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Chair and CEO's Review

In FY20, Fletcher Building has remained focused on executing our strategy to ensure we see consistent performance across all our businesses to deliver long-term growth for our shareholders. We are making good progress on both these fronts.

Performance in the first half was generally in line with expectations, reflecting market conditions, our progress on getting more of our businesses operating effectively, and investments to drive ongoing improvements and growth.

HY20 RESULTS

Group revenue was \$3,961 million, 5% down on HY19, owing principally to reduced revenue as we finish the legacy Construction projects and the tough market conditions in Australia. EBIT before significant items on continuing operations was \$219 million, and Net Earnings was \$82 million. Both these metrics declined relative to the prior half, partly due to the market and partly due to a more significant first half/second half skew in our expected profits for FY20.

In New Zealand, market activity levels remained steady year-on-year in terms of volumes. While headline residential consents increased, the mix of these continued to move to multi-unit, higher density dwellings. Infrastructure volumes were generally affected by a wet first quarter. However, the outlook remains strong, supported by the \$12 billion infrastructure package announced by the Government in January 2020.

In Building Products, we have seen strong volume growth and improved operating performance across plasterboard, insulation and laminates. Conversely, the Steel business has faced challenging trading conditions through the first half that have materially impacted volumes and margins. While operating margins have tracked higher across Building Products, there has been a half-on-half reduction in profit, predominantly due to the performance of Steel.

In Distribution, revenue increased in line with market activity over the half. This occurred against the background of highly competitive market conditions in the key Auckland market which, along with

higher wage, property and freight costs, impacted earnings. At the same time, we have remained firmly focused on investment in the digital transformation of our Distribution business. We have now completed our branch digitisation project, in-sourced our transport management system and embedded technology to enable real-time tracking of deliveries. This is leading to better in-store customer experiences and improved operational efficiencies. We will continue to make significant investments in this area as we build out our ecommerce channels to market, a customer job management ecosystem, and our own data analytics to support this.

Within New Zealand's residential market, we continue to see strong demand for housing particularly in the mid-price category of \$600k-\$900k. Residential EBIT was lower half-on-half due to the timing of settlements, with a large volume of sales scheduled to settle in the second half. Clever Core, our new offsite house manufacturing facility which opened in October 2019, has delivered its first houses to our Fletcher Living developments.

Revenue in the Construction division, excluding legacy projects, grew by 3% year-on-year as the flow of new work increases. The division has been successfully stabilised and is now securing new work with a more balanced risk profile. All legacy projects, excluding the New Zealand International Convention Centre (NZICC), are due for completion by June 2020. We continue to forecast the completion of all the legacy projects within the provisions announced in February 2018.

In Australia the market has remained challenging, with residential consents contracting as expected to around 150k to 160k approvals per annum, commercial activity remaining steady, and infrastructure activity being weaker than expected particularly in water and roading. Despite this, revenue held up pretty well across the division only falling by around 7% to \$1.45 billion. Encouragingly, the sharp fall in residential consents appears to be turning and there are signs of the market stabilising. Meanwhile, our \$100 million gross annual cost-out programme is well advanced and is having a positive impact and will hit its full run-rate in the second half of FY20. Our Laminex and Fletcher Insulation businesses are showing good signs of recovery with both experiencing strong momentum. Our Distribution and Steel businesses have experienced tougher market conditions suppressing their performance somewhat, but we remain confident on their medium-term outlook.

Chair and CEO's Review (Continued)

With the reset well advanced, we have assessed our portfolio and decided to divest the Rocla business and are now focused on driving growth and operational performance in our other Australian businesses. The sale process is expected to be completed through calendar 2020.

CASH FLOW AND DEBT

Pleasingly, trading cash flow from continuing operations excluding legacy projects increased from \$36 million to \$88 million during the first half of FY20. This was due to our continued focus and drive on improving working capital. At the half year end, we had a strong cash position with undrawn credit of \$925 million and cash on hand of \$570 million.

As expected, our net debt increased in the half year mainly as a result of the share buyback, and legacy project cash outflows. Funding costs reduced significantly on the prior period.

NZICC FIRE

Following the fire at the NZICC construction site, we have undertaken an extensive work programme to understand the scale of damage, and the work that will be required to recover and rebuild the project. We are working closely with our client SkyCity on the rebuild programme and have commenced the clean-up of debris and damage. We are, however, still a couple of months away from agreeing the full rebuild scope and timelines with the insurers. We remain confident that insurance will respond to loss and damage resulting from the fire based on their assessment to date.

HEALTH AND SAFETY

We are now well underway with a multi-year reset of our approach and culture towards safety through both our own employees and the contractors we work with. This programme of work is the highest priority and has the backing and oversight of the Board and Executive team. While each division is tailoring the programme to suit their particular business needs, the key focus areas are leadership behaviour and skills, front line skills and training, critical risk identification and management, properly aligning our subcontractors with us, and ensuring our systems are configured to support and drive this. Our target is to be at industry best practice in safety within the next three years.

SUSTAINABILITY

At our Annual Shareholder Meeting (ASM) in November 2019, we introduced our sustainability strategy as a critical driver of how we will deliver long-term, sustainable growth to our shareholders.

Climate change is an urgent global priority, and business must do its part to achieve meaningful change. In December 2019, we were proud to become the first building materials and construction company in New Zealand or Australia to have its target to reduce

carbon emissions verified by the Science Based Targets initiative.

We have committed to reducing our direct and indirect carbon emissions by 30% by 2030, which is in line with limiting global warming to well below 2°C. This target is also a commitment to transparent reporting on emissions and will be a driver of innovation within our business.

BOARD COMPOSITION AND GOVERNANCE

Peter Crowley was successfully elected to the Board at the ASM. He brings a wealth of leadership, commercial and operational experience from leading Australian building product companies. He also adds deep experience of the Australian market.

During the half year, the Board adopted the new NZX listing rules and implemented a new constitution to align with these rules. The Board has continued to build constructive relationships with our stakeholders – including industry, government, financial markets participants and customers – which are critical to our success.

DIVIDEND AND SHARE BUYBACK

In September 2019, we commenced an on-market share buyback of up to \$300 million to deliver value to shareholders. We have made good progress in the programme and as at 31 December 2019, acquired 27.9 million shares valued at \$141 million, representing 3.3% of issued capital.

The Board is pleased to approve an interim dividend for the six months ended 31 December 2019. The interim dividend will be 11.0 cents per share and will be paid on 9 April 2020. The dividend reinvestment plan will not be operative for this dividend payment. There are no New Zealand imputation credits or Australian franking credits attached to the interim dividend.

GUIDANCE

We are pleased to reconfirm our guidance given at the ASM in November 2019. Group EBIT (excluding significant items) for FY20 is expected to be in the range of \$515 million to \$565 million.

We note that earnings are weighted to the second half slightly more than usual in FY20 as a result of the expected timing of our Residential and Development sales, the committed strong road paving season for Higgins, the Australian cost-out programmes delivering full run-rate benefits in the second half, and an expected improved performance from our New Zealand Steel business.

We look forward to the second half of the year and to sharing the full year results in August.

Group Performance

Six months ended 31 December

Reported results	Reported	Reported	Reported
	2019 NZ\$M	2018 NZ\$M	Change %
Total revenue	3,961	4,185	(5%)
Operating earnings before significant items¹ from continuing operations	219	248	(12%)
Significant items ¹	(35)		NM
Operating earnings (EBIT) from continuing operations	184	248	(26%)
Net interest expense	(70)	(62)	(13%)
Earnings before tax from continuing operations	114	186	(39%)
Tax expense	(28)	(39)	28%
Earnings after tax from continuing operations	86	147	(41%)
Non-controlling interests	(4)	(5)	20%
Net earnings from discontinued operations net of tax		(53)	NM
Net earnings	82	89	(8%)
Net earnings before significant items	107	160	(33%)
Basic earnings per share (cents)	9.8	10.4	(6%)
Basic earnings per share from continuing operations (cents)	9.8	16.6	(41%)
Basic earnings per share from continuing operations before significant items (cents)	12.8	16.6	(23%)
Dividends declared per share (cents)	11.0	8.0	40%
Cash flows from operating activities	(5)	(114)	96%
Capital expenditure from continuing operations	119	100	(19%)

⁽¹⁾ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2019. Details of significant items can be found in note 2A of the interim financial statements.

