Half Year Review

For the six months ended
31 December 2013

BUILDING FLETCHER'S FUTURE

Fletcher Building

CONTENTS

SNAPSHOT

$281 million

OPERATING EARNINGS
(earnings before interest and tax) compared with $262 million in the previous corresponding period

18¢

PER SHARE
Interim dividend for the 2014 financial year

$4,273 million

REVENUE FOR THE 6 MONTHS
to 31 December 2013

In the past six months, Fletcher Building has delivered EBIT growth of 7% with continued uplift in New Zealand volumes, tempered by soft conditions in Australia and a strong NZ dollar.

The group recorded net earnings after tax of $154 million for the six months ended 31 December 2013, compared with $146 million in the prior corresponding period.

Operating earnings (earnings before interest and tax) of $281 million were $19 million or 7 per cent higher than the first six months of the 2013 financial year. Adjusting for the adverse effects of foreign currency translation, operating earnings would have been up $32 million or 13 per cent in the period.

Total revenue for the group decreased 2 per cent to $4,273 million, as the strong New Zealand dollar more than offset underlying revenue growth. Adjusting for foreign exchange translation effects, revenue would have been $99 million higher, up 2 per cent.

Cash flow from operations was $179 million, down from $204 million in the prior period due to the acquisition of residential land in Auckland, increased inventory levels for the new Formica plant in China, and the timing of customer payments for major construction projects.

The interim dividend will be 18.0 cents per share. The dividend will not be franked for Australian tax purposes nor imputed for New Zealand tax purposes.

The improved result was driven by further increased activity levels across most sectors in New Zealand and improved conditions in the USA, in addition to early benefits realised from restructuring and the FBUnite transformation programme.

In New Zealand, where residential housing consents have recovered to levels last seen in 2008, the continued improvement in house building activity is expected to underpin trading results for the rest of the year, with additional activity driven by rebuilding work in Canterbury.

Across most of the group's Australian businesses, sales volumes were mixed with declines

in the steel and concrete pipe businesses, while volumes in the insulation and laminates and panels businesses were steady and increased in the plastic pipes and quarry sands businesses.

In the Tradelink distribution business there were improved earnings as a result of the business improvement initiatives underway in that business.

In other regions, European activity levels stabilised with earnings improving following last year's restructuring, while volumes in the USA continued to improve. The new $77 million Formica plant, commissioned in Jiujiang, China in November will provide a platform for further growth in Asia.

The business transformation programme FBUnite continued on track and has already delivered pleasing results in its first full year.

Trading outlook

In New Zealand, continued growth in new house building activity is expected to underpin trading results for the full year, assisted by the repair of houses and infrastructure in Canterbury. In addition, there is an improved outlook for commercial construction nationally and particularly in Christchurch. Demand for civil infrastructure is expected to benefit from government commitments around major projects in Auckland, Wellington and Canterbury as well as activity in the health and education sectors.

In Australia, the outlook is uncertain with continued variation in activity levels across each of the states. While some improvement in housing construction is expected, the mix of stand-alone versus medium and high density housing will impact financial performance, with stand-alone housing being the most important segment for Fletcher Building in terms of materials consumption. The outlook for commercial construction remains subdued, while declining investment in the mining and resources sectors and reduced State Government expenditure on infrastructure projects are likely to adversely impact activity levels with nearly a quarter of revenues derived from these sectors.

In North America, increases in new housing construction will benefit Formica, while the outlook for the commercial market is less assured with this segment being the most important for Formica. Improved performance in Europe is expected as a result of restructuring initiatives but overall volumes are likely to remain mixed.

In Asia, the commissioning of the new plant in Jiujiang, China will impact operational results for the balance of the year despite increased volumes. Political unrest in Thailand and weak conditions in Taiwan could adversely affect revenues in the second half of the 2014 financial year.

In terms of the financial outlook for the 2014 financial year, the guidance given at the annual shareholders meeting in October 2013 is unchanged with earnings before interest, tax and significant items expected to be in the range of $610 million and $650 million.

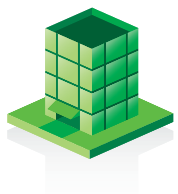
Update on business transformation programme

The FBUnite transformation programme seeks to drive benefits from greater collaboration, combining resources and leveraging the group's scale, improving operating efficiency, and investing in the resources and capabilities for growth.

