Fletcher Building – Report for the six month period ended 31 December 2009

HALF YEAR REVIEW

FletcherBuilding

Half year review

Directors are pleased to present the unaudited financial results for the six months ended 31 December 2009.

Net earnings were $154 million, 10 percent lower than for the prior corresponding period. Operating earnings (earnings before interest and tax) before unusual items decreased to $271 million, from $322 million in the same period in the previous year. Cashflow from operations was 52 percent higher at $317 million.

Sales declined by 10 percent to $3.4 billion from $3.8 billion. Stronger sales were achieved in the insulation and construction businesses, but these were more than offset by weaker sales elsewhere. Sales in the Steel division fell by $194 million, or 25 percent, as a result of lower steel prices and volumes. Lower activity levels in the residential and commercial construction markets in New Zealand resulted in lower sales in the Distribution division, with sales from concrete activities in New Zealand 17 percent lower. The Laminates & Panels division recorded a sales decline of $104 million, or 10 percent lower, due principally to weak markets in the USA and Europe.

Earnings per share excluding unusual items were 26 cents, compared with 37 cents in the previous half year.

Building Products

Warming up our homes

The Building Products division recorded growth in operating earnings before unusual items of 23 percent to $76 million, up from $62 million earned in the previous corresponding period.

Operating earnings for the plasterboard business were down 15 percent as a result of continued weakness in the New Zealand residential construction market, albeit signs of improvement were evident towards the end of the period. The effect of restructuring on manufacturing and overhead costs helped to alleviate this impact.

The insulation business grew operating earnings before unusual items by 65 percent due to the effect of the government stimulus packages in Australia and New Zealand on volumes and manufacturing efficiencies. This was partially offset by weaker demand in the New Zealand non-residential construction sector impacting the commercial insulation and ceiling and wall systems business.

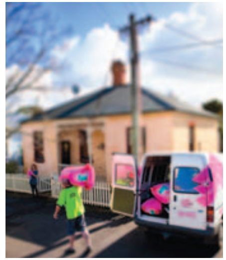
In Australia, the government stimulus package led to a dramatic increase in glasswool insulation demand. Toward the end of the period a series of government steps reduced the stimulus package and lowered the individual household rebate.

The government subsequently announced in late February the immediate termination of the scheme, which will impact insulation earnings in the second half.

The government has indicated that a replacement scheme requiring home-owner contributions will likely be introduced later in the year.

Operating earnings for the roof tiles business were up 2 percent on the previous corresponding period. Favourable global steel prices, strong volumes into Africa, improved volumes in New Zealand, and a strong price and product mix in the United States, were largely offset by the impact of a strong New Zealand dollar on export returns and weak volumes in most export markets particularly in Europe and Japan. Normalisation of operations at the United States plant following a serious plant fire in the previous year also contributed to an improved result.

Operating earnings for the Australian based sinkware business and the New Zealand based aluminium business were up on the previous corresponding period. The sinkware business managed to offset weakness in its domestic and export markets with strong cost control and a focus on higher value products. The aluminium business experienced significant improvements in its core domestic volumes, improved margins and lower aluminium input prices, although export and commercial markets were weaker.



Pink Batts: We're home and dry with insulation.

More online: fletcherbuilding.com/divisions/building-products

Distribution

The Distribution division reported operating earnings before unusual items of $17 million, down 11 percent on the previous corresponding period.

The trading environment continued to be challenging with sales down 10 percent over the same period last year.

A 10 percent cost reduction to the same period last year was achieved through reduced employee and facility costs. Further enhancements to delivery management improved freight cost recovery.

A working capital reduction of 9 percent assisted stronger cashflow performance.

The New Zealand building materials market has continued to be impacted by the low level of residential building consents, and more recently non-residential consent declines. However a pickup in activity in the second quarter was evident from a very weak first quarter.

The market continued to be highly competitive with most industry participants taking an aggressive stance on pricing to retain share. Pressure on PlaceMakers' core trade segment continues but its market share has been maintained.

In frame and truss manufacturing, improvements to the plant network, production scheduling, quality control and plant layout occurred over the period resulting in productivity gains.

PlaceMakers

PlaceMakers:
'Know how. Can do.'
for builders and DIY.

More online:
fletcherbuilding.com/divisions/distribution

Steel

Tough as steel

The Steel division's earnings were down from the prior period's record levels, with operating earnings before unusual items 57 percent lower than the prior corresponding period.

