MANAGEMENT COMMENTARY FOR THE YEAR ENDED 30 JUNE 2014

Fletcher Building earnings rise, driven by strong New Zealand trading performance

Reported Results			Year ended 30 June
NZ$m (except EPS and DPS)	**2014**	**2013**	**Change %**
Total revenue	**8,401**	8,517	(1%)
Operating earnings ('EBIT')	**592**	569	4%
Funding costs	(130)	(147)	(12%)
Earnings before tax	**462**	422	9%
Tax expense	(111)	(85)	31%
Earnings after tax	**351**	337	4%
Non-controlling interests	(12)	(11)	9%
Net earnings	**339**	326	4%
Earnings per share (EPS - cents)	**49.3**	47.6	4%
Dividends declared per share (DPS - cents)	**36.0**	34.0	6%
Capital expenditure	**260**	233	12%

			Year ended 30 June
NZ$m	**2014**	**2013**	**Change %**
Operating earnings before significant items[1]	**624**	**569**	**10%**
Significant items[2]	(32)	-	NM
Reported operating earnings	592	569	4%

- Revenue for the year of $8,401 million was $116 million lower when compared with the prior year, due to adverse foreign currency translation effects;
- Operating earnings of $592 million were $23 million or 4% higher than the prior year;
- Significant items of $32 million (June 2013: nil) were incurred during the year;
- Operating earnings before significant items were $624 million, 10% higher than the prior year;
- Net earnings of $339 million, up by $13 million or 4% from $326 million in the prior year;
- Net earnings before significant items of $362 million, up 11%;
- Cash flow from operations was $489 million, down from $559 million in the prior period mainly due to the acquisition of residential land in Auckland;
- Basic earnings per share of 49.3 cents, up from 47.6 cents. Earnings per share before significant items of 52.7 cents;
- Final dividend of 18.0 cents per share bringing the total dividend for the year to 36.0 cents.

[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 group financial statements for the year ended 30 June 2014.

[2] Details of the significant items incurred can be found in note 4 of the group's financial statements.

Financial Results

NZ$m	Year ended 30 June External revenue 2014	2013	Change
Infrastructure Products	2,050	2,095	(2%)
Building Products	1,288	1,350	(5%)
Laminates & Panels	1,710	1,738	(2%)
Distribution New Zealand	1,169	1,147	2%
Distribution Australia	927	994	(7%)
Construction	1,257	1,193	5%
Total revenue	**8,401**	**8,517**	**(1%)**

	Year ended 30 June					
	Reported operating earnings			Operating earnings before significant items[1]		
NZ$m	2014	2013	Change	2014	2013	Change
Infrastructure Products	209	222	(6%)	229	222	3%
Building Products	135	122	11%	135	122	11%
Laminates & Panels	124	120	3%	124	120	3%
Distribution New Zealand	51	42	21%	51	42	21%
Distribution Australia	5	8	(38%)	17	8	113%
Construction	105	87	21%	105	87	21%
Corporate	(37)	(32)	(16%)	(37)	(32)	(16%)
Total	**592**	**569**	**4%**	**624**	**569**	**10%**
Funding costs	(130)	(147)	(12%)	(130)	(147)	(12%)
Earnings before tax	**462**	**422**	**9%**	**494**	**422**	**17%**
Tax expense	(111)	(85)	31%	(120)	(85)	41%
Earnings after tax	**351**	**337**	**4%**	**374**	**337**	**11%**
Non-controlling interests	(12)	(11)	9%	(12)	(11)	9%
Net earnings	**339**	**326**	**4%**	**362**	**326**	**11%**

[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 group financial statements for the year ended 30 June 2014. Details of the significant items incurred can be found in note 4 of the financial statements.

