Financial review

Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
<th>Six months</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,176</td>
<td>8,353</td>
<td>4,432</td>
</tr>
<tr>
<td>Operating earnings</td>
<td>307</td>
<td>587</td>
<td>254</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>191</td>
<td>407</td>
<td>115</td>
</tr>
<tr>
<td>Taxation at 30/(33) cents per dollar</td>
<td>60</td>
<td>122</td>
<td>39</td>
</tr>
<tr>
<td>Earnings after tax</td>
<td>131</td>
<td>285</td>
<td>76</td>
</tr>
<tr>
<td>Net earnings</td>
<td>137</td>
<td>290</td>
<td>77</td>
</tr>
<tr>
<td>Other gains</td>
<td>2</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Net earnings – minority interest</td>
<td>135</td>
<td>288</td>
<td>74</td>
</tr>
<tr>
<td>Other permanent differences</td>
<td>3</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Other financial results</td>
<td>5</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Movement in cashflow hedge reserve</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>At the beginning of the period</td>
<td>115</td>
<td>267</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>256</td>
<td>379</td>
<td>101</td>
</tr>
<tr>
<td>Other financial results</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Total movements in shareholders’ funds</td>
<td>299</td>
<td>423</td>
<td>103</td>
</tr>
</tbody>
</table>

Notes to the financial statements

1. Bank of New Zealand

The notes for the year ended 30 June 2008 are unaudited. The financial statements for the year ended 30 June 2008 have been prepared in accordance with the requirements of the Companies Act 1993. The notes for the six months ended 31 December 2008 (unaudited) are in accordance with the requirements of the Companies Act 1993.

2. Changes in accounting policies

The company has adopted the Statement of Financial Reporting at 30 June 2006 and Statement of Financial Reporting at 30 June 2007 in the preparation of its financial statements for the year ended 30 June 2008 and the six months ended 31 December 2008 (unaudited). The impact of adopting these revised statement of financial reporting standards on the group’s results is as follows:

Statement of movements in equity

<table>
<thead>
<tr>
<th></th>
<th>NZ$M</th>
<th>Six months</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares in issue</td>
<td>2192</td>
<td>2192</td>
<td>2192</td>
</tr>
<tr>
<td>Share premium</td>
<td>1,449</td>
<td>1,449</td>
<td>1,449</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>146</td>
<td>286</td>
<td>112</td>
</tr>
<tr>
<td>Total equity</td>
<td>2164</td>
<td>2,491</td>
<td>2,646</td>
</tr>
</tbody>
</table>

3. Taxation

The company has an undistributed earnings tax credit for the six months ended 31 December 2008 (unaudited) with a net tax credit of NZ$16 million for NZ tax purposes.

The company has relevant tax losses which are available to be offset against future income.

4. Other gains and losses

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.

5. Shares in issue

The company has negotiated an additional two year bilateral facility with Commonwealth Bank of Australia and the Reserve Bank of New Zealand. The new facility is available to the company in Australia.

Shareholder information

Other information

Fletcher Building Limited

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New Zealand Registries

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Takapuna, North Shore City 0622

Auckland 1142, New Zealand

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New Zealand Registries

Website: www.fletcherbuilding.com

Financial review

Operating earnings

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The company has negotiated an additional two year bilateral facility with Commonwealth Bank of Australia and the Reserve Bank of New Zealand. The new facility is available to the company in Australia.
Half year review

Net earnings were $213 million in the first half of the year compared with $235 million in the corresponding period of the prior year. Non-controlling interest earnings were $13 million in the first half of the year compared with $17 million in the prior year. This was a reduction of $4 million due to lower earnings from the recently acquired Formica Corporation. Operating earnings were $39 million, compared with $91 million in the prior year. Operating earnings included the contribution of Formica Corporation of $2.9 million. The operating earnings for the six months ended 31 December 2008 were $18.50 per share compared with $31.90 per share in the prior year. The half year ended 31 December 2008 included a discrete tax benefit of $14 million.

Fletcher Building achieved its strategy of improving operating earnings and reducing the number of staff by around 140 people in the first half of the year. These and other initiatives in progress are expected to provide an ongoing annualised reduction of around 140 people. The consequential impact on sites, sales and marketing rationalisations and branch downsizing is expected to provide ongoing annualised earnings reductions amounting to around $9 million. These initiatives are expected to result in increased operating earnings in the second half of the year. The savings from the initiatives are expected to provide additional earnings of approximately $9 million in the full year.

