



3rd Quarter and Year To Date Results

13 February 2003



Agenda

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



Strong Performance

3rd Quarter and YTD FY'03

		<u>Q3 '03</u>		<u>YTD</u>
Sales Revenue*	up	36%	up	35%
Gross Profit*	up	51%	up	47%
EBIT* ¹	up	111%	up	88%
Operating Profit*	up	3,975%	up	353%
Net Operating Profit ²	up	237%	up	723%

*Continuing businesses only. All results are versus pcp

¹Before restructuring and other operating expenses

²Includes profit on sale of Gypsum



Strong Growth Momentum

3rd Quarter

- > USA Fibre Cement EBIT up 73%*
- > Australia EBIT up 39%
- > New Zealand EBIT up 43%
- > Philippines – small loss

*Before restructuring and other operating expenses



Financial Review

Phillip Morley, CFO



Income Statement - Q3

US\$ Million	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
Net Sales	197.4	144.8	36
Gross Profit	74.5	49.2	51
SG&A	(44.6)	(35.0)	27
EBIT before restructuring and other operating expenses	29.9	14.2	111
Restructuring and other operating expenses	1.0	(17.1)	(106)
EBIT	30.9	(2.9)	-
Net Interest Expense	(12.4)	(3.3)	276
Income Tax (Expense)/Benefit	(3.0)	5.8	152
Operating Profit/(Loss)	15.5	(0.4)	-

Continuing businesses only



Income Statement - YTD

US\$ Million	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
Net Sales	605.2	448.9	35
Gross Profit	222.0	150.8	47
SG&A	(119.8)	(96.4)	24
EBIT before restructuring and other operating expenses	102.2	54.4	88
Restructuring and other operating expenses	1.0	(28.2)	(104)
EBIT	103.2	26.2	294
Net Interest Expense	(17.8)	(12.7)	40
Other Income (Expense), Net	0.1	(0.7)	(114)
Income Tax (Expense)/Benefit	(23.5)	0.9	-
Operating Profit	62.0	13.7	353

Continuing businesses only



Segment Sales - Q3

US\$ Million	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
USA Fibre Cement	146.3	102.2	43
Asia Pacific Fibre Cement	49.2	41.1	20
Other Fibre Cement	1.9	1.5	27
Total	197.4	144.8	36

Continuing businesses only



Segment Sales - YTD

US\$ Million	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
USA Fibre Cement	453.5	327.5	38
Asia Pacific Fibre Cement	145.9	117.9	24
Other Fibre Cement	5.8	3.5	66
Total	605.2	448.9	35

Continuing businesses only



EBIT - Q3

US\$ Million	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
USA Fibre Cement*	37.8	21.8	73
Asia Pacific Fibre Cement	8.0	5.8	38
Other Fibre Cement	(3.1)	(1.6)	94
R & D	(3.5)	(2.7)	30
Total Segment EBIT*	39.2	23.3	68
Corporate Costs	(8.3)	(13.6)	(39)
Total EBIT*	30.9	9.7	219

*Before restructuring and other operating expenses



EBIT - YTD

US\$ Million	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
USA Fibre Cement*	117.3	74.2	58
Asia Pacific Fibre Cement	25.2	15.8	60
Other Fibre Cement	(8.2)	(6.5)	26
R & D	(8.9)	(7.3)	22
Total Segment EBIT*	125.4	76.2	65
Corporate Costs	(22.2)	(37.4)	(41)
Total EBIT*	103.2	38.8	166

Continuing businesses only

*Before restructuring and other operating expenses



Corporate Costs - Q3

US\$ Million

	<u>Q3 '03</u>	<u>Q3 '02</u>
Restructure Costs (Corporate Restructure)	-	2.8
Ongoing Costs – Variable (Pulp Hedge (settled in Q3'03), Employee Share Plan)	1.1	6.7
Corporate Costs ¹	7.2	4.1
Total	8.3	13.6

