

**SUMMARY OF  
PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT  
FOR DUAL NZX/ASX LISTED ISSUERS  
Fletcher Challenge Forests Limited (Consolidated)  
Full Year Ended 30 June 2003**

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on audited accounts.

	Consolidated Operating Statement		
	Current Full Year NZ\$million	Up/(Down) %	Previous Corresponding Full Year NZ\$million
Total operating revenue	678	2.1%	664
Operating Surplus before unusual items and tax	63	3.3%	61
Forest Crop Revaluation	(451)		53
Unusual items for separate disclosure <sup>(1)</sup>	(31)		(351)
<b>Operating Surplus/(Deficit) before tax</b>	(419)	N/A	(237)
Tax on operating surplus	140		(9)
Operating Surplus/(Deficit) after tax but before minority interests	(279)	N/A	(246)
Minority interests	8		(3)
<b>Operating Surplus/(Deficit) after tax attributable to members of Listed Issuer</b>	(271)	N/A	(249)
Extraordinary items after tax attributable to Members of the Listed Issuer	-		-
<b>Operating Surplus/(Deficit) and extraordinary items after tax attributable to Members of the Listed Issuer</b>	(271)	N/A	(249)
<b>Earnings per share (NZ cents) <sup>(2)</sup></b>	(48.6)		(44.6)
<b>Final/Special Dividend</b>	Nil		Nil
Date Payable	N/A		
Imputation tax credit on latest dividend	N/A		

Short details of any bonus or rights issue or other item(s) of importance not previously released to the market: N/A

(1) Unusual Items in Operating Earnings include:

- Reorganisation Costs for June 2003 of \$4 million relating to costs associated with the debt refinancing, proposed forest sale, strategic redirection of the Group following the termination of the CNIFP management contract and proposed capital return.
- Permanent Impairment for June 2002 related to the investment in and advances to the Central North Island Forest Partnership of \$349 million. Permanent Impairment for the write-down of the Group's carrying value of its investment in the Central North Island Forest Partnership (the Partnership) of \$349 million was based upon the assessment of the realisable value of the Partnership estate.
- Loss on sale of Forest Crop for June 2003 of \$29 million relating to the sale of the cutting rights for 8,940 hectares of the Tahorakuri and Tauhara forest estates. Gain on sale of Forest Land for June 2002 of \$2 million related to the sale of the Ngatapa forest land.
- Provisions released/(established) for June 2002 related to the reversal of certain environmental provisions of \$2 million and other provisions of \$2 million and the establishment of provisions of \$3 million for costs related to the closure of the Japanese Engineered Wood Products business unit.
- Acquisition costs written off relating to costs associated with the proposed acquisition of the Central North Island Forestry Partnership. A gain of \$2 million in June 2003 relating predominately to the closing of a foreign currency contract entered into, to hedge the proposed acquisition. Acquisition Costs written off for June 2002 of \$6 million related to costs incurred in relation to the proposed acquisition.
- Other gains for June 2002 related to the recovery of \$1 million relating to a debt previously written off following the sale of the Chilean forestry operations.

(2) Comparative per share data has been restated for the one for five share consolidation completed during November 2002.

**Appendix 4E (rule 4.3(a))**  
**PRELIMINARY FINAL REPORT**  
**Fletcher Challenge Forests Limited (Consolidated)**

**Full Year Ended 30 June 2003**  
(referred to in this Report as the 'Current Full Year')

**ABN Reference # 34-857-192-425**

Preliminary Full Year report on consolidated results (including the results for the previous corresponding Full Year) in accordance with Listing Rule 4.3a

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on audited accounts.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

**Forest Sale Process**

On 16 June 2003 Fletcher Challenge Forests announced it was investigating a trade sale of its forest estate. The forest sale process is ongoing, and the Group is targeting completion of that process by the end of the 2003 calendar year.

