

Fletcher Building Limited

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Fletcher Building Limited - 2022 Half Year Results and Dividend

Auckland, 16 February 2022: Please find attached the following documents relating to Fletcher Building Limited's half year results for the six months ended 31 December 2021.

- (a) Stock Exchange Notice
- (b) 2022 Interim Financial Results
- (c) FY22 Half Year Results Presentation
- (d) Results Announcement [NZX form]
- (e) Distribution Notice [NZX form]

Dividend information filed on Appendix 3A.1 will follow.

#Ends

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Stock Exchange Notice: FBU.NZX, FBU.ASX



Fletcher Building announces FY22 half year results and 18cps interim dividend

Auckland, 16 February 2022: Fletcher Building today announced its results for the first half of FY22.

- > Revenue of \$4,064 million, up 2% from \$3,987 million in HY21
- ➤ EBIT before significant items of \$332 million, up 3% from \$323 million in HY21
- ➤ EBIT margin of 8.2%, up from 8.1% in HY21
- ➤ Net Profit After Tax of \$171 million, up 41% from \$121 million in HY21
- > Solid cash flows partly offset by inventory rebuild and housing investment as flagged
- > Fully imputed interim dividend of 18 cents per share declared, to be paid on 7 April 2022
- ➤ Strong 2Q EBIT of \$264 million (up 73% on 2Q FY21) and EBIT margin of 11.8%, offsetting COVID-19 lockdown impact of c. \$105 million on 1Q EBIT
- > FY22 EBIT before significant items expected to be approximately \$750 million

Fletcher Building Chief Executive Ross Taylor said: "With improved operational performance and cost disciplines now embedded across the business, we were able to deliver a strong HY22 performance. This was despite the first quarter being heavily impacted by the up to five weeklong COVID-19 stringent lockdown in New Zealand and local lockdowns in Australia which impacted EBIT by approximately \$105 million.

"Revenue was robust overall at \$4,064 million, up 2% on the first half of FY21. Group EBIT before significant items was \$332 million, up 3% from \$323 million in the prior period. Group EBIT margin excluding significant items improved to 8.2% from 8.1%, and Net Earnings of \$171 million were up 41% from \$121 million in the prior period.

"Our strong second quarter performance was a particular highlight in this result where the Group generated EBIT of \$264 million, up 73% on the comparative quarter, delivering a strong Group EBIT margin of 11.8%, indicating strong momentum into the second half.

"Cash flows from operating activities for the half year were \$157 million, compared to \$424 million reported in HY21 and reflects flagged investments to rebuild stock in key areas and housing investment following a busy FY21.

"The Board is pleased to approve a fully imputed FY22 Interim Dividend of 18.0 cents per share for the six months ended 31 December 2021, to be paid on 7 April 2022.

"Looking ahead, the second half of FY22 is expected to be very solid with our customers and forward indicators pointing to continuing volumes. With confidence in our operational disciplines and in covering inflationary costs, we expect our second half EBIT margin to be approximately 9.5% and to deliver FY22 full year EBIT before significant items of approximately \$750 million.

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Based on our experience in Australia with the COVID-19 Omicron variant, we foresee a potential risk impact on our EBIT in the \$25 million to \$50 million range.

"As we look beyond this financial year, the Group is very well positioned to drive growth. In our New Zealand materials and distribution divisions we are investing in increased manufacturing capacity and driving product and market growth. Our Residential and Development businesses are well advanced in growing annual sales volumes by circa 500 houses a year which includes our new Vivid Living retirement offer. In Australia, we continue to drive an innovative suite of disruptive product offers.

"In our markets, in New Zealand, residential consents have been running ahead of industry capacity for some time. This has created a backlog of work on top of future consents in the coming years. This is anecdotally supported by our home builder customers generally now placing orders for their customers 12 to 18 months in advance. In addition, the infrastructure sector continues to have a strong growth outlook on the back of committed and planned government projects. Similarly, in Australia, forecasters are all pointing to ongoing strong growth across residential, commercial and infrastructure through FY23 and beyond.

"Fletcher Building is in a very strong position; our markets look robust, we expect to not see the significant impacts of lockdowns to reoccur, we remain on track to further improve EBIT margins across the Group to 10% in FY23 and importantly, we have a maturing pipeline of investments that will keep driving growth beyond FY23.

"Finally, I'd like to thank our people for their commitment and resilience during demanding times that has allowed us to deliver this performance. I would also like to acknowledge all our customers for their continued support."

#Ends

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Front cover image: Lindsey Heileson from the Kitchen Centre measures up an installation at the Fletcher Living Waiata Shores development.

Chair and CEO's Review

We are pleased to report Fletcher Building's financial results for the six months ended 31 December 2021 (HY22).

HY22 RESULTS

With improved operational performance and cost disciplines now embedded across the business we were able to deliver a strong HY22 performance. This was despite the first quarter impacts from the COVID-19 lockdowns and ongoing supply chain and inflationary challenges.

Revenue was solid overall at \$4,064 million, up 2% on the first half of FY21. Group EBIT before significant items was \$332 million, up 3% from \$323 million in the prior period. Group EBIT margin excluding significant items improved to 8.2% from 8.1%, and Net Earnings of \$171 million were up 41% from \$121 million in the prior period. The Board is pleased to approve an interim dividend of 18.0 cents per share, a 50% increase on the 12.0 cents per share interim dividend last year.

Cash flows from operating activities for the Group were \$157 million, compared to \$424 million in the prior period. The cash flow performance reflects the previously flagged working capital investments by the Group in HY22. These investments were to rebuild stock in key areas following a busy prior year, and to mitigate some of the issues arising for our customers from the elongated and more difficult international supply chains.

The Group's on-market share buyback programme remains active. This programme was announced on 26 May 2021 and comprises a buyback of up to \$300 million over the 12 months to May 2022. To date, we have repurchased \$107 million of shares.

IMPACT OF COVID-19 IN THE FIRST QUARTER

In the first quarter we saw New Zealand experience full lockdowns and intra-country border restrictions, and in Australia, a complex and differing set of state-based border restrictions and local lockdowns.

The net result of this was an impact to EBIT in New Zealand of circa \$100 million and in Australia of around \$5 million to our performance during the half year.

STRONG SECOND QUARTER MOMENTUM

In the second quarter, our markets returned to more stable trading conditions as these restrictions broadly finished.

In this environment, and excluding the Industrial Development business, the Group reported revenue 10% higher in the second quarter than the prior period; EBIT before significant items 43% ahead of the prior period; and EBIT margins of 10.2%, an uplift of 230 basis points compared to the prior period.

Looking forward, a return to full lockdowns because of COVID-19 seems unlikely, and as such the second quarter performance is a good indication of the level of operating performance we can now expect from the Group.

A MATURING GROWTH PIPELINE

The Group's investment pipeline is well positioned to drive growth beyond FY23. For the New Zealand materials and distribution divisions, these investments include significantly increasing our manufacturing capacity across; plasterboard, insulation, and wood fibre-based products, expanding our PlaceMakers brand in regionally important areas, and driving product and market growth with our low carbon cement and concrete offers. For our Residential and Development businesses, we are well advanced in growing our annual sales volumes by circa 500 houses a year through a combination of a larger core housing offer, scaling our apartment business, and the introduction of our retirement offering, Vivid Living. In Australia, we continue to drive an innovative suite of new and disruptive product offers that include Haven Kitchens and the Laminex Surround wall panel range. And finally in our New Zealand Construction business, we have materially improved the size and quality of our forward order book.

HEALTH AND SAFETY

Protect, our multi-year safety programme, continues to drive safety improvements across all measures. 93% of our sites remained injury-free during the period and our Total Recordable Injury Frequency Rate (TRIFR) ended the half-year at 4.2, a clear sign of the good progress we are making in achieving 'zero injuries every day'.

We continue our determined safety resolve, with improvement efforts over the half-year focusing on ongoing leadership training and coaching. As we move into the second half, the Protect programme focus widens to further improve our approach to managing critical controls, and a refreshed frontline safety engagement programme to be delivered from 2022.

SUSTAINBILITY

Sustainability is central to our strategy as it is clear to us that the building and materials sector needs to shift the way it designs, builds and sources the materials used in the construction process. In this, we believe innovation plays an important role.

We ended the half year with a 13% reduction in carbon emissions across all our operations compared with our baseline FY18 year, with some of this reduction occurring as a result of downtime to make environmental improvements. We estimate our sustainable reduction to be at least 10% below our baseline. This represents good progress toward our Science-based Target to reduce overall emissions by 30% by 2030.

We continue to focus on making sustainable products. In HY22 more of our products gained sustainability certifications based on a full life-cycle impact analysis. Currently 45% of our revenue from our manufacturing businesses is from products that hold a sustainability certification.

Chair and CEO's Review (Continued)

We are proud that our efforts in carbon reduction have been recognised by industry with Fletcher Building being named as a finalist in the Sustainable Business Network Awards and the Toitū Brighter Future Awards. Additionally, we maintained a B rating from the Carbon Disclosure Project (CDP) for managing carbon emissions and climate change. We also retained our membership of the Dow Jones Sustainability Asia Pacific Index, one of only 17 companies from our sector and one of only five companies from any industry in New Zealand

MARKETS SET TO REMAIN STRONG

Present indicators point to core volumes in New Zealand and Australia remaining at strong levels in the second half of FY22, through FY23 and beyond.

This view is supported by both market forecasters, but equally, strong evidence we are seeing from our own on the ground activities and customer base.

In New Zealand, residential consents have exceeded industry capacity to deliver for the last two years by around 5,000 to 15,000 per annum. This has created a backlog of work on top of future consents in the coming years. This is anecdotally supported by our home builder customers generally now taking house building orders for their customers 12 to 18 months in advance. In addition, the infrastructure sector continues to have a strong growth outlook on the back of committed and planned government projects.

Similarly in Australia forecasters are all pointing to ongoing strong growth across the residential and infrastructure through FY23 and beyond.

DIVIDEND

The Board is pleased to approve a FY22 interim dividend of 18.0 cents per share for the six months ended 31 December 2021 to be paid on 7 April 2022. This compares to 12.0 cents per share for the FY21 interim dividend, with the uplift in the current period reflective of the business's strong operating performance and positive outlook. The FY22 interim dividend will be fully imputed for New Zealand taxation purposes, though will be unfranked for Australia taxation purposes. The Board also expects to be in a position to approve a final FY22 dividend.

We remain confident that our strategy positions us well to drive growth in shareholder value, across both the short and longer term.

GROUP OUTLOOK

We expect our established momentum in operational performance to continue. In the second half of FY22, Group EBIT margins are expected to be in the order of 9.5%, an uplift of 230 basis points compared to the same period last year.

This means we expect to deliver FY22 full year EBIT (before significant items) of circa \$750 million. However, the COVID-19 Omicron variant is yet to peak across New Zealand, and based on our experience in Australia, we foresee a potential productivity impact due to people and supply absences on our EBIT in the \$25 million to \$50 million range.

We remain confident in our outlook for the FY23 year as; it is unlikely we will suffer from any further full lock downs from COVID-19, our markets are likely to remain at or above present levels, and we expect the Group to deliver a further improvement to profitability averaging 10% EBIT margins for FY23. Beyond this we will also start to see the benefit from the material number of scale growth initiatives we presently have underway.

We sincerely thank the efforts of all our people, through what was again a demanding and challenging period. We look forward to the second half of the year and to sharing the full year results in August.

Bruce Hassall

Chair

Ross Taylor

Group Performance

NZ\$m (except where noted)	Six months ended 31 December 2021	Six months ended 31 December 2020 Restated (1)
Revenue	4,064	3,987
EBIT before significant items (2)	332	323
Significant items (3)	(43)	(86)
EBIT	289	237
Lease interest expense	(30)	(33)
Funding costs	(22)	(23)
Earnings before tax	237	181
Tax expense	(63)	(57)
Earnings after tax	174	124
Non-controlling interests	(3)	(3)
Net earnings	171	121
Net earnings before significant items	214	195
Basic earnings per share (cents)	21.0	14.7
Basic earnings per share before significant items (cents)	26.3	23.7
Dividends declared per share (cents)	18.0	12.0
Cash flows from operating activities	157	424
Capital expenditure	156	78

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.

⁽²⁾ 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 2021.

⁽³⁾ Further details of significant items can be found in note 2.1 of the financial statements.

Group Performance (Continued)

Revenue

NZ\$m	Six months ended 31 December 2021	Six months ended 31 December 2020 Restated (1)
Building Products	765	700
Distribution	866	835
Concrete	428	430
Residential and Development	318	356
Construction	720	651
Australia	1,388	1,390
Other	5	5
Group	4,490	4,367
Less: intercompany sales	(426)	(380)
External revenue	4,064	3,987

	EBIT	•	EBIT before sign	ificant items ⁽²⁾
NZ\$m	Six months ended 31 December 2021	Six months ended 31 December 2020 Restated (1)	Six months ended 31 December 2021	Six months ended 31 December 2020 Restated (1)
Building Products	96	102	96	102
Distribution	54	57	54	57
Concrete	61	67	61	62
Residential and Development	112	62	112	62
Construction	(10)	12	(10)	13
Australia	(2)	(36)	45	51
Corporate	(22)	(27)	(26)	(24)
Total	289	237	332	323
Lease interest expense	(30)	(33)	(30)	(33)
Funding costs	(22)	(23)	(22)	(23)
Earnings before tax	237	181	280	267
Tax expense	(63)	(57)	(63)	(69)
Earnings after tax	174	124	217	198
Non-controlling interests	(3)	(3)	(3)	(3)
Net earnings	171	121	214	195

¹⁰ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.

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 2021. Further details of significant items can be found in note 2.1 of the financial statements.

Group Overview

External revenue of \$4,064 million was \$77 million or 2% higher than the prior period's \$3,987 million. EBIT before significant items was \$332 million, compared to \$323 million in the prior period. Group net earnings were \$171 million, compared to \$121 million reported in the prior period. Cash flows from operating activities were \$157 million, compared to \$424 million in the prior period.

A significant feature of the Group's HY22 performance was the impact of COVID-19 restrictions on the first quarter, especially in the New Zealand businesses, followed by a strong rebound in activity and earnings in the second quarter as restrictions eased. In August and September, the Group was required to shut down almost all New Zealand operations for up to five weeks. This resulted in lost revenue of approximately \$300 million and an earnings impact of approximately \$100 million. In Australia, COVID-19 restrictions in the first quarter resulted in revenues below expectations, with the impact most noticeable in the Additions & Alterations sector. This impacted Australia earnings in the first quarter by approximately \$5 million. As restrictions eased in both countries the Group rebounded strongly, with the second quarter results reflecting the continued improvement in the Group's operational performance and growth. In the second quarter, and excluding the Industrial Development business, the Group reported revenue 10% higher than the prior period and EBIT before significant items 43% ahead of the prior period. Group EBIT margin in the second quarter (again excluding Industrial Development) was 10.2%, an uplift of 230 basis points (bps) compared to the prior period.

The New Zealand materials and distribution divisions (Building Products, Concrete, Distribution) performed strongly outside of the lockdown period. The New Zealand market continues to see sustained, high levels of residential sector demand, along with robust commercial and public-sector infrastructure activity. At the same time, global and local supply chains have remained stretched, resulting in logistics challenges and material increases in freight and other input costs. In this environment, the New Zealand materials and distribution divisions have been particularly focused on delivering effective customer service and solutions, operational efficiency, pricing to offset input cost inflation, and pushing into new areas of innovation and growth. Overall, HY22 earnings for these divisions were down slightly from HY21, reflecting the impact of lockdowns in the first quarter. In the second quarter, however, revenue was 21% higher and EBIT before significant items of \$151 million was 45% higher than the prior period. EBIT margin in the second quarter was 12.9%, 230bps ahead of the prior period.

