FletcherBuilding

News Release

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

2007 ANNUAL RESULTS SUMMARY

Auckland, 8 August 2007 – Fletcher Building today announced record results for the year ended 30 June 2007. Net profit after tax and minority interests was $484 million, compared to $379 million in the previous year. The increase of $105 million includes the $70 million one-off taxation benefit previously advised to the market.

Operating earnings (earnings before interest and tax) were $703 million, including a net $5 million of unusual items, and an increase on the $675 million of operating earnings in the previous year, which had no unusual items. The increase of 4 percent on the 2006 year reflected some benefits from acquisitions, ongoing productivity improvements and the unusual items, with some offset due to more difficult market conditions.

The lift in earnings has enabled the eleventh consecutive dividend increase, with a final dividend of 23 cents per share, with full New Zealand and Australian tax credits. The total dividend for the year increased from 40 cents to 45 cents per share. Total shareholder return for the 12 months ended 30 June 2007 was 42 percent.

Divisional results (excluding unusuals) reflected the mixed operating environment, with increases in three divisions more than offsetting the decreases in the other two. Infrastructure’s operating earnings were $271 million (previously $255 million), Distribution's $80 million (previously $75 million) and Laminates & Panels’ $131 million (previously $116 million). Operating earnings from Building Products were $141 million (previously $142 million), and Steel $80 million (previously $93 million).

Chief Executive Officer, Jonathan Ling said the increase in operating earnings in a softer trading environment provided further validation of the group’s strategy to build earnings reliability. “The balance of exposures between different geographical regions and market sectors is serving us well. All our divisions have performed well in the market conditions applying to them. At the same time we have been successful in further implementing our strategic objective to internationalise the company and provide a wider range of growth options, following the recent acquisition of Formica Corporation”.

Results highlights

- Operating earnings up 4 percent to $703 million.
- Group net earnings, including unusual items, up 28 percent to $484 million.
- Group net earnings, excluding unusual items, up 5 percent to $399 million.
- Final dividend of 23 cents per share with full New Zealand and Australian tax credits for a total dividend for the year of 45 cents per share.
- Cashflow from operations was $483 million.
- Interest cover at 9.8 times.
- Basic earnings per share were 101.9 cents and 84.0 cents on a normalised basis, both up from the 81.3 cents in the previous year.

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007

Directors today announced the financial results for the year ended 30 June 2007, again featuring record earnings and an increased dividend. Net earnings after tax for the year to 30 June 2007 were $484 million, up 28 percent from the previous year.

The significant increase in net earnings is principally the result of a one-off tax benefit of $70 million plus the tax benefit from other unusual items such as the plant insurance recoveries. Even without these taxation benefits, the result would still have been an improvement on the prior year, notwithstanding the relatively soft markets for a number of the group's businesses.

Operating earnings (earnings before interest and tax) were $703 million, compared to $675 million in the 2006 year. The 2007 results do not include any contribution from Formica Corporation which was only acquired on 2 July 2007.

The unusual gain of $5 million in operating earnings includes the previously reported net $14 million benefit of the insurance claims for damage to the Taupo medium density fibreboard plant and the Pacific Steel plant, and the write-down of the investment in the Penrose hardboard mill, as current exchange rates and the costs of meeting environmental compliance do not make the business viable. In addition, following the Formica acquisition the value of Australasian high pressure laminate assets has also been written-down.

Results	**Sales**		**Operating Earnings**	
NZ$million **12 months ended**	**June 2007**	June 2006	**June 2007**	June 2006
Infrastructure	**1,944**	1,823	**271**	255
Distribution	**1,064**	956	**80**	75
Building Products	**697**	629	**141**	142
Steel	**1,161**	1,082	**80**	93
Laminates & Panels	**1,058**	1,027	**131**	116
Corporate	**2**	3	**(5)**	(6)
Total	**5,926**	5,520	**698**	675
Unusuals			**5**	0
Total including unusuals			**703**	675
Funding costs			**(87)**	(88)
Earnings before taxation			**616**	587
Taxation			**(113)**	(189)
Earnings after taxation			**503**	398
Minority interests			**(19)**	(19)
Net earnings per published accounts			**484**	379

Group sales were $5.9 billion, 7 percent higher than the $5.5 billion achieved in the previous year. All divisions recorded increased sales notwithstanding slower markets, particularly in New South Wales and Victoria. While New Zealand's residential market remained flat, good sales growth was achieved by the Infrastructure and Distribution divisions.

