



# Investor Presentation September 2010

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## Disclaimer

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 2010 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.



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## Agenda

- Company and Market Overview
- Strategy
- Divisional Performance
- Financial Results
- Outlook





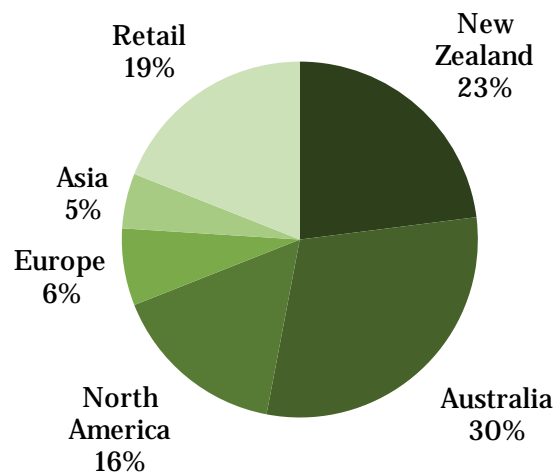
# Company and Market Overview



## Fletcher Building at a glance

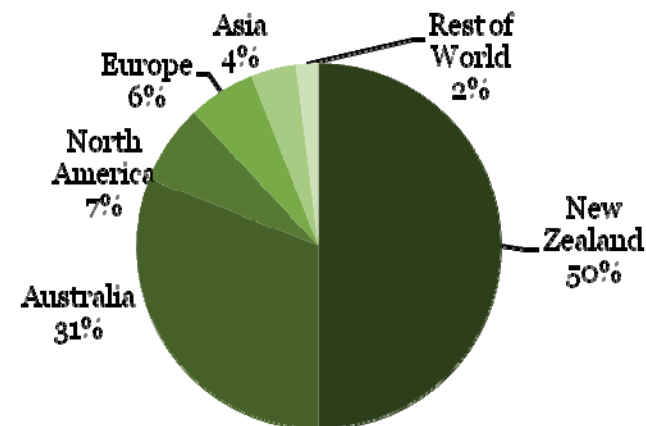
- Revenue - year to 30 June 2010: NZ\$6,799 million
- Market Capitalisation NZ\$4.5 billion  
Ranked # 1 on NZX  
# 62 on ASX
- Employees: 16,000
- Listed on NZ and Australian Stock Exchanges

- Shareholders:



\* As at 30 June 2010

- Revenues:



\* Year ended 30 June 2010



## Market leading businesses



### Building Products

**Plasterboard  
Insulation  
Roof Tiles**  
**Single Businesses:**

- Aluminium
- Sinkware

Revenue-12%



### Distribution

**Building Materials  
Distribution**

- 62 PlaceMakers stores

Revenue-13%



### Infrastructure

#### Construction

##### Concrete:

- Cement
- Readymix
- Aggregates
- Concrete Products
- Concrete Pipes and Quarries

Revenue-30%



### Laminates & Panels

#### The Laminex Group

- MDF
- Particleboard
- LPM
- HPL

#### Formica

- HPL

Revenue-28%



### Steel

#### Coated Steel

##### Long Steel:

- Reinforcing bar, mesh and wire
- Scrap

#### Distribution

Revenue-17%

\* Revenue contribution for 12 months ended 30 June 2010



## Most residential construction markets have improved, but commercial markets weak

Building Consents	June 2010 12 months	June 2009 12 months	June 2008 12 months	10/09 %Mvmt
<b>New Zealand</b>				
- Residential Consents	16,022	14,175	23,261	+13
- Non Res WPIP (\$m)	4,587	5,314	5,067	-14
- Infrastructure WPIP (\$m)	6,303	6,224	5,620	+1
<b>Australia</b>				
<i>Source: Infometrics</i>				
- Residential Consents	166,029	132,968	162,732	+25
- Non Res WPIP (A\$Bn)	35.6	32.9	31.8	+8
- Infrastructure WPIP (A\$Bn)	80.4	75.4	61.1	+7
<b>US</b>				
<i>Source: BIS Shrapnel</i>				
- Residential Construction*	508,700	430,400	721,900	+18
- Commercial & Industrial (US\$Bn)*	48.9	77.8	124.6	-37
- Institutional (US\$Bn)*	110.7	131.9	126.1	-16

\* FY10 data includes estimates for April - June

Source: McGraw Hill



## New Zealand emissions trading scheme

- New Zealand's emissions trading scheme (ETS) extended coverage to industrial and transport emissions on 1 July, 2010.
- Most of our operations that emit CO<sub>2</sub> from fossil fuel combustion do not directly participate in the ETS, but are subject to higher energy costs, passed on by energy suppliers.
- Our cement and steel manufacturing operations are direct participants in the ETS because of process emissions and emissions from imported coal .
  - These operations also meet the threshold tests for emissions-intensive, trade-exposed industries.
  - Both will receive a free allocation of emission units, to partly offset their increased costs.
- Overall the ETS will impose a small additional cost on NZ operations. Reducing emissions and improving energy efficiency will reduce these costs further.

