



Infrastructure

Investor Presentation

October 2009

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Disclaimer

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 August 2009 full year results announcement, 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.



Agenda

- Division result
- Business unit overviews
- Key drivers for FY10 and beyond
- Key strategic issues



Infrastructure result

NZ\$m	June 2009 12 months	June 2008 12 months	%r
Sales	2,052	1,857	+11
EBITDA			
•Concrete NZ	125	174	-28
•Concrete Aust.	78	72	+8
•Construction	52	50	+4
•Property	18	80	-78
Total EBITDA	273	376	-27
EBIT	203	308	-34
Funds Employed	1,042	1,027	+1
EBITDA/sales %	13.0	20.0	
EBIT/sales %	10.0	17.0	
ROFE %	19.5	30.0	

- **NZ Concrete**
 - Volume declines in cement, aggregates, ready-mix, masonry and concrete pipe
 - Reflects weaker residential & commercial construction markets, partly offset by infrastructure activity
- **Australia concrete**
 - Good volume growth in quarry volumes and non-pipe concrete products
- **Construction**
 - Strong growth in infrastructure
 - Commercial activity weaker
 - Backlog strong





Eden Park Redevelopment



Manukau Harbour Crossing



Mary St Apartments, PNG

What are we?

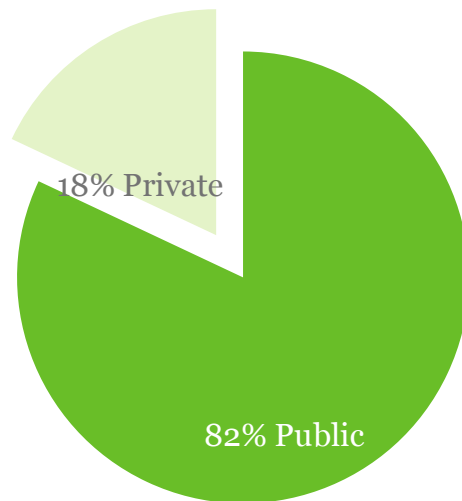
- New Zealand and the South Pacific's largest commercial and engineering contractor
- Turnover of \$NZ1 billion p.a.
- 1,723 New Zealand Employees
- 1,087 South Pacific Employees

New Zealand and South Pacific – Construction

(NZ \$M)	Backlog (as at 30 August 2009)
Building	593
Engineering	470
South Pacific	110
Total	\$1,173

New Zealand and South Pacific – Construction

Fletcher Construction Backlog 2009/2010

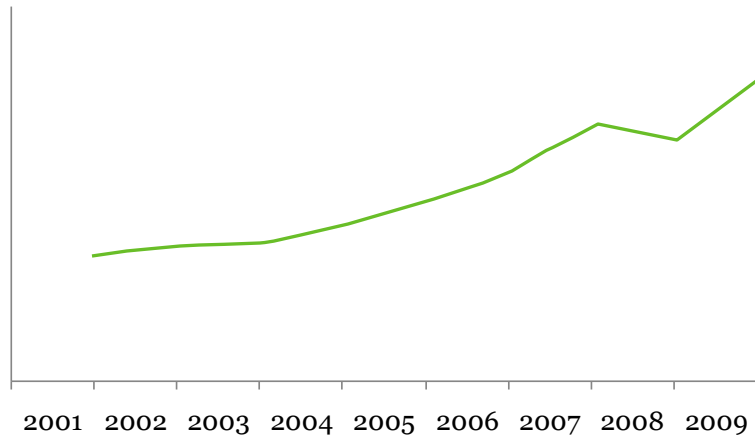


- Dominance of public sector work
 - Long lead times
- Private sector muted
 - Financing an issue
 - Mezzanine funding disappeared
 - Development market dead
- Margin pressure growing
 - Building
 - Competitors around 0-3% margin
 - Engineering
 - Market very tight: low bids

Source : *Fletcher Construction*

Construction – Outlook

Fletcher Construction Turnover (\$m)

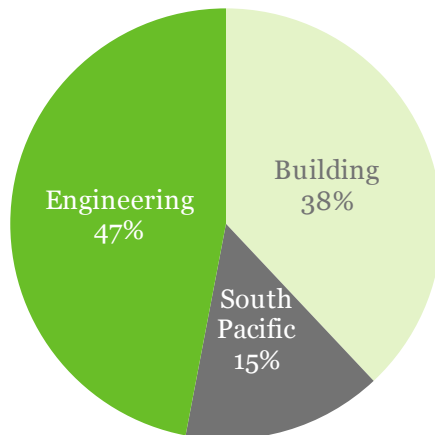


Last in, last out of the cycle

FY 2010 turnover is forecast to be down overall

- Building down
- Engineering down, due to timing of projects
- South Pacific up

Fletcher Construction margin segments



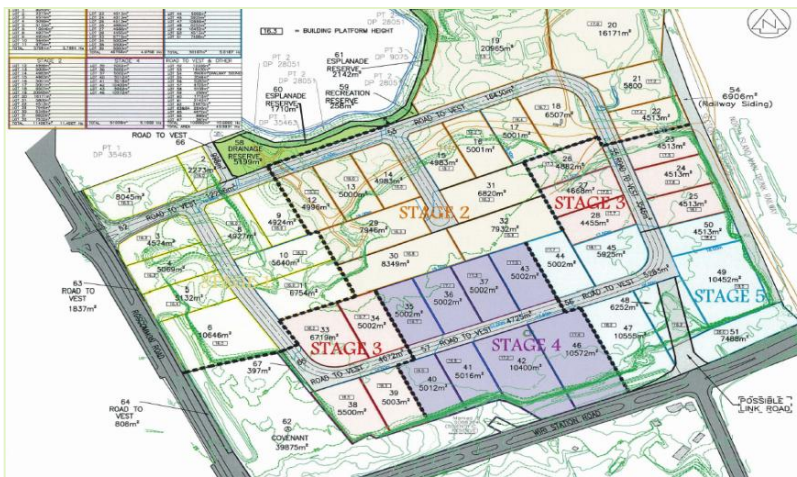
Margin percentages will remain steady for FY2010 but pressure on future years

