

Fletcher Building Limited Half Year Results 2010

17 February 2010



Disclaimer

This annual results presentation dated 17 February 2010 provides additional comment on the media release of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that release.



Agenda

- Introduction
- Company and Market Overview
- Divisional Performance
- Financial Results
- Strategy
- Outlook





Company & Market Overview



Results overview

- Net earnings after tax of \$154 million.
- Operating earnings¹ of \$271 million.
- Strong cashflow performance – cashflow from operations \$317 million (up 52%).
- Revenues down by 10% to \$3.4 billion as a result of:
 - lower sales volumes in steel, NZ concrete and Distribution, partly offset by stronger insulation sales and construction revenues.
- 14 cents per share interim dividend.

1. *Earnings before interest and tax*



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 ¹	569,000	859,000	1,388,000	-34
England ²	83,070	127,210	170,810	-35
Spain ³	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



Strong financial performance despite lower volumes

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

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



First half of FY10: signs of increased activity in NZ and Australia housing markets, from a low base

- Group operating earnings impacted by:
 - improved residential building markets in NZ and Australia
 - further deterioration in commercial construction activity globally
 - continued infrastructure spending in NZ and Australia, and other government stimulus activity
- Cost reduction initiatives have been successfully implemented to ensure business is appropriately scaled for lower activity levels.



Continued focus on optimising cash has proven beneficial

- Cashflow from operations up 52% to \$317 million, driven by tight capital management
- Capital expenditure 53% lower at \$77 million:
 - stay-in-business capex: \$46 million
 - growth capex: \$31 million
- Gearing has reduced further:
 - net debt to net debt plus equity down to 27% from 31%



