FletcherBuilding

News Release

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

FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Auckland, 17 February 2010 – Fletcher Building today announced its unaudited interim results for the six months ended 31 December 2009. The group recorded net earnings after tax of $154 million, compared with $172 million in the previous corresponding period.

Operating earnings (earnings before interest and tax) before unusual items were $271 million compared with $322 million in the previous corresponding period. Cashflow from operations was up 52 percent to $317 million compared with $208 million in the first six months of the 2009 financial year.

The interim dividend of 14.0 cents per share is in line with the guidance provided at the annual shareholders' meeting in November 2009. The dividend will be partially imputed for New Zealand tax purposes.

Total sales for the group were down 10 percent to $3,393 million as a result of subdued trading conditions in most markets. In particular, the Steel division experienced a 25 percent decline in sales due to lower volumes and prices. Sales in the Laminates & Panels division were 10 percent lower due to reduced demand and the currency translation effects of the stronger New Zealand dollar. Concrete sales in New Zealand and Australia were down 13 percent as a result of weak demand, particularly in New Zealand.

Partly offsetting this sales decline were stronger insulation sales in Australia and New Zealand, which were up 39 percent due to government stimulus measures. Strong activity levels in the New Zealand construction business resulted in sales growth of 6 percent.

Chief Executive Officer, Jonathan Ling said "as we expected, the tough economic conditions in most of the markets in which the group operates negatively impacted our results, although government stimulus measures have helped to offset the worst effects of the recession".

"In that context, we were particularly pleased with the strong group cashflow performance, with cashflow from operations up 52 percent on the prior corresponding period. Combined with the restructuring initiatives undertaken over the past year, the group is in a very strong financial position and well placed for the future".

“What has also given us cause for optimism is that the operating earnings in the first half of the 2010 financial year were 15 percent higher than for the second half of the prior year. We have had a noticeable pick-up in trading activity in the October to December period of 2009, with growth in sales and earnings in those businesses with exposure to the New Zealand and Australian residential housing markets.”

“This suggests that we are finally starting to see a recovery in residential construction activity in New Zealand and Australia, albeit from a very low base”, Mr Ling said.

Results overview

Comparisons are with the prior corresponding period

- Total sales of $3,393 million, down from $3,757 million
- Operating earnings of $271 million, down from $322 million
- Net earnings of $154 million, down from $172 million
- Cashflow from operations up 52 percent to $317 million
- An interim dividend of 14.0 cents per share with partial New Zealand tax credits
- Interest cover at 5.2 times
- Earnings per share were 26 cents
- Capital expenditure down 53 percent to $77 million

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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Directors today announced the unaudited financial results for the six months ended 31 December 2009. Net earnings were $154 million, 10 percent lower than for the prior corresponding period. Operating earnings (earnings before interest and tax) before unusual items decreased to $271 million, from $322 million in the same period in the previous year. Cashflow from operations was 52 percent higher at $317 million.

Results	**Sales**		**Operating Earnings**	
NZ$ Million **6 months ended**	**December 2009**	December 2008	**December 2009**	December 2008
Building Products	**436**	412	**76**	62
Distribution	**435**	481	**17**	19
Infrastructure	**919**	948	**68**	93
– Property	**55**	70	**7**	10
Laminates & Panels	**965**	1,069	**70**	48
Steel	**583**	777	**42**	97
Corporate	**0**	0	**(9)**	(7)
Total excluding unusual items	**3,393**	3,757	**271**	322
Funding costs			**(52)**	(79)
Earnings before taxation and unusual items			**219**	243
Taxation excluding unusual items			**(59)**	(52)
Earnings after taxation before unusual items			**160**	191
Minority interests			**(6)**	(5)
Net earnings pre-unusual items			**154**	186
Unusual items after tax			**0**	(14)
Net earnings per published accounts			**154**	172

Sales declined by 10 percent to $3.4 billion from $3.8 billion. Stronger sales were achieved in the insulation and construction businesses, but these were more than offset by weaker sales elsewhere. Sales in the Steel division fell by $194 million, or 25 percent, as a result of lower steel prices and volumes. Lower activity levels in the residential and commercial construction markets in New Zealand resulted in lower sales in the Distribution division, with sales from concrete activities in New Zealand 17 percent lower. The Laminates & Panels division recorded a sales decline of $104 million, or 10 percent lower, due principally to weak markets in the USA and Europe.

