



Investment Statement

For an offer of Capital Notes by Fletcher Building Finance Limited
guaranteed on an unsecured subordinated basis by Fletcher Building Limited

Arranger, Joint Lead Manager and Organising Participant



Joint Lead Managers



JBWere





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Important Information

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this investment statement, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

Engaging an Investment Adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- » relevant experience and qualifications, and whether dispute resolution facilities are available to you;
- » what types of investments the adviser gives advice about;

- » whether the advice is limited to investments offered by 1 or more particular financial institutions;
- » information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- » any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment.

The information about fees and remuneration must include:

- » the nature and level of the fees you will be charged for receiving the advice; and
- » whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

Important Notice

General Information

This is an Investment Statement for the purposes of the Securities Act 1978 (the **Securities Act**) and Securities Regulations 1983 (the **Securities Regulations**), relating to an Offer of Capital Notes. It is prepared as at and dated 21 November 2008.

The purpose of this Investment Statement is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for the Capital Notes under the Offer.

This Investment Statement is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the Capital Notes, particularly with regard to their personal circumstances (including financial and tax issues). A summary of the principal risks associated with FB Finance and the Capital Notes are set out in this Investment Statement under the heading “What are my risks?” on pages 25 to 32.

If you are in any doubt as to how to deal with this Investment Statement, please immediately contact a Primary Market Participant or your solicitor, accountant or other financial adviser.

Other Important Information

Investors should be aware that other important information about the Capital Notes and the Offer is set out in the registered Prospectus and in the Trust Documents. Copies of the registered Prospectus may be obtained free of charge from:

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna, North Shore City
or from

Fletcher Building

810 Great South Road
Penrose, Auckland
or by phoning +64 (9) 525 9000

In addition, each of FB Finance and Fletcher Building, publishes an annual report each year containing its independently audited financial statements and other performance and management information. These reports are available at Fletcher Building’s website at: [www.fletcherbuilding.co.nz](http://www.fletcherbuilding.co.nz/corporate/resultsreports.aspx). (<http://www.fletcherbuilding.co.nz/corporate/resultsreports.aspx>)

Offer only in New Zealand

This Investment Statement may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand. No action has been, or will be, taken by FB Finance which would permit an offer of the Capital Notes, or possession or distribution of any offering material in connection with the Capital Notes, in any other country or jurisdiction.

No person may purchase, offer, sell, distribute or deliver Capital Notes, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the Capital Notes, in any jurisdiction other than in compliance with all applicable laws and regulations.

Non-reliance

This Investment Statement does not constitute a recommendation by FB Finance, Fletcher Building, the Joint Lead Managers, the Trustee, nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the Capital Notes. Neither the Joint Lead Managers, the Trustee, nor any of their respective directors, officers, employees or agents accepts any liability whatsoever for any loss arising from this Investment Statement or its contents or otherwise arising in connection with the offer of the Capital Notes.

The Joint Lead Managers and the Trustee have not independently verified the information contained in the sections of this Investment Statement entitled “Business Description of FB Finance and Fletcher Building” and “Answers to Important Questions”. In accepting delivery of this Investment Statement, the recipient acknowledges that neither the Joint Lead Managers nor the Trustee, nor their respective officers, employees, agents or advisers gives any warranty or representation of accuracy or reliability and they take no responsibility for it. Neither of them has any liability for any errors or omissions (including for negligence) in this Investment Statement, and each recipient waives all claims in that regard.

Definitions

The capitalised terms used in this Investment Statement have defined meanings that appear in the Glossary on pages 36 to 37 or within the relevant section of this Investment Statement in which the term is used.

Summary of Main Terms of the Offer

The following is a summary of the main terms of the Offer. Applicants should also refer to the more detailed information in the section of this Investment Statement entitled “Answers to Important Questions” on pages 17 to 35, and in the Prospectus.

Important Dates	
Initial Rate Set Date	21 November 2008
Opening Date	24 November 2008
Issue Date	For each Capital Note that FB Finance has agreed to issue to an applicant, the date on which the issue price payable by the applicant for the Capital Note has been lodged to FB Finance’s bank account
Closing Date	31 March 2009 or such earlier date that FB Finance may determine
Quotation Date	For all Capital Notes issued, it is intended that quotation on the NZDX will occur within a reasonable time after the Closing Date described above, and in any event not later than 10 Business Days after that date
Interest Payment Dates	15 May and 15 November in each year until the Capital Notes are redeemed or purchased for cash or converted to Fletcher Building Shares
First Interest Payment Date	15 May 2009
First Election Date May 2014 Capital Notes	15 May 2014
First Election Date May 2016 Capital Notes	15 May 2016

Capital Notes will not be tradable on the NZDX until they have been quoted, which is intended to occur after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine).

Issuer

The issuer of the Capital Notes is FB Finance, a wholly owned subsidiary of Fletcher Building. FB Finance’s principal activity is the partial funding of the operations of the Fletcher Building Group, which it currently does through the issue of capital notes.

Type of Investment

The Capital Notes are long-term fixed rate unsecured notes issued by FB Finance, subordinated in right of payment to all creditors of FB Finance other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of FB Finance in respect of the Capital Notes.

The only rights and claims that will rank equally with the rights and claims of the Noteholders will be claims in respect of debt or notes which, by their terms of issue, are

specifically stated or intended to rank equally with the Capital Notes. As at the date of this Investment Statement, the claims that will rank equally with the claims of Noteholders:

- » against FB Finance, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed; and
- » against Fletcher Building under the Guarantee, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed and the existing holders of \$250 million principal amount of capital notes issued under the Fletcher Building Trust Deed.

The Capital Notes are to be issued in two Series – May 2014 Capital Notes, having an initial period until the first Election Date of approximately 5½ years and May 2016 Capital Notes, having an initial period until the first Election Date of approximately 7½ years, in the case of those Capital Notes issued on or about the Opening Date of the Offer. Applicants may apply for May 2014 Capital Notes, May 2016 Capital Notes or a combination of each Series.

Guarantee

The indebtedness of FB Finance in respect of the Capital Notes is guaranteed under the Trust Deed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders.

The Guarantee is subordinated such that, in the event of a liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

However, each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

Trust Deed

The Capital Notes will be constituted by and issued pursuant to the Trust Deed, as supplemented by the Supplemental Trust Deed. The Trust Documents are described in more detail in the Prospectus.

The Trust Documents contain no limitations in relation to the creation of mortgages or charges or other security interests or borrowings or any financial covenants, whether as to the ratio of assets to liabilities or otherwise.

Trustee

The Trustee for the Noteholders is Perpetual Trust Limited. The Trustee does not guarantee the repayment of the Capital Notes or the payment of interest thereon, or the conversion of Capital Notes to Fletcher Building Shares or purchase of the Capital Notes.

The Trustee holds its rights under the Trust Deed for the benefit of the Noteholders. The Trustee may decline to take any action or exercise any power, unless it is indemnified by the Noteholders for its costs and liabilities in taking any such action or exercising any such power.

Enforcement by Trustee and/or Noteholders

A breach by FB Finance or Fletcher Building of their respective obligations under the Trust Documents or the Conditions, whether a monetary or non-monetary breach, does not entitle the Trustee or the Noteholders to require either FB Finance or Fletcher Building to convert the Capital Notes to Fletcher Building Shares, repay or redeem the Capital Notes.

Prior to any liquidation of FB Finance or Fletcher Building, neither the Trustee nor the Noteholders will have any rights of recourse against FB Finance or Fletcher Building, as applicable, other than rights generally available at law (for example, the right of the Trustee to enforce the covenants given in the Trust Documents).

Offer Period

The Offer will be open from the Opening Date (24 November 2008) until 5.00 pm on 31 March 2009 or such earlier date that FB Finance may determine.

Offer Amount and Issue Price

FB Finance is offering for subscription Capital Notes in an aggregate Principal Amount of up to \$100 million with additional Capital Notes having an aggregate Principal Amount of \$100 million being available in over-subscriptions. Therefore the potential maximum aggregate Principal Amount available for subscription is \$200 million.

Capital Notes with an aggregate Principal Amount of up to \$60 million (being 30 percent of the maximum aggregate Principal Amount of Capital Notes, including over-subscriptions) may be reserved for subscription by clients of the Joint Lead Managers.

Each Capital Note has an issue price of \$1.00.

Interest Rate

A Capital Note will bear interest until the relevant first Election Date at the Interest Rate applicable on the date the application for that Capital Note is received by the Registrar. The initial Interest Rate for each Series of Capital Notes will be set by FB Finance on the initial Rate Set Date (being the Business Day prior to the Opening Date, or such earlier date as may be determined by FB Finance). As such, the initial Interest Rate for each Series of Capital Notes is not known at the date of printing this Investment Statement. The initial Interest Rate for each Series of Capital Notes will be announced to NZX and is set out in the Rate Card accompanying this Investment Statement.

Summary of Main Terms of the Offer continued

The Interest Rate applicable to each Capital Note until the relevant first Election Date will not change after an application for that Capital Note has been accepted by the Registrar. FB Finance, may at any time prior to the Closing Date, without prior notice, change the Interest Rates it offers in respect of Capital Notes, other than for those Capital Notes for which applications have been accepted at the date of the Interest Rate change. The Interest Rates applicable to the Capital Notes may, therefore differ, depending on when applications are received by the Registrar. Applicants can obtain details of the Interest Rate applicable to each Series of Capital Notes from time to time by contacting any of the Joint Lead Managers or their investment adviser. The Arranger and Organising Participant can be contacted on free phone 0800 162 222.

If an application for a Capital Note is received by the Registrar after a change in the Interest Rate offered and FB Finance has increased the Interest Rate for that Capital Note, the increased rate will apply to that application. If the Interest Rate has been decreased, applicants whose applications are received by the Registrar within two Business Days after the date of announcement of that decrease will be notified of the lower Interest Rate, and within 10 Business Days can elect to either continue with the application (at the lower Interest Rate) or be refunded their application monies. If no response has been received within that 10 Business Day period, applicants will be refunded their application monies in full, without any interest being paid to the applicant. No such notification will be given in respect of applications received by the Registrar after that two Business Day period, and the decreased Interest Rate will apply to all such applications.

If the Interest Rate for a Series of Capital Notes is changed after the Opening Date, Capital Notes issued at the new Interest Rate will be quoted on the NZDX separately from those issued at the initial Interest Rate. This may affect the liquidity of any Capital Notes issued and is more fully explained under the heading “What are my risks?” in the section of this Investment Statement entitled “Answers to Important Questions” on pages 25 to 32.

Payment of Interest

Interest on the Capital Notes will accrue daily on the basis of a 365-day year from the date of banking of application monies for valid applications accepted.

The first interest payment for each Series will be payable by FB Finance to the original subscriber of the Capital Notes, regardless of any sale or transfer of the Capital Notes by that subscriber prior to the relevant first Interest Payment Date.

The first payment of interest for each Series is due on 15 May 2009. Subsequent interest for each Series is scheduled to be paid half-yearly in arrears on 15 May and 15 November in each year (or, if that date is not a Business Day, on the next Business Day) until the relevant first Election Date. Interest (other than the first interest payment for each Series) is payable to the persons registered as holders of the Capital Notes on the date for determining the entitlement to interest payments.

If interest is not paid by FB Finance when due, it is compounded on each subsequent Interest Payment Date. Non-payment of interest does not constitute a default by FB Finance or Fletcher Building for any purpose. However, each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

Election Dates

The May 2014 Capital Notes will have a first Election Date of 15 May 2014 and the May 2016 Capital Notes will have a first Election Date of 15 May 2016. FB Finance will determine the subsequent Election Dates as part of the revised terms it offers to Noteholders on the relevant Election Date. On the relevant Election Date, Noteholders of the relevant Series may either elect:

- » to retain some (subject to a minimum of \$5,000 and thereafter in multiples of \$1,000 for Capital Notes having the same Election Date and Interest Rate) or all of their Capital Notes for a further period on the new terms and conditions offered by FB Finance; or
- » to convert some or all of their Capital Notes into Fletcher Building Shares at 98 percent of the then Current Market Value of those Fletcher Building Shares. The conversion at 98 percent means that the value of the Fletcher Building Shares to be issued on conversion is approximately 102 percent of the Principal Amount of the Capital Notes. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares.

Conversion to Fletcher Building Shares can also occur at an Early Election Date. An Early Election Date occurs if any person, either acting alone or acting in concert with any other person, acquires 70 percent or more, in aggregate, of the Fletcher Building Shares or the right to cast more than 70 percent of the votes on a poll at a shareholders' meeting of Fletcher Building on a matter on which Fletcher Building shareholders are entitled to vote. In such circumstances,

Noteholders will have the option to convert their Capital Notes into Fletcher Building Shares at 98 percent of the then Current Market Value of those Fletcher Building Shares, provided that Fletcher Building complies with the requirements of NZX Listing Rule 7.3.1.

Notwithstanding an election by a Noteholder to convert their Capital Notes into Fletcher Building Shares, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the relevant Election Date or Early Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date or Early Election Date at their Principal Amount together with any accrued but unpaid interest.

Noteholders may elect to convert their Capital Notes to Fletcher Building Shares only on a relevant Election Date or Early Election Date. However, the right to elect conversion to Fletcher Building Shares may be suspended or forfeited in certain circumstances.

Applications

Applications for the Capital Notes may be made by completing and lodging the Application Form enclosed with this Investment Statement with the Registrar (Computershare Investor Services Limited), the Joint Lead Managers or any other Primary Market Participant.

Applications for May 2014 Capital Notes and May 2016 Capital Notes must be for a minimum Principal Amount of \$5,000 and thereafter in multiples of \$1,000 in relation to each Series. Consequently, if applicants wish to apply for both May 2014 Capital Notes and May 2016 Capital Notes, they must apply for at least \$5,000 of May 2014 Capital Notes and \$5,000 of May 2016 Capital Notes and thereafter in multiples of \$1,000 for each Series.

Applicants should nominate whether they wish to apply for May 2014 Capital Notes, May 2016 Capital Notes or a combination of each Series at the time of application.

FB Finance will issue Capital Notes throughout the period of the Offer to applicants on a "first come, first served" basis, although scaling on a pro rata basis may be required for those applications received on the date that the maximum Principal Amount is received.

FB Finance will advise successful applicants of the issue of Capital Notes to them as soon as practicable after the relevant date of issue.

By signing the Application Form, an applicant irrevocably offers to subscribe for the Capital Notes on the terms set out in this Investment Statement, the Trust Documents and the Application Form, notwithstanding any changes to the Closing Date which FB Finance is entitled to make.

The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full on application. Cheques should be made payable to "FB Finance Capital Notes Offer", crossed "Not Transferable" and must not be post-dated.

Applications cannot be withdrawn or revoked, except where an application for Capital Notes is received by the Registrar within two Business Days after the date the Interest Rate has been decreased, in which case the applicant may elect to withdraw the application and be refunded the application monies, as described in the section of this Investment Statement entitled "Interest Rate" on page 5.

FB Finance reserves the right to refuse all or any part of any application without giving a reason.

Further information on how to apply for Capital Notes is set out in the section of this Investment Statement entitled "Application Instructions" on page 37.

