



Fletcher Building Limited 2010 Annual Shareholders' Meeting

17 November 2010





Mr Ralph Waters Chairman



Directors

Ralph Waters (Chairman)

Tony Carter

Hugh Fletcher

Dr Alan Jackson

John Judge

Jonathan Ling (Managing Director)

Gene Tilbrook

Kerrin Vautier



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



Most residential markets have improved but remain well below long term averages

000's Building Consents	June 2010 12 months	June 2009 12 months	June 2008 12 months
New Zealand	16	14	23
Australia	166	133	163
US ¹	549	581	1089
England	98	68	140
Spain	100	160	422

1. *Seasonally adjusted annual rate*





FY2010 Results

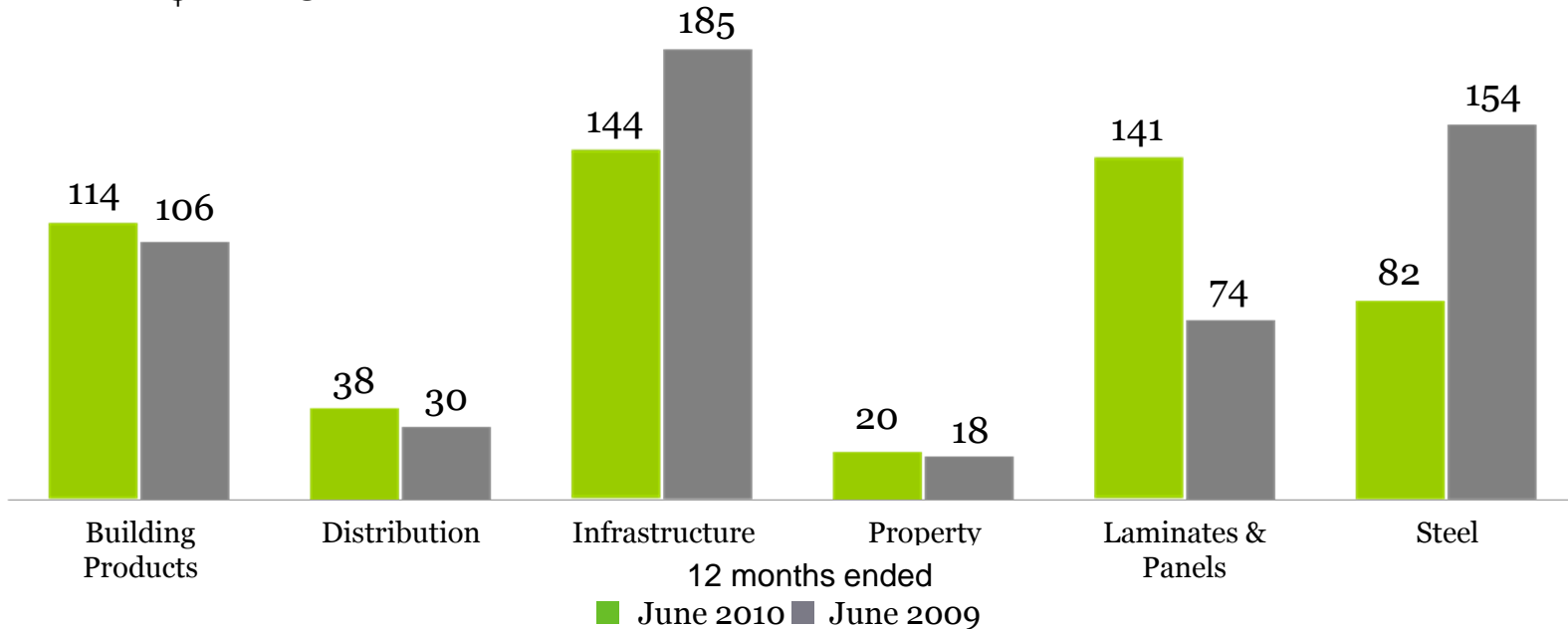
NZ\$M	June 2010 12 months	June 2009 12 months	%Δ
Sales	6,799	7,103	-4
EBIT	521	558	-7
Net Earnings ¹	301	314	-4
Unusual items after tax	-29	-360	
Net Earnings	272	-46	

