



**James Hardie**



**James Hardie**

**High Growth From Unique Technology**  
**February 2004**



# Focussed on Fibre Cement

## Attractive Investment Attributes



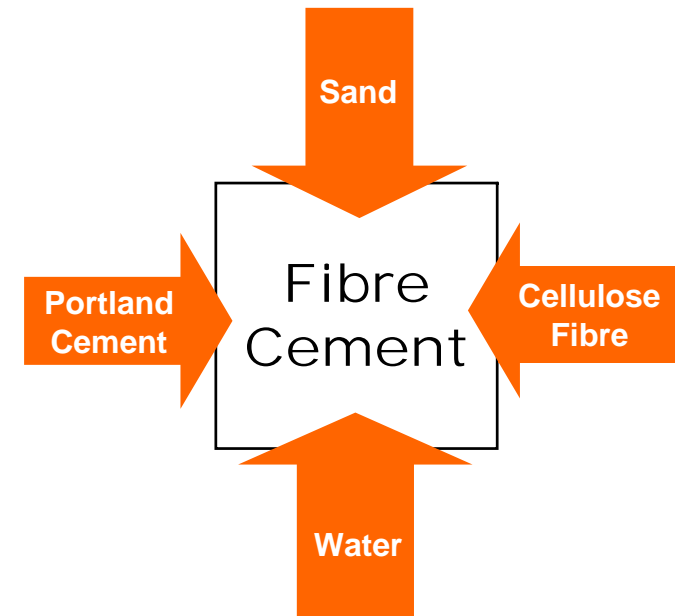
- High growth
- Unique proprietary technology
- Sustainable competitive advantage
- Strong cashflows and balance sheet
- Low cyclical risk
- Relentless will to win



James Hardie

# First to Develop Fibre Cement

**James Hardie pioneered the development of fibre cement technology in the 1980s**





# Many Product Applications

- External siding/soffit lining
- Internal wall/floor wet area lining
- Trim and fascia
- Ceiling lining and flooring
- External/internal wall systems
- Partitioning
- Commercial facades
- Decorative columns
- Fencing
- Drainage pipes





# Unique Technology and Scale

## Sustainable Competitive Advantage

- Unique plant engineering and proprietary process technology and product formulations
- Superior capital cost efficiency – plant capital cost less than ½ that of competitors
- Largest, lowest cost manufacturer – plant operating cost 20-30% lower than competitors
- Only national producer in each market
- Superior economies of scale – plants 2-3 times larger than competitors
- Unique differentiated products, widest range and strongest brand





# Creating the Future

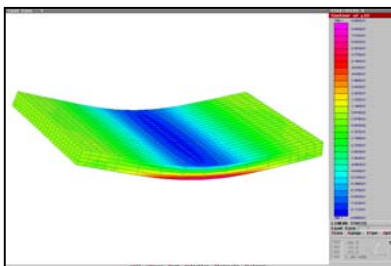
## R&D is a Key Driver of Growth



- Capabilities and resources
  - 120 scientists, engineers and technicians
  - 30% increase in spend to US\$21 million in FY03 – 3% of sales



- Core projects
  - new proprietary engineered raw materials
  - new proprietary product formulations
  - new engineering and proprietary process technologies
  - lightweight and durable products for all climates





# Strategy

## Industry Leadership and Profitable Growth

- Aggressively grow the market
- Secure differentiated position
- Generate strong top line growth
- Win high shares of large segments
- Sustain attractive margins





## Balanced Growth Portfolio

### James Hardie Business Portfolio – FY 03

	<u>GCE</u>	<u>Sales</u>	<u>EBIT<sup>1</sup></u>
<b>USA</b>			
– Established high growth/high return	70%	75%	89%
<b>Asia Pacific</b>			
– Established high return	21%	24%	17%
<b>Other</b>			
– Emerging opportunities (Pipes, Roofing, Europe, Chile)	9%	1%	(6%)
<b>Total</b>	100%	100%	100%

