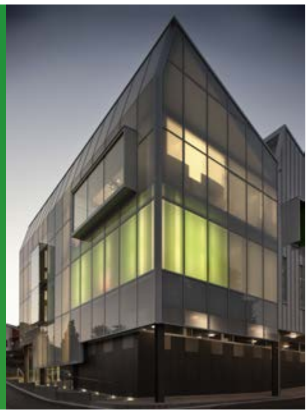
MANAGEMENT COMMENTARY FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016



Fletcher Building reports underlying net earnings growth of 5 per cent

Reported results NZ$m (except where noted)	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Total revenue	**9,004**	**8,661**	**4**
Operating earnings before significant items[1]	**682**	**653**	**4**
Significant items[2]	37	(150)	NM
Operating earnings (EBIT)	**719**	**503**	**43**
Funding costs	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**
Tax expense	(131)	(96)	36
Earnings after tax	**473**	**280**	**69**
Non-controlling interests	(11)	(10)	10
Net earnings before significant items	**418**	**399**	**5**
Net earnings	**462**	**270**	**71**
Earnings per share before significant items (cents)	**60.6**	**58.0**	**4**
Earnings per share (cents)	**67.0**	**39.2**	**71**
Dividends declared per share (cents)	**39.0**	**37.0**	**5**
Capital expenditure	**300**	**278**	**8**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

2 Details of significant items can be found in note 4 of the group's financial statements.

- Revenue for the year of $9,004 million was $343 million, or 4%, higher when compared with the prior year;
- Operating earnings before significant items were $682 million, 4% higher than the prior year;
- Significant items comprised a net gain of $37 million (2015: an expense of $150 million);
- Operating earnings of $719 million were $216 million, or 43%, higher than the prior year;
- Net earnings were $462 million, up 71%, from $270 million in the prior year;
- Net earnings before significant items were $418 million, up 5% on the prior year;
- Cash flow from operations was $660 million, up 15% from $575 million in the prior year;
- Basic earnings per share were 67.0 cents, up from 39.2 cents;
- Final dividend is 20.0 cents per share, bringing the total dividend for the year to 39.0 cents per share.

Financial Results

	Revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Building Products	2,449	2,656	(8)
International	2,128	2,007	6
Distribution	3,184	3,081	3
Residential and Land Development	343	238	44
Construction	1,648	1,342	23
Other	9	5	80
Gross revenue	**9,761**	**9,329**	**5**
less intercompany sales	(757)	(668)	13
Group external revenue	**9,004**	**8,661**	**4**

	Reported operating earnings			Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Building Products	353	184	92	274	259	6
International	103	143	(28)	133	143	(7)
Distribution	175	93	88	176	148	19
Residential and Land Development	84	66	27	84	66	27
Construction	78	54	44	78	74	5
Corporate	(74)	(37)	(100)	(63)	(37)	(70)
Total	**719**	**503**	**43**	**682**	**653**	**4**
Funding costs	(115)	(127)	(9)	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**	**567**	**526**	**8**
Tax expense	(131)	(96)	36	(138)	(117)	18
Earnings after tax	**473**	**280**	**69**	**429**	**409**	**5**
Non-controlling interests	(11)	(10)	10	(11)	(10)	10
Net earnings	**462**	**270**	**71**	**418**	**399**	**5**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

Financial Results continued

Geographic segments

	Gross revenue			External revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	**Year ended 30 June 2016 NZ$m**	Year ended 30 June 2015 NZ$m	Change %
New Zealand	5,438	4,965	10	4,797	4,435	8
Australia	3,055	3,158	(3)	2,959	3,042	(3)
Rest of World	1,268	1,206	5	1,248	1,184	5
Total	**9,761**	**9,329**	**5**	**9,004**	**8,661**	**4**

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
New Zealand	452	449	1
Australia	154	119	29
Rest of World	76	85	(11)
Total	**682**	**653**	**4**

Geographic segments in local currency

	Gross revenue			External revenue		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %	**Year ended 30 June 2016**	Year ended 30 June 2015	Change %
Australia (A$m)	2,809	2,929	(4)	2,721	2,821	(4)
Rest of World (US$m)	850	936	(9)	837	919	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Australia (A$m)	142	110	29
Rest of World (US$m)	51	66	(23)

