FLETCHER BUILDING LIMITED

2018 Annual Shareholders' Meeting

Chairman's Address

Welcome

Good morning Ladies and Gentlemen.

I am Bruce Hassall, your Chairman, and on behalf of the Board it is my pleasure to welcome you to Fletcher Building's 2018 Annual Shareholders' Meeting.

A warm welcome also to shareholders participating online through our virtual meeting platform, including those of you viewing today's proceedings via our webcast. Holding a hybrid meeting provides an opportunity for greater participation and engagement from our shareholders.

Before we start the formal business of the meeting, I'd like to remind people in the room to ensure their mobile phones are on silent.

In the unlikely event of an emergency or if we need to evacuate the building, please leave by the nearest safe exit as directed by staff and security. Assembly is on Reimers Avenue.

As a quorum is present and due notice of this meeting has been given, I declare the meeting duly constituted and open for business.

Directors

I will now introduce my fellow directors.

On my left is Rob McDonald, Cathy Quinn, Doug McKay, Steve Vamos and Alan Jackson.

Then on my right is Barbara Chapman, Martin Brydon and Tony Carter.

Your CEO Ross Taylor is seated on my immediate left, and Group General Counsel and Company Secretary Charles Bolt, seated to my right.

We also have in attendance members of our leadership team, our auditors EY, legal advisors Bell Gully and Computershare our registrar.

Before I move on…in the past year:

On 1 September Sir Ralph Norris retired as Chairman following 4 years in the role and Cecilia Tarrant retired following 7 years on the Board.

Alan Jackson retires today after 9 years on the Board.

I would like to thank Sir Ralph, Alan and Cecilia for their contributions to the Fletcher Building Board.

Meeting Agenda

Moving onto the agenda, today's meeting will commence with addresses from me as Chairman and from the CEO, Ross Taylor.

Then we will move on to the resolutions that are outlined in the Notice of Meeting. The directors standing for election and re-election will also briefly address the meeting.

The resolutions will be decided by poll, based on votes cast in the room here today via the Lumi handsets and by shareholders online using the Lumi AGM app. Questions on a resolution will be dealt with before they are voted on.

Voting on the resolutions is now open. Those using the Lumi handsets, and already familiar with the technology, can vote any time during the proceedings until I declare the voting closed. We will also screen the handset instructions when we come to formal consideration of the resolutions later in the meeting.

At the conclusion of the resolutions we will then take the opportunity for questions from the floor and online. You can start submitting questions online now. Please note questions will be moderated to avoid repetition and to summarise lengthy questions.

If you are using the Lumi AGM app then you can submit a question by clicking on the question icon at the bottom of your screen which looks like two text boxes.

This year we also invited shareholders to submit questions in advance – thank you for those who did this. Ross and I will speak to the more frequently asked ones in our addresses.

At the conclusion of the meeting we invite you to stay and enjoy some light refreshments.

FY2018 Results at a Glance

Turning to slide 5, and looking at a high level overview of the company's FY18 financial performance – Revenue for the year was $9.5 billion, up 1% on FY17. This was driven by a solid sales performance across core businesses in New Zealand and Australia, offset by a reduction in Construction revenues.

As you will be aware, Fletcher Building had a very challenging year due to the losses in the Building + Interiors business of our Construction division. This led to a net earnings loss for the year of $190 million.

Cash flow from operations of $396 million was up $153 million on the prior year, reflecting improved working capital management, offset partly by continued outflows on the B+I projects.

I will now give some high level comments on some of the divisions. In New Zealand, the Residential and Land Development division performed strongly, growing revenue and earnings and significantly increasing the volume of units sold from 499 in FY17 to 714 in FY18. The Distribution, Building Products, Concrete and Steel divisions all grew revenue. However, this was offset in a number of businesses by raw material and supply chain cost pressures.

In Construction, outside B+I, revenue and earnings growth remained strong in Higgins. The Infrastructure and South Pacific businesses experienced lower revenues due to the roll-off of a number of major projects.

In Australia gross revenue increased, with all businesses achieving positive sales growth on a NZ dollar basis, and performance improvements within Iplex Australia and Tradelink gathering momentum. Despite this, operating earnings before significant items decreased, as the majority of businesses were impacted by increased input costs, particularly in energy and resins.

Internationally, a positive performance by Formica in North America and Asia was offset by difficult trading conditions in a number of Roof Tile Group's export markets.

No dividends were declared for FY18. This decision was based on the company's performance, and in line with the dividend policy to only pay dividends in the range of 50-75% of net earnings before significant items.

Reset through FY2018

While FY18 was a very challenging year for the company, it also triggered significant change which had to be made to reset for the future.

At last year's Annual Shareholder Meeting, we announced the appointment of Ross Taylor as CEO. Ross has a proven track record leading business turnarounds and improving performance and shareholder returns.

He started in November 2017, and immediately completed an in-depth review of B+I projects. Resulting in the announcement in February 2018 of additional significant provisioning of losses of $486 million – and ultimately a total loss of $660 million in FY18.

At that stage the decision was made to cease bidding in vertical construction due to unfavourable market conditions, and to allow the business to focus on completing the remaining B+I projects within provisions.

In conjunction with the B+I review, we have continued the overhaul of the governance of the Construction division. I will talk more about this soon.

During the year we strengthened the Company's balance sheet by carrying out a capital raise. The $750 million entitlement offer was well supported by institutional and retail shareholders, and was successfully completed in May 2018. I would like to thank our shareholders who supported us through this capital raise.

