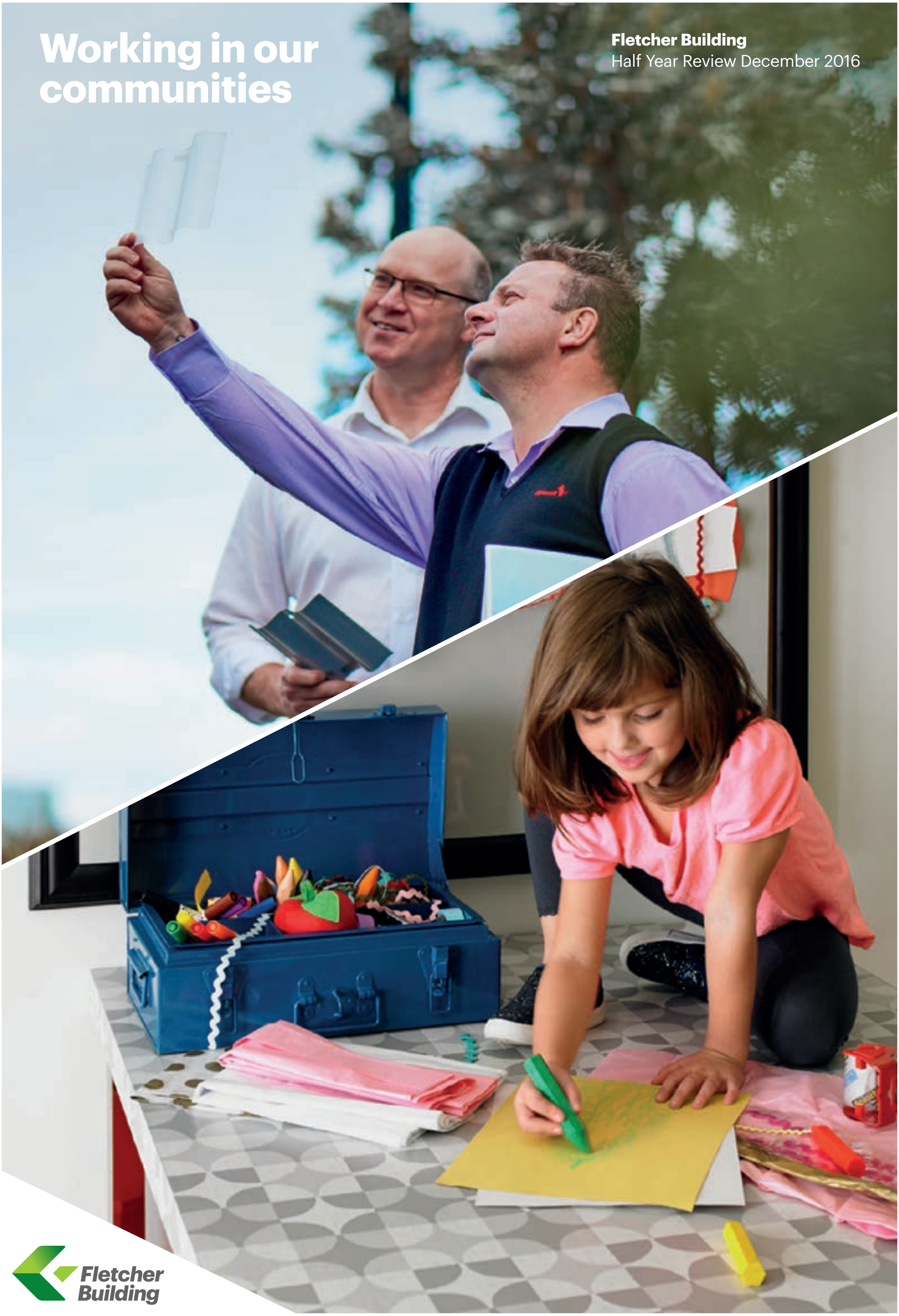
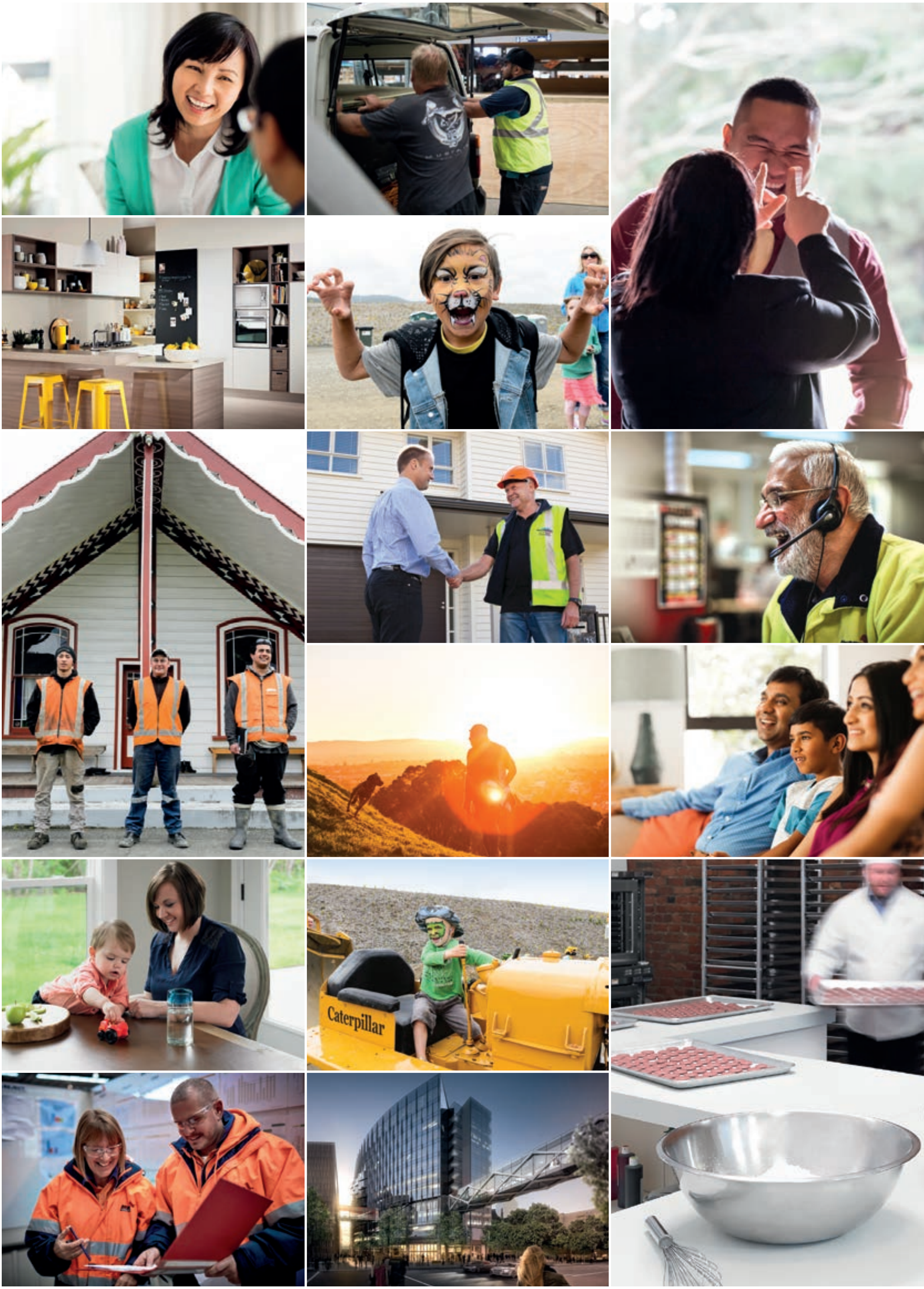
Working in our communities