Sales were 25 percent lower than the prior corresponding period driven by both pricing and volume impacts.

Steel prices peaked in the second half of 2009 driven by very strong demand. Volume and pricing both contracted significantly with the advent of the global financial crisis. Since then the industry has been in a consolidation phase whilst global inventories are re-aligned with the recessionary environment. As such, even though operating earnings were far lower than the prior year, the division has weathered the volatility and is well positioned to participate in an industry upturn.

Capacity reductions taken in virtually all business units in 2009, together with a stronger focus on customer management and service, have assisted in ameliorating the operating earnings decline.

The long steel businesses which include Pacific Steel and a 50 percent interest in Sims-Pacific performed to expectations even though earnings declined by 66 percent to $16 million for the half year.

At Pacific Steel volumes and pricing were down 15 percent and 38 percent respectively, which resulted in margins reducing by 9 percent, to 16 percent. Infrastructure construction projects have continued to support volumes.

The rollforming and coatings business experienced an operating earnings decline of 35 percent to $23 million for the half year. Volumes were down 14 percent as housing and commercial construction activity declined significantly in both Australia and New Zealand. In Australia, volumes have been improving as the Government stimulus packages have increased economic activity in the building sector.

The distribution and services businesses experienced an operating earnings decline of 79 percent. Fletcher Easysteel's operating earnings were well down on prior year due to a combination of contracting margins and low volumes. Easysteel's margins contracted as lower prices reduced the value of existing inventories.

Precious metals: Steel division's diversified portfolio of businesses manufacture, process and distribute steel products across Australasia.

More online: fletcherbuilding.com/divisions/steel

Laminates & Panels

Operating earnings, excluding unusual items, for Laminates & Panels were $70 million, up 46 percent on the $48 million in the previous period.

Laminex's operating earnings were $60 million for the half year which included a $10 million gain on the sale of the Welshpool site in Western Australia, and $5 million in savings against previously established site closure provisions. This compares with earnings of $42 million before unusual items for the 6 months to December 2008.

Volumes were down in Australia and New Zealand, due to the slowdown in both economies, resulting in increased pricing competition. Cost savings were achieved from a significantly lower headcount, reduced resins costs, and stronger Australian and New Zealand currencies, which offset the impact of the lower volumes and pricing pressure.

The closure in July 2009 of the medium density fibreboard plant in Western Australia, and the particleboard facility in Auckland, have proceeded on time and in line with the plan. These restructurings, which have better aligned capacity with domestic demand, were achieved without impacting the supply or distribution of product to domestic customers.

Operating earnings before unusual items for Formica were $10 million, up 67 percent on the prior corresponding period.

In North America, the turn-around in performance was sustained with operating earnings before unusual items of $4 million compared with an operating loss in the prior period of $5 million. In the USA, both the residential and commercial sectors declined sharply with residential activity estimated to be down by around 30 percent, and commercial activity estimated to be down by closer to 40 percent on last year. As a result sales volumes of high pressure laminate were down by 15 percent on the prior year. Pricing remained relatively strong due to product mix and initiatives aimed at improving customer margins.

Exacting standards for timber veneer

Melbourne: Laminex products have been used throughout the prestigious Melbourne Convention Centre.

More online: fletcherbuilding.com/divisions/laminex

Operating performance improved significantly with a number of initiatives in the areas of logistics, warehousing and distribution all aimed at improving service while at the same time reducing costs. In addition, the two manufacturing facilities at Ohio in the USA and Quebec, Canada, both experienced significant improvements in labour productivity and material yields.

Formica's operations in Europe continued to face tough industry conditions, particularly in the UK and Spain. Further restructuring was undertaken during the period to reduce costs and improve efficiencies, particularly in selling and administration costs. Total restructuring costs of $5 million were incurred during the period. As a consequence, an operating loss of $4 million was recorded compared with operating earnings before unusual items of $1 million in the prior period.

Both residential and commercial activity in the UK and Spain was significantly down on last year. Activity levels in the Nordic markets and Benelux countries were also down, although to a lesser extent. Overall sales volumes of high pressure laminate across Europe were down by 16 percent on last year, while price generally remained firm in most key markets.

