

We have clear, consistent goals

James Hardie is a world-wide leader in fibre cement building products, with operations in the United States, Australia, New Zealand, Chile, Europe and the Philippines.

Using superior product and process technology, and sound marketing, we aim to develop differentiated fibre cement products that will allow us to secure the strongest competitive position wherever we operate. We are committed to becoming, and remaining, the leader in fibre cement technology, research and development.

The decisions we make about our future are driven by three fundamental principles:

- **World's best manufacturers**

We can be the best in the world at making fibre cement. Compared to our competitors, we can build production capacity more quickly and at lower cost, and we can achieve higher throughputs at higher levels of quality, and at lower cost. We can maintain this advantage through operating discipline, and continued investment in process technology and product development.

- **Profitable growth**


We will deliver consistently high levels of revenue growth and grow the company through market penetration, geographic expansion and product innovation. Through revenue growth, we will out-perform all peer companies.

- **Winners**

We are passionate about winning with fibre cement. Our drive is to beat the competition in manufacturing, in product offering, in sales and in all other fields in which we strive.

We want to win the battle for investment dollars so we can continue to grow.

In the following pages, we explore some of the factors that drive our superior performance.



Our goal is profitable growth in a repositioned, differentiated, fibre cement industry.

The scale and spread of our operations

Manufacturing Capacity - Flat Sheet

	Plant location	Design capacity/ year (mmsf ¹)	Number of Employees
United States	Fontana, California	180	
	Plant City, Florida	300	
	Cleburne, Texas	500	
	Tacoma, Washington	200	
	Peru, Illinois	560 ²	
	Waxahachie, Texas	360	
	Blandon, Pennsylvania	200	
	Summerville, South Carolina	190	
	Reno, Nevada	300 ²	
Total United States		2,790²	1,724
South America	Santiago, Chile	39	122
Australia	Brisbane, Queensland	160	
	Sydney, New South Wales	200	
Total Australia		360	459
New Zealand	Auckland	75	161
Philippines	Manila	145	225
Total		3,409²	2,691

Other

Canada			16
Europe			37
Research and Development			117
Corporate			34
Total			204



16%
INCREASE
IN NET SALES
PER EMPLOYEE

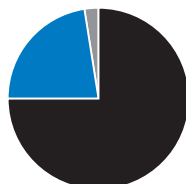
¹ Million square feet. Annual design capacity is based on management's historical experience with the company's production process and is calculated assuming a 24-hour day, continuous operation, producing 5/16" thick siding at a target operating speed

Manufacturing Capacity - Pipes

	Plant location	Design capacity/year (Thousand tons ³)	Number of Employees
United States	Plant City, Florida	100	68
Australia	Brisbane, Queensland	50	110
Total		150	178

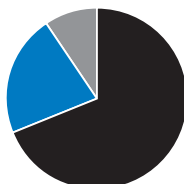
Geographic Breakdown

Net Sales
(Millions of US dollars)



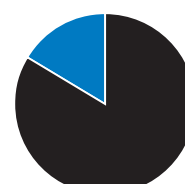
■	738.6	USA Fibre Cement
■	219.8	Asia Pacific Fibre Cement
■	23.5	Other Fibre Cement

Total Identifiable Assets⁴
(Millions of US dollars)