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

- External revenue of $9,004 million was $343 million or 4% higher than the prior year. Of this increase $362 million related to increased New Zealand revenue, partly offset by lower revenue in Australia. In local currencies, revenue increased by 8% in New Zealand but declined by 4% in Australia and 9% in the Rest of World.
- Reported operating earnings before interest and tax of $719 million were 43% higher than the prior year.
- Reported operating earnings include a net gain within significant items of $37 million relating to:
  - A gain on the sale of the Rocla Quarries business of $85 million;
  - A $5 million gain on the divestment of the Fletcher Aluminium business to the joint venture with Nalco;
  - Costs of $5 million associated with the acquisition of the Higgins business;
  - Costs of $16 million relating to the closure of sites in Iplex Australia, Rocla Products, Formica Europe and Dimond;
  - Charges of $26 million in the Formica India business, with impairments of fixed assets, goodwill and working capital adjustments; and
  - $6 million of costs incurred investigating and resolving payroll system issues as a result of complexities in applying the New Zealand Holidays Act 2003.
- Operating earnings before significant items were $682 million, 4% higher than the prior year.
- In **New Zealand**, earnings benefited from continued strong residential, commercial and infrastructure construction activity, as well as strong operational performance in many businesses. Residential consents were 29,097, up from 25,154 in the prior year, an increase of 16%.
- In **Australia**, market conditions were mixed, with new housing construction at record levels but activity in the mining and resources sectors down significantly and other sectors relatively subdued. Despite this, operating earnings before significant items increased 38% in local currency when adjusted for the divestment of the Rocla Quarries business, driven by operational performance improvements in Iplex Australia, Stramit and Fletcher Insulation.
- In the **Rest of World**, earnings in local currency were flat in the major markets of Asia and North America, while earnings in Europe were down as a result of adverse operational performance in the UK.
- Funding costs of $115 million were 9% lower than the prior year, due to lower debt levels and borrowing costs.
- The tax expense of $131 million represents an effective tax rate for the year of 22% (2015: 26%).
- Earnings per share were 67.0 cents, an increase of 71% from 39.2 cents per share in the prior year.
- Earnings per share before significant items were 60.6 cents, an increase of 4% from 58.0 cents in the prior year.

Segmental Operational Review

The following sections provide commentary on individual division results for the year ended 30 June 2016.

Building Products

Concrete Pipes & Products; Cement & Aggregates; Building Materials; Plastic Pipes; JV Earnings and Other

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,449	2,656	(207)	(8)
External revenue	1,969	2,184	(215)	(10)
Operating earnings before significant items[1]	274	259	15	6
Significant items[2]	79	(75)	154	NM
Operating earnings	353	184	169	92
Funds	1,581	1,877	(296)	(16)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	59	79	(25)
Cement & Aggregates	87	90	(3)
Building Materials	93	77	21
Plastic Pipes	14	(8)	NM
JV Earnings & Other	21	21	–
Total	**274**	**259**	**6**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

2 Details of significant items can be found in note 4 of the group's financial statements.

Building Products reported operating earnings of $353 million, compared with $184 million in the prior year.

The result includes a positive significant item of $79 million comprising a gain on the sale of the Rocla Quarries business ($85 million), a gain on divestment of the Fletcher Aluminium business to the Fanalco joint venture ($5 million), partly offset by site closures in Iplex Australia and Rocla Products ($11 million).

The division's operating earnings before significant items were $274 million, 6% higher than $259 million in the prior year. The increase was attributable largely to improved performance in Plastic Pipes and Building Materials, offset by decreased earnings in the Concrete Pipes & Products businesses and reduced Cement & Aggregates earnings following the Rocla Quarries divestment.

Reported gross revenue decreased by 8%, however, was up 1% when adjusted for divested businesses.

Whilst gross revenue of the Concrete Pipes & Products businesses increased 1%, operating earnings before significant items declined 25% to $59 million or 14% when excluding prior year land sales ($10 million). New Zealand concrete volumes were 7% higher, and prices were slightly up on last year. New Zealand concrete pipe volumes were down by 8%, due to lower market volumes in the first half of the year; volumes and market share recovered in the second half. Australian concrete pipe revenue was down 4% due to weak demand in Western Australia and Queensland and intensifying price competition in other regional markets.

Gross revenue of the Cement & Aggregates businesses decreased 12% but was flat on an underlying basis if the divested Quarries business is excluded. The businesses recorded a 3% decrease in operating earnings before significant items to $87 million. Key factors impacting year-on-year performance were lower land sales than the prior year ($4 million) and one-off restructuring costs in 2016 ($3 million). Adjusting for these and the divestment of Rocla Quarries, the underlying operating earnings were 11% higher than the prior year, with 6% year-on-year volume growth in New Zealand cement and stable market share, coupled with higher cement and aggregate prices.