Financial Results
continued

Geographic segments — **Year ended 30 June**

NZ$m	External revenue 2014	External revenue 2013	External revenue Change	Operating earnings before significant items[1] 2014	Operating earnings before significant items[1] 2013	Operating earnings before significant items[1] Change
New Zealand	4,031	3,832	5%	362	286	27%
Australia	3,287	3,640	(10%)	171	203	(16%)
Rest of World	1,083	1,045	4%	91	80	14%
Total	**8,401**	**8,517**	**(1%)**	**624**	**569**	**10%**

Geographic segments in local currency — **Year ended 30 June**

	External revenue 2014	External revenue 2013	External revenue Change	Operating earnings before significant items[1] 2014	Operating earnings before significant items[1] 2013	Operating earnings before significant items[1] Change
Australia (A$m)	2,966	2,916	2%	154	163	(6%)
Rest of World (US$m)	895	855	5%	75	65	15%

- Revenue for the year of $8,401 million was $116 million lower when compared with the prior year. Of this decline $428 million was due to adverse foreign currency translation effects more than offsetting the $312 million of underlying revenue growth. In local currencies, revenues increased by 5% in New Zealand, 2% in Australia and 5% in the Rest of World.

- Reported operating earnings before interest and tax ('EBIT') of $592 million were 4% higher than the prior year.

- Reported operating earnings include significant items of $32 million relating to the sales of Pacific Steel's rolling mill and wire drawing facilities in Otahuhu together with its Fijian rolling mill ($19 million), the Fiji cement business ($1 million) and the Hudson Building Supplies business ($12 million). The significant expense items reflect the difference between sale proceeds and asset carrying values, together with transaction costs.

- Operating earnings before significant items were $624 million, 10% higher than $569 million in the prior year.

- The result includes a net expense of $16 million relating to restructuring and other costs which are included in the financial statements as 'other gains and losses' (2013: $4 million net gain).

- The result was driven by increased activity levels across most sectors in New Zealand and improved conditions in the USA, partly offset by subdued markets in Australia and Europe.

- In **New Zealand** earnings benefited from an increase in construction activity, continued momentum in the repairs and rebuilding work in Canterbury, and continued strong demand for houses in Fletcher Building's residential developments. Consents for new houses in New Zealand of 23,260 increased 24% when compared with the prior corresponding period, the highest level since 2007. The positive trading result in New Zealand, along with cost reduction and efficiency measures, more than offset the adverse impacts of increased price competition, and additional corporate costs relating to centralisation initiatives.

[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 group financial statements for the year ended 30 June 2014. Details of the significant items incurred can be found in note 4 of the financial statements.

Financial Results
continued

- In **Australia** conditions remained mixed. There was an improvement in the residential construction market with housing consents rising to near-record levels. Activity levels in the commercial construction sector were flat and reduced State Government infrastructure expenditure and depressed mining activity impacted results. The adverse impacts of declining activity and increased price competition were partially offset by the positive effects from efficiency initiatives, savings in headcount and other controllable costs. In local currency terms, the operating earnings before significant items of the group's Australian operations declined by 6% on the prior year. However, some businesses experienced improved conditions in the second half of the year, particularly in the distribution, laminates and panels and coated steel businesses.

- In the **Rest of World,** market conditions varied geographically with most markets experiencing strong competition and price pressures. Operating earnings in Formica North America increased by 5%, benefiting from improved volumes in the first half of the year. Adverse weather conditions in early 2014 had a negative impact on the building and construction industry. In most parts of Asia activity increased, while Thailand remained stable. Performance in Europe has been more stable than in recent years with some markets, such as the UK, showing signs of improvement.

- Significant progress has been made in implementing the FBUnite business transformation programme. The initiatives are on track and cost savings and organisational efficiencies were achieved in the first year, in line with expectations. During the year benefits achieved of $25 million were partially offset by increased operating costs of $10 million and capital expenditure of $12 million. Further benefits will become evident from FY15 onwards.

- Corporate costs of $37 million were up $5 million on the prior year due to costs associated with the FBUnite transformation programme and centralisation of core functions, including property, procurement and financial shared services.

- Funding costs of $130 million were 12% lower when compared with the prior year. The reduction is due to lower interest costs and a continued reduction in debt outstanding, as well as the strengthening New Zealand dollar resulting in a reduction in Australian dollar interest costs.

- The tax expense of $111 million is an increase on the prior year. The increase is a consequence of the group's increased earnings before tax, partially offset by a $9 million tax impact of the significant expense items described above. The effective tax rate for the year was 24% (2013: 20%). The effective tax rate was lower in the prior year primarily due to the recognition of previously unrecognised tax losses.

- Earnings per share were 49.3 cents, an increase of 4% from 47.6 cents per share in the corresponding period. Earnings per share before significant items were 52.7 cents, an increase of 11%.

