



2004 ANNUAL REPORT / FORM 10K

Absolutely, Positively a
Low Cost Producer
with High Margin Products



Cement

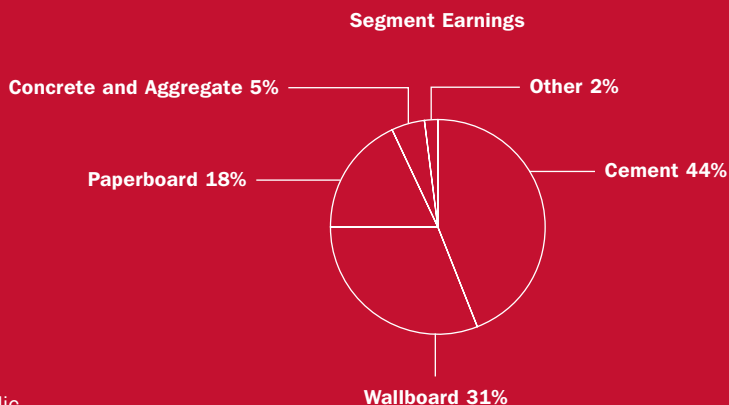
Cement is the basic binding agent for concrete, a widely-used versatile construction material. Eagle manufactures cement in four facilities: Nevada Cement Company; Mountain Cement Company; Illinois Cement Company; and Texas Lehigh Cement Company, the last two being joint ventures. Including our share of the joint ventures, these operations annually produce more than 2.3 million tons of cement, making us the eleventh largest cement manufacturer in the U.S. and the third-largest American-owned cement producer.

Wallboard

Gypsum Wallboard is used in the construction of walls and ceilings in both residential and commercial buildings. Eagle Materials' American Gypsum Company has plants in Albuquerque and Bernalillo, New Mexico; Eagle, Colorado; and Duke, Oklahoma. With a combined annual capacity of more than 2.7 billion square feet, we are the nation's fifth largest manufacturer. Our product is distributed in 36 states.

Eagle Materials Inc.

Building America and shareholder value. Although newly independent, Eagle Materials is well established as a leading provider of building materials to the construction industry, serving markets across the United States since 1964. Our operations are segmented by product group, and include Cement, Gypsum Wallboard, Paperboard, and Concrete and Aggregates. Today, we serve regional markets through our quarrying, manufacturing and distribution operations in 12 states. Our products help to build homes, schools, offices, hospitals, roads and other projects throughout the U.S. We're growing shareholder value with our intense focus on operational excellence.



Paperboard

Eagle Materials' Republic Paperboard Company manufactures 100%-recycled paperboard in Lawton, Oklahoma. This subsidiary produces facing paper for our wallboard operations as well as for other wallboard manufacturers. In addition to wallboard paper, the mill produces other commercial paperboard products, including materials for the packaging industry.

Concrete and Aggregates

We currently manufacture and distribute concrete and aggregates for buildings and infrastructure. Centex Materials in Austin, Texas operates one quarry and four concrete plants. Western Aggregates operates a sand and gravel pit near Sacramento, California, while Matthews Readymix produces concrete in four northern California markets.

Letter to the shareholders

Fiscal 2004 was an exciting and rewarding year for Eagle Materials Inc. Our growth potential was unlocked and our stock price rose to record heights following Centex's spin-off of its majority interest in our Company. This tax-free spin-off created a fully independent entity with strong positions in improving markets, low-cost operations, financial flexibility, and a commitment to creating even greater value for our shareholders.

Fiscal 2004 highlights included:

- ▶ An all time high stock price of \$61.20 (previous high \$45.25)
- ▶ A 16% increase in net earnings to \$66.9 million
- ▶ A 15% gain in earnings per share to \$3.57
- ▶ A \$6.00 per share special dividend (totaling \$113 million), associated with the spin-off transaction
- ▶ A 500% increase in our annual dividend to \$1.20 per share
- ▶ A fiscal year end debt-to-capitalization ratio of 16%
- ▶ A 26% gain in Wallboard sales volume to 2.4 billion square feet
- ▶ Cement plants that were "sold out" for the 18th consecutive year

Absolutely, positively, Eagle Materials' plants are low cost producers and have the highest operating margins in our industries. Achieving that distinction required many years of hard work.

