FletcherBuilding

News Release

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

2008 ANNUAL RESULTS SUMMARY

Auckland, 13 August 2008 – Fletcher Building today announced its results for the year ended 30 June 2008. Net profit after tax and minority interests excluding unusuals was $467 million, compared with $399 million in the previous year.

Operating earnings (earnings before interest and tax) were $768 million, a 10.0 percent increase on the $698 million of operating earnings pre unusuals in the previous year.

There were no after tax unusuals in the current year, compared with $85 million in the previous year.

A final dividend of 24.5 cents per share will be paid on 16 October 2008, with New Zealand and Australian tax credits attached to the maximum permitted amount. The total dividend for the year increased from 45 cents to 48.5 cents per share and is the thirteenth consecutive dividend increase.

Divisional results included increases in operating earnings by Building Products, Steel, Laminates & Panels and Infrastructure, more than offsetting the decrease in Distribution. Formica contributed to the full year result of Laminates & Panels for the first time, although the result was well below expectations. Property related earnings, being principally the residential business, quarry end use activities, and surplus asset sales contributed $80 million to the Infrastructure trading result, up from $49 million in the prior year.

Chief Executive Officer, Jonathan Ling said “we have achieved record operating earnings this year notwithstanding the increasingly difficult markets. The performance of our New Zealand and Australian businesses, and Formica’s operations in Asia and Europe, has been very pleasing. While the delay in capturing the operational improvements identified prior to Formica’s acquisition has been disappointing, we are still confident that we will achieve a significantly improved operating performance in Formica’s USA operations”.

Results highlights

- Operating earnings pre unusuals up 10 percent to a record $768 million.
- Net earnings, excluding unusual items, up 17 percent to $467 million.
- Final dividend of 24.5 cents per share with New Zealand and Australian tax credits giving a total dividend for the year of 48.5 cents per share.
- Cashflow from operations was $434 million.
- Interest cover at 7.1 times.
- Basic earnings per share were 93.2 cents up from 84.0 cents, excluding unusuals in the previous year.

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

Directors today announced the financial results for the year ended 30 June 2008. Net earnings after tax for the year to 30 June 2008 were $467 million, up 17 percent from the previous year excluding unusuals. While reported net earnings declined slightly from $484 million to $467 million, the 2007 result included a $80 million one-off taxation benefit.

Operating earnings (earnings before interest and tax) increased to $768 million, from $703 million in the 2007 year.

Results	Sales		Operating Earnings	
NZ$million 12 months ended	**June 2008**	June 2007	**June 2008**	June 2007
Building Products	**739**	697	**148**	141
Distribution	**1,083**	1,064	**73**	80
Infrastructure	**1,857**	1,944	**308**	271
Laminates & Panels	**2,132**	1,058	**141**	131
Steel	**1,279**	1,161	**101**	80
Corporate	**1**	2	**(3)**	(5)
Total excluding unusual items	**7,091**	5,926	**768**	698
Funding costs			**(136)**	(87)
Earnings before taxation and unusuals			**632**	611
Taxation excluding unusuals			**(150)**	(193)
Earnings after tax excluding unusuals			**482**	418
Minority interests			**(15)**	(19)
Net earnings pre-unusual items			**467**	399
Unusual operating income			**0**	5
Unusual tax benefit			**0**	80
Net earnings per published accounts			**467**	484

While sales at $7.1 billion, were up $1.2 billion on the previous year, $1.1 billion of this increase was contributed by Formica Corporation (Formica). Sales were flat in Infrastructure, Laminex and Distribution, but Steel and Building Products made creditable gains partly due to acquisitions, while Steel also benefited from favourable prices. Businesses such as PlaceMakers and plasterboard, which are more exposed to the New Zealand residential markets, experienced lower demand in the second half in line with the slow-down in building activity levels.

Directors approved a final dividend of 24.5 cents per share. The interim dividend was 24 cents, and thus the total dividend for the year is 48.5 cents per share, up 7.8 percent from 45 cents in the previous year. The final dividend will be paid on 16 October 2008 and will carry New Zealand and Australian taxation credits.