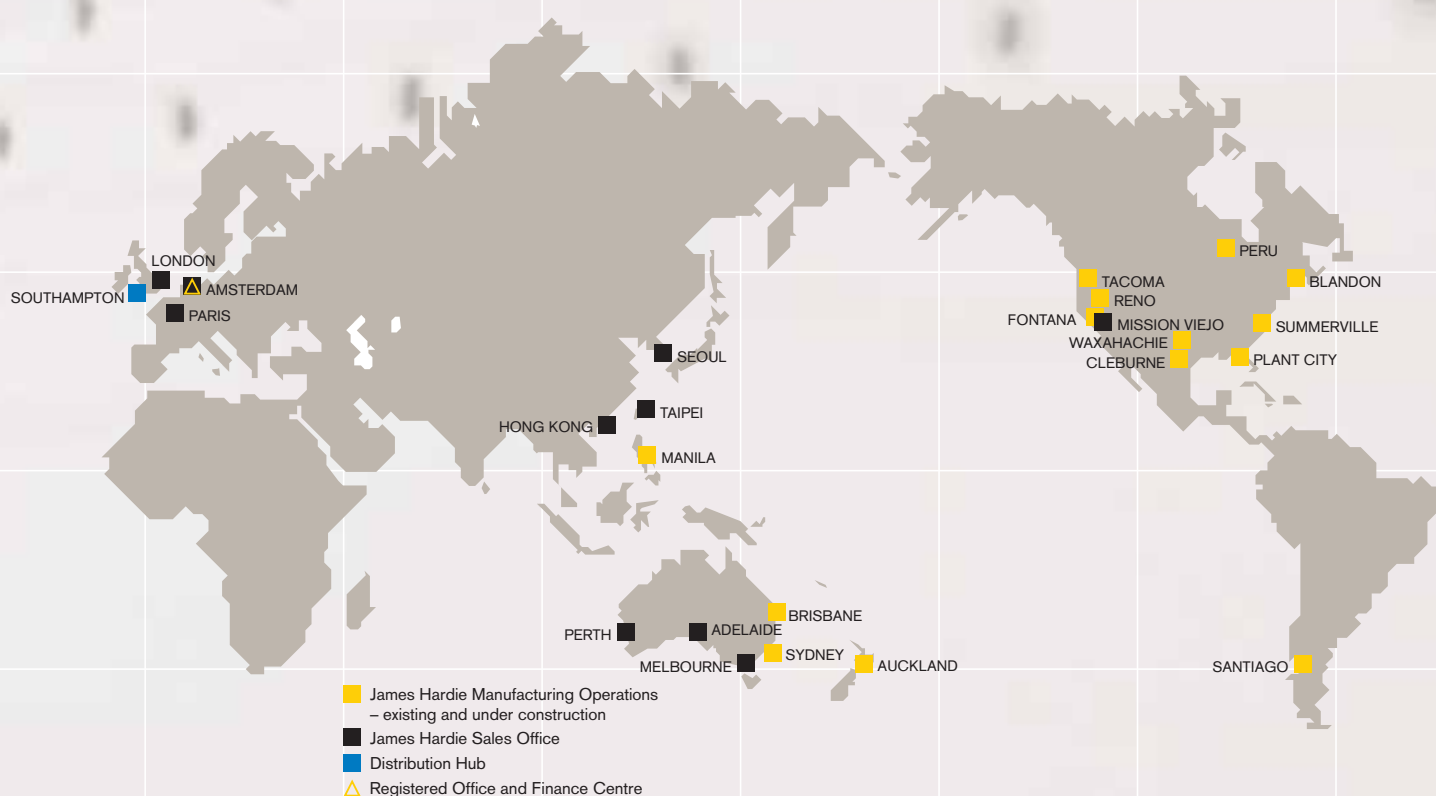


■	554.9	USA Fibre Cement
■	175.9	Asia Pacific Fibre Cement
■	74.7	Other Fibre Cement

EBIT^{4,5}
(Millions of US dollars)



■	195.6	USA Fibre Cement
■	37.6	Asia Pacific Fibre Cement
		EBIT ⁵ for R&D and Other Fibre Cement was a loss of 33.5



² Upgrade or new plant in progress; includes capacity being added

³ Pipes and columns are measured in tons, not square feet

⁴ Excludes General Corporate. See Note 20 to the Consolidated Financial Statements on page 98

⁵ See **Definitions** in Management's Discussion and Analysis on page 47

Our investment in R&D

The superior performance of James Hardie's differentiated fibre cement products is supported by the unique production technology we have developed, and on which we continue to capitalise.

