

Fletcher Building Limited Annual Results 2005



10 August 2005

This Annual Results presentation dated 10 August 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 38% to **\$330 million**

Increasing Returns To Shareholders

TSR of 61%
7th consecutive dividend increase
Full year dividend up 28%

Further Equity Raising

20 million new shares issued at a discount of less than 1%

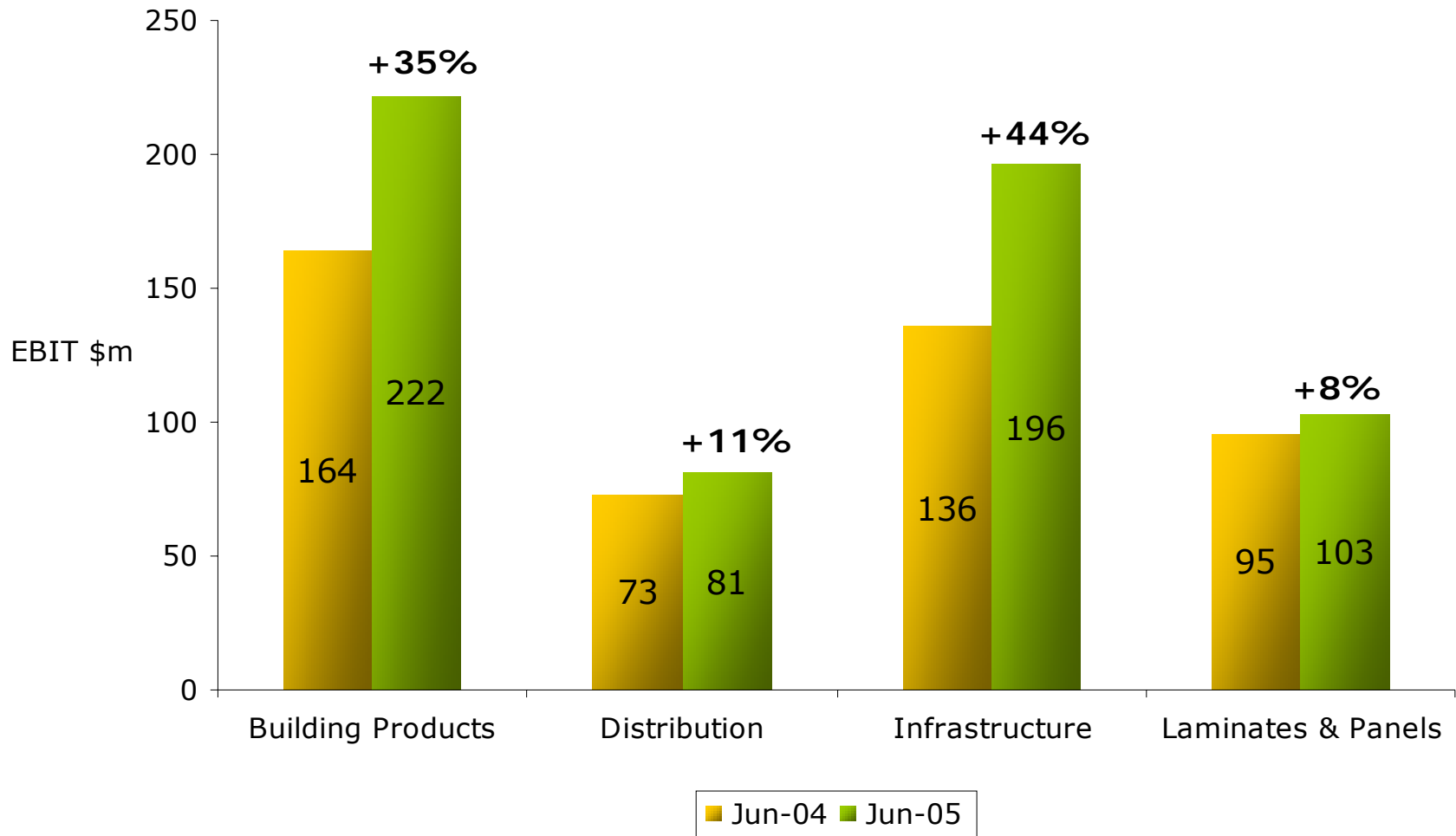
Growth

Acquisition of Amatek Holdings

Summary of Results

\$m	Jun 2005 12 Mths	Jun 2004 12 Mths	% YOY Change
Revenue	4663	3958	+18
EBITDA	737	582	+27
EBITA	609	471	+29
EBIT	596	460	+30
Net Earnings	330	240	+38
EPS (cents)	73.8	55.7	+32
Dividend cps	32.0	25.0	+28

Profit Up In All Divisions



Building Products Results

\$m	Jun ¹ 2005 12 Mths	Jun ² 2004 12 Mths	% YOY Change
Revenue	1338	927	+44
EBIT	222	164	+35
Margin	16.6%	17.7%	-6
Funds	878	560	+57
Return on Funds	27.3% ⁴	31.0% ³	-12

¹ Includes 4 months of Amatek

² Includes 9 months of Tasman

³ Proforma return based on full 12 months of Tasman

⁴ Proforma return based on 12 months of Amatek businesses in this division

Building Products

Plasterboard

- ❑ Market share maintained at 94%
- ❑ Record volumes and earnings achieved from strong market
- ❑ 'House-lot' ordering being extended – new Auckland warehouse under construction with Christchurch to follow
- ❑ New products based on GWF technology launched in New Zealand, Australia and Japan

