

FLETCHER BUILDING LIMITED  
**NEWS RELEASE**

**FINANCIAL RESULTS FOR THE  
SIX MONTHS ENDED 31 DECEMBER 2015**

**Auckland, 17 February 2016** – Fletcher Building today announced its unaudited interim results for the six months ended 31 December, 2015. The group recorded net earnings after tax of \$172 million, compared with \$114 million in the prior corresponding period.

The result included a net gain within significant items of \$10 million relating to the gain on sale of a number of Rocla Quarries joint venture assets, partly offset by closure costs of three manufacturing plants. The result for the prior corresponding period included significant items of \$66 million relating to impairment of goodwill and site closure costs. Net earnings before significant items were 7% lower at \$159 million.

Operating earnings (earnings before interest and tax) were \$288 million, up 29% on the \$224 million earned in the prior corresponding period, while operating earnings excluding significant items were 4% lower at \$278 million.

Revenue for the period of \$4,434 million was 2% higher. Cash flow from operations was \$170 million, up 16% from \$146 million in the prior corresponding period.

The interim dividend will be 19.0 cents per share, and will be paid on 13 April, 2016. The dividend reinvestment plan will be operative for this dividend payment.

Fletcher Building chief executive officer Mark Adamson said the result was driven by strong performances in the Building Products and Distribution divisions, offset by lower residential development and construction earnings.

“We saw increased earnings from most of our manufactured building products businesses in New Zealand and Australia, and continued strong growth in earnings from our distribution division. This was partly driven by the strength of the broader construction market, particularly in New Zealand, but also resulted from the efforts we have made to lift performance across our business portfolio. This was evident in the performances of our Australian businesses, with Laminex, Iplex, Fletcher Insulation, Rocla Pipelines, Stramit and Tasman Sinkware all achieving improved earnings versus last year.

“As expected, earnings from the residential development business were lower than for the same period last year due to a reduction in earnings from the Stonefields development. What has been pleasing has been the progress we have made in sourcing new land for future development and in bringing other developments to market sooner.

“Similarly, in our construction division, we had lower earnings this half than last year, which was solely due to the timing of key projects. The outlook for our construction businesses is encouraging, with committed future contracted work now standing at \$3.3 billion compared with \$2 billion a year ago.

“In terms of the portfolio, with the recently announced conditional acquisition of Higgins, the sale of the Rocla Quarries assets, and the new aluminium windows and doors joint venture announced today, we have completed a substantial reorientation of the group and focused our activities where we see the best opportunities”, Mr Adamson said.

## Results overview

Comparisons are with the prior corresponding six month period ended 31 December 2014.

<b>Revenue</b>	\$4,434 million, up from \$4,327 million
<b>Net earnings</b>	\$172 million, up from \$114 million
<b>Net earnings before significant items</b>	\$159 million, down from \$171 million
<b>Operating earnings (EBIT)</b>	\$288 million, up from \$224 million
<b>Operating earnings (EBIT) before significant items</b>	\$278 million, down from \$290 million
<b>Cash flow from operations</b>	\$170 million, up from \$146 million
<b>Basic earnings per share</b>	24.9 cents per share, up from 16.6 cents
<b>Basic earnings per share excluding significant items</b>	23.0 cents per share, down from 24.9 cents
<b>Interim dividend</b>	19.0 cents per share  The dividend will not be franked for Australian tax purposes nor imputed for New Zealand tax purposes
<b>Dividend payment dates</b>	The dividend will be paid on 13 April 2016 to holders registered as at 5.00 pm Thursday 24 March 2016 (NZT). The shares will be quoted on an ex-dividend basis from 22 March 2016 on the NZX and ASX.
<b>Dividend reinvestment plan</b>	The dividend reinvestment plan will be operative for this dividend.  Applications to participate must be received by the registry before 5pm Tuesday 29 March 2016.

Please refer to the Financial Statements for terms and definitions.

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Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, and a construction company. From the smallest grain of sand to projects of great scale, we make, deliver and build to improve infrastructure, build communities and strengthen economies. We have 19,000 people working in 25 business groups in 45 countries. For more visit [www.fbu.com](http://www.fbu.com)

# MANAGEMENT COMMENTARY FOR THE SIX MONTHS ENDED 31 DECEMBER 2015



## Fletcher Building reports strong growth in operating earnings

Reported results – NZ\$M (except where noted)	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Total revenue</b>	<b>4,434</b>	<b>4,327</b>	<b>2</b>
<b>Operating earnings before significant items<sup>1</sup></b>	<b>278</b>	<b>290</b>	<b>(4)</b>
Significant items <sup>2</sup>	10	(66)	NM
<b>Operating earnings (EBIT)</b>	<b>288</b>	<b>224</b>	<b>29</b>
Funding costs	(60)	(66)	(9)
<b>Earnings before tax</b>	<b>228</b>	<b>158</b>	<b>44</b>
Tax expense	(52)	(40)	30
<b>Earnings after tax</b>	<b>176</b>	<b>118</b>	<b>49</b>
Non-controlling interests	(4)	(4)	–
<b>Net earnings before significant items</b>	<b>159</b>	<b>171</b>	<b>(7)</b>
<b>Net earnings</b>	<b>172</b>	<b>114</b>	<b>51</b>
<b>Earnings per share before significant items (cents)</b>	<b>23.0</b>	<b>24.9</b>	<b>(8)</b>
<b>Earnings per share (cents)</b>	<b>24.9</b>	<b>16.6</b>	<b>50</b>
<b>Dividends declared per share (cents)</b>	<b>19.0</b>	<b>18.0</b>	<b>6</b>
<b>Capital expenditure</b>	<b>122</b>	<b>116</b>	<b>5</b>

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 period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

- Revenue for the period of \$4,434 million was \$107 million, or 2%, higher when compared with the prior corresponding period;
- Operating earnings before significant items were \$278 million, 4% lower than the prior corresponding period;
- A net gain of \$10 million (December 2014: an expense of \$66 million) was booked within significant items;
- Operating earnings of \$288 million were \$64 million, or 29%, higher than the prior corresponding period;
- Net earnings were \$172 million, up 51%, from \$114 million in the prior corresponding period;
- Net earnings before significant items were \$159 million, down 7% on the prior corresponding period;
- Cash flow from operations was \$170 million, up 16% from \$146 million in the prior corresponding period;
- Basic earnings per share were 24.9 cents, up from 16.6 cents;
- Interim dividend is 19.0 cents per share.

## Financial Results

Gross Revenue			
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
Building Products	1,265	1,320	(4)
International	1,080	1,001	8
Distribution	1,674	1,650	1
Residential and Land Development	108	101	7
Construction	748	640	17
Other	5	3	67
<b>Group</b>	<b>4,880</b>	<b>4,715</b>	<b>3</b>
Less intercompany sales	(446)	(388)	15
<b>Group external sales</b>	<b>4,434</b>	<b>4,327</b>	<b>2</b>

Reported operating earnings				Operating earnings before significant items		
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
Building Products	142	86	65	132	114	16
International	53	61	(13)	53	61	(13)
Distribution	64	34	88	64	56	14
Residential and Land Development	24	33	(27)	24	33	(27)
Construction	36	30	20	36	46	(22)
Corporate	(31)	(20)	55	(31)	(20)	55
<b>Total</b>	<b>288</b>	<b>224</b>	<b>29</b>	<b>278</b>	<b>290</b>	<b>(4)</b>
Funding costs	(60)	(66)	(9)	(60)	(66)	(9)
<b>Earnings before tax</b>	<b>228</b>	<b>158</b>	<b>44</b>	<b>218</b>	<b>224</b>	<b>(3)</b>
Tax expense	(52)	(40)	30	(55)	(49)	12
<b>Earnings after tax</b>	<b>176</b>	<b>118</b>	<b>49</b>	<b>163</b>	<b>175</b>	<b>(7)</b>
Non-controlling interests	(4)	(4)	–	(4)	(4)	–
<b>Net earnings</b>	<b>172</b>	<b>114</b>	<b>51</b>	<b>159</b>	<b>171</b>	<b>(7)</b>

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 period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

## Financial Results continued

### Geographic segments

	Gross revenue			External revenue		
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
New Zealand	2,664	2,450	9	2,279	2,140	6
Australia	1,575	1,683	(6)	1,525	1,611	(5)
Rest of World	641	582	10	630	576	9
<b>Total</b>	<b>4,880</b>	<b>4,715</b>	<b>3</b>	<b>4,434</b>	<b>4,327</b>	<b>2</b>

Operating earnings before significant items <sup>1</sup>			
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
New Zealand	200	200	-
Australia	54	49	10
Rest of World	24	41	(41)
<b>Total</b>	<b>278</b>	<b>290</b>	<b>(4)</b>

### Geographic segments in local currency

	Gross Revenue			External revenue		
	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
Australia (A\$M)	1,440	1,537	(6%)	1,395	1,471	(5%)
Rest of World (US\$M)	424	474	(11%)	417	469	(11%)

Operating earnings before significant items <sup>1</sup>			
	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
Australia (A\$m)	49	45	9
Rest of World (US\$m)	16	33	(52)

<sup>1</sup> 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 period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

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## Financial Results continued

- External revenue of \$4,434 million was \$107 million or 2% higher than the prior corresponding period. Of this increase \$139 million related to increased New Zealand revenue, partly offset by the lower revenue in Australia. In local currencies, revenue increased by 6% in New Zealand, with a decrease of 5% in Australia and 11% in the Rest of World.
- Reported operating earnings before interest and tax of \$288 million were 29% higher than the prior corresponding period.
- The result was driven by a strong result in the Building Products and Distribution divisions, offset by reduced revenue and earnings in Europe and lower Residential development earnings and the timing of key Construction contract earnings.
- Reported operating earnings include a net gain within significant items of \$10 million relating to:
  - the sale of parts of the Rocla Quarries business in the period, resulting in a net gain on sale of \$16 million (the remainder of the gain to be recognised in the second half); and
  - site closure costs of \$6 million relating to the closure of two sites in Iplex Australia announced in July 2015, and a site in Rocla Pipes' business announced in October 2015.
- Operating earnings before significant items were \$278 million, 4% lower than the prior corresponding period.
- In **New Zealand**, earnings continued to benefit from increased activity in residential, commercial and infrastructure construction with corresponding strong demand for building materials, offset by the mix and timing of projects in Residential and Construction.
- In **Australia**, operating earnings increased by 10% as a result of improved performance in several businesses including the Iplex and Stramit businesses.
- In the **Rest of World**, market conditions varied geographically with most markets experiencing strong competition and price pressures. The decrease in earnings was a result of weak performance in Europe and reduced activity, down from record levels, in the South Pacific partially offset by increases in earnings in Asia and North America. Movements were amplified by the weakening of the New Zealand dollar against the Euro and US dollar.
- Funding costs of \$60 million were 9% lower than the prior corresponding period, due to lower interest costs in New Zealand.
- The tax expense of \$52 million represents an effective tax rate for the period of 23% (2014: 25%).
- Earnings per share were 24.9 cents, an increase of 50% from 16.6 cents per share in the prior corresponding period.

# Segmental Operational Review

The following sections provide a commentary on individual division results for the period ended 31 December 2015.

## Building Products

### Concrete Pipes & Products; Cement and Aggregates; Building Materials; Plastic Pipes

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
Gross revenue	1,265	1,320	(55)	(4)
External revenue	1,021	1,069	(48)	(4)
Operating earnings before significant items <sup>1</sup>	132	114	18	16
Significant items <sup>2</sup>	10	(28)	38	NM
Operating earnings	142	86	56	65
Funds	1,748	1,880	(132)	(7)

	Operating earnings before significant items <sup>1</sup>		
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
Cement and Aggregates	44	39	13
Concrete Pipes & Products	27	30	(10)
Building Materials	48	38	26
Plastic Pipes	2	(3)	NM
JV Earnings and other	11	10	10
<b>Total</b>	<b>132</b>	<b>114</b>	<b>16</b>

<sup>1</sup> 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 period ended 31 December 2015.

<sup>2</sup> Details of significant items can be found in note 3 of the interim financial statements.

The Building Products division reported earnings of \$142 million compared with \$86 million in the prior corresponding period.

The result includes a net gain within significant items of \$10 million relating to the profit on sale of a number of joint ventures of the Rocla Quarries business (\$16 million). This was offset by costs of \$6 million associated with the closure of one Rocla Pipes and two Iplex sites in Australia.

The Cement and Aggregates businesses lifted operating earnings by 13% to \$44 million. This was primarily driven by increased New Zealand cement volumes, up 3% against the prior corresponding period, combined with a favourable change in the mix of regional quarrying volumes.

Operating earnings for Concrete Pipes & Products were \$27 million compared to \$30 million in the prior corresponding period. Ready-mix concrete volumes in New Zealand were 8% higher than the prior corresponding period in line with overall market growth, whilst New Zealand concrete pipe volumes were lower due to slowing market activity in Canterbury and increased competitor activity. In Australia, performance was flat as a result of very weak demand in Western Australia and intensifying price competition in other regional markets.

Building Materials operating earnings were \$48 million, an increase of 26% on the prior corresponding period. Plasterboard volumes were up 9% overall, with volumes of performance board increasing 12% in the period. Insulation volumes also improved significantly in the period, with an increase of 12% in New Zealand and 9% in Australia. Market share has also improved in both insulation markets, partly through competitive pricing following the strengthening of the US dollar.

The Plastic Pipes businesses reported a \$2 million operating earnings before significant items, a \$5 million improvement on the prior corresponding period. Volume in the Australian market was down 12% due to softening demand in the civil and mining segments and continued reduction in demand from coal seam gas projects. The impact of this was however more than offset by significant reductions in Iplex Australia's operating costs and the turnaround of this business is on track. The New Zealand plastic pipes business was in line with the prior corresponding period.



## International

### Laminex; Formica; Roof Tile Group

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
Gross revenue	1,080	1,001	79	8
External revenue	1,067	990	77	8
Operating earnings	53	61	(8)	(13)
Funds	2,041	1,908	133	7

Operating earnings				
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	
Laminex	41	37	11	
Formica	6	20	(70)	
Roof Tile Group	6	4	50	
<b>Total</b>	<b>53</b>	<b>61</b>	<b>(13)</b>	

Operating earnings for the International division were \$53 million, down 13% from \$61 million in the prior corresponding period. Revenue was up 8%, largely due to the translation effect resulting from a weakening of the New Zealand dollar, particularly against the US dollar and the Euro.

Laminex operating earnings were up 11% to \$41 million. Gross revenue was 4% higher than the prior corresponding period. Australian revenue in domestic currency was 3% higher, driven by increased activity in the residential and commercial sectors as well as product growth initiatives, such as stone and plywood. New Zealand revenue was up by 8% on the prior corresponding period. While competitive pressures remained strong, the business continued its programme of cost reduction, operational efficiencies and restructuring.

Operating earnings for Formica were \$6 million. Revenue in domestic currencies was up by 1% on the prior corresponding period.

In North America, revenue in domestic currencies was up by 3%, while operating earnings in domestic currencies were down by 8% predominantly due to the timing of costs associated with new product promotions. At the manufacturing and operational level the business continued to generate efficiency gains.

In Asia, revenue in domestic currencies was down 3%. This was driven by slowing activity levels and competitive response in China, with revenue down by 11%. Thailand and Taiwan saw revenue up by 8% and 6% respectively. Operating earnings were down by 4% in domestic currencies compared to the prior corresponding period due to revenue and margin softness in China. Despite these challenges, the new factory in Jiujiang, China continued to improve its operational capabilities.

Revenue in Europe in domestic currencies fell by 8%. Activity levels varied significantly by country, with improvements in the UK while countries such as France, the Netherlands and Spain were slightly down and Russia and Poland both significantly down. Operating losses were predominantly due to revenue shortfalls and competitive pressure on margins. Adverse operational issues at the North Shields factory in the UK also contributed to the operating result. During the period, the business has been heavily focused on restructuring key aspects of operations.

Roof Tile Group operating earnings were \$6 million, up from \$4 million in the prior corresponding period.

Sales volume improvement has been experienced in all markets other than the key African market. Low oil prices have had a negative impact on African demand and as a result pricing has had to be reduced accordingly. The US market has grown on the back of long-term investment in that market, and the business has benefited from the stronger US dollar and lower steel prices.