Group Performance (Continued)

Six months ended 31 December

	Reported 2019 NZ\$M	Reported 2018 NZ\$M	Reported Change %
Revenue			
Building Products	645	672	(4%)
Distribution	824	809	2%
Concrete	403	404	(0%)
Residential and Development	224	251	(11%)
Construction	774	866	(11%)
Australia	1,453	1,557	(7%)
Other	5	6	(17%)
Continuing operations	4,328	4,565	(5%)
Less: intercompany revenue	(367)	(380)	(3%)
External revenue from continuing operations	3,961	4,185	(5%)

	Reported EBIT			EBIT before significant items ¹			
	Reported 2019 NZ\$M	Reported 2018 NZ\$M	Change %	Reported 2019 NZ\$M	Pro forma 2018 ² NZ\$M	Reported 2018 NZ\$M	19R v 18P Change %
Building Products	66	87	(24%)	66	91	87	(27%)
Distribution	50	50	0%	50	55	50	(9%)
Concrete	49	42	17%	49	44	42	11%
Residential and Development	35	43	(19%)	35	43	43	(19%)
Construction	14	15	(7%)	14	17	15	(18%)
Australia	0	33	NM	35	43	33	(19%)
Corporate	(30)	(22)	(36%)	(30)	(21)	(22)	(43%)
Continuing operations	184	248	(26%)	219	272	248	(19%)
Divested businesses ¹		(31)	NM		37	37	NM
Total	184	217	(15%)	219	309	285	(29%)
Lease interest expense	(35)		NM	(35)	(32)		(9%)
Funding costs	(35)	(62)	44%	(35)	(62)	(62)	44%
Earnings before tax	114	155	(27%)	149	215	223	(31%)
Tax expense	(28)	(61)	54%	(38)	(58)	(58)	34%
Earnings after tax	86	94	(9%)	111	157	165	(29%)
Non-controlling interests	(4)	(5)	20%	(4)	(5)	(5)	20%
Net earnings	82	89	(8%)	107	152	160	(30%)

⁽¹⁾ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2019. Details of significant items can be found in note 2A of the interim financial statements.

⁽²⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

Group Overview

Reported external revenue from continuing operations of \$3,961 million was \$224 million or 5% lower than the prior period mainly as a result of the lower Buildings and Interiors (B+I) revenue in Construction. Reported EBIT before significant items from continuing operations was \$219 million, which compares to \$248 million reported in the prior period. Group net earnings were \$82 million, compared to the \$89 million reported in the prior period.

For the six months ended 31 December 2019, the Group's financial statements are prepared in accordance with the new lease accounting standard NZ IFRS 16, adopted from 1 July 2019. In prior periods, lease costs were fully reported in EBIT. Under NZ IFRS 16, the two components of lease costs are reported separately: (1) the depreciation of right-of-use assets is reported in EBIT and (2) the deemed interest portion of the lease liability is reported in net interest expense. The effect of NZ IFRS 16 in the prior period was a \$24 million favourable impact on EBIT and an \$8 million adverse impact on net earnings. Financial tables in these Interim Financial Results (where indicated) show both the reported result for the prior period, as well as a pro forma restatement of the prior period to illustrate the impact of NZ IFRS 16 had it been applied and to allow for a like-for-like comparison. Commentary on the divisional operating performance compares principally with the pro forma results for the prior period.

In New Zealand, market conditions for the core materials and distribution divisions (Building Products, Distribution and Concrete) were mixed. The residential building sector remained supportive for finishing trade work, resulting in good performance in plasterboard, insulation and laminates. Civil, infrastructure, and early trade work trended slightly lower, leading to a slight easing in demand for concrete and pipes. Trading conditions in the steel market remained challenging, leading to a reduction in both volumes and margins. Gross revenue for the New Zealand core divisions was 1% lower than the prior period, in line with market activity. Overall EBIT for these divisions declined by \$25 million compared to the prior period, primarily due to challenging trading conditions in the Steel business, where EBIT declined by \$21 million. Margins elsewhere in the Building Products division improved on the prior period, driven by price gains and positive operating leverage. In Distribution, earnings were \$5 million lower than the prior period as competitive intensity in both the residential and commercial sectors remained high, and wage, property and freight costs trended higher. Concrete earnings improved by \$5 million on the prior period, which included the impact of the cement mill failure, as the division achieved price gains and operating efficiencies, partially offset by higher energy prices and a slight decline in volumes in line with market activity.

The Residential and Development division delivered earnings of \$35 million, compared to \$43 million in the prior period. The market environment for housing sales remained positive, with strong demand and supportive pricing in the key \$600k – \$900k range in Auckland. Earnings for the Residential business of \$27 million were lower than the prior period, due mainly to the timing of sales being taken to account, with the prior year result having benefited from a large number of sales agreements executed in late FY18 which were settled and taken to account in the first half of FY19. The division also officially opened its new Clever Core panelisation factory in the period and delivered the first houses into Auckland developments. Land Development EBIT of \$11 million was in line with expectations.

The Construction division reported gross revenue of \$774 million, \$92 million lower than the prior period, with EBIT for the division of \$14 million slightly below the prior period. The lower revenue reflects the ongoing close-out of the legacy projects, where revenue was \$110 million lower than the prior period. Excluding the legacy projects, Construction gross revenue increased 3%. There was no change to the B+I provisions announced in February 2018 and all legacy projects are on track to be completed by June 2020, except for the New Zealand International Convention Centre which was affected by a significant fire in October 2019. Insurance will respond to loss and damage on the project, and work is ongoing to agree the rebuild methodology. Excluding the legacy projects, the division's backlog of work increased by \$249 million from June 2019 due to the successful bid for the 10-year Watercare Enterprise Model contract and new work won in Higgins for wind farm ground works and local authority maintenance contracts. Good progress continued to be made on the Pūhoi to Warkworth project, which remains on target to meet the contracted completion date of October 2021.

In Australia, market conditions remained challenging as residential activity declined significantly and there were delays to key infrastructure projects. Divisional revenue fell 7%, while earnings before significant items of \$35 million were below the prior period. In the context of a sharply falling market, the result reflects the positive impact of our intervention over the past year to reset operating costs and invest in focused growth initiatives. Strong turnaround momentum was achieved in the Laminex and Fletcher Insulation businesses, with both businesses growing earnings despite lower revenue. In the pipes, steel, and distribution businesses, volumes were lower and high competitive intensity placed ongoing pressure on price and margin. This was partially, but not fully, offset by benefits of the cost-out programme. The division reported significant items of \$35 million for the period in relation to restructuring charges from this programme.

Basic earnings per share from continuing operations were 9.8 cents compared with 16.6 cents per share in the prior period. Adjusting for the impact of significant items, earnings per share from continuing operations were 12.8 cents compared with 16.6 cents per share in the prior period.

Group Overview (Continued)

Cash flow (NZ\$m) for the period ended	Six months ended 31 December			
	Reported 2019	Pro forma 2018 ²	Reported 2018	19R v 18P Change
EBIT from continuing operations before significant items¹	219	272	248	(19%)
Depreciation and amortisation	183	180	87	2%
Lease principal repayments	(84)	(85)		1%
Lease interest paid	(35)	(32)		(9%)
Provisions, significant items and other	(31)	(50)	(50)	38%
Trading cashflow before working capital movements	252	285	285	(12%)
Residential and Development		(29)	(29)	NM
Construction excluding B+I	(33)	(19)	(19)	(74%)
Other divisions:				
- Debtors	92	76	76	21%
- Inventories	(34)	(90)	(90)	62%
- Creditors	(189)	(187)	(187)	(1%)
Working capital movements	(164)	(249)	(249)	34%
Trading cashflow from continuing operations excluding B+I	88	36	36	NM
Discontinued operations		33	33	NM
B+I cash flow	(142)	(105)	(105)	(35%)
Trading cashflow	(54)	(36)	(36)	(50%)
Add : Lease principal payments	84	85		(1%)
Less: Cash tax paid	(1)	(17)	(17)	94%
Less: Funding costs paid	(34)	(61)	(61)	44%
Cash flows from operating activities	(5)	(29)	(114)	83%
Free cash flow from continuing operations excluding B+I	(32)	(73)	(73)	56%

⁽¹⁾ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2019. Details of significant items can be found in note 2A of the interim financial statements.

⁽²⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

Trading cash flow from continuing operations excluding B+I was \$88 million, a significant improvement on the \$36 million reported in the prior period. This was due to ongoing improvement in working capital management in the material and distribution businesses, notably in inventories. The cost of completing the legacy projects resulted in an increased cash outflow of \$142 million in the period, reflecting increased activity for key projects as they near completion. Cash tax paid was only \$1 million due to the impact of the construction losses in prior periods.

Capital expenditure for the Group was \$119 million, with investments in the period focused on digitisation of the distribution business, growth and efficiency initiatives in the manufacturing business and sustainability initiatives.

Group Overview (Continued)

FINANCIAL HIGHLIGHTS	Six months Dec 19¹	Six months Dec 18	Year ended Jun 19
Return on average funds (%) ²	8.2	7.9	7.4
Return on average equity (%) ³	3.8	4.4	4.0
Return on average funds - before significant items (%) ²	12.4	12.3	11.8
Return on average equity - before significant items (%) ³	7.7	9.6	8.8
Earnings per share (cents)	9.8	10.4	19.2
Net tangible assets per share (\$) ⁴	3.19	2.95	3.53
Dividends per share (cents)	11.0	8.0	23.0
Gearing (%) ⁵	16.8	26.2	7.2

⁽¹⁾ Return on average funds and return on average equity are based on pro forma rolling 12 month financial statements that include full year impact of transition to NZ IFRS 16.