Operating earnings were $39 million, compared with $91 million in the prior year. Year-on-year reductions were experienced across many of the group’s businesses, as a result of factors negatively impacting earnings. Volumes were down in Australia and New Zealand, and per cent reductions in operating earnings in Australia (11% reduction) and New Zealand (27% reduction) were experienced across many of the group’s businesses. The United States domestic steel building products business’ operating earnings were 19% lower than the previous corresponding period. This was a good result given the exposure to the residential construction markets.

The plasterboard business performed creditably in a difficult sales environment, with an increased operating margin as the business moved margins up the supply chain. This was a strong result for a business that was experiencing weak residential markets. The Forman business, with a focus on the US long steel products sector, has performed well, albeit with reduced capability following a serious plant fire in the prior half year. The business has undergone restructuring and rationalisation, including sales of non-core businesses and rationalisation of the senior management team. The Forman business has experienced strong growth in the US and has restructured from seven to five day operation.

The Australian steel building products business’ operating earnings were 11% lower than the previous corresponding period. This was a strong result given the exposure to the residential construction markets. The Australian steel building products business withdrew from its 75% owned joint venture in the US, allowing MDF to be exported to Laminex customers in Asia for supply of finished MDF to the group’s export operations. The Australian steel building products business has reduced its truck fleet by 15% and the operating earnings have reduced by 11%.

The concrete operations in New Zealand faced a generally more difficult environment for all building materials businesses. The operating earnings were $7 million lower than the previous corresponding period, with the result that operating earnings were 19% lower than the previous corresponding period. This was a good result given the exposure to the residential construction markets.

Gross margin was 34.1% in the year ended 31 December 2008, compared with 31.9% in the previous corresponding period. The previous corresponding period included a $5 million impact from the sale of the lounge furniture business, which contributed to the strong gross margin in the year ended 31 December 2008. Gross margin in the six months ended 31 December 2008 was 37.3%. The group anticipates gross margins to remain around the 34% level for the full year.

Other things affecting earnings included the following.

- The operating margin for the half year increased from 15.3% to 16.2%.
- Significant cost reductions in the plasterboard business due to weak residential markets. Other challenges faced include competitive pricing from competitor businesses.
- The Australian steel building products business has undergone restructuring and rationalisation, including sales of non-core businesses and rationalisation of the senior management team.
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- New Zealand’s softwood laths business was also impacted by weak residential markets.
- The Laminates & Panels business’ results were impacted by lower volumes and lower selling prices in some categories due to weaker residential markets.
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Notwithstanding the group’s achievements, there are opportunities to improve in some key areas. Operations have identified that there are opportunities to improve earnings in the United States domestic steel building products business, which includes the strategic rationalisation and restructuring of the Forman business. The group’s strategy will be to maintain strong focus on earnings improvement and productivity enhancement. In general, the group continues to focus on maintaining and improving earnings and shareholder returns.

Fletcher Building is well positioned for the second half of the year with strong order books and a more stable operating environment. The group’s strategy to focus on core businesses and reduce non-core operations has continued to improve the business’s operational focus and performance. The strong free cash flow generated in the first half continues to provide a solid financial base for the second half of the year. The group is confident of achieving its full year profit guidance.

Outlook

The group’s businesses are in a good position with the exception of the developing South African market, where margins remain under pressure. Fletcher Building operates in cyclical markets and has followed a strategy to improve earnings in the second half of the year. The group’s strategy will be to maintain strong focus on earnings improvement and productivity enhancement. In general, the group continues to focus on maintaining and improving earnings and shareholder returns.

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Half year review

Market conditions were severe in the six months to December with 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 due to the slow-down in both economies, although market shares have been restructured from seven to five day operation. As a result of the declining volumes a number of manufacturing facilities have been restructured. Earnings were 19 percent lower than the previous corresponding period.

Market conditions in Australasia were tough for the six months to December with a decline in residential building activity and a slowdown in non-residential building, but was attributable to the Steel division. Demand in New Zealand was lower with the marked weakening in November, and second half results are expected to be more in line with last year.

The interim dividend of 24 cents per share, payable on 8 April 2009, is unchanged although it has recently noted signs of weakening in the Queensland market.

For the year, Australia and occupiers in Asia, particularly China, continue to be very strong with solid market conditions. China's long-term economic growth prospects are strong and the government's stimulus plans are helping to support activity in the non-residential sector. China's economic growth remains strong, and is expected to be in the vicinity of $9 million.