## Distribution

### NZ Building Supplies; NZ Steel Distribution; Australian Building Supplies; Australian Steel Distribution

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
Gross revenue	1,674	1,650	24	1
External revenue	1,531	1,535	(4)	–
Operating earnings before significant items <sup>1</sup>	64	56	8	14
Significant items <sup>2</sup>	0	(22)	22	NM
Operating earnings	64	34	30	88
Funds	1,049	991	58	6

	Operating earnings before significant items <sup>1</sup>		
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change %
NZ Building Supplies	39	29	34
NZ Steel Distribution	17	15	13
Australian Building Supplies	(2)	6	NM
Australian Steel Distribution	10	6	67
<b>Total</b>	<b>64</b>	<b>56</b>	<b>14</b>

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 period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

The Distribution division reported operating earnings of \$64 million, an increase of 88% on the prior corresponding period. Operating earnings before significant items increased 14%.

In the NZ Building Supplies businesses, gross revenue of \$781 million increased by 10%. PlaceMakers grew revenue by 10% to \$643 million, a record for the business, with growth in all trade related segments of the market and double digit sales growth arising in both the commercial and frame and truss categories. Mico also experienced strong revenue growth ahead of the market overall.

Strong earnings growth was seen at both PlaceMakers and Mico with operating earnings increasing 34% on the prior corresponding period. Operationally, three new stores were opened by PlaceMakers and a new Frame and Truss manufacturing site was opened. The co-location programme has continued for Mico and PlaceMakers, with seven sites currently co-located and other site deployments being planned.

NZ Steel Distribution businesses reported a 13% increase in operating earnings, with record domestic volumes produced at Pacific Coilcoaters and record order-book levels at Fletcher Reinforcing.

Australian Building Supplies reported a loss of NZ\$2 million, down from a NZ\$6 million profit in the prior corresponding period, primarily due to restructuring costs incurred in the current period. The prior period earnings included contribution of the Hudson Building Supplies business prior to its divestment.

The Tradelink business recorded a 3% decrease in revenue in domestic currency as a result of market competition in the period. Despite the competitive pressures, underlying sales margin improved.

Tradelink remains committed to its core trade customer base and on growing its market share through targeted customer value proposition. Whilst growth was seen in the commercial plumbing area, an increased emphasis is being placed on the trade plumber, with programs like the Customer Service Promise rolled out specifically targeting these customers. Costs continue to be managed in line with trading. A flatter management structure and reduced head office personnel have allowed for investment in more sales people and customer centric activities.

In the Australian Steel Distribution businesses operating earnings increased 67%, primarily driven by improvements in Stramit as a result of restructuring the business away from a regional basis to a more centralised structure. This has reduced overhead costs while an improved focus on sales mix and key products has also provided benefits in the period.

## Residential and Land Development

### NZ Residential Development

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
Gross revenue	108	101	7	7
External revenue	108	101	7	7
Operating earnings	24	33	(9)	(27)
Funds	295	209	86	41

Operating earnings				
	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
NZ Residential Development	24	33	(9)	(27)
<b>Total</b>	<b>24</b>	<b>33</b>	<b>(9)</b>	<b>(27)</b>

The Residential and Land Development division reported operating earnings of \$24 million, a decrease of 27% on the prior corresponding period, primarily reflecting a reduction in home sales in the Stonefields development, offset in part by increased sales elsewhere.

Notwithstanding lower Stonefields volumes, revenue increased by \$7 million, or 7%, due to sales at Jack's Point and the overall property market increases in Auckland.

The division has a significant level of land in ownership for development over the next few years with Greenhithe, Karaka and Wattle Cove in Auckland experiencing increased sales volumes. The housing construction phase will start at Red Beach and Eugenia Rise over the next 12 months.

Construction is also underway at Three Kings in Auckland and Awatea in Christchurch. During the period, major partnership arrangements were secured with the New Zealand Government in Christchurch, including the East and North Frame Residential Precinct to be created on the edge of the CBD. In addition, the division is working on a number of non-residential land development opportunities.

## Construction

### Construction New Zealand; Construction South Pacific

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change	Change %
Gross revenue	748	640	108	17
External revenue	707	632	75	12
Operating earnings before significant items <sup>1</sup>	36	46	(10)	(22)
Significant items <sup>2</sup>	–	(16)	16	NM
Operating earnings	36	30	6	20
Funds	(37)	(19)	(18)	95

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 period ended 31 December 2015.

2 Details of significant items can be found in note 3 of the interim financial statements.

The Construction division reported operating earnings of \$36 million, an increase of \$6 million on the prior corresponding period.

Operating earnings before significant items of \$36 million were \$10 million lower than the prior corresponding period. The reduction reflects the timing of projects, with a larger proportion in the prior corresponding period being at a more advanced stage of the construction process.

The Construction division has continued to grow, with gross revenue increasing by 17% when compared to the prior corresponding period.

At 31 December 2015, the backlog of work for the division, being the value of contracted work awarded but not completed, reached \$3.3 billion, a record level.

Performance for the New Zealand businesses continued to be strong. Work on the Waterview project is into its final 18 months, with substantial progress made on the ancillary structures and interchange flyovers and tunnel drilling complete.

There has also been significant progress on the MacKay's to Peka Peka project north of Wellington and the Kirkbride Road Intersection interchange in Auckland, with work on-going for Christchurch's Justice Precinct and science blocks for the University of Auckland and Victoria University.

In the South Pacific, the largest project is in Fiji, with work halfway through the remediation and completion of the Momi Bay Resort, while the construction of a casino and a government building in the Solomon Islands was completed in November.

Fletcher EQR continues to assist the Earthquake Commission in Christchurch, project managing housing repairs. This contract was extended in April 2015, and there is an ongoing tail of work to complete, expected to run until December 2016.

Significant projects won include the contracts to build the New Zealand International Convention Centre, Precinct Properties' Downtown site redevelopment, Auckland International Airport international terminal upgrade, the new National Biocontainment Laboratory for the Ministry of Primary Industries, Greymouth Hospital and the redevelopment of Auckland Prison in a Public Private Partnership with the Department of Corrections. Fletcher Construction has been selected to join the New Zealand Transport Agency in an alliance to construct the Hamilton Section of the Waikato Expressway.

In the South Pacific, new projects secured include a wharf contract in American Samoa and preparatory work for a new hotel in Papua New Guinea.

## Group Cash Flow

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change
<b>Operating earnings before significant items<sup>1</sup></b>	<b>278</b>	<b>290</b>	<b>(12)</b>
Depreciation and amortisation	97	103	(6)
Less cash tax paid	(67)	(29)	(38)
Less interest paid	(60)	(63)	3
Provisions, significant items and other	<b>(40)</b>	<b>(19)</b>	<b>(21)</b>
<b>Results from operations before working capital movements</b>	<b>208</b>	<b>282</b>	<b>(74)</b>
Land and developments (net)	(85)	(100)	(28)
Other working capital movements	47	(36)	126
<b>Cash flows from operating activities</b>	<b>170</b>	<b>146</b>	<b>24</b>

<sup>1</sup> 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 period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

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 \$170 million were \$24 million, or 16%, higher than the prior corresponding period. The \$47 million improvement in working capital was offset by the \$85 million cash impact of further residential land acquisitions for future development.

### Capital expenditure

	Six months ended 31 December 2015 NZ\$M	Six months ended 31 December 2014 NZ\$M	Change
Capital expenditure	122	116	6

Capital expenditure was \$122 million, compared with \$116 million in the prior corresponding period. Of this total, \$77 million was for stay-in-business capital projects.

For the financial year, capital expenditure is expected to be in the range of \$275 million to \$325 million.

## Funding

Total available funding as at 31 December 2015 was \$2,287 million. Of this, \$382 million was undrawn and there was an additional \$221 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$84 million and a further \$94 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<sup>1</sup> at 31 December 2015 was 32.8% compared with 34.1% at 31 December 2014. This is within the target range of 30–40%.

The group's leverage<sup>2</sup> at 31 December 2015 was 2.4 times compared with 2.3 times at 31 December 2014. This is within the target range of 2.0–2.5 times.

The average maturity of the debt is 3.7 years and the hedged currency split is 44% Australian dollar; 36% New Zealand dollar; 12% US dollar; and 8% spread over various other currencies.

Approximately 54% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.47%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.3%.

Interest coverage<sup>3</sup> for the period was 4.6 times compared with 4.4 times in the prior corresponding period.

## Dividend

The 2016 interim dividend is 19 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 level of Australian earnings, there are insufficient Australian franking credits available for distribution with the 2016 interim dividend. However, in line with the group's tax crediting policy, the 2016 final dividend is expected to be fully imputed for New Zealand tax purposes.

The dividend will be paid on 13 April 2016 to holders registered as at 5.00 pm Thursday 24 March 2016 (NZT). Shares will be quoted on an ex dividend basis from 22 March 2016 on the NZX and ASX.

A dividend summary is provided overleaf.

### DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ("the Plan"), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. Documentation for participation is available from the share registry or the website [www.fbu.com](http://www.fbu.com) and must be received by the registry before 5.00 pm Tuesday 29 March 2016.

There will be no discount to the price applied to ordinary shares issued. 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 22 March 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 13 April 2016.

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

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

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

**2016 Final Dividend Summary Table<sup>1</sup>**

<b>NZ cents per share</b>	<b>NZ Residents on top marginal tax rate of 33%</b>	<b>Australian residents on top marginal tax rate of 49%</b>	<b>Australian residents on 15% tax rate</b>	<b>Other non residents<sup>8</sup></b>
Dividend declared	19.0000	19.0000	19.0000	19.0000
NZ imputation credits <sup>2</sup>	0.0000			
NZ supplementary dividend <sup>3</sup>		0.0000	0.0000	0.0000
Australian franking credits <sup>4</sup>		0.0000	0.0000	
<b>Gross dividend for NZ tax purposes</b>	<b>19.0000</b>	<b>19.0000</b>	<b>19.0000</b>	<b>19.0000</b>
NZ tax (33%) <sup>5</sup>	(6.2700)			
NZ non-resident withholding tax (15%) <sup>6</sup>		(2.8500)	(2.8500)	(2.8500)
<b>Net cash received after NZ tax</b>	<b>12.7300</b>	<b>16.1500</b>	<b>16.1500</b>	<b>16.1500</b>
Australian tax (49% and 15%) <sup>7</sup>		(9.3100)	(2.8500)	
Reduced by offset for NZ non-resident withholding tax		2.8500	2.8500	
Less Australian franking credit offset		0.0000	0.0000	
<b>Net cash dividend to shareholders after tax</b>	<b>12.7300</b>	<b>9.6900</b>	<b>16.1500</b>	<b>16.1500</b>

**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 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 6.27 cents per share will be made on the date of payment from the dividend declared of 19.0 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 RWT deduction in excess of 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.

<b>The Australian tax is calculated as:</b>	<b>49% Rate</b>	<b>15% Rate</b>
Gross dividend for NZ tax purposes	19.0000	19.0000
plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	19.0000	19.0000
Australian tax	9.3100	2.8500

- 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 advisor.



# Update on Business Transformation Programme

The FBUnite programme has successfully established core capabilities which can be leveraged to drive future earnings performance. In parallel with FBUnite, a further scoping process has identified additional opportunity to improve Fletcher Building's performance. Further value can be extracted from the core capability that has been built with the FBUnite programmes, through extending their breadth and reach, and increasing the speed of execution. Specific areas include lifting performance of the sales and marketing functions; extending centralised procurement activities and further leveraging low cost country sourcing; continuing centralisation of back office functions through shared services and driving productivity and supply chain improvements across manufacturing, distribution and construction activities.

To oversee the programme, the new role of Chief Transformation Officer has been established with executive responsibility for driving the next period of business improvement. Mr Lee Finney has been appointed to the role and will report to the Chief Executive Officer. In this role, he will have responsibility for all of Fletcher Building's centres of excellence including the marketing, operations excellence and procurement functions. He will also be responsible for the acceleration of the growth and cost reduction initiatives and will lead a core team of business transformation specialists.

## Outlook

The current strong market conditions in the New Zealand construction industry are expected to persist through the 2016 financial year, with ongoing demand for new housing particularly in Auckland and surrounding provinces, an increase in commercial construction activity off the back of the significant increase in the value of consents, and government expenditure on infrastructure to remain at the present healthy levels.

In Australia, the outlook is more mixed. Residential construction activity has remained strong but may slow particularly in the multi-dwelling segment, while stand-alone housing should be more resilient to potential changes in foreign capital inflows. Commercial construction activity is unlikely to lift from current levels. There remains a strong pipeline of government funded infrastructure work, although the timing of this work remains subject to fiscal constraints in certain states.

Residential and commercial construction activity levels in North America are expected to remain broadly consistent with the past year. European conditions are likely to remain mixed with a generally weak economic outlook. Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

Financial guidance provided at the annual shareholder's meeting is reaffirmed. Operating earnings, (earnings before interest, tax and significant items) is expected to be in the range of \$650 million to \$690 million. This compares with operating earnings of \$653 million earned in the prior year, and excludes the pre-tax profits from the sale of the assets of Rocla Quarries.

Specific divisional commentary in respect of 2016 full year earnings is provided as follows:

- Building Products:
  - Improved operating performance expected from Iplex Australia
  - Reduced contribution from Rocla Quarries, with the sale of this business completed on 29 January 2016
  - Building materials businesses are expected to deliver higher earnings than the prior year
- International:
  - Improved earnings in North America and Asia are expected to be offset by operating losses and restructuring costs in Formica Europe
  - Laminex and Roof Tile Group are expected to record year on year earnings growth
- Distribution:
  - New Zealand distribution businesses are expected to achieve increased earnings in FY16 compared with the prior year
  - Despite the restructuring costs in Tradelink in the first half, full year results are expected to be higher than for the prior year
- Residential and Land Development:
  - Residential earnings are expected to be slightly lower than the prior year, with reduced earnings from the Stonefields development replaced by new developments elsewhere in Auckland
- Construction:
  - Reduced earnings from EQR and South Pacific will be partly offset by higher earnings in the Infrastructure and Building & Interiors businesses
  - There will be no earnings impact from the Higgins acquisition in FY16, with the transaction expected to be completed at the end of June 2016



## Divisions

Division	Business Groupings	Key Businesses
<b>Building Products</b>	Cement & Aggregates	Golden Bay Cement (NZ) Winstone Aggregates (NZ) Rocla Quarries (ceases in FY16) (AU)
	Concrete Pipes & Products	Firth Concrete (NZ) Humes Pipelines (NZ) Rocla Products (AU)
	Building Materials	Winstone Wallboards (NZ) Tasman Insulation (NZ) Fletcher Insulation (AU)
	Plastic Pipes	Iplex (NZ & Australia)
	Joint Ventures and other	Long Steel Manufacturing (ceases in FY16) (NZ) Fletcher Aluminium (NZ) Joint ventures & other
<b>International</b>	Formica	Formica Asia Formica Europe Formica North America Homapal (Europe)
	Laminex	Laminex New Zealand Laminex Australia
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
<b>Distribution</b>	New Zealand Building Supplies	PlaceMakers (NZ) Mico (NZ)
	Australia Building Supplies	Tradelink (AU)
	New Zealand Steel Distribution	Pacific Coil Coaters (NZ) Easysteel (NZ) Fletcher Reinforcing (NZ) Dimond (NZ)
	Australia Steel Distribution	Stramit (AU) Tasman Sinkware (AU)
<b>Residential and Land Development</b>	NZ Residential Development	Fletcher Living (NZ)
<b>Construction</b>	Construction New Zealand	Fletcher Construction (NZ) Fletcher EQR (NZ)
	Construction South Pacific	Fletcher Construction South Pacific

## Appendix: Supplemental split of Divisional Results

### GROSS REVENUE

#### Building Products

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Gross revenue</b>			
Cement and Aggregates	237	244	(3)
Concrete Pipes & Products	384	380	1
Building Materials	239	224	7
Plastic Pipes	256	291	(12)
Joint Ventures & Other	149	181	(18)
<b>Total</b>	<b>1,265</b>	<b>1,320</b>	<b>(4)</b>

#### International

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Gross revenue</b>			
Laminex	502	484	4
Formica	486	425	14
Roof Tile Group	92	92	–
<b>Total</b>	<b>1,080</b>	<b>1,001</b>	<b>8</b>

#### Distribution

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Gross revenue</b>			
NZ Building Supplies	781	710	10
Australia Building Supplies	395	447	(12)
NZ Steel Distribution	218	215	1
Australia Steel Distribution	280	278	1
<b>Total</b>	<b>1,674</b>	<b>1,650</b>	<b>1</b>

#### Residential and Land Development

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Gross revenue</b>			
NZ Residential Development	108	101	7
<b>Total</b>	<b>108</b>	<b>101</b>	<b>7</b>