⁽²⁾ Rolling 12 month EBIT to average funds (net debt and equity less deferred tax assets).

⁽³⁾ Rolling 12 month net earnings attributable to shareholders to average shareholders' funds.

⁽⁴⁾ Net tangible assets per share is a non-GAAP financial measure that is not defined by NZ IFRS. Total assets include right-of-use assets and total liabilities include lease liabilities.

⁽⁵⁾ Net debt (borrowings less cash and deposits) to net debt and equity.

FUNDING

Total available funding as at 31 December 2019 was \$2,147 million. Of this, \$925 million was undrawn and there was an additional \$570 million of cash on hand.

The Group's gearing at 31 December 2019 was 17% compared with 7% at 30 June 2019.

The Group's leverage ratio (net debt / EBITDA) at 31 December 2019 was 0.8 times compared with 0.3 times at 30 June 2019.

The average maturity of the Group's debt at 31 December 2019 is 4 years and the hedged currency split is 45% Australian dollar; 54% New Zealand dollar and 1% spread over various other currencies.

Approximately 61% of all borrowings have fixed interest rates with an average duration of 2.3 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on period end borrowings) is 5.0%.

Net interest expense for the period was \$70 million, of which \$35 million was related to NZ IFRS 16 classification of lease expenses. Funding costs excluding lease interest were \$35 million, significantly lower than the \$62 million in the prior period, due to lower debt levels and lower average funding costs. Tax expense from continuing operations of \$28 million was \$11 million lower than the prior period due primarily to a land development sale in Australia.

DIVIDEND

The 2020 interim dividend is 11.0 cents per share. The interim dividend will be unimputed and unfranked for tax purposes.

The interim dividend will be paid on Thursday 9 April 2020 to holders registered as at 5.00 pm (NZ time) on Friday 20 March 2020. The shares will be quoted on an ex-dividend basis from Thursday 19 March 2020 on the NZX and ASX. The Dividend Reinvestment Plan will not be operative for this dividend payment.

SHARE BUYBACK PROGRAMME

The Group commenced an on-market share buyback in September 2019. At 31 December 2019, the Group had repurchased 27,893,926 shares for total consideration of \$141 million. The purchased shares were subsequently cancelled, leaving the total number of shares on issue at 31 December 2019 at 825,453,215 shares. In addition, \$0.1 million of transaction costs relating to the buyback were offset against equity.

OUTLOOK

In New Zealand, market activity in the residential sector in the second half of FY20 is expected to be similar to the first half. While consents remain high, we continue to see a changing shift to smaller floor size and typology weighted to attached dwelling units. Activity in the commercial, civil and infrastructure sectors is expected to continue to trend slightly lower until the renewed infrastructure investment comes on-stream from FY21.

In Australia, we expect the contraction in residential activity to stabilise in the second half of FY20, before returning to growth from FY21. Non-residential activity is expected to be broadly flat for the remainder of FY20, with infrastructure project activity to remain lumpy in key sectors.

FY20 EBIT before significant items is expected to be in the range of \$515 million to \$565 million. Earnings will be weighted to the second half more than usual owing to: an expected improvement in performance of the Steel business; a stronger pipeline of Residential house sales due for settlement; the construction pavement season weighted to the second half, benefiting Higgins; and benefits of the Australia cost-out programme nearing full run-rate.

Building Products

Building Products: Winstone Wallboards | Laminex New Zealand | Tasman Insulation | Humes | Iplex New Zealand
 Steel: Easy Steel (including Dimond Structural and Dimond Roofing) | Pacific Coilcoaters | Fletcher Reinforcing | CSP Pacific

Building Products Financial Summary

NZ\$m	Six months ended 31 December				NZ\$m	EBIT for six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %		Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Gross revenue	645	672	672	(4%)	Building Products	65	69	66	(6%)
External revenue	507	520	520	(3%)	Steel	1	22	21	(95%)
EBIT	66	91	87	(27%)	Total	66	91	87	(27%)
Funds	716	720	748	(1%)					
Trading cashflow	54	36	36	50%					
Capital expenditure	17	18	18	6%					

⁽¹⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Building Products division reported gross revenue of \$645 million, which was \$27 million or 4% lower than the prior year. EBIT for the division was \$66 million, a decrease of \$25 million compared to the prior period.

Revenue performance in the division was mixed. Businesses primarily selling into residential finishing trades (Winstone Wallboards, Tasman Insulation, Laminex) performed well, reporting revenue in line with last year. In the pipes (Iplex, Humes) and steel businesses, gross revenue was down by a total of \$27 million due to a softening of civil, infrastructure and early trade work, combined with challenging trading conditions in the steel sector.

EBIT across the division trended in line with revenue performance. Winstone Wallboards, Tasman Insulation, and Laminex delivered earnings in line with the prior period, and achieved 30 bps of operating margin expansion. This was driven by price gains and positive operating leverage, partially offset by higher depreciation, energy and freight costs. Earnings from the pipes businesses were slightly lower than the prior period as a result of reduced volumes, although operating margins improved 40 bps due to manufacturing efficiencies in our concrete products. Earnings in the Steel business were \$1 million, a decrease of \$21 million compared to the prior period. The result reflects both a softening of volumes in the infrastructure and residential roofing sectors, and sustained pressure on margins.

Trading cash flow of \$54 million was 50% higher than the prior period, resulting from the ongoing focus on working capital improvements, especially inventory management.

Capital expenditure in the period was \$17 million, with key investments focused on manufacturing plant replacement, and growth and efficiency opportunities.

The division's focus continues to be in four key areas: product innovation and adjacencies; improvements in customer experience; operating efficiencies; and enhanced pricing disciplines. Highlights for the period included:

- Launch of the Winstone Wallboards MyGIB® application, allowing customers to transact and track their product, at a time, and on a device, of their choosing;
- Launch of a new range of decors and a new integrated ecommerce solution at Laminex;
- Continued growth of new products including GIB Weatherline, GIB Barrierline, Iplex PVC-O, and Tasman Insulation's building wraps range;
- Successful commissioning of the Iplex mobile extrusion pipe plant in the South Island;
- Expansion of the stainless steel range at EasySteel and launch of a highly innovative mobile roll-to-roof system at Dimond;
- Continued investment in the automation of our manufacturing and warehousing facilities; and
- Securing the land for the new Winstone Wallboards plasterboard plant to be built in Tauranga.

Distribution

PlaceMakers | Mico | Forman Building Systems

Distribution Financial Summary

NZ\$m	Six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Gross revenue	824	809	809	2%
External revenue	805	786	786	2%
EBIT	50	55	50	(9%)
Funds	242	235	284	3%
Trading cashflow	64	49	49	31%
Capital expenditure	12	11	11	(9%)

⁽¹⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Distribution division reported gross revenue of \$824 million, 2% higher than the prior period. EBIT for the division was \$50 million, a decrease of \$5 million compared to the prior period.

Activity in the building supplies market showed signs of slight softening in the period. PlaceMakers delivered revenue growth of 2%, with Mico revenue in line with the prior period. Building activity was slightly softer in Auckland, Christchurch and the lower South Island, however growth continues to be robust in the mid and lower North Island.

Competitive intensity in both the residential and commercial sectors remained high during the period. Together with inflationary impacts from higher wage, property and freight costs, as well as investments by the division in its digital strategy, this placed some pressure on operating margins in the period.

Trading cashflow of \$64 million was 31% higher than the prior period, driven by improvements in inventory management across the branch network, as well as continued strong debtor collections.

Capital expenditure for the period was \$12 million as the division continued its programme of upgrading its branch and showroom network, and its technology platforms and digital capabilities.

The division's focus continues to be in the key areas of firstly, building digital capabilities to support best-in-class customer experience and operating efficiencies, and secondly, achieving sustained improvement in the network. Highlights for the period included:

- Continued roll-out of PlaceMakers' transport management system, and insourcing of the businesses' delivery fleet, which will enable efficiencies through optimised routing and load sizes and allow customers to track and trace orders;
- Go-live of the PlaceMakers eCommerce site and trade app, and advanced development of the PlaceMakers Trade Portal;
- Refresh of the Mico website and Trade Portal, providing additional functionality to Mico's digital offering; and
- Significant upgrades to the PlaceMakers Kaiwharawhara and Wairau Park branches, and three new branches confirmed to open in the second half of FY20 – PlaceMakers Warkworth, Mico Drury and Mico Matamata.

Concrete

Winstone Aggregates | Golden Bay Cement | Firth Industries

Concrete Financial Summary

NZ\$m	Six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Gross revenue	403	404	404	(0%)
External revenue	273	275	275	(1%)
EBIT	49	44	42	11%
Funds	629	628	638	0%
Trading cashflow	49	49	49	0%
Capital expenditure	33	17	17	(94%)

⁽¹⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Concrete division reported gross revenue of \$403 million, consistent with the prior period. EBIT for the division was \$49 million, an increase of \$5 million compared to the prior period.

