Half Year Results to 31 December 2013

Mark Adamson - *Chief Executive Officer*
Nick Olson - *Chief Financial Officer*

20 February 2014

Disclaimer

This half year results presentation dated 20 February 2014 provides additional comment on the media release of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that release.

Agenda

Results Overview

Geographic & Sectoral Analysis

Divisional Performances

Financial Results

Business Transformation Programme

Outlook

Appendix

Results Overview

CSP Pacific streetlight columns, Auckland

Results Overview
Snapshot

$154 million ▲
NET EARNINGS up 5%

$4,273 million ▼
REVENUES down 2%

18c ▲
DIVIDEND PER SHARE up 6%

$281 million ▲
OPERATING EARNINGS UP 7%

22.4c ▲
EARNINGS PER SHARE up 5%

Results Summary
7 % increase in operating earnings

NZ$m	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales	4,380	**4,273**	-2
EBITDA	374	**385**	+3
EBIT	262	**281**	+7
Net earnings	146	**154**	+5
EPS - cps	21.3	**22.4**	+5
Dividend - cps	17.0	**18.0**	+6

Earnings commentary

Net earnings up 5% at $154 million

Operating earnings (EBIT) 7% higher at $281 million

- Adjusting for foreign currency translation, EBIT would have been up 13%
- New Zealand earnings up 35% driven by strong demand across all sectors
- Australia earnings impacted by currency translation impacts and mixed trading conditions

Cashflow from operations $179 million, down $25m

- Due to land acquisitions, and increased inventory levels for the new Formica plant in China

Reported revenues down 2% at $4,273 million

- Revenues in local currency terms up 2%

Interim dividend 18.0 cents per share, up 6%

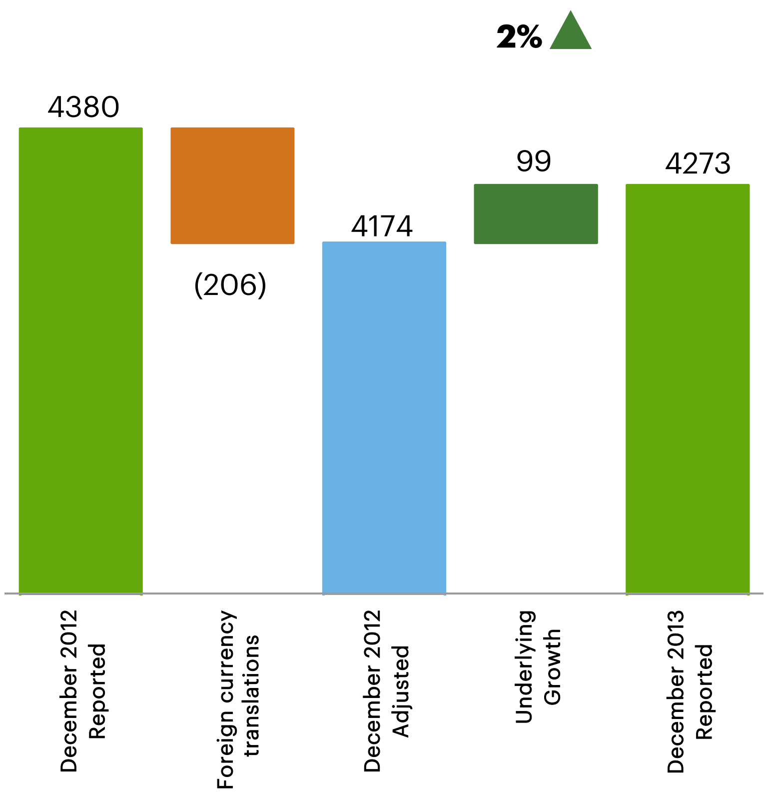
- Dividend not franked for Australian tax purposes this half
- Dividend Reinvestment Plan not operative for this dividend

Restructuring costs of $20 million incurred in the half

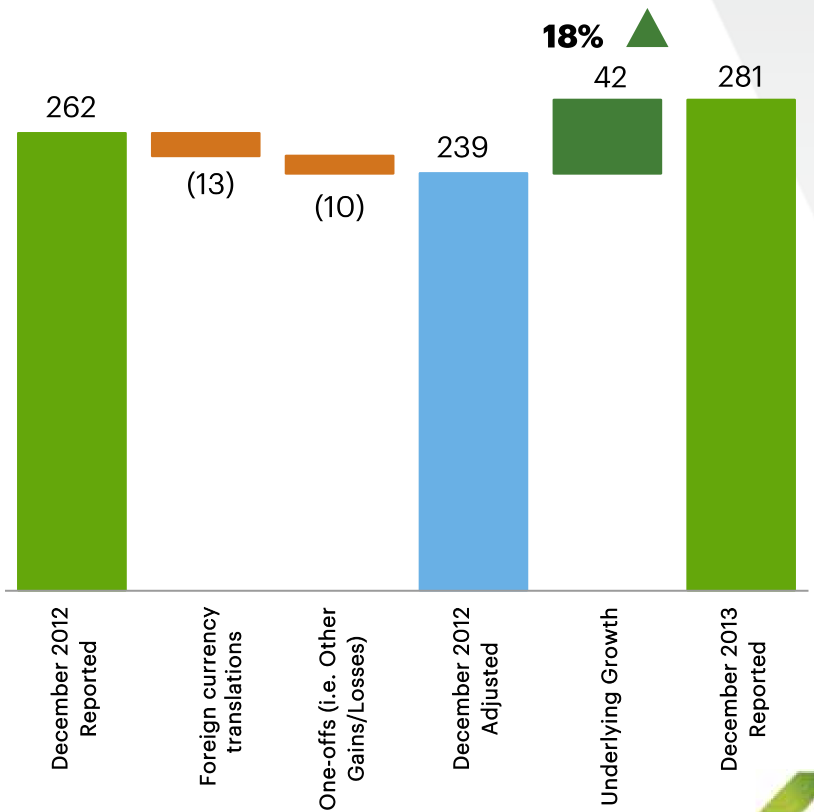
Underlying revenue and operating earnings up 2% and 18% respectively

NZ$million

Revenue (6 months ended 31 Dec)



EBIT (6 months ended 31 Dec)



Geographic & Sectoral Analysis

Winstone Wallboards, Opawa, Christchurch

Sectoral exposure
Exposures based on revenues

	Residential (New/A&A)*	Commercial & Government	Infrastructure (Rural/Mining)
Geographical Exposure by Sector[1]			
New Zealand	46%	38%	16%
Australia	52%	27%	21%
Rest of World	40%	59%	1%
Total	47%	39%	14%

