



USA Fiber Cement Business Overview

September 2002



A Quick History: 1991 - 1995

- > Commenced operations in 1990, with primary focus on roofing
- > A one plant, one line business in 1991
- > Shifted our focus from roofing to siding in 1992
- > Moved to a high throughput, low unit cost manufacturing
- > Strictly a sell and make approach
- > Revenue growth led to investments in new capacity



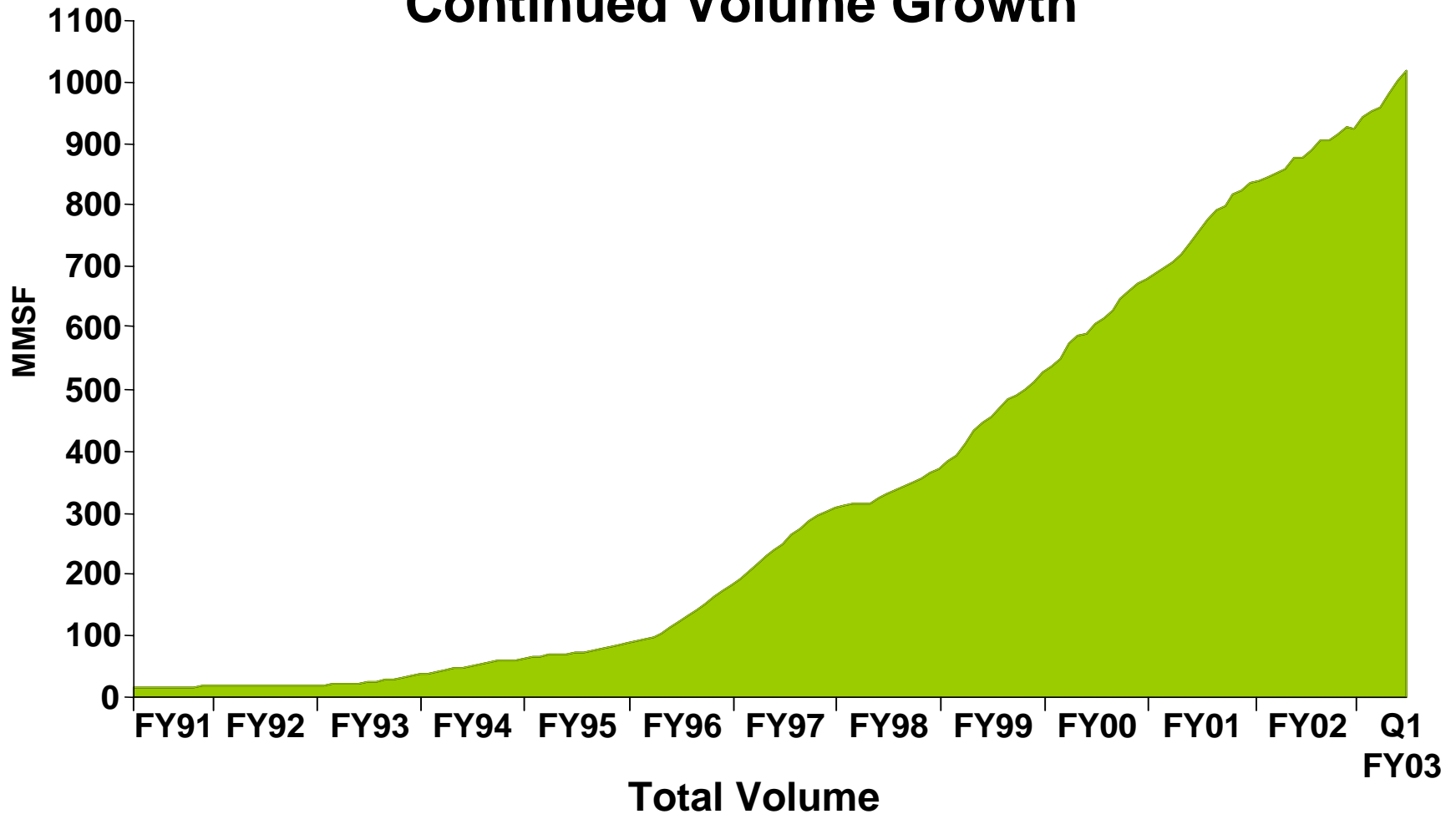
A Quick History: 1995 - 2000

- > Other FC producers entered
 - Etex (Cemplank) - 1989
 - ABTco - 1997
 - Temple Inland - 1998
 - CertainTeed - 2000
- > After realizing significant gains in process technology, we began to make advancements in product technology
- > Selected “*Product Leadership*” as our go-forward strategic driver
- > Started building significant marketing and product development capabilities onto our strong manufacturing and sales base capabilities



A Quick History: Growth

Continued Volume Growth





Organization: Approach

- > Alignment around aggressive business goals
- > Emphasis on growth
 - Constantly changing game
 - Step change vs. incremental improvements
- > Capability (and cost) ahead of revenue
- > Key leadership positions
 - Marketing and Segment managers
 - Regional Sales Managers
 - Plant Managers
 - Project Managers



Organization: Development

- > Initially built superior organizational capabilities in manufacturing and sales
- > Then focused on building similar capabilities in marketing and R&D
- > Recruit from a wide range of related industries
- > Recruit at all levels of the organization
- > Regularly fast-track high potential people
- > Multi-tiered management development program in place



Overview: Strategy

- > Aggressively grow sales of Fiber Cement
- > Secure our desired overall position while defending our share in existing segments
- > Leverage our superior technology to offer differentiated products and systems of superior value to those of competitors, to reduce direct price competition



Overview: Volume Growth

> Primary Demand

- Create awareness at the consumer level
- Target the contractor (decision maker)
- Access customers thru traditional channels

> Category Share

- Brand program
- Differentiated product offering
- Long term price positioning

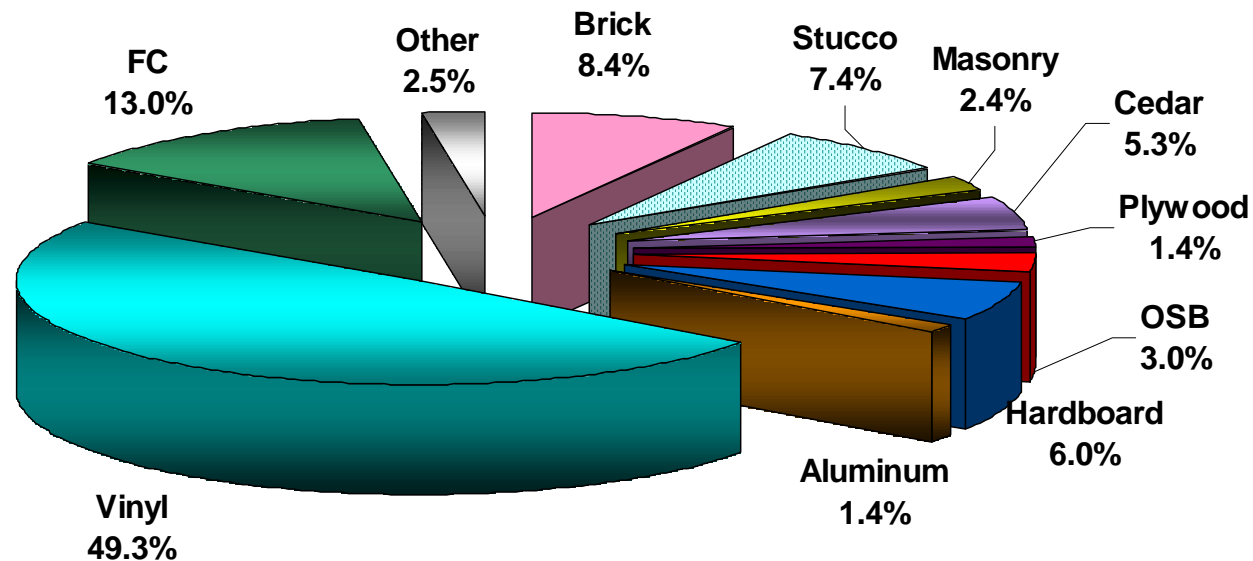
> Performance Indicators (Measurements)

