



James Hardie

FY05 2nd Quarter and Half Year Results

22 November 2004

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

- Introduction – Meredith Hellicar, Chairman
- Overview – Louis Gries, Interim CEO
- Financial Review – Russell Chenu, Interim CFO
- Operating Review – Louis Gries, Interim CEO
- Special Commission of Inquiry
and Other Associated Developments – Meredith Hellicar,
Chairman
- Questions and Answers

Overview

- Lower than expected quarterly result
 - Sub-standard US manufacturing performance – issues largely behind us
 - High input costs
 - Ramp-up costs of growth initiatives
 - High corporate costs (SCI related)
- Remain on track to meet business growth targets

Overview

2nd Quarter and Half Year FY05

		<u>Q2'05%</u>		<u>HY'05%</u>
Net Sales	up	20	up	23
Gross Profit	up	5	up	15
EBIT ¹	down	16	up	2
Operating Profit ¹	down	25	down	6
Net Operating Profit ¹ *	down	24	down	9

* Including Discontinued Operations

Operations Overview

2nd Quarter

- Strong sales growth in USA Fibre Cement
 - EBIT down 9% due to increased costs
- Solid performance in Asia Pacific Fibre Cement
 - ANZ Fibre Cement EBIT up 28%
 - Philippines – small positive EBIT
- Other Fibre Cement segment continuing to develop
 - Chile Fibre Cement – small positive EBIT
 - Hardie Pipe – sales growth
 - Europe Fibre Cement – sales growth
 - Artisan Roofing – sales commenced in October



James Hardie

Financial Review

Russell Chenu, Interim CFO

Results – Q2

US\$ Million	<u>Q2 '05</u>	<u>Q2'04</u>	<u>% Change</u>
Net Sales	300.9	251.6	20
Gross Profit	97.1	92.4	5
SG&A	(45.5)	(38.9)	17
Research & Development	(5.3)	(5.6)	(5)
SCI and Related Expenses	(5.6)	-	-
Other Operating Expense	(0.7)	-	-
EBIT ¹	40.0	47.9	(16)
Net Interest Expense	(1.3)	(2.4)	(46)
Other Expense, Net	(1.9)	(3.3)	(42)
Income Tax Expense	(12.1)	(9.4)	29
Operating Profit ¹	24.7	32.8	(25)

Results – Half Year

US\$ Million	<u>HY '05</u>	<u>HY'04</u>	<u>% Change</u>
Net Sales	607.0	493.1	23
Gross Profit	208.4	181.7	15
SG&A	(90.6)	(75.1)	21
Research & Development	(10.3)	(10.4)	(1)
SCI and Related Expenses	(8.5)	-	-
Other Operating Expense	(0.7)	-	-
EBIT ¹	98.3	96.2	2
Net Interest Expense	(3.8)	(4.7)	(19)
Other Expense, Net	(1.9)	(3.3)	(42)
Income Tax Expense	(30.8)	(22.5)	37
Operating Profit ¹	61.8	65.7	(6)

Results Q2 and Half Year Before SCI & Non Recurring Items

US\$Million	<u>Q2'05</u>	<u>Q2'04</u>	<u>HY'05</u>	<u>HY'04</u>
SCI and Related Costs	5.6	-	8.5	-
Other Operating Expenses	0.7	-	0.7	-
Other Expenses, Net	1.9	3.3	1.9	3.3
Operating Profit ¹	<u>24.7</u>	<u>32.8</u>	<u>61.8</u>	<u>65.7</u>
Net Operating Profit ¹ Before SCI and Non Recurring Items	32.9	36.1	72.9	69.0

Segment Net Sales – Q2

US\$ Million	<u>Q2 '05</u>	<u>Q2 '04</u>	<u>% Change</u>
USA Fibre Cement	231.0	191.4	21
Asia Pacific Fibre Cement	62.5	54.8	14
Other Fibre Cement	7.4	5.4	37
Total	300.9	251.6	20

Segment Net Sales – Half Year

US\$ Million	<u>HY '05</u>	<u>HY '04</u>	<u>% Change</u>
USA Fibre Cement	471.7	378.2	25
Asia Pacific Fibre Cement	119.8	104.9	14
Other Fibre Cement	15.5	10.0	55
Total	607.0	493.1	23