With continued uncertainty in world credit markets and a heightened risk that this may continue, the group will continue to look for opportunities to invest in areas that will enable the group to benefit from the cyclical downturn. Its geographical and portfolio diversification, coupled with a strong balance sheet and a greater focus on retention of cash is vital. The recently announced sale and lease-back of the AGS distribution centre in New Jersey is expected to provide a strong cash flow benefit.
Half year review

The downturn in construction markets around the world has meant that growth in earnings and dividends has been constrained. Residential housing markets are in recession all over the developed world. Commercial construction activity has also been affected in most of our markets, although not to the same extent. Residential and commercial construction markets in most economies. Offsetting this was growth in market share was achieved.

Cost reduction initiatives have been underway for some time across all businesses, and parameters and expectations of future returns must reflect current and likely future trading conditions. Cost reduction initiatives have taken place over the period with the immediate benefit partially offset by the negative volume effect, pricing pressure and higher input costs. The ready mix concrete business experienced weaker demand across all its markets and increased raw material prices. Offsetting this was increased market share in the Western Australia and Victorian markets, and volume gains in the South Australian and Queensland markets. These higher volumes were partially offset by increased input costs.

The Australian concrete operations have continued to perform well with earnings up 2 percent for the five months to November 2008 compared with the same period in 2007. The slowdown in new house construction has been offset by increased demand from the 2008 Olympic Games, the Western Australian and Victorian markets, and increases in market share. Specific initiatives in the construction business aimed at improving performance at the major manufacturing facility at Evendale, Ohio continued to improve performance at the major manufacturing facility at Evendale, Ohio.

The redevelopment and expansion plans for the store network were reduced over the last six months, with the latest phase being developed for this strategy has delivered strong earnings growth and enhanced shareholder value.

In line with world markets and buoyed by a particularly strong first quarter, the division lifted earnings in the long steel products business increased in excess of 300 percent over the prior corresponding period. Earnings in the structural steel products business are based on a substantial volume increase. The division lifted earnings in the long steel products business increased in excess of 300 percent over the prior corresponding period. Earnings in the structural steel products business are based on a substantial volume increase.

Prospective infrastructure projects should see work stay at satisfactory levels for at least the next year, sales were down 15 percent in the same period which was the main contributor to the downturn in the financial markets. The tougher trading environment is expected to continue throughout 2009 and possibly beyond.

The Australian operations business remained well positioned for strong growth in the medium term. The going concern assumptions have been maintained, forecasts show a steady growth path, however, the extent of adverse economic conditions on business prospects remain uncertain.

The steel distribution and services businesses increased operating earnings by 96 percent for the year ended 31 December 2008 compared with the prior corresponding period. Earnings in the structural steel products business are based on a substantial volume increase. The division lifted earnings in the long steel products business increased in excess of 300 percent over the prior corresponding period. Earnings in the structural steel products business are based on a substantial volume increase. The division lifted earnings in the long steel products business increased in excess of 300 percent over the prior corresponding period. Earnings in the structural steel products business are based on a substantial volume increase.

Outlook

The statement of cashflows for the six months ended 31 December 2008 (unaudited) is provided below:

Statement of cashflows

(for the six months ended 31 December 2008 (unaudited))

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before interest, tax, depreciation and</td>
<td>39 million</td>
</tr>
<tr>
<td>amortisation</td>
<td></td>
</tr>
<tr>
<td>Non-cash working capital movements</td>
<td>-2 million</td>
</tr>
<tr>
<td>Operating cash inflow</td>
<td>37 million</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>-6 million</td>
</tr>
<tr>
<td>Sale of fixed assets and investments</td>
<td>1 million</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>-2 million</td>
</tr>
<tr>
<td>Cash from operating activities</td>
<td>37 million</td>
</tr>
<tr>
<td>Cash flows before financing activities</td>
<td>37 million</td>
</tr>
<tr>
<td>Financial costs</td>
<td>-7 million</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>-2 million</td>
</tr>
<tr>
<td>Dividends declared per share (cents)</td>
<td>-26 per share</td>
</tr>
<tr>
<td>Earnings after taxation</td>
<td>30 million</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-2 million</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-6 million</td>
</tr>
<tr>
<td>Add: amortisation of intangibles</td>
<td>4 million</td>
</tr>
<tr>
<td>Add: increase in bank balances and overdrafts</td>
<td>2 million</td>
</tr>
<tr>
<td>Less: decrease in bank balances and overdrafts</td>
<td>-2 million</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>46 million</td>
</tr>
</tbody>
</table>

