MANAGEMENT COMMENTARY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Strong New Zealand trading conditions drive underlying earnings growth

Reported Results			Six months ended 31 December
NZ$m (except EPS and DPS)	**2014**	**2013**	**Change %**
Total revenue	**4,327**	4,273	1%
Operating earnings ('EBIT')	**224**	281	(20%)
Funding costs	(66)	(72)	(8%)
Earnings before tax	**158**	209	(24%)
Tax expense	(40)	(50)	(20%)
Earnings after tax	**118**	159	(26%)
Non-controlling interests	(4)	(5)	(20%)
Net earnings	**114**	154	(26%)
Earnings per share (EPS - cents)	**16.6**	22.4	(26%)
Dividends declared per share (DPS - cents)	**18.0**	18.0	0%
Capital expenditure	**116**	97	20%

			Six months ended 31 December
NZ$m	**2014**	**2013**	**Change %**
Operating earnings before significant items[1]	**290**	**281**	**3%**
Significant items[2]	(66)	-	NM
Reported operating earnings	224	281	(20%)

- Revenue for the period of $4,327 million was $54 million higher than the prior corresponding period;
- Operating earnings before significant items were $290 million, 3% higher than the prior corresponding period;
- Operating earnings after significant items of $224 million were $57 million lower than the prior corresponding period;
- Significant items of $66 million (December 2013: nil) were recognised during the period;
- Net earnings were $114 million, down from $154 million in the prior corresponding period;
- Net earnings before significant items were $171 million, up 11%;
- Cash flow from operations was $146 million, down from $179 million in the prior period mainly due to increased residential land purchases and the acquisition of the group's head office building in Auckland;
- Basic earnings per share were 16.6 cents, down from 22.4 cents. Earnings per share before significant items were 24.9 cents, up 11%;
- Interim dividend of 18.0 cents per share.

[1] Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the six months ended 31 December 2014.

[2] Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Financial Results

	Six months ended 31 December		
	External revenue		
NZ$m	**2014**	**2013**	**Change**
Heavy Building Products	863	950	(9%)
Light Building Products	601	597	1%
Laminates & Panels	904	866	4%
Distribution New Zealand	780	725	8%
Distribution Australia	446	476	(6%)
Construction	733	659	11%
Total revenue	**4,327**	**4,273**	**1%**

	Six months ended 31 December					
	Reported operating earnings			Operating earnings before significant items[1]		
NZ$m	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Heavy Building Products	49	90	(46%)	74	90	(18%)
Light Building Products	42	51	(18%)	51	51	0%
Laminates & Panels	57	53	8%	57	53	8%
Distribution New Zealand	27	41	(34%)	43	41	5%
Distribution Australia	6	8	(25%)	6	8	(25%)
Construction	63	56	13%	79	56	41%
Corporate	(20)	(18)	11%	(20)	(18)	(11%)
Total	**224**	**281**	**(20%)**	**290**	**281**	**3%**
Funding costs	(66)	(72)	(8%)	(66)	(72)	(8%)
Earnings before tax	**158**	**209**	**(24%)**	**224**	**209**	**7%**
Tax expense	(40)	(50)	(20%)	(49)	(50)	(2%)
Earnings after tax	**118**	**159**	**(26%)**	**175**	**159**	**10%**
Non-controlling interests	(4)	(5)	(20%)	(4)	(5)	(20%)
Net earnings	**114**	**154**	**(26%)**	**171**	**154**	**11%**

[1] Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Financial Results
continued

Geographic segments						Six months ended 31 December
			External revenue			Operating earnings before significant items[1]
NZ$m	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
New Zealand	2,140	2,012	6%	200	167	20%
Australia	1,611	1,720	(6%)	49	77	(36%)
Rest of World	576	541	6%	41	37	11%
Total	**4,327**	**4,273**	**1%**	**290**	**281**	**3%**

Geographic segments in local currency						Six months ended 31 December
			External revenue			Operating earnings before significant items[1]
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
Australia (A$m)	1,471	1,515	(3%)	45	68	(34%)
Rest of World (US$m)	469	436	8%	33	30	10%

All comparisons are with the prior corresponding six months to 31 December 2013, unless otherwise stated.