Source : Fletcher Construction



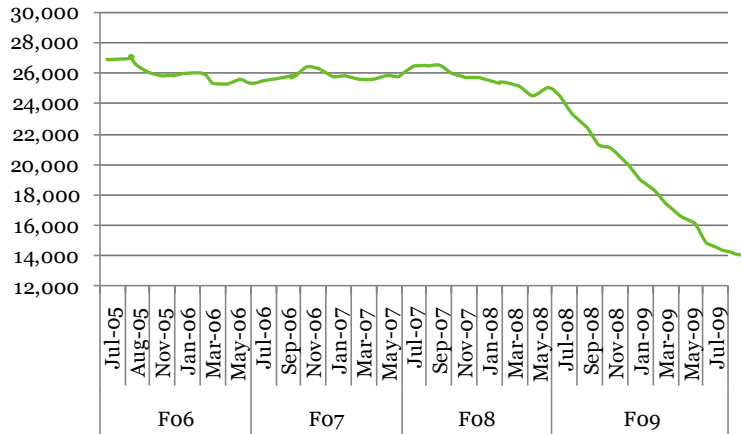
What are we?

- New Zealand's largest home builder
 - In the house building industry for 100 years
 - Auckland centric
 - Position in Queenstown
- Housing turnover in FY09 \$149m
- A buyer of bulk subdivided lots at wholesale prices.
- A holder and developer/seller of exhausted quarry land



New Zealand housing and property

Rolling 12 month residential permits



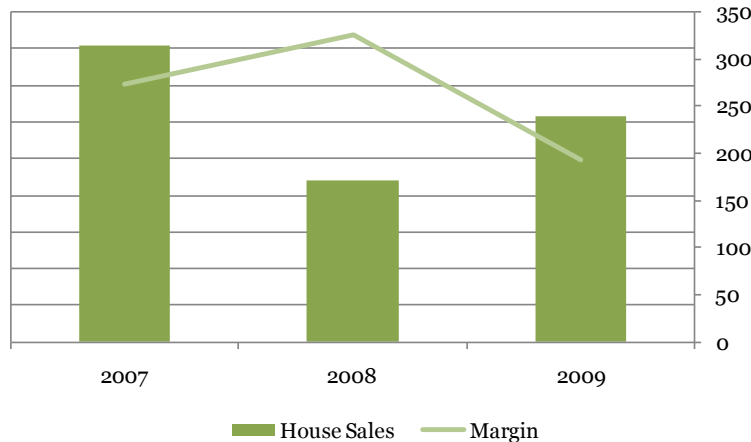
- Slowdown in new house sales from Oct 07 to June 08 lead to a reduction in new house builds

- Margins declined as housing market softened but have stabilised

- Overhead reduction programme-headcount reduced by 27%

- Market improvement since Feb 2009

Fletcher Residential sales and average margin per house



- Effect of pick up in new house building will flow through to FY11



New Zealand housing and property



- Have the land stock to meet a growing market:

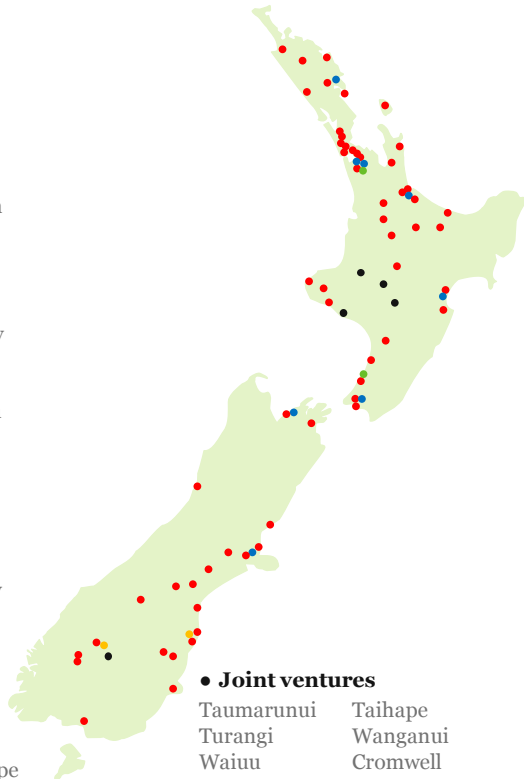
Stonefields	420 Villa sites 258 Terrace sites
East Auckland	208 House sites
Other Auckland	52 House sites
Karaka	99 House sites
Jacks Point	189 House sites

- These include purchased or optioned lots over the next two years
- Quarry end-use sales will be slow in FY10

Nationwide locations

• Certified Plants

Kaitiaki	Taupo
Puketona	Awatoto
Junction	Hastings
Russell	New
Whangarei	Plymouth
Dargaville	Stratford
Marsden	Hawera
Point	Palmerston
Silverdale	North
Albany	Otaki
Henderson	Kapiti
Hamer Street	Belmont
East Tamaki	Aotea Quay
Leonard	Nelson
Road	Blenheim
Waiheke	Greymouth
Island	Stockton
Pukekohe	Hamner
Takanini	Springs
Auckland	Amberly
Airport	Darfield
Thames	Hornby
Whitianga	Canterbury
Whangamata	Concrete
Waihi	Ashburton
Katikati	Geraldine
Mt	Fairlie
Maunganui	Timaru
Bridge	Twizel
Mt	Hilderthorpe
Maunganui	Oamaru
Te Puke	McRaes Mine
Whakatane	Palmerston
Te Awamutu	Dunedin
Te Rapa	Queenstown
Rotorua	Wanaka
Kawerau	Invercargill
Tokoroa	



• Joint ventures

Taumarunui	Taihape
Turangi	Wanganui
Waiuu	Cromwell

• Masonry plants

Whangarei	Napier
Drury	Belmont
East Tamaki	Nelson
Mt Maunganui	Christchurch

• Oamaru Shingle supplies

Hildethorpe	Parkburn Cromwell
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• Dricon Plants

Tuakau	Waikanae
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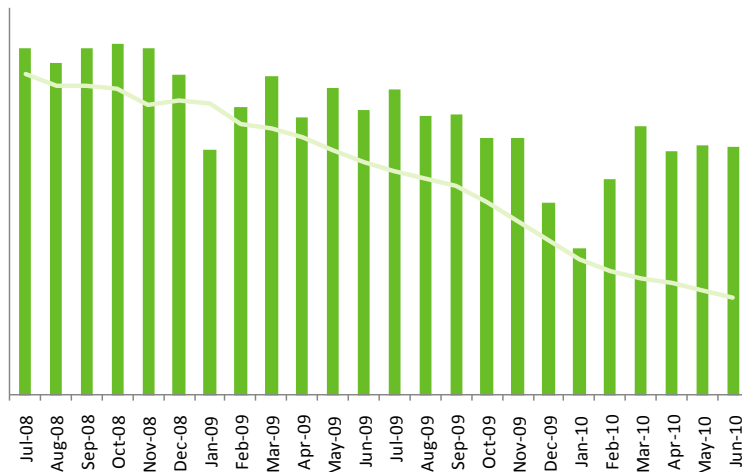
What are we?

