



## USA FIBRE CEMENT

### Results

- Net sales increased 4% from US\$1,218.4 million to US\$1,262.3 million.
- Sales volume decreased 2% from 2,182.8 million square feet to 2,148.0 million square feet.
- Average net sales price increased 5% from US\$558 per thousand square feet to US\$588 per thousand square feet.
- Gross profit increased 5% and the gross profit margin increased 0.5 of a percentage point.
- EBIT increased 6% from US\$342.6 million to US\$362.4 million.
- EBIT margin increased 0.6 of a percentage point to 28.7%.

### Trading conditions

- The new housing construction market continued to weaken, with new housing starts down 25% and 30% respectively for the three months ended 31 December 2006 and 31 March 2007 compared to the same periods last year.
- Despite interest rates remaining relatively low, deepening problems in the sub-prime mortgage market kept builder and consumer confidence at weak levels.
- Weaker housing activity softened demand for our exterior products category in all regions except the mid-Atlantic region.

- Repair and remodelling activity was relatively steady.

### Outlook

- In North America, there is still considerable uncertainty over the outlook for new residential housing construction activity. Recently released housing data shows a continued deterioration in the new housing market, with April 2007 annualised housing starts at an estimated 1,528,000, up slightly (2.5%) from March 2007 but down 16.1% from April 2006. Building permits, an indicator of future activity, deteriorated in April 2007 and are running significantly below the pace of a year ago.
- Despite the recent slight improvement in new housing starts in April, the supply of new homes for sale still appears to be greater than demand, and builder confidence levels remain low.
- While interest rates continue to be relatively low, tightening of lending standards related to problems of the sub-prime mortgage sector is causing increased uncertainty over the short to medium-term outlook for credit availability and demand for new housing.
- The repair and remodelling market is anticipated to remain relatively stable in the short-term and further market share gains for our interior products category are expected.

*For more information about USA Fibre Cement, see pages 14-15*

# SUMMARY OF OPERATIONS



## ASIA PACIFIC FIBRE CEMENT

### Results

- Net sales increased 4% from US\$241.8 million to US\$251.7 million.
- Net sales in Australian dollars increased 2% due to a 6% increase in net sales volumes from 368.3 million square feet to 390.8 million square feet, partially offset by a 3% decrease in the average Australian dollar net sales price.
- Gross profit decreased 3% due to reduced profitability in the Australian Fibre Cement business. The decrease was due mainly to a lower average net sales price, increased freight and raw material costs in Australia and costs associated with the start-up of the manufacture of new products.
- EBIT fell 6% from US\$41.7 million to US\$39.4 million.
- The EBIT margin was 1.5 percentage points lower, at 15.7%.

### Australia and New Zealand Fibre Cement

#### Results

- Net sales increased 2% from US\$218.1 million to US\$223.4 million. In Australian dollars, net sales increased 1% due to a 5% increase in sales volume, offset by a 4% decrease in the average Australian dollar net sales price.
- The average net sales price in Australian dollars decreased 4% compared to last year.
- EBIT fell 8% from US\$38.9 million to US\$35.7 million. In Australian dollars, EBIT fell by 10% due to increased manufacturing costs and a lower average net sales price, partially offset by an increase in sales volume and decreased SG&A spending.

- The EBIT margin was 1.8 percentage points lower, at 16.0%.

### Philippines Fibre Cement

#### Results

- Net sales increased due to increased sales volumes, partially offset by a slight decrease in the average Philippine peso net sales price.
- EBIT increased due to higher volume and improved operating efficiencies, partially offset by increased SG&A costs.

#### Trading conditions

- In Australia and New Zealand, both the new housing and renovation markets were softer, compared to last year.
- In the Philippines, domestic building and construction activity was stronger.

#### Outlook

- In the Australia and New Zealand Fibre Cement business, weak market conditions are forecast to continue, but further volume growth is expected from market initiatives aimed at driving primary demand for fibre cement.
- Prices for non-differentiated products are expected to remain under pressure due to price competition in Australia. Manufacturing and other cost efficiencies are targeted to improve profitability.
- In the Philippines, healthy building and construction activity is expected to help domestic demand in the short-term. Competitive pricing pressure is continuing in both the Philippines domestic and export markets.

*For more information about Asia Pacific Fibre Cement, see pages 16–17*

## OTHER

### Results

- Net sales increased by 2%, from US\$28.3 million to US\$28.9 million, due to improved sales performance in the USA Hardie Pipe business and the Europe Fibre Cement business, partially offset by decreased sales resulting from the sale of the Chile fibre cement business in July 2005.

### USA Hardie Pipe

#### Results

- Higher sales volumes and higher average net sales price.
- The business recorded a small positive EBIT for the year.

### Europe Fibre Cement

#### Results

- The business recorded an EBIT loss.
- Sales continuing to grow steadily.

*For more information about our Other segment business, see page 17*