- Revenue for the period of $4,327 million was $54 million or 1% higher. Revenue growth was adversely impacted by the sale of Pacific Steel in June 2014 and Hudson Building Supplies in September 2014. Excluding the revenue of these businesses, the group's revenue would have been $4,173 million, up $108 million or 3% from $4,065 million.

- Reported operating earnings before interest and tax ('EBIT') of $224 million were lower than the $281 million in the prior corresponding period.

- Reported operating earnings include significant items of $66 million relating to site closure costs and impairment of goodwill.

  - Site closure costs of $34 million were incurred in the period relating to the closure of the Crane Copper Tube business, along with the closure of manufacturing facilities at Stramit, Humes Pipelines and Tasman Insulation.

  - Following a review of the Forman business during the period, goodwill has been reduced by $32 million, reflecting the future earnings prospects of the business.

- Operating earnings before significant items were $290 million, 3% higher than $281 million in the prior corresponding period.

- The result was driven by continued strong activity levels in New Zealand and improvements in the residential sector in Australia, partly offset by subdued Australian infrastructure and mining activity and mixed conditions in Europe and Asia.

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- In New Zealand revenues and earnings benefitted from higher activity levels across most market segments. Operating earnings before significant items were up 20%. Volumes were up across all major business units due to increased infrastructure and commercial construction activity, coupled with strong residential markets. Consents for new houses in New Zealand of 24,680 increased 16%, the highest level since 2007.

- In Australia businesses exposed to the residential sector experienced improvements in activity levels. Residential consents increased 12% to 200,814 with standalone house consents up 14% and multi residential up 9%. However, infrastructure and mining activity was subdued, which led to an overall decline in operating earnings of the group's Australian operations.

- Rest of World operating earnings before significant items increased 10% in domestic currency, however, results varied geographically and across businesses. Volumes in Formica North America increased but were down in the roofing business due to weaker demand drivers and increasing competition in the Southern States. Softening demand and market activity negatively impacted China but the other main Asian markets remained strong. European activity levels were mixed with Eastern Europe negatively impacted by the recent conflict in the area.

- The FBUnite business transformation programme achieved benefits of $14 million during the period, made up of $3 million in property savings and $11 million in procurement savings.

- Funding costs of $66 million were 8% lower. The reduction is primarily due to the strengthening New Zealand dollar resulting in a reduction in translated interest costs.

- The tax expense of $40 million is down from $50 million in the prior corresponding period. The decrease is a consequence of a $9 million tax impact of the significant expense items described above. The reported effective tax rate for the period was 25%, however, as there is no tax benefit on the goodwill impairment charge, excluding significant items the effective tax rate was 22% (2013: 24%).

- Earnings per share were 16.6 cents, a decrease of 26% from 22.4 cents per share in the prior corresponding period. Earnings per share before significant items were 24.9 cents, an increase of 11%.

Segmental Operational Review

The following sections provide a commentary on individual division results for the six months ended 31 December 2014.

Heavy Building Products

NZ Concrete Products; NZ Cement & Quarry Products; Australian Concrete Products; Australian Quarry Products; Plastic Pipes; Steel & Other

	Six months ended 31 December			
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	863	950	(87)	(9%)
Operating earnings before significant items[1]	74	90	(16)	(18%)
Significant items	(25)	-	(25)	NM
Operating earnings	49	90	(41)	(46%)
Funds	1,676	1,719	(43)	(3%)

	Six months ended 31 December		
	Operating earnings before significant items[1]		
NZ$m	**2014**	**2013**	**Change**
NZ Concrete Products	26	16	63%
NZ Cement and Quarry Products	31	20	55%
Australian Concrete Products	4	14	(71%)
Australian Quarry Products	8	10	(20%)
Plastic Pipes	(3)	21	NM
Steel and other	8	9	(11%)
Total	74	90	(18%)

Heavy Building Products reported operating earnings were $49 million, compared with $90 million in the prior corresponding period. The result includes significant items of $25 million relating to the closure of the Crane Copper Tube factory in Penrith ($19 million) and a concrete pipe plant in New Zealand ($6 million). Overall, revenues were down for the period with increased volumes and revenues in New Zealand more than offset by lower revenues in Australia.