Fletcher Building
Half Year Review December 2016



Fletcher Building


Caterpillar

From neighbourhoods to nations we take great pride in our contribution to creating built environments.

We are focussed on always improving how we work in our communities, how we act as a responsible business and how we can have a positive impact on the wider social world in which we operate.

COVER PHOTOGRAPHY:
TOP IMAGE: Stramit, Australia **BELOW:** Grey Josef Linen Formica.

Half year in review

Improvements across almost all parts of the portfolio signals the benefit that our businesses are getting from a strong New Zealand economy, improved operational efficiencies, cost reductions, and in some cases organisational restructuring.

Dear shareholders,

We are pleased to present Fletcher Building's unaudited interim results for the six months ended 31 December 2016.

The group recorded net earnings after tax of $176 million, a 2% increase compared with $172 million in the prior corresponding period.

Reported earnings included significant items of $11 million relating to costs associated with site closures in Rocla Products and Fletcher Insulation. The result for the prior corresponding period included a net gain from significant items of $13 million relating to the gain on sale of certain Rocla Quarries assets, partly offset by closure costs for three manufacturing plants. Net earnings excluding these significant items were 18% higher at $187 million.

Operating earnings (earnings before interest and tax and significant items) were $310 million, up 12% on the $278 million reported in the prior corresponding period. This reflected a sustained improvement across almost all parts of the portfolio, signalling the benefit that businesses are getting from a strong New Zealand economy, improved customer propositions, operational efficiencies, cost reductions, and in some cases organisational restructuring.

Revenue for the period of $4,613 million was 4% higher, reflecting sales growth in the New Zealand businesses and the acquisition of the Higgins contracting business which operates in New Zealand and the South Pacific and was effective from 29 July 2016.

Earnings in our Distribution and Residential and Land Development businesses increased compared to the same period last year due to the increased activity in the New Zealand building sector, including higher demand for housing and elevated levels of new building consents being issued. PlaceMakers, Mico and the NZ Steel Distribution businesses were the stand out performers in the last six months, all reporting material year on year improvements in earnings.

International earnings were collectively up 32% compared to the previous comparable period reflecting strengthening activity levels and higher market share for Laminex NZ, an improved operating performance and overhead cost reductions in Formica Europe, and sales growth plus operational improvements in Formica Asia.

SIR RALPH NORRIS Chairman

MARK ADAMSON Chief Executive Officer

We experienced increased underlying earnings from the Building Products division as the demand for higher volumes of building materials like cement, concrete, wallboards and insulation grew. Excluding the earnings that were made a year ago from the Rocla Quarry Products and Pacific Steel businesses that were divested in the year ended June 2016, the Building Products earnings were 10% higher than the previous comparable period.

Construction earnings reduced due to a range of factors, notably: timing of earnings recognition for major projects; bid costs incurred in the period; reduced contribution from Fletcher EQR as the Canterbury earthquake home repair programme nears completion; and losses incurred on a major construction project. During the period Higgins was invited to join the consortium to rebuild State Highway 1 between Picton and Kaikoura in the South Island of New Zealand following the earthquake of November 2016.

There was a net outflow of cash from operations of $67 million compared to a net inflow of $170 million in the previous

Snapshot

Revenue **$m**

$4,613

2016: 4,434 ▲ 4%

Operating earnings before significant items **$m**

$310

2016: 278 ▲ 12%

Net earnings **$m**

$176

2016: 172 ▲ 2%

comparable period due to the timing of construction contracts, an increased investment in land and development of $79 million, and a $56 million working capital release from Pacific Steel in the first half of 2016.

Finally, the interim dividend of 20.0 cents per share compared to 19.0 cents per share for the same period last year, and is fully imputed. The dividend reinvestment plan will be operative for this dividend payment.

OUTLOOK

The current strong macro-economic conditions in New Zealand are expected to continue to benefit Fletcher Building throughout the 2017 financial year. This is likely to provide further opportunities to expand operating margins in the Building Products and Distribution businesses due to a combination of volume improvements, cost reductions and modest price increases in the absence of industry constraints. The Auckland market and surrounding regions continue to show strong demand for new housing and, coupled with new national infrastructure and commercial projects, elevated levels of residential, commercial and infrastructure construction are likely to be sustained in the medium term.

In Australia, New South Wales construction activity looks to be maintaining a positive trajectory which is in contrast to Western Australia where Fletcher Building has worked hard to digest the economic downturn. In Residential, Fletcher Building is principally exposed to stand-alone housing, which has so far proved resilient, while the multi-dwelling segment shows signs of peaking. Commercial construction activity is still at elevated levels but not exhibiting growth, whereas specific segments of civil infrastructure are showing more positive signs.

