FletcherBuilding

News Release

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

FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

SUMMARY

Auckland, 12 February 2009 - Directors today announced the group's unaudited interim results for the six months ended 31 December 2008. Net earnings were $172 million, compared with $235 million in the previous corresponding period. This is a reduction in earnings per share from 47 cents to 34 cents.

During the period the group's operations were exposed to rapidly deteriorating economic conditions and a marked slowdown in residential and commercial construction markets globally. Significant volume declines were experienced across the business, particularly in New Zealand, the United States, Spain and the United Kingdom. Other parts of Europe saw demand levels fall away during the period while Australia also evidenced signs of a major slow-down. Higher input and energy costs also negatively impacted earnings.

As a consequence, operating earnings (earnings before interest and tax) fell to $303 million, compared with $394 million in the previous corresponding period. The Infrastructure, Distribution, Building Products and Laminates & Panels divisions all recorded lower operating earnings. The Steel division saw strong earnings growth due to higher steel prices and margins, and strong volumes during the half year.

Formica's North American operations experienced significant improvements in operating efficiency at the Evendale plant, and a reduction in operating costs following the restructure of the United States operations. However, the rapid decline in demand in US and European markets negatively impacted the business.

The interim dividend of 24 cents per share has been maintained at the 2008 level, and is in line with guidance provided by the board at the annual shareholders' meeting in November 2008. The dividend will carry imputation credits of six cents per share. Shareholders may elect to participate in the Dividend Reinvestment Plan and there will be a three percent discount applied to the price for shares issued under the Plan.

Total shareholder return was negative 4 percent for the half year, and was impacted by the continued deterioration in world equity markets during the period.

Group sales were 6 percent higher than the previous year, reflecting higher steel prices and volumes, growth in the metal roof tile business, strong demand for concrete pipe products in Australia, and record construction activity levels associated with infrastructure projects in New Zealand.

In response to the declining volumes, a number of cost reduction initiatives were undertaken during the period. Excluding the construction business in which activity

levels are high, restructuring costs of $19 million were incurred with employee numbers reduced by nearly 1100 worldwide. In addition, there were other one-off costs of $10 million in Laminates & Panels during the half year.

The Chief Executive Officer, Mr Jonathan Ling said: “We have seen extremely tough trading conditions in most of our key markets over the past six months – particularly New Zealand, the United States, UK and Spain – and demand for building materials has fallen significantly. In light of this, the result for the half year is a reasonable one. Offsetting these weaker markets has been stronger infrastructure investment in New Zealand and Australia, and we continue to have a solid construction backlog in New Zealand of nearly $1.2 billion”.

“Looking forward, our current plans have as a base assumption lower activity levels, and in response to this we have a range of further cost reduction initiatives underway. Additionally, we are working to ensure that we scale manufacturing production volumes to meet expected demand levels. We have a strong financial position and we are focused on maintaining this and preserving financial flexibility,” Mr Ling said.

Key Points

- Group sales up 6 percent to $3,757 million
- Group net earnings down 27 percent to $172 million
- Operating earnings down 23 percent to $303 million
- Cashflow from operations down 15 percent to $208 million
- Earnings per share down from 47 cents to 34 cents
- Capital expenditure up 16 percent to $162 million
- Interim dividend of 24 cents per share with partial New Zealand tax credits

Ends.

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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Directors today announced the unaudited results for the six months ended 31 December 2008. Net earnings after tax and minority interests were $172 million, 27 percent lower than the previous corresponding period. Operating earnings (earnings before interest and tax) were $303 million, compared with $394 million earned in the same period of the previous year.

These results and comparatives are reported in accordance with the New Zealand standards that comply with International Financial Reporting Standards.

