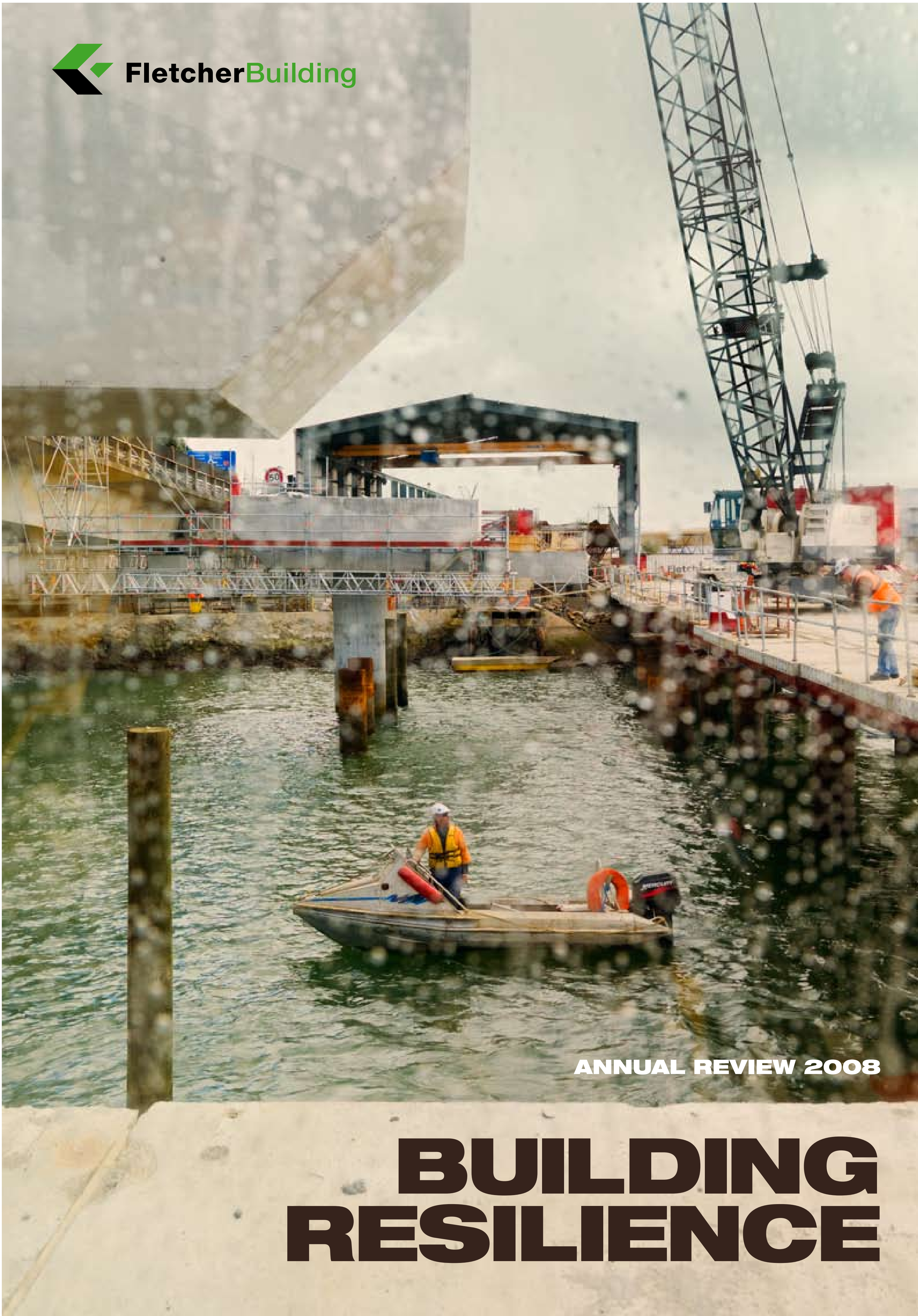
FletcherBuilding



ANNUAL REVIEW 2008

BUILDING RESILIENCE

COVER IMAGE WORK UNDERWAY AT THE TAURANGA HARBOUR LINK PROJECT

RIGHT FIRTH CONCRETE POUR OF THE BULK STORE FOUNDATIONS FOR THE NEW GOLDEN BAY CEMENT PROJECT EASTPORT FACILITY, AT THE FLETCHER CONSTRUCTION ENGINEERING SITE IN DOWNTOWN AUCKLAND

Contents

This Annual Review summarises the company's operational and financial activities for the year ended 30 June 2008. 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 Fletcher Building 2008 annual shareholders' meeting is to be held at 10.00 am on Wednesday 12 November 2008 at the Rangitoto Ballroom, Langham Hotel, Auckland, New Zealand. The notice of meeting, voting form and RSVP card will be mailed to shareholders closer to that time.

HIGHLIGHTS

- Net profit after tax and minority interests of **$467 million** notwithstanding the tougher trading conditions – an increase of 17 percent on a pre-unusuals basis, but a 4 percent decline against last year's reported net earnings
- Operating earnings up 9 percent to **$768 million**, with three of the five divisions improving performance
- Disappointing results from the Formica acquisition, but significant operational improvement expected in the current year
- **$1.4 billion** invested for growth
- A further improvement in safety performance – with the lost time injury rate down by 23 percent
- Continued engagement with initiatives on greenhouse gas emissions
- Total dividend for the year up from 45 to 48.5 cents per share
- Strong focus on the fundamentals, maintaining earnings reliability and financial strength

CHAIRMAN'S REVIEW

This report covers a year in which the group's ability to perform to its expectations was seriously tested, and foreshadows a further demanding period to come. We can report with satisfaction on the achievements of the past year, and with confidence on our ability to meet the challenges of the near future.

Results

Net profit after tax and minority interests was $467 million, up 17 percent on the $399 million excluding unusuals from the previous year. While reported net earnings declined slightly from $484 million to $467 million, the 2007 result included unusual amounts of $85 million.

Sales, at $7.1 billion, were up $1.2 billion on the previous year. They included $1.1 billion contributed by the newly-acquired Formica Corporation.

Most of our businesses performed well given the demanding economic conditions the group faced. Earnings from Formica were significantly lower than expected, reflecting the impact on its US operations of a downturn in housing and residential markets, along with significant restructuring costs.

While Formica achieved good results from its European and Asian operations, its performance overall in its first year post-acquisition was disappointing. The causes of this are clear and measures have been taken to address those factors within our control. The downturn in United States housing markets will continue to affect results in that country, but it is anticipated that overall performance will improve in the current year. Details of Formica's performance, and those of the other businesses, are contained in the divisional reviews on the following pages.

The result represents a 19 percent return on both average equity and average funds employed. Earnings per share were 93.2 cents, up from 84.0 cents excluding unusuals in the 2007 year. Total shareholder return (TSR) – the movement in share price plus pre-tax dividends – was negative 43 percent compared with positive returns of 42, 40 and 61 percent in the three previous years.

While the negative TSR was disappointing, it is worth noting that Fletcher Building was again rated the largest creator of wealth among New Zealand's publicly listed companies, in the annual survey by Boston Consulting Group. The group was found to have created $4.8 billion of wealth for its shareholders over the five years to December 2007.

Dividend

It is pleasing to be able to report that the final dividend of 24.5 cents per share is the thirteenth consecutive increase and, together with the interim dividend of 24 cents, increases the total for the year from 45 to 48.5 cents per share. This can be taken as a sign of confidence in the group's ability to maintain a solid stream of earnings over the longer term.

The final dividend will be paid on 16 October 2008 with New Zealand and Australian tax credits attached to the maximum permitted amount. 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.

Corporate governance

Our corporate governance framework involves active participation by a largely independent board through 10 regular meetings and a number of special meetings during the year. These are supplemented by regular operational visits to our wide array of facilities and offices.

No significant changes to governance practices arose during the year. A summary of the corporate governance framework is provided in the Corporate Governance section of the annual report. For fuller review, the governance policies are reported on the group's website www.fletcherbuilding.com.

Shareholder reports

This is the second year of the 'new' regime whereby listed companies may decide to use the worldwide web as the platform for reporting to shareholders. We have again opted to do so, and to supplement this approach by providing shareholders with this abbreviated annual review.

Both this document and the full annual report will be published on the website. If you also wish to receive a printed copy of the annual report you need to advise us by completing the form sent with the annual review.

People

In demanding times the contribution of our people becomes both more evident and more important. The group has an active approach to managing the various aspects of this contribution, and we are confident this will continue to pay dividends.