Operating earnings before significant items of the New Zealand Concrete Products businesses increased by 63% to $26 million. Ready-mix concrete volumes were up 17% and concrete pipes were up 10% due to the buoyant Auckland residential market and demand from major infrastructure projects.

The New Zealand Cement and Quarry Products businesses recorded a 55% increase in operating earnings to $31 million. This was primarily due to increased domestic cement volumes of 13% and aggregates volumes of 7%. There was growth in demand in most regions for cement and strong growth for aggregates, particularly in Christchurch.

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Segmental Operational Review
continued

Operating earnings in Australian Concrete Products declined as a result of lower volumes particularly in the infrastructure and mining sectors. Australian Quarry Products volumes were broadly in line with the previous corresponding period, with operating earnings adversely impacted by product mix.

The Plastic Pipes businesses recorded a $3 million operating loss. The Australian business was heavily impacted by increased competition and a marked reduction in demand from coal seam gas projects. Lifting performance is a key focus for the second half and beyond, including reducing the cost base and improving the competitiveness of the business. New Zealand plastic pipe volumes were in line with the prior period.

Light Building Products

NZ Building Materials; Australian Building Materials; Roofing

	Six months ended 31 December			
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	601	597	4	1%
Operating earnings before significant items[1]	51	51	-	0%
Significant items	(9)	-	(9)	NM
Operating earnings	42	51	(9)	(18%)
Funds	614	647	(33)	(5%)

	Six months ended 31 December		
	Operating earnings before significant items[1]		
NZ$m	**2014**	**2013**	**Change**
NZ Building Materials	39	37	5%
Australian Building Materials	8	5	60%
Roof Tile Group	4	9	(56%)
Total	51	51	0%

Light Building Products operating earnings excluding significant items were $51 million. Significant items of $9 million were incurred relating to the closures of the Christchurch glasswool insulation plant and a Sydney insulated panels plant.

Revenue in New Zealand and Australia grew by 2% but was partly offset by a 10% decline in revenue in the Roof Tile Group, principally in North America and Europe.

Operating earnings excluding significant items in the New Zealand Building Materials businesses increased by $2 million. Plasterboard volumes increased in line with construction activity and prices were generally stable. Insulation operating earnings improved due to higher sales of foil and laminate products. The windows and doors business recorded an 8% increase in volumes.

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Segmental Operational Review
continued

Operating earnings excluding significant items in the Australian Building Materials businesses increased by $3 million. Glasswool insulation volumes were 12% higher due to improved economic activity and market share increases, and earnings also benefitted from restructuring initiatives. Roll-forming volumes were slightly ahead due to stronger residential volumes in New South Wales and an improved market position in Victoria. Margins in roll-forming have declined due to increased operating costs.

Operating earnings in the Roof Tile Group fell by $5 million, primarily due to volume declines in the key markets of North America and Europe. North America has suffered from increasing competition in Southern States and Eastern European demand was adversely affected by both economic and political instability. Asian and African markets grew by 9% with new product success in Japan and continued strength in African markets.

Laminates & Panels

Formica and Laminex

	Six months ended 31 December			
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	904	866	38	4%
Operating earnings	57	53	4	8%
Funds	1,785	1,746	39	2%

	Six months ended 31 December		
	Operating earnings		
NZ$m	**2014**	**2013**	**Change**
Laminex NZ and Australia	37	27	37%
Formica	20	26	(23%)
Total	57	53	8%

Operating earnings for Laminates & Panels were $57 million, up 8% from $53 million in the prior corresponding period. Revenue was up 4%.

Laminex operating earnings were $37 million up by 37% from $27 million. Revenues were 8% higher than the prior corresponding period. Australian revenues in domestic currency were 10% higher, driven by increased activity in the residential and commercial sectors as well as product growth initiatives, such as engineered stone. New Zealand revenues were up 6% on the prior corresponding period.

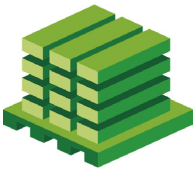
Competitive pressures remained strong and the business continued its program of operational and cost productivity whilst pursuing a number of revenue and margin initiatives.

Operating earnings for Formica were $20 million, down 23%. Revenue in domestic currencies was up 3% on the prior corresponding period.

