

Consolidation of Formica production in Spain

Auckland, 29 June 2012 – Fletcher Building announced today that it is to consolidate Formica’s two manufacturing plants in Spain, with all manufacturing to be undertaken at Formica’s Valencia plant, and the closure of Formica’s plant in Bilbao. The decision to rationalise manufacturing from two sites to one follows a review of the company’s operations in Spain.

Mark Adamson, chief executive of the Laminates & Panels division, said the review process had clearly identified significant overcapacity across its two Spanish plants.

“Our volumes in Spain have decreased significantly over the past four years and it is now simply not viable to maintain and support both facilities running considerably below full capacity,” he said.

“We remain committed to manufacturing in Spain, and by rationalising our operations this will allow Formica to remain competitive in what is still a very tough economic climate.”

Formica is now in discussions with approximately 180 Bilbao workers and will assist them to find alternative employment and discuss other opportunities within the Formica Group. Some core administrative staff will remain at the Bilbao site.

“As a result of the plant closure there will be a number of new positions created at Formica’s Valencia facility. We’re encouraging those affected workers to apply for those positions,” Mr Adamson said.

Formica will retain its European production base in Valencia, along with its other facilities in Kohlo, Finland and the UK.

“Following the consolidation of our operations in Spain, we believe we will then have a better manufacturing base for Formica’s European operations. The Valencia facility will principally supply the domestic Spanish market and other southern European markets, and we are committed to its long term future. Production at Valencia will increase as the closure at Bilbao progresses,” Mark Adamson said.

Fletcher Building expects to incur approximately NZD\$26m in one-off costs associated with the closure of the Bilbao plant, which will be disclosed as an unusual item in the financial year to 30 June 2012. Once completed, the consolidation of the two manufacturing sites into one is expected to improve pre-tax earnings in Formica Europe by approximately NZD\$8-9m in the second year.

Formica's Bilbao plant has been operating for 66 years. While negotiations with those affected by this decision are still proceeding, it is expected closure of the plant will take place before the end of the 2012 calendar year.

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