



# Macquarie Securities Australia & New Zealand Corporate Day 2008

Singapore: 29 – 30 October 2008

Hong Kong: 31 October 2008

**Bill Roest** Chief Financial Officer

# Disclaimer

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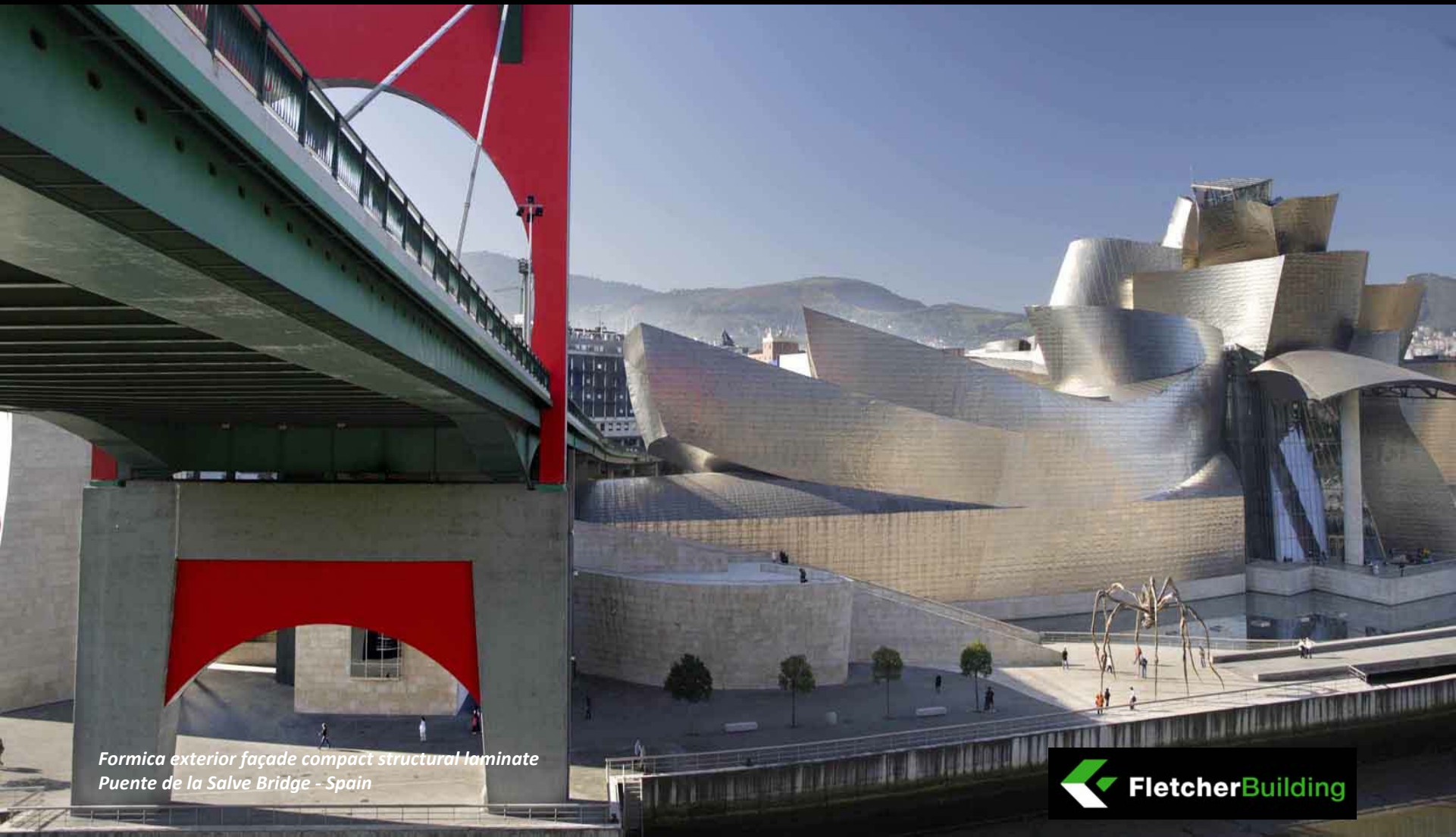
This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the August 2008 full year results announcement, are all available on the company's website and contain additional information about matters which could cause Fletcher Building's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.

# Agenda

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- Company & Market Overview
- Divisional Performance and Growth Strategies
- Market Forecasts
- Financial Results
- Outlook

# COMPANY & MARKET OVERVIEW



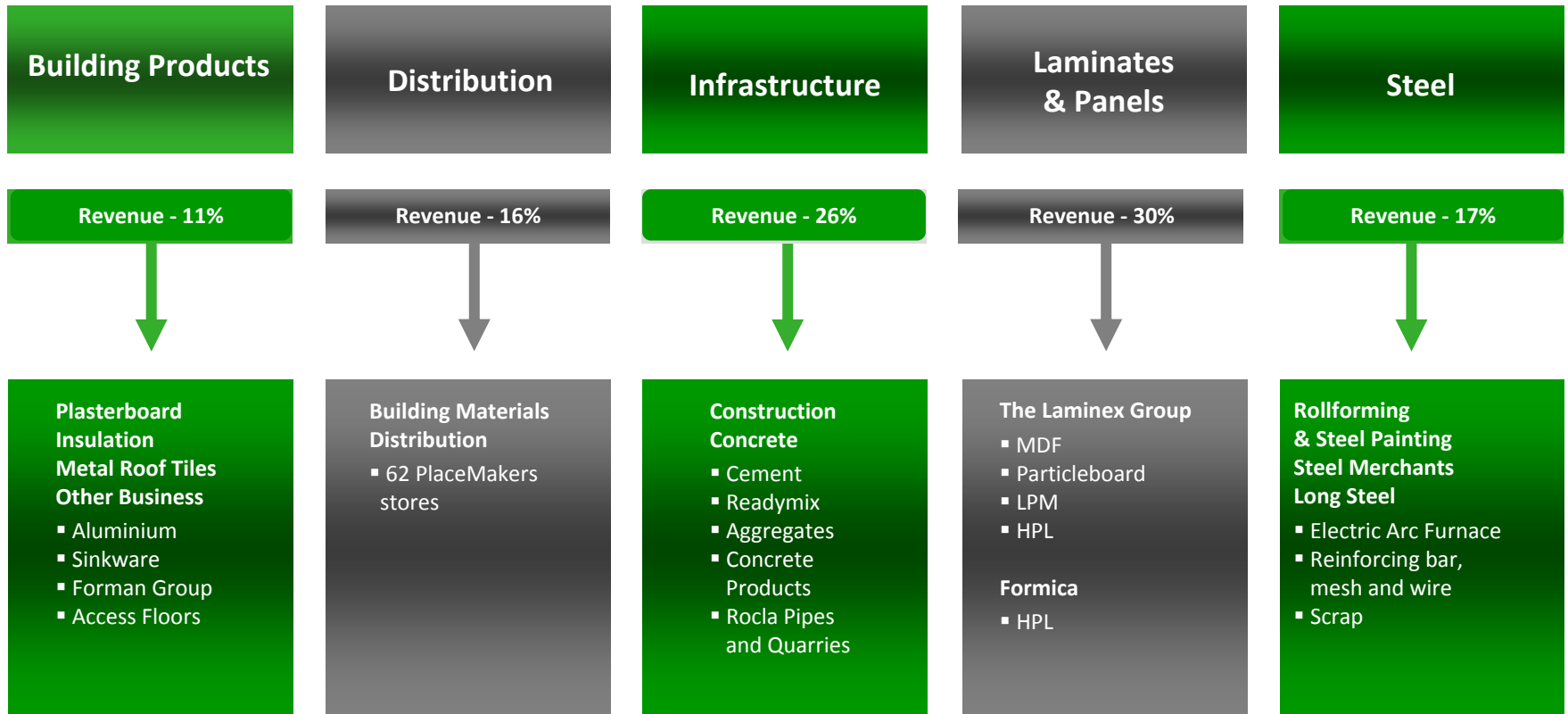
*Formica exterior façade compact structural laminate  
Puente de la Salve Bridge - Spain*

# Fletcher Building at a glance

- Revenue: NZ\$7,091M
  - Net Earnings: NZ\$467M
- } Year to 30 June 2008
- Market Capitalisation: NZ\$3.1 Billion  
Ranked # 3 on NZX  
#60 on ASX
  - Employees: 18,500
  - Listed on NZ and Australian Stock Exchanges
  - Shareholders:
 

New Zealand	22%
Australia	35%
USA	14%

# Market leading businesses



# Strategic agenda

## Earnings Reliability

- Earnings reliability is still the over-riding strategic objective.
- Company outlook is cognisant of both product and geographic diversity.

## Internal Growth

- Investment focused on priority areas with strongest strategic linkages and best returns.
- Capital expenditure to be tightly controlled reflecting present market conditions.

## External Growth

- Selective acquisitions will be pursued to strengthen the existing business portfolio.
- Australia remains the primary focus .
- Opportunities will emerge in the downturn.

