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Fletcher Building moves to strengthen balance sheet and focus portfolio

Key points:

- Fletcher Building is undertaking actions to strengthen its balance sheet and better enable it to execute its immediate and longer term strategic objectives
- Raising NZ\$750m through a fully underwritten pro rata 1 for 4.46 accelerated entitlement offer ("Offer") at NZ\$4.80 per share
- Institutional and Retail Entitlement Offers with book-builds for any shortfall
- Proceeds from the Offer will be used by the Company to repay existing debt
- Commitments obtained from the required majority of lenders to a permanent solution of the current breach under the Syndicated Facility Agreement ("SFA")
- New standby banking facility of NZ\$500m established with ANZ, MUFG Bank and Westpac ("Standby Facility")
- Discussions with the USPP Noteholders are ongoing and Fletcher Building's objective and expectation is that it will achieve a mutually acceptable outcome
- While not expected to be needed, proceeds from the Offer and Standby Facility are sufficient to redeem all USPP Notes and pay associated costs if required.
- Key principles of group strategy approved by the board: focus activities on New Zealand and Australia, with divestment processes to be undertaken for the Formica and Roof Tile Group businesses
- No change to estimated FY18 EBIT for the Group (excluding B+I and significant items) of NZ\$680m - NZ\$720m and estimated loss for B+I of NZ\$(660)m.

Auckland, April 17 2018: Fletcher Building Limited (the "Company" or "Group") has moved to raise equity and establish new standby debt facilities to strengthen the Company's capital structure and better enable effective execution of the Group's strategy.

The Company is raising NZ\$750m through a fully underwritten accelerated pro rata entitlement offer, enabling eligible shareholders to purchase 1 share for every 4.46 they own at 9:00pm (NZ time) and 7:00pm (Sydney time) on the Record Date for NZ\$4.80 per share. This represents a 23.4% discount to the closing share price on NZX on 16 April 2018, and a 20.0% discount to the theoretical ex-rights price (TERP) of NZ\$6.00. The Offer will comprise institutional and retail entitlement offers, with any entitlements that are not taken up by eligible shareholders and entitlements of ineligible shareholders being offered for sale in the institutional and retail book builds respectively.

In conjunction with the Offer, Fletcher Building has also established a new standby banking facility of NZ\$500m with ANZ, MUFG Bank and Westpac.

The Offer and Standby Facility will strengthen the Company's balance sheet and better enable it to execute its immediate and longer term strategic objectives. In particular, the Company expects that selected asset sales processes will be able to be transacted in a way that maximises value for shareholders. Following the Offer, the

Company expects normalised leverage¹ to reduce to 1.6x, at the lower end of the Company's revised target range of 1.5x – 2.5x.

Discussions with the USPP Noteholders are ongoing, and the Company's objective and expectation is that it will achieve a mutually acceptable outcome by 31 May 2018. While not expected by the Company to be needed, the Standby Facility has been put in place to ensure that, together with the net equity proceeds of the Offer, Fletcher Building would be able to redeem all USPP Notes and pay associated costs if required.²

The decision to undertake the Offer has resulted from the Company's strategic review, which is progressing well and expected to be announced in full in June 2018. While work remains to be done to complete the strategic review, the key principles have been approved by the Board. Fletcher Building will focus its activities on New Zealand and Australia, and will therefore undertake divestment processes for its Formica and Roof Tile Group businesses.

The Group continues to trade in line with its previously estimated FY18 EBIT for the Group (excluding B+I and significant items) of NZ\$680m - NZ\$720m and estimated loss for B+I of NZ\$(660)m.

Ross Taylor, Chief Executive of Fletcher Building, said "An outcome of the work that we have completed to date on the Group strategy is that it is now appropriate to strengthen our balance sheet. Reducing our net debt also provides us with the opportunity to undertake divestment processes for Formica and the Roof Tile Group on terms that should maximize shareholder returns."

