



# Investor Presentation March 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 2009 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 Overview
- Strategy
- Divisional Performance
- Financial Results
- Outlook





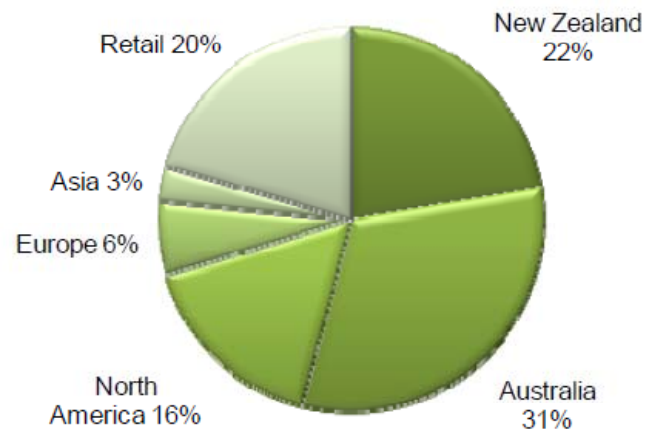


# Company Overview



## Fletcher Building at a glance

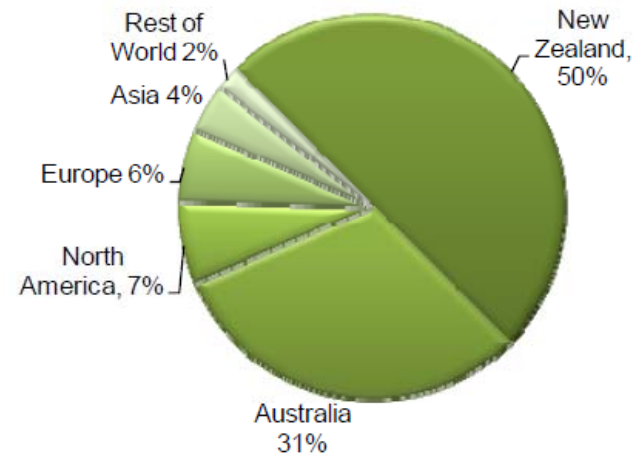
- Revenue - year to 30 June 2009: NZ\$7,103 million
- Market Capitalisation NZ\$4.8 billion  
Ranked # 1 on NZX  
# 65 on ASX
- Employees: 16,000
- Listed on NZ and Australian Stock Exchanges
- Shareholders:



*\* As at 31 December 2009*

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### Revenues:



*\* Year ended 30 June 2009*



## Market leading business



Building  
Products

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

- Aluminium
- Sinkware

Revenue-13%



Distribution

**Building Materials  
Distribution**

- 63 PlaceMakers stores

Revenue-13%



Infrastructure

**Construction**

**Concrete:**

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

Revenue-29%



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 6 months ended 31 December 2009



## Residential construction activity: record lows in most markets; NZ and Australia improved in the second quarter

Building Consents	Dec 2009 12 mth rolling	Dec 2008 12 mth rolling	Dec 2007 12 mth rolling	09/08 % Mvmt
New Zealand	14,425	18,456	25,590	-22
Australia	144,992	146,912	159,358	-1
US <sup>1</sup>	569,000	859,000	1,388,000	-34
England <sup>2</sup>	83,070	127,210	170,810	-35
Spain <sup>3</sup>	120,195	280,370	673,898	-57