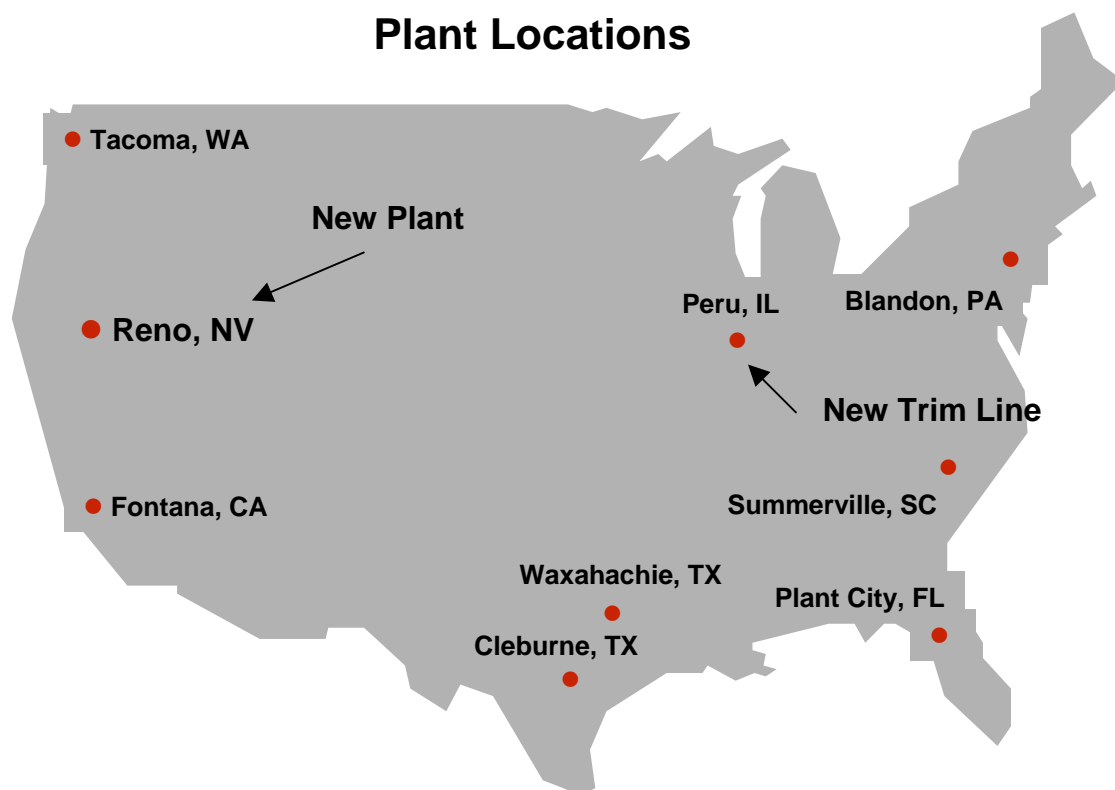




# North America Fibre Cement

**James Hardie is the largest lowest cost producer of fibre cement in North America**

**Plant Locations**



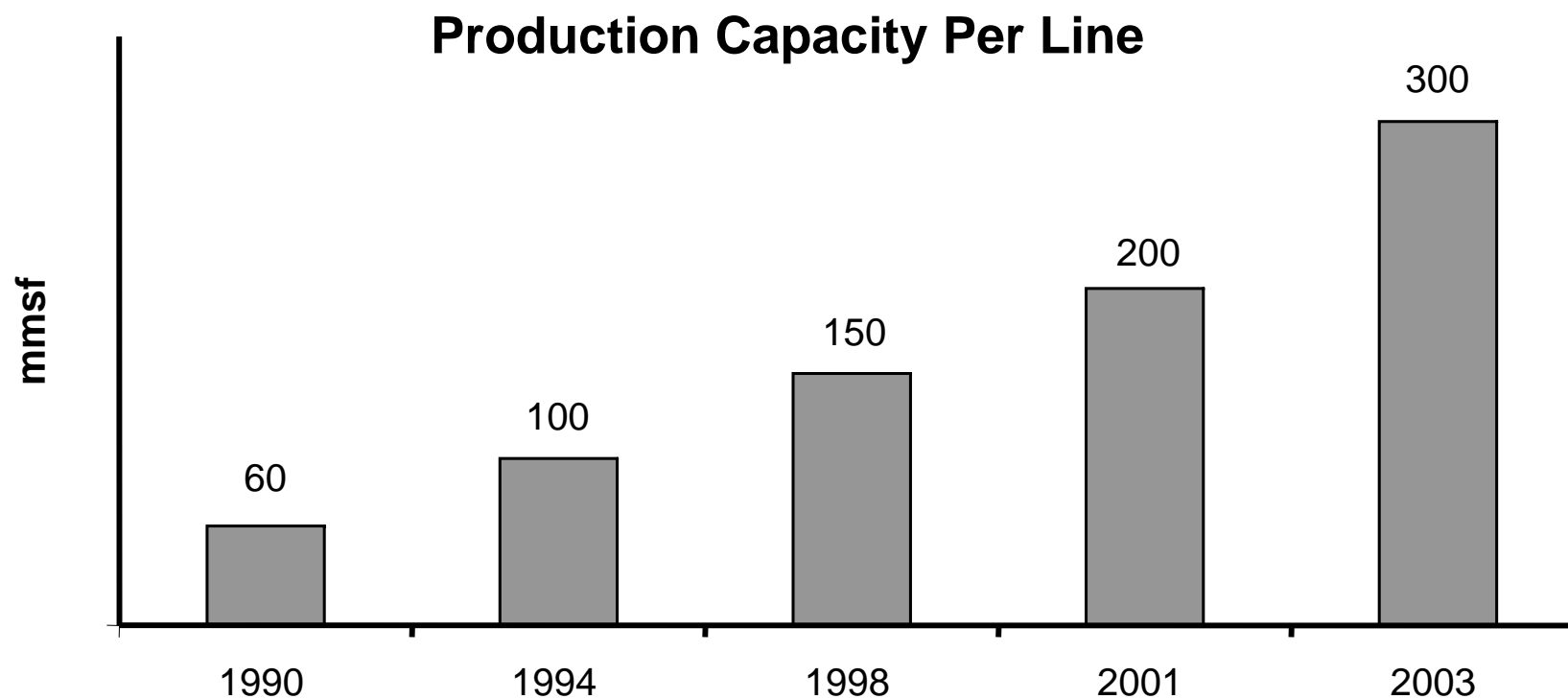
**Plant Capacity**

Flat Sheet Plants	Capacity (mmsf)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois	560*
Waxahachie, Texas	360
Blandon, Pennsylvania	200
Summerville, South Carolina	190
Reno, Nevada	300*
<b>Flat Sheet Total</b>	<b>2,790</b>
<b>FRC Pipe Plant</b>	
Plant City, Florida	100,000 tons

\*Upgrade or new plant in progress – includes capacity being added.

