



**Fletcher Building Limited**  
2023 Interim Financial Results

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Front cover image: Tradelink®'s Jason Richardson at the Morningside branch in Brisbane inspects stock.

When used in these Interim Financial Results, 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.

# Chair and CEO's Review

**We are pleased to report Fletcher Building's financial results for the six months ended 31 December 2022 (HY23).**

Group revenue was solid overall at \$4,284 million, up 5% on the first half of FY22. Group Earnings Before Interest and Taxes (EBIT) before significant items was \$360 million, up 8% from \$332 million in the prior period. Group EBIT margin, excluding significant items, improved to 8.4% from 8.2%, and Net Earnings attributable to shareholders was \$92 million (including \$150 million flagged construction provisions) compared to \$171 million in the prior period. The Board is pleased to approve a fully imputed interim dividend of 18.0 cents per share.

Cash flows from operating activities for the Group were an outflow of \$203 million, compared to an inflow of \$157 million in HY22. This was driven largely by a rebuild of land and housing stock following a significant drawdown in FY21 to FY22. Return on Funds Employed (ROFE) was 17.8% (compared to 18.7% in HY22), remaining ahead of our 15% target.

## HY23 Performance

Performance across our materials and distribution divisions led the Group's revenue, EBIT and margin improvements in HY23. Sales volumes on both sides of the Tasman were, generally in line with, or slightly below the second half of FY22, and there was an easing of previous supply chain and COVID-19 related challenges. Input cost inflation remained elevated, however strong pricing disciplines led to good recovery of these cost increases. Combined with efficiency initiatives and a focus on margin accretive market segments, this resulted in improved EBIT margins.

The uplift in earnings in our materials and distribution divisions was partly offset by lower New Zealand housing sales following two years of strong growth, as well as Industrial Development earnings returning to the usual run-rate with \$16 million EBIT in HY23 compared to \$47 million EBIT in HY22. The Construction division returned to first half EBIT profitability, albeit was impacted by an additional provision on the New Zealand International Convention Centre and Hobson Street Hotel (NZICC), as outlined below.

## Growth investments starting to lift earnings

With a well-capitalised balance sheet, we have good opportunities that support our circa \$700 million growth investment programme over FY23 to FY26. These projects are primarily organic and are in logical adjacencies in our New Zealand businesses, including investments in: wood panels, structural timber, insulation, steel, frame and truss, and concrete circular solutions. These strategic investments are based on mid-cycle activity levels and are targeting ROFE at or above 15%.

The Tumu® stores and Waipapa timber acquisitions that will be completed in FY23 will deliver approximately \$25 million run-rate EBIT in FY24, with the organic projects contributing from FY25 to FY26.

## Convention centre construction cost provision

The NZICC build in central Auckland is making good progress and is due to open to the public in 2025. While rebuild efforts are well on track following the significant fire damage sustained in 2019, it is now expected that costs are likely to exceed our Contract Works Insurance policy. In December, we signalled that an additional \$150 million of cost provision would be made to address the reinstatement work required.

As well as provisioning for inflation, the increases are largely to address the significant complexity of the remediation including water damage and mould occurring following the fire.

NZICC is the final remaining vertical project for Fletcher Construction, in line with the successful rationalisation of the division's portfolio towards infrastructure services.

## Health and safety

Protect, our multi-year safety programme, continues to drive improvements over the half year. We recorded a Total Recordable Injury Frequency Rate (TRIFR) of 3.2 (24% improvement vs HY22), and 94% of our sites remained injury-free.

Efforts during this time focused on leadership training and coaching, and as we move into the second half, our focus continues to be managing critical risks and delivering our highly engaging frontline safety engagement programme 'Power Up' for our site-based staff.

## Chair and CEO's Review (cont.)

### A more ambitious sustainability plan

We remain committed to a 30% carbon emissions reduction by 2030 from the 2018 base year. We have now reduced those emissions by 10% in absolute terms, and by a higher amount if we look at carbon per tonne of revenue (carbon intensity). In our refreshed sustainability strategy, we also commit to Net Zero emissions by 2050. To achieve this, we set our sights on further reductions in Scope 1 and Scope 2 emissions (direct and indirect emissions, respectively) and in working with suppliers to reduce our Scope 3 emissions (their emissions).

We received an 'A-' rating (up from a 'B' rating) in our most recent climate change assessment by the Carbon Disclosure Project (CDP) and we were again included in the Australian Dow Jones Sustainability Index. Fletcher Building was also selected as a member of the 2023 Sustainability Yearbook for the first time, acknowledging our sustainability performance in the top 15% of companies world-wide in our industry.

Our broadened sustainability plan includes targets to derive 75% of our product revenue from sustainably certified products and to divert 70% of our waste from landfill (both by FY26). We are also aiming to progress in important social areas such as achieving 30% female representation in operational roles by 2027. Improvements already made to inclusion and diversity across the Group during the period included a market-leading gender-neutral parental leave policy (offering families more flexibility to choose primary and secondary carers as families expand), and support for our people who are 'Transitioning at Work'.

### Market expectations for second half and beyond

While the underlying performance of the business is strong, trading in New Zealand in January - February has been heavily impacted by the adverse weather events slowing customer work activity and projects in the start of the second half. As such we are now forecasting FY23 EBIT before significant items in the range of \$800 million to \$855 million. The upper end of the range assumes materials and distribution sales volumes in the balance of FY23 are at similar levels to the first half, and that we sell approximately 800 houses in our Residential and Development division.

We expect the softening of residential markets to continue into FY24 in both New Zealand and Australia. This lower activity is likely to reduce volumes in our materials and distribution businesses by circa 10% to 15% compared to what we have seen in the first half of the current year. And it is likely to mean that house sales in our NZ Residential and Development division are at similar levels in FY24 to what we deliver this year. Commercial and infrastructure markets are expected to be more robust. As we look ahead to FY24, we are actively managing variable costs, overheads and capital to ensure we hold margins close to the current FY23 levels and keep our balance sheet and cash flows healthy.

### Dividend

The Board is pleased to approve an Interim Dividend of 18.0 cents per share for the six months ended 31 December 2022 to be paid on 6 April 2023. This compares to 18.0 cents per share for the 2022 Interim Dividend. The 2023 Interim Dividend will be fully imputed for New Zealand taxation purposes, though will be unfranked for Australia taxation purposes.

We want to acknowledge the great efforts of all our Fletcher Building people, and particularly thank those who sprang to action on our behalf following recent, significant flood events in the North Island of New Zealand. Our roading teams quickly mobilised and did an outstanding job repairing roads and infrastructure, often in very challenging conditions. Through their efforts, they have made a difference for our customers, families and communities who have been impacted by the flooding.

We are confident that our strategy positions us well to continue to drive performance and deliver growth into the future. We look forward to the second half of the year and to sharing the full year results in August.



**Bruce Hassall**  
Chair



**Ross Taylor**  
CEO

# Group Performance

| NZ\$M   | Six months ended<br>31 December 2022 | Six months ended<br>31 December 2021 |
|---|--------------------------------------|--------------------------------------|
| Revenue   | 4,284                                | 4,064                                |
| EBIT before significant items <sup>(1)</sup>              | 360                                  | 332                                  |
| Significant items <sup>(2)</sup>                          | (154)                                | (43)                                 |
| <b>EBIT</b>   | <b>206</b>                           | <b>289</b>                           |
| Lease interest expense                                    | (30)                                 | (30)                                 |
| Funding costs   | (39)                                 | (22)                                 |
| <b>Earnings before tax</b>                                | <b>137</b>                           | <b>237</b>                           |
| Tax expense   | (34)                                 | (63)                                 |
| <b>Earnings after tax</b>                                 | <b>103</b>                           | <b>174</b>                           |
| Non-controlling interests                                 | (11)                                 | (3)                                  |
| <b>Net earnings</b>                                       | <b>92</b>                            | <b>171</b>                           |
| <b>Net earnings before significant items</b>              | <b>203</b>                           | <b>214</b>                           |
| Basic earnings per share (cents)                          | 11.7                                 | 21.0                                 |
| Basic earnings per share before significant items (cents) | 25.9                                 | 26.3                                 |
| Dividends declared per share (cents)                      | 18.0                                 | 18.0                                 |
| Cash flows from operating activities                      | (203)                                | 157                                  |
| Capital expenditure                                       | 247                                  | 144                                  |
| Investments   | 66                                   | 12                                   |

(1) EBIT 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 2022.

(2) Further details of significant items can be found in note 2.1 of the financial statements.

| Revenue (NZ\$M)             | Six months ended<br>31 December 2022 | Six months ended<br>31 December 2021 |
|-----------------------------|--------------------------------------|--------------------------------------|
| Building Products           | 835                                  | 765                                  |
| Distribution                | 965                                  | 866                                  |
| Concrete                    | 487                                  | 428                                  |
| Australia                   | 1,534                                | 1,388                                |
| Residential and Development | 219                                  | 318                                  |
| Construction                | 650                                  | 720                                  |
| Other                       | 5                                    | 5                                    |
| <b>Group</b>                | <b>4,695</b>                         | <b>4,490</b>                         |
| Less: intercompany sales    | (411)                                | (426)                                |
| <b>External revenue</b>     | <b>4,284</b>                         | <b>4,064</b>                         |

## Group Performance (cont.)

| NZ\$M                       | EBIT                                 |                                      | EBIT before significant items <sup>(1)</sup> |                                      |
|-----------------------------|--------------------------------------|--------------------------------------|--|--------------------------------------|
|                             | Six months ended<br>31 December 2022 | Six months ended<br>31 December 2021 | Six months ended<br>31 December 2022         | Six months ended<br>31 December 2021 |
| Building Products           | 113                                  | 96                                   | 118  | 96                                   |
| Distribution                | 65                                   | 54                                   | 65   | 54                                   |
| Concrete                    | 75                                   | 61                                   | 74   | 61                                   |
| Australia                   | 82                                   | (2)                                  | 82   | 45                                   |
| Residential and Development | 49                                   | 112                                  | 49   | 112                                  |
| Construction                | (145)                                | (10)                                 | 5  | (10)                                 |
| Corporate and Other         | (33)                                 | (22)                                 | (33)   | (26)                                 |
| <b>Total</b>                | <b>206</b>                           | <b>289</b>                           | <b>360</b>                                   | <b>332</b>                           |
| Lease interest expense      | (30)                                 | (30)                                 | (30)   | (30)                                 |
| Funding costs               | (39)                                 | (22)                                 | (39)   | (22)                                 |
| <b>Earnings before tax</b>  | <b>137</b>                           | <b>237</b>                           | <b>291</b>                                   | <b>280</b>                           |
| Tax expense                 | (34)                                 | (63)                                 | (77)   | (63)                                 |
| <b>Earnings after tax</b>   | <b>103</b>                           | <b>174</b>                           | <b>214</b>                                   | <b>217</b>                           |
| Non-controlling interests   | (11)                                 | (3)                                  | (11)   | (3)                                  |
| <b>Net earnings</b>         | <b>92</b>                            | <b>171</b>                           | <b>203</b>                                   | <b>214</b>                           |

(1) Measures before significant items are 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 2022. Further details of significant items can be found in note 2.1 of the financial statements.