In Australia, market activity levels were generally robust, though were subdued somewhat by COVID-19 restrictions through the half. The division continues to make good progress against its strategy, benefiting from the significant cost reductions and operational investments undertaken over the past three years. EBIT before significant items of \$45 million was slightly behind the prior period. However, excluding the divested Rocla business and in local currency terms, gross revenue increased 6% and underlying HY22 EBIT increased 5% compared to the prior period. Performance in the second quarter showed good momentum, with underlying EBIT 23% ahead of the prior period and underlying EBIT margins lifting to 4.1%, 60bps ahead of the prior period.

In Residential, EBIT of \$68 million was ahead of the prior period's \$62 million. Strong house prices combined with the efficiencies of building at scale resulted in significant margin expansion, offsetting a reduction in house sales volumes due to the first quarter lockdowns and industry capacity constraints. Work commenced on the first two of the Vivid Living retirement villages, with a revaluation gain of \$9 million recognised on the transfer of land into that business. Clever Core, the offsite panelisation business, continued to scale its volumes, and Apartments continued to build out its offering as a key area of future growth for the division. In Industrial Development, the two transactions planned for FY22 were both completed in the first half, delivering EBIT of \$47 million compared to \$2 million in the prior period.

The Construction division experienced the most material impact from the COVID-19 restrictions. The August to September lockdown, as well as ongoing restrictions through the balance of HY22, resulted in lower on-site productivities and unrecovered plant and labour costs. A portion of these costs are expected to be recovered through contractual entitlements, with some of these claims remaining to be settled in the second half of FY22. The COVID-19 restrictions also impacted new work commencement in the period, as some highermargin project work in Brian Perry Civil and Higgins was deferred into the second half of FY22 and into FY23. The Construction division reported an HY22 EBIT loss before significant items of \$10 million; prior to elimination of intra-Group margin on the Winstone Wallboards plant, the division's underlying HY22 EBIT loss was \$5 million. Positively, the division's underlying result in the second quarter (i.e. prior to elimination of intra-Group margin) was a profit of \$6 million. The division continues to make good progress in rebalancing its future orderbook to deliver an improved risk profile and margins, with work in hand of \$2.8 billion at December 2021. Work remaining on the legacy projects reduced further in HY22 and now sits at \$0.3 billion.

Significant items charges for the Group in HY22 were \$43 million. These related almost fully to the reclassification of the currency translation reserve through the income statement following the sale of the Rocla business, which was completed in August.

Net interest expense for the Group was \$52 million in the period, of which \$30 million was related to lease expenses. A tax expense of \$63 million in the period compares to \$57 million in the prior period. Basic earnings per share were 21.0 cents for the period, compared

to 14.7 cents in the prior period. Excluding the impact of significant items, earnings per share were 26.3 cents, compared with 23.7 cents in the prior period.

Group Overview (Continued)

Cash flow (NZ\$m)	Six months ended 31 December 2021	Six months ended 31 December 2020 Restated (1)
EBIT before significant items (2)	332	323
Depreciation and amortisation	172	176
Lease principal payments and lease interest paid	(119)	(124)
Provisions and other	(12)	19
Trading cash flow before working capital movements	373	394
Working capital movements	(296)	118
Trading cash flow excluding legacy projects and significant items	77	512
Legacy projects cash flow	35	(109)
Significant items cash flow	(25)	(34)
Trading cash flow	87	369
Add: lease principal repayments	89	91
Less: cash tax paid	-	(3)
Less: funding costs paid	(19)	(33)
Cash flows from operating activities	157	424
Free cash flow (3) excluding legacy projects	(51)	416

¹⁰ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.

GROUP CASH FLOWS

Cash flows from operating activities for the Group were \$157 million, compared to \$424 million in the prior period. The cash flow performance reflects working capital investments by the Group in HY22, consistent with previously signalled commitments.

In Residential and Development, investment in land and housing inventories resulted in a working capital outflow of \$107 million. This is consistent with the commitment to invest a total of approximately \$200 million in FY22 to support the division's growth, and to rebuild land and housing inventories following a significant draw-down of these stocks in FY21. The HY22 investment was inclusive of \$69 million of land purchases, with the remainder reflecting higher housing work-in-progress as the division scales its volumes, as well as a delayed settlement on the Emu Plains land sale.

In the materials and distribution divisions, investment in inventories resulted in a \$122 million working capital outflow in HY22. This was driven by two factors. Firstly, targeted investment in resilience stocks to ensure the Group can effectively meet high levels of customer demand in an environment of significant supply chain disruption. And secondly, the effect of higher input prices on the value of inventories in these divisions, notably in the Steel businesses.

Net capital expenditure for the Group in the period was \$142 million. This included \$63 million for the new Winstone Wallboards plant, for which delivery timeline and cost remain in line with plan, and \$18 million for quarry land as Winstone Aggregates invested in aggregate reserves in key regions. Additional capital investments in the period were focused on strategic priorities in manufacturing efficiency and digitisation, including \$15 million on the Group's project to create a fit-for-purpose backbone system environment.

Group cash flows in HY22 are also inclusive of: a \$51 million inflow from the divestment of the Rocla business in Australia; a \$148 million outflow for the FY21 final dividend payment; and an \$83 million outflow as part of the Group's on-market share buyback programme. This buyback programme was announced on 26 May 2021 and comprises a share buyback of up to \$300 million over the 12 months to May 2022.

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 2021. Further details of significant items can be found in note 2.1 of the financial statements.

⁽³⁾ Free cash flow is defined as trading cash flow less capital expenditure and cash tax but excluding any merger and acquisition activities.

Group Overview (Continued)

FUNDING AND BALANCE SHEET

The Group's balance sheet and funding profile remains strong. Total funding available to the Group as at 31 December 2021 was \$1,791 million of which \$925 million was undrawn and there was an additional \$409 million of cash on hand. The Group's liquidity was therefore strong at \$1.3 billion.

The Group's gearing at 31 December 2021 was 10.6% compared with 4.4% at 30 June 2021.

The Group's leverage ratio (net debt / EBITDA) at 31 December 2021 was 0.4 times, compared with 0.2 times at 30 June 2021. The Group expects to exit FY22 with a slightly higher leverage ratio, though still below the lower end of the target range of 1.0 - 2.0 times. Key drivers of this slightly higher leverage ratio at June 2022 are the investments in the Winstone Wallboards plant (circa \$140 million investment), land and housing inventories in the Residential and Development division (circa \$100 million investment), and the ongoing share buyback programme.

The average maturity of the Group's debt at 31 December 2021 is 3.6 years and the hedged currency split is 38% Australian dollar; 60% New Zealand dollar; and 2% spread over various other currencies.

The Group currently has 69% of all borrowings with fixed interest rates with an average duration of 1.7 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on periodend borrowings) is 4.1%.

DIVIDEND

The FY22 interim dividend is 18.0 cents per share, compared to 12.0 cents per share for the FY21 interim dividend. The uplift in dividend reflects the business's strong operating performance and positive outlook. Further, the dividend will be fully imputed for New Zealand taxation purposes, though will be unfranked for Australian taxation purposes.

The interim dividend will be paid on 7 April 2022 to holders registered as at 5:00 pm (NZ time) on 18 March 2022. The shares will be quoted on an ex-dividend basis from 17 March 2022 on the NZX and ASX. The Dividend Reinvestment Plan will not be operative for this dividend payment.

CLOUD COMPUTING ARRANGEMENTS

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision which concluded that costs incurred in configuring or customising software in a cloud computing arrangement can only be capitalised if the activities create an intangible asset that the entity controls, and that meets certain other criteria. The Group has historically capitalised such costs. The adoption of the above agenda decision by the Group has two impacts: it creates an expense in the FY22 income statement of the relevant cloud computing costs; and it leads to the derecognition of previously capitalised costs as an opening balance adjustment to the prior year, thereby reducing amortisation of historically capitalised costs in FY22. The net of these two impacts in the Group's income statement in the current half-year period is an increased expense of approximately \$2 million. For the FY22 full year, the net impact is expected to be an increased expense for the Group of approximately \$10 million due to the phasing of relevant spend in FY22. This impact is principally in the Australia, Distribution and Construction divisions.

Building Products

Divisional Review

- > Winstone Wallboards
- > Laminex New Zealand
- > Tasman Insulation and Forman Building Systems
- > Iplex New Zealand
- > Humes
- > Fletcher Steel
- > Altus JV

Financial Summary

Six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Gross revenue	765	700
External revenue	613	553
EBIT	96	102
EBIT margin	12.5%	14.6%
Funds	870	683
Trading cash flow	40	153
Capital expenditure	79	40

Quarter ended 31 December

NZ\$m	2021	2020
EBIT	67	48
EBIT margin	15.5%	13.9%

EBIT for six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Building Products	66	84
Steel	30	18
Total	96	102

The comparatives have been restated as a result of 1) a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements and 2) a change in segmental classification as a result of Forman Building Systems (business unit previously within the Distribution division) being reclassified into the Building Products division, as a result of Forman Building Systems combining with Tasman Insulation New Zealand. This principally impacts the comparative Gross Revenue (June 2021: \$35 million, December 2020: \$17 million), External Revenue (June 2021: \$33 million, December 2020 \$16 million) and Funds (June 2021: \$24 million, December 2020: \$24 million) base recognised, with no significant impact to the remaining segmental disclosures.

The Building Products division reported gross revenue of \$765 million, which was 9% higher than the prior period. EBIT was \$96 million, compared to \$102 million in the prior period.

Following the COVID-19 lockdowns in the first quarter, the division delivered strong year-on-year growth. Second quarter revenues were 25% higher and EBIT was 40% higher than the prior year. Second quarter EBIT margin of 15.5% was 160bps ahead of the prior year.

Outside of the lockdown period, the Steel and Pipes (Iplex, Humes) businesses benefited from strong civil sector activity across the country, particularly in the Northern and Southern regions. The finishing trade businesses (Winstone Wallboards, Tasman Insulation, Laminex) benefited from continuing levels of high product demand from residential new builds, combined with targeted market share gains.

A tight labour market and higher raw material and freight costs were key features of the HY22 operating environment. A strong focus on price governance, operating efficiencies, and a shift to more profitable sales mix in certain categories enabled the division to hold gross margins outside of the lockdown period. Higher volumes drove strong operating leverage and resulted in the strong second quarter EBIT margins.

Trading cash flow for the division in HY22 was \$40 million, compared to \$153 million in the prior year. This reflected two factors: the previously signalled rebuild of inventory to more normal levels following a material draw-down of stock in FY21; and higher input prices leading to higher stock valuations, particularly in the Steel business.

Capital expenditure in the period was \$79 million, including \$63 million for the ongoing build of the new Winstone Wallboards plant in Tauriko, for which delivery timeline and cost remain in line with plan.

The division continues to focus on four key areas, namely: growth into logical adjacencies; leading customer service; pricing excellence; and a lean operational model and operational excellence. In the period, the Steel business has started to realise gains from its business improvement initiatives with a high focus on pricing agility, product category management and strategic project tendering. The division continues to invest in improving manufacturing capabilities, with on-going investments in the new wallboards and pipes facilities, and process automation and new technologies in our Insulation and Steel businesses. Adapting to current market trends and customer needs is also a priority across the division, with product range refreshes a particular focus for the Laminex business in the period.

Distribution

Divisional Review

- > PlaceMakers
- > Mico

Financial Summary

Six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Gross revenue	866	835
External revenue	854	822
EBIT	54	57
EBIT margin	6.2%	6.8%
Funds	195	162
Trading cash flow	35	65
Capital expenditure	3	4

The Distribution division reported gross revenue of \$866 million, which was 4% higher than the prior period. EBIT was \$54 million, compared to \$57 million in the prior period.

Following the COVID-19 lockdowns in the first quarter, the division delivered strong year-on-year growth. Second quarter revenues were 20% higher and EBIT 62% higher than the prior period. Second quarter EBIT margin of 8.5% was 230bps ahead of the prior period.

Outside of the lockdown period, the division delivered significant revenue growth across all geographical segments – most prominently in Auckland, followed closely by the lower North Island and the lower South Island. The growth was particularly evident in the timber, cladding and frame and truss categories. Market demand has outstripped industry capacity in these areas, as supply chains are slow to recover from the ongoing impact of the COVID-19 lockdown and customers seek to ensure supply constraints do not impact build timelines

Strong EBIT margins in the second quarter are reflective of the operating leverage of higher sales over a largely fixed cost base, as well as a continuing focus on the businesses customer and efficiency programmes – especially in digital services and freight optimisation.

Trading cash flow for the division of \$35 million was lower than the comparative period's \$65 million. This was a result of the additional working capital requirements driven by the higher activity levels, as well as by decisions to hold higher safety stock in certain areas, enabling the business to better meet customer demand in the face of supply chain inconsistency and supplier allocations. The second quarter sales growth drove an increase in trade debtors, however cash collection remains high, with customer liquidity remaining robust.

Quarter ended 31 December

NZ\$m	2021	2020
EBIT	42	26
EBIT margin	8.5%	6.2%

The comparatives have been restated as a result of 1) a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements and 2) a change in segmental classification as a result of Forman Building Systems (business unit previously within the Distribution division) being reclassified into the Building Products division, as a result of Forman Building Systems combining with Tasman Insulation New Zealand. This principally impacts the comparative Gross Revenue (June 2021: \$35 million, December 2020: \$17 million), External Revenue (June 2021: \$35 million, December 2020 \$16 million) and Funds (June 2021: \$24 million, December 2020: \$24 million) base recognised, with no significant impact to the remaining segmental disclosures.

Capital expenditure in the period was \$3 million, with investment in the division's digital programme now classified as operating expenditure under the new cloud computing accounting policy.

The division's digital programme has maintained momentum throughout the half. In Mico, the consumer website has been refreshed and the trade digital programme of work is now underway. The programme, being run in conjunction with Tradelink in Australia, will leverage PlaceMakers technology to enhance the customer experience. In PlaceMakers, sales transacted through e-commerce tools continues to grow, and the improvements in e-commerce capability have enabled the business to increase the use of data analytics to create actionable customer insights. This will continue to enable enhancements in the customer journey.

The programme of rolling individual branches into operating Hubs continues, with two additional Hubs scheduled to go live early in the second half in the lower North Island. The property footprint also continues to be a focus with the recently opened branches of Mico Matamata, Mico Upper Hutt, PlaceMakers Warkworth and the refurbished PlaceMakers Levin branch. The new Dunedin branch and the refurbished Mangawhai branch are both scheduled to open in the second half of the year.

Concrete

Divisional Review

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

Financial Summary

Six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Gross revenue	428	430
External revenue	301	291
EBIT before significant items (2)	61	62
EBIT margin before significant items (2)	14.3%	14.4%
Significant items (3)	-	5
Funds	586	585
Trading cash flow	72	88
Capital expenditure	35	11

Quarter ended 31 December

NZ\$m	2021	2020
EBIT before significant items (2)	42	30
EBIT margin before significant	17.2%	14.0%
items		

- (1) The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.
- 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 2021.
- Details of significant items can be found in note 2.1 of the financial statements.

The Concrete division reported gross revenue of \$428 million, in line with the prior period. EBIT excluding significant items was \$61 million, also in line with the prior period.

Following the COVID-19 lockdowns in the first quarter, the division delivered strong year-on-year growth. Second quarter revenues were 14% higher and EBIT 40% higher than the prior period. Second quarter EBIT margin of 17.2% was 320bps ahead of the prior period.

Outside of the lockdown period, the division experienced robust demand across all key product segments, with volumes well ahead of the prior period. These market conditions coupled with the division's differentiated product offering, debottlenecking of key operations, good pricing discipline, and targeted share gains enabled the division to deliver the strong second quarter revenue growth. With the current strong levels of market activity, Golden Bay Cement (GBC) moved to reduce exports into the Pacific Islands in HY22 to support sales into the higher-margin New Zealand business. GBC has also made targeted use of third-party supply in New Zealand, focused on sales regions where it is efficient to do so from a supply chain perspective.