The foremost concern is to provide safe working environments. The group has continued to improve performance in this regard, but further progress is required through initiatives in every division and business unit.

Another high priority is a structured approach to developing the leadership required to maintain and enhance the group's commercial performance. We have a strong management group and excellent employees at every level. The group has a range of programmes to ensure that our talent pool is continually grown and developed. The board has great respect and appreciation for the contribution made by all our staff, and it is my pleasure to place this firmly on record.

Directorate

At the annual meeting last year, we signalled that the board would change in composition over the next couple of years. The directors who joined the board at the inception of Fletcher Building are approaching the end of their normal terms, although the board has discretion to offer a further three-year term if that is considered appropriate. Succession arrangements are in place.

The appointment of Mr John Judge in June was the first step in this plan and it is likely further appointments and retirements will occur over the next year.

Strategic agenda

The group continues to be managed for improved earnings reliability as a key factor in shareholder returns. With market conditions currently so uncertain this will involve a strong focus on cash generation, working capital and cost control, along with relatively conservative assumptions with respect to planning and investment.

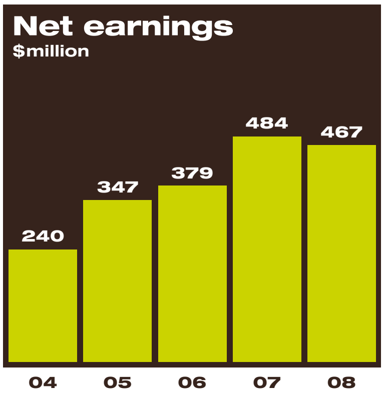
This strategy aims to build on the solid foundations provided by the group's financial strength and the balance of exposures to a range of different market sectors and geographies. The acquisitions made in recent years have provided greater balance between residential and non-residential construction, between New Zealand and international markets, and between the different international markets.

Growth will remain a priority, most likely in the short-term from relatively small acquisitions and organic growth opportunities. Excluding existing capital commitments, total capital expenditure is likely to reduce to around the level of annual depreciation.

Outlook

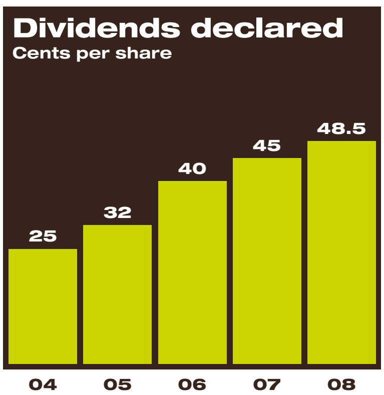
The group faces a mix of economic and market conditions that make it difficult to predict the level of profitability for either the short or medium term. Nevertheless, we take comfort from our spread of businesses across various building materials sectors and geographic locations, and the fact that we entered the economic slowdown with a strong balance sheet.

In New Zealand, the outlook is for divergent conditions between the housing market and the infrastructure and commercial construction markets. Residential activity is expected to slow throughout the year, with new housing consents forecast to decline. However, larger scale commercial building and infrastructure markets should remain at similar levels to those in 2008.



In Australia, infrastructure related markets are expected to vary markedly. The national housing market is at a cyclical low, with New South Wales in a slump offset in part by strength in Queensland and Western Australia. It is hoped that there will be a gradual recovery in New South Wales late in 2009. Growth in non-residential building is expected to slow. Engineering construction activity will continue to grow strongly in line with growth in infrastructure.

Outside Australasia, and at this stage of less significance, is the economic outlook in our other markets. In the United States, it is not expected that there will be any significant improvement in markets during the current year. Uncertainty about near-term trading conditions also exists in the group's European markets with no indication of improvement in the main markets in Spain and the United Kingdom. The outlook is somewhat better in the group's Asian markets.



In summary, we face very difficult markets in New Zealand, the United States, the United Kingdom and Spain; deteriorating markets in Australia; and softening markets in Asia. There is little doubt that we are in for a tougher year than the one just experienced.

This operating environment calls for a balance of caution and optimism in managing the group's affairs. We are managing our businesses with a focus on cashflow and to maintain financial strength. Our performance objective remains as before – to reward our shareholders by building earnings resilience for a range of economic and market cycles.

Roderick Deane
Chairman

HUMES' PIPES BEING
INSTALLED AT THE STONEFIELDS
RESIDENTIAL DEVELOPMENT
IN THE OLD LUNN AVENUE
QUARRY IN MT WELLINGTON

CHIEF EXECUTIVE'S REVIEW

Group results

Operating earnings (earnings before interest, funding costs and tax) were $768 million – 9 percent higher than the $703 million recorded in the 2007 year. There were no unusual items in the latest earnings, whereas operating earnings for the previous year included net unusuals of $5 million.

Divisional results reflected generally strong operating performance in the face of difficult conditions. Three of the five divisions – Infrastructure, Building Products and Steel – improved their performance. Results from Distribution were reduced by market conditions, and earnings from Laminates & Panels showed an increase due to the first-year contribution from Formica.

Infrastructure lifted operating earnings for the seventh year in succession – by $37 million to $308 million – despite lower demand for most construction products in New Zealand, a significant decline in the number of houses sold and ongoing weakness in the New South Wales market. The key operations all performed well in their respective market conditions. Property activities (including residential building, quarry end use and disposal of surplus land assets) contributed operating earnings of $80 million, compared with $49 million in the 2007 year. The gain reflected the sales of a quarry in South Auckland and Stresscrete, the profit on which was mainly from associated land.

Property activities were reported separately for the first time in the latest year, to provide transparency on what has become an increasingly important aspect of the Infrastructure business. The division has extensive land holdings in quarry end use and residential land. Earnings from property activities are expected to increase over the next few years, although given the nature of the activities they could be relatively volatile.

Operating earnings from Distribution declined from $80 million to $73 million, reflecting the general slowdown in the New Zealand market and the decline in residential building consents during the second half of the year. The branch development programme assisted sales growth, but also increased operating expenses.

Building Products lifted operating earnings from $141 million to $148 million despite deteriorating residential markets, rising input costs and generally adverse exchange rate conditions.

Operating earnings from Steel rose by 26 percent – from $80 million to $101 million – reflecting very favourable prices in the second half of the year. This followed a number of initiatives to improve performance, including the exit of unprofitable businesses, restructuring to tighten management focus and acquisitions in the Australian rollforming business. There were also gains from the sale of scrap during a period where the sales value had doubled.

Laminates & Panels increased operating earnings by 8 percent to $141 million, with a full year's contribution from Formica and a 5 percent reduction in earnings by Laminex. As noted in the divisional review, Formica was affected by the downturn in US housing and commercial markets, and by issues related to the restructure of its two manufacturing plants in the US into one site in Ohio. Formica's operations in Asia and Europe performed to expectations.

The US restructure, which had been underway when the group acquired Formica, encountered significant execution problems, with additional costs relating to scrap rates, quality and maintenance. The initial expectation was that the two plants would be merged and operating properly at July 2007. The expected savings from this process were US$11 million, but instead additional operating costs of US$25 million have been incurred. Good progress has since been made and there is confidence that the benefits will be achieved by the end of this financial year.

Synergies between Laminex and Formica are proceeding as planned. Sourcing of high pressure laminates (HPL) from Formica's Shanghai plant to New Zealand and Australia is in place. The Auckland HPL factory has been closed and the Melbourne factory has been downsized and restructured.

Overall, Formica's integration into the group has been successful. As the chairman has noted, a significant improvement in operational performance is expected from Formica in the current year.

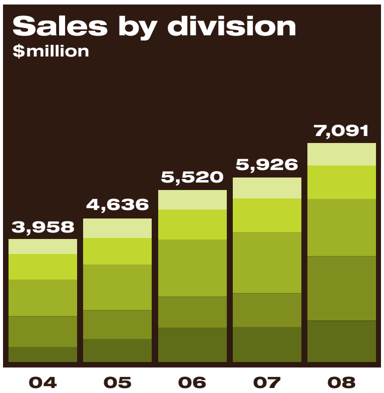
Financial position

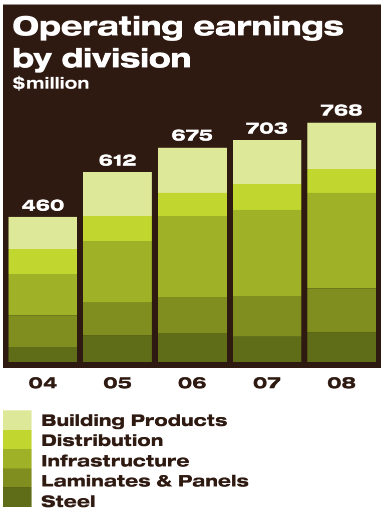
The group remains in a sound financial position, with gearing (net debt as a percentage of net debt plus equity) of 40.1 percent at 30 June 2008, and comfortably within its relevant debt covenants. This is up from 22 percent at the same time in 2007, but is slightly reduced from the 41.1 percent level after settlement of the Formica purchase in July 2007.