Earnings per share excluding unusual items were 26 cents, compared with 37 cents in the previous half year.

OPERATIONAL REVIEW

Building Products

The Building Products division recorded growth in operating earnings before unusual items of 23 percent to $76 million, up from $62 million earned in the previous corresponding period.

Operating earnings for the plasterboard business were down 15 percent as a result of continued weakness in the New Zealand residential construction market, albeit signs of improvement were evident towards the end of the period. The effect of restructuring on manufacturing and overhead costs helped to alleviate this impact.

The insulation business grew operating earnings before unusual items by 65 percent due to the effect of the government stimulus packages in Australia and New Zealand on volumes and manufacturing efficiencies. This was partially offset by weaker demand in the New Zealand non-residential construction sector impacting the commercial insulation and ceiling and wall systems business.

In Australia, the government stimulus package led to a dramatic increase in glasswool insulation demand. This exceeded local manufacturing capacity and significant volumes were imported at lower margins, peaking at over twice domestic manufacturing capacity. Toward the end of the period a series of government steps reduced the stimulus package and lowered the individual household rebate. Together with more stringent compliance requirements around the quoting and installation process, these measures have caused demand to reduce from its peak.

Operating earnings for the roof tiles business were up 2 percent on the previous corresponding period. Favourable global steel prices, strong volumes into Africa, improved volumes in New Zealand, and a strong price and product mix in the United States, were largely offset by the impact of a strong New Zealand dollar on export returns and weak volumes in most export markets particularly in Europe and Japan. Normalisation of operations at the United States plant following a serious plant fire in the previous year also contributed to an improved result.

Operating earnings for the Australian based sinkware business and the New Zealand based aluminium business were up on the previous corresponding period. The sinkware business managed to offset weakness in its domestic and export markets with strong cost control and a focus on higher value products. The aluminium business experienced significant improvements in its core domestic volumes, improved margins and lower aluminium input prices, although export and commercial markets were weaker.

Distribution

The Distribution division reported operating earnings before unusual items of $17 million, down 11 percent on the previous corresponding period. The trading environment continued to be challenging with sales down 10 percent over the same period last year.

A 10 percent cost reduction to the same period last year was achieved through reduced employee and facility costs. Further enhancements to delivery management improved freight cost recovery.

A working capital reduction of 9 percent assisted stronger cashflow performance.

The New Zealand building materials market has continued to be impacted by the low level of residential building consents, and more recently non-residential consent declines. However a pickup in activity in the second quarter was evident from a very weak first quarter.

The market continued to be highly competitive with most industry participants taking an aggressive stance on pricing to retain share. Pressure on PlaceMakers' core trade segment continues but its market share has been maintained.

In frame and truss manufacturing, improvements to the plant network, production scheduling, quality control and plant layout occurred over the period resulting in productivity gains.

Infrastructure

Infrastructure's operating earnings for the first six months were $75 million compared with $103 million in the prior corresponding period. The recession has had a substantial impact on activity levels for the construction materials, property and residential operations whilst the construction business maintained similar levels of activity.

Operating earnings of the concrete businesses in New Zealand were $21 million below the previous corresponding period. Demand continued to soften during the period for all construction materials due to weaker market conditions. Cement, aggregates, readymix concrete, concrete pipe and precast products volumes were 11 percent, 27 percent, 15 percent, and 27 percent respectively below those recorded for the previous corresponding period. While cement prices were stable, downward pricing pressure was experienced for other products in many markets. An ongoing focus on reducing costs and business improvement initiatives helped mitigate the impact of lower volumes.

The Australian concrete pipe operations experienced softer market conditions with product volumes 16 percent below the same period last year. A favourable sales mix, cost reductions and other business improvements limited the earnings decline to $4 million. In the quarry business, volumes and earnings were in line with the previous corresponding period.