The division's earnings and margin momentum reflect a sustained programme of work over recent years. This programme has been focused on: targeted volume growth through improved customer service and product offerings; strong cost control through manufacturing and supply chain optimisation; investment discipline; and a lean and agile support organisation. In the current period, it was notable that the GBC waste tyre facility (commissioned in February 2021) enabled the business to reduce its energy costs, with higher coal substitution rates offsetting the impact of elevated electricity costs.

Trading cash flow for the division was \$72 million, a decrease of 18% on the prior period driven by a rebuild of working capital levels to service the current strong market demand.

Capital expenditure in the period of \$35 million primarily comprised land purchases to secure long-term quarry resources, as well as continued investment in the renewal and debottlenecking of key operations.

The division's strategic focus continues to be on three key pillars, namely: sustainability, innovation and digital. On sustainability, a key achievement in the period was the further refinements of the waste tyre project at GBC Portland, which lifted the rate of coal substitution in the cement manufacturing process from approximately 35% to 50%, delivering further reductions in emissions. This project reinforces GBC's commitment to being the producer of New Zealand's lowest carbon cement, which is materially lower in carbon than imported cement alternatives.

The division is implementing an Innovation Lab to fast track the go-to-market of new products and solutions. The Innovation Lab is expected to go-live in mid-2022 and will support the Concrete division to remain at the forefront of innovative construction material solutions in the New Zealand market.

Several digital initiatives were delivered in the period, including: the continued evolution of Firth's ready-mix online sales portal to help deliver on an enhanced customer experience; and an upgrade of GBC's ERP, which will assist in unlocking operational and supply chain efficiencies.

Australia

Divisional Review

Building Products Australia:

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

Distribution Australia:

- > Tradelink
- > Oliveri Solutions

Steel Australia:

Stramit

Financial Summary

Six months ended 31 December

N.7.A	2021	2020
NZ\$m	2021	Restated (1)
Gross revenue	1,388	1,390
External revenue	1,354	1,350
EBIT before significant items (2)	45	51
EBIT margin before significant items (2)	3.2%	3.7%
Significant items (3)	(47)	(87)
Trading cash flow	(30)	51
Funds	1,320	1,353
Capital expenditure	11	8

Quarter ended 31 December

NZ\$m	2021	2020
EBIT before significant items (2) (4)	27	22
EBIT margin before significant items	4.1%	3.5%

EBIT for six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Building Products Australia	30	34
Distribution Australia	9	8
Steel Australia	10	13
Divisional costs	(4)	(4)
Total	45	51

- (1) The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.
- 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 2021.
- (3) Details of significant items can be found in note 2.1 of the financial statements.
- (4) Excludes Rocla divested in August 2021.

The Australia division reported gross revenue of \$1,388 million, in line with the prior period. EBIT before significant items was \$45 million, compared with \$51 million in the prior period. In local currency and adjusting for the divestment of the Rocla business, gross revenue increased 6% and EBIT grew 5% compared to the prior period.

Market activity in Australia remains robust, particularly in the residential segment. Activity levels were somewhat subdued in HY22 by the various COVID-19 restrictions on the East Coast, particularly in the first quarter. The Australia division's profitability was impacted by approximately \$5 million in the first quarter, notably due to the restrictions on Additions & Alterations (A&A) work, which is a key segment for the higher-margin Laminex business. As restrictions eased in the second quarter, the division's performance showed good momentum. Adjusting for the divestment of the Rocla business, second quarter EBIT was 23% ahead of the prior period and EBIT margins lifted to 4.1%, 60bps ahead of the prior period. This performance momentum is expected to continue into the second half of the year. Second half margins are expected to be a further uplift on the second quarter result, setting up the division well to deliver its FY23 target of margins of at least 5%.

Significant input cost inflation was also a feature of the HY22 trading environment. The division's improved pricing disciplines and governance ensured higher input costs were recovered in most areas, however a timing lag between some commodity price rises (e.g. resin, steel) and sales price increases resulted in an unfavourable impact in the period in some businesses.

Building Products Australia's ongoing operations delivered revenue growth of 4% and EBIT before significant items of \$33 million was 14% higher than the prior period. Laminex earnings declined 10% due to the constraints on A&A work and planned manufacturing maintenance to deliver improved operational effectiveness. Underlying performance in Laminex remained strong, with introduction of new product ranges and digital capability, and the pilot launch of the new Haven Kitchens offer. Fletcher Insulation grew revenues by 6% and earnings by 33%, driven by pricing activities and lower costs to manufacture and distribute following the rationalisation of the business's operations over the past three years. In Iplex, revenue increased by 24% with early signs of renewed market activity and the business returned to profitability, also benefiting from the simplification of its business model and optimised manufacturing base.

Distribution Australia reported revenues 1% below the prior period, while EBIT before significant items increased by 13%. Increased earnings were a result of ongoing growth in the key small to medium (SME) plumber segment and in own brand and digital sales. The Tradelink consumer transactional website, launched in FY21, is delivering well ahead of plan and is providing a new revenue stream and higher margins. Tradelink will complement this with the launch of a transactional business-to-business digital platform in the second half of FY22. The Oliveri business continues to gain share, both in its traditional kitchen sink and tap market and through its push into the bathroom category.

Australia (Continued)

Steel Australia revenue grew by 11% while EBIT before significant items declined to \$10 million, compared to \$13 million in the prior period. Domestic and international steel supply were constrained in HY22, and rapid increases in steel costs unfavourably impacted earnings. Price increases are expected to drive improved margins in the second half. Positively, the business continues to gain share in the higher-margin sheds and doors segments.

Significant item charges in the division were \$47 million, primarily relating to the reclassification of the currency translation reserve through the income statement following the sale of the Rocla business, which was completed in August.

Trading cash outflows were \$30 million, or \$18 million excluding significant items. The cash flow result reflected continued tight debtor controls offset by targeted investments in inventory to overcome expected supply chain constraints. This has positioned the division to meet customer demand expectations in the second half.

Capital expenditure in the period was \$11 million.

The division's strategy continues to be focused on driving targeted growth across a significantly more efficient operational platform and cost base. The division continues to drive improved customer service, and investments (both capital and operating expenditure) are focused on new product development, digital innovation, and manufacturing automation. Within this, the division is exploring 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

Six months ended 31 December

2020 stated ⁽¹⁾
356
351
62
17.4%
593
112
-
_

Quarter ended 31 December

NZ\$m	2021	2020
Residential EBIT (3)	42	28
Residential EBIT margin	28.6%	16.9%

EBIT for six months ended 31 December

		2020
NZ\$m	2021	Restated (1)
Residential	68 (2)	62
Apartments	(1)	-
Clever Core	(2)	(2)
Industrial Development	47	2
Total	112	62

- (i) The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.
- The Residential EBIT result includes a revaluation gain of \$9 million from the transfer of land from Fletcher Living to Vivid Living, with the business commencing the construction of its first two retirement villages.
- $\,^{\scriptscriptstyle{(3)}}\,\,$ Residential EBIT excluding revaluation gain of \$9 million.

The Residential and Development division reported gross revenue of \$318 million, a decrease of 11% compared to the prior period. EBIT for the division of \$112 million was \$50 million or 81% higher than the prior period.

The Residential business delivered EBIT of \$68 million, ahead of the prior period's \$62 million. A total of 278 units were taken to profit, compared to 515 units in the prior period. Sales volumes in HY22 were impacted by delays to house construction during the first quarter lockdown. Positively, this impact was more than offset by the strong market demand for houses, which saw significant price growth and margin expansion in both the Auckland and Canterbury markets. The average price of units sold was 33% higher than the prior period.

The Residential EBIT result in the current period included a revaluation gain of \$9 million from the transfer of land from Fletcher Living to Vivid Living, with the business commencing the construction of its first two retirement villages. Work has also commenced on several new apartment buildings. The first Vivid Living and Apartment sales are expected in FY23.

Clever Core made an EBIT loss of \$2 million, in line with the prior year. Increased sales to Fletcher Living are targeted for the second half of the year, along with homes for two external customers, as the business continues to scale its volumes.

The Industrial Development business delivered EBIT of \$47 million. This was significantly higher than the prior period and is the result of two key transactions: the sale of the Rocla Emu Plains site in Penrith, and the Fletcher Insulation site at Rooty Hill, NSW.

Divisional funds employed were \$649 million at 31 December 2021, compared to \$534 million at 30 June 2021. The division's funds comprises principally housing land and housing work-in-progress of \$444 million and \$166 million respectively at 31 December 2021. Land held for resale is held on balance sheet by the division at historical cost, and so does not include any movement in market value since the time of purchase. The increase in funds during the HY22 period reflects a previously signalled rebuild of land and housing work-in-progress to support the division's growth, and follows a significant draw-down of stocks in FY21.

Consistent with this growth strategy, the division increased its committed land backlog to 4,500 residential lots at 31 December 2021, an increase of circa 500 lots since 30 June 2021. The backlog consists of 2,503 residential lots and two rural properties held on balance sheet, with a further 2,037 units of both zoned and future urban zoned land under unconditional contracts.

Looking ahead, the division remains focused on scaling its housing, apartments, and retirement offers to circa 1400-1500 units in FY25, while maintaining industrial development earnings of circa \$25 million per annum. In the second half of FY22, there are no material industrial development transactions expected, but the number of house sales are expected to be comfortably higher than the equivalent period in FY21. The Apartments and Vivid Living businesses are focused on progressing construction of new sites in Auckland, with Clever Core focused on improvement manufacturing and installation productivity and looking to sell its first panels to external customers.

Construction

Divisional Review

- > South Pacific
- > Brian Perry Civil
- > Higgins
- > Buildings
- > Infrastructure

Financial Summary

Six months ended 31 December

2021	2020 Restated ⁽¹⁾
720	651
630	620
(10)	13
(1.4%)	2.0%
-	(1)
210	147
2	(80)
9	14
	720 630 (10) (1.4%) - 210

Quarter ended 31 December

NZ\$m	2021	2020
EBIT before significant items (2) (4)	6	12
EBIT before significant items margin (4)	1.5%	3.7%

The Construction division reported gross revenue of \$720 million, which was \$69 million or 11% higher than the prior period. On a reported basis, EBIT before significant items was a loss of \$10 million, compared to a profit of \$13 million in the prior period. Prior to elimination of margin on intra-Group projects, EBIT before significant items was a loss of \$5 million.

The COVID-19 restrictions had a material impact on the division in HY22. The August to September lockdown, as well as ongoing restrictions through the balance of HY22, resulted in lower productivities and unrecovered plant and labour costs. A portion of these costs are expected to be recovered through contractual entitlements, but some claims remain to be settled in the second half of FY22. New work commencement was also impacted, with revisions of client programmes to the second half of FY22 and FY23.

Positively, the division continues to make good progress in rebalancing its future order book to deliver an improved risk profile and margins. The forward order book was \$2.8 billion as at 31 December 2021, broadly in line with the prior period. This includes smaller self-perform work in Higgins and Brian Perry Civil; national and local maintenance contracts; and the 10-year Watercare Enterprise Framework Agreement, which will provide an estimated \$1.3 billion backlog of work for Brian Perry Civil and Infrastructure over the next nine years. In addition, the division is the preferred contractor on an additional \$0.3 billion of works, including Waka Kotahi's AMETI busway alliance project.

The division also continues to make progress in winding down the remaining legacy projects. Work to complete across the legacy

EBIT for six months ended 31 December

NZ\$m	2021	2020 Restated ⁽¹⁾
Higgins	(1)	16
Other	(9)	(3)
Total	(10)	13

- (1) The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9 of the financial statements.
- 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 2021.
- (3) Details of significant items can be found in note 2.1 of the financial statements.
- (4) Prior to elimination of intra-Group profit.

portfolio is now \$0.3 billion. Net cash outflows remaining on the legacy projects are approximately \$100 million.

Against a backdrop of constrained labour market and wage inflation in the construction sector, the division has established robust controls on cost and is seeing the benefits of operating efficiencies as it digitises many of its processes. This resulted in overhead costs being 7.5% of revenue in HY22, as compared to 8.0% in prior period.

EBIT before significant items for the division in HY22 was a loss of \$10 million, after eliminating \$5 million of intra-Group earnings associated with the construction of the Winstone Wallboards plant. In the second quarter, the division's underlying result (i.e. prior to elimination of intra-Group margin) was a profit of \$6 million.

Trading cash flow for the division was an inflow of \$2 million, compared to an outflow of \$80 million in the prior period. Cash flow was supported by resolution of historical claims in Infrastructure and Higgins. Working capital is a key focus, with client advance payments offsetting higher inventory levels taken to alleviate supply chain pressures in key materials such as aggregates and steel.

Capital expenditure in the period of \$9 million included cyclical replacement of bitumen sprayers and pavers in Higgins plus an additional fleet of crawler cranes to support high volumes of forward work in Brian Perry Civil.

The division's ongoing focus is in three key areas: continuing to build a balanced portfolio of work with an appropriate risk profile, targeting a divisional EBIT margin of 3%-5%; completion of the remaining legacy projects within provisions; and ongoing investment in 'Fletcher One' standardised governance and management framework across the business, including enterprise systems and a business intelligence platform.