Balance sheet

(at 31 December 2008 (unaudited))

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>6,235 million</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,364 million</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,619 million</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>1,196 million</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>95 million</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,291 million</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>6,328 million</td>
</tr>
<tr>
<td>Non-current shareholders' equity</td>
<td>6,328 million</td>
</tr>
<tr>
<td>Current shareholders' equity</td>
<td>0 million</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>6,328 million</td>
</tr>
<tr>
<td>Non-current equity</td>
<td>6,235 million</td>
</tr>
<tr>
<td>Current equity</td>
<td>115 million</td>
</tr>
<tr>
<td>Total equity</td>
<td>6,350 million</td>
</tr>
</tbody>
</table>
Building Products
An operating cash inflow of $26 million was recorded for the six months ended 31 December 2008. This was a smaller improvement compared to the previous corresponding period when the New Zealand investment programme was in its initial stages. The distribution of activities to support the new business platform has intensified, which will continue for the remainder of this year. The acquisition of Formica increased the mix of products and markets served, contributing $28 million to operating earnings (in unallocated currency) compared with $9 million in the prior corresponding period. Formica’s operations in Europe were adversely impacted by the sharp deterioration of market conditions. Australasia remains the principal area of focus for further geographic expansion. Acquisitions will need to be able to be accommodated within capital and financial parameters. While the group is committed to a disciplined approach to acquisitions, a focus will be an ongoing focus to reduce working capital and capital expenditure. The quantum of the benefits that can be derived from increased focus on working capital and cost reduction initiatives will provide further improvement in earnings and cash flows.

Outlook
Market conditions in Australasia were tough for the six months to December with a special emphasis on residential markets throughout the region. Offsetting this was the strong performance delivered by the Australian steel building products business and the improved sales mix across all markets. Despite market conditions being generally weak, the business has continued to make progress in developing additional new routes to market, which will continue to be an ongoing focus to reduce working capital and capital expenditure. The Quantum of the benefits that can be derived from increased focus on working capital and cost reduction initiatives will provide further improvement in earnings and cash flows.

2009 can be anticipated as a year where the group will move on the strategies that are now well advanced. In coming months we anticipate a substantial reduction in existing inventory levels and improved cash flows as a result of implementing these strategies. As a result of the progress made to date, the Quantum of the benefits that can be derived from increased focus on working capital and cost reduction initiatives will provide further improvement in earnings and cash flows.
Half year review

During the six months ended 31 December 2008 (the period), earnings were $768 million, up 49% on the prior corresponding period. Earnings before interest, tax, depreciation and amortisation (EBITDA) of $1,608 million were up 51% on the prior period. Sales of $2,215 million were up 15% on the prior period.

The downturn in construction markets around the world has meant that growth in earnings and sales will be lower in 2009 than in 2008. Nevertheless, the group is confident that its strategic focus on improved performance through the execution of a number of key initiatives, ongoing cost and working capital controls and capital expenditure levels will reduce in the near term given expected lower volumes.

Earnings statement

<table>
<thead>
<tr>
<th>Description</th>
<th>6 months ended 31 December (NZ$M)</th>
<th>Dec 2007</th>
<th>Percentage change 2007/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,215</td>
<td>1,913</td>
<td>15%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>1,666</td>
<td>1,601</td>
<td>4%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>553</td>
<td>312</td>
<td>77%</td>
</tr>
<tr>
<td>Operating earnings (EBIT)</td>
<td>768</td>
<td>507</td>
<td>52%</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>651</td>
<td>447</td>
<td>46%</td>
</tr>
<tr>
<td>Tax</td>
<td>156</td>
<td>109</td>
<td>44%</td>
</tr>
<tr>
<td>Earnings before extraordinary items</td>
<td>495</td>
<td>338</td>
<td>47%</td>
</tr>
<tr>
<td>Net earnings</td>
<td>492</td>
<td>338</td>
<td>46%</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>24</td>
<td>17</td>
<td>41%</td>
</tr>
</tbody>
</table>

Building Products

Sales of $1,074 million were up 7% on the December 2007 half year. The earnings performance, including a one-off provision of $4 million, was $76 million, up 22% on the December 2007 half year. Earnings before interest, tax, depreciation and amortisation (EBITDA) of $251 million were up 41% on the December 2007 half year.

