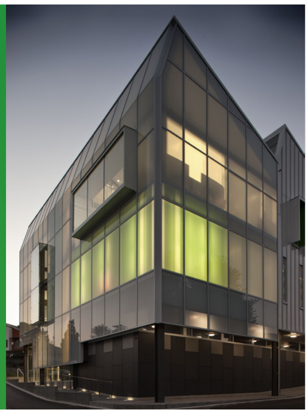
Fletcher Building

MANAGEMENT COMMENTARY FOR THE SIX MONTHS ENDED 31 DECEMBER 2015



Fletcher Building reports strong growth in operating earnings

Reported results – NZ$M (except where noted)	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
Total revenue	**4,434**	**4,327**	**2**
Operating earnings before significant items [1]	**278**	**290**	**(4)**
Significant items [2]	10	(66)	NM
Operating earnings (EBIT)	**288**	**224**	**29**
Funding costs	(60)	(66)	(9)
Earnings before tax	**228**	**158**	**44**
Tax expense	(52)	(40)	30
Earnings after tax	**176**	**118**	**49**
Non-controlling interests	(4)	(4)	–
Net earnings before significant items	**159**	**171**	**(7)**
Net earnings	**172**	**114**	**51**
Earnings per share before significant items (cents)	**23.0**	**24.9**	**(8)**
Earnings per share (cents)	**24.9**	**16.6**	**50**
Dividends declared per share (cents)	**19.0**	**18.0**	**6**
Capital expenditure	**122**	**116**	**5**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

- Revenue for the period of $4,434 million was $107 million, or 2%, higher when compared with the prior corresponding period;
- Operating earnings before significant items were $278 million, 4% lower than the prior corresponding period;
- A net gain of $10 million (December 2014: an expense of $66 million) was booked within significant items;
- Operating earnings of $288 million were $64 million, or 29%, higher than the prior corresponding period;
- Net earnings were $172 million, up 51%, from $114 million in the prior corresponding period;
- Net earnings before significant items were $159 million, down 7% on the prior corresponding period;
- Cash flow from operations was $170 million, up 16% from $146 million in the prior corresponding period;
- Basic earnings per share were 24.9 cents, up from 16.6 cents;
- Interim dividend is 19.0 cents per share.

Financial Results

	Gross Revenue		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
Building Products	1,265	1,320	(4)
International	1,080	1,001	8
Distribution	1,674	1,650	1
Residential and Land Development	108	101	7
Construction	748	640	17
Other	5	3	67
Group	**4,880**	**4,715**	**3**
Less intercompany sales	(446)	(388)	15
Group external sales	**4,434**	**4,327**	**2**

	Reported operating earnings			Operating earnings before significant items		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %	**Six months ended 31 December 2015 NZ$M**	Six months ended 31 December 2014 NZ$M	Change %
Building Products	142	86	65	132	114	16
International	53	61	(13)	53	61	(13)
Distribution	64	34	88	64	56	14
Residential and Land Development	24	33	(27)	24	33	(27)
Construction	36	30	20	36	46	(22)
Corporate	(31)	(20)	55	(31)	(20)	55
Total	**288**	**224**	**29**	**278**	**290**	**(4)**
Funding costs	(60)	(66)	(9)	(60)	(66)	(9)
Earnings before tax	**228**	**158**	**44**	**218**	**224**	**(3)**
Tax expense	(52)	(40)	30	(55)	(49)	12
Earnings after tax	**176**	**118**	**49**	**163**	**175**	**(7)**
Non-controlling interests	(4)	(4)	–	(4)	(4)	–
Net earnings	**172**	**114**	**51**	**159**	**171**	**(7)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

Financial Results continued

Geographic segments

	Gross revenue			External revenue		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %	**Six months ended 31 December 2015 NZ$M**	Six months ended 31 December 2014 NZ$M	Change %
New Zealand	2,664	2,450	9	2,279	2,140	6
Australia	1,575	1,683	(6)	1,525	1,611	(5)
Rest of World	641	582	10	630	576	9
Total	**4,880**	**4,715**	**3**	**4,434**	**4,327**	**2**