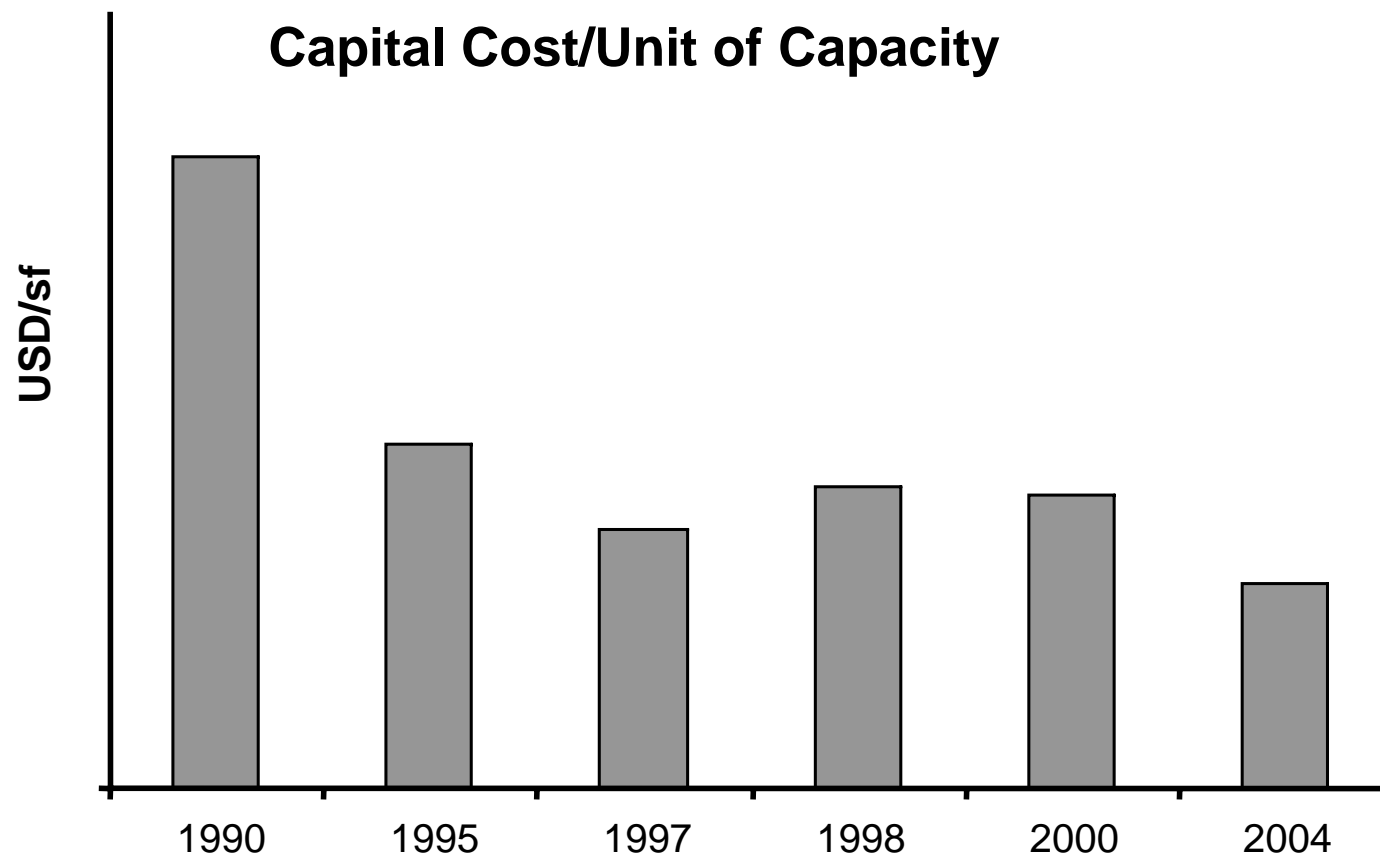


## Increased Scale





# Lower Capital Cost



# Superior Product Performance

**Fibre Cement is more durable than wood and engineered wood**

**Fibre Cement**



**Superior  
Durability**



**Engineered Wood**



- ✓ Moisture Resistant
- ✓ Fire Resistant
- ✓ Weather Resistant
- ✓ Termite Proof
- ✓ Won't Warp
- ✓ Won't Crack
- ✓ Won't Rot
- ✓ Holds Paint Longer
- ✓ Won't Delaminate

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# Superior Product Performance

**Fibre Cement looks and performs better than vinyl**



## Fibre Cement

- ✓ Fire Resistant
- ✓ Hail Resistant
- ✓ Wind Resistant
- ✓ Won't Warp
- ✓ Won't Buckle
- ✓ Colour Lasts Longer
- ✓ Strong and Rigid
- ✓ Expands/Contracts
- ✓ Withstands Impact
- ✓ Dimensional Stability
- ✓ Won't Blister
- ✓ Won't Crack

## Vinyl

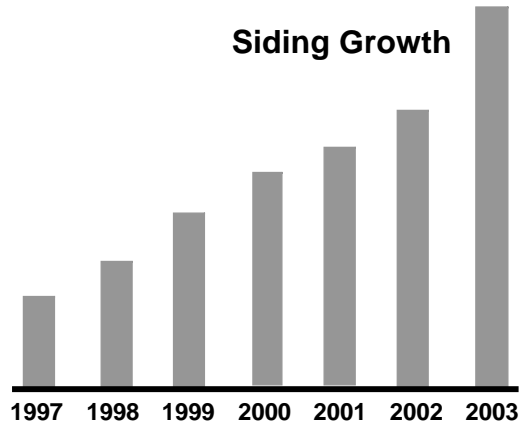
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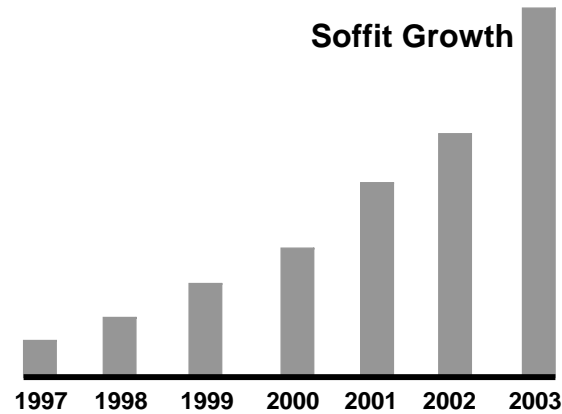