1. Before unusual items



Divisional operating earnings

EBIT NZ\$million¹

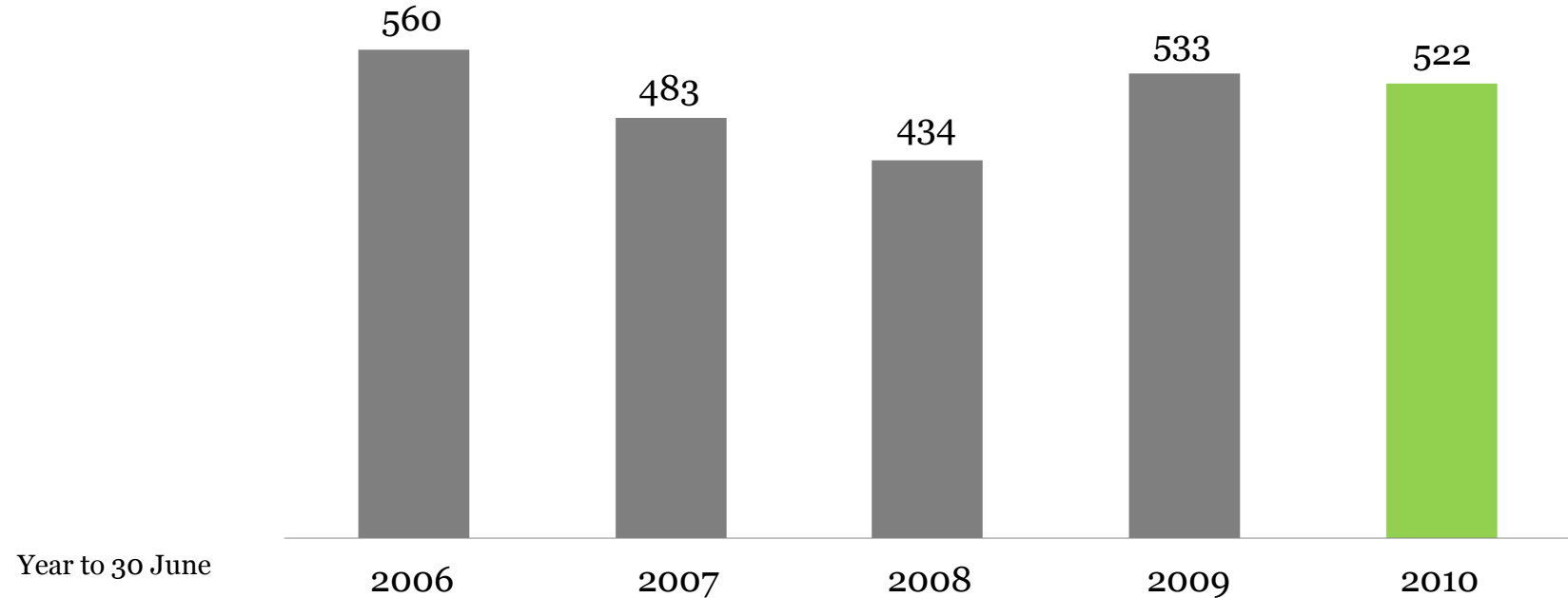


1. Earnings before interest, tax, and unusual items



