FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Fletcher Building Group

Consolidated income statement (unaudited)

NZ$m	Notes	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Sales		**4,327**	4,273	8,401
Cost of goods sold		**(3,268)**	(3,198)	(6,294)
Gross margin		**1,059**	1,075	2,107
Selling and marketing expenses		**(453)**	(485)	(929)
Administration expenses		**(320)**	(298)	(563)
Share of profits of associates and joint ventures		**12**	12	24
Other investment income		**-**	-	1
Other gains/(losses)	3	**(8)**	(23)	(16)
Significant items	4	**(66)**	-	(32)
Earnings before interest and taxation (EBIT)		**224**	281	592
Funding (costs)/income		**(66)**	(72)	(130)
Earnings before taxation		**158**	209	462
Taxation expense	5	**(40)**	(50)	(111)
Earnings after taxation		**118**	159	351
Earnings attributable to non-controlling interests		**(4)**	(5)	(12)
Net earnings attributable to the shareholders		**114**	154	339
Net earnings per share (cents)				
Basic		**16.6**	22.4	49.3
Diluted		**16.6**	22.4	49.2
Weighted average number of shares outstanding (millions of shares)				
Basic		**688**	686	687
Diluted		**688**	696	714
Dividends declared per share (cents)		**18.0**	18.0	36.0

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Fletcher Building Group

Consolidated statement of comprehensive income (unaudited)

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Net earnings attributable to shareholders	**114**	154	339
Net earnings attributable to non-controlling interests	**4**	5	12
Net earnings	**118**	159	351
Other comprehensive income			
Items that do not subsequently get reclassified to profit or loss:			
Movement in pension reserve	**-**	1	9
	-	1	9
Items that may be reclassified subsequently to profit or loss in the future:			
Movement in cash flow hedge reserve	**10**	12	9
Movement in currency translation reserve	**21**	(176)	(245)
	31	(164)	(236)
Income and expense recognised directly in equity	**31**	(163)	(227)
Total comprehensive income for the period	**149**	(4)	124

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Financial Statements
continued

Fletcher Building Group
Consolidated statement of movements in equity (unaudited)

NZ$m	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interests	Total equity
Total equity at 30 June 2013	2,606	1,078	1	(31)	(55)	(80)	3,519	35	3,554
Total comprehensive income for the period	-	154	-	12	(176)	1	(9)	5	(4)
Movement in non-controlling interests	-	-	-	-	-	-	-	(7)	(7)
Issue of shares	17	-	-	-	-	-	17	-	17
Dividends paid to shareholders of the parent	-	(117)	-	-	-	-	(117)	-	(117)
Movement in share-based payment reserve	-	-	10	-	-	-	10	-	10
Movement in treasury stock	1	-	-	-	-	-	1	-	1
Total equity at 31 December 2013	2,624	1,115	11	(19)	(231)	(79)	3,421	33	3,454
Total equity at 30 June 2013	2,606	1,078	1	(31)	(55)	(80)	3,519	35	3,554
Total comprehensive income for the year	-	339	-	9	(245)	9	112	12	124
Movement in non-controlling interests	-	-	-	-	-	-	-	(12)	(12)
Issue of shares	17	-	-	-	-	-	17	-	17
Dividends paid to shareholders of the parent	-	(240)	-	-	-	-	(240)	-	(240)
Movement in share-based payment reserve	-	-	10	-	-	-	10	-	10
Movement in treasury stock	1	-	-	-	-	-	1	-	1
Total equity at 30 June 2014	2,624	1,177	11	(22)	(300)	(71)	3,419	35	3,454
Total comprehensive income for the period	-	114	-	10	21	-	145	4	149
Movement in non-controlling interests	-	-	-	-	-	-	-	(17)	(17)
Dividends paid to shareholders of the parent	-	(124)	-	-	-	-	(124)	-	(124)
Movement in share-based payment reserve	-	-	1	-	-	-	1	-	1
Total equity at 31 December 2014	**2,624**	**1,167**	**12**	**(12)**	**(279)**	**(71)**	**3,441**	**22**	**3,463**

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Fletcher Building Group

Consolidated balance sheet (unaudited)

NZ$m	Notes	Dec 2014	Dec 2013	June 2014
Assets				
Current assets:				
Cash and deposits		**124**	145	134
Current tax assets		**44**	53	55
Derivatives		**10**	7	6
Debtors		**1,283**	1,214	1,401
Inventories		**1,411**	1,380	1,362
Assets held for sale		**43**	-	-
Total current assets		**2,915**	2,799	2,958
Non-current assets:				
Property, plant and equipment		**2,131**	2,153	2,126
Goodwill		**1,099**	1,158	1,122
Intangible assets		**478**	487	474
Investments in associates and joint ventures		**135**	127	133
Other investments		**63**	42	62
Derivatives		**83**	53	41
Deferred tax assets		**21**	24	25
Total non-current assets		**4,010**	4,044	3,983
Total assets		**6,925**	6,843	6,941

