



James Hardie

FY05 1st Quarter Results

10 August 2004

Unless otherwise stated, results are for continuing operations only and comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Agenda

- Overview – Peter Macdonald, CEO
- Financial Review – Peter Shafron, CFO
- Operating Review – Peter Macdonald, CEO
- Special Commission of Inquiry – Peter Macdonald, CEO
- Questions and Answers

Strong Performance

1st Quarter

Net Sales	up	27%
Gross Profit	up	25%
EBIT ¹	up	21%
Operating Profit ¹	up	13%
Net Operating Profit ¹ *	up	5%

* Including Discontinued Operations

Operating Highlights

1st Quarter

- USA Fibre Cement EBIT up 17%
- Australia and New Zealand Fibre Cement EBIT up 31%
- Philippines – positive EBIT
- Chile – positive EBIT
- Hardie® Pipe – improved operating performance
- Artisan roofing – completed production trials and commissioning work



Financial Review

Peter Shafron, CFO

Results – Q1

US\$ Million	<u>Q1 '05</u>	<u>Q1 '04</u>	<u>% Change</u>
Net Sales	306.1	241.5	27
Gross Profit	111.3	89.3	25
SG&A	(45.1)	(36.2)	25
Research & Development	(5.0)	(4.8)	4
Other Operating Expense	(2.9)	-	-
EBIT ¹	58.3	48.3	21
Net Interest Expense	(2.5)	(2.3)	9
Income Tax Expense	(18.7)	(13.1)	43
Operating Profit	37.1	32.9	13

Segment Net Sales – Q1

US\$ Million	<u>Q1 '05</u>	<u>Q1 '04</u>	<u>% Change</u>
USA Fibre Cement	240.7	186.8	29
Asia Pacific Fibre Cement	57.3	50.1	14
Other Fibre Cement	8.1	4.6	76
Total	306.1	241.5	27

Segment EBIT¹ – Q1

US\$ Million	<u>Q1 '05</u>	<u>Q1'04</u>	<u>% Change</u>
USA Fibre Cement	63.1	54.1	17
Asia Pacific Fibre Cement	12.0	8.6	40
Other Fibre Cement	(3.3)	(3.7)	11
R & D	(4.1)	(3.3)	(24)
Total Segment EBIT	67.7	55.7	22
Corporate Costs	(9.4)	(7.4)	(27)
Total EBIT	58.3	48.3	21

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

Corporate Costs - Q1

US\$ Million	<u>Q1'05</u>	<u>Q1'04</u>
Stock Options Expense	0.2	2.1
Inquiry Costs	2.9	-
Corporate Costs	6.3	5.3
Total	<hr/> 9.4	<hr/> 7.4

Interest and Tax Expense

Net Interest Expense

US\$ Million	<u>Q1'05</u>	<u>Q1'04</u>	<u>% Change</u>
Net Interest Expense	(2.5)	(2.3)	9

Income Tax Expense

US\$ Million	<u>Q1'05</u>	<u>Q1'04</u>	<u>% Change</u>
Income Tax Expense	(18.7)	(13.1)	43
Rate	33.5%	28.5%	

EBITDA¹ – Q1

	<u>Q1'05</u>	<u>Q1'04</u>	<u>% Change</u>
EBIT¹			
USA Fibre Cement	63.1	54.1	17
Asia Pacific Fibre Cement	12.0	8.6	40
Other Fibre Cement	(3.3)	(3.7)	11
R & D	(4.1)	(3.3)	(24)
Corporate	(9.4)	(7.4)	(27)
Depreciation and Amortisation			
USA Fibre Cement	5.8	4.9	18
Asia Pacific Fibre Cement	2.4	2.3	4
Other Fibre Cement	0.7	0.1	-
Total EBITDA	67.2	55.6	21

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

Capital Expenditure – Q1

	Capital Expenditure		Depreciation	
US\$ Million	<u>Q1 '05</u>	<u>Q1 '04</u>	<u>Q1 '05</u>	<u>Q1 '04</u>
USA Fibre Cement	28.5	18.5	5.8	4.9
Asia Pacific Fibre Cement	1.0	1.2	2.4	2.3
Other Fibre Cement	0.8	1.1	0.7	0.1
Total Segments	30.3	20.8	8.9	7.3