Gross revenue of the Building Materials businesses increased 8%, whilst operating earnings before significant items increased 21% to $93 million. New Zealand plasterboard volumes were up 11% on the prior year and market share was stable. Both the New Zealand and Australian Insulation businesses achieved strong year-on-year volume growth, with earnings having doubled in the year.

The Plastic Pipes businesses recorded $14 million operating earnings before significant items after reporting a loss of $8 million in the prior year. This was primarily due to a significant turnaround in the performance of Iplex Australia. Australian gross revenue increased 3%, with volumes up 6%, whilst indirect costs reduced by 16% reflecting the successful execution of the turnaround programme.

Earnings from Joint Ventures & Other businesses were $21 million, in line with the prior year, with increased earnings from Fletcher Aluminium offsetting lower earnings from the Steel business, which ceased production in September 2015. A key achievement was the formation of the joint venture between Fletcher Aluminium and Nalco on 30 June 2016, which is well positioned to leverage its scale and capability in a strong New Zealand market.

International

Laminex; Formica; Roof Tile Group

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,128	2,007	121	6
External revenue	2,106	1,978	128	6
Operating earnings before significant items[1]	133	143	(10)	(7)
Significant items[2]	(30)	–	(30)	NM
Operating earnings	103	143	(40)	(28)
Funds	1,902	2,098	(196)	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	80	81	(1)
Formica	62	68	(9)
Roof Tile Group	14	14	–
International divisional costs	(23)	(20)	15
Total	**133**	**143**	**(7)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

2 Details of significant items can be found in note 4 of the group's financial statements.

Operating earnings for the International division were $103 million compared with $143 million in the prior year. Gross revenue increased by 6% over the prior year.

The result includes significant items of $30 million, $26 million relating to impairing the operations of Formica India and $4 million for site closure costs in Formica Europe. Operating earnings before significant items decreased 7% to $133 million.

Laminex's operating earnings were $80 million compared to $81 million in the prior year. Gross revenue increased 3% over the prior year, with increases of 2% in Australia and 8% in New Zealand.

Operating earnings in Australia were $72 million, up 3% on the prior year. Favourable market conditions in the residential sector were partly offset by a significant decline in the Western Australia residential market. Earnings were positively impacted by optimised pricing and operational efficiency improvements, with a significant reduction in overheads.

Operating earnings in New Zealand were $8 million. When adjusting for $1 million restructuring costs in the current year and a $3 million property gain in the prior year, earnings increased by 13% on the prior year.

Operating earnings before significant items for Formica were $62 million, a decrease of 9% on the prior year.

Formica reported gross revenue of $980 million, an increase of 10% on the prior year, largely due to the translation effect resulting from a lower New Zealand dollar relative to the US dollar in particular. In local currencies revenue was largely flat although this varied by region.

In North America revenue growth in local currency was up by 4% on the prior year, driven by volume growth of 2% and increased pricing. Operating earnings were $56 million, up 14% on the prior year, with 11% attributable to favourable currency translation, coupled with the strong operational performance of the manufacturing plants in the US and Canada.

In Asia growth rates in local currency varied significantly by country. The key markets of Taiwan, Thailand and Hong Kong generated revenue growth of 4%, 6% and 6% respectively. Revenue in China was up 2% on the prior year with revenue in Malaysia and Singapore behind last year. Earnings in Asia increased 21% to $23 million driven largely by lower raw material prices and improved manufacturing efficiencies across the two factories in China as both domestic and export volumes increased.

Gross revenue in Europe fell by 4% in local currency with the main driver being a decrease in sales in export markets. Most major Western European markets were stable. Formica Europe reported a loss of $17 million compared with a breakeven result in the prior year, due to lower sales and adverse operational performance at the business' key UK manufacturing plant, particularly in the first half. In addition, restructuring costs of $3 million impacted the result. The business operated at breakeven in the second half.

Operating earnings in the Roof Tile Group were stable at $14 million. In the key markets of the Americas, Asia and New Zealand, volumes increased by 1%, 3% and 12% respectively but were offset by volume declines of 6% in Europe, driven by competitive pressures, along with deteriorating economic conditions in Africa, where volumes were down by 8%.

International divisional costs of $23 million increased $3 million on the prior year, largely due to currency translation, as a significant portion are incurred in US dollars.

