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**Fletcher Building  
Limited**

Private Bag 92114  
Auckland 1142  
810 Great South Road  
Penrose  
Auckland 1061  
New Zealand

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fletcherbuilding.com  
+64 9 525 9000

21 February 2018

**Fletcher Building Limited – 2018 Half Year Results**

Please find attached the following documents relating to Fletcher Building Limited's half year results for the six months ended 31 December 2017.

- (a) News Release
- (b) Half Year Review December 2017
- (c) Management Commentary
- (d) HY18 Results Presentation
- (e) NZX Appendix 1

**ENDS**

## Fletcher Building announces FY18 half year results

**Auckland, February 21 2018:** Fletcher Building today announced an operating earnings<sup>1</sup> loss of (\$322) million for the six months ended 31 December 2017, down from a \$310 million profit before significant items for the first half of FY17. Revenue for the first half was \$4,889 million, up 6% versus the prior corresponding period. Net earnings before significant items were (\$273) million, down from a profit of \$187 million in HY17.

These results incorporate (\$631) million of Building + Interiors (B+I) losses, with an additional (\$29) million of overhead and transition costs expected in 2H18, resulting in an expected full-year loss for B+I of (\$660) million.

Excluding B+I, operating earnings were \$309 million, down 13% versus the first half of FY17.

CEO Ross Taylor said: "Outside the challenges experienced in B+I, the broader Fletcher Building business continues to perform to guidance. While it is pleasing to see an increase in sales revenues, operating earnings have decreased due to lower profits in the Construction Division, outside of B+I, as well as the Building Products Division.

"In the Infrastructure and South Pacific businesses of our Construction Division we are rolling off major projects from FY17, and we are only in the early stages of new ones. In Building Products we have seen gross margins compress as a result of higher input costs and costs associated with increasing supply chain capacity to meet increased demand."

The Building Products Division reported a 13% increase in gross revenues from \$1,108 million in HY17 to \$1,250 million in FY18. Operating earnings declined 9% from \$129 million in HY17 to \$118 million in HY18. This was driven by additional costs incurred in various businesses to alleviate capacity constraints, increased energy costs, one-off redundancy costs in Fletcher Insulation Australia and a fire at Humes' Penrose site.

Taylor continued: "Earnings in the International Division are largely flat, while Distribution and Residential continue to post strong growth."

Following a record performance in FY17 the Distribution Division remained a standout, with gross revenues increasing 7% to \$1,757 million and operating earnings up 6% to \$89 million in HY18. The Division continues to benefit from strong momentum across its PlaceMakers, Mico and steel distribution businesses, while the turnaround of Tradelink is progressing to plan.

The Residential and Land Development Division posted strong growth, with gross revenues of \$236 million in HY18, up from \$163 million in HY17. Operating earnings also increased 57% to \$47 million. Growth was supported by an increase in unit and land development sales.

The International Division grew gross revenues by 4%, with strong performances from Formica and robust Laminex sales across the Eastern Seaboard of Australia. Operating earnings for the Division were consistent with HY17 at \$69 million.

Fletcher Building reiterated its expectation that FY18 Group operating earnings excluding B+I will be between \$680 million and \$720 million.

Commenting on the market outlook, Taylor said residential, commercial and infrastructure activity levels across Fletcher Building's core markets of New Zealand and Australia remained in line with expectations. Growth in activity in 2H18 is expected to be limited, particularly with the New Zealand building sector operating at or near capacity.

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<sup>1</sup> Earnings before interest, tax and significant items

“In New Zealand residential consents are up 3%, and while there has been some softening of house price growth we believe this is a sign of the market normalising.

“In Australia residential activity is declining, but standalone approvals remain resilient. Growth in the infrastructure and commercial sectors remains robust in all states outside Western Australia.”

As announced on February 14, and in line with the Company’s Dividend Policy, the Board has declared there will be no interim dividend for FY18.

**#Ends**

**Teleconference:**

Fletcher Building CEO Ross Taylor will host a teleconference call for investors, analysts and media at **11.00am NZT today (9.00am AEST)** to provide more detail on this announcement. Dial in details are set out below.

**Passcode: 894616**

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New Zealand Toll Free:	0800 453 055	Singapore:	800 101 2785
NZ Local (Auckland):	+64 9 929 1687	UAE:	8000 3570 2705
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NZ Local (Christchurch):	+64 3 974 2632	United States:	(855) 881 1339

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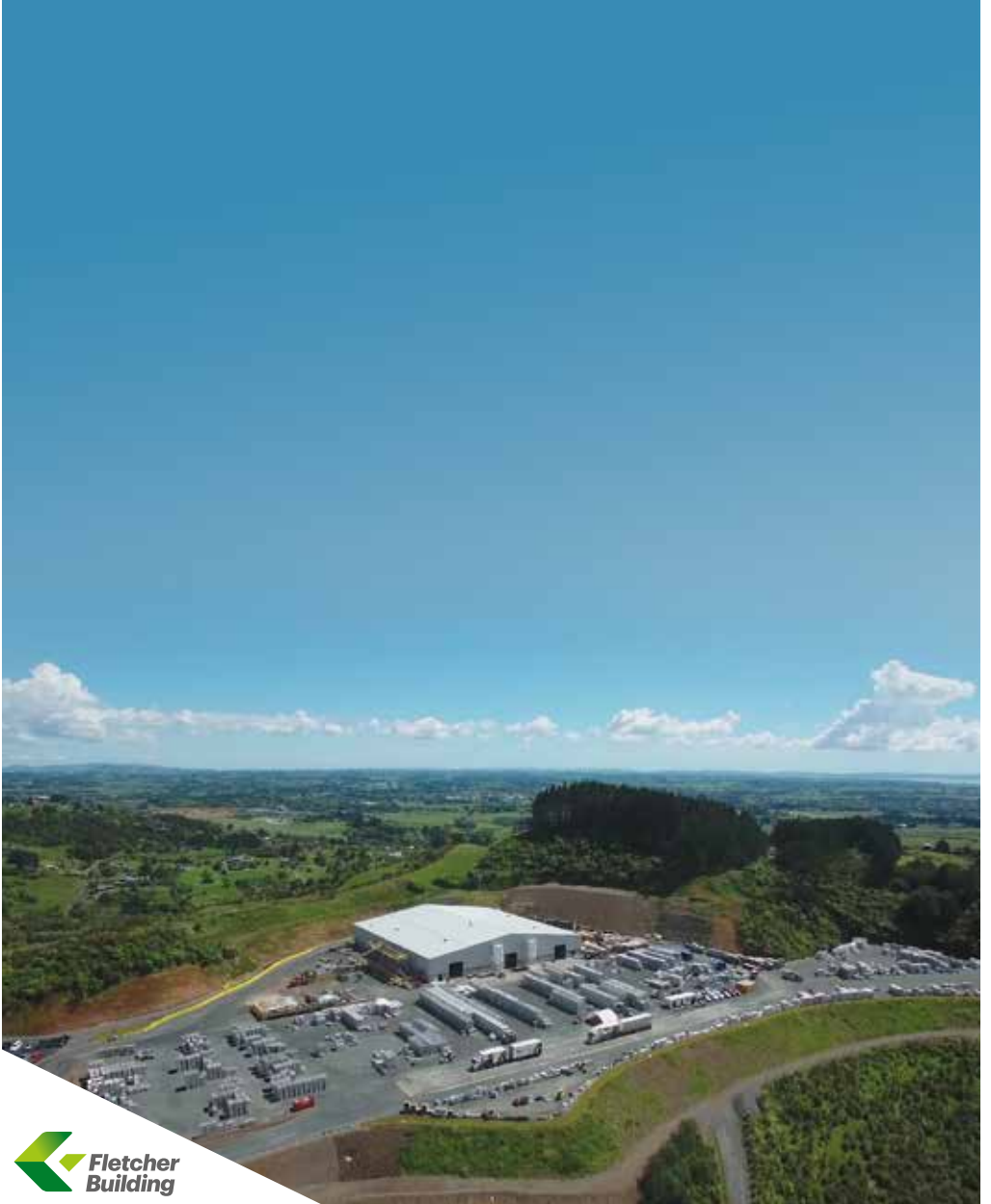
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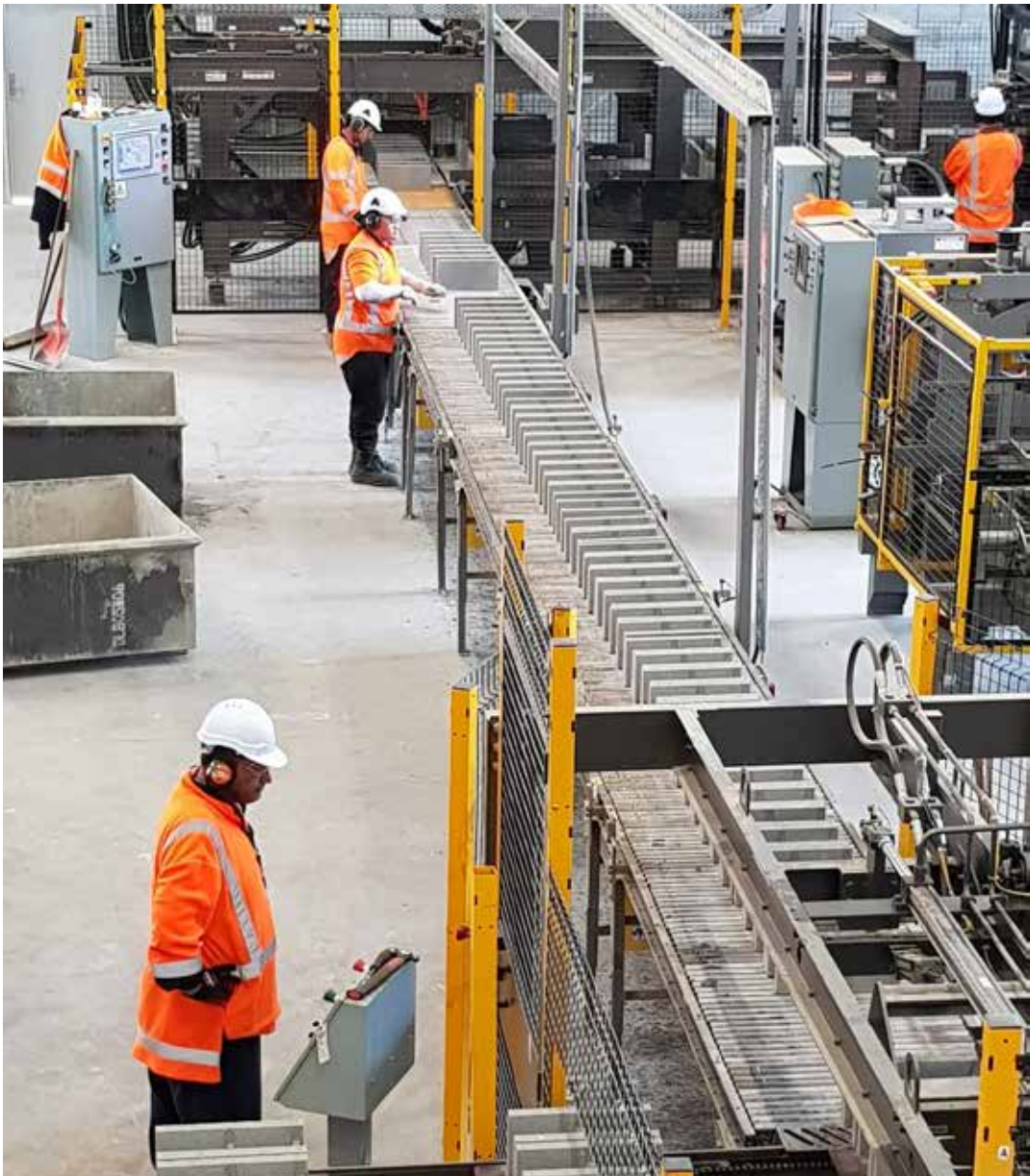
**MEDIA**

Leela Gantman  
Head of Communications  
+64 27 541 6338  
[Leela.gantman@fbu.com](mailto:Leela.gantman@fbu.com)

**INVESTORS AND ANALYSTS**

Rodney Deacon  
Head of Investor Relations  
+64 21 631 074  
[Rodney.deacon@fbu.com](mailto:Rodney.deacon@fbu.com)





▶ Firth Concrete, New Zealand's leading supplier of ready mix concrete and masonry products, opened the country's most technologically-advanced masonry block plant at Hunua in South Auckland on November 29, 2017.

It can produce 50,000 blocks per day – four times the capacity of the previous East Tamaki plant. The plant was built on a former quarry, recycles 100 per cent of waste blocks onsite, and uses rainwater collected from the roof as its primary source of water. Raw materials come from GBC Winstone's quarry next door, also a Fletcher Building business.

COVER: New Firth Masonry Plant, Hunua Auckland

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When used in this half year review, references to the 'Company' are references to Fletcher Building Limited. References to 'Fletcher Building' or the 'Group' are to Fletcher Building Limited, together with its subsidiaries and its interests in associates and joint ventures. References to \$ and NZ\$ are to New Zealand dollars unless otherwise stated.

Any references to documents and information included on external websites, including Fletcher Building's website, are provided for convenience alone and none of the documents or other information on those websites is incorporated by reference in this half year review.

You can obtain an electronic copy of this half year review at <http://www.fbu.com/investor-centre/reports-and-presentation/>



## CEO Message

It was a privilege to join Fletcher Building as Chief Executive Officer during November 2017. Since that time, I have been firmly focused on understanding the business and the performance of our five Divisions, reviewing the provisioning in the Building + Interiors (B+I) business, and instigating a strategic review of the portfolio, to present a new strategy to the market in June.

Outside the challenges experienced in B+I, the broader business continues to perform to guidance.

Fletcher Building generated total revenue for the six months ended 31 December 2017 of \$4,889 million, which was six per cent higher than the prior comparable period.

As announced on February 14, we have taken further provisions for expected losses in B+I of \$486 million, leading to a total projected B+I EBIT loss of \$660 million in FY18. The HY18 result incorporates \$631 million of this expected loss.

When incorporating this B+I loss, operating earnings before significant items (EBIT) were a loss of \$322 million. Excluding B+I, EBIT was \$309 million, which was 13 per cent lower than the first half of FY17.

Net earnings before significant items were a loss of \$273 million, down from a profit of \$187 million in the prior corresponding period.

### **B+I PROVISIONING**

The new provisioning announced on 14 February was informed by a review of 16 B+I projects, accounting for approximately 90 per cent of the construction backlog, and incorporating external input from independent construction experts and KPMG.

We are confident in our ability to complete the remaining B+I projects within these provisions for a number of reasons.

Firstly, B+I's projects are further progressed. As a result we have gained greater visibility and certainty of cost forecasts; we are significantly further advanced on procurement of important trade packages; and we have incorporated material price increases across trade finishing costs.



**ROSS TAYLOR** Chief Executive Officer

We have also allowed for significant time and cost contingencies; incorporated a less aggressive position on trade cost forecasts; based productivity forecasts on rates we are achieving now; and taken a less optimistic view on client claims and variations.

Our absolute focus is finishing our remaining B+I projects within these provisions for our shareholders, and to a high quality for our customers.

To achieve this, we have refocussed the entire B+I business on project delivery only, and have ceased all bidding on vertical construction projects in New Zealand. This will allow us to direct all resources in B+I to the completion of the current book.

#### **FLETCHER BUILDING GROUP, EXCLUDING B+I**

While it is pleasing to see an increase in sales revenues, operating earnings have decreased due to lower profits in the Construction Division, excluding B+I, as well as the Building Products Division.

In the Infrastructure and South Pacific businesses of our Construction Division we are rolling off major projects from FY17, and we are only in the early stages of new ones. In Building Products we have seen gross margins compress as a result of higher input costs and costs associated with increasing supply chain capacity to meet increased demand.

Earnings in the International Division are largely flat, while Distribution and Residential continue to post strong growth.



### CASH FLOW AND DEBT PROFILE

Excluding the performance of B+I, cash flow generation in the rest of the Group has shown a good year-on-year improvement.

However, the projected B+I losses, and the resultant impact on EBITDA, resulted in a breach of Fletcher Building's financial covenants given to its commercial banking syndicate and US Private Placement (USPP) noteholders. We received a waiver from our commercial banking syndicate for the breach of covenants and we are in discussions with our USPP noteholders to obtain a similar waiver.

Our discussions with our lenders have been constructive and we plan to have all loans renegotiated by 31 March 2018. I want to assure shareholders that while the B+I provisions are large, they are phased over a number of years and do not impact our ability to trade with our customers or suppliers.

We believe that net debt will peak in the second half of the 2018 calendar year, and then reduce due to the strength of cashflows from the broader group.

### SAFETY

For a business like Fletcher Building safety is a critical measure of our performance. During the first half of the 2018 financial year our Total Recordable Injury Frequency Rate declined from 6.9 to 6.6 incidents per million hours worked.

This result was supported by the introduction of a new, consistent EHS framework during the half, called Protect. This is now being embedded across the business – 90 per cent of our people have completed the initial training, with further programmes being rolled out to all front-line leaders and supervisors globally.

### OUTLOOK

Fletcher Building continues to benefit from robust levels of residential activity in New Zealand, and significant infrastructure investment in both New Zealand and Australia.

Earnings guidance for the Group excluding B+I remains within the \$680 million to \$720 million range announced in October 2017. As confirmed previously, B+I's EBIT result is expected to be a loss of \$660 million, with \$631 million of this loss recognised in the first half.

In June we will update the market with the results of our strategic review of the business, and present a new five year strategy that will identify our biggest growth opportunities and a corporate and capital structure that best supports them.

I would like to take this opportunity to acknowledge the dedication and commitment of our people right across Fletcher Building, who remain committed to delivering for our shareholders.

I look forward to continuing to meet more of you in the coming months.



**ROSS TAYLOR**  
CEO

**AWARD WINNING** / Fletcher Building won four awards at the Auckland Council Young at Heart Awards in November 2017: Innovative Youth Employer, Jobfest Exhibitor 2017, Youth Induction and Development Award, and the Youth Employment Programme Award.



**POSITIVE FUTURES** / Fletcher Building launched Switch Up, an online job hunting and application platform, in October 2017. It aims to help young people transitioning from school or unemployment into the workforce, and was created with the help of high school students.

## Chairman's Message



SIR RALPH NORRIS Chairman

Fletcher Building is a diversified building company, comprising more than 30 businesses with operations that span the entire building supply chain. The majority of these businesses are performing well, and are benefiting from supportive market conditions.

Testament to this, earnings guidance for the Fletcher Building group excluding B+I remains within the \$680 million to \$720 million range announced in October 2017.

It is regrettable that the underlying strength of Fletcher Building continues to be masked by losses in the Building + Interiors (B+I) business of the Construction Division, which will make a total projected EBIT loss of \$660 million in FY18.

### B+I PROVISIONING

The approach Management has taken to B+I provisioning, and the changes made to its ongoing operations, gives the Board confidence that the business will be able to complete its remaining projects within these provisions.

The provisions announced in February have allowed for significant time and cost contingencies, over and above those included in October.

The decision has also been made to refocus the B+I business solely on the delivery of its remaining projects, the last of which we are targeting to complete in the second half of calendar 2019. Bidding for all vertical construction projects in New Zealand has ceased.

This change will allow the business to direct all resources in B+I to the completion of the current book, while protecting shareholder interests by exiting a market sector that is characterised by high contract risk and low margins.

The issues in B+I remain isolated to this one business – they are not systemic across Fletcher

Building, or the broader Construction Division, where the remaining three businesses continue to perform well.

#### **DIVIDEND**

In line with Fletcher Building's Dividend Policy the Board has determined that it will not declare an interim dividend for FY18. We will reassess the payment of a full-year dividend at the conclusion of the 2018 financial year.

#### **BOARD RENEWAL**

I understand our shareholders' expectation that as Chairman I must take responsibility for the issues we have experienced in B+I. In this context, on February 14 I announced that I will stand down as Chairman no later than the 2018 Annual Shareholders' Meeting, to allow an orderly transition and to complete the Board refresh I have commenced. Three new Directors and a new Chairman will be appointed in the coming months, and this process is well underway.

I remain committed to providing leadership continuity during this time, and will continue to support my fellow Directors and Management in setting a new strategic direction for the Company.

#### **APPOINTMENT OF NEW CHIEF EXECUTIVE OFFICER**

One of the most important duties of a Board is securing a high quality Chief Executive Officer. I am pleased we have been able to deliver this for Fletcher Building, with the appointment of Ross Taylor in November 2017.

Ross has led the review of B+I provisioning with rigour and the benefit of his considerable construction experience. He has also initiated a strategic review of Fletcher Building, with the aim of presenting a new strategy to the market in June. This will establish clear focus areas for the business and ensure we invest behind our best growth opportunities.

#### **CULTURE AND ENGAGEMENT**

We have over 20,000 people working across Fletcher Building and they are by far our greatest asset.

We have been investing for many years in organisational culture, which has seen people engagement continue to improve over time. This trend continued in FY17, despite the challenging year we experienced.

Investing in our people and capability, and in diversity and inclusion, remains a strategic priority for Fletcher Building.

#### **CONCLUSION**

The losses in B+I are deeply regrettable, and the Board and Management remain firmly focused on completing the remaining projects within these provisions.

With the strength of our broader business, the talent and resilience of our people, and a new focused strategy, I have every confidence Fletcher Building will once again deliver our shareholders the value they expect and deserve.



**SIR RALPH NORRIS**

Chairman

## Building Products



### OPERATING EARNINGS\*

# \$118m

2017: \$129 ▼ 9%

\*Before significant items

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

The division reported gross revenue of \$1,250 million compared with \$1,108 million in the prior corresponding period. The 13% increase in revenue has resulted from improved sales volumes and price increases in the majority of business units, especially Firth and Iplex Australia.

The division's operating earnings before significant items were \$118 million. This reflects some contraction in gross margin as well as one-off redundancy costs of \$5 million in Fletcher Insulation and a fire event at a Humes site which reduced operating earnings by a further \$3 million.

Gross margin contraction in the division is largely a result of the following factors:

- Increased energy costs of approximately \$6 million, particularly impacting GBC Winstone, Fletcher Insulation and the Iplex businesses;
- Adverse product mix change, particularly impacting GBC Winstone, Humes, and Iplex New Zealand;
- Transitional costs associated with commissioning of new plants in the Fletcher Insulation and Firth masonry businesses;

- Additional costs incurred in various businesses to alleviate capacity constraints and support current and expected increased volumes. This includes transitional costs associated with developing new quarry deposits and additional warehousing to meet increased current and expected future volumes of plasterboard.

The Concrete Pipes & Products businesses reported a reduction in operating earnings of 31% to \$18 million. Ready-mix concrete sales volumes increased by 4% but masonry sales volumes reduced by 8%, partially driven by production challenges of the transition to a new lower cost plant, which is now complete. Concrete pipe volumes were higher in both Australia and New Zealand.

The Cement & Aggregates business reported a reduction in operating earnings of 11% to \$34 million. Domestic cement sales volumes increased 5% while aggregates volumes increased by 12%. The reduced earnings were due to higher energy costs, increased operating costs associated with opening up new quarry resources, and an unfavourable mix of regional quarry sales.

