FletcherBuilding

News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FBU), AUSTRALIA (FBU).

2006 ANNUAL RESULTS SUMMARY

Auckland, 9 August 2006 – Fletcher Building today announced record results for the year ended 30 June 2006. Net profit after tax and minority interests was $379 million, compared to $347 million in the previous year. There were no unusual items in either year's result.

Fletcher Building achieved operating earnings – that is earnings before interest and tax – of $675 million, up 10 percent on the 2005 year. The result reflected a more difficult market environment, offset by the benefits of acquisitions and ongoing productivity improvements.

The lift in earnings enabled a further increase in dividends – from a total 32 cents per share in the previous year to 40 cents per share, with a final dividend of 21 cents per share. Total shareholder return for the 12 months ended 30 June 2006 was 40 percent.

A reduction in operating earnings from Distribution to $75 million (previously $81 million) was more than offset by increases in the other divisions. Infrastructure's operating earnings were $255 million (previously $196 million), Building Products' $235 million (previously $227 million) and Laminates & Panels' $116 million (previously $107 million).

The Chief Executive Officer, Mr Ralph Waters, said the results reflected continued benefits from the strategic diversification of earnings undertaken over recent years. "Whilst residential markets have slowed in both New Zealand and Australia, the commercial and infrastructure markets have made a strong contribution," Mr Waters said. "This market diversification, along with our ability to secure further internal improvements, has provided the basis for earnings reliability."

Results highlights

- Operating earnings up 10 percent to $675 million.
- Group net earnings up 9 percent to $379 million.
- Total dividend for the year of 40 cents per share.
- Cashflow from operations up from $479 million to $560 million.
- Interest cover at 9.3 times.
- Basic earnings per share up from 77.6 cents to 81.3 cents.

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2006

Directors today announced the financial results for the year ended 30 June 2006. Net profit after tax and minority interests was $379 million, a 9 percent increase on the $347 million in the previous year. Operating earnings (earnings before interest and tax) were $675 million, compared to $612 million in the previous year.

The results are based on New Zealand standards which comply with International Financial Reporting Standards (NZIFRS), adopted by Fletcher Building with effect from 1 July 2005. For comparative purposes, the 2005 year results have been restated in this announcement using the new standards.

Sales were $5.5 billion, up from $4.6 billion in the previous year. This included a full year's contribution from the Amatek group of companies, compared to four months in the previous year. After adjusting for this acquisition, sales were 6 percent and operating earnings 3 percent above those for the previous year. New residential building slowed in New Zealand and Australia, while commercial building and infrastructure markets remained robust.

Infrastructure improved operating earnings by 30 percent on the previous year. This result includes Amatek companies Rocla Quarry Products and Rocla Pipelines Products for the full year, and was supported by strong commercial building and infrastructure markets.

Building Products division improved operating earnings by 4 percent. This result includes Amatek companies Stramit and Insulation Solutions for the full year. The division was adversely affected by slowing residential markets, particularly in New Zealand, and lower global commodity prices for steel.

Laminates & Panels improved operating earnings by 8 percent. This includes two months' contribution from the O'Brien Group, a small acquisition completed on 1 May 2006.

Distribution's operating earnings reduced by 7 percent, a creditable result in view of the slowing residential markets and heightened competition in New Zealand.

Earnings per share were 81.3 cents, up from 77.6 cents in the previous year, enabling directors to approve the company's ninth consecutive dividend increase. The final dividend will be 21 cents per share, up from the interim dividend of 19 cents per share and last year's final dividend of 17 cents per share. This will result in a full year dividend of 40 cents, compared to 32 cents per share in the previous year. The dividend will be paid on 12 October 2006 and will carry full New Zealand taxation credits.

The result represents a 24.6 percent return on average equity and 26.1 percent on average funds employed. Total shareholder return (TSR – the increase in share price plus pre-tax dividends) was 40 percent. This follows TSR of 61 percent, 33 percent and 43 percent in the three previous years.