Segmental Operational Review

The following sections provide a commentary on individual division results for the year ended 30 June 2014.

Infrastructure Products

Cement, Concrete & Aggregates, Concrete Pipes & Products, Plastic Pipes & Copper Tube and Steel

NZ$m	2014	2013	Change	Change %
		Year ended 30 June		
Revenue	2,050	2,095	(45)	(2%)
Operating earnings before significant items[1]	229	222	7	3%
Significant items[2]	(20)	-	(20)	NM
Operating earnings	209	222	(13)	(6%)
Funds	1,792	1,841	(49)	(3%)

Infrastructure Products reported operating earnings were $209 million, compared with $222 million in the prior year. The result includes significant items of $20 million relating to the divestment of Pacific Steel's rolling mill and wire drawing facilities and the sale of the Fiji cement business. The result was also negatively impacted by foreign exchange translation effects totalling $13 million. Operating earnings before significant items of $229 million were 3% higher than the prior year.

Revenues were largely flat with stronger market conditions in New Zealand offset by lower volumes in Australia. Market shares were largely stable for all businesses.

Operating earnings of the Cement, Concrete and Aggregates businesses increased by 23% to $90 million. Cement volumes were up 24% and ready-mix concrete volumes were up 14%, with prices generally stable. Aggregates volumes in New Zealand were up 17%. Australian aggregates volumes increased by 27% but earnings were lower, being adversely impacted by product mix.

The Concrete Pipes and Products businesses recorded a 15% decrease in operating earnings to $57 million. Australian pipe volumes were 19% lower, due to the challenging Australian market conditions, particularly in infrastructure and mining.

Operating earnings in the Plastic Pipes and Copper Tube businesses were 15% lower at $46 million. The result was impacted by the upfront costs associated with the consolidation of manufacturing sites in New South Wales and Western Australia. Pipe volumes decreased by 4%, with weaker building markets being partially offset by contracts to supply coal seam gas projects. New Zealand plastic pipe volumes increased in line with activity levels in Canterbury and Auckland.

Steel operating earnings increased by 29% to $36 million. Long steel volumes were 11% higher, reflecting increased domestic demand in New Zealand. Steel distribution businesses experienced increased earnings over the prior year, benefiting from the integration of the steel reinforcing businesses, a focus on product mix and reduced service costs.

[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 group financial statements for the year ended 30 June 2014.

[2] Details of the significant items incurred can be found in note 4 of the group's financial statements.

Building Products

Coated Steel, Roof Tiles, Plasterboard, Insulation, Aluminium Windows & Doors and Sinkware

Year ended 30 June

NZ$m	2014	2013	Change	Change %
Revenue	1,288	1,350	(62)	(5%)
Operating earnings	135	122	13	11%
Funds	725	770	(45)	(6%)

Building Products operating earnings were $135 million, up 11% from $122 million in the prior year. The earnings uplift was driven by the sustained economic recovery in New Zealand and benefits from continued margin improvement initiatives within the business units.

Revenues fell by 5%, as sales growth in Christchurch and Auckland was more than offset by revenue declines in Queensland and Victoria. New South Wales revenues were ahead of the prior year and Rest of World revenues remained stable overall.

The Plasterboard business recorded increased volumes, in line with house building activity in New Zealand.

Insulation operating earnings fell by 33% on the prior year, primarily driven by price and margin compression in New Zealand, while glass wool volumes remained flat. In the second half of the year volumes were ahead of prior year, with New Zealand demonstrating share recovery in a growing market and Australia showing some signs of recovery. Australian glass wool margins improved over the second half of the year.

Operating earnings in the Coated Steel and Roof Tiles businesses increased by 13% over the prior year as a result of margin improvement initiatives. Volumes improved in the Australasian roof tiles businesses and the New Zealand painting and roll-forming businesses. Volumes in the North America roof tiles business fell behind the prior year due to adverse weather conditions, and volumes in Europe and Asia were flat. Australian roll-forming volumes fell by 4%, however, earnings improved with the benefit of significant cost reduction initiatives.