Results	**Sales**		**Earnings**	
Period Ended NZ$million	**6 Mths to Dec 2008**	6 Mths to Dec 2007	**6 Mths to Dec 2008**	6 Mths to Dec 2007
Building Products	**412**	376	**55**	74
Distribution	**481**	565	**18**	42
Infrastructure	**1,018**	921	**103**	145
Laminates & Panels	**1,069**	1,074	**39**	91
Steel	**777**	611	**95**	47
Corporate			**-7**	-5
Total	**3,757**	3,547	**303**	394
Funding Costs			**-79**	-67
Earnings Before Taxation			**224**	327
Taxation			**-47**	-83
Earnings After Taxation			**177**	244
Minority Interests			**-5**	-9
Net Earnings as per Published Accounts			**172**	235

Group sales increased by 6 percent to $3.8 billion. Of this $210 million increase, $166 million was attributable to the Steel division. Demand in New Zealand was lower with the marked decline in residential building activity and a slowdown in non residential building, but infrastructure work continued at record levels. In Australia, demand was mixed, with building activity in New South Wales continuing to be soft, and the Queensland and Western Australian markets slowing. Laminates demand was considerably weaker in the United States and European markets deteriorated significantly during the period although the Asian markets remained steady.

The decline in operating earnings across four of the five divisions reflected tougher residential and commercial construction markets in most economies. Offsetting this was a strong performance in Steel particularly from the long steel businesses with steel price volatility improving margin and demand. Infrastructure had reduced earnings in New Zealand from its concrete and residential property activities, but achieved good earnings growth in Australia. Both Building Products' and Distribution's results were impacted by the deteriorating residential construction market in New Zealand. The Laminates & Panels business experienced weaker demand across all its markets and increased raw material costs. Formica's results were impacted by the significant deterioration in the United States and European residential and commercial construction markets.

Earnings per share were 34 cents, a 27 percent reduction on the previous corresponding period. The interim dividend of 24 cents per share, payable on 8 April 2009, is unchanged from the 2008 interim dividend. Further details are provided below under Financial Review and in the attached Dividend Summary.

OPERATIONAL REVIEWS

Building Products

Building Products reported operating earnings of $55 million, down 26 percent on the $74 million earned in the previous corresponding period.

The plasterboard business, and to a lesser extent the insulation businesses, experienced lower volumes against the previous corresponding period reflecting a weakening in residential construction markets in both Australia and New Zealand. The metal roof tile businesses with their global footprint and niche market position increased volumes, while also benefiting from a favourable exchange rate environment.

All businesses experienced increased input costs, particularly in relation to imported product as the New Zealand and Australian currencies weakened, although some relief was obtained towards the end of the period as global metal prices fell.

The plasterboard business performed creditably in a difficult sales environment, with an improved sales mix and good overhead cost control helping to offset reduced volumes and increased input costs.

Sluggish demand in Australia, particularly in New South Wales and Victoria, affected the Australian insulation business although the slightly lower volumes were more than offset by strong cost control. In New Zealand, volumes fell for the period on the back of weak residential markets. Other challenges faced by the businesses include competitive pricing from imports in some categories and rising input costs. The Forman business, with a focus on the New Zealand commercial ceiling, wall systems and insulation markets, had a robust half year on the back of strong non-residential construction markets.

The metal roof tile businesses performed strongly despite high steel costs, due to higher volumes and pricing and a favourable exchange rate environment. The strong performance was experienced across many of its key export markets including Europe, the Middle East and Africa, while the United States domestic business performed well, albeit with reduced capability following a serious plant fire in November 2007. New Zealand domestic volumes, conversely, were down significantly.

The sinkware business performance was affected by soft demand, particularly in its export markets, albeit a focus on the higher value products and good cost control helped to alleviate market issues.

Cost reduction and restructuring, including the closure of the door manufacturing plant, was a significant focus across the division. Costs associated with the closure had a $5 million impact on operating earnings during the period. Other significant cost cutting initiatives implemented included shift reductions at a number of manufacturing plant sites, sales and marketing rationalisations and branch downsizing. In total, employee reductions amounting to around 140 people were made during the period. The consequential impact on profitability during the period comprised one-off costs of $4 million but with an associated benefit of $1 million which is expected to rise to approximately $5 million for the full financial year. These and other initiatives in progress are expected to provide an ongoing annualised benefit of approximately $9 million.

