

## USA Fibre Cement

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(Millions of US dollars)	2003	2002	2001	2000	1999
Net sales	<b>599.7</b>	444.8	373.0	310.5	245.6
EBIT <sup>1</sup>	<b>155.1</b>	98.4	73.5	72.3	48.9
EBIT	<b>155.1</b>	85.8	73.5	72.3	48.9
Total identifiable assets	<b>492.2</b>	420.3	336.8	263.6	231.7
Volumes (mmsf) <sup>2</sup>	<b>1,273.6</b>	988.5	852.3	724.9	586.2
Average Selling Price (per msf) <sup>3</sup>	<b>US\$ 471</b>	US\$ 450	US\$ 438	US\$ 428	US\$ 419
EBIT Margin <sup>1</sup> %	<b>25.9</b>	22.1	19.7	23.3	19.9
EBIT Margin %	<b>25.9</b>	19.3	19.7	23.3	19.9
Employees	<b>1,500</b>	1,177	1,140	858	826

<sup>1</sup> Before restructuring and other operating income (expenses)

<sup>2</sup> Million square feet

<sup>3</sup> Thousand square feet

MARKET SHARE INCREASED IN ALL PRODUCT CATEGORIES AND IN THE NORTH AND



Increase in net sales for USA Fibre Cement

**Our business**

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

When we started our siding business in 1992, we targeted southern markets, where our products offered considerable performance advantages over traditional wood-based siding products. In the last three years, we have stepped up our marketing efforts in the north of the country. These markets have traditionally been dominated by vinyl and they offer us significant growth opportunities.

Our headquarters are in Mission Viejo, California, and we have eight manufacturing plants, in California, Texas (two), Florida, Washington, Illinois, Pennsylvania, and South Carolina. We also have a product development centre at the Californian plant.

**Our strategy**

Our strategy is to grow the overall fibre cement market and secure our position as the 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 products and systems that give our customers superior value to those of our competitors.

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**

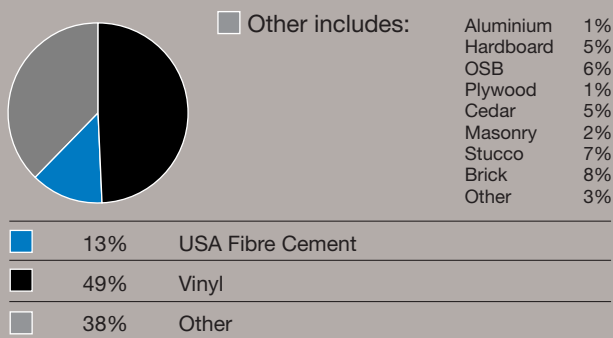
The residential housing market remained healthy during the year, buoyed by low mortgage rates and strong house prices despite a softening in consumer confidence and bad weather-related slowdown in activity during the fiscal fourth quarter.

**Market position & opportunity**

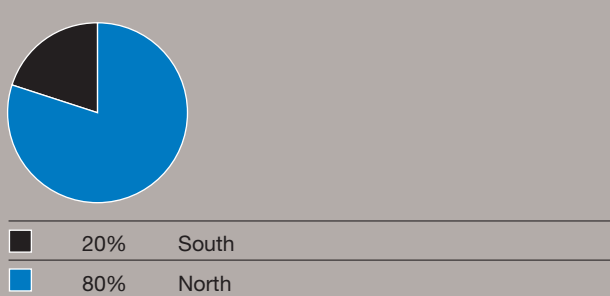
- We currently hold around 13% of the USA siding market, and have long-term potential of as much as 35-40%.
- Initially, we took market share from wood and wood-based products and we are now taking it from vinyl. Vinyl is the largest siding product and share gains against it offer a significant growth opportunity.
- From our initial focus on new construction and planks, we now have an exterior products portfolio that contains a full-wrap exterior bundle (siding, trim and soffits) as well as products for repair and remodel applications and manufactured housing.