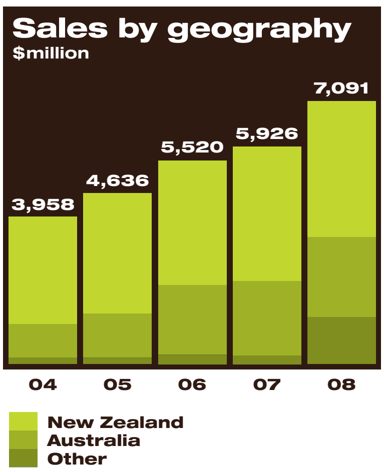
The group has little exposure to debt repayment in the near future, with an average debt maturity of about five years. The latest group earnings provided interest cover (the ratio of earnings before interest, tax, depreciation and amortisation to total interest paid) of 7.1 times, compared to 9.8 times at 30 June last year. The reduction was fully consistent with our expectations at the time of the Formica purchase.

Strategic agenda – a strong focus on the fundamentals

The group's strategy of building earnings reliability through geographical and sector diversity has been a key factor in maintaining performance. It now has significant operations in Asia, Australia, Europe, New Zealand and North America. It is important to note that, while the current operating environment in the US is difficult, our business in that market accounts for less than 7 percent of group revenue.







The group also has a balance of exposures between the residential, commercial and infrastructure sectors. Of particular relevance is the reduction over recent years in what was a very high level of exposure to the New Zealand residential sector. It is estimated that about 26 percent of cash earnings are derived from the New Zealand residential segment, with 35 percent from New Zealand non-residential and 39 percent from outside New Zealand. This structured diversity will continue to exert a positive influence on earnings.

Infrastructure markets in Australia and New Zealand remain strong, driven primarily by government spending programmes. In New Zealand, Fletcher Construction's backlog at 30 June 2008 was a record $1.3 billion, and this market is expected to remain strong at least through to the 2011 Rugby World Cup in New Zealand.

Spending in the residential and commercial sectors is more closely related to the strength of credit markets. These have been in varying states of weakness internationally, and there remains uncertainty over their future course and the impact on housing markets in particular. On the more extreme scenarios, this could produce a notable slowing in housing activity.

Given this trading environment, a renewed focus has been given to the fundamental strengths and capabilities of the group. These have served it well to this point, and will provide a platform to emerge from the current stage of the cycle with strength to perform in the long term.

These include:

- market leadership, with a reputation for delivering building materials and services of outstanding value to customers
- the ability to innovate through new products, services and concepts
- strength in manufacturing and distribution, through a network that now encompasses more than 300 locations worldwide
- financial strength, and thus the ability to invest in future growth even while current conditions are difficult
- clear commitment to sustainability across the economic, environmental and social spectrum, and clear programmes to deliver solutions
- a strong leadership team and culture, where performance is valued and rewarded

This focus on the fundamentals has manifested through a broad range of initiatives and developments captured in the divisional sections of this review.

In the financial sphere, our approach is to focus on maintaining the strength of our cash position, and ensuring that our management practices accommodate the lower trading volumes. Key responses will be to seek reductions in working capital and capital expenditure. In recent years the group has been investing at approximately twice the level of depreciation. For the near term it will take the more conservative position of reducing investment flows to about the same level as annual depreciation after excluding the carry-over of existing capital expenditure projects already under way.

This does not mean that the group will be putting aside its growth aspirations. It will continue to invest for growth, internally through plant and process improvements, and through innovation. It will continue to take opportunities for bolt-on and fill-in acquisitions as it has done in recent years. It will be less likely in the near term to undertake major acquisitions.

In the latest year $1.4 billion was invested on growth, including the Formica acquisition, a number of small acquisitions referred to in the divisional reviews that follow, and internal investment. Priorities for the current year include:

- secure the Formica US operational improvements
- optimise cash generation in tougher markets
- take advantage of small bolt-on acquisition opportunities where good near-term benefits arise

Looking further ahead, the group will maintain a solid platform for growth in revenue and earnings. The Formica acquisition, while underperforming in the short-term, has helped to build this platform. Valuable lessons have been learned in integrating a major international business into the group – for example, through the assimilation of its high-level administrative functions into the corporate office in Auckland, and through the introduction of group management practices to the Formica operations.

Management

The senior management team was reshaped significantly in the 2007 year. The team is performing well and this has been reflected in divisional and functional performance.

The only change in the team during the latest year was the departure of Frank Riddick, president and chief executive officer of Formica Corporation. Mark Adamson, who was president of Formica Europe, was appointed to succeed him.

As noted last year, the team has a strong mix of talent, experience, nationality and leadership ability which stands it in good stead for the challenges and opportunities ahead.

People

The group has developed a structured approach to people management based on policies and practices to promote high levels of management capability. Key areas of focus are leadership development and succession planning; management education and development; talent identification and recruitment; and the quality and profile of the group's employment brand.

It is recognised that the quality of leadership is the most important determinant of long-term performance. The group's objective is to have the best person in place to lead each business unit, and to have that person's successor in place. With the global nature of the group's operations, there is an increased focus on international management capability.

GERARD RUSSET COLOUR
METAL ROOFING TILES BEING
INSTALLED IN AUCKLAND

This is tied to a strong programme of management education and development centred on the 250 most senior executives in the group. This includes educational programmes with a mix of in-house and external provision, involving leading academic institutions in New Zealand, Australia, the United States and the United Kingdom.

With the growth in the international operations, the implementation of people development programmes has been decentralised regionally, but with policies and practices consistent across the group. A broad range of education, training and development opportunities is offered throughout the group.

Perhaps the most significant challenge in people management during the latest year was the programme to welcome and integrate the 4,000 Formica employees into the Fletcher Building group. The cultural diversity and international spread of the Formica operations have made this a formidable task, but one which is proceeding successfully and with high satisfaction levels as reported in employee surveys.

Health and safety

The group achieved a further improvement in safety performance as measured by the lost time injury frequency rate (LTIFR). The rate for the year was 5.39 lost time injuries per one million hours worked, compared with 7.02 in the previous year. Most business units are showing consistent improvement.

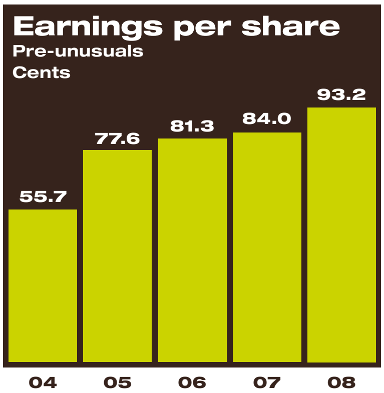
The group is also introducing total injury rates and positive performance indicators to provide a broader perspective on safety management. As part of this approach the Fletcher Building Annual Safety Awards were introduced during the year. AHI Roofing won the award for Business Unit Health and Safety Performance Excellence after reducing its LTIFR from 12.7 to 4.7 per million hours and its total injury frequency rate from 23.6 to 10.9 per million hours.

The Gailes site of Rocla Pipelines won the award for the most effective safety initiative, based on promoting safe working behaviours and the use of focus groups to develop action plans. Solomone Fifita of Easysteel Christchurch won the award for the outstanding individual contribution.

In New Zealand, the group retained primary-level membership of the Accident Compensation Corporation Partnership Programme following external audits in November 2007 and June 2008. Australian manufacturing sites are subject to differing injury management requirements, based on state regulation and the range of schemes available. Self-insurance is usually the preferred option. The group is currently reviewing its approach.

Environmental sustainability and climate change

Fletcher Building is actively focused on preparing for the challenges of the future, of which the most imminent is the introduction of measures to control emissions of greenhouse gases. It has a range of strategies to improve its positioning, including recycling of raw materials, production of renewable energy – particularly through biomass and heat technologies – and achieving greater energy efficiency through improvements in plant and equipment.