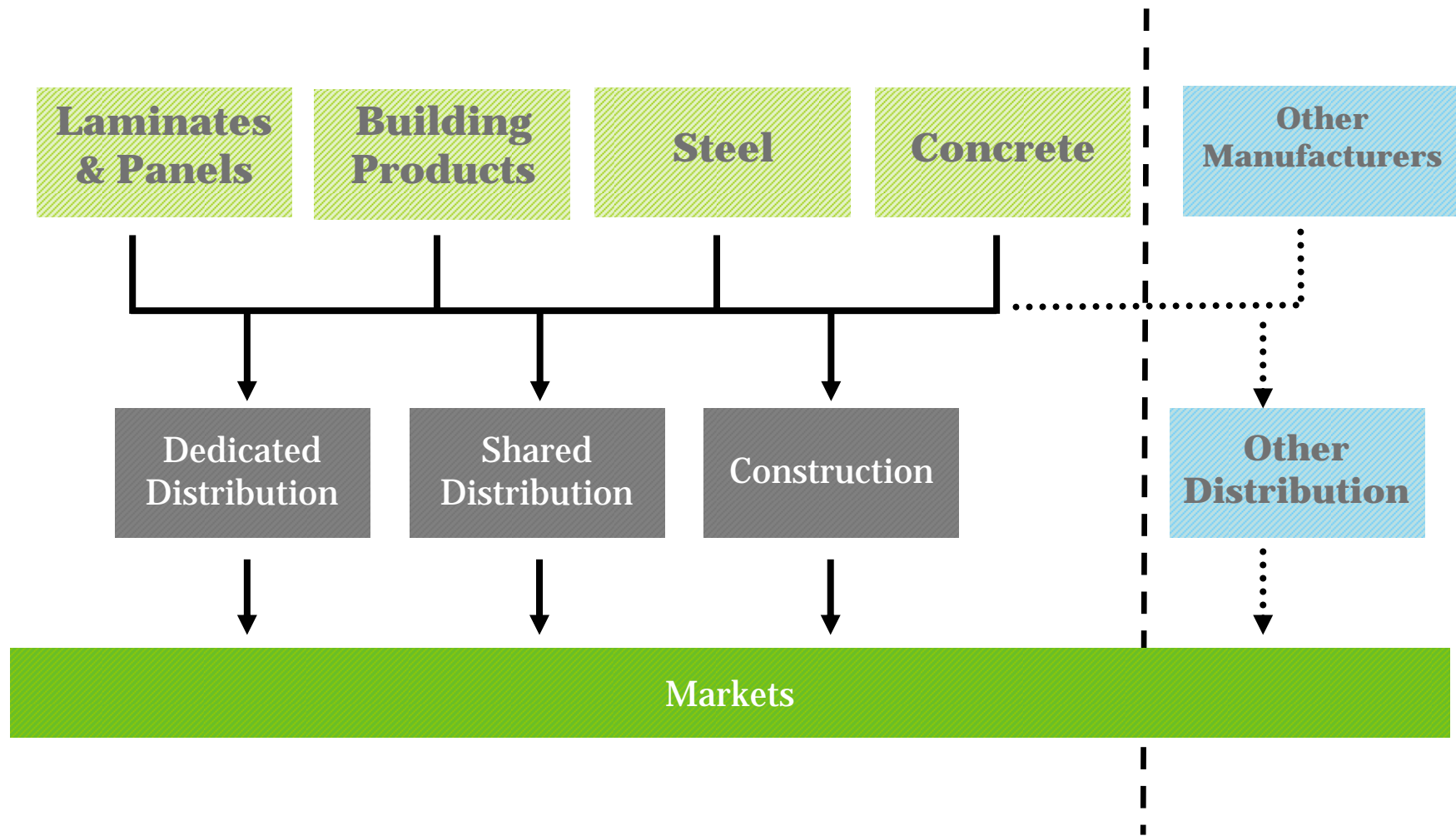




# Strategy



## Fletcher Building has a vertically integrated value chain



## Geographic exposure to end markets

Summary	Residential	Commercial	Infrastructure	Total
<b>New Zealand</b>	51%	25%	25%	100%
<b>Australia</b>	57%	29%	13%	100%
<b>Rest of World</b>	49%	51%	0	100%
<b>Total Group</b>	<b>53%</b>	<b>29%</b>	<b>18%</b>	<b>100%</b>

*Based on 2010 EBIT*



## Strategy

Longer term strategy continues to be:

- improve earnings reliability
- maintain and improve internal capabilities
  - increased focus on growth oriented capex
  - business transformation initiatives
- pursue acquisition opportunities where these meet key investment criteria, with a focus on extending current lines of business.