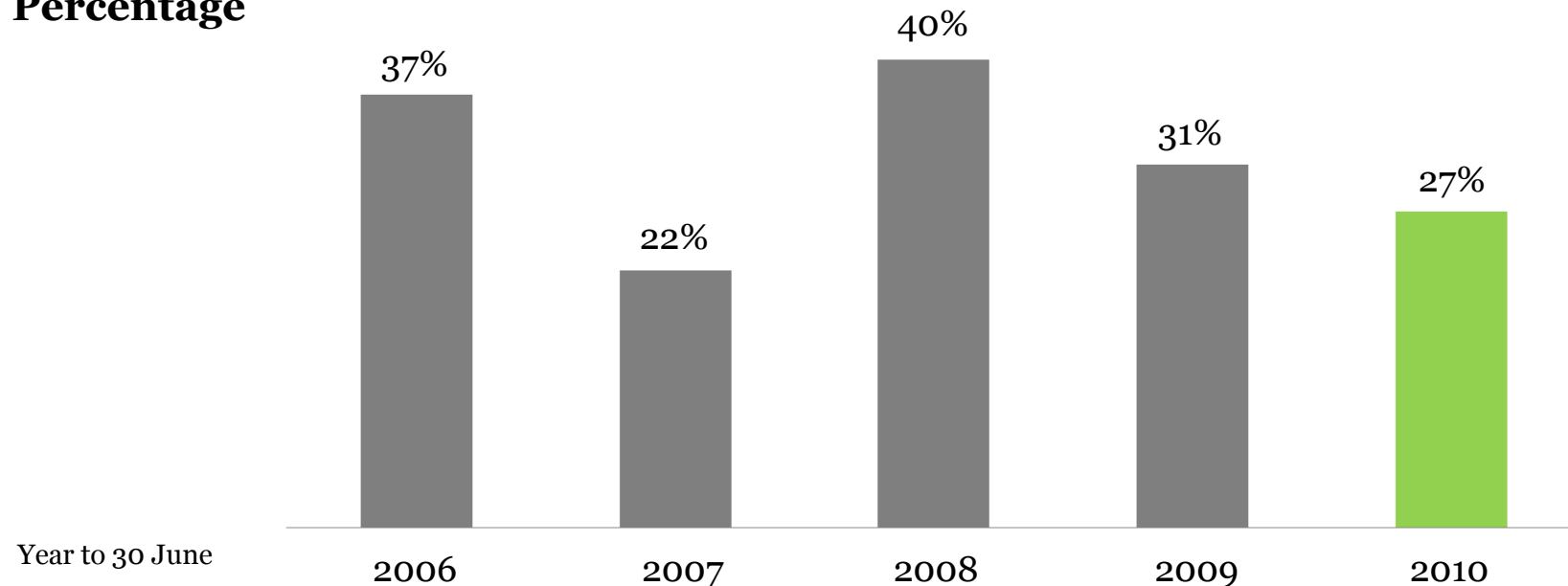
Cashflow from operations

NZ\$m



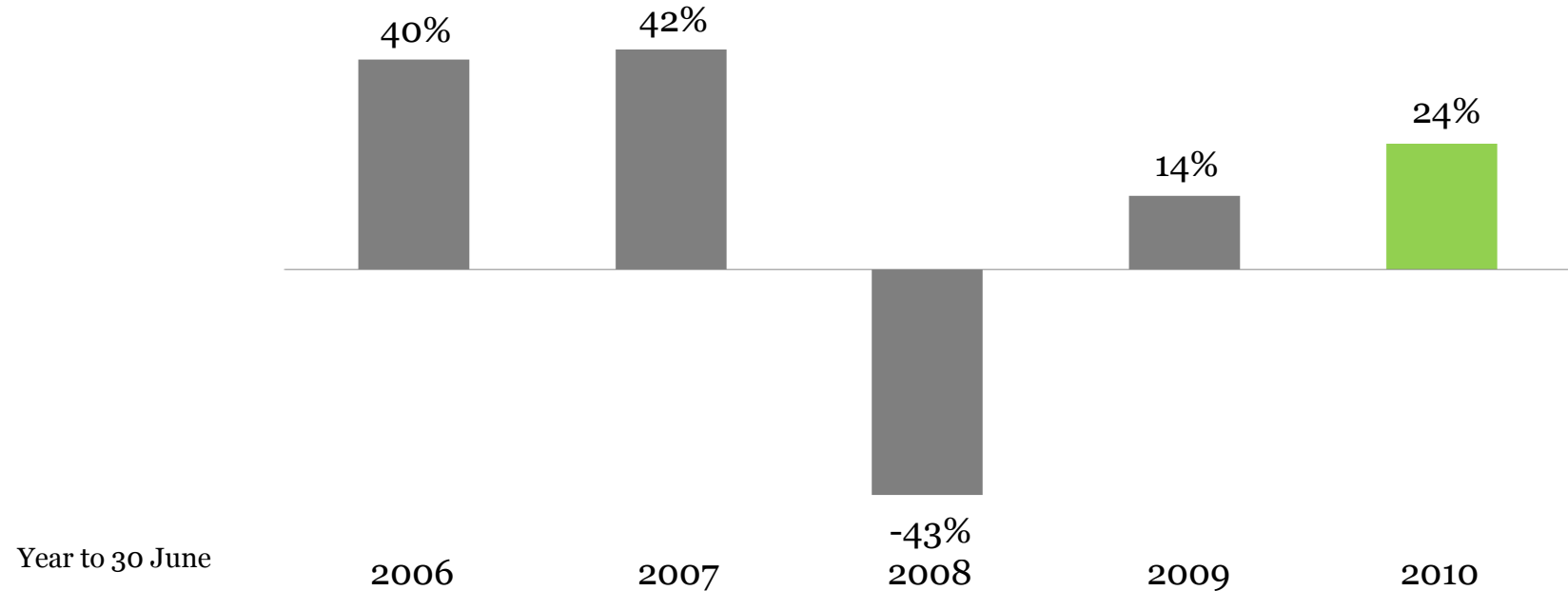
Gearing reduced further with cash retained in the business