Building Products

Insulation

- ❑ Amatek's insulation business in Australia acquired and combined with existing business
- ❑ Synergies on track to exceed original estimates
- ❑ Approximate glasswool market shares are 70% in New Zealand and 66% in Australia
- ❑ Record earnings assisted by strong markets

Building Products

Rollforming

- ❑ Amatek's rollforming business (Stramit) acquired
- ❑ All business units – Dimond, Stramit, and Pacific Coil Coaters benefited from strong markets
- ❑ BlueScope and New Zealand Steel supply agreements under negotiation- annual purchases now in excess of 300,000 tonnes

Building Products

Metal Roof Tiles

- Malaysian plant acquired, upgraded and commissioned July 05
- Domestic market underpinned by strong demand
- Export markets performing well despite the strong NZ\$
- USA operation had outstanding results due to unusually strong storm induced demand
- Overall excellent result

Building Products

Long Steel Products

- ❑ Excellent earnings in scrap JV
- ❑ Record production through steel plant
- ❑ Cyclone acquired to increase wire market share in NZ
- ❑ Reinforcing had a record year on the back of good market conditions
- ❑ Wire products still under pressure from low rural demand and import price pressure
- ❑ Steel earnings a quantum level above previous years

Building Products

Other Businesses

- ❑ Steel Distribution, Fletcher Aluminium, Tasman Sinkware and Access Flooring all performed well on the back of generally strong markets
- ❑ EasySteel a dramatic improver aided by uplift in steel inventory value in H1
- ❑ Aluminium and Tasman Sinkware benefited from growing export volumes at good margins

Distribution Results

\$m	Jun 2005 12 Mths	Jun 2004 12 Mths	% YOY Change
Gross Revenue	920	863	+7
EBIT	81	73	+11
Margin	8.8%	8.5%	+4
Funds	120	106	+13
Return on Funds	67.5%	68.9%	-2

Distribution

- ❑ Revenue up 7% in strong market
- ❑ Upgraded Riccarton and new Lunn Avenue, Auckland and Queenstown stores opened
- ❑ Upgrades at Paraparaumu, Kaiwharawhara, New Plymouth underway
- ❑ Kerikeri and Invercargill new stores underway, with six more stores planned for upgrade this year
- ❑ Excellent returns maintained despite increasingly competitive market

Infrastructure

\$m	Jun ¹ 2005 12 Mths	Jun 2004 12 Mths	% YOY Change
Revenue	1442	1161	+24
EBIT	196	136	+44
Margin	13.6%	11.7%	+16
Funds	672	364	+85
Return on Funds	33.3% ²	37.4%	-11

¹ Includes 4 months of Amatek

² Proforma return based on 12 months of Amatek

Infrastructure

Golden Bay Cement

- ❑ Sixth consecutive year of domestic market growth
- ❑ Cement kiln upgrade completed to 2000tpd
- ❑ Further upgrade in progress to 2400 tpd due in July 2006
- ❑ Upgrade project up to \$20m higher and 9 months longer to meet new air quality standards
- ❑ On completion total cost circa \$90m and EBITDA up to +\$25m pa

Infrastructure

Firth

- ❑ Ready mix volumes increased again due to strong market
- ❑ Margin improvement assisted earnings record
- ❑ New plant sharing agreement with Allied will replace old Penrose plant
- ❑ Completed another section of Auckland Airport runway. Further runway work in 2006

Infrastructure

Winstone Aggregates

- ❑ Hunua quarry upgrade increased capacity to two million tonnes per annum
- ❑ Redevelopment of Whitehall quarry to be commissioned in January 2006
- ❑ Significant upgrade to Helensville sand extraction
- ❑ Overall excellent result

Infrastructure

Humes

- ❑ Strong demand plus margin improvement resulted in a substantial earnings lift to a record for the business
- ❑ Joint Venture to manufacture plastic pipes now operational

Stresscrete

- ❑ Another beneficiary of the uplift in construction work with strong demand and record result
- ❑ Strong backlog of work to complete in 05-06

Infrastructure

Rocla Quarries and Pipelines

- ❑ Acquired on 1 March
- ❑ Results just ahead of expectations
- ❑ Quarry growth opportunities in NSW and Victoria are under negotiation
- ❑ Pipelines growth is in non-pipeline products (water management, railway sleepers, electricity poles)

Infrastructure

International

❑ Fiji

- Small operation, trading up to expectations

❑ Peru

- Another small operation, profit and cash positive on limited growth
- Exit still the preferred course if opportunity arises

Infrastructure

Construction

- ❑ Overall EBIT of \$54m up from \$42m last year
- ❑ The result includes Commercial, Engineering, Residential and Property (some land sales)

Infrastructure

Commercial Building & Engineering

- ❑ Exceptionally strong market conditions
- ❑ Commenced Auckland University Business School, Northern Busway, Pohukura Gas Treatment Plant
- ❑ Backlog at year end \$743m with a further \$150m under negotiation

Infrastructure

Residential

- ❑ Record earnings for fourth consecutive year
- ❑ Demand and margins still holding
- ❑ Land positions the key to future earnings:

Auckland

- Schnapper Rock
- Beachlands
- Wattle Cove
- Howick
- Lunn Ave

Queenstown

- Jack's Point

Laminates & Panels Results

\$m	Jun 2005 12 Mths	Jun 2004 12 Mths	% YOY Change
Revenue	960	994	-3
EBIT	103	95	+8
Margin	10.7%	9.6%	+11
Funds	774	789	-2
Return on Funds	13%	12%	+8

