

Fletcher Building Industries Limited

Half Year Review

For the six months ended
31 December 2012



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From the Chairman



Ralph Waters
Chairman of Directors

Half year review

Directors are pleased to present the unaudited results of Fletcher Building Industries Limited (the “company”), and its associate (the “group”), for the six months ended 31 December 2012. The group made a net profit after tax of \$6.5 million (compared with a net loss of \$10.5 million for the previous corresponding period). The net assets of the group were \$206.1 million (2011: \$77.4 million).

As the company owns 20 percent of the shares in Fletcher Building Holdings New Zealand Limited, which in turn owns the shares in Fletcher Building’s New Zealand operating subsidiaries, its investment in that company is equity accounted. The equity earnings increased the profit substantially from the prior period reflecting the improved conditions the New Zealand businesses experienced in the six months to 31 December 2012. In addition, lower interest costs incurred by the group contributed to the improved result in the half-year.

Fletcher Building Industries continues to operate in compliance with the terms of the Trust Deed under which the capital notes were issued.

Fletcher Building group performance

Fletcher Building guarantees all of the capital notes issued by Fletcher Building Industries on an unsecured subordinated basis. The financial performance and position of the group should be considered in conjunction with the financial statements of the Fletcher Building group. It is relevant to note that Fletcher Building has reported net earnings of \$146 million for the six months ended 31 December 2012, one percent up on the previous corresponding period.

The debt to debt plus equity ratio of the Fletcher Building group is sound at 35.4 percent.

In January, the company announced new terms for its March 2013 capital notes. The interest rate applicable for the notes is 5.4 percent per annum and the new election date is 15 March 2019. The company advised that it would exercise its right to purchase for cash any capital notes held by noteholders who, instead of accepting the new terms, elected to convert their March 2013 capital notes into Fletcher Building Limited shares. Around \$57.2 million of notes were purchased for cash and were funded by borrowings from Fletcher Building Limited.



Ralph Waters
Chairman of Directors

Financial statements

Earnings statement (unaudited)

For the six months ended 31 December 2012

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Share of profits of associate	20,684	14,775	8,846
Other income		49,411	
Operating earnings	20,684	64,186	8,846
Funding costs	(19,738)	(52,532)	(26,883)
Earnings/(loss) before taxation	946	11,654	(18,037)
Taxation benefit	5,526	149	7,527
Net earnings/(loss)	6,472	11,803	(10,510)

The accompanying notes form part of and are to be read in conjunction with these financial statements.

For and on behalf of the Board, 20 February 2013



Ralph Waters
Chairman of Directors



Mark Adamson
Managing Director

Statement of comprehensive income (unaudited)

For the six months ended 31 December 2012

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Net earnings/(loss) for the period	6,472	11,803	(10,510)
Share of associate's other comprehensive income	(324)	(108)	699
Total comprehensive income for the period	6,148	11,695	(9,811)

Statement of movements in equity (unaudited)

For the six months ended 31 December 2012

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Total equity at the beginning of the period	239,935	87,240	87,240
Total comprehensive income for the period	6,148	11,695	(9,811)
Issue of share capital		141,000	
Dividend paid to Fletcher Building Limited	(40,000)		
Total equity at the end of the period	206,083	239,935	77,429

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Financial statements continued

Balance sheet (unaudited)

As at 31 December 2012

Fletcher Building Industries Group			
	Dec 2012 \$000	June 2012 \$000	Dec 2011 \$000
Assets			
Current assets:			
Debtors and prepayments	840	1,107	1,011
Provision for current taxation	5,676	149	19,757
Total current assets	6,516	1,256	20,768
Non current assets:			
Amounts owed by related companies	28,303	148,084	
Investment in associate	713,637	693,277	723,426
Total non current assets	741,940	841,361	723,426
Total assets	748,456	842,617	744,194
Liabilities			
Current liabilities:			
Accrued interest	11,053	11,085	10,043
Amounts owing to related companies		60,277	125,402
Capital notes	75,000	75,000	88,580
Total current liabilities	86,053	146,362	224,025
Non current liabilities:			
Capital notes	456,320	456,320	442,740
Total non current liabilities	456,320	456,320	442,740
Total liabilities	542,373	602,682	666,765
Equity			
Reported capital	346,000	346,000	205,000
Reserves	(139,917)	(106,065)	(127,571)
Total equity	206,083	239,935	77,429
Total liabilities and equity	748,456	842,617	744,194

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of cashflows (unaudited)