It is still expected that the total benefits from FBUnite will be approximately $100 million per annum. FBUnite is, however, a multi-year programme, with individual work streams set to be completed within different timeframes such that this quantum of benefit will take several years to be fully realised. Capital and operating expenditure incurred in the 2014 financial year to implement a number of work streams will offset early gains, with net benefits expected to become evident from the 2015 financial year onwards.

Ralph Waters
Chairman of Directors

Mark Adamson
Managing Director



INFRASTRUCTURE PRODUCTS

Cement, Concrete & Aggregates; Concrete Pipes & Products; Steel; Plastic Pipes & Copper Tube

▲ **Rocla Quarry in Calga,** New South Wales, Australia

Infrastructure Products operating earnings were $96 million compared with $102 million in the prior corresponding period. The earnings to 31 December 2013 include $9 million of restructuring costs (31 December 2012: $3 million) and a negative foreign currency translation impact of $6 million when compared to the prior corresponding period.

The improved underlying result reflects stronger market conditions in New Zealand, while the Australian market continued to be challenging. Market shares were largely stable for all businesses.

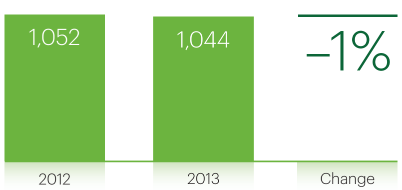
Operating earnings of the Cement, Concrete and Aggregates businesses increased by $8 million to $39 million reflecting improved volumes. The Concrete Pipes and Products businesses recorded a 29% decrease in operating earnings to $20 million due to difficult conditions particularly in Australian infrastructure and mining.

Operating earnings in Iplex and Crane Copper Tube were 37% lower at $19 million due to increased competition and restructuring cost impacts.

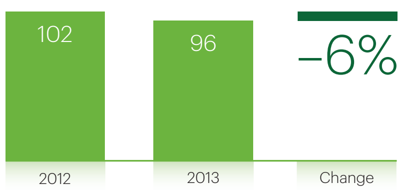
Steel earnings increased by 38% to $18 million.

▼ **Six months ended 31 December**

Revenue

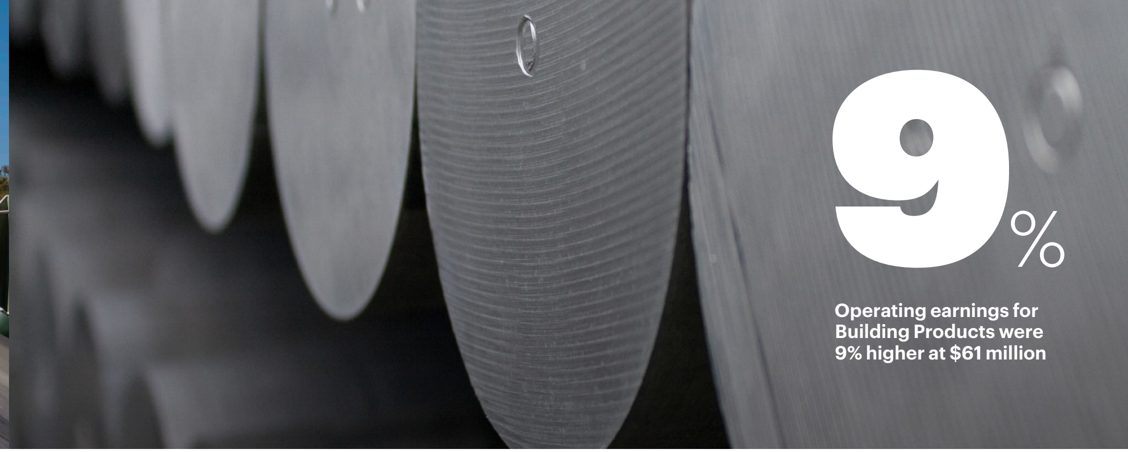


Operating earnings



BUILDING PRODUCTS

Plasterboard; Insulation; Roof Tile Group; Coated Steel; Aluminium Windows & Doors; Sinkware



▲ **Aluminium billet at Fletcher Aluminum's factory,** Mt Wellington, Auckland

Building Products operating earnings were $61 million, a 9% increase on the $56 million earned in the prior corresponding period. The New Zealand based businesses' operating earnings increased by $10 million while operating earnings in Australia declined by $5 million.

