Fletcher Building

News Release

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

Fletcher Building Annual Shareholder's Meeting
Outlook for the 2016 Financial Year

Auckland, 17 November, 2015 - Fletcher Building chairman Sir Ralph Norris today addressed shareholders at the company's annual meeting and provided financial guidance for the financial year ended 30 June 2016. The following commentary on the operating and financial outlook for the year was provided at the annual shareholders' meeting, and the additional commentary below is provided to support that guidance.

Outlook

"We expect the current strong market conditions in the New Zealand construction industry to persist through the 2016 financial year, with ongoing demand for new housing particularly in Auckland and surrounding provinces, an increase in commercial construction activity off the back of the significant increase in the value of consents, and government expenditure on infrastructure to remain at the present healthy levels.

"In Australia, the outlook is more mixed. Residential construction activity may slow particularly in the multi-dwelling segment, while stand-alone housing should be more resilient to potential changes in foreign capital inflows. Commercial construction activity is unlikely to lift from current levels. Continued federal and state government fiscal deficits are likely to mean that infrastructure activity is further constrained.

"Residential and commercial construction activity levels in North America are expected to remain broadly consistent with the past year. European conditions are likely to remain mixed with a generally weak economic outlook. Further volume growth is expected in South East Asian markets but market conditions in China are likely to remain highly competitive.

"In terms of financial guidance, we expect operating earnings, that is earnings before interest, tax and significant items, to be in the range of $650 million to $690 million. This compares with operating earnings of $653 million earned in the prior year

"In comparing year over year performance, it is important to adjust for those businesses that we have sold, such as Pacific Steel and Rocla Quarries, together with other earnings streams which by their nature are set to decline such as EQR and the Stonefields residential development.

"If we normalise operating earnings for the 2015 financial year to reflect these changes in our business activities, the relevant prior year comparator earnings figure would have been $610 million. Therefore, operating earnings in the range of $650 to $690 million will represent solid growth year on year from our continuing business operations," Sir Ralph said.

Additional guidance for the financial year ended 30 June 2016

In relation to the guidance, the following additional commentary has been provided to shareholders:

- Full year operating earnings exclude the expected pre-tax profit from the sale of the Rocla Quarries business of approximately A$100 million
- Full year corporate costs are expected to be $64 million, driven by increased investment in business transformation programmes
- Half year earnings are expected to be lower than for the prior corresponding period due to:
    - Lower construction earnings, with reduced activity in the South Pacific and the timing of earnings recognition on a number of key New Zealand projects
    - Lower residential development earnings
    - Lower Australian Distribution earnings due to restructuring costs in Tradelink.
    - Increased operating losses in Formica Europe due to restructuring costs in the UK

Specific divisional commentary in respect of 2016 full year earnings is provided as follows:

- Heavy Building Products:
    - Improved operating performance expected from Iplex Australia
    - Reduced contribution from Rocla Quarries, with the sale of this business expected to be completed in January 2016
- Light Building Products:
    - Most businesses in the division are expected to deliver higher earnings than the prior year
- Laminates & Panels:
    - Operating losses in the European business will limit divisional earnings growth
- Construction:
    - Reduced earnings from EQR and South Pacific will be partly offset by higher earnings in the Infrastructure and Building & Interiors businesses
    - Residential earnings are now expected to be only slightly lower than for last year, with reduced earnings from the Stonefields development replaced by new developments elsewhere in Auckland
- Distribution:
    - New Zealand distribution businesses are expected to achieve increased earnings in FY 2016 compared with the prior year
    - Despite the restructuring costs in Tradelink in the first half, full year results are expected to be higher than for the prior year.

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