

FLETCHER BUILDING LIMITED NEWS RELEASE

FINANCIAL RESULTS FOR THE SIX MONTHS ENDING 31 DECEMBER 2016

- Revenue up 4% to \$4,613m;
- Operating earnings before significant items up 12% to \$310m;
- Operating earnings from the Distribution and International divisions both up more than 30%;
- Construction result impacted by losses on a major project;
- Net earnings before significant items up 18% to \$187m;
- Interim dividend up 5% to 20 cents per share.

Auckland, February 22, 2017 – Fletcher Building today reported net earnings after tax of \$176 million, a 2% increase compared with \$172 million in the prior corresponding period.

The result included a net loss from significant items of \$11 million due to costs associated with site closures in Rocla Products and Fletcher Insulation. Net earnings excluding significant items were 18% higher at \$187 million.

Operating earnings (earnings before interest and tax and significant items) were \$310 million, up 12% on the \$278 million reported in the prior corresponding period. This reflected a sustained improvement across almost all parts of the portfolio, signalling the benefit that businesses are getting from a strong New Zealand economy, improved customer propositions, operational efficiencies, cost reductions, and in some cases organisational restructuring.

Revenue for the period of \$4,613 million was 4% higher, reflecting sales growth in the New Zealand businesses and the acquisition of the Higgins contracting business which operates in New Zealand and the South Pacific and was effective from 29 July 2016.

An interim dividend of 20.0 cents per share will be paid on 12 April 2017, with full New Zealand tax credits attached. The dividend reinvestment plan will be operative for this dividend payment.

Fletcher Building chief executive Mark Adamson said that the result was driven by an excellent performance by the Distribution and International businesses which both reported increases in operating earnings in excess of 30% versus the previous comparable period.

“The strength of the macroeconomic environment in New Zealand has helped the performance of the Distribution businesses but it has also managed the mixed economic conditions in Australia to report operating earnings of \$84 million versus \$64 million last year.”

“The International division is now starting to show the benefit of cost reductions, operational efficiencies, restructures and new product initiatives across the Formica and Laminex group of companies. The 32% improvement in operating earnings in the first half of this year was primarily driven by year on year improvements at Formica Europe and Formica Asia.”

“Across New Zealand we were pleased to see operating earnings excluding the performance of the Construction division and divested and acquired businesses increase 20% year on year, indicating the positive impact of continued demand across the residential building and infrastructure sectors.”

Construction operating earnings reduced due to the timing of earnings from certain projects being recognised, expensed bid costs, a reduced contribution from Fletcher EQR, and losses incurred on a major construction project.

Consistent with guidance provided at the Annual Shareholders’ Meeting in October 2016, operating earnings (earnings before interest, tax and significant items) for the 2017 financial year are expected to be in the range of \$720 million to \$760 million.



Comparisons are with the prior financial half year ended 31 December 2015.

Revenue	\$4,613 million, up from \$4,434 million
Net earnings	\$176 million, up from \$172 million
Net earnings before significant items	\$187 million, up from \$159 million
Operating earnings (EBIT)	\$294 million, up from \$288 million
Operating earnings (EBIT) before significant items	\$310 million, up from \$278 million
Cash flow from operations	-\$67 million, down from \$170 million
Basic earnings per share before significant items	27.0 cents per share, up from 23.0 cents per share
Interim dividend	20.0 cents per share, fully imputed for New Zealand taxation purposes
Dividend payment dates	The dividend will be paid on 12 April 2017 to holders registered at 5.00pm Friday 24 March 2017 (NZT) The shares will be quoted on an ex-dividend basis from Thursday 23 March 2017 on the NZX and ASX
Dividend reinvestment plan	The dividend reinvestment plan will be operative for this dividend. Applications to participate must be received by the registry before 5pm Monday 27 March 2017.

Please refer to the Financial Statements for terms and definitions.

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**FLETCHER BUILDING LIMITED
MANAGEMENT COMMENTARY**
**FINANCIAL RESULTS FOR THE
SIX MONTHS ENDING 31 DECEMBER 2016**

Fletcher Building reports underlying net earnings growth of 18 per cent

Reported results NZ\$m (except where noted)	Six months ended 31 December		
	2016	2015	Change %
Total revenue	4,613	4,434	4%
Operating earnings before significant items ¹	310	278	12%
Significant items ²	(16)	10	NM
Operating earnings (EBIT)	294	288	2%
Funding costs	(52)	(60)	(13)%
Earnings before tax	242	228	6%
Tax expense	(61)	(52)	17%
Earnings after tax	181	176	3%
Non-controlling interests	(5)	(4)	25%
Net earnings	176	172	2%
Net earnings before significant items	187	159	18%
Basic earnings per share (cents)	25.4	24.9	2%
Basic earnings per share before significant items (cents)	27.0	23.0	17%
Dividends declared per share (cents)	20.0	19.0	5%
Capital expenditure	127	122	4%

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 2016.

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

- Revenue for the period of \$4,613 million was \$179 million, or 4%, higher when compared with the prior corresponding period;
- Operating earnings before significant items were \$310 million, 12% higher than the prior corresponding period;
- A charge of \$16 million was recognised in significant items (2015: a gain of \$10 million);
- Operating earnings of \$294 million were \$6 million, or 2%, higher than the prior corresponding period;
- Net earnings were \$176 million, up 2%, from \$172 million in the prior corresponding period;
- Net earnings before significant items were \$187 million, up 18% on the prior corresponding period;
- Basic earnings per share were 25.4 cents, up from 24.9 cents;
- Interim dividend is 20.0 cents per share, a 5% increase on the interim dividend paid last year. The dividend is fully imputed for New Zealand tax purposes.

Financial Results

Six months ended 31 December

NZ\$m	Revenue		
	2016	2015	Change
Building Products	1,108	1,265	(12%)
International	1,005	1,080	(7%)
Distribution	1,644	1,610	2%
Residential and Land Development	163	108	51%
Construction	1,150	748	54%
Other	5	5	0%
Gross revenue	5,075	4,816	5%
less intercompany sales	(462)	(382)	(21%)
Group external revenue	4,613	4,434	4%

Six months ended 31 December

NZ\$m	Reported operating earnings			Operating earnings before significant items ¹		
	2016	2015	Change	2016	2015	Change
Building Products	114	142	(20%)	129	132	(2%)
International	70	53	32%	70	53	32%
Distribution	84	64	31%	84	64	31%
Residential and Land Development	30	24	25%	30	24	25%
Construction	24	36	(33%)	24	36	(33%)
Corporate	(28)	(31)	(10%)	(27)	(31)	(13%)
Total	294	288	2%	310	278	12%
Funding costs	(52)	(60)	(13%)	(52)	(60)	(13%)
Earnings before tax	242	228	6%	258	218	18%
Tax expense	(61)	(52)	17%	(66)	(55)	20%
Earnings after tax	181	176	3%	192	163	18%
Non-controlling interests	(5)	(4)	25%	(5)	(4)	25%
Net earnings	176	172	2%	187	159	18%

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 2016.

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

Financial Results continued

Geographic segments

Six months ended 31 December

NZ\$m	Gross revenue			External revenue		
	2016	2015	Change	2016	2015	Change
New Zealand	3,015	2,600	16%	2,607	2,279	14%
Australia	1,419	1,575	(10%)	1,374	1,525	(10%)
Rest of World	641	641	0%	632	630	0%
Total	5,075	4,816	5%	4,613	4,434	4%

Geographic segments

Six months ended 31 December

NZ\$m	Operating earnings before significant items ¹		
	2016	2015	Change
New Zealand	205	200	3%
Australia	52	54	(4%)
Rest of World	53	24	121%
Total	310	278	12%

Geographic segments in local currency

Six months ended 31 December

	Gross Revenue			External revenue		
	2016	2015	Change	2016	2015	Change
Australia (A\$m)	1,352	1,440	(6%)	1,309	1,395	(6%)
Rest of World (US\$m)	457	424	8%	450	417	8%

Geographic segments in local currency

Six months ended 31 December

	Operating earnings before significant items ¹		
	2016	2015	Change
Australia (A\$m)	50	49	2%
Rest of World (US\$m)	38	16	138%

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 2016.

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

Financial Results continued

- External revenue of \$4,613 million was \$179 million or 4% higher than the prior corresponding period. New Zealand revenue increased by \$328 million, but was offset by lower revenue in Australia (primarily due to the divestment of Rocla Quarries). In local currencies, revenue increased by 14% in New Zealand, declined by 6% in Australia and increased 8% in the Rest of World.
- Reported operating earnings before interest and tax of \$294 million were 2% higher than the prior corresponding period.
- Reported operating earnings include significant items of \$16 million relating to:
 - Costs of \$15 million relating to site closures in Fletcher Insulation and Rocla Products; and
 - Costs of \$1 million associated with the acquisition of the Higgins business.
- Operating earnings before significant items were \$310 million, 12% higher than the prior corresponding period.
- In **New Zealand**, earnings benefited from continued demand across the residential building and infrastructure sectors, as well as improved operational performance in specific business units. Excluding the performance of the Construction division and divested and acquired businesses, earnings were up 20% on the prior corresponding period.
- In **Australia**, market conditions were mixed, with robust activity in Eastern states offset by challenging trading conditions in Western Australia and South Australia. Despite this, operating earnings before significant items increased 22% in local currency when adjusted for the divestment of the Rocla Quarries business. This was driven by improvements in Iplex Australia, Stramit, Laminex Australia, and Tradelink.
- In the **Rest of World**, earnings in local currency more than doubled driven by strong performances in Formica's Asian and European operations, alongside the Construction South Pacific business and contributions from the Higgins Fiji operations acquired in July 2016.
- Funding costs of \$52 million were 13% lower than the prior corresponding period, due to lower debt levels at the beginning of the period, reduced borrowing costs following the refinancing of the USPP debt and the impact of derivative valuations.
- The tax expense of \$61 million represents an effective tax rate for the period of 25% (2015: 23%).
- Earnings per share were 25.4 cents, an increase of 2% from 24.9 cents per share in the prior corresponding period.
- Earnings per share before significant items were 27.0 cents, an increase of 17% from 23.0 cents in the prior corresponding period.
- A cash outflow from operations of \$67 million, compared with an inflow of \$170 million in the prior corresponding period;

Segmental Operational Review

The following sections provide commentary on individual division results for the period ended 31 December 2016.

Building Products

Concrete Pipes & Products; Cement & Aggregates; Building Materials; Plastic Pipes; JV Earnings and Other

NZ\$m	Six months ended 31 December			
	2016	2015	Change	Change %
Gross revenue	1,108	1,265	(157)	(12)%
External revenue	859	1,021	(162)	(16)%
Operating earnings before significant items ¹	129	132	(3)	(2)%
Significant items ²	(15)	10	NM	NM
Operating earnings	114	142	(28)	(20)%
Funds	1,686	1,748	(62)	(4)%

NZ\$m	Six months ended 31 December		
	2016	2015	Change
			Operating earnings before significant items ¹
Concrete Pipes & Products	26	27	(4)%
Cement and Aggregates	38	35	9%
Building Materials	53	48	10%
Plastic Pipes	7	2	NM
JV Earnings and Other	5	5	0%
Subtotal	129	117	10%
Divested Businesses	0	15	NM
Total	129	132	(2)%

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 2016.

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

The Building Products division reported gross revenue of \$1,108 million compared with \$1,265 million in the prior corresponding period, a reduction of 12%. Adjusting for divested businesses (Pacific Steel and Rocla Quarries) and the impact of joint venture accounting (Altus), revenue increased by 1%.

The division's operating earnings before significant items were \$129 million, compared with \$132 million in the prior corresponding period. Adjusting for divested businesses, earnings rose 10% from \$117 million to \$129 million.

Significant items of \$15 million were reported in the current period relating to the cost of site closures in Rocla Products and Fletcher Insulation. This compared with a net gain of \$10 million in the prior corresponding period, primarily attributable to the profit on sale of two Rocla Quarries joint ventures.

Operating earnings before significant items for Concrete Pipes & Products were \$26 million compared to \$27 million in the prior corresponding period. In New Zealand, ready-mix concrete volumes increased by 4% and concrete pipe volumes increased by 12% driven by higher civil work across almost all regions, however overall volumes were impacted by slowing market activity in Canterbury and the rural sector. In Australia, revenue and volumes were both flat year-on-year, partly due to exiting the market in Western Australia and the timing of some key projects.

The Cement and Aggregates businesses lifted operating earnings before significant items by 9% to \$38 million. This was primarily driven by increases in New Zealand cement volumes, up 5% against the prior corresponding period, offset in part by exit costs associated with the retirement of the MV Golden Bay ship, which has now been replaced by the MV Aotearoa Chief. In Aggregates, performance was supported by a favourable change in the mix of regional quarrying volumes, including a 19% increase in aggregate sales in the Auckland region.

Building Materials operating earnings before significant items were \$53 million, an increase of 10% on the prior corresponding period. Plasterboard volumes were up 9% overall, with volumes of performance boards increasing 11% in the period. The insulation businesses were also able to strengthen their position in markets in both New Zealand and Australia as a result of improvements in service and their relative cost position.

The Plastic Pipes businesses reported \$7 million operating earnings before significant items, a \$5 million improvement on the prior corresponding period. Volumes increased by 2% in Australia despite soft demand in the civil and mining segments, including from coal seam gas projects. The impact of this was, however, more than offset by efficiency gains and reductions in other operating costs. Earnings in the New Zealand Plastic Pipes business remained stable notwithstanding weaker demand in rural markets and increasing competitive pressure in the civil market segment.

Segmental Operational Review continued

International

Laminex; Formica; Roof Tile Group

NZ\$m	Six months ended 31 December			
	2016	2015	Change	Change %
Gross revenue	1,005	1,080	(75)	(7)%
Revenue	997	1,067	(70)	(7)%
Operating earnings	70	53	17	32%
Funds	1,948	2,041	(93)	(5)%

NZ\$m	Six months ended 31 December		
	2016	2015	Operating earnings Change
Laminex	45	41	10%
Formica	34	16	NM
Roof Tile Group	2	6	(67)%
International divisional costs	(11)	(10)	10%
Total	70	53	32%

Operating earnings for the International division were \$70 million, up 32% from \$53 million in the prior corresponding period. Gross revenue was down by 7%, largely due to the translation effect resulting from a strengthening of the New Zealand dollar, against the Australian dollar, US dollar and the Euro.

Laminex operating earnings were \$45 million, up by 10% from \$41 million in the prior corresponding period. In Australia, revenue in domestic currency was 5% lower, driven by reduced activity especially in Western Australia. New Zealand revenue was up by 9% on the prior corresponding period as activity levels continued to strengthen and market share improved. Competitive pressures remained strong and the business continued its programme of cost reduction, operational efficiencies, restructuring and new product initiatives.

Operating earnings in the Formica businesses were \$34 million, up from \$16 million in the prior corresponding period. Gross revenue was down by 7%, due to currency translation, but in domestic currencies was up by 2% on the prior corresponding period.

In Formica North America, revenue in domestic currencies was up by 2% whilst operating earnings in domestic currencies were down by 2% driven by softer margins from adverse channel mix and the impact of the much weakened peso on Mexican margins.

In Formica Asia, revenue in domestic currencies was up by 7% due to improving activity levels in the major markets. Performances in Thailand, Malaysia and Singapore were strong with revenue up by 12% on the prior corresponding period. China revenue increased by 9% while in Taiwan revenue was down by 1%. Operating earnings in local currencies were up by 52% on the prior corresponding period, due to sales growth across the region coupled with continuing improvements in the operating facilities including increased utilisation at the laminate factory in Jiujiang, China.

Gross revenue in Formica Europe in domestic currencies remained flat compared to the prior corresponding period as improvements in Northern and Central Europe were offset by decreases in the UK and Spain. There was a \$14 million improvement in operating earnings on the prior corresponding period. This was due to an improved operational performance at the North Shields factory in the UK along with efficiencies resulting from overhead cost reductions.

In the Roof Tile Group business, earnings of \$2 million were down on the prior corresponding period, principally due to performance in the African market, where a decline in local activity levels has been compounded by a strengthening of the New Zealand dollar against the US dollar. Performances in other key global markets were varied, with New Zealand, Asia and Japan up on the prior corresponding period, while Europe and the US were relatively flat.

Segmental Operational Review continued

Distribution

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

NZ\$m	Six months ended 31 December			
	2016	2015	Change	Change %
Gross revenue	1,644	1,610	34	2%
External revenue	1,559	1,531	28	2%
Operating earnings	84	64	20	31%
Funds	1,039	1,049	(10)	(1)%

Six months ended 31 December

NZ\$m	2016	Operating earnings	
		2015	Change
NZ Building Supplies	47	39	21%
NZ Steel Distribution	25	17	47%
Australian Building Supplies	2	0	NM
Australian Steel Distribution	10	8	25%
Total	84	64	31%

The Distribution division reported operating earnings of \$84 million, a 31% increase on the prior corresponding period. The result reflects strong performance by the New Zealand businesses compared with the prior corresponding period. While the Australian operations improved, the increase in New South Wales, Queensland and Victoria was offset by market contractions in Western Australia and South Australia.

In New Zealand, residential demand declined in Christchurch following the peak of the earthquake rebuild. However, this has been more than offset by positive activity growth in all other regions, especially Auckland and surrounding regions.

In the NZ Building Supplies businesses, gross revenue of \$765 million increased by 7%, with PlaceMakers delivering record sales in the period. This was driven by growth in the small and medium enterprise (SME) and commercial sectors and double-digit growth in core accounts. Mico also experienced strong growth, particularly in front of wall sales, buoyed by strong customer value propositions and strategic marketing initiatives.

Operating earnings in the NZ Building Supplies businesses increased by 21% when compared to the prior corresponding period. This comprised an 18% increase for PlaceMakers and a 50% increase for Mico as both businesses continue to focus on profitable growth, including growing higher margin categories, leveraging costs and realising synergies together. Currently there are 11 Mico sites co-located with either PlaceMakers or Humes, with additional co-locations being planned.

The NZ Steel Distribution businesses reported a 47% increase in operating earnings, with healthy market activity and share gains leading to volume growth of 14%, supported by operating efficiencies and overhead cost synergies following the incorporation of Dimond earlier in 2016.

The Australian Building Supplies businesses reported operating earnings of \$2 million, up from a break-even result in the prior corresponding period. In the period, Tradelink has opened 16 new branches, improved gross margins, launched a unique customer service proposition, driven targeted SME sector growth initiatives and rationalised overhead cost structures to enable future top-line and earnings growth. This positive momentum was, however, impacted by market declines in Western Australia and South Australia, which led to Tradelink's local currency revenues being flat year on year.

The Australian Steel Distribution division reported operating earnings up 25% at \$10 million compared to \$8 million in the prior corresponding period. In August 2016, Stramit launched a unique customer service proposition driving a number of customer focussed improvement initiatives. Although impacted by the market decline in Western Australia, earnings were driven by top line revenue growth together with continued focus on operational efficiencies and strong cost controls.