	Operating earnings before significant items[1]		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
New Zealand	200	200	–
Australia	54	49	10
Rest of World	24	41	(41)
Total	**278**	**290**	**(4)**

Geographic segments in local currency

	Gross Revenue			External revenue		
	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %	**Six months ended 31 December 2015**	Six months ended 31 December 2014	Change %
Australia (A$M)	1,440	1,537	(6%)	1,395	1,471	(5%)
Rest of World (US$M)	424	474	(11%)	417	469	(11%)

	Operating earnings before significant items[1]		
	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
Australia (A$m)	49	45	9
Rest of World (US$m)	16	33	(52)

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

- External revenue of $4,434 million was $107 million or 2% higher than the prior corresponding period. Of this increase $139 million related to increased New Zealand revenue, partly offset by the lower revenue in Australia. In local currencies, revenue increased by 6% in New Zealand, with a decrease of 5% in Australia and 11% in the Rest of World.
- Reported operating earnings before interest and tax of $288 million were 29% higher than the prior corresponding period.
- The result was driven by a strong result in the Building Products and Distribution divisions, offset by reduced revenue and earnings in Europe and lower Residential development earnings and the timing of key Construction contract earnings.
- Reported operating earnings include a net gain within significant items of $10 million relating to:
  - the sale of parts of the Rocla Quarries business in the period, resulting in a net gain on sale of $16 million (the remainder of the gain to be recognised in the second half); and
  - site closure costs of $6 million relating to the closure of two sites in Iplex Australia announced in July 2015, and a site in Rocla Pipes' business announced in October 2015.
- Operating earnings before significant items were $278 million, 4% lower than the prior corresponding period.
- In **New Zealand**, earnings continued to benefit from increased activity in residential, commercial and infrastructure construction with corresponding strong demand for building materials, offset by the mix and timing of projects in Residential and Construction.
- In **Australia**, operating earnings increased by 10% as a result of improved performance in several businesses including the Iplex and Stramit businesses.
- In the **Rest of World**, market conditions varied geographically with most markets experiencing strong competition and price pressures. The decrease in earnings was a result of weak performance in Europe and reduced activity, down from record levels, in the South Pacific partially offset by increases in earnings in Asia and North America. Movements were amplified by the weakening of the New Zealand dollar against the Euro and US dollar.
- Funding costs of $60 million were 9% lower than the prior corresponding period, due to lower interest costs in New Zealand.
- The tax expense of $52 million represents an effective tax rate for the period of 23% (2014: 25%).
- Earnings per share were 24.9 cents, an increase of 50% from 16.6 cents per share in the prior corresponding period.

Segmental Operational Review

The following sections provide a commentary on individual division results for the period ended 31 December 2015.

Building Products

Concrete Pipes & Products; Cement and Aggregates; Building Materials; Plastic Pipes

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change	Change %
Gross revenue	1,265	1,320	(55)	(4)
External revenue	1,021	1,069	(48)	(4)
Operating earnings before significant items [1]	132	114	18	16
Significant items [2]	10	(28)	38	NM
Operating earnings	142	86	56	65
Funds	1,748	1,880	(132)	(7)

	Operating earnings before significant items [1]		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
Cement and Aggregates	44	39	13
Concrete Pipes & Products	27	30	(10)
Building Materials	48	38	26
Plastic Pipes	2	(3)	NM
JV Earnings and other	11	10	10
Total	**132**	**114**	**16**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

The Building Products division reported earnings of $142 million compared with $86 million in the prior corresponding period.

The result includes a net gain within significant items of $10 million relating to the profit on sale of a number of joint ventures of the Rocla Quarries business ($16 million). This was offset by costs of $6 million associated with the closure of one Rocla Pipes and two Iplex sites in Australia.