Key Ratios

	<u>Q1'05</u>	<u>FY '04</u>	<u>FY '03</u>
EPS (Diluted)	8.1c	27.2c	18.2c
Return on Shareholders Funds*	28.9%	27.6%	42.3%
Return on Capital Employed	31.8%	23.4%	20.9%
EBIT ¹ /Sales	19.0%	17.5%	16.4%
Gearing Ratio ¹	10.8%	17.0%	21.4%
Net Interest Cover	23.3x	17.2x	6.5x

* Total Company



Operating Review

Peter Macdonald, CEO

USA Fibre Cement



USA Fibre Cement

Strong 1st Quarter Result

Net Sales up 29% to US\$240.7 million

Sales Volume up 27% to 490.4 mmsf¹

Average Price up 2% to US\$491 per msf¹

EBIT¹ up 17% to US\$63.1 million

EBIT Margin¹ down 2.8 pts to 26.2%

USA Fibre Cement

1st Quarter Trading Conditions

- Housing construction activity remained buoyant:
 - Low interest rates
 - Strong house prices
 - Low housing inventory levels
 - Strengthening domestic economy
 - Consumer confidence
- Repair and remodel activity remained healthy

USA Fibre Cement

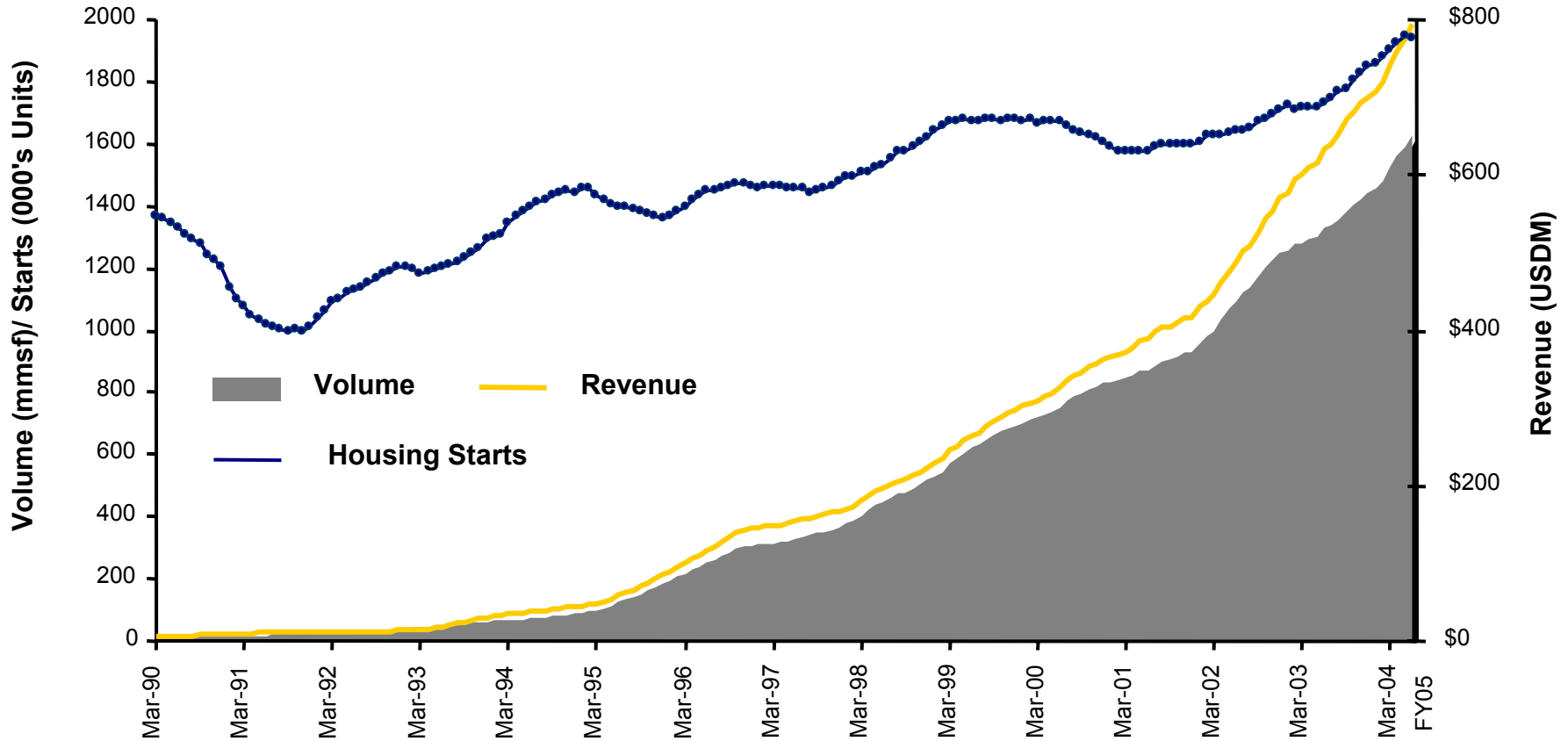
Key Points

- Continued strong demand for fibre cement
- Strong sales performance
 - Increased penetration of established and emerging markets
 - Increased penetration of interior and exterior product markets
 - Growth in differentiated, higher-priced products
- Margin improvement despite higher costs (vs Q4 FY04)
- Price increase announced