In North America revenue in domestic currencies was up by 2%, while operating earnings in domestic currencies were up 17%, driven by improved margins and further operational and efficiency gains.

Revenues in Asia were up 4% in domestic currencies, however, operating earnings were down 35%, being adversely impacted by competitive pressure on margins from softening demand and market activity in China, as well as costs associated with the ramp-up in operations at the new plant in Jiujiang.

Revenues in Europe in domestic currencies rose by 2%, however, the operating loss was slightly higher. Activity levels varied significantly by country with improvements in Spain and Scandinavia, while Central Europe saw further declines, and demand in the UK was relatively flat. Furthermore, the recent conflict in Eastern Europe coupled with Western sanctions saw a large fall in demand from this region.



Distribution New Zealand

Building Supplies; Steel Distribution

	Six months ended 31 December			
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	780	725	55	8%
Operating earnings before significant items [1]	43	41	2	5%
Significant items	(16)	-	(16)	NM
Operating earnings	27	41	(14)	(34%)
Funds	309	318	(9)	(3%)

	Six months ended 31 December		
	Operating earnings before significant items [1]		
NZ$m	**2014**	**2013**	**Change**
Building Supplies	29	26	12%
Steel Distribution	14	15	(7%)
Total	43	41	5%

Distribution New Zealand operating earnings were $27 million. The result included a significant item of $16 million relating to an impairment of goodwill in the Forman Distribution business. Operating earnings excluding significant items were $43 million, 5% higher than the prior corresponding period.

Building Supplies revenues of $641 million were 8% higher than the prior corresponding period, due to ongoing positive trading conditions in PlaceMakers and Mico. Operating earnings excluding significant items were up 12% to $29 million. Competitive pressures capped margins, but this was offset by operational efficiencies and category mix changes. Mico contributed positively to operating earnings following an operating loss in the same period last year.

During the period one new PlaceMakers branch and one new frame and truss plant were opened to cater for increased demand. In addition four Mico and PlaceMakers branches were co-located leading to an enhanced customer offering whilst delivering operational efficiencies.

Steel Distribution revenues of $139 million were 7% higher driven by strong customer demand for steel products and steel reinforcing solutions. Operating earnings were down due to manufacturing issues experienced at Pacific Coil Coaters, partially offset by increased earnings in Easysteel and Fletcher Reinforcing.

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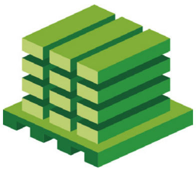
Segmental Operational Review
continued



Distribution Australia
Tradelink

			Six months ended 31 December	
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	446	476	(30)	(6%)
Operating earnings	6	8	(2)	(25%)
Funds	395	421	(26)	(6%)

For comparative purposes the results of the Australian distribution business are presented in Australian dollars below.

			Six months ended 31 December	
A$m	**2014**	**2013**	**Change**	**Change %**
Revenue	407	419	(12)	(3%)
Operating earnings	5	7	(2)	(29%)
Funds	378	388	(10)	(3%)

Australian Distribution reported operating earnings were NZ$6m, down from NZ$8m in the prior corresponding period, primarily due to the sale of the Hudson Building Supplies business during the period.

Revenue in domestic currency was 3% down on the prior year, reflecting the current period divestment. The Tradelink business recorded a 4% increase in revenues as a result of business initiatives and improved residential and commercial building activity. Over the last 18 months, Tradelink has refocused and aligned its resources to deliver an improved proposition to the trade customer. This has resulted in new and improved plumbing products being introduced to the market place, along with better stock availability and in store service and convenience. These initiatives have led to improved sales excellence, higher gross margins and a significant increase in customer satisfaction.

Construction
Construction; Housing

			Six months ended 31 December	
NZ$m	**2014**	**2013**	**Change**	**Change %**
Revenue	733	659	74	11%
Operating earnings before significant items [1]	79	56	23	41%
Significant items	(16)	0	(16)	NM
Operating earnings	63	56	7	13%
Funds	190	134	56	42%

[1] Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Segmental Operational Review
continued

	Six months ended 31 December		
	Operating earnings before significant items [1]		
NZ$m	2014	2013	Change
Construction	46	28	64%
Housing	33	28	18%
Total	79	56	41%

Construction division operating earnings for the six months ended 31 December 2014 were $63 million, an increase of $7 million on the prior corresponding period. The result includes a significant item of $16 million relating to the impairment of goodwill in the Forman Contracting business. Operating earnings excluding significant items were $79 million, an increase of 41% on the prior corresponding period.