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Fletcher Building Group

Consolidated balance sheet (unaudited)

NZ$m	Notes	Dec 2014	Dec 2013	June 2014
Liabilities				
Current liabilities:				
Creditors and accruals		**1,118**	1,141	1,234
Provisions		**63**	54	54
Current tax liabilities		**16**	18	22
Derivatives		**15**	17	18
Construction contracts		**108**	77	130
Borrowings	6	**302**	174	138
Total current liabilities		**1,622**	1,481	1,596
Non-current liabilities:				
Creditors and accruals		**49**	43	66
Provisions		**14**	18	14
Retirement plan liabilities		**75**	77	79
Deferred tax liabilities		**51**	36	50
Derivatives		**39**	47	38
Borrowings	6	**1,612**	1,687	1,644
Total non-current liabilities		**1,840**	1,908	1,891
Total liabilities		**3,462**	3,389	3,487
Equity				
Share capital		**2,624**	2,624	2,624
Reserves		**817**	797	795
Shareholders' funds		**3,441**	3,421	3,419
Non-controlling interests		**22**	33	35
Total equity		**3,463**	3,454	3,454
Total liabilities and equity		**6,925**	6,843	6,941

The accompanying notes form part of and are to be read in conjunction with these financial statements.

On behalf of the Board, 18 February 2015

Sir Ralph Norris Chairman of Directors

Mark Adamson Managing Director

Fletcher Building Group

Consolidated statement of cash flows (unaudited)

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Cash flow from operating activities			
Receipts from customers	**4,399**	4,326	8,323
Interest received	**7**	4	12
Total received	**4,406**	4,330	8,335
Payments to suppliers, employees and other	**4,168**	4,053	7,642
Interest paid	**63**	66	131
Income tax paid	**29**	32	73
Total applied	**4,260**	4,151	7,846
Net cash from operating activities	**146**	179	489
Cash flow from investing activities			
Sale of property, plant and equipment	**8**	9	13
Sale of investments	**-**	-	1
Sale of subsidiaries/businesses	**21**	-	21
Total received	**29**	9	35
Purchase of property, plant and equipment and intangible assets	**116**	97	260
Purchase of subsidiaries/businesses	**-**	4	4
Total applied	**116**	101	264
Net cash used in investing activities	**(87)**	(92)	(229)
Cash flow from financing activities			
Net debt drawdown	**73**	47	25
Issue of capital notes	**-**	-	13
Total received	**73**	47	38
Repurchase of capital notes	**-**	-	43
Distribution to non-controlling interests	**19**	8	14
Dividends	**124**	100	224
Total applied	**143**	108	281
Net cash used in financing activities	**(70)**	(61)	(243)
Net movement in cash held	**(11)**	26	17
Add opening cash and liquid deposits	**134**	123	123
Effect of exchange rate changes on net cash	**1**	(4)	(6)
Closing cash and deposits	**124**	145	134

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Fletcher Building Group

Reconciliation of net earnings to net cash from operating activities (unaudited)

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Cash was received from:			
Net earnings	**114**	154	339
Earnings attributable to non-controlling interests	**4**	5	12
	118	159	351
Adjustment for items not involving cash:			
Depreciation, depletions, and amortisation	**103**	104	203
Significant items	**60**	-	22
Provisions and other adjustments	**(11)**	(15)	(34)
Taxation	**11**	18	38
(Gain)/loss on disposal of businesses and property, plant and equipment	**1**	1	(1)
Non-cash adjustments	**164**	108	228
Cash flow from operations before net working capital movements	**282**	267	579
Net working capital movements	**(136)**	(88)	(90)
Net cash from operating activities	**146**	179	489

Net working capital movements			
Debtors	**100**	75	(108)
Inventories	**(5)**	(83)	(76)
Land and developments	**(57)**	(4)	(28)
Assets held for sale	**(43)**	-	-
Contracts	**(23)**	(22)	32
Creditors	**(108)**	(54)	90
	(136)	(88)	(90)

The accompanying notes form part of and are to be read in conjunction with these interim financial statements.

