

Fletcher Building Limited Annual Results 2004



11 August 2004

This Annual Results presentation dated 11 August 2004 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 43% to **\$240 million**

Increasing Returns To Shareholders

Of this, \$108 million + tax credits will be distributed to shareholders.
TSR of 33%

Further Equity Raising

25 million new shares issued at at a discount of 4%

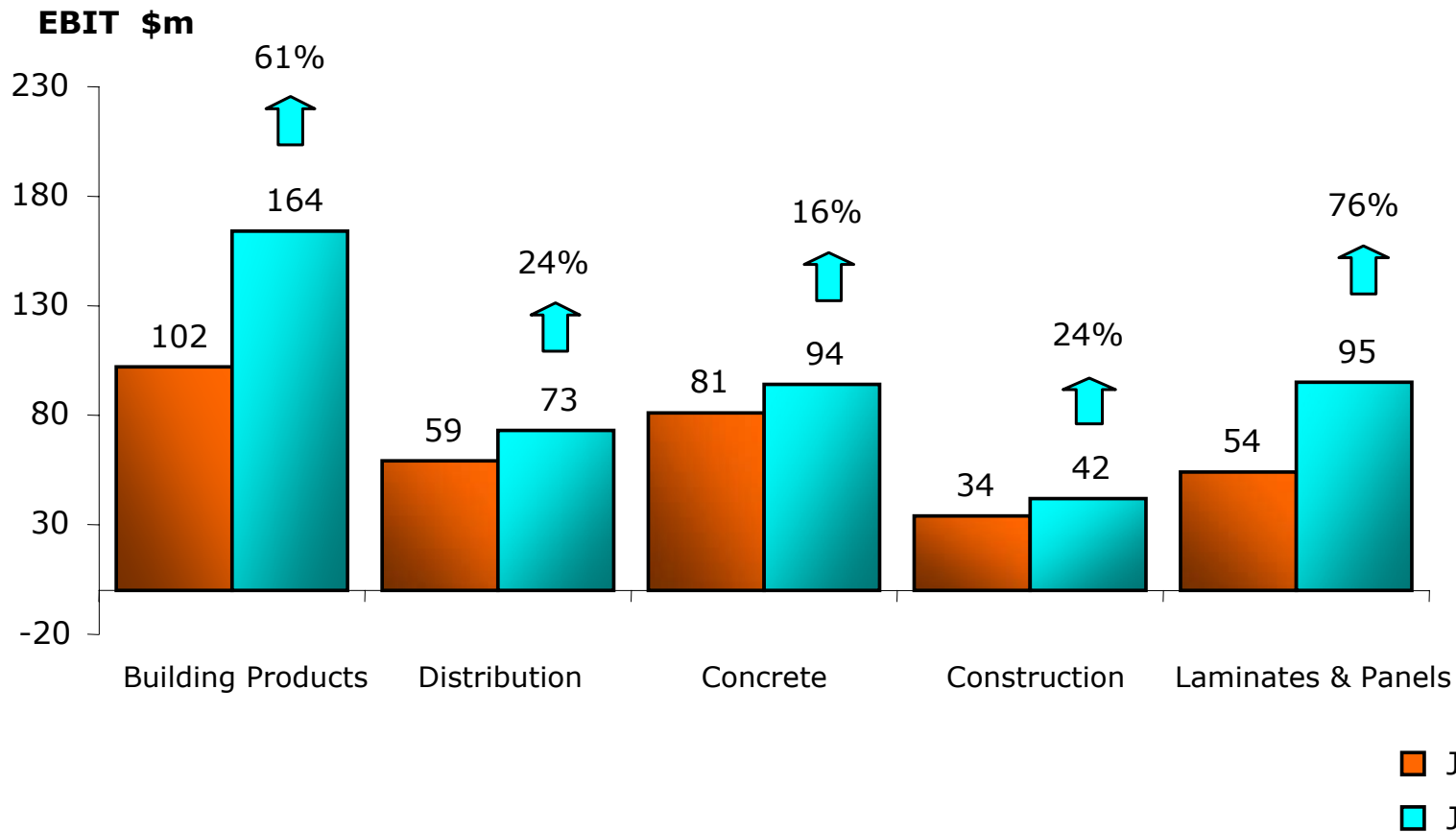
Growth

Acquisition of Tasman Building Products

Summary of Results

\$m	Jun 2004 12 Mths	Jun 2003 12 Mths	% YOY Change
Revenue	3958	3221	+23
EBITDA	582	429	+36
EBITA	471	338	+39
EBIT	460	331	+39
Net Earnings	240	168	+43
EPS (cents)	55.7	43.4	+28
Dividend cps	25.0	19.0	+32

Financial Performance Improved Across All Segments



Building Products Results

\$m	Jun** 2004 12 Mths	Jun* 2003 12 Mths	% YOY Change
Revenue	927	638	+45
EBIT	164	102	+61
Margin	17.7%	16.0%	+11
Funds	560	296	+89
Return on Funds	31%***	34%	-9

* Restated to transfer FWP & SPH to Laminates & Panels

** Includes 9 months of Tasman

*** Proforma return based on full 12 months of Tasman

Building Products

Tasman

- ❑ Acquired for NZ\$272 million in September 2003
- ❑ 9 months earnings: EBIT \$31m, EBITDA \$42m with record sales levels in insulation, sink ware and roofing
- ❑ Synergies identified, achieved and exceeded
- ❑ Significant growth opportunities

Building Products

Winstone Wallboards

- ❑ Record domestic volumes from strong market
- ❑ Held NZ market share at 93-94%
- ❑ Record earnings

Building Products

Fletcher Aluminium

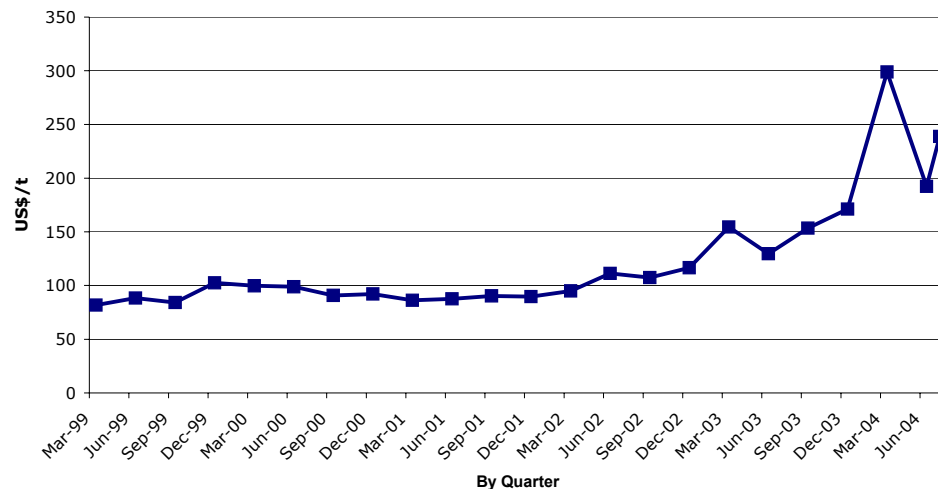
- ❑ Greatly improved margins and earnings
- ❑ Operational improvements achieved
- ❑ Regained some market share
- ❑ New products launched

