



# James Hardie

## FY05 3rd Quarter and Year To Date Results

14 February 2005

*Unless otherwise stated, results are for continuing operations only and comparisons are of the 3<sup>rd</sup> quarter of the current fiscal year versus the 3<sup>rd</sup> quarter of the prior fiscal year.*

# Agenda

- Overview – Louis Gries, CEO
- Financial Review – Russell Chenu, CFO
- Operating Review – Louis Gries, CEO
- Special Commission of Inquiry -  
Associated Developments – Russell Chenu, CFO
- Questions and Answers

# Overview

- Continued strong top-line growth
- Improved USA Fibre Cement results
  - Plant performance back to acceptable levels
- Bottom line lower due to SCI related costs

# Overview

## 3rd Quarter and YTD FY05

		<u>Q3'05</u>		<u>YTD'05</u>
		%		%
Net Sales	up	21	up	22
Gross Profit	up	11	up	13
EBIT <sup>1</sup>	down	19	down	4
Operating Profit <sup>1</sup>	down	30	down	13
Net Operating Profit <sup>1</sup> *	down	35	down	17

\* Including Discontinued Operations

# Overview

## 3rd Quarter and YTD FY05 Excluding SCI & Related Costs

		<u>Q3'05</u>		<u>YTD'05</u>
		%		%
Net Sales	up	21	up	22
Gross Profit	up	11	up	13
EBIT <sup>1</sup>	up	19	up	14
Operating Profit <sup>1</sup>	up	4	up	3

# Operations Overview

## 3rd Quarter

### USA Fibre Cement

- Continued strong sales growth and EBIT<sup>1</sup> improvement
- Plant performance back to acceptable levels

### Asia Pacific Fibre Cement

- ANZ Fibre Cement EBIT<sup>1</sup> down 15%
- Philippines – small positive EBIT<sup>1</sup>

### Other Fibre Cement segment continuing to develop

- Chile Fibre Cement – small positive EBIT<sup>1</sup>
- Hardie Pipe – sales growth
- Europe Fibre Cement – sales growth
- Artisan Roofing – commercial sales commenced



# **Financial Review**

## **Russell Chenu, CFO**

# Results – Q3

<i>US\$ Million</i>	<u>Q3 '05</u>	<u>Q3'04</u>	<u>% Change</u>
Net Sales	287.0	237.5	21
Gross Profit	96.7	87.5	11
SG&A	(41.5)	(40.6)	2
Research & Development	(6.1)	(5.7)	7
SCI and Related Expenses	(15.9)	-	-
Other Operating Expense	(0.1)	-	-
EBIT <sup>1</sup>	33.3	41.2	(19)
Net Interest Expense	(0.7)	(2.8)	(75)
Other Income (Expenses), Net	0.4	(0.1)	-
Income Tax Expense	(13.2)	(10.0)	32
Operating Profit <sup>1</sup>	19.8	28.3	(30)



# Results – Year To Date

<i>US\$ Million</i>	<u>YTD '05</u>	<u>YTD'04</u>	<u>% Change</u>
Net Sales	894.0	730.6	22
Gross Profit	305.1	269.2	13
SG&A	(132.1)	(115.7)	14
Research & Development	(16.4)	(16.1)	2
SCI and Related Expenses	(24.4)	-	-
Other Operating Expense	(0.6)	-	-
EBIT <sup>1</sup>	131.6	137.4	(4)
Net Interest Expense	(4.5)	(7.5)	(40)
Other Expense, Net	(1.5)	(3.4)	(56)
Income Tax Expense	(44.0)	(32.5)	35
Operating Profit <sup>1</sup>	81.6	94.0	(13)

## Results Q3 and YTD Before SCI & Non Recurring Items

<i>US\$ Million</i>	<u>Q3'05</u>	<u>Q3'04</u>	<u>YTD'05</u>	<u>YTD'04</u>
SCI and Related Costs	11.7	-	20.3	-
Other Operating (Income) Expenses	(0.1)	-	0.6	-
Other (Income) Expenses, Net	(0.4)	0.1	1.5	3.4
Operating Profit <sup>1</sup>	19.8	28.3	81.6	94.0
Net Operating Profit Before SCI and Non Recurring Items <sup>*,1</sup>	31.0	28.4	104.0	97.4

