



Analyst Introduction to Steel Division

Paul Zuckerman - Chief Executive
Fletcher Building Steel Division

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 February 2009 half year results, 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.

A brief history of steelmaking in New Zealand

Pacific Steel Group, Auckland - EAF

- Ingot casting started in 1962. 3 strand ROKOP concaster installed 1979
- Wire mill operations also commenced in 1962 as GKN
- 2nd hand Lamberton cross-country rolling mill installed 1962
- New Krupp 50 tonne EAF installed 1972
- Price control removed 1985, but briefly continued for NZS
- 42% owned by NZ Steel in 1986, who then supplied some billet
- Sims scrap JV commenced December 1992 on adjacent site with the existing Fletcher shredder
- New Danieli rod & bar mill installed 1997

New Zealand Steel, Glenbrook – Integrated Steelworks

- Commenced in 1968 processing imported coil on a galvanising line
- Pioneering ironsand based steel making facilities added in the 1970's
- Owned by the NZ government in 1980's
- 110MW cogeneration capacity added in 1998
- In the 1990's, BHP takes control of the facility
- Now positioned to realise its competitive advantage based on its unique process under BSL ownership.

Fletcher Steel Engineering Company, Wellington, 1965. View looking west toward airport and city. Quarantine facility is on Somes Island in centre

The Steel Division's breadth of operations is unique



Scrap Collecting



Rebar



Reinforcing
Mesh



Painted
Coil



Coil End Use,
Kauri Cliffs



Coating on Armco
Railing



Safety Tower
at Wednesday
Peak



Merchant
Steel



Te Apiti Wind
Farm, Taranaki



Plate Cutting



Wire

Long Steel

Business

Sims JV
Pacific Steel Group
Fletcher Reinforcing
Fiji Rolling

Operations

Scrap collection
Bar and wire rod making
Reinforcing fabrication
Mesh

Markets

Construction industry
Infrastructure

Coated Steel

Pacific Coilcoaters
Dimond
Stramit

Paints coiled steel
Rollformed roofing & cladding
Other rolled products
Australia and NZ

Residential building
Commercial construction
Infrastructure

Steel Distribution

Fletcher Easysteel
CSP Coating Systems
Cyclone

Steel stockist and distributor
Galvanising services
Fencing and wire products

NZ construction & manufacturing
Infrastructure
Rural and vineyards

Long Steel provides 100% recycled product to the market



Scrap. Benchmark is at
~US\$480/t cfr Korea



- 15 year old JV with Sims Group, the world's leading metals recycling business
- NZ's largest national scrap operation
- Operates NZ's only shredders
- Shreds 110,000 cars p.a.
- Major customer is Pacific Steel, adjacent to the recycling operation
- Exports ferrous and non-ferrous



PACIFIC STEEL GROUP



Billet



Wire Rod
Laying Head



Rebar



Bright Drawn
Wire

- Commenced operations in 1962
- Only long steel maker in NZ
- 300,000 tonne plant
- Recently upgraded capacity
- Wire making and galvanising
- Focussed domestically
- Australian exports
- Seismic rated product range



Reo placing



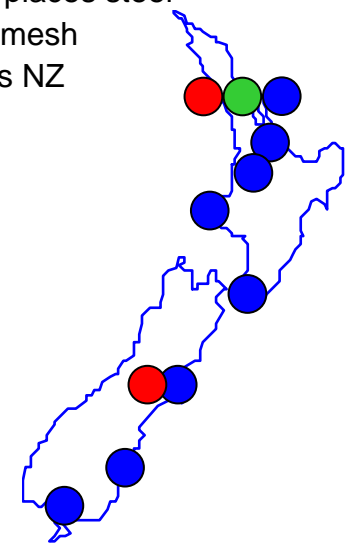
Mesh



Sky Tower

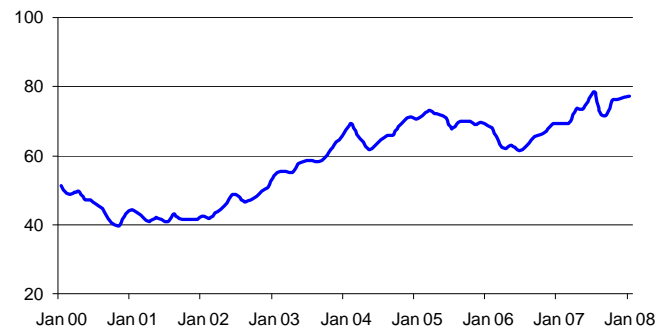
- Major NZ reinforcing fabricator
- Cuts, bends and places steel
- Makes and sells mesh
- Eight sites across NZ

- Sims Shredders (Red circle)
- Pacific Steel Group (Green circle)
- Fletcher Reinforcing (Blue circle)