In Winstone Aggregates, quarry revenue increased 1% on the prior period despite volumes reducing by 5% as activity from major infrastructure projects softened. The lift in revenue was underpinned by the successful implementation of a refreshed pricing strategy.

In Golden Bay Cement (GBC), domestic revenue was 1% lower than the prior period. Cement volumes were steady overall, with slightly lower sales into ready-mix offset by higher sales into other sectors. Average cement prices trended slightly lower, however good progress was made in securing supply agreements with key non-ready-mix customers.

In Firth, ready-mix volumes reduced by 3% from the prior period, with a continuing decline in Canterbury partially offset by growth across other areas of New Zealand. A strong lift in sales price was achieved against the prior half with this flowing through to improved margins.

EBIT for the division was 11% ahead of the prior period, which included the impact of the cement mill failure. Adjusting for this impact, earnings were steady between the two periods. In Winstone Aggregates, a strong price performance combined with product mix improvements lifted operating earnings by 6%. GBC's earnings were impacted by cost pressure from higher electricity and coal prices, which was partially offset by improved supply chain efficiency as additional barge capacity between Portland and Auckland became

fully operational. Firth's earnings were steady, with strong pricing disciplines and improved masonry manufacturing efficiencies resulting in improved operating margins to offset the slight decline in ready-mix volumes.

Trading cash flow for the division remained solid at \$49 million.

Capital expenditure in the period of \$33 million was focused on capacity and efficiency investments across the division, notably the ongoing replacement of ready-mix trucks and mobile plant, new ready-mix capacity, and increased mobile aggregate processing.

The division's focus continues to be on projects to support long term capacity, reduce carbon emissions, improve customer service experience – especially through digital connectivity – and ensuring cost competitive manufacturing and supply chain positions.

Highlights for the period included:

- Progress in the development of a low carbon cementitious material to reduce the carbon footprint for concrete, with product testing and concrete mix designs underway;
- Advanced work on the Tyre Derived Fuel initiative, a project in conjunction with the Ministry for the Environment to use waste tyres to enable both energy cost improvements and reduce carbon emissions in our cement manufacture with the facility going live later in 2020;
- Full integration of Firth's Auckland airport precinct ready-mix plant and commissioning of the new Mt Maunganui plant; and
- New product development in masonry including an environmentally friendly honing plant for enhanced surface finishes, and the development of new sized paving options.

Residential and Development

Residential | Land Development | Clever Core

Residential and Development Financial Summary

NZ\$m	Six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Gross revenue	224	251	251	(11%)
External revenue	224	251	251	(11%)
EBIT	35	43	43	(19%)
Funds	657	661	661	(1%)
Trading cashflow	35	(7)	(7)	NM
Capital expenditure	2	2	2	0%

NZ\$m	EBIT for six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Residential	27	37	37	(27%)
Land Development	11	6	6	83%
Clever Core	(3)			NM
Total	35	43	43	(19%)

⁽¹⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Residential and Development division reported revenue of \$224 million, a decrease of 11% compared to the prior period. EBIT for the division of \$35 million was \$8 million lower than the prior period.

The market environment for the Residential housing business remains positive. While activity was slow during the first quarter of FY20, from mid-October there was a notable increase in sales demand and firmer pricing in both the Auckland and Christchurch markets. Demand in Auckland in the \$600k – \$900k range remains especially strong, supporting sales in the Waiata Shores, Swanson and Kowhai Ridge developments. Sales in Red Beach, Ormiston, Whenuapai and Beachlands, where the average selling price point is higher, have benefited from the overall improvement in the Auckland market. The Canterbury branch has continued to sell the remaining houses in Awatea, Atlas Quarter and Colombo St developments and is becoming increasingly focused on the One Central development.

The Residential business reported revenue of \$206 million and EBIT of \$27 million. Both were below the prior period, however this was due mainly to the timing of sales, with the prior period result having benefited from a large number of sales agreements executed in late FY18 which were settled and taken to account in the first half of FY19. Improved sales activity in the second quarter of FY20 provides confidence that an increase in the volume of houses taken to profit in FY20 versus FY19 is achievable.

Land Development EBIT of \$11 million in the current period represents the first of two transactions on the former Crane Copper Tube site in Sydney, with the second transaction targeted for early in the second half of FY20.

Clever Core, the division's new panelisation business, was officially opened in October 2019 and made an EBIT loss of \$3 million. The result reflects the start-up period of production for the new plant, with ten panelised houses manufactured and erected for Fletcher Living's developments in Auckland so far.

Trading cash flow for the division of \$35 million compared to an outflow of \$7 million in the prior period. Cash flow in the current period included a \$50 million receipt related to the Wiri Land Development transaction taken to account in late FY19.

Divisional funds employed decreased slightly to \$657 million at 31 December 2019 from \$661 million at 30 June 2019. This included \$61 million of lot purchases and \$31 million of costs to develop residential land. The current funds balance includes 3,167 residential lots for further development or sale, and the business has a further 1,498 residential lots under unconditional agreements to be delivered over the next five years.

The division continues to focus on scaling its housing business to around 1,000 units per annum, with a number of new housing developments underway across Auckland, while also looking at innovative ways to grow its apartments offering. In Christchurch the focus is increasingly on the profitable One Central development. The Land Development business will continue to develop sites surplus to the Group's requirements and look for opportunities to work with external partners on commercial and industrial developments. Clever Core will look to increase the volume of houses it supplies into Fletcher Living through the second half of FY20, driving operating efficiencies as a result, and will also look to sell into third party clients in FY21.

Construction

Infrastructure | Building + Interiors (B+I) | FC Buildings
 South Pacific | Brian Perry Civil | Higgins

Construction Financial Summary

NZ\$m	Six months ended 31 December				NZ\$m	EBIT for six months ended 31 December			
	Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %		Reported 2019	Pro forma 2018 ¹	Reported 2018	19R v 18P Change %
Gross revenue	774	866	866	(11%)	Higgins	14	17	15	(18%)
External revenue	742	842	842	(12%)	Infrastructure, South Pacific, Brian Perry Civil & FC Buildings	0	0	0	NM
EBIT	14	17	15	(18%)	Total	14	17	15	(18%)
Funds	219	(121)	(113)	NM	B+I Legacy	0	0	0	NM
Trading cashflow	(152)	(97)	(97)	(57%)	Total	14	17	15	(18%)
Capital expenditure	19	15	15	(27%)					

⁽¹⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Construction division reported gross revenue of \$774 million, \$92 million lower than the prior period. EBIT for the division of \$14 million was slightly below the prior period.

The decline in divisional revenue reflects the ongoing close-out of the legacy vertical projects, where revenue was \$110 million lower than the prior period. All legacy projects are on track to be completed by June 2020, except for the New Zealand International Convention Centre, where the 22 October 2019 fire has delayed completion and work is ongoing to agree the rebuild methodology. Based on information currently available, there is no change to the provisions announced in February 2018.

Excluding the legacy projects, Construction division gross revenue increased by 3% in the period, due mainly to recognition of income on the Northern Interceptor Watercare contract in the Infrastructure business. Good progress continues to be made on the Pūhoi to Warkworth project, which remains on target to meet the contracted completion date of October 2021.

At 31 December 2019 the backlog of work (value of contracted work awarded but not completed) for the division was \$1,530 million, compared with \$1,445 million in June 2019. The close-out of the legacy projects accounted for a \$164 million decrease in the backlog, while backlog in the rest of the division increased by \$249 million from June 2019. The largest contributor to this increase was the successful bid by Fletcher Construction Infrastructure and Brian Perry Civil (BPC) for the Watercare Enterprise Model (10-year contract). Higgins also secured new contracts including a contract with Tilt Renewables for the ground works of a new wind farm plus a number of new local authority maintenance contracts. In addition, there are large sealing and paving workloads ahead at the Peka Peka to Ōtaki, City Edge Alliance and the Pūhoi to Warkworth PPP projects. South Pacific also continued to have good success with project wins in Fiji.

EBIT for the division of \$14 million was again underpinned by Higgins, despite a slow start to sealing and paving work caused by adverse early first half weather conditions. Improved performance in Infrastructure of \$3 million and BPC of \$4 million was offset by a \$6 million decline in South Pacific.

Trading cash outflows for the half year were \$152 million compared to an outflow of \$97 million in the prior period. Of this, cash outflows on legacy projects were \$142 million, compared to \$105 million in the prior period, reflecting increased activity for key projects as they neared completion – notably Commercial Bay, Greybase Hospital and Christchurch Airport Novotel Hotel. Excluding this, trading cash outflows were \$10 million compared to an inflow of \$7 million in the prior period, mainly reflecting the unwind of advance payment positions for Infrastructure in the Pūhoi to Warkworth and City Edge Alliance projects.

Capital expenditure in the period of \$19 million was focused on mobile and static asphalt plants for Higgins to service both New Zealand and the Pacific; investment in core drilling rig capacity for Brian Perry Civil; and targeted investment in innovative information technology applications.