Our aspirations by geography:

**New Zealand** Maintain and extend domestic businesses, strengthen channels to market.

**Australia** Create the leading Australasian building products and construction materials business by establishing strong market positions.

**International** Develop existing operations into the world's leading laminates and panels business.



## NZ's economic fundamentals are sound

- Banking system has weathered GFC well – no government bailouts required
- Government stimulus measures have been modest – longer term burden on fiscal and monetary policy settings will not be significant
- Key drivers of the economy remain robust – agriculture and tourism
- Net inbound migration up year on year

### Tax changes to come into effect from 1 October 2010:

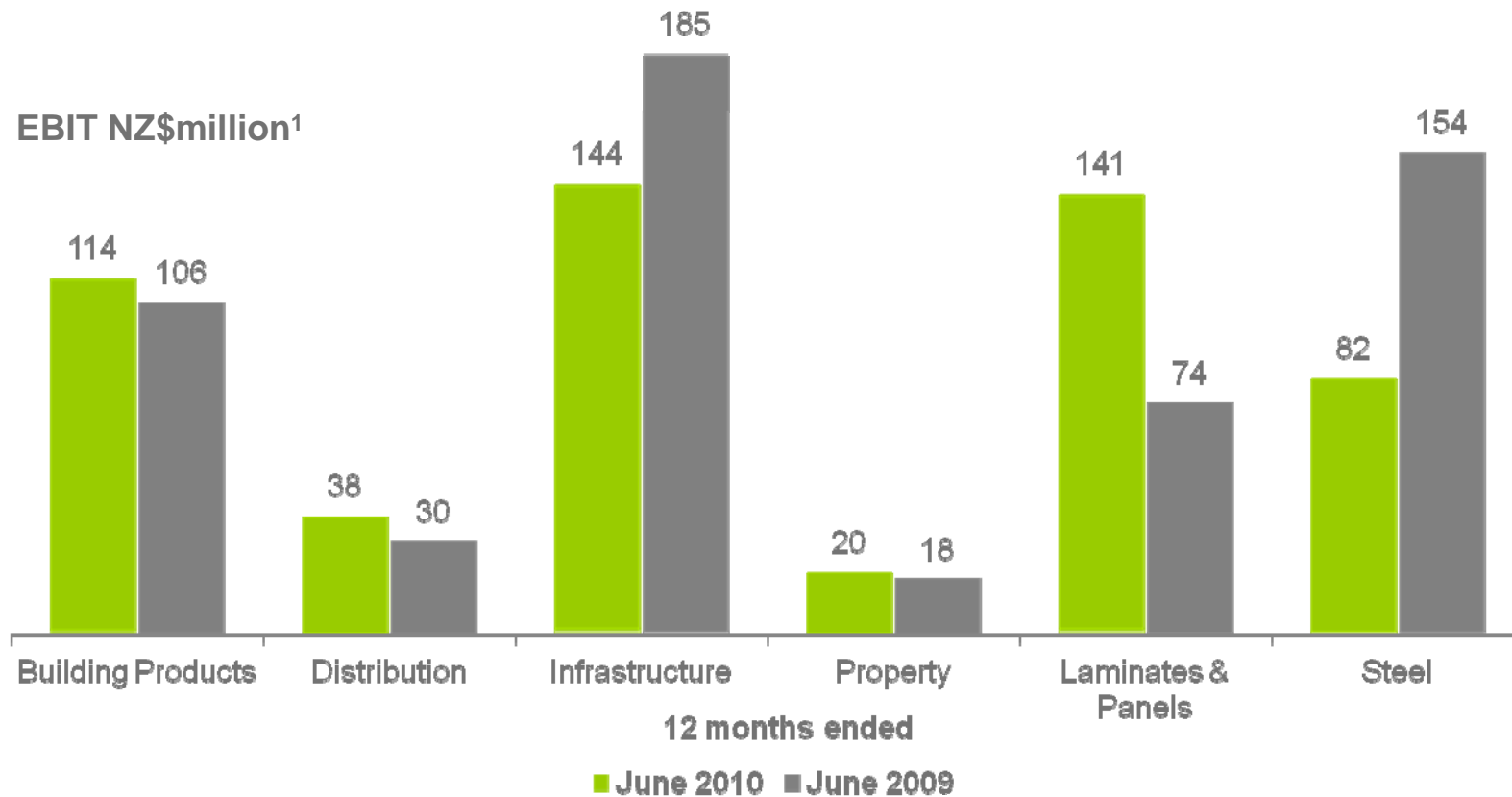
- Top marginal income tax rate to reduce to 33%
- GST (consumption tax) to rise from 12.5% to 15%
- Corporate tax rate to reduce to 28% from 1 July 2011