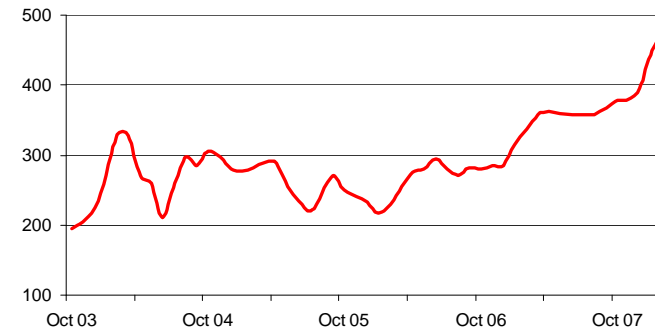


Long Steel Drivers – a mix of global and local influences

NZD:USD FX Rate



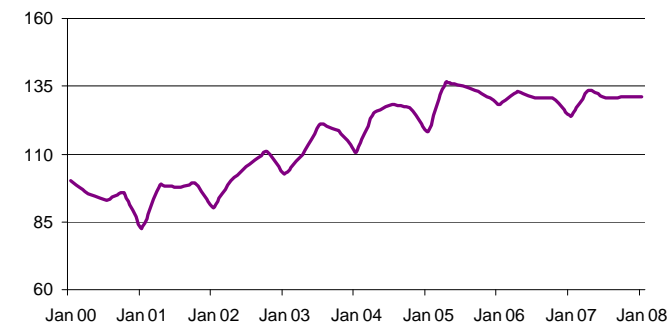
East Asia Import HMS Scrap (\$/t)



Asia Rebar Price (US\$/t)

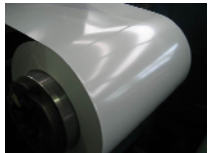


NZ Construction Index



Note/Source: The NZ Construction Index is an equal weighting of Infometrics real gross fixed capital formation in Residential, Non-residential, and Other Construction.

Coated Steel – Premium construction products & services



Painted Steel Coil



PCC Coil on Kauri Cliffs Roof

- Part of Fletchers since 1988
- One of two coil painters in NZ
- Domestically focussed
- Strong brand recognition

Dimond



Westpac Stadium Cladding and Roof



Long Span Commercial Roof and Purlins

- Part of Fletchers since 1988 from Winstone
- Operates across NZ
- Rollformed roofing and wall cladding products
- Commercial & Residential construction focus
- Light structural sections



Gold Coast Convention Centre, QLD



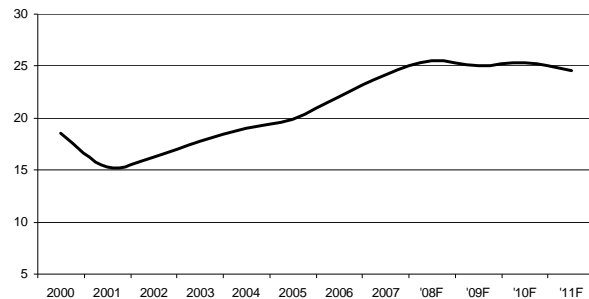
Corrugate House

- One of Australia's leading rollformers
- Stramit purchased from Amatek in 2005
- 27 customer centres across Australia
- Growing downstream w/ FDHS acquisition
- Roller Door production in Victoria
- Rollformed roofing and wall cladding
- Commercial & Residential construction
- Light structural sections

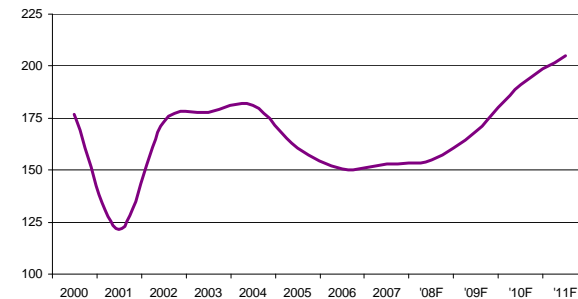
"Moving towards wider supply of the metal building package, reducing supply chain complexity"

Coated Steel Drivers – regional construction activity

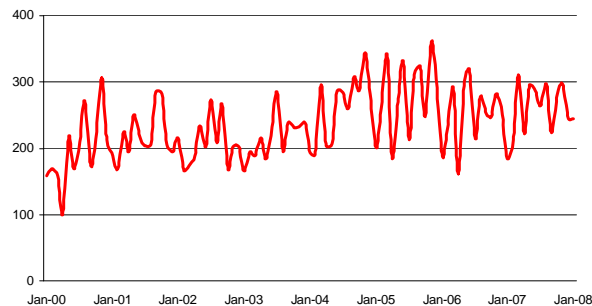
Australian Real Non-res. Work Done (A\$b p.a.)