That work never stops. We continue to invest both financially and intellectually to further strengthen our position. We know that success in the construction products industry requires the disciplined investment of substantial capital and the ability and determination to optimize complex production processes while maintaining low overheads. Eagle's financial performance proves that we have made those commitments and have those capabilities.

We meticulously maintain our existing assets in "better than new" condition, which creates reliability and cost advantages and provides the foundation to consistently increase production capacities with minimal additional capital investment. Major new capital projects must meet high return standards and, once approved, must be flawlessly executed.

By following this strategy of achieving superior returns with controllable risks, we are now in the

enviable position of being a high margin and low production cost company with excellent capital returns. We will continue to adhere to our time-tested philosophies.

Our cement operations recorded another good year in a challenging operating environment. Operating profits declined by approximately 8%, principally as a result of slightly lower cement prices and higher energy costs. However, all of Eagle's plants operated at capacity and

were “sold out.” Our 30% operating margin and return on net assets employed of 41% continue to confirm the superior profitability of our plants.

Looking forward, U.S. cement demand remains at near record levels, requiring over 20% of foreign imports to supplement U.S. manufactured product. Currently, the delivered cost of imported cement has risen dramatically due to increased worldwide consumption and higher bulk shipping rates. The initial outlook for 2005 looks strong as Eagle’s current 5% to 6% cement price increase is substantially holding with an additional 5% to 6% price increase announced for later this summer.

Our wallboard sales volume increased 26% and profits from our wallboard operations increased by 31%. These results were achieved despite a weak commercial construction market and high natural

gas prices. Significant progress continued to be made toward further improving production efficiencies at our Duke, Oklahoma wallboard facility, which is among the world’s largest and most cost-effective wallboard plants. In fact, we believe Eagle’s system of wallboard operations has the lowest average production costs in the industry. Our wallboard margins are increasing because strong U.S. wallboard demand is consuming over 90% of the total U.S. capacity, causing regional supply shortages. Last year, wallboard pricing increased over 20% and as supply continues to tighten, further price increases are anticipated during this year.

Our paperboard operation continued to improve with production and sales volumes increasing by 17% and earnings rising by 19%. Our paperboard operation is a natural companion to our wallboard operations producing a lightweight paperboard that creates wallboard

cost savings by reducing freight and energy costs. Eagle’s mill uses 100% environmentally-friendly recycled material as its only source of raw paper fiber.

Eagle Materials is in an excellent position as we move into a new era. Our existing plants are in excellent condition, operating extremely efficiently at or near maximum capacity with prices rising in all of our business lines. And Eagle Materials is generating even greater financial resources to improve and expand our current operations and to plant growth seeds for tomorrow.

