

Other Fibre Cement

Chile Fibre Cement

Our business

We manufacture fibre cement products for use as interior and exterior walls in houses and multi-family housing developments. Initially, we concentrated on the core flat sheet products of EconoBoard™ and DuraBoard™. We have since expanded our range to offer builders and architects more specialised products such as Hardisiding® planks, Hardibacker® backerboard and Hardistuco® textured flat sheets.

Our strategy

We are focussed on increasing awareness and sales of our thicker and speciality products (Hardibacker® backerboard, Hardisiding® planks, Hardistuco® and Hardipanel® sheets) across all segments, to increase average net selling prices and position James Hardie as the market leader in product quality and innovation.

Our longer-term strategy is to develop a profitable fibre cement business in Latin America, with operations beyond Chile.

Given the challenging environment in the region, it is expected to be some time before growth beyond Chile becomes attractive.

Trading conditions

Economic recovery is underway in Chile and the Latin American region and the level of construction activity in Chile is improving after being stagnant since the end of 2001.

Market position & opportunity

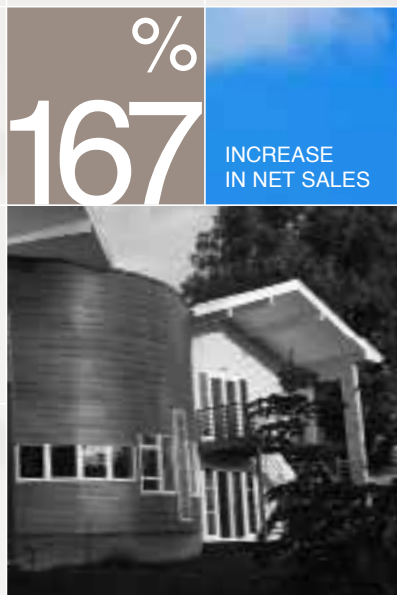
We estimate that we have already achieved over 20% share of the flat sheet market and see considerable potential to grow sales and capture share with our high-value speciality products.

Major achievements

- We have continued to increase sales and improve our positioning with small and large hardware stores.
- We have established a good position in the large retail stores that carry our product, with superior in-store support and marketing, and merchandising programs which increased sales per store.
- We have established a reputation for quality among the country's leading builders, and are now an active supplier to this channel.

Outlook

Construction activity is expected to be stronger. Further market penetration and share growth is expected as awareness of the business's expanded product range continues to increase among builders, distributors and contractors.



Hardie® Pipe

Our business

We manufacture fibre reinforced concrete pipes at a custom-built facility in Plant City, Florida. Our pipes are used for drainage in civil and commercial construction and in the development of residential sub-divisions.

Our strategy

Our strategy is to establish Hardie® Pipe as the preferred solution for stormwater applications that use diameters from 12" to 36".

We believe Hardie® Pipe continues to offer advantages to the mid-size drainage pipe market because our product features span both traditional concrete pipes, and newer flexible pipes. We offer the initial crush strength of rigid pipes, combined with the lighter weight, longer lengths and ease of installation of flexible pipes. The result is productivity gains over rigid pipes and less installation and service risk than with flexible pipes.

Trading conditions

The heavy building materials industry overall continues to be buoyant in Florida. Softer transport spending has been offset by strong residential sub-division development. There has been some uncertainty while the US Congress debates a new six-year road funding program.

Market position & opportunity

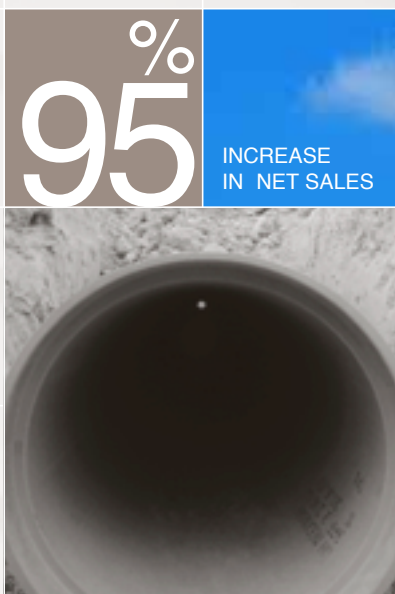
We participate in the Florida storm drainage pipe market in our size range and plan to grow sales in Florida and neighbouring states.

Major achievements

- Sales volumes grew 95% during the year, as more customers embraced the lower installed cost of Hardie® Pipe.
- We achieved continued improvements in production efficiencies as we continued to ramp-up the curve towards our targets.
- We obtained further significant regulatory approvals during the year.

Outlook

The business is continuing to grow sales as it penetrates the south-east market and is lifting production to meet growing demand. Further progress is expected to improve plant operating efficiency and lower manufacturing costs.



Note: Costs and figures are management estimates and cannot be precisely measured.

Artisan® Roofing

Our business

We have established a pilot roofing plant at Fontana, California, to test our proprietary manufacturing technology and to provide product for market testing in Southern California. The plant has a design capacity of 25 million square feet per annum of manufactured product, or 11.6 million square feet of roofing coverage.

Our strategy

Our pilot plant enables us to undertake a low-risk evaluation of what we believe is a strong opportunity for a fibre cement product that can compete with wood shake and natural slate.

Market position & opportunity

Over 14 billion square feet of roofing systems were installed on residential dwellings in 2002. We see a significant annual market opportunity for Artisan® Roofing. We estimate that the initial markets we are targeting (wood shakes, natural slate and other high-end products) use around 5.2 billion square feet of manufactured product annually.

Major achievements

- In June 2003, we commissioned our pilot roofing plant at Fontana, California.
- We completed the first on-site installations of our new Artisan® Roofing product.
- We made the first commercial sales of our Artisan® Roofing product in the second half of the current fiscal year.
- Within our targeted market, interest in our roofing product is strong.

Europe Fibre Cement

Highlights

- We launched our Hardibacker® range of interior products and our proprietary pre-painted siding products in the United Kingdom and France.
- In June 2003, we commissioned a new coating line near Southampton in England to apply the finishing coat to siding products imported from our United States business.
- Awareness of our product range among distributors, builders and contractors is growing and market response to our products has been favourable.
- We have continued to increase our distribution outlets in both the United Kingdom and France, and to expand our sales and marketing force.