The Plasterboard business recorded a strong increase in volume with market share remaining stable when compared to the prior corresponding period.

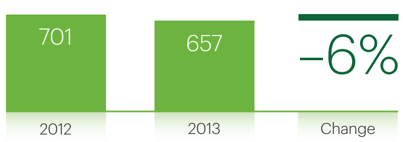
The Insulation businesses' earnings declined by $4 million for Australia and New Zealand combined.

In Australia volumes were flat and pricing conditions remained difficult, however, restructuring completed last year has maintained profitability. In New Zealand the insulation market remained competitive with adverse price impacts offsetting volume gains.

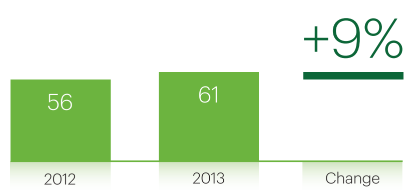
Operating earnings in the roll-forming, roof tiles and coated steel businesses improved by 8% to $26 million. This was primarily due to increased volumes in New Zealand and continued steady growth in African and North American markets for the roof tile business.

▼ **Six months ended 31 December**

Revenue



Operating earnings



LAMINATES & PANELS

Formica Group; Laminex

Formica DecoMetal® laminate, Heathrow Airport

Laminates & Panels operating earnings were $53 million, up $2 million or 4%.

Laminex Australia's operating earnings of $25 million were in line with the first half of the prior year in NZ dollar terms, however, in domestic currency operating earnings were 5% higher and revenues were 3% higher reflecting several product and segment growth initiatives.

Laminex New Zealand revenues were down 2% primarily due to the sale of the bench fabrication business at the end of the prior corresponding period, while earnings increased to $3 million. On a like for like basis, total revenues were up 8%.

Formica earnings were $25 million, up by $2 million or 9% from $23 million in the prior corresponding period. Revenue was up 5%, driven by overall volume growth out of Asia and North America but flat in Europe.

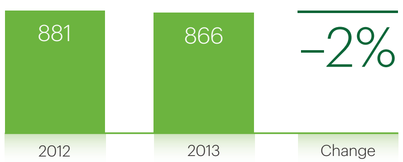
In Asia, while revenues were up 6%, earnings in domestic currencies were down 13%, reflecting the start-up operating costs of commissioning the new plant in Jiujiang, China, together with increased sales of lower margin products.

In North America, earnings in domestic currencies were up 20%, driven by improved margins and further operational and efficiency gains.

European revenue rose by 4% and earnings improved following the Bilbao factory closure in 2012, as well as further operational savings.

Six months ended 31 December

Revenue



Operating earnings

DISTRIBUTION

New Zealand – PlaceMakers; Mico Plumbing
Australia – Tradelink; Hudson Building Supplies

Tradelink branch at North Lakes, Queensland

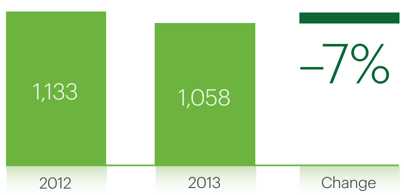
Distribution New Zealand revenues of $582 million were 4% lower than the corresponding period, due to the sale of the Corys Electrical business in the prior year. PlaceMakers recorded a 10% increase in revenues and experienced continuing improvement in trading conditions, particularly in Auckland and Canterbury. Growth outside of these two regions was more subdued.

Operating earnings of Distribution New Zealand increased by 56% to $25 million. PlaceMakers operating earnings increased by 59% over the prior corresponding period to $27 million. While increased competitive pressure continued to negatively impact margins, this was more than offset by volume increases, as well as from operational efficiencies delivering procurement benefits and other cost savings. Mico recorded a loss of $2 million due to restructuring costs incurred in the period.