The steel distribution and services businesses increased operating earnings by 96 percent over the same period of the previous year. The Edenvale and Jindalee steel plants experienced major production losses during the half year, which affected the results. The downturn in construction markets around the world has meant that growth in earnings and sales will be lower in 2009 than in 2008. Nevertheless, the group is confident that its strategic focus on improved performance through the execution of a number of key initiatives, ongoing cost and working capital controls and capital expenditure levels will reduce in the near term given expected lower volumes.

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Earnings per share (cents) | 24                             | 17      | 41%                      |

Strategy

The strategy for 2009 is to continue improving the performance of the group through the execution of a number of key initiatives, ongoing cost and working capital controls and lower capital expenditure levels. A further strategy will be an ongoing focus to reduce working capital and capital expenditure. The quantum of the development at the Auckland head office complex in Penrose for $36 million was one of these initiatives. In addition, there will be a major focus on reducing its net debt.

The downturn in construction markets around the world has meant that growth in earnings and sales will be lower in 2009 than in 2008. Nevertheless, the group is confident that its strategic focus on improved performance through the execution of a number of key initiatives, ongoing cost and working capital controls and capital expenditure levels will reduce in the near term given expected lower volumes.

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Half year review

December 2007 to June 2008

Over the six months to December 2007, the Group's operating earnings increased by 6 percent to $3.8 billion. Of this $210 million increase, $166 million was attributable to Fletcher Building and $44 million was attributable to other businesses. Before the contribution of Formica Corporation's operations in North America and to some extent the United Kingdom, the Group's operating earnings were flat at $2.1 billion. The performance of Formica, a major acquisition in the Group, was included in the operating results for the first time in the December 2007 half year. The $210 million increase in operating earnings includes the additional $30 million associated with the contribution of Formica's operations in North America and to some extent the United Kingdom, as well as the ongoing benefits of the significant $145 million acquisition premium. The Group's operating earnings were impacted by $37 million, which was one of the important synergies identified from the acquisition of Formica.

The increased operating earnings were due to a number of factors. 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. In addition, the productivity improvements which have been a key focus of the combined business, have resulted in significant cost savings. As a result, operating earnings per share were 93.2 cents compared to 48.5 cents in the previous corresponding period.

The Group continues to monitor opportunities for cost reduction and has worked with its trading partners around the world to ensure that no unnecessary costs are included in the Group's operations which would affect operating earnings per share. The Group has maintained its emphasis on the control of overheads and selling, general and administrative costs.

Managing director Andrew Keen said: 'The business increased its operating earnings per share to 93.2 cents, compared with 48.5 cents in the previous corresponding period. This was achieved in a highly competitive market environment in which Fletcher Building and the other businesses are working to improve their cost base and productivity to maintain profitability. The impact of faster economic growth in the Group's key export markets, particularly in the United States and New Zealand, will be a key driver of future operating earnings.'

Market conditions and trading margin were strong in the six months to December 2007. Fletcher Building returned to profit after a loss in the December 2006 half year, following the sale of its coated steel operations. Market conditions were generally strong in the Group's other businesses.

Cash flow from operating activities for the six months to December 2007 was $1.5 billion, compared with $1.2 billion in the previous corresponding period. Cash flow from operating activities before movements of $332 million was $1.8 billion, compared with $1.5 billion in the previous corresponding period. The Group's net cash from operating activities before movements of $332 million was $1.8 billion, compared with $1.5 billion in the previous corresponding period.

The Group has paid $111 million in share dividends and has declared a half year dividend of 24 cents per share, payable on 8 April 2009. The interim dividend of 24 cents per share, payable on 8 April 2009, is unchanged from the previous corresponding period. The share dividend is fully franked.

Outlook

The Group remains confident in its full year trading outlook with expectations that the Group will meet the consensus range at that time of $289 million to $354 million. This range has subsequently been further revised to between $289 million and $334 million.

At the annual shareholders' meeting last November the company advised that the outlook for the second half of the year remained relatively healthy. The residential construction markets continue to affect the Group's operations. Commercial construction markets in particular remain relatively healthy.

The Group expects good returns in its building material businesses due to the strong construction market in New Zealand. The Group's container operations also indicate good returns due to strong demand for shipping containers.

The Group's earnings and operating cash flows are expected to remain stable as the Group maintains its cost control and productivity initiatives. The Group is well placed to maintain or increase its operating earnings in the second half.

