AN ENDURING VISION

Fletcher Building Annual Review 2011

In March 2001, Fletcher Building was formed to manage the businesses at the heart of the Fletcher Building tradition.

Our vision was to build a company that would deliver superior shareholder value by providing customers with building products, construction materials and services that would enhance built environments and improve quality of life.

Ten years on, that vision is a reality. Fletcher Building is a successful international company with businesses that hold leading market positions around the world. Year by year, we deliver for shareholders. Investors who bought Fletcher Building shares in 2001 have had a return on their investment that equates to 19 percent compound annual growth rate.

Today, our vision endures as our scale and reputation bring new challenges to us. Over the past year, our acquisition of Crane has signalled our commitment to continue to diversify and strengthen our position in our major markets. In the year ahead, we will continue our legacy of contribution to the New Zealand built environment as participants in the rebuilding of Canterbury.

We look forward to another decade of achievement for our customers, staff and shareholders.

From the Chairman and Chief Executive

Diversity delivers in a challenging environment.

Ralph Waters & Jonathan Ling
Chairman & Chief Executive

The past year has been one of significant challenges in New Zealand and Australia.

The earthquakes which devastated the Canterbury region had a significant impact on our people and businesses in the region and further afield. All of New Zealand has been affected by the terrible loss of life and damage sustained in New Zealand's second largest city.

In Australia, Queensland, New South Wales and Victoria were hit by some of the most severe flooding seen in a generation. The widespread damage caused disruption to communities across the east coast of Australia.

Economic conditions have also been challenging, demanding a high level of focus on operational performance across our divisions.

A significant development was the acquisition of Crane Group Limited ("Crane"), which we completed in May of this year. The successful acquisition of Crane has seen Fletcher Building become the largest building materials company in Australasia.

The effects of the global financial crisis continued to be felt in the current year and we had to manage the impacts of the natural disasters and the acquisition of Crane in an economic environment of continued uncertainty. In New Zealand, an increase in housing consents early in the year ebbed away. By the end of the year the rate of consents was at near historic lows. The commercial market stabilised but at low levels. Government infrastructure spending helped to underpin the market. In Australia, the new housing market cooled in the second half of the year, and commercial construction activity remained subdued.

In the US and Europe, conditions remained difficult. Asia, however, continued to perform strongly.

Given the very difficult conditions in our Australasian home markets, we were pleased to report strong earnings growth, with net earnings before unusual items for the year ended 30 June 2011 up 19 percent to $359 million. The result compares with $301 million recorded in the previous year.

Operating earnings (earnings before interest and tax) pre-unusual items were $596 million, up 14 percent on the $521 million achieved in the previous year. These results include three months of operating earnings from Crane. Consistent with the announcement in March net earnings were approximately $20 million lower than earlier market guidance due to the disruption caused by the earthquakes in Canterbury.

Unusual items after tax totalling $76 million were incurred during the year. These relate to costs associated with the acquisition and restructuring of Crane, inventory and goodwill write-downs in the Australian insulation business, and adjustments to the carrying value of other assets.

Net earnings were $283 million compared with $272 million in the previous year.

The result was driven by strong performances in our Infrastructure and Laminates & Panels divisions, together with the initial contribution from Crane. Most divisions reported stronger trading performances from their Australian operations. Formica reported good growth from its Asia operations and a strong improvement in North American earnings despite flat volumes in that market.

Businesses exposed to the New Zealand market generally reported flat or lower earnings, as a consequence of the slowdown in construction activity and the disruption from the Canterbury earthquakes.

Earnings per share excluding unusual items were 57.1 cents, an increase of 15 percent on the 49.7 cents in the previous year. Total returns to shareholders were 14 percent, compared with 24 percent in the prior year. This was a combination of dividend yield and share price appreciation, and in the context of difficult trading conditions was a good outcome.

