FletcherBuilding

News Release

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

FLETCHER BUILDING LIMITED
HALF YEAR RESULTS ANNOUNCEMENT

Auckland, 11 February 2004

SUMMARY

Directors today announced the interim results for the 6 months ended 31 December 2003. Net profit after tax and minority interests was $111 million, compared to $83 million in the previous corresponding period. There were no unusual items.

Fletcher Building achieved operating earnings, that is earnings before interest and tax, of $216 million in the six months to 31 December 2003 – 35 percent ahead of the same period in 2002. The result reflected strong demand throughout the period, and ongoing benefits of operational improvements, together with a full 6 months result for Laminex which was acquired on 13 November 2002, and 3 months of Tasman Building Products acquired on the 30 September 2003.

The lift in earnings has enabled a further increase in dividends – the interim dividend will increase to 11.0 cents per share from 9.0 cents per share in the previous year. Total shareholder return was a creditable 20 percent for the 6 month period.

All divisions either equalled or lifted their operating earnings for the second successive year on a continuing operations basis. Building Products operating earnings were $74 million (previously $58 million). Concrete earned $42 million (previously $42 million). Construction earned $20 million (previously $16 million). Distribution earned $36 million (previously $27 million). Laminates & Panels earned $48 million (previously $16 million) which includes the earnings of both Fletcher Wood Panels and Scott Panel and Hardware for both periods.

The Chief Executive Officer, Mr Ralph Waters, said “the results highlighted the progress made by the company. The 23.9 percent annualised return on average funds employed was significantly ahead of the cost of capital. Meanwhile, the Laminex and Tasman acquisitions, both of which continue to exceed acquisition expectations, had transformed the company, from one that was essentially captive to the New Zealand market to a truly Australasian business with enhanced earnings and growth prospects”.

Mr Waters said the outlook for the next six months remained positive. Beyond that directors expect some softening in both the New Zealand and Australian residential building markets, but directors also expect that to be somewhat offset by pent-up demand in alterations and additions, and stronger markets in non-residential and infrastructure construction.

Key Points

- Operating earnings up 35 percent to $216 million.
- Group net earnings (after interest, tax and minority interests) up 34 percent to $111 million.
- Interim dividend of 11 cents per share with full New Zealand tax credits plus 50 percent Australian franking credits.
- Cashflow from operations up from $127 million to $189 million.
- Annualised return on average funds employed of 23.9 percent.
- Earnings per share of 25.9 cents.

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FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Directors today announced the financial results for the six months ended 31 December 2003. Net profit after tax and minority interests was $111 million, compared to $83 million in the previous corresponding period. There were no unusual items.

Revenue rose from $1.483 billion to $1.929 billion aided by a full six months of Laminex, acquired on 13 November 2002, and Tasman Building Products acquired on 30 September 2003. After adjusting for disposals and acquisitions, the increase in revenue was 9 percent. The company benefited from strong demand in both New Zealand and Australia, the continued benefits of earlier operational improvements and stable power pricing. The appreciating New Zealand and Australian currencies were the major negative influences in the period. Operating earnings, that is earnings before interest and tax, were $216 million, a 35 percent increase on the $160 million earned in the prior corresponding period.

This strong result has enabled Fletcher Building to again increase dividends. An interim dividend of 11 cents per share with full New Zealand tax credits, up from the interim dividend of 9 cents last year, and the final dividend of 10 cents last year, has been declared. In addition to these New Zealand tax credits, Australian shareholders will be able to benefit from the 50 percent franking credits which are available for the first time.

The result represents a 23.6 percent annualised return on average equity and a 23.9 percent annualised return on average funds employed, compared with 23.0 percent and 24.4 percent respectively in the June 2003 year.

Results	**Operating Revenue***		**Earnings***	
Period Ended NZ$million	**6 Mths to Dec 2003**	6 Mths to Dec 2002	**6 Mths to Dec 2003**	6 Mths to Dec 2002
Building Products	**415**	332	**74**	58
Concrete	**246**	245	**42**	42
Construction	**324**	310	**20**	16
Distribution	**425**	358	**36**	27
Laminates & Panels	**511**	196	**48**	16
Corporate	**8**	42	**-4**	1
Total	**1929**	1483	**216**	160
Funding Costs			**-36**	-23
Earnings Before Taxation			**180**	137
Taxation			**-58**	-45
Earnings After Taxation			**122**	92
Minority Interests			**-11**	-9
Net Earnings as per Published Accounts			**111**	83

* Prior period results have been restated to conform with the current period presentation. New Zealand wood panels businesses are included in Laminates and Panels, and the Bolivian concrete operations, Building Depot and Hire A Hubby which have been divested are included in Corporate.