- New Zealand's largest ready mix producer
 - 61 plants (including 6 unmanned)
 - 30%+ market share
 - 6 Joint Venture plants (all 50% share except one at 32.5%)
- New Zealand's largest masonry manufacturer with 8 plants

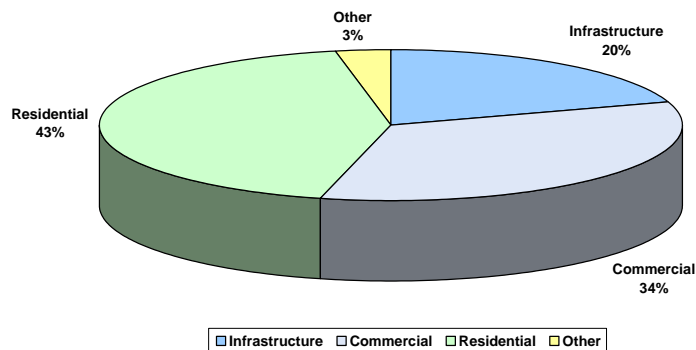


New Zealand Concrete - Readymix

Certified volumes and MAV



Firth certified volumes (F09)



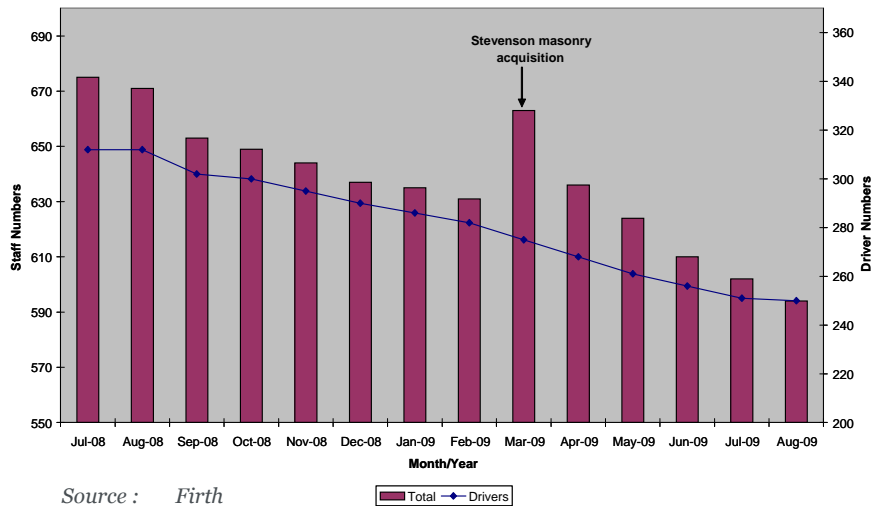
- Volumes the issue
.... its not share
- Infrastructure work has been very important in key Auckland market
- Significant cost reduction programme in F09
 - Head count down 80
 - Two plants closed
 - 68 trucks taken off road
 - 19% of fleet at January 2008
 - More wholesaling arrangements contemplated
- Prices stronger than anticipated but pressure mounting

Source : Firth



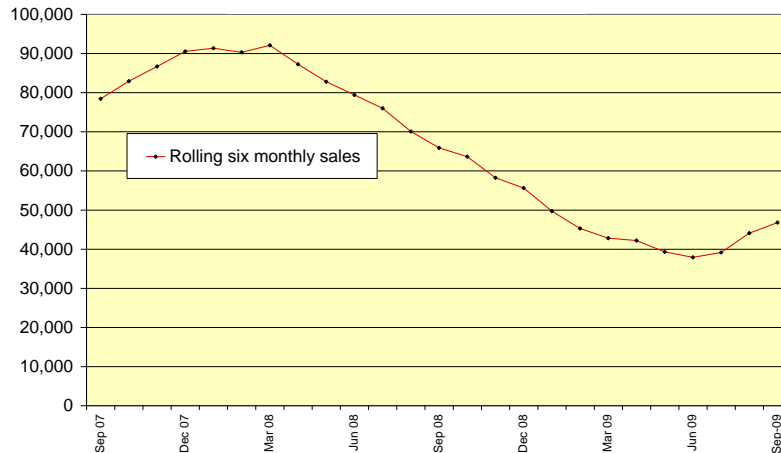
New Zealand Concrete - Masonry

Firth staff numbers F09-F10 year



Source : Firth

Rolling six month sales



Waffle Pod Sales

Source : Industry sources

- Masonry total volumes budget up 5% on F09 (Stevenson's effect)
 - Underlying market share including JV's and Stevensons 80%
- Masonry cost per tonne down 9% with rationalisation
- Upside risk for FY10 volumes - only if residential rebounds
- Downside risk to FY10 is pricing



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Otaki Quarry
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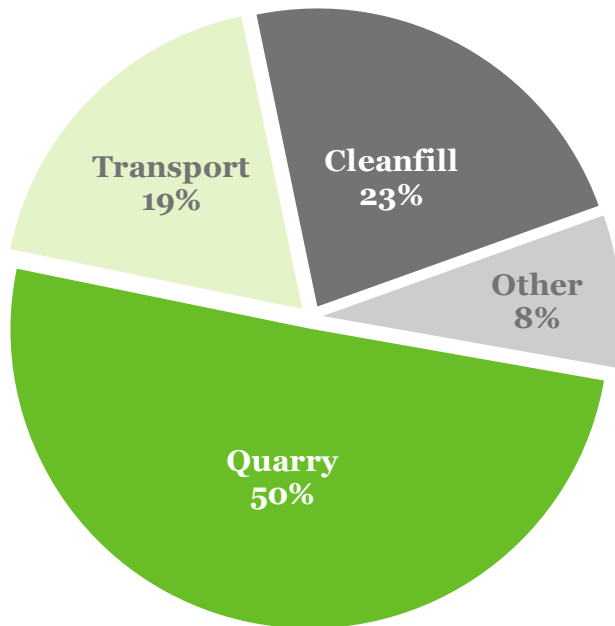
Disclaimer: Buyers and users of Winstone Aggregates must make their own assessment of the products for their own conditions. All queries regarding product specifications, purpose or application should be directed to a Winstone Aggregates Retailing Account Manager.