1. Years to December. 2009 figure provided by McGraw Hill, includes single and multi-family dwellings

2. England figures are housing starts for 12 months to September: 2009 figure is provisional

3. 12 months ended 30 November; includes single and multi-unit developments



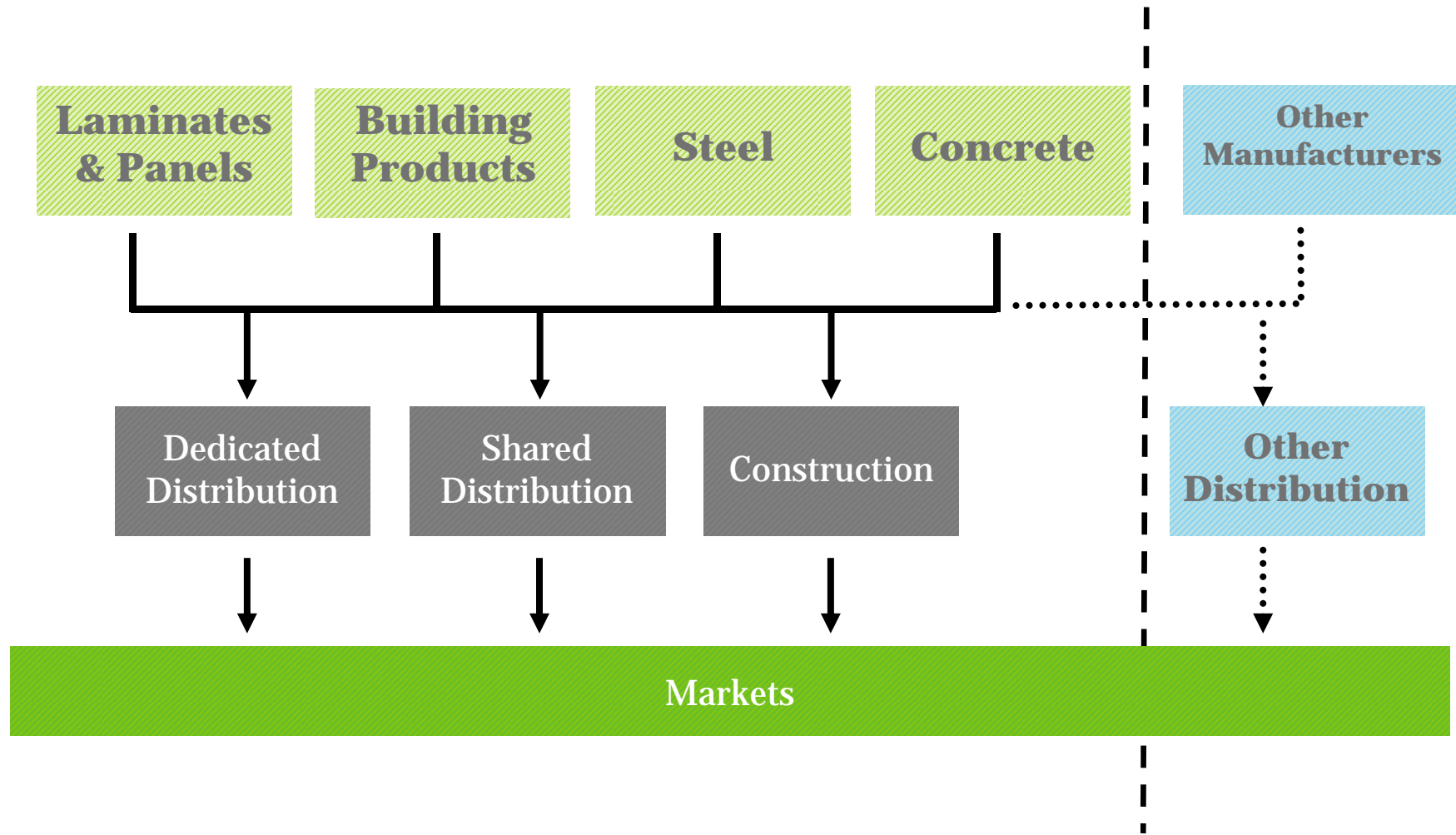
## NZ economic fundamentals are sound

- 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





## Fletcher Building has a vertically integrated value chain



## Strategy

Longer term strategy continues to be:

- improve earnings reliability
- maintain and improve internal capabilities
- pursue acquisition opportunities where these meet key investment criteria

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.



## Significant restructuring of cost base undertaken:

- Employee numbers reduced by 3,000 to 16,000 worldwide
- Plant closures in NZ (particleboard and door plants) and Australia (MDF plant)
- Projects in train in Laminex and Formica addressing customer profitability, cost-to-serve, direct and indirect supply chain costs
- Continued focus on capital management
- Capex reduced to below rate of depreciation:
  - 1H10: \$77m Capex versus \$101m depreciation
  - working capital reductions