# Divisional Performance



## Strong earnings recovery in Laminates & Panels, lower volumes in Infrastructure and Steel impacted earnings



1. *Earnings before interest, tax, and unusual items*



## Earnings commentary

- Net earnings aided by improved housing starts in NZ and Australia.
- Continued strong infrastructure spending by NZ and Australian governments.
- Commercial activity levels down in all key markets.
- Steel earnings down, as expected, following extraordinary market conditions in FY2009.
- One-off items had only minor impact on net earnings
  - Insulation scheme termination costs (\$18m)
  - Redundancies - Formica (\$7m)
  - Laminex: surplus property gains \$16m
- Continued strong operating cashflow of \$522m due to focus on cash maximisation
- Unusual item of \$29m due to changes in NZ taxation legislation from 1 July 2011
  - Elimination of depreciation on buildings
  - Reduction in corporate tax rate from 30% to 28%





## Building Products



### Plasterboard

#### *Winstone Wallboards*

- New Zealand's sole manufacturer and leading supplier of gypsum plasterboard

### Insulation

#### *Fletcher Insulation/Tasman Insulation NZ/Forman Group/Home&Dry*

- No.1 in Australasia with approx 35% of bulk glasswool insulation market

### Roof Tiles

#### *AHI Roofing/Decra Roofing Systems*

- Major global supplier of metal roof tiles

### Single Businesses

- Fletcher Aluminium
- Tasman Sinkware



## Building Products result

NZ\$m	June 10 12 Mths	June 09 12 mths	% Δ
Sales	798	771	+4
EBITDA <sup>1</sup>	140	131	+7
EBIT <sup>1</sup>	114	106	+8
Funds Employed	667	644	+4
EBITDA <sup>1</sup> /sales %	17.5	17.0	
EBIT <sup>1</sup> /sales %	14.3	13.7	
ROFE <sup>1</sup> %	17.1	16.5	

1. Excluding unusual items

- **Plasterboard** benefited from improved NZ housing starts in second half and from cost-out initiatives
- **Insulation** earnings impacted by \$18m charge due to Australian government's withdrawal of stimulus package.  
- NZ performed strongly
- **Roof Tiles**  
Earnings up due to growth in volumes in Africa and NZ, and favourable steel prices.



## Building Products: growth in insulation volumes; plasterboard benefitted from positive NZ housing trend

Gross Sales NZ\$m	June 10 12 mths	June 09 12 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Plasterboard	138	144	-4	↓	-	↑
- Insulation <sup>1</sup>	173	156	+11	↑	↓	↑
<b>Australia</b>						
- Insulation	290	216	+34	↑	↓	↓
- Sinkware	32	33	-3	↓	-	↑
<b>Roof Tiles<sup>2</sup></b>	178	198	-10	↑	-	↑

1. Includes Forman & Tasman Access Floors (which now reports into Forman)

2. Includes NZ, Europe, Japan, Africa, USA



## Distribution



### *PlaceMakers*

The premier suppliers of building materials to New Zealand's commercial and residential construction markets

- 62 outlets across New Zealand trading as PlaceMakers
- 34% market share of the core building materials sectors
- No.1 in key building materials
- Trade focus: 85% of sales
- Most outlets operated as joint ventures



## Distribution result

NZ\$m	June 10 12 Mths	June 09 12 mths	% Δ
Sales	878	883	-1
EBITDA <sup>1</sup>	47	40	+18
EBIT <sup>1</sup>	38	30	+27
Funds Employed	139	144	-25
EBITDA <sup>1</sup> /sales %	5.4	4.5	
EBIT <sup>1</sup> /sales %	4.3	3.4	
ROFE <sup>1</sup> %	27.3	20.8	

- Sales stable year over year with a pick-up in activity seen in second half from increase in residential house building.
- Forward indicators for commercial building activity weak.
- 27% growth in operating earnings driven by cost reductions.

1. *Excluding unusual items*



## Infrastructure



### Concrete New Zealand

*Firth/Humes Pipeline Systems/Golden Bay Cement/Winstone Aggregates*

- 15% of NZ aggregates markets
- 55% of NZ cement market
- 34% of NZ readymix concrete market
- 50% of NZ pre-cast and concrete pipe market

### Concrete Australia

*Rocla Quarry Products/Rocla Pipeline Products*

- 35% of Australian concrete pipe market

## Construction

*Fletcher Construction*

- New Zealand's leading construction company
- Commercial (buildings) and Engineering (infrastructure)
- South Pacific (general)

## Property

*Fletcher Residential*

- New Zealand's largest home builder



## Infrastructure result

NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	2,020	2,052	-2
EBITDA			
- Concrete NZ	98	125	-22
- Concrete Aust.	69	78	-12
- Construction	47	52	-10
- Property	20	18	+11
Total EBITDA	234	273	-14
EBIT	164	203	-19
Funds Employed	1,022	1,042	-2
EBITDA/sales %	11.6	13.3	
EBIT/sales %	8.1	9.9	
ROFE %	16.1	19.5	

### NZ Concrete

- Lower volumes in cement, aggregates, readymix and concrete pipe.
- Continued softness in commercial construction activity only partly offset by increase in residential construction.

