

Fletcher Building Limited Half Year Results 2005



9 February 2005

This Half Year Results presentation dated 9 February 2005 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.

Highlights

Strong Earnings Growth

Net profit up 45% on pcp to **\$161 million**

Increased Returns To Shareholders

Of this, \$66 million + tax credits will be distributed to shareholders. TSR of 50% for the 6 month period

Acquisitions Outperform

Both Laminex and Tasman have well exceeded original earnings and synergy forecasts

Summary of Results

\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
Revenue	2171	1929	3958
EBITDA	349	274	582
EBITA	294	222	471
EBIT	288	216	460
Net Earnings	161	111	240
EPS (cents)	36.7	25.9	55.7
Dividend cps	15.0	11.0	25.0

Segmental EBIT

\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
Building Products	121	74	164
Distribution	42	36	73
Infrastructure	77	62	136
Laminates & Panels	56	48	95
Corporate/Unallocated	-8	-4	-8
EBIT	288	216	460

Building Products Results

\$m	Dec 2004 6 Mths	Dec*** 2003 6 Mths	Jun* 2004 12 Mths
Revenue	581	415	927
EBIT	121	74	164
Margin	20.8%	17.8%	17.7%
Funds	587	571	560
Return on Funds (annualised)	41.2%	29.4%	31%**

* Includes 9 months of Tasman

** Proforma return based on full 12 months of Tasman

*** Includes 3 months of Tasman

Building Products

- ❑ Record domestic volumes from strong markets in New Zealand
- ❑ Operational improvements across the board
- ❑ **Winstone Wallboards**
 - Held market share circa 94%
 - Growth in performance boards
- ❑ **Fletcher Aluminium**
 - Improved margins and earnings

Building Products

❑ **Insulation (NZ)**

- Excellent result
- Furnace rebuilt over Christmas break

❑ **Decra Roofing (USA)**

- Strong sales growth
- Oven expansion underway

❑ **AHI Roofing (NZ)**

- Exports increasing
- Malaysian plant acquired

Building Products

❑ **Insulation (Australia)**

- Strong sales performance
- Capacity constrained

❑ **Access Flooring**

- Good contracts won

❑ **Sinkware**

- Exports strong and holding in the domestic market

Building Products

❑ **Steel Manufacturing**

- Margins held in period of fluctuating prices
- Strong demand
- Returns were above WACC

❑ **Steel Processing & Distribution**

- Very strong sales growth
- Earnings enhanced by improved margins

Distribution Results

\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
Gross Revenue	472	425	863
EBIT	42	36	73
Margin	8.9%	8.5%	8.5%
Funds	112	102	106
Return on Funds (annualised)	75.0%	70.6%	68.9%

Distribution

- ❑ Revenues up 11% and earnings 17% on pcp
- ❑ Excellent margins and returns
- ❑ Riccarton totally rebuilt – largest trade store in New Zealand
- ❑ New stores replacing old/smaller stores in Lunn Avenue Auckland and Queenstown

Infrastructure Results

\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
Revenue	618	570	1161
EBIT	77	62	136
Margin	12.5%	10.9%	11.7%
Funds	430	362	364
Return on Funds (annualised)	35.8%	34.3%	37.4%

Infrastructure

- ❑ Construction profit down \$4 million on pcp but largely timing of profit recognition
- ❑ Contracts completed:
 - Sky City Conference Centre
 - Grafton Gully
- ❑ New major construction contracts:
 - Pohukura (\$90m)
 - Northern Busway (\$180m)
 - Auckland Business School (\$130m)
- ❑ Bidding:
 - Plenty
- ❑ Residential volumes consistent with good margins

Infrastructure

- ❑ Record concrete volumes and earnings across the board

- ❑ **Golden Bay**
 - Upgrade project commissioned at 2000 tpd
 - Further upgrade due for completion by July

- ❑ **Firth**
 - Readymix and masonry sales up in volume
 - Margins held or improved across the business

Infrastructure

❑ **Winstone Aggregates**

- Mix and selling price improved
- Whitehall quarry expansion
- Hunua quarry expansion
- Infrastructure underpins growth

❑ **Humes**

- Prices, margins and volumes all improved
- Land subdivision on the increase
- Expanding plastic pipe production

Infrastructure

❑ **Stresscrete**

- Benefits from strong infrastructure market
- Margins and earnings improved

❑ **Overseas**

- Steady results from Fiji and Peru

Laminates & Panels Results

\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
Revenue	499	511	994
EBIT	56	48	95
Margin	11.2%	9.4%	9.6%
Funds	793	850	789
Return on Funds (annualised)	14.1%	11.3%	12.0%

