



**FletcherBuilding**

**Annual Shareholders' Meeting  
13 November 2007**

# Dr Roderick Deane

## Chairman



# Directors

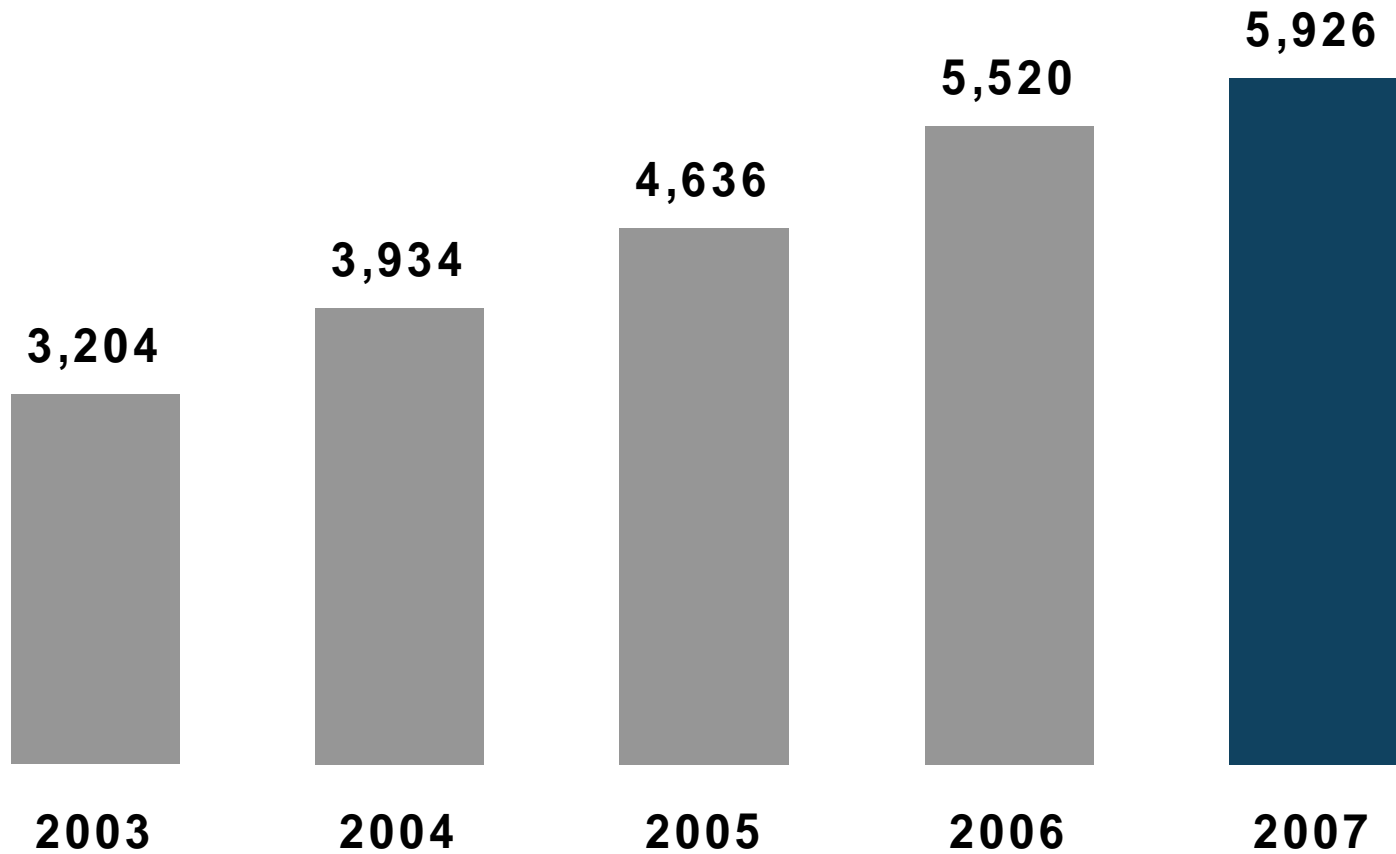
- Dr Roderick Deane (Chairman)
- Paul Baines
- Geoffrey McGrath
- Jonathan Ling (Managing Director)
- Sir Dryden Spring
- Kerrin Vautier
- Ralph Waters
- Hugh Fletcher

# Meeting agenda

- Chairman's overview
- Chief executive officer's address
- Trading outlook
- Shareholder questions and discussion
- Consideration of, and voting on, the resolutions of the meeting