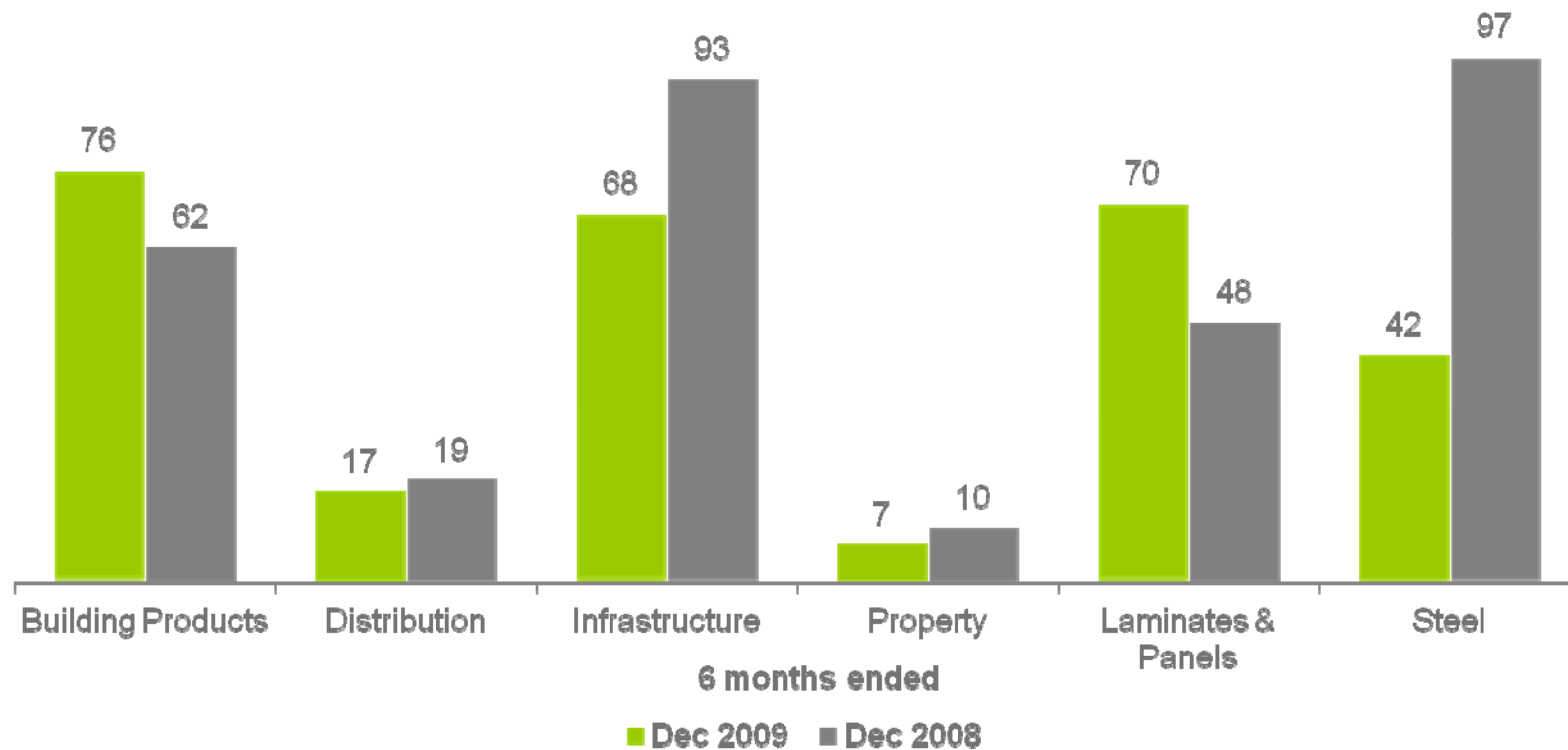


# Divisional Performance



## Strong performance in Building Products, Laminates & Panels, while Steel had lower volumes and prices

EBIT NZ\$million<sup>1</sup>



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





## 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 50% of bulk glasswool insulation market

### Roof Tiles

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

- World's leader supplier of metal roof tiles

### Single Businesses

- Fletcher Aluminium
- Tasman Sinkware



## Building Products result

NZ\$m	Dec09 6 mths	Dec 08 6 mths	% Δ
Sales	436	412	+6
EBITDA <sup>1</sup>	89	74	+20
EBIT <sup>1</sup>	76	62	+23
Funds Employed	641	655	-2
EBITDA <sup>1</sup> /sales %	20.4	18.0	
EBIT <sup>1</sup> /sales %	17.4	15.0	
ROFE <sup>1</sup> %	23.7	18.9	

- **Plasterboard** performance impacted by low NZ housing starts in first quarter, some improvement in second quarter.
- **Insulation** strong demand in Australia from government stimulus package.
- **Roof Tiles**  
Export markets mixed improved trend in NZ.