Laminates & Panels

- ❑ Performance well ahead of the same period last year
- ❑ Solid performances in QLD and WA offsetting weaker performances in NSW and VIC
- ❑ The New Zealand market remained strong
- ❑ Australian warehouse consolidations improving logistics efficiencies
- ❑ Joint ventures in WA performed well
- ❑ Improved productivity, especially NZ
- ❑ Brand consolidation in WA – Formex to Formica

Profit After Tax

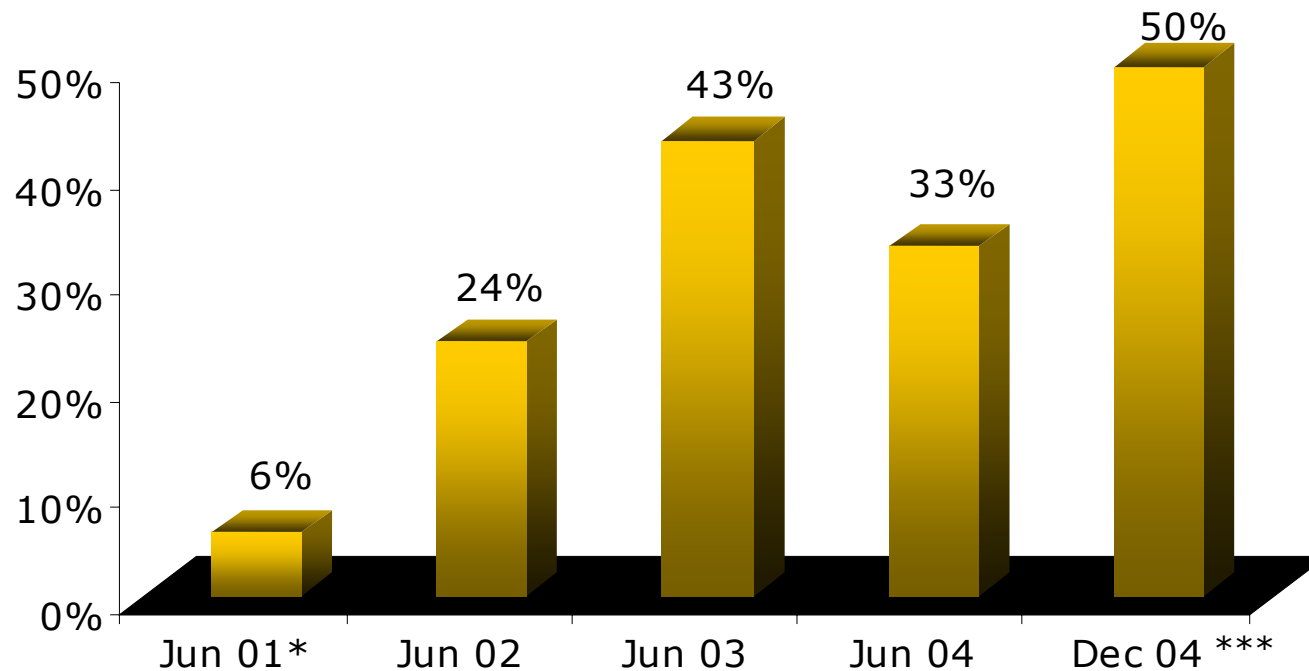
\$m	Dec 2004 6 Mths	Dec 2003 6 Mths	Jun 2004 12 Mths
EBIT	288	216	460
Interest	-33	-36	-75
Tax	-82	-58	-124
Minority Interests	-12	-11	-21
Profit After Tax	161	111	240

Simplified Balance Sheet

	Dec 2004 NZ\$m	Jun 2004 NZ\$m
Assets		
Current Assets	1182	1022
Fixed Assets	1048	1023
Intangibles & Goodwill	334	342
Provision for Deferred Taxation	83	86
Investments	163	159
	<hr/>	<hr/>
Total Fletcher Building Assets	2810	2632
Liabilities		
Current Liabilities	810	666
Net Debt	374	448
Capital Notes	400	400
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Total Fletcher Building Liabilities	1584	1514
Equity		
Equity & Minority Interests	1226	1118
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Total Fletcher Building Liabilities and Equity	2810	2632

