

About this year's Annual Report

This year's theme of **Performance** is relevant to the company, to the products we produce, and to the people who produce them.

The report contains: a **Performance Review** of our achievements for the financial year ended 31 March 2004; **Performance Drivers**, which we believe contribute to the company's success; and **Financial Performance**, with the company's consolidated financial statements.

The report describes the company's performance for the financial year ended 31 March 2004. In the final months of this period, the NSW Government in Australia announced a Special Commission of Inquiry into the asbestos liabilities of former group companies that manufactured using asbestos and the establishment of the Medical Research and Compensation Foundation by James Hardie in 2001. At the time of printing this report, the Commission has yet to report on its findings. It is therefore not possible, and not appropriate, for the issues raised at the Commission to be addressed in any detail in this report. The company will respond to the Commission's findings as soon as it is able to, and will communicate this information directly to shareholders.

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About James Hardie

James Hardie is a leading international building materials group that produces a wide range of fibre cement building products that are used in the exterior and interior of buildings, from exterior cladding and internal lining, to fencing, bracing and decorative finishes.

Our operations span the United States, Australia, New Zealand, the Philippines and Chile. We are also establishing a presence in Europe. We employ over 3,000 people who generate revenue of more than US\$900 million a year.

In every country in which we operate, our goal is to capitalise on our extensive research and development programs, our unique manufacturing technology and our differentiated products to create wealth for our shareholders, value for our customers and rewarding careers for our employees.

25%

INCREASE IN
TOTAL NET SALES
FROM US\$783.6
MILLION TO
US\$981.9 MILLION

50%

INCREASE IN
OPERATING
PROFIT* FROM
US\$83.5 MILLION
TO US\$125.3
MILLION

Last year, we focussed on the high growth we achieve from our unique technology.

This year's report reviews the performance of our business, and the performance of the people and products that contributed to the results we have achieved. It describes our on-going passion for developing new and better-performing products for customers in different geographic markets.

We will continue to use our unique technology to create advanced building materials that offer improved performance over existing materials. At the same time, we are committed to:

- keeping our people safe;
- developing our most talented people to create the next generation of managers;
- being useful, productive contributors to the communities in which we operate; and
- operating in a way that reflects the highest possible standards of corporate governance.

These results have been achieved by people committed to performing at the highest levels, to achieve the best results for themselves, the company, and our shareholders.

34%

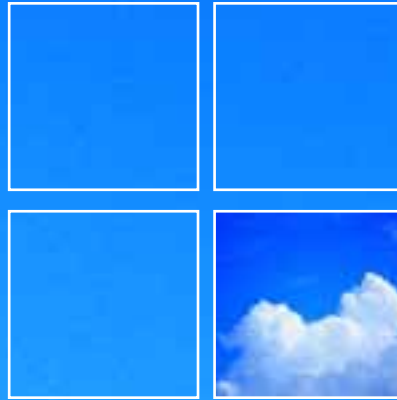
INCREASE IN EBIT¹
FROM US\$128.8
MILLION TO
US\$172.2 MILLION

50%

INCREASE IN
EARNINGS PER
SHARE FROM
US 18.3 CENTS
TO US 27.4 CENTS

Air

James Hardie fibre cement building materials are resistant to wind-borne salt or pollution and require minimal maintenance.



Demand for our products in the United States continues to grow strongly, significantly outpacing the rate of housing construction growth.