Laminates & Panels

- ❑ Strong performance despite adverse currency for exports and softening new residential market in Australia
- ❑ Improved results in New South Wales through new distribution centre
- ❑ New Zealand benefited from full year of savings from integration with Laminex

Laminates & Panels

- ❑ Taupo and Kumeu outputs much improved through benchmarking/technical assistance from Australia
- ❑ Operational improvements and margin management overcame lower revenue, reduced export earnings and higher resin prices
- ❑ Joint Ventures – Wespine and Dynea – also had record results

Profit After Tax

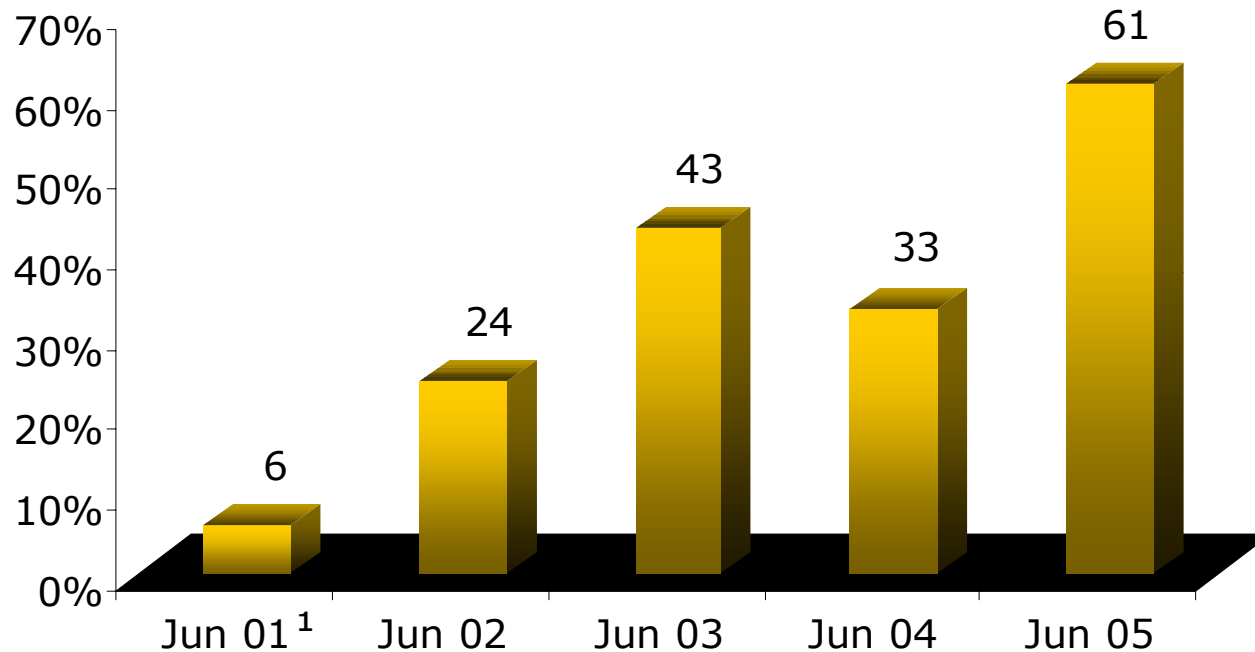
\$m	Jun 2005 12 Mths	Dec 2004 6 Mths	Jun 2004 12 Mths
EBIT	596	288	460
Interest	-77	-33	-75
Tax	-167	-82	-124
Minority Interests	-22	-12	-21
Profit After Tax	330	161	240

Simplified Balance Sheet

	Jun 2005 NZ\$m	Jun 2004 NZ\$m
Assets		
Current Assets	1439	1022
Fixed Assets	1392	1,023
Intangibles & Goodwill	433	342
Provision for Deferred Taxation	154	86
Investments	171	159
	<hr/>	<hr/>
Total Fletcher Building Assets	3589	2632
Liabilities		
Current Liabilities	961	666
Net Debt	793	448
Capital Notes	350	400
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Total Fletcher Building Liabilities	2104	1514
Equity		
Equity & Minority Interests	1485	1118
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Total Fletcher Building Liabilities and Equity	3589	2632