The division's ongoing focus is completion of the legacy projects, continuing to rebuild capability and operating disciplines, and moving to a more balanced portfolio of work with the right customers. Highlights for the period included:

- Appointment of new General Managers for Brian Perry Civil and the newly formed Fletcher Construction Buildings Limited, completing a strong operational leadership team for the division;
- Securing new work in line with the division's targeted portfolio, especially in Infrastructure and Higgins, with promising commercial discussions underway in the vertical sector; and
- Ongoing development of a consistent project management governance and management framework 'Fletcher One'.

Australia

Building Products Australia: Laminex Australia | Iplex Australia | Rocla | Fletcher Insulation

Distribution Australia: Tradelink | Oliveri Solutions

Steel Australia: Stramit

Australia Financial Summary

NZ\$m	Six months ended 31 December			
	Reported 2019	Pro forma 2018 ³	Reported 2018	19R v 18P Change %
Gross revenue	1,453	1,557	1,557	(7%)
External revenue	1,410	1,511	1,511	(7%)
EBIT before significant items ¹	35	43	33	(19%)
Significant items ²	(35)			NM
EBIT (NZ\$m)	0	43	33	NM
EBIT (A\$m)	0	40	31	NM
Funds	1,669	1,745	1,876	(4%)
Trading cashflow	(64)	(71)	(71)	10%
Capital expenditure	32	33	33	3%

NZ\$m	EBIT for six months ended 31 December			
	Reported 2019	Pro forma 2018 ³	Reported 2018	19R v 18P Change %
Building Products Australia	27	29	24	(7%)
Distribution Australia	4	5	2	(20%)
Steel Australia	5	10	8	(50%)
Divisional costs	(1)	(1)	(1)	NM
Total	35	43	33	(19%)

⁽¹⁾ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2019.

⁽²⁾ Details of significant items can be found in note 2A of the interim financial statements.

⁽³⁾ The pro forma figures for the period ended 31 December 2018 have been restated for comparative purposes to include the impact from NZ IFRS 16.

The Australia division reported gross revenue of \$1,453 million compared with \$1,557 million in the prior period, a decrease of 7%. EBIT before significant items was \$35 million, a decrease of \$8 million compared to the prior period.

The division recognised a \$35 million charge to significant items during the period, relating to costs associated with the turnaround of the division which represents a major restructuring project that began in FY19 and will continue through FY20.

In the context of a sharply falling residential market, the division's performance reflects the positive impact of the material intervention over the past year to right-size operating costs and invest in focused growth initiatives. Execution of the programme has progressed well and remains on track to deliver targeted gross benefits in FY20, which will be weighted towards the second half.

Building Products Australia revenue declined by 10% in the period, however EBIT before significant items of \$27 million was in line with the prior period. The result was driven by strong turnaround momentum in the Laminex and Fletcher Insulation businesses, both of which grew earnings despite subdued market activity. Laminex revenue declined 7% however earnings increased by 27% due to market share gains aided by an improved digital offering and new product ranges and benefits of the cost-out programme especially through supply chain efficiency. The business also integrated a new particleboard site in Queensland which has improved manufacturing performance and margins on the East Coast. Fletcher Insulation returned to positive earnings and delivered a stabilised performance after undertaking transformational restructuring of its manufacturing and distribution footprints over the past 12 months. In the pipes business (Iplex, Rocla), both revenue and earnings declined, primarily due to delays in key infrastructure projects and subdued residential subdivision activity.

Distribution Australia and Steel Australia both reported reduced earnings in the period, as high competitive intensity placed ongoing pressure on price and margin. Stramit is particularly weighted to the residential sector, with activity in higher-margin market segments particularly subdued. Tradelink's focus on the small to medium network customer segment continues to provide increased stability in revenue despite the residential downturn, with four new stores opened in the period as the business continues to roll out its showroom and branch refurbishment programme. Earnings in Oliveri grew in the period as a result of a favourable margin mix from changes to the bathroom product range, as well as the successful execution of cost-out and manufacturing efficiency initiatives.

Trading cash outflows were \$64 million compared to outflows of \$71 million in the prior year. Excluding the cash impact of significant items, trading cash outflows improved from \$71 million to \$44 million, reflecting focused improvements in working capital, mainly inventory management.

Capital expenditure in the period was \$32 million, with key investments focused on network densification in the distribution business, new product development, and automation in the manufacturing businesses.

The Australia division's focus will continue to be on delivering: an efficient operating model, a healthy pipeline of product and service innovation, including through improved digital capabilities, and leveraging the division's scale, particularly as market activity recovers. The cost-out programme is now moving into the latter stages of execution, with an increased focus on key growth initiatives. The focus on customer continues, with value propositions and service promises which will be live in all businesses by the end of FY20.

Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Continuing operations	Notes	Six months Dec 19 NZ\$M	Six months Dec 18 NZ\$M	Year ended Jun 19 NZ\$M
Revenue		3,961	4,185	8,308
Cost of goods sold		(2,860)	(3,051)	(6,025)
Gross margin		1,101	1,134	2,283
Selling, general and administration expenses		(888)	(893)	(1,748)
Share of profits of associates and joint ventures		6	7	14
Significant items	2A	(35)		(94)
Earnings before interest and taxation (EBIT)		184	248	455
Net interest expense		(70)	(62)	(116)
Earnings before taxation		114	186	339
Taxation expense	4	(28)	(39)	(80)
Earnings after taxation		86	147	259
Earnings attributable to non-controlling interests		(4)	(5)	(13)
Net earnings from continuing operations		82	142	246
Net loss from discontinued operations net of tax			(53)	(82)
Net earnings attributable to the shareholders		82	89	164
Net earnings per share (cents)				
Basic		9.8	10.4	19.2
Diluted		9.8	10.2	19.0
Net earnings per share from continuing operations (cents)				
Basic		9.8	16.6	28.8
Diluted		9.8	15.7	27.7
Weighted average number of shares outstanding (millions of shares)				
Basic		835	853	853
Diluted		906	974	951
Dividends declared per share (cents)		11.0	8.0	23.0

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 2019

	Six months Dec 19 NZ\$M	Six months Dec 18 NZ\$M	Year ended Jun 19 NZ\$M
Net earnings attributable to shareholders	82	89	164
Net earnings attributable to non-controlling interests	4	5	13
Net earnings	86	94	177
Other comprehensive income			
<i>Items that do not subsequently get reclassified to profit or loss:</i>			
Movement in pension reserve		(4)	(25)
		(4)	(25)
<i>Items that may be reclassified subsequently to profit or loss in the future:</i>			
Movement in cash flow hedge reserve	(1)	(1)	(6)
Movement in currency translation reserve	(4)	(28)	(34)
	(5)	(29)	(40)
<i>Items that have been reclassified to profit or loss during the period:</i>			
Reclassification from currency translation reserve		(7)	7
		(7)	7
Other comprehensive loss	(5)	(40)	(58)
Total comprehensive income for the period	81	54	119
Total comprehensive income/(loss) for the period arises from:			
Continuing operations	81	97	178
Discontinued operations		(43)	(59)
	81	54	119

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 2019

NZ\$M	Notes	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interest	Total equity
Total equity at 30 June 2018		3,425	894	9		(157)	(53)	4,118	24	4,142
Change in accounting policies			(19)					(19)		(19)
Adjusted equity at 30 June 2018		3,425	875	9		(157)	(53)	4,099	24	4,123
Total comprehensive income/(loss) for the period			89		(1)	(35)	(4)	49	5	54
Movement in non-controlling interests									(6)	(6)
Movement in share-based payment reserve				1				1		1
Movement in treasury stock		(1)						(1)		(1)
Total equity at 31 December 2018		3,424	964	10	(1)	(192)	(57)	4,148	23	4,171
Adjusted equity at 30 June 2018		3,425	875	9		(157)	(53)	4,099	24	4,123
Total comprehensive income/(loss) for the year			164		(6)	(27)	(25)	106	13	119
Movement in non-controlling interests									(5)	(5)
Dividends paid to shareholders of the parent			(68)					(68)		(68)
Reclassification of pension reserve on disposal of business			(73)				73			
Movement in share-based payment reserve				2				2		2
Movement in treasury stock		2						2		2
Total equity at 30 June 2019		3,427	898	11	(6)	(184)	(5)	4,141	32	4,173
Change in accounting policies	10		(183)					(183)		(183)
Adjusted equity at 30 June 2019		3,427	715	11	(6)	(184)	(5)	3,958	32	3,990
Total comprehensive income/(loss) for the period			82		(1)	(4)		77	4	81
Movement in non-controlling interests									(6)	(6)
Dividends paid to shareholders of the parent			(128)					(128)		(128)
Repurchase of shares	2B	(141)						(141)		(141)
Total equity at 31 December 2019		3,286	669	11	(7)	(188)	(5)	3,766	30	3,796