¹Includes EPIP Bonuses accrual of US\$1.7 million in FY03

Corporate Costs - YTD

US\$ Million

	<u>YTD '03</u>	<u>YTD '02</u>
Restructure Costs (Corporate Restructure)	-	7.5
Ongoing Costs – Variable (Pulp Hedge (settled in Q3'03), Employee Share Plan)	2.8	18.8
Corporate Costs ¹	19.4	11.1
Total	<u>22.2</u>	<u>37.4</u>

¹Includes EPIP Bonuses accrual of US\$4.4 million in FY03

Net Interest Expense

US\$ Million	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
Ongoing Net Interest Expense	2.5	3.3	(24)
Make-Whole Payment ¹	9.9	-	-
Net Interest Expense	12.4	3.3	276
	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
Ongoing Net Interest Expense	7.9	12.7	(38)
Make-Whole Payment ¹	9.9	-	-
Net Interest Expense	17.8	12.7	40

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

Income Tax Expense

US\$ Million

	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
Income Tax (Expense)\Benefit	(3.0)	5.8	(152)

	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
Income Tax (Expense)\Benefit	(23.5)	0.9	-

EBITDA - Q3

US\$ Million	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>% Change</u>
USA Fibre Cement*	42.3	25.2	68
Asia Pacific Fibre Cement	10.0	7.9	27
Other Fibre Cement	(2.9)	(1.6)	81
R & D	(3.5)	(2.7)	30
Total Segments*	45.9	28.8	59
Corporate	(8.3)	(13.4)	(38)
Total*	37.6	15.4	144

EBITDA = EBIT before depreciation and amortisation

Continuing businesses only

*Before restructuring and other operating expenses

EBITDA - YTD

US\$ Million	<u>YTD '03</u>	<u>YTD '02</u>	<u>% Change</u>
USA Fibre Cement*	131.1	84.6	55
Asia Pacific Fibre Cement	31.3	22.6	38
Other Fibre Cement	(8.0)	(6.5)	23
R & D	(8.9)	(7.3)	22
Total Segments*	145.5	93.4	56
Corporate	(22.1)	(37.1)	(40)
Total*	123.4	56.3	119

EBITDA = EBIT before depreciation and amortisation

Continuing businesses only

*Before restructuring and other operating expenses

Capital Expenditure - Q3

US\$ Million	Capital Expenditure		Depreciation	
	<u>Q3 '03</u>	<u>Q3 '02</u>	<u>Q3 '03</u>	<u>Q3 '02</u>
USA Fibre Cement	34.1	4.1	4.5	3.5
Asia Pacific Fibre Cement	2.0	1.4	2.1	2.1
Other Fibre Cement	0.9	0.5	0.1	0.1
Total Segments	37.0	6.0	6.7	5.7

Continuing businesses only

Capital Expenditure - YTD

US\$ Million	Capital Expenditure		Depreciation	
	<u>YTD '03</u>	<u>YTD '02</u>	<u>YTD '03</u>	<u>YTD '02</u>
USA Fibre Cement	53.3	36.5	13.7	10.4
Asia Pacific Fibre Cement	6.1	4.9	6.1	6.8
Other Fibre Cement	1.9	3.2	0.4	0.3
Total Segments	61.3	44.6	20.2	17.5

Continuing businesses only



Key Ratios

	<u>YTD '03</u>	<u>FY '02</u>	<u>FY '01</u>	<u>FY '00</u>	
EPS (Basic) *	13.6c	6.1c	7.2c	6.0c	
Return on Shareholders' Funds	36.3%	9.0%	14.5%	58.0%	
Return on Capital Employed *	23.4%	8.3%	8.5%	14.0%	
EBIT/Sales *	17.1%	7.7%	7.6%	11.7%	
EBIT/Assets *	17.3%	6.7%	6.1%	9.0%	
Gearing	$\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	14.2%	44.7%	56.1%	48.8%
Net Interest Cover *	5.8x	2.9x	3.1x	2.9x	

*Continuing businesses only

EBIT/Assets: EBIT for YTD'03 annualised



Economic Profit

US\$ Million	<u>YTD'03</u>	<u>FY'02*</u>
NOPAT	83.2	53.5
Average Capital	624.5	583.7
WACC Rate	9.8%	9.8%
Capital Charge	45.9	57.2
Economic Profit	37.3	(3.7)

