



Steel 

Investor Presentation  
October 2009  
Paul Zuckerman, Chief Executive Steel



## Disclaimer

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# The Steel Division's breadth of operations is unique

	Long Steel	Coated Steel	Steel Distribution
Companies	Sims JV Pacific Steel Group Fiji Rolling	Pacific Coilcoaters Dimond Stramit	Fletcher Easysteel CSP Coating Systems Fletcher Reinforcing
Operations	Scrap collection Bar and wire rod making	Paints coiled steel Roll formed roofing and cladding Other rolled products Australia and NZ	Steel stockist and distributor Fencing and wire products Galvanising services Reinforcing fabrication Mesh
Markets	Construction industry Infrastructure	Residential building Commercial construction Infrastructure	NZ construction and manufacturing Infrastructure Rural and vineyards

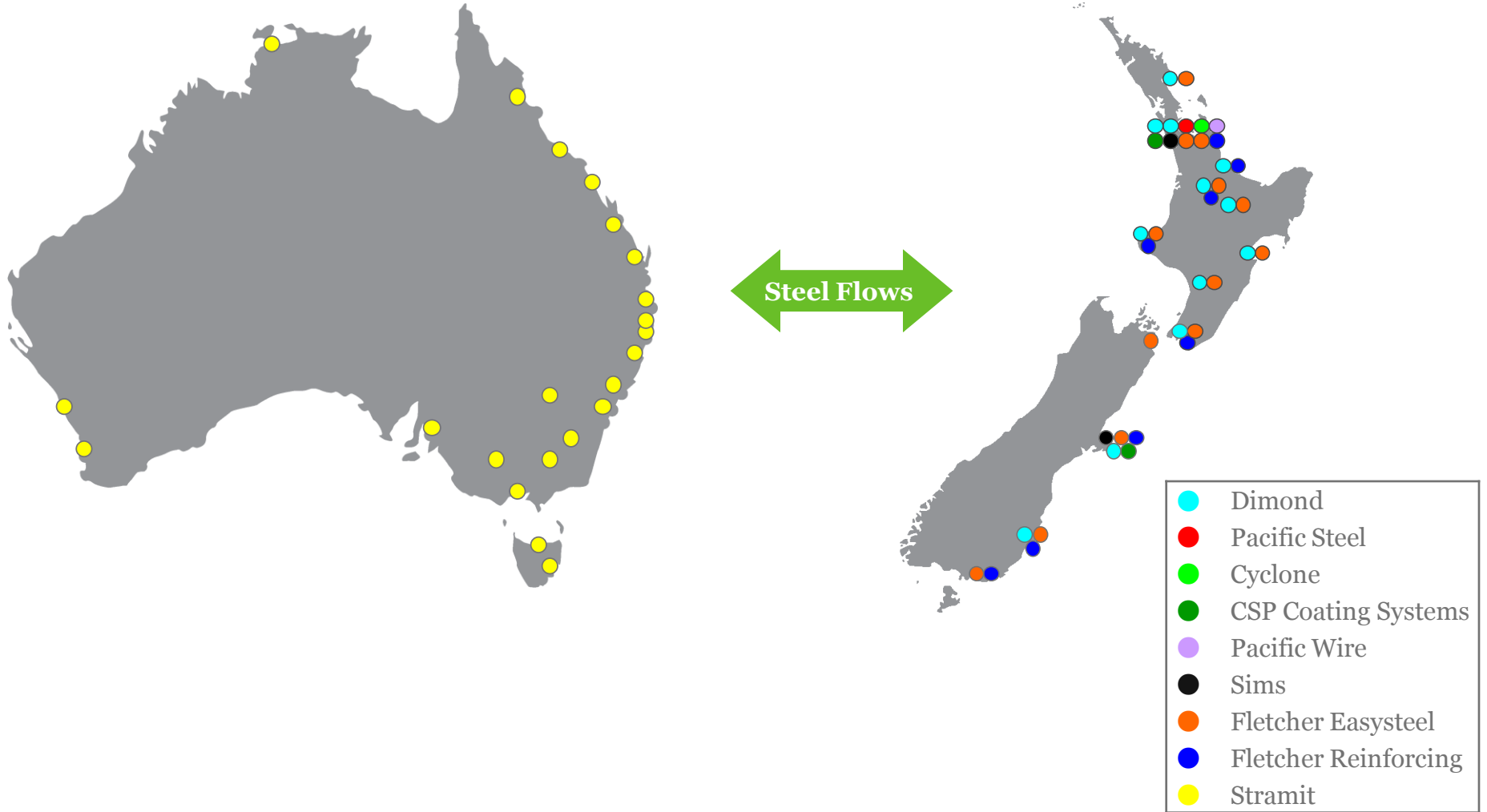


## Long Steel making has taken place in NZ since 1962 4

- Rod Mill established in 1962 at Pacific Steel site
- Wire mill added in 1968
- Electric Arc Furnace installed 1972
- Sims scrap JV commenced 1992 on adjacent site with the existing Fletcher shredder
- In 1977 the old 1962 rolling mill replaced with Danielli rod and bar mill



# Steel Division operates in 40 locations across Australasia

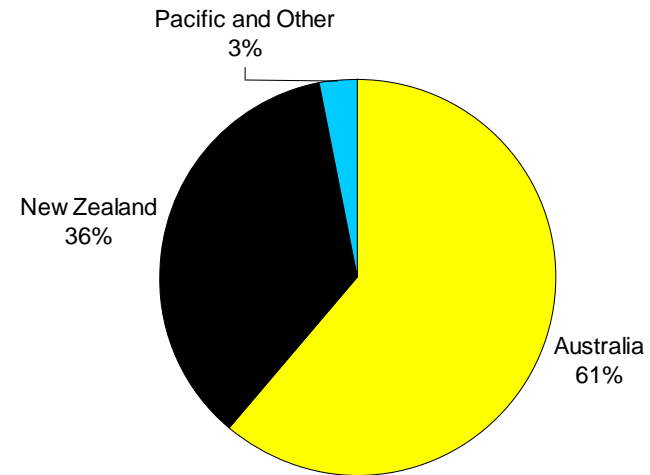
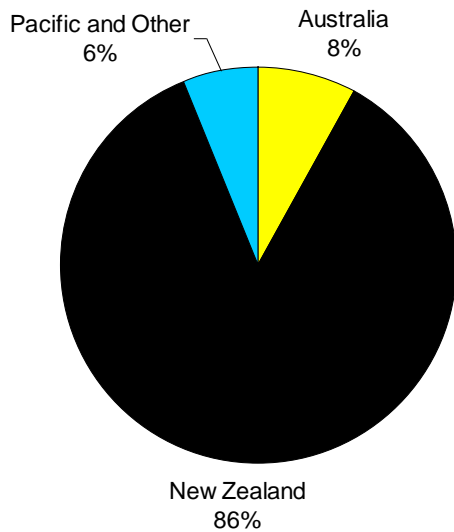


