



James Hardie

4TH QUARTER AND FULL YEAR RESULTS
15 MAY 2003



- Overview – Peter Macdonald, CEO
- Financial Review – Phillip Morley, CFO
- Operating Review – Peter Macdonald, CEO
- Questions and Answers

4th Quarter and FY'03

		<u>Q4 '03</u>		<u>FY</u>
Sales Revenue	up	26%	up	32%
Gross Profit	up	46%	up	47%
EBIT ¹	up	29%	up	71%
Operating Profit ²	up	59%	up	202%
Net Operating Profit ³	up	226%	up	454%

¹Before restructuring and other operating expenses

²Continuing operations only

³Includes discontinued operations and profit on sale of Gypsum

4th Quarter

- USA Fibre cement EBIT up 56%
- Australia and New Zealand Fibre Cement EBIT down 32% including redundancy costs. Up 2% excluding redundancy costs
- Philippines – small profit
- Finalised Las Vegas Gypsum land sale – US\$48.4 million net proceeds



Strong Growth Momentum

Full Year

- USA Fibre Cement EBIT* up 58%
- Australia Fibre Cement EBIT up 29%
- New Zealand Fibre Cement EBIT up 17%
- Philippines – EBIT positive
- Capital return of US 15 cents a share (EUR 13.05) plus US 2.5 cents a share final dividend

*Before restructuring and other operating expenses



Exceeding Targets

	<u>Long Term Target</u> p.a	<u>FY03 Actual</u>
Revenue Growth	>15%	32%
EBIT*/Sales Margin	>15%	16%
ROA (EBIT/GCE)	>15%	21%

*Before restructuring and other operating expenses



Capital Return and Dividend

- Capital return of US 15 cents a share (EUR 13.05 cents)
 - Requires shareholder approval (August AGM)
 - Payment likely in November 2003
 - Withholding tax free

- Final dividend of US 2.5 cents a share
 - Payment in July 2003



Financial Review

Phillip Morley, CFO



Income Statement – Q4

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
Net Sales	198.5	158.0	26
Gross Profit	79.8	54.5	46
SG&A	(45.9)	(29.0)	58
Research & Development	(5.5)	(3.4)	62
EBIT before restructuring and other operating expenses	28.4	22.1	29
Restructuring and other operating expenses	-	0.1	-
EBIT	28.4	22.2	28
Net Interest Expense	(2.1)	(3.3)	(36)
Other Income, Net	0.6	0.3	100
Income Tax Expense	(3.5)	(4.5)	(22)
Operating Profit	23.4	14.7	59



Income Statement - FY

US\$ Million	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
Net Sales	803.7	606.9	32
Gross Profit	301.8	205.3	47
SG&A	(153.1)	(114.8)	33
Research & Development	(18.1)	(14.1)	28
EBIT before restructuring and other operating expenses	130.6	76.4	71
Restructuring and other operating expenses	1.0	(28.1)	(104)
EBIT	131.6	48.3	172
Net Interest Expense	(19.9)	(16.0)	24
Other Income (Expense), Net	0.7	(0.4)	(275)
Income Tax Expense	(27.0)	(3.6)	-
Operating Profit	85.4	28.3	202



Segment Sales – Q4

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
USA Fibre Cement	146.2	117.3	25
Asia Pacific Fibre Cement	48.5	39.0	24
Other Fibre Cement	3.8	1.7	124
Total	198.5	158.0	26

Continuing businesses only



Segment Sales - FY

US\$ Million	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
USA Fibre Cement	599.7	444.8	35
Asia Pacific Fibre Cement	194.4	156.9	24
Other Fibre Cement	<u>9.6</u>	<u>5.2</u>	<u>85</u>
Total	<u>803.7</u>	<u>606.9</u>	<u>32</u>

Continuing businesses only



EBIT – Q4

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
USA Fibre Cement	37.8	24.2	56
Asia Pacific Fibre Cement	4.9	6.6	(26)
Other Fibre Cement	(2.5)	(2.2)	(14)
R & D	(4.1)	(2.7)	(52)
Total Segment EBIT	<u>36.1</u>	<u>25.9</u>	<u>39</u>
Corporate Costs	<u>(7.7)</u>	<u>(3.7)</u>	<u>(108)</u>
Total EBIT	<u>28.4</u>	<u>22.2</u>	<u>28</u>

