



FY04 2nd Quarter and Half Year Results

13 November 2003

Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter of the current fiscal year versus the 2nd quarter of the prior fiscal year.



Agenda

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



Strong Performance

2nd Quarter and Half Year FY04

		<u>Q2'04 %</u>		<u>HY'04 %</u>
Net Sales	up	24	up	24
Gross Profit	up	26	up	28
EBIT ²	up	35	up	36
Operating Profit ⁵	up	43	up	45
Net Operating Profit*, ⁶	up	33	down	33

* Includes discontinued operations and profit on sale of Gypsum in HY'03

Highlights

2nd Quarter

- USA Fibre Cement EBIT² up 32%
- Australia and New Zealand Fibre Cement EBIT² up 2%
- Philippines – small profit
- Chile – small profit
- Capital return completed
- Foundation – disclosure does not change liability for JHINV



Financial Review

Phillip Morley, CFO

Results – Q2

US\$ Million	<u>Q2 '04</u>	<u>Q2 '03</u>	<u>% Change</u>
Net Sales	251.6	202.1	24
Gross Profit	92.4	73.6	26
SG&A	(38.9)	(33.5)	16
Research & Development	(5.6)	(4.5)	24
EBIT ²	47.9	35.6	35
Net Interest Expense	(2.4)	(2.5)	(4)
Other Expense, Net	(3.3)	(0.2)	-
Income Tax Expense	(9.4)	(9.9)	(5)
Operating Profit ⁵	32.8	23.0	43

Results – Half Year

US\$ Million	<u>HY '04</u>	<u>HY '03</u>	<u>% Change</u>
Net Sales	493.1	396.7	24
Gross Profit	181.7	142.1	28
SG&A	(75.1)	(63.6)	18
EBIT ²	96.2	70.7	36
Net Interest Expense	(4.7)	(5.4)	(13)
Other (Expense) Income, Net	(3.3)	0.1	-
Income Tax Expense	(22.5)	(20.0)	13
Operating Profit ⁵	65.7	45.4	45

Segment Net Sales – Q2

US\$ Million	<u>Q2 '04</u>	<u>Q2 '03</u>	<u>% Change</u>
USA Fibre Cement	191.4	154.7	24
Asia Pacific Fibre Cement	54.8	44.9	22
Other Fibre Cement	5.4	2.5	116
Total	251.6	202.1	24



Segment Net Sales – Half Year

US\$ Million	<u>HY '04</u>	<u>HY '03</u>	<u>% Change</u>
USA Fibre Cement	378.2	307.2	23
Asia Pacific Fibre Cement	104.9	85.6	23
Other Fibre Cement	10.0	3.9	156
Total	493.1	396.7	24

Segment EBIT² – Q2

US\$ Million	<u>Q2 '04</u>	<u>Q2'03</u>	<u>% Change</u>
USA Fibre Cement	53.7	40.7	32
Asia Pacific Fibre Cement	9.4	8.1	16
Other Fibre Cement	(4.3)	(2.4)	(79)
R & D	(4.1)	(2.9)	(41)
Total Segment EBIT	54.7	43.5	26
Corporate Costs	(6.8)	(7.9)	(14)
Total EBIT	47.9	35.6	35

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

Segment EBIT² – Half Year

US\$ Million	<u>HY '04</u>	<u>HY'03</u>	<u>% Change</u>
USA Fibre Cement	107.8	79.5	36
Asia Pacific Fibre Cement	18.0	15.6	15
Other Fibre Cement	(8.0)	(5.1)	(57)
R & D	(7.4)	(5.4)	(37)
Total Segment EBIT	110.4	84.6	30
Corporate Costs	(14.2)	(13.9)	(2)
Total EBIT	96.2	70.7	36

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

Corporate Costs

US\$ Million	<u>Q2'04</u>	<u>Q2'03</u>	<u>HY'04</u>	<u>HY'03</u>
Economic Profit				
Compensation Expense	0.6	2.0	1.3	2.8
Fixed Stock Option Expense	0.6	0.1	1.1	0.3
Employee Share Plan and Other Variables	0.4	0.3	2.1	1.6
Corporate Costs	5.2	5.5	9.7	9.2
Total	6.8	7.9	14.2	13.9