Laminates & Panels

Formica and Laminex

NZ$m	2014	2013	Change	Change %
				Year ended 30 June
Revenue	1,710	1,738	(28)	(2%)
Operating earnings	124	120	4	3%
Funds	1,702	1,788	(86)	(5%)

Operating earnings in Laminates & Panels were $124 million, up 3% from $120 million in the prior year. Adjusting for the adverse effects of foreign currency translation, operating earnings would have increased by 12%. Revenues were down by 2% to $1,710 million but would have increased by 4% excluding the currency impact.

Prices and margins were generally flat or slightly down as a result of strong price competition, as well as increased input costs, particularly in Australia due to the decline of the Australian dollar against key currencies related to resin and paper inputs.

Formica operating earnings were $63 million, or 9% up on the prior year.

Volumes in Europe were down 3% on the prior year, while revenue in domestic currencies was flat due in part to improved pricing and a more favourable product mix. Market conditions in Europe have stabilised and some markets, such as the UK, showed early signs of improvement while most other markets remained flat. Reported operating earnings were $6 million, compared with a loss in the prior year, due to improved operating performance.

Revenues in Asia were up by 6% in domestic currencies with volumes up in China (+8%), Taiwan (+6%), Singapore (+26%) and Malaysia (+15%), while Thailand remained stable, notwithstanding the domestic political unrest. Reported operating earnings in Asia were down 22% to $29 million due to competitive pressures and product mix negatively impacting margins, as well as increased operational costs to drive efficiencies and the costs associated with operating the new plant in Jiujiang.

In North America volumes were up by 4%, on the prior year while in domestic currencies revenue was up by 1%. Reported operating earnings were $43 million, up 5% on the prior year.

Divisional corporate costs of $15 million were consistent with prior year.

Laminex (Australia and New Zealand) operating earnings were $61 million, stable on the prior year, however, adjusting for currency impacts operating earnings would have been up 10%. Australian revenue in domestic currency grew by 6% on the prior year driven by increased activity in the building and construction industry, especially in the eastern Australian states, and increased market share. Laminex New Zealand revenues were up by 2% compared with the prior corresponding period. Activity levels in the residential market continued to improve, while the commercial segment was flat.

Distribution New Zealand

PlaceMakers and Mico Plumbing

			Year ended 30 June	
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	1,169	1,147	22	2%
Operating earnings	51	42	9	21%
Funds	196	251	(55)	(22%)

Distribution New Zealand revenues of $1,169 million were 2% higher than the prior year. Adjusting for the sale of the Corys business in the prior year, underlying revenue growth was 7%. PlaceMakers recorded a 12% increase in revenues and experienced further improvement in trading conditions. During the period two new branches were opened, along with two new frame and truss manufacturing plants to cater for increased demand.

Operating earnings increased by 21% to $51 million. PlaceMakers operating earnings were up 47% on the prior year to $53 million. Whilst competitive pressures negatively impacted margins, this was more than offset by volume increases as well as operational efficiencies. Mico recorded a loss of $2 million due to restructuring costs incurred in the period. In addition, operating earnings in the prior year included $4 million profit from the sale of surplus property in Christchurch, which was not repeated in the current year.

Distribution Australia

Tradelink and Hudson Building Supplies

Year ended 30 June

NZ$m	2014	2013	Change	Change %
Revenue	927	994	(67)	(7%)
Operating earnings before significant items[1]	17	8	9	113%
Significant items[2]	(12)	-	(12)	NM
Operating earnings	5	8	(3)	(38%)
Funds	406	452	(46)	(10%)

For comparative purposes the results of the Australian distribution business are presented in Australian dollars below.

Year ended 30 June

A$m	2014	2013	Change	Change %
Revenue	836	796	40	5%
Operating earnings before significant items[1]	15	6	9	150%
Significant items[2]	(10)	-	(10)	NM
Operating earnings	5	6	(1)	(17%)
Funds	378	380	(2)	(1%)

Australian Distribution reported operating earnings were NZ$5 million. The result includes significant items of NZ$12 million relating to impairment of goodwill and a provision for other charges relating to the sale of Hudson Building Supplies. Operating earnings before significant items in domestic currency were A$15 million, an increase of A$9 million.

Revenues in domestic currency were A$836 million, up 5% on the prior year with strong growth in the second half of the year as a result of business improvement initiatives leading to market share gains, as well as improving market conditions.