Commenting on today's announcement Fletcher Building Chairman Sir Ralph Norris said "it is important to provide all our existing eligible shareholders with the opportunity to purchase new shares in Fletcher Building. This acknowledges the continuing support that they have given the Company in the last 18 months, and enables them to contribute to the repositioning of the Company as the new strategy is rolled out."

Further information

Further details of the Offer are set out in the Appendix to this announcement. The Company has also lodged an Investor Presentation and Offer Document with the NZX and ASX today. The Investor Presentation and Offer Document contain important information including foreign selling restrictions with respect to the Offer.

Shareholders with any questions in relation to the Offer, can contact the Fletcher Building Offer Information Line on 0800 650 034 (within New Zealand) and 1800 501 366 (within Australia) or +64 9 488 8777 (outside of New Zealand or Australia) between 8.30am and 5:00pm (NZ time and Sydney time) Monday to Friday. For other questions, shareholders should consult their broker, solicitor, accountant, financial adviser, or other professional adviser.

#Ends

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¹ Normalised leverage excludes the Building + Interiors business. Based on 12 months to 31 March 2018.

² Transaction costs would be dependent on the level of Notes redeemed, if any.

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Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the various and ongoing negotiations in connection to the Offer. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Fletcher Building and cannot be predicted by Fletcher Building and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Fletcher Building operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of Fletcher Building or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements. Statements about past performance are not necessarily indicative of future performance.

Financial information

All dollar values are in New Zealand dollars (\$ or NZ\$) unless stated otherwise.

Investors should be aware that certain financial information included in this announcement including EBIT and Net Debt may be "non-GAAP financial information" under the FMA Guidance Note on disclosing non-GAAP financial information, "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission ("ASIC") or "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. The disclosure of such non-GAAP financial measures in the manner included in this announcement would not be permissible in a registration statement under the U.S. Securities Act. Fletcher Building believes this non-IFRS financial information provides, and these non-GAAP financial measures provide, useful information to users in measuring the financial performance and conditions of Fletcher Building. The non-IFRS financial information and these non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and applicable New Zealand accounting standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards and applicable New Zealand accounting standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or non-GAAP financial measures and ratios included in this announcement.

APPENDIX:

Key Details of the Entitlement Offer

The Offer comprises a 1 for 4.46 accelerated pro-rata institutional entitlement offer ('Institutional Entitlement Offer') and a pro-rata retail entitlement offer ('Retail Entitlement Offer'), at NZ\$4.80 per share to raise approximately NZ\$750m

- Approximately 156.3m of new shares ("New Shares") to be issued by Fletcher Building (22.4% of current shares on issue)
- NZ\$4.80 or an A\$ equivalent per New Share ("Offer Price"). The NZ\$ price represents a:
 - 23.4% discount to last close price on NZX of NZ\$6.27 on 16 April 2018
 - 20.0% discount to the Theoretical Ex-Rights Price ("TERP") of NZ\$6.00
 - 20.3% discount to the 10-day volume weighted average share price on NZX up to and including 16 April 2018
 - The A\$ Offer Price will be the equivalent of NZ\$4.80 determined using the RBA AUD/NZD exchange rate on Thursday 19 April 2018 at 4.00pm (Sydney time) and announced by Fletcher Building on Friday 20 April 2018.
- New shares issued under the Offer will rank equally in all respects with Fletcher Building's existing ordinary shares

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which opens on Tuesday, 17 April 2018 and will close on Wednesday, 18 April 2018. Eligible institutional shareholders can choose to take up their entitlement in whole, in part or not at all. Institutional entitlements ("Institutional Entitlements") cannot be traded or sold on the NZX or ASX.

Institutional Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer and the Institutional Entitlements of ineligible institutional shareholders will be offered for sale through an institutional bookbuild to be conducted on Wednesday, 18 and Thursday, 19 April 2018 ("Institutional Bookbuild").