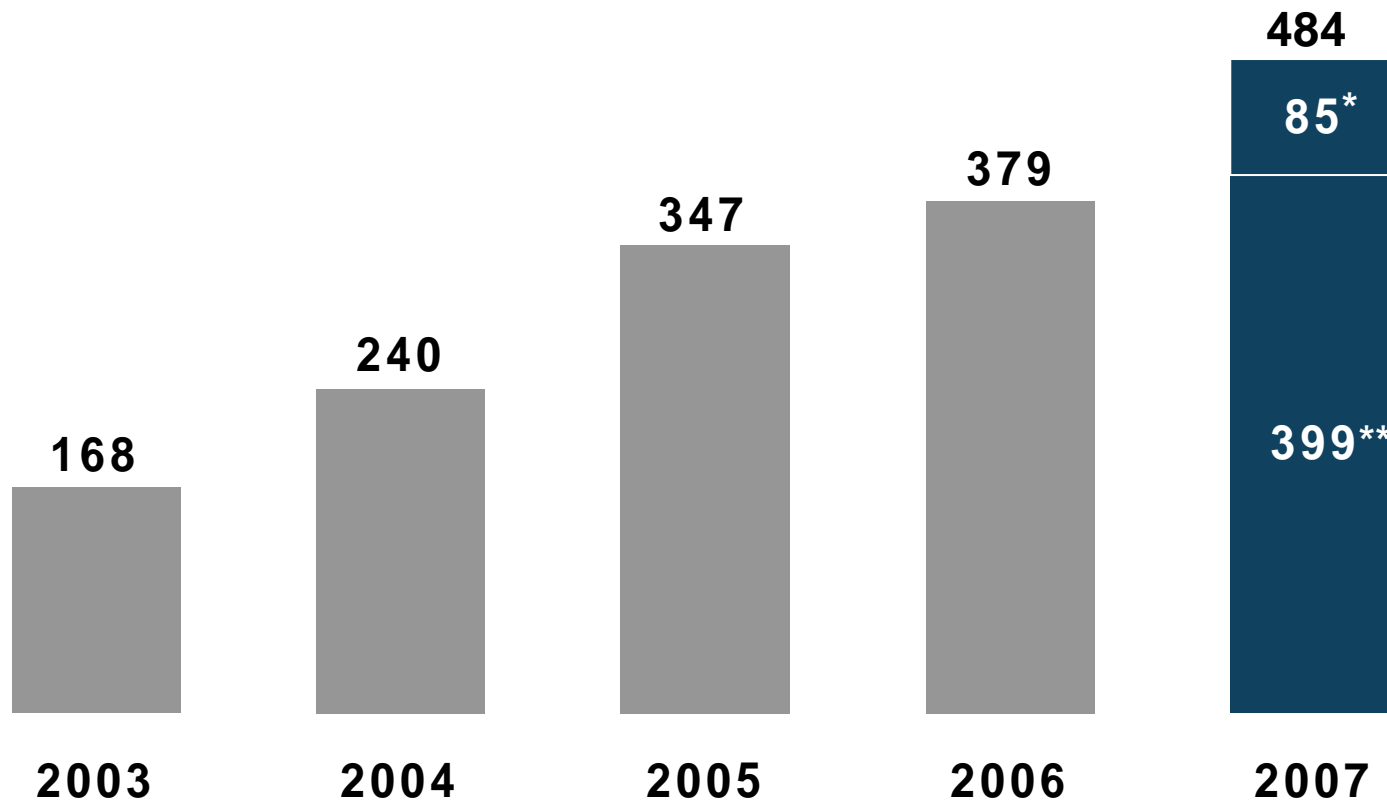
# Sales

\$m



# Net earnings

\$m

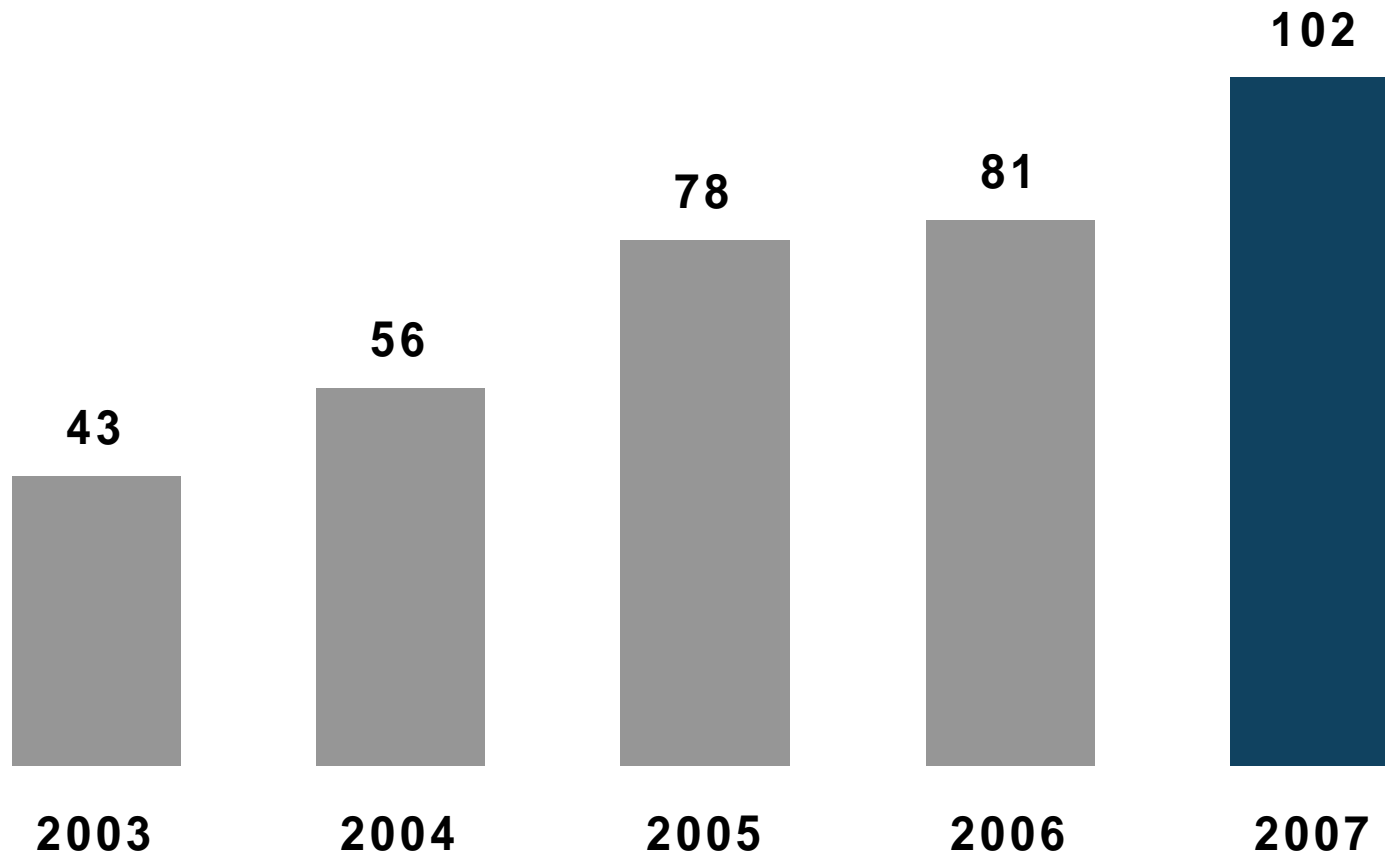


\*Net unusual items