Net Interest Expense

US\$ Million	<u>Q2'04</u>	<u>Q2'03</u>	<u>% Change</u>
Net Interest Expense	(2.4)	(2.5)	(4)

	<u>HY'03</u>	<u>HY'04</u>	<u>% Change</u>
Net Interest Expense	(4.7)	(5.4)	(13)

Income Tax Expense

US\$ Million	<u>Q2'04</u>	<u>Q2'03</u>	<u>% Change</u>
Income Tax Expense	(9.4)	(9.9)	(5)
Rate	22.3%	30.1%	
	<u>HY'04</u>	<u>HY'03</u>	<u>% Change</u>
Income Tax Expense	(22.5)	(20.0)	13
Rate	25.5%	30.6%	

EBITDA³ – Q2

	Q2'04	Q2'03	% Change
EBIT²			
USA Fibre Cement	53.7	40.7	32
Asia Pacific Fibre Cement	9.4	8.1	16
Other Fibre Cement	(4.3)	(2.4)	(79)
R & D	(4.1)	(2.9)	(41)
Corporate	(6.8)	(7.9)	14
Depreciation and Amortisation			
USA Fibre Cement	6.3	4.4	43
Asia Pacific Fibre Cement	2.3	1.8	28
Other Fibre Cement	0.2	0.1	100
Total EBITDA	56.7	41.9	35

EBITDA³ – Half Year

	HY'04	HY'03	% Change
EBIT²			
USA Fibre Cement	107.8	79.5	36
Asia Pacific Fibre Cement	18.0	15.6	15
Other Fibre Cement	(8.0)	(5.1)	(57)
R & D	(7.4)	(5.4)	(37)
Corporate	(14.2)	(13.9)	(2)
Depreciation and Amortisation			
USA Fibre Cement	11.2	9.2	22
Asia Pacific Fibre Cement	4.6	4.0	15
Other Fibre Cement	0.3	0.1	200
Total EBITDA	112.3	84.0	34

Capital Expenditure – Half Year

	Capital Expenditure		Depreciation	
US\$ Million	<u>HY '04</u>	<u>HY '03</u>	<u>HY '04</u>	<u>HY '03</u>
USA Fibre Cement	32.0	19.2	10.7	9.2
Asia Pacific Fibre Cement	4.2	4.1	4.6	4.1
Other Segments	7.9	0.7	0.3	0.1
Total Segments	44.1	24.0	15.6	13.4

Note: Capital Expenditure is equivalent to the US GAAP measure, purchases of property, plant and equipment, in the consolidated statements of cashflows. Other segments includes Hardie® Pipe, Chile Fibre Cement, Europe Fibre Cement, Roofing, R&D and Corporate.

Key Ratios

	<u>HY '04</u>	<u>FY '03</u>	<u>FY '02</u>	<u>FY '01</u>	
EPS (Basic)	14.5c	18.7c	6.4c	7.3c	
Return on Shareholders Funds*	28.3%	42.3%	8.9%	14.7%	
Return on Capital Employed*	28.7%	21.2%	8.6%	8.6%	
EBIT ² /Sales	19.5%	16.4%	8.0%	7.6%	
Gearing	$\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	13.0%	21.4%	44.7%	56.1%
Net Interest Cover	20.5x	6.6x	3.0x	3.1x	

* Annualised



James Hardie



James Hardie

Operating Review

Peter Macdonald, CEO



USA Fibre Cement





USA Fibre Cement

Strong 2nd Quarter Result

Net Sales	up	24% to US\$191.4 million
Sales Volume	up	16% to 390.5 mmsf
Average Price	up	7% to US\$490 per msf
EBIT ²	up	32% to US\$53.7 million
EBIT Margin ²	up	1.8 pts to 28.1%