USA Fibre Cement

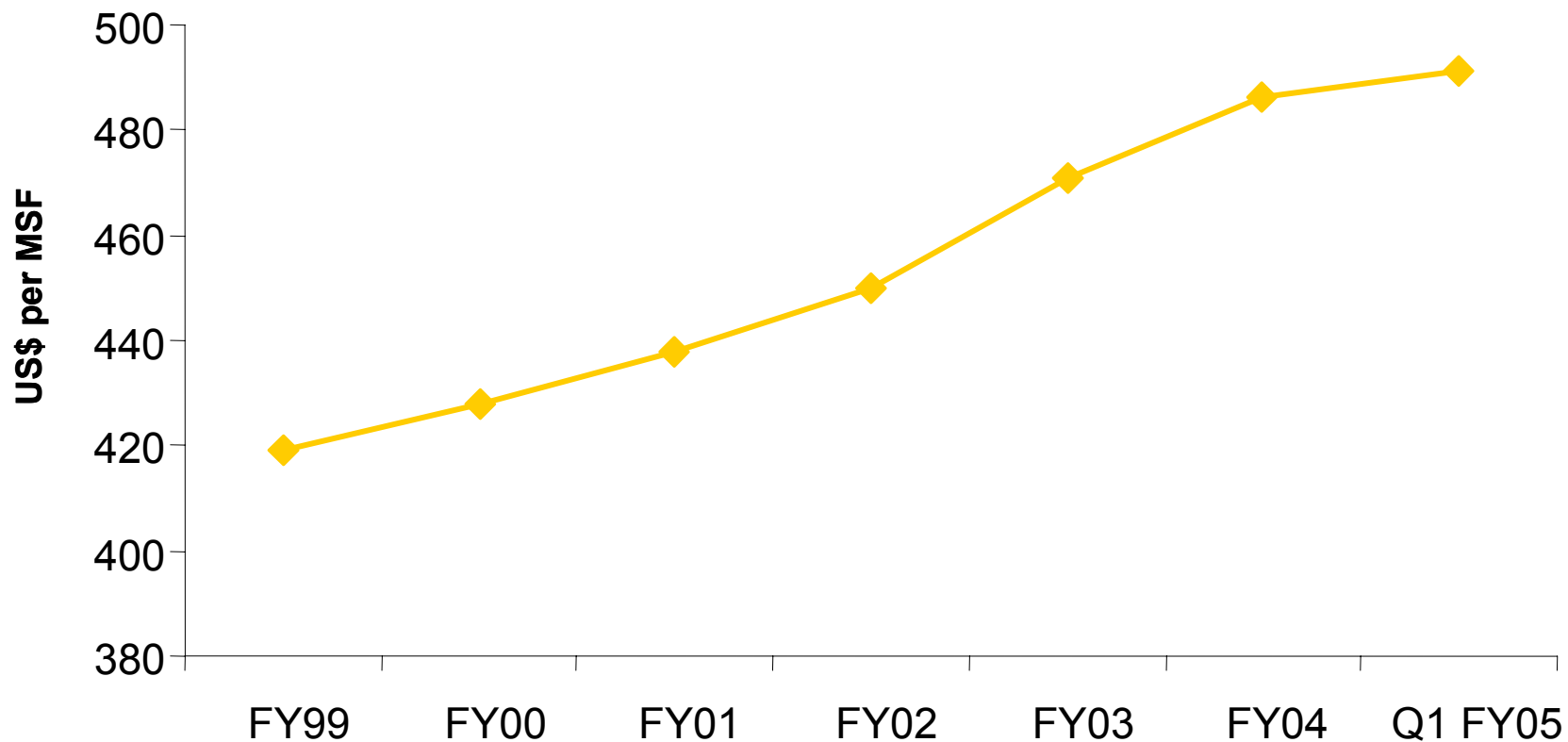
Revenue Growth Continuing to Outstrip Volume Growth