Consolidated Income Statement (Unaudited)

For the six months ended 31 December 2021

	Notes	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
Revenue		4,064	3,987	8,120
Cost of goods sold		(2,886)	(2,839)	(5,778)
Gross margin		1,178	1,148	2,342
Selling, general and administration expenses		(865)	(834)	(1,693)
Share of profits of associates and joint ventures		10	9	19
Revaluation gain on investment property		9		
Significant items	2.1	(43)	(86)	(128)
Earnings before interest and taxation (EBIT)		289	237	540
Lease interest expense		(30)	(33)	(64)
Funding costs		(22)	(23)	(44)
Earnings before taxation		237	181	432
Taxation expense	4	(63)	(57)	(115)
Earnings after taxation		174	124	317
Earnings attributable to non-controlling interests		(3)	(3)	(12)
Net earnings attributable to the shareholders		171	121	305
Net earnings per share (cents)				
Basic		21.0	14.7	37.0
Diluted		20.5	14.2	36.4
Weighted average number of shares outstanding (millions of shares)				
Basic		814	824	824
Diluted		864	894	867
Dividends declared per share (cents)		18.0	12.0	30.0

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

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

On behalf of the Board, 16 February 2022

Bruce Hassall

Robert McDonald

Chair of Directors Director

Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2021

Net earnings attributable to non-controlling interests Net earnings Other comprehensive income	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
Net earnings attributable to shareholders	171	121	305
Net earnings attributable to non-controlling interests	3	3	12
Net earnings	174	124	317
Other comprehensive income			
Items that do not subsequently get reclassified to profit or loss:			
Movement in pension reserve	18		68
	18		68
Items that may be reclassified subsequently to profit or loss in the future:			
Movement in cash flow hedge reserve	11	(21)	(7)
Movement in currency translation reserve	26	(11)	3
	37	(32)	(4)
Other comprehensive income/(loss)	55	(32)	64
Total comprehensive income for the period	229	92	381

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

Consolidated Statement of Movements in Equity (Unaudited)

For the six months ended 31 December 2021

NZ\$M	Notes	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interests	Total equity
Total equity at 30 June 2020		3,280	391	12	(12)	(149)	(22)	3,500	35	3,535
Change in accounting policies	9		(36)					(36)		(36)
Restated equity at 30 June 2020		3,280	355	12	(12)	(149)	(22)	3,464	35	3,499
Restated total comprehensive income/(loss) for the period			121		(21)	(11)		89	3	92
Movement in non-controlling interests									(27)	(27)
Dividends paid to shareholders of the parent										
Movement in share-based payment reserve				4				4		4
Movement in treasury stock		(7)						(7)		(7)
Restated equity at 31 December 2020		3,273	476	16	(33)	(160)	(22)	3,550	11	3,561
Restated equity at 30 June 2020		3,280	355	12	(12)	(149)	(22)	3,464	35	3,499
Restated total comprehensive income/(loss) for the period			305		(7)	3	68	369	12	381
Movement in non-controlling interests									(31)	(31)
Dividends paid to shareholders of the parent			(99)					(99)		(99)
Movement in share-based payment reserve		3	1	16				20		20
Repurchase of shares		(24)						(24)		(24)
Movement in treasury stock		(11)						(11)		(11)
Restated equity at 30 June 2021		3,248	562	28	(19)	(146)	46	3,719	16	3,735
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)
Total equity at 31 December 2021		3,168	588	21	(8)	(120)	64	3,713	13	3,726

Consolidated Balance Sheet (Unaudited)

As at 31 December 2021

Assets	Notes	Dec 2021 NZ\$M	Dec 2020 Restated ⁽¹⁾ NZ\$M	June 2021 Restated ⁽¹⁾ NZ\$M
Current assets:				
Cash and cash equivalents		409	618	666
Current tax assets		400	62	9
Contract assets	2.6	60	15	37
Derivatives	2.0	11	7	9
Debtors		1,097	1,029	1,133
Inventories		1,426	1,126	1,186
Total current assets before held for sale		3,003	2,857	3,040
Assets classified as held for sale	2.5	2,7.1.2	109	85
Total current assets	2.0	3,003	2,966	3,125
		,	,	-, -
Non-current assets:				
Property, plant and equipment		1,622	1,541	1,586
Investment property		26		
Intangible assets		1,078	1,069	1,070
Right-of-use assets		1,337	1,393	1,392
Investments in associates and joint ventures		194	159	173
Debtors		53		
Inventories		190	305	272
Retirement plan assets		125	41	108
Derivatives		10	8	10
Deferred tax assets		212	248	238
Total non-current assets		4,847	4,764	4,849
Total assets		7,850	7,730	7,974
Liabilities				
Current liabilities:				
Creditors, accruals and other liabilities		1,222	1,034	1,314
Provisions		157	199	178
Lease liabilities		179	172	178
Current tax liabilities		31	5	
Derivatives		11	22	14
Contract liabilities	2.6	123	177	87
Borrowings	5	122	109	106
		1,845	1,718	1,877
Total current liabilities before held for sale	2.5		33	29
Total current liabilities		1,845	1,751	1,906
Non-current liabilities:				
Creditors, accruals and other liabilities		34	46	23
Provisions		38	25	30
Lease liabilities		1,458	1,528	1,519
Derivatives		5	23	10
Borrowings	5	744	796	751
Total non-current liabilities		2,279	2,418	2,333
Total liabilities		4,124	4,169	4,239
Equity				
		3,168	3,273	3.248
Equity Share capital Reserves		3,168 545	3,273 277	3,248 471
Share capital Reserves			277	471
Share capital Reserves Shareholders' funds		545		471 3,719
Share capital Reserves		545 3,713	277 3,550	

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2021

	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
		·	· · ·
Cash flow from operating activities			
Receipts from customers	4,062	3,968	7,927
Dividends received		3	3
Payments to suppliers, employees and other	(3,856)	(3,478)	(6,932)
Interest paid	(49)	(66)	(116)
Income tax paid		(3)	(3)
Net cash from operating activities	157	424	879
Cash flow from investing activities			
Sale of property, plant and equipment	1	14	20
Sale of subsidiaries	51		
Purchase of property, plant and equipment and intangible assets	(140)	(78)	(221)
Purchase of investment property	(3)		
Investments in associates and joint ventures	(12)		
Net cash from investing activities	(103)	(64)	(201)
Cash flow from financing activities			
Issue of capital notes		42	142
Repurchase of capital notes			(145)
Repurchase of shares	(83)	(7)	(24)
Repurchase of shares - transferred to treasury stock			(11)
Drawdown/(repayment) of borrowings	10	(755)	(761)
Principal elements of lease payments	(89)	(91)	(182)
Contributions from/(distribution to) non-controlling interests	2	(27)	(31)
Dividends paid to shareholders of the parent	(148)		(99)
Net cash from financing activities	(308)	(838)	(1,111)
Net movement in cash held	(254)	(478)	(433)
Add: opening cash and liquid deposits	666	1,104	1,104
Effect of exchange rate changes on net cash	(3)	(8)	(5)
Closing cash and deposits	409	618	666

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

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"). The Company is registered under the Companies Act 1993 and is a Financial Markets Conduct Act (FMCA) 2013 reporting entity in terms of the Financial Reporting 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 and the Main Board/Debt Market Listing Rules of NZX Limited.

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 2021. In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 - Interim Financial Reporting.

The accounting policies have been applied consistently by the Group and are in line with prior year, except for the change in accounting policy on cloud computing arrangements as disclosed below. Where necessary, certain comparative information has been reclassified to conform to changes in presentation in the current year.

Changes in accounting policies, interpretations and agenda decisions

Configuration or Customisation Costs in a Cloud Computing Arrangement (NZ IAS 38 Intangible Assets)

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or Customisation Costs in a Cloud Computing Arrangement. The IFRIC concluded that costs incurred in configuring or customising software in a cloud computing arrangement can only be recognised as intangible assets if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

The Group has historically capitalised costs incurred in configuring or customising software applications in a cloud computing arrangement as intangible assets. The adoption of the above agenda decisions has resulted in an expense in the consolidated income statement in the current year and derecognition of previously capitalised costs as an opening balance adjustment to the prior year. The new policy is detailed below with the impact of adoption presented in note 9.

Cloud computing arrangements

As a result of the agenda decision, the Group now recognises costs incurred in configuring or customising cloud application software as an intangible asset only if the activities create a resource that the Group can control and from which it expects to benefit. Such costs are amortised over the estimated useful life of the software application on a straight-line basis. The remaining useful life is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where the Group cannot determine whether it has control of the cloud application software, the arrangement is deemed to be a service contract and any implementation costs, i.e. cost incurred to configure or customise the cloud application software, are expensed to the consolidated income statement as incurred.

Where the provider of the cloud application software provides both configuration and customisation services, judgement is required to determine whether these services are distinct from the underlying use of the software application. Distinct configuration and customisation costs are expensed as incurred as the software application is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs, that significantly enhance or modify the cloud-based application, are recognised as a prepaid asset and expensed over the contract term on a straight-line basis.

2. Key estimates, judgements and other financial information

2.1 SIGNIFICANT ITEMS

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 2021 significant items totalled \$43 million (31 December 2020: \$86 million) of which \$42 million relates to the foreign currency translation reserve reclassified to the consolidated income statement as a result of the divestment of the Rocla business.

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 2021, 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.

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 Dec 2021 NZ\$M	Six months Dec 2020 NZ\$M	Year ended June 2021 NZ\$M
Net earnings after taxation (as per consolidated income statement)	171	121	305
Add back: Significant items after taxation	43	74	108
Net earnings before significant items	214	195	413
Net earnings per share before significant items (cents)	26.3	23.7	50.1
Net earnings per share - as reported per income statement (cents)	21.0	14.7	37.0

2.4 SHARE BUYBACK

The Group commenced an on-market share buyback in June 2021. For the six months to 31 December 2021, the Group repurchased 11,880,009 shares for total consideration of \$83 million. The purchased shares were subsequently cancelled, leaving the total number of shares on issue at 31 December 2021 of 809,272,010 shares. In line with NZ IFRS, \$0.1 million of transaction costs relating to the buyback were offset against equity.

2.5 ROCLA SALE

On 31 August 2021 the Group divested the Rocla business, a wholly owned subsidiary reported under the Australia segment, for a total purchase price of \$58 million. This resulted in a loss on sale of \$48 million.

	Six months Dec 2021 NZ\$M
Sales proceeds net of transaction costs, provisions and working capital adjustments	44
Carrying value	50
	(6)
Less: reclassification of foreign currency translation reserve	(42)
Loss on sale	(48)

Assets and liabilities

The carrying value of assets and liabilities as at the date of sale were:

	31 Aug 2021 NZ\$M	June 2021 NZ\$M
Debtors	17	21
Inventories	48	49
Property, plant and equipment	8	10
Deferred tax assets	4	5
Total assets	77	85
Creditors, accruals and other liabilities	26	27
Provisions	1	2
Total liabilities	27	29

2.6 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 Dec 2021 NZ\$M	Six months Dec 2020 NZ\$M	Year ended June 2021 NZ\$M
Construction contracts with cost and margin in advance	60	15	37
Contract assets	60	15	37
Construction contracts with billings in advance of costs and margin	123	177	87
Contract liabilities	123	177	87

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;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope; and
- Future weather and ground conditions.

Status of construction projects (> \$200m original contract value) as at 31 December 2021

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

	Business unit	Percentage of completion (% cost)	Forecast completion*
NZICC Reinstatement - Cost plus margin	Buildings	62%	2025
NZICC - Guaranteed maximum price and fixed price contract	Buildings	84%	2025
Pūhoi to Warkworth - Fixed price contract (Public Private Partnership)	Infrastructure	77%	2023
Hamilton City Edge Expressway - Alliance contract	Infrastructure / Higgins	94%	2022
Peka Peka to Ōtaki Expressway - Fixed price contract	Infrastructure / Higgins	82%	2022

^{*} Calendar year

Revenue backlog by business unit as at 31 December 2021

	Current revenue backlog NZ\$M	Top 5 projects as a % of revenue backlog
Buildings	237	99%
Infrastructure	485	70%
Brian Perry Civil	1,190	41%
Higgins	774	45%
South Pacific	107	91%
	2,793	N/A

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 2021. 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 (NZICC)

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

The NZICC project continues to be accounted for under NZ IFRS 15: Revenue from Contracts with Customers and NZ IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The Group has assessed all relevant known facts and circumstances related to the estimation of cost to complete and insurance recoveries and concluded based on current information that there is no additional requirement for provisions in these financial statements. The Group's assessment of the cost to complete relies on the application of estimates and judgements (e.g. 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.

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 Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
Gross revenue			
Building Products	765	700	1,436
Distribution	866	835	1,679
Concrete	428	430	849
Residential and Development	318	356	734
Construction	720	651	1,456
Australia	1,388	1,390	2,758
Other	5	5	10
Group	4,490	4,367	8,922
Less: intercompany revenue	(426)	(380)	(802)
Group external revenue	4,064	3,987	8,120
External revenue			
Building Products	613	553	1,134
Distribution	854	822	1,651
Concrete	301	291	583
Residential and Development	312	351	721
Construction	630	620	1,347
Australia	1,354	1,350	2,684
Group	4,064	3,987	8,120

Industry segments	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
EBIT before significant items			
Building Products	96	102	198
Distribution	54	57	124
Concrete	61	62	113
Residential and Development	112	62	154
Construction	(10)	13	31
Australia	45	51	102
Corporate	(26)	(24)	(54)
Group	332	323	668
Depreciation, depletion and amortisation expense			
Building Products	25	28	57
Distribution	24	24	46
Concrete	33	36	71
Residential and Development	1	1	3
Construction	20	19	39
Australia	63	63	126
Corporate	6	5	12
Group	172	176	354
Capital expenditure			
Building Products	79	40	111
Distribution	3	4	9
Concrete	35	11	36
Residential and Development	3		1
Construction	9	14	24
Australia	11	8	39
Corporate	16	1	2
Group	156	78	222
Funds*			
Building Products	870	683	744
Distribution	195	162	177
Concrete	586	585	573
Residential and Development	649	593	534
Construction	210	147	215
Australia	1,320	1,353	1,312
Other (including debt and taxation)	(104)	38	180
Group	3,726	3,561	3,735

^{*} 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.

The comparatives have been restated as a result of 1) a change in accounting policy as detailed in note 1 and presented in note 9 and 2) a change in segmental classification as a result of Forman Building Systems (business unit previously within the Distribution division) being reclassified into the Building Products division, as a result of Forman Building Systems (business unit previously within the Distribution division) being reclassified into the Building Products division, as a result of Forman Building Systems combining with Tasman Insulation New Zealand. This principally impacts the comparative Gross Revenue (June 2021: \$35 million, December 2020: \$17 million), External Revenue (June 2021: \$33 million, December 2020: \$16 million) and Funds (June 2021: \$24 million, December 2020: \$24 million) base recognised, with no significant impact to the other segment disclosures.

Geographic segments	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
External Revenue			
New Zealand	2,573	2,582	5,237
Australia	1,427	1,349	2,773
Other jurisdictions	64	56	110
Group	4,064	3,987	8,120
EBIT before significant items			
New Zealand	243	270	510
Australia	86	49	150
Other jurisdictions	3	4	8
Group	332	323	668
Funds*			
New Zealand	2,487	2,003	2,210
Australia	1,378	1,400	1,332
Other (including debt and taxation)	(139)	158	193
Group	3,726	3,561	3,735
Non-current assets ⁺			
New Zealand	2,838	2,785	2,811
Australia	1,560	1,631	1,630
Other	49	51	52
Group	4,447	4,467	4,493

4. Taxation expense

	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
Earnings before taxation	237	181	432
Tourstian at 20 cents per dellar	66	51	101
Taxation at 28 cents per dollar	00	51	121
Adjusted for: Non-assessable income	(4)	(6)	(9)
Non-deductible expenses	2	15	4
Tax losses for which no deferred tax asset was recognised	10		17
Utilisation of previous unrecognised tax losses	(12)	(1)	(17)
Tax in respect of prior years	1	(2)	(1)
Tax expense on earnings	63	57	115
Tax expense on earnings before significant items	63	69	136
Tax benefit on significant items		(12)	(21)
	63	57	115
Total autropt touction augusta	63	58	120
Total current taxation expense Total deferred taxation benefit	03	(1)	129 (14)
iotal deletied taxation perient	63	57	115

^{*} 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.

 $^{+ \}quad \text{Excludes deferred tax assets, retirement plan surplus and financial instruments}. \\$

¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

The net deferred tax asset balance of \$212 million at 31 December 2021 largely comprises leases, Construction provisions and Australian tax losses incurred in the prior periods. It is expected 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 Dec 2021 NZ\$M	Six months Dec 2020 NZ\$M	Year ended Jun 2021 NZ\$M
Private placements	475	476	476
Bank loans			
Capital notes	361	406	361
Other loans	30	23	20
Carrying value of borrowings (as per consolidated balance sheet)	866	905	857
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(15)	(18)	(18)
Economic debt	851	887	839
Less: Cash and cash equivalents	(409)	(618)	(666)
Net debt	442	269	173

Carrying value of borrowings included within the balance sheet as follows:

	Six months Dec 2021 NZ\$M	Six months Dec 2020 NZ\$M	Year ended Jun 2021 NZ\$M
Current borrowings	122	109	106
Non-current borrowings	744	796	751
Carrying value of borrowings (as per consolidated balance sheet)	866	905	857

The Group extended Tranche 1, being \$525 million, of the \$925 million syndicated revolving credit facility from July 2022 to July 2024 (\$200 million) and November 2026 (\$325 million). As part of the refinancing of Tranche 1, the Group agreed a number of positive amendments to the terms of the syndicated facility including replacing senior and total interest cover covenants with a senior interest cover covenant only.

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 (0.6)% and 4.1% (December 2020: (0.6)% and 4.7%; June 2021: (0.6)% and 2.5%) including margins, for both accounting and disclosure purposes.

