally-recognised brand and a track record of earnings improvement. It is highly complementary to our Laminex operations, which manufacture similar products in Australia and New Zealand.

This is a major step in the growth and geographic diversification of Fletcher Building, following three large acquisitions completed successfully in Australia in the past six years. It extends the operating horizons of the group in North America, Asia and Europe, and provides a further rebalancing of the geographical sourcing of our revenues, which is an important consideration for earnings reliability and sustainability.

While the acquisition of a global business is exciting in its own right, your board is conscious that it brings a mix of opportunities and challenges. Among the former are the opportunities for further growth and the replication of value-creating strategies and learning on a broader operational front. Among the latter are the challenges of providing good governance across a range of geographies and legal jurisdictions, working with different cultures and management styles, embedding a strong culture of performance and workplace safety, and forging common bonds across what will be a highly diverse organisation.

People

Fletcher Building has grown substantially since its listing in 2001, and now has just over 20,000 employees spread over 30 countries. Each one has a contribution to make, and we greatly respect the fact that the company's success is built on the efforts of its people. I record the board's appreciation and thanks to all.



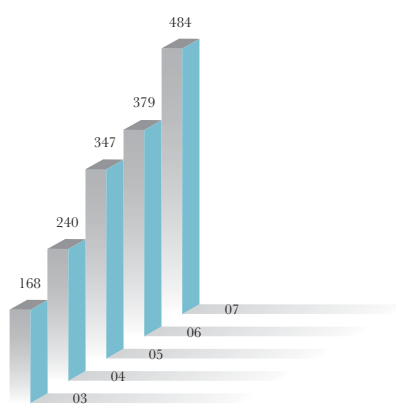
Chairman's review

A key issue in enabling people to perform and grow is leadership. We are fortunate to have strong teams at every level, but the requirement for improvement is never-ending and leadership makes the difference between success and failure.

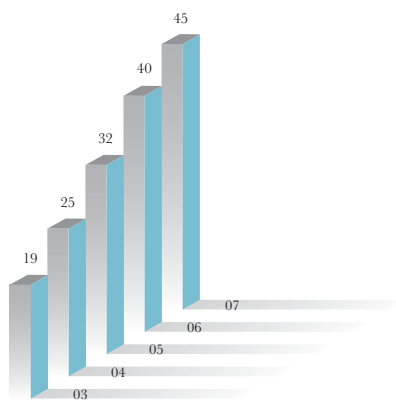
The other key focus in respect of our people is the provision of safe working environments. Our safety performance has improved significantly, as reflected in a marked reduction in the lost time injury rate. Nevertheless, we can continue to improve and we are continuing to increase the level of focus and resources devoted to this issue.

Shareholder reports

Your board has taken the opportunity of recent legislative and NZX Listing Rule changes to improve communication and reduce costs. This annual review is a succinct summary of the operational and financial activities for the most recent financial year. We hope you find it informative and easy to read. You can view the full annual report on the company's website, and if you still wish to receive a printed copy of the annual report you need to advise the company by completing the enclosed form.



Net earnings
NZ\$ Millions



Dividends
Cents per share

Outlook

In New Zealand, new housing consents are forecast to decline over the current year. Offsetting this decline, there remains a backlog of work to be completed, unsatisfied demand for alterations and additions, and ongoing commercial construction activity. Infrastructure activity is expected to continue at similar levels to those experienced in the latest year.

In Australia, housing is in a cyclical decline with New South Wales at very depressed levels, offset in part by strength in Queensland and Western Australia. A gradual recovery is expected in residential construction, while growth in non-residential building is expected to be flat. Infrastructure markets are expected to vary in strength from state to state, with engineering construction continuing to grow strongly.

The residential and other construction markets served by Formica Corporation in Europe and Asia are anticipated to remain strong although some weakness in North America is expected. In aggregate, Formica Corporation is expected to have a positive impact on earnings per share in the current year, assisted by synergies achieved in the integration with the Laminex business.

Whilst it is too early to predict results for the year, the board believes the group will report another satisfactory result for the year to 30 June 2008.

Roderick Deane *Chairman of Directors*

Chief executive's review

Group results

Operating earnings (that is, earnings before interest and tax) were \$703 million, including \$5 million of unusual gains, compared to \$675 million in the 2006 year. This 4 percent increase reflected the benefits of acquisitions, ongoing productivity improvements and the unusual gains, offset by the more difficult market environment.

This increase in operating earnings, in a softer trading environment, provided further validation of the group's strategy to build earnings reliability. The balance of exposures between different geographical regions and market sectors has served us well. All our divisions have performed well in the market conditions applying to them. At the same time we have been successful in further implementing our strategic objective to increase the earnings diversity of the company and provide a wider range of growth options, manifested through the acquisition of Formica Corporation.

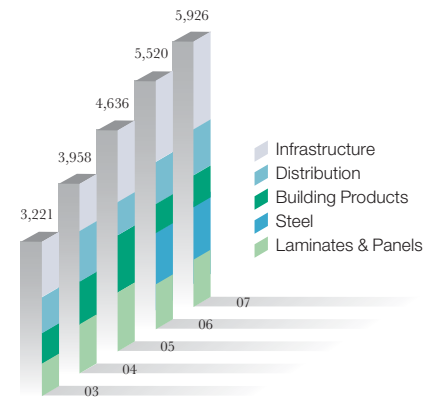
The \$5 million unusual gain includes the \$14 million net benefit of the insurance claims for damage to the Taupo medium density fibreboard plant and the Pacific Steel plant, as advised in May 2007. Offsetting this gain were the write-down of the investment in the Penrose hardboard mill, as the costs of meeting environmental compliance rendered the plant non-viable, and the write-down of the value of Australasian high pressure laminate assets following the Formica Corporation acquisition.

Divisional results reflected the mixed operating environment, with earnings increases in Infrastructure, Distribution and Laminates & Panels more than offsetting decreases in Building Products and Steel.

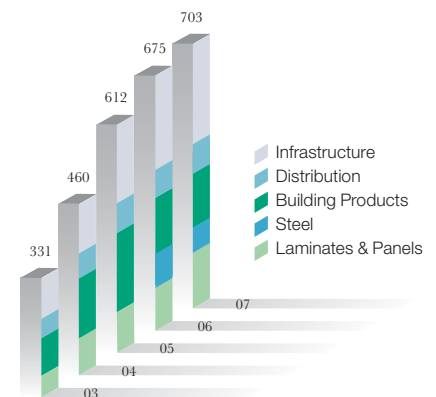
Infrastructure lifted operating earnings from \$255 million to \$271 million, with all key businesses improving earnings, despite a small fall in cement volumes and very weak market conditions in New South Wales. Distribution's operating earnings increased from \$75 million to \$80 million despite a very significant increase in retail competition. Laminates & Panels increased from \$116 million to \$131 million, with margin pressure in the Australian business offset by expense control, and improved earnings in New Zealand despite the closure of the Taupo medium density fibreboard plant following the fire.

Building Products' operating earnings declined slightly to \$141 million with key factors being flat conditions in residential new-build segments in New Zealand and lower activity on the east coast of Australia. Steel's operating earnings declined \$13 million to \$80 million, with an unprecedented increase in raw material costs. Both divisions were affected by the high level of the New Zealand dollar, limiting export earnings and the scope for domestic price increases.