Rolling 12 Months

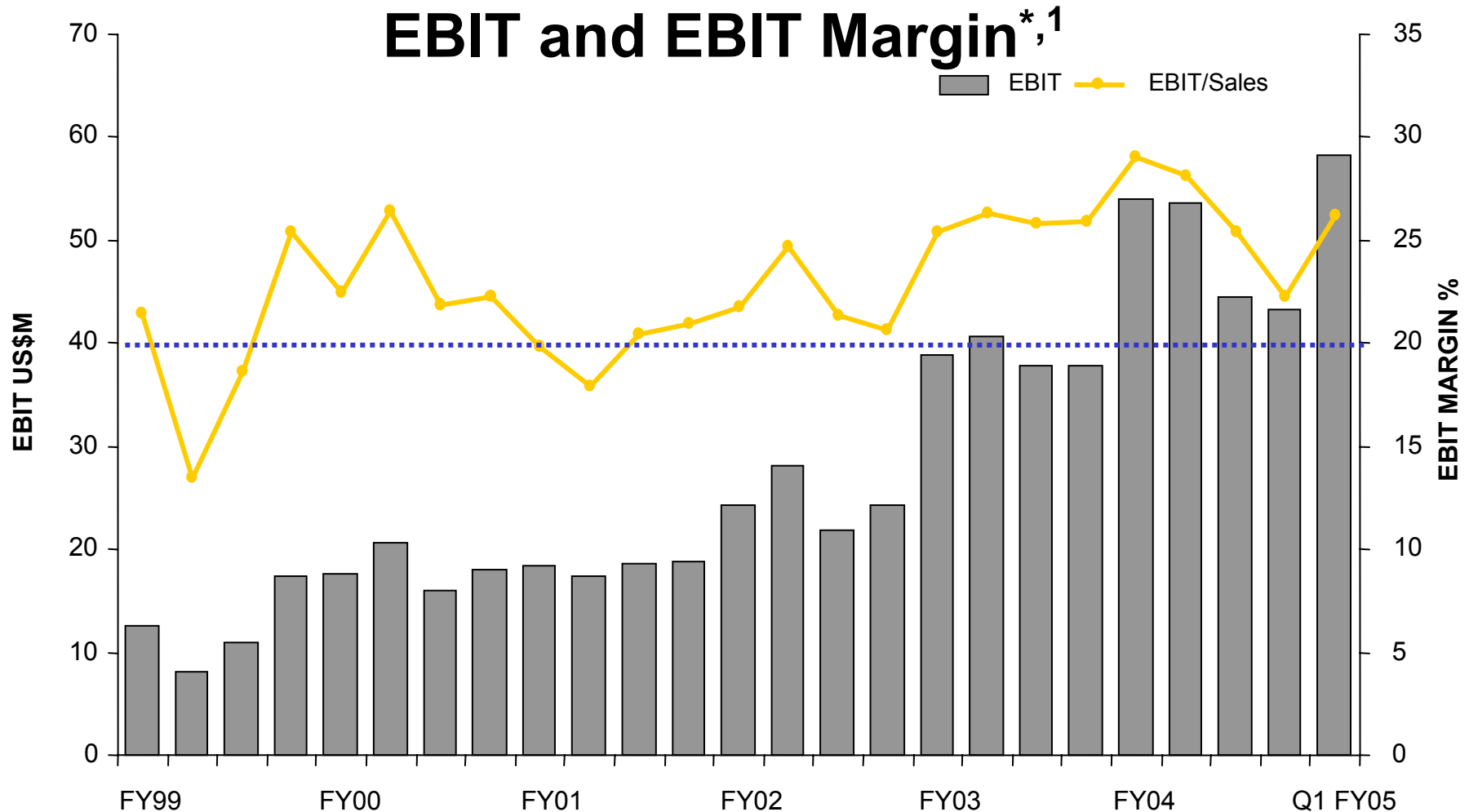


USA Fibre Cement

Average Selling Price



USA Fibre Cement



*Excludes restructuring and other operating expenses

USA Fibre Cement

Strategy

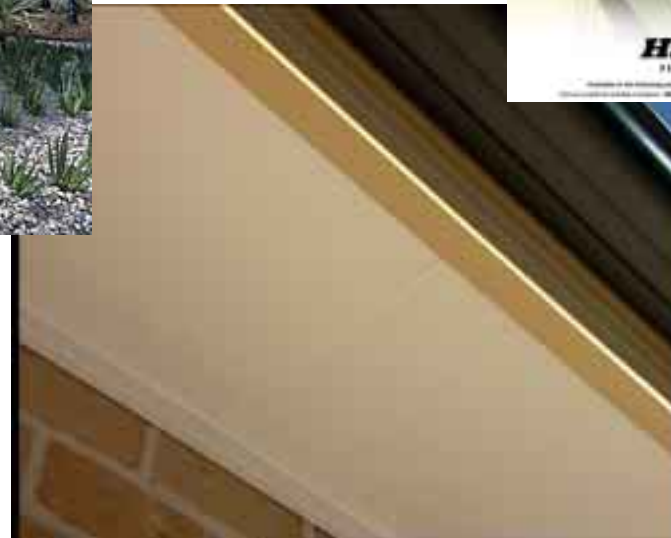
- Aggressively grow market for fibre cement
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors, introducing differentiated products to reduce direct price competition

USA Fibre Cement

Outlook

- Continued strong demand for fibre cement
- Short-term outlook for housing remains positive
 - Low, although increasing, interest rates, strong house prices, low inventories of new houses, improving consumer confidence
 - Housing starts, permits and builder confidence at high levels
- Continued strong sales growth
 - Further penetration in established and emerging markets, and across product range
 - Price increase implemented
- Higher pulp and energy costs
- Good EBIT performance expected to continue

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

1st Quarter Result

Net Sales	up	14% to US\$57.3 million
Sales Volume	up	8% to 94.2 mmsf ¹
EBIT ¹	up	40% to US\$12.0 million
EBIT Margin ¹	up	3.7 pts to 20.9%

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

- Australian new housing activity improved, and renovation and commercial activity remained strong
- New Zealand housing robust
- Net sales up 18% – up 6% in A\$
- Volumes up 5%
- Average selling price up 1% in A\$
- EBIT up 31% - up 18% in A\$

Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- New housing activity in Australia to soften, but renovations and commercial to remain healthy short-term
- New Zealand housing and renovations to remain buoyant short-term
- More manufacturing efficiencies and cost savings
- Further EBIT improvement
- Inquiry related negative sentiment could impact Australian sales

Asia Pacific Fibre Cement

Philippines – Key Points

- Increased building and construction activity
- Stronger domestic demand for fibre cement
- Net sales up 15% - up 21% in local currency
- Volume up 23%
- Average price down 1% due to sales mix
- Positive EBIT

Asia Pacific Fibre Cement

Philippines – Outlook

- Stronger building and construction activity
- Increased domestic demand for fibre cement
- More cost savings and EBIT improvement

Other Fibre Cement

Chile Fibre Cement – Key Points

- Volumes up, but net sales down
- Continued improvement in construction activity – but seasonal slow period