The group participated in the international Carbon Disclosure Project for the third time in the latest year. This requires a complete inventory of carbon dioxide emissions and a report describing how risks and opportunities arising from future climate change are being managed. Data supplied to the project was independently verified. While participation is voluntary, the project is consistent with the desire to have a proactive approach to carbon dioxide emissions.

The group is also participating in the Australian Energy Efficiency Opportunities programme. This requires all companies using more than 0.5 petajoules of energy per year to work through a programme of energy efficiency audits for their major energy-using sites in Australia.

Fletcher Building business units have a range of products and building solutions that will improve the energy efficiency and comfort of buildings. The group is constantly developing new methods for the use of its products to enable improved thermal performance. As well as enhancing the attributes of its building materials, it is also developing building solutions involving concrete, plasterboard and fibreglass insulation that improve heat retention and other performance attributes.

The group is also participating in a number of organisations providing leadership on sustainability. These include the Beacon Pathway research consortium, the Australian and New Zealand Green Building Councils and the New Zealand Business Council for Sustainable Development.

As chief executive officer of Fletcher Building I am a member of the New Zealand Government's Climate Change Leaders Forum, established to provide independent advice to the Government on potential climate change policies including the emissions trading scheme. A number of Fletcher Building executives are participating in other Government working groups.

Summary

The 2008 year has been one of significant challenges. The group has responded with a view to positioning it to see out the short-term softness in markets, and to be ready to take advantage of the inevitable cyclical improvement. While this programme will never be complete, I am confident that good progress has been made to build earnings resilience, and the group is in good shape to maintain a high level of performance.

Jonathan Ling
Chief Executive Officer and Managing Director

PINK® BATTS® ULTRA™, CORRECTLY INSTALLED BY A TRAINED PINKFIT® INSTALLER CREATES A WARMER, HEALTHIER HOME THAT USES LESS ENERGY

DIVISIONAL REVIEWS

Building Products

The division has three core business streams with leading market positions, in plasterboard, insulation and metal roof tiles. These operations constitute the sole New Zealand manufacturer of plasterboard; the market leader in glasswool insulation in New Zealand and Australia, including commercial wall and ceiling systems in New Zealand; and the leading global supplier of metal roof tiles.

The core business streams are complemented by a group of individual businesses, each of which holds the number one or two position in its regional market. These include aluminium windows and door systems in New Zealand, and high-end sinkware and access flooring systems in Australia.

Performance

Sales increased 6 percent to $739 million and operating earnings almost 5 percent to $148 million, despite deteriorating residential housing markets, rising input costs and adverse exchange rate conditions.

The insulation businesses increased earnings by 12 percent, including a full year result from the Forman insulation operations for the first time. In Australia, some earnings lost during the merger of two insulation businesses during the previous year were recovered, retaining the business's position as the largest insulation supplier in that market. In New Zealand, glasswool volumes and prices remained steady. Increasing material costs and energy prices reduced margins, but the most significant impact was from reduced sales of a building wrap product withdrawn from the market early in the year due to supplier issues. A replacement product launched in March 2008 is recovering lost market share.

Earnings from the metal roof tiles businesses increased 16 percent, against a market affected by rising steel prices. The New Zealand business lifted export sales volumes more than 11 percent. Adverse exchange rates affected trading, but earnings levels were restored as the New Zealand dollar weakened in the fourth quarter. The United States-based business recovered from a fire that destroyed one of its ovens in the first half of the year and generated a $6 million insurance recovery. Despite production constraints, it launched a new tile profile and grew volumes 7 percent in the declining North American housing market, ending the year with a record backlog of orders.

Sales	**$739 million**
Operating earnings	**$148 million**
Funds	**$631 million**
Employees	**2,070**
Key Brands	**Decra DVS Fisher Forman Gerard GIB Insulco Oliveri Pink Batts**

The wallboards business performed strongly, with earnings ahead of those for the previous year until the last quarter. Full-year earnings were down 2 percent. Capital expenditure was concentrated on the acquisition of the indoor air quality business DVS, complementing the company's healthy homes theme, and the commissioning of the new Christchurch distribution centre.

Results from the aluminium business declined 7 percent due to the deteriorating residential market and higher aluminium prices. The sinkware business grew earnings by 7 percent, driven by increasing sales of the high quality Oliveri brand into the domestic market and by strong margins. The flooring business grew earnings by 14 percent, and remains well positioned as a supplier to Green Star rated buildings, with a strong backlog of commercial work.

Looking to the fundamentals

The insulation businesses are well positioned to benefit as energy efficiency regulation drives increased insulation levels in commercial and domestic buildings. They face increasing costs but are strongly positioned to maintain or increase margins.

A Melbourne-based industrial fabricator business, Baron Insulation, was acquired in July 2008 to expand the product offering. Baron is developing innovative systems to take advantage of increasing building code requirements while improving customer service. Furnace upgrades at the Melbourne and Auckland insulation plants were completed, with state-of-the-art electric arc equipment and industry-leading energy efficiency.

The global niche business in metal roof tiles is investing in capacity expansion through a greenfields manufacturing plant in Hungary and the addition of an accessory oven to the plant in Malaysia. These investments will allow improved service and continued growth in the European and Asian markets.

Product development is a key to the metal roof tile business's ability to sustain growth. While the business has only a small share of the total world roofing market, there is substantial scope for growth through increased product penetration, particularly in markets where extreme weather conditions prevail. The weakening trend in the New Zealand dollar has lifted earnings and the business is experiencing strong demand.

The plasterboard business has relatively low capital requirements, as well as a seasoned management team with experience of volatile market conditions across the cycle. The business is constantly evaluating growth opportunities, and this has resulted in the acquisition of the DVS home ventilation business and the recent agreement to distribute the market leading Rondo plasterboard fixing system. While its high market share ties its volume to the New Zealand building market, it will increase its commercial sales mix as residential markets soften. A strong focus will be maintained on adjustment of cost levels to match market volumes.

Tasman Insulation's new melter

After two years in the planning, the new melter at the Auckland insulation plant was commissioned in April at a ceremony attended by the Minister of Energy, the Hon. David Parker.

The upgrade reduced the plant's carbon dioxide emissions by 1,700 tonnes per year, and energy usage by two-thirds – enough to meet the energy needs of about 500 average New Zealand homes.

As New Zealand's market leader in insulation, the business enjoyed considerable growth in the latest year, assisted by building code modifications. A higher level of insulation is now required in residential buildings, and a number of new products have been developed to meet this demand.

An additional factor is increasing awareness of the health and social costs associated with the high number of New Zealand homes that are uninsulated or under-insulated. The business continues to be actively involved in government and community led initiatives to address this issue in low income groups and ensure consumers outside these groups are aware of the importance of 'topping up' their insulation.

HON. DAVID PARKER AND TASMAN INSULATION OPERATIONS MANAGER MARK RASSIE AT THE OFFICIAL OPENING

Distribution

The division distributes building materials and related products throughout New Zealand under the PlaceMakers brand. It is the market leader in its core trade segments and provides an important distribution channel for Fletcher Building products. There are 60 stores, most of which are operated in partnership with local owners.

Performance

Sales growth slowed to 2 percent, reflecting a general slowdown in the New Zealand market, particularly in the retail sector and in the number of residential building consents.

Growth was supported by the branch development programme, but the associated development costs, along with rising costs for energy and labour, increased operational expenses. Margins were subject to pressure resulting from ongoing competition and industry reaction to the market decline. As a result, operating earnings were down by 9 percent.

The ratio of working capital to sales improved, with stock levels falling despite increased shelf capacity in the new stores.

Capital expenditure for the year was $32 million, mainly on the store upgrade programme and a new information system. The investment in information systems will allow the replacement of some ageing hardware and develop new technologies to improve business processes for customers.

The marketing programme continued to emphasise the relationship with trade customers while building retail sales via a monthly mass media programme. The LIFT trade customer loyalty programme retained its momentum, with more than 450 builders participating in two building conferences.

Frame and truss manufacturing is an essential feature of the division's offering, provided mostly through in-house manufacturing. There has been a concerted focus on improving returns from these plants through measurement and benchmarking of costs, productivity and volumes.

Sales	$1,083 million
Operating earnings	$73 million
Funds	$185 million
Employees	2,915
Key Brand	PlaceMakers

Christchurch frame and truss operation

During the year it was decided to accelerate the development and implementation of the national manufacturing strategy, which seeks to leverage the scale, and improve the operational effectiveness, of the national network of 22 frame and truss operations.