Any proceeds (in excess of the Offer Price) from the sale of Institutional Entitlements through the Institutional Bookbuild will be paid (net of any applicable withholding tax) on a pro rata basis to those institutional shareholders who do not take up their entitlements in full or who are not eligible to participate in the Institutional Entitlement Offer. There is no guarantee that any amount will be realised for the sale of Institutional Entitlements through the Institutional Bookbuild.

Any amounts paid to eligible institutional shareholders who do not take up their full entitlement or ineligible institutional shareholders with nominated A\$ bank accounts will be converted from New Zealand dollars by the Registrar at the prevailing exchange rate for buying Australian dollars using New Zealand dollars at the time of payment. That exchange rate may be different to the exchange rate used to set the A\$ Offer Price.

Fletcher Building shares have been placed in a trading halt while the Institutional Entitlement Offer and Institutional Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in New Zealand or Australia at 9:00pm (NZ time) and 7:00pm (Sydney time) on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on Monday, 23 April 2018 and close at 7:00pm (NZ time) and 5:00pm (Sydney time) on Friday, 11 May 2018. Eligible retail shareholders will have the opportunity to participate at the same offer price and offer ratio as the Institutional Entitlement Offer. Eligible retail shareholders can choose to take up their Entitlement ("Retail Entitlements") in whole, in part or not at all. Retail Entitlements cannot be traded or sold on the NZX or ASX.

Retail Entitlements not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and the entitlements of ineligible retail shareholders (had such ineligible retail shareholders been able to participate in the Retail Entitlement Offer), will be offered for sale through a retail bookbuild to be conducted on Tuesday, 15 May 2018 ("Retail Bookbuild").

Any proceeds (in excess of the Offer Price) from the sale of Retail Entitlements through the Retail Bookbuild will be paid (net of any applicable withholding tax) on a pro rata basis to those eligible retail shareholders who do not take up their entitlements in full or who are not eligible to participate in the Retail Entitlement Offer. There is no guarantee that any amount will be realised for the sale of Retail Entitlements through the Retail Bookbuild.

Any amounts paid to eligible retail shareholders who do not take up their full entitlement or ineligible retail shareholders with nominated A\$ bank accounts will be converted from New Zealand dollars by the Registrar at the prevailing exchange rate for buying Australian dollars using New Zealand dollars at the time of payment. That exchange rate may be different to the exchange rate used to set the A\$ Offer Price.

Key Dates

Event	Day	Date
Transaction announcement & trading halt	Tuesday	17 April 2018
Institutional Entitlement Offer opens	Tuesday	17 April 2018
Institutional Entitlement Offer closes	Wednesday	18 April 2018
Institutional Bookbuild opens	Wednesday	18 April 2018
Institutional Bookbuild closes	Thursday	19 April 2018
Record date for the Offer (9.00pm NZDT time/7.00pm (Sydney time))	Thursday	19 April 2018
Trading halt lifted	Friday	20 April 2018
Retail Entitlement Offer opens	Monday	23 April 2018
ASX Settlement of Institutional Entitlement Offer	Thursday	26 April 2018
NZX Settlement and Allotment of New Shares under the Institutional Entitlement Offer	Friday	27 April 2018
Retail Entitlement Offer closes 7:00pm (NZDT) and 5:00pm (Sydney time)	Friday	11 May 2018
Retail Bookbuild	Tuesday	15 May 2018
ASX Settlement of Retail Bookbuild	Thursday	17 May 2018
NZX Settlement of Retail Bookbuild and Allotment of New Shares under the Retail Entitlement Offer	Friday	18 May 2018
Normal trading of New Shares issued under the Retail Entitlement Offer	Monday	21 May 2018
Despatch of holding statement in respect of New Shares issued under the Retail Entitlement Offer	Monday	21 May 2018

Note: The above timetable is indicative only and subject to change without notice (subject to applicable laws and the NZX Listing Rules and ASX Listing Rules). All dates and times are New Zealand times (unless noted otherwise above).