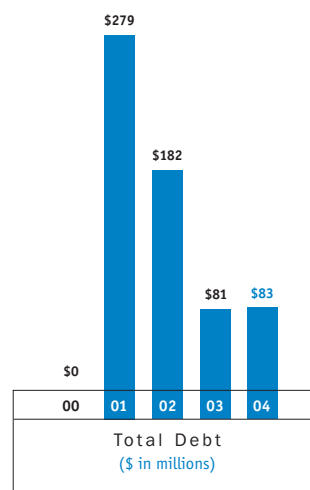
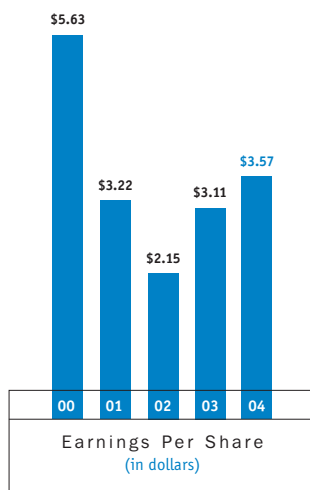
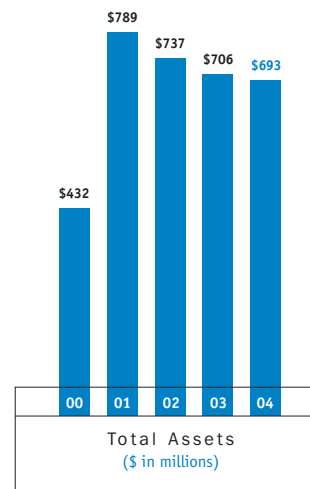
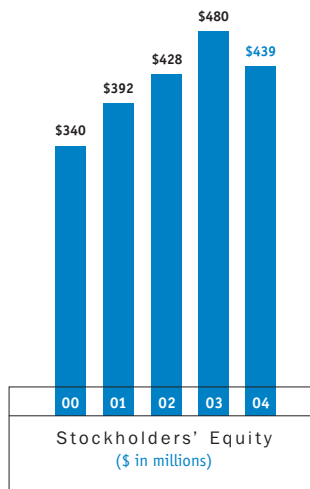
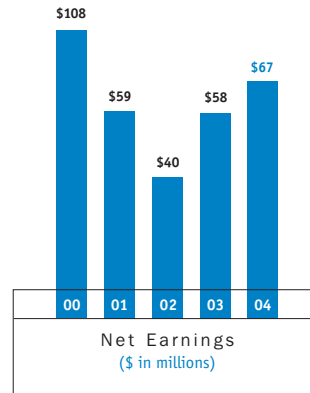
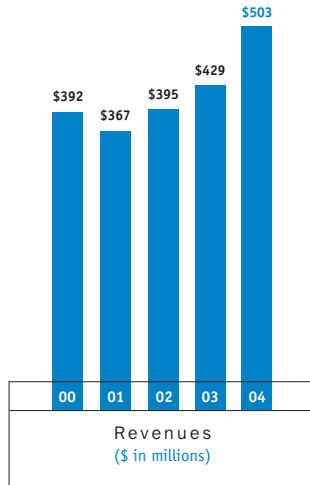
As we look to the future, we are confident that Eagle’s management and Board of Directors will continue to make disciplined investment decisions at the right time to maximize shareholder value. Achieving Eagle’s goals requires the dedication and continuing support of all of our employees. Their extraordinary abilities and efforts ensure our success.



Steven R. Rowley
President and
Chief Executive Officer



Laurence E. Hirsch
Chairman





a bird's-eye

View of our industries

Demand for all Eagle Materials products is driven by construction. In recent years, the commercial construction market has been depressed, while the housing market and public infrastructure sectors have been strong. We are confident total construction in the U.S. will remain strong over the next five-to-seven years. Our balanced mix of construction products supplying these sectors positions Eagle for more stable earnings performance and, financially, the Company is well positioned for growth with opportunities emerging in each of our businesses. Our priority is to expand existing capacity and add new capacity to meet future construction industry demand.

Cement:

America's cement industry is operating at full capacity and is still 20% short of meeting demand. As the cost of imports rises due to increasing demand from expanding Asian economies and higher international freight costs, the price of cement is rising. Demand will continue to be strong in the housing and public infrastructure sectors, and commercial construction is expected to begin recovering within the year. The end result – a strong and healthy U.S. cement industry.

Wallboard:

Last year saw record consumption of wallboard, with more than 31.7 billion square feet being used in new residential and commercial construction, and repair and renovation projects. In fact, higher wallboard consumption has already nearly consumed the new production capacity put in place in the late 1990s. We expect housing construction to remain at relatively high levels, and the repair and remodel sector to steadily grow. This, combined with a recovering commercial construction market, will cause wallboard demand to grow steadily and industry utilization to continue at high levels.



A disciplined and decentralized

corporate culture

At Eagle Materials, we believe in independence. Our decentralized business structure enables us to maintain corporate overhead at a minimum, while keeping our key decision makers close to the action. This freedom motivates Eagle Materials' employees to continually improve our operations through solid maintenance, cost control, productivity and sales efforts. Equally important, Eagle maintains a disciplined long-term investment approach, allowing us to achieve our strategic growth goals and continually create shareholder value.