# Numerous Growth Dimensions

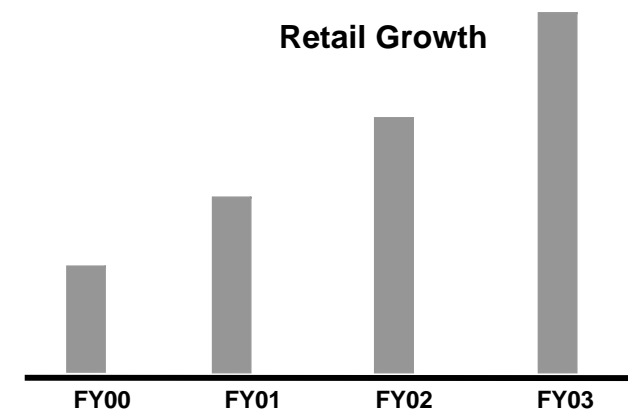
Siding Growth



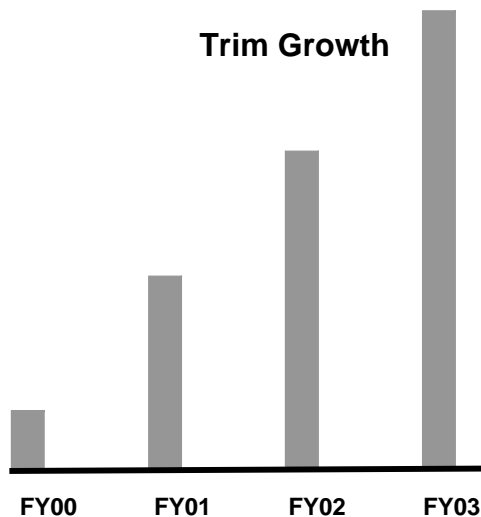
Soffit Growth



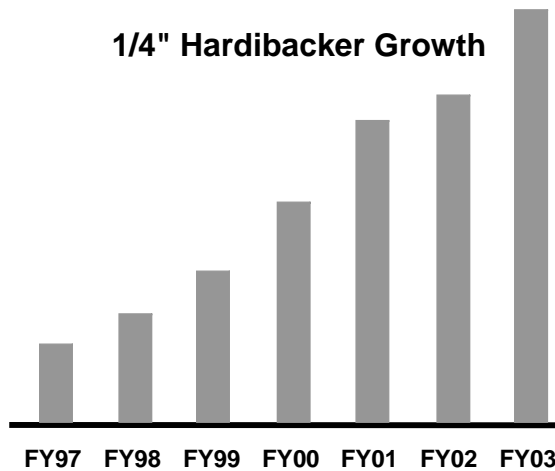
Retail Growth



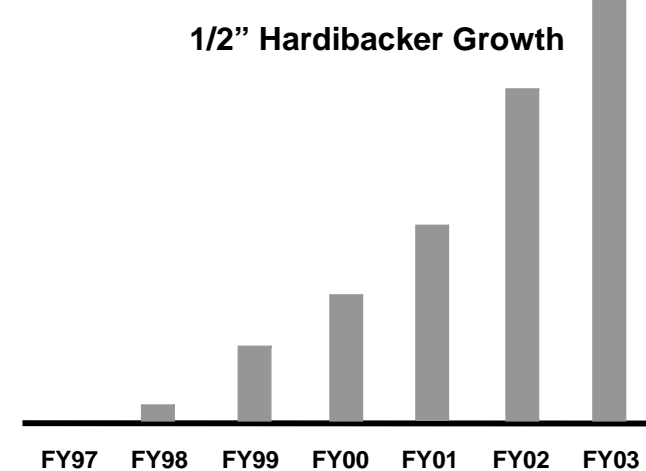
Trim Growth



1/4" Hardibacker Growth

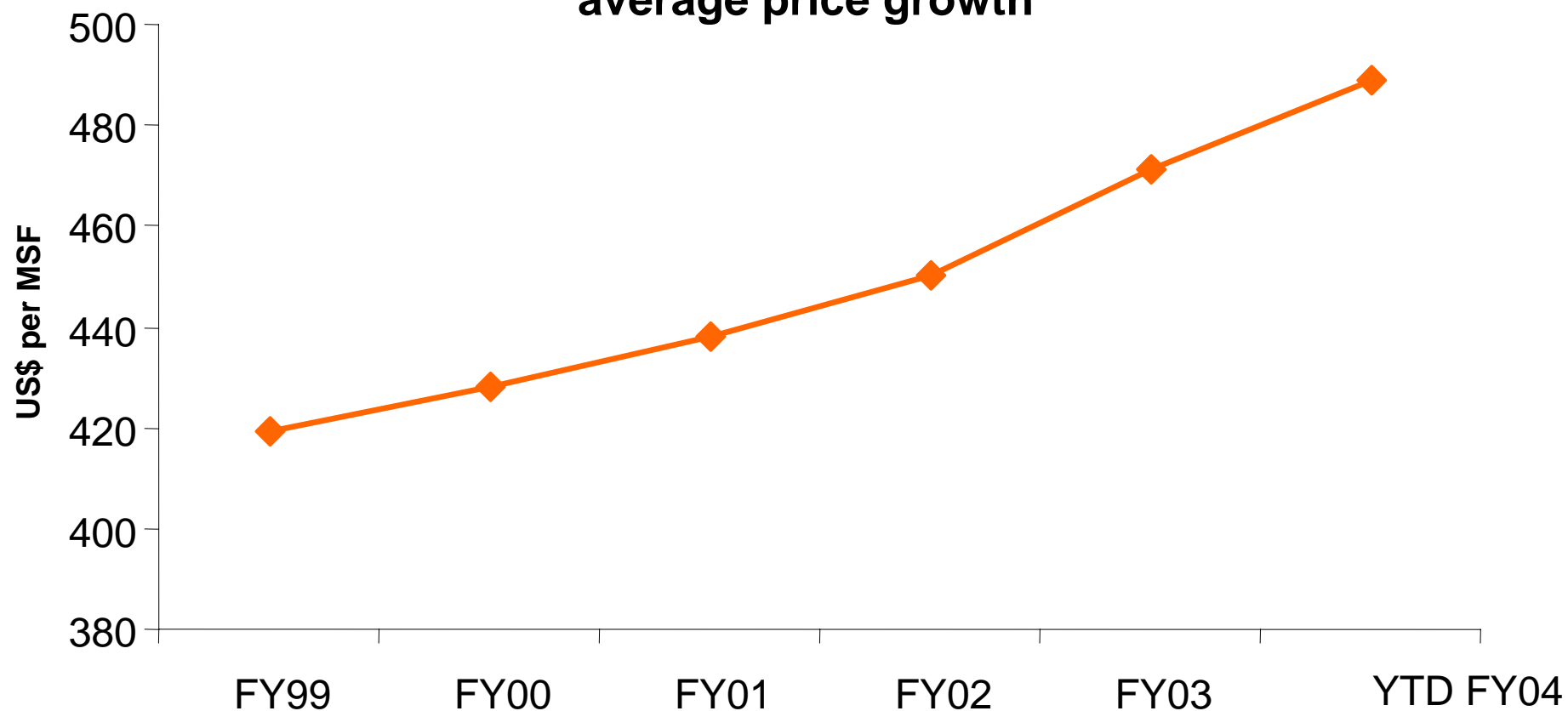


1/2" Hardibacker Growth



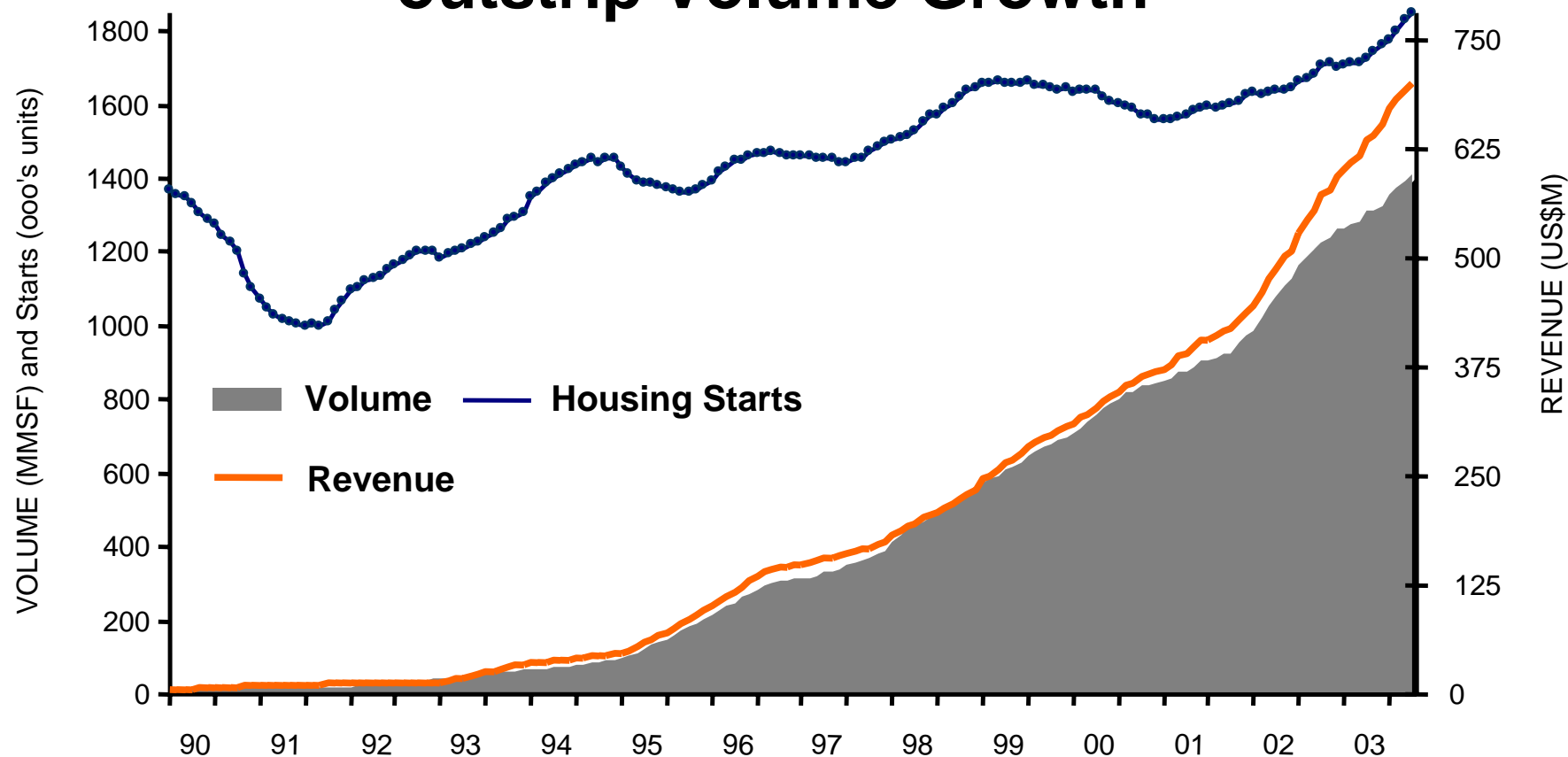
# Mix Is Driving Price

**Higher priced differentiated products are driving average price growth**



# North America Fibre Cement

## Revenue Growth Continuing to outstrip Volume Growth



# Market Data

## Market Size (bsf)

### Product Category

#### New Construction

- Siding, Fascia & Soffits	5.9
- Trim	1.2

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Total New	7.1
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#### Repair & Remodel