Construction earnings were consistent with the prior period. The construction backlog was $1.1 billion at the end of December. Major contracts won in the period include Victoria Park tunnel ($240 million), Ormiston Road School ($40 million) and the Hutt hospital ($50 million). The level of public funded work in construction's backlog remains very high at over 80 percent of the total backlog. With commercial construction work expected to remain slow in the short term, activity will continue to be dependent on government spending.

Property sales earned $7 million compared to $10 million last year. This included earnings in the residential business, which were $1 million higher due to an improved sales mix and the sale of surplus land holdings.

Laminates & Panels

Operating earnings, excluding unusual items, for Laminates & Panels were $70 million, up 46 percent on the $48 million in the previous period.

Laminex's operating earnings were $60 million for the half year which included a $10 million gain on the sale of the Welshpool site in Western Australia, and $5 million in savings against previously established site closure provisions. This compares with earnings of $42 million before unusual items for the 6 months to December 2008.

Volumes were down in Australia and New Zealand, due to the slowdown in both economies, resulting in increased pricing competition. Cost savings were achieved from a significantly lower headcount, reduced resins costs, and stronger Australian and New Zealand currencies, offset the impact of the lower volumes and pricing pressure.

The closure in July 2009 of the medium density fibreboard plant in Western Australia, and the particleboard facility in Auckland, have proceeded on time and in line with the plan. These restructurings, which have better aligned capacity with domestic demand, were achieved without impacting the supply or distribution of product to domestic customers.

Operating earnings before unusual items for Formica were $10 million, up 67 percent on the prior corresponding period.

In North America, the turn-around in performance was sustained with operating earnings before unusual items of $4 million compared with an operating loss in the prior period of $5 million. In the USA, both the residential and commercial sectors declined sharply with residential activity estimated to be down by around 30 percent, and commercial activity is estimated to be down by closer to 40 percent on last year. As a result sales volumes of high pressure laminate were down by 15 percent on the prior year. Pricing remained relatively strong due to product mix and initiatives aimed at improving customer margins.

Operating performance improved significantly with a number of initiatives in the areas of logistics, warehousing and distribution all aimed at improving service while at the same time reducing costs. In addition the two manufacturing facilities at Ohio, in the USA and Quebec, Canada both experienced significant improvements in labour productivity and material yields.

Formica's operations in Europe continued to face tough industry conditions, particularly in the UK and Spain. Further restructuring was undertaken during the period to reduce costs and improve efficiencies, particularly in selling and administration costs. Total restructuring costs of $5 million were incurred during the period. As a consequence, an operating loss of $4 million was recorded compared with operating earnings before unusual items of $1 million in the prior period.

Both residential and commercial activity in the UK and Spain was significantly down on last year. Activity levels in the Nordic markets and Benelux countries were also down, although to a lesser extent. Overall sales volumes of high pressure laminate across Europe were down by 16 percent on last year, while price generally remained firm in most key markets.

Formica's operations in Asia experienced stable market conditions overall, but with some variability across the region. Operating earnings were 6 percent higher at $17 million. Thailand, Singapore, Hong Kong and Taiwan, all remained firm throughout the period. Activity levels in China varied across the country with, demand generally stronger in Northern China, while activity in Southern China was down on last year. Overall volume of high pressure laminate sales across Asia was up slightly on last year. Prices remained firm in most markets but increased competitive pressure, particularly in China saw some weakening over the prior period.

Across all regions, major material input costs were in line with the prior corresponding period, with the exception of resin chemicals which were down on the same period last year.

Steel

As previously signalled to the market, the Steel division's earnings were down from the prior period's record levels, with operating earnings before unusual items 57 percent lower than the prior corresponding period. Sales were 25 percent lower than the prior corresponding period driven by both pricing and volume impacts.

Steel prices peaked in the second half of 2009 driven by very strong demand. Volume and pricing both contracted significantly with the advent of the global financial crisis. Since then the industry has been in a consolidation phase whilst global inventories are re-aligned with the recessionary environment. As such, even though operating earnings were far lower than the prior year, the division has weathered the volatility and is well positioned to participate in an industry upturn.