Segmental Operational Review continued

Residential and Land Development

NZ Residential; Land Development

Six months ended 31 December

NZ\$m	2016	2015	Change	Change %
Gross revenue	163	108	55	51%
External revenue	163	108	55	51%
Operating earnings	30	24	6	25%
Funds	477	295	182	62%

Six months ended 31 December

NZ\$m	2016	Operating earnings	
		2015	Change
NZ Residential	25	24	4%
Land Development	5	0	NM
Total	30	24	25%

The Residential and Land Development division reported gross revenue of \$163 million and operating earnings of \$30 million, increases of 51% and 25% respectively on the prior corresponding period.

NZ Residential reported gross revenue for the period of \$156 million, up from \$108 million in the prior corresponding period, driven by an increase in the volume of units sold in both Auckland and Christchurch, strong market pricing in the Auckland region, and the sale of a large residential block of land.

NZ Residential operating earnings were \$25 million, 4% higher than the prior corresponding period. The reduction in earnings from the completion of the Greenhithe development was offset by strong volumes at the existing locations of Beachlands, Karaka and Hobsonville. In addition, new developments at Whenuapai, Ormiston and Swanson delivered their first sales.

Land Development operating earnings were \$5 million. This business comprises a combination of residential and commercial land that is developed for sale to third parties. In the latest period earnings primarily comprise the sale of the first lot at the Wiri North commercial sub-division. The Land Development business is forecast to report at least \$25 million of operating earnings per annum over the next five years.

Funds employed increased to \$477 million from \$355 million at 30 June 2016. Work-in-progress increased in the period due to significant earthworks on previously acquired sites, an increase in apartment building at Atlas Quarter in Christchurch and Tatua on Eden in Auckland, and an increase in the number of homes under construction in both Auckland and Christchurch, with progress in scaling the business to deliver approximately 1,500 units per annum.

In addition, land holdings increased during the period as lots were purchased in Auckland, specifically at Ormiston, Beachlands, Penihana, and Whenuapai. The purchase of raw land at Oruarangi Road, Auckland was also completed and deposits paid on two additional blocks at Hobsonville.

Segmental Operational Review continued

Construction

Construction New Zealand; Construction South Pacific

NZ\$m	Six months ended 31 December			
	2016	2015	Change	Change %
Gross revenue	1,150	748	402	54%
External revenue	1,035	707	328	46%
Operating earnings	24	36	(12)	(33)%
Funds	366	(37)	403	NM

NZ\$m	Six months ended 31 December		
	2016	2015	Change
			Operating earnings
Construction New Zealand	1	26	NM
Construction South Pacific	23	10	NM
Total	24	36	(33)%

The Construction division reported operating earnings of \$24 million compared with \$36 million in the prior corresponding period. Earnings include a contribution of \$19 million from the Higgins contracting business acquired in July 2016.

The reduction in operating earnings is due to a range of factors, notably: timing of earnings recognition for major projects; bid costs incurred in the period; reduced contribution from Fletcher EQR as the Canterbury earthquake home repair programme nears completion; and losses incurred on a major construction project.

The division achieved strong revenue growth, with gross revenue increasing by 54% to \$1,150 million. Included in the result was revenue from the Higgins business of \$188 million; revenue growth excluding Higgins was 29%.

At 31 December 2016, the backlog of work for the division, being the value of contracted work awarded but not completed, was \$2.7 billion, compared with \$3.3 billion as at 31 December 2015.

The New Zealand businesses continued to record strong activity levels with two major roading projects won during the period as part of the New Zealand Transport Agency's Roads of National Significance programme: the 13 km Peka Peka to Otaki Expressway; and the 18.5 km Pūhoi to Warkworth motorway to extend Auckland's Northern Motorway, which has been procured as a PPP (Private Public Partnership), comprising Fletcher Construction, Higgins and Acciona. Work on two other major road contracts, the Waterview tunnel in Auckland and the MacKay's to Peka Peka project north of Wellington, will be completed prior to 30 June 2017.

The South Pacific businesses reported earnings of \$23 million, an increase from \$10 million in the prior corresponding period. The increase in earnings includes a contribution from Higgins' Fijian operations, together with the declaration of final margins on several key projects in Papua New Guinea and American Samoa. In Fiji, work neared completion of the Momi Bay Resort, while further work was won on a hotel development in Papua New Guinea.

Following its acquisition, the Higgins contracting business has been integrated into the Construction division and has continued to operate very successfully under existing management while leveraging Fletcher Building's scale and structure. Higgins has an unprecedented confirmed backlog of work ahead with strong ongoing demand for new projects, including participation in the North Canterbury Transport Infrastructure Rebuild Alliance (NCTIR) in response to the Kaikoura earthquakes.

Financial Review

Group Cash Flow

Six months ended 31 December

NZ\$m	2016	2015	Change
Operating earnings before significant items^[1]	310	278	32
Depreciation and amortisation	102	97	5
Less cash tax paid	(69)	(67)	(2)
Less interest paid	(54)	(60)	6
Provisions, significant items and other	(43)	(40)	(3)
Cash from operations before working capital movements	246	208	38
Land and developments	(164)	(85)	(79)
Other working capital movements	(149)	47	(196)
Cash flows from operating activities	(67)	170	(237)

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 2016. 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 \$(67) million were \$237 million lower than the prior corresponding period. Cash flows from operations before working capital movements were \$246 million, up from \$208 million and reflective of higher earnings. Working capital cash-flows declined in large part due to higher land and developments investment of \$79 million and a one-off inflow in the prior corresponding period of \$56 million following the closure of the Pacific Steel operations. The remaining difference largely related to timing of contract payments and the build-up of stock in preparation for shutdowns and product launches in the second half.

Capital expenditure

Six months ended 31
December

NZ\$m	2016	2015	Change
Capital expenditure	127	122	5

Capital expenditure was \$127 million, compared with \$122 million in the prior corresponding period. Of this total, \$69 million was for stay-in-business capital projects and \$58 million related to new growth initiatives.

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

Financial Review

continued

Funding

Total available funding as at 31 December 2016 was \$2,500 million. Of this, \$310 million was undrawn and there was an additional \$229 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$246 million and a further \$68 million of capital notes are subject to interest rate and term reset.

The group's gearing¹ at 31 December 2016 was 35.4% compared with 32.8% at 31 December 2015. This has increased following the acquisition of Higgins in July 2016 and is within the target range of 30-40%.

The group's leverage² at 31 December 2016 was 2.5 times compared with 2.4 times at 31 December 2015. This is within the target range of 2.0-2.5 times.

The average maturity of the debt is 5.1 years and the hedged currency split is 33% Australian dollar; 50% New Zealand dollar; 11% US dollar; and 6% spread over various other currencies.

Approximately 47% of all borrowings have fixed interest rates with an average duration of 3.7 years and a rate of 6.0%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.0%.

Interest coverage³ for the year was 6.0 times compared with 4.6 times in the prior corresponding period.

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 annualised EBITDA before significant items

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

Financial Review continued

Dividend

The 2017 interim dividend is 20.0 cents per share. In line with the group's tax crediting policy announced in August 2016, both the interim and final dividend in 2017 will be fully imputed with New Zealand tax credits. The interim dividend will be unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.7778 cents.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 12 April 2017 to holders registered as at 5.00 pm Friday 24 March 2017 (NZT). The shares will be quoted on an ex dividend basis from 23 March 2017 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. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Monday 27 March 2017. 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 23 March 2017. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 April 2017.

Dividend Policy

Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term. The target dividend pay-out ratio, in the range of 50 to 75% of net earnings, is intended to provide sufficient flexibility for dividends to be maintained despite variations in economic conditions. Maintenance of a dividend in this range will be subject to there being no material adverse change in circumstances or outlook. In determining a dividend for any year a number of factors are taken into consideration, including current and forecast earnings and operating cash flows, capital requirements, and the company's debt equity position.

Beyond dividends, Fletcher Building will consider other means of distribution, should cash flows and future investment requirements allow.

Fletcher Building's policy on franking and imputation is to fully impute both the interim and final dividend with New Zealand tax credits each year (or to the maximum extent possible) and fully frank the final dividend with Australian tax credits where possible.

Fletcher Building expects to be able to impute both interim and final dividends for the current and at least the two following years, subject to the overall financial performance of the group.

Financial Review continued

2017 Interim Dividend Summary Table¹

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 ⁸
Dividend declared	20.0000	20.0000	20.0000	20.0000
NZ imputation credits ²	7.7778			
NZ supplementary dividend ³		3.5294	3.5294	3.5294
Australian franking credits ⁴		0.0000	0.0000	
Gross dividend for NZ tax purposes	27.7778	23.5294	23.5294	23.5294
NZ tax (33%) ⁵	(9.1667)			
NZ non-resident withholding tax (15%) ⁶		(3.5294)	(3.5294)	(3.5294)
Net cash received after NZ tax	18.6111	20.0000	20.0000	20.0000
Australian tax (49% and 15%) ⁷		(11.5294)	(3.5294)	
Reduced by offset for NZ non-resident withholding tax		3.5294	3.5294	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	18.6111	12.0000	20.0000	20.0000

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. The dividend has imputation credits attached at a 28% tax rate.
3. A supplementary dividend is only payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.
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 5% from the gross dividend which has been credited with imputation credits at 28 percent. Accordingly, for those shareholders, a deduction of 1.3889 cents per share will be made on the date of payment from the dividend declared of 20.0 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.

The Australian tax is calculated as:	49% Rate	15% Rate
Gross dividend for NZ tax purposes	23.5294	23.5294
Plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	23.5294	23.5294
Australian tax	11.5294	3.5294

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.

Business Transformation Update and Outlook

Update on Business Transformation Programme

Work has continued in the last six months to execute the Business Transformation Programme known as Accelerate. There are three areas of opportunities to extract value from Fletcher Building's business units:

- Commercial – revenue and product margin growth
- Cost – external expenditure and overhead costs
- Manufacturing and operational efficiency – including manufactured products, distribution costs and construction delivered margin.

The Accelerate programme is on track to deliver its expected benefits. To date, this has translated to over 2,000 initiatives that have been put in train, of which a large proportion are expected to result in tangible benefits by the end of FY18. Implementing the programme has led to a performance focus and delivery cadence that is becoming entrenched in management discipline. Over the coming year it is expected that the programme will transition to a business-as-usual activity embedded within routine management practice.

Outlook

The current strong macro-economic conditions in New Zealand are expected to continue to benefit Fletcher Building throughout the 2017 financial year. This is likely to provide further opportunities to expand operating margins in the Building Products and Distribution businesses due to a combination of volume improvements, cost reductions and modest price increases in the absence of industry constraints. The Auckland market and surrounding regions continue to show strong demand for new housing and, coupled with new national infrastructure and commercial projects, elevated levels of residential, commercial and infrastructure construction are likely to be sustained in the medium term.

In Australia, New South Wales construction activity looks to be maintaining a positive trajectory which is in contrast to Western Australia where Fletcher Building has worked hard to digest the economic downturn. In Residential Fletcher Building is principally exposed to stand-alone housing, which has so far proved resilient, while the multi-dwelling segment shows signs of peaking. Commercial construction activity is still at elevated levels but not exhibiting growth, whereas specific segments of civil infrastructure are showing more positive signs.

North American residential and commercial construction activity levels are expected to remain broadly consistent with last year, with the impact of a new presidential administration uncertain at this point in time. European conditions continue to be mixed with some growth in the UK being offset by weaker continental European markets. Asian markets are showing some signs of improving volumes but remain competitive.

Momentum in the Fletcher Building businesses gives us reason to reiterate guidance for operating earnings (earnings before interest, tax and significant items) of \$720 million to \$760 million for the 2017 financial year. The earnings from the acquired Higgins business will offset the impact of the divested businesses of Pacific Steel and Rocla Quarry Products, and Fletcher EQR.

Specific divisional commentary in respect of 2017 full year earnings is provided as follows:

- Building Products:

- Improved operating performance from most businesses within the division, leading to higher operating earnings than the prior year after adjusting for the divested businesses;
- No earnings contribution from the divested Rocla Quarries and Pacific Steel businesses, given the sale of these businesses was completed in FY16.

- International:

- Formica's European operations will return to profitability in FY17, and together with growth in Asia should lead to material improvement in the year-on-year performance of the Formica operation;
- Both Laminex businesses are expected to report year-on-year earnings growth;

- Distribution:

- New Zealand distribution earnings are expected to show robust earnings growth in FY17 compared to FY16, driven by consistent earnings growth across the business units;
- In Australia, the earnings of Stramit, Tasman Sinkware and Tradelink are all expected to improve on an underlying basis compared to FY16.

- Residential and Land Development:

- Residential earnings for FY17 are expected to be higher than the prior year, with a similar weighting to the second half of the year as was reported in FY16, due to the timing of delivery of residential housing lots;
- Land Development earnings are expected to increase as a result of a number of new projects in the Auckland area.

- Construction:

- FY17 earnings are expected to decline compared with earnings reported in FY16;
- A reduction in EQR earnings versus FY16 will be more than offset by eleven months of earnings from Higgins.

Divisions

Division	Business Groupings	Key Businesses
Building Products	Concrete Pipes & Products	Firth Concrete (NZ) Humes Pipelines (NZ) Rocla Products (AU)
	Cement & Aggregates	GBC Winstone (NZ)
	Building Materials	Winstone Wallboards (NZ)
		Tasman Insulation (NZ) Fletcher Insulation (AU)
	Plastic Pipes	Iplex (NZ & Australia)
	JV Earnings and other	Joint ventures & other
	Divested Businesses	Rocla Quarries (AU) (ceased in FY16) Long Steel Manufacturing (ceased in FY16)
International	Formica	Formica Asia Formica Europe Formica North America
	Laminex	Laminex New Zealand Laminex Australia
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
Distribution	New Zealand Building Supplies	PlaceMakers Mico Plumbing
		Tradelink Tasman Sinkware
	Australian Building Supplies	Pacific Coilcoaters Easysteel Fletcher Reinforcing Dimond
	New Zealand Steel Distribution	
	Australian Steel Distribution	Stramit
Residential and Land Development	NZ Residential	Fletcher Living
	Land Development	Land Development
Construction	Construction New Zealand	Fletcher Construction Higgins Construction Fletcher EQR
		Fletcher Construction South Pacific Higgins Fiji
	Construction South Pacific	

Appendix: Supplemental split of Divisional results

Gross revenue

Building Products		Six months ended 31 December		
Gross revenue (NZ\$m)	2016	2015	Change	
Concrete Pipes & Products	394	384	3%	
Cement and Aggregates	202	190	6%	
Building Materials	245	239	3%	
Plastic Pipes	241	256	(6%)	
Joint Ventures & Other	26	101	(74%)	
Subtotal	1,108	1,170	(5)%	
Divested Businesses	0	95	NM	
Total	1,108	1,265	(12)%	

International		Six months ended 31 December		
Gross revenue (NZ\$m)	2016	2015	Change	
Laminex	469	502	(7%)	
Formica	450	486	(7%)	
Roof Tile Group	86	92	(7%)	
Total	1,005	1,080	(7)%	

Distribution		Six months ended 31 December		
Gross revenue (NZ\$m)	2016	2015	Change	
NZ Building Supplies	765	717	7%	
Australian Building Supplies	392	411	(5%)	
NZ Steel Distribution	239	218	10%	
Australian Steel Distribution	248	264	(6%)	
Total	1,644	1,610	2%	

Residential and Land Development		Six months ended 31 December		
Gross revenue (NZ\$m)	2016	2015	Change	
NZ Residential	156	108	44%	
Land Development	7	0	NM	
Total	163	108	51%	

Construction		Six months ended 31 December		
Gross revenue (NZ\$m)	2016	2015	Change	
Construction New Zealand	1,033	665	55%	
Construction International	117	83	41%	
Total	1,150	748	54%	

Appendix: Supplemental split of Divisional results

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	
Gross revenue	2016	2015	Change
New Zealand (NZ\$m)	722	797	(9%)
Australia (A\$m)	368	428	(14%)

International		Six months ended 31 December	
Gross revenue	2016	2015	Change
New Zealand (NZ\$m)	88	90	(2%)
Australia (A\$m)	377	398	(5%)
Rest of World (US\$m)	371	367	1%

Distribution		Six months ended 31 December	
Gross revenue	2016	2015	Change
New Zealand (NZ\$m)	1,005	936	7%
Australia (A\$m)	607	615	(1%)

Residential and Land Development		Six months ended 31 December	
Gross revenue	2016	2015	Change
New Zealand (NZ\$m)	163	108	51%

Construction		Six months ended 31 December	
Gross revenue	2016	2015	Change
New Zealand (NZ\$m)	1,033	665	55%
Rest of World (US\$m)	83	55	51%

Appendix: Supplemental split of Divisional results

External revenue

Building Products		Six months ended 31 December		
External revenue (NZ\$m)	2016	2015	Change	
Concrete Pipes & Products	342	338	1%	
Cement and Aggregates	109	100	9%	
Building Materials	183	178	3%	
Plastic Pipes	199	209	(5%)	
Joint Ventures & Other	26	101	(74%)	
Subtotal	859	926	(7%)	
Divested Businesses	0	95	NM	
Total	859	1,021	(16%)	

International		Six months ended 31 December		
External revenue (NZ\$m)	2016	2015	Change	
Laminex	460	491	(6%)	
Formica	452	485	(7%)	
Roof Tile Group	85	91	(7%)	
Total	997	1,067	(7%)	

Distribution		Six months ended 31 December		
External revenue (NZ\$m)	2016	2015	Change	
NZ Building Supplies	740	693	7%	
Australian Building Supplies	391	410	(5%)	
NZ Steel Distribution	185	169	9%	
Australian Steel Distribution	243	259	(6%)	
Total	1,559	1,531	2%	

Residential and Land Development		Six months ended 31 December		
External revenue (NZ\$m)	2016	2015	Change	
NZ Residential	156	108	44%	
Land Development	7	0	NM	
Total	163	108	51%	

Construction		Six months ended 31 December		
External revenue (NZ\$m)	2016	2015	Change	
Construction New Zealand	918	624	47%	
Construction International	117	83	41%	
Total	1,035	707	46%	

Appendix: Supplemental split of Divisional results

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	
External revenue	2016	2015	Change
New Zealand (NZ\$m)	512	596	(14%)
Australia (A\$m)	331	389	(15%)

International		Six months ended 31 December	
External revenue	2016	2015	Change
New Zealand (NZ\$m)	88	88	0%
Australia (A\$m)	377	397	(5%)
Rest of World (US\$m)	366	361	1%

Distribution		Six months ended 31 December	
External revenue	2016	2015	Change
New Zealand (NZ\$m)	926	863	7%
Australia (A\$m)	601	609	(1%)

Residential and Land Development		Six months ended 31 December	
External revenue	2016	2015	Change
New Zealand (NZ\$m)	163	108	51%

Construction		Six months ended 31 December	
External revenue	2016	2015	Change
New Zealand (NZ\$m)	918	624	47%
Rest of World (US\$m)	83	55	51%

Appendix: Supplemental split of Divisional results

Operating earnings before significant items

Building Products		Six months ended 31 December		
Operating earnings ¹ (NZ\$m)	2016	2015	Change	
Concrete Pipes & Products	26	27	(4%)	
Cement and Aggregates	38	35	9%	
Building Materials	53	48	10%	
Plastic Pipes	7	2	NM	
Joint Ventures & Other	5	5	0%	
Subtotal	129	117	10%	
Divested Businesses	0	15	NM	
Total	129	132	(2%)	

International		Six months ended 31 December		
Operating earnings ¹ (NZ\$m)	2016	2015	Change	
Laminex	45	41	10%	
Formica	34	16	NM	
Roof Tile Group	2	6	(67%)	
International divisional costs	(11)	(10)	10%	
Total	70	53	32%	

Distribution		Six months ended 31 December		
Operating earnings ¹ (NZ\$m)	2016	2015	Change	
NZ Building Supplies	47	39	21%	
Australian Building Supplies	2	0	NM	
NZ Steel Distribution	25	17	47%	
Australian Steel Distribution	10	8	25%	
Total	84	64	31%	

Residential and Land Development		Six months ended 31 December		
Operating earnings ¹ (NZ\$m)	2016	2015	Change	
NZ Residential	25	24	4%	
Land Development	5	0	NM	
Total	30	24	25%	

Construction		Six months ended 31 December		
Operating earnings ¹ (NZ\$m)	2016	2015	Change	
Construction New Zealand	1	26	(96%)	
Construction International	23	10	NM	
Total	24	36	(33%)	

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 2016. Details of significant items can be found in note 3 of the interim financial statements.