OPERATIONAL REVIEW

Building Products

Building Products' operating earnings were 10 percent ahead of the previous corresponding period before inclusion of the Tasman Building Products results. This growth was driven by further operational improvements and an exceptionally buoyant domestic New Zealand market, which has more than outweighed the impact of the strong New Zealand dollar on exports.

The result was boosted by the strong contribution from the Tasman Building Products businesses acquired on 30 September 2003. Integration of these businesses has been seamless, reflecting the quality of Tasman's management. For the first 3 months of Fletcher Building ownership the Tasman companies reported earnings more than double those assumed in the acquisition proposal. It is also expected that synergies identified prior to the acquisition will be comfortably exceeded.

Businesses which reported exceptional lifts in performance were Fletcher Aluminium, which more than doubled its earnings, and Easysteel and Pacific Coilcoaters, which improved earnings by 23 percent and 26 percent respectively.

The long term hedging contract for power concluded with Genesis during 2003 is contributing to a reduction in the volatility of earnings.

Concrete

Concrete's operating earnings were in line with the previous corresponding period, and excluding Peru, were 3.5 percent ahead. All New Zealand operations other than Golden Bay Cement were significantly ahead of the previous corresponding period. Firth had a standout result, aided by strong growth in concrete block house construction.

Golden Bay Cement was adversely affected by the strength of the market which over-extended the plant and to maintain service levels during peak periods of demand, required product to be transported by more costly road transport rather than by ship. As previously announced, Golden Bay Cement is part way through a major capital programme that will progressively increase both production and ship loading capacities from May 2004. Prices for most of the division's products improved during the period.

The comparative figures have been restated to exclude the results of the Bolivian operation which was sold during the 2003 financial year.

Construction

Operating earnings in Construction were up 25 percent on the previous corresponding period with all business units strongly ahead. Residential had an excellent result and the immediate outlook remains positive. Some very good land acquisitions during the period provide confidence that results will remain more than satisfactory, even if overall housing consents soften. The backlog in the commercial construction and engineering operations in New Zealand remains healthy and the South Pacific operation is experiencing a substantial lift in both activity and backlog. Overall, Construction's backlog is around $450 million and there are a number of recently bid contracts exceeding in excess of $120 million where decisions are imminent.

Distribution

During the period both the Building Depot and Hire A Hubby were divested, and after adjusting for this, the division recorded a 19 percent increase in revenues. This increase reflected buoyant market conditions, the strong joint venture partnership programme and growth in key categories such as timber.

Operating earnings increased 33 percent during the period and included the results of the newly acquired Building Hardware Company in Christchurch.

A major store upgrade programme for PlaceMakers was commenced with Riccarton and New Lynn stores underway. New Lynn is the first store to be upgraded to the new format and has shown encouraging market acceptance. This format will eventually be extended to the other major PlaceMaker stores.

Laminates and Panels

Earnings for the period were ahead of expectations, despite an adverse result from export activities which have suffered as a result of the strengthening Australian and New Zealand currencies against the US dollar.

Demand in the Australian market remained strong with both residential and commercial activity running at similar rates to those in the previous year. Activity in the domestic New Zealand market was also strong and ahead of expectations.

Efficiencies and synergies were achieved through consolidation and integration of The Laminex Group business with Fletcher Building's existing wood panel manufacturing and distribution operations, in both New Zealand and Australia. Further progress was made on the warehouse consolidations in the Australian state capitals. All warehouses are now fully operational other than in Brisbane which is under construction.

FINANCIAL REVIEW

Balance Sheet

Net debt increased to NZ$969 million at 31 December 2003, compared with NZ$858 million at June 2003.