\*\*Net earnings on a normalised basis

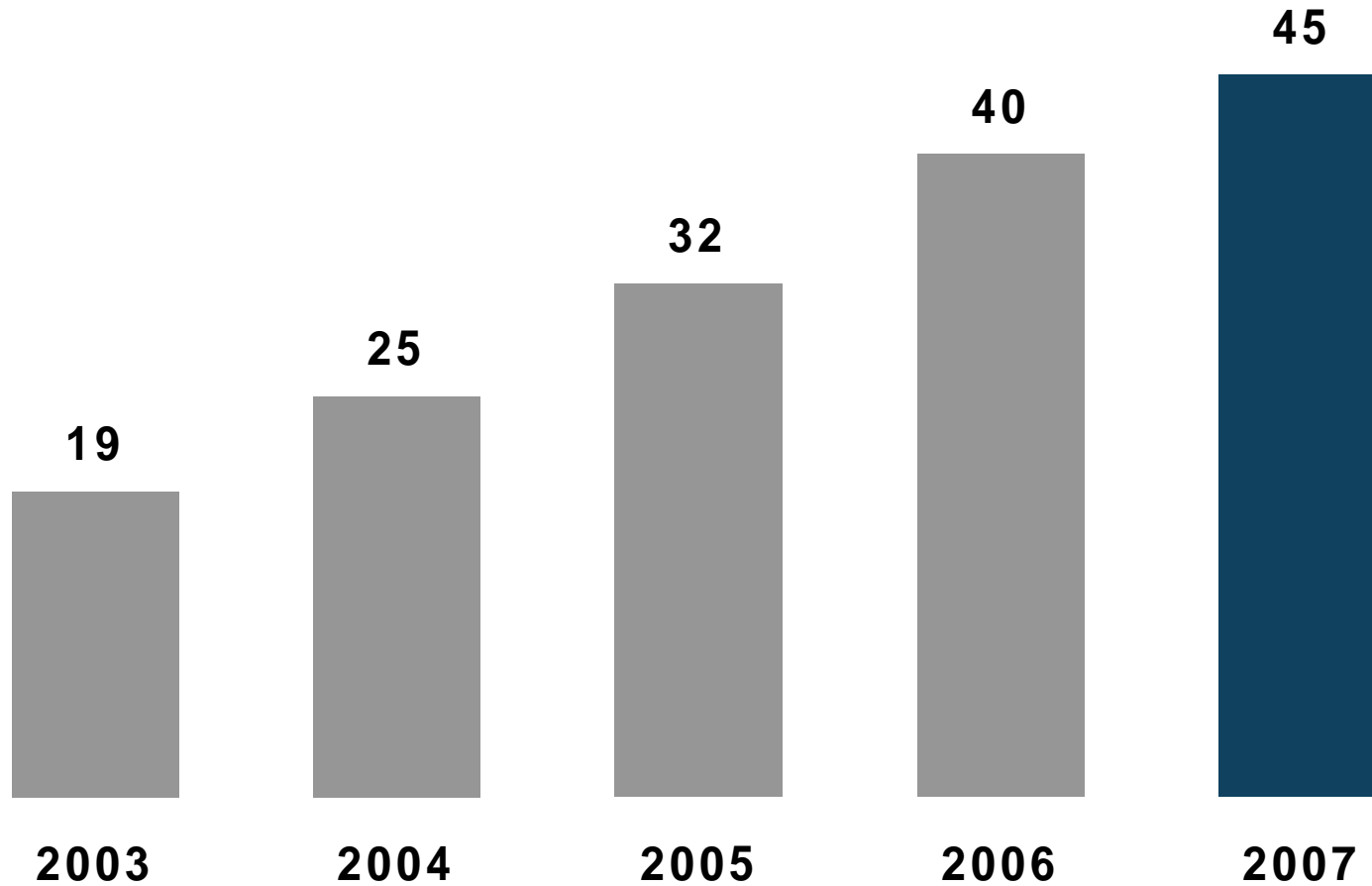
# Earnings per share

Cents