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



Operating Review

Peter Macdonald, CEO



Management Team Changes

- > Managing key growth drivers globally
- > Louis Gries – Executive Vice President Operations
 - Flat sheet operations in Americas and Asia Pacific
 - Sales, marketing and finance
 - Business development in Europe
- > Don Merkley – Executive Vice President Research and Development
 - Added:
 - FRC Pipe businesses in USA and Australia
 - Emerging roofing business in USA
- > Dave Merkley – Executive Vice President Manufacturing/Engineering
 - Increased emphasis on countries outside USA

USA Fibre Cement



USA Fibre Cement

Another Very Strong Quarter

Net Sales	up	43% to US\$146.3 million
Sales Volume	up	31% to 298.2 mmsf
Average Price ¹	up	9% to US\$491 per msf
EBIT*	up	73% to US\$37.8 million
EBIT Margin*	up	4.5 pts to 25.8%

*Before restructuring and other operating expenses

¹Up 6% to US\$478 per msf excluding reversal of rebate accrual



USA Fibre Cement

3rd Quarter Trading Conditions

- > Continued strength in housing construction despite weaker consumer confidence
- > Demand strong in all major markets
- > Normal seasonal industry slowdown

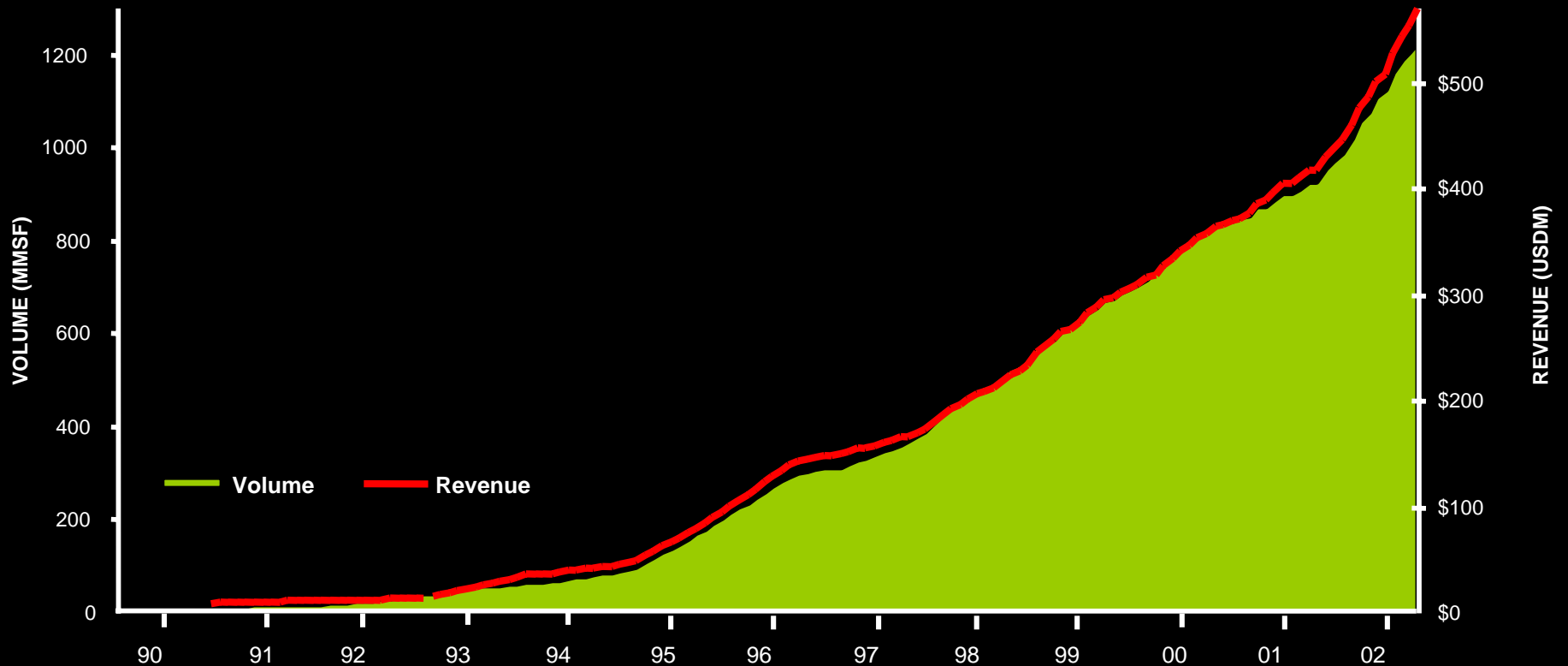
USA Fibre Cement

Key Points

- > Continued strong growth in primary demand for fibre cement
- > Significantly outstripped growth in housing construction
- > Further market share gains in north and south
- > Strong growth in exterior and interior markets
- > Strong growth in differentiated, higher priced products
- > New internal lining product launched – Hardibacker®
EziGrid™

USA Fibre Cement

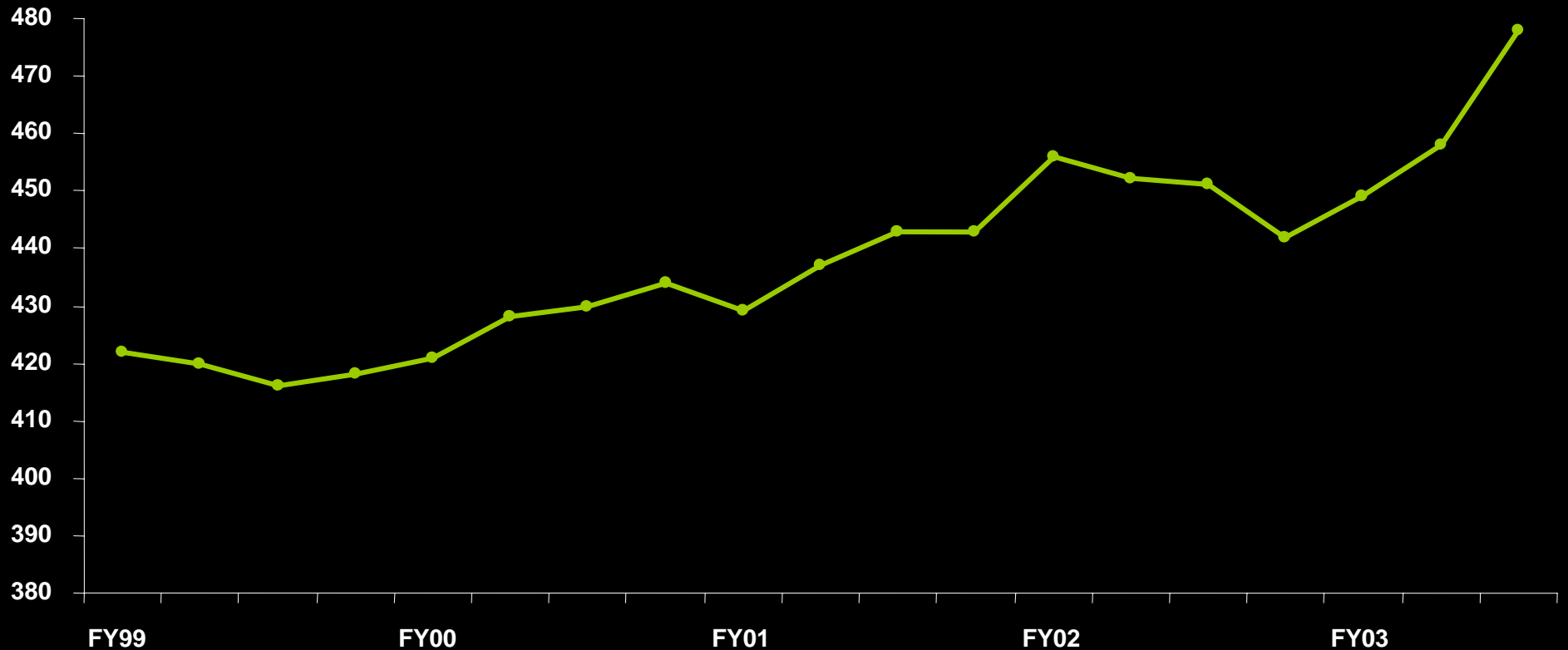
Revenue Growth Outstripping Volume Growth