USA Fibre Cement

2nd Quarter Trading Conditions

- Housing construction remained healthy
 - Low interest rates
 - Strong house prices
 - Low housing inventory levels
 - Improved consumer confidence
- Robust repair and remodel activity

USA Fibre Cement

Key Points

- Continued strong demand for fibre cement
- Increased penetration of exterior and interior markets
- Strong growth in differentiated, higher-priced products
- Margin improvement
- Ramp-up of recently upgraded Blandon, Pennsylvania plant and new panel line at Waxahachi, Texas plant
- Commissioned proprietary pre-finishing line at Peru, Illinois plant

Updated Market Data

Market Size

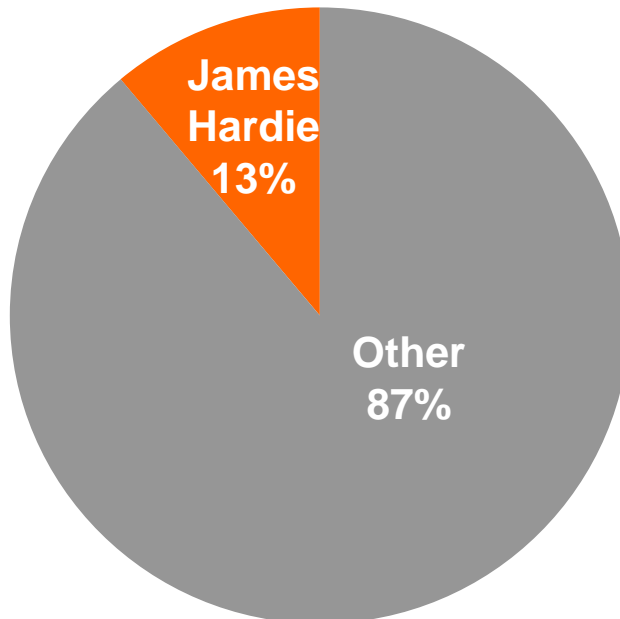
Product Category (bsf)	Previous	Updated	Change	JH Share Estimate
New Construction				
- Siding, Fascia & Soffits	3.5	5.9	2.4	
- Trim	1.3	1.2	(0.1)	
Total New	4.8	7.1	2.3	
Repair & Remodel				
- Siding, Fascia & Soffits	3.9	4.5	0.6	
- Trim	1.6	0.9	(0.7)	
Total R&R	5.4	5.4	-	
Grand Total	10.2	12.5	2.3	13%

Note – This information is based on the latest market survey data collected and analysed by James Hardie and is based on source material from the **NAHB, NAHB Builder Practices Survey and Consumer Practices Survey, Ducker Research Company Inc. 2002 Analysis of Exterior Wall Systems, Ciprus Research Exterior Residential Cladding Report**, combined with James Hardie estimates based on its own surveys and management estimates.