- Revenue Growth
- EBIT Margin
- Manufacturing Capabilities



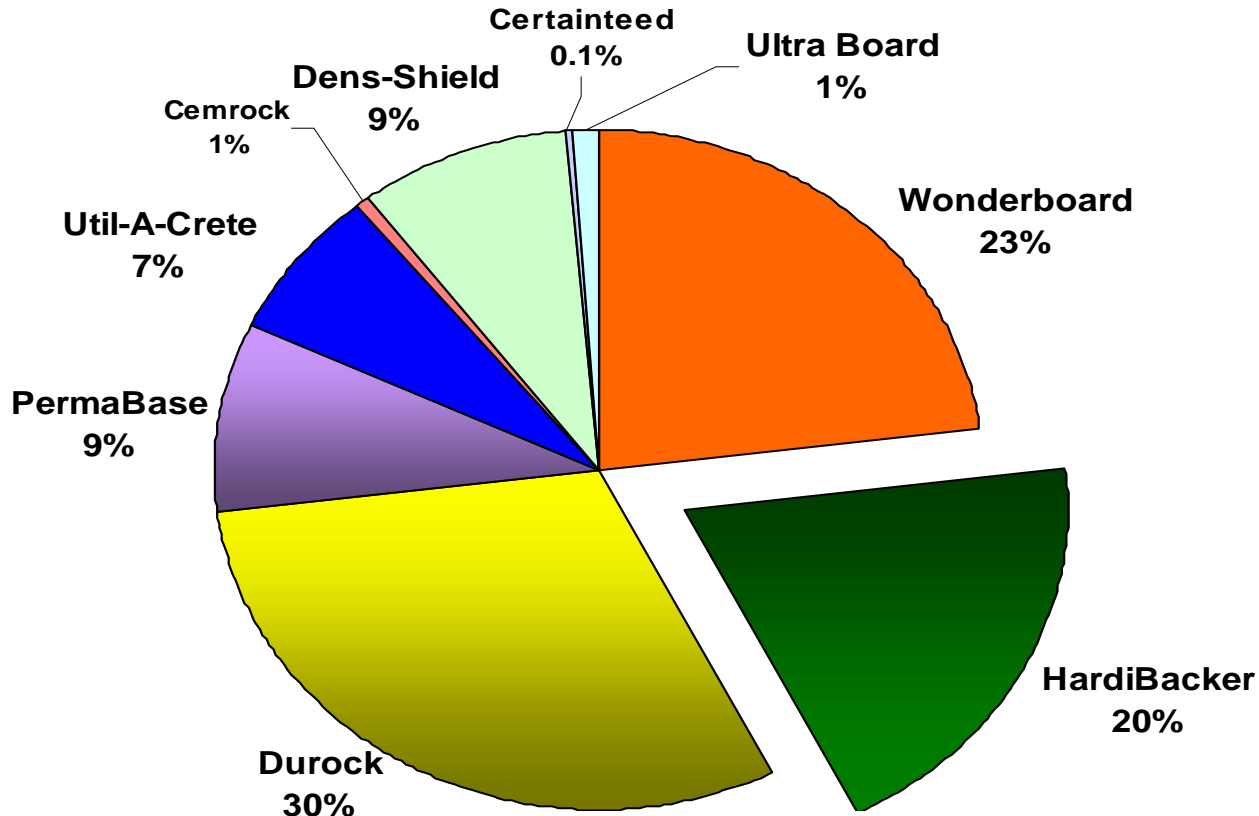
Overview: US Siding Market

- > 13% of siding market vs. target of >20%
- > Significant growth opportunity in vinyl category
 - initially took share from wood
 - now taking share from vinyl
 - cedar, stucco and masonry remain static
 - engineered wood category continues to decline



Overview: US Backer Market

> JH has 20% of the US backer board market of 675 mmsf and has the leading position in the FC category





Overview: Products/ Segments

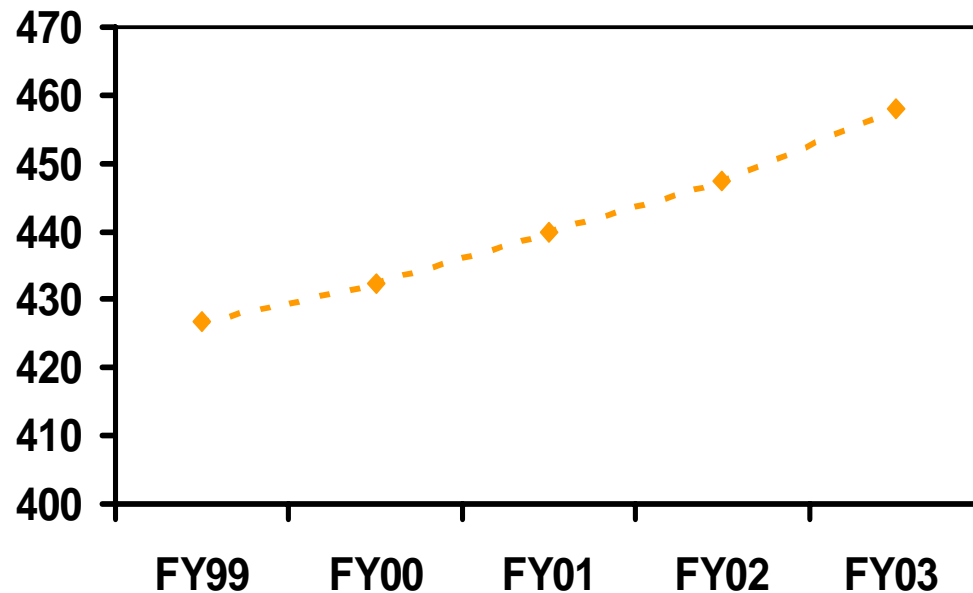
- > Initially focused on new construction/planks
- > Our exterior product portfolio now includes:
 - A full wrap exterior bundle
 - * *Siding, Trim and Soffits*
 - Repair & Remodel
 - * *Big Boxes*
 - * *One Steppers*
 - Manufactured Housing
 - * *Hardboard substitute*
 - * *Vinyl upgrade*



Overview: Price

- > Expanded our product lines
 - Direct competition can't match
- > Value price new products
 - Not influenced by direct competition
- > Price "base products" to hit target share
 - Manage the price gap

5 Year Price Trend
\$/msf





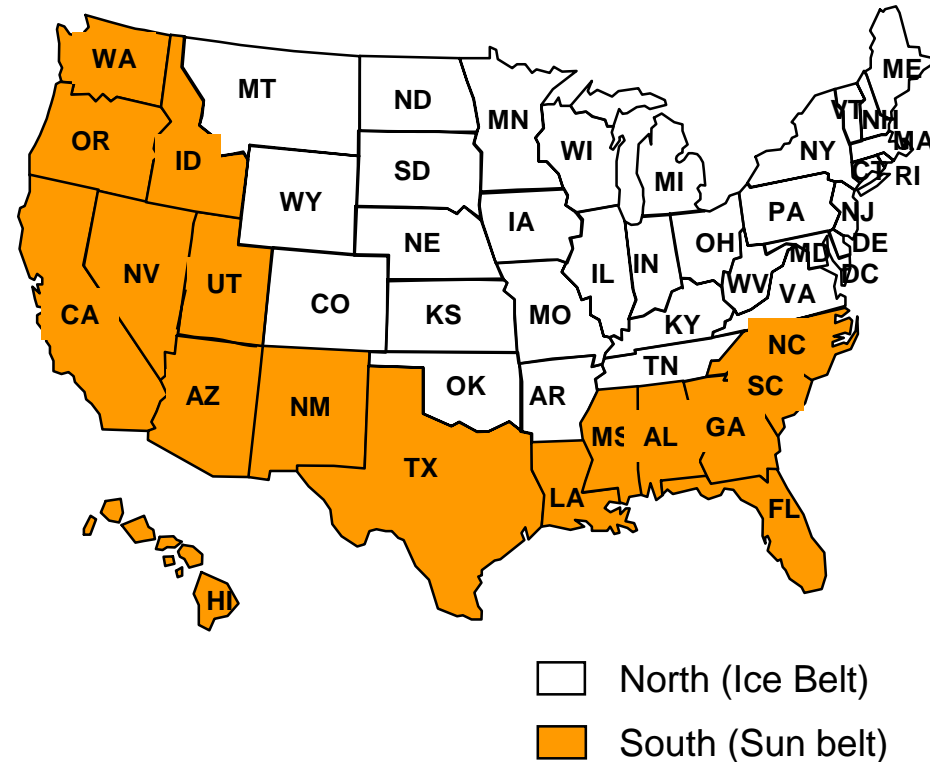
Overview: Markets

> Exteriors: Siding, Trim & Soffit

- New Construction, R&R, MH
- Established Markets: South
- Emerging Markets: North

> Interiors: Backer board

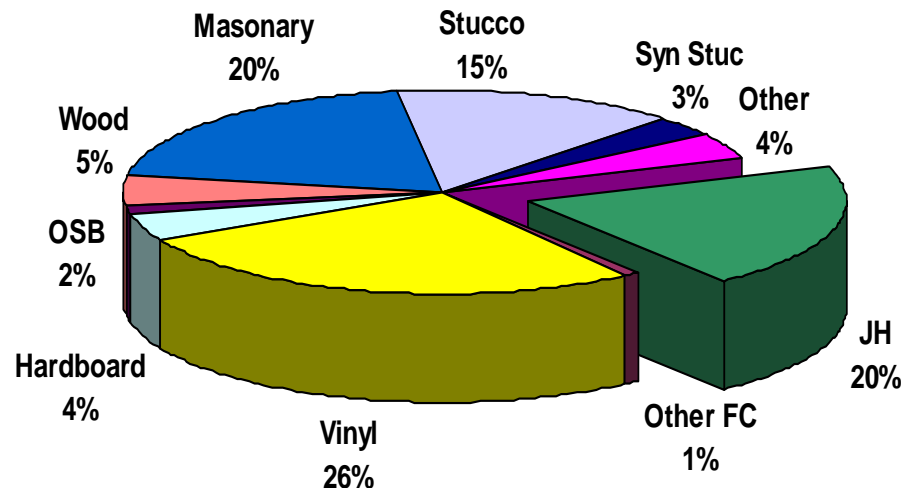
- Floors (1/4" market)
- Walls (1/2" market)



Segments: New Construction

- > We continue to increase our penetration in the new construction segment.
- > We believe our share in this segment could grow from 20% today, to 30% in the next 3 years

