



**FletcherBuilding**

**Fletcher Building Limited  
Annual Results 2007**

**8 August 2007**



**FletcherBuilding**

## **Disclaimer**

This annual results presentation dated 8 August 2007 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

Net Earnings  
\$484 million

EPS 101.9 cps

Increased Returns  
To Shareholders

Acquisition of  
Formica Corporation

Geographic and product diversification continues to deliver improved earnings despite softer markets

Total dividend increased 13% to 45 cps. TSR of 42% for the 12 months

Formica Corporation purchased on 2 July 2007

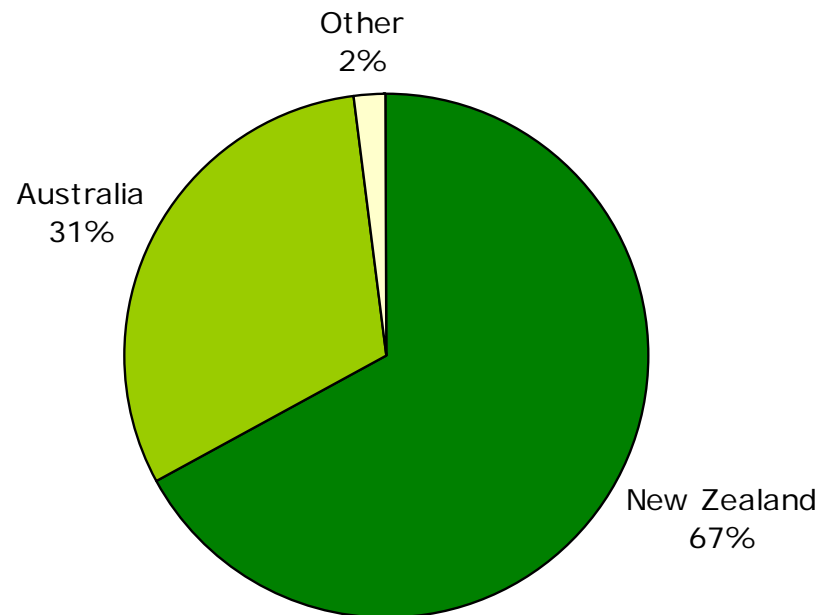
# Summary of Results

\$m	Jun 2007 12 Mths	Proforma Normalised Jun 2007 12 Mths	Jun 2006 12 Mths	% YOY Change Normalised
Sales	5926	5926	5520	+ 7
EBITDA	859	854	819	+ 4
<b>EBIT</b>	<b>703</b>	<b>698</b>	<b>675</b>	+ 3
<b>Net Earnings</b>	<b>484</b>	<b>399</b>	<b>379</b>	+ 5
EPS (cents)	101.9	84.0	81.3	+ 3
Dividend cps	45.0	45.0	40.0	+13

