



James Hardie



James Hardie

Unique Technology Driving High Growth

October 2002



James Hardie

A Brief History

- > Predecessor company established 1888
- > Listed on ASX 1951
- > Paid a dividend every year
- > Developed fibre cement 1980s – world first
- > Entered USA market late 1980s
- > Today...a focussed world leader in fibre cement



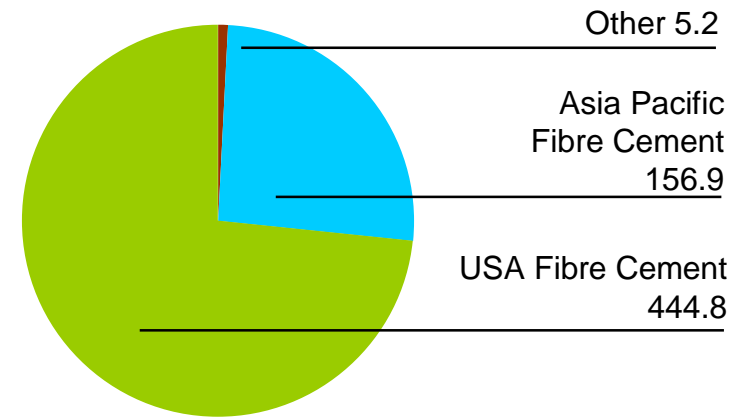


James Hardie

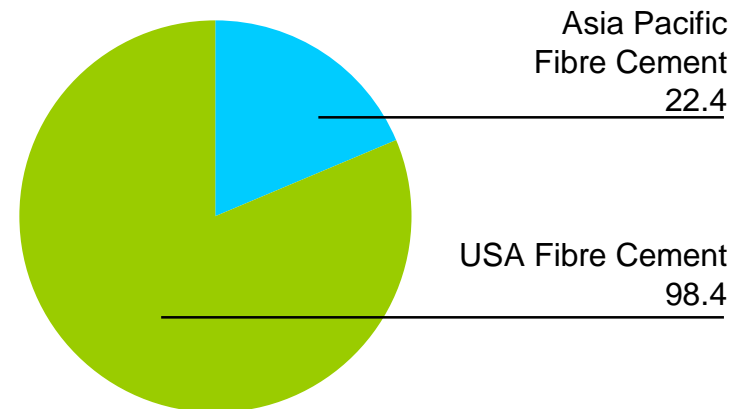
An Emerging Growth Company

- > Annual turnover US\$600m
- > Total assets US\$700m
- > 20 operations in 5 Pacific Rim countries
- > 2,400 employees
- > Market cap US\$1.6 billion (A\$3 billion)
- > ASX Top 50 company

Net Sales (US\$ million) FY02



EBIT* (US\$ million) FY02



* Before restructuring and other operating expenses



JHX – A Transformed Company

Restructured for Fibre Cement Focus and Growth

- > All non-core businesses sold 1996-2002
 - proceeds 96-02 US\$800 million
 - profit over book 96-02 US\$170 million

- > Asbestos Foundation established 2001
 - future claims separately funded
 - no future liability – no provision required

- > New corporate structure established 2001
 - higher after tax returns
 - ASX primary listing with full index weighting
 - ADR's listed on NYSE