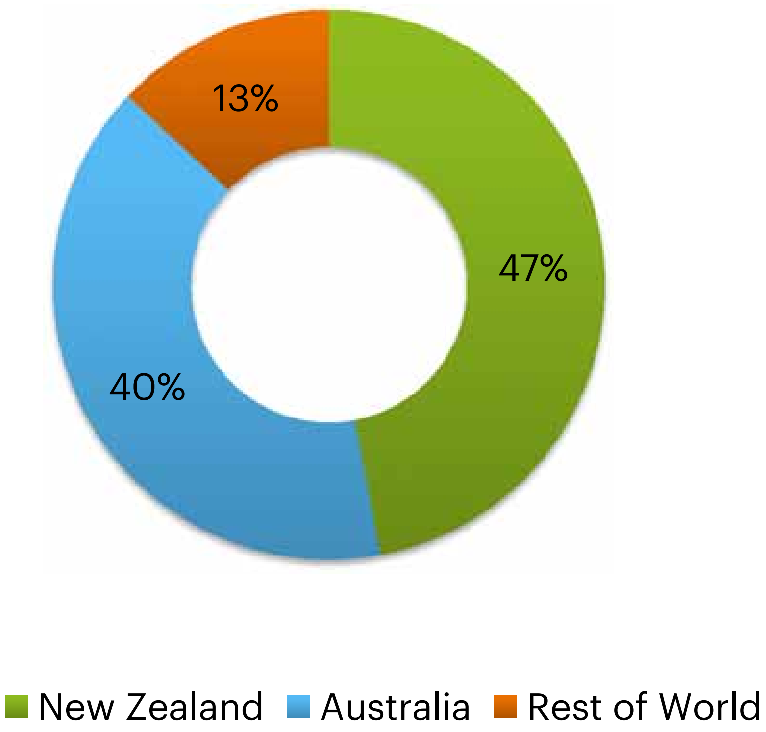
1. *Excludes NZ and Australian Distribution businesses*

** A&A – Additions and Alterations*

Geographic earnings mix reflects economic performance of key markets

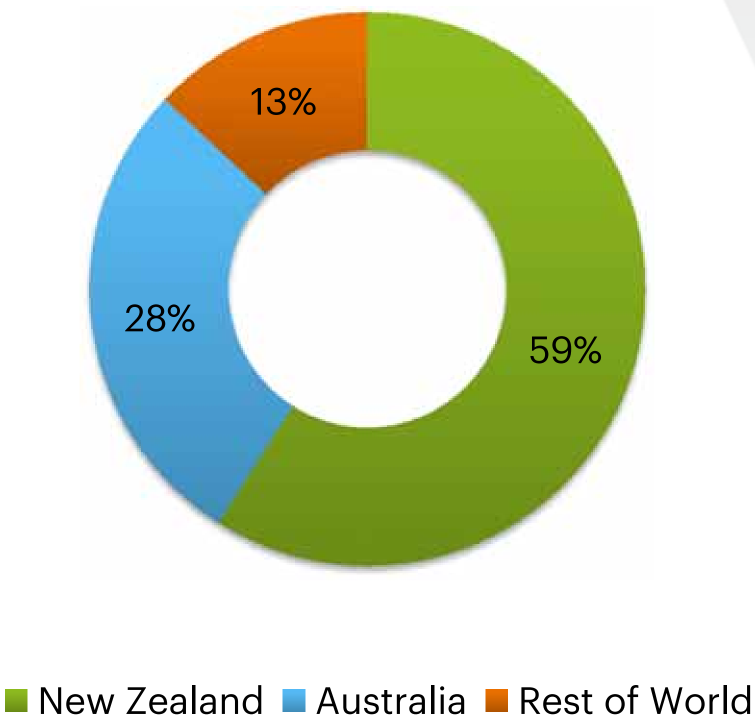
Revenues

(6 months to Dec 2013)

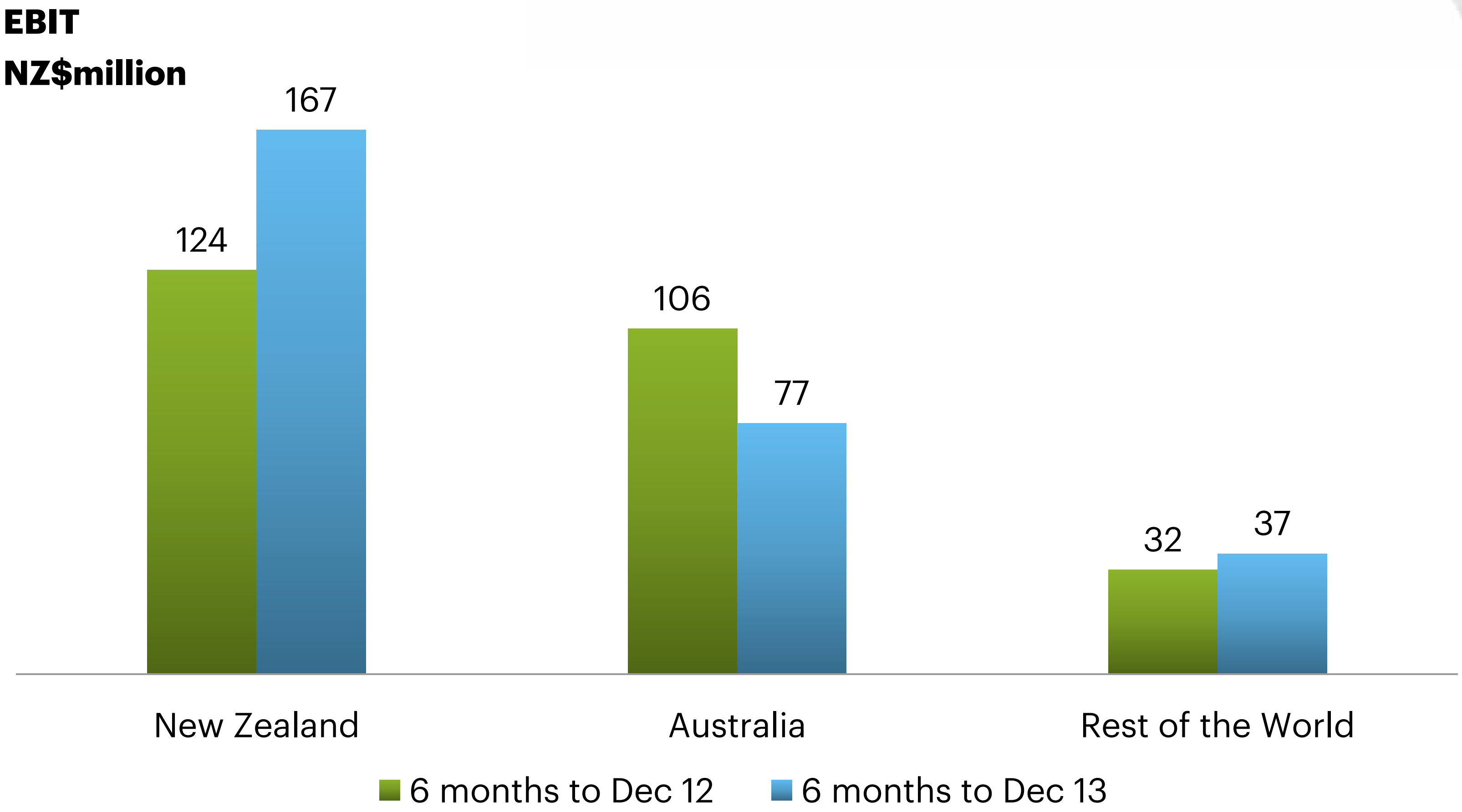


EBIT

(6 months to Dec 2013)