Distribution

NZ Building Supplies; NZ Steel Distribution; Australian Building Supplies; Australian Steel Distribution

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	3,184	3,081	103	3
External revenue	3,026	2,958	68	2
Operating earnings before significant items[1]	176	148	28	19
Significant items[2]	(1)	(55)	54	NM
Operating earnings	175	93	82	88
Funds	1,001	1,046	(45)	(4)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	85	75	13
NZ Steel Distribution	44	36	22
Australian Building Supplies	27	23	17
Australian Steel Distribution	20	14	43
Total	**176**	**148**	**19**

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2 Details of significant items can be found in note 4 of the group's financial statements.

The Distribution division reported operating earnings of $175 million, compared with $93 million in the prior year.

Operating earnings before significant items were $176 million, compared with $148 million in the prior year, an increase of 19%, with strong earnings growth in both New Zealand and Australia.

Gross revenue increased by $103 million, or 3%, to $3.2 billion. In New Zealand gross revenue growth of 8% was driven by share gains and the positive macro environment.

The NZ Building Supplies businesses achieved gross revenue growth of 10% and reported increased earnings of 13%. PlaceMakers' gross revenue of $1.2 billion was up 10% on the prior year, with growth in the core categories of timber, frame & truss and concrete, as well as further accelerated growth in margin accretive categories, including kitchens and power tools. The Mico business increased gross revenue by 12% to $235 million, with strong growth in both bathroom and plumbing sectors, as it attracted new customers and increased sales from existing customers.

The NZ Steel Distribution businesses reported earnings before significant items of $44 million, an increase of $8 million or 22%. This reflected strong market share growth in Pacific Coilcoaters, record sales volumes in Easysteel, coupled with improved operational capabilities in Fletcher Reinforcing. Strong activity levels across the NZ Steel Distribution businesses were partially offset by the impacts of lower year-on-year global steel prices, which were at a 15-year low.

Additional synergies in New Zealand were realised in the year through combining the Dimond roll-forming business with Easysteel and continued co-locations of PlaceMakers and Mico.

The Australian businesses reported earnings of $47 million, an increase of 27%. During the year the businesses were further aligned, with the overall Distribution strategy focusing on operating efficiency. This entailed a change from State to functional management structures in both Stramit and Tradelink, further leveraging resources and driving synergies across the division.

Tradelink reported earnings of $22 million, which encompassed a $14 million gain from property sales, net of restructuring costs and inventory write offs. A 2% like-for-like decline in Tradelink revenue to $775 million followed the strategic reset of its core focus back to the small trade plumber and activity in the market. Whist a decline was still seen in the trade plumber area, the decline slowed in the second half, with traction gained from initiatives such as the Customer Service Promise launch. This focus is continuing with the launch of a customer loyalty scheme in July and network densification, with 20 new stores planned to open in the 2017 financial year.

Operating earnings in Stramit increased by 43% to $20 million. This was driven by improved levels of customer service, coupled with operational efficiency initiatives, while revenue was up 1% on the prior year.

Residential and Land Development

NZ Residential; Land Development

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	343	238	105	44
External revenue	343	238	105	44
Operating earnings	84	66	18	27
Funds	355	211	144	68

	Operating earnings		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	74	66	12
Land Development	10	–	NM
Total	**84**	**66**	**27**

The Residential and Land Development division reported operating earnings of $84 million, a 27% increase on the prior year.

NZ Residential operating earnings were $74 million, 12% higher than the prior year. Contrary to earlier expectations, the decreased contribution from the Stonefields development in Auckland was more than offset by an accelerated build programme, including sales from a number of new locations.

Revenue for the year was $343 million, up from $238 million in the prior year, driven by increasing volumes of homes sold, as well as strong market pricing, particularly in the Auckland region.

Strong sales volumes and margins were delivered in the established areas of Greenhithe, Karaka and Stonefields. The second half of the year also delivered a meaningful contribution from the new subdivisions of Beachlands and Hobsonville, as well as early margin contribution from the Government partnership projects in Canterbury.

Land Development operating earnings were $10 million. This business comprises a combination of residential and commercial land developments for on sale to third parties. This included stage 1 at James Fletcher Drive in Auckland and residential lot sales at Beachlands, Auckland and the remaining portion of Jack's Point in Queenstown.

Whilst Land Development earnings will be irregular, it is anticipated that the business will earn at least $25 million per annum over the next five years.

Funds employed increased to $355 million from $211 million in the prior year of which $54 million related to land transfers from other divisions. This was driven by a combination of land development on previously acquired sites; an increase in work in progress, as the business builds towards its targeted volume of 1,500 dwellings per annum, and the settlement of lots purchased from other developers in Auckland, including Beachlands, Penihana, Hobsonville, Karaka and Whenuapai.