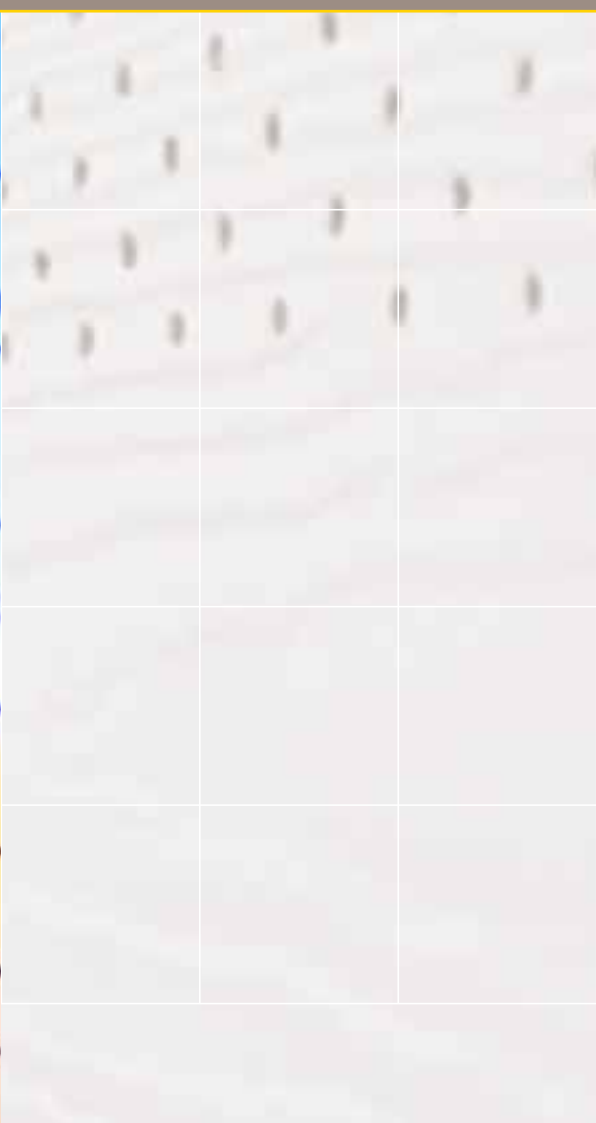
Last year, we increased our expenditure in research and product development by 25% to US\$26.1¹ million, or 2.7% of our sales. We employ over 110 scientists, engineers and technicians in the areas of Core Research and Product & Process Development. Over 50% of our scientists have advanced degrees, and 45% have worked for James Hardie for over five years.

We have Research and Development Centres in Sydney, Australia, and Fontana, California, where we:

- conduct core research;
- develop new manufacturing technology platforms; and
- develop products for specific markets and applications.

By investing in production technology, we aim to keep reducing our capital and operating costs, and at the same time find new ways to make existing products, and new products.

HOW WE MAKE FLAT SHEET PRODUCTS



Over the past ten years, advances in process technology have allowed us to reduce the incremental cost of additional capacity at existing sites.

At the same time, we have reduced the cost of raw materials through yield improvements in the plants; by providing technological support to drive process improvements in our suppliers' operations; and from our increased business scale.

We also benefit from superior economies of scale, since we operate plants that are two to three times larger than our fibre cement competitors'.

Our goals are to:

- continue to lower the capital cost of each unit of production at new plants by learning from past projects, and through continuing innovation in engineering, and
- reduce operating costs at each plant by improving manufacturing processes, raw material yields, and machine productivity.

Efficient, low-cost manufacturing, combined with our unique technology, will allow us to generate higher returns on invested capital because we will be able to sell our products at prices that are attractive to our customers, and achieve a profit margin that is attractive to shareholders.

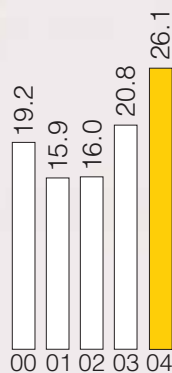


25%

INCREASE IN RESEARCH AND DEVELOPMENT EXPENDITURE¹



Research and Development Expenditure¹
(Millions of US dollars)



¹ Research and Development expenditure includes US GAAP Research and Development expense and amounts classified as selling, general and administrative expense under US GAAP in the amounts of US\$3.5 million, US\$2.7 million, US\$1.9 million, US\$1.4 million, and US\$0.9 million for the years ended 31 March 2004, 2003, 2002, 2001 and 2000, respectively

Our differentiated products

Our goal is to develop lightweight and durable products that can perform in all climates, and for all parts of a building, from external walls, to trims, soffits and roofs to internal walls, floors and ceilings.

In the late 1970s and early 1980s, we pioneered the development of cellulose fibre reinforced cement technology. Since then, we have found many new and innovative ways for fibre cement to replace traditional materials, expanding both the market for fibre cement products, and our share of the market.

Our products offer a range of advantages - from appearance to durability - over traditional building materials. They are easy to cut, nail and paint; require minimal maintenance; and can be used to create a variety of shapes and profiles, and different textured and coloured finishes.