The regional rationalisation will facilitate the implementation of best practice plant and processes to improve safety and reduce waste and cost.

The first major milestone in this strategy was the successful implementation of the new Christchurch frame and truss operation. The facility, which boasts a 3,250 square metre purpose built factory as well as a 300 square metre detailing office block, opened on time and within budget in January 2008. This allowed the closure of two older and smaller regional facilities. The new facility features state-of-the-art cutting capabilities including a linear saw capable of cutting over 2,000 components a day and advanced pressing equipment capable of producing trusses of up to 18 metres in length, all of which will allow for safer, more efficient and higher quality production. Despite being operational for only six months by the end of the year, the site is already achieving its targeted performance objectives and service levels, and is the model upon which any future large regional plants will be based.

PRE-CUTTING THE STUDS, PLATES, DWANGS AND LINTELS READY FOR ASSEMBLY AT THE WALL FRAMING MACHINES. THE NEW STATE-OF-THE-ART MACHINERY MEANS MOST CUTTING IS 'HANDS FREE'

Looking to the fundamentals

The following projects were completed during the year:

- relocation of the Thames branch
- the opening of a new depot facility at Ohakune
- the establishment of a new frame and truss manufacturing facility in Christchurch
- upgrades at the Huntly, Wairau Park, Dunedin and Cranford St stores

In addition, a site was purchased in Warkworth for a new depot facility and construction began for a new facility in New Plymouth.

As in the past, the branch upgrade programme provided much improved retail facilities, but continues to be focused principally on improving yard access and drive-through facilities, which are a service to the division's trade customers.

Infrastructure

The division is a vertically integrated business supplying aggregates, cement, readymix concrete and a range of concrete products in New Zealand; and concrete pipeline products and a range of aggregate sands throughout Australia. It is the largest construction contractor and residential builder in New Zealand.

Performance

Operating earnings grew for the seventh successive year despite lower demand for most construction products in New Zealand, a significant decline in the number of houses sold and ongoing weakness in the New South Wales market. The key operations all performed well given their market conditions.

Operating earnings grew by $37 million to $308 million, including earnings from property related activities of $80 million from the residential business, quarry end use, and surplus asset sales, up from $49 million in the prior year.

The concrete business increased operating earnings by $1 million to $189 million. Construction earnings also increased, from $34 million to $39 million. The property and residential operations accounted for most of the earnings improvement for the year, increasing $31 million to $80 million.

Operating earnings from the cement business were lower despite significant benefits flowing from the upgrade of the plant. Domestic cement volumes were 3 percent lower than for the previous year and 8 percent for the 2006 year. Export sales increased but margins were low. Completion of the plant upgrade enabled record production of clinker, avoiding the extra cost of imports for the first time in six years. Cement production was also at record levels. Prices were 4 percent above those for the previous year, but this did not fully recover increased production and distribution costs. The impact of cost increases in the new year – particularly for coal, diesel and electricity – will be substantial. A further cement price increase of $11 per tonne has been announced, but will not be sufficient to cover cost increases.

Aggregates recorded lower operating earnings due to reduced volumes of core products, and competitive pressures that restricted the ability to pass on all cost increases. While overall sales volumes were similar to those for the previous year, the sales mix was unfavourable and weakness in the Auckland market resulted in a sharp decline in earnings in that region. Unit costs increased significantly due to the compounding impact of a high fixed cost base and significant increases in input costs.

Sales	$1,857 million
Operating earnings	$308 million
Funds	$1,027 million
Employees	5,846
Key Brands	Firth Fletcher Construction Fletcher Residential Golden Bay Humes Rocla Winstone Aggregates

Readymix and masonry operating earnings were lower. The impact of a softening residential construction market gained momentum in the second six months, but strong demand in rural areas reduced the impact on earnings. Concrete sales volumes were only 4 percent below those for the previous year due to investment in new sites. A focus on margin maintenance ensured that the contribution per cubic metre of concrete was similar to that for the previous year despite significant increases in costs. Masonry volumes were 6 percent lower, with significant declines recorded in the latter part of the year, although margins were maintained.

The concrete pipe market was softer, but good growth in precast concrete product sales and a small acquisition resulted in improved earnings. Concrete pipe volumes were down 6 percent, but precast volumes were 24 percent higher due to market development initiatives. Overall margins were lower, primarily due to mix, and to a lesser extent increased input costs.

Construction had a strong year, with improved operating earnings and all business units performing above expectations. The construction backlog at year-end was $1.3 billion, up from $775 million one year earlier. The business continues to hold significant opportunities for the next year. Major contracts won during the year were the Mt Eden Prison Upgrade ($150 million), the Eden Park Redevelopment ($150 million), the Manukau Harbour Crossing ($132 million) and New Lynn Rail Trench ($140 million). The backlog, and continued infrastructure spending, suggests that the workload will remain strong in both the commercial building and the civil engineering operations. In the South Pacific, earnings were solid with Papua New Guinea offsetting the more muted tone of the market in Fiji. Turnover is forecast to be higher in the current year, but this will be dependent on the timing of major projects expected to commence during the year.

Earnings from property related activities include those from quarry end use and the residential business. Earnings from the residential business declined by $16 million due to the significant drop in house sales. Housing starts declined in the second half and prices fell. While land stocks have grown, the land has been acquired at good prices and carrying values are not considered to be at risk. Good results were obtained this year from development opportunities for land previously used in the aggregates business, with these activities expected to provide further earnings in future years.

In Australia, the pipeline and quarry businesses performed well, recording combined operating earnings of $59 million compared with $47 million for the previous year. The quarry products business recorded improved results in all states except Western Australia, where earnings were still strong but lower due to recent reserve depletion. Two pieces of land were acquired in Perth for quarry development to address the situation. The pipeline products business recorded a substantial increase in sales volumes of non-pipe products, resulting in earnings significantly ahead of those for the previous year.

Looking to the fundamentals

The primary focus of the capital investment programme is on high-returning organic growth opportunities. This has contributed significantly to the earnings growth achieved in recent years and is expected to continue to do so. The $158 million invested in the 2008 year was an increase of $50 million on the prior year. Strategic and growth projects accounted for $87 million, including the new cement port facility in Auckland ($10 million); new quarry land, reserves and consents ($36 million); new concrete plants, an upgrade to a concrete pipe plant and the acquisition of a motorway barrier business ($18 million); pole and sleeper plant upgrades ($13 million); and major construction plant ($10 million).

Golden Bay Cement secured a long-term site to replace its Auckland port facilities. The new facilities will cost $45 million and are due for completion in December 2009. The investment secures long-term, low-cost access to the major New Zealand market.

Further investment was made of $17 million in New Zealand, and $19 million in Australia, to enhance aggregates supply.

The readymix business improved its competitive position in a number of markets by investing $10 million to acquire and upgrade concrete and masonry plants. The New Zealand pipeline business committed to upgrade to new technology at its Auckland manufacturing facility. The Australian business invested $13 million in upgrading and expanding its pole and railway sleeper operations and acquiring a small water quality business.

The construction business was required to increase its investment in a range of plant as a consequence of the substantial lift in backlog.

Further progress has been made in divesting low-returning businesses and surplus assets, with $45 million of cash generated during the year, compared to $28 million in the previous year. This brought the total amount of cash generated over the past seven years from asset reductions to $154 million. The operating earnings impact on future years is negligible. While the division will continue to fine tune its portfolio, material divestments are not expected during the current year.

Quarry end use

Over the years the aggregates business has developed significant skills in resource management planning and is applying these skills to develop the highest and best use alternatives for excess land while protecting the existing quarry activities.

In the last financial year the aggregates business has advanced two opportunities in the Auckland area. At Pokeno it is working with a consortium of developers with a view to creating an integrated residential, commercial and industrial designation. In the South Auckland suburb of Wiri it has completed a transaction that frees up 35 hectares of industrial land for development. Both opportunities have been years in the planning and reflect the focus to ensure that the return from the business's asset base is maximised, while still protecting the core quarrying business.

Over the next few years there will be a number of quarries coming to the end of their productive lives and assessment is underway with regard to their best end use. This involves not only potential development but also use for cleanfill purposes, a use that already makes a contribution to profitability and reflects the whole of life approach to these assets.

The other major initiative is the change of use for the Three Kings quarry in suburban Auckland. In conjunction with the community and Auckland City Council the business will conceptualise the end use for 15 hectares of land that will be available upon the completion of the quarry filling process, which will take some eight to 12 years.

