FletcherBuilding

News Release

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

REVIEW OF OPERATIONS

The initial trading period of Fletcher Building Limited, from 24 March 2001 to 30 June 2001, produced earnings before interest and tax (EBIT) of $42 million before unusual items, and net earnings of $19 million.

The Chief Executive Officer, Mr Ralph Waters, said the results represented an encouraging start to Fletcher Building's existence as a standalone listed company. Fletcher Building commenced trading on 24 March 2001 as a consequence of the Fletcher Challenge group separation process, and acquired the operations, assets and liabilities previously attributed to Fletcher Challenge Limited – Building Operations.

"In the initial trading period, improved operating performance and some recovery in demand led to significant increases in both earnings and cash flow," Mr Waters said. "Using the pro forma 12 months accounts as a basis for assessment, about 45 per cent of the year's earnings at the EBIT level, and 63 per cent of the year's cash flow, were generated in that period of just over three months."

Results

- Earnings before interest, tax and unusuals were $42 million.
- Net profit after tax, minorities and unusual items was $19 million.
- Strong cashflows of $159 million from operations, including working capital improvements, have enabled net debt to reduce from $485 million to $274 million.
- The good result evidences better operational performance with some recovery in demand.
- The last of the major construction claims have been resolved with the Manapouri tunnel settlement.

Outlook

- Earnings before interest, depreciation and tax for the half year should be comfortably ahead of the same period last year, provided there is no deterioration in economic activity and electricity problems are resolved in the short term.
- Our Construction business commences the year with a very strong backlog.

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Dividend

- A fully tax credited dividend of 6 cents a share has been declared.

Pro Forma Result

- For comparative purposes only, pro forma accounts for the full 12 months have been prepared, and show net earnings after tax and minorities but before unusuals of $34 million

- The loss of $272 million was after unusuals of $181 million, and a $125 million write-off of taxation benefits arising from the separation of the operations from Fletcher Challenge group, and have been previously advised to the market.

- Winstone Wallboards and Golden Bay Cement performed well throughout the year. Construction, Housing and Distribution improved significantly in the June quarter. Steel, Aluminium and the South American businesses had disappointing results.

Full details of the announcement are attached. For further information, please contact:

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FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE TRADING PERIOD ENDED 30 JUNE 2001

Fletcher Building Limited commenced trading as a standalone entity on 24 March 2001, following the acquisition of the operations, assets and liabilities previously attributed to Fletcher Challenge Limited – Building Operations, as part of the Fletcher Challenge Group separation process. The Directors today announced the Financial results for the "Trading Period", being the period 24 March 2001 to 30 June 2001.

For comparative purposes, pro forma accounts have been prepared. The pro forma results include the earnings of all businesses as if the operations, assets and liabilities previously attributed to Fletcher Challenge Limited - Building Operations were part of Fletcher Building Limited from 1 July 2000. Comparative figures for the previous corresponding year have been prepared on a similar basis.

Trading Period Results

Revenues for the "Trading Period" ended 30 June 2001 were $696 million and reflect external sales only. Earnings before interest, tax and unusual items in the same period were $42 million. Compared to the $94 million for the 12 months period, the "Trading Period" result showed a marked improvement through better operational performance and some recovery in demand. Net profit after tax and minorities was $22 million before unusual items, and $19 million after unusual items.

Operating cash flow in the "Trading Period" was an excellent $159 million, assisted by working capital reductions, construction progress payments and improved earnings.

Net debt reduced by $211 million to $274 million. There was some progress on asset sales, with the distribution business of Fletcher Aluminium and the interest in the Lunn Avenue Quarry being sold. Major issues in Fletcher Construction (claims relating to Australian co-generation plants and the Manapouri tunnel project) were resolved.

Pro Forma Results

For the 12 months period ended 30 June 2001, revenues were $2,273 million, a reduction of 4% on the previous 12 months period. Net profit after tax and minorities was $34 million before unusual items, and a loss of $272 million after unusual items. This result was affected by $181 million of unusual items plus the write off of tax benefits of $125 million.

Winstone Wallboards and Golden Bay Cement performed well throughout the year. Construction, Housing and Distribution improved significantly in the June quarter. Steel, Aluminium and the South American businesses had disappointing results.