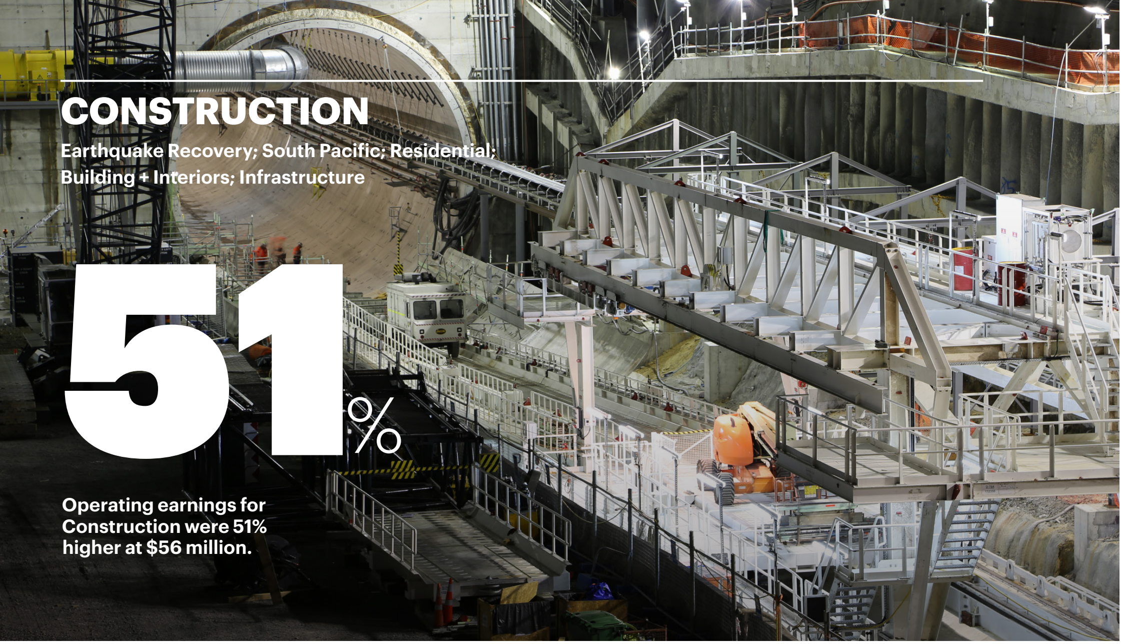
Distribution Australia revenues declined by $51 million to $476 million in the first half of 2014, due to foreign exchange translation effects. Revenues in domestic currency increased slightly on the prior corresponding period with a number of initiatives undertaken to counter the continuing soft Australian residential market. Operating earnings in domestic currency increased 40%, as the business focussed on recovering market share and growing margins, and the turnaround in Tradelink continues to lift performance with month on month increases in revenue.

Six months ended 31 December

Revenue



Operating earnings



CONSTRUCTION

Earthquake Recovery; South Pacific; Residential; Building + Interiors; Infrastructure

51%

Operating earnings for Construction were 51% higher at $56 million.

▲ **Waterview Connection motorway project,** Auckland

Construction operating earnings were $56 million, 51% higher than the prior corresponding period as a result of uplifts across all business units.

Overall market conditions were positive in both residential and non-residential sectors, particularly residential activity in Auckland and Christchurch. The South Pacific results were in line with the prior period but with a number of projects awarded in the last two months, the order book has increased substantially.

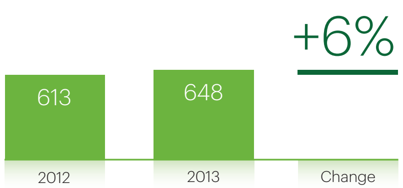
The construction backlog was $1,609 million at the end of December 2013 compared to $1,192 million at December 2012. Major contracts secured in the period include the construction phase of the MacKay's to Peka Peka roading alliance in Wellington and the Fonterra head office building in Auckland.

Earnings from residential house sales were slightly ahead of the prior corresponding period, with more units sold in the Stonefields development in Auckland. Further land acquisitions, including the Manukau Golf Course and the Peninsula Golf Course, were completed during the period.

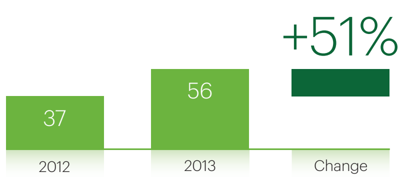
As project manager for the Earthquake Commission in Canterbury, Fletcher Construction saw increased activity levels, with 50,000 home repairs completed to date out of an estimated total of 72,500 and 48,000 emergency repairs also completed. The Canterbury Home Repair Programme is on track for completion by the end of the 2014 calendar year.