- Stronger domestic demand and market penetration
- Reduced exports to North America - average price down
- Positive EBIT

Other Fibre Cement

Chile Fibre Cement – Outlook

- Continued improvement in domestic and regional construction activity
- Further market penetration and share growth
- Lower average price due to mix
- Operating cost savings
- Intense domestic competition to continue

Other Fibre Cement

USA Hardie® Pipe – Key Points

- Net sales more than doubled
- Continued penetration of Florida, USA market
- Higher prices
- Further manufacturing performance and cost improvements
- Smaller EBIT loss

Other Fibre Cement

USA Hardie® Pipe – Outlook

- Continued market penetration and share growth
- Further improvements to plant operating efficiency and more manufacturing cost savings
- Further EBIT improvement
- Competitive pressure remains intense

Europe

- Demand continues to grow as awareness increases among distributors, builders and contractors
- Sales building steadily
- More distribution outlets added in United Kingdom and France

Artisan Roofing

- Completed further production trials and commissioning work
- Sales to ramp-up during year
- Priced to compete against wood shake
- Target market interest remains strong

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 growth momentum of 1st quarter to continue into 2nd quarter
- Prospects remain encouraging for remainder of year
- Continued EBIT growth

Special Commission of Inquiry - Update

- Commissioner expected to report 21 September 2004
- Company submissions provided to Commission in July (available from website: www.jameshardie.com)
 - Proposal to recommend shareholders approve funding to an effective scheme to compensate all future claimants for asbestos-related injuries caused by former subsidiary companies
 - Strong rebuttal of allegations made
- Oral submissions now in progress
- Commissioner's recommendations to be considered by NSW Government

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 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; 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 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.

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

1st Quarter Results 10 August 2004

Unless otherwise stated, results are for continuing operations only and comparisons are of the 4th quarter of the current fiscal year versus the 4th quarter of the prior fiscal year.