

Fletcher Building Industries Limited

Half Year Review

For the six months ended
31 December 2013



Letter from the Chairman

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Financial statements

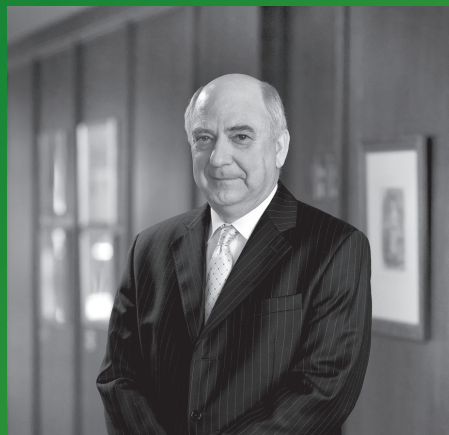
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▲ **Ralph Waters**
Chairman

From the Chairman

Half year review

Directors are pleased to present the unaudited results for the six months ended 31 December 2013. The company made a net profit after tax of \$16.8 million (compared with \$6.5 million for the previous corresponding period). The net assets of the company were \$238.8 million (December 2012: \$206.1 million).

As the company owns 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited, which in turn owns the shares in Fletcher Building's New Zealand operating subsidiaries, its investment in that company is equity accounted. The equity earnings increased the profit substantially from the prior period reflecting the improved conditions the New Zealand businesses experienced in the six months to 31 December 2013.

Fletcher Building Industries continues to operate in compliance with the terms of the Trust Deed under which the capital notes were issued.

Fletcher Building group performance

Fletcher Building guarantees all of the capital notes issued by Fletcher Building Industries on an unsecured subordinated basis. The financial performance of the company should be considered in conjunction with the financial statements of the Fletcher Building group. It is relevant to note that Fletcher Building has reported net earnings of \$154 million for the six months ended 31 December 2013, 5 per cent up on the previous corresponding period.

The financial performance of the company should be considered in conjunction with the financial statements of the Fletcher Building group. The debt to debt plus equity ratio of the Fletcher Building group is sound at 33.1 per cent.

A handwritten signature in black ink, appearing to read 'Ralph Waters'.

Ralph Waters
Chairman of Directors

Financial statements

Earnings statement (unaudited)

For the six months ended 31 December 2013

| Fletcher Building Industries Group | | | |
|------------------------------------|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Share of profits of associate | 31,784 | 20,684 | 50,141 |
| Operating earnings | 31,784 | 20,684 | 50,141 |
| Funding costs | (20,762) | (19,738) | (40,059) |
| Earnings before taxation | 11,022 | 946 | 10,082 |
| Taxation benefit | 5,813 | 5,526 | 11,216 |
| Net earnings | 16,835 | 6,472 | 21,298 |

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

For and on behalf of the Board, 20 February 2014



Ralph Waters

Chairman of Directors



Mark Adamson

Managing Director

Statement of comprehensive income (unaudited)

For the six months ended 31 December 2013

| Fletcher Building Industries Group | | | |
|---|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Net earnings for the period | 16,835 | 6,472 | 21,298 |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Share of associate's other comprehensive income | (675) | (324) | 1,423 |
| Total comprehensive income for the period | 16,160 | 6,148 | 22,721 |

Statement of movements in equity (unaudited)

For the six months ended 31 December 2013

| Fletcher Building Industries Group | | | |
|--|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Total equity at the beginning of the period | 222,656 | 239,935 | 239,935 |
| Total comprehensive income for the period | 16,160 | 6,148 | 22,721 |
| Dividend paid to Fletcher Building Limited | | (40,000) | (40,000) |
| Total equity at the end of the period | 238,816 | 206,083 | 222,656 |

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

Financial statements continued

Balance sheet (unaudited)

As at 31 December 2013

| Fletcher Building Industries Group | | | |
|-------------------------------------|-------------------|------------------|--------------------|
| | Dec 2013 \$000 | Dec2012 \$000 | June 2013 \$000 |
| Assets | | | |
| Current assets: | | | |
| Debtors and prepayments | 309 | 840 | 578 |
| Current tax asset | 17,029 | 5,676 | 11,216 |
| Total current assets | 17,338 | 6,516 | 11,794 |
| Non current assets: | | | |
| Amounts owed by related companies | | 28,303 | 7,414 |
| Investment in associate | 775,950 | 713,637 | 744,841 |
| Total non current assets | 775,950 | 741,940 | 752,255 |
| Total assets | 793,288 | 748,456 | 764,049 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accrued interest | 9,772 | 11,053 | 10,073 |
| Amounts owing to related companies | 13,380 | | |
| Capital notes | 111,857 | 75,000 | 111,857 |
| Total current liabilities | 135,009 | 86,053 | 121,930 |
| Non current liabilities: | | | |
| Capital notes | 419,463 | 456,320 | 419,463 |
| Total non current liabilities | 419,463 | 456,320 | 419,463 |
| Total liabilities | 554,472 | 542,373 | 541,393 |
| Equity | | | |
| Reported capital | 346,000 | 346,000 | 346,000 |
| Reserves | (107,184) | (139,917) | (123,344) |
| Total equity | 238,816 | 206,083 | 222,656 |
| Total liabilities and equity | 793,288 | 748,456 | 764,049 |

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

Statement of cashflows (unaudited)

For the six months ended 31 December 2013

| Fletcher Building Industries Group | | | |
|--|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Prepayments | 269 | 266 | 529 |
| Interest paid | (21,063) | (19,769) | (41,071) |
| Net cash from operating activities | (20,794) | (19,503) | (40,542) |
| Advance from related parties | 20,794 | 59,503 | 80,542 |
| Dividend paid to Fletcher Building Limited | | (40,000) | (40,000) |
| Net cash from financing activities | 20,794 | 19,503 | 40,542 |
| Net movement in cash held | | | |
| Add opening cash and liquid deposits | | | |
| Closing cash and liquid deposits | | | |

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

Notes to the financial statements

1. Basis of presentation

The interim financial statements presented are those of Fletcher Building Industries Limited, and its associate (the "Group"). The Company is domiciled in New Zealand and is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with the 30 June 2013 annual report.