Our Business Segments



Concrete

Our facilities are located in two high-growth areas, central Texas and northern California, and both are profitable with strong cash flows. In central Texas, we are strategically located near Austin's growth communities. Our West Coast aggregates deposit is over 1 billion tons in the heart of a region that has a shortage of this critical construction material. We have the potential to more than double our production in coming years. As always, our strong competitive position creates opportunities for continued growth.

and

Aggregates

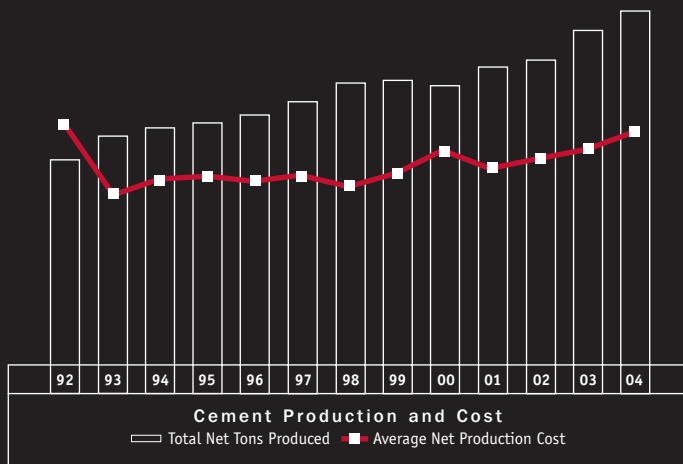
Paperboard

Originally acquired to provide paperboard for our wallboard plants, our Lawton, Oklahoma mill is an important profit center in its own right. We have increased its capacity from 180,000 tons per year when purchased in FY 2001 to 270,000 TPY in FY 2004, and plan to expand production to 300,000 TPY within the next few years. The Lawton plant produces a low-cost, lightweight, recycled paper, which saves fiber, drying and freight costs. This lightweight paperboard reduces transportation and production costs for our wallboard business as well. In addition to providing paper for American Gypsum, Republic Paperboard sells to other wallboard manufacturers and diverse paperboard markets.



Cement

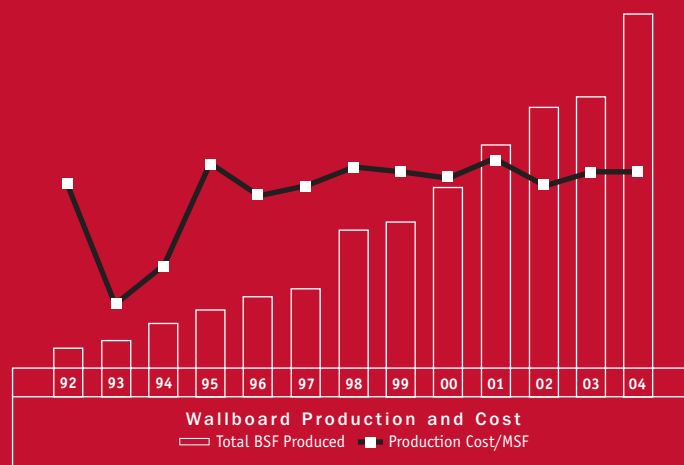
We are the nation's eleventh largest cement producer with 2.3 million tons of capacity. Our plants are in excellent operating condition, and over the years we have significantly increased capacity at all four facilities while keeping costs essentially flat. In fact, a recent study by the Portland Cement Association shows that our cement production cost and overhead are approximately 20% below industry average. Low costs and solid customer relationships have allowed us to sell out our production capacity each of the last 18 years. With solid management and engineering in place, our cement group has strong growth capabilities.





Wallboard

Our state-of-the-art wallboard plants provide us with 2.7 billion square feet of wallboard capacity, making us the fifth largest U.S. producer. Over the last decade, our production has grown approximately 400% through a combination of internal expansions and plant acquisitions. We believe that we are among the industry's lowest cost manufacturers due to high speed lines, outstanding maintenance programs, favorable gypsum ore costs and lightweight paper from our Lawton mill. Production costs have been kept essentially flat despite increasing prices for raw materials such as natural gas. Our low production costs enable us to remain solidly profitable during more difficult times and achieve superior returns when the economy is strong.