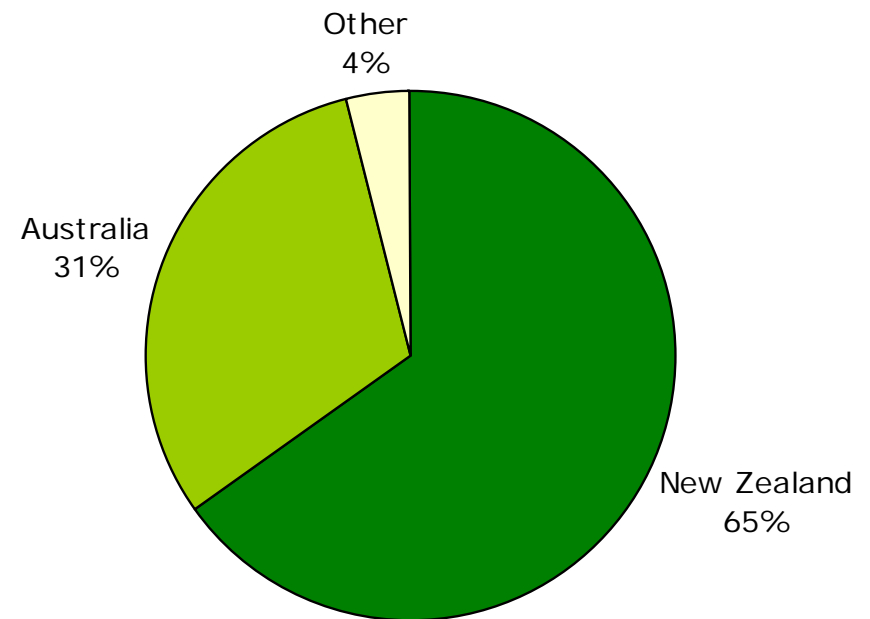
# Geographic Diversity

## Operating Earnings (pre unusualls)

12 Months Jun 07



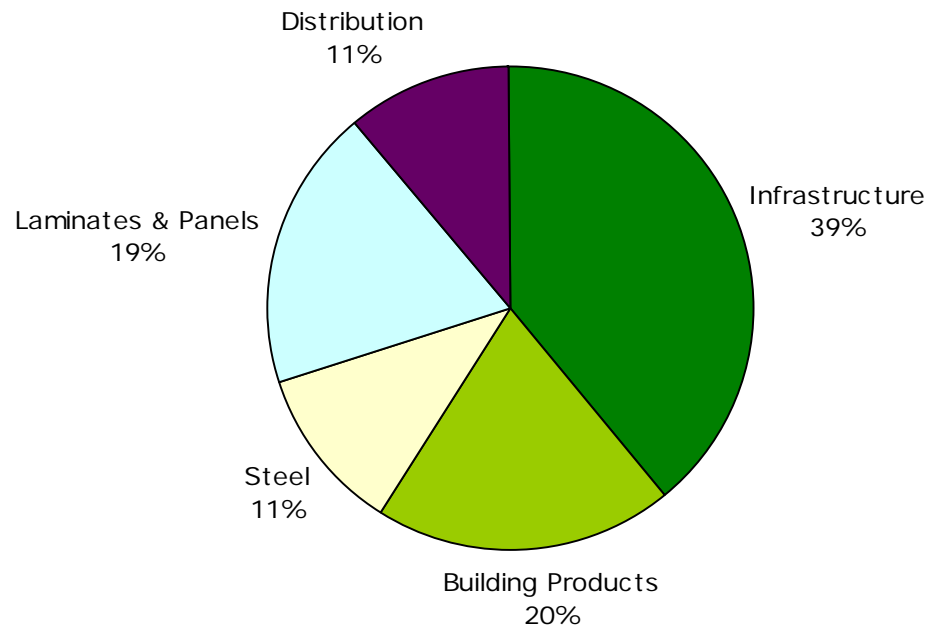
12 Months Jun 06



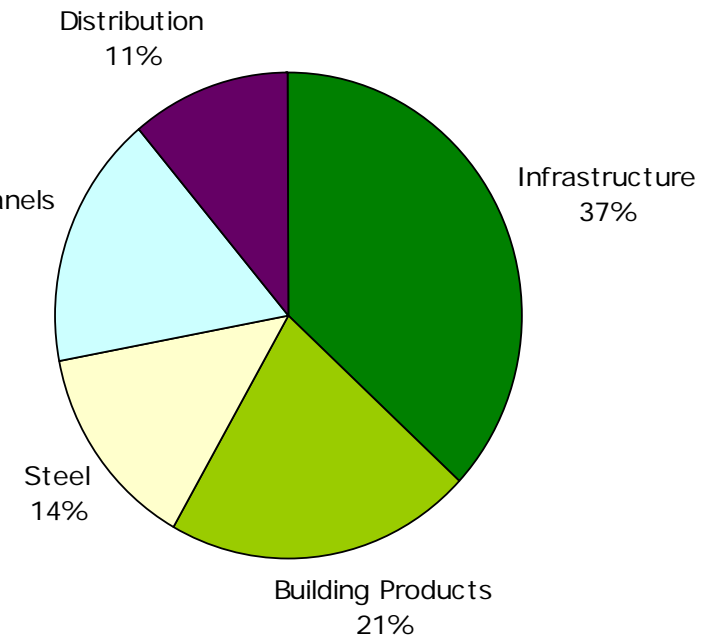
# Market Diversity

## Operating Earnings (pre unusualls)

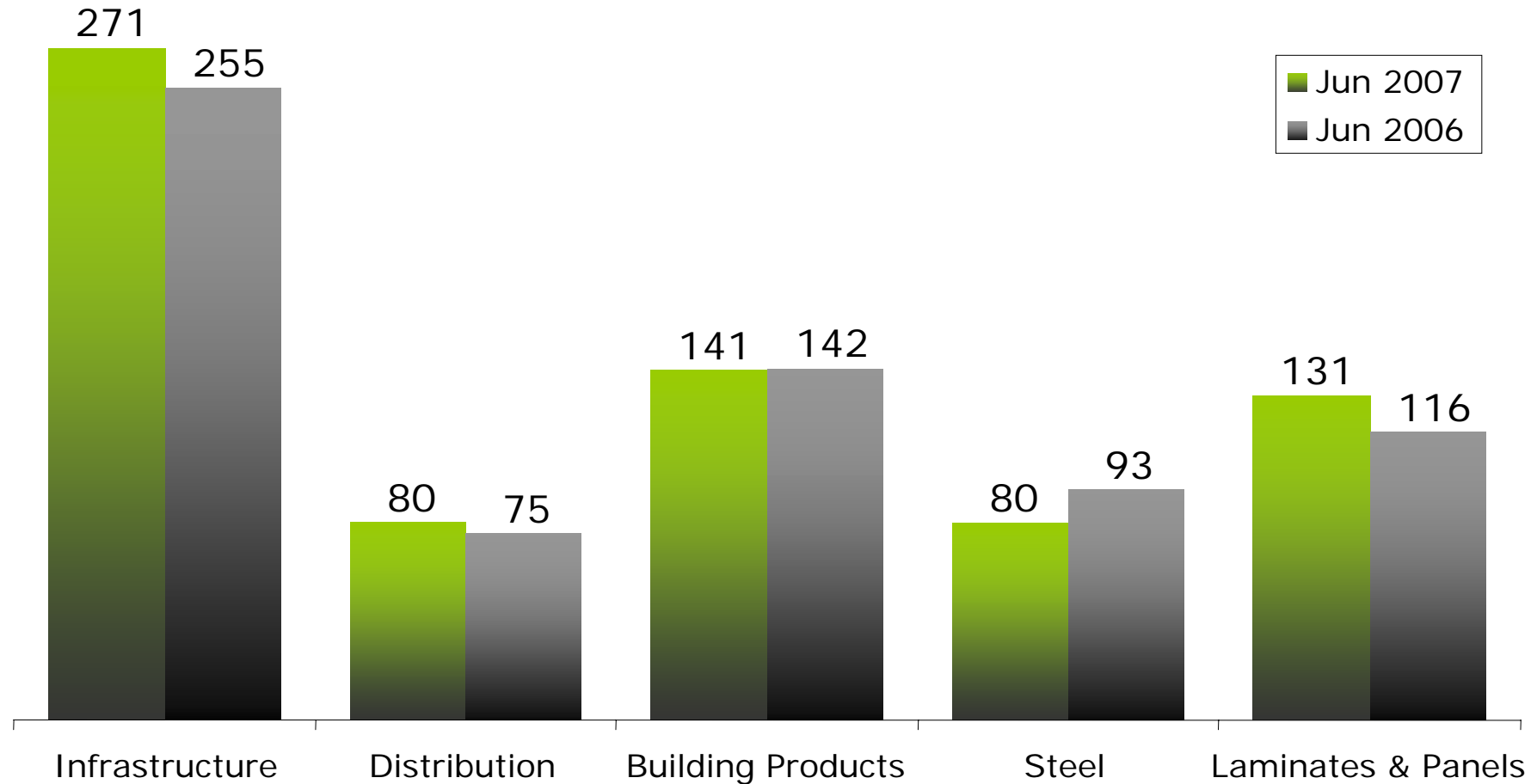
12 Months Jun 07



12 Months Jun 06



# Earnings by Division (pre unusuuls)





# Infrastructure



# Infrastructure Results

<b>NZ\$m</b>	<b>Jun 2007 12 Mths</b>	<b>Jun 2006 12 Mths</b>	<b>% YOY Change</b>
Sales	1944	1823	+ 7
<b>EBIT</b>	<b>271</b>	<b>255</b>	<b>+ 6</b>
Margin %	13.9	14.0	-
Funds	767	766	-
<b>Return on Funds %</b>	<b>35.3</b>	<b>33.3</b>	<b>+ 6</b>

# Infrastructure

**Golden Bay Cement:** Kiln running to capacity and price increases in February to recover increased costs. Earnings ahead of pcp despite slightly lower volumes.

**Firth:** Excellent result in very competitive market. Volumes slightly up on pcp as new sites commissioned. Masonry and paving sales improving on pcp.

**Winstone Aggregates:** Increased earnings on similar volumes. Margins benefited from capital investment programme with lower operations costs.

**Humes:** Excellent result with earnings up on pcp. Strong volumes but competitive market reflected in margin.

**Stresscrete:** Decision to exit this business taken and actioned.

# Infrastructure

**Rocla Quarries & Pipeline Products:** Performing well in tough conditions, particularly NSW. Product volumes increased over pcp and combined earnings up 6% over pcp.

**Construction:** Excellent result and ahead of pcp. Major contracts: BNZ Centrepont (\$66m); Tauranga Harbour Link (\$130m); Hobson Bay Sewer (\$40m); Lower Hutt Motorway (\$35m). Backlog \$743 million.

**Residential:** Excellent results in Auckland and Queenstown underpinned by strong housing market and good land positions.



