FletcherBuilding

News Release

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FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Auckland, 14 February 2007

SUMMARY

Directors today announced the unaudited interim results for the six months ended 31 December 2006. Net earnings were $193 million, compared to $190 million in the previous corresponding period.

Operating earnings, that is earnings before interest and tax, were $340 million, compared to $335 million in the previous corresponding period. The increased earnings are due to the ongoing benefits of operational improvements and some small acquisitions, despite softer demand.

The interim dividend of 22 cents per share is an increase over the previous interim dividend of 19 cents per share and is the tenth consecutive dividend increase by the company. Total shareholder return was 24 percent for the 6 month period.

While the company's overall earnings increased, the divisional earnings were more varied given the spread and range of the markets involved. Building Products and Infrastructure were down on the operating earnings in the previous corresponding period, but were more than offset by the increased earnings in Distribution, Laminates & Panels, and Steel.

The Chief Executive Officer, Mr Jonathan Ling, said "maintaining the company's earnings reliability while evaluating a number of growth opportunities, and establishing the new senior management team, is very pleasing. Excluding any impact from the insurance recoveries arising from the Taupo MDF plant fire and the Pacific Steel plant failure, the company continues to be comfortable with the consensus of analysts' forecasts available at the time of last year's annual shareholders meeting, which is for its June 2007 net earnings to be around $388 million. This increase on last year's earnings is a pleasing result given the current state of the building materials markets."

Key Points

- Group net earnings up 2 percent to $193 million.
- Operating earnings up 1 percent to $340 million.
- Cashflow from operations was $227 million.
- Earnings per share for the period increased from 40.9 cents to 41.1 cents.
- Interim dividend of 22 cents per share with full New Zealand tax credits is the tenth consecutive increase.
- Acquisition opportunities being evaluated.

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FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Directors today announced the unaudited results for the six months ended 31 December 2006. Net earnings after tax and minority interests were $193 million. This is 2 percent ahead of the previous corresponding period. Operating earnings, that is earnings before interest and tax, were $340 million, up from the $335 million earned in the same period last year.

There were two significant unanticipated incidents in the period. The first was the destruction of the medium density fibreboard plant in Taupo by fire, and the second was the failure of the transformer at Pacific Steel, which resulted in 6 weeks of lost billet production. The financial reporting of these two events has resulted in the trading result not being materially impacted, as it is the company's expectation that once negotiations with the insurers are concluded, gross insurance proceeds will at least exceed any plant write-offs, increased operating costs, and the insurance deductible.

These results and comparatives are reported in accordance with the New Zealand standards that comply with International Financial Reporting Standards. As previously advised, the company now reports the Steel division results separately, and the comparative figures for Building Products have been adjusted accordingly.

Results	**Sales**		**Earnings**	
Period Ended NZ$million	**6 Mths to Dec 2006**	6 Mths to Dec 2005	**6 Mths to Dec 2006**	6 Mths to Dec 2005
Building Products	**344**	326	**72**	77
Distribution	**518**	493	**39**	36
Infrastructure	**962**	889	**122**	125
Laminates & Panels	**553**	505	**65**	62
Steel	**602**	550	**46**	38
Corporate	**1**	1	**-4**	-3
Total	**2,980**	2,764	**340**	335
Funding Costs			**-45**	-45
Earnings Before Taxation			**295**	290
Taxation			**-92**	-90
Earnings After Taxation			**203**	200
Minority Interests			**-10**	-10
Net Earnings as per Published Accounts			**193**	190

Sales increased 8 percent to $3.0 billion, largely from price inflation rather than volume. Demand in New Zealand continued to be mixed, with residential building activity continuing to decline and non residential building and infrastructure work, relatively buoyant. In Australia, demand was generally a little more subdued than in the previous period, with building activity in NSW particularly soft, and the previously strong Queensland and Western Australian markets slowing.

The improved operating earnings in Laminates & Panels, Distribution and Steel were creditable results given the more difficult market conditions. Steel, in particular, improved earnings in both rollforming and long steel products. Infrastructure's operating earnings declined slightly notwithstanding activity levels remained strong while Building Products' results were down as anticipated given the higher residential component of its businesses.

Earnings per share were 41.1 cents, a 0.5 percent improvement on the previous corresponding period and a 2 percent improvement on the immediate prior six month period. The interim dividend of 22 cents per share is an increase of 3 cents on the 2006 interim dividend, and an increase of 1 cent on the 2006 final dividend, and is payable on 12 April 2007. Further details are provided under Financial Review and in the attached Dividend Summary.

OPERATIONAL REVIEWS

Building Products

Building Products reported operating earnings of $72 million, 7 percent lower than the previous corresponding period of $77 million. Residential markets in New Zealand and Australia were generally weaker, and the plasterboard, aluminium and insulation businesses exposed to residential construction in New Zealand all recorded reduced earnings. While the decline in plasterboard earnings was due to softer sales commensurate with reduced housing starts, aluminium also incurred significantly increased unrecovered costs in purchasing raw materials with the world price for aluminium at record highs.

