What is different about Fletcher Building?

- A building materials manufacturer with two special channels to market
- We own high portions of the value chain for our product markets
- All businesses have high market shares
- Control of the distribution channels is the key to these market shares
Analysts Briefing
September 2004

Mark Binns
Chief Executive, Construction

FletcherBuilding
Fletcher Building

Construction Division

Fletcher

FLETCHER RESIDENTIAL

FLETCHER HOMES

Dempsey Morton

Spaceline

ASTON MARSH

NZH Homes
The Fletcher Construction Company
NZ COMMERCIAL BUILDING

- Backlog: $200m plus UOA Business School ($130m) say $330m
- Turnover FY04 $350m
- Employees 437
- Major Projects: Universities, Sky City / Grand Hotel, Northlands
CIVIL & INDUSTRIAL INFRASTRUCTURE

- Backlog $183m
- Turnover FY04 $134m
- Employees 383
- Major Projects Ports, Bridges, Roading
BUILDING & ENGINEERING IN THE SOUTH PACIFIC

- Backlog $86m
- Turnover FY04 $55m
- Employees 1249
- Major Projects Ports, Bridges, Commercial, Hotels
DOMESTIC BUILDER

- With approx 400 homes per year = NZ’s largest home builder.
- But this represents only 4% of stand-alone homes in Auckland
- Average sale price per home $395,000 (incl. GST)
- Employees - 57
- 7 divisions – all in Auckland
- EBIT up x 5 on FY01
WHERE WE HAVE BEEN

ALL BUILDING CONSENTS

June Year End

$millions


Source: NZ Statistics
Forecast New Zealand value of work done

Non-Residential A&A

Residential

Infra-structure

VALUE OF WORK DONE

NZ$ million

Source: INFOMETRICS
IMPLICATIONS FOR HOUSING

• Margins will soften – off historic highs.
• Solid demand is expected to continue for well-located product.
• The key issue is land-delivery.
IMPLICATIONS FOR COMMERCIAL BUILDING

• Workload will remain high
  • Low participation in apartment market which may decline.
  • Public infrastructure will remain strong.
  • 50% of current backlog is in public sector infrastructure.
• Increasing building costs / interest rates unlikely to materially affect outlook.
IMPLICATIONS FOR COMMERCIAL BUILDING

$2.8 billion

Private developers - commercial

$1 billion

Public sector infrastructure

Source: Fletcher Construction estimates

Projects >$25m with 2005-06 start
IMPLICATIONS FOR CIVIL & INDUSTRIAL INFRASTRUCTURE

• Roading dominates
  • $4.3 billion Transit spend over next decade.
  • $2.3 billion in Auckland
IMPLICATIONS FOR CIVIL & INDUSTRIAL INFRASTRUCTURE

- Roading dominates
  - $4.3 billion Transit spend over next decade.
  - $2.3 billion in Auckland
- BUT there is also growth in other sectors
FUTURE WORK IN THE SOUTH PACIFIC

• Fiji resurgence based on growth in tourism.
• 30% of work sought is aid-funded
GROWTH ASPIRATIONS

NZ remains a ‘land of opportunity’.

- Strong market
- South Island office for Engineering
- Building under-represented in some areas.
DOMESTIC GROWTH

Auckland land is constrained

Auckland Region Residential Sections
Average Sale Price Vs No. of Sales
June 1990 - December 2003

Source: Seagar & Co Valuers
DOMESTIC GROWTH

Lunn Ave opportunity

• Stage 2. Balance of residential lots and option on apartment land for 4-5 blocks in negotiation.
DOMESTIC GROWTH
Lunn Ave opportunity

• Stage 2. Land supplied 2005 - 2011
DOMESTIC GROWTH

• Jacks Point, Queenstown
Growth in NZ-based employees

DELIVERING GROWTH – KEY ISSUES

People

Construction Group
Number of NZ Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-02</td>
<td>645</td>
</tr>
<tr>
<td>30-Jun-03</td>
<td>780</td>
</tr>
<tr>
<td>30-Jun-04</td>
<td>887</td>
</tr>
</tbody>
</table>
DELIVERING GROWTH – KEY ISSUES

Continued industry leadership

- University recruitment
- School leavers
- Cadetships
DELIVERING GROWTH – KEY ISSUES

Continued industry leadership

- Environment
- Drugs & alcohol
OUTLOOK TO FY07

• Workload will remain strong.

