



News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FBU), AUSTRALIA (FBU).

EFFECT OF RISING POWER PRICES

Auckland, 8 April 2003 – Fletcher Building as one of New Zealand's largest energy users has been affected by the sharp increase in the country's spot electricity prices in recent months.

Pacific Steel in particular, and also Fletcher Wood Panels have on occasions had to curtail production due to the sudden increase in power costs to uneconomic levels. Both companies were partially hedged for their energy supplies

Pacific Steel has instituted new arrangements for steel production until power supply and pricing become more predictable. With the co-operation of employees and unions, the steel mill will swap two weekdays for weekend work, without penalty rates. Power supply contracts at reasonable rates have been secured for the modified working arrangements, although this will result in reduced ongoing production and cessation of exports outside Australasia.

Fletcher Wood Panels and Golden Bay Cement will maintain volumes but incur large increases in their energy costs.

As part of the December 2002 half year results announcement, the Company advised that the strength of the New Zealand dollar and the sharp increases in power prices would have a second half negative impact on operating earnings before unusual items of around \$10 million compared to the first half results. The spot price for power has however been considerably worse than envisaged at that time.

It is difficult for the Company to predict the cost of power in the next few months, given the impact of weather on hydro dam levels and natural gas production on power availability. Nevertheless if the cost of power remains at the levels prevailing through March, then the impact on operating earnings before unusual items would be a further \$10 million. All of this increase is attributable to power pricing or the consequent curtailed production.

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Despite this, Fletcher Building is expecting its operating earnings before unusual items, (ie earnings before interest and taxation) to be in the \$310-320 million range for the June 2003 year, providing there is no other material adverse change, and power pricing and supply do not further deteriorate. This compares to operating earnings before unusual items of \$205 million in the June 2002 year.

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