North American residential and commercial construction activity levels are expected to remain broadly consistent with last year, with the impact of a new presidential administration uncertain at this point in time. European conditions continue to be mixed, with some growth in the UK being offset by weaker continental European markets. Asian markets are showing some signs of improving volumes but remain competitive.

Momentum in the Fletcher Building businesses gives us reason to reiterate guidance for operating earnings (earnings before interest, tax and significant items) of $720 million to $760 million for the 2017 financial year. The earnings from the acquired Higgins business will offset the impact of the divested businesses of Pacific Steel, Rocla Quarry Products, and Fletcher EQR.

SIR RALPH NORRIS
_Chairman

MARK ADAMSON
_Chief Executive Officer

Building Products

OPERATING EARNINGS*

$129m

2016: $132M ▼ 2%

*Before significant items

Concrete Pipes & Products (Firth, Humes, Roda Products); Cement & Aggregates (GBC Winstone); Building Materials (Winstone Wallboards, Tasman Insulation, Fletcher Insulation); Plastic Pipes (Iplex Pipelines (NZ & AU); JV Earnings and other.

The Building Products division reported gross revenue of $1,108 million compared with $1,265 million in the prior corresponding period, a reduction of 12%. Adjusting for divested businesses (Pacific Steel and Rocla Quarries) and the impact of joint venture accounting (Altus), revenue increased by 1%.

The division's operating earnings before significant items were $129 million, compared with $132 million in the prior corresponding period. Adjusting for divested businesses, earnings rose 10% from $117 million to $129 million.

Significant items of $15 million were reported in the current period relating to the cost of site closures in Rocla Products and Fletcher Insulation. This compared with a net gain of $10 million in the prior corresponding period, primarily attributable to the profit on sale of two Rocla Quarries joint ventures.

Operating earnings before significant items for Concrete Pipes & Products were $26 million compared to $27 million in the prior corresponding period. In New Zealand, ready-mix concrete volumes increased by 4% and concrete pipe volumes increased by 12% driven by higher civil work across almost all regions, however overall volumes were impacted by slowing market activity in Canterbury and the rural sector. In Australia, revenue and volumes were both flat year-on-year, partly due to exiting the market in Western Australia and the timing of some key projects.

The Cement and Aggregates businesses lifted operating earnings before significant items by 9% to $38 million. This was primarily driven by increases in New Zealand cement volumes, up 5% against the prior corresponding period, offset in part by exit costs associated with the retirement of the MV Golden Bay ship, which has now been replaced by the MV Aotearoa Chief. In Aggregates, performance was supported by a favourable change in the mix of regional quarrying volumes, including a 19% increase in aggregate sales in the Auckland region.

Building Materials operating earnings before significant items were $53 million, an increase of 10% on the prior corresponding period. Plasterboard volumes were up 9% overall, with volumes of performance boards increasing 11% in the period. The insulation businesses were also able to strengthen their position in markets in both New Zealand and Australia as a result of improvements in service and their relative cost position.

The Plastic Pipes businesses reported $7 million operating earnings before significant items, a $5 million improvement on the prior corresponding period. Volumes increased by 2% in Australia despite soft demand in the civil and mining segments, including from coal seam gas projects. The impact of this was, however, more than offset by efficiency gains and reductions in other operating costs. Earnings in the New Zealand Plastic Pipes business remained stable notwithstanding weaker demand in rural markets and increasing competitive pressure in the civil market segment.

International

OPERATING EARNINGS

$70m

2016: $53M ▲ 32%

The division comprises Formica, which manufactures its products in Europe, Asia and North America, Laminex which produces decorative wood panels and laminate, particle board, medium density fibre board and other decorative products in New Zealand and Australia, and the Roof Tile Group, which supplies pressed metal roof tiles in North America, Europe, New Zealand, Africa and Asia.

Operating earnings for the International division were $70 million, up 32% from $53 million in the prior corresponding period. Gross revenue was down by 7%, largely due to the translation effect resulting from a strengthening of the New Zealand dollar, against the Australian dollar, US dollar and the Euro.

Laminex operating earnings were $45 million, up by 10% from $41 million in the prior corresponding period. In Australia, revenue in domestic currency was 5% lower, driven by reduced activity especially in Western Australia. New Zealand revenue was up by 9% on the prior corresponding period as activity levels continued to strengthen and market share improved. Competitive pressures remained strong and the business continued its programme of cost reduction, operational efficiencies, restructuring and new product initiatives.

Operating earnings in the Formica businesses were $34 million, up from $16 million in the prior corresponding period. Gross revenue was down by 7%, due to currency translation, but in domestic currencies was up by 2% on the prior corresponding period.

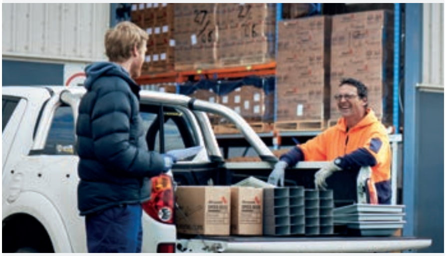
In Formica North America, revenue in domestic currencies was up by 2% whilst operating earnings in domestic currencies were down by 2% driven by softer margins from adverse channel mix and the impact of the much weakened peso on Mexican margins.

In Formica Asia, revenue in domestic currencies was up by 7% due to improving activity levels in the major markets. Performances in Thailand, Malaysia and Singapore were strong with revenue up by 12% on the prior corresponding period. China revenue increased by 9% while in Taiwan revenue was down by 1%. Operating earnings in local currencies were up by 52% on the prior corresponding period, due to sales growth across the region coupled with continuing improvements in the operating facilities including increased utilisation at the laminate factory in Jiujiang, China.

Gross revenue in Formica Europe in domestic currencies remained flat compared to the prior corresponding period as improvements in Northern and Central Europe were offset by decreases in the UK and Spain. There was a $14 million improvement in operating earnings on the prior corresponding period. This was due to an improved operational performance at the North Shields factory in the UK along with efficiencies resulting from overhead cost reductions.