Refunds

Any application money received in respect of applications that are not accepted, or the balance of any application money if accepted in part only, will be refunded to the applicant as soon as practicable and, in any event, within 10 Business Days after receipt of the application.

No interest will be paid on any refund or any application not accepted.

Quotation

The Capital Notes are intended to be tradable. Application has been made to NZX for permission to list the Capital Notes on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

It is intended that quotation of the Capital Notes on the NZDX will commence within a reasonable time after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine), and in any event not later than 10 Business Days after that date.

The Fletcher Building Shares into which the Capital Notes may convert have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Investment Statement.

Sale and Transfer

Applicants should not attempt to sell any Capital Notes until they know whether, and how many, Capital Notes have been allotted to them. FB Finance does not accept any liability should any person attempt to sell or otherwise deal with the Capital Notes before the applicant receives his or her FASTER

Summary of Main Terms of the Offer continued

statement. Capital Notes will not be tradable on the NZDX until they have been quoted, which, as described above, is intended to occur after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine).

Overseas Investors

This Offer is made to New Zealand residents only. No offer or invitation is made under this Investment Statement in any jurisdiction outside New Zealand. No person may offer, sell or deliver any Capital Notes or distribute this Investment Statement to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction. This offer is not being made to U.S. persons.

No Certificates

No certificates for the Capital Notes will be issued. A FASTER statement will be forwarded to Noteholders following allotment.

Further Issues

Subject to NZX and ASX listing rules, as applicable, and the constitutions of FB Finance and Fletcher Building, FB Finance or Fletcher Building may, from time to time without the consent of the Noteholders, create and issue further capital notes, ordinary shares or other securities or incur indebtedness or issue obligations ranking pari passu in all respects with, junior to, or senior to, the Capital Notes and otherwise on such terms as FB Finance or Fletcher Building, as applicable, may determine.

Any issue of further capital notes may be subject to the appointment of a trustee in respect of those capital notes and to FB Finance and/or Fletcher Building shareholder approval.

Taxation Implications Relating to the Offer

The taxation implications relating to the Offer are set out in the section of this Investment Statement entitled "Taxation" on pages 23 and 24. Those comments relate only to New Zealand taxes and are based on tax legislation current at the date of this Investment Statement. Noteholders should consult their own taxation advisers concerning the taxation implications, in their particular circumstances, of acquiring, holding and/or disposing of the Capital Notes.

Use of Proceeds

The funds received from the Offer will be provided to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

Underwriting

This Offer of Capital Notes is not underwritten.

Brokerage

No brokerage is payable by any applicant for Capital Notes under the Offer. Brokerage is payable by FB Finance to Primary Market Participants and other approved financial intermediaries where a valid application bears the stamp of that Primary Market Participant or financial intermediary, at a rate of:

- » 1.00 percent of the aggregate Principal Amount in respect of the May 2014 Capital Notes issued; and
- » 1.25 percent of the aggregate Principal Amount in respect of the May 2016 Capital Notes issued.

No brokerage is payable by FB Finance where a valid application does not bear the stamp of a Primary Market Participant or approved financial intermediary.

Noteholders or Fletcher Building shareholders may be required to pay brokerage if they sell their Capital Notes or Fletcher Building Shares on the NZDX or the NZSX.

Joint Lead Managers

The Joint Lead Managers are First NZ Capital Securities Limited, ANZ National Bank Limited and Goldman Sachs JBVere (NZ) Limited. FB Finance will pay to the Joint Lead Managers a fee for services provided by them in relation to the Offer.

Business Description of FB Finance and Fletcher Building

FB Finance

FB Finance is a wholly owned subsidiary of Fletcher Building and is incorporated in New Zealand with its registered office at 810 Great South Road, Penrose, Auckland. FB Finance is also registered to carry on business in Australia and its registered office in Australia is at 821 Pacific Highway, Chatswood, NSW. As at the date of this Investment Statement, FB Finance's principal activity is the issuance of capital notes to investors in New Zealand and the provision of the proceeds of such offers to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

Fletcher Building

Fletcher Building is the parent company of FB Finance and guarantees FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis. Under the terms of that Guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

Overview

Fletcher Building is a New Zealand head-quartered building materials manufacturer, distributor and contractor, listed on the NZX and ASX. Fletcher Building's principal activities are as:

New Zealand

- » the sole manufacturer of gypsum plasterboard;
- » a significant participant in the New Zealand steel industry;
- » a major producer of aggregates, cement, readymix concrete and concrete products;
- » a wood fibre panel manufacturer and distributor;
- » a distributor of a wide range of building materials;
- » a substantial construction contractor;
- » a builder of residential homes; and
- » a manufacturer and distributor of insulation products.

Australia

- » a wood fibre panel manufacturer and distributor;
- » a producer of aggregates and concrete products;
- » a manufacturer and distributor of insulation products;
- » a rollformer of flat steel products;

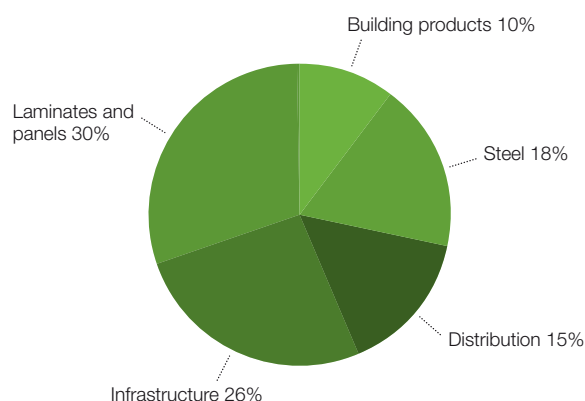
- » a manufacturer of high pressure laminates; and
- » a manufacturer and distributor of sinkware.

Global

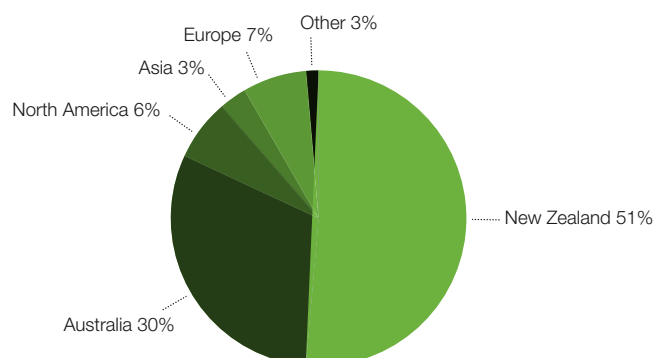
- » in North America, Europe and Asia, a manufacturer of high pressure laminates; and
- » in New Zealand, Malaysia, the U.S. (and shortly in Hungary), a manufacturer of metal roof tiles.

In the financial year ended 30 June 2008, Fletcher Building generated approximately 51 percent of its revenue within New Zealand, with 31 percent being generated in Australia and the balance of 18 percent coming from the rest of the world.

**Fletcher Building Group
Revenue by Division for year ended 30 June 2008**



**Fletcher Building Group
Revenue by Geography for year ended 30 June 2008**



Business Description of FB Finance and Fletcher Building continued

Operational Overview

Fletcher Building is organised into five operating divisions – Building Products, Infrastructure, Distribution, Laminates & Panels, and Steel.

Building Products

The Building Products division has a range of New Zealand, Australian and international businesses involved in the manufacture and distribution of a variety of building products including gypsum plasterboard, glasswool insulation, metal roof tiles, aluminium extrusion, sinkware, flooring, and ceiling and wall systems.

Infrastructure

The Infrastructure division manufactures and distributes aggregates, cement, readymix concrete, concrete masonry, paving products, concrete and plastic pipes.

The concrete business in New Zealand is one of two national competitors that have fully integrated positions in the concrete chain (cement, aggregates and readymix concrete). In Australia, the Infrastructure division operates as an operator of sand quarries and as a manufacturer and distributor of concrete pipes and other concrete products.

The division also includes Fletcher Construction, which acts in most of its construction activities as a general contractor. Fletcher Construction is active in most areas of New Zealand and has offices in Papua New Guinea, Fiji, Solomon Islands, Western Samoa, Vanuatu, Tonga and American Samoa.

Fletcher Building has a long history in home building in New Zealand. Fletcher Residential concentrates on single unit dwellings, primarily in Auckland and to a lesser extent in Queenstown. Fletcher Building's other businesses supply a substantial amount of the materials purchased for the construction of these homes.

Distribution

The Distribution division distributes building materials and related products under the PlaceMakers brand. PlaceMakers operates throughout New Zealand with 62 outlets. The Distribution division provides a channel to market for a number of other Fletcher Building companies. Currently 55 of the 62 PlaceMakers outlets operate under a joint venture franchise arrangement under which PlaceMakers holds a 50.1 percent ownership interest, with the balance of the shareholding being held by a local operator. If the joint venture franchise agreement is terminated, the shareholding of the local operator reverts to PlaceMakers.

Laminates & Panels

The Laminates & Panels division comprises the Australasian-based Laminex Group and the Formica Group, which has operations in North America, Asia and Europe.

Laminex is a marketer, distributor and manufacturer of high-pressure and low-pressure decorative surface laminates in Australia and New Zealand with a portfolio of brands. Laminex also supplies associated products such as natural timber veneer panels, medium density fibreboard and particleboard, cabinet doors and componentry, which complement its core product range.

Formica, which was acquired on 2 July 2007, is a global manufacturer of decorative surface products. Formica's principal product is high pressure laminate but it also distributes solid surface, compact laminate and engineered stone products.

Steel

The Steel division became a separate division in October 2006 as a result of a reorganisation of the Building Products division. In New Zealand, the Steel division's operations comprise steel manufacturing, processing and distribution, while in Australia the operations comprise steel processing and distribution.

Financial Overview of the Fletcher Building Group for the year ended 30 June 2008

Sales, at NZ\$7.1 billion for the year ended 30 June 2008, increased by NZ\$1.1 billion compared with the previous year. These included NZ\$1.1 billion contributed by Formica. Operating earnings (earnings before interest, funding costs and tax) were NZ\$768 million, an increase of 9 percent compared with the NZ\$703 million of operating earnings in the previous year.

Trading Post Balance Date

During the period since the 30 June 2008 balance date, the significant disturbances in global financial markets have continued to impact significantly on the economies in which Fletcher Building operates and, consequently, on the revenues and earnings of the Fletcher Building Group.

In particular, residential housing markets are in recession in many of Fletcher Building's markets. By way of example, based on information available to Fletcher Building, in the first quarter of the current financial year new housing consents in New Zealand and Australia declined, respectively, 38 percent and 11 percent year on year. Commercial construction activity has also declined in most of Fletcher Building's markets, although not to the same extent yet as the residential housing market. Infrastructure markets in New Zealand and Australia have remained relatively strong, driven by the need to cater for population growth and replacement of essential facilities, along with the availability of government funding.

Fletcher Building At a Glance





Summary Financial Information

Summary financial information for the issuer of the Capital Notes, FB Finance, is presented in this section of the Investment Statement. Summary financial information is also presented for the guarantor of the Capital Notes, Fletcher Building.

In addition, because the primary source of FB Finance's cashflow is the income it receives from the Fletcher Building Group, summary financial information is also presented for the Fletcher Building Group. Investors should note that Fletcher Building is the only member of the Fletcher Building Group that guarantees FB Finance's indebtedness in respect of the Capital Notes, and that such Guarantee is on an unsecured and subordinated basis. Under the terms of that Guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. Accordingly the financial information for the Fletcher Building Group is provided for the information of investors only.

Fletcher Building Finance Limited

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted from

the audited financial statements of FB Finance. This summary of financial statements has been prepared in accordance with the Second Schedule to the Securities Regulations.

Prior to and during the year ending on 30 June 2007, FB Finance issued capital notes and borrowed funds under banking facilities available to the Fletcher Building Group. FB Finance then advanced those funds on to other members of the Fletcher Building Group. In the year ended 30 June 2008 with the acquisition of Formica, the external bank funding was restructured and FB Finance repaid all its external bank debt using funds from the settlement of corresponding intra-group advances. This restructuring resulted in a significant change to the assets and liabilities of FB Finance in the year ended 30 June 2008.

Accordingly, as at the date of this Investment Statement, FB Finance's principal activity is the issuance of capital notes to investors in New Zealand and the provision of the proceeds of such offers to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

Years ended and as at 30 June	2008 (NZ\$M)	2007 (NZ\$M)	2006 (NZ\$M)	2005 (NZ\$M)	2004 (NZ\$M)
Operating revenue	56	110	107	76	54
Operating expenses	0	(1)	(1)	(1)	0
Operating earnings	56	109	106	75	54
Interest expense	(43)	(101)	(97)	(68)	(52)
Earnings before taxation	13	8	9	7	2
Taxation (expense) / benefit ⁽¹⁾	(9)	68	(5)	(2)	(1)
Net earnings	4	76	4	5	1
Total assets	220	1,573	1,587	1,446	854
Total liabilities	(143)	(1,469)	(1,556)	(1,417)	(831)
Total equity	77	104	31	29	23
Retained earnings (included in total equity)	(131)	(104)	(123)	(54)	(30)
Total tangible assets (included in total assets)	220	1,573	1,587	1,446	854
Total dividend paid to Fletcher Building as sole shareholder	31	57	73	28	25
Total dividend – cents per share	0.15	0.28	0.49	0.35	0.50
Net tangible assets per FB Finance Capital Note (existing capital notes only) (\$)	1.55	1.70	1.21	1.19	1.15

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). If 30 June 2005 was presented under previous New Zealand

Financial Reporting Standards the only impact would be to reclassify prepaid borrowing costs of \$2,567,527 as a separate asset, rather than netting it against the capital notes liability. This would increase total assets by \$2,567,527 and total liabilities by \$2,567,527. There was no change to the earnings statement or statement of movements in equity.

Note:

(1) Included in the 2007 tax expense is a tax benefit of \$70 million arising from the election to credit the total balance of the branch equivalent tax account against the income tax liability.

Full financial statements of FB Finance for the most recently completed accounting period are set out in the Prospectus under the section entitled “Financial Statements”. Full financial statements of FB Finance can be found on the Companies Office website, www.companies.govt.nz, and are contained in FB Finance’s annual report, which can be found at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

Fletcher Building Limited and its Subsidiaries

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted

from the audited consolidated financial statements of the Fletcher Building Group.

Investors should note that Fletcher Building is the only member of the Fletcher Building Group that guarantees FB Finance’s indebtedness in respect of the Capital Notes, and that such guarantee is on an unsecured and subordinated basis. Under the terms of that guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. Accordingly the financial information for the Fletcher Building Group is provided for the information of investors only.