www.winstoneaggregates.co.nz

- NZ's largest quarry operator
 - 19 hardrock operations (incl JV)
 - Four sand operations
 - Four cleanfill sites
 - One recycling operation
 - 25% market share North Island
- New Zealand largest licensed cleanfill operator
- A bulk transport operator with 58 units in service including 12 bulk cement tankers leveraging off group company needs



FY09 EBIT Breakdown

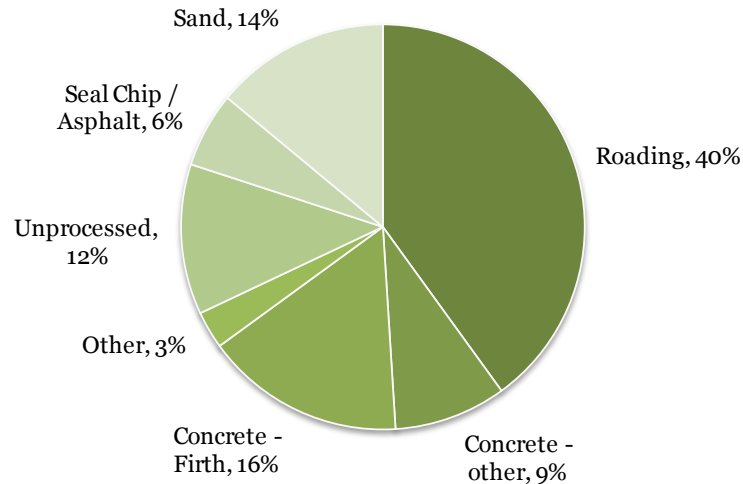


Source : Winstone Aggregates

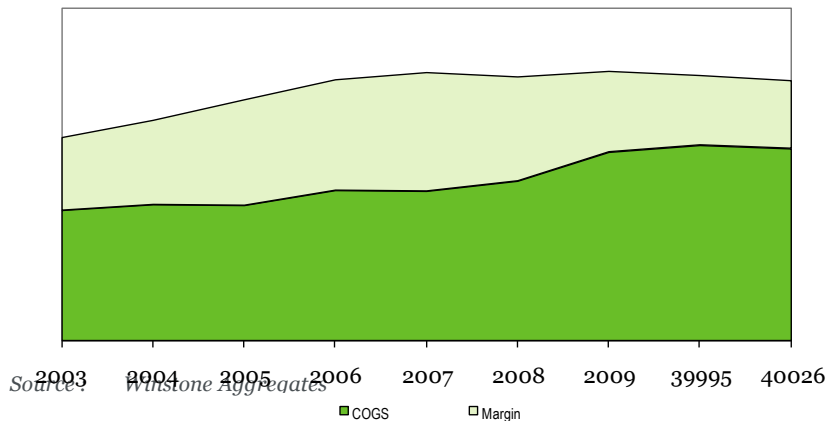
- FY09 volumes 17% off the top of the cycle
- First half FY 2010 will be lower than first half FY 2009
- Cleanfill and transport diversification delivering ahead of budget.
- Average selling price under pressure
- Major cost reduction programme through FY09 including:
 - Reduction in headcount by 71 (21%)
 - 31% reduction in machine hrs
 - 15 bulk trucks returned
 - Plant efficiency gains at Hunua reducing to 1 shift



FY 09 Quarry Sales breakdown



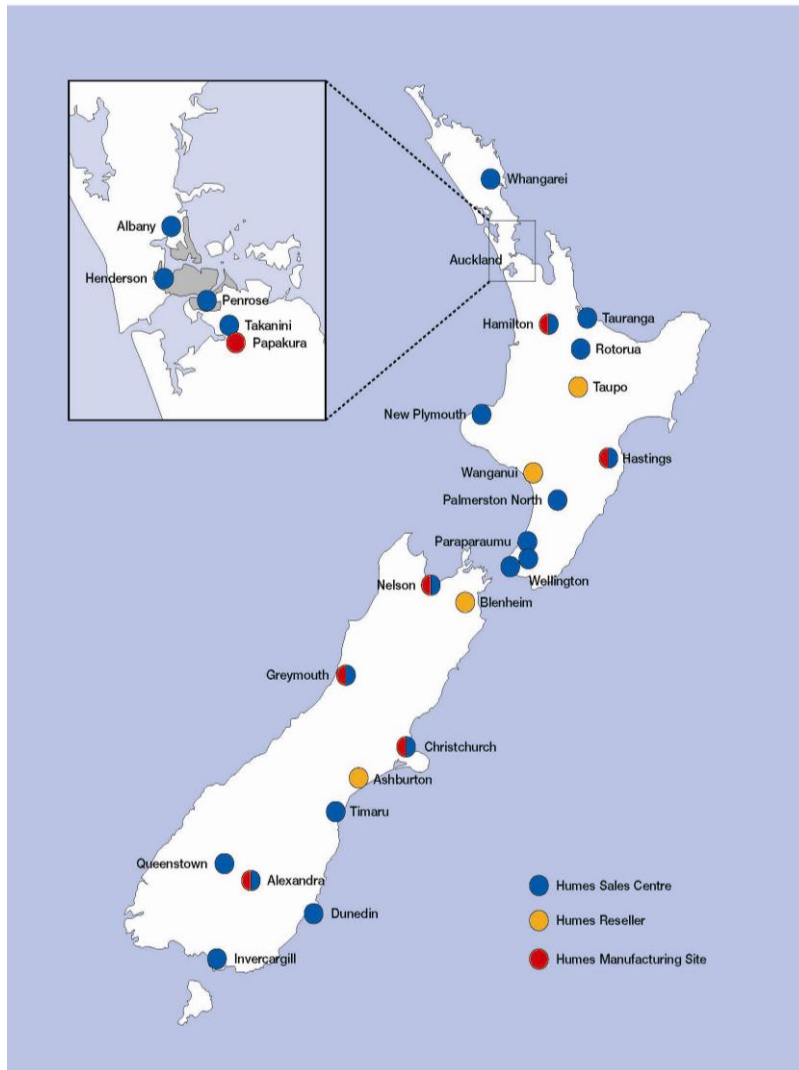
Margin analysis



- High fixed cost business with high operational leverage to upside
 - Residential subdivision
 - Local and National infrastructure
 - e.g. Hunua Quarry has 25% latent production capacity under current operating model