#### Construction

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Gross revenue</b>			
Construction New Zealand	665	556	20
Construction South Pacific	83	84	(1)
<b>Total</b>	<b>748</b>	<b>640</b>	<b>17</b>

## Appendix: Supplemental split of Divisional Results continued

### LOCAL CURRENCY GROSS REVENUE

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

#### Building Products

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Gross revenue</b>			
New Zealand (NZ\$M)	797	779	2
Australia (A\$M)	428	491	(13)

#### International

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Gross revenue</b>			
New Zealand (NZ\$M)	90	86	5
Australia (A\$M)	398	385	3
Rest of World (US\$M)	367	401	(8)

#### Distribution

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Gross revenue</b>			
New Zealand (NZ\$M)	1,000	925	8
Australia (A\$M)	615	660	(7)

#### Residential and Land Development

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Gross revenue</b>			
New Zealand (NZ\$M)	108	101	7

#### Construction

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Gross revenue</b>			
New Zealand (NZ\$M)	665	556	20
Rest of World (US\$M)	55	68	(19)

## Appendix: Supplemental split of Divisional Results continued

### EXTERNAL REVENUE

#### Building Products

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>External revenue</b>			
Cement and Aggregates	147	159	(8)
Concrete Pipes & Products	338	345	(2)
Building Materials	178	164	9
Plastic Pipes	209	238	(12)
Joint Ventures & Other	149	163	(9)
<b>Total</b>	<b>1,021</b>	<b>1,069</b>	<b>(4)</b>

#### International

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>External revenue</b>			
Laminex	491	476	3
Formica	485	428	13
Roof Tile Group	91	86	6
<b>Total</b>	<b>1,067</b>	<b>990</b>	<b>8</b>

#### Distribution

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>External revenue</b>			
NZ Building Supplies	693	641	8
Australia Building Supplies	395	446	(11)
NZ Steel Distribution	169	176	(4)
Australia Steel Distribution	274	272	1
<b>Total</b>	<b>1,531</b>	<b>1,535</b>	<b>-</b>

#### Residential and Land Development

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>External revenue</b>			
NZ Residential Development	108	101	7
<b>Total</b>	<b>108</b>	<b>101</b>	<b>7</b>

#### Construction

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>External revenue</b>			
Construction New Zealand	624	548	14
Construction South Pacific	83	84	(1)
<b>Total</b>	<b>707</b>	<b>632</b>	<b>12</b>

## Appendix: Supplemental split of Divisional Results continued

### LOCAL CURRENCY EXTERNAL REVENUE

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

#### Building Products

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>External revenue</b>			
New Zealand (NZ\$M)	596	592	1
Australia (A\$M)	389	432	(10)

#### International

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>External revenue</b>			
New Zealand (NZ\$M)	88	82	7
Australia (A\$M)	397	385	3
Rest of World (US\$M)	361	395	(9)

#### Distribution

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>External revenue</b>			
New Zealand (NZ\$M)	863	817	6
Australia (A\$M)	609	654	(7)

#### Residential and Land Development

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>External revenue</b>			
New Zealand (NZ\$M)	108	101	7

#### Construction

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>External revenue</b>			
New Zealand (NZ\$M)	624	548	14
Rest of World (US\$M)	55	68	(19)

## Appendix: Supplemental split of Divisional Results continued

### OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS

#### Building Products

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Operating earnings<sup>1</sup></b>			
Cement and Aggregates	44	39	13
Concrete Pipes & Products	27	30	(10)
Building Materials	48	38	26
Plastic Pipes	2	(3)	NM
Joint Ventures & Other	11	10	10
<b>Total</b>	<b>132</b>	<b>114</b>	<b>16</b>

#### International

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Operating earnings<sup>1</sup></b>			
Laminex	41	37	11
Formica	6	20	(70)
Roof Tile Group	6	4	50
<b>Total</b>	<b>53</b>	<b>61</b>	<b>(13)</b>

#### Distribution

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Operating earnings<sup>1</sup></b>			
NZ Building Supplies	39	29	34
Australia Building Supplies	(2)	6	(133)
NZ Steel Distribution	17	15	13
Australia Steel Distribution	10	6	67
<b>Total</b>	<b>64</b>	<b>56</b>	<b>14</b>

#### Residential and Land Development

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Operating earnings<sup>1</sup></b>			
NZ Residential Development	24	33	(27)
<b>Total</b>	<b>24</b>	<b>33</b>	<b>(27)</b>

#### Construction

	Six months ended 31 December 2015 (NZ\$M)	Six months ended 31 December 2014 (NZ\$M)	Change %
<b>Operating earnings<sup>1</sup></b>			
Construction New Zealand	26	31	(16)
Construction South Pacific	10	15	(33)
<b>Total</b>	<b>36</b>	<b>46</b>	<b>(22)</b>

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2015. Details of significant items can be found in note 3 of the interim financial statements.

## Appendix: Supplemental split of Divisional Results continued

### 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 results on the previous page.

#### Building Products

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Operating earnings</b>			
New Zealand (NZ\$M)	119	110	8
Australia (A\$M)	15	3	NM

#### International

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Operating earnings</b>			
New Zealand (NZ\$M)	8	5	60
Australia (A\$M)	32	30	7
Rest of World (US\$M)	7	19	(63)

#### Distribution

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Operating earnings</b>			
New Zealand (NZ\$M)	56	44	27
Australia (A\$M)	7	11	(36)


#### Residential and Land Development

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Operating earnings</b>			
New Zealand (NZ\$M)	24	33	(27)

#### Construction

	Six months ended 31 December 2015	Six months ended 31 December 2014	Change %
<b>Operating earnings</b>			
New Zealand (NZ\$M)	26	31	(16)
Rest of World (US\$M)	7	12	(42)



A photograph of the Fletcher Building at night, featuring a modern glass and steel facade. The building is illuminated from within, and a large green semi-transparent overlay covers the left side of the image. The text is white and positioned on the green overlay.

# Fletcher Building

## Half Year Results to 31 December 2015

**MARK ADAMSON**  
Chief Executive Officer

**GERRY BOLLMAN**  
Chief Financial Officer

17 February 2016





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## Disclaimer

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**This Half Year Results presentation dated 17 February 2016 provides additional comment on the management commentary of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that commentary.**



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# Agenda

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**Results Overview**

**Geographic & Sectoral Analysis**

**Divisional Performances**

**Financial Results**

**Strategy Update**

**Outlook**

**Appendix**





# Results Overview

► **Construction**

GREAT NORTH ROAD INTERCHANGE, AUCKLAND





## Results overview

Net earnings

**\$172<sub>m</sub>**

▲ 51%

Operating earnings

**\$288<sub>m</sub>**

▲ 29%

Revenue

**\$4,434<sub>m</sub>**

▲ 2%

Dividend per share

**19c**

▲ 6%

Earnings per share

**24.9c**

▲ 50%



## Results overview

**51% increase in net earnings; operating earnings before significant items 4% lower**

NZ\$m (except EPS and DPS)	Reported Results		% change
	Dec 2014 6 months	Dec 2015 6 months	
Revenue	4,327	<b>4,434</b>	+2
Operating earnings before significant items	290	<b>278</b>	-4
Significant items	(66)	<b>10</b>	NM
Operating earnings (EBIT)	224	<b>288</b>	+29
Net earnings before significant items	171	<b>159</b>	-7
Net earnings	114	<b>172</b>	+51
Earnings per share (EPS – cents)	16.6	<b>24.9</b>	+50
Dividend declared per share (DPS – cents)	18.0	<b>19.0</b>	+6



# Half year highlights



## Building Products EBIT

- Rocla Pipelines ▲ 25%
- Golden Bay Cement ▲ 21%
- Winstone Wallboards ▲ 17%
- Aluminium ▲ 100%
- Insulation AU & NZ ▲ 107%



## Distribution EBIT

- NZ Building Supplies ▲ 34%
- Steel Distribution NZ ▲ 13%
- Steel Distribution AU ▲ 67%



## International EBIT

- Laminex ▲ 11%
- Roof Tile Group ▲ 50%



## Portfolio Review

- Sale of Rocla Quarries assets completed
- Purchase of Higgins contracting business
- New aluminium windows & doors JV with NALCO



# Results overview

## Revenue

Revenue

**\$4,434m**

▲ 2%

- Reported revenue \$107m higher or 2% than HY15

### REVENUE GROWTH RATES

*Geographic segments in local currency*

New Zealand	+6%
Australia	-5%
Rest of World	-11%

- Adjusting for business divestments, revenue grew 5% year-on-year



# Results overview

## Operating earnings

Operating earnings

**\$288m**

▲ 29%

- Operating earnings before significant items down 4%
- Result impacted by lower Residential and Construction earnings
- Reported operating earnings (EBIT) up 29%

Operating earnings

**\$278m**

*before significant items*

▼ 4%

### SIGNIFICANT ITEMS

*Significant items related to site closures and sale of businesses*

Gain on disposal of businesses	\$16m
Site closures	(\$6m)
Total	\$10m





# Results overview

## Net earnings

Net earnings

**\$172m**

▲ 51%

Net earnings

**\$159m**

*before significant items*

▼ 7%

- Net earnings before significant items down 7% to \$159m
- Prior period significant expense items of \$66m

### EARNINGS PER SHARE

Earnings per share	24.9 cents	+50%
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Earnings per share <i>(before significant items)</i>	23.0 cents	-8%
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# Results overview

## Dividend

Dividend per share

**19<sub>c</sub>**

▲ 6%

- Dividend not franked for Australian tax purposes or imputed for New Zealand tax purposes
- Dividend Reinvestment Plan will be operative for this dividend

### KEY DIVIDEND DATES

Dividend paid	13 April 2016
Shares quoted ex dividend	22 March 2016



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## Results overview

# Cashflow from operations

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Cashflow from operations

**\$170m**

▲ 16%

- Cashflow from operations \$170m increased by \$24m from HY15 (\$146m)
- Increase is due to:
  - Reduced general working capital
  - Partly offset by increased expenditure on residential land





# Geographic & Sectoral Analysis

► Construction

ST JOHN GUISE STADIUM, PNG

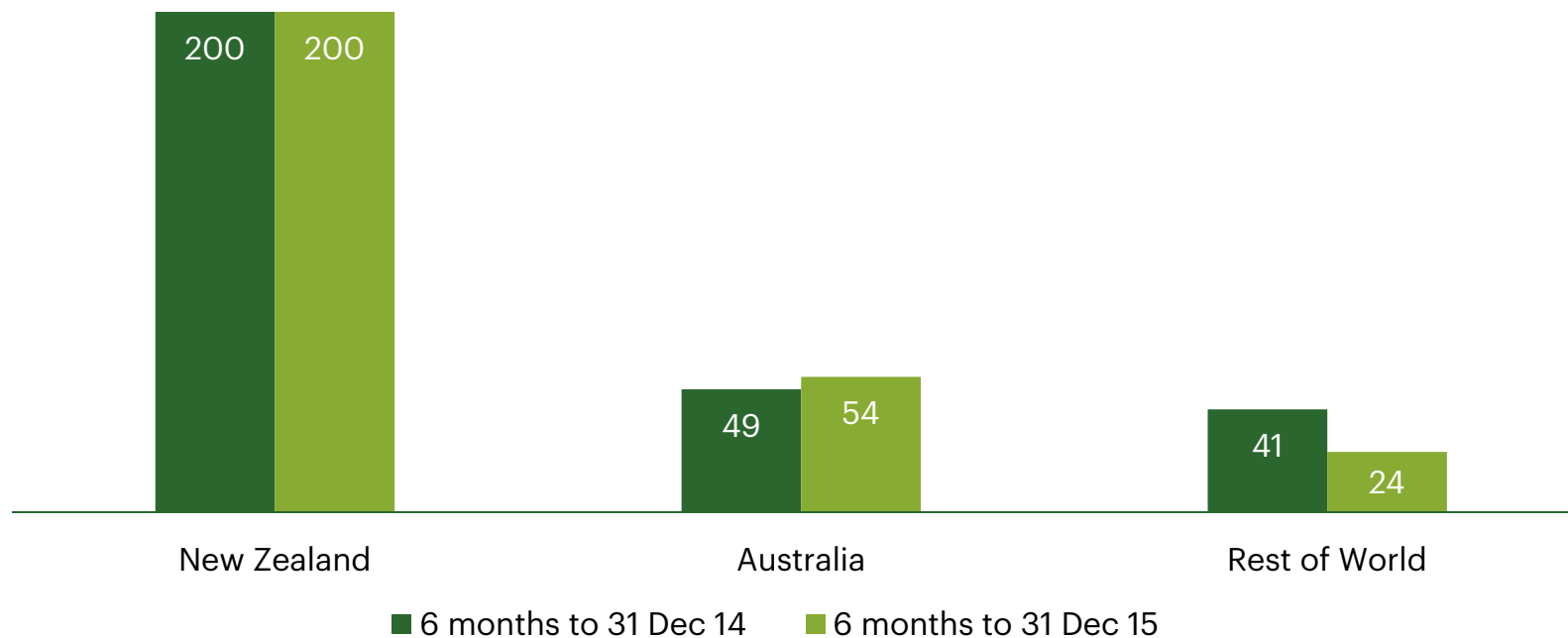


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## New Zealand operating earnings were flat half on half, while Australia increased 10%

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EBIT'  
NZ\$m



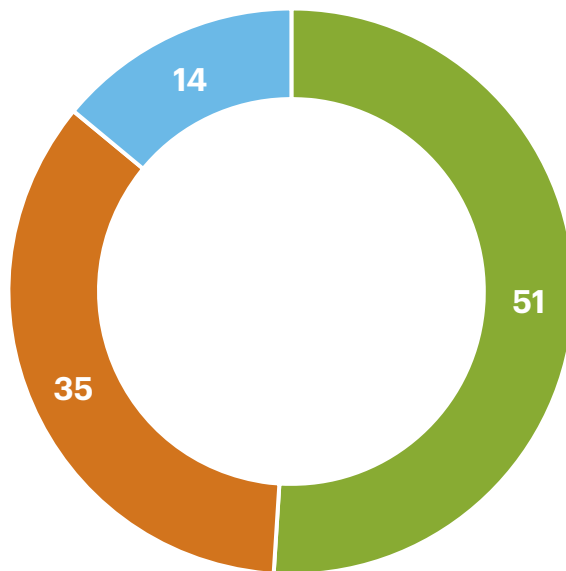
1. Before significant items





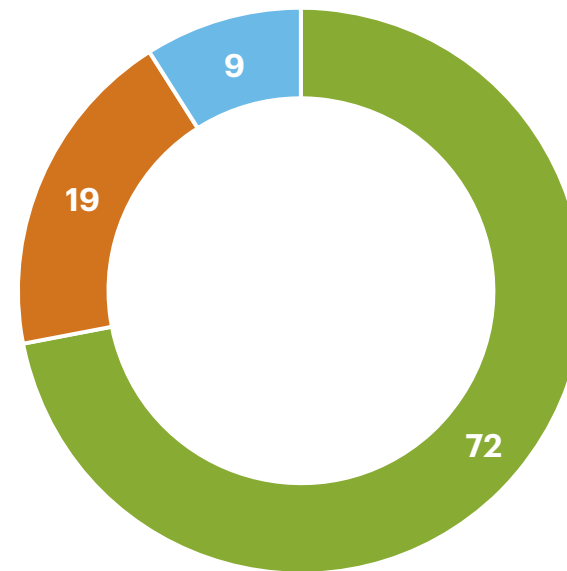
# Geographic earnings mix reflects strength of NZ market