The consequences of any future forest sale on the Fletcher Challenge Forests financial statements may be significant. Financial impacts, which may include restructuring costs, direct costs associated with the transaction and any differences from net proceeds achieved to the carrying value of assets and liabilities will be recognised as incurred. The carrying value at 30 June 2003 of the Forest Crop has been determined using the Group's valuation model assuming continued use. The valuation assumptions have been updated to reflect information available from all sources, including the sales process.

**For Announcement to the Market**

				NZ\$million
2.1	Revenues from Ordinary Activities	up	2.1%	to 678
2.2	Profit (Loss) from Ordinary Activities after tax			
	Attributable to Members	down	n/a	to (271)
2.3	Net Profit (Loss) for the period			
	Attributable to Members	down	n/a	to (271)
<b>Dividends (distributions)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
2.4	Dividend	NIL		NIL
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Additional explanations	Refer Press Release.		

## Segmental Information Summary

Fletcher Challenge Forests is a New Zealand-based Group, which owns and converts forest resources into valued products for customers in world markets. It has strategic business units reflecting its operations in Forests and Supply, and in Processing and Distribution.

### Forest and Supply

- a leader in solid wood forestry. This segment manages, and markets logs from the Group's forest estate in New Zealand. This segment also sources logs and chips from third parties for sale to owned and managed sawmills and/or to external customers in New Zealand and Asia.

### Processing & Distribution

- represented by two strategic business units, Australasian and Asian Consumer Solutions and North American Consumer Solutions. Each strategic business unit has a distinct market and product focus:

- (i) Australasian & Asian Consumer Solutions – AACS supplies structural lumber, plywood and treated products to the residential and light commercial building sectors in New Zealand and Australia, and treated posts and poles to the rural, viticulture and infrastructure sectors in New Zealand. In addition, AACS supplies manufacturing grade lumber to the industrial sector in New Zealand and Asia and appearance grade lumber to Asian furniture manufacturers. AACS operates four processing sites; the Kawerau Sawmill and Remanufacturing Plant, the Rainbow Mountain Sawmill, the Mount Maunganui Plywood Mill and Ramsey Roundwood. All of these sites are located in the central North Island of New Zealand.
- (ii) North American Consumer Solutions – NACS takes clear wood from pruned logs through to high value moulding and millwork uses in the United States. Radiata pine is a competitive substitute in many applications for diminishing United States supplies of Ponderosa pine. NACS has strong supplier relationships with the two largest home improvement chains in the United States; The Home Depot, through American Wood Moulding, in which the Group holds a 50% interest and Lowe's, through a 33% shareholding in The Empire Company. The Home Depot, Lowe's and other major United States retailers are demanding environmentally certified wood products from their suppliers, and the NACS access to an environmental certified (Forests Stewardship Council) resource, together with its integrated supply chain, confers a significant competitive advantage. NACS operates two plants in New Zealand, the Taupo Sawmill and the Taupo Mouldings Plant, and has a sales office in the United States.

In July 2002 a third business unit, the Japanese and Asian Consumer Solutions business unit was merged with the former Australasian Consumer Solutions business unit to form Australasian and Asian Consumer Solutions. This new business unit ceased operations in the Japan engineered wood product market. Comparative information has been restated to combine these two segments. The market and product focus of these former business units were:

- Japanese and Asian Consumer Solutions – took lower quality logs through to high value engineered products used in post and beam houses in Japan, and supplied industrial lumber to Asian commercial customers.
- Australasian Consumer Solutions – supplied structural framing, plywood and treated products to the residential and light commercial building sectors in New Zealand and Australia.

Inter-segmental pricing is carried out on a commercial and arm's length basis.