US New Construction Siding Market





Segments: Repair & Remodel

- > Significant opportunity for growth in the R&R segment
- > Our penetration in this segment is increasing but is still quite low
 - Big boxes
 - * *Home Depot*
 - * *Lowes*
 - One steppers
 - * *Traditionally a vinyl channel*
 - * *Target major R&R contractors with JH field representatives*

Segments: Factory Built

> Factory built homes account for 17% of new construction starts

> Positioning

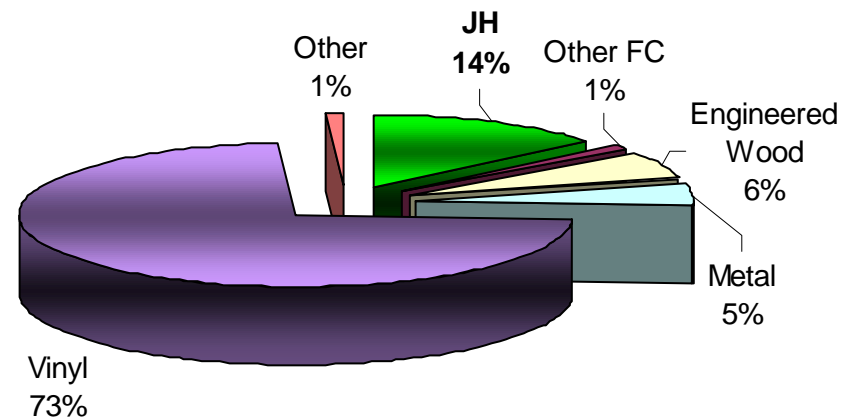
- Wood substitute
- Vinyl Upgrade

> Approach

- Dedicated sales/marketing
- Program sell

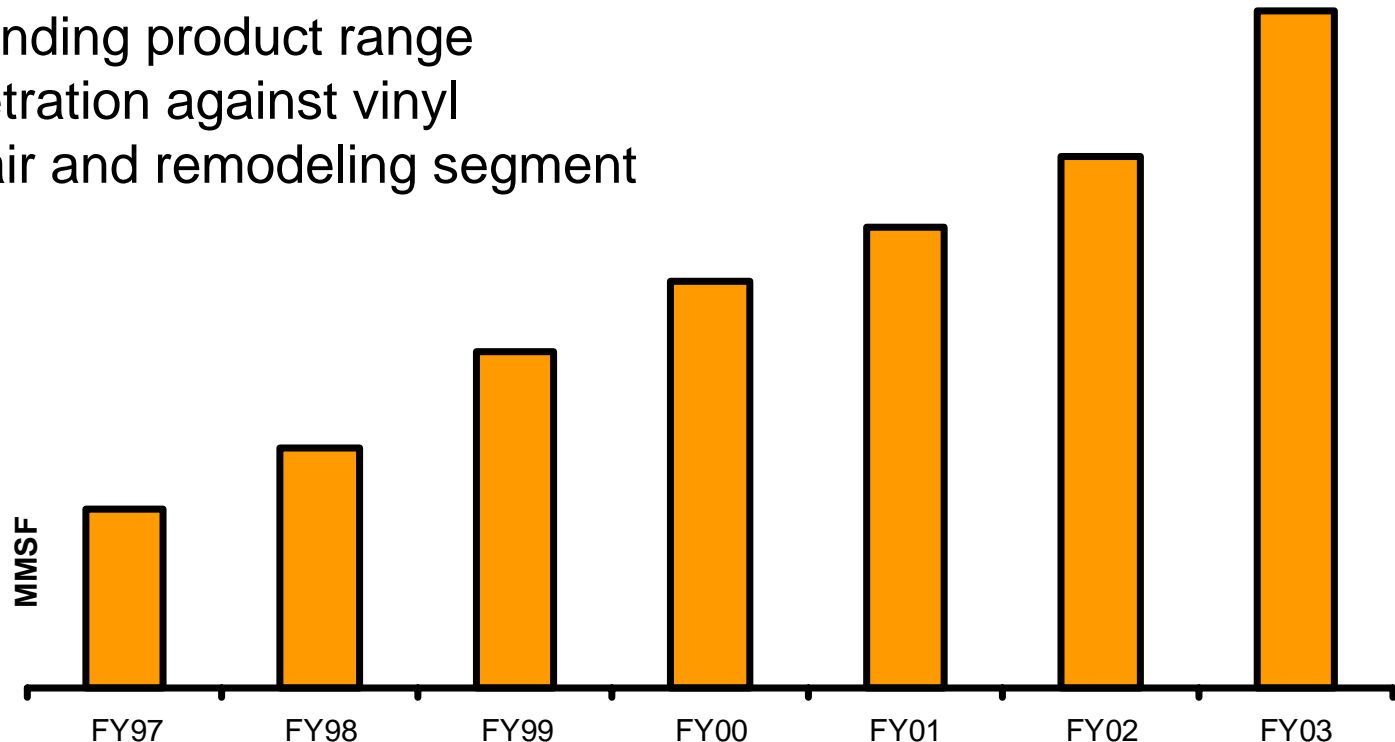
> Continued growth despite depressed MH segment

Manufactured Housing Market



Siding Growth

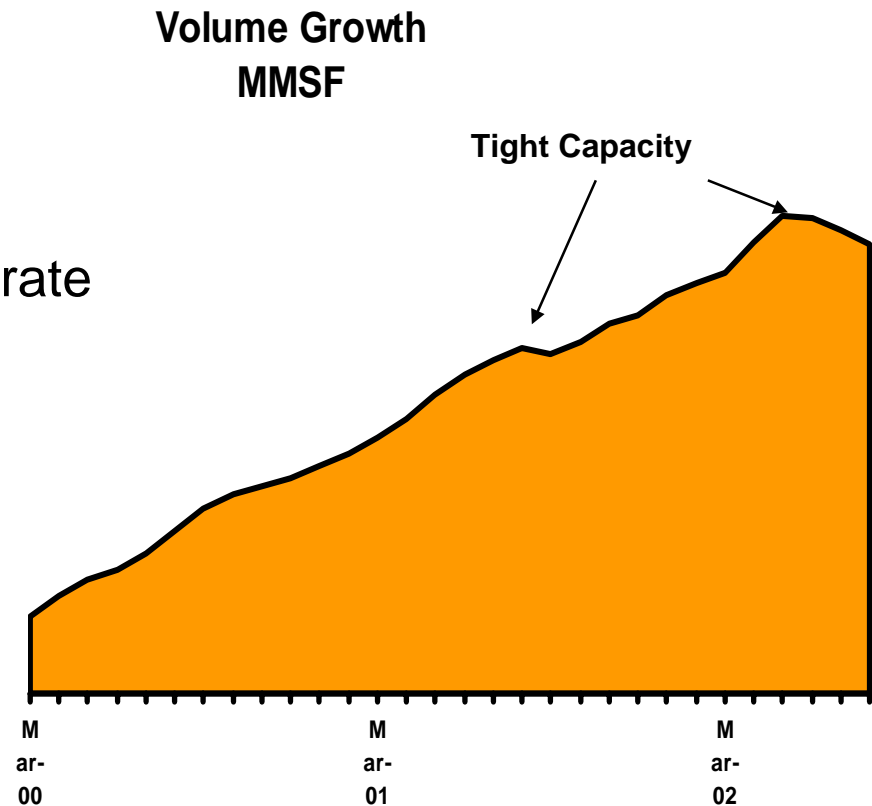
- > Siding is the largest part of our business
- > Our siding products continue to grow in all markets
 - Expanding product range
 - Penetration against vinyl
 - Repair and remodeling segment





Exterior Products: Harditrim

- > Launched *Harditrim* in selected markets in the south
 - Texas, Georgia, Florida, Carolinas
- > Market penetration at the predicted rate
- > Growth restricted due to capacity constraints
- > There is a pent up demand in the Northern markets





Hardi*trim*: HLD Technology

> Positioning

- Durability and wood-like appearance
- Priced at a premium to other manufactured trims

> Issues

- High user of Hatschek capacity
- Becomes less efficient as thickness increases

> Challenge

- Increase throughputs
- Greater thickness capabilities
- Increase capacity to address national market



Harditrim: XLD Technology

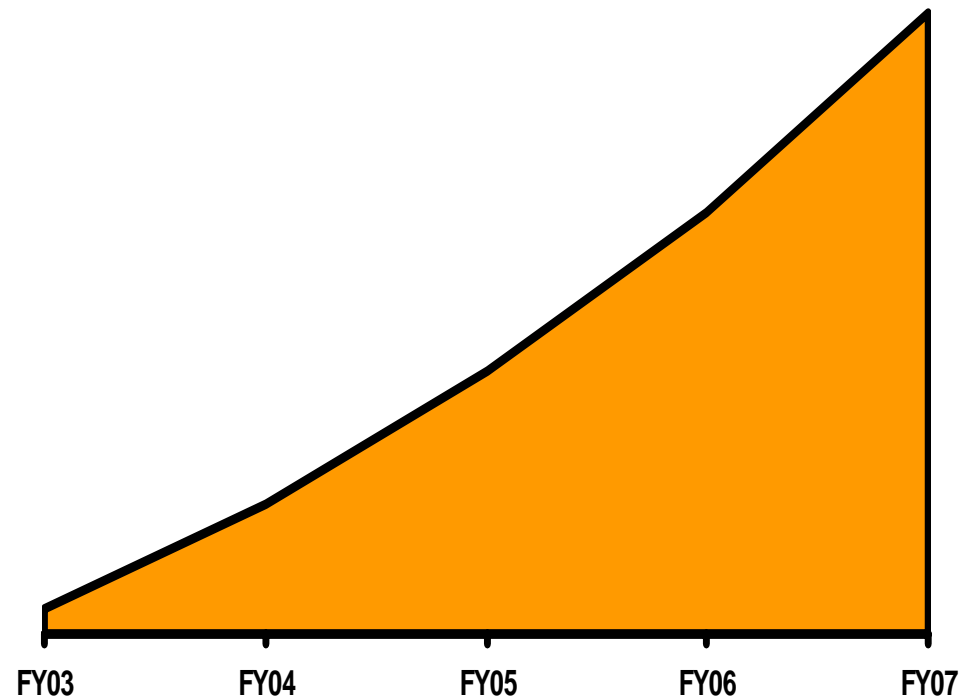
- > More efficient capacity
 - Higher throughput per thickness
 - Higher material yields