- > Fibre Cement is our business

Focussed on Fibre Cement

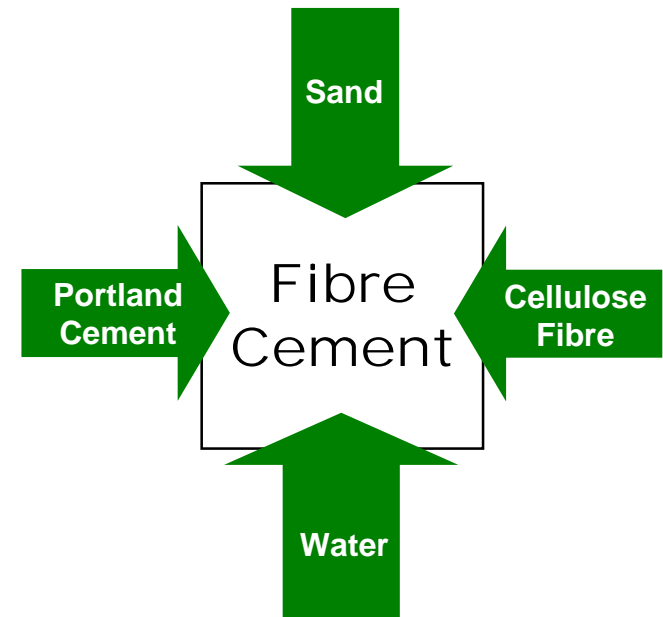
Attractive Investment Attributes

- > Sustainable competitive advantage
- > High growth targets
- > Unique proprietary technology
- > Strong cashflows and balance sheet
- > Reduced cyclical risk
- > Relentless competitive will to win



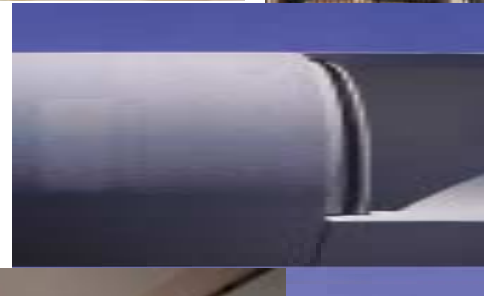
First to Develop Fibre Cement

James Hardie pioneered the development of fibre cement technology in the 1980s



Many Product Applications

- > External siding/soffit lining
- > Internal wall/floor wet area lining
- > Trim and fascia
- > Ceiling lining and flooring
- > External/internal wall systems
- > Partitioning
- > Commercial facades
- > Decorative columns
- > Fencing
- > Drainage pipes



Superior Product Performance

Fibre Cement is more durable than wood and engineered wood

Fibre Cement



Superior
Durability



Engineered Wood



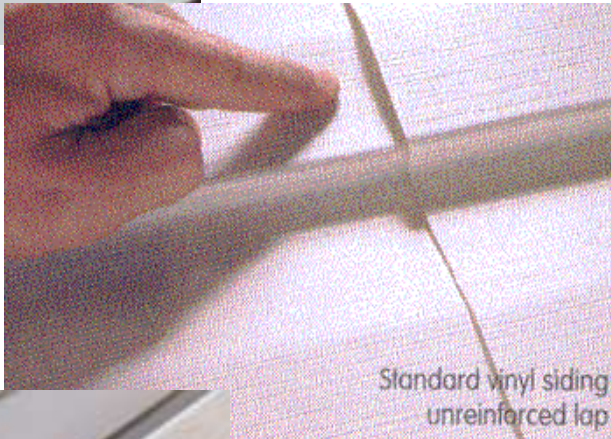
- ✓ Moisture Resistant
- ✓ Fire Resistant
- ✓ Weather Resistant
- ✓ Termite Proof
- ✓ Won't Warp
- ✓ Won't Crack
- ✓ Won't Rot
- ✓ Holds Paint Longer
- ✓ Won't Delaminate





Superior Product Performance

Fibre Cement looks and performs better than vinyl



Standard vinyl siding unreinforced lap



Fibre Cement

Vinyl

- | | | |
|---|-----------------------|---|
| ✓ | Fire Resistant | ? |
| ✓ | Hail Resistant | ? |
| ✓ | Wind Resistant | ? |
| ✓ | Won't Warp | ? |
| ✓ | Won't Buckle | ? |
| ✓ | Colour Lasts Longer | ? |
| ✓ | Strong and Rigid | ? |
| ✓ | Expands/Contracts | ? |
| ✓ | Withstands Impact | ? |
| ✓ | Dimensional Stability | ? |
| ✓ | Won't Blister | ? |
| ✓ | Won't Crack | ? |



Unique Technology and Scale

Sustainable Competitive Advantage

- > Unique plant engineering and proprietary process technology and product formulations
- > Unique differentiated products, widest range and strongest brand
- > Superior capital cost efficiency – plant capital cost ½ that of competitors
- > Largest, lowest cost manufacturer – plant operating cost 20-30% lower than competitors
- > Only national producer in each market
- > Superior economies of scale – plants 2-3 times larger than competitors



