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Ralph Waters
Chief Executive Officer

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•To adapt from a well-worn adage... a year is a very long time in business.

•When I stood here last May and talked about Fletcher Building, the backdrop was a poor earnings record and a history of large asset write downs. Despite evidence of improvement, there was still doubt about the company, and I had the task of convincing you that Fletcher Building had a future that was both brighter and more reliable.

•I concluded with a slide on the outlook for the company, as follows….

•…. And this is self-explanatory, so I'll just pause for a moment while you take it on board.

•So, a year on, what's the report card?

Report Card

- 2002 - $205m EBIT pre unusuals up from $94m in 2001
- Forecast 2003 - $310-320m EBIT pre unusuals
- Disposed of Bolivian business and Construction Australia amongst others
- Acquired Laminex

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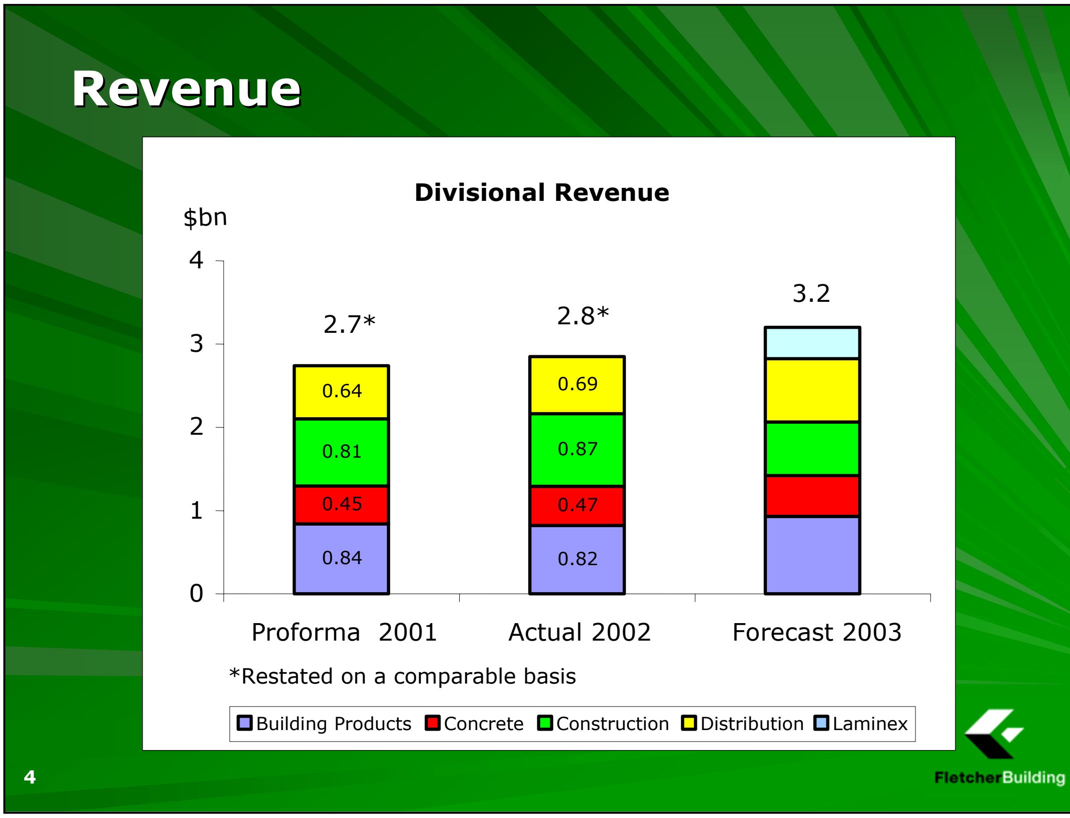
- As I say, a year is a long time in financial markets. If, last year, I had predicted an EBIT of between $310-320m for this year, I would probably not have been believed. Analysts' forecasts were then under $200 million for 2003.
- Market expectations have obviously changed a lot since then. When we recently announced a $10 million impact from exorbitant New Zealand power prices and made this profit forecast, our share price fell nearly 10% on the disappointment.
- In fairness to this audience, the Australian share of our register has lifted since that news. New Zealand and US shareholders have been the main sellers. (I should add that some New Zealand funds were also opposed in principle to Fletcher Building making an Australian acquisition.)
- The acquisition of Laminex was completed last November. It provided much-needed geographical diversification in earnings, access to the higher-growth Australian market and for the future, a possible extension into Asia. It also had an immediate impact on EBIT which is reflected in the forecast.
- So I think it is fair to say we have delivered so far in reshaping Fletcher Building to generate better returns. It is instructive to look back as requested and review the company's earnings record. As we were part of Fletcher Challenge until March 2001, comparisons prior to then are less relevant... but we can use the pro-forma 2001 result published after we became a standalone company.



