



**James Hardie**

# **FY05 4<sup>th</sup> Quarter and Full Year Results**

**16 May 2005**

*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.*

# Agenda

- Overview and Operating Review – Louis Gries, CEO
- Financial Review – Russell Chenu, CFO
- Voluntary asbestos compensation funding proposal – Russell Chenu, CFO
- Questions and Answers

# Overview

- Strong 4<sup>th</sup> quarter results
  - Strong sales growth
  - EBIT improvement
  - Production volume growth
    - New capacity
    - Better plant utilisation
  - Exceeding business targets
  - Progress being made on Principal Agreement
- Full year results very satisfactory, but bottom line impacted by significant SCI and other related expenses

# Overview

## 4th Quarter and FY'05

		<u>Q4'05%</u>		<u>FY'05%</u>
Net Sales	up	26	up	23
Gross Profit	up	35	up	19
EBIT <sup>1</sup>	up	86	up	14
Operating Profit <sup>1</sup>	up	48	up	2
Net Operating Profit <sup>1*</sup>	up	45	down	(2)

\* Including Discontinued Operations

# Highlights

## 4th Quarter

- USA Fibre Cement – EBIT up 79%
- Australia and New Zealand Fibre Cement – EBIT up 46%
- Philippines Fibre Cement – EBIT growth
- Chile Fibre Cement – positive EBIT
- Hardie Pipe – about EBIT breakeven

# Highlights

## Full Year

- USA Fibre Cement – EBIT up 24%
- Australia and New Zealand Fibre Cement – EBIT up 20%
- Philippines Fibre Cement – EBIT more than doubled
- Chile Fibre Cement – positive EBIT in all quarters
- Hardie Pipe – significant reduction in EBIT loss

# Exceeding Targets

	FY'05 Actual	Long Term Target p.a.
Revenue Growth	23%	>15%
EBIT <sup>1</sup> /Sales	16%*	>15%
ROA (EBIT <sup>1</sup> /GCE)	23%	>15%

\*Includes SCI and related expenses of US\$28.1 million



**James Hardie**

# Operating Review

**Louis Gries, CEO**



# USA Fibre Cement



# USA Fibre Cement

## 4th Quarter Result – Strong Sales Growth

Net Sales up 34% to US\$247.2 million

Sales Volume up 23% to 472.6 mmsf<sup>1</sup>

Average Price up 8% to US\$523 per msf<sup>1</sup>

EBIT<sup>1</sup> up 79% to US\$77.1 million

EBIT Margin<sup>1</sup> up 7.9 pts to 31.2%

# USA Fibre Cement

## Full Year Result

Net Sales	up	27% to US\$939.2 million
Sales Volume	up	22% to 1855.1 mmsf <sup>1</sup>
Average Price	up	4% to US\$506 per msf <sup>1</sup>
EBIT <sup>1</sup>	up	24% to US\$241.5 million
EBIT Margin <sup>1</sup>	down	0.8 pt to 25.7%

# USA Fibre Cement

## 4th Quarter Trading Conditions

- Housing construction activity remained buoyant
  - Low interest rates
  - Strong house prices
  - Consumer and builder confidence

# USA Fibre Cement

## Key Points

- Continued growth in demand for fibre cement
- Strong sales performance
  - Increased penetration of exterior and interior markets
  - Good growth in both emerging and established markets
- ColorPlus strategy progressing well
- Higher prices
- Margin expansion
- Ramp up of new Reno, Nevada plant on target