7. Contingencies and commitments

Land and property commitments

At 31 December 2021, the Group's Residential and Development division had commitments to purchase land and building services of \$622 million (June 2021: \$430 million) of which \$157 million is expected to be delivered in the six months to 30 June 2022.

There have been no other material movements in capital expenditure commitments, contingent liabilities or contingent assets to those disclosed in the 30 June 2021 annual report.

Silicosis

As at 31 December 2021, Laminex Australia (together with other engineered stone manufacturers and fabricators) was the subject of a number of silica related personal injury claims based in Queensland. The Group has accrued for this known exposure in Queensland.

One silica related injury claim has been received outside of Queensland. The Group has concluded it is too early to make a reliable estimate of any future potential claims and the extent of a liability (if any) Laminex Australia may have in states outside Queensland. Accordingly, the Group has not recognised any provisions in respect of possible future silicosis claims as at 31 December 2021.

8. Reconciliation of net earnings to net cash from operating activities

	Six months Dec 2021 NZ\$M	Six months Dec 2020 Restated ⁽¹⁾ NZ\$M	Year ended June 2021 Restated ⁽¹⁾ NZ\$M
Net earnings	171	121	305
Earnings attributable to minority interest	3	3	12
	174	124	317
Add/(less) non-cash items:			
Depreciation, depletions and amortisation	172	176	354
Other non-cash items	(34)	61	91
Taxation	63	54	112
(Gain)/loss on disposal of businesses and property, plant and equipment	43	(2)	3
	244	289	560
Net working capital movements			
Residential and Development	(107)	50	105
Construction	11	(101)	(179)
Other divisions:			
Debtors	35	64	(62)
Inventories	(122)	42	(22)
Creditors	(78)	(44)	160
	(261)	11	2
Net cash from operating activities	157	424	879

⁽¹⁾ The comparatives have been restated as a result of a change in accounting policy as detailed in note 1 and presented in note 9.

9. Change in accounting policy

Configuration or Customisation Costs in a Cloud Computing Arrangement (NZ IAS 38 Intangible Assets)

During the six months to 31 December 2021 the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements, in response to the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of NZ IAS 38 Intangible Assets. The new accounting policy is disclosed in note 1 Basis of preparation. The Group's retrospective assessment and impact on reported results is disclosed within this note.

The Group carried out a detailed assessment to quantify the impact of the change in accounting policy during the six months to 31 December 2021. All cloud computing arrangements were identified along with all previously capitalised costs associated with these arrangements. A review was completed in conjunction with the Group finance and technology teams to determine whether these costs were incurred in relation to cloud application software that the Group controls.

The Group has applied judgement in determining whether it controls the cloud application software it utilises based on the underlying contractual terms it has entered into with its providers. The Group has also applied judgement in determining whether any configuration and customisation services provided directly by the application providers are distinct to be recognised separately from access rights granted under the service agreements.

For those arrangements where it was determined that the Group does not control the cloud application software, previously capitalised costs that did not meet the asset recognition criteria, have been retrospectively derecognised in the year they were incurred.

This resulted in a reduction in the intangible asset value by \$50 million at 30 June 2021 (December 2020: \$49 million) with an associated reduction in amortisation expense of \$5 million for the six months to 31 December 2021 (June 2021: \$9 million and December 2020: \$4 million). The decrease in amortisation expense to the consolidated income statement has been offset for the six months to 31 December 2021 by \$7 million (June 2021: \$10 million and December 2020: \$4 million) of configuration and customisation costs that would have been previously capitalised. The net impact of these changes are reflected in selling, general and administration costs in the consolidated income statement.

The below table reflects the impact of the restatement (as of 1 July 2020) on the comparative information presented in the interim financial statements:

	Published NZ\$M	Adjustment NZ\$M	Restated NZ\$M
Consolidated balance sheet as at 30 June 2021			
Intangible assets	1,120	(50)	1,070
Deferred tax assets	224	14	238
Total assets	1,344	(36)	1,308
Reserves	507	(36)	471
Total equity	3,771	(36)	3,735
Consolidated balance sheet as at 31 December 2020			
Intangible assets	1,118	(49)	1,069
Deferred tax assets	235	13	248
Total assets	1,353	(36)	1,317
Reserves	313	(36)	277
Total equity	3,597	(36)	3,561
Consolidated income statement for the year to 30 June 20	21		
Selling, general and administration expenses	(1,692)	(1)	(1,693)
Earnings before taxation	433	(1)	432
Taxation expense	(116)	1	(115)
Earnings after taxation	317		317
Basic EPS (cents)	37.0		37.0
Diluted EPS (cents)	36.4		36.4
Consolidated income statement for the six months to 31 De	ecember 2020		
Selling, general and administration expenses	(834)		(834)
Earnings before taxation	181		181
Taxation expense	(57)		(57)
Earnings after taxation	124		124

	Published NZ\$M	Adjustment NZ\$M	Restated NZ\$M
Basic EPS (cents)	14.7		14.7
Diluted EPS (cents)	14.2		14.2
Consolidated statement of cash flows for the year to 30 June 2021			
Payments to suppliers, employees and other	(6,922)	(10)	(6,932)
Net cash from operating activities	889	(10)	879
Purchase of property, plant and equipment and intangible assets	(231)	10	(221)
Net cash from investing activities	(211)	10	(201)
Consolidated statement of cash flows for the six months to 31 Dece	mber 2020		
Payments to suppliers, employees and other	(3,474)	(4)	(3,478)
Net cash from operating activities	428	(4)	424
Purchase of property, plant and equipment and intangible assets	(82)	4	(78)
Net cash from investing activities	(68)	4	(64)

10. Subsequent events

On 16 February 2022, the Directors declared an interim dividend of 18.0 cents per share, payable on Thursday 7 April 2022.



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 17 to 31 which comprise the consolidated balance sheet as at 31 December 2021, 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 17 to 31 of the Group do not present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2021, 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.

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 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.

Ernst + Young
Chartered Accountants

Auckland 16 February 2022



Fletcher Building Half Year Results to 31 December 2021

16 February 2022



Important Information

This presentation has been prepared by Fletcher Building Limited and its group of companies ("Fletcher Building") for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

This presentation provides additional comment on the 2022 Interim Financial Results dated 16 February 2022. As such, it should be read in conjunction with and subject to the explanations and views given in that document. Unless otherwise specified, all information is for the half year ended 31 December 2021.

In certain sections of this presentation, Fletcher Building has chosen to present certain financial information exclusive of the impact of significant items. A number of non-GAAP financial measures are used in this presentation which are used by management to assess the performance of the business and have been derived from Fletcher Building's financial statements for the six months ended 31 December 2021. You should not consider any of these statements in isolation from, or as a substitute for the information provided in the Financial Statements for the six months ended 31 December 2021, which are available at www.fletcherbuilding.com.

The information in this presentation has been prepared by Fletcher Building with due care and attention, however, neither Fletcher Building nor any of its directors, employees, shareholders nor any other person given any representations or warranties (either express or implied) as to the accuracy or completeness of the information and to the maximum extent permitted by law, no such person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain forward looking statements, that is statements related to future, not past, events or other matters. Forward looking statements may include statements regarding our intent, belief or current expectations in connection with our future operating or financial performance, or market conditions. Such forward looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances. There is no assurance that results contemplated in any of these projections and forward looking statements will be realised. Actual results may differ materially from those projected. Except as required by law, or the rules of any relevant stock exchange or listing authority, no person is under any obligation to update this presentation at any time after its release or to provide further information about Fletcher Building.

The information in this presentation does not constitute financial product, legal, financial, investment, tax or any other advice or a recommendation.



Agenda

1. Results Overview and Markets **Ross Taylor** 2. Financial Results **Bevan McKenzie** 3. Divisions - Building Products **Hamish McBeath** - Distribution **Bruce McEwen** - Concrete **Nick Traber Dean Fradgley** - Australia - Residential and Development **Steve Evans** - Construction **Peter Reidy** 4. Outlook **Ross Taylor**



HY22 performance up year on year

Strong second quarter performance, once COVID lockdowns eased, shows improved operating performance is enduring



- > Financial performance and growth delivered in the first half:
 - → EBIT before significant items \$332m, up 3%
 - → Solid Group EBIT¹ Margin of 8.2%, Net earnings attributable to shareholders \$171m, up 41%
 - → Strong balance sheet; solid cash flows partly offset by some inventory rebuild & housing investment
- First half capital returns delivered:
 - Interim Dividend of 18.0 cents per share, fully imputed
 - → On-market share buyback underway; 1/3rd through programme
- → Second quarter performance shows operating performance improvements are on track and enduring:
 - → 2Q22 EBIT¹ of \$264m up 73% on 2Q21
 - → 2Q22 EBIT¹ margin of 11.8% vs 7.9% in 2Q21



Well positioned for growth in FY22 and beyond

COVID risks easing, expect operational performance improvements to feature more directly in our earnings

FY22 operational performance

- Customers & forward indicators point to ongoing strong volumes
- Strong pricing disciplines to cover inflation increases
- Cash and targeted working capital investments into the business as flagged
- Concrete & Distribution on track to deliver short term margin targets earlier than expected
- Expect ongoing improvements across balanced scorecard
- Expect EBIT margins c. 9.5% in 2H22 (up c. 230 bps from 7.2%¹ in 2H21)
- → FY22 Full Year EBIT² expected to be c. \$750m (excl. risk of Omicron wave in New Zealand of c.\$25m-\$50m)

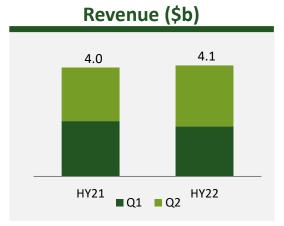
Longer term growth

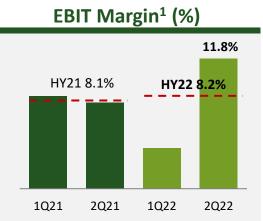
- 1. Markets look very robust well into the future
- 2. COVID impacts start to ease no lockdowns, open borders
- 3. On track to deliver group EBIT margins in FY23 of c. 10%
- 4. Maturing investment pipeline to drive growth past FY23:
 - Significant extra capacity in: Plasterboard, Insulation and Laminex NZ wood fibre based products
 - Digital focus and network expansion in Distribution
 - Low carbon binder & concrete: scale up alternative fuels
 & raw materials, & SCM, expand solutions offering
 - Scaling Laminex Australia's innovative suite of new product offers
 Haven Kitchens; extra Insulation capacity
 - Resi growth in housing, apartments, retirement offering & off-site manufacturing
 - > FCC benefiting from its higher margin order book

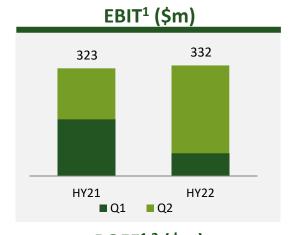


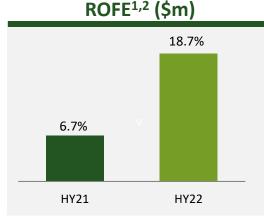
HY22 results at a glance

Second quarter momentum in earnings, margins and returns following first quarter lockdowns









HY22 trading highlights

- → Revenue and EBIT up half on half despite large 1Q22 COVID impacts
- Revenue up 2% overall reflecting solid second quarter rebound across the Group as restrictions eased
- → HY22 EBIT up 3% & includes Industrial Development sales of \$47m
- Almost all NZ businesses shut down for up to five weeks in 1Q22 resulting in c.\$300m lost revenue and reduced EBIT by c.\$100m; Australia 1Q22 restrictions impacted EBIT by c.\$5m
- 2Q22 YoY EBIT up 43% (excl. Ind. Devt) through strong BP, Concrete, Distribution & Australia
- → 2Q22 EBIT margin 11.8% (10.2% excl. Ind. Devt) providing good momentum into 2H22

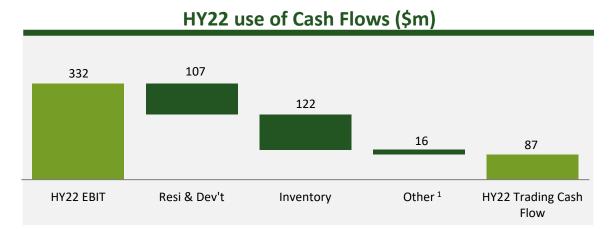
^{1.} Before significant items

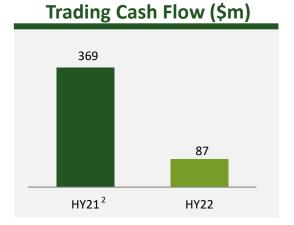
^{2.} Return on Funds Employed (ROFE) is EBIT excluding significant items to average funds (net debt and equity less deferred tax asset)

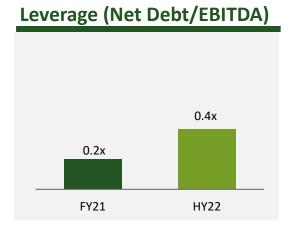
Note: Measures before sig items are non-GAAP measures used by management to assess the performance of the business & have been derived from
Fletcher Building Limited's financial statements for the period ended 31 December 2021. Details of sig items can be found in note 2.1 of the financial statements

HY22 results at a glance

Cash flows applied to Resi investment & inventory; continued strong balance sheet driving ability to execute strategy







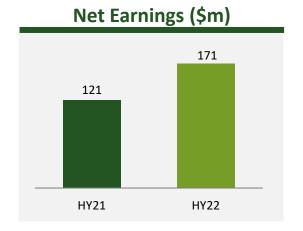
HY22 trading highlights

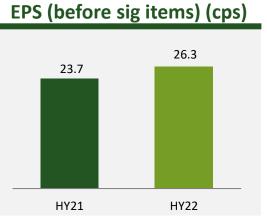
- Trading cash flows invested into pipeline of Residential housing and inventory rebuild (supply into strong market and higher inventory pricing) for surety of supply to customers
- Net debt increased as expected: driven by working capital rebuild, capex and capital management partly offset by earnings
- → Balance sheet remains strong: \$1.3bn liquidity, leverage 0.4x

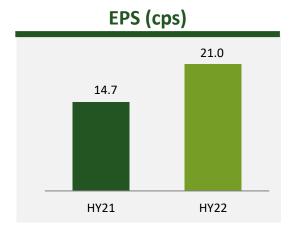


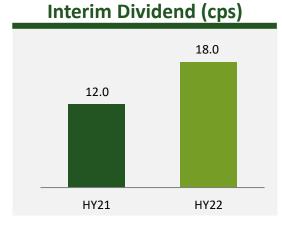
HY22 results at a glance

Interim dividend of 18.0 cents per share declared









HY22 trading highlights

- Net Earnings up strongly
- Significant Items lower YoY, charges of \$43m mainly relating to currency translation reserve from Rocla divestment
- Interim dividend of 18.0 cents per share, fully imputed, to be paid on 7 April 2022
- → Up to \$300m on market share buyback from June; 15.0m shares repurchased as at 31 Dec 21 for \$107m



Balanced Scorecard

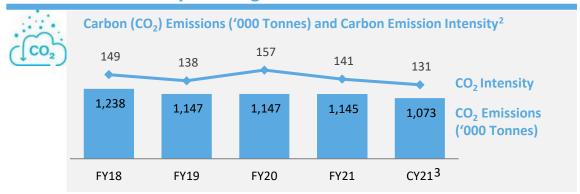
Good progress continues on driving safety culture and lowering our carbon emissions

Safety: Good progress continues



- → TRIFR well below industry average
- → Biannual Safety Perception Survey: 90% of senior leaders believe that 'all injuries are preventable' (up from 54% in July 2019)
- → FY22 focus: developing front line, monitoring critical risks & controls

