

USA Fibre Cement

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(Millions of US dollars)	2004	2003	2002	2001	2000
Net sales	738.6	599.7	444.8	373.0	310.5
EBIT ¹	195.6	155.1	85.8	73.5	72.3
Total identifiable assets	554.9	492.2	420.3	336.8	263.6
Volumes (mmsf ¹)	1,519.9	1,273.6	988.5	852.3	724.9
Average net selling price (per msf ¹)	US\$ 486	US\$ 471	US\$ 450	US\$ 438	US\$ 428
EBIT Margin ¹ %	26.5	25.9	19.3	19.7	23.3
Employees	1,722	1,500	1,177	1,140	858

Our business

We are one of America's leading siding companies, and North America's largest siding manufacturer. Our products are primarily used for the exterior cladding and interior linings of residential homes.

When we started our siding business over a decade ago, we targeted southern markets, where our products' superior durability offered considerable performance advantages over traditional wood-based siding products. These are now our Established Markets. In the last four years, we have stepped up our marketing efforts in the Emerging Markets in the northern region of the country. These markets

have traditionally been dominated by vinyl and they offer us significant growth opportunities.

Our Hardibacker® tile backerboard has also experienced significant growth and holds a large share of the market.

Our operational headquarters are in Mission Viejo, California, and we have eight manufacturing plants: in California, Texas (two), Florida, Washington, Illinois, Pennsylvania, and South Carolina. Work is underway to construct a ninth plant in Reno, Nevada. We also have a Research and Development Centre at the California plant.



23%

INCREASE IN
NET SALES
FOR USA FIBRE
CEMENT

Our strategy

Our strategy is to grow the overall fibre cement market and secure our position as market leader, while defending our share in existing market segments.

We will achieve this by using our superior technology and manufacturing capability to develop new and differentiated building products and systems that give our customers superior value.

We will manage our distribution to have efficient access to all customers, and will continue to reduce our delivered cost.

To achieve our goals, we will continue to recruit from a wide range of related industries and at all levels of the organisation, and we regularly fast-track high-potential people.

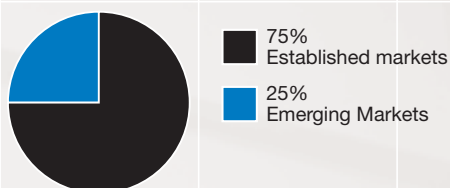
Trading conditions

Residential housing activity remained healthy during the year, buoyed by low mortgage rates, low inventory levels of new homes for sale, strong house prices, and a recovering domestic economy.

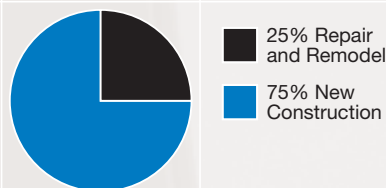
Market position & opportunity

- We estimate that we currently hold approximately 11% of the approximately 12 billion square foot per year USA exteriors market, and have a long-term target of 35-40%.
- We initially took market share from wood-based siding products and more recently from vinyl, which offers a significant growth opportunity.
- Expanding from our early focus on new construction and planks, we now have an exterior products portfolio that contains a full-wrap exterior bundle (siding, trim and soffits).
- Additionally, we have identified significant opportunity for growth in the Repair & Remodel and Factory Built segments.
- Our Established Markets account for approximately 75% of our exterior products sales and we are targeting 7-15% growth here.
- There is an Emerging Market opportunity in the Northeast and Midwestern states. We are targeting a higher growth rate in this region through increased consumer awareness, field sales and partner programs with builders.
- Fibre cement is estimated to have 25-30% of the USA Interior Cement Board market. We are the category leader in the 1/4" backer market, and see considerable growth opportunities for our 1/2" G2 Hardibacker® tile backerboard.

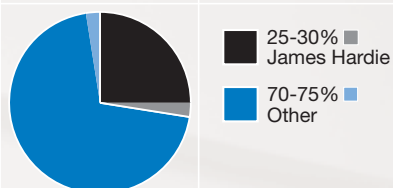
James Hardie Exterior Products Regional Sales Mix (%)



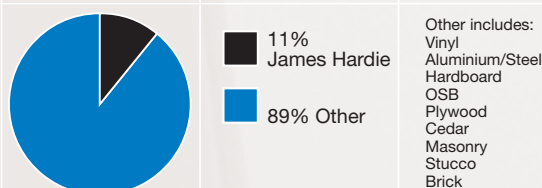
James Hardie Sales Mix (% New Construction and R&R)



USA Interior Cement Board Market (Billion square feet)



USA Exterior Products Market (Billion square feet)



Note: All market and market share figures are management estimates and cannot be precisely measured.

