



This report is dated
21 February 2018 and is
signed on behalf of the
board of Fletcher
Building Industries
Limited by:

Letter from the Chairman	1
Financial statements	2
Notes to the financial statements	5
Noteholder information	8
Directory	9



Sir Ralph Norris
Chairman of Directors



Bruce Hassall
Director

COVER

- ▶ Firth Concrete's new Hunua Masonry Block plant can produce 50,000 blocks per day – four times the capacity of the previous East Tamaki plant. The new 4,900m² plant is built on a former quarry site adjacent to a working quarry, operated by Winstone Aggregates, west of Papakura.

Letter from the chairman.

These are the unaudited results of Fletcher Building Industries Limited (the "Company") for the six months ended 31 December 2017.

Fletcher Building Industries is a wholly owned subsidiary of Fletcher Building Limited (the "Group"). The contents of these financial statements should be read in conjunction with the Group financial statements for the half year period which can be viewed at fbu.com.

RESULTS FOR THE PERIOD

The Company made a net loss after tax of \$63.0 million compared with earnings of \$28.3 million for the previous corresponding period. Shareholders' funds decreased to \$351.6 million from \$414.5 million at 30 June 2017.

BUSINESS ACTIVITIES

The Company has issued capital notes and those funds have been invested in other Fletcher Building group companies. The Company owns 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited which currently holds all of the shares in the Group's New Zealand operating subsidiaries.

During the six month period the Company issued \$150 million of additional capital notes to an institutional investor and those funds were invested in Fletcher Building Holdings New Zealand Limited consistent with the existing capital notes on issue.

FLETCHER BUILDING LIMITED PERFORMANCE

Fletcher Building Limited guarantees all of the capital notes issued by Fletcher Building Industries on an unsecured subordinated basis. The financial performance of the Company should be considered in conjunction with the financial statements of the Group. The Group reported net losses of \$273 million for the six months ended 31 December 2017, compared to earnings of \$176 million in the previous corresponding period. The decrease in



net earnings is due to lower earnings from the Construction division as a result of the recognition of provisions for future losses on construction contracts currently being completed.

The financial position of the Company is dependent on that of Fletcher Building Limited. The provisions recognised during the period in the Construction division have resulted in the Group breaching certain covenants in relation to its borrowings. This is not expected to impact the Group's ability to provide ongoing support to the Company. Further information on the operations and performance of the Group, including the detailed going concern disclosure note, is available on its website, fbu.com, and I recommend that you take the opportunity to review it.

A handwritten signature in black ink, which appears to read "Ralph Norris". The signature is stylized and includes a long horizontal flourish extending to the right.

Sir Ralph Norris
Chairman of Directors

Income statement, statement of comprehensive income and statement of movements in equity

Income statement (unaudited)

For the six months ended 31 December 2017

	Notes	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
Share of profits of associate	7	(52,136)	39,213	59,762
Earnings before interest and taxation		(52,136)	39,213	59,762
Funding costs		(15,122)	(15,131)	(30,026)
Earnings/(loss) before taxation		(67,258)	24,082	29,736
Taxation benefit	4	4,234	4,237	8,407
Net earnings/(loss)		(63,024)	28,319	38,143

Statement of comprehensive income (unaudited)

For the six months ended 31 December 2017

	Notes	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
Net earnings/(loss)		(63,024)	28,319	38,143
Share of associate's other comprehensive income		137	(114)	(632)
Total comprehensive income		(62,887)	28,205	37,511

Statement of movements in equity (unaudited)

For the six months ended 31 December 2017

	Notes	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2016 NZ\$000
Total equity at the beginning of the period		414,498	376,987	376,987
Total comprehensive income		(62,887)	28,205	37,511
Total equity		351,611	405,192	414,498

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

Balance sheet

Balance sheet (unaudited)