Key Ratios

Total Shareholder Return (TSR)**



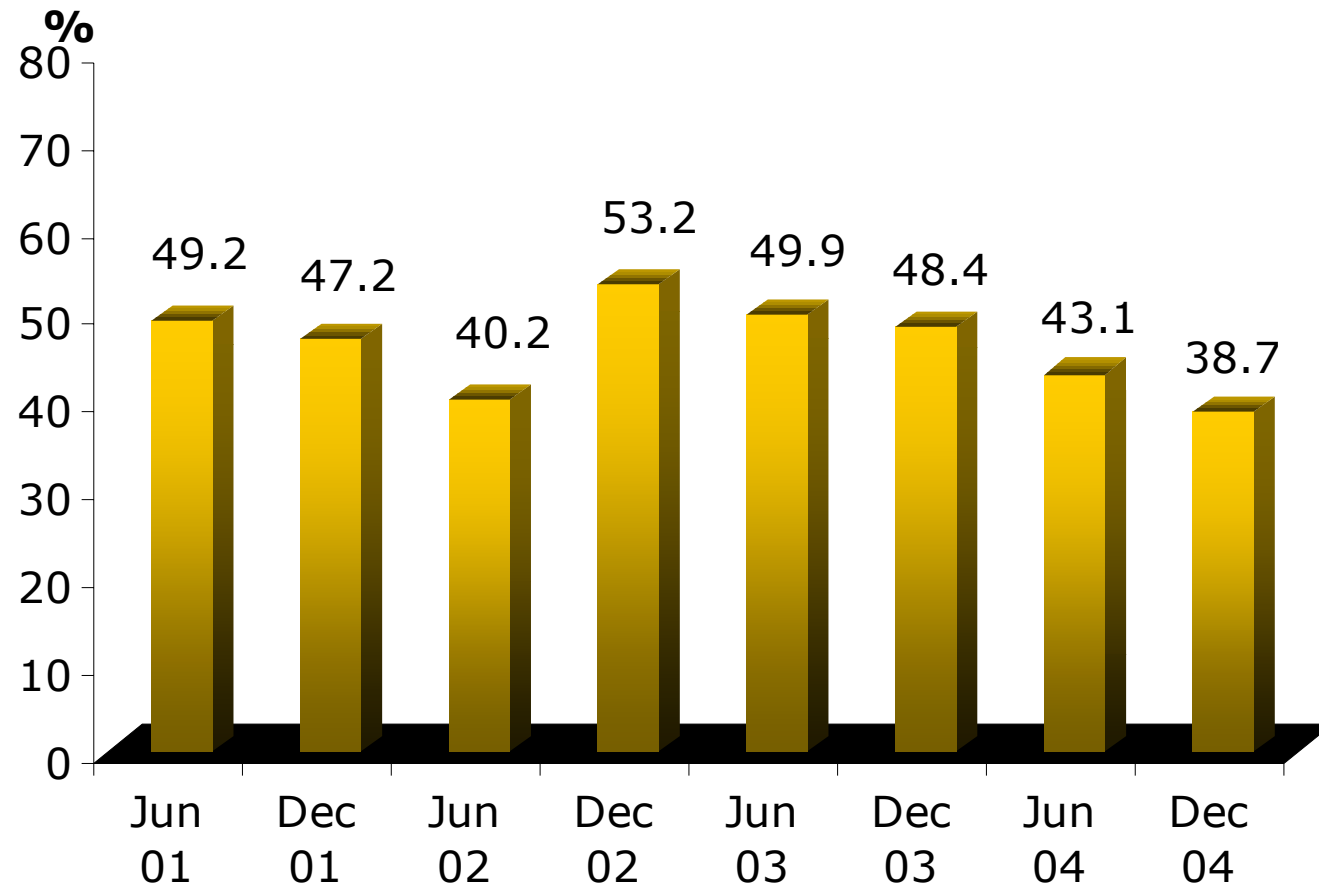
* June 01 is the return for the 3 months from separation date