**External Revenue**  
(6 months to 31 December 2015)



■ New Zealand ■ Australia ■ Rest of World

**EBIT<sup>1</sup>**  
(6 months to 31 December 2015)



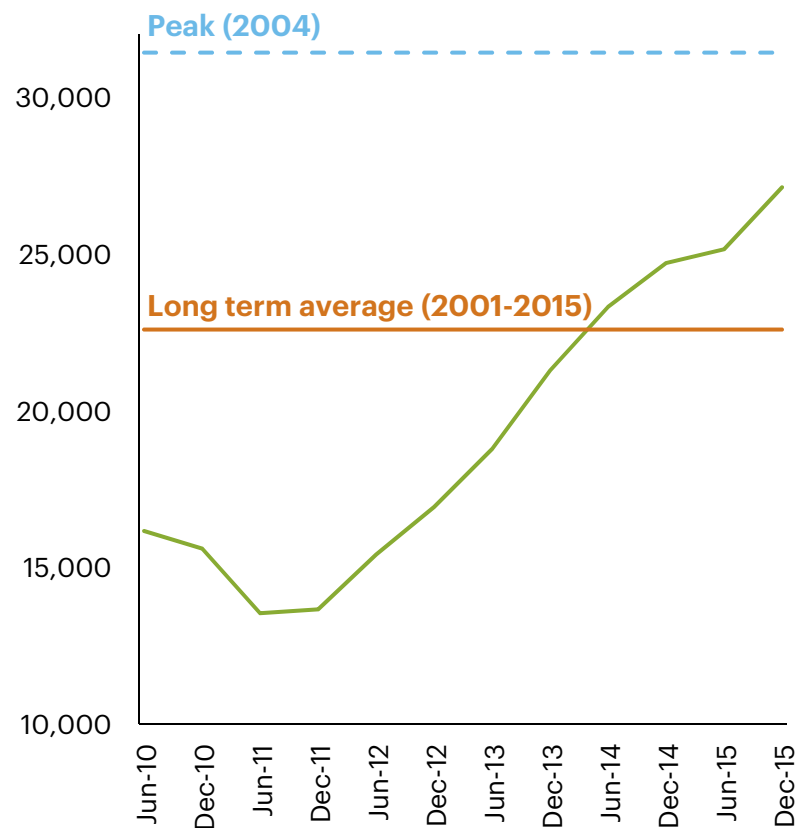
■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



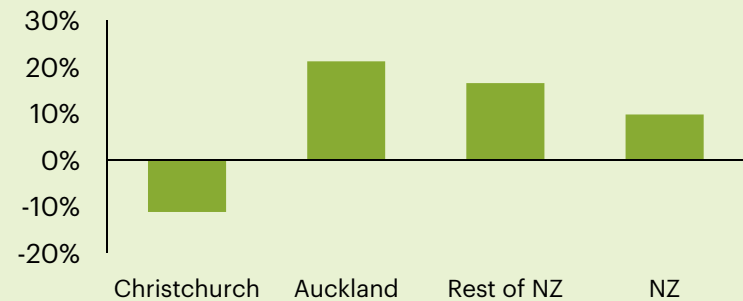
# New Zealand residential consents up 10% to 27,132 driven by growth in Auckland

## Total residential consents<sup>1</sup>



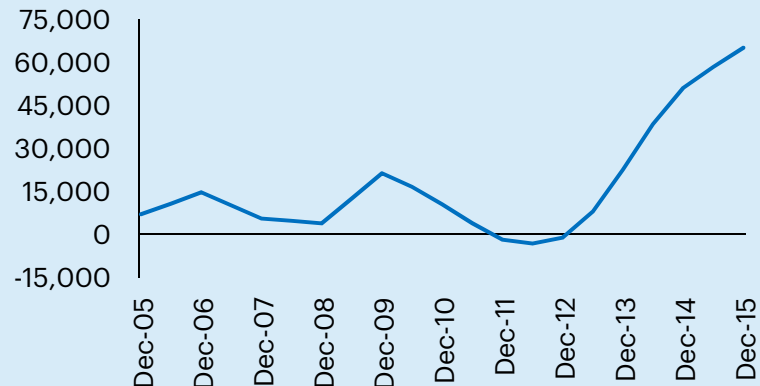
Source: Statistics NZ, Infometrics  
1 - Twelve months rolling

## Change % year on year



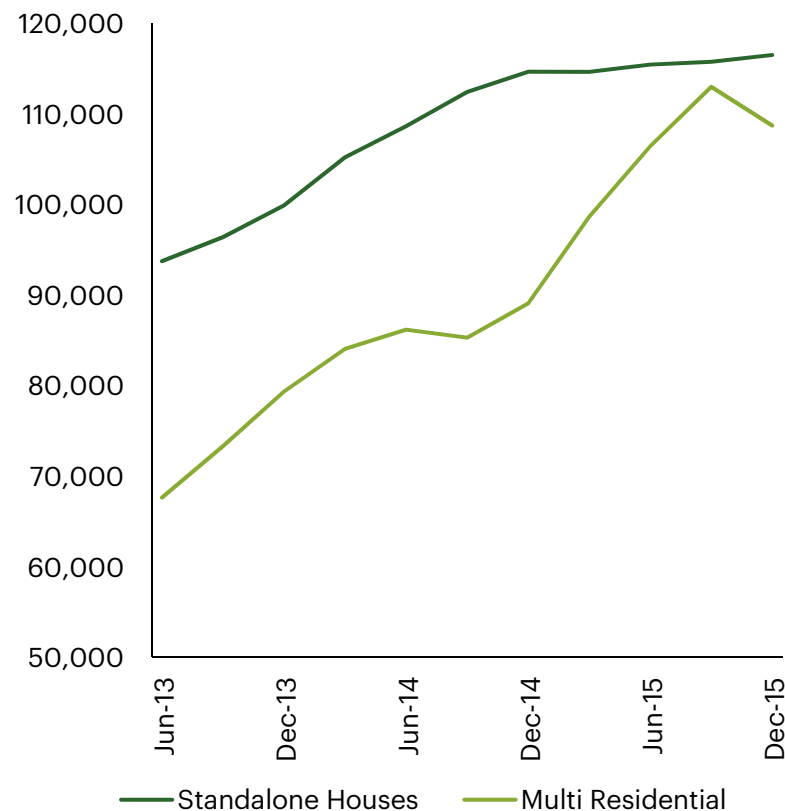
**Auckland and Christchurch represent 58% of total consents**

## Net Migration 12 month rolling



# Australian residential consents rose to record levels over past 12 months

## Total residential consents<sup>1</sup>



	Dec 2014 12 months	Dec 2015 12 months	% change
Stand-alone	114,690	116,549	+2
Multi Residential	89,090	108,737	+22
<b>Total</b>	<b>203,780</b>	<b>225,286</b>	<b>+11</b>

- Multi residential and other dwellings drove increase in consents and increased their proportional share to 48% of total dwellings approved

Source: Australian bureau of statistics, BIS Shrapnel  
1 - Twelve months rolling





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# Divisional Performances

► **Residential & Land Development**  
STONEFIELDS

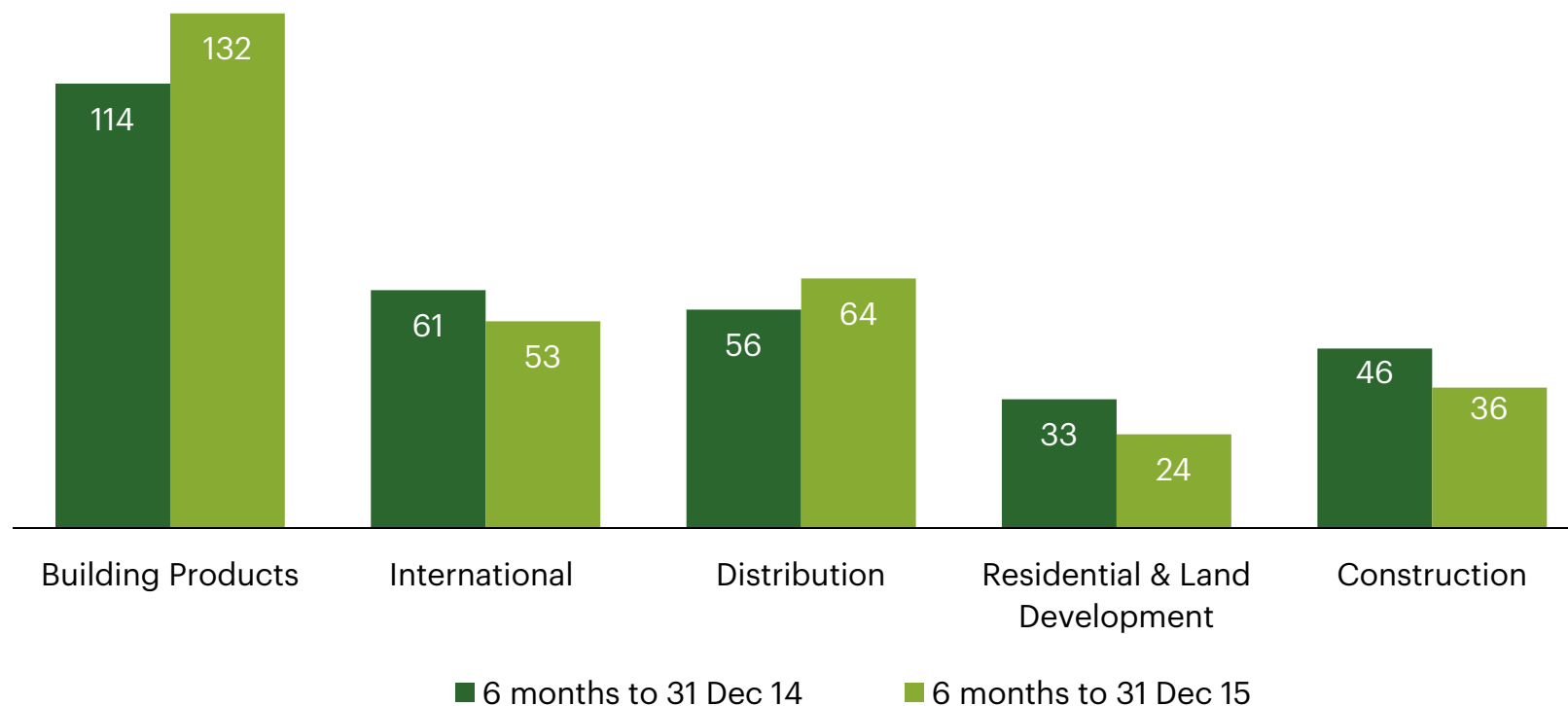




## Divisional operating earnings

### Strong performance from Building Products and Distribution divisions

EBIT<sup>1</sup>  
NZ\$m



1. Before significant items



# Building Products Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,320	<b>1,265</b>	-4
External Revenue	1,069	<b>1,021</b>	-4
EBITDA <sup>1</sup>	164	<b>172</b>	+5
EBIT <sup>1</sup>	114	<b>132</b>	+16
<i>Cement &amp; Aggregates</i>	39	<b>44</b>	+13
<i>Concrete Pipes &amp; Products</i>	30	<b>27</b>	-10
<i>Building Materials</i>	38	<b>48</b>	+26
<i>Plastic Pipes</i>	(3)	<b>2</b>	NM
<i>Joint Ventures &amp; Other</i>	10	<b>11</b>	10
Funds Employed	1,880	<b>1,748</b>	-7
EBITDA/gross revenue % <sup>1</sup>	12	<b>14</b>	
EBIT/gross revenue % <sup>1</sup>	9	<b>10</b>	
ROFE % <sup>2</sup>	12	<b>15</b>	

1. Before significant items

2. Annualised

## Cement & Aggregates

Operating earnings increased 13%

New Zealand cement volumes up 3%

## Concrete Pipes & Products

Ready-mix concrete volumes increased 8%

Pipe volumes up 6% in Australia

## Building Materials

Plasterboard volumes increased 9%

Insulation volumes up 12% in New Zealand, and up 9% in Australia, with share gains in both markets

## Plastic Pipes

Significant improvement in Iplex Australia performance

## JV & Other

Aluminium earnings doubled, driven by operational changes



# International Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,001	<b>1,080</b>	+8
External Revenue	990	<b>1,067</b>	+8
EBITDA	92	<b>87</b>	-5
EBIT	61	<b>53</b>	-13
<i>Formica</i>	20	<b>6</b>	-70
<i>Laminex</i>	37	<b>41</b>	+11
<i>Roof Tile Group</i>	4	<b>6</b>	+50
Funds Employed	1,908	<b>2,041</b>	+7
EBITDA/gross revenue %	9	<b>8</b>	
EBIT/gross revenue %	6	<b>5</b>	
ROFE % <sup>1</sup>	6	<b>5</b>	

1. Annualised

## Formica

Revenue growth in North America

Lower revenues and volumes in Asia and Europe

Restructuring costs in Europe

## Laminex

11% growth in operating earnings

Revenue growth in both New Zealand and Australia

Continued benefits from operational efficiencies & restructuring

## Roof Tile Group

Sales volumes improved in North America and Europe



# Distribution Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	1,650	<b>1,674</b>	+1
External Revenue	1,535	<b>1,531</b>	-
EBITDA <sup>1</sup>	72	<b>79</b>	+10
EBIT <sup>1</sup>	56	<b>64</b>	+14
<i>NZ Building Supplies</i>	29	<b>39</b>	+34
<i>NZ Steel Distribution</i>	15	<b>17</b>	+13
<i>AU Building Supplies</i>	6	<b>(2)</b>	NM
<i>AU Steel Distribution</i>	6	<b>10</b>	+67
Funds Employed	991	<b>1,049</b>	+6
EBITDA/gross revenue % <sup>1</sup>	4	<b>5</b>	
EBIT/gross revenue % <sup>1</sup>	3	<b>4</b>	
ROFE % <sup>2</sup>	11	<b>12</b>	

1. Before significant items

2. Annualised

## New Zealand Building Supplies

Revenue up with growth in all trade related segments

Operating earnings up 34%

## New Zealand Steel Distribution

Operating earnings up 13% with volume growth at Pacific Coilcoaters

## Australia Building Supplies

3% decrease in Tradelink revenue

Tradelink continues to focus on its core trade customers

Restructuring costs incurred during the period

## Australia Steel Distribution

Operating earnings increased 67%

Significant operational improvements in Stramit drove performance



# Residential and Land Development Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% Change
Gross Revenue	101	<b>108</b>	+7
External Revenue	101	<b>108</b>	+7
EBITDA	33	<b>24</b>	-27
EBIT	33	<b>24</b>	-27
Funds Employed	209	<b>295</b>	+41
EBITDA/gross revenue %	33	<b>22</b>	
EBIT/gross revenue %	33	<b>22</b>	
ROFE % <sup>1</sup>	32	<b>16</b>	

## NZ Residential Development

Increased revenue driven by strong New Zealand market

Reduced sales from Stonefields, partly offset by increased sales elsewhere in Auckland

Significant progress in securing land for future development over the next few years

Construction underway at Three Kings in Auckland and Awatea in Christchurch

1. Annualised





# Construction Result

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Gross Revenue	640	<b>748</b>	+17
External Revenue	632	<b>707</b>	+12
EBITDA <sup>1</sup>	50	<b>40</b>	-20
EBIT <sup>1</sup>	46	<b>36</b>	-22
Funds Employed	(19)	<b>(37)</b>	NM
EBITDA/gross revenue % <sup>1</sup>	8	<b>5</b>	
EBIT/gross revenue % <sup>1</sup>	7	<b>5</b>	

## New Zealand Construction

Gross revenue increased 17% driven by increased construction activities

Operating earnings lower due to the timing of projects

Total contracted work awarded but not completed was \$3.3 billion as at 31 Dec 2015, up from \$2.4 billion at the year end

New contracts awarded include:

- NZ International Convention Centre
- Precinct Properties Downtown site redevelopment
- Auckland International Airport terminal upgrade