In the Roof Tile Group business, earnings of $2 million were down on the prior corresponding period, principally due to performance in the African market, where a decline in local activity levels has been compounded by a strengthening of the New Zealand dollar against the US dollar. Performances in other key global markets were varied, with New Zealand, Asia and Japan up on the prior corresponding period, while Europe and the US were relatively flat.

Distribution



OPERATING EARNINGS

$84m

2016: $64M ▲ 31%

New Zealand Building Supplies (PlaceMakers & Mico); Australian Building Supplies (Tradelink & Tasman Sinkware); New Zealand Steel Distribution (Pacific Coil Coaters, Easysteel, Fletcher Reinforcing Dimond); Australian Steel Distribution (Stramit).

The Distribution division reported operating earnings of $84 million, a 31% increase on the prior corresponding period.

The result reflects strong performance by the New Zealand businesses compared with the prior corresponding period. While the Australian operations improved, the increase in New South Wales, Queensland and Victoria was offset by market contractions in Western Australia and South Australia.

In New Zealand, residential demand declined in Christchurch following the peak of the earthquake rebuild, however, this has been more than offset by positive activity growth in all other regions, especially Auckland and surrounding regions.

In the NZ Building Supplies businesses, gross revenue of $765 million increased by 7%, with PlaceMakers delivering record sales in the period. This was driven by growth in the small and medium enterprise (SME) and commercial sectors and double-digit growth in core accounts. Mico also experienced strong growth, particularly in front of wall sales, buoyed by strong customer value propositions and strategic marketing initiatives.

Operating earnings in the NZ Building Supplies businesses increased by 21% when compared to the prior corresponding period. This comprised an 18% increase for PlaceMakers and a 50% increase for Mico as both businesses continue to focus on profitable growth, including growing higher margin categories, leveraging costs and realising synergies together. Currently there are 11 Mico sites co-located with either PlaceMakers or Humes, with additional co-locations being planned.

The NZ Steel Distribution businesses reported a 47% increase in operating earnings, with healthy market activity and share gains leading to volume growth of 14%, supported by operating efficiencies and overhead cost synergies following the incorporation of Dimond earlier in 2016.

The Australian Building Supplies businesses reported operating earnings of $2 million, up from a break-even result in the prior corresponding period. In the period, Tradelink has opened 16 new branches, improved gross margins, launched a unique customer service proposition, driven targeted SME sector growth initiatives and rationalised overhead cost structures to enable future top-line and earnings growth. This positive momentum was, however, impacted by market declines in Western Australia and South Australia, which led to Tradelink's local currency revenues being flat year on year.

The Australian Steel Distribution division reported operating earnings up 25% at $10 million compared to $8 million in the prior corresponding period. In August 2016, Stramit launched a unique customer service proposition driving a number of customer focussed improvement initiatives. Although impacted by the market decline in Western Australia, earnings were driven by top line revenue growth together with continued focus on operational efficiencies and strong cost controls.

Residential and Land Development

OPERATING EARNINGS

$30m

2016: $24M ▲ 25%

The division comprises two business units – NZ Residential (Fletcher Living) and Land Development. Fletcher Living specialises in building master-planned residential communities in Auckland and Christchurch, being a vertically integrated builder, encompassing design through to sales. Land Development's business comprises a combination of residential and commercial land developments for on sale to third parties.

The Residential and Land Development division reported gross revenue of $163 million and operating earnings of $30 million, increases of 51% and 25% respectively on the prior corresponding period.

NZ Residential reported gross revenue for the period of $156 million, up from $108 million in the prior corresponding period, driven by an increase in the volume of units sold in both Auckland and Christchurch, strong market pricing in the Auckland region, and the sale of a large residential block of land.

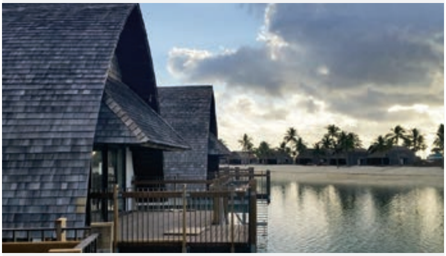
NZ Residential operating earnings were $25 million, 4% higher than the prior corresponding period. The reduction in earnings from the completion of the Greenhithe development was offset by strong volumes at the existing locations of Beachlands, Karaka and Hobsonville. In addition, new developments at Whenuapai, Ormiston and Swanson delivered their first sales.

Land Development operating earnings were $5 million. This business comprises a combination of residential and commercial land that is developed for sale to third parties. In the latest period earnings primarily comprise the sale of the first lot at the Wiri North commercial sub-division. The Land Development business is forecast to report at least $25 million of operating earnings per annum over the next five years.

Funds employed increased to $477 million from $355 million at 30 June 2016. Work-in-progress increased in the period due to significant earthworks on previously acquired sites, an increase in apartment building at Atlas Quarter in Christchurch and Tatua on Eden in Auckland, and an increase in the number of homes under construction in both Auckland and Christchurch, with progress in scaling the business to deliver approximately 1,500 units per annum.

In addition, land holdings increased during the period as lots were purchased in Auckland, specifically at Ormiston, Beachlands, Penihana, and Whenuapai. The purchase of raw land at Oruarangi Road, Auckland was also completed and deposits paid on two additional blocks at Hobsonville.

Construction



OPERATING EARNINGS

$24m

2016: $36M ▼ 33%

The Construction division is a builder of commercial buildings and infrastructure across New Zealand and the South Pacific. Projects range from New Zealand's largest transport and commercial building projects through to small interior works and road improvements.

The Construction division reported operating earnings of $24 million compared with $36 million in the prior corresponding period. Earnings include a contribution of $19 million from the Higgins contracting business acquired in July 2016.

The reduction in operating earnings is due to a range of factors, notably: timing of earnings recognition for major projects; bid costs incurred in the period; reduced contribution from Fletcher EQR as the Canterbury earthquake home repair programme nears completion; and losses incurred on a major construction project.

The division achieved strong revenue growth, with gross revenue increasing by 54% to $1,150 million. Included in the result was revenue from the Higgins business of $188 million; revenue growth excluding Higgins was 29%.