# Dividends

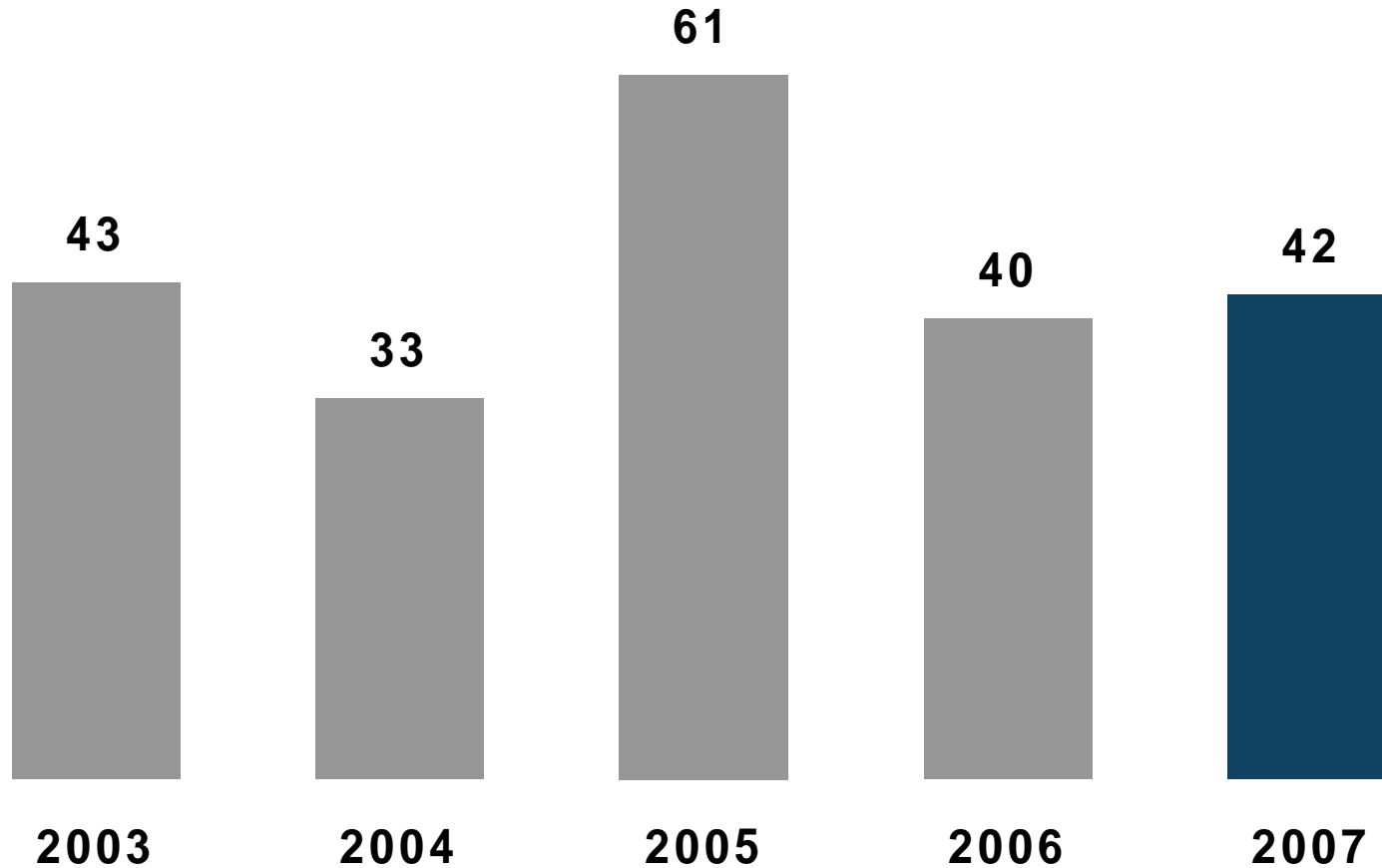
Cents per share





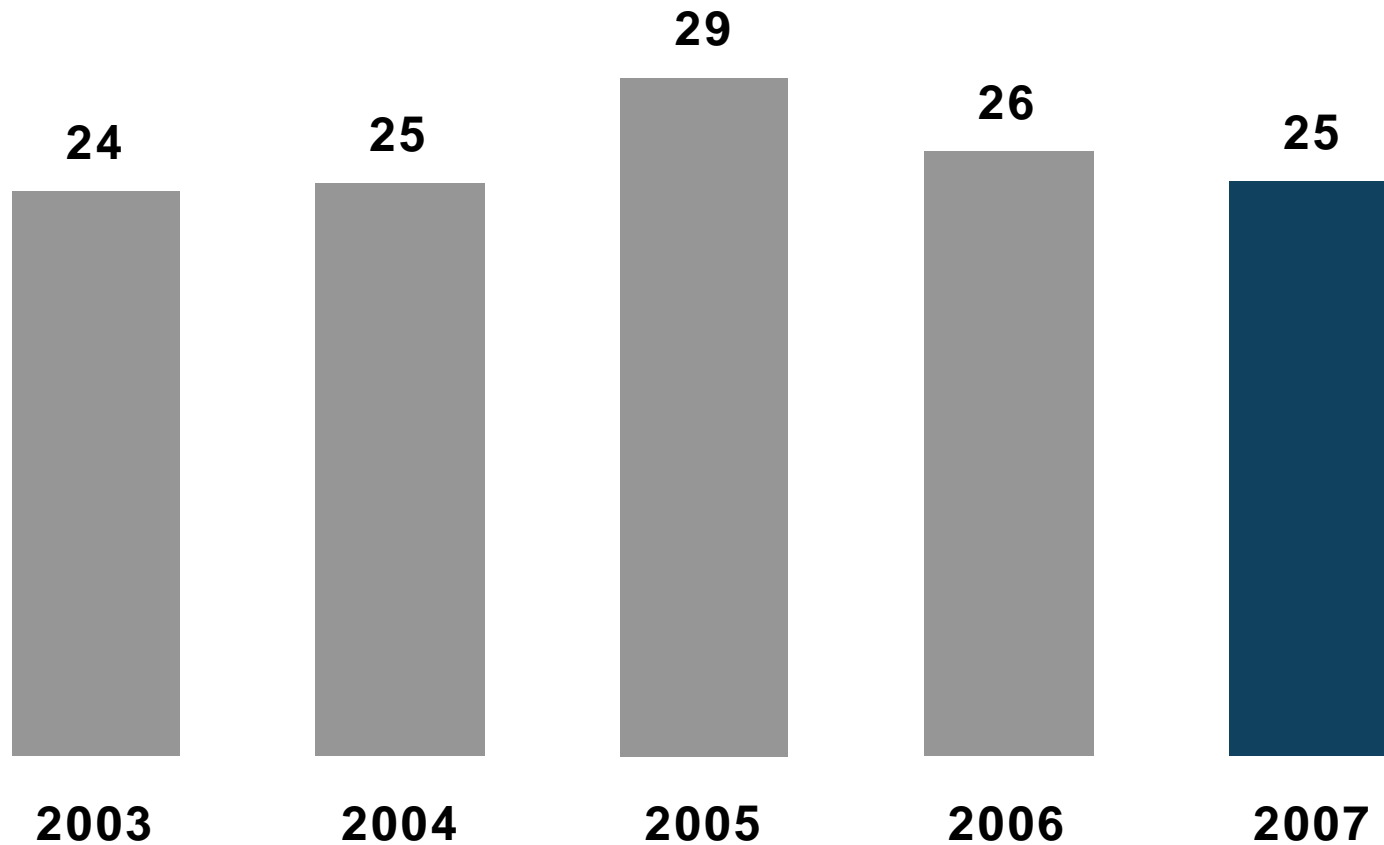
# Total shareholder return (TSR)