1. Excluding unusual items



## Building Products: volumes typically lower but strong growth in Insulation due to government stimulus

Gross Sales NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Plasterboard	89	115	-23	↓	-	↓
- Insulation <sup>1</sup>	84	82	+2	↑	↑	↑
- Roof Tiles <sup>2</sup>	94	107	-12	↓	↑	↑
<b>Australia</b>						
- Insulation	174	106	+64	↑	↑	↑
- Sinkware	17	18	-6	↓	↑	↑

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

2. Includes US based Decra business



## Distribution



### *PlaceMakers*

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

- 63 outlets across New Zealand principally trading as PlaceMakers
- 34% market share of the core building materials sectors
- No.1 in key building materials
- Trade focus: 85% of sales
- 50 of the 63 outlets operate as joint ventures rather than a franchise model



## Distribution result

NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ
Sales	435	481	-10
EBITDA <sup>1</sup>	22	24	-8
EBIT <sup>1</sup>	17	19	-11
Funds Employed	141	189	-25
EBITDA <sup>1</sup> /sales %	5.1	5.0	
EBIT <sup>1</sup> /sales %	3.9	4.0	
ROFE <sup>1</sup> %	24.1	20.1	

- Sales impacted by weak NZ housing starts but pick up in activity seen in second quarter.
- 10% cost reduction from reduced employee numbers and lower facility costs.
- Frame and truss manufacturing continues to see productivity gains.

1. *Excluding unusual items*





## Infrastructure



### Concrete New Zealand

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

- 25% of NZ aggregates markets
- 50% of NZ cement market
- 33% of NZ readymix concrete market
- 55% 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	Dec 09 6 mths	Dec 08 6 mths	% Δ
Sales	974	1,018	-4
EBITDA			
- Concrete NZ	44	66	-33
- Concrete Aust.	37	40	-8
- Construction	22	21	+5
- Property	7	10	-30
Total EBITDA	110	137	-20
EBIT	75	103	-27
Funds Employed	1,047	1,064	-2
EBITDA/sales %	11.3	13.5	
EBIT/sales %	7.7	10.1	
ROFE %	14.3	20.2	

### NZ Concrete

- Lower volumes in cement, aggregates, readymix, masonry and concrete pipe.
- Continued softness in residential & commercial construction markets.

### Australia Concrete

- More favourable mix in quarries and non-pipe concrete products.

### Construction

- Infrastructure work levels remained high, but commercial activity weaker.
- Backlog \$1.1 billion as at Dec 09.



## Infrastructure: lower concrete volumes in NZ and Australia

Gross Sales NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- NZ Concrete	310	361	-14	↓	↓	↓
- Construction	519	485	+7	↑	↓	-
<b>Australia Concrete</b>	202	218	-7	↓	-	↓



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

EBIT NZ\$m	1H 10	2H 09	1H 09	2H 08	1H 08
Quarry end use	0	0	0	42	0
Residential	5	8	4	8	11
Surplus assets	2	0	6	0	19
<b>Total</b>	<b>7</b>	<b>8</b>	<b>10</b>	<b>50</b>	<b>30</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.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 result

NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ
Sales	965	1,069	-10
EBITDA			
- Laminex	79	64	+23
- Formica	27	25	+8
Total EBITDA <sup>1</sup>	106	89	+19
EBIT <sup>1</sup>	70	48	+46
Funds Employed	1,695	2,289	-26
EBITDA <sup>1</sup> /sales %	11.0	8.3	
EBIT <sup>1</sup> /sales %	7.3	4.5	
ROFE <sup>1</sup> %	8.3	4.2	

1. Excluding unusual items

### Laminex

- Volumes down in NZ and Australia.
- Cost savings and lower input costs boosted performance.

### Formica

- US and European markets weak, Asia markets stable overall with regional variability
- Prices remained firm and resin costs decreased.
- Continued improvement in operating performance.