On Track to Double 2002 - 2007

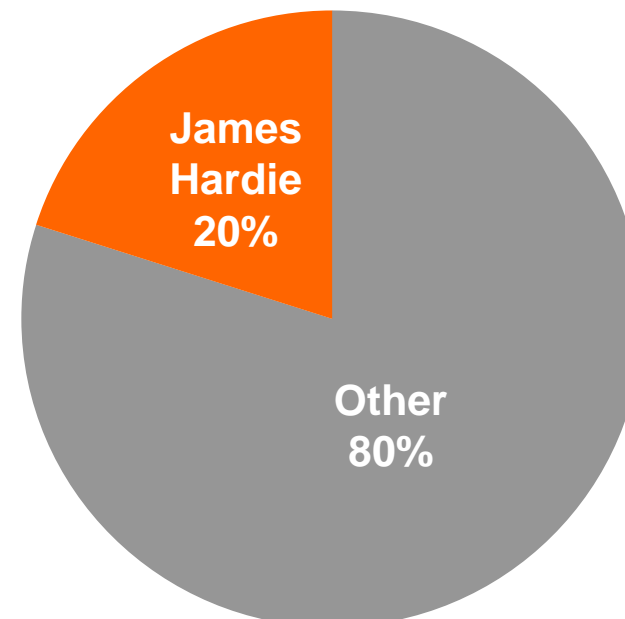
2003

**James Hardie Share
USA Exterior Products Market
12.5 bsf**



2007

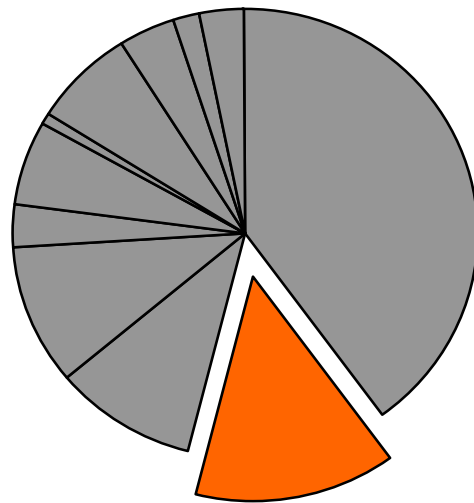
**James Hardie Share
USA Exterior Products Market
12.5 bsf**



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Growing Share - Siding

14% of siding market vs long term target of 35-40%



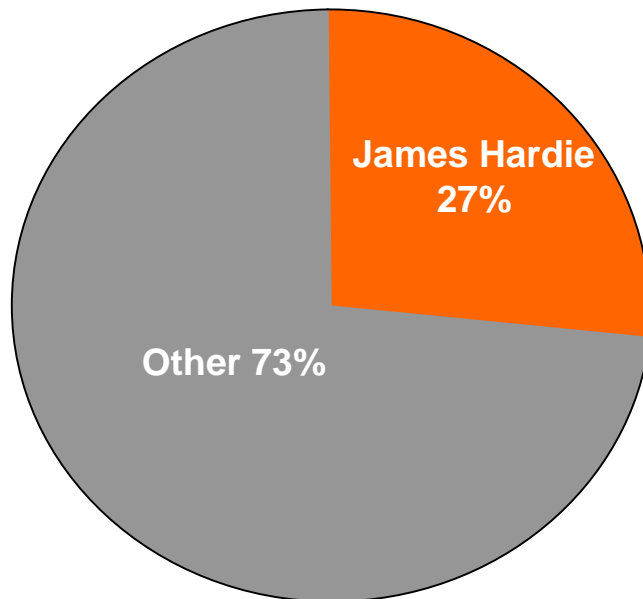
Fibre Cement 14%

	03/04 Estimate
Vinyl	40%
Fibre Cement	14%
Brick	10%
Stucco	10%
OSB	7%
Wood	6%
Hardboard	4%
Masonry	3%
Other	3%
Aluminium	2%
Plywood	1%

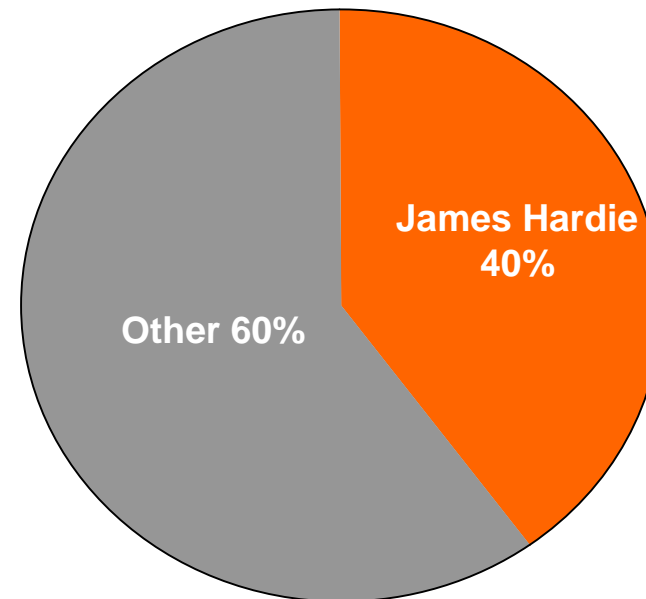
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Backer Could Grow Even Faster