Creating the Future

R&D is a Key Driver of Growth

- > Capabilities and resources
 - 120 scientists, engineers and technicians
 - 30% increase in spend to US\$21 million in FY03 – 3% of sales
- > Core projects
 - new proprietary engineered raw materials
 - new proprietary product formulations
 - new engineering and proprietary process technologies
 - lightweight and durable products for all climates



Vision and Strategy

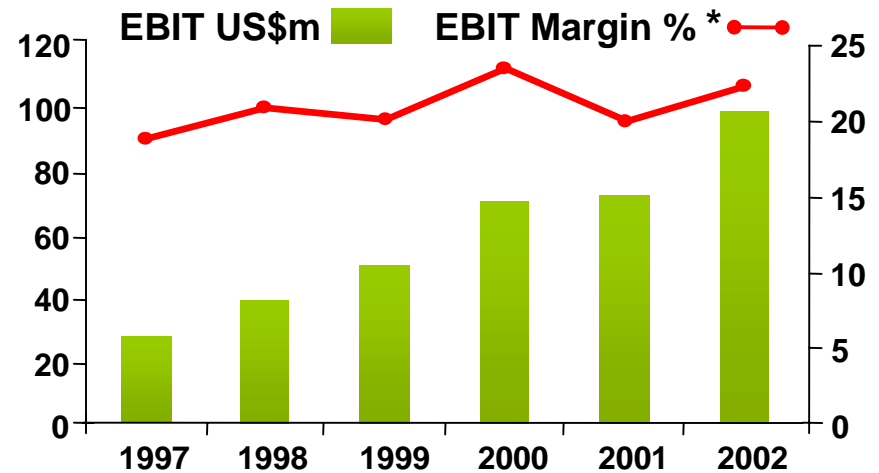
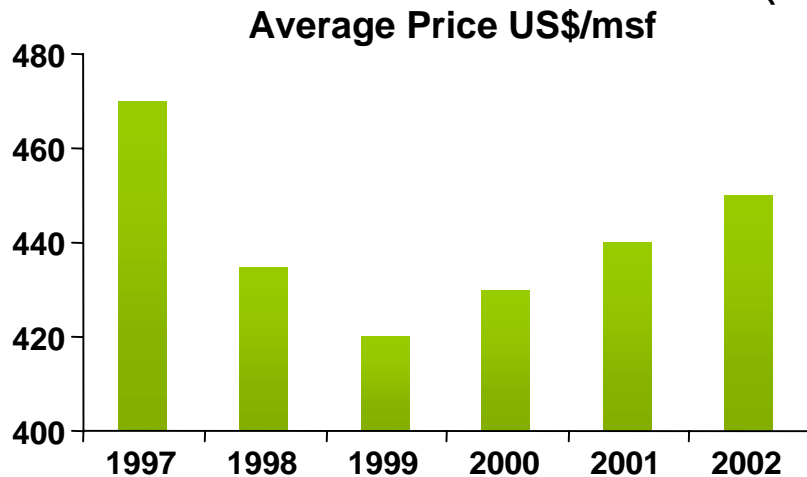
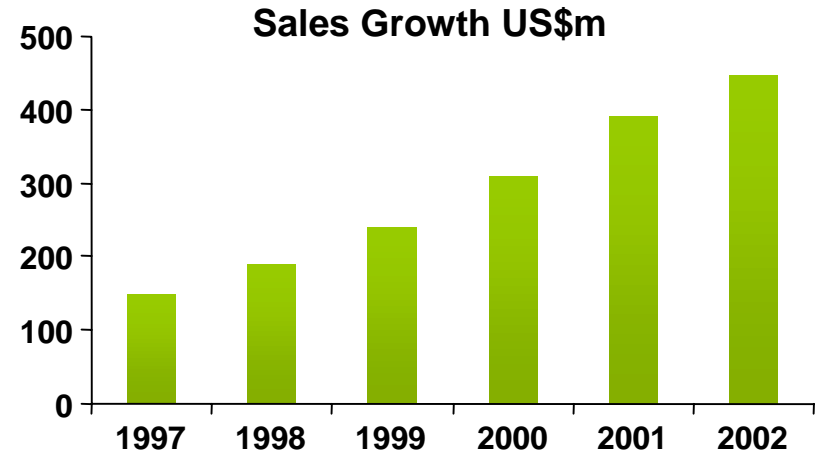
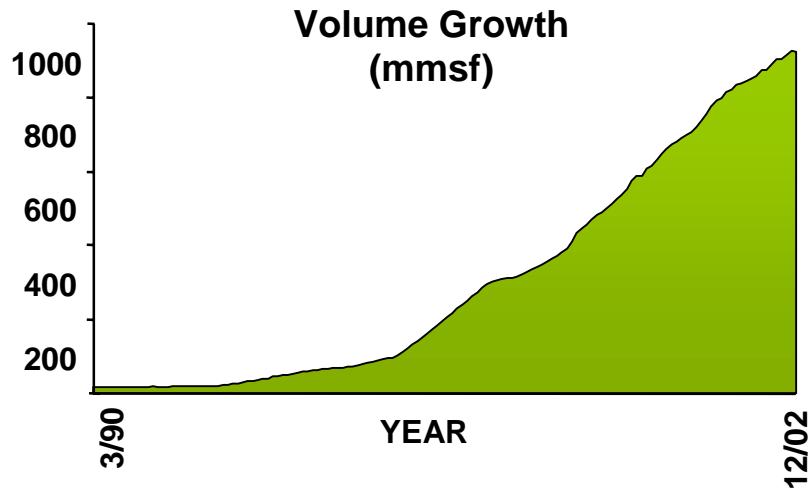
Our Goal is Global Leadership in Fibre Cement