Recognition of an earnings stream from more intensive land use is a natural progression. While earnings can be variable, it is hoped that, subject to market demand, these developments will provide average earnings of around $10 million per annum for the 10 years from the financial year ended June 2010.

AUCKLAND'S THREE KINGS QUARRY, WHERE DISCUSSIONS HAVE COMMENCED WITH STAKEHOLDERS WITH A VIEW TO IDENTIFYING THE APPROPRIATE END USE FOR THE ASSET

Laminates & Panels

The Laminates & Panels division comprises the Laminex Group and Formica Corporation. These two businesses have strong international brand profiles and leading market positions.

In Australasia, the Laminex Group is the leading manufacturer, marketer and distributor of decorative surface laminates, component products, particleboard and medium density fibreboard (MDF). It has 13 manufacturing facilities and an extensive distribution network in major population centres.

Formica is a global manufacturer, marketer and distributor of decorative surface products, with businesses in North America, Europe and Asia. It has 12 manufacturing and 33 distribution facilities spread throughout its regions of operation, with its main geographical markets being the United States, Canada, Mexico, the United Kingdom, Spain, France, the Nordic regions, the Benelux countries, Taiwan, China and Thailand.

Operating earnings were up by 8 percent to $141 million, reflecting the impact of a full year's contribution from Formica and a 5 percent reduction in earnings by Laminex. Sales were up 101 percent to $2.1 billion, almost entirely due to the Formica acquisition.

Operating performance in North America was extremely disappointing, as a severe downturn in the US housing market and a slowdown in commercial activity compounded operational issues at the major manufacturing facility at Evendale, Ohio.

US housing commencements were 28 percent lower than for the 2007 financial year, and a further 25 percent lower against the 2006 year. Historically, when housing commencements have declined there has been increased activity in the refurbishment sector. On this occasion, there has been a reduction of refurbishment activity as mortgage foreclosures and declining house prices, coupled with the economic outlook, have dissuaded home owners from renovating or upgrading.

The US commercial sector was relatively strong in the first half of the year, but declined substantially during the second half, with a commensurate effect on sales of high pressure laminates (HPL) and on financial performance. Total US HPL sales for the 2008 year were down by 9 percent.

Formica had embarked on a rationalisation of its North American manufacturing facilities during the 2007 year to address the excess capacity in its HPL plants in California, Ohio and Canada. With most customers in the Eastern part of the US, it was decided to close the plant in California and recommission idle machines in Ohio. This was intended to improve the cost structure, and provide better customer service by reducing lead times and improving distribution.

The production increase in Ohio created a number of problems which brought a short-term increase in costs, for labour, outsourcing of key production requirements, and extra maintenance. The expected savings from the closure in California were delayed. The business also faced escalating costs in key categories such as freight, resins and kraft paper.

Sales	**$2,132 million**
Operating earnings	**$141 million**
Funds	**$2,094 million**
Employees	**6,355**
Key Brands	**Essa Stone** **Formica** **Greenfirst** **Laminex** **Melteca** **O'Brien Laminates** **Trade Essentials** **Wespine**

Formica Corporation

One of the key features of high pressure laminates (HPL) is the surface finish, which can range from a smooth high gloss to a rough patterned or textured finish resembling granite, stone or various other natural finishes.

Upgrade for plate manufacturing plant

The HPL finish is created by using textured steel plates during the laminate manufacturing process. Each plate is individually etched with the required finish – a time consuming and labour intensive process. The ability to continually design new finishes and release them to the market is crucial in the decorative surface industry, where demand for new fashionable surface finishes is high.

Formica is the only manufacturer of HPL with its own plate manufacturing facility, located in the South of France. In the latest year an investment project was undertaken to upgrade and streamline the manufacturing process by acquiring a state-of-the-art digital printer. The equipment was installed in July 2008 and will allow the replacement of several manual processes and shorten significantly the time required to manufacture plates – increasing the ability to launch new finishes ahead of other laminate manufacturers. It will also increase the annual throughput of the plant.

For relatively low volume manufacturers of HPL the investment in steel plates can be prohibitive and the alternative is to use a disposable sheet of etched aluminium foil. This increases the cost of the manufacturing process and also involves significant costs as the used paper is disposed of at landfill. Laminex has always used the aluminium foil process at its Australian plant, but since the acquisition of Formica it has commenced the process of converting the facility to use only steel press plates.

FORMICA'S PLATE PRINTING MACHINE BEING DELIVERED TO THE PLATE MANUFACTURING FACILITY IN QUILLAN, FRANCE

The Formica plant in France has just started manufacturing up to 200 plates, which will provide Laminex with considerable savings as well as eliminating environmental issues around landfill and costly waste disposal. Laminex has started using them in the current financial year. The total project is expected to be completed during the latter part of the financial year.

Laminex Group

The Laminex Group has a long history of delivering innovation to the Australasian market.

Laminex introduces new Formica products

The acquisition of Formica, with its rich history of technological leadership and innovation in product design, provided Laminex with access to this technology and the Formica brand in Australia and New Zealand.

Laminex has responded to this opportunity by developing its latest innovation – the New Formica – in Australasia. It has been able to source new colours and designs quickly and efficiently through access to the Formica colour palette and is now able to be more responsive to changing market needs and design directions.

In July 2007 a joint project team established product specifications to suit the Australasian market with a view to supplying high pressure laminate product from China. The new range was launched successfully in July 2008.

A SELECTION OF EASY TO USE COLOURS AND DESIGNS FOR INTEGRATED DESIGN SOLUTIONS

The New Formica is tailored to both the commercial furniture market and the residential market, with a key focus on making design accessible to the general public to make it easy for users to work with colour and design. Formica's new colours, designs and tools create a strong brand identity to position the range in the Australasian market.

During the second half of the year the Formica global corporate office was closed and various functions were restructured in the North American business. These changes will result in cost savings of approximately US$10 million per year.

The European business performed well. Economic conditions in Europe were varied, with the larger markets such as Spain and the UK also facing slowdowns in housing and commercial activity. Spain was the worst affected economy in the region, with volumes down on previous years. Volumes in the UK were in line with those for the previous year despite a continued slowing in the housing market. Shortfalls in revenue in those countries were offset by strong performances in the Benelux countries and the Nordic and Eastern European markets.

Trading conditions remained solid in the main Asian markets. Those in Thailand and Taiwan performed in line with expectations, and conditions in China were solid in the lead up to the Olympics. China is the site of the company's newest plant, built in 2006. This plant successfully took on some production requirements for Laminex, enabling it to close its HPL plant in Papakura, New Zealand, and realise synergies identified at the time of the Formica acquisition.

Operating earnings in Australasia were down slightly from the previous year, affected by challenging conditions experienced in the second half. Sales were higher, but earnings were constrained by pressure on margins, incremental sales of commodity and distributed products, and increasing manufacturing input and distribution costs.

Earnings in Australia for the final month of the year were affected by reduced gas supply following an explosion at a processing plant off the coast of Western Australia. Further restriction of gas supply is anticipated in the current half-year, but alternate energy and supply strategies will reduce the earnings impact.

Sales in New Zealand were constrained by restructuring at the Penrose hardboard and softboard facility and the lack of MDF export sales after the closure of the Taupo facility in 2006. Most of the New Zealand MDF requirements were met by Dongwha Patinna NZ, a Southland manufacturer in which a 20 percent share was purchased during the year.

Trading volumes of MDF from Australia to South East Asia were down, and improved pricing and lower distribution costs were offset by the appreciation of the Australian dollar against the US dollar. The Wespine sawmilling and Dynea resin plant joint ventures improved operating performance and earnings.

Looking to the fundamentals

A number of new products and designs were launched during the year, including laminates with enhanced wear, structural properties and aesthetic features, as well as fashionable product designs and finishes.

A new commercial finish titled Sculpted was released, while the Asia and North America operations added several commercial woodgrain finishes. The Europe operations released a benchtop finish called Lustre for the bonded benchtop programme, and a new benchtop finish called Radiance, which resembles a high-gloss surface of real stone.

Laminates with new 'colour through' features were introduced, in the form of a reformulated ColorCore2 and ColorThru Compact. These use matching coloured cores that blend with the surface finish. A hard wearing, scratch resistant gloss laminate, the High Gloss AR +, was also introduced.

The Formica brand HPL and decorated board product range was relaunched in Australasia in July 2008, sourcing a significant proportion of the product from China.