Segment EBIT¹ – Q2

US\$ Million	<u>Q2 '05</u>	<u>Q2'04</u>	<u>% Change</u>
USA Fibre Cement	49.0	53.7	(9)
Asia Pacific Fibre Cement	12.3	9.4	31
Other Fibre Cement	(4.2)	(4.3)	2
R & D	(3.4)	(4.1)	17
Total Segment EBIT	<u>53.7</u>	<u>54.7</u>	<u>(2)</u>
General Corporate	(13.7)	(6.8)	(101)
Total EBIT	<u>40.0</u>	<u>47.9</u>	<u>(16)</u>

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

Segment EBIT¹ – Half Year

US\$ Million	<u>HY '05</u>	<u>HY'04</u>	<u>% Change</u>
USA Fibre Cement	112.1	107.8	4
Asia Pacific Fibre Cement	24.3	18.0	35
Other Fibre Cement	(7.5)	(8.0)	6
R & D	(7.5)	(7.4)	(1)
Total Segment EBIT	121.4	110.4	10
General Corporate	(23.1)	(14.2)	(63)
Total EBIT	98.3	96.2	2

Corporate Costs – Q2

US\$ Million	<u>Q2 '05</u>	<u>Q2 '04</u>	<u>HY '05</u>	<u>HY '04</u>
Stock Options Expense	0.5	1.0	0.7	3.2
Inquiry Costs	5.6	-	8.5	-
Corporate Costs	7.6	5.8	13.9	11.0
Total	13.7	6.8	23.1	14.2

Net Interest Expense

US\$ Million	<u>Q2'05</u>	<u>Q2'04</u>	<u>%Change</u>
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Net Interest Expense	(1.3)	(2.4)	(46)
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	<u>HY'05</u>	<u>HY'04</u>	<u>%Change</u>
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Net Interest Expense	(3.8)	(4.7)	(19)
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Income Tax Expense

US\$ Million	<u>Q2'05</u>	<u>Q2'04</u>	<u>%Change</u>
Income Tax Expense	(12.1)	(9.4)	29
Rate	32.9%	22.3%	
	<u>HY'05</u>	<u>HY'04</u>	<u>%Change</u>
Income Tax Expense	(30.8)	(22.5)	37
Rate	33.3%	25.5%	

Tax

Netherlands – US Protocol

- Treaty Protocol significantly tightens requirements
- Limitation of Benefits provisions
- Protocol approved by US Senate – pending ratification
- If ratified in November – would take effect January 2006
- Evaluation of implications and options underway

EBITDA¹ – Q2

	<u>Q2'05</u>	<u>Q2'04</u>	<u>% Change</u>
EBIT¹			
USA Fibre Cement	49.0	53.7	(9)
Asia Pacific Fibre Cement	12.3	9.4	31
Other Fibre Cement	(4.2)	(4.3)	2
R & D	(3.4)	(4.1)	17
General Corporate	(13.7)	(6.8)	(101)
Depreciation and Amortisation			
USA Fibre Cement	5.8	6.3	(8)
Asia Pacific Fibre Cement	2.4	2.3	4
Other	0.8	0.2	-
Total EBITDA	49.0	56.7	(14)

EBITDA¹ – Half Year

	<u>HY'05</u>	<u>HY'04</u>	<u>% Change</u>
EBIT¹			
USA Fibre Cement	112.1	107.8	4
Asia Pacific Fibre Cement	24.3	18.0	35
Other Fibre Cement	(7.5)	(8.0)	6
R & D	(7.5)	(7.4)	(1)
General Corporate	(23.1)	(14.2)	(63)
Depreciation and Amortisation			
USA Fibre Cement	11.6	11.2	4
Asia Pacific Fibre Cement	4.7	4.6	2
Other	1.6	0.4	-
Total EBITDA	116.2	112.4	3

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

Capital Expenditure – Half Year

	Capital Expenditure		Depreciation	
US\$ Million	<u>HY '05</u>	<u>HY '04</u>	<u>HY '05</u>	<u>HY '04</u>
USA Fibre Cement	77.1	32.0	11.6	10.7
Asia Pacific Fibre Cement	2.4	4.2	4.7	4.6
Other Fibre Cement	1.6	7.9	1.6	0.3
Total Segments	81.1	44.1	17.9	15.6