Earnings per share were 93.2 cents, up from 84.0 cents excluding unusuals, in the previous year.

OPERATIONAL REVIEW

Building Products

Operating earnings before unusual items increased 5 percent to $148 million on a 6 percent growth in sales. This was achieved in spite of deteriorating residential markets in New Zealand, Australia and the United States, rising input costs and generally adverse exchange rates.

The Australian insulation business partly recovered from the lower earnings position during the merger of two businesses in the previous year, and retained its position as Australia's largest glasswool insulation supplier. In New Zealand, glasswool volumes and prices remained steady but increasing material costs and energy prices reduced margins. The results include a full year contribution from the Forman industrial insulation business for the first time. The insulation businesses benefited from regulatory changes increasing product use.

Earnings from the metal roof tiles businesses increased 16 percent in a market affected by rising steel prices. The New Zealand roofing business continued to grow volumes strongly in export markets. The US-based business recovered from a fire that destroyed one of its ovens in the first half of the year, launching a new tile profile, and growing volumes by 7 percent in the declining North American housing market. An insurance recovery of $6 million is included in earnings.

The plasterboard business performed well, with operating earnings down 2 percent for the year. The business has benefited this year from the lag effect in residential permit declines, although is now experiencing lower volumes.

While aluminium earnings declined 7 percent due to the deteriorating residential market and higher aluminium costs, the sinkware business grew earnings by 7 percent, driven by increasing sales and strong margins. The flooring business grew its earnings by 14 percent and remains well positioned as a supplier to Green Star rated buildings, with a strong backlog of commercial work.

Capital expenditure totalled $40 million. The new metal roof tiles plant in Hungary will be commissioned during the current financial year. An accessory oven in the Malaysian roof tiles plant will improve service and continue growth in Europe and Asia. The Baron Insulation business in Melbourne was acquired in July 2008 to expand the industrial insulation product offering in Australia. Furnace upgrades were completed at the Dandenong and Auckland insulation plants. The plasterboard business acquired indoor air quality business DVS and commissioned a new warehouse in Christchurch. Capex is committed for the new metal roof tiles plant in Hungary to be commissioned during the current year.

Distribution

Sales grew by 2 percent for the year predominantly from price increases notwithstanding the general slowdown in the New Zealand market. Sales in the second half were down 8 percent however due to the decline in the number of residential building consents.

Margins were affected by competition and higher operating and property costs resulting in operating earnings being 9 percent lower at $73 million.

The ratio of working capital to sales improved, with strong inventory management achieving reduced stock levels despite increased shelf capacity in the new stores.

Capital expenditure was $37 million, primarily on information systems as part of the store upgrade programme. Projects completed during the year included the relocation of the Thames store, the opening of a new depot at Ohakune, the establishment of a new frame and truss manufacturing facility in Christchurch and upgrades at the Huntly, Wairau Park, Dunedin and Cranford Street stores. A site was purchased in Warkworth on a new depot facility, and construction began for a new facility in New Plymouth.

Infrastructure

Operating earnings grew, despite lower demand for most construction products in New Zealand, a significant decline in the number of houses sold and ongoing market weakness in New South Wales.

Operating earnings grew by $37 million to $308 million, including earnings from property related activities of $80 million from the residential business, quarry end use, and surplus asset sales, up from $49 million in the prior year.

Operating earnings NZ$ million	**2008**	**2007**	**Change**
Concrete	189	188	+1
Construction	39	34	+5
Property & Residential	80	49	+31
Total	**308**	**271**	**+37**

The New Zealand concrete operations comprising the cement, aggregates, readymix and masonry businesses performed well in an environment of reduced volumes and significant cost pressures. Earnings from cement were down 3 percent despite significant benefits from the upgrade of the Golden Bay Cement plant. Domestic cement volumes were down 3 percent. Export sales increased but margins were low. Completion of the plant upgrade enabled record clinker production, avoiding the additional cost of imports for the first time in six years. Cement production was also at record levels. Prices were up by 4 percent, but increased input costs were not fully recovered.