Building for the future

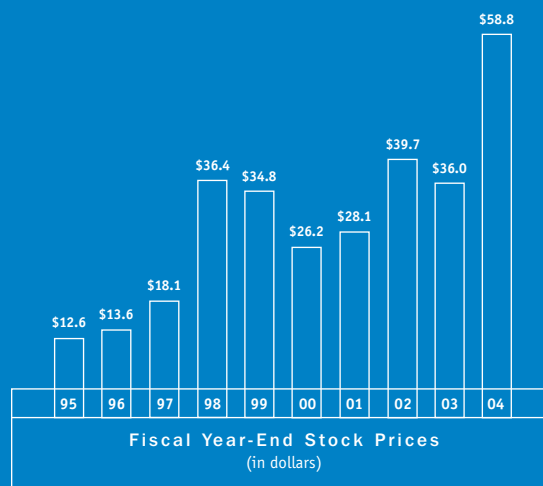
Over the past forty years, we've built a company with a solid foundation for growth.

Our strong organization and superior operating performance will allow us to grow and enhance Eagle Materials with confidence.

Our growth focus:

- ▶ add excellent low-production cost assets
- ▶ improve strong market positions
- ▶ retain and recruit talented people
- ▶ provide superior return on investments

These objectives, combined with our newly independent status make us ready to take off on an exciting period of opportunity. Our financial strength enables us to pursue disciplined growth that will increase shareholder value. With the ongoing support of our management team, our employees and investors, Eagle Materials will continue to enhance its premier position in the construction products industry.



Summary of selected financial data

(dollars in thousands, except per share data) (unaudited)

	2004	2003	2002
Revenues	\$502,622	\$429,178	\$395,188
Net Earnings	\$ 66,901	\$ 57,606	\$ 39,706
Total Assets	\$692,975	\$706,355	\$737,323
Total Long-term Debt	\$ 58,780	\$ 55,670	\$163,750
Total Debt	\$ 82,880	\$ 80,927	\$182,380
Deferred Income Taxes	\$101,082	\$ 80,342	\$ 53,781
Stockholders' Equity	\$439,022	\$479,611	\$427,832
Total Debt as a Percent of Total Capitalization (Total Debt and Stockholders' Equity)	15.9%	14.4%	29.9%
Net Earnings as a Percent of Beginning Stockholders' Equity	14.0%	13.5%	10.1%
Per Common Share			
Diluted Net Earnings	\$ 3.57	\$ 3.11	\$ 2.15
Cash Dividends ⁽¹⁾	\$ 6.45	\$ 0.20	\$ 0.20
Book Value Based on Shares Outstanding at Year End	\$ 23.39	\$ 26.09	\$ 23.30
Stock Prices			
High	\$ 61.20	\$ 45.25	\$ 39.90
Low	\$ 35.60	\$ 31.25	\$ 25.70

(1) Declared initial quarterly cash dividend of five cents per share on March 12, 1996.

For the Years Ended March 31,

2001	2000	1999	1998	1997	1996	1995
\$367,206	\$392,471	\$310,596	\$278,961	\$223,932	\$204,693	\$177,044
\$ 59,429	\$108,232	\$ 77,289	\$ 56,533	\$ 41,799	\$ 33,944	\$ 21,820
\$788,885	\$432,305	\$359,926	\$346,423	\$302,807	\$263,403	\$243,715
\$278,828	\$ 400	\$ 480	\$ 560	\$ 640	\$ 720	\$ 24,500
\$278,828	\$ 400	\$ 480	\$ 560	\$ 2,640	\$ 720	\$ 24,500
\$ 33,363	\$ 24,360	\$ 25,158	\$ 22,250	\$ 18,835	\$ 14,344	\$ 6,705
\$392,320	\$340,472	\$279,920	\$274,803	\$239,436	\$216,462	\$183,405
41.5%	0.1%	0.2%	0.2%	1.1%	0.3%	11.8%
17.5%	38.7%	28.1%	23.6%	19.3%	18.5%	12.8%
\$ 3.22	\$ 5.63	\$ 3.71	\$ 2.56	\$ 1.89	\$ 1.47	\$ 0.95
\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.05	—
\$ 21.40	\$ 18.33	\$ 14.18	\$ 12.77	\$ 10.89	\$ 9.42	\$ 7.99
\$ 33.50	\$ 41.81	\$ 45.13	\$ 39.00	\$ 20.00	\$ 15.50	\$ 14.38
\$ 21.75	\$ 22.63	\$ 31.25	\$ 18.00	\$ 12.50	\$ 11.38	\$ 8.88