Appendix: Supplemental split of Divisional results

Local currency results

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

Building Products		Six months ended 31 December	
Operating earnings	2016	2015	Change
New Zealand (NZ\$m)	125	119	5%
Australia (A\$m)	4	12	(68%)

International		Six months ended 31 December	
Operating earnings	2016	2015	Change
New Zealand (NZ\$m)	8	8	0%
Australia (A\$m)	33	32	3%
Rest of World (US\$m)	19	7	NM

Distribution		Six months ended 31 December	
Operating earnings	2016	2015	Change
New Zealand (NZ\$m)	72	56	29%
Australia (A\$m)	11	7	57%

Residential and Land Development		Six months ended 31 December	
Operating earnings	2016	2015	Change
New Zealand (NZ\$m)	30	24	25%

Construction		Six months ended 31 December	
Operating earnings	2016	2015	Change
New Zealand (NZ\$m)	1	26	(96%)
Rest of World (US\$m)	16	7	NM

¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2016. Details of significant items can be found in note 3 of the interim financial statements.

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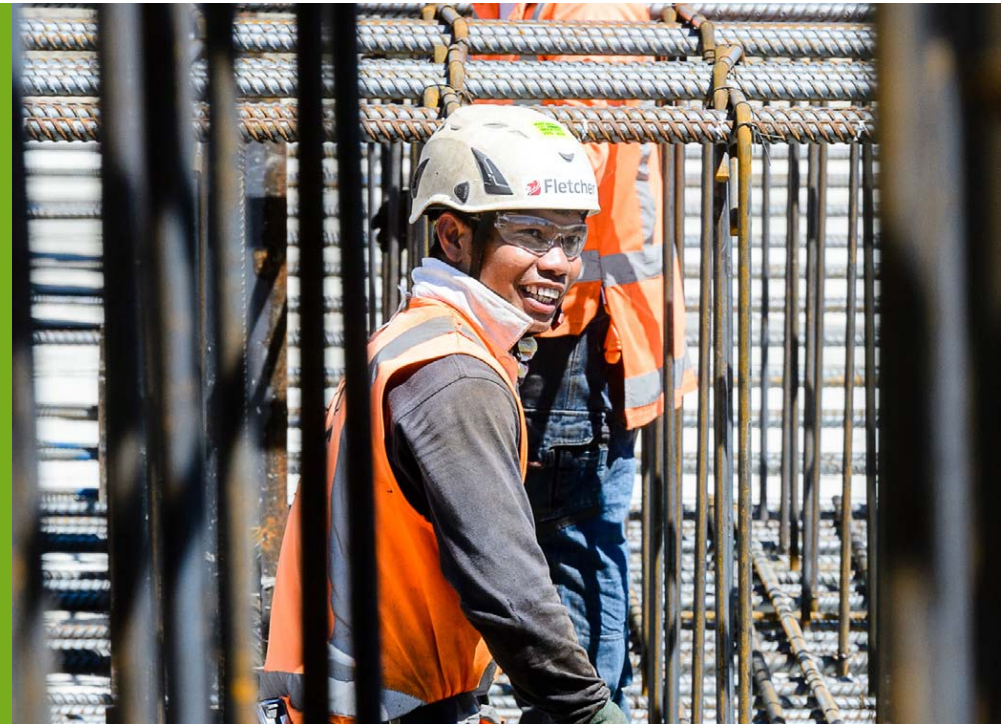
Half Year Results to 31 December 2016

Working with you

MARK ADAMSON
— Chief Executive Officer

BEVAN MCKENZIE
— Chief Financial Officer

22 February 2017



Disclaimer

This Half Year Results presentation dated 22 February 2017 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.



Contents

- **Results Overview**
- **Industry Context**
- **Divisional Performances**
- **Financial Results**
- **Strategy Update**
- **Outlook**
- **Appendix**



Fletcher Building
Half Year Results Presentation 2017

Working with you

Results Overview



Results overview

Operating earnings before significant items

\$310_m

▲ 12%

Net earnings before significant items

\$187_m

▲ 18%

Revenue

\$4,613_m

▲ 4%

Dividend per share

20c

▲ 5%

Basic earnings per share before significant items

27.0c

▲ 17%



Highlights

Distribution:

- Total EBIT +31%
- NZ Steel Distribution EBIT +47%
- NZ Building Supplies EBIT +21%
- AU Steel Distribution EBIT +25%
- Strong NZ performance, AU improvements



International:

- Total EBIT +32%
- Formica EBIT +113%
- Laminex EBIT +10%
- Laminex performing well in both NZ and Australia
- All Formica regions seeing positive momentum – growth in local currencies was higher than reported NZD growth



Highlights

New Zealand:

- Total EBIT¹ (excluding Construction, divestments/ acquisitions) +20%
- Volume improvements: Steel +14%, Plasterboard +9%, Concrete Pipe +12%, Cement +5%, Ready Mix +4%
- Residential and Land Development EBIT +25%
- Construction result impacted by one-off factors
- Corporate costs beginning to decline



Good progress on business turnarounds & Higgins integration:

- Formica Europe EBIT +\$14m
- Higgins EBIT \$21m in first 5 months, ahead of plan
- Iplex AU and Tradelink both ahead of HY 16



1. Before significant items



Results overview

Revenue

Revenue

\$4,613m

▲ 4%



- Reported revenue \$179m or 4% higher than HY16

REVENUE GROWTH RATES

Geographic segments

	Reported	Local Currency
New Zealand	14%	14%
Australia	(10)%	(6)%
Rest of World	0%	8%



Results overview

Operating earnings

Operating earnings

\$294m

▲ 2%

Operating earnings before significant items

\$310m

▲ 12%

- Reported operating earnings (EBIT) up 2%
- Operating earnings before significant items up 12%
 - Significant items primarily due to site closure costs at Fletcher Insulation and Rocla Products

EBIT (before significant items)

GROWTH RATES

Geographic segments

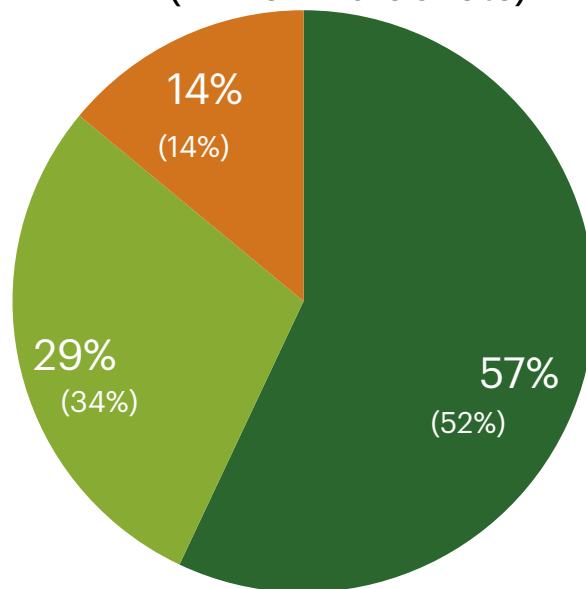
	Reported	Local Currency
New Zealand	3%	3%
Australia	(4)%	2%
Rest of World	121%	138%



Stronger performance from Rest of World reflected in increased EBIT contribution

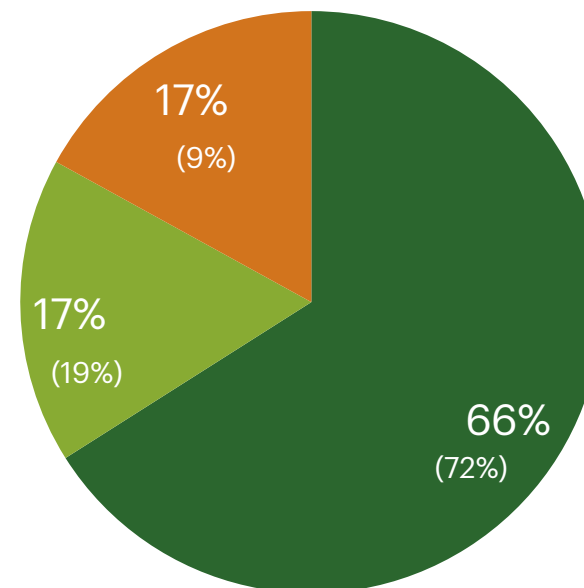
External Revenue Geographic Split H1 17

(H1 16 in brackets)



EBIT¹ Geographic Split H1 17

(H1 16 in brackets)



■ New Zealand ■ Australia ■ Rest of World

1. Before significant items



Results overview

Net earnings

Net earnings

\$176m

▲ 2%

Net earnings before
significant items

\$187m

▲ 18%

- Net earnings before significant items were up 18% to \$187m
- Funding costs down 13%
- Effective tax rate 25%, slightly higher

EARNINGS PER SHARE

Earnings per share	25.4 cents	+2%
Earnings per share <i>(before significant items)</i>	27.0 cents	+17%



Results overview

Cash flow from operations

Cashflow from operations

\$(67)m



- Cash outflow from operations of \$67m compared to \$170m inflow in HY16
- Decrease mainly due to:
 - \$56m Pacific Steel working capital release in HY16
 - \$79m increased investment in land and development
 - Timing of Construction contract payments
- Cashflow from operations before working capital movements were \$246m (versus \$208m in HY 16)



Results overview

Dividend

Dividend per share

20_c

▲ 5%



- Interim dividend fully imputed for NZ taxation purposes
- Dividend Reinvestment Plan will be operative for this dividend
- Expect to fully impute interim and final dividends in FY17, FY18 and FY19

DIVIDEND

Interim dividend per share	20 cents
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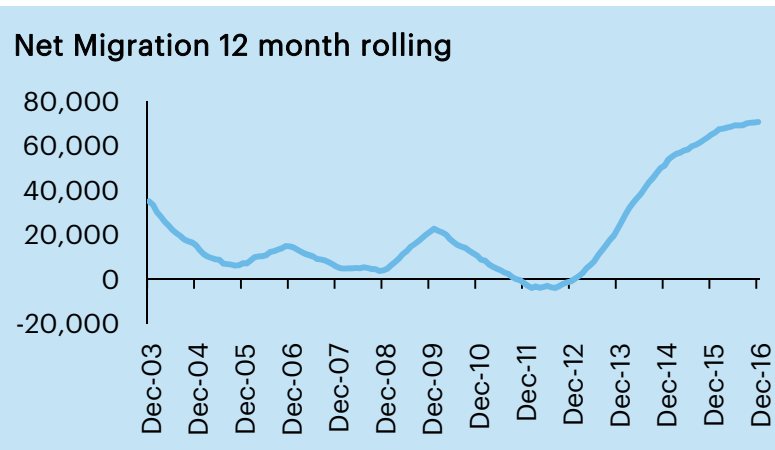
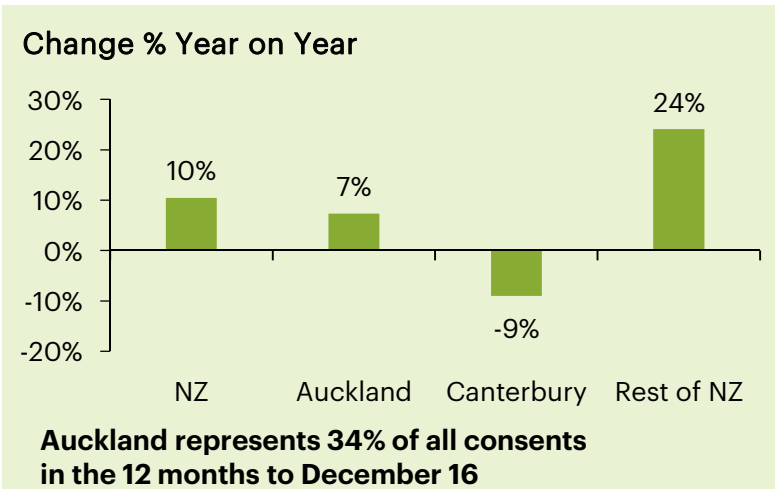
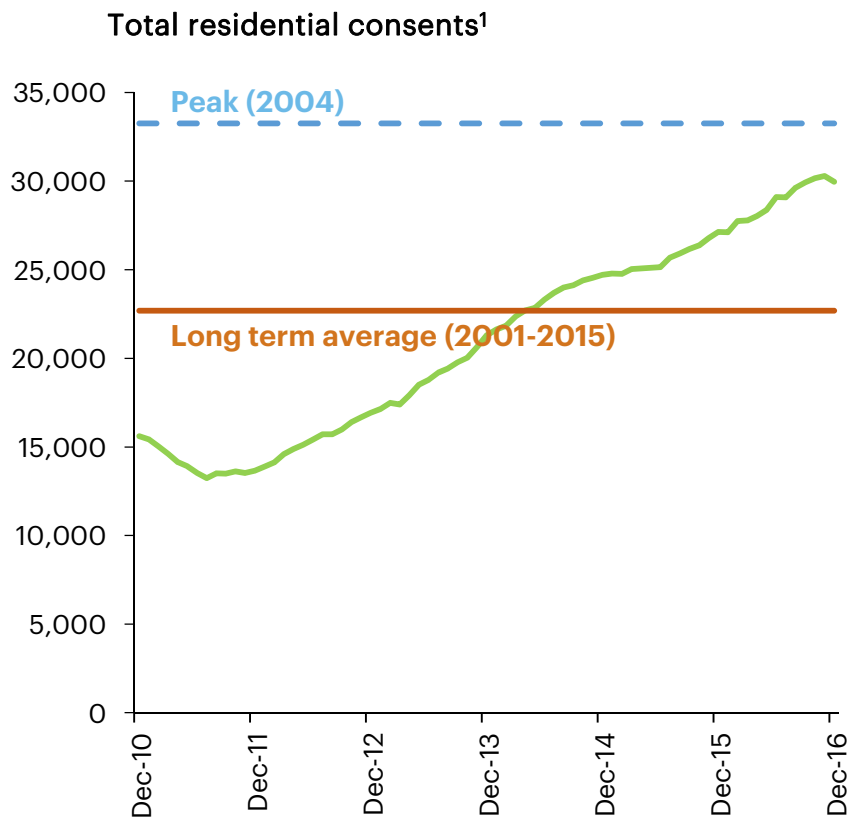


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Industry Context



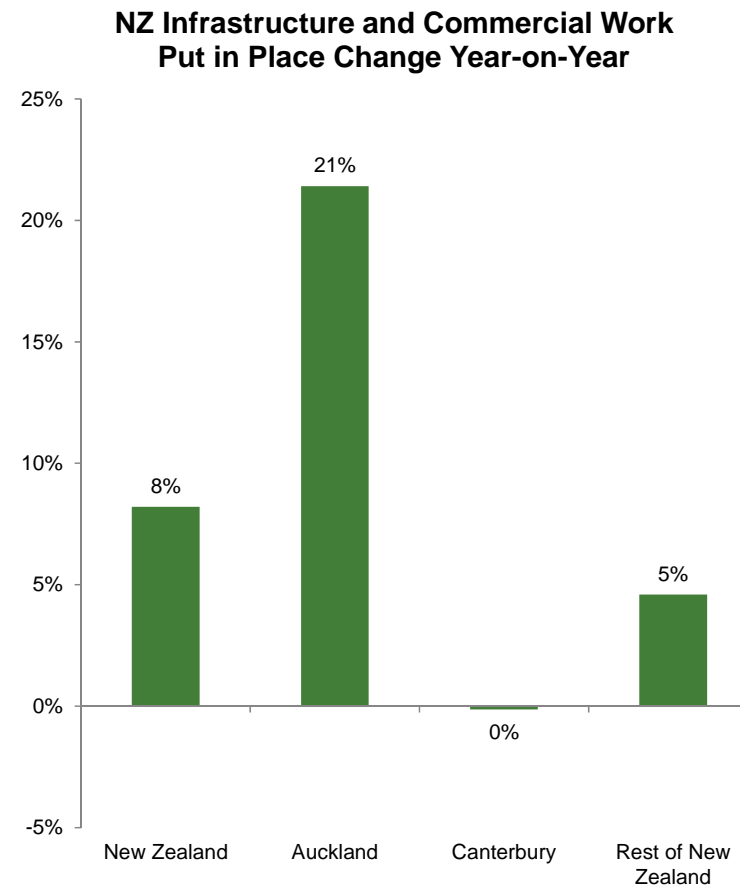
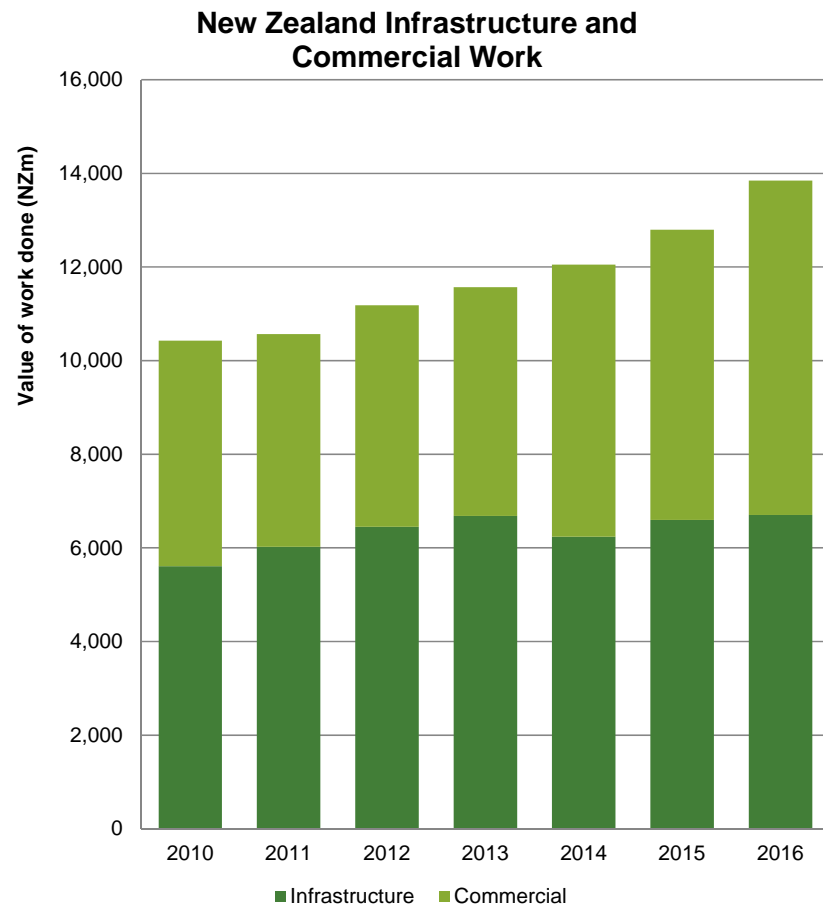
New Zealand residential consents up 10%, supported by high net migration



