CONNECTED FOR STRENGTH

Fletcher Building Annual Review 2012

The creation of our built environment starts with natural resources. Stone is crushed for aggregate, cement and concrete. Forestry offcuts are harvested to be turned into timber boards. Gypsum is refined into plaster. Building products are created: pipes, roofing tiles, wallboards and reinforcing and cladding materials.

These in turn are used to form the infrastructure and buildings of the communities in which we operate around the world.

Fletcher Building is there – from the fundamental process of quarrying, to the construction of complex infrastructure and building projects. We have more than 50 businesses delivering building products, construction material and services across New Zealand, Australia, Asia, North America, Europe and the South Pacific. Connected across products, brands, people, and responsive to opportunities in times of growth. Built up over a century to create enduring value for our shareholders, customers and communities.

Connected for growth.
Winstone Aggregates' Hunua quarry in South Auckland, New Zealand, has been in operation since 1956. In the 2012 financial year the team at Hunua moved 1.64 million tonnes of aggregates, up 13 percent on the prior year.

From the Chairman and Chief Executive

Weaker market conditions impact earnings.

Ralph Waters & Jonathan Ling
Chairman & Chief Executive

This year has again been one of challenging economic conditions. A year ago, we were looking ahead with some caution as to the likely activity levels in our key markets. Unfortunately, our caution was exceeded by the reality of continued global uncertainty, a weak recovery in New Zealand and an ongoing decline in Australian construction activity.

While we did not meet the financial performance targets we set for the company at the beginning of the year, the underlying performance of the businesses was satisfactory given the conditions we have faced. Beyond this, excellent progress was made in a number of areas.

Importantly, the repairs in Canterbury being carried out by Fletcher Construction Earthquake Recovery (EQR) gained substantial momentum and by the end of the year we had completed in excess of 20,000 full-scope house repairs.

The integration of Crane was completed during the year, and the business has performed well in its first full year within the group.

Net earnings for the 2012 financial year were $185 million, compared with $283 million in the 2011 financial year. The result included restructuring and impairment charges totalling $132 million after tax. Costs of $38 million were incurred in restructuring the Laminex business, $20 million in closure costs for the Formica plant in Bilbao, Spain, and a $74 million reduction in the carrying value of the insulation business in Australia. Net earnings before restructuring and impairment charges were $317 million, 12 percent lower than for the prior year.

Operating earnings (earnings before interest and tax) were $403 million, 18 percent lower than the $492 million achieved in the prior year, while operating earnings before restructuring and impairment charges were $556 million, 7 percent lower than for the previous year.

Pleasingly, cashflow from operations was $448 million, 11 percent higher than for last year. Total group revenues of $8,873 million were 20 percent higher due to the inclusion of a full year of Crane revenues.

The result reflected difficult trading environments in the New Zealand and Australia markets. In New Zealand, activity levels in residential and commercial construction continued to be depressed. Further seismic activity disrupted rebuilding work in Canterbury, and there was a slowdown in infrastructure spending.

In Australia, residential construction continued to slow throughout the year, and the high Australian dollar adversely impacted businesses exposed to import competition. Despite these challenges, several divisions reported improved results. Crane had operating earnings of $106 million in its first full year of ownership. The Concrete division increased its earnings from its Australian operations due to the strength of the infrastructure sector and improved operational performance. Formica continued to deliver improved operating earnings, through growth in Asia and from improved economic conditions and operating performance in North America.

Total return to shareholders for the year was -27 percent. This was caused by a decline in the share price between 1 July 2011 and 30 June 2012, offset in part by the 34 cents in dividends paid during the year. Investor sentiment towards the building materials sector in general has been negative over the past 12 months and Fletcher Building's share price movement has been consistent with its peer companies across Australia.

Mark Adamson was appointed to replace Jonathan Ling upon Jonathan's retirement at the end of September. Mark is currently the chief executive of the Laminates & Panels division and has achieved outstanding results at Formica, lifting its operating performance every year despite extremely difficult market conditions. The board believes Mark's ability to deliver continued operational performance improvements and to also identify and execute strategies for profitable growth make him ideally placed to lead the company through this next period.

For the year ahead, our financial performance will depend on how the New Zealand and Australian building and construction sectors perform.