# Full year results for FY08 saw strong growth in underlying earnings (pre-unusuals)

NZ\$m	Jun 2008 <sup>3</sup> 12 months	Proforma Jun 2007 12 months	% Δ	Reported Jun 2007 12 months
Sales	7091	5926	+20	5926
EBITDA	966	854	+13	859
EBIT	768	698	+10	703 <sup>1</sup>
Net earnings	467	399	+17	484 <sup>2</sup>
EPS – cps	93.2	84.0		101.9
Dividend - cps	48.5	45.0		-

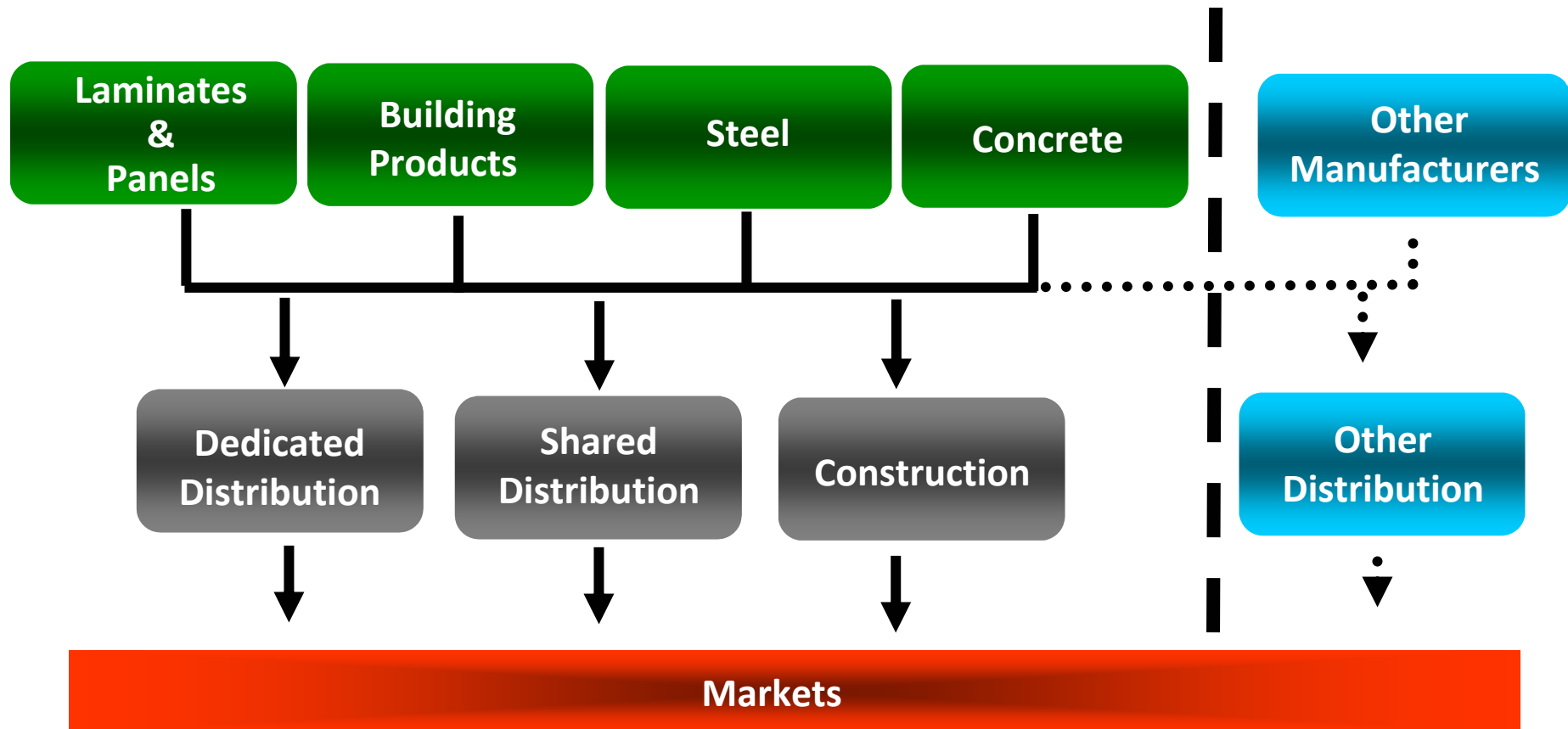
1. Includes unusual gain of \$5m in 2007

2. Includes tax benefit of \$80m in 2007

3. Includes Formica acquired 2 July 2007

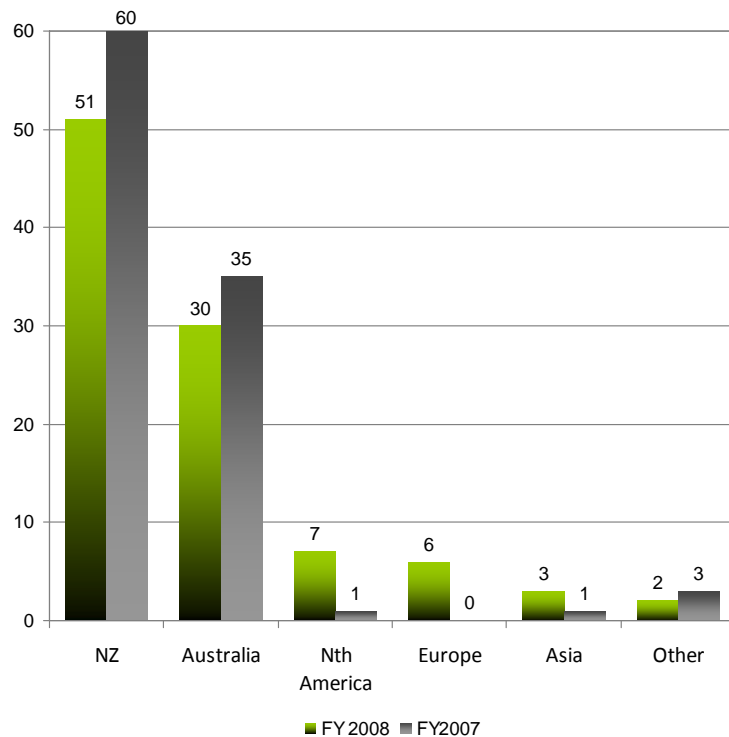


# The Fletcher Building value chain delivers high returns

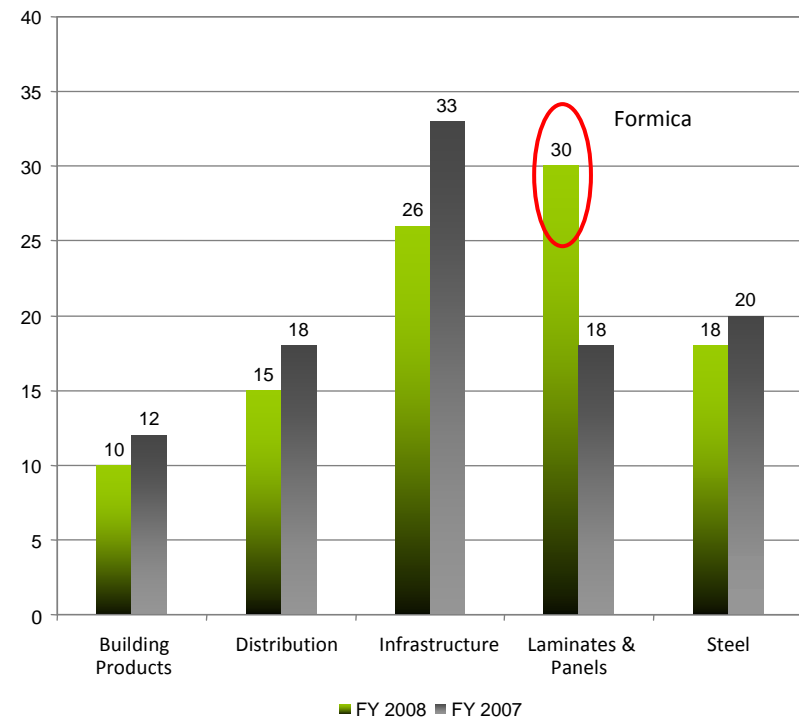


# Diversification of sales across products and geographies has been a major focus

Revenue by region  
percentage



Revenue by division  
percentage



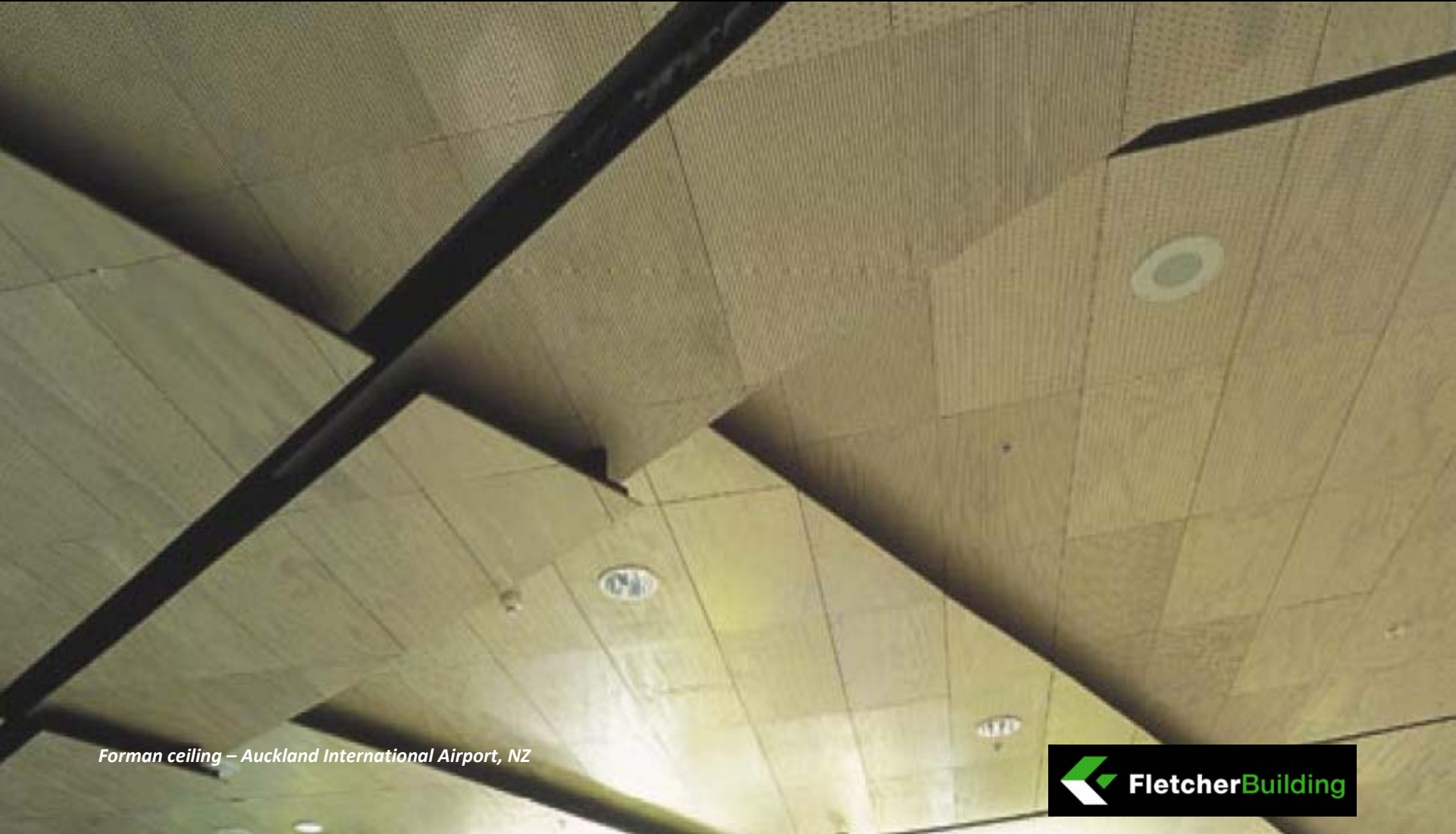
# New Zealand residential exposure is reducing