Construction

Construction New Zealand; Construction South Pacific

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	1,648	1,342	306	23
External revenue	1,560	1,299	261	20
Operating earnings before significant items[1]	78	74	4	5
Significant items[2]	–	(20)	20	NM
Operating earnings	78	54	24	44
Funds	(18)	(54)	36	(67)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	58	51	14
Construction South Pacific	20	23	(13)
Total	**78**	**74**	**5**

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2 Details of significant items can be found in note 4 of the group's financial statements.

The Construction division reported operating earnings of $78 million, an increase from $54 million in the prior year. The prior year included significant items of $20 million and therefore operating earnings before significant items increased 5%.

Gross revenue of $1,648 million, up 23% from the prior year, is the highest level achieved by the division, with the New Zealand businesses delivering record revenue and earnings.

Revenue growth exceeded operating earnings for a number of reasons, including a different mix of projects undertaken between years, EQR workload reducing and a number of projects commencing in the latter part of the year. In these cases the division has recognised revenue but no margin contribution.

The division has been very successful at winning work, with the backlog, being the value of contracted work awarded but not yet completed, increasing from $2.4 billion in the prior year to $2.7 billion at 30 June 2016. All parts of the business increased their backlog during the year, with construction projects secured across both the commercial and public sectors. In August 2016 Fletcher Construction was announced as the preferred bidder on the Puhoi to Warkworth motorway extension as part of the Northern Express Group consortium.

The Infrastructure business has almost completed work on several major infrastructure projects, including the Waterview tunnel project, Rangiriri realignment and MacKays to PekaPeka on the Kāpiti Coast. Work has started, or is about to commence, on a number of significant projects, including the Kirkbride Alliance and Hamilton Bypass Alliance.

The Building + Interiors business has had a significant workload across the country, continuing with the construction of major projects such as the new headquarters for Fonterra, the University of Auckland Science Building, Victoria University of Wellington Science Building, the University of Waikato Law School and Christchurch Justice Precinct. It has also commenced work on the New Zealand International Convention Centre, National Biocontainment Lab in Wellington and Commercial Bay development in downtown Auckland.

The Canterbury Earthquake Recovery business has been winding down its operations over the last year, as it completes its contractual arrangements with the Earthquake Commission. Operating earnings reduced in line with the declines in workload; only a small level of work is still to be completed, expected to be by December 2016.

The South Pacific business reported operating earnings of $20 million, a decrease of 13% on the prior year. The reduction in earnings was due to the completion of a number of significant projects in the prior year.

In the current year the Momi Bay Resort in Fiji is now nearing completion, while work has commenced on new projects secured during the year, including wharves in Vanuatu and American Samoa, Government buildings in Samoa and a convention, hotel and commercial development in Papua New Guinea.

The acquisition of the Higgins road maintenance, road construction and aggregates businesses was completed on 29 July 2016. Total consideration was $303 million.

Group Cash Flow

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Operating earnings before significant items[1]	**682**	**653**	**29**
Depreciation and amortisation	194	201	(7)
Less cash tax paid	(97)	(72)	(25)
Less interest paid	(118)	(124)	6
Provisions, significant items and other	(99)	(42)	(57)
Results from operations before working capital movements	**562**	**616**	**(54)**
Land and developments	(66)	(58)	(8)
Other working capital movements	164	17	147
Cash flows from operating activities	**660**	**575**	**85**

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Detailed disclosure of the above line items is included in Fletcher Building Limited's group financial statements, which have been released with this Management Commentary.

Cash flows from operating activities of $660 million were $85 million, or 15%, higher than the prior year. Cash flows from operations before working capital movements were $562 million, down from $616 million due to increased provision utilisation and cash tax paid. The improvement in working capital, notwithstanding continued investment in residential land, reflected the success of specific inventory and debtor management initiatives during the year, along with the collection of $81 million of final working capital balances following the closure of the Pacific Steel operations.

Capital expenditure

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Capital expenditure	300	278	22

Capital expenditure was $300 million, compared with $278 million in the prior year. Of this total, $194 million was for stay-in-business capital projects, including $26 million on IT projects and $106 million related to new growth initiatives.

For 2017 capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 30 June 2016 was $2,224 million. Of this, $608 million was undrawn and there was an additional $356 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $345 million and a further $68 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities, a private placement that was completed on 20 July 2016 and available cash.