Percentage



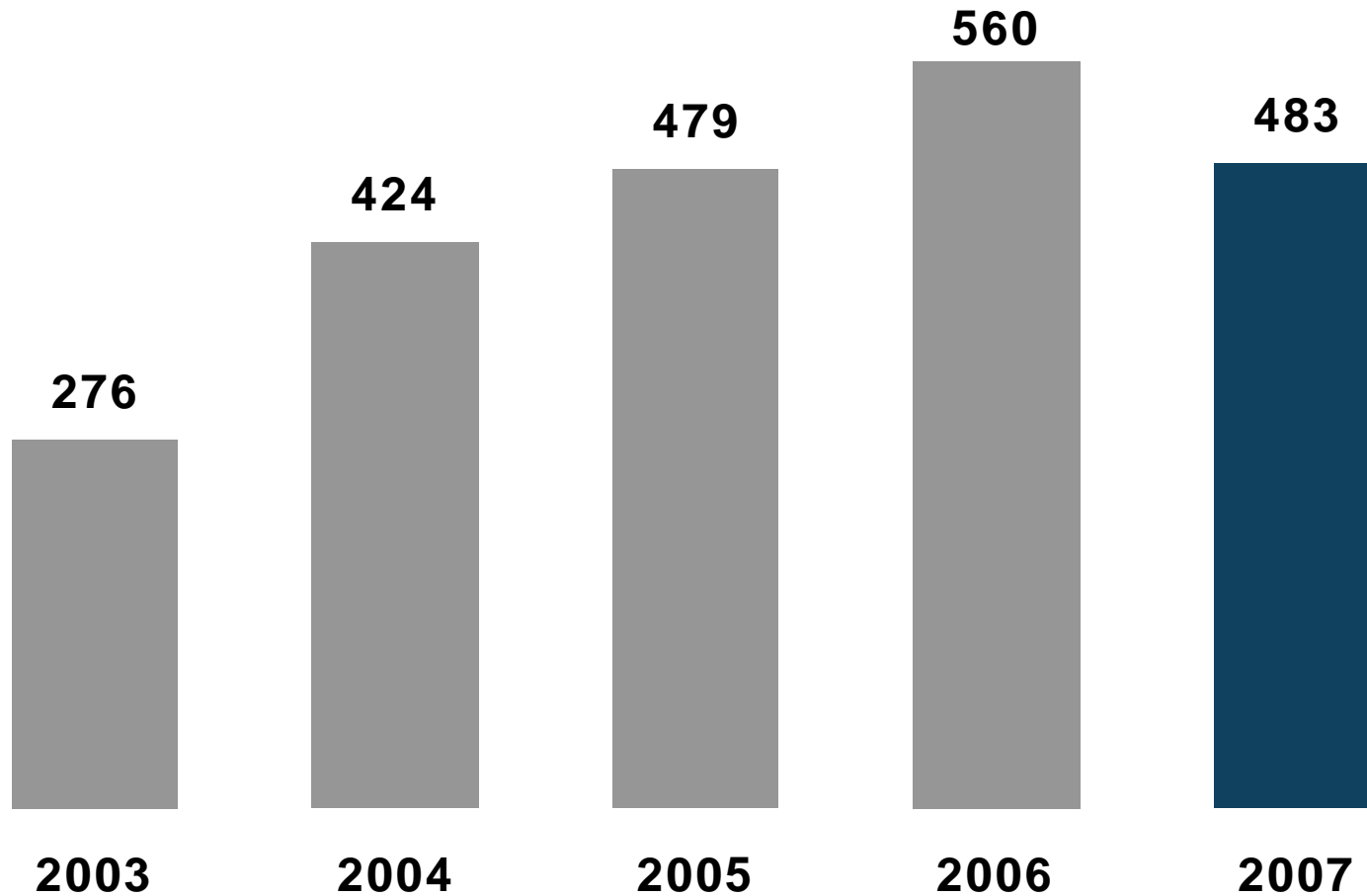
# Return on average funds

Percentage



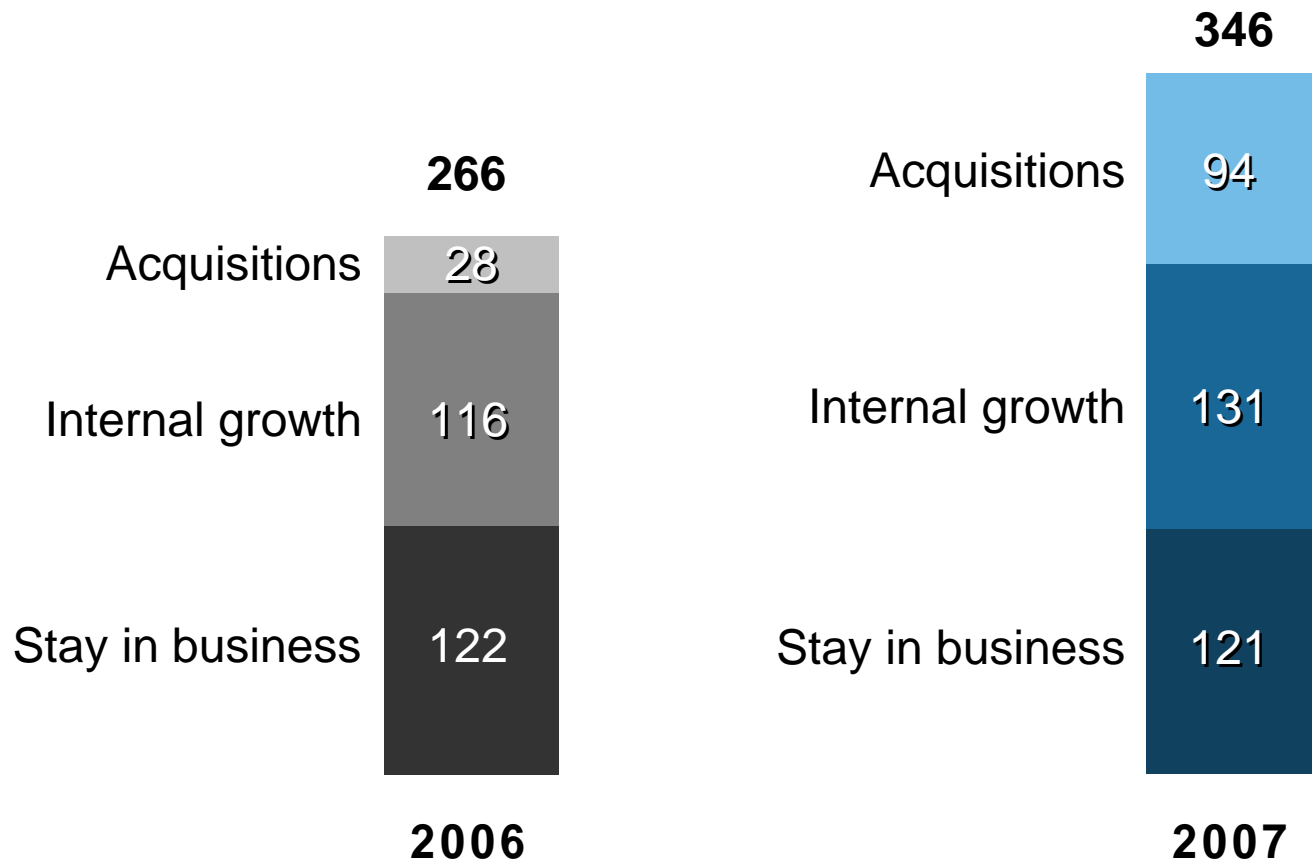
# Operating cashflow

\$m



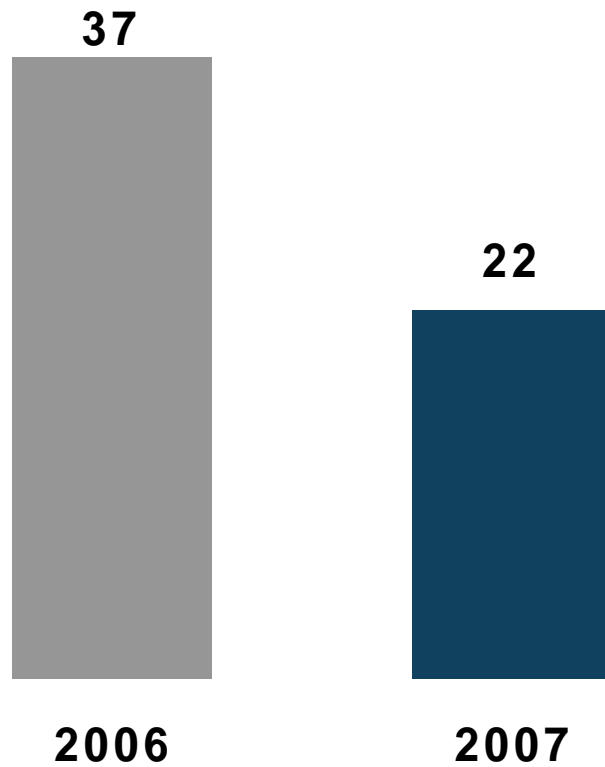
# Capital expenditure

\$m

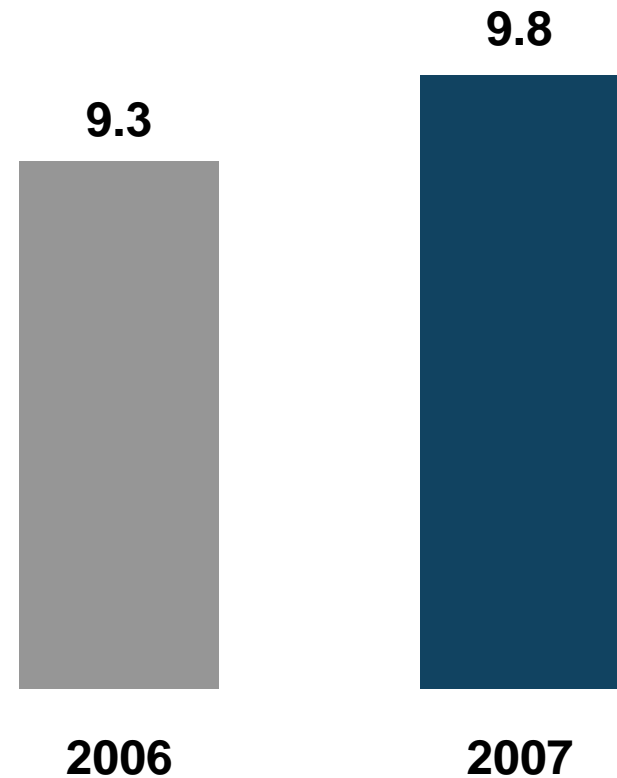


# Balance sheet

**Pre Formica gearing**  
Percentage



**Interest cover**  
Times



# Formica acquisition

- A highly complementary business to our Laminex operations
- A company with a strong brand and international manufacturing footprint
- A further step in the company's geographic and market sector diversity
- Financing now complete, with financial gearing still at the low end of target range of 40-50 percent