Updated Estimate
USA Interior Cement Board
Market 0.97bsf



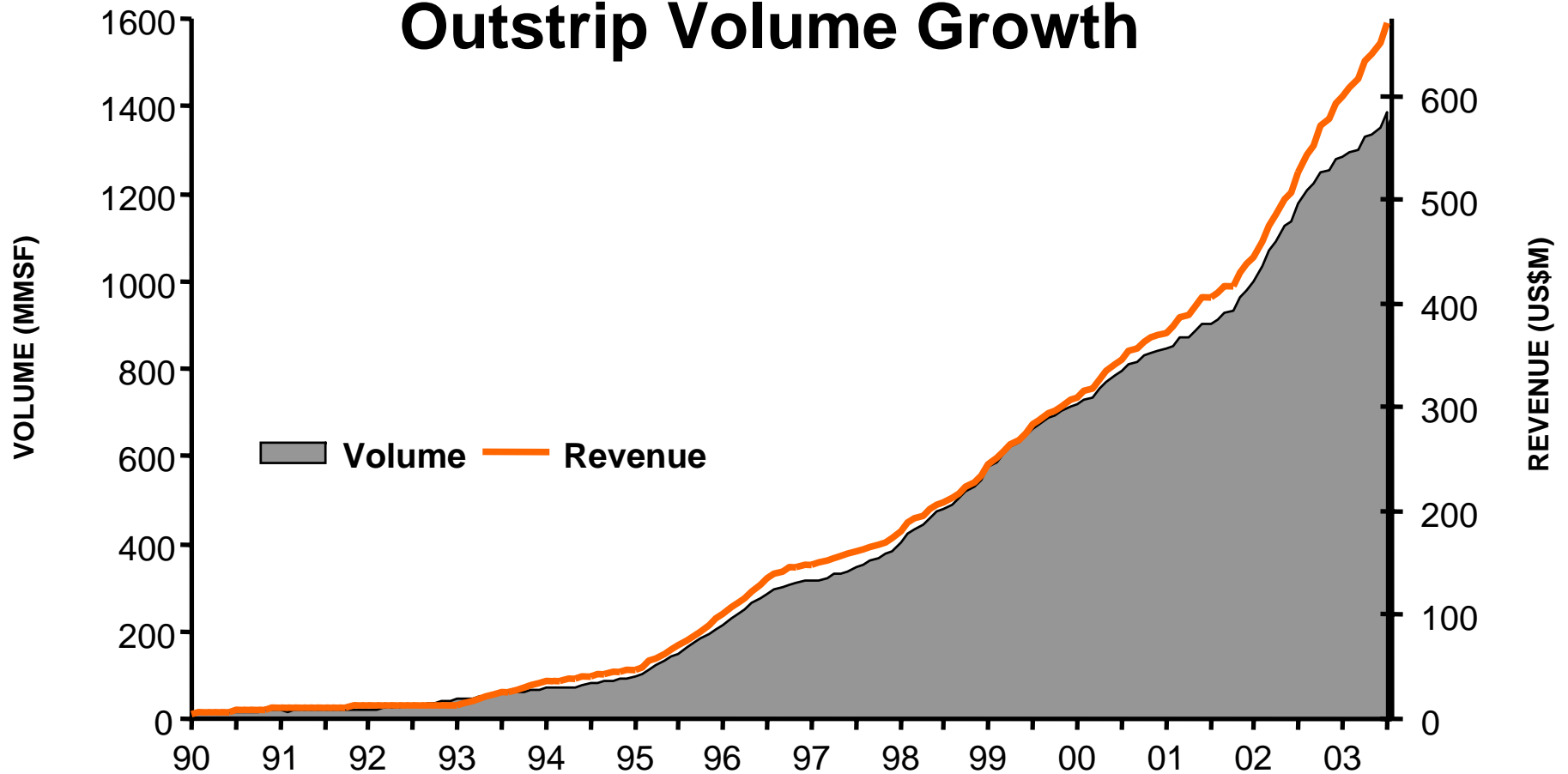
2007
USA Interior Cement Board
Market 1.1bsf