Key Ratios

Total Shareholder Return (TSR)²

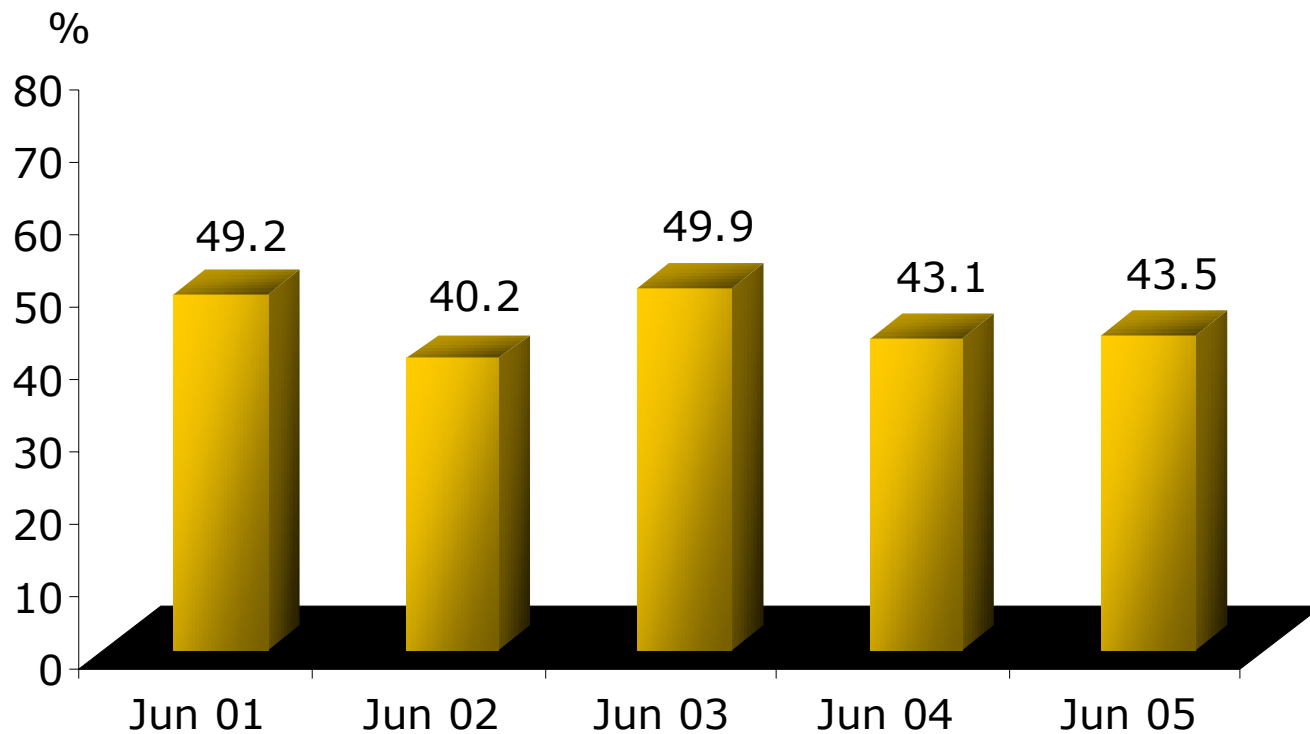


¹ June 01 is the return for the 3 months from separation date

² TSR calculated $((\text{Gross Dividend Paid} + \text{Movement in Share Price}) / \text{Opening Share Price})$