The group's gearing[1] at 30 June 2016 was 27.3% compared with 31.8% at 30 June 2015. Whilst outside of the group's target range of 30-40%, gearing has returned to the target range following completion of the Higgins acquisition.

The group's leverage[2] at 30 June 2016 was 1.6 times compared with 2.0 times at 30 June 2015. Again, this has returned to within the target range of 2.0-2.5 times following the Higgins acquisition.

The average maturity of the debt is 3.5 years and the hedged currency split is 47% Australian dollar; 32% New Zealand dollar; 14% US dollar; and 7% spread over various other currencies.

Approximately 61% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.25%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.4%.

Interest coverage[3] for the year was 5.9 times compared with 5.1 times in the prior year.

1 Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.
2 Interest bearing net debt (including capital notes) to EBITDA before significant items.
3 EBIT before significant items to total interest paid, including capital notes interest.

Dividend

The 2016 final dividend is 20 cents per share. The final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.7778 cents.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 12 October 2016 to holders registered as at 5.00 pm Friday 23 September 2016 (NZT). The shares will be quoted on an ex-dividend basis from 22 September 2016 on the NZX and ASX.

The interim dividend of 19 cents per share was paid on 13 April 2016.

DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ('the Plan'), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm, Monday, 26 September 2016. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 22 September 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 October 2016.

DIVIDEND POLICY

Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term. The target dividend pay-out ratio, in the range of 50% to 75% of net earnings, is intended to provide sufficient flexibility for dividends to be maintained despite variations in economic conditions. Maintenance of a dividend in this range will be subject to there being no material adverse change in circumstances or outlook. In determining a dividend for any year, a number of factors are taken into consideration, including current and forecast earnings and operating cash flows, capital requirements, and the company's debt equity position.

Beyond dividends, Fletcher Building will consider other means of distribution, should cash flows and future investment requirements allow.

TAX CREDITING POLICY

Following a review of its forecast tax position, Fletcher Building has amended its tax crediting policy such that it intends to fully impute both the interim and final dividends with New Zealand tax credits each year (or to the maximum extent possible) and fully frank the final dividend with Australian tax credits where possible.

Fletcher Building expects to be able to fully impute both the interim and final dividend with New Zealand tax credits for at least the next two years but does not expect to be in a position to fully frank the 2017 final dividend with Australian tax credits.

2016 Final Dividend Summary Table[1]

NZ cents per share	NZ residents on top marginal tax rate of 33%	Australian residents on top marginal tax rate of 49%	Australian residents on 15% tax rate	Other non-residents[8]
dividend declared	20.0000	20.0000	20.0000	20.0000
NZ imputation credits[2]	7.7778			
NZ supplementary dividend[3]		3.5294	3.5294	3.5294
Australian franking credits[4]		0.0000	0.0000	
Gross dividend for NZ tax purposes	**27.7778**	**23.5294**	**23.5294**	**23.5294**
NZ tax (33%)[5]	(9.1667)			
NZ non-resident withholding tax (15%)[6]		(3.5294)	(3.5294)	(3.5294)
Net cash received after NZ tax	**18.6111**	**20.0000**	**20.0000**	**20.0000**
Australian tax (49% and 15%)[7]		(11.5294)	(3.5294)	
Reduced by offset for NZ non-resident withholding tax		3.5294	3.5294	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**18.6111**	**12.0000**	**20.0000**	**20.0000**

NOTES:

1 This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent advice.

2 The dividend has imputation credits attached at a 28% tax rate.

3 A supplementary dividend is only payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.

4 There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.

5 For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 5% from the gross dividend which has been credited, with imputation credits at 28%. Accordingly, for those shareholders, a deduction of 1.3889 cents per share will be made on the date of payment from the dividend declared of 20.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a credit for the RWT deduction in excess of their marginal tax rate.

6 NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.

7 This summary uses two examples of the effect of tax in Australia. The first uses the top marginal tax rate of 49%, including the Medicare levy and the Temporary Budget Repair Levy. The second example uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

The Australian tax is calculated as:	49% Rate	15% Rate
Gross dividend for NZ tax purposes	23.5294	23.5294
plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	23.5294	23.5294
Australian tax	11.5294	3.5294

8 This illustration does not purport to show the taxation consequences of the dividend for non-residents of New Zealand or Australia. Shareholders resident in other countries are encouraged to consult their own taxation advisor.

