FletcherBuilding

Capital Structure Initiatives and Trading Update

1 April 2009

Jonathan Ling
Chief Executive Officer

Bill Roest
Chief Financial Officer

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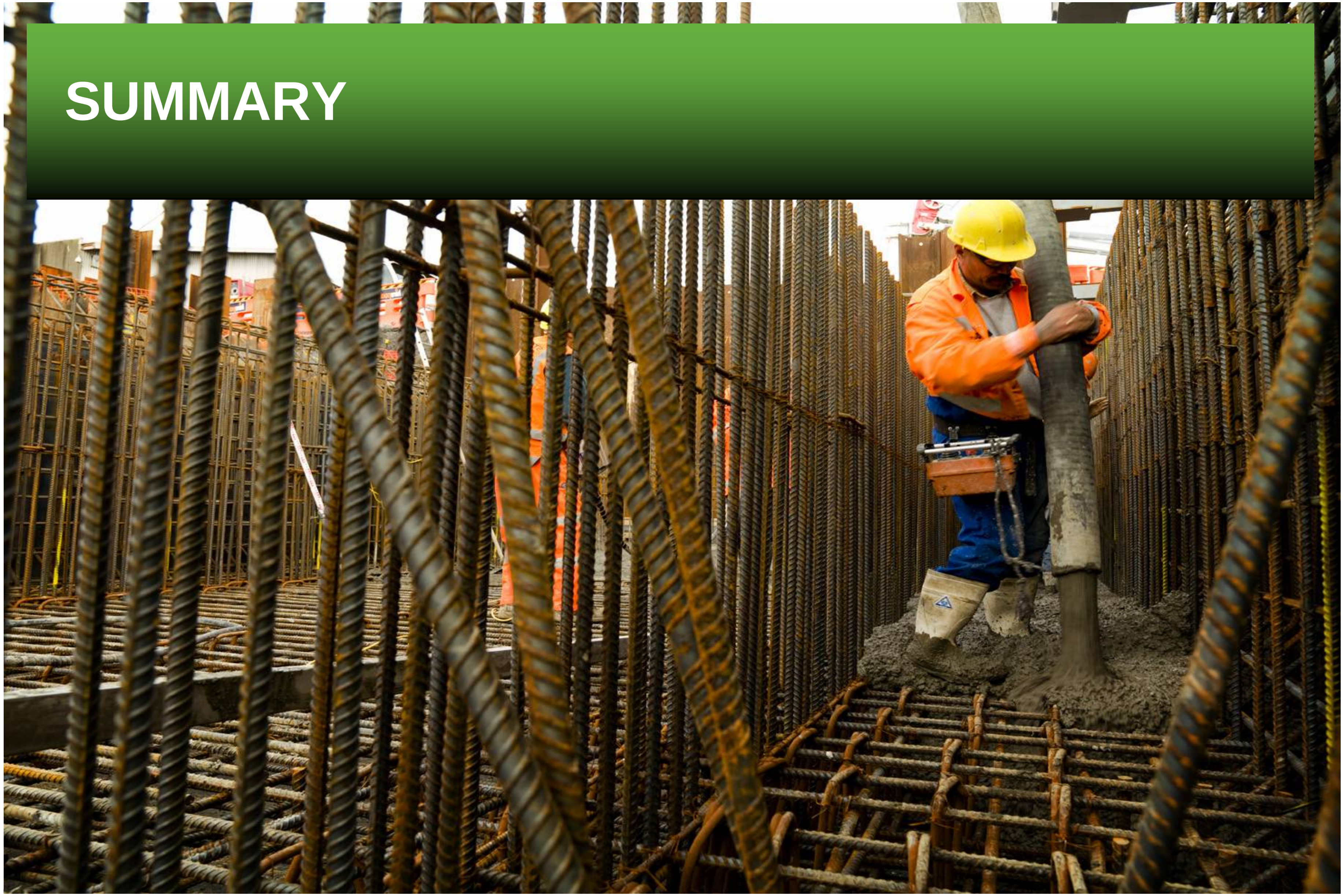
Agenda

- Summary
- Business update
- Capital structure update
- Details of equity raising

