FletcherBuilding

News Release

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

2005 ANNUAL RESULTS SUMMARY

Auckland, 10 August 2005 – Fletcher Building today announced record results for the year ended 30 June 2005. Net profit after tax and minority interests was $330 million, compared to $240 million in the previous year. There were no unusual items in the latest result.

Fletcher Building achieved operating earnings, that is earnings before interest and tax of $596 million – up 30 percent on the 2004 year. The result reflected continued strong demand, along with the benefits of acquisitions and ongoing productivity improvements.

The lift in earnings enabled a further increase in dividends – from a total 25 cents per share in the previous year to 32 cents per share. Total shareholder return was 61 percent for the 12 months ended 30 June 2005.

All divisions lifted their operating earnings for the fourth successive year. Building Products' earnings before interest and tax were $222 million (previously $164 million), Distribution $81 million (previously $73 million), Infrastructure $196 million (previously $136 million) and Laminates & Panels $103 million (previously $95 million).

The Chief Executive Officer, Mr Ralph Waters, said the results reflected continuing benefits from the reshaping of Fletcher Building undertaken over recent years. "Acquisitions and internal performance improvements have been key contributions to the latest year's earnings growth" he said. "The Amatek group of companies acquired during the year contributed $30 million of operating earnings."

Mr Waters noted that the changes in Fletcher Building's business profile had reduced the extent of its reliance on the new housing market in New Zealand, increasing its revenue from Australia and from the infrastructure sector. "These changes, along with the internal improvements, should stand the group in good stead during the current year," he said.

Results highlights

- Operating earnings up 30 percent to $596 million.
- Group net earnings up 38 percent to $330 million.
- Total dividend for the year of 32 cents per share.
- Cashflow from operations up from $424 million to $479 million.
- Interest cover up from 7.8 times to 9.6 times.
- Basic earnings per share up from 55.7 cents to 73.8 cents.
- Economic value added of $190 million.

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2005

Directors today announced the financial results for the year ended 30 June 2005. Net profit after tax and minority interests was $330 million, a 38 percent increase on the $240 million in the previous year. Operating earnings (that is, earnings before interest and tax) were $596 million, compared to $460 million in the previous year.

Revenue was $4.7 billion, up from $4.0 billion in the previous year. This included a full year's contribution from Tasman Building Products, compared to nine months in the previous year, and four months trading from the Amatek group of companies, which was acquired on 1 March 2005. After adjusting for these, sales were 8 percent ahead of those for the previous year. Demand remained strong all year in all New Zealand market segments. In Australia, new residential building slowed in some states, while commercial building and infrastructure markets were quite robust.

All divisions improved their earnings again and in aggregate, by more than the combined sales percentage increase. This reflected strong demand, further operational improvements, margin percentage increases and synergies from acquisitions. Building Products was 35 percent ahead of the previous year, Distribution 11 percent, Infrastructure 44 percent, and Laminates & Panels 8 percent. Amatek was integrated seamlessly into Fletcher Building and performed well in the four months of ownership. Synergy benefits are ahead of the pre-acquisition time plan and value assessments.

Earnings per share were 73.8 cents up from 55.7 cents in the previous year enabling directors to approve the company's seventh consecutive dividend increase. The final dividend will be 17 cents per share, up from the interim dividend of 15 cents per share and last year's final dividend of 14 cents per share. This will result in a full year dividend of 32 cents, compared to 25 cents per share in the previous year. The dividend will be paid on 13 October 2005 and will carry full New Zealand taxation credits. As a consequence of using some of the tax losses acquired with Amatek, there will be no Australian franking credits on this dividend. Tax credits in Australia are expected to resume from the 2006 interim dividend.

The result represents a 26.6 percent return on average equity and a 28.5 percent return on average funds employed. Total shareholder return (TSR – the increase in share price plus pre-tax dividends) was 61 percent for the year ended 30 June 2005. This follows TSR of 33 percent, 43 percent and 24 percent in the three previous years.