# Shareholder reporting

- Listed companies may now...
  - provide printed annual report, or
  - publish the report on the company's website (and notify right of request for printed copy)
- Cost savings
- Reduced environmental impact
- Our approach
  - publish annual report on [www.fletcherbuilding.com](http://www.fletcherbuilding.com)
  - provide succinct annual review to each shareholder

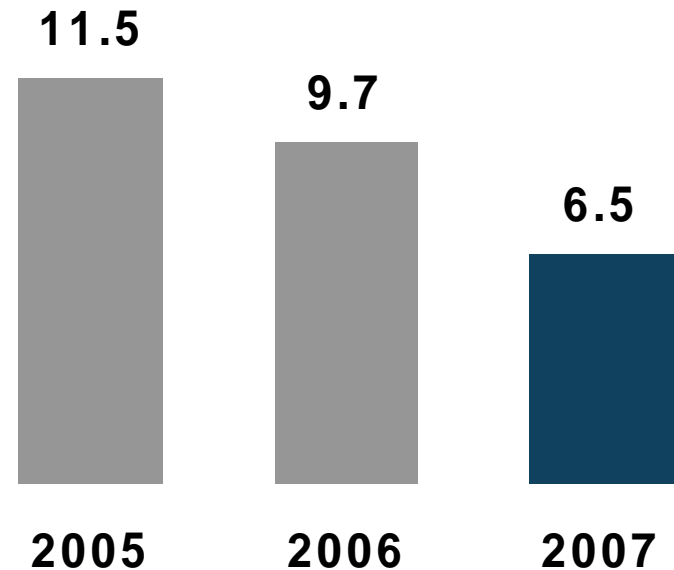
# Governance and management

- Detailed commentary in annual report
- Board changes likely over next two years
- Management changes have been effected smoothly
- Formica acquisition brings challenges and opportunities
- Continuing focus on good governance and management transparency



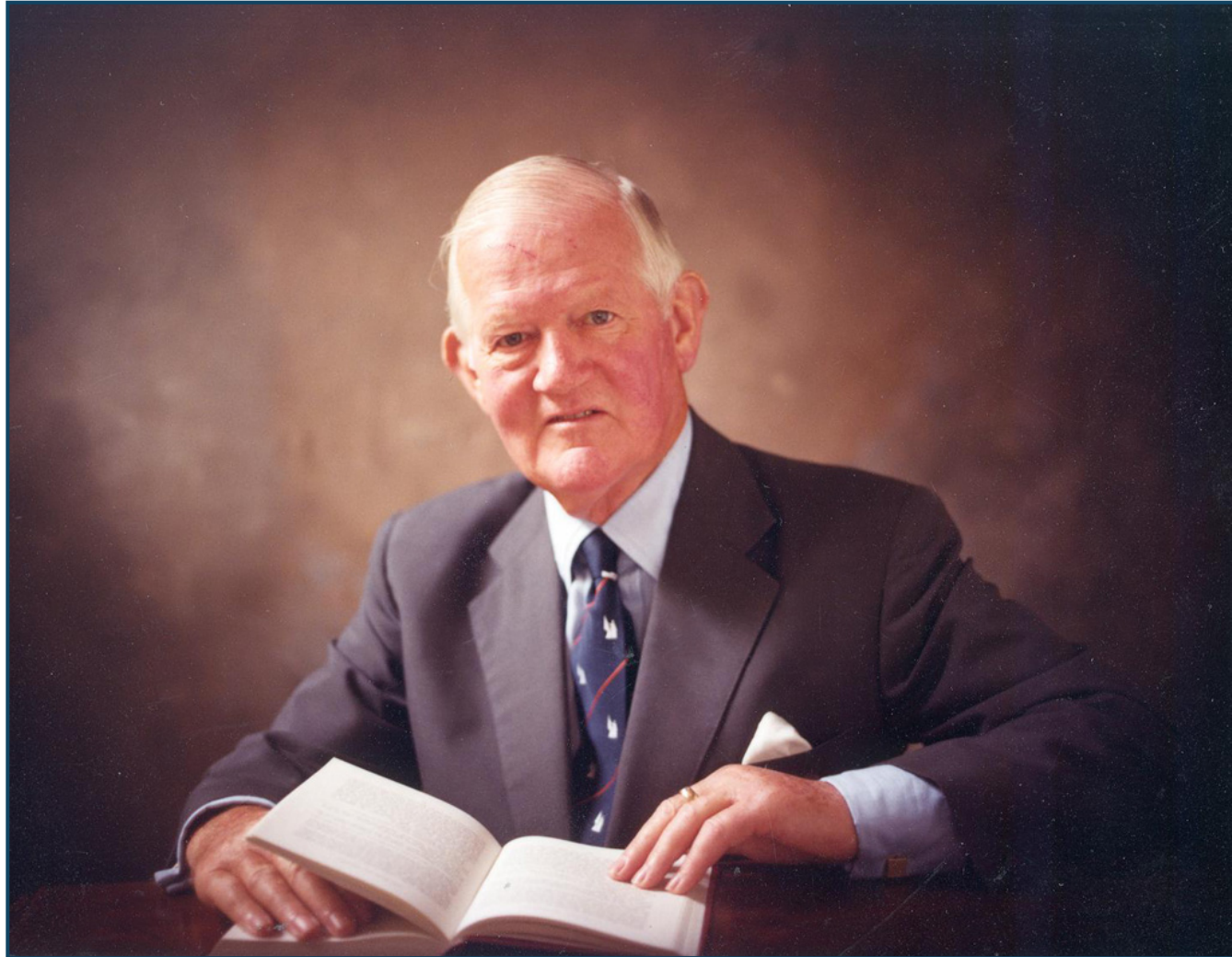
# Employees

- The company continues to benefit from the strong commitment of its employees
- Management development and health and safety remain key priorities
- Lost time injury rate down 32% to 6.5 per one million hours worked