- > Allows increased thickness
 - Timber like thickness now possible

- > Higher performance
 - Suitable for all climates

- > IP protection in place

XLD TRIM PROJECTED GROWTH (MMSF)





Exterior Products: Soffits

- > Includes soffit panels, planks and premium vented soffit.
- > Started manufacturing vented soffit in 1999 using a 3rd party contractor.

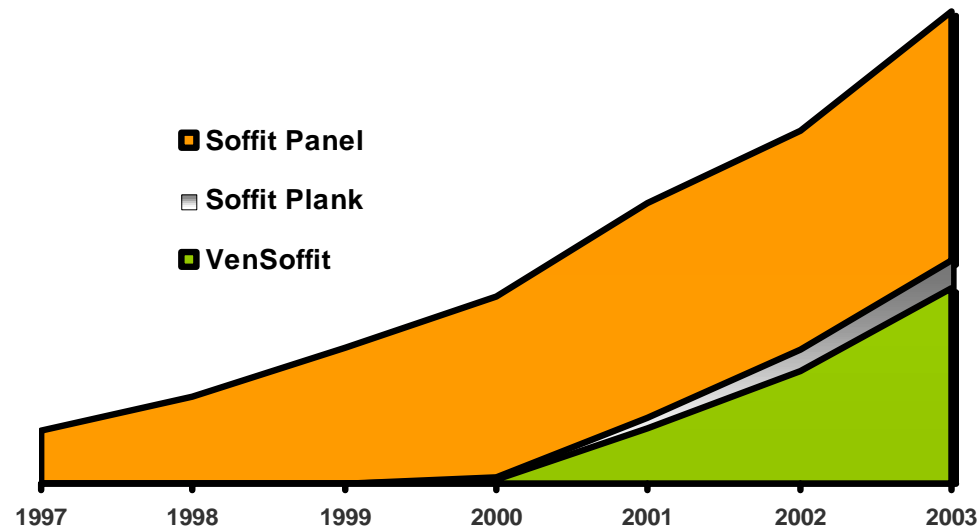
- > Key markets:

- Pacific Northwest,
- Texas
- Southeast.

- > Punching operation at the Cleburne plant in FY02

- > A JH automated punching machine has been developed

Soffit Growth (mmsf)





Current State: South

- > High share position in most markets
 - Major builders and dealers

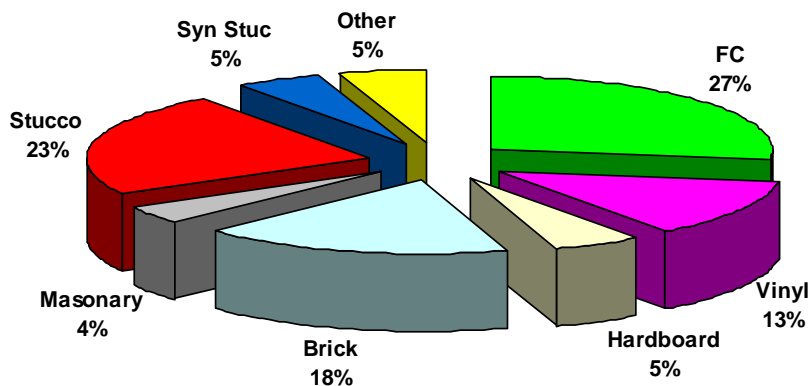
- > High awareness of the JH brand
 - Trade and consumers

- > Continued growth
 - Smaller builders
 - More products per house
 - Rural markets

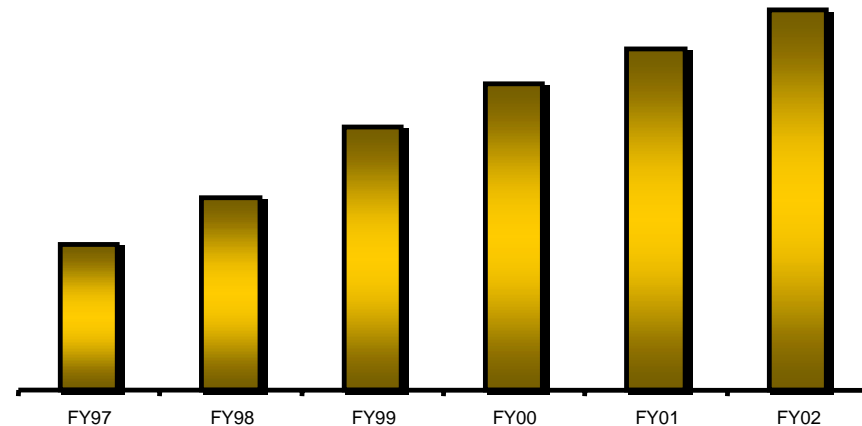
Current State: South

- > FC accounts for almost 1/3 of siding sales for new construction in the sunbelt
- > The Southern division currently accounts for over 80% of our exterior products sales
- > We are targeting a 7% - 15% growth band in the South

New Construction Siding Market South (Sun Belt)



Southern Division Growth (mmsf)





Emerging market opportunity

- > Vinyl belt
- > High population
- > 30% of housing starts (479,000 homes)
- > 40% of existing housing stock
- > 4 billion sq. feet siding market



James Hardie position in 1999

- > Low volumes
- > Committed to constructing a Northern plant
- > Established supply chain not set up for JH
- > Low JH awareness at the consumer level



Current State: North

Strategy

- > Segment the single family construction based on house value
- > Target move-up and luxury homes
- > Position *Hardiplank* as a viable upgrade to vinyl

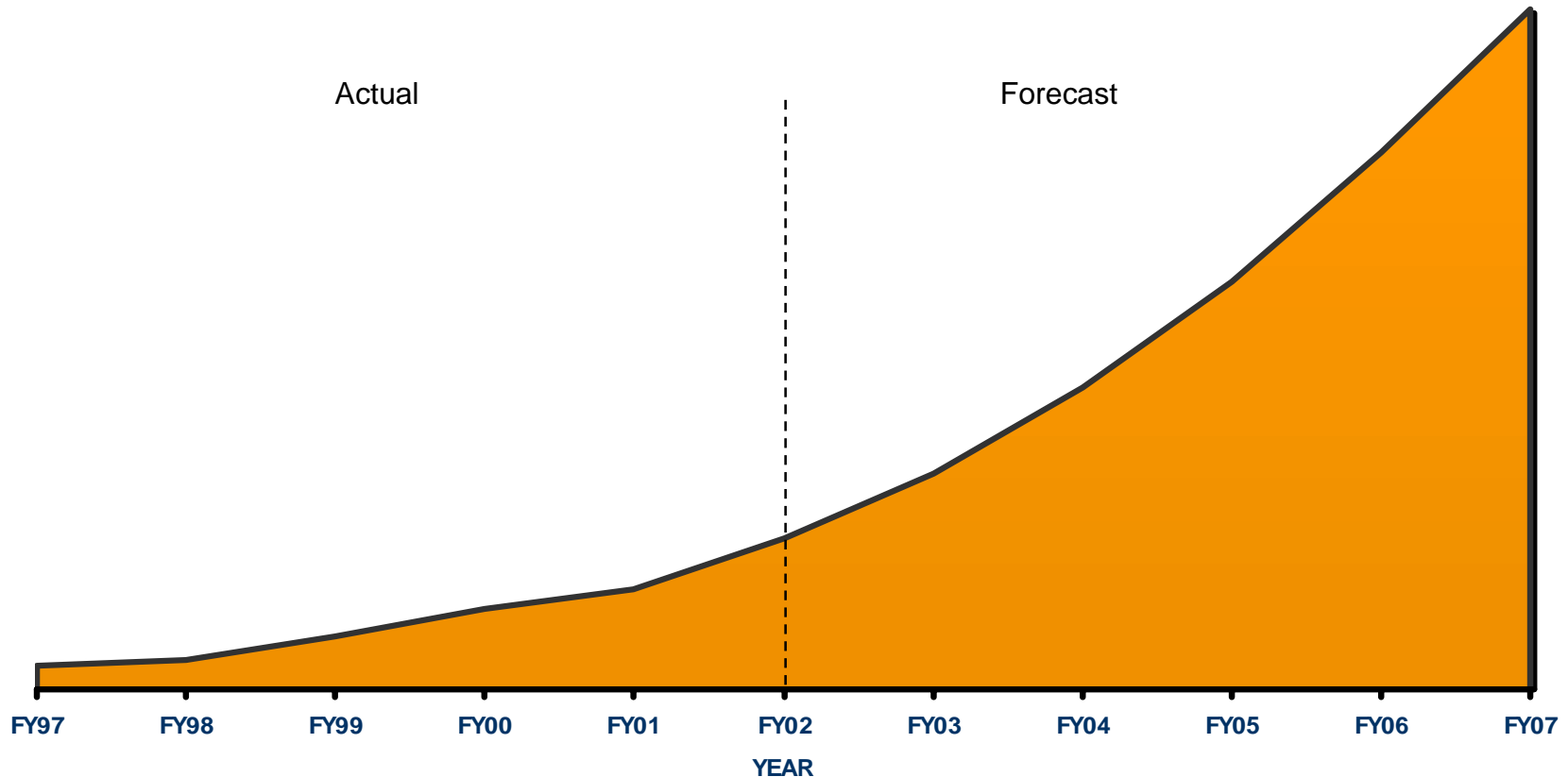
Tactics

- > Accelerate awareness at the consumer level (marketing)
- > Align channel: actively manage “on the wall” cost (field sales)
- > Leverage the early conversions thru partnering programs with the builders (sales/marketing)