At 31 December 2016, the backlog of work for the division, being the value of contracted work awarded but not completed, was $2.7 billion, compared with $3.3 billion as at 31 December 2015.

The New Zealand businesses continued to record strong activity levels with two major roading projects won during the period as part of the New Zealand Transport Agency's Roads of National Significance programme: the 13 km Peka Peka to Otaki Expressway; and the 18.5 km Pūhoi to Warkworth motorway to extend Auckland's Northern Motorway, which has been procured as a PPP (Private Public Partnership), comprising Fletcher Construction, Higgins and Acciona. Work on two other major road contracts, the Waterview tunnel in Auckland and the MacKay's to Peka Peka project north of Wellington, will be completed prior to 30 June 2017.

The South Pacific businesses reported earnings of $23 million, an increase from $10 million in the prior corresponding period. The increase in earnings includes a contribution from Higgins' Fijian operations, together with the declaration of final margins on several key projects in Papua New Guinea and American Samoa. In Fiji, work neared completion of the Momi Bay Resort, while further work was won on a hotel development in Papua New Guinea.

Following its acquisition, the Higgins contracting business has been integrated into the Construction division and has continued to operate very successfully under existing management while leveraging Fletcher Building's scale and structure. Higgins has an unprecedented confirmed backlog of work ahead with strong ongoing demand for new projects, including participation in the North Canterbury Transport Infrastructure Rebuild Alliance (NCTIR) in response to the Kaikoura earthquakes.

Financial Review

FUNDING

Total available funding as at 31 December 2016 was $2,500 million. Of this, $310 million was undrawn and there was an additional $229 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $246 million and a further $68 million of capital notes are subject to interest rate and term reset.

The group's gearing[1] at 31 December 2016 was 35.4% compared with 32.8% at 31 December 2015. This has increased following the acquisition of Higgins in July 2016 and is within the target range of 30-40%.

The group's leverage[2] at 31 December 2016 was 2.5 times compared with 2.4 times at 31 December 2015. This is within the target range of 2.0-2.5 times.

The average maturity of the debt is 5.1 years and the hedged currency split is 33% Australian dollar; 50% New Zealand dollar; 11% US dollar; and 6% spread over various other currencies.

Approximately 47% of all borrowings have fixed interest rates with an average duration of 3.7 years and a rate of 6.0%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.0%.

Interest coverage[3] for the year was 6.0 times compared with 4.6 times in the prior corresponding period.

CASH FLOW

Cash flows from operating activities of $(67) million were $237 million lower than the prior corresponding period. Cash flows from operations before working capital movements were $246 million, up from $208 million and reflective of higher earnings. Working capital cash flows declined in large part due to higher land and developments investment of $79 million and a one-off inflow in the prior corresponding period of $56 million following the closure of the Pacific Steel operations. The remaining difference largely related to timing of contract payments and the build-up of stock in preparation for shutdowns and product launches in the second half.

Capital expenditure was $127 million, compared with $122 million in the prior corresponding period. Of this total, $69 million was for stay-in-business capital projects and $58 million related to new growth initiatives.

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

DIVIDEND

The 2017 interim dividend is 20.0 cents per share. In line with the group's tax crediting policy announced in August 2016, both the interim and final dividend in 2017 will be fully imputed with New Zealand tax credits. The interim dividend will be 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 April 2017 to holders registered as at 5.00 pm Friday 24 March 2017 (NZT). The shares will be quoted on an ex dividend basis from 23 March 2017 on the NZX and ASX.

[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 annualised EBITDA before significant items

[3] EBIT before significant items to total interest paid including capital notes interest

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 27 March 2017. 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 23 March 2017. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 April 2017.

Financial highlights (unaudited)

Fletcher Building Group	Six months Dec 2016	Six months Dec 2015	Year ended June 2016
Return on average funds employed (% annualised) (1)	**10.7**	10.7	13.4
Return on average equity (% annualised) (2)	**9.4**	9.3	12.4
Earnings per share (cents)	**25.4**	24.9	67.0
Dividends per share (cents)	**20.0**	19.0	39.0
Gearing (%) (3)	**35.4**	32.8	27.3
Leverage (times, annualised) (4)	**2.5**	2.4	1.6
Interest cover (times) (5)	**6.0**	4.6	5.9

(1) EBIT to average funds (net debt and equity less deferred tax assets).

(2) Net earnings attributable to shareholders to average shareholders' funds.

(3) Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.

(4) Interest bearing net debt (including capital notes) to EBITDA before significant items.

(5) EBIT before significant items to total interest paid including capital notes interest.

Consolidated income statement (unaudited)

For the six months ended 31 December 2016

Fletcher Building Group	Notes	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Sales		**4,613**	4,434	9,004
Cost of goods sold		**(3,498)**	(3,347)	(6,767)
Gross margin		**1,115**	1,087	2,237
Selling and marketing expenses		**(452)**	(477)	(933)
Administration expenses		**(353)**	(332)	(636)
Share of profits of associates and joint ventures		**8**	8	12
Other gains/(losses)	5	**(8)**	(8)	2
Significant items	3	**(16)**	10	37
Earnings before interest and taxation (EBIT)		**294**	288	719
Funding costs		**(52)**	(60)	(115)
Earnings before taxation		**242**	228	604
Taxation expense	6	**(61)**	(52)	(131)
Earnings after taxation		**181**	176	473
Earnings attributable to non-controlling interests		**(5)**	(4)	(11)
Net earnings attributable to the shareholders		**176**	172	462
Net earnings per share (cents)				
Basic		**25.4**	24.9	67.0
Diluted		**25.2**	24.4	65.4
Weighted average number of shares outstanding (millions of shares)				
Basic		**693**	690	690
Diluted		**717**	744	736
Dividends declared per share (cents)		**20.0**	19.0	39.0

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2016

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Net earnings attributable to shareholders	**176**	172	462
Net earnings attributable to non-controlling interests	**5**	4	11
Net earnings	**181**	176	473
Other comprehensive income			
Items that do not subsequently get reclassified to profit or loss:			
Movement in pension reserve	**2**	5	(36)
	2	5	(36)
Items that may be reclassified subsequently to profit or loss in the future:			
Movement in cash flow hedge reserve	**(2)**	9	15
Movement in currency translation reserve	**(33)**	(116)	(186)
	(35)	(107)	(171)
Income and expense recognised directly in equity	**(33)**	(102)	(207)
Total comprehensive income for the period	**148**	74	266