SUMMARY



Summary

- Fletcher Building is undertaking the following measures to strengthen the balance sheet and increase financial flexibility:
  - Raising between NZ$465 and NZ$505 million of new equity
  - Assessing initiatives to restructure and reduce manufacturing capacity across a number of its businesses
  - Increasing its focus on cash retention through second half dividend reduction
- Guidance for net earnings before unusual items reaffirmed despite softening of conditions
- Unusual items of up to $160 million for FY09 will be incurred reflecting restructuring costs and capacity reduction initiatives
- A review of balance sheet carrying values in light of current outlook is being carried out:
  - Preliminary assessment is for an asset impairment of up to $150 million at balance date and US tax benefit of NZ$50 million to be written off
- Equity raising extends financial covenant headroom and provides flexibility to access growth opportunities during the market recovery phase

BUSINESS UPDATE

Overview of current trading conditions

- Operating conditions in key markets have remained challenging and in some cases have deteriorated further
- NZ dwelling consents tracking below 15,000 per year business plan base case
- NZ commercial construction is weakening although the level of infrastructure expenditure remains strong
- Slowdown in Australia in both non-residential and residential
- Current outlook remains uncertain in Australia and New Zealand, however, some offsetting fiscal stimulus is expected
- Global outlook remains mixed
  - Signs of stabilisation in the US although at a low base
  - Europe has weakened further
  - Moderate growth in Asia continues

Updated FY09 earnings guidance

- At the February half year announcement, guidance was that net earnings before unusual items was expected to be towards the lower end of the analysts' consensus range at that time of $289 million to $336 million. This assumes that there is no significant further deterioration in trading conditions from those experienced in the year-to-date.
- The analysts' consensus range has subsequently narrowed to $280 million to $301 million.
- The company's guidance for net earnings before unusual items remains unchanged despite softening of conditions
  - Partly reflects progress of restructuring to date
  - Subject to no further deterioration in current business conditions

Unusual Items (1):
Restructuring & capacity reduction initiatives

Restructuring initiatives

- Plans to further rationalise business operations and reduce operating costs are being implemented
- Charges arising in 2H FY09 are expected to be approximately $25 million to $45 million (after tax) in addition to the $15 million (after tax) recognised in 1H FY09
- Specific initiatives and expected savings will be confirmed as plans are finalised

Capacity reduction initiatives

- Streamlined manufacturing footprint identified - removing older manufacturing facilities to be undertaken if demand continues at current low levels
- Accounting charges expected to be up to $100 million after tax (~ 40% cash) and if incurred will be recognised during the remainder of FY09
- Changes will, if undertaken, result in more effectively scaled manufacturing capacity and lower unit costs

Unusual Items (2): Accounting asset impairments

Potential adjustments to asset carrying values

- Preliminary review has indicated carrying value of certain investments including Formica has reduced due to current market outlook and 'mid-cycle' earnings
- Impairment of certain assets pending review could be up to $150 million (up to 2% of total assets at December 2008)
- Indicative and subject to a full impairment review at 30 June 2009

US tax benefit recognition

- Realisation of benefit from tax losses arising on the acquisition of Formica is likely to be delayed as a result of reduced taxable earnings
- Decision to write off $50 million consistent with the requirements of the accounting standards
- Benefit of tax losses is expected to be realised in future years as taxable earnings are generated

Summary of unusual items for FY09

One-off items	Size (after tax) NZ$	Cash	Description
Restructuring costs	$40-60m	~66% cash	• $15m of $40-60m was announced and included in 1H FY09 • Spread across business units
Capacity reduction initiatives	up to $100m	~40% cash	• Includes factory closures and rationalisation of product lines • Formica contribution of approximately $75m including $60m non-cash items
Potential adjustments to asset carrying values	up to $150m	non-cash	• Approximately $140m impairment relating to Formica in order to reflect current outlook • Also Laminex and Building Products
US tax benefit recognition	$50m	non-cash	• Benefit may be realised longer term against future taxable earnings

CAPITAL STRUCTURE UPDATE

Approach to capital structure initiatives

Objectives and key benefits

- Proactively adopting a more conservative capital structure
  - Strengthened balance sheet
  - Increased financial flexibility
- Increased focus on cash retention
- Continued access to credit markets on acceptable terms
  - Comparable to other companies with an investment grade credit rating
- Flexibility to access growth opportunities during the market recovery phase

