



# Goldman Sachs JBWere Australasian Investment Forum

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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

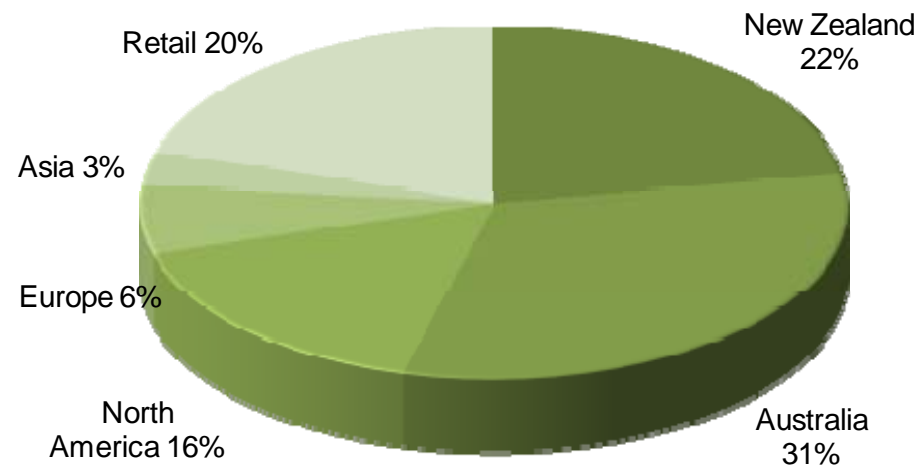
- Company Overview
- Strategy
- Divisional Performance
- Financial Results
- Outlook





## Fletcher Building at a glance

- Revenue - year to 30 June 2009: NZ\$7,103 million
- Market Capitalisation NZ\$4.6 billion  
Ranked # 2 on NZX  
# 48 on ASX
- Employees: 16,500
- Listed on NZ and Australian Stock Exchanges
- Shareholders:





## Market leading business



**Building Products**

**Distribution**

**Infrastructure**

**Laminates & Panels**

**Steel**

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

- Aluminium
- Sinkware
- Ceiling & Flooring Systems
- Access Floors

**Building Materials  
Distribution**

- 63 PlaceMakers stores

**Construction**

**Concrete:**

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

**The Laminex Group**

- MDF
- Particleboard
- LPM
- HPL

**Formica**

- HPL

**Coated Steel**

**Long Steel:**

- Reinforcing bar, mesh and wire
- Scrap

**Distribution**

**Revenue-11%**

**Revenue-12%**

**Revenue-29%**

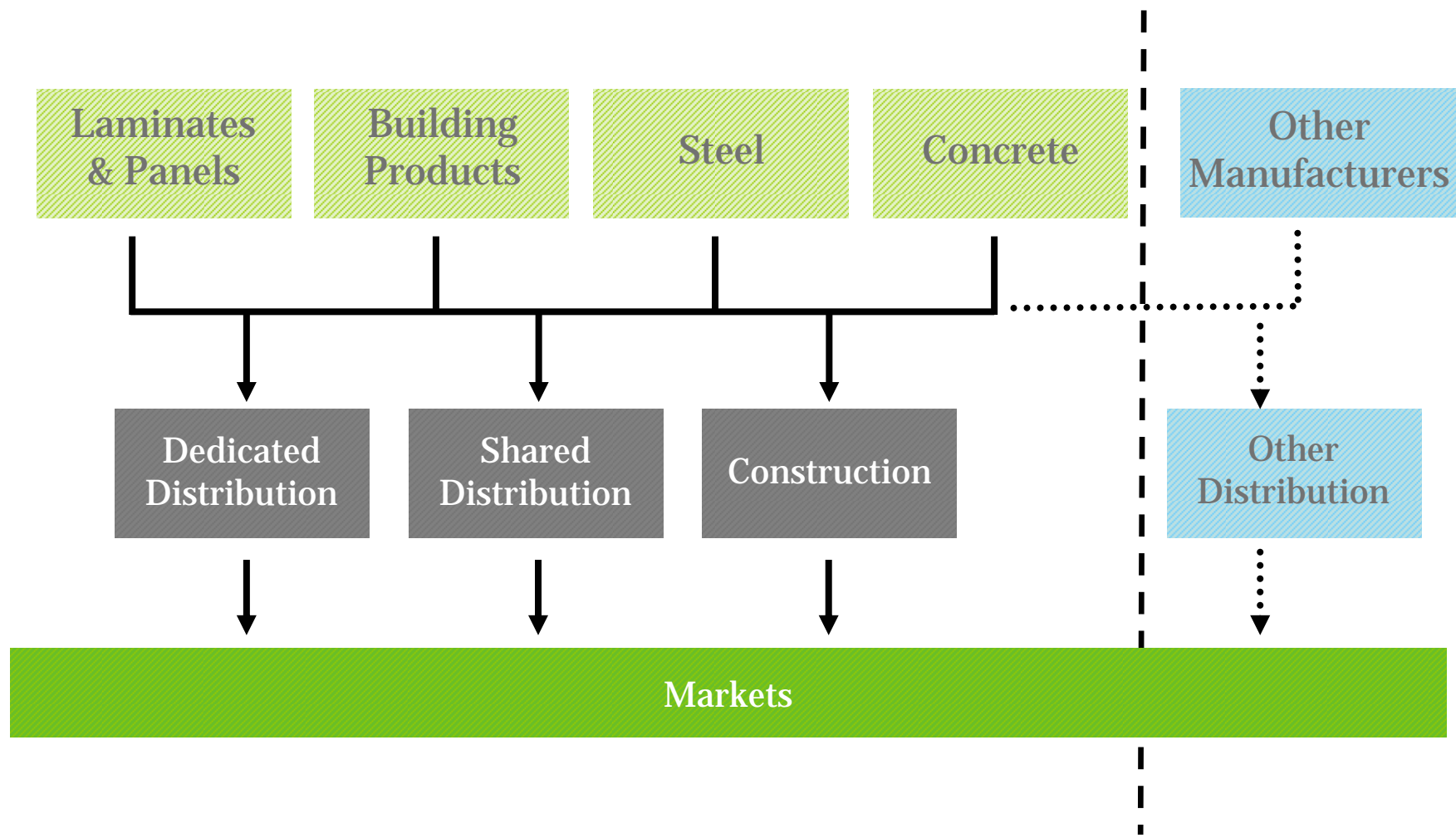
**Revenue-29%**

**Revenue-19%**

\* Revenue contribution for year ended 30 June 2009



## 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.





## Residential construction activity

| Building Consents    | Jun 2009<br>12 months | Jun 2008<br>12 months | Jun 2007<br>12 months | 09/08<br>% Mvmt |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------|
| New Zealand          | 12,503                | 20,902                | 23,344                | -40             |
| Australia            | 132,073               | 162,732               | 153,400               | -19             |
| US <sup>1</sup>      | 565,000               | 859,000               | 1,389,000             | -34             |
| England <sup>2</sup> | 71,480                | 139,880               | 155,240               | -49             |
| Spain <sup>3</sup>   | 186,002               | 495,519               | 886,181               | -62             |

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

2. England figure for 2009 is provisional

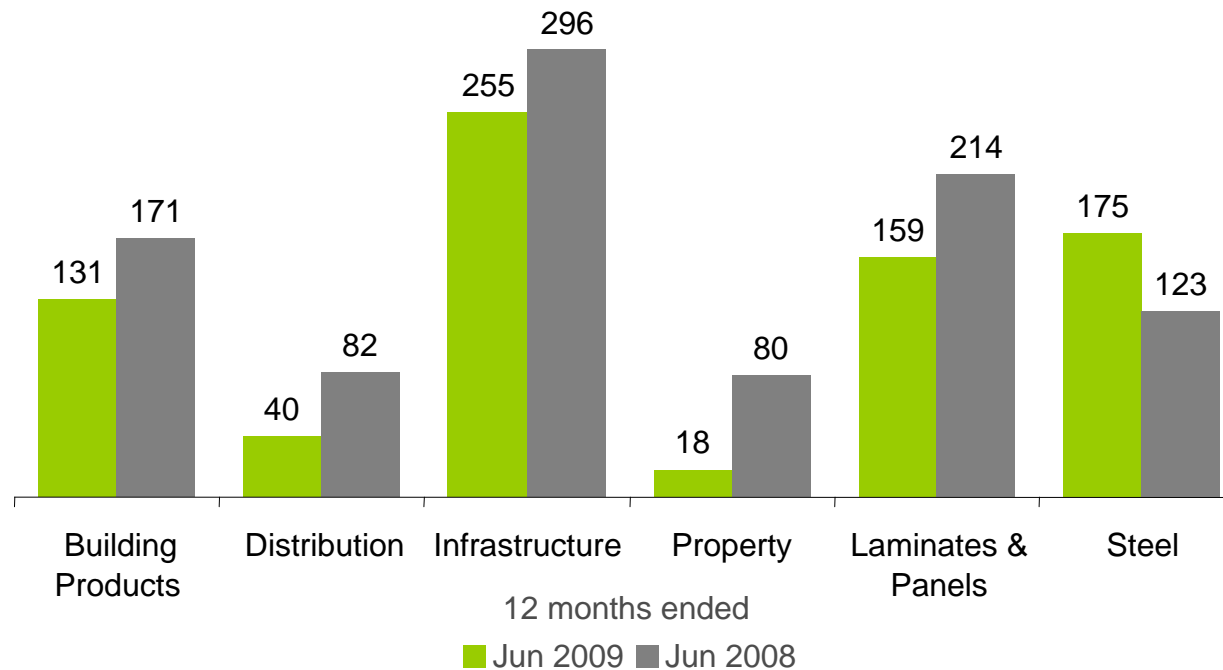
3. 12 months ended 30 April; includes single and multi-unit developments