1. Before significant items



**Fletcher Building** Half Year Results Presentation 2016

# Financial Results

► **Building Products**  
CSP PACIFIC



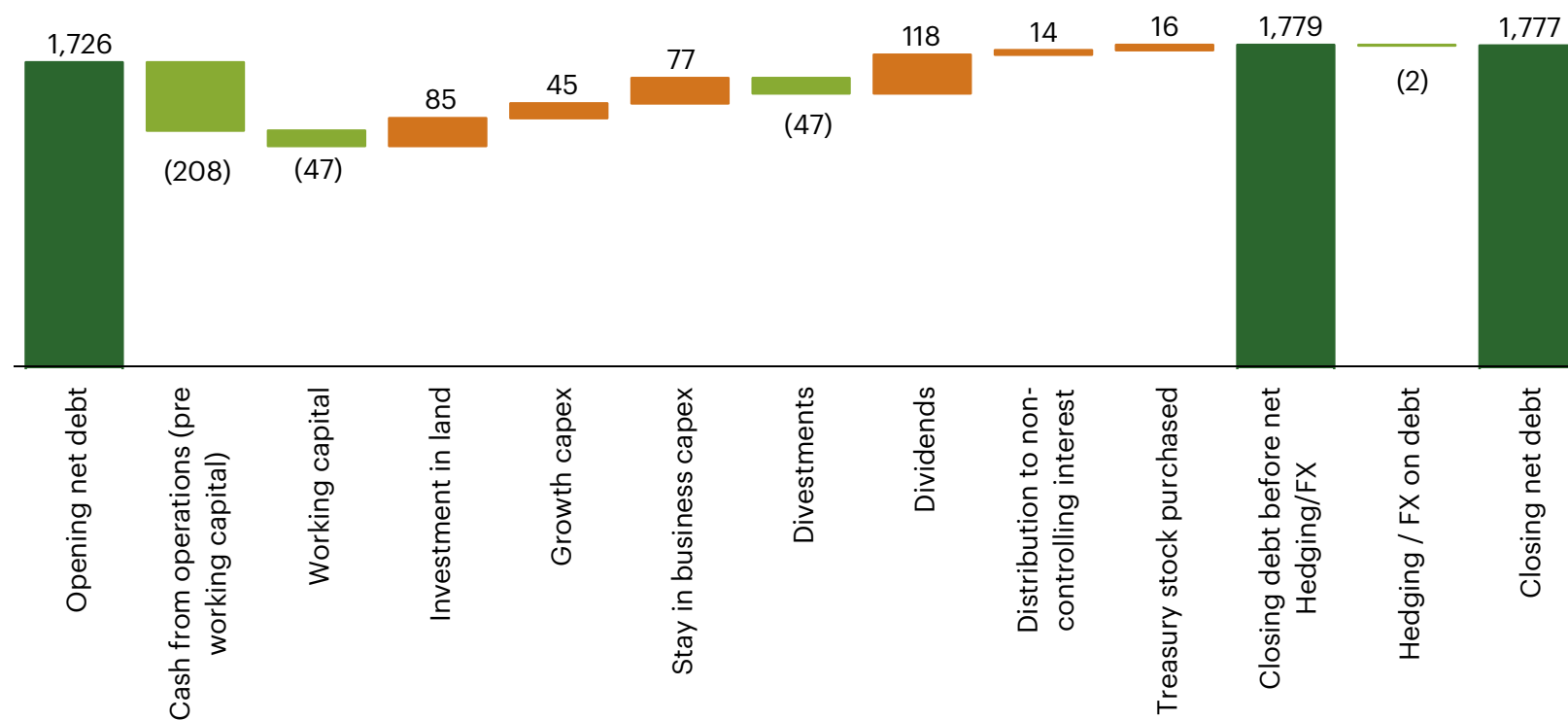
# Operating cashflow

NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
<b>Operating earnings before significant items</b>	290	<b>278</b>	-4
Depreciation and amortisation	103	<b>97</b>	-6
Less cash tax paid	(29)	<b>(67)</b>	NM
Less interest paid	(63)	<b>(60)</b>	-5
Provisions, significant items and other	(19)	<b>(40)</b>	NM
<b>Results from operations before working capital adjustments</b>	282	<b>208</b>	-26
Land and developments	(100)	<b>(85)</b>	-15
Other working capital movements	(36)	<b>47</b>	NM
<b>Cash flows from operating activities</b>	146	<b>170</b>	+16



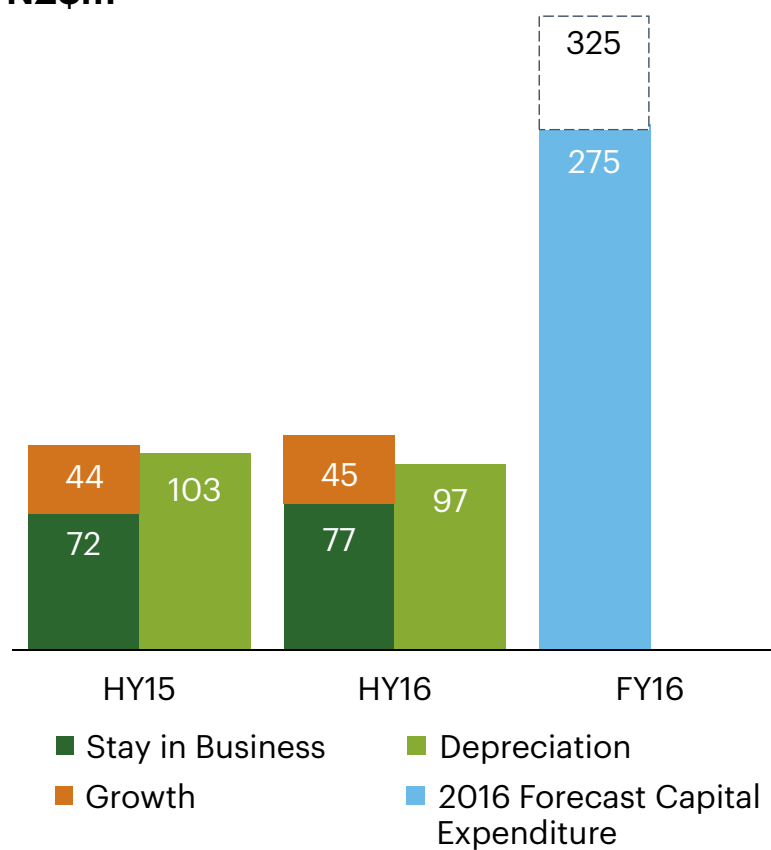
# Underlying net debt stable

NZ\$m



# Capital expenditure

NZ\$m



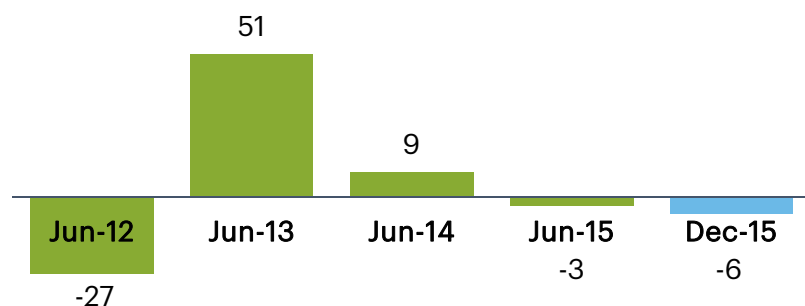
NZ\$m	Dec 2014 6 months	Dec 2015 6 months	% change
Stay-in-business	72	<b>77</b>	+7
Growth	44	<b>45</b>	+2
<b>Total Capex</b>	116	<b>122</b>	+5
<b>Depreciation</b>	103	<b>97</b>	

- For FY16, Capital expenditure is expected to be in the range of \$275m - \$325m

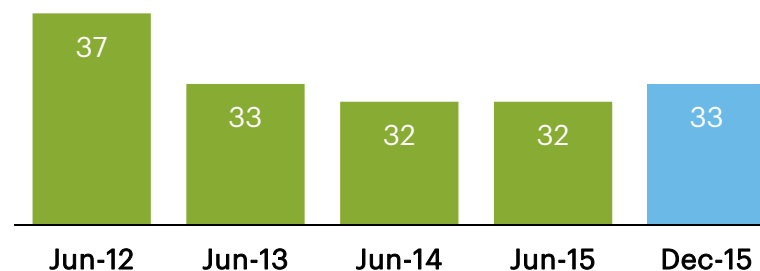


# Key ratios

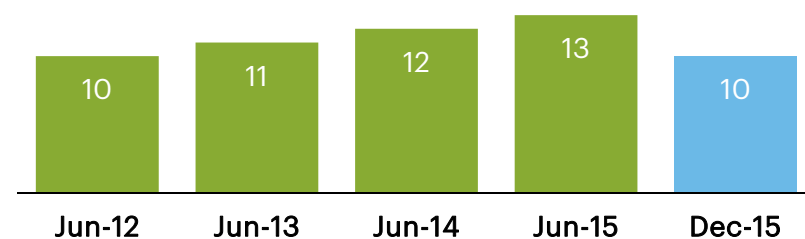
**Total Shareholder Return (TSR)  
Percentage**



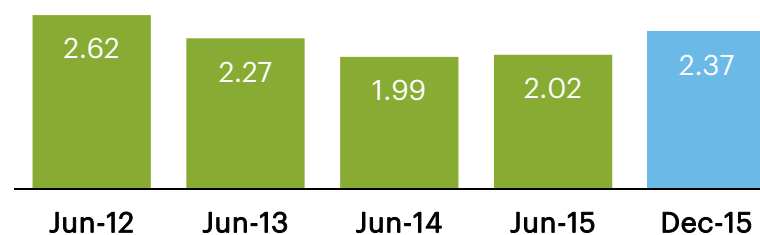
**Debt/Debt Plus Equity  
Percentage**



**Return on Average Funds  
Percentage<sup>1</sup>**



**Net Debt/EBITDA  
Times**



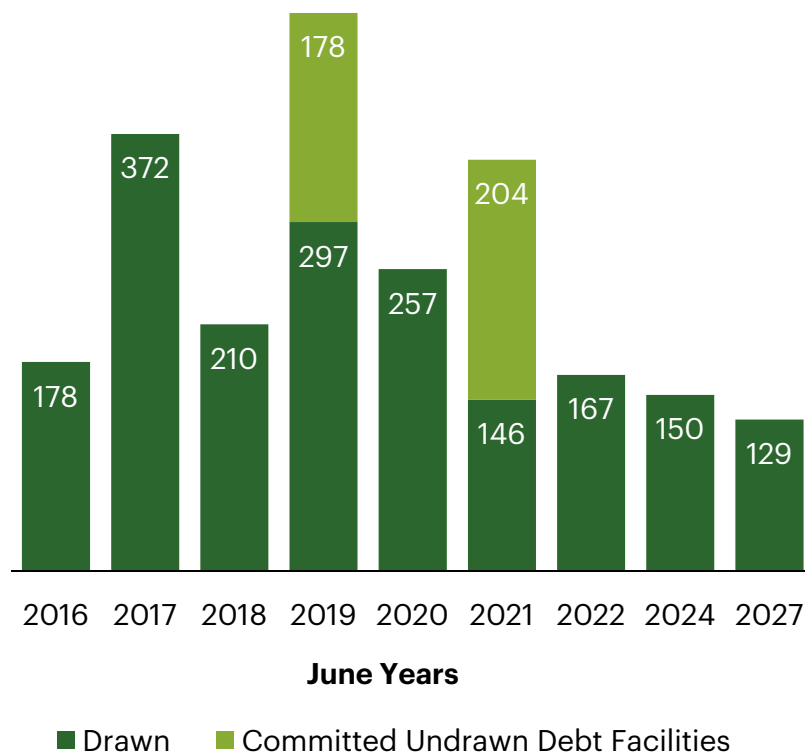
1. Earnings before interest, tax and significant items / average funds





# Debt profile

## Funding and Maturity Profile December 2015



Undrawn credit lines of \$382m and cash of \$221m

Average maturity of debt is 3.7 years

Approximately 54% of all borrowings have fixed interest rates

Average interest rate on debt is 5.3%

Mix of currency (hedged)

- NZ\$ 36%
- AU\$ 44%
- US\$ 12%
- Other 8%



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# Capital management settings

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**Fletcher Building will continue to target strong 'BBB' credit characteristics**

## **Gearing**

- Target of Net Debt to Net Debt + Equity (including Capital Notes) of 30-40%
- As at 31 December 2015: 33%

## **Leverage**

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2015: 2.37 times

**It is intended that the group will not be materially outside target Gearing and Leverage ranges on a long run basis**

**Target dividend pay-out ratio is 50% to 75% of net earnings (before significant items)**



**Fletcher Building** Half Year Results Presentation 2016

# Strategy Update

► **Construction**

NGAURANGA TO AOTEA UPGRADE, WELLINGTON





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# Fletcher Building strategy is built on 4 Pillars

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## People

Create a great place to work

- Safety
- Leadership, Capability and Change Agility
- High-Performance Culture



## Customers

Deliver what they value

- Digital Leadership
- Pricing & Cost-to-Serve
- Innovation and Solutions



## Efficiency

Work smarter together

- Operations Excellence
- Procurement & Property
- Shared Services



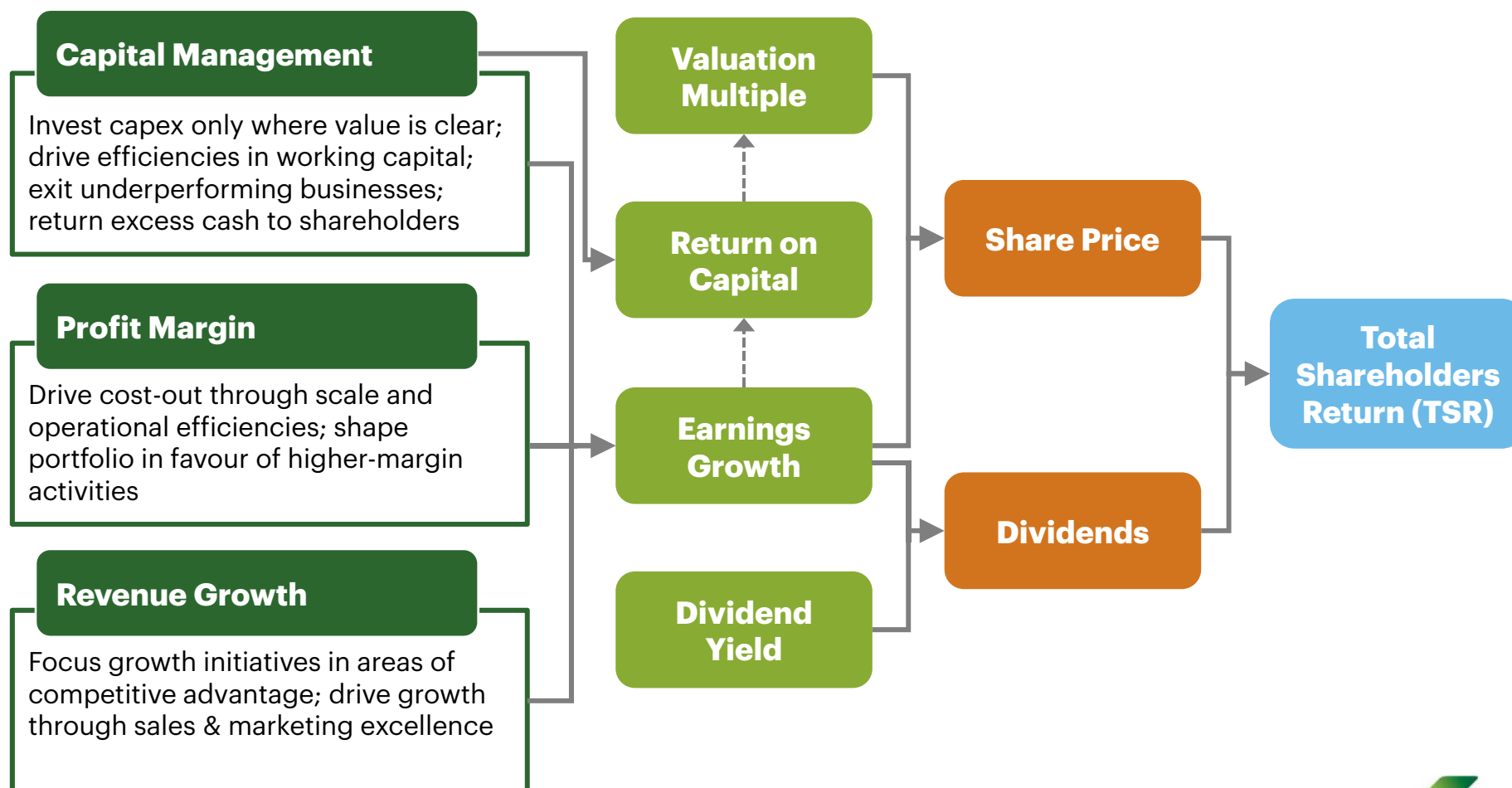
## Profitable growth

Invest where we can win

- Portfolio Simplification
- Strategic Growth Investment
- Disciplined Capital Management



## Our aspiration: to deliver top-quartile shareholder value creation through driving core operational levers



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# Update on strategic growth agenda

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## **Portfolio clarity**

- Rocla Quarries assets divested
- Conditional purchase of Higgins
- JV of Fletcher Aluminium windows and doors business with NALCO

## **Driving efficiency**

- Appointment of Chief Transformation Officer
- Transformation office established
- Further investment in Centres of Excellence

## **Investing for growth**

- Continued investment in residential land for development
- Expansion into roading construction with Higgins acquisition
- Distribution: all distribution businesses consolidated under single leadership team; continued investment in footprint across NZ and Australia