Segmental Information Summary

	<i>Forest &amp; Supply</i> <sup>(1)</sup>	<i>Processing &amp; Distribution</i>			<i>Other</i> <sup>(4)</sup>	<i>Fletcher Challenge Forests</i>
		<i>AACS</i> <sup>(2)</sup>	<i>NACS</i> <sup>(3)</sup>	<i>Total</i>		
June 2003	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Sales Revenue	372	234	153	387		759
Other Revenue	1		14	14		15
Inter-segmental Operating Revenue	(88)	(8)		(8)		(96)
<b>Operating Revenue</b>	<b>285</b>	<b>226</b>	<b>167</b>	<b>393</b>		<b>678</b>
<b>Earnings before Interest, Taxation, Depreciation, Forest Valuation and Unusual Items</b>	<b>39</b>	<b>20</b>	<b>23</b>	<b>43</b>	<b>23</b>	<b>105</b>
Depreciation	(11)	(8)	(5)	(13)		(24)
<b>Operating Earnings before Unusual Items</b>	<b>28</b>	<b>12</b>	<b>18</b>	<b>30</b>	<b>23</b>	<b>81</b>
Unusual Items	(31)					(31)
<b>Operating Earnings</b>	<b>(3)</b>	<b>12</b>	<b>18</b>	<b>30</b>	<b>23</b>	<b>50</b>
<b>Total Assets</b>	<b>869</b>	<b>128</b>	<b>109</b>	<b>237</b>		<b>1,106</b>
<b>Capital Expenditure</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>6</b>		<b>11</b>

	<i>North America</i>	<i>Australia</i>	<i>New Zealand</i>	<i>Asia</i>	<i>Total</i>
<b>Total Operating Revenue by Destination</b>	143	37	303	195	678
<b>Total Operating Earnings</b>	11		39		50
<b>Total Assets</b>	55		1,051		1,106

(1) Includes corporate assets and overheads not specific to the Processing and Distribution businesses.

(2) AACS - Australasian and Asian Consumer Solutions.

(3) NACS - North American Consumer Solutions

(4) Relates to foreign exchange gains on net foreign denominated debt instruments not attributed to a specific business unit.

	<i>Forest &amp; Supply</i> <sup>(1)</sup>	<i>Processing &amp; Distribution</i>			<i>Other</i> <sup>(4)</sup>	<i>Fletcher Challenge Forests</i>
		<i>AACS</i> <sup>(2)</sup>	<i>NACS</i> <sup>(3)</sup>	<i>Total</i>		
June 2002	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m	NZ\$m
Sales Revenue	325	231	181	412		737
Other Revenue	1		14	14		15
Inter-segmental Operating Revenue	(71)	(16)	(1)	(17)		(88)
<b>Operating Revenue</b>	<b>255</b>	<b>215</b>	<b>194</b>	<b>409</b>		<b>664</b>
<b>Earnings before Interest, Taxation, Depreciation, Forest Valuation and Unusual Items</b>	<b>50</b>	<b>5</b>	<b>31</b>	<b>36</b>	<b>25</b>	<b>111</b>
Depreciation	(13)	(10)	(5)	(15)		(28)
<b>Operating Earnings before Unusual Items</b>	<b>37</b>	<b>(5)</b>	<b>26</b>	<b>21</b>	<b>25</b>	<b>83</b>
Unusual Items	(348)	(3)		(3)		(351)
<b>Operating Earnings</b>	<b>(311)</b>	<b>(8)</b>	<b>26</b>	<b>18</b>	<b>25</b>	<b>(268)</b>
<b>Total Assets</b>	<b>1,458</b>	<b>134</b>	<b>99</b>	<b>233</b>		<b>1,691</b>
<b>Capital Expenditure</b>	<b>4</b>		<b>1</b>	<b>1</b>		<b>5</b>

	<i>North America</i>	<i>Australia</i>	<i>New Zealand</i>	<i>Asia</i>	<i>Total</i>
<b>Total Operating Revenue by Destination</b>	167	33	270	194	664
<b>Total Operating Earnings</b>	9		(277)		(268)
<b>Total Assets</b>	47		1,641	3	1,691

(1) Includes corporate assets and overheads not specific to the Processing and Distribution businesses.

(2) AACS - This is an amalgamation of ACS (Australasian Consumer Solutions) and JACS (Japanese and Asian Consumer Solutions) for comparative purposes.

(3) NACS - North American Consumer Solutions

(4) Relates to foreign exchange gains on net foreign denominated asset and debt instruments not attributed to a specific business unit.

