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## 4<sup>th</sup> Qtr Operating Profit Up 35% to US\$31.3 million Full Year Operating Profit Up 50% to US\$125.3 million

James Hardie today announced a 35% increase in operating profit from continuing operations to US\$31.3 million for the three months ended 31 March 2004. Operating profit from continuing operations for the full year was up 50% to US\$125.3 million.

Among the 4<sup>th</sup> quarter highlights, net sales increased 29%, gross profit was up 16% and EBIT<sup>2</sup> increased 25% to US\$34.8 million.

The USA Fibre Cement business continued to generate strong growth, lifting net sales 27% and EBIT<sup>2</sup> 14% in the quarter, and by 23% and 26% respectively for the full year.

Australia and New Zealand Fibre Cement increased net sales and EBIT<sup>2</sup>, while the Philippines Fibre Cement business delivered another positive EBIT<sup>2</sup> in both the quarter and full year.

For the full year, total company net sales increased 25%, gross profit was up 23% and EBIT<sup>2</sup> increased 34% to US\$172.2 million.

Basic earnings per share from continuing operations increased 33% for the quarter, from US 5.1 cents to US 6.8 cents, and 50% for the full year, from US 18.3 cents to US 27.4 cents.

Net operating profit including discontinued operations was down in both the quarter and full year because the prior year number included a profit of US\$84.0 million related primarily to the sale of our former Gypsum assets.

### 4<sup>th</sup> Quarter and Year-to-Date at a Glance – US\$ Million

	Q4FY04	Q4FY03	%+(-)	FY04	FY03	%+(-)
Net Sales	251.3	194.3	29	981.9	783.6	25
Gross Profit	89.7	77.1	16	358.9	290.8	23
EBIT <sup>2</sup>	34.8	27.9	25	172.2	128.8	34
Net Interest Expense	(2.5)	(2.1)	19	(10.0)	(19.9)	(50)
Other Income, net	6.9	0.6	-	3.5	0.7	-
Income Tax Expense	(7.9)	(3.3)	139	(40.4)	(26.1)	55
Operating Profit from continuing operations <sup>3</sup>	31.3	23.1	35	125.3	83.5	50
Net Operating Profit including discontinued operations <sup>4</sup>	32.0	54.5	(41)	129.6	170.5	(24)

*Unless otherwise stated, results are for continuing operations only and comparisons are of the 4<sup>th</sup> quarter of the current fiscal year versus the 4<sup>th</sup> quarter of the prior fiscal year.*

## Dividend and Capital Management

The company has announced plans today for a final dividend of US 3.0 cents a share, an increase of US 0.5 cents on last year's dividend. The dividend will be paid on 1 July 2004 to shareholders registered on 10 June 2004.

"The increased dividend reflects our confidence in the strong growth potential of our fibre cement business," Mr Macdonald said.

The company's cash flows continue to exceed its capital requirements. The gearing ratio at 17% at year-end, is well below the long-term target of 40%, and interest cover at 17x is well in excess of debt covenant requirements.

As a result, the company remains committed to returning surplus capital to shareholders in the most efficient manner possible.

However, the Dutch tax authorities have recently ruled that future reductions of capital will attract a 10% withholding tax that did not apply to previous reductions of capital.

Additionally, the company believes that it would be inappropriate to proceed with a return of capital to shareholders during the current NSW Special Commission of Inquiry.

Consequently, James Hardie has deferred its decision on future capital management initiatives until later this year.

## Operations Commentary

James Hardie's CEO, Peter Macdonald said: "The fourth quarter results have capped off another very successful year and results so far this year suggest that the strong growth momentum of the previous year is continuing and that a another good year is in prospect.

"Demand for our products in North America continues to grow strongly, significantly outpacing the rate of housing construction growth.

"Top-line growth in our US business accelerated in the fourth quarter and we gained further share in our exterior and interior product categories across our established and emerging markets. Margins were slightly lower due to increased pulp costs, plant ramp ups and further investment in growth initiatives, including the recruitment of 267 additional staff, mainly in the second half.

"The outlook for housing in the US remains positive.

"Our Asia Pacific businesses in Australia, New Zealand and the Philippines continued to deliver improved performance and we are encouraged by prospects in these markets.

"We are also pleased with progress in Chile, Europe and our new roofing business in the USA," Mr Macdonald said.

## USA Fibre Cement – Strong Sales and Volume Growth

Net sales increased 27% to US\$185.1 million in the 4<sup>th</sup> quarter due to a 29% increase in sales volume to 383.6 million square feet. The main drivers were continued strong growth in demand for fibre cement and a healthy residential housing sector buoyed by low interest rates, strong house prices and a strengthening US economy.

There was strong sales growth in both our emerging and established geographic markets and in our exterior and interior product categories.

Average selling prices were 2% lower for the quarter, reflecting stronger sales growth for some of our lower priced products and a higher level of volume rebates.

Despite increased 4<sup>th</sup> quarter costs, strong top line growth helped lift EBIT<sup>2</sup> 14% to US\$43.2 million for the quarter. The EBIT margin<sup>2</sup> was 23.3% for the quarter.