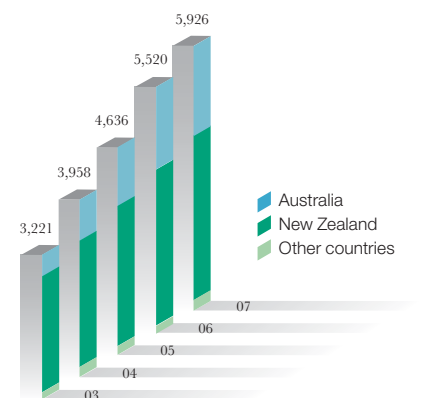
The group is in a sound financial position, with excellent operating cashflow and gearing within the policy guideline. Gearing was 22.2 percent at balance



Sales by division
NZ\$ Millions



Operating earnings by division
NZ\$ Millions



Sales by geography
NZ\$ Millions

date and 41.1 percent after settlement of the purchase of Formica Corporation, supplemented by a \$321 million equity raising. Interest cover improved from 9.3 to 9.8 times over the course of the year and is expected to reduce to around 7.0 times after the acquisition of Formica Corporation.

New management team

There has been significant change in the senior management team, creating opportunities for divisional chief executives to broaden their experience and for other executives to move up to divisional roles.

My former role as Chief Executive, Laminates & Panels was filled by David Worley, who had previously headed the Distribution division. David Edwards, formerly a senior executive in Laminates & Panels, was appointed to the

Left to right:

Back:

Chris Ellis,
Bill Roest,
Mark Binns,
Peter Merry

Middle:

Paul Zuckerman,
David Edwards,
Frank Riddick

Front:

Martin Farrell,
Jonathan Ling,
David Worley



Distribution role. The resignation of the Chief Executive, Building Products resulted in the appointment of Chris Ellis, formerly General Manager of Winstone Aggregates, to that position.

The Steel division created through the split from Building Products is headed by Paul Zuckerman, who was recruited from BlueScope Steel, where he was responsible for operations in China. The Infrastructure division and the newly-acquired Formica Corporation continue to be headed by Mark Binns and Frank Riddick, in roles they have performed with distinction for six and five years respectively. The senior management team is rounded out by Martin Farrell, Peter Merry and Bill Roest in the senior functional roles they have each performed for several years.

The team includes a strong mix of management and functional talent with a blend of long-standing and recently-introduced experience. The Formica Corporation acquisition and the recruitment of Paul Zuckerman have also increased the breadth of experience of the team. We have strong experience in every operating arena, a mix of nationalities, and a number of executives who have carried out leadership roles in more than one geographical market. This is a strong basis for continued learning, improvement and development.



Formica Corporation's North American corporate office. This is also the location of the main North American HPL plant.

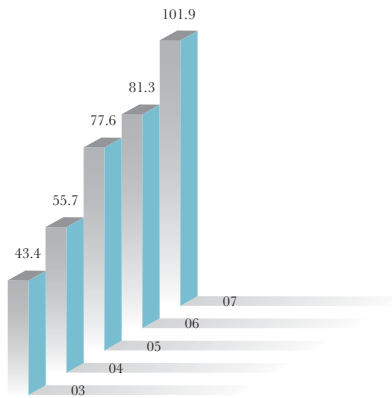
Acquisition of Formica Corporation

The Formica Corporation acquisition is a major advance in the group's development, increasing our international profile and serving our strategic objectives at a number of levels. It increases the size of Fletcher Building, adding approximately \$1 billion of sales, or about 17 percent on the existing base. With this acquisition, Fletcher Building has become the largest listed building materials company based in Australia and New Zealand.

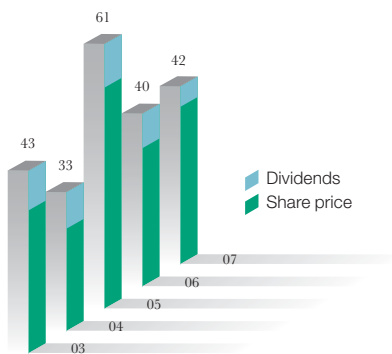
Formica Corporation is a recognised leader in innovation in high pressure laminate products, through continuous development of new colours, designs, textures, materials and concepts. Like Laminex, it offers a wide variety of visual effects, retaining the high performance and durability characteristic of laminate products.

Formica Corporation meets all the criteria Fletcher Building employs to assess potential acquisitions – being complementary to existing operations, holding

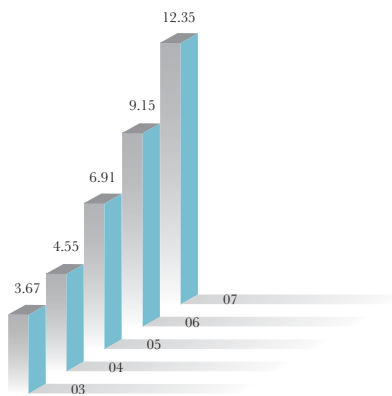
Chief executive's review



Earnings per share
Cents



Annual total shareholder return
Percentage



Share price
As at 30 June NZ\$

leading market positions and recognised brands, operating within a favourable industry structure, having strong management in place and creating a positive financial impact on the group.

We expect the Formica Corporation acquisition to have an immediate positive financial impact, increasing normalised earnings per share from the current year. Perhaps most importantly, Formica Corporation presents further opportunity for growth and development based on the juxtaposition with our existing laminates and panels business – for example:

- It is a logical extension to our existing business, with the opportunity to establish a truly global laminates platform. Formica Corporation's high quality Asian manufacturing facilities will enable us to achieve global lowest cost competitiveness in Australasia, and its distribution network provides a strong platform to distribute Laminex products into Asian growth markets.
- The complementary nature of Formica Corporation's product offering and manufacturing capabilities will enable significant synergies to be achieved, expected to be approximately \$13 million in the current financial year and \$24 million in 2009.
- Formica Corporation has a series of earnings enhancement projects in North America, including the consolidation of manufacturing sites for high pressure laminates and other supply chain optimising initiatives scheduled to be completed by June 2008.
- While markets for high pressure laminates are generally mature, growth opportunities exist in Formica Corporation's Asian and Eastern European businesses, where increased demand is expected.

Formica Corporation's strong track record of success in change projects, along with Fletcher Building's experience, underpins our confidence that the expected earnings improvement will be achieved. We are delighted that the key members of Formica Corporation's management team have committed to stay with the company under Fletcher Building's ownership and contribute to the next phase in Formica Corporation's development.

Strategic agenda

The company continues to focus on earnings reliability as an important factor in generating good shareholder returns. Key factors include the balance of exposures to different market sectors and geographical regions. In respect of the former, it is close to the desired balance of an even split in revenue between the residential, commercial and infrastructure sectors. In respect of the latter, it has achieved a significant gain through the Formica Corporation acquisition. It has also completed a number of smaller acquisitions to enhance existing market positions or introduce new products. While the company has increased its exposure to the laminates markets this is not seen as signalling a change in the strategy of product and geographic diversification.

With continuing strong cashflows and financial ratios, the company is well positioned to make further acquisitions to enhance its overall position. It will do so where strategically compelling opportunities are available and these meet its established acquisition criteria.

Growth will also continue to be sought from internal sources. In the latest year the company invested \$225 million of its \$346 million of capital expenditure on small “bolt-on” acquisitions and internal growth projects. It will continue to invest in the current year, with key projects including the final stage of the particleboard capacity upgrade in Western Australia; increased MDF capacity at Gympie; a metal roof tile plant in Eastern Europe and ongoing upgrades to the steel mill. Support for programmes to promote innovation as a generator of earnings growth will also be provided.

People

The group has steadily increased the level of resources and focus devoted to leadership development. Our key objectives in this regard are to build individual leadership capability, drive high team and individual performance and foster the visibility and development of key management talent.

Some courses are offered in conjunction with major universities, and two are accredited and thus lead to formal academic qualifications. The group has particularly strong relationships with the University of Auckland Business School and the Melbourne University Mt Eliza Centre for Executive Education. Since 2001, 33 senior managers have attended programmes in the United States, the United Kingdom and Australia. We are currently sourcing similar programmes with an Asia-Pacific focus. Further information on leadership development is included in the People section in the annual report.

The company’s leadership development and executive education programmes are also supported by the Fletcher Building Employee Educational Fund which supplemented expenditure by the company. Funding of \$5.1 million was approved by the Fund in the 2007 year.