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Consolidated balance sheet (unaudited)

As at 31 December 2016

Fletcher Building Group	Notes	Dec 2016 NZ$M	Dec 2015 NZ$M	June 2016 NZ$M
Assets				
Current assets:				
Cash and deposits		**229**	221	356
Current tax assets		**17**	68	2
Derivatives		**12**	12	23
Debtors		**1,319**	1,264	1,362
Inventories		**1,735**	1,555	1,479
Assets held for sale			105	
Total current assets		**3,312**	3,225	3,222
Non-current assets:				
Property, plant and equipment		**2,139**	2,034	1,983
Goodwill		**1,228**	1,107	1,083
Intangible assets		**640**	602	621
Investments in associates and joint ventures		**142**	84	135
Other investments		**42**	68	43
Derivatives		**116**	113	156
Deferred tax assets		**13**	14	24
Total non-current assets		**4,320**	4,022	4,045
Total assets		**7,632**	7,247	7,267

On behalf of the Board,
22 February 2017

Sir Ralph Norris
Chairman of Directors

Mark Adamson
Managing Director

Fletcher Building Group	Notes	Dec 2016 NZ$M	Dec 2015 NZ$M	June 2016 NZ$M
Liabilities				
Current liabilities:				
Creditors and accruals		**1,270**	1,105	1,342
Provisions		**69**	73	67
Current tax liabilities		**21**	24	26
Derivatives		**14**	9	21
Construction contracts		**28**	166	128
Borrowings	7	**314**	461	413
Liabilities held for sale			22	
Total current liabilities		**1,716**	1,860	1,997
Non-current liabilities:				
Creditors and accruals		**70**	39	37
Provisions		**22**	14	24
Retirement plan liabilities		**52**	61	73
Deferred tax liabilities		**59**	66	58
Derivatives		**29**	31	26
Borrowings	7	**1,956**	1,537	1,339
Total non-current liabilities		**2,188**	1,748	1,557
Total liabilities		**3,904**	3,608	3,554
Equity				
Share capital		**2,659**	2,633	2,650
Reserves		**1,048**	986	1,041
Shareholders' funds		**3,707**	3,619	3,691
Non-controlling interests		**21**	20	22
Total equity		**3,728**	3,639	3,713
Total liabilities and equity		**7,632**	7,247	7,267

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Consolidated statement of movements in equity (unaudited)

For the six months ended 31 December 2016

Fletcher Building Group	Share capital NZ$M	Retained earnings NZ$M	Share-based payments reserve NZ$M	Cash flow hedge reserve NZ$M	Currency translation reserve NZ$M	Pension reserve NZ$M	Total NZ$M	Non-controlling interests NZ$M	Total equity NZ$M
Total equity at 30 June 2015	2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the period		172		9	(116)	5	70	4	74
Movement in non-controlling interests								(11)	(11)
Issue of shares	13						13		13
Dividends paid to shareholders of the parent		(131)					(131)		(131)
Movement in share-based payment reserve			(3)				(3)		(3)
Movement in treasury stock	(13)						(13)		(13)
Total equity at 31 December 2015	2,633	1,240	12	(1)	(199)	(66)	3,619	20	3,639
Total equity at 30 June 2015	2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the year		462		15	(186)	(36)	255	11	266
Movement in non-controlling interests								(16)	(16)
Issue of shares	27						27		27
Dividends paid to shareholders of the parent		(262)					(262)		(262)
Movement in share-based payment reserve			(2)				(2)		(2)
Movement in treasury stock	(10)						(10)		(10)
Total equity at 30 June 2016	2,650	1,399	13	5	(269)	(107)	3,691	22	3,713
Total comprehensive income for the period		176		(2)	(33)	2	143	5	148
Movement in non-controlling interests								(6)	(6)
Issue of shares	16						16		16
Dividends paid to shareholders of the parent		(139)					(139)		(139)
Movement in share-based payment reserve			3				3		3
Movement in treasury stock	(7)						(7)		(7)
Total equity at 31 December 2016	**2,659**	**1,436**	**16**	**3**	**(302)**	**(105)**	**3,707**	**21**	**3,728**

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2016

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Cash flow from operating activities			
Receipts from customers	**4,587**	4,623	9,056
Dividends received	**5**	6	10
Total received	**4,592**	4,629	9,066
Payments to suppliers, employees and other	**4,536**	4,332	8,191
Interest paid	**54**	60	118
Income tax paid	**69**	67	97
Total applied	**4,659**	4,459	8,406
Net cash from operating activities	**(67)**	170	660
Cash flow from investing activities			
Sale of property, plant and equipment		7	53
Sale of investments		40	1
Sale of subsidiaries/businesses			205
Total received		47	259
Purchase of property, plant and equipment and intangible assets	**127**	122	300
Purchase of subsidiaries/businesses	**305**		7
Total applied	**432**	122	307
Net cash from investing activities	**(432)**	(75)	(48)
Cash flow from financing activities			
Net debt drawdown	**506**	53	
Issue of capital notes			10
Total received	**506**	53	10
Net debt repayment			196
Repurchase of capital notes			15
Treasury stock purchased	**3**	16	16
Distribution to non-controlling interests	**9**	14	18
Dividends	**123**	118	235
Total applied	**135**	148	480
Net cash from financing activities	**371**	(95)	(470)
Net movement in cash held	**(128)**		142
Add opening cash and liquid deposits	**356**	228	228
Effect of exchange rate changes on net cash	**1**	(7)	(14)
Closing cash and deposits	**229**	221	356

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Reconciliation of net earnings to net cash from operating activities (unaudited)