▼ **Six months ended 31 December**

Revenue



Operating earnings



FINANCIAL REVIEW

Funding

The group had total available funding of $2,451 million as at 31 December 2013. Of this, approximately $617 million was undrawn and there was an additional $145 million of cash on hand.

During the period the bank syndicate facility was restructured and reduced in size by $200 million which will result in a reduction in future funding costs. Drawn debt facilities maturing within the next 12 months total $62 million and a further $112 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and cash on hand.

Following a recent review, Fletcher Building has established fresh gearing and leverage targets which it considers to be optimal in the light of current financial market conditions.

The target gearing range, expressed as Net Debt to Net Debt plus Equity, is 30% to 40%. This is consistent with the group's balance sheet settings of the past 8 years and future planned debt levels.

In addition to the revised gearing policy, a target leverage range has been introduced that reflects the ratio of debt to cash flow. Expressed as a ratio of Net Debt to EBITDA, the target range is 2.0 to 2.5 times.

It is intended that the group will not be materially outside the target gearing and leverage ranges on a long-run basis.

The group's gearing[1] at 31 December 2013 was 33.1% compared with 33.3% at 30 June 2013. The group's leverage[2] at 31 December 2013 was 2.22 times compared with 2.25 times at 30 June 2013.

The average maturity of the debt is 5 years and the hedged currency split is 46% Australian dollar; 34% New Zealand dollar; 10% US dollar; and 10% spread over various other currencies.

Approximately 62% of all borrowings have fixed interest rates with an average duration of 3.5 years and a rate of 7.5%. Inclusive of floating rate borrowings the average interest rate on the debt is approximately 6.2%. All interest rates are inclusive of margins but not fees.

Interest coverage[3] for the period was 3.9 times compared with 3.5 times for the prior corresponding period.

Cashflow

Cash flows from operations of $179 million were $25 million lower than the $204 million in the prior period. While the group experienced increased cash flows from trading activities, these were more than offset by the cash impacts of increased inventory levels for the new Formica plant in China, the acquisition of residential land in Auckland, and the timing of customer payments for major construction projects.

Capital expenditure was $97 million, compared with $83 million in the prior corresponding period. Of this total, $59 million was for stay-in-business capital projects and $38 million was for new growth initiatives, including $22 million in the period on the new Formica plant in China. For the 2014 full financial year, the current expectation is for capital expenditure, excluding acquisitions, to be at the lower end of the guidance range of $250 million to $300 million.

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
3 EBIT to total interest paid including capital notes interest

Dividend

The 2014 interim dividend is 18 cents per share. The dividend will not be imputed for New Zealand tax purposes and will not be franked for Australian tax purposes. Accordingly, a supplemetary dividend will not be payable to non-New Zealand Shareholders.

Fletcher Building's policy on franking and imputation credits is for successive dividends to be alternately franked and imputed where possible, such that:

- all interim dividends are fully franked with Australian tax credits, or franked to the maximum extent possible
- all final dividends are fully imputed with New Zealand tax credits, or imputed to the maximum extent possible.

Due to the reduction in Australian earnings over the past two years, there are insufficient Australian franking credits available for distribution with the 2014 interim dividend. The 2014 final dividend will be fully imputed for New Zealand tax purposes, and it is expected that the 2015 interim dividend will be franked to the maximum extent possible for Australian tax purposes.

The dividend will be paid on 16 April 2014 to holders registered as at 5.00 pm Friday 28 March 2014 (NZT). Shares will be quoted on an ex dividend basis from 24 March 2014 on the ASX and 26 March 2014 on the NZX.

A dividend summary is provided on page 27.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will not be operative for this dividend payment.

Financial highlights (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013	Six months Dec 2012	Year ended June 2013
Pre-tax return on average funds employed (% annualised) (1)	**11.0**	9.8	10.8
Post-tax return on average equity (% annualised) (2)	**8.9**	8.3	9.4
Earnings per share (cents)	**22.4**	21.3	47.6
Dividends per share (cents)	**18.0**	17.0	34.0
Gearing (%) (3)	**33.1**	36.3	33.3
Leverage (times, annualised) (4)	**2.2**	2.6	2.3
Interest cover (times)	**3.9**	3.5	3.9

1 EBIT to average funds employed
2 Net earnings to average total equity (excluding minority interests)
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

Consolidated earnings statement (unaudited)
For the six months ended 31 December 2013