The company has provided early support for the introduction of the New Zealand government’s KiwiSaver retirement saving scheme, committing to provide a voluntary employer contribution to employee accounts from the date of the scheme’s introduction. This voluntary contribution will reduce as the introduction of compulsory employer contributions is implemented over the ensuing years.



*Top and middle: Since the **The Manager’s Toolkit** was launched in February 2006, 396 people managers have participated. The programme is a series of 30 workshops that cover *Managing Yourself, Managing Others, Managing the Business and Managing Risk*.*

*Bottom: A **Fletcher Aluminium** cross-functional team meeting to discuss process improvements.*

Chief executive's review



*Courtney Gould lifts sheet steel in preparation for wrapping and strapping at the Auckland, New Zealand, coil division of **Fletcher Easysteel**.*

Health and safety

Our highest priority is to provide safe working environments across all our operations. Our safety performance has improved at a group level, evidenced by a 32 percent decline in the lost time injury rate in the latest year, from 9.67 to 6.53 per one million hours worked. While we have made progress in this regard, we are seeking continued improvement.

Business units are required to prepare annual health and safety plans and assessments of safety performance and programmes are included in all business unit operational reviews. Managers are fully accountable for ensuring that hazards are identified and properly addressed, and the board receives regular reports on all aspects of safety performance.

All employees are required to keep themselves safe and help their colleagues to do the same. We accept our responsibility to ensure this is understood and that full compliance is achieved. Education and training programmes are in place throughout the group for this purpose.

A more comprehensive review of safety performance and initiatives is available in this year's annual report.

Environmental sustainability and climate change

Fletcher Building continues its active engagement and leadership in sustainability issues. This drive to be environmentally sustainable has a number of dimensions, including our ongoing programmes to reduce carbon dioxide emissions, the development of building designs, products and services that enhance both our competitiveness and environmental performance, and our compliance with regulatory requirements.

In the last year a number of initiatives were completed that have reduced carbon dioxide emissions and improved energy efficiency. These include the new power transformer at Pacific Steel, the new drier at Laminex's Dardanup particleboard plant, the new furnace at the Victorian insulation factory and the upgrade of Golden Bay Cement mill.

In the coming year, new projects that will improve energy efficiency include the new furnace shell at Pacific Steel, the new furnace at Tasman Insulation in Auckland and the new heat plant at Laminex's Gympie MDF mill.

Our manufacturing operations also contribute to reduced environmental effects and greenhouse gas emissions through the use of materials that would otherwise be sent to landfill. Our use of recycled materials makes Fletcher Building the largest recycler in New Zealand. Examples include:

- Golden Bay Cement uses flyash as a supplementary cementitious raw material.
- Pacific Steel uses more than 200,000 tonnes of scrap steel in the electric arc furnace. The electric arc furnace process used to produce steel from scrap is significantly less energy and carbon dioxide intensive than the integrated process required when using iron ore as raw material.
- The Laminex Group uses 250,000 green tonnes of biomass waste in the manufacture of its panels. This biomass waste would otherwise generate carbon dioxide/methane emissions from landfills. The Laminex Group is the only composite wood panel manufacturer in New Zealand to develop the manufacturing processes required to use such volumes of biomass wood waste.
- Recycled glass makes up 80 percent of the raw material required to manufacture glasswool insulation.
- Winstone Aggregates has initiated a project to use 50,000 tonnes per annum of steel mill production waste in producing road materials.

Our manufacturing operations also produce and use significant quantities of renewable energy. Golden Bay Cement and Laminex's board plants, for example, use waste wood to generate energy.

Fletcher Building is also participating in a number of organisations that are contributing leadership to sustainability practices and policies, such as the Green Building Councils in Australia and New Zealand.

Environmental issues, and in particular those relating to climate change, will retain a very high level of management focus as we go forward. A more comprehensive review of the company's environmental programmes is included in the Environmental Sustainability and Climate Change section of the annual report.

Summary

The 2007 year has been an important one for Fletcher Building – a year of management change and significant repositioning. It is the beginning of the next phase in increasing the geographic diversity of the company and providing a wider range of growth options. But, just as pleasing, it has been another year of good operating performance and record earnings.

Jonathan Ling *Chief Executive Officer and Managing Director*



Pacific Steel is New Zealand's principal recycler of scrap steel, which it uses to manufacture wire rod and reinforcing bar at its plant in Otahuhu, New Zealand.



Finished Pink Batts come off the production line at Fletcher Insulation's plant in Dandenong, Victoria, Australia.

Divisional reviews



*Gas ducting being lifted into place as part of the Gas Train Modification project at the **Golden Bay Cement** plant near Whangarei, New Zealand.*

Sales	\$1,944 million
Operating earnings	\$271 million
Funds	\$767 million
Employees	6,120
Key Brands	Winstone Aggregates Fletcher Construction Fletcher Homes Rocla Golden Bay Cement Firth Humes

Infrastructure

The Infrastructure division is a vertically integrated business consisting of a construction materials business which supplies aggregates, cement, ready-mix concrete and a range of manufactured products in New Zealand. The division is a major supplier of concrete pipeline products and aggregate sands throughout Australia. It is the largest construction contractor and residential builder in New Zealand.

Performance

Sales and earnings grew for the sixth year in succession despite lower cement volumes and very weak market conditions in New South Wales. The key operations all reported higher earnings than in the previous year.

Sales for the year were up 7 percent to \$1.9 billion. Operating earnings grew by 6 percent to \$271 million. The division's return on funds employed was 35 percent, compared to 33 percent for the previous year.

Most of the division's earnings are derived from the New Zealand market, where overall demand was slightly weaker than in the 2006 year. Concrete operations reported 9 percent growth in operating earnings, with higher margins recorded for most products. Sales volumes for aggregates, concrete, concrete pipes and masonry were slightly higher than for the previous year, but cement volumes were down by 45,000 tonnes. Operating earnings from the Residential business grew by 36 percent, and those from Construction were also higher.

As in previous years, a key focus for management was to improve margins. The division continued to benefit from a range of pricing initiatives, cost reduction programmes, product rationalisations, investments and divestments aimed at enhancing operational performance. Divestments included the Hinuera quarry operations, some surplus property and since balance date the Stresscrete operations. The improvement in New Zealand concrete earnings was primarily a consequence of these initiatives rather than market growth.

Operating earnings from the Golden Bay Cement business improved despite the full commissioning of the final capacity upgrade in the first half. In the second half, manufacturing performance exceeded expectations and the financial results of the business were strong. Sales volumes were lower than for the previous year, but prices were higher and overhead costs were reduced.

Winstone Aggregates recorded an increase in earnings on similar trading volumes. Operational performance continued to benefit from capital investment, reduced production costs and price increases. Overall margins were higher.

Firth's earnings were slightly ahead of those for the previous year. Concrete sales volumes were higher due to investment in new sites. The contribution per cubic metre of concrete was lower, with prices in the Auckland and Waikato areas under pressure. Large raw material and distribution cost increases could not be fully recovered. Firth's masonry volumes were similar to those for the previous year, but margins were higher, due primarily to cost savings resulting from capital investment.

The pipe market remained strong, and Humes' operating earnings improved despite some margin deterioration. While market conditions remain firm, margins are expected to be constrained by competition.

The Rocla pipeline and quarry businesses performed well, recording a 21 percent return on funds employed compared with 18 percent for the 2006 year. The quarry products business recorded lower earnings from New South Wales but had very strong results in all other states. The pipeline products business recorded increased sales volumes for all major product groups, and earnings were ahead of expectations.

Fletcher Construction had a strong year, with operating earnings improving by 6 percent. All operations performed to expectations, with the construction backlog being \$775 million at year end. Major contracts won during the year were the BNZ Centreport (\$66 million), Tauranga Harbour Link (\$130 million), Hobson Bay sewer tunnel (\$50 million) and Lower Hutt motorway (\$35 million). This backlog, strong prospects and continued firm market conditions, suggest that workload will remain healthy in the commercial building and engineering operations.

