

Fletcher Building to sell Pacific Steel business to BlueScope Steel

Auckland, 17 February 2014 - Fletcher Building Limited today announced it has entered into a conditional agreement to sell the downstream long-products rolling and marketing operations of Pacific Steel Group (Pacific Steel) to BlueScope Steel Limited (BlueScope) in a transaction valued at approximately NZ\$120 million. The sale includes Pacific Steel's rolling mill and wire drawing facilities in Otahuhu together with its Fijian rolling mill.

BlueScope will acquire the Pacific Steel business and construct a new billet caster at the Glenbrook site south of Auckland which is operated by BlueScope's wholly owned subsidiary New Zealand Steel (NZ Steel). Pacific Steel's operations will continue under BlueScope's ownership with the exception of the steel mill in Otahuhu, South Auckland. Fletcher Building will continue to own and operate the Otahuhu steel mill and will supply BlueScope with billet on commercial terms until the new billet caster has been commissioned. Once its new billet caster has been built, NZ Steel will supply billet from its Glenbrook steel mill to the rolling mill in Otahuhu and Fiji.

Construction of the new billet caster at Glenbrook is expected to be completed by the end of calendar 2015, following which Fletcher Building will decommission its steel mill at Otahuhu.

Fletcher Building will retain an economic interest in the Pacific Steel business through profit sharing arrangements until the new billet caster has been completed and billet production has been transferred to NZ Steel's Glenbrook steel mill.

Fletcher Building Chief Executive Officer Mark Adamson said that having a local operator acquire the business was the best outcome to help ensure that steel manufacturing in New Zealand remains globally competitive.

"This is a home-grown solution that secures a sustainable future for the New Zealand steel industry", Mr Adamson said.

Most of the employees in Pacific Steel's rolling mill and wire drawing facilities will be offered employment with BlueScope subsidiaries on terms and conditions that are similar to their current arrangements. Staff who are not offered employment will remain employees of Fletcher Building to operate the steel mill at Otahuhu until it is decommissioned, following which they will be given the opportunity to re-train and move to other roles in the Fletcher Group.

The transaction does not affect the ownership of Fletcher Building's steel distribution business, Fletcher Easysteel, or its steel reinforcing business, Fletcher Reinforcing.

Assuming completion by 30 June 2014, Fletcher Building expects to record a significant expense item of up to \$19 million, reflecting the gain on sale of assets, offset by transaction costs and adjustments to asset carrying values.

The transaction is conditional upon a number of matters, including Commerce Commission clearance. Assuming all conditions are able to be satisfied, it is expected that the transaction will be completed by 30 June 2014.

Further details of the transaction are outlined in the Appendix.

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Appendix –Transaction Details

Description of assets	The downstream long products rolling and marketing operations of Pacific Steel, which includes the rolling mill and wire drawing facilities in Otahuhu together with the Fiji rolling mill.
Amount, composition and method of payment of consideration	<p>The purchase price for the assets is NZ\$60 million, with half to be paid on completion of the transaction, and the second half to be paid once BlueScope's billet caster is commissioned, which is expected to be by the end of calendar 2015.</p> <p>In addition, BlueScope will purchase the working capital of the business, estimated to be around \$60 million.</p> <p>Fletcher Building will also share in earnings of the business for the interim period, and will supply steel billet on commercial terms until commissioning of the billet caster.</p>