



## NEWS RELEASE

STOCK EXCHANGE LISTINGS: NEW ZEALAND, AUSTRALIA, NEW YORK (FFS).

### COMPANY TO PROGRESS KIWI FOREST GROUP OFFER

Auckland, 8 October 2003 – Fletcher Challenge Forests announced today that it has negotiated a variation to the Letter of Intent entered into with The Campbell Group on 15 September 2003 that will enable the Company to immediately enter into negotiations with the Kiwi Forests Group (which has made a competing NZ\$725 million cash offer). It also allows negotiations with The Campbell Group on its offer of NZ \$685 million for the forest assets to resume, in the event that a transaction does not proceed with the Kiwi Forests Group.

The Company has been released from the exclusivity provision in the Letter of Intent in relation to the Kiwi Forests Group offer and, in return, will make a payment to The Campbell Group of NZ\$8.5million. This represents 50% of the NZ\$17 million break fee payable under the original Letter of Intent in the event the Company elected to enter into discussions with a competing bidder for its forests. The maximum liability for such break fees under the Letter of Intent remains capped at NZ\$17 million.

Should the Company conclude an unconditional sale and purchase agreement with the Kiwi Forests Group, the Company will pay The Campbell Group a further \$8.5 million, being the balance of the NZ\$17 million break fee referred to above. However, should The Campbell Group be successful in purchasing the forest assets, the \$8.5 million payment will be refunded to the Company by The Campbell Group.

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**TO: BUSINESS EDITOR**

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Further information on Fletcher Challenge Forests can be found at <http://www.fcf.co.nz>.

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Referring to this arrangement, Joint Chief Executive Officer John Dell said “The variation to the Letter of Intent represents a good outcome for the Company, as we improve prospects for completion by gaining the ability to deal with two potential buyers for our forests.”

“If the Kiwi Forests Group offer is successful, the NZ\$725 million sale price more than compensates the Company for the full break fee the Company would have to pay to The Campbell Group. On the other hand, if The Campbell Group is successful, the Company will not have incurred any additional cost,” he said.

Both the Kiwi Forests Group and The Campbell Group offers are currently subject to a number of conditions (including due diligence) and ongoing business arrangements, including the agreement of wood supply arrangements. The Board will be seeking to ensure that all substantial conditionality is removed from any offer before it makes a final recommendation to shareholders.

The Company will update the market in relation to the timetable for completion of the forest sale process as soon as it is in a position to do so.

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