**Net debt/ net debt plus equity
Percentage**



Total shareholder return

Percentage



Changes to the board

Directors retired during the year as part of planned succession arrangements:

- Roderick Deane – retired as Chairman as at 31 March 2010
- Sir Dryden Spring

New director appointed:

- Tony Carter







Jonathan Ling Chief Executive Officer



Building Products result



NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	798	771	+4
EBIT ¹	114	106	+8

- **Plasterboard** benefited from improved NZ housing starts and from cost-out initiatives
- **Insulation** earnings impacted by \$18m charge due to Australian government's withdrawal of stimulus package
- **Roof Tiles** earnings up due to growth in volumes in Africa and NZ, and favourable steel prices.

1. Excluding unusual items



Distribution result



NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	878	883	-1
EBIT ¹	38	30	+27

- Sales stable year on year with a pick-up in activity in second half from increase in residential house building.
- 27% growth in operating earnings driven by cost reductions.

1. Excluding unusual items



Infrastructure result



NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	2,020	2,052	-2
EBIT	164	203	-19

NZ Concrete

- Lower volumes in cement, aggregates, readymix and concrete pipe.
- Softness in commercial construction activity only partly offset by increase in residential construction.

Australia Concrete

- Weaker demand for most pipeline and quarry products.

Construction

- Infrastructure work levels remained high, driven by government funded work.



Laminates & Panels result



NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	1,930	2,076	-7
EBIT ¹	141	74	+91

Laminex

- Australian domestic volumes higher due to improved residential, but export volumes declined with plant closure.
- NZ volumes down due to slowdown in commercial sector.

Formica

- North America volumes down 5%.
- Europe stabilised with improvement in Northern Europe.
- Asia volumes up 8%