# Group Overview

External revenue of \$4,284 million was 5% higher than the prior period's \$4,064 million. EBIT before significant items was \$360 million, compared to \$332 million in the prior period. Group net earnings were \$92 million, compared to \$171 million reported in the prior period. Cash flows from operating activities were an outflow of \$203 million, compared to an inflow of \$157 million in the prior period. Return on Funds Employed (ROFE) before significant items was 17.8%, compared to 18.7% in the prior period.

Trading conditions in HY23 were robust across most sectors in New Zealand and Australia, with sales volumes generally in line with or slightly below the second half of FY22. There was also an easing of supply chain and COVID-19 challenges that had characterised prior periods. House sales in the Residential and Development division were slower than prior periods as the New Zealand housing market cooled after two years of strong growth. Across the Group, input cost inflation remained elevated – averaging around 10% per annum compared to HY22, with higher levels of inflation being observed in certain areas such as freight, diesel, coal, and gypsum. Pleasingly, strong pricing disciplines led to good recovery of these cost increases across the Group. Combined with efficiency initiatives and a focus on margin accretive market segments, this resulted in improved gross margins in most divisions.

In this trading environment, all of the Group's divisions except Residential and Development materially improved both EBIT before significant items and EBIT margins compared to the prior period.

The New Zealand materials and distribution divisions (Building Products, Concrete, Distribution) performed well in HY23. EBIT before significant items for these divisions increased to \$257 million, compared to \$211 million in the COVID-19 impacted HY22, and EBIT margins improved to 11.2%. Sales volumes for the residential finishing trades and commercial sector were broadly in line with the second half of FY22, while in the residential civil sector volumes softened by approximately 10% to 15%. Infrastructure markets were solid, though aggregates supply into roading was impacted by wet weather. A focus on customer service and solutions, and pricing to offset inflation, resulted in gross margins expanding by 100 basis points compared to the prior period. Significant progress was also made in HY23 on the growth investment programme planned for these divisions across FY23 to FY26. In HY23, this included: completion of the Tumu® stores acquisition; signing of an agreement to purchase the Waipapa structural timber business (completion expected in 4Q23); and progress on organic growth investments in wood panels, insulation, frame and truss, steel distribution, aggregates resource, and lower-carbon cement binders.

In Australia, market activity levels were generally robust, notwithstanding some disruption from ongoing weather and transport challenges. Revenues were 11% higher than the prior period. Significant input cost inflation also remained a feature of the HY23 trading environment, with the division's improved pricing disciplines and governance ensuring higher input costs were successfully recovered – lifting gross margins by 300 basis points. Overall, HY23 EBIT before significant items for the division increased to \$82 million compared to \$45 million in HY22, resulting in EBIT margins of 5.3%. The division is well-positioned to deliver its FY23 target earnings margin of greater than 5% and remains focused on driving to margins of greater than 7% over the medium-term. The increased profitability reflects the division's work over several years to improve its cost base and operating efficiency while pushing into margin accretive categories.

In the Residential and Development division, EBIT was \$49 million compared to \$112 million in the prior period. Residential delivered EBIT of \$33 million, down from \$65 million in the prior period, with 189 units taken to profit compared to 278 in HY22. Average house sales prices were around 10% below the market peak observed in late 2021, though still resulted in solid Residential EBIT margins of 17.4% in HY23. Residential land and housing inventories were rebuilt during the period as expected, following a material draw-down of these stocks in FY21 and FY22. In a softer New Zealand housing market, which is expected to continue in 2023, the Residential and Apartments businesses also moved to pause work on certain developments to ensure effective management of funds employed. In Industrial Development, HY23 EBIT was \$16 million. This compares to \$47 million in the prior period, which included sale of a large site from the now-divested Rocla® business.

The Construction division reported EBIT before significant items (and prior to elimination of the intra-Group margin on the new Winstone Wallboards® plant) of \$9 million. This compares to an EBIT loss in HY22 of \$5 million. The HY23 result was achieved despite some project delays and wet weather, which led to a late start to the road sealing season. In line with prior years, Construction's FY23 EBIT before significant items is expected to be weighted to the second half. Pleasingly, the quality of Construction's forward order book continues to improve, and at 31 December 2022 work in hand (excluding legacy projects) was \$2.4 billion. The division continues to make good progress on the completion of historical legacy projects, with two major roading projects opened in HY23 and the Pūhoi to Warkworth motorway on track to open in the second half of the year. Despite good progress on the New Zealand International Convention Centre and Hobson Street Hotel (NZICC), the complexity of the rebuild meant costs are now expected to exceed Contract Works Insurance policy limits. This resulted in an additional \$150 million provision for costs, classified as a significant item, as NZICC is the division's last project as it winds down its operations in the vertical building sector.

Significant items in HY23 were \$154 million, related almost entirely to the additional provisioning on the NZICC project.

Net interest expense for the Group was \$69 million in the period, of which \$30 million was related to lease interest expense and \$39 million to funding costs. Tax expense was \$34 million in the period compared to \$63 million in the prior period. The effective tax rate in HY23 (excluding significant items) was 26.5%.

Basic earnings per share were 11.7 cents for the period, compared to 21.0 cents in the prior period. Excluding the impact of significant items, earnings per share were 25.9 cents, compared with 26.3 cents in the prior period.

## Group Overview (cont.)

| Cash flow (NZ\$M)  | Six months ended<br>31 December 2022 | Six months ended<br>31 December 2021 |
|--|--------------------------------------|--------------------------------------|
| <b>EBIT before significant items<sup>(1)</sup></b>                       | <b>360</b>                           | <b>332</b>                           |
| Depreciation and amortisation  | 180                                  | 172                                  |
| Lease principal payments and lease interest paid                         | (127)                                | (119)                                |
| Provisions and other   | (19)                                 | (12)                                 |
| <b>Trading cash flow before working capital movements</b>                | <b>394</b>                           | <b>373</b>                           |
| Working capital movements  | (457)                                | (296)                                |
| <b>Trading cash flow excluding significant items and legacy projects</b> | <b>(63)</b>                          | <b>77</b>                            |
| Legacy projects cash flow  | (28)                                 | 35                                   |
| Significant items cash flow  | (16)                                 | (25)                                 |
| <b>Trading cash flow</b>   | <b>(107)</b>                         | <b>87</b>                            |
| Add: lease principal repayments  | 97                                   | 89                                   |
| Less: cash tax paid  | (154)                                | -                                    |
| Less: funding costs paid   | (39)                                 | (19)                                 |
| <b>Cash flows from operating activities</b>                              | <b>(203)</b>                         | <b>157</b>                           |
| <b>Free cash flow<sup>(2)</sup> excluding legacy projects</b>            | <b>(477)</b>                         | <b>(51)</b>                          |

(1) EBIT 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 2022. Further details of significant items can be found in note 2.1 of the financial statements.

(2) Free cash flow is defined as trading cash flow less capital expenditure and cash tax but excluding any merger and acquisition activities.

## Group cash flows

Cash flows from operating activities for the Group were an outflow of \$203 million, compared to an inflow of \$157 million in the prior period.

In the materials and distribution divisions, trading cash flows (before significant items) were a healthy \$206 million, compared to \$133 million in the prior period. Investment in inventories – which is included in the trading cash flow result – resulted in a \$58 million outflow in HY23, driven principally by the Building Products and Australia divisions. This inventory build is seasonally driven and is expected to unwind in the second half of the year, consistent with the Group's prior guidance for inventory levels to hold broadly flat through FY23. Debtor collections remained solid in these divisions, with debtor days increasing slightly to 40.7 days at 31 December 2022 compared to 39.0 days in the prior period, and with bad debt levels remaining low.

In Residential and Development, investment in land and housing inventories resulted in a working capital outflow of \$270 million in HY23. This included the settlement of around \$200 million of land purchases contracted in prior periods, plus a seasonal uplift in work-in-progress as house sales are typically weighted to the second half. In light of the slowing New Zealand housing market, the division has paused or slowed work on certain housing developments and has entered into limited new agreements for land purchases. The division is targeting a material cash inflow in the second half of FY23 and a year-end funds balance of approximately \$850 million (compared to \$914 million at 31 December 2022).

Construction recorded a trading cash outflow of \$32 million. This was due mainly to a \$28 million cash outflow on legacy projects, and a \$4 million impact from significant items.

Overall, Group trading cash flows are expected to be weighted to the second half of FY23, driven by the higher expected earnings in that period, and a reduction of inventories in the materials, distribution, and Residential and Development divisions.

Net capital expenditure for the Group was \$244 million in HY23. This included: \$57 million for the new Winstone Wallboards® plant, which will be fully commissioned in the second half of FY23; \$37 million for a site for a new PlaceMakers® frame and truss plant; \$23 million for commencement works for the new Laminex® Taupo wood panels plant; \$30 million for land purchases enabling consolidation of Steel's Auckland operations; and \$21 million towards the Group's project to improve the Group's ERP system environment.

In addition, the Group completed two acquisitions, namely the purchase of six Tumu® ITM building supply centres and a frame and truss operation expanding the PlaceMakers® offering servicing the East Coast of the North Island (\$50 million with an additional \$10 million working capital adjustment settled in January 2023), and a smaller Water Filters operation for the Oliveri® business in Australia (\$6 million).

Group cash flows in HY23 are also inclusive of a \$154 million of income tax payments in New Zealand and a \$172 million payment for the FY22 final dividend.



## Group Overview (cont.)

### Balance Sheet, Returns and Funding

The Group's balance sheet, returns and funding profile remain strong.

Return on funds employed (ROFE) before significant items for the year to 31 December 2022 was 17.8%, well ahead of the Group's target of at least 15.0%. Funds employed increased to \$4.8 billion compared to \$4.2 billion at 30 June 2022, reflecting the Group's growth investments and the rebuild of Residential land and housing stocks. Notwithstanding these investments, ROFE in the materials and distribution divisions (18.8%) and the Residential and Development division (17.0%) remained strong.

In HY23, as part of its syndicated revolving credit facility, the Group negotiated an additional Australian dollar denominated tranche of A\$674.5 million. Total funding available to the Group as at 31 December 2022 was \$2,488 million of which \$785 million was undrawn and there was an additional \$272 million of cash on hand. This provided liquidity to the Group of \$1.1 billion.

The Group's leverage ratio (net debt / EBITDA) at 31 December 2022 was 1.25 times, higher than the 0.61 times at 30 June 2022, but remaining at the lower end of the Group's target range of 1.0 – 2.0 times. The Group's gearing at 31 December 2022 was 28.3% compared with 15.1% at 30 June 2022.

The average maturity of the Group's debt at 31 December 2022 was 3.4 years and the hedged currency split was 21% Australian dollar; 78% New Zealand dollar; and 1% spread over various other currencies.

The Group currently has 53% of all borrowings with fixed interest rates with an average duration of 2.8 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on period-end borrowings) is 5.2%.