Building Products

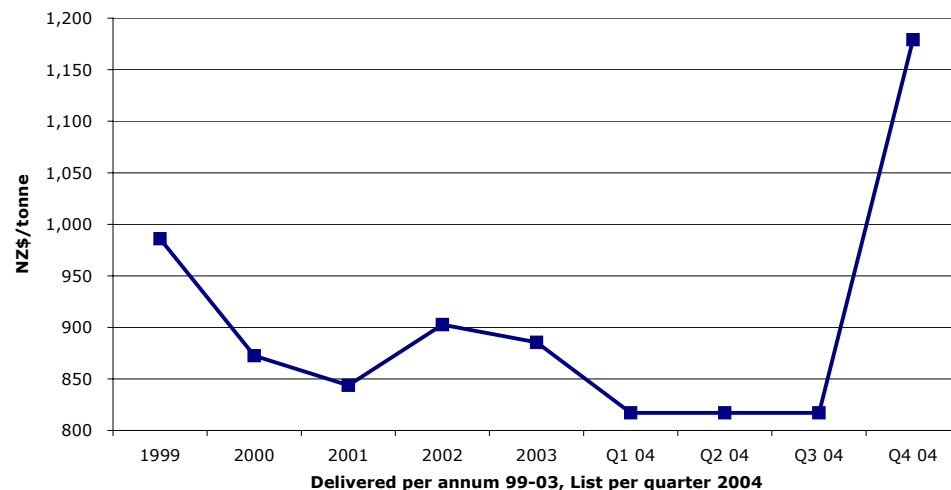
Steel Manufacturing

- ❑ 230,000 tonnes made, an increase of 20%
- ❑ Sales price up reflecting world demand
- ❑ Conversion costs down
- ❑ Energy savings of 20kw per tonne plus benefits from FBL power contract
- ❑ Return on funds in last quarter well above WACC

Sims HMS Standard Scrap Price
5 Year Trend by Quarter



Pacific Steel
Gross Domestic Reinforcing Bar Selling Prices



Building Products

Steel Processing and Distribution

- ❑ Significant operational improvements benefited margin and earnings at EasySteel
- ❑ Steady performance at Dimond with improving earnings
- ❑ Record volumes at PCC with earnings up both domestic and export

Distribution Results

\$m	Jun 2004 12 Mths	Jun* 2003 12 Mths	% YOY Change
Gross Revenue	863	744	+16
EBIT	73	59	+24
Margin	8.5%	7.9%	+7.6
Funds	106	92	+15
Return on Funds	68.9%	64.1%	+7

* Restated to transfer discontinued operations to corporate

Distribution

- ❑ Revenue up 16% on last year and earnings 24%

- ❑ Product highlights:
 - Frames & Trusses up 25%
 - Insulation up 25%
 - Kitchens & Bathrooms up 35%

- ❑ Opened new New Lynn branch. Commenced construction on Riccarton, Mt Wellington and Queenstown

- ❑ Acquired Builders Hardware Company

Concrete Results

\$m	Jun 2004 12 Mths	Jun* 2003 12 Mths	% YOY Change
Revenue	518	487	+6
EBIT	94	81	+16
Margin	18.1%	16.6%	+9
Funds	410	400	+2
Return on Funds	22.9%	20.3%	+13

* Restated to transfer discontinued operations to corporate

Concrete

Golden Bay Cement

- ❑ 52% share of a 1.3 million tonne market
- ❑ Highest ever New Zealand sales
- ❑ Export sales reduced because of high New Zealand demand
- ❑ Accelerated capital plan will lift capacity to 840,000 tonnes

Concrete

Firth

- ❑ Ready mix exceeded 1 million m³ – a record
- ❑ Ready mix sales up 7% by volume
- ❑ Concrete block sales up 11% by volume
- ❑ Margins improved across the business

Concrete

Winstone Aggregates

- ❑ Plant rationalisation impacted volumes by 3% but earnings up 17%
- ❑ Average selling price increased 8.5%, partly through better mix
- ❑ Cleanfill revenues on the increase
- ❑ Auckland infrastructure spend underpins growth

Concrete

Humes

- Price leadership position impacted on market share
- Margins and earnings well up on 2003
- Working capital/sales ratio improved

Concrete

Stresscrete

- ❑ Revenues up 14%
- ❑ Internal improvements resulted in earnings up 64%
- ❑ Backlog up 30%
- ❑ Penetration in infrastructure market improving

Concrete

International

□ Fiji

- Earnings improved and outlook good on back of uplift in construction activity

□ Peru

- Positive earnings and US\$1m cash repatriated
- Further improvements expected in 2005

Construction Results

\$m	Jun 2004 12 Mths	Jun 2003 12 Mths	% YOY Change
Revenue	643	618	+4
EBIT	42	34	+24
Funds	-46	-62	+26

Construction

Commercial Building & Engineering

- ❑ Earnings up 8%
- ❑ Auckland Hospital and Grafton Gully completed
- ❑ Spaghetti Junction (JV) and Ferguson Wharf commenced
- ❑ Backlog now \$600 million – all time high