The increase in underlying earnings reflects strong performance across New Zealand and the South Pacific in the winning and delivery of infrastructure and building projects, as well as continued growth in the volume and value of residential homes constructed and sold.

All the construction businesses experienced growth in the period, with an overall 64% increase in operating earnings before significant items. The Infrastructure, Building & Interiors and South Pacific businesses continued to deliver on a number of significant projects, including the Waterview Tunnel in Auckland, MacKays to Peka Peka Expressway on the Kapiti Coast, Justice Precinct in Christchurch and the University of Auckland Science Centre.

The backlog of work has increased by $200 million since June 2014 to $2 billion, with major additions including the Kirkbride Rd Interchange (Auckland), Momi Resort (Fiji), Victoria University Gateway Building and University of Canterbury Research, Science and Innovation Centre.

As project manager for the Earthquake Commission (EQC) in Canterbury, Fletcher Construction has now completed over 65,000 home repairs. The current commercial arrangement with EQC expires in April 2015, however, EQC have confirmed that Fletcher Construction will complete the remaining delayed claims, post April 2015.

Housing recorded an 18% increase in operating earnings to $33 million. Market demand continues to be strong and a greater range of home locations and price points were introduced over the period. Fletcher Living is looking to treble its volume of property sales over the next three years. A number of major consent processes are underway, including the redevelopment of the quarry at Three Kings, Manukau Golf course and a number of Special Housing Areas in Auckland. In Christchurch, agreement was reached with the government to build over 200 residential properties, and further opportunities to work with the government on future housing developments are being pursued.

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Group Cash Flow

NZ$m	Six months ended 31 December 2014	2013	Change
Operating earnings before significant items [1]	**290**	**281**	**9**
Depreciation and amortisation	103	104	(1)
Less cash tax paid	(29)	(32)	3
Less interest paid	(63)	(66)	3
Other non-cash adjustments	(19)	(20)	1
Results from operations before working capital movements	**282**	**267**	**15**
Land inventory purchases	(100)	(4)	(96)
Other working capital movements	(36)	(84)	48
Cash flows from operating activities	**146**	**179**	**(33)**

Detailed disclosure of the above line items is included in Fletcher Building Limited's interim financial statements which have been released with this Management Commentary.

Cash flows from operating activities of $146 million were $33 million lower than the prior corresponding period, however, cash flows from operations before net working capital movements were $282 million, up from $267 million. The increase before net working capital movements was more than offset by the cash impacts of further residential land acquisitions in Auckland for future development ($57 million) and the purchase of the group's head office campus in Auckland ($43 million). The latter is included as a 'held for sale' current asset pending planned marketing initiatives to sell and lease back the property.

Capital expenditure

NZ$m	Six months ended 31 December 2014	2013	Change
Capital expenditure	116	97	19

Capital expenditure was $116 million, compared with $97 million in the prior corresponding period. Of this total, $72 million was for stay-in-business capital projects, including $13 million on major IT projects and $44 million related to new growth initiatives.

For the 2015 full financial year capital expenditure is expected to be at the lower end of the guidance range of $275 million to $325 million.

Funding

Total available funding as at 31 December 2014 was $2,396 million. Of this, approximately $543 million was undrawn and there was an additional $124 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $228 million and a further $74 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and available cash.

The group's gearing[1] at 31 December 2014 was 34.1% compared with 33.1% at 31 December 2013. This is within the target range of 30-40%.

[1] Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity

The group's leverage[2] at 31 December 2014 was 2.28 times compared with 2.22 times at 31 December 2013. This is within the target range of 2.0-2.5 times.

The average maturity of the debt is 4 years and the hedged currency split is 44% Australian dollar; 37% New Zealand dollar; 11% US dollar; and 8% spread over various other currencies.

Approximately 51% of all borrowings have fixed interest rates with an average duration of 3.3 years and a rate of 6.96%. Inclusive of floating rate borrowings, the average interest rate on the group's debt is approximately 6.02%.