# New divisional structure will support greater focus on business performance

Building Products: Matt Crockett	International: Francisco Irazusta	Distribution: Dean Fradgley	Residential & Land Development: Steve Evans	Construction: Graham Darlow
<ul style="list-style-type: none"> <li>• GBCWinstone (NZ) including Higgins Aggregates</li> <li>• Firth (NZ)</li> <li>• Humes (NZ)</li> <li>• Rocla Pipelines (Aus)</li> <li>• Winstone Wallboards/Tasman Insulation (NZ)</li> <li>• Fletcher Insulation (Aus)</li> <li>• Iplex (NZ &amp; Aus)</li> <li>• Sims Pacific Metals (NZ)</li> <li>• Fletcher Aluminium (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Formica Asia</li> <li>• Formica Europe</li> <li>• Formica North America</li> <li>• Laminex (NZ &amp; Aus)</li> <li>• Roof Tile Group (NZ; Africa; Asia; Europe; USA)</li> </ul>	<ul style="list-style-type: none"> <li>• PlaceMakers (NZ)</li> <li>• Mico (NZ)</li> <li>• Tradelink (Aus)</li> <li>• Stramit (Aus)</li> <li>• Tasman Sinkware (Aus);</li> </ul> <p><u>Steel Distribution:</u></p> <ul style="list-style-type: none"> <li>• Fletcher Easysteel (NZ)</li> <li>• Pacific Coil Coaters (NZ)</li> <li>• Dimond Roofing (NZ)</li> <li>• Fletcher Reinforcing (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Fletcher Living (NZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure (NZ)</li> <li>• Fletcher EQR (NZ)</li> <li>• South Pacific</li> <li>• Higgins Contracting (NZ &amp; Fiji)</li> <li>• Building + Interiors (NZ)</li> </ul>
<p><b>Supported by Fletcher Building Corporate Services:</b></p> <p>People and Communications – Kate Daly, Chief People and Communications Officer</p> <p>Strategy and Finance – Gerry Bollman, Chief Financial Officer</p> <p>Group Technology – John Bell, Chief Information Officer</p> <p>Governance and Property – Charles Bolt, Company Secretary and General Counsel</p> <p>Procurement, Marketing, Operational Excellence and Transformation - Lee Finney, Chief Transformation Officer</p>				



# Group Transformation Office established to concentrate growth & efficiency functions

## Chief Transformation Officer

### Centres of Excellence

**Manufacturing**  
**Supply Chain**  
**Sales & Marketing**  
**Health & Safety**

### Growth Initiatives

#### Commercial:

- Price dispersion and leakage
- Mix
- Volume
- Cost-to-serve

#### Product & Service Innovation (including Digital solutions)

### Cost Reduction Initiatives

#### Working Capital:

Accounts payable – standardise payment terms

Accounts receivable – standardise collection processes

Inventory reduction

#### Procurement:

Extending scale and scope of existing function

Pricing and specifications

#### Overheads:

Central function productivity

Cost per FTE





# Outlook

► Construction  
HIGGINS





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## Outlook FY16

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### **New Zealand**

- Residential construction activity expected to continue at above average levels
- Net migration and Auckland housing demand key drivers
- Commercial construction activity is tracking the upward trend in consents
- Government infrastructure spending expected to remain at or above current levels

### **Australia**

- Residential activity likely to remain buoyant for FY16, with multi-dwelling and apartments continuing to drive the market
- Government funded public infrastructure pipeline is significant, but subject to government fiscal position



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## Outlook FY16

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### **North America**

- Activity levels in residential and commercial should remain broadly consistent with prior year

### **Europe**

- Continued mixed conditions expected with a weak economic outlook

### **Asia**

- Further growth in South-East Asia, China to likely remain highly competitive



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## Financial Outlook FY16


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### **Guidance given at Annual Shareholder's Meeting reaffirmed:**

- Earnings before interest, tax and significant items expected to be in the range of \$650 million to \$690 million
- Excludes expected post-tax gain of \$85 million from sale of Rocla Quarries assets





A photograph of the Fletcher Building at night, featuring a modern glass and steel facade with internal lights glowing through the windows. The building is set against a dark blue sky. A large green semi-transparent rectangle is overlaid on the left side of the image, containing the title and executive names.

# **Fletcher Building**

## **Half Year Results to 31 December 2015**

**MARK ADAMSON**  
Chief Executive Officer

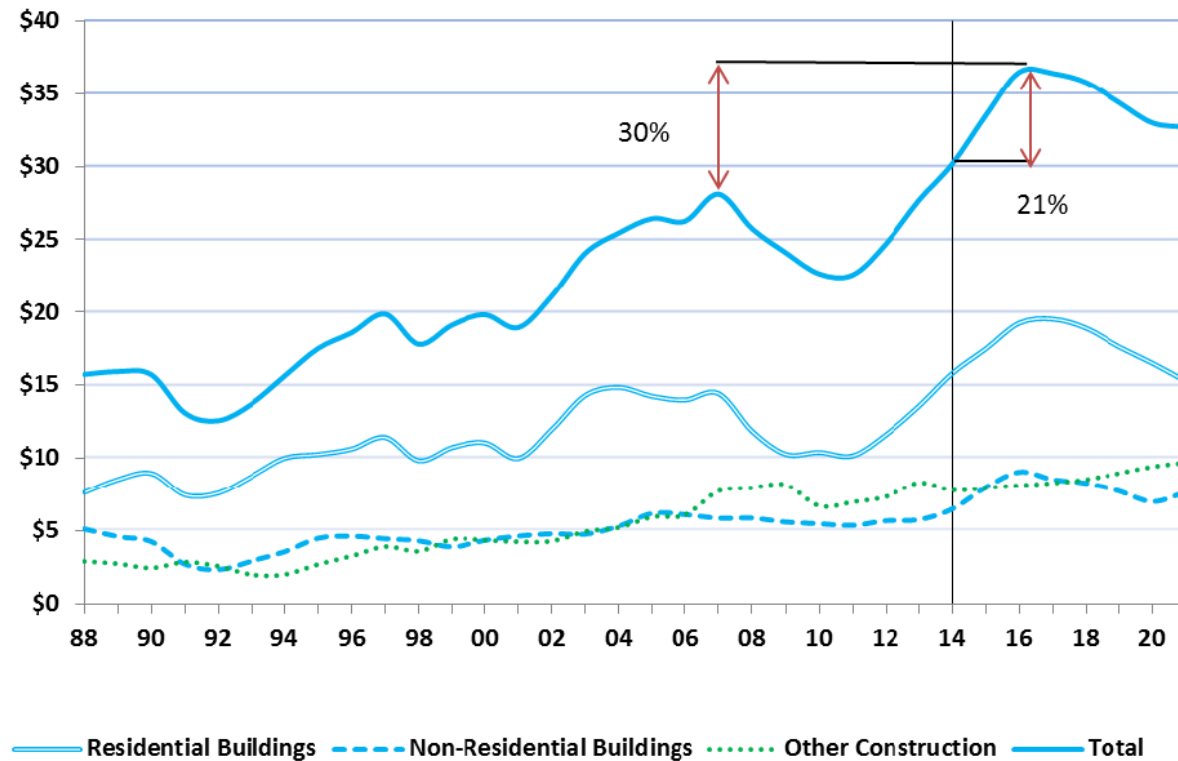
**GERRY BOLLMAN**  
Chief Financial Officer

17 February 2016



# Appendix: New Zealand construction activity expected to continue at record levels

**Value of all construction (historic and forecast)**  
**NZ\$bn**



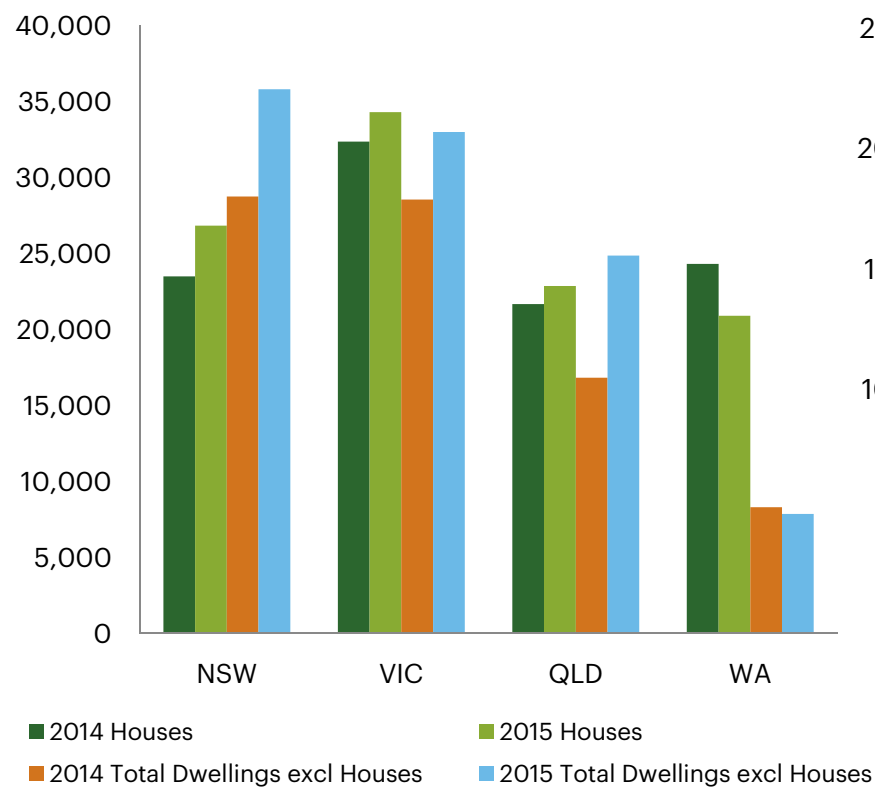
Source: Statistics NZ/BRANZ/Pacifecon



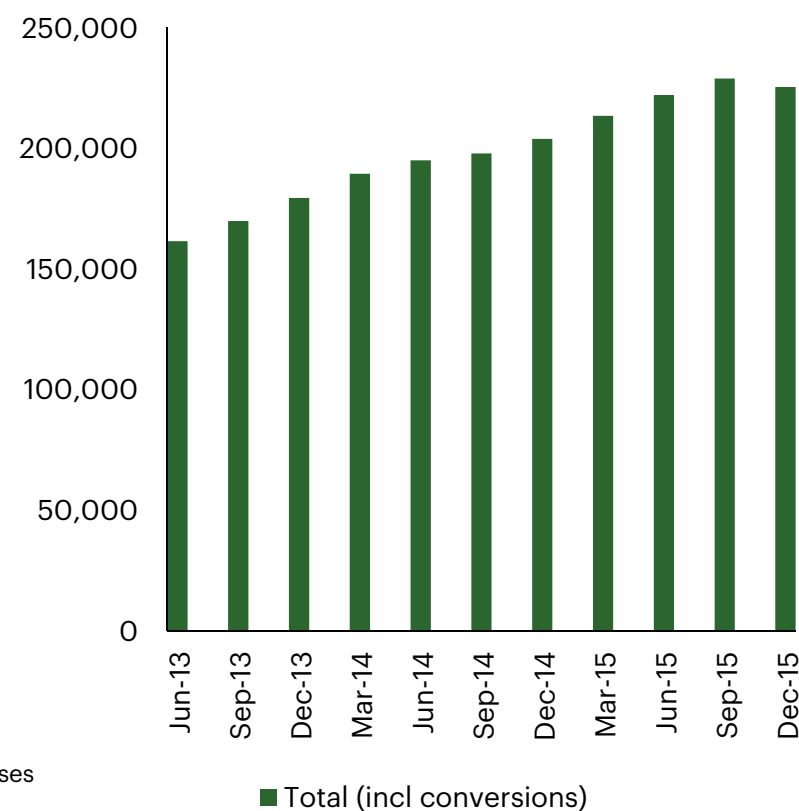
## Appendix: Australian consents by state

### Change in housing approvals – by state

12 months ended 31 Dec 2015 vs 2014



### Consents



Source: HIS Global Insight



## Appendix: Sectoral exposure

### Exposures based on revenues

Geographical Exposure by Sector <sup>1</sup>	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	44%	29%	14%	13%
Australia	51%	28%	9%	12%
Rest of World	44%	49%	0%	7%
<b>Total Manufacturing</b>	47%	33%	9%	11%
New Zealand	80%	18%	0%	2%
Australia	59%	41%	0%	0%
<b>Total Distribution</b>	72%	26%	0%	2%
New Zealand	15%	50%	35%	0%
Rest of World	0%	50%	50%	0%
<b>Total Construction</b>	14%	50%	36%	0%

1. Excludes business sold or closed during the year

\* A&A – Additions and Alterations



## Appendix: Building consent data

NZ\$m	Dec 2013 12 months	Dec 2014 12 months	Dec 2015 12 months	15/14 % Mvmt
<b>New Zealand</b>				
Residential Consents	21,290	24,717	<b>27,132</b>	+10
Non Res WPIP (\$m)	4,890	5,811	<b>6,505</b>	+12
Infrastructure WPIP (\$m)	7,494	7,182	<b>7,087</b>	-1
<b>Australia</b>				
Source: Infometrics/Statistics NZ				
Residential Consents - Standalone houses	99,924	114,690	<b>116,549</b>	+2
- Other dwelling types	79,355	89,090	<b>108,737</b>	+22
- Total	<b>179,279</b>	<b>203,780</b>	<b>225,286</b>	<b>+11</b>
Non Res WPIP (A\$bn)	34.7	35.8	<b>36.5</b>	+2
Infrastructure WPIP (A\$bn)	127.9	116.4	<b>100.6</b>	-14
<b>US (Billions of 2010 US\$) Calendar Years</b>				
Source: ABS				
Residential Consents (US\$bn)	311	315	<b>326</b>	+3
Non Res WPIP (US\$bn)	323	328	<b>358</b>	+9
Infrastructure WPIP (US\$bn)	200	209	<b>209</b>	-

Source: HIS Global Insight





## Appendix: Formica earnings impacted by challenges in Europe

EBIT (NZ\$m)	Dec 2014 6 months	Dec 2015 6 months	% change
North America	20	<b>21</b>	+5
Asia	11	<b>12</b>	+9
Europe	(2)	<b>(17)</b>	NM
Formica EBIT pre-corporate costs	29	<b>16</b>	-45
Formica corporate costs	(9)	<b>(10)</b>	+11
Total EBIT	20	<b>6</b>	-70





**Fletcher Building**  
Half Year Review December 2015

**Building  
Better,  
Together.**



Half year in review	02	Financial review	10
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Distribution	07	Dividend information	27
Residential and land development	08	Shareholder information	28
Construction	09		



COVER AND OPENING PAGE:  
The Kathleen Kilgour Centre in Tauranga.  
Photography by Simon Devitt.



## Snapshot

### REVENUE

**\$4,434<sub>m</sub>**

\$107 million, or 2%, higher

### OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS

**\$278<sub>m</sub>**

4% lower

### OPERATING EARNINGS

**\$288<sub>m</sub>**

\$64 million, or 29%, higher

### NET EARNINGS

**\$172<sub>m</sub>**

up 51%, from \$114 million

### BASIC EARNINGS PER SHARE CENTS

**24.9**

up from 16.6 cents

### INTERIM DIVIDEND CENTS

**19.0**

## Half year in review

The result was driven by strong performances in the Building Products and Distribution divisions, offset by lower residential development and construction earnings.

### Dear shareholders,

We are pleased to present Fletcher Building's unaudited interim results for the six months ended December 31, 2015.

The group recorded net earnings after tax of \$172 million, compared with \$114 million in the prior corresponding period.

The result included a net gain within significant items of \$10 million relating to the gain on sale of certain Rocla Quarries assets, partly offset by closure costs for three manufacturing plants. The result for the prior corresponding period included a \$66 million expense within significant items relating to impairment of goodwill and site closure costs. Net earnings before significant items were 7% lower at \$159 million.

Operating earnings (earnings before interest and tax) were \$288 million, up 29% on the \$224 million earned in the prior corresponding period, while operating earnings excluding significant items were 4% lower at \$278 million.

Revenue for the period of \$4,434 million was 2% higher.

Cash flow from operations was \$170 million, up 16% from \$146 million in the prior corresponding period.

The interim dividend will be 19.0 cents per share, and the dividend reinvestment plan will be operative for this dividend payment.

The result was driven by strong performances in the Building Products and Distribution divisions, offset by lower Residential development earnings and the timing of key Construction contract earnings.

We saw increased earnings from most of our manufactured building products businesses in New Zealand and Australia, and continued strong growth in earnings from our distribution division. This was partly driven by the strength of the broader construction market, particularly in New Zealand, but also resulted from the efforts we have made to lift performance across our business portfolio. This was particularly evident in the performances in a number of our Australian businesses. Laminex, Iplex, Fletcher Insulation, Rocla Pipelines and Stramit all achieved improved earnings versus last year.