## Strong performance in Steel, other businesses typically had lower volumes and margins

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



1. *Earnings before interest, tax, depreciation and amortisation, 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. 55% of Australian and 70% of NZ glasswool insulation markets

### Metal 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               | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ |
|---------------------|-------------------|-------------------|-----|
| Sales               | 771               | 739               | +4  |
| EBITDA <sup>1</sup> | 131               | 171               | -23 |
| EBIT <sup>1</sup>   | 106               | 148               | -28 |
| Funds Employed      | 644               | 631               | +2  |
| EBITDA/sales %      | 17.0              | 23.0              |     |
| EBIT/sales %        | 14.0              | 20.0              |     |
| ROFE %              | 16.5              | 23.5              |     |

- **Plasterboard** performance impacted by low NZ housing starts.
- **Insulation** in NZ & Australia benefited from stimulus packages in second half.
- **Metal Roof Tiles**  
Strong growth in international sales offset by weak NZ market and high steel prices.

1. Excluding unusual items



## Building Products: volumes typically lower but improved trend in Insulation due to government stimulus

| Gross Sales<br>NZ\$m            | Jun 09<br>12 mths | Jun 08<br>12 mths <sup>1</sup> | % Δ | Volume Δ | Price Δ | EBITDA Δ |
|---------------------------------|-------------------|--------------------------------|-----|----------|---------|----------|
| <b>New Zealand</b>              |                   |                                |     |          |         |          |
| - Plasterboard                  | 202               | 218                            | -7  | ↓        | ↑       | ↓        |
| - Insulation <sup>2</sup>       | 156               | 158                            | -1  | ↓        | ↓       | ↓        |
| - Metal Roof Tiles <sup>3</sup> | 198               | 157                            | +26 | ↓        | ↑       | ↑        |
| <b>Australia</b>                |                   |                                |     |          |         |          |
| - Insulation                    | 216               | 192                            | +13 | ↑        | ↑       | ↑        |
| - Sinkware                      | 33                | 41                             | -20 | ↓        | ↑       | ↓        |

1. Restated to current exchange rates

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

3. 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               | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ |
|---------------------|-------------------|-------------------|-----|
| Sales               | 883               | 1,083             | -18 |
| EBITDA <sup>1</sup> | 40                | 82                | -51 |
| EBIT <sup>1</sup>   | 30                | 73                | -59 |
| Funds Employed      | 144               | 185               | -22 |
| EBITDA/sales %      | 5.0               | 8.0               |     |
| EBIT/sales %        | 3.0               | 7.0               |     |
| ROFE %              | 20.8              | 39.5              |     |

- Sales impacted by weak NZ housing starts but market share maintained.
- Significant staff reductions implemented.
- Frame and truss manufacturing activities consolidated.

