News Release

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FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Auckland, 15 February 2006

SUMMARY

Directors today announced the unaudited interim results for the six months ended 31 December 2005. Net earnings were $190 million, compared to $172 million in the previous corresponding period. There were no unusual items.

Fletcher Building achieved operating earnings, that is earnings before interest and tax, of $335 million in the six months to 31 December 2005 – 12 percent ahead of the same period in 2004. Despite softer demand, the ongoing benefits of operational improvements, together with the earnings from the Amatek business acquired on 1 March 2005, have resulted in increased earnings.

The lift in earnings has enabled a further increase in the dividend to 19 cents per share. This is an increase of 27 percent over the previous interim dividend. Total shareholder return was 13 percent for the 6 month period.

While the company's overall earnings increased, the divisional earnings were more varied given the spread and range of the markets involved. Building Products' operating earnings were $115 million (previously $125 million). Distribution earned $36 million (previously $42 million). Infrastructure earned $125 million (previously $77 million). Laminates & Panels earned $62 million (previously $58 million).

The Chief Executive Officer, Mr Ralph Waters, said "the results provide further evidence that the strategy of building earnings reliability has not constrained our ability to continue to generate enhanced returns".

Mr Waters said "the company is now forecasting its June 2006 operating earnings to be in the range of $630-650 million. This increase on last year's earnings is very pleasing given the current state of the building materials markets."

Key Points

- Group net earnings up 10 percent to $190 million.
- Operating earnings up 12 percent to $335 million.
- Cashflow from operations was $251 million.
- Annualised return on average funds employed decreased from 31.6 percent to 26.5 percent.

- Earnings per share increased from 39.2 cents to 40.9 cents for the half year.
- Interim dividend increased to 19 cents per share with full New Zealand tax credits plus 38 percent Australian franking credits.
- Major capital works underway and further planned.

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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

Directors today announced the unaudited results for the six months ended 31 December 2005. Net profit after tax and minority interests was $190 million. This was 10 percent ahead of the previous corresponding period. Operating earnings, that is earnings before interest and tax, were $335 million, up from the $299 million earned in the same period last year.

These results are the first reported by the company in accordance with the New Zealand standards that comply with International Financial Reporting Standards. For comparative purposes, last year's results have been restated to be on the same reporting basis.

Revenue was $2.8 billion, up from $2.2 billion in the previous corresponding period. Of the increase, $463 million was from the Amatek businesses acquired in March 2005. After adjusting for this, the increase in revenue was 7 percent. This increase was largely through price inflation rather than volume. Demand in New Zealand was mixed. The residential building market continued to decline, whereas conditions were quite buoyant in non-residential building and infrastructure. In Australia, demand was well off the highs of 2004 for all product categories, however, the company has a greater concentration of assets in Western Australia and Queensland than in other states, and these were two of the best performing markets.

Infrastructure and Laminates & Panels again improved earnings, while Building Products and Distribution recorded declines. Infrastructure had an outstanding result with operating earnings 62 percent ahead of the previous corresponding period, or 34 percent ahead after excluding the earnings of the Amatek businesses. Laminates & Panels was a creditable 7 percent ahead of the previous period despite a subdued market and the negative impact of the high exchange rates on exports. Building Products was down 8 percent on the previous corresponding period or 22 percent after excluding the contributions of the Amatek businesses. Besides softer New Zealand and Australian demand, this division was impacted by the fall in steel prices relative to the same period last year. Its operating earnings were, however, ahead of those earned in the immediately preceding six months to 30 June 2005, even after adjusting for the extra two months of Amatek's earnings. Distribution, although down 14 percent on the previous corresponding period which was the peak of the residential cycle, continues to be the division with the highest return on funds in the company.

Results	**Sales***		**Earnings***	
Period Ended NZ$million	**6 Mths to Dec 2005**	6 Mths to Dec 2004	**6 Mths to Dec 2005**	6 Mths to Dec 2004
Building Products	**876**	575	**115**	125
Distribution	**493**	472	**36**	42
Infrastructure	**889**	617	**125**	77
Laminates & Panels	**505**	494	**62**	58
Corporate	**1**	1	**-3**	-3
Total	**2764**	2159	**335**	299
Funding Costs			**-45**	-33
Earnings Before Taxation			**290**	266
Taxation			**-90**	-82
Earnings After Taxation			**200**	184
Minority Interests			**-10**	-12
Net Earnings as per Published Accounts			**190**	172

***** Prior period results have been restated to conform with reporting in accordance with International Financial Reporting Standards

Earnings per share were 40.9 cents, a 4 percent improvement on the previous corresponding period and a 7 percent improvement on the immediate prior six month period. The interim dividend will be 19 cents per share, 2 cents up from the final dividend of last financial year and 4 cents ahead of last year's interim dividend. This is the company's eighth consecutive dividend increase. The dividend is payable on 13 April 2006 and includes full New Zealand tax credits and 38 percent Australian franking credits. Further details are provided under Financial Review and in the attached summary.