### Dividend

The 2023 interim dividend is 18.0 cents per share and will be fully imputed for New Zealand taxation purposes, though will be unfranked for Australian taxation purposes.

The interim dividend will be paid on 6 April 2023 to holders registered as at 5:00 pm (NZ time) on 17 March 2023. The shares will be quoted on an ex-dividend basis from 16 March 2023 on the NZX and ASX. The Dividend Reinvestment Plan will not be operative for this dividend payment.

# Building products

## Financial Summary

Six months ended  
31 December

| NZ\$M   | 2022  | 2021  |
|---|-------|-------|
| Gross revenue                                       | 835   | 765   |
| External revenue                                    | 684   | 613   |
| Gross margin  | 34%   | 33%   |
| EBIT before significant items <sup>(1)</sup>        | 118   | 96    |
| EBIT margin before significant items <sup>(1)</sup> | 14.1% | 12.5% |
| Significant items <sup>(2)</sup>                    | (5)   | -     |
| Funds   | 1,180 | 870   |
| Trading cash flow                                   | 78    | 40    |
| Capital expenditure                                 | 126   | 79    |

## Divisional Review

- > Winstone Wallboards®
- > Laminex® New Zealand
- > Comfortech®
- > Iplex® New Zealand
- > Humes®
- > Fletcher Steel®
- > Altus® JV

| NZ\$M             | EBIT for six months ended 31 December |           |
|-------------------|---------------------------------------|-----------|
|                   | 2022                                  | 2021      |
| Building Products | 93                                    | 66        |
| Steel             | 25                                    | 30        |
| <b>Total</b>      | <b>118</b>                            | <b>96</b> |

(1) EBIT 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 financial statements for the period ended 31 December 2022.

(2) Details of significant items can be found in note 2.1 of the financial statements.

**The Building Products division reported gross revenue of \$835 million, 9% higher than the prior period. EBIT before significant items was \$118 million and EBIT margin was 14.1%, materially higher than the \$96 million and 12.5% reported in the prior period.**

The division's finishing trade businesses (Winstone Wallboards®, Comfortech®, Laminex®) reported gross revenue 17% higher than the prior period. These businesses benefited from ongoing elevated demand in the residential and commercial sectors, as well as market share gains, strong product positioning and sustained digital customer service enhancements. In Steel, gross revenue increased by 10% from higher steel prices, supported by solid trading activity in the commercial segment and share gains in the roofing segment. In the Pipes businesses (Iplex® and Humes®), gross revenue was 10% lower than the prior period, impacted by wet spring weather conditions and customers winding down their high post COVID-19 inventory holdings.

EBIT before significant items for the division of \$118 million was 23% higher than the prior period and well ahead of revenue growth. Effective pricing governance, including a narrowing of the time lag in implementing price increases, plus the strengthening of the businesses' customer offerings, resulted in 120 basis points improvement in gross margins. The finishing trade businesses increased EBIT before significant items by \$21 million or 38% compared to the prior period, while in the Steel and Pipes businesses EBIT before significant items reduced by \$3 million due to higher freight and storage costs, and the softer civil market.

Significant item charges in the division of \$5 million largely related to Winstone Wallboards®' transition to the new Tauriko plant.

Trading cash flow in HY23 was \$78 million, compared to \$40 million in the prior period. Investments in inventories were materially lower than the prior period, while debtor collections remained robust across the division. In the second half of FY23, a degree of inventory unwind is expected to further support trading cash flows.

Capital expenditure in the period was \$126 million, of which \$57 million was for the ongoing build of the new Winstone Wallboards® plant in Tauriko, scheduled for May 2023 project commissioning. Additionally, the division incurred \$23 million of initial capital expenditure for the upgrade of the Laminex® Taupo wood panels plant with expected completion in 2027, and \$30 million for a land purchase as it prepares to consolidate some of the Steel Auckland sites.

The division's strategic focus is on:

- Maintaining margins close to present levels as we navigate a softening market in FY24 through: operational efficiency from recent investments in modern, automated manufacturing; ongoing tight cost control; procurement benefits; and ongoing effective pricing disciplines.
- Driving additional earnings growth and margin improvements in the medium term from: new product development; new digital solutions to customers; and maturing growth investments in insulation, steel distribution, wood panels, and the broader wood sector.

# Distribution

## Divisional Review

- > PlaceMakers®
- > Tumu®
- > Mico®

| Financial Summary   | Six months ended |      |
|---------------------|------------------|------|
|                     | 31 December      |      |
| NZ\$M               | 2022             | 2021 |
| Gross revenue       | 965              | 866  |
| External revenue    | 948              | 854  |
| Gross margin        | 28%              | 27%  |
| EBIT                | 65               | 54   |
| EBIT margin         | 6.7%             | 6.2% |
| Funds               | 299              | 195  |
| Trading cash flow   | 98               | 35   |
| Capital expenditure | 43               | 3    |
| Investments         | 60               | -    |

The Distribution division reported gross revenue of \$965 million, which was 11% higher than the prior period. EBIT was \$65 million compared to \$54 million in the prior period. EBIT margin improved to 6.7% from 6.2% in the prior period.

Following the FY22 year in which demand outstripped supply in many areas, HY23 saw a return to more normal trading conditions for the Distribution businesses. Regionally, market activity was most robust in Auckland and the lower South Island, with demand strongest in the frame and truss, plasterboard, and insulation categories. Overall sales volumes for the division in HY23 tracked slightly below the second half of FY22.

In September, the division successfully completed its acquisition of the Tumu® business, comprising six stores and a frame and truss manufacturing plant. The division's focus continues to be on a successful integration of the business, centred around its people and customers. Tumu® contributed EBIT of \$4 million in the four months to 31 December 2022, in line with expectations. During the half year, PlaceMakers® opened new branches in Dunedin and Winton, and Mico® opened its new Mangawhai branch. The division also secured the site for its new frame and truss plant, and continued to mature its digital programme, including the launch of Mico®'s new Trade Portal and Customer App.

The division lifted EBIT margin by 50 basis points to 6.7% in HY23, primarily from ongoing margin improvement in PlaceMakers®. Supplier cost increases remained a feature in the period. The division's improved pricing disciplines ensured higher input costs were recovered in most areas, with gross margins improving 80 basis points compared to the prior period. Labour constraints in the New Zealand market continued to place upward pressure on overhead labour costs, increasing the importance of the division's digital and efficiency programmes.

Trading cash flow for the division was \$98 million, a significant improvement on \$35 million of trading cash flow in the prior period. Inventory levels reduced as the supply chain came into equilibrium, enabling an unwind of the safety stock build up during FY22. Cash collections remained robust, though debtor days increased to 39.0 at 31 December 2022 from 36.3 at December 2021, and customer liquidity remains an area of focus heading into 2023.

Capital expenditure for the period was \$43 million, primarily comprising a property acquisition to locate the division's new frame and truss operation.

The division's strategic focus is on:

- Maintaining margins close to present levels as we navigate a softening market in FY24 through: ongoing tight cost control and price discipline; supply chain optimisation; and leveraging the division's maturing digital programme.
- Driving additional earnings growth and margin improvements in the medium term from: network expansion; growing share in key categories; innovation in customer solutions, both digitally and in-store; and the investment in frame and truss.

# Concrete

## Divisional Review

- > Firth® Industries
- > Golden Bay®
- > Winstone Aggregates®

| Financial Summary                                   | Six months ended |       |
|---|------------------|-------|
|   | 31 December      |       |
| NZ\$M   | 2022             | 2021  |
| Gross revenue                                       | 487              | 428   |
| External revenue                                    | 344              | 301   |
| Gross margin  | 29%              | 28%   |
| EBIT before significant items <sup>(1)</sup>        | 74               | 61    |
| EBIT margin before significant items <sup>(1)</sup> | 15.2%            | 14.3% |
| Significant items <sup>(2)</sup>                    | 1                | -     |
| Funds   | 631              | 586   |
| Trading cash flow                                   | 57               | 72    |
| Capital expenditure                                 | 21               | 35    |

- (1) EBIT 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 financial statements for the period ended 31 December 2022.
- (2) Details of significant items can be found in note 2.1 of the financial statements.

The Concrete division reported gross revenue of \$487 million, which was \$59 million or 14% higher than the prior period. EBIT before significant items was \$74 million compared to \$61 million in the prior period. EBIT margins expanded to 15.2%.

The division delivered good top-line performance across all product segments, underpinned by robust market demand, pricing discipline, and improved market positioning. Golden Bay® and Firth® increased revenues by 14% and 16% respectively compared to HY22, with both businesses growing on the back of market-leading customer offers and debottlenecking of operations. In the period, Firth® continued to advance its innovative solutions and smart design with further development of systems such as the RibRaft® HotEdge® range. Winstone Aggregates® revenue growth in the period was 9% albeit impacted by weather on the roading sector.

The division's gross margin and EBIT margin improved over the prior period by 120 basis points and 90 basis points respectively. This reflects continued price and cost discipline in a high inflationary environment as well as a sustained programme of manufacturing, supply chain and network optimisation initiatives over the past four years. An example of these types of programmes is Golden Bay® continuing to fast scale its alternative fuels and raw materials capability, allowing for significant substitution of coal with waste wood and tyres, delivering sustainability benefits for New Zealand and helping to offset elevated energy costs. The benefits of these programmes of initiatives have seen the division increase its EBIT margin by approximately 400 basis points since FY19 to 15.2%.

Trading cash flow for the division was \$57 million, 21% lower than the prior period. Trading cash flow was impacted by the phasing of key raw material purchases and one-off costs relating to the exit of a quarry position.

Capital expenditure in the period of \$21 million was focused on asset renewal and capacity expansion in key operations, with expenditure in the prior period higher due to the acquisition of land to support footprint expansion in Firth® and Winstone Aggregates®.

The division's strategic focus is on:

- Strengthening its position as New Zealand's leader in sustainable binders and concrete, through investment in: alternative fuels and raw materials; waste management; and recycling and reuse. A highlight of the period was the launch of Golden Bay® EcoSure® and Firth® EcoMix®, New Zealand's first low-carbon binder and concrete offerings at scale supporting the division's decarbonisation commitment. Winstone Aggregates® also strengthened its circular materials offering and the use of recycled concrete.
- Sustaining margins through continuous performance improvement as we navigate a softening market in FY24 through: tight overhead cost control and procurement benefits; energy cost optimisation; pricing discipline; and improvements in operational efficiency enabled by debottlenecking, manufacturing, and new digital tools.
- Driving additional earnings growth and margin improvements in the medium term from: expansion of aggregates resource and the ready-mix network; and enhanced product and service offerings, especially from lower carbon and circular offerings.