Construction

Residential

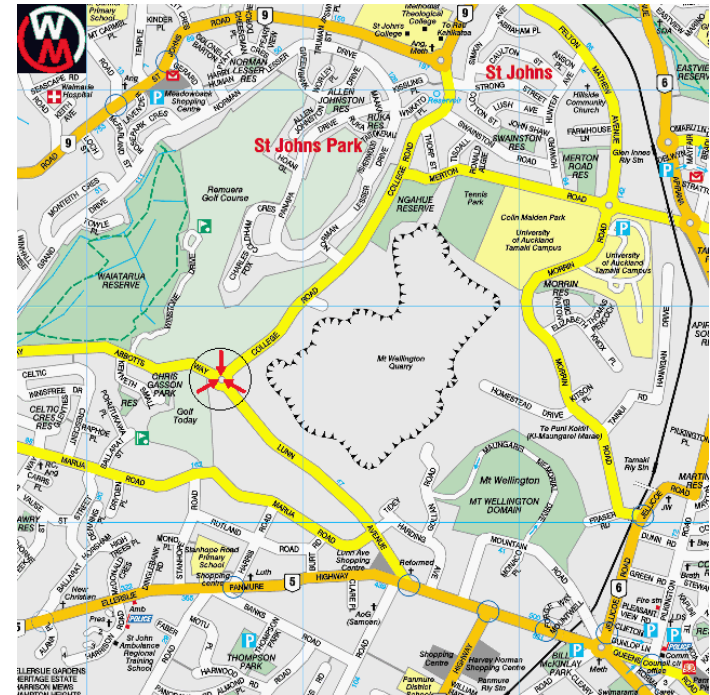
- ❑ Record earnings up 54%
- ❑ Future land holdings a key

Auckland

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

Queenstown

- Jacks Point – sections purchased



Laminates & Panels Results

\$m	Jun 2004 12 Mths	Jun* 2003	% YOY Change
Revenue	994	659	+51
EBIT	95	54	+76
Margin	9.6%	8.2%	+17
Funds	789	862	-8
Return on Funds	12%	10.1%**	+19

* Laminex Acquired on 13 November 2002 and now restated to include FWP & SPH

** Estimated return based on full 12 months of Laminex

Laminates & Panels

- ❑ Performance exceeded expectations for first full year
- ❑ All domestic sectors were buoyant
- ❑ Export earnings impacted by lift in currencies vs US\$
- ❑ FWP and SPH successfully integrated

Laminates & Panels

- ❑ Formica and Formex brands consolidated
- ❑ Warehouse consolidation in Sydney and Adelaide, with Brisbane underway
- ❑ Western Australian JV's performed well

Profit After Tax

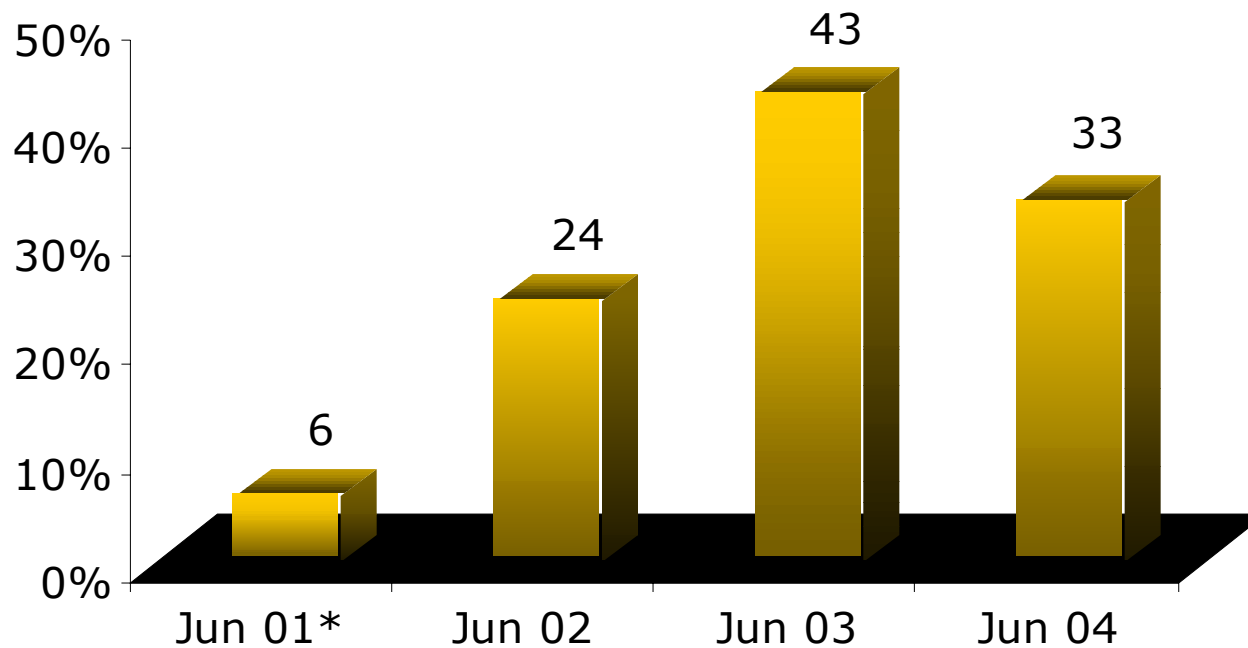
\$m	Jun 2004 12 Mths	Dec 2003 6 Mths	Jun 2003 12 Mths
EBIT	460	216	331
Interest	-75	-36	-59
Tax	-124	-58	-85
Minority Interests	-21	-11	-19
Profit After Tax	240	111	168

Simplified Balance Sheet

	Jun 2004 NZ\$m	Jun 2003 NZ\$m
Assets		
Current Assets	1022	919
Fixed Assets	1023	972
Intangibles & Goodwill	342	195
Provision for Deferred Taxation	86	104
Investments	159	155
	<hr/>	
Total Fletcher Building Assets	2632	2345
Liabilities		
Current Liabilities	666	627
Net Debt	448	502
Capital Notes	400	356
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Total Fletcher Building Liabilities	1514	1485
Equity		
Equity & Minority Interests	1118	860
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Total Fletcher Building Liabilities and Equity	2632	2345