Major facilities

Cement Plants

- Illinois Cement Company – LaSalle, Illinois (50% joint-venture)
- Mountain Cement Company – Laramie, Wyoming
- Nevada Cement Company – Fernley, Nevada
- Texas-Lehigh Cement Company LP – Buda, Texas (50% joint-venture)

Gypsum Wallboard Plants

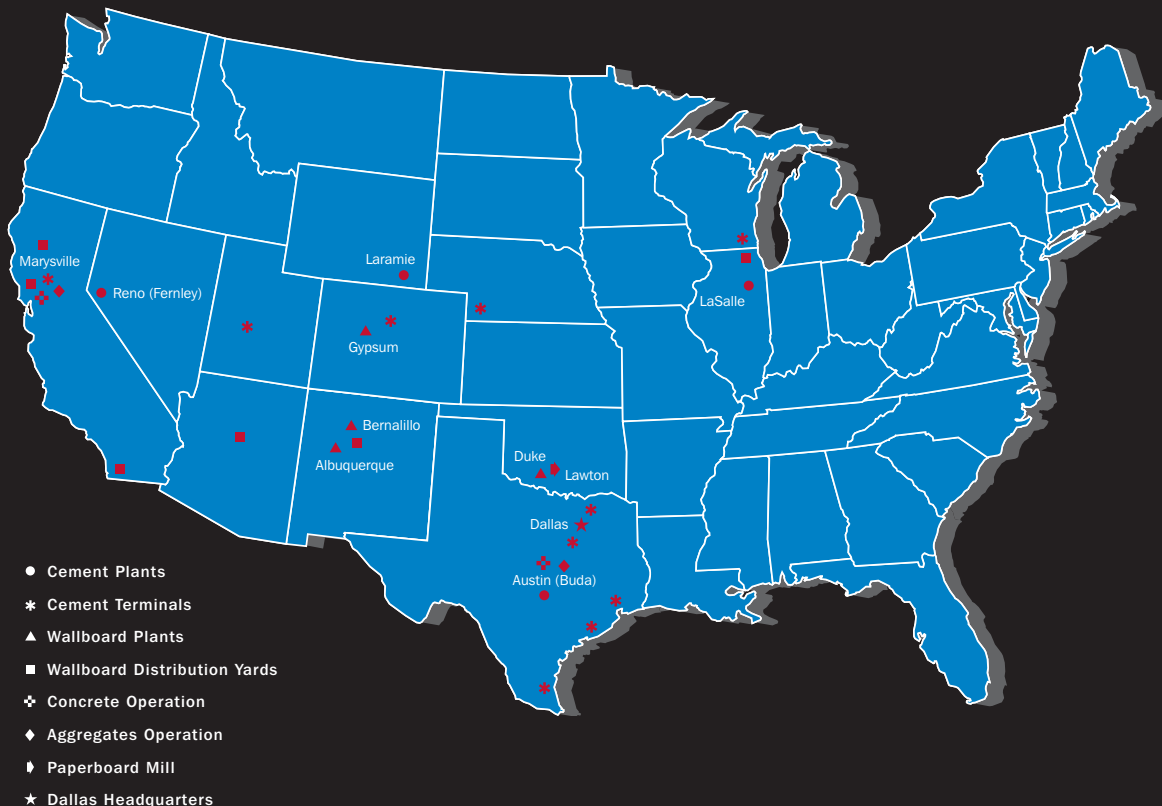
- American Gypsum Company – Albuquerque and Bernalillo, New Mexico; Gypsum, Colorado; and Duke, Oklahoma

Concrete and Aggregates Plants

- Centex Materials LLC – Austin and Buda, Texas
- Mathews Readymix LLC – Marysville, California
- Western Aggregates LLC – Marysville, California