Directors approved the eleventh consecutive dividend increase when declaring a final dividend of 23 cents per share. The interim dividend was 22 cents, and thus the total dividend for the year is 45 cents per share, up 12.5 percent from 40 cents in the previous year. The final dividend will be paid on 11 October 2007 and will carry full New Zealand and Australian taxation credits.

The result represents a 26 percent return on average equity and 24.8 percent on average funds employed. Total shareholder return (TSR – the increase in share price plus pre-tax dividends) was 42 percent. This follows TSR of 40 percent, 61 percent and 33 percent in the three previous years.

Earnings per share were 101.9 cents, up from 81.3 cents in the previous year. Even if the unusual gains in the year were excluded the normalised earnings per share of 84.0 cents would have been an increase on the previous year.

OPERATIONAL REVIEW

Infrastructure

Sales and earnings grew for the sixth year in succession despite lower cement volumes and very weak market conditions in New South Wales. The key operations all reported higher earnings than in the previous year.

Sales for the year were up 7 percent to $1.9 billion. Operating earnings grew by 6 percent to $271 million. The division's return on funds employed was 35 percent, compared to 33 percent for the previous year.

Most of the division's earnings are derived from the New Zealand market, where overall demand was slightly weaker than in the 2006 year. Concrete operations reported 9 percent growth in operating earnings, with higher margins recorded for most products. Sales volumes for aggregates, concrete, concrete pipes and masonry were slightly higher than for the previous year, but Golden Bay Cement's volumes were down by 45,000 tonnes. Operating earnings from the Residential business grew by 36 percent, and those from Construction were also higher.

As in previous years, a key focus for management was to improve margins. The division continued to benefit from a range of pricing initiatives, cost reduction programmes, product rationalisations, investments and divestments aimed at enhancing operational performance. Divestments included the Hinuera quarry operations, some surplus property and since balance date the Stresscrete operations. The improvement in New Zealand concrete earnings was primarily a consequence of these initiatives rather than market growth.

Operating earnings from the Golden Bay Cement business improved despite the costs associated with the full commissioning of the final capacity upgrade in the first half. In the second half, manufacturing performance exceeded expectations and the financial results of the business were strong. Sales volumes were lower than for the previous year, but prices were higher and overhead costs were reduced.

Winstone Aggregates recorded an increase in earnings on similar trading volumes. Operational performance continued to benefit from capital investment, reduced production costs and price increases. Overall margins were higher.

Firth's earnings were slightly ahead of those for the previous year. Concrete volumes were higher due to investment in new sites. The contribution per cubic metre of concrete was lower, with prices in Auckland under pressure. Large raw material and distribution cost increases could not be fully recovered. Firth's masonry volumes were similar to those for the previous year, but margins were higher, due primarily to cost savings resulting from capital investment.

The pipe market remained strong, and Humes' operating earnings improved despite some margin deterioration. While market conditions remain firm, margins are expected to be constrained by competition.

The Rocla pipeline and quarry businesses in Australia performed well, recording a 21 percent return on funds employed compared with 18 percent for the 2006 year. The quarry products business recorded lower earnings from New South Wales but had very strong results in other states. The pipeline products business recorded increased sales volumes for most major product groups, and earnings were ahead of expectations.

Fletcher Construction had a strong year, with operating earnings improving by 6 percent. All operations performed to expectations, with the construction backlog being $775 million at year end. Major contracts won during the year were the BNZ Centreport ($66 million), Tauranga Harbour Link ($130 million), Hobson Bay sewer tunnel ($50 million) and Lower Hutt motorway ($35 million). This backlog, strong prospects and continued firm market conditions suggest that workload will remain healthy in the commercial building and engineering operations.

Fletcher Residential had an exceptional year, with strong demand recorded in Auckland and increasing interest in the Queenstown development, Jacks Point. Prices and margins increased, as did earnings despite a reduction in the number of houses taken to profit.

Earnings from its Fijian and Peruvian businesses were $3 million compared with $8 million last year. Difficult trading conditions in Fiji are likely to adversely impact earnings in the new year.