As at 31 December 2017

	Notes	As at Dec 2017 NZ\$000	As at Dec 2016 NZ\$000	As at June 2017 NZ\$000
Assets				
Current assets:				
Amounts owed by related companies		54,514	37,946	71,565
Current tax asset		12,641	12,685	8,407
Total current assets		67,155	50,631	79,972
Non-current assets:				
Investment in associate	7	941,465	863,433	843,464
Total non-current assets		941,465	863,433	843,464
Total assets		1,008,620	914,064	923,436
Liabilities				
Current liabilities:				
Amounts owed to related companies			14	
Accrued interest		7,009	8,858	8,938
Capital notes		100,000	100,000	100,000
Total current liabilities		107,009	108,872	108,938
Non-current liabilities:				
Capital notes		550,000	400,000	400,000
Total non-current liabilities		550,000	400,000	400,000
Total liabilities		657,009	508,872	508,938
Equity				
Reported capital		346,000	346,000	346,000
Reserves		5,611	59,192	68,498
Total equity		351,611	405,192	414,498
Total liabilities and equity		1,008,620	914,064	923,436

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

On behalf of the board 21 February 2018



Sir Ralph Norris
Chairman of Directors



Bruce Hassall
Director

Statement of cash flows and reconciliation of net earnings to net cash from operating activities

Statement of cash flows (unaudited)

For the six months ended 31 December 2017

	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
Cash flow from operating activities:			
Prepayments		14	14
Dividend received			40,000
Interest paid	(17,051)	(14,329)	(29,144)
Net cash from operating activities	(17,051)	(14,315)	10,870
Cash flow from investing activities:			
Purchase of investments	(150,000)		
Net cash from investing activities	(150,000)		
Cash flow from financing activities:			
Advances from related companies	17,051	14,315	(10,870)
Issue of capital notes	150,000		
Net cash from financing activities	167,051	14,315	(10,870)
Net movement in cash held			
Add opening cash and liquid deposits			
Closing cash and liquid deposits			

Reconciliation of net earnings to net cash from operating activities

For the six months ended 31 December 2017

	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
Cash was received from net earnings	(63,024)	28,319	38,143
Adjustment for items not involving cash and other items:			
Share of profits from associate	52,136	(39,213)	(59,762)
Dividend received from associate			40,000
Taxation	(4,234)	(4,237)	(8,407)
Prepayments		14	14
Accruals	(1,929)	802	882
Net cash from operating activities	(17,051)	(14,315)	10,870

Notes to the financial statements

1. Basis of presentation

The condensed interim financial statements presented are those of Fletcher Building Industries Limited and its investment in its associate (the "Company"). The Company is domiciled in New Zealand and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The Company is a profit orientated entity. The 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 Fletcher Building Limited's 31 December 2017 interim report available at www.fbl.com.

2. Going Concern

The Company is a wholly owned subsidiary of Fletcher Building Limited (the "Group") and is dependent on the financial position of Fletcher Building Limited. The indebtedness of the Company in respect of the capital notes is guaranteed on an unsecured subordinated basis by Fletcher Building Limited.

As at 31 December 2017, the Group was in breach of certain covenants in relation to the Bank loans under its Syndicated Facility Agreement and in relation to its Private Placement debt (together 'borrowings'). This breach is an event of default under the agreements governing those borrowings.

On 13 February 2018, the lenders under the Syndicated Facility Agreement provided a waiver in respect of the 31 December 2017 covenant breach and agreed, subject to various conditions, to continue to make available funding of \$325 million until 31 March 2018. The terms of that waiver require the Group to agree revised terms under the Syndicated Facility Agreement by 31 March 2018, otherwise the Group would then be in breach of the waiver. A similar waiver to that which has been obtained from the lenders under the Syndicated Facility Agreement has been sought from the holders of the Group's Private Placement debt.

The Group is now working with its funders to agree revised terms for the agreements governing the borrowings such that the borrowings are not required to be repaid within the next 12 months. The Group is targeting the end of March 2018 to complete this.

In the event that the Group is unable to agree revised terms in relation to the Bank loans and the Private Placement debt, the Group would also consider alternative borrowing arrangements and/or potential recapitalisation options.

In preparing the Group's interim financial statements, the Directors have assessed the Group's ability to continue as a going concern. In making this assessment, the Directors have considered the level of debt and facilities the Group had at 31 December 2017, the status of the Group's discussions with its funders (including the waiver obtained from lenders under the Syndicated Facility Agreement in respect of the 31 December 2017 covenant breach), the Group's forecast financial results for the next 12 months subsequent to the date of issue of these interim financial statements and the alternative funding options for the Group noted above.