- Cost reduction initiatives not enough to offset negative impact of price or volume declines on margins in FY10

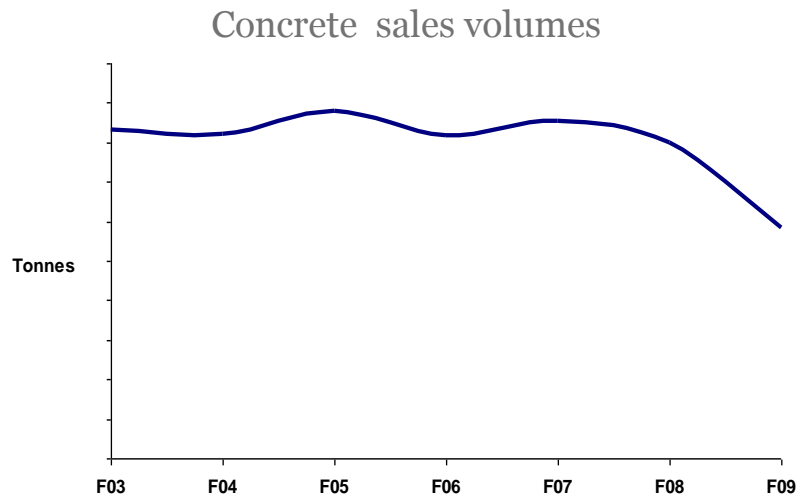




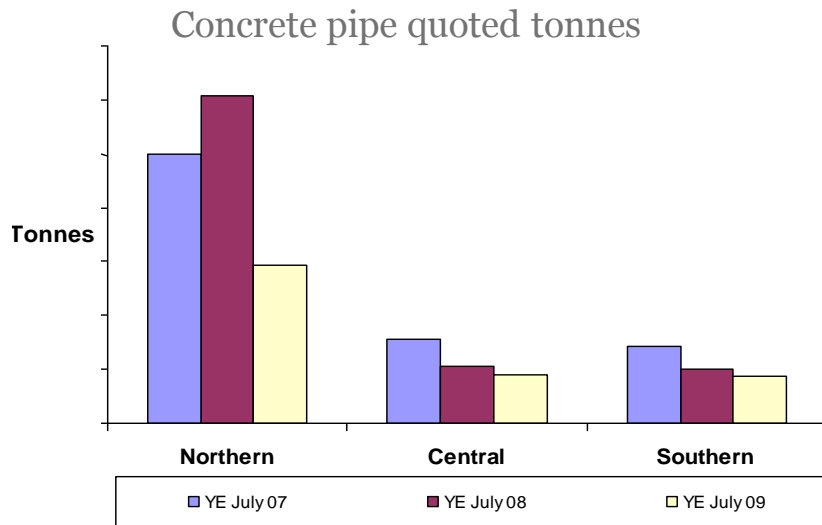
Who are we ?

- NZ's largest pipeline systems company
 - 22 sales centres
- NZ's largest concrete pipe manufacturer
 - Four pipe manufacturing plants
 - First in world for thin wall RCP
 - New vibration technology plant at Papakura
- A large concrete product manufacturer
 - 7 precast manufacturing plants
 - rural product
 - rail sleepers
 - box culverts
 - access pits
- Large plastic pipe distributor with a small plastic pipe manufacturing plant (JV)
- NZ's leading supplier of roading envelope hardware including safety & lighting

NZ Concrete Pipe & Precast



Source : Humes & Pipeline Systems



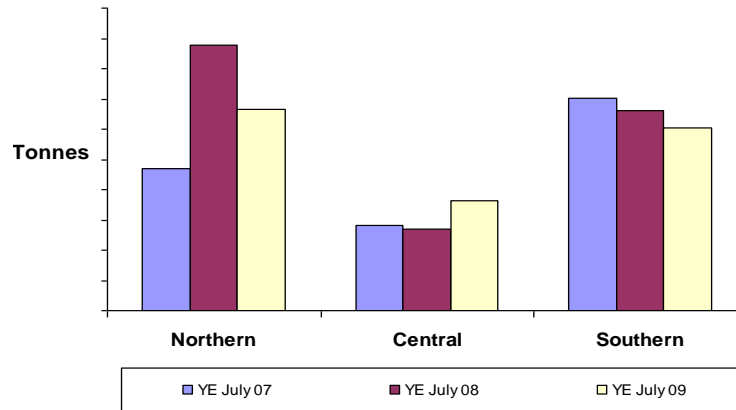
Source : Humes & Pipeline Systems

- FY09 saw dramatic decline in pipe market and sales volumes
 - assessed market share in FY09 is 54%
- Precast volumes did not decline at the same rate
 - in a growth phase
- Pricing steady but larger contracts are finely priced