Source: Statistics NZ, Infometrics
1 - Twelve months rolling



New Zealand Infrastructure and Commercial backlog strong

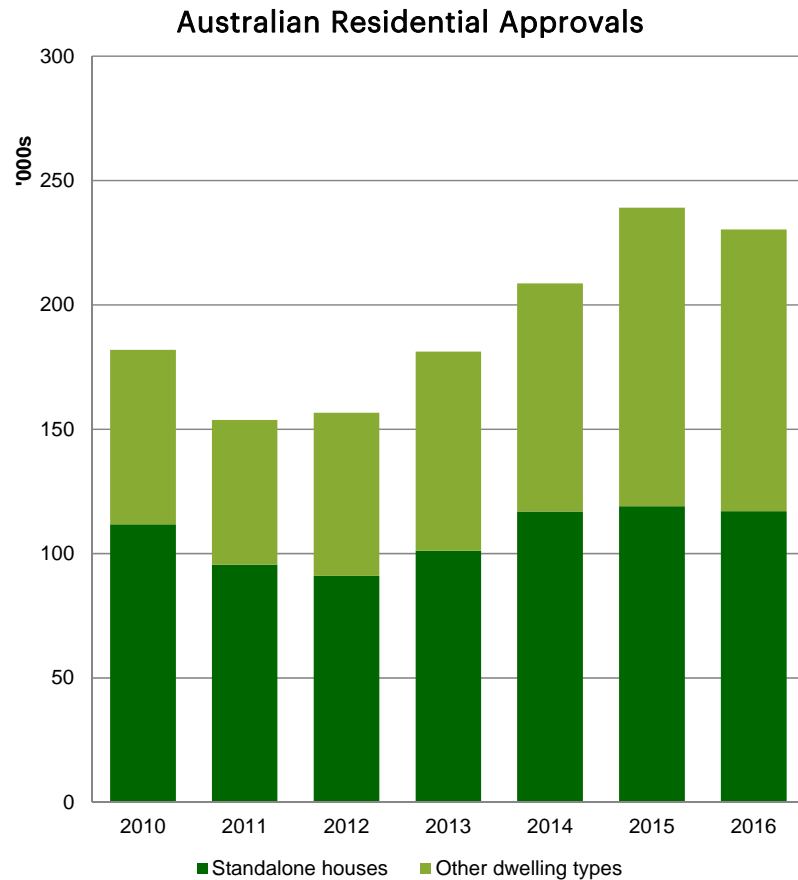


Source: NZ Statistics, Infometrics - Calendar years

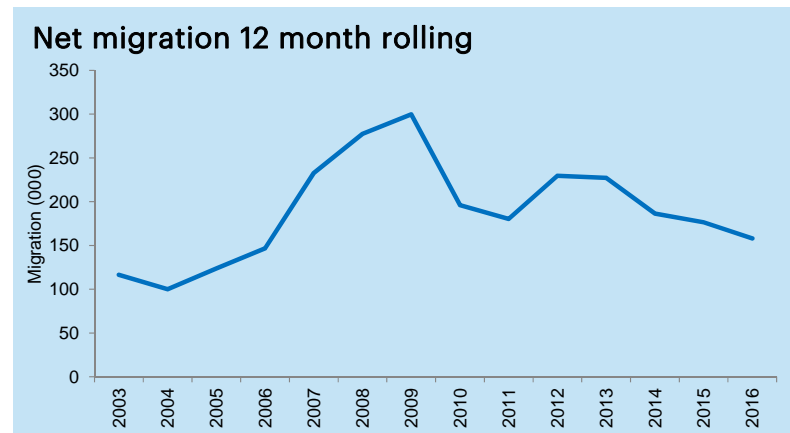
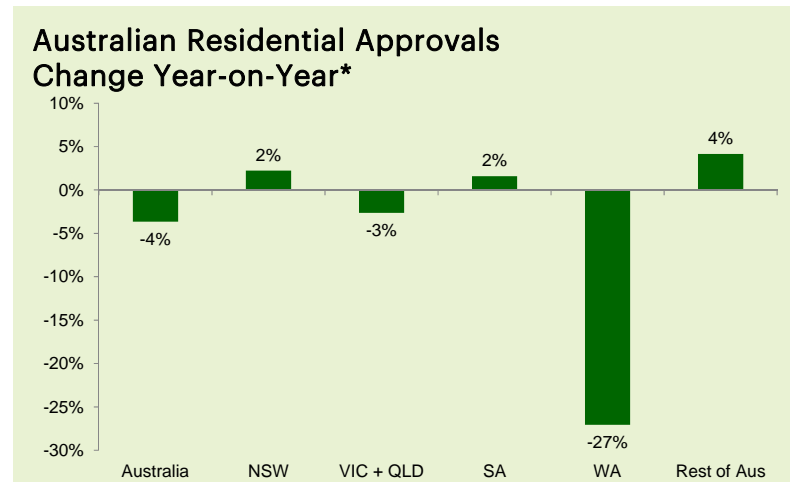
Source: NZ Statistics, Infometrics - CY2016 growth on CY2015



Australian residential activity impacted by WA, standalone approvals remain resilient



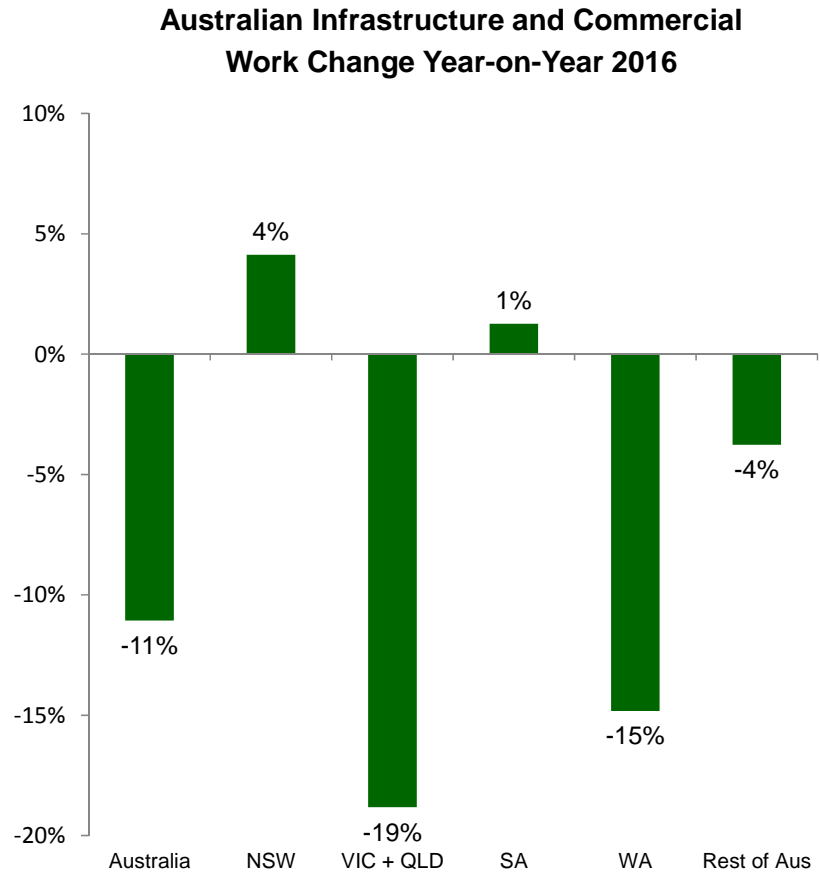
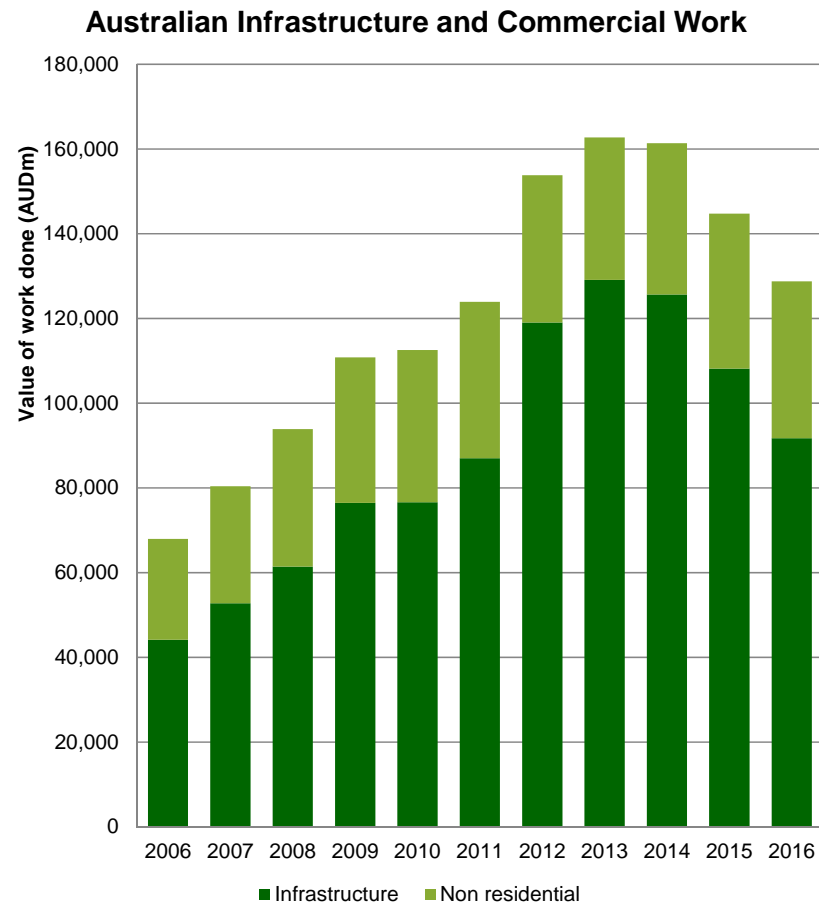
Source: BIS - Calendar years



Source: BIS - Change from CY15 to CY16



Australian Infrastructure and Commercial work has slowed in most states



Source: BIS Shrapnel



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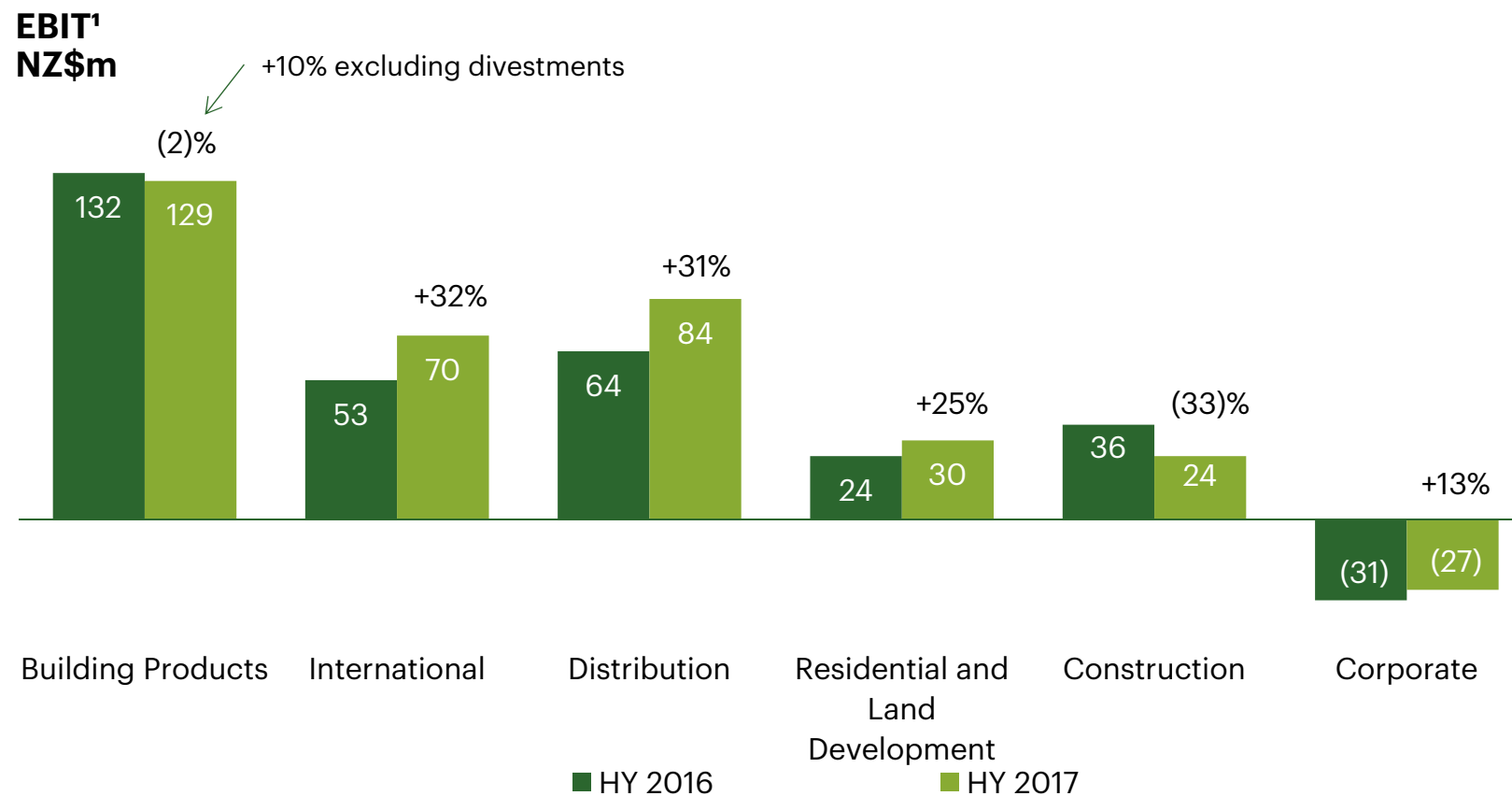


Working with you

Divisional Performances



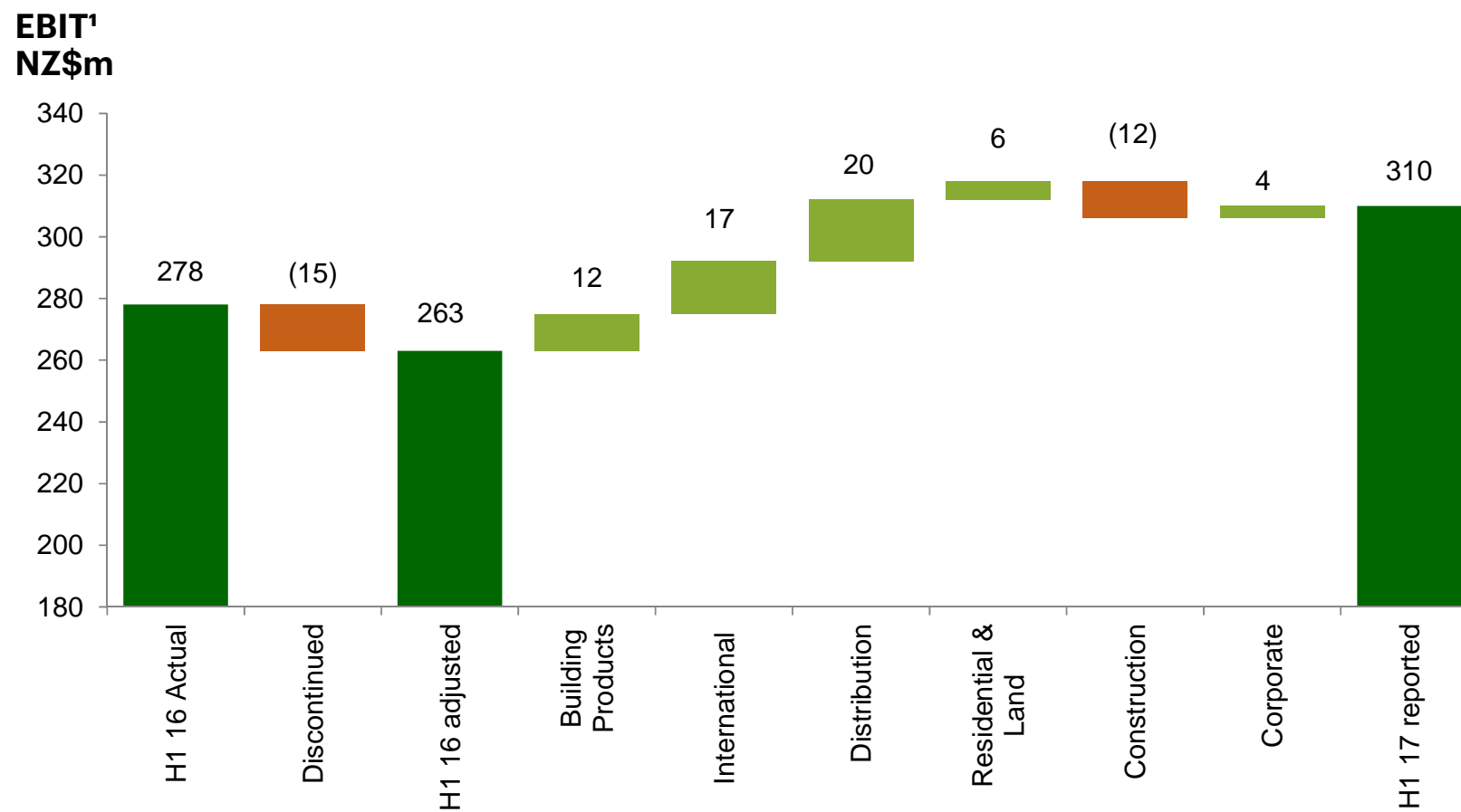
Divisional operating earnings overview



1. Before significant items



H1 2017 vs H1 2016 EBIT Bridge



1. Before significant items



Building Products Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,265	1,108	(12)%
External Revenue	1,021	859	(16)%
EBITDA ¹	172	167	(3)%
EBIT ¹	132	129	(2)%
<i>Concrete Pipes & Products</i>	27	26	(4)%
<i>Cement & Aggregates</i>	35	38	9%
<i>Building Materials</i>	48	53	10%
<i>Plastic Pipes</i>	2	7	NM
<i>Joint Ventures & Other</i>	5	5	0%
<i>Divested businesses</i>	15	0	NM
Funds Employed	1,748	1,686	(4)%
EBITDA ¹ /gross revenue %	14	15	
EBIT ¹ /gross revenue %	10	12	
ROFE %	15	15	