1. Excluding unusual items



## Infrastructure

### Concrete New Zealand

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

- 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               | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ |
|---------------------|-------------------|-------------------|-----|
| Sales               | 2,052             | 1,857             | +11 |
| EBITDA <sup>1</sup> |                   |                   |     |
| - Concrete NZ       | 125               | 174               | -28 |
| - Concrete Aust.    | 78                | 72                | +8  |
| - Construction      | 52                | 50                | +4  |
| - Property          | 18                | 80                | -78 |
| Total EBITDA        | 273               | 376               | -27 |
| EBIT <sup>1</sup>   | 203               | 308               | -34 |
| Funds Employed      | 1,042             | 1,027             | +1  |
| EBITDA/sales %      | 13.0              | 20.0              |     |
| EBIT/sales %        | 10.0              | 17.0              |     |
| ROFE %              | 19.5              | 30.0              |     |

1. Excluding unusual items

### NZ Concrete

- Volume declines in cement, aggregates, readymix, masonry and concrete pipe.
- Reflects weaker residential & commercial construction markets only partly offset by infrastructure activity.

### Australia Concrete

- Good volume growth in quarry volumes and non-pipe concrete products.

### Construction

- Strong growth in infrastructure work, commercial activity weaker.
- Backlog \$1.4 billion as at July 09.



## Infrastructure: strong construction levels helped to partly offset lower concrete volumes

| Gross Sales<br>NZ\$m      | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ | Volume Δ | Price Δ | EBITDA Δ |
|---------------------------|-------------------|-------------------|-----|----------|---------|----------|
| <b>New Zealand</b>        |                   |                   |     |          |         |          |
| - NZ Concrete             | 689               | 746               | -8  | ↓        | ↓       | ↓        |
| - Construction            | 1,022             | 804               | +27 | ↑        | ↓       | -        |
| <b>Australia Concrete</b> | 409               | 390               | +5  | ↓        | -       | ↑        |



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

| EBIT NZ\$m     | 2009      | 2008      | 2007      | 2006      |
|----------------|-----------|-----------|-----------|-----------|
| Quarry end use | 0         | 42        | 6         | 0         |
| Residential    | 12        | 19        | 34        | 25        |
| Surplus assets | 6         | 19        | 9         | 10        |
| <b>Total</b>   | <b>18</b> | <b>80</b> | <b>49</b> | <b>35</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                     | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ |
|---------------------------|-------------------|-------------------|-----|
| Sales                     | 2,076             | 2,132             | -3  |
| EBITDA                    |                   |                   |     |
| - Laminex                 | 99                | 166               | -40 |
| - Formica                 | 60                | 48                | +25 |
| Total EBITDA <sup>1</sup> | 159               | 214               | -26 |
| EBIT <sup>1</sup>         | 74                | 141               | -47 |
| Funds Employed            | 1,832             | 2,094             | -13 |
| EBITDA/sales %            | 8.0               | 10.0              |     |
| EBIT/sales %              | 4.0               | 7.0               |     |
| ROFE %                    | 4.0               | 6.7               |     |

1. Excluding unusual items

### Laminex

- Volumes down in NZ and Australia, export markets weak.
- Significant input cost increases in first half

### Formica

- Strong performance in Asia. US and European markets significantly weaker.
- Prices remained firm and input cost pressures eased in second half.



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

| Gross Sales<br>NZ\$m | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ | Volume Δ | Price Δ | EBITDA Δ |
|----------------------|-------------------|-------------------|-----|----------|---------|----------|
| <b>New Zealand</b>   |                   |                   |     |          |         |          |
| - Laminex            | 178               | 230               | -23 | ↓        | ↑       | ↓        |
| <b>Australia</b>     |                   |                   |     |          |         |          |
| - Laminex            | 875               | 890               | -2  | ↓        | ↑       | ↓        |
| <b>Formica</b>       |                   |                   |     |          |         |          |
| - Asia               | 215               | 178               | +21 | ↑        | ↑       | ↑        |
| - Europe             | 448               | 486               | -8  | ↓        | ↑       | ↓        |
| - Nth America        | 423               | 422               | -   | ↓        | ↑       | ↑        |



## Formica growth in Asia and North America turnaround boosted result, but Europe weak

| EBITDA NZ\$m <sup>1</sup> | 2H09 | 1H09 | 2H08 | 1H08 |
|---------------------------|------|------|------|------|
| Asia                      | 19   | 20   | 14   | 16   |
| North America             | 17   | 2    | -17  | 10   |
| Europe                    | 8    | 9    | 30   | 22   |
| Corporate                 | -9   | -6   | -17  | -10  |
| Reported EBITDA (NZ\$)    | 35   | 25   | 10   | 38   |

1. Before unusual items



## 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               | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ |
|---------------------|-------------------|-------------------|-----|
| Sales               | 1,321             | 1,279             | +3  |
| EBITDA <sup>1</sup> | 175               | 123               | +42 |
| EBIT <sup>1</sup>   | 154               | 101               | +52 |
| Funds Employed      | 562               | 589               | -5  |
| EBITDA/sales %      | 13.0              | 10.0              |     |
| EBIT/sales %        | 12.0              | 8.0               |     |
| ROFE %              | 27.4              | 17.1              |     |

- Strong result in first half reflected high steel prices and strong demand.
- Second half sales 30% lower than first half.
- Continued strong demand from infrastructure-related projects.
- Rollforming volumes lower due to weaker residential and light commercial markets.