\*Excludes income tax effects on “other operating (income) expenses” and “other (income) expenses, net”

# Segment Net Sales – Q3

<i>US\$ Million</i>	<u>Q3 '05</u>	<u>Q3 '04</u>	<u>% Change</u>
USA Fibre Cement	220.3	175.3	26
Asia Pacific Fibre Cement	58.1	55.9	4
Other Fibre Cement	8.6	6.3	37
Total	287.0	237.5	21

# Segment Net Sales – Year To Date

<i>US\$ Million</i>	<u>YTD '05</u>	<u>YTD '04</u>	<u>% Change</u>
USA Fibre Cement	692.0	553.5	25
Asia Pacific Fibre Cement	177.9	160.8	11
Other Fibre Cement	24.1	16.3	48
Total	894.0	730.6	22

# Segment EBIT<sup>1</sup> – Q3

<i>US\$ Million</i>	<u>Q3 '05</u>	<u>Q3'04</u>	<u>% Change</u>
USA Fibre Cement	52.3	44.6	17
Asia Pacific Fibre Cement	10.2	11.3	(10)
Other Fibre Cement	(2.6)	(3.8)	32
R & D	(3.9)	(4.6)	15
Total Segment EBIT	56.0	47.5	18
General Corporate	(22.7)	(6.3)	(260)
Total EBIT	33.3	41.2	(19)

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

# Segment EBIT<sup>1</sup> – Year To Date

<i>US\$ Million</i>	<u>YTD '05</u>	<u>YTD'04</u>	<u>% Change</u>
USA Fibre Cement	164.4	152.4	8
Asia Pacific Fibre Cement	34.5	29.3	18
Other Fibre Cement	(10.1)	(11.8)	14
R & D	(11.4)	(12.0)	5
Total Segment EBIT	177.4	157.9	12
General Corporate	(45.8)	(20.5)	(123)
Total EBIT	131.6	137.4	(4)

# Corporate Costs – Q3 and Year To Date

<i>US\$ Million</i>	<u>Q3 '05</u>	<u>Q3 '04</u>	<u>YTD '05</u>	<u>YTD '04</u>
Stock Options Expense	0.8	1.2	1.5	4.6
SCI and Related Costs	15.9	-	24.4	-
Corporate Costs	6.0	5.1	19.9	15.9
Total	22.7	6.3	45.8	20.5

## Special Commission of Inquiry Related Expenses

<i>US\$ Million</i>	<u>Q3'05</u>	<u>YTD'05</u>
SCI	-	6.3
Internal investigation (SEC regulatory requirement)	3.3	4.4
ASIC investigation	1.0	1.0
Resolution advisory services	3.8	4.5
Severance payments	6.0	6.0
Other	1.8	2.2
	<hr/> 15.9	<hr/> 24.4



# Net Interest Expense

<i>US\$ Million</i>	<u>Q3'05</u>	<u>Q3'04</u>	<u>%Change</u>
Net Interest Expense	(0.7)	(2.8)	(75)
	<u>YTD'05</u>	<u>YTD'04</u>	<u>%Change</u>
Net Interest Expense	(4.5)	(7.5)	(40)

# Income Tax Expense

<i>US\$ Million</i>	<u>Q3'05</u>	<u>Q3'04</u>	<u>%Change</u>
Income Tax Expense	(13.2)	(10.0)	32
Rate	40.0%	26.1%	
	<u>YTD'05</u>	<u>YTD'04</u>	<u>%Change</u>
Income Tax Expense	(44.0)	(32.5)	35
Rate	35.0%	25.7%	

# Income Tax

- Higher Tax Rate due to:
  - SCI related expenses mainly non-deductible – some items still being clarified
  - Increase in estimated income contingencies
  - Excluding above items, tax rate for YTD 29%

# Taxation

## Netherlands – US Protocol Update

- Protocol ratified by US Senate
- Takes effect January 2006
- Confident of compliance