- > Aggressively grow the market for fibre cement
- > Secure differentiated positions by leveraging:
 - technology
 - products
 - scale
 - cost
 - market position
 - brand recognition
- > Targets - high volume, rapid growth, largest share
- > Sustain attractive margins



USA Fibre Cement

Strong Performance



* Before restructuring and other operating expenses

Largest and Lowest Cost

James Hardie is uniquely advantaged in North America – the largest framed construction market in the world

Plant Locations



Plant Capacity

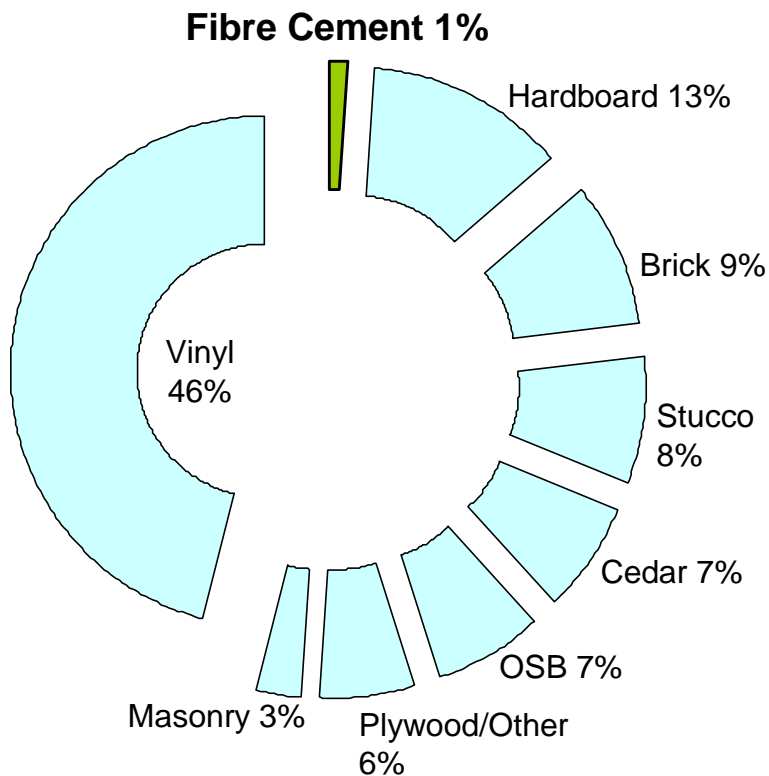
Flat Sheet Plants	Capacity (mmsf)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois	400
Waxahachie, Texas	360 *
Blandon, Pennsylvania	120
Summerville, South Carolina	190
Flat Sheet Total	2,250
FRC Pipe Plant	
Plant City, Florida	100,000 tons

