FletcherBuilding

News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FBU), AUSTRALIA (FBU).

FLETCHER BUILDING LIMITED
FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

Auckland, 12 August 2009 – Fletcher Building today announced its results for the year ended 30 June 2009. The group recorded net earnings after tax before unusual items of $314 million compared with $467 million in the previous year.

Operating earnings (earnings before interest, tax and unusual items) were $558 million compared with $768 million in the previous year. Cashflow from operations was up 23 percent to $533 million compared with $434 million in 2008.

As foreshadowed in April 2009, unusual items of $360 million were incurred, giving rise to a net loss after tax and minority interests and unusual items of $46 million. Unusual items comprised charges for restructuring and manufacturing capacity reduction initiatives, and the impairment of certain assets.

A final dividend of 14.0 cents per share will be paid on 15 October 2009, with partial New Zealand tax credits attached. The total dividend for the year is 38.0 cents per share.

The result reflected a strong performance from the Steel division, with operating earnings excluding unusual items up 52 percent on the prior year, while all other divisions recorded lower operating earnings than the prior year due to the slowdown in building activity across most markets. Property related earnings from the residential business, quarry end use activities, and surplus asset sales were $18 million compared with $80 million in the prior year.

Chief Executive Officer, Jonathan Ling said “this year has been about maximising our cash earnings during the recession, and restructuring the business so that we are strongly positioned for the economic recovery, when it comes.”

”Throughout the past year we have seen a marked deterioration in all of the major markets in which Fletcher Building operates. Given this, and our cautious outlook for building activity worldwide, we have undertaken a range of initiatives to appropriately scale our manufacturing capacity and restructured our operations to optimise earnings in the light of lower volumes. Together with the measures we undertook earlier this year to strengthen the balance sheet, and our strong operating cashflows, these initiatives have ensured that we are well positioned for the current economic conditions and to benefit as volumes grow over time”, Mr Ling said.

Results overview

- Total revenues stable at $7,103 million
- Operating earnings before unusual items of $558 million, down from $768 million
- Net earnings, excluding unusual items, of $314 million, down from $467 million
- Cashflow from operations up 23 percent to $533 million
- Final dividend of 14.0 cents per share with partial New Zealand tax credits giving a total dividend for the year of 38.0 cents per share
- Interest cover at 4.0 times
- Basic earnings per share excluding unusual items were 59.7 cents

For further information please contact:

Philip King
General Manager Investor Relations
Phone: + 64 9 525 9043
Mobile: + 64 27 444 0203

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FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

Directors today announced the financial results for the year ended 30 June 2009. A net loss after unusual items of $46 million was recorded, with unusual items of $360 million arising from restructuring and manufacturing capacity reduction initiatives, and the impairment of certain assets. Net earnings before unusual items were $314 million compared with $467 million in the 2008 year.

Operating earnings before unusual items decreased to $558 million, from $768 million in the 2008 year. Cashflow from operations was 23 percent higher than for 2008 at $533 million.

Results	**Sales**		**Operating Earnings**	
NZ$ Million **12 months ended**	**June 2009**	June 2008	**June 2009**	June 2008
Building Products	**771**	739	**106**	148
Distribution	**883**	1,083	**30**	73
Infrastructure	**1,903**	1,742	**185**	228
– Property	**149**	115	**18**	80
Laminates & Panels	**2,076**	2,132	**74**	141
Steel	**1,321**	1,279	**154**	101
Corporate	**0**	1	**(9)**	(3)
Total excluding unusual items	**7,103**	7,091	**558**	768
Funding costs			**(140)**	(136)
Earnings before taxation and unusual items			**418**	632
Taxation excluding unusual items			**(96)**	(150)
Earnings after tax before unusual items			**322**	482
Minority interests			**(8)**	(15)
Net earnings pre-unusual items			**314**	467
Unusual items after tax			**(360)**	0
Net earnings (loss) per published accounts			**(46)**	467

Sales were steady at $7.1 billion. Infrastructure experienced strong growth in construction activity during the year, more than offsetting weaker demand for cement and concrete products in New Zealand. Steel benefited from high prices and strong demand in the first half of the year, although steel prices and volumes eased in the second half. Businesses exposed to the New Zealand residential markets saw weaker sales, particularly Distribution and the plasterboard and panels businesses. Laminates sales were steady with a stronger performance in Asia offsetting weak European markets. Business performance in Australia was mixed, and there was a marked slowdown in activity in the second half due to weakness in the Queensland and Western Australian markets.