# EBITDA<sup>1</sup> – Q3

	<u>Q3'05</u>	<u>Q3'04</u>	<u>% Change</u>
<b>EBIT<sup>1</sup></b>			
USA Fibre Cement	52.3	44.6	17
Asia Pacific Fibre Cement	10.2	11.3	(10)
Other Fibre Cement	(2.6)	(3.8)	32
R & D	(3.9)	(4.6)	15
General Corporate	(22.7)	(6.3)	(260)
<b>Depreciation and Amortisation</b>			
USA Fibre Cement	5.4	7.1	(24)
Asia Pacific Fibre Cement	2.5	2.5	-
Other	0.8	0.4	100
<b>Total EBITDA</b>	<b>42.0</b>	<b>51.2</b>	<b>(18)</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> – Year To Date

	<u>YTD'05</u>	<u>YTD'04</u>	<u>% Change</u>
<b>EBIT<sup>1</sup></b>			
USA Fibre Cement	164.4	152.4	8
Asia Pacific Fibre Cement	34.5	29.3	18
Other Fibre Cement	(10.1)	(11.8)	14
R & D	(11.4)	(12.0)	5
General Corporate	(45.8)	(20.5)	(123)
<b>Depreciation and Amortisation</b>			
USA Fibre Cement	17.0	18.3	(7)
Asia Pacific Fibre Cement	7.3	7.1	3
Other	2.3	0.8	188
<b>Total EBITDA</b>	<b>158.2</b>	<b>163.6</b>	<b>(3)</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 – Year To Date

	Capital Expenditure		Depreciation	
<i>US\$ Million</i>	<u>YTD '05</u>	<u>YTD '04</u>	<u>YTD '05</u>	<u>YTD '04</u>
USA Fibre Cement	119.6	41.8	17.0	18.3
Asia Pacific Fibre Cement	2.8	6.3	7.3	7.1
Other	3.5	8.4	2.3	0.8
<b>Total Segments</b>	<b>125.9</b>	<b>56.5</b>	<b>26.6</b>	<b>26.2</b>

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

# Key Ratios

	<u>YTD'05</u>	<u>FY '04</u>	<u>FY '03</u>
EPS (Diluted)	17.7c	27.2c	18.2c
Dividend	3.0c	5.5c	5.0c
Return on Shareholders Funds* #	19.8%	27.6%	42.3%
Return on Capital Employed#	21.5%	23.4%	20.9%
EBIT <sup>1</sup> /Sales	14.7%	17.5%	16.4%
Gearing Ratio <sup>1</sup>	13.0%	17.0%	21.4%
Net Interest Cover	29.0x	17.2x	6.5x

\* Total Company

# Annualised





# **Operating Review**

**Louis Gries, CEO**

# USA Fibre Cement



# USA Fibre Cement

## 3rd Quarter Result

Net Sales	up	26% to US\$220.3 million
Sales Volume	up	21% to 432.4 mmsf <sup>1</sup>
Average Price	up	4% to US\$509 per msf <sup>1</sup>
EBIT <sup>1</sup>	up	17% to US\$52.3 million
EBIT Margin <sup>1</sup>	down	1.7 pts to 23.7%

# USA Fibre Cement

## 3rd Quarter Trading Conditions

- Housing construction remained healthy
  - Strong consumer demand
  - Low interest rates
  - Strong house prices
  - Improving consumer confidence

# USA Fibre Cement

## Key Points

- Continued strong demand for fibre cement
- Further penetration of established and emerging markets
- Strong sales growth in exterior and interior product markets
- Growth in differentiated, higher-priced products
- Plant performance improved to acceptable levels Vs Q2FY05
- Higher pulp and freight costs
- Price increase implemented 1 January 2005