** TSR calculated $((\text{Gross Dividend Paid} + \text{Movement in Share Price}) / \text{Opening Share Price})$

*** For the six months

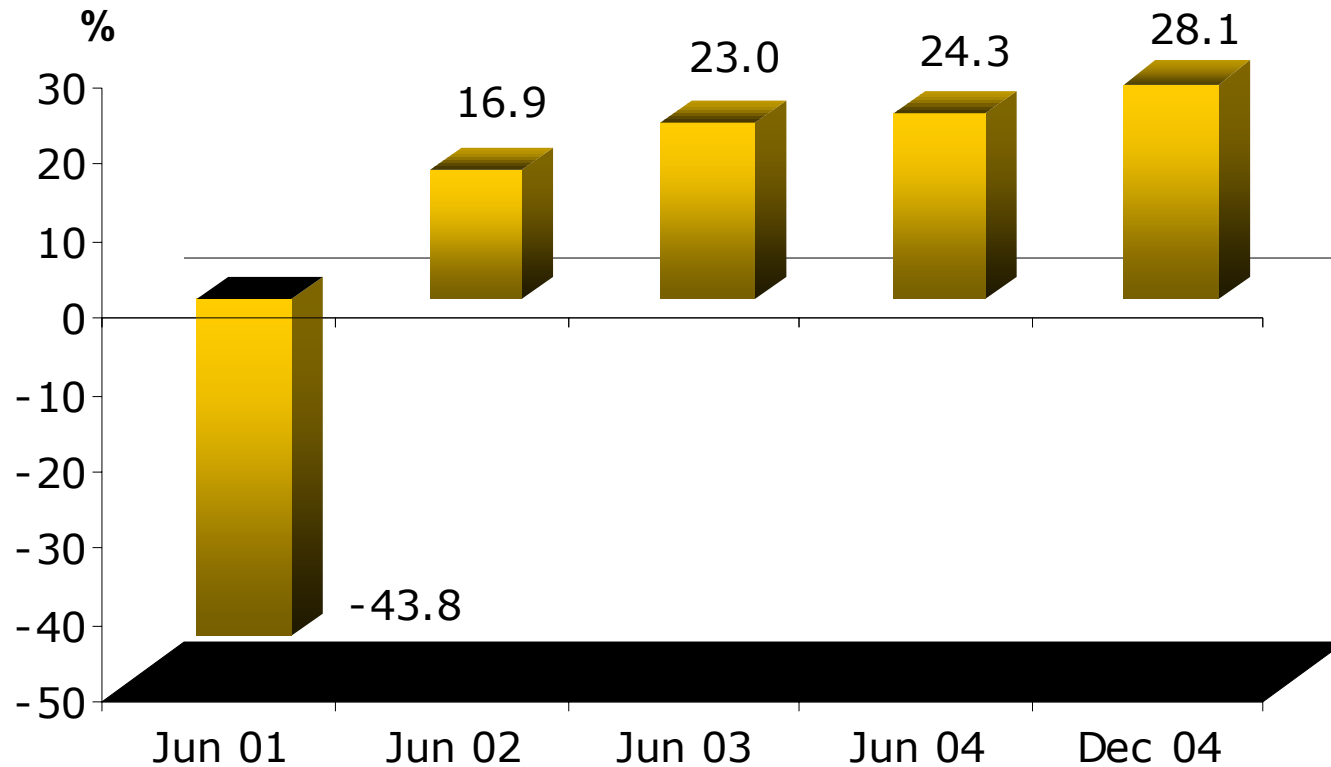
Key Ratios

Debt/Debt Plus Equity



Key Ratios

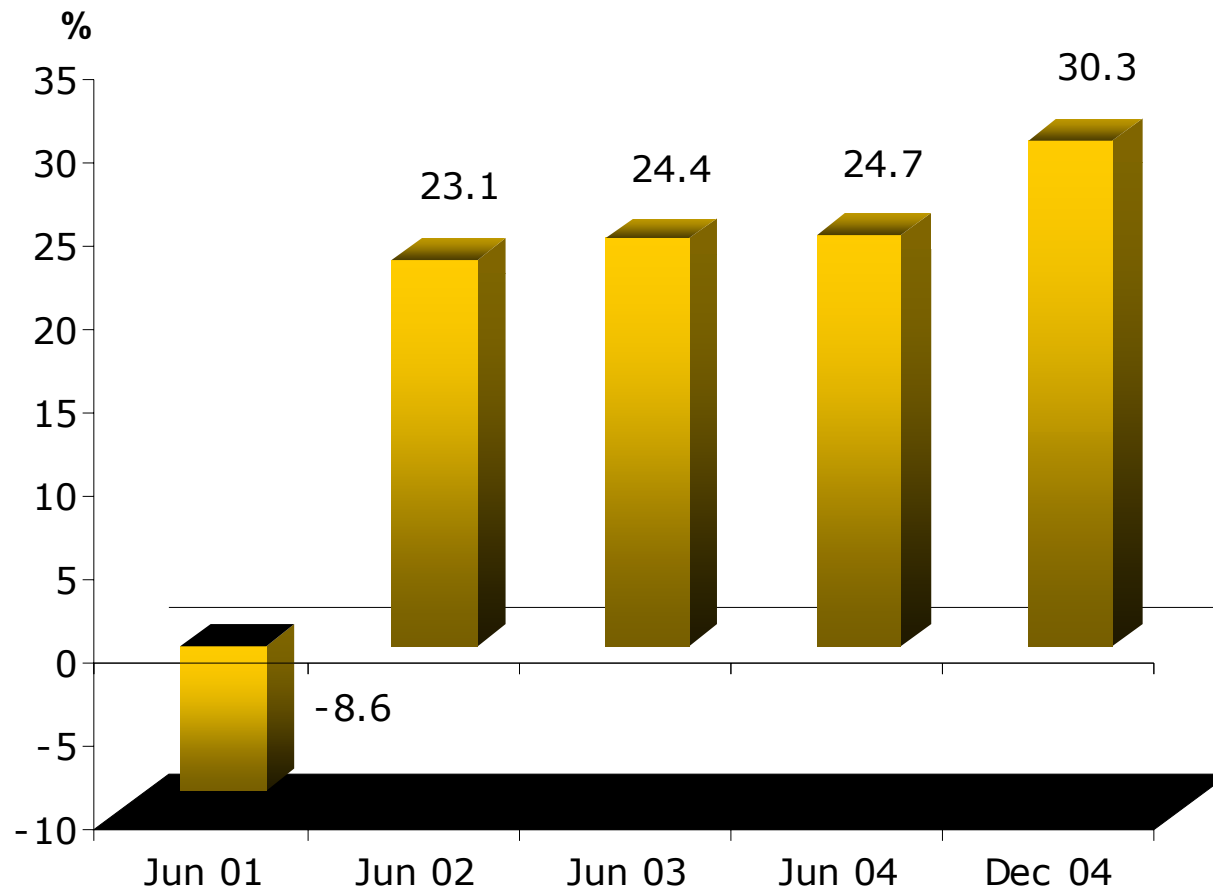