# ...with a diversified geographic revenue stream



Steel Division F04 Revenue Source

Steel Division F09 Revenue Source

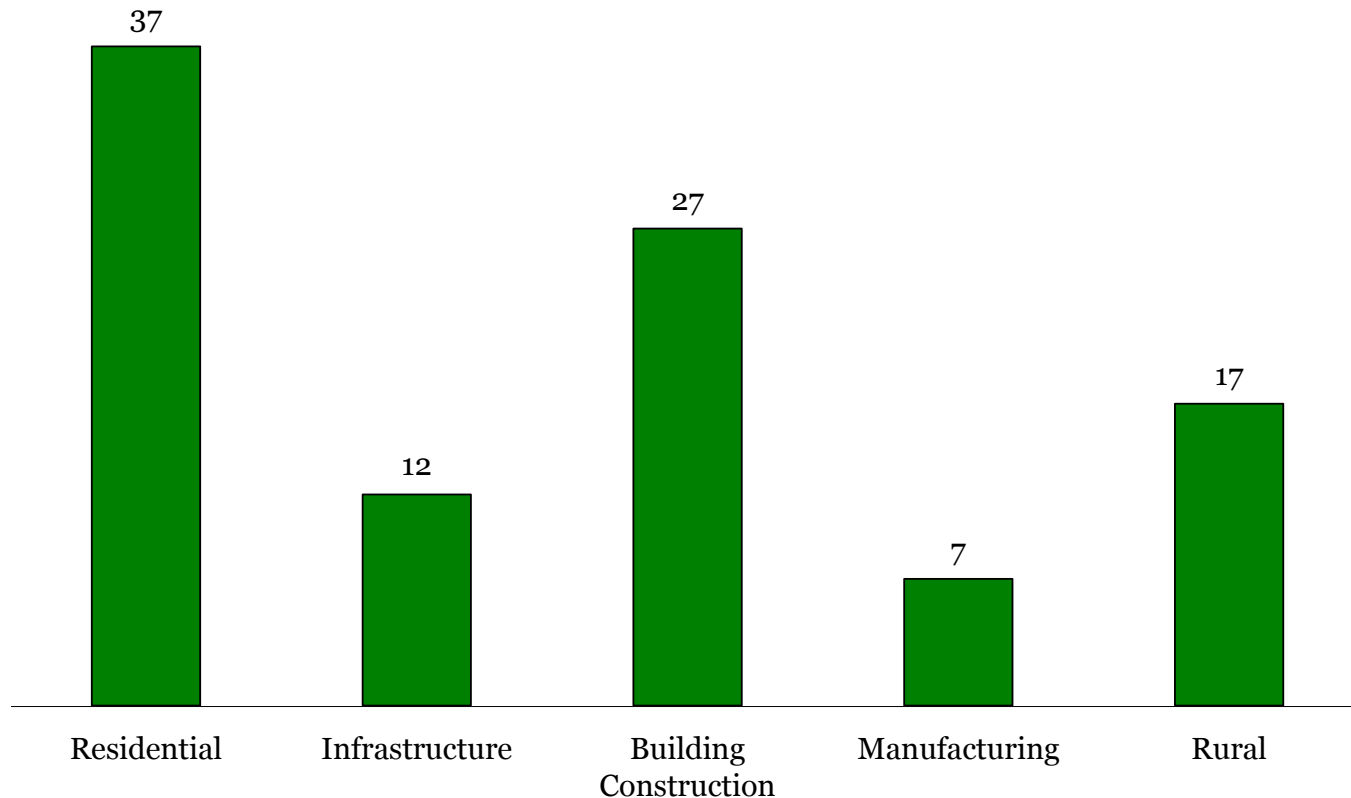


Source : Management Estimates



## ...and a diversified demand-side

Steel Division Australasian Demand-side share (%)



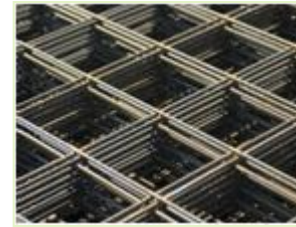
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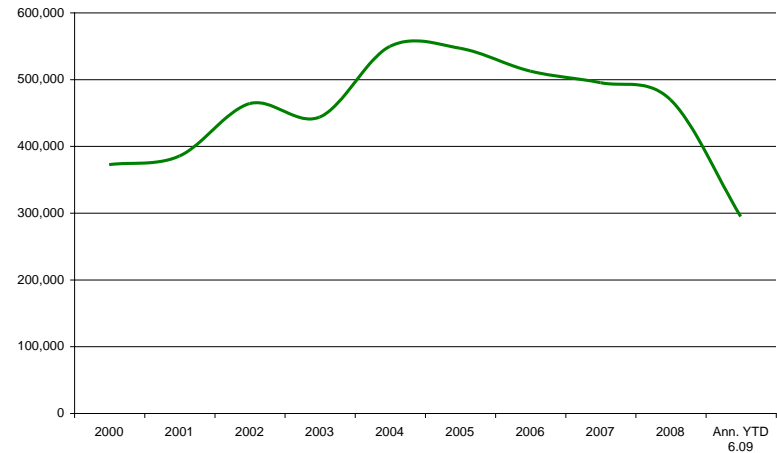
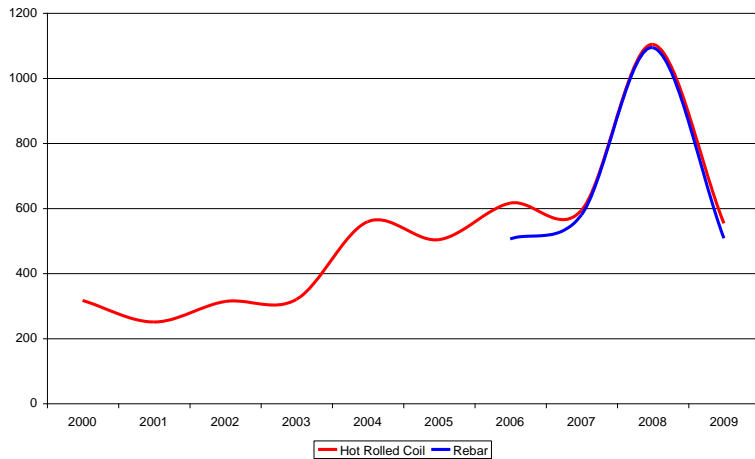
# The steel industry underwent a huge shock