Whilst material uncertainties exist, the Directors consider that there is a reasonable expectation that revised terms will be agreed with the funders of the Bank loans and the Private Placement debt, such that funding will be available to the Group to enable it to continue to meet its liabilities as they fall due. Taking this into account and the expected financial performance of the Group and the positive operating cash flows of the Group (inclusive of the cash flows relating to the Building and Interiors business unit), it is the considered view of the Directors that the Group is a going concern.

The Directors do, however, acknowledge that if the Group is unable to obtain all applicable waivers, or successfully renegotiate revised terms with the funders of the Bank loans and the Private Placement debt or secure alternative sources of funding to enable the repayment of the Group's current borrowings, then the going concern assumption for the Group and the Company may not be valid, the consequence being each of the Group and the Company may be unable to realise the value in its assets and discharge its liabilities in the normal course of business.

In preparing the interim financial statements of the Company, the Directors have assessed the Company's ability to continue as a going concern. In making this assessment the Directors have considered the Group's going concern position and its ability to provide the Company with continued future support. It is the considered view of the Directors that the Company is a going concern.

These financial statements do not include any adjustments that may be made to reflect the position should the Company be unable to continue as a going concern. Such adjustments may include realising assets at amounts other than those at which they are recorded in the financial statements. In addition, the Company may have to provide for further liabilities that may arise and to reclassify certain non-current assets and other liabilities as current.

Notes to the financial statements

3. Changes in accounting policies

The accounting policies and computation methods applied in the preparation of the interim financial statements are consistent with those applied in the last annual financial statement with the exception of the Company adopting NZ IFRS 9 (2014) Financial Instruments ("NZ IFRS 9").

NZ IFRS 9 sets out new requirements for classification and measurement, impairment and hedge accounting for financial assets and financial liabilities. It replaces NZ IAS 39 Financial Instruments: Recognition and Measurement ("NZ IAS 39"). The Company has elected to early adopt NZ IFRS 9 from 1 July 2017. The impact of adopting NZ IFRS 9 is summarised below:

- No changes to the classification or carrying amounts of financial assets and financial liabilities in the balance sheet under NZ IFRS 9.
- The new hedge accounting rules in NZ IFRS 9 had no impact as the Company currently has no hedges for which hedge accounting applies.
- The new impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology under NZ IAS 39. This had no material impact on the Company's financial assets.

	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
4. Taxation benefit			
Earnings/(loss) before taxation	(67,258)	24,082	29,736
Taxation at 28 cents per dollar	18,832	(6,473)	(8,326)
Adjusted for:			
Non assessable income/(losses)	(14,598)	10,980	16,733
	4,234	4,237	8,407

5. Contingencies and commitments

There were no contingent liabilities or capital commitments as at 31 December 2017 (December 2016: nil; June 2017: nil).

6. Fair value measurement

No financial instruments are measured and recognised at fair value.

Notes to the financial statements

	Six months Dec 2017 NZ\$000	Six months Dec 2016 NZ\$000	Year ended June 2017 NZ\$000
7. Investment in associate			
Carrying amount of associate – Fletcher Building Holdings New Zealand Group			
Carrying amount at the beginning of the year	843,464	824,334	824,334
Share of profits/(losses) of associate	(52,136)	39,213	59,762
Share of associate's other comprehensive income/(loss)	137	(114)	(632)
Investment in Fletcher Building Holdings New Zealand Limited	150,000		
Dividend received from associate			(40,000)
Investment in associate	941,465	863,433	843,464
Associate information – Fletcher Building Holdings New Zealand Group			
Balance sheet information for associate – 100%			
External assets	3,665,847	3,303,542	3,568,856
External liabilities	(1,627,538)	(1,017,124)	(1,123,619)
Debt	(55,713)	(110,044)	(54,153)
Intercompany	1,260,466	674,455	363,083
Non-controlling interest	(18,221)	(16,148)	(19,333)
Equity	3,224,841	2,834,681	2,734,834
Equity – Fletcher Building Industries Limited share – 20%	644,968	566,936	546,967
Goodwill acquired at cost	296,497	296,497	296,497
Investment in associate	941,465	863,433	843,464
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:			
Summarised income statement for associate – 100%			
Sales	3,269,703	3,244,613	6,537,801
Earnings before interest and tax	(390,201)	249,706	346,998
Interest income	32,194	23,407	39,379
Foreign exchange gain (loss)	(194)	1,582	1,765
Earnings before tax	(358,201)	274,695	388,142
Taxation expense	97,521	(78,629)	(89,333)
Net earnings	(260,680)	196,066	298,809
Net earnings – Fletcher Building Industries Limited share – 20%	(52,136)	39,213	59,762