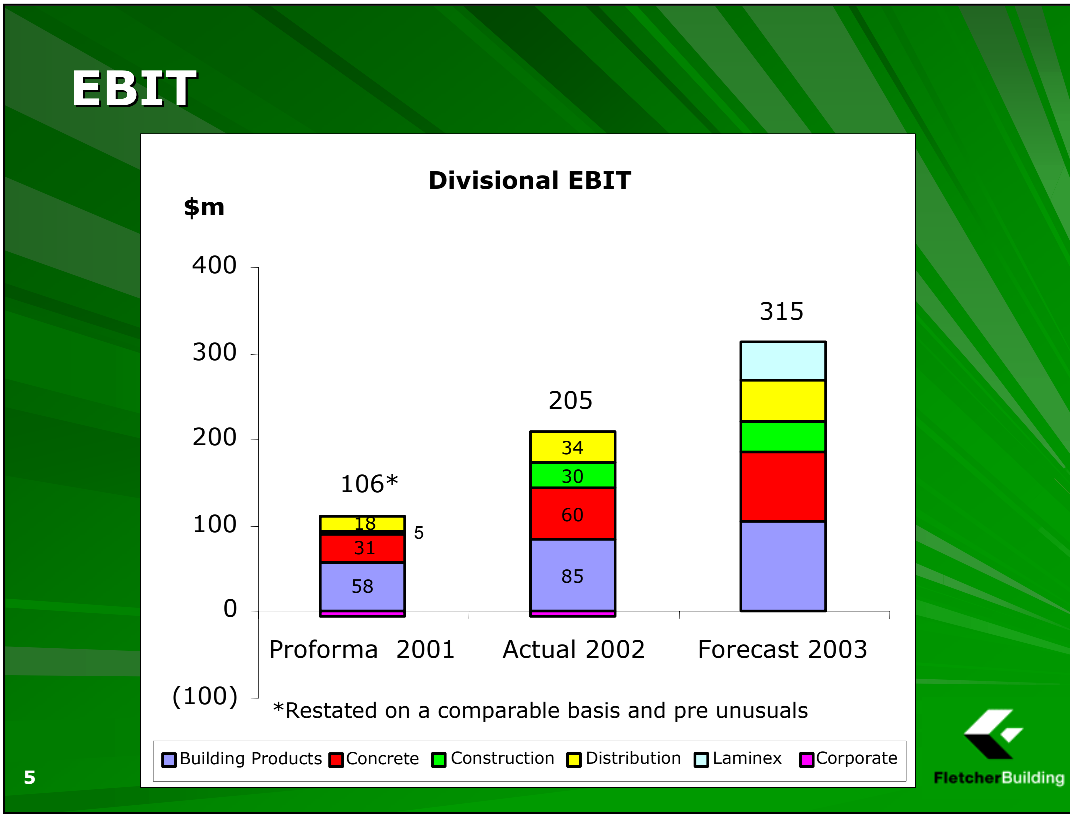
- Starting with the revenue numbers…

- Given that there had been a clear improvement in the marketplace, this might seem a solid but unspectacular performance…

- But when you look at what we did during the 2002 year, you see structural changes with a significant impact on the revenue, such as the sales of the Australian construction business, the cement business in Bolivia, aluminium distribution in New Zealand and Australia, and some other New Zealand assets.

- In total we divested about $400 million of revenue, with effect at various dates through the year, but added an almost equivalent amount when we consolidated the PlaceMakers JVs… so the raw numbers did not tell the whole story. After restatement on comparable basis, revenue growth in real terms was in the order of 4 percent.

- Also as the 2003 figures will contain a 7 1/2 months' contribution from Laminex, there will again be some interpretation required to understand the position on an annualised basis.

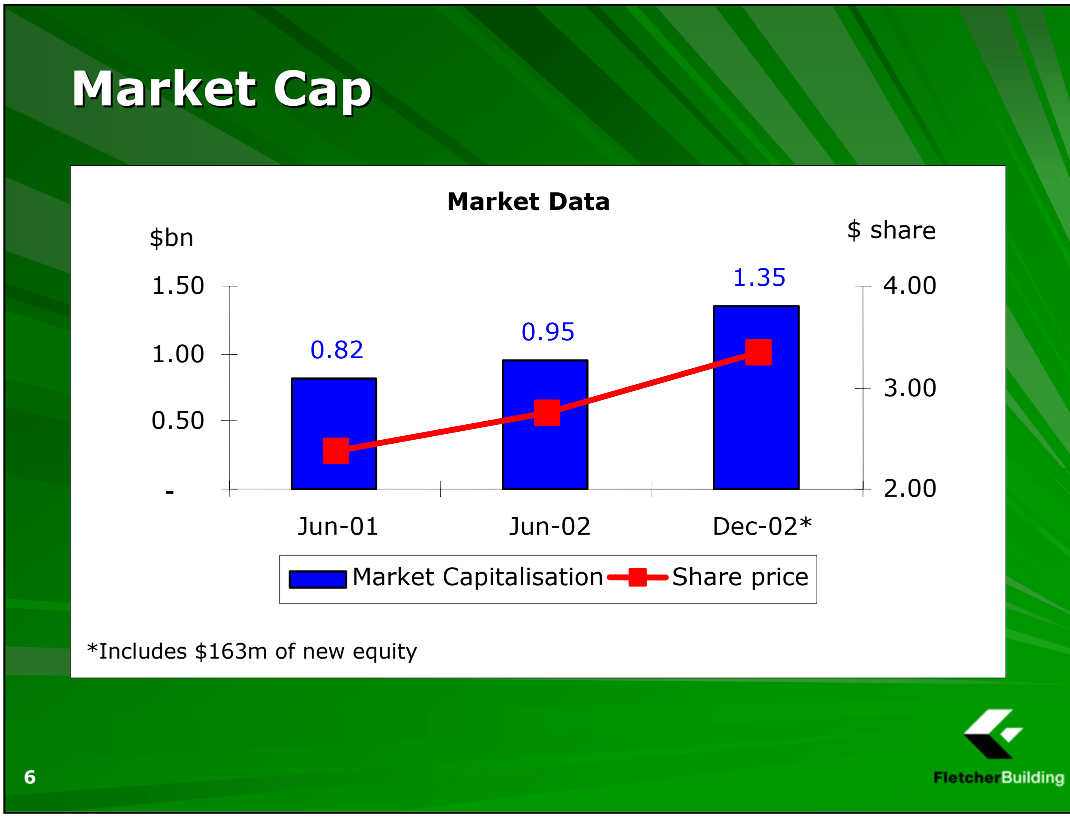


•If we use the mid-point of our recent 2003 profit guidance for comparative purposes, we can look at three years results.