1. Before significant items

Concrete Pipes & Products

Ready-mix concrete volumes +4%

NZ concrete pipe volumes +12%

Australia concrete product volumes flat

Cement & Aggregates

New Zealand cement volumes +5%

New Zealand Aggregate volumes +24%

Building Materials

Plasterboard volumes +9%

Plastic Pipes

Iplex Australia volumes +2%

EBIT +\$5m



International Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,080	1,005	(7)%
External Revenue	1,067	997	(7)%
EBITDA	87	104	20%
EBIT	53	70	32%
<i>Formica</i>	16	34	108%
<i>Laminex</i>	41	45	10%
<i>Roof Tile Group</i>	6	2	(67)%
Funds Employed	2,041	1,948	(5)%
EBITDA/gross revenue %	8	10	
EBIT/gross revenue %	5	7	
ROFE %	5	7	

1. Local currency

Formica

3% volume growth in both North America & Asia

Asia revenue¹ growth of +7%, operating earnings¹ +4%

Europe: operating earnings up \$14m

Laminex

Revenue growth in New Zealand +9%

Underlying EBIT growth:

- New Zealand +75%
- Australia +3%

Roof Tile Group

Revenue down 7% and EBIT down \$4m due mainly to sales decline in Africa



Distribution Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	1,610	1,644	2%
External Revenue	1,531	1,559	2%
EBITDA	79	96	22%
EBIT	64	84	31%
<i>NZ Building Supplies</i>	39	47	21%
<i>NZ Steel Distribution</i>	17	25	47%
<i>AU Building Supplies</i>	0	2	NM
<i>AU Steel Distribution</i>	8	10	25%
Funds Employed	1,049	1,039	(1)%
EBITDA/gross revenue %	5	6	
EBIT/gross revenue %	4	5	
ROFE %	12	16	

New Zealand Building Supplies

Operating earnings +21%
PlaceMakers revenue growth +7%
Mico revenue growth +7%

New Zealand Steel Distribution

Operating earnings +47%
Significant volume growth at Pacific
Coilcoaters, Easysteel and Reinforcing

Australia Building Supplies

Revenue flat in AUD due to weakness in
Western and South Australia
Tradelink continues to focus on its core
trade plumber customers
16 new Tradelink stores opened in HY17

Australia Steel Distribution

Operating earnings +25%
New customer service proposition
launched



Residential and Land Development Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	108	163	51%
External Revenue	108	163	51%
EBITDA	24	30	25%
EBIT	24	30	25%
<i>NZ Residential</i>	24	25	4%
<i>Land Development</i>	0	5	NM
Funds Employed	295	477	62%
EBITDA/gross revenue %	22	18	
EBIT/gross revenue %	22	18	
ROFE %	16	13	

NZ Residential

Continued new developments coming online

Solid sales in Beachlands, Karaka and Hobsonville

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

Current pipeline of over 4,000 lots

Land Development

Expect to earn \$25m+ per annum over the next 5 years from land developed for resale



Construction Result

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Gross Revenue	748	1,150	54%
External Revenue	707	1,035	46%
EBITDA	40	35	(13)%
EBIT	36	24	(33)%
Construction NZ ¹	26	1	(96)%
Construction South Pacific	10	23	141%
Funds Employed	(37)	366	NM
EBITDA/gross revenue %	5	3	
EBIT ¹ /gross revenue %	5	2	

1. Includes Fletcher EQR

New Zealand

Revenue +29% (excluding Higgins)

Backlog of work as at 31 December 2016 was \$2.7bn

Operating earnings significantly impacted by:

- Timing of major projects
- Bid costs
- Reduced contribution from Fletcher EQR
- Isolated underperformance in one area of the business

Higgins ahead of plan and invited to join NCTIR consortium for rebuild of State Highway 1 post Kaikoura earthquake

South Pacific

EBIT +\$13m



Fletcher Building
Half Year Results Presentation 2017



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Financial Results



Profit & Loss

18% increase in net earnings before significant items

NZ\$m (except EPS)	Reported Results		Change
	Dec 2015 6months	Dec 2016 6months	
Revenue	4,434	4,613	4%
Operating earnings before significant items	278	310	12%
Operating margin	6.3%	6.6%	5%
Significant items	10	(16)	NM
Operating earnings (EBIT)	288	294	2%
Funding costs	(60)	(52)	(13)%
Tax	(52)	(61)	17%
Non-controlling interests	(4)	(5)	25%
Net earnings	172	176	2%
Net earnings before significant items	159	187	18%
Earnings per share before significant items (EPS – cents)	23.0	27.0	17%



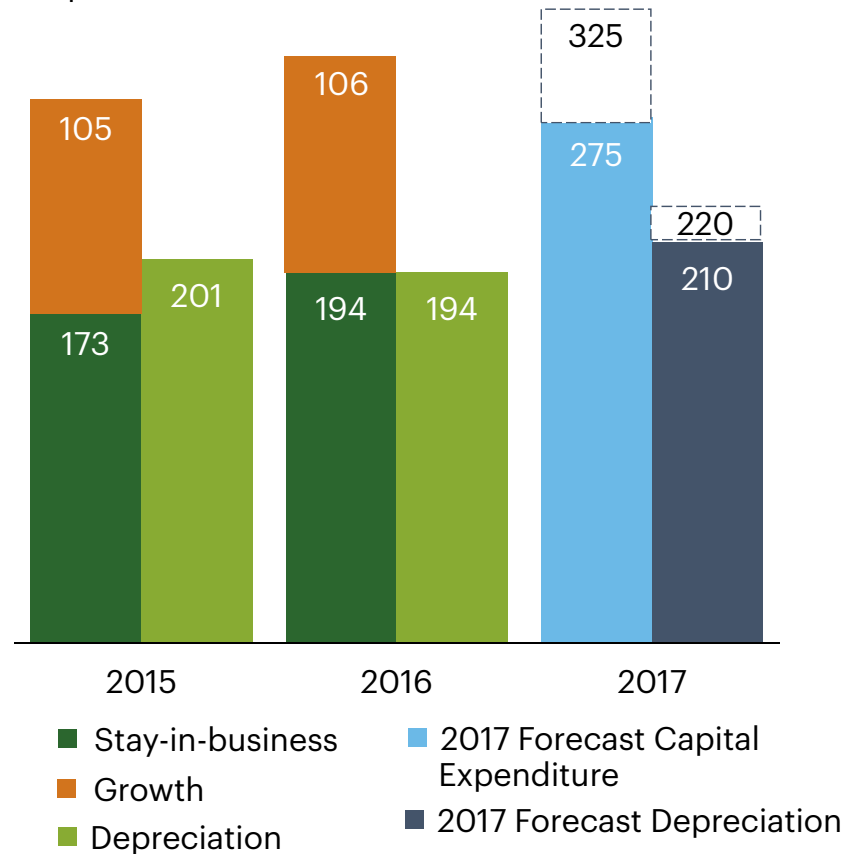
Operating cash flow

NZ\$m	Dec 2015 6 months	Dec 2016 6 months	Change
Operating earnings before significant items	278	310	12%
Depreciation and amortisation	97	102	5%
Less cash tax paid	(67)	(69)	3%
Less interest paid	(60)	(54)	(10)%
Provisions, significant items and other	(40)	(43)	8%
Results from operations before working capital adjustments	208	246	18%
Land and developments	(85)	(164)	93%
Other working capital movements	47	(149)	NM
Cash flows from operating activities	170	(67)	NM



Capital expenditure in FY17 expected to be in the range of \$275m to \$325m

NZ\$m

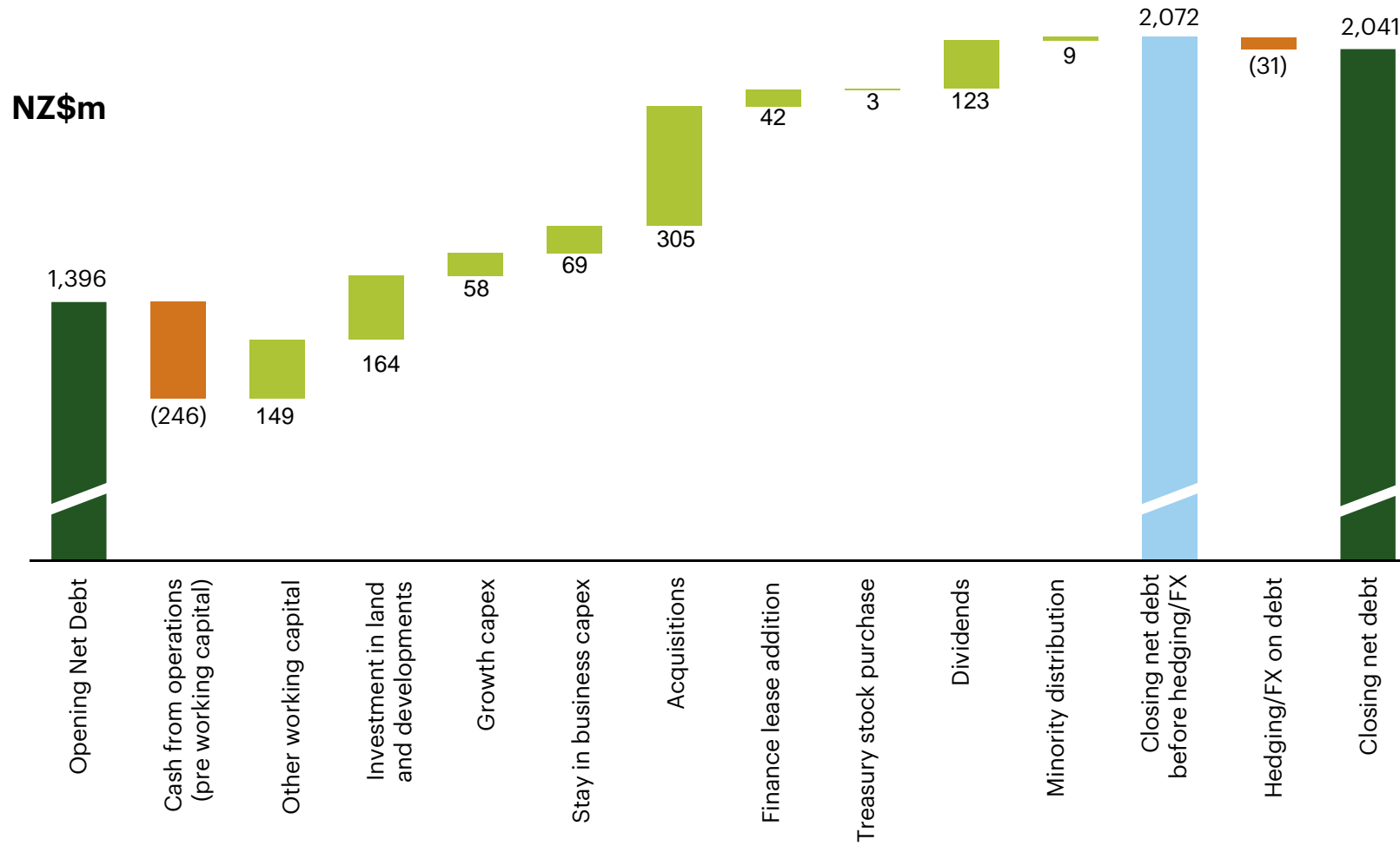


NZ\$m	Dec 2015 6 months	Dec 2016 6 months	% change
Stay-in-business	77	69	(10)%
Growth	45	58	29%
Total Capex	122	127	4%
Acquisitions		305	NM
Depreciation/ Amortisation	97	102	5%

- Depreciation & Amortisation forecast to be \$210-220m in FY17

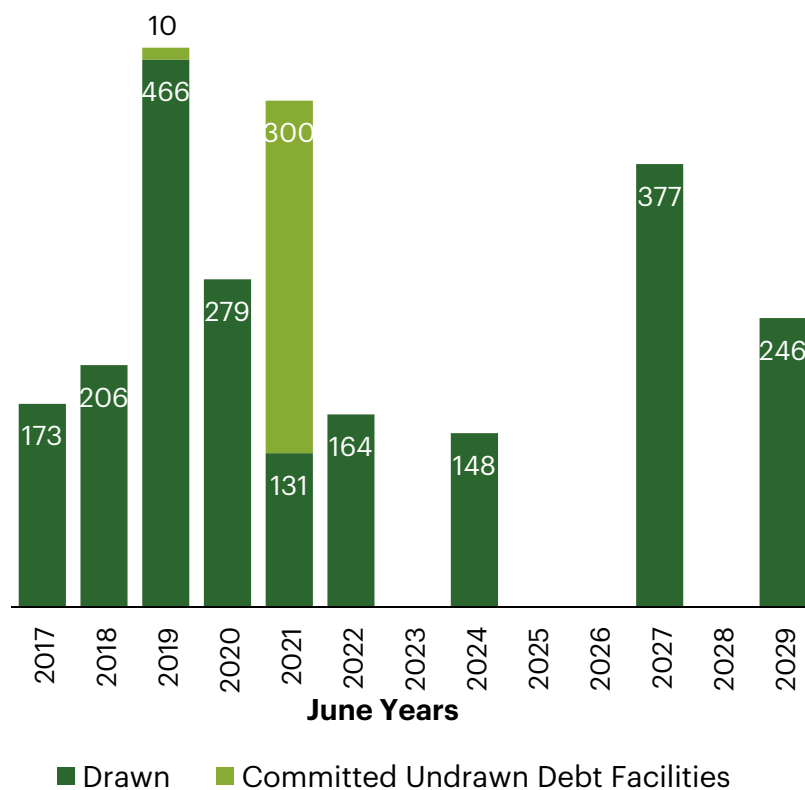


Net debt higher due to investments in working capital, land and Higgins



Debt profile

Funding and Maturity Profile 31 December 2016



Undrawn credit lines of \$310m and cash of \$229m

Average maturity of debt is 5.1 years

Approximately 47% of all borrowings have fixed interest rates

Average interest rate on debt is 5.0%

Mix of currency (hedged)

- NZ\$ 50%
- AU\$ 33%
- US\$ 11%
- Other 6%



Capital management settings

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 2016: 35.4%

Leverage:

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 31 December 2016: 2.5 times

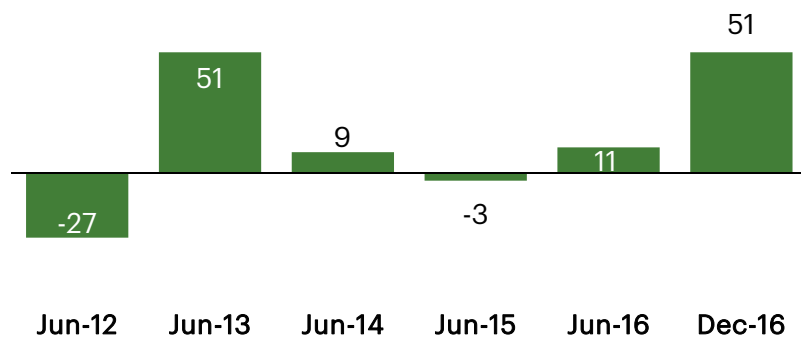
Dividend pay-out:

- Target ratio of 50% to 75% of net earnings (before significant items)
- For H1 17: 74%

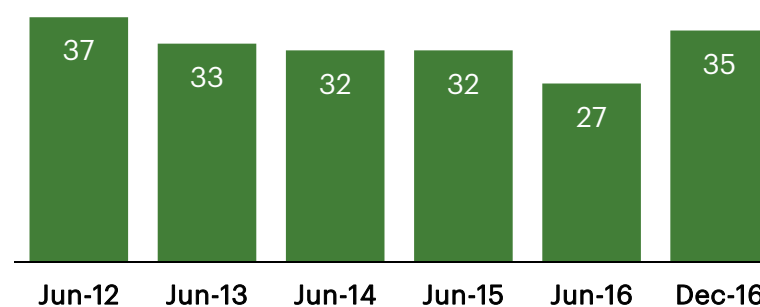


Key ratios

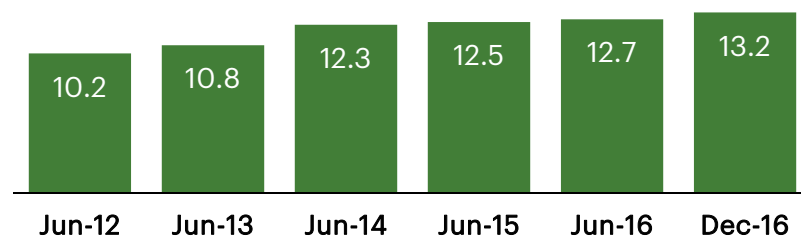
**Total Shareholder Return (TSR)
Percentage¹**