* Upgrade in progress – includes capacity being added **14**

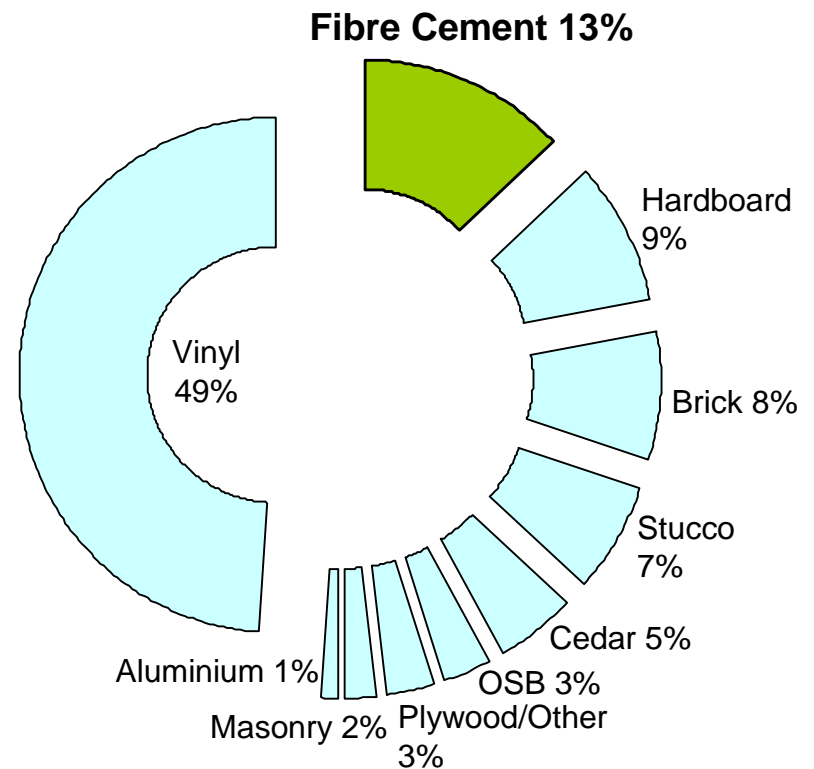
High Category Share – Low Market Share

Total Siding Market Share

1994

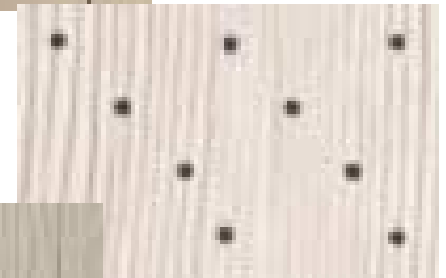


2002



Low Shares of Large Markets

Product Category	Market Size (bsf)
New Construction	
- Siding, Fascia & Soffits	3.5
- Trim	1.3
Total New	4.8
Repair & Remodel	
- Siding, Fascia & Soffits	3.9
- Trim	1.6
Total R&R	5.4
Grand Total	10.2 bsf



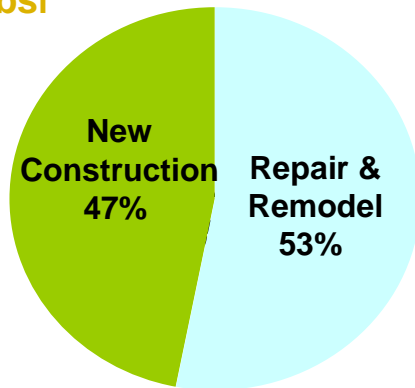
bsf = JH standard feet in billion square feet