	EBITDA NZ\$m	NZ Res. %	NZ Non-Res. %	Non-NZ %
Infrastructure	376	26	54	20
Building Products	171	40	26	34
Steel	123	8	44	48
Distribution	82	75	25	-
Laminates & Panels	214	7	7	86
<b>Total EBITDA</b>	<b>966</b>	<b>26</b>	<b>35</b>	<b>39</b>

Source : Management estimates

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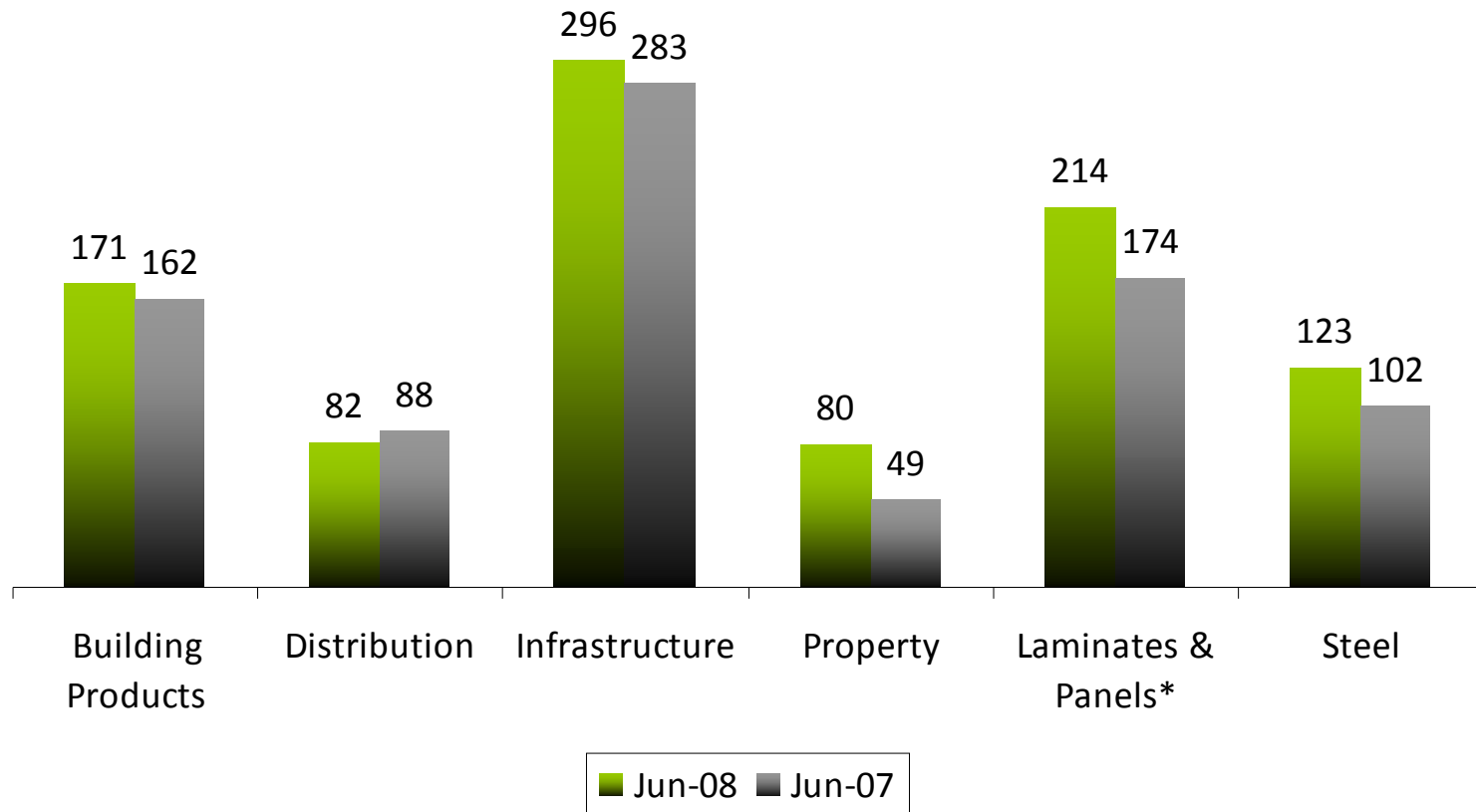
# DIVISIONAL PERFORMANCE



*Forman ceiling – Auckland International Airport, NZ*

# Overall good divisional performances in difficult market conditions

EBITDA NZ\$million



\* Includes Formica acquired 2 July 2007

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## In the year to 30 June 2008 margins held up well but a slowdown is now evident in many businesses

	6 Mths Dec 2007 EBITDA/Sales %	6 Mths Jun 2008 EBITDA/Sales %	12 Mths Jun 2008 EBITDA/Sales %
Building Products	19.6	20.3	19.9
Steel	8.6	8.7	8.7
Distribution	7.7	6.7	7.2
Infrastructure	17.2	19.2	18.2
- Concrete NZ	22.8	23.7	23.3
- Concrete Aus	18.8	17.8	18.3
Laminates & Panels	11.6	7.8	14.8
- Laminex	15.8	13.8	14.8
- Formica	7.0	1.8	4.4

## DIVISION OVERVIEW:

# Building Products

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## Plasterboard

- Leading NZ market position.

## Insulation

- No.1 in Australasia with 60% of Australian and 70% of NZ bulk glasswool insulation market.

## Metal Roof Tiles

- Largest manufacturer of steel roof tiles worldwide.

## Other

- Fletcher Aluminium
- Tasman Sinkware
- Forman Insulation

### Notes:

- The Tasman Building Products Group was acquired on 30 September 2003
- Insulation Solutions was acquired on 1 March 2005
- The Forman Group was acquired on 1 December 2006

# Building Products key strategies

## Plasterboard

- Current NZ housing downturn impacting volumes and revenues:
  - Production output has been scaled back.
- Strategy is to maintain market share and pursue volume growth:
  - Product differentiation - performance board
  - Superior distribution model
  - Upgraded housing standards – size, configuration, fit-out.

## Insulation

- Strategy is to increase volumes arising from tighter building code requirements and increasing energy efficiency awareness.
- Short term growth will be offset by weaker NZ housing market .

## Metal Roof Tiles

- Strategy is to grow exports to developing markets.
- Commissioning of new Hungary plant in FY 09.
- Pursue growth in the US where market share is very low.



# Building Products results

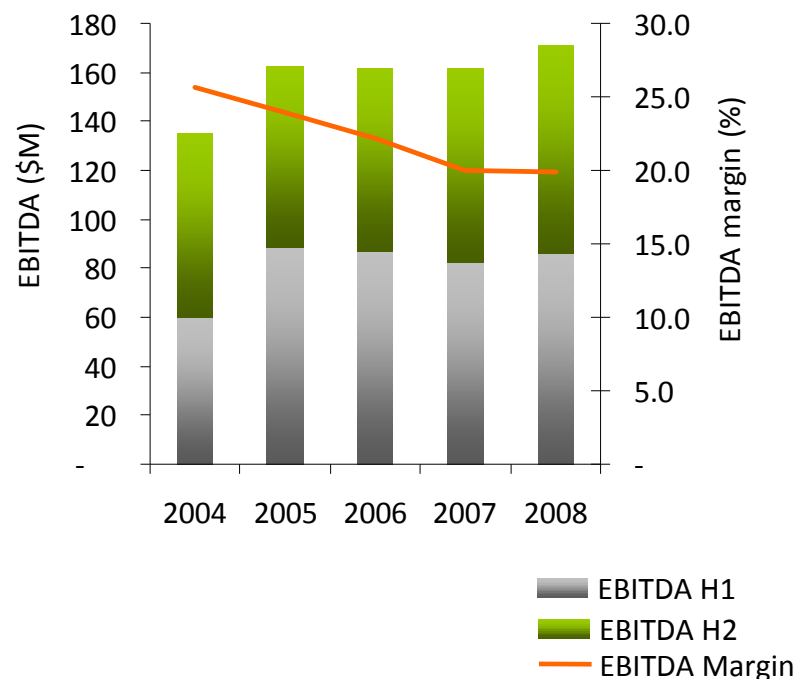
NZ\$m	2008**	2007	% Δ
Sales	739	697	+6
EBITDA	171	162	+6
EBIT	148	141*	+5
Funds Employed	631	565	+12
EBITDA/sales %	23.1	23.2	-
EBIT/sales %	20.0	20.2	-1
ROFE %	23.4	25.0	-6

\* Excludes unusual write downs of \$6m

\*\* Includes a full year of Forman

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Building Products  
EBITDA and EBITDA margin



# Building Products sales levels maintained

Gross Sales						
NZ\$m	2008	2007	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Plasterboard	218	213	+2	↓	↑	↓
- Insulation	144*	111	+30	↑	↑	↓
- Metal Roof Tiles	110	104	+6	↑	↓	↑
<b>Australia</b>						
- Insulation	192	194	-1	↑	↓	↑
- Sinkware	41	40	+3	↓	↑	↑

\* Includes Forman acquisition for full year

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## DIVISION OVERVIEW:

# Distribution - PlaceMakers

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- 64 outlets across New Zealand principally trading as PlaceMakers.
- 34% market share of the core building materials sector.
- No.1 in key building materials.
- Trade focus: 80+% of sales.
- 57 of the 64 outlets operate as joint ventures rather than a franchise model.