With strong earnings and operating cashflow, and with gearing (net debt / net debt plus equity) at 48.4 percent, Fletcher Building remains in a sound financial position. The gearing level at 48.4 percent has reduced from the June 2003 position of 49.9 percent, and is comfortably within all relevant debt covenants. Interest cover (EBITDA / Interest) was 7.6 times compared to 7.3 times at June 2003.

The purchase of Tasman Building Products for NZ$271 million was financed by:

- the issue of 25 million ordinary shares at NZ$4.10 each ;
- an increase in total debt facilities of $100 million.

Cashflow

Cashflow from operations was NZ$189 million. This was after an increase of NZ$33 million in working capital as a result of the timing of cashflows on large construction projects, together with the increase in working capital required to support higher activity levels. Capital expenditure, excluding acquisitions and divestments, totalled NZ$63 million.

Dividend

The interim dividend of 11 cents per share will be payable on 7 April 2004 and will carry full New Zealand tax credits and partial Australian franking credits. Details are provided in the summary attached.

STRATEGY

The company's major strategic priorities have been to improve both the level and reliability of earnings through the economic cycle, and to achieve value adding growth.

Although aided by a strong market, the company's operating earnings excluding Laminex and Tasman Building Products, are now more than $100 million higher than when last at the peak of the cycle. The two Australian acquisitions are performing ahead of expectations, while providing new growth opportunities and reducing the company's dependence on the New Zealand market.

The company continues to focus on operational improvements, particularly through appropriate capital investments and review a range of acquisition opportunities. Acquisitions will only be considered if they meet the strict criteria that applied to Laminex and Tasman Building Products.

OUTLOOK

The outlook for the next six months remains positive. Beyond that, some softening in both the New Zealand and Australian residential building markets is expected, but directors also expect that to be somewhat offset by pent-up demand in alterations and additions, and stronger markets in non-residential and infrastructure construction.

DIVIDEND SUMMARY

Dividends paid by the company have Dividend Withholding Payment (DWP) credits attached, so that both New Zealand and non-resident shareholders can benefit from the value of New Zealand's dividend imputation tax credit regime.

As with previous dividend payments Fletcher Building pays the refund of the DWP tax credit to non-resident shareholders at the same time as the dividend is paid, and then recovers this from the Inland Revenue Department. New Zealand resident shareholders holding shares on behalf of, or as agents for, non-residents will need to advise the share registry, if they have not already done so, to ensure that the DWP tax credit refund is made.

For the first time the company is able to allocate Australian franking credits to the dividend which arise from tax paid in Australia. These credits are required to be allocated to all shareholders but are only of value to those shareholders resident in Australia for tax purposes.

SUMMARY TABLE (1)

NZ cents per share	NZ Residents	Australian Residents (3)	Other Residents
Dividend declared	11.0000	11.0000	11.0000
NZ tax credits (2)	5.4179	-	-
NZ tax credit refund	-	5.4179	5.4179
Australian franking tax credits (2)	-	2.3571	-
Gross dividend for tax purposes	**16.4179**	**18.7750**	**16.4179**
NZ tax (33%)	(5.4179)	-	-
NZ non-resident withholding tax (15%) (3)	-	(2.4627)	(2.4627)
Net cash received after NZ tax	**11.0000**	**13.9552**	**13.9552**
Australian tax (15%) (4)	-	(2.8163)	-
Reduced by credit for NZ non resident withholding tax	-	2.4627	-
less Australian franking credit offset (5)	-	2.3571	-
Net cash dividend to shareholders(1)	**11.0000**	**15.9587**	**13.9552**
Record date	19 March 2004	19 March 2004	19 March 2004
Payment date	7 April 2004	7 April 2004	7 April 2004

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 amounts are not received in cash but are relevant in determining the gross dividend received for tax purposes.

(3) NZ non-resident withholding tax is imposed at the rate of 15% on the sum of the dividend declared and the NZ tax credit refund. It is not imposed on the Australian franking credits component of the gross dividend.

(4) 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.

(5) Surplus franking credits are refundable to Australian resident shareholders on issue of their Australian tax assessment.

The dividend reinvestment plan will be operative for this dividend payment. Documentation for participation in the plan for eligible shareholders is available from the share registry.

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 in the five business days following the record date of 19 March 2004. The new shares will be allocated on the dividend date of 7 April 2004.