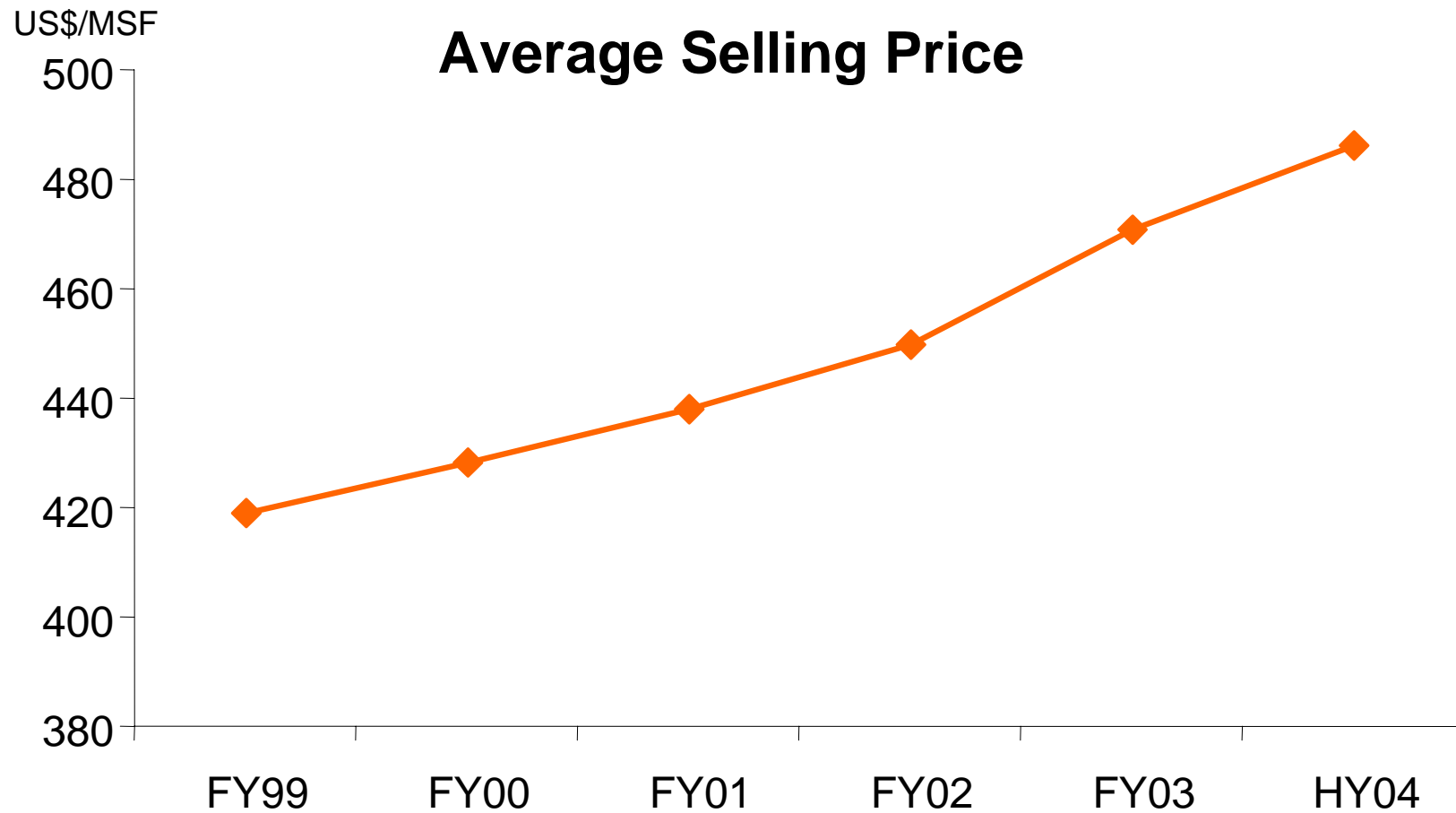
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USA Fibre Cement