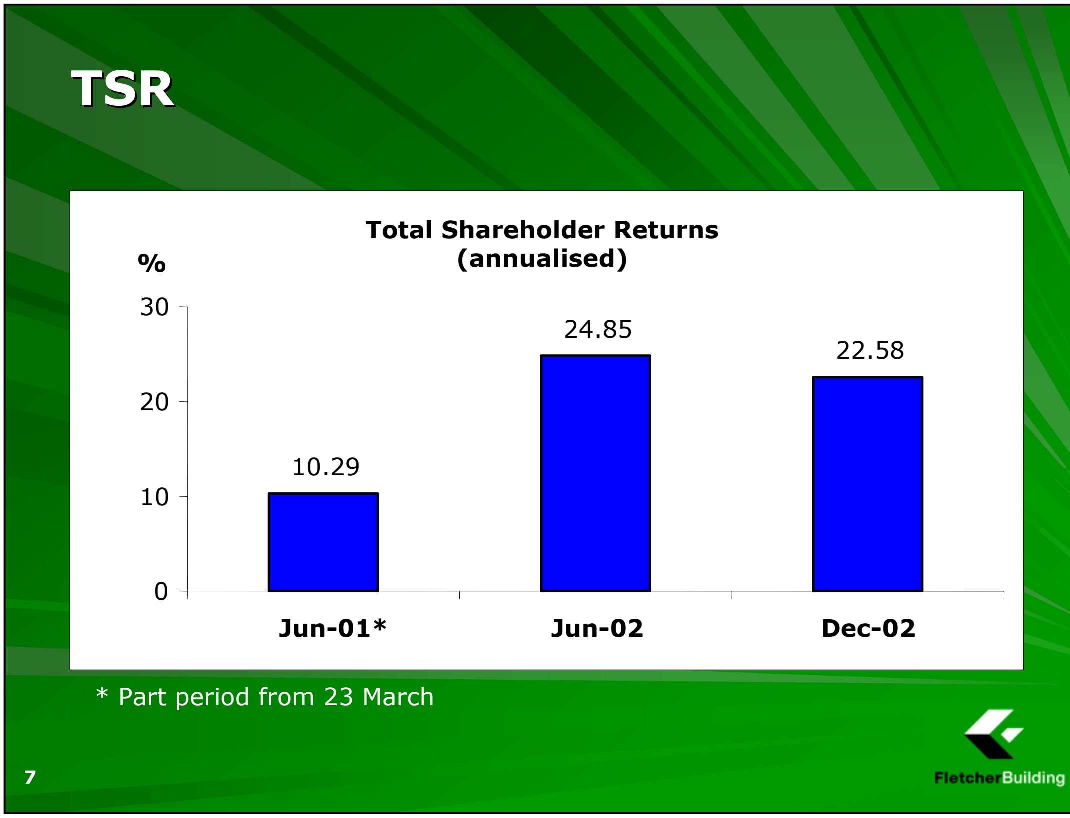
•Clearly, the cycle has been a driver, and so has Laminex in respect of the current year.

•But also critical is that we have taken a raft of measures to lift internal performance, and these have contributed significantly. I'll expand on that theme shortly when I talk about the sustainability of our earnings.

•The earnings numbers translate into a number of return measures that are demonstrably above those of other building materials companies. We'll just quickly review some key measures over the next few slides.

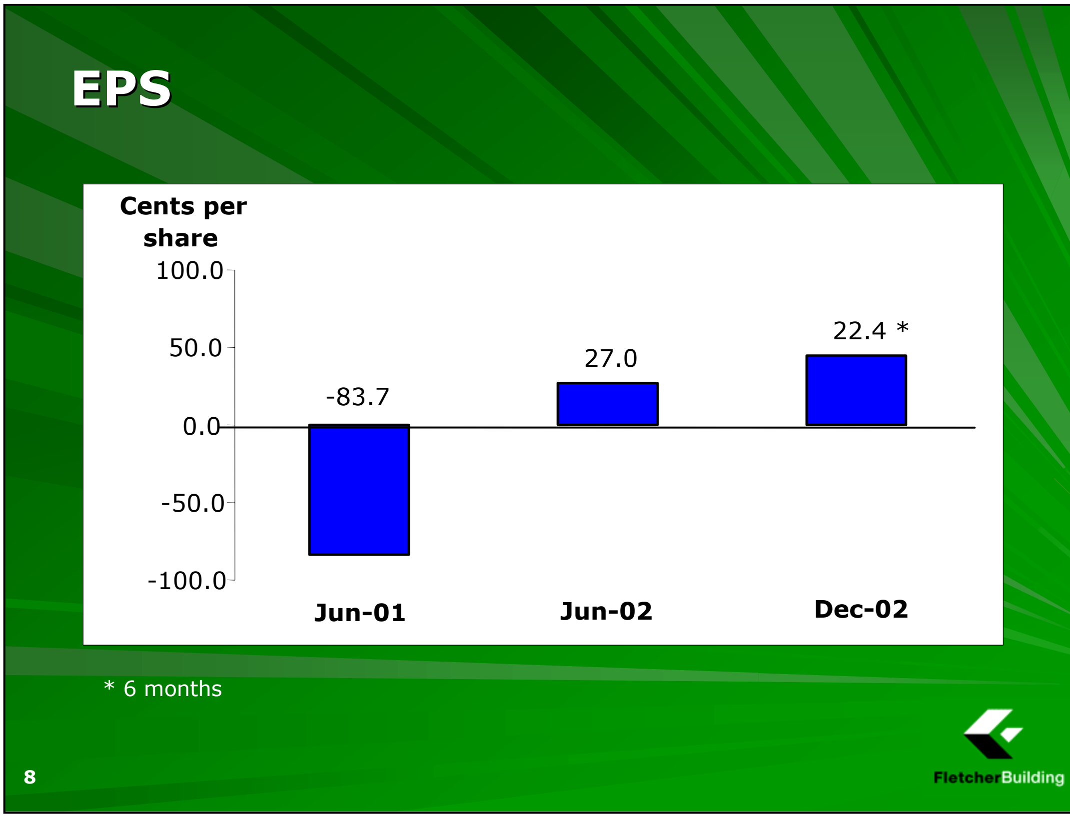


•The improvement in earnings has been good for shareholders.