OPERATIONAL REVIEW

Building Products

Building Products reported operating earnings of $115 million representing a drop of 8 percent on the restated previous period's earnings of $125 million.

The division operated in an environment where the residential markets in both Australia and New Zealand were generally slower than last year although the New Zealand business units with the highest residential exposure, namely Winstone Wallboards, Tasman Insulation, Fletcher Aluminium and Pacific Coilcoaters, recorded operating earnings only 4.5 percent behind the same period last year. There were a few specific issues that account for most of the earnings decline.

The most significant reduction in earnings occurred in the Upstream steel operations as a result of a combination of factors: falling world-wide steel prices put local selling prices under pressure at the same time as international scrap demand remained high, thereby squeezing margins; further continuing high vanadium prices resulted in the acceleration of a capital project to reduce its usage which necessitated closing the Rolling Mill for a four week period; and the New Zealand wire market declined by some 25 percent resulting in significantly reduced volumes through the wire mill. Further, as steel prices fell internationally the steel distribution business revalued stock downwards.

Sales of tiles from the New Zealand and Malaysian operations were up some 25 percent although the strong New Zealand dollar squeezed margins. The American metal roof-tile business however experienced a significant drop in demand as volumes generated by hail storm damage in 2004 abated coincidentally with a lull in the re-roofing market.
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The integration of the acquired Amatek businesses, Stramit and Insulation Solutions, has generally gone well although the merged insulation business, renamed Fletcher Insulation, experienced sluggish residential demand in Australia. An exceptional transformer failure put the Rooty Hill plant out of commission for a month, and while volumes were covered by other plants there were additional freight costs and a delay of some planned synergies.

Distribution

Operating earnings were $36 million, down 14 percent compared to the same period in the previous year. Revenue was up 4 percent in the same period.

A very competitive market resulted in some pressure on margins. A more significant issue has been escalating wage rates attributable to generally tight labour market conditions and the major growth in demand for staff from expanding DIY retailers.

During the period a number of property projects were completed with new stores opened in Invercargill and Twizel, the Cook Street, Auckland facility extended and upgrades completed in New Plymouth and Kaiwharawhara, Wellington. This activity along with the impact of other newly opened facilities such as Riccarton and Mt. Wellington, has inevitably led to an escalation in property costs, although in line with expectations.

The investment in the store network has lifted the trading performance in those stores. In spite of a major increase in competition for DIY customers, the new and upgraded stores have increased cash sales and the company has maintained its cash sales position overall. Trade sales remain solid.

New store openings are planned for Kerikeri, Hamilton, Takanini and Nelson in this calendar year.

Infrastructure

Operating earnings in Infrastructure were up 62 percent on the previous corresponding period, aided by the recently acquired Rocla Pipe and Quarry Products businesses.

Operating earnings from the New Zealand concrete operations were again ahead of the previous corresponding period, with significant further improvement from the aggregates and pipe businesses. Aggregates benefited from the growth in demand for roading materials, increased prices and reduced operating costs. Pipes experienced continued strong market conditions and further margin improvement. Despite more difficult business conditions in Australia the Rocla businesses contributed at a higher level than anticipated at the time of acquisition.

Revenues in the construction operations were up 34 percent on the previous corresponding period and operating earnings doubled. Construction contracts are not billed uniformly across one contract period and this was a more favourable billing period than the previous corresponding period. However, the earnings increase does reflect the quality backlog in both the commercial building and engineering operations which currently stands at $840 million. The largest project secured in the period was the Wellington Hospital ($140 million). Despite negative market commentary on the housing market, the residential operations improved earnings over the previous corresponding period by more that 20 percent, particularly through the maintenance of strong margins.

Laminates & Panels

Operating earnings for the period were ahead of expectations and 7 percent up on the previous comparable period. Sales in Australia were stronger than expected, particularly in Victoria and Western Australia, while South Australia and Queensland were similar to last year with New South Wales and New Zealand being somewhat weaker. Demand for export products into Asia remained firm although the New Zealand dollar, which was stronger than last year relative to the yen and US dollar, had an adverse impact on export earnings. Production volumes were ahead of last year at the Kumeu and Taupo board facilities in New Zealand and at the Dardanup board plant in Western Australia.

Significant fuel and transport cost increases were more than offset by further improvements in operational efficiencies, which contributed to the improved earnings. These included the commissioning of a paper storage facility at Ballarat, Victoria; the replacement of externally sourced paper treating in New Zealand with in-house treating; and greater use of wood waste in the board plants in both Western Australia and New Zealand. Also, previously outsourced warehouse management and operations in Sydney were brought in-house in line with other states.

During the half year, a number of new product and new business initiatives were successfully introduced. These include a highly fashionable “diamond gloss” high pressure laminate range, a new range of Formica laminate flooring, and the expansion of the kitchen component business. In addition the company was successful in obtaining the Green Building Council of Australia environmental accreditation “Green Star” for a number of its key products.