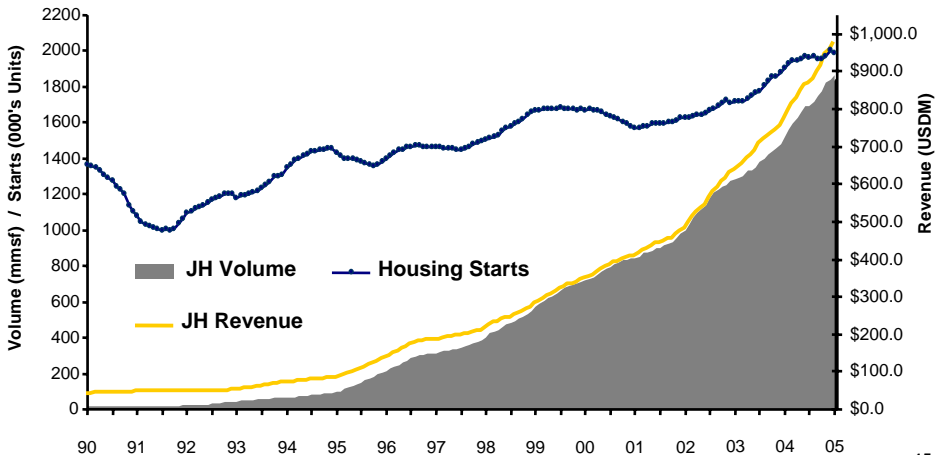
# USA Fibre Cement

## Outlook

- Continued growth in demand for fibre cement
- Housing construction to remain healthy over balance of calendar year
  - Permits strong
  - Backlog of unused permits
  - Builder confidence strong
  - Interest rates low – but modest increases expected
- Further market penetration against alternative materials
- Good sales growth and EBIT performance

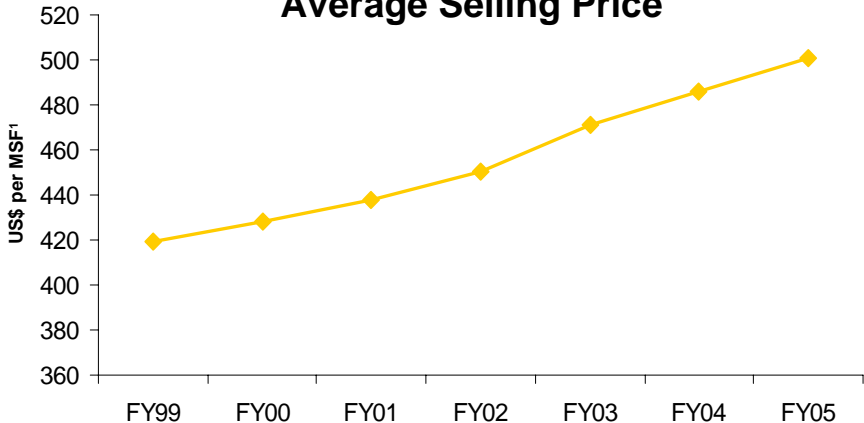
# USA Fibre Cement

## Top Line Growth



# USA Fibre Cement

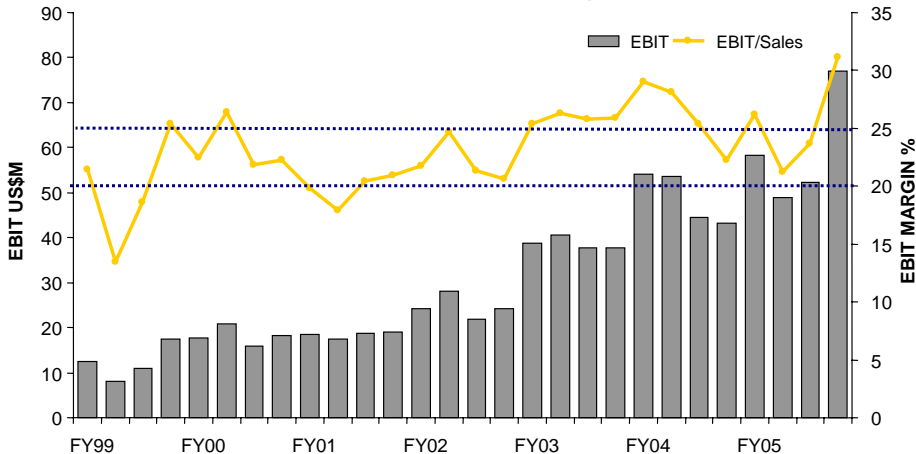
## Average Selling Price





# USA Fibre Cement

## EBIT and EBIT Margin<sup>\*,1</sup>



\*Excludes restructuring and other operating expenses

# USA Fibre Cement

## 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

# Asia Pacific Fibre Cement



# Asia Pacific Fibre Cement

## 4th Quarter Result

Net Sales	down	1% to US\$58.2 million
Sales Volume	up	1% to 89.5 mmsf <sup>1</sup>
EBIT <sup>1</sup>	up	48% to US\$12.3 million
EBIT Margin <sup>1</sup>	up	7.0 pts to 21.1%