Results

Period Ended **NZ$million**	**"Trading Period" June 2001**	**Pro Forma 12 months June 2001**	**Pro Forma 12 months June 2000**
Operating Revenue	**696**	**2273**	**2380**
EBIT Before Unusuals	**42**	**94**	**170**
Cash Flow From Operations	**159**	**251**	**133**
Net Earnings Before Unusual Items	**22**	**34**	**106**
Net Earnings	**19**	**(272)**	**63**
Return on Permanent Capital before unusual items**	**17***	**10**	**16**
Basic EPS Before Unusual Items (cents)	**18.2***	**5.2**	**27.5**

* *Annualised*
** *Permanent Capital has been increased by the revaluation reserve created at 30 June 2001*

- EBIT = Earnings Before Interest and Taxation
- Return on Permanent Capital = EBIT Before Unusuals/Net Debt less Deferred Tax Benefit plus Equity and Capital Funds at Book Value

OPERATIONAL REVIEW

The Company has adopted a segmental reporting basis in line with its organisational structure of four divisions - Building Products and Steel; Distribution; Concrete; and Construction, Property and Housing. This segmentation differs from that of previous years and the corresponding numbers have been adjusted accordingly. The following operational comments reflect on the full 12 months of activity.

Building Products and Steel

The Building Products business units all experienced a difficult year owing to the drop in residential activity in New Zealand and the even sharper fall in Australia. While some benefit was derived from an increase in activity in the last three months of the year, increased energy costs offset some of this gain.

Winstone Wallboards maintained market share, and a 12% drop in sales volume was offset by increased revenues from better product mix and price increases.

Fletcher Wood Panels was adversely affected by falling international MDF prices, increasing resin and transport costs, and domestic market weakness. This more than offset an increase in export receipts generated by the weaker New Zealand dollar.

Fletcher Aluminium experienced a drop in market share owing to the difficulties experienced in introducing a new door and window suite, and a further drop in sales due to lower residential activity.

Overall Building Products revenues declined by 5% and EBIT by 22% for the 12 months to 30 June 2001.

Steel volumes were at a record high as export orders increased, aided by a weaker NZ dollar. Domestic prices were weak however, and extraordinarily high energy prices in the last quarter of the year affected margins adversely, especially in steel manufacturing. Pacific Coilcoaters maintained similar domestic volumes to the previous year, while EasySteel's demand was adversely affected by the flow on effect of reduced demand for the products of some of its key customers. Dimond, the metal roofing business, faced increased local competition. Overall, Steel revenue increased by 3% while EBIT declined 55%.

Distribution

Despite the drop in residential demand, Distribution including the results of the Joint Venture operations, performed credibly to hold its revenues to 95% of the previous year assisted by a small overall increase in cash sales. Margins improved by 0.5% of sales through internal efficiency measures. The total number of PlaceMakers stores reduced by 2 to 47, of which 40 are joint ventured. The Building Depot maintains 10 outlets.

Concrete

Revenues were up by 3% in New Zealand; however, there are sharp regional discrepancies, with rural areas performing strongly and the Auckland market weak in all product groups.

Golden Bay Cement achieved its highest ever New Zealand sales volumes despite the Auckland downturn.

Earnings in all business were affected by margin pressure, both in terms of average selling prices and costs, particularly for energy and transportation. The severe downturn in subdivision work in the upper North Island has had a significant effect on pipe volumes for Humes, while Winstone Aggregates suffered a period of disruption and high costs as it moved its principal activities away from Lunn Avenue to its South Auckland quarries.

Results from the South American operations were poor owing to weak demand and margins. The economies of both Peru and Bolivia remain in recession, but hopefully the resolution of the Peruvian presidential elections last month will see an increase in confidence and investment in that economy. The situation in Bolivia remains extremely difficult with little likelihood of a short-term economic turnaround. Management changes were made in both countries during the year.

In India, the 50% joint venture continued to grow its readymix market and recorded a small profit at the EBIT level.

Construction, Property & Housing

Revenues declined by 7% on the previous year but earnings were strong in the core markets of New Zealand and the South Pacific. Australian operations had a positive trading result, but were hampered by the costs of finalising the last of the major claims left from the restructuring in 1996.