Update on Business Transformation Programme

During the year a comprehensive review was undertaken to identify the potential to drive further performance from the business portfolio. Subsequently, review teams worked with each business unit to validate their respective opportunity set using this review analysis and global benchmarks. This in turn led to the establishment of targets for each business unit, with the opportunities grouped under the following categories:

- Commercial – revenue and product margin growth
- Cost – external expenditure and overhead costs
- Manufacturing and operational efficiency – including manufactured products, distribution costs and construction-delivered margin.

Each business unit is pursuing various initiatives within these categories, the nature and impact of which varies depending on the type of business. These activities are being run under a single programme called Accelerate. The programme leverages the capability built with the FBUnite business transformation programme over the past three years, particularly around procurement, property management, information technology, manufacturing excellence and sales and marketing centres of excellence.

The initiatives identified within Accelerate are driven by the management teams in each business unit, supported by the centres of excellence. In addition, a Transformation Office has been established to oversee the governance of the Accelerate programme, provide support and tools to each business unit and coordinate resources. To date, more than one thousand initiatives have been started. These are captured in an online system that tracks their validation and delivery timeframe.

The success of the Accelerate programme will be reflected in the results of each business unit over the next three years and will potentially include higher revenue growth, market share gain, improved gross margins and lower operating costs.

Outlook

In New Zealand residential construction activity is expected to peak in 2018 and then gradually return to 2014 levels over the next three years. Due to the lag between consents being granted and work actually being undertaken, however, the peak in consents will continue to impact activity beyond 2017, prolonging the strength in the building market for at least another year.

Non-residential activity is forecast to remain relatively steady at elevated levels compared to the historical average. Infrastructure work undertaken is expected to maintain its upward trajectory over the course of 2017 and beyond.

The New Zealand dollar is expected to gradually weaken through the year against key currencies, particularly the Australian dollar and US dollar.

Australian residential activity is expected to gradually decline over the next three years following its peak in 2016. Little growth is forecast in non-residential activity.

In Asia, the China market is expected to grow moderately but at lower rates than in recent years. Taiwan and South East Asian markets are expected to show modest growth.

North American market growth is expected to be relatively low but slightly higher in the USA than Canada.

Market growth estimates vary across continental Europe, from negative in some markets to flat and low growth in others, while the UK is expected to show modest growth.

For the 2017 financial year, operating earnings (earnings before interest and tax and significant items) are expected to be in the range of $720 million to $760 million. Consistent with this growth, operating earnings in the first half of the 2017 financial year are expected to be higher than the prior corresponding period.

In terms of divisional outlook, the following areas will be targeted:

- Building Products – the focus will be on continued improvement in turning around the Australian business units and ensuring the New Zealand businesses continue to maximise returns and capture the growth in volumes arising from the strong market conditions.
- International – the turnaround of Formica's European business, particularly in the UK market, will drive earnings uplift, and all regions are targeting improved trading performances. A focus will remain on optimising and fully loading our new laminate plant in China and the expanded roof tile facility in California.
- Distribution – pursuing top-line growth, particularly in higher margin product categories, will be key enablers for further earnings growth. Performance of Tradelink's turnaround plan will require network plumber share gains, although the benefits will be partly offset by the operating costs from expansion of the branch network.
- Residential and Land Development – the acceleration of home building in Auckland and Christchurch, along with maximising development opportunities from industrial land holdings, will drive operating results for the year.
- Construction – continued strong revenue growth is expected to be driven by the elevated levels of construction activity in New Zealand. Operating results will be positively impacted by the Higgins acquisition, offset in part by the wind down of the EQR Canterbury home repair programme and a reduction in South Pacific activity.

Divisions

Division	Business Groupings	Key Businesses
Building Products	Concrete Pipes & Products	Firth Concrete (NZ) Humes Pipelines (NZ) Rocla Products (AU)
	Cement & Aggregates	Golden Bay Cement (NZ) Winstone Aggregates (NZ) Rocla Quarries (divested in FY16) (AU)
	Building Materials	Winstone Wallboards (NZ) Tasman Insulation (NZ) Fletcher Insulation (AU)
	Plastic Pipes	Iplex (NZ & Australia)
	JV Earnings & Other	Long Steel Manufacturing (ceased in FY16) Fletcher Aluminium (NZ) Joint Ventures & Other
International	Formica	Formica Asia Formica Europe Formica North America
	Laminex	Laminex New Zealand Laminex Australia
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
Distribution	NZ Building Supplies	PlaceMakers Mico Plumbing
	Australian Building Supplies	Tradelink Tasman Sinkware
	NZ Steel Distribution	Pacific Coilcoaters Easysteel Fletcher Reinforcing Dimond
	Australian Steel Distribution	Stramit
Residential and Land Development	NZ Residential	Fletcher Living
	Land Development	Land Development
Construction	Construction New Zealand	Fletcher Construction Fletcher EQR
	Construction South Pacific	Fletcher Construction South Pacific