Fletcher Residential had an exceptional year, with strong demand recorded in Auckland and increasing interest in the Queenstown development, Jacks Point. Prices and margins increased, as did earnings despite a reduction in the number of houses completed.

Earnings from the Fijian and Peruvian businesses were \$3 million compared with \$8 million last year. Difficult trading conditions in Fiji are likely to continue in the next financial year.

Fletcher Concrete and Infrastructure was found guilty during the year of charges under the Health and Safety in Employment Act, arising from a fatal accident in 2005 at the Stresscrete Papakura concrete products plant.

The company accepted responsibility for the accident, which claimed the life of Mr Esera Visasio. A fine of \$225,000 was imposed.

This tragic accident, which occurred despite the active presence of a range of safety programmes and systems, is deeply regretted. The company apologised to Mr Visasio's family and participated in a restorative justice process over the two years following the accident. Financial reparations were agreed as part of this process.

Work in progress for Fletcher Construction on the University of Auckland Business School, an 11-level campus for teaching and research activities.



Divisional reviews



Business improvement

The primary focus of the capital investment programme is high-returning organic growth opportunities. This has contributed significantly to the substantial earnings growth achieved in recent years, and will assist the businesses within the division to achieve superior operational performance and returns in the future. Infrastructure invested \$110 million in the 2007 year, compared with \$128 million in 2006.

The final project in the Golden Bay Cement upgrade was commissioned during the year. The upgrade programme, which commenced in 2002, involved an investment of \$106 million and increased production capacity to 930,000 tonnes per year. The upgrade delivered substantial savings from improved fuel efficiency, reduced use of imported clinker and increased cement milling capacity in the second half of the financial year. Further benefits of approximately \$10 million per year are anticipated.

Further investment was made to enhance Winstone Aggregates' and Rocla Quarry Products' positions in their key markets. Winstone Aggregates undertook a number of major initiatives within the Auckland region – continuing development of the Hunua quarry, commencing re-development of the Whangaripo quarry, doubling extraction capability and gaining resource consent to increase sand volumes from the Kaipara Harbour, and replacing processing plant at Three Kings quarry. In the Waikato region, the development of the Whitehall quarry was progressed, and in Wellington the Petone sand processing plant and barge were replaced. Rocla Quarry Products obtained consent for the extension of the Calga quarry north of Sydney, and neighbouring land was acquired for future expansion.

Firth enhanced its competitive position in a number of markets through targeted investment in new plant, equipment and concrete trucks. Investment in a new chip plant and upgrade of its Auckland masonry plant were undertaken during the year. Rocla Pipeline Products invested in upgrading and expanding its railway sleeper operation after winning a major contract.

Construction upgraded major plant, with particular emphasis in areas where it could achieve good productivity gains and further enhance its competitive advantage. In addition, it acquired a small piling business which is complementary to the existing foundation engineering operations of the company.

The division has made further progress with its strategy of divesting low returning and surplus assets, generating \$28 million of cash during the year.

Distribution

The Distribution division predominately operates under the PlaceMakers brand with outlets throughout New Zealand selling building materials and related products to trade and DIY customers. It also provides a distribution channel for a number of other Fletcher Building companies.

Performance

Sales grew by 11 percent over those for the previous year to \$1,064 million. Charge sales rose by 12 percent, while cash sales were up 9 percent despite a very significant increase in retail competition with the opening of a number of large format stores.

Sales growth was supported by the store development programme, but the development costs affected operating expenses. Internal sales management programmes continued to improve revenues, as did acquisition growth. Operating earnings at \$80 million were 7 percent higher for the year – a creditable performance in a slowing new housing market.

Capital expenditure for the year was close to \$18 million, allocated primarily to the new store upgrade programme. Expenditure on information systems continued to enable the replacement of some ageing hardware, but the development of new technologies to improve business processes for customers continues as a priority. A new store computer system was approved during the financial year with implementation in branches starting later this year.

There has been a concerted focus on improving returns from frame and truss manufacturing through ongoing measurement and benchmarking of costs, productivity and volumes. A regional investment strategy for these plants has been established, based on creating best practice models with a major focus on health and safety processes.

Business improvement

New stores were opened in Takanini, Wanaka, Richmond, Whitianga and Palmerston North, replacing outdated facilities. Additionally, six stores were expanded and upgraded and a new distribution facility was added to expand the growing Cook Street, Auckland business.

The acquisition programme continued during the year. Selective acquisitions consistent with strategic intent and financial objectives were concluded. Small depot locations were acquired in Mangawhai and Stratford, while an attractive purchase was made in Cromwell. Maddren Timber, a well established operation in West Auckland, was also acquired.



PlaceMakers Te Rapa, one of six stores upgraded during the year.

Sales	\$1,064 million
Operating earnings	\$80 million
Funds	\$163 million
Employees	2,751
Key brands	PlaceMakers



Inside the PlaceMakers Kerikeri store.

Divisional reviews



Molten glass pours from the new environmentally friendly Intech furnace at **Fletcher Insulation's** Dandenong plant.

Sales	\$697 million
Operating earnings	\$141 million
Funds	\$565 million
Employees	1,880
Key brands	GIB Pink Batts Insulco Gerard Decra Fisher



Oliveri's latest sink range, *Nu-Petite*, combines clean, square styling with generous capacity and a refined drainer design.

Building Products

The division has a range of New Zealand and Australian businesses involved in the manufacture and distribution of plasterboard, glasswool insulation, roof tiles, sinkware and ceiling, wall and flooring systems.

Performance

The division recorded a slight decrease in operating earnings before unusual items, of 1 percent to \$141 million. This was a satisfactory performance given the range of economic factors that affected trading during the year – flat conditions in the residential new-build segments in New Zealand, the ongoing decline in activity in the key east coast metropolitan markets in Australia, and the strong New Zealand dollar experienced for most of the year, which affected export earnings and limited the ability to achieve price rises in domestic markets.

The plasterboard business performed well with the historically high New Zealand dollar supporting significant import pressures. Earnings were also maintained from the previous year, on sales volumes 4 percent higher.

In Australia, Fletcher Insulation's earnings fell 29 percent due to very soft residential markets in New South Wales and Victoria, price pressure from imports and one-off impacts from the merger of our two insulation businesses. Stronger market conditions in Queensland, Western Australia and Tasmania were offset by high transport costs from manufacturing plants in New South Wales and Victoria. A significant programme of restructuring was completed during the year to focus the business on its glasswool operations and included closure of the polyester manufacturing facility in Sydney and replacement of the glass wool furnace in Melbourne. Performance improved in the June quarter.

In New Zealand, insulation earnings fell 13 percent due to increased costs in glasswool manufacture that were not recoverable due to import pressure.

The metal roof tile businesses performed particularly well despite the strong New Zealand dollar affecting margins on exports from the AHI Roofing plant in Auckland. Manufacturing plants in New Zealand and Malaysia achieved record production and sales volumes up by 13 percent overall. Earnings rose 23 percent. The metal roof tile businesses continue to advance a "global niche" strategy, with the growth in European sales at such a level that a decision has been made to build a manufacturing plant in eastern Europe.

Among the "single business" assets, Tasman Sinkware performed very well, with strong domestic sales of the market-leading Oliveri range offsetting reduced demand in the United States. Tasman Access Floors had its best year

since it was acquired in 2003 and the Forman group, acquired in December 2006, made a significant contribution to the division's results in the subsequent seven months.

Business improvement

Many of the division's businesses are well placed to benefit from the rapidly growing focus on energy efficiency in new and existing homes, and in commercial developments. The division continues to support the work being done by the Beacon Pathway research consortium, carrying out research initiatives on energy efficiency. In particular, the insulation businesses will benefit from new regulations announced in New Zealand and increasingly being implemented in Australian building requirements.