The metal roof tile businesses enjoyed strong earnings growth primarily from export markets although the strengthening New Zealand dollar is beginning to adversely impact earnings. Tasman Sinkware and Tasman Access Floors both improved slightly on prior period earnings.

Sluggish demand in Australia, particularly the New South Wales and Victorian markets, combined with issues with the integration of our Australian insulation businesses, had the effect of reducing Australian insulation earnings by 17 percent on the previous comparable period. The company is confident that the integration issues are being addressed following management changes.

Acquisition of the Forman Group, effective from 1 December 2006, will provide additional access to the New Zealand commercial ceiling, wall systems and insulation markets for the second half. Forman's, with annual revenues of around $70 million and approximately 270 employees, represents an opportunity for Building Products to extend its range of interior building products and obtain a greater exposure to the commercial insulation market.

Distribution

Operating earnings were $39 million, up 8 percent on the previous corresponding period. Sales were up 5 percent in the same period.

The New Zealand building materials market is undergoing a period of significant change due to the growth of the competitor network and a series of acquisitions resulting in a consolidation of ownership. Despite the increased competitive pressure, PlaceMakers' trading margins remained consistent with those reported last year.

During the period, a number of property projects were completed with new stores opened in Richmond, Wanaka and Takanini. The improved retail element of these new developments has enabled growth in cash sales notwithstanding increased competition for these customers. Trade sales, which is PlaceMakers' key market segment, remained solid.

The network of stores has been bolstered by the acquisition of two businesses in locations where we have been under-represented; Maddrens Timber, a three site operation in Auckland's west and a business in Mangawhai. New store developments are also planned for Whitianga, Thames and Palmerston North in this calendar year.

Work has commenced on a new computer system which will support Distribution's strategic growth as well as deliver operational efficiencies. Implementation will be staged over a three year period.

Infrastructure

Operating earnings in Infrastructure were 2 percent below the previous corresponding period. While overall activity levels remained strong, a lower level of completed house sales, some poor contract outcomes in the precast concrete operation and lower earnings in Peru and Fiji, resulted in the decline.

Operating earnings from the New Zealand concrete operations were similar to the previous corresponding period with the exception of the precast operations. Volumes in all leading product lines in New Zealand remained strong other than cement. The cement plant upgrade was completed in October and peak production rates have exceeded expectations but commissioning has taken longer than anticipated resulting in temporarily higher production costs and lost production. Both the aggregates and pipe operations experienced continued strong market conditions and further margin improvement. Readymix concrete volumes remained strong but pricing pressure was experienced in some key markets.

In Australia, market conditions varied for the Rocla operations with relatively poor activity levels in NSW offset by strong performances in Queensland and Western Australia. Both the pipe and quarry products operations recorded higher earnings than the previous corresponding period.

Revenues in the construction operations were up 16 percent on the previous corresponding period and operating earnings were higher. The availability of major infrastructure projects seems likely to continue for some time, but these large projects, with long gestation periods, do create uneven recognition of earnings. The current construction backlog is $690 million. The residential construction operations had reduced earnings as a result of lower sales settlements in the period. However, it is anticipated the full year result will be at satisfactory levels.

Laminates & Panels

Operating earnings increased by 5 percent on the previous comparable period. Sales in Australia were up by 2 percent on the prior comparable period with Western Australia and Queensland up 10 percent and 6 percent respectively. Trading conditions tightened in Victoria and New South Wales, which were both down 2 percent, while South Australia was down 4 percent. Despite relatively flat demand in Australia, margins were slightly ahead of the same time last year. The 10 percent increase in domestic sales in New Zealand is attributable to the acquisition in April 2006 of the Dunedin based O'Brien business.

The division's exports of medium density fibreboard (MDF) to China, Korea, Japan and South East Asia benefited from strong demand and increased prices during the period. However, in September 2006, there was a major fire at the division's MDF plant at Taupo in New Zealand, and as a result, the plant has been inoperable since that date. As approximately 70 percent of the plant's output was exported, the division has had to withdraw from some of its markets, with the remaining markets being serviced from the Gympie and Welshpool MDF plants in Australia. Investigation and negotiation is underway with the company's insurers with an outcome expected before June 2007. Unfortunately, some 35 staff have been made redundant with a similar number likely to be affected in the next period.

Production volumes were ahead of last year at the Welshpool and Gympie MDF plants, and in the particleboard plants in Dardanup, Western Australia and Kumeu in New Zealand. Input costs of resins and wood residues increased during the period but were offset by improvements in operational efficiencies. These included the successful commissioning of a new $16 million drier at the Dardanup particleboard plant in Western Australia and significant restructuring of the high pressure laminate manufacturing facilities at Papakura in New Zealand and Cheltenham in Australia.

The recently acquired O'Brien Laminate benchtop business, based in Dunedin, performed in line with expectations during the period. The combined contribution from the Western Australian joint ventures, being the sawmill, Wespine Industries Pty Ltd, and the resin plant, Dynea Australia Pty Ltd, were in line with the corresponding period last year.

Steel

The newly created Steel division reported operating earnings of $46 million, up 21 percent on the previous corresponding period of $38 million, reflecting a 9 percent increase in sales.