Aggregates recorded lower operating earnings due to reduced volumes of higher value core products, and competitive pressures that restricted the ability to pass on cost increases. Weakness in the Auckland market resulted in a sharp decline in earnings in that region.

Readymix and masonry earnings were reduced by a softening residential market, offset by strong demand in rural areas. Concrete and masonry volumes were 4 percent and 6 percent lower respectively. Concrete pipe volumes were also down 6 percent, but precast volumes were 24 percent higher due to market development initiatives. Earnings increased, but margins were lower overall mainly due to product mix.

The pipeline and quarry businesses in Australia performed well, with combined earnings up from $50 million to $59 million. The quarry products business lifted earnings in all states except Western Australia, where earnings were strong but lower due to depletion of reserves. Land was acquired in Perth for quarry development to address this situation. The pipeline products business recorded a substantial increase in sales of non-pipe products, lifting earnings significantly.

Construction had a strong year, with improved operating earnings and all business units performing above expectations. The construction backlog at year-end was $1.3 billion (30 June 2007, $775 million). Major contracts won during the year were the Mt Eden Prison Upgrade ($150 million), the Eden Park Redevelopment ($150 million), the Manukau Harbour Crossing ($132 million) and New Lynn Rail Trench ($140 million).

Earnings from property related activities include quarry end use and the residential business. Earnings from the residential business declined by $16 million due to the significant drop in house sales. Housing starts declined in the second half and prices fell. While land stocks have grown, the land has been acquired at good prices and carrying values are not considered to be at risk. Good results were obtained this year from development opportunities for land previously used in the aggregates business, with these activities expected to provide further earnings in future years.

The division continued to invest in high-returning organic growth opportunities. Capital expenditure totalled $158 million, on a new cement port facility in Auckland; new quarry land, reserves and consents; new concrete plants, an upgrade to a concrete pipe plant and the acquisition of a motorway barrier business; pole and sleeper plant upgrades; and major construction plant.

Laminates & Panels

Laminates & Panels is being reported for the first time as four regional businesses, being Australasia, consisting of Laminex, and the European, Asian and North American regional businesses, being the Formica operations acquired on 2 July 2007. Operating earnings before unusual items were up 8 percent to $141 million, reflecting the impact of a full year's contribution from Formica and a 5 percent reduction in earnings by Laminex. Sales were up 101 percent as a result of the Formica acquisition.

Substantial synergies are being achieved between Laminex and Formica but have required a number of one-off costs in the current year. Laminex ceased high pressure laminate (HPL) manufacture at Papakura, Auckland, and restructured the HPL operations in Cheltenham, Australia. It relaunched the Formica HPL and decorated board product range in July 2008, sourcing a significant proportion of the product from Formica's plant in Shanghai, China.

The Australasian earnings were down 5 percent to $125 million, affected by challenging conditions experienced in the second half. While the Australian operations achieved sales growth of 5 percent, sales in New Zealand were down 21 percent. Earnings were constrained by pressure on margins due to rising input costs. All operations in Western Australia, including the Wespine sawmilling and Dynea resin plant joint ventures, were affected by the disruptions to gas supply following an explosion at an offshore natural gas plant on 3 June 2008. The results were also impacted from the closure of the Penrose hardboard and softboard facility in late 2007 and the fire and subsequent closure of the Taupo medium density fibreboard (MDF) facility in the prior year.

Capital expenditure for the division totalled $107 million excluding the Formica acquisition. The Gympie MDF facility commissioned a new heat energy plant and associated equipment in May 2008, with a total project cost of $16 million. A new distribution centre was completed in Perth and a new sales branch opened in Bunbury. A 20 percent shareholding was acquired in Dongwha Patinna New Zealand for $11 million.

The Formica North American performance was well short of expectations. US housing starts were down 28 percent on the prior year and the traditional offset from increased refurbishments did not eventuate. The US commercial sector was relatively strong in the first half of the year but its decline was more pronounced during the second. This resulted in Formica's HPL sales being 8.7 percent lower than for the 2007 year.