Key Ratios

	<u>HY'05</u>	<u>FY '04</u>	<u>FY '03</u>
EPS (Diluted)	13.4c	27.2c	18.2c
Dividend	-	5.5c	5.0c
Return on Shareholders Funds*#	23.2%	27.6%	42.3%
Return on Capital Employed#	26.0%	23.4%	20.9%
EBIT ¹ /Sales	16.2%	17.5%	16.4%
Gearing Ratio ¹	10.0%	17.0%	21.4%
Net Interest Cover	25.5x	17.2x	6.5x

* Total Company
Annualised



Operating Review

Louis Gries, Interim CEO

Business Unit Management

- Don Merkley – Executive Vice President R&D, Business Development and Roofing
- Dave Merkley – Executive Vice President Engineering, Process Development and Construction
- Jamie Chilcoff – Vice President International
- Robert Russell – Vice President Established Markets – USA FC
- Nigel Rigby – Vice President Emerging Markets – USA FC
- Mark Fisher – Vice President Specialty Products – USA FC

USA Fibre Cement



USA Fibre Cement

2nd Quarter Result

Net Sales up 21% to US\$231.0 million

Sales Volume up 18% to 459.7 mmsf¹

Average Price up 3% to US\$503 per msf¹

EBIT¹ down 9% to US\$49.0 million

EBIT Margin¹ down 6.9 pts to 21.2%

USA Fibre Cement

2nd Quarter Trading Conditions

- Continued strength in housing construction
 - Strong consumer demand
 - Low interest rates
 - Strong house prices
 - Low housing inventory levels

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
- Operating issues at several plants
- Higher manufacturing and freight costs
- Price increase implemented

USA Fibre Cement

Plant Performance Issues

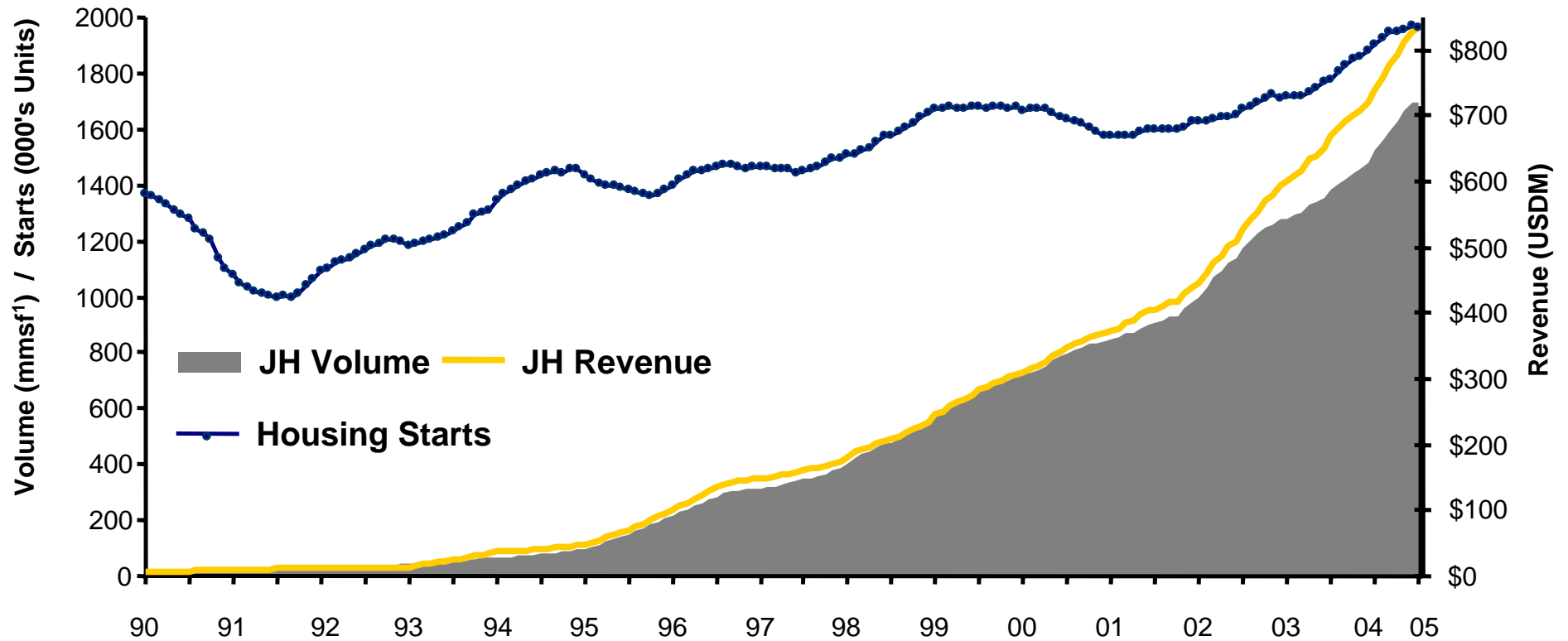
- Ramp up and management issues at Blandon, Pennsylvania; Summerville, South Carolina and Waxahachie, Texas
- Capacity constrained
- Increased operating costs – US\$8M impact:
 - Freight
 - Labour
 - Maintenance
- Issues addressed and largely behind us