For the full year, net sales were up 23% to US\$738.5 million and EBIT<sup>2</sup> was 26% higher to US\$195.6 million and the EBIT margin<sup>2</sup> was 26.5%.

During the quarter, we started construction of our new 300 million square feet green-field fibre cement plant in Reno, Nevada, which will service rapidly growing demand on the west coast of the US. We also continued the ramp-up of recently upgraded capacity at the Blandon, Pennsylvania and Waxahachie, Texas plants, as well as our new proprietary pre-finishing line at the Peru, Illinois plant which is used to paint our ColorPlus™ Collection of products.

### **Australia and New Zealand Fibre Cement**

Net sales increased 34% to US\$53.1 million for the quarter due mainly to favourable currency translation. New housing activity in Australia was softer compared to the same period a year ago, but housing renovations remained strong. In New Zealand, new housing activity remained buoyant.

EBIT<sup>2</sup> increased 30% for the full year and was up 5% in Australian dollars due to lower SG&A. The EBIT margin<sup>2</sup> for the year was 18.1%. EBIT<sup>2</sup> was up 97% for the quarter and 57% in Australian dollars on account of redundancy costs incurred in the same period last year. The EBIT margin<sup>2</sup> for the quarter increased to 14.5%.

### **Philippines – Positive EBIT<sup>2</sup>**

The Philippines business recorded another small positive EBIT<sup>2</sup> in the quarter resulting in a full year EBIT<sup>2</sup> of US\$2.2 million as it continued to generate increased sales and reduce manufacturing costs.

### **Chile – First Full Year Positive EBIT<sup>2</sup>**

The business recorded another quarterly positive EBIT<sup>2</sup> and achieved its first full year positive EBIT<sup>2</sup> since commencing commercial production in 2001.

### **USA Hardie® Pipe – Strong Growth and Manufacturing Efficiencies**

Further strong top line growth and manufacturing performance improvements were achieved, but prices remain low and manufacturing costs are still higher than our targets, resulting in the business incurring a loss for the quarter and full year.

### **Europe**

Our expansion into Europe continues to track in line with our expectations following the business becoming operational in the first quarter. We are growing demand and sales as distribution outlets are added in the UK and France and as we build awareness among distributors, builders and contractors.

## Special Commission of Inquiry

There is currently a Special Commission of Inquiry into the establishment of the Medical Research and Compensation Foundation in NSW, Australia. The company is co-operating with the Inquiry, which is expected to report by, or after, the end of June.

## Outlook

In North America, housing construction continues to be buoyed by low interest rates and strong house prices and the short term outlook remains positive with indicators of future activity including housing starts, permits and builder confidence all at high levels.

Despite expectations of higher interest rates later in the year, the fundamental drivers of housing demand continue to look positive. The US domestic economy is strengthening and demographic factors such as immigration, internal migration and household formation all suggest healthy levels of housing demand over the medium to longer term.

Our North American business is expected to generate further top-line and market share growth as it continues to penetrate its exterior and interior product categories across its established and emerging markets.

In Australia and New Zealand, the renovations and commercial segments are expected to remain buoyant over the short term, but new housing activity in Australia is expected to further soften. Increased sales and improved plant operating efficiencies are expected.

In the Philippines, stronger domestic and export demand is expected from increased construction activity, reflecting more favourable economic conditions in the region. Increased demand and more cost savings should further improve operating performance.

In Chile, the business is entering its seasonal slow down period, but construction activity is expected to be stronger during this period than a year ago. Further market penetration and share growth is expected as awareness of the business's expanded product range among builders, distributors and contractors continues to increase.

The USA Hardie® Pipe business is continuing to grow sales as it penetrates the south-east market and is lifting production to meet growing demand. Further progress is expected to improve plant operating efficiency and lower manufacturing costs.

In Europe, further market penetration is expected as the business continues to build awareness of its products among builders, contractors and distributors.

Overall, the strong results achieved in the past year are continuing into the first quarter and prospects for good growth over the full year are encouraging. The company intends to provide earnings guidance for the full year when it reports its 1<sup>st</sup> quarter results in August.

Ends.

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The release and the accompanying MD&As and management presentation, along with the audio webcast of the presentation, are available from the Investor Relations section of the company website at [www.jameshardie.com](http://www.jameshardie.com)

## Notes

1. *This media release 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 Management Presentation, a Financial Report and a Results at a Glance document.*
2. *EBIT is defined as operating income. EBIT margin is defined as EBIT as a percentage of our net sales. We believe EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by our management to measure the operating profit or loss of our business. EBIT is one of several metrics used by our management to measure the cash generated from our operations, excluding the operating cash requirement of our interest and income taxes. Additionally, EBIT is believed to be a primary measure and terminology used by our Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies.*

*EBIT and EBIT margin, as used in this document, are equivalent to the US GAAP measures of operating income and operating income margin.*

3. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations.*
4. *Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income.*
5. *Gearing ratio is defined as net debt (external debt net of cash on hand) divided by the sum of net debt plus equity.*

## Disclaimer

*This media release 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, asbestos 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.*