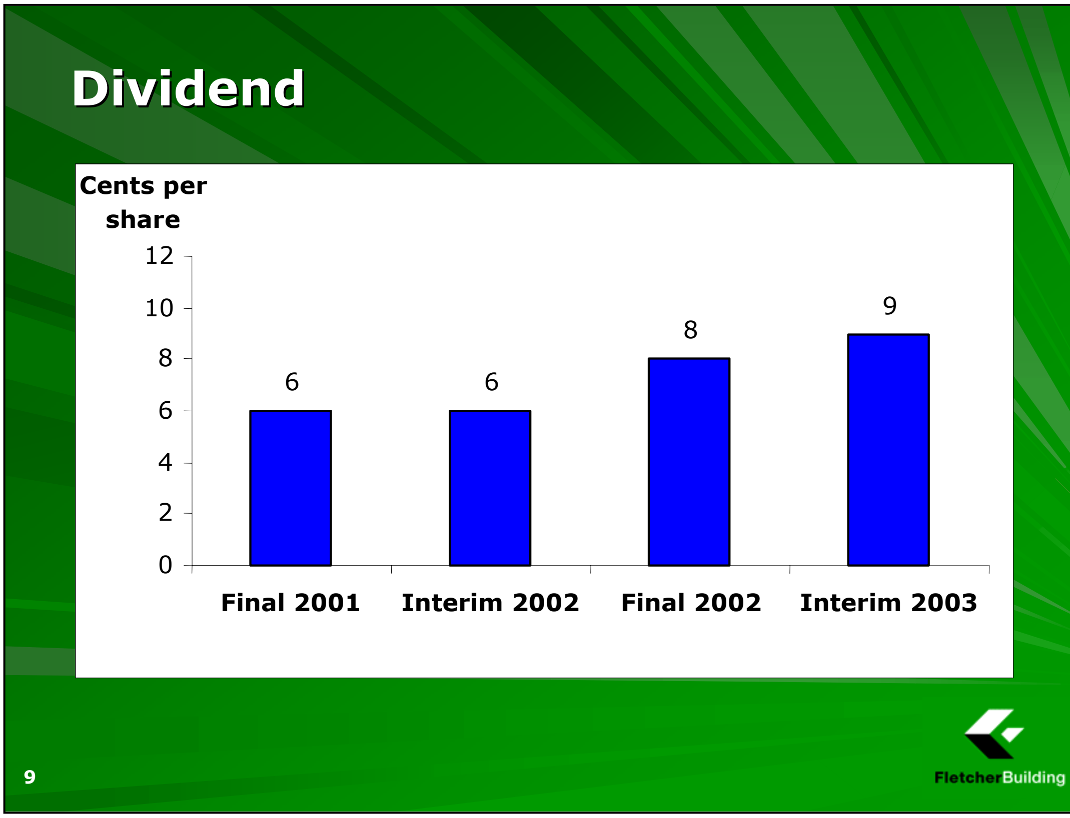


•In the 2002 year, total shareholder return was about 25 percent compared with just under 5 percent for the companies in the New Zealand Stock Exchange's 40 leaders index.

There has been further above average TSR this year.

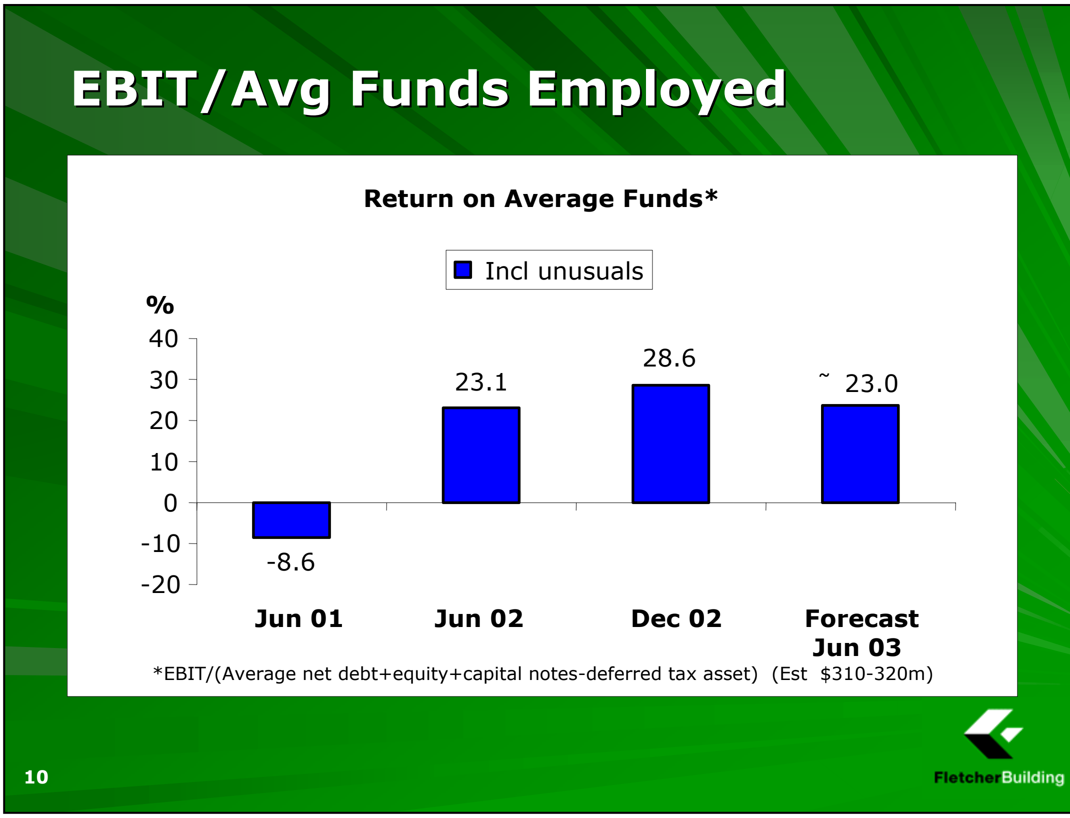


•Earnings per share reached 27 cents in the 2002 year, and will clearly improve again this year. One of the key aspects of the Laminex acquisition is that it was immediately EPS positive.