Distribution

Distribution reported operating earnings of $18 million, down 57 percent on the previous corresponding period. While costs and gross margins were maintained at levels similar to last year, sales were down 15 percent in the same period. This decline was the main contributor to the reduction in operating earnings. The New Zealand building materials market has been

significantly impacted by the decline in residential building consents which were 38 percent lower for the five months to November 2008 compared with the same period in 2007.

The competitive landscape remained tight with most industry participants taking an aggressive stance on pricing and margin. The shrinking residential market has seen movement into the trade segment by some competitors but despite this a slight growth in market share was achieved.

Cost reduction initiatives have taken place over the period with the immediate period benefit partially offset by associated restructuring costs. Annual saving to payroll as a result of this activity to date is expected to be in the vicinity of $9 million.

The redevelopment and expansion plans for the store network were reduced over the last six months although a new trade store was opened in New Plymouth, the Wairau Park store was refurbished and the previously acquired Builders Hardware and Maddrens businesses were upgraded and rebranded as PlaceMakers stores. Brand awareness was strengthened with the launch of a new campaign focused on the core market segments of professional trade and higher value DIY customers.

As part of the productivity improvement programme, five frame and truss manufacturing facilities were closed, with the production redirected to other regional facilities.

Infrastructure

Infrastructure's operating earnings for the first six months were $103 million compared with $145 million for the previous corresponding period. Excluding property sales, the operating earnings were 19 percent lower than the previous corresponding period.

The concrete operations in New Zealand faced a generally more difficult environment for all major products. Significant attention has been given to maintaining margins in the face of the negative volume effect, pricing pressure and higher input costs. To this end the ready mix concrete business has reduced its truck fleet by 15 percent, aggregates has reduced diesel usage significantly through a number of plant initiatives, and all businesses have focused on cutting costs.

The Australian concrete operations have continued to perform well with earnings up 2 percent on the previous corresponding period in local currency. The pipe business had a particularly strong start to the year although it has recently noted signs of weakening in the important Queensland market.

Construction and residential earnings were lower with residential being significantly behind last year as a result of lower margins. The construction backlog is $1,166 million with the Mt Eden Prison upgrade being the major significant project added to backlog in the period. Prospective infrastructure projects should see work stay at satisfactory levels for at least this calendar year. With over 70 percent of construction's backlog comprised of public funded infrastructure, maintenance of backlog at this level will be dependent on the new Government following through on its intention to increase spending in this area.

Laminates & Panels

Operating earnings for Laminates & Panels were $39 million, compared with $91 million in the previous corresponding period. Total sales were $1,069 million, almost unchanged from $1,074 million achieved in the prior corresponding period. Laminex's operating earnings were $36 million compared with $70 million in the prior corresponding period.

Market conditions in Australasia were tough for the six months to December with a number of factors negatively impacting earnings. Volumes were down on the prior period in both Australia

and New Zealand due to the slow-down in both economies, although market shares have been maintained. Resin costs increased significantly, although only partly offset by price increases implemented during the period.

As a result of the declining volumes a number of manufacturing facilities have been restructured from seven to five day operation. These include the particleboard facility at Kumeu in NZ and the low pressure laminate (LPL) facility at Ballarat in Victoria. The medium density fibreboard (MDF) and LPL facility at Welshpool in Western Australia will also move to a five day operation from March 2009. Further reviews of the manufacturing footprint are currently underway.

In October, Laminex received Californian Air Resources Board (CARB) accreditation allowing MDF to be exported to Laminex customers in Asia for supply of finished goods into the Californian market. Laminex was the first company to be able to supply CARB compliant Australian-made MDF thereby opening up further export opportunities.

Sourcing of approximately one third of the division's high pressure laminate (HPL) requirements has now been successfully transitioned to Formica's facility in China which was one of the important synergies identified from the acquisition of Formica.