		Fletcher Building Group		
	Notes	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Sales		**4,273**	4,380	8,517
Cost of goods sold		**(3,179)**	(3,286)	(6,346)
Gross margin		**1,094**	1,094	2,171
Selling and marketing expenses		**(504)**	(535)	(1,040)
Administration expenses		**(297)**	(291)	(585)
Share of profits of associates		**12**	8	21
Other gains/(losses)	3	**(23)**	(13)	4
Amortisation of intangibles		**(1)**	(1)	(2)
Operating earnings (EBIT)		**281**	262	569
Funding costs		**(72)**	(75)	(147)
Earnings before taxation		**209**	187	422
Taxation expense	4	**(50)**	(36)	(85)
Earnings after taxation		**159**	151	337
Earnings attributable to non-controlling interests		**(5)**	(5)	(11)
Net earnings attributable to the shareholders		**154**	146	326
Net earnings per share (cents)				
Basic		**22.4**	21.3	47.6
Diluted		**22.4**	21.2	47.5
Weighted average number of shares outstanding (millions of shares)				
Basic		**686**	684	685
Diluted		**696**	693	711
Dividends declared per share (cents)		**18.0**	17.0	34.0

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

Consolidated statement of comprehensive income (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Net earnings attributable to shareholders	**154**	146	326
Net earnings attributable to non-controlling interests	**5**	5	11
Net earnings	**159**	151	337
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Movement in pension reserve	**1**	–	71
	1	–	71
Items that are or may be reclassified subsequently to profit or loss:			
Movement in the cashflow hedge reserve	**12**	(12)	22
Movement in currency translation reserve*	**(176)**	(21)	(111)
	(164)	(33)	(89)
Income and expenses recognised directly in equity	**(163)**	(33)	(18)
Total comprehensive income for the period	**(4)**	118	319

* Movements in the currency translation reserve arise from exchange variations when the assets and liabilities of the Group's overseas operations are translated into New Zealand dollars at the rates of exchange ruling at balance date. The cumulative exchange variations would be reclassified subsequently to profit or loss if the overseas operation to which the reserve relates were to be sold or otherwise disposed of.

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

Consolidated statement of movements in equity (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Total equity			
Total equity at the beginning of the year as previously published	**3,554**	3,603	3,603
Change in accounting policy due to NZ IAS 19 (Employee benefits)	**–**	(151)	(151)
Total equity at the beginning of the year as restated	**3,554**	3,452	3,452
Total comprehensive income for the period	**(4)**	118	319
Movement in non-controlling interests equity	**(7)**	(8)	(8)
Movement in reported capital	**17**	14	25
Dividends	**(117)**	(116)	(233)
Movement in share-based payment reserve	**10**	–	–
Movement in treasury stock	**1**	(3)	(1)
Total equity	**3,454**	3,457	3,554

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

Consolidated balance sheet (unaudited)
As at 31 December 2013

	Notes	Fletcher Building Group Dec 2013 NZ$M	Dec 2012 NZ$M (Restated)	June 2013 NZ$M
Assets				
Current assets:				
Cash and deposits		**145**	163	123
Current tax assets		**53**	57	30
Derivatives		**7**	4	10
Debtors		**1,214**	1,283	1,346
Stocks		**1,380**	1,409	1,353
Total current assets		**2,799**	2,916	2,862
Non current assets:				
Property, plant and equipment		**2,153**	2,302	2,261
Goodwill		**1,158**	1,234	1,219
Intangible assets		**475**	510	510
Investments		**181**	118	180
Derivatives		**33**	61	39
Deferred tax assets		**24**	53	32
Total non current assets		**4,024**	4,278	4,241
Total assets		**6,823**	7,194	7,103