Strategy

The Fletcher Group, along with its key strategic partners, has a long term strategy to improve the performance of its businesses. The Group will continue to generate revenue from ongoing projects, particularly in the commercial real estate and residential construction sectors. The Group will work with its trading partners to ensure that it remains the market leader in each of its businesses. The Group has a strong emphasis on productivity and cost control and it will continue to monitor and improve profitability. The Group will also continue to look for growth opportunities through its joint ventures and its own operations.

Outlook

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Financial review

Reconciliation statement

The reconciliation of earnings per share (EPS) for the six-month period ended 31 December 2008 is as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>NZ$M</th>
<th>NZ$M 6/08</th>
<th>NZ$M 12/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-controlling interests share in earnings</td>
<td>-22.9</td>
<td>-21.2</td>
<td>-24.9</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>467</td>
<td>467</td>
<td>375</td>
</tr>
<tr>
<td>Net operating earnings</td>
<td>188.2</td>
<td>197.4</td>
<td>147.0</td>
</tr>
<tr>
<td>Net earnings</td>
<td>211</td>
<td>218.6</td>
<td>171.9</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>2.47</td>
<td>2.35</td>
<td>1.75</td>
</tr>
</tbody>
</table>

Notes to the financial statements

4. Other gains and losses

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations. The information provided in these standards is wont be applied to the group’s results.

6. Term debt

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations. The information provided in these standards is wont be applied to the group’s results.
Financial review

The company's net cashflow from operating activities for the six months ended 31 December 2008 (unaudited) was NZ$M 6,235 compared with NZ$M 2,296 in the comparable period, an increase of 172 percent. The increase in cashflow from operations was due to lower working capital requirements of $52 million, due primarily to increased residential land holdings and higher stock levels in the steel distribution business.

The company has good liquidity and working capital headroom through the extended credit terms of its major customers. The company ended the financial year with $1,519 million in cash and short-term investments, compared with $1,312 million at 31 December 2007.

Cashflow

The financial statements are prepared on the basis of the group remaining in a sound financial position. With strong operating cashflow, gearing at 41.3 percent, and interest coverage at 3.8 times, the group remains in a sound financial position.

Return on average funds employed

The company’s return on average funds employed (in percentages) was 12.4 percent for the six months ended 31 December 2008 (unaudited) compared with 3.4 percent in the comparable period, an increase of 90 percent.

Funding

The company has negotiated an additional two year bilateral facility with Commonwealth Bank of Australia. The company is party to a bilateral facility with Bank of New Zealand and a syndicated term facility with The Royal Bank of Scotland (NZ) Limited (Rocla Quarries). The company also has access to other syndicated facilities and revolving credit facilities through the group's treasury in New Zealand.

Debt maturity

As at 31 December 2008 the company has unutilised banking facilities of $615 million (30 June 2008: $676 million). The company has also issued NZ$M 522 million of medium-term notes with terms of 5 and 7 years and issued a further NZ$M 13 million of capital notes through treasury stock levels in the steel distribution business.

Shareholder information

For further details on the share capital and capital movements consult the December 2008 interim report.

Reconciliation of net earnings to net cash from operating activities

The reconciliation of net earnings to net cash from operating activities is shown on page 76 of the December 2008 interim report.

Notes to the financial statements

4. Earnings per share

The company has calculated earnings per share (including minority interests) following the treasury stock method. The formula is:

\[
\text{Earnings per share} = \frac{\text{Net earnings - parent interest}}{\text{Ordinary share capital + minority interests + preference share capital}}
\]

The company also calculates earnings per share (including minority interests) following the weighted average number of shares method. The formula is:

\[
\text{Earnings per share} = \frac{\text{Net earnings - parent interest}}{\text{Ordinary share capital + minority interests + preference share capital + share options}}
\]

The company’s earnings per share are impacted by the supplementary dividend paid to non-New Zealand shareholders. The supplementary dividend is payable to non-New Zealand shareholders and has the effect of partly removing the tax that was paid on the ordinary dividend.

5. Taxation expense

The dividend is partially tax credited with imputation credits for New Zealand purposes. Non-New Zealand shareholders pay Australian tax (15%) on both the NZ ordinary dividend and NZ supplementary dividend. The net earnings to non-New Zealand shareholders will therefore be lower than for New Zealand shareholders.

The dividend is paid to the company as a whole. As individuals, depending on their circumstances, shareholders are advised to seek independent tax advice.