Revenue Growth Continuing to Outstrip Volume Growth

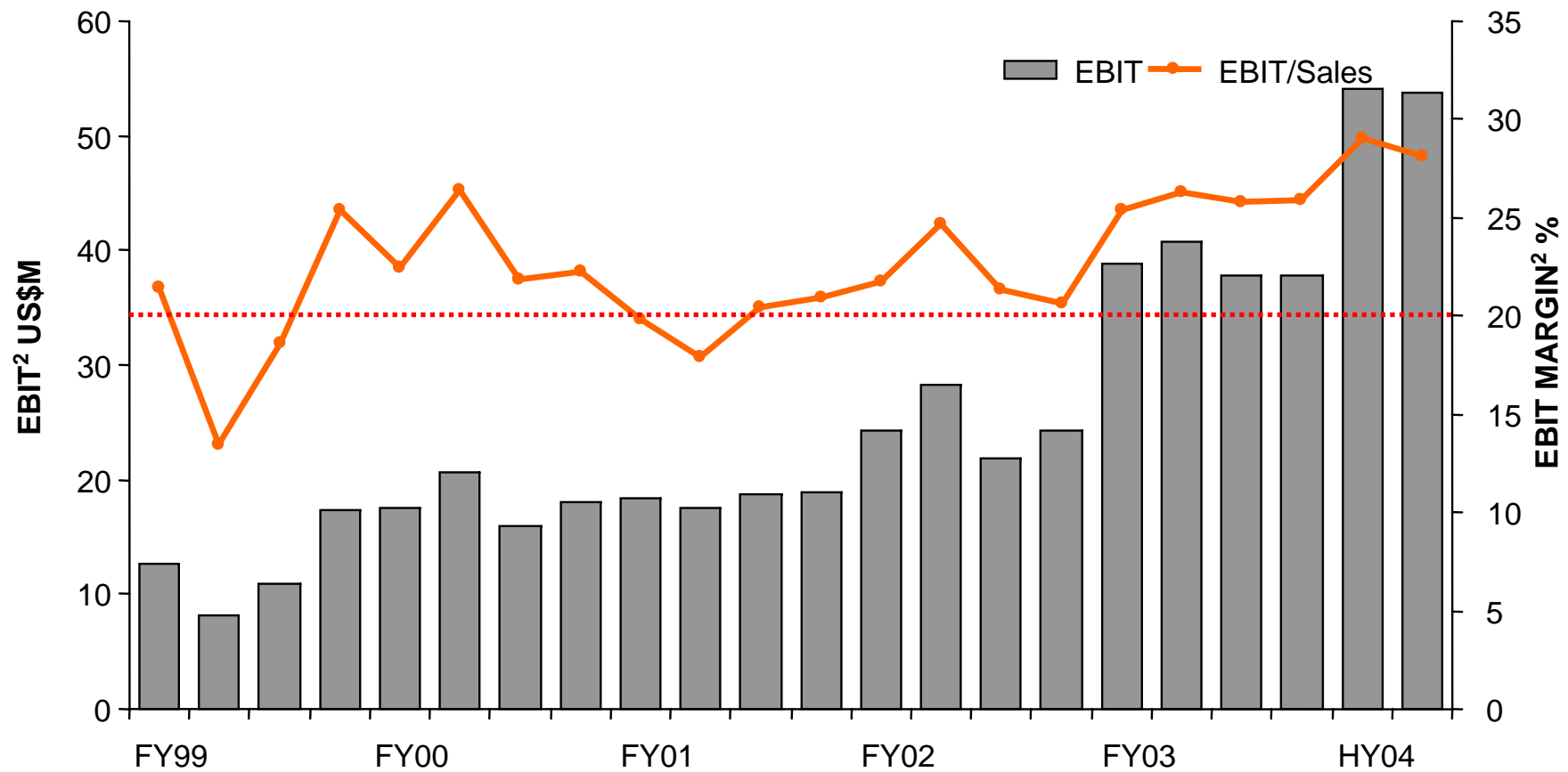


USA Fibre Cement



USA Fibre Cement

EBIT and EBIT Margin^{*,4}



*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
- Optimise earnings with desired rate of market penetration