Return on Average Equity*



* Net earnings after capital notes interest/shareholders funds

Key Ratios

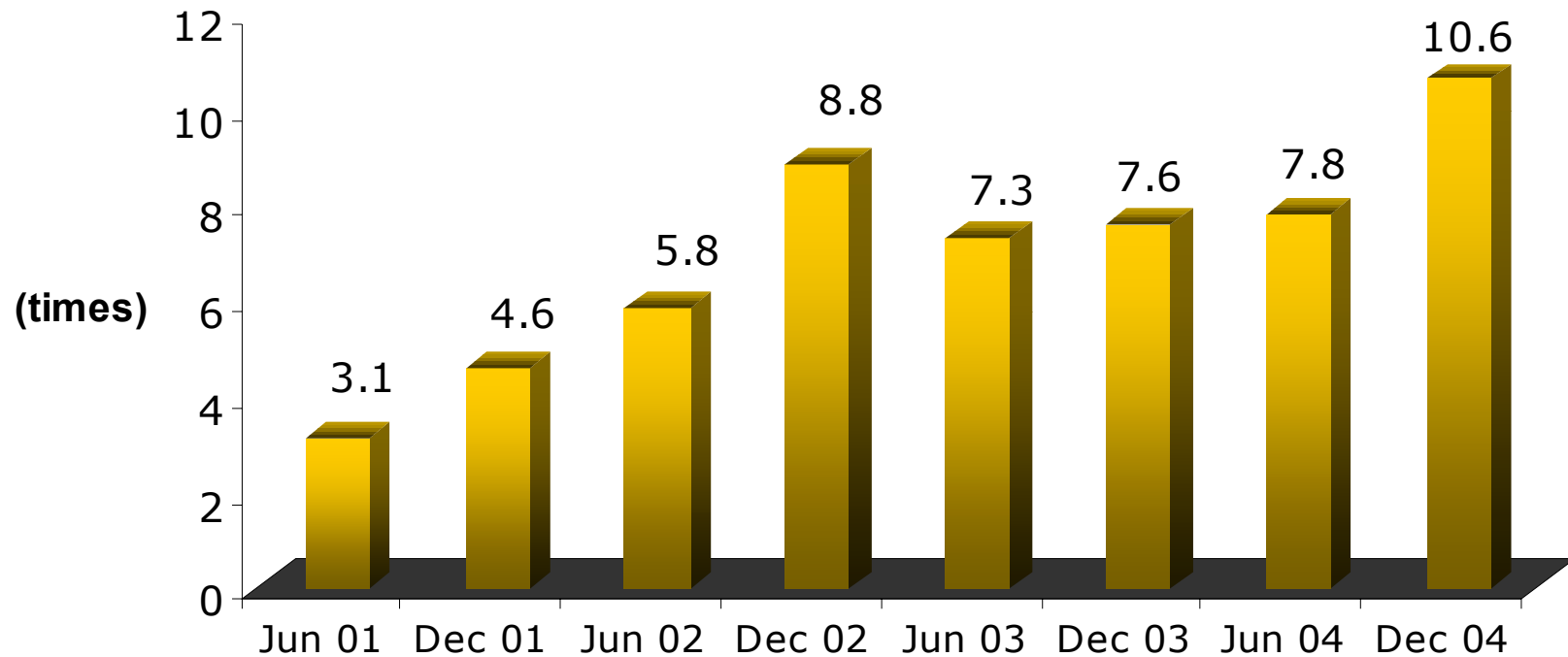
Return on Average Funds*



* $EBIT / (\text{Average net debt} + \text{equity} + \text{capital notes}) - \text{deferred tax asset}$