**SIR RALPH NORRIS** Chairman

**MARK ADAMSON** Chief Executive Officer

Earnings from the residential development business were lower than for the same period last year due to a reduction in earnings from the Stonefields development. However, we have made good progress in sourcing new land for future development and in bringing other developments to market sooner.

In our construction division, we had lower earnings this half than last year, which was solely due to the timing of key projects. The outlook for our construction businesses is encouraging, with committed future contracted work now standing at \$3.3 billion compared with \$2 billion a year ago.

During the period we continued to address portfolio composition. At the end of January we completed the sale of the Rocla Quarries assets, with an after-tax gain on sale of approximately \$85 million. Early in February we announced the conditional acquisition of the Higgins contracting business for \$315 million. More recently we announced the formation of a new aluminium windows

**CONSTRUCTION – FUTURE CONTRACTED WORKS:**

**\$3.3b**

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and doors joint venture with Nalco. Through these initiatives, we have completed a substantial reorientation of the group and focused our activities where we see the best opportunities.

## OUTLOOK

The current strong market conditions in the New Zealand construction industry are expected to persist throughout the 2016 financial year, with ongoing demand for new housing particularly in Auckland and surrounding provinces, an increase in commercial construction activity off the back of the significant increase in the value of consents, and government expenditure on infrastructure to remain at the present healthy levels.

In Australia, the outlook is more mixed. Residential construction activity has remained strong but may slow particularly in the multi-dwelling segment, while stand-alone housing should be more resilient to potential changes in foreign capital inflows. Commercial construction activity is unlikely to lift from current levels. Despite a strong pipeline of infrastructure work, continued pressure on federal and state government fiscal positions has meant the timing of this work flow is uncertain.

Residential and commercial construction activity levels in North America are expected to remain broadly consistent with the past year.

European conditions are likely to remain mixed with a generally weak economic outlook. Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

For the 2016 financial year, operating earnings, (earnings before interest, tax and significant items) are expected to be in the range of \$650 million to \$690 million. This is consistent with what was communicated at the annual shareholders meeting last November, and compares with operating earnings of \$653 million earned in the prior year. This excludes the pre-tax profits from the sale of the assets of Rocla Quarries.



**SIR RALPH NORRIS**

—Chairman



**MARK ADAMSON**

—Chief Executive Officer

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## Building Products

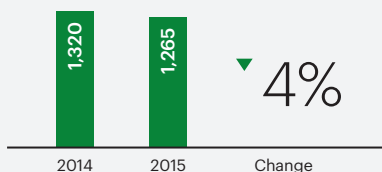


**Cement and Aggregates;  
Concrete Pipes & Products;  
Building Materials and Plastic Pipes**

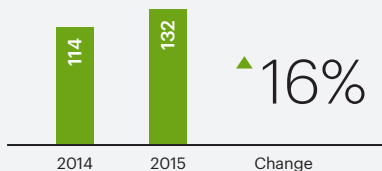
The Building Products division reported earnings of \$142 million compared with \$86 million in the prior corresponding period.

Six months ended 31 December

### GROSS REVENUE



### OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS



The result includes a net gain within significant items of \$10 million relating to the profit on sale of a number of joint ventures of the Rocla Quarries business (\$16 million). This was offset by costs of \$6 million associated with the closure of one Roda Pipes and two Iplex sites in Australia.

The Cement and Aggregates businesses lifted their operating earnings by 13% to \$44 million. This was primarily driven by increased New Zealand cement volumes, up 3% against the prior corresponding period, combined with a favourable change in the mix of regional quarrying volumes.

Operating earnings for Concrete Pipes & Products were \$27 million compared to \$30 million in the prior corresponding period. Ready-mix concrete volumes in New Zealand were 8% higher than the prior corresponding period in line with overall market growth, while New Zealand concrete pipe volumes were marginally lower due to slowing activity in Canterbury. In Australia, performance was flat as a result of very weak demand in Western Australia and intensifying price competition in other regional markets.

Building Materials operating earnings were \$48 million, an increase of 26% on the prior corresponding period. Plasterboard volumes were up 9% overall with volumes of performance board increasing 12% in the period. Insulation volumes also improved significantly in the period, with an increase of 12% in New Zealand and 9% in Australia. Market share has also improved in both insulation markets, through competitive pricing following the strengthening of the US dollar.

The Plastic Pipes businesses reported \$2 million operating earnings before significant items, a \$5 million improvement on the prior corresponding period. Volume in the Australian market was down 12% due to softening demand in the civil and mining segments and coal seam gas projects. The impact of this was more than offset by significant reductions in Iplex Australia's operating costs and the turnaround of this business is on track. The New Zealand plastic pipes business was in line with the prior corresponding period.

## International

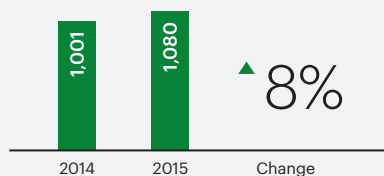


### Laminex; Formica and Roof Tile Group

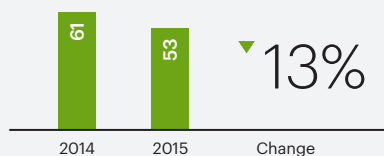
Operating earnings for the International division were \$53 million, down 13% from \$61 million in the prior corresponding period. Revenue was up 8%, largely due to a weakening of the New Zealand dollar, against the USD and the Euro.

Six months ended 31 December

#### GROSS REVENUE



#### OPERATING EARNINGS



Laminex operating earnings were \$41 million, up by 11%. Gross revenue was 4% higher than the prior corresponding period. Australian revenue in domestic currency was 3% higher, driven by increased activity in the residential and commercial sectors as well as product growth initiatives, such as stone and plywood. New Zealand revenue was up by 8% on the prior corresponding period.

Operating earnings for Formica were \$6 million. Revenue in domestic currencies was up by 1% on the prior corresponding period.

In North America, revenue in domestic currencies was up by 3%, while operating earnings in domestic currencies were down by 8% predominantly due to the timing of costs associated with new product promotions. The business continued to generate manufacturing and operational efficiency gains.

In Asia, revenue in domestic currencies was down 3%. This was driven by slowing activity levels and competitive response in China, which was down by 11%. Thailand and Taiwan saw revenue up by 8% and 6% respectively. Operating earnings were down by 4% in domestic currencies compared to the prior corresponding period due to revenue and margin softness in China. Despite these challenges, the new factory in Jiujiang, China continued to improve its operational capabilities.

Revenue in Europe in domestic currencies fell by 8%. Activity levels varied significantly by country, with improvements in the UK while France, the Netherlands and Spain were slightly down and Russia and Poland were significantly down. Operating losses were predominantly due to revenue shortfalls and competitive pressure on margins. Adverse operational issues at the North Shields factory in the UK also contributed to the result.

Roof Tile Group operating earnings were \$6 million, up from \$4 million in the prior corresponding period.

Sales volume improvement has been experienced in all markets other than the key African market. Low oil prices have had a negative impact on African demand and pricing has had to be reduced accordingly. The US market has grown on the back of long-term investment in that market, and the business has benefited from the stronger US dollar and lower steel prices.

## Distribution

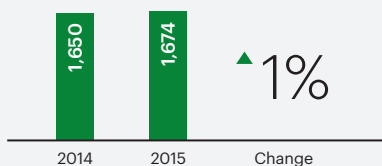


NZ Building Supplies; NZ Steel Distribution;  
Australian Building Supplies and  
Australian Steel Distribution

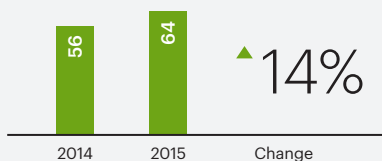
The Distribution division reported operating earnings of \$64 million, an increase of 88% from the prior corresponding period.

Six months ended 31 December

### GROSS REVENUE



### OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS



The division's operating earnings before significant items were \$64 million, an increase of 14%.

In the NZ Building Supplies businesses, gross revenue of \$781 million increased by 10%. PlaceMakers grew revenue by 10% to \$643 million, a record for the business, with growth in all trade related segments of the market and double digit sales growth arising in both the commercial and frame and truss categories. Mico also experienced strong revenue growth ahead of the market overall.

Both PlaceMakers' and Mico's operating earnings increased 34% on the prior corresponding period. Three new PlaceMakers stores and a new Frame and Truss manufacturing site were opened. The co-location programme continued for Mico and PlaceMakers, with seven sites currently co-located and other site deployments planned.

NZ Steel Distribution businesses reported a 13% increase in operating earnings, with record domestic volumes produced at Pacific Coilcoaters and record order-book levels at Fletcher Reinforcing.

Australian Building Supplies reported a loss of NZ\$2 million, down from a NZ\$6 million profit in the prior corresponding period, primarily due to restructuring costs incurred in the current period. The prior period earnings included contribution of the Hudson Building Supplies business prior to its divestment.

The Tradelink business recorded a 3% decrease in revenue in domestic currency as a result of market competition in the period. Despite the competitive pressures, underlying sales margin improved.

Tradelink remains committed to regaining its core trade customer base, growing its market share through targeted customer value proposition. While growth was seen in the commercial plumbing area, focus is clearly on the trade plumber, with programmes like the Customer Service Promise. A flatter management structure and reduced head office personnel has allowed for investment in more sales people and customer centric activities.

In the Australian Steel Distribution businesses operating earnings increased 67%, primarily driven by improvements in Stramit.

## Residential and Land Development



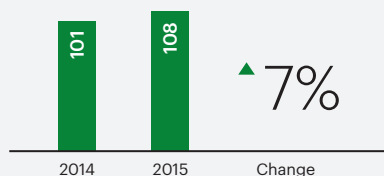
### NZ Residential Development

REVENUE INCREASED BY

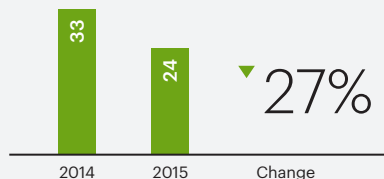
**\$7M**

Six months ended 31 December

#### GROSS REVENUE



#### OPERATING EARNINGS



The Residential and Land Development division reported operating earnings of \$24 million, a decrease of 27% on the prior corresponding period, primarily reflecting a reduction in home sales in the Stonefields development, offset in part by increased sales elsewhere.

Notwithstanding lower Stonefields volumes, revenue increased by \$7 million, or 7%, due to sales at Jack's Point and the overall property market increases in Auckland.

The division has a significant level of land in ownership for development over the next few years with Greenhithe, Karaka and Wattle Cove in Auckland experiencing increased sales volumes. The housing construction phase will start at Red Beach and Eugenia Rise over the next 12 months.

Construction is also underway at Three Kings in Auckland and Awatea in Christchurch. During the period major partnership arrangements were also secured with the New Zealand Government in Christchurch, including the East and North Frame Residential Precinct to be created on the edge of the CBD. In addition, the division is working on a number of non-residential land development opportunities.

## Construction



### Construction New Zealand; Construction South Pacific

The Construction division reported operating earnings of \$36 million, an increase of \$6 million on the prior corresponding period.

#### GROSS REVENUE INCREASED BY

# 17%

#### SIGNIFICANT PROJECTS WON:

- New Zealand International Convention Centre
- Precinct Properties' Downtown site redevelopment
- Auckland International Airport international terminal upgrade
- National Biocontainment Laboratory for the Ministry of Primary Industries
- Greymouth Hospital
- Auckland Prison redevelopment

Operating earnings before significant items of \$36 million were \$10 million lower than the prior corresponding period. The reduction reflects the timing of projects, with a larger proportion in the prior corresponding period being at a more advanced stage of the construction process.

The Construction division has continued to grow, with gross revenue increasing by 17% when compared to the prior corresponding period.

At 31 December 2015, the value of contracted work awarded but not completed for the division reached \$3.3 billion, a record level.

Performance for the New Zealand businesses continued to be strong. The Waterview project, MacKay's to PekaPeka Project north of Wellington and the Kirkbride Road Intersection interchange in Auckland have seen significant progress, with work on-going for Christchurch's Justice Precinct and science blocks for the University of Auckland and Victoria University.

In the South Pacific, the largest project is in Fiji, with work halfway through the remediation and completion of the Momi Bay Resort, while the construction of a casino and a government building in the Solomon Islands was completed in November.

Fletcher EQR continues to assist the Earthquake Commission in Christchurch, project managing housing repairs. This contract was extended in April 2015, expected to run until December 2016.

Significant projects won include the New Zealand International Convention Centre, Precinct Properties' Downtown site redevelopment, Auckland International Airport international terminal upgrade, the new National Biocontainment Laboratory for the Ministry of Primary Industries, Greymouth Hospital and the redevelopment of Auckland Prison in a Public Private Partnership (PPP) with the Department of Corrections. Fletcher Construction has been selected to join the New Zealand Transport Agency in an alliance to construct the Hamilton Section of the Waikato Expressway.

In the South Pacific, new projects secured include a wharf contract in American Samoa and preparatory work for a new hotel in Papua New Guinea.

## Financial Review

### FUNDING

Total available funding as at 31 December 2015 was \$2,287 million. Of this, \$382 million was undrawn and there was an additional \$221 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$84 million and a further \$94 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<sup>[1]</sup> at 31 December 2015 was 32.8% compared with 34.1% at 31 December 2014. This is within the target range of 30-40%.

The group's leverage<sup>[2]</sup> at 31 December 2015 was 2.4 times compared with 2.3 times at 31 December 2014. This is within the target range of 2.0-2.5 times.

The average maturity of the debt is 3.7 years and the hedged currency split is 44% Australian dollar; 36% New Zealand dollar; 12% US dollar; and 8% spread over various other currencies.

Approximately 54% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.47%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.3%.

Interest coverage<sup>[3]</sup> for the period was 4.6 times compared with 4.4 times in the prior corresponding period.

### CASH FLOW

Cash flows from operating activities of \$170 million were \$24 million, or 16%, higher than the prior corresponding period. The \$47 million improvement in working capital was offset by the \$85 million cash impact of further residential land acquisitions for future development.

Capital expenditure was \$122 million, compared with \$116 million in the prior corresponding period. Of this total, \$77 million was for stay-in-business capital projects.

For the financial year, capital expenditure is expected to be in the range of \$275 million to \$325 million.

### DIVIDEND

The 2016 interim dividend is 19 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 level of Australian earnings, there are insufficient Australian franking credits available for distribution with the 2016 interim dividend. However, in line with the group's tax crediting policy, the 2016 final dividend is expected to be fully imputed for New Zealand tax purposes.

The dividend will be paid on 13 April 2016 to holders registered as at 5.00 pm Thursday 24 March 2016 (NZT). Shares will be quoted on an ex dividend basis from 22 March 2016 on the NZX and ASX.

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

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

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



## DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ("the Plan"), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. Documentation for participation is available from the share registry or the website [www.fbu.com](http://www.fbu.com) and must be received by the registry before 5.00 pm Tuesday 29 March 2016.

There will be no discount to the price applied to ordinary shares issued. 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 22 March 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 13 April 2016.

## Financial highlights (unaudited)

Fletcher Building Group	Six months Dec 2015	Six months Dec 2014	Year ended June 2015
Return on average funds employed (% annualised) <sup>(1)</sup>	<b>10.7</b>	8.6	9.6
Return on average equity (% annualised) <sup>(2)</sup>	<b>9.3</b>	6.5	7.7
Earnings per share (cents)	<b>24.9</b>	16.6	39.2
Dividends per share (cents)	<b>19.0</b>	18.0	37.0
Gearing (%) <sup>(3)</sup>	<b>32.8</b>	34.1	31.8
Leverage (times, annualised) <sup>(4)</sup>	<b>2.4</b>	2.3	2.0
Interest cover (times) <sup>(5)</sup>	<b>4.6</b>	4.4	5.2

(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.