Results	**Operating Revenue**		**EBIT**	
12 months ended NZ$million	**June 2005**	June 2004	**June 2005**	June 2004
Building Products	**1338**	927	**222**	164
Distribution	**920**	863	**81**	73
Infrastructure	**1442**	1161	**196**	136
Laminates & Panels	**960**	994	**103**	95
Corporate	**3**	13	**(6)**	(8)
Total	**4663**	3958	**596**	460
Funding costs			**(77)**	(75)
Earnings before taxation			**519**	385
Taxation			**(167)**	(124)
Earnings after taxation			**352**	261
Minority interests			**22**	21
Net earnings per published accounts			**330**	240

OPERATIONAL REVIEWS

Building Products

Building Products maintained its strong earnings growth record with a 35 percent increase in operating earnings to $222 million. Revenue was $1.338 billion, a 44 percent increase on the previous year. This included four months sales from Amatek business units, Insulation Solutions and Stramit, and an additional three months' sales from Tasman Building Products, which was owned for only nine months of the previous year. As Stramit is a high turnover and low margin business, future margins for this division will be lower than those for previous years.

There were many strong results across the division, particularly in the business units that enjoyed the benefit of rapidly rising international steel prices in the first half. Pacific Steel, EasySteel, Fletcher Reinforcing and Dimond were all well ahead of the previous year's results. In the second half, some steel prices declined at the same time as the cost of steel production was affected by a quadrupling in the price of vanadium, an essential additive for Pacific Steel's products.

Decra, the United States based roofing tile business, had an outstanding year aided by exceptionally strong demand following hurricane and hailstorm damage in the first half. The New Zealand based AHI Roofing business grew exports, expanded into Malaysia and improved earnings despite unfavourable exchange rates. Winstone Wallboards, Tasman Insulation New Zealand and Tasman Sinkware were again standout performers. Tasman Insulation Australia and Insulation Solutions both traded strongly. These insulation businesses are now managed as a single Australian operation, with both the Sydney and Melbourne factories retained. Significant administration and freight savings will be achieved over the coming year.

The Building Products division has a normal December half year bias in earnings, and this was accentuated in the 2005 year by the higher steel prices in the first half.

The now substantial presence in Australia, the roofing tile businesses in the USA and Malaysia and the growth in exports by Tasman Roofing, Fletcher Aluminium, Pacific Wire and Tasman Sinkware represent a continuation of the strategy to reduce the division's exposure to the New Zealand new housing cycle. This should lessen the impact of any decline in new housing starts in New Zealand.

Distribution

Industry activity levels remained very strong, supporting an overall increase in revenue of 7 percent. Trade sales were up by 8 percent and were the main factor in the increase, while cash sales were up 3 percent. The increase in cash sales occurred in spite of a significant lift in competition from “big box” retailers, which have more than doubled their presence between 2004 and 2005. Operating earnings increased 11 percent to $81 million, primarily as a result of sales and margin gains which more than offset cost increases from facilities and labour.

Outdated facilities at Riccarton, Mount Wellington and Queenstown were replaced with new stores. Additionally, the Paraparaumu store was expanded and upgraded, and refits were completed at Kaiwharawhara and New Plymouth. More minor upgrades were undertaken in several smaller stores. Pleasing increases in revenue were achieved in the new stores, with profit results higher than expected.

The upgrade program continues, with replacement stores currently under construction at Kerikeri and Invercargill. Six more stores are planned for replacement or upgrade over the current year.

PlaceMakers has taken a lead in the changing regulatory environment for building with its LIFT education programme – a series of national roadshows to explain the detail and implications of new legislation and regulations. These have proved popular, with more than 4,000 builders attending the most recent programme.

PlaceMakers' unique joint venture business model continues to serve the interests of both customers and shareholders well, combining local competitive strength with PlaceMakers' national scale. Of the 55 outlets, 53 are joint ventures.

Infrastructure

The formation of the Infrastructure division, comprising the former Concrete and Construction divisions, was announced at the half year. On a consolidated basis both revenue and operating earnings were again ahead of the previous year. Revenue was up 24 percent at $1.442 billion, and operating earnings increased 44 percent to $196 million. Excluding the benefit of the Rocla pipeline and quarry businesses acquired as part of the Amatek group during the year, the increases in revenue and operating earnings were 14 percent and 32 percent respectively.