Interest coverage[3] for the period was 4.4 times compared with 3.9 times in the previous corresponding period.

Dividend

The 2015 interim dividend is 18 cents per share. The dividend will not be franked for Australian tax purposes and will not be imputed for New Zealand tax purposes. Accordingly, a supplementary dividend will not be payable to non-New Zealand shareholders.

Due to the reduction in Australian earnings, there are insufficient Australian franking credits available for distribution with the 2015 interim dividend. However, in line with the group's tax crediting policy, the 2015 final dividend is expected to be fully imputed for New Zealand tax purposes.

The dividend will be paid on 15 April 2015 to holders registered as at 5.00 pm Friday 27 March 2015 (NZT). Shares will be quoted on an ex-dividend basis from 25 March 2015 on the NZX and ASX.

A dividend summary is provided overleaf.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will be operative for this dividend payment. Shareholders can elect to participate in the plan by visiting the Computershare Investor Centre at www.investorcentre.com/nz and completing an electronic Participation Notice. Alternatively, documentation for participation is available from the share registry or the company's website at www.fbu.com. Applications to participate must be received by the registry before 5pm Monday 30 March 2015.

There will be no discount to the price applied to ordinary shares issued under the Dividend Reinvestment Plan. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 25 March 2015. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 15 April 2015.

[2] Interest bearing net debt (including capital notes) to EBITDA before significant items (annualised)

[3] EBIT before significant items to total interest paid including capital notes interest

2015 Interim Dividend Summary Table[1]

NZ cents per share	NZ Residents on Top of Marginal Tax Rate of 33%	Australian Residents on Top Marginal Tax Rate of 49%	Australian Residents on 15% Tax Rate	Other Non Residents[8]
Dividend declared	18.0000	18.0000	18.0000	18.0000
NZ imputation credits[2]	0.0000			
NZ supplementary dividend[3]		0.0000	0.0000	0.0000
Australian franking credits[4]		0.0000	0.0000	
Gross dividend for NZ tax purposes	**18.0000**	**18.0000**	**18.0000**	**18.0000**
NZ tax (33%)[5]	(5.9400)			
NZ non-resident withholding tax (15%)[6]		(2.7000)	(2.7000)	(2.7000)
Net cash received after NZ tax	**12.0600**	**15.3000**	**15.3000**	**15.3000**
Australian tax (49% and 15%)[7]		(8.8200)	(2.7000)	
Reduced by offset for NZ non-resident withholding tax		2.7000	2.7000	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**12.0600**	**9.1800**	**15.3000**	**15.3000**

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. No imputation credits are attached to this dividend.
3. A supplementary dividend is only payable to non-New Zealand shareholders if the dividend is fully or partly imputed. It has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT) on that part of the dividend which has imputation credits attached. As noted above, no imputation credits are attached to this dividend. Accordingly, no supplementary dividend is payable.
4. There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.
5. For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33%. Accordingly, for those shareholders, a deduction of 5.94 cents per share will be made on the date of payment from the dividend declared of 18.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a credit for the difference between the 33% RWT deduction and their marginal tax rate.
6. NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.
7. This summary uses two examples of the effect of tax in Australia. The first uses the top marginal tax rate of 49%, including the Medicare levy and the Temporary Budget Repair Levy. The second example 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:	49% rate	15% rate
gross dividend for NZ tax purposes	18.0000	18.0000
plus franking credits	0.0000	0.0000
gross dividend for Australian tax purposes	18.0000	18.0000
Australian tax	8.8200	2.7000

8. This illustration does not purport to show the taxation consequences of the dividend for non-residents of New Zealand or Australia. Shareholders resident in other countries are encouraged to consult their own taxation adviser.

Business Transformation Update and Outlook

Update on Business Transformation Programme

Good progress continued to be made during the period in implementing the various FBUnite business transformation initiatives. The FBUnite programme is now completely integrated with the company's operating model. Centralised functions for ICT, procurement, property and legal are now fully established and operational, and further progress was made in centralising financial shared services. Centres of excellence for manufacturing, supply chain, strategy, and health and safety have also been successfully established, and a sales and marketing centre of excellence is in the process of being formed.