Directors approved a final dividend of 14.0 cents per share. The interim dividend was 24.0 cents, bringing the total dividend for the year to 38.0 cents per share, down from 48.5 cents in the previous year. The final dividend will be paid on 15 October 2009 and will carry partial New Zealand taxation credits.

Earnings per share excluding unusual items were 59.7 cents, compared with 93.2 cents in the previous year.

OPERATIONAL REVIEW

Building Products

Sales increased 4 percent to $771 million, but operating earnings excluding unusual items were down 28 percent to $106 million due to deteriorating residential housing markets, and higher input costs, particularly in relation to imported products as the New Zealand and Australian currencies weakened.

Operating earnings for the plasterboard business were down 36 per cent, reflecting the weak New Zealand residential construction market and increased input costs. Good pricing discipline, an improved sales mix in the core plasterboard product, and strong overhead cost control partly alleviated market impacts.

Operating earnings for the insulation business were up one percent due to a strong contribution from the Australian-based Baron Insulation business acquired at the beginning of the year, the effects of the government stimulus packages particularly in the final months of the year, and the access flooring systems operation. The New Zealand commercial insulation and ceiling and wall systems businesses performed well with robust demand through until the latter part of the year.

Operating earnings for the metal roof tile business were down 38 percent due to high steel costs, weak volumes in New Zealand, and a challenging competitive environment in Japan. These factors were partially offset by robust pricing, a strong sales performance in Africa, and a favourable exchange rate environment. The new Hungarian plant was commissioned during the latter months of the year and is operating to expectations. The 2007 oven fire at the United States plant disrupted operations until full commissioning of the new plant in October 2008. Insurance proceeds were received following settlement of the claim.

The Australian-based sinkware business experienced a 36 per cent decline in earnings due to lower demand in both its domestic and export markets. The aluminium business experienced a 38 percent reduction in earnings, due to reduced demand in the New Zealand residential market.

Distribution

Sales declined by 18 percent for the year due to the decline in residential building activity in New Zealand. Operating earnings excluding unusual items were 59 percent lower at $30 million with margins affected by competition and lower turnover.

The New Zealand building materials market continues to be significantly impacted by the decline in residential building consents which were 39 percent lower than the prior year.

The competitive landscape remained tight with negative impacts on pricing and margins. The shrinking residential market has seen movement into the trade segment by some competitors, but despite this, PlaceMakers maintained share in both the trade and serious DIY segments.

Significant operational improvements were attained in frame and truss manufacturing, with the implementation of a new regionally based plant in Christchurch to centralise production and improve productivity. This has allowed the closure of some smaller plants in the area. A similar consolidation process will be implemented in other centres.

The ratio of working capital to sales improved during the year, with strong inventory management achieving reduced stock levels despite increased shelf capacity in new stores.

Infrastructure

Sales for the year were up 11 percent due to significantly increased construction activity offset by lower concrete sales. Operating earnings excluding unusual items declined by $105 million to $203 million with the most significant component being the decline in earnings from property related activities to $18 million. Last year these activities, comprising the residential business, quarry end use, and surplus asset sales, earned $80 million.

Operating earnings from the cement business were $23 million lower, primarily due to reduced volumes and higher energy costs. New Zealand cement volumes were 14 percent lower than for the previous year. Export sales contributed to overhead recoveries but margins were low. Cement production volumes were 10 percent below last year. Prices were 4 percent above those for the previous year, but this was well short of the level required to cover increased production and distribution costs. The impact of cost increases – particularly for coal, diesel and electricity was substantial. The new port facilities in Auckland are on track for completion by the end of the 2009 calendar year.

Aggregates recorded lower operating earnings as reduced volumes of core products and competitive pressure on prices resulted in lower margins. Overall volumes were 17 percent lower than for the previous year. The business made significant progress in lowering its costs as the market deteriorated, but margins could not be maintained and overall earnings were 37 percent below the previous year.

Readymix and masonry operating earnings were 46 percent lower. Sales volumes of concrete were 12 percent below last year due to a significant decline in both residential and commercial construction activity. The impact of a softening in these markets was partly mitigated by strong demand from infrastructure work.