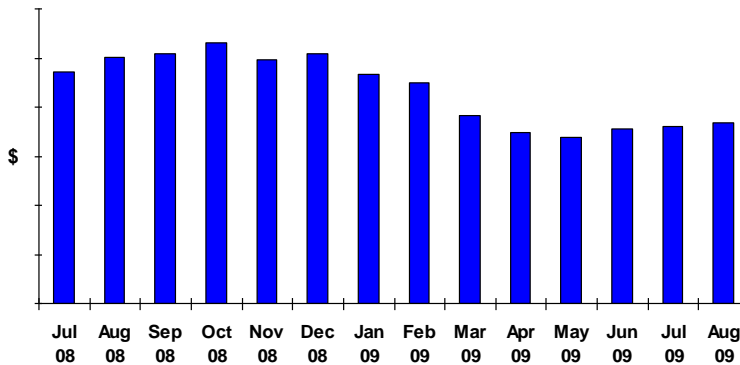
NZ Concrete Pipe & Precast

Concrete precast quoted tonnes



Source : Humes & Pipeline Systems

Total all products open sales orders



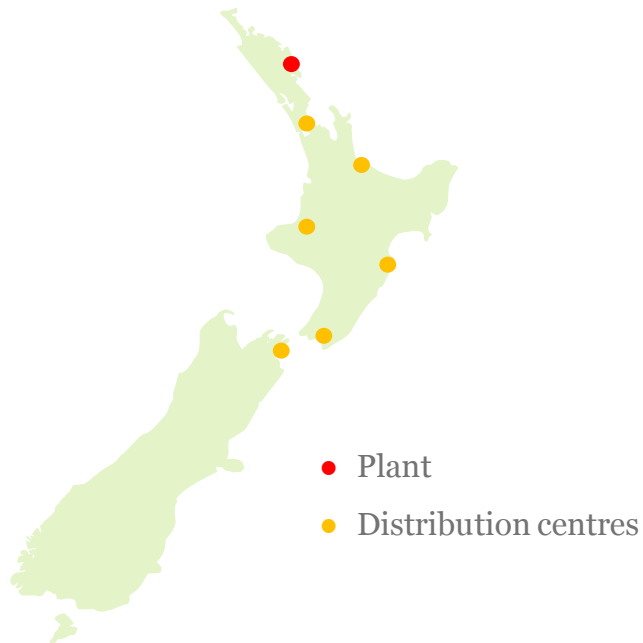
Source : Humes & Pipeline Systems

- New pipe plant commissioned at Papakura
 - 300% increase in capacity (900mm – 2400mm)
 - Pipe size up to 3600mm from 2550mm
 - High manufacturing flexibility
 - In process lining & longer pipes (2.44m – 3.0m) = fewer joints
 - Significant environmental improvement
- All products order backlog at September 07 levels
 - Early signs of improvement in residential subdivisions



CSP Pacific leading supplier of roading envelope hardware including safety & lighting



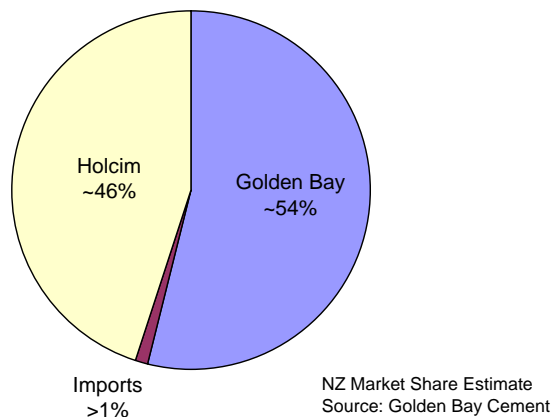


What are we ?

- NZ's largest cement manufacturer
- 940,000 tonne plant
- Best located plant
- \$105m upgrade completed 2005
- Next 5 years plant capex maintenance only
- Key distribution centre in Auckland to be commissioned Feb 2010

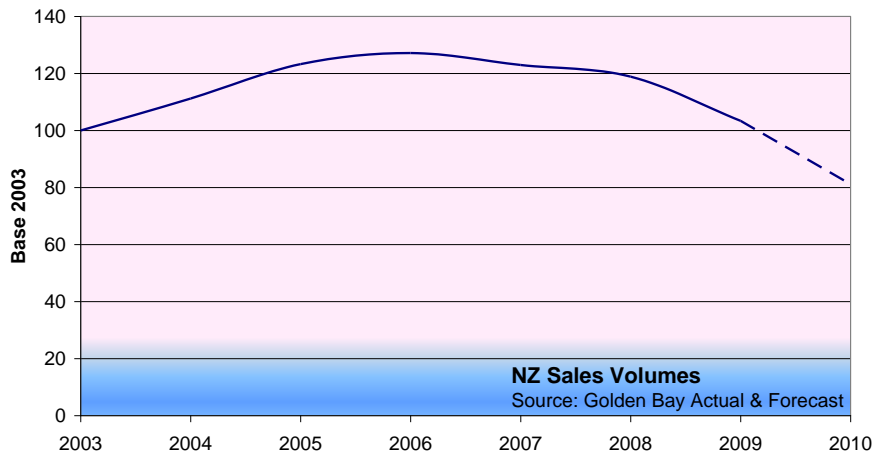


New Zealand Market Share estimate



Source : Golden Bay Cement

New Zealand sales volumes



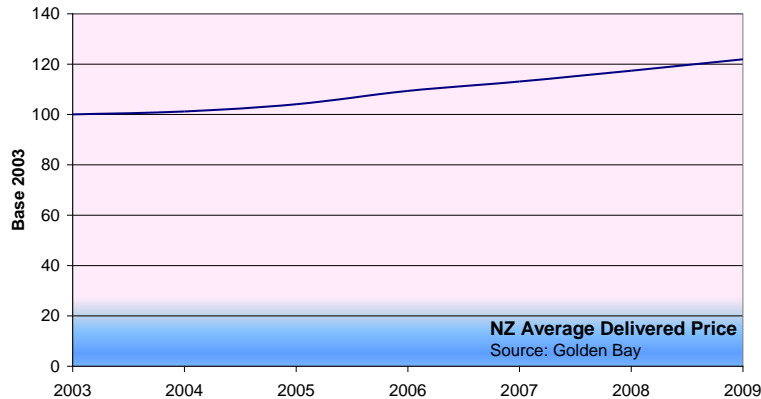
Source : Golden Bay Actual and Forecast

Market Position

- NZ Sales for FY09 down 14% pa and FY10 budget is for a further 18% decline. (YTD marginally better than budget so far)
- Share position strong
- Export sales growing with expected 40% increase over FY09
- Extent of contribution from exports under pressure from NZ\$