Additional cost savings and efficiency benefits delivered in the half year to 31 December 2014 were approximately $14 million and the programme is on track to deliver a $25 million reduction in operating costs and efficiency benefits in total for the year.

It is still expected that the total benefits from FBUnite will be approximately $100 million per annum. FBUnite is, however, a multi-year programme, with individual work streams set to be completed within different timeframes such that this quantum of benefit will take several years to be fully realised.

Outlook

In New Zealand, the strong activity levels encountered in the first half of the year are expected to continue. Residential housing consents have remained above long-run averages due to the very strong net migration flows coupled with continued demand for new housing in Canterbury and Auckland. The outlook for commercial construction is encouraging with strong rises in consents recorded over the past six months, and expenditure on infrastructure projects will continue at current levels throughout 2015 and beyond.

In Australia, residential construction markets are expected to remain strong for the balance of the year. The non-residential outlook remains challenging with declining private sector mining investment and reduced near-term government expenditure on core road and rail infrastructure projects. Commercial construction activity is not forecast to lift materially from current levels.

North America is expected to track moderately higher in terms of residential and commercial construction activity levels. Conditions in Europe are expected to remain mixed with some markets improving but with a generally weak economic outlook and the risk of further instability in Eastern Europe.

Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

In light of current challenging trading conditions in some of the group's businesses in Australia, to the extent that these conditions are either prolonged, or decline further, this could lead to future asset impairments of certain businesses. If so, such impairments would be non-cash and treated as significant items for the purposes of financial reporting.

Guidance for earnings for the 2015 financial year is unchanged from that provided in October 2014, with operating earnings (earnings before interest, tax and significant items) expected to be within the range of $650 million to $690 million. Due to the rapid deterioration in the mining and infrastructure sectors in Australia, operating earnings are expected to be towards the lower end of the guidance range.

Divisions

Division	Business Groupings	Key Businesses
Heavy Building Products		
	NZ Concrete Products	Firth Concrete Humes Pipelines
	NZ Cement & Quarry Products	Golden Bay Cement Winstone Aggregates
	Australian Concrete Products	Rocla Pipelines
	Australian Quarry Products	Rocla Quarries
	Plastic Pipes	Iplex (NZ & Australia)
	Steel & Other	Crane Copper Tube (Australia) Pacific Steel (NZ)
Light Building Products		
	NZ Building Materials	Dimond Fletcher Aluminium Tasman Insulation Winstone Wallboards
	Australian Building Materials	Fletcher Insulation Stramit Tasman Sinkware
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
Laminates & Panels		
	Formica	Formica Asia Formica Europe Formica North America Homapal (Europe)
	Laminex	Laminex NZ Laminex Australia
Distribution New Zealand		
	Building Supplies	PlaceMakers Mico Plumbing Forman Distribution
	Steel Distribution	Easysteel Fletcher Reinforcing Pacific Coil Coaters
Distribution Australia		
	Tradelink	Tradelink
Construction		
	Construction	Building + Interiors Infrastructure Earthquake Recovery South Pacific Forman Contracting
	Housing	Fletcher Living

Appendix:
Supplemental split of Divisional results

External revenue

Heavy Building Products

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
NZ Concrete Products	228	190	20%
NZ Cement and Quarry Products	104	95	9%
Australian Concrete Products	117	144	(19%)
Australian Quarry Products	55	54	2%
Plastic Pipes	238	323	(26%)
Steel and other	121	144	(16%)
Total	**863**	**950**	**(9%)**

Light Building Products

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
NZ Building Materials	165	160	3%
Australian Building Materials	350	342	2%
Roof Tile Group	86	95	(9%)
Total	**601**	**597**	**1%**

Laminates & Panels

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
Laminex NZ and Australia	476	440	8%
Formica	428	426	0%
Total	**904**	**866**	**4%**

Distribution New Zealand

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
Building Supplies	641	595	8%
Steel Distribution	139	130	7%
Total	**780**	**725**	**8%**

Distribution Australia

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
Distribution Australia	446	476	(6%)
Total	**446**	**476**	**(6%)**

Construction

External revenue (NZ$m)	2014	2013	Change
	Six months ended 31 December		
Construction	632	561	13%
Housing	101	98	3%
Total	**733**	**659**	**11%**

Appendix:
Supplemental split of Divisional results

Local currency results

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the reported results on the previous page.