Results	Sales		Operating Earnings	
NZ$million 12 months ended	**June 2006**	June 2005	**June 2006**	June 2005
Building Products	**1711**	1324	**235**	227
Distribution	**956**	920	**75**	81
Infrastructure	**1823**	1441	**255**	196
Laminates & Panels	**1027**	948	**116**	107
Corporate	**3**	3	**(6)**	1
Total	**5520**	4636	**675**	612
Funding costs			**(88)**	(77)
Earnings before taxation			**587**	535
Taxation			**(189)**	(166)
Earnings after taxation			**398**	369
Minority interests			**(19)**	(22)
Net earnings per published accounts			**379**	347

OPERATIONAL REVIEW

Building Products

Building Products recorded a 4 percent rise in operating earnings to $235 million. This was a pleasing performance given that the New Zealand and Australian markets both suffered marked downturns in the level of residential building activity, that there were higher input commodity costs and that, for most of the year, strong Australian and New Zealand currencies limited the opportunity for price increases. The prior year included only four months' results from the Insulation Solutions and Stramit businesses acquired during the year.

The Building Products division is now organised along six business lines – rollforming & coatings, insulation, metal roof tiles, long steel products, plasterboard, and a "stand alone business" division which contains four of the group's smaller business units.

The division's strongest results came from the rollforming & coatings and insulation businesses. If proforma full year results of the newly acquired businesses, being Insulation Solutions and Stramit, are included in the comparative period, aggregate operating earnings for these two businesses increased by 26 percent.

The metal roof tiles business had a very slow first half in its US operations and encountered unfavourable exchange rates through most of the financial year. With overseas sales constituting more than 80 percent of its business, the decline of just on $5 million in operating earnings was a good performance.

The long steel product business benefited again from high scrap prices in its scrap metal operation, but the strong New Zealand exchange rate and competition from imported products resulted in significant price pressure in the reinforcing bar, rod and wire markets. Upstream steel successfully commissioned, ahead of schedule, a quenching and tempering production process to reduce exposure to very high vanadium costs, but this necessitated a 10 day shutdown of the mill. These factors combined to produce a decline in operating earnings by $12 million, but the business still achieved returns in excess of its cost of capital.

Plasterboard recorded an operating earnings decline of 3 percent, which was a good outcome as sales volumes dropped by 5 percent in New Zealand.

The stand alone business grouping, which includes the EasySteel merchandising business and Fletcher Aluminium, saw operating earnings drop by 10 percent, due principally to the previous year's high steel prices not being sustained in the steel distribution business and to aluminium input costs rising from around US$1,800 to US$2,500 per tonne in the aluminium extrusion business.

Infrastructure

Infrastructure's sales and earnings increased for the fifth year in a row. Sales were up 27 percent at $1.8 billion and operating earnings increased 30 percent to $255 million. This included a full year of trading from the Rocla pipeline and quarry businesses, but even with these excluded, sales and operating profit were both ahead by 15 percent.

Operating earnings from the Golden Bay Cement business improved in line with expectations. Sales volumes were ahead of those for the previous year and the business is obtaining the benefit of its significant capital upgrade programme, which will be completed in September.

Winstone Aggregates had continued growth in earnings, with strong conditions in Auckland roading providing the most significant improvement in market segment performance.

Firth's volumes in the key readymixed concrete market were marginally ahead of those for the previous year, but the contribution per cubic metre was marginally lower, with margins in the Auckland area coming under pressure. Firth's masonry volumes were down on the previous year.

The pipe market remained strong for Humes, with operating earnings improving significantly over those for the previous year. While market conditions in the last six months were weaker than anticipated, the market outlook is still good.

The Rocla businesses both performed well during the year. Operating earnings were marginally behind budget in the quarry products business, largely as a result of more difficult market conditions in Sydney. The pipeline products business exceeded expectations, with strong growth in earnings from its railway sleeper business.

Fletcher Construction had another strong year, with operating earnings improving by 27 percent. All operations contributed to this growth, with the earnings from the engineering division up 100 percent, supported by solid growth from the New Zealand commercial building and South Pacific operations. The residential market in

Auckland was relatively strong, allowing Fletcher Residential to again record improved earnings and margins.