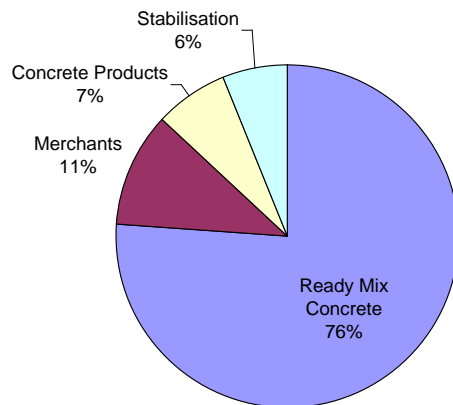


New Zealand Average delivered price



Source : Golden Bay

New Zealand sales analysis FY09



NZ Sales Analysis FY09
Source: Golden Bay

Source : Golden Bay

Competitive Environment

- Imports – the stars are in alignment
 - High NZD
 - Low international freight rates
 - Low cement cost
- Difficult to recover cost increases in current environment
- Key competitor approaching decision time on plant replacement
 - Decision has impact on competitive environment in medium term
- High leverage to an increase in volumes
 - Production can increase from current production levels by 35% without further personnel or capital requirement





Emissions Trading Scheme

- ETS financial impact to be minor initially
- Applicable from 1 July 2010
- Free emissions units calculated using an intensity based formula
- Overall effect not expected to be material. Ongoing emission reductions programmes are likely to offset marginal cost increases

Australia: Concrete pipe and products

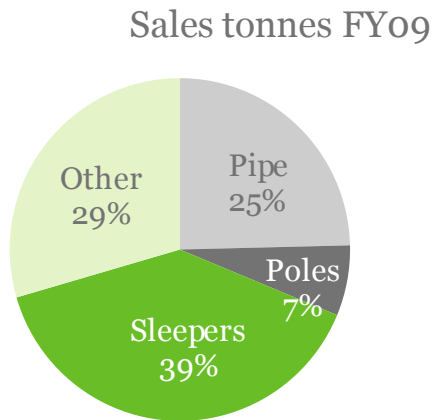


What are we?

- Turnover of A\$250m pa
- One of the two largest concrete pipe manufacturers
- Estimated market share 35%
- Largest concrete poles manufacturer
- One of two largest railway sleeper manufacturers
- 14 manufacturing facilities
- 700+ people employed

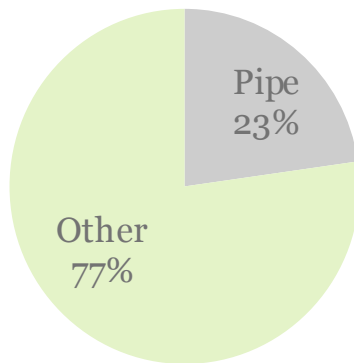


Australia: Concrete pipe and products



Source : Rocla Pipeline products

Margin contribution FY09



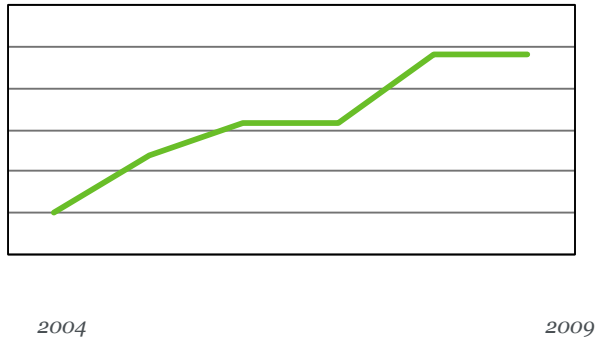
Source: Rocla Pipeline Products

- Pipe volumes fell 30% in FY 09
- Forecast further pipe volume decline in FY10 (15%)
 - QLD a heavy influence
- Pipe contribution to GM has been falling
- Strategy to grow non-pipe products has delivered growth
 - sleepers
 - water quality
 - poles
 - pipeline precast
 - box culverts
 - bridges



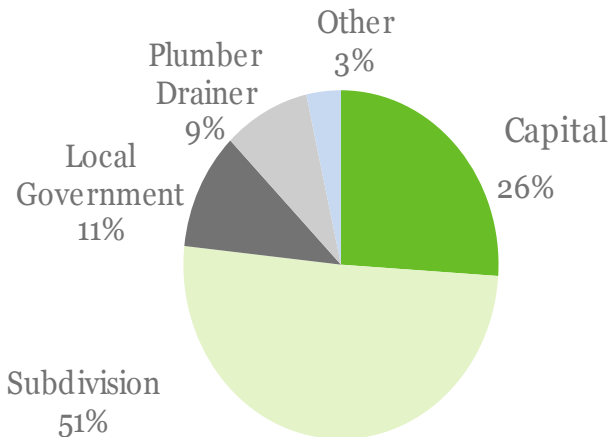
Australia: Concrete pipe and products

Rocla Pipeline Product
EBIT History (\$000)



Source : Rocla Pipeline products

Pipe Segment Sales Tonnes FY 2009



Source: Rocla Pipeline Products

- Despite tough markets in some Regions since acquisition EBIT growth has been good
- Cost reduction program has delivered results:
 - 240 head count reduction (12 months)
 - Four regional sales offices closed
 - \$3.7m fixed cost savings
- Regional outlook mixed:
 - NSW tentative signs of housing recovery
 - Victoria steady
 - Queensland – volumes not declining further but price pressure
 - WA steady



Australia: Concrete pipe and products



- FY10 outlook dependent on extension of railway sleeper contract
- Key driver for higher earnings is rate of government spend on infrastructure & recovery in housing



Australia – aggregates

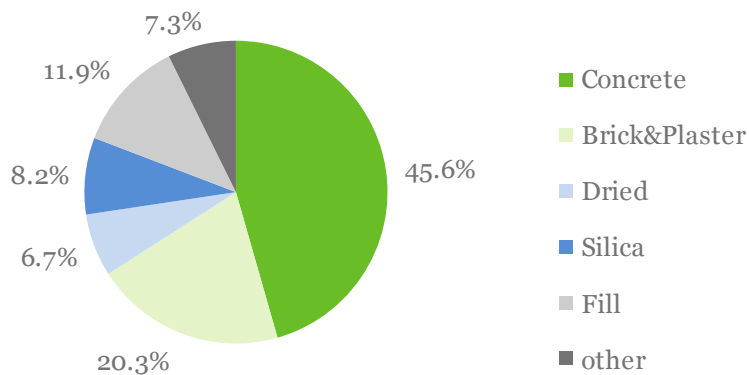


What are we?