The Cement and Aggregates businesses lifted operating earnings by 13% to $44 million. This was primarily driven by increased New Zealand cement volumes, up 3% against the prior corresponding period, combined with a favourable change in the mix of regional quarrying volumes.

Operating earnings for Concrete Pipes & Products were $27 million compared to $30 million in the prior corresponding period. Ready-mix concrete volumes in New Zealand were 8% higher than the prior corresponding period in line with overall market growth, whilst New Zealand concrete pipe volumes were lower due to slowing market activity in Canterbury and increased competitor activity. In Australia, performance was flat as a result of very weak demand in Western Australia and intensifying price competition in other regional markets.

Building Materials operating earnings were $48 million, an increase of 26% on the prior corresponding period. Plasterboard volumes were up 9% overall, with volumes of performance board increasing 12% in the period. Insulation volumes also improved significantly in the period, with an increase of 12% in New Zealand and 9% in Australia. Market share has also improved in both insulation markets, partly through competitive pricing following the strengthening of the US dollar.

The Plastic Pipes businesses reported a $2 million operating earnings before significant items, a $5 million improvement on the prior corresponding period. Volume in the Australian market was down 12% due to softening demand in the civil and mining segments and continued reduction in demand from coal seam gas projects. The impact of this was however more than offset by significant reductions in Iplex Australia's operating costs and the turnaround of this business is on track. The New Zealand plastic pipes business was in line with the prior corresponding period.

International

Laminex; Formica; Roof Tile Group

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change	Change %
Gross revenue	1,080	1,001	79	8
External revenue	1,067	990	77	8
Operating earnings	53	61	(8)	(13)
Funds	2,041	1,908	133	7

	Operating earnings		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
Laminex	41	37	11
Formica	6	20	(70)
Roof Tile Group	6	4	50
Total	**53**	**61**	**(13)**

Operating earnings for the International division were $53 million, down 13% from $61 million in the prior corresponding period. Revenue was up 8%, largely due to the translation effect resulting from a weakening of the New Zealand dollar, particularly against the US dollar and the Euro.

Laminex operating earnings were up 11% to $41 million. Gross revenue was 4% higher than the prior corresponding period. Australian revenue in domestic currency was 3% higher, driven by increased activity in the residential and commercial sectors as well as product growth initiatives, such as stone and plywood. New Zealand revenue was up by 8% on the prior corresponding period. While competitive pressures remained strong, the business continued its programme of cost reduction, operational efficiencies and restructuring.

Operating earnings for Formica were $6 million. Revenue in domestic currencies was up by 1% on the prior corresponding period.

In North America, revenue in domestic currencies was up by 3%, while operating earnings in domestic currencies were down by 8% predominantly due to the timing of costs associated with new product promotions. At the manufacturing and operational level the business continued to generate efficiency gains.

In Asia, revenue in domestic currencies was down 3%. This was driven by slowing activity levels and competitive response in China, with revenue down by 11%. Thailand and Taiwan saw revenue up by 8% and 6% respectively. Operating earnings were down by 4% in domestic currencies compared to the prior corresponding period due to revenue and margin softness in China. Despite these challenges, the new factory in Jiujiang, China continued to improve its operational capabilities.

Revenue in Europe in domestic currencies fell by 8%. Activity levels varied significantly by country, with improvements in the UK while countries such as France, the Netherlands and Spain were slightly down and Russia and Poland both significantly down. Operating losses were predominantly due to revenue shortfalls and competitive pressure on margins. Adverse operational issues at the North Shields factory in the UK also contributed to the operating result. During the period, the business has been heavily focused on restructuring key aspects of operations.

Roof Tile Group operating earnings were $6 million, up from $4 million in the prior corresponding period.

Sales volume improvement has been experienced in all markets other than the key African market. Low oil prices have had a negative impact on African demand and as a result pricing has had to be reduced accordingly. The US market has grown on the back of long-term investment in that market, and the business has benefited from the stronger US dollar and lower steel prices.