Other information

Customer enquiry hotline: +64 9 525 9000

Fletcher Building Limited

Computershare Investor Services Limited

Computershare Investor Services Limited

180 Southern Cross Drive, Chatswood, NSW 2067, Australia

Locked Bag 7013, Chatswood DC 2067

Tel: +61 3 9415 4083

Email: enquiry@computershare.co.nz

Website: www.fletcherbuilding.com

Other information

Declarations of movements in equity

The declarations of movements in equity are set out on page 19 of the December 2008 interim report.

Notices to the shareholders

1. Financial highlights

The leading indicators are shown on page 39 of the December 2008 interim report.

Laminates & Panels

Gains and losses

Settlement of insurance claims

Sale of land

Other

Other

Sale of land

Other

Shareholder information

Registered offices

New Zealand

NSW 2067, Australia

Locked Bag 7013, Chatswood DC 2067

Tel: +61 3 9415 4083

Website: www.fletcherbuilding.com

Shareholder information

Other

1. Basis of presentation

The condensed financial statements have been prepared in accordance with generally accepted accounting principles in New Zealand and are presented in New Zealand dollars. The condensed financial statements do not include all the information and the notes required for a full set of financial statements in accordance with New Zealand generally accepted accounting principles. The statements have been prepared on the historical cost basis. The condensed financial statements do not include all elements of income and expense and the balances on the balance sheets.

2. Changes in accounting policies

The company has made changes to the accounting policies for the following items:

- Contingencies and commitments
- Sale of land

3. Contingencies and commitments

The company has made changes to the accounting policies for the following items:

- Contingencies and commitments
- Sale of land


The company has made changes to the accounting policies for the following items:

- Provisions
- Cashflow from operations

5. Taxation expense

The company has made changes to the accounting policies for the following items:

- Taxation expense
- Dividends

6. Dividends

The company has made changes to the accounting policies for the following items:

- Dividends
- Dividends

7. Financial highlights

The company has made changes to the accounting policies for the following items:

- Financial highlights
- Financial highlights
Shareholder information

Registered offices

- New Zealand: Fletcher Building Limited, Private Bag 92 114, Auckland 1142, New Zealand
  - Tel: +64 9 525 9000, Email: enquiry@computershare.co.nz
  - Email: nzinfo@fletcherbuild.co.nz
- Australia: Computershare Investor Services Limited, Level 13, 100 Collins Street, Melbourne 3000, Victoria, Australia
  - Tel: +61 3 9415 4083, Email: shareholder.service@computershare.com.au
  - Email: nzinfo@fletcherbuild.co.nz

Yarra Falls, 452 Johnston St
Private Bag 242, Melbourne, Vic 3001, Australia
NSW 2067, Australia

Computershare

Private Bag 92 119
Computershare Investor Services Limited
Auckland 1142, New Zealand

Other information

Customer service

- New Zealand: Fletcher Building Limited, Private Bag 92 114, Auckland 1142, New Zealand
  - Tel: +64 9 525 9000, Email: enquiry@computershare.co.nz
- Australia: Computershare Investor Services Limited, Level 13, 100 Collins Street, Melbourne 3000, Victoria, Australia
  - Tel: +61 3 9415 4083, Email: shareholder.service@computershare.com.au

For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is chargeable at 33% on all dividends paid by Fletcher Building Limited. A dividend summary is available online at www.fletcherbuild.co.nz. For full details of the tax treatment of Fletcher Building dividends, Fletcher Building Limited recommends that shareholders consult their accountant or financial advisor.

Fletcher Building Limited is entitled to deduct 15% imputation credits and 3% franking credits from the ordinary dividends paid to non-New Zealand resident shareholders on the basis of the New Zealand imputation tax system. For further details please visit www.fletcherbuild.co.nz.

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**Financial review**

**Balance sheet**

<table>
<thead>
<tr>
<th>Description</th>
<th>NZ$M</th>
<th>NZ$M</th>
<th>NZ$M</th>
<th>NZ$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>6,235</td>
<td>1,279</td>
<td>1,519</td>
<td>67</td>
</tr>
<tr>
<td>Less: Current assets</td>
<td>4,069</td>
<td>1,241</td>
<td>1,519</td>
<td>67</td>
</tr>
<tr>
<td>Net asset and equity</td>
<td>2,166</td>
<td>538</td>
<td>180</td>
<td>67</td>
</tr>
<tr>
<td>Less: Non-controlling interest</td>
<td>-632</td>
<td>-34.1</td>
<td>-285</td>
<td>-47.0</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,534</td>
<td>1,103</td>
<td>515</td>
<td>193</td>
</tr>
<tr>
<td>Less: Share capital</td>
<td>1,534</td>
<td>1,103</td>
<td>515</td>
<td>193</td>
</tr>
<tr>
<td>Less: Treasury stock</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net equity</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total recognised income and dividends</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net earnings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Notes to the financial statements**