- Siding, Fascia & Soffits	4.5
- Trim	0.9

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Total R&R	5.4
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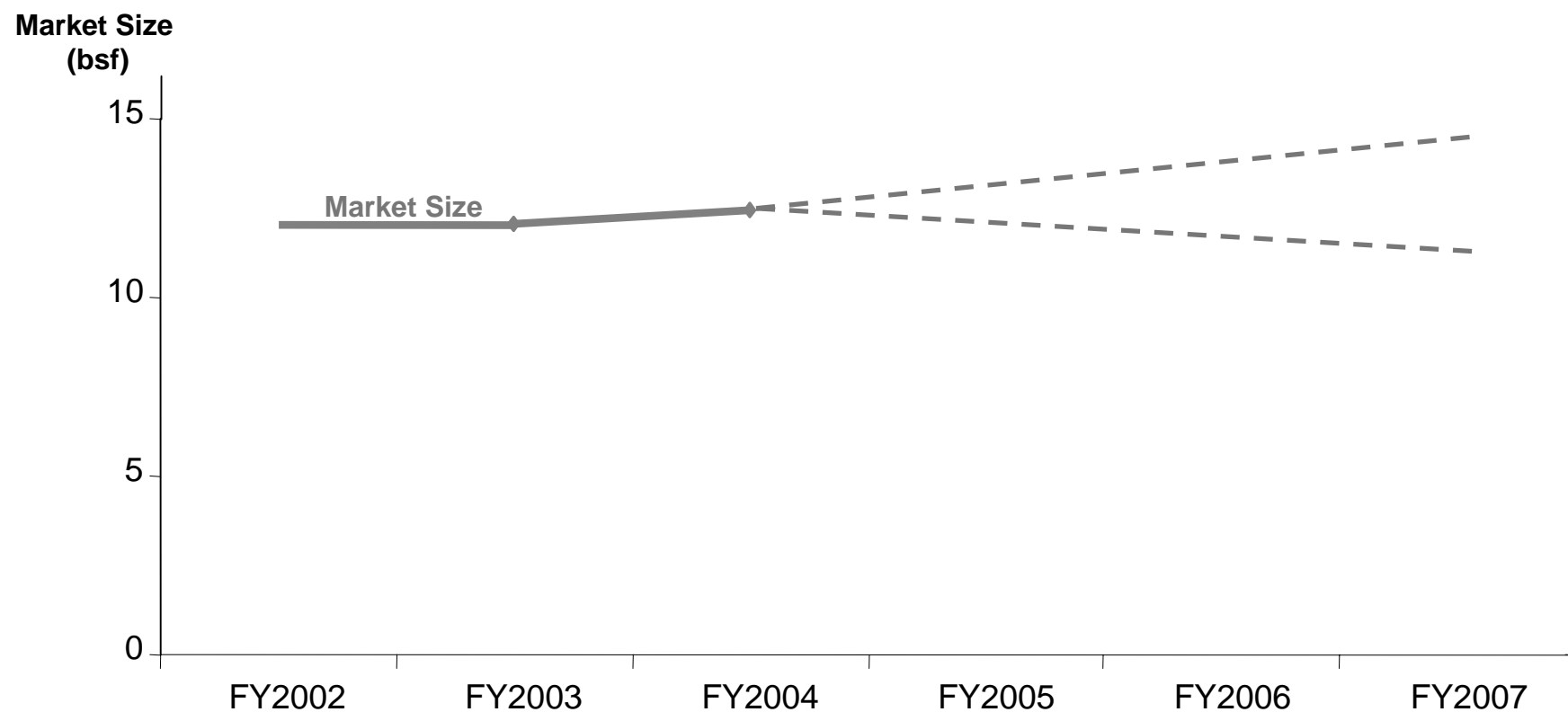
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<b>Grand Total</b>	<b>12.5</b>
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Note – This information is based on the latest market survey data collected and analysed by James Hardie and is based on source material from the **NAHB, NAHB Builder 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.