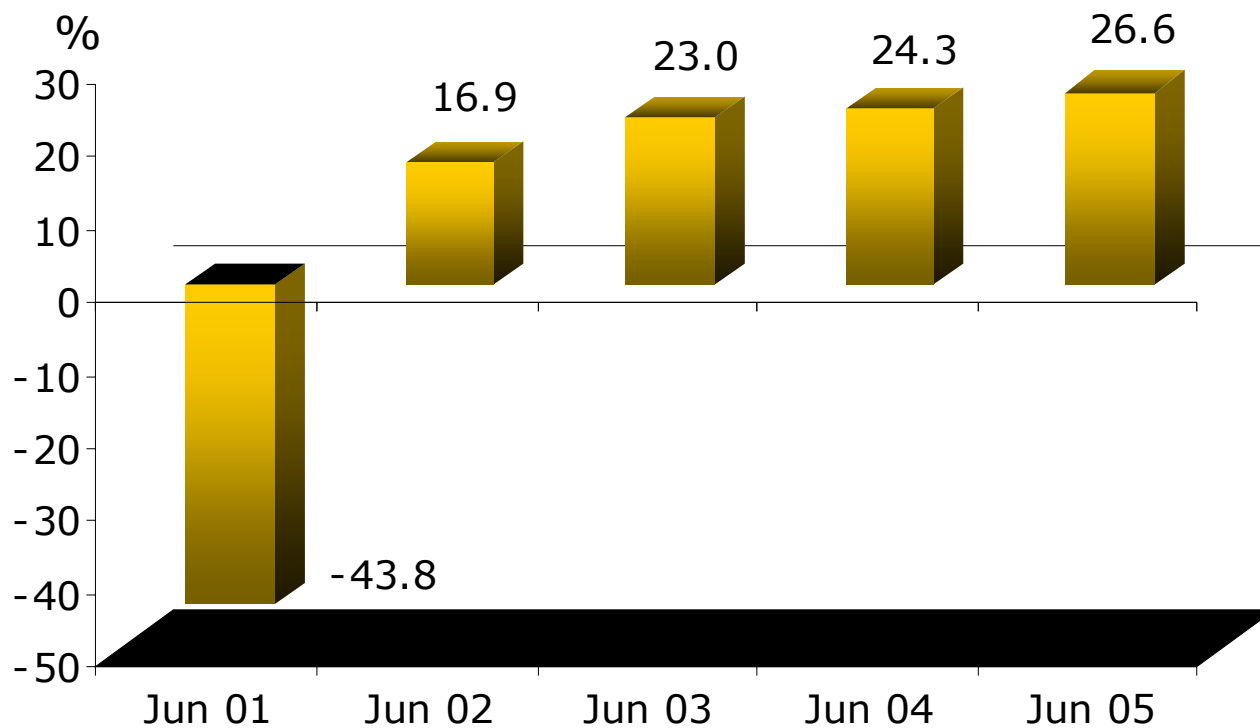
Key Ratios

Debt/Debt Plus Equity



Key Ratios

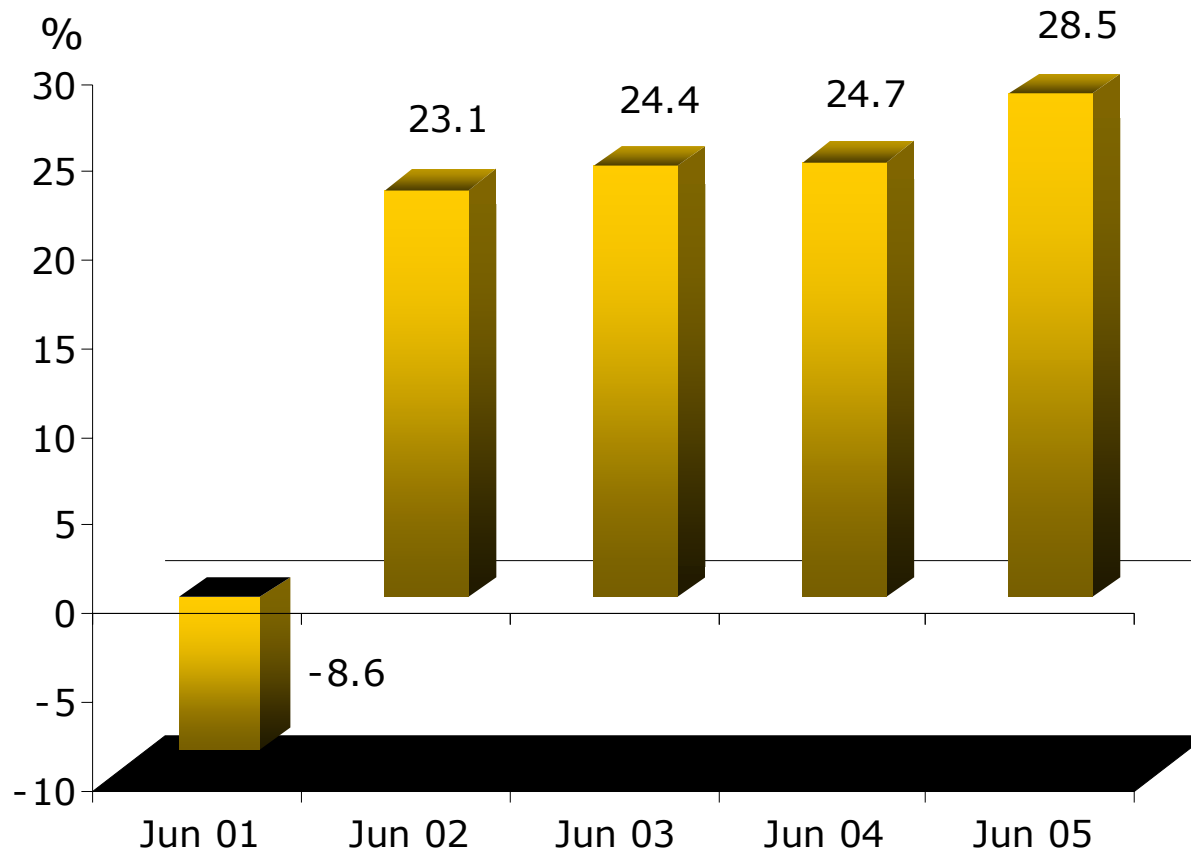
Return on Average Equity¹



¹ Net earnings/shareholders funds

Key Ratios

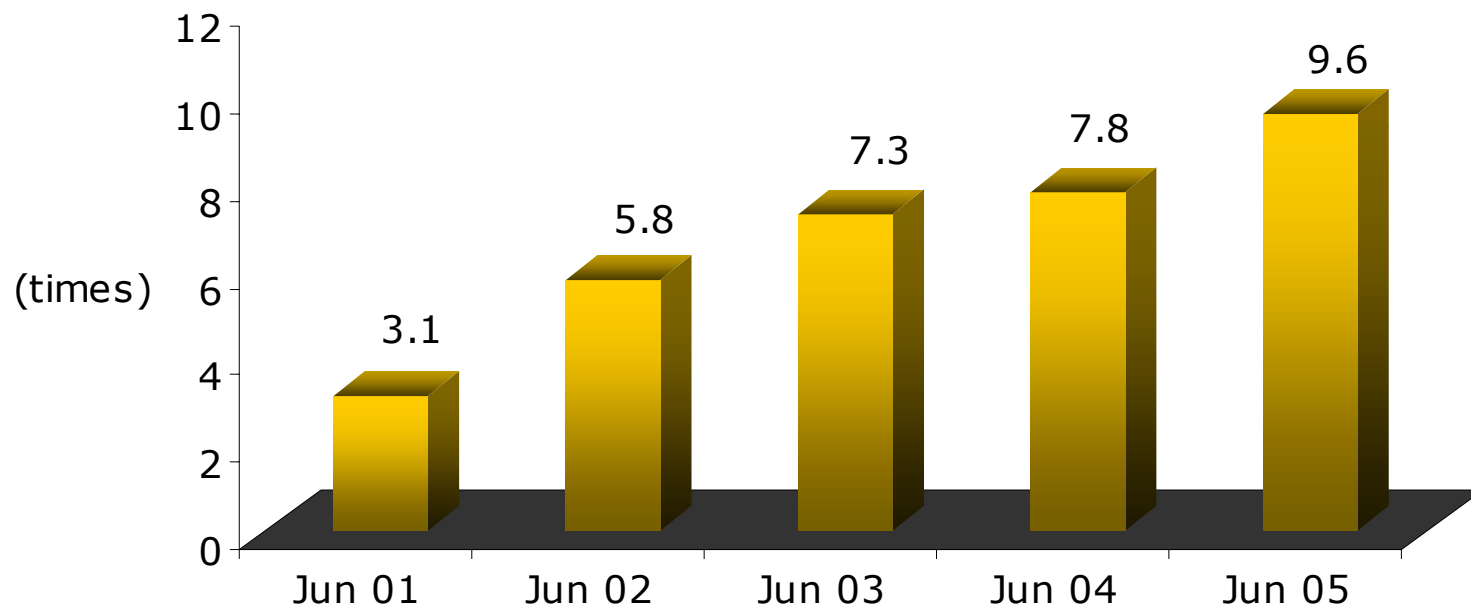
Return on Average Funds¹



¹ $EBIT / (\text{Average net debt} + \text{equity} + \text{capital notes}) - \text{deferred tax asset}$