Financial Statements
continued

Fletcher Building Group
Breakdown of financial performance (unaudited)

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Gross sales			
Heavy Building Products	**1,055**	1,167	2,274
Light Building Products	**681**	673	1,312
Laminates & Panels	**909**	875	1,731
Distribution New Zealand	**879**	823	1,650
Distribution Australia	**447**	477	928
Construction	**741**	669	1,301
Other	**3**	4	7
Total	**4,715**	4,688	9,203
Intercompany sales	**(388)**	(415)	(802)
External sales per income statement	**4,327**	4,273	8,401

External sales			
Heavy Building Products	**863**	950	1,859
Light Building Products	**601**	597	1,166
Laminates & Panels	**904**	866	1,710
Distribution New Zealand	**780**	725	1,462
Distribution Australia	**446**	476	927
Construction	**733**	659	1,277
External sales per income statement	**4,327**	4,273	8,401

EBIT before significant items			
Heavy Building Products	**74**	90	214
Light Building Products	**51**	51	116
Laminates & Panels	**57**	53	124
Distribution New Zealand	**43**	41	84
Distribution Australia	**6**	8	17
Construction	**79**	56	106
Other	**(20)**	(18)	(37)
Total	**290**	281	624
Significant items	**(66)**	-	(32)
Earnings before interest and taxation (EBIT) per income statement	**224**	281	592

Fletcher Building Group

Breakdown of financial performance (unaudited)

NZ$m	Dec 2014	Dec 2013	June 2014
Funds *			
Heavy Building Products	**1,676**	1,719	1,719
Light Building Products	**614**	647	637
Laminates & Panels	**1,785**	1,746	1,702
Distribution New Zealand	**309**	318	332
Distribution Australia	**395**	421	406
Construction	**190**	134	141
Other (including debt and taxation)	**(1,506)**	(1,531)	(1,483)
Total	**3,463**	3,454	3,454

During the period, there were changes to the organisational structure which resulted in two new divisions - Heavy Building Products and Light Building Products - being formed. In addition to these two new divisions, a number of business units have been incorporated into the Distribution New Zealand division. Prior period data has been re-presented.

* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes.

Notes to the consolidated financial statements

1. Basis of presentation

The condensed consolidated interim financial statements presented are those of Fletcher Building Limited and its subsidiaries (the "group"). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The group is a profit oriented entity. The condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They comply with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2014 annual report available on the group website at www.fbu.com.

2. Changes in accounting policies

There have been no changes in accounting policies in the six months ended 31 December 2014, however, certain comparatives have been re-presented to conform with the current period's presentation.

3. Other gains and losses

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Other gains/(losses) include the following:			
Sale of assets	**3**	-	2
Redundancies and restructuring costs	**(7)**	(20)	(18)
Other gains/(losses)	**(4)**	(3)	-
	(8)	(23)	(16)

4. Significant items

Six months ended 31 December 2014

NZ$m	Site closure costs (1)	Impairment of goodwill (2)	Total
Heavy Building Products division	25	-	25
Light Building Products division	9	-	9
Distribution New Zealand division	-	16	16
Construction division	-	16	16
Total significant items before taxation	34	32	66
Tax (benefit)/charge on above items	(9)	-	(9)
Total significant items after taxation	25	32	57

(1) In the six months ended 31 December 2014 the group has recognised a charge of $34 million for costs associated with closing a number of sites:

- $19 million relating to the closure of the Crane Copper Tube factory in Penrith, due to a decision to exit the copper tube manufacturing business;
- $6 million relating to the closure of Stramit's insulated panels plant;
- $6 million relating to the closure of the Humes Rolleston pipe plant as part of a strategic review; and
- $3 million relating to the insulation manufacturing plant in Hornby, following a consolidation of operations in New Zealand.

4. Significant items continued

(2) In the six months ended 31 December 2014 the group has recognised a $32 million impairment charge, which relates to a write-down of goodwill in the Forman business. Since the annual impairment review in June 2014 changes in forecasts have led management to conclude that the recoverable amount of the Forman business had declined and that the carrying value of goodwill was no longer supported. The decline in forecasts was principally due to lower long-term earnings expectations as a result of challenging industry conditions. The recoverable amount of Forman was determined based on value in use and, other than forecast cash flows, all other valuation assumptions remain consistent with the group's June 2014 impairment review.

Six months ended 31 December 2013

There were no items or transactions separately disclosed as significant items in the six months ended 31 December 2013.

Year ended 30 June 2014

NZ$m	Business disposal income and expenses	Impairment of Property, plant and equipment	Total
Heavy Building Products division [1]	5	15	20
Distribution Australia division [2]	12	-	12
Total significant items before taxation	17	15	32
Tax (benefit)/charge on above items	(5)	(4)	(9)
Total significant items after taxation	12	11	23

(1) The group sold parts of the Pacific Steel Group to BlueScope Steel Limited in June 2014 in a transaction with sale proceeds of $60 million and a further consideration for net working capital of $52 million. The gain on sale, offset by transaction costs, amounted to a $4 million charge. In addition, there was a $15 million adjustment to retained asset carrying values. Included in Other receivables at 30 June 2014 was an amount of $82 million relating to deferred consideration.

In a separate transaction, a $1 million loss was recorded on the sale of the group's investment in Fiji Industries Limited, a concrete business.