Continuing businesses only



EBIT - FY

US\$ Million	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
USA Fibre Cement*	155.1	85.8	81
Asia Pacific Fibre Cement	30.1	22.4	34
Other Fibre Cement	(10.7)	(8.8)	21
R & D	<u>(13.0)</u>	<u>(10.0)</u>	<u>30</u>
Total Segment EBIT*	<u>161.5</u>	<u>89.4</u>	<u>81</u>
Corporate Costs	<u>(29.9)</u>	<u>(41.1)</u>	<u>27</u>
Total EBIT*	<u>131.6</u>	<u>48.3</u>	<u>172</u>

Continuing businesses only

*After restructuring and other operating expenses



Corporate Costs – Q4

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>
Economic Profit Bonus Accrual	2.7	-
Stock Options Expense (SFAS 123)*	1.7	(1.4)
Ongoing Costs – Variable (Pulp Hedge (settled in Q4'03), Employee Share Plan)	0.1	1.9
Corporate Costs	3.2	4.9
Total	<u>7.7</u>	<u>5.4</u>

* Q4 '02 amounts is the net SFAS 123 adoption adjustment. It includes SFAS 123 expense of US\$1.3 million



Corporate Costs - FY

US\$ Million	<u>FY '03</u>	<u>FY '02</u>
Restructure Costs (Corporate Restructure)	-	7.4
Economic Profit Bonus Accrual	7.1	-
Stock Option Expense (SFAS 123)*	1.7	(1.4)
Ongoing Costs – Variable (Pulp Hedge (settled in Q4'03), Employee Share Plan)	1.3	20.0
Corporate Costs	<u>19.8</u>	<u>15.1</u>
Total	<u>29.9</u>	<u>41.1</u>

* Q4 '02 amount is the net SFAS 123 adoption adjustment. It includes SFAS 123 expense of US\$1.3 million



Net Interest Expense

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
Ongoing Net Interest Expense	2.1	3.3	(36)
	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
Ongoing Net Interest Expense	10.0	16.0	(38)
Make-Whole Payment ¹	9.9	-	-
Net Interest Expense	19.9	16.0	24

¹ Make-whole payment associated with the early retirement of US\$60 million of long-term debt.



Income Tax Expense

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
Income Tax Expense	(3.5)	(4.5)	(22)
Rate	13.0%	23.4%	(44)
	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
Income Tax Expense	(27.0)	(3.6)	-
Rate	24.0%	11.3%	112

Tax Rate

- Dutch effective tax rate 15% on finance company profits
- Lower rates than 15% apply if finance company profits reinvested in qualifying capital projects
- Major capital expenditure program funded from Dutch finance company
- Capital releases in Q4



EBITDA – Q4

US\$ Million	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>% Change</u>
EBITDA			
USA Fibre Cement	42.2	28.3	49
Asia Pacific Fibre Cement	7.7	8.6	(10)
Other Fibre Cement	(2.4)	(2.2)	(9)
R & D	(4.1)	(2.7)	(52)
Total Segment EBITDA	43.4	32.0	36
Corporate	(7.7)	(3.7)	(108)
Total EBITDA	35.7	28.3	26
EBIT/Operating Profit			
USA Fibre Cement	37.8	24.2	56
Asia Pacific Fibre Cement	4.9	6.6	(26)
Other Fibre Cement	(2.5)	(2.2)	(14)
R & D	(4.1)	(2.7)	(52)
Corporate	(7.7)	(3.7)	(108)
Depreciation and Amortization			
USA Fibre Cement	4.4	4.1	7
Asia Pacific Fibre Cement	2.8	2.0	40
Other Fibre Cement	0.1	0.0	-
Total	35.7	28.3	26