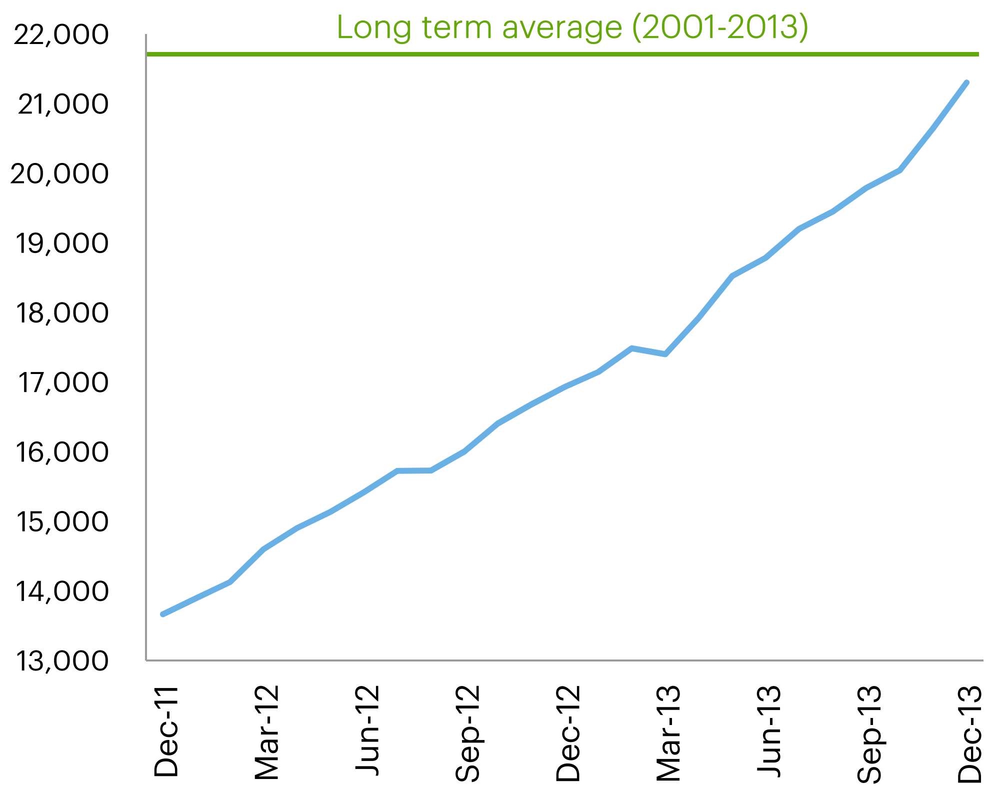


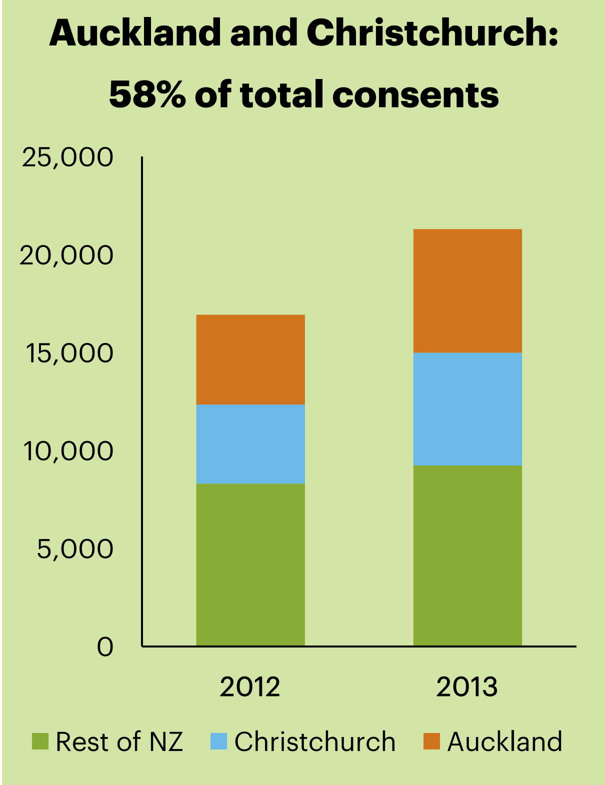
Growth in New Zealand operating earnings, Australian earnings impacted by strong NZ$/A$



New Zealand residential consents up 26% to highest level since 2008

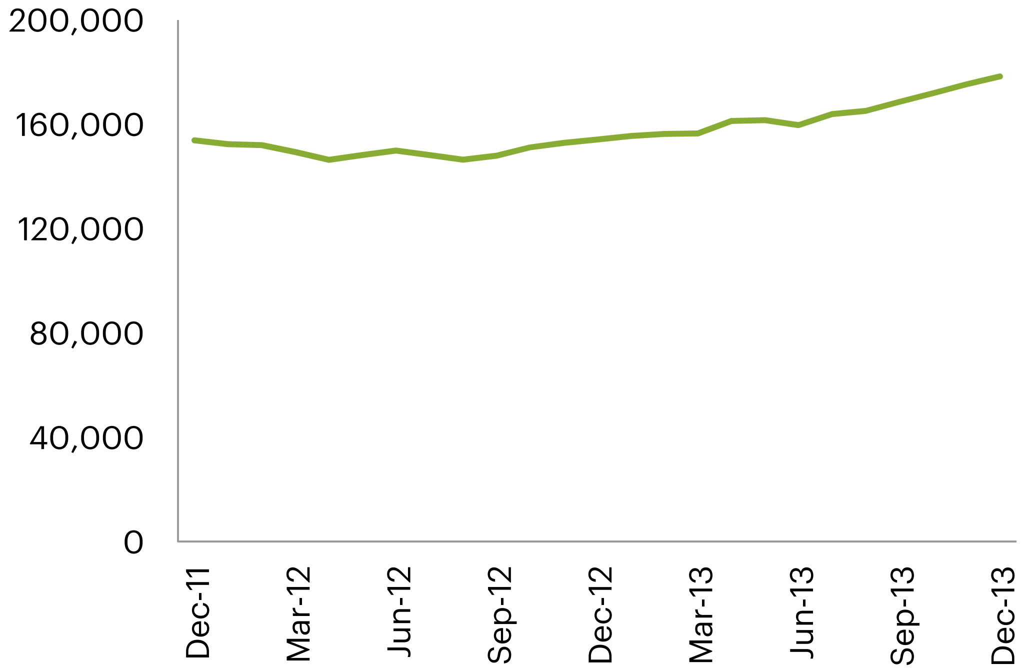
Total residential consents 12 month rolling – New Zealand