# Distribution

# Distribution Results

NZ\$m	Jun 2007 12 Mths	Jun 2006 12 Mths	% YOY Change
Sales	1064	956	+11
<b>EBIT</b>	<b>80</b>	<b>75</b>	<b>+ 7</b>
Margin %	7.5	7.8	- 4
Funds	163	132	+23
<b>Return on Funds %</b>	<b>49.1</b>	<b>56.8</b>	<b>-14</b>

# Distribution

**Earnings:** Sales up 11% with a stronger lift in trade sales and from acquisitions. Margins held well in competitive environment but cost pressures continued. Earnings up 7% on pcp.

**Branch Upgrade Programme:** Continues with new branches at Wanaka, Whitianga, Takanini, Richmond and Palmerston North and refit of Seaview in Wellington.

**Acquisitions:** Include Cromwell and Maddrens (Kumeu, Silverdale, Helensville), Mangawhai Heads, Stratford.

**Capital:** Major IT project commenced.



# Building Products

# Building Products Results

NZ\$m	Jun 2007 12 Mths	Jun 2006 12 Mths	% YOY Change
Sales	697	629	+11
<b>EBIT</b>	<b>141<sup>1</sup></b>	<b>142</b>	<b>- 1</b>
Margin %	20	23	-13
Funds	565	511	+11
<b>Return on Funds %</b>	<b>25.0</b>	<b>27.8</b>	<b>-10</b>

1. Excludes unusual write downs of \$6 million



# Building Products

**Plasterboard:** Volumes up 4% on pcp. Margin pressure with high NZ\$. Market share maintained. Earnings similar to pcp.

**Insulation:** Revenues down 5% on pcp. Earnings in New Zealand down slightly due to cost pressures. Earnings in Australia down 29% on pcp due to price pressure and one-off manufacturing costs relating to furnace upgrade and integration issues.

**Metal Roof Tiles:** Sales up 13% on pcp with earnings up 22%. New Zealand and Malaysia plants produced record volumes. New greenfields plant in Hungary planned for production in 2009.

**Forman:** Satisfactory first six months. Integrated successfully and earnings now running at plan levels.

**Other:** Tasman Sinkware's earnings only slightly down on pcp despite high stainless cost pressure. Access Flooring had an excellent result. Fletcher Aluminium impacted by strong LME and currency but performed satisfactorily.



# Steel

# Steel Results

NZ\$m	Jun 2007 12 Mths	Jun 2006 12 Mths	% YOY Change
Sales	1161	1082	+ 7
<b>EBIT</b>	<b>80<sup>1</sup></b>	<b>93</b>	<b>-14</b>
Margin %	7	9	-22
Funds	496	461	+ 8
<b>Return on Funds %</b>	<b>16.1</b>	<b>20.2</b>	<b>-20</b>

1. Excludes unusual write offs of \$9 million

# Steel

New Chief Executive appointed – Paul Zuckerman

**Rollforming:** Stramit, Dimond and Pacific Coil Coaters had excellent sales and earnings in line with pcp in more competitive environment. Eziform acquired in Queensland in May 2007.

**Long Steel Products:** New transformer commissioned. Tough six months with volatile scrap prices and imported product impacting on margins. High NZ\$ impacting on export margins. Earnings well down on pcp.

**Other:** EasySteel performed well with consistent earnings. CSP Galvanising performed consistently. Small technology business closed/divested.



# Laminates & Panels

# Laminates & Panels Results

NZ\$m	Jun 2007 12 Mths	Jun 2006 12 Mths	% YOY Change
Sales	1058	1027	+ 3
<b>EBIT</b>	<b>131<sup>1</sup></b>	<b>116</b>	<b>+13</b>
Margin %	12.4	11.3	+10
Funds	814 <sup>2</sup>	920	-12
<b>Return on Funds %</b>	<b>16.1</b>	<b>12.6</b>	<b>+28</b>

1. Excludes unusual gain of \$20 million

2. Funds reduced as a result of Taupo fire

# Laminates & Panels

**Australia:** Sales growth achieved in domestic markets but margins under pressure. Productivity improvement, expense control and stronger export margins lifted earnings.

**New Zealand:** Total sales down as a result of Taupo fire. Earnings increased with better margins and inclusion of a full year of O'Briens.

**Taupo Fire:** Taupo MDF plant destroyed and decision taken not to rebuild. Insurance claim settled satisfactorily.

**Penrose:** Hardboard plant closed. Sunset products.

**HPL:** Asset write downs.

# Net Earnings

<b>NZ\$m</b>	<b>Jun 2007 12 Mths</b>	<b>Dec 2006 6 Mths</b>	<b>Jun 2006 12 Mths</b>
EBIT	703 <sup>1</sup>	340	675
Interest	-87	-45	-88
Tax	-113 <sup>2</sup>	-92	-189
Minority Interests	-19	-10	-19
<b>Net Earnings</b>	<b>484</b>	<b>193</b>	<b>379</b>