Years ended and as at 30 June	2008 (NZ\$M)	2007 (NZ\$M)	2006 (NZ\$M)	2005 (NZ\$M)	2004 (NZ\$M)
Operating revenue	7,091	5,926	5,520	4,636	3,958
Operating expenses before unusual items	(6,323)	(5,228)	(4,845)	(4,024)	(3,498)
Operating earnings before unusual items	768	698	675	612	460
Unusual items ⁽¹⁾		5			
Operating earnings	768	703	675	612	460
Interest expense	(136)	(87)	(88)	(77)	(75)
Earnings before taxation	632	616	587	535	385
Taxation (expense) ⁽²⁾	(150)	(113)	(189)	(166)	(124)
Earnings after taxation	482	503	398	369	261
Minority interest	(15)	(19)	(19)	(22)	(21)
Net earnings	467	484	379	347	240
Total assets	6,235	4,433	4,099	3,657	2,790
Total liabilities	(3,479)	(2,137)	(2,299)	(2,230)	(1,672)
Total equity	2,756	2,296	1,800	1,427	1,118
Retained earnings (included in total equity)	1,193	961	679	467	315
Total tangible assets (included in total assets)	4,979	3,804	3,502	3,143	2,448
Total dividend paid to shareholders	235	202	167	131	91
Total dividend declared in cents per share	48.50	45.00	40.00	32.00	25.00
Net tangible assets per Fletcher Building Group Capital Note (existing capital notes only) (\$)	5.09	5.63	3.90	3.49	2.84
Net assets per Fletcher Building Share (\$)	5.47	4.60	3.83	3.07	2.56

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Full financial statements of the Fletcher Building Group for the most recently completed accounting period can be found on the Companies Office website, www.companies.govt.nz, and are contained in Fletcher Building’s annual report, which is available on its website at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

Notes:

(1) During the 2007 financial year there were two significant unanticipated incidents which contributed to the net unusual gain of \$5 million. The first was the destruction of the medium density fibreboard plant in Taupo by fire, and the second was 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 and the group accepted a gross cash settlement of \$91 million of its claim against the insurers. This was reduced by the \$10 million insurance deductible to give a net receipt of \$81 million. After accounting for plant write-offs, redundancies and business interruption costs, operating earnings increased by \$36 million. Concerning the Pacific Steel transformer failure, Fletcher Building wrote off the damaged plant, recognised the increased operating costs and after allowing for the insurance deductible of \$5 million, recognised a net loss of \$4 million. In addition to this, the Group wrote 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.

(2) Included in the 2007 tax expense is a tax benefit of \$70 million arising from the election to credit the total balance of the branch equivalent tax account

Summary Financial Information continued

Fletcher Building Limited

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted from the audited financial statements of Fletcher Building Limited.

Fletcher Building is a company domiciled in New Zealand and is registered under the Companies Act. It is the guarantor of FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis and is the issuer of the Fletcher Building Shares into which the Capital Notes

may convert. Under the terms of that Guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. No subsidiary of Fletcher Building has guaranteed the obligations of Fletcher Building or FB Finance in relation to the Capital Notes.

Years ended and as at 30 June	2008 (NZ\$M)	2007 (NZ\$M)	2006 (NZ\$M)	2005 (NZ\$M)	2004 (NZ\$M)
Operating revenue	276	252	257	187	135
Operating expenses	–	–	–	–	–
Operating earnings	276	252	257	187	135
Interest expense	(54)	(99)	(98)	(58)	(54)
Earnings before taxation	222	153	159	129	81
Taxation benefit	15	18	19	12	11
Net earnings	237	171	178	141	92
Total assets	4,487	3,783	3,334	2,718	2,356
Total liabilities	(3,168)	(2,525)	(2,393)	(1,835)	(1,278)
Total equity	1,319	1,258	941	883	1,078
Retained earnings (included in total equity)	(67)	(69)	(38)	(49)	(47)
Total tangible assets (included in total assets)	4,487	3,783	3,334	2,718	2,356
Total dividend paid to shareholders	235	202	167	131	91
Total dividend declared in cents per share	48.50	45.00	40.00	32.00	25.00
Net tangible assets per Fletcher Building Capital Note (existing capital notes) (\$)	7.13	7.29	4.76	5.42	5.31

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Full financial statements of Fletcher Building for the most recently completed accounting period can be found on the Companies Office website, www.companies.govt.nz, and are contained in Fletcher Building's annual report, which is available on its website at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

Answers to Important Questions

What sort of investment is this?

Capital Notes

This Investment Statement relates to Capital Notes, which are long-term, unsecured, subordinated, fixed interest bearing securities issued by FB Finance.

The Capital Notes will be constituted by, and issued under, the Trust Deed, as supplemented by the Supplemental Trust Deed. For a detailed description of the terms of the Trust Deed and the Supplemental Trust Deed and the Conditions of the Capital Notes see the sections in the Prospectus entitled “Description of the Trust Documents” and “Conditions of Capital Notes”.

The rights and claims of the Noteholders, in the event of the liquidation of FB Finance will be subordinated in right of payment to the claims of all other creditors of FB Finance, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of FB Finance under the Capital Notes.

Guarantee

The indebtedness of FB Finance in respect of the Capital Notes is guaranteed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders.

The Guarantee is subordinated such that, in the event of a liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

However, each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

The Offer

FB Finance is offering for subscription Capital Notes with an aggregate Principal Amount of \$100 million with additional Capital Notes having an aggregate Principal Amount of \$100 million being available in over-subscriptions, if any. Therefore the potential maximum aggregate Principal Amount available for subscription is \$200 million.

Capital Notes with an aggregate Principal Amount of up to \$60 million (being 30 percent of the maximum aggregate Principal Amount of Capital Notes, including over-subscriptions) may be reserved for subscription by clients of the Joint Lead Managers.

This Offer is made to New Zealand residents only. No offer or invitation is made under this Investment Statement in any jurisdiction outside New Zealand. No person may offer, sell or deliver any Capital Notes or distribute this Investment Statement to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction.

The securities referred to in this Investment Statement have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to U.S. Persons (as such term is defined in Rule 902(k) under the U.S. Securities Act of 1933, as amended) absent registration or an available exemption from registration. The Capital Notes have not been approved or recommended by any U.S. national, state, provincial or foreign securities authorities, nor have any of these authorities passed upon the merits of this offering or determined that this Investment Statement is accurate or complete. Any representation to the contrary is a criminal offence.

Series

The Capital Notes will be issued in two Series:

- » May 2014 Capital Notes; and
- » May 2016 Capital Notes.

Applicants must nominate whether they wish to apply for May 2014 Capital Notes, May 2016 Capital Notes or a combination of each Series at the time of application.

Offer Period

The Offer will be open from the Opening Date (24 November 2008) until 5.00 pm on 31 March 2009 or such earlier date

Answers to Important Questions continued

that FB Finance may determine (whether as a result of receipt of applications for the maximum aggregate Principal Amount of Capital Notes or otherwise).

Interest

Interest on the Capital Notes will be calculated and will accrue daily on a 365-day year basis from the date of banking of application monies for valid applications accepted.

Interest is payable half-yearly in arrears on the relevant Interest Payment Dates for each Series on 15 May and 15 November in each year (or, if that date is not a Business Day, on the next Business Day) until the relevant first Election Date. The first payment of interest for each Series is due on 15 May 2009 to the original subscriber even where that subscriber has subsequently sold or transferred the relevant Capital Notes. Interest (other than the first interest payment for each Series) is payable to the persons registered as holders of the Capital Notes on the date for determining the entitlement to interest payments.

The Interest Rate for each Series is described under the heading "What returns will I get?" on page 21 below.

Election Date

The Capital Notes have an Election Date of 15 May 2014 in respect of the May 2014 Capital Notes and 15 May 2016 in respect of the May 2016 Capital Notes.

No later than 30 Business Days before the Election Date, FB Finance will offer new terms and conditions to Noteholders (including a new Interest Rate, Interest Payment Dates and Election Date) to apply as from the relevant first Election Date.

On the Election Date for the Series, Noteholders may elect:

- » to retain some (subject to a minimum of \$5,000 and thereafter in multiples of \$1,000 for Capital Notes having the same Election Date and Interest Rate) or all of their Capital Notes for a further period on the new terms and conditions offered by FB Finance; or
- » to convert some or all of their Capital Notes into Fletcher Building Shares at 98 percent of the then Current Market Value of Fletcher Building Shares. The conversion at 98 percent means that the value of the Fletcher Building Shares to be issued on conversion is approximately 102 percent of the Principal Amount of the Capital Notes. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares.

Conversion can also occur at an Early Election Date as described under the heading "What returns will I get?" on page 21 below.

Notwithstanding an election by a Noteholder to convert their Capital Notes into Fletcher Building Shares, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date at their Principal Amount together with any accrued but unpaid interest. Where the right to purchase has been exercised by FB Finance, Fletcher Building or any subsidiary of Fletcher Building, the Capital Notes may be cancelled or reissued at the discretion of FB Finance.

Changes of circumstances occurring between the date of issue of the Capital Notes and any Election Date or Early Election Date may have a material adverse effect on the Fletcher Building Shares (including their price) or Fletcher Building. The further information required by the Securities Act (Rights, Options, and Convertible Securities) Exemption Notice 2002, is contained in the section of this Investment Statement entitled "Rights, Options and Convertible Securities Exemption Notice Information" on page 35 below.

Noteholders do not benefit from any capital growth in the Fletcher Building Shares and will not participate in any dividend, bonus issue, rights issue, or any other distribution made in respect of the Fletcher Building Shares prior to any conversion of Capital Notes into Fletcher Building Shares. The Capital Notes do not confer on the Noteholders any right to vote at shareholder meetings of FB Finance or Fletcher Building.

Fletcher Building Shares

The Fletcher Building Shares that Capital Notes may convert into are fully paid Fletcher Building Shares. Each Fletcher Building Share held gives the Fletcher Building shareholder the right to:

- » attend and vote at a meeting of Fletcher Building shareholders including the right to cast one vote per Fletcher Building Share on a poll;
- » an equal share in dividends authorised by the board of directors of Fletcher Building in respect of Fletcher Building Shares;
- » an equal share with other Fletcher Building shareholders in the distribution of surplus assets in the event of the liquidation of Fletcher Building;
- » be sent certain information relating to Fletcher Building; and
- » exercise any other rights as a Fletcher Building shareholder conferred by the Companies Act and Fletcher Building's constitution.

Quotation

The Capital Notes are intended to be tradable. Application has been made for permission to list the Capital Notes on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

It is intended that quotation of the Capital Notes on the NZDX will commence within a reasonable time after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine), and in any event no later than 10 Business Days after that date.

The Fletcher Building Shares into which the Capital Notes may convert have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Investment Statement.

Who is involved in providing it for me?

FB Finance and Fletcher Building

The issuer of the Capital Notes is FB Finance whose registered office is 810 Great South Road, Penrose, Auckland. FB Finance was incorporated in New Zealand on 23 October 2002. FB Finance is also registered to carry on business in Australia and its registered office is at 821 Pacific Highway, Chatswood, NSW. Since incorporation, FB Finance's principal activity has been the funding of the operations of the Fletcher Building Group. A brief summary of FB Finance is contained in the section of this Investment Statement entitled "Business Description of FB Finance and Fletcher Building" on pages 9 to 11. The directors of FB Finance on the date of this Investment Statement are Roderick Sheldon Deane, Paul Edward Alex Baines, Hugh Alasdair Fletcher, John Frederick Judge, Jonathan Peter Ling, Geoffrey James McGrath, Sir Dryden Spring, Kerrin Margaret Vautier and Ralph Graham Waters.

The issuer of any Fletcher Building Shares will be Fletcher Building whose registered office is 810 Great South Road, Penrose, Auckland. Fletcher Building was incorporated in New Zealand on 19 December 2000. Fletcher Building is the holding company of a group whose principal activities are as a building materials manufacturer, distributor and contractor. A brief summary of Fletcher Building is contained in the section of this Investment Statement entitled "Business Description of FB Finance and Fletcher Building" on pages 9 to 11. The directors of Fletcher Building on the date of this Investment Statement are the same as the directors of FB Finance, as set out above.

Trustee

The Trustee of the Capital Notes is Perpetual Trust Limited whose address is Level 12, AMP Centre, 29 Customs Street West, Auckland.

Promoters

Fletcher Building and each of its directors are the Promoters of the Offer. The names of each director of Fletcher Building on the date of this Investment Statement are set out above. The address of Fletcher Building is 810 Great South Road, Penrose, Auckland. Each of its directors can be contacted at that address. The name of each director of Fletcher Building and the city and country in which the principal residence of each director of Fletcher Building is situated are set out below:

Roderick Sheldon Deane	Wellington, New Zealand
Paul Edward Alex Baines	Wellington, New Zealand
Hugh Alasdair Fletcher	Auckland, New Zealand
John Frederick Judge	Auckland, New Zealand
Jonathan Peter Ling	Auckland, New Zealand
Geoffrey James McGrath	Chelmer, Brisbane, Australia
Sir Dryden Spring	Matamata, New Zealand
Kerrin Margaret Vautier	Auckland, New Zealand
Ralph Graham Waters	Bellevue Hill, Sydney, Australia

Fletcher Building guarantees FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis. Under the terms of that Guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. None of Fletcher Building's directors guarantees the Capital Notes.

A Directory of the parties involved in this Offer is contained inside the back cover of this Investment Statement.

How much do I pay?

Issue Price

Under the Offer applicants are required to pay the issue price of \$1.00 per Capital Note, being the Principal Amount of each Capital Note. The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full by applicants on application.

Applications

Applications for the Capital Notes may be made by completing and lodging the Application Form enclosed with this Investment Statement with the Registrar (Computershare Investor Services Limited), the Joint Lead Managers or any other Primary Market Participant.

Applications to subscribe for May 2014 Capital Notes and May 2016 Capital Notes must be for a minimum Principal Amount of \$5,000 and thereafter in multiples of \$1,000 in relation to each Series. Consequently, if applicants wish to apply for both May 2014 Capital Notes and May 2016

Answers to Important Questions continued

Capital Notes, they must apply for at least \$5,000 of May 2014 Capital Notes and \$5,000 of May 2016 Capital Notes and thereafter in multiples of \$1,000 for each Series.

FB Finance will issue Capital Notes throughout the period of the Offer to applicants on a “first come, first served” basis, although scaling on a pro rata basis may be required for those applications received on the date that the maximum Principal Amount is received.

FB Finance will advise successful applicants of the issue of Capital Notes to them as soon as practicable after the date of issue.

By signing the Application Form, an applicant irrevocably offers to subscribe for the Capital Notes on the terms set out in this Investment Statement, the Trust Documents and the Application Form, notwithstanding any changes to the Closing Date which FB Finance is entitled to make.

The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full on application. Cheques should be made payable to “FB Finance Capital Notes Offer”, crossed “Not Transferable”, must not be post-dated and should be delivered or sent, together with the completed Application Form, to Fletcher Building Finance Limited, c/- Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Private Bag 92-119, Auckland.

Applications cannot be withdrawn or revoked, except where an application for Capital Notes is received by the Registrar within two Business Days after the date the Interest Rate has been decreased, in which case the applicant may elect to withdraw the application and be refunded the application monies, as described in the section of this Investment Statement entitled “Interest Rate” on page 5.

FB Finance reserves the right to refuse all or any part of any application without giving a reason.

Further information on how to apply for Capital Notes is set out in the section of this Investment Statement entitled “Application Instructions” on page 37.