Paperboard Plant

- Republic Paperboard Company LLC – Lawton, Oklahoma



Board of Directors

F. William Barnett ^(2, 3, 4)
*Retired Director,
McKinsey & Company*

Robert L. Clarke ^(2, 3, 4)
*Senior Partner,
Bracewell & Patterson, L.L.P.*

O.G. Dagnan ⁽³⁾
*Retired President and CEO,
Centex Construction Products*

Laurence E. Hirsch ⁽¹⁾
*Chairman,
Eagle Materials Inc. and
Retired Chairman and CEO,
Centex Corporation*

Michael R. Nicolais ^(2, 3, 4)
*President,
Highlander Partners*

David W. Quinn
*Retired Vice Chairman,
Centex Corporation*

Steven R. Rowley
*President and
Chief Executive Officer,
Eagle Materials Inc.*

(Numbers in parentheses indicate
Board Committees)

(1) Executive Committee

(2) Compensation Committee

(3) Audit Committee

(4) Corporate Governance and
Nominating Committee

Eagle Materials Inc.

Steven R. Rowley
*President and
Chief Executive Officer*

H.D. House
*Executive Vice President-
Gypsum*

Gerald J. Essl
*Executive Vice President-
Cement and
Concrete/Aggregates*

Jeffrey C. Dutton
*Executive Vice President-
Paperboard*

James H. Graass
*Executive Vice President,
General Counsel and Secretary*

Arthur R. Zunker, Jr.
*Senior Vice President-Finance,
Treasurer and
Chief Financial Officer*

William C. Boor
*Senior Vice President-
Corporate Development
and Investor Relations*

Kenneth M. Avery
Vice President-Controller

Rodney E. Cummickel
Vice President

Hubert L. Smith, Jr.
Vice President

American Gypsum Company

H.D. House
President

David B. Powers
*Executive Vice President -
Marketing*

Kerry G. Gannaway
Vice President

Geoff W. Gray
Vice President

Keith W. Metcalf
Vice President

Mary Schafer
Vice President

Centex Materials LLC

Philip Bowden
President

C. Douglas Westbrook
Vice President

J. David Loftis
Vice President

Illinois Cement Company

Wayne W. Emmer
President

Thomas F. Clarke
Vice President

Frank P. Koeppel
Vice President

Mathews Readymix LLC

James Liddiard
President

James D. Elliott
Vice President

Mountain Cement Company

Bruce E. Ballinger
President

John Arellano
Vice President

Leigh Anne Marchant
Vice President

Nevada Cement Company

Nicholas Stiren
President

Gary J. Roma
Vice President

John R. Bremner
Vice President

Republic Paperboard Company LLC

Jeffrey C. Dutton
President

Wilson Blackburn
Vice President

Jim Grantham
Vice President

Texas-Lehigh Cement Company LP

Robert Kidnew
President

R. Lee Hunter
Vice President

Jason L. Gibert
Vice President

Western Aggregates LLC

James Liddiard
President

James D. Elliott
Vice President

CORPORATE HEADQUARTERS

3811 Turtle Creek Blvd., Suite 1100
Dallas, Texas 75219
(214) 432-2000 (Telephone)
(214) 432-2100 (Fax)
www.eaglematerials.com

TRANSFER AGENT AND REGISTRAR

Mellon Investor Services LLC
85 Challenger Road
Overpeck Center
Ridgefield Park, NJ 07660
1-800-279-1248 (Toll-Free)

STOCK LISTINGS

New York Stock Exchange
Ticker Symbol "EXP" and "EXPB"

ANNUAL MEETING

The Annual Meeting of Stockholders of Eagle Materials Inc. will be held on Tuesday, July 27, 2004 at 10:00 a.m. in the Red Oak Room at the Sheraton Suites Market Center, 2101 Stemmons Freeway, Dallas, Texas.

STOCKHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends or change of address should be sent to Mellon Investor Services LLC at the address listed above.

FORM 10-K

A copy of the Annual Report on Form 10-K of Eagle Materials Inc. is available upon request to the Senior Vice President-Investor Relations at corporate headquarters.