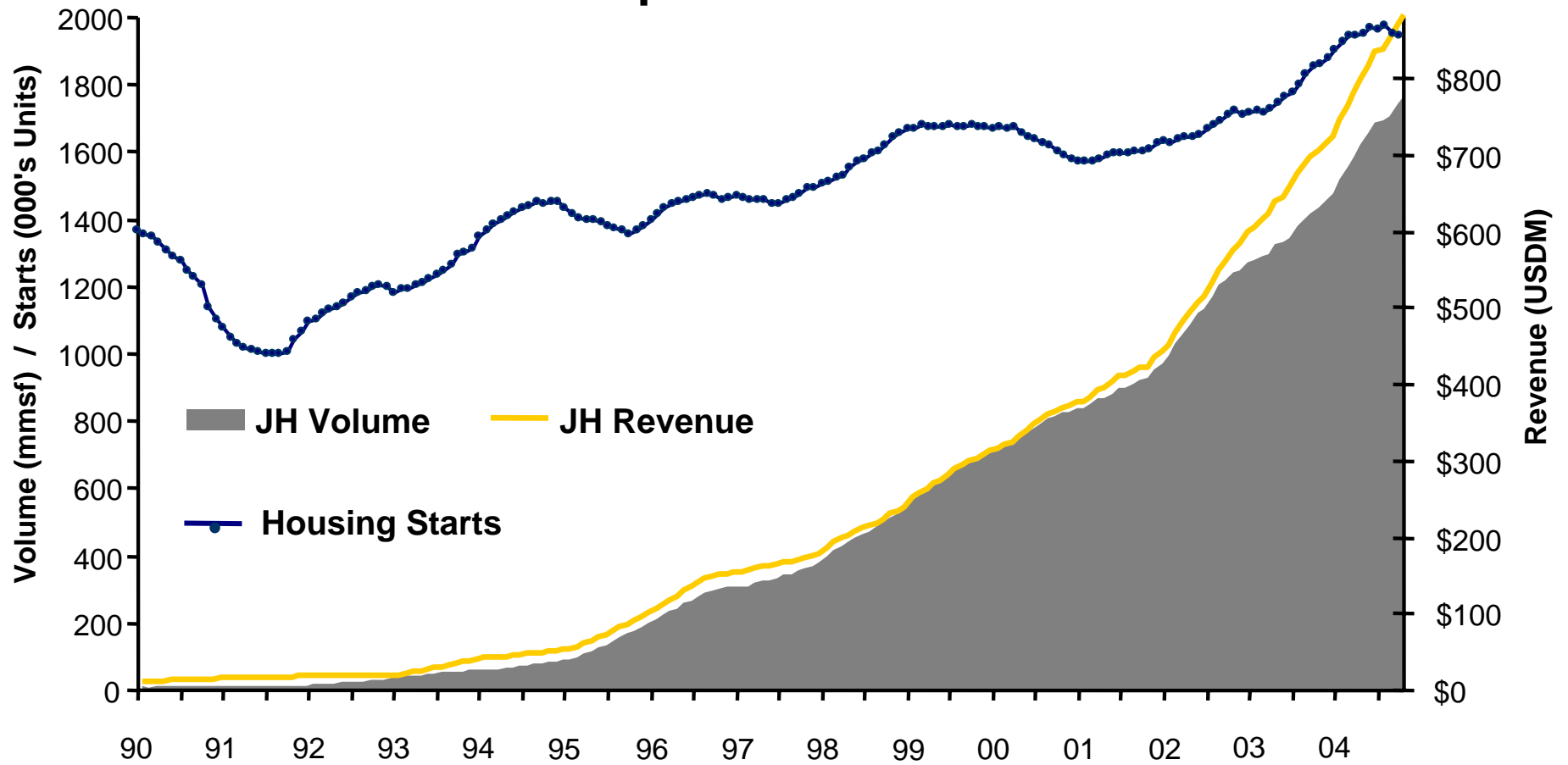
# USA Fibre Cement

## Higher Costs

<i>US\$ Million</i>	<u>Q3'05</u>	<u>YTD'05</u>
■ Higher raw material costs	2.3	11.9
■ Freight	4.9	16.2
■ SG&A (growth initiatives)	1.5	13.1