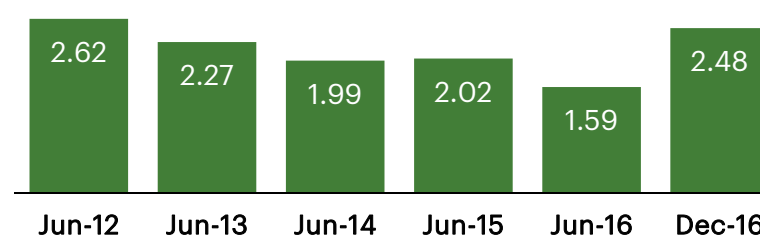
**Debt/Debt Plus Equity
Percentage**



**Return on Average Funds
Percentage²**



**Net Debt/EBITDA
Times**



1. Returns for previous 12 months

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



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Strategy Update



Strategy summary



People and performance culture



Turnaround capability



Targeted investments



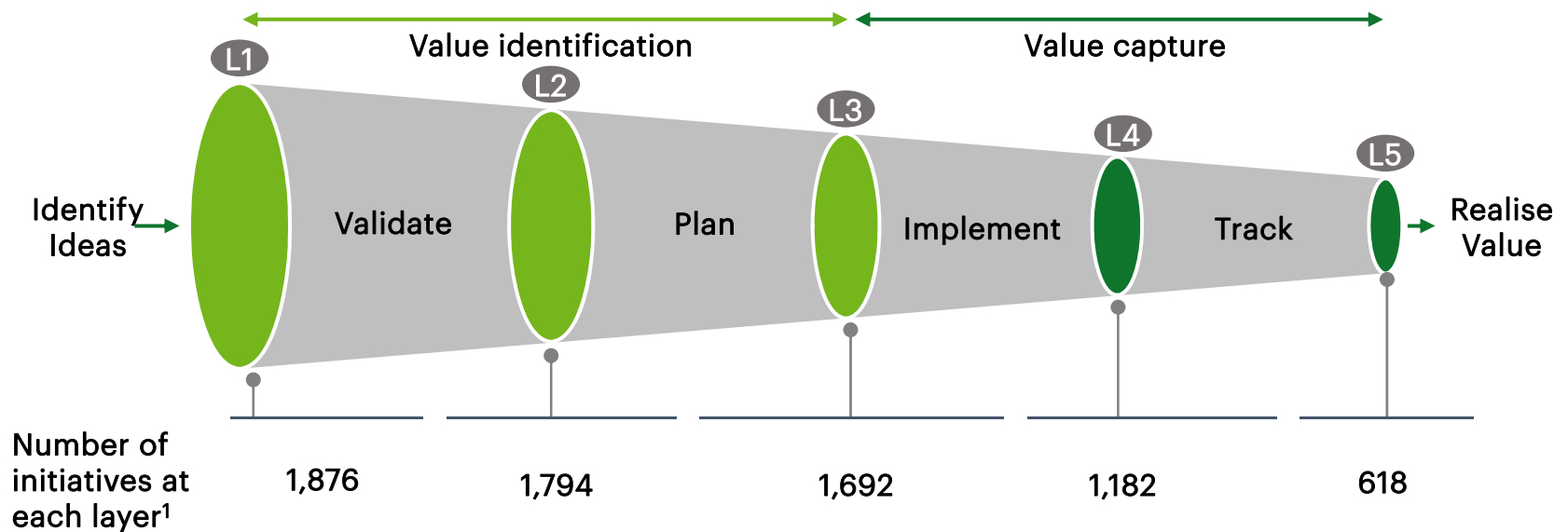
Prudent portfolio management



Focus on shareholder value



Performance culture embedded through Accelerate



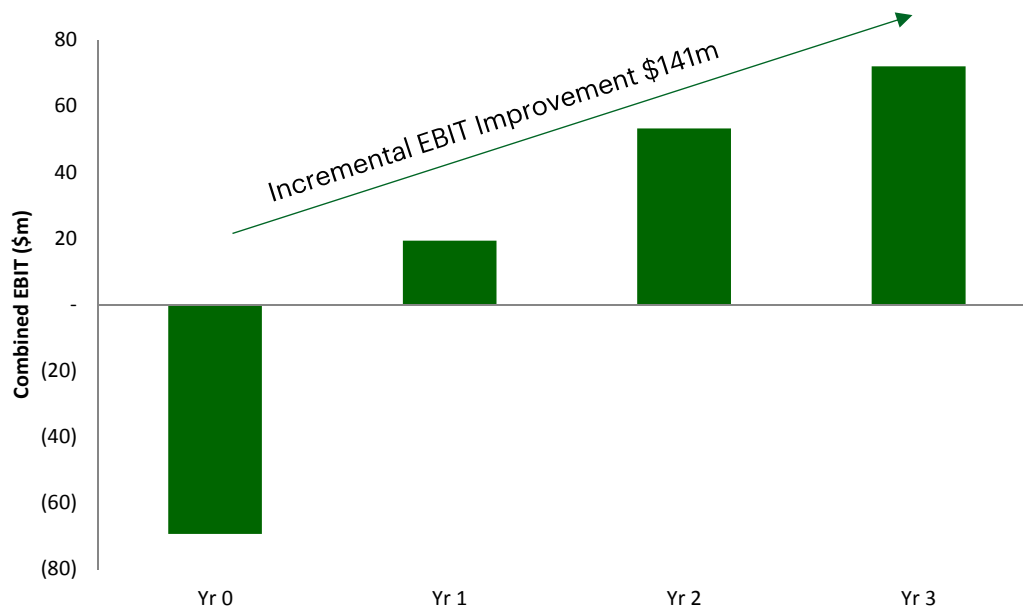
- Weekly cadence
- Balance of revenue, cost and efficiency
- Rigorous tracking of benefits and returns
- Continuous renewal of initiative pipeline
- Annualised benefits realised by end of FY18

1. Total EBIT initiatives



Turnaround capability established

Collective Turnaround of Selected FBU Businesses¹



- FB management is developing a track record of turning around underperforming businesses
- Improved performance reflects a mixture of improved pricing, product offering, customer service, operational efficiencies and cost-out delivery
- Current turnarounds in Australia and Europe being executed despite the backdrop of subdued market activity

Turnaround businesses:

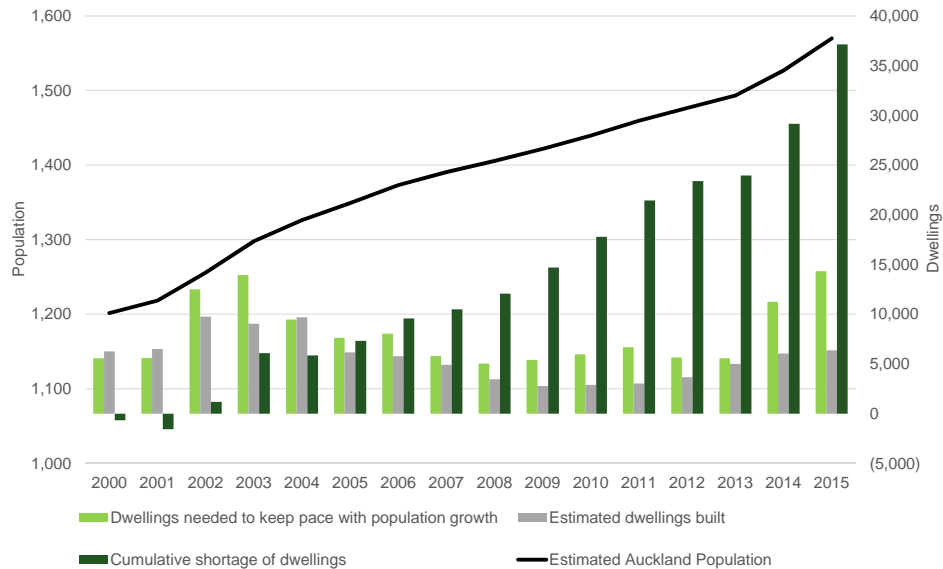
- Formica North America
- Iplex AU
- Mico
- Fletcher Insulation
- Formica Europe
- Tradelink

1. Combined EBIT of FBU businesses before significant items

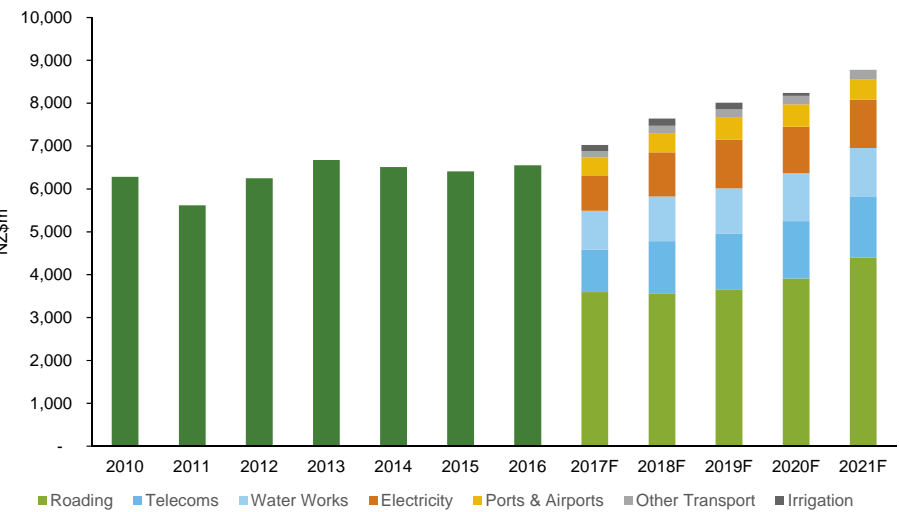


Targeted Investments

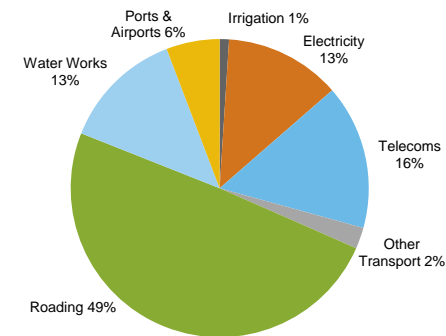
Auckland Housing Shortage



NZ Infrastructure Pipeline



NZ Infrastructure 2016-2025



- >\$700m invested in Residential and Higgins
- Additional c. \$100m per annum in fast payback capital projects
- Major investments aligned with structural drivers

Source: Inframetrics



Prudent Portfolio Management

Business Unit	Investment/ Proceeds	EBIT ¹	ROFE
Rocla Quarries	\$205m	\$18m ²	c.9%
Higgins	\$307m	\$40m - \$45m ³	c.15%
Net	\$102m	\$22m - \$27m	22% - 25%

- Divestment of Rocla Quarries and acquisition of Higgins highlights positive return on incremental capital employed

1. Before significant items

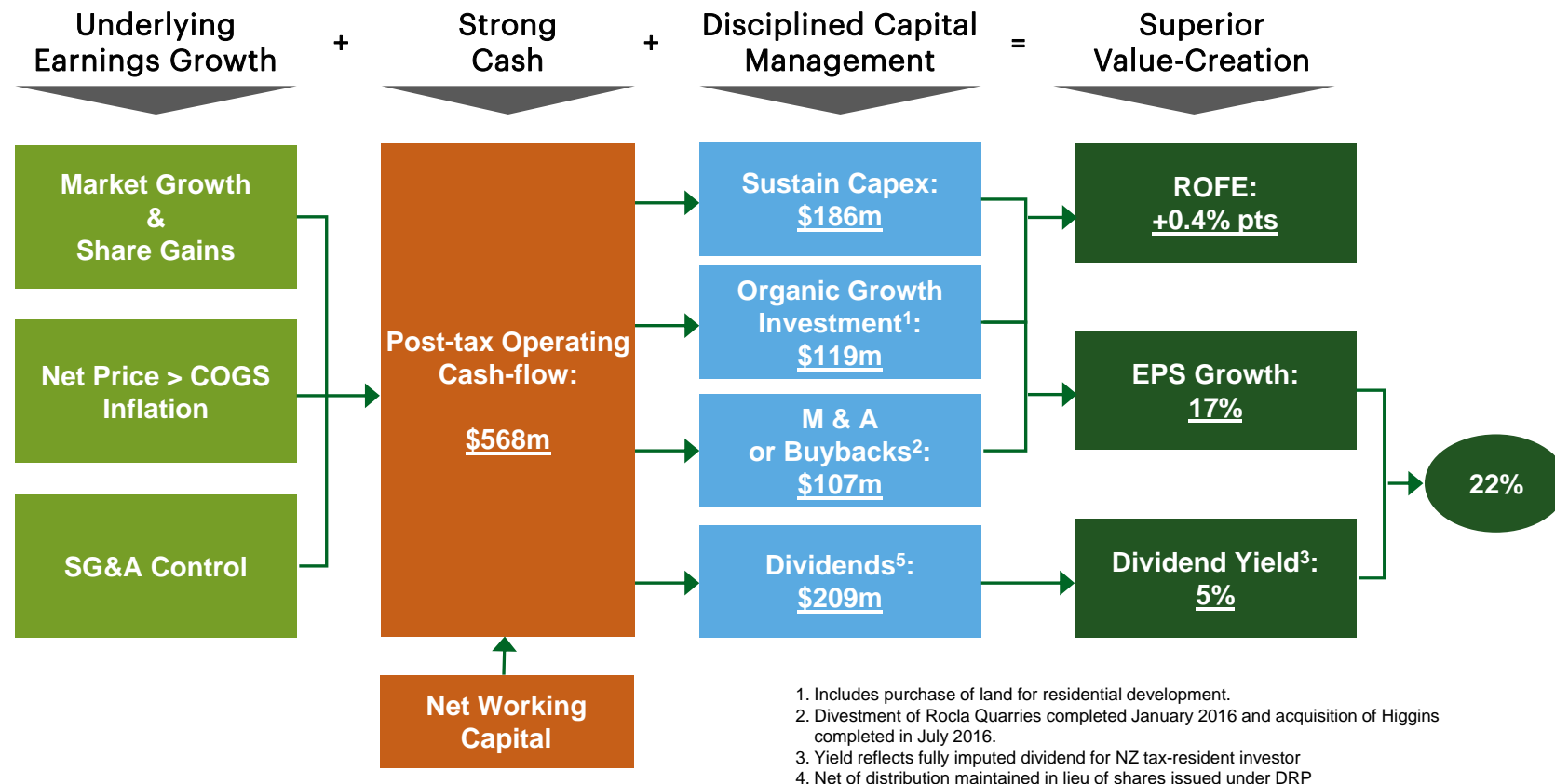
2. Last full year of earnings reported in FY15

3. Estimated annualised earnings



Focus on shareholder value

Results for last 12 month period (ie CY 2016)





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Outlook



Outlook FY17

New Zealand

- Strong macro-economic conditions expected to continue to benefit FY17 and provide opportunities to expand Building Products and Distribution operating margins
- Elevated levels of residential, commercial and infrastructure construction are likely to be sustained in the medium term

Australia

- NSW still looking positive but WA downturn has been tough to digest
- Standalone housing proved resilient to date, multi-dwellings showing signs of peaking but some segments of civil infrastructure look more positive
- Underlying earnings of Tradelink, Stramit and Tasman Sinkware to improve

Rest of World

- Asia: showing signs of improving volumes but remain competitive
- North America: impact of new presidential administration uncertain to date
- Europe: mixed outlook with growth in UK offset by weaker Continental Europe
- Further improvement to come from Formica businesses



Financial Outlook FY17

FY17 operating earnings (EBIT before significant items) expected to be in the range of \$720m to \$760m

Earnings from Higgins acquisition should offset the impact of discontinued operations:

- Pacific Steel
- Rocla Quarry Products
- Fletcher EQR

Capex forecast to be \$275-325m versus \$300m in FY16

Depreciation forecast to be \$210-220m versus \$194m in FY16





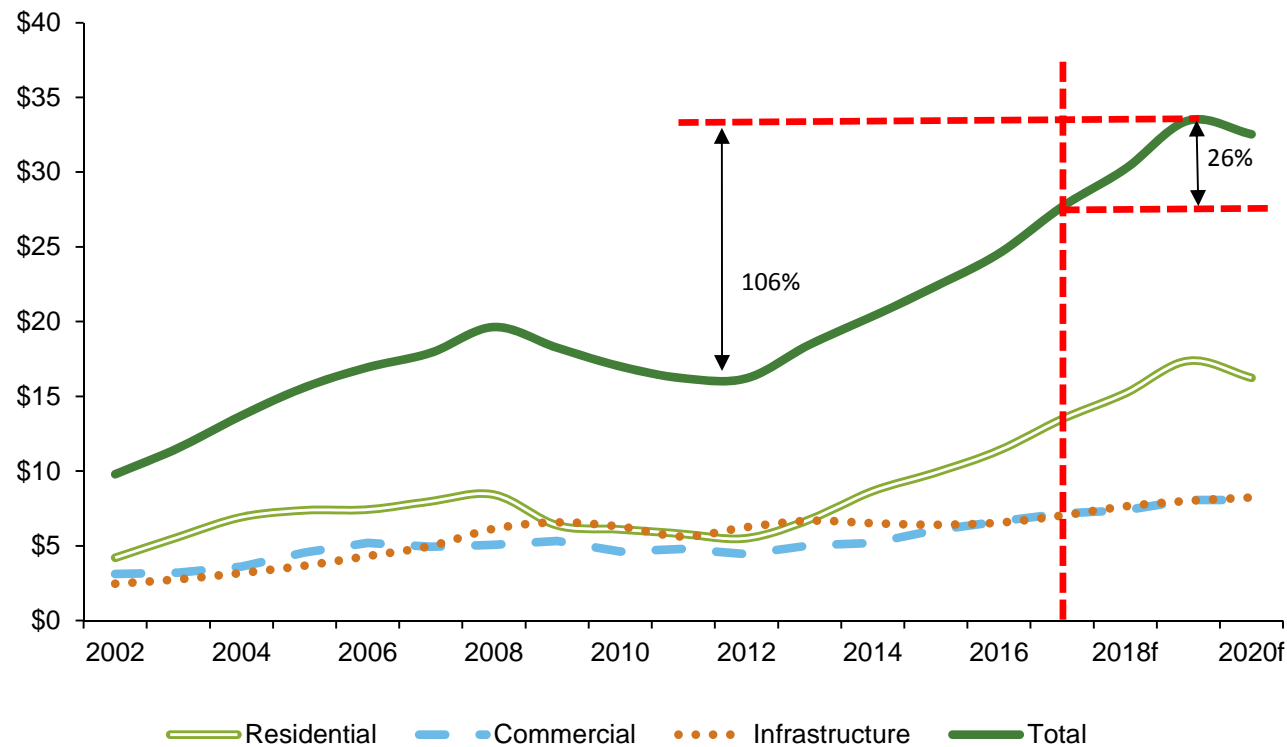
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Q&A



Appendix: New Zealand construction market has a strong pipeline

Value of all NZ Construction Work Put in Place NZ\$bn



- Forecasts suggest medium term peak for residential construction but 'stronger for longer' infrastructure construction pipeline

Source: Infometrics



Appendix: Sectoral exposure

Exposures based on revenues

Geographical Exposure by Sector ¹	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	44%	29%	12%	15%
Australia	55%	22%	10%	13%
Rest of World	44%	49%	0%	7%
Total Manufacturing	49%	30%	9%	12%
New Zealand	79%	18%	0%	3%
Australia	49%	51%	0%	0%
Total Distribution	69%	29%	0%	2%
New Zealand	13%	45%	41%	1%
Rest of World	0%	37%	63%	0%
Total Construction & Residential	12%	44%	43%	1%

1. Excludes business sold or closed during the year

* A&A – Additions and Alterations



Appendix: Building consent data

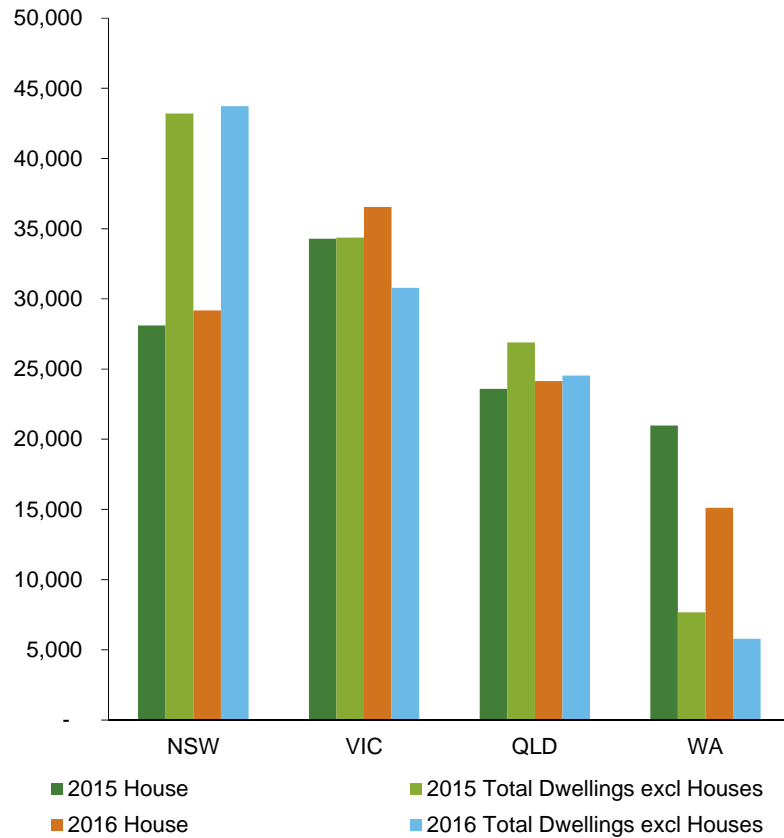
	Dec 2015 12 months	Dec 2016 12 months	16/15 % Mvmt	
New Zealand				
Residential Consents	27,129	29,967	+10%	
Non Res WPIP (\$m)	6,202	7,144	+15%	
Infrastructure WPIP (\$m)	6,594	6,703	+2%	
Australia				
			<i>Source: Infometrics</i>	
Residential Consents	- Standalone houses	118,997	117,056	(2)%
	- Multi residential and other dwelling types	120,074	113,258	(6)%
	- Total	239,071	230,314	(4)%
Non Res WPIP (A\$bn)	36.7	36.3	(1)%	
Infrastructure WPIP (A\$bn)	111.6	91.0	(18)%	
US (Billions of US\$) Calendar Years				
			<i>Source: BIS</i>	
Residential Consents (US\$bn)	525	538	+2%	
Non Res WPIP (US\$bn)	465	481	+3%	
Infrastructure WPIP (US\$bn)	311	306	(2)%	

Source: HIS Global Insight



Appendix: Strongest growth in NSW; Western Australia experience a significant decline in approvals

Change in housing approvals – by state
12 months ended 31 Dec 2016 vs 2015



	Dec 2015 12 months	Dec 2016 12 months	% Change
Stand-alone	118,997	117,056	(2)%
Multi + other Residential	120,074	113,258	(6)%
Total	239,071	230,314	(4)%



Source: HIS Global Insight



Appendix: Group Structure

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



Working in our communities

Fletcher Building
Half Year Review December 2016





**From neighbourhoods to nations
we take great pride in our
contribution to creating
built environments.**

**We are focussed on always
improving how we work in our
communities, how we act as a
responsible business and how we
can have a positive impact on the
wider social world in
which we operate.**

Half year in review **02** Building Products **05** International **06**
Distribution **07** Residential and land development **08** Construction **09**
Financial review **10** Financial statements **12** Notes to the financial statements **21**
Dividend information **28** Shareholder information **29**

COVER PHOTOGRAPHY:

TOP IMAGE: Stramit, Australia BELOW: Grey Josef Linen Formica.