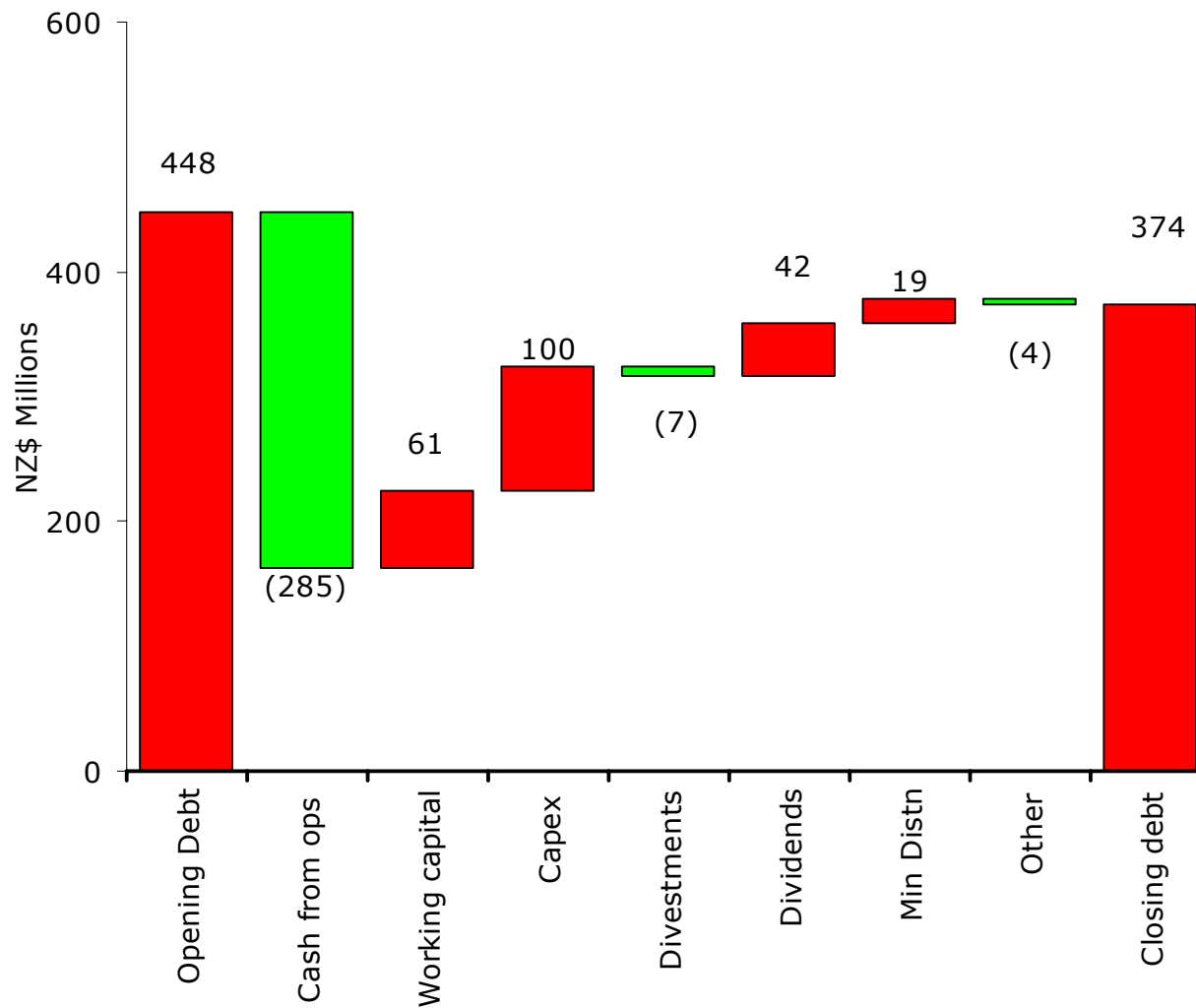
Key Ratios

Interest Cover*



* EBITDA pre unusualls/interest paid including capital note interest

Net Term Debt Movement





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**Operational & Strategic
Update**