## Laminates & Panels: Asian region stronger overall but all other markets were weaker

Gross Sales NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Laminex	79	101	-22	↓	↑	↑
<b>Australia</b>						
- Laminex	439	455	-4	↓	-	↑
<b>Formica</b>						
- Asia	101	112	-10	↑	↑	↑
- Europe	192	228	-16	↓	↑	↓
- Nth America	175	211	-17	↓	↑	↑



## Formica: continued growth in Asia while North America and Europe weak

EBITDA NZ\$m <sup>1</sup>	1H10	2H09	1H09	2H08
Asia	21	19	20	14
North America	11	17	2	-17
Europe <sup>2</sup>	2	8	9	30
Corporate	-7	-9	-6	-17
EBITDA <sup>1</sup>	27	35	25	10

1. Before unusual items

2. Includes \$5m of restructuring costs in 1H10



## Steel



### Rollforming and Coated Steel

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

- Approx. 25% 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	Dec 09 6 mths	Dec 08 6 mths	% Δ
Sales	583	777	-25
EBITDA <sup>1</sup>	54	110	-51
EBIT <sup>1</sup>	42	97	-57
Funds Employed	522	623	-16
EBITDA <sup>1</sup> /sales %	9.3	14.2	
EBIT <sup>1</sup> /sales %	7.2	12.5	
ROFE <sup>1</sup> %	16.1	31.1	

- Steel prices and volumes down significantly in the first half.
- Long steel margins contracted but infrastructure activity supported volumes.
- Rollforming volumes impacted by lower housing and commercial activity.

1. *Excluding unusual items*



## Steel: volumes and prices lower

Gross Sales NZ\$m	Dec 09 6 mths	Dec 08 6 mths	% Δ	Volume Δ	Price Δ	EBITDA Δ
<b>New Zealand</b>						
- Long Steel	129	227	-43	↓	↓	↓
- Coated products	80	99	-19	↓	-	↓
- Distribution & Services	125	186	-33	↓	↓	↓
<b>Australia</b>						
- Rollforming	326	378	-14	↓	-	↓







# Financial Results



## 2010 half year results summary

NZ\$m	Dec 2009 6 months	Dec 2008 6 months	% Change
Sales	3,393	3,757	-10
EBITDA <sup>1</sup>	372	428	-13
EBIT <sup>1</sup>	271	322	-16
Net earnings <sup>1</sup>	154	186	-17
Unusual items after tax	0	-14	
Net earnings	154	172	-10
EPS – cps <sup>1</sup>	25.5	36.8	-31
Dividend - cps	14	24	-42

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





## Balance sheet strengthened with stronger operating cashflow

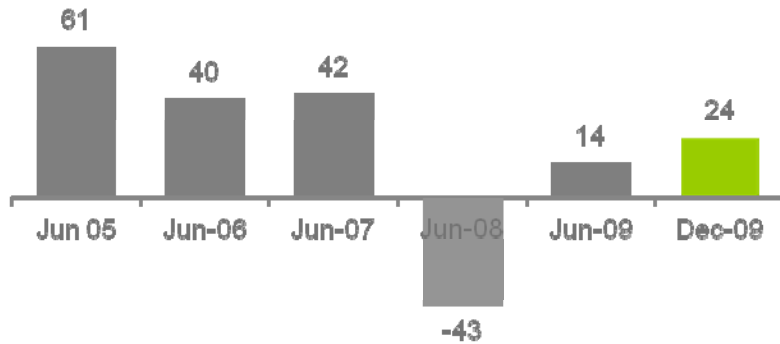
NZ \$m	Dec 2009 6 months	Dec 2008 6 months	% Δ
Operating Cashflow	317	208	+52
Net Debt	1,135	2,003	-43
Net Debt / Net Debt Plus Equity %	27.3	41.3	-34
EBIT <sup>1</sup> / Total Interest (times)	5.2	4.1	+27
Return <sup>1</sup> on Funds %	13.2	13.7	-4

