NEWS RELEASE

Fletcher Building announces FY18 half year results

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

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

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

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

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

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

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

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

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

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

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

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

[1] Earnings before interest, tax and significant items

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

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

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

#Ends

Teleconference:

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

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