On behalf of the Board, 20 February 2014

Ralph Waters
Chairman of Directors

Mark Adamson
Managing Director

	Notes	Fletcher Building Group Dec 2013 NZ$M	Dec 2012 NZ$M (Restated)	June 2013 NZ$M
Liabilities				
Current liabilities:				
Creditors and accruals		**1,103**	1,087	1,187
Provisions		**54**	74	57
Current tax liabilities		**18**	14	15
Derivatives		**16**	15	12
Construction contracts		**77**	119	102
Borrowings	5	**176**	133	144
Total current liabilities		**1,444**	1,442	1,517
Non-current liabilities:				
Creditors and accruals		**81**	90	87
Provisions		**18**	20	20
Retirement plan liabilities		**77**	98	84
Deferred taxation liabilities		**36**	36	40
Derivatives		**38**	47	46
Borrowings	5	**1,675**	2,004	1,755
Total non-current liabilities		**1,925**	2,295	2,032
Total liabilities		**3,369**	3,737	3,549
Equity				
Reported capital		**2,624**	2,593	2,606
Revenue reserves		**1,119**	1,015	1,078
Other reserves		**(322)**	(180)	(165)
Shareholders' funds		**3,421**	3,428	3,519
Non-controlling interests equity		**33**	29	35
Total equity		**3,454**	3,457	3,554
Total liabilities and equity		**6,823**	7,194	7,103

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

Consolidated statement of cashflows (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Cashflow from operating activities			
Receipts from customers	**4,326**	4,513	8,539
Dividends received	**4**	3	19
Interest received	**–**	1	–
Total received	**4,330**	4,517	8,558
Payments to suppliers, employees and other	**4,053**	4,197	7,790
Interest paid	**66**	75	149
Income tax paid	**32**	41	60
Total applied	**4,151**	4,313	7,999
Net cash from operating activities	**179**	204	559
Cashflow from investing activities			
Sale of property, plant and equipment	**9**	5	18
Sale of investments	**–**	4	9
Sale of subsidiaries	**–**	60	64
Total received	**9**	69	91
Purchase of property, plant and equipment and intangible assets	**97**	82	233
Purchase of investments	**–**	1	2
Purchase of subsidiaries	**4**	11	11
Total applied	**101**	94	246
Net cash used in investing activities	**(92)**	(25)	(155)

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

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Cashflow from financing activities			
Net debt drawdown/(repayment)	**47**	(72)	(170)
Total received	**47**	(72)	(170)
Repurchase of capital notes	**–**	–	57
Distribution to minority shareholders	**8**	8	12
Dividends	**100**	102	208
Total applied	**108**	110	277
Net cash used in financing activities	**(61)**	(182)	(447)
Net movement in cash held	**26**	(3)	(43)
Add opening cash and deposits	**123**	168	168
Effect of exchange rate changes on net cash	**(4)**	(2)	(2)
Closing cash and deposits	**145**	163	123

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

Reconciliation of net earnings to net cash from operating activities (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Cash was received from:			
Net earnings attributable to shareholders	**154**	146	326
Earnings attributable to minority interests	**5**	5	11
	159	151	337
Adjustment for items not involving cash:			
Depreciation, depletions, and amortisation	**104**	112	220
Provisions and other adjustments	**(15)**	(43)	(51)
Taxation	**18**	(5)	25
Non cash and other adjustments	**107**	64	194
Cashflow from operations [1]	**266**	215	531
Less (gain)/loss on disposal of affiliates and fixed assets	**1**	2	(6)
Cashflow from operations before net working capital movements	**267**	217	525
Net working capital movements	**(88)**	(13)	34
Net cash from operating activities [2]	**179**	204	559

[1] Includes gain/(loss) on disposal of affiliates, property, plant and equipment and intangible assets.
[2] As per the statement of cashflows.

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

Breakdown of financial performance (unaudited)
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Results for the period's performance			
Sales – gross	**4,511**	4,589	8,977
Sales – inter-segment	**(238)**	(209)	(460)
Sales – external	**4,273**	4,380	8,517
Operating earnings (EBIT)	**281**	262	569
Cashflow from operations	**179**	204	559
Net earnings attributable to shareholders	**154**	146	326
External Sales			
Infrastructure Products	**1,044**	1,052	2,095
Building Products	**657**	701	1,350
Laminates & Panels	**866**	881	1,738
Distribution	**1,058**	1,133	2,141
Construction	**648**	613	1,193
Other	**–**	–	–
Total	**4,273**	4,380	8,517

Breakdown of financial performance (unaudited) Continued
For the six months ended 31 December 2013

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	**Six months Dec 2012 NZ$M**	**Year ended June 2013 NZ$M**
Operating earnings			
Infrastructure Products	**96**	102	222
Building Products	**61**	56	122
Laminates & Panels	**53**	51	120
Distribution	**33**	23	50
Construction	**56**	37	87
Other	**(18)**	(7)	(32)
Total	**281**	262	569
Funds*			
Infrastructure Products	**1,787**	1,916	1,841
Building Products	**734**	783	770
Laminates & Panels	**1,746**	1,762	1,788
Distribution	**609**	753	703
Construction	**109**	88	69
Other (including debt and taxation)	**(1,531)**	(1,845)	(1,617)
Total	**3,454**	3,457	3,554

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

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 an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2013 annual report available on the Group website at www.fbu.com.