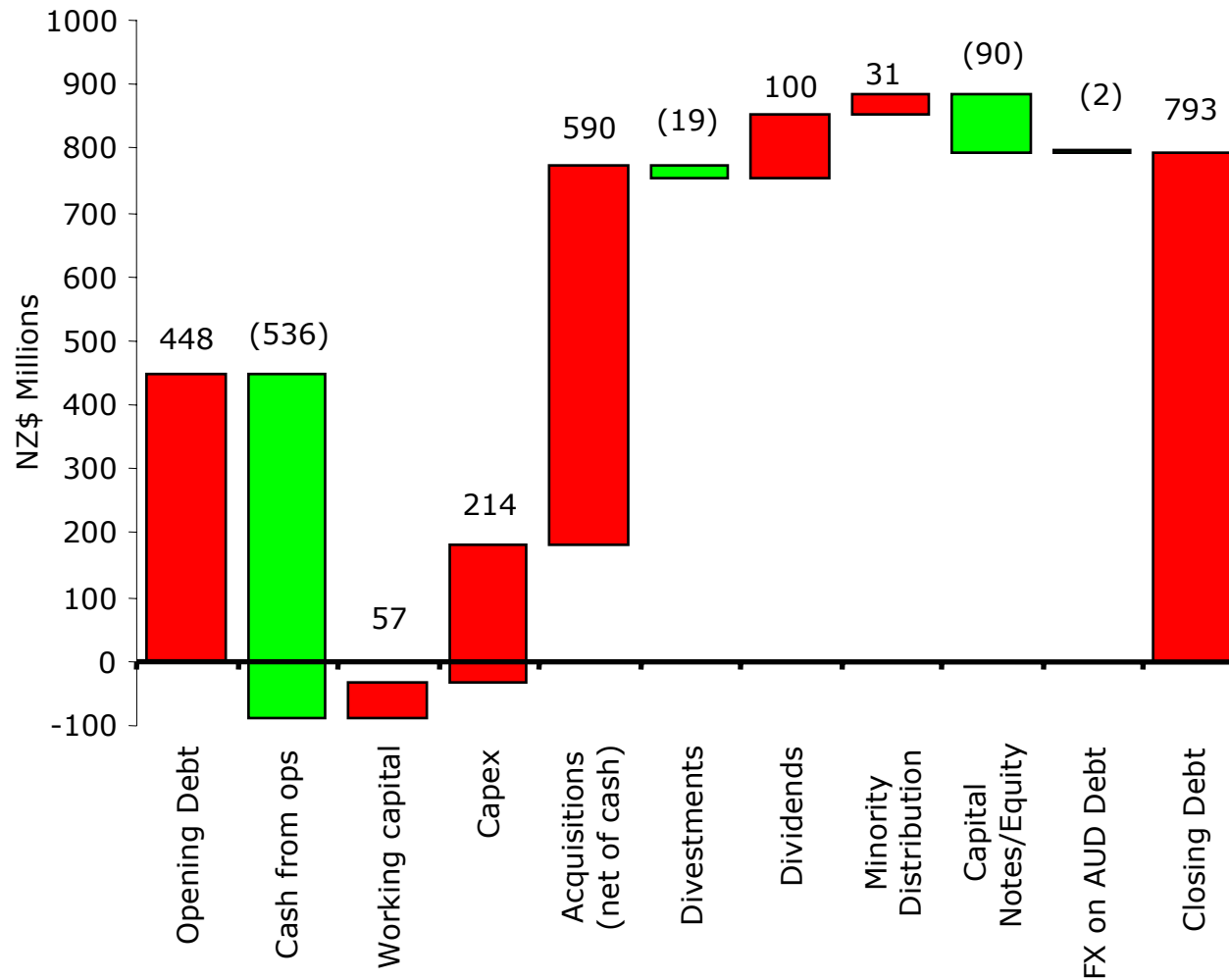
Key Ratios

Interest Cover¹



¹ EBITDA pre unusualls/interest paid including capital note interest

Net Term Bank Debt Movement





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**Operational & Strategic
Update**