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 2019

Assets	Notes	Dec 2019 NZ\$M	Dec 2018 NZ\$M	Jun 2019 NZ\$M
Current assets:				
Cash and cash equivalents		570	284	1,372
Current tax assets		65	67	66
Contract assets	2E	50	41	40
Derivatives		6	19	5
Debtors		1,125	1,159	1,298
Inventories		1,370	1,454	1,340
		3,186	3,024	4,121
Assets classified as held for sale			412	
Total current assets		3,186	3,436	4,121
Non-current assets:				
Property, plant and equipment		1,707	1,687	1,754
Intangible assets		1,130	1,119	1,129
Right-of-use assets	10	1,500		
Investments in associates and joint ventures		156	151	152
Inventories		309	302	264
Retirement plan assets		61	85	61
Derivatives		111	91	108
Deferred tax assets		168	136	121
		5,142	3,571	3,589
Assets classified as held for sale			1,025	
Total non-current assets		5,142	4,596	3,589
Total assets		8,328	8,032	7,710

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

Consolidated Balance Sheet (Unaudited) (Continued)

AS AT 31 DECEMBER 2019

Liabilities	Notes	Dec 2019 NZ\$M	Dec 2018 NZ\$M	Jun 2019 NZ\$M
Current liabilities:				
Creditors, accruals and other liabilities		1,046	1,149	1,254
Provisions		193	444	346
Lease liabilities	10	166		
Current tax liabilities		5	18	5
Derivatives		5	2	4
Contract liabilities	2E	80	120	119
Borrowings	5	159	434	602
		1,654	2,167	2,330
Liabilities classified as held for sale			183	
Total current liabilities		1,654	2,350	2,330
Non-current liabilities:				
Creditors, accruals and other liabilities		63	39	84
Provisions		16	19	18
Lease liabilities	10	1,611		
Deferred tax liabilities		2		2
Derivatives		9	26	8
Borrowings	5	1,177	1,354	1,095
		2,878	1,438	1,207
Liabilities classified as held for sale			73	
Total non-current liabilities		2,878	1,511	1,207
Total liabilities		4,532	3,861	3,537
Equity				
Share capital	2B	3,286	3,424	3,427
Reserves		480	724	714
Shareholders' funds		3,766	4,148	4,141
Non-controlling interests		30	23	32
Total equity		3,796	4,171	4,173
Total liabilities and equity		8,328	8,032	7,710

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

On behalf of the Board, 19 February 2020



Bruce Hassall
Chair



Robert McDonald
Director

Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Six months Dec 19 NZ\$M	Six months Dec 18 NZ\$M	Year ended Jun 19 NZ\$M
Cash flow from operating activities			
Receipts from customers	3,954	4,859	9,139
Dividends received	1	3	6
Payments to suppliers, employees and other	(3,890)	(4,898)	(8,836)
Interest paid	(69)	(61)	(128)
Income tax paid	(1)	(17)	(28)
Net cash from operating activities	(5)	(114)	153
Cash flow from investing activities			
Sale of property, plant and equipment	2	1	5
Sale of subsidiaries/investments	1	80	1,320
Sale of cash in subsidiaries			(37)
Purchase of property, plant and equipment and intangible assets	(119)	(139)	(348)
Purchase of subsidiaries/businesses		(10)	(26)
Net cash from investing activities	(116)	(68)	914
Cash flow from financing activities			
Issue of capital notes			100
Repayment of borrowings	(271)	(151)	(199)
Principal elements of lease payments	(84)		
Repurchase of capital notes	(50)		(181)
Distribution to non-controlling interests	(6)	(11)	(7)
Repurchase of shares	(141)		
Dividends	(128)		(68)
Net cash from financing activities	(680)	(162)	(355)
Net movement in cash held	(801)	(344)	712
Add: opening cash and liquid deposits	1,372	665	665
Less: cash balances classified as held for sale		(36)	
Effect of exchange rate changes on net cash	(1)	(1)	(5)
Closing cash and cash equivalents	570	284	1,372

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

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, registered under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013 under which the interim financial statements are prepared. The Company is a for profit 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 2019 annual report.

Accounting policies

Changes in presentation - Income statement and segmental information

The Group has restated its 31 December 2018 consolidated statement of comprehensive income and segmental information to exclude the results of discontinued operations.

Changes in presentation - Balance sheet

The following changes have been applied:

- Following adoption of NZ IFRS 15, the Group accounts for loss-making contracts in accordance with NZ IAS 37 – Provisions, contingent liabilities and contingent assets. Lifetime contract loss provisions of \$375 million, previously reported under contract liabilities as at 31 December 2018, have been reclassified to provisions in comparative figures.
- Land and development of \$302 million that is expected to be held for greater than 12 months, previously reported under current asset category, has been reclassified to non-current portion as at 31 December 2018.

Changes in accounting standards

The following sets out the new accounting standards and amendments to standards that were applicable to the Group from 1 July 2019.

NZ IFRS 16

NZ IFRS 16 is effective for the Group from 1 July 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. NZ IFRS 16 replaces NZ IAS 17 and the related interpretations.

The Group has adopted the modified retrospective approach on transition which has resulted in a cumulative catch-up adjustment to equity as at 1 July 2019. The comparative information presented for the year ended 31 December 2018 and 30 June 2019 has not been restated and therefore continues to be shown under NZ IAS 17. The Group's activities as a lessor are not material and therefore the Group has not recognised any changes to lessor accounting as a result of the transition to NZ IFRS 16.

Under NZ IFRS 16, a single lessee accounting model requires right-of-use assets and lease liabilities to be recognised in the balance sheet for most lease contracts at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charged and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a termination clause is reasonably certain not to be exercised. The Group has applied judgement to determine the discount rate applicable to each lease and the lease term for those lease contracts that include a renewal or termination option. The assessment of whether the Group is reasonably certain to either exercise a renewal option or not exercise a termination option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements to the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

The Group applies both the short-term and low value lease exemptions allowed under NZ IFRS 16 which recognises payments for leases of 12 months or less or leases of a low value on a straight-line basis as an expense in the income statement. The Group also adopted the following transition reliefs to:

- exclude initial direct costs in the measurement of the right-of-use asset as at the date of initial application;
- use the benefit of hindsight to assist in the assumptions and judgements regarding renewals; and
- rely on previous assessments on whether leases are onerous.

Refer to note 10 for further information on the adoption and impact of NZ IFRS 16.

Notes to the Consolidated Financial Statements (Continued)

NZ IFRIC 23

NZ IFRIC 23 is effective for the Group from 1 July 2019. NZ IFRIC Interpretation 23 "Uncertainty over income tax treatments" clarifies the recognition and valuation principles applicable to income tax risks. These risks arise when there is uncertainty related to a tax position adopted by the Group that could be challenged by the tax authorities. The Group has not identified any material impact to the financial statements at 1 July 2019 following the implementation of NZ IFRIC 23.

There are no other new standards, updates and interpretations published and effective whose impact could be significant for the Group.

2. Key estimates and judgements

2A. SIGNIFICANT ITEMS

Six months ended 31 December 2019

	Restructuring activity NZ\$M	Total NZ\$M
Australia	(35)	(35)
Total significant items before taxation	(35)	(35)
Tax benefit on above items	10	10
Total significant items after taxation	(25)	(25)

Restructuring activity

The Group has recognised a charge of \$35 million for restructuring costs, all of which relate to the continued strategic reset of the Australian businesses.

Six months ended 31 December 2018

	M&A Activity ⁽¹⁾ NZ\$M	Impairments ⁽²⁾ NZ\$M	Total NZ\$M
Formica and Roof Tile Group	(31)	(37)	(68)
Total significant items before taxation	(31)	(37)	(68)
Tax expense on above items	(3)		(3)
Total significant items after taxation	(34)	(37)	(71)

⁽¹⁾ M&A activity

On 1 November 2018 the Group divested the Roof Tile Group business for total proceeds of \$66 million. A net loss on sale of \$18 million was recorded, comprising a transaction loss of \$11 million and the reclassification of \$7 million of the foreign currency translation reserve. The Group incurred transaction costs during the period related to the sale of the Formica business of \$13 million.

⁽²⁾ Impairments

During the period, the Group recognised a \$37 million impairment charge relating to the Formica business, where goodwill was impaired to recognise the business as held for sale at the lower of carrying value and fair value less costs to sell.

Notes to the Consolidated Financial Statements (Continued)

Year ended 30 June 2019

	Restructuring activity ⁽¹⁾ NZ\$M	M&A Activity ⁽²⁾ NZ\$M	Total NZ\$M
Building Products	(10)		(10)
Australia	(78)		(78)
Formica and Roof Tile Group		(140)	(140)
Corporate	(6)		(6)
Total significant items before taxation	(94)	(140)	(234)
Tax benefit on above items	27	4	31
Total significant items after taxation	(67)	(136)	(203)

⁽¹⁾ Restructuring activity

The Group recognised a charge of \$94 million for restructuring costs, \$78 million in Australia, associated with the restructure of various businesses across the Group as an extension of the strategic reset that began in FY18. The restructuring included redundancies and property exit costs, as well as associated advisory costs incurred.