Current State: North

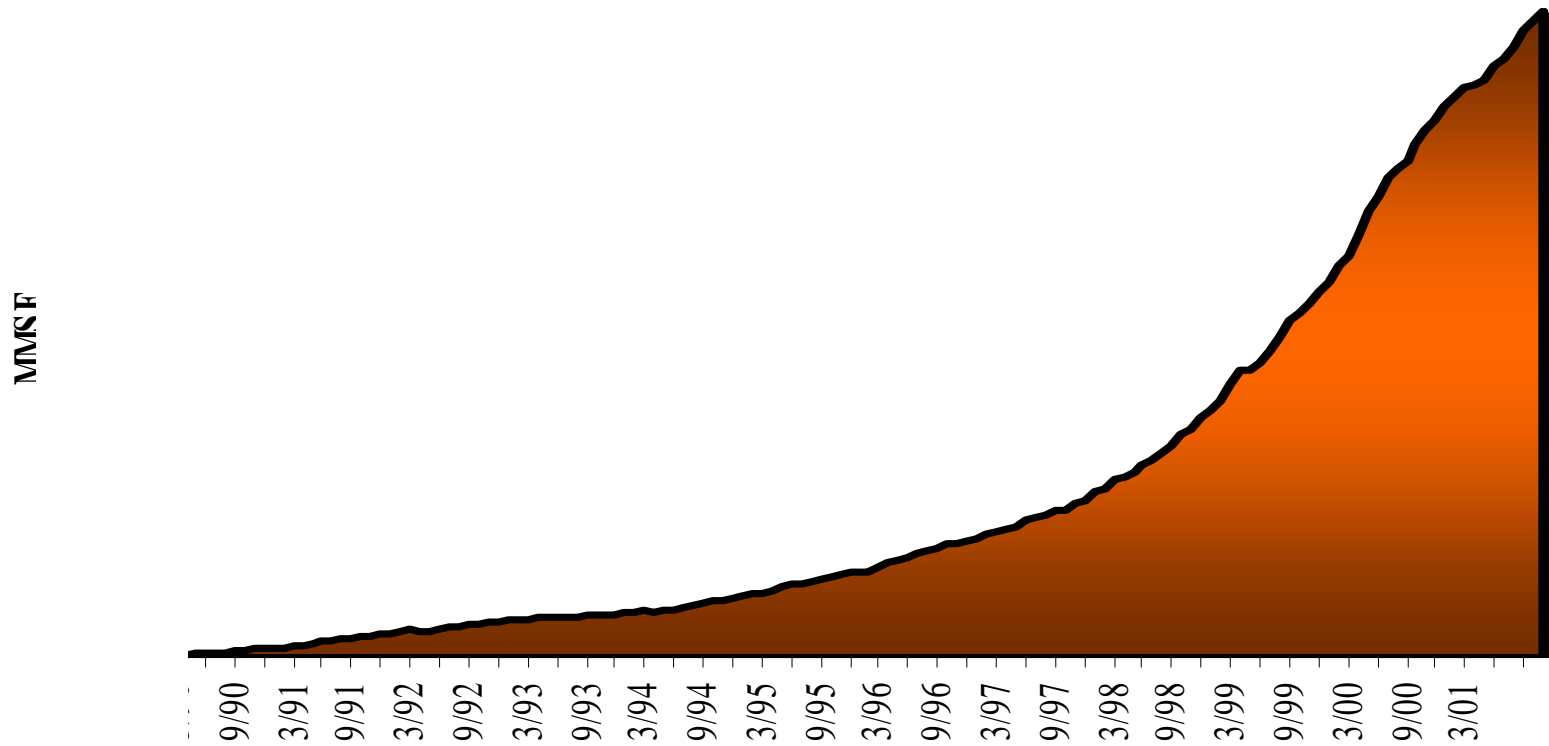
Results to Date... *moving along the S - Curve*

> We are targeting a 35% - 50% growth band in the North.



Interior Products: Backer

Volume Growth





Hardibacker: Floors

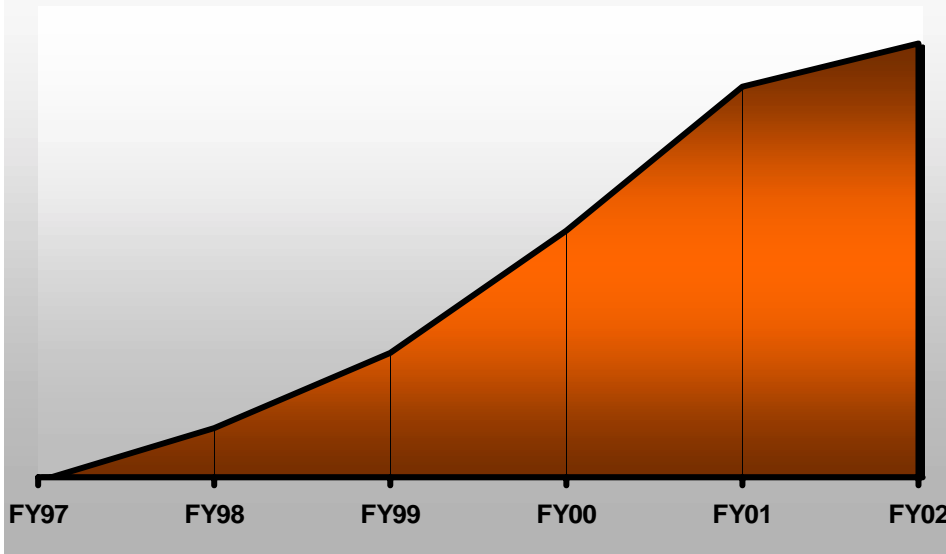
Existing Growth – Hardibacker® 250

- > Existing Hardibacker® launched 1990
- > Used as substrate for ceramic tiles
- > Mostly used on wet area floors e.g. bathrooms
- > Limited use on wall applications
- > Initially strong in R&R applications, now growing in new construction
- > Broad distribution in Pro Tile and Retail channels

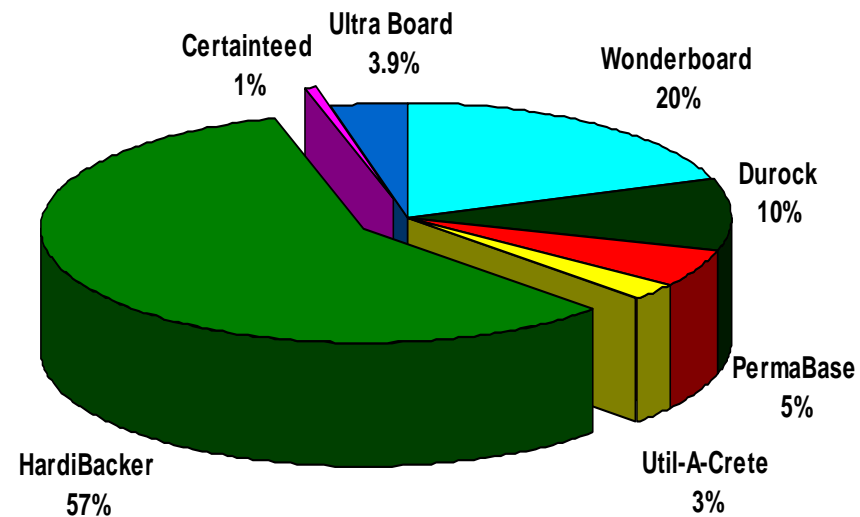
Hardibacker: Opportunity

> We currently have the leading position in the 1/4" segment

**1/4 Backer Growth
MMSF**



1/4" Backer Business (195 mmsf)



Future Growth – Hardibacker® 500

“G2” technology is:

- > 35% easier to cut using score and snap method
- > 35% easier to nail
- > 15% lighter
- > therefore much easier to handle and work with
- > ideal for walls
- > opens up the Gypsum and lumber channels
- > and is exclusive to JH
- > Roll out is going well