• People constraint is the major issue / opportunity.

• Any fall-off in private-sector will be compensated by infrastructure growth.

• Focus on quality – not on quantity!
## Results Record

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>$m's</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pro-forma</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue**</td>
<td>642</td>
<td>619</td>
<td>638</td>
<td>712</td>
<td>927</td>
</tr>
<tr>
<td>EBIT</td>
<td>50</td>
<td>77</td>
<td>102</td>
<td>133</td>
<td>164</td>
</tr>
<tr>
<td>Margin</td>
<td>8%</td>
<td>12%</td>
<td>16%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Total Funds Employed</td>
<td>333</td>
<td>322</td>
<td>296</td>
<td>287</td>
<td>560</td>
</tr>
<tr>
<td>EBIT/Funds</td>
<td>15%</td>
<td>24%</td>
<td>34%</td>
<td>46%</td>
<td>31% **</td>
</tr>
</tbody>
</table>

* restated to transfer FWP & SPH to Laminates and Panels  
** excludes inter-company revenue  
*** Pro Forma return based on full 12 months of Tasman
How we have done it?

- Organic growth
  - Competent management
  - Focus on performance
    - EBIT, Funds, Cash
    - KPI’s (i.e. OEE, IFOTIS)
  - Strong market

Cont…
How we have done it?

- Acquisitions
  - Tasman Building Products (Oct 03)
  - Colorflo rainwater systems (Feb 03)

- Divestments/Closures
  - Cyclone (Nov 01)
  - Aluminium - Solution Centres, Australian Shapes distribution (Jul 01 & Aug 02)
  - Backbone (Jun 03)
New Zealand’s sole manufacturer of Plasterboard. Two manufacturing plants (Auckland and Christchurch)

Highest annual volume of board and plaster ever manufactured or sold in NZ driven by very high building activity

Launched Fiberock JV with USG to build a market for Fiberock in NZ, Australia and Asia.
• Designer and manufacturer of premium architectural window and door systems and other aluminium products to both domestic and international customers.

• Continued productivity gains.

• Launch of innovative product solutions including patented bi-fold door systems and trackless sliding doors (patent pending).
Australia

• Only Australian company to manufacture the three main insulation products (glasswool, polyester and reflective foil).
• Record sales performance and record output from both Rooty Hill and Minto plants.
• State acceptance of Federal BCA recommendations increasing the use of insulation in both housing and light commercial applications.

New Zealand

• Leading New Zealand manufacturer of glasswool insulation, foil laminates and building papers, with plants in Auckland and Christchurch.
• Record sales and production levels achieved in 2004 financial year.
• The 2 year old PinkFit™ installation service grew to 14 franchisees nationally and installed 17% of pink batt sales.
• Synergies realisation has led to closure of Tasman Foil plant and consolidation into FBL’s existing Duroid operation. Now reporting to TINZ.
Insulation sales volumes - Australasia

Glasswool Volumes (indexed to 2001)

Year

Volumes

2001 2002 2003 2004

100 112 130 152

Presentation to Analysts – September 2004
• Second largest manufacturer of sinkware in Australia.

• Record exports in 2004, particularly to the USA.

• No. 1 in Australia of Access flooring systems.
The Pacific Steel Group value chain

- Sims 50:50 JV
  - Exports (ferrous & non-ferrous)
  - 260kt scrap

- Pacific Steel (EAF and rolling mill)
  - Exports 68 kt
  - 37 kt

- Pacific Wire
  - Mesh

- Other Domestic Customers
  - 91 kt

- 35 kt

- Fletcher Reinforcing

Presentation to Analysts – September 2004
Pacific Steel Group

Innovation

- Electro-Magnetic wiping
- Zinc Aluminium wire
- Coloured wire
- Reid Bar
- Galvanised Rebar

Presentation to Analysts – September 2004
• Easysteel is a leading stockist and distributor of long and flat sheet products across 13 nationwide locations, servicing 10,000 customers across the whole NZ economy.