Formica's operations in Asia experienced stable market conditions overall, but with some variability across the region. Operating earnings were 6 percent higher at $17 million. Thailand, Singapore, Hong Kong and Taiwan, all remained firm throughout the period. Activity levels in China varied across the country with, demand generally stronger in Northern China, while activity in Southern China was down on last year. Overall volume of high pressure laminate sales across Asia was up slightly on last year. Prices remained firm in most markets but increased competitive pressure, particularly in China saw some weakening over the prior period.

Across all regions, major material input costs were in line with the prior corresponding period, with the exception of resin chemicals which were down on the same period last year.

Formica brings brand to the surface

China:
Formica-branded products now surpass local and international competitors in volume of surfacing materials specified for KFC's restaurants across China.

More online:
fletcherbuilding.com/divisions/formica

Infrastructure

Infrastructure's operating earnings for the first six months were $75 million compared with $103 million in the prior corresponding period.

The recession has had a substantial impact on activity levels for the construction materials, property and residential operations whilst the construction business maintained similar levels of activity.

Operating earnings of the concrete businesses in New Zealand were $21 million below the previous corresponding period. Demand continued to soften during the period for all construction materials due to weaker market conditions. Cement, aggregates, readymix concrete, concrete pipe and precast products volumes were 11 percent, 27 percent, 15 percent, and 27 percent respectively below those recorded for the previous corresponding period. While cement prices were stable, downward pricing pressure was experienced for other products in many markets. An ongoing focus on reducing costs and business improvement initiatives helped mitigate the impact of lower volumes.

The Australian concrete pipe operations experienced softer market conditions with product volumes 16 percent below the same period last year. A favourable sales mix, cost reductions and other business improvements limited the earnings decline to $4 million. In the quarry business, volumes and earnings were in line with the previous corresponding period.

Construction earnings were consistent with the prior period. The construction backlog was $1.1 billion at the end of December. Major contracts won in the period include Victoria Park tunnel ($240 million), Ormiston Road School ($40 million) and the Hutt hospital ($50 million). The level of public funded work remains very high at over 80 percent of the total backlog. With commercial construction work expected to remain slow in the short term, activity will continue to be dependent on government spending.

Property sales earned $7 million compared with $10 million last year. This included earnings in the residential business, which were $1 million higher due to an improved sales mix and the sale of surplus land holdings.

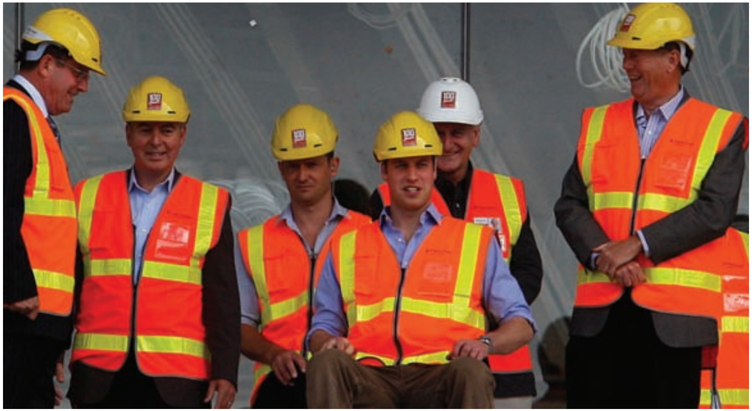
At Stonefields, the living is easy

Stonefields: This residential development in Auckland has already achieved strong sales.

More online: fletcherbuilding.com/divisions/infrastructure

Golden Bay Cement:
Completed in December, the new Service Centre Plant in Auckland.

Andrew Moss, General Manager, Golden Bay Cement.



Eden Park:
The redevelopment at Eden Park received a royal approval when HRH Prince William visited the Fletcher Construction team in January.

L to R: Auckland City Mayor John Banks, 'Populous' Architect Daryl Maquire, a member of the Diplomatic Protection Squad, HRH Prince William, Fletcher Construction Project Director Alan Gray and Eden Park Trust Board Chairman John Waller.

Strategy & outlook

Strategy

Fletcher Building's long term strategy continues to be to improve earnings reliability through geographical and product diversification, to maintain and improve internal capabilities, and to pursue acquisition opportunities where these meet key investment criteria.

In New Zealand, the focus will continue to be on maintaining and growing existing businesses and pursuing means of strengthening distribution capability.