Distribution

Sales grew by 11 percent over those for the previous year to $1,064 million. Charge sales rose by 12 percent, whilst cash sales were up 9 percent despite a very significant increase in retail competition with the opening of a number of large format stores.

Sales growth was supported by the store development programme, but the development costs affected operating expenses. Internal sales management programmes continued to improve revenues, as did acquisition growth. Operating earnings at $80 million were 7 percent higher for the year – a creditable performance in a slowing new housing market.

Capital expenditure for the year was close to $18 million, allocated primarily to the new store upgrade programme with new branches in Wanaka, Whitianga, Takanini, Richmond, Palmerston North and a refit at Seaview. Expenditure on information systems continued to enable the replacement of some ageing hardware, but the development of new technologies to improve business processes for customers continues as a priority. A new enterprise resource planning replacement programme was approved during the financial year with implementation in branches starting later this year.

There has been a concerted focus on improving returns from frame and truss manufacturing through ongoing measurement and benchmarking of costs, productivity and volumes. A regional investment strategy for these plants has been established, based on creating best practice models with a major focus on health and safety processes.

Building Products

The division recorded a slight decrease in operating earnings before unusual items, of 1 percent to $141 million. This was a satisfactory performance given the range of economic factors that affected trading during the year – flat conditions in the residential new-build segments in New Zealand, the ongoing decline in activity in the key east coast metropolitan markets in Australia, and the strong New Zealand dollar experienced for most of the year, which affected export earnings and limited the ability to achieve price rises in domestic markets.

The plasterboard business performed well in flat market conditions with the historically high New Zealand dollar supporting significant import pressures. Market share was maintained. Earnings were also maintained from the previous year, on sales volumes 4 percent higher.

In Australia, Fletcher Insulation's earnings fell 29 percent due to very soft residential markets in New South Wales and Victoria, price pressure from imports and one-off impacts from the merger of our two insulation businesses. Stronger market conditions in Queensland, Western Australia and Tasmania were offset by higher transport costs from manufacturing plants in New South Wales and Victoria. A significant programme of restructuring was completed during the year to focus the business on its glasswool operations and included closure of the polyester manufacturing facility in Sydney and replacement of the glasswool furnace in Melbourne. Performance lifted in the June quarter and there are signs that the Sydney residential building market has bottomed out.

In New Zealand, insulation earnings fell 13 percent due to increased costs in glasswool manufacture that were not recoverable due to import pressure.

The metal roof tile businesses performed particularly well despite the strong New Zealand dollar affecting margins on exports from the AHI Roofing plant in Auckland. Manufacturing plants in New Zealand and Malaysia achieved record production and sales volumes up by 13 percent overall. Earnings rose 23 percent. The metal roof tile businesses continue to advance a "global niche" strategy, with the growth in European sales at such a level that a decision has been made to build a manufacturing plant in eastern Europe.

Among the "single business" assets, Tasman Sinkware performed very well, with strong domestic sales of the market leading Oliveri range offsetting reduced demand in the United States. Tasman Access Floors had its best year since it was acquired in 2003 and the Forman Group, acquired in December 2006, made a good contribution to the division's results in the second half.

Steel

Operating earnings before unusual items were below expectations despite a strong first half, with a decrease of 14 percent to $80 million. The long steel business experienced an unprecedented increase in scrap raw material input costs. The high New Zealand dollar limited the division's ability to achieve corresponding domestic price increases, and also its scope for export earnings. The Sims Pacific Metals joint venture benefited from the high scrap prices and increased operating earnings by 7 percent.

The drought in Australia, the high New Zealand dollar and poor returns in the sheep and beef sector put pressure on the rural markets which consume many of the division's wire products.

The rollforming business enjoyed a successful year in a more competitive trading environment in both Australia and New Zealand. Operating earnings were at the previous year's level. Stramit was successful in acquiring the business of Eziform Sheetmetals, effective May 2007, adding expertise and capability in the commercial sheetmetal segment of the south east Queensland market. The benefit to the 2007 year's result was not significant.

Subsequent to balance date, the acquisition of the Fair Dinkum Homes and Sheds business has been announced. This represents a significant investment for the roll forming business as Fair Dinkum Homes and Sheds is the major supplier of pre-engineered buildings in the Australian market, with lesser positions in New Zealand, the UK and South Africa.