For the six months ended 31 December 2016

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Cash was received from:			
Net earnings	**176**	172	462
Earnings attributable to non-controlling interests	**5**	4	11
	181	176	473
Adjustment for items not involving cash:			
Depreciation, depletions and amortisation	**102**	97	194
Significant items	**13**	(20)	(57)
Provisions and other adjustments	**(43)**	(30)	(54)
Taxation	**(8)**	(15)	34
(Gain)/loss on disposal of businesses and property, plant and equipment	**1**		(28)
Non-cash adjustments	**65**	32	89
Cash flow from operations before net working capital movements	**246**	208	562
Net working capital movements	**(313)**	(38)	98
Net cash from operating activities	**(67)**	170	660
Net working capital movements			
Debtors	**74**	176	72
Inventories	**(76)**	(9)	17
Land and developments	**(164)**	(85)	(66)
Contracts	**(99)**	13	(22)
Creditors	**(48)**	(133)	97
	(313)	(38)	98

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Breakdown of financial performance (unaudited)

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Gross sales			
Building Products	**1,108**	1,265	2,449
International Businesses	**1,005**	1,080	2,128
Distribution	**1,644**	1,610	3,184
Residential & Land Development	**163**	108	343
Construction	**1,150**	748	1,648
Other	**5**	5	9
Total	**5,075**	4,816	9,761
Intercompany sales	**(462)**	(382)	(757)
External sales per income statement	**4,613**	4,434	9,004
External sales			
Building Products	**859**	1,021	1,969
International Businesses	**997**	1,067	2,106
Distribution	**1,559**	1,531	3,026
Residential & Land Development	**163**	108	343
Construction	**1,035**	707	1,560
External sales per income statement	**4,613**	4,434	9,004

Breakdown of financial performance (unaudited) (continued)

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
EBIT before significant items			
Building Products	**129**	132	274
International Businesses	**70**	53	133
Distribution	**84**	64	176
Residential & Land Development	**30**	24	84
Construction	**24**	36	78
Other	**(27)**	(31)	(63)
Total	**310**	278	682
Significant items	**(16)**	10	37
Earnings before interest and taxation (EBIT) per income statement	**294**	288	719
Funds*			
Building Products	**1,686**	1,748	1,581
International Businesses	**1,948**	2,041	1,902
Distribution	**1,039**	1,049	1,001
Residential & Land Development	**477**	295	355
Construction	**366**	(37)	(18)
Other (including debt and taxation)	**(1,788)**	(1,457)	(1,108)
Total	**3,728**	3,639	3,713

* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes.

Notes to the consolidated financial statements

1. BASIS OF PRESENTATION

The condensed consolidated 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 a FMC Reporting Entity under the Financial Markets Conduct Act 2013 under which the financial statements are prepared. The group is a profit oriented entity. The condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They comply with NZ IAS 34 *Interim Financial Reporting* and should be read in conjunction with the 30 June 2016 annual report available on the group website at www.fbu.com.

2. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the six months ended 31 December 2016, however, certain comparatives have been re-presented to conform with the current period's presentation.

3. SIGNIFICANT ITEMS

Six months ended 31 December 2016

Fletcher Building Group	Business acquisition expenses (1) NZ$M	Site closure costs (2) NZ$M	Total NZ$M
Fletcher Insulation		(10)	(10)
Rocla Products		(5)	(5)
Corporate	(1)		(1)
Total significant items before taxation	(1)	(15)	(16)
Tax benefit/(charge) on above items		5	5
Total significant items after taxation	(1)	(10)	(11)

(1) On 29 July 2016, the group acquired Higgins Group Holdings Limited ("Higgins"). Costs of $1 million associated with the transaction were incurred in the period.

(2) In the six months ended 31 December 2016 the group has recognised a charge of $15 million for costs associated with site closures:

- $10 million relating to the closure of Fletcher Insulation's Homebush site in New South Wales announced in December 2016; and
- $5 million relating to two site closures in the Rocla Products business.

Six months ended 31 December 2015

Fletcher Building Group	Business disposal income and expenses (1) NZ$M	Site closure costs (2) NZ$M	Total NZ$M
Rocla Quarries	16		16
Iplex Australia		(2)	(2)
Rocla Pipes		(4)	(4)
Total significant items before taxation	16	(6)	10
Tax benefit/(charge) on above items	1	2	3
Total significant items after taxation	17	(4)	13

(1) On 18th August 2015, the Group entered into an agreement to sell the operations of Rocla Quarry Products to Hanson Construction Materials Pty Limited. The transaction, which had been subject to ACCC clearance, completed on 29 January 2016.

As part of the overall sale process, the group separately sold joint ventures of this business in the period ended 31 December 2015 with total sale proceeds of $40 million. The net gain on sale in the period amounted to $16 million.

(2) In the six months ended 31 December 2015 the group recognised a charge of $6 million for costs associated with site closures:

- $2 million relating to the closure of two sites in the Iplex Australia business in July 2015; and
- $4 million relating to the closure of Rocla Pipes' Atlantic Civil business in October 2015.

Year ended 30 June 2016

Fletcher Building Group	Business acquisition / disposal income and expenses [1] NZ$M	Site Closure Costs [2] NZ$M	Impairment [3] NZ$M	Other NZ$M	Total NZ$M
Building Products	90	(11)			79
International		(4)	(26)		(30)
Distribution		(1)			(1)
Corporate	(5)			(6)	(11)
Total significant items before taxation	85	(16)	(26)	(6)	37
Tax benefit/(charge) on above items	(1)	5	1	2	7
Total significant items after taxation	84	(11)	(25)	(4)	44

2016

(1) On 18th August 2015, the group entered into an agreement to sell the operations of Rocla Quarry Products to Hanson Construction Materials Pty Limited. The transaction, which had been subject to ACCC clearance, completed on 29 January 2016.

The aggregate consideration received for the entire Rocla Quarry Products business was $212 million, and $205 million after transaction costs. The gain on sale after tax amounted to $80 million.

On 2 February 2016, the group entered into an agreement to acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited ("Higgins") and other related assets, together with Higgins' Fiji contracting business. At 30 June 2016, the transaction remained conditional on regulatory approval and accordingly the acquisition was not accounted for in the year ended 30 June 2016. During July 2016 all relevant approvals had been obtained and the transaction completed on 29 July 2016. Total consideration payable was $311 million, subject to customary completion adjustments.

During the year ended 30 June 2016, expenses associated with the transaction were incurred amounting to $5 million.