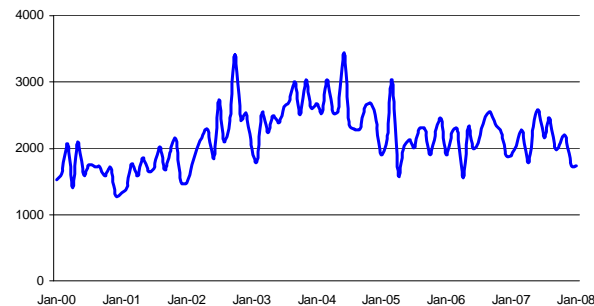
Australian Residential Approvals (,000 p.a.)



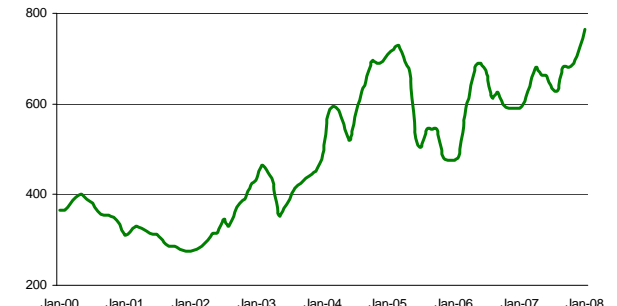
Deflated NZ Monthly Non Residential Value



Monthly NZ New Residential Consents



Cold Rolled Coil Price (US\$/t)



Sources: NZ data is Infometrics. Australian data is BIS Shrapnel.

Steel Distribution – servicing our customer's needs



Dipping Wire



Small Parts

- Two sites – AKL and CHCH
- Biggest zinc bath in NZ
- Closely tied to customers



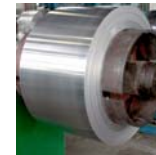
Engineering Rounds



Pipes into Rural



HC Bar



Coil Processing

- Leading stockist/distributor of long and flat steel
- 13 nationwide locations, servicing 10,000 customers
- New Auckland plate profiling centre – Jan 2008
- Wide range of steel products



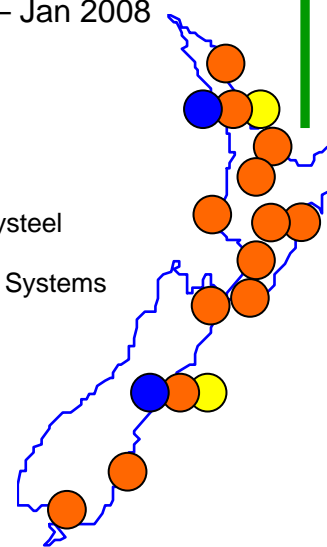
Line Wire



Staples

- Fencing products
- Staples
- Coiled wire
- Servicing the rural market

- Fletcher Easysteel
- CSP Coating Systems
- Cyclone



The Australasian steel industry structure is improving



Australia

Long Steel

OneSteel Smorgon merger
BestBar/Tata - reinforcing
ATM, Orrcon - pipe/tube/rhs

Coated Steel

BlueScope Steel
Lysaght, **Stramit**, Metroll,
Steeline, Fielders, Stratco,
others

Steel Distribution

OneSteel, BlueScope
Southern Steel, CMC
others

New Zealand

Pacific Steel
Fletcher Reo, S&T, United Ind,
others

BlueScope/New Zealand Steel
Dimond, **Pacific Coil Coaters**,
S&T, Metalcraft,
others

Fletcher EasySteel
Steel & Tube (50% OST)
SteelPlus
Vulcan

Major Imports

Asian rod, bar, pipe, beams

Coated steels from Asia

Focus on major projects

Steel continues to grow and invest for the future



Improved geographic coverage, New Plymouth branch.



New plate profiling equipment.



Acquired Fair Dinkum, Garage World and Eziform.
Significant investment in regional plants, equipment.
New modern, efficient site in Melbourne.



Aligned into Fletcher Easysteel for
customer and logistics synergies.



Large investment in new curing ovens and coil cleaning unit.



New chemical processes.
Exited Technology business.



New rollforming facility in Christchurch.



New Auckland high capacity shredder and processor
installed January 2008.
Container handling equipment installed.