Building Materials operating earnings were \$46 million, a decrease of 13% versus the prior period. Overall plasterboard volumes were consistent with the prior period, with performance board volumes showing a modest increase. Costs increased in the period due to one-off supply issues coupled with increased supply chain costs for expanded warehousing facilities.

Australian glasswool sales volumes increased by 7% contributing to revenue growth of 4%. Increased costs from redundancy payments and other transitional costs as the Sydney and Melbourne plants implement automation projects have reduced operating earnings to date but will result in lower costs in future periods.

The Plastic Pipes businesses reported \$11 million operating earnings, a \$4 million improvement on the prior corresponding period. Volumes in both Australia and New Zealand increased over the period, which were offset by substantial energy cost increases in Australia and New Zealand.

## International



### OPERATING EARNINGS

# \$69m

2017: \$70M ▼ 1%

Laminex; Formica; Roof Tile Group

Operating earnings for the International division were \$69 million, down 1% from \$70 million in the prior corresponding period. Gross revenue was up by 4%, due principally to strong performances in the Formica businesses.

Laminex operating earnings were \$43 million, down by 4% from \$45 million in the prior corresponding period. Gross revenues in domestic currencies were largely flat across both New Zealand and Australia when compared to the prior corresponding period. In Australia, gross revenue varied by state with the subdued residential market in Western Australia leading to reduced demand, while trading conditions in the eastern states remained supportive. Margins were down on last year mainly as the result of a shift in product mix to some lower margin categories and increases in input costs – especially energy – that could not be fully passed on. The business is a large user of electricity in its Gympie medium density fibreboard and Dardanup particle board factories with total energy costs increasing by 36% over the prior corresponding period.

Competitive pressures both locally and from overseas remained strong although

the business in both Australia and New Zealand grew market share in key product categories while continuing its programme of operational efficiencies and new product initiatives, such as the introduction of new anti-finger print laminate. Operating earnings for Formica were up by 24% to \$42 million while gross revenue was up by 8%. In domestic currencies revenue was up by 9% on the prior corresponding period.

In North America, gross revenue in domestic currencies was up by 3% while operating earnings in domestic currencies were up by 14% driven by higher margins from improved product mix, successful introduction of new products including anti-finger print laminate, continued improvements in operational performance at both manufacturing sites, and recovery of the Mexican currency relative to the US dollar.

In Asia, gross revenue in domestic currencies was up by 11%. Performance in China remained strong with revenue up by 36% on the prior corresponding period driven by strong project growth and market share gains. Thailand and Taiwan were up by 5% and 1% respectively.

Operating earnings in Asia were up by 28%, due to both overall sales growth across the region coupled with continuing improvements in the operating facilities, especially the high-pressure laminate factory in Jiu Jiang, China, which is now operating at consistently improved efficiency and utilisation rates.

In Europe, gross revenue in domestic currencies was up by 4% driven by improvements in the UK, Spain and Germany. Operational performance continued to improve, although this was offset by an adverse shift in product mix with higher sales of lower margin thick laminate, and increased costs to support the improvements in market share.

Roof Tile Group operating earnings were a loss of \$4 million, a decrease of \$6 million while gross revenue was down 17%. This was the result of continued declines in Africa sales volume, down by 16%, while Japan revenue was down by 46% due to a key customer moving to a dual supply situation and the end of a special sales program for solar product. Other key global markets including Europe and Asia were up by 7%.



## Distribution



### OPERATING EARNINGS

# \$89m

2017: \$84M ▲ 6%

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

The Distribution division's operating earnings for the period were \$89 million, an increase of \$5 million or 6% on the prior corresponding period.

Following the record performance in FY17, the New Zealand Building Supplies businesses continued momentum despite an unseasonably wet spring, adversely impacting demand in the first quarter. The New Zealand Building Supplies businesses grew both gross revenue and earnings by 4% on the prior corresponding period with growth across all regions of New Zealand except Christchurch, which continues to re-establish normal trading following the significant earthquake rebuild period. PlaceMakers delivered a strong performance in core product categories, whilst increasing penetration in some higher-margin categories and continuing to develop its installed solution offer. Mico delivered above market growth with targeted improvements in back of wall categories and continued momentum in front of wall offerings following a strong

performance in the prior year. Mico opened a new branch in Gore during the period and will open another branch in Auckland early in the second half of the year.

The New Zealand Steel Distribution businesses grew gross revenue by \$28 million or 12% in the period with good momentum in roofing and share gains in EasySteel. The roofing performance was bolstered by the April 2017 acquisition of the Calder Stewart Roofing business. Fletcher Reinforcing had strong volumes throughout the period, however, underlying earnings were negatively impacted by the effects of steel price rises and higher operating costs during a transition to a new facility in Auckland.

The Australian Building Supplies business generated operating earnings of \$4 million, buoyed by new branch expansion, targeted buying efficiencies, and controlled operating costs.

Tradelink delivered gross revenue of \$381 million in local currency, which was an increase of 6% on the prior corresponding period, driven by the branch expansion program and a strategic focus on winning back share in the small to medium and network customer market segments. Following the 20 new branches opened in FY17, Tradelink plans to open another 17 branches in FY18, with new stores moving to profitability in approximately 4-6 months.

The Australian Steel Distribution business grew gross revenue by \$14 million to \$262 million in the period and delivered strong earnings growth of 30% to \$13 million. The performance reflects the benefit of Stramit's strong customer value proposition, particularly consistently high service levels. The business also commenced a site consolidation programme for two large manufacturing sites into a new purpose-built facility. This programme of work will be completed in the balance of FY18 and will deliver further efficiency gains for the business.



## Construction



### OPERATING EARNINGS/(LOSS)

# \$(619)m

2017: \$24M

#### Construction New Zealand; Construction South Pacific

The Construction Division reported an operating earnings loss of \$619 million compared with a profit of \$24 million in the prior corresponding period. This includes a loss for the period in B+I of \$631 million versus a loss of \$47 million in the prior corresponding period. The result reflects additional loss provisions recorded on a number of key projects. Operating earnings excluding B+I were \$12 million compared to \$71 million in the prior corresponding period.

The division recorded gross revenues of \$1,001 million. At 31 December 2017, the backlog of work for the division, being the value of contracted work awarded but not completed, was \$2.3 billion compared with \$2.7 billion at 31 December 2016.

Given the scale of the challenges in B+I, this business unit's sole focus will be on project completion. This means the B+I business will not be bidding for any further vertical construction work in New Zealand, allowing key resources to be redeployed to project completion. In the longer term, as

B+I projects progressively complete, key resources will be redeployed into other businesses within the Division.

Earnings in the Infrastructure business were impacted by the completion of major infrastructure projects in the prior period, notably the Waterview Project in Auckland and the Mackays to Peka Peka Expressway north of Wellington.

The Higgins business continues to perform strongly, operating very successfully under a formula that allows the business to respond quickly to meet both national and regional clients' needs through a strong regional network with national support. Performance has been enhanced by the ongoing participation of both Higgins and the Infrastructure businesses in the North Canterbury Transport Infrastructure Recovery (NCTIR) Alliance in response to the Kaikoura Earthquakes.

The Construction South Pacific business (which includes Higgins Fiji) reported earnings of \$10 million compared to \$23 million for the same period last year. The reduction reflects the timing of completion of projects by the Fletcher Construction South Pacific business, with a number of major projects in Fiji and Papua New Guinea completed in the prior corresponding period.

## Residential and Land Development



### OPERATING EARNINGS

# \$47m

2017: \$30M ▲ 57%

#### NZ Residential; Land Development

The Residential and Land Development division reported operating earnings of \$47 million, a 57% increase on the prior corresponding period.

Gross revenue for the half year was \$236 million, up from \$163 million in the prior corresponding period.

NZ Residential operating earnings were \$30 million, 20% higher than the prior corresponding period. There was an increase in the volumes of units sold to 342 from 188 in the prior period. This reflected an increase in the number of units available to sell as land purchased in prior years in new locations became available to start home building. In particular, the subdivisions of Swanson, Whenuapai and Red Beach are now operating at a sustainable level.

The half year result included a \$12 million provision for a forecast loss on the Atlas Quarter Apartment project in Christchurch. This reflects a combination of lower than expected selling prices and cost escalations on the project, mainly due to seismic requirements and higher than expected construction market rates.

Excluding the impact of this provision, NZ Residential earnings were up \$17 million, or 68%, on the prior period.

Average margins in Auckland remained strong during the period, however, there was softening of demand in some locations as the market returns to more normal conditions. In particular, there was an increase in the number of transactions requiring the sale of the customer's current home as bridging finance becomes harder to obtain. The average settlement period lengthened slightly to 36 days.

The Christchurch market remained subdued with no growth in prices over the period. Work commenced on the East Frame project, with an initial 112 units underway. The next anticipated stage will include a further 59 terrace homes, and the decision on further stages of this development will depend on discussions with Government on typologies and market conditions.

At 31 December, the NZ Residential business held a total of 3,660 lots on balance sheet. In addition, the business holds a further 1,150 units under unconditional agreements, to be delivered over the next five years.

Land Development operating earnings in the period were \$17 million. This business develops and sells mainly commercial sites within the Group's property portfolio which are surplus to operating requirements. First half earnings comprised the sale of two development locations in Australia, and one in New Zealand.

Whilst Land Development earnings will be irregular in nature, it is anticipated that the business will earn at least \$25 million per annum over the next five years.

Funds employed in the division increased to \$562 million from \$541 million at 30 June 2017, reflecting an increase in work in progress in both the NZ Residential and Land Development businesses.

## Financial Review

### FUNDING

In the trading update on 14 February 2018, the Group announced that due to the additional losses in the B+I business the Group had breached key banking covenants under both its banking syndicate and United States Private Placement ('USPP') agreements.

Prior to these breaches, the Group had total available funding facilities of \$3.1 billion and total net debt of \$2.1bn, resulting in funding headroom of approximately \$1.0 billion.

Based on the projected timing of the cash impact of the B+I losses, and the trading of the remainder of Fletcher Building's businesses, the Group expects total net debt to peak at between \$2.3 billion and \$2.4 billion in calendar 2018.

The Group is currently in discussion with its lenders to remedy the covenant breach. To date, the Group has received a waiver of the breach at 31 December 2017 from its syndicate lenders, and their commitment to provide the Group with access to continued funding under the existing Facility Agreement.

The Group is working with its syndicate and USPP lenders to agree new covenant terms, targeting completion by the end of March 2018.

### CASH FLOW

Cash flows from operating activities of \$110 million were \$177 million higher than the prior corresponding period. Trading cash-flows after working capital movements were \$202 million, up from \$56 million in the prior corresponding period. Excluding B+I, trading cash-flows were \$335 million, up from \$152 million in the prior corresponding period.

Working capital inflows of \$431 million were higher than the prior corresponding period due to the positive balance for construction contracts, largely reflecting the losses recognised but not yet incurred as cash in the Construction division. Excluding construction contracts, working capital outflows were significantly lower than the prior period, reflecting principally the lower net land and developments investment of \$28 million, which was down from \$164 million in the prior corresponding period. In addition there was a lower net working capital investment in the Building Products, International and Distribution divisions as these divisions placed an increased focus particularly on receivables and inventory management.

Capital expenditure was \$131 million, compared with \$127 million in the prior corresponding period. Of this total, \$88 million was for stay-in-business capital projects and \$43 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 and depreciation is expected to be at the lower end of the range of \$225 million to \$245 million.

### DIVIDEND

In line with the Company's dividend policy, the Board has determined that it will not declare an interim dividend.

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## Financial highlights (unaudited)

	Dec 2017	Dec 2016	June 2017
Return on average funds (%) <sup>(1)</sup>	<b>(6.1)</b>	13.4	4.9
Return on average equity (%) <sup>(2)</sup>	<b>(9.8)</b>	12.5	2.5
Return on average funds – before significant items (%) <sup>(1)</sup>	<b>(1.9)</b>	13.2	9.4
Return on average equity – before significant items (%) <sup>(2)</sup>	<b>(3.8)</b>	11.7	8.7
Earnings per share – basic (cents)	<b>(39.2)</b>	25.4	13.5
Earnings per share – basic before significant items (cents)	<b>(39.2)</b>	27.0	46.3
Net tangible assets per share (\$)	<b>2.20</b>	2.65	2.70
Dividends per share (cents)	<b>0.0</b>	20.0	39.0
Gearing (%) <sup>(3)</sup>	<b>39.1</b>	35.4	35.3

(1) Rolling 12 month EBIT to average funds (net debt and equity less deferred tax assets).

(2) Rolling 12 month net earnings to average shareholders' funds.

(3) Net debt (borrowings less cash and deposits) to net debt and equity.

## Consolidated income statement (unaudited)

For the six months ended 31 December 2017

Notes	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Sales	<b>4,889</b>	4,613	9,399
Cost of goods sold	<b>(4,341)</b>	(3,498)	(7,319)
Gross margin	<b>548</b>	1,115	2,080
Selling and marketing expenses	<b>(470)</b>	(452)	(903)
Administration expenses	<b>(394)</b>	(353)	(680)
Share of profits of associates and joint ventures	<b>16</b>	8	20
Other gains and losses	<b>(22)</b>	(8)	8
Significant items	<b>4</b>	(16)	(252)
Earnings before interest and taxation (EBIT)	<b>(322)</b>	294	273
Funding costs	<b>(63)</b>	(52)	(111)
Earnings/(loss) before taxation	<b>(385)</b>	242	162
Taxation benefit/(expense)	<b>6</b>	(61)	(57)
<b>Earnings/(loss) after taxation</b>	<b>(268)</b>	181	105
Earnings attributable to non-controlling interests	<b>(5)</b>	(5)	(11)
<b>Net earnings/(loss) attributable to the shareholders</b>	<b>(273)</b>	176	94
Net earnings per share (cents)			
Basic	<b>(39.2)</b>	25.4	13.5
Diluted	<b>(39.2)</b>	25.2	13.5
Weighted average number of shares outstanding (millions of shares)			
Basic	<b>696</b>	693	694
Diluted	<b>696</b>	717	694
Dividends declared per share (cents)	<b>0.0</b>	20.0	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 2017

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Net earnings/(loss) attributable to shareholders	(273)	176	94
Net earnings attributable to non-controlling interests	5	5	11
Net earnings/(loss)	(268)	181	105
<b>Other comprehensive income</b>			
<b>Items that do not subsequently get reclassified to profit or loss:</b>			
Movement in pension reserve	(3)	2	44
	(3)	2	44
<b>Items that may be reclassified subsequently to profit or loss in the future:</b>			
Movement in cash flow hedge reserve	2	(2)	(7)
Movement in currency translation reserve	108	(33)	(17)
	110	(35)	(24)
Other comprehensive income	107	(33)	20
<b>Total comprehensive income/(loss) for the period</b>	<b>(161)</b>	148	125

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 2017

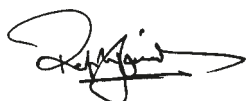
Notes	Dec 2017 NZ\$M	Dec 2016 NZ\$M	June 2017 NZ\$M
<b>Assets</b>			
Current assets:			
Cash and deposits	<b>190</b>	229	219
Current tax assets	<b>35</b>	17	15
Derivatives	<b>6</b>	12	8
Debtors	<b>1,468</b>	1,319	1,525
Inventories	<b>1,800</b>	1,735	1,652
<b>Total current assets</b>	<b>3,499</b>	3,312	3,419
Non-current assets:			
Property, plant and equipment	<b>2,247</b>	2,139	2,214
Goodwill	<b>1,099</b>	1,228	1,069
Intangible assets	<b>639</b>	640	609
Investments in associates and joint ventures	<b>154</b>	142	146
Retirement plan assets	<b>72</b>	40	71
Other investments	<b>1</b>	2	2
Derivatives	<b>79</b>	116	91
Deferred tax assets	<b>182</b>	13	52
<b>Total non-current assets</b>	<b>4,473</b>	4,320	4,254
<b>Total assets</b>	<b>7,972</b>	7,632	7,673



	Notes	Dec 2017 NZ\$M	Dec 2016 NZ\$M	June 2017 NZ\$M
<b>Liabilities</b>				
Current liabilities:				
Creditors and accruals		1,369	1,270	1,406
Provisions		61	69	70
Current tax liabilities		36	21	30
Derivatives		5	14	7
Construction contracts	8	732	28	214
Borrowings	7	1,701	314	269
<b>Total current liabilities</b>		<b>3,904</b>	1,716	1,996
Non-current liabilities:				
Creditors and accruals		25	70	36
Provisions		22	22	25
Retirement plan liabilities		37	52	38
Deferred tax liabilities		43	59	47
Derivatives		39	29	48
Borrowings	7	607	1,956	1,903
<b>Total non-current liabilities</b>		<b>773</b>	2,188	2,097
<b>Total liabilities</b>		<b>4,677</b>	3,904	4,093
<b>Equity</b>				
Share capital		2,696	2,659	2,678
Reserves		575	1,048	878
Shareholders' funds		3,271	3,707	3,556
Non-controlling interests		24	21	24
<b>Total equity</b>		<b>3,295</b>	3,728	3,580
<b>Total liabilities and equity</b>		<b>7,972</b>	7,632	7,673

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

On behalf of the Board, 21 February 2018



**Sir Ralph Norris**  
Chairman of Directors



**Bruce Hassall**  
Director

## Consolidated statement of movements in equity (unaudited)

For the six months ended 31 December 2017

	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 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)
<b>Total equity at 31 December 2016</b>	<b>2,659</b>	<b>1,436</b>	<b>16</b>	<b>3</b>	<b>(302)</b>	<b>(105)</b>	<b>3,707</b>	<b>21</b>	<b>3,728</b>
Total equity at 30 June 2016	2,650	1,399	13	5	(269)	(107)	3,691	22	3,713
Total comprehensive income for the year		94		(7)	(17)	44	114	11	125
Movement in non-controlling interests								(9)	(9)
Issue of shares	31						31		31
Dividends paid to shareholders of the parent		(277)					(277)		(277)
Movement in treasury stock	(3)						(3)		(3)
<b>Total equity at 30 June 2017</b>	<b>2,678</b>	<b>1,216</b>	<b>13</b>	<b>(2)</b>	<b>(286)</b>	<b>(63)</b>	<b>3,556</b>	<b>24</b>	<b>3,580</b>
Total comprehensive income/(loss) for the period		(273)		2	108	(3)	(166)	5	(161)
Movement in non-controlling interests								(5)	(5)
Issue of shares	9						9		9
Dividends paid to shareholders of the parent		(132)					(132)		(132)
Movement in share-based payment reserve			(5)				(5)		(5)
Movement in treasury stock	9						9		9
<b>Total equity at 31 December 2017</b>	<b>2,696</b>	<b>811</b>	<b>8</b>	<b>0</b>	<b>(178)</b>	<b>(66)</b>	<b>3,271</b>	<b>24</b>	<b>3,295</b>

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

## Consolidated statement of cash flows (unaudited)

For the six months ended 31 December 2017

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Cash flow from operating activities			
Receipts from customers	5,003	4,587	9,303
Dividends received	4	5	11
Total received	5,007	4,592	9,314
Payments to suppliers, employees and other	4,805	4,536	8,847
Interest paid	62	54	125
Income tax paid	30	69	99
Total applied	4,897	4,659	9,071
<b>Net cash from operating activities</b>	<b>110</b>	<b>(67)</b>	<b>243</b>
Cash flow from investing activities			
Sale of property, plant and equipment	14		26
Sale of investments	1		3
Total received	15		29
Purchase of property, plant and equipment and intangible assets	131	127	319
Purchase of subsidiaries/businesses		305	321
(Cash)/net debt in subsidiaries acquired			(4)
Total applied	131	432	636
<b>Net cash from investing activities</b>	<b>(116)</b>	<b>(432)</b>	<b>(607)</b>
Cash flow from financing activities			
Net debt drawdown		506	476
Issue of capital notes	221		35
Total received	221	506	511
Net debt repayment	117		
Repurchase of capital notes			19
Treasury stock purchased		3	3
Distribution to non-controlling interests	8	9	14
Dividends	123	123	246
Total applied	248	135	282
<b>Net cash from financing activities</b>	<b>(27)</b>	<b>371</b>	<b>229</b>
Net movement in cash held	(33)	(128)	(135)
Add opening cash and liquid deposits	219	356	356
Effect of exchange rate changes on net cash	4	1	(2)
<b>Closing cash and deposits</b>	<b>190</b>	<b>229</b>	<b>219</b>

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

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

For the six months ended 31 December 2017

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Net earnings/(loss)	(273)	176	94
Earnings attributable to non-controlling interests	5	5	11
	(268)	181	105
Adjustment for items not involving cash:			
Depreciation, depletions and amortisation	110	102	203
Significant items		13	232
Provisions and other adjustments	(16)	(43)	(66)
Taxation	(147)	(8)	(42)
(Gain)/loss on disposal of businesses and property, plant and equipment		1	(13)
Non-cash adjustments	(53)	65	314
Cash flow from operations before net working capital movements	(321)	246	419
Net working capital movements	431	(313)	(176)
<b>Net cash from operating activities</b>	<b>110</b>	<b>(67)</b>	<b>243</b>
<b>Net working capital movements</b>			
Debtors	98	74	(103)
Inventories	(63)	(76)	(62)
Land and developments	(28)	(164)	(99)
Contracts	502	(99)	74
Creditors	(78)	(48)	14
	431	(313)	(176)

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

## Breakdown of financial performance (unaudited)

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
<b>Gross sales</b>			
Building Products	1,250	1,108	2,270
International Businesses	1,045	1,005	2,017
Distribution	1,757	1,644	3,287
Residential & Land Development	236	163	420
Construction	1,001	1,150	2,246
Other	5	5	9
Total	5,294	5,075	10,249
Intercompany sales	(405)	(462)	(850)
External sales per income statement	4,889	4,613	9,399
<b>External sales</b>			
Building Products	1,000	859	1,783
International Businesses	1,034	997	1,999
Distribution	1,665	1,559	3,112
Residential & Land Development	236	163	420
Construction	954	1,035	2,085
External sales per income statement	4,889	4,613	9,399
<b>Funds*</b>			
Building Products	1,713	1,686	1,666
International Businesses	2,055	1,948	1,938
Distribution	983	1,039	935
Residential & Land Development	562	477	541
Construction	(330)	366	174
Other (including debt and taxation)	(1,688)	(1,788)	(1,674)
Total	3,295	3,728	3,580

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

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
<b>EBIT before significant items</b>			
Building Products	118	129	267
International Businesses	69	70	169
Distribution	89	84	193
Residential & Land Development	47	30	130
Construction	(619)	24	(204)
Other	(26)	(27)	(30)
Total	(322)	310	525
Significant items	-	(16)	(252)
Earnings before interest and taxation (EBIT) per income statement	(322)	294	273

**Supplementary Non-GAAP disclosures:**

The following supplementary Non-GAAP disclosures have been made to provide additional, useful information.

Earnings before interest and taxation (EBIT) as reported	(322)	294	273
Buildings + Interiors ("B+") operating earnings	(631)	(47)	(292)
Earnings before interest and taxation (EBIT) excluding B+	309	341	565

## 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, registered under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013 under which the interim financial statements are prepared. The Company 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 2017 annual report available on the Group website at [www.fbu.com](http://www.fbu.com).