Key Ratios

Total Shareholder Return (TSR)**

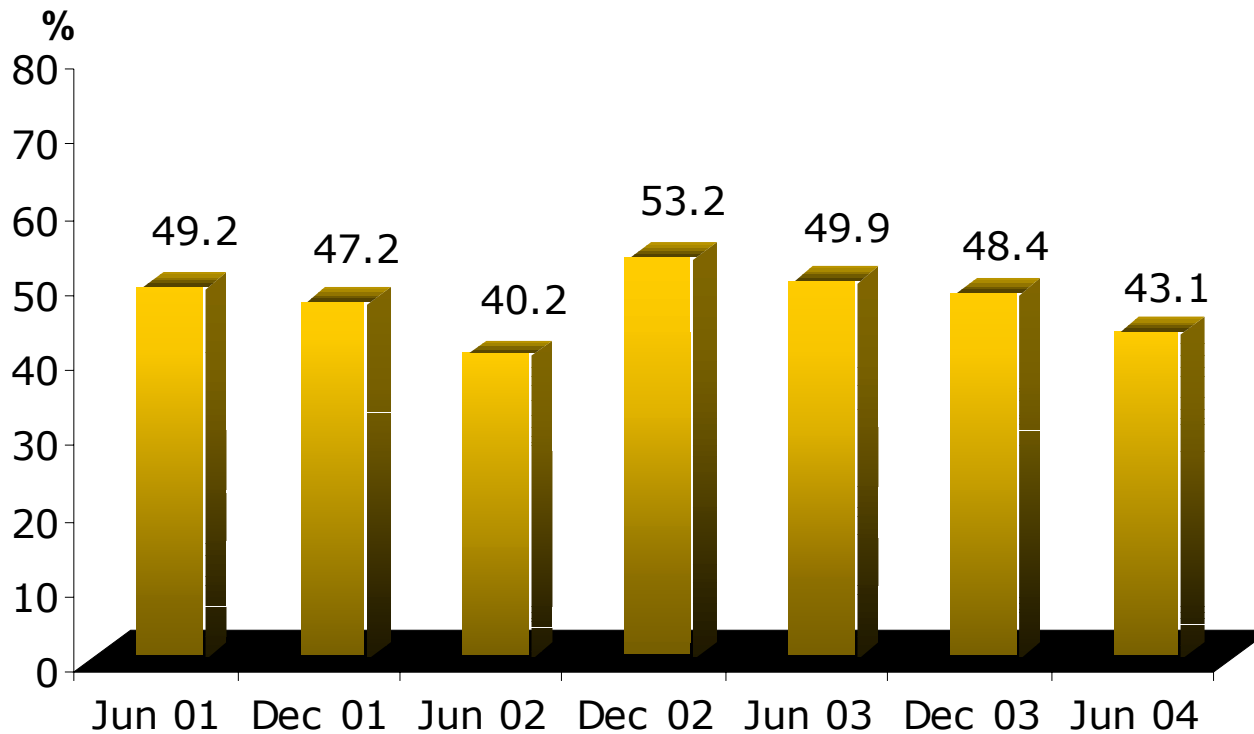


* June 01 is the return for the 3 months from separation date

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

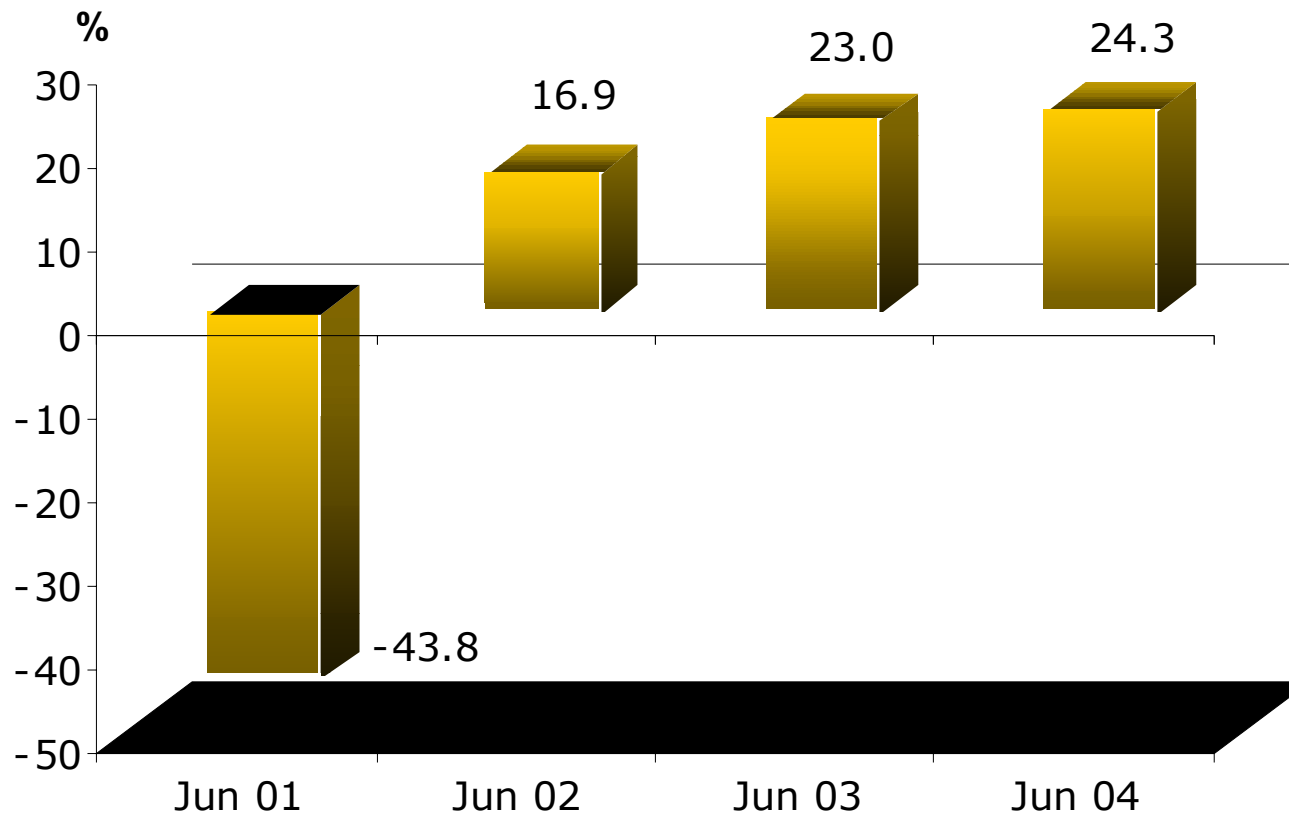
Key Ratios

Debt/Debt Plus Equity



Key Ratios

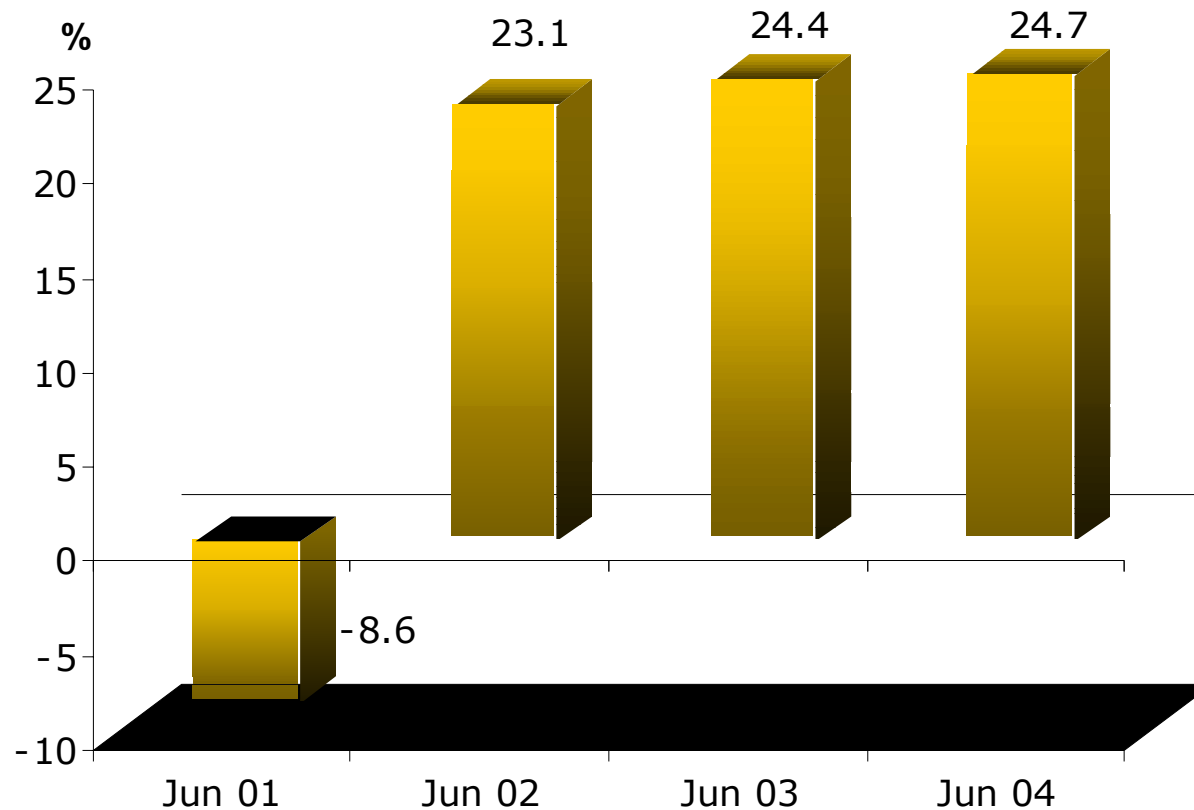
Return on Average Equity*



* Net earnings after capital notes interest/shareholders funds

Key Ratios

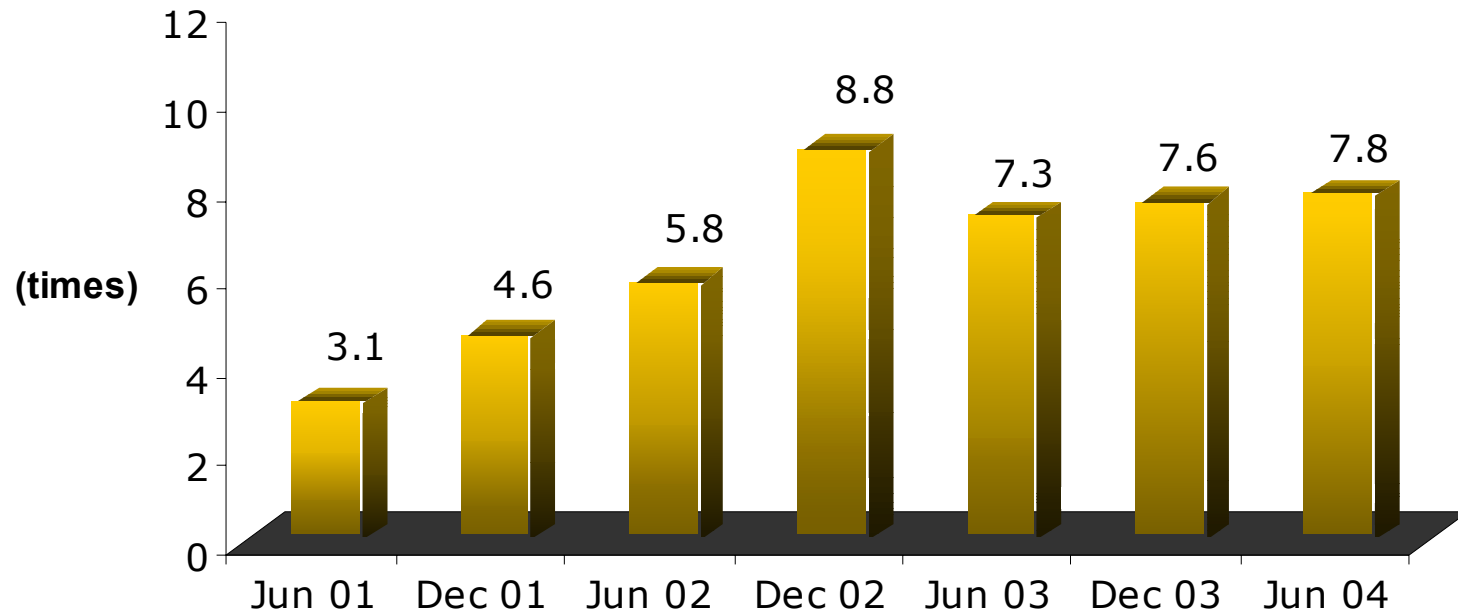
Return on Average Funds*



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

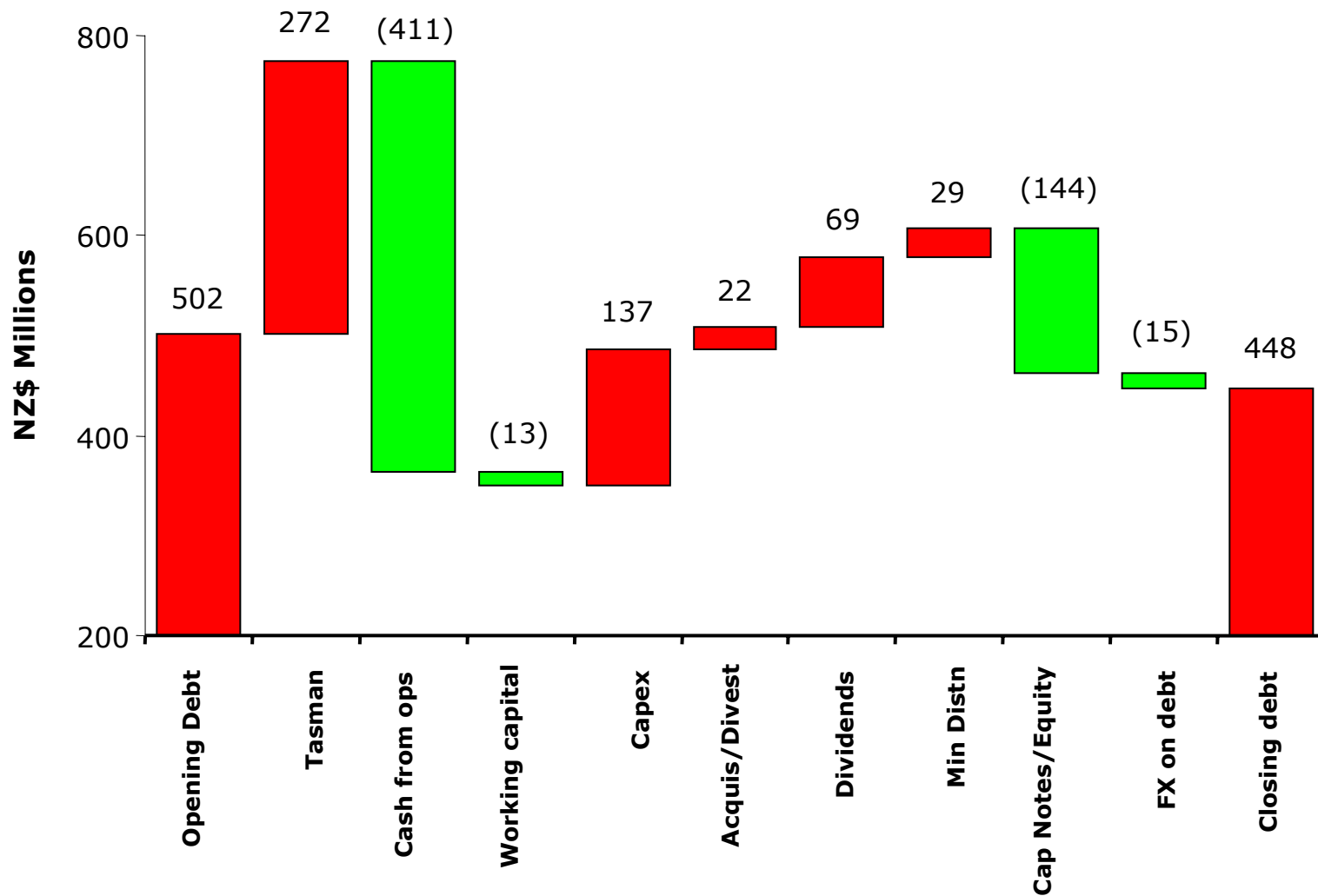
Key Ratios

Interest Cover*



* EBITDA pre unusualls/interest paid including capital note interest

Net Term Debt Movement





FletcherBuilding