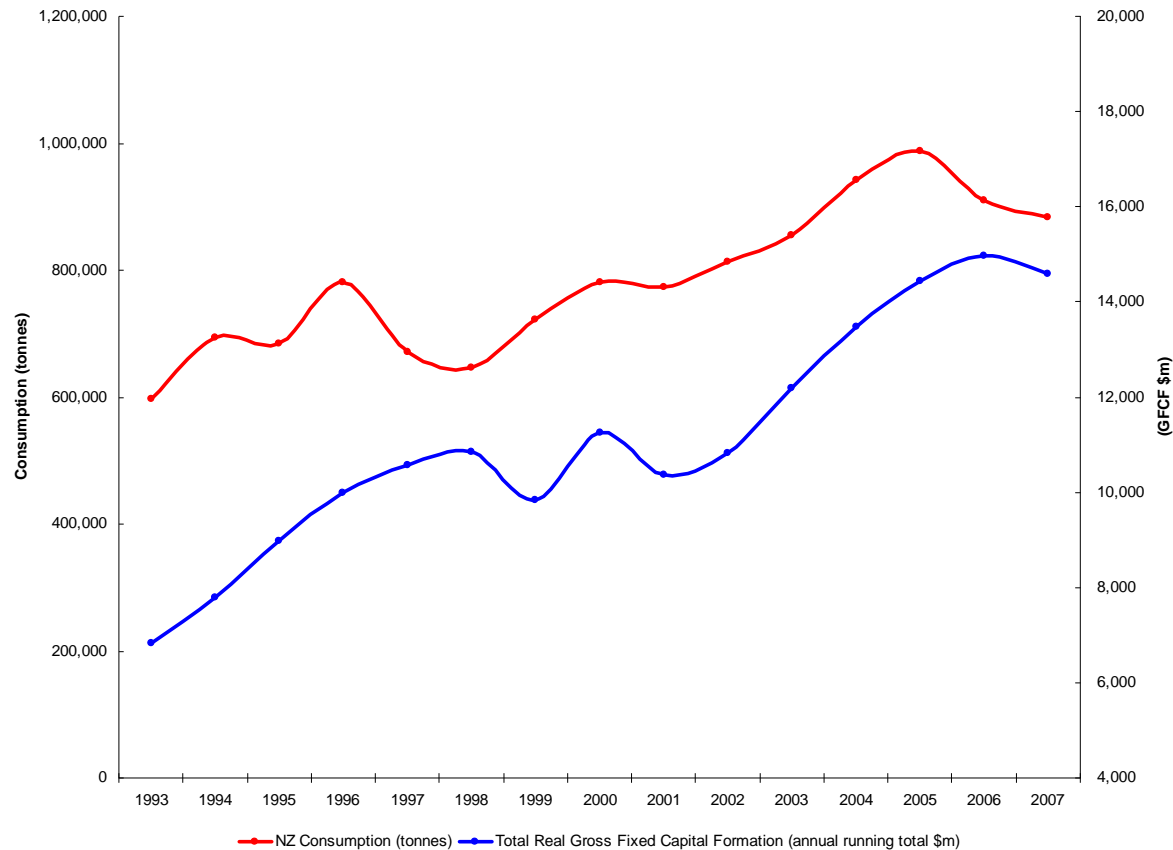
PACIFIC STEEL GROUP

Steel Plant capacity upgrade to 300,000 tonnes Jan 2008.