# Australia

## Financial Summary

| NZ\$M   | Six months ended<br>31 December |       |
|---|---------------------------------|-------|
|   | 2022                            | 2021  |
| Gross revenue                                       | 1,534                           | 1,388 |
| External revenue                                    | 1,500                           | 1,354 |
| Gross margin  | 32%                             | 29%   |
| EBIT before significant items <sup>(1)</sup>        | 82                              | 45    |
| EBIT margin before significant items <sup>(1)</sup> | 5.3%                            | 3.2%  |
| Significant items <sup>(2)</sup>                    | -                               | (47)  |
| Funds   | 1,448                           | 1,320 |
| Trading cash flow                                   | (40)                            | (30)  |
| Capital expenditure                                 | 16                              | 11    |
| Investments   | 6                               | -     |

(1) EBIT 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 financial statements for the period ended 31 December 2022.

(2) Details of significant items can be found in note 2.1 of the financial statements.

(3) Excludes the impact of Rocla® in 2021.

**The Australia division reported gross revenue of \$1,534 million, up 11% on the prior period. EBIT before significant items was \$82 million, compared with \$45 million in the prior period. EBIT margins increased to 5.3% compared to 3.2% in the prior period.**

During HY23, market activity in Australia remained broadly supportive, particularly in the residential segment, however weather events and supply chain challenges (especially in rail links) did cause some market and operational disruption. Significant input cost inflation was again a feature of the HY23 trading environment. The division's strong pricing disciplines and governance ensured higher input costs were successfully recovered, with gross margins increasing 300 basis points on HY22.

The Australian Building Products businesses (excluding Rocla®) delivered revenue growth of 21% (16% in local currency) and EBIT before significant items of \$64 million, compared to \$33 million in the prior period. Laminex® revenue increased by 24%, with benefits of growth in both its core ranges and a market leading decorative category offer. Fletcher Insulation® grew revenues by 10%, driven by pricing activities and prioritisation of value over volume in key channels, with earnings also benefiting from a consolidation of manufacturing and lower distribution costs. In Iplex®, revenue increased by 22% through a leading offer in core categories and an improvement in civil market activity, while earnings benefited from the simplification of its business model and manufacturing base over the past three years.

The Tradelink® and Oliveri® distribution businesses reported revenues in line with HY22, with EBIT before significant items of \$10 million also steady on the prior period. Retail activity was noticeably lower than in HY22 and softened the top-line performance. Gross margins improved through a focus on price and from growth in own brand and digital sales. Tradelink®'s launch of a transactional business-to-business digital platform in the second half of FY22 now complements the existing consumer transactional website and is providing a new revenue stream and higher margins. The Oliveri® business continues to gain share, both in its traditional kitchen sink and tap market and through its push into the bathroom category.

### Building Products Australia:

- > Laminex® Australia
- > Iplex® Australia
- > Fletcher Insulation®

### Steel Australia

- > Stramit®

### Distribution Australia:

- > Tradelink®
- > Oliveri® Solutions

| NZ\$M  | EBIT for six months ended 31 December |           |
|--|---------------------------------------|-----------|
|  | 2022                                  | 2021      |
| Laminex® AU, Iplex® AU & Fletcher Insulation® <sup>(3)</sup> | 64                                    | 33        |
| Tradelink® & Oliveri®  | 10                                    | 9         |
| Stramit®   | 12                                    | 10        |
| Divisional costs   | (4)                                   | (4)       |
| <b>Total<sup>(3)</sup></b>                                   | <b>82</b>                             | <b>48</b> |

The Stramit® steel business grew revenue by 2%, while EBIT before significant items of \$12 million was slightly ahead of the prior period. Domestic and international steel supply remained constrained in HY23. Pricing increases resulted in improved performance with EBIT margins improving on the prior period. Share growth continued throughout the year in the higher-margin sheds and doors segments.

For the division overall, the targeted margin uplift on the prior periods was realised, with a pleasing first half EBIT margin of 5.3%. The division is well-positioned to deliver its FY23 target margin of greater than 5% and remains focused on driving to margins of greater than 7% over the medium-term.

Trading cash outflows were \$40 million compared with a \$30 million outflow in the prior corresponding period. The cash flow result reflected continued tight debtor controls offset by seasonal investments in inventories. As in prior years, the division expects a strong second half trading cash flow.

Capital expenditure in the period was \$16 million, with key investments continuing in the areas of new product development, automation in the manufacturing businesses and digital programmes.

The division's strategic focus is on:

- Maintaining margins close to present levels as we navigate a softening market in FY24 from: ongoing tight cost control; procurement benefits; manufacturing automation; and ongoing price discipline.
- Driving additional earnings growth and margin improvements in the medium term from: digital innovation; targeted share gains in margin accretive categories; innovative new business models, such as the Haven Kitchens by Formica® offer in Laminex®; and new product development, including innovative new materials with the potential to improve both product performance and sustainability.

# Residential and Development

## Divisional Review

- > Fletcher Living®
- > Vivid Living®
- > Fletcher Apartments
- > Industrial Development
- > Clever Core®

## Financial Summary

| NZ\$M               | Six months ended<br>31 December |       |
|---------------------|---------------------------------|-------|
|                     | 2022                            | 2021  |
| Gross revenue       | 219                             | 318   |
| External revenue    | 214                             | 312   |
| EBIT                | 49                              | 112   |
| EBIT margin         | 22.4%                           | 35.2% |
| Funds               | 914                             | 649   |
| Trading cash flow   | (229)                           | (1)   |
| Capital expenditure | 9                               | 3     |

| NZ\$M                           | EBIT for six months<br>ended 31 December |            |
|---------------------------------|--|------------|
|                                 | 2022                                     | 2021       |
| Fletcher Living® <sup>(1)</sup> | 38                                       | 68         |
| Vivid Living®                   | (1)                                      | -          |
| Fletcher Apartments             | (1)                                      | (1)        |
| Clever Core®                    | (3)                                      | (2)        |
| Industrial Development          | 16                                       | 47         |
| <b>Total</b>                    | <b>49</b>                                | <b>112</b> |

(1) The EBIT result in both periods includes a revaluation gain of \$9 million from the transfer of land from Fletcher Living® to Vivid Living®.

**The Residential and Development division reported gross revenue of \$219 million, a 31% decrease on the prior period. EBIT for the division was \$49 million compared to \$112 million reported in the prior period.**

In Residential, 189 units were taken to profit compared to 278 in the prior period, with sales volumes impacted by the slowing housing market in Auckland and Canterbury as interest rates rose. The average price of units sold was around 10% below the peak in late 2021, and gross margins were also impacted by rising materials costs. Nonetheless, Residential still delivered healthy EBIT margins of 17.4%, at the top-end of its long-term target range of 15 to 20%.

In Fletcher Living®, EBIT of \$38 million in HY23 was down from \$68 million in the prior period. Both Apartments and Vivid Living® recorded a small EBIT loss during the period, with their respective sales volumes of circa 100 units and circa 25 units targeted for the second half of FY23. Clever Core® delivered 59 units in HY23, with a total of around 150 units targeted for the full year.

In Industrial Development, EBIT of \$16 million compared to \$47 million in HY22. The prior period results included the sale of a large site from the now-divested Rocla® business. In FY23 there is one additional site targeted for disposal, which is expected to contribute EBIT in the second half of approximately \$10 million.

At 31 December 2022, the division had circa 5,400 lots under control, comprising circa 3,200 residential lots and two rural properties held on balance sheet; circa 1,700 units of both zoned and future zoned land under unconditional contracts; and a further 460 units under conditional contracts.

Divisional funds employed at 31 December 2022 was \$914 million compared to \$651 million at 30 June 2022. This increase was due to a rebuild of land and housing inventories as previously flagged, following a material draw-down of these stocks in FY21 and FY22. On land, the division settled circa \$200 million of prior land agreements in HY23, at prices which are expected to continue to support the business's margin targets. The market value of the overall land portfolio has been independently assessed at circa \$350 million higher than book value at December 2022, providing a degree of resilience for this future performance. On housing inventories, the value of work-in-progress lifted by circa \$100 million in HY23, as productivity reverted to more normal levels following an FY22 year in which build rates were adversely impacted by COVID-19. This work-in-progress is expected to reduce with the division targeting a FY23 year-end funds balance of approximately \$850 million.

Looking ahead, the focus for the division is on:

- Continuing to optimise its housing offer to target the deepest segments of customer demand.
- Balancing its build rate – and hence its overall funds employed – with the market environment. In the context of a softening housing market, work on some Residential and Apartments developments has been slowed or paused, and the division has entered into limited new agreements for land purchases in 2023.

For the FY23 year, the division is targeting a total of approximately 800 unit sales. At 31 December 2022, it had a total of circa 300 sales agreements in place: 189 already taken to profit in HY23, and circa 100 due for completion in the second half.

# Construction

| Financial Summary                                      | Six months ended |        |
|--|------------------|--------|
|  | 31 December      |        |
| NZ\$M  | 2022             | 2021   |
| Gross revenue  | 650              | 720    |
| External revenue                                       | 594              | 630    |
| EBIT before significant items <sup>(1)(3)</sup>        | 9                | (5)    |
| EBIT margin before significant items <sup>(1)(3)</sup> | 1.4%             | (0.7%) |
| Significant items <sup>(2)</sup>                       | (150)            | -      |
| Funds  | 164              | 210    |
| Trading cash flow                                      | (32)             | 2      |
| Capital expenditure                                    | 9                | 9      |

## Divisional Review

- > Major Projects
- > Brian Perry Civil®
- > Higgins®
- > Buildings
- > South Pacific

(1) EBIT 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 financial statements for the period ended 31 December 2022.

(2) Details of significant items can be found in note 2.1 of the financial statements.

(3) Prior to elimination of intra-Group profit in relation to Winstone Wallboards® Tauriko plant.

The Construction division reported gross revenue of \$650 million, which was \$70 million or 10% lower than the prior period. Prior to elimination of intra-Group margin on the new Winstone Wallboards® plant, EBIT before significant items was a profit of \$9 million. On a reported basis, EBIT before significant items was a profit of \$5 million, compared to a loss of \$10 million in the prior period.

The division continues to make good progress as a focused infrastructure services business. The division's orderbook at 31 December 2022 (excluding legacy work) was \$2.4 billion, broadly in line with the prior period. It continues to constitute lower risk, smaller self-perform work in Higgins® and Brian Perry Civil®; national and local road maintenance contracts and multi-year framework agreements with water authorities including Watercare and Wellington Water. The Eastern Busway project, a \$0.6 billion alliance with Auckland Transport has been added in the period. This orderbook is expected to support strong work volumes over the next 24 months.

In HY23, the division also made good progress towards more stable operating performance following the material impact of COVID-19 through FY21 and FY22. The tail-end of the pandemic is still being felt however, with a constrained labour market, materials cost inflation, and some slippage of client work programmes into the second half of FY23 and into FY24. Gross margin in HY23 was also adversely affected by persistent wet weather over the New Zealand winter and spring seasons. Positively, the division's streamlined management structures and operating efficiencies ensured overheads remained below 8% of revenue.