CEO Ross Taylor led the development of the company's five-year strategy which was launched in June. The Strategy aims to deliver long-term growth for shareholders. It focusses Fletcher Building's operations in the New Zealand and Australian markets, with building products and distribution at its core.

With this new focus the decision was made to divest our international businesses Roof Tile Group and Formica. The sale of Roof Tile Group completed on 1 November.

The executive team and the business were then restructured to ensure we were appropriately organised to best support the successful execution of the new strategy.

All this was completed before the end of June 30, enabling management to focus on running the business and delivering the strategy from the beginning of FY19 without the distractions of the issues from the last financial year.

It was against the backdrop of the go forward strategy, and a more focused business that the Board reset was implemented.

Board reset to support strategy

This reset was completed in September which concluded a process to ensure that we have a range of skills, experience and high calibre of individuals on the Board to support the strategic direction. We are pleased to have attracted five new directors who will greatly enhance the experience and diversity of the Board.

Importantly, in addition to bringing diversity and a range of commercial, operational and governance expertise, they also have relationships with a range of our stakeholders - including industry, government, financial markets participants and customers.

Given the company's presence in a range of markets - constructive relationships with our many stakeholders will become increasingly important.

The appointments have allowed the board committees of Audit and Risk; Safety, Health, Environment and Sustainability and Remuneration to be refreshed with members and chairs who have directly relevant skills and experience.

The new directors are: Martin Brydon, Barbara Chapman, Rob McDonald, Doug McKay, and Cathy Quinn.

The new directors are each standing for election, and will have the opportunity to address the meeting shortly.

They join our existing on-going directors Tony Carter and Steve Vamos.

Careful consideration was given to the Fletcher Building Board appointments. It was critical that directors had the right skills and insights to govern the whole business.

This included Board members that understand, and are familiar with construction, and I believe we materially bolstered our Board skills in this regards. Martin Brydon has worked in and around the construction industry for many years and understands it well. Doug Mackay, in his various roles, has built and developed many facilities using different construction companies. He has a strong knowledge of the forms of contract required in this space. Cathy Quinn while not a Construction Lawyer specifically, has overviewed these disciplines in Minter Ellison Rudd Watts as the managing partner for the last 10 years.

In addition to this, and most importantly, the Company, needed the right management in place to run the Construction business competently on a day to day basis.

We bought in Ross as CEO because he has relevant experience across the breadth of Fletcher Building's operations, as well as strong experience in the Construction space. The Company also needed a Construction Chief Executive that has deep and proven construction experience – and you can see this with Ross' recent appointment of Peter Reidy, the former CEO of KiwiRail.

We feel that we have the skills and experience we require to govern this company. I am confident that the make-up of the Board and the governance refresh, along with executive appointments, will ensure appropriate oversight of the business, and leadership as we focus on building shareholder value.

Enhanced Governance Focus

Turning to slide 8, as part of the work carried out to set the company up for the future, we have worked to ensure that we have the right governance arrangements in place to support the size and nature of the business, as well as the strategic direction - in particular it's decentralised operating model.

To support the Board changes an induction programme has been developed that provides directors with an in-depth understanding of the company's divisions and business units through a combination of leadership presentations and discussions. It also includes visits to manufacturing, distribution, development and construction sites, and meetings with employees at an operational level in workplaces and on work sites.

Across the whole of the organisation, internal delegations and policies have been reviewed, and commercial golden rules introduced around risk positions to support the new operating model. These rules mean that there will be restrictions around risk-related matters, for example the assumption of uncapped liabilities; the giving of parent company guarantees, the taking of fit for purpose risks, and other similar potential issues.

For the Construction Division we continued to evolve the new bidding and bid review framework to ensure rigorous diligence is being conducted, and that management views are appropriately tested and challenged. This has included the introduction of new bid criteria and golden rules around risk allocation, staged review processes and board committee reviews of all major bids prior to submission.

These processes, including board and board committee reviews have been functioning well, and we have already seen the Construction division withdraw from several bid processes where the company's bid criteria were not met.

Building strong foundations for the future

The purpose of slide 9, is to look at Fletcher Building's future. During my address I have spoken about the company losses in FY18. I then talked about the changes made to turn the company around. I now want to turn my focus to the future.

In June, Fletcher Building outlined its new strategic direction, which sets a very clear path for the business. The Fletcher Building Board was very much involved in the development of this strategy, which leverages the company's strengths to deliver more value for our customers and improved returns for shareholders.

The strategy focuses on New Zealand and Australian markets, with building products and distribution at the core. In New Zealand, we will work to strengthen and grow our already well performing businesses by leveraging their strong positions in the market.

To support this new focus we are investing in innovation, which is important as we seek to enhance customer offerings, and bring more efficiencies to the business. Ross will talk more about this soon.

At the same time we are committed to completing the existing B+I projects for our customers, to a high quality, while in parallel working to rebuild the Fletcher Construction business. I strongly believe that the right corrective measures have been taken to prevent a repeat of previous failings in Construction, and we are now concentrating on a return to positive performance.

In Australia during FY19 our focus is on setting the business up to have improved operating and financial performance in future years. Growing in Australia, in measured way over time, presents an attractive opportunity for Fletcher Building.

The Company is aiming to recommence dividend payments in FY19. This will, however, be subject to satisfactory trading conditions and group cashflows. The company will provide an update on this at the half year results in February.

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