(2) In June 2014 the group entered into an agreement to sell its Hudson Building Supplies business to HTH Stores Pty Limited. Due to the anticipated loss on sale of $12 million, the group recorded an impairment charge against goodwill of $8 million and provided for $4 million of other charges related to the disposal.

5. Taxation expense

NZ$m	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Earnings before taxation:	**158**	209	462
Taxation at 28 cents per dollar	**44**	59	129
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	**(1)**	(1)	(1)
Non assessable income	**(4)**	(3)	(9)
Non deductible expenses	**11**	1	5
Tax in respect of prior periods	**2**	2	7
Tax losses not recognised	**2**	3	3
Other permanent differences	**(14)**	(11)	(23)
	40	50	111
Tax on earnings before significant items	**49**	50	120
Tax benefit on significant items	**(9)**	-	(9)
	40	50	111

6. Borrowings

NZ$m	Dec 2014	Dec 2013	June 2014
Borrowings - current	302	174	138
Borrowings - non-current	1,612	1,687	1,644
Carrying value of borrowings (as per balance sheet)	1,914	1,861	1,782
Less impact of debt hedging activities (included within derivatives)	(28)	(10)	5
Borrowings after impact of hedging activities	1,886	1,851	1,787
Less fair value hedge adjustment included in borrowings	(33)	(17)	(25)
Borrowings excluding derivative adjustments	1,853	1,834	1,762
Total available funding	2,396	2,451	2,378
Unutilised banking facilities	543	617	616

In addition the group had $124 million of cash on hand at 31 December 2014 (31 December 2013: $145 million; 30 June 2014: $134 million).

7. Goodwill

The Group tests goodwill for impairment annually and considers indicators of impairment at each interim reporting date. As part of our impairment tests, each business unit which carries goodwill prepares a discounted cash flow on a value-in-use basis, using past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine expectations for the future. These cash flow projections are principally based on the group's three year strategic plan approved by the directors, which has been extended for a further two years.

7. Goodwill continued

The group operates in cyclical markets, which face uncertain market conditions that make it difficult to predict future profitability. Residential markets are still below long-term averages in many jurisdictions, however, there has been a continued improvement experienced in New Zealand and USA.

The group has identified certain business units where the review indicated the recoverable amount was only marginally in excess of the carrying amount. Management has implemented a number of strategies and initiatives to achieve an appropriate improvement in earnings. To the extent that these strategies and initiatives do not eventuate, or if there are adverse longer-term impacts from the underlying economies in which the group's businesses operate, this could lead to future impairments being recognised.

Moreover, given 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. If so, such impairments would be non-cash and treated as significant items for the purposes of financial reporting. The Group will continue to monitor its long-term forecasts and estimates in assessing the value in use of its businesses.

8. Fair value measurement

Financial instruments are measured at fair value using the following fair value measurement hierarchy:
(Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(Level 2) Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within level 1.
(Level 3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured and recognised at fair value are derivatives that are designated in hedge relationships. The fair value of base metal price swaps is based on the quoted market prices of those instruments and are measured under level 2. All other derivatives are level 2 valuations based on accepted valuation methodologies. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity of the contract. The fair value of electricity price swaps are measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching the maturity of the contract. Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

Fair value disclosures

The fair values of borrowings used for disclosure are measured by discounting future principal and interest cash flows at current market interest rates plus an estimated credit margin that are available for similar financial instruments. The interest rates across all currencies used to discount future principal and interest cash flows are between 1.37% and 9.42% (December 2013: 1.18% and 11.03%; June 2014: 1.17% and 10.04%) including margins.

9. Contingencies and commitments

Provision has been made in the ordinary course of business for all known and probable future claims to the extent they can be reliably measured. There have been no material movements in capital expenditure commitments, lease commitments, contingent liabilities or contingent assets to those disclosed in the 2014 annual report.

10. Subsequent events

On 18 February 2015 the directors declared a dividend of 18 cents per share, payable on 15 April 2015.

Financial Highlights
(unaudited)

Fletcher Building Group

	6 Months Dec 2014	6 Months Dec 2013	Year ended June 2014
Return on average funds employed (% annualised) (1)	**8.6**	11.0	11.7
Return on average equity (% annualised) (2)	**6.5**	8.9	9.9
Earnings per share (cents)	**16.6**	22.4	49.3
Dividends per share (cents)	**18.0**	18.0	36.0
Gearing (%) (3)	**34.1**	33.1	32.3
Leverage (times, annualised) (4)	**2.3**	2.2	2.0
Interest cover (times) (5)	**4.4**	3.9	4.8

(1) EBIT after significant items to average funds (net debt and equity less deferred tax asset).

(2) Net earnings attributable to shareholders after significant items to average shareholders' funds.

(3) Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.

(4) Interest bearing net debt (including capital notes) to EBITDA before significant items.

(5) EBIT before significant items to total interest paid including capital notes interest.