The division continues to make progress in completion of major legacy projects. The Hamilton City Edge and Peka Peka to Ōtaki motorway projects opened to traffic in the period, and the Pūhoi to Warkworth motorway is scheduled to open in the second half of FY23. The division continues to seek recovery of costs due to COVID-19 related events on the Pūhoi to Warkworth project, with this significant project claim expected to progress through to FY24 before resolution. On New Zealand International Convention Centre and Hobson Street Hotel (NZICC), a further provision of \$150 million was taken for costs of reinstatement work post the October 2019 fire, with these costs now expected to exceed the Contract Works Insurance policy limits. These costs are classified as a significant item in the Group's HY23 financial statements. NZICC is the division's final project in the vertical building sector.

Trading cash flow for the division in HY23 was an outflow of \$32 million. Legacy projects resulted in a \$28 million cash outflow, and there was a \$4 million impact from significant items. Trading cash flows across Higgins®, Brian Perry Civil® and Major Projects (excluding legacy) were an inflow of \$9 million.

Capital expenditure in the period of \$9 million included cyclical replacement of bitumen sprayers, pavers and safety barriers in Higgins®, ERP implementation costs plus additional mobile cranes in Brian Perry Civil®.

The division's future focus is on completing the remaining two legacy projects within provisions and delivering a stable 3 to 5% margin business focused on lower-risk work in the infrastructure services market. As the final legacy projects are completed, the division's annual revenues are expected to stabilise at around \$1.0 to \$1.2 billion.

# Consolidated income statement (unaudited)

For the six months ended 31 December 2022

|  | Note | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|--|------|---------------------------------|---------------------------------|----------------------------------|
| Revenue  |      | 4,284                           | 4,064                           | 8,498                            |
| Cost of goods sold   |      | (2,975)                         | (2,886)                         | (5,989)                          |
| Gross margin   |      | 1,309                           | 1,178                           | 2,509                            |
| Selling, general and administration expenses                       |      | (975)                           | (865)                           | (1,786)                          |
| Share of profits of associates and joint ventures                  |      | 16                              | 10                              | 24                               |
| Revaluation gain on investment property                            |      | 10                              | 9                               | 9                                |
| Significant items  | 2.1  | (154)                           | (43)                            | (54)                             |
| Earnings before interest and taxation (EBIT)                       |      | 206                             | 289                             | 702                              |
| Lease interest expense   |      | (30)                            | (30)                            | (58)                             |
| Funding costs  |      | (39)                            | (22)                            | (46)                             |
| Earnings before taxation   |      | 137                             | 237                             | 598                              |
| Taxation expense   | 4    | (34)                            | (63)                            | (159)                            |
| Earnings after taxation  |      | 103                             | 174                             | 439                              |
| Earnings attributable to non-controlling interests                 |      | (11)                            | (3)                             | (7)                              |
| <b>Net earnings attributable to the shareholders</b>               |      | <b>92</b>                       | <b>171</b>                      | <b>432</b>                       |
| Net earnings per share (cents)                                     |      |                                 |                                 |                                  |
| Basic  |      | 11.7                            | 21.0                            | 53.5                             |
| Diluted  |      | 11.3                            | 20.5                            | 50.3                             |
| Weighted average number of shares outstanding (millions of shares) |      |                                 |                                 |                                  |
| Basic  |      | 783                             | 814                             | 807                              |
| Diluted  |      | 861                             | 864                             | 880                              |
| Dividends declared per share (cents)                               |      | 18.0                            | 18.0                            | 40.0                             |

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

On behalf of the Board, 15 February 2023



**Bruce Hassall**  
Chair

**Robert McDonald**  
Director



# Consolidated statement of comprehensive income (unaudited)

For the six months ended 31 December 2022

| Notes   | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|---------------------------------|---------------------------------|----------------------------------|
| Net earnings attributable to shareholders   | 92                              | 171                             | 432                              |
| Net earnings attributable to non-controlling interests                              | 11                              | 3                               | 7                                |
| Net earnings  | 103                             | 174                             | 439                              |
| <b>Other comprehensive income</b>   |                                 |                                 |                                  |
| <i>Items that do not subsequently get reclassified to profit or loss:</i>           |                                 |                                 |                                  |
| Movement in pension reserve   |                                 | 18                              | 17                               |
|   |                                 | 18                              | 17                               |
| <i>Items that may be reclassified subsequently to profit or loss in the future:</i> |                                 |                                 |                                  |
| Movement in cash flow hedge reserve   | (4)                             | 11                              | 27                               |
| Movement in currency translation reserve  | (53)                            | 26                              | 49                               |
| Reclassification of foreign currency reserve to consolidated income statement       |                                 |                                 | 42                               |
|   | (57)                            | 37                              | 118                              |
| <b>Total comprehensive income for the period</b>                                    | <b>46</b>                       | <b>229</b>                      | <b>574</b>                       |

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

# Consolidated statement of movements in equity (unaudited)

For the six months ended 31 December 2022

| NZ\$M  | Share capital | Retained earnings | Share-based<br>payments reserve | Cash flow hedge<br>reserve | Currency<br>translation reserve | Pension reserve | Total        | Non-controlling<br>interests | Total equity |
|--|---------------|-------------------|---------------------------------|----------------------------|---------------------------------|-----------------|--------------|------------------------------|--------------|
| <b>Total equity at 30 June 2021</b>          | <b>3,248</b>  | <b>598</b>        | <b>28</b>                       | <b>(19)</b>                | <b>(146)</b>                    | <b>46</b>       | <b>3,755</b> | <b>16</b>                    | <b>3,771</b> |
| Change in accounting policies <sup>(1)</sup> |               | (36)              |                                 |                            |                                 |                 | (36)         |                              | (36)         |
| <b>Restated equity at 30 June 2021</b>       | <b>3,248</b>  | <b>562</b>        | <b>28</b>                       | <b>(19)</b>                | <b>(146)</b>                    | <b>46</b>       | <b>3,719</b> | <b>16</b>                    | <b>3,735</b> |
| Total comprehensive income for the period    |               | 171               |                                 | 11                         | 26                              | 18              | 226          | 3                            | 229          |
| Movement in non-controlling interests        |               |                   |                                 |                            |                                 |                 |              | (6)                          | (6)          |
| Dividends paid to shareholders of the parent |               | (148)             |                                 |                            |                                 |                 | (148)        |                              | (148)        |
| Movement in share-based payment reserve      | 3             | 3                 | (7)                             |                            |                                 |                 | (1)          |                              | (1)          |
| Repurchase of shares                         | (83)          |                   |                                 |                            |                                 |                 | (83)         |                              | (83)         |
| <b>Equity at 31 December 2021</b>            | <b>3,168</b>  | <b>588</b>        | <b>21</b>                       | <b>(8)</b>                 | <b>(120)</b>                    | <b>64</b>       | <b>3,713</b> | <b>13</b>                    | <b>3,726</b> |
| Restated Equity at 30 June 2021              | 3,248         | 562               | 28                              | (19)                       | (146)                           | 46              | 3,719        | 16                           | 3,735        |
| Total comprehensive income for the period    |               | 432               |                                 | 27                         | 91                              | 17              | 567          | 7                            | 574          |
| Movement in non-controlling interests        |               |                   |                                 |                            |                                 |                 |              | (8)                          | (8)          |
| Dividends paid to shareholders of the parent |               | (292)             |                                 |                            |                                 |                 | (292)        |                              | (292)        |
| Movement in share-based payment reserve      | 5             | 3                 | (2)                             |                            |                                 |                 | 6            |                              | 6            |
| Repurchase of shares                         | (250)         |                   |                                 |                            |                                 |                 | (250)        |                              | (250)        |
| <b>Equity at 30 June 2022</b>                | <b>3,003</b>  | <b>705</b>        | <b>26</b>                       | <b>8</b>                   | <b>(55)</b>                     | <b>63</b>       | <b>3,750</b> | <b>15</b>                    | <b>3,765</b> |
| Total comprehensive income for the period    |               | 92                |                                 | (4)                        | (53)                            |                 | 35           | 11                           | 46           |
| Movement in non-controlling interests        |               |                   |                                 |                            |                                 |                 |              | (8)                          | (8)          |
| Dividends paid to shareholders of the parent |               | (172)             |                                 |                            |                                 |                 | (172)        |                              | (172)        |
| Movement in share-based payment reserve      | 1             | 5                 |                                 |                            |                                 |                 | 6            |                              | 6            |
| Movement in treasury stock                   | (13)          |                   |                                 |                            |                                 |                 | (13)         |                              | (13)         |
| <b>Equity at 31 December 2022</b>            | <b>2,991</b>  | <b>630</b>        | <b>26</b>                       | <b>4</b>                   | <b>(108)</b>                    | <b>63</b>       | <b>3,606</b> | <b>18</b>                    | <b>3,624</b> |

(1) The Group adopted the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of NZ IAS 38 Intangible Assets and treatment of configuration and customisation costs incurred in implementing cloud computing arrangements. The comparatives have been restated as a result of a change in accounting policy.

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 2022

| Assets                                       | Note | Dec 2022<br>NZ\$M | Dec 2021<br>NZ\$M | June 2022<br>NZ\$M |
|--|------|-------------------|-------------------|--------------------|
| <b>Current assets:</b>                       |      |                   |                   |                    |
| Cash and cash equivalents                    |      | 272               | 409               | 351                |
| Contract assets                              | 2.4  | 110               | 60                | 127                |
| Derivatives                                  |      | 6                 | 11                | 17                 |
| Debtors                                      |      | 1,229             | 1,097             | 1,275              |
| Inventories                                  |      | 1,695             | 1,426             | 1,507              |
| <b>Total current assets</b>                  |      | <b>3,312</b>      | <b>3,003</b>      | <b>3,277</b>       |
| <b>Non-current assets:</b>                   |      |                   |                   |                    |
| Property, plant and equipment                |      | 1,919             | 1,622             | 1,800              |
| Investment property                          |      | 43                | 26                | 34                 |
| Intangible assets                            |      | 1,156             | 1,078             | 1,116              |
| Right-of-use assets                          |      | 1,344             | 1,337             | 1,351              |
| Investments in associates and joint ventures |      | 208               | 194               | 195                |
| Debtors                                      |      |                   | 53                |                    |
| Inventories                                  |      | 447               | 190               | 292                |
| Retirement plan assets                       |      | 123               | 125               | 124                |
| Derivatives                                  |      | 14                | 10                | 23                 |
| Deferred tax assets                          |      | 226               | 212               | 209                |
| <b>Total non-current assets</b>              |      | <b>5,480</b>      | <b>4,847</b>      | <b>5,144</b>       |
| <b>Total assets</b>                          |      | <b>8,792</b>      | <b>7,850</b>      | <b>8,421</b>       |
| <b>Liabilities</b>                           |      |                   |                   |                    |
| <b>Current liabilities:</b>                  |      |                   |                   |                    |
| Creditors, accruals and other liabilities    |      | 1,335             | 1,222             | 1,512              |
| Provisions                                   |      | 302               | 157               | 173                |
| Lease liabilities                            |      | 185               | 179               | 185                |
| Current tax liabilities                      |      | 6                 | 31                | 107                |
| Derivatives                                  |      | 7                 | 11                | 4                  |
| Contract liabilities                         | 2.4  | 110               | 123               | 112                |
| Borrowings                                   | 5    | 70                | 122               | 64                 |
| <b>Total current liabilities</b>             |      | <b>2,015</b>      | <b>1,845</b>      | <b>2,157</b>       |
| <b>Non-current liabilities:</b>              |      |                   |                   |                    |
| Creditors, accruals and other liabilities    |      | 29                | 34                | 28                 |
| Provisions                                   |      | 30                | 38                | 24                 |
| Lease liabilities                            |      | 1,451             | 1,458             | 1,470              |
| Derivatives                                  |      | 5                 | 5                 | 1                  |
| Borrowings                                   | 5    | 1,638             | 744               | 976                |
| <b>Total non-current liabilities</b>         |      | <b>3,153</b>      | <b>2,279</b>      | <b>2,499</b>       |
| <b>Total liabilities</b>                     |      | <b>5,168</b>      | <b>4,124</b>      | <b>4,656</b>       |
| <b>Equity</b>                                |      |                   |                   |                    |
| Share capital                                |      | 2,991             | 3,168             | 3,003              |
| Reserves                                     |      | 615               | 545               | 747                |
| Shareholders' funds                          |      | 3,606             | 3,713             | 3,750              |
| Non-controlling interests                    |      | 18                | 13                | 15                 |
| <b>Total equity</b>                          |      | <b>3,624</b>      | <b>3,726</b>      | <b>3,765</b>       |
| <b>Total liabilities and equity</b>          |      | <b>8,792</b>      | <b>7,850</b>      | <b>8,421</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 2022