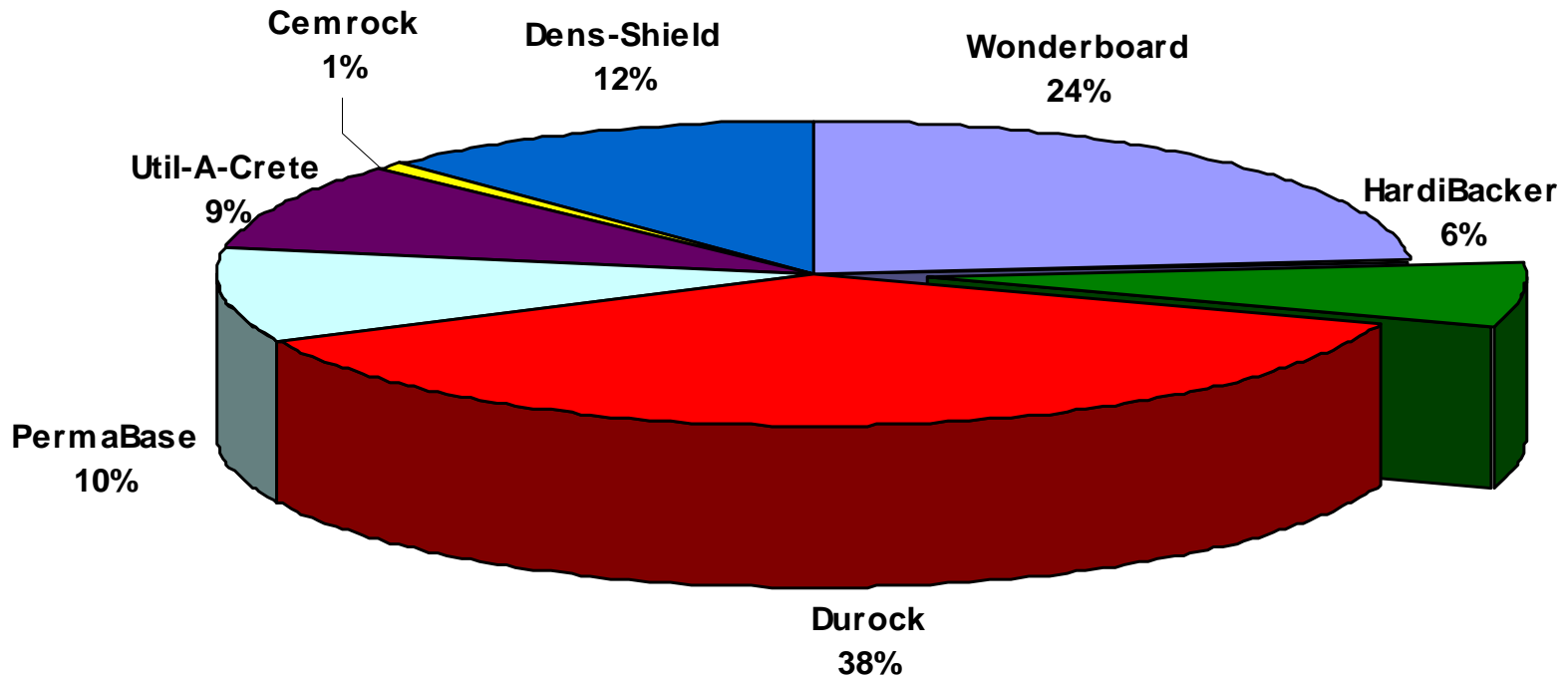


Hardibacker: Future Growth

Future Growth

> We have 6% of the 1/2" backer segment Vs. target of > 40%

1/2" Backer (480 mmsf)





Channels: Traditional Lumber

- > Primarily Pro-dealers
 - Retail outlet for builders, contractor and remodelers
 - Specialize on medium to large tract builders
 - Also provide service to small custom builders
- > We use this channel as an extension of our field sales to reach tract and custom builders
 - Build awareness
 - Sell to medium size builders
- > South
 - Traditional channel for siding in wood markets
 - * Continued hardboard conversion
 - * Access to rural markets
- > North
 - Access to rural vinyl markets
 - Focus on key regional pockets to get conversions.



Channels: Big Boxes

> We continue to grow rapidly in the retail channel.

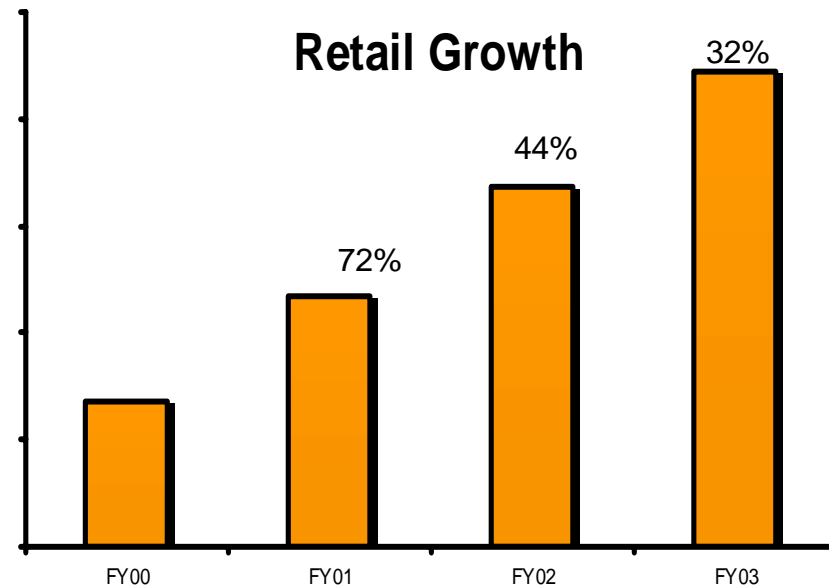
- Backer - 1703/1760 Stores – 97%
- Siding - 803/1760 Stores – 46%



- Backer – 100% of 1100 Stores
- Siding - 36% or 395/1100 Stores



- Backer - 91% or 603/660 Stores
- Siding – 62% or 408/660 Stores





Channels: Big Boxes

July 2002 Southeast

Walk the Talk

wood works

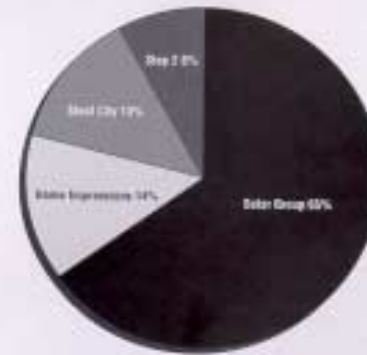
department 21/22/30
lumber/building materials/millwork

James Hardie Siding...
You will be amazed at what your sales do.

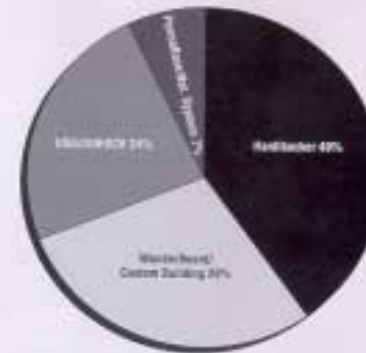
Southwest
THE HOME DEPOT
noisnjpc

EXECUTIVE VIEWPOINT

Home Centers/Co-ops: Which brands do you perceive as driving your business this summer in. . .



MAILBOXES



TILE BACKER



Channels: One Steppers

Traditionally a vinyl channel

- > Buys directly from mfg. and sells directly to end users
 - The largest piece of the vinyl pie
 - Early stages of a roll out with both national and regional participants
 - Focus on selling in the living room

