



Annual Meeting of Shareholders 2005

2.00pm Tuesday 8 November
Rangitoto Room
Langham Hotel
83 Symonds St
Auckland
New Zealand

Chairman's Address

FLETCHER BUILDING LIMITED

Annual Meeting of Shareholders 2005

Good afternoon and welcome to the fifth annual shareholders' meeting of Fletcher Building Limited.

Financial Results

The company's exceptional earnings growth continued in the year to 30 June 2005. Net earnings after tax and minority interests was \$330 million, up 38 percent from the previous year's \$240 million, which was also a record.

All divisions improved on their prior year's results. The contributions from the three Australian acquisitions were considerable, and all were ahead of the forecasts on which the acquisitions were approved and new equity raised.

The earnings improvement allowed directors to declare increased interim and final dividends for the year. The full year dividend of 32 cents was a 28 percent increase on the previous year's 25 cents. All dividends have had full New Zealand tax credits attached so that shareholders pay little or no further tax. The final 17 cents dividend was the company's seventh consecutive dividend increase.

The profit and dividend improvements have been accompanied by a strong increase in our share price. On 1 July 2004, the Fletcher Building share price was \$4.55 and on 30 June 2005 it was \$6.91. In conjunction with the dividends and their tax credits, this provided a 61 percent total shareholder return for the year to 30 June 2005 and a 263 percent return since the company first traded as a stand-alone entity in March 2001. As you know, since year end the share price appreciation has continued, reaching a high of \$8.42 in mid October and setting us well on the way to another solid year for shareholder returns. This means that \$1,000 invested in Fletcher Building on its listing in March 2001, with all dividends reinvested, would be now worth about \$4,300.

Acquisitions

Apart from this strong across-the-board performance, our other highlight was the successful completion of another major Australian acquisition on 1 March this year. Amatek Holdings Ltd was the holding company for four Australian based businesses which were the counterparts of similar businesses we operate here in New Zealand.

The largest is Stramit, which roll forms steel roofing, siding and purlins. Fletcher Building's Dimond business makes and sells similar products in New Zealand. Insulation Solutions is a Melbourne-based fibreglass insulation manufacturer, selling under the Pink Batts brand. It complements Fletcher Building's New Zealand based fibreglass insulation business, which also uses the Pink Batts brand, and our Sydney

fibreglass insulation business. Following the acquisition, Fletcher Building now has around 70 percent of the Australasian fibreglass insulation business. Stramit and Insulation Solutions were both additions to the Building Products division.

The other two businesses acquired were Rocla Pipeline Products and Rocla Quarry Products. The pipeline business manufactures concrete pipes in five states, and concrete poles and railway sleepers in Eastern Australia. It is similar to Fletcher Building's New Zealand based Humes Pipelines. Rocla Quarry Products has sand quarries in New South Wales, Victoria, South Australia and Western Australia and is Australia's leading sand supplier. As Winstone Aggregates is New Zealand's largest quarry business, Rocla Quarry Products was also a logical extension for us. The Rocla Pipelines and Quarry Products businesses are now part of Infrastructure division.

The purchase price was A\$530 million, but this will be reduced to around A\$460 million as the value of tax benefits acquired is offset against our future taxable earnings. The acquisition was funded partly by a very successful equity raising of NZ\$100 million, at an issue price of \$7.05 compared to the previous day's closing price of \$7.07. This was another case of the company buying very relevant businesses, at a price that will ensure shareholder value from the outset. It was the culmination of six months of detailed due diligence, commercial negotiations, extensive legal work and a long regulatory approval process. The company's senior management have again ably demonstrated their acquisition judgement and execution capabilities.

Since 2002, the company has spent NZ\$1.6 billion acquiring Laminex, Tasman and Amatek. These acquisitions have increased our earnings and, more importantly, diversified both our geographic and market sector reliance. Prior to these acquisitions, Fletcher Building's earnings were predominantly dependent on the New Zealand market and were also heavily dependent on the residential building cycle. In the year to June 2006, with a full 12 months of Amatek, Australia will contribute around 35 percent of revenue and the company's dependence on the New Zealand residential market will be substantially reduced. We believe this has provided greater reliability in earnings than was the case before 2002, and will continue to do so.

While operating earnings, excluding unusual items, have grown from \$94 million in 2001 to \$596 million in 2005, it is also important to recognise the contribution that the original Fletcher Building businesses have made to that enviable earnings growth record. In broad terms, those businesses that made \$94 million in the June 2001 year contributed around \$400 million of last year's operating earnings and the three acquisitions contributed around \$200 million... so the original businesses have made great progress. While acquisitions so often get the headlines, it is the capacity expansions and general improvements within the original New Zealand businesses that are most responsible for Fletcher Building's profit growth over the past four years.

Ralph Waters will provide further detail on how the full range of our businesses performed this year, but I will first make a few comments on the board and some other matters.

Governance

The board has continued to be actively involved in the business, with regular meetings, strategy sessions and numerous site visits. We have confidence in the governance processes in place, and believe they will continue to provide a sound basis for management oversight of the company. From a corporate governance perspective, additional emphasis has been put on health and safety, on reviewing the company's regulatory compliance processes and on implementing long term incentive plans to ensure alignment of senior management rewards with returns to shareholders. Detailed commentary is available in your annual report.

Health and safety has always been a top priority within the company, and is nearly always the first item reported to directors by our chief executives at any board meeting. All businesses have active programmes aimed at improving our safety performance, but we are still falling short of our own expectations, with three fatalities in the last 12 months. The most recent of these was the concrete truck fatalities in Picton harbour, which are still the subject of official investigation. We undertake detailed investigations as to the cause of all incidents and strive to learn from them.

In August this year Ralph Norris announced his resignation from the board due to his well publicised appointment as chief executive of the Commonwealth Bank of Australia. Ralph had been a director of the Company since its separate listing in 2001 and has made a significant contribution to the high standing that Fletcher Building now commands. We would like to record our appreciation of that contribution and wish him well in his new challenges.

At this stage the board is not seeking to appoint another director and will continue to operate with its seven members. It is possible that, in time and with the increased Australian focus to our operations, a further Australian based director may be appropriate.

Trading Outlook

On the past three occasions that I have addressed you at this forum, I have noted directors' view that a slowdown, particularly in housing activity, was expected. This year, we do not have to forecast this as we are already experiencing the slowing demand in certain areas. Housing demand in several states of Australia has been well off the previous peaks for quite some time and there are no signs yet of an upturn. The number of new dwelling approvals in New Zealand is also well off the peak levels reached in the June 2004 year.

However, other areas of our business – particularly those supplying infrastructure projects and, to a lesser but still healthy extent, commercial markets – are still enjoying good demand. The market and geographic diversity of the company is now providing the earnings resilience that was envisaged when we embarked on the foreign investment programme.

After four months trading, the company's operating earnings are comfortably ahead of those for the same period last year, albeit aided by the inclusion of Amatek's earnings and a small benefit from the change to International Financial Reporting Standards. For the full year, barring significant unforeseen events, directors are comfortable with the average of forecasts for operating earnings by broking analysts which would result in earnings before interest and tax of around \$637 million. This would be an improvement of 7 percent on last year, which directors believe would be a good result given the noticeable slowing in some markets and the less favourable translation of our Australian earnings than expected because of the strong New Zealand dollar.

On that pleasing note I conclude my comments. Thank you for your attendance.