1. Includes unusual gain of \$5m

2. Includes one-off tax benefit of \$80m

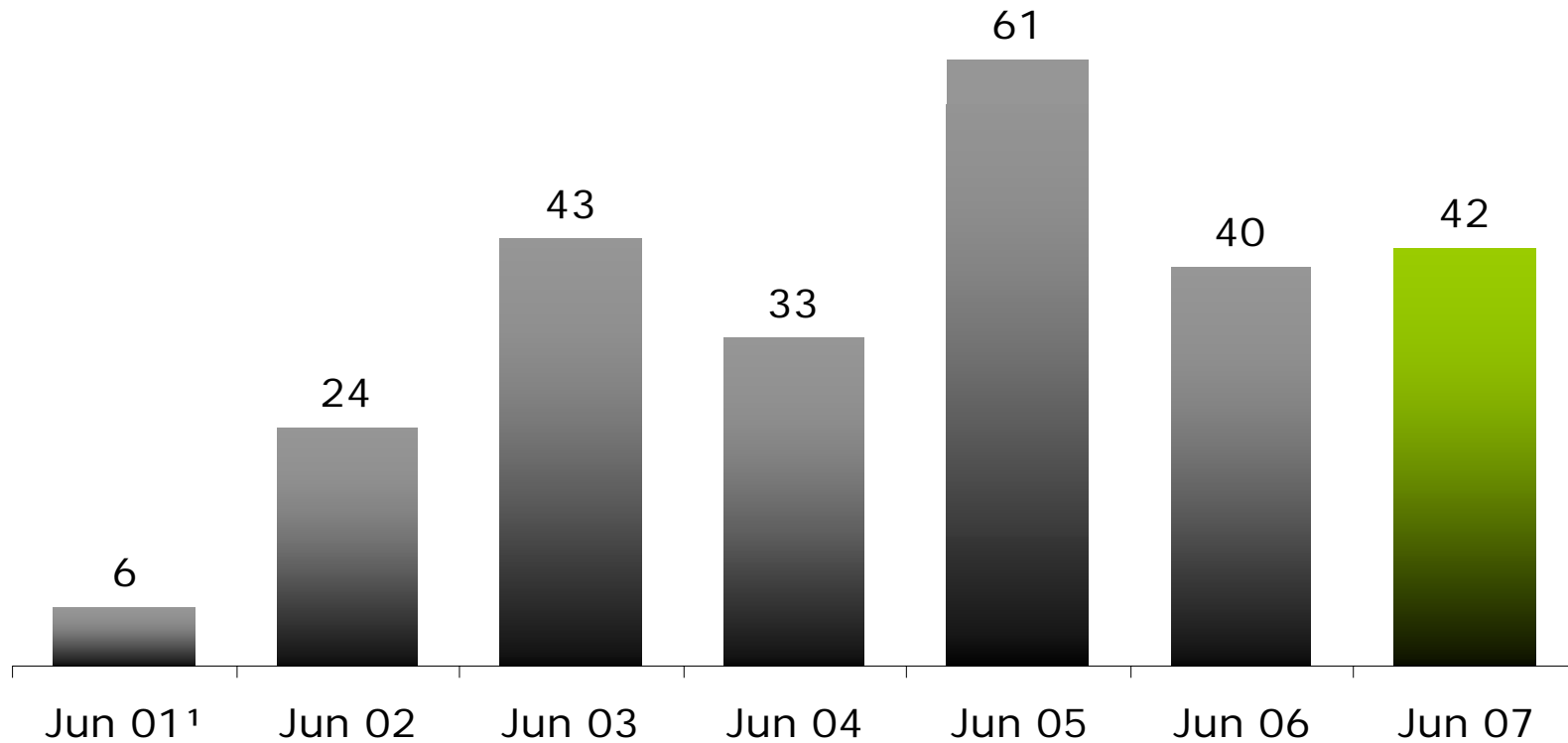


# Simplified Balance Sheet

	Jun 2007 NZ\$m	Proforma 2 Jul 07 NZ\$m	Jun 2006 NZ\$m
<b>Assets</b>			
Current Assets	1742	2128	1650
Fixed Assets	1515	1807	1569
Intangibles & Goodwill	629	1168	597
Provision for Deferred Taxation	3	-60	29
Investments	141	81	129
<b>Total Fletcher Building Assets</b>	<b>4030</b>	<b>5125</b>	<b>3974</b>
<b>Liabilities</b>			
Current Liabilities	1080	1212	1113
Net Debt	654	1617	1061
<b>Total Fletcher Building Liabilities</b>	<b>1734</b>	<b>2829</b>	<b>2174</b>
<b>Equity</b>			
Equity & Minority Interests	2296	2296	1800
<b>Total Fletcher Building Liabilities and Equity</b>	<b>4030</b>	<b>5125</b>	<b>3974</b>

# Key Ratios

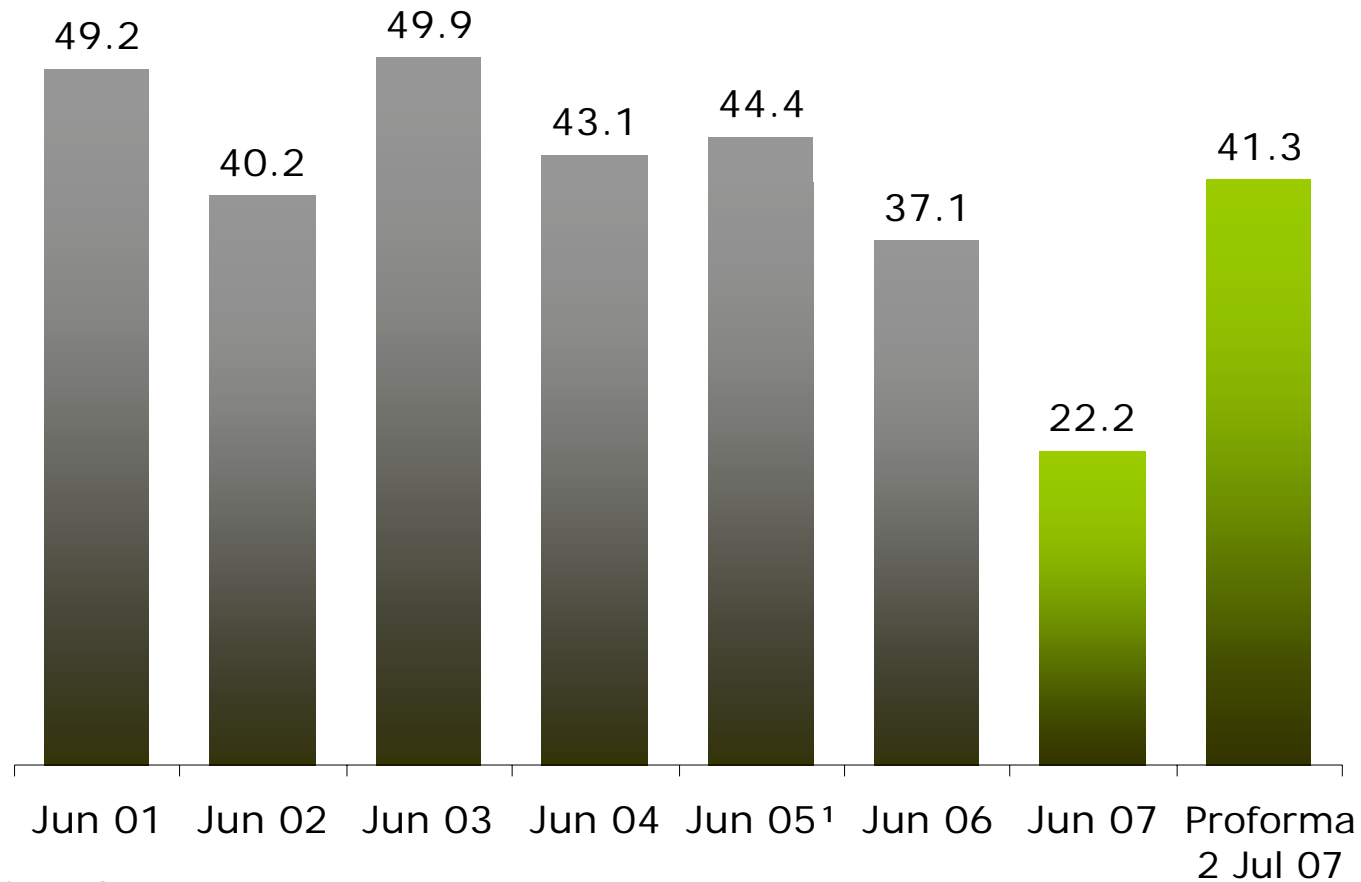
## Total Shareholder Return (TSR) Percentage



1. June 01 is the return for the 3 months from separation date
2. TSR calculated  $((\text{Gross Dividend Paid} + \text{Movement in Share Price}) / \text{Opening Share Price})$