Half year in review

Improvements across almost all parts of the portfolio signals the benefit that our businesses are getting from a strong New Zealand economy, improved operational efficiencies, cost reductions, and in some cases organisational restructuring.

Dear shareholders,

We are pleased to present Fletcher Building's unaudited interim results for the six months ended 31 December 2016.

The group recorded net earnings after tax of \$176 million, a 2% increase compared with \$172 million in the prior corresponding period.

Reported earnings included significant items of \$11 million relating to costs associated with site closures in Rocla Products and Fletcher Insulation. The result for the prior corresponding period included a net gain from significant items of \$13 million relating to the gain on sale of certain Rocla Quarries assets, partly offset by closure costs for three manufacturing plants. Net earnings excluding these significant items were 18% higher at \$187 million.

Operating earnings (earnings before interest and tax and significant items) were \$310 million, up 12% on the \$278 million reported in the prior corresponding period. This reflected a sustained improvement across almost all parts of the portfolio, signalling the benefit that businesses are getting from a strong New Zealand economy, improved customer propositions, operational efficiencies, cost reductions, and in some cases organisational restructuring.

Revenue for the period of \$4,613 million was 4% higher, reflecting sales growth in the New Zealand businesses and the acquisition of the Higgins contracting business which operates in New Zealand and the South Pacific and was effective from 29 July 2016.

Earnings in our Distribution and Residential and Land Development businesses increased compared to the same period last year due to the increased activity in the New Zealand building sector, including higher demand for housing and elevated levels of new building consents being issued. PlaceMakers, Mico and the NZ Steel Distribution businesses were the stand out performers in the last six months, all reporting material year on year improvements in earnings.

International earnings were collectively up 32% compared to the previous comparable period reflecting strengthening activity levels and higher market share for Laminex NZ, an improved operating performance and overhead cost reductions in Formica Europe, and sales growth plus operational improvements in Formica Asia.



SIR RALPH NORRIS Chairman

MARK ADAMSON Chief Executive Officer

We experienced increased underlying earnings from the Building Products division as the demand for higher volumes of building materials like cement, concrete, wallboards and insulation grew. Excluding the earnings that were made a year ago from the Rocla Quarry Products and Pacific Steel businesses that were divested in the year ended June 2016, the Building Products earnings were 10% higher than the previous comparable period.

Construction earnings reduced due to a range of factors, notably: timing of earnings recognition for major projects; bid costs incurred in the period; reduced contribution from Fletcher EQR as the Canterbury earthquake home repair programme nears completion; and losses incurred on a major construction project. During the period Higgins was invited to join the consortium to rebuild State Highway 1 between Picton and Kaikoura in the South Island of New Zealand following the earthquake of November 2016.

There was a net outflow of cash from operations of \$67 million compared to a net inflow of \$170 million in the previous

Snapshot

Revenue \$m

\$4,613

2016: 4,434 ▲ 4%

Operating earnings before significant items \$m

\$310

2016: 278 ▲ 12%

Net earnings \$m

\$176

2016: 172 ▲ 2%

comparable period due to the timing of construction contracts, an increased investment in land and development of \$79 million, and a \$56 million working capital release from Pacific Steel in the first half of 2016.

Finally, the interim dividend of 20.0 cents per share compared to 19.0 cents per share for the same period last year, and is fully imputed. The dividend reinvestment plan will be operative for this dividend payment.

OUTLOOK

The current strong macro-economic conditions in New Zealand are expected to continue to benefit Fletcher Building throughout the 2017 financial year. This is likely to provide further opportunities to expand operating margins in the Building Products and Distribution businesses due to a combination of volume improvements, cost reductions and modest price increases in the absence of industry constraints. The Auckland market and surrounding regions continue to show strong demand for new housing and, coupled with new national infrastructure and commercial projects, elevated levels of residential, commercial and infrastructure construction are likely to be sustained in the medium term.

In Australia, New South Wales construction activity looks to be maintaining a positive trajectory which is in contrast to Western Australia where Fletcher Building has worked hard to digest the economic downturn. In Residential, Fletcher Building is principally exposed to stand-alone housing, which has so far proved resilient, while the multi-dwelling segment shows signs of peaking. Commercial construction activity is still at elevated levels but not exhibiting growth, whereas specific segments of civil infrastructure are showing more positive signs.

North American residential and commercial construction activity levels are expected to remain broadly consistent with last year, with the impact of a new presidential administration uncertain at this point in time. European conditions continue to be mixed, with some growth in the UK being offset by weaker continental European markets. Asian markets are showing some signs of improving volumes but remain competitive.

Momentum in the Fletcher Building businesses gives us reason to reiterate guidance for operating earnings (earnings before interest, tax and significant items) of \$720 million to \$760 million for the 2017 financial year. The earnings from the acquired Higgins business will offset the impact of the divested businesses of Pacific Steel, Rocla Quarry Products, and Fletcher EQR.



SIR RALPH NORRIS

—Chairman



MARK ADAMSON

—Chief Executive Officer

Building Products



OPERATING EARNINGS*

\$129m

2016: \$132M ▼ 2%

*Before significant items

Concrete Pipes & Products (Firth, Humes, Roda Products); Cement & Aggregates (GBC Winstone); Building Materials (Winstone Wallboards, Tasman Insulation, Fletcher Insulation); Plastic Pipes (Iplex Pipelines (NZ & AU); JV Earnings and other.

The Building Products division reported gross revenue of \$1,108 million compared with \$1,265 million in the prior corresponding period, a reduction of 12%. Adjusting for divested businesses (Pacific Steel and Rocla Quarries) and the impact of joint venture accounting (Altus), revenue increased by 1%.

The division's operating earnings before significant items were \$129 million, compared with \$132 million in the prior corresponding period. Adjusting for divested businesses, earnings rose 10% from \$117 million to \$129 million.

Significant items of \$15 million were reported in the current period relating to the cost of site closures in Rocla Products and Fletcher Insulation. This compared with a net gain of \$10 million in the prior corresponding period, primarily attributable to the profit on sale of two Rocla Quarries joint ventures.

Operating earnings before significant items for Concrete Pipes & Products were \$26 million compared to \$27 million in the prior corresponding period. In New Zealand, ready-mix concrete volumes increased by 4% and concrete pipe volumes increased by 12% driven by higher civil work across almost all regions, however overall volumes were impacted by slowing market activity in Canterbury and the rural sector. In Australia, revenue and volumes were both flat year-on-year, partly due to exiting the market in Western Australia and the timing of some key projects.

The Cement and Aggregates businesses lifted operating earnings before significant items by 9% to \$38 million. This was primarily driven by increases in New Zealand cement volumes, up 5% against the prior corresponding period, offset in part by exit costs associated with the retirement of the MV Golden Bay ship, which has now been replaced by the MV Aotearoa Chief. In Aggregates, performance was supported by a favourable change in the mix of regional quarrying volumes, including a 19% increase in aggregate sales in the Auckland region.

Building Materials operating earnings before significant items were \$53 million, an increase of 10% on the prior corresponding period. Plasterboard volumes were up 9% overall, with volumes of performance boards increasing 11% in the period. The insulation businesses were also able to strengthen their position in markets in both New Zealand and Australia as a result of improvements in service and their relative cost position.

The Plastic Pipes businesses reported \$7 million operating earnings before significant items, a \$5 million improvement on the prior corresponding period. Volumes increased by 2% in Australia despite soft demand in the civil and mining segments, including from coal seam gas projects. The impact of this was, however, more than offset by efficiency gains and reductions in other operating costs. Earnings in the New Zealand Plastic Pipes business remained stable notwithstanding weaker demand in rural markets and increasing competitive pressure in the civil market segment.

International



OPERATING EARNINGS

\$70m

2016: \$53M ▲ 32%

The division comprises Formica, which manufactures its products in Europe, Asia and North America, Laminex which produces decorative wood panels and laminate, particle board, medium density fibre board and other decorative products in New Zealand and Australia, and the Roof Tile Group, which supplies pressed metal roof tiles in North America, Europe, New Zealand, Africa and Asia.

Operating earnings for the International division were \$70 million, up 32% from \$53 million in the prior corresponding period. Gross revenue was down by 7%, largely due to the translation effect resulting from a strengthening of the New Zealand dollar, against the Australian dollar, US dollar and the Euro.

Laminex operating earnings were \$45 million, up by 10% from \$41 million in the prior corresponding period. In Australia, revenue in domestic currency was 5% lower, driven by reduced activity especially in Western Australia. New Zealand revenue was up by 9% on the prior corresponding period as activity levels continued to strengthen and market share improved. Competitive pressures remained strong and the business continued its programme of cost

reduction, operational efficiencies, restructuring and new product initiatives.

Operating earnings in the Formica businesses were \$34 million, up from \$16 million in the prior corresponding period. Gross revenue was down by 7%, due to currency translation, but in domestic currencies was up by 2% on the prior corresponding period.

In Formica North America, revenue in domestic currencies was up by 2% whilst operating earnings in domestic currencies were down by 2% driven by softer margins from adverse channel mix and the impact of the much weakened peso on Mexican margins.

In Formica Asia, revenue in domestic currencies was up by 7% due to improving activity levels in the major markets. Performances in Thailand, Malaysia and Singapore were strong with revenue up by 12% on the prior corresponding period. China revenue increased by 9% while in Taiwan revenue was down by 1%. Operating earnings in local currencies were up by 52% on the prior corresponding period, due to sales growth across the region coupled with continuing improvements in the operating facilities including increased utilisation at the laminate factory in Jiujiang, China.

Gross revenue in Formica Europe in domestic currencies remained flat compared to the prior corresponding period as improvements in Northern and Central Europe were offset by decreases in the UK and Spain. There was a \$14 million improvement in operating earnings on the prior corresponding period. This was due to an improved operational performance at the North Shields factory in the UK along with efficiencies resulting from overhead cost reductions.

In the Roof Tile Group business, earnings of \$2 million were down on the prior corresponding period, principally due to performance in the African market, where a decline in local activity levels has been compounded by a strengthening of the New Zealand dollar against the US dollar. Performances in other key global markets were varied, with New Zealand, Asia and Japan up on the prior corresponding period, while Europe and the US were relatively flat.

Distribution



OPERATING EARNINGS

\$84m

2016: \$64M ▲ 31%

New Zealand Building Supplies (PlaceMakers & Mico); Australian Building Supplies (Tradelink & Tasman Sinkware); New Zealand Steel Distribution (Pacific Coil Coaters, Easysteel, Fletcher Reinforcing Dimond); Australian Steel Distribution (Stramit).

The Distribution division reported operating earnings of \$84 million, a 31% increase on the prior corresponding period.

The result reflects strong performance by the New Zealand businesses compared with the prior corresponding period. While the Australian operations improved, the increase in New South Wales, Queensland and Victoria was offset by market contractions in Western Australia and South Australia.

In New Zealand, residential demand declined in Christchurch following the peak of the earthquake rebuild, however, this has been more than offset by positive activity growth in all other regions, especially Auckland and surrounding regions.

In the NZ Building Supplies businesses, gross revenue of \$765 million increased by 7%, with PlaceMakers delivering record sales in the period. This was driven by growth in the small and medium enterprise (SME) and commercial sectors and

double-digit growth in core accounts. Mico also experienced strong growth, particularly in front of wall sales, buoyed by strong customer value propositions and strategic marketing initiatives. Operating earnings in the NZ Building Supplies businesses increased by 21% when compared to the prior corresponding period. This comprised an 18% increase for PlaceMakers and a 50% increase for Mico as both businesses continue to focus on profitable growth, including growing higher margin categories, leveraging costs and realising synergies together. Currently there are 11 Mico sites co-located with either PlaceMakers or Humes, with additional co-locations being planned.

The NZ Steel Distribution businesses reported a 47% increase in operating earnings, with healthy market activity and share gains leading to volume growth of 14%, supported by operating efficiencies and overhead cost synergies following the incorporation of Dimond earlier in 2016.

The Australian Building Supplies businesses reported operating earnings of \$2 million, up from a break-even result in the prior corresponding period. In the period, Tradelink has opened 16 new branches, improved gross margins, launched a unique customer service proposition, driven targeted SME sector growth initiatives and rationalised overhead cost structures to enable future top-line and earnings growth. This positive momentum was, however, impacted by market declines in Western Australia and South Australia, which led to Tradelink's local currency revenues being flat year on year.

The Australian Steel Distribution division reported operating earnings up 25% at \$10 million compared to \$8 million in the prior corresponding period. In August 2016, Stramit launched a unique customer service proposition driving a number of customer focussed improvement initiatives. Although impacted by the market decline in Western Australia, earnings were driven by top line revenue growth together with continued focus on operational efficiencies and strong cost controls.

Residential and Land Development



OPERATING EARNINGS

\$30m

2016: \$24M ▲ 25%

The division comprises two business units – NZ Residential (Fletcher Living) and Land Development. Fletcher Living specialises in building master-planned residential communities in Auckland and Christchurch, being a vertically integrated builder, encompassing design through to sales. Land Development's business comprises a combination of residential and commercial land developments for on sale to third parties.

The Residential and Land Development division reported gross revenue of \$163 million and operating earnings of \$30 million, increases of 51% and 25% respectively on the prior corresponding period.

NZ Residential reported gross revenue for the period of \$156 million, up from \$108 million in the prior corresponding period, driven by an increase in the volume of units sold in both Auckland and Christchurch, strong market pricing in the Auckland region, and the sale of a large residential block of land.

NZ Residential operating earnings were \$25 million, 4% higher than the prior corresponding period. The reduction in earnings from the completion of the Greenhithe development was offset by strong volumes at the existing locations of Beachlands, Karaka and Hobsonville. In addition, new developments at Whenuapai, Ormiston and Swanson delivered their first sales.

Land Development operating earnings were \$5 million. This business comprises a combination of residential and commercial land that is developed for sale to third parties. In the latest period earnings primarily comprise the sale of the first lot at the Wiri North commercial sub-division. The Land Development business is forecast to report at least \$25 million of operating earnings per annum over the next five years.

Funds employed increased to \$477 million from \$355 million at 30 June 2016. Work-in-progress increased in the period due to significant earthworks on previously acquired sites, an increase in apartment building at Atlas Quarter in Christchurch and Tatua on Eden in Auckland, and an increase in the number of homes under construction in both Auckland and Christchurch, with progress in scaling the business to deliver approximately 1,500 units per annum.

In addition, land holdings increased during the period as lots were purchased in Auckland, specifically at Ormiston, Beachlands, Penihana, and Whenuapai. The purchase of raw land at Oruarangi Road, Auckland was also completed and deposits paid on two additional blocks at Hobsonville.

Construction



OPERATING EARNINGS

\$24m

2016: \$36M ▼ 33%

The Construction division is a builder of commercial buildings and infrastructure across New Zealand and the South Pacific. Projects range from New Zealand's largest transport and commercial building projects through to small interior works and road improvements.

The Construction division reported operating earnings of \$24 million compared with \$36 million in the prior corresponding period. Earnings include a contribution of \$19 million from the Higgins contracting business acquired in July 2016.

The reduction in operating earnings is due to a range of factors, notably: timing of earnings recognition for major projects; bid costs incurred in the period; reduced contribution from Fletcher EQR as the Canterbury earthquake home repair programme nears completion; and losses incurred on a major construction project.

The division achieved strong revenue growth, with gross revenue increasing by 54% to \$1,150 million. Included in the result was revenue from the Higgins business of \$188 million; revenue growth excluding Higgins was 29%.

At 31 December 2016, the backlog of work for the division, being the value of contracted work awarded but not completed, was \$2.7 billion, compared with \$3.3 billion as at 31 December 2015.

The New Zealand businesses continued to record strong activity levels with two major roading projects won during the period as part of the New Zealand Transport Agency's Roads of National Significance programme: the 13 km Peka Peka to Otaki Expressway; and the 18.5 km Pūhoi to Warkworth motorway to extend Auckland's Northern Motorway, which has been procured as a PPP (Private Public Partnership), comprising Fletcher Construction, Higgins and Acciona. Work on two other major road contracts, the Waterview tunnel in Auckland and the MacKay's to Peka Peka project north of Wellington, will be completed prior to 30 June 2017.

The South Pacific businesses reported earnings of \$23 million, an increase from \$10 million in the prior corresponding period. The increase in earnings includes a contribution from Higgins' Fijian operations, together with the declaration of final margins on several key projects in Papua New Guinea and American Samoa. In Fiji, work neared completion of the Momi Bay Resort, while further work was won on a hotel development in Papua New Guinea.

Following its acquisition, the Higgins contracting business has been integrated into the Construction division and has continued to operate very successfully under existing management while leveraging Fletcher Building's scale and structure. Higgins has an unprecedented confirmed backlog of work ahead with strong ongoing demand for new projects, including participation in the North Canterbury Transport Infrastructure Rebuild Alliance (NCTIR) in response to the Kaikoura earthquakes.

Financial Review

FUNDING

Total available funding as at 31 December 2016 was \$2,500 million. Of this, \$310 million was undrawn and there was an additional \$229 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$246 million and a further \$68 million of capital notes are subject to interest rate and term reset.

The group's gearing¹ at 31 December 2016 was 35.4% compared with 32.8% at 31 December 2015. This has increased following the acquisition of Higgins in July 2016 and is within the target range of 30-40%.

The group's leverage² at 31 December 2016 was 2.5 times compared with 2.4 times at 31 December 2015. This is within the target range of 2.0-2.5 times.