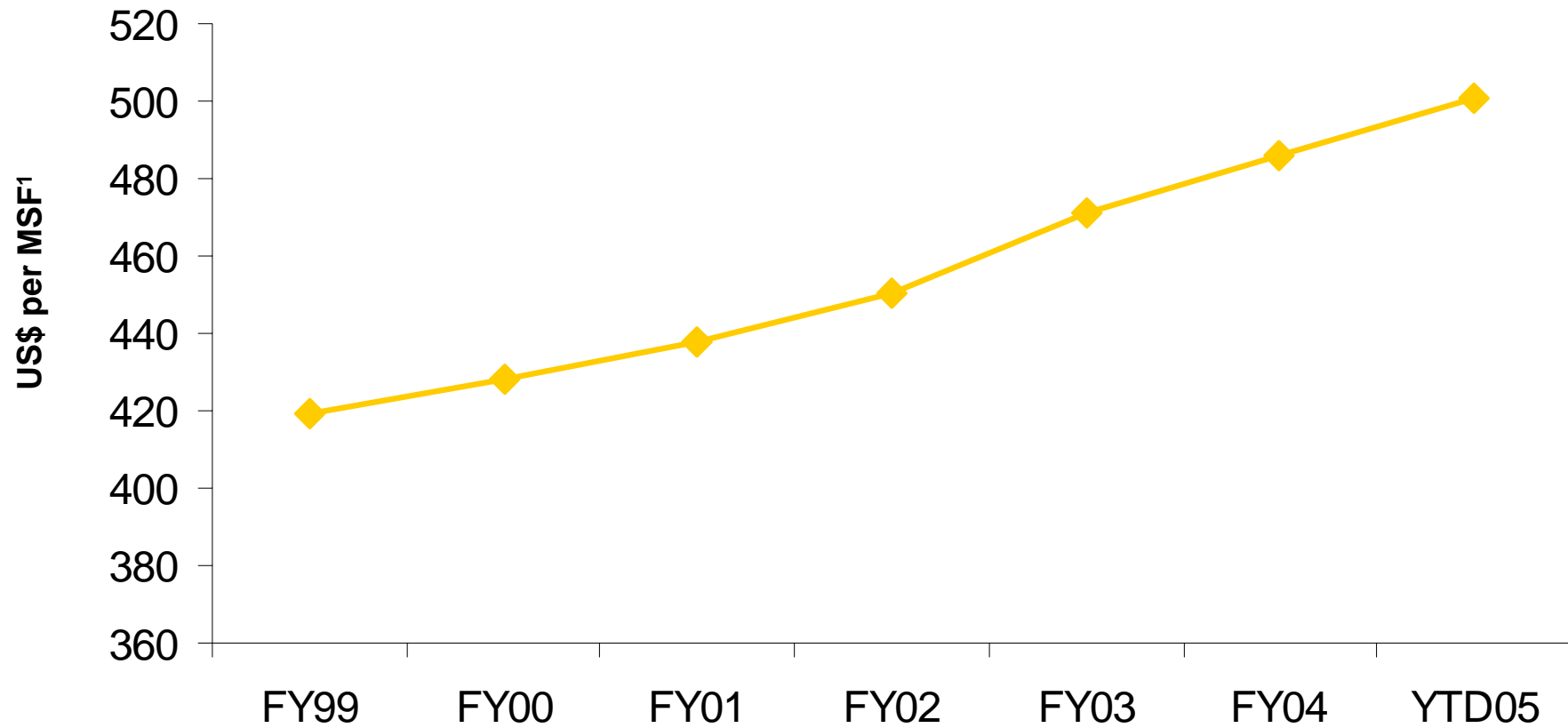
# USA Fibre Cement

## Top Line Growth



# USA Fibre Cement

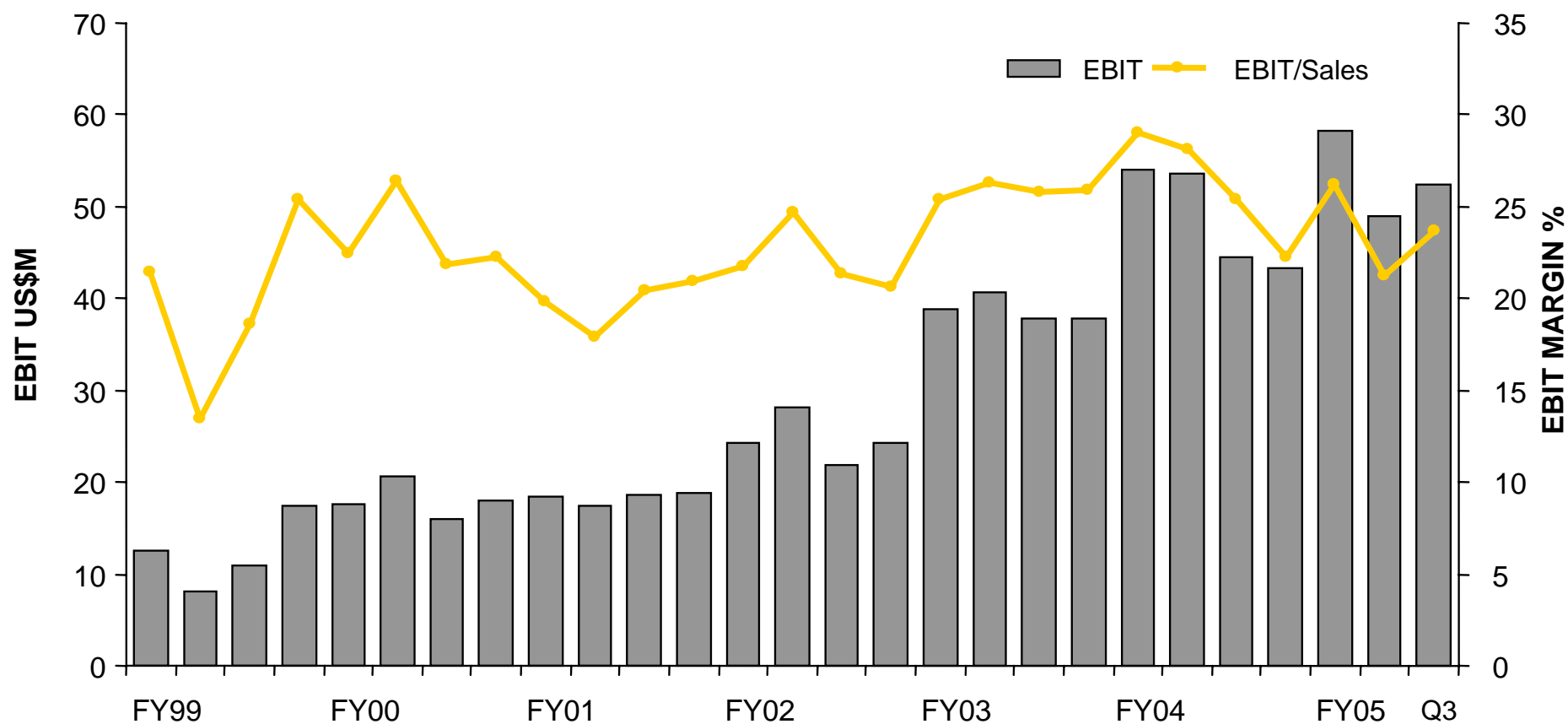
## Average Selling Price





# USA Fibre Cement

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



\*Excludes restructuring and other operating expenses

# USA Fibre Cement

## Capacity Expansion

- Announced plans to build 10<sup>th</sup> plant at Pulaski, Virginia
- Expansion to meet growing demand in east-coast region
- Annual production capacity 600 mmsf
  - 2 lines - 300 mmsf each
- Estimated cost US\$98 million
- Construction to commence March 2005
  - Start up expected for Q1 FY07

# 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

# USA Fibre Cement

## Outlook

- Housing construction to remain healthy
  - Interest rates to increase – but still low
  - New starts, permits and builder confidence at healthy levels
  - Increasing consumer confidence
  - Continued strong demand for fibre cement
  - Sales growth to continue
    - Further market share gains in established and emerging markets
  - Further plant ramp-up costs

# Asia Pacific Fibre Cement



Maalon ba ang kisame mo dahil sa ulan?

Palitan!

**Water Resistant HardiFlex**  
Fibre HardiFlex® fibres with long fibres.

Call our customer toll-free numbers: 800 5427 within Metro Manila and 1 800 1 888 5427 outside Metro Manila.