# Key Ratios

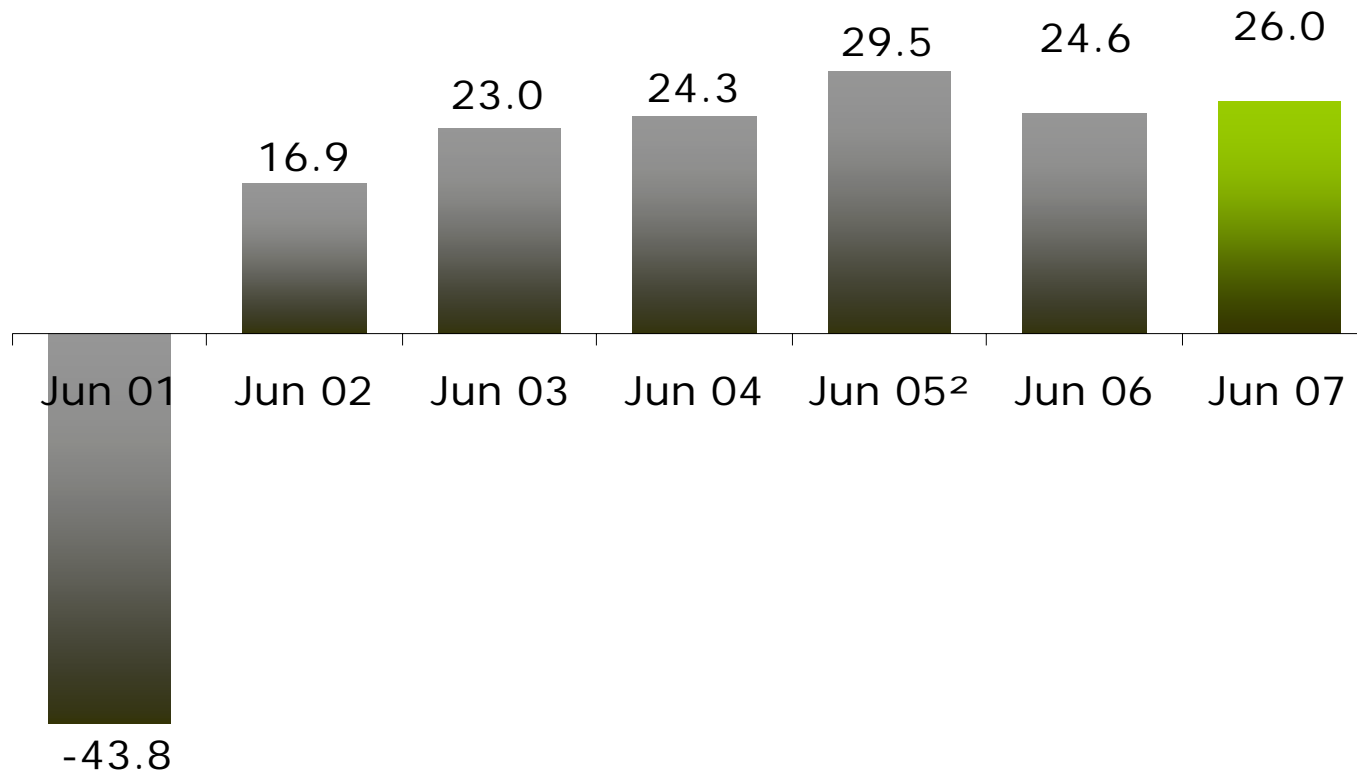
## Debt/Debt Plus Equity Percentage



1. Restated for IFRS

# Key Ratios

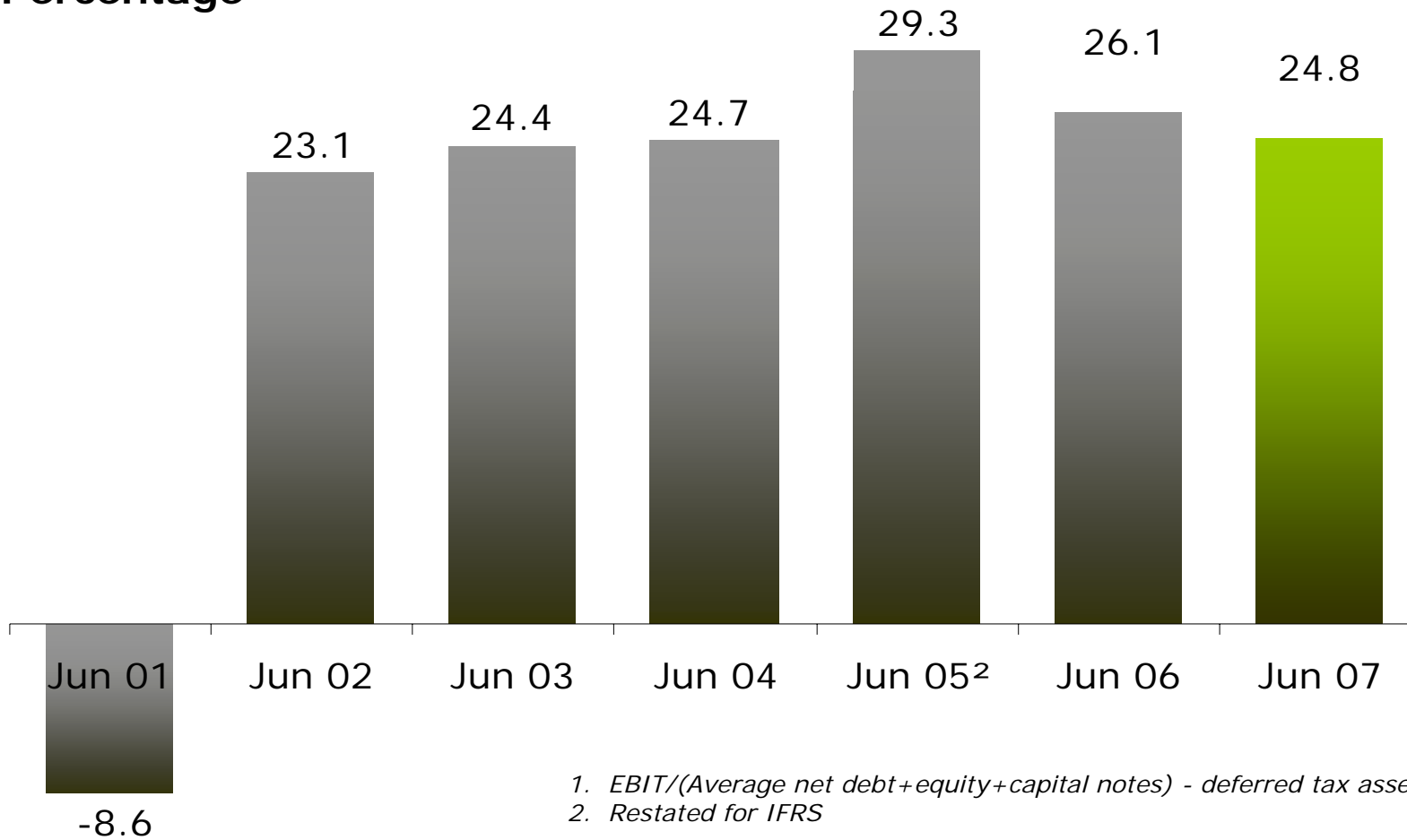
## Return on Average Equity<sup>1</sup> Percentage