1. *Excluding unusual items*

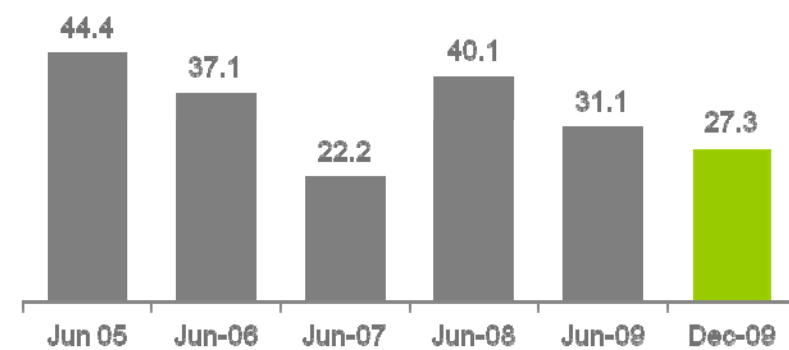


## Key Ratios

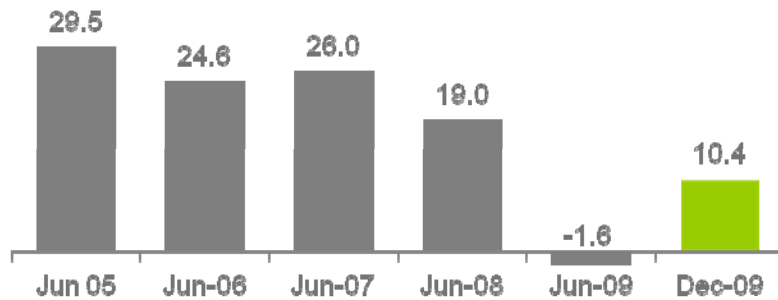
**Total Shareholder Return (TSR)  
Percentage**