USA Fibre Cement *(continued)*

Major achievements

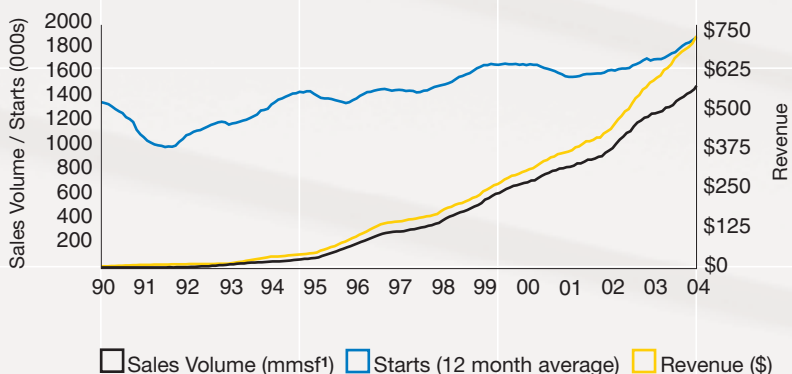
During the year, we:

- Completed the upgrade and began ramping-up our Blandon, Pennsylvania plant. The upgrade increased design capacity of the plant from 120 to 200 million square feet.
- Completed the upgrade and began ramping-up our 160 million square foot panel production line at our Waxahachie, Texas plant.
- Commissioned and commenced ramping-up our new proprietary pre-finishing line at our Peru, Illinois plant. We expect this to significantly reduce painting costs for our ColorPlus™ Collection of exterior siding, and help accelerate our market penetration in the northern region.
- Commenced construction of a new 160 million square feet trim line at our Peru, Illinois plant. We expect this to be completed around the end of calendar 2004.
- Started construction of our new 300 million square foot green-field fibre cement plant in Reno, Nevada. The plant will allow us to meet rapidly growing demand on the west coast of the USA, with faster, and lower-cost delivery of products.
- Significantly increased our sales and marketing staff, including more than a 50% increase in our retail team to work with major retailers; creating new positions to support the repair and remodel market; and adding a specialised sales force to support the roll-out of our new 4' x 8' fibre cement wall panel with G2 Technology™.

3%

INCREASE
IN USA FIBRE
CEMENT
AVERAGE NET
SELLING PRICE

USA Fibre Cement Top Line Growth versus USA Housing Starts



- Invested US\$2.8 million to double the size of our Research and Development Centre in California, providing new laboratories and workspace for scientific, engineering, manufacturing and logistics personnel.
- Won a 2004 American Building Product Award from HOME Magazine for our Harditrim® XLD™.
- Continued to significantly grow the market share for our 1/4" Hardibacker® tile backerboard for floors.
- Grew sales of our proprietary 1/2" Hardibacker® G2 tile backerboard.

Outlook

Housing construction in North America continues to be buoyed by low interest rates and strong house prices and the short-term outlook remains positive with indicators of future activity including housing starts, permits and builder confidence all at high levels.

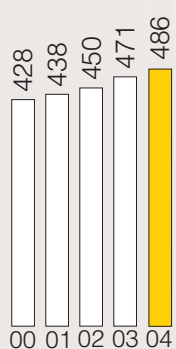
Despite expectations of higher interest rates later in the year, the fundamental drivers of housing demand continue to look positive. The USA domestic economy is strengthening and demographic factors such as immigration, internal migration and household formation all suggest healthy levels of housing demand over the medium to longer-term.

Our North American business is expected to generate further top-line and market share growth as it continues to penetrate its exterior and interior product categories across its Established and Emerging Markets.

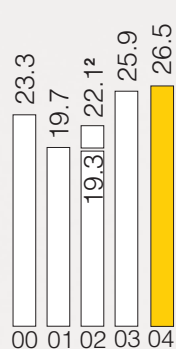
26%
INCREASE
IN USA FIBRE
CEMENT EBIT¹



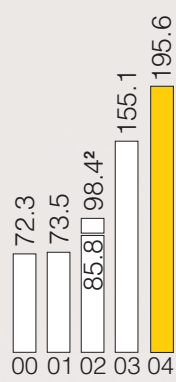
USA Fibre Cement Average Net Selling Price
(US dollars/msf¹)



USA Fibre Cement EBIT Margin¹
(%)



USA Fibre Cement EBIT¹
(Millions of US dollars)



¹ See **Definitions** in Management's Discussion and Analysis on page 47
² Before restructuring and other operating (expense) income