### 2. GOING CONCERN

As at 31 December 2017, the Group was in breach of certain covenants in relation to the Bank loans under its Syndicated Facility Agreement and in relation to its Private Placement debt (together 'borrowings'). This breach is an event of default under the agreements governing those borrowings.

As a result of the breach, \$434m of the Group's Bank loans balance and \$1,150m of the Group's Private Placement debt balance have been reclassified to current liabilities (Refer Note 7) as the Group did not have the unconditional right to defer repayment of these borrowings at 31 December 2017.

On 13 February 2018, the lenders under the Syndicated Facility Agreement provided a waiver in respect of the 31 December 2017 covenant breach and agreed, subject to various conditions, to continue to make available funding of \$325 million until 31 March 2018. The terms of that waiver require the Group to agree revised terms under the Syndicated Facility Agreement by 31 March 2018, otherwise

the Group would then be in breach of the waiver. A similar waiver to that which has been obtained from the lenders under the Syndicated Facility Agreement has been sought from the holders of the Group's Private Placement debt.

The Group is now working with its funders to agree revised terms for the agreements governing the borrowings such that the borrowings are not required to be repaid within the next 12 months. The Group is targeting the end of March 2018 to complete this.

In the event that the Group is unable to agree revised terms in relation to the Bank loans and the Private Placement debt, the Group would also consider alternative borrowing arrangements and/or potential recapitalisation options.

In preparing the interim financial statements, the Directors have assessed the Group's ability to continue as a going concern. In making this assessment, the Directors have considered the level of debt and facilities the Group had at 31 December 2017, the status of the Group's discussions with its funders (including the waiver obtained from lenders under the Syndicated Facility Agreement in respect of the 31 December 2017 covenant breach), the Group's forecast financial results for the next 12 months subsequent to the date of issue of these interim financial statements and the alternative funding options for the Group noted above.

Whilst material uncertainties exist, the Directors consider that there is a reasonable expectation that revised terms will be agreed with the funders of the Bank loans and the Private Placement debt, such that funding will be available to the Group to enable it to continue to meet its liabilities as they fall due. Taking this into account and the expected financial performance of the Group and the positive operating cash flows of the Group (inclusive of the cash flows relating to the Building and Interiors business unit), it is the considered view of the Directors that the Group is a going concern.



The Directors do, however, acknowledge that if the Group is unable to obtain all applicable waivers, or successfully renegotiate revised terms with the funders of the Bank loans and the Private Placement debt or secure alternative sources of funding to enable the repayment of the Group's current borrowings, then the going concern assumption may not be valid, the consequence being the Group may be unable to realise the value in its assets and discharge its liabilities in the normal course of business.

These financial statements do not include any adjustments that may be made to reflect the position should the Group be unable to continue as a going concern. Such adjustments may include realising assets at amounts other than those at which they are recorded in the financial statements. In addition, the Group may have to provide for further liabilities that may arise and to reclassify certain non-current assets and other liabilities as current.

### 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and computation methods applied in the preparation of the interim financial statements are consistent with those applied in the last annual financial statements with the exception of the Group adopting NZ IFRS 9 (2014) Financial Instruments ("NZ IFRS 9") from 1 July 2017.

NZ IFRS 9 sets out new requirements for classification and measurement, impairment and hedge accounting for financial assets and financial liabilities. It replaces NZ IAS 39 Financial Instruments: Recognition and Measurement ("NZ IAS 39"). The impact of adopting NZ IFRS 9 is summarised below:

- NZ IFRS 9 introduces new classification and measurement requirements for financial assets and liabilities that are within the scope of NZ IAS 39. There have been no changes to the classification or carrying amounts of financial assets and financial liabilities in the statement of financial position under NZ IFRS 9.
- The hedge accounting rules in NZ IFRS 9 align hedge accounting more closely with the Group's risk management activities and the effectiveness test has been replaced with the principle of an economic relationship. The adoption of NZ IFRS 9 did not result in significant changes to the Group's hedge accounting relationships. The Group has elected to apply the hedge accounting requirements on a retrospective basis from the date of initial application where permitted under NZ IFRS 9.
- The NZ IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology under NZ IAS 39. The Group has applied the simplified approach for trade and other receivables, with the impact of NZ IFRS 9 being immaterial.

A number of new standards, amendments and interpretations have been issued by the International Accounting Standards Board and the External Reporting Board in New Zealand that are not yet effective and have not been early adopted by the Group. Those which may be relevant to the Group are set out below:

**NZ IFRS 15 Revenue from Contracts with Customers**, was issued on 3 July 2014 and addresses recognition and measurement of revenue. It replaces the separate models for goods, services and construction contracts currently included in *IAS 11 Construction Contracts* and *IAS 18 Revenue*. It is required to be adopted by the Group in the financial statements for the year ending 30 June 2019.

Management are currently completing an assessment of the impact of this standard. It is expected that our Construction and Residential and Land divisions will be most impacted by the new standard due to the significant number and variety of customer contracts that they have.

**NZ IFRS 16 Leases**, was issued on 11 February 2016 and requires all leases to be recognised on the balance sheet. Currently, under *IAS 17 Leases* only those leases categorised as finance leases are required to be recognised on the balance sheet. NZ IFRS 16 is required to be adopted by the Group in the financial statements for the year ending 30 June 2020.

Management are currently conducting an assessment of the impact of this standard. As the majority of businesses in the Group have leases, the impact of NZ IFRS 16 on the Group financial statements is expected to be significant.

#### 4. SIGNIFICANT ITEMS

Six months ended 31 December 2017

There were no significant items for the six month period ended 31 December 2017.

Six months ended 31 December 2016

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

Year ended 30 June 2017

	Business acquisition expenses <sup>(1)</sup> NZ\$M	Site closure costs <sup>(2)</sup> NZ\$M	Impairments <sup>(3)</sup> NZ\$M	Other <sup>(4)</sup> NZ\$M	Total NZ\$M
Building Products		(17)	(69)	(12)	(98)
Distribution			(153)		(153)
Corporate	(1)				(1)
<b>Total significant items before taxation</b>	(1)	(17)	(222)	(12)	(252)
Tax benefit / (charge) on above items		5	16	4	25
<b>Total significant items after taxation</b>	(1)	(12)	(206)	(8)	(227)

- (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 year.
- (2) The Group recognised a charge of \$17 million for costs associated with site closures:
- \$10 million relating to the closure of Fletcher Insulation's Homebush site in New South Wales; and
  - \$7 million relating to two site closures in the Rocla Products business.
- (3) During the year, the Group recognised a \$222 million impairment charge, relating to businesses where the carrying amount exceeded the recoverable amount:
- \$69 million relating to Iplex Australia where goodwill and brands were impaired; Offsetting the impairment of brands is an \$11 million reversal of the associated deferred tax liability through tax expense;
  - \$153 million relating to Tradelink where goodwill and other intangibles were impaired.
- (4) The Group recognised a charge of \$12 million relating to the costs associated with prolonged industrial action during the year at a Fletcher Insulation site in Australia.

## 5. OTHER GAINS AND LOSSES

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Other gains and losses include the following:			
Gain on sale of assets			13
Redundancies and restructuring costs	(8)	(7)	(8)
Other	(14)	(1)	3
	<b>(22)</b>	(8)	8

## 6. TAXATION EXPENSE

	Six months Dec 2017 NZ\$M	Six months Dec 2016 NZ\$M	Year ended June 2017 NZ\$M
Earnings/(loss) before taxation:	<b>(385)</b>	242	162
Taxation at 28 cents per dollar	<b>(108)</b>	68	45
Adjusted for:			
Higher/(lower) tax rate in overseas jurisdictions	<b>(1)</b>	(1)	(4)
Non assessable income	<b>(6)</b>	(1)	(20)
Non deductible expenses	<b>2</b>	1	50
Utilisation of previous unrecognised tax losses		(1)	
Tax in respect of prior years			(1)
Tax losses not recognised	<b>3</b>	5	5
Other permanent differences	<b>(7)</b>	(10)	(18)
	<b>(117)</b>	61	57
Tax (benefit)/expense on earnings before significant items	<b>(117)</b>	66	82
Tax benefit on significant items		(5)	(25)
	<b>(117)</b>	61	57

The deferred tax asset balance of \$182 million at 31 December 2017 largely comprises construction losses provided for in the period which are expected to be deductible in future years. These losses relate to New Zealand projects, and it is expected there will be sufficient future earnings in New Zealand to utilise the deferred tax asset.

**7. BORROWINGS**

	Dec 2017 NZ\$M	Dec 2016 NZ\$M	June 2017 NZ\$M
Bank loans	434		
Capital notes	71	68	71
Private placements	1,150	137	139
Other loans	46	109	59
<b>Borrowings – current</b>	<b>1,701</b>	314	269
Bank loans		415	389
Capital notes	550	316	329
Private placements		1,160	1,123
Other loans	57	65	62
<b>Borrowings – non-current</b>	<b>607</b>	1,956	1,903
Carrying value of borrowings (as per balance sheet)	2,308	2,270	2,172
Less: impact of debt hedging activities (included within derivatives)	(48)	(79)	(42)
<b>Borrowings after impact of hedging activities</b>	<b>2,260</b>	2,191	2,130
Add/(Less): fair value hedge adjustment included in borrowings	13	(1)	
<b>Borrowings excluding derivative adjustments</b>	<b>2,273</b>	2,190	2,130
<b>Net Debt</b>			
Cash and cash equivalents	190	229	219
Current borrowings	(1,701)	(314)	(269)
Non-current borrowings	(607)	(1,956)	(1,903)
<b>Net Debt</b>	<b>(2,118)</b>	(2,041)	(1,953)

As a result of the breach of covenants at 31 December 2017, the Bank loans balance of \$434 million and Private placements balance of \$1,150 million have been reclassified from non-current to current liabilities. Further information in respect of the Group's subsequent discussions with its funders has been included in Note 2.

**8. CONSTRUCTION CONTRACTS**

	Dec 2017 NZ\$M	Dec 2016 NZ\$M	June 2017 NZ\$M
Gross construction work in progress plus margin to date/less provisions for losses	<b>5,603</b>	3,903	5,877
Progress billings	<b>(6,335)</b>	(3,931)	(6,091)
	<b>(732)</b>	(28)	(214)
Construction contracts with cost and margin in advance of billings	<b>12</b>	86	62
Construction contracts with billings in advance of cost and margin	<b>(115)</b>	(91)	(114)
Provision for future net cash outflows on loss-making contracts	<b>(629)</b>	(23)	(162)
Carrying amount at the end of the period	<b>(732)</b>	(28)	(214)

Included in sales is \$954 million of contract revenue (December 2016: \$1,031 million, June 2017: \$2,081 million).

Construction work in progress is stated at cost plus profit recognised to date, less progress billings and any provision for future foreseeable losses. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Estimates and judgements are made relating to a number of factors when assessing Construction Contracts. These include recovery of pre-contract costs, assessment of future costs following changes in the scope of work, contract programmes, maintenance and defects liabilities, performance bonuses or penalties and changes in costs in determining the amount of revenue and margin to be recognised at each reporting date. Recognition of additional revenues which flow from contract variations and claims, which at reporting date may have not yet been presented to or accepted and approved by customers, also requires significant judgement.

Estimates made are inherently more uncertain earlier in the project's life and on larger, more complex projects. A summary of the Group's major construction projects and their approximate stage of completion is shown below:

**Status of construction projects (> \$200m original contract value) as at 31 December 2017:**

	Business Unit	Percentage of completion (% cost)	Forecast completion
Commercial Bay – Fixed price contract	B+I	39%	2019
NZICC – Guaranteed maximum price and fixed price contract	B+I	22%	2019
Puhoi to Warkworth – Fixed price contract (Public Private Partnership)	Infrastructure	21%	2021
Auckland East Prison – Fixed price contract (Public Private Partnership)	B+I	85%	2018
Hamilton City Edge Expressway – Alliance contract	Infrastructure/ Higgins	42%	2020
Justice and Emergency Precinct – Fixed price contract	B+I	99%	2018

**Revenue Backlog by Business Unit as at 31 December 2017:**

	Current Revenue Backlog	Top 5 projects as a % of Revenue Backlog
Building + Interiors	926	61%
Infrastructure	682	84%
Higgins	648	17%
South Pacific	61	79%
	<b>2,317</b>	N/A

## 9. GOODWILL

The Group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2017, 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.

## 10. 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 1.70% and 7.14% (December 2016: 1.62% and 7.48%; June 2017: 1.69% and 9.98%) including margins.

## 11. 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 2017 annual report.



## Shareholder Information

### Shareholder enquiries

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

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

#### New Zealand

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](mailto:enquiry@computershare.co.nz)

#### Australia

Computershare Investor Services Pty Limited  
GPO Box 3329  
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067, Australia

T. 1800 501 366 (within Australia)  
T. +61 3 9415 4083 (outside Australia)  
F. +61 3 9473 2500

### Other investor enquiries

Fletcher Building Limited  
Private Bag 92 114  
Auckland 1142, New Zealand

T. +64 9 525 9000  
E. [moreinfo@fbu.com](mailto:moreinfo@fbu.com)

#### Other information

[www.fbu.com](http://www.fbu.com)

### Registered offices

#### New Zealand

Fletcher Building Limited  
Private Bag 92 114  
Auckland 1142  
New Zealand

Fletcher House  
810 Great South Road  
Penrose, Auckland 1061  
New Zealand

T. +64 9 525 9000

#### Australia

Fletcher Building Australia  
Locked Bag 3501  
North Ryde BC  
NSW 1670, Australia

68 Waterloo Road  
Macquarie Park  
NSW 2113, Australia

T. +61 2 8986 0900  
ARBN 096 046 936



# MANAGEMENT COMMENTARY

## FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

<b>Reported results</b>	<b>Six months ended 31 December</b>		
<b>NZ\$m (except where noted)</b>	<b>2017</b>	<b>2016</b>	<b>Change %</b>
<b>Total revenue</b>	<b>4,889</b>	<b>4,613</b>	<b>6%</b>
<b>Operating earnings before significant items <sup>1</sup></b>	<b>(322)</b>	<b>310</b>	<b>NM</b>
Significant items <sup>2</sup>	0	(16)	NM
<b>Operating earnings (EBIT)</b>	<b>(322)</b>	<b>294</b>	<b>NM</b>
Funding costs	(63)	(52)	21%
<b>Earnings/(loss) before tax</b>	<b>(385)</b>	<b>242</b>	<b>NM</b>
Tax benefit/(expense)	117	(61)	NM
<b>Earnings/(loss) after tax</b>	<b>(268)</b>	<b>181</b>	<b>NM</b>
Non-controlling interests	(5)	(5)	0%
<b>Net earnings/(loss)</b>	<b>(273)</b>	<b>176</b>	<b>NM</b>
<b>Net earnings/(loss) before significant items</b>	<b>(273)</b>	<b>187</b>	<b>NM</b>
<hr/>			
<b>Basic earnings per share (cents)</b>	<b>(39.2)</b>	<b>25.4</b>	<b>NM</b>
<b>Basic earnings per share before significant items (cents)</b>	<b>(39.2)</b>	<b>27.0</b>	<b>NM</b>
<b>Dividends declared per share (cents)</b>	<b>0.0</b>	<b>20.0</b>	<b>NM</b>
<b>Cash flows from operating activities</b>	<b>110</b>	<b>(67)</b>	<b>NM</b>
<b>Capital expenditure</b>	<b>131</b>	<b>127</b>	<b>3%</b>
<hr/>			
<b>Operating earnings before significant items</b>	<b>(322)</b>	<b>310</b>	<b>NM</b>
<b>Building &amp; Interiors (B+I)</b>	<b>(631)</b>	<b>(47)</b>	<b>NM</b>
<b>Operating earnings (excluding B+I) before significant items</b>	<b>309</b>	<b>357</b>	<b>(13)%</b>

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017.

<sup>2</sup> Details of significant items can be found in note 4 of the interim financial statements.

- Revenue for the period of \$4,889 million was \$276 million, or 6%, higher when compared with the prior corresponding period;
- Operating earnings before significant items were a loss of \$322 million, which included losses in the Building + Interiors ("B+I") business of \$631 million;
- There were no significant items recognised during the period (2016: a charge of \$16 million);
- Operating earnings (excluding B+I) before significant items of \$309 million were \$48 million, or 13%, lower than the prior corresponding period;
- Net earnings were a loss of \$273 million, down from a profit of \$176 million in the prior corresponding period;
- In line with the Company's Dividend Policy, the Board has determined that it will not declare an interim dividend.

# Financial Results

## Six months ended 31 December

NZ\$m	Revenue		
	2017	2016	Change
Building Products	1,250	1,108	13%
International	1,045	1,005	4%
Distribution	1,757	1,644	7%
Residential and Land Development	236	163	45%
Construction	1,001	1,150	(13%)
Other	5	5	0%
<b>Gross revenue</b>	<b>5,294</b>	<b>5,075</b>	<b>4%</b>
less intercompany sales	(405)	(462)	(12%)
<b>Group external revenue</b>	<b>4,889</b>	<b>4,613</b>	<b>6%</b>

## Six months ended 31 December

NZ\$m	Reported operating earnings			Operating earnings before significant items <sup>1</sup>		
	2017	2016	Change	2017	2016	Change
Building Products	118	114	4%	118	129	(9%)
International	69	70	(1%)	69	70	(1%)
Distribution	89	84	6%	89	84	6%
Residential and Land Development	47	30	57%	47	30	57%
Construction	(619)	24	NM	(619)	24	NM
Corporate	(26)	(28)	(7%)	(26)	(27)	(4%)
<b>Total</b>	<b>(322)</b>	<b>294</b>	<b>NM</b>	<b>(322)</b>	<b>310</b>	<b>NM</b>
Funding costs	(63)	(52)	21%	(63)	(52)	21%
<b>Earnings before tax</b>	<b>(385)</b>	<b>242</b>	<b>NM</b>	<b>(385)</b>	<b>258</b>	<b>NM</b>
Tax benefit/(expense)	117	(61)	NM	117	(66)	NM
<b>Earnings after tax</b>	<b>(268)</b>	<b>181</b>	<b>NM</b>	<b>(268)</b>	<b>192</b>	<b>NM</b>
Non-controlling interests	(5)	(5)	0%	(5)	(5)	0%
<b>Net earnings</b>	<b>(273)</b>	<b>176</b>	<b>NM</b>	<b>(273)</b>	<b>187</b>	<b>NM</b>

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017.

<sup>2</sup> Details of significant items can be found in note 4 of the interim financial statements.

# Financial Results continued

## Geographic segments

Six months ended 31 December

NZ\$m	Gross revenue			External revenue		
	2017	2016	Change	2017	2016	Change
New Zealand	3,093	3,015	3%	2,750	2,607	5%
Australia	1,587	1,419	12%	1,537	1,374	12%
Rest of World	614	641	(4%)	602	632	(5%)
<b>Total</b>	<b>5,294</b>	<b>5,075</b>	<b>4%</b>	<b>4,889</b>	<b>4,613</b>	<b>6%</b>

## Geographic segments

Six months ended 31 December

NZ\$m	Operating earnings before significant items <sup>1</sup>		
	2017	2016	Change
New Zealand	(425)	205	NM
Australia	63	52	21%
Rest of World	40	53	(25%)
<b>Total</b>	<b>(322)</b>	<b>310</b>	<b>NM</b>

## Geographic segments in local currency

Six months ended 31 December

	Gross Revenue			External revenue		
	2017	2016	Change	2017	2016	Change
Australia (A\$m)	1,459	1,352	8%	1,413	1,309	8%
Rest of World (US\$m)	440	457	(4%)	431	450	(4%)

## Geographic segments in local currency

Six months ended 31 December

	Operating earnings before significant items <sup>1</sup>		
	2017	2016	Change
Australia (A\$m)	58	50	16%
Rest of World (US\$m)	29	38	(24%)

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017.

<sup>2</sup> Details of significant items can be found in note 4 of the interim financial statements.

## Financial Results continued

- External revenue of \$4,889 million was \$276 million or 6% higher than the prior corresponding period. New Zealand revenue increased by \$143 million or 5%, and Australian revenue increased by \$163 million or 12%. In local currencies, revenue increased by 5% in New Zealand, increased by 8% in Australia and decreased by 4% in the Rest of World.
- In **New Zealand**, earnings were significantly impacted by the performance of the B+I business. In addition the other Construction NZ businesses reported lower earnings, principally due to timing of earnings on major projects. Excluding Construction NZ, earnings were in line with the prior corresponding period. The Residential and Land Development division showed strong growth, while increased revenue for the Building Products division was offset by cost pressures.
- In **Australia**, market conditions were mixed, with robust activity in Eastern states offset by continued challenging trading conditions in Western Australia. Several Australian businesses were impacted by increased energy costs, particularly Laminex and Fletcher Insulation, with the latter also recording a \$5m one-off restructuring charge. Despite this, Australian operating earnings before significant items increased 16% in local currency. This was driven by improvements in Iplex Australia, Stramit, and Tradelink, as well as a contribution of \$13 million from the Land Development business in Australia.
- In the **Rest of World**, earnings in local currency were mixed, with a strong performance from Formica driven by a 9% increase in revenue in local currencies. This was offset by earnings decreases in the Roof Tile Group and Construction South Pacific, due to a roll-off of major projects in Fletcher Construction South Pacific.
- Funding costs of \$63 million were 21% higher than the prior corresponding period, reflecting both increased borrowings and that the prior year expense included a \$5 million credit due to the impact of derivatives valuations.
- The tax benefit of \$117 million reflects the loss for the period, with the B+I loss provisions expected to be deductible in future periods.
- Earnings per share were (39.2) cents compared with 25.4 cents per share in the prior corresponding period.
- A cash inflow from operations of \$110 million compared with an outflow of \$67 million in the prior corresponding period.

# Segmental Operational Review

The following sections provide commentary on individual division results for the period ended 31 December 2017.

## Building Products

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

NZ\$m	Six months ended 31 December			
	2017	2016	Change	Change %
Gross revenue	1,250	1,108	142	13%
External revenue	1,000	859	141	16%
Operating earnings before significant items <sup>1</sup>	118	129	(11)	(9)%
Significant items <sup>2</sup>	-	(15)	15	NM
Operating earnings	118	114	4	4%
Funds	1,713	1,686	27	2%

NZ\$m	Six months ended 31 December		
	Operating earnings before significant items <sup>1</sup>		
	2017	2016	Change
Concrete Pipes & Products	18	26	(31)%
Cement & Aggregates	34	38	(11)%
Building Materials	46	53	(13)%
Plastic Pipes	11	7	57%
JV Earnings & other	9	5	80%
<b>Total</b>	<b>118</b>	<b>129</b>	<b>(9)%</b>

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017.

<sup>2</sup> Details of significant items can be found in note 4 of the interim financial statements.

The Building Products division reported gross revenue of \$1,250 million compared with \$1,108 million in the prior corresponding period. The 13% increase in revenue has resulted from improved sales volumes and price increases in the majority of business units, and especially Firth and Iplex Australia.

The division's operating earnings before significant items were \$118 million, compared with \$129 million in the prior corresponding period, a reduction of 9%. This reflects some contraction in gross margin as well as one-off redundancy costs of \$5 million in Fletcher Insulation and a fire event at one of the Humes sites which reduced operating earnings by a further \$3 million.