### 3. Statement of Financial Performance

	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
Operating Revenue	678	664
Operating Expenses <sup>(1)</sup>	(628)	(932)
Operating Earnings	50	(268)
Forest Crop Revaluation <sup>(2)</sup>	(451)	53
Funding Costs	(18)	(22)
Earnings before Taxation	(419)	(237)
Taxation <sup>(3)</sup>	140	(9)
Earnings after Taxation	(279)	(246)
Minority Interest	8	(3)
Net Earnings	(271)	(249)

#### (1) Unusual Items

	Consolidated - Current Year		
	Operating Earnings	Related Income Taxation	After Taxation
	NZ\$million	NZ\$million	NZ\$million
Loss on sale of Forest Crop <sup>(1)</sup>	(29)	10	(19)
Other Gains <sup>(2)</sup>	2	(1)	1
Reorganisation Costs <sup>(3)</sup>	(4)	1	(3)
Total Unusual Items	(31)	10	(21)

(1) Loss on sale of Forest Crop of \$29 million relates to the sale of the cutting rights for 8,940 hectares of the Tahorakuri and Tauhara forest estates.

(2) The Other Gain of \$2 million relates predominately to the closing of a foreign currency contract entered into, to hedge the proposed acquisition of the Central North Island Forestry Partnership.

(3) Reorganisation Costs of \$4 million relates to costs associated with the debt refinancing, proposed forest sale, strategic redirection of the Group following the termination of the CNIFP management contract and proposed capital return.

#### (2) Forest Crop Valuation

Forest Crop is revalued to Directors' estimate of market valuation based on a combination of net present value and compounded replacement cost. Log prices in New Zealand dollars have fallen significantly over the year, primarily as a result of the appreciation of the New Zealand dollar exchange rate against those of the Group's major trading partners. This has necessitated a review of the carrying value of the forest estate. Recognising that the continued use of a "trailing" 12-quarter pricing series, as previously applied in the forest valuation methodology, would generate a forest estate value in excess of that value implied by the current operating environment, current prices have been substituted, as represented by the last two quarters – March and June 2003. In addition the effective after tax discount rate has been increased from 8.0% to 9.75%. These changes align the forest valuation assumptions with current market conditions.

	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
Opening Crop Valuation	1,176	1,123
Cutting rights Sale	(143)	-
	1,033	1,123
Revaluation:		
Growth and replanting	120	128
Harvesting removals	(106)	(77)
Movement in log prices	(298)	18
Change in discount rate	(145)	-
Other changes including cost inflation, area changes and changes in harvest profile	(22)	(16)
Total Revaluation	(451)	53
Closing Crop Valuation	582	1,176

### 3. Statement of Financial Performance *continued*

#### (3) Income Taxation

	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
Earnings before Taxation:	(419)	(237)
Taxation at 33 cents per dollar	(138)	(78)
Adjusted for:		
Permanent Impairment	-	90
Equity Accounted Earnings of Associates	(1)	-
Restructuring and Acquisition Costs	(1)	-
Other Permanent Differences	4	1
Taxation Over Provided in the Prior Year	(4)	(5)
Rates other than 33 cents	-	1
Taxation (Benefit) / Expense	(140)	9

### 4. Statement of Financial Position

	At end of Current Financial Year NZ\$million	At end of Last Financial Year NZ\$million
<b>Current Assets:</b>		
Cash and Liquid Deposits	47	22
Stocks	66	69
Debtors	54	64
<b>Total Current Assets</b>	<b>167</b>	<b>155</b>
<b>Term Assets:</b>		
Fixed Assets	322	336
Forest Crop	582	1,176
Investments	35	24
<b>Total Group Assets</b>	<b>1,106</b>	<b>1,691</b>
<b>LIABILITIES AND GROUP EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Creditors	93	105
Provision for Current Taxation	-	5
<b>Total Current Liabilities</b>	<b>93</b>	<b>110</b>
<b>Term Liabilities:</b>		
Term Debt	133	269
Provision for Deferred Taxation	(5)	137
<b>Total Group Liabilities</b>	<b>221</b>	<b>516</b>
<b>Group Equity</b>		
Reported Capital	1,443	1,443
Reserves	(579)	(299)
<b>Group Equity</b>	<b>864</b>	<b>1,144</b>
<b>Minority Equity</b>	<b>21</b>	<b>31</b>
<b>Total Group Equity</b>	<b>885</b>	<b>1,175</b>
<b>Total Group Liabilities and Equity</b>	<b>1,106</b>	<b>1,691</b>