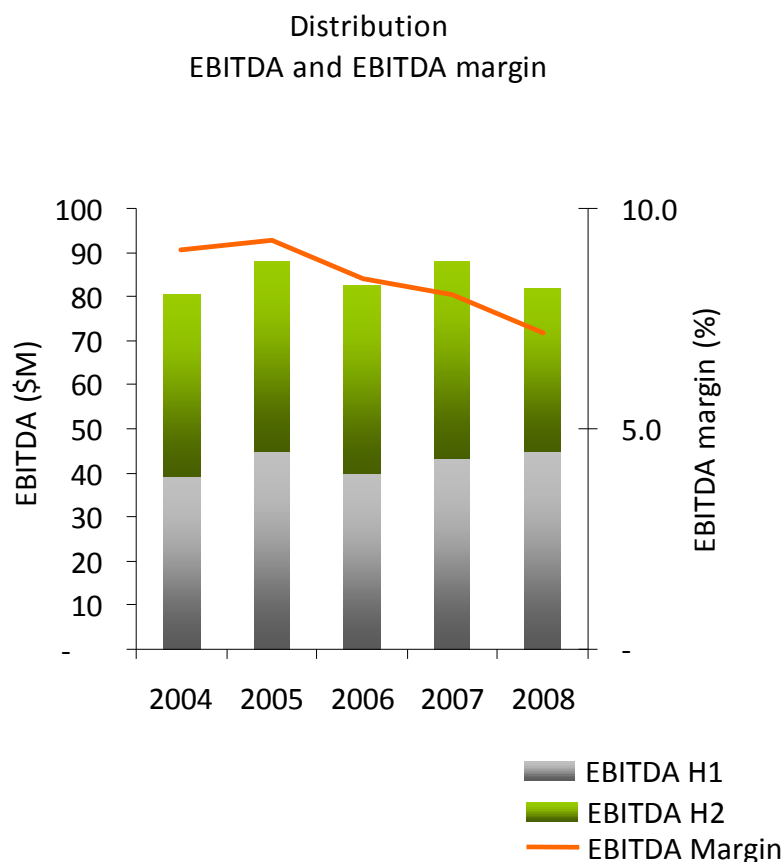
# Distribution Strategy

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- Slowdown in NZ residential construction activity will impact performance in the current year.
- Refined focus on key customer segments
  - Trade customers will continue to be a priority
  - DIY the other key segment
  - Pull through of Fletcher Building products.
- ERP system development progressing. Completion of initial system 2009.
- Refurbishment of selected stores.

# Distribution sales up despite increased competition in slowing market

NZ\$m	2008	2007	% Δ
Sales	1083	1064	+2
EBITDA	82	88	-7
EBIT	73	80	-9
Funds Employed	185	163	+13
EBITDA/sales %	7.6	8.3	-8
EBIT/sales %	6.7	7.5	-11
ROFE %	39.4	49.1	-20



# Distribution sales up despite increased competition in slowing market

Sales NZ\$m	2008	2007	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Same store	1064	1056	1	↓	↑	↓
- Additional	10					
- Upgrades	9	8				
<b>Total</b>	<b>1083</b>	<b>1064</b>	<b>1.9</b>			

Stores	2008
Retail Sites under Joint Venture management	57
Retail Sites Company owned	7
Manufacturing sites under Joint Venture management	1
Manufacturing sites company owned	2
<b>Total Sites</b>	<b>67</b>

## DIVISION OVERVIEW:

# Infrastructure

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## Concrete

- 25% of NZ aggregates market.
- 50% of NZ cement market.
- 33% of NZ readymix concrete market.
- 35% of Australian concrete pipe market.
- 55% of NZ pre-cast and concrete pipe market.

## Construction

- New Zealand's leading construction company.
- Commercial (buildings).
- Engineering (infrastructure).
- South Pacific (general).
- New Zealand's largest home builder.

*Note: Rocla Pipeline Products and Rocla Quarry Products were acquired on 1 March 2005*

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# Infrastructure Strategy

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## Concrete

### ➤ New Zealand

- Margin maintenance through price increases and cost reductions.

### ➤ Australia

- Growth in volumes driven by increased infrastructure investment.
- Expanded product mix beyond pipes.

## Construction

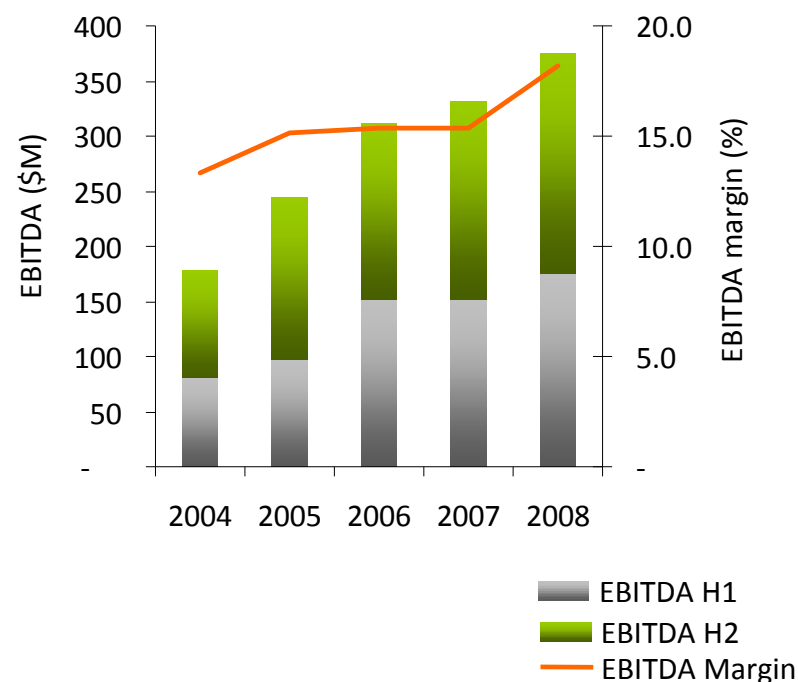
- Construction outlook remains strong based on continued NZ public sector investment.
- Future contracted work stands at NZ\$1.3Bn.
- Residential house volumes impacted by overall decline in NZ housing market.



# Infrastructure results

NZ\$m	2008	2007	% Δ
Sales	1857	1944	-4
EBITDA			
- Concrete & Construction	296	283	+5
- Property	80	49	+63
<b>Total EBITDA</b>	<b>376</b>	<b>332</b>	<b>+13</b>
EBIT	308	271	+14
Funds Employed	1027	767	+34
EBITDA/sales %	20.2	17.0	+19
EBIT/sales %	16.6	13.9	+19
ROFE %	30.0	35.3	-15

Infrastructure  
EBITDA and EBITDA margin



# Infrastructure - steady sales on back of good workload

Gross Sales						
NZ\$m	2008	2007	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- NZ Concrete	741	722	+3	↓	↑	↓
- Construction	803	832	-3	-	-	↑
<b>Australia Concrete</b>	389	328	+19	↑	↑	↑

# Property activities – quarry end use, residential and surplus assets

NZ\$m	2004	2005	2006	2007	2008
Quarry end use				6	42
Residential	19	22	25	34	19
Surplus assets		9	10	9	19
<b>Total</b>	<b>19</b>	<b>31</b>	<b>35</b>	<b>49</b>	<b>80</b>

- Property activities - residential land or quarry end use - are becoming an increasingly important earnings component of the Infrastructure division.
- With its extensive quarry land holdings, Infrastructure is expected to generate increasing earnings from waste materials handling, through to residential and commercial development. Because of the nature of the developments, earnings will be of a recurring nature but will have a degree of volatility.

## DIVISION OVERVIEW:

# Laminates & Panels

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## The Laminex Group

- Leading high pressure laminate & decorative surfaces.
- Estimated Australasian market shares
  - Decorated board – No.1
  - Medium density fibreboard – No.2
  - Particleboard – No.2
- Over 50 distribution outlets owned across Australasia.

## Formica

- Global player, strongest brand internationally for High Pressure Laminate.
- No. 2 in the US, No. 1 in Canada.
- Market share leader in HPL in UK and Spain.
- In Asia, focus is mainly on commercial applications.

# Laminates & Panels Strategy

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## The Laminex Group

- Utilise recent investments to drive performance
  - Particleboard upgrade in Australia
  - 20% investment in Dongwha to secure MDF supply.

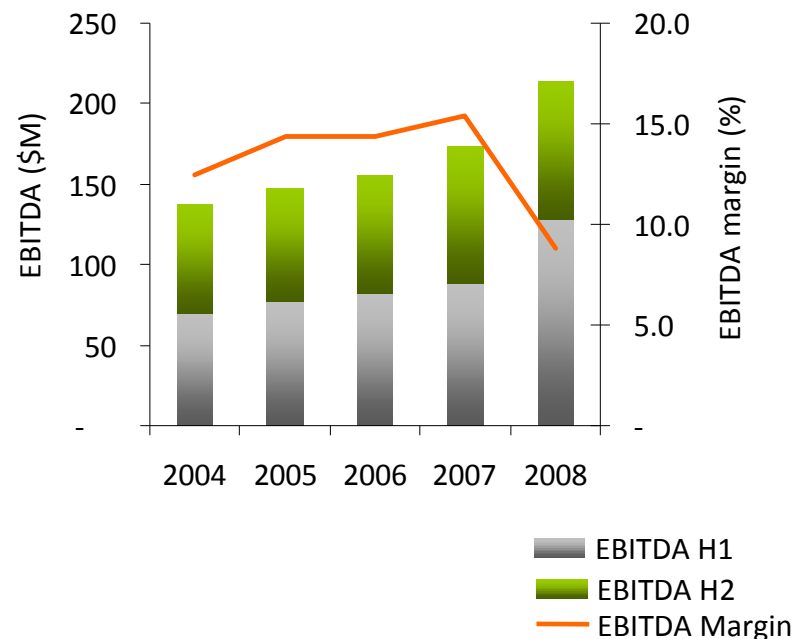
## Formica

- Lift performance of Evendale Ohio plant and US operations overall.
- Bring new Finnish HPL plant into operation.
- Continue expansion into Chinese market.
- Manage costs and volumes in line with market conditions.
- Continued product innovation.
- Continue to deliver Formica merger synergies.