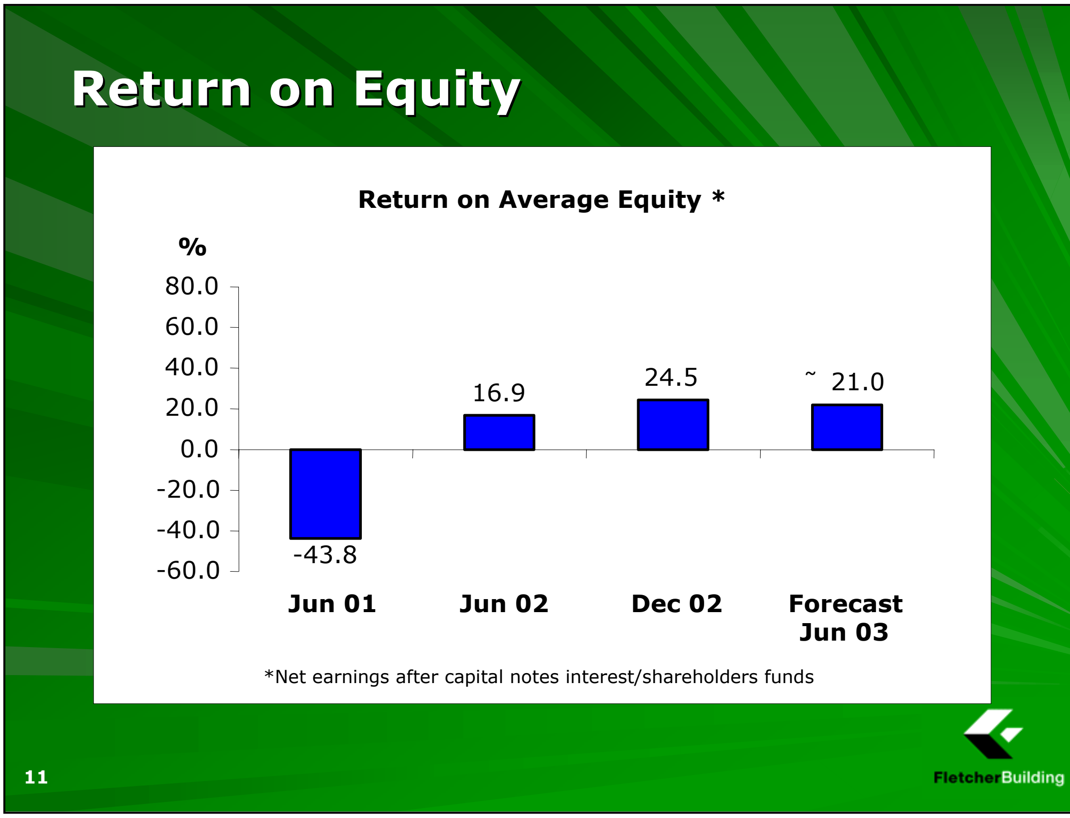
•The 9 cent interim was 50% up on last year's interim and also up on last year's final and represents a 44% payout ratio.

•Our payment ratio was lower than we expect to average. Around 60% is our aim over the cycle.



•EBIT to total funds employed was 23% in the 2002 year and when H1 is annualised, reached 28.6%.

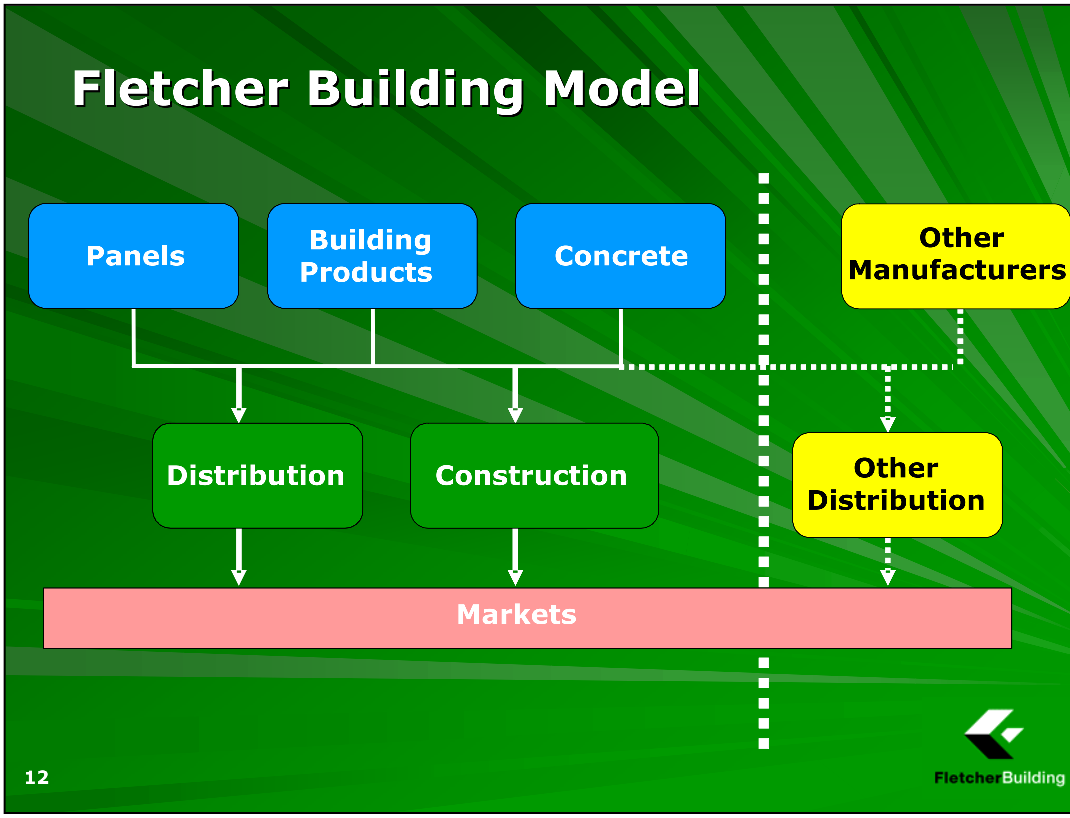
•For the full year, based on the midpoint of our recent guidance, and inclusive of the full purchase price of Laminex in our funds base, ROFE should be about 23%, demonstrably above our Cost of Capital.