- An independent sand quarry operator with 17 quarries in NSW, Victoria, SA and WA
- Turnover of \$A71.8m P.A
- Products supplied includes:
 - concrete sands
 - building and plaster sands
 - dried sands
 - silica sands (including glass sands)
 - fill sands
- A participant in a joint venture hard rock quarry in Queensland

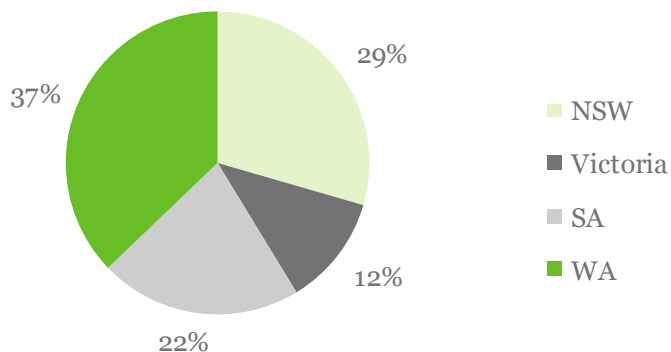


Revenue by Segment FY09



Source : *Rocla Quarry Products*

Revenue by State FY09

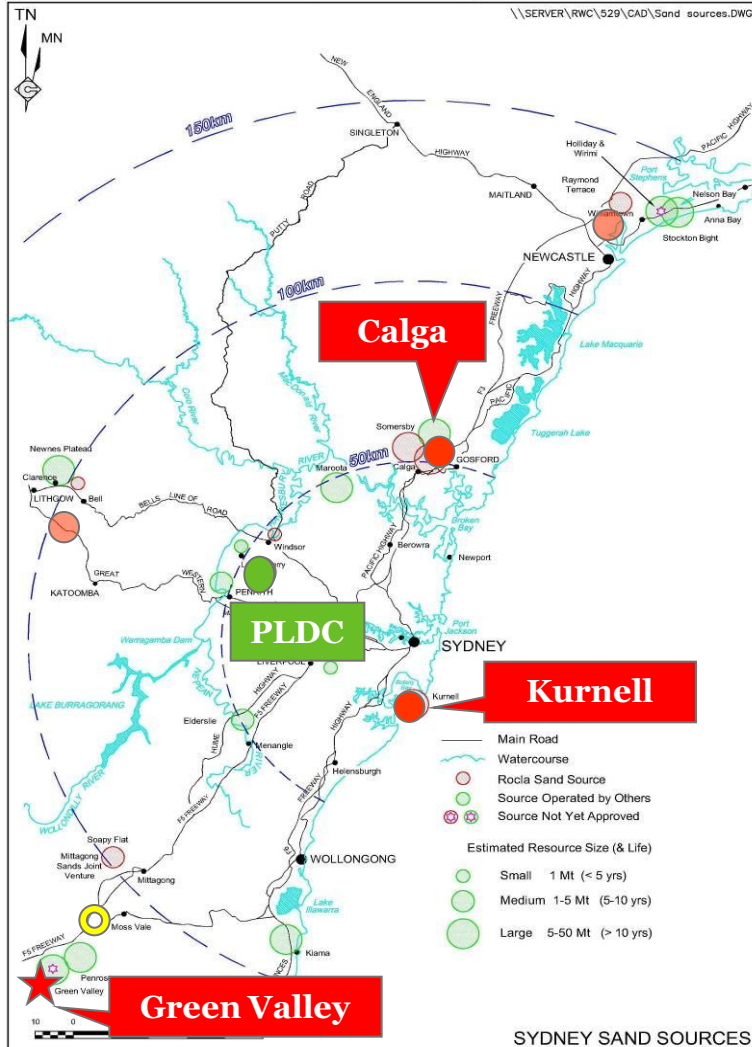


Source : *Rocla Quarry Products*

- Forecast FY10:
 - Sydney market remains flat till H2 of FY10
 - Housing flat and a drop in Non Res
 - Drop in Fill sand as major developments have slowed.

- Sydney Sand market a developing story
 - The Penrith Lakes fine sand operation will close (Rocla estimate is 500,000t p.a. of fine sand)
 - Opportunity to upgrade Rocla’s existing Calga quarry and
 - Develop the new Green Valley resource





- Strong share position in most key markets

City	Rocla Share %
Sydney	25%
Melbourne	7%
Adelaide	26%
Perth	60%

Source: Rocla Quarry Products FY09 estimates

- States will all be in different parts of the cycle in FY10
- Key leverage is to a NSW upturn



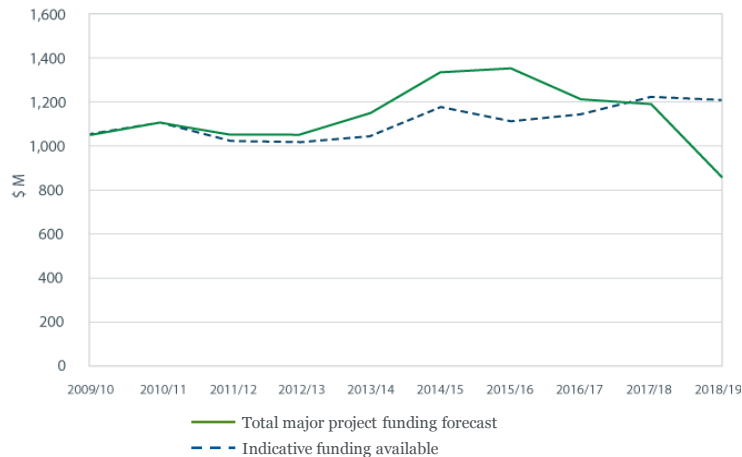
Key drivers for FY 2010 and beyond

Forecast comparison
New dwelling consents, annual running totals



Source : *Infometrics July 2009 Forecast*

State highway improvements
aspirational financial forecast



Source : *National Land Transport Programme 2009 - 2012*

- Heavy leverage to residential:
 - 45 - 55% concrete sales
 - 30-40% aggregate sales
 - 30-40% cement sales
- Infrastructure projects
- Continued government spending
- The private sector's rate of recovery
- Finance sector

The role of the private sector (PPP's)?



- Growth
 - An Australian construction materials position
 - Bolt on acquisitions always under consideration
- New Zealand Cement
 - Holcim's strategic options have increased with Cemex acquisition
 - Holcim's decision on plant replacement or not could change market dynamics