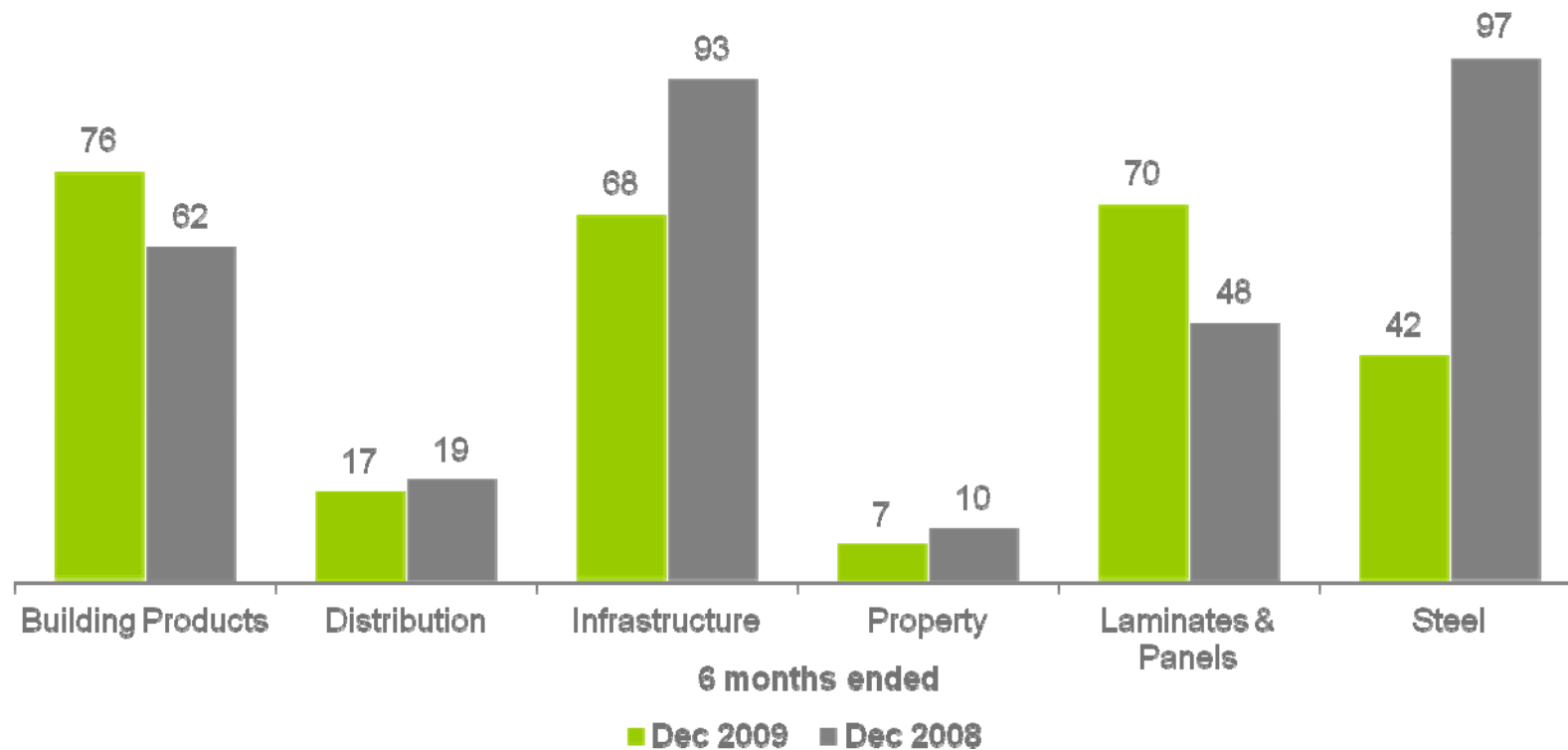


Divisional Performance



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

EBIT NZ\$million¹



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



Building Products result

NZ\$m	Dec09 6 Mths	Dec 08 6 mths	% Δ
Sales	436	412	+6
EBITDA ¹	89	74	+20
EBIT ¹	76	62	+23
Funds Employed	641	655	-2
EBITDA ¹ /sales %	20.4	18.0	
EBIT ¹ /sales %	17.4	15.0	
ROFE ¹ %	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
New Zealand						
- Plasterboard	89	115	-23	↓	-	↓
- Insulation ¹	84	82	+2	↑	-	↑
- Roof Tiles ²	94	107	-12	↓	↑	↑
Australia						
- 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 result

NZ\$m	Dec 09 6 Mths	Dec 08 6 mths	% Δ
Sales	435	481	-10
EBITDA ¹	22	24	-8
EBIT ¹	17	19	-11
Funds Employed	141	189	-25
EBITDA ¹ /sales %	5.1	5.0	
EBIT ¹ /sales %	3.9	4.0	
ROFE ¹ %	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 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
New Zealand						
- NZ Concrete	310	361	-14	↓	↓	↓
- Construction	519	485	+7	↑	↓	-
Australia Concrete	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
Total	7	8	10	50	30

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 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 ¹	106	89	+19
EBIT ¹	70	48	+46
Funds Employed	1,695	2,289	-26
EBITDA ¹ /sales %	11.0	8.3	
EBIT ¹ /sales %	7.3	4.5	
ROFE ¹ %	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
New Zealand						
- Laminex	79	101	-22	↓	↑	↑
Australia						
- Laminex	439	455	-4	↓	-	↑
Formica						
- 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 ¹	1H10	2H09	1H09	2H08
Asia	21	19	20	14
North America	11	17	2	-17
Europe ²	2	8	9	30
Corporate	-7	-9	-6	-17
EBITDA ¹	27	35	25	10

1. Before unusual items

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



Steel result

NZ\$m	Dec 09 6 Mths	Dec 08 6 mths	% Δ
Sales	583	777	-25
EBITDA ¹	54	110	-51
EBIT ¹	42	97	-57
Funds Employed	522	623	-16
EBITDA ¹ /sales %	9.3	14.2	
EBIT ¹ /sales %	7.2	12.5	
ROFE ¹ %	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
New Zealand						
- Long Steel	129	227	-43	↓	↓	↓
- Coated products	80	99	-19	↓	-	↓
- Distribution & Services	125	186	-33	↓	↓	↓
Australia						
- Rollforming	326	378	-14	↓	-	↓





Financial Results



Net earnings

NZ \$m	Dec 2009 6 months	Dec 2008 6 months	% Δ
EBIT ¹	271	322	-16
Interest	52	79	-34
Tax ¹	59	52	+13
Minority Interests	6	5	+20
Net Earnings before unusual items	154	186	-17
Unusual items after tax	0	(14)	
Net Earnings	154	172	-10

1. *Before unusual items*



Balance sheet strengthened with stronger operating cashflow

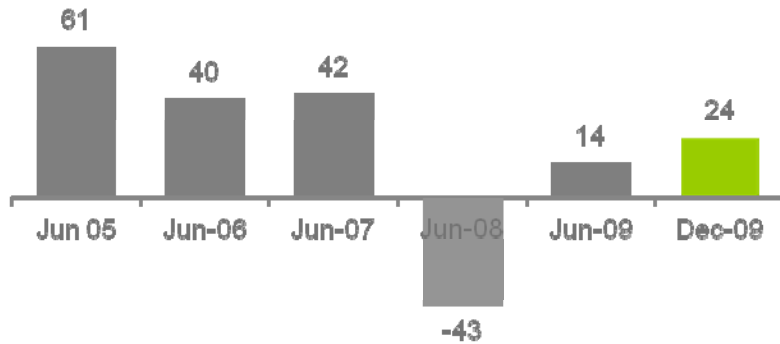
NZ \$m	Dec 2009 6 months	Dec 2008 6 months	% Δ
Operating Cashflow	317	208	+52
Net Debt	1,135	2,003	-43
Net Debt / Net Debt Plus Equity %	27.3	41.3	-34
EBIT ¹ / Total Interest (times)	5.2	4.1	+27
Return ¹ on Funds %	13.2	13.7	-4