[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 group financial statements for the year ended 30 June 2014.

[2] Details of the significant items incurred can be found in note 4 of the group's financial statements.

Segmental Operational Review
continued

Construction

Building and Interiors, Infrastructure, EQR, South Pacific, Residential

	Year ended 30 June			
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	1,257	1,193	64	5%
Operating earnings	105	87	18	21%
Funds	116	69	47	68%

Construction operating earnings for the year were $105 million, up 21% on the prior year. The increase was due to a significant upturn in the infrastructure business, with good progress on a number of key projects including the Waterview tunnel in Auckland. The South Pacific operations grew earnings in the period and have a substantial backlog of work in Papua New Guinea.

The total construction backlog of $1,820 million at the end of June is the highest recorded for the division and compares with $1,022 million at June 2013. Fletcher Construction is also the preferred bidder on several other projects, with a total value of approximately $450 million, which is not included in the June 2014 backlog.

Major contracts awarded during the year include the Christchurch Justice Precinct for $200 million, the MacKays to Peka Peka section of the Wellington road network for $400 million, a further $112 million of work as part of the Stronger Christchurch Infrastructure Rebuild Team and the Fonterra Head Office project in Auckland for $70 million.

Earnings from the residential homes business were slightly ahead of the prior year, with continued strong sales levels in Stonefields and other developments in Auckland. A number of land holdings have been secured in the Auckland region, including the purchase of the Manukau Golf Course and land developed from the Peninsula Golf Course in Orewa, which will provide for a substantial housing development over the next five years. Residential construction also commenced in the year in Christchurch.

As project manager for the Earthquake Commission in Canterbury, Fletcher Construction has now completed in excess of 59,000 home repairs. The Canterbury Home Repair Programme is on track to be substantially complete by December 2014.

Group Cash Flow

NZ$m	2014	2013	Change
			Year ended 30 June
Earnings after tax	351	337	14
Non-cash adjustments	228	188	40
Net working capital movements	(90)	34	(124)
Cash flows from operating activities	**489**	**559**	**(70)**
Cash flows from investing activities	(229)	(155)	(74)
Cash flows from financing activities	(243)	(447)	204
Effects of exchange rate changes on net cash	(6)	(2)	(4)
Net movement in cash	**11**	**(45)**	**56**

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

Cash flows from operating activities

Cash flows from operations of $489 million in the year ended 30 June 2014 were $70 million lower than the $559 million in the prior year. While the group experienced increased cash flows from trading activities, these were more than offset by the cash impacts of: the acquisition of residential land in Auckland for future development; timing of cash flows on construction projects; and increased inventory levels in emerging markets. For 2015, cash flows from operating expenditure will be impacted by continued payments for development land aquisitions, as well as for the acquisition and redevelopment of the group's Head Office campus in Auckland.

Cash flows from investing activities

The net cash outflow from investing activities of $229 million in the current year was $74 million higher than the prior year largely due to higher proceeds from sales of businesses and property, plant and equipment received in the prior year. The main investment in the year related to capital expenditure, which is discussed below.

Cash flows from financing activities

Fletcher Building's outflows from financing activities largely reflect borrowing activities and dividend payments to shareholders. The net cash outflow for financing activities was $243 million compared with $447 million in the prior corresponding period. The $243 million net cash outflow in the current period primarily comprised the $224 million of dividends paid. The $204 million reduction in cash outflows year on year was due largely to the $170 million debt repayments in 2013, being proceeds from divestments.

Capital expenditure

NZ$m	2014	2013	Change
			Year ended 30 June
Capital expenditure	260	233	27

Capital expenditure was $260 million, compared with $233 million in the prior year. Of this total, $175 million was for stay-in-business capital projects, including $32 million on major IT projects and $85 million related to new growth initiatives, including $28 million in the period on the new Formica plant in China. For 2015 capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 30 June 2014 was $2,378 million. Of this, approximately $616 million was undrawn and there was an additional $134 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $64 million and a further $74 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.

Following a review during the year, gearing and leverage targets were reset in light of current financial market conditions.

The target gearing range, expressed as Net Debt to Net Debt plus Equity, is 30-40%. This is consistent with the group's balance sheet settings of the past eight years and future planned debt levels.

