

in net sales for USA Fibre Cement from US\$939.2 million to US\$1,218.4 million



USA Fibre Cement

(Millions of US dollars)	2006	2005	2004	2003	2002
Net sales	1,218.4	939.2	738.6	599.7	444.8
EBIT	342.6	241.5	195.6	155.1	85.8
Total identifiable assets	826.0	670.1	554.9	492.2	420.3
Volumes (mmsf)	2,182.8	1,855.1	1,519.9	1,273.6	988.5
Average net sales price (per msf) US\$	558	506	486	471	450
EBIT Margin %	28.1	25.7	26.5	25.9	19.3
Number of employees	2,174	1,820	1,722	1,500	1,177

Our business

Based on our net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States.

Our fibre cement products are principally used in the residential building industry, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes) and to repair and remodel homes.

When we started our siding business in the US over a decade ago, we targeted southern states, where the superior durability of our products offers considerable performance advantages over traditional wood and engineered-wood siding products. These are now what we call our Established Markets. In the last five years, we have increased our marketing efforts in areas where vinyl is the dominant siding material, because we believe these offer us significant growth opportunities. We call these our Emerging Markets.



We have ten manufacturing plants in the United States: two in Texas and one each in California, Florida, Washington, Illinois, Pennsylvania, South Carolina, Nevada and Virginia. We also have a Research and Development Centre at our California plant.

Trading conditions

- Despite modest interest rate increases, James Hardie did not experience the expected 'cooling' of the new housing construction market.
- New residential housing activity remained strong, buoyed by still historically low interest rates and strong house prices.
- Repair and remodelling activity also remained very strong during the year.

Market position & opportunity

Exterior products

- Based on our knowledge, experience and third-party data regarding our industry, we estimate that, in fiscal year 2006, we sold approximately 13% of the estimated total 11.3 billion square foot US exterior siding market (includes all types of siding or cladding; excludes fascia, trim and soffit).

- We initially took market share from wood-based siding products, and continue to do so; more recently, we have taken market share from vinyl, which offers us a significant growth opportunity.
- We achieved a compound annual growth rate of 27% in exterior net sales for the five years 2002-2006.
- Our early focus on producing planks for new construction has been expanded to an exterior products portfolio that contains a full-wrap exterior bundle (siding, trim, fascia and soffits).
- The Repair and Remodel segment accounts for around 25-30% of our sales mix (including interior products) and we have identified significant opportunity for growth here, and in the Manufactured Housing segment.
- Our Established Markets account for approximately 75% of our exterior product sales and we are targeting 7-15% annual growth in these markets.
- We have an Emerging Market opportunity in the central, north-east and Mid-Atlantic region of the country and we are targeting a higher growth

rate in this region through increased consumer awareness; field sales representatives; partner programs with builders; and sales of value-added, differentiated products.

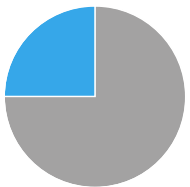
Interior products

- Based on our knowledge, experience and third-party data, we estimate we have 30-40% of the USA Interior Cement board market.
- Our net sales in this segment have achieved a compound annual growth rate of 25% from fiscal years 2002 to 2006.
- We hold a leading position in the 1/4" backer market, and have a technology advantage for floor applications.
- Hardibacker 500® backer board is driving our market penetration for wall applications.

Our strategy

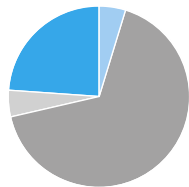
Our strategy in the United States continues, to be to:

- aggressively grow the market for fibre cement;



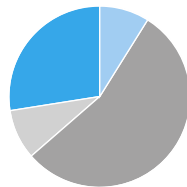
25% Emerging Markets
75% Established Markets

James Hardie Exterior Products Regional Sales Mix



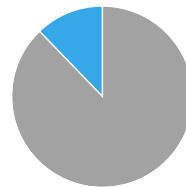
25-30% Repair and Remodel
70-75% New Construction

James Hardie Sales Mix



30-40% James Hardie
60-70% Other

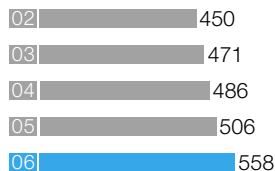
USA Interior Cement Board Market



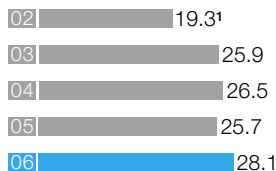
13% James Hardie
87% Other

USA Exterior Siding Market²

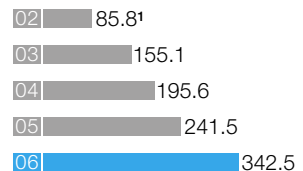
Note: All market and market share figures are management estimates and cannot be precisely measured.



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



USA Fibre Cement EBIT Margin (%)



USA Fibre Cement EBIT (Millions of US dollars)

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%

² USA Exterior Siding Market includes all cladding materials as summarised by NAHB's Siding and Exterior Wall Finish in New Construction and Repair Remodel Reports for 2004



+42% growth

in USA Fibre Cement EBIT from
US\$241.5 million to US\$342.6 million

- increase our share of exterior siding and backer board market while maintaining our share in existing market segments;
- leverage our superior technology to offer differentiated segment-specific products; and
- offer products with superior value to those of our competitors to reduce direct price competition.

Major achievements towards our strategy

During the year, we:

- Achieved very strong sales growth across both interior and exterior product categories and in our emerging and established geographic markets, reflecting further market penetration and healthy new housing and repair and remodelling activity.
- Continued to grow demand for exterior products in all our key regions across the United States.
- Made further market share gains at the expense of alternative materials, mainly vinyl and wood-based siding.
- Had strong sales growth in differentiated, higher-priced products including the

ColorPlus® Collection of pre-painted siding, Harditrim® XLD® planks, vented soffits and Heritage® panels, as well as in our core products.

- Continued to successfully implement our ColorPlus® product business model in our Emerging Markets, improving the positioning of ColorPlus® pre-painted products in markets dominated by vinyl siding and increasing revenue and contribution per unit.
- Almost doubled sales of the ColorPlus® product range as a percentage of exterior product sales in our Emerging Markets and began plans to introduce ColorPlus® products to selected regions of our Established Markets.
- Recorded very strong sales of our interior products, Hardibacker 500®, half-inch backer board and quarter-inch backer board, as we continued to take market share in this category, particularly in the half-inch segment.
- Completed construction of one of the two planned production lines at our new plant in Pulaski, Virginia, and in April 2006, commenced commercial production.

- Completed construction of, and commenced production on, a new ColorPlus® product line at our Blandon, Pennsylvania plant.
- Continued the ramp-up of our new trim line at Peru, Illinois and of our new west coast manufacturing plant at Reno, Nevada.
- Began construction of additional pre-finishing capacity at plants in both Established and Emerging Markets.

Outlook

We expect:

- Housing construction in North America to soften to more sustainable levels over the short to medium-term as the gradual onset of higher long-term interest rates affects affordability and house price expectations.
- To continue growing sales through further penetration of our targeted markets and an increased proportion of higher-priced differentiated products in our sales mix.
- Continued high raw materials, energy and freight costs in fiscal year 2007.