Strategic Agenda

Earnings Reliability

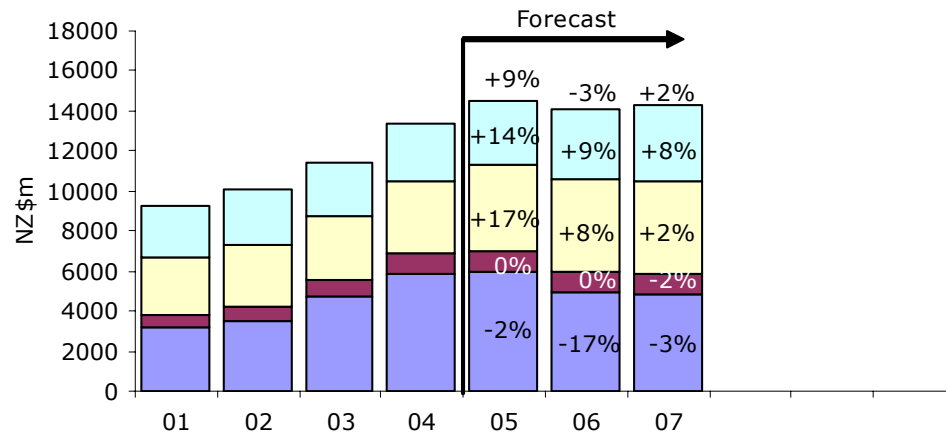
Internal Growth

External Growth

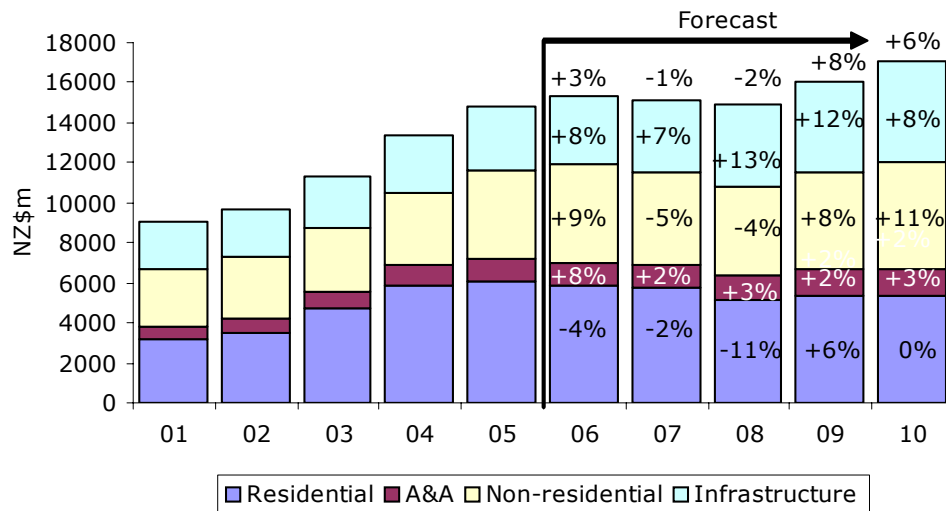
Earnings Reliability

- ❑ Cycle not just residential but total construction including non-residential and infrastructure
- ❑ For New Zealand Infometrics estimates of Total Market
- ❑ For Australia BIS estimates of total market

Earnings Reliability



**NZ Value of Work Completed
Total Construction Work (NZ)
Nov 2004 est**

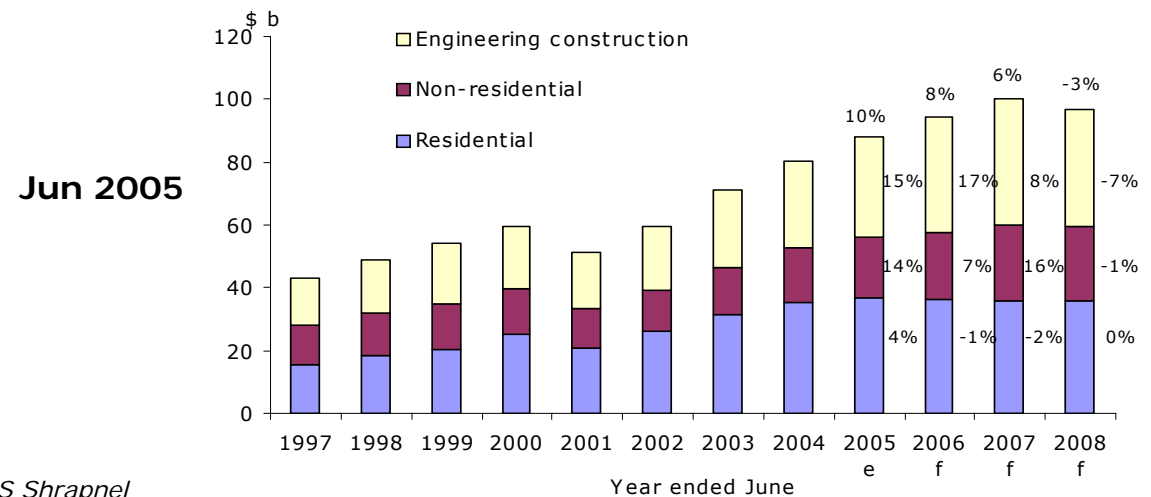
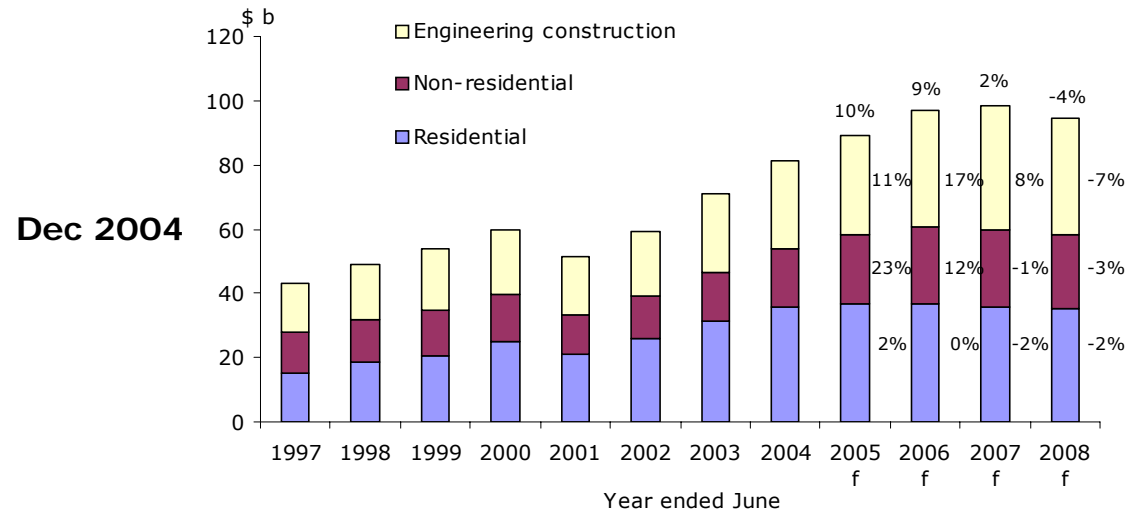