Looking ahead, the outlook in New Zealand is for a very gradual improvement in housing starts, but from a very low base. The rebuilding of Christchurch is expected to gain momentum which will boost the construction industry. Leaky homes remediation is expected to accelerate now that enabling legislation has been passed. The commercial outlook remains patchy with increased activity in some sectors but limited growth in aggregate. Infrastructure is expected to remain robust, underpinned by central government spending.

In Australia, demand in the housing and alterations and additions sectors is expected to stay at its current reduced levels. The short term outlook for the commercial sector is also subdued. Continued strength in the mining sector, and ongoing government investment, should underpin infrastructure spending.

Trading conditions in North America and Europe continue to remain flat in the near term. Recent economic forecasts have been downgraded and expectations and timing of any recovery continue to remain uncertain. Conversely, China, South East Asia and Taiwan are exhibiting growth and the outlook remains positive for this region.

Ralph Waters
Chairman of Directors

Jonathan Ling
Managing Director

Highlights.

$283m

Net earnings after tax. Net earnings before unusual items were $359 million, up 19 percent on the prior year.

$596m

Operating earnings (earnings before interest and tax) pre-unusual items, compared with $521 million in the previous year.

25%

Reduction in Total Recordable Injury Frequency Rate for employees and contractors per million hours (TRIFR) which this year was 10.57 compared with 14.09 in 2010. Lost time injury frequency rate (LTIFR) was 4.11 compared with 5.04 in 2010.

33c per share

Dividend for the 2011 financial year, with a final dividend of 17 cents per share.

DIVISIONAL REVIEW

Building Products

The continued industry-wide over-supply of insulation products has adversely impacted price and manufacturing efficiencies.

The Building Products division reported operating earnings excluding unusual items of $111 million, down three percent on the $114 million earned in the prior year. Volumes in the plasterboard business were impacted by the decline in the New Zealand residential construction market in the second half, costs associated with the Christchurch earthquakes, and input pricing pressures.

Operating earnings before unusual expenses for the insulation business were down 26 percent due to the continuing impact of the withdrawal of the Australian government's insulation subsidy scheme in February 2010. The continued industry-wide over-supply of insulation products has adversely impacted price and manufacturing efficiencies.

Volumes in the roof tiles business were up in Africa, Europe and Asia despite difficult global trading conditions, but down in the key New Zealand and US markets.

Read more online
fletcherbuilding.com/11/
Building-Products

Crane

For the three months since the acquisition, Crane had revenues of $623 million and operating earnings before unusual items of $29 million.

Crane was acquired during the year and consolidated as from 28 March 2011. The financial result for the year includes operating earnings for the three months that the company was owned by Fletcher Building.

For the three months since acquisition, Crane had revenues of $623 million and operating earnings before unusual items of $29 million.

Corporate cost savings originally identified in the acquisition have largely been achieved, and the Crane and Fletcher Building corporate offices in Sydney will be combined in the coming months.

For the full year, net earnings of $92 million were five percent ahead of 2010 earnings of $88 million on revenue of $2,437 million. Lower earnings from the 40 percent investment in Mitchell Water Australia were offset with improved earnings in both the Pipelines and Distribution divisions, and reduced corporate costs in the last quarter of 2011.

Read more online
fletcherbuilding.com/11/
Crane

Distribution

PlaceMakers' response has been to remain focussed on its trade quality offering and "Know How, Can Do" brand position.

Distribution sales declined by three percent as residential and commercial building activity reduced in the second half. Operating earnings rose by three percent to $39 million, driven by planned cost reductions and a focus on margin protection.

The Canterbury earthquakes placed substantial pressures on the 340 staff in the Christchurch network of four facilities. Most importantly, no staff or customers were injured. PlaceMakers' teams worked hard to ensure each facility was able to pick itself up quickly and resume trading. Much work has gone into strengthening the Christchurch network in readiness for the rebuilding programme.