# Asia Pacific Fibre Cement

## 3rd Quarter Result

Net Sales	up	4% to US\$58.1 million
Sales Volume	down	2% to 90.6 mmsf <sup>1</sup>
EBIT <sup>1</sup>	down	10% to US\$10.2 million
EBIT Margin <sup>1</sup>	down	2.6 pts to 17.6%

# 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

- Softer new residential and renovations activity in Australia
- Product bans and boycotts
- Higher raw material prices
- New Zealand housing flat – but at solid levels
- Net sales up 2%, but down 4% in A\$
- Volumes down 6%
- EBIT<sup>1</sup> down 15%, but 20% in A\$
- EBIT Margin<sup>1</sup> 17.6%



# Asia Pacific Fibre Cement

## Australia and New Zealand – Outlook

- Further softening in new residential and renovations activity in Australia
- New Zealand housing activity to remain solid
- Further impact on sales and profitability likely from product boycotts and bans

# Asia Pacific Fibre Cement

## Philippines

### Key Points

- Seasonally slower period
- Increased domestic and export market penetration
- Net sales up 21%, but 24% in local currency
- Positive EBIT<sup>1</sup>

### Outlook

- Entering seasonally stronger period
- Increased domestic demand
- Further market share gains against plywood

# Other Fibre Cement

## Chile Fibre Cement

### Key Points

- Domestic and regional construction activity continued to improve
- Further sales growth
- Higher domestic prices

### Outlook

- Continued improvement in domestic and regional construction activity
- Further sales and market share growth

# Other Fibre Cement

## USA Hardie Pipe

### Key Points

- Strong sales growth
- Higher prices
- Further improvements to manufacturing performance
- Significant reduction in EBIT<sup>1</sup> loss

### Outlook

- Further market penetration and sales growth
- Continued improvements to plant operating efficiency
- Further EBIT<sup>1</sup> improvement

## Other Fibre Cement

### Europe Fibre Cement

- Awareness growing among distributors, builders and contractors
- Sales continuing to build steadily

### Artisan™ roofing

- Commercial sales during the quarter
- 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

- Overall, strong top line growth continuing into 4<sup>th</sup> quarter
- Good prospect for satisfactory full year operating results
- Further SCI related costs to affect bottom line

# SCI – Associated Developments

- 22 September 2004, ASIC announced investigation into creation of MRCF – the company is cooperating with ASIC
- ABN 60 paid \$88.5m to MRCF in November 2004
- NSW Government announced review of legal and administrative costs in asbestos compensation claims in NSW on 18 November 2004 – expected to report early March 2005
- Heads of Agreement signed by company on 21 December 2004 to establish a special purpose fund to provide funding on a long-term basis for asbestos claimants against Amaba and Amaca
- Heads of Agreement to form basis of a proposed Principal Agreement between the company and the NSW Government
  - Shareholder and lender approval required
  - Principal Agreement expected to be signed March/April 2005
- Structure of special purpose fund is under consideration
- No provision for asbestos-related liabilities at 31 December 2004 – neither probable nor estimable at this time (FAS5)



## Estimated Timing

- NSW Government Costs Review – March 2005
- Principal Agreement – March/April 2005
- Explanatory memorandum including independent experts report sent to JHINV shareholders and commencement of EGM notice period – May 2005
- JHI NV shareholder meeting and subsequent enactment of legislation – June 2005

*Note: This is a best estimate only and is highly dependent on third parties meeting timetable expectations*

# 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.*

## **<sup>1</sup>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 excluding costs associated with the SCI and associated developments** – not a measure of financial performance under US GAAP and should not be considered to be more meaningful than operating profit. The company has included this financial measure to provide investors with an alternative method for assessing the company's operating results in a manner that is focused on the performance of the company's ongoing operations. The company's management uses this non-GAAP measure for the same purposes.

**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



# **FY05 3rd Quarter and Year To Date Results**

## **14 February 2005**

*Unless otherwise stated, results are for continuing operations only and comparisons are of the 3<sup>rd</sup> quarter of the current fiscal year versus the 3<sup>rd</sup> quarter of the prior fiscal year.*