Strategic Agenda

Earnings Reliability

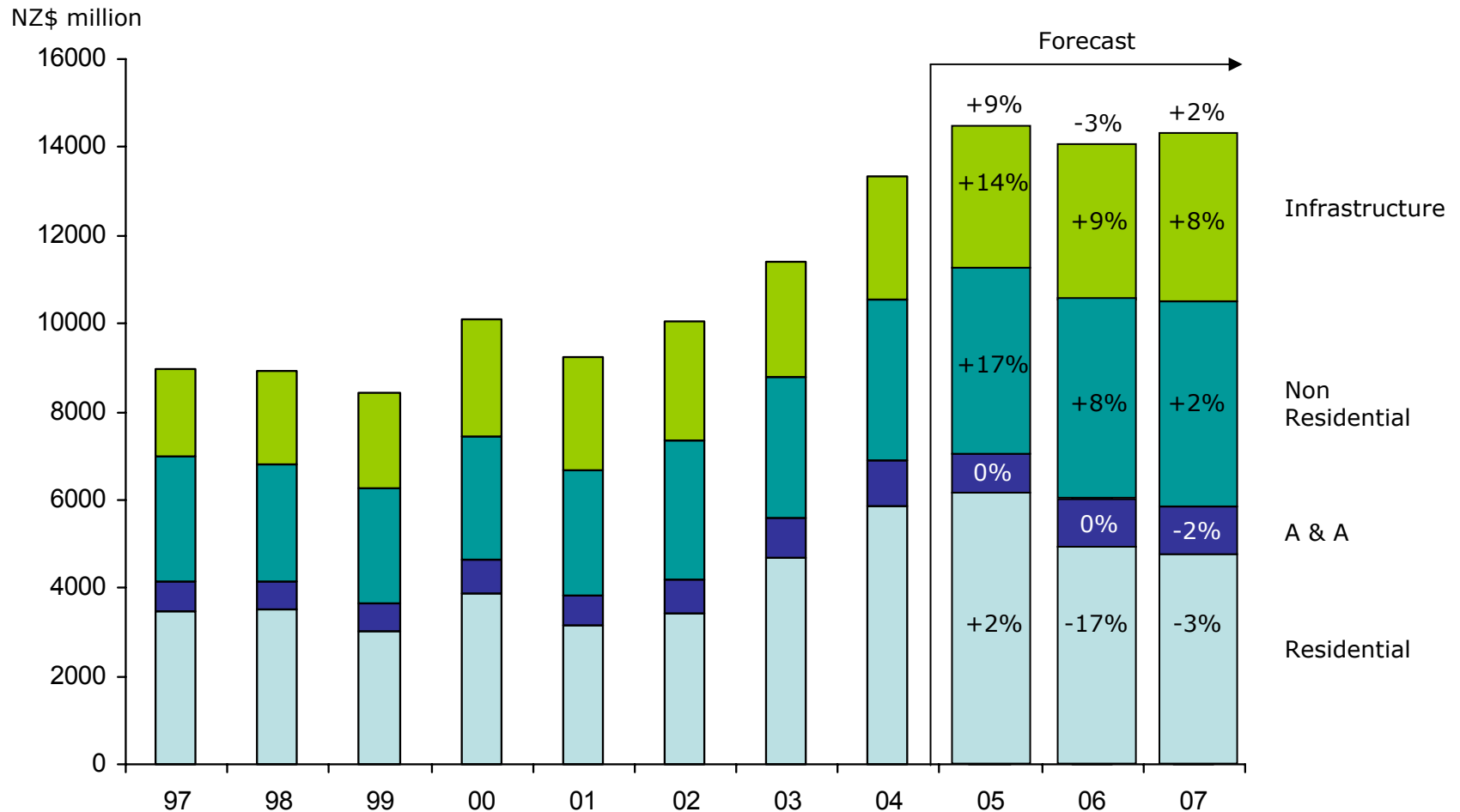
Internal Growth

External Growth

Earnings Reliability

- ❑ Our spread of activities has reduced earnings volatility
- ❑ Decline forecast in residential is not overwhelming
- ❑ Non-residential and infrastructure markets will still be strong in 2006
- ❑ Continue to improve earnings other than through volume (e.g. Laminex)