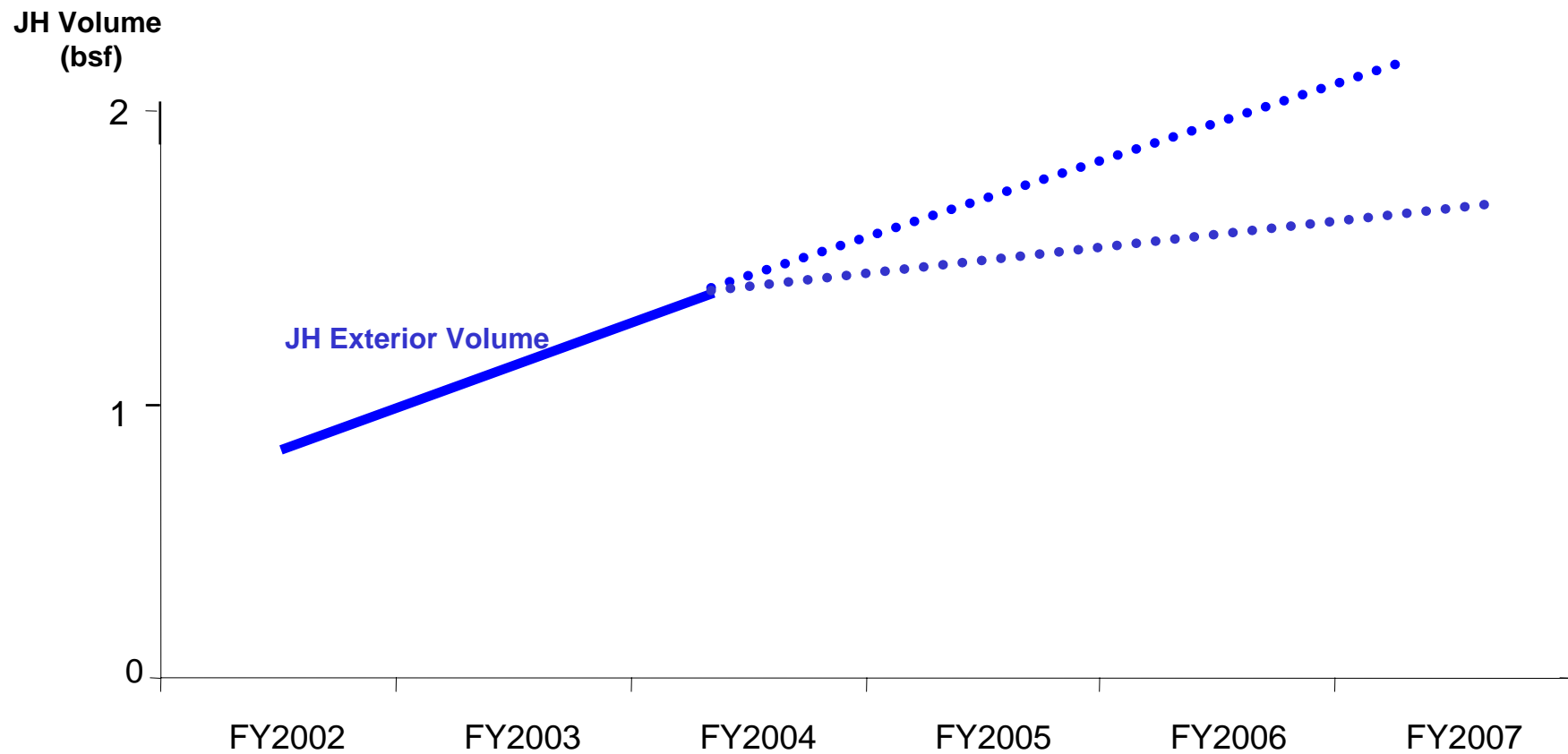
# Stable Market Growth





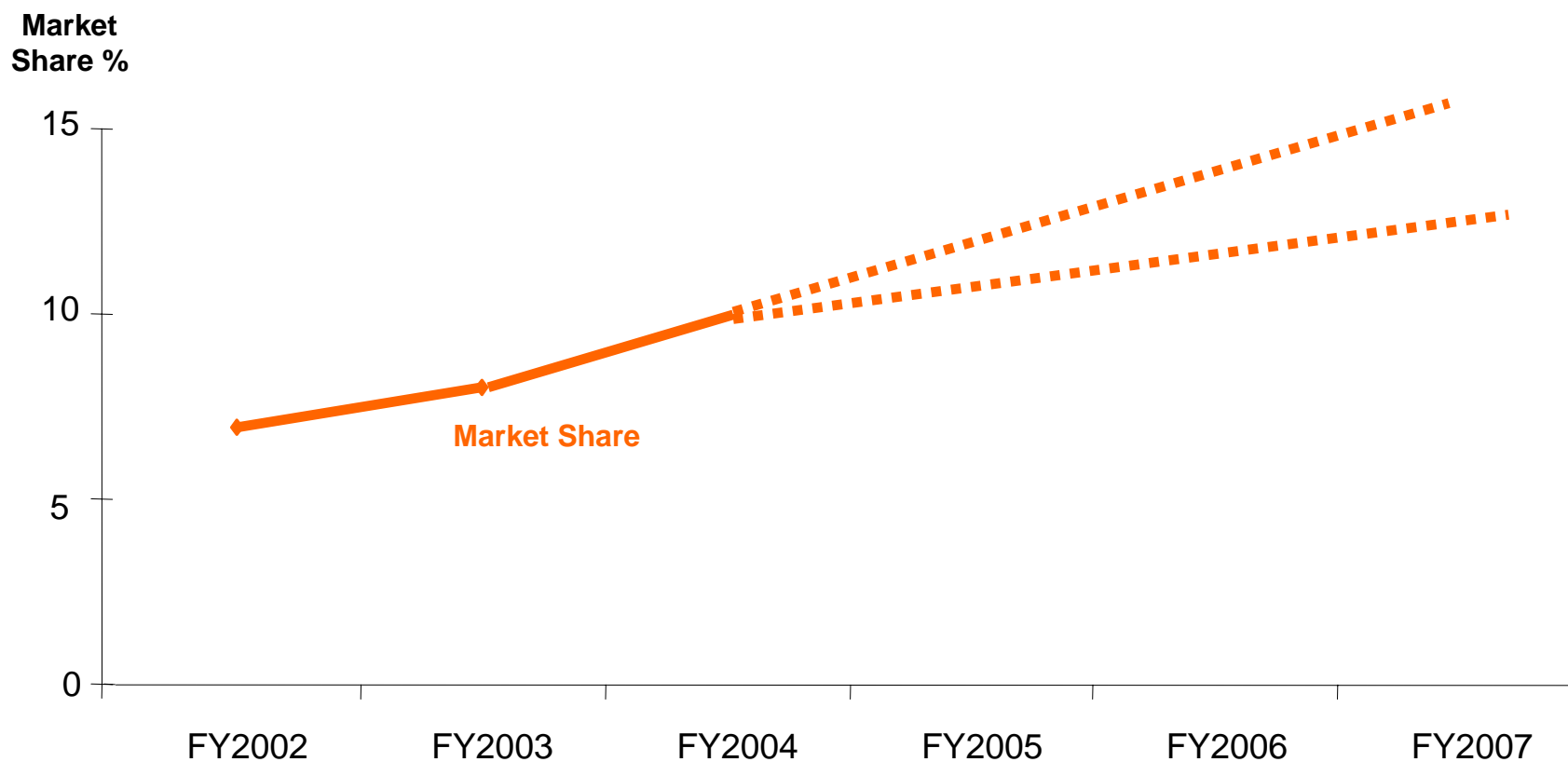


# Sales on track to more than double 02 - 07



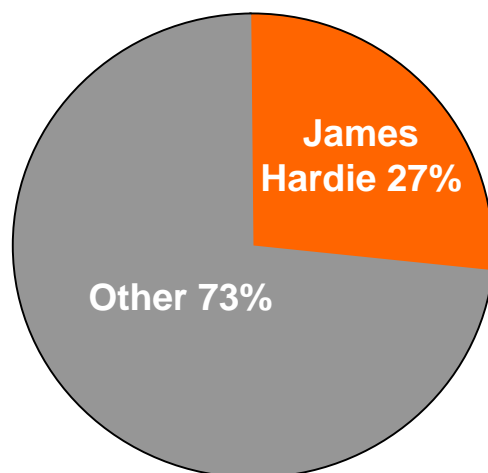


## Share on track to more than double 02 - 07

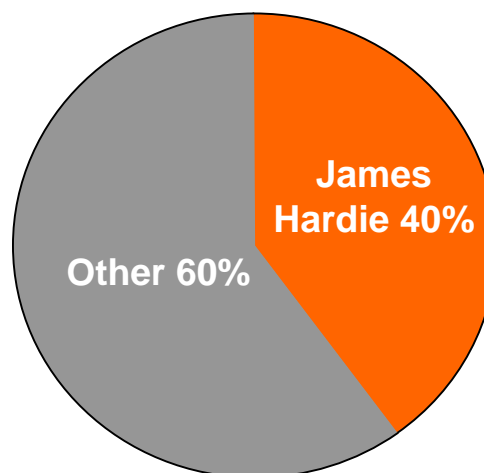


# Backer Could Grow Even Faster

**Updated Estimate  
USA Interior Cement  
Board  
Market 0.97bsf**



**2007  
USA Interior Cement  
Board  
Market 1.1bsf**



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.