Residential sales volumes and margins were down by approximately 4% on the previous year. The last quarter saw a lift in market activity which has been sustained into the new financial year.

Good progress was made in the second half of the year, in selling off the remainder of the Company's surplus property portfolio. The book value of the property portfolio now stands at $32 million.

FINANCIAL REVIEW

Despite the difficult trading year, cash generation through working capital reductions, construction progress payments and improved earnings in the "Trading Period" was encouraging. Fletcher Building's ratio of debt to total capitalisation (debt to debt plus equity and capital funds at book value) reduced to 25.8% from 33.4%, the equivalent ratio at June 2000. Interest cover (EBITDA before unusual items / interest paid) for the "Trading Period" was 7.4 times.

The return on permanent capital (excluding unusual items) for the "Trading Period" was 17% on an annualised basis. This compares with the return for the 12 months ended June 2001 and June 2000 of 10%, and 16% respectively.

While there was a net loss after tax and minorities for the 12 months ended 30 June 2001 of $272 million, this result was affected by a number of adverse adjustments:

	$million
Restructuring and Separation Costs	43
Permanent Impairment	101
Australian Co-generation Settlement	37
Unusual Items	**181**
Taxation Adjustments	125
Total Adjustments	**306**

The above adjustments were advised to the market in the Fletcher Challenge Building interim results, the Fletcher Building Information Memorandum of 30 January 2001, and the Fletcher Building financial reporting and unusual items release on 17 May 2001. In summary:

- The restructuring and separation costs of $43 million relate to the dismantling of the Fletcher Challenge Group targeted share structure.
- Permanent impairment relates primarily to concrete operations in New Zealand ($17 million) and South America ($70 million) following a full review. The balance relates to freehold properties written down as a result of local authority planning decisions and review of head lease exposures.
- The taxation adjustments arise as a consequence of the transfer of tax benefits to Fletcher Challenge Energy for fair value, and the write off of other tax benefits attributed to Fletcher Challenge Building which no longer exist after separation less the tax benefit on the unusual items.

Revaluation

On the acquisition of the assets of Fletcher Challenge Limited – Building Operations, the Directors have adopted a policy to revalue land, buildings and plant and machinery in accordance with FRS 3 "Accounting for Property, Plant and Equipment". These valuations have been prepared by independent and suitably qualified Valuers and have resulted in an uplift of $91 million in the value of these assets, a net transfer to the Revaluation Reserve of $73 million and a reduction in the deferred tax asset of $18 million.

Dividend

The Directors have declared a final dividend of 6 cents per share, bringing total dividends for the year to 12 cents per share. The dividend will carry full tax credits, details of which are attached.

In addition, Capital Notes interest of $5 million after tax was paid during the "Trading Period", and $16 million after tax for the full year.

STRATEGIC AND OPERATIONAL DEVELOPMENTS

Whilst some of the benefits of separation are already apparent, the period leading up to separation was disruptive and contributed to the poor earnings in the nearly nine months period to 23 March 2001. Since March, operational improvements have been aided by stability and certainty, a board of directors totally focused on operational performance and strategy, and a new chief executive leading management's drive to reduce costs and working capital, and to hone the diverse business portfolio. Major construction claims relating to the Manapouri Tailrace Tunnel and the Victorian co-generation plants were also finalised.

Subsequent to balance date, the assets of the Fletcher Aluminium Distribution Centres, which handled predominantly non-building industry products, were sold to the Ullrich Aluminium Company. The core business, comprising aluminium Windows and Doors has been retained. In addition, the Lunn Avenue quarry, in which the Company had a 50% interest, was sold for $38 million in July 2001, with settlement due in November 2001.

OUTLOOK

Comments in the Outlook section, about anticipated market conditions, earnings and activities, are forward-looking and are made pursuant to the safe harbour provisions of the US Private Securities Litigation Reform Act of 1995. Reference can be made to the Operational Review sections of this announcement for an explanation of the factors that could cause actual results to differ materially from those expressed in this section.