On 17 February 2016, the group entered into an agreement to create a 50-50 joint venture between its Fletcher Aluminium windows and doors business and NALCO, the new entity being Altus NZ Limited (previously known as Fanalco Limited). The transaction completed on 30 June 2016. As a result a $5 million gain before tax arose on divestment of the Fletcher Aluminium business to the joint venture.

(2) The group recognised a charge of $16 million for costs associated with closing a number of sites:

- $2 million relating to the closure of two sites in Iplex Australia in July 2015;
- $9 million relating to the closure of Rocla Pipes' operations in Western Australia and the Atlantic Civil business;
- $4 million relating to the closure of a Formica Europe plant in Spain; and
- $1 million relating to the closure of a Dimond site in Palmerston North.

(3) A strategic review of the Formica India manufacturing business was completed during the year ended 30 June 2016. The review identified that medium-term earnings prospects had deteriorated and the group recorded an impairment expense of $26 million, comprising write-offs of goodwill, property, plant and equipment and working capital to estimated recoverable values.

4. ACQUISITION OF SUBSIDIARY

On 29 July 2016, the group acquired the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business.

The acquisition will provide customers with a stronger proposition and level of capability in the roading and infrastructure market, and provide further benefit for a number of group businesses through operational synergies.

In the 5 months to 31 December 2016, the acquired Higgins businesses have contributed $198 million of revenue and $21 million of EBIT to the group.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition NZ$M *Provisional*
Assets	
Property, Plant and Equipment	124
Cash	4
Trade and other receivables	58
Inventories	12
Deferred tax asset	2
	200
Liabilities	
Trade payables and other liabilities	43
	43
Total identifiable net assets at fair value	157
Goodwill arising on acquisition	154
Purchase consideration transferred	311
Analysis of cash flow on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4
Cash paid	(311)
Net cash flow on acquisition	(307)

The fair values above have been measured on a provisional basis. A formal fair value exercise of the assets and liabilities of Higgins is underway, but will be completed prior to 30 June 2017. At present the difference between the book value at acquisition and the purchase price has been recognised as goodwill, representing the expected synergies to be achieved.

Acquisition related costs

The group incurred acquisition related costs of $1 million in the current period. These costs have been included within significant items (June 2016: $5 million).

5. OTHER GAINS AND LOSSES

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Other gains/(losses) include the following:			
Sale of assets		2	28
Redundancies and restructuring costs	**(7)**	(10)	(20)
Other gains/(losses)	**(1)**		(6)
	(8)	(8)	2

6. TAXATION EXPENSE

Fletcher Building Group	Six months Dec 2016 NZ$M	Six months Dec 2015 NZ$M	Year ended June 2016 NZ$M
Earnings before taxation:	**242**	228	604
Taxation at 28 cents per dollar	**68**	64	169
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	**(1)**	(1)	
Non assessable income	**(1)**	(6)	(15)
Non deductible expenses	**1**	3	14
Utilisation of previous unrecognised tax losses	**(1)**		(34)
Tax in respect of prior years		1	7
Tax losses not recognised	**5**	4	14
Other permanent differences	**(10)**	(13)	(24)
	61	52	131
Tax on earnings before significant items	**66**	55	138
Tax benefit on significant items	**(5)**	(3)	(7)
	61	52	131

7. BORROWINGS

Fletcher Building Group	Dec 2016 NZ$M	Dec 2015 NZ$M	June 2016 NZ$M
Borrowings – current	**314**	461	413
Borrowings – non-current	**1,956**	1,537	1,339
Carrying value of borrowings (as per balance sheet)	**2,270**	1,998	1,752
Less impact of debt hedging activities (included within derivatives)	**(79)**	(69)	(84)
Borrowings after impact of hedging activities	**2,191**	1,929	1,668
Less fair value hedge adjustment included in borrowings	**(1)**	(24)	(52)
Borrowings excluding derivative adjustments	**2,190**	1,905	1,616
Total available funding	**2,500**	2,287	2,224
Unutilised banking facilities	**310**	382	608

In addition the group had $229 million of cash on hand at 31 December 2016 (31 December 2015: $221 million; 30 June 2016: $356 million).

Net Debt

Cash and cash equivalents	**229**	221	356
Current borrowings	**(314)**	(461)	(413)
Non-current borrowings	**(1,956)**	(1,537)	(1,339)
Net Debt	**(2,041)**	(1,777)	(1,396)

8. GOODWILL

The group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2016, the group performed a review of indicators of impairment for all significant cash-generating units. These reviews did not give rise to any impairment charges.

9. FAIR VALUE MEASUREMENT

Financial instruments are measured at fair value using the following fair value measurement hierarchy:

(Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(Level 2) Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within level 1.

(Level 3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured and recognised at fair value are derivatives that are designated in hedge relationships. The fair value of base metal price swaps is based on the quoted market prices of those instruments and are measured under level 2. All other derivatives are level 2 valuations based on accepted valuation methodologies. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity of the contract. The fair value of electricity price swaps are measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching the maturity of the contract. Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

Fair value disclosures

The fair values of borrowings used for disclosure are measured by discounting future principal and interest cash flows at current market interest rates plus an estimated credit margin that are available for similar financial instruments. The interest rates across all currencies used to discount future principal and interest cash flows are between 1.62% and 7.48% (December 2015: 1.83% and 9.12%; June 2016: 1.42% and 8.79%) including margins.

10. CONTINGENCIES AND COMMITMENTS

Provision has been made in the ordinary course of business for all known and probable future claims to the extent they can be reliably measured. There have been no material movements in capital expenditure commitments, lease commitments, contingent liabilities or contingent assets to those disclosed in the 2016 annual report.

11. SUBSEQUENT EVENTS

On 22 February 2017, the directors declared a dividend of 20 cents per share, payable on 12 April 2017.

Dividend Information

2017 INTERIM 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 percent. 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.

Shareholder Information

Notice pursuant to clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013

Pursuant to clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013 (the FMCA), Fletcher Building Limited notifies its security holders that it has transitioned to the FMCA with effect from 1 December 2016. Accordingly, from 1 December 2016, the requirements of the FMCA will apply to Fletcher Building Limited.

Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online: **investorcentre.com/nz**

Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

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