## Australia/New Zealand



- YTD sales US\$140m – up 22%
- YTD EBIT<sup>1</sup> up 19%
- Higher value differentiated products
- Lower delivered cost
- Emphasise step change
- High performance culture
- Increase revenue and margins



## Philippines and Asia

- Manufacturing plant commissioned 1999
- YTD sales US\$18 million up 39%
- EBIT<sup>1</sup> positive
- Fibre cement as substitute for plywood
- 26% share of domestic plywood substitution market
- Established low cost regional manufacturing hub
- Low GDP per capita is an obstacle for developing a differentiated JH business model





# Chile and South America

- Manufacturing plant commissioned 2001
- Low cost manufacturing, rapid market penetration, high growth
- 23% share of flat sheet market already achieved
- Positive EBIT<sup>1</sup>
- Introducing differentiated products





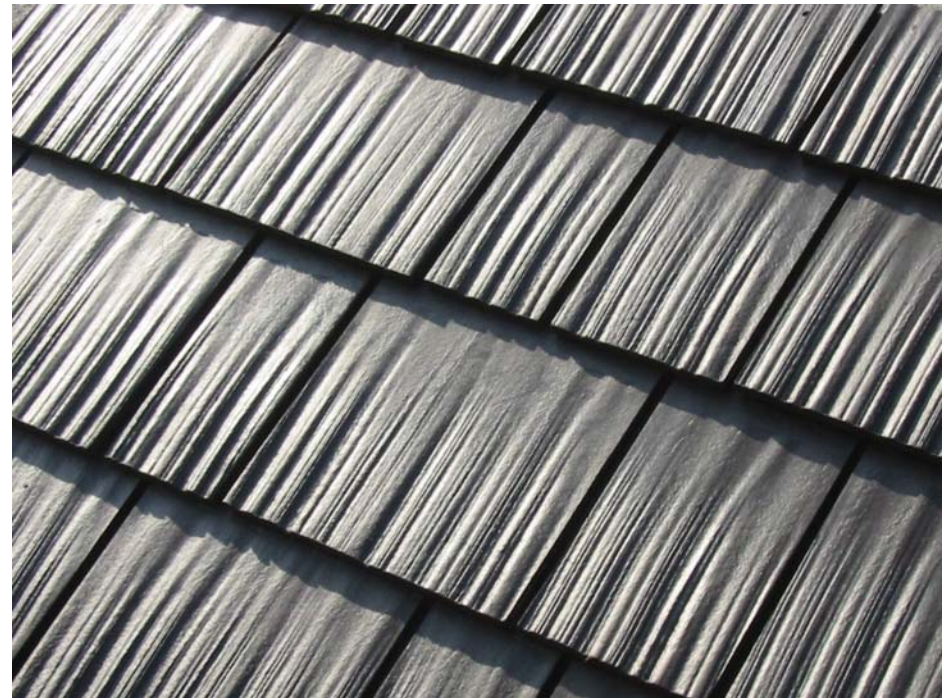
# Pipes

- USA manufacturing plant commissioned 2001
- Product has advantages over reinforced steel concrete pipes – light, long, strong
- Lower cost to make and install
- YTD volume growth up 107%
- Long term targets
  - national business
  - large share of US\$2 billion market



# Roofing

- USA market entry
- Development of fibre cement roofing technology
- US roofing market 13 bsf
- Initial target market 2.1 bsf
  - to compete with wood shake
  - superior durability and fire performance
- US\$12m pilot plant commissioned





## Europe

- Initially pursuing a low cost, low risk strategy
- Differentiated products imported from US
  - G2 Backer
  - XLD Trim
  - ColorPlus Siding
- Focussed market development UK and France
- JH business model differentiated from current industry approach



## Results Year To Date

### YTD04 - 9ME Dec 03

	US\$Million		
Sales	730.6	Up	24%
Gross Profit	269.2	Up	26%
EBIT <sup>1</sup>	137.4	Up	36%
Operating Profit <sup>2</sup>	94.0	Up	56%





## Results Year To Date

**YTD04 - 9ME Dec 03**

**USA Fibre Cement**

**US\$Million**

Sales	553.5	Up	22%
EBIT <sup>1</sup>	152.4	Up	30%
Volume	1136mmsf	Up	16%
EBIT Margin	27.5%	Up	1.6pts



## Results Year To Date

**YTD04 - 9ME Dec 03**

### **Other Businesses**

- ANZ sales up 22%. EBIT<sup>1</sup> up 19%
- Philippines sales up 39%. EBIT positive
- USA Pipes sales up 108%. Still in losses, but nearing positive cashflow
- Chile sales up 245%. EBIT positive



## Key Ratios

	<u>YTD '04</u>	<u>FY '03</u>	<u>FY '02</u>
EPS (Basic)	21.0c	18.7c	6.4c
Return on Shareholders Funds*	28.7%	42.3%	8.9%
Return on Capital Employed*	26.2%	21.2%	8.6%
EBIT <sup>2</sup> /Sales	18.8%	16.4%	8.0%
Gearing			
<div><div>Net debt</div><div>Net debt &amp; Equity</div></div>	22.9%	21.4%	44.7%
Net Interest Cover	18.3x	6.6x	3.0x

\* Annualised

# Long Term Financial Targets

## High Growth and Attractive Returns Targeted

	Target	Actual FY03	Actual YTD04
Revenue Growth	> 15% p.a.	32%	24%
EBIT Margins <sup>1</sup>	> 15%	16%	19%
ROA	> 15%	21%	22%





## 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.*



## Notes

1. *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.*

2. *Operating profit from continuing operations is equivalent to the US GAAP measure of income from continuing operations.*



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