Fletcher Easysteel performed above expectations, with significant growth in its processed steel segments.

Laminates & Panels

The division performed strongly again, increasing sales to $1,058 million and operating earnings to $131 million. Funds usage decreased, primarily as a consequence of the loss of the Taupo medium density fibreboard (MDF) plant by fire in September 2006.

Trading conditions varied across the region, with Australia performing particularly well. Within Australia, conditions varied state by state with both Western Australia and Queensland remaining buoyant. Stable market conditions prevailed in Victoria and South Australia while the New South Wales market remained at low levels. In total, the Australian business achieved sales growth, but with some pressure on margins. Expense control contributed to a lift in operating earnings.

While sales from New Zealand were well down on the previous year as a consequence of the Taupo fire, earnings increased with the aid of initiatives in the sales and distribution business and the inclusion of the full year of earnings from the O'Brien bench top fabrication business purchased in April 2006.

The division continues to have a strong export presence in South East Asia, China, Korea and Japan, but export volumes of MDF reduced by 30 percent due to the loss of the Taupo facility. As a result of the fire, a favourable outcome was achieved with insurers and a cash settlement was taken and is reported as an unusual item for financial reporting purposes. It is regrettable that approximately 80 employees were directly affected by the closure of the facility. Excluding the Taupo plant, production of MDF, particleboard and low pressure melamine were all up from the previous year.

The division continued to face escalating input costs in a number of key items such as freight, resins and wood fibre**.** The most significant impact on resin prices was the continued escalation in inputs such as methanol, phenol and urea. Wood fibre increases were predominantly in New Zealand. While these were not able to be recovered fully through pricing, a number of operational initiatives were identified to mitigate the cost impacts.

The Wespine joint venture, the major pine sawmiller in Western Australia, faced a difficult year with earnings down largely as a result of the supply of lower quality logs from the current harvest of state owned plantations. The Dynea joint venture, which is a supplier of resin to the division's Western Australian manufacturing operations, had a very solid year with earnings up despite increases in underlying raw material input costs.

FINANCIAL REVIEW

Balance Sheet

With excellent operating cashflow and balance date gearing (net debt to net debt plus equity) at 22.2 percent, the company remains in a sound financial position and is comfortably within all its relevant debt covenants. This was aided by the equity raising of $321 million undertaken in conjunction with the acquisition of Formica Corporation. Settlement of this acquisition was made on 2 July 2007, and at that time the gearing was still within the company's guideline, at 41.1 percent. Interest cover (EBITDA to total interest paid) was 9.8 times, compared to 9.3 times at 30 June 2006.

Net debt reduced by $407 million to $654 million at 30 June 2007.

Cashflow

Capital expenditure was $346 million, of which $131 million was growth related and $94 million was expended on acquisitions. Stay-in-business expenditure of $121 million compares to depreciation of $155 million. Divestments were $95 million primarily consisting of the Taupo MDF plant insurance recovery.

Dividend

The final dividend of 23 cents per share is fully credited for New Zealand tax purposes through the attachment of imputation credits. Non New Zealand shareholders benefit from the New Zealand supplementary dividends attached to the imputation credits, as these have the effect of removing the cost of New Zealand non-resident withholding tax on the portion of dividends carrying imputation credits. A dividend summary is attached, illustrating the effect of the New Zealand tax credits on the dividend paid and the supplementary dividend paid to non New Zealand shareholders.

Fletcher Building has in previous years provided some dividend withholding payment credits. It is not expected that these will be available again due to the financing of the Formica acquisition and proposed changes to New Zealand's international tax regime.

The final dividend is however fully franked for Australian tax purposes. To maximise the value of available franking credits the company's policy is to accumulate them and attach these to dividends only when the franking percentage is at or near to 100 percent, rather than spreading them over every dividend. It is currently anticipated that the final dividend for the 2008 year will be the next dividend to be fully, or almost fully, franked under this policy.

The dividend reinvestment plan will be operative for this dividend payment. Documentation for participation is available from the share registry and must be received by the registry before the record date. The price used to determine entitlements under the dividend reinvestment plan is the weighted average share price of the company's shares sold on the New Zealand Exchange and designated by the NZX as "price-setting trades" in the five business days following the record date of 21 September 2007. The new shares will be issued on the dividend payment date of 11 October 2007.