Australia remains the key geography for pursuit of the group's growth aspirations. The strategy will continue to be one of building on existing positions in the building products and construction materials sectors over time.

Beyond Australasia, the priority remains developing the laminates business, particularly with regard to extending Formica's footprint in Asia. While Australasia is the principal area of focus, Fletcher Building is committed to maintaining a leading position globally in laminates through Formica and Laminex.

Outlook

The improvement in residential building approvals in New Zealand and Australia will, if sustained, assist those parts of the group with exposure to residential construction.

Offsetting this, however, is a continued deterioration in new commercial building activity in both countries. Government stimulus measures coupled with increased spending on infrastructure are expected to continue at a similar rate in the short to medium term in both markets, and this is helping to underpin volumes and operating results.

In North America, sustained economic growth and a reduction in housing inventory will be required before any recovery is evident in new housing construction. Commercial construction activity is expected to lag any pick up in residential markets. In Europe, the outlook continues to be subdued with little evidence that a recovery in volumes is imminent. Asian markets are expected to perform satisfactorily overall.

The divisional outlook for the second half of the 2010 financial year is as follows:

- The Building Products division will see lower earnings in the second half due to the termination of the insulation stimulus package in Australia. Higher activity levels in new residential construction in New Zealand and Australia are expected, however, export markets are likely to remain mixed.
- Distribution will largely track the progress of the new residential market in New Zealand. A sustained improvement in the rate of new housing construction would positively impact the financial results of this division.
- The Infrastructure division will continue to benefit from publicly-funded construction work in New Zealand, although the timing of large projects will impact results in the second half. The concrete businesses in both New Zealand and Australia are expected to perform satisfactorily, with infrastructure spending and an improved residential construction outlook offset in part by weak commercial construction activity levels.
- In Laminates & Panels, the cost reduction programmes will assist profitability even though the outlook is for continued low volumes in North America and Europe. Australia and New Zealand are anticipating the improved volumes in residential being offset by continued weakness in commercial markets. Asia is expected to perform in line with the first half.
- Steel markets are expected to remain difficult with low demand impacting volumes and depressed pricing for manufactured long steel products.

Roderick Deane
Chairman of Directors

Jonathan Ling
Managing Director

"We have finally started to see a recovery in residential construction activity in New Zealand and Australia, albeit from a very low base."

Jonathan Ling
CEO

More online:
fletcherbuilding.com/divisions/

Financial review

Balance sheet

The balance sheet was further strengthened during the period with strong operating cashflow used to reduce debt levels further.

Funding

The group had over $1.1 billion of unutilised debt facilities and $146 million of cash on hand as at 31 December 2009. Debt maturing within the next 12 months is approximately $112 million.

During the period, the maturity profile of the group's syndicated bank loan was extended and now has an average duration of 2.8 years.

Debt maturity

The average maturity of the net debt of $1,135 million is 6 years and the currency split is 51 percent Australian dollar; 22 percent New Zealand dollar; 21 percent US dollar; 4 percent Euro; and 2 percent Pounds Sterling.

Interest rates

Following the equity raising in April 2009, approximately 89 percent of all borrowings have fixed interest rates with an average duration of 4.7 years and an average rate of 7.22 percent. Inclusive of the floating rate borrowings, the average rate on debt is currently 7.49 percent. All interest rates are inclusive of margins but not fees.

With strong operating cashflow, gearing[1] at 27.3 percent, and interest coverage[2] at 5.2 times, the group remains in a sound financial position.

Cashflow

Cashflow from operations was $317 million compared with $208 million in the prior period. The strong improvement in cashflow was largely attributable to a continued emphasis on tight capital management.

Capital expenditure for the period was $77 million, down 53 percent compared with $164 million in the prior corresponding period. Of this total, $46 million related to stay-in-business capital projects, with $31 million in new growth initiatives. Significant projects included the new port cement facility in Auckland and the installation of additional capacity in the insulation plant in Victoria.

[1] Net debt to net debt plus equity

[2] EBIT before unusual items to total interest paid including capital notes interest

Dividend

The dividend is partially tax credited with imputation credits for New Zealand purposes. Non-New Zealand shareholders benefit from the New Zealand supplementary dividend which has the effect of partly removing the cost of New Zealand non-resident withholding tax. The dividend summary on page 23 illustrates the effect of the New Zealand tax credits on the dividend and the supplementary dividend paid to non-New Zealand shareholders.