# Asia Pacific Fibre Cement

## Full Year Result

Net Sales	up	7% to US\$236.1 million
Sales Volume	up	4% to 376.9 mmsf <sup>1</sup>
EBIT <sup>1</sup>	up	25% to US\$46.8 million
EBIT Margin <sup>1</sup>	up	2.7 pts to 19.8%

# Asia Pacific Fibre Cement

## Strategy

- Grow primary demand for fibre cement
- Vigorously protect and grow category share in existing market segments
- Leverage our superior technology to offer differentiated products and systems with superior value to those of competitors
- Ongoing manufacturing improvements to further lower cost of production

# Asia Pacific Fibre Cement

## Australia and New Zealand – Key Points

- Australia – new housing and renovations continued to weaken
- New Zealand – housing flat, but still at healthy level
- Product bans and boycotts in Australia are being progressively lifted
- Net sales down 4% - down 6% in A\$
- Volumes down 6%
- Q4 EBIT up 49% in A\$ - impact of cost provision made Q4 FY04

# Asia Pacific Fibre Cement

## Australia and New Zealand – Outlook

- New housing and renovation activity in Australia to remain soft short-term
- New housing activity in New Zealand to remain relatively healthy
- More product bans and boycotts in Australia to be lifted
- Further manufacturing efficiency gains and cost savings



# Asia Pacific Fibre Cement

## Philippines

### Key Points

- Further market penetration
- Higher domestic prices
- Net sales up 40% in local currency
- Stronger EBIT

### Outlook

- Building and construction activity to soften
- Solid EBIT performance

# Other Fibre Cement

## Chile Fibre Cement

### Key Points

- Improved economic conditions
- Domestic and export sales up strongly
- Higher average net sales price

### Outlook

- Entering seasonally slower period for construction activity
- Further market penetration and share growth
- Higher domestic prices

# Other Fibre Cement

## USA Hardie® Pipe

### Key Points

- Stronger non-residential construction activity in Florida
- Strong sales growth
- Higher prices
- Further improvements in manufacturing performance
- Significant reduction in EBIT loss – nearing breakeven

### Outlook

- Further sales growth and market penetration
- More manufacturing performance improvements
- Higher prices

## Other Fibre Cement

### Europe Fibre Cement

- Continuing to expand distribution channels
- Awareness growing among distributors, builders and contractors
- Sales are building steadily

### Artisan™ Roofing

- Roofing product launched in all targeted markets in California
- Continuing to prove business model

# 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

# Outlook

- FY06 sales growth in North America expected to be less than FY05, but still much better than the overall market
- Further SCI and related costs to continue through first half FY06



**James Hardie**

# **Financial Review**

**Russell Chenu, CFO**

## Overview

- Strong financial position
- Continued strong operating cashflow generation – up 35% v FY04 to US\$219.8m
- Low net debt – down 56% v FY04 to US\$45.8m
- Dividend declared
  - US 6 cents a share
  - Record date 9 June 2005
  - Payment date 1 July 2005



# Results – Q4

US\$ Million	<u>Q4 '05</u>	<u>Q4'04</u>	<u>% Change</u>
Net Sales	316.4	251.3	26
Gross Profit	121.3	89.7	35
SG&A	(42.4)	(46.3)	(8)
Research & Development	(5.2)	(6.5)	(20)
SCI and Other Related Expenses	(3.7)	-	-
Other Operating Expense	(5.4)	(2.1)	-
EBIT <sup>1</sup>	64.6	34.8	86
Net Interest Expense	(0.6)	(2.5)	(76)
Other Income	0.2	6.9	(97)
Income Tax Expense	(17.9)	(7.9)	-
Operating Profit <sup>1</sup>	46.3	31.3	48