Sustainability: Driving 30% lower carbon from FY18



- → >10% sustainable reduction in emissions from FY18 through significant reduction in coal use in cement operations & reduced electricity in Australia
- c. 45% of our revenue from products we manufacture are products that hold independent sustainability certification
- → Maintained DJ Sustainability[™] Asia-Pacific Index inclusion



^{1.} TRIFR = Total no. of recorded injuries per million hours worked. Does not include Restricted Work Injuries

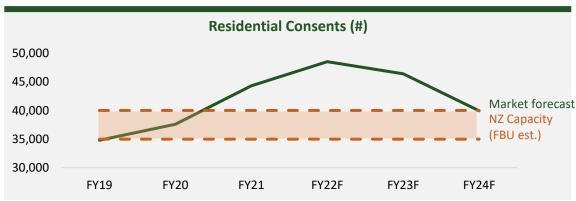
^{2.} Carbon Emission Intensity = FBU CO₂ Tonnes for every \$1m or revenue. ISO 14064-1

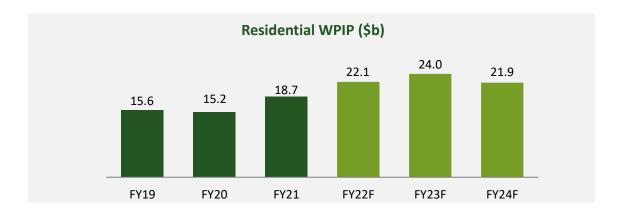
^{3.} CY21 = Calendar Year 2021, 12 months ended 31 December 2021

NZ markets - strong demand continues

Industry capacity constraints mean that work put in place is forecast to keep increasing while consents ease

Historical and Forecast





Residential (47% of NZ FB revenue) activity expected to remain strong for medium term:

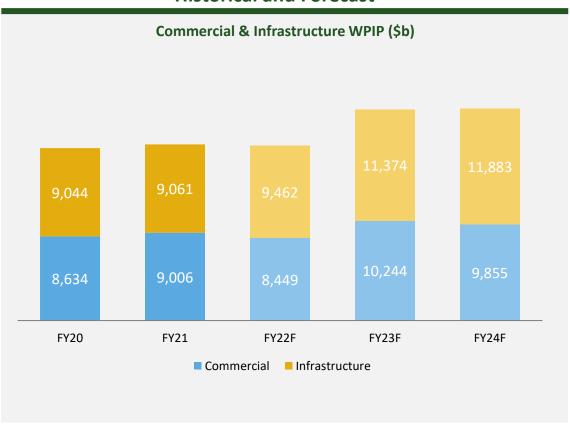
- Consents forecast to ease from recent highs as interest rate increases/lending restrictions impact, but even with this, consents still expected to be above the approximate industry capacity beyond FY23
- Work put in place projected to continue to increase and stay elevated as the backlog of orders and consents works through the industry
- This is anecdotally being confirmed through our own customer base; many home builders' order books are full for 12-18 months, and orders into early civil/infrastructure work for residential development remains very strong



NZ markets - strong demand continues

Committed project pipelines indicates ongoing growth across both infrastructure & commercial sectors to beyond FY23

Historical and Forecast



- → Infrastructure work put in place (26% of NZ FB revenue)
 forecast to grow strongly as committed government pipeline of projects moves into the physical construction phase
- Commercial (27% of NZ FB revenue) work put in place forecast to grow in FY23 as multiple build-types (esp. health, education and factories) move into the construction phase
- → Anecdotally, COVID disruption has delayed progress on present projects and the start of new planned works creating a future backlog overlay across the forecasts into FY23 and beyond

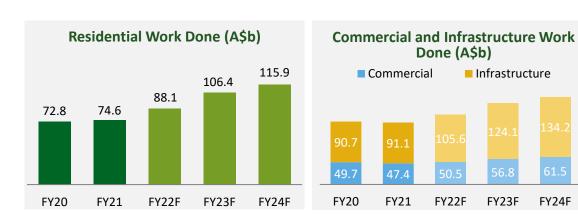


Australia markets - strong demand continues

Work done is forecast to continue to grow across all sectors

Historical and Forecast





Strong Residential (62% of AU FB revenue) market forecast to continue to grow

- Strong consenting levels are yet to fully flow through to work put in place, as supply chain issues and COVID restrictions have slowed the industry significantly for the last 12 months
- Residential work done across both A&A¹ and new dwellings is forecast to grow strongly off the back of the natural consenting lag, and the committed backlog starting to flow through

Very strong outlook for infrastructure (11% of AU FB revenue) supported by government investments

Sustained improvement of forward market activity in commercial (27% of AU FB revenue) with value of approvals up 12% for year ended 31 Dec 21, increases across multiple types of commercial activity, strong FB customer orderbook in pipes



FY24F

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- Construction Peter Reidy

4. Outlook Ross Taylor



Income Statement

Uplift in EBIT, Net Earnings, and Dividend reflect strong performance to offset impact of COVID lockdowns

NZ\$m	Dec 2020 6 months restated ¹	Dec 2021 6 months reported
Revenue	3,987	4,064
EBITDA	499 ¹	504
EBIT before significant items	323	332
Significant items	(86)	(43)
EBIT	237	289
Lease interest expense	(33)	(30)
Funding costs	(23)	(22)
Tax expense	(57)	(63)
Non-controlling interests	(3)	(3)
Net earnings	121	171
Basic earnings per share before significant items (cents)	23.7	26.3
Basic earnings per share (cents)	14.7	21.0
Dividends per share (cents)	12.0	18.0

HY22 income statement

- → 1Q significantly impacted by COVID lockdowns, mainly in NZ
- 2Q materially ahead of prior year, reflects ongoing performance improvement and growth across the Group
- → Significant items: reclassifying of FCTR² on sale of Rocla in AU
- Dividend of 18cps, fully imputed, 68% pay-out ratio, reflects strong operating performance and positive outlook
- → HY21 and HY22 reported in line with IFRIC decision on Cloud Computing Arrangements. Virtually nil impact on HY21 EBIT, c. \$(2)m on HY22 EBIT. Expect c. \$(10)m impact on FY22 EBIT from digital investments, mainly Distribution, Australia & Construction

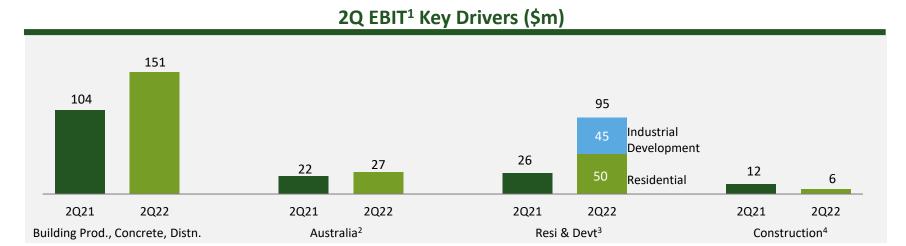


 $^{1.\} HY21\ is\ restated = HY21\ reported\ adjusted\ for\ Cloud\ Computing\ Arrangements.\ \ HY21\ reported\ EBITDA\ was\ $503m$

EBIT before significant items

Strong 2Q result with EBIT +43% YoY (ex Ind. Devt), reflecting the Group's performance momentum





- TQ22: NZ full shutdown of operations for up to 5 weeks, c. \$(100)m EBIT impact; AU rolling regional restrictions, c. \$(5)m impact on EBIT
- → 2Q22: Group EBIT up +43% YoY (excl. Ind. Devt), driven by revenue +10% YoY and GP% + 60bps
 BP, Concrete, Distn revenue +21% and EBIT +45% YoY: strong volumes, share gains, pricing disciplines to more than offset cost inflation
 AU revenue +6% and EBIT +23% YoY²: good pricing disciplines and cost management

Resi & Devt – strong house prices driving higher margins & earnings in Residential, plus two Ind. Devt transactions completed in 2Q **FCC** – ongoing productivity impacts from COVID restrictions on site, pursuing client variations



^{1.} Before significant items

^{2.} Excludes Rocla divested in August 2021

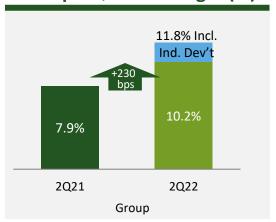
^{3.} Includes revaluation gain of \$9m and includes Apartments and Clever Core

^{4.} Prior to elimination of intra-Group margin on Winstone Wallboards plant

EBIT Margin

Strong 2Q result with margins +230bps YoY (ex Ind. Devt), reflecting price discipline & operating leverage

Group 2Q EBIT¹ Margin (%)



2Q EBIT¹ Margin – Key Drivers (%)



- → Group EBIT% up 230bps to 10.2% (excl. Ind. Devt); includes GM% +60bps (price > cost) and operating leverage on fixed cost base
- → BP, Concrete, Distn GM% +80bps, EBIT% +230bps; strong volumes and effective pricing disciplines to offset input cost inflation
- → AU GM% steady, EBIT% +60bps; good cost control; some margin dilution from lag between commodity price & sales price increases
- Resi (excl. Devt) margins materially higher YoY on strong house price growth and efficiencies of building at scale
- → FCC ongoing COVID productivity impact



^{1.} Before significant items

^{2.} Excludes Rocla divested in August 2021

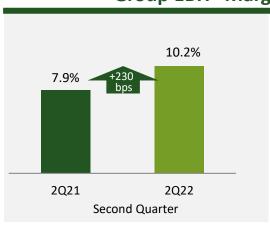
^{3.} Excludes \$9m revaluation gain of investment property in 2Q22 and excludes Apartments and Clever Core

^{4.} Prior to elimination of intra-Group margin on Winstone Wallboards plant

Margins – outlook for 2H22

Underlying 2H22 EBIT margin expected to be c. 9.5%, strong uplift YoY; assumes no material COVID impact

Group EBIT¹ Margin (excl. Ind. Devt) (%)





2H22 Margin Outlook

- → We enter 2H22 with good momentum from 2Q where margin uplift of +230bps YoY reflected a sustained program of performance improvement initiatives over past three years
- → 2H22 Group margin expected to show similar level of YoY progression to deliver c. 9.5% in 2H22. Firmly on track to deliver c. 10% margins in FY23
- Volume: 2H22 expected to be at similar levels to 2Q, with strong pipeline of consenting activity in both NZ and AU
- Price: continuing to target full recovery of cost inflation in products and distribution businesses; Resi house price growth easing though still supportive of EBIT margins >20%
- → COVID: margin commentary above is on an underlying basis. Omicron may have some impact in 2H22, but expected to be far less than 1Q as no full lockdowns – impact on 2H22 EBIT may be in the order of \$(25)m-(50)m



Cash flow

HY22 cash flows reflect working capital investment to rebuild inventories

Cash flow NZ\$m	Dec 2020 6 months restated ¹	Dec 2021 6 months reported
EBIT before significant items	323	332
Depreciation and amortisation	176 ¹	172
Lease principal payments and lease interest paid	(124)	(119)
Provisions and other	19	(12)
Trading cash flow before working capital movements	394	373
Working capital movements excl. legacy projects	118	(296)
Legacy projects cash flow	(109)	35
Significant items cash flow	(34)	(25)
Trading cash flow	369	87
Add: lease principal payments	91	89
Less: cash tax paid	(3)	-
Less: funding costs paid	(33)	(19)
Cash flows from operating activities	424	157

HY22 Cash Flows

- Good underlying trading cash-flows, strong customer cash collections despite COVID disruption
- Inventory investment in HY22 follows draw down of stocks in FY21; consistent with commitments to drive growth and support customer service levels at time of supply chain constraints
- Significant items cash flow relates to delayed payment of FY21 restructuring provisions and Rocla divestment costs
- Cash tax payments expected to recommence in HY23



Working Capital

Materials & Dist'n Divisions Total Cycle

Targeted inventory rebuild – supporting growth and continuity of supply

73.8

Cash flow working capital movements NZ\$m	Dec 2020 6 months	Dec 2021 6 months
Residential and Development	50	(107)
Construction excluding legacy projects	6	(24)
Materials and Distribution Divisions		
• Debtors	64	35
• Inventories	42	(122)
• Creditors	(44)	(78)
Cash flow working capital movements excl. legacy	118	(296)

Cicators		()	(70)
Cash flow working capital movements excl. legacy		118	(296)
Materials and Distribution Divisions – working capital metrics (days)	As at Dec 2019	As at Dec 2020	As at Dec 2021
Debtors Days	44.0	39.7	39.0
Inventory Days	75.5	69.8	73.3
Payables Days	41.6	39.2	38.5

77.9

70.3

Residential & Development

- Previously committed to a c. \$200m investment in FY22 in land & housing inventories to rebuild stocks (significant draw-down in FY21) and to support continued growth of the housing business
- → HY22 investment of \$107m consistent with this strategy

Materials & Distribution Divisions - Inventories

- c. 40% of HY22 inventory investment is a rebuild of stocks from low FY21 levels, plus targeted investments to support customer service levels given supply chains disruption. Seeing the benefit of these investments in earnings and customer satisfaction scores.
- c. 60% of HY22 inventory investment is due to higher sales volumes combined with higher input prices
- Inventory at good levels to support service in current environment, do not expect further build of stock volumes in H2

Capex

Investment balanced between key maintenance capex and strong pipeline of organic growth opportunities

Capex NZ\$m	Dec 2020 6 months ⁽¹⁾	Dec 2021 6 months
Base capex	47	80
WWB new plant	31	63
Less: Proceeds on disposal of PPE	(14)	(1)
Net Capex	64	142

Investment Focus

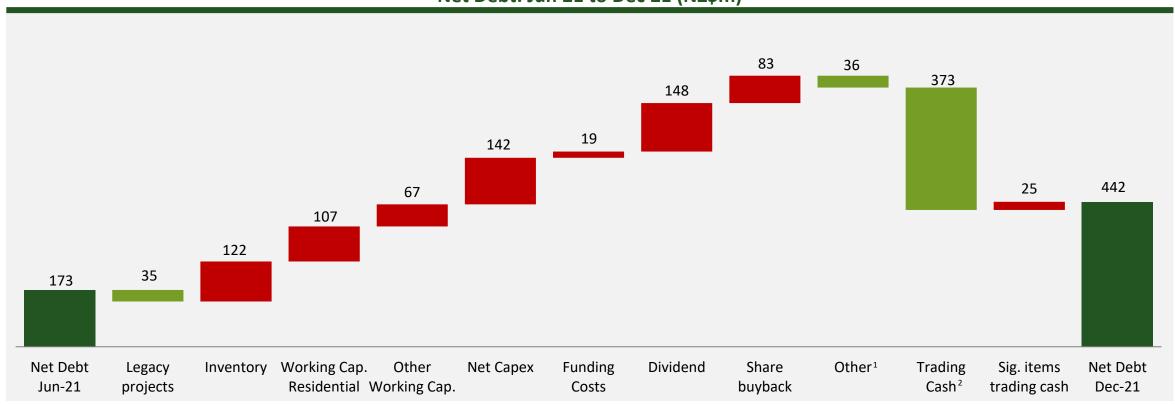
- → Base capex envelope expected to average c. \$200m-\$250m p.a.
 - Maintenance capex of c. \$150m-\$200m p.a., including
 c. \$40m p.a. to create fit-for-purpose systems environment
 - Growth capex of c. \$50m-\$100m p.a. in digital, sustainability, product adjacencies, & manufacturing capacity / efficiency
- → Growth capex in base envelope supports the Group's drive to improve profitability to c. 10% EBIT margin in FY23
- Above this base capex, the Group has a strong pipeline of growth opportunities under review primarily organic (see divisional commentary). Potential for above base growth investment of c. \$150m p.a. for FY23 to FY25. Target ROFE of 15%+
- → WWB new plant also above base. Replaces key end-of-life asset, but also provides capacity to service long-term demand & product innovation. Project is on time & budget, commissioning 2023. Remaining capex c. \$140m 2H22 and c. \$75m FY23