FINANCIAL REVIEW

Balance Sheet

With excellent operating cashflow, and with gearing (net debt / net debt + equity) at 40.9 percent, Fletcher Building remains in a sound financial position. This is an improvement on the gearing level of 44.4 percent at June 2005, and the company is comfortably within all relevant debt covenants. Interest cover (EBITDA to total interest paid) was 9.0 times compared to 9.6 times at June 2005.

Net debt was reduced by $70 million over the six month period to $1,070 million at 31 December 2005.

In November 2005, the company successfully completed an issue of guaranteed senior floating rate notes in the US Private Placement debt market. The notes comprise NZ$144 million maturing in 2015 and A$132 million maturing in 2017. Six US investors participated in the note offer. This transaction was undertaken to increase the company's debt maturity profile, diversify its sources of funding and provide NZ$ and A$ funds without the need to use the company's bank swap lines. The proceeds of the issue were used to repay existing bank indebtedness and for general corporate purposes.

Cashflow

Cashflow from operations was $251 million. This included an increase of $80 million in working capital as a result of the timing of cash flows on large construction projects, together with the increase in working capital required to support both the higher activity levels and the plant close-downs over the December / January period.

Capital expenditure totalled $108 million for the period and was some $37 million over the depreciation charge as a result of investment in growth projects within many of the businesses.

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.

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.

The dividend also has Australian franking credits attached, at a franking ratio of 38 percent. These tax credits are required to be allocated to all shareholders but are only of value to those shareholders resident in Australia for tax purposes.

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 24 March 2006. The new shares will be allocated on the dividend payment date of 13 April 2006.

The shares will be quoted on an ex dividend basis from 20 March 2006 on the ASX and 27 March 2006 on the NZX.

STRATEGY

Improving the reliability of earnings has been the primary strategic objective of Fletcher Building since it became a stand alone company in 2001. Whilst the company's markets are cyclical, it has pursued both geographic and product diversification to enhance earnings reliability. Despite contracting residential markets in New Zealand and Australia, and unfavourable exchange rates for exports, the company's spread of activities has enabled increases in net earnings, earnings per share and dividends. The returns on equity and funds employed remain top decile compared to industry peers worldwide, evidencing the success of this strategy.

The company has also been strongly focused on organic growth. As a consequence, capital expenditure, particularly for capacity increases, will well exceed depreciation this year, and is expected to also exceed it in the June 2007 year. These capacity increases are in the main to replace product sourced from third parties. Major capital works in progress or planned include Golden Bay Cement; the Dardenup particle board plant; expansion of the Hunua (NZ) quarry; new quarries in Australia; a new plastic pipe joint venture in New Zealand; a further capacity expansion to the Dardenup sawmill in Australia; and a new resin plant to service the Gympie MDF plant in Australia.

Beyond this organic growth, the company continues to evaluate external acquisition opportunities. All three major Australian acquisitions completed since 2002, which required an outlay of $1.6 billion, have performed well and the company is well positioned to build on this experience through further relevant, commercially attractive acquisitions that meet our strict acquisition criteria.

OUTLOOK

At the annual shareholders' meeting in November, directors advised that they were comfortable with the average of forecasts for operating earnings by broking analysts which would result in earnings before interest and tax of around $637 million.

Since that time, trading has generally continued to be in line with, or a little better than, those expectations. Barring significant unforeseen events, operating earnings should be in the range of $630-650 million. The mid-point of this range would be a better than 5 percent improvement on last year's restated operating earnings, which, given the significant decline in both New Zealand and Australian residential building demand, would be a pleasing outcome.

DIVIDEND SUMMARY

2006 INTERIM DIVIDEND INFORMATION[1]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON RESIDENTS
Dividend declared	19.0000	19.0000	19.0000
NZ tax credits [2]	9.3582		
NZ tax credit refund		2.7139	2.7139
NZ supplementary dividend		2.3806	2.3806
Australian franking tax credits [3]		3.0943	
Gross dividend for NZ tax purposes	**28.3582**	**24.0945**	**24.0945**
NZ tax (33%)	(9.3582)		
NZ non-resident withholding tax (15%) [4]		(3.6142)	(3.6142)
Net cash received after NZ tax	**19.0000**	**20.4803**	**20.4803**
Australian tax (15%) [5]		(3.7212)	
Reduced by credit for NZ non-resident withholding tax		3.6142	
Less Australian franking credit offset [6]		0.7137	
Net cash dividend to shareholders	**19.0000**	**21.0870**	**20.4803**

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	2.7139	
imputation credits	6.6443	
	9.3582	cents per share

(3) The Australian franking credits are not received in cash. While they are not included in the gross dividend for New Zealand tax purposes, they are relevant in determining the gross dividend for Australian tax purposes.

(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.

The Australian tax is calculated as:

gross dividend for NZ tax purposes		24.0945
plus franking credits	3.0943	
less NZ supplementary dividend	(2.3806)	0.7137
gross dividend for Australian tax purposes		24.8082
Australian tax payable (15%)		3.7212

(6) The Australian franking credit assessable amount and tax offset are calculated by reducing the franking credits by the NZ supplementary dividend. Any surplus franking credit offset is refundable to Australian resident shareholders on issue of their Australian tax assessment.