Appendix: Supplemental split of Divisional Results

GROSS REVENUE

Building Products

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	770	761	1
Cement & Aggregates	442	501	(12)
Building Materials	466	431	8
Plastic Pipes	546	545	–
Joint Ventures & Other	225	418	(46)
Total	**2,449**	**2,656**	**(8)**

International

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	966	940	3
Formica	980	888	10
Roof Tile Group	182	179	2
Total	**2,128**	**2,007**	**6**

Distribution

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	1,432	1,296	10
Australian Building Supplies	805	853	(6)
NZ Steel Distribution	445	437	2
Australian Steel Distribution	502	495	1
Total	**3,184**	**3,081**	**3**

Residential and Land Development

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	330	238	39
Land Development	13	–	NM
Total	**343**	**238**	**44**

Construction

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	1,501	1,163	29
Construction South Pacific	147	179	(18)
Total	**1,648**	**1,342**	**23**

Appendix: Supplemental split of Divisional Results continued

LOCAL CURRENCY GROSS REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,532	1,658	(8)
Australia (A$m)	843	923	(9)

International

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	176	167	5
Australia (A$m)	769	761	1
Rest of World (US$m)	748	792	(6)

Distribution

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,878	1,734	8
Australia (A$m)	1,197	1,246	(4)

Residential and Land Development

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	343	238	44

Construction

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,501	1,163	29
Rest of World (US$m)	99	139	(29)

Appendix: Supplemental split of Divisional Results continued

EXTERNAL REVENUE

Building Products

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	681	688	(1)
Cement & Aggregates	262	331	(21)
Building Materials	345	321	7
Plastic Pipes	456	440	4
Joint Ventures & Other	225	404	(44)
Total	**1,969**	**2,184**	**(10)**

International

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	948	922	3
Formica	978	887	10
Roof Tile Group	180	169	7
Total	**2,106**	**1,978**	**6**

Distribution

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	1,392	1,266	10
Australian Building Supplies	802	850	(6)
NZ Steel Distribution	340	357	(5)
Australian Steel Distribution	492	485	1
Total	**3,026**	**2,958**	**2**

Residential and Land Development

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	330	238	39
Land Development	13	–	NM
Total	**343**	**238**	**44**

Construction

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	1,413	1,120	26
Construction South Pacific	147	179	(18)
Total	**1,560**	**1,299**	**20**

LOCAL CURRENCY EXTERNAL REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,134	1,290	(12)
Australia (A$m)	768	826	(7)

International

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	174	159	9
Australia (A$m)	768	761	1
Rest of World (US$m)	736	775	(5)

Distribution

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,733	1,624	7
Australia (A$m)	1,185	1,235	(4)

Residential and Land Development

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	343	238	44

Construction

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,413	1,120	26
Rest of World (US$m)	99	139	(29)

Appendix: Supplemental split of Divisional Results continued

OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS

Building Products

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	59	79	(25)
Cement & Aggregates	87	90	(3)
Building Materials	93	77	21
Plastic Pipes	14	(8)	NM
Joint Ventures & Other	21	21	–
Total	**274**	**259**	**6**

International

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	80	81	(1)
Formica	62	68	(9)
Roof Tile Group	14	14	–
International divisional costs	(23)	(20)	15
Total	**133**	**143**	**(7)**

Distribution

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	85	75	13
Australian Building Supplies	27	23	17
NZ Steel Distribution	44	36	22
Australian Steel Distribution	20	14	43
Total	**176**	**148**	**19**

Residential and Land Development

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	74	66	12
Land Development	10	–	NM
Total	**84**	**66**	**27**

Construction

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	58	51	14
Construction South Pacific	20	23	(13)
Total	**78**	**74**	**5**

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the financial statements.

Appendix: Supplemental split of Divisional Results continued

LOCAL CURRENCY RESULTS

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	238	248	(4)
Australia (A$m)	33	10	NM

International

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	17	19	(11)
Australia (A$m)	63	63	–
Rest of World (US$m)	32	43	(26)

Distribution

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	130	112	16
Australia (A$m)	42	33	27

Residential and Land Development

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	84	66	27

Construction

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	58	51	14
Rest of World (US$m)	13	18	(28)

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the financial statements.