The division's exposure to the New Zealand residential housing cycle has long been recognised. Diversification measures during the year include the acquisition of the Forman group in New Zealand, with its focus on the commercial and industrial markets. Further growth was facilitated in sales of metal roof tiles in Europe, and the establishment of an in-market manufacturing facility will further diversify geographical earnings.

Significant capital projects were completed during the year, to a total value of \$36 million, of which \$13 million is growth capital. These included replacement of the gas-fired melter at the Dandenong glasswool plant with the division's proprietary Intec electric arc furnace, which was successfully commissioned in February 2007. Winstone Wallboards completed and commissioned a bulk gypsum storage facility at its Christchurch plasterboard plant, and Tasman Sinkware completed a robotic press in-feed project at its Adelaide sinkware plant. Fletcher Aluminium advanced a number of information technology projects which will provide industry-leading support to its franchisee network.

In the current year, plans are well advanced for replacement of the Auckland glasswool plant melter with an Intec furnace, and a new plasterboard finished goods bulk warehouse and despatch centre in Christchurch to strengthen the "house lot" ordering and "delivery to site" services.

Steel

The Steel division comprises three businesses – long steel products, which converts scrap metal into reinforcing rod and bar; a rollforming business; and steel merchandising.

Performance

Operating earnings before unusual items were below expectations despite a strong first half, with a decrease of 14 percent to \$80 million. The long steel business experienced an unprecedented increase in scrap raw material input



Winstone Wallboards has developed a broad range of literature for specifiers, tradespeople and homeowners. All of these are available online.

Divisional reviews



The rod line at **Pacific Steel** in Auckland, New Zealand which produces reinforcing steel and wire rod for the construction and rural markets.

Sales	\$1,161 million
Operating earnings	\$80 million
Funds	\$496 million
Employees	3,305
Key brands	Pacific Steel Pacific Wire CSP Cyclone Fletcher Reinforcing Fletcher Easysteel Pacific Coilcoaters Dimond Stramit



A panelised formwork solution provided by Stramit for the Freshwater Place project, a major commercial high-rise development in Melbourne's central business district.

costs. The high New Zealand dollar limited the division's ability to achieve corresponding domestic price increases, and also its scope for export earnings.

The rollforming business enjoyed a successful year in a more competitive trading environment in both Australia and New Zealand. Operating earnings were at the previous year's level. Stramit was successful in acquiring the business of Eziform Sheetmetals, effective 1 May 2007, adding expertise and capability in the commercial sheetmetal segment of the south east Queensland market. The benefit to 2007 year's result was not significant. Subsequent to balance date, the acquisition of the Fair Dinkum Homes and Sheds business has been announced. This represents a significant investment for the rollforming business as Fair Dinkum Homes and Sheds is the major supplier of pre-engineered buildings in the Australian market, and also with a presence in New Zealand, UK and South Africa.

Fletcher Easysteel, the steel merchandising business, performed above expectations, with significant growth in its processed steel segments.

Unusual write-offs totalling \$9 million arose during the year. Of this, \$4 million related to the failure at the Pacific Steel plant in October 2006 and the balance to costs associated with exiting two technical ventures that were not meeting the strategic objectives of the division and a charge related to restructuring costs for the wire processing businesses. The drought in Australia, the high New Zealand dollar and poor returns in the sheep and beef sector put pressure on the rural markets which consume many of the division's wire products.

Business improvement

New management was introduced into the long steel business in the second half of the year, with the objective of achieving sizeable improvements in all operating and financial measures over the short term.

The steel plant installed a new transformer with increased capability in February 2007. This was on order at the time of the transformer failure in October 2006, as the risk to the business of such a failure had been recognised. The new transformer is part of a series of projects that will increase the capacity of the plant by 20 percent, to enable production of 300,000 tonnes of steel billet per year.

In total, the division completed capital projects amounting to \$36 million. Aside from the transformer, these included improved capability in the rollforming business, a new facility in Christchurch for Dimond and one in Rockhampton for Stramit.



Dimond's new facility in Christchurch, completed during the year.

Laminates & Panels

The division comprises the Laminex Group which is Australasia's leading manufacturer, marketer and distributor of high- and low-pressure decorative surface laminates. It also manufactures and sells particleboard and medium density fibreboard.

The recently acquired Formica Corporation will become part of this division.

Performance

The division performed strongly again, increasing sales to \$1,058 million and operating earnings to \$131 million. Funds usage decreased, primarily as a consequence of the loss of the Taupo medium density fibreboard (MDF) plant by fire in September 2006.

Trading conditions varied across the region, with Australia performing particularly well. In total, the Australian business achieved sales growth, but with some pressure on margins. Expense control contributed to a lift in operating earnings.

While sales from New Zealand were well down on the previous year as a consequence of the Taupo fire, earnings increased with the aid of initiatives in the sales and distribution business, improved export earnings, and the inclusion of the full year of earnings from the O'Brien bench top fabrication business purchased in April 2006.

The division continues to have a strong export presence in South East Asia, China, Korea and Japan, but export volumes of MDF declined by 30 percent due to the loss of the Taupo facility. As a result of the fire, a favourable outcome was achieved with insurers and a cash settlement was taken and is reported as an unusual item for financial reporting purposes. It was regrettable that approximately 80 employees were directly affected by the closure of the facility. Excluding the Taupo plant, production of MDF, particleboard and low pressure melamine were all up from the previous year.

Sales	\$1,058 million
Operating earnings	\$131 million
Funds	\$814 million
Employees	2,566
Key brands	Laminex Formica Melteca O'Brien Laminates Greenfirst Wespine

Divisional reviews



*Top: The **Laminex** medium density fibreboard facility at Gympie, Australia, is being upgraded with a new heat energy plant to be completed during the 2008 year.*

*Bottom: A rotary cooler at the **Laminex** particleboard plant in Kumeu, New Zealand, cools jumbo boards from 100 to 45°C after they leave the pressing process.*



The Laminates & Panels design centre in Parnell, New Zealand was already a supplier of Formica products.

The Wespine joint venture, the major pine sawmiller in Western Australia, faced a difficult year with earnings down largely as a result of the supply of lower quality logs from the current harvest of state owned plantations.