Distribution

NZ Building Supplies; NZ Steel Distribution; Australian Building Supplies; Australian Steel Distribution

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change	Change %
Gross revenue	1,674	1,650	24	1
External revenue	1,531	1,535	(4)	–
Operating earnings before significant items[1]	64	56	8	14
Significant items[2]	0	(22)	22	NM
Operating earnings	64	34	30	88
Funds	1,049	991	58	6

	Operating earnings before significant items[1]		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
NZ Building Supplies	39	29	34
NZ Steel Distribution	17	15	13
Australian Building Supplies	(2)	6	NM
Australian Steel Distribution	10	6	67
Total	**64**	**56**	**14**

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2 Details of significant items can be found in note 3 of the interim financial statements.

The Distribution division reported operating earnings of $64 million, an increase of 88% on the prior corresponding period. Operating earnings before significant items increased 14%.

In the NZ Building Supplies businesses, gross revenue of $781 million increased by 10%. PlaceMakers grew revenue by 10% to $643 million, a record for the business, with growth in all trade related segments of the market and double digit sales growth arising in both the commercial and frame and truss categories. Mico also experienced strong revenue growth ahead of the market overall.

Strong earnings growth was seen at both PlaceMakers and Mico with operating earnings increasing 34% on the prior corresponding period. Operationally, three new stores were opened by PlaceMakers and a new Frame and Truss manufacturing site was opened. The co-location programme has continued for Mico and PlaceMakers, with seven sites currently co-located and other site deployments being planned.

NZ Steel Distribution businesses reported a 13% increase in operating earnings, with record domestic volumes produced at Pacific Coilcoaters and record order-book levels at Fletcher Reinforcing.

Australian Building Supplies reported a loss of NZ$2 million, down from a NZ$6 million profit in the prior corresponding period, primarily due to restructuring costs incurred in the current period. The prior period earnings included contribution of the Hudson Building Supplies business prior to its divestment.

The Tradelink business recorded a 3% decrease in revenue in domestic currency as a result of market competition in the period. Despite the competitive pressures, underlying sales margin improved.

Tradelink remains committed to its core trade customer base and on growing its market share through targeted customer value proposition. Whilst growth was seen in the commercial plumbing area, an increased emphasis is being placed on the trade plumber, with programs like the Customer Service Promise rolled out specifically targeting these customers. Costs continue to be managed in line with trading. A flatter management structure and reduced head office personnel have allowed for investment in more sales people and customer centric activities.

In the Australian Steel Distribution businesses operating earnings increased 67%, primarily driven by improvements in Stramit as a result of restructuring the business away from a regional basis to a more centralised structure. This has reduced overhead costs while an improved focus on sales mix and key products has also provided benefits in the period.

Residential and Land Development

NZ Residential Development

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change	Change %
Gross revenue	108	101	7	7
External revenue	108	101	7	7
Operating earnings	24	33	(9)	(27)
Funds	295	209	86	41

	Operating earnings		
	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change %
NZ Residential Development	24	33	(27)
Total	**24**	**33**	**(27)**

The Residential and Land Development division reported operating earnings of $24 million, a decrease of 27% on the prior corresponding period, primarily reflecting a reduction in home sales in the Stonefields development, offset in part by increased sales elsewhere.

Notwithstanding lower Stonefields volumes, revenue increased by $7 million, or 7%, due to sales at Jack's Point and the overall property market increases in Auckland.

The division has a significant level of land in ownership for development over the next few years with Greenhithe, Karaka and Wattle Cove in Auckland experiencing increased sales volumes. The housing construction phase will start at Red Beach and Eugenia Rise over the next 12 months.

Construction is also underway at Three Kings in Auckland and Awatea in Christchurch. During the period, major partnership arrangements were secured with the New Zealand Government in Christchurch, including the East and North Frame Residential Precinct to be created on the edge of the CBD. In addition, the division is working on a number of non-residential land development opportunities.