During the period Laminex incurred the following non recurring one-off items:

- $3m relating to the gas explosion in Western Australia which adversely impacted manufacturing facilities for approximately three months and,
- $6m in redundancy costs, with employees being reduced by 202 people (8 percent).

Formica Corporation's operating earnings were $2.9 million, which included $3.2 million of restructuring costs, compared with $21 million in the prior corresponding period.

In the United States residential activity was down by an estimated 23 percent on last year. In addition to the fall in residential activity, the commercial sector, which was relatively buoyant last year, also experienced significant falls, with activity in the sectors where Formica operates down by 8 percent. As a result sales volumes of HPL were down by 18 percent on the prior year. Increases in major material inputs such as resins and papers continued throughout the period. Despite the economic conditions and falling volumes prices remained relatively stable.

Cost reduction initiatives included $4.9 million from the closure of the Cincinnati head office, and $5.0 million from employee redundancies and overhead savings.

Performance at the major manufacturing facility at Evendale, Ohio continued to improve throughout the period with significant increases in manufacturing yield accompanied by reductions in the cost base. The Evendale facility is on track to achieve its production efficiency targets by June 2009. Excess costs that were incurred last year due to the closure of the Sierra facility were reduced in line with expectations. In addition, the performance of the HPL manufacturing facility at St Jean in Quebec, Canada, has continued to deliver favourable productivity and yield performance over prior periods.

Formica's operations in Europe were adversely impacted by the sharp deterioration of the housing and commercial markets in the UK as well as further weakening in the Spanish market. Activity levels in the Nordic markets, where Formica has a significant share, also experienced a rapid slowdown. With these areas representing the main portion of the European business overall volumes in Europe were significantly down on prior period. In addition, the main manufacturing facility at Newcastle in the UK experienced a major failure with its boilers which adversely impacted results for the period by $7 million.

Overall Formica's operations in Asia generally experienced stable market conditions with some variability across the region. Thailand, Taiwan, Singapore, Malaysia and some parts of Eastern China enjoyed growth compared with the same period last year. Demand for HPL in Hong Kong and parts of Northern and Southern China were down on the same period last year as levels of

activity in both the commercial and housing markets were adversely impacted by economic slowdowns in those regions.

Steel

In line with world markets and buoyed by a particularly strong first quarter, the Steel division lifted first half operating earnings by 102 percent to $95 million. Sales were 27 percent higher, at $777 million.

The rollforming and coatings businesses increased operating earnings by 12 percent over the prior period. This was a good result given that this group is most exposed to the residential construction markets in Australia and New Zealand. Last year's restructuring of the New Zealand steel roofing business resulted in improved operational performance, good cost control and increased market share with earnings improving by 36 percent over the prior corresponding period.

The Australian steel building products business' operating earnings were 11 percent ahead of the prior year in local currency based on higher demand and increased selling prices. The AGS and Garage World/ShedBoss businesses acquired last year continued to perform ahead of expectations. Rising steel coil input prices reduced margins at the New Zealand coil painting business, resulting in a 3 percent decline in operating earnings compared with the prior corresponding period.

Earnings in the long steel products business increased in excess of 300 percent over the prior period. This result was not unexpected given the worldwide surge in demand for steel products in the first quarter of the financial year and the sharp rise in product pricing throughout the half compared with the prior period. Earnings were also impacted favourably by the prior year's restructuring plan to decrease operating costs and improve productivity. Second half results are expected to be more in line with the performance in previous years as demand has slowed in November and December.

The steel distribution and services businesses increased operating earnings by 96 percent over the prior period. Strong demand from commercial and infrastructure projects together with strong margin management delivered this result. Again, market demand and pricing started to weaken in November, and second half results are expected to be more in line with last year.