The group's gearing[1] at 30 June 2014 was 32.3% compared with 33.5% at 30 June 2013.

In addition to the revised gearing policy, a target leverage range has been introduced that reflects the ratio of debt to cash flow. Expressed as a ratio of Net Debt to EBITDA, the target range is 2.0-2.5 times.

The group's leverage[2] at 30 June 2014 was 1.99 times compared with 2.27 times at 30 June 2013.

The average maturity of the debt is 4.2 years and the hedged currency split is 44% Australian dollar; 37% New Zealand dollar; 10% US dollar; and 9% spread over various other currencies.

Approximately 60% of all borrowings have fixed interest rates with an average duration of 3.5 years and a rate of 6.9%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 6.22%.

Interest coverage[3] for the period was 4.8 times compared with 3.9 times in the previous year.

[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

Dividend

The 2014 final dividend is 18 cents per share. In line with the group's tax crediting policy announced in 2011, the final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes.

A dividend summary is attached illustrating the effect of the New Zealand imputation tax credits on the dividend.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after-tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 15 October 2014 to holders registered as at 5.00 pm Friday 26 September 2014 (NZT). The shares will be quoted on an ex dividend basis from 24 September 2014 on the NZX and ASX.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will not be operative for this dividend payment.

Dividend Policy

Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term. The target dividend pay-out ratio, in the range of 50-75% of net earnings, is intended to provide sufficient flexibility for dividends to be maintained despite variations in economic conditions. Maintenance of a dividend in this range will be subject to there being no material adverse change in circumstances or outlook. In determining a dividend for any year a number of factors are taken into consideration, including current and forecast earnings and operating cash flows, capital requirements, and the company's debt equity position.

Beyond dividends, Fletcher Building will consider other means of distribution, should cash flows and future investment requirements allow.

Fletcher Building's policy on franking and imputation credits is for succesive dividends to be alternately franked and imputed where possible, such that:

- all interim dividends are fully franked with Australian tax credits or franked to the maximum extent possible;
- all final dividends are fully imputed with New Zealand tax credits or imputed to the maximum extent possible.

Dividend
continued

2014 Final Dividend Summary Table[1]

NZ cents per share	NZ Residents on Top of Marginal Tax Rate of 33%	Australian Residents on Top Marginal Tax Rate of 46.5%	Australian Residents on 15% Tax Rate	Other Non Residents[8]
Dividend declared	18.0000	18.0000	18.0000	18.0000
NZ imputation credits[2]	7.0000			
NZ supplementary dividend[3]		3.1765	3.1765	3.1765
Australian franking credits[4]		0.0000	0.0000	
Gross dividend for NZ tax purposes	**25.0000**	**21.1765**	**21.1765**	**21.1765**
NZ tax (33%)[5]	(8.2500)			
NZ non-resident withholding tax (15%)[6]		(3.1765)	(3.1765)	(3.1765)
Net cash received after NZ tax	**16.7500**	**18.0000**	**18.0000**	**18.0000**
Australian tax (46.5% and 15%)[7]		(9.8471)	(3.1765)	
Reduced by offset for NZ non-resident withholding tax		3.1765	3.1765	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**16.7500**	**11.3294**	**18.0000**	**18.0000**

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. The dividend has imputation credits attached at a 28 percent tax rate.
3. The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.
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 5% from the gross dividend which has been credited with imputation credits at 28 percent. Accordingly, for those shareholders, a deduction of 1.25 cents per share will be made on the date of payment from the dividend declared of 18.0 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 46.5%, including the Medicare 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:	46.5% Rate	15% Rate
gross dividend for NZ tax purposes	21.1765	21.1765
plus franking credits	0.0000	0.0000
gross dividend for Australian tax purposes	21.1765	21.1765
Australian tax	9.8471	3.1765

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 adviser.