1. Net earnings after capital notes interest/shareholders funds
2. Restated for IFRS

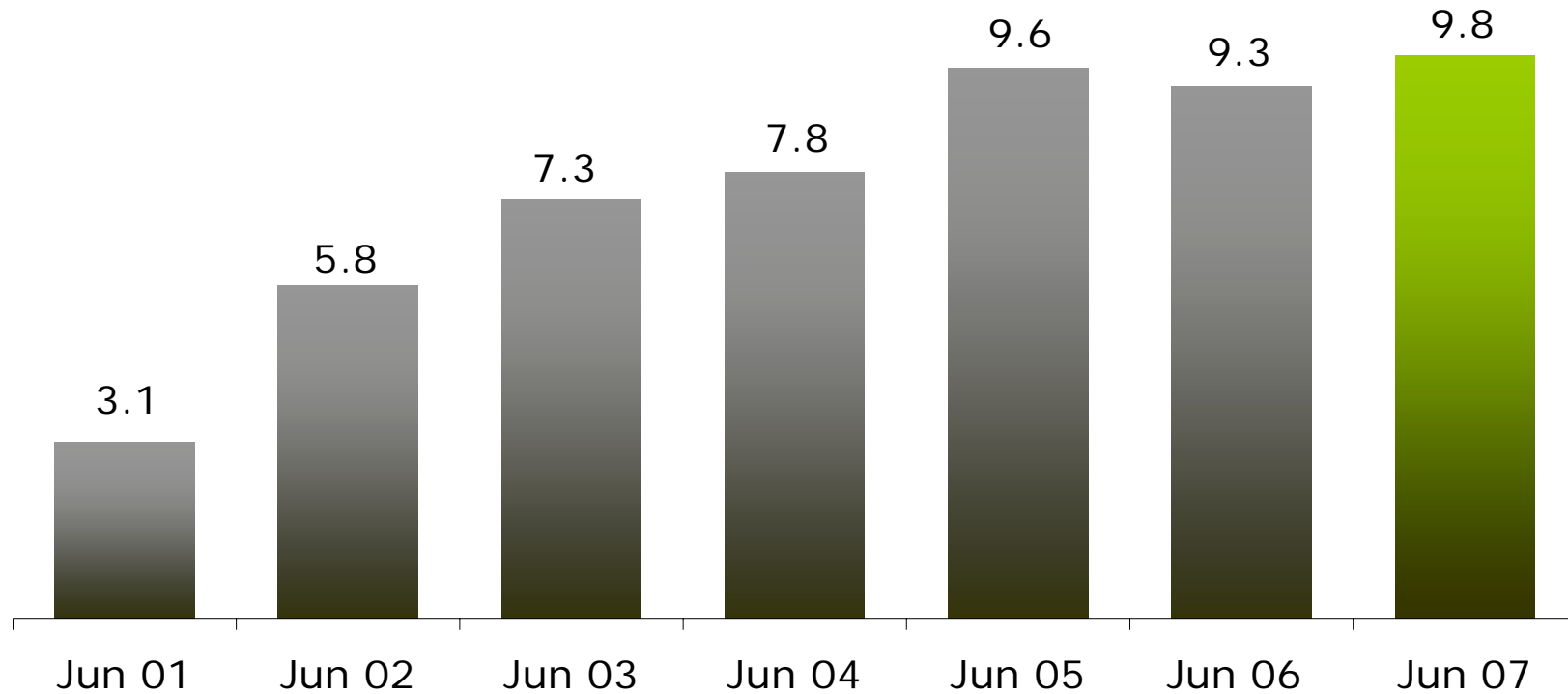
# Key Ratios

## Return on Average Funds<sup>1</sup> Percentage



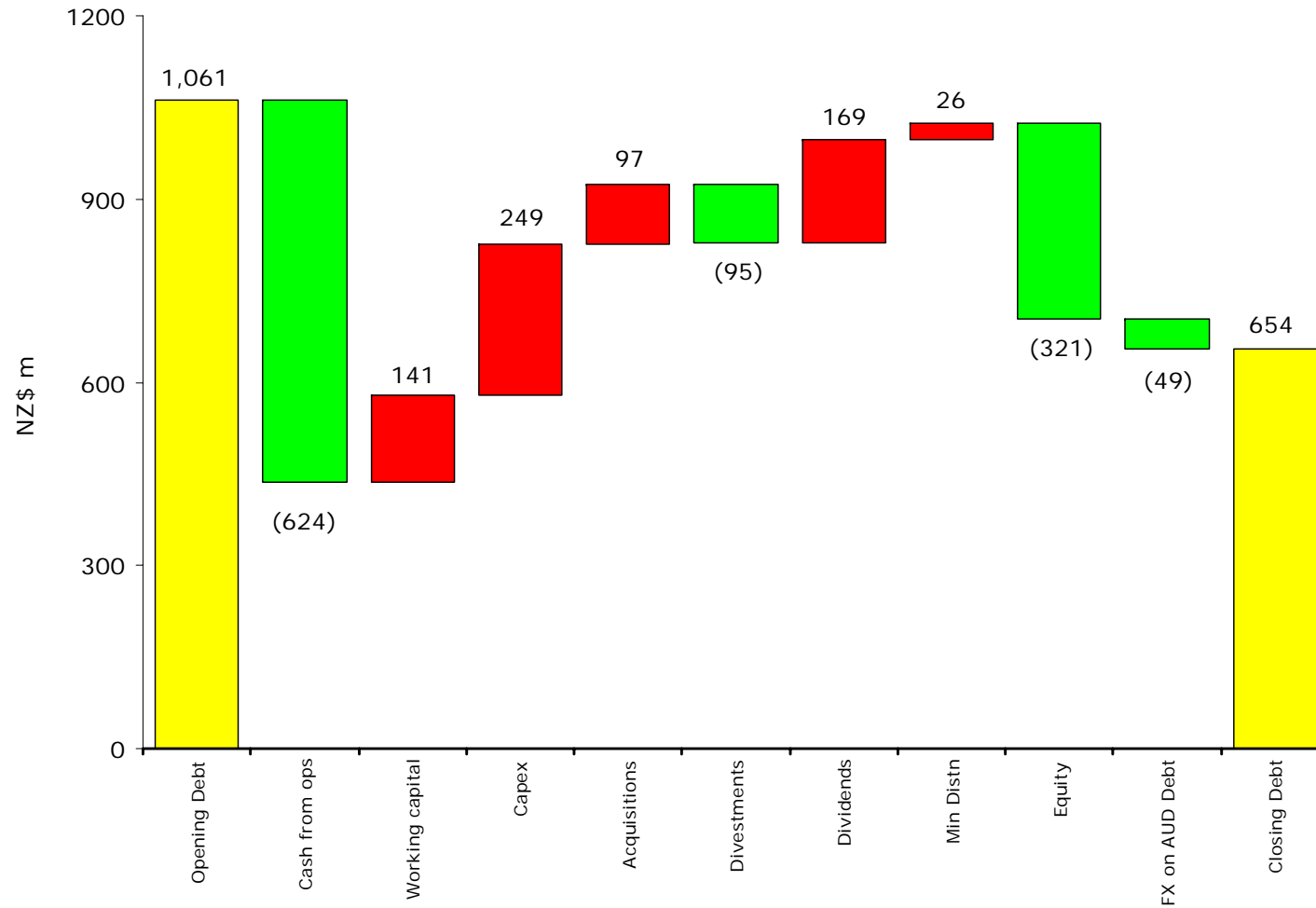
# Key Ratios

## Interest Cover<sup>1</sup> Times



1. EBITDA pre unusualls/interest paid including capital note interest

# Net Debt Movement





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**Strategic Update**