1. Excluding unusual items





## Steel: strong first half, but volumes lower in second half

| Gross Sales<br>NZ\$m         | Jun 09<br>12 mths | Jun 08<br>12 mths | % Δ | Volume Δ | Price Δ | EBITDA Δ |
|------------------------------|-------------------|-------------------|-----|----------|---------|----------|
| <b>New Zealand</b>           |                   |                   |     |          |         |          |
| - Long Steel                 | 361               | 288               | +25 | ↓        | ↑       | ↑        |
| - Coated products            | 175               | 195               | -10 | ↓        | ↑       | ↓        |
| - Distribution &<br>Services | 339               | 299               | +13 | ↓        | ↑       | ↑        |
| <b>Australia</b>             |                   |                   |     |          |         |          |
| - Rollforming                | 664               | 654               | +2  | ↓        | ↑       | ↓        |





# Financial Results



## FY09 annual results summary

| NZ\$m                                   | Jun 2009<br>12 months | Jun 2008<br>12 months | % Change |
|---|-----------------------|-----------------------|----------|
| Sales                                   | 7,103                 | 7,091                 |          |
| EBITDA <sup>1</sup>                     | 769                   | 966                   | -20      |
| EBIT <sup>1</sup>                       | 558                   | 768                   | -27      |
| Net earnings <sup>1</sup>               | 314                   | 467                   | -33      |
| Unusual items after tax                 | -360                  | 0                     |          |
| Net earnings (loss) after unusual items | -46                   | 467                   |          |
| EPS – cps <sup>1</sup>                  | 59.7                  | 93.2                  | -36      |
| Dividend - cps                          | 38.0                  | 48.5                  | -22      |

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



## Focus on optimising cash has proven beneficial

- Cashflow from operations up 23% to \$533 million, driven by:
  - reduction in debtors of \$203 million
  - reduction in inventory of \$101 million
- Capital expenditure of \$289 million reflected 'carry-over' projects of \$168 million:
  - new approved capital expenditure of \$121 million versus depreciation of \$211 million
  - capital expenditure for FY10 budgeted below depreciation
- Asset sales realised \$52 million:
  - sale of Auckland headquarters for \$36 million in February 09
  - Kumeu and Welshpool properties to be sold when market conditions permit



## Unusual items reflect pro-active stance in re-basing operations for lower volumes

- Redundancy and restructuring costs: \$43 million (after tax)
  - labour reduction of 2,500 to 16,500 across the group
  - closure of Plyco door manufacturing business
- Capacity reduction initiatives: \$100 million (after tax)
  - closure of Laminex particleboard and MDF plants
  - reduction in Formica European capacity
  - Formica streamlined product portfolio



## Other unusual items

- Adjustments to asset carrying values: \$157 million (after tax)
  - reduction in goodwill for Formica: \$56 million
  - impairment of fixed assets in Formica: \$65 million
  - IT assets in Distribution: \$23 million
  - other Laminex assets: \$13 million
- Tax benefit recognition:
  - \$60 million of tax losses in Formica
  - written off in accordance with NZ GAAP, but expect to be realised in future years