**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
- ❑ Indicators that will influence total work put in place
 - GBC estimates of projects over 1000 ton cement
 - Fletcher Construction estimates of construction jobs over \$25 million
 - House occupancy rate
 - Average house size
- ❑ Infometrics estimates of Total Market

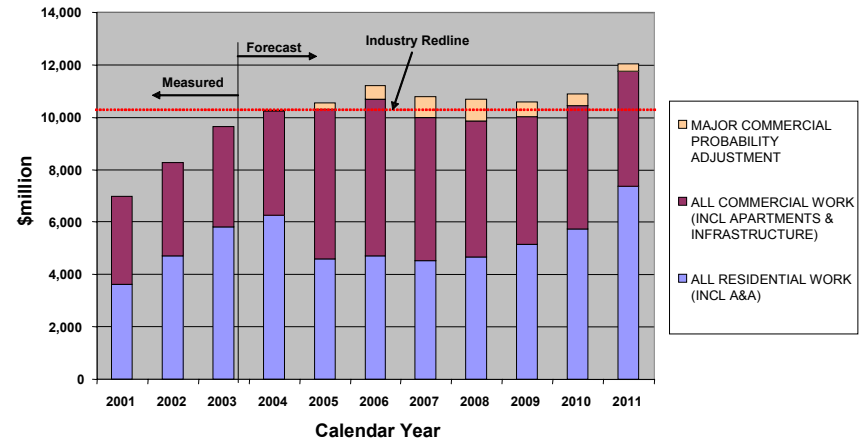
Earnings Reliability

Infrastructural projects will deliver growth..

GBC Major Project Analysis F03	
Project	Est Cement
Britomart	10,000
Auckland University	7,000
Grafton Gully	4,000
Northlands Mall (Chch)	2,500
Huntly Power Station	2,500
Route PJK	2,500
Northland Prison	2,000
Fraser Cove	1,500
Whitianga Waterways	1,500
Gate Pa Mall	1,500
Queensgate Mall	1,500
Hamilton Innovation Park	1,500