|   | Note | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|------|---------------------------------|---------------------------------|----------------------------------|
| <b>Cash flow from operating activities</b>                      |      |                                 |                                 |                                  |
| Receipts from customers   |      | 4,344                           | 4,062                           | 8,273                            |
| Dividends received  |      | 1                               |                                 | 15                               |
| Payments to suppliers, employees and other                      |      | (4,326)                         | (3,856)                         | (7,582)                          |
| Interest paid   |      | (68)                            | (49)                            | (101)                            |
| Income tax paid   |      | (154)                           |                                 | (13)                             |
| <b>Net cash from operating activities</b>                       | 8    | <b>(203)</b>                    | <b>157</b>                      | <b>592</b>                       |
| <b>Cash flow from investing activities</b>                      |      |                                 |                                 |                                  |
| Sale of property, plant and equipment                           |      | 5                               | 1                               | 7                                |
| Sale of subsidiaries  |      |                                 | 51                              | 51                               |
| Purchase of property, plant and equipment and intangible assets |      | (240)                           | (140)                           | (399)                            |
| Purchase of investment property                                 |      | (9)                             | (3)                             | (5)                              |
| Return of advances to associates and joint ventures             |      |                                 |                                 | 2                                |
| Investments in associates and joint ventures                    |      |                                 | (12)                            | (12)                             |
| Investments in subsidiaries                                     |      | (57)                            |                                 |                                  |
| <b>Net cash from investing activities</b>                       |      | <b>(301)</b>                    | <b>(103)</b>                    | <b>(356)</b>                     |
| <b>Cash flow from financing activities</b>                      |      |                                 |                                 |                                  |
| Issue of capital notes  |      | 10                              |                                 | 90                               |
| Repurchase of capital notes                                     |      |                                 |                                 | (100)                            |
| Repurchase of shares  |      |                                 | (83)                            | (250)                            |
| Repurchase of shares - transferred to treasury stock            |      | (13)                            |                                 |                                  |
| Drawdown of borrowings  |      | 692                             | 10                              | 180                              |
| Repayment of borrowings   |      | (7)                             |                                 | (4)                              |
| Principal elements of lease payments                            |      | (97)                            | (89)                            | (186)                            |
| Contributions from non-controlling interests                    |      | 23                              | 2                               | 13                               |
| Distribution to non-controlling interests                       |      | (8)                             |                                 | (8)                              |
| Dividends paid to shareholders of the parent                    |      | (172)                           | (148)                           | (292)                            |
| <b>Net cash from financing activities</b>                       |      | <b>428</b>                      | <b>(308)</b>                    | <b>(557)</b>                     |
| Net movement in cash held                                       |      | (76)                            | (254)                           | (321)                            |
| Add: opening cash and liquid deposits                           |      | 351                             | 666                             | 666                              |
| Effect of exchange rate changes on net cash                     |      | (3)                             | (3)                             | 6                                |
| <b>Closing cash and deposits</b>                                |      | <b>272</b>                      | <b>409</b>                      | <b>351</b>                       |

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

# Fletcher Building Financial Statements (unaudited)

## Significant changes in the current reporting period

The financial position and performance of the Group were particularly affected by the following events and transactions during the reporting period:

- On 1 September 2022, the Group acquired six Tumu® ITM building supply centres and a frame and truss operation, servicing the East Coast, Hawke's Bay and Wairarapa regions from the Tumu® Group for consideration of \$50 million plus a \$10 million working capital adjustment settled in January 2023. Refer to note 2.5.
- On 31 October 2022, the Group negotiated an additional Australian dollar denominated tranche of A\$674.5 million to its syndicated revolving credit facility. Refer to note 5.
- On 16 December 2022, the Group announced the recognition of an additional loss provision on the New Zealand International Convention Centre and Hobson Street Hotel (NZICC) project, the provision of \$150 million was recognised as a Significant Item as at 31 December 2022. Refer to notes 2.1 and 2.4.

## Notes to the consolidated financial statements

### 1. CORPORATE INFORMATION

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 FMC Reporting Entity under Financial Markets Conduct Act 2013. The Group is a for-profit entity.

#### Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and the requirements of the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements comply with NZ IAS 34 Interim Financial Reporting and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022. In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 - Interim Financial Reporting.

### 2. KEY ESTIMATES, JUDGEMENTS AND OTHER FINANCIAL INFORMATION

#### 2.1 SIGNIFICANT ITEMS

In reporting financial information, the Group presents non-GAAP performance measures, which are not defined or specified under the requirements of NZ IFRS.

The Group makes certain significant item adjustments to the statutory profit measures in order to derive many of these underlying performance non-GAAP measures. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year underlying performance of the Group.

As at 31 December 2022, significant items totalled \$154 million (31 December 2021: \$43 million). \$150 million relates to provisions for costs to complete the New Zealand International Convention Centre and Hobson Street Hotel (NZICC) build, the Group's last project as it winds down its operations in the vertical building sector. The remaining \$4 million relates primarily to the relocation of Winstone Wallboards® operations to Tauriko (\$3 million).

#### 2.2 INTANGIBLE ASSET IMPAIRMENT TESTING

The Group performs a detailed impairment assessment annually and considers indicators of impairment at each interim reporting date. At 31 December 2022, the Group performed a review of indicators of impairment for all cash-generating units with significant intangible asset balances. No indicators of impairment have been identified as a result of this review.

## Notes to the consolidated financial statements (cont.)

### 2.3 SUPPLEMENTARY DISCLOSURES: EARNINGS PER SHARE

The below disclosure has been included to provide additional useful information by removing the impact of significant items in the current and prior year, and the resulting impact on the earnings per share measure.

The effect of significant items on earnings per share is as follows:

|  | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|--|---------------------------------|---------------------------------|----------------------------------|
| Net earnings after taxation (as per consolidated income statement)             | 92                              | 171                             | 432                              |
| Add back: Significant items after taxation                                     | 111                             | 43                              | 52                               |
| Net earnings before significant items  | 203                             | 214                             | 484                              |
| Net earnings per share before significant items (cents)                        | 25.9                            | 26.3                            | 60.0                             |
| Net earnings per share - as reported per consolidated income statement (cents) | 11.7                            | 21.0                            | 53.5                             |

### 2.4 SUPPLEMENTARY DISCLOSURES: CONSTRUCTION ACCOUNTING

Construction work-in-progress is stated at cost plus profit recognised to date, less progress billings. 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.

|   | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|---------------------------------|---------------------------------|----------------------------------|
| Construction contracts with cost and margin in advance of billings  | 110                             | 60                              | 127                              |
| <b>Contract assets</b>  | <b>110</b>                      | <b>60</b>                       | <b>127</b>                       |
| Construction contracts with billings in advance of costs and margin | 110                             | 123                             | 112                              |
| <b>Contract liabilities</b>   | <b>110</b>                      | <b>123</b>                      | <b>112</b>                       |

Estimates and judgements are made relating to a number of factors when assessing construction contracts. These primarily include the programme of work throughout the contract period, assessment of future costs after considering changes in the scope of work, maintenance and defect liabilities, expected inflation (for unlet sub-trades) and performance bonuses or penalties. Construction projects are inherently more uncertain earlier in their lifetime, which leads to a number of significant estimates and judgements being made at these early stages.

The significant judgements inherent in accounting for the Group's most material construction projects are:

- The extent to which a project progresses in line with the complex project programme and timetable previously formed and the resulting impact of any programme delays or gains on project costs, especially project overheads (preliminary and general costs) and any liquidated or other damages;
- Sub-contractor cost, in particular cost that is yet to be agreed in scope or price (including inflationary pressures) or that relate to programme prolongation;
- Recovery of any insurance claims;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope; and
- Future weather and ground conditions.

## Notes to the consolidated financial statements (cont.)

### Status of construction projects (> \$200m original contract value) as at 31 December 2022:

A summary of total contracted work under construction and details of the major projects and their approximate stage of completion is disclosed to demonstrate the uncertainty that remains on these projects.

|   | Business Unit             | Percentage of completion (% cost) | Forecast completion* |
|---|---------------------------|-----------------------------------|----------------------|
| New Zealand International Convention Centre and Hobson Street Hotel (NZICC) - Fixed price contract and fire reinstatement | Buildings                 | 67%                               | 2025                 |
| Pūhoi to Warkworth - Fixed price contract (Public Private Partnership)  | Infrastructure            | 91%                               | 2023                 |
| Peka Peka to Ōtaki Expressway - Fixed price contract  | Infrastructure / Higgins® | 95%                               | 2023                 |

\* Calendar year

### Revenue Backlog by Business Unit as at 31 December 2022:

|                     | Current Revenue Backlog NZ\$M | Top 5 projects as a % of Revenue Backlog |
|---------------------|-------------------------------|--|
| Buildings           | 411                           | 100%                                     |
| Infrastructure*     | 399                           | 96%                                      |
| Brian Perry Civil®* | 1,136                         | 37%                                      |
| Higgins®            | 819                           | 42%                                      |
| South Pacific       | 136                           | 92%                                      |
|                     | <b>2,901</b>                  | <b>N/A</b>                               |

\* There has been an internal reallocation of \$258m in the orderbook, these works relate to the Watercare Enterprise Model and included in Infrastructure at June 2022, however have been reallocated to Brian Perry Civil® for December 2022.