For the six months ended 31 December 2012

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Prepayments	266	1,094	1,190
Dividend received		92,959	
Subvention payment received		52,000	
Interest paid	(19,769)	(51,524)	(26,917)
Net cash from operating activities	(19,503)	94,529	(25,727)
Purchase of investments		(693,277)	
Sale of investments		633,000	
Net cash from investing activities		(60,277)	
Advance from/(to) related companies	59,503	(175,252)	25,727
Issue of shares		141,000	
Dividend paid to Fletcher Building Limited	(40,000)		
Net cash from financing activities	19,503	(34,252)	25,727
Net movement in cash held			
Add opening cash and liquid deposits			
Closing cash and liquid deposits			

Notes to the financial statements

1. Basis of presentation

The interim financial statements presented are those of Fletcher Building Industries Limited (the “company”), and its associate (the “group”). The company is domiciled in New Zealand and is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

2. Changes in accounting policies

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not yet applied these in preparing these interim financial statements although the application of these standards, amendments and interpretations would require further disclosures, but they are not expected to have a material impact on the group’s results.

There have been no changes in accounting policies in the six months ended 31 December 2012, however, certain comparatives have been restated to conform with the current period’s presentation.

3. Tax benefit

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Earnings/(loss) before taxation	946	11,654	(18,037)
Taxation at 28 cents per dollar	(265)	(3,263)	5,050
Adjusted for:			
Non assessable income	5,791	3,412	2,477
	5,526	149	7,527

4. Reconciliation of net earnings to net cash from operating activities

Fletcher Building Industries Group			
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Net earnings	6,472	11,803	(10,510)
Adjustment for items not involving cash and other items:			
Share of profits from associate	(20,684)	(14,775)	(8,846)
Loss on sale of associate		2,589	
Dividend received from associate		92,959	
Taxation	(5,526)	(149)	(7,527)
Prepayments	266	1,094	1,190
Trade creditors and accruals	(31)	1,008	(34)
Net cash from operating activities	(19,503)	94,529	(25,727)

5. Contingencies and Commitments

There were no contingent liabilities or capital commitments as at 31 December 2012 (June 2012 nil; December 2011 nil).

6. Investment in associate

	Fletcher Building Industries Group		
	Six Months Dec 2012 \$000	Year June 2012 \$000	Six Months Dec 2011 \$000
Carrying amount of associate:			
Carrying amount at the beginning of the period	693,277	713,881	713,881
Equity accounted earnings of associate	20,684	14,775	8,846
Dividend received from associate		(92,959)	
Sale of investment in associate		(633,000)	
Loss on sale of associate		(2,589)	
Acquired during the period		693,277	
Share of associate's other comprehensive income	(324)	(108)	699
Investment in associate	713,637	693,277	723,426
Associate information:			
Balance sheet information for associate – 100%			
External assets	2,378,305	2,459,930	2,273,019
External current liabilities	(731,175)	(722,552)	(576,437)
Intercompany advances	496,517	302,994	2,843,346
Term debt	(32,010)	(29,590)	(1,537,005)
Minority interest	(25,939)	(26,882)	(27,346)
Equity	2,085,698	1,983,900	2,975,577
Equity – Fletcher Building Industries Limited share – 20%	417,140	396,780	595,114
Goodwill acquired at cost	296,497	296,497	128,312
Investment in associate	713,637	693,277	723,426
Equity accounted earnings comprise:			
Sales	2,333,728	3,249,048	1,627,147
Earnings before interest and tax	140,660	170,692	81,285
Interest income/(expense)	2,962	(45,251)	(10,028)
Subvention payment		(52,000)	
Foreign exchange gain/(loss)	(167)	1,166	(18,977)
Earnings before tax	143,455	74,607	52,280
Tax expense	(40,036)	(733)	(8,048)
Net earnings	103,419	73,874	44,232
Net earnings – Fletcher Building Industries Limited share – 20%	20,684	14,775	8,846

Noteholder information

Enquiries

Changes of address, payment instructions and investment portfolios can be viewed online at **computershare.co.nz/investorcentre**. Investor number and FIN are required to access this service.

Enquires can also be addressed to the share registrar:

Computershare Investor Services Limited

Private Bag 92 119

Auckland 1142

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Level 2, 159 Hurstmere Road

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Interest payment dates

Interest on capital notes is paid semi-annually, on 15 March and 15 September in respect of the notes with the election dates of 15 March 2015, 15 March 2017, 15 March 2018 and 15 March 2019 and on 15 May and 15 November in respect of the notes with the election dates of 15 May 2014 and 15 May 2016. The company recommends that all noteholders have their interest payments direct credited to a bank account to ensure security and promptness of receipt. If you do not already have your payments direct credited, please contact Computershare Investor Services to register your bank account details.

Quotation and transfers

The Fletcher Building Industries capital notes are quoted on the NZX and may be bought and sold through sharebrokers. No transfer will be registered if it would result in the transferor or the transferee holding capital notes with an aggregate principal amount of less than \$2,000. Subject to this minimum holding, transfers must be in multiples of \$500.

**Fletcher Building
Industries Limited**

fletcherbuilding.com