Business improvement

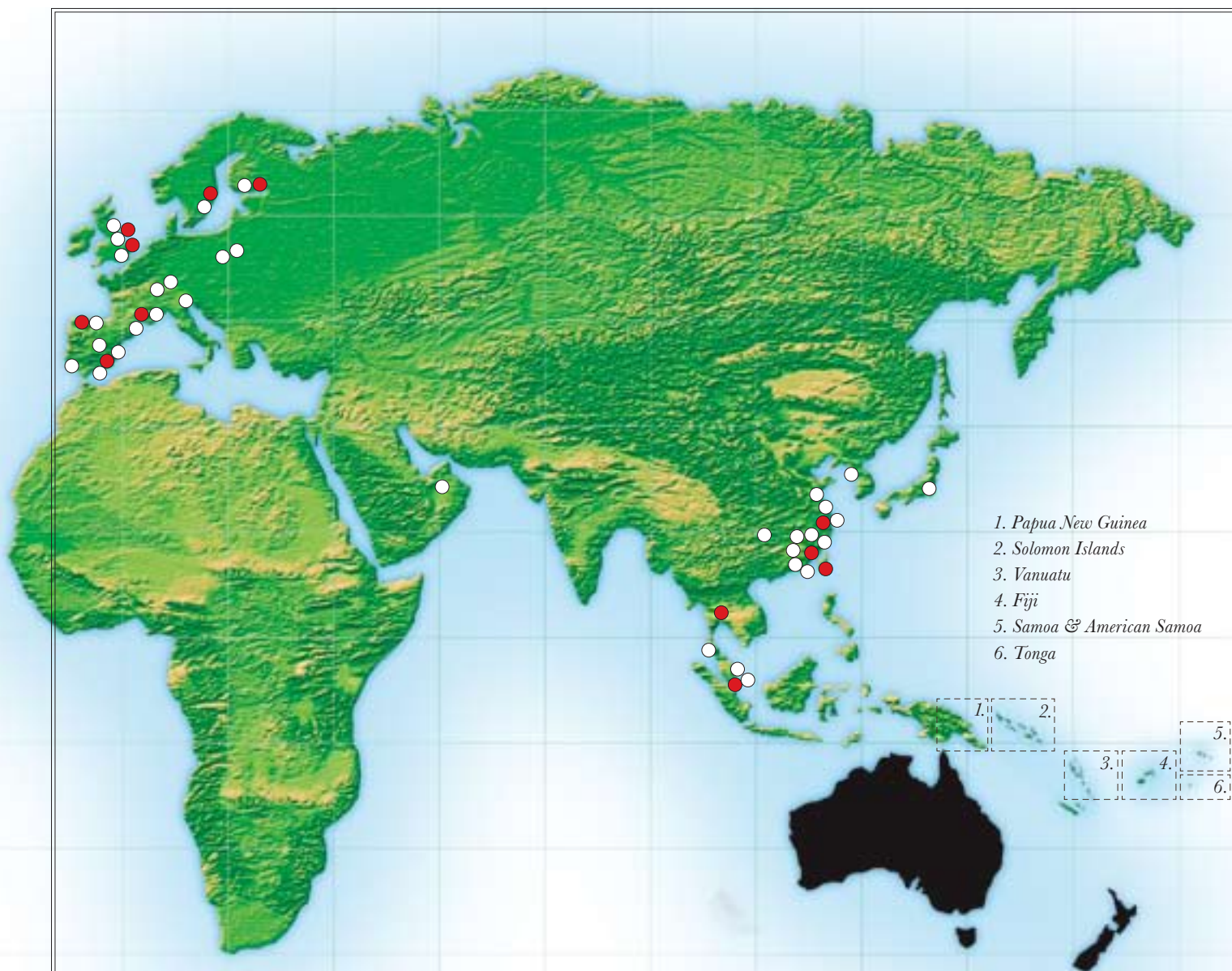
Particleboard manufacturing was enhanced through the successful commissioning of two key capital projects. The Kumeu plant commissioned its upgrade in June 2006, increasing production by 17 percent for the year. The Dardanup plant completed its drier upgrade in December 2006 and is already providing operating and environmental benefits.

A major upgrade was started at the Gympie medium density fibreboard site, involving the construction of a new heat energy plant. The project will cost \$16 million and is expected to be complete in March 2008.

Construction started on a metropolitan distribution centre in Perth and a new branch in Bunbury to take advantage of the rapid growth in the southwest region of Western Australia. Both projects will be complete in 2008 at a cost of \$4 million.

The division continues to focus on achieving operational efficiencies, with the immediate priorities being the successful rationalisation of its high pressure laminating facilities post the Formica Corporation acquisition and increasing MDF capacity at Gympie.

The division launched a number of new products, including a range of reconstituted timber veneers developed from plantation timbers. The launch of a new Vizage vertical surface range will provide a new offer in wet area applications. The ongoing commitment to the Greenfirst range of products has seen the division strengthen its close working relationship with the Australian Ecolabelling Association.



GLOBAL LOCATIONS

With the acquisition of Formica Corporation, effective 2 July 2007, Fletcher Building now operates from 560 locations around the world, of which 192 are manufacturing sites.

NEW ZEALAND

The Forman group joined Fletcher Building in December 2006. It manufactures, distributes and installs thermal and acoustic insulation, ceiling and wall systems and other products to the commercial construction market. Annual revenues are \$70 million and it has 270 employees throughout New Zealand.



*Specialist metal ceilings installed by **Forman Commercial Interiors** at the Britomart transport project, in Auckland, New Zealand.*

New Zealand

There are more than 320 places of business representing every division of the group:

- 138 manufacturing or quarry sites*
- 186 sales, technical, distribution, retail or general support offices*

Operations are located throughout the country, but mainly in the cities and towns of the North Island. The Auckland region has 42 Fletcher Building manufacturing or quarry sites and 51 other locations. The group's corporate office is in Penrose, Auckland.



SITES WORLD WIDE

- manufacturing operations
- sales, distribution or other administrative offices
- ⌈ regional construction offices

UNITED STATES

Cincinnati, Ohio, is headquarters of Formica Corporation. Fletcher Building's recent acquisition is the culmination of three years discussion and evaluation. Formica Corporation's financial performance, product portfolio and employee base are continuing to be revitalised in recent years and the business outlook is solid.



Lobby of Formica Corporation's downtown corporate office, Cincinnati, USA. The wall is clad with Formica veneer cathedral cherry.

ASIA

AHI Roofing is making inroads into growing Central Asian markets from its regional base in Hong Kong. One customer is developing a major residential and commercial complex near Shenzhen, China.



A major complex emerges with the help of AHI Roofing in Shenzhen city, near Hong Kong.

Another is building condominiums in the Mongolian capital Ulaanbaatar, where energy resources and a strategically important location are fuelling growth.

AUSTRALIA

The Laminex group continued to expand its manufacturing and distribution facilities. The Dardanup plant completed its drier upgrade in December 2006 and is already realising operating and environmental benefits. A major upgrade began at the Gympie medium density fibreboard site, involving construction of a new heat energy plant. Construction started on a metropolitan distribution centre in Perth, and a new branch in Bunbury to take advantage of rapid growth in the southwest region of Western Australia.



The new woodchip drier at the Laminex site in Dardanup, Australia, commissioned in December 2006.

Australia

There are more than 140 locations, representing all divisions except Distribution.

- 66 manufacturing or quarry sites
- 80 sales, technical, distribution, retail or general support offices

Operations are located in all six states and two territories, with the greatest concentration in the eastern states of Queensland, New South Wales and Victoria. The Laminex group is the largest operation, with five manufacturing locations and 46 sales, distribution and other centres.



FORMICA CORPORATION

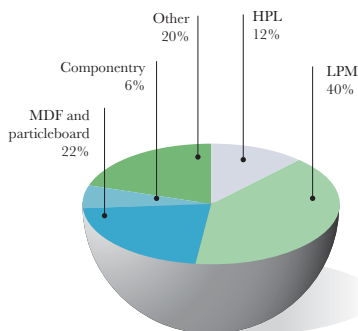
Formica Corporation is a global manufacturer and distributor of decorative surfacing products, headquartered in Cincinnati USA and with businesses in Asia, Europe and North America. It has 12 manufacturing and 33 distribution facilities spread throughout its regions of operation.

Formica Corporation's principal product is high pressure laminates, but it also manufactures and distributes solid surface, compact laminate and engineered stone products. It is a leading global brand with strong market positions in its key countries of operation. It is a recognised leader in product innovation, with strong development capability and a track record of successfully introducing new products.

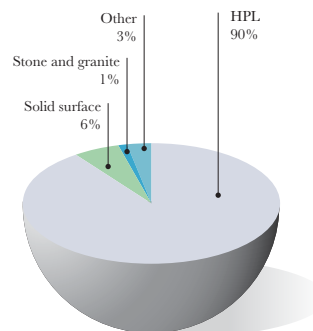
Fletcher Building acquired Formica Corporation for US\$700 million (approximately NZ\$960 million), with additional payments of up to US\$50 million contingent on performance milestones. The base price represented a multiple of 7.2 times anticipated earnings for the 2008 year including synergies – well within accepted parameters. In its most recent year, to 31 December 2006, Formica Corporation had revenues of US\$737 million and earnings before interest, taxation, depreciation and amortisation (EBITDA) of US\$75 million on a normalised basis. Fletcher Building expects the comparable figure for the year ended 30 June 2008 to be approximately US\$94 million before synergies.