New Sims Pacific Metals Auckland Ferrous Shredder

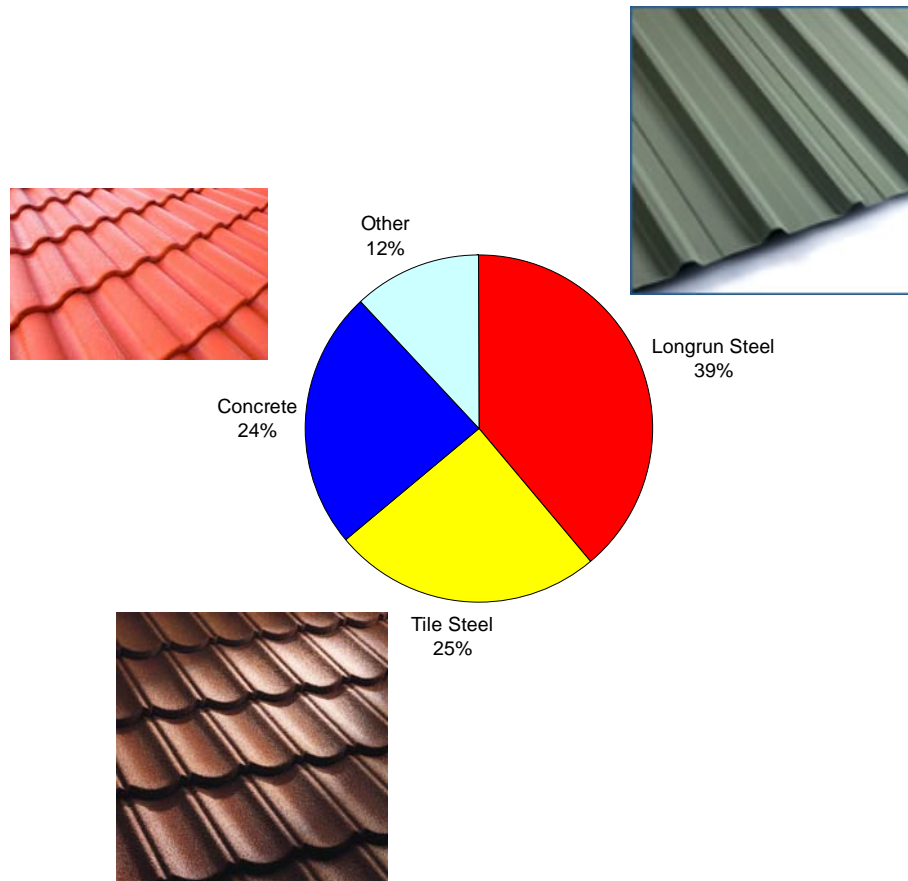
NZ steel consumption has risen steadily



MAIN SEGMENTS

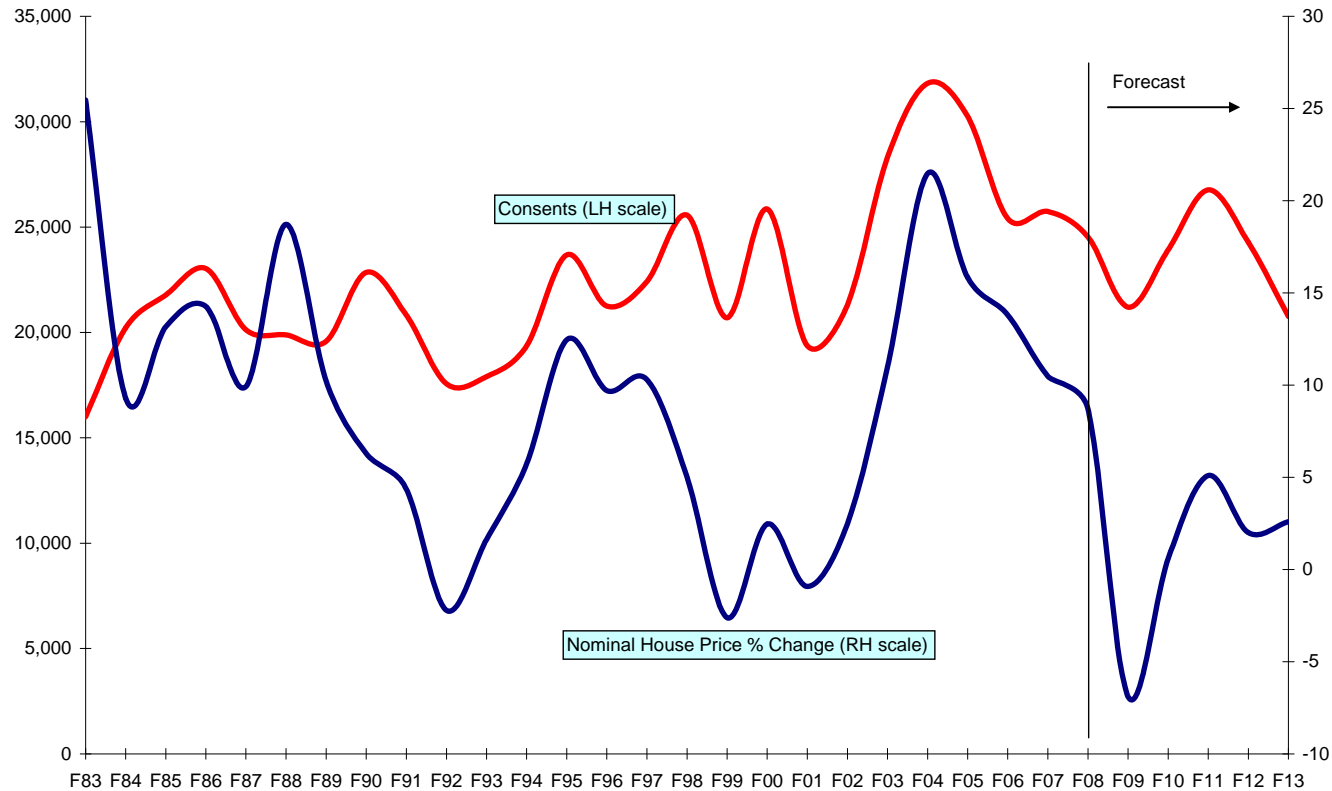
- Residential Construction
- Commercial/Industrial
- Manufacturing Sector
- Heavy Buildings
- Infrastructure and Engineering
- Rural and Specialty

The NZ residential market



- Housing activity is currently depressed with modest price declines
- Pressed and stone coated steel tiles service 1/4 of the roofing market
- Sector revenue is estimated at ~NZ\$180m
- Estimated 30,000 steel tonnes
- Many rollformers, 3 with national presence
- Concrete tiles are a less significant roofing product in New Zealand than in Australia.

A forecast drop in residential activity is becoming reality



New Zealand's first State House at Miramar in Wellington. Built by the Fletcher Construction Company in 1937.