## Consolidated income statement (unaudited)

For the six months ended 31 December 2015

Fletcher Building Group	Notes	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
Sales		4,434	4,327	8,661
Cost of goods sold		(3,347)	(3,268)	(6,553)
Gross margin		1,087	1,059	2,108
Selling and marketing expenses		(477)	(453)	(880)
Administration expenses		(332)	(320)	(606)
Share of profits of associates and joint ventures		8	12	23
Other gains/(losses)	5	(8)	(8)	8
Significant items	3	10	(66)	(150)
Earnings before interest and taxation (EBIT)		288	224	503
Funding costs		(60)	(66)	(127)
Earnings before taxation		228	158	376
Taxation expense	6	(52)	(40)	(96)
<b>Earnings after taxation</b>		<b>176</b>	<b>118</b>	<b>280</b>
Earnings attributable to non-controlling interests		(4)	(4)	(10)
<b>Net earnings attributable to the shareholders</b>		<b>172</b>	<b>114</b>	<b>270</b>
Net earnings per share (cents)				
Basic		24.9	16.6	39.2
Diluted		24.4	16.6	39.1
Weighted average number of shares outstanding (millions of shares)				
Basic		690	688	688
Diluted		744	688	703
Dividends declared per share (cents)		19.0	18.0	37.0

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

## Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2015

	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
<b>Fletcher Building Group</b>			
Net earnings attributable to shareholders	172	114	270
Net earnings attributable to non-controlling interests	4	4	10
Net earnings	176	118	280
<b>Other comprehensive income</b>			
<b>Items that do not subsequently get reclassified to profit or loss:</b>			
Movement in pension reserve	5		
	5		
<b>Items that may be reclassified subsequently to profit or loss in the future:</b>			
Movement in cash flow hedge reserve	9	10	12
Movement in currency translation reserve	(116)	21	217
	(107)	31	229
Income and expense recognised directly in equity	(102)	31	229
<b>Total comprehensive income for the period</b>	<b>74</b>	<b>149</b>	<b>509</b>

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

## Consolidated balance sheet (unaudited)

As at 31 December 2015

Fletcher Building Group	Notes	Dec 2015 NZ\$M	Dec 2014 NZ\$M	June 2015 NZ\$M
<b>Assets</b>				
Current assets:				
Cash and deposits		221	124	228
Current tax assets		68	44	23
Derivatives		12	10	6
Debtors		1,264	1,283	1,509
Inventories		1,555	1,411	1,506
Assets held for sale	4	105	43	
<b>Total current assets</b>		<b>3,225</b>	2,915	3,272
Non-current assets:				
Property, plant and equipment		2,034	2,131	2,222
Goodwill		1,107	1,099	1,131
Intangible assets		602	478	568
Investments in associates and joint ventures		84	135	98
Other investments		68	63	70
Derivatives		113	83	107
Deferred tax assets		14	21	33
<b>Total non-current assets</b>		<b>4,022</b>	4,010	4,229
<b>Total assets</b>		<b>7,247</b>	6,925	7,501

On behalf of the Board,  
17 February 2016



**Sir Ralph Norris**  
Chairman of Directors



**Mark Adamson**  
Managing Director

Fletcher Building Group	Notes	Dec 2015 NZ\$M	Dec 2014 NZ\$M	June 2015 NZ\$M
<b>Liabilities</b>				
Current liabilities:				
Creditors and accruals		1,105	1,118	1,315
Provisions		73	63	100
Current tax liabilities		24	16	28
Derivatives		9	15	8
Construction contracts		166	108	156
Borrowings	7	178	302	340
Liabilities held for sale	4	22		
Total current liabilities		1,577	1,622	1,947
Non-current liabilities:				
Creditors and accruals		39	49	40
Provisions		14	14	16
Retirement plan liabilities		61	75	71
Deferred tax liabilities		66	51	58
Derivatives		31	39	45
Borrowings	7	1,820	1,612	1,614
Total non-current liabilities		2,031	1,840	1,844
Total liabilities		3,608	3,462	3,791
<b>Equity</b>				
Share capital		2,633	2,624	2,633
Reserves		986	817	1,050
Shareholders' funds		3,619	3,441	3,683
Non-controlling interests		20	22	27
Total equity		3,639	3,463	3,710
Total liabilities and equity		7,247	6,925	7,501

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



## Consolidated statement of movements in equity (unaudited)

For the six months ended 31 December 2015

Fletcher Building Group	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interests	Total equity
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M
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
Total equity at 30 June 2014	2,624	1,177	11	(22)	(300)	(71)	3,419	35	3,454
Total comprehensive income for the year		270		12	217		499	10	509
Movement in non-controlling interests								(18)	(18)
Issue of shares	8						8		8
Dividends paid to shareholders of the parent		(248)					(248)		(248)
Movement in share-based payment reserve			4				4		4
Movement in treasury stock	1						1		1
Total equity at 30 June 2015	2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the period		172		9	(116)	5	70	4	74
Movement in non-controlling interests								(11)	(11)
Issue of shares	13						13		13
Dividends paid to shareholders of the parent		(131)					(131)		(131)
Movement in share-based payment reserve			(3)				(3)		(3)
Movement in treasury stock	(13)						(13)		(13)
<b>Total equity at 31 December 2015</b>	<b>2,633</b>	<b>1,240</b>	<b>12</b>	<b>(1)</b>	<b>(199)</b>	<b>(66)</b>	<b>3,619</b>	<b>20</b>	<b>3,639</b>

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

## Consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2015

Fletcher Building Group	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
Cash flow from operating activities			
Receipts from customers	4,623	4,399	8,635
Dividends received	6	7	19
Total received	4,629	4,406	8,654
Payments to suppliers, employees and other	4,332	4,168	7,883
Interest paid	60	63	124
Income tax paid	67	29	72
Total applied	4,459	4,260	8,079
<b>Net cash from operating activities</b>	<b>170</b>	<b>146</b>	<b>575</b>
Cash flow from investing activities			
Sale of property, plant and equipment	7	8	46
Sale of investments	40		1
Sale of subsidiaries/businesses		21	21
Total received	47	29	68
Purchase of property, plant and equipment and intangible assets	122	116	278
Purchase of subsidiaries/businesses			4
Total applied	122	116	282
<b>Net cash from investing activities</b>	<b>(75)</b>	<b>(87)</b>	<b>(214)</b>
Cash flow from financing activities			
Net debt drawdown	53	73	
Total received	53	73	
Net debt repayment			11
Repurchase of capital notes			10
Treasury stock purchased	16		
Distribution to non-controlling interests	14	19	16
Dividends	118	124	240
Total applied	148	143	277
<b>Net cash from financing activities</b>	<b>(95)</b>	<b>(70)</b>	<b>(277)</b>
Net movement in cash held		(11)	84
Add opening cash and liquid deposits	228	134	134
Effect of exchange rate changes on net cash	(7)	1	10
<b>Closing cash and deposits</b>	<b>221</b>	<b>124</b>	<b>228</b>

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

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

For the six months ended 31 December 2015

Fletcher Building Group	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
Cash was received from:			
Net earnings	172	114	270
Earnings attributable to non-controlling interests	4	4	10
	176	118	280
Adjustment for items not involving cash:			
Depreciation, depletions and amortisation	97	103	201
Significant items	(20)	60	126
Provisions and other adjustments	(30)	(11)	4
Taxation	(15)	11	24
(Gain)/loss on disposal of businesses and property, plant and equipment		1	(19)
Non-cash adjustments	32	164	336
Cash flow from operations before net working capital movements	208	282	616
Net working capital movements	(38)	(136)	(41)
<b>Net cash from operating activities</b>	<b>170</b>	<b>146</b>	<b>575</b>
<b>Net working capital movements</b>			
Debtors	176	100	(47)
Inventories	(9)	(5)	(1)
Land and developments	(85)	(57)	(58)
Assets held for sale		(43)	
Contracts	13	(23)	21
Creditors	(133)	(108)	44
	(38)	(136)	(41)

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

## Breakdown of financial performance (unaudited)

Fletcher Building Group	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
<b>Gross sales</b>			
Building Products	1,265	1,320	2,656
International	1,080	1,001	2,007
Distribution	1,674	1,650	3,198
Residential & Land Development	108	101	238
Construction	748	640	1,342
Other	5	3	5
Total	4,880	4,715	9,446
Intercompany sales	(446)	(388)	(785)
External sales per income statement	4,434	4,327	8,661
<b>External sales</b>			
Building Products	1,021	1,069	2,184
International	1,067	990	1,978
Distribution	1,531	1,535	2,958
Residential & Land Development	108	101	238
Construction	707	632	1,299
Other			4
External sales per income statement	4,434	4,327	8,661

With effect from 31 December, the group changed its reporting segments. The above tables reflect these changes. Prior period data has been re-presented.

**Breakdown of financial performance (unaudited) (continued)**

Fletcher Building Group	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
<b>EBIT before significant items</b>			
Building Products	132	114	259
International	53	61	143
Distribution	64	56	148
Residential & Land Development	24	33	66
Construction	36	46	74
Other	(31)	(20)	(37)
Total	278	290	653
Significant items	10	(66)	(150)
Earnings before interest and taxation (EBIT) per income statement	288	224	503
<b>Funds *</b>			
Building Products	1,748	1,880	1,877
International	2,041	1,908	2,098
Distribution	1,049	991	1,046
Residential & Land Development	295	209	211
Construction	(37)	(19)	(54)
Other (including debt and taxation)	(1,457)	(1,506)	(1,468)
Total	3,639	3,463	3,710

With effect from 31 December, the group changed its reporting segments. The above tables reflect these changes. 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 FMC Reporting Entity under the Financial Markets Conduct Act 2013 under which the financial statements are prepared. 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 2015 annual report available on the group website at [www.fbu.com](http://www.fbu.com).

### 2. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the six months ended 31 December 2015, however, certain comparatives have been re-presented to conform with the current period's presentation.



### 3. SIGNIFICANT ITEMS

Six months ended 31 December 2015

Fletcher Building Group	Business disposal income and expenses <sup>(1)</sup> NZ\$M	Site closure costs <sup>(2)</sup> NZ\$M	Total NZ\$M
Rocla Quarries	16		16
Iplex Australia		(2)	(2)
Rocla Pipes		(4)	(4)
<b>Total significant items before taxation</b>	16	(6)	10
Tax benefit/(charge) on above items	1	2	3
<b>Total significant items after taxation</b>	17	(4)	13

- (1) On 18th August 2015, the group entered into an agreement to sell the operations of Rocla Quarry Products to Hanson Construction Materials Pty Limited. The transaction, which had been subject to ACCC clearance, completed on 29 January 2016.

As part of the overall sale process, the group has separately sold joint ventures of this business in the period ended 31 December 2015 with total sale proceeds of \$40 million. The net gain on sale in the period amounts to \$16 million.

- (2) In the six months ended 31 December 2015 the group has recognised a charge of \$6 million for costs associated with site closures:
- \$2 million relating to the closure of two sites in the Iplex Australia business in July 2015; and
  - \$4 million relating to the closure of Rocla Pipes' Atlantic Civil business in October 2015.

Six months ended 31 December 2014

Fletcher Building Group	Site closure costs <sup>(1)</sup> NZ\$M	Impairment of goodwill <sup>(2)</sup> NZ\$M	Total NZ\$M
Building Products	(28)		(28)
Distribution	(6)	(16)	(22)
Construction		(16)	(16)
<b>Total significant items before taxation</b>	(34)	(32)	(66)
Tax benefit/(charge) on above items	9		9
<b>Total significant items after taxation</b>	(25)	(32)	(57)

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

- (2) The group recognised a \$32 million impairment charge, relating to the Forman business.

Year ended 30 June 2015

Fletcher Building Group	Business disposal income and expenses <sup>(1)</sup> NZ\$M	Site Closure Costs <sup>(2)</sup> NZ\$M	Impairment of Goodwill <sup>(3)</sup> NZ\$M	Total NZ\$M
Building Products	(6)	(53)	(16)	(75)
Distribution	(1)	(8)	(46)	(55)
Construction		(4)	(16)	(20)
<b>Total significant items before taxation</b>	(7)	(65)	(78)	(150)
Tax benefit/(charge) on above items	2	19		21
<b>Total significant items after taxation</b>	(5)	(46)	(78)	(129)

- (1) The group recognised \$7 million of costs relating to business disposals.
- (2) The group recognised a charge of \$65 million for costs associated with closing a number of sites.
- (3) The group recognised a \$78 million impairment charge, relating to the Stramit, Forman and Tasman Insulation businesses.

#### 4. ASSETS HELD FOR SALE

At 31 December 2015 the Rocla Quarries business has been classified as held for sale, comprising total assets of \$105 million and total liabilities of \$22 million. Comparatives have not been restated.

On 29 January 2016, the sale became unconditional and the transaction completed. The group expects to report a net gain after tax of \$85 million at 30 June 2016.

The \$43 million asset held for sale at 31 December 2014 related to a property which was sold in June 2015.

## 5. OTHER GAINS AND LOSSES

<b>Fletcher Building Group</b>	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
Other gains/(losses) include the following:			
Sale of assets	2	3	20
Redundancies and restructuring costs	(10)	(7)	(8)
Other gains/(losses)		(4)	(4)
	(8)	(8)	8

## 6. TAXATION EXPENSE

<b>Fletcher Building Group</b>	Six months Dec 2015 NZ\$M	Six months Dec 2014 NZ\$M	Year ended June 2015 NZ\$M
Earnings before taxation:	228	158	376
Taxation at 28 cents per dollar	64	44	105
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	(1)	(1)	(1)
Non assessable income	(6)	(4)	(15)
Non deductible expenses	3	11	30
Tax in respect of prior years	1	2	
Tax losses not recognised	4	2	4
Other permanent differences	(13)	(14)	(27)
	52	40	96
Tax on earnings before significant items	55	49	117
Tax benefit on significant items	(3)	(9)	(21)
	52	40	96

## 7. BORROWINGS

Fletcher Building Group	Dec 2015 NZ\$M	Dec 2014 NZ\$M	June 2015 NZ\$M
Borrowings – current	178	302	340
Borrowings – non-current	1,820	1,612	1,614
Carrying value of borrowings (as per balance sheet)	1,998	1,914	1,954
Less impact of debt hedging activities (included within derivatives)	(69)	(28)	(53)
Borrowings after impact of hedging activities	1,929	1,886	1,901
Less fair value hedge adjustment included in borrowings	(24)	(33)	(32)
Borrowings excluding derivative adjustments	1,905	1,853	1,869
Total available funding	2,287	2,396	2,483
Unutilised banking facilities	382	543	614

In addition the group had \$221 million of cash on hand at 31 December 2015 (31 December 2014: \$124 million; 30 June 2015: \$228 million).

## 8. GOODWILL

The group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2015, the group performed a review of indicators of impairment for all significant CGUs. These reviews did not give rise to any impairment charges.

## 9. 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 1.83% and 9.12% (December 2014: 1.37% and 9.42%; June 2015: 1.49% and 9.05%) including margins.

## 10. 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 2015 annual report.

## 11. SUBSEQUENT EVENTS

On 29 January 2016, the group completed the sale of Rocla Quarries. For details refer to note 4.

On 2 February 2016, the group announced that it will acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited ("Higgins") and other related assets, together with Higgins' Fiji contracting business, for a total consideration of NZ\$315 million. The agreement is conditional on a number of factors including Overseas Investment Office and Commerce Commission consent.

On 17 February 2016 the directors declared a dividend of 19 cents per share, payable on 13 April 2016.

## Dividend Information

**2016 FINAL DIVIDEND SUMMARY TABLE<sup>1</sup>**

NZ cents per share	NZ Residents on top marginal tax rate of 33%	Australian residents on top marginal tax rate of 49%	Australian residents on 15% tax rate	Other non residents <sup>8</sup>
Dividend declared	19.0000	19.0000	19.0000	19.0000
NZ imputation credits <sup>2</sup>	0.0000			
NZ supplementary dividend <sup>3</sup>		0.0000	0.0000	0.0000
Australian franking credits <sup>4</sup>		0.0000	0.0000	
<b>Gross dividend for NZ tax purposes</b>	<b>19.0000</b>	<b>19.0000</b>	<b>19.0000</b>	<b>19.0000</b>
NZ tax (33%) <sup>5</sup>	(6.2700)			
NZ non-resident withholding tax (15%) <sup>6</sup>		(2.8500)	(2.8500)	(2.8500)
<b>Net cash received after NZ tax</b>	<b>12.7300</b>	<b>16.1500</b>	<b>16.1500</b>	<b>16.1500</b>
Australian tax (49% and 15%) <sup>7</sup>		(9.3100)	(2.8500)	
Reduced by offset for NZ non-resident withholding tax		2.8500	2.8500	
Less Australian franking credit offset		0.0000	0.0000	
<b>Net cash dividend to shareholders after tax</b>	<b>12.7300</b>	<b>9.6900</b>	<b>16.1500</b>	<b>16.1500</b>

**NOTES:**

- 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 advice.
- No imputation credits are attached to this dividend.
- 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.
- There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.
- 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 6.27 cents per share will be made on the date of payment from the dividend declared of 19.0 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 RWT deduction in excess of their marginal tax rate.
- NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.
- 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	19.0000	19.0000
plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	19.0000	19.0000
Australian tax	9.3100	2.8500

- 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 advisor.



## Shareholder Information

### Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online: [investorcentre.com/nz](http://investorcentre.com/nz)  
Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

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