# Results – Full Year

US\$ Million	<u>FY '05</u>	<u>FY'04</u>	<u>% Change</u>
Net Sales	1,210.4	981.9	23
Gross Profit	426.4	358.9	19
SG&A	(174.5)	(162.0)	8
Research & Development	(21.6)	(22.6)	(4)
SCI and Other Related Expenses	(28.1)	-	-
Other Operating Expense	(6.0)	(2.1)	-
EBIT <sup>1</sup>	196.2	172.2	14
Net Interest Expense	(5.1)	(10.0)	(49)
Other (Expense), Income	(1.3)	3.5	-
Income Tax Expense	(61.9)	(40.4)	53
Operating Profit <sup>1</sup>	127.9	125.3	2

# Segment Net Sales – Q4

US\$ Million	<u>Q4 '05</u>	<u>Q4 '04</u>	<u>% Change</u>
USA Fibre Cement	247.2	185.1	34
Asia Pacific Fibre Cement	58.2	59.0	(1)
Other Fibre Cement	11.0	7.2	53
Total	316.4	251.3	26

# Segment Net Sales – Full Year

US\$ Million	<u>FY '05</u>	<u>FY '04</u>	<u>% Change</u>
USA Fibre Cement	939.2	738.6	27
Asia Pacific Fibre Cement	236.1	219.8	7
Other Fibre Cement	35.1	23.5	49
Total	1,210.4	981.9	23

# Segment EBIT<sup>1</sup> – Q4

US\$ Million	<u>Q4 '05</u>	<u>Q4'04</u>	<u>% Change</u>
USA Fibre Cement	77.1	43.2	79
Asia Pacific Fibre Cement	12.3	8.3	48
Other Fibre Cement	(1.7)	(4.1)	59
R & D	(6.1)	(5.6)	(9)
Total Segment EBIT	81.6	41.8	95
General Corporate	(17.0)	(7.0)	-
Total EBIT	64.6	34.8	86

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

# Segment EBIT<sup>1</sup> – Full Year

US\$ Million	<u>FY'05</u>	<u>FY'04</u>	<u>% Change</u>
USA Fibre Cement	241.5	195.6	24
Asia Pacific Fibre Cement	46.8	37.6	25
Other Fibre Cement	(11.8)	(15.9)	26
R & D	(17.5)	(17.6)	1
Total Segment EBIT	259.0	199.7	30
General Corporate	(62.8)	(27.5)	-
Total EBIT	196.2	172.2	14

# Corporate Costs – Q4 and Full Year

US\$ Million	<u>Q4'05</u>	<u>Q4'04</u>	<u>FY'05</u>	<u>FY'04</u>
Stock Options Expense	1.3	1.3	3.0	3.2
Retirement Plan Settlement Loss	5.3	-	5.3	-
SCI and other related expenses	3.7	-	28.1	-
Other Costs	6.7	5.7	26.4	24.3
Total	17.0	7.0	62.8	27.5

# Net Interest Expense

US\$ Million	<u>Q4'05</u>	<u>Q4'04</u>	<u>%Change</u>
Net Interest Expense	(0.6)	(2.5)	(76)
	<u>FY'05</u>	<u>FY'04</u>	<u>%Change</u>
Net Interest Expense	(5.1)	(10.0)	(49)



# Income Tax Expense

US\$ Million	<u>Q4'05</u>	<u>Q4'04</u>	<u>%Change</u>
Income Tax Expense	(17.9)	(7.9)	127
Rate	27.9%	20.2%	
	<u>FY'05</u>	<u>FY'04</u>	<u>%Change</u>
Income Tax Expense	(61.9)	(40.4)	53
Rate	32.6%	24.4%	