Net debt

Debt levels remain low; uplifts in HY22 from one-off inventory investments and share buyback

Net Debt: Jun 21 to Dec 21 (NZ\$m)





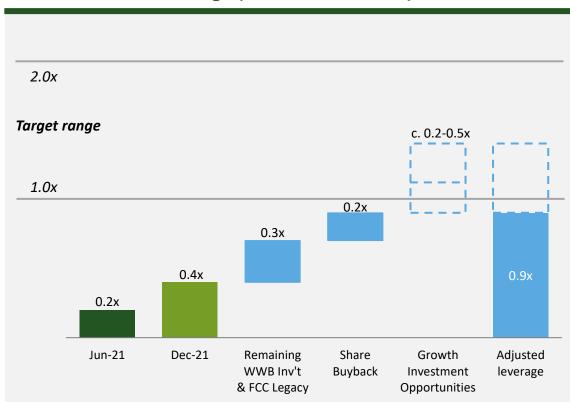
^{1.} Other is comprised of Divestments of \$(51m), Investments of \$12m and Hedging/Other of \$3m

^{2.} Trading cash flow before working capital movements

Leverage

Balance sheet well-positioned to support growth; expect to remain at lower end of 1x-2x leverage range

Leverage (Net Debt / EBITDA)



Leverage and Balance Sheet

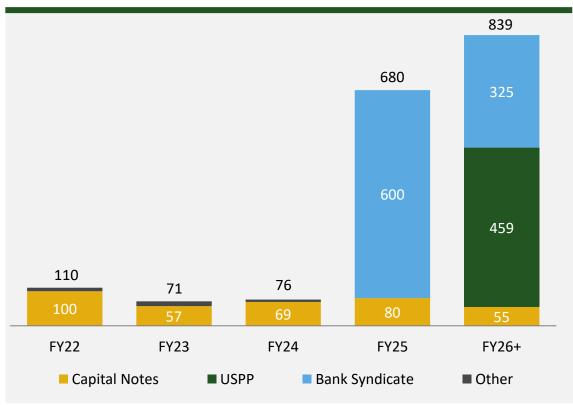
- Uplift in leverage ratio at Dec 21 to 0.4x mainly reflects HY22 investments in working capital and WWB plant
- Looking ahead, the Group's balance sheet remains strongly positioned to support the ongoing share buyback programme and strategic investments in growth
- → Above base growth investments may lift the Group's leverage by c. 0.2x to 0.5x over the period FY23-FY25, due to the lag between capex and earnings for some organic opportunities
- In reviewing growth opportunities, the Group will continue to target ROFE of 15%+ and will maintain a preference for relatively conservative balance sheet metrics; the Group expects to continue to operate at just below or at the lower end of its target leverage range over the medium term



Funding

Drawn debt low, while maturity and liquidity profiles remain strong





Debt facilities and drawings (\$m)

NZ\$m	Facilities 31 Dec 21	Drawings 31 Dec 21
Syndicate	925	+
USPP	459	459
Capital Notes	361	361
Other	31	31
Total	1,776	851

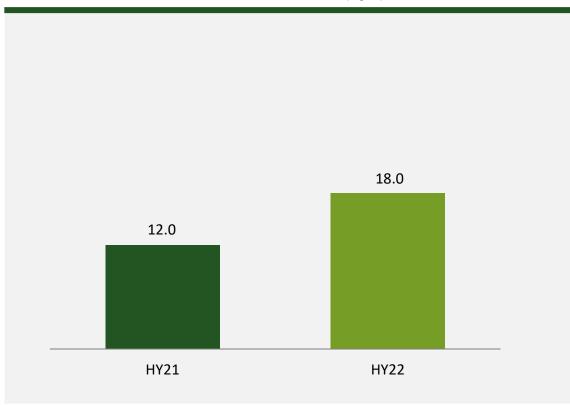
Undrawn credit lines of \$925m and cash on hand of \$409m as at
 31 Dec 21 – total liquidity of \$1.3b



Dividend and share buyback

Interim dividend of 18.0 cents per share, fully imputed for NZ taxation purposes, to be paid in April

Interim Dividend (cps)



Dividends

- Interim Dividend of 18.0 cents per share, 68% pay-out ratio, reflecting strong business performance and outlook
- Dividends fully imputed for NZ taxation purposes but unfranked for AU taxation purposes
- Dividend to be paid on 7 April 2022
- Dividend Reinvestment Plan will not be operative for this dividend

Buyback

- On-market share buyback of up to \$300m through to May-22
- Commenced on 10 Jun 21, 15.0m shares repurchased as at 31 Dec 21 for \$107m (\$83m in six months ended 31 Dec 21)



Summary

Strong performance momentum, well-positioned to invest for further growth

Performance Momentum

- → 2Q EBIT¹ +43% ahead of prior year and 2Q EBIT¹ margin +230bps to 10.2%
- → Performance underpinned by price > cost and operating leverage across more efficient cost base
- → 2H22 EBIT margin expected to be c. 9.5%, clear momentum to c.10% EBIT margin target in FY23
- → ROFE 18.7%, ahead of ≥ 15% target
- Good cash management disciplines, inventory investments support customer service & growth, working capital cycle remains in line with targets
- → Dividend of 18cps, 50% uplift on HY21, fully imputed, reflective of strong business performance

Wellpositioned to invest for further growth

- Base capex envelope includes \$50m-\$100m p.a. of growth investment to support c. 10% EBIT margin from FY23
- → Strong pipeline of additional growth opportunities, primarily organic, potential for additional investment of c. \$150m p.a., ROFE 15%+
- → Balance sheet remains strongly positioned to support growth investment and shareholder returns including share buyback
- → Leverage currently 0.4x, expect to continue to operate at the lower end of the Group's target 1x-2x leverage range over the medium term



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Building Products

HY22 results: strong second quarter from civil sectors and finishing trades



EBIT Margin (%)^{1,2}

12.5%

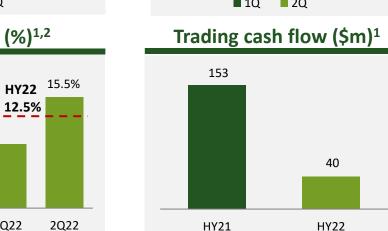
1Q22

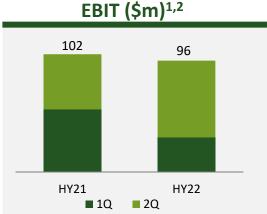
HY21

14.6%

2Q21

1Q21





HY22 trading performance

- Revenue up 9% for HY, up 25% 2Q21 vs 2Q22: strong civil sectors driving Steel and Pipes sales; solid finishing trades benefiting from high product demand and targeted market share gains
- EBIT 6% lower for HY due to 1Q lockdown: 2Q very strong bounceback. Strong HY contribution from Steel; focus on price governance, operating efficiencies and sales mix to offset higher raw material and freight costs
- 2Q22 EBIT margin 15.5%: higher volumes driving strong operating leverage; strong plant utilisation across all businesses with WWB and TINZ at capacity
- Trading cash flow used for inventory rebuild following a significant draw-down of stock in FY21; higher input prices resulting in higher inventory valuations



Building Products

Pricing & efficiency controls in place; growth initiatives in place to drive material earnings uplift in the medium term

Driving operating performance

Maintaining strong margin of c. 14% through pricing disciplines, new products & manufacturing focus

- Pricing disciplines in place offsetting inflation
- Product range refresh in Laminex driving higher sales & margins; continued development of digital capability and offering
- → Manufacturing focus to deliver efficiencies, capacity & capability:
 - → Humes-Papakura manufacturing plant automation from Jun-22
 - Significant upgrade to Iplex powder resin unloading & mixing equipment driving improved safety
 - → PCC ovens upgrade commenced, lower carbon emissions
 - Large steel plate processing

Delivering growth

Strong pipeline of committed and potential growth initiatives in place to drive material uplift in earnings over the medium term

- → **New WWB plant** commissioning planned in FY23, adding 10m sqm to current 30m sqm in-country production; delivering capacity and innovation
- → Significant upgrade of Laminex Taupo plant to create wider range of wood fibre based panel products not currently available in NZ, working through vendors selection
- New Glasswool insulation plant, adding 200% to our existing capacity to meet growing market demand post building code amendments. Av. home will need c. 3x current bales under new code
- Purpose-built Steel distribution & processing centre to be constructed by FY26, delivering significant capacity & efficiency gains
- New purlin mill ordered, triple existing capacity & broader range



Building Products

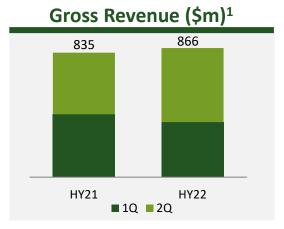
New WWB plant at Tauriko, construction well underway & on budget, planned commissioning by June 2023

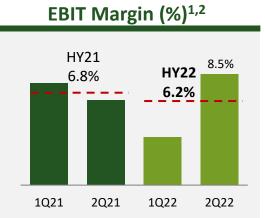


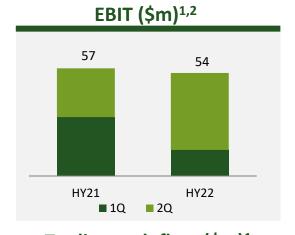


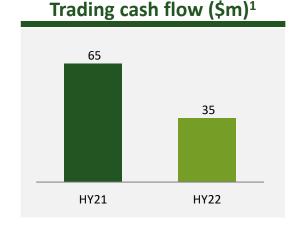
Distribution

HY22 results: significant second quarter margin of 8.5% achieved from strong operating leverage









HY22 trading performance

- → Revenue up 4% for HY, up 20% 2Q21 vs 2Q22: strong 2Q growth across all regions most prominently Auckland, lower North and lower South Islands. Strong sales in core categories, particularly timber, cladding and frame & truss
- → EBIT 5% lower from 1Q lockdown, but significant 2Q bounce-back, up 62% 2Q21 vs 2Q22 with very strong 2Q22 EBIT margin of 8.5%
- Strong margins delivered through operating leverage of higher sales over a largely fixed cost base; effective pricing disciplines offsetting cost inflation, customer & efficiency programmes delivering in disrupted supply chain
- Trading cash flow: additional working capital driven by higher activity levels; higher safety stock built to fulfil customer demand through supply chain inconsistency and supplier allocations



Distribution

Driving growth; margin expansion through top-line sales growth, pricing disciplines & cost efficiencies

Driving operating performance

Focused on top-line sales growth, pricing disciplines & cost efficiencies expected to deliver higher EBIT margin of 8.0-8.5% earlier than flagged

- Strong market driving operating leverage
- → Continued successful outcomes from digital & e-commerce tools:
 - → PlaceMakers digital sales growth through e-commerce tools, currently 7% of total transactions
 - → 46% of trade customers registered on e-tools
 - Customer ecosystems integration driving efficiency
 - Mico B2C website refreshed, trade digital programme underway
- → Digitising end-to-end supply chain; better delivery & capability
- Disciplined pricing & capability build to offset cost inflation

Delivering growth

Continued focus on digital, network expansion & pricing disciplines to drive market share gain & earnings growth

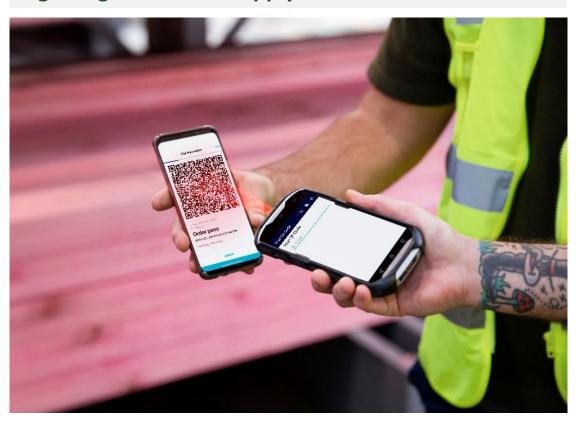
- Branch network expansion and growth through new branch openings and targeted acquisition
- Data & analytics creating customer insights & increased share of wallet capture
- Hub structure maturity with further regional roll-out providing greater consistency for customers and scale efficiency benefits



Distribution

Delivering growth through digital and network expansion

Digitising end-to-end supply chain



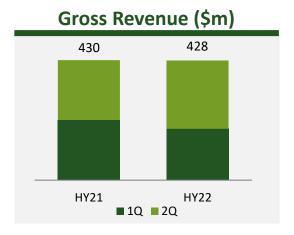
Mico next generation showrooms; B2C website refreshed

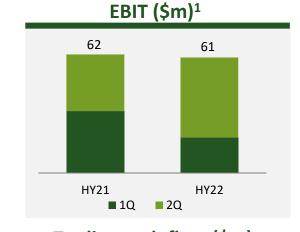


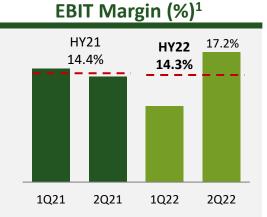


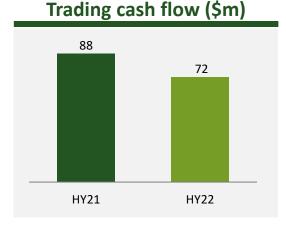
Concrete

HY22 results: top and bottom line initiatives delivering margin expansion and growth









HY22 trading performance

- Revenue solid for HY, up 14% 2Q21 vs 2Q22: volumes growth (differentiated products and solutions, improved customer service)
 & good pricing discipline offsetting inflationary pressures
- → EBIT solid for HY, up 40% 2Q21 vs 2Q22: great progress on shifting volume to more profitable market segments (higher domestic, lower export) and sustainable growth from solutions, benefit from cost initiatives across operations, supply chain and overheads
- → EBIT margin stable for HY, 2Q22 margin 17.2%: increased usage of alternatives fuels driven by waste tyre facility (commissioned in Feb-21) enabled reduction of energy costs, with coal substitution rates lifted from c.35% up to c.50% offsetting the impact of elevated electricity costs
- Trading cash flow: servicing strong market demand and working capital rebuild



Concrete

Strong pipeline of short- and medium-term growth opportunities (sustainability, innovation and digital)

Driving operating performance

Performance improvement driven by top line & cost initiatives expected to deliver higher EBIT margin of 14.5-15.5% in FY22, earlier than flagged

- Investment in renewal and debottlenecking, long term quarry resources secured to capture market growth
- → Expand solutions offering (eg wall systems, flooring, roading) for industrial and retail customers
- Supply chain optimisation expected to deliver growth and further improve margins
- Strengthen cost leadership through operational excellence and lean organisation

Delivering growth

Sustainability, Innovation & Digital initiatives in place to drive earnings increase & above market growth

- Low carbon binder and concrete leadership: Forefront of innovative construction material solutions in NZ - Innovation Lab to fast track go-to-market of new products and solutions (live mid-2022)
- Decarbonisation of cement manufacturing through use of alternative fuels (replacing coal) and raw materials, supplementary cementitious materials
- Digital initiatives are focussed on enhancing our customer experience (scale of Firth's ready-mix online sales portal), digitalising our operations & supply chain unlocking operational and supply chain efficiencies (Firth mobile ticket, GBC ERP upgrade)



Concrete

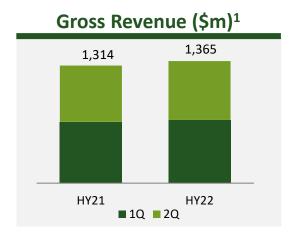
Sustainability as a major growth opportunity for the NZ concrete division