# Laminates & Panels results impacted by Formica\*\*

NZ\$m	2008	2007	% Δ
Sales	2132	1058	+102
EBITDA			
- Laminex	166	174	-5
- Formica	48	-	-
<b>Total EBITDA</b>	<b>214</b>	<b>174</b>	<b>+23</b>
EBIT	141	131*	+8
Funds Employed	2094	814	+157
EBITDA/sales %	10.0	16.4	-39
EBIT/sales %	6.6	12.4	-47
ROFE %	6.7	16.1	-58

Laminates & Panels  
EBITDA and EBITDA margin



\* Excludes unusual gain of \$20m

\*\* Formica acquired on July 2<sup>nd</sup> 2008

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# Laminates & Panels sales increased through Formica acquisition

Gross Sales NZ\$m	2008	2007	% $\Delta$	Volume $\Delta$	Price $\Delta$	EBITDA $\Delta$
<b>New Zealand</b>						
- Laminex	230	278	-13	↓	↑	↓
<b>Australia</b>						
- Laminex	890	852	+4	↑	↑	↓
<b>Formica</b>						
- Asia	178					
- Europe	486					
- Nth America	422					

# Laminates & Panels

## ➤ Australia

- Decorative surfaces volumes increased marginally, prices up by 2-3%.
- Commodity white and raw board volumes increased by 10% with prices in these products remaining flat.
- Export volumes of MDF to Asia reduced by 14% as domestic demand for MDF increased. However, export prices in USD increased by 5%.
- Western Australia plants impacted by restricted gas supply post an explosion at a gas processing facility.

## ➤ New Zealand

- Decline in the NZ housing market in the 2nd half of the year has seen a reduction of 10% in sales volumes across all product groups.
- NZ sales also declined as a result the closure of:
  - Taupo MDF operation post the fire in September 2006
  - Penrose Hardboard/Softboard facility in October 2007
  - Papakura HPL manufacturing line in April 2008.



# Formica Update

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- Substantial restructuring of the senior management team and Mark Adamson appointed CEO in May 2008.
- Downturn in the US building market with new residential activity significantly down YOY.
- A slowdown in US commercial activity during 2<sup>nd</sup> half FY08.
- Short term increase in costs due to operational issues encountered with the closure of the plant and transfer of production from California to Ohio (Evendale).
- Rising input costs being offset by product price increases.
- Slowdown in Spain and the United Kingdom, offset by strong performances in Nordic and Benelux countries, and Eastern Europe.
- Solid performance in Taiwan and Thailand.
- Successful transfer of production from New Zealand to China.

# Formica operating earnings impacted by plant consolidation and other one-off costs

		1 <sup>st</sup> Half	2 <sup>nd</sup> Half	Full Year
Normalised EBITDA		41	32	73
Evendale – increased costs		-13	-12	-25
Trading EBITDA		28	20	48
Depreciation		-12	-13	-25
EBIT		16	7	23
One off costs			-10	-10
Reported EBIT	US\$	16	-3	13
	NZ\$	21	-5	16

- The increased costs relate in the main to the following:
  - Increased labour through poor process
  - Increased materials through high scrap rates
  - Increased freight through poor quality
  - Increased indirect costs – maintenance & consulting

## DIVISION OVERVIEW:

# Steel

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### Rollforming & steel painting

- 30% of Australian market
  - Stramit
- Dimond major player in New Zealand roofing market

### Long steel products

- No.1 in New Zealand market.
- Reinforcing bar, flats, rod and wire.
- 50% shareholdings in Sims Pacific Metals.
- NZ's sole electric arc furnace.

### Steel merchants

- No.1 in New Zealand market.

*Note: Stramit Building Products was acquired on 1 March 2005*

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# Steel: future growth drivers

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## Rollforming

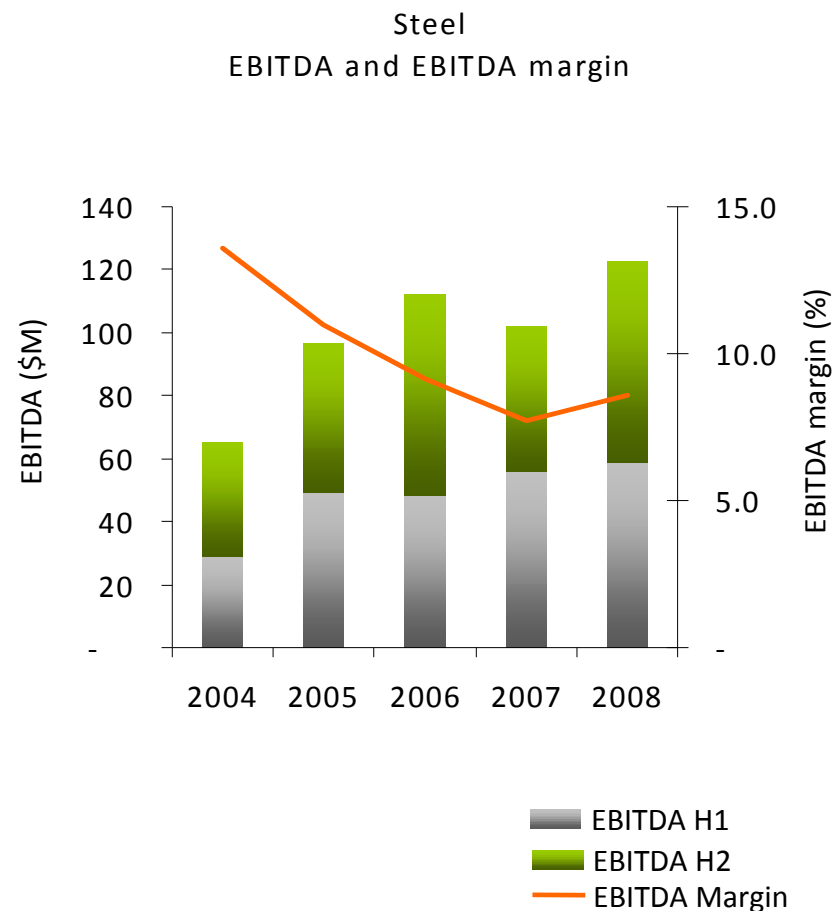
- Production extension – pre-engineered building.
- Industry rationalisation.

## Long Steel

- Industry rationalisation.
- Capacity utilisation/expansion.
- Export growth.

# Steel: improved YOY performance in buoyant market

NZ\$m	2008	2007	% Δ
Sales	1279	1161	+10
EBITDA	123	102*	+21
EBIT	101	80*	+26
Funds Employed	587	496	+18
EBITDA/sales %	9.6	8.8	+9
EBIT/sales %	7.9	6.9	+14
ROFE %	17.2	16.1	+7



\* Excludes unusual write down of \$9m

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# Steel revenues up on price increases and acquisitions

Gross Sales						
NZ\$m	2008	2007	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Long Steel	288	260	+11	↑	↑	↑
- Rollforming	195	198	-2	↓	↑	↓
- Distribution	299	249	+20	↑	↑	↑
<b>Australia</b>						
- Rollforming	654	609	+7	↓	↑	↑

- Steel and scrap prices increased across the business in 2<sup>nd</sup> half 2008.
- Strong export and local demand led, particularly Infrastructure projects.
- Benefits realised from restructuring and closure of loss making businesses.
- Acquisitions – Eziform, Garage World, AG&S – added to EBIT result for Australia.

# MARKET FORECASTS



*Central Motorway Junction – Auckland, NZ*

# Macro-economic forecasts vary by region and by segment

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## New Zealand

- Residential housing approvals are down significantly.
- Infrastructure investment levels remain strong, and should continue regardless of election outcome.

## Australia

- Level of residential new construction and improvements expected to remain solid.
- Some variances state by state – Queensland weakening, NSW flat, other states growing.
- Non-residential: some pressure in commercial but continuing strong infrastructure spending.