USA Fibre Cement

Outlook

- Continued strong demand for fibre cement
- Housing construction to remain buoyant over short to medium term
 - Low interest rates, house prices strong, new economic stimulus bill, improved consumer confidence
 - Approvals strong, low inventories, large order backlogs
- Further market share gains in the north, south and across product range
- Continued growth in differentiated, higher-priced products
- Good growth and EBIT² performance expected to continue, but will reflect normal seasonal slowdown

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

Australia and New Zealand – Key Points

- New housing construction weaker in Australia, but renovations and commercial activity remained strong
- New Zealand housing starts remained strong, but activity affected by poor weather in some regions
- Net sales up 17%, but down 3% in Australian dollars
- Volumes down 2%
 - Lower than expected sales performance in Australia
 - Weaker fence sales in Western Australia
- Manufacturing performance at Rosehill plant restored by end of quarter
- Increased competitiveness of FRC pipes due to release of new pipe standard
- EBIT² up 2%, EBIT Margin² 18.0%

Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- Renovations and commercial activity to remain relatively strong in short term
- Softer new housing construction
- Manufacturing cost savings
- New products
- Stronger EBIT² performance

Asia Pacific Fibre Cement

Philippines – Key Points

- Net sales up 74% in local currency
- Sales volumes up 64% due to stronger domestic demand and export sales
- Manufacturing cost savings
- Small operating profit

Asia Pacific Fibre Cement

Philippines – Outlook

- Increased building and construction activity as seasonal conditions become more favourable
- Stronger domestic demand
- Further penetration against plywood
- More cost savings

Other Fibre Cement

Chile Fibre Cement – Key Points

- Net sales up 157%
- Signs of recovery in domestic construction activity
- Further penetration of domestic market
- Increased demand for sales of higher-priced, differentiated products
- Strong export sales
- Small operating profit

Other Fibre Cement

Chile Fibre Cement – Outlook

- Strong domestic and regional construction activity
 - Favourable seasonal weather conditions
 - Improving economic conditions
- Further market penetration and share growth
- Increased sales of higher-priced, differentiated products

Other Fibre Cement

USA Hardie® Pipe – Key Points

- Further penetration of south-east market helped lift net sales 84%
- Increased share of target market to 20%
- Further manufacturing performance improvements
- Manufacturing costs still above our targets
- Prices remain low due to competitors

Other Fibre Cement

USA Hardie® Pipe – Outlook

- Continued market penetration and share growth
- Further manufacturing improvements and cost savings
- Prices to remain affected by competition

Europe

- Penetration of target markets in U.K. and France in line with expectations
- Favourable response from distributors, builders and contractors to Hardibacker[®] and pre-painted siding
- Demand expected to grow as awareness of products increases

Artisan Roofing

- Continued plant testing and manufacturing trials
- Completed first on-site installations of new shake product
- Building inventory to meet initial demand
- Sales now commenced



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

- Strong first half results continuing into second half
- Prospects for good growth over the full year remain encouraging
- Strong cash flow generation



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, 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.



Notes

- 1. 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, a Financial Report and 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.*

The use of EBIT and EBIT margins in this document are equivalent to the US GAAP measures of operating income and operating income margin.

Notes cont...

3. *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 our 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.*
4. *Presentation of EBIT and EBIT Margin before restructuring and other operating (expense) income are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT Margin. The Company has included these financial measures 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 these non-GAAP measures for the same purposes.*
5. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations.*
6. *Net operating profit including discontinued operations is equivalent to the US GAAP measure of net income.*



James Hardie



James Hardie

FY04 2nd Quarter and Half Year Results

13 November 2003