<b>Movement in Shares Issued:</b>	<b>At end of Current Financial Year</b>	<b>At end of Last Financial Year</b>
<b>Fletcher Challenge Forests Ordinary Shares</b>		
Number of Shares at the beginning of the period	922,207,133	922,207,133
Share Consolidation <sup>(1)</sup>	(736,293,711)	-
	185,913,422	922,207,133
<b>Fletcher Challenge Forests Preference Shares</b>		
Number of Shares at the beginning of the period	1,859,015,794	1,859,015,794
Share Consolidation <sup>(1)</sup>	(1,487,206,768)	-
	371,809,026	1,859,015,794

(1) During November 2002 the Fletcher Challenge Forests Ordinary Shares and Preference Shares were consolidated on a 5:1 basis. Following the share consolidation, the Preference Shares retained their preference rights.

## 5. Statement of Cash Flows

	<b>Current Financial Year NZ\$million</b>	<b>Previous Corresponding Financial Year NZ\$million</b>
<b>Cash was Provided:</b>		
<b>From Operating Activities</b>		
Receipts from Customers	673	639
Dividends Received	9	6
Interest Received	1	1
<b>Total Provided</b>	<b>683</b>	<b>646</b>
Payments to Suppliers, Employees and Other	613	578
Interest Paid	17	23
Income Tax Paid	7	2
<b>Total Applied</b>	<b>637</b>	<b>603</b>
<b>Net Cash from Operating Activities</b>	<b>46</b>	<b>43</b>
<b>From Investing Activities</b>		
Sale of Fixed Assets and Forest Crop	118	3
Sale of Investments	-	3
Sale of Taxation Benefits	-	9
<b>Total Provided</b>	<b>118</b>	<b>15</b>
Purchase of Fixed Assets	11	5
Purchase of Investments	12	-
<b>Total Applied</b>	<b>23</b>	<b>5</b>
<b>Net Cash from/(to) Investing Activities</b>	<b>95</b>	<b>10</b>
<b>From Financing Activities</b>		
Debt Drawdowns	225	35
<b>Total Provided</b>	<b>225</b>	<b>35</b>
Debt Settlements	337	102
Option Premium Paid	-	6
Dividends Paid to Minority Shareholders	2	2
<b>Total Applied</b>	<b>339</b>	<b>110</b>
<b>Net Cash to Financing Activities</b>	<b>(114)</b>	<b>(75)</b>
<b>Net Cash to Discontinued Operations</b>	<b>-</b>	<b>(47)</b>
<b>Net Movement in Cash Held</b>	<b>27</b>	<b>(69)</b>
<b>Add Opening Cash and Liquid Deposits</b>		
- Continuing Operations	22	51
- Discontinued Operations	-	47
<b>Effect of Exchange Rate Changes on Net Cash</b>		
- Continuing Operations	(2)	(7)
<b>Closing Cash and Liquid Deposits</b>	<b>47</b>	<b>22</b>

**Reconciliation of Net Earnings to Net Cash from Operating Activities**

	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
Cash was Provided from:		
Net Earnings	(271)	(249)
Adjustment for Items not involving Cash:		
Depreciation, Depletions, Amortisation, Provisions and Revaluations	457	305
Taxation	(147)	7
Minority Interest in Earnings of Subsidiaries	(8)	3
Equity Earnings	(5)	(8)
Loss/(Gain) on Disposal of Term Assets	29	(2)
Cash Flow from Operations before Net Working Capital Movements	55	56
Net Working Capital Movements	(9)	(13)
Net Cash from Operating Activities <sup>(1)</sup>	46	43
Net Working Capital Movements:		
Debtors	9	(10)
Stocks	-	4
Creditors	(18)	(7)
	(9)	(13)

(1) As per Statement of Cash Flows.