While the trade segment endured tough conditions, the DIY segment came under severe pressure as consumer confidence weakened, and "big box" retail competition intensified. PlaceMakers' response was to remain focussed on its trade quality offering and "Know How, Can Do" brand position.

Read more online
fletcherbuilding.com/11/
Distribution

Infrastructure

The New Zealand and Australian concrete businesses earnings increased by $19 million to $124 million.

Infrastructure's operating earnings increased by $21 million to $185 million, up 13 percent on the previous year.

The New Zealand and Australian concrete businesses earnings increased by $19 million to $124 million. Sales volumes of most products in New Zealand were lower for the third year in succession. Reduced costs and improved operational efficiency offset softer demand. In Australia, railway sleeper and pipe related volumes were down and the market for sand in NSW was more difficult than anticipated. A focus on product pricing and operational enhancements contributed to improved margins. Construction earnings declined from $39 million to $37 million with activity softening during the year. The backlog of construction at year end was $764 million compared with $930 million at the end of the previous year. The property and residential operations improved by $4 million to $24 million, and the homes in the Stonefields subdivision in Auckland continued to sell well.

Read more online
fletcherbuilding.com/11/
Infrastructure

Laminates & Panels

Formica's operating earnings were up 65 percent to $56 million.

Laminex's operating earnings excluding unusual items were $112 million, up 23 percent on the previous year. Strong Australian revenues in the first half were driven by improvements in new housing starts and the government's education building programme, however, housing starts slowed and the education building programme was substantially completed in the second half. Conditions in the commercial sector remained constrained.

Formica's operating performance improved significantly despite soft markets in North America and Europe. Operating earnings of $56 million were 65 percent higher than the previous year, with Asian earnings up on higher revenues, and North America ahead due in part to the rationalization of the product range, consolidation of logistics and freight providers and reduced service delivery lead times. The promotion of premium products, such as large-scale granite, resulted in improved pricing and margins.

Read more online
fletcherbuilding.com/11/
Laminates-Panels

Steel

In the rollforming and coated steel businesses, operating earnings improved by 32 percent to $58 million.

The Steel division recorded operating earnings of $83 million, in line with the prior year.

In the rollforming and coated steel businesses, operating earnings improved by 32 percent to $58 million despite volume declines in both Australia and New Zealand. Rollforming volumes were heavily affected by the earthquakes in Canterbury, and the floods and cyclone in Australia.

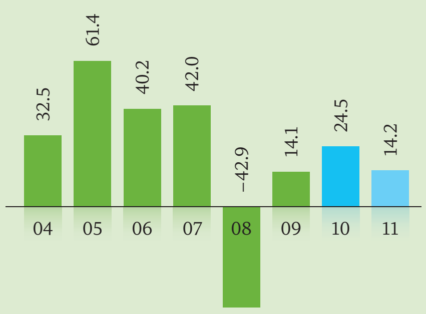
Market conditions in long steel were particularly difficult, resulting in earnings declining 61 percent to $12 million. Volumes were seven percent lower than the prior year, with New Zealand domestic demand down 19 percent. The high Australian dollar meant import competition into the Australian market was intense.

Earnings in the distribution and services businesses rose 86 percent to $13 million. Strong management of the steel distribution business during 2011 improved earnings significantly from depressed levels in 2010.

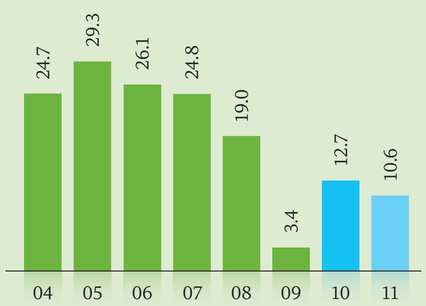
Read more online
fletcherbuilding.com/11/
Steel