8% Market Growth - R&R Growing Faster

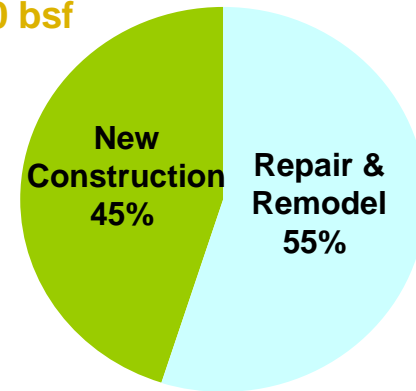
2002

USA Exterior Products Market
10.2 bsf

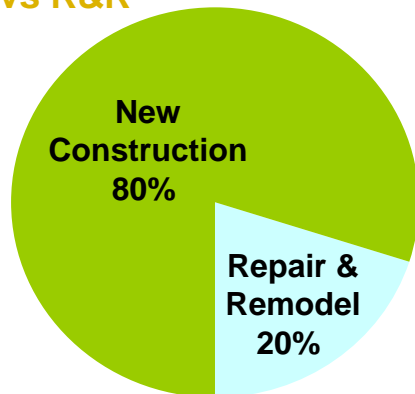


2007

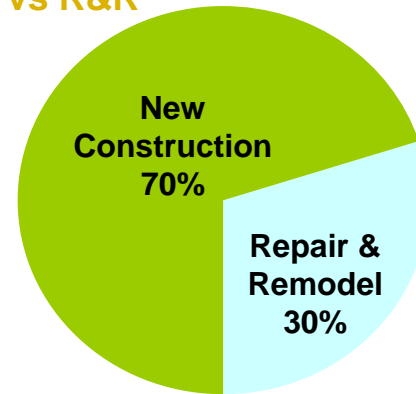
USA Exterior Products Market
11.0 bsf



James Hardie – Sales Mix
New vs R&R

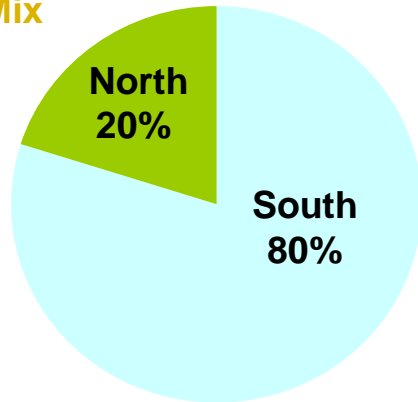


James Hardie – Sales Mix
New vs R&R

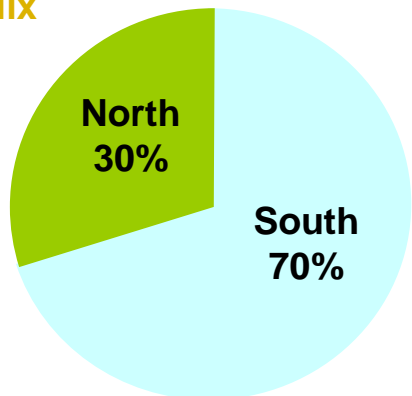


North Growing Faster

Exterior Products 2002
James Hardie North/South
Sales Mix



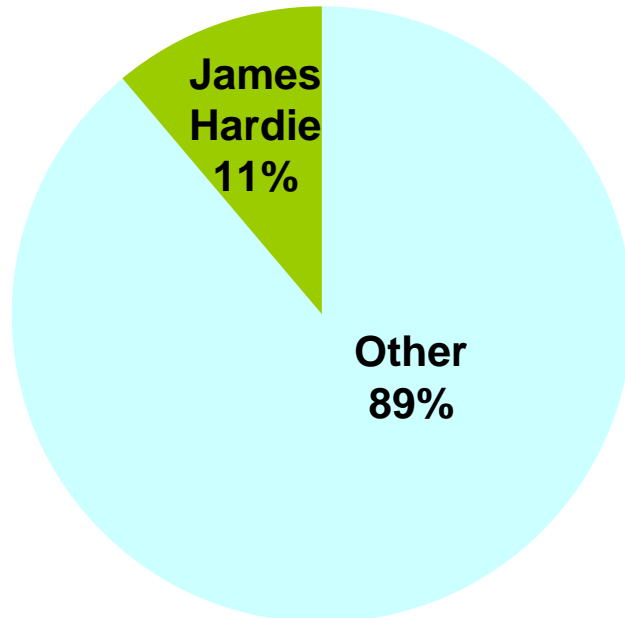
Exterior Products 2007
James Hardie North/South
Sales Mix