Noteholder Information

Enquiries

Noteholders with enquiries about transactions or changes of address should contact:

Computershare Investor Services Limited

Private Bag 92119
Auckland 1142

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

Other investor enquiries

Fletcher Building Industries Limited

Private Bag 92114
Auckland 1142
New Zealand

T. +64 9 525 9000

F. +64 9 525 9032

E. moreinfo@fb.co.nz

W. fb.com

Interest payment dates

Interest on capital notes is paid semi-annually on 15 March and 15 September.

The company recommends that all noteholders have their interest payments direct credited to a bank account to ensure security and promptness of receipt. If you do not already have your payments direct credited, please contact Computershare Investor Services to register your bank account details.

Quotation and transfers

The Fletcher Building Industries capital notes are quoted on the NZX and may be bought and sold through sharebrokers. No transfer will be registered if it would result in the transferor or the transferee holding capital notes with an aggregate principal amount of less than \$2,000. Subject to this minimum holding, transfers must be in multiples of \$500.

Fletcher Building website

Details on Fletcher Building and its operations for the year ended 30 June 2017 can be viewed at the Fletcher Building website, at fb.com. This website contains all news releases to the NZX and ASX and financial presentations made by Fletcher Building.

Regulatory Disclosures

There were no entries in the interests register during the period.

Fletcher Building Industries has no quoted voting products under the Financial Markets Conduct Act 2013.

NZX waivers

Fletcher Building Industries has been granted a waiver from NZX Listing Rule 10.4 on the condition that:

- a) the company send to noteholders copies of Fletcher Building's annual and half-yearly report or a notice containing the statements referred to in section 209(3) of the Companies Act 1993; and
- b) Fletcher Building Industries' annual report includes, where relevant, the information required by section 211 of the Companies Act 1993 and NZX Listing Rules 10.4.5(a) and 10.4.5(e) – (g); and
- c) the Fletcher Building annual report contains details of the spread of Fletcher Building Industries' noteholders and its corporate governance policies, practices and processes.

Remuneration and expenses

The directors of Fletcher Building Industries are the directors of Fletcher Building, with no further remuneration payable. The chairman, chief executive officer, chief financial officer and company secretary of Fletcher Building hold equivalent roles in Fletcher Building Industries, with no further remuneration.

No donations were made by the company during the accounting period.

Directory

Directors

Sir Ralph Norris

Chairman

Antony Carter

Member of the Audit and Risk Committee

Alan Jackson

John Judge (ceased 25 October 2017)

Kathryn Spargo (ceased 20 September 2017)

Cecilia Tarrant

Member of the Audit and Risk Committee

Steve Vamos

Member of the Audit and Risk Committee

Bruce Hassall

Chairman of the Audit and Risk Committee

Management

Mark Adamson

Chief Executive Officer (ceased 20 July 2017)

Francisco Irazusta

Interim Chief Executive Officer (24 July – 21 November 2017)

Ross Taylor

Chief Executive Officer (appointed 22 November 2017)

Bevan McKenzie

Chief Financial Officer

Charles Bolt

Company Secretary and General Counsel

Registered office

Fletcher Building Industries 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

Trustee

The capital notes are constituted under a Trust Deed dated 12 November 2002 as consolidated and restated dated 12 November 2015. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of the provisions of the Trust Deed.

The Trustee is:

Covenant Trustee Services Ltd
PO Box 4243
Shortland Street
Auckland 1140
New Zealand

Level 6
191 Queen Street
Auckland 1140
New Zealand
T. +64 9 302 0638