Gross margin contraction in the division is largely a result of the following factors:

- Increased energy costs of approximately \$6 million, particularly impacting GBC Winstone, Fletcher Insulation and the Iplex businesses in both Australia and New Zealand;
- Adverse product mix change, particularly impacting GBC Winstone, Humes, and Iplex New Zealand;
- Transitional costs associated with commissioning of new plants in the Fletcher Insulation and Firth masonry businesses;
- Additional costs incurred in various businesses to alleviate capacity constraints and support current and expected increased volumes. This includes transitional costs associated with developing new quarry deposits and additional warehousing to meet increased current and expected future volumes of plasterboard.

Operating earnings for Concrete Pipes & Products were \$18 million compared to \$26 million in the prior corresponding period, a reduction of 31%. Ready-mix concrete sales volumes increased by 4% but masonry sales volumes reduced by 8%, partially driven by production challenges of commissioning and transition to a new lower cost plant which is now complete. Concrete pipe volumes were higher in both Australia and New

Zealand. Costs resulting from a fire in one of the major Humes branches in Auckland contributed to the reduced earnings by \$3 million.

The Cement & Aggregates businesses reported a reduction in operating earnings of 11% to \$34 million. Domestic cement sales volumes increased 5% while aggregates volumes increased by 12% compared to the prior corresponding period. The reduced earnings were primarily attributable to higher energy costs, increased operating costs associated with opening up new quarry resources, and an unfavourable mix of regional quarry sales.

Building Materials operating earnings were \$46 million, a decrease of 13% versus the prior corresponding period. Overall plasterboard volumes were consistent with the prior corresponding period, with performance board volumes demonstrating a modest increase. Costs increased in the period due to one-off raw material supply issues coupled with increased supply chain costs, as expanded warehousing facilities have been implemented.

Australian glasswool sales volumes increased by 7% from the prior corresponding period contributing to revenue growth of 4%. Notwithstanding the increased revenue, the market remains highly competitive, placing pressure on profit margins. Increased costs from redundancy payments and other transitional costs as the Sydney and Melbourne plants implement automation projects have reduced operating earnings to date but will result in lower costs in future periods. Excluding redundancy payments, the Australian operating earnings were in line with the prior corresponding period.

The Plastic Pipes businesses reported \$11 million operating earnings, a \$4 million improvement on the prior corresponding period. Volumes in both Australia and New Zealand increased compared with the prior corresponding period. Substantial energy cost increases in Australia and New Zealand subdued what would have otherwise been an even higher year on year improvement in earnings.



# Segmental Operational Review continued

## International

Laminex; Formica; Roof Tile Group

NZ\$m	2017	Six months ended 31 December		
		2016	Change	Change %
Gross revenue	1,045	1,005	40	4%
External revenue	1,034	997	37	4%
Operating earnings	69	70	(1)	(1)%
Funds	2,055	1,948	107	5%

NZ\$m	2017	Six months ended 31 December	
		2016	Change
Laminex	43	45	(4)%
Formica	42	34	24%
Roof Tile Group	(4)	2	NM
International divisional costs	(12)	(11)	9%
<b>Total</b>	<b>69</b>	<b>70</b>	<b>(1)%</b>

Operating earnings for the International division were \$69 million, down 1% from \$70 million in the prior corresponding period. Gross revenue was up by 4%, due principally to strong performances in the Formica businesses.

Laminex operating earnings were \$43 million, down by 4% from \$45 million in the prior corresponding period. Gross revenue in domestic currencies were largely flat across both New Zealand and Australia when compared to the prior corresponding period. In Australia, gross revenue varied by state with the subdued residential market in Western Australia leading to reduced demand compared to the prior corresponding period, while trading conditions in the Eastern states remained supportive. In Australia, margins were down on last year mainly as the result of a shift in product mix to some lower margin categories and increases in input costs – especially energy – that could not be fully passed on. The business is a large user of electricity in its Gympie medium density fibreboard and Dardanup particle board factories with total energy costs increasing by 36% over the prior corresponding period.

Competitive pressures both locally and from overseas remained strong although the business in both Australia and New Zealand grew market share in key product categories while continuing its programme of operational efficiencies and new product initiatives, such as the introduction of new anti-finger print laminate.

Operating earnings for Formica were \$42 million, up by 24% from \$34 million in the prior corresponding period. Gross revenue was up by 8%, while in domestic currencies it was up by 9% on the prior corresponding period.

In North America, gross revenue in domestic currencies was up by 3% while operating earnings in domestic currencies were up by 14% driven by higher margins from improved product mix, successful introduction of new products including anti-finger print laminate, continued improvements in operational performance at both manufacturing sites, and recovery of the Mexican currency relative to the US dollar.

In Asia, gross revenue in domestic currencies was up by 11% driven by continued improvement in activity levels in the major markets. Performance in China remained strong with revenue up by 36% on the prior corresponding period driven by strong project growth and market share gains. Thailand and Taiwan were up by 5% and 1% respectively while Malaysia, Hong Kong, and Singapore were down by 18%, 5% and 2% respectively. Operating earnings in Asia were up by 28% on the prior corresponding period, due to both overall sales growth across the region coupled with continuing improvements in the operating facilities, especially the high-pressure laminate factory in Jiu Jiang, China, which is now operating at consistently improved efficiencies and utilisation rates.

In Europe, gross revenue in domestic currencies was up by 4% compared to the prior corresponding period driven by improvements in the UK, Spain and Germany. The operating result was in line with the prior corresponding period. Operational performance continued to improve, especially at the North Shields factory, although this was offset by an adverse shift in product mix with higher sales of lower margin thick laminate, and increased costs from investments in the commercial and sales operation to support the improvements in market share.

Roof Tile Group operating earnings were a loss of \$4 million, a decrease of \$6 million from the prior corresponding period. Gross revenue was down 17% on the prior corresponding period. This was the result of continued declines in Africa sales volume, down by 16%, while Japan revenue was down by 46% due to a key customer moving to a dual supply situation and the end of a special sales program for solar product. New Zealand revenue was down by 4%, while bad weather in a number of US states such as Florida and Texas were the key drivers for revenue being down by 11% on the prior corresponding period. Performances in other key global markets including Europe and Asia were up by 7% on the prior corresponding period.

# Segmental Operational Review continued

## Distribution

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

NZ\$m	Six months ended 31 December			
	2017	2016	Change	Change %
Gross revenue	1,757	1,644	113	7%
External revenue	1,665	1,559	106	7%
Operating earnings	89	84	5	6%
Funds	983	1,039	(56)	(5)%

NZ\$m	Six months ended 31 December		
	2017	2016	Change
			Operating earnings
NZ Building Supplies	49	47	4%
NZ Steel Distribution	23	25	(8)%
Australian Building Supplies	4	2	100%
Australian Steel Distribution	13	10	30%
<b>Total</b>	<b>89</b>	<b>84</b>	<b>6%</b>

The Distribution division's operating earnings for the period were \$89 million, an increase of \$5 million or 6% on the prior corresponding period.

Following the record performance in FY17, the New Zealand Building Supplies businesses continued momentum despite an unseasonably wet spring, adversely impacting demand in the first quarter. The New Zealand Building Supplies businesses grew both gross revenue and earnings by 4% on the prior corresponding period with growth across all regions of New Zealand except Christchurch, which continues to re-establish normal trading following the significant earthquake rebuild period. PlaceMakers delivered strong performance in core product categories, whilst increasing penetration in some higher-margin categories and continuing to develop its installed solution offer. Mico delivered above market growth with targeted improvements in back of wall categories and continued momentum in front of wall offerings following strong performance in the prior year. Mico opened a new branch in Gore during the period and will open another branch in Auckland early in the second half of the year.

The New Zealand Steel Distribution businesses grew gross revenue by \$28 million or 12% in the period with good momentum in roofing and share gains in EasySteel. The roofing performance was bolstered by the April 2017 acquisition of the Calder Stewart Roofing business. Fletcher Reinforcing had strong volumes throughout the period, however, underlying earnings were negatively impacted by the effects of steel price rises and higher operating costs during a transition to a new facility in Auckland.

The Australian Building Supplies business generated operating earnings of \$4m, buoyed by new branch expansion, targeted buying efficiencies, and controlled operating costs.

Tradelink delivered gross revenue of \$381 million in local currency, which was an increase of 6% on the prior corresponding period, driven by the branch expansion program and a strategic focus on winning back share in the small to medium and network customer market segments. Following the 20 new branches opened in FY17, Tradelink plans to open another 17 branches in FY18, with new stores moving to profitability in approximately 4-6 months.

The Australian Steel Distribution business grew gross revenue by \$14 million to \$262 million in the period and delivered strong earnings growth of 30% to \$13 million. The performance reflects the benefit of Stramit's strong customer value proposition, particularly consistently high service levels. The business also commenced a site consolidation programme for two large manufacturing sites into a new purpose-built facility. This programme of work will be completed in the balance of FY18 and will deliver further efficiency gains for the business.

## Segmental Operational Review continued

### Residential and Land Development

#### NZ Residential; Land Development

NZ\$m	Six months ended 31 December			
	2017	2016	Change	Change %
Gross revenue	236	163	73	45%
External revenue	236	163	73	45%
Operating earnings	47	30	17	57%
Funds	562	477	85	18%

NZ\$m	Six months ended 31 December		
	2017	2016	Change
			Operating earnings
NZ Residential	30	25	20%
Land Development	17	5	NM
<b>Total</b>	<b>47</b>	<b>30</b>	<b>57%</b>

The Residential and Land Development division reported operating earnings of \$47 million, a 57% increase on the prior corresponding period.

Gross revenue for the half year was \$236 million, up from \$163 million in the prior corresponding period.

NZ Residential operating earnings were \$30 million, 20% higher than the prior corresponding period. There was an increase in the volumes of units sold to 342 from 188 in the prior period. This reflected an increase in the number of units available to sell as land purchased in prior years in new locations became available to start home building. In particular, the subdivisions of Swanson, Whenuapai and Red Beach are now operating at a sustainable level.

The half year result includes a \$12 million provision for a forecast loss on the Atlas Quarter Apartment project in Christchurch. This reflects a combination of lower than expected selling prices and cost escalations on the project, mainly due to seismic requirements and higher than expected construction market rates. Excluding the impact of this provision, NZ Residential earnings were up \$17 million, or 68%, on the prior period.

Average margins in Auckland remained strong during the period, however, there was softening of demand in some locations as the market returns to more normal conditions. In particular, there was an increase in the number of transactions requiring the sale of the customer's current home as bridging finance becomes harder to obtain. The average settlement period lengthened slightly to 36 days.

The Christchurch market remained subdued with no growth in prices over the period. Work commenced on the East Frame project, with an initial 112 units underway. The next anticipated stage will include a further 59 terrace homes, and the decision on further stages of this development will depend on discussions with Government on typologies and market conditions.

At 31 December, the NZ Residential business held a total of 3,660 lots on balance sheet. In addition, the business holds a further 1,150 units under unconditional agreements, to be delivered over the next five years.

Land Development operating earnings in the period were \$17 million. This business develops and sells mainly commercial sites within the Group's property portfolio which are surplus to operating requirements. First half earnings comprised the sale of two development locations in Australia, and one in New Zealand.

Whilst Land Development earnings will be irregular in nature, it is anticipated that the business will earn at least \$25 million per annum over the next five years.

Funds employed in the division increased to \$562 million from \$541 million at 30 June 17, reflecting an increase in work in progress in both the NZ Residential and Land Development businesses.

# Segmental Operational Review continued

## Construction

Construction New Zealand; Construction South Pacific

NZ\$m	2017	Six months ended 31 December		
		2016	Change	Change %
Gross revenue	1,001	1,150	(149)	(13)%
External revenue	954	1,035	(81)	(8)%
Operating earnings	(619)	24	(643)	NM
Funds	(330)	366	(696)	NM

NZ\$m	2017	Six months ended 31 December	
		2016	Change
			Operating earnings
Construction New Zealand	(629)	1	NM
Construction South Pacific	10	23	NM
<b>Total</b>	<b>(619)</b>	<b>24</b>	<b>NM</b>

The Construction Division reported an operating earnings loss of \$619 million compared with a profit of \$24 million in the prior corresponding period. This included a loss for the period in B+I of \$631 million versus a loss of \$47 million in the prior corresponding period. The result reflects additional loss provisions recorded on a number of key projects. Operating earnings excluding B+I were \$12 million compared to \$71 million in the prior corresponding period.

The division recorded gross revenues of \$1,001 million. At 31 December 2017, the backlog of work for the division, being the value of contracted work awarded but not completed, was \$2.3 billion compared with \$2.7 billion at 31 December 2016.

Given the scale of the challenges in B+I, this business unit's sole focus will be on project completion. This means the B+I business will not be bidding for any further vertical construction work in New Zealand, allowing key resources to be redeployed to project completion. In the longer term, as B+I projects progressively complete, key resources will be redeployed into other businesses within the Division.

Earnings in the Infrastructure business were impacted by the completion of major infrastructure projects in the prior period, notably the Waterview Project in Auckland and the Mackays to Peka Peka Expressway north of Wellington.

The Higgins business continues to perform strongly, operating very successfully under a formula that allows the business to respond quickly to meet both national and regional clients' needs through a strong regional network with national support. Performance has been enhanced by the ongoing participation of both Higgins and the Infrastructure businesses in the North Canterbury Transport Infrastructure Recovery (NCTIR) Alliance in response to the Kaikoura Earthquakes.

The Construction South Pacific business (which includes Higgins Fiji) reported earnings of \$10 million compared to \$23 million for the same period last year. The reduction reflects the timing of completion of projects by the Fletcher Construction South Pacific business, with a number of major projects in Fiji and Papua New Guinea completed in the prior corresponding period.

# Financial Review

## Group Cash Flow

NZ\$m	Six months ended 31 December		
	2017	2016	Change
<b>Operating earnings before significant items<sup>[1]</sup></b>	<b>(322)</b>	<b>310</b>	<b>(632)</b>
Depreciation and amortisation	110	102	8
Provisions, significant items and other	(17)	(43)	26
<b>Trading cash flow before working capital movements</b>	<b>(229)</b>	<b>369</b>	<b>(598)</b>
Land and developments	(28)	(164)	136
Contracts	502	(99)	601
Other working capital movements	(43)	(50)	7
<b>Trading cash flow</b>	<b>202</b>	<b>56</b>	<b>146</b>
Less: cash tax paid	(30)	(69)	39
Less: interest paid	(62)	(54)	(8)
<b>Cash flows from operating activities</b>	<b>110</b>	<b>(67)</b>	<b>177</b>
<b>Trading cash flow (excluding B+I)</b>	<b>335</b>	<b>152</b>	<b>183</b>

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017. Details of significant items can be found in note 4 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 \$110 million were \$177 million higher than the prior corresponding period. Trading cash-flows after working capital movements were \$202 million, up from \$56 million in the prior corresponding period. Excluding B+I, trading cash-flows were \$335 million, up from \$152 million in the prior corresponding period.

Working capital inflows of \$431 million were higher than the prior corresponding period due to the positive balance for Contracts, largely reflecting the losses recognised but not yet incurred as cash in the Construction division. Excluding Contracts, working capital outflows were significantly lower than the prior period, reflecting principally the lower net land and developments investment of \$28 million, which was down from \$164 million in the prior corresponding period. In addition there was a lower net working capital investment in the Building Products, International and Distribution divisions as these divisions placed an increased focus particularly on receivables and inventory management.

Capital expenditure was \$131 million, compared with \$127 million in the prior corresponding period. Of this total, \$88 million was for stay-in-business capital projects and \$43 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 and depreciation is expected to be at the lower end of the range of \$225 million to \$245 million.

# Financial Review continued

## Funding

In the trading update on 14 February 2018, the Group announced that due to the additional losses in the B+I business the Group had breached key banking covenants under both its banking syndicate and United States Private Placement ('USPP') agreements.

Prior to these breaches, the Group had total available funding facilities of \$3.1 billion and total net debt of \$2.1bn, resulting in funding headroom of approximately \$1.0 billion.

Based on the projected timing of the cash impact of the B+I losses, and the trading of the remainder of Fletcher Building's businesses, the Group expects total net debt to peak at between \$2.3 billion and \$2.4 billion in calendar 2018.

The Group is currently in discussion with its lenders to remedy the covenant breach. To date, the Group has received a waiver of the breach at 31 December 2017 from its syndicate lenders, and their commitment to provide the Group with access to continued funding under the existing Facility Agreement.

The Group is working with its syndicate and USPP lenders to agree new covenant terms, targeting completion by the end of March 2018.

## Outlook

In New Zealand, activity levels in the residential, commercial and infrastructure building sectors continue to operate at or near cyclical peaks, and remain supportive of volumes for Fletcher Building's Distribution and Building Products' businesses. Rates of growth have slowed in the past six months as the industry encounters supply-side constraints, and overall growth is expected to be broadly flat through the remainder of FY18. House sales prices and volumes have softened from the highs of FY17, though demand levels are expected to remain robust in mid-price categories in Auckland where Fletcher Living is focused.

In Australia, activity in the standalone residential sector has held up well to date, though is expected to remain broadly flat in the second half of FY18 and into FY19. There continues to be a pipeline of large infrastructure projects on the Eastern Seaboard which is providing opportunities for Fletcher Building's concrete and plastic pipe businesses. Australian earnings in total are likely to be driven principally by performance improvements.

Specific divisional commentary in respect of 2018 full year earnings is provided as follows:

- Building Products:

- Continued revenue growth across New Zealand due to sustained demand for residential and infrastructure focused building products, limited by supply-side industry constraints;
- Increase in Australian based earnings due to operational improvement in Iplex Australia;
- Margin pressure from increased input costs (energy, resin), investment in supply chain and restructuring costs.

- International:

- Steady revenue and earnings growth in Formica's North American and Asian businesses based on exposure to a robust US commercial sector, strong activity levels in China, and continued operational improvements;
- Pressure on Laminex NZ and Australia margins due to higher input costs and shift in product mix;

- Distribution:

- Continued growth in New Zealand based revenues given maintained levels of activity in residential and commercial building sectors;
- Modest growth in New Zealand distribution earnings is expected due to improvement in PlaceMakers and Mico;
- In Australia, the earnings of Tasman Sinkware and Tradelink are expected to improve compared to FY17.

- Residential and Land Development:

- Residential earnings for FY18 are expected to be similar to the prior year;
- Strength in Auckland standalone housing margins will contrast weaker margins of section sales and Christchurch volumes;
- Land Development earnings are expected to be lower than in FY17 due to fewer projects coming to market in the second half of the year and risk around regulatory approvals for planned sales.

- Construction:

- In line with the February 14 announcement B+I is expected to report an EBIT loss of \$660m for FY18;
- Higgins' robust backlog of work and maintenance contracts is likely to produce earnings similar to last year;
- Infrastructure and South Pacific earnings will be down year on year due to the rolling off of large, profitable contracts in FY17 and a lag in new projects ramping up.



## Divisions

Division	Business Groupings	Key Businesses	
Building Products	Concrete Pipes & Products	Firth Concrete (NZ) CSP Pacific (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	
	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
	Australian Building Supplies	Tradelink Tasman Sinkware	
	New Zealand Steel Distribution	Pacific Coilcoaters Easysteel Fletcher Reinforcing Dimond	
	Australian Steel Distribution	Stramit	
	Residential and Land Development	NZ Residential	Fletcher Living
		Land Development	Land Development
Construction	Construction New Zealand	Fletcher Construction Higgins Construction	
	Construction South Pacific	Fletcher Construction South Pacific Higgins Fiji	

## Appendix: Supplemental split of Divisional results

### Gross revenue

<b>Building Products</b>		<b>Six months ended 31 December</b>		
<b>Gross revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Concrete Pipes & Products	454	394	15%	
Cement and Aggregates	212	202	5%	
Building Materials	255	245	4%	
Plastic Pipes	278	241	15%	
Joint Ventures & Other	51	26	96%	
<b>Total</b>	<b>1,250</b>	<b>1,108</b>	<b>13%</b>	

<b>International</b>		<b>Six months ended 31 December</b>		
<b>Gross revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Laminex	487	469	4%	
Formica	487	450	8%	
Roof Tile Group	71	86	(17%)	
<b>Total</b>	<b>1,045</b>	<b>1,005</b>	<b>4%</b>	

<b>Distribution</b>		<b>Six months ended 31 December</b>		
<b>Gross revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Building Supplies	797	765	4%	
Australian Building Supplies	431	392	10%	
NZ Steel Distribution	267	239	12%	
Australian Steel Distribution	262	248	6%	
<b>Total</b>	<b>1,757</b>	<b>1,644</b>	<b>7%</b>	

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>		
<b>Gross revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Residential	192	156	23%	
Land Development	44	7	NM	
<b>Total</b>	<b>236</b>	<b>163</b>	<b>45%</b>	

<b>Construction</b>		<b>Six months ended 31 December</b>		
<b>Gross revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Construction New Zealand	930	1,033	(10%)	
Construction South Pacific	71	117	(39%)	
<b>Total</b>	<b>1,001</b>	<b>1,150</b>	<b>(13%)</b>	

## 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.

<b>Building Products</b>		<b>Six months ended 31 December</b>	
<b>Gross revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	808	722	12%
Australia (A\$m)	406	368	10%

<b>International</b>		<b>Six months ended 31 December</b>	
<b>Gross revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	89	88	1%
Australia (A\$m)	379	377	1%
Rest of World (US\$m)	389	371	5%

<b>Distribution</b>		<b>Six months ended 31 December</b>	
<b>Gross revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	1,064	1,005	6%
Australia (A\$m)	693	607	14%

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>	
<b>Gross revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	198	163	21%
Australia (A\$m)	37		NM

<b>Construction</b>		<b>Six months ended 31 December</b>	
<b>Gross revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	930	1,033	(10%)
Rest of World (US\$m)	51	83	(39%)

# Appendix: Supplemental split of Divisional results

## External revenue

<b>Building Products</b>		<b>Six months ended 31 December</b>		
<b>External revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Concrete Pipes & Products	412	342	20%	
Cement and Aggregates	113	109	4%	
Building Materials	192	183	5%	
Plastic Pipes	232	199	17%	
Joint Ventures & Other	51	26	96%	
<b>Subtotal</b>	<b>1,000</b>	<b>859</b>	<b>16%</b>	

<b>International</b>		<b>Six months ended 31 December</b>		
<b>External revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Laminex	477	460	4%	
Formica	487	452	8%	
Roof Tile Group	70	85	(18%)	
<b>Total</b>	<b>1,034</b>	<b>997</b>	<b>4%</b>	

<b>Distribution</b>		<b>Six months ended 31 December</b>		
<b>External revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Building Supplies	777	740	5%	
Australian Building Supplies	427	391	9%	
NZ Steel Distribution	204	185	10%	
Australian Steel Distribution	257	243	6%	
<b>Total</b>	<b>1,665</b>	<b>1,559</b>	<b>7%</b>	

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>		
<b>External revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Residential	192	156	23%	
Land Development	44	7	NM	
<b>Total</b>	<b>236</b>	<b>163</b>	<b>45%</b>	

<b>Construction</b>		<b>Six months ended 31 December</b>		
<b>External revenue (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Construction New Zealand	886	918	(3%)	
Construction South Pacific	68	117	(42%)	
<b>Total</b>	<b>954</b>	<b>1,035</b>	<b>(8%)</b>	

## 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.

<b>Building Products</b>		<b>Six months ended 31 December</b>	
<b>External revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	597	512	17%
Australia (A\$m)	371	331	12%

<b>International</b>		<b>Six months ended 31 December</b>	
<b>External revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	87	88	(1%)
Australia (A\$m)	379	377	1%
Rest of World (US\$m)	383	366	5%

<b>Distribution</b>		<b>Six months ended 31 December</b>	
<b>External revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	982	926	6%
Australia (A\$m)	627	601	4%
Other (US\$m)	1		NM

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>	
<b>External revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	198	163	21%
Australia (A\$m)	37		NM

<b>Construction</b>		<b>Six months ended 31 December</b>	
<b>External revenue</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	886	918	(3%)
Rest of World (US\$m)	49	83	(41%)

# Appendix: Supplemental split of Divisional results

## Operating earnings before significant items

<b>Building Products</b>		<b>Six months ended 31 December</b>		
<b>Operating earnings<sup>1</sup> (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Concrete Pipes & Products	18	26	(31%)	
Cement and Aggregates	34	38	(11%)	
Building Materials	46	53	(13%)	
Plastic Pipes	11	7	57%	
Joint Ventures & Other	9	5	80%	
<b>Subtotal</b>	<b>118</b>	<b>129</b>	<b>(9%)</b>	

<b>International</b>		<b>Six months ended 31 December</b>		
<b>Operating earnings (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Laminex	43	45	(4%)	
Formica	42	34	24%	
Roof Tile Group	(4)	2	NM	
International divisional costs	(12)	(11)	9%	
<b>Total</b>	<b>69</b>	<b>70</b>	<b>(1%)</b>	

<b>Distribution</b>		<b>Six months ended 31 December</b>		
<b>Operating earnings (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Building Supplies	49	47	4%	
Australian Building Supplies	4	2	100%	
NZ Steel Distribution	23	25	(8%)	
Australian Steel Distribution	13	10	30%	
<b>Total</b>	<b>89</b>	<b>84</b>	<b>6%</b>	

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>		
<b>Operating earnings (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
NZ Residential	30	25	20%	
Land Development	17	5	NM	
<b>Total</b>	<b>47</b>	<b>30</b>	<b>57%</b>	

<b>Construction</b>		<b>Six months ended 31 December</b>		
<b>Operating earnings (NZ\$m)</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>	
Construction New Zealand	(629)	1	NM	
Construction South Pacific	10	23	(57%)	
<b>Total</b>	<b>(619)</b>	<b>24</b>	<b>NM</b>	

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017. Details of significant items can be found in note 4 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.