**NZ Value of Work Completed
Total Construction Work (NZ)
Jul 2005 est**

Source: Infometrics

Earnings Reliability

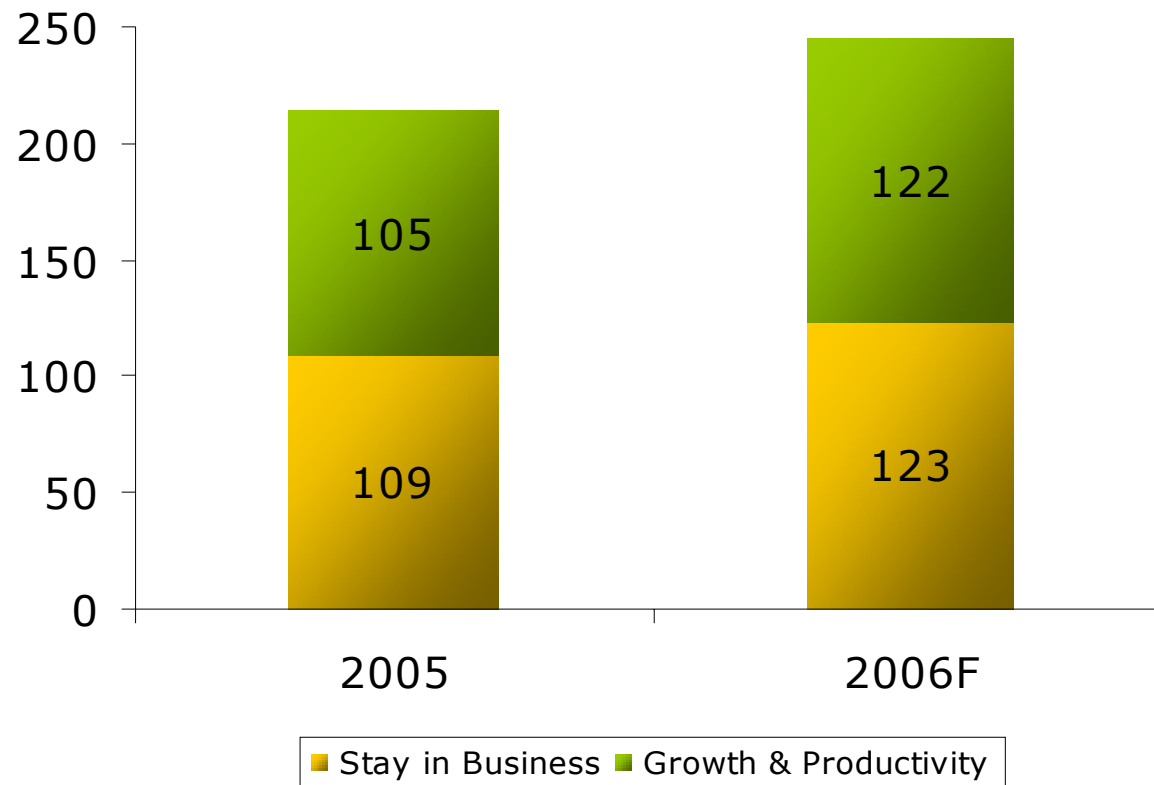
Forecasts of building and construction work done in current prices



Source: Australian Bureau of Statistics, BIS Shrapnel

Internal Growth

Significant capex to continue in 2006 – up to \$100m more than depreciation



External Growth Opportunities

- ❑ We have the financial capacity
- ❑ Limited opportunities in total
- ❑ Our acquisition criteria narrows that further
- ❑ We continue to seek and evaluate options to find the right opportunity

External Growth Opportunities

Amatek Reminder

- ❑ Acquired 1 March 2005
- ❑ Comprises four businesses:
 - **Rocla Pipeline Products** (steel reinforced concrete pipe and precast products)
 - **Rocla Quarry Products** (sand quarries)
 - **Stramit** (steel roofing and purlins)
 - **Insulation Solutions** (glasswool and foil insulation)

External Growth Opportunities

Amatek Reminder (cont.)

- ❑ Purchase price A\$530 million (NZ\$581 million)
- ❑ 20 million new shares issued at NZ\$7.05
- ❑ Inclusive of tax loss benefit at NPV and \$10 million of synergies, EBITDA purchase multiple was 4.7

External Growth Opportunities

Since listing \$1.6b+ spent on external growth opportunities

Acquisitions	NZ\$m ¹
▪ Laminex	782
▪ Tasman	272
▪ Amatek	581

¹ Includes earnout and transaction costs

Outlook

- ❑ NZ and Australia residential markets will soften further this year, but off record high levels
- ❑ We expect A&A to strengthen in New Zealand
- ❑ Non-residential outlook is strong for next 2-3 years in New Zealand and 1-2 in Australia
- ❑ Infrastructure spend will also be strong for at least the next three years, particularly in NZ where we are strongest

Outlook

- ❑ IFRS would increase this year's NPAT by about 5-6%
- ❑ Some incremental benefit from Amatek
- ❑ Expect on balance to have another good full year result in 2006



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