### Australia Concrete

- Weaker demand for most pipeline products.
- Quarry volumes down year on year.

### Construction

- Infrastructure work levels remained high, driven by government funded work.
- Current backlog \$930m.



## Infrastructure: lower concrete and related volumes in NZ and Australia

Gross Sales NZ\$m	June 10 12 mths	June 09 12 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- NZ Concrete	636	697	-9	↓	↓	↓
- Construction	1,046	1,022	+2	↑	↓	↓
<b>Australia Concrete</b>	386	409	-6	↓	↑	↓





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

EBIT NZ\$m	2H 10	1H 10	2H 09	1H 09
Quarry end use	0	0	0	0
Residential	13	5	8	4
Surplus property assets	0	2	0	6
<b>Total</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>10</b>

Property activities include residential land, quarry end use and other property transactions. With its extensive quarry land holdings, Infrastructure generates 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.



## Laminates & Panels

### Laminex

- Leading high pressure laminate & decorative surfaces
- Estimated Australasian market shares
  - Decorated board – No.1
  - Medium density fibreboard – No.1
  - 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 result

NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	1,930	2,076	-7
EBITDA			
- Laminex	148	99	+49
- Formica	69	59	+17
Total EBITDA <sup>1</sup>	217	158	+37
EBIT <sup>1</sup>	141	74	+91
Funds Employed	1,695	1,832	-7%
EBITDA <sup>1</sup> /sales %	11.0	7.6	
EBIT <sup>1</sup> /sales %	7.3	3.6	
ROFE <sup>1</sup> %	8.3	4.0	

1. Excluding unusual items

### Laminex

- Australian domestic volumes higher due to improved residential, export volumes declined with plant closure.
- NZ volumes down due to slowdown in commercial sector.

### Formica

- North America volumes down 5%.
- Europe: has stabilised with some improvement in Northern Europe.
- Asia: volumes up 8% year on year



## Laminates & Panels: volumes growth in Australia and Asia, offset by flat or weaker volumes in other regions

Gross Sales NZ\$m	June 10 12 mths	June 09 12 mths	% Δ	Volume Δ	Price Δ	EBITDA
<b>New Zealand</b>						
- Laminex	149	178	-16	↓	↑	↑
<b>Australia</b>						
- Laminex <sup>1</sup>	875	875	-	↑	↓	↑
<b>Formica</b>						
- Asia	196	215	-9	↑	↑	↑
- Europe	376	448	-16	-	↑	↑
- Nth America	373	423	-12	↓	↑	↑

1. Domestic volumes, excluding export volumes



## Formica: continued growth in Asia, North America and Europe stabilising

EBIT US\$m <sup>1</sup>	2H 10	1H10	2H09	1H09
Asia	8	12	9	10
North America	8	3	5	-3
Europe	6	-3	-1	1
Corporate	-5	-5	-6	-4
EBIT \$US	17	7	7	4
EBIT <sup>1</sup> (NZ\$)	24	10	12	6

1. Before unusual items



## Steel

### Rollforming and Coated Steel

#### *Pacific CoilCoaters/Stramit Building Products/Dimond*

- Approx. 24% of Australian market (Stramit)
- Major player in New Zealand roofing market (Dimond)

### Long Steel

#### *Pacific Steel Group/Sims Pacific Metals (50%)*

- No.1 in New Zealand market
- 50% shareholding in Sims Pacific Metals
- NZ's sole electric arc furnace

### Distribution

#### *Fletcher Easysteel/CSP Coating Systems/Fletcher Reinforcing*

- Reinforcing bar, flats, rod and wire



## Steel result

NZ\$m	June 10 12 Mths	June 09 12 mths	% Δ
Sales	1,172	1,321	-11
EBITDA <sup>1</sup>	107	175	-39
EBIT <sup>1</sup>	82	154	-47
Funds Employed	535	562	-5
EBITDA <sup>1</sup> /sales %	9.1	13.3	
EBIT <sup>1</sup> /sales %	7.0	11.7	
ROFE <sup>1</sup> %	15.3	27.4	

- Volatile operating environment with uncertain demand and declining prices.
- Long steel prices down 30% but volumes 5% higher driven by exports.
- Lower rollforming and coated steel volumes in Australia and NZ impacted by lower commercial activity.