Australian residential consents up 16%, driven by increase in multi-unit dwellings

Total residential consents 12 month rolling – Australia

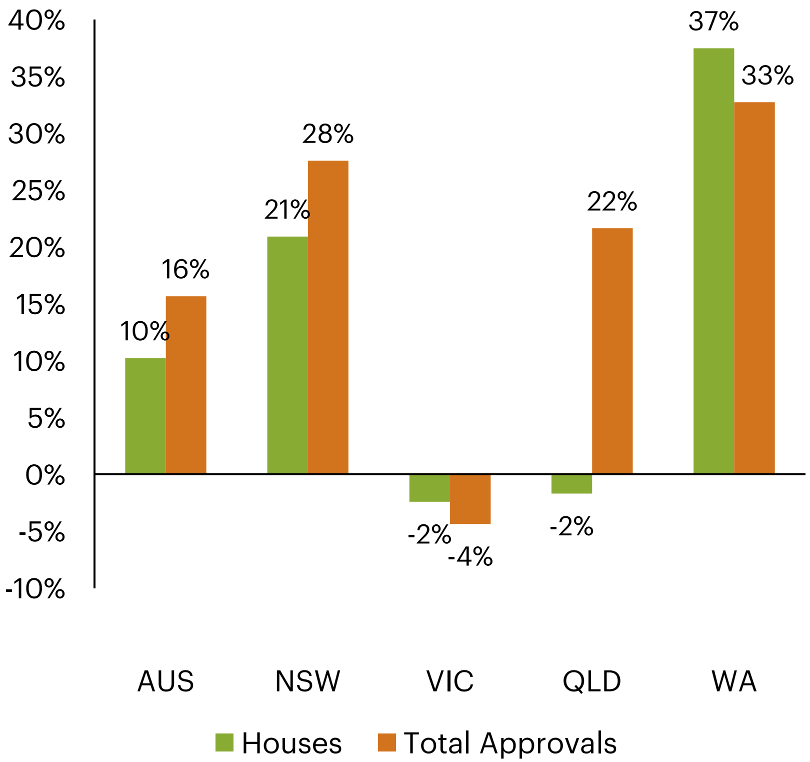


	Dec 2012 12 mths	**Dec 2013 12 mths**	% Δ
Stand-alone	90,107	**99,365**	+10
Other dwellings	64,030	**78,921**	+23
Total	154,137	**178,286**	+16

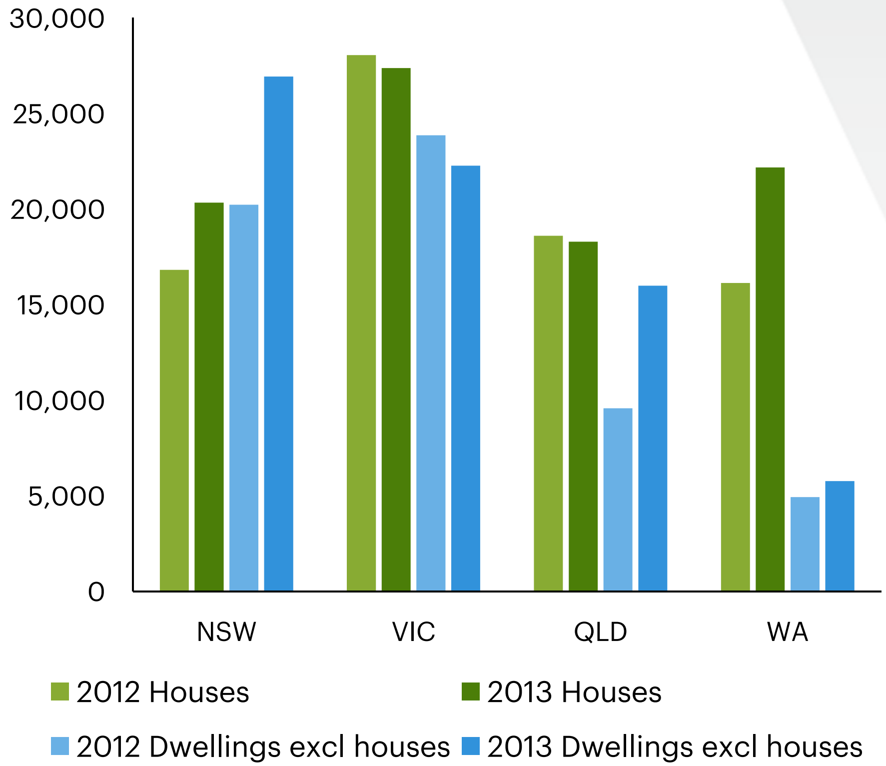
Multi-family dwellings drove increase in consents