The Laminex range of high and low pressure laminates is undergoing an update based on Australasian interpretations of European trends. The business continued its commitment to premium benchtop products through initiatives in the Essa™ engineered stone brand and Freestyle™ solid surface brand.

The Gympie MDF facility in Queensland commissioned a new heat energy plant and associated equipment with a total project cost of $16 million. The Australian operation also completed a new distribution centre in Perth and a sales branch in Bunbury for a total cost of $4 million.

Steel

The division comprises three business streams – rollforming and coatings (including sheds), long steel products, and a steel product distribution business – with leading market positions and widely recognised brands.

Performance

Operating earnings before unusual items were ahead of expectations – up 26 percent to $101 million, reflecting a strong improvement in the second half of the year. Sales rose by 10 percent to $1,279 million.

Operating earnings in the second half were assisted by the exit of unprofitable businesses, restructuring to tighten management focus, and acquisitions in the Australian rollforming business. Results were also aided by one-off gains on the sale of scrap. Operating earnings for the same period of the 2007 year had been affected by poor selling prices for steel products while there was high availability of imported alternatives.

The rollforming business enjoyed a successful year in a more competitive trading environment, both in Australia and New Zealand. Eziform Sheetmetals (acquired before the start of the year) and Fair Dinkum Homes and Sheds (acquired 1 August 2007) performed ahead of expectations. Earnings from the other Australian operations were down slightly, reflecting conditions in the first three quarters, when prices were affected by pressure from imported product. Current conditions are the opposite, with supply constraints and little imported product available.

The New Zealand rollforming operations struggled in a competitive marketplace, and operating earnings were down substantially after additional costs were incurred to refocus the business.

The long steel business experienced an unprecedented increase in the price of ferrous scrap, which was only partially recovered through price increases. A new management team took control of the business in July 2007, and some benefits accrued in the second half of the year. In addition, a downsizing of the galvanised wire manufacturing operation at the end of the first half minimised the negative returns from that business.

The Sims Pacific Metals joint venture lifted operating earnings by 30 percent, benefiting from the high scrap prices in the second half and an increased recovery rate following the upgrade of its Auckland shredder.

Sales	**$1,279 million**
Operating earnings	**$101 million**
Funds	**$587 million**
Employees	**3,282**
Key Brands	**Colorcote CSP Cyclone Dimond Eziform Fair Dinkum Homes and Sheds Fletcher Easysteel Fletcher Reinforcing Garage World Pacific Steel Pacific Wire Seismic Shed Boss Stramit Wiremark**

Looking to the fundamentals

Upgrades carried out at the Auckland steel plant – to the high voltage capability and the electric arc furnace – enabled a production increase from 250,000 to 300,000 tonnes per year.

The Australian rollforming business strengthened its market position further through the acquisition of the Garage World and Shed Boss shed businesses in May 2008. It also embarked on a programme to consolidate from three sites into a new facility in Melbourne, which will strengthen its position in the Victorian residential, commercial and shed markets.

The New Zealand rollforming business was reorganised to strengthen branch accountability and service customers more efficiently. This will also place it in a better position to weather the reduction in residential and commercial building activity.

A safe business is a great business

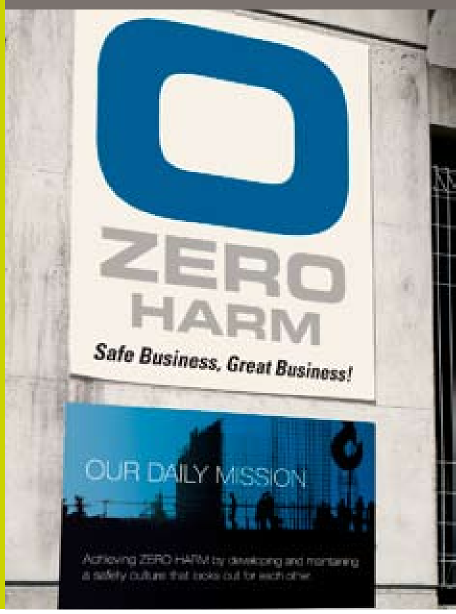
There is no doubt that the steel businesses can present an extremely high-risk work environment. In the past, the New Zealand steel-making business has had a Zero Tolerance policy in place to improve safety performance; but even with enormous effort to deliver on the policy, performance was still not acceptable and employee engagement with the issue was low.

A successful change programme has been implemented.

Over the past 12 months the long steel products business has created a fresh vision of Zero Harm. A new leadership team was established and has focused on the belief that safety performance would improve through relentless commitment to the vision that 'a safe business is a great business' and 'if we get safety right, other things will fall into place.'

Along with a comprehensive survey of the existing safety climate, the company's leadership launched a campaign to promote the Zero Harm Vision – conducting weekly safety observations, introducing safety huddles, recognising and rewarding safe behaviours via a number of competitions (including the Best Neighbourhood competition), a home mail-out on safe behaviours, and emergency advice including a competition asking children to draw their parent in Personal Protective Equipment. For every day the company's people go home safe they celebrate by placing a magnet in the shape of a perfect person on a safety notice board.

The company's target was a 50 percent reduction in the Total Recordable Frequency Injury Rate (TRFIR) and in April 2008 it achieved the first milestone of remaining lost time injury free for 12 months. By year end it had reduced its TRFIR by 62 percent and was well on its way towards achieving the Zero Harm Vision. It has experienced a significant transformation – not only in safety, but also in demonstrating that 'a safe business is a great business' and improving overall employee engagement to improve financial returns.



BILLBOARD STYLE ZERO HARM SIGNAGE PROUDLY GREETS ALL VISITORS ON ENTRY TO THE PACIFIC STEEL OTAHUHU SITE SERVING AS A DAILY REMINDER TO WORK SAFER DURING THEIR STAY. ZERO HARM BRANDED WATCHES ARE AWARDED BY NOMINATION TO STAFF MEMBERS INVOLVED IN MAJOR SAFETY PROJECTS THROUGHOUT PACIFIC STEEL'S OPERATIONS

FINANCIAL SUMMARY

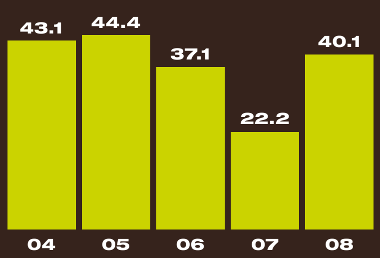
Earnings statement

	Fletcher Building Group	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Sales	**7,091**	5,926
Cost of goods sold	**(5,309)**	(4,446)
Gross margin	**1,782**	1,480
Operating expenses	**(1,118)**	(825)
Share of profits of associates	**43**	28
Other gains/(losses)	**61**	15
Unusual items		5
Operating earnings (EBIT)	**768**	703
Funding costs	**(136)**	(87)
Earnings before taxation	**632**	616
Taxation expense	**(150)**	(113)
Earnings after taxation	**482**	503
Earnings attributable to minority interests	**(15)**	(19)
Net earnings attributable to the shareholders	**467**	484
Net earnings per share (cents)		
Basic	**93.2**	101.9
Basic (excluding unusuals)	**93.2**	84.0
Diluted	**87.4**	99.8

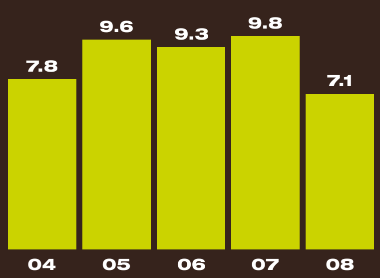
Statement of movements in equity

	Fletcher Building Group	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Total equity		
At the beginning of the year	**2,296**	1,800
Movement in reserves	**193**	(142)
Net earnings – parent interest	**467**	484
Net earnings – minority interest	**15**	19
Net earnings	**482**	503
Total recognised income and expenses for the year	**675**	361
Movement in reported capital & minority equity	**20**	337
Dividends	**(235)**	(202)
Total equity	**2,756**	2,296