In New Zealand, a continued modest improvement in house building is anticipated, assisted by low interest rates and increased new housing construction in Canterbury. Commercial and infrastructure construction levels are not expected to improve materially, although the commencement of several significant infrastructure projects should lift earnings in 2014.

In Australia, the trend in residential construction activity is unclear, with some risk that activity levels will decline further. Commercial construction not associated with the resources and mining sector is likely to remain subdued, while infrastructure expenditure is expected to remain steady. Trading conditions in North America are expected to remain flat to slightly positive. No recovery is anticipated for Europe overall, but continued growth is expected in China and South-East Asia.

For 2013, a significant increase in earnings from the current level would require a marked improvement in residential and commercial construction levels, particularly in New Zealand and Australia. Operational performance improvement initiatives will continue to be pursued across the group to maximise earnings and cash generation irrespective of the business cycle.

Ralph Waters
Chairman of Directors

Jonathan Ling
CEO & Managing Director

$185m

Net earnings for the 2012 financial year.

34c per share

Dividend for the 2012 financial year, with a final dividend of 17 cents per share.

Message from Mark Adamson.

Fletcher Building is a great company with an excellent portfolio of businesses, and I am excited by the potential that I see for the future. My immediate challenge will be to continue delivering on the strategies that we have been pursuing over the past few years. In particular, our aim is to grow earnings from our current portfolio of businesses through operational performance improvements, regardless of the economic cycle. Beyond this, I'm keen that we continue to explore selective opportunities for further investment in new businesses, bolt-on acquisitions and organic growth of our existing businesses.

Mark Adamson
Appointed CEO from 1 October 2012

THE YEAR IN BRIEF



Connected to the environment.
Golden Bay Cement's Northland manufacturing plant sits on the shores of Whangarei Harbour. In May 2012 the company won a national award for its use of renewable wood energy.

Connected for returns.
Iplex pipe being installed on the Wimmera Mallee Pipeline Project. Iplex pipelines operates 11 manufacturing facilities in Australia, including a new AU$28m site, opened in August 2012.

Connected to our customers.
Formica® High Pressure Laminate was used in the bold fitout of international fashion retailer Topshop's Oxford Street store in London. Formica celebrates its centenary in 2013.

Building Products

The Building Products division reported operating earnings excluding restructuring and impairment charges of $72 million, down by 35 percent on the $111 million earned in the prior year. Operating earnings in the plasterboard and insulation businesses declined as a result of lower volumes, while the insulation business was also impacted by the continued over-supply of insulation products in Australia as well as by increased imports.

Following a strategic review of the Australian insulation business, a restructuring and impairment charge of $74 million after tax was incurred due to the write-down of goodwill, the write-off of stock and a reduction in the value of its brands.

A $3 million gain on the sale of the Australian access flooring business was recorded during the year. Operating earnings for the roof tiles business decreased by 24 percent. Volumes were higher in Africa and the USA, flat in Asia, and lower in New Zealand and European markets.

Concrete

Operating earnings increased by $5 million to $130 million as a result of continuing operational improvements, cost reductions and efficiency gains in all key areas of the business.

Operating earnings from the New Zealand operations were $56 million, the same as for the prior year. Revenues were up by 3 percent, with most product volumes similar or slightly stronger except cement and masonry. Market share for all core products was stable.

In Australia, the pipeline and quarry businesses performed well with combined operating earnings increasing by $5 million to $74 million.

Earnings from the pipeline products business increased due to two newly acquired businesses as well as by means of a range of pricing initiatives and operational enhancements. The quarry business in Australia recorded a strong result, benefiting from a favourable sales mix and improved margins. A variety of pricing and productivity initiatives were also implemented during the year.

Construction

The Construction division's operating earnings for the year were $50 million, down by 17 percent on the prior year.

The construction backlog was $1,094 million as at the end of June 2012.

In addition the company is the preferred contractor on two further contracts which, if they proceed, would add a further $837 million to the backlog.

Activity levels as project manager for the Earthquake Commission (EQC) have increased significantly with in excess of 22,000 full-scope home repairs now completed. In addition, over 46,000 emergency repairs and 17,000 winter heat installations have been carried out. Progress with the alliance to repair the Christchurch infrastructure, of which Fletcher Construction is one of five contractors involved, has been slower than expected.