• Revenue up 16% on last year, earnings up 46%.

• New facilities planned for five branches and Christchurch RDC.

• New Penrose distribution facilities contributed to improved warehousing and freight costs per tonne.

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**Freight Cost Per Tonne**

- 12 Month Period
- Average 02-03: 100
- 03-04 Trend: 90

---

**Warehousing Cost Per Tonne**

- 12 Month Period
- Average 02-03: 100
- 03-04 Trend: 85
• Hot-dip galvanising of a range of products located in Auckland and Christchurch.

• Growth focuses on new galvanising technologies that can be commercialised around the world.
• The leading NZ supplier of metal purlins, roofing, cladding and composite flooring systems with 12 sales centres throughout NZ.

• Rationalised operating footprint around major regional factories to service customer needs better.

• Launched Dimondek 630, on-site roll-forming system with NZ record (65m) for longest roof ever manufactured in NZ.
• Leading manufacturer of pre-painted metal products used in the manufacture of both residential and commercial roofing, cladding, and rainwater systems.

• A new R&D facility to develop new products for new market niches is under construction and will be commissioned in February 2005.

• Focused on flexible small run manufacturing offering minimum of a house lot of a single colour.
• Largest manufacturer of steel roof tiles world wide with plants in Auckland and California, licensees in Europe, Chile and Indonesia and sales offices in Europe, Japan, China and the Middle East.

• Both plants capacity constrained, currently looking at options for expansion both on existing sites and in new locations.

• Growth of metal tile sales has been significant.

![Metal Roof Tile Volumes (indexed to 2001)](image)

![Export margins - NZ$](image)

Presentation to Analysts – September 2004
Key issues going forward

- Sustainable growth in earnings.
- Reducing volatility by decreasing exposure to NZ residential cycle.
Key Strategies

- Be operationally excellent in support of business unit market strategies.

- Acquire operations whose product ranges and activities complement those already offered.

- Realise offshore potential of product champions.

- Develop our Australasian market position to introduce new products and technologies.
Operational excellence – e.g. Aluminium

Presentation to Analysts – September 2004
Where the Tasman Acquisition fits

<table>
<thead>
<tr>
<th>Insulation NZ</th>
<th>Insulation Australia</th>
<th>AHI Roofing</th>
<th>Decra Roofing</th>
</tr>
</thead>
</table>

- Infill opportunity
- Industry rationalisation
- Technology
- Product champion
Some examples of technology and product champion plays
Fiberock

- 50/50 JV established to commercialise this technology in Asia, Australia and New Zealand.

- Specialist uses complement plasterboard.

- Acoustic floor underlay and impact resistant wall linings being released in New Zealand, Hong Kong, Singapore, Australia and then Japan.
EMW

- Electro Magnetic Wiping is a process of controlling the zinc coat weight on wire.

- Advantages:
  - Zinc savings
  - Productivity, higher line speeds
  - Quality improvement

The characteristics of EMW has lead to savings of up to 25% in zinc usage,

Gas Gravel controlled zinc application

EMW controlled zinc application
Product Champion – Metal Roof tiles

- Value proposition defined by market:
  - Lightweight
    - Re-roof costs, construction flexibility, faster to install
  - Strength
    - earthquake, hail
  - Product performance
    - Fade resistance, weather tightness
  - Aesthetics
    - Colour, profiles.
Metal Roof tiles

- Optimal plant believed to be between 9-11m tiles.
- Expanding to meet demand.
- Huge untapped market.
The Laminates and Panels Division of Fletcher Building Limited is comprised solely of The Laminex Group.

The Laminex Group was formed in 2002 after the acquisition and integration of Formica (September 1999) and Wesfi Limited (February 2001) with Laminex Industries.