Strong growth in NSW, and improvements in QLD and WA, while Victoria weaker

Change in housing approvals – by state
Year ended December 2013 vs 2012



Housing approvals – by state
Year ended December

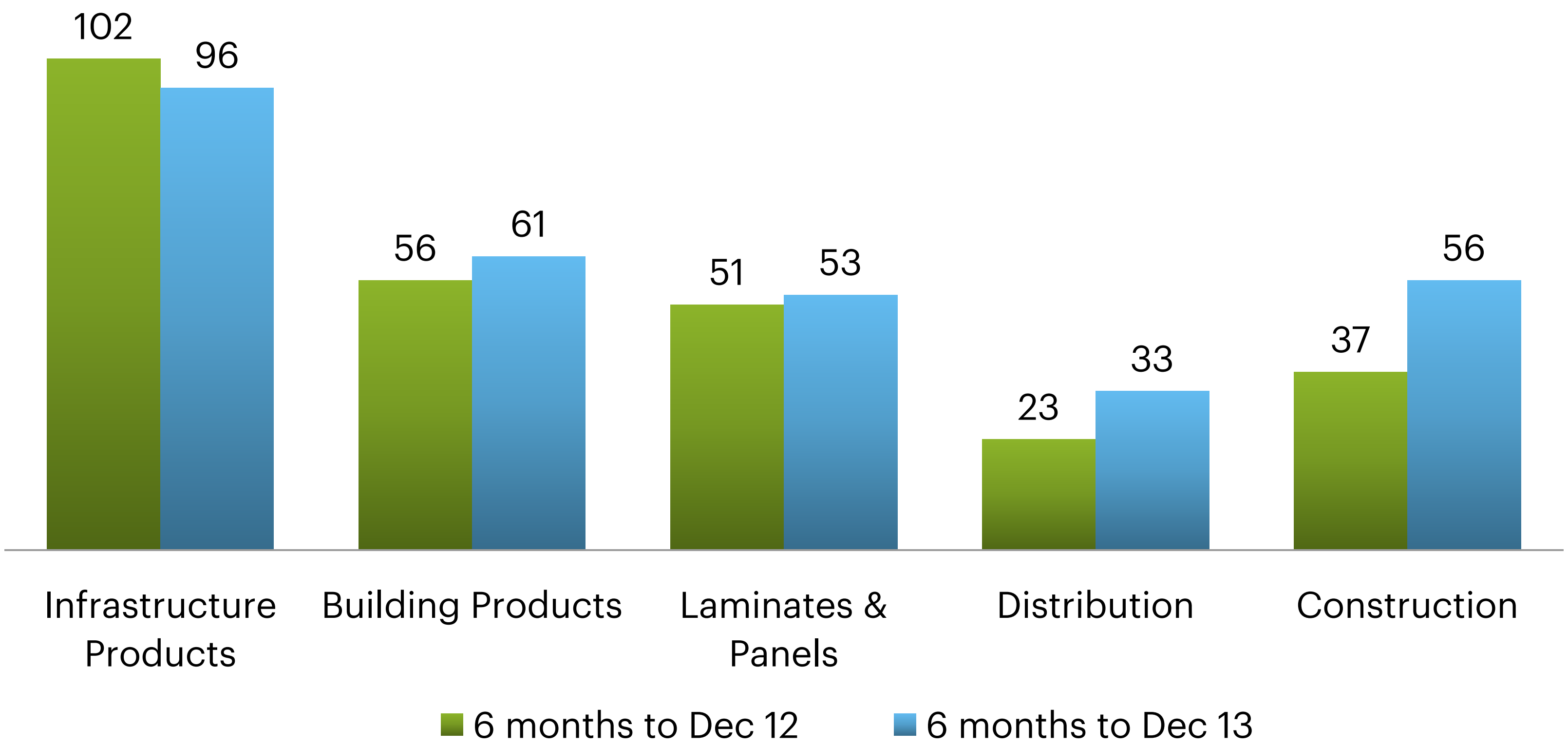


Divisional Performances

Fletcher Residential, Auckland

Divisional operating earnings overview

EBIT
NZ$million



Infrastructure Products
Result

NZ$M	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales	1,052	**1,044**	-1
EBITDA	149	**139**	-7
EBIT	102	**96**	-6
Cement, Concrete + Aggs	31	**39**	+26
Concrete Pipes + Products	28	**20**	-29
Iplex/ CCT	30	**19**	-37
Steel	13	**18**	+38
Funds Employed	1,916	**1,787**	-7
EBITDA/sales %	14.2	**13.3**	
EBIT/sales %	9.7	**9.2**	
ROFE %	10.6	**10.7**	

$6 million negative foreign currency translation impact on operating earnings

Cement, Concrete & Aggregates
New Zealand volumes improved:
- Cement volumes up 23%
- Aggregates volumes up 15%
- Readymix volumes up 15%

Australian aggregates volumes up 18%, but earnings impacted by product mix

Concrete Pipes and Products
Australian pipe volumes down 18% due to weaker infrastructure and mining demand

Iplex
Australia pipe volumes up 5%
$6m charge to consolidate manuf. sites
NZ volumes up in strong market

Steel
Distribution earnings up due to improved operating efficiency
Sale of Pacific Steel announced, completion expected by 30 June 2014

Building Products
Result

NZ$M	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales	701	**657**	-6
EBITDA	76	**77**	+1
EBIT	56	**61**	+9
Funds Employed	783	**734**	-6
EBITDA/sales %	10.8	**11.7**	
EBIT/sales %	8.0	**9.3**	
ROFE %	14.3	**16.6**	

Plasterboard
Volumes up due to strong New Zealand market

$3m cost related to temporary closure of Christchurch plant

Insulation
Operating earnings declined across both Australia and New Zealand as competitive pressures impacted price despite stable volumes

Coated Steel
Operating earnings up 8% on higher volumes in New Zealand

Continued steady growth in African and North American markets for the Roof Tile business

Australian rollforming volumes down slightly

Laminates & Panels
Result

NZ$M	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales	881	**866**	-2
EBITDA	81	**83**	2
EBIT			
- Laminex	28	**28**	-
- Formica	23	**25**	+9
Total EBIT	51	**53**	+4
Funds Employed	1,762	**1,746**	-1
EBITDA/sales %	9.2	**9.6**	
EBIT/sales %	5.8	**6.1**	
ROFE %	5.8	**6.1**	

Formica

Earnings up 9% at $25 million

Revenue up 5% driven by volume growth out of Asia and North America

Volumes in the USA continued to improve, with earnings growth driven by improved margins and ongoing efficiency gains

South East Asia and China volumes up but activity slowed in Taiwan

European revenues rose 4% with some improvement in Benelux, Scandinavia and Germany

Laminex

Australian revenue up 3% in domestic currency terms

Competitive pressure eroded margins with further cost reduction initiatives implemented

Formica: continued growth in North America, Asia impacted by start-up costs of new China plant

EBIT NZ$m	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Asia	21	**18**	-14
North America	14	**17**	+21
Europe	(6)	**(1)**	+83
Corporate	(6)	**(9)**	-50
Total EBIT	23	**25**	+9

Distribution
Result

NZ$M	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales:	1,133	**1,058**	-7
New Zealand	606	**582**	-4
Australia	527	**476**	-10
EBITDA	35	**42**	+20
EBIT:	23	**33**	+43
New Zealand	16	**25**	+56
Australia	7	**8**	+14
Funds Employed:	753	**609**	-19
New Zealand	260	**188**	-28
Australia	493	**421**	-15
EBIT/sales %			
New Zealand	2.6	**4.3**	
Australia	1.3	**1.7**	
ROFE %			
New Zealand	12.3	**26.6**	
Australia	2.8	**3.8**	

New Zealand

Revenues down due to sale of Corys Electrical in FY13

PlaceMakers:

Revenues up 10% with ongoing improvement in trading conditions in Auckland and Canterbury.