**6 Dividends**

NIL

**7. Dividend Reinvestment Plan**

NIL

**8. Statement of Movements in Equity**

	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
Net Earnings for the year, comprising		
Parent Shareholders' Interest	(271)	(249)
Minority Interest	(8)	3
	(279)	(246)
Other Recognised Revenues and Expenses for the year		
Movement in Currency Translation Reserve - Parent Shareholder Interest	(9)	(6)
Total Recognised Revenues and Expenses for the year	(288)	(252)
Dividends and Distributions - Minority Interest	(2)	(2)
Movements in Equity for the year	(290)	(254)
Total Group Equity and Capital Funds at the beginning of the year, comprising		
Parent Shareholders' Interest	1,144	1,399
Minority Interest	31	30
	1,175	1,429
Total Group Equity and Capital Funds at the end of the year, comprising		
Parent Shareholders' Interest	864	1,144
Minority Interest	21	31
	885	1,175

**9. Net Asset Backing**

	Current Financial Year NZ\$	Previous Corresponding Financial Year NZ\$
Net Tangible Asset Backing per Ordinary Share <sup>(1)</sup>	1.55	2.05

(1) Comparative per share data has been restated for the one for five share consolidation completed during November 2002

**10. Control gained over Entities having material effect**

NIL

**Loss of control of Entities having material effect**

NIL

**11. Material Interests in Entities which are not Controlled Entities**

	Percentage of ownership interest held at end of year		Contribution to Net Profit	
	Current Financial Year	Previous Corresponding Financial Year	Current Financial Year NZ\$million	Previous Corresponding Financial Year NZ\$million
<b>Equity Accounted Associates</b>				
American Wood Moulding LLC	50.0%	50.0%	13	14
CNI Forest Partnership (in Receivership) <sup>(1)</sup>	50.0%	50.0%	-	-
AWM Mexico	50.0%	-	-	-
The Empire Company	33.0%	33.0%	1	-
<b>Total</b> <sup>(2)</sup>			14	14

(1) On 26 February 2001 the Central North Island Forest Partnership was placed in receivership. As from 31 December 2000 and following a write-down in the realisable value of the forest estate, the Group's investment in the Central North Island Forest Partnership ceased to be accounted for as an associate.

(2) Current year includes dividend of \$9 million (2002: \$6 million).

**12. Other Significant information to assess entity's financial performance and financial position**

Refer Press Release.

**13. This report has been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) .**

#### 14. Commentary on results of the period

Refer Press Release.

##### 14.1 Net Earnings Per Share (EPS)

	Current Financial Year NZ Cents	Previous Corresponding Financial Year NZ Cents
Basic and Diluted EPS <sup>(1)</sup>	(48.6)	(44.6)
	million	million
Weighted Average Number of ordinary shares outstanding during the period used in the calculation of the Basic and Diluted EPS <sup>(1)</sup>	558	558

(1) Comparative per share data has been restated for the one for five share consolidation completed during November 2002

##### 14.2 Return to Shareholders including distributions and buy backs

Nil

##### 14.3 Significant features of operating performance

Refer Press Release.

##### 14.4 Segmental Information

Refer attached.

##### 14.5 Discussion of trends in performance

Refer Press Release.

##### 14.6 Any other factors which have affected the results in the period, or which are likely to affect results in the future.

Refer Press Release.

##### Changes in accounting policies since last Annual Report

There have been no changes in Accounting Policy since 30 June 2002.

##### Significant Contingent Liabilities

There are no significant contingent liabilities as at June 2003.

#### 15. This report is based on accounts which have been audited

16. N/A

17. N/A

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P M Gillard  
Company Secretary

12 September 2003