Capacity reductions taken in virtually all business units in 2009 together with a stronger focus on customer management and service have assisted in ameliorating the operating earnings decline.

The long steel businesses which include Pacific Steel and a 50 percent interest in Sims-Pacific performed to expectations even though earnings declined by 66 percent to $16 million for the half year. At Pacific Steel volumes and pricing were down 15 percent and 38 percent respectively, which resulted in margins reducing by 9 percent, to 16 percent. Infrastructure construction projects have continued to support volumes.

The rollforming and coatings business experienced an operating earnings decline of 35 percent to $23 million for the half year. Volumes were down 14 percent as housing and commercial construction activity declined significantly in both Australia and New Zealand. In Australia, volumes have been improving as the Government stimulus packages have increased economic activity in the building sector.

The distribution and services businesses experienced an operating earnings decline of 79 percent. Fletcher Easysteel's operating earnings were well down on prior year due to a combination of contracting margins and low volumes. Easysteel's margins contracted as lower prices reduced the value of existing inventories.

FINANCIAL REVIEW

Balance Sheet

The balance sheet was further strengthened during the period with strong operating cashflow used to reduce debt levels further.

Funding

The group had over $1.1 billion of unutilised debt facilities and $146 million of cash on hand as at 31 December 2009. Debt maturing within the next 12 months is approximately $112 million.

During the period, the maturity profile of the group's syndicated bank loan was extended and now has an average duration of 2.8 years.

Debt Maturity

The average maturity of the net debt of $1,135 million is 6 years and the currency split is 51 percent Australian dollar; 22 percent New Zealand dollar; 21 percent US dollar; 4 percent Euro; and 2 percent Pounds Sterling.

Interest Rates

Following the equity raising in April 2009, approximately 89 percent of all borrowings have fixed interest rates with an average duration of 4.7 years and an average rate of 7.22 percent. Inclusive of the floating rate borrowings, the average rate on debt is currently 7.49 percent. All interest rates are inclusive of margins but not fees.

With strong operating cashflow, gearing[1] at 27.3 percent, and interest coverage[2] at 5.2 times, the group remains in a sound financial position.

Cashflow

Cashflow from operations was $317 million compared with $208 million in the prior period. The strong improvement in cashflow was largely attributable to a continued emphasis on tight capital management.

Capital expenditure for the period was $77 million, down 53 percent compared with $164 million in the prior corresponding period. Of this total, $46 million related to stay-in-business capital projects, with $31 million in new growth initiatives. Significant projects included the new port cement facility in Auckland and the installation of additional capacity in the insulation plant in Victoria.

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[1] Net debt to net debt plus equity

[2] EBIT before unusual items to total interest paid including capital notes interest

Dividend

The interim dividend of 14 cents per share is partly credited for New Zealand tax purposes. This dividend has been imputed at a 30 percent tax rate to the extent of 7 cents per share. For the un-imputed amount of the dividend, resident withholding tax at 33 percent has been deducted and, to the extent the 30 percent tax rate credits are attached, an additional 3 percent resident withholding tax must be deducted for New Zealand shareholders without exemption certificates.

Non-New Zealand shareholders benefit from the New Zealand supplementary dividends attached to the imputation credits, as these have the effect of removing the cost of New Zealand non-resident withholding tax on the portion of dividends carrying full 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.

The final dividend is not franked for Australian tax purposes. To maximise the value of available franking credits the company's policy is 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.

The dividend reinvestment plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. 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 and designated by the NZX as "price-setting trades" in the five business days following the record date of 31 March 2010. The new shares will be issued on the dividend payment date of 21 April 2010.

The shares will be quoted on an ex dividend basis from 25 March 2010 on the ASX and 1 April 2010 on the NZX.

STRATEGY

Fletcher Building's long term strategy continues to be to improve earnings reliability through geographical and product diversification, to maintain and improve internal capabilities, and to pursue acquisition opportunities where these meet key investment criteria.

In New Zealand, the focus will continue to be on maintaining and growing existing businesses and pursuing means of strengthening distribution capability.