Directors expect demand in Fletcher Building's major markets of New Zealand and South America to remain subdued for at least the remainder of this calendar year. Fletcher Building is 50% hedged for its electricity supply but the current significant increases in electricity costs in the energy intensive businesses of Steel, Aluminium and Cement will continue to affect earnings. In addition, earlier oil price rises continue to affect transport and resin costs. However, the backlog in Construction is very satisfactory and the improvements of the last quarter will benefit the next half year.

Provided there is no deterioration in economic activity and the electricity problems are resolved in the short-term, earnings before interest, depreciation and tax for the half year should be comfortably ahead of the same period last year.

The company will consider replacing Capital Notes with normal debt funding as the opportunity arises which will lead to a reduction in reported NPAT through higher funding costs but this would be more than offset by a reduction in Capital Notes distribution.

It should also be noted that the revaluation of assets on acquisition from Fletcher Challenge will add to depreciation. The after tax impact of this is expected to reduce NPAT in the order of $5 million in the next year.

Details on Fletcher Building and its operations can be viewed at the Fletcher Building World Wide Web site at:
http://www.fletcherbuilding.com

Segmental Report

	Turnover			EBIT		
	"Trading Period"	Pro Forma		"Trading Period"	Pro Forma	
	Jun-01	12 mths Jun-01	12 mths Jun-00	Jun-01	12 mths Jun-01	12 mths Jun-00
Total Building Products and Steel	**232**	**840**	**852**	**16**	**58**	**87**
Distribution	**45**	**171**	**223**	**4**	**6**	**8**
Total Concrete	**142**	**454**	**438**	**15**	**31**	**56**
Total Construction & Property & Housing	**277**	**808**	**858**	**9**	**5**	**18**
Corporate			**9**	**-2**	**-6**	**1**
Total Pre Unusual Items	**696**	**2273**	**2380**	**42**	**94**	**170**
Unusual Items						
Permanent Impairment				-2	-101	-10
Other Losses					-37	-30
Restructuring & Separation Costs				-3	-43	-3
Total EBIT After Unusuals				**37**	**-87**	**127**
Funding Costs				-9	-36	-34
Earnings Before Tax				**28**	**-123**	**93**
Taxation On Earnings				-10	-23	-31
Taxation Adjustment				2	-125	
Earnings After Tax				**20**	**-271**	**62**
Minority Interests				-1	-1	1
Net Earnings				**19**	**-272**	**63**

DIVIDEND SUMMARY

DIVIDEND PROCEDURE

Resident shareholders have their dividends fully credited with Dividend Withholding Payment credits. Dividends paid to non resident shareholders are credited with Conduit Tax Relief ("CTR") credits. Non resident shareholders receive an additional dividend equal to the amount of the CTR credits attached to their ordinary dividends. The additional dividends are paid at the same time as the ordinary dividends. Both the additional dividends and the ordinary dividends are subject to 15 per cent New Zealand non resident withholding tax. Resident shareholders are not eligible to receive CTR credits.

	NZ cents per share
New Zealand resident shareholder (plus DWP credits)	**6.0000**
Non resident shareholder	6.0000
Conduit Tax Relief Additional Dividend	2.9552
	8.9552
Less 15% non resident withholding tax	1.3433
Net Dividend for non resident shareholder	**7.6119**
American Depositary Receipt Holder (ADR)	**76.119**

As individual shareholders circumstances may differ, the above New Zealand tax and non resident withholding tax calculations are a guide only.

KEY DIVIDEND DATES

Shares quoted cum dividend on New Zealand Stock Exchange until close of business 9 November 2001. Dividend entitlement date: 9 November 2001. Payment date: 27 November 2001.

Shares quoted cum dividend on Australian Stock Exchange until close of business 1 November 2001. Dividend entitlement date: 9 November 2001. Payment date: 27 November 2001.

ADRs quoted cum dividend on New York Stock Exchange until close of business 7 November 2001. Dividend entitlement date: 9 November 2001. Payment date 28 November 2001.

DIVIDEND REINVESTMENT PLAN

A dividend reinvestment plan will be operative for dividends paid by Fletcher Building, including this dividend. Documentation for participation in the plan for eligible shareholders will be forwarded with the Annual Report in October 2001.