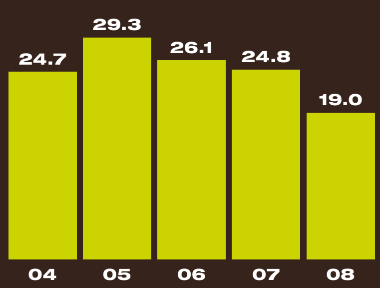
Gearing
Percentage



Interest cover
Times



Return on average funds
Percentage

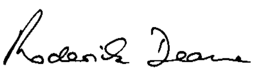


Balance sheet

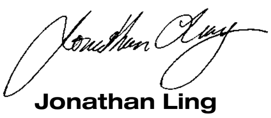
	Fletcher Building Group	
	June 2008 NZ$M	June 2007 NZ$M
Assets		
Current assets:		
Debtors	**1,255**	978
Stocks	**1,183**	745
Other	**111**	351
Total current assets	**2,549**	2,074
Non-current assets:		
Fixed assets	**2,129**	1,515
Goodwill & intangibles	**1,256**	629
Other	**301**	215
Total non-current assets	**3,686**	2,359
Total assets	**6,235**	4,433
Liabilities		
Current liabilities:		
Creditors, accruals & provisions	**1,094**	864
Current tax liability	**40**	
Contracts	**115**	137
Short-term liabilities	**187**	178
Total current liabilities	**1,436**	1,179
Non-current liabilities:		
Creditors, accruals & provisions	**91**	79
Deferred taxation liability	**121**	71
Long-term liabilities	**1,831**	808
Total non-current liabilities	**2,043**	958
Total liabilities	**3,479**	2,137
Equity		
Reported capital	**1,364**	1,325
Revenue reserves	**1,193**	961
Other reserves	**158**	(35)
Shareholders' funds	**2,715**	2,251
Minority equity	**41**	45
Total equity	**2,756**	2,296
Total liabilities and equity	**6,235**	4,433

The accompanying notes form part of and are to be read in conjunction with these summary financial statements.

On behalf of the Board, 13 August 2008



Roderick Deane
Chairman of Directors

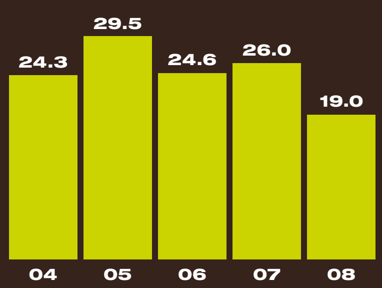


Jonathan Ling
Managing Director

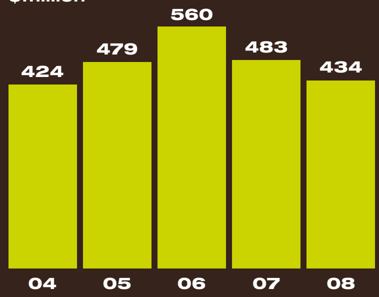
Statement of cashflows

	Fletcher Building Group	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Cashflow from operating activities		
Total received	**7,101**	5,877
Total applied	**6,667**	5,394
Net cash from operating activities	**434**	483
Cashflow from investing activities		
Total received	**65**	95
Total applied	**1,388**	346
Net cash from investing activities	**(1,323)**	(251)
Cashflow from financing activities		
Total received	**887**	300
Total applied	**222**	245
Net cash from financing activities	**665**	55
Net movement in cash held	**(224)**	287
Add opening cash and liquid deposits	**332**	49
Effect of exchange rate changes on net cash	**3**	(4)
Closing cash and liquid deposits	**111**	332

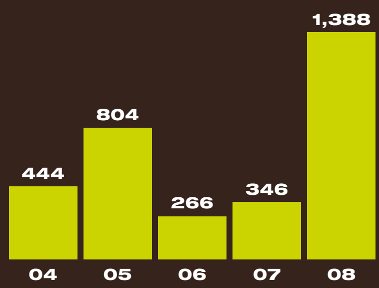
Return on equity
Percentage



Operating cashflow
$million



Capital expenditure
$million



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"). The Fletcher Building group is a profit-oriented entity. These summary financial statements have been prepared in accordance with a New Zealand standard that complies with International Financial Reporting Standard No. 43. The summary financial statements 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 13 August 2008, have been audited by KPMG and given an unqualified opinion.The summary financial statements cannot be expected to provide as complete an understanding of the financial affairs of the group as the full financial statements, which can be found on www.fletcherbuilding.com.

2 Acquisitions

Acquisitions made during the year were Formica Corporation on 2 July 2007, Fair Dinkum Homes and Sheds on 3 August 2007, Cameron Quarries on 5 October 2007, DVS on 1 February 2008, and Morinda Australia Pty Ltd (trading as Garage World and Shed Boss) on 1 May 2008.

A formal fair value exercise was undertaken for these acquisitions, which resulted in the fair value of the assets and liabilities described in the statement of cashflows. Goodwill on acquisition represents the value in the companies attributable to their expected profitability and the cost synergies to be achieved.

Formica Corporation
The Formica Corporation was acquired for US$700 million, with additional payments of up to US$50 million contingent on performance milestones.

	NZ$M
Purchase price including a working capital adjustment	921
Debt acquired	23
Less cash acquired	(24)
Contingent purchase price based on performance milestones	65
Less indemnity reimbursement expected from vendor	(26)
Costs directly attributable to the acquisition	22
Total purchase price	981

The following are the values recognised in the financial statements:

	Vendors Book Value NZ$M	Fair Value Adjustment NZ$M	Fair Value NZ$M
Fixed assets	271	91	362
Goodwill on acquisition		368	368
Intangibles	81	47	128
Investments	42	10	52
Tax assets	(33)	(32)	(65)
Working capital	223	(7)	216
Non-current assets	2		2
Pension liability	(94)	23	(71)
Minority interests	(1)		(1)
Non-current liabilities	(28)	18	(10)
Fair value of net assets	**463**	**518**	**981**
Less contingent purchase price owing			(29)
Plus indemnity reimbursement expected from vendor			26
Less debt acquired			(23)
Plus cash acquired			24
Cash paid to date for Formica Corporation			**979**

In the year to 30 June 2008 Formica contributed sales of $1,077 million and operating earnings of $16 million.

Fair Dinkum Homes and Sheds, Cameron Quarries, DVS and Morinda
Fair Dinkum Homes and Sheds, Cameron Quarries, DVS and Morinda Australia were acquired for an aggregate consideration of NZ$61 million.

	Vendors Book Value NZ$M	Fair Value Adjustment NZ$M	Fair Value NZ$M
Fixed assets	1	12	13
Goodwill on acquisition		43	43
Intangibles		8	8
Tax assets		(5)	(5)
Working capital	2		2
Cash paid to date for subsidiaries acquired	3	58	61

In the year to 30 June 2008 these acquisitions contributed sales of $21 million and operating earnings of $6 million. If the acquisitions had occurred on 1 July 2007, it is estimated that the contribution to group sales would have been $31 million and operating earnings $7 million.

3 Taxation expense

The tax expense of $150 million is after recognition of the tax benefit of non-assessable income of $27 million earned by the group in the year and the benefit of other permanent differences of $32 million. The tax expense of $113 million for the prior year was after recognition of a net unusual tax benefit of $80 million. The tax liability on the normal trading profit in the prior year was $193 million.

Substantial security holders

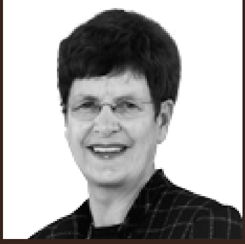
Consistent with notices given to the company under the Securities Markets Act 1988, the substantial security holders in the company and their relevant interests as at 31 July 2008 are noted below. The total number of issued voting securities of Fletcher Building Limited as at that date was 503,361,742.

Substantial Security Holders	Number of Voting Securities	Date of Notice
Perpetual Trustees Australia	67,370,858	19/11/04
Perennial Value Management	34,327,434	9/07/07
Macquarie Group Ltd	47,596,322	30/04/08
The Capital Group Companies, Inc	31,033,609	1/05/08
AXA Group	26,245,842	13/06/08
Westpac New Zealand Ltd	29,606,101	23/07/08

DIRECTORY

Board of directors

FROM LEFT TO RIGHT:

RODERICK S DEANE
PAUL E A BAINES
HUGH A FLETCHER
JOHN F JUDGE
JONATHAN P LING
GEOFFREY J MCGRATH
SIR DRYDEN SPRING
KERRIN M VAUTIER
RALPH G WATERS

Executive committee

Jonathan Ling
Chief Executive Officer and Managing Director

Mark Adamson
Chief Executive, Laminates & Panels – Formica

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

Bill Roest
Chief Financial Officer

David Worley
Chief Executive, Laminates & Panels – Laminex

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

Shareholder 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 242, Melbourne, VIC 3001
Tel 1800 501 366 (within Australia),
+61 3 9415 4083 (outside Australia)
Fax +61 3 9473 2009

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