The Laminex Group was acquired by Fletcher Building Limited in November 2002 and subsequently integrated with the existing Scott Panel and Hardware and Fletcher Wood Panels operations.
LEADING BRANDS

Laminex®
Inspire your space™

FORMICA
Fashion • Form • Function

MELTECA
The joy of colour
# Leading Market Positions

<table>
<thead>
<tr>
<th>Material</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Pressure Laminate</td>
<td>65%</td>
</tr>
<tr>
<td>Decorated MDF</td>
<td>70%</td>
</tr>
<tr>
<td>Decorated Particleboard</td>
<td>44%</td>
</tr>
<tr>
<td>Raw MDF</td>
<td>26%</td>
</tr>
<tr>
<td>Raw Particleboard</td>
<td>21%</td>
</tr>
</tbody>
</table>
VERTICAL INTEGRATION

- Forest Waste and Thinnings
- Sawmill Waste
  - Board Plant
    - Low Pressure Laminate Plant
      - Sales & Distribution Centre (Metro)
        - Branch (Regional)
          - Customer
Note 1: Underlying sales in $A were 5.5% above 01/02 but appreciation of the $NZ against the $A in 02/03 has the effect of reducing revenue on conversion to $NZ. Sales are converted from $A to $NZ at average exchange rates each year.
EBIT Growth June 1997 - June 2004

$NZm

NOTES:
1. FWP & SPH = Fletcher Wood Panels and Scott Panel and Hardware
2. Australian EBIT’s converted to $NZ for Laminex Industries, Formica and Wesfi Ltd
Revenue by Segment 2003/04

- Commercial: 34%
- Residential: 28%
- Alterations & Additions: 30%
- Export: 8%
Revenue by Product 2003/04

- Exports (Mainly Raw MDF) 8%
- High Pressure Decorative Laminate 15%
- Low Pressure Decorative Laminate 28%
- White/Raw MDF 12%
- White/Raw Particleboard 19%
- Other Products 18%
Recurrent by Major Region 2003/04

- New Zealand: 24%
- W.A.: 13%
- QLD: 15%
- VIC/TAS: 18%
- NSW/ACT: 17%
- S.A.: 5%
- Exports: 8%
Customer Size Review

Active Customers grouped by annualised sales

<table>
<thead>
<tr>
<th>Annualised Sales ($NZm)</th>
<th># of customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 0.5</td>
<td>157</td>
</tr>
<tr>
<td>0.5 - 1</td>
<td>62</td>
</tr>
<tr>
<td>1 - 2</td>
<td>11</td>
</tr>
<tr>
<td>2 - 3</td>
<td>5</td>
</tr>
<tr>
<td>3 - 4</td>
<td>7</td>
</tr>
<tr>
<td>4 - 5</td>
<td>11</td>
</tr>
<tr>
<td>5 - 10</td>
<td>1</td>
</tr>
<tr>
<td>10 - 15</td>
<td>3</td>
</tr>
<tr>
<td>15 - 20</td>
<td>10,955</td>
</tr>
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</table>
## Competitor Capability

<table>
<thead>
<tr>
<th>Substrate</th>
<th>TLG Aus/NZ</th>
<th>CHH Aus/NZ</th>
<th>Parbury Aus/NZ</th>
<th>Nelson Pine Aus/NZ</th>
<th>D&amp;R Henderson Australia</th>
<th>Borg Australia</th>
<th>Duropal Australia</th>
<th>Prime Panels NZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>HPL</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colour Board</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
</tr>
<tr>
<td>White Board</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
</tr>
<tr>
<td>Raw Board</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
<td>PB</td>
<td>MDF</td>
</tr>
</tbody>
</table>

- **Yellow**: Manufactured
- **Green**: Imported
- **Red**: Purchased Locally
2003/04 Priorities

- NZ Integration
- Sydney/Adelaide Distribution Centres
- New State based customer service centres
- Formica/Formex product and brand rationalisation
- Minimise impact of high $A on export business
- Improve safety
2004/05 Priorities

• Brisbane Distribution Centre
• Improve NZ manufacturing performance
• Upgrade branch network – Canberra, Townsville
• Establish resin manufacturing on east coast Australia
• Develop Asian strategy
Key Messages

1. Attractive industry structure

2. Vertical integration

3. High barriers to entry

4. Capitalising on Australia’s and NZ’s natural wood resource
This presentation contains not only a review of operations, but also some forward looking statements about Fletcher Building and the environment in which the company operates. Because these statements are forward looking, Fletcher Building’s actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2004 annual results, are all available on the company’s website and contain additional information about matters which could cause Fletcher Building’s performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Fletcher Building.