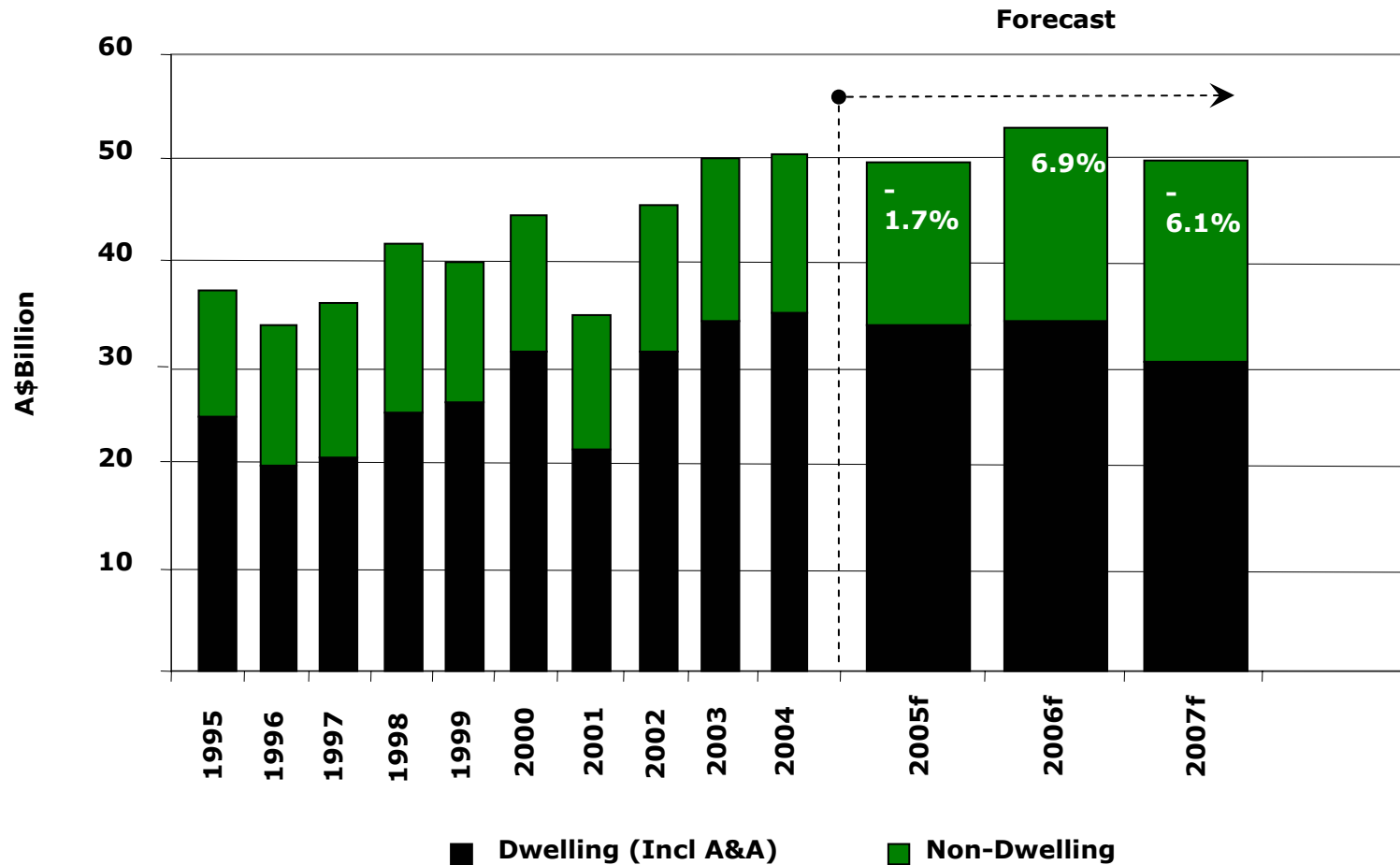
New Zealand Value of Work Commenced



Source : Infometrics

Australia

Value of Work Commenced



Source : BIS Shrapnel Building in Australia December 2004 Update

Internal Growth Opportunities

- ❑ Lifting capacity in a number of business units
 - Cement
 - R.M.C.
 - Aggregates
 - Roof Tiles
 - Insulation
 - Steel
 - Particle Board & MDF

External Growth Opportunities

- We have the financial capacity
- Amatek a possibility
- Should be resolved one way or other by end of February
- Other options but not short term

Outlook

- ❑ NZ and Australia residential markets will soften this year, but from record high levels
- ❑ Non-residential and infrastructure outlook is strong for next two to three years in New Zealand
- ❑ Full year outlook \$525-545 million EBIT



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