USA Fibre Cement

Average Quarterly Selling Price

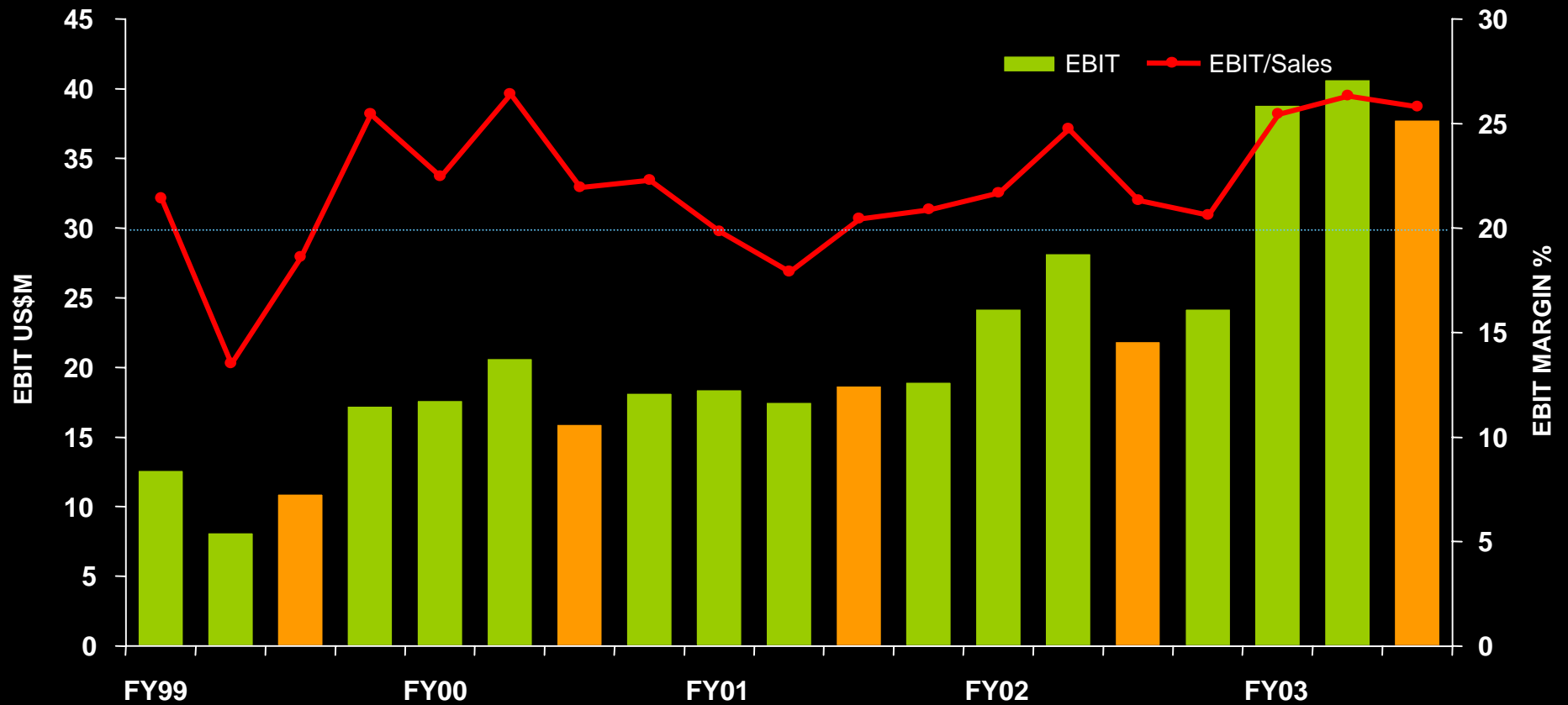
US\$/MSF



* Excludes impact of reversal of sales rebate accrual

USA Fibre Cement

EBIT and EBIT Margin *



*Excluding 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 competitors, introducing differentiated products to reduce direct price competition
- > Optimise earnings with desired rate of market penetration