EBITDA - FY

US\$ Million	<u>FY '03</u>	<u>FY '02</u>	<u>% Change</u>
EBITDA			
USA Fibre Cement*	173.3	100.3	73
Asia Pacific Fibre Cement	39.0	31.2	25
Other Fibre Cement	(10.3)	(8.6)	(20)
R & D	(13.0)	(10.0)	(30)
Total Segment EBITDA*	189.0	112.9	67
Corporate*	(29.7)	(40.8)	27
Total EBITDA*	159.3	72.1	121
EBIT Operating Profit			
USA Fibre Cement	155.1	85.8	81
Asia Pacific Fibre Cement	30.1	22.4	34
Other Fibre Cement	(10.7)	(8.8)	(22)
R & D	(13.0)	(10.0)	(30)
Corporate	(29.9)	(41.1)	27
Depreciation and Amortization			
USA Fibre Cement	18.2	14.5	26
Asia Pacific Fibre Cement	8.9	8.8	1
Other Fibre Cement	0.4	0.2	100
Corporate	0.2	0.3	(33)
Total	159.3	72.1	121

Continuing businesses only *Before restructuring and other operating expenses

Reconciliation of EBITDA to USGAAP measure - Regulation G



Capital Expenditure – Q4

US\$ Million	Capital Expenditure		Depreciation	
	<u>Q4 '03</u>	<u>Q4 '02</u>	<u>Q4 '03</u>	<u>Q4 '02</u>
USA Fibre Cement	27.8	2.8	4.4	4.0
Asia Pacific Fibre Cement	0.5	3.2	2.8	2.0
Other Fibre Cement	0.5	0.2	0.1	-
Total Segments	28.8	6.2	7.3	6.0

Continuing businesses only



Capital Expenditure - FY

US\$ Million	Capital Expenditure		Depreciation	
	<u>FY '03</u>	<u>FY '02</u>	<u>FY '03</u>	<u>FY '02</u>
USA Fibre Cement	81.0	39.2	18.0	14.4
Asia Pacific Fibre Cement	6.7	8.1	8.9	8.7
Other Fibre Cement	2.1	3.3	0.4	-
Total Segments	89.8	50.6	27.3	23.1

Continuing businesses only



Key Ratios

	<u>FY '03</u>	<u>FY '02</u>	<u>FY '01</u>	<u>FY '00</u>
EPS (Basic) *	18.7c	6.4c	7.3c	6.1c
Return on Shareholders' Funds	42.3%	8.9%	14.7%	58.1%
Return on Capital Employed *	21.2%	8.6%	8.6%	14.1%
EBIT/Sales *	16.4%	8.0%	7.6%	11.7%
Gearing $\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	21.4%	44.7%	56.1%	48.8%
Net Interest Cover *	6.6x	3.0x	3.1x	3.0x

*Continuing businesses only



Economic Profit

US\$ Million	<u>FY'03</u>	<u>FY'02*</u>
NOPAT	111.3	55.0 ¹
Average Capital	627.6	583.7
WACC Rate	9.8%	9.8%
Capital Charge	61.5	57.2
Economic Profit	49.8	(3.7)

*Restated using updated WACC Rate for FY'03; USGAAP; excluding Gypsum

¹Restated for stock compensation



Peter Macdonald, CEO



USA Fibre Cement





4th Quarter Result

Net Sales	up	25% to US\$146.2 million
Sales Volume	up	12% to 297.9 mmsf
Average Price	up	11% to US\$491 per msf
EBIT*	up	56% to US\$37.8 million
EBIT Margin*	up	5.3 pts to 25.9%

*Before restructuring and other operating expenses



Full Year Result

Net Sales	up	35% to US\$599.7 million
Sales Volume	up	29% to 1,273.6 mmsf
Average Price	up	5% to US\$471 per msf
EBIT*	up	58% to US\$155.1 million
EBIT Margin*	up	3.7 pts to 25.9%

*Before restructuring and other operating expenses



4th Quarter Trading Conditions

- Housing construction remained relatively healthy
- Bad weather in some regions
- Some softening in consumer confidence
- Normal seasonal industry slowdown