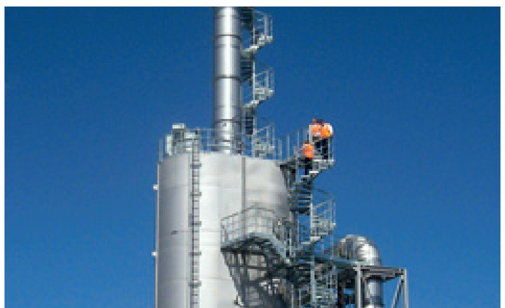
Earnings from residential house sales were up by 35 percent on the prior year as a result of increased sales. This has been due to an improved sales mix predominantly in the Stonefields development in Auckland.

Crane

This has been the first full year of Crane ownership. Operating earnings were $106 million on revenues of $2,393 million. Pipelines' operating earnings were $59 million. Australian revenues increased over the prior year, with demand from the coal seam gas, resources, civil and rural sectors offsetting the decline in building activity. In New Zealand, year-on-year revenues were flat.

Trade distribution's operating earnings were $37 million. In Australia, flat to declining activity in residential and commercial building was partly offset by increased revenues from the resources sector. In New Zealand, trading conditions remained difficult, although the South Island demand improved, and the business traded around break-even.

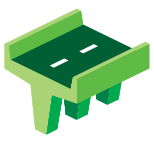
Operating earnings in the Industrial Products businesses were $11 million with cost and productivity enhancements offsetting declines in the manufacturing sector. At year-end, the Austral Wright Metals and Mico Metals businesses were sold, with anticipated sale proceeds of approximately $70 million.



Tasman Insulation
New Zealand

Earnings in the plasterboard and insulation businesses declined as a result of lower volumes.

Atlantic Civil Products
Australia



Operating earnings increased to $130 million due to operational improvements, cost reductions and efficiency gains.

ASB North Wharf
New Zealand

The construction backlog was $1,094 million as at the end of June 2012.

Iplex – electrical polyethylene pipes
Australia

Operating earnings were $106 million on revenues of $2,393 million.

Helping to repair 100,000 homes in Canterbury.

Fletcher EQR is providing high-quality repairs to earthquake-damaged homes, on behalf of the EQC. Our responsibility, under contract with EQC, is to project-manage the repair of earthquake damage while complying with the relevant building codes and statutory requirements.

In July 2012, Fletcher EQR completed its 20,000th full-scope repair under the Canterbury Home Repair Programme. This was a true milestone on a unique and challenging journey. That's remarkable in itself, but even more so when the other work that has been carried out is taken into consideration. Accredited contractors, subcontractors and staff have installed 17,000 heating systems and finished 46,000 emergency repairs also, which vary in nature. In round numbers, that's more than 80,000 tasks completed – every one of which helps a customer directly and moves the community one step closer to recovering from the earthquakes.

There's a long road still to travel, being only a fifth of the way through the full-scope repairs. For the past few months, Fletcher EQR has been preparing to tackle the larger and more complex jobs. Momentum has continued to build, and thanks to the expansion of the hub network and contractor base, the run rate has increased to 100 completions per day.

This rate might decline over the next few months as the major repairs are undertaken, with the average size of each job increasing significantly and each one therefore taking longer to finalise. The best measure of the run rate is the total payments made to contractors. In recent times, this has reached $60 million per month, and is likely to rise further.

Connected to Christchurch.
Fletcher Construction Earthquake Recovery.

Distribution

PlaceMakers' revenues were five percent lower than the prior year's at $813 million, with operating earnings declining by 31 percent to $27 million. Earnings were impacted by the low level of residential house building and increased competitor activity which combined to negatively impact gross margins, particularly in the second half of the year.

Despite the competitive intensity, market shares were maintained across most regions. Continued improvement in operational performance resulted in costs declining by two percent, and inventory decreased by eight percent at year-end. Restructuring was undertaken during the year to align the branch network to trading conditions, with the closure of three branches and other branches relocated to optimise their appeal to trade customers.

The frame and truss manufacturing businesses were restructured during the year to create greater organisational focus on cost and quality, and two manufacturing sites were closed also.

