

Summary of Operations

USA Fibre Cement

Results

- Net sales increased 23% from US\$599.7 million to US\$738.6 million.
- Sales volume increased 19%, from 1,273.6 million square feet to 1,519.9 million square feet.
- Average net selling price increased 3% compared to the previous year, from US\$471 per thousand square feet to US\$486 per thousand square feet.
- Gross profit increased 24% and the gross profit margin increased 0.2 of a percentage point.
- EBIT¹ increased 26% from US\$155.1 million to US\$195.6 million.
- EBIT margin¹ increased 0.6 of a percentage point to 26.5%.

Highlights

- We started construction of our new 300 million square foot annual design capacity green-field fibre cement plant in Reno, Nevada.
- We lifted our share of the interior cement board market as our Hardibacker 500™ 1/2" backerboard further penetrated its target market.

Australia and New Zealand Fibre Cement

Results

- Net sales increased 25% from US\$156.3 million to US\$195.5 million. In Australian dollars, net sales increased 1%, due to a 1% increase in sales volume from 298.7 million square feet to 303.0 million square feet. The average net selling price was flat compared to the previous year.
- EBIT¹ increased 30% from US\$27.2 million to US\$35.4 million primarily due to favourable foreign exchange rate differences. In Australian dollars, EBIT¹ increased 5%.
- The EBIT margin¹ was 0.7 of a percentage point higher, at 18.1%.

Highlights

- In Australia, we launched the ExoTec™ Facade Panel for commercial applications.
- We updated the Artista™ Columns product range.
- A new Australian standard for FRC™ pipes was released, formally acknowledging the exceptional performance of FRC™ pipes.

Philippines Fibre Cement

Results

- Net sales increased 34% from US\$18.0 million to US\$24.2 million. In local currency, net sales increased 41%.
- Sales volume increased 42% compared to the prior year, from 69.7 million square feet to 99.1 million square feet, partly offset by a lower average net selling price.
- The average selling price decreased 1% compared to the prior year due to a less favourable product mix between domestic and export sales.
- The business recorded a US\$2.2 million EBIT¹ for the year, compared to a US\$0.1 million EBIT¹ for the prior year.

Highlights

- We strengthened demand for our products by improving our market penetration in the Philippines and further developing export markets.
- We continued to take market share from plywood, the main competing product.



HARDIPLANK® LAP SIDING, USA



ARTISTA™ COLUMNS, AUSTRALIA



HARDIFLEX® LITE, PHILIPPINES

- We continued the ramp-up of recently upgraded capacity at the Blandon, Pennsylvania and Waxahachie, Texas plants, as well as our new proprietary ColorPlus™ pre-finishing line at the Peru, Illinois plant.
- We recorded strong growth in sales of higher-priced, differentiated products such as Harditrim® XLD™ planks, the ColorPlus™ Collection of pre-painted siding, vented soffits and Heritage® panels.

For more information about USA Fibre Cement, see pages 16–19.

- In New Zealand the Linea® weatherboard cladding and trim product range continued to generate strong demand from all sectors of the residential market. Sales of commercial products were also up strongly.

For more information about Australia and New Zealand Fibre Cement, see pages 20–21.

- We launched a shorter and lighter version of our HardiSenepa® fascia board that customers can find more readily because it is easier for hardware stores to stock.
- We completed a design competition that successfully increased awareness of our HardiPlank® Siding amongst the Philippines' residential and commercial architects.

For more information about Philippines Fibre Cement, see pages 20–21.

Chile Fibre Cement

Results

- Net sales increased 167% compared to the prior year.
- Sales volume increased by 103%.
- Average net selling price was higher.
- The business recorded its first full year positive EBIT¹ since commencing commercial production in 2001.

Highlights

- Our Chilean operation continued to increase its penetration of the local market in line with its targets.
- We believe that we have now captured just over 20% of the Chilean flat sheet market.
- Export contracts allowed the plant to ramp up to full production.
- We continued to invest in value-added areas, such as technical support and training, to increase demand for our products amongst builders and small hardware stores.
- We increased sales of our higher-value, specialty products.

Hardie® Pipe

Results

- Net sales increased 95% compared to the prior year due to a 95% increase in sales volume.
- The average net selling price was flat.
- Despite continued strong volume growth and improved manufacturing performance, our USA Hardie® Pipe business incurred an operating loss for the year due to low prices and higher than targeted unit costs.

Highlights

- Market acceptance of our fibre cement pipes continued to grow strongly and we further increased our share of the market for our targeted diameter range of drainage pipes in Florida.
- The manufacturing performance of the plant continued to improve during the year, reducing costs and increasing output, particularly of the larger diameter pipes. Despite this, manufacturing costs remain higher than our targets.
- The competitive response to our entry into the south-east market remains intense.

Artisan® Roofing

Highlights

- In June 2003, we commissioned our pilot roofing plant at Fontana, California to test our proprietary manufacturing technology and to provide product for market testing in Southern California.
- Plant testing and manufacturing trials commenced during the current fiscal year and the first on-site installations of the new roofing product were completed.
- The first commercial sales of our Artisan® Roofing product were made in the second half of the current year.
- Further sales are expected in the first quarter of fiscal year 2005.
- Within our targeted market there is strong interest in our roofing products.

For more information about our Artisan® Roofing operation, see page 24.



HARDISIDING® PLANKS, CHILE

For more information about Chile Fibre Cement, see page 22.



HARDIE® PIPE, USA

For more information about Hardie® Pipe, see page 23.



ARTISAN® ROOFING, USA

Europe Fibre Cement

Results

- Sales of Hardibacker® backerboard and our pre-painted siding products are in line with our expectations.
- The business incurred an operating loss, as expected.

Highlights

- Our Europe Fibre Cement business commenced operations during the current fiscal year.

For more information about our Europe Fibre Cement business, see page 24.

¹ See **Definitions** in Management's Discussion and Analysis on page 47