1. Excluding unusual items



## Steel: prices lower, volumes typically weaker

Gross Sales NZ\$m	June 10 12 mths	June 09 12 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Long Steel	272	361	-25	↑	↓	↓
- Coated Steel	168	175	-4	↓	↓	-
- Distribution & Services	250	334	-25	↓	↓	↓
<b>Australia</b>						
- Rollforming	637	664	-4	-	↓	↓





# Financial Results



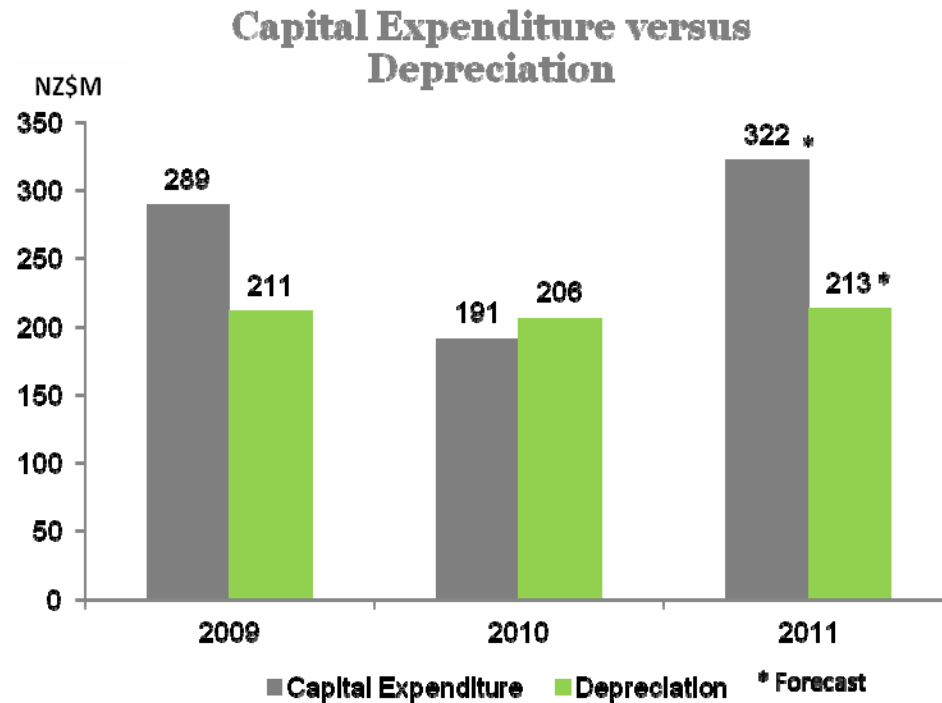
## 2010 annual results summary

NZ\$m	June 2010 12 months	June 2009 12 months	% Change
Sales	6,799	7,103	-4
EBITDA <sup>1</sup>	727	769	-5
EBIT <sup>1</sup>	521	558	-7
Net earnings <sup>1</sup>	301	314	-4
Unusual items after tax	-29	-360	
Net earnings	272	-46	
EPS – cps <sup>1</sup>	49.7	59.7	-17
Dividend - cps	29	38	-24