Construction

Construction New Zealand; Construction South Pacific

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change	Change %
Gross revenue	748	640	108	17
External revenue	707	632	75	12
Operating earnings before significant items[1]	36	46	(10)	(22)
Significant items[2]	–	(16)	16	NM
Operating earnings	36	30	6	20
Funds	(37)	(19)	(18)	95

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

The Construction division reported operating earnings of $36 million, an increase of $6 million on the prior corresponding period.

Operating earnings before significant items of $36 million were $10 million lower than the prior corresponding period. The reduction reflects the timing of projects, with a larger proportion in the prior corresponding period being at a more advanced stage of the construction process.

The Construction division has continued to grow, with gross revenue increasing by 17% when compared to the prior corresponding period.

At 31 December 2015, the backlog of work for the division, being the value of contracted work awarded but not completed, reached $3.3 billion, a record level.

Performance for the New Zealand businesses continued to be strong. Work on the Waterview project is into its final 18 months, with substantial progress made on the ancillary structures and interchange flyovers and tunnel drilling complete.

There has also been significant progress on the MacKay's to Peka Peka project north of Wellington and the Kirkbride Road Intersection interchange in Auckland, with work on-going for Christchurch's Justice Precinct and science blocks for the University of Auckland and Victoria University.

In the South Pacific, the largest project is in Fiji, with work halfway through the remediation and completion of the Momi Bay Resort, while the construction of a casino and a government building in the Solomon Islands was completed in November.

Fletcher EQR continues to assist the Earthquake Commission in Christchurch, project managing housing repairs. This contract was extended in April 2015, and there is an ongoing tail of work to complete, expected to run until December 2016.

Significant projects won include the contracts to build the New Zealand International Convention Centre, Precinct Properties' Downtown site redevelopment, Auckland International Airport international terminal upgrade, the new National Biocontainment Laboratory for the Ministry of Primary Industries, Greymouth Hospital and the redevelopment of Auckland Prison in a Public Private Partnership with the Department of Corrections. Fletcher Construction has been selected to join the New Zealand Transport Agency in an alliance to construct the Hamilton Section of the Waikato Expressway.

In the South Pacific, new projects secured include a wharf contract in American Samoa and preparatory work for a new hotel in Papua New Guinea.

Group Cash Flow

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change
Operating earnings before significant items[1]	**278**	**290**	**(12)**
Depreciation and amortisation	97	103	(6)
Less cash tax paid	(67)	(29)	(38)
Less interest paid	(60)	(63)	3
Provisions, significant items and other	**(40)**	**(19)**	**(21)**
Results from operations before working capital movements	**208**	**282**	**(74)**
Land and developments (net)	(85)	(100)	(28)
Other working capital movements	47	(36)	126
Cash flows from operating activities	**170**	**146**	**24**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

Detailed disclosure of the above line items is included in Fletcher Building Limited's interim financial statements which have been released with this Management Commentary.

Cash flows from operating activities of $170 million were $24 million, or 16%, higher than the prior corresponding period. The $47 million improvement in working capital was offset by the $85 million cash impact of further residential land acquisitions for future development.

Capital expenditure

	Six months ended 31 December 2015 NZ$M	Six months ended 31 December 2014 NZ$M	Change
Capital expenditure	122	116	6

Capital expenditure was $122 million, compared with $116 million in the prior corresponding period. Of this total, $77 million was for stay-in-business capital projects.

For the financial year, capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 31 December 2015 was $2,287 million. Of this, $382 million was undrawn and there was an additional $221 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $84 million and a further $94 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and available cash.

The group's gearing[1] at 31 December 2015 was 32.8% compared with 34.1% at 31 December 2014. This is within the target range of 30–40%.

The group's leverage[2] at 31 December 2015 was 2.4 times compared with 2.3 times at 31 December 2014. This is within the target range of 2.0–2.5 times.