Overall Share Could Double in 5 Years

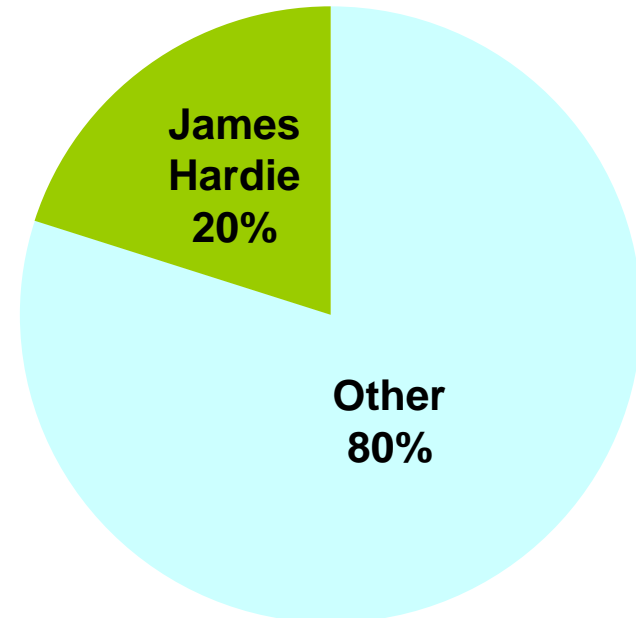
2002

**James Hardie Share
USA Exterior Products Market
10.2 bsf**



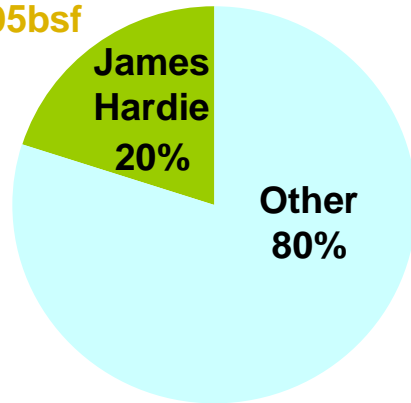
2007

**James Hardie Share
USA Exterior Products Market
11.0 bsf**

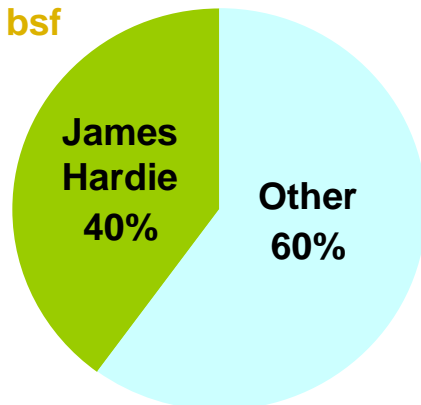


Backer Could Grow Even Faster

2002
USA Interior Cement Board Market
0.95bsf



2007
USA Interior Cement Board Market
1.1bsf





Asia Pacific Fibre Cement

Asia is a large market with significant growth potential



- > Asia Pacific Fibre Cement = 25% of sales, 18% of EBIT
- > Australia/New Zealand restructured to reduce cost and generate growth
- > Regional structure in place to drive exports and market development

Sales Offices

Korea
Taiwan
Manila
Malaysia
Papua New Guinea
Brisbane
Perth
Sydney
Adelaide
Auckland
Melbourne



● Brisbane 180 mmsf (48.5 thousand tonnes – Pipes)
● Sydney 190 mmsf
● Auckland 90 mmsf



Asia Pacific Fibre Cement

Strong Position and Growth Potential

- > High share of fibre cement sales
 - Australia 70%
 - New Zealand 85%
 - Philippines 95%
- > But fibre cement has low but growing share of building materials markets
 - eg. Australia 1.5%
- > And fibre cement has upside to grow against asbestos cement which still commands 88% of an 8 billion square foot market
- > There is a large and as yet untapped market for fibre cement in Asia, driven by:
 - progressive ban on asbestos
 - trends to lightweight, lower cost construction