Sky City Convention C	1,000
Waitakere Hospital	1,000
Devonport Apartments	1,000
TOTAL TOP 15	41,000

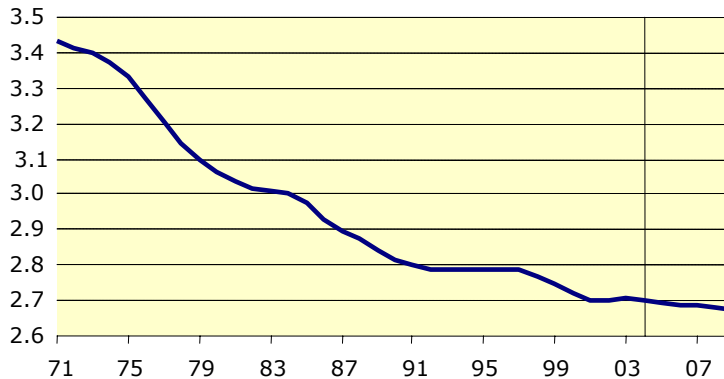
What's On - Major Projects			
Project	Timing	Est Cement	
Fergusson Wharf	2005-07	60,000	
Auckland Roothing Network	2004/07	20,000	
Pohokura Gas Field	2005/06	15,000	
CMJ	2005-06	12,000	
AIAL Runway/H'stand	2004-05	12,000	
Manawatu Wind Farm	2004-05	10,000	
Marsden Refinery Upgrade	2004/05	8,000	
Hewletts Rd - Fly-over	2005	4,000	
Nth Shore Sewerage Pipeline	2005-06	3,000	
Wgtn Inner City Bypass	2004-05	2,000	
Waikato/Wgtn Hospitals	2005/07	18,000	
Auckland Uni/AUT R Block	2005-06	16,000	
Highbrook Park East Tamaki	2004-05	4,000	
Hamilton Innovation Park	2004-05	3,000	
TOTAL TOP 15:		187,000	