Financial snapshot

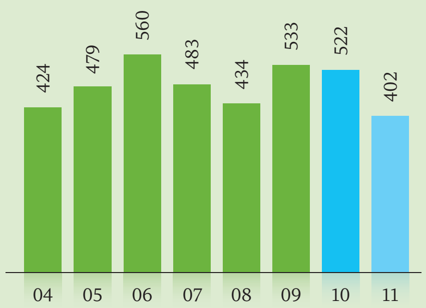
Total Shareholder Return (percentage)



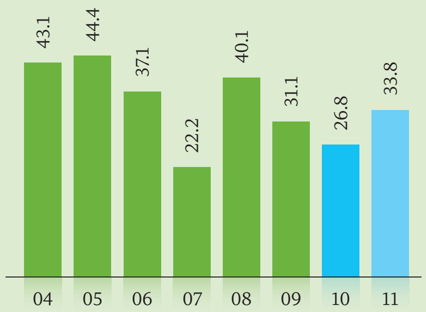
Return on Funds (percentage)



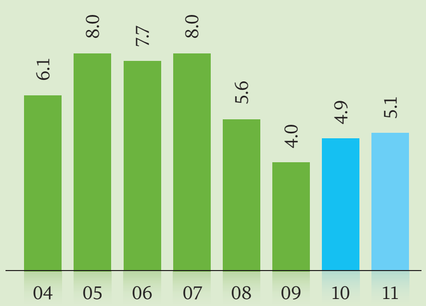
Operating Cashflow ($million)



Gearing (percentage)



Interest Cover (times)



An enduring vision

TO REBUILD

On September 4th 2010, a 7.1 magnitude earthquake hit Canterbury. This was the first in a series of earthquakes which caused chaos in the CBD, the loss of 181 lives and widespread destruction of homes and infrastructure in the region.

Christchurch is New Zealand's second biggest city. The repair and rebuild of its housing stock, infrastructure, commercial and industrial buildings, and its community facilities, is a national priority. The restoration of as many as possible of the loved historic buildings which defined the architectural character of the city is also a concern.

Soon after the September event Fletcher Construction was appointed by the Earthquake Commission to project manage the efficient repair of around 50,000 homes with damage assessed at between $10,000 and $100,000. While these repairs were underway, the devastating February earthquake occurred. This changed the scope of the rebuild project considerably; 50,000 repairs became an estimated 80,000. The substantial damage that occurred in the February event made emergency repairs, to ensure homes were made safe, secure, sanitary and weather-tight, the top priority.

To coordinate our work, Fletcher EQR (for Earthquake Recovery) was established and has taken a community-based approach to the rebuild. Twenty hubs have been established across the region to co-ordinate repairs and liaise with the community. The hubs house supervisors, community liaison officers, and EQC representatives, all of whom play vital roles in the rebuild.

As of August 31st, more than 24,000 emergency repairs and almost 10,000 permanent full-scope repairs had been completed, while approximately 2,000 and 3,000 respectively were being completed.