Revenue backlog refers to the level of construction work the Group is contracted to but is not yet complete as at period end. This represents the performance obligations that are yet to be completed for the construction contracts active as at 31 December 2022. The long term nature of the contracts held by the Buildings, Infrastructure, Brian Perry Civil® and Higgins® businesses will see these performance obligations completed over a period generally between one to five years, although some may extend longer.

### New Zealand International Convention Centre and Hobson Street Hotel (NZICC)

On 22 October 2019, there was a significant fire at the project construction site causing damage to both the New Zealand International Convention Centre and Hobson Street Hotel (NZICC). Contract Works and Third Party Liability insurances are in place on the project, and the Fletcher Construction Company Limited (FCC) is an insured party under these policies.

Following the latest review of the project's scope, damage assessment and methodology of rebuild (and as announced to the NZX on 16 December 2022), as at 31 December 2022, the Group expects costs to increase and exceed the Contract Works and Third Party Liability insurances coverage. The increases are attributed mainly to: (1) significant complexity of the remediation approach and rebuild environment, particularly due to remediation of the water damage and mould that occurred following the fire; (2) as a result of this complexity, a greater number of project resources being required to complete the rebuild works; and (3) inflation of labour, trade and material costs, as is being experienced across the broader construction industry. In addition, certain costs resulting from the fire may fall outside the scope of the Contract Works and Third Party Liability policies, with the possibility they may be unrecoverable by the Group. The costs that are known or considered probable to be unrecoverable as at balance date have been included in the assessment of the onerous contract provision.

As foreshadowed on 16 December 2022, the Group has reassessed its estimate of final margin loss on the project as at 31 December 2022 and, as a consequence, has recognised an additional provision of \$150 million to complete the project. This assessment of the cost to complete continues to rely on the application of estimates and judgements (e.g. programme to complete, the measurement of remediation's cost to complete, the likelihood of receipt of insurance recoveries and quantification of any claims and costs that are outside of insurance cover) and, as such, may be subject to change as the project progresses. As the project approaches completion, there is also risk of dispute over delay and cost.

## Notes to the consolidated financial statements (cont.)

### Pūhoi to Warkworth (P2W)

The Fletcher Construction Company Limited (FCC) and its 50% joint venture partner, Acciona (together Construction JV), are subcontracted for the design and construction of P2W motorway, by the Northern Express Group (NX2), which is undertaking the project on behalf Waka Kotahi NZ Transport Agency (Waka Kotahi).

With the project initially set to be completed in December 2021, the project experienced programme delays and inefficiencies arising from the impacts of the 2020 NZ Government's COVID-19 pandemic response. In July 2020, an agreement was reached between the parties which included revising the planned service commencement date to May 2022, with Waka Kotahi issuing a notice acknowledging the right to relief under the Project Agreement for certain COVID-19 events.

COVID-19 events and their management by the authorities – including further lockdowns in 2021, introduction of a traffic light system and national and regional border closures, and their consequent impacts on supply chain and resource availability – further adversely impacted the progress of project construction and associated costs.

As at 31 December 2022, the Construction JV had lodged a claim with NX2 and Waka Kotahi for the impacts and delays arising from COVID-19 events, and had entered into a Support Agreement with Waka Kotahi, which provided the Construction JV with some interim and potentially refundable financial support, but without any party agreeing variations for compensation or extensions of time for the project to reach the contract Service Commencement Date. If no variations or extension of time are agreed between the parties or ultimately determined under the contract, the Construction JV will incur unrecoverable costs and liquidated damages will apply beyond 16 August 2022, being the current contractual Planned Service Commencement Date.

Until the road is open and the final Service Commencement Date is reached, the size and makeup of Construction JV's claim will not be finalised. Absent earlier agreement between the Construction JV and Waka Kotahi otherwise, that claim will be resolved through an agreed dispute resolution process no earlier than 2024. The Group's current assessment of the cost to complete relies on application of estimates and judgements (e.g. project programme, timing of contractual Service Commencement Date and its view of the likelihood of receipt of further relief under the Project Agreement and quantification of any claims and costs under this relief) and, as such, may be subject to change as the project progresses.

The Group has assessed the facts and circumstances known to it relating to the Construction JV's estimate of cost to complete, timing of achieving Service Commencement Date and merits of Construction JV's claims and concluded that no additional provision is required to be recognised as at 31 December 2022. There remains a risk that, ultimately, the full amount of the Construction JV's claim will not be recovered.

## 2.5 BUSINESS COMBINATIONS

### Tumu®

On 1 September 2022, the Group acquired six Tumu® ITM building supply centres and a frame and truss operation, servicing the East Coast, Hawke's Bay and Wairarapa regions from the Tumu® Group. The acquired branches are full service building supplies merchants selling to both wholesale and retail customers as well as a frame and truss manufacturing business.

The acquisition delivers a stronger proposition and level of capability in the building supply market in the East Coast of the North Island, seen as a strategically valuable region for the Distribution division. The note below considers all seven entities.

For the entities acquired, less than 100% of the equity shares were acquired. Non-controlling interest share ownership percentages will be finalised and will range from 2.12% to 25% with the Group electing to measure the non-controlling interests in the acquiree by reference to the non-controlling interests proportionate ownership of net assets of the acquiree.

The fair values of the identifiable assets and liabilities of the seven entities combined as at the date of acquisition are on the following page. The Group has 12 months from the date of acquisition to finalise the acquisition accounting and therefore the amounts presented below are provisional.



## Notes to the consolidated financial statements (cont.)

Provisional values at acquisition date  
NZ\$M

|  | NZ\$M     |
|--|-----------|
| <b>Assets</b>                                      |           |
| Property, plant and equipment                      | 3         |
| Debtors  | 19        |
| Inventories  | 16        |
| Deferred tax asset                                 | 1         |
| Right-of-use assets                                | 19        |
|  | 58        |
| <b>Liabilities</b>                                 |           |
| Creditors, accruals and other liabilities          | 16        |
| Lease liabilities                                  | 19        |
|  | 35        |
| <b>Total identifiable net assets at fair value</b> | <b>23</b> |
| Goodwill arising on acquisition                    | 37        |
| <b>Purchase consideration transferred</b>          | <b>60</b> |

The fair value of the trade receivables amounts to \$17 million. The gross amount of trade receivables is \$17 million and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

Goodwill is allocated to PlaceMakers® as a single cash-generating unit, reflecting the synergies created with PlaceMakers® through operational and supply chain efficiencies and access to the untapped regional market. PlaceMakers® is part of the Distribution division. The amount recognised is not expected to be deductible for tax purposes.

The Group incurred acquisition related costs of \$1 million in FY22 which were recognised in significant items. There were no significant item charges in the six months to 31 December 2022. The transaction is debt free and therefore after consideration of acquisition costs, the net cash flow on acquisition is \$61 million, with a \$10 million working capital adjustment settled in January 2023.

### Other acquisitions

On 2 December 2022, Fletcher Building Australia, a fully owned subsidiary of Fletcher Building Limited, entered into and settled a Sale and Purchase Agreement (SPA) to acquire Water Filters Australia for consideration of A\$5.2 million plus A\$0.2 million working capital adjustment.

### Financial impact

If the above combinations had taken place at the beginning of the year, Group revenue would have been \$4,310 million and Group EBIT would have been \$208 million. From the date of acquisition, Tumu® and other acquisitions have contributed \$41 million to Group revenue and \$4 million to Group EBIT.

## Notes to the consolidated financial statements (cont.)

### 3. SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's industry and geographical segments. The use of industry segments as the primary format is based on the Group's management and internal reporting structure, which recognises groups of assets and operations with similar risks and returns. Inter-segment pricing is determined on an arm's length basis.

#### Industry segments

|                             | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|-----------------------------|---------------------------------|---------------------------------|----------------------------------|
| <b>Gross Revenue</b>        |                                 |                                 |                                  |
| Building Products           | 835                             | 765                             | 1,610                            |
| Distribution                | 965                             | 866                             | 1,789                            |
| Concrete                    | 487                             | 428                             | 881                              |
| Australia                   | 1,534                           | 1,388                           | 2,806                            |
| Residential and Development | 219                             | 318                             | 692                              |
| Construction                | 650                             | 720                             | 1,559                            |
| Other                       | 5                               | 5                               | 11                               |
| Total gross revenue         | 4,695                           | 4,490                           | 9,348                            |
| Less: intercompany revenue  | (411)                           | (426)                           | (850)                            |
| External revenue            | 4,284                           | 4,064                           | 8,498                            |

|                             |       |       |       |
|-----------------------------|-------|-------|-------|
| <b>External Revenue</b>     |       |       |       |
| Building Products           | 684   | 613   | 1,301 |
| Distribution                | 948   | 854   | 1,764 |
| Concrete                    | 344   | 301   | 626   |
| Australia                   | 1,500 | 1,354 | 2,740 |
| Residential and Development | 214   | 312   | 680   |
| Construction                | 594   | 630   | 1,387 |
| Group                       | 4,284 | 4,064 | 8,498 |

|                                      |      |      |      |
|--------------------------------------|------|------|------|
| <b>EBIT before significant items</b> |      |      |      |
| Building Products                    | 118  | 96   | 210  |
| Distribution                         | 65   | 54   | 137  |
| Concrete                             | 74   | 61   | 128  |
| Australia                            | 82   | 45   | 113  |
| Residential and Development          | 49   | 112  | 217  |
| Construction                         | 5    | (10) | 14   |
| Corporate and Other                  | (33) | (26) | (63) |
| Group                                | 360  | 332  | 756  |

|   |     |     |     |
|---|-----|-----|-----|
| <b>Depreciation, depletion and amortisation expense</b> |     |     |     |
| Building Products                                       | 27  | 25  | 52  |
| Distribution  | 27  | 24  | 48  |
| Concrete  | 33  | 33  | 66  |
| Australia   | 66  | 63  | 128 |
| Residential and Development                             | 1   | 1   | 3   |
| Construction  | 20  | 20  | 41  |
| Corporate   | 6   | 6   | 12  |
| Group   | 180 | 172 | 350 |

## Notes to the consolidated financial statements (cont.)

|                             | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|-----------------------------|---------------------------------|---------------------------------|----------------------------------|
| <b>Capital expenditure</b>  |                                 |                                 |                                  |
| Building Products           | 126                             | 79                              | 204                              |
| Distribution                | 43                              | 3                               | 11                               |
| Concrete                    | 21                              | 35                              | 81                               |
| Australia                   | 16                              | 11                              | 55                               |
| Residential and Development | 9                               | 3                               | 8                                |
| Construction                | 9                               | 9                               | 29                               |
| Corporate                   | 23                              | 4                               | 33                               |
| Group                       | 247                             | 144                             | 421                              |
| <b>Funds*</b>               |                                 |                                 |                                  |
| Building Products           | 1,180                           | 870                             | 1,024                            |
| Distribution                | 299                             | 195                             | 246                              |
| Concrete                    | 631                             | 586                             | 597                              |
| Australia                   | 1,448                           | 1,320                           | 1,365                            |
| Residential and Development | 914                             | 649                             | 651                              |
| Construction                | 164                             | 210                             | 278                              |
| Corporate                   | (1,012)                         | (104)                           | (396)                            |
| Group                       | 3,624                           | 3,726                           | 3,765                            |

\* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level.