2. Changes in accounting policies
There are various new accounting standards and amendments to standards that are applicable to the Group from 1 July 2013.

NZ IAS 1 Presentation of Financial Statements (amendment) requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be re-cycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period; however it has changed the way items of other comprehensive income are presented.

NZ IFRS 13 Fair Value Measurement explains how to measure fair value and aims to enhance fair value disclosures. Adoption of NZ IFRS 13 has resulted in a change in the valuation methodology of the Group's financial instruments. In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively from 1 July 2013, and is not required to provide any comparative information for new disclosures. The one-off impact for the Group from adopting NZ IFRS 13 was a charge of $4 million (net of tax).

There has been no material impact of all other relevant standards (NZ IFRS 10, NZ IFRS 11, NZ IFRS 12), however certain comparatives have been represented to conform with the current period's presentation.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The Group has not applied these in preparing these interim financial statements and although the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the Group's results.

3. Other gains and losses

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Sale of assets	**–**	2	13
Redundancies and restructuring costs	**(20)**	(16)	(11)
Other gains/(losses)	**(3)**	1	2
	(23)	(13)	4

4. Taxation expense

	Fletcher Building Group		
	Six months Dec 2013 NZ$M	Six months Dec 2012 NZ$M	Year ended June 2013 NZ$M
Earnings before taxation:	**209**	187	422
Taxation at 28 cents per dollar	**59**	52	118
Adjusted for:			
Effective tax rates in foreign jurisdictions	**(1)**	1	1
Non-assessable income	**(3)**	(3)	(9)
Non-deductible expenses	**1**	2	3
Tax in respect of prior periods	**2**	(5)	(2)
Tax losses not recognised	**3**	4	3
Benefit of tax losses recognised	**–**	(5)	(5)
Other permanent differences	**(11)**	(10)	(24)
	50	36	85

5. Borrowings

	Fletcher Building Group		
	Dec 2013 NZ$M	Dec 2012 NZ$M	June 2013 NZ$M
Borrowings – current	**176**	133	144
Borrowings – non current	**1,675**	2,004	1,755
Borrowings	**1,851**	2,137	1,899
Less fair value hedge adjustment included in borrowings	**(17)**	(77)	(28)
	1,834	2,060	1,871
Total available funding	**2,451**	2,741	2,690
Unutilised banking facilities	**617**	681	819

In addition the Group had $145 million of cash on hand at 31 December 2013 (31 December 2012: $163 million; 30 June 2013: $123 million).
Funding costs for the period of $72 million (31 December 2012: $75 million; 30 June 2013: $147 million) include a $5 million one-off impact from the prospective application of NZ IFRS 13.

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).

Financial instruments measured and recognised at fair value are derivatives and borrowings 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. The estimated fair value measurements for financial assets and liabilities approxmates their carrying values in the balance sheet.

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 1.18% and 11.03% (December 2012: 0.34% and 10.64%; June 2013: 1.2% and 11.12%) including margins.

7. 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 2013 annual report.

8. Subsequent events

On 17 February 2014 the Company announced the conditional sale of the Pacific Steel business to BlueScope Steel in a transaction valued at approximately $120 million, with an expected completion date of 30 June 2014 (subject to Commerce Commission approval). Assuming completion by 30 June 2014, Fletcher Building expects to record a significant expense item of up to $19 million, reflecting the gain on sale of assets, offset by transaction costs and adjustments to retained asset carrying values.

On 20 February 2014 the directors declared a dividend of 18 cents per share, payable on 16 April 2014.

DIVIDEND INFORMATION

2014 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 46.5%	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 (46.5% and 15%) [7]		(8.3700)	(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**	**9.6300**	**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 46.5%, including the Medicare 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:	46.5% 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	8.3700	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 at **computershare.co.nz/investorcentre**. Investor number and FIN are required to access this service.

Enquiries can also be addressed to the share registrar:

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