The higher than anticipated restructuring costs and continued operating costs from the consolidation of Formica's North American operations, and the severe downturn in the USA markets, have negated the solid performances in the Asian and European regions, resulting in operating earnings for the Formica business of $16 million.

Prior to Fletcher Building's ownership, Formica North America had started a rationalisation of its manufacturing facilities, closing a plant in California and recommissioning idle machines in Ohio. The production increase in Ohio created a number of problems that resulted in an increase in costs from outsourcing of key production requirements and extra maintenance on some of the recommissioned equipment. The expected savings from the closure in California were delayed. The business also faced escalating input costs, which were unable to be recovered through pricing.

During the second half of the year the US-based global corporate office was closed, and various functions were restructured in the North American business. These changes will result in cost savings of approximately US$10 million per year.

In contrast to the poor performance in the US, the European and Asian businesses performed well. Economic conditions in Europe were varied, with the larger markets such as Spain and the UK also facing slowdowns in housing and commercial activity. Revenue shortfalls in those countries were offset by strong performances in the Benelux countries and in the Nordic and Eastern European markets.

Trading conditions remained solid in Formica's main Asian markets. Those in Thailand and Taiwan performed in line with expectations, and conditions in China were solid in the lead up to the Beijing Olympics.

Steel

Operating earnings before unusual items were up 26 percent to $101 million, reflecting a very strong improvement in the second half. Sales rose by 10 percent largely due to price increases.

Earnings in the second half were assisted by the exit of unprofitable businesses, restructuring of others to tighten management focus, acquisitions in the Australian rollforming business and one-off gains on the sale of scrap.

The rollforming business enjoyed a successful year in a more competitive trading environment, both in Australia and New Zealand. The newly-acquired businesses in Australia, Fair Dinkum Homes and Sheds, and Garage World, performed ahead of expectations. The New Zealand rollforming operation struggled in a competitive marketplace, with earnings down substantially after additional costs taken to restructure the business.

The long steel business experienced an unprecedented increase in the price of ferrous scrap. It endeavoured to recover the costs through price increases, but was only partially successful, leaving margins reduced. Downsizing of the galvanised wire manufacturing operation at the end of the first half minimised the negative returns from the business.

The Sims Pacific Metals joint venture benefited from the high scrap prices and increased operating earnings by 30 percent. The upgrade of its Auckland shredder improved its recovery rate and contributed to the improved result.

Fletcher Easysteel performed in line with results for the previous year despite reduced sales to some of its manufacturing export-focused customers.

Capital expenditure totalled $66 million, primarily on upgrades at the steel plant in Auckland and the acquisition of two businesses by the rollforming operations in Australia.

FINANCIAL REVIEW

Balance Sheet

Gearing (net debt to net debt plus equity) at 40.1 percent increased from the 22.2 percent at 30 June 2007, reflecting in part the timing of the equity raising of $321 million in May 2007 ahead of the Formica acquisition settled in July 2007. The company remains in a sound financial position and is comfortably within all its relevant debt covenants. Interest cover (EBITDA to total interest paid) was 7.1 times, compared to 9.8 times at 30 June 2007.

Net debt increased by $1,192 million to $1,846 million at 30 June 2008 largely due to borrowings related to the Formica acquisition.

Cashflow

Capital expenditure was up substantially to $1,388 million from $346 million for the 2007 year, again largely due to the acquisition of Formica. Growth related expenditure was $195 million and $1,039 million was expended on acquisitions. Stay-in-business expenditure of $154 million compares to depreciation of $197 million.

Divestments were $65 million, primarily consisting of the sale of surplus properties and poorly performing assets.