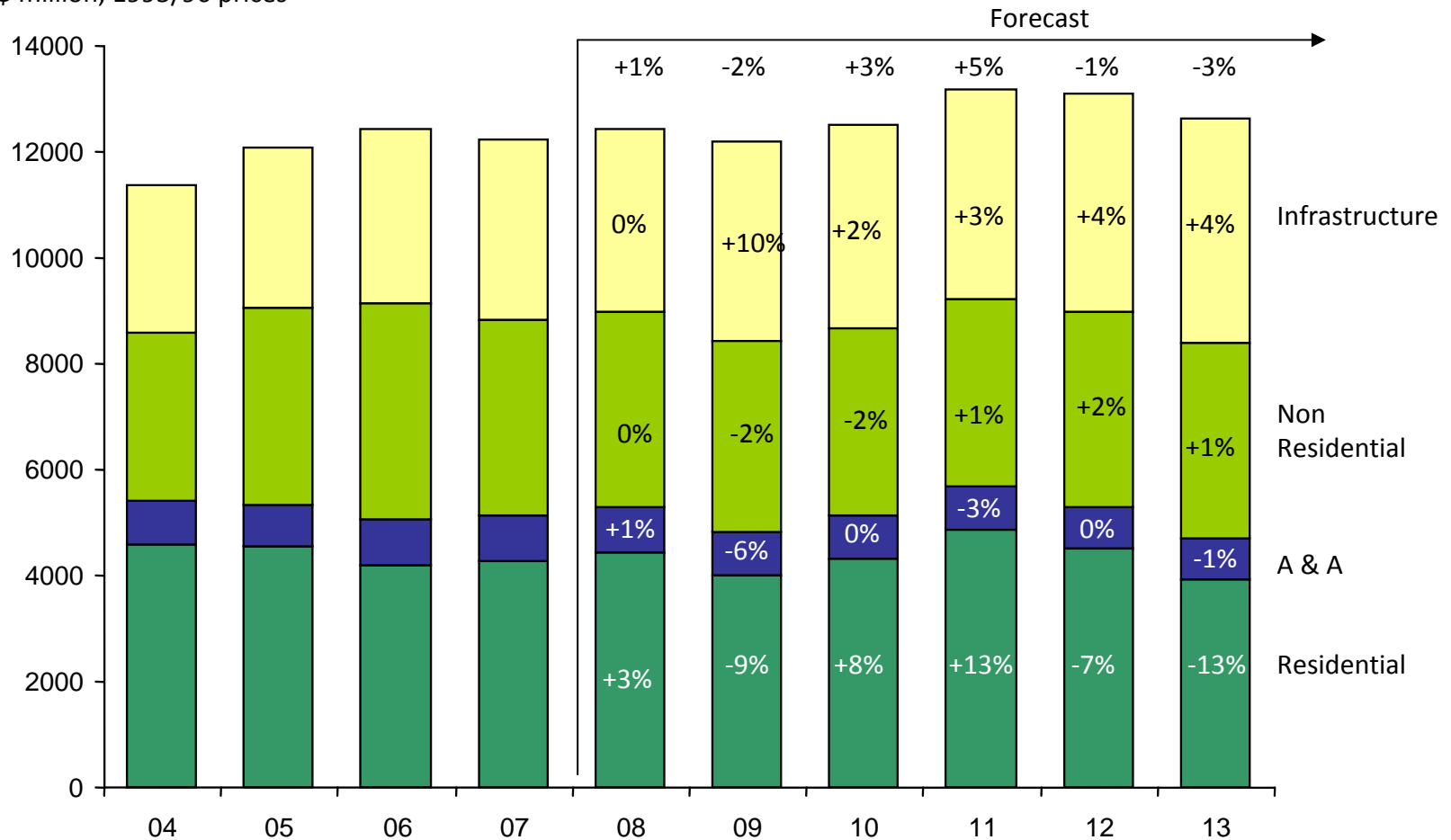
## Rest of World

- US, UK and Spain housing markets are significantly lower.
- Northern and Eastern Europe has held up so far.
- China and SE Asia still growing but less quickly.