Building Consents Measured, WIP Forecast



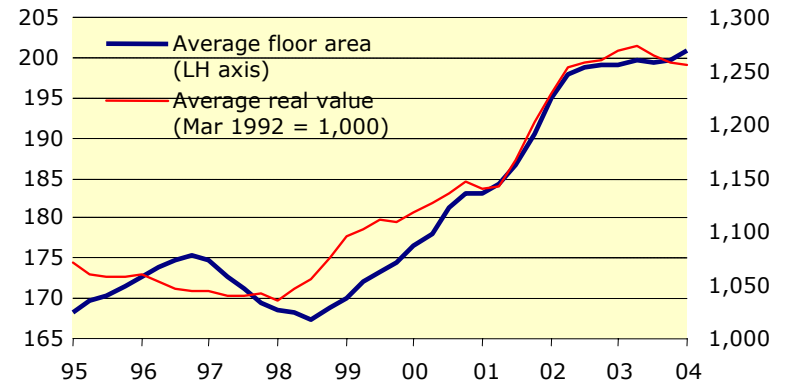
Occupancy rate

Number of people per occupied dwelling



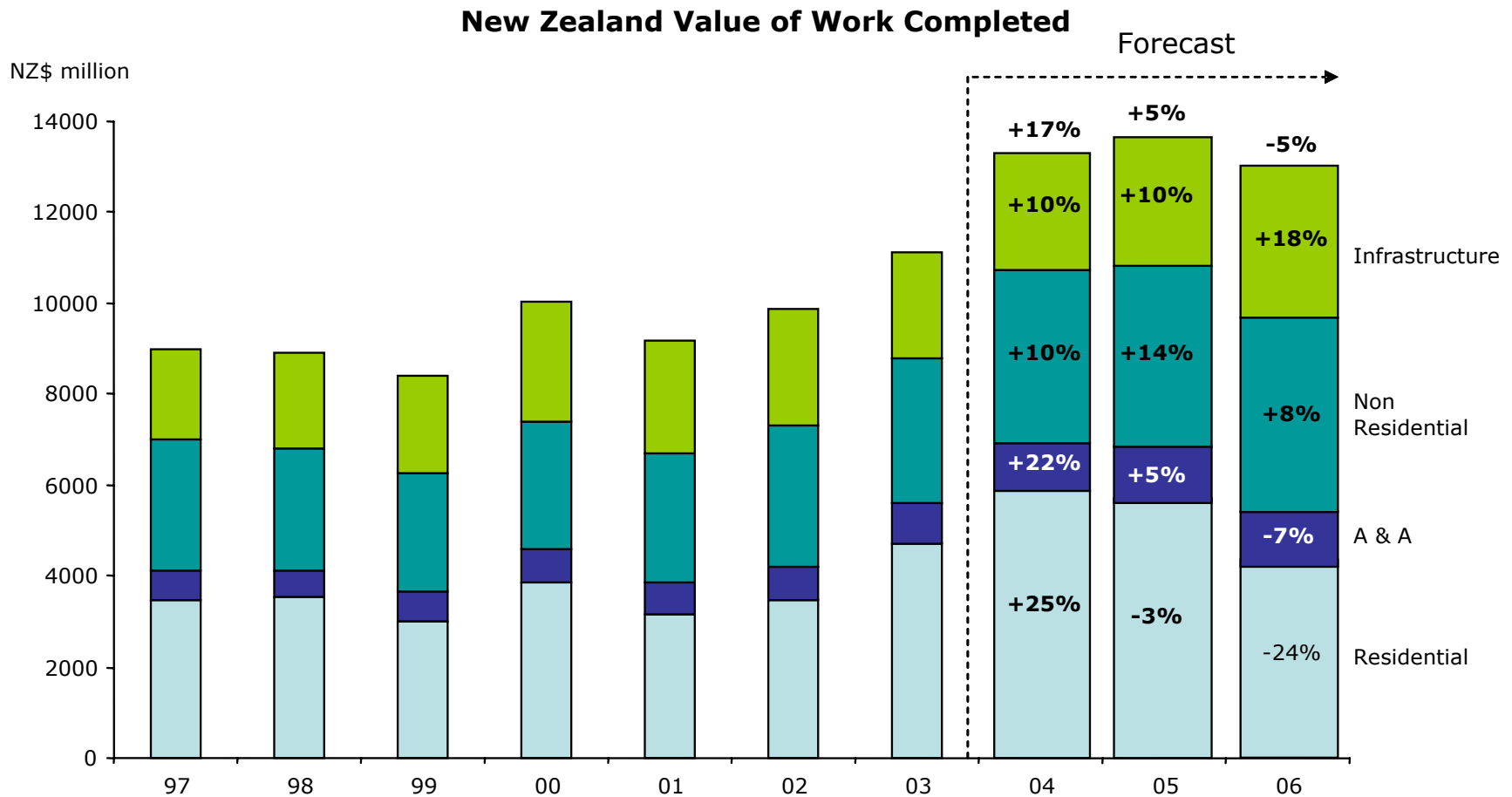
Bigger dwellings, more work

Non-apartment dwellings, year ended avgs



Earnings Reliability

Total Construction Work (NZ)