The Golden Bay cement business recorded growth in domestic sales for a sixth consecutive year. The second major project in its capital upgrade programme, the clinker cooler, was commissioned in December 2004. Four other upgrade projects are currently under construction. Completion is scheduled for the second half of this financial year and the full benefit of the cost savings will be seen in the 2007 year.

Winstone Aggregates benefited from its strong position in the Auckland market and the marked increase in the region's roading spend. Earnings improved significantly over the previous year.

Firth recorded a further lift in operating earnings. While volumes in the key readymix markets were up again, the earnings lift was more attributable to improved margin management. Stresscrete's result was strong relative to previous years, and the business has a large backlog.

The Humes pipeline business enjoyed a year of high demand, and operating earnings were up significantly. These favourable conditions should prevail throughout the current year.

The Rocla pipeline and quarry businesses purchased in March traded ahead of expectations. Both businesses have capable management teams and offer attractive growth opportunities for the future.

The Construction operations experienced another year of exceptionally strong market conditions. Revenue and operating earnings were ahead of those for the prior year. Fletcher Residential improved earnings for the fourth year in succession, despite a decline in the number of houses built. The margin improvement reflects the strong positioning of the Residential business' landholdings.

The Auckland University Business School, the Northern Busway and the Pohukura Gas Treatment Plant projects were all commenced during the year, and Fletcher Construction was named as preferred contractor for the Tauranga Hospital. With a backlog at year end of $743 million ($600 million last year) and approximately $150 million of further major contracts in negotiation, no reduction in workload is anticipated in the year ahead.

Laminates & Panels

The Laminates & Panels division increased earnings by 8 percent to $103 million despite declining revenue, particularly from softening new housing markets in Australia, and also the currency translation impact of a stronger New Zealand dollar. Operational improvements were the main factor in this strong performance. The high value of the Australian and New Zealand currencies made export markets difficult. Substantial increases in resin costs were also experienced as a result of escalating oil prices.

A number of significant operational improvements were made and the full year benefits of new distribution centres in Sydney and Adelaide were realised. A new distribution centre in Brisbane was completed on time and on budget, and has provided approximately six months of cost benefit.

The Laminex Group operates branches in key regional centres throughout Australia and New Zealand. Upgrades were completed in Newcastle, Townsville and Albany in Australia and Nelson in New Zealand. These recent investments in distribution infrastructure have significantly improved customer service and delivery performance.

Manufacturing plants achieved valuable productivity improvements. The particleboard plant in Kumeu (NZ) had a quantum lift in throughput after developing a new product suited to the Australian market. Laminating plants in Ballarat (Vic) and Hendra (Qld) also achieved significant rises in productivity, enabling the retirement of older and less efficient production lines in other plants.

The performance of each of Laminex's two joint ventures was also ahead of the prior year. Wespine, the major pine sawmill in Western Australia, reported another record performance. Dynea, the supplier of resin to Laminex's WA manufacturing operations, also performed strongly.

FINANCIAL REVIEW

Cashflow

Cashflow from operations was $479 million – $55 million up on the previous 12 months, aided by the full year's contribution from Tasman Building Products, the acquisition of Amatek and generally higher activity levels. Working capital increased by $57 million, reflecting higher activity levels and input prices.

Capital expenditure excluding acquisitions and divestments totalled $214 million, of which 49 percent was growth related. This compared with depreciation and amortisation of $141 million for the year.

Balance Sheet

Gearing (net debt to net debt plus equity) was 43.5 percent – remaining at June 2004 levels despite the $581 million total acquisition costs of Amatek, and well within all relevant debt covenants. Interest cover (EBITDA to total interest paid) was 9.6 times, up from 7.8 times in June 2004.

Net debt was $1143 million at June 2005, with the impact of the Amatek acquisition somewhat offset by the strong cashflow from higher activity levels. This compared with net debt of $848 million at June 2004.

The purchase of Amatek was financed by the issue of 20 million shares at $7.05 each, against a pre-announcement closing price of $7.10, and debt from existing facilities.