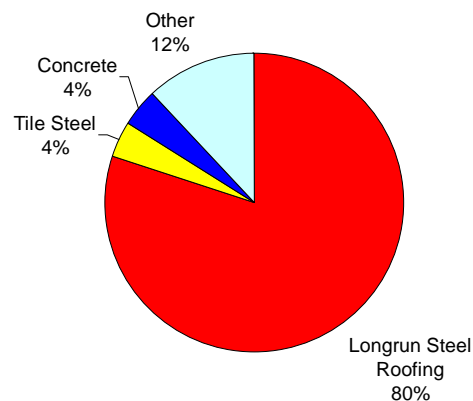


New house built by Fletcher Residential in Auckland, 2007

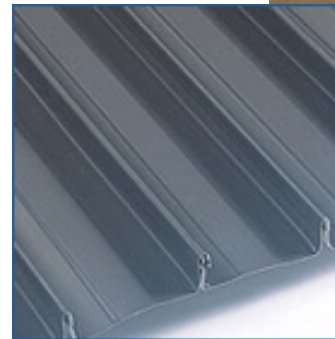
Source: Infometrics

The NZ commercial & industrial building market

- Very strong steel share
- Membranes are more significant than in the residential sector
- Sector revenue is estimated at ~NZ\$220m
- Estimated 75,000 steel tonnes

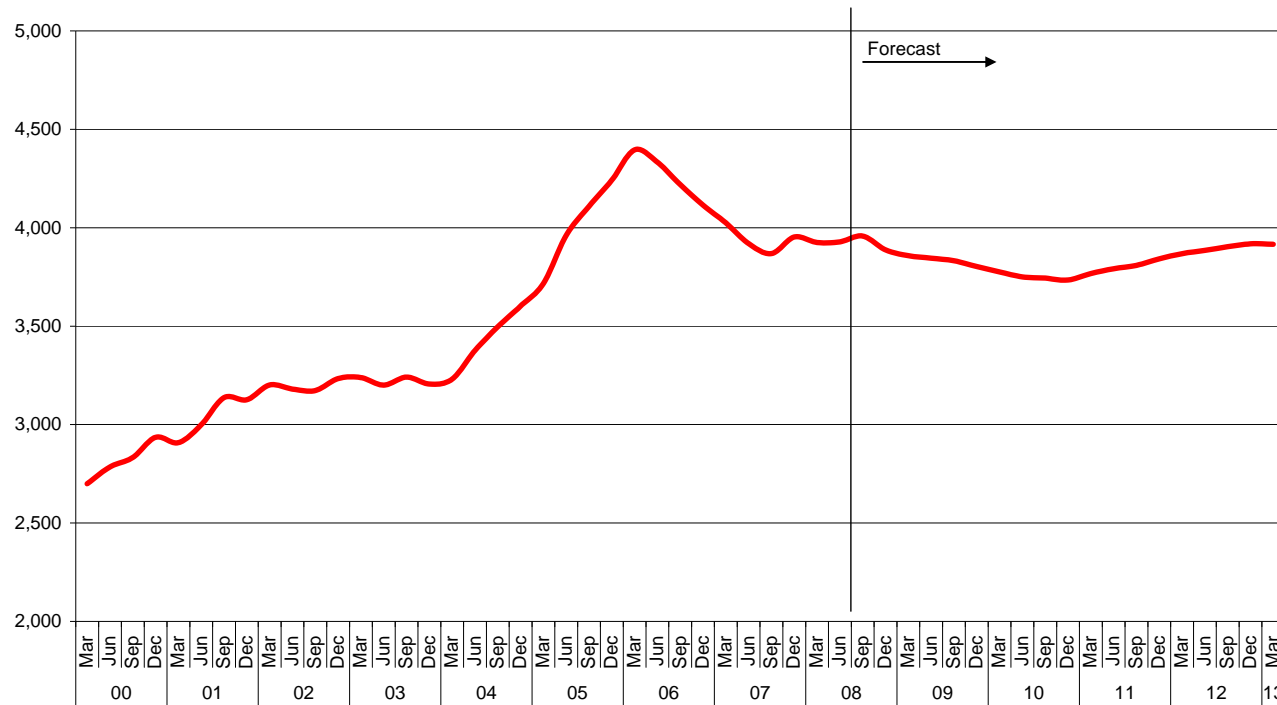


Delegat's winery, Blenheim

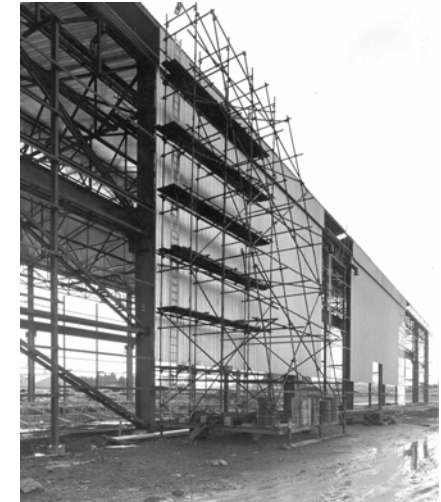


Commercial building activity is forecast to soften as well

Non-residential activity at 1995 - 96 prices. Gross fixed capital formation (\$m)



