



News Release

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

UPDATE ON TAUPO MDF FIRE AND STEEL PLANT FAILURE

Auckland, 10 May 2007 – Fletcher Building has previously reported the destruction of the medium density fibreboard plant (MDF) in Taupo by fire, and the failure of the transformer at Pacific Steel.

It is now in a position to provide an update on the financial implications of the insurance claims and other consequential decisions that have been taken as a result of resolving these claims.

The company has accepted a cash settlement of its claim against the insurers for the destruction of the MDF plant. The gross proceeds are \$91 million, which are reduced by the \$10 million insurance deductible, to give a net receipt of \$81 million. Given the predominant export nature of the MDF plant, and the better cost competitiveness of alternative locations, the MDF plant will not be rebuilt in Taupo.

The resolution of the Steel transformer insurance claim is now sufficiently advanced to make a reasonable estimate of the final outcome.

The financial result of the resolution of these insurance matters will be categorised as unusual items for financial reporting purposes. After plant write-offs, redundancies, and business interruption costs the company is expecting operating earnings for the 30 June 2007 year will be increased by \$14 million. Due to the different tax treatment of these items, the net earnings for the year will increase by \$24 million.

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