Laminates & Panels

Formica's operating earnings before restructuring and impairment charges were $71 million, 27 percent higher than the $56 million earned in the prior year. The improved result was due to ongoing operational improvements and efficiency gains as well as increased revenue in North America and Asia. Volumes in North America were up by five percent, down eight percent in Europe and up by 11 percent in Asia. Prices and margins were generally maintained across all regions and improved in some instances.

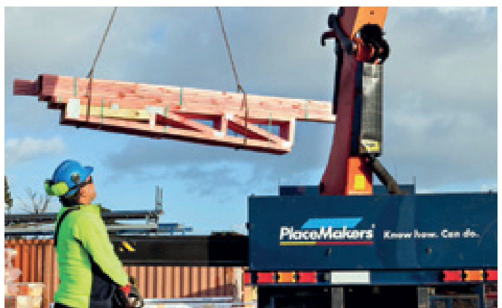
Laminex's operating earnings before restructuring and impairment charges were $68 million, 39 percent lower than for the prior year. Australian revenues were nine percent lower and New Zealand revenues were down by 11 percent compared to the previous year. Demand for lower-margin commodity products increased as the business focused on other sectors to mitigate the impact of slowing residential and commercial markets. Pricing initiatives were introduced during the year to recover input cost increases, but the continued decline in market activity made this more challenging as the year progressed.

Steel

The Steel division recorded operating earnings for the year of $48 million, down by 42 percent on the prior year. Earnings in the rollforming and coated businesses declined by 36 percent to $37 million. Rollforming volumes were particularly soft in Australia, and New Zealand volumes were lower than last year but improved in the final quarter.

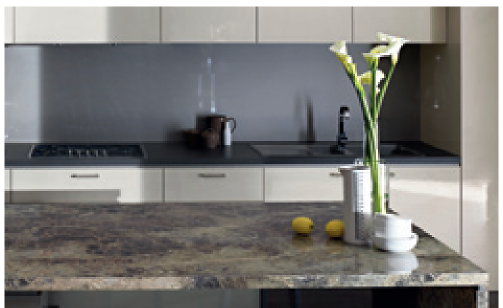
Market conditions for the long-steel business were extremely difficult with earnings decreasing by 58 percent to $5 million. New Zealand domestic volumes were up by 20 percent due to market share gains but margins were lower. Intense import competition in the Australian market resulted in poor margins on long-steel exports from New Zealand.

Operating earnings in the distribution and services businesses declined by 54 percent to $6 million. Earnings from the steel reinforcing business were significantly lower driven by low volumes and increased price competition from imports. Although the earnings of the distribution business decreased for the year overall, margins improved in the second half.



PlaceMakers Frame & Truss
New Zealand

Earnings were impacted by the low level of residential house building and increased competitor activity.



Laminex 180fx large scale design
Australia

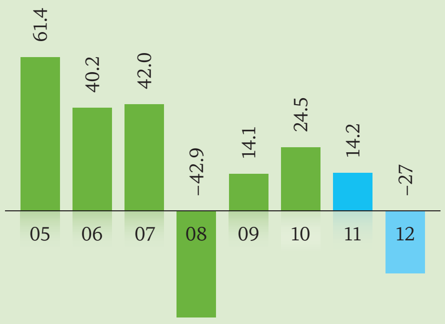
Formica's improved result was due to ongoing operational improvements and efficiency gains.

Pacific Steel
New Zealand

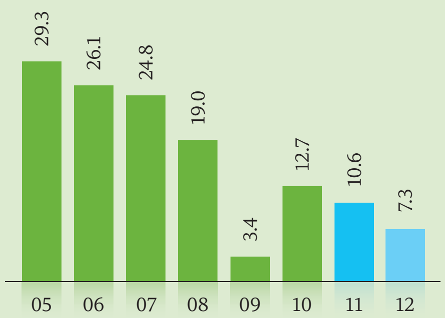
Market conditions for the long-steel business were extremely difficult with earnings decreasing by 58 percent.

Financial snapshot.