Refunds

Any application money received in respect of applications that are not accepted, or the balance of any application money if accepted in part only, will be refunded to the applicant as soon as practicable and, in any event, within 10 Business Days after receipt of the application.

No interest will be paid on any refund or any application not accepted.

Where an applicant's payment for Capital Notes is dishonoured, FB Finance may cancel any Capital Notes

issued to that applicant, and may pursue the defaulting applicant for damages suffered by FB Finance.

Conversion

On the relevant Election Date, Noteholders may elect to convert some or all of their Capital Notes into Fletcher Building Shares. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares. Provided that FB Finance does not elect to redeem for cash the relevant Capital Notes or FB Finance, Fletcher Building or any subsidiary of Fletcher Building do not elect to purchase, or have a nominee purchase, for cash the relevant Capital Notes, then the Fletcher Building Shares to be issued on conversion of the Capital Notes will be the number of Fletcher Building Shares having a value equal to the Principal Amount of, and accrued and unpaid interest on, those Capital Notes calculated at 98 percent of the then Current Market Value of a Fletcher Building Share, being the weighted average sale price of a Fletcher Building Share sold on the NZSX on each of the 10 Business Days immediately following the relevant notification date (being the date specified by FB Finance and being not later than 20 Business Days after the relevant Election Record Date). If no Fletcher Building Shares have been sold during that period, the weighted average sale price will be deemed to be the price at which Fletcher Building Shares were last sold on the NZSX prior to such period, as determined by NZX.

What are the charges?

Applicants are not required to pay any charges to FB Finance or Fletcher Building in relation to this Offer, other than the issue price of \$1.00 for each Capital Note issued to them under the Offer.

Brokerage is payable by FB Finance to Primary Market Participants and other approved financial intermediaries where a valid application bears the stamp of that Primary Market Participant or financial intermediary, at a rate of:

- » 1.00 percent of the aggregate Principal Amount in respect of the May 2014 Capital Notes issued; and
- » 1.25 percent of the aggregate Principal Amount in respect of the May 2016 Capital Notes issued.

No brokerage is payable by FB Finance where a valid application does not bear the stamp of a Primary Market Participant or approved financial intermediary.

Noteholders or Fletcher Building shareholders may be required to pay brokerage if they sell their Capital Notes or Fletcher Building Shares on the NZDX or the NZSX.

The issue of Capital Notes is not underwritten.

What returns will I get?

Introduction

The information set out in this section should be read in conjunction with the information set out under the heading “What are my risks?” on pages 25 to 32 below. Certain events could reduce or eliminate the returns intended to be derived from holding the Capital Notes.

It is not possible to quantify as at the date of this Investment Statement the exact amount of returns Noteholders will receive, and therefore no such amount can be promised by FB Finance.

Key factors determining returns

The key factors that will determine the returns to Noteholders are:

- » the fixed rate of interest attaching to the Capital Notes;
- » the price the Noteholder receives if the Noteholder chooses to sell Capital Notes on the secondary market;
- » the performance by FB Finance of its obligations as the issuer of the Capital Notes, including the payment of interest on the Interest Payment Dates;
- » the new terms offered by FB Finance prior to each Election Date (including the new Interest Rate to apply to any Capital Notes retained by the Noteholder), the election made by Noteholders prior to such Election Date and whether FB Finance elects to redeem or, FB Finance, Fletcher Building or any subsidiary of Fletcher Building elects to purchase, or have a nominee purchase, for cash any or all of the Capital Notes on any Election Date if a Noteholder elects to convert his or her Capital Notes to Fletcher Building Shares on that Election Date;
- » if a Noteholder elects to convert his or her Capital Notes to Fletcher Building Shares and no redemption or purchase rights are exercised, the subsequent payment of any dividends, or distributions made, on Fletcher Building Shares and any subsequent performance of the market price of Fletcher Building Shares; and
- » each Noteholder's individual circumstances for tax purposes.

The funds received from the Offer initially will be lent to Fletcher Building for the benefit of the Fletcher Building Group by way of an unsecured, interest-bearing advance to be used for the general operations of the Fletcher Building Group, including the retirement of debt. The manner in which FB Finance provides the proceeds of issues of Capital Notes to the Fletcher Building Group may vary from time to time, but will be on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

The primary source of FB Finance's cashflow is the investment income it receives from the Fletcher Building Group (which will include interest on the advance described above) and

the repayment of intra-Group advances. Consequently the revenues, earnings and financial condition of the Fletcher Building Group will have a material impact on FB Finance's ability to perform its obligations as the issuer of the Capital Notes, and thus on the returns to Noteholders. Investors should also be aware that some members of the Fletcher Building Group are currently, and may in the future be, party to agreements or arrangements with lenders which may limit the ability of, or prevent, those members of the Fletcher Building Group paying dividends or making other distributions to, making loans to, or paying principal or interest on loans from, their parent companies. Ultimately this could restrict the flow of funds from members of the Fletcher Building Group to FB Finance and therefore adversely affect the ability of FB Finance to meet its obligations under the Capital Notes.

Nothing contained in this Investment Statement should be construed as a promise of profitability, and FB Finance does not give any guarantee or promise as to the return of capital or the payment of any returns in relation to the Offer or the Capital Notes or any Fletcher Building Shares issued on conversion of the Capital Notes.

Interest on Capital Notes

Interest is payable by FB Finance on each Capital Note until the relevant first Election Date at the fixed Interest Rate applicable to that Capital Note. FB Finance will determine the initial Interest Rate for each Series of Capital Notes on the initial Rate Set Date (being the Business Day prior to the Opening Date or such earlier date as may be determined by FB Finance). As such, the initial Interest Rate for each Series of Capital Notes is not known at the date of printing this Investment Statement. The initial Interest Rate for each Series of Capital Notes will be announced to NZX and is set out in the Rate Card accompanying this Investment Statement.

The Interest Rate applicable to each Capital Note until the relevant first Election Date will not change after an application for that Capital Note has been accepted by the Registrar. FB Finance may, at any time prior to the Closing Date, without prior notice, change the Interest Rates it offers in respect of Capital Notes, other than for those Capital Notes for which applications have been accepted at the date of the Interest Rate change. The Interest Rates applicable to the Capital Notes may, therefore differ, depending on when applications are received by the Registrar. Applicants can obtain details of the Interest Rate applicable to each Series of Capital Notes from time to time by contacting any of the Joint Lead Managers or their investment adviser. The Arranger and Organising Participant can be contacted on free phone 0800 162 222.

If an application for a Capital Note is received by the Registrar after a change in the Interest Rate offered and FB Finance has increased the Interest Rate for that Capital Note, the increased rate will apply to that application. If the Interest Rate has been decreased, applicants whose applications are

Answers to Important Questions continued

received by the Registrar within two Business Days after the date of the announcement of that decrease will be notified of the lower Interest Rate, and within 10 Business Days can elect to either continue with the application (at the lower Interest Rate) or be refunded their application monies. If no response has been received within that 10 Business Day period, applicants will be refunded their application monies in full, without any interest being paid to the applicant. No such notification will be given in respect of applications received by the Registrar after that two Business Day period, and the decreased Interest Rate will apply to all such applications.

If the Interest Rate for a Series of Capital Notes is changed after the Opening Date, Capital Notes issued at the new Interest Rate will be quoted on the NZDX separately from those issued at the initial Interest Rate. This may affect the liquidity of any Capital Notes issued and is more fully explained under the heading “What are my risks?” on pages 25 to 32.

The first payment of interest for each Series is due on 15 May 2009. Subsequent interest for each Series is scheduled to be paid half-yearly in arrears on 15 May and 15 November in each year until the relevant first Election Date (15 May 2014 in respect of the May 2014 Capital Notes and 15 May 2016 in respect of the May 2016 Capital Notes). If an Interest Payment Date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, (other than in the case of an Election Date) without adjustment, interest or further payment as a result thereof.

The first interest payment for each Series of Capital Notes will be payable to the original subscriber of the Capital Notes regardless of whether they have sold or transferred their Capital Notes after their issue and prior to the first Interest Payment Date. Subsequent interest payments are payable to the persons who are registered as the Noteholders on the entitlement date for each interest payment.

If interest is not paid when due by FB Finance, it is compounded on each subsequent Interest Payment Date. Non-payment of interest does not constitute a default by FB Finance or Fletcher Building for any purpose. However, each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

Person Legally Liable to Pay Returns

FB Finance is the party legally liable to pay interest due on the Capital Notes. That obligation is guaranteed, on an unsecured subordinated basis, by Fletcher Building under the Trust Deed in accordance with the provisions of the Guarantee.

Election Dates for Capital Notes

The Capital Notes have an Election Date of 15 May 2014 in respect of the May 2014 Capital Notes and 15 May 2016 in respect of the May 2016 Capital Notes.

No later than 30 Business Days before any Election Date, FB Finance will offer new terms and conditions to Noteholders (including a new Interest Rate, Interest Payment Dates and Election Date) to apply as from the relevant Election Date.

On the Election Date for the Series, Noteholders may elect:

- » to retain some (subject to a minimum of \$5,000 and thereafter in multiples of \$1,000 for Capital Notes having the same Election Date and Interest Rate) or all of their Capital Notes for a further period on the new terms and conditions offered by FB Finance; or
- » to convert some or all of their Capital Notes into Fletcher Building Shares at 98 percent of the then Current Market Value of Fletcher Building Shares. The conversion at 98 percent means that the value of the Fletcher Building Shares to be issued on conversion is approximately 102 percent of the Principal Amount of the Capital Notes. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares.

Conversion to Fletcher Building Shares can also occur at an Early Election Date as described below under the heading “What returns will I get?” on page 21.

Notwithstanding an election by a Noteholder to convert their Capital Notes into Fletcher Building Shares, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date at their Principal Amount together with any accrued but unpaid interest. Where the right to purchase has been exercised by FB Finance, Fletcher Building or any subsidiary of Fletcher Building, the Capital Notes may be cancelled or reissued at the discretion of FB Finance.

Changes of circumstances occurring between the date of issue of the Capital Notes and any Election Date or Early Election Date may have a material adverse effect on the Fletcher Building Shares (including their price) or Fletcher Building. The further information required by the Securities Act (Rights, Options, and Convertible Securities) Exemption Notice 2002, is contained in the section of this Investment Statement entitled “Rights, Options and Convertible Securities Exemption Notice Information” on page 35 below.

Noteholders do not benefit from any capital growth in the Fletcher Building Shares and will not participate in any dividend, bonus issue, rights issue, or any other distribution made in respect of the Fletcher Building Shares prior to any conversion of Capital Notes into Fletcher Building Shares. The Capital Notes do not confer on the Noteholders any right to vote at shareholder meetings of FB Finance or Fletcher Building.

Early Election Date for Capital Notes

Conversion to Fletcher Building Shares can only occur at an Election Date or an Early Election Date. An Early Election Date occurs if any person, either alone or acting in concert with any other person, acquires 70 percent or more, in aggregate, of the Fletcher Building Shares or the right to cast more than 70 percent of the votes on a poll at a shareholders' meeting of Fletcher Building on a matter on which Fletcher Building shareholders are entitled to vote. In such circumstances Noteholders will have the option to convert the Principal Amount of their Capital Notes together with any accrued but unpaid interest into Fletcher Building Shares at 98 percent of the then Current Market Value of those Fletcher Building Shares. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares.

Notwithstanding an election by a Noteholder to convert their Capital Notes into Fletcher Building Shares, FB Finance may, at its option, elect to redeem some or all of the Capital Notes for cash on the relevant Election Date or Early Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date or Early Election Date at their Principal Amount together with any accrued but unpaid interest.

If Fletcher Building is unable lawfully to issue Fletcher Building Shares upon conversion of the Capital Notes or if the Fletcher Building Shares are not eligible to be quoted on the NZSX at such time, the relevant Capital Notes will not be converted but will continue until a new Election Date to be selected by FB Finance and the Interest Rate from the relevant Election Date or Early Election Date, as the case may be, will be fixed by reference to a Market Rate (as defined in Condition 4.4(b) of the Conditions of the Capital Notes set out in the Prospectus and Trust Documents). The period until the new Election Date can be no more than five years. For further information on this, see Condition 4.4(b) of the Conditions of the Capital Notes as set out in the Prospectus and Trust Documents.

Reserves or Retentions

Based on legislation and circumstances pertaining at the date of this Investment Statement, no reserve or retention will or is likely to affect returns on the Capital Notes.

Sales of Capital Notes

Noteholders may sell their Capital Notes at any time subject to the terms of the Trust Documents and applicable securities laws and regulations. For further information, see the paragraph under the heading "How do I cash in my investment?" on pages 33 and 34 below.

If a Noteholder sells Capital Notes to a third party, the Noteholder may realise a gain if the sale price exceeds the issue price, or alternatively, may realise a loss if the sale price is less than the issue price.

The price of Capital Notes may rise or fall due to numerous factors, including:

- » general economic conditions, including interest rates and inflation rates;
- » variations in the local and global markets for listed stocks, in general, or for stocks of companies in business sectors similar to that of FB Finance;
- » changes to government policy, legislation or regulation; and
- » general operational and business risks relevant to the Fletcher Building Group (refer to the risks set out in the section of this Investment Statement entitled "What are my risks?" on pages 25 to 32).

None of FB Finance, Fletcher Building, their Directors, or any other person guarantees the market performance of the Capital Notes.

There can be no guarantee that an active market in the Capital Notes will develop or that the price of the Capital Notes will increase. There may be relatively few potential buyers or many potential sellers of the Capital Notes on the NZDX at any time. This may increase the volatility of the market price of the Capital Notes and affect the prevailing market price at which Noteholders are able to sell their Capital Notes. This may result in Noteholders receiving a market price for their Capital Notes that is more or less than the issue price.

If a Noteholder sells any of their Capital Notes, the purchaser of those Capital Notes will be the person legally liable to pay the Noteholder the purchase price of those Capital Notes.

Taxation

The comments on taxation which follow are based on applicable tax legislation current at the date of this Investment Statement.

This Investment Statement is not intended to constitute tax advice to Noteholders. All comments on taxation are of a general nature only and are not, and should not be construed as, legal or tax advice to any Investor in Capital Notes. Investors should consult their own taxation or other financial advisers concerning the taxation implications in

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their particular circumstances, of owning and/or disposing of the Capital Notes.

One of two kinds of withholding tax potentially applies to interest paid or compounded on the Capital Notes. In addition, approved issuer levy might apply for some non-residents. Neither FB Finance nor the Registrar will make any additional payment to Noteholders on account of the deduction of withholding tax or approved issuer levy.

Resident withholding tax

Resident withholding tax will be deducted from interest paid or compounded to or for the benefit of Noteholders who are resident in New Zealand or non-resident Noteholders with a fixed establishment in New Zealand. This is unless the Noteholder holds a current certificate of exemption and produces a copy of the certificate to FB Finance. If appropriate, a copy of the certificate of exemption should be attached to the Application Form.

The rates of deduction of resident withholding tax are 19.5 percent, 33 percent or 39 percent, at the Noteholder's election and upon notification of the Noteholder's tax file number. However, a company cannot elect the 19.5 percent rate and the 39 percent rate applies if the Noteholder's tax file number is not supplied.