FORMICA'S COMPLEMENTARY BUSINESS

	<i>FBU's existing laminates business</i>	<i>Acquired Formica businesses</i>			
	Australasia	Asia	Europe	North America	
HPL	◆	◆	◆	◆	
Compact	◆	◆	◆	◆	
LPM	◆		◆	◆	
Solid surface	◆	◆	◆	◆	
Stone & granite	◆	◆		◆	
Flooring	◆	◆	◆		



Existing laminates business
– Australasia



Existing laminates business
– Asia, Europe, North America



Façade cladding with Formica exterior grade compact structural laminate on Lenforcall restaurant in Valencia, Spain.



Formica® Solid Surfacing products are an acrylic/polyester resin system, that uses natural and man-made materials to produce a decorative and durable finish.



Wall panelling and partitions surfaced with Formica brand laminate at Madrid airport (terminal 4), Spain. Architects: Sir Richard Rogers & Lamela Studio.



Formica DecoMetal® comes in solid metal and metal laminates which can be applied to contemporary interior environments.

Formica Corporation by region

EUROPE

Key Facts

- European key financials
 - 2006 sales = US\$288m
 - 2006 EBITDA = US\$29m¹
- Total 2006 high pressure laminates volume = 35 million square metres
- Formica is the market leader in its key regions
 - Number 1 market share in UK, Spain and Scandinavia
- Regional markets with some recent consolidation
 - Limited pan-European competition or import threat
 - Recent consolidation in France and UK
- Western Europe – a mature market but with growth opportunities in Russia and Poland
- Total 2006 compact volumes = 1.4 million square metres
- 12 distribution centres across Europe

NORTH AMERICA

Key Facts

- North American key financials
 - 2006 sales = US\$347m
 - 2006 EBITDA = US\$40m¹
- Total 2006 high pressure laminates volume = 38 million square metres
- Consolidated high pressure laminates market, Formica number 2 and gaining share
 - Top 3 players hold more than 90% share
 - Number 3 and Number 4 players merged in 2006, creating further growth opportunity for Formica

ASIA

Key Facts

- Key financials
 - 2006 sales = US\$102m
 - 2006 EBITDA = US\$20m¹
- Total 2006 high pressure laminates volume = 14 million square metres
- Regional markets
 - Number 1 market share in Thailand, Taiwan, Hong Kong and China
- The Chinese market – a largely untapped growth opportunity
 - China and Thailand have been the focus of Formica's recent capital

investment resulting in strong volume growth – China plant is new

- Highly profitable region for Formica
- Modern low cost Asian base provides export opportunity
- Formica demand driven by commercial market
 - Competitive advantage via design capability and product quality
 - Demand driven by domestic Asian consumption
- Strategically important segment providing significant potential synergies with existing Fletcher Building operations in Australasia

Formica Corporation's factory in Shanghai.



- US market demand primarily driven by commercial construction
 - About 70% commercial, 30% residential
 - About 70% of residential demand is kitchen and bathroom
- Demand is relatively stable and well diversified across a range of segments
 - Store fixtures, wall panels, furniture, kitchen and bathroom
- Fletcher Building has secured a supply arrangement with South American high pressure laminates business which the vendor has retained



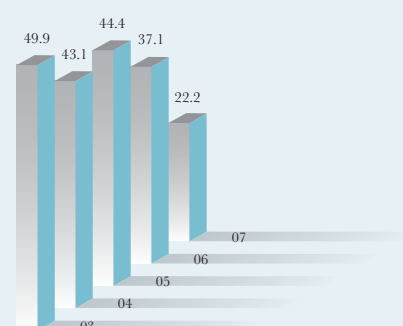
In addition to extensive contemporary palettes, Formica® brand laminate has developed a range of classic patterns.

¹ Normalised December year end earnings before interest, tax and depreciation and prior to corporate costs.

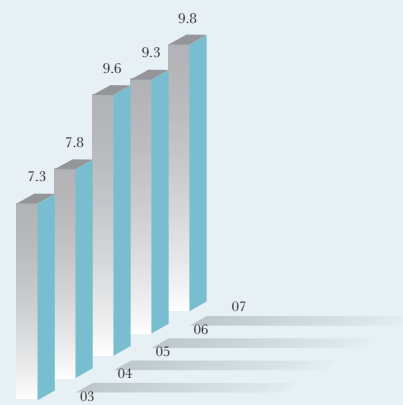
Financial summary

Earnings statement

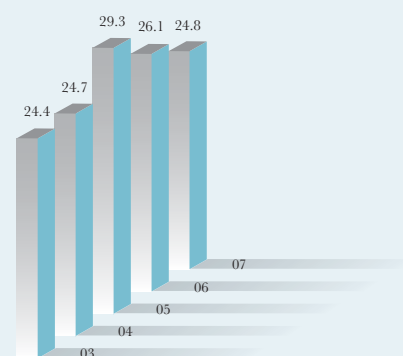
	Fletcher Building Group	
	Year Ended June 2007 NZ\$M	Year Ended June 2006 NZ\$M
Sales	5,926	5,520
Cost of goods sold	(4,446)	(4,099)
Gross margin	1,480	1,421
Operating expenses	(810)	(775)
Share of profits of associates	28	29
Unusual items	5	
Operating earnings	703	675
Funding costs	(87)	(88)
Earnings before taxation	616	587
Taxation expense	(113)	(189)
Earnings after taxation	503	398
Earnings attributable to minority interests	(19)	(19)
Net earnings attributable to the shareholders	484	379
Net earnings per share (cents)		
Basic	101.9	81.3
Diluted	99.8	78.6



Gearing
Percentage



Interest cover
Times

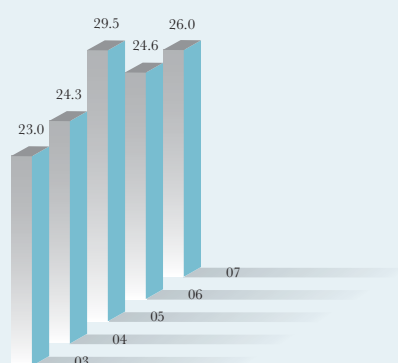


Return on average funds
Percentage

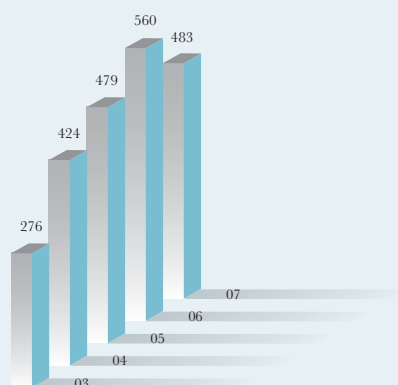
Statement of movements in equity

	Fletcher Building Group	
	Year Ended June 2007 NZ\$M	Year Ended June 2006 NZ\$M
Total equity		
At the beginning of the year	1,800	1,427
Movements in reserves	(142)	119
Net earnings – parent interest	484	379
Net earnings – minority interest	19	19
Net earnings	503	398
Total recognised income and expenses for the year	361	517
Movements in reported capital & minority equity	337	23
Dividends	(202)	(167)
Total equity	2,296	1,800