The Construction backlog at year-end was $802 million. Major contracts won during the year were the Stamford Plaza refurbishment ($100 million), Wellington Hospital ($140 million) and an extension on the North Shore Busway ($100 million). This backlog and continued strong market conditions suggest that the workload will remain strong in the commercial building operations. Sales in the engineering division will be dependent to some extent on securing and the timing of infrastructure projects expected to commence during the year.

Distribution

While overall market activity levels were reasonably consistent with those for the prior year, sales increased by 4 percent. Of this, charge sales increased by nearly 5 percent to $792 million and cash sales increased by 2 percent. Charge sales were enhanced by new store openings and an expanded product range.

The cash sales performance was pleasing in view of the significant increase in retail competition from Bunnings and Mitre 10 Mega, although these higher-margin cash sales declined as a proportion of total sales, affecting gross margin negatively.

Operating earnings were down 7 percent as a consequence of this change in sales mix, along with higher operating costs from the refurbishment of six stores and the opening of new facilities in Kerikeri, Invercargill, Hamilton and Twizel.

The branch development program continues, with a further five new stores scheduled to be opened by December this year. The results from this program have been very encouraging, with the new stores performing strongly compared to older stores.

PlaceMakers' trade focus is supported strongly by the joint venture business model with local owners operating each branch. Joint venture partners have a strong ongoing commitment to provide high levels of customer service, and this has helped sustain ongoing sales growth. The joint venture business model was reviewed during the year, and adjusted slightly to provide a strong platform for the future with improving returns for Fletcher Building.

Laminates & Panels

Laminates & Panels again performed strongly, increasing sales and earnings despite generally difficult market conditions and increased costs for some of its major inputs. Trading conditions varied regionally, although overall housing industry activity was down on the prior year. Activity levels in the commercial sector remained strong, except in New Zealand and New South Wales.

A number of innovative marketing and new product initiatives were undertaken, including the launch of the Green First range of products, which have been independently certified as environmentally preferable by the Australian Ecolabelling Association. A number of new product releases, including Diamond Gloss high-pressure laminate and Formica flooring, also made positive contributions during the year. In addition, resources were committed to grow the componentry business and in launching a number of new products such as the innovative Essa Stone range. These initiatives are now positioned to contribute to results.

The division incurred increased costs for wood fibre, gas and electricity, especially in New Zealand; and in logistics, freight and resin as the result of rises in the price of oil. These increased costs offset gains from operational efficiencies, which included taking over the previously outsourced warehousing function at the major Sydney Distribution Centre, and streamlining and downsizing warehousing operations at the Cheltenham laminating plant. Efficiency gains were also achieved from the establishment of in-house manufacture and supply of treated paper at the Papakura and Hamilton sites, replacing purchasing from overseas, and the use of larger volumes of low-cost industrial wood residues to offset increased costs in raw wood fibre in Western Australia.

The results also include two months of the Dunedin based benchtop manufacturer O'Brien Laminates, which was acquired in May 2006.

The division's two joint ventures – Wespine, the major pine saw miller in Western Australia and Dynea, the supplier of resins to the Western Australian manufacturing operations – both continued to perform strongly.

FINANCIAL REVIEW

Balance Sheet

With excellent operating cashflow and with gearing (net debt to net debt plus equity) at 37.1 percent, Fletcher Building remains in a sound financial position. Gearing has improved from 44.4 percent at 30 June 2005, and the company is comfortably within all its relevant debt covenants. Interest cover (EBITDA to total interest paid) was 9.3 times, compared to 9.6 times at 30 June 2005.

Net debt reduced by $79 million to $1,061 million at 30 June 2006, notwithstanding the continued investment by the company in "stay in business" capital and internal growth projects.

Cashflow

Cashflow from operations was $560 million, a further improvement on the previous 12 months, aided by a full year's contribution from the Amatek acquisition and good activity levels. This improvement is notwithstanding an increase of $80 million in working capital.

Capital expenditure net of divestments was $260 million, of which 55 percent was growth related, and which compares with depreciation of $143 million.

Dividend

The dividend is fully tax credited for New Zealand purposes, with a combination of dividend withholding payment credits (DWP) and imputation credits. Non New Zealand shareholders benefit from the refund available of DWP credits, and from the New Zealand supplementary dividends attached to the imputation credits. These supplementary dividends have the effect of removing the cost of New Zealand non-resident withholding tax on the portion of dividends carrying imputation credits. A dividend summary is attached illustrating the effect of the New Zealand tax credits on the dividend paid and the supplementary dividend paid to non New Zealand shareholders.