1. *Excluding unusual items*

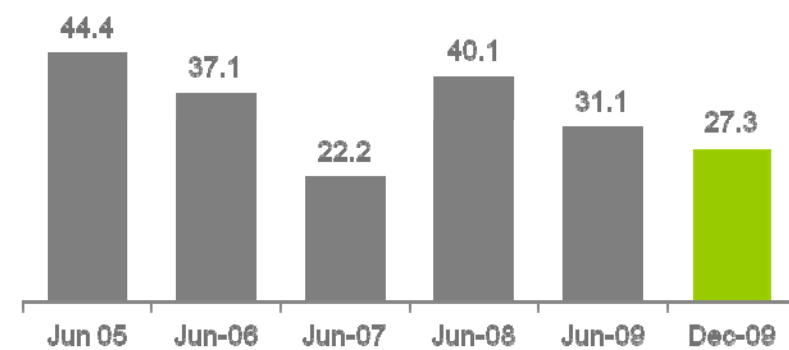


Key Ratios

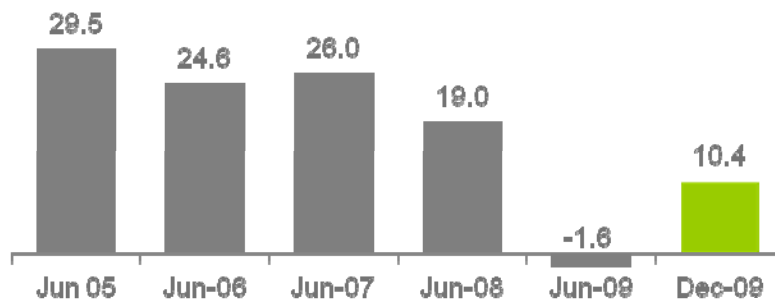
**Total Shareholder Return (TSR)
Percentage**



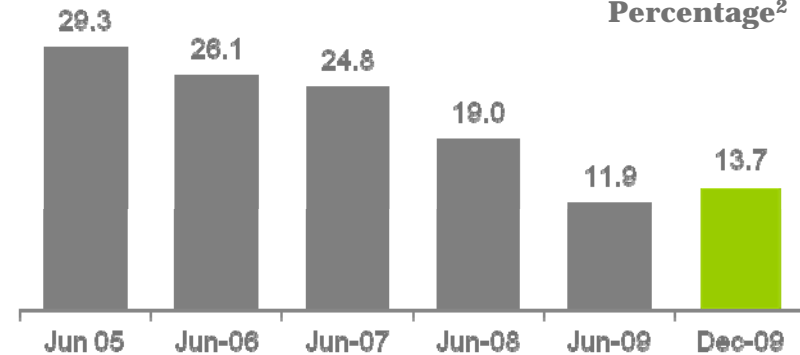
**Debt/Debt Plus Equity
Percentage**



**Return on Average Equity
Percentage¹**



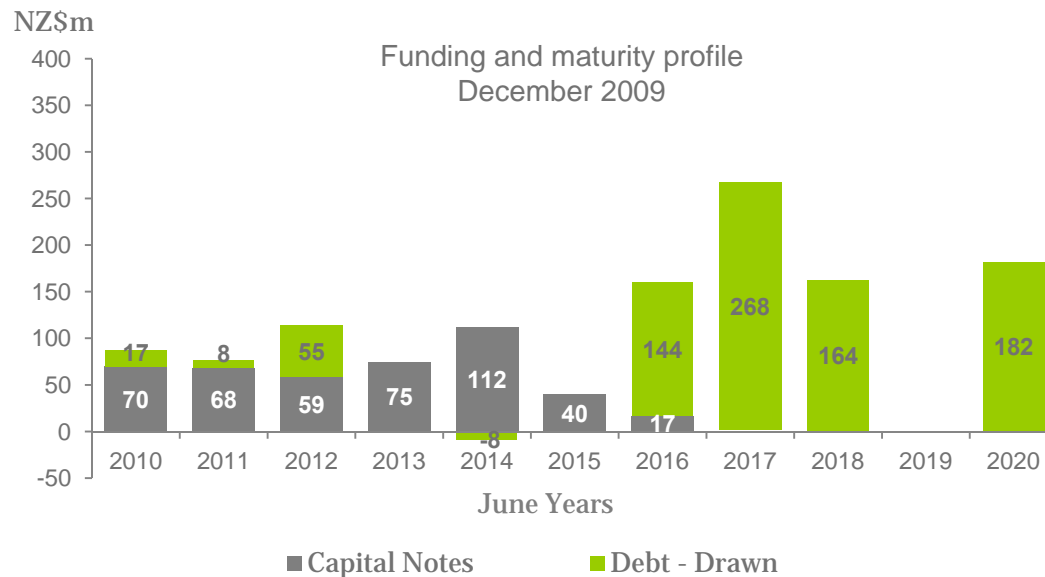
**Return on Average Funds
Percentage²**



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.





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.



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.
- Insulation will benefit from government stimulus package, but scheme changes will reduce contribution in second half.
- 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.