Business Transformation Update and Outlook

Update on Business Transformation Programme

Substantial progress was made during the year in implementing the FBUnite transformation programme, and benefits of $25 million were achieved, partly offset by increased operating costs of $10 million and capital expenditure of $12 million. Key achievements included:

- The establishment of a new central group procurement function tasked with achieving coordination and cost savings from both direct and indirect third-party spend;
- Commencement of operations at the financial shared services centre, which went live in March with accounts payable processing for all the steel businesses, centralised payroll functions and a centre of excellence for debt recovery and credit management, as parts of the business units transfer into the shared services arrangements;
- Consolidation of group property activities into one centre of excellence for New Zealand and Australia with cost savings achieved through over 100 lease and other property-related transactions including three surplus property sales;
- The formation of a centralised IT function, with responsibility for all of the group's IT requirements; and
- Deployment of the Operations Excellence programme, which seeks to increase and standardise the quality of manufacturing across a number of the group's key manufacturing sites.

It is still expected that the total benefits from FBUnite will be approximately $100 million per annum. FBUnite is, however, a multi-year programme, with individual work streams set to be completed within different timeframes such that this quantum of benefit will take several years to be fully realised.

Outlook

Looking ahead to the 2015 financial year, the strong activity levels experienced in the New Zealand market are expected to continue. Residential consents are running at levels last seen in 2007 prior to the global financial crisis, and this level of house building activity will underpin volumes. Repairs and new construction activity in Canterbury will continue, with the Canterbury Home Repair Programme to be substantially complete by the end of December 2014. Beyond Canterbury, non-residential construction levels are expected to remain strong, with continued government investment in infrastructure projects and an improved level of activity in commercial construction.

In Australia, improved trading conditions are anticipated for those group businesses exposed to the residential sector. While the strong uplift in housing consents had been driven principally by multi-residential construction, recent trends in stand-alone house consents have been encouraging. Private sector commercial construction activity is expected to improve modestly while engineering activity is likely to remain subdued in line with mining and energy activity. Government expenditure on construction and engineering will continue to be impacted by fiscal constraints.

In North America, improved housing market conditions in the US are forecast to continue but commercial activity is expected to remain relatively flat. In Europe, market conditions are expected to be stable overall with some improvement in the UK. In Asia, political instability in Thailand and slower growth in China are likely to temper trading performance in that region.

It is expected that further earnings growth will be achieved in the year ahead, with a strong construction backlog in New Zealand and further benefits from FBUnite.

Divisions

Division	Business Groupings	Key Businesses
Infrastructure Products		
	Cement, Concrete & Aggregates	Winstone Aggregates (NZ) Rocla Quarries (Australia) Golden Bay Cement (NZ) Firth Concrete (NZ)
	Concrete Pipes & Products	Rocla Pipelines (Australia) Humes Pipes (NZ)
	Plastic Pipes & Copper Tube	Iplex (NZ & Australia) Crane Copper Tube (Australia)
	Steel	Easysteel (NZ) Fletcher Reinforcing (NZ)
Building Products		
	Coated Steel	Stramit (Australia) Dimond (NZ) Pacific Coil Coaters (NZ)
	Roof Tiles	Gerard Roofing Systems (NZ/Asia/Europe) DECRA Roofing Systems (USA)
	Plasterboard	Winstone Wallboards
	Insulation	Fletcher Insulation (Australia) Tasman Insulation (NZ) Forman Group (NZ)
	Other businesses	Fletcher Aluminium (NZ) Tasman Sinkware (Australia)
Laminates & Panels		
	Formica	Formica Asia Formica Europe Formica North America Homapal (Europe)
	Laminex	Laminex (NZ) Laminex (Australia)
Distribution		
	New Zealand	PlaceMakers Mico Plumbing
	Australia	Tradelink
Construction		
	Construction	Building & Interiors Infrastructure Earthquake Recovery South Pacific
	Residential	Fletcher Residential

Appendix:
Supplemental split of Divisional results

External revenue

Infrastructure Products

Year ended 30 June

External revenue	2014	2013	Change
Cement, Concrete and Aggregates	559	500	12%
Concrete Pipes and Products	429	492	(13%)
Iplex & Crane Copper Tube	648	690	(6%)
Steel	414	413	0%
Total	**2,050**	**2,095**	**(2%)**

Building Products

Year ended 30 June

External revenue	2014	2013	Change
Coated Steel and Roof Tiles	808	883	(8%)
Other building products	480	467	3%
Total	**1,288**	**1,350**	**(5%)**

Laminates & Panels

Year ended 30 June

External revenue	2014	2013	Change
Laminex Australia	762	813	(6%)
Laminex NZ	99	97	2%
Formica	849	828	3%
Total	**1,710**	**1,738**	**(2%)**