World Steel Pricing (US\$/tonne)



New Zealand's total steel imports (tonnes p.a.)



Source : Steel Business Briefing and Statistics New Zealand

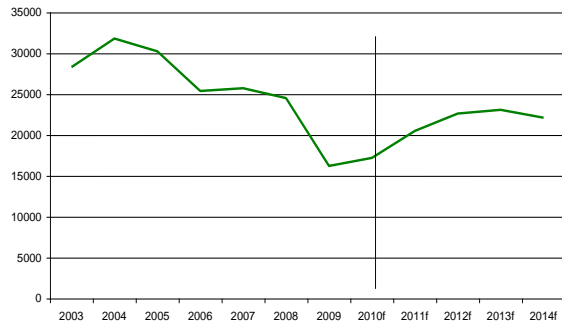




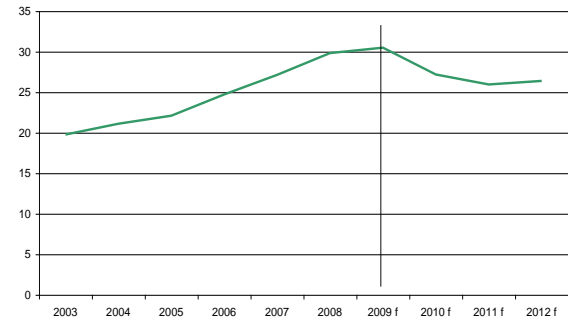
# Domestic steel demand has fallen accordingly



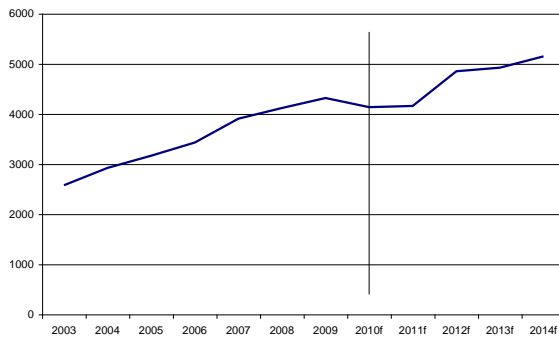
New Zealand housing consents  
(Years ending March)



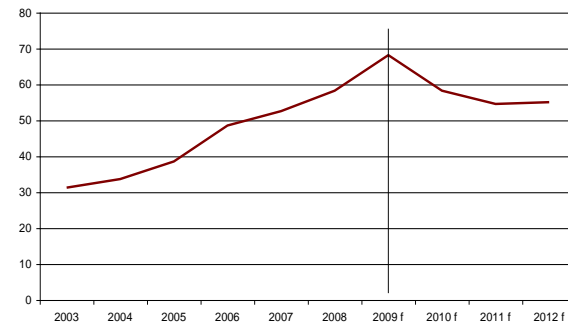
Australian non-res work done  
(2007 prices A\$b)