<b>Building Products</b>		<b>Six months ended 31 December</b>	
<b>Operating earnings</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	116	124	(6%)
Australia (A\$m)	2	5	(60%)

<b>International</b>		<b>Six months ended 31 December</b>	
<b>Operating earnings</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	8	8	NM
Australia (A\$m)	29	33	(12%)
Rest of World (US\$m)	21	19	11%

<b>Distribution</b>		<b>Six months ended 31 December</b>	
<b>Operating earnings</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	72	72	NM
Australia (A\$m)	16	11	45%

<b>Residential and Land Development</b>		<b>Six months ended 31 December</b>	
<b>Operating earnings</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	34	30	13%
Australia (A\$m)	12		NM

<b>Construction</b>		<b>Six months ended 31 December</b>	
<b>Operating earnings</b>	<b>2017</b>	<b>2016</b>	<b>Change</b>
New Zealand (NZ\$m)	(629)	1	NM
Rest of World (US\$m)	7	16	(56%)

<sup>1</sup> Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's interim financial statements for the period ended 31 December 2017. Details of significant items can be found in note 4 of the interim financial statements.

**Building communities,  
building lives.**

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# Half Year Results to 31 December 2017

**ROSS TAYLOR**

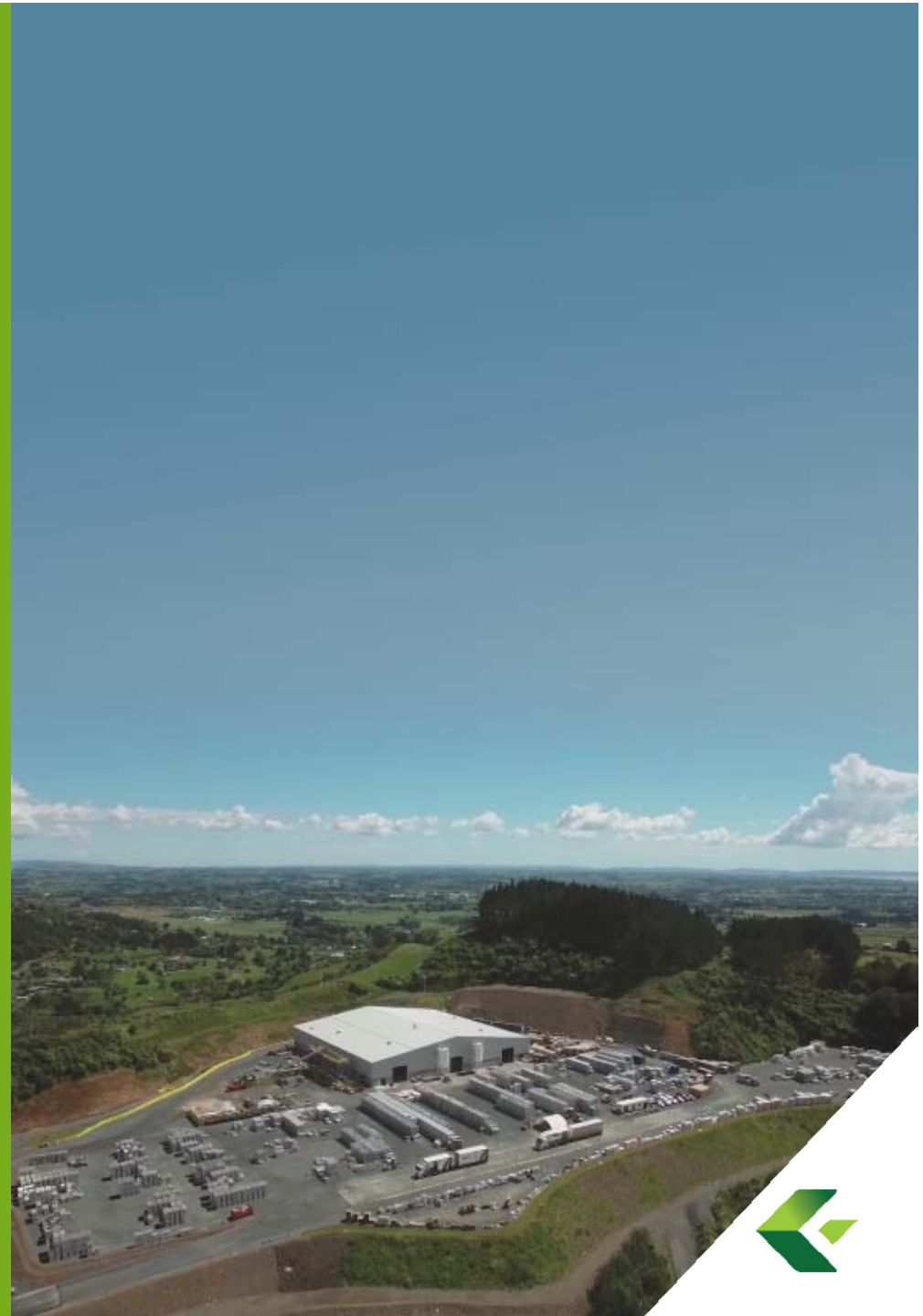
— Chief Executive Officer

**BEVAN MCKENZIE**

— Chief Financial Officer

21 February 2018

**Fletcher Building**  
Half Year Results Presentation 2018





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## Disclaimer

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**This Half Year Results presentation dated 21 February 2018 provides additional comment on the Interim Report 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 Interim Report.**



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- **Introduction**
- **Results Overview**
- **Industry Context**
- **Divisional Performances**
- **Financial Results**
- **Update on Strategic Review Process and Group Outlook**
- **Appendix**



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# Introduction

Fletcher Building  
Half Year Results Presentation 2018



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# CEO overview of first three months

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## Key Areas of Focus

### Get to know business and customers

- ✓ Travelled extensively to many parts of FBU's operations
- ✓ Initial customer focus in construction

### Focus on B+I and construction

- ✓ Been to/ reviewed key B+I projects
- ✓ Instigated detailed review process
- ✓ Updated provisions and put in place plans to refocus B+I

### Get across operational outlook

- ✓ Deliver half year results and guidance today

### Get strategy & portfolio work underway

- ✓ Strategy work well underway
- ✓ Market update planned for June 2018



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# Results Overview

Fletcher Building  
Half Year Results Presentation 2018



# Results overview

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	Change \$m
Revenue	4,613	4,889	276
<b>Operating earnings before significant items</b>	310	(322)	(632)
Net earnings before significant items	187	(273)	(460)
Cashflow from operating activities <sup>1</sup>	(67)	110	177
Basic earnings per share (cents)	25.4	(39.2)	(64.6)
Interim dividend per share (cents)	20.0	0.0	(20.0)
<b>Operating earnings before significant items ex B+I</b>	357	309	(48)

1. Cashflow from operating activities is EBITDA less net interest, less tax, less provisions and net of working capital movements



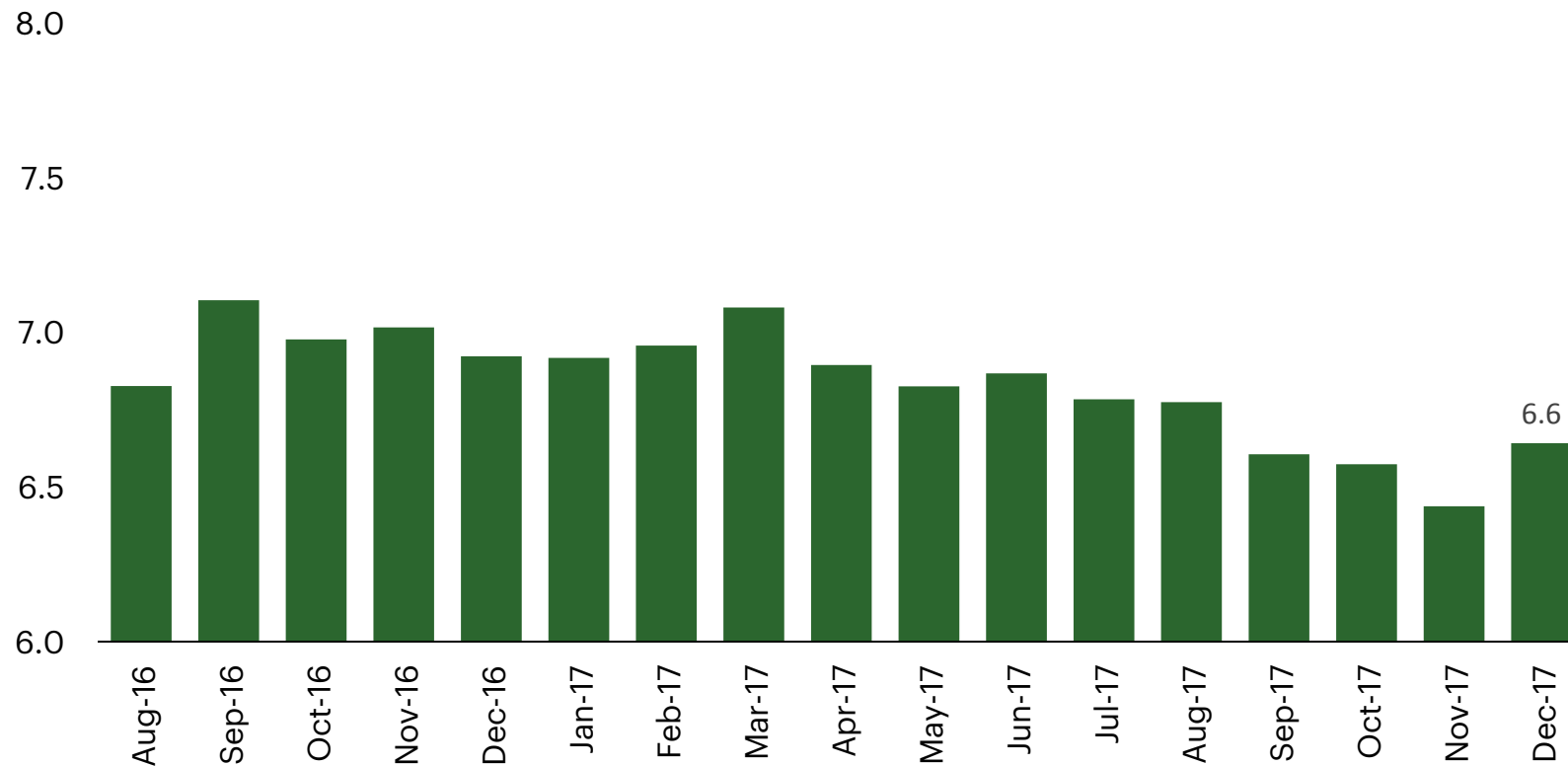
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# Results overview

## Safety performance

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**Fletcher Building Total Recordable Injury Frequency Rate\***

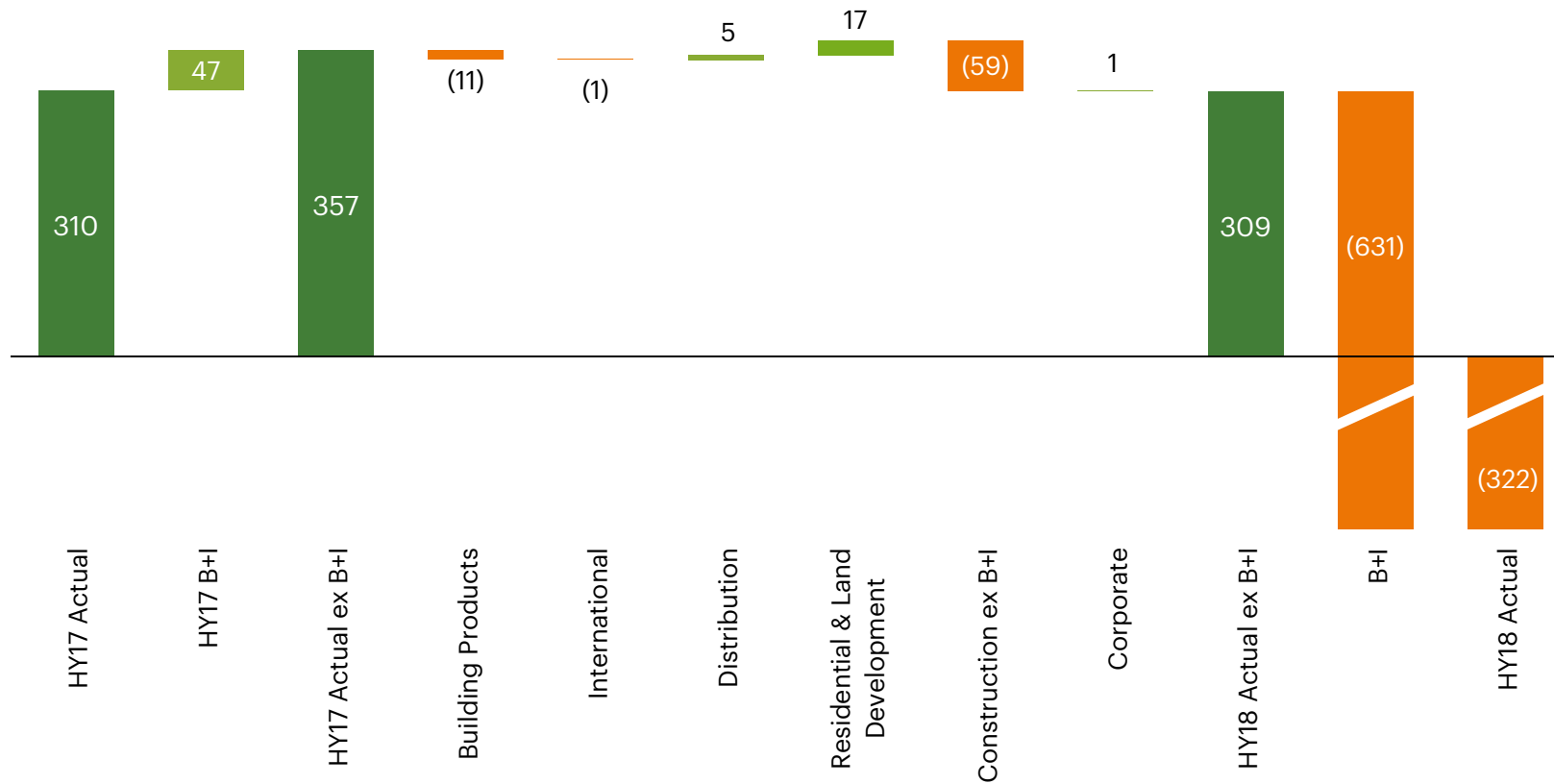


\* Number of injuries over the last 12 months rolling per million hours worked



# Divisional performances HY18 vs HY17 EBIT bridge

EBIT'  
NZ\$m



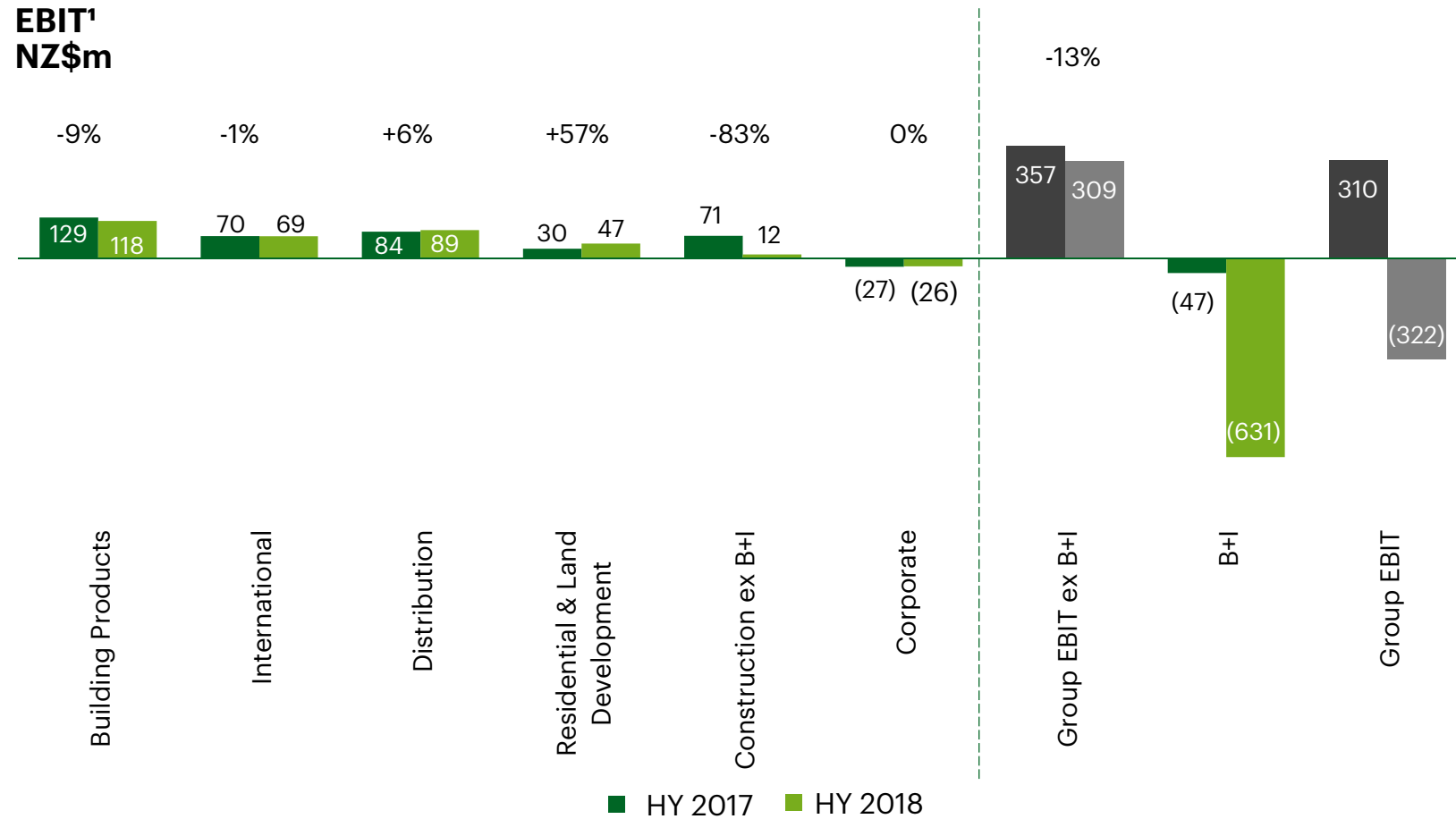
1. Before significant items





# Divisional performances

## Operating earning overview



1. Before significant items



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# Industry Context

Fletcher Building  
Half Year Results Presentation 2018



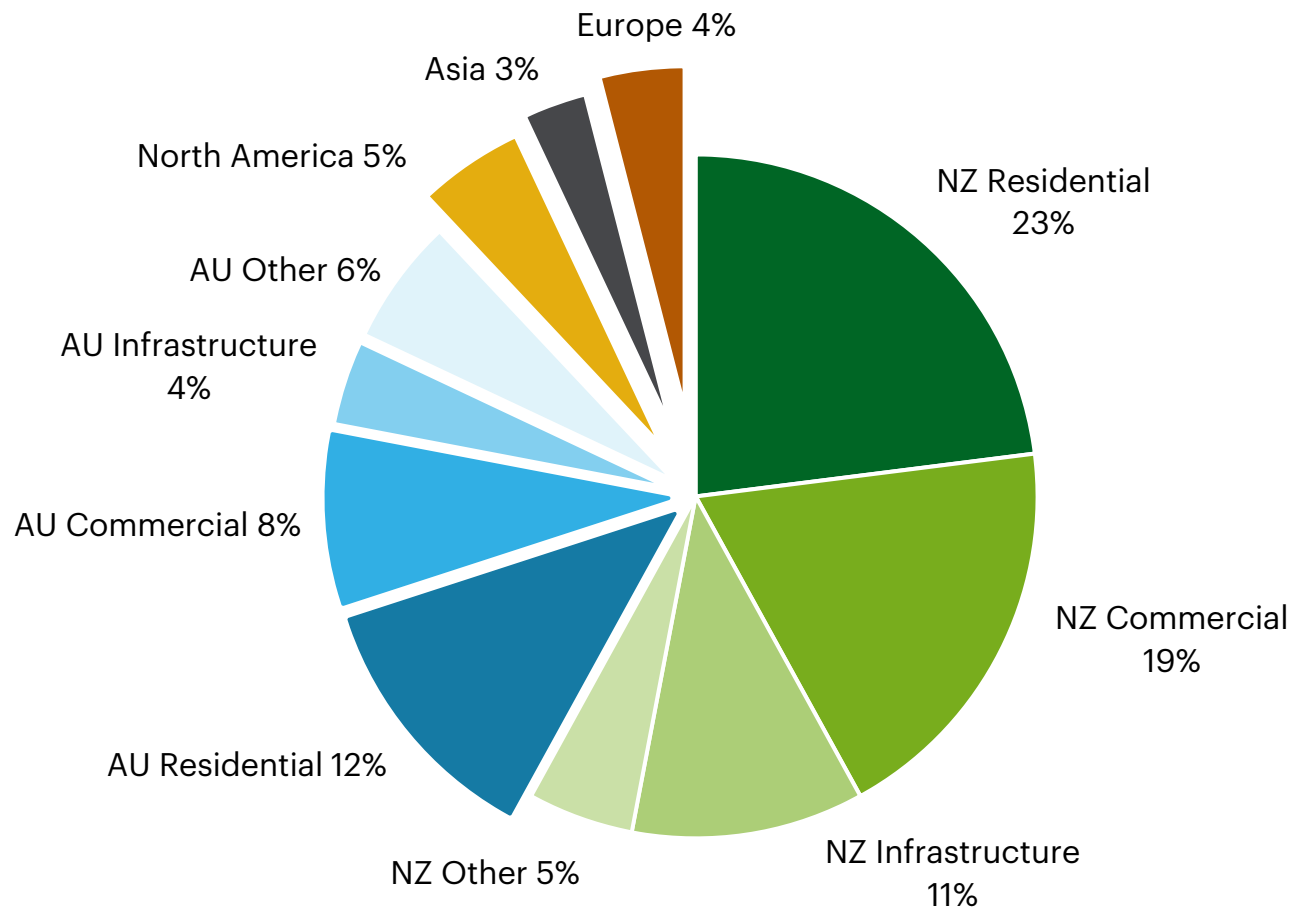
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# Industry context