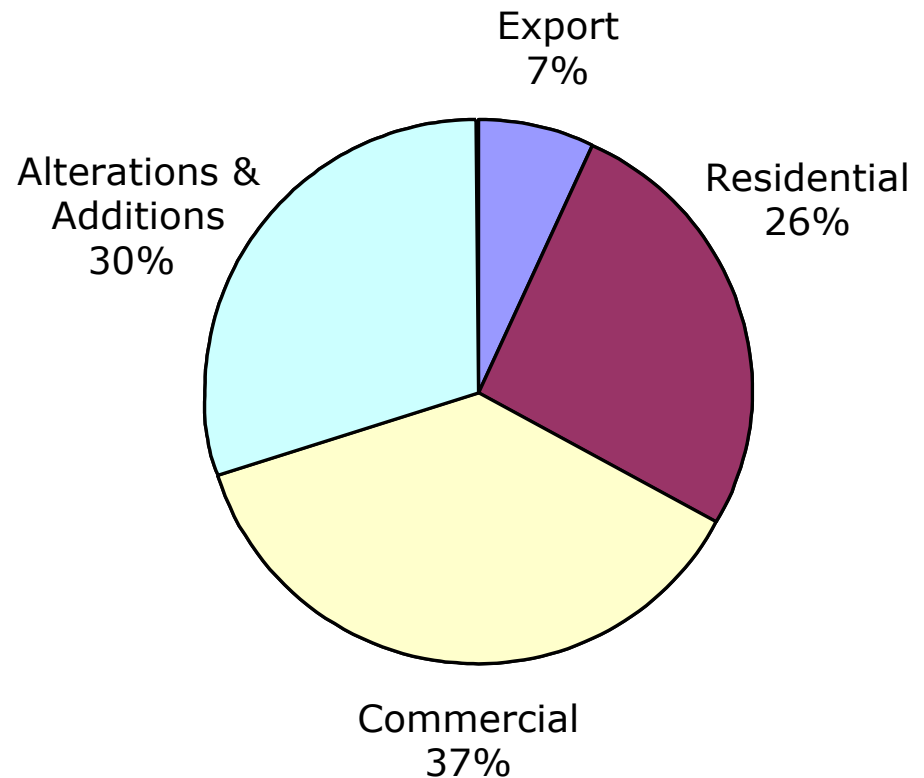


Source: Infometrics

Earnings Reliability

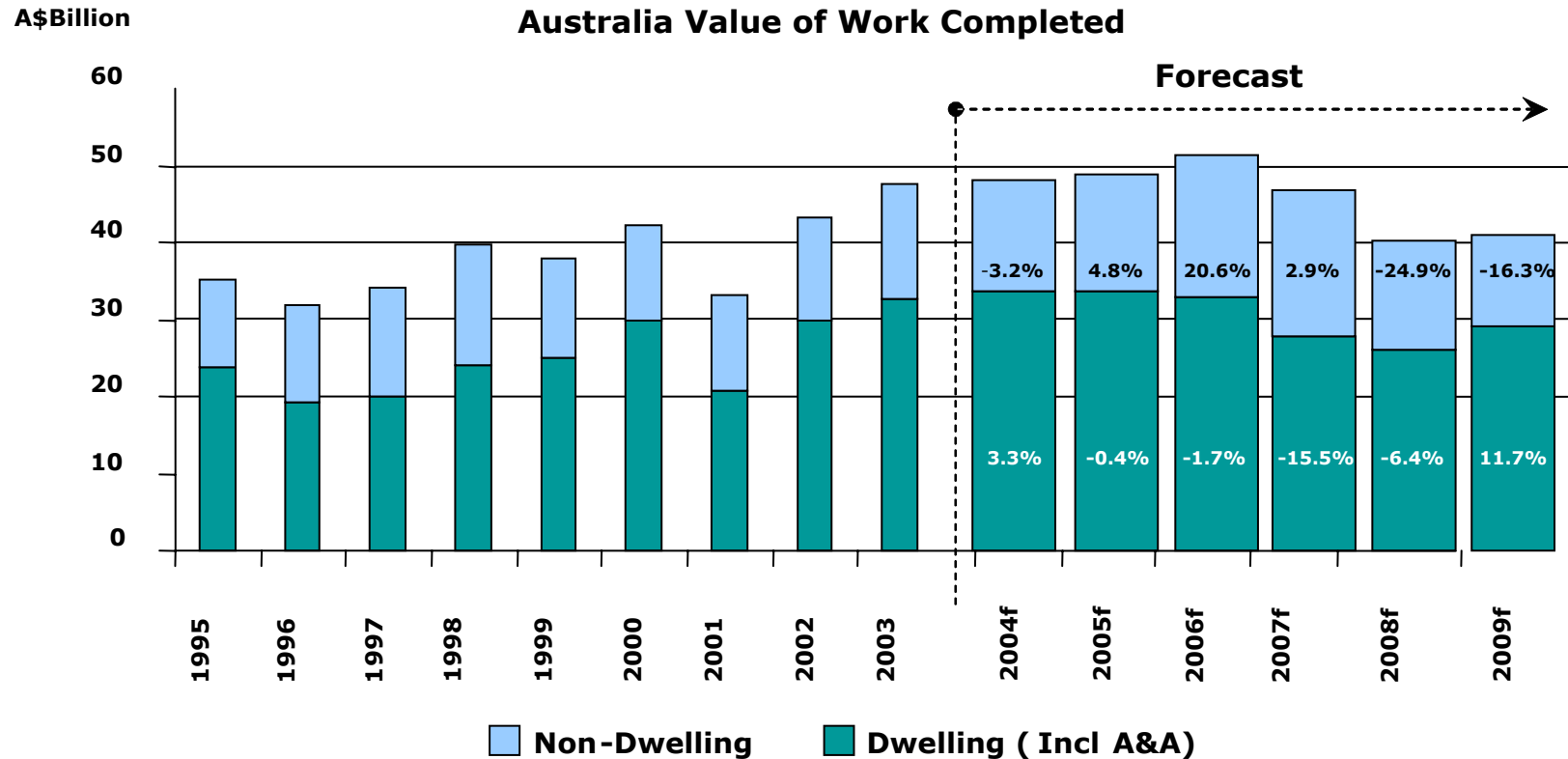
Sales by Market Segment – Australia 2003/04

- Australian cycle
 - Low new residential bias
 - A&A
 - Commercial



Earnings Reliability

Total Construction Work (Aus)



Source: BIS Shrapnel Building Australia July 2004

Internal Growth Opportunities

Expect to invest up to \$100 million more than depreciation in 04/05

- ❑ **Building Products**
 - AHI Roofing expansion
 - Insulation expansion

- ❑ **Concrete**
 - Golden Bay expansion
 - Whitehall quarry

Internal Growth Opportunities

❑ **Construction**

- Auckland land
- Queenstown land

❑ **Laminates & Panels**

- Resin Joint Venture
- Asian distribution

Internal Growth Opportunities

□ Distribution

The following new stores are under construction

- Riccarton (due to open Oct 04)
- Mt Wellington (due to open Nov 04)
- Queenstown (due to open Dec 04)

With eight others to be upgraded

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

Outlook

- ❑ NZ and Australia residential markets will soften this year, but off record high levels
- ❑ We expect A&A to strengthen
- ❑ Non-residential outlook is strong for next two to three years in New Zealand
- ❑ Infrastructure spend will also be strong for at least the next three years
- ❑ On balance – we expect a similar result to this next year



FletcherBuilding