If the Noteholder has provided evidence of the holding of a valid certificate of exemption and the certificate of exemption is subsequently cancelled, the Noteholder is required by New Zealand law to notify the Registrar of the cancellation within five Business Days of receipt of the notice of cancellation.

The Noteholder may be required to include the interest income in the Noteholder's annual tax return. A Noteholder who is not classified by the taxation financial arrangements rules as a "cash basis person" may be required to adopt an authorised "spreading method" to recognise the annual income.

Noteholders are required to include in an annual tax return the result of the "base price adjustment" calculation if the Noteholder makes a profit upon ceasing to hold the Capital Notes. The calculation may create taxable income for any previously unrecognised income including any gain from a transfer or maturity of the Capital Notes.

Non-resident withholding tax

Interest paid or compounded to or for the benefit of non-resident Noteholders without a fixed establishment in New Zealand is potentially subject to the deduction of non-resident withholding tax. The rate of deduction is 15 percent of the gross amount of the interest paid or compounded, reducible to 10 percent of the gross amount of the interest paid or compounded by many of the double tax treaties to which New Zealand is a party.

Non-resident withholding tax will normally be a final tax in New Zealand.

Approved issuer levy

As an alternative to non-resident withholding tax, FB Finance may, upon request by the Noteholder and subject to being legally entitled to do so on any terms it requires, agree to deduct and pay an approved issuer levy of 2 percent of the gross amount of the interest that has become subject to non-resident withholding tax. The amount of the levy will be reimbursed from the interest otherwise to be paid or compounded to or for the benefit of the Noteholder.

Approved issuer levy will be a final tax in New Zealand.

Conversion to Fletcher Building Shares

If the Capital Notes are converted into Fletcher Building Shares, any dividends received on the Fletcher Building Shares may be subject to the deduction of resident withholding tax or non-resident withholding tax, as appropriate. There may also be New Zealand income tax if the Fletcher Building Shares were acquired on revenue account and subsequently disposed of.

Fletcher Building Shares

If a Noteholder receives Fletcher Building Shares upon conversion of Capital Notes at an Election Date or Early Election Date, those Fletcher Building Shares will rank equally with and enjoy the same benefits as other Fletcher Building Shares existing at that time, provided that the dividend entitlement on such Fletcher Building Shares will only apply from the date of issue of such Fletcher Building Shares. The dividend entitlement on such Fletcher Building Shares is subject to the rights of holders of any other securities of Fletcher Building from time to time entitled to special or prior rights to dividends.

Returns on Fletcher Building Shares following conversion can be by way of capital appreciation (although the market price of the Fletcher Building Shares may also fall), and Fletcher Building shareholders will also be entitled to any distributions made by Fletcher Building in accordance with the Companies Act, its constitution and its distribution policy.

Key factors determining the level of distributions paid on Fletcher Building Shares are the profitability and liquidity of Fletcher Building and capital expenditure of Fletcher Building, and/or other alternative applications of funds available to it.

Subject to compliance with general statutory filing, disclosure, NZX and ASX Listing Rules, the constitution of Fletcher Building and other requirements in applicable jurisdictions, Fletcher Building shareholders are entitled to sell or transfer Fletcher Building Shares. For further information, see the

information under the heading “How do I cash in my investment?” on pages 33 and 34 below.

Dividends

Each of FB Finance and Fletcher Building has covenanted in the Trust Deed not to pay any dividends on, or make any other distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, if the interest payments on the Capital Notes are not paid on the due dates and for so long as the interest payments remain outstanding.

Dividends on ordinary shares of FB Finance are declared at the discretion of the board of directors of FB Finance. Dividends on Fletcher Building Shares are declared at the discretion of the board of directors of Fletcher Building.

The board of directors of Fletcher Building may declare dividends if the board is satisfied on reasonable grounds that Fletcher Building will, immediately after the distribution, satisfy the solvency test as defined in the Companies Act. Fletcher Building is legally liable to pay any such dividends.

Fletcher Building does not have a policy of distributing a fixed percentage of earnings by way of dividend in any year. Rather, in fixing a dividend for any year it considers a number of factors including current and forecast earnings, internal capital requirements, growth options, availability of tax credits and Fletcher Building’s debt/equity position. Fletcher Building aspires to ensure a dividend record that means the amount of the dividend is at least maintained and, where circumstances permit, is increased.

It is also the current intention of the board of directors of Fletcher Building to attach imputation credits and, where circumstances permit, Australian franking credits, to dividends paid on Fletcher Building Shares held by New Zealand residents and by non-residents.

Notwithstanding the dividend policies above, and subject to the limitation on dividends in respect of Fletcher Building Shares, the board of directors of Fletcher Building has an absolute discretion to change its intentions, to increase or reduce dividends, to authorise dividends at different rates in respect of different classes of Fletcher Building Shares, or to authorise no dividends at all on any or all classes of Fletcher Building Shares.

Fletcher Building can give no assurance about the level of dividends, if any, or the level of taxation credits attached to dividends. These levels will depend on a number of factors, including those discussed under the heading “What are my risks?” on pages 25 to 32 below.

No return on Fletcher Building Shares has been promised and there can be no assurance that distributions will be paid on Fletcher Building Shares.

Guarantee of Capital Notes

The indebtedness of FB Finance, a wholly-owned subsidiary of Fletcher Building, under the Trust Deed in respect of the Capital Notes is guaranteed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders.

Although the Guarantee is unlimited, the obligations of Fletcher Building under the Guarantee are subordinated such that, in the event of the liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

However, each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

The Guarantee is not secured by any mortgage or charge.

Fletcher Building is the only person who has given any guarantee in respect of the Capital Notes. None of FB Finance’s or Fletcher Building’s directors, any subsidiaries of Fletcher Building, the Joint Lead Managers, the Trustee, nor any of their respective directors or employees, nor any other person, guarantees the payment of interest or any other amounts due under the Capital Notes.

What are my risks?

There are a number of factors, both specific to FB Finance and Fletcher Building and of a general nature, which may affect the future operating and financial performance of the

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Fletcher Building Group, the ability of FB Finance to make interest payments on the Capital Notes and the value of the Capital Notes. A number of these risk factors are described below. Prospective investors should note that the risk factors set out below may not be exhaustive, and should consider these risk factors in conjunction with other information disclosed in this Investment Statement. Each of the risks set out below could, if they eventuate, adversely affect Fletcher Building's revenues, earnings or financial condition and FB Finance's ability to meet the Capital Note obligations. Changes in variables affecting risk factors may offset each other to some extent or may be cumulative.

Prospective investors should specifically consider the factors in this section in order to appreciate fully the risks associated with an investment in the Capital Notes. Prospective investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their NZX firm adviser, accountant, lawyer or other professional adviser before deciding whether to invest.

1. Capital Notes

The original investment may not be recovered in full

The principal risks for Noteholders in relation to the Capital Notes are that:

- » they may not receive timely, or any, interest payments on the Capital Notes;
- » they may be unable to recoup all or any of their original investment amount; and/or
- » the value of the Capital Notes may reduce.

This could happen for a number of reasons, including if:

- » there is a material deterioration in the operating performance or profitability of the Fletcher Building Group and, therefore, the financial performance of FB Finance;
- » FB Finance and/or Fletcher Building becomes insolvent, is placed in receivership, administration or liquidation, or otherwise becomes financially unable to pay interest due on, or other amounts in respect of, the Capital Notes;
- » the price at which Noteholders are able to sell their Capital Notes on the market is less than the price they have paid for them owing to market volatility, a change in interest rates or other reasons;
- » Noteholders are unable to sell their Capital Notes due to lack of demand or absence of a market for them; and/or
- » Fletcher Building is unable to lawfully issue Fletcher Building Shares upon conversion or if Fletcher Building Shares are not eligible to be quoted on the NZSX, in which case the Interest Rate from the relevant Election Date or

Early Election Date (as the case may be) will be fixed by reference to a Market Rate (as defined in Condition 4.4(b) of the Capital Notes set out in the Prospectus and the Trust Documents), unless the Trustee otherwise agrees.

A breach by FB Finance or Fletcher Building of their respective obligations under the Trust Documents or the Conditions, whether a monetary or non-monetary breach, does not entitle the Trustee or the Noteholders to require either FB Finance or Fletcher Building to convert the Capital Notes to Fletcher Building Shares, repay or redeem the Capital Notes.

The Trustee holds its rights under the Trust Deed for the benefit of the Noteholders. The Trustee may decline to take any action or exercise any power, unless it is indemnified by the Noteholders for its costs and liabilities in taking any such action or exercising any such power.

Interest may not be paid on the Capital Notes

There is a risk that FB Finance will not be able to meet the interest payments due on the Capital Notes. This could happen for a number of reasons including a reduction in the profitability and/or liquidity of FB Finance or Fletcher Building or the businesses Fletcher Building directly or indirectly owns and controls. Fletcher Building has no obligation to, and there is also a risk it may not, meet the interest payments.

FB Finance is a wholly-owned subsidiary of Fletcher Building and has no material revenue streams other than returns on monies lent to the Fletcher Building Group.

Fletcher Building is a holding company and has no material revenue streams other than distributions from its subsidiaries. While Fletcher Building guarantees FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis, none of its subsidiaries guarantee the Capital Notes.

Non-payment of interest does not constitute a default. Each of FB Finance and Fletcher Building has covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

The subordinated nature of Capital Notes

The Capital Notes are subordinated instruments and Noteholders are in a position akin to that of shareholders with rights, including a ranking in the liquidation of FB Finance or Fletcher Building, behind that of all other creditors except certain categories of subordinated creditors. The Trust Deed under which the Capital Notes are constituted, and the duties and powers of the Trustee, are very limited.

FB Finance's and Fletcher Building's obligations and the Noteholders' rights and claims, each in respect of the Capital Notes are subordinated to the claims of all other creditors of FB Finance and Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, equally with or subordinate to the Noteholders' claims. Accordingly, all such claims rank ahead of the rights and claims of Noteholders in the event of FB Finance or Fletcher Building being put into liquidation.

In accordance with their subordinated nature, special terms apply to the Capital Notes, which, amongst other things, restrict the payments which may be made on the Capital Notes and restrict the rights and powers of the Trustee and/or the Noteholders to enforce or compel payment by FB Finance or Fletcher Building.

Unsecured instrument

The Trust Deed does not create any security over the assets of the Issuer. Accordingly the Capital Notes constitute unsecured indebtedness of FB Finance.

Interest may be paid at different rates

As noted under the heading "What returns will I get?" on page 21 above, if the Interest Rate is changed after the Opening Date, Capital Notes issued at the new Interest Rate will be quoted on the NZDX separately from those issued at the initial Interest Rate. This could affect market liquidity for all Capital Notes issued under the Offer due to the pool of like Capital Notes that may be traded together being reduced.

Interest rate risk

The amount received from the sale of Capital Notes may differ from the amount paid for them. This is because changes in market interest rates after the date of issue or market perception of the credit risk associated with the Capital Notes can affect their value. For instance, if market interest rates rise the value of the Capital Notes is likely to fall as the interest rate payable on the Capital Notes is fixed. The proximity of the selling date to the next Interest Payment Date can also affect the value of Capital Notes.

Further issues of securities may be made

Subject to NZX and ASX Listing Rules, if applicable, and the constitutions of FB Finance and Fletcher Building, FB Finance and Fletcher Building may, from time to time without the consent of the Noteholders, create and issue further capital notes, ordinary shares or other securities or incur indebtedness or issue obligations ranking *pari passu* in all respects with, junior to, or senior to, the Capital Notes and otherwise on such terms as FB Finance or Fletcher Building, as appropriate, may determine. Any such issues of further capital notes may be subject to the appointment of a trustee in respect of such further capital notes and to FB Finance and/or Fletcher Building shareholder approval.

Investors should be aware that the Trust Deed does not impose any limitations on FB Finance incurring any indebtedness or creating any mortgages or charges ranking in point of security ahead of, or equally with, the Capital Notes.

The only rights and claims that will rank equally with the rights and claims of the Noteholders will be claims in respect of debt or notes which, by their terms of issue, are specifically stated or intended to rank equally with the Capital Notes. As at the date of this Investment Statement, the claims that will rank equally with the claims of Noteholders:

- » against FB Finance, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed; and
- » against Fletcher Building under the Guarantee, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed and the existing holders of \$250 million principal amount of capital notes issued under the Fletcher Building Trust Deed.

FB Finance or Fletcher Building could be placed in liquidation or become insolvent

Prior to any liquidation of FB Finance or Fletcher Building, neither the Trustee nor the Noteholders will have any rights of recourse against FB Finance or Fletcher Building, as applicable, other than rights generally available at law (for example, the right of the Trustee to enforce the covenants given in the Trust Documents).

Noteholders or, as the case may be, FB Finance or Fletcher Building shareholders will not be required to pay additional amounts over and above the Principal Amount of the Capital Notes for any reason, to any person as a result of any insolvency of FB Finance or Fletcher Building, as applicable.

2. Fletcher Building Shares

The original investment may not be recovered

If Capital Notes have been converted into Fletcher Building Shares, the principal risks for holders of those Fletcher Building Shares are that:

- » they may not receive any dividends, or entitlements or other distributions in respect of those Fletcher Building Shares;
- » the value of those Fletcher Building Shares may reduce; and/or
- » they may not be able to sell those Fletcher Building Shares.

This could happen for a number of reasons including if:

- » the price at which holders are able to sell their Fletcher Building Shares is less than the market value of the Fletcher Building Shares at the time of conversion;
- » the market for Fletcher Building Shares becomes illiquid or ceases to exist;

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- » Fletcher Building is placed in receivership or liquidation or becomes insolvent for any reason;
- » there is a material deterioration in Fletcher Building's operating performance which affects the market price of Fletcher Building Shares; or
- » Fletcher Building's operational and financial performance deteriorates from market expectations at the time of conversion, and as a result the future market price for Fletcher Building Shares may be less than their market value at the time of conversion and subscribers' returns on their Fletcher Building Shares may be less than anticipated.

The Fletcher Building Share price performance is dependent on a number of complex and interrelated factors, any of which could have a material adverse effect on Fletcher Building's results or operations or its ability to pay dividends or make other distributions. A brief description of the principal risks which may affect the Fletcher Building Share price are set out below. These include:

- » a deterioration in general market conditions;
- » reduced access to debt financing;
- » the cyclical nature of the building industry, including the levels of demand and manufacturing capacity;
- » increased competition, including from competitors with greater financial resources and lower cost of production;
- » variations in exchange rates;
- » variations in interest rates;
- » variations in immigration levels;
- » variations in commodity prices;
- » any significant increase in bad debts;
- » any significant decline in the price of products produced by Fletcher Building;
- » any significant decline in the ability to secure adequate supplies of raw materials;
- » any significant increase in the price of raw materials required by Fletcher Building;
- » any significant expenditure required to allow Fletcher Building to comply with environmental and other laws;
- » increased requirements for capital expenditure;
- » the departure of a number of key personnel from Fletcher Building, which may potentially cause short-term disruption while appropriate replacements are obtained;
- » major litigation;

- » actions by government authorities, including changes to legislation and regulation affecting the markets in which Fletcher Building operates; and
- » other factors influencing returns described under "What returns will I get?" above.