The shares will be quoted on an ex dividend basis from 17 September 2007 on the ASX and 24 September 2007 on the NZX.

STRATEGY

The company continues to focus on earnings reliability as an important factor in generating good shareholder returns. Key factors include the balance of exposures to different market sectors and geographical regions. In respect of the former, the company is close to the desired balance of a broadly even split in revenue between the residential, commercial and infrastructure sectors. In respect of the latter, it has achieved a significant gain through the Formica acquisition. It has also completed a number of smaller acquisitions to enhance existing market positions or introduce new products. While the company has increased its exposure to the laminates markets this is not seen as a change in the strategy of product and geographic diversification.

With continuing strong cashflows and financial ratios, the company is well positioned to make further acquisitions to enhance its overall position. It will do so where strategically compelling opportunities are available and these meet the company's established acquisition criteria.

Growth will also continue to be sought from internal sources. The company will continue to invest in the current year, with key projects including the final stage of the particleboard capacity upgrade in Western Australia; increased MDF capacity at Gympie; a metal roof tile plant in Eastern Europe and ongoing upgrades to the steel mill. Support for programmes to promote innovation as a generator of earnings growth will also be provided.

OUTLOOK

In New Zealand, new housing consents are forecast to decline by 8-12 percent over the current year. Offsetting this decline, there remains a backlog of work to be completed, unsatisfied demand for alterations and additions, and ongoing commercial construction activity. Infrastructure activity is expected to continue at similar levels to those experienced in the latest year.

In Australia, housing is in a cyclical decline with New South Wales at very depressed levels, offset in part by strength in Queensland and Western Australia. A gradual recovery is expected in residential construction, while growth in non-residential building is expected to slow. Infrastructure markets are expected to vary in strength from state to state, with engineering construction continuing to grow strongly.

The residential and other commercial markets served by Formica Corporation in Europe and Asia are anticipated to remain strong with some weakness in North America. Overall, Formica is expected to have a positive impact on normalised earnings per share in the current year, assisted by synergies achieved in the integration with the Laminex business.

With a higher component of the company's earnings arising outside of New Zealand, the volatility of the New Zealand dollar can impact on the translation of net earnings. Notwithstanding this uncertainty, and that it is too early to predict results for the year, the board believes the company will report another satisfactory result for the year to 30 June 2008.

DIVIDEND SUMMARY

DIVIDEND SUMMARY TABLE [1]

NZ cents per share	**NZ RESIDENTS**	**AUSTRALIAN RESIDENTS**	**OTHER NON RESIDENTS**
Dividend declared	23.0000	23.0000	23.0000
NZ tax credits [2]	11.3284		
NZ supplementary dividend		4.0588	4.0588
Australian franking tax credits [3]		9.8571	
Gross dividend for NZ tax purposes	**34.3284**	**27.0588**	**27.0588**
NZ tax (33%)	(11.3284)		
NZ non-resident withholding tax (15%) [4]		(4.0588)	(4.0588)
Net cash received after NZ tax	**23.0000**	**23.0000**	**23.0000**
Australian tax (15%) [5]		(4.9286)	
Reduced by credit for NZ non-resident withholding tax		4.0588	
Less Australian franking credit offset [6]		5.7983	
Net cash dividend to shareholders	**23.0000**	**27.9285**	**23.0000**

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) These tax credits are not received in cash but are relevant in determining the gross dividend received for NZ tax purposes. They are comprised wholly of imputation credits and do not include any dividend withholding payment credits.

(3) These amounts are not received in cash but are relevant in determining the gross dividend received for Australian tax purposes.

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

(5) This summary uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

The Australian tax is calculated as:

gross dividend for NZ tax purposes		27.0588
plus franking credits	9.8571	
less NZ supplementary dividend	(4.0588)	5.7983
gross dividend for Australian tax purposes		32.8571
net Australian tax payable (15%)		4.9286

(6) The Australian franking credit assessable amount and tax offset is calculated by reducing the franking credits by the NZ supplementary dividend. Any surplus franking credit offset is refundable to Australian resident shareholders on issue of their Australian tax assessment.