Fletcher Building will continue to pay the refund of the DWP tax credit to non resident shareholders at the same time as the dividend is paid, and then recover this from the Inland Revenue Department. New Zealand resident shareholders holding shares on behalf of, or as agents for, non-residents will need to advise the share registry, if they have not already done so, to ensure that the DWP tax credit refund is made.

This dividend is unfranked for Australian tax purposes. Although the company has franking credits available, the level at which it is currently able to frank dividends is insufficient to provide any material benefit to Australian shareholders having regard to the supplementary dividend paid and the rules for calculating the franking tax offset in Australia. To maximise the value of available franking credits the company intends to accumulate them and attach these to dividends only when the franking percentage is at, or near to, 100 percent rather than spreading them over every dividend. It is currently anticipated that the final dividend for the 2007 year will be the next dividend to be fully franked under this policy.

The dividend reinvestment plan will be operative for this dividend payment. Documentation for participation is available from the share registry and must be received by the registry before the record date. The price used to determine entitlements under the dividend reinvestment plan is the weighted average share price of the company's shares sold on the New Zealand Exchange in the five business days following the record date of 22 September 2006. The new shares will be issued on the dividend payment date of 12 October 2006.

The shares will be quoted on an ex dividend basis from 18 September 2006 on the ASX and 25 September 2006 on the NZX.

STRATEGY

Whilst the company's markets are cyclical, it has consistently followed a strategy of geographic and product diversification to reduce its reliance on the New Zealand market and to improve earnings reliability over the longer term. Today some 42 percent of sales are with customers outside New Zealand. This spread of activities has enabled consistent increases in operating earnings, earnings per share and dividends despite fluctuations in the markets in which the company operates.

The company continues to evaluate external acquisition opportunities, and is actively pursuing organic growth. As a consequence, capital expenditure to June 2006 substantially exceeded depreciation and the company increased capacity in some key product areas. These capacity increases were mainly to replace product sourced from third parties or to replace capacity that has been exhausted such as quarries.

Major capital works in progress relate to Golden Bay Cement, to be completed in September this year; the Dardanup particle board plant; expansion of the Hunua

(New Zealand) quarry; new quarries in Australia; a new plastic pipe joint venture in New Zealand; the Dardenup sawmill; and a new resin plant to service the Gympie medium density fibreboard plant in Queensland.

OUTLOOK

Residential markets are continuing to slow in New Zealand, albeit from record high levels, and the Australian states that slowed in 2005 year have not yet shown signs of an upturn. Nevertheless, while the company expects more subdued trading in the 2007 year, the strength of non-residential construction and infrastructure in both countries should enable Fletcher Building to report another satisfactory result in the year to June 2007.

DIVIDEND SUMMARY

DIVIDEND SUMMARY TABLE [1]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON RESIDENTS
Dividend declared	21.0000	21.0000	21.0000
NZ tax credits [2]	10.3433		
NZ tax credit refund		3.1030	3.1030
NZ supplementary dividend		2.5941	2.5941
Australian franking tax credits [3]		0.0000	
Gross dividend for NZ tax purposes	**31.3433**	**26.6971**	**26.6971**
NZ tax (33%)	(10.3433)		
NZ non-resident withholding tax (15%) [4]		(4.0046)	(4.0046)
Net cash received after NZ tax	**21.0000**	**22.6925**	**22.6925**
Australian tax (15%) [5]		(4.0046)	
Reduced by credit for NZ non-resident witholding tax		4.0046	
Net cash dividend to shareholders	**21.0000**	**22.6925**	**22.6925**

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) These tax credits are not received in cash but are relevant in determining the gross dividend received for NZ tax purposes. They are comprised of :

dividend withholding payment credits	3.1030
imputation credits	7.2403

(3) There are no Australian franking credits attached to this dividend. Refer to dividend commentary in this announcement for the Company's franking tax crediting policy.

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

(5) This summary 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.