USA Fibre Cement

EBIT/Sales Margin	Q2'05 US\$m	HY'05 US\$m
<ul style="list-style-type: none"> ■ Higher costs <ul style="list-style-type: none"> ■ Higher raw material prices ■ Freight (capacity constraint related and higher fuel cost impact) ■ SG&A (growth initiatives) ■ Long term band 20-25% 	<p>4.7</p> <p>6.2</p> <p>4.6</p>	<p>8.2</p> <p>11.3</p> <p>11.6</p>

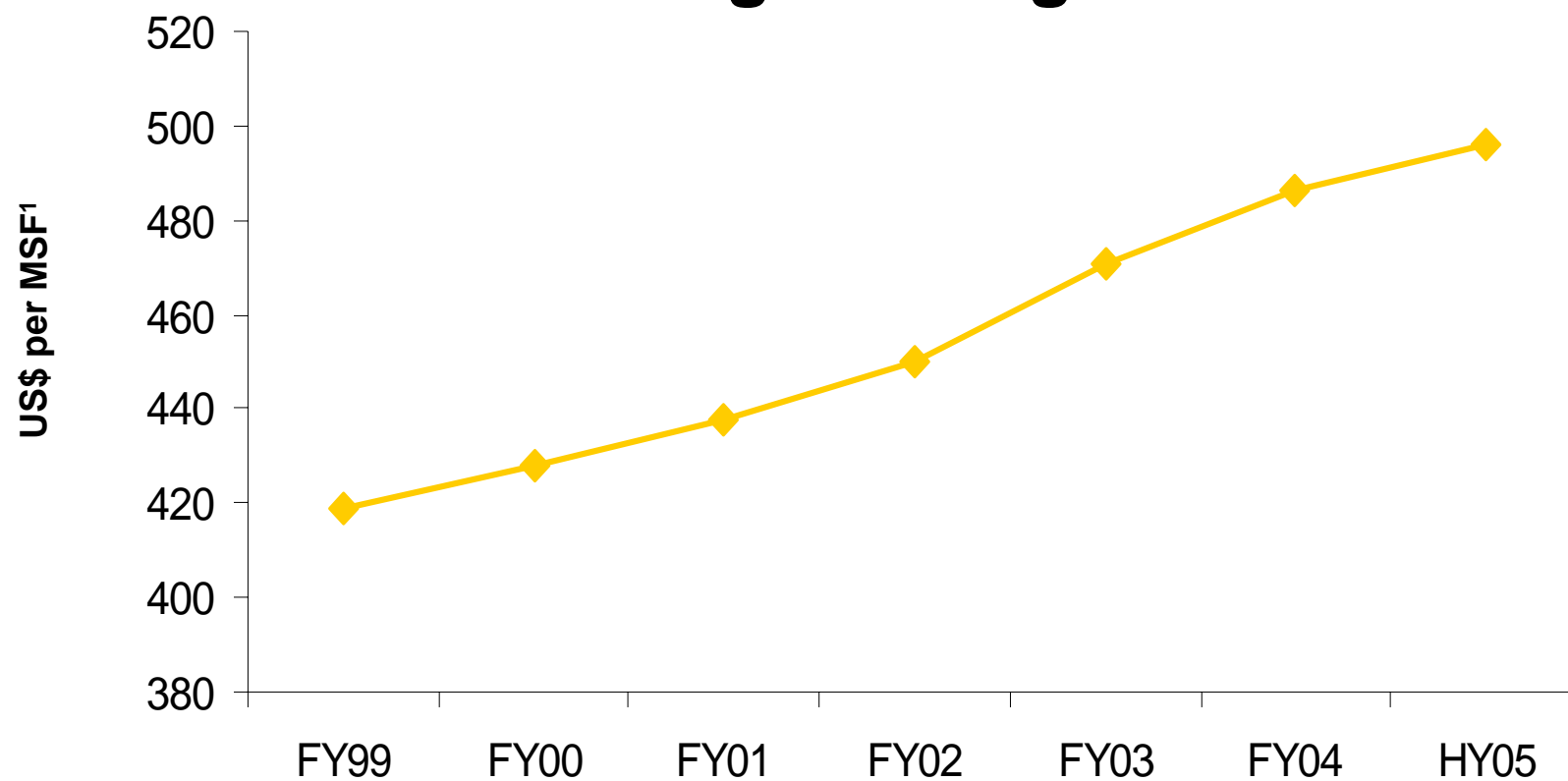
USA Fibre Cement

Revenue Growth Continuing to Outstrip Volume Growth



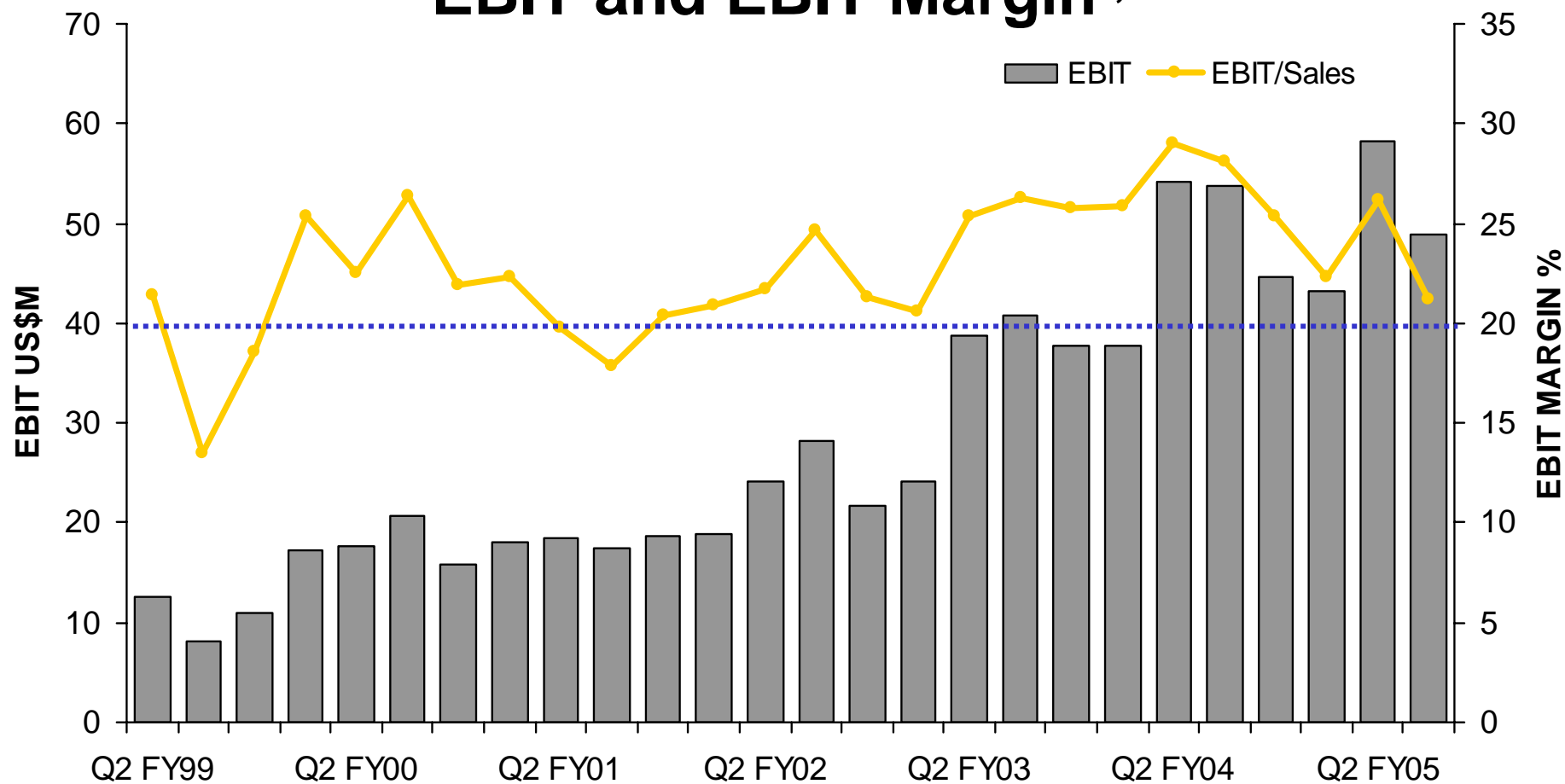
USA Fibre Cement

Average Selling Price



USA Fibre Cement

EBIT and EBIT Margin*,¹



*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

USA Fibre Cement

Outlook

- Continued strong demand for fibre cement
- Housing construction to remain strong over short term
 - Low interest rates
 - New starts, permits and builder confidence at healthy levels
- Sales growth to continue
 - Further penetration in established and emerging markets and across product range
- Improved manufacturing performance
- Declining pulp prices
- Several plant start-ups in second half

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

2nd Quarter Result

Net Sales up 14% to US\$62.5 million

Sales Volume up 9% to 102.6 mmsf¹

EBIT¹ up 31% to US\$12.3 million

EBIT Margin¹ up 2.5 pts to 19.7%

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

Asia Pacific Fibre Cement

Australia and New Zealand – Key Points

- New residential and renovations activity slower in Australia
- Negative customer sentiment in Australia from SCI and related publicity
- New Zealand housing activity strong
- Net sales up 16% - up 7% in A\$
- Volumes up 6%
- Average selling price up 1%
- EBIT up 28% - 18% in A\$

Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- Further softening of new housing and renovations activity in Australia