USA Fibre Cement

Outlook

- > Continued growth in primary demand
- > Housing activity to remain healthy
 - New starts, permits and builder confidence all up
- > Further market share gains in the north, south and across product range
- > Strong growth in differentiated, higher-priced products
- > EBIT performance to further strengthen

Asia Pacific Fibre Cement





Asia Pacific Fibre Cement

3rd Quarter Result

Net Sales	up	20% to US\$49.2 million
Sales Volume	up	17% to 93.4 mmsf
EBIT	up	38% to US\$8.0 million
EBIT Margin	up	2.2 pts to 16.3%

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

Asia Pacific Fibre Cement

Australia - Key Points

- > Healthy level of building activity but signs of softening
- > Robust house renovation activity helped lift volumes 13%
- > Gross profit up 30%, EBIT up 39%
- > EBIT margin up 3.0 pts to 19.2%
- > Wider product range helped secure new customers
- > Two new internal lining products launched – HardiRock™ and Ezigril™
- > Price increase - effective 1 January

Asia Pacific Fibre Cement

Australia - Outlook

- > Softer housing sector
- > Renovations and commercial segments expected to remain buoyant
- > Market share gains
- > Further improvements to EBIT performance
- > New products
- > Higher prices

Asia Pacific Fibre Cement

New Zealand - Key Points

- > Volume up 17%, revenue up 9% in local currency
- > Stronger residential building activity and increased penetration in key markets
- > Linea[®] weatherboard cladding and trim products continued to grow strongly
- > Softer non-residential building activity but panel sales remained strong
- > Increased share of total fibre cement sales
- > Gross profit up 44%, EBIT up 43%, EBIT margin up to 15.3%



Asia Pacific Fibre Cement

New Zealand - Outlook

- > Continued growth in residential building activity
- > Increased sales of differentiated, higher price products
- > Weaker non-residential market
- > Stronger EBIT performance

Asia Pacific Fibre Cement

Philippines - Key Points

- > Stronger domestic demand lifted volumes 31%
 - > domestic volumes up 60%
- > Demand for HardiFlex[®] lite continued to grow strongly
- > Export sales down due to supply issues and weaker demand
- > Further market share taken from plywood
- > Profitability affected by temporary decline in manufacturing performance – small loss for the quarter

Asia Pacific Fibre Cement

Philippines - Outlook

- > Continued strong growth in domestic demand
- > Further market penetration against plywood
- > Improved manufacturing performance
- > Increased export sales
- > Improved profitability



Other Fibre Cement

Chile Fibre Cement – Key Points

- > Continued penetration of local market
- > Revenue and volumes up despite softer economic conditions
- > Intense competition continued to affect prices
- > Competitor exits



Other Fibre Cement

Chile Fibre Cement – Outlook

- > Further market penetration and share growth
- > Continued pricing pressure from competitors
- > Higher average price from growth in sales of new products

Other Fibre Cement

FRC Pipes – Key Points

- > Continued to penetrate south-east market
- > Volumes more than doubled, revenue almost doubled
- > Sales of larger diameter pipes (30” – 36”) up significantly
- > Further improvements to manufacturing performance
 - > Increased output
 - > Lower unit costs
- > Lower selling prices due to aggressive pricing from competitors
- > Progress on regulatory approvals
- > Gained several new customers



Other Fibre Cement

FRC Pipes – Outlook

- > Further market penetration as awareness increases
- > Improvements to manufacturing performance
- > Lower unit costs
- > Prices to remain weak due to competitive pressures



Research & 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

- > Trading conditions expected to remain healthy in near term for most markets. Some softening expected in Australia.
- > Strong growth momentum in first nine months continuing into 4th quarter
 - > USA – further penetration across the country and stronger EBIT performance
 - > Asia Pacific – revenue and volume growth and improved profitability



Questions and Answers



Disclaimer

Notes

1. *Unless otherwise stated, results are for continuing operations only and comparisons are of the 3rd quarter of the current fiscal year versus the 3rd 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 and a Finance Report.*

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.



3rd Quarter and Year To Date Results

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