Operating earnings up 59% as volume increases and operational efficiencies offset increased competitive pressure

Australia

Tradelink:

Operating earnings up 40% in domestic currency terms as the business focussed on recovering market share and growing margin

Tradelink management team focussed on positioning the business for long-term growth

Construction
Result

NZ$M	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Sales	613	**648**	+6
EBITDA	41	**60**	+46
EBIT	37	**56**	+51
Funds Employed	88	**109**	+24
EBITDA/sales %	6.7	**9.3**	
EBIT/sales %	6.0	**8.6**	
ROFE %	84.1	**102.8**	

Overall market conditions positive, particularly residential activity in Auckland and Christchurch

Residential earnings slightly ahead of HY13 with increased units sold at Auckland's Stonefields development.

Further land acquisitions will provide additional capacity in the medium-term.

Increased activity levels in Canterbury with 50,000 home repairs completed to date out of an estimated total of 72,500

Construction backlog of $1,609 million as at December 2013

Significant infrastructure projects gaining momentum

Major projects secured in the period

- Construction phase of MacKays to Peka Peka roading alliance in Wellington
- Fonterra head office building in Auckland

Canterbury update

Fletcher EQR

Increased activity level on repairs

- 50,000 full scope home repairs completed out of estimated 72,500
- $1.3 billion of work completed
- Canterbury Home Repair Programme on track to be completed December 2014

SCIRT

The SCIRT alliance, rebuilding Christchurch's horizontal infrastructure, has 650 projects to complete by the end of 2016 and is 40% through the programme with good progress in CBD and suburbs

Commercial Construction

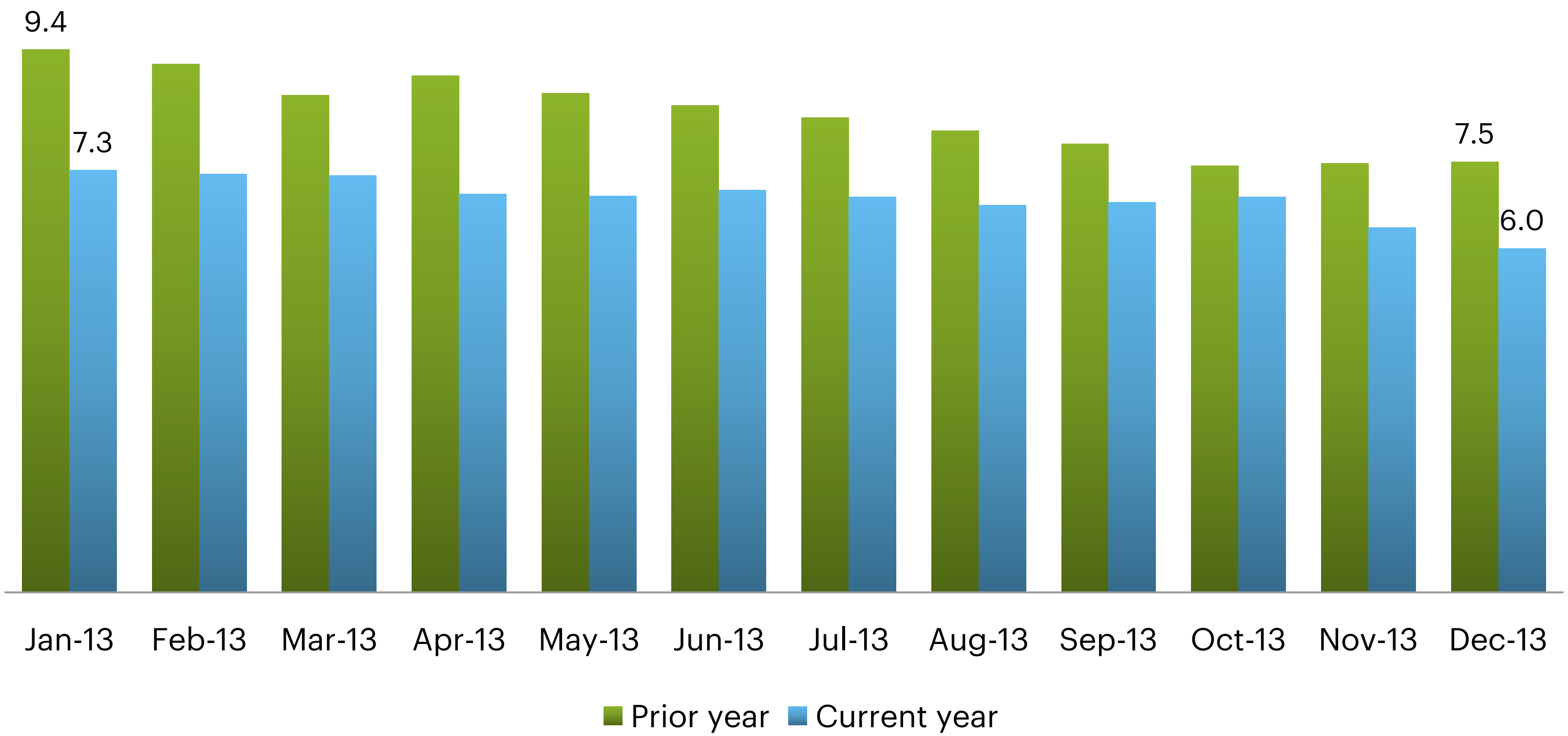
Rebuild gaining momentum with Government anchor projects now starting

Projects to start this year include:

- Grand chancellor
- Southern Cross Hospital - Macintosh House
- Various private commercial building developments

Health and safety injury rate continued improvement

Total risk injury frequency rate*



** Total injuries per million employee and contractor hours*

Financial Results

Stramit Building Products, Sydney

Reported Results

Reported financial information NZ$m

	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
Revenue	4,380	**4,273**	-2
EBITDA	374	**385**	+3
Depreciation (incl. minor amortisation)	112	**104**	
EBIT	262	**281**	+7
Funding costs	(75)	**(72)**	
Earnings before taxation	187	**209**	
Taxation expense	(36)	**(50)**	
Earnings after taxation	151	**159**	+5
Earnings minority interest	(5)	**(5)**	
Net earnings	146	**154**	+5

Build up of earnings

Underlying NZ$ earnings by region

NZ$m	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
New Zealand	124	**167**	+35
Australia	106	**77**	-27
Rest of World	32	**37**	+16
Total NZ$m	262	**281**	+7
FX translation to 1H14 rates	(13)	**-**	
Earnings adjusted for FX	249	**281**	+13