The Fletcher Building Shares that Noteholders receive on conversion will be fully paid. Noteholders will not be liable to pay any money to any person at any time, including in the event of Fletcher Building's insolvency. In the event that Fletcher Building is put into liquidation, Fletcher Building shareholders would not receive any return of capital until Fletcher Building had paid all its creditors and fully discharged any equity securities ranking prior to the Fletcher Building Shares. Any assets remaining after such payments would be distributed to Fletcher Building shareholders in proportion to their respective holdings. There are no other claims ranking equally for priority of payment with Fletcher Building Shares.

3. Risks relating to the industry and the business of Fletcher Building

Each of the risks set out below could, if they eventuate, adversely affect the revenues, earnings or financial condition of Fletcher Building and the ability of FB Finance to meet the Capital Note obligations. Changes in variables affecting risk factors may offset each other to some extent or may be cumulative.

Fletcher Building is dependent upon the general performance of the economies in which it operates

Demand for Fletcher Building's products, and both the volumes it can sell and the prices at which it can sell them, is dependent upon the general performance of the different national and regional economies in which it operates, especially the economies of New Zealand, Australia, Europe, North America and Asia. Reduced or negative growth of any of these economies generally, or reduced demand in their building materials industries in particular, could have a material adverse effect on the financial condition or financial results of Fletcher Building. Fletcher Building is also dependent upon the economies into which it exports products, or from which imports originate, that may affect Fletcher Building's market share or the prices of Fletcher Building's products.

Fletcher Building is not able to predict the timing, extent or duration of the economic cycles in the markets in which it operates. Because a number of Fletcher Building's costs are fixed, if those markets experience a downturn, Fletcher Building may not readily be able to reduce its costs in proportion to the extent of the downturn.

At present the global economy is experiencing a range of adverse effects arising out of events not only in the credit

markets and financial services industry but also many residential housing markets. These events are resulting, or expected to result, in recessions or significant downturns in the key economies in which Fletcher Building operates and are expected to result in challenging market conditions, at least in the near term. A continued and/or prolonged deterioration in general market conditions resulting in reduced or negative growth in the New Zealand, Australian, European, North American or Asian economies, or in the building industries in particular, could adversely affect the revenues, earnings or financial condition of Fletcher Building.

Debt financing may become difficult to obtain and/or expensive

The recent events in the credit markets and financial services industry have impacted, and are expected to continue to impact, on the ability of companies to access interest bearing debt financing and the cost of that debt financing, due to a tightening of credit markets.

Currently, Fletcher Building will be required to refinance \$635 million of its current term interest bearing senior debt facilities prior to 30 June 2011, being \$110 million during the 2009 financial year and \$525 million during the 2011 financial year.

In addition, election dates for \$236 million of capital notes of Fletcher Building and FB Finance will arise prior to 30 June 2011, being \$93 million during the 2009 financial year, \$75 million during the 2010 financial year and \$68 million during the 2011 financial year.

There is no certainty that Fletcher Building will be able to refinance this and any future debt on commercially reasonable terms or at all.

Fletcher Building is exposed to the New Zealand and Australian economies

A significant portion of Fletcher Building's earnings remain attributable to the New Zealand and Australian residential housing, commercial building and construction markets. During the financial year ended 30 June 2008, 82 percent of Fletcher Building's revenue was attributable to the New Zealand and Australian markets.

Currently, the New Zealand and Australian residential housing markets as a whole are experiencing a significant decrease in demand for new homes and a significant reduction in home renovations and alterations. In the first quarter of the current financial year, new housing consents in New Zealand and Australia declined, respectively, 38 percent and 11 percent year on year. Fletcher Building expects these adverse conditions to continue for at least the remainder of the current financial year. The New Zealand and Australian commercial building market is also beginning to experience a decline. These conditions may not stabilise and may worsen, both in the current financial year and thereafter.

Fletcher Building is exposed to general risks relating to markets in which it operates outside of New Zealand and Australia

Fletcher Building has significant operations outside New Zealand and Australia and is subject to the economic and political conditions of those countries. For the financial year ended 30 June 2008, 18 percent of the revenues of Fletcher Building originated from outside New Zealand and Australia. Most of these revenues relate to the building industry and are therefore exposed to the condition of regional building industry activity.

A number of regions are experiencing substantial declines in such activity. Fletcher Building also has manufacturing operations in the U.S., U.K., Canada, Spain, Finland, China, Taiwan, Thailand and Malaysia, and its New Zealand and Australian businesses source raw materials and sell products internationally. This exposes Fletcher Building to potential risks including differential cost escalations, the imposition of new or additional taxes or withholding taxes, limitations on repatriation of funds, political instability, government protectionism, and other forms of investment and trade barriers or tariffs.

Fletcher Building has exposure to fluctuations in currencies

As a global building materials manufacturer and distributor, Fletcher Building is exposed to fluctuations in currencies. Certain of Fletcher Building's revenues, expenses and net investments in foreign operations are denominated in currencies other than New Zealand dollars, including the sale of products, purchase of certain raw materials, capital expenditure, interest payments, borrowings and investments. The main currencies are the Australian dollar, the United States dollar, the Japanese yen, the Euro, and the British pound.

Fletcher Building's policy is that revenue and expense currency risks are hedged to reduce the variability from changes in currency exchange rates on the Group's operating income and cashflow to acceptable parameters. The currency risk policy in relation to net investments in foreign operations is to hedge to reduce the variability from changes in currency exchange rates on the Group's debt to book equity ratio due to currency translation. There is no certainty that all these currency risks are, or can be, covered, or that hedges taken out may not in themselves generate losses.

Fletcher Building has exposure to volatile commodity prices

Fletcher Building has exposure to fluctuations in commodity and manufactured product prices. Certain key imports for Fletcher Building are international commodities, including gypsum, oil, coal, steel and resin. In addition, Fletcher Building competes against imports in many markets where it manufactures products. The prices of a number of these commodities and manufactured products have been highly volatile in recent times. This volatility can make price setting and margin maintenance unpredictable.

Answers to Important Questions continued

Fletcher Building's manufacturing processes rely on a number of key inputs

A number of the businesses of Fletcher Building rely upon the availability and pricing of raw materials, products and services, including energy supplies. If any of these raw materials, products or services were unavailable to Fletcher Building at current prices or at all, this could adversely affect the revenues, earnings or financial condition of Fletcher Building.

Competition from other producers and distributors may affect the earnings of Fletcher Building

Fletcher Building is, and will be, subject to competition from other domestic and international producers and distributors of building materials products in New Zealand, Australian and international markets. The market share of these competitor producers and distributors in each market may increase as a result of various factors including a change in consumer preference towards products offered by those producers or distributors, improved distribution of those products in each market, including distribution through companies other than Fletcher Building, and enhanced price competitiveness due to exchange rate fluctuations. Additionally, new producers or distributors may attempt to enter the markets in which Fletcher Building operates (particularly those where it has a significant market share) by selling products or facilitating distribution at lower prices or by introducing new substitute products to gain market share. These competitive actions may reduce the prices that Fletcher Building is able to charge for its products or reduce the volume of products sold.

Acquisitions of companies may not achieve expected benefits

Acquisitions of businesses have contributed to the growth of Fletcher Building since its incorporation and are a component of its ongoing growth strategy. Between 2001 and 2008, Fletcher Building completed four major acquisitions comprising Laminex, Amatek, Tasman Building Products and Formica, as well as a number of smaller acquisitions. Fletcher Building will continue to consider acquisition opportunities, some of which may be significant. These acquisitions may require additional financing and the integration of new products, diverse operations and distinct corporate cultures. These integration efforts may not succeed or may distract management from operating Fletcher Building's existing businesses. Additionally, Fletcher Building may not be able to enhance its earnings as a result of these acquisitions, and market and other conditions may fall short of the acquisition assumptions. A failure to acquire appropriately or subsequently to manage successfully future acquisitions could adversely affect Fletcher Building's revenues, earnings or financial condition.

Assets on the balance sheet may be impaired

The assets, including goodwill and the intellectual property in brands, of Fletcher Building were tested for impairment in June 2008. Certain of the assets were identified as facing challenges to their current valuations, particularly certain recently acquired business units. At the time of that review, the estimated value of those assets, applying the methodology required by international accounting standards, was in excess of the current carrying value. Fletcher Building has taken steps to seek an appropriate improvement in operating earnings. If these steps are not successful or improvements do not eventuate in these businesses as a result of general market conditions in the economies in which these businesses operate or for any other reason, there may be a future impairment. If an asset is determined to be impaired, this results in a write down of the value of that asset (although it does not result in a cash cost to the business).

The earnings of Formica may continue to under-perform

In July 2007 Fletcher Building acquired Formica Corporation for US\$700 million, with additional payments of up to US\$50 million contingent on performance milestones. Completion of that acquisition coincided with a significant downturn in the U.S. residential market, which historically represented approximately 20 percent of Formica sales. This market downturn resulted in a decline in North American sales by Formica. In addition, a partly commenced rationalisation of Formica's North American manufacturing facilities, in which a plant in California was closed and its volume shifted to a refurbished plant in Ohio, was not implemented successfully in the expected timeframe. This resulted in a short-term increase in costs, a delay in savings and a loss of market share in the U.S. These factors are having a significant impact on the earnings of Formica's operations. The ability of Formica to achieve materially improved earnings is dependent on maintaining progress on the rationalisation of the North American manufacturing operations and on the recovery of the North American and other housing and construction markets in which it operates, and continued growth in Asian and European markets.

Fletcher Building may be subject to emissions costs

Both the New Zealand and Australian Governments have ratified the Kyoto Protocol, and are developing policies and measures to address their commitments under the Protocol. Other countries in which Fletcher Building has manufacturing activities may also impose costs on emissions.

The New Zealand Government enacted emissions trading legislation in September 2008. Based on current legislation, firms responsible for emissions from industry and electricity generation will be required to surrender emission units from

1 January 2010. Hence, beginning in 2010, Fletcher Building could (either directly or indirectly) face an exposure to the costs of emission units for its emissions.

In Australia, the details of the proposed emissions trading scheme are still being developed. Legislation is expected to be introduced in 2010, with the scheme coming into effect in 2011. If such legislation is introduced, Fletcher Building's operations in Australia could face an exposure to the cost of emission units from 2011.

It is not possible to estimate what will be the net impact of different countries' approach to imposing costs on producers of emissions, and how much if any will be recoverable in product prices or sale or use of emission credits obtained.

Fletcher Building is subject to compliance costs under environmental regulations

Fletcher Building regards environmental performance as a key element of sustainable value creation. Most of Fletcher Building's operations are subject to extensive national and local environmental laws and regulations. As Fletcher Building has diversified geographically, the complexity of these laws and regulations has increased and so too have the costs of compliance. Fletcher Building's operating units are required to comply with applicable environmental legislation and regulations and to internally report on key aspects of their performance in relation to environmental regulatory compliance. From time to time Fletcher Building commissions external audits of environmental performance.

Significant liability could be imposed on Fletcher Building for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage, even where it is caused by previous owners of property acquired by Fletcher Building, or non-compliance with environmental laws or regulations. Environmental laws or regulations may also require Fletcher Building to install additional equipment at substantial cost. There could be a cost to any such compliance or remedial work. Such laws or regulations could also restrict the ability of Fletcher Building to conduct its business economically or restrict some activities altogether.

A risk of environmental liability, including soil and groundwater contamination, may arise as some sites commenced operation prior to the development of modern environmental practices and laws. This risk is heightened through the acquisition of businesses which have long operational histories, as is the case with the recent acquisition of Formica. Fletcher Building could be responsible for past and future environmental liabilities relating to its operations, including liabilities presently unforeseen or unquantifiable.

Accordingly no assurances can be given that current environmental laws and regulations or the adoption of new laws and regulations will not adversely affect Fletcher Building's revenues, earnings or financial condition.

There are a number of potential operational risks

Fletcher Building is, and will be, exposed to a range of operational risks related to both current and future operations. These include, but are not limited to, equipment failures and other accidents, information technology system failure, industrial action, damage by third parties, floods, fire, major cyclone, earthquake, volcanic eruption, terrorist attack or other disaster. Although Fletcher Building endeavours to take appropriate action and, where insurable, have appropriate insurance arrangements (with deductibles) to mitigate these risks, certain residual risk will remain with Fletcher Building.

Fletcher Building faces potential claims relating to occupational health & safety

The production processes used in conducting Fletcher Building's business contain inherent hazards as heavy machinery is used in many of those processes. While Fletcher Building has put appropriate risk identification processes and safeguards in place, such production processes and use of machinery could result in serious injury to employees or other persons.

Production of many products in Fletcher Building's business, such as wood panels, insulation products and concrete products, can involve exposure to certain chemicals (such as formaldehyde) and by-products (such as wood dust and dust containing silica) which could have an adverse effect on human health where exposure is above worksafe limits and continuous. Also, third parties who further process these products (such as wood panels, fibreglass, steel and cement based products) through, for example, sanding or grinding, can be exposed to fibres, dust and other emissions which could also have an adverse effect on human health where exposure is extensive and continuous.

In addition, asbestos-containing building materials are present on a number of sites operated by Fletcher Building (particularly within Formica) or where Fletcher Building employees or contractors are present (for example in fibrolite cladding and pipe insulation). In some circumstances, exposure to asbestos released from such materials could have an adverse effect on human health.

Fletcher Building could be exposed to a claim from an employee or other third party or groups of such people in relation to health and safety issues. It is not possible to estimate liability arising from any such claims.

Fletcher Building has potential liability for defective products

Due to the nature of its operations, it is possible that claims against Fletcher Building could arise from defects in material or products manufactured and/or supplied by Fletcher Building. Purchasers and third parties could make claims against Fletcher Building based on Fletcher Building's delivery of defective material or products and services, or for damage or loss arising from the use of materials or products or services. If any claims of this type succeed and Fletcher

Answers to Important Questions continued

Building's insurance arrangements do not cover the liability, it could adversely affect the earnings or financial condition of Fletcher Building.

Fletcher Building has significant retirement plan obligations which it recognises in its financial statements

Fletcher Building is the principal sponsoring company of a number of defined benefit plans and medical plans that provide retirement and other benefits to employees of the Group in New Zealand, Australia and other jurisdictions in which Fletcher Building has operations. Fletcher Building has an obligation to meet any deficit in the funded status of these plans. The status of the plans fluctuates over time, as the value of their assets and obligations vary. As at 30 June 2008 Fletcher Building had a recognised obligation to fund a deficit of \$35 million in these plans.

The recent deterioration in investment markets has reduced the value of pension plan assets. This will increase the likelihood of Fletcher Building having to make a greater cash contribution to the plans. This would also reduce reported earnings in respect of the year ending 30 June 2010 and, potentially, thereafter.

Earnings in the construction industry can be volatile

Earnings for participants in the construction industry can be volatile as a result of a number of specific risks that arise in that industry.