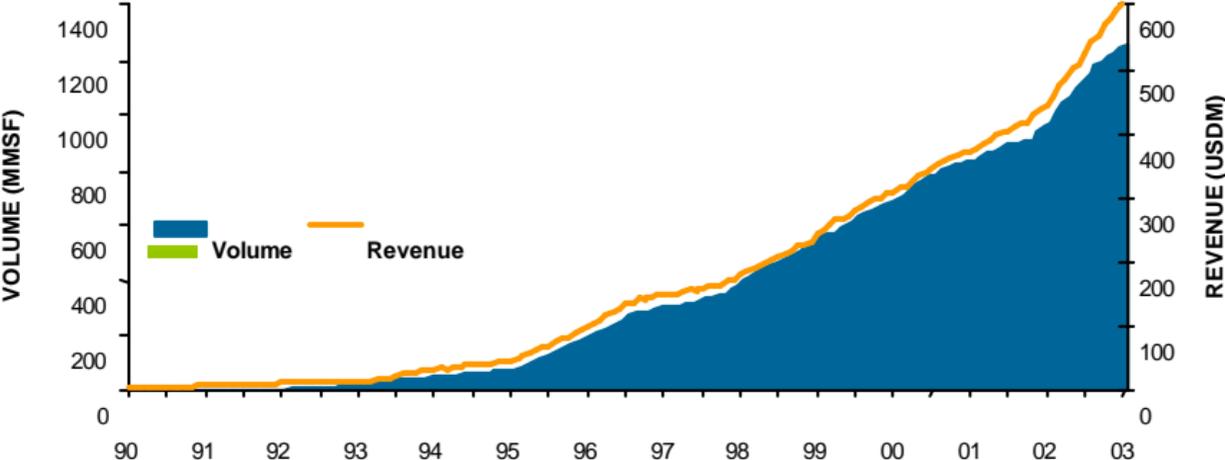
Key Points Q4

- Continued strong demand for fibre cement
- Increased penetration in both exterior and interior markets
- Increased penetration in the north and south
- Strong growth in differentiated, higher priced products
- Further roll out of XLD Trim in targeted markets