This makes James Hardie products ideal for a wide range of residential and commercial applications, including:

- external wall cladding, in the form of planks, panels, shingles, facades and substrates;
- lining for eaves, soffits and breezeways;
- wall or floor substrate for ceramic tiles in wet areas such as kitchens, bathrooms and laundries;
- ceiling lining or floor underlay;
- roofing shakes;
- external and internal wall systems, including bracing and fire and acoustically-rated walls;
- decorative and structural columns;
- trim, fascia and other decorative applications;
- fencing; and
- underground drainage pipes.

WHERE OUR PRODUCTS ARE USED



EXTERIOR

- 1 TRIM
- 2 EAVES AND SOFFITS
- 3 ROOFING
- 4 EXTERNAL CLADDING
- 5 FASCIA
- 6 DECORATIVE AND STRUCTURAL COLUMNS
- 7 DECK UNDERLAY
- 8 PIPES

INTERIOR

- 9 CEILING LINING
- 10 INTERNAL WALLS
- 11 WET AREA LINING
- 12 FLOOR UNDERLAY

Our continued growth depends on our ability to keep delivering products that an increasing number of customers prefer to alternatives such as masonry, concrete, wood and wood composites and vinyl. Examples of the success of this approach include:

- our thicker, lighter Harditrim® exterior trim board with XLD™ Technology, which won a 2004 American Building Product Award from HOME Magazine;
- the new shorter, lighter and smoother HardiSenepa® fascia board launched in the Philippines in 2004, offering the market easier installation and finishing;
- the ColorPlus™ Collection of pre-painted siding and trim, which was recognised with a 2002 American Building Product Award from HOME Magazine;
- the thicker and lighter Linea® weatherboard which was launched in New Zealand in 2002 and which quickly exceeded sales targets;

- the thinner, lighter HardiFlex® lite ceiling sheet developed for the Philippines as a substitute for plywood. This product was named Top Building Board Brand of the Year at the Philippines Consumers Awards in December 2002;

- more dimensionally precise fibre cement sheets used to create the ExoTec™ Facade System for Australia's commercial construction industry;

- the new production technology and product formulation that is being used in the manufacture of our new fibre cement roofing shake for the large USA market.

We are constantly working to increase our product performance and lower the density of our fibre cement, to achieve the optimum balance between durability and ease of use. To that end, our product development will continue to focus on:

- formulation, to create products that are fit for use;

- design, to give our customers a choice of shapes and textures;
- finish, from sealer, to primer and topcoats;
- installation, through systems, components and tools; and
- durability.

Product leadership, in the form of differentiated products, sets us apart from our competition.

Differentiated products should enable us to continue to penetrate markets, sustain a price premium over competing products, reduce the impact of price competition, and enable James Hardie customers to recognise and value the brand.



Lighter, thicker, Linea® weatherboards, shown here on a home in New Zealand, are a good example of the way our fibre cement technology can create durable, attractive alternatives to conventional building products such as timber weatherboards.

A cohesive, committed Board

As a team, the James Hardie Board brings together widespread experience, spanning general management, finance, law, accounting and marketing as well as science and technology. Each director also brings international experience that is valuable to James Hardie as it expands geographically.

SUPERVISORY BOARD AND JOINT BOARD

Alan McGregor AO, MA (Cantab), LLB
Chairman of the Company's Supervisory Board & Joint Board, Age 67

Mr McGregor joined James Hardie Industries Limited as an independent non-executive director in 1989 and became Chairman in 1995. He is chairman of the Nominating and Governance Committee and the Remuneration Committee, and a member of the Audit Committee.

Mr McGregor has had a distinguished career in the law and as a director and chairman of a number of large Australian public companies.

He is chairman of Burns Philp & Co. Ltd and the Australian Wool Testing Authority Ltd and a former Chairman of FH Faulding & Co Ltd. Mr McGregor is, and has been, a Board or Committee member of a number of charitable and community organisations and private companies.

logistics services to major automotive manufacturers.

Since December 2002, Mr Barr has served as a director of United Auto Group, the second largest publicly held automotive retailer in the USA; in August 2003 he was appointed to the Board of Directors of Clean Harbors Inc; and in December 2003 he was appointed as a director to UST Inc.

Mr Barr is a citizen of the USA. His election by shareholders will be required at the AGM to be held in 2004.