New Zealand Other construction  
(RGFCF NZ\$m)



Australian engineering work done  
(2007 prices A\$b)



Source: Infometrics



# What did this mean for the industry?

- Stock overhang
- Reduced production capacity
- Inventory write-downs and losses
- Job losses
- ...although surprisingly very little industry rationalisation



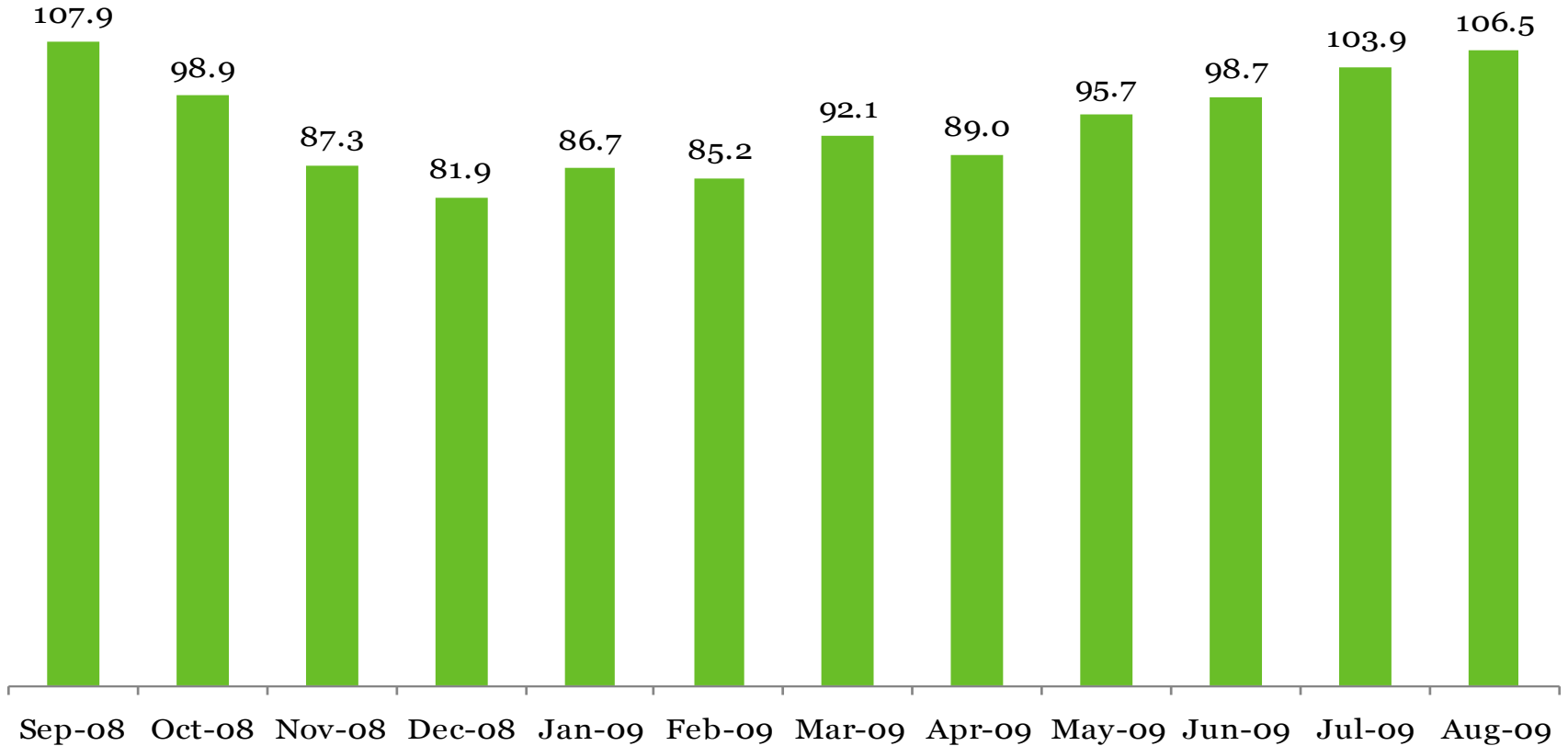
# What did this mean for Fletcher Steel?