LTIFR per one million hours

# Sir James Fletcher 1914 – 2007



# Strategic direction

- Further growth through acquisition likely
- Greater international presence
- Invested \$2.6 billion in acquisitions in past 5 years
- Acquisition opportunities from private equity still available as businesses complete their turnaround phase

# Our acquisition criteria

- Complementary business
- Leading market position
- Favourable industry structure
- Strong management
- Attractive acquisition parameters for early positive financial impact

**Jonathan Ling**

Chief Executive and Managing Director



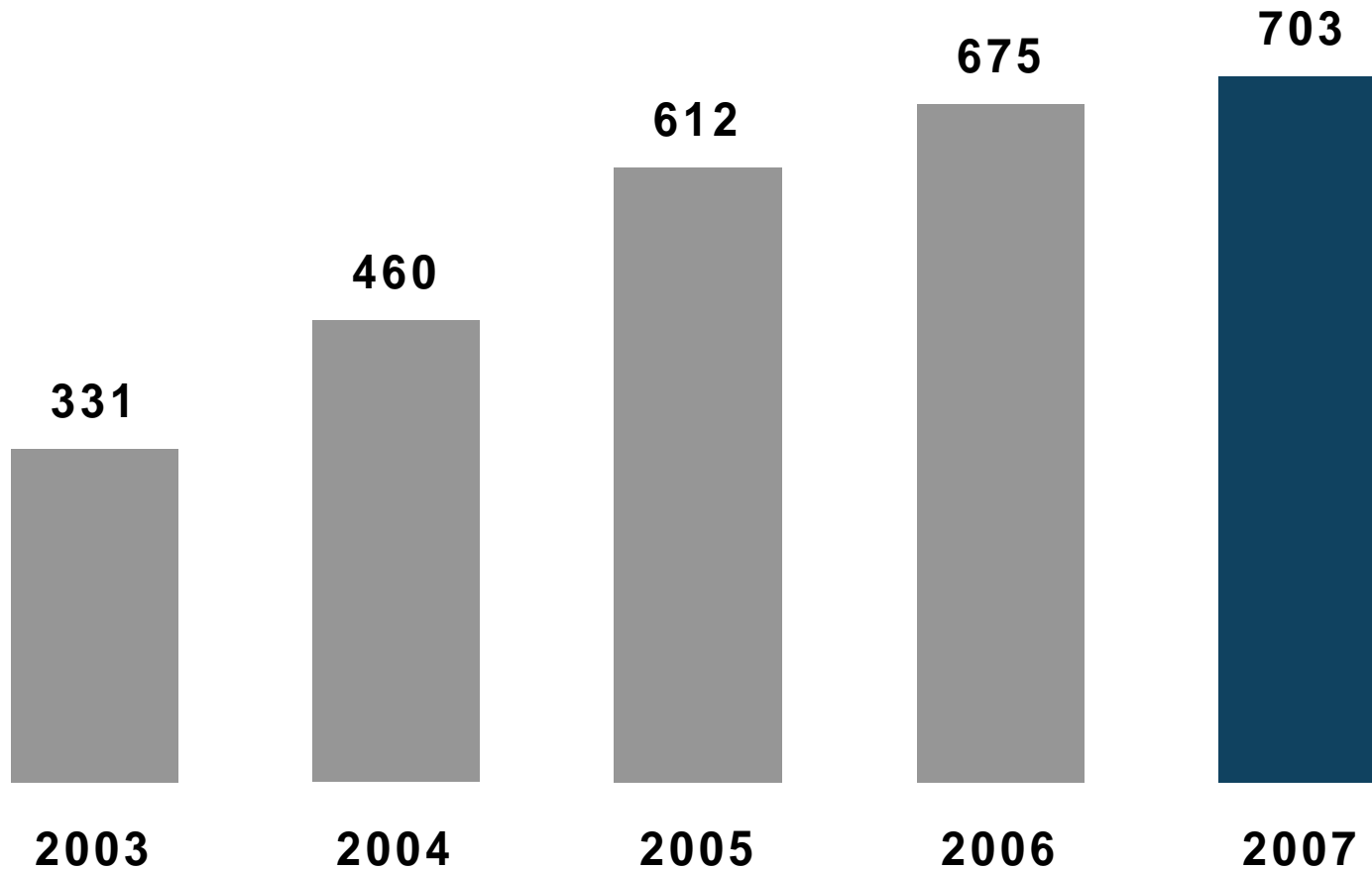


# Market conditions

- Softer overall, but varying across regions and sectors
- New Zealand
  - residential weaker
  - continuing strength in commercial building and infrastructure
- Australia
  - New South Wales and Victoria relatively weak
- High NZ\$ impact on Building Products and Steel