1. EBITDA, EBIT, Net Earnings and EPS all before Unusual Items



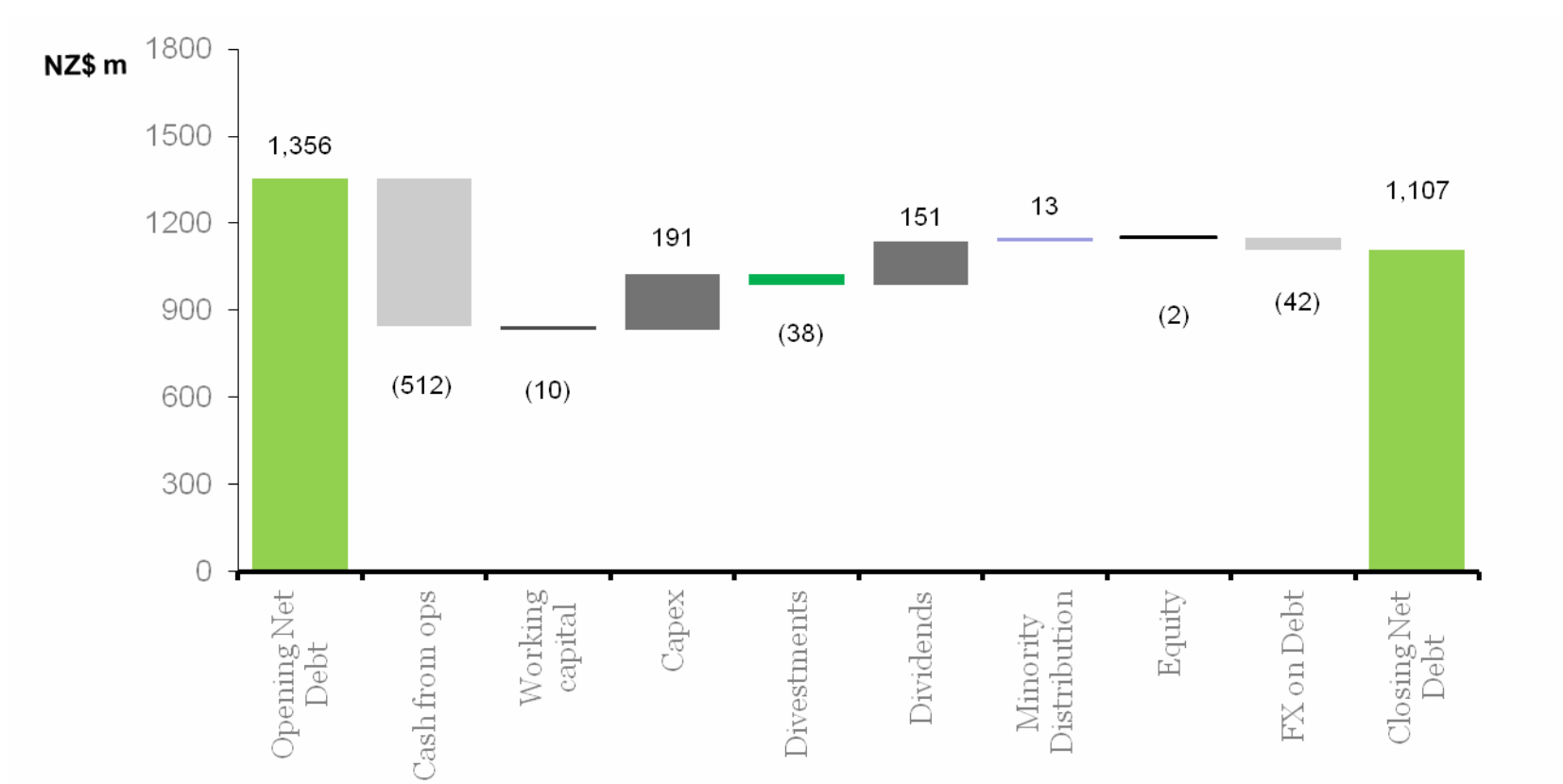
## Capital expenditure – focus shifting to growth-orientated initiatives



- Stay-in-business capex approx 60% of depreciation.
- Growth capex includes acquisitions:
  - ACP acquisition already completed
- Other growth capex:
  - Laminex MDF plant upgrade
  - New construction materials recycling plant
  - PlaceMakers store expansion

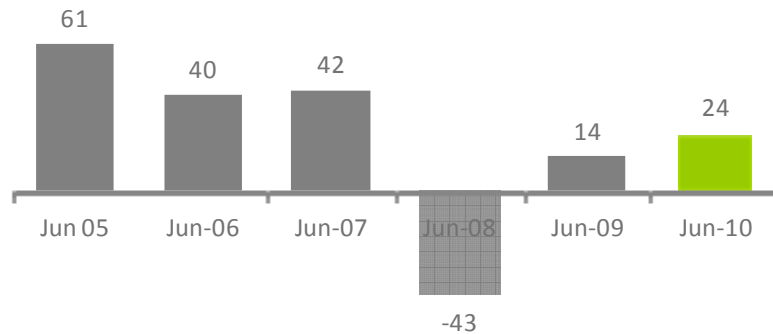


## Net debt levels have continued to reduce

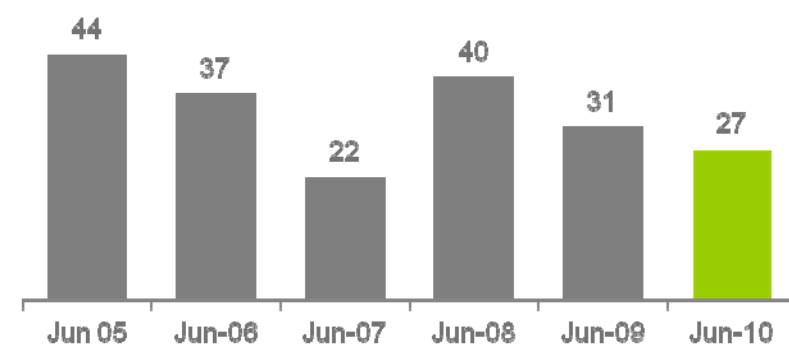


## Key Ratios

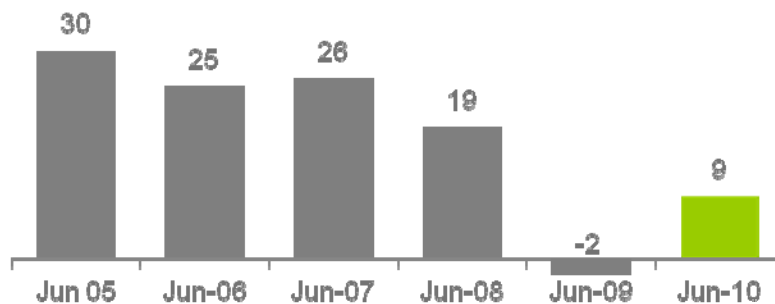
**Total Shareholder Return (TSR) Percentage**