- Peak to trough volume declines of ~20%
- Some restructuring required:
  - Previous restructuring (since 07) helped
  - Since 07 workforce declined by 11%
  - Three branch closures
  - Reduced capacity through shift reductions and longer shuts



# Global steel production is on the rise, while demand is still uncertain

## World Crude Steel Production (million tonnes)



Source: IISI



## In any case, we have gone back to core principles

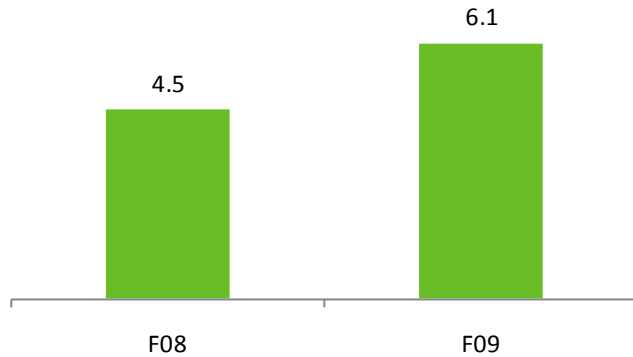
- We have reduced our cost base
- We have invested
- We are listening to our customers
- We are seeking out growth



# Our cost structure has been reduced and 'right sized' where required



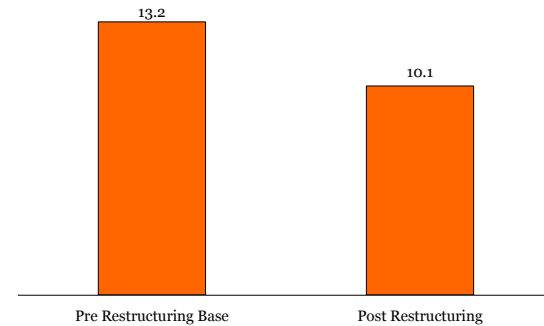
Savings realised  
(% production cost reduction relative to 2007)



- Across the board procurement savings
- Smarter logistics
- Supported by robust manufacturing



Labour cost reduction  
(\$m)



- Focused branch structure
- Right-sized sales force
- Consolidated Auckland Branch



# We have continued to invest for the future



## Knoxfield



- 20,000 m<sup>2</sup> facility – Stramit’s largest
- Consolidated four previous locations
- Environmentally friendly



## T-Bay Crane



- New Rolling Mill Crane
- Improves productivity
- Reduced dispatch time

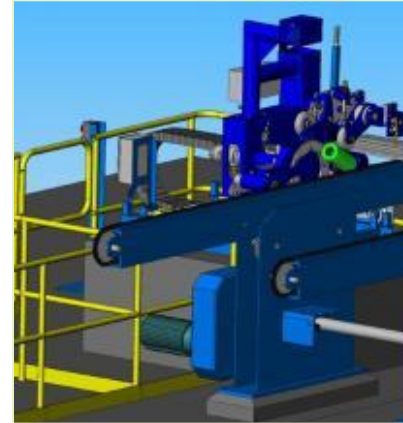


# We are improving our product offering

## Dimond



PACIFIC STEEL GROUP



### DGL Freight System

- Purpose-built trailers
- Optimised to carry Dimond goods
- Can carry other FB products

### Bar Counting

- Improves yield
- What customers want
- Less rework





# We are growing our existing businesses



## Expand Value Add

- Steel processing capability
- “Components” not just steel

## Expanded Placing

- Successfully launched at New Lynn
- Has application at large infrastructure projects



# We are targeting new opportunities



## Home Improvement

- Alteration and Additions, Outdoor living area, Pergola's, Carports.
- Significant market opportunity
- Complementary to current business

## New Substrate and Coating Options

- Further substrate differentiation
- Improved product performance
- Delivers right product for specific market segment
- Increased brand awareness



- We managed the downturn
  - Quickly reduced our costs
  - Managed our inventory
- We are looking towards the future
  - Lower fixed cost base
  - Improving our customer relationships
  - Seeking out growth