Distribution New Zealand

Year ended 30 June

External revenue	2014	2013	Change
Distribution New Zealand	1,169	1,147	2%
Total	**1,169**	**1,147**	**2%**

Distribution Australia

Year ended 30 June

External revenue	2014	2013	Change
Distribution Australia	927	994	(7%)
Total	**927**	**994**	**(7%)**

Construction

Year ended 30 June

External revenue	2014	2013	Change
Construction	1,257	1,193	5%
Total	**1,257**	**1,193**	**5%**

Appendix:
Supplemental split of Divisional results

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 reported results on the previous page.

Infrastructure Products			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
New Zealand (NZ$m)	1,081	999	8%
Australia (A$m)	862	868	(1%)
Rest of World (US$m)	12	11	9%

Building Products			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
New Zealand (NZ$m)	517	470	10%
Australia (A$m)	580	601	(3%)
Rest of World (US$m)	106	106	0%

Laminates & Panels			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
New Zealand (NZ$m)	99	97	2%
Australia (A$m)	687	651	6%
Rest of World (US$m)	702	677	4%

Distribution New Zealand			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
New Zealand (NZ$m)	1,169	1,147	2%

Distribution Australia			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
Australia (A$m)	836	796	5%

Construction			Year ended 30 June
External revenue	**2014**	**2013**	**Change**
New Zealand (NZ$m)	1,165	1,119	4%
Rest of World (US$m)	76	61	25%

Appendix:
Supplemental split of Divisional results

Operating earnings before significant items[1]

Infrastructure Products — Year ended 30 June

Operating Earnings[1] NZ$m	2014	2013	Change
Cement, Concrete and Aggregates	90	73	23%
Concrete Pipes and Products	57	67	(15%)
Iplex & Crane Copper Tube	46	54	(15%)
Steel	36	28	29%
Total	**229**	**222**	**3%**

Building Products — Year ended 30 June

Operating Earnings NZ$m	2014	2013	Change
Coated Steel and Roof Tiles	59	52	13%
Other building products	76	70	9%
Total	**135**	**122**	**11%**

Laminates & Panels — Year ended 30 June

Operating Earnings NZ$m	2014	2013	Change
Laminex Australia	54	57	(5%)
Laminex NZ	7	5	40%
Formica	63	58	9%
Total	**124**	**120**	**3%**

Distribution New Zealand — Year ended 30 June

Operating Earnings NZ$m	2014	2013	Change
Distribution New Zealand	51	42	21%
Total	**51**	**42**	**21%**

Distribution Australia — Year ended 30 June

Operating Earnings[1] NZ$m	2014	2013	Change
Distribution Australia	17	8	113%
Total	**17**	**8**	**113%**

Construction — Year ended 30 June

Operating Earnings NZ$m	2014	2013	Change
Construction	105	87	21%
Total	**105**	**87**	**21%**

[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 group financial statements for the year ended 30 June 2014.

Appendix:
Supplemental split of Divisional results

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 reported results on the previous page.

Infrastructure Products — **Year ended 30 June**

Operating Earnings[1]	2014	2013	Change
New Zealand (NZ$m)	151	108	40%
Australia (A$m)	70	91	(23%)

Building Products — **Year ended 30 June**

Operating Earnings	2014	2013	Change
New Zealand (NZ$m)	100	90	11%
Australia (A$m)	20	17	18%
Rest of World (US$m)	11	9	22%

Laminates & Panels — **Year ended 30 June**

Operating Earnings	2014	2013	Change
New Zealand (NZ$m)	7	5	40%
Australia (A$m)	49	45	9%
Rest of World (US$m)	52	48	8%

Distribution New Zealand — **Year ended 30 June**

Operating Earnings	2014	2013	Change
New Zealand (NZ$m)	51	42	21%

Distribution Australia — **Year ended 30 June**

Operating Earnings[1]	2014	2013	Change
Australia (A$m)	15	6	150%

Construction — **Year ended 30 June**

Operating Earnings	2014	2013	Change
New Zealand (NZ$m)	93	79	18%
Rest of World (US$m)	10	7	43%

[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 group financial statements for the year ended 30 June 2014.