Equity raising to strengthen capital position

- Fletcher Building is raising between $465 million and $505 million of new equity
  - $405 million underwritten Placement
  - Share Purchase Plan of up to $100 million, underwritten to $60 million
  - Top-Up Offer of up to $20 million, issued to the extent the SPP proceeds are less than $100 million
- Equity raising proceeds to be used to reduce net debt
  - Proforma gearing* will be reduced from 41.3% at 31 December 2008 to approximately 35.2%
  - Significant headroom with no covenant concerns
- Ensures Fletcher Building is well positioned amongst its global peers

* Net debt to net debt plus book equity based on net equity raising proceeds of $465 million

Pro forma capital structure and balance sheet

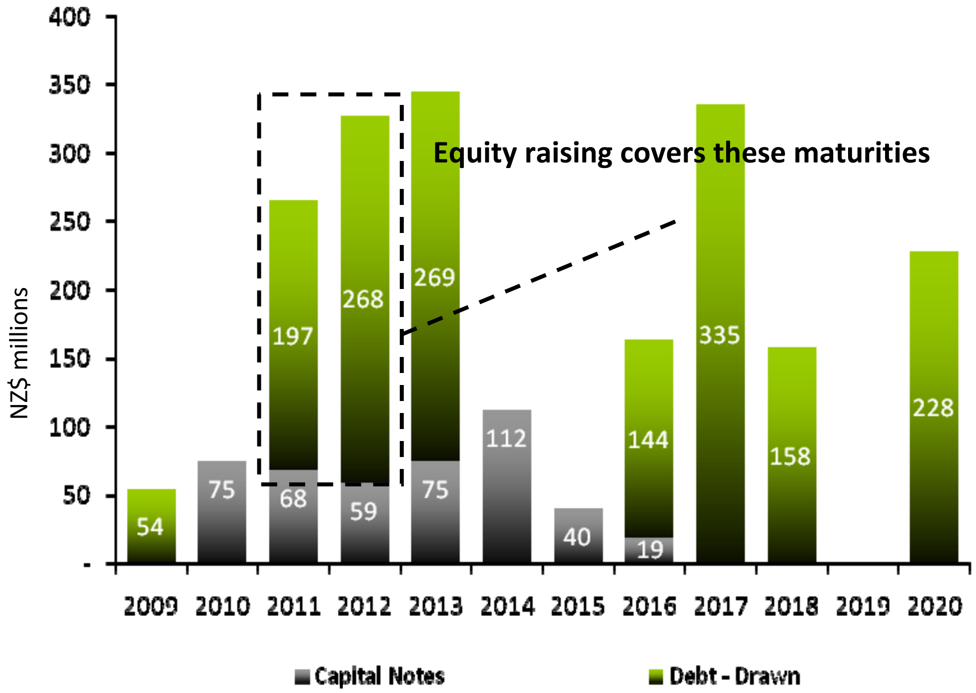
NZ$m	Dec-08 actual	pro forma adjustment	Dec-08 pro forma
Capital notes	453	-10	443
Drawn debt	1,642	-382	1,260
(less) Cash	(92)		(92)
Net Debt	2,003	-392	1,611
Book Equity[1]	2,848	+121	2,969
Gearing[2]	41.3%		35.2 %

[1] Book Equity reflects new equity raised less potential unusual items.
[2] Net debt to net debt plus book equity. Assumes capital notes rollover, net equity raising proceeds of $465m from Placement, potential one-off unusual items of $360m. Not adjusted for currency translation since Dec-08.

Debt profile

- Equity raising covers all 2011 and 2012 maturing drawn debt
- Average interest rate of 6.65% in December 2008 (down from 7.6% in FY08) with 60% of portfolio fixed
- Committed undrawn facilities of $605 million as at 31 December 2008