# Strategic Agenda

Earnings Reliability

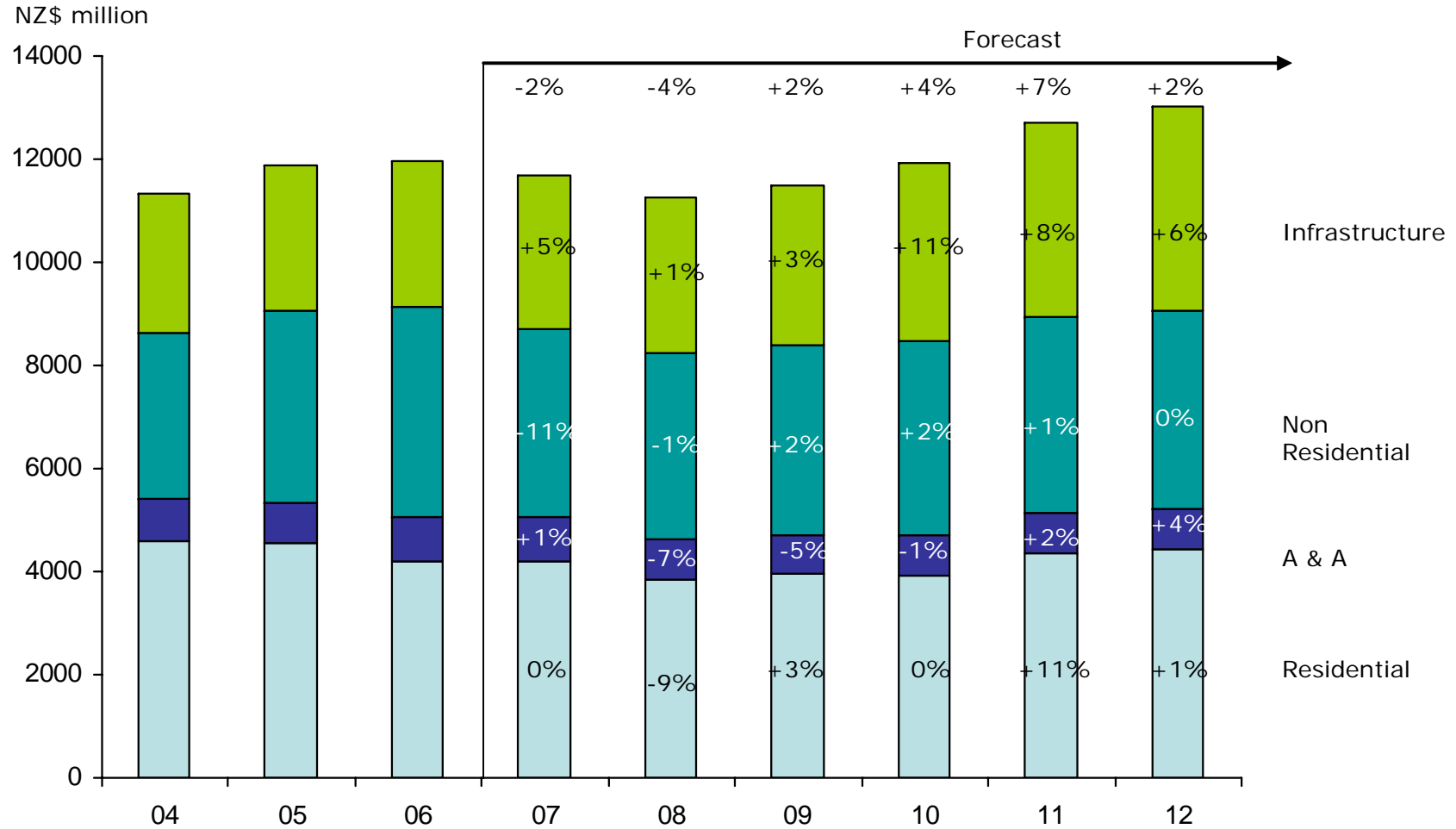
Internal Growth

External Growth

# Earnings Reliability

- ❑ Company outlook should be cognisant of both product and geographic diversity.
- ❑ For New Zealand – Infometrics July 07 estimate of total volume of work commenced.
- ❑ For Australia – BIS June 07 estimate of total volume of work commenced.