The average maturity of the debt is 3.7 years and the hedged currency split is 44% Australian dollar; 36% New Zealand dollar; 12% US dollar; and 8% spread over various other currencies.

Approximately 54% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.47%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.3%.

Interest coverage[3] for the period was 4.6 times compared with 4.4 times in the prior corresponding period.

Dividend

The 2016 interim dividend is 19 cents per share. The dividend will not be franked for Australian tax purposes and will not be imputed for New Zealand tax purposes. Accordingly, a supplementary dividend will not be payable to non-New Zealand shareholders.

Due to the level of Australian earnings, there are insufficient Australian franking credits available for distribution with the 2016 interim dividend. However, in line with the group's tax crediting policy, the 2016 final dividend is expected to be fully imputed for New Zealand tax purposes.

The dividend will be paid on 13 April 2016 to holders registered as at 5.00 pm Thursday 24 March 2016 (NZT). Shares will be quoted on an ex dividend basis from 22 March 2016 on the NZX and ASX.

A dividend summary is provided overleaf.

DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ("the Plan"), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Tuesday 29 March 2016.

There will be no discount to the price applied to ordinary shares issued. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 22 March 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 13 April 2016.

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 before significant items
3 EBIT before significant items to total interest paid including capital notes interest

2016 Final 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 49%	Australian residents on 15% tax rate	Other non residents[8]
Dividend declared	19.0000	19.0000	19.0000	19.0000
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	**19.0000**	**19.0000**	**19.0000**	**19.0000**
NZ tax (33%)[5]	(6.2700)			
NZ non-resident withholding tax (15%)[6]		(2.8500)	(2.8500)	(2.8500)
Net cash received after NZ tax	**12.7300**	**16.1500**	**16.1500**	**16.1500**
Australian tax (49% and 15%)[7]		(9.3100)	(2.8500)	
Reduced by offset for NZ non-resident withholding tax		2.8500	2.8500	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**12.7300**	**9.6900**	**16.1500**	**16.1500**

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 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 6.27 cents per share will be made on the date of payment from the dividend declared of 19.0 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 RWT deduction in excess of 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 49%, including the Medicare levy and the Temporary Budget Repair 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:	49% Rate	15% Rate
Gross dividend for NZ tax purposes	19.0000	19.0000
plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	19.0000	19.0000
Australian tax	9.3100	2.8500

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 advisor.

Update on Business Transformation Programme

The FBUnite programme has successfully established core capabilities which can be leveraged to drive future earnings performance. In parallel with FBUnite, a further scoping process has identified additional opportunity to improve Fletcher Building's performance. Further value can be extracted from the core capability that has been built with the FBUnite programmes, through extending their breadth and reach, and increasing the speed of execution. Specific areas include lifting performance of the sales and marketing functions; extending centralised procurement activities and further leveraging low cost country sourcing; continuing centralisation of back office functions through shared services and driving productivity and supply chain improvements across manufacturing, distribution and construction activities.

To oversee the programme, the new role of Chief Transformation Officer has been established with executive responsibility for driving the next period of business improvement. Mr Lee Finney has been appointed to the role and will report to the Chief Executive Officer. In this role, he will have responsibility for all of Fletcher Building's centres of excellence including the marketing, operations excellence and procurement functions. He will also be responsible for the acceleration of the growth and cost reduction initiatives and will lead a core team of business transformation specialists.

Outlook

The current strong market conditions in the New Zealand construction industry are expected to persist through the 2016 financial year, with ongoing demand for new housing particularly in Auckland and surrounding provinces, an increase in commercial construction activity off the back of the significant increase in the value of consents, and government expenditure on infrastructure to remain at the present healthy levels.

In Australia, the outlook is more mixed. Residential construction activity has remained strong but may slow particularly in the multi-dwelling segment, while stand-alone housing should be more resilient to potential changes in foreign capital inflows. Commercial construction activity is unlikely to lift from current levels. There remains a strong pipeline of government funded infrastructure work, although the timing of this work remains subject to fiscal constraints in certain states.