Where a project is undertaken on a fixed-price contract, contract prices are established in part on cost and scheduling estimates based on assumptions about future economic conditions, prices and availability of labour, equipment and materials and other inputs. If these estimates prove inaccurate, or circumstances change, cost overruns can occur which may significantly reduce earnings on a project or may result in losses, which may be significant. If a project is not completed by a scheduled date, or it fails to meet guaranteed performance specifications, contractors may be responsible for the cost impact of those delays or failure to meet standards. Penalties may also be payable. The nature and complexity of large scale construction and the significant sums involved can lead to greater exposure to potential liability (including potential professional liability, product liability, warranty and other claims) and contract disputes. Parties to construction contracts are often reliant on third-party partners, equipment manufacturers and third-party contractors to complete the project. To the extent these third parties fail to perform, this may impact on the earnings of other parties involved in a construction project.

Insurance of Fletcher Building's risks over its \$10 million self-insurance retention amount may not be available or claimable

Fletcher Building takes out coverage for a number of insurable risks associated with its business. Where it has such insurance Fletcher Building effectively self-insures up to \$10 million for each event, up to an annual aggregate of \$20 million. Fletcher Building's ability to recover insured losses is dependent on such losses being covered by the relevant insurance policies and the ability of its insurers to meet their obligations. There cannot be any assurance that Fletcher Building will be able to obtain all the insurance cover that it seeks, or at a reasonable cost. Further there are risks which Fletcher Building has either not identified or where appropriate insurance is not available, for example terrorist activity.

Legislation or regulatory changes may adversely affect the conduct of Fletcher Building's business

Fletcher Building operates in many jurisdictions around the world, which each impose different legal and regulatory requirements on building manufacturers and distributors and on business generally. Changes in existing laws or regulations (including those relating to the emissions trading schemes) or enforcement policies, or further investigation or evaluation by governmental agencies such as taxation authorities, anti-trust bodies or environmental agencies, may result in additional compliance and other costs, including penalties and fines, or make the conduct of business difficult in some jurisdictions in which Fletcher Building operates.

Can the investment be altered?

The terms and conditions on which applicants may apply for and acquire the Capital Notes may be altered by an amendment to the Trust Documents by FB Finance and Fletcher Building. Details of any such amendment must be filed with the Registrar of Companies.

Capital Notes

The terms and conditions attaching to Capital Notes (including the terms of conversion to Fletcher Building Shares) may only be altered during the term of the Capital Notes with the approval of an extraordinary resolution of holders of the Capital Notes and all other capital notes issued under the Trust Deed, or in limited circumstances by an amendment to the Trust Documents.

The terms and conditions of the Trust Documents (including the terms of the Guarantee) may be amended with the approval of the Trustee, FB Finance and Fletcher Building. The following amendments do not require an extraordinary resolution of noteholders:

- » formal or technical amendments not prejudicial to the general interests of noteholders; or
- » amendments relating to the assumption by FB Finance of the payment obligations of Fletcher Building under the capital notes issued under the Fletcher Building Trust Deed, provided those payment obligations are guaranteed by Fletcher Building; or
- » any amendment necessary or desirable in connection with FB Finance being incorporated under the law in force in, or in any part of, another country.

Otherwise, amendments must be approved by an extraordinary resolution of noteholders. If, in the opinion of the Trustee, a resolution either affects one class only of capital notes, or more than one class in a way that gives or may give rise to a conflict of interest between the noteholders of the different classes affected, then the resolution will be deemed to have been duly passed only if passed at separate meetings of the noteholders of the capital notes of each such class or classes so affected. Capital notes which are in all respects identical will constitute a separate class of capital notes.

At each relevant Election Date, FB Finance may vary the terms of the Capital Notes.

Fletcher Building Shares

The rights of Fletcher Building shareholders are subject to the provisions of the Companies Act, the constitution of Fletcher Building and NZSX and ASX Listing Rules. The constitution of Fletcher Building can be altered by special resolution of the Fletcher Building shareholders, subject to, if applicable, the rights of interest groups under the Companies Act, or in certain circumstances by court order. Section 117 of the Companies Act restricts Fletcher Building from taking any action that affects the rights attached to its shares unless that action has been approved by a special resolution of shareholders whose rights are affected by the action. Under certain circumstances a Fletcher Building shareholder whose rights are affected by a special resolution may require Fletcher Building to purchase that shareholder's Fletcher Building shares. However, a Noteholder has no voting rights or other rights in relation to Fletcher Building's constitution until the Noteholder's Capital Notes have been converted into Fletcher Building Shares.

How do I cash in my investment?

On each relevant Election Date, a Noteholder can elect to convert Capital Notes into Fletcher Building Shares. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares. If a Noteholder elects to convert some or all of their Capital Notes, at that time, FB Finance has the right to redeem some or all of such Capital Notes for cash, on the Election Date at their Principal Amount, together with any

accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of, such Capital Notes for cash on the Election Date at their Principal Amount together with accrued but unpaid interest. Where the right to purchase has been exercised by FB Finance, Fletcher Building or any subsidiary of Fletcher Building, the Capital Notes may be cancelled or reissued at the discretion of FB Finance.

Noteholders are entitled to sell and/or transfer their Capital Notes at any time subject to the terms of the Trust Documents and any applicable securities laws and regulations. The Trust Documents provide that, by becoming the registered holder of a Capital Note, the transferee automatically agrees to be bound by all of the terms of the Trust Documents.

Capital Notes may be transferred by contacting a NZX Participant and supplying the relevant FASTER identification number, along with the holder number for the Capital Notes, or by any other method of transfer of marketable securities which is not contrary to any law, and which may be operated in accordance with the listing rules of NZX or any other applicable stock exchange which is approved by FB Finance.

No transfer will be registered if registration would result in the transferee or the transferor holding less than \$5,000 of Capital Notes having the same Election Date and Interest Rate. Subject to this minimum holding, transfers of Capital Notes must be in multiples of \$1,000 of Capital Notes (except where the holder is a Bank or Primary Market Participant (as defined in the NZSX Listing Rules) in which case there shall be no minimum transfer amount).

Prior to the Offer, there is no established market for the Capital Notes. In the opinion of FB Finance, an established market for the Capital Notes is likely to develop following completion of the Offer, as it has for similar issues of securities and previous issues of capital notes by Fletcher Building and FB Finance. If you wish to sell your Capital Notes you should contact your usual NZX Participant. Brokerage at applicable rates would be payable by Noteholders on the transfer of Capital Notes.

Application has been made to NZX for permission to list the Capital Notes on the NZDX and all the requirements of the NZX relating thereto that can be complied with on or before the date of distribution of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

The Fletcher Building Shares into which the Capital Notes may convert have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Investment Statement.

Fletcher Building has covenanted in the Trust Documents to use its reasonable endeavours to ensure that the Fletcher Building Shares that are issued on conversion are entitled to be quoted on the NZSX and that such quotation is maintained.

Answers to Important Questions continued

Subject to compliance with general statutory filing, disclosure, NZSX and ASX Listing Rules, the constitution of Fletcher Building and other requirements in applicable jurisdictions, Fletcher Building shareholders are entitled to sell or transfer Fletcher Building Shares. In the opinion of Fletcher Building, there will be an established market for Fletcher Building Shares. No charges are payable to Fletcher Building in respect of any sale or transfer of Fletcher Building Shares although brokerage at applicable rates may be payable by the investor.

Who do I contact with enquiries about my investment?

Enquiries about Capital Notes and/or Fletcher Building Shares should be directed to:

FB Finance and Fletcher Building at:

Company Secretary
Fletcher Building Limited
810 Great South Road
Penrose 1061
Private Bag 92114
Auckland
Telephone: (09) 525 9000
Email: moreinfo@fb.co.nz

or to:

The Registrar for the Capital Notes and Fletcher Building Shares at:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
Telephone: (09) 488 8777
Email: enquiry@computershare.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about Capital Notes and/or Fletcher Building Shares can be directed to:

FB Finance and Fletcher Building at:

Company Secretary
Fletcher Building Limited
810 Great South Road
Penrose 1061
Private Bag 92114
Auckland
Telephone: (09) 525 9000
Email: moreinfo@fb.co.nz

or to:

The Registrar for the Capital Notes and Fletcher Building Shares at:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142
Telephone: (09) 488 8777
Email: enquiry@computershare.co.nz

Further, in relation to the Capital Notes, the Trustee has an obligation to call a meeting of Noteholders if the holders of not less than 10 percent of the aggregate Principal Amount of all capital notes issued under the Trust Deed make a written request to do so. Any such request, should be directed to the Trustee at the address below:

Regional Manager – Corporate Trust
Perpetual Trust Limited
Level 12, AMP Centre
29 Customs Street West
Auckland 1010
Telephone: (09) 366 3290
Facsimile: (09) 303 2696

There is no ombudsman to whom complaints about the Capital Notes or the Fletcher Building Shares issued on any conversion of the Capital Notes may be made.

What other information can I obtain about this investment?

Additional information about the Capital Notes, the Fletcher Building Shares, FB Finance and/or Fletcher Building is contained in the Prospectus, the Trust Documents and/or in Fletcher Building's financial statements.

Inspection of Documents

Copies of the Prospectus, the Trust Documents and the most recent financial statements of FB Finance and Fletcher Building, the constitutions of FB Finance and Fletcher Building and the material contracts referred to in the Prospectus, may be inspected, without charge, during normal business hours at FB Finance and Fletcher Building's registered office at 810 Great South Road, Penrose, Auckland.

These documents and other documents of, or relating to, FB Finance and Fletcher Building are also filed on a public register which can be accessed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the Companies Office

website, copies may also be obtained (on a payment of a fee) by telephoning the Companies Office Contact Centre on 0508 266 726.

FB Finance and Fletcher Building are required to keep a register of all equity securities and a register of debt securities. Holders of those securities may inspect the relevant register, free of charge. FB Finance and Fletcher Building are entitled to charge a fee for the provision of copies of any register.

Shareholders may also inspect the information specified in sections 215 to 216 of the Companies Act.

Ongoing Reports

Notification of the availability of FB Finance and Fletcher Building's half-yearly report (including unaudited financial statements for the first six months of each financial year) and of an annual report (including annual audited financial statements) and where they can be accessed electronically, will be sent by FB Finance and Fletcher Building to Noteholders who are registered on the relevant date within three months after the end of each financial half-year and year. Noteholders will have the right to request printed copies of these reports. Shareholders are also entitled to request printed copies of these reports.

FB Finance and Fletcher Building are also required to make half-yearly and annual announcements to NZX, and such other announcements as are required by the NZX and ASX Listing Rules from time to time.

On request information

FB Finance shareholders and Noteholders and Fletcher Building shareholders may at any time, in accordance with section 54B of the Securities Act and regulation 23A of the Securities Regulations, request FB Finance (by written notice to the address set out under the heading "Who do I contact with enquiries about my investment?" on page 34) to provide, and are entitled on payment of any fee prescribed by statute to be sent:

- » a copy of the most recent annual report of FB Finance;
- » a copy of the most recent financial statements of FB Finance required to be registered under the Financial Reporting Act 1993 and all documents required to be registered with those financial statements;
- » a copy of the most recent annual financial statements of Fletcher Building;
- » a copy of the Trust Documents; and
- » a copy of the most recent registered prospectus and investment statement in respect of the Capital Notes.

This information will be made available to FB Finance shareholders and Noteholders, free of charge, upon request in writing being made to FB Finance at its registered office at 810 Great South Road, Penrose 1061, Private Bag 92114, Auckland.

Rights, Options and Convertible Securities Exemption Notice Information

Important information relating to the Capital Notes and to Fletcher Building Shares (including their prices) and FB Finance and Fletcher Building will be disclosed in accordance with the continuous disclosure provisions of the NZSX and NZDX Listing Rules.

Between 5 and 10 Business Days before the earliest date on which an election to convert the Capital Notes into Fletcher Building Shares on an Election Date or Early Election Date may be made by a Noteholder, a pre-conversion statement:

- » will be provided to the NZX for release to the market; and
- » will be available on www.fletcherbuilding.co.nz.

The pre-conversion statement will contain:

- » a statement to the effect that the purpose of the pre-conversion statement is to assist Noteholders to decide whether to elect to convert their Capital Notes to Fletcher Building Shares;
- » a description of any adverse circumstances (whenever they occurred) that make this Investment Statement false or misleading in any material particular by reason of failing to refer, or give proper emphasis, to those circumstances;
- » a description of the effect of any adverse circumstances, to the extent that the effect can be assessed, or, where the effect of the adverse circumstances cannot be assessed, a statement to that effect;
- » a list of any other documents that are, in the opinion of FB Finance or Fletcher Building, relevant to a decision about whether to elect to convert their Capital Notes to Fletcher Building Shares, in which case the documents will be included in the pre-conversion statement or the pre-conversion statement will indicate where those documents may be viewed and how they may be accessed; and
- » a statement by FB Finance that the pre-conversion statement is not known by FB Finance, or any director of FB Finance, to be false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

Noteholders should consider the pre-conversion statement, the market price of Fletcher Building Shares, and all other information available concerning Fletcher Building Shares and Fletcher Building, before an election to convert their Capital Notes to Fletcher Building Shares is made.

Glossary

In this Investment Statement unless the context otherwise requires:

Application Form means the application form enclosed with this Investment Statement.

Arranger and Organising Participant means First NZ Capital Securities Limited.

ASX means the Australian Stock Exchange Limited.

Business Day means a day (other than a Saturday or Sunday) on which registered banks generally are open for general banking business and the NZDX is open for trading.

Capital Notes means the unsecured, subordinated capital notes offered for subscription under this Investment Statement and constituted by the Trust Documents.

Closing Date means 31 March 2009, or such earlier date as FB Finance may determine.

Companies Act means the Companies Act 1993.

Conditions means the conditions of the Capital Notes as set out in Schedule 1 of the Supplemental Trust Deed.

Current Market Value of a Fletcher Building Share has the meaning given to it on page 20 of this Investment Statement.

Early Election Date means, in relation to a Series of Capital Notes, the date on which Noteholders may opt to convert the Capital Notes into Fletcher Building Shares in accordance with the Conditions upon which any person, either alone or acting in concert with any other person, acquiring 70 percent or more, in aggregate, of the Fletcher Building Shares or the right to cast more than 70 percent of the votes on a poll at a shareholders' meeting of Fletcher Building on a matter on which Fletcher Building shareholders are entitled to vote.

Election Date means, in relation to a Series of Capital Notes, the date on which the terms of that Series are able to be revised, or that Series is able to be redeemed or purchased for cash or converted to Fletcher Building Shares in accordance with the Conditions.

Election Record Date has the meaning given to it in Condition 4.1 of the Conditions.

FB Finance means Fletcher Building Finance Limited.

Fletcher Building means Fletcher Building Limited.

Fletcher Building Group or **Group** means Fletcher Building and its subsidiaries.

Fletcher Building Shares means fully paid ordinary shares in Fletcher Building.

Fletcher Building Trust Deed means the amended and restated trust deed dated 24 September 2001 between Fletcher Building and the Trustee for and in respect of capital notes of an aggregate principal amount of \$250 million in Fletcher Building.

Guarantee means the guarantee granted by Fletcher Building in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders, pursuant to the terms of the Trust Deed.