•Return on average equity was 16.9 percent in 2002 - and, when the half year is annualised, is 24.5%. Making the same forecast assessment for June 03 as for the previous slide, ROE should exceed 21%. These returns are well above average for our industry.

•So why are we able to generate returns at these levels?

•There are two key reasons:-



•The first reason… something that distinguishes Fletcher Building from other building materials manufacturers….. is our structure.

• Fletcher Building is best viewed as a building materials manufacturer with two special channels to market:

- a distribution chain of 60 building materials stores, selling our products and also those of other manufacturers, and
- New Zealand's pre-eminent construction business – which, as the clear No.1 in engineering, commercial and residential construction, is a major user of Fletcher Building materials.

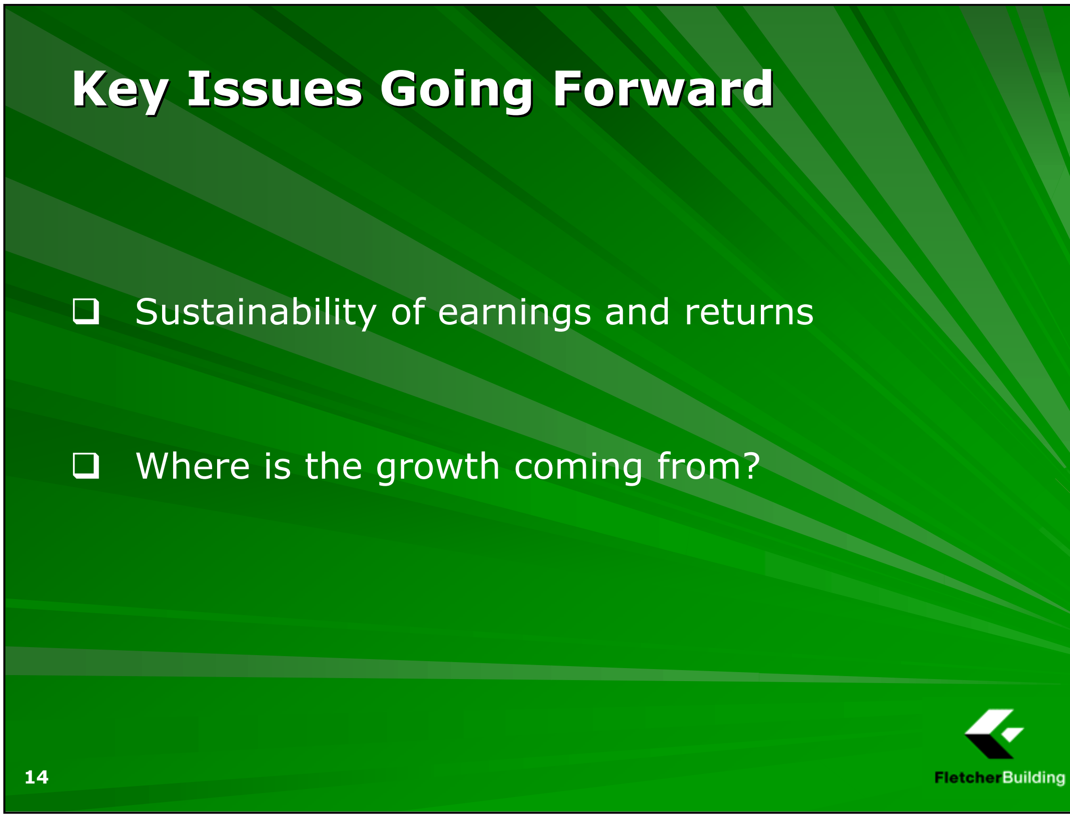
•The distribution business acts as a "composite" distributor for many of our products. We have a high market share for our products with Construction and for sales through Distribution and Construction we derive earnings from all parts of the value chain.

- The second reason we can generate high returns is our suite of No. 1 market positions. We are No.1 in New Zealand in:
    - plasterboard
    - cement
    - readymix concrete
    - aggregates
    - steel bar and rod
    - downstream steel products
    - construction
    - building materials distribution
    - high pressure laminates
    - decorative panels

- A company should earn good returns when it has that many No. 1 positions (and, of course, these are backed up by strong No. 2 positions in a number of other building materials businesses).

- You'll note that Distribution and Construction are also highlighted as a No. 1 positions. Each of these two channels is a valuable contributor to earnings in its own right.
    - The Distribution division will achieve returns in excess of 40 percent this year, and
    - Construction has "infinite" returns, as it has negative funds employed, on which it earns around $30 million per year. At any time, Construction provides $50-100 million of funds rather than being a net user of funds.

  So these two businesses, which make the Fletcher Building model different from the norm, are also the icing on the cake when it comes to returns.



- So, if we have hopefully now established that Fletcher Building does generate good returns, the key issues become sustainability and growth.