## Revenue exposure to markets

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**Total Revenues by Market Exposure**

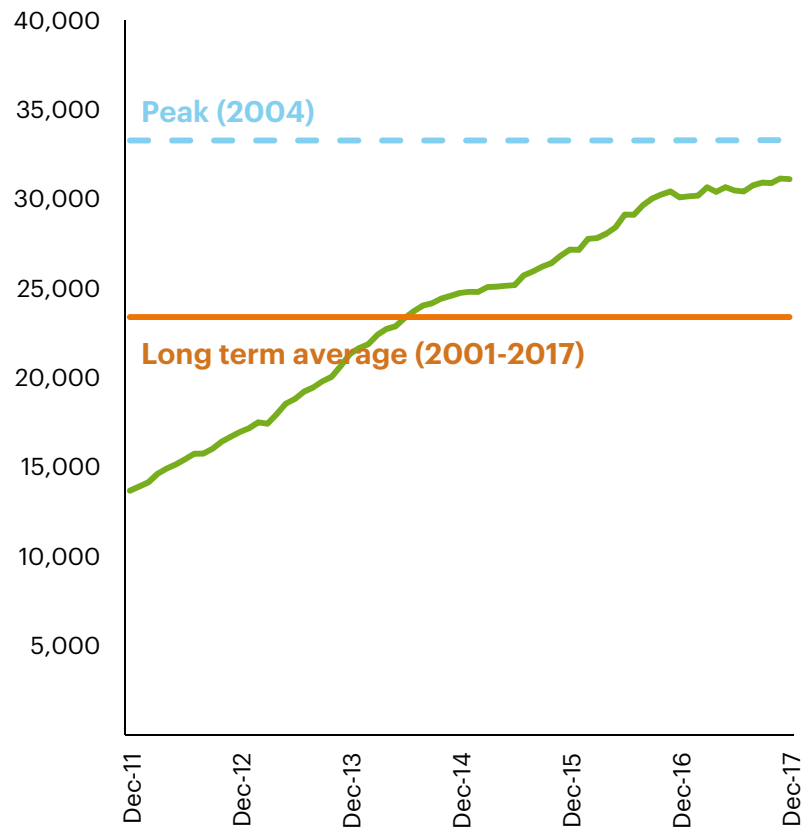


# Industry context

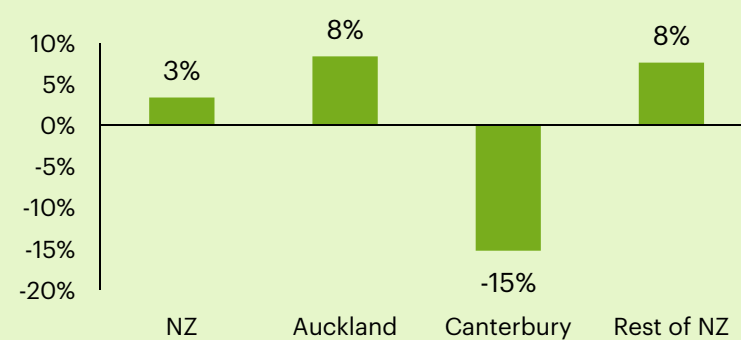
## NZ residential consents up 3%, supported by high net migration



**Total Residential Consents<sup>1</sup>**

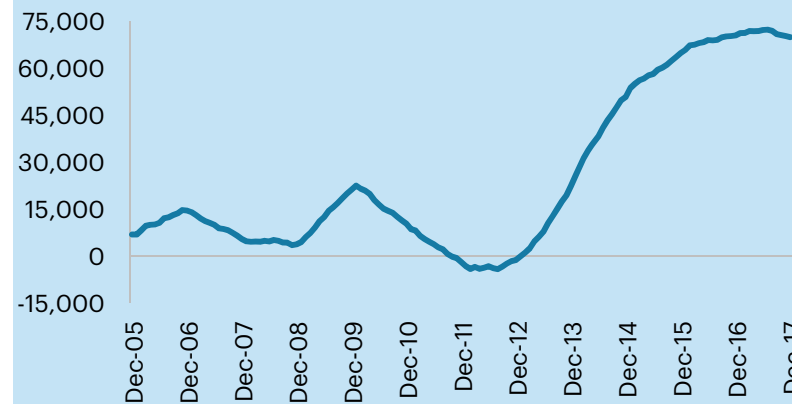


**Change Year on Year**



**Auckland represents 34% of all consents in the last 12 months to 31 December 2017**

**Net Migration Rolling 12 Month**

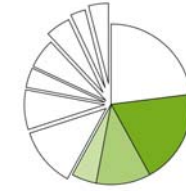


Source: Statistics NZ, Infometrics  
1 - Twelve months rolling

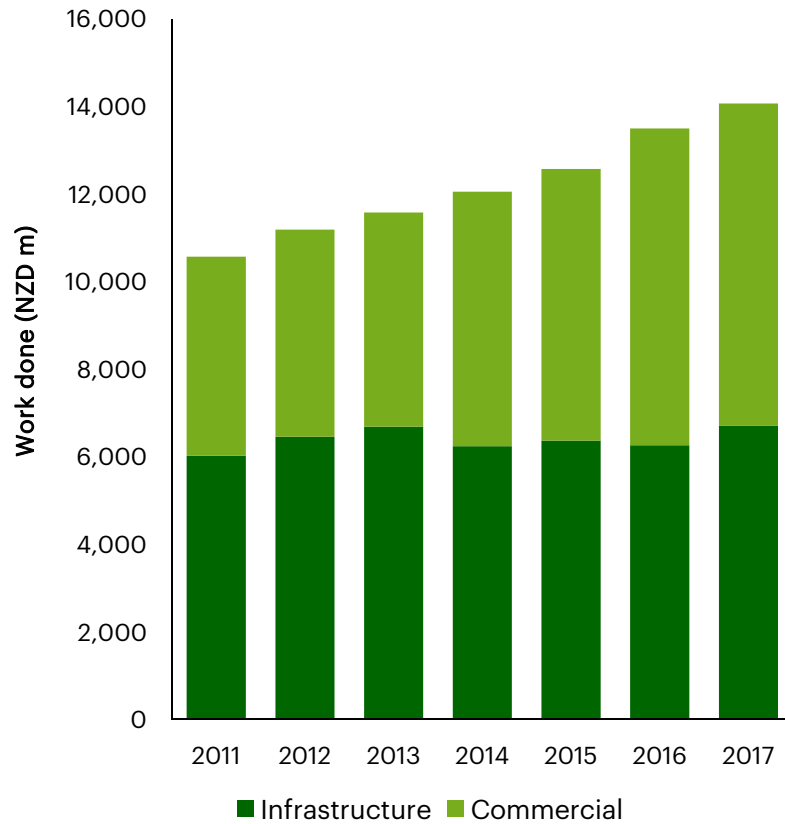


# Industry context

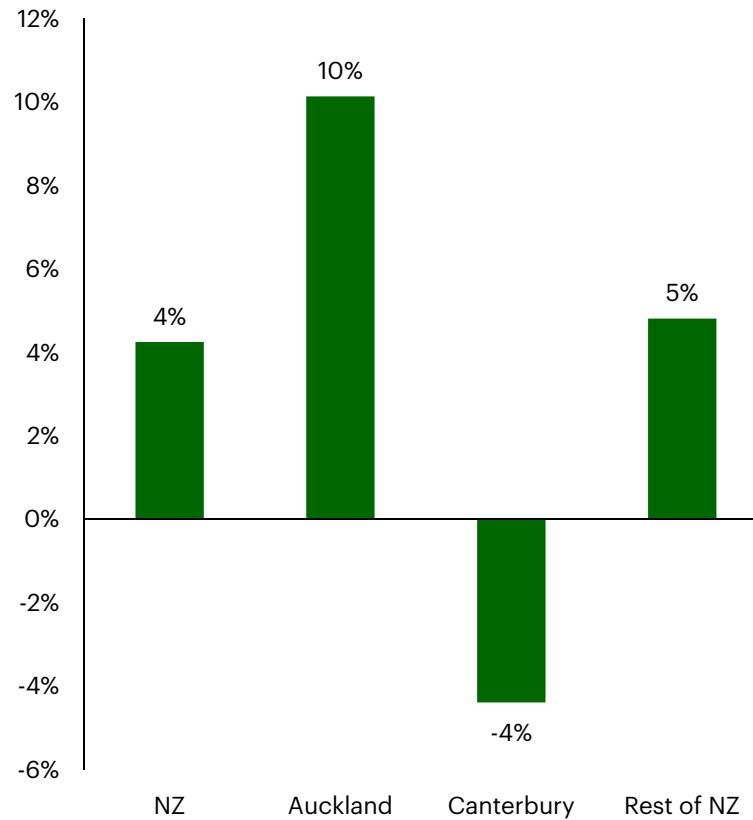
## NZ non-residential sector still showing year on year growth



NZ Infrastructure and Commercial Work



NZ Infrastructure and Commercial Work 2017 on 2016 Change



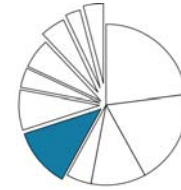
Source: Infometrics - Calendar years

Source: Infometrics - CY2017 growth yoy

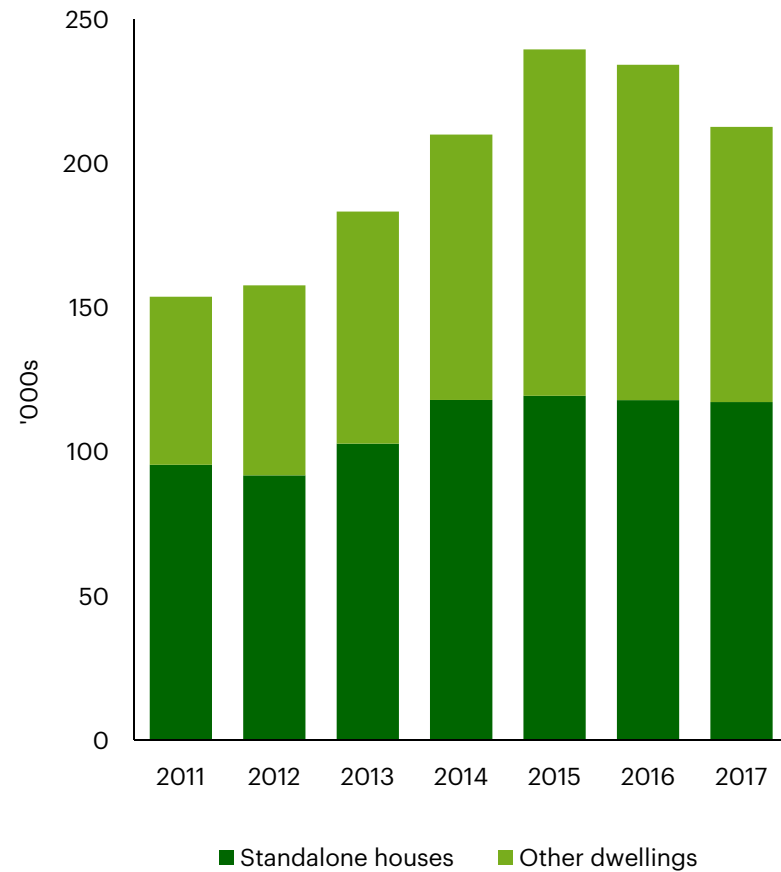


# Industry context

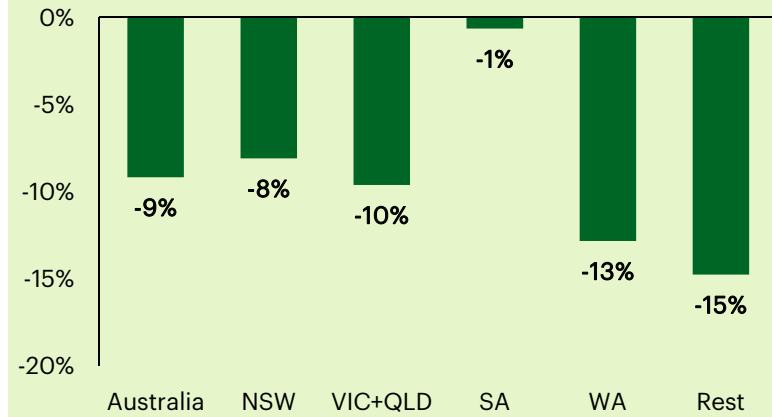
## Australian residential activity is declining



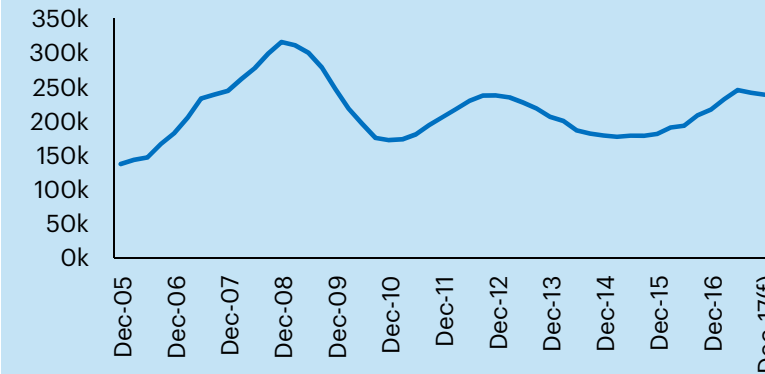
**Australian Residential Approvals**



**Change Year-on-Year**



**Net Migration 12 month rolling**



Source: BIS - Calendar years

Source: BIS - Calendar years

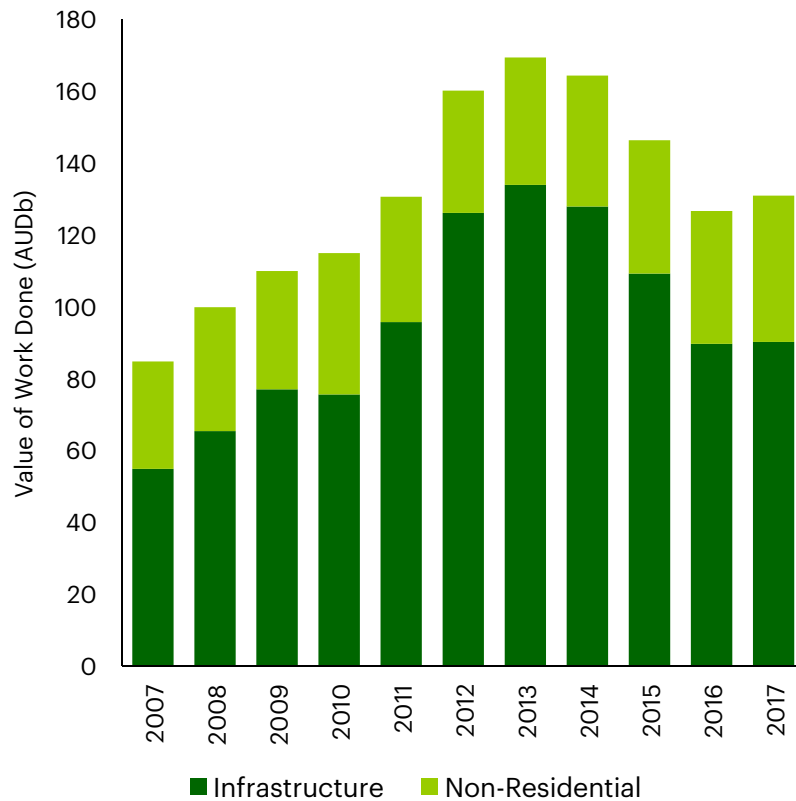


# Industry context

## Australia Infrastructure and Commercial work showed robust growth in all states but WA



**Australia Infrastructure and Commercial Work Put in Place**



**Australia Infrastructure and Commercial Work Change Year on Year**



Source: BIS Shrapnel – calendar years



# Industry context

## Formica core markets



Key Formica markets	UK	USA	China
Largest market exposure	Commercial c70% of total sales	Commercial c65% of total sales	Commercial c70% of total sales
Formica market share	20%	36%	36%
Average forecast GDP growth 2017-2022 <sup>1</sup>	1.6%	1.9%	6.3%

1. Source: IMF World Economic Outlook, October 2017





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# Divisional Performances

Fletcher Building  
Half Year Results Presentation 2018



# Building Products

## Result detail

NZ\$m	Dec 2016 6 months	Dec 2017 12 months	change
Gross revenue	1,108	1,250	13%
External revenue	859	1,000	16%
EBITDA <sup>1</sup>	167	160	(4)%
EBIT <sup>1</sup>	129	118	(9)%
<i>Concrete Pipes &amp; Products</i>	26	18	(31)%
<i>Cement &amp; Aggregates</i>	38	34	(11)%
<i>Building Materials</i>	53	46	(13)%
<i>Plastic Pipes</i>	7	11	57%
<i>Joint Ventures &amp; other</i>	5	9	80%
Trading Cashflow <sup>2</sup>	135	109	(19)%
Funds Employed	1,686	1,713	2%
EBITDA <sup>1</sup> /gross revenue %	15	13	(2)%
EBIT <sup>1</sup> /gross revenue %	12	9	(3)%
ROFE %	15	14	(1)%

1. Before significant items

2. Trading Cashflow is Operating Cashflow before net interest and cash tax

### Concrete Pipes and Products

- Ready mix concrete volumes increased 4% but masonry volumes fell 8%, operating earnings down 31%
- Costs resulting from a fire at Humes branch in Auckland reduced earnings by \$3m

### Cement and Aggregates

- NZ total cement volumes +5%, aggregates volumes +12%
- Operating earnings -11% due to increased cement supply chain costs plus overstripping costs in quarries

### Building Materials

- Plasterboard volumes consistent with last year
- Reduced EBIT due to higher supply chain costs

### Plastic Pipes

- Iplex AU and NZ both reported increased sales volumes and increased operating earnings by 57%

### New Zealand

- Building Products revenue was up +12% half-on-half as volumes and prices increased
- EBIT down due to additional costs incurred to alleviate capacity constraints and support future volumes

### Australia

- Building Products revenue was up +10% in local currency as a result of continued momentum in business turnarounds and robust eastern seaboard markets



# Building Products Market Outlook

## Outlook Comments

- Continued revenue growth across NZ
- Increase in Australian based earnings due to operational improvement in Iplex Australia
- Continued margin pressure from increased input costs such as resins and electricity
- Investment in supply chain restructuring and removal of capacity constraints

## Divisional Exposure

	Resi	Com	Infra	Other	Total
NZ Building Products	40%	26%	20%	14%	100%
Australia Building Products	23%	6%	54%	17%	100%

## Market Outlook 12 months

	Resi	Com	Infra
NZ Building Products	Low growth	Flat	Growth
Australia Building Products	Flat	Flat	Low growth



# International Result detail

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	change
Gross revenue	1,005	1,045	4%
External revenue	997	1,034	4%
EBITDA	104	104	0%
EBIT	70	69	(1)%
<i>Formica</i>	34	42	24%
<i>Laminex</i>	45	43	(4)%
<i>Roof Tile Group</i>	2	(4)	NM
Trading Cashflow <sup>1</sup>	27	76	181%
Funds Employed	1,948	2,055	5%
EBITDA/gross revenue %	10	10	0%
EBIT/gross revenue %	7	7	0%
ROFE %	7	7	0%

## Formica

- Formica businesses grew operating earnings +24% driven by strong sales momentum in Asia
- North America revenue +3%, EBIT +4% driven by improved sales mix
- Asia revenue in domestic currencies up 11% due to increased activity levels in key markets, operating earnings up 28%
- Europe revenue +4% driven by improvement in UK, Spain and Germany; operating earnings flat

## Laminex

- Laminex revenue was up +4% while operating earnings -4% due to increased input costs not being fully recovered

## Roof Tile Group

- Revenue -17% half-on-half due to decline in Africa and Japan sales, operating earnings went from gain of \$2m to loss of \$4m

1. Trading Cashflow is Operating Cashflow before net interest and cash tax, NM = Not Meaningful



# International Market Outlook

## Outlook Comments

- Expect Laminex NZ and Australia to benefit from low top line growth
- Threat of imported competing products and mix of growth by state in Australia
- Pressure on Laminex NZ and Australia margins due to higher input costs and shift in product mix
- Steady revenue and earnings growth in Formica's North American and Asian businesses based on:
  - Exposure to a robust US commercial sector;
  - Strong activity levels in China, and
  - Continued operational improvements

\* Excludes Roof Tile Group

## Divisional Exposure\*

	Resi	Com	Infra	Other	Total
NZ	70%	30%	0%	0%	100%
Australia	30%	25%	0%	45%	100%
Formica N/America	35%	65%	0%	0%	100%
Formica Asia	16%	61%	0%	23%	100%
Formica Europe	20%	74%	0%	6%	100%

## Market Outlook 12 months

	Outlook
NZ	Low growth
Australia	Flat
North America	Low growth
Asia	Growth
Europe	Low growth



# Distribution Result detail

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	change
Gross revenue	1,644	1,757	7%
External revenue	1,559	1,665	7%
EBITDA	96	104	8%
EBIT	84	89	6%
<i>NZ Building Supplies</i>	47	49	4%
<i>NZ Steel Distribution</i>	25	23	(8)%
<i>AU Building Supplies</i>	2	4	100%
<i>AU Steel Distribution</i>	10	13	30%
Trading Cashflow <sup>1</sup>	62	87	40%
Funds Employed	1,039	983	(5)%
EBITDA/gross revenue %	6	6	0%
EBIT/gross revenue %	5	5	0%
ROFE %	16	18	2%

1. Trading Cashflow is Operating Cashflow before net interest and cash tax

## New Zealand Building Supplies

- Gross revenue and operating earnings both +4%
- Growth in all regions except Christchurch
- Placemakers improving penetration of key new markets
- Mico growing ahead of market – new store openings

## New Zealand Steel Distribution

- Gross revenue +12%
- Good momentum in roofing, share gains in Easysteel
- Acquisition of Calder Stewart Roofing in April 2017

## Australia Building Supplies

- Tradelink revenue +6% in local currency, above market growth, 17 new stores planned for FY18

## Australia Steel Distribution

- Strong performance reflects benefit of Stramit's customer value proposition



# Distribution Market Outlook

## Outlook Comments

- Continued growth in NZ based revenues given maintained levels of activity in residential and commercial building sectors
- Modest growth in NZ distribution earnings due to improvement in Placemakers and Mico
- In Australia earnings of Tasman Sinkware and Tradelink are expected to improve compared to FY17.