# EBITDA<sup>1</sup> - Q4

	<u>Q4'05</u>	<u>Q4'04</u>	<u>% Change</u>
<b>EBIT<sup>1</sup></b>			
USA Fibre Cement	77.1	43.2	79
Asia Pacific Fibre Cement	12.3	8.3	48
Other Fibre Cement	(1.7)	(4.1)	59
R & D	(6.1)	(5.6)	(9)
General Corporate	(17.0)	(7.0)	(43)
<b>Depreciation and Amortisation</b>			
USA Fibre Cement	6.1	6.8	(10)
Asia Pacific Fibre Cement	2.7	2.7	-
Other	0.8	0.7	14
<b>Total EBITDA</b>	<b>74.2</b>	<b>45.0</b>	<b>65</b>

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses  
 Other Depreciation and Amortisation includes Other Fibre Cement, R & D and General Corporate

# EBITDA<sup>1</sup> – Full Year

	<u>FY'05</u>	<u>FY'04</u>	<u>% Change</u>
<b>EBIT<sup>1</sup></b>			
USA Fibre Cement	241.5	195.6	24
Asia Pacific Fibre Cement	46.8	37.6	24
Other Fibre Cement	(11.8)	(15.9)	26
R & D	(17.5)	(17.6)	1
General Corporate	(62.8)	(27.5)	-
<b>Depreciation and Amortisation</b>			
USA Fibre Cement	23.1	25.1	(8)
Asia Pacific Fibre Cement	10.0	9.7	3
Other	3.2	1.6	100
<b>Total EBITDA</b>	<b>232.5</b>	<b>208.6</b>	<b>11</b>

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

Other Depreciation and Amortisation includes Other Fibre Cement, R & D and General Corporate

# Capital Expenditure – Full Year

US\$ Million	Capital Expenditure		Depreciation	
	<u>FY'05</u>	<u>FY'04</u>	<u>FY'05</u>	<u>FY'04</u>
USA Fibre Cement	145.0	56.2	23.1	24.6
Asia Pacific Fibre Cement	4.0	8.4	10.0	9.7
Other	4.2	10.2	3.2	1.6
<b>Total Segments</b>	<b>153.2</b>	<b>74.8</b>	<b>36.3</b>	<b>35.9</b>

Other includes Other Fibre Cement, R & D and General Corporate

# Key Ratios

	<u>FY'05</u>	<u>FY '04</u>	<u>FY '03</u>
EPS (Diluted)	27.7c	27.2c	18.2c
Dividend Paid	3.0c	5.0c	7.5c
Return on Shareholders Funds* #	22.4%	27.6%	42.3%
Return on Capital Employed#	23.6%	23.4%	20.9%
EBIT <sup>1</sup> /Sales	16.2%	17.5%	16.4%
Gearing Ratio <sup>1</sup>	6.8%	17.0%	21.4%
Net Interest Expense Cover	38.5x	17.2x	6.5x
Net Interest Paid Cover <sup>+</sup>	17.8x	14.8x	6.0x
Net Debt Payback**	2.5 mths	7.6 mths	1.8 yrs

\* Total Company

\*\* Net Debt/Net cash provided by operating activities

# Annualised

+ Adds back capitalised interest



**James Hardie**

**Voluntary asbestos-related compensation  
funding proposal**

**Russell Chenu, CFO**

# Voluntary Asbestos Compensation Funding Proposal

## Timing Update

- Satisfactory progress on Principal Agreement
  - no significant departures from Heads of Agreement
- Estimated completion date of Principal Agreement  
June – legal complexities
- Timetable for late July EGM appearing ambitious

# Voluntary Asbestos Compensation Funding Proposal

## Updated Actuarial Estimate

- KPMG Actuaries' NPV estimate of liability at 31/3/05 A\$1,684.9bn
  - Adjustment yet to be made for estimated savings from NSW Government Review
- Expected assessment at 31/3/05 based on 30 June 2004 estimate A\$1,569.8bn
- Increase of \$115.1m due to:
 