This dividend is unfranked for Australian tax purposes. Although the company has franking credits available, the level at which it is currently able to frank dividends is insufficient to provide any material benefit to Australian shareholders having regard to the supplementary dividend paid and the rules for calculating the franking tax offset in Australia. To maximise the value of available franking credits the company will continue its policy of accumulating them and attaching these to dividends only when the franking percentage is at, or near to, 100 percent rather than spreading them over every dividend.

Dividend reinvestment plan

The Dividend Reinvestment Plan will be operative for this dividend payment. Documentation for participation is available from the share registry or the company's website. Applications to participate must be received by the registry before the record date of 31 March 2010.

The price used to determine entitlements under the Plan is the volume weighted average share price of price-setting trades of the company's shares sold on the NZX in the five business days following the record date of 31 March 2010. The new shares will be issued on the dividend payment date of 21 April 2010.

The shares will be quoted on an ex-dividend basis from 25 March 2010 on the ASX and 1 April 2010 on the NZX.

Financial statements

Earnings statement

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Sales	3,393	7,103	3,757
Cost of goods sold	(2,569)	(5,442)	(2,861)
Gross margin	824	1,661	896
Selling and marketing expenses	(316)	(668)	(346)
Administration expenses	(258)	(469)	(249)
Share of profits of associates	10	24	15
Other investment income	1	2	1
Other gains/(losses)	10	8	5
Unusual items		(399)	(19)
Operating earnings (EBIT)	**271**	**159**	**303**
Funding costs	(52)	(140)	(79)
Earnings before taxation	219	19	224
Taxation expense	(59)	(57)	(47)
Earnings after taxation	160	(38)	177
Earnings attributable to minority interests	(6)	(8)	(5)
Net earnings attributable to the shareholders	**154**	**(46)**	**172**

Earnings statement – continued

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Net earnings per share (cents)			
Basic	25.5	(8.7)	34.1
Basic (excluding unusuals)	25.5	59.7	36.8
Diluted	25.4	(8.7)	31.9
Weighted average number of shares outstanding (millions of shares)			
Basic	605	526	505
Diluted	662	526	573
Dividends declared per share (cents)	14.0	38.0	24.0

Statement of cashflows

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Cashflow from operating activities			
Total received	3,455	7,323	3,955
Total applied	(3,138)	(6,790)	(3,747)
Net cash from operating activities	**317**	**533**	**208**
Cashflow from investing activities			
Sale of fixed assets and investments	5	52	15
Purchase of fixed assets and investments	(77)	(289)	(162)
Purchase of subsidiaries		(3)	(2)
Net cash from investing activities	**(72)**	**(240)**	**(149)**
Cashflow from financing activities			
Net debt drawdowns / (settlements)	(111)	(668)	(68)
Issue of shares	2	516	
Issue of capital notes (net)	(7)	91	100
Distribution to minority shareholders	(6)	(20)	(12)
Dividends	(73)	(226)	(105)
Net cash from financing activities	**(195)**	**(307)**	**(85)**

Statement of cashflows – continued

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Net movement in cash held	50	(14)	(26)
Add opening cash and liquid deposits	99	111	111
Effect of exchange rate changes on net cash	(3)	2	7
Closing cash and liquid deposits	**146**	**99**	**92**

Balance sheet

As at 31 December 2009 (unaudited)

	Fletcher Building Group		
	Dec 2009 NZ$M	June 2009 NZ$M	Dec 2008 NZ$M
Assets			
Current assets:			
Cash and liquid deposits	146	99	92
Debtors	1,048	1,106	1,181
Stocks	1,025	1,044	1,294
Total current assets	2,219	2,249	2,567
Non current assets:			
Fixed assets	1,931	2,014	2,215
Goodwill	816	846	932
Intangibles	405	421	432
Investments in associates	195	195	213
Investments - other	69	74	26
Deferred taxation asset	99	113	119
Total non current assets	3,515	3,663	3,937
Total assets	**5,734**	**5,912**	**6,504**

Balance sheet – continued

As at 31 December 2009 (unaudited)