New Growth Horizons

Philippines and Asia

- > Manufacturing plant commissioned 1999
- > FY02 sales US\$18.2 million
- > Fibre cement as substitute for plywood
- > 22% market share domestically
- > Exports growing fast to Korea, Taiwan, Hong Kong
- > Establishing low cost regional manufacturing hub



New Growth Horizons

Chile and South America

- > Manufacturing plant commissioned 2001
- > Low cost manufacturing, rapid market penetration
- > From zero base our target is market leadership
- > 20% share already achieved
- > Longer term, regional business planned in South America
- > Targeting US\$100 – US\$200 million in sales in the long term



New Growth Horizons

Pipes

- > USA manufacturing plant commissioned 2001
- > Product advantaged vs reinforced steel concrete pipes
- > Lower cost to make and install
- > Long term targets
 - national business
 - 4-5 manufacturing plants
 - large share of US\$2 billion market





New Growth Horizons

Roofing

- > USA market entry planned
- > Development of fibre cement roofing technology
- > US roofing market 11 bsf (US siding market 10.2 bsf)
- > Initial target market 1.5 bsf
 - to compete with wood shake
 - superior durability and fire performance





New Growth Horizons

Longer Term

- > Worldwide trend towards lightweight, framed construction and more energy efficient materials
- > Fibre cement replacing large asbestos cement (AC) market

	Current Total Market	Current AC
Asia	8.0 bsf	88%
North America	1.1 bsf	0%
South America	2.0 bsf	80%
Europe	3.0 bsf	35%
Australasia	0.3 bsf	0%



New Capital Management Strategy

High Growth Plus Cash Returns

- > US 20 cents per share tax free return of capital – November 2002
- > US 5 cents per share dividend – November 2002
- > Total US 25 cents per share returned following approvals
- > Total US 30 cents per share returned since December 01
- > Future dividends projected at US 5 cents per share per annum
- > Future returns of capital or share buy backs when appropriate



First Quarter Results

Strong Growth Momentum Continuing

USA Fibre Cement

> Revenue	up	37%
> Volume	up	39%
> EBIT	up	60%
> EBIT Margin		25%

Asia Pacific Fibre Cement

> Australia		
- Revenue	up	24%
- EBIT	up	100%
> New Zealand		
- Revenue	up	42%
- EBIT	up	80%



First Quarter Results

Strong Growth Momentum Continuing

Total Company

> Revenue	Up 35%
> Gross Profit	Up 55%
> EBIT	More than trebled
> Net Profit *	US\$23.0 million
> EPS	5.1c
> ROSF	34.6%
> ROCE	25.6%
> EBIT/Sales	17.9%
> Gearing	(17.2%)
> Net Interest Cover	12.3x

Continuing businesses only



Market Forecasts

	FY02 Actual	FY03 Broker Forecasts		
US\$ Million		<u>High</u>	<u>Low</u>	<u>Mean</u>
Sales	606.9	800.0	756.0	779.0
Growth %	12%	32%	25%	28%
EBIT	75.0 *	135.0	125.0	128.0
Growth %	33%	80%	67%	71%
EBIT Margin %	12%	17%	17%	16%
Net Profit	26.6	89.0	80.0	86.0

* Before restructuring and other operating expenses

Broker Forecasts are as at September 2002 and include forecasts by ABN Amro, CSFB, Deutsche, JPMorgan, Merrill Lynch, JBWere, UBS Warburg, Saloman Smith Barney and Macquarie

Long Term Financial Targets

High Growth and Attractive Returns Targeted

Revenue growth	> 15% p.a.
EBIT Margins	> 15%
ROA	> 15%





Disclaimer

This presentation contains forward-looking statements. Words such as “will”, “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project”, “predict”, “forecast,” “guideline,” “should,” “aim” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, which are further discussed in our periodic reports filed with the Securities and Exchange Commission on Forms 20-F and 6-K and in our other filings, include but are not limited to: competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with, and possible changes in, environmental and health and safety laws; dependence on cyclical construction markets; the supply and cost of raw materials; our reliance on a small number of product distributors; the consequences of product failures or defects; exposure to environmental or other legal proceedings; and risks of conducting business internationally. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.



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Unique Technology Driving High Growth

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