Heavy Building Products — Six months ended 31 December

External revenue	2014	2013	Change
New Zealand (NZ$m)	464	427	9%
Australia (A$m)	361	454	(20%)
Rest of World (US$m)	3	6	(50%)

Light Building Products — Six months ended 31 December

External revenue	2014	2013	Change
New Zealand (NZ$m)	193	190	2%
Australia (A$m)	318	299	6%
Rest of World (US$m)	49	54	(9%)

Laminates & Panels — Six months ended 31 December

External revenue	2014	2013	Change
New Zealand (NZ$m)	54	51	6%
Australia (A$m)	385	343	12%
Rest of World (US$m)	349	344	1%

Distribution New Zealand — Six months ended 31 December

External revenue	2014	2013	Change
New Zealand (NZ$m)	780	725	8%

Distribution Australia — Six months ended 31 December

External revenue	2014	2013	Change
Australia (A$m)	407	419	(3%)

Construction — Six months ended 31 December

External revenue	2014	2013	Change
New Zealand (NZ$m)	649	619	5%
Rest of World (US$m)	68	32	113%

Appendix:
Supplemental split of Divisional results

Operating earnings before significant items[1]

Heavy Building Products — Six months ended 31 December

Operating Earnings [1] (NZ$m)	2014	2013	Change
NZ Concrete Products	26	16	63%
NZ Cement and Quarry Products	31	20	55%
Australian Concrete Products	4	14	(71%)
Australian Quarry Products	8	10	(20%)
Plastic Pipes	(3)	21	NM
Steel and other	8	9	(11%)
Total	**74**	**90**	**(18%)**

Light Building Products — Six months ended 31 December

Operating Earnings [1] (NZ$m)	2014	2013	Change
NZ Building Materials	39	37	5%
Australian Building Materials	8	5	60%
Roof Tile Group	4	9	(56%)
Total	**51**	**51**	**0%**

Laminates & Panels — Six months ended 31 December

Operating Earnings (NZ$m)	2014	2013	Change
Laminex NZ and Australia	37	27	37%
Formica	20	26	(23%)
Total	**57**	**53**	**8%**

Distribution New Zealand — Six months ended 31 December

Operating Earnings [1] (NZ$m)	2014	2013	Change
Building Supplies	29	26	12%
Steel Distribution	14	15	(7%)
Total	**43**	**41**	**5%**

Distribution Australia — Six months ended 31 December

Operating Earnings (NZ$m)	2014	2013	Change
Distribution Australia	6	8	(25%)
Total	**6**	**8**	**(25%)**

Construction — Six months ended 31 December

Operating Earnings [1] (NZ$m)	2014	2013	Change
Construction	46	28	64%
Housing	33	28	18%
Total	**79**	**56**	**41%**

[1] Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.

Appendix:
Supplemental split of Divisional results

Local currency results

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the reported results on the previous page.

Heavy Building Products — Six months ended 31 December

Operating Earnings[1]	2014	2013	Change
New Zealand (NZ$m)	72	54	33%
Australia (A$m)	1	32	(97%)
Rest of World (US$m)	1	0	NM

Light Building Products — Six months ended 31 December

Operating Earnings[1]	2014	2013	Change
New Zealand (NZ$m)	40	41	(2%)
Australia (A$m)	7	4	75%
Rest of World (US$m)	2	4	(50%)

Laminates & Panels — Six months ended 31 December

Operating Earnings	2014	2013	Change
New Zealand (NZ$m)	4	2	100%
Australia (A$m)	30	22	36%
Rest of World (US$m)	16	21	(24%)

Distribution New Zealand — Six months ended 31 December

Operating Earnings[1]	2014	2013	Change
New Zealand (NZ$m)	43	41	5%

Distribution Australia — Six months ended 31 December

Operating Earnings	2014	2013	Change
Australia (A$m)	5	7	(29%)

Construction — Six months ended 31 December

Operating Earnings[1]	2014	2013	Change
New Zealand (NZ$m)	64	52	23%
Rest of World (US$m)	12	3	NM

[1] Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the six months ended 31 December 2014. Details of the significant items incurred can be found in note 4 of the group's interim financial statements.