## Divisional Exposure

	Resi	Com	Infra	Other	Total
NZ Distn	58%	25%	3%	14%	100%
Australia Distn	53%	37%	0%	10%	100%

## Market Outlook 12 months

	Resi	Com	Infra
NZ Distn	Low growth	Flat	Growth
Australia Distn	Flat	Flat	Low growth



# Residential and Land Development Result detail

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	change
Gross revenue	163	236	45%
External revenue	163	236	45%
EBITDA	30	47	57%
EBIT	30	47	57%
<i>NZ Residential</i>	25	30	20%
<i>Land Development</i>	5	17	NM
Trading Cashflow <sup>1</sup>	(93)	51	NM
Funds Employed	477	562	18%
EBITDA/gross revenue %	18	20	2%
EBIT/gross revenue %	18	20	2%
ROFE %	13	17	4%

## NZ Residential

- Housing sales (incl. sections) totalled 342 in H1 18, up from 188 in H1 17.
- Residential earnings were impacted by an \$12m provision for a forecast loss on the Atlas Quarter apartment project in Christchurch
- Excluding this loss, residential earnings were up 68% half-on-half

## Land Development

- Increased earnings due to sale of two development locations in Australia and one in NZ
- Still on track to deliver \$25m of EBIT per annum over next 5 years

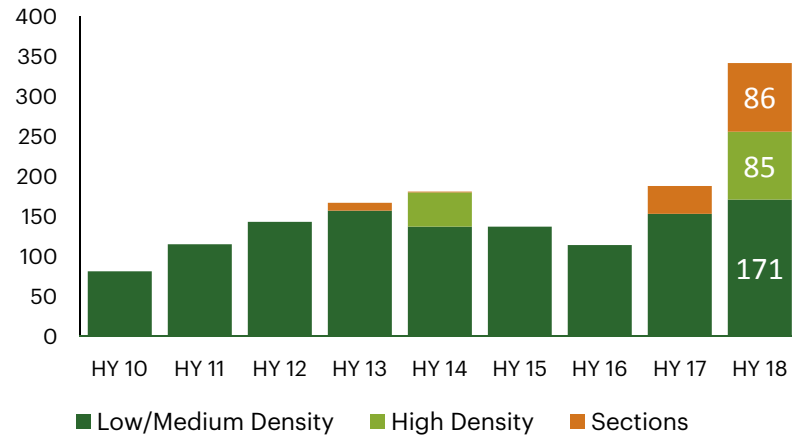
1. Trading Cashflow is Operating Cashflow before net interest and cash tax





# New Zealand Residential Performance and trends

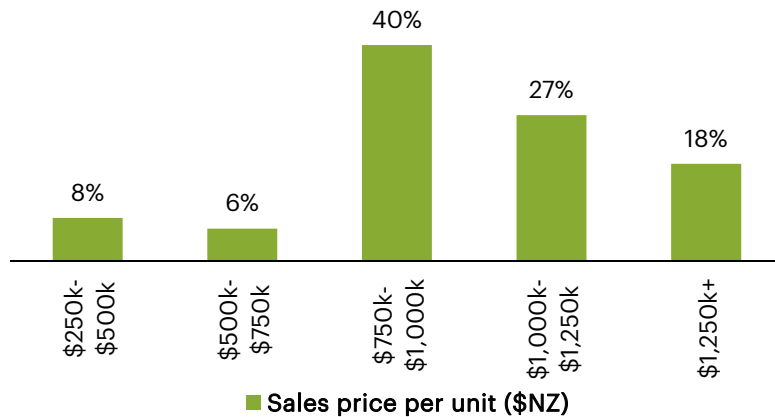
**Residential units sold**



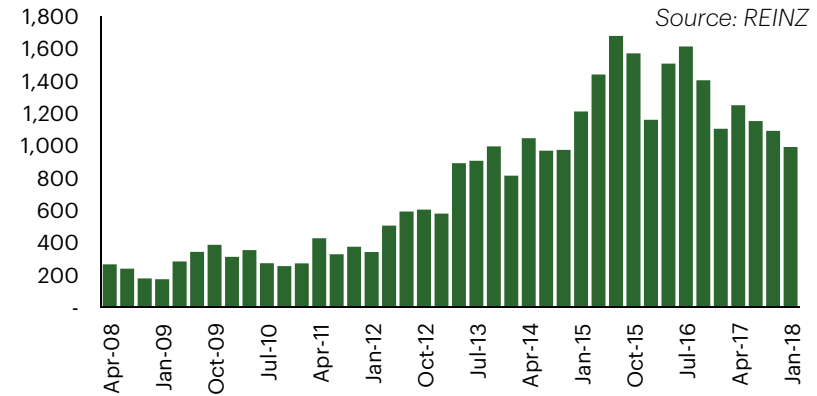
**Contributions to average HY2018 Fletcher Living margins**



**Distribution of sales prices for HY18 residential sales**



**Sales of Auckland houses in \$800k - \$1m price band**



# Residential and Land Development Market Outlook

## Outlook Comments

- Auckland housing market has seen softer pricing year to date with still some risk to prices for remainder of year
- Residential earnings for FY18 are expected to be similar to the prior year
- Strength in Auckland standalone housing margins will contrast weaker margins of section sales and Christchurch volumes
- Land Development earnings are expected to be lower than in FY17 due to fewer projects coming to market in H2 and risk around regulatory approvals for planned sales

## Divisional Exposure of Revenue

	Low density	High density
Auckland	50%	15%
Christchurch	25%	10%

## Demand Outlook 12 months

	Low density	High density
Auckland	Low growth	Flat
Christchurch	Flat	Flat



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# Construction

## Recap of February 14 trading update

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### Summary of comments

- Projected B+I FY18 EBIT loss of \$660m
- Refocus B+I on delivery of remaining projects
- Cease bidding for all new vertical construction work in NZ
- All current B+I projects targeted to be delivered by end of 2019



# Construction Result detail

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	change
Gross Revenue	1,150	1,001	(13)%
External Revenue	1,035	954	(8)%
EBITDA	35	(608)	NM
EBIT	24	(619)	NM
<i>Infrastructure &amp; Higgins NZ</i>	47	11	(77)%
<i>B+I</i>	(47)	(631)	NM
<i>Construction South Pacific</i>	23	10	(57)%
Trading Cashflow <sup>1</sup>	(74)	(115)	(55)%
Funds Employed	366	(330)	NM
EBITDA/gross revenue %	3	(61)	NM
EBIT/gross revenue %	2	(62)	NM

1. Trading Cashflow is Operating Cashflow before net interest and cash tax

## Infrastructure & Higgins NZ

- Infrastructure continued strong activity levels but profit reduced due to timing of two key projects
- Higgins and Infrastructure benefited from Kaikoura earthquake rebuild

## B+I

- Operating loss of \$631m compared to \$47m in HY17
- Reflects provisioning taken in October and December 17

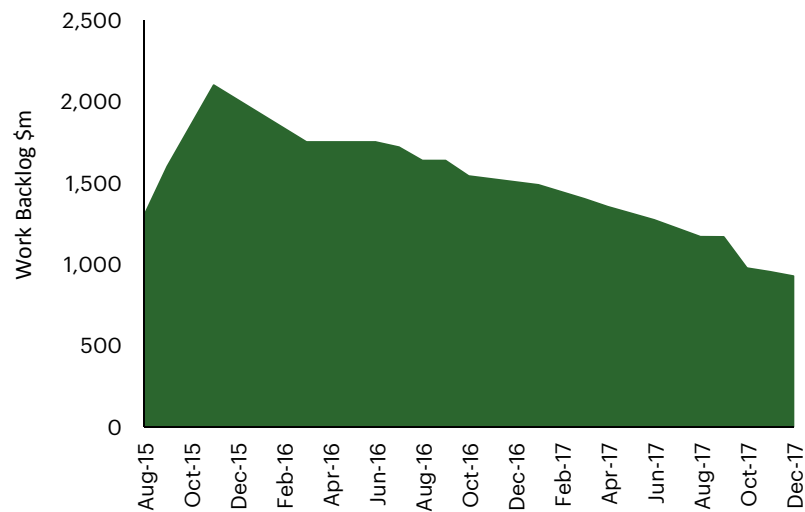
## South Pacific

- Operating earnings of \$10m compared to \$23m in HY17 due to timing of work completed



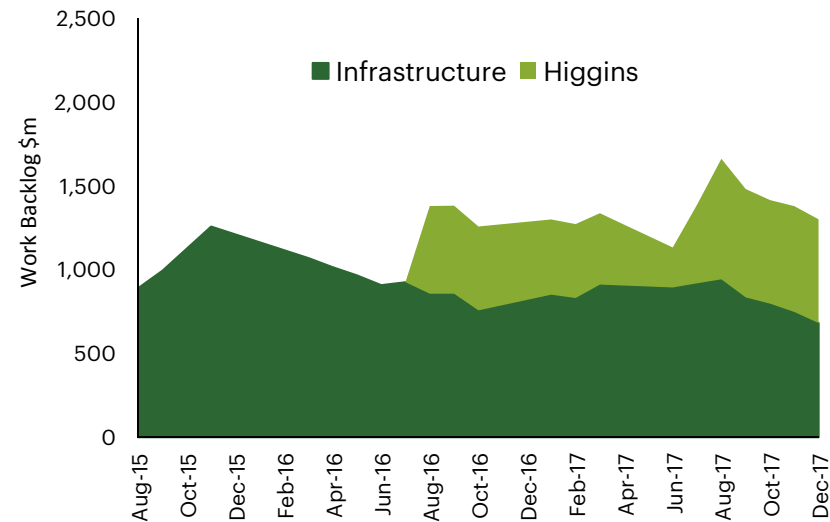
# Construction Backlog

**B+I Backlog**



- Backlog reducing as work is completed and not replaced by any significant new projects won

**Higgins and Infrastructure Backlog**



- Higgins benefited from additional work won on Kaikoura rebuild, plus new work in Waikato and Manawatu
- Infrastructure backlog dominated by Hamilton Expressway, Puhoi to Warkworth and Peka Peka to Otaki



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# Financial Results

Fletcher Building  
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## Key financial results & ratios

NZ\$m	Group		Change \$m	Group Excl. B+I		Change \$m
	Dec 2016 6 months	Dec 2017 6 months		Dec 2016 6 months	Dec 2017 6 months	
Revenue	4,613	4,889	276	4,069	4,390	321
Operating earnings before significant items	310	(322)	(632)	357	309	(48)
Trading cashflow <sup>1</sup>	56	202	146	152	335	183
Cashflow from operating activities	(67)	110	177	29	243	214
ROFE <sup>2</sup> (%)	13.2%	(1.9)%		13.8%	13.6%	
Net Debt/EBITDA <sup>3</sup> (x)	2.2x	20.4x		2.2x	2.2x	

1. Trading cashflow = cashflow from operating activities before interest and cash tax

2. Return on Funds Employed pre significant items, rolling 12 months

3. Rolling 12 months. Ratio for the group excluding B+I excludes B+I result from EBITDA only



# Financial results

## Profit & Loss

NZ\$m (except Operating Margin & EPS)	Reported Results		Change \$m
	Dec 2016 6 months	Dec 2017 6 months	
Revenue	4,613	4,889	276
Operating earnings before significant items	310	(322)	(632)
Operating margin %	6.7%	(6.6)%	NM
Significant items	(16)	-	16
Operating earnings (EBIT)	294	(322)	(616)
Funding costs	(52)	(63)	(11)
Tax	(61)	117	178
Non-controlling interests	(5)	(5)	0
Net earnings	176	(273)	(449)
Net earnings before significant items	187	(273)	(460)
Earnings per share before significant items (EPS – cents)	27.0	(39.2)	NM





# Financial results

## Operating cash flow

NZ\$m	Dec 2016 6 months	Dec 2017 6 months	Change \$m
Operating earnings before significant items	310	(322)	(632)
Depreciation and amortisation	102	110	8
Provisions, cash impact of significant items and other	(43)	(17)	26
<b>Trading cashflow before working capital movements</b>	<b>369</b>	<b>(229)</b>	<b>(598)</b>
Working capital movements – construction contracts	(99)	502	601
Working capital movements – other	(214)	(71)	143
<b>Trading cashflow</b>	<b>56</b>	<b>202</b>	<b>146</b>
Less cash tax paid	(69)	(30)	39
Less interest paid	(54)	(62)	(8)
<b>Cash flows from operating activities</b>	<b>(67)</b>	<b>110</b>	<b>177</b>
<b>Free Cash Flow<sup>1</sup></b>	<b>(445)</b>	<b>56</b>	<b>501</b>

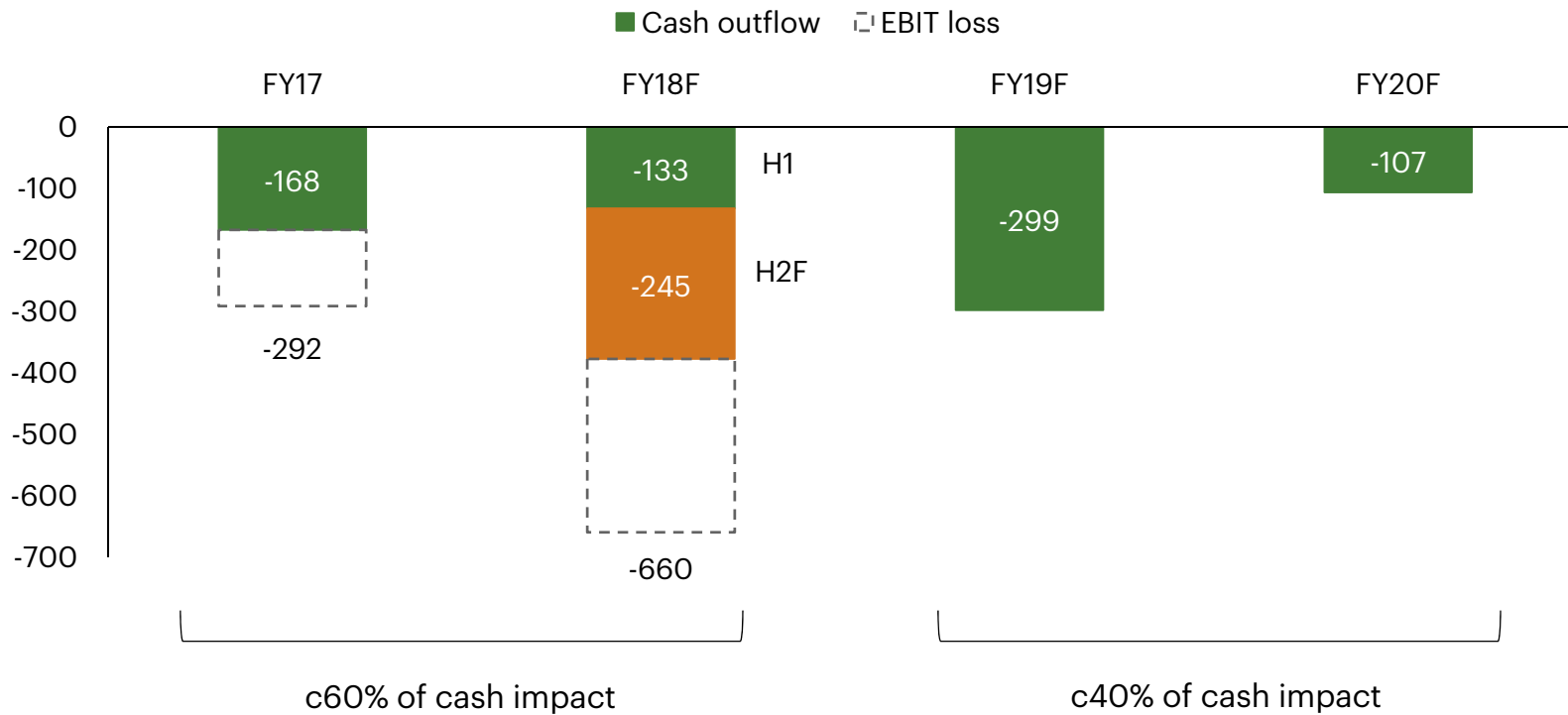
1. Free Cash Flow is cashflow from operating activities excluding interest paid, less capital expenditure, less acquisitions, plus divestment proceeds



# Financial results

## Cash impact of B+I losses

Cash flow impact of FY17 and FY18 B+I forecast losses  
 NZ\$m



# Financial results

## Working capital movements

Net inflow from/(investment in) working capital NZ\$m	Dec 2016 6 months	Dec 2017 6 months	Change \$m
Building Products	(21)	(39)	(18)
International	(56)	(21)	35
Distribution	(35)	(18)	17
Residential & Land Development	(121)	3	124
Construction	(102)	491	593
Other	22	15	(7)
<b>Total Working Capital Movements</b>	<b>(313)</b>	<b>431</b>	<b>744</b>



# Financial results

## Working capital metrics

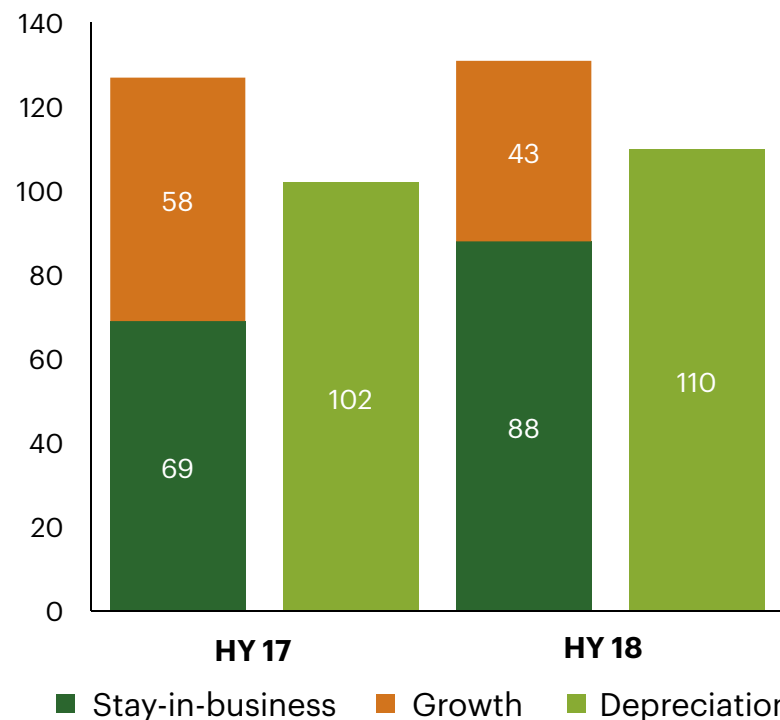
Key working capital metrics	Debtor Days			Inventory Days		
	As at Dec 2016	As at Dec 2017	Change (days)	As at Dec 2016	As at Dec 2017	Change (days)
Building Products	39	36	(3)	66	67	+1
International	50	48	(2)	112	108	(4)
Distribution	41	41	-	64	66	+2
<b>Group Total</b>	<b>43</b>	<b>42</b>	<b>(1)</b>	<b>77</b>	<b>77</b>	<b>-</b>



# Financial results

## Increases in both capex and depreciation

NZ\$m



NZ\$m	Dec 2016 6 months	Dec 2017 6 months	change
Stay-in-business	69	88	28%
Growth	58	43	(26)%
<b>Total Capex</b>	127	131	3%
<b>Acquisitions</b>	305	-	NM
<b>Depreciation/ Amortisation</b>	102	110	8%

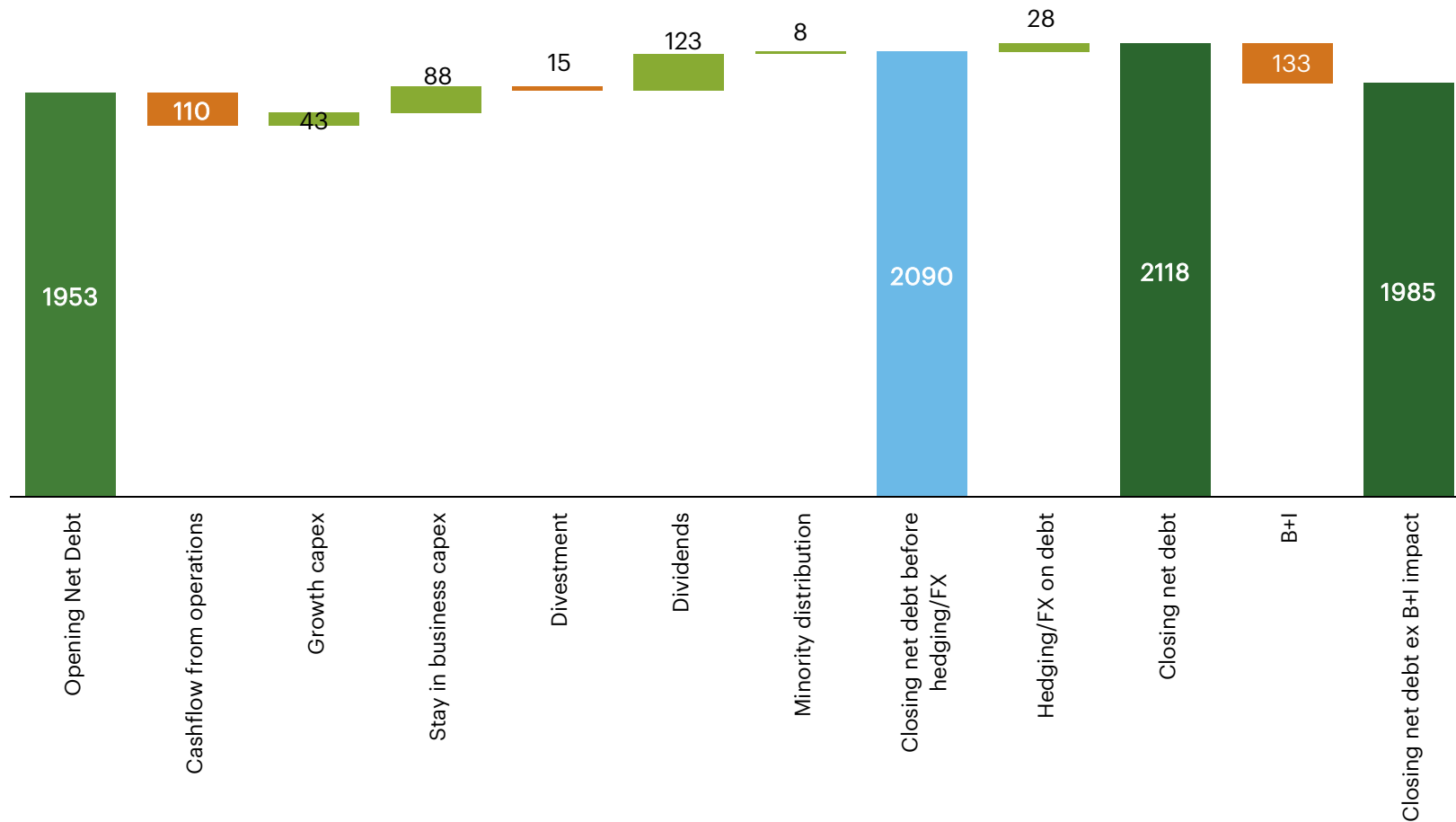
- FY18 capex expected to be in the range of \$275m - \$325m
- FY18 depreciation & amortisation is expected to be at lower end of the range of \$225m - \$245m



## Financial results

# Net debt higher primarily due to cash impact of B+I losses

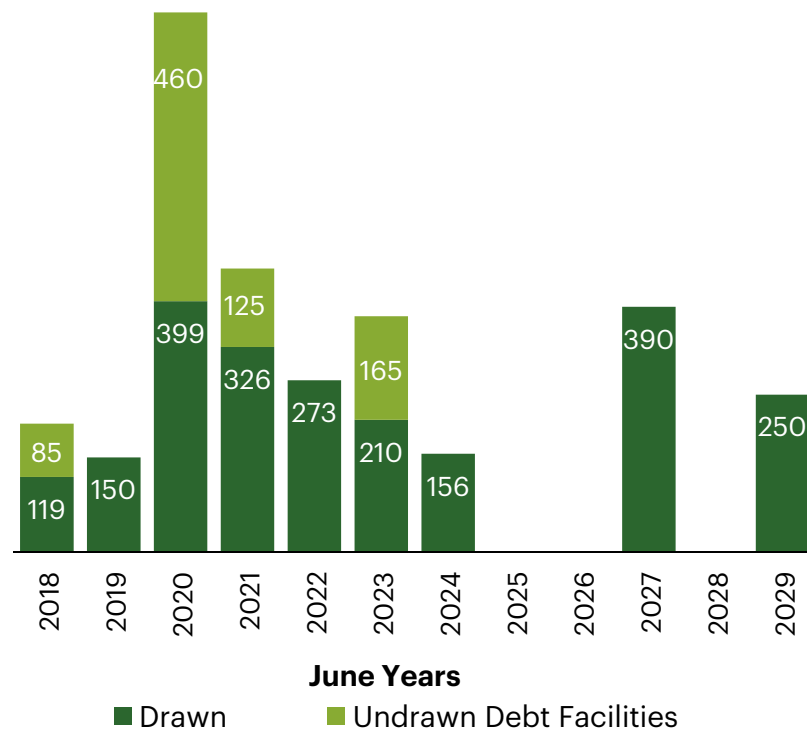
NZ\$m



# Financial results

## Debt maturity profile

### Funding and Maturity Profile 31 December 2017



Debt maturity profile prior to covenant breach

Undrawn credit lines of \$835m and cash of \$190m

Average maturity of debt facilities is 4.2 years

Approximately 50% of all borrowings have fixed interest rates

Average interest rate on debt is 4.97%

Mix of currency (hedged)

- NZ\$ 53%
- AU\$ 30%
- US\$ 10%
- Other 7%

Headroom is stated assuming continuing access to borrowing facilities in place prior to covenant breach



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# Financial results

## Update on discussions with lenders

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### Commercial Banking Syndicate

- Waiver of breach received
- Commitment to provide continued access to funding facilities
- New covenant terms targeted to be agreed by end of March 2018

### USPP

- Discussions underway with USPP holders
- New covenant terms targeted to be agreed by end of March 2018



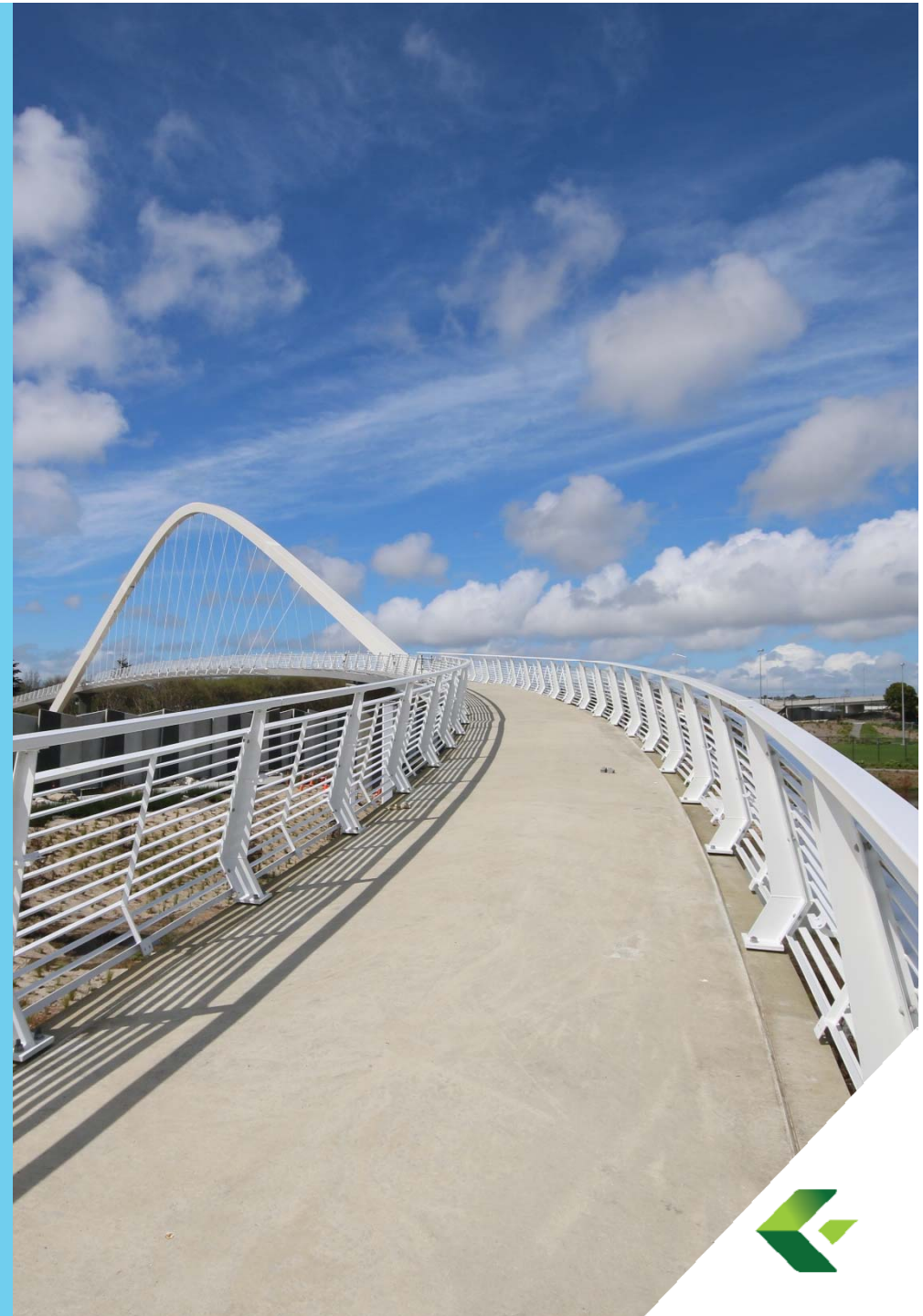


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# Update on Strategic Review Process and Group Outlook

Fletcher Building  
Half Year Results Presentation 2018



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# Financial outlook FY18 and strategy timeline

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## FY18 guidance and outlook:

- For the Group excluding B+I we estimate FY18 EBIT excluding significant items to be in the range of \$680m – \$720m;
- B+I EBIT is expected to be a loss of \$660m
- H1/H2 proportional split of earnings to be broadly consistent with FY17

## Strategic Review Process:

- Presentation on the Group Strategy, Portfolio mix, and go forward plans in June 2018

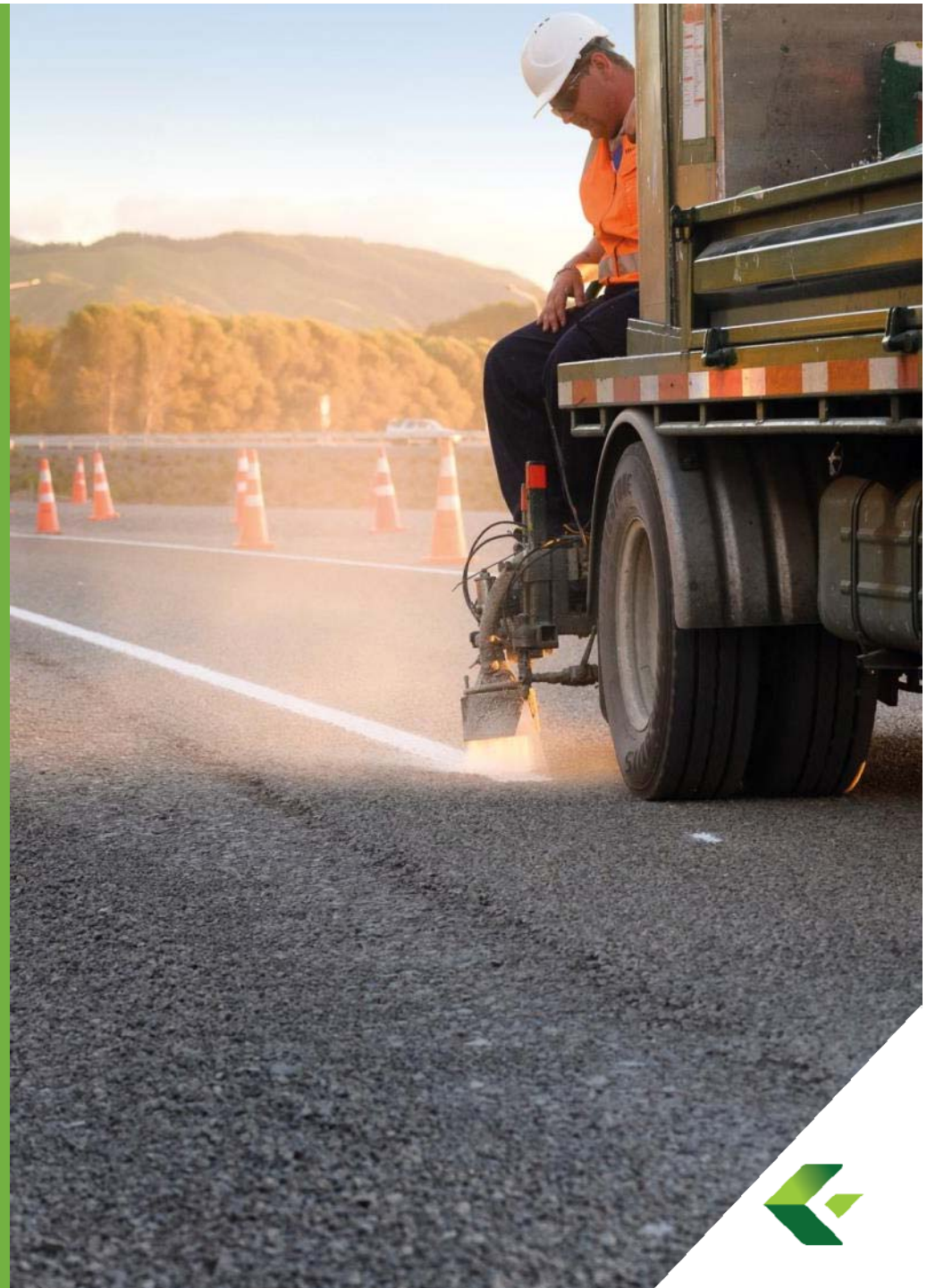


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# Appendix

Fletcher Building  
Half Year Results Presentation 2018



# Industry Context

## Sectoral exposure, based on revenue

Geographical Exposure by Sector <sup>1</sup>	Residential (New + A&A)*	Commercial	Infrastructure	Other	TOTAL
New Zealand	9%	7%	3%	3%	22%
Australia	8%	4%	4%	6%	22%
Rest of World	4%	6%	0%	1%	11%
<b>Total Manufacturing</b>	<b>21%</b>	<b>17%</b>	<b>7%</b>	<b>10%</b>	<b>55%</b>
New Zealand	10%	3%	0%	1%	14%
Australia	4%	4%	0%	0%	8%
Rest of World	0%	0%	0%	0%	0%
<b>Total Distribution</b>	<b>14%</b>	<b>7%</b>	<b>0%</b>	<b>1%</b>	<b>22%</b>
New Zealand	4%	9%	8%	1%	22%
Australia	0%	0%	0%	0%	0%
Rest of World	0%	0%	1%	0%	1%
<b>Total Construction</b>	<b>4%</b>	<b>9%</b>	<b>9%</b>	<b>1%</b>	<b>23%</b>
New Zealand	23%	19%	11%	5%	58%
Australia	12%	8%	4%	6%	30%
Rest of World	4%	6%	1%	1%	12%
<b>Fletcher Building Total</b>	<b>39%</b>	<b>33%</b>	<b>16%</b>	<b>12%</b>	<b>100%</b>

1. Based on HY18 total revenue including internal sales. Excludes business sold or closed during the year \*A&A - Additions and Alterations



# Appendix

## Company structure

CEO: Ross Taylor				
Building Products: <i>Interim</i> – David Thomas	International: Francisco Irazusta	Distribution: Dean Fradgley	Residential & Land Development: Steve Evans	Construction: Michele Kernahan
<ul style="list-style-type: none"> <li>• GBCWinstone (NZ) including Higgins Aggregates</li> <li>• Firth (NZ)</li> <li>• Humes (NZ)</li> <li>• Rocla Pipelines (Aus)</li> <li>• Winstone Wallboards (NZ)</li> <li>• Tasman Insulation (NZ)</li> <li>• Fletcher Insulation (Aus)</li> <li>• Iplex New Zealand</li> <li>• Iplex Australia</li> <li>• Sims Pacific Metals (NZ - JV)</li> <li>• Altus (NZ - JV)</li> </ul>	<ul style="list-style-type: none"> <li>• Formica Asia</li> <li>• Formica Europe</li> <li>• Formica North America</li> <li>• Laminex New Zealand</li> <li>• Laminex Australia</li> <li>• Roof Tile Group (NZ; Africa; Asia; Europe; USA)</li> </ul>	<ul style="list-style-type: none"> <li>• PlaceMakers (NZ)</li> <li>• Mico (NZ)</li> <li>• NZ Steel Distribution (EasySteel, Pacific Coilcoaters, Fletcher Reinforcing)</li> <li>• Tradelink (Aus)</li> <li>• Stramit (Aus)</li> <li>• Tasman Sinkware (Aus)</li> </ul>	<ul style="list-style-type: none"> <li>• Fletcher Living (NZ)</li> <li>• Land Development</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure (NZ)</li> <li>• Fletcher EQR (NZ)</li> <li>• South Pacific</li> <li>• Higgins Contracting (NZ + Fiji)</li> <li>• Building + Interiors (NZ)</li> </ul>
<p><b>Supported by Fletcher Building Corporate Services:</b></p> <p>People and Communications – Claire Carroll, Interim 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>Legal and Secretarial – Charles Bolt, Group General Counsel and Company Secretary</p> <p>Procurement, Shared Services, Operations Excellence and Transformation - Lee Finney, Chief Transformation Officer</p>				



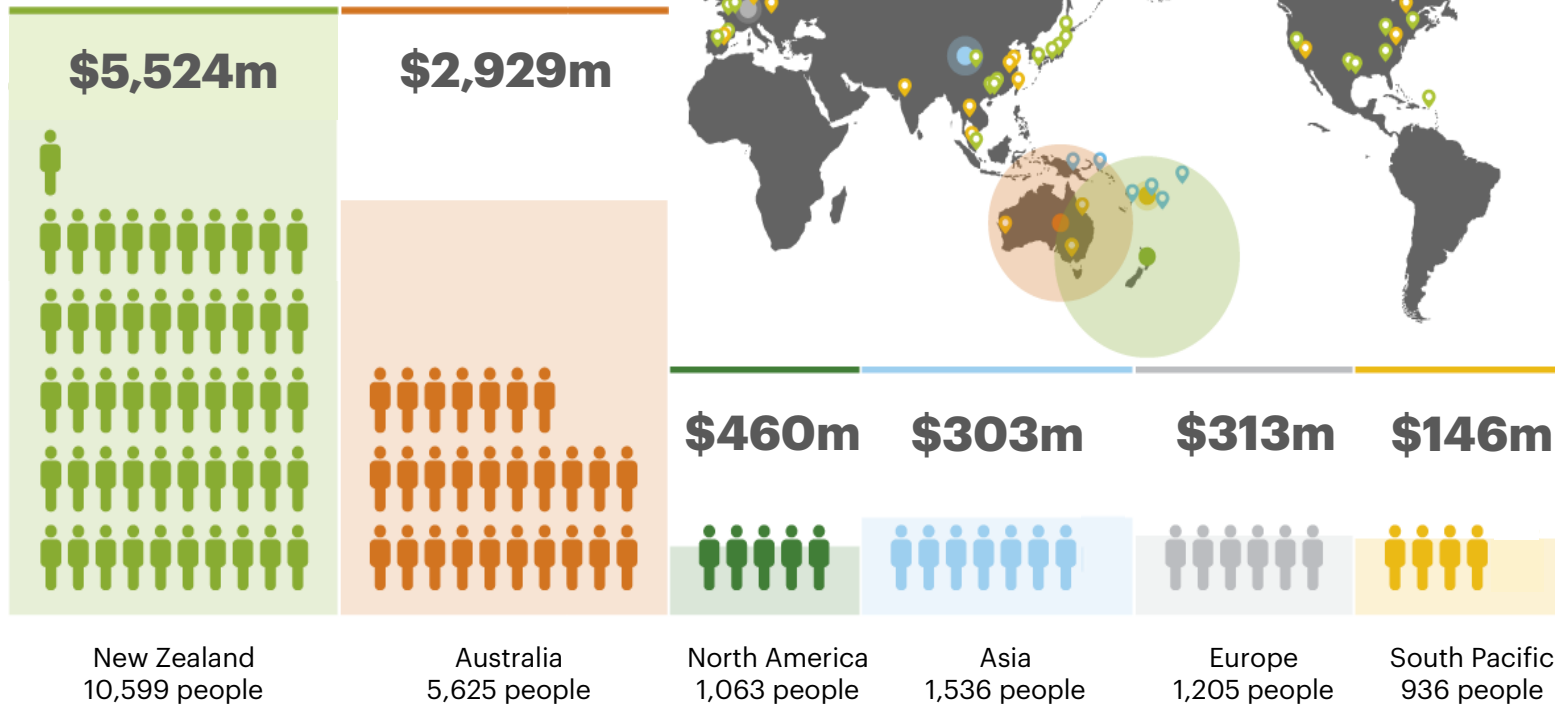
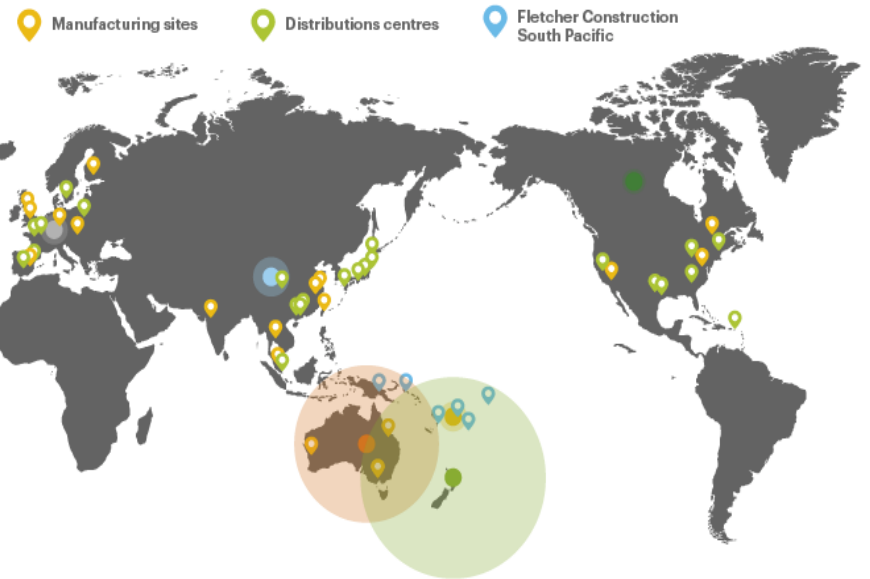
# Appendix

## Company overview

Revenue: \$9.7 billion  
 People: 20,964\*

 Full time worker equivalent  
 1 = 1% of total #

 External Revenue  
 Rolling 12mth to Dec17



78% of total workers are in Australasia

\*As at 31 December 2017





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PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

FLETCHER BUILDING LIMITED

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Results for announcement to the market

<b>Reporting period</b>	6 Months to 31 December 2017
<b>Previous reporting period</b>	6 Months to 31 December 2016

Half year ended 31 December 2017

	Amount NZ\$million	Percentage change
<b>Revenue from ordinary activities</b>	4,889	6%

<b>Profit from ordinary activities after tax attributable to security holders</b>	(273)	-255%
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<b>Net profit attributable to security holders</b>	(273)	-255%
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	Amount per security	Imputed amount per security
<b>Interim dividend</b>	Nil	Nil

<b>Record date</b>	N/A
<b>Dividend payment date</b>	N/A

<b>Comments</b>	Refer News Release
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**PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT**  
**For Half Year Ended 31 December 2017**

(referred to in this report as the "current year")

2.1. Preliminary half annual report on results for the half year ended 31 December 2017 (including the comparative results for the half year ended 31 December 2016) in accordance with Listing Rule 10.3

The amounts as presented have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZIFRS). They also comply with International Financial Reporting Standards. The amounts presented are based on unaudited accounts.

**2.3 (a) Statement of Financial Performance**

Refer to Financial Statements.

**2.3 (b) Statement of Financial Position**

Refer to Financial Statements.

**2.3 (c) Statement of Cash flows**

Refer to Financial Statements.

**2.3 (d) Dividends**

**Dividends recognised and paid**

There was no interim dividend declared for the 2018 financial year.

**Distributions recognised**

Final dividend for 2017 financial year on Ordinary shares

**Distributions paid**

Final dividend for 2017 financial year on Ordinary shares

\$NZ millions	NZ Cents per share
132	19
132	19

**2.3 (e) Dividend reinvestment plan**

N/A

**2.3 (f) Net Tangible Assets per security**

Net tangible assets per ordinary security (NZ\$)

Dec 2017	Dec 2016
2.20	2.65



**2.3 (g) Control of Entities gained or lost during year**

N/A

**2.3 (h) Associates and joint ventures**

Fletcher Building has an interest in the following principal associates / joint ventures:

Name of Associate / Joint Venture	Percentage of ownership interest (ordinary shares, units, etc)	
	Dec 2017	Dec 2016
Altus NZ Limited	50.0%	50.0%
Hexion Australia Pty Ltd	50.0%	50.0%
Sims Pacific Metals Limited	50.0%	50.0%
Wespine Industries Pty Limited	50.0%	50.0%
Dongwha Pattina NZ Limited	20.0%	20.0%