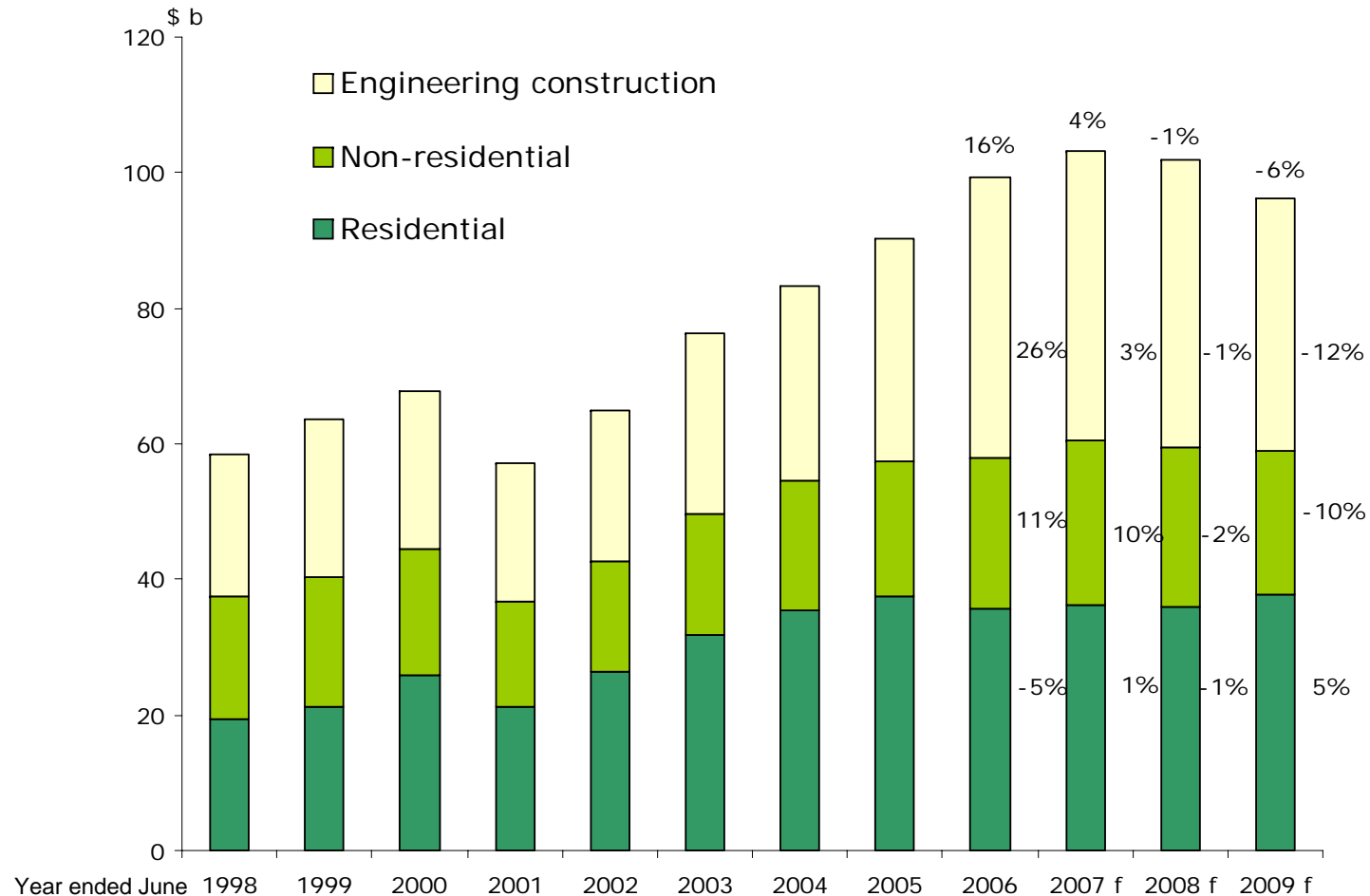
# New Zealand Volume of Work Commenced



Source : Infometrics in constant 1995/96 prices (July 07)

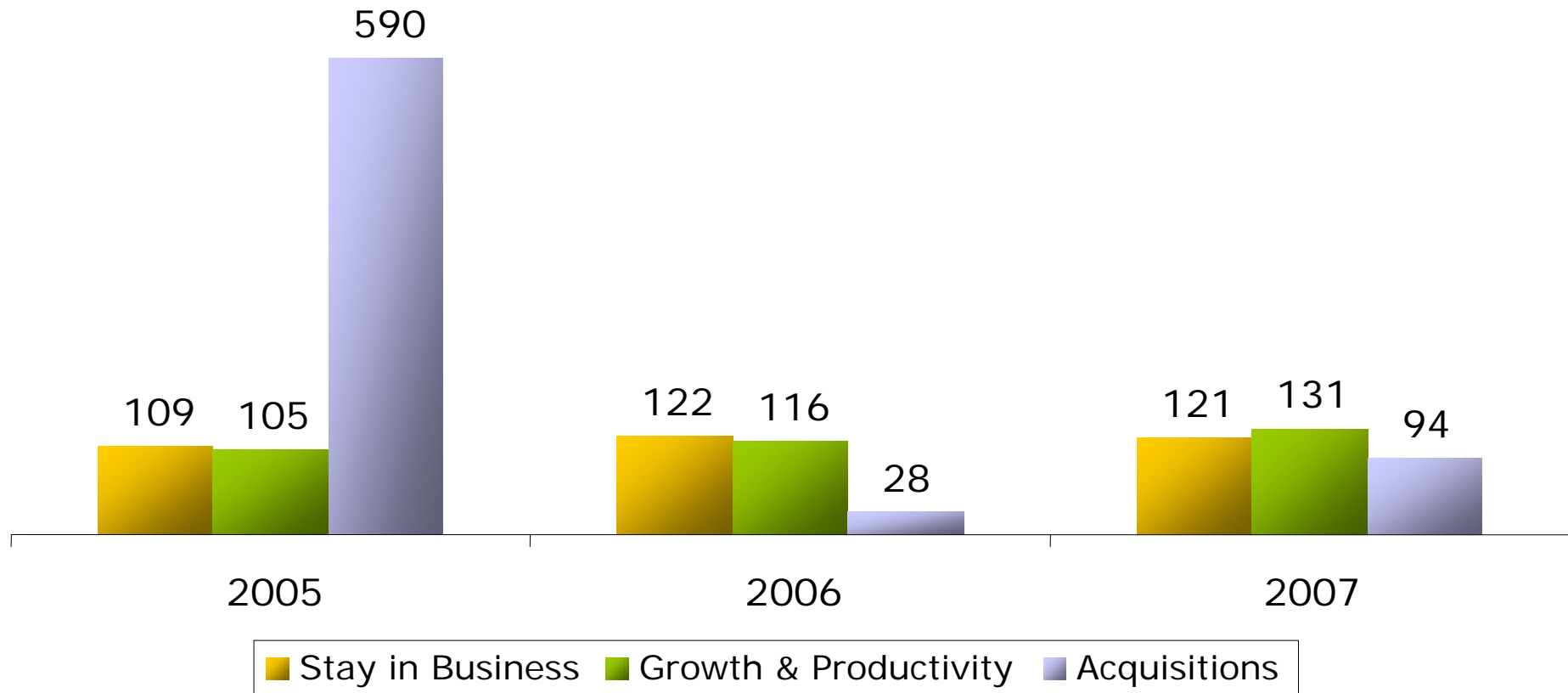
# Australia

## Volume of Work Commenced



Source : BIS Shrapnel Building in Australia Update in constant 2004/05 prices (June 07)

# Internal Growth



# Internal Growth Opportunities

- ❑ Significant capex spend continues.
- ❑ Projects include:
  - Particleboard capacity upgrade in NZ and Australia
  - Resin JV
  - Kitchen componentry
  - Australian quarry expansion
  - Wespine capacity upgrade
  - Steel mill transformer and capacity upgrade
  - Insulation new furnace and capacity upgrade in NZ
  - New Laminex distribution centre in WA
  - European roof tile plant

# External Growth Opportunities

- ❑ Fletcher Building acquired Formica Corporation from private equity investors, Cerberus Partners and Oaktree Capital.
  
- ❑ Formica is a leading global high pressure laminates (“HPL”) manufacturer comprising three geographical business units
  - Asia
  - Europe
  - North America

# External Growth Opportunities (cont.)

- ❑ Purchase price US\$700m (NZ\$913m), with additional contingent payments up to a total of US\$50m (NZ\$65m) based on Formica completing an agreed restructuring plan.
- ❑ Meets all aspects of Fletcher Building's well established acquisition criteria.
- ❑ The Formica brand name is recognised globally as the leader in HPL – Fletcher Building acquired Australian and NZ rights to the Formica brand with the Laminex acquisition in 2002.



# Outlook

- ❑ Residential markets in Australia and New Zealand continue to soften.
- ❑ Non-residential and infrastructure flat at best.
- ❑ Formica Europe and Asia continue to be strong and U.S. weak.
- ❑ Volatile currency.
- ❑ Satisfactory result expected.



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