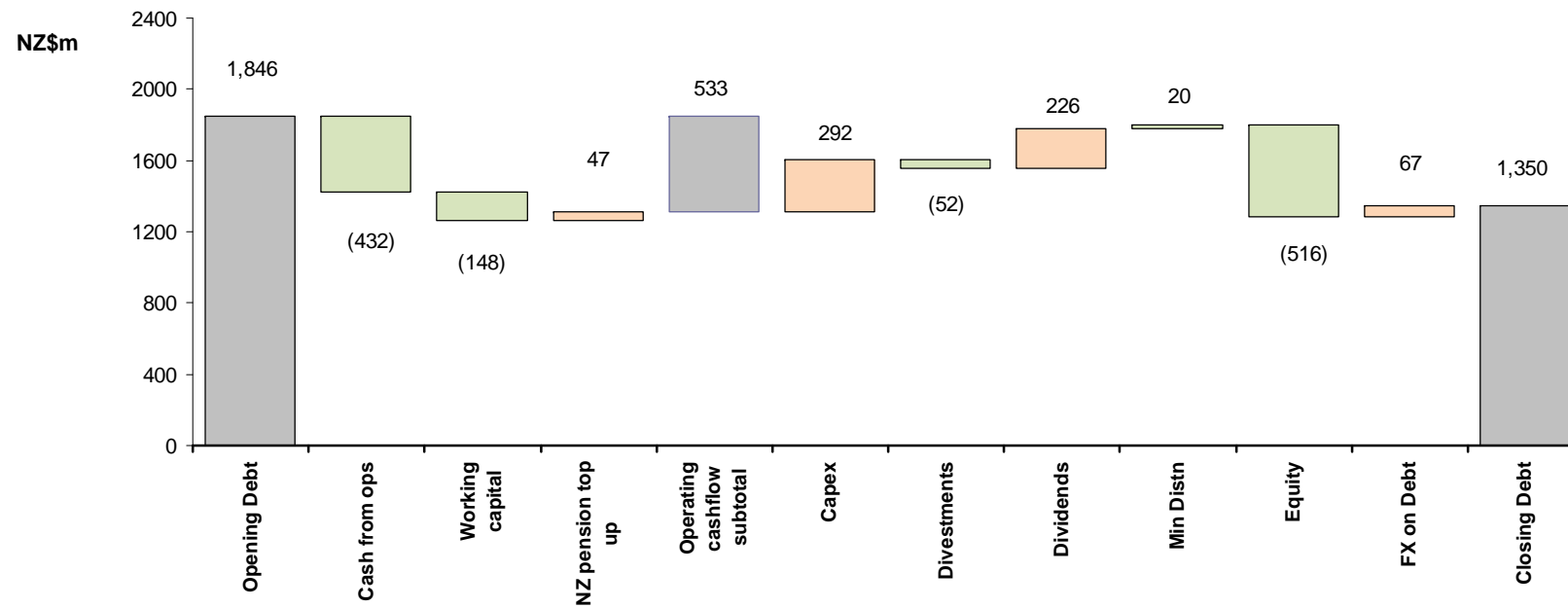
## Balance sheet strengthened with equity raising and higher operating cashflow

| NZ \$m                                     | Jun 2009<br>12 months | Jun 2008<br>12 months | % Δ |
|--|-----------------------|-----------------------|-----|
| Operating Cashflow                         | 533                   | 434                   | +23 |
| Net Debt                                   | 1,350                 | 1,846                 | -27 |
| Net Debt / Net Debt + Equity %             | 31.1                  | 40.1                  | -23 |
| EBIT <sup>1</sup> / Total Interest (times) | 4.0                   | 5.6                   | -29 |
| Return <sup>1</sup> on Funds %             | 11.9                  | 19.0                  | -37 |