# New Zealand Volume of work commenced

NZ\$ million, 1995/96 prices

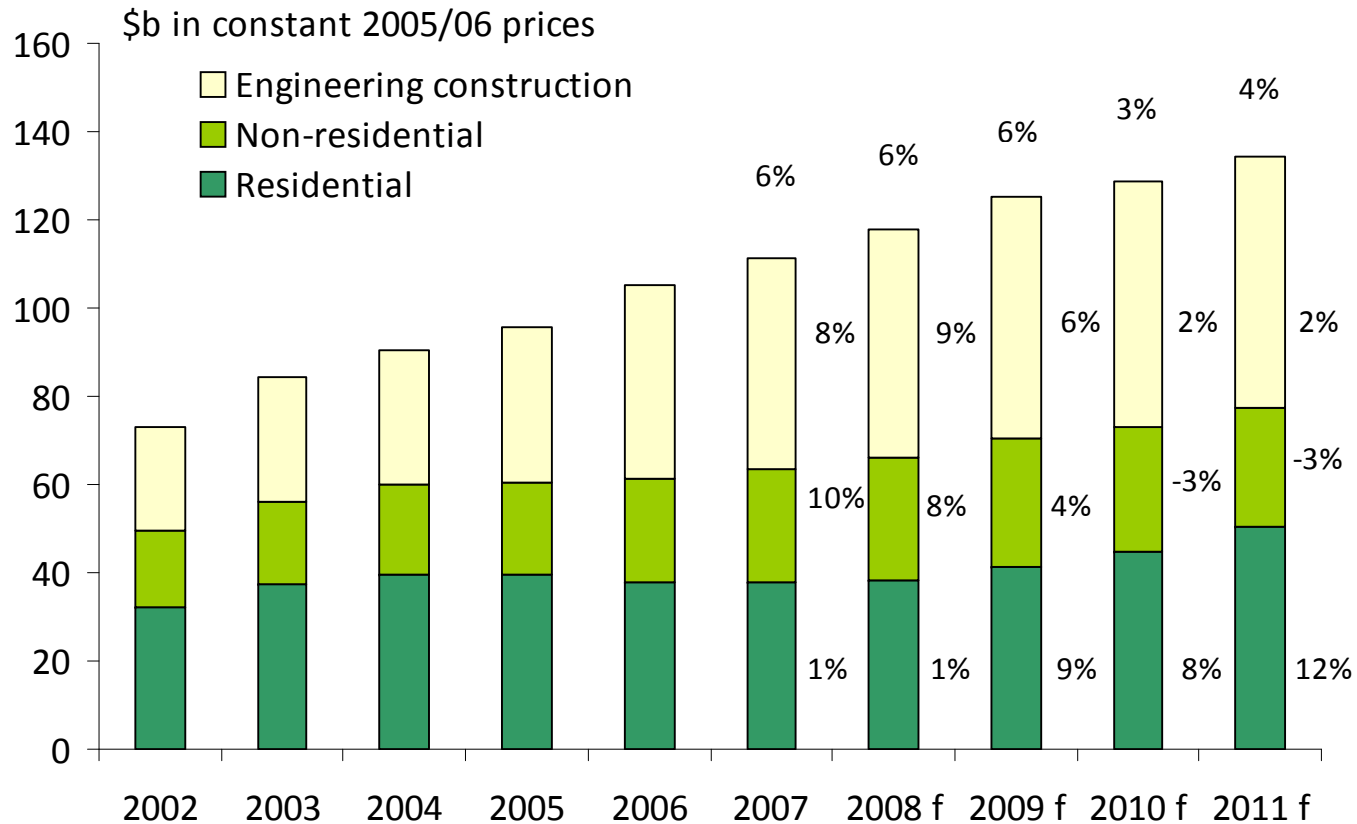


Source : Infometrics

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# Australia

## Volume of work commenced

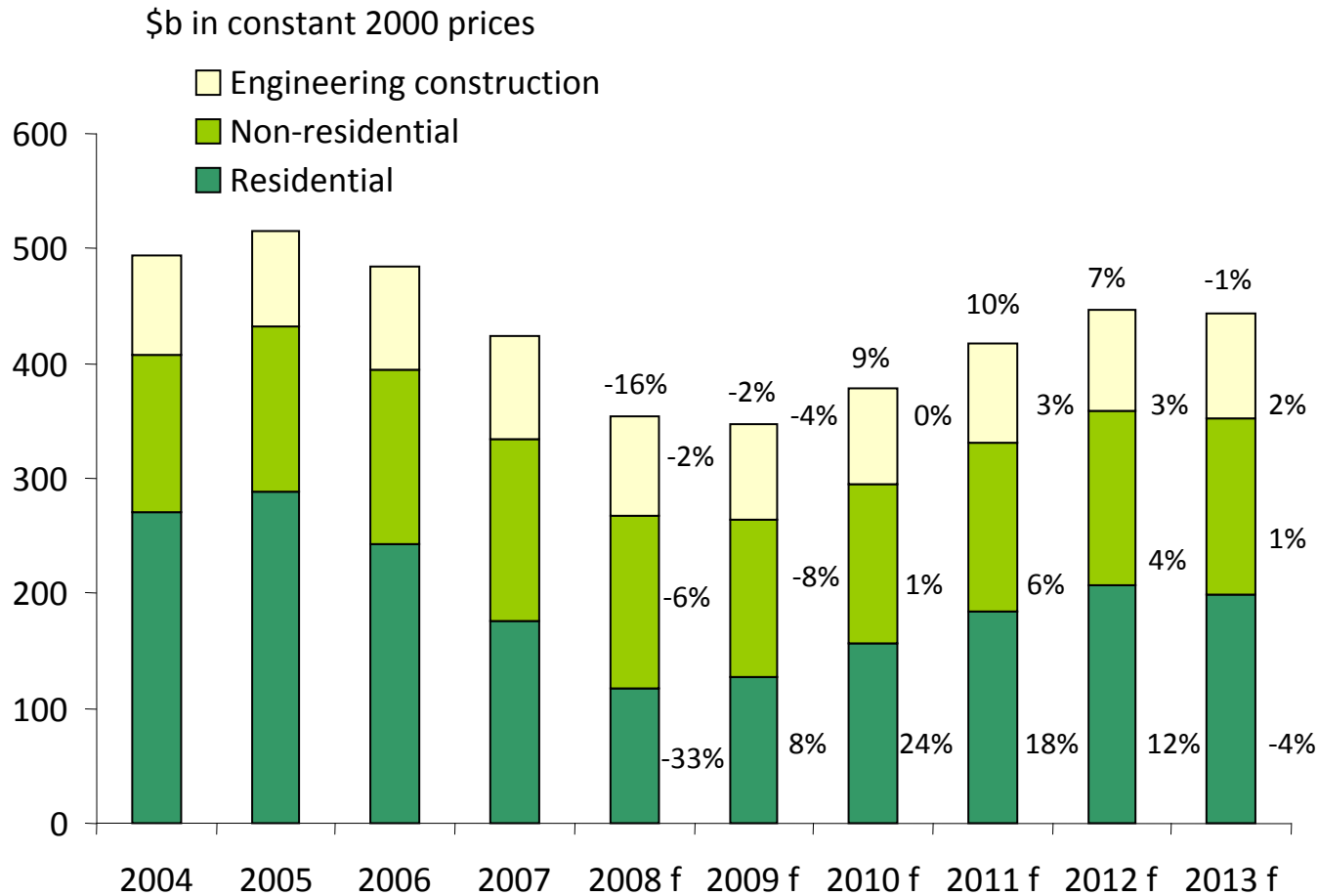


Source : BIS Shrapnel

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# USA

## Volume of work commenced

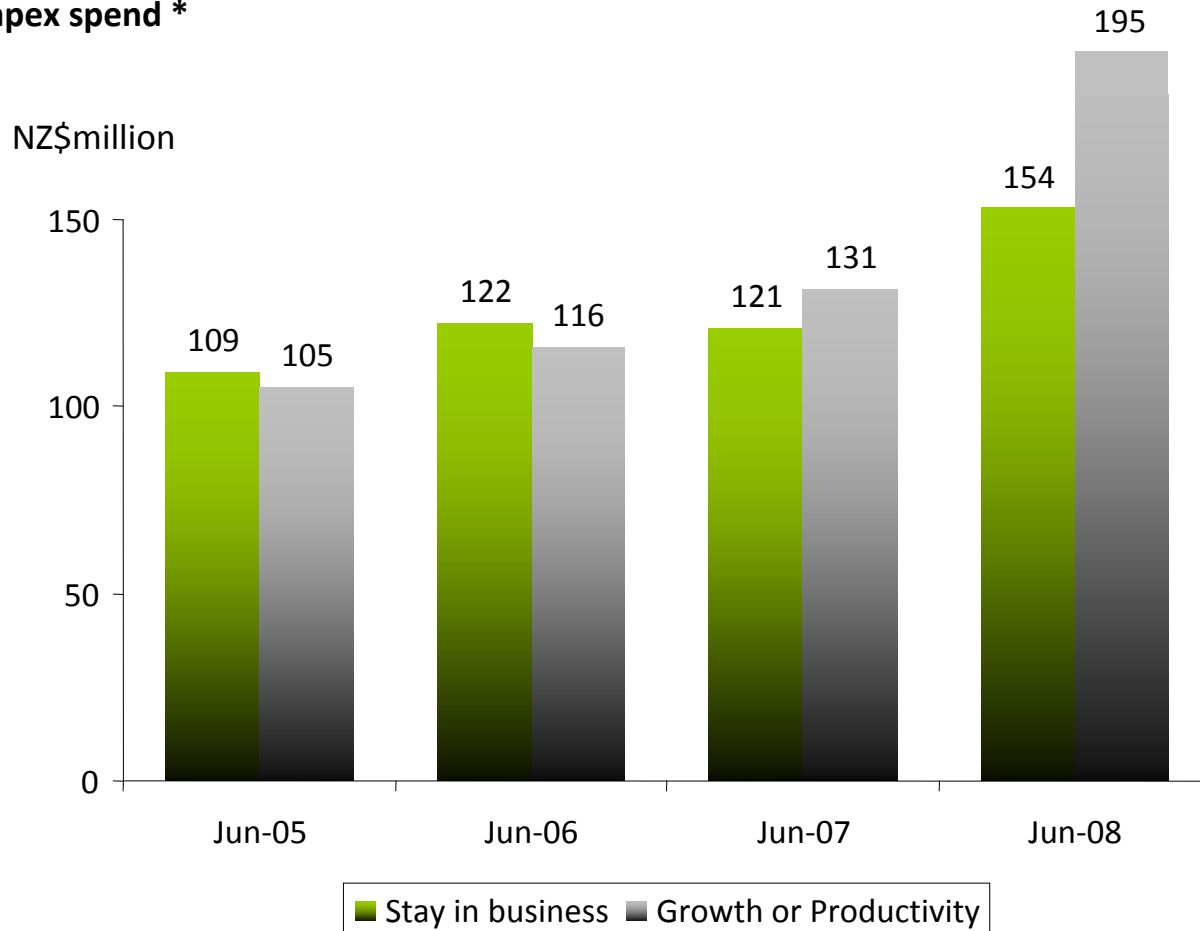


Source : McGraw Hill June 2008

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# Capex trend: FY 09 capex expected to be in line with depreciation

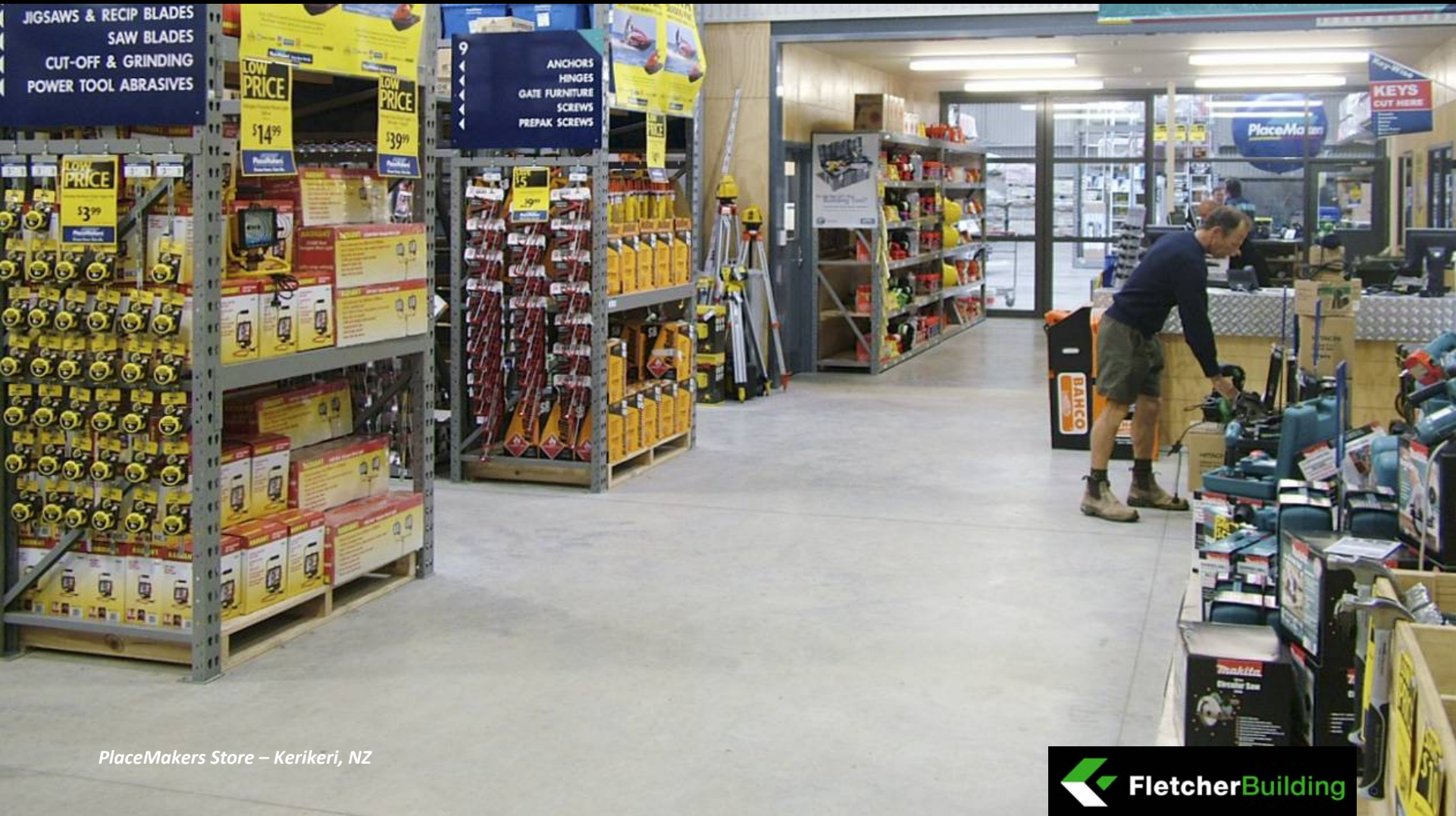
## Historical capex spend \*



\* Excludes major acquisitions

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# FINANCIAL RESULTS



PlaceMakers Store – Kerikeri, NZ

# Net earnings – after unusu

NZ \$m	Jun 2008 12 months	Jun 2007 12 months	% Δ
EBIT	768	703	+9
Interest	136	87	+56
Tax	150	113	+33
Minority Interests	15	19	-21
Net earnings	467	484	-4

# Balance sheet remains strong

NZ \$m	Jun 2008 12 months	Jun 2007 12 months	% Δ
Operating Cashflow	434	483	-10
Net Debt (ND)	1846	654	+182
Net Debt / Equity %	40.1	22.2	+81
Interest Cover	7.1	9.8	-28
Return on Funds %	19.0	24.8	-23

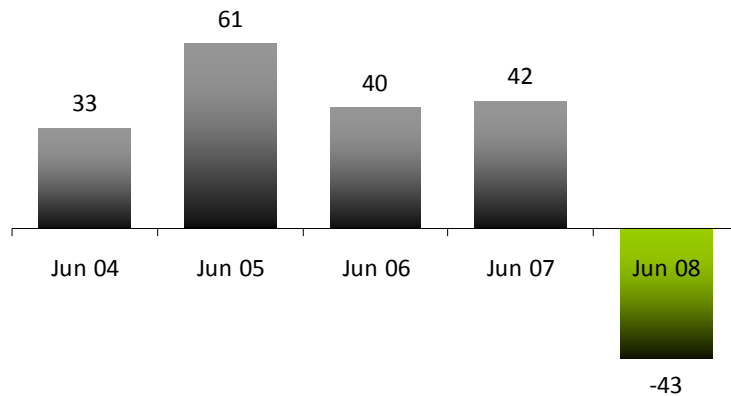
# Summary balance sheet

	Jun 2008 NZ\$m	Jun 2007 NZ\$m
<b>Assets</b>		
Current Assets	2438	1742
Fixed Assets	2129	1515
Intangibles & Goodwill	1256	629
Provision for Deferred Taxation	-61	3
Investments	241	141
<b>Total Fletcher Building Assets</b>	<b>6003</b>	<b>4030</b>
<b>Liabilities</b>		
Current Liabilities	1341	1080
Other Liabilities	60	
Net Debt	1846	654
<b>Total Fletcher Building Liabilities</b>	<b>3247</b>	<b>1734</b>
<b>Equity</b>		
Equity & Minority Interests	2756	2296
<b>Total Fletcher Building Liabilities and Equity</b>	<b>6003</b>	<b>4030</b>