Underlying earnings by region in local currency

	Dec 2012 6 months	**Dec 2013 6 months**	% Δ
New Zealand (NZ$m)	124	**167**	+35
Australia (AU$m)	83	**68**	-18
Rest of World (US$m)	26	**30**	+15

Operating cash flow

NZ$m	Dec 2012 6 months	**Dec 2013 6 months**
Cashflow from operations before net working capital movements	217	**267**
Net working capital movements	(13)	**(88)**
Net cash from operating activities	204	**179**

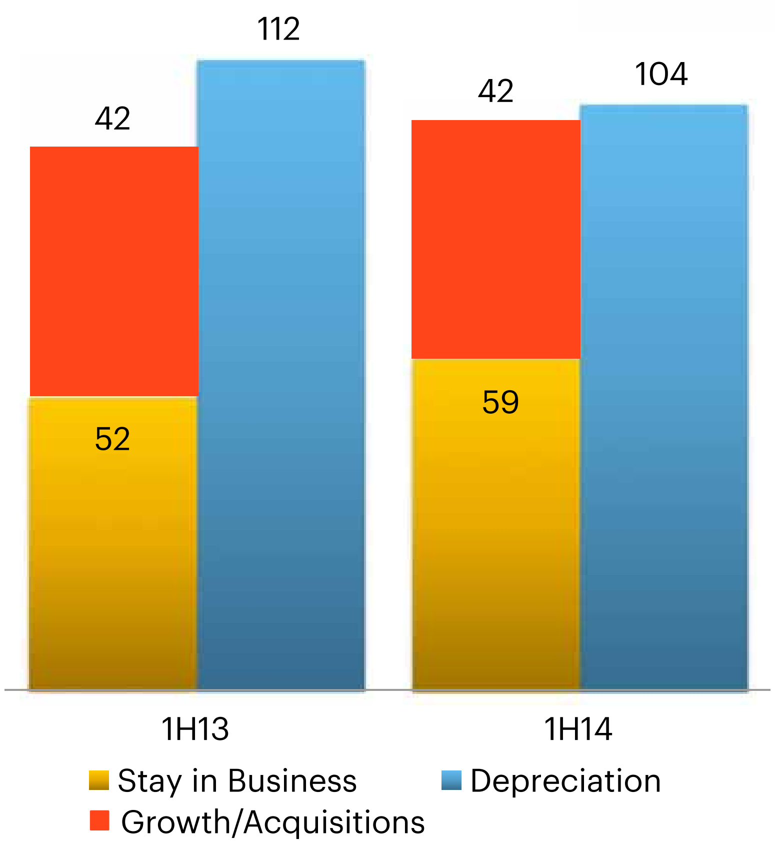
Major working capital variances

	Dec 2013 6 months
Jiujiang establishment	**(20)**
Timing on construction projects	**(29)**
Residential land investment	**(39)**

Net debt flat before currency impact

NZ$m	Dec 2013 6 months
Opening net debt (1 July 2013)	**1,776**
Cash from operations (pre working capital)	**(267)**
Working capital	**49**
Investment in land	**39**
Growth capex + acquisitions	**42**
SIB capex	**59**
Divestments	**(9)**
Dividends	**100**
Minority distribution	**8**
Hedging / FX on debt	**(91)**
Closing net debt (31 Dec 2013)	**1,706**

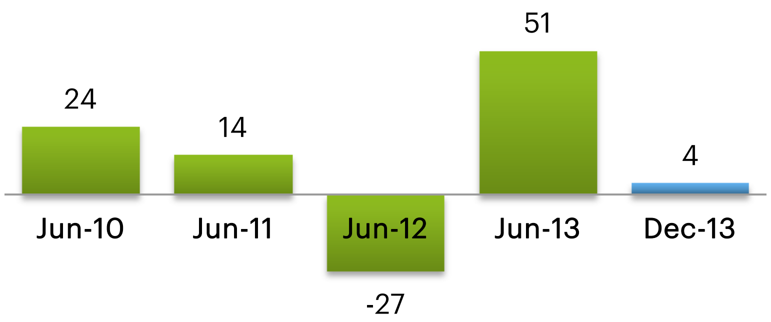
Capital expenditure expected to be at bottom end of guidance range ($250m to $300m)



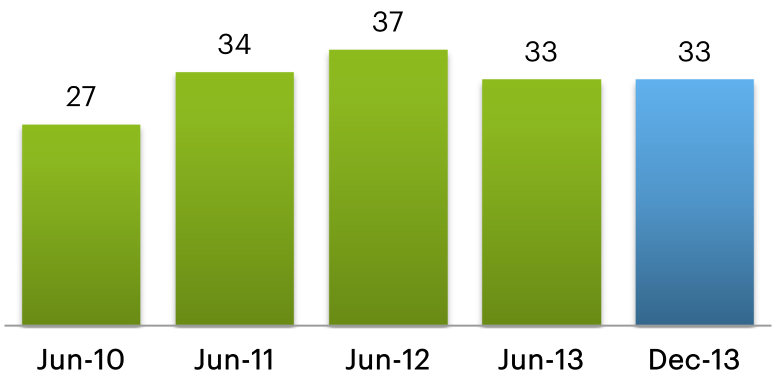
NZ$m	Dec 2012 12 months	**Dec 2013 12 months**	% Δ
Stay-in-business	52	**59**	+13
Growth	31	**38**	+23
Acquisitions	11	**4**	-64
Total	94	**101**	+7
Depreciation	112	**104**	-7

Key ratios

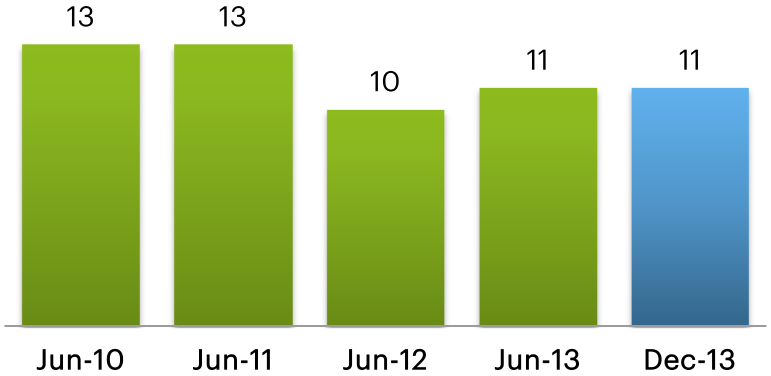
Total Shareholder Return (TSR)
Percentage