Competitive pressures and the impact of lower volumes could not be fully mitigated by the substantial cost reductions achieved during the year. Masonry volumes were 21 percent lower than the previous year despite the acquisition of the Stevenson masonry business in March 2009.

The concrete pipe market softened significantly in the second half of the year and precast concrete product sales did not continue the growth path seen in the first half, resulting in overall earnings being 32 percent below last year. Concrete product volumes (pipe and precast products) declined by 13 percent in the year. Overall margins were lower, due to mix, competitive pricing and slightly higher input costs.

In Australia, the pipeline and quarry businesses performed very well, recording combined operating earnings of $64 million compared with $59 million for the previous year. The pipeline products business experienced a substantial weakening in pipe sales in the second half of the year, but benefited from strong demand for non-pipe products to achieve a record result. The quarry business recorded improved results in all states and benefited from the acquisition of a second quarry in Victoria.

Construction's operating earnings were $43 million compared to $39 million in the previous year. The record backlog of the previous year declined by $200 million to $1.1 billion at June 2009 as multi-year projects were progressively delivered and fewer major contracts were secured in the financial year. However in early July 2009 Fletcher Construction, as part of a consortium, was named as the preferred contractor for the Victoria Park Tunnel contract in Auckland and if this were to be included, the backlog would be $1.4 billion.

Major contracts awarded in the year included the Auckland Medical School ($150 million) and the University of Waikato Student Centre ($24 million). The South Pacific operations performed well, particularly in Papua New Guinea.

Earnings from property related activities declined significantly. Earnings from Fletcher Residential declined by $7 million to $11 million due to a drop in margins. Demand in Auckland improved in the latter part of the year from very sluggish levels and further housing starts are being accelerated. Property sales earned $7 million compared to $62 million last year. Earnings from property sales are not expected to be significant in 2010.

Laminates & Panels

Operating earnings excluding unusual items for Laminates & Panels were $74 million, compared with $141 million in the previous year on 3 percent lower sales of $2,076 million.

Laminex's operating earnings were $56 million compared with $125 million in the prior year. Market conditions in Australasia were tough with a number of factors negatively impacting earnings. Volumes were down on the prior year in both Australia and particularly New Zealand due to the slowdown in both economies,

although market shares were maintained. Significant cost increases were also incurred on the purchase of resins which coupled with weaker Australian and New Zealand currencies negatively impacted earnings, notwithstanding two price increases being implemented. In the final quarter of the year resin prices reduced and both the Australian and New Zealand currencies recovered ground against the US dollar.

Due to reduced demand and over-capacity in the industry Laminex announced the closure of two manufacturing facilities in June 2009 being the medium density fibreboard ("MDF") plant in Welshpool in Western Australia and the particleboard facility at Kumeu in Auckland. These restructurings will allow Laminex to optimise its operations by rationalising its manufacturing footprint, reduce costs and better align capacity with domestic demand without impacting the supply or distribution of product to domestic customers.

In addition to these price increases and plant closures a number of other cost saving initiatives were delivered during the year, with the headcount reducing by around 15 percent from the prior year.

Approximately one third of the Australasian high pressure laminate (HPL) requirements is being sourced from the plant in China which was a key synergy identified in the acquisition of Formica.

Formica Corporation's operating earnings before unusual items for the year were $18 million, up 11 percent on the prior year. Sales in domestic currencies in which Formica operates were down by 14 percent although the weakening of the NZ dollar resulted in overall sales being flat year on year. Sales performance reflected the weak US economy and the rapid and significant deterioration in demand in Europe.

Formica Asia recorded another year of solid growth in revenues and earnings. While volumes were lower in some regions, with Taiwan, Hong Kong and parts of mainland China showing reductions in demand, Thailand and the Asean countries remained firm throughout the year.

Resolution of key manufacturing issues which severely impacted performance at the company's Ohio based manufacturing facility in the prior year resulted in a substantial improvement in performance in North America. This was achieved against a backdrop of a further weakening housing market and a rapid slowing of non-residential activity across the United States. Activity in this latter sector, where Formica has strong exposure, recorded falls of over 15 percent on the prior year while residential activity was down by over 30 percent on the prior year.