⁽²⁾ M&A activity

The Group divested its Formica and Roof Tile Group businesses for total proceeds of \$1.25 billion, resulting in a net loss on sale of \$140 million.

2B. SHARE BUYBACK

The Group commenced an on-market share buyback in September 2019. At 31 December 2019, the Group had repurchased 27,893,926 shares for total consideration of \$141 million. The purchased shares were subsequently cancelled, leaving the total number of shares on issue at 31 December 2019 of 825,453,215 shares. In line with NZ IFRS, \$0.1 million of transaction costs relating to the buyback were offset against equity.

2C. INTANGIBLE ASSET IMPAIRMENT TESTING

The Group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2019, the Group performed a review of indicators of impairment for all cash generating units (CGU) with significant intangible asset balances and considered each individual CGU for impairment indicators. There was no impairment required as a result of this review.

2D. SUPPLEMENTARY DISCLOSURES: EARNINGS PER SHARE

The below disclosure has been included to provide additional useful information by removing the impact of one-off events in the current and prior year, and the resulting impact on the earnings per share measure.

The effect of significant items on earnings per share is as follows:

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Net earnings after taxation (as per income statement)	82	89	164
Add back: Significant items after taxation (note 2A)	25	71	203
Net earnings before significant items	107	160	367
Net earnings per share before significant items (cents)	12.8	18.8	43.0
Net earnings per share from continuing operations before significant items (cents)	12.8	16.6	36.7
Net earnings per share - as reported per income statement (cents)	9.8	10.4	19.2

2E. SUPPLEMENTARY DISCLOSURES: CONSTRUCTION ACCOUNTING

Construction work-in-progress is stated at cost plus profit recognised to date, less progress billings. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Notes to the Consolidated Financial Statements (Continued)

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Construction contracts with cost and margin in advance	50	41	40
Contract assets	50	41	40
Construction contracts with billings in advance of costs and margin	80	120	119
Contract liabilities	80	120	119

During FY17 and FY18, the Group recognised significant provisions within the division as a number of these construction contracts were loss making. These projects were determined to be onerous contracts. The unavoidable costs related to loss making contracts have been included in provisions.

Estimates and judgements are made relating to a number of factors when assessing construction contracts. These primarily include the programme of work throughout the contract period, assessment of future costs after considering changes in the scope of work, maintenance and defect liabilities, expected inflation (for unlet sub-trades) and performance bonuses or penalties. Construction projects are inherently more uncertain earlier in their lifetime, which leads to a number of significant estimates and judgements being made at these early stages.

The significant judgements inherent in accounting for the Group's most material construction projects are:

- The extent to which a project progresses in line with the complex project programme and timetable previously formed and the resulting impact of any programme delays or gains on project costs, especially project overheads (preliminary and general costs) and any liquidated or other damages;
- Sub-contractor cost, in particular cost that is yet to be agreed in scope or price (including inflationary pressures) or that relating to programme prolongation;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope; and
- Future weather and ground conditions.

Status of construction projects (> \$200m original contract value) as at 31 December 2019

A summary of total contracted work under construction and details of the major construction projects and their approximate stage of completion is disclosed to demonstrate the uncertainty that remains on these projects.

	Business Unit	Percentage of completion (% cost)*	Forecast completion*
Commercial Bay - Fixed price contract	B+I	91%	2020
Pūhoi to Warkworth - Fixed price contract (Public Private Partnership)	Infrastructure	68%	2021
Hamilton City Edge Expressway - Alliance contract	Infrastructure / Higgins	69%	2021
Peka Peka to Ōtaki Expressway - Fixed price contract	Infrastructure / Higgins	56%	2021

* Due to early nature of the assessment associated with the NZICC fire, management has yet to quantify the estimates for the forecast completion date and percentage of completion (% cost).

Revenue Backlog by Business Unit as at 31 December 2019

	Current Revenue Backlog NZ\$M	Top 5 projects as a % of Revenue Backlog
Buildings + Interiors*	92	99%
Infrastructure	534	100%
Higgins	498	49%
Brian Perry Civil	333	72%
South Pacific	73	78%
	1,530	N/A

* Buildings + Interiors revenue backlog excludes the scope of work associated with October 2019 NZICC fire.

Revenue backlog refers to the level of construction work the Group is contracted to but is not yet complete as at period end. This represents the performance obligations that are yet to be completed for the construction contracts active as at 31 December 2019. The long term nature of the contracts held by the Infrastructure and Higgins businesses will see these performance obligations be completed over a period generally between one to five years, although some may extend longer.

Notes to the Consolidated Financial Statements (Continued)

New Zealand International Convention Centre (NZICC)

On 22 October 2019 there was a significant fire at the NZICC project construction site causing damage to both the International Convention Centre and Hobson Street Hotel.

Contract Works and Third Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited is an insured party under these policies.

Insurers for the project have confirmed that, based on their assessment to date, the Contract Works insurance policy will respond to loss and damage resulting from the fire. In December 2019, the insurers made a progress claims payment under this Contract Works policy.

The Third Party Liability insurance policy is expected to respond where legal liability exists and cases are being reviewed on a claim-by-claim basis. There are no third party claims or legal proceedings in respect of this matter that require additional provision in these financial statements.

The NZICC project continues to be accounted for under NZ IFRS 15: *Revenue from Contracts with Customers* and NZ IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*.

The Group has assessed all relevant known facts and circumstances related to the estimation of cost to complete and insurance recoveries and concluded based on current information that there is no impact to the NZICC forecast project loss as a result of the fire. The assessment required key judgments and estimates (including an assessment of the cost to complete remediation, the likelihood of receipt of insurance recoveries and quantification of any claims and costs that it is probable insurance will not cover) and as such is subject to change as the project progresses. The current estimated cost to complete is within insurance indemnity limits.

3. Segmental information

Segmental information is presented in respect of the Group's industry and geographical segments. The results of the previous Steel division have been consolidated into the Building Products division as announced during FY19.

Industry segments	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Gross Revenue			
Building Products	645	672	1,314
Distribution	824	809	1,596
Concrete	403	404	802
Residential and Development	224	251	639
Construction	774	866	1,702
Australia	1,453	1,557	3,024
Other	5	6	11
Group	4,328	4,565	9,088
Intercompany Revenue	(367)	(380)	(780)
External Revenue Per Income Statement	3,961	4,185	8,308
External Revenue			
Building Products	507	520	1,013
Distribution	805	786	1,552
Concrete	273	275	549
Residential and Development	224	251	639
Construction	742	842	1,622
Australia	1,410	1,511	2,933
Group	3,961	4,185	8,308
EBIT before significant items			
Building Products	66	87	160
Distribution	50	50	104
Concrete	49	42	84
Residential and Development	35	43	137
Construction	14	15	47
Australia	35	33	57
Corporate	(30)	(22)	(40)
Continuing operations	219	248	549
Significant items (note 2)	(35)		(94)
Group	184	248	455

Notes to the Consolidated Financial Statements (Continued)

	Six months Dec 2019* NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Depreciation, depletion and amortisation expense			
Building Products	26	9	17
Distribution	23	5	10
Concrete	38	25	50
Residential and Development	1		
Construction	19	10	21
Australia	68	32	62
Corporate	8	6	14
Group	183	87	174
Capital expenditure			
Building Products	17	18	55
Distribution	12	11	23
Concrete	33	17	65
Residential and Development	2	2	7
Construction	19	15	31
Australia	32	33	91
Corporate	4	4	13
Group	119	100	285
Funds*			
Building Products	716	748	723
Distribution	242	284	300
Concrete	629	638	656
Residential and Development	657	661	651
Construction	219	(113)	48
Australia	1,669	1,876	1,735
Other (including debt and taxation)	(336)	(1,094)	60
Group	3,796	3,000	4,173
Geographic segments External Revenue			
New Zealand	2,472	2,584	5,220
Australia	1,428	1,522	2,944
Other jurisdictions	61	79	144
Group	3,961	4,185	8,308
EBIT before significant items			
New Zealand	166	194	467
Australia	44	32	54
Other jurisdictions	9	22	28
Group	219	248	549
Funds*			
New Zealand	2,501	2,237	2,405
Australia	1,681	1,891	1,752
Other (including debt and taxation)	(386)	(1,128)	16
Group	3,796	3,000	4,173
Non-current assets⁺			
New Zealand	2,886	1,861	1,895
Australia	1,868	1,355	1,359
Other	48	43	45
Group	4,802	3,259	3,299

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

+ Excludes deferred tax assets, retirement plan surplus and financial instruments.

