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FletcherBuilding

News Release

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

Capital Structure Initiatives and Trading Update

Auckland, 1 April 2009 - Fletcher Building Limited ("Fletcher Building") today announced a number of capital structure initiatives, provided details of potential impairment and restructuring provisions, and updated the trading outlook for the 30 June 2009 year.

Fletcher Building announced that it:

- Is raising between NZ$465 million and NZ$505 million of new equity to strengthen its balance sheet through:
  - An underwritten Placement to institutions of $405 million;
  - Share Purchase Plan for New Zealand and Australian shareholders underwritten to NZ$60 million
  - Top-Up offer to eligible shareholders to a maximum of $20 million.
- Is assessing initiatives to restructure and reduce manufacturing capacity through:
  - Further rationalising business operations with associated costs to implement of $25 million to $45 million;
  - Streamlining manufacturing operations to improve efficiency and lower unit costs, with potential costs of up to $100 million;
- Has undertaken a preliminary assessment of balance sheet carrying values which has indicated that:
  - A potential impairment of certain assets of up to $150 million may be required at balance date;
  - A US tax benefit of $50 million will be written off;
- Is increasing its focus on cash retention through a reduction in the final dividend

Fletcher Building has decided to implement these steps to further strengthen its financial position through debt reduction, increase its financial flexibility and restructure its operations to improve performance.

The company confirmed its previous guidance provided at the half year announcement that net earnings before unusual items for the full year is expected to be towards the lower end of the analysts' consensus range at that time of NZ$289 million to NZ$336 million, assuming there is no significant further deterioration in trading conditions from those experienced in the year-to-date.

Mr Jonathan Ling, Chief Executive Officer said "While Fletcher Building's capital position is strong, the board and management consider that it is prudent to strengthen the balance sheet further and pro-actively adopt a more conservative capital structure. This will ensure that the company remains well positioned for current market conditions and is able to access growth opportunities as markets recover. There is also a need to ensure acceptable shareholder returns are maintained if reduced activity levels persist, and to this end we will be seeking to implement further restructuring and re-sizing initiatives across the business".

1. Equity raising of between NZ$465 million and NZ$505 million

Fletcher Building is seeking to raise equity of between NZ$465 million and NZ$505 million to reduce net debt. This is expected to comprise:

- an underwritten institutional placement ("Placement") of new shares to raise NZ$405 million;
- an offer to shareholders of new shares by way of a Share Purchase Plan ("SPP"), which is underwritten to $60 million. Applications under the SPP will be scaled back if total demand exceeds an amount capped at NZ$100 million;
- a Top-Up Offer to a small number of eligible shareholders whose holding would otherwise be diluted by the Placement. The Top-Up Offer will be a maximum of NZ$20 million and will only be available if the SPP is not fully subscribed to the amount of NZ$100 million.

The Placement is being conducted at a fixed price of $5.35 per share which represents a discount of 12.5% to Fletcher Building's weighted average share price traded on the NZX on 31 March 2009. The Placement has been fully underwritten.

Fletcher Building will also offer New Zealand and Australian shareholders the opportunity to subscribe for new shares under the SPP to be underwritten to NZ$60 million. The subscription price will be the lower of the Placement price or a 3% discount to the average price of Fletcher Building shares over a set pricing period, and shareholders participating in the SPP will not incur brokerage or transaction costs Applications under the SPP will be scaled back if total demand exceeds NZ$100 million.

The Company has received advice from the New Zealand Securities Commission that a Securities Act exemption will be granted, and has received a waiver from the NZX, so that shareholders will be able to subscribe for up to NZ$11,500 worth of shares rather than the lower level of NZ$5,000 which is currently prescribed. The Australian Securities and Investments Commission has also granted relief to allow Australian shareholders to subscribe for up to A$9,000 worth of shares. Further details of the SPP will be provided to New Zealand and Australian shareholders in due course including an offer document explaining how they can participate, once all formal regulatory approvals have been received.

The Top-Up Offer will be available to a limited number of shareholders in New Zealand who satisfy the criteria for eligible investors under New Zealand securities laws. Those shareholders, who would otherwise be diluted by the placement, will receive additional documentation explaining how they can participate in that offer. Shareholders who were offered participation in the Placement will not be entitled to participate in the Top-Up Offer.

The subscription price for the Top-Up Offer will be the Placement price. The Top-Up Offer will be limited to a maximum of NZ$20 million, and will only be available if the SPP amount of NZ$100 million is not fully subscribed. The Top-Up Offer is not underwritten.

All new shares issued by way of the Placement, SPP and Top-Up Offer will be fully paid and will rank equally with existing Fletcher Building ordinary shares on issue. However, they will not be entitled to receive Fletcher Building's dividend of 24 cps in respect of the six months ended 31 December 2008, which is to be paid on 8 April 2009.

2. Benefits of the equity raising

The proceeds from the equity raising will be used to reduce Fletcher Building's borrowings and strengthen the balance sheet. In particular, the improvement in the balance sheet will position Fletcher Building as having a capital structure comparable to companies with an investment grade credit rating, which is seen as important for continued access to credit markets and debt funding on acceptable terms.

As a result of undertaking the Placement and SPP, the company expects to raise between $465 million and $505 million. If $465 million is raised, pro forma gearing at 31 December 2008 would be reduced from 41.3% to 35.2% after unusual items.