2. Changes in accounting policies

The following new standards and amendments to standards have been adopted by the Group from 1 July 2013:

NZ IAS 1 Presentation of Financial Statements (amendment), requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be reclassified to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period; however they have changed the way items of other comprehensive income are presented.

There has been no material impact of all other relevant standards (NZ IFRS 10, NZ IFRS 11, NZ IFRS 12, NZ IFRS 13), however certain comparatives have been represented to conform with the current period's presentation.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not yet applied these in preparing these interim financial statements although the application of these standards, amendments and interpretations would require further disclosures, but they are not expected to have a material impact on the group's results.

3. Tax benefit

| Fletcher Building Industries Group | | | |
|------------------------------------|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Earnings before taxation | 11,022 | 946 | 10,082 |
| Taxation at 28 cents per dollar | (3,086) | (265) | (2,823) |
| Adjusted for: | | | |
| Non assessable income | 8,899 | 5,791 | 14,039 |
| | 5,813 | 5,526 | 11,216 |

4. Reconciliation of net earnings to net cash from operating activities

| Fletcher Building Industries Group | | | |
|--|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Net earnings | 16,835 | 6,472 | 21,298 |
| Adjustment for items not involving cash and other items: | | | |
| Share of profits from associate | (31,784) | (20,684) | (50,141) |
| Taxation | (5,813) | (5,526) | (11,216) |
| Prepayments | 269 | 266 | 529 |
| Trade creditors and accruals | (301) | (31) | (1,012) |
| Net cash from operating activities | (20,794) | (19,503) | (40,542) |

5. Contingencies and Commitments

There were no contingent liabilities or capital commitments as at 31 December 2013 (June 2013 nil; December 2012 nil).

Notes to the financial statements continued

6. Investment in associate

| Fletcher Building Industries Group | | | |
|---|---------------------------------|---------------------------------|----------------------------|
| | Six Months Dec 2013 \$000 | Six Months Dec 2012 \$000 | Year June 2013 \$000 |
| Carrying amount of associate: | | | |
| Carrying amount at the beginning of the period | 744,841 | 693,277 | 693,277 |
| Equity accounted earnings of associate | 31,784 | 20,684 | 50,141 |
| Share of associate's other comprehensive income | (675) | (324) | 1,423 |
| Investment in associate | 775,950 | 713,637 | 744,841 |
| Associate information: | | | |
| Balance sheet information for associate – 100% | | | |
| External assets | 2,345,205 | 2,378,305 | 2,327,796 |
| External current liabilities | (755,993) | (731,175) | (719,119) |
| Intercompany advances | 874,053 | 496,517 | 688,689 |
| Term debt | (36,155) | (32,010) | (23,956) |
| Minority interest | (29,846) | (25,939) | (31,692) |
| Equity | 2,397,264 | 2,085,698 | 2,241,718 |
| Equity - Fletcher Building Industries Limited share - 20% | 479,453 | 417,140 | 448,344 |
| Goodwill acquired at cost | 296,497 | 296,497 | 296,497 |
| Investment in associate | 775,950 | 713,637 | 744,841 |
| Equity accounted earnings comprise: | | | |
| Sales | 2,407,741 | 2,333,728 | 4,553,399 |
| Earnings before interest and tax | 198,201 | 140,660 | 328,567 |
| Interest income | 26,328 | 2,962 | 23,332 |
| Foreign exchange gain/(loss) | (1,400) | (167) | (1,107) |
| Earnings before tax | 223,129 | 143,455 | 350,792 |
| Tax expense | (64,209) | (40,036) | (100,085) |
| Net earnings | 158,920 | 103,419 | 250,707 |
| Net earnings - Fletcher Building Industries Limited share - 20% | 31,784 | 20,684 | 50,141 |

Noteholder information

Enquiries

Changes of address, payment instructions and investment portfolios can be viewed online at computershare.co.nz/investorcentre. Investor number and FIN are required to access this service.

Enquiries can also be addressed to the share registrar:

Computershare Investor Services Limited

Private Bag 92 119
Auckland 1142
New Zealand

Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
New Zealand

T. +64 9 488 8777

F. +64 9 488 8787

E. enquiry@computershare.co.nz

Other investor enquiries

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E. moreinfo@fb.co.nz

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Interest payment dates

Interest on capital notes is paid semi-annually, on 15 March and 15 September in respect of the notes with the election dates of 15 March 2015, 15 March 2017, 15 March 2018 and 15 March 2019 and on 15 May and 15 November in respect of the notes with the election dates of 15 May 2014 and 15 May 2016. The company recommends that all noteholders have their interest payments direct credited to a bank account to ensure security and promptness of receipt. If you do not already have your payments direct credited, please contact Computershare Investor Services to register your bank account details.

Quotation and transfers

The Fletcher Building Industries capital notes are quoted on the NZX and may be bought and sold through sharebrokers. No transfer will be registered if it would result in the transferor or the transferee holding capital notes with an aggregate principal amount of less than \$2,000. Subject to this minimum holding, transfers must be in multiples of \$500.

**Fletcher Building
Industries Limited**

fletcherbuilding.com

