

## About this year's Annual Report

This year's theme of **Performance** is relevant to the company, to the products we produce, and to the people who produce them.

The report contains: a **Performance Review** of our achievements for the financial year ended 31 March 2004; **Performance Drivers**, which we believe contribute to the company's success; and **Financial Performance**, with the company's consolidated financial statements.

The report describes the company's performance for the financial year ended 31 March 2004. In the final months of this period, the NSW Government in Australia announced a Special Commission of Inquiry into the asbestos liabilities of former group companies that manufactured using asbestos and the establishment of the Medical Research and Compensation Foundation by James Hardie in 2001. At the time of printing this report, the Commission has yet to report on its findings. It is therefore not possible, and not appropriate, for the issues raised at the Commission to be addressed in any detail in this report. The company will respond to the Commission's findings as soon as it is able to, and will communicate this information directly to shareholders.

## Contents

### Performance Review

Highlights	3
Chairman's Report	8
CEO's Report	10
CFO's Report	12
Summary of Operations	14
USA Fibre Cement	16
Asia Pacific Fibre Cement	20
Other Fibre Cement	22

### Performance Drivers

We have clear, consistent goals	25
The scale and spread of our operations	26
Our investment in R&D	28
Our differentiated products	30
A cohesive, committed Board	32
The quality of our management	34
Our performance-based culture	36
Growth opportunities	39
Care for the environment and community	41
Corporate governance beliefs	43

### Financial Performance

Contents	45
Management's Discussion and Analysis	46
Directors' Report	55
Corporate Governance Principles	60
Report of Independent Registered Public Accounting Firm	68
Consolidated Balance Sheets	69
Consolidated Statements of Income	70
Consolidated Statements of Cash Flows	72
Consolidated Statements of Changes in Shareholders' Equity	74
Notes to Consolidated Financial Statements	76
Selected Quarterly Financial Data	103
Group Statistics	104
Share/CUFS Information	105

## About James Hardie

James Hardie is a leading international building materials group that produces a wide range of fibre cement building products that are used in the exterior and interior of buildings, from exterior cladding and internal lining, to fencing, bracing and decorative finishes.

Our operations span the United States, Australia, New Zealand, the Philippines and Chile. We are also establishing a presence in Europe. We employ over 3,000 people who generate revenue of more than US\$900 million a year.

In every country in which we operate, our goal is to capitalise on our extensive research and development programs, our unique manufacturing technology and our differentiated products to create wealth for our shareholders, value for our customers and rewarding careers for our employees.

25%

INCREASE IN  
TOTAL NET SALES  
FROM US\$783.6  
MILLION TO  
US\$981.9 MILLION

50%

INCREASE IN  
OPERATING  
PROFIT\* FROM  
US\$83.5 MILLION  
TO US\$125.3  
MILLION