Interest Payment Dates means 15 May and 15 November in each year (commencing on 15 May 2009 in relation to each Series) or, if that date is not a Business Day, on the next Business Day.

Interest Rate means, in relation to a Capital Note offered under this Investment Statement, the initial rate of interest per annum payable on the face value of that Capital Note as set by FB Finance, or any subsequent rate of interest set by FB Finance from time to time prior to the Closing Date.

Investment Statement means this investment statement dated 21 November 2008.

Issue Date means, for each Capital Note that FB Finance agrees to issue to an applicant, the date on which the issue price payable by the applicant for the Capital Note has been lodged to FB Finance's bank account.

Joint Lead Managers means First NZ Capital Securities Limited, ANZ National Bank Limited and Goldman Sachs JBWere (NZ) Limited.

May 2014 Capital Notes means Capital Notes designated by FB Finance upon issue as May 2014 Capital Notes.

May 2016 Capital Notes means Capital Notes designated by FB Finance upon issue as May 2016 Capital Notes.

Noteholders means holders of Capital Notes.

NZX means NZX Limited.

NZDX means the debt security market operated by NZX.

NZSX means the main board equity security market operated by NZX or any alternative or substitute market for shares or other arrangement in New Zealand on or through which shares may be freely traded and which is generally regarded as the principal such market or arrangement for the trading of shares in New Zealand.

NZ\$ or **\$** means the lawful currency of New Zealand.

Offer means the offer of Capital Notes under the Prospectus and this Investment Statement.

Opening Date means 24 November 2008 or such other date and time as FB Finance in its discretion determines.

Primary Market Participant means an entity designated as such under the NZX Participant Rules.

Principal Amount means, in relation to a Capital Note, the principal amount of such Capital Note as recorded in the register.

Prospectus means the prospectus for the Offer dated 21 November 2008.

Rate Set Date means initially the Business Day prior to the Opening Date (or such earlier date as may be selected by FB Finance) or any date after the initial Rate Set Date but prior to the Closing Date on which FB Finance changes the Interest Rate it offers in respect of Capital Notes that are yet to be issued.

Registrar means Computershare Investor Services Limited.

Securities Act means the Securities Act 1978.

Securities Regulations means the Securities Regulations 1983.

Series means the May 2014 Capital Notes or the May 2016 Capital Notes, or both of them, as the context requires.

Supplemental Trust Deed means the supplemental trust deed dated 21 November 2008 entered into by FB Finance, Fletcher Building and the Trustee pursuant to the Trust Deed, under which the Capital Notes are constituted.

Trust Deed means the trust deed dated 12 November 2002 between FB Finance, Fletcher Building and the Trustee, as supplemented by the Supplemental Trust Deed.

Trust Documents means the Trust Deed and the Supplemental Trust Deed.

Trustee means the trustee under the Trust Deed being, at the date of this Investment Statement, Perpetual Trust Limited (or such other trustee as is appointed from time to time).

Application Instructions

You should read this Investment Statement carefully before completing an Application Form.

Please complete all relevant sections of the Application Form using CAPITAL BLOCK LETTERS.

Application Details

- » Set out your title, full name(s), addresses, telephone numbers, and email address (optional).
- » Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per Application. At least one full first name and surname is required for each natural person.
- » Applications in the name of a minor, trust, fund or estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) as appropriate.

Application Amount

- » Complete the Principal Amount of the May 2014 Capital Notes and/or May 2016 Capital Notes applied for.

Reporting

- » If you would like to receive communications from FB Finance and Fletcher Building in the future by electronic means, please provide your email address and tick the Electronic Reports box on the Application Form. E-mails will be sent to you as appropriate providing links to Fletcher Building's website where you can access Annual and Half Year Reviews and Annual Reports, and advice of the link to the annual Section 209 Notice which FB Finance is required to send under the NZX Listing Rules. In addition, you will be sent any other communications which FB Finance or Fletcher Building consider appropriate to be sent electronically.

Holder Number

- » If you currently have a Computershare Investor Services shareholder number or a CSN, please enter it in the box provided. Investors whose Applications are accepted and who do not currently have a CSN will receive a CSN and FIN from Computershare Investor Services Limited.

Resident Withholding Tax Rate

- » Insert your IRD Number if you have one and Computershare Investor Services Limited does not already hold your number.

- » If you have a certificate of exemption from New Zealand Resident Withholding Tax, you should tick the box and attach a copy of that certificate to your Application Form.

Interest Payments

- » If you currently receive interest or dividend payments from Computershare Investor Services Limited by direct credit, and wish the interest from the Capital Notes to be direct credited to the same account, then do not complete the "Interest Payment" section.
- » If you wish to be paid by direct credit and Computershare Investor Services Limited does not already hold your bank account details or if you wish to have your interest direct credited to another account please provide your bank account number into which interest payments are to be paid.

Declaration

- » Read the declaration on the reverse of the Application Form carefully and sign and date the Application Form.
- » This Application Form must be signed by the applicant(s) personally or by two directors of a company (or one director if there is only one director whose signature must be witnessed), or in either case by an attorney or duly authorised agent of the applicant.
- » If your Application Form is signed by an attorney, the attorney must complete the Certificate of Non-Revocation of Power of Attorney on the reverse of the Application Form.
- » If your Application Form is signed by an authorised agent, the agent must complete the Certificate of Non-Revocation of Agent on the Application Form.
- » Joint applicants must each sign the Application Form.
- » Only the address of the first named of the joint applicants will be recorded by the Registrar and all interest payments, distributions and notices etc. will be sent to that address.
- » An application cannot be withdrawn or revoked by the applicant, except where an application for Capital Notes is received by the Registrar within two Business Days after the date the Interest Rate has been decreased, in which case the applicant may elect to withdraw the application and be refunded the application monies, as described in the section of this Investment Statement entitled "Interest Rate" on page 5.
- » FB Finance reserves the right to reject any application in whole or in part without giving any reason.

Application Instructions continued

» Payment

- » Full payment of the subscription price of the Capital Notes applied for must accompany the Application Form.
- » Payment must be in New Zealand dollars for immediate value. Cheques must be drawn on a registered New Zealand bank and made in favour of “FB Finance Capital Notes Offer”, crossed “Not Transferable” and must not be post-dated. If an applicant’s cheque does not subsequently clear when presented, FB Finance reserves the right to cancel that applicant’s allotment of Capital Notes.
- » Cheques will be banked immediately on receipt. The banking of application moneys will not constitute an allotment of Capital Notes nor acceptance of an offer to purchase Capital Notes.
- » Institutional investors must pay in immediately cleared funds.

Timing

FB Finance will issue Capital Notes throughout the period of the Offer to applicants on a “first come, first served” basis, although scaling on a pro rata basis may be required for those applications received on the date that the maximum Principal Amount is received. Applicants should therefore submit applications as soon as possible following 24 November 2008.

The Closing Date of the Offer is 31 March 2009, or such earlier date as FB Finance may determine.

FASTER Statements for the Capital Notes will be dispatched as soon as practicable after allotment, but in any event, within 14 calendar days after the allotment.

Personal Information

Personal information provided by you will be held by FB Finance, Fletcher Building, the Registrar and/or the Trustee at the addresses shown in the Directory on the inside back cover of the Investment Statement or such other place as notified upon request. This information will be used for the purpose of managing your investment in the Capital Notes. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

Application Form

Fletcher Building Finance Limited

This Application Form constitutes an offer to acquire the Capital Notes described below. FB Finance will issue Capital Notes throughout the period of the Offer on a "first come, first served" basis, although scaling on a pro rata basis may be required for those applications received on the date that the maximum Principal Amount is received. The Closing Date of the Offer is 31 March 2009, or such earlier date as FB Finance may determine.

FB Finance reserves the right to refuse all or any part of any application without giving a reason.

This Application Form must not be issued, circulated or distributed unless accompanied by the Investment Statement prepared as at, and dated, 21 November 2008.

To apply for Capital Notes please fill in the following sections and mail the Application Form together with your cheque to the following address:

Fletcher Building Finance Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

Applications may also be lodged with any Primary Market Participant, any of the Joint Lead Managers or any other channel approved by NZX, in time to enable forwarding to the Registrar before the Closing Date.

Please refer to the "Summary of Main Terms of Offer" and the "Application Instructions" sections of the Investment Statement for additional instructions regarding its completion and lodgement.

BROKER'S STAMP

ADVISER CODE

Application Details – Please Print in BLOCK LETTERS

TITLE	FIRST NAMES	SURNAME
TITLE	FIRST NAMES	SURNAME
TITLE	FIRST NAMES	SURNAME
CORPORATE NAME		
POSTAL ADDRESS (POSTCODE MUST BE INCLUDED)		
TELEPHONE HOME	WORK	
MOBILE	EMAIL (OPTIONAL)	

Application Amount – Principal Amount applied for

May 2014 Capital Notes: NZ\$ _____
(MINIMUM OF \$5,000, AND THEREAFTER IN MULTIPLES OF \$1,000)

May 2016 Capital Notes: NZ\$ _____
(MINIMUM OF \$5,000, AND THEREAFTER IN MULTIPLES OF \$1,000)

Cheques must be payable to "FB Finance Capital Notes Offer" and crossed "not transferable" and should be for immediate value. Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank. Cheques must not be post-dated.

Reporting

If you would like to receive communications from FB Finance and Fletcher Building in the future by electronic means, including advice of the link to the annual Section 209 Notice that FB Finance is required to send, please tick this box and enter your email address details above: ☐

Holder Number

If you already hold Shares in a New Zealand company which has Computershare Investor Services Limited (**Computershare**) as its registrar or if you have been allocated a Common Shareholder Number please enter the Holder Number here:

HOLDER NUMBER

Resident Withholding Tax Rate

Please complete this section if Computershare Investor Services does not hold your IRD Number

IRD NUMBER
WITHHOLDING TAX (PLEASE TICK) ☐ 19.5% ☐ 33% ☐ 39%

NB. 19.5% only applicable if IRD number is supplied.

If you hold a current Resident Withholding Tax Exemption Certificate, please tick this box and return a copy of the Certificate with this Application Form: ☐

Interest Payments

If you currently receive interest or dividend payments from Computershare by direct credit, Computershare will pay the interest from the Capital Notes by direct credit to the same account unless you indicate otherwise.

If you wish to have your interest credited to another account or Computershare do not have your account details please complete this section. Please complete only one option.

Option 1 My New Zealand Bank Account Details

ACCOUNT NAME

BANK ACCOUNT NUMBER

Option 2 My Cash Management Account Details

NAME OF NZX PARTICIPANT WHERE CASH MANAGEMENT ACCOUNT HELD

CASH MANAGEMENT CLIENT ACCOUNT NUMBER

Declaration

I/We irrevocably apply for the Principal Amount of Capital Notes shown above on the terms and conditions set out in the Investment Statement dated 21 November 2008, Prospectus, the Trust Documents and this Application Form.

SIGNATURE

DATE

SIGNATURE

DATE

SIGNATURE

DATE

Completing the Application Form

Read the Investment Statement and in particular, the section "Answers to Important Questions" carefully, before applying for Capital Notes and lodging this Application Form.

In particular please note that if the Interest Rate has been decreased, applicants whose applications are received by Computershare within two Business Days after the date of announcement of that decrease will be notified of the lower Interest Rate, and within 10 Business Days can elect to either continue with the application (at the lower Interest Rate) or be refunded their application monies. If FB Finance or Computershare are unable to locate applicants to inform them of a decrease in the Interest Rate or if no response has been received within 10 Business Days, applicants will be refunded their application monies in full, without any interest being paid to the applicant. No such notification will be given in respect of applications received by Computershare after that two Business Day period, and the decreased Interest Rate will apply to all such applications.

Certificate of Non-Revocation of Power of Attorney

Please complete this section if you wish to appoint an attorney to act on your behalf

I _____ (NAME OF ATTORNEY)

OF _____ (ADDRESS AND OCCUPATION OF ATTORNEY)

HEREBY CERTIFY: THAT BY A POWER OF ATTORNEY DATED THE _____ DAY OF _____

(NAME AND OCCUPATION OF PERSON FOR WHOM ATTORNEY IS SIGNING)

(ADDRESS OF PERSON FOR WHOM ATTORNEY IS SIGNING)

Appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney THAT:

1. I have executed the application for Capital Notes printed on this Application Form as Attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.
2. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the donor or otherwise.

SIGNED AT

THIS

DAY OF

SIGNATURE OF ATTORNEY

Certificate of Non-Revocation of Agent

Please complete this section if you wish to appoint an agent to act on your behalf

I _____ (NAME OF AGENT)

OF _____ (ADDRESS AND OCCUPATION OF AGENT)

HEREBY CERTIFY: THAT BY THE AGENCY AGREEMENT DATED THE _____ DAY OF _____

(NAME AND OCCUPATION OF PERSON FOR WHOM AGENT IS SIGNING)

(ADDRESS OF PERSON FOR WHOM AGENT IS SIGNING)

Appointed me his/her/its Agent on the terms and conditions set out in the Agency Agreement THAT:

1. I have executed the application for Capital Notes printed on this Application Form as Agent under that Agency Agreement and pursuant to the powers thereby conferred upon me.
2. At the date of this certificate I have not received any notice or information of the revocation of that Appointment by the death or liquidation of the donor or otherwise.

SIGNED AT

THIS

DAY OF

SIGNATURE OF AGENT

Directory

Directors of FB Finance

Roderick Sheldon Deane
Paul Edward Alex Baines
Hugh Alasdair Fletcher
John Frederick Judge
Jonathan Peter Ling
Geoffrey James McGrath
Sir Dryden Thomas Spring
Kerrin Margaret Vautier
Ralph Graham Waters

Registered Office of FB Finance

810 Great South Road
Penrose
Private Bag 92114
Auckland 1061
Telephone: (09) 525 9000

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland

Solicitors to FB Finance and Fletcher Building

Bell Gully
Vero Centre
48 Shortland Street
P O Box 4199
Shortland Street
Auckland

Trustee

Perpetual Trust Limited
Level 12, AMP Centre
29 Customs Street West
P O Box 3376
Shortland Street
Auckland

Solicitors to the Trustee

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street
P O Box 1433
Auckland

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
P O Box 1584
Auckland

Arranger, Joint Lead Manager and Organising Participant

First NZ Capital Securities Limited
Level 10, Fujitsu Tower
282-292 Lambton Quay
Wellington

Level 39, ANZ Centre
23-29 Albert Street
P O Box 5333
Auckland

164 Hardy Street
P O Box 114
Nelson

52 Te Mata Road
P O Box 28-153
Havelock North

Telephone: 0800 162 222

Joint Lead Managers

ANZ National Bank Limited
Level 7, 1 Victoria Street
Wellington

Goldman Sachs JBWere (NZ) Limited
Level 38, Vero Centre
48 Shortland Street
P O Box 887
Auckland
Telephone: 0800 555 555

Level 8, The State Insurance Tower
1 Willis Street
Wellington
Telephone: 0800 555 554

Level 1, HSBC House
141 Cambridge Terrace
Christchurch
Telephone: 0800 555 553