1. Excluding unusual items



Steel result



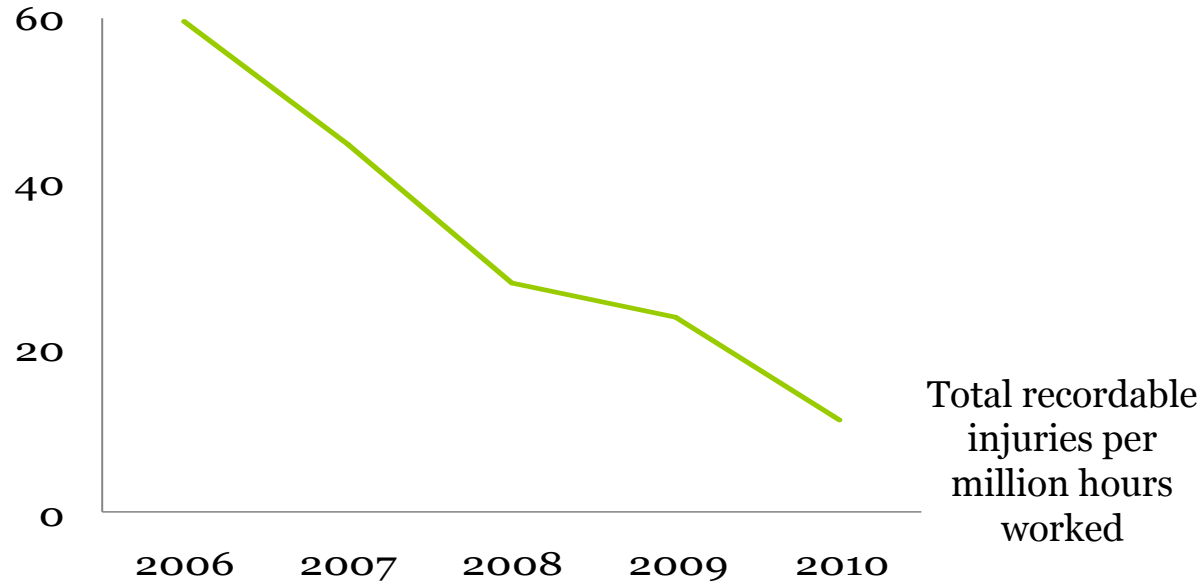
NZ\$m	June 10 12 mths	June 09 12 mths	% Δ
Sales	1,172	1,321	-11
EBIT ¹	82	154	-47

- Volatile operating environment with uncertain demand and declining prices.
- Long steel prices down 30% but volumes 5% higher driven by exports.
- Lower rollforming and coated steel volumes impacted by lower commercial activity.

1. Excluding unusual items



Health and safety measures continued to improve



Year to 30 June



New Zealand emissions trading scheme

- New Zealand's emissions trading scheme (ETS) effective from 1 July, 2010.
- Most of our operations do not directly participate in the ETS, but are subject to higher energy costs.
- Fletcher's cement and steel manufacturing operations are direct participants in the ETS
 - both will receive a free allocation of emission units, to partly offset their increased costs.
- Overall the ETS will impose a small additional cost on NZ operations.
- Reducing emissions and improving energy efficiency will reduce these costs further.



Strategy

Longer term strategy continues to be:

- improve earnings reliability
- maintain and improve internal capabilities
 - increased focus on growth oriented capex
 - business transformation initiatives
- pursue acquisition opportunities where these meet key investment criteria, with a focus on extending current lines of business.



Strategy

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.