Residential and commercial construction activity levels in North America are expected to remain broadly consistent with the past year. European conditions are likely to remain mixed with a generally weak economic outlook. Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

Financial guidance provided at the annual shareholder's meeting is reaffirmed. Operating earnings, (earnings before interest, tax and significant items) is expected to be in the range of $650 million to $690 million. This compares with operating earnings of $653 million earned in the prior year, and excludes the pre-tax profits from the sale of the assets of Rocla Quarries.

Specific divisional commentary in respect of 2016 full year earnings is provided as follows:

- Building Products:
  - Improved operating performance expected from Iplex Australia
  - Reduced contribution from Rocla Quarries, with the sale of this business completed on 29 January 2016
  - Building materials businesses are expected to deliver higher earnings than the prior year
- International:
  - Improved earnings in North America and Asia are expected to be offset by operating losses and restructuring costs in Formica Europe
  - Laminex and Roof Tile Group are expected to record year on year earnings growth
- Distribution:
  - New Zealand distribution businesses are expected to achieve increased earnings in FY16 compared with the prior year
  - Despite the restructuring costs in Tradelink in the first half, full year results are expected to be higher than for the prior year
- Residential and Land Development:
  - Residential earnings are expected to be slightly lower than the prior year, with reduced earnings from the Stonefields development replaced by new developments elsewhere in Auckland
- Construction:
  - Reduced earnings from EQR and South Pacific will be partly offset by higher earnings in the Infrastructure and Building & Interiors businesses
  - There will be no earnings impact from the Higgins acquisition in FY16, with the transaction expected to completed at the end of June 2016

Divisions

Division	Business Groupings	Key Businesses
Building Products	Cement & Aggregates	Golden Bay Cement (NZ) Winstone Aggregates (NZ) Rocla Quarries (ceases in FY16) (AU)
	Concrete Pipes & Products	Firth Concrete (NZ) Humes Pipelines (NZ) Rocla Products (AU)
	Building Materials	Winstone Wallboards (NZ) Tasman Insulation (NZ) Fletcher Insulation (AU)
	Plastic Pipes	Iplex (NZ & Australia)
	Joint Ventures and other	Long Steel Manufacturing (ceases in FY16) (NZ) Fletcher Aluminium (NZ) Joint ventures & other
International	Formica	Formica Asia Formica Europe Formica North America Homapal (Europe)
	Laminex	Laminex New Zealand Laminex Australia
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
Distribution	New Zealand Building Supplies	PlaceMakers (NZ) Mico (NZ)
	Australia Building Supplies	Tradelink (AU)
	New Zealand Steel Distribution	Pacific Coil Coaters (NZ) Easysteel (NZ) Fletcher Reinforcing (NZ) Dimond (NZ)
	Australia Steel Distribution	Stramit (AU) Tasman Sinkware (AU)
Residential and Land Development	NZ Residential Development	Fletcher Living (NZ)
Construction	Construction New Zealand	Fletcher Construction (NZ) Fletcher EQR (NZ)
	Construction South Pacific	Fletcher Construction South Pacific

Appendix: Supplemental split of Divisional Results

GROSS REVENUE

Building Products

Gross revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Cement and Aggregates	237	244	(3)
Concrete Pipes & Products	384	380	1
Building Materials	239	224	7
Plastic Pipes	256	291	(12)
Joint Ventures & Other	149	181	(18)
Total	**1,265**	**1,320**	**(4)**

International

Gross revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Laminex	502	484	4
Formica	486	425	14
Roof Tile Group	92	92	–
Total	**1,080**	**1,001**	**8**

Distribution

Gross revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Building Supplies	781	710	10
Australia Building Supplies	395	447	(12)
NZ Steel Distribution	218	215	1
Australia Steel Distribution	280	278	1
Total	**1,674**	**1,650**	**1**

Residential and Land Development

Gross revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Residential Development	108	101	7
Total	**108**	**101**	**7**