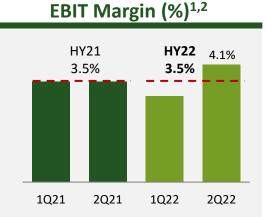


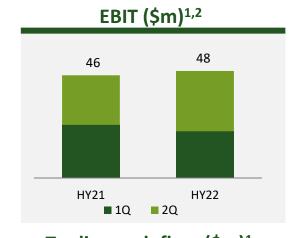


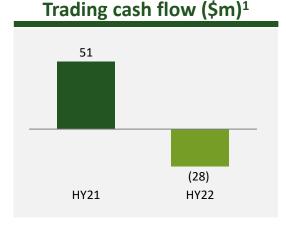
Australia

HY22 results: second quarter margin 4.1%, strong improvements in Tradelink, FI & Iplex









HY22 trading performance

- Revenue up 4% for HY with better momentum as the half progressed. East Coast COVID restrictions slowed A&A work impacting Laminex & plumbing distribution
- → EBIT up 4% for HY; up 23% 2Q21 vs 2Q22, improved 2Q margin of 4.1%
 - → Building Products up 14%: pricing strategies & product mix lifting margins. New products eg Firmasoft in FI & Surround in Laminex exceeding expectations
 - Significant improvement of 13% in Distribution: gross profit uplift driven by continued momentum in SME plumber segment, own brand strategy & digital penetration
 - Steel revenue growth, rapid input cost increases expected to be offset into 2H22. Margin accretive shed segment strong
- Trading cash outflows reflected targeted inventory investments for 2H customer demand with continued tight debtor controls



^{1.} Excluding Rocla, all commentary excludes Rocla

^{2.} Before significant items

Australia

Driving growth across a more efficient operational platform setting up 5-7% EBIT margin in FY23

Driving operating performance

Top line and bottom line focus expected to deliver profitable growth with further uplift in margin, 2H22 margin >4%

- Pricing disciplines
- Online sales >\$250m p.a. and growing, Tradelink B2B launch in Q3
- Winning in key categories:
 - → Laminex decorative products Surround
 - → Insulation core Pink Batts, supply & install
 - → Material improvement in Iplex civil infrastructure
 - → Own brand & private label (plumbing, sheds & doors)
- Delivering operational leverage with improved efficiency metrics
- → Steel supply chain disruption & raw material shortages recovery

Delivering growth

Positioned for further EBIT growth through adjacencies, digital maturity, margin accretive products & innovation

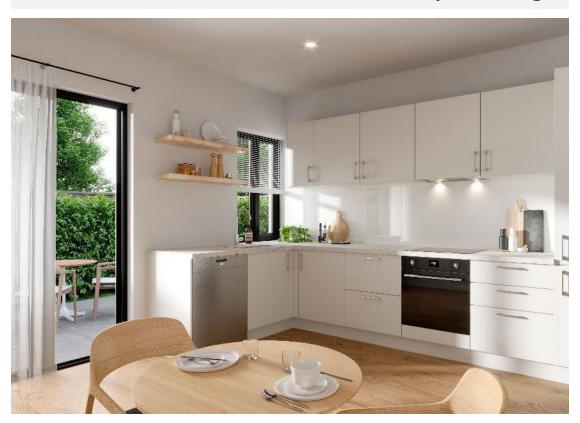
- Adjacencies: Haven Kitchens pilot stores in place, Laminex Surround targeted sales \$50m in the medium-term with strong start to date
- Digital strategies already ahead of business case, creating new revenue streams, driving incremental online sales & lifting margins
- Pipeline of new product development delivering growth, attracting new customers & driving specification
- Continued manufacturing automation programme for efficiencies
- Exploring innovative new materials such as bamboo as an alternative fibre in Laminex: potential to improve both product margins & sustainability



Australia

Delivering growth through disruption via adjacencies and margin accretive products

Haven Kitchens: full kitchens available same day no waiting



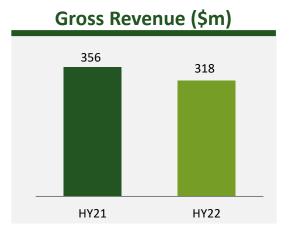
Surround by Laminex: plasterboard/paint alternatives

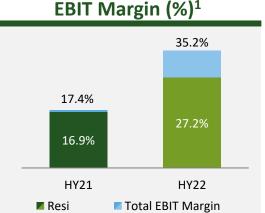


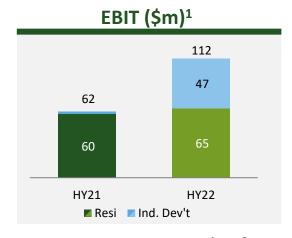


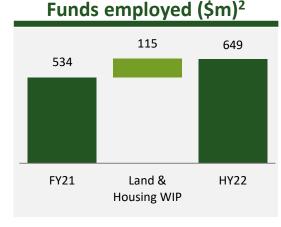
Residential and Development

HY22 results: considerable housing demand realised in earnings lift; completions delayed by lockdowns









HY22 trading performance

- Revenue 11% lower for HY: 278 unit sales in HY22 (vs. 515 in HY21) sales strong but delivery impacted by COVID shutdown and construction delays in 1Q; continued strong housing market with significant price growth; average unit price 33% higher
- → EBIT up 81%:
 - Residential \$65m, includes land transfer to Vivid Living \$9m revaluation gain recognised
 - Industrial Development \$47m: Rocla Emu Plains (cash to be received in FY23) & Fletcher Insulation Rooty Hill sites sold
- c. 4,500 residential lots (2,503 residential lots & two rural properties on balance sheet, 2,037 units of both zoned and future urban zoned land under unconditional contracts)



[.] Before significant items

Residential and Development

Continue to deliver performance and growth from very strong base

Driving operating performance

Delivering performance through reputable product & driving innovation; targeting continued strong top-line growth at >15% margin

- → 2H22 unit sales higher than 2H21, 239 homes already conditional or unconditional in 2H22
- Customer focus including introduction of new typologies to meet customer price points & preferences, Net Promoter Score sits at 81.4
- Scaling & further densifying existing and new housing developments as a response to changing regulatory settings whilst continuing to deliver great communities
- Relentless focus on innovation and efficiency to address recent increases in costs
- → Clever Core off-site manufacturing continues to scale up, with speed of construction benefits delivering improved working capital recycling. After delivering over 150 homes for Fletcher Living, first completions for external customers in 2H22

Delivering growth

Plan well underway for delivering c.1,400-1,500 units p.a. by FY25

- Land already secured to deliver growth volumes for the next 3 years, with additional large sites bought for new masterplanned communities past FY25
- Wary of acquiring at top of the market focus is on strategic sites which make sense through cycle
- Vivid Living retirement sites under construction at Red Beach & Waiata Shores, with next tranche identified and secured at Stonefields, Karaka and Three Kings to support the forecast growth through FY25
- → **Apartment** sites now under construction at Panmure, Hobsonville & Three Kings; good levels of presales secured, and additional land now secured to enable delivery of over 1,700 apartments in the next 5 years



Residential and Development

Multi-year masterplan developments continuing to deliver strong pipeline of earnings

Clever Core homes in Whenuapai (Auckland)



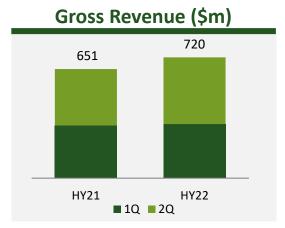
Continued solid progress in One Central (Christchurch)

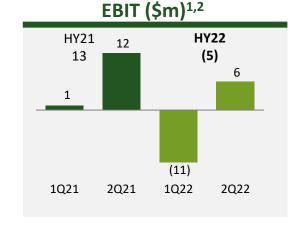


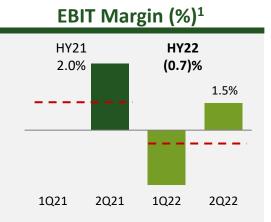


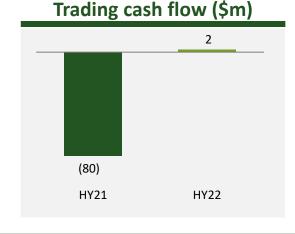
Construction

HY22 results: robust cost controls & operating efficiencies; COVID restrictions tough on productivity









HY22 trading performance

- Revenue up 11% for HY: increased building works at NZICC (nil margin) & WWB factory; \$0.43b Infrastructure services & minor capital works (BPC, Higgins, South Pacific), \$0.29b major projects (roads, buildings)
- → EBIT loss of \$5m: 1Q lockdown & ongoing restrictions resulted in lower productivity and unrecovered plant and labour costs; major project programmes also impacted with supply chain & skilled workforce constraints. Commercial and contractual protections in place to ensure recovery. Tight controls on operating costs resulted in lower selling, general & admin expenses
- Trading cash flow of \$2m supported by resolution of historical claims across infrastructure services & major project portfolios
- Continued good progress in rebalancing future orderbook to deliver an improved risk profile & margins



^{1.} Excludes the impact of the intra-group construction of WWB plant at Tauriko \$5m

Before significant item.

Construction

Strong forward quality revenue secured, new work expected to deliver 3-5% EBIT margin

Driving operating performance

Improve productivity and remain focused on driving in-year operating performance to lift overall margin for FY22

- → Committed orderbook underpins 90% of forecast revenue for 2H22
- Delivering forecast productivity following COVID slippage (Sth Pac, BPC, Infra and Buildings)
- Retention plans in place to manage labour shortage from closed borders
- → Tight cost controls, managing input cost inflation
- Completion of remaining legacy projects; \$0.3b work to complete

Delivering growth

\$2.8b current order book (+\$0.6b preferred), driving to 3-5% EBIT margin as COVID issues subside & order book replaces nil margin legacy work

- Secured forward order book of new work & work won in year delivering average gross margins >10%
- Includes low-to-medium risk style contracts, eg smaller renewal & upgrade contracts, national & local maintenance contracts, multi-year key public sector client framework agreements
- \$1.3b 9 yr Watercare enterprise model for BPC/Infrastructure businesses
- \$0.3b AMETI busway alliance project (preferred)
- Preferred on \$300m of new work post December 2021 including Auckland International Airport 3 year framework agreement
- Underpins 52% revenue for FY23



Construction

Waikato 50: Water Treatment Plant completed on time, in budget





Agenda

1. Results Overview and Markets Ross Taylor

2. Financial Results Bevan McKenzie

3. Divisions

- Building Products Hamish McBeath

- Distribution Bruce McEwen

- Concrete Nick Traber

- Australia Dean Fradgley

- Residential and Development Steve Evans

- Construction Peter Reidy

4. Outlook Ross Taylor



Outlook

Strongly positioned to deliver growth in FY22 and beyond

FY22

- Customers & forward indicators point to ongoing strong volumes
- → Strong pricing disciplines to cover inflation increases
- **→ EBIT¹ margin c. 9.5% in 2H22** (7.2%² in 2H21)
- > FY22 Full Year EBIT¹ expected to be c. \$750m (excl. risk of Omicron wave in New Zealand of c.\$25m-\$50m)

Medium term outlook

- Markets across both NZ and Australia look robust well into the future
- → COVID impacts start to ease; no full scale lockdowns, borders open, skills shortage eases, and no repeat of the significant profit headwinds seen in FY22
- → Performance improvements embedded, on track to deliver group EBIT margins of c. 10% in FY23
- Maturing investment pipeline to drive growth beyond FY23

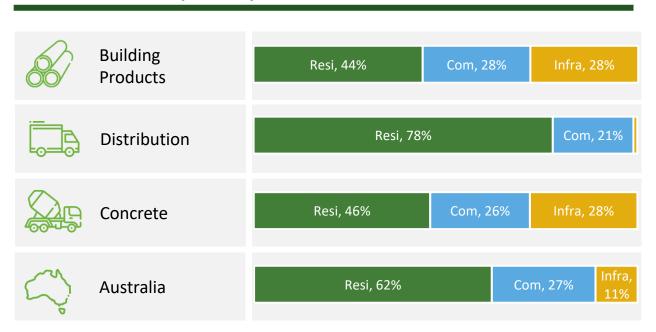


Appendix

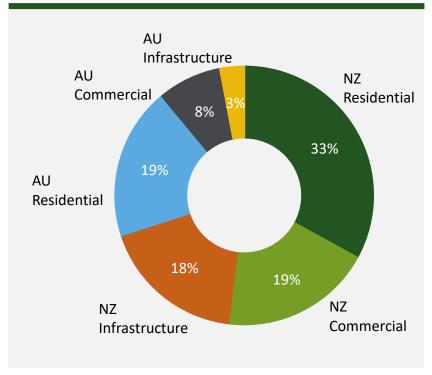


Divisional revenue exposure and FB revenue by market

Divisional Revenue Exposure by Sector



Total FB Revenue by Market (%)







Results Announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to t	he market		
Name of issuer	Fletcher Building Limited		
Reporting Period	6 months to 31 December 2021		
Previous Reporting Period	6 months to 31 December 2020		
Currency	NZD		
	Amount (000s)	Percentage change	
Revenue from continuing operations	\$4,064,000	2%	
Total Revenue	\$4,064,000 2%		
Net profit/(loss) from continuing operations	\$171,000 41%		
Total net profit/(loss)	\$171,000	41%	
Final Dividend			
Amount per Quoted Equity Security	The Board has declared an interim dividend of 18.0 cents per share.		
Imputed amount per Quoted Equity Security	\$0.03176471		
Record Date	18 March 2022		
Dividend Payment Date	7 April 2022		
	Current period	Prior comparable period	
Net tangible assets per Quoted Equity Security	\$3.35	\$3.01	
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to Half Year Announcement Presentation		
Authority for this announceme	ent		
Name of person authorised to make this announcement	Chris Reid, Company Secretary		
Contact person for this announcement	Aleida White, Head of Investor Relations		
Contact phone number	+64 21 155 8837		
Contact email address	investor.relations@fbu.com		
Date of release through MAP	16/02/2022		

Unaudited financial statements accompany this announcement.



Distribution Notice

Section 1: Issuer information					
Name of issuer	Fletcher Building Limited				
Financial product name/description	Ordinary Shares				
NZX ticker code	FBU				
ISIN	NZFBUE0001S0				
Type of distribution	Full Year		Quarterly		
(Please mark with an X in the	Half Year	Х	Special		
relevant box/es)	DRP applies	No			
Record date	18/03/2022				
Ex-Date (one business day before the Record Date)	17/03/2022				
Payment date (and allotment date for DRP)	7/04/2022				
Total monies associated with the distribution	\$145,668,962 (809,272,010 shares @ \$0.18 per share). Number of shares is as at the date of this form.				
Source of distribution (for example, retained earnings)	Retained earnings				
Currency	NZD				
Section 2: Distribution amounts per financial product					
Gross distribution	\$0.2500000				
Gross taxable amount	\$0.2500000				
Total cash distribution	\$0.18000000				
Excluded amount (applicable to listed PIEs)	N/A – Not a listed PIE				
Supplementary distribution amount	\$0.03176471				
Section 3: Imputation credits and Resident Withholding Tax					
Is the distribution imputed	Fully imputed				
	Partial imputation				
	No imputation				
If fully or partially imputed, please state imputation rate as % applied	28%				
Imputation tax credits per financial product	\$0.07000000				
Resident Withholding Tax per financial product	\$0.01250000				
Section 4: Distribution re-investment plan (if applicable)				
DRP % discount (if any)					

Start date and end date for determining market price for DRP			
Date strike price to be announced (if not available at this time)			
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)			
DRP strike price per financial product			
Last date to submit a participation notice for this distribution in accordance with DRP participation terms			
Section 5: Authority for this announcement			
Name of person authorised to make this announcement	Chris Reid, Company Secretary		
Contact person for this announcement	Aleida White, Head of Investor Relations		
Contact phone number	+64 21 155 8837		
Contact email address	investor.relations@fbu.com		
Date of release through MAP	16/02/2022		