Notes to the Consolidated Financial Statements (Continued)

4. Taxation expense/(benefit)

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Continued earnings before taxation	114	186	339
Discontinued losses before taxation		(31)	(59)
	114	155	280
Taxation at 28 cents per dollar	32	43	78
Adjusted for:			
Difference in tax rates	(1)	(1)	(8)
Non assessable income	(1)	(1)	(5)
Non deductible expenses	1	19	38
Tax losses for which no deferred tax asset was recognised		5	9
Utilisation of previous unrecognised tax losses	(3)		(2)
Tax in respect of prior years		6	3
Other permanent differences		(10)	(11)
	28	61	102
Tax expense on earnings from continuing operations	28	39	80
Tax expense on earnings from discontinued operations		22	22
	28	61	102
Tax expense on earnings before significant items	38	58	133
Tax expense/(benefit) on significant items	(10)	3	(31)
	28	61	102

The net deferred tax asset balance of \$166 million at 31 December 2019 largely comprises construction losses provided for in the prior period which are expected to be deductible in future years. These losses relate to New Zealand projects, and it is expected there will be sufficient future earnings in New Zealand to utilise the deferred tax asset.

5. Borrowings

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Private placements	878	1,050	886
Bank loans		94	258
Capital notes	435	566	485
Other loans	23	89	68
Carrying value of borrowings (as per balance sheet)	1,336	1,799	1,697
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(114)	(84)	(107)
Economic debt	1,222	1,715	1,590
Less: Cash and cash equivalents	(570)	(320)	(1,372)
Net debt	652	1,395	218

Notes to the Consolidated Financial Statements (Continued)

Carrying value of borrowings included within the balance sheet as follows:

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Current borrowings	159	434	602
Non-current borrowings	1,177	1,354	1,095
Borrowings - classified as held for sale		11	
Carrying value of borrowings (as per balance sheet)	1,336	1,799	1,697
Less: Cash and cash equivalents	(570)	(284)	(1,372)
Less: Cash and cash equivalents – classified as held for sale		(36)	
Net debt (as per balance sheet)	766	1,479	325

6. 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).

All of the Group's derivatives are in designated hedge relationships and are measured and recognised at fair value. All 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 is 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 under level 2, by discounting future principal and interest cash flows at the current market interest rate plus an estimated credit margin that is available for similar financial instruments with a similar credit profile to the Group. The interest rates across all currencies used to discount future principal and interest cash flows are between 1.02% and 4.99% (December 2018: 1.69% and 6.68%; June 2019: 1.1% and 5.3%) including margins, for both accounting and disclosure purposes.

7. Contingencies and commitments

Contingent Liabilities

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, contingent liabilities or contingent assets to those disclosed in the 30 June 2019 annual report.

On 22 October 2019 there was a significant fire at the NZICC project construction site causing damage to both the International Convention Centre and Hobson Street Hotel. Contract Works and Third Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited is an insured party under these policies. Certain costs resulting from the fire may fall outside the scope of the Contract Works and Third Party Liability policies, with the possibility that recovery may be sought from the Group. As outlined in note 2E, such costs that are known or considered probable as at balance date have been included in the assessment of the onerous contract provision. It is possible that as the project progresses additional costs will be identified that will need to be included in the onerous contract provision or as a separate provision. Due to the uncertainty regarding whether additional costs will be identified and incurred post balance date, no additional amounts have been recognised or disclosed as at 31 December 2019.

Notes to the Consolidated Financial Statements (Continued)

8. Reconciliation of net earnings to net cash from operating activities

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Net earnings	82	89	164
Earnings attributable to minority interest	4	5	13
	86	94	177
Add/(Less) non-cash items:			
Depreciation, depletions and amortisation	183	113	199
Other non-cash items	3	9	108
Taxation	27	44	74
(Gain)/loss on disposal of businesses and property, plant and equipment	2	1	(1)
	215	167	380
Net working capital movements			
Residential and Development		(29)	(26)
Construction	(175)	(124)	(276)
Other divisions:			
Debtors	92	85	26
Inventories	(34)	(96)	(69)
Creditors	(189)	(211)	(59)
	(306)	(375)	(404)
Net cash from operating activities	(5)	(114)	153

9. Discontinued operations

The Group divested the Roof Tile Group and the Formica business during the prior year. The cash flow associated with discontinued operations is presented below:

	Six months Dec 2019 NZ\$M	Six months Dec 2018 NZ\$M	Year ended Jun 2019 NZ\$M
Cash flows from operating activities		24	28
Cash flows from investing activities		(38)	(59)
Cash flows from financing activities		(12)	(23)
Total cash flows from discontinued operations		(26)	(54)

Notes to the Consolidated Financial Statements (Continued)

10. Impact of NZ IFRS 16

The Group has a large number of leases, consisting of property, mobile plant and heavy machinery, commercial and passenger vehicles and IT equipment and photocopiers.

Property leases which include retail, manufacturing, distribution, storage and office sites have the most significant impact on adoption of NZ IFRS 16 given their high value and long lease terms with renewal options.

Impact on the consolidated balance sheet: Right-of-use asset

	Land NZ\$M	Buildings NZ\$M	Plant & machinery NZ\$M	Fixtures & fittings NZ\$M	Total NZ\$M
Six months ended 31 December 2019					
Opening net book value - retrospective application since lease commencement	17	1,226	131	37	1,411
Opening net book value - retrospective application since transition date	1	85	3		89
Reclassification of finance lease asset at 30 June 2019*			38		38
Opening net book value 1 July 2019	18	1,311	172	37	1,538
Additions and renewals		26	32	10	68
Depreciation	(1)	(63)	(19)	(9)	(92)
Disposals		(9)	(2)		(11)
Currency translation		(3)			(3)
Closing Balance 31 December 2019	17	1,262	183	38	1,500

* Finance lease asset has been reclassified to Right-of-use assets, previously reported as Property, plant and equipment.

Impact on the consolidated balance sheet: Lease liabilities

	Total NZ\$M
Six months ended 31 December 2019	
Opening net book value - retrospective application of standard since lease commencement	1,669
Opening net book value - application of standard since transition date	90
Reclassification of finance lease liability at 30 June 2019*	44
Opening net book value 1 July 2019	1,803
Additions	70
Repayments	(84)
Disposals	(8)
Currency translation	(4)
Closing Balance 31 December 2019	1,777

* Finance lease liability has been reclassified to Lease liabilities, previously reported as Other Loans in Borrowings (Note 5).

Impact on the consolidated income statement

	Total NZ\$M
Six months ended 31 December 2019	
Right-of-use asset depreciation	92
Lease interest expense	35
Total right-of-use asset depreciation and lease interest expense	127

Notes to the Consolidated Financial Statements (Continued)

Transition disclosures

(a) Weighted average incremental borrowing rate (IBR) rate on transition

These lease liabilities at 1 July 2019 were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average lessee's IBR applied to the lease liabilities on 1 July 2019 was 3.72%.

(b) Operating lease commitments reconciliation:

	NZ\$M
Operating lease commitments disclosed as at 30 June 2019 discounted using the Group's incremental borrowing rate of the date of initial application	2,293
Add: Reclassification of finance lease liability at 30 June 2019*	44
Less: Short-term and low-value leases recognised on a straight-line basis as expense	(6)
Less: Impact of discounting at the initial date of application	(528)
Lease liability recognised as at 1 July 2019	1,803

* Finance lease liability has been reclassified to Lease liabilities, previously reported as Other loans in Borrowings.

Impact on retained earnings

NZ IFRS 16 was applied using the modified retrospective approach without adjusting the figures for comparative periods. The transition resulted in recognition of right-of-use assets, right-of-use lease liabilities and deferred tax assets on 1 July 2019, with a net impact of \$183 million being recognised in retained earnings, summarised as follows:

	NZ\$M
Retained earnings - as reported 30 June 2019	898
Recognition of right-of-use assets	1,500
Recognition of right-of-use liability	(1,759)
Deferred tax consequences of above adjustments	76
Retained earnings as at 1 July 2019 (Restated)	715

11. Subsequent events

(a) Dividend announcement

On 19 February 2020, the Directors declared an interim dividend of 11.0 cents per share, payable on Thursday 9 April 2020.

(b) Sale process of Rocla business

On 19 February 2020, the Directors approved the launch of a formal sale process for the disposal of the Rocla business unit. The financial effects of this transaction have not been recognised at 31 December 2019.

Independent Auditor's Review Report



Chartered Accountants

REVIEW REPORT TO THE SHAREHOLDERS OF FLETCHER BUILDING LIMITED (“THE COMPANY”) AND ITS SUBSIDIARIES (TOGETHER “THE GROUP”)

We have reviewed the consolidated interim financial statements on pages 15 to 31, which comprise the consolidated balance sheet of the group as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows of the group for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of consolidated interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

REVIEWER'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

BASIS OF STATEMENT

A review of the consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those consolidated interim financial statements.

We have provided other services to the group in relation to taxation and other assurance services. We have no other relationship, or interest in, the group.

CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements, set out on pages 15 to 31, do not present fairly, in all material respects, the financial position of the group as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 19 February 2020 and our findings are expressed as at that date.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

Ernst & Young
Auckland