Source: Infometrics

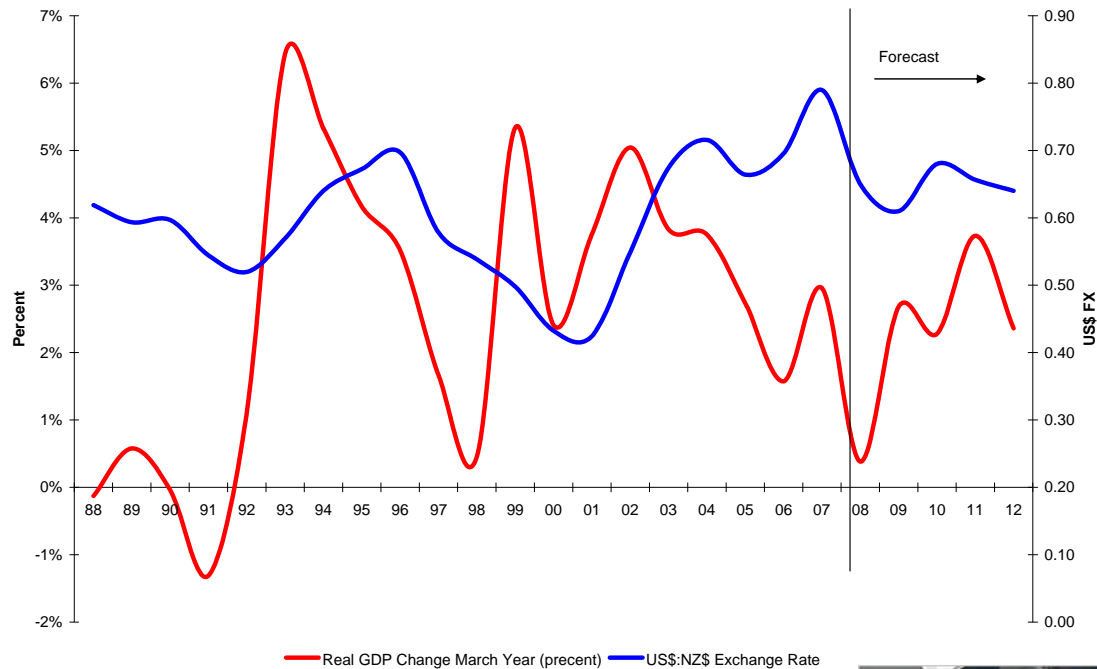


Installing steel plant cladding at Pacific Steel in 1962. This building housed ingot casting until 1979.



88 metre long Dimond sheets, Palmerston North 2008.

Manufacturing has moved off shore and spending is down



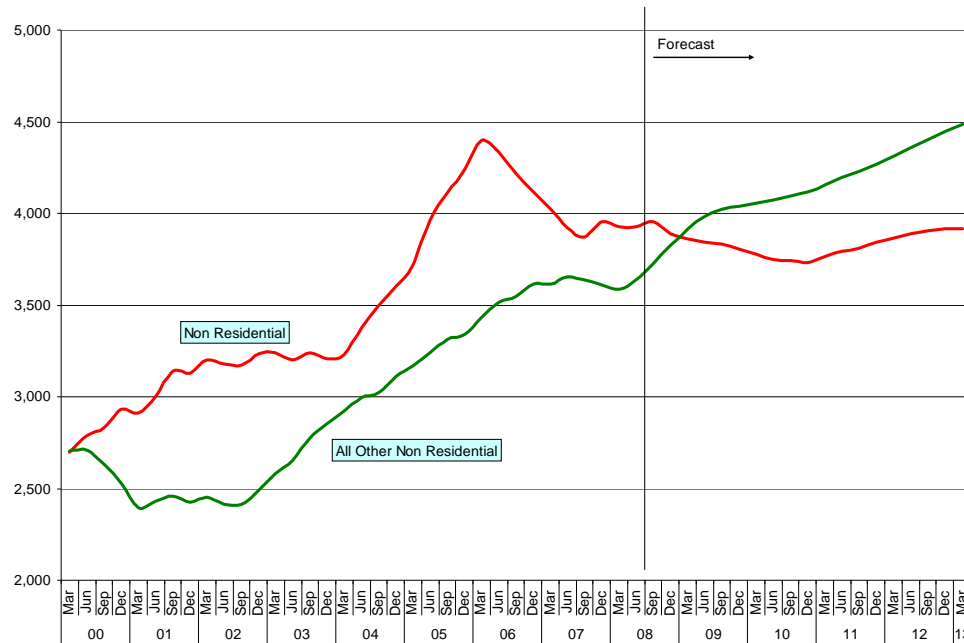
- GDP and FX rate are fundamental drivers.
- Circa 300,000 tonnes are consumed: flat, merchant, special steels, etc
- There has been some migration of manufacturing to non-OECD countries. An example is Fisher and Paykel to Thailand
- A slump in profitability heralds a potential sharp pull-back in capex