Australia remains the key geography for pursuit of the group's growth aspirations. The strategy will continue to be one of building on existing positions in the building products and construction materials sectors over time.

Beyond Australasia, the priority remains developing the laminates business, particularly with regard to extending Formica's footprint in Asia. While Australasia is the principal area of focus, Fletcher Building is committed to maintaining a leading position globally in laminates through Formica and Laminex.

OUTLOOK

The improvement in residential building approvals in New Zealand and Australia will, if sustained, assist those parts of the group with exposure to residential construction. Offsetting this, however, is a continued deterioration in new commercial building activity in both countries. Government stimulus measures coupled with increased spending on infrastructure are expected to continue at a similar rate in the short to medium term in both markets, and this is helping to underpin volumes and operating results.

In North America, sustained economic growth and a reduction in housing inventory will be required before any recovery is evident in new housing construction. Commercial construction activity is expected to lag any pick up in residential markets. In Europe, the outlook continues to be subdued with little evidence that a recovery in volumes is imminent. Asian markets are expected to perform satisfactorily overall.

The divisional outlook for the second half of the 2010 financial year is as follows:

- The Building Products division will likely see the benefit of the insulation stimulus package in Australia reduce with the recent changes to the scheme. Higher activity levels in new residential construction in New Zealand and Australia are expected to underpin results, however, export markets are expected to remain mixed.

- Distribution will largely track the progress of the new residential market in New Zealand;, a sustained improvement in the rate of new housing construction would positively impact the financial results of this division.

- The Infrastructure division will continue to benefit from publicly funded construction work in New Zealand, although the timing of large projects will impact results in the second half. The concrete businesses in both New Zealand and Australia are expected to perform satisfactorily, with infrastructure spending and an improved residential construction outlook offset in part by weak commercial construction activity levels.

- In Laminates & Panels, the cost reduction programmes will assist profitability even though the outlook is for continued low volumes in North America and Europe. Australia and New Zealand are anticipating the improved volumes in residential being offset by continued weakness in commercial markets. Asia is expected to perform in line with the first half.

- Steel markets are expected to remain difficult with low demand impacting volumes and depressed pricing for manufactured long steel products.

The current consensus range of analyst’s forecasts for net earnings after tax, excluding unusual items, for the full year is $278 million to $303 million. Based on current trading performance, and assuming no further deterioration in key markets, net earnings should fall within this range.

2009 FINAL DIVIDEND SUMMARY TABLE [(1)]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON
Dividend declared	14.0000	14.0000	14.0000
NZ tax credits [(2)]	3.0000		
NZ supplementary dividend [(3)]		1.2353	1.2353
Australian franking tax credits [(4)]		0.0000	
Gross dividend for NZ tax purposes	**17.0000**	**15.2353**	**15.2353**
NZ tax (33%) [(5)]	(5.6100)		
NZ non-resident withholding tax (15%) [(6)]		(2.2853)	(2.2853)
Net cash received after NZ tax	**11.3900**	**12.9500**	**12.9500**
Australian tax (15%) [(7)]		(2.2853)	
Reduced by credit for NZ non-resident withholding tax		2.2853	
Net cash dividend to shareholders	**11.3900**	**12.9500**	**12.9500**

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 wholly of imputation credits and do not include any dividend withholding payment credits. The dividend has imputation credits attached at the rate of 3.0 cents per share.

(3) The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax on that part of the dividend which is fully imputed. From 1 February 2010, non resident shareholders with 10% or greater shareholding and/or shareholders from jurisdictions for which the NRWT rate on dividends paid from New Zealand is less than 15% are no longer eligible to receive supplementary dividends. These shareholders are eligible for an exemption from NRWT to the extent the dividend is fully imputed.

(4) 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.

(5) For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33% from that part of the gross dividend which has not been credited with imputation credits and at 3% from that part of the gross dividend which has been credited with imputation credits at 30%. Accordingly, for those shareholders, a deduction of 2.61 cents per share will be made on the date of payment from the dividend declared of 14.0 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 refund of the RWT.

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

(7) 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.