- New Zealand housing activity to reduce from peak levels
- Product boycotts and negative customer sentiment from SCI and related matters will impact Australian sales and profitability

Asia Pacific Fibre Cement

Philippines

Key Points

- Increased building and construction activity
- Net sales up 19% - up 22% in local currency
- Positive EBIT

Outlook

- Stronger building and construction activity
- Continued improvement in business results

Other Fibre Cement

Chile Fibre Cement

Key Points

- Improved domestic and regional construction activity
- Strong sales growth
- Higher domestic pricing

Outlook

- Further improvement in domestic and regional construction activity
- Continued improvement in business results

Other Fibre Cement

USA Hardie® Pipe

Key Points

- Higher prices and volumes
- Improved manufacturing performance
- EBIT losses reduced

Outlook

- Further market penetration and sales growth
- Continued improvements to plant operating efficiency
- Further EBIT improvement

Europe Fibre Cement

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

Artisan Roofing

- Sales commenced in October
- Customer interest remains strong
- Manufacturing ramp up in early stages

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

- Top line growth momentum of first half continuing into 3rd quarter
- Improved manufacturing performance in North America business
- Several start-ups planned for the 2nd half
 - Reno
 - Peru XLD Trim
 - Peru ColorPlus
- Expected operating profit US\$135M to US\$145M*

*Expected operating profit from continuing operations excluding SCI and associated development costs

Summary

- Lower than expected quarterly result
 - Sub-standard US manufacturing performance – issues largely behind us
 - High input costs