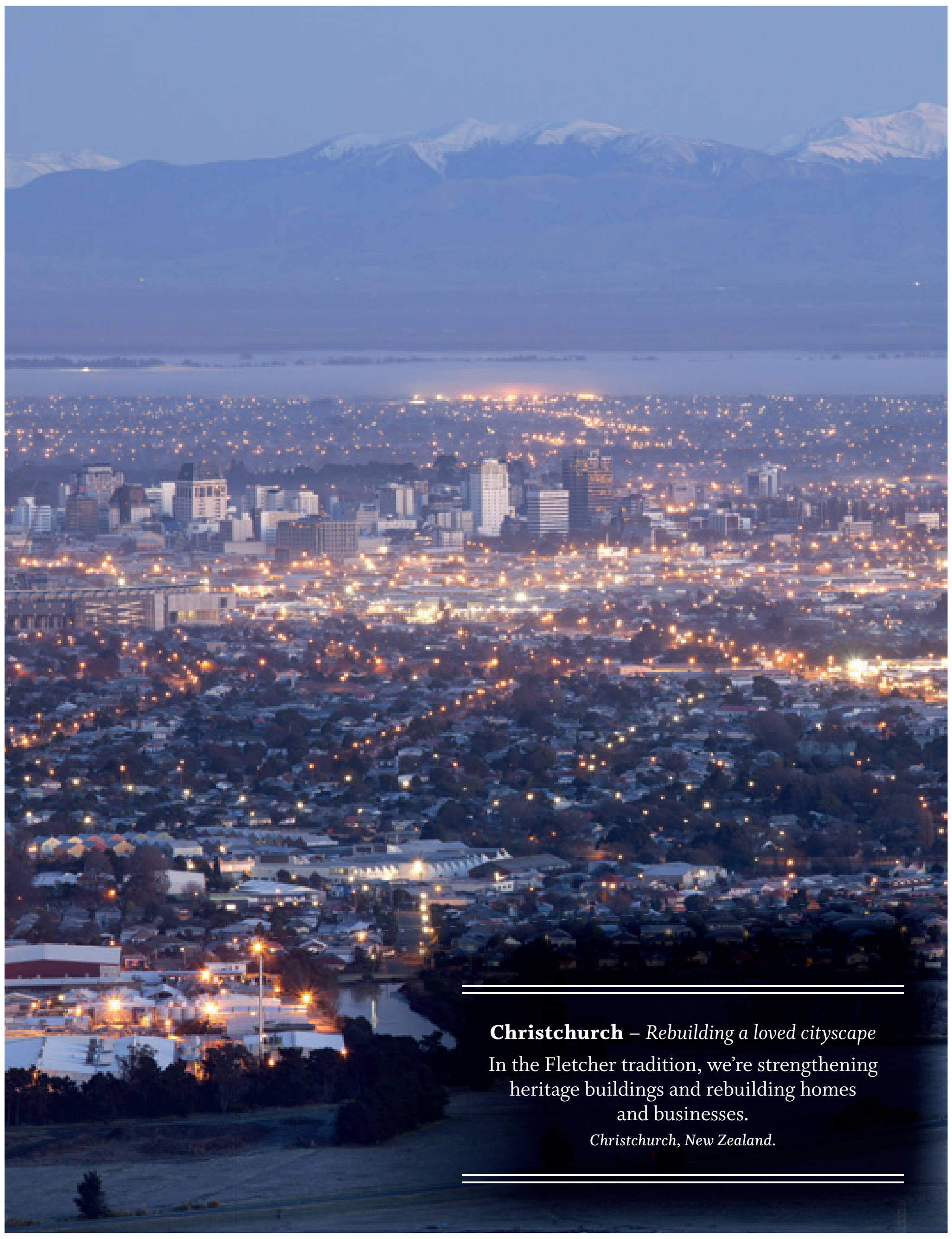
Fletcher EQR is also involved with the Winter Heat Programme. This provides urgently-required heating in earthquake-damaged homes without a primary heat source. The majority of the installations had been completed by mid-2011 and by the end of August, wood burners and heat pumps had been installed in close to 11,000 homes.

Alongside the repair of housing, work to restore vital infrastructure is proceeding. Fletcher Construction and four other infrastructure providers have formed the Infrastructure Alliance. The Alliance, supported by Christchurch City Council and the Canterbury Earthquake Recovery Authority (CERA), is rebuilding the region's 800 kilometres of damaged underground pipes, 200 kilometres of damaged roads, and countless pump stations, manholes, bridges and footpaths.

Fletcher Building has also pledged $6 million towards the recovery and reconstruction efforts. Part of this amount has been used to sponsor the Christchurch Arts Festival, and to support the construction of the Westpac Business Hub to provide temporary office space and meeting facilities for businesses and community groups. Fletcher Building has also matched individual staff contributions to earthquake recovery, dollar for dollar. This has resulted in over $160,000 being donated to various charitable organisations in Canterbury.

