

23 August 2017

**Fletcher Building
Limited**

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Dear Shareholder,

Last week we announced Fletcher Building's 2017 annual results to the market.

As I stated at the time, this was not the result we wanted, it was not the result our shareholders wanted, and the Board and management team take absolute responsibility for this performance.

A significant amount of work has been undertaken, and changes implemented, with the objective of ensuring our Building + Interiors (B+I) business unit returns to profitability and once again contributes positively to Fletcher Building's earnings and reputation.

I would also like to assure you that we have a strong combination in our new Construction Chief Executive Michele Kernahan and B+I General Manager David Kennedy. The issues we experienced in B+I were the result of poor project and business unit governance and ineffective project management. Michele's appointment in March significantly enhances the business management and commercial expertise of the Division, while at the same time David brings with him over 30 years' international experience in construction and is further strengthening the talent within the business.

With new leadership, improved project governance, core systems and processes, and a better approach to what we bid for and how we price those bids, we are confident B+I will improve in FY18.

It is also important to remind ourselves that that Fletcher Building is not simply a construction company, and the performance of B+I is in stark contrast to the performance of the broader Fletcher Building portfolio and other businesses within the Construction division.

The reality is that in FY17, excluding the losses incurred in B+I, the Group's operating earnings increased by approximately 20%, and operating earnings from the New Zealand businesses increased by around 30%. Four out of five Divisions posted strong operating earnings growth, including Building Products (+6%)¹, International (+27%), Distribution (+10%) and Residential and Land Development (+55%). On average, these other four divisions outside of Construction delivered over 90% of the Group's annual operating earnings in the years from 2011 to 2016. In addition, three out of the four business units in the Construction division performed well in FY17, particularly our new acquisition Higgins, which posted operating earnings of \$39 million for the year.

In FY17 Fletcher Building also achieved an increase in employee engagement. Employee engagement is measured annually, under an accepted and independent survey method which is used by many successful

¹ Excluding divested businesses

organisations worldwide. Our belief is that with highly engaged people working with our customers, we can deliver superior returns for our shareholders.

The Board's search process for a new Group Chief Executive Officer has commenced, and we expect this to take some months to complete. We will advise you as soon as an appointment is made.

As we progress our standard Director renewal process we will also be seeking to strengthen the construction experience on our Board.

I would like to take this opportunity to assure you that we have listened to the feedback and concerns of our shareholders, customers and our people.

With your continued support we are confident that Fletcher Building will emerge stronger in FY18.

I look forward to speaking to you all at the Annual Shareholders' Meeting on 25 October.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ralph Norris', with a long horizontal stroke extending to the right.

Sir Ralph Norris
Fletcher Building Chairman