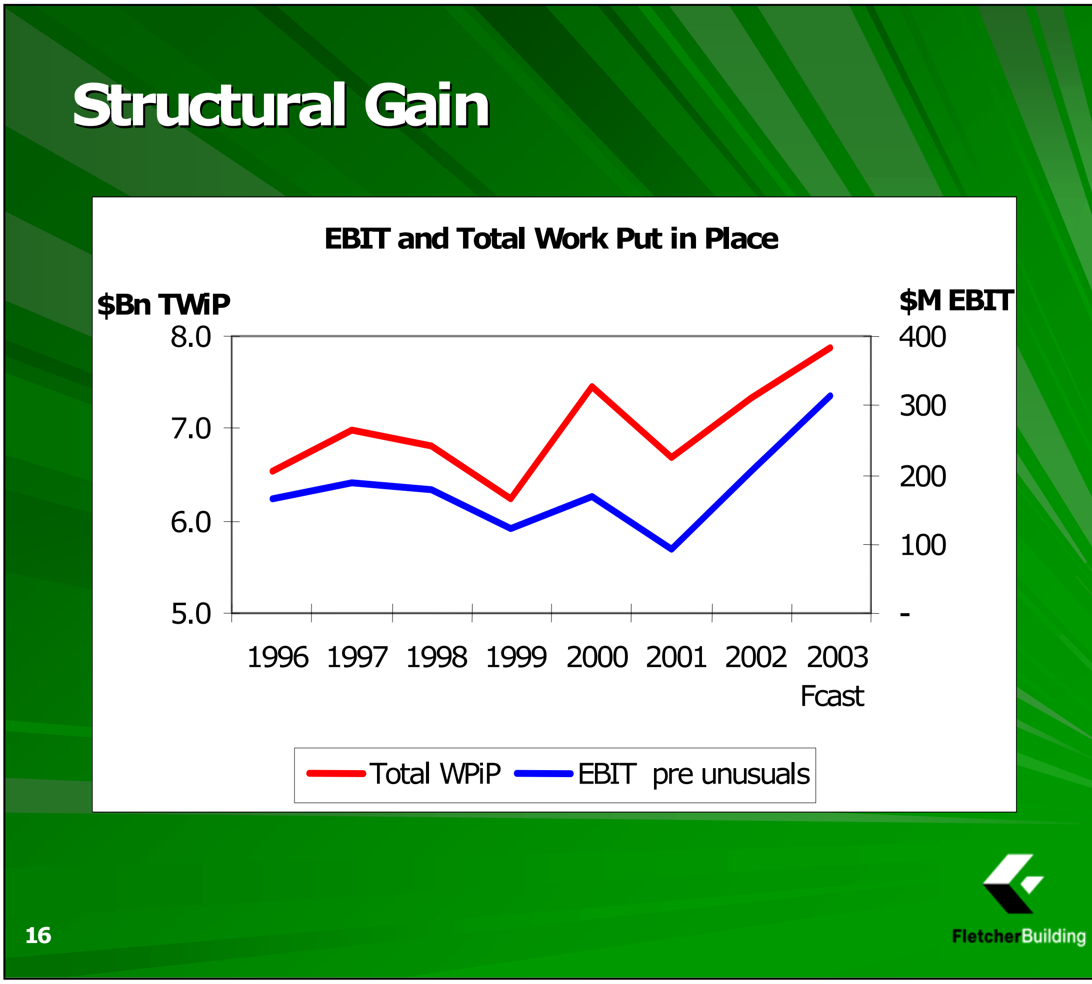
- The sustainability questions are:
  - How much of our recent success is attributable to the cycle? And
  - What will our earnings look like in a down cycle?

- The growth issue is... How can we continue to grow, and what are the disciplines around that?

- Clearly, the cycle has been good to us over the last year… but it doesn't explain all the very substantial increase in earnings, and the upturn only really began in April last year.

- As I mentioned earlier, we have made a number of changes to permanently improve internal performance:
  - Losses in South America have been eliminated.
  - Losses in Steel have been eliminated (a couple of recent bad electricity matters excluded).
  - Pricing has improved in nearly every business.
  - Fixed costs have been reduced.
  - Earlier excessive costs have been eliminated (consultants, audit fees halved, a range of corporate functions eliminated).
  - Distribution has been turned from being a "necessary service", to a major profit centre in its own right.
  - A rigorous capital expenditure review process has both reduced capex and, more importantly, ensured that the major errors of the past could not be repeated.
  - The incentive system is tied to shareholders' interests. In how many companies is the senior executive team required to spend 50 percent of its variable pay buying and holding company shares?

- This is just a taste of what has changed. So I am certain the depths of 2001, the last down cycle, will not be revisited.



•Another way to assess what might be sustainable is to look at what the company earned at the top of the last cycle and see how much it has progressed. Most of that progress can realistically be added to the last bottom-of-cycle earnings. Also last bottom of cycle earnings were unrealistically low to use as a bottom of cycle guide through separation issues.

•In 1997, the EBIT was $190 million, with Distribution not consolidated. On today's basis that was about $195m.

•In 2003, the comparable EBIT, that is excluding Laminex, will be around $270-280 million on lower revenue and funds.

•To that, we can now add Laminex. Laminex is a $100 million+ EBITDA, or $80 million EBIT, business (NZ dollars).

•There are synergies between Laminex and Fletcher Building's existing panels business in New Zealand worth in the order of $5-10 million over the next few years.

•I do not wish to put a figure on it, but clearly Fletcher Building today has substantially higher annualised EBIT than it had at separation in 2001. In turn, its earnings in a down cycle will be substantially different from 2001. I think analysts' views of our bottom of the current cycle earnings, a fairly modest decline, are pretty close to the mark.

•The improvement in performance and reliability of our earnings, has given us a platform from which we can grow.

•There are numerous business unit initiatives that are within our own control. These must be our first priority. Some are profit rather than revenue drivers, but are no less important.

•We will acquire relevant businesses -- that is, businesses that fit within our building materials frame of reference, and ideally which can be improved on integration with Fletcher Building.

•But before we do so we will assess each opportunity against our strict acquisition criteria, which I will remind you of shortly.

•Where as before the Laminex acquisition we needed to diversify our earnings geographically, and preferably before the cycle turned down, acquisition is presently an option, not an imperative.