FINANCIAL REVIEW

Balance Sheet

Funding

The group has negotiated an additional two year bilateral facility with Commonwealth Bank of Australia for AU$100 million and on closing of the new capital notes offer on 5 February 2009 had raised $131 million with terms of 5 and 7 years. The group had unutilised facilities as at 31 December 2008 of $615 million. Debt requiring refinancing within the next 12 months is around $211 million, including $93 million of capital notes subject to interest rate and term reset and $64 million of expiring undrawn facilities.

Debt Maturity

The average maturity of the net debt of $2,003 million is 5.4 years and currency split is 38 percent Australian dollar, 33 percent New Zealand dollar, 21 percent US dollar, 5 percent Euro, and 3 percent pounds sterling.

Interest Rates

Approximately 60 percent of all borrowings are at fixed interest rates with an average duration of 5.4 years and rate of 7.05 percent. The floating rate borrowings are currently at an average rate of 6.07 percent. All interest rates are quoted inclusive of margins but not fees.

With strong operating cashflow, gearing[1] at 41.3 percent, and interest coverage[2] at 3.8 times, the group remains in a sound financial position.

Cashflow

Cashflow from operations was $208 million compared with $245 million in the prior corresponding period. Cashflow was impacted by lower operating earnings and increased working capital requirements of $52 million, due primarily to increased residential land holdings and higher stock levels in the steel distribution business.

In the six months ended 31 December 2008 capital expenditure totalled $162 million. This level of expenditure reflected the carry-over of $107 million of projects from the prior year, and the rate of expenditure will reduce in the second half of the financial year. Significant projects included construction of the new metal roofing plant in Hungary, which is expected to be commissioned in April 2009; the new port cement facility in Auckland; installation of the redeployed HPL press in Formica Finland; and the purchase of additional sand and quarry reserves in Australia by Rocla Quarries.

Capital expenditure for the full year is expected to be approximately $300 million compared with $353 million in the financial year ended 30 June 2008.

[1] Net debt to net debt plus equity
[2] EBIT to total interest paid including capital notes interest

Dividend

The dividend is partially tax credited with imputation credits for New Zealand purposes. Non New Zealand shareholders benefit from the New Zealand supplementary dividend which has the effect of partly removing the cost of New Zealand non-resident withholding tax. A dividend summary is attached illustrating the effect of the New Zealand tax credits on the dividend and the supplementary dividend paid to non New Zealand shareholders.

This dividend is unfranked for Australian tax purposes. Although the company has franking credits available, the level at which it is currently able to frank dividends is insufficient to provide any material benefit to Australian shareholders having regard to the supplementary dividend paid and the rules for calculating the franking tax offset in Australia. To maximise the value of available franking credits the company will continue its policy of accumulating them and attaching these to dividends only when the franking percentage is at, or near to, 100 percent rather than spreading them over every dividend.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will be operative for this dividend payment. Documentation for participation is available from the share registry or the company's website. Applications to participate must be received by the registry before the record date of 18 March 2009.

For the half year dividend there will be a three percent discount to the price applied to ordinary shares issued under the Dividend Reinvestment Plan. The price used to determine entitlements under the Plan is the volume weighted average share price of price-setting trades of the company's shares sold on the NZX in the five business days following the record date of 18 March 2009. The new shares will be issued on the dividend payment date of 8 April 2009.

The shares will be quoted on an ex dividend basis from 12 March 2009 on the ASX and 19 March 2009 on the NZX.

STRATEGY

Whilst Fletcher Building operates in cyclical markets it has followed a strategy to improve the reliability of its earnings; maintain and improve its internal capabilities; and take up any external acquisition opportunities where these meet its criteria. Over recent years this strategy has delivered strong earnings growth and enhanced shareholder value.

The downturn in construction markets around the world has meant that growth in earnings has not been achievable in this half year. Furthermore, there is evidence that lower levels of construction activity may be sustained in many of our key markets for some period of time.