### Geographic segments

|                         | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|-------------------------|---------------------------------|---------------------------------|----------------------------------|
| <b>External Revenue</b> |                                 |                                 |                                  |
| New Zealand             | 2,705                           | 2,573                           | 5,527                            |
| Australia               | 1,507                           | 1,427                           | 2,813                            |
| Other jurisdictions     | 72                              | 64                              | 158                              |
| Group                   | 4,284                           | 4,064                           | 8,498                            |

### EBIT before significant items

|                     |     |     |     |
|---------------------|-----|-----|-----|
| New Zealand         | 272 | 243 | 594 |
| Australia           | 82  | 86  | 152 |
| Other jurisdictions | 6   | 3   | 10  |
| Group               | 360 | 332 | 756 |

### Funds\*

|                                     |         |       |       |
|-------------------------------------|---------|-------|-------|
| New Zealand                         | 3,196   | 2,487 | 2,788 |
| Australia                           | 1,497   | 1,378 | 1,424 |
| Other (including debt and taxation) | (1,069) | (139) | (447) |
| Group                               | 3,624   | 3,726 | 3,765 |

### Non-current assets<sup>+</sup>

|                     |       |       |       |
|---------------------|-------|-------|-------|
| New Zealand         | 3,499 | 2,838 | 3,101 |
| Australia           | 1,572 | 1,560 | 1,634 |
| Other jurisdictions | 46    | 49    | 53    |
| Group               | 5,117 | 4,447 | 4,788 |

\* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level.

+ Excludes deferred tax assets, retirement plan surplus and financial instruments.

## Notes to the consolidated financial statements (cont.)

### 4. TAXATION EXPENSE

|   | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|---------------------------------|---------------------------------|----------------------------------|
| Earnings before taxation  | 137                             | 237                             | 598                              |
| Taxation at 28 cents per dollar                                   | 38                              | 66                              | 167                              |
| Adjusted for:   |                                 |                                 |                                  |
| Difference in tax rates   | 1                               |                                 | 1                                |
| Non-assessable income   | (9)                             | (4)                             | (8)                              |
| Non-deductible expenses   | 2                               | 2                               | 3                                |
| Tax (gains)/losses for which no deferred tax asset was recognised | (1)                             | 10                              | 13                               |
| Utilisation of previous unrecognised tax losses                   |                                 | (12)                            | (13)                             |
| Tax in respect of prior years                                     | 3                               | 1                               | (4)                              |
| <b>Tax expense on earnings</b>                                    | <b>34</b>                       | <b>63</b>                       | <b>159</b>                       |
| Tax expense on earnings before significant items                  | 77                              | 63                              | 161                              |
| Tax benefit on significant items                                  | (43)                            |                                 | (2)                              |
|   | 34                              | 63                              | 159                              |
| Total current taxation expense                                    | 31                              | 63                              | 163                              |
| Total deferred taxation benefit/(expense)                         | 3                               |                                 | (4)                              |
|   | 34                              | 63                              | 159                              |

The net deferred tax asset balance of \$226 million at 31 December 2022 (December 2021: \$212 million and June 2022: \$209 million) largely comprises Construction provisions and Australian tax losses incurred in the current and prior periods. It is expected that there will be sufficient future earnings in New Zealand and Australia to utilise the deferred tax asset in each of these jurisdictions.

### 5. BORROWINGS

|   | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|---------------------------------|---------------------------------|----------------------------------|
| Private placements  | 461                             | 475                             | 481                              |
| Bank loans  | 860                             |                                 | 180                              |
| Capital notes   | 359                             | 361                             | 350                              |
| Other loans   | 28                              | 30                              | 29                               |
| <b>Carrying value of borrowings (as per consolidated balance sheet)</b>               | <b>1,708</b>                    | <b>866</b>                      | <b>1,040</b>                     |
| Less: value of derivatives used to manage changes in hedged risks on debt instruments | (5)                             | (15)                            | (19)                             |
| <b>Economic debt</b>  | <b>1,703</b>                    | <b>851</b>                      | <b>1,021</b>                     |
| Less: Cash and cash equivalents   | (272)                           | (409)                           | (351)                            |
| <b>Net debt</b>   | <b>1,431</b>                    | <b>442</b>                      | <b>670</b>                       |

## Notes to the consolidated financial statements (cont.)

|  | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|--|---------------------------------|---------------------------------|----------------------------------|
| <b>Carrying value of borrowings included within the consolidated balance sheet as follows:</b> |                                 |                                 |                                  |
| Current borrowings   | 70                              | 122                             | 64                               |
| Non-current borrowings   | 1,638                           | 744                             | 976                              |
| <b>Carrying value of borrowings (as per consolidated balance sheet)</b>                        | <b>1,708</b>                    | <b>866</b>                      | <b>1,040</b>                     |

During the period ended 31 December 2022, the Group added an Australian Dollar denominated 3 year tranche ("Tranche D") of \$674.5m to its syndicated revolving credit facility. Tranche D can be borrowed in Australian Dollars only. There were no other material changes to the terms of the syndicated revolving credit facility.

The lenders that participated in Tranche D were Australia and New Zealand Banking Group Limited, Westpac Banking Corporation, MUFG Bank Ltd - Sydney Branch, The Hongkong and Shanghai Banking Corporation Limited - Sydney Branch, Mizuho Bank Ltd, Industrial and Commercial Bank of China Limited, Bank of China Limited (Auckland Branch), Citibank N.A. - Sydney Branch, First Commercial Bank Ltd, Hua Nan Commercial Bank Ltd - Sydney Branch, and Taiwan Cooperative Bank Ltd.

## 6. 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).

All of the Group's derivatives are in designated hedge relationships and are measured and recognised at fair value. All 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 is 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. The interest rates across all currencies used to discount future principal and interest cash flows are between 2.26% and 6.75% (December 2021: (0.6)% and 4.1%; June 2022: (0.3)% and 5.65%) including margins, for both accounting and disclosure purposes.

## 7. CONTINGENCIES AND COMMITMENTS

### Product claims

Iplex® Australia has received a number of product quality complaints relating to a hot and cold water polybutylene pipe product it previously manufactured (under the name "Pro-fit"). The complaints relate to leaks in homes, primarily built by group home builders in Western Australia, which have caused repair or replacement of the pipes and, in some cases, damage to the affected homes. No legal proceeding has been commenced but the complaints directed at Iplex® Australia assert that the cause of the failures is attributable to it. Iplex® Australia has not identified the root cause or causes of the leak, including whether they are the consequence of pipe defect, building practises, local conditions or a combination of factors. The Group is also aware that the Western Australia building regulator (known as DMIRS) is undertaking its own investigation. Iplex® Australia's exposure to costs incurred by the leaks, if any, will depend on the final determination as to their causes (or causes) and the extent to which it and/or third parties are responsible and any relevant insurance policies respond. Clarification of all these matters may take some time to be finally determined. There remains a risk the exposure of Iplex® Australia to these claims will be greater than the amount it has currently allowed.

### Silicosis

Laminex® Australia (together with other engineered stone manufacturers and fabricators) continues to be the subject of a number of silica related personal injury claims based in Queensland. Additional silica related injury claims were received or notified outside Queensland in the period ended 31 December 2022. The Group has considered the exposure Laminex® Australia may have for the claims received to date and, to the extent it considers appropriate to do so, has provided for them. There remains a risk that, ultimately, the final exposure of Laminex® to these claims will be greater than the amount currently allowed.

## Notes to the consolidated financial statements (cont.)

### Construction defects

As part of its business, the Group's Construction division has exposure for defects in construction projects post their completion. That exposure arises either from the terms of the relevant contract or at law. As at 31 December 2022, the Group was subject to claims of this type. In assessing them, the Group has applied estimates and judgements, including assessing the merits of the claim, the cost to repair and the likelihood of receipt of payment or other recovery. These estimates and judgements may change as the claim or repair work progresses. The Group has considered its exposure to the claims received to date and, where it considers appropriate to do so, has provided for them. There remains a risk that, ultimately, the final exposure of the Group to these claims will be greater than the amount allowed.

### Onerous contract provisions

The Group's Construction division has a diverse portfolio of long term construction contracts. The nature and complexity of these contracts means the outcome can be subject to a significant level of estimation uncertainty, particularly in relation to the likelihood and quantum of any variation claims receivable, as well as the quantification and assessment of any other claims/counterclaims that may exist. Actual outcomes could be different from estimated amounts which may impact projection positions recognised. The nature of significant estimates, judgements and risk are outlined in note 2.4.

## 8. RECONCILIATION OF NET EARNINGS TO NET CASH FROM OPERATING ACTIVITIES

|   | Six months<br>Dec 2022<br>NZ\$M | Six months<br>Dec 2021<br>NZ\$M | Year ended<br>June 2022<br>NZ\$M |
|---|---------------------------------|---------------------------------|----------------------------------|
| Net earnings  | 92                              | 171                             | 432                              |
| Earnings attributable to minority interest                                  | 11                              | 3                               | 7                                |
|   | <b>103</b>                      | 174                             | 439                              |
| Add/(less) non-cash items:  |                                 |                                 |                                  |
| Depreciation, depletions and amortisation                                   | 180                             | 172                             | 350                              |
| Other non-cash items  | 120                             | (34)                            | (27)                             |
| Taxation  | (120)                           | 63                              | 146                              |
| Net (gain)/loss on disposal of businesses and property, plant and equipment | (1)                             | 43                              | 45                               |
|   | <b>179</b>                      | 244                             | 514                              |
| <b>Net working capital movements</b>  |                                 |                                 |                                  |
| Residential and Development   | (270)                           | (107)                           | (103)                            |
| Construction  | (38)                            | 11                              | (55)                             |
| Other divisions:  |                                 |                                 |                                  |
| Debtors   | 75                              | 35                              | (48)                             |
| Inventories   | (58)                            | (122)                           | (239)                            |
| Creditors   | (194)                           | (78)                            | 84                               |
|   | <b>(485)</b>                    | (261)                           | (361)                            |
| <b>Net cash from operating activities</b>                                   | <b>(203)</b>                    | 157                             | 592                              |

## 9. SUBSEQUENT EVENTS

On 15 February 2023, the Directors declared an interim dividend of 18 cents per share, payable on Thursday 6 April 2023.

# Independent auditor's review report to the shareholders of Fletcher Building Limited

## Conclusion

We have reviewed the interim financial statements of Fletcher Building Limited ("the Company") and its subsidiaries (together "the Group") on pages 16 to 30 which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements on pages 16 to 30 of the Group do not present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the conclusion we have formed.

## Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides agreed upon procedures and other assurance related services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

## Directors' responsibility for the interim financial statements

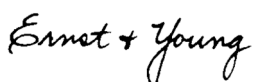
The directors are responsible, on behalf of the Entity, for the preparation and fair presentation of the interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Brent Penrose.



Chartered Accountants  
Auckland  
15 February 2023

