



USA Fibre Cement



27%
increase in Net Sales
for USA Fibre Cement



USA Fibre Cement

(Millions of US dollars)	2005	2004	2003	2002	2001
Net sales	939.2	738.6	599.7	444.8	373.0
EBIT	241.5	195.6	155.1	85.8	73.5
Total identifiable assets	670.1	554.9	492.2	420.3	336.8
Volumes (mmsf)	1,855.1	1,519.9	1,273.6	988.5	852.3
Average net sales price (per msf)	US\$ 506	US\$ 486	US\$ 471	US\$ 450	US\$ 438
EBIT Margin %	25.7	26.5	25.9	19.3	19.7
Employees	1,820	1,722	1,500	1,177	1,140

Our business

We are one of the leading siding companies in the United States, and the largest siding manufacturer in North America. 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 increased our marketing efforts in the Emerging Markets in the northern region of the US. These markets have traditionally been dominated by vinyl and they offer us significant growth opportunities.

We have nine manufacturing plants in: California, Texas (two), Florida, Washington, Illinois, Pennsylvania, South Carolina and Nevada. Work is underway to construct our tenth plant, our largest planned to date, in Pulaski, Virginia. We also have a Research and Development Centre at our California plant.

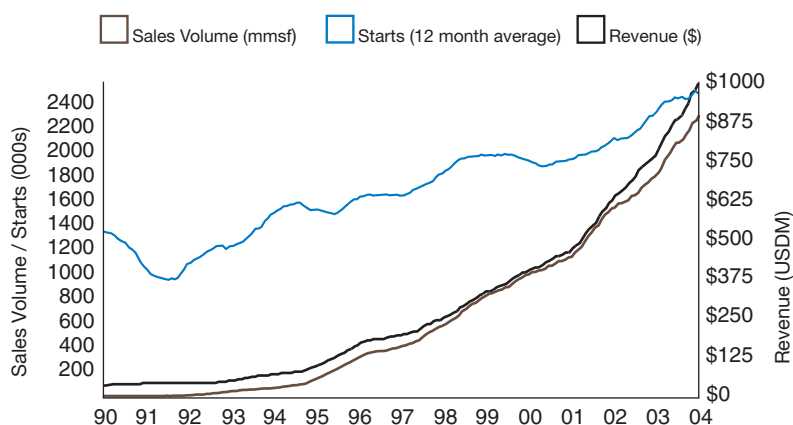
Our strategy

Our strategy in the United States continues to be to:

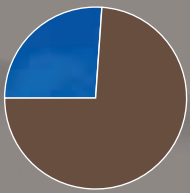
- aggressively grow the market for fibre cement;
- grow our overall market position while defending our share in existing market segments;
- offer products with superior value to those of our competitors; and
- introduce differentiated products to reduce direct price competition.

Trading conditions

New residential housing construction remained buoyant during the year due to stronger consumer demand and low inventories of houses for sale, fuelled by low interest rates, solid house prices and a strengthening domestic economy.

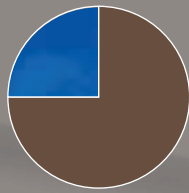


USA Fibre Cement Top Line Growth versus USA Housing Starts



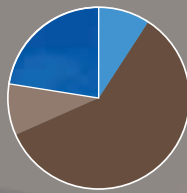
26% Emerging Markets
74% Established Markets

James Hardie Exterior Products Regional Sales Mix



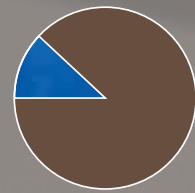
25% Repair and Remodel
75% New Construction

James Hardie Sales Mix



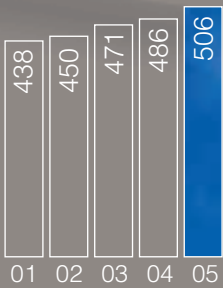
25-35% James Hardie
65-75% Other

USA Interior Cement Board Market



12% James Hardie
88% Other

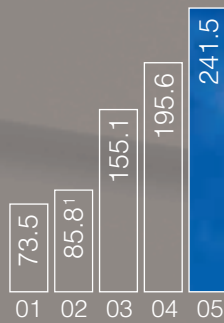
USA Exterior Products Market



USA Fibre Cement Average Net Sales Price
(US dollars/msf)



USA Fibre Cement EBIT Margin
(%)



USA Fibre Cement EBIT
(Millions of US dollars)

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

¹ Before restructuring and other operating expense (income) of US\$12.6 million, EBIT was US\$98.4 million and EBIT margin was 22.1%

USA Fibre Cement



24%
increase in USA
Fibre Cement EBIT



Market position & opportunity

- Based on our knowledge, experience and third-party data regarding our industry, we estimate that we sold approximately 12% of the estimated 12.5 billion square foot US exteriors market total (siding, fascia, trim and soffit) in fiscal year 2005.
- We initially took market share from wood-based siding products and more recently from vinyl. The conversion from use of vinyl is a significant growth opportunity for us.
- We are achieving a compound annual growth rate of 25% in exterior net sales.
- Our early focus on new construction and planks has been expanded to an exterior products portfolio that contains a full-wrap exterior bundle (siding, trim, fascia and soffits).
- The Repair & Remodel segment accounts for approximately 25% of our sales mix and we have identified significant opportunity for growth in this segment, and in the Factory Built segment.
- Our Established Markets account for approximately 74% of our exterior product sales and we are targeting 7 to 15% annual growth in these markets.
- We have an Emerging Market opportunity in the Northeast and Midwestern states and we are targeting a higher growth rate in this region through increased consumer awareness, field sales and partner programs with builders.
- We estimate we have 25 to 35% of the USA interior cement board market.
- Our net sales in this segment have achieved a compound annual growth rate of 28% from fiscal years 2002 to 2005.
- We hold a leading position in the 1/4" backer market, and have a technology advantage for floor applications.
- Hardibacker 500® backerboard is driving our market penetration for wall applications.

Major achievements

During the year, we:

- Completed construction of our new fibre cement plant in Reno, Nevada. The plant is now producing product and, when it is fully operational, will provide us with an additional 300 million square feet of capacity and will allow us to meet rapidly-growing demand on the west coast of the US, with faster and lower-cost delivery of products.
 - Began pre-production with our new 160 million square foot trim line in Peru, Illinois. Commercial sales are expected in the first quarter of fiscal year 2006.
 - Added new proprietary pre-finishing capacity at our Peru, Illinois plant.
 - Began construction of our tenth plant, our largest planned to date, in Pulaski, Virginia, to meet growing demand for our products in the east coast region of the US.
- We estimate this plant will cost US\$98 million and is planned to include two 300 million square feet manufacturing lines, producing external siding and interior backerboard products. The plant will increase our total annual production design capacity in North America to 3.1 billion square feet when the first line is completed, expected in the first quarter of fiscal year 2007, and to 3.4 billion square feet when the second line is completed.
- Achieved strong sales of our Hardibacker 500® half-inch backerboard.
 - Grew sales of our high-priced differentiated products such as vented soffits, Heritage® panels, the ColorPlus™ Collection of pre-painted siding and our Harditrim® XLD® planks.

Outlook

Strong sales growth is expected in North America, but the rate of growth for the year ahead is forecast to be less than the very high level of fiscal year 2005.

In fiscal year 2006, we expect to continue to grow primary demand for fibre cement and to penetrate our targeted markets.

Margins are expected to remain attractive over the short-term despite the impact of higher raw material and freight costs.