	A\$ million
■ Change in discount rate	59.6
■ Change in claims experience	35.8
■ Change in insurance recoveries	7.2
■ Increase in allowance of Baryulgil	12.5
- Increase in mesothelioma claim notifications mainly from Victoria and Queensland
- Workcover Queensland “catch up” for settlements made a number of years ago



# Voluntary Asbestos Compensation Funding Proposal

## Actuarial Estimates Overview

A\$Billions	2004 <u>30 June</u>	2005 <u>31 March</u>
Central Estimate – Discounted	1.536	1.685
Central Estimate – Undiscounted	3.586	3.604
Range – Undiscounted	2.0 – 5.7	2.0 – 5.9

# Voluntary Asbestos Compensation Funding Proposal

## Likely Accounting for Asbestos Liability

- No provision for proposed liability at 31 March 2005 – not probable and estimable at this time (SFAS5)
- Subject to completion, accounting treatment for take-up of provision likely to be:
  - Based on undiscounted Central Estimate as calculated by KPMG Actuaries
  - Calculated for entire term (through 2071)
  - Exclude impacts of inflation and superimposed inflation
  - All components to be gross
  - Future Income Tax Benefit created – subject to confirmation
- Annual payment to SPF charged against provision
- Provision adjusted annually to align with 31 March annual actuarial assessment (excluding impact of inflation and superimposed inflation)
- Asbestos expense in Income Statement to reflect movement in provision

# Voluntary Asbestos Compensation Funding Proposal

## Reconciliation of Possible Accounting Provision to Actuarial Estimate

	A\$ millions
<b>Total projected cashflows in current dollars (uninflated and undiscounted)</b>	<b>1,666.9</b>
Future inflation allowance	1,936.8
Total projected cashflows with inflation allowance	3,603.7
Discounting allowance	(1,918.8)
<b>Net present value liabilities (KPMGA estimate as at 31/3/05)</b>	<b>1,684.9</b>

Notes:

1. Proposal is subject to shareholder and lender approval.
2. Take-up of provision only when probable and estimable – SFAS5
3. Excludes estimated legal and administrative cost savings – being finalised

## Summary

- Strong growth in operating and financial performance
  - assisted by buoyant US residential housing market
- Outperformed US housing market growth in North America
- SCI and related matters a significant cost burden
- Company in sound financial position

# Questions & Answers

# Disclaimer

*This Presentation contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:*

- *projections of our operating results or financial condition;*
- *statements of our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;*
- *statements about our future economic performance or that of the United States, Australia or other countries in which we operate; and*
- *statements about product or environmental liabilities.*

*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 include but are not limited to: all matters relating to or arising out of the prior manufacture of asbestos by ABN 60 and certain former subsidiaries; 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; the successful transition of new senior management; the success of our research and development efforts; 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; risks of conducting business internationally; compliance with and changes in tax laws and treatments; and foreign exchange risks. 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 in forward-looking statements. Forward-looking statements speak only as of the date they are made.*

# Endnotes

*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 Analysis of Results, a Media Release, a Financial Report and Results at a Glance document.*

## **1 Definitions**

**EBIT and EBIT Margin** - 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 interest and income tax expenses. 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.

**EBITDA** - is not a measure of financial performance under US GAAP and should not be considered as an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. All companies do not calculate EBITDA in the same manner and, accordingly, EBITDA may not be comparable with other companies. We have included information concerning EBITDA because we believe that EBITDA is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

**Operating profit from continuing operations before income taxes** - is equivalent to the US GAAP measure of income from continuing operations before income taxes.

**Operating profit from continuing operations** - is equivalent to the US GAAP measure of income from continuing operations.

**Net operating profit including discontinued operations** - is equivalent to the US GAAP measure of net income.

**Gearing Ratio** - is borrowings less cash (net debt) divided by net debt plus shareholders' equity.

**mmsf** - million square feet

**msf** - thousand square feet



**James Hardie**

# **FY05 4th Quarter and Full Year Results**

## **16 May 2005**

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