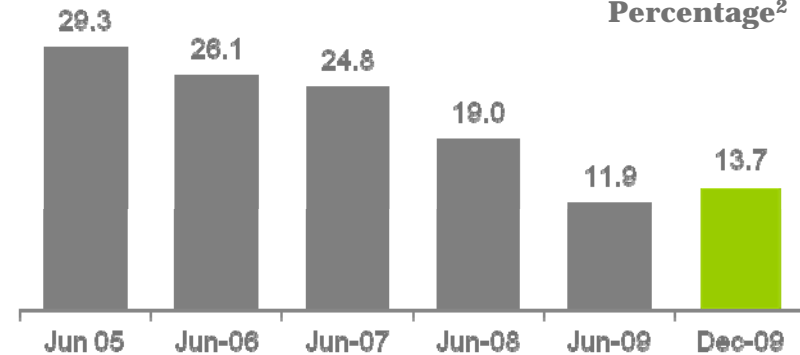
**Debt/Debt Plus Equity  
Percentage**



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



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

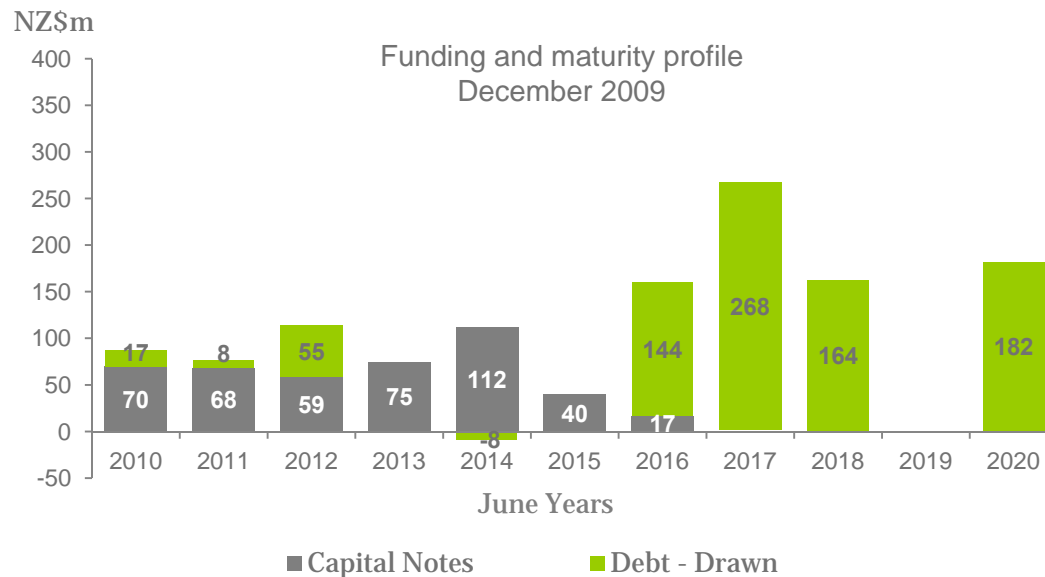


1. Earnings before interest, tax, depreciation and amortisation

2. Earnings before interest, tax, depreciation and amortisation, and unusual items



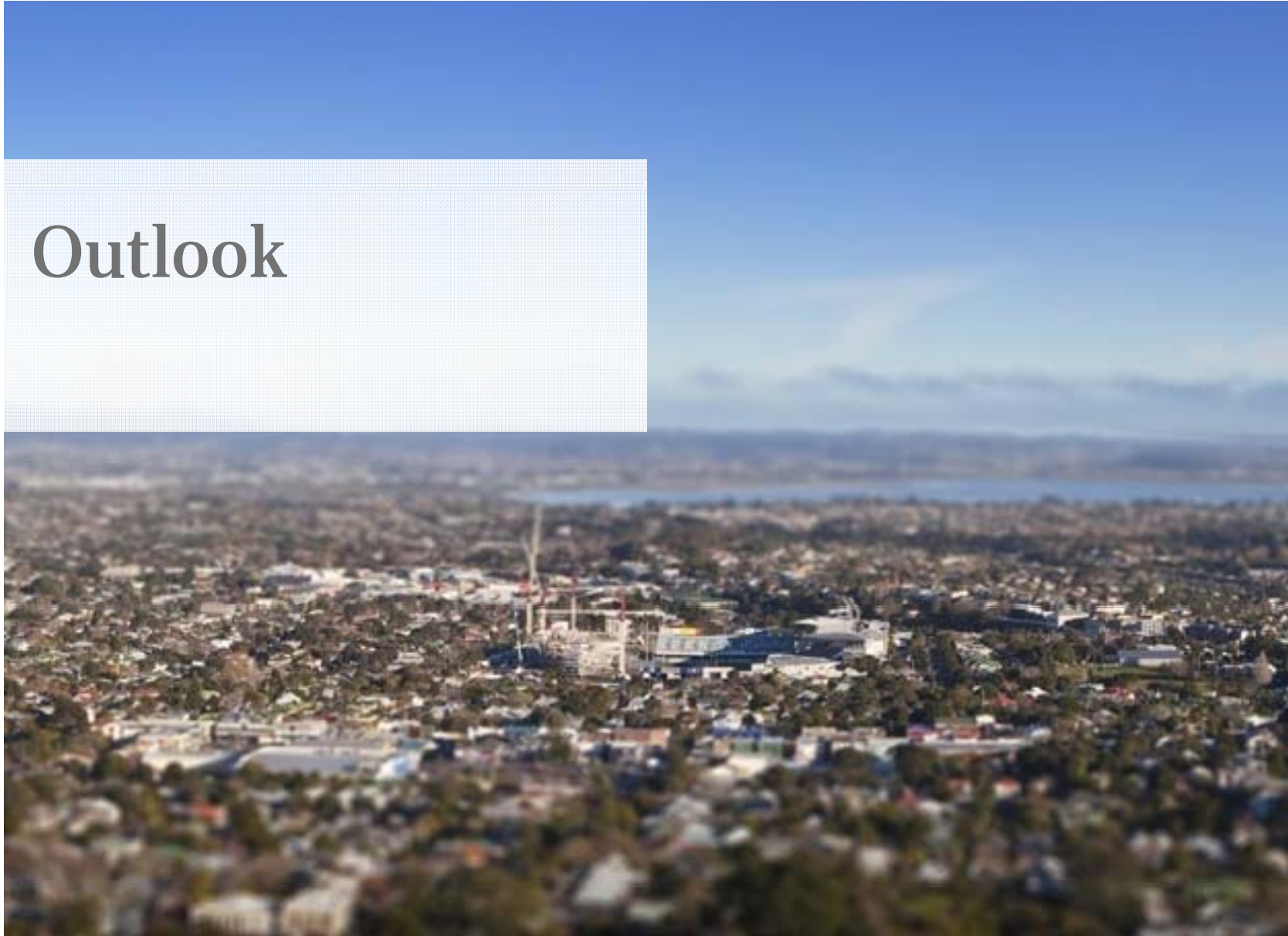
## Debt maturity profile



- Undrawn credit lines of \$1.1 billion.
- Syndicated bank loan renegotiated and term extended.
- Average maturity of debt is 6 years.
- Average interest rate on debt is 7.49%.
- 89% of borrowings are at fixed rates.



# Outlook



## Outlook 2010

- Outlook for FY10 dependent upon the uplift in NZ and Australian new housing construction markets being sustained.
- Government infrastructure spending in NZ and Australia will help to underpin construction, concrete and steel businesses.
- Weak commercial building activity expected to continue.
- Termination of Australian insulation scheme will adversely impact second half earnings.
- Asia expected to continue growth overall, Europe expected to remain weak, North American volumes expected to be stable at low levels.
- Continued focus on achieving operational efficiencies and cost reductions.