	Fletcher Building Group		
	Dec 2009 NZ$M	June 2009 NZ$M	Dec 2008 NZ$M
Liabilities			
Current liabilities:			
Short-term loans	23	22	27
Provisions	76	96	47
Creditors and accruals	952	996	1,067
Current tax liability	51	27	48
Contracts	96	91	126
Capital notes	70	75	93
Term debt	19	6	27
Total current liabilities	1,287	1,313	1,435
Non current liabilities:			
Provisions	18	20	23
Creditors and accruals	66	66	65
Pension liability	47	56	61
Deferred taxation liability	123	127	130
Capital notes	366	367	360
Term debt	803	979	1,588
Total non current liabilities	1,423	1,615	2,227
Total liabilities	**2,710**	**2,928**	**3,662**

Balance sheet – continued

As at 31 December 2009 (unaudited)

	Fletcher Building Group		
	Dec 2009 NZ$M	June 2009 NZ$M	Dec 2008 NZ$M
Equity			
Reported capital	1,904	1,895	1,379
Revenue reserves	965	896	1,236
Other reserves	123	161	192
Shareholders' funds	2,992	2,952	2,807
Minority equity	32	32	35
Total equity	**3,024**	**2,984**	**2,842**
Total liabilities and equity	**5,734**	**5,912**	**6,504**

Financial highlights

(unaudited)

	Fletcher Building Group		
	Six months Dec 2009	Year ended June 2009	Six months Dec 2008
Return on average funds employed (%)	13.2	3.4	13.1
Return on average equity (%)	10.4	(1.6)	12.4
Earnings per share (cents)	25.5	(8.7)	34.1
Dividends per share (cents)	14.0	38.0	24.0
Gearing (%)	27.3	31.1	41.3
Interest cover (times)	5.2	4.0	3.8

Statement of comprehensive income

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Net earnings - parent interest	154	(46)	172
Net earnings - minority interest	6	8	5
Net earnings	160	(38)	177
Movement in the cashflow hedge reserve	8	(25)	(49)
Movement in currency translation reserve	(46)	28	83
Income and expenses recognised directly in equity	(38)	3	34
Total comprehensive income for the period	**122**	**(35)**	**211**

Statement of movements in equity

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Total equity			
At the beginning of the period as previously published	2,990	2,756	2,756
Change in accounting policy	(6)	(6)	(6)
At the beginning of the period as restated	2,984	2,750	2,750
Total comprehensive income for the period	122	(35)	211
Movement in minority equity	(6)	(17)	(11)
Movement in reported capital	13	535	19
Dividends	(85)	(245)	(123)
Less movement in shares held under the treasury stock method	(4)	(4)	(4)
Total equity	**3,024**	**2,984**	**2,842**

Breakdown of financial performance

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Results for the period's performance			
Sales - gross	3,555	7,477	3,951
Sales - inter-segment	(162)	(374)	(194)
Sales - external	3,393	7,103	3,757
Operating earnings (EBIT)	271	159	303
Unusual items included in operating earnings above		(399)	(19)
Cashflow from operations	317	533	208
Net earnings	154	(46)	172
Sales			
Building Products	436	771	412
Distribution	435	883	481
Infrastructure	974	2,052	1,018
Laminates & Panels	965	2,076	1,069
Steel	583	1,321	777
Total	**3,393**	**7,103**	**3,757**

Breakdown of financial performance – continued

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Operating earnings			
Building Products	76	90	55
Distribution	17	(9)	18
Infrastructure	75	199	103
Laminates & Panels	70	(252)	39
Steel	42	147	95
Other	(9)	(16)	(7)
Total	**271**	**159**	**303**
Total assets			
Building Products	798	790	820
Distribution	262	251	296
Infrastructure	1,520	1,500	1,519
Laminates & Panels	2,234	2,415	2,859
Steel	699	771	814
Other	221	185	196
Total	**5,734**	**5,912**	**6,504**

Notes to the financial statements

1. Basis of presentation

The interim financial statements presented are those of Fletcher Building Limited and its subsidiaries (the "group").

Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

2. Changes in accounting policies

During the period, the group complied with amendments to NZ IAS 38, Intangible Assets. This standard requires the group to expense marketing stock, previously capitalised. A charge of $6 million has been recorded against opening equity to reflect this change.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not yet applied these in preparing these interim financial statements although the application of these standards, amendments and interpretations would require further disclosures, but they are not expected to have a material impact on the group's results.

There have been no other changes in accounting policy in the six months ended 31 December 2009, however certain comparatives have been restated to conform with the current period's presentation.