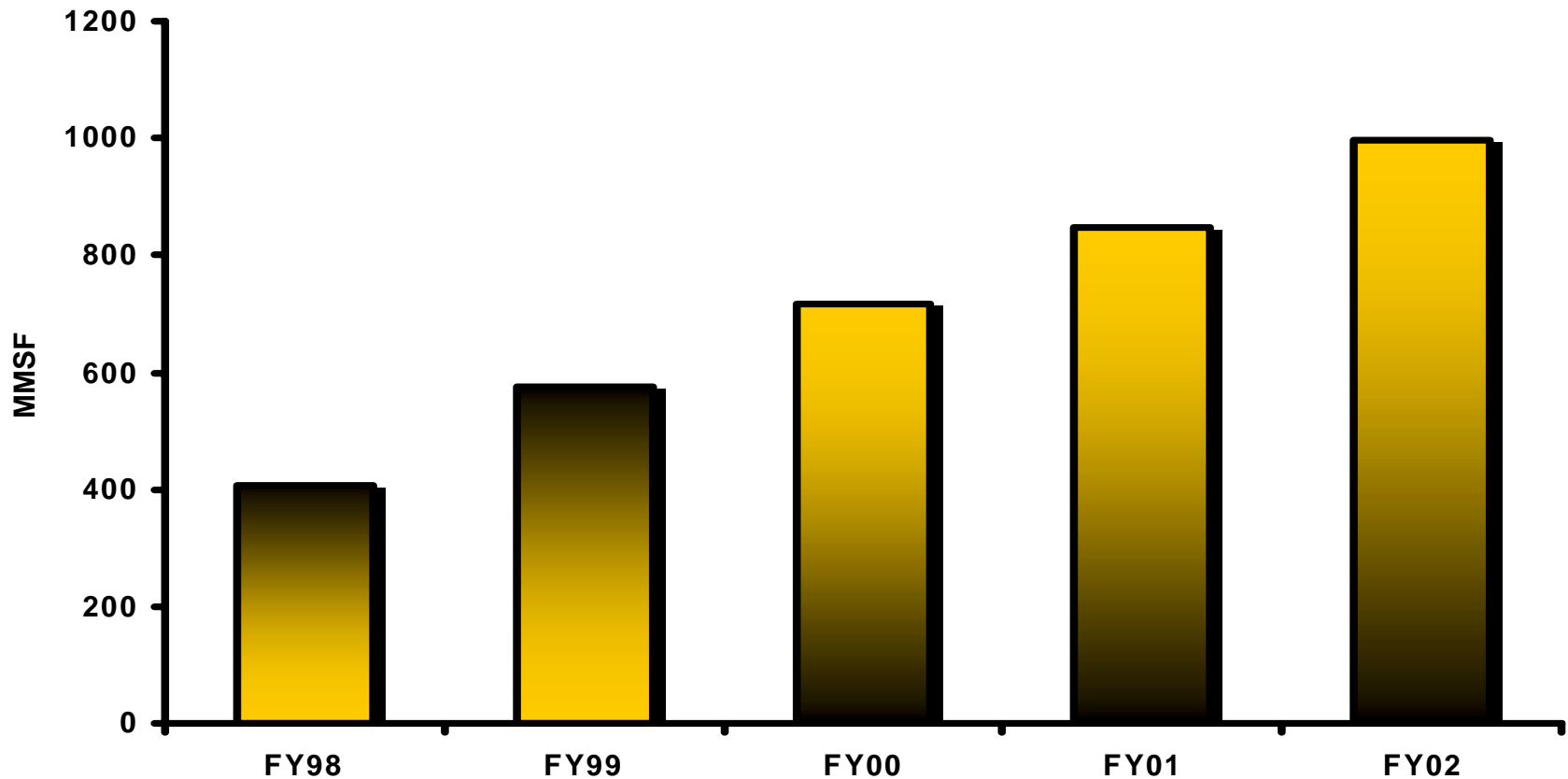


Targets

- **20% Revenue Growth**
- **20% EBIT/Revenue Ratio**

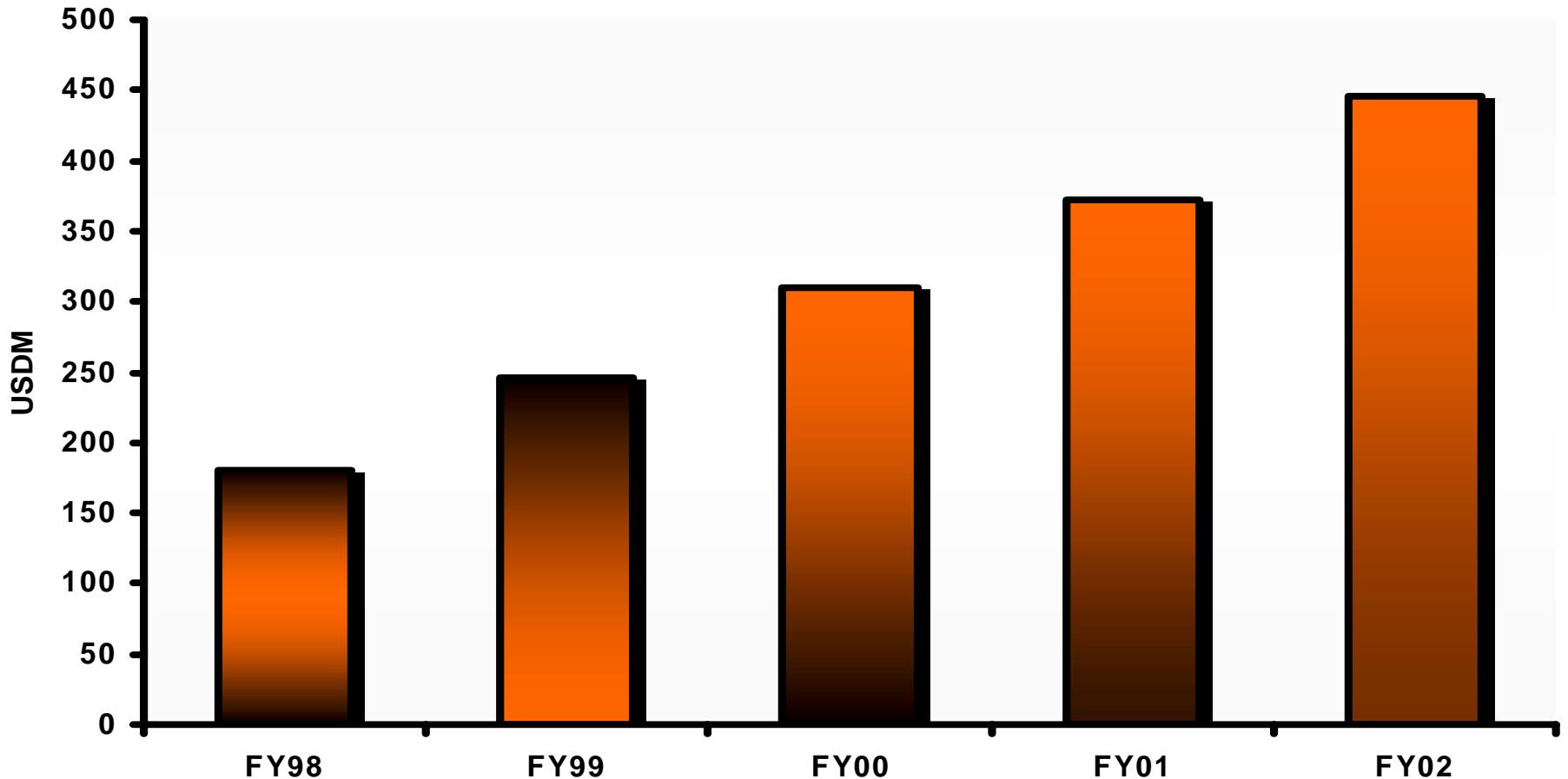
Business Overview

Volume – 25% CAGR in Last 5 years



Business Overview

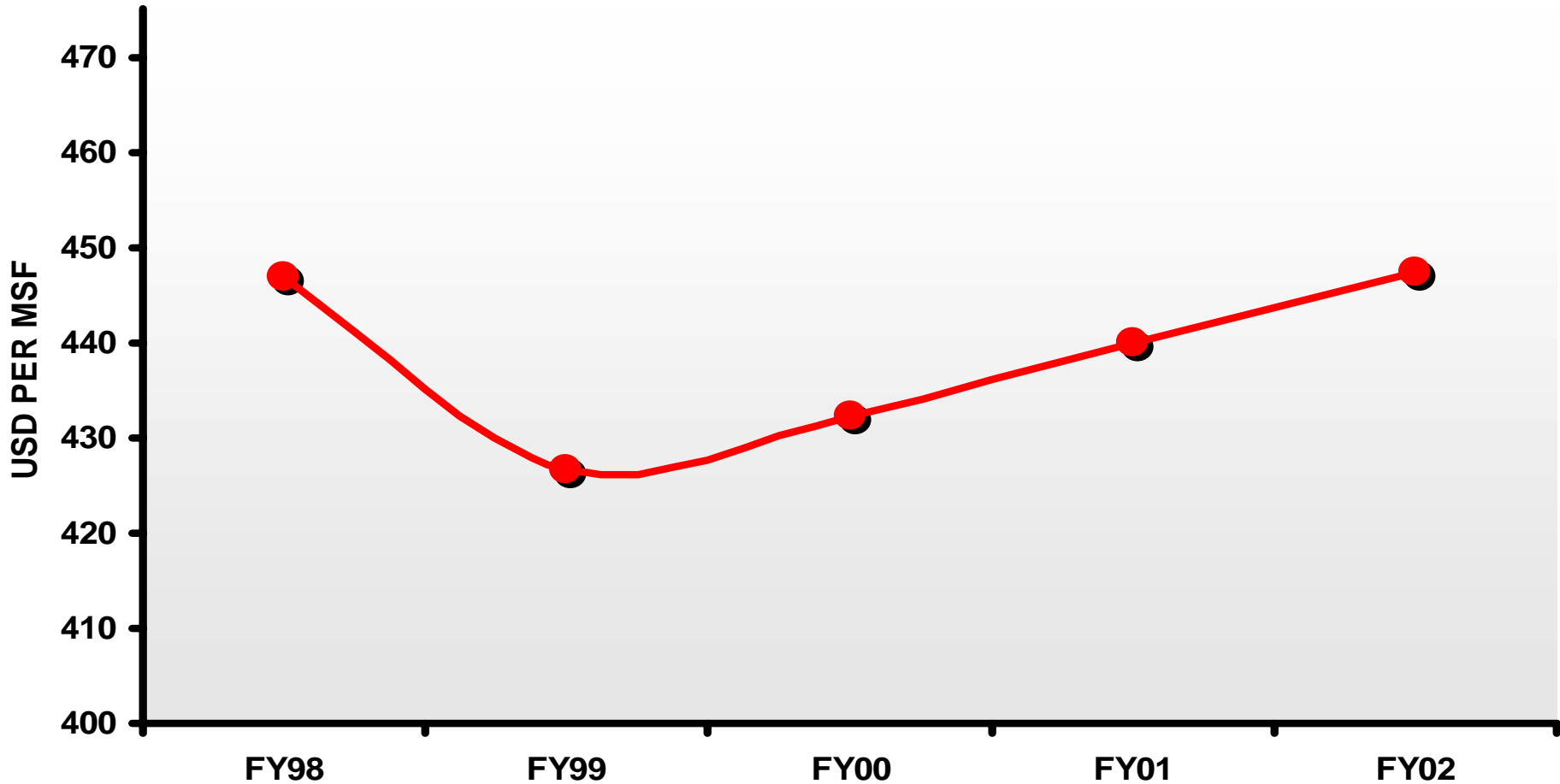
Revenue – 25% CAGR in Last 5 years





Business Overview

Price – Last 5 years



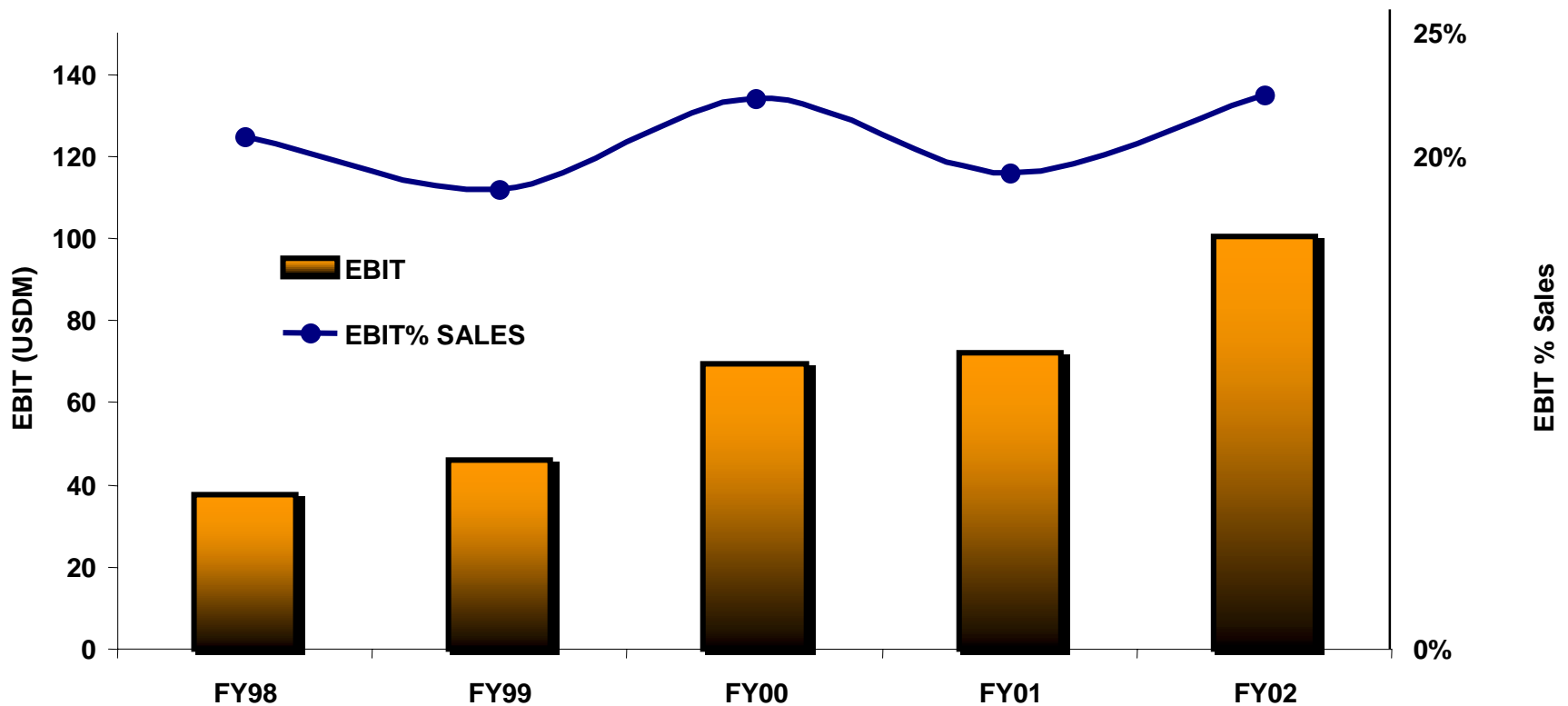
Business Overview

Cost

- > Normalized like for like factory costs continue to decline
- > Ramping-up new capacity
 - Waxahachie, Cleburne XLD, Summerville and Peru
- > Funding several key growth initiatives
 - Market Development - R&R, Retail etc.
 - Product Development – Roofing, Fencing, Harditex etc.

Business Overview

EBIT Margins – Last 5 years

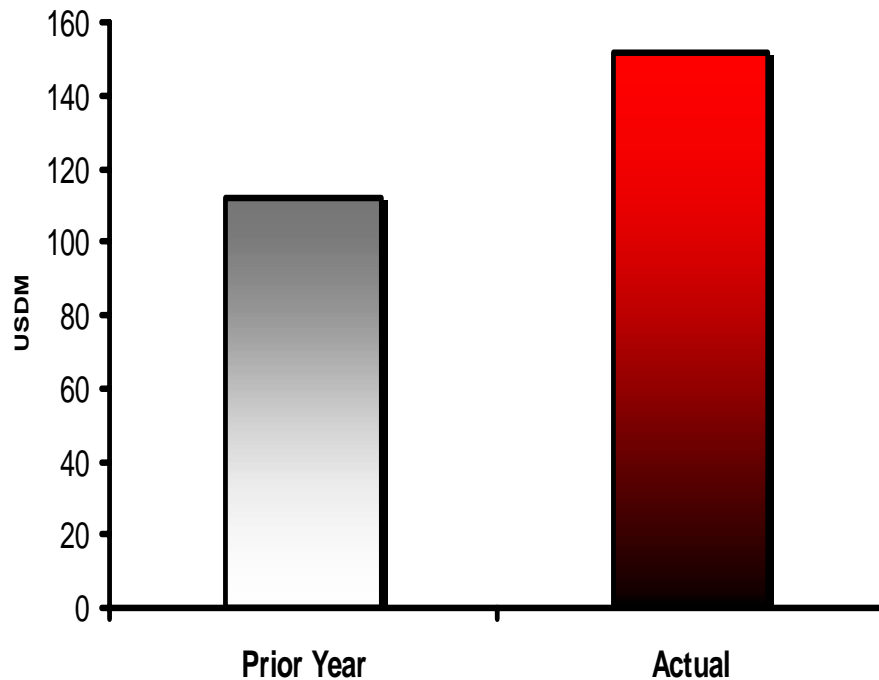


Business Overview

Q1 Financial Results