Dividend

The 2005 final dividend of 17 cents per share will be payable on 13 October 2005 and will carry full New Zealand tax credits. As noted in the announcement of the Amatek acquisition, Australian franking credits will not be available on this dividend.

Directors anticipate that with effect from the 2006 interim dividend, expected to be paid in April 2006, a different mix of tax credits will be attached to dividends. While full New Zealand tax credits will continue to be attached, the proportion of dividend withholding payment tax credits will drop to around 30 percent and imputation credits will make up the other 70 percent. Returns for most New Zealand shareholders will be unaffected by this change, but it will slightly reduce the returns of non-resident investors after New Zealand tax. The company expects to be able to resume providing Australian franking credits with the 2006 interim dividend, improving the returns for its Australian shareholders, with a franking percentage of around 40 percent expected to apply. Full details of the 2005 final dividend are provided in the summary attached.

STRATEGY

Amatek Holdings Limited, the holding company for four Australia based businesses – Rocla Pipeline Products, Rocla Quarry Products, Stramit and Insulation Solutions was acquired on 1 March 2005. The businesses recorded revenues of A$824 million and around A$90 million in operating earnings before depreciation and amortisation in the 12 months to June 2005. The consideration was A$530 million, and the assets acquired included tax benefits with a present value of more than A$60 million. Recognising the value of this tax asset further improves the attractive purchase price/earnings multiple of the acquisition. Fletcher Building operates similar businesses in New Zealand and also has a complementary fibreglass insulation business in Australia. The integration of the two fibreglass businesses and the elimination of Amatek's corporate costs will generate annual synergies well in excess of the A$10 million indicated earlier.

As a result of the acquisition, Australian revenues on a full year basis will be around 35 percent of total revenue. This continues the strategy of reducing the company's reliance on the New Zealand market, while also increasing its exposure to the non-residential segment of the building materials market. A continued strategy of growing existing businesses where market conditions allow, supplemented by acquisitions where these can be value creating, is aimed at maintaining earnings growth and more reliable earnings across the cycle.

IFRS

The 2006 result will be impacted by Fletcher Building's adoption of International Financial Reporting Standards from 1 July 2005, which is likely to increase profit after tax for the year by around 5 percent.

OUTLOOK

Residential markets are slowing 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 2006 year, the strength of non-residential construction and infrastructure in both countries, and the benefits from strategic initiatives should enable Fletcher Building to report another satisfactory result in the year to June 2006.

DIVIDEND INFORMATION

Dividend Summary[1]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON-NZ RESIDENTS
Dividend declared	17.0000	17.0000	17.0000
NZ tax credits [2]	8.3731		
NZ tax credit refund		8.3731	8.3731
Australian franking tax credits [2]			
Gross dividend for tax purposes	**25.3731**	**25.3731**	**25.3731**
NZ tax (33%)	(8.3731)		
NZ non-resident withholding tax (15%) [3]		(3.8060)	(3.8060)
Net cash received after NZ tax	**17.000**	**21.5671**	**21.5671**
Australian tax (15%) [4]		(3.8060)	
Reduced by credit for NZ non-resident withholding tax		3.8060	
Net cash dividend to shareholders	**17.0000**	**21.5671**	**21.5671**

Notes:

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

(2) Australian franking credits are not available with this dividend.

(3) NZ non-resident withholding tax is imposed at the rate of 15 percent on the sum of the dividend declared and the New Zealand tax credit refund. It is not imposed on the Australian franking credits component of the gross dividend.

(4) This summary uses the 15 percent 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.

Dividend Reinvestment Plan

A dividend reinvestment plan operates for dividends paid by Fletcher Building, including this dividend. Participation advice forms for the plan are available from the share registry. Forms lodged prior to the record date of 23 September 2005 will entitle the shareholder to participate with respect to this dividend.

The pricing period for shares issued under the plan in respect of this dividend is the five business days ending on 30 September 2005. The new shares will be allocated on the dividend payment date of 13 October 2005.

Key Dividend Dates

Dividend entitlement date	23 September 2005
Dividend payment date	13 October 2005

The shares will be quoted on an ex dividend basis from 19 September 2005 on the ASX and 26 September 2005 on the NZX.