The average maturity of the debt is 5.1 years and the hedged currency split is 33% Australian dollar; 50% New Zealand dollar; 11% US dollar; and 6% spread over various other currencies.

Approximately 47% of all borrowings have fixed interest rates with an average duration of 3.7 years and a rate of 6.0%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.0%.

Interest coverage³ for the year was 6.0 times compared with 4.6 times in the prior corresponding period.

CASH FLOW

Cash flows from operating activities of \$(67) million were \$237 million lower than the prior corresponding period. Cash flows from operations before working capital movements were \$246 million, up from \$208 million and reflective of higher earnings. Working capital cash flows declined in large part due to higher land and developments investment of \$79 million and a one-off inflow in the prior corresponding period of \$56 million following the closure of the Pacific Steel operations. The remaining difference largely related to timing of contract payments and the build-up of stock in preparation for shutdowns and product launches in the second half.

Capital expenditure was \$127 million, compared with \$122 million in the prior corresponding period. Of this total, \$69 million was for stay-in-business capital projects and \$58 million related to new growth initiatives.

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

DIVIDEND

The 2017 interim dividend is 20.0 cents per share. In line with the group's tax crediting policy announced in August 2016, both the interim and final dividend in 2017 will be fully imputed with New Zealand tax credits. The interim dividend will be unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.7778 cents.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 12 April 2017 to holders registered as at 5.00 pm Friday 24 March 2017 (NZT). The shares will be quoted on an ex dividend basis from 23 March 2017 on the NZX and ASX.

[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 annualised 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. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Monday 27 March 2017. 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 23 March 2017. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 April 2017.

Financial highlights (unaudited)

Fletcher Building Group	Six months Dec 2016	Six months Dec 2015	Year ended June 2016
Return on average funds employed (% annualised) ⁽¹⁾	10.7	10.7	13.4
Return on average equity (% annualised) ⁽²⁾	9.4	9.3	12.4
Earnings per share (cents)	25.4	24.9	67.0
Dividends per share (cents)	20.0	19.0	39.0
Gearing (%) ⁽³⁾	35.4	32.8	27.3
Leverage (times, annualised) ⁽⁴⁾	2.5	2.4	1.6
Interest cover (times) ⁽⁵⁾	6.0	4.6	5.9

(1) EBIT to average funds (net debt and equity less deferred tax assets).

(2) Net earnings attributable to shareholders 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 2016

Fletcher Building Group	Notes	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Sales		4,613	4,434	9,004
Cost of goods sold		(3,498)	(3,347)	(6,767)
Gross margin		1,115	1,087	2,237
Selling and marketing expenses		(452)	(477)	(933)
Administration expenses		(353)	(332)	(636)
Share of profits of associates and joint ventures		8	8	12
Other gains/(losses)	5	(8)	(8)	2
Significant items	3	(16)	10	37
Earnings before interest and taxation (EBIT)		294	288	719
Funding costs		(52)	(60)	(115)
Earnings before taxation		242	228	604
Taxation expense	6	(61)	(52)	(131)
Earnings after taxation		181	176	473
Earnings attributable to non-controlling interests		(5)	(4)	(11)
Net earnings attributable to the shareholders		176	172	462
Net earnings per share (cents)				
Basic		25.4	24.9	67.0
Diluted		25.2	24.4	65.4
Weighted average number of shares outstanding (millions of shares)				
Basic		693	690	690
Diluted		717	744	736
Dividends declared per share (cents)		20.0	19.0	39.0

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 2016

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Net earnings attributable to shareholders	176	172	462
Net earnings attributable to non-controlling interests	5	4	11
Net earnings	181	176	473
Other comprehensive income			
Items that do not subsequently get reclassified to profit or loss:			
Movement in pension reserve	2	5	(36)
	2	5	(36)
Items that may be reclassified subsequently to profit or loss in the future:			
Movement in cash flow hedge reserve	(2)	9	15
Movement in currency translation reserve	(33)	(116)	(186)
	(35)	(107)	(171)
Income and expense recognised directly in equity	(33)	(102)	(207)
Total comprehensive income for the period	148	74	266

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 2016

Fletcher Building Group	Notes	Dec 2016 NZ\$M	Dec 2015 NZ\$M	June 2016 NZ\$M
Assets				
Current assets:				
Cash and deposits		229	221	356
Current tax assets		17	68	2
Derivatives		12	12	23
Debtors		1,319	1,264	1,362
Inventories		1,735	1,555	1,479
Assets held for sale			105	
Total current assets		3,312	3,225	3,222
Non-current assets:				
Property, plant and equipment		2,139	2,034	1,983
Goodwill		1,228	1,107	1,083
Intangible assets		640	602	621
Investments in associates and joint ventures		142	84	135
Other investments		42	68	43
Derivatives		116	113	156
Deferred tax assets		13	14	24
Total non-current assets		4,320	4,022	4,045
Total assets		7,632	7,247	7,267

On behalf of the Board,
22 February 2017



Sir Ralph Norris
Chairman of Directors



Mark Adamson
Managing Director

Fletcher Building Group	Notes	Dec 2016 NZ\$M	Dec 2015 NZ\$M	June 2016 NZ\$M
Liabilities				
Current liabilities:				
Creditors and accruals		1,270	1,105	1,342
Provisions		69	73	67
Current tax liabilities		21	24	26
Derivatives		14	9	21
Construction contracts		28	166	128
Borrowings	7	314	461	413
Liabilities held for sale			22	
Total current liabilities		1,716	1,860	1,997
Non-current liabilities:				
Creditors and accruals		70	39	37
Provisions		22	14	24
Retirement plan liabilities		52	61	73
Deferred tax liabilities		59	66	58
Derivatives		29	31	26
Borrowings	7	1,956	1,537	1,339
Total non-current liabilities		2,188	1,748	1,557
Total liabilities		3,904	3,608	3,554
Equity				
Share capital		2,659	2,633	2,650
Reserves		1,048	986	1,041
Shareholders' funds		3,707	3,619	3,691
Non-controlling interests		21	20	22
Total equity		3,728	3,639	3,713
Total liabilities and equity		7,632	7,247	7,267

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 2016

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 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)
Total equity at 31 December 2015	2,633	1,240	12	(1)	(199)	(66)	3,619	20	3,639
Total equity at 30 June 2015	2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the year		462		15	(186)	(36)	255	11	266
Movement in non-controlling interests								(16)	(16)
Issue of shares	27						27		27
Dividends paid to shareholders of the parent		(262)					(262)		(262)
Movement in share-based payment reserve			(2)				(2)		(2)
Movement in treasury stock	(10)						(10)		(10)
Total equity at 30 June 2016	2,650	1,399	13	5	(269)	(107)	3,691	22	3,713
Total comprehensive income for the period		176		(2)	(33)	2	143	5	148
Movement in non-controlling interests								(6)	(6)
Issue of shares	16						16		16
Dividends paid to shareholders of the parent		(139)					(139)		(139)
Movement in share-based payment reserve			3				3		3
Movement in treasury stock	(7)						(7)		(7)
Total equity at 31 December 2016	2,659	1,436	16	3	(302)	(105)	3,707	21	3,728

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 2016

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Cash flow from operating activities			
Receipts from customers	4,587	4,623	9,056
Dividends received	5	6	10
Total received	4,592	4,629	9,066
Payments to suppliers, employees and other	4,536	4,332	8,191
Interest paid	54	60	118
Income tax paid	69	67	97
Total applied	4,659	4,459	8,406
Net cash from operating activities	(67)	170	660
Cash flow from investing activities			
Sale of property, plant and equipment		7	53
Sale of investments		40	1
Sale of subsidiaries/businesses			205
Total received		47	259
Purchase of property, plant and equipment and intangible assets	127	122	300
Purchase of subsidiaries/businesses	305		7
Total applied	432	122	307
Net cash from investing activities	(432)	(75)	(48)
Cash flow from financing activities			
Net debt drawdown	506	53	
Issue of capital notes			10
Total received	506	53	10
Net debt repayment			196
Repurchase of capital notes			15
Treasury stock purchased	3	16	16
Distribution to non-controlling interests	9	14	18
Dividends	123	118	235
Total applied	135	148	480
Net cash from financing activities	371	(95)	(470)
Net movement in cash held	(128)		142
Add opening cash and liquid deposits	356	228	228
Effect of exchange rate changes on net cash	1	(7)	(14)
Closing cash and deposits	229	221	356

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 2016

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Cash was received from:			
Net earnings	176	172	462
Earnings attributable to non-controlling interests	5	4	11
	181	176	473
Adjustment for items not involving cash:			
Depreciation, depletions and amortisation	102	97	194
Significant items	13	(20)	(57)
Provisions and other adjustments	(43)	(30)	(54)
Taxation	(8)	(15)	34
(Gain)/loss on disposal of businesses and property, plant and equipment	1		(28)
Non-cash adjustments	65	32	89
Cash flow from operations before net working capital movements	246	208	562
Net working capital movements	(313)	(38)	98
Net cash from operating activities	(67)	170	660
Net working capital movements			
Debtors	74	176	72
Inventories	(76)	(9)	17
Land and developments	(164)	(85)	(66)
Contracts	(99)	13	(22)
Creditors	(48)	(133)	97
	(313)	(38)	98

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 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Gross sales			
Building Products	1,108	1,265	2,449
International Businesses	1,005	1,080	2,128
Distribution	1,644	1,610	3,184
Residential & Land Development	163	108	343
Construction	1,150	748	1,648
Other	5	5	9
Total	5,075	4,816	9,761
Intercompany sales	(462)	(382)	(757)
External sales per income statement	4,613	4,434	9,004
External sales			
Building Products	859	1,021	1,969
International Businesses	997	1,067	2,106
Distribution	1,559	1,531	3,026
Residential & Land Development	163	108	343
Construction	1,035	707	1,560
External sales per income statement	4,613	4,434	9,004

Breakdown of financial performance (unaudited) (continued)

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
EBIT before significant items			
Building Products	129	132	274
International Businesses	70	53	133
Distribution	84	64	176
Residential & Land Development	30	24	84
Construction	24	36	78
Other	(27)	(31)	(63)
Total	310	278	682
Significant items	(16)	10	37
Earnings before interest and taxation (EBIT) per income statement	294	288	719
Funds*			
Building Products	1,686	1,748	1,581
International Businesses	1,948	2,041	1,902
Distribution	1,039	1,049	1,001
Residential & Land Development	477	295	355
Construction	366	(37)	(18)
Other (including debt and taxation)	(1,788)	(1,457)	(1,108)
Total	3,728	3,639	3,713

* 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 2016 annual report available on the group website at www.fbu.com.

2. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the six months ended 31 December 2016, however, certain comparatives have been re-presented to conform with the current period's presentation.

3. SIGNIFICANT ITEMS

Six months ended 31 December 2016

Fletcher Building Group	Business acquisition expenses ⁽¹⁾ NZ\$M	Site closure costs ⁽²⁾ NZ\$M	Total NZ\$M
Fletcher Insulation		(10)	(10)
Rocla Products		(5)	(5)
Corporate	(1)		(1)
Total significant items before taxation	(1)	(15)	(16)
Tax benefit/(charge) on above items		5	5
Total significant items after taxation	(1)	(10)	(11)

(1) On 29 July 2016, the group acquired Higgins Group Holdings Limited ("Higgins"). Costs of \$1 million associated with the transaction were incurred in the period.

(2) In the six months ended 31 December 2016 the group has recognised a charge of \$15 million for costs associated with site closures:

- \$10 million relating to the closure of Fletcher Insulation's Homebush site in New South Wales announced in December 2016; and
- \$5 million relating to two site closures in the Rocla Products business.

Six months ended 31 December 2015

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

(2) In the six months ended 31 December 2015 the group 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.

Year ended 30 June 2016

Fletcher Building Group	Business acquisition / disposal income and expenses ⁽¹⁾ NZ\$M	Site Closure Costs ⁽²⁾ NZ\$M	Impairment ⁽³⁾ NZ\$M	Other NZ\$M	Total NZ\$M
Building Products	90	(11)			79
International		(4)	(26)		(30)
Distribution		(1)			(1)
Corporate	(5)			(6)	(11)
Total significant items before taxation	85	(16)	(26)	(6)	37
Tax benefit/(charge) on above items	(1)	5	1	2	7
Total significant items after taxation	84	(11)	(25)	(4)	44

2016

- (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.

The aggregate consideration received for the entire Rocla Quarry Products business was \$212 million, and \$205 million after transaction costs. The gain on sale after tax amounted to \$80 million.

On 2 February 2016, the group entered into an agreement to acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited ("Higgins") and other related assets, together with Higgins' Fiji contracting business. At 30 June 2016, the transaction remained conditional on regulatory approval and accordingly the acquisition was not accounted for in the year ended 30 June 2016. During July 2016 all relevant approvals had been obtained and the transaction completed on 29 July 2016. Total consideration payable was \$311 million, subject to customary completion adjustments.

During the year ended 30 June 2016, expenses associated with the transaction were incurred amounting to \$5 million.

On 17 February 2016, the group entered into an agreement to create a 50-50 joint venture between its Fletcher Aluminium windows and doors business and NALCO, the new entity being Altus NZ Limited (previously known as Fanalco Limited). The transaction completed on 30 June 2016. As a result a \$5 million gain before tax arose on divestment of the Fletcher Aluminium business to the joint venture.

- (2) The group recognised a charge of \$16 million for costs associated with closing a number of sites:
- \$2 million relating to the closure of two sites in Iplex Australia in July 2015;
 - \$9 million relating to the closure of Rocla Pipes' operations in Western Australia and the Atlantic Civil business;
 - \$4 million relating to the closure of a Formica Europe plant in Spain; and
 - \$1 million relating to the closure of a Dimond site in Palmerston North.
- (3) A strategic review of the Formica India manufacturing business was completed during the year ended 30 June 2016. The review identified that medium-term earnings prospects had deteriorated and the group recorded an impairment expense of \$26 million, comprising write-offs of goodwill, property, plant and equipment and working capital to estimated recoverable values.

4. ACQUISITION OF SUBSIDIARY

On 29 July 2016, the group acquired the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business.

The acquisition will provide customers with a stronger proposition and level of capability in the roading and infrastructure market, and provide further benefit for a number of group businesses through operational synergies.

In the 5 months to 31 December 2016, the acquired Higgins businesses have contributed \$198 million of revenue and \$21 million of EBIT to the group.

The fair values of the identifiable assets and liabilities at the date of acquisition were:

	Fair value recognised on acquisition NZ\$M <i>Provisional</i>
Assets	
Property, Plant and Equipment	124
Cash	4
Trade and other receivables	58
Inventories	12
Deferred tax asset	2
	200
Liabilities	
Trade payables and other liabilities	43
	43
Total identifiable net assets at fair value	157
Goodwill arising on acquisition	154
Purchase consideration transferred	311
<i>Analysis of cash flow on acquisition:</i>	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4
Cash paid	(311)
Net cash flow on acquisition	(307)

The fair values above have been measured on a provisional basis. A formal fair value exercise of the assets and liabilities of Higgins is underway, but will be completed prior to 30 June 2017. At present the difference between the book value at acquisition and the purchase price has been recognised as goodwill, representing the expected synergies to be achieved.

Acquisition related costs

The group incurred acquisition related costs of \$1 million in the current period. These costs have been included within significant items (June 2016: \$5 million).

5. OTHER GAINS AND LOSSES

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Other gains/(losses) include the following:			
Sale of assets		2	28
Redundancies and restructuring costs	(7)	(10)	(20)
Other gains/(losses)	(1)		(6)
	(8)	(8)	2

6. TAXATION EXPENSE

Fletcher Building Group	Six months Dec 2016 NZ\$M	Six months Dec 2015 NZ\$M	Year ended June 2016 NZ\$M
Earnings before taxation:	242	228	604
Taxation at 28 cents per dollar	68	64	169
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	(1)	(1)	
Non assessable income	(1)	(6)	(15)
Non deductible expenses	1	3	14
Utilisation of previous unrecognised tax losses	(1)		(34)
Tax in respect of prior years		1	7
Tax losses not recognised	5	4	14
Other permanent differences	(10)	(13)	(24)
	61	52	131
Tax on earnings before significant items	66	55	138
Tax benefit on significant items	(5)	(3)	(7)
	61	52	131

7. BORROWINGS

Fletcher Building Group	Dec 2016 NZ\$M	Dec 2015 NZ\$M	June 2016 NZ\$M
Borrowings – current	314	461	413
Borrowings – non-current	1,956	1,537	1,339
Carrying value of borrowings (as per balance sheet)	2,270	1,998	1,752
Less impact of debt hedging activities (included within derivatives)	(79)	(69)	(84)
Borrowings after impact of hedging activities	2,191	1,929	1,668
Less fair value hedge adjustment included in borrowings	(1)	(24)	(52)
Borrowings excluding derivative adjustments	2,190	1,905	1,616
Total available funding	2,500	2,287	2,224
Unutilised banking facilities	310	382	608

In addition the group had \$229 million of cash on hand at 31 December 2016 (31 December 2015: \$221 million; 30 June 2016: \$356 million).

Net Debt

Cash and cash equivalents	229	221	356
Current borrowings	(314)	(461)	(413)
Non-current borrowings	(1,956)	(1,537)	(1,339)
Net Debt	(2,041)	(1,777)	(1,396)

8. GOODWILL

The group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2016, the group performed a review of indicators of impairment for all significant cash-generating units. 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 1.62% and 7.48% (December 2015: 1.83% and 9.12%; June 2016: 1.42% and 8.79%) 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 2016 annual report.

11. SUBSEQUENT EVENTS

On 22 February 2017, the directors declared a dividend of 20 cents per share, payable on 12 April 2017.

Dividend Information

2017 INTERIM DIVIDEND SUMMARY TABLE¹

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 ⁸
Dividend declared	20.0000	20.0000	20.0000	20.0000
NZ imputation credits ²	7.7778			
NZ supplementary dividend ³		3.5294	3.5294	3.5294
Australian franking credits ⁴		0.0000	0.0000	
Gross dividend for NZ tax purposes	27.7778	23.5294	23.5294	23.5294
NZ tax (33%) ⁵	(9.1667)			
NZ non-resident withholding tax (15%) ⁶		(3.5294)	(3.5294)	(3.5294)
Net cash received after NZ tax	18.6111	20.0000	20.0000	20.0000
Australian tax (49% and 15%) ⁷		(11.5294)	(3.5294)	
Reduced by offset for NZ non-resident withholding tax		3.5294	3.5294	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	18.6111	12.0000	20.0000	20.0000

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.
- The dividend has imputation credits attached at a 28% tax rate.
- A supplementary dividend is only payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.
- 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 5% from the gross dividend which has been credited with imputation credits at 28 percent. Accordingly, for those shareholders, a deduction of 1.3889 cents per share will be made on the date of payment from the dividend declared of 20.0 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	23.5294	23.5294
Plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	23.5294	23.5294
Australian tax	11.5294	3.5294

- 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

Notice pursuant to clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013

Pursuant to clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013 (the FMCA), Fletcher Building Limited notifies its security holders that it has transitioned to the FMCA with effect from 1 December 2016. Accordingly, from 1 December 2016, the requirements of the FMCA will apply to Fletcher Building Limited.

Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online: investorcentre.com/nz

Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

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