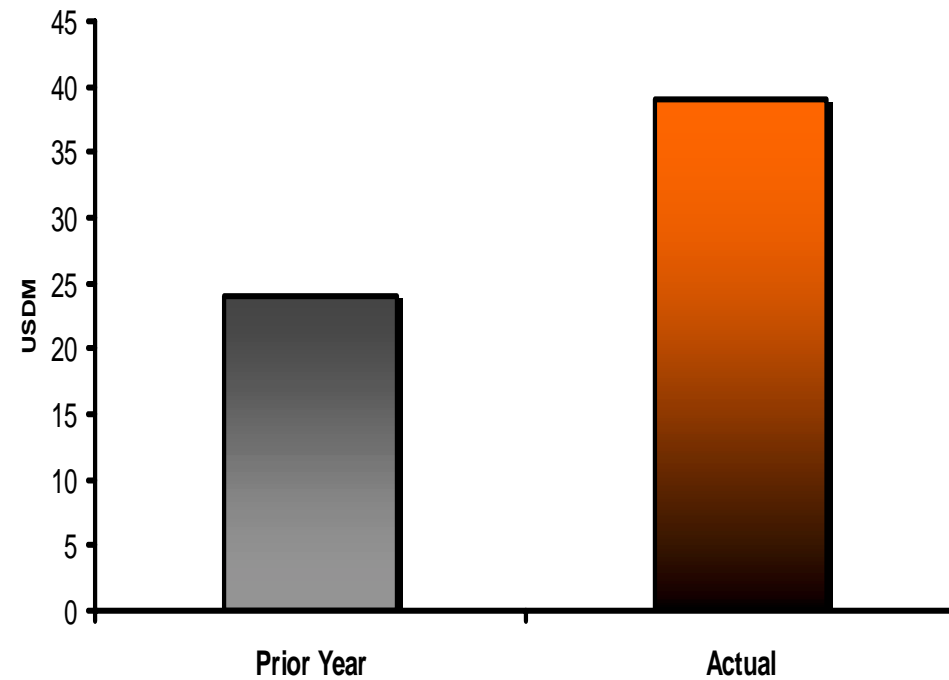
Revenue

- Up 37% over PY



EBIT

- Up 60% over PY





Going Forward

- > Continue to substitute FC for existing materials in exterior & interior construction applications
- > Use our superior FC technology & manufacturing capability to develop new products in a high throughput/low unit cost environment
- > Increase and upgrade our manufacturing capability
- > Manage distribution to have efficient access to all customer segments
- > Continue to reduce our delivered cost to market



Questions?



Disclaimer

This presentation contains forward-looking statements. Words such as “will”, “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 periodic reports filed with 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.



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