3. Contingencies and commitments

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as cannot presently be reliably measured. There have been no material movements in capital expenditure commitments, lease commitments, contingent liabilities or contingent assets to that disclosed in the 2009 annual report.

4. Other gains and losses

Other gains/(losses) include the following:

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Sale of land	12	12	5
Restructuring and redundancies	(2)		
Other gains/(losses)		(4)	
	10	**8**	**5**

5. Taxation expense

	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Earnings before taxation:	219	19	224
Taxation at 30 cents per dollar	66	6	67
Adjusted for:			
Benefit of lower tax rate in overseas jurisdictions	(2)	2	(2)
Tax benefit arising from the conversion of branch equivalent tax account debit balance	(31)		
Non assessable income	(2)	(6)	(2)
Non deductible expenses	1	28	3
Tax in respect of prior periods	1	1	
Impact of tax losses not recognised	7	(3)	
Write-off of tax losses		60	
Valuation allowance	27		
Other permanent differences	(8)	(31)	(19)
	59	**57**	**47**

6. Unusual items

	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Restructuring and redundancy		117	19
Goodwill impairment		61	
Fixed Asset impairment		166	
Write-off of Stock		47	
Write-off of Investments		8	
Total unusual items - EBIT		**399**	**19**
Write-off of tax losses		60	
Tax benefit on unusual items above		(99)	(5)
Total unusual cost - net earnings		**360**	**14**

During the year ended 30 June 2009 the group incurred $360 million of unusual items. Refer to the Fletcher Building 2009 annual report for further details.

Reconciliation of net earnings to net cash from operating activities

For the six months ended 31 December 2009 (unaudited)

	Fletcher Building Group		
	Six months Dec 2009 NZ$M	Year ended June 2009 NZ$M	Six months Dec 2008 NZ$M
Cash was received from:			
Net earnings	154	(46)	172
Earnings attributable to minority interests	6	8	5
	160	(38)	177
Adjustment for items not involving cash:			
Depreciation, depletions, amortisation and provisions	97	129	100
Unusual items included in earnings		336	
Taxation	34	(54)	(12)
Non cash adjustments	131	411	88
Cashflow from operations [1]	291	373	265
Less (gain) / loss on disposal of affiliates and fixed assets	(10)	2	(5)
Cashflow from operations before net working capital movements	281	375	260
Net working capital movements	36	158	(52)
Net cash from operating activities [2]	**317**	**533**	**208**

[1] Includes loss on disposal of affiliates and fixed assets.

[2] As per the statement of cashflows.

Dividend information

2010 Interim Dividend [1]

NZ cents per share	NZ residents	Australian residents	Other non-residents
Dividend declared	14.0000	14.0000	14.0000
NZ tax credits [2]	3.0000		
NZ supplementary dividend [3]		1.2353	1.2353
Australian franking tax credits [4]		0.0000	
Gross dividend for NZ tax purposes	**17.0000**	**15.2353**	**15.2353**
NZ tax (33%) [5]	(5.6100)		
NZ non-resident withholding tax (15%) [6]		(2.2853)	(2.2853)
Net cash received after NZ tax	**11.3900**	**12.9500**	**12.9500**
Australian tax (15%) [7]		(2.2853)	
Reduced by credit for NZ non-resident withholding tax		2.2853	
Net cash dividend to shareholders	**11.3900**	**12.9500**	**12.9500**

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 tax advice.

[2] These tax credits are not received in cash but are relevant in determining the gross dividend received for NZ tax purposes. They are comprised wholly of imputation credits and do not include any dividend withholding payments credits. The dividend has imputation credits attached at the rate of 3.0 cents per share.

[3] The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non resident withholding tax (NRWT) on that part of the dividend which is fully imputed. From 1 February 2010, non-resident shareholders with 10% or greater shareholding and/or shareholders from jurisdictions for which the NRWT rate on dividends paid from New Zealand is less than 15% are no longer eligible to receive supplementary dividends. These shareholders are eligible for an exemption from NRWT to the extent the dividend is fully imputed.

[4] There are no Australian franking credits attached to this dividend. Refer to the dividend note in the financial review section for the company's franking tax crediting policy.

