

Summary of Operations



USA Fibre Cement

Results

- Net sales increased 30% from US\$939.2 million to US\$1,218.4 million.
- Sales volume increased 18% from 1,855.1 million square feet to 2,182.8 million square feet.
- Average net sales price increased 10% from US\$506 per thousand square feet to US\$558 per thousand square feet.
- Gross profit increased 37% and the gross profit margin increased 2.1 percentage points.
- EBIT increased 42% from US\$241.5 million to US\$342.6 million.
- EBIT margin increased 2.4 percentage points to 28.1%.

Highlights

- Strong growth in sales volume across both interior and exterior product categories and emerging and established geographic markets, reflecting further market penetration and the healthy new housing and repair and remodelling activity.
- Demand for exterior products continued to grow in all the business' key regions across the United States, and further market share gains were achieved at the expense of alternative materials, mainly vinyl and wood-based siding.
- Strong sales growth in both core products and differentiated, higher-priced products including the ColorPlus® Collection of pre-painted siding, Harditrim® XLD® planks, vented soffits and Heritage® panels.

- Continued implementation of the ColorPlus® product business model in the emerging markets to improve the positioning of the ColorPlus® product range of pre-painted products in markets dominated by vinyl siding.
- Sales of the ColorPlus® product range as a percentage of exterior product sales in the business' emerging markets almost doubled over the prior year.
- In the interior products market, sales of both the Hardibacker 500®, half-inch backerboard and quarter-inch backerboard grew very strongly as the business continued to take market share in this category.
- The business completed construction of one of the two planned production lines at its new plant in Pulaski, Virginia, and in April 2006, it commenced commercial production. It also completed construction of, and commenced production on, a new ColorPlus® product line at the Blandon, Pennsylvania plant.

- During the year, the business commenced the ramp-up of its new trim line at Peru, Illinois and continued the ramp-up of its new West Coast manufacturing plant at Reno, Nevada. It also began constructing other additional pre-finishing capacity at plants in its emerging markets.

For more information about USA Fibre Cement, see pages 14 – 17.

Asia Pacific Fibre Cement

Results

- Net sales increased 2% from US\$236.1 million to US\$241.8 million.
- Net sales in Australian dollars increased 1% due to a 3% increase in the average net sales price, partly offset by a 2% decline in sales volume, from 376.9 million square feet to 368.3 million square feet.
- Gross profit decreased 5% due to reduced profitability in Australia and the Philippines, partly offset by improvements in New Zealand and favourable currency movements. In Australian dollars, gross profit decreased 7% due primarily to increased costs in all the Asia Pacific businesses.
- EBIT fell 11% from US\$46.8 million to US\$41.7 million.
- The EBIT margin was 2.6 percentage points lower, at 17.2%.

Australia and New Zealand Fibre Cement

Results

- Net sales increased 4% from US\$210.1 million to US\$218.1 million, primarily due to favourable currency movements, along with a 3% increase in sales volumes. In Australian dollars, net sales increased 2%.
- The average net sales price in Australian dollars decreased 1% compared to last year.
- EBIT fell 8% from US\$42.4 million to US\$38.9 million. In Australian dollars, EBIT fell by 10% due to increased costs in Australia, partially offset by increased sales volume in Australia and New Zealand.



Other

- The EBIT margin was 2.4 percentage points lower, at 17.8%.

Highlights

- Sales volumes and market share increased due to initiatives designed to grow primary demand for fibre cement and generate further share of targeted markets.
- In the commercial construction sector, in the second half of the year, the business began to regain momentum lost through product bans and boycotts imposed during the past year and a half, particularly in Victoria.
- In New Zealand, the growth momentum of Linea® weatherboards continued, helping to generate increased primary demand for the business' products in a weakened market.

Philippines Fibre Cement

Results

- Net sales decreased 9% from US\$26.0 million to US\$23.7 million. In local currency, net sales decreased 11% due to a 19% decrease in sales volume partly offset by a 10% increase in the average net sales price.
- Decrease in EBIT due to the impact of weaker domestic construction activity on demand for its products as well as increased competitive activity in its export markets.

Highlights

- The business continued to be EBIT positive.

For more information about Asia Pacific Fibre Cement, see pages 18 – 19.

Results

- Net sales decreased by 19%, from US\$35.1 million to US\$28.3 million, due largely to the disposal of our Chilean flat sheet business.

USA Hardie Pipe

Results

- Net sales for the year fell short against last year.
- Lower sales volumes were partially offset by higher average sales prices.

Highlights

- Market share gained.
- Improvements in manufacturing performance.
- Reduced EBIT loss.

Europe Fibre Cement

Results

- Net sales increased due to stronger demand resulting from increasing awareness of the business, products among builders, distributors and contractors.
- Average net sales price was higher.

Highlights

- Expansion into new geographic markets continued.

For more information about our Other segment business, see page 19.

Artisan Roofing

- On 18 April 2006, the company ceased market development initiatives for its Artisan roofing product and announced the closure of the roofing plant. Following a review of the carrying value of the assets related to this operation, an asset impairment charge of US\$13.4 million was recorded in fiscal year 2006.
- The decision not to proceed with the roofing product was made after the company reviewed market testing results and concluded that greater shareholder value would be created by focussing on other market growth initiatives.

Chile Fibre Cement

- The company sold its Chilean business in July 2005 due to its small scale and limited strategic fit.