Construction

Gross revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Construction New Zealand	665	556	20
Construction South Pacific	83	84	(1)
Total	**748**	**640**	**17**

LOCAL CURRENCY GROSS REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Gross revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	797	779	2
Australia (A$M)	428	491	(13)

International

Gross revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	90	86	5
Australia (A$M)	398	385	3
Rest of World (US$M)	367	401	(8)

Distribution

Gross revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	1,000	925	8
Australia (A$M)	615	660	(7)

Residential and Land Development

Gross revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	108	101	7

Construction

Gross revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	665	556	20
Rest of World (US$M)	55	68	(19)

Appendix: Supplemental split of Divisional Results continued

EXTERNAL REVENUE

Building Products

External revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Cement and Aggregates	147	159	(8)
Concrete Pipes & Products	338	345	(2)
Building Materials	178	164	9
Plastic Pipes	209	238	(12)
Joint Ventures & Other	149	163	(9)
Total	**1,021**	**1,069**	**(4)**

International

External revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Laminex	491	476	3
Formica	485	428	13
Roof Tile Group	91	86	6
Total	**1,067**	**990**	**8**

Distribution

External revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Building Supplies	693	641	8
Australia Building Supplies	395	446	(11)
NZ Steel Distribution	169	176	(4)
Australia Steel Distribution	274	272	1
Total	**1,531**	**1,535**	**–**

Residential and Land Development

External revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Residential Development	108	101	7
Total	**108**	**101**	**7**

Construction

External revenue	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Construction New Zealand	624	548	14
Construction South Pacific	83	84	(1)
Total	**707**	**632**	**12**

LOCAL CURRENCY EXTERNAL REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

External revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	596	592	1
Australia (A$M)	389	432	(10)

International

External revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	88	82	7
Australia (A$M)	397	385	3
Rest of World (US$M)	361	395	(9)

Distribution

External revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	863	817	6
Australia (A$M)	609	654	(7)

Residential and Land Development

External revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	108	101	7

Construction

External revenue	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	624	548	14
Rest of World (US$M)	55	68	(19)

Appendix: Supplemental split of Divisional Results continued

OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS

Building Products

Operating earnings[1]	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Cement and Aggregates	44	39	13
Concrete Pipes & Products	27	30	(10)
Building Materials	48	38	26
Plastic Pipes	2	(3)	NM
Joint Ventures & Other	11	10	10
Total	**132**	**114**	**16**

International

Operating earnings[1]	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Laminex	41	37	11
Formica	6	20	(70)
Roof Tile Group	6	4	50
Total	**53**	**61**	**(13)**

Distribution

Operating earnings[1]	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Building Supplies	39	29	34
Australia Building Supplies	(2)	6	(133)
NZ Steel Distribution	17	15	13
Australia Steel Distribution	10	6	67
Total	**64**	**56**	**14**

Residential and Land Development

Operating earnings[1]	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
NZ Residential Development	24	33	(27)
Total	**24**	**33**	**(27)**

Construction

Operating earnings[1]	Six months ended 31 December 2015 (NZ$M)	Six months ended 31 December 2014 (NZ$M)	Change %
Construction New Zealand	26	31	(16)
Construction South Pacific	10	15	(33)
Total	**36**	**46**	**(22)**

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

Appendix: Supplemental split of Divisional Results continued

LOCAL CURRENCY RESULTS

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Operating earnings	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	119	110	8
Australia (A$M)	15	3	NM

International

Operating earnings	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	8	5	60
Australia (A$M)	32	30	7
Rest of World (US$M)	7	19	(63)

Distribution

Operating earnings	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	56	44	27
Australia (A$M)	7	11	(36)

Residential and Land Development

Operating earnings	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	24	33	(27)

Construction

Operating earnings	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
New Zealand (NZ$M)	26	31	(16)
Rest of World (US$M)	7	12	(42)