1. *Excluding unusual items*



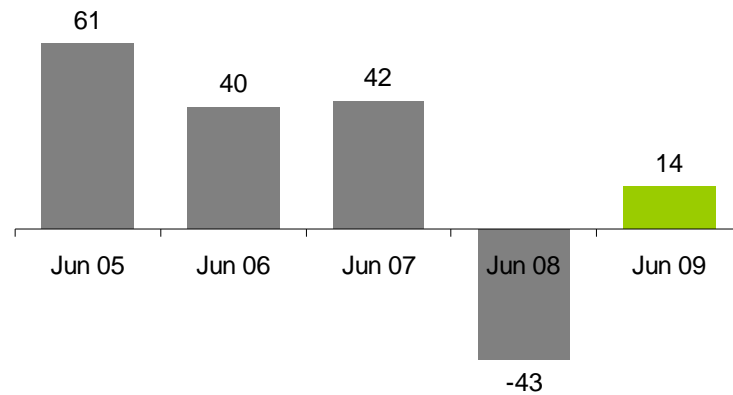
## Net debt movement



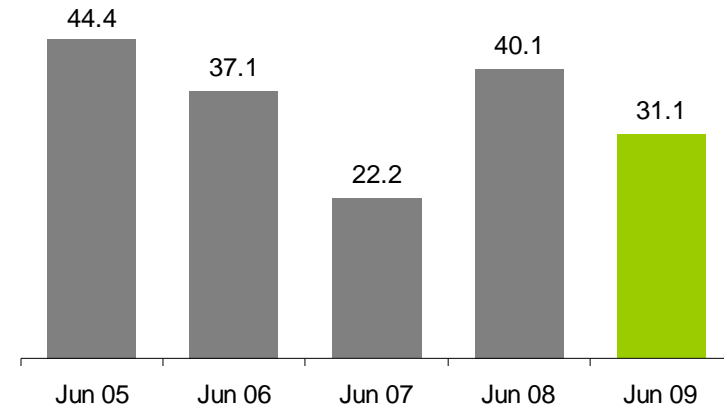


## Key ratios

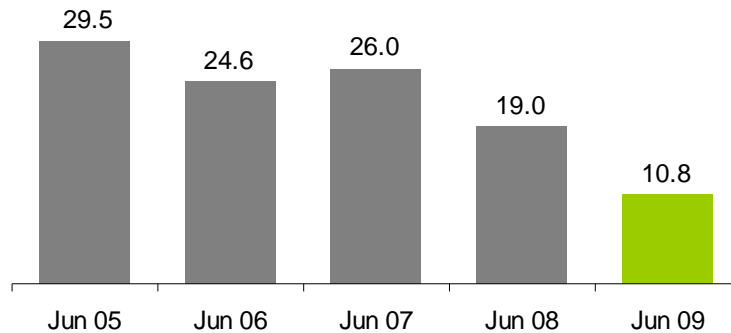
**Total Shareholder Return (TSR)  
Percentage**



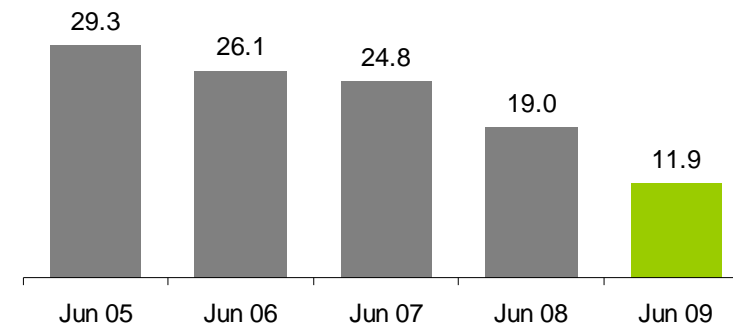
**Debt/Debt Plus Equity  
Percentage**



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



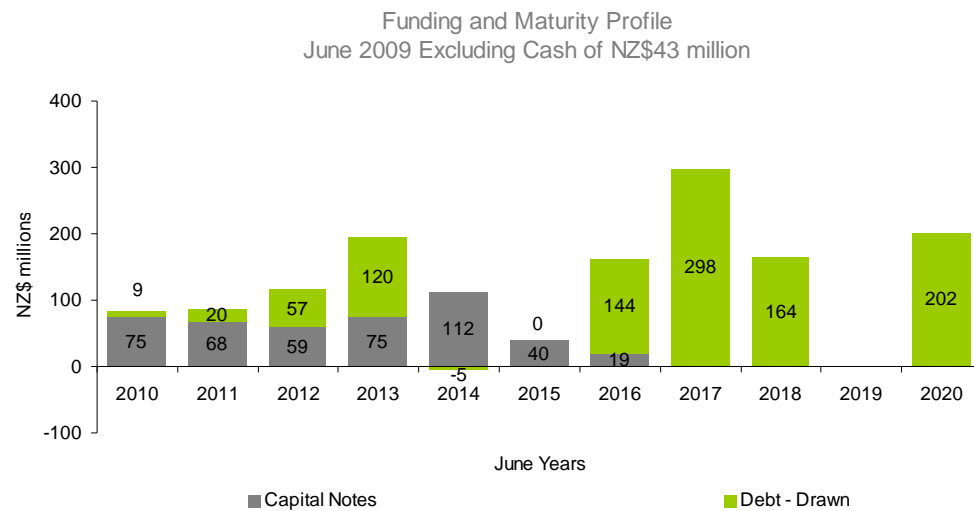
**Return on Average Funds  
Percentage<sup>1</sup>**