 - Ramp-up costs of growth initiatives
 - High corporate costs (SCI related)
- Remain on track to meet business growth targets

SCI and Other Associated Developments

- SCI reported 21 September 2004
 - Establishment of MRCF legally effective
 - No legal liability for MRCF funding shortfall
 - James Hardie's proposal for funding future claims “an appropriate starting point for negotiations”

SCI and Other Associated Developments

- Currently in discussions with various stakeholders – progress being made
- NSW Government to review ways to cut unnecessary legal and administrative costs in current compensation system
- 22 September 2004, ASIC announced investigation into creation of MRCF – James Hardie co-operating with ASIC
- Substantial costs incurred on SCI and other developments – further costs will be incurred
- Offer of indemnity to ABN 60 and interim funding to MRCF
- 10 September 2004, internal investigation announced consistent with SEC regulations. Investigation now concluded – no impact on financial statements
- Form 20-F (annual report) lodged with SEC, 22 November 2004

SCI and Other Associated Developments

Updated Actuarial Estimate – MRCF Liabilities

- KPMG estimate updated to 30 June 04
- Central Estimate of MRCF liabilities A\$1.536 billion at 30 June 2004
- Underlying increase in liabilities 5%
 - Sustained trend or aberration not clear – but factored in

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.

¹Definitions

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.

EBIT and EBIT Margin before restructuring and other operating (expense) income – 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.

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 2nd Quarter and Half Year Results

22 November 2004

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