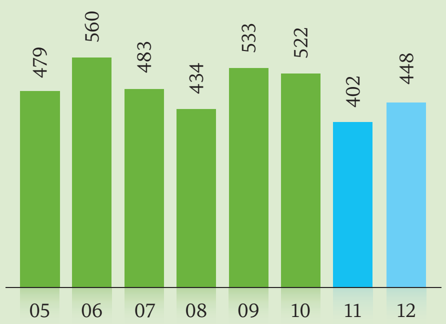
Total shareholder return (percentage)



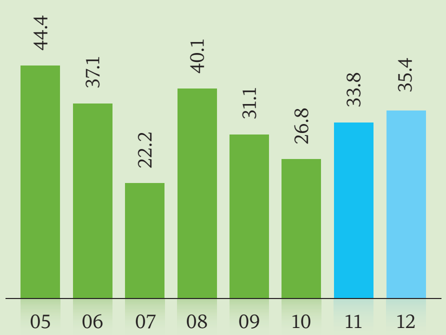
Return on funds (percentage)



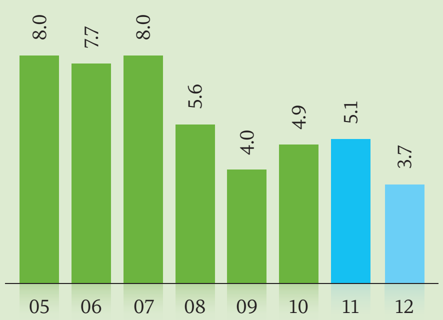
Operating cashflow ($million)



Gearing (percentage)



Interest cover (times)



OUR PEOPLE

Health & Safety

We have continued to make progress in reducing injury rates across the group. Our primary measure is the Total Recordable Injury Frequency Rate per million employee and contractor hours (TRIFR), and in the last year, this rate has dropped from 10.57 to 8.48. In June 2006, this rate was over 60.

Fletcher Construction Health and Safety initiative
Victoria Park Tunnel, Auckland

People

The Fletcher Building group employs a diverse workforce comprised of 19,200 people who are based across 40 countries. Our People strategy is focused on developing a strong leadership pipeline, attracting and retaining talent across the group and creating a high-performance and high-engagement workplace that is enhanced by diversity within our workforce.

A reflection of the investment in leadership development was evident during the year with the promotion of the chief executive of the Laminates & Panels division (Mark Adamson) to chief executive officer of Fletcher Building and two of our general managers (Tim Richards and Graham Darlow) to divisional chief executive positions. During the 2012 financial year, more than 1,500 leaders throughout the group participated in leadership development programmes.

One of the most significant challenges over the past 12 months has been the resourcing in Christchurch for the Fletcher EQR team. This team has grown in size to 545 employees. We have also engaged 1,109 accredited contracting firms and have inducted over 16,000 people who will participate in the repair programme.

Board changes

In the past year, we have continued the board succession programme. Kerrin Vautier retired from the board in September 2011, and two new independent directors were appointed to the board during the year. Cecilia Tarrant joined the board last October and Kathryn Spargo, in March this year.

This September we will mark the end of an era when Hugh Fletcher retires from the board, in accordance with planned succession arrangements. Hugh's retirement ends the last formal link with the Fletcher family that stretches back over 100 years to the very origins of the company in New Zealand. He was chief executive officer of Fletcher Challenge Limited, the forerunner of today's company, between 1987 and 1997. We would like to especially acknowledge and thank Hugh for his long service to Fletcher Building and wish him well for the future.

Hugh Fletcher
At the Fletcher 100 Years' celebrations

Dividend information.

Dividends for the 2012 financial year

Final dividend:
17.0 cents per share

Interim dividend:
17.0 cents per share

Total dividend for financial year 2012:
34.0 cents per share

Record and payment dates
The dividend will be paid on 17 October 2012 to holders registered at 5.00 pm Friday 28 September 2012 (NZT). The shares will be quoted on an ex-dividend basis from 24 September 2012 on the ASX and 26 September 2012 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 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 **fletcherbuilding.com** and must be received by the registry before the record date of Friday 28 September 2012.

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 following the NZX ex-dividend date of 26 September 2012. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 17 October 2012. 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 Level 4 Lounge, Corporate Entry G, South Stand, Eden Park, Reimers Avenue, Mt Eden, Auckland, New Zealand, at 10.30 am on Tuesday 20 November 2012.

Further information online
Details on Fletcher Building, its governance policies and its operations for the year ended 30 June 2012 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 holders can view the reports on the company's website. In addition, they have a right to receive a copy of these reports on request.

Directory.

Shareholder enquiries

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

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