The residential and infrastructure rebuilds are essential to the restoration of New Zealand's second largest city. This is the largest and most challenging job Fletcher has faced in its 102-year history, but it will also be its most rewarding. The task is enormous and it will take resolve and commitment to restore what has been lost. Fletcher Building is proud to be able to play a part in making that happen.

Read more online
fletcherbuilding.com/society/
Canterbury-earthquake



Christchurch – *Rebuilding a loved cityscape*
In the Fletcher tradition, we're strengthening heritage buildings and rebuilding homes and businesses.
Christchurch, New Zealand.

An enduring vision

TO GROW

Crane is the Australasian leader in the manufacturing and distribution of plastic pipeline systems, plumbing and electrical supplies and non-ferrous metal products. It is comprised of three major divisions: Pipelines, Trade Distribution and Industrial Products. Crane was acquired by Fletcher Building in 2011, with 100 percent achieved on the 6th of May.

The successful acquisition of Crane this year was another milestone for Fletcher Building. With Crane, Fletcher Building has become the largest building materials company in Australasia, with total annual revenues of nearly $10 billion and total employees of 20,000.

The addition of Crane to Fletcher Building is consistent with the course set ten years ago when Fletcher Building was first listed as a separate entity. This entailed diversifying both geographically and through the mix of businesses and products. With Crane, the total revenues generated overseas will exceed those from within New Zealand.

Fletcher Building was attracted to the strategic rationale of combining the two companies, with Crane's businesses representing an extension of some significant Fletcher Building lines of business. Fletcher Building and Crane are largely complementary businesses, operating in Australia and New Zealand.

Crane's pipelines business has a strong strategic fit with Fletcher Building's existing concrete pipe and infrastructure products focus across Australia and New Zealand, and extends the product offering further into the plastic pipes market. The Pipelines business consists of the Iplex business, a manufacturer and distributor of plastic pipeline systems in Australia and New Zealand. Iplex manages a number of units across the plastic pipelines market. These units are water infrastructure and civil, building, telecommunications, rural and mining and gas. Iplex products are primarily supplied to the infrastructure, civil engineering, building and construction industries.

In addition to the Pipelines business, Crane and Fletcher Building both operate extensive trade distribution businesses. Crane operates over 220 plumbing supplies outlets in Australia under its Tradelink and Northern brands and over 100 trade-related wholesale distribution outlets in New Zealand. Fletcher Building manages both dedicated distribution businesses and distribution operations within its manufacturing businesses.

The combination of Crane and Fletcher Building is also supported by Fletcher Building's business ownership criteria. Crane has an experienced management team, holds good market positions, owns well-known brands, and operates in industries which are familiar to Fletcher Building. These factors reinforced the strategic attractiveness of a Fletcher Building and Crane combination.

With the increased scale and breadth of operations generated by the combination of Fletcher Building and Crane, we expect to enhance the future competitive position of both companies. Since the acquisition, Crane has been operated as a separate division within Fletcher Building's divisional structure, and David Worley from Fletcher Building was appointed divisional chief executive in April 2011.

Read more online
fletcherbuilding.com/divisions/
Crane-Group

Crane – *An Australian advantage*
The acquisition of Crane signals our commitment to continue to diversify and strengthen our market position in Australia.
***Iplex Factory**, Adelaide, South Australia.*

An enduring vision

PEOPLE & THE ENVIRONMENT

Health & Safety

Fletcher Building's health and safety vision of 'zero harm' is based on the principle that all accidents are preventable. We continue to seek further reductions in total injuries to reduce the risk of serious injuries and fatalities.

The primary performance indicator for safety is the Total Recordable Injury Frequency Rate (TRIFR). This measures the number of recorded lost-time and medical treatment injuries per million employee and contractor hours. In the last year this has been reduced significantly, from 14.09 to 10.57. Similarly, the lost time injury frequency rate has also reduced from 5.04 to 4.11.