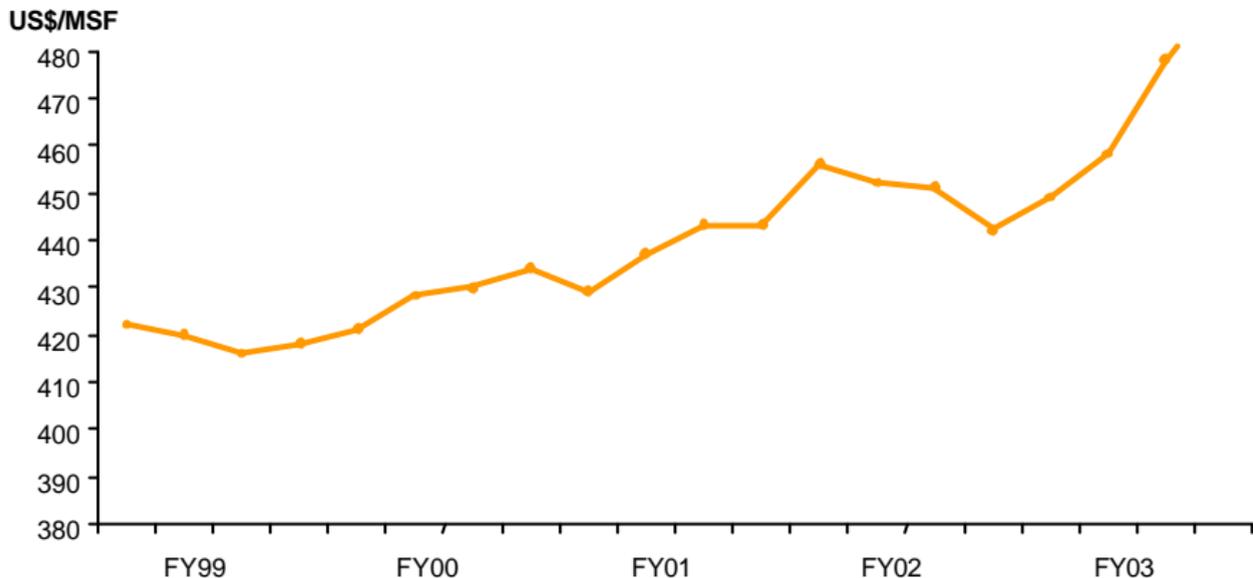
USA Fibre Cement

Revenue Growth Continuing to outstrip Volume Growth





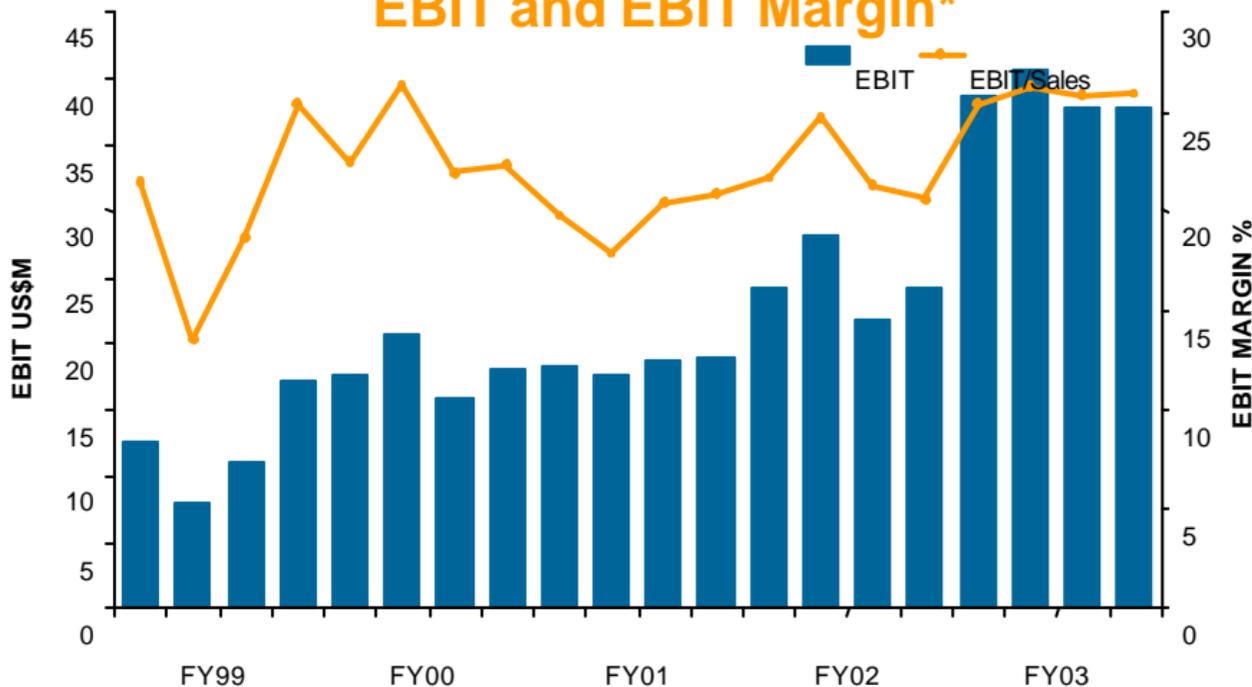
Average Quarterly Selling Price





USA Fibre Cement

EBIT and EBIT Margin*



*Excludes restructuring and other operating expenses



Strategy

- Aggressively grow market for fibre cement
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors, introducing differentiated products to reduce direct price competition
- Optimise earnings with desired rate of market penetration



Outlook

- Continued growth in primary demand
- Housing construction to remain healthy over short-term
 - Approvals up, inventories low, house prices high and interest rates low
 - Consumer confidence lifted from lows
- Fundamental drivers of housing suggest strong demand over medium to longer-term
- Further market share gains in the north, south and across product range
- Strong growth in differentiated, higher priced products



Asia Pacific Fibre Cement





Asia Pacific Fibre Cement

4th Quarter Result

Net Sales	up	24% to US\$48.5 million
Sales Volume	up	12% to 92.0 mmsf
EBIT	down	26% to US\$4.9 million
EBIT Margin	down	6.8 pts to 10.1%



Full Year Result

Net Sales	up	24% to US\$194.4 million
Sales Volume	up	15% to 368.3 mmsf
EBIT	up	34% to US\$30.1 million
EBIT Margin	up	1.2 pts to 15.5%



Asia Pacific Fibre Cement

Strategy

- Grow primary demand for fibre cement
- Focus on supply chain efficiencies across the region
- Ongoing manufacturing improvements to further lower cost of production
- Introduce new differentiated products to increase share in existing markets
- Grow the Asian market through participation in strategic markets



Australia – Key Points Q4

- Relatively strong level of building activity but some softening towards end of quarter
- Volumes up 13% helped by robust level of renovation activity
- Gross profit up 28%
- EBIT down 25% and EBIT margin down to 12.4% due mainly to redundancy costs
- EBIT up 6% excluding redundancy costs (US\$1.6M)