The rollforming and coatings businesses increased earnings by 13 percent. Stramit benefited from a number of price increases during the period and Pacific Coilcoaters experienced strong demand in both its domestic and export markets.

Long steel products increased earnings by 44 percent compared to the same period last year. This was primarily due to more favourable market conditions compared to the previous year, in which falling world-wide steel prices put local selling prices under pressure, and increased input costs on scrap and vanadium. Steel prices have remained reasonably constant during this period. The wire and reinforcing businesses operated in a very competitive market, resulting in pressure on margins.

In October, Pacific Steel experienced a 6 week plant closure when the electric arc furnace transformer failed. The plant has been fully operational since late November with a temporary transformer, with the new replacement transformer having been installed this month.

The steel merchandising business also reported an increase in earnings of 20 percent over the previous period, due to favourable trading conditions.

FINANCIAL REVIEW

Balance Sheet

The company benefited from excellent operating cashflow and with gearing (net debt to net debt plus equity) at 37.1 percent, it remains in a sound financial position. It is comfortably within all its relevant debt covenants and interest cover (EBITDA to total interest paid) at 9.3 times, was the same as at 30 June 2006.

After the acquisition of the Maddren and Forman businesses, net debt increased by $9 million to $1,070 million at 31 December 2006.

Cashflow

Cashflow from operations was $227 million. This included an increase of $97 million in working capital, reflecting increases in input costs and higher inventory levels to support the plant close-downs over the December/January period.

Capital expenditure at $195 million was some $117 million over the depreciation charge due to investments in Maddrens, and Formans and other growth projects.

Dividend

The dividend is fully tax credited for New Zealand purposes, with a combination of dividend withholding payment credits (DWP) and imputation credits. Non New Zealand shareholders benefit from the refund available of DWP credits, and from the New Zealand supplementary dividends attached to the imputation credits. These supplementary dividends 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 will continue to pay the refund of the DWP tax credit to non resident shareholders at the same time as the dividend is paid, and then recover 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.

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 intends 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 anticipated that the final dividend for the 2007 year will be 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 in the five business days following the record date of 23 March 2007. The new shares will be issued on the dividend payment date of 12 April 2007.

The shares will be quoted on an ex dividend basis from 19 March 2007 on the ASX and 26 March 2007 on the NZX.

STRATEGY

Whilst the company operates in markets that are cyclical, it has followed a strategy of improving the reliability of its earnings; maintaining and improving its internal capabilities; and being able to take up any external acquisition opportunities where these meet its acquisition criteria. This strategy has enabled the company to record consistent increases in operating earnings, earnings per share and annual dividends despite changes in market conditions.

In the period, initiatives aimed at increasing the reliability of earnings have included increasing the product portfolio, particularly in wall and ceilings products through the acquisition of Formans, and increasing the exposure to benchtop manufacturing through developing opportunities from the O'Briens acquisition made earlier in 2006. The geographic spread of the PlaceMakers network has also increased by acquisitions such as the Maddren Group.

Improving internal capabilities has principally focused on securing capacity increases. The Golden Bay Cement upgrade was completed in September 2006, as was the Dardanup stage three upgrade of the particleboard plant. New transformer and furnace upgrades are underway at Pacific Steel, and in Western Australia a new distribution centre for the Laminex Group is underway. A new furnace upgrade of Fletcher Insulation's plant at Dandenong will improve efficiency and capacity. Forecast capital expenditure for the year is $345 million.

In addition to pursuing organic growth opportunities the company continues to evaluate external acquisition prospects. Where these arise in the Australasian markets the company will continue to add to its product portfolio as it has done with O'Briens, Maddrens and Formans. It will also continue to evaluate opportunities outside the Australasian markets in products and technologies that are well understood.

OUTLOOK

At the annual shareholders' meeting in November, directors advised that the 2007 year would be another satisfactory result and that they were comfortable with the consensus of analysts forecasts of net earnings to be around $388 million, subject to the successful resolution of insurance matters with the Taupo plant and Pacific Steel transformer. Since that time, trading and the resolution of insurance proceedings have been in line with those expectations such that no change to the earnings guidance is required.

DIVIDEND SUMMARY

2007 INTERIM DIVIDEND INFORMATION [1]

NZ cents per share	NZ RESIDENTS	AUSTRALIAN RESIDENTS	OTHER NON RESIDENTS
Dividend declared	22.0000	22.0000	22.0000
NZ tax credits [2]	10.8358		
NZ tax credit refund		3.2507	3.2507
NZ supplementary dividend		2.7176	2.7176
Australian franking tax credits [3]		0.0000	
Gross dividend for NZ tax purposes	**32.8358**	**27.9684**	**27.9684**
NZ tax (33%)	(10.8358)		
NZ non-resident withholding tax (15%) [4]		(4.1953)	(4.1953)
Net cash received after NZ tax	**22.0000**	**23.7731**	**23.7731**
Australian tax (15%) [5]		(4.1953)	
Reduced by credit for NZ non-resident withholding tax		4.1953	
Net cash dividend to shareholders	**22.0000**	**23.7731**	**23.7731**

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 of :

dividend withholding payment credits	3.2507
imputation credits	7.5851

(3) 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.

(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.