1. **Distribution**

   - **Building Products**
   - **Total**

2. **Total recognised income and dividends**

   - **Directors' fees**
   - **General administration expenses**
   - **Interest**
   - **Inland Revenue**
   - **Share-based payments**
   - **Surplus on disposal of subsidiary companies**
   - **Investments in joint ventures**
   - **Operating profit**
   - **Operating profit (after tax)**
   - **Other gains and losses**
   - **Dividends paid**
   - **Dividends paid (after tax)**

3. **Contingencies and commitments**

4. **Other gains and losses**

5. **Restructuring and redundancies**

6. **Dividends per share**

7. **Taxation expense**

8. **Reconciliation of net earnings to net cash flow**

   - **Net cash from operating activities**
   - **Net cash invested in assets**
   - **Net cash used in financing activities**

9. **Shareholder information**

   - **Registered offices**
   - **Registrar and depositaries**
   - **Other investor information**

**Other information**

- **Statutory information**
- **Notes to the financial statements**
- **Other**

**Shareholder information**

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**Notes to the financial statements**

1. **Basis of presentation**

   - **Financial highlights**
   - **Further liquidation reserve**
   - **Movements in reported capital**
   - **Cash and cash equivalents**
   - **Notes to the financial statements**

2. **Dividends declared**

   - **Ordinary shares**
   - **Preference shares**

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   - **Registrar and depositaries**
   - **Other investor information**

**Other information**

- **Statutory information**
- **Notes to the financial statements**
- **Other**
Financial review

Note: The information should be read in conjunction with the Consolidated Financial Statements included in this interim report.

Building Products

Operating earnings (EBIT) reflect a NZ$114 million decrease compared to Dec 2007.

Distribution

Operating earnings (EBIT) reflect a NZ$19 million increase compared to Dec 2007.

Other

Operating earnings (EBIT) reflect a NZ$102 million decrease compared to Dec 2007.

Shareholders' Equity

At 31 December 2008, the company has unutilised banking facilities of $615 million (30 June 2008: $604 million). 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 the group had raised $131 million with terms of 5 and 7 years. The group had unutilised facilities as at 31 December 2008 of $2,296 million and $260 million, respectively.

Cashflow

Cashflow from operations before net working capital movements totalled $378 million (June 2008: $362 million). Projects included construction of the new metal roofing plant in Hungary, which is expected to contribute to growth in the Building Products division. This level of expenditure reflected the carry-over of $107 million of projects from the prior year, which was in line with the overall level of expenditure projected in the year. The group has increased its capital expenditure funding to $273 million, which is ahead of the budget and reflects the higher capital expenditure levels anticipated for the year.

Reconciliation of net earnings to net cash and cash equivalents

NZ$M

Period ended

2008

2007

Cashflow from operations

378

362

Additions to non-current assets

162

38

Depreciation and amortisation

151

132

Interest paid

132

132

Income and expenses recognised directly in equity

(70)

(88)

Other gains/(losses) include the following:

NZ$M

Interest and dividends received

15

14

Settlement of insurance claims

5

6

Dividends reinvested

(19)

(20)

NZ$M

Reconciliation of net earnings to net cash and cash equivalents (cont.)


dates for the six months ended 31 December 2008

2008

2007

Cashflow from operations

378

362

Additions to non-current assets

162

38

Depreciation and amortisation

151

132

Interest paid

132

132

Income and expenses recognised directly in equity

(70)

(88)

Other gains/(losses) include the following:

NZ$M

Interest and dividends received

15

14

Settlement of insurance claims

5

6

Dividends reinvested

(19)

(20)

Closed on 18 March 2009. The price used to determine entitlements 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 for the half year dividend will be the volume weighted average share price of price-setting trades of the company’s shares issued under the Dividend Reinvestment Plan. The price used to determine entitlements for the half year dividend will be the volume weighted average share price of price-setting trades of the company’s shares issued under the Dividend Reinvestment Plan. The price used to determine entitlements for the half year dividend will be the volume weighted average share price of price-setting trades of the company’s shares issued under the Dividend Reinvestment Plan. The price used to determine entitlements for the half year dividend will be the volume weighted average share price of price-setting trades of the company’s shares issued under the Dividend Reinvestment Plan.