Dividend

The final dividend of 24.5 cents per share is credited for New Zealand and Australian tax purposes to the maximum permitted amount. As a result of the change in the New Zealand corporate tax rate from 33 percent to 30 percent on 1 July 2008, dividends can be imputed at either a 30 percent or 33 percent rate, depending on applicable rate of the tax payments. This dividend can only be imputed at the 33 percent rate to the extent of 10.5 cents of this dividend. The remaining 14.0 cents will be credited at the 30 percent tax rate. To the extent the 30 percent tax rate credits are attached, an additional 3 percent resident withholding tax must be deducted for New Zealand shareholders without exemption certificates.

Non-New Zealand shareholders still 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.

The final dividend is 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 2009 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 26 September 2008. The new shares will be issued on the dividend payment date of 16 October 2008.

The shares will be quoted on an ex dividend basis from 22 September 2008 on the ASX and 29 September 2008 on the NZX.

STRATEGY

The company continues to be managed for earnings reliability as a key factor in shareholder returns. With market conditions currently so uncertain this will involve a strong focus on cash generation, working capital and cost control, and relatively conservative assumptions in regard to planning and investment.

This strategy aims to build on the solid foundations provided by the company's financial strength and the balance of exposures to different market sectors and geographies. The acquisitions made in recent years have provided greater balance between residential and non-residential construction, between New Zealand and international markets, and between the different international markets.

Growth will remain a priority, most likely in the short-term from relatively small acquisitions and organic growth opportunities. Excluding existing capital commitments, total capital expenditure is likely to reduce to be around the level of annual depreciation.

OUTLOOK

The company faces a mix of market conditions that make the outlook for the current year difficult to predict.

In New Zealand, the outlook is for divergent conditions between the housing market and the infrastructure and commercial construction markets. Residential activity is expected to slow further throughout the year, with new housing consents forecast to decline by about 20 percent from the previous year. However, larger scale commercial building and infrastructure markets should remain at similar levels to those in 2008.

In Australia, the national housing market is at a cyclical low, with New South Wales in a slump, offset in part by strength in Queensland and Western Australia. A gradual recovery is expected in New South Wales during late 2009. Infrastructure related markets are expected to vary markedly. Growth in non-residential building is expected to slow. Engineering construction activity is expected to continue to grow strongly in line with growth in infrastructure.

In the US, it is not expected that there will be any improvement in general economic conditions during the first half of the current year, and any gains in the second half are likely to be marginal.

Uncertainty about near-term trading conditions also exists in the company's European markets. There is no indication of improvement in the main markets in Spain and the UK, and the outlook for Central and Northern Europe is also unclear at this stage.

The outlook is somewhat stronger in the company's Asian markets, with good growth prospects available for the Formica plants in China, Taiwan and Thailand.

Given the degree of uncertainty in many of our markets, and as it is early in the financial year, it is not considered appropriate to provide any quantitative earnings guidance on our 2009 results at this stage.

DIVIDEND SUMMARY TABLE [1]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON RESIDENTS
Dividend declared	24.5000	24.5000	24.5000
NZ tax credits [2]	11.1716		
NZ supplementary dividend [3]		4.3235	4.3235
Australian franking tax credits [4]		10.5000	
Gross dividend for NZ tax purposes	**35.6716**	**28.8235**	**28.8235**
NZ tax (33%) [5]	(11.7716)		
NZ non-resident withholding tax (15%) [6]		(4.3235)	(4.3235)
Net cash received after NZ tax	**23.9000**	**24.5000**	**24.5000**
Australian tax (15%) [7]		(5.2500)	
Reduced by credit for NZ non-resident		4.3235	
Less Australian franking credit offset [8]		6.1765	
Net cash dividend to shareholders	**23.9000**	**29.7500**	**24.5000**

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. The dividend only has imputation credits attached at 33 percent on 10.5 cents per share and 30 percent on the balance of 14.0 cents per share.

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

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

(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 at 33 percent. For those shareholders, a deduction of 0.60 cents per share will be made on the date of payment. 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.

The Australian tax is calculated as:

gross dividend for NZ tax purposes		28.8235
plus franking credits	10.5000	
less NZ supplementary dividend	(4.3235)	6.1765
gross dividend for Australian tax purposes		35.0000
net Australian tax payable (15%)		5.2500

(8) 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.