Source: Infometrics

Heavy construction projects continue to hold up the market

Activity at 1995-1996 prices. Gross fixed capital formation (\$m)



- GDP growth went into negative territory in Q1 2008, but genuine recession likely began in Q2
- Circa 300,000 tonnes consumption p.a., principally reinforcing, merchant bar, structural sections, and beams
- Stadia: Rugby World Cup in 2011: Eden Park, AMI Christchurch, Carisbrook Dunedin
- Solid backlog of private and Government work - hospitals, education, prisons, etc.



Auckland Hospital extension



Wellington Hospital

Large scale infrastructure and engineering projects continue

- Fueled by government spending
- Significant participants are Downer, Fletchers, Mainzeal, and Multiplex
- Serviced by large regional fabricators
- Steel usage of 150,000+ tonnes per annum
- Upgrades to transportation - Manukau harbour crossing, New Lynn railway, Waterview trench, Tauranga Harbour link, Victoria Park
- Development of Power Generation – Windfarms and geothermal



Investment in power generation is forecast to be strong

- 3% of NZ's electricity is from wind but its share is growing fast
- 20% effective capacity share in Denmark, which is less windy
- Medium term expectation for wind is for vicinity 1200 MW, which would consume about 25,000 tonnes of steel just in the foundations
- Makara farm is 62 turbines for total 140 MW
- Typically EU-made blades, gears and generator. Rolled tower sections are 12mm to 30mm G300 plate.
- Current max scale is 100m rotor with 5MW generator

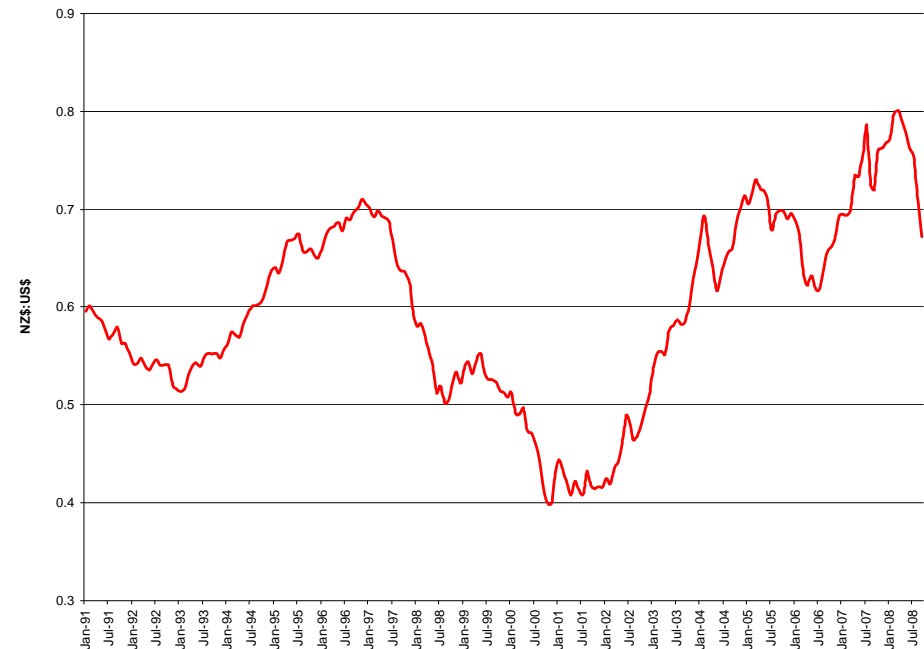


48 tonnes of steel in each 15m base of the 112m high Makara turbines

Beyond our control but must be monitored...

- Kiwi/USD and AUD/USD exchange rates
- Export economics – dairy, seafood, beef, timber, aluminium, etc.
- Banking/credit crisis
- Change in government policy toward spending
- Global steel demand as US and EU consume less
- Iron ore/scrap costs and output pricing
- Ocean freight rates

NZD USD Exchange Rate 1991-2008



Steel Division - Summary



- Fletcher Steel is a NZ\$1.5B business
- Holds a unique and significant position in the Australasian region
- History of growth and performance
- We continue to invest for the future
- Solid brands with a reputation for service and innovation