1. Excluding unusual items



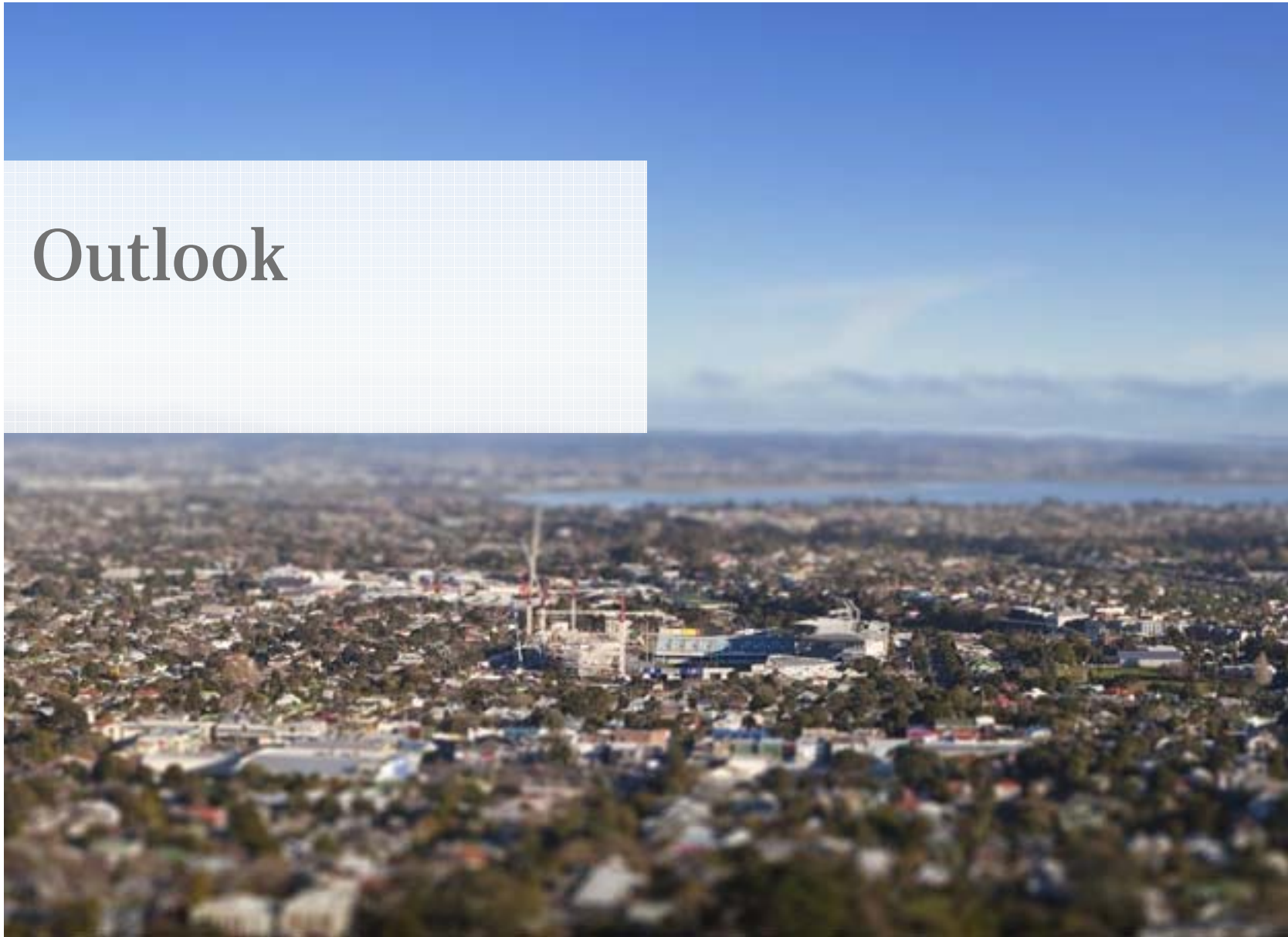
## Debt maturity profile



- No significant refinancing until 2013, with undrawn credit lines of over \$1 billion.
- Average maturity of debt is 6.3 years.
- Average interest rate on debt is 7.42%.
- 87% of borrowings are at fixed rates.



# Outlook



## Outlook 2010

- Subdued outlook for FY10 with low activity levels expected in most markets.
- Infrastructure spending in NZ and Australia will assist construction, concrete and steel businesses.
- Weak residential and commercial building activity will impact results; Insulation will benefit from government stimulus package.
- 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 control given lower volumes.