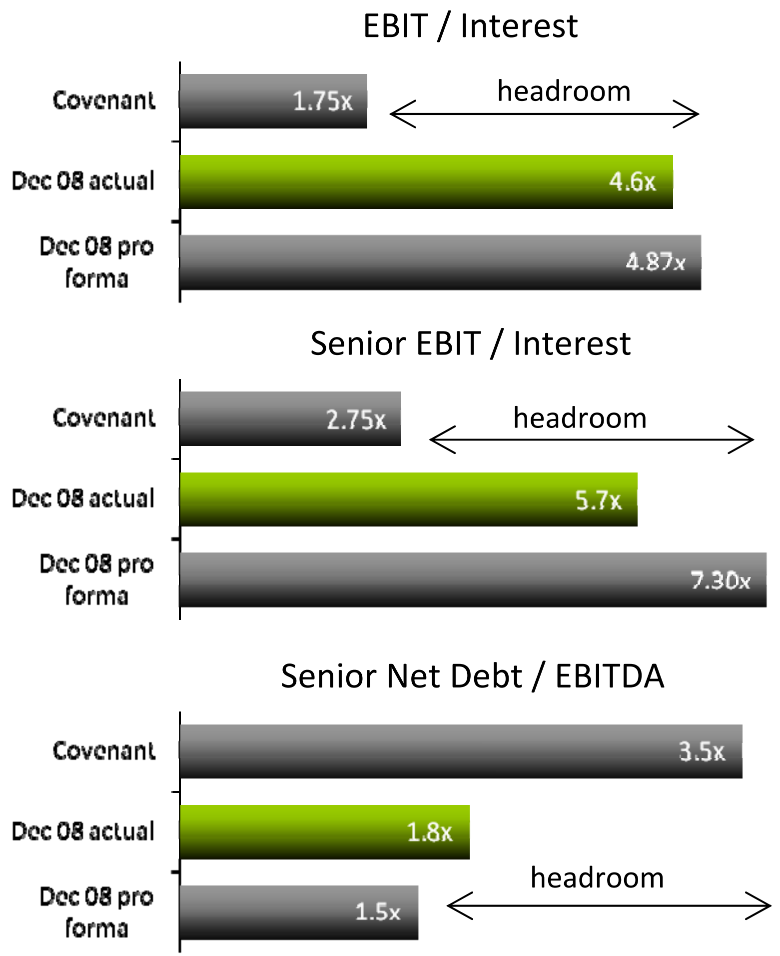
Funding and maturity profile as at 31 December 2008 adjusted for capital notes rollover



June Years

Key banking covenants

- Significant headroom with no covenant concerns before and after equity raising
- The equity raising increases Fletcher Building's headroom under all covenants
- Capital structure comparable to companies with an investment grade credit rating



Notes:
1. Assumes net equity raising proceeds of $465M
2. Rolling 12 month calculations
3. Pro forma EBIT adjusted for unusual items per covenant definitions

Dividend and DRP

- Reduction in the second half dividend is anticipated with current expectations this will be around 14cps (28cps annualised) on increased capital
- Final dividend will be set with reference to earnings performance and future trading expectations
- 24cps interim dividend will be paid to eligible shareholders on 8 April 2009 as previously announced
- Decision not to proceed with allotment of shares under current DRP for the 24cps interim dividend
  - All participants in the current DRP will receive a cash dividend
  - The DRP will remain operative for future dividends

DETAILS OF EQUITY CAPITAL RAISING

Details of the offer: Placement

Fully Underwritten Institutional Placement

- $405 million underwritten institutional placement
- Placement price of $5.35 per share
- The new shares will rank equally with existing shares, however, will not be entitled to receive the dividend of 24cps in respect of the six months ended 31 December 2008

Details of the offer: Share Purchase Plan and Top-Up Offer

Share Purchase Plan

- Shareholders in New Zealand and Australia have the opportunity to subscribe for new Fletcher Building shares at an expected aggregate amount of up to NZ$11,500 or A$9,000
- Pricing: lower of 3% discount to VWAP or institutional placement price
- Offered to New Zealand and Australian shareholders on the register at 8 April 2009
- Underwritten to $60 million

Top-Up Offer

- $20 million offer to eligible investors who would otherwise be diluted by the placement, for any shares not subscribed under the SPP
- Price will be the same as the institutional placement price
- Similar timetable to the SPP

Equity timetable and key dates

Event	Date
Placement date	1 April 2009
Trading Halt on NZX and ASX	1 April 2009
Allocations finalised	2 April 2009
Trading resumes on NZX and ASX	2 April 2009
Placement settlement date	8 April 2009
Record date for SPP and Top-Up Offer	8 April 2009

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FLETCHER

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