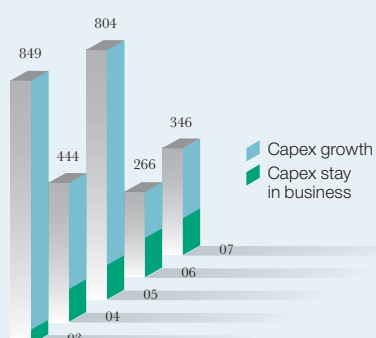
Balance sheet



Return on average equity
Percentage



Operating cashflow
NZ\$ Millions



Capital investment
NZ\$ Millions

	Fletcher Building Group	
	June 2007 NZ\$M	June 2006 NZ\$M
Assets		
Current assets:		
Debtors	978	913
Stocks	745	703
Other	351	83
Total current assets	2,074	1,699
Non-current assets:		
Fixed assets	1,515	1,569
Goodwill & intangibles	629	597
Other	215	234
Total non-current assets	2,359	2,400
Total assets	4,433	4,099
Liabilities		
Current liabilities:		
Creditors, accruals and provisions	872	935
Contracts	137	103
Short-term loans	178	169
Total current liabilities	1,187	1,207
Non-current liabilities:		
Creditors, accruals and provisions	71	75
Capital notes	236	311
Term debt	572	630
Deferred taxation liability	71	76
Total non-current liabilities	950	1,092
Total liabilities	2,137	2,299
Equity		
Reported capital	1,325	970
Revenue reserves	961	679
Other reserves	(35)	107
Shareholders' funds	2,251	1,756
Minority equity	45	44
Total equity	2,296	1,800
Total liabilities and equity	4,433	4,099

The accompanying notes form part of and are to be read in conjunction with these summary financial statements.
On behalf of the Board, 8 August 2007

Roderick Deane Chairman of Directors

Jonathan Ling Managing Director

Statement of cashflows

	Fletcher Building Group	
	Year Ended June 2007 NZ\$M	Year Ended June 2006 NZ\$M
Cashflow from operating activities:		
Total received	5,877	5,529
Total applied	(5,394)	(4,969)
Net cash from operating activities	483	560
Cashflow from investing activities:		
Total received	95	6
Total applied	(346)	(266)
Net cash from investing activities	(251)	(260)
Cashflow from financing activities:		
Total received	300	(137)
Total applied	(245)	(168)
Net cash from financing activities	55	(305)
Net movement in cash held	287	(5)
Add opening cash and liquid deposits	49	52
Effect of exchange rate changes on net cash	(4)	2
Closing cash and liquid deposits	332	49

Notes to the summary financial statements

1. Basis of presentation

The summary financial statements presented are those of Fletcher Building Limited and its subsidiaries (the "group"). They have been prepared in accordance with a New Zealand standard that complies with International Financial Reporting Standard No. 43, and have been extracted from full financial statements that have been prepared in accordance with New Zealand standards that comply with International Financial Reporting Standards. The full financial statements, signed on the 8 August 2007, have been audited by KPMG and given an unqualified opinion. The group is a profit-orientated entity. For a complete understanding of the financial affairs of the group, the full financial statements can be found on www.fletcherbuilding.co.nz.

2. Unusual items

During the year there were two significant unanticipated incidents. These were the destruction of the medium density fibreboard plant in Taupo by fire, and the failure of the transformer at Pacific Steel which resulted in six weeks of lost billet production. The insurance claim relating to the Taupo fire was settled during the year for a gross cash settlement of \$91 million, reduced by the \$10 million insurance deductible. After accounting for plant write-offs, redundancies and business interruption costs, operating earnings have increased by \$36 million. The insurance claim relating to the Pacific Steel transformer

failure has not yet been settled, although the expected insurance receivable has been accrued. The group has also written off \$20 million of assets and provided for \$7 million of obligations in relation to impairments at certain plants, or assets no longer used in the generation of earnings.

3. Taxation expense

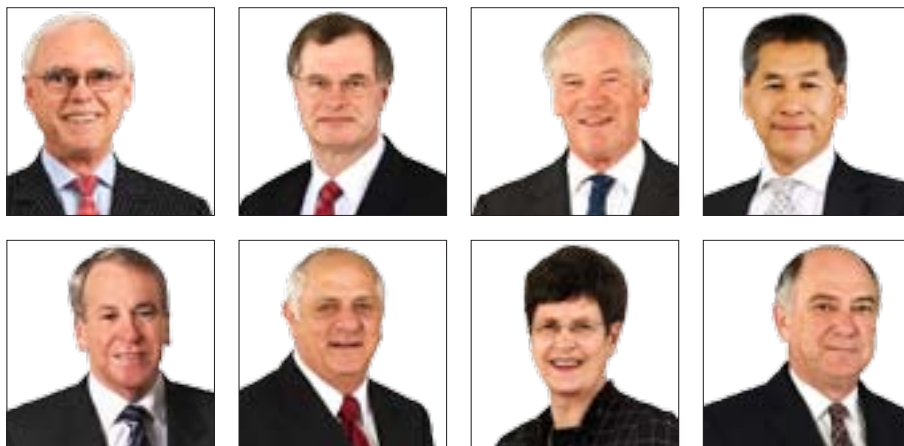
The tax expense of \$113 million is after the recognition of a tax benefit arising from the election of the branch equivalent tax account of \$70 million, a tax benefit of \$14 million on the unusual items included in operating earnings and a tax expense of \$4 million in relation to the proposed decrease in New Zealand's tax rate from 33 percent to 30 percent. The net unusual tax benefit was \$80 million and tax on the normal trading result prior to the unusual tax benefit was \$193 million.

4. Subsequent events

On 23 May 2007 the group announced that it would acquire Formica Corporation for US\$700 million, with additional contingent payments of up to US\$50 million. Settlement of the acquisition occurred on 2 July 2007.

Directory

Board of directors



From left to right:

Roderick S Deane
 Paul E A Baines
 Hugh A Fletcher
 Jonathan P Ling
 Geoffrey J McGrath
 Sir Dryden Spring
 Kerrin M Vautier
 Ralph G Waters

Executive committee

(as at 31 July 2007)

Jonathan Ling
 Chief Executive Officer and Managing Director

Mark Binns
 Chief Executive, Infrastructure

David Edwards
 Chief Executive, Distribution

Chris Ellis
 Chief Executive, Building Products

Martin Farrell
 Company Secretary and General Counsel

Peter Merry
 Executive General Manager, Human Resources

Frank Riddick
 Chief Executive, Formica Corporation

Bill Roest
 Chief Financial Officer

David Worley
 Chief Executive, Laminates & Panels

Paul Zuckerman
 Chief Executive, Steel

Registered offices

New Zealand

Fletcher Building Limited,
 Private Bag 92 114, Auckland 1142,
 New Zealand, Fletcher House, 810 Great
 South Road, Penrose, Auckland 1061,
 New Zealand *Tel* +64 9 525 9000

Australia

Fletcher Building Australia,
 Locked Bag 7013, Chatswood DC 2067,
 NSW 2067, Australia, Level 5, Tower A,
 Zenith Centre, 821 Pacific Highway,
 Chatswood, NSW 2067, Australia,
Tel +61 2 9928 3532, ARBN 096 046 936

Shareholder enquiries

Shareholders with enquiries about share transactions or changes of address should be addressed to the Share Registrar, Computershare Investor Services:

New Zealand

Private Bag 92 119, Auckland 1142,
Tel +64 9 488 8777, *Fax* +64 9 488 8787,
Email enquiry@computershare.co.nz

Australia

GPO Box 7045, Sydney, NSW 2001,
Tel 1800 501 366 (within Australia),
 +61 3 9415 4083 (outside Australia),
Fax +61 2 8234 5050

Other investor enquiries

Fletcher Building Limited,
 Private Bag 92 114, Auckland 1142,
 New Zealand, *Tel* +64 9 525 9000,
Fax +64 9 525 9032,
Email moreinfo@fb.co.nz

Other information

Website www.fletcherbuilding.com

Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 July 2007, the substantial security holders in the company and the relevant interests are as set out in the table. The total number of issued voting securities of Fletcher Building Limited as at that date was 499,284,848.

Substantial Security Holders	Number of Voting Securities	Date of Notice
Perennial Value Management	34,327,434	9/07/07
Perpetual Trustees Australia	67,370,858	19/11/04