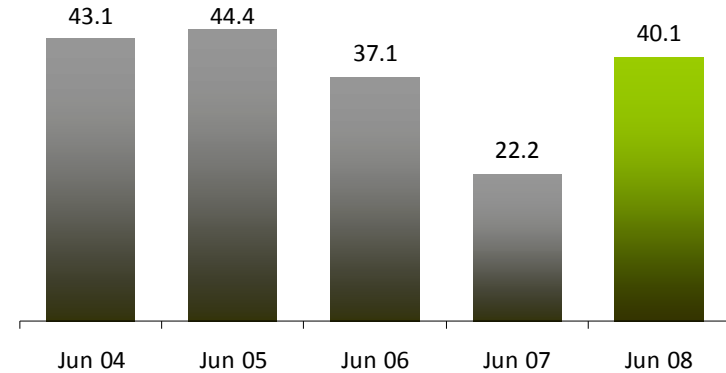


# Key ratios

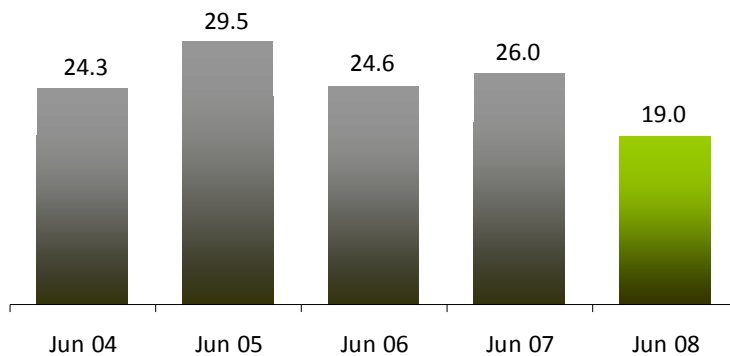
**Total Shareholder Return (TSR)  
Percentage**



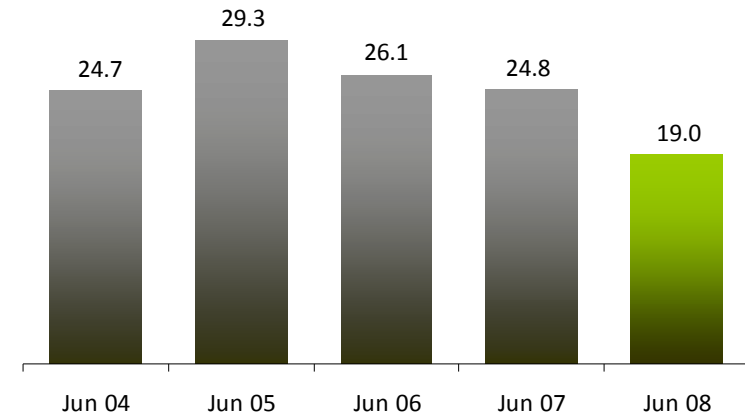
**Debt/Debt Plus Equity  
Percentage**



**Return on Average Equity  
Percentage**

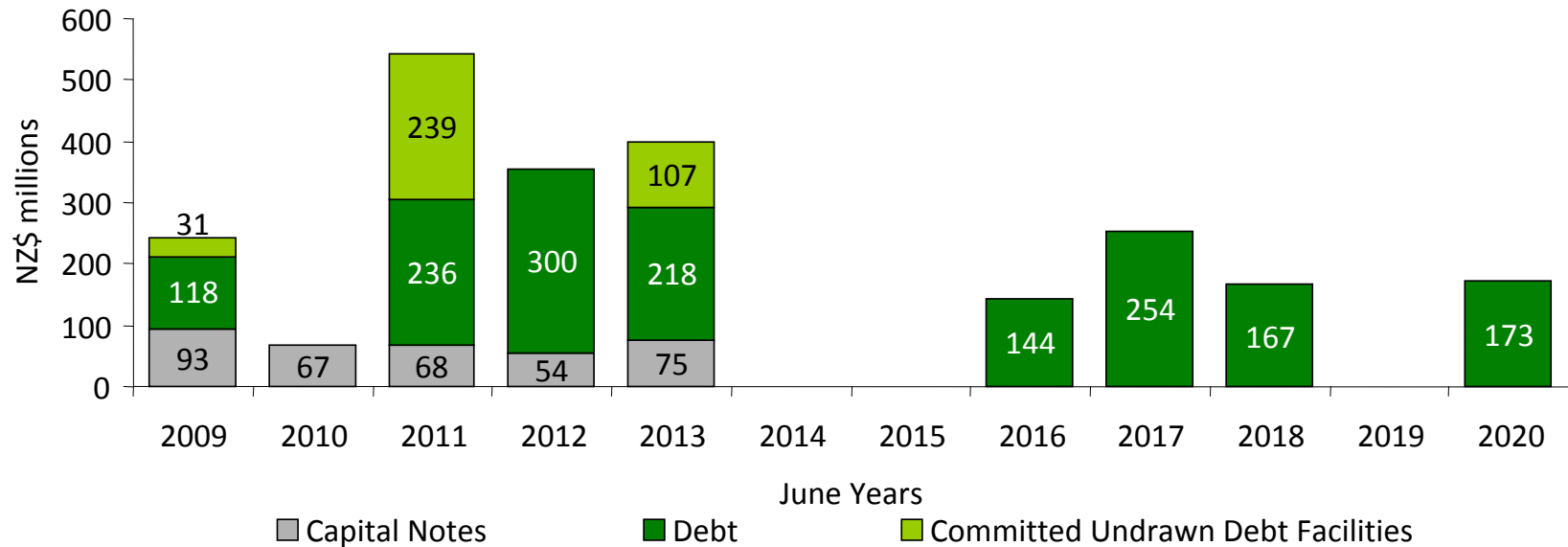


**Return on Average Funds  
Percentage**



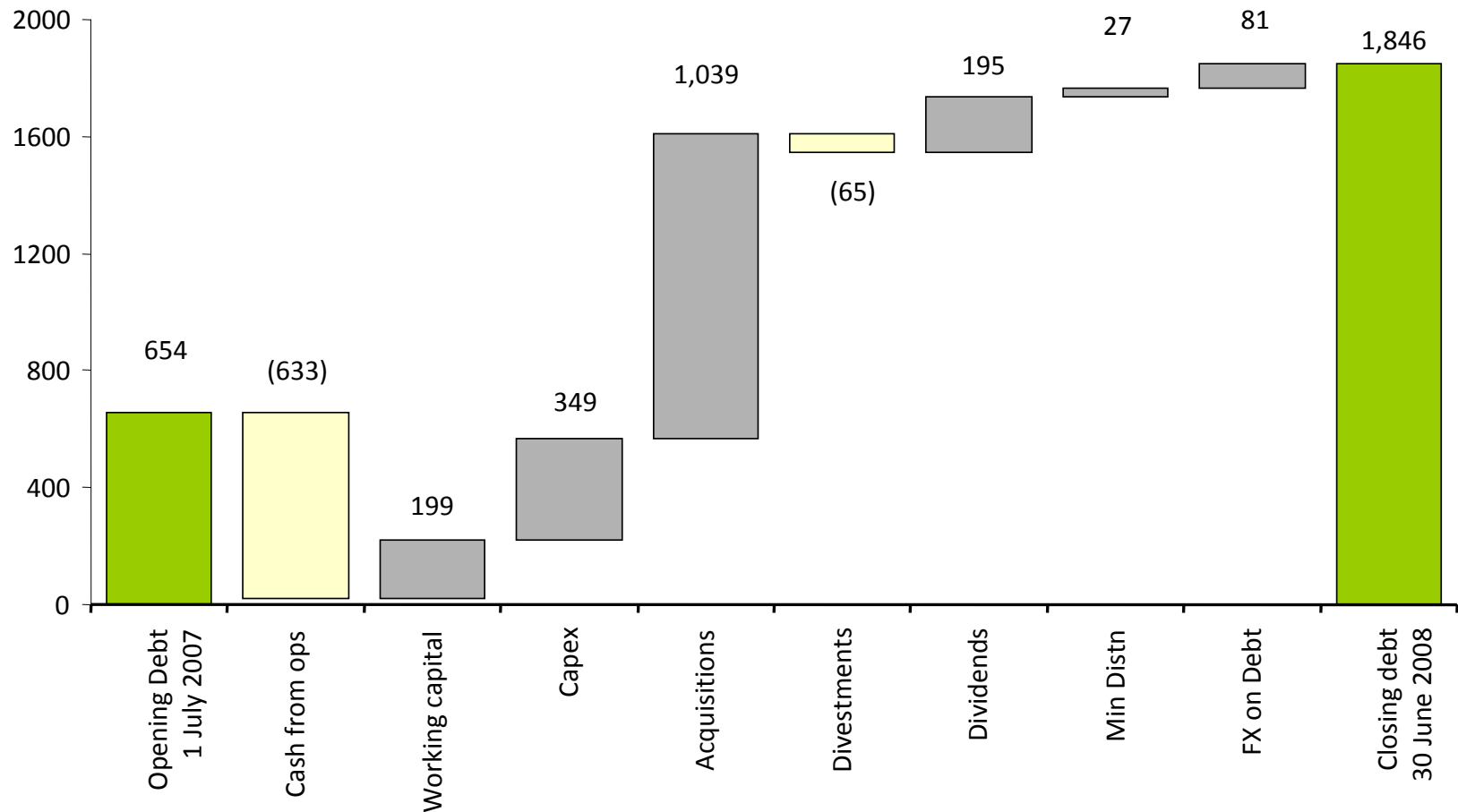
# Debt maturity profile

## Funding & Maturity



# Net debt movement

NZ\$million



# OUTLOOK



*University of Auckland Business School, NZ*



# Outlook 2009/2010

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- Good infrastructure markets in New Zealand and Australia.
- Residential
  - NZ weakening
  - Australia could weaken
  - US remains weak
- Europe market softness partly offset by eastern Europe.
- Asia still showing growth albeit slower.
- Significant operational improvements expected in Formica USA.



**Fletcher**Building