[5] For all NZ residents shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33% from that part of the gross dividend which has not been credited with imputation credits and at 3% from that part of the gross dividend which has been credited with imputation credits at 30%. Accordingly, for those shareholders, a deduction of 2.61 cents per share will be made on the date of payment from the dividend declared of 14.0 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 refund of the RWT.

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

[7] This summary 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.

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Shareholder enquiries

Shareholders with enquiries about share transactions or changes of address should contact the share registrar in the country in which their shares are registered.

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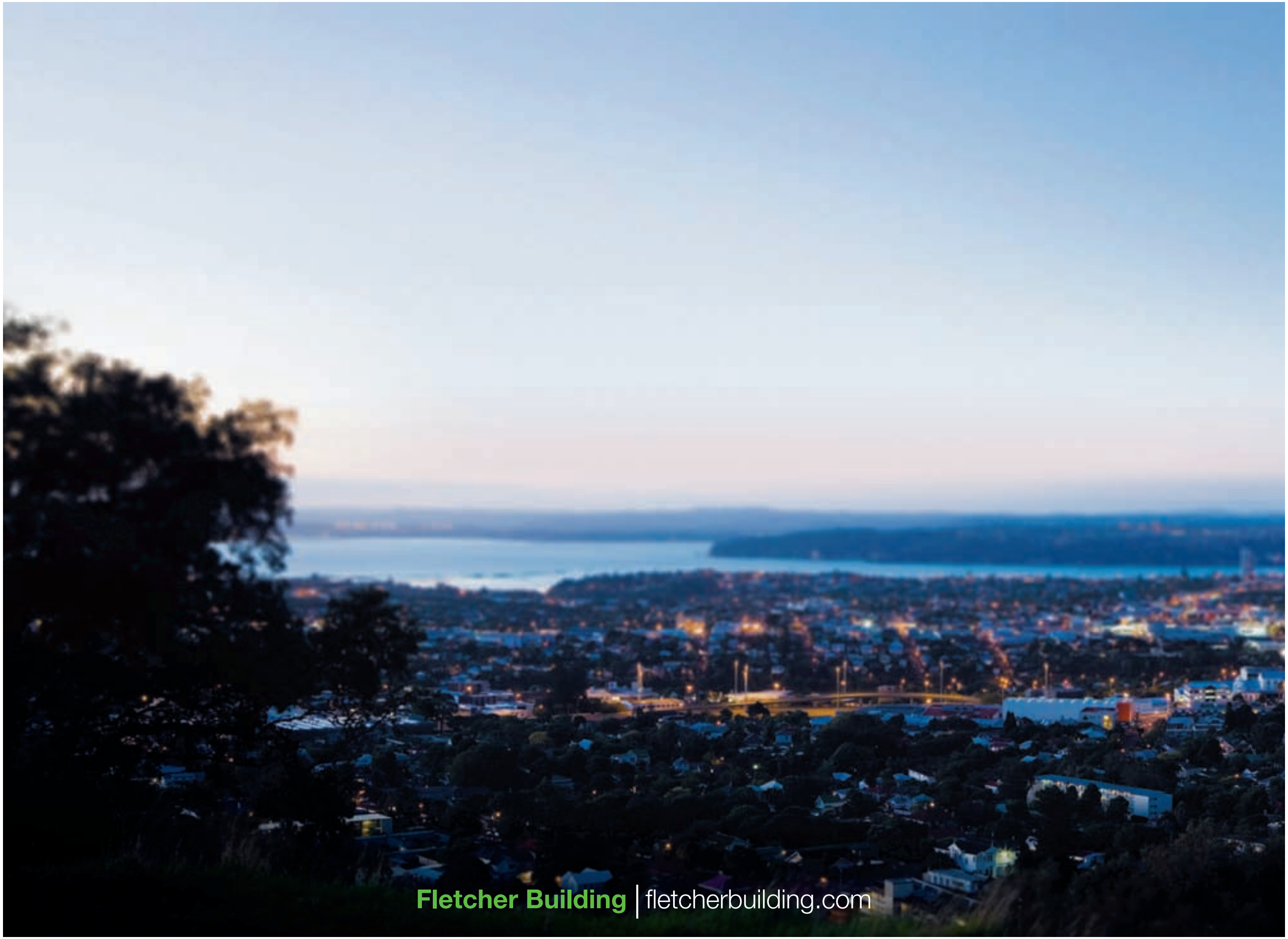
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