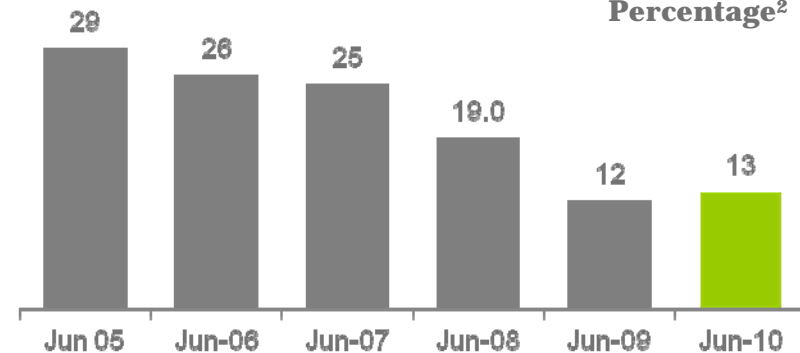
**Debt/Debt Plus Equity Percentage**



**Return on Average Equity Percentage<sup>1</sup>**



**Return on Average Funds Percentage<sup>2</sup>**

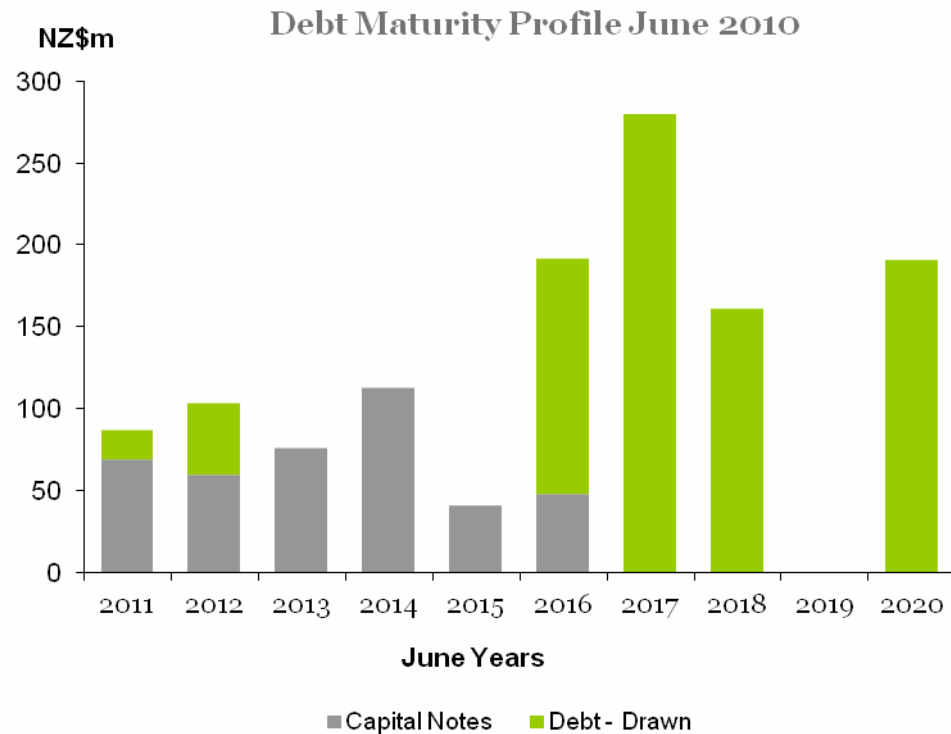


1. Net earnings / average equity

2. Earnings before interest, tax, and unusual items / average funds



## Debt maturity profile



- Undrawn credit lines of \$1,130 million.
- Average maturity of debt is over 5 years.
- Average interest rate on debt is 7.3%.
- 93% of borrowings are at fixed rates.



# Outlook



## Outlook 2011

Caution required in formulating outlook for 2011:

New Zealand:

- Slow and gradual continuing recovery in residential building activity.
- Commercial construction activity expected to remain at very low levels.
- Infrastructure spending likely to dip in 2011 before growing in 2012.

Australia:

- Residential building activity expected to be sustained.
- Commercial likely to remain subdued; infrastructure has had momentum but outlook less certain.

North America and Europe: gradual improvement likely, but timeframes uncertain.

Asia: most markets have reasonable growth prospects.