Notwithstanding this, the group will continue to look for opportunities to invest in areas of organic growth and for potential acquisition opportunities where appropriate. Absolute capital expenditure levels will necessarily reduce in the near term given expected lower volumes. Acquisitions will need to be able to be comfortably accommodated within capital and financial parameters and expectations of future returns must realistically reflect current and likely future trading conditions. Australasia remains the principal area of focus for further geographic expansion.

Cost reduction initiatives have been underway for some time across all businesses, and efforts will continue to ensure production volumes and demand are in balance. Plans are being developed to ensure optimisation of current and future manufacturing capability in the context of significantly lower activity levels for the foreseeable future.

OUTLOOK

Residential housing markets are in recession all over the developed world, including Australia, which had been relatively buoyant until recently. Commercial construction activity has also been affected in most of our markets, although not to the same extent as the housing sector. In New Zealand, we expect to see further contraction in the market overall from 2008 levels.

Government spending on infrastructure has been strong in both New Zealand and Australia over recent years. Forward commitments and ongoing public sector demand suggest that the outlook for this segment of our business should remain relatively healthy.

While the strategy of diversifying risk has been quite successful, the current reality is that just about all markets in the developed world are experiencing a significant downturn. The tougher trading environment is expected to continue throughout 2009 and possibly beyond.

At the annual shareholder's meeting last November the company advised that the outlook for full year net earnings after tax, excluding unusual items, was expected to be within the analyst's consensus range at that time of $289 million to $354 million. This range has subsequently narrowed to $289 million to $336 million. While the economic environment has worsened since then, full year net earnings after tax, and excluding unusual items, are still expected to be within this range but at the lower end of it. This assumes that there is no significant further deterioration in trading conditions from those experienced in the year-to-date.

With continued uncertainty in world credit markets and a heightened risk that this may continue for a prolonged period of time, a greater focus on retention of cash within the business is vital. The recently announced sale and lease back of the head office complex in Penrose for $36 million was one of these initiatives. In addition there will be an ongoing focus to reduce working capital and capital expenditure. The quantum of the second half dividend will be determined in the light of the full year trading result and the outlook for the 2010 financial year.

Shareholders can be assured that the group is well placed to meet the challenges of the current cyclical downturn. Its geographical and portfolio diversification, coupled with a strong balance sheet, should serve it well in the coming year, and leave the group well placed to continue to grow the business in the future.

2009 INTERIM DIVIDEND INFORMATION

DIVIDEND SUMMARY TABLE [1]

NZ cents per share	**NZ RESIDENTS**	**AUSTRALIAN RESIDENTS**	**OTHER NON RESIDENTS**
Dividend declared	24.0000	24.0000	24.0000
NZ tax credits [2]	6.0000		
NZ supplementary dividend [3]		2.4706	2.4706
Australian franking tax credits [4]		0.0000	
Gross dividend for NZ tax purposes	**30.0000**	**26.4706**	**26.4706**
NZ tax (33%) [5]	(9.9000)		
NZ non-resident withholding tax (15%) [6]		(3.9706)	(3.9706)
Net cash received after NZ tax	**20.1000**	**22.5000**	**22.5000**
Australian tax (15%) [7]		(3.9706)	
Reduced by credit for NZ non-resident withholding tax		3.9706	
Net cash dividend to shareholders	**20.1000**	**22.5000**	**22.5000**

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. The dividend has imputation credits attached at the rate of 6.0 cents per share.

[3] The supplementary dividend is payable to non-New Zealand shareholders and has the effect of partly removing the cost of New Zealand non-resident withholding tax on the dividend.

[4] There are no Australian franking credits attached to this dividend. Refer to dividend commentary in this announcement for the Company's franking tax crediting policy.

[5] For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33 percent from that part of the gross dividend which has not been credited with imputation credits and at 3% from that part of the gross dividend which has been credited with imputation credits at 30%. Accordingly, for those shareholders, a deduction of 3.9 cents per share will be made on the date of payment from the dividend declared of 24.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33 percent will need to file a tax return to obtain a refund of the RWT.

[6] NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.

[7] 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.