Debt/Debt Plus Equity
Percentage

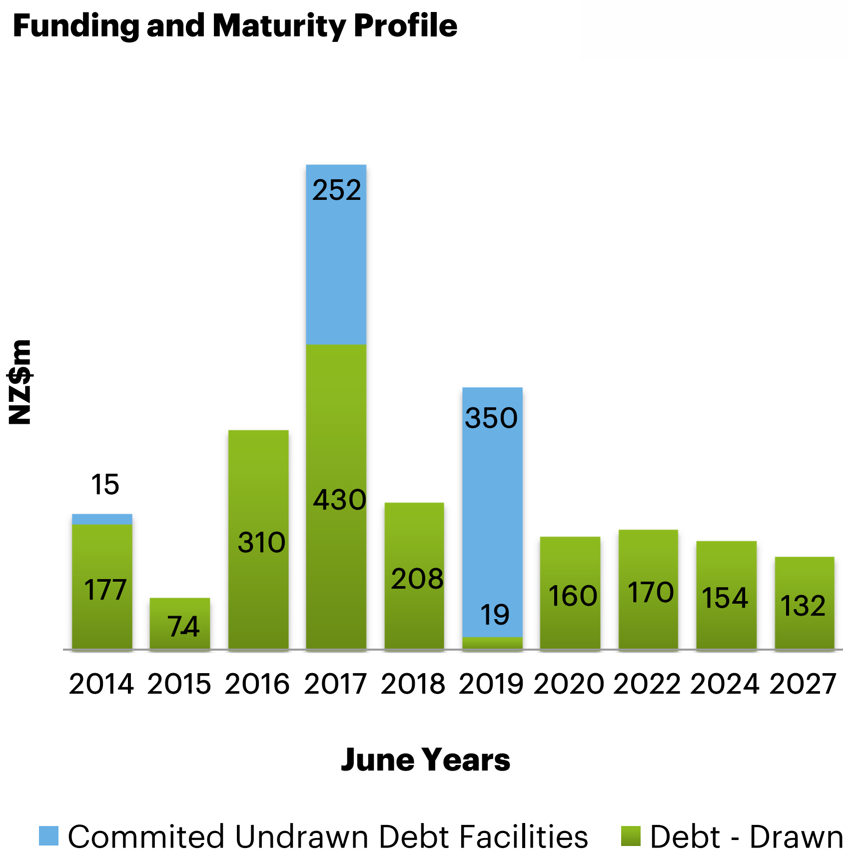


Return on Average Funds
Percentage[1]



1. *Earnings before interest, tax and significant items / average funds*

Debt profile



Undrawn credit lines of $617m and cash of $145m.

Average maturity of debt is 5 years.

Approximately 62% of all borrowings have fixed interest rates.

Average interest rate on debt is 6.2%.

Mix of currency (hedged)
- NZ$ 34%
- AU$ 46%
- US$ 10%
- Other 10%

Gearing and dividend policy changes

Fletcher Building will continue to target strong 'BBB' credit characteristics

Gearing

- Target of Net Debt to Net Debt + Equity (including Capital Notes) of 30-40%

Leverage

- Target Net Debt to EBITDA of 2.0 to 2.5 times

It is intended that the group will not be materially outside target Gearing and Leverage ranges on a long run basis

Dividend Policy

- Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term
- Target dividend pay-out ratio is 50% to 75% of net earnings
- Dividends will be imputed or franked where possible

Business Transformation Programme

Fletcher Reinforcing, Auckland

Pleasing progress from first full year of FBUnite

Specific Workstream updates:

- Shared Services pilot commences 7 March
- Property programme now starting to deliver cost savings
- Manufacturing excellence programme is being piloted at seven sites
- Organisational Development team has rolled out leadership development and talent management programmes globally

Total benefits arising from FBUnite expected to be approximately $100m p.a.

- Benefits should become evident in FY15
- Capital and operating expenditure will be incurred in FY14 which will offset early benefits
- FBUnite is a multi-year programme and the full quantum of benefit will take several years to be fully realised

Outlook

Formica DecoMetal® laminate, Heathrow Airport

Outlook FY14

New Zealand

- Level of house building activity expected to continue to underpin trading results
- Repair of houses and infrastructure in Canterbury will also boost activity levels
- Improved outlook for commercial construction nationally, particularly in Christchurch
- Demand for civil infrastructure expected to benefit from Government commitments around major projects in Auckland, Wellington and Canterbury

Australia

- Outlook remains uncertain; variation in activity levels continues across each of the states
- Some improvement in housing construction expected, but mix of stand-alone versus medium-high density will impact demand
- Outlook for commercial construction remains subdued
- Declining investment in mining and resources sectors and reduced State Government expenditure on infrastructure projects likely to adversely impact activity levels

Outlook FY14

Asia

- Commissioning of new Formica plant in China will impact operational results for FY14, despite increased volumes
- Political unrest in Thailand and weak conditions in Taiwan could adversely affect revenue in 2H14

North America

- Increases in new housing construction expected to benefit Formica
- Key commercial market less assured

Europe

- Restructuring initiatives expected to drive improved performance
- Overall volumes likely to remain mixed

Financial outlook FY14

No change to guidance given at Annual Shareholders Meeting in October 2013

Operating earnings before significant items expected to be in the range of $610-$650m

Assuming completion of the sale of Pacific Steel by 30 June 2014, a significant expense item of up to $19m will be recorded

- Reflects the gain on sale of assets, offset by transaction costs and adjustments to remaining asset carrying values

Half Year Results to 31 December 2013

Mark Adamson *- Chief Executive Officer*
Nick Olson *- Chief Financial Officer*

20 February 2014

Appendix: Building consent data

Building Consents		Dec 2011 12 months	Dec 2012 12 months	**Dec 2013 12 months**	13/12 % Mvmt
New Zealand					
Residential Consents		13,662	16,929	**21,300**	26%
Non Res WPIP ($m)*		4,521	4,732	**5,154**	9%
Infrastructure WPIP ($m)*		6,373	6,585	**8,129**	23%
Australia			*Source: Statistics NZ, Infometrics*		
Residential Consents	- Standalone houses	95,563	90,107	**99,365**	10%
	- Other dwelling types	58,277	64,030	**78,921**	23%
	- Total	153,840	154,137	**178,286**	16%
Non Res WPIP (A$Bn)*		31.6	34.7	**37.3**	8%
Infrastructure WPIP (A$Bn)*		101.4	128.6	**128.7**	-
US (Billions of 2010 US$)			*Source: ABS, BIS Shrapnel*		
Residential Consents (US$Bn)**		251.7	282.3	**332.2**	18%
Non Res WPIP (US$Bn)**		345.3	356.3	**343.8**	(4%)
Infrastructure WPIP (US$Bn)**		207.1	212.7	**212.8**	-

Source: HIS Global Insight

** FY14 data includes estimate for month of December 2013*
*** Excludes Infrastructure*