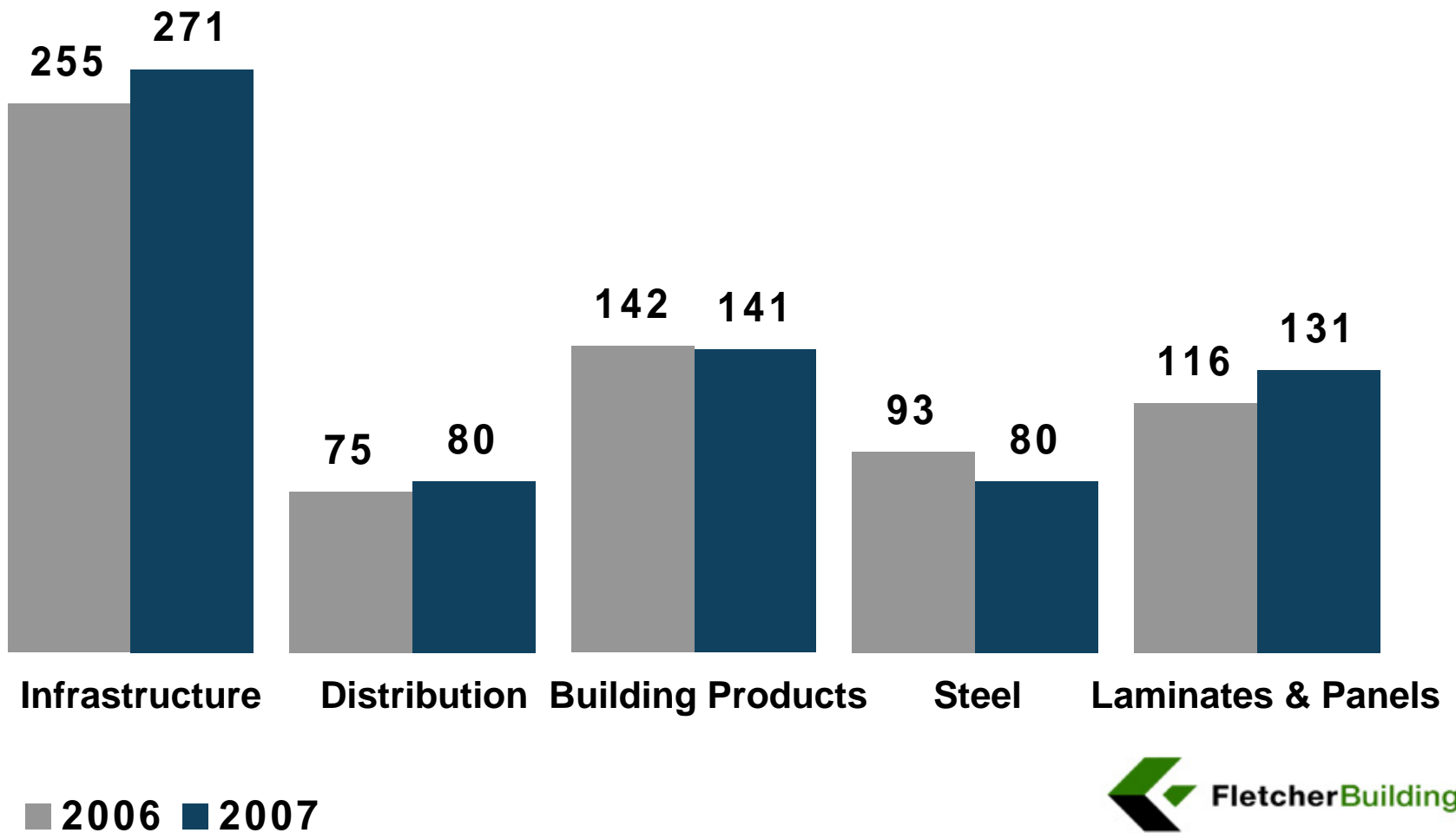
# Operating earnings

\$m



# Divisional operating earnings

\$m





# Infrastructure

- Sales up 7% to \$1.94 billion
- Operating earnings up 6% to \$271 million
- Sixth consecutive year of sales and earnings growth
- New Zealand demand weaker overall
- New South Wales particularly soft
- ... but all key businesses lifted operating earnings

# Infrastructure

- Increased prices and reduced overheads for cement and aggregates
- Strong demand for pipes
- Quarry products higher, except in NSW
- Higher prices and margins in residential
- Further strong growth in general construction
  - backlog \$775 million, rising to over \$1 billion today
- Capital investment of \$110 million

# Distribution

- Sales up 11% to \$1.06 billion
- Operating earnings up 7% to \$80 million
- Store development programme
  - five new PlaceMakers
  - six stores expanded/upgraded
  - distribution facility in Auckland
- Capital investment of \$18 million
- Acquisitions – three Maddren Timber stores and others in Mangawhai Heads, Cromwell and Stratford

# Building Products

- Sales up 11% to \$697 million
- Operating earnings down 1% to \$141 million
- Good performance in the conditions
  - flat new residential market in NZ
  - decline on east coast of Australia
  - strong \$NZ

# Building Products

- Plasterboard sales up 4%, with steady earnings
- Insulation down
  - 29% in Australia in soft residential markets
  - 13% in NZ with higher costs and import pressures
- Strong growth in metal roof tiles
- Strong performances in sinkware and floors
- Forman Group performed well post-acquisition
- \$36 million of capital projects

# Steel

- Sales up 7% to \$1.2 billion
- Operating earnings down 14% to \$80 million
- First year as a separate division – split from Building Products from 1 July 2006
- Tough year, with major increases in scrap metal prices

# Steel

- Long steel
  - Scrap metal prices up 27% to record levels
  - Import competition toughened by high \$NZ
- Rollforming
  - Steady earnings despite tough trading environment
- Merchandising
  - Strong performance and sales growth
- Acquisitions – Eziform Sheetmetals and Fair Dinkum Homes and Sheds
- Capital investment \$36 million

# Laminates & Panels

- Sales up 3% to \$1.06 billion
- Operating earnings up 13% to \$131 million
- Australia
  - sales growth offset by margin pressure... but cost control leading to increased earnings
  - difficult year for Wespine joint venture
- New Zealand
  - sales reduced by fire at Taupo MDF plant
  - ... but earnings up on sales and distribution initiatives



# Laminates & Panels

- Capital investment of \$35 million
- Kumeu plant upgrade increased production 17%
- Environmental & production gains at Dardanup
- Work commenced on
  - heat energy plant at Gympie MDF
  - distribution centre in Perth
- New products – veneers and wet area surfaces
- 20% holding in Matura MDF, with option to 50%
- Closure of Penrose plant

# Formica Corporation – product leader

- Recognised global leader in High Performance Laminates with operations in North America, Europe and Asia
- Predominantly focused on HPL, with emerging positions in complementary products – solid surface and stone

HPL



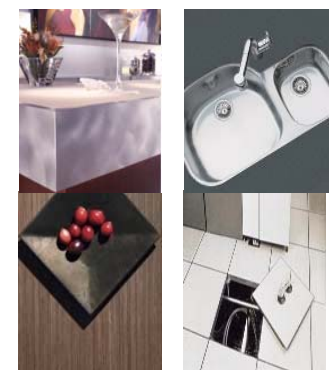
Solid surface



Stone



Other



# Formica Corporation – overview

- Purchase price US\$700 million (NZ\$913 million)
- Additional contingent payments of up to US\$50 million based on performance
- Reasonable acquisition multiple – 7.2 times EBITDA
- Lifted non-NZ revenue from 38% to 47%
- Met all our well established acquisition criteria
- Immediate positive impact on earnings per share

# Formica Corporation – current priorities

- Further opportunities for growth and development
  - Australia/NZ cost-competitiveness
  - Asia distribution network
- Realisation of synergies well on track
- Performance to date satisfactory
  - Asian and European businesses performing well
  - US production rationalisation slower than expected

# Environmental sustainability

- Participation in Carbon Disclosure Project
- NZ Emissions Trading scheme
  - details not yet finalised by Government
  - Golden Bay Cement and Pacific Steel will have to purchase and surrender carbon units
  - all operations will face higher energy costs
- Competitors will face similar costs
- Potential to adversely affect international competitiveness of NZ companies

# Dr Roderick Deane

## Chairman





# Outlook

- New Zealand
  - decline in housing, offset by backlog in alterations and additions
  - commercial construction and infrastructure remain strong – over \$1 billion construction backlog
- Australia
  - residential and infrastructure markets vary
  - non-residential construction flat
- European and Asian markets generally robust
- North America weakness continues

# Outlook (continued)

- Earnings ahead in first four months
- Overall
  - satisfactory performance expected
  - most analysts predict \$450-\$460 million net earnings after tax and before unusuuls
  - comfortable with this range





**Fletcher**Building