Acquisition Criteria

- No. 1 or No. 2 in industry
- Good industry structure
- No damaging competitive response
- Good management in place and staying on
- EVA positive within two years

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•These criteria were developed prior to the Laminex acquisition, stood us in good stead on that occasion, and would most likely apply to future opportunities.

•Key hurdles are the requirement for a No. 1 or No. 2 position within the relevant industry, and a good industry structure. You can find businesses that are No. 1 or 2, but within poor industry structures, and thus captive to poor returns.

•It is sensible that an acquisition avoid the risk of a damaging competitive response. We have no desire to invite reprisals in our home market by buying operations in cement, readymix concrete or plasterboard, and fibrecement is not in our plans.

•And over-riding all else, we need to see a clear path to suitable returns on our outlay.

•Simplistic through these sound, see how any unsuccessful New Zealand company acquisitions in Australia rate against these tests.

Balance Sheet

	Dec 2002 NZ$M
Assets	
Current assets	869
Fixed Assets	984
Intangibles and goodwill	200
Provision for Deferred Taxation	97
Investments	120
Total Fletcher Building Assets	**2,270**
Current liabilities	587
Capital Notes	366
Net Debt	530
Total Fletcher Building Liabilities	1,483
Equity and Minority Interests	**787**
Total Fletcher Building Liabilities and Equity	**2,270**

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•Just a quick look at our balance sheet post the Laminex acquisition.

•Laminex acquisition at market value added around NZ$780m to Fletcher Building assets of which NZ$200m was goodwill and intangibles.

•Funded by

- •equity placement
- •capital notes
- •new NZ$800 bank debt facility

•Capital Notes – while this is an equity investment for reporting purposes and for bank covenants, we chose to treat as debt and include all servicing costs as interest rather than as a distribution.

Ratios

$m	Jun 2001 12 Mths	Jun 2002 12 Mths	Dec 2002 6 Mths
Net Debt & Capital Notes/ Total Capitalisation	49%	40%	53%
EBITDA / Interest	3.1	5.8	8.8
Uncommitted Bank Facilities	$235m	$385m	$258m

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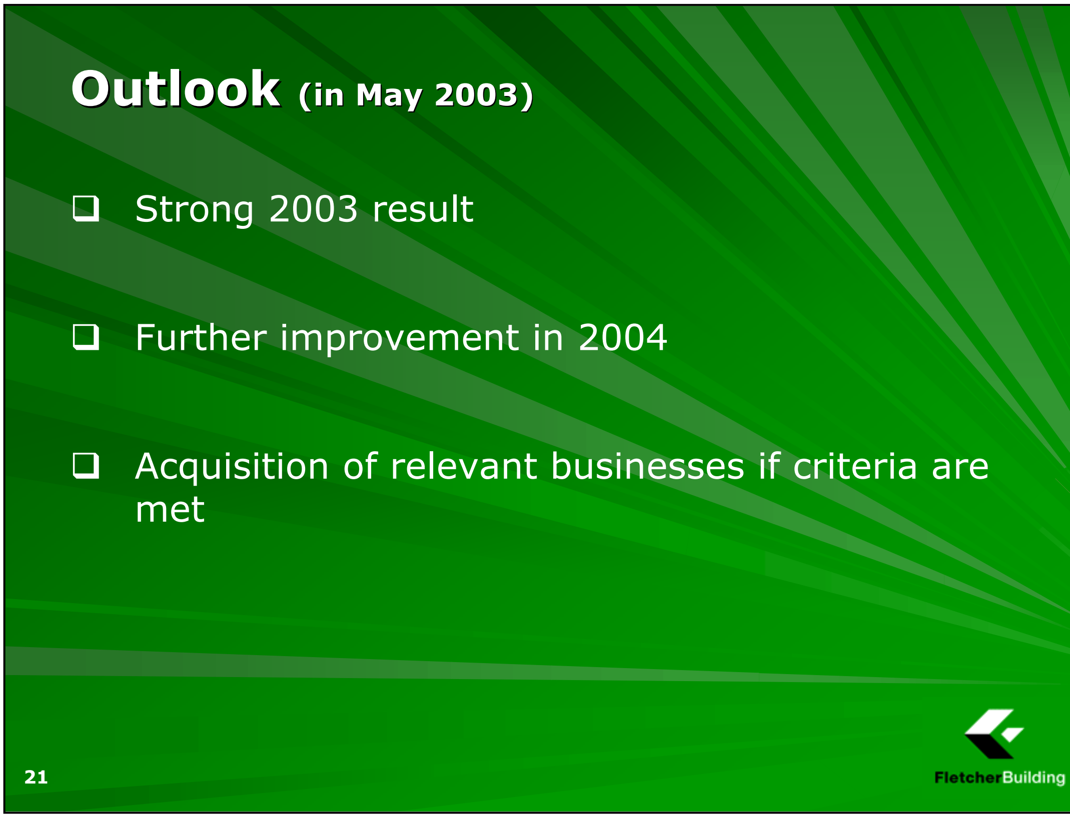
•We should be back to around 50% gearing by year end and with a very strong interest cover. Clearly we have room to move if the right opportunity arises.



- Having shown you last year's Outlook slide at the start of this presentation, let me finish this presentation with this year's. You will notice that this slide is strikingly similar to the earlier one.
- If we attain the $310-320 million EBIT signaled earlier -- and I know of no reason why that will not be comfortably achieved -- it will indeed be a strong result... more than 50 percent better than that for 2002.
- The rise will have come from increased demand, further internal improvements, and of course the Laminex acquisition.
- I am also confident we will again lift our earnings in 2004, although it would not be reasonable to expect another quantum leap such as in 2002 and 2003 if the market is, as forecast, softening.
- The key thought I want to leave you with today is this: Fletcher Building is a very different company from the one that emerged from Fletcher Challenge two years ago -- different, even, from the one I talked to you about just last year. It has been transformed from a business that was essentially captive to the NZ building cycle… and under-performing even in that context… to one that is now truly Australasian and with increasingly apparent higher level performance credentials.
- Thank you.