Michael Brown BEc, MBA, FCPA
Age 58

Mr Brown joined James Hardie Industries Limited as an independent non-executive director in September 1992. He is chairman of the Audit Committee.

Mr Brown has broad executive experience spanning finance, accounting and general management in Australia, Asia and the United States.

He is a former executive director of Brambles Industries Ltd, and several other Australian public companies.

Mr Brown is chairman of Repco Corporation Ltd and of Energy Developments Ltd, and a non-executive director of Wattyl Ltd and Innamincka Petroleum Ltd.

Gregory Clark PhD

Age 61

Mr Clark was elected as an independent non-executive director of James Hardie in July 2002 after serving as a consultant to the Board. He is a member of the Nominating and Governance Committee.

Mr Clark has a distinguished background in science and business, specialising in the development and commercialisation of new technology. He is the recipient of a number of international awards for science and technology, including the Australian Academy of Science Pawsey Medal as the most outstanding Australian scientist.

He is the former president and COO of US-based Loral Space and Communications LLC, former president of News Corporation's News Technology Group and was a member of News Corporation's Executive Committee.

Mr Clark is currently principal of Clark Capital Partners, a technology advisor to a number of financial institutions, and a director of ANZ Bank.

He is a resident of the USA. His re-election by shareholders will be required at the AGM to be held in 2005.



ALAN MCGREGOR



JOHN BARR



MICHAEL BROWN



PETER CAMERON



GREGORY CLARK

Mr McGregor is a resident of Australia. His re-election by shareholders will be required at the AGM to be held in 2004.

John D Barr

Age 56

John D Barr joined James Hardie as an independent, non-executive director in September 2003. He is a member of the Remuneration Committee.

Mr Barr has more than 30 years' management experience in the North American industrial sector, including 25 years at The Valvoline Company, eight years as president and chief executive officer, during which time the company's revenues doubled.

Between 1995 and 1999 he was president and chief operating officer and a member of the Board of Directors of the Quaker State Corporation. Since 1999, Mr Barr has been president and chief executive officer of Automotive Performance Industries, a private US company that provides a variety of

He is a resident of Australia. His re-election by shareholders will be required at the AGM to be held in 2005.

Peter Cameron, BA, LLB

Age 52

Peter Cameron joined James Hardie as a non-executive director in August 2003. He is a member of the Nominating and Governance Committee.

Mr Cameron was formerly a partner and Head of Mergers and Acquisitions with the Australian law firm, Allens Arthur Robinson, where he advised on a wide range of takeovers, mergers and corporate reconstructions.

He is chairman of Investment Banking in Australia and a managing director of Credit Suisse First Boston. He is also a member of the Australian Takeovers Panel and chairman of the Advisory Board of the University of Sydney Law School.

Mr Cameron is a resident of Australia. His re-election by shareholders will be required at the AGM to be held in 2006.

Michael Gillfillan BA, MBA

Age 56

Mr Gillfillan joined James Hardie Industries Limited as an independent non-executive director in August 1999. He is a member of the Audit Committee.

He provides James Hardie with considerable knowledge of United States capital markets and a depth of experience in commercial and corporate banking.

Mr Gillfillan has held a number of senior executive positions, including vice chairman of Wells Fargo Bank in the USA.

He is a director of UnionBanCal Corporation and its primary subsidiary, Union Bank of California, NA and is a partner at Meriturn Partners, LLC.

Mr Gillfillan is a resident of the USA. His re-election by shareholders will be required at the AGM to be held in 2006.

Meredith Hellicar BA, LLM (Hons)

Age 50

Ms Hellicar joined James Hardie Industries Limited as an independent non-executive director in May 1992. She is a member of the Remuneration Committee.

She is experienced as a company director and has held chief executive positions in resources, transport and logistics, law and financial services.

Ms Hellicar was chief executive officer of the law firm, Corrs Chambers Westgarth, Managing Director of TNT Logistics Asia Pte Ltd and of InTech Pty Ltd.

She is a director of AMP Limited, Southern Cross Airports Group, Amalgamated Holdings Limited, NSW Treasury Corporation and HCS Limited, chairman of The Sydney Institute and HLA Envirosciences Pty Limited, and a Board or Committee member of several charitable organisations. Ms Hellicar is also a member of the Australian Takeovers Panel.

Ms Hellicar is a resident of Australