Our people. Stronger together.

Half Year Review

For the six months ended 31 December 2014

Fletcher Building

Snapshot

$224 Million

Operating earnings (earnings before interest and tax) compared with $281 million in the previous corresponding period

18c

Cents per share
Interim dividend
for the 2015
financial year

$4,327

Million

Revenue for the 6 months
to 31 December 2014

Half year in review

The trading result was driven by strong activity levels in New Zealand.

Dear shareholders, we are pleased to present Fletcher Building's unaudited interim results for the six months ended 31 December 2014.

The group recorded net earnings after tax of $114 million, compared with $154 million in the prior corresponding period.

Reported operating earnings included significant items of $66 million relating to site closure costs and impairment of goodwill. Site closure costs of $34 million included the closure of the Crane Copper Tube business in Sydney, along with the closure of several other manufacturing facilities.

Net earnings before significant items were up strongly, with an 11% increase to $171 million.

Operating earnings (earnings before interest and tax) were $224 million, compared with $281 million in the prior period. Operating earnings excluding significant items were $290 million, up 3% on the prior corresponding period.

Revenue for the period of $4,327 million was 1% higher. Adjusting for the sale of businesses announced in the prior year, underlying revenue was up $108 million or 3%.

Cash flow from operations before net working capital movements was $282 million, up from $267 million. This increase was offset by the cash impacts of increased residential land acquisitions for Fletcher Living, our home development business, and the one-off purchase of the group's head office campus in Auckland. We are in the process of redeveloping the campus and will look to re-sell the site in due course. As a result of these two initiatives, cash flow from operating activities of $146 million was $33 million lower than the prior period.

An interim dividend of 18 cents per share has been declared, which is in line with the dividend paid in the prior period.

The trading result was driven by strong activity levels in New Zealand. Our New Zealand businesses have continued to perform well and we've enjoyed strong demand for our products driven by the buoyant construction market. New Zealand

Left
Sir Ralph Norris
Chairman of Directors

Right
Mark Adamson
CEO

$171m

Net earnings before significant items increased by 11%

$290m

Operating earnings before significant items up 3% in the period

Half year in review continued

operating earnings were up 20% in the first half. The forward order book for our construction business now stands at $2 billion, reflecting very strong future commitments in both the commercial and infrastructure sectors.

Other markets have been more mixed for us. In Australia, the residential market had another strong half, and this benefitted a number of our businesses, particularly Laminex. The downturn in mining investment and reduced government expenditure on infrastructure projects, however, continued to have a negative impact on our results.

Further afield, we had continued growth in earnings from our Formica business in North America, but increased competition in China offset stronger markets elsewhere in Asia, while Europe continued to be challenging.

Good progress continued to be made during the period in implementing the FBUnite business transformation programme, and FBUnite is now completely integrated into the group's operating model. Additional cost savings and efficiency benefits delivered in the half year to 31 December 2014 were approximately $14 million and the programme is on track to deliver a $25 million reduction in operating costs and efficiency benefits in total for the year.

Outlook

Looking ahead to the balance of the year, we expect the strong activity levels encountered in New Zealand in the first half of the year to continue. Residential housing consents have remained above the long-run trend due to the strong migration flows coupled with continued demand for new housing in Canterbury and Auckland. The outlook for commercial construction is encouraging with consents up significantly over the past six months, and government expenditure on infrastructure projects will continue at current levels throughout 2015 and beyond.

In Australia, residential construction markets are expected to remain strong for the balance of the year. The non-residential outlook remains challenging with declining private sector mining investment and reduced near-term government expenditure on core road and rail infrastructure projects. Commercial construction activity is not forecast to lift materially from current levels.

North America is expected to track moderately higher in terms of residential and commercial construction activity levels. Conditions in Europe are expected to remain mixed with some markets improving but with a generally weak economic outlook and the risk of further instability in Eastern Europe.

Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

Guidance for earnings for the 2015 financial year is unchanged from what was outlined at the shareholders' meeting last October, with operating earnings (earnings before interest, tax and significant items) expected to be within the range of $650 million to $690 million. However, due to the deterioration in mining and infrastructure sectors in Australia we expect operating earnings to be towards the lower end of the range.

Sir Ralph Norris
Chairman of Directors

Mark Adamson
CEO

Heavy Building Products

Heavy Building Products reported operating earnings were $49 million, compared with $90 million in the prior corresponding period. The result includes significant items of $25 million relating to the closure of the Crane Copper Tube factory in Penrith and a concrete pipe plant in New Zealand. Overall, revenues were down for the period with increased volumes and revenues in New Zealand more than offset by lower revenues in Australia.

Operating earnings before significant items of the New Zealand Concrete Products businesses increased by 63% to $26 million, reflecting the buoyant Auckland residential market and demand from major infrastructure projects.

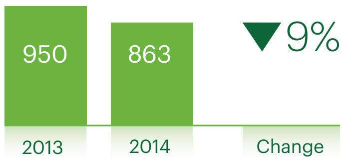
The New Zealand Cement and Quarry Products businesses recorded a 55% increase in operating earnings to $31 million, with growth in demand in most regions, particularly in Christchurch.

Operating earnings in Australian Concrete Products declined as a result of lower volumes particularly in the infrastructure and mining sectors. Australian Quarry Products operating earnings were adversely impacted by product mix.

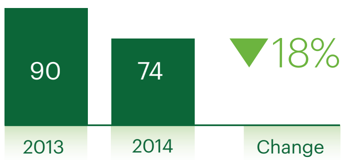
The Plastic Pipes businesses recorded a $3 million operating loss due to increased competition and a marked reduction in demand from coal seam gas projects in Australia. Lifting performance is a key focus for the second half and beyond, including reducing the cost base and improving the competitiveness of the business.

Six months ended 31 December

Revenue



Operating earnings before significant items[(1)]



[(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 six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Light Building Products

Light Building Products operating earnings excluding significant items were $51 million. Significant items of $9 million were incurred relating to the closures of the Christchurch glasswool insulation plant and a Sydney insulated panels plant.

Revenue in New Zealand and Australia grew by 2% but was partly offset by a 10% decline in revenue in the Roof Tile Group, principally in North America and Europe.

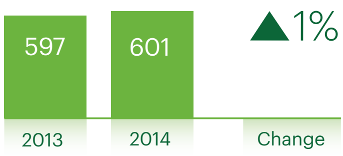
Operating earnings excluding significant items in the New Zealand Building Materials businesses increased by $2 million, as strong activity levels led to increased volumes of plasterboard, insulation and windows and doors products.

Operating earnings excluding significant items in the Australian Building Materials businesses increased by $3 million. Glasswool insulation volumes were 12% higher due to improved economic activity and market share increases, and earnings also benefitted from restructuring initiatives. Roll-forming volumes were slightly ahead but margins declined due to increased input and materials costs.

Operating earnings in the Roof Tile Group fell by $5 million. North America has suffered from increasing competition in Southern States and Eastern European demand was adversely affected by both economic and political instability. Asian and African markets grew by 9% with new product success in Japan and continued strength in African markets.

Six months ended 31 December

Revenue



Operating earnings before significant items[1]

[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 six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Laminates & Panels

Operating earnings for Laminates & Panels were $57 million, up 8% from $53 million in the prior corresponding period. Revenue was up 4%.

Laminex operating earnings were $37 million, up by 37% from $27 million. Australian revenues in domestic currency were 10% higher, driven by increased activity in the residential and commercial sectors as well as product growth initiatives. New Zealand revenues were up 6%.

Competitive pressures remained strong and the business continued its programme of operational and cost productivity whilst pursuing a number of revenue and margin initiatives.

Operating earnings for Formica were $20 million, down 23%. Revenue in domestic currencies was up 3% on the prior corresponding period.

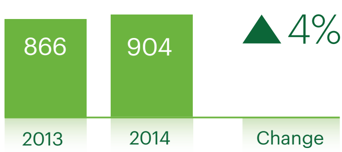
In North America operating earnings in domestic currencies were up 17%, driven by improved margins and further operational and efficiency gains.

Revenues in Asia were up 4% in domestic currencies, however, operating earnings were down 35%, reflecting softening demand and market activity in China, as well as costs associated with the ramp-up in operations at the new plant in Jiujiang.

Revenues in Europe in domestic currencies rose by 2%, however, the operating loss was slightly higher. Activity levels varied significantly by country with improvements in Spain and Scandinavia offset by declines in Central and Eastern Europe.

Six months ended 31 December

Revenue



Operating earnings

Distribution

New Zealand

Operating earnings excluding significant items[1] were $43 million, up 5%. Building Supplies revenues of $641 million were 8% higher than the prior corresponding period, due to ongoing positive trading conditions in PlaceMakers and Mico. Operating earnings excluding significant items were up 12% to $29 million. Competitive pressures capped margins, but this was offset by operational efficiencies and category mix changes.

During the period four Mico and PlaceMakers branches were co-located leading to an enhanced customer offering whilst delivering operational efficiencies.

Steel Distribution revenues of $139 million were 7% higher driven by strong customer demand for steel products and steel reinforcing solutions. Operating earnings were down due to manufacturing issues experienced at Pacific Coil Coaters.

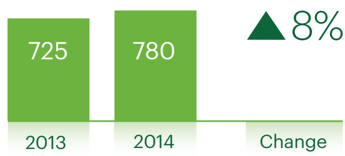
Australia

Australian Distribution operating earnings of NZ$6 million were down from NZ$8 million in the prior corresponding period, primarily due to the sale of the Hudson Building Supplies business during the period.

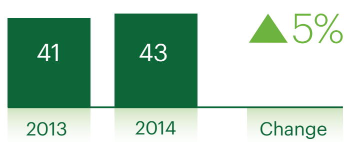
The Tradelink business recorded a 4% increase in revenues as a result of business initiatives and improved residential and commercial building activity. Over the last 18 months, Tradelink has refocused and aligned its resources to deliver an improved proposition to the trade customer. This has resulted in new and improved plumbing products being introduced to the market place, along with better stock availability and in store service and convenience.

Distribution New Zealand
Six months ended 31 December

Revenue



Operating earnings before significant items[2]



(1) The significant item relates to a $16 million impairment of goodwill in the Forman Distribution business.
(2) 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 six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Construction

Operating earnings excluding significant items[(1)] were $79 million, an increase of 41% on the prior corresponding period.

The increase reflects strong performance across New Zealand and the South Pacific in the winning and delivery of infrastructure and building projects, as well as continued growth in the volume and value of residential homes constructed and sold.

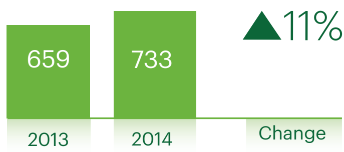
The backlog of work has increased by $200 million since June 2014 to $2 billion, with major additions including the Kirkbride Rd Interchange (Auckland), Momi Resort (Fiji), Victoria University Gateway Building and University of Canterbury Research, Science and Innovation Centre.

As project manager for the Earthquake Commission (EQC) in Canterbury, Fletcher Construction has now completed over 65,000 home repairs. The current commercial arrangement with EQC expires in April 2015, however, EQC have confirmed that Fletcher Construction will complete the remaining delayed claims, post April 2015.

Fletcher Living is looking to treble its volume of property sales over the next three years. A number of major consent processes are underway, including the redevelopment of the quarry at Three Kings, Manukau Golf Course and a number of Special Housing Areas in Auckland. In Christchurch, agreement was reached with the government to build over 200 residential properties.

Six months ended 31 December

Revenue



Operating earnings before significant items[(2)]

[(1)] The significant item relates to a $16 million impairment of goodwill in the Forman Contracting business.
[(2)] 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 six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Financial review

Funding

Total available funding as at 31 December 2014 was $2,396 million. Of this, approximately $543 million was undrawn and there was an additional $124 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $228 million and a further $74 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and available cash.

The group's gearing[(1)] at 31 December 2014 was 34.1% compared with 33.1% at 31 December 2013. This is within the target range of 30–40%.

The group's leverage[(2)] at 31 December 2014 was 2.28 times compared with 2.22 times at 31 December 2013. This is within the target range of 2.0–2.5 times.

The average maturity of the debt is 4 years and the hedged currency split is 44% Australian dollar; 37% New Zealand dollar; 11% US dollar; and 8% spread over various other currencies.

Approximately 51% of all borrowings have fixed interest rates with an average duration of 3.3 years and a rate of 6.96%. Inclusive of floating rate borrowings, the average interest rate on the group's debt is approximately 6.02%.

Interest coverage[(3)] for the period was 4.4 times compared with 3.9 times in the previous corresponding period.

Cash flow

Cash flows from operating activities of $146 million were $33 million lower than the prior corresponding period, however, cash flows from operations before net working capital movements were $282 million, up from $267 million. The increase before net working capital movements was more than offset by the cash impacts of further residential land acquisitions in Auckland for future development ($57 million) and the purchase of the group's head office campus in Auckland ($43 million). The latter is included as a 'held for sale' current asset pending planned marketing initiatives to sell and lease back the property.

Capital expenditure was $116 million, compared with $97 million in the prior corresponding period. Of this total, $72 million was for stay-in-business capital projects, including $13 million on major IT projects and $44 million related to new growth initiatives. For the 2015 full financial year capital expenditure is expected to be at the lower end of the guidance range of $275 million to $325 million.

Dividend

The 2015 interim dividend is 18 cents per share. The dividend will not be franked for Australian tax purposes and will not be imputed for New Zealand tax purposes. Accordingly, a supplementary dividend will not be payable to non-New Zealand shareholders.

(1) Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.
(2) Interest bearing net debt (including capital notes) to EBITDA before significant items (annualised).
(3) EBIT before significant items to total interest paid including capital notes interest.

Due to the reduction in Australian earnings, there are insufficient Australian franking credits available for distribution with the 2015 interim dividend. However, in line with the group's tax crediting policy, the 2015 final dividend is expected to be fully imputed for New Zealand tax purposes.

The dividend will be paid on 15 April 2015 to holders registered as at 5.00 pm Friday 27 March 2015 (NZT). Shares will be quoted on an ex-dividend basis from 25 March 2015 on the NZX and ASX. A dividend summary is provided on page 28.

Dividend reinvestment plan

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan, under which they have the opportunity to reinvest their dividends in additional shares. The Dividend Reinvestment Plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Monday 30 March 2015. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 25 March 2015. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 15 April 2015.

Financial highlights (unaudited)
For the six months ended 31 December 2014

	Fletcher Building Group		
	Six months Dec 2014	**Six months Dec 2013**	**Year ended June 2014**
Return on average funds employed (% annualised) [1]	**8.6**	11.0	11.7
Return on average equity (% annualised) [2]	**6.5**	8.9	9.9
Earnings per share (cents)	**16.6**	22.4	49.3
Dividends per share (cents)	**18.0**	18.0	36.0
Gearing (%) [3]	**34.1**	33.1	32.3
Leverage (times, annualised) [4]	**2.3**	2.2	2.0
Interest cover (times) [5]	**4.4**	3.9	4.8

(1) EBIT after significant items to average funds (net debt and equity less deferred tax asset).
(2) Net earnings attributable to shareholders after significant items to average shareholders' funds.
(3) Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.
(4) Interest bearing net debt (including capital notes) to EBITDA before significant items.
(5) EBIT before significant items to total interest paid including capital notes interest.

Financial statements

Consolidated income statement (unaudited)
For the six months ended 31 December 2014

		Fletcher Building Group		
	Notes	Six months Dec 2014 NZ$M	Six months Dec 2013 NZ$M	Year ended June 2014 NZ$M
Sales		**4,327**	4,273	8,401
Cost of goods sold		**(3,268)**	(3,198)	(6,294)
Gross margin		**1,059**	1,075	2,107
Selling and marketing expenses		**(453)**	(485)	(929)
Administration expenses		**(320)**	(298)	(563)
Share of profits of associates and joint ventures		**12**	12	24
Other investment income				1
Other gains/(losses)	3	**(8)**	(23)	(16)
Significant items	4	**(66)**		(32)
Earnings before interest and taxation (EBIT)		**224**	281	592
Funding (costs)/income		**(66)**	(72)	(130)
Earnings before taxation		**158**	209	462
Taxation expense	5	**(40)**	(50)	(111)
Earnings after taxation		**118**	159	351
Earnings attributable to non-controlling interests		**(4)**	(5)	(12)
Net earnings attributable to the shareholders		**114**	154	339
Net earnings per share (cents)				
Basic		**16.6**	22.4	49.3
Diluted		**16.6**	22.4	49.2
Weighted average number of shares outstanding (millions of shares)				
Basic		**688**	686	687
Diluted		**688**	696	714
Dividends declared per share (cents)		**18.0**	18.0	36.0

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 2014

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	Six months Dec 2013 NZ$M	Year ended June 2014 NZ$M
Net earnings attributable to shareholders	**114**	154	339
Net earnings attributable to non-controlling interests	**4**	5	12
Net earnings	**118**	159	351
Other comprehensive income			
Items that do not subsequently get reclassified to profit or loss:			
Movement in pension reserve		1	9
		1	9
Items that may be reclassified subsequently to profit or loss in the future:			
Movement in cash flow hedge reserve	**10**	12	9
Movement in currency translation reserve	**21**	(176)	(245)
	31	(164)	(236)
Income and expense recognised directly in equity	**31**	(163)	(227)
Total comprehensive income for the period	**149**	(4)	124

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

Financial statements
continued

Consolidated balance sheet (unaudited)
As at 31 December 2014

		Fletcher Building Group		
	Notes	Dec 2014 NZ$M	Dec 2013 NZ$M	June 2014 NZ$M
Assets				
Current assets:				
Cash and deposits		**124**	145	134
Current tax assets		**44**	53	55
Derivatives		**10**	7	6
Debtors		**1,283**	1,214	1,401
Inventories		**1,411**	1,380	1,362
Assets held for sale		**43**		
Total current assets		**2,915**	2,799	2,958
Non-current assets:				
Property, plant and equipment		**2,131**	2,153	2,126
Goodwill		**1,099**	1,158	1,122
Intangible assets		**478**	487	474
Investments in associates and joint ventures		**135**	127	133
Other investments		**63**	42	62
Derivatives		**83**	53	41
Deferred tax assets		**21**	24	25
Total non-current assets		**4,010**	4,044	3,983
Total assets		**6,925**	6,843	6,941

On behalf of the Board, 18 February 2015

Sir Ralph Norris
Chairman of Directors

Mark Adamson
CEO

		Fletcher Building Group		
	Notes	Dec 2014 NZ$M	Dec 2013 NZ$M	June 2014 NZ$M
Liabilities				
Current liabilities:				
Creditors and accruals		**1,118**	1,141	1,234
Provisions		**63**	54	54
Current tax liabilities		**16**	18	22
Derivatives		**15**	17	18
Construction contracts		**108**	77	130
Borrowings	6	**302**	174	138
Total current liabilities		**1,622**	1,481	1,596
Non-current liabilities:				
Creditors and accruals		**49**	43	66
Provisions		**14**	18	14
Retirement plan liabilities		**75**	77	79
Deferred tax liabilities		**51**	36	50
Derivatives		**39**	47	38
Borrowings	6	**1,612**	1,687	1,644
Total non-current liabilities		**1,840**	1,908	1,891
Total liabilities		**3,462**	3,389	3,487
Equity				
Share capital		**2,624**	2,624	2,624
Reserves		**817**	797	795
Shareholders' funds		**3,441**	3,421	3,419
Non-controlling interests		**22**	33	35
Total equity		**3,463**	3,454	3,454
Total liabilities and equity		**6,925**	6,843	6,941

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

Financial statements
continued

Consolidated statement of movements in equity (unaudited)
For the six months ended 31 December 2014

	Fletcher Building Group								
	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interests	Total equity
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Total equity at 30 June 2013	2,606	1,078	1	(31)	(55)	(80)	3,519	35	3,554
Total comprehensive income for the period		154		12	(176)	1	(9)	5	(4)
Movement in non-controlling interests								(7)	(7)
Issue of shares	17						17		17
Dividends paid to shareholders of the parent		(117)					(117)		(117)
Movement in share-based payment reserve			10				10		10
Movement in treasury stock	1						1		1
Total equity at 31 December 2013	2,624	1,115	11	(19)	(231)	(79)	3,421	33	3,454
Total equity at 30 June 2013	2,606	1,078	1	(31)	(55)	(80)	3,519	35	3,554
Total comprehensive income for the year		339		9	(245)	9	112	12	124
Movement in non-controlling interests								(12)	(12)
Issue of shares	17						17		17
Dividends paid to shareholders of the parent		(240)					(240)		(240)
Movement in share-based payment reserve			10				10		10
Movement in treasury stock	1						1		1
Total equity at 30 June 2014	2,624	1,177	11	(22)	(300)	(71)	3,419	35	3,454
Total comprehensive income for the period		114		10	21		145	4	149
Movement in non-controlling interests								(17)	(17)
Dividends paid to shareholders of the parent		(124)					(124)		(124)
Movement in share-based payment reserve			1				1		1
Total equity at 31 December 2014	**2,624**	**1,167**	**12**	**(12)**	**(279)**	**(71)**	**3,441**	**22**	**3,463**

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

Consolidated statement of cash flows (unaudited)
For the six months ended 31 December 2014

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
Cash flow from operating activities			
Receipts from customers	**4,399**	4,326	8,323
Dividends received	**7**	4	12
Total received	**4,406**	4,330	8,335
Payments to suppliers, employees and other	**4,168**	4,053	7,642
Interest paid	**63**	66	131
Income tax paid	**29**	32	73
Total applied	**4,260**	4,151	7,846
Net cash from operating activities	**146**	179	489
Cash flow from investing activities			
Sale of property, plant and equipment	**8**	9	13
Sale of investments			1
Sale of subsidiaries/businesses	**21**		21
Total received	**29**	9	35
Purchase of property, plant and equipment and intangible assets	**116**	97	260
Purchase of subsidiaries/businesses		4	4
Total applied	**116**	101	264
Net cash from investing activities	**(87)**	(92)	(229)

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

Financial statements continued

Consolidated statement of cash flows (unaudited) continued
For the six months ended 31 December 2014

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
Cash flow from financing activities			
Net debt drawdown	**73**	47	25
Issue of capital notes			13
Total received	**73**	47	38
Repurchase of capital notes			43
Distribution to non-controlling interests	**19**	8	14
Dividends	**124**	100	224
Total applied	**143**	108	281
Net cash from financing activities	**(70)**	(61)	(243)
Net movement in cash held	**(11)**	26	17
Add opening cash and liquid deposits	**134**	123	123
Effect of exchange rate changes on net cash	**1**	(4)	(6)
Closing cash and deposits	**124**	145	134

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

Reconciliation of net earnings to net cash from operating activities (unaudited)
For the six months ended 31 December 2014

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
Cash was received from:			
Net earnings	**114**	154	339
Earnings attributable to non-controlling interests	**4**	5	12
	118	159	351
Adjustment for items not involving cash:			
Depreciation, depletions, and amortisation	**103**	104	203
Significant items	**60**		22
Provisions and other adjustments	**(11)**	(15)	(34)
Taxation	**11**	18	38
(Gain)/loss on disposal of businesses and property, plant and equipment	**1**	1	(1)
Non-cash adjustments	**164**	108	228
Cash flow from operations before net working capital movements	**282**	267	579
Net working capital movements	**(136)**	(88)	(90)
Net cash from operating activities	**146**	179	489
Net working capital movements			
Debtors	**100**	75	(108)
Inventories	**(5)**	(83)	(76)
Land and developments	**(57)**	(4)	(28)
Assets held for sale	**(43)**		
Contracts	**(23)**	(22)	32
Creditors	**(108)**	(54)	90
	(136)	(88)	(90)

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

Financial statements
continued

Breakdown of financial performance (unaudited)
For the six months ended 31 December 2014

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
Gross sales			
Heavy Building Products	**1,055**	1,167	2,274
Light Building Products	**681**	673	1,312
Laminates & Panels	**909**	875	1,731
Distribution New Zealand	**879**	823	1,650
Distribution Australia	**447**	477	928
Construction	**741**	669	1,301
Other	**3**	4	7
Total	**4,715**	4,688	9,203
Intercompany sales	**(388)**	(415)	(802)
External sales per income statement	**4,327**	4,273	8,401
External Sales			
Heavy Building Products	**863**	950	1,859
Light Building Products	**601**	597	1,166
Laminates & Panels	**904**	866	1,710
Distribution New Zealand	**780**	725	1,462
Distribution Australia	**446**	476	927
Construction	**733**	659	1,277
External sales per income statement	**4,327**	4,273	8,401

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
EBIT before significant items			
Heavy Building Products	**74**	90	214
Light Building Products	**51**	51	116
Laminates & Panels	**57**	53	124
Distribution New Zealand	**43**	41	84
Distribution Australia	**6**	8	17
Construction	**79**	56	106
Other	**(20)**	(18)	(37)
Total	**290**	281	624
Significant items	**(66)**		(32)
Earnings before interest and taxation (EBIT) per income statement	**224**	281	592
Funds *			
Heavy Building Products	**1,676**	1,719	1,719
Light Building Products	**614**	647	637
Laminates & Panels	**1,785**	1,746	1,702
Distribution New Zealand	**309**	318	332
Distribution Australia	**395**	421	406
Construction	**190**	134	141
Other (including debt and taxation)	**(1,506)**	(1,531)	(1,483)
Total	**3,463**	3,454	3,454

During the period, there were changes to the organisational structure which resulted in two new divisions – Heavy Building Products and Light Building Products - being formed. In addition to these two new divisions, a number of business units have been incorporated into the Distribution New Zealand division. Prior period data has been re-presented.

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

Notes to the consolidated financial statements

1. Basis of presentation

The condensed consolidated interim financial statements presented are those of Fletcher Building Limited and its subsidiaries (the "group"). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The group is a profit oriented entity. The condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They comply with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2014 annual report available on the group website at www.fbu.com.

2. Changes in accounting policies

There have been no changes in accounting policies in the six months ended 31 December 2014, however, certain comparatives have been re-presented to conform with the current period's presentation.

3. Other gains and losses

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	**Six months Dec 2013 NZ$M**	**Year ended June 2014 NZ$M**
Other gains/(losses) include the following:			
Sale of assets	**3**		2
Redundancies and restructuring costs	**(7)**	(20)	(18)
Other gains/(losses)	**(4)**	(3)	
	(8)	(23)	(16)

4. Significant items

Six months ended 31 December 2014

	Fletcher Building Group		
	Site closure costs (1) NZ$M	**Impairment of goodwill (2) NZ$M**	**Total NZ$M**
Heavy Building Products division	**25**		25
Light Building Products division	**9**		9
Distribution New Zealand division		16	16
Construction division		16	16
Total significant items before taxation	**34**	32	66
Tax (benefit)/charge on above items	**(9)**		(9)
Total significant items after taxation	**25**	32	57

(1) In the six months ended 31 December 2014 the group has recognised a charge of $34 million for costs associated with closing a number of sites:

- $19 million relating to the closure of the Crane Copper Tube factory in Penrith, due to a decision to exit the copper tube manufacturing business;
- $6 million relating to the closure of Stramit's insulated panels plant;
- $6 million relating to the closure of the Humes Rolleston pipe plant as part of a strategic review; and
- $3 million relating to the insulation manufacturing plant in Hornby, following a consolidation of operations in New Zealand.

(2) In the six months ended 31 December 2014 the group has recognised a $32 million impairment charge, which relates to a write-down of goodwill in the Forman business. Since the annual impairment review in June 2014 changes in forecasts have led management to conclude that the recoverable amount of the Forman business had declined and that the carrying value of goodwill was no longer supported. The decline in forecasts was principally due to lower long-term earnings expectations as a result of challenging industry conditions. The recoverable amount of Forman was determined based on value in use and, other than forecast cash flows, all other valuation assumptions remain consistent with the group's June 2014 impairment review.

Notes to the consolidated financial statements continued

4. Significant items continued

Six months ended 31 December 2013

There were no items or transactions separately disclosed as significant items in the six months ended 31 December 2013.

Year ended 30 June 2014

	Fletcher Building Group		
	Business disposal income and expenses NZ$M	**Impairment of Property, plant and equipment NZ$M**	**Total NZ$M**
Heavy Building Products division (1)	**5**	15	20
Distribution Australia division (2)	**12**		12
Total significant items before taxation	**17**	15	32
Tax (benefit)/charge on above items	**(5)**	(4)	(9)
Total significant items after taxation	**12**	11	23

(1) The group sold parts of the Pacific Steel Group to BlueScope Steel Limited in June 2014 in a transaction with sale proceeds of $60 million and a further consideration for net working capital of $52 million. The gain on sale, offset by transaction costs, amounted to a $4 million charge. In addition, there was a $15 million adjustment to retained asset carrying values. Included in other receivables at 30 June 2014 was an amount of $82 million relating to deferred consideration.

In a separate transaction, a $1 million loss was recorded on the sale of the group's investment in Fiji Industries Limited, a concrete business.

(2) In June 2014 the group entered into an agreement to sell its Hudson Building Supplies business to HTH Stores Pty Limited. Due to the anticipated loss on sale of $12 million, the group recorded an impairment charge against goodwill of $8 million and provided for $4 million of other charges related to the disposal.

5. Taxation expense

	Fletcher Building Group		
	Six months Dec 2014 NZ$M	Six months Dec 2013 NZ$M	Year ended June 2014 NZ$M
Earnings before taxation:	**158**	209	462
Taxation at 28 cents per dollar	**44**	59	129
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	**(1)**	(1)	(1)
Non assessable income	**(4)**	(3)	(9)
Non deductible expenses	**11**	1	5
Tax in respect of prior years	**2**	2	7
Tax losses not recognised	**2**	3	3
Other permanent differences	**(14)**	(11)	(23)
	40	50	111
Tax on earnings before significant items	**49**	50	120
Tax benefit on significant items	**(9)**		(9)
	40	50	111

6. Borrowings

	Fletcher Building Group		
	Dec 2014 NZ$M	Dec 2013 NZ$M	June 2014 NZ$M
Borrowings – current	**302**	174	138
Borrowings – non-current	**1,612**	1,687	1,644
Carrying value of borrowings (as per balance sheet)	**1,914**	1,861	1,782
Less impact of debt hedging activities (included within derivatives)	**(28)**	(10)	5
Borrowings after impact of hedging activities	**1,886**	1,851	1,787
Less fair value hedge adjustment included in borrowings	**(33)**	(17)	(25)
Borrowings excluding derivative adjustments	**1,853**	1,834	1,762
Total available funding	**2,396**	2,451	2,378
Unutilised banking facilities	**543**	617	616

In addition the group had $124 million of cash on hand at 31 December 2014. (31 December 2013: $145 million; 30 June 2014: $134 million).

7. Goodwill

The group tests goodwill for impairment annually and considers indicators of impairment at each interim reporting date. As part of our impairment tests, each business unit which carries goodwill prepares a discounted cash flow on a value-in-use basis, using past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine expectations for the future. These cash flow projections are principally based on the group's three year strategic plan approved by the directors, which has been extended for a further two years.

The group operates in cyclical markets, which face uncertain market conditions that make it difficult to predict future profitability. Residential markets are still below long-term averages in many jurisdictions, however, there has been a continued improvement experienced in New Zealand and USA.

The group has identified certain business units where the review indicated the recoverable amount was only marginally in excess of the carrying amount. Management has implemented a number of strategies and initiatives to achieve an appropriate improvement in earnings. To the extent that these strategies and initiatives do not eventuate, or if there are adverse longer-term impacts from the underlying economies in which the group's businesses operate, this could lead to future impairments being recognised.

Moreover, given current challenging trading conditions in some of the group's businesses in Australia, to the extent that these conditions are either prolonged, or decline further, this could lead to future asset impairments. If so, such impairments would be treated as significant items for the purposes of financial reporting. The group will continue to monitor its long-term forecasts and estimates in assessing the value in use of its businesses.

8. Fair Value Measurement

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

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

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

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

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

Fair value disclosures

The fair values of borrowings used for disclosure are measured by discounting future principal and interest cash flows at current market interest rates plus an estimated credit margin that are available for similar financial instruments. The interest rates across all currencies used to discount future principal and interest cash flows are between 1.37% and 9.42% (December 2013: 1.18% and 11.03%; June 2014: 1.17% and 10.04%) including margins.

9. Contingencies and commitments

Provision has been made in the ordinary course of business for all known and probable future claims to the extent they can be reliably measured. There have been no material movements in capital expenditure commitments, lease commitments, contingent liabilities or contingent assets to those disclosed in the 2014 annual report.

10. Subsequent events

On 18 February 2015 the directors declared a dividend of 18 cents per share, payable on 15 April 2015.

Dividend information

2015 Interim dividend summary table [1]

NZ cents per share	NZ residents on top marginal tax rate of 33%	Australian residents on top marginal tax rate of 49%	Australian residents on 15% tax rate	Other non residents [8]
Dividend declared	18.0000	18.0000	18.0000	18.0000
NZ imputation credits [2]	0.0000			
NZ supplementary dividend [3]		0.0000	0.0000	0.0000
Australian franking credits [4]		0.0000	0.0000	
Gross dividend for NZ tax purposes	**18.0000**	**18.0000**	**18.0000**	**18.0000**
NZ tax (33%) [5]	(5.9400)			
NZ non-resident withholding tax (15%) [6]		(2.7000)	(2.7000)	(2.7000)
Net cash received after NZ tax	**12.0600**	**15.3000**	**15.3000**	**15.3000**
Australian tax (49% and 15%) [7]		(8.8200)	(2.7000)	
Reduced by offset for NZ non-resident withholding tax		2.7000	2.7000	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**12.0600**	**9.1800**	**15.3000**	**15.3000**

Notes:

(1) This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent tax advice.

(2) No imputation credits are attached to this dividend.

(3) A supplementary dividend is only payable to non-New Zealand shareholders if the dividend is fully or partly imputed. It has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT) on that part of the dividend which has imputation credits attached. As noted above, no imputation credits are attached to this dividend. Accordingly, no supplementary dividend is payable.

(4) There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.

(5) For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33%. Accordingly, for those shareholders, a deduction of 5.94 cents per share will be made on the date of payment from the dividend declared of 18.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a credit for the difference between the 33% RWT deduction and their marginal tax rate.

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

(7) This summary uses two examples of the effect of tax in Australia. The first uses the top marginal tax rate of 49%, including the Medicare levy and the Temporary Budget Repair Levy. The second example uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

The Australian tax is calculated as:	**49% rate**	**15% rate**
gross dividend for NZ tax purposes	18.0000	18.0000
plus franking credits	0.0000	0.0000
gross dividend for Australian tax purposes	18.0000	18.0000
Australian tax	8.8200	2.7000

(8) This illustration does not purport to show the taxation consequences of the dividend for non-residents of New Zealand or Australia. Shareholders resident in other countries are encouraged to consult their own taxation adviser.

Shareholder information

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

New Zealand
Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
New Zealand
T. +64 9 488 8777
F. +64 9 488 8787
E. enquiry@computershare.co.nz

Australia
Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001, Australia
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia
T. 1800 501 366 (within Australia)
T. +61 3 9415 4083 (outside Australia)
F. +61 3 9473 2009

Other investor enquiries
Fletcher Building Limited
Private Bag 92 114
Auckland 1142, New Zealand
T. +64 9 525 9000
E. moreinfo@fbu.com

Other information
fbu.com

Registered offices

New Zealand
Fletcher Building Limited
Private Bag 92 114
Auckland 1142
New Zealand
Fletcher House
810 Great South Road
Penrose, Auckland 1061
New Zealand
T. +64 9 525 9000

Australia
Fletcher Building Australia
Locked Bag 7013
Chatswood DC 2067
NSW 2067, Australia
Level 11, Tower B, Zenith Centre
821 Pacific Highway
Chatswood, NSW 2067, Australia
T. +61 2 8986 0900
ARBN 096 046 936

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Our offices

New Zealand
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