Australia – Outlook

- Further softening in housing sector
- Renovations and commercial segments to remain buoyant
- Cost reductions
- New products and strategies to increase demand
- Strong EBIT performance



New Zealand – Key Points

- Residential building activity remained healthy
- Increased penetration in key markets helped lift volumes 27%
- Further strong growth in Linea® weatherboard cladding and trim products
- Non residential building activity remained soft but panel sales continued to be strong
- Gross profit up 19%
- EBIT down 61% and EBIT margin down to 4.1% due mainly to redundancy costs (\$0.6M)
- EBIT down 15% excluding redundancy costs (US\$0.6M)



New Zealand – Outlook

- Healthy residential building activity to continue in short term, but some softening expected late in year
- Increase sales of differentiated, higher price products
- Further weakness in non-residential segment
- Cost reductions
- Strong EBIT performance



Philippines – Key Points

- Slower construction activity due to higher material prices and regional economic uncertainty
- Domestic volumes up 8% for quarter, 27% for full year
- Continued growth in domestic demand helped lift total volumes 3%
- Further market share taken from plywood
- Export demand remained weak for quarter, export volumes down 38%, full year down 54%
- Improved manufacturing performance
- Small operating profit for the quarter and full year



Philippines – Outlook

- Construction activity to slow due to continued regional economic uncertainty
- Further growth in domestic sales
- Export sales to remain weak
- More manufacturing cost improvements



Business Portfolio Strategy

- Business portfolio balanced to achieve short and long term growth
 - USA expected to double between 2002 - 2007
 - Growth and attractive returns from ANZ
 - Numerous opportunities for growth > 5 years
 - Asset mix reflects this



High Growth From Unique Technology

James Hardie Business Portfolio – FY 03

	<u>GCE</u>	<u>Sales</u>	<u>EBIT</u>
USA			
– Established high growth/high return	70%	75%	89%
Asia Pacific			
– Established high return	21%	24%	17%
Other			
– Emerging opportunities (Pipes, Roofing, Europe, Chile)	9%	1%	(6%)
Total	100%	100%	100%

Chile Fibre Cement – Key Points

- Continued penetration of domestic market
- Normal seasonal increase in construction activity
- Revenue and volumes more than doubled despite weaker economic conditions
- Prices remained low due to competitive pressures

Chile Fibre Cement – Outlook

- Further penetration of the domestic market
- Continued strong growth in sales revenue and volumes
- Increased sales of differentiated, higher price products

FRC Pipes – Key Points

- Continued to penetrate the south-east market
- Sales more than doubled
- Lower costs and improved manufacturing performance
- Increased output – particularly large diameter pipes
- Prices continue to be affected by competition

FRC Pipes – Outlook

- Continued market penetration as awareness increases
- Further improvements in manufacturing costs and performance
- Competitive pressures to keep prices weak



Roofing

- Pilot plant completed and being commissioned
- Plant located at Fontana, California – 25mmsf
- Field product testing has commenced
- First woodshake sales expected in June



- Initially pursuing a low cost, low risk strategy
- Products imported from US
- Selling into UK and France
- Initial products: Backerboard, Plank and Trim



Research and Development

- Key driver of growth
- Core projects
 - engineered raw materials
 - product formulations
 - engineering and process technologies
 - lightweight and durable products for all climates
- Sustainable competitive advantage continuing to be built



- The fundamental drivers of future demand in North America suggest that the housing sector should remain healthy over the medium to long-term
- In the short term, the strong results achieved in the past year are continuing into the first quarter
- In Asia Pacific, there are initiatives in place to address some softening in building activity
- Overall, the prospects for another good year are very encouraging



Disclaimer

■ Notes

1. *Unless otherwise stated, results are for continuing operations only and comparisons are of the 4th quarter of the current fiscal year versus the 4th quarter of the prior fiscal year.*
2. *This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including Management's Discussion and Analysis (MD&A), a Media Release, a Finance Report and Results at a Glance document.*
3. *Management has used EBIT before restructuring and other operating expenses because this measure provides a more accurate indication of operating performance. Presentation of this line item is not required under US GAAP. Refer to the MD&A for information reconciling this measure to the comparable US GAAP measure.*

Disclaimer

This presentation contains forward-looking statements. Words such as "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 reports submitted to 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.



James Hardie

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