**SOUTH OF THE UNITED STATES**

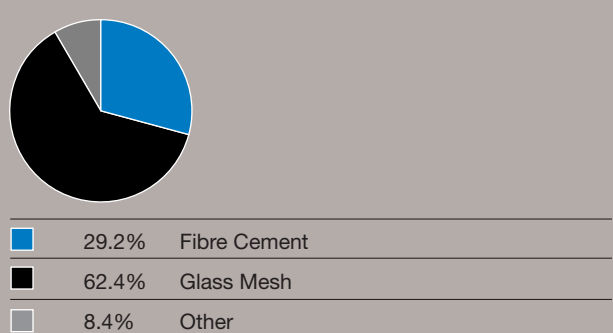
**USA Siding Market Share** (Millions of square feet)



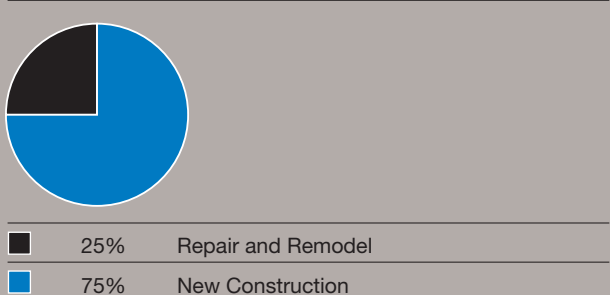
**Exterior Products - James Hardie North/South Sales Mix (%)**



**USA Backer Market Share** (Millions of square feet)



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

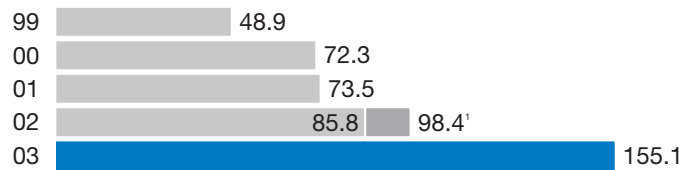


## USA Fibre Cement *(continued)*

### USA Fibre Cement Average Selling Price (US dollars/msf)



### USA Fibre Cement EBIT<sup>1</sup> (Millions of US dollars)



<sup>1</sup> Before restructuring and other operating income (expenses)

### USA Fibre Cement EBIT Margin<sup>2</sup> (%)



<sup>2</sup> Before restructuring and other operating income (expenses)

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Increase in USA Fibre Cement EBIT<sup>1</sup>

- We are strongest in the USA new construction siding market, and expect to continue to grow this position rapidly over the next three years.
- We have identified significant opportunity for growth in the repair and remodel and manufactured housing segments.
- Fibre cement has around 28% of the USA backerboard market, and we are the category leader in the 1/4" backer market. We see considerable growth opportunities for our 1/2" G2 Hardibacker®.

**Major achievements**

During the year, we:

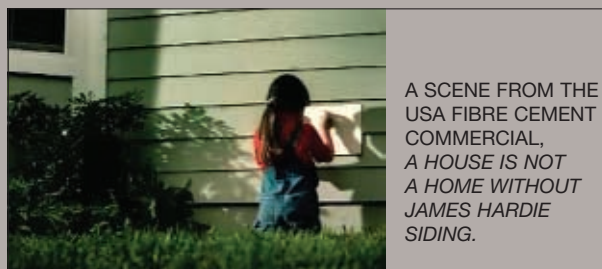
- Successfully integrated the Cemplank business in to our existing operations, and transformed Cemplank into a profitable business, retaining over 95% of its customers.
- Increased our penetration in the vinyl-dominated markets in the north.

- Expanded our new range of pre-painted exterior products, the ColorPlus™ Collection, with the addition of several new colours. Sales of the ColorPlus™ Collection almost doubled.
- Successfully launched Harditrim® XLD™, a new all-weather trim product using our proprietary low-density fibre cement.
- Launched Hardibacker® EZ Grid™, our new improved proprietary grid 1/4" backer product. This will help strengthen our competitive advantage in this segment.
- Grew sales of our new proprietary 1/2" G2 backerboard by 63%.
- Achieved strong above-market growth in the retail segment, while maintaining high category share.
- Launched the *Why Settle for Vinyl* strategic marketing campaign in the vinyl-dominated markets in the North. This has significantly increased awareness of and sales for our superior exterior cladding products in these markets.

- Were rated the leading siding brand by America's top 25 US builders<sup>3</sup> and the National Builder Survey.
- Expanded our production capacity by over 11%, with the addition of a second line at our plant in Peru, Illinois.
- Invested US\$27 million to build a new state-of-the-art production line at the Waxahachie, Texas site, bringing our total capacity in Texas to 860 million square feet.
- Commenced a US\$15.3 million upgrade of our Blandon, Pennsylvania, plant recently acquired from Cemplank. This upgrade will increase the plant's capacity by 70% to meet projected demand in the Northeast and reduce unit operating cost.
- Commenced construction of a proprietary painting line at the Peru, Illinois plant. This will significantly reduce painting costs for our ColorPlus™ Collection of exterior siding, and will help accelerate our market penetration in the northern region.

<sup>3</sup> Builder Magazine Use Studies

**PRODUCTS**



**USA Fibre Cement Top Line Growth versus USA Housing Starts**