3. Dividend

Fletcher Building has previously signalled that the final dividend for the 2009 financial year would be determined in light of the full year trading result and the forward outlook for 2010. Fletcher Building now anticipates that a final dividend of around 14 cents per share will be paid on the expanded capital base (around 28 cents per share annualised). The exact level of dividend will be determined with reference to earnings performance and trading conditions at that time.

The reduced dividend, together with tighter working capital management and lower capital expenditure, will enable cash to be retained in the business. Fletcher Building considers this to be prudent in the context of current market conditions.

4. Business update

Since the date of the half year results announcement in mid-February, operating conditions in key markets have remained challenging and in some cases have deteriorated further.

In New Zealand, new residential dwelling consents have been running at approximately 1,000 per month, thereby tracking below the annual rate of 15,000 consents in the Company's business plan base case. Commercial construction activity has continued to decline. These two factors are partially offset by the continued strong level of infrastructure expenditure and, on the basis of recent government announcements, this is expected to continue for some time.

In Australia, non-residential construction activity continues to be weak. New residential activity is experiencing a pronounced slow down, resulting in lower volumes, particularly in the laminates and panels segment. However, other Australian operations (notably the insulation and concrete pipes businesses) expect to benefit from the government's fiscal stimulus package.

In both Australia and New Zealand, housing affordability has improved through lower property prices and interest rates, however, this is being offset by rising unemployment and stricter residential mortgage lending criteria. Government initiatives to encourage economic growth through broad fiscal stimulus and schemes targeting housing and infrastructure markets are expected to help lift activity in the medium term. Nevertheless, the short term outlook remains uncertain.

In the US, conditions appear to have stabilised albeit at a very low base. Europe has weakened further, particularly in eastern Europe, and volumes are well down on a year ago. Asia continues to demonstrate moderate growth.

5. Updated earnings guidance

At the time of the half year result announcement in February, Fletcher Building's guidance was for net earnings before unusual items to be towards the lower end of the analysts' consensus range at that time of NZ$289 million to NZ$336 million. This analyst's consensus range has subsequently narrowed to $280 million to $301 million.

Although operating conditions have softened further since the date of the half year result announcement, Fletcher Building's guidance is unchanged from the commentary provided at that time. This reflects the Company's success to date in realising efficiencies to offset the impact of lower activity levels.

The reaffirmed guidance is provided subject to no further significant deterioration in market conditions and activity levels.

6. Restructuring costs

Plans to further rationalise business operations and reduce operating costs are continuing to be implemented, and charges arising from these initiatives in the second half of the current financial year are expected to be approximately $25 to $45 million after tax, in addition to the $15 million incurred in the first half of the current year. This amount will be reclassified as an unusal item for the full year.

Specific initiatives will be confirmed to the market as the plans are implemented, along with any expected savings and synergies.

7. Capacity reduction initiatives

Fletcher Building has reviewed its portfolio of manufacturing facilities in light of current building activity levels. This review has identified scope to streamline current manufacturing activity across a number of businesses. Should current demand conditions persist, then initiatives to restructure and reduce manufacturing capacity will be implemented.

The accounting charges associated with the manufacturing capacity restructuring are expected to be up to NZ$100 million after tax, of which the cash component would be approximately NZ$40 million. If incurred, these charges will be recognised during the remainder of the 2009 financial year. Whilst no final decision has yet been taken in respect of specific facilities that may be impacted, Fletcher Building's objective is to ensure that the group is well placed to benefit from a recovery in markets, with efficient manufacturing operations scaled appropriately from a capacity perspective, and lower unit costs.

8. Potential adjustments to asset carrying values

Fletcher Building has undertaken a preliminary review of the balance sheet carrying value of certain assets including Formica. This preliminary review has indicated that the value of those assets has been adversely impacted due to the deterioration in current market conditions, and a more cautious outlook for sustainable mid-cycle earnings.

Based on this preliminary assessment, an asset impairment of up to NZ$150 million may be recognised at the next balance date. Most of this potential impairment charge arises in the Laminates & Panels division, but represents only just over 2 percent of the group's total assets as at 31 December 2008.

The amount of the asset impairment is indicative at this stage and will be subject to a full impairment review at the next balance date.

9. US Tax benefit recognition

At the time of the Formica acquisition in 2007, tax losses arising on acquisition were recognised. Due to the market outlook for Formica's US operations, the realisation of the benefit of those tax losses is likely to be significantly delayed. Accordingly, Fletcher Building has determined to write-off the entire NZ$50 million carrying value of those tax benefits. Notwithstanding the write-down (which is entirely of a non-cash nature), the benefit of these tax losses is expected to be realised in future years as taxable earnings are generated.

10. Dividend Reinvestment Plan

As a result of the announcement of these capital structure initiatives and the trading update, it has been determined that it would be inappropriate to proceed with the allotment of shares under the Company's Dividend Reinvestment Plan in respect of the 2009 interim dividend, which is payable on 8 April 2009. Accordingly, all participants in that Plan will be paid a cash dividend, and eligible shareholders will be able to invest the proceeds in additional shares of the Company under the SPP.

The Dividend Reinvestment Plan will remain operative for future dividends.

11. Trading halt

Fletcher Building ordinary shares will be placed in a trading halt by both the NZX and ASX until the opening of trading on 2 April 2009.

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