Senior management participation in our programmes and safety education investigation and training continues to demonstrate the company's strong commitment to health and safety. All senior managers have recently attended training on human factors that affect health and safety, and a team of specialist investigators has been established to participate in the investigations of all serious safety incidents.

Environment

Since the introduction of an Emissions Trading Scheme in New Zealand on July 1 2010, much of the effort of our executive Climate Change and Environmental Sustainability Council has been directed at emissions trading and carbon reporting. Our goal is to reduce our CO_2 emissions by five percent by 2012 and work to achieve this is continuing.

Our business units are making steady progress towards achieving energy efficiency. Golden Bay Cement, for example, which is responsible for 45 percent of the company's emissions, is progressively increasing the level of biomass fuel it uses for the production of cement at its Portland plant. This grew to 28 percent over the year.

The Australian government has announced it will introduce its Clear Energy Future Plan, which includes a carbon pricing mechanism from 1 July 2012. While this will have an impact on Fletcher Building, our efforts to continually reduce emissions and improve energy efficiency will help to ensure that these costs are minimised.

People

This has been an especially challenging year for our people due to the natural disasters in New Zealand and Australia. Our sympathies are with the many staff who were affected. In support of our employees and customers, we have pledged $6 million towards the recovery and reconstruction efforts in Canterbury.

This year, we were delighted to welcome the 4,000 staff members from Crane who have now joined the Fletcher Building team. Today, we are some 20,000 people, in over 50 business units, across more than 40 countries.

A global employee share scheme, FBuShare, was launched to encourage our employees to share in the company's success. Participation far exceeded expectations with 30 percent of employees across the 11 countries in which FBuShare was made available, joining the scheme.

Visit the Environment section of our website: **fletcherbuilding.com/environment** to watch dedicated case studies about our initiatives.

Dividend information.

Dividends for FY 2011

Final Dividend:

17.0 cents per share

Interim Dividend:

16.0 cents per share

Total Dividend for FY 2011:

33.0 cents per share

Record and Payment Dates

The dividend will be paid on 19 October 2011 to holders registered as at 5.00 pm Friday 30 September 2011 (NZT). The shares will be quoted on an ex dividend basis from 26 September 2011 on the ASX and 28 September 2011 on the NZX.

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, under which they have the opportunity to reinvest their dividends in additional shares.

The dividend reinvestment plan will be operative for the final 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 **fletcherbuilding.com** and must be received by the registry before the record date of Friday 30 September. The price used to determine entitlements under the dividend reinvestment plan is the weighted average share price of the company's shares sold on the NZX and designated by the NZX as "price-setting trades" in the five business days following the NZX ex-dividend date of 28 September 2011. The new shares will be issued on the dividend payment date of 19 October 2011 and will rank equally with all other shares. To participate, please contact the share registry.

Investor information.

Annual shareholders' meeting

The Annual Shareholders' Meeting of Fletcher Building Limited will be held in the SkyCity Auckland Convention Centre, 88 Federal Street, Auckland, New Zealand, on Wednesday 16 November 2011 at 10.30 am.

Further information online

Details on Fletcher Building, its governance policies, and its operations for the year ended 30 June 2011 can be viewed at the Fletcher Building website, at **fletcherbuilding.com**. This website contains all news releases to the NZX, ASX and other financial presentations made by the company.

Shareholder communications

The company is not required to send printed copies of the annual report and half year review to shareholders. Instead, Fletcher Building sends an annual review which is a summary of the company's operational and financial activities for the year, although shareholders can view the reports on the company's website. In addition, they have a right to receive a copy of these reports on request.

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Read more online
fletcherbuilding.com/reports/11

Directory.

Shareholder enquiries

Changes of address payment instructions and investment portfolios can be viewed and updated online: **www.computershare.co.nz/investorcentre** Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

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