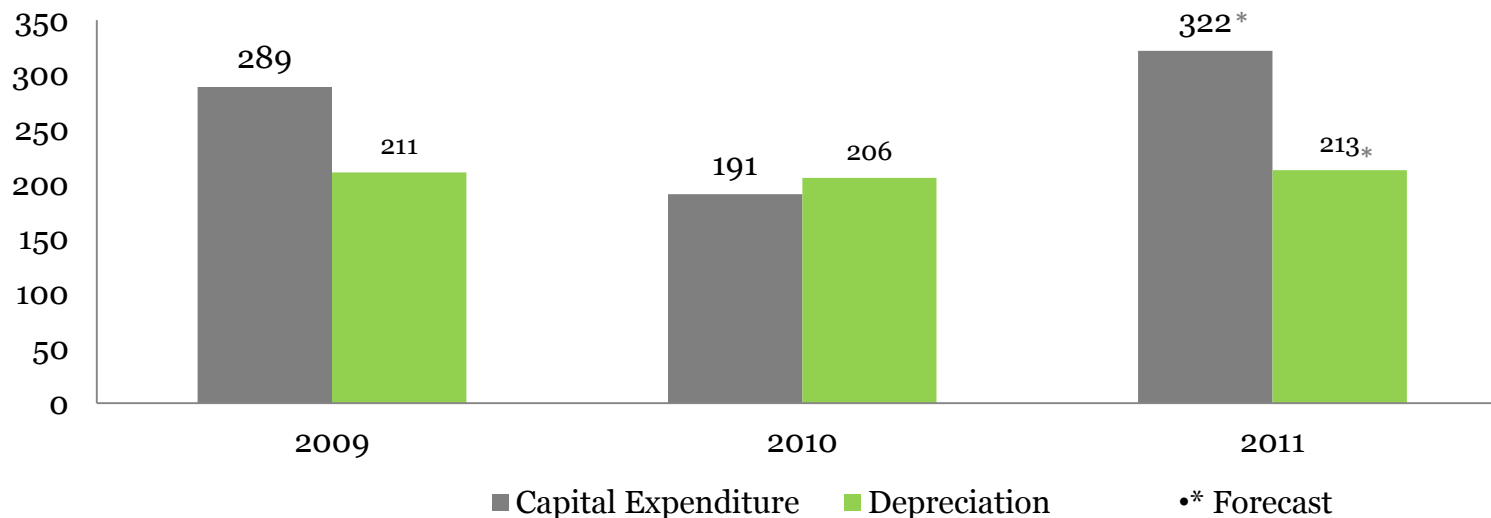


Investment focus is shifting to growth-orientated initiatives

- Increased focus on organic growth opportunities
- Stay-in-business capex approx. 60% of depreciation
- Investment capex includes acquisitions:
 - Australian Construction Products acquisition completed in August
- Other growth capex:
 - Formica Asia manufacturing capacity
 - Laminex MDF plant upgrade
 - New construction materials recycling plant in Auckland
 - PlaceMakers store expansion



Capital expenditure will increase in FY2011 to support growth initiatives





Impact of Canterbury earthquake

- All of the company's Canterbury based businesses are back up and running
- Trading in Canterbury has been quiet while repairs are assessed and insurance claims are lodged
- No significant impact on trading result is expected in the first half of FY2011
- Residential rebuilding activity expected to accelerate in second half of FY2011
- Fletcher Construction selected to undertake project management of 50,000 repairs for the Earthquake Commission
- Negotiating with the Christchurch City Council on \$190 million of pipe, lighting and footpath repairs (joint venture with McConnell Dowell)



Watertightness – fixing “leaky homes”

- PWC report to government of March 2010 estimated 22,000 to 89,000 dwellings affected
- Consensus forecast is 42,000 dwellings require repair, at a total cost of \$11.3 billion
 - 10 years for complete remediation
- New scheme proposed from first quarter of 2011:
 - Government to pay 25% cost of repair
 - Local council to pay 25% cost of repair
 - Home owner to pay remaining 50%, but supported by government guarantee of associated bank borrowing







Mr Ralph Waters Chairman



Market Outlook 2011

Caution required in formulating outlook for 2011:

New Zealand:

- Gradual recovery in residential building activity, with impetus from Canterbury rebuilding and leaky home remediation
- Commercial construction activity improving from low levels.
- Infrastructure spending likely to dip in 2011 before growing in 2012.



Market Outlook 2011

Australia:

- Housing starts and commercial construction activity will be influenced by economic performance of each state
- Residential building activity expected to be sustained
- Commercial likely to remain subdued
- Infrastructure spending momentum expected to continue



Market Outlook 2011

Asia: China and SE Asian markets have continuing good growth

North America: gradual improvement likely, but timeframe uncertain

Europe: No significant growth anticipated



Performance outlook

- Current range of analysts' forecasts of net earnings for FY2011 is NZ\$311 million to \$405 million, with an average of \$357 million
- Trading performance in first 4 months of FY2011 has been on budget and ahead of the same period in both halves of FY2010
- Assuming:
 - continued gradual improvement in New Zealand construction volumes;
 - robust economic performance in Australia and Asia; and
 - stable markets in Europe and North America,then earnings should fall well within this range and broadly in line with the average of analysts' consensus estimates
- Dividend:
 - guideline is to pay steady and ever-increasing dividend





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