Demand for HPL fell by 24 percent over the prior year across Europe. Spain and the United Kingdom recorded the largest reduction in demand, although significant falls were also experienced in Scandinavia.

Although the extent of market contraction and fall in demand for HPL was severe in both Europe and North America, prices generally remained firm, and pressure throughout the year eased on raw material inputs with resin prices falling from

the previous year. Other key input prices were generally in line with inflation in each of the major markets.

Steel

The Steel division increased operating earnings by 52 percent to $154 million for the full year, due to a strong first half driven by high demand, steel supply shortages and robust price increases. The downturn at the end of October saw the market change quickly with weaker demand, excess supply throughout the distribution chain, significant inventory overhang and falling prices, mitigated in part by positive currency impacts.

A highlight for the year was the generation of $182 million of operating cashflow of which a reduction in working capital contributed $22 million. This result was driven by proactive inventory management and rapid reductions in the cost base as volumes fell. Pacific Steel in particular maintained tight inventory levels which benefited the business when prices began to decline.

Sales for the year rose by 3 percent to $1,321 million. However sales in the second half of the year were 30 percent lower than the first half of the year as a result of much lower volumes and pricing. Strong demand from infrastructure spending both in New Zealand and Australia has offset demand softness in the commercial and residential areas.

Earnings in the long steel products businesses which include earnings from our 50 percent investment in Sims Pacific Metals increased 215 percent over the prior year driven by a strong first half. Reinforcing had a strong year with volumes ahead of prior year by 8 percent due to the large number of infrastructure projects currently underway in New Zealand.

The rollforming and coated steel businesses in Australia and New Zealand experienced volume declines over the prior year due to the weakness in the residential and light commercial markets. Both businesses responded quickly to the market decline by restructuring their businesses to match the current lower demand volumes. In contrast Stramit Buildings, which was formed in 2008 with the acquisition of Fair Dinkum Homes and Sheds, Garage World and Shed Boss, continued to perform strongly during the year.

UNUSUAL ITEMS

As indicated at the time of the equity raising in April 2009, unusual items of $360 million after tax were incurred during the year. This figure includes $15 million after tax of restructuring expenses which were reported in the earnings statement for the 6 months to 31 December 2008.

A summary of the key unusual expense categories is given below. The amounts are in line with the estimates provided to the market in April.

Year to 30 June 2009 **NZ$ Million**	**Unusual items before tax**	**Tax**	**Unusual items after tax**
Redundancy & restructuring expenses	63	(20)	43
Capacity reduction initiatives	142	(42)	100
Adjustment to asset carrying values	194	(37)	157
Tax benefit write down		60	60
Total	399	(39)	360

Restructuring costs

All divisions undertook business rationalisations in response to reductions in demand, and the total labour force across the group fell by approximately 2,500 to 16,500 through the year. Actions taken include the closure of the door manufacturing business in New Zealand; an 18 percent reduction in employee numbers in the concrete businesses; a 15 percent reduction in employees at both Laminex and Formica; three branch closures in the steel rollforming and coated steel businesses; and the opening of a manufacturing and distribution centre in Melbourne for Stramit with the consolidation of three sites into one. A company-wide freeze on salaries and directors fees was implemented for 2010.

Capacity reduction initiatives

Following a review of manufacturing capacity and assessed likely future demand, the closure of the Laminex particleboard plant at Kumeu in Auckland and the MDF plant at Welshpool in Western Australia were announced.

An extensive review of Formica's European operations determined that there was a need to reduce total capacity in that region given significantly reduced demand levels, and the decision was taken to downsize the operations at the plant in Bilbao, Spain. In addition, an assessment of Formica's product profitability and customer cost-to-serve in all regions identified opportunities to streamline the product portfolio and reduce distribution costs, resulting in inventory reductions to align with the revised product suite and service model.

The reduction in manufacturing capacity will help to ensure that the business is well placed to benefit from a recovery in markets, with efficient manufacturing operations scaled appropriately from a capacity perspective, and lower unit costs.

Adjustments to asset carrying values

The annual appraisal of balance sheet carrying values has identified certain tangible and intangible assets whose value has been permanently impaired, totalling $157 million. Most of this potential impairment charge arises in the Laminates & Panels division, including a reduction in the book value of goodwill associated with the acquisition of Formica and the write down of certain fixed assets within Formica Europe; A charge was also taken for the write down of assets in the Distribution division, arising from the decision to suspend the implementation of a new retail management information system.

The adjustments to the carrying values are non-cash in nature and represent just under 3 percent of the group's total assets as at 30 June 2009.

Tax benefit recognition

At the time of the Formica acquisition in 2007, the value of tax losses available to the business in the United States and certain other jurisdictions was recognised. Due to the market outlook for Formica's operations, the realisation of the benefit of those tax losses is likely to be significantly delayed. In accordance with NZ GAAP, Fletcher Building has written off NZ$60 million of the carrying value of those tax benefits. Notwithstanding the write-down (which is entirely of a non-cash nature), the benefit of these tax losses is expected to be realised in future years as taxable earnings are generated.

FINANCIAL REVIEW

Balance Sheet

The balance sheet was strengthened during the year with the issuance of $131 million of capital notes, and $526 million of new equity, the proceeds from which were used to reduce debt levels.

Funding

The group had over $1 billion of unutilised debt facilities as at 30 June 2009. Debt requiring refinancing within the next 12 months is around $110 million, including $75 million of capital notes subject to interest rate and term reset, and $25 million of expiring undrawn facilities.

Debt Maturity

The average maturity of the net debt of $1,350 million is 6.3 years and the currency split is 55 percent Australian dollar; 17 percent New Zealand dollar; 21 percent US dollar; 4 percent Euro; and 3 percent Pounds Sterling.

Interest Rates

Following the equity raising in April 2009, approximately 87 percent of all borrowings have fixed interest rates with an average duration of 5.2 years and at a rate of 7.20 percent. Inclusive of the floating rate borrowings the average rate of debt is currently 7.42 percent. All interest rates are inclusive of margins but not fees.

With strong operating cashflow, gearing[1] at 31.1 percent, and interest coverage[2] at 4.0 times, the group remains in a sound financial position.

Cashflow

Cashflow from operations was $533 million compared with $434 million in the prior year. The strong improvement in cashflow was largely attributable to a focus on working capital management, with $203 million in cash generated from reduced debtors and $101 million from lower inventory levels. Cashflow also benefited from the sale of the head office building in Auckland for $36 million.

Capital expenditure for the year was $289 million compared with $349 million in the prior year. This level of expenditure reflected the carry-over of $168 million of projects from the prior year, with $121 million of new capital expenditure approved during the year. Significant projects included construction of the new metal roofing plant in Hungary; the new port cement facility in Auckland; installation of the redeployed HPL press in Formica Finland; and the purchase of additional sand and quarry reserves in Australia by Rocla Quarries.

Dividend

The final dividend of 14 cents per share is partly credited for New Zealand tax purposes. This dividend has been imputed at a 30 percent tax rate to the extent of 7 cents per share. For the un-imputed amount of the dividend, resident withholding tax at 33 percent has been deducted and, to the extent the 30 percent tax rate credits are attached, an additional 3 percent resident withholding tax must be deducted for New Zealand shareholders without exemption certificates.

Non-New Zealand shareholders benefit from the New Zealand supplementary dividends attached to the imputation credits, as these have the effect of removing the cost of New Zealand non-resident withholding tax on the portion of dividends carrying imputation credits. A dividend summary is attached, illustrating the effect of the New Zealand tax credits on the dividend paid and the supplementary dividend paid to non New Zealand shareholders.

The final dividend is not franked for Australian tax purposes. To maximise the value of available franking credits the company's policy is to accumulate them

[1] Net debt to net debt plus equity

[2] EBIT before unusual items to total interest paid including capital notes interest

and attach these to dividends only when the franking percentage is at or near to 100 percent, rather than spreading them over every dividend.

The dividend reinvestment plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry and must be received by the registry before the record date. The price used to determine entitlements under the dividend reinvestment plan is the weighted average share price of the company's shares sold on the New Zealand Exchange and designated by the NZX as "price-setting trades" in the five business days following the record date of 25 September 2009. The new shares will be issued on the dividend payment date of 15 October 2009.

The shares will be quoted on an ex dividend basis from 21 September 2009 on the ASX and 28 September 2009 on the NZX.

STRATEGY

Whilst Fletcher Building operates in cyclical markets it has followed a strategy to improve the reliability of its earnings; maintain and improve its internal capabilities; and take up any acquisition opportunities where these meet its investment criteria.

The downturn in construction markets around the world has meant that growth in earnings has not been achievable in the 2009 year, and lower levels of construction activity may be sustained in many of its key markets for some period of time. Consequently the immediate focus is to ensure that all parts of the group are able to operate profitably during this period of subdued economic activity, and manufacturing capability is optimised in the context of significantly lower activity levels. In this regard a number of work streams are underway in the Laminates and Panels division examining product profitability, customer cost-to-serve, procurement and logistic costs. Significant progress is expected to be achieved in 2010 as these businesses implement a range of measures to lift operational efficiency and lower the cost base.

In this environment, capital expenditure will be reduced in the 2010 year. However, the group will continue to look for opportunities to invest in areas of organic growth and for potential acquisition opportunities where appropriate. Acquisitions will need to be able to be comfortably accommodated within capital and financial parameters, and expectations of future returns must realistically reflect current and likely future trading conditions. Australasia continues to be the principal area of focus for further expansion.

OUTLOOK

The outlook for the 2010 financial year is subdued, and most markets are expected to record continuing low levels of activity relative to recent years. This will be particularly noticeable in the first half, where comparisons with the prior year will reflect the more favourable conditions that were seen for Formica in Europe, in Steel, and across the Australian businesses in 2009, all of which have deteriorated markedly since the first half of 2009.

In New Zealand, the Government's commitments to accelerate spending on infrastructure should continue to provide opportunities for the construction, concrete and long steel operations. However, this will only partly ameliorate the effects of lower private sector commercial construction activity and continued subdued demand in the residential market. Furthermore, a lag is anticipated until the Government's proposed acceleration of infrastructure work gains traction.

Similarly the insulation business in both Australia and New Zealand will continue to benefit from the household insulation incentives introduced recently as part of broader economic stimulus measures.

In Australia, while infrastructure spending is expected to benefit the concrete products business, this will only offset in part the weakness expected in the commercial sector leading to lower demand for rolled steel products. The outlook for residential is uncertain, but lower levels of activity are anticipated in Queensland and Western Australia.

Volumes in the North American market are expected to continue at low levels, particularly in non-residential, while all segments in Europe are likely to see volumes at significantly lower levels than in 2009. Parts of Asia are expected to show reasonable growth, but this will likely be patchy and there is a risk that growth rates will slow versus last year.

Given the degree of uncertainty in many of our markets, and as it is early in the financial year, it is not considered appropriate to provide any quantitative earnings guidance on 2010 results at this stage.

2009 FINAL DIVIDEND SUMMARY TABLE [1]			
NZ cents per share	**NZ RESIDENTS**	**AUSTRALIAN RESIDENTS**	**OTHER NON**
Dividend declared	14.0000	14.0000	14.0000
NZ tax credits [2]	3.0000		
NZ supplementary dividend [3]		1.2353	1.2353
Australian franking tax credits [4]		0.0000	
Gross dividend for NZ tax purposes	**17.0000**	**15.2353**	**15.2353**
NZ tax (33%) [5]	(5.6100)		
NZ non-resident withholding tax (15%) [6]		(2.2853)	(2.2853)
Net cash received after NZ tax	**11.3900**	**12.9500**	**12.9500**
Australian tax (15%) [7]		(2.2853)	
Reduced by credit for NZ non-resident withholding tax		2.2853	
Net cash dividend to shareholders	**11.3900**	**12.9500**	**12.9500**

NOTES:

(1) This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent tax advice.

(2) These tax credits are not received in cash but are relevant in determining the gross dividend received for NZ tax purposes. They are comprised wholly of imputation credits and do not include any dividend withholding payment credits. The dividend has imputation credits attached at the rate of 3.0 cents per share.

(3) The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax on that part of the dividend which is fully imputed.

(4) There are no Australian franking credits attached to this dividend. Refer to dividend commentary in this announcement for the Company's franking tax crediting policy.

(5) For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33% from that part of the gross dividend which has not been credited with imputation credits and at 3% from that part of the gross dividend which has been credited with imputation credits at 30%. Accordingly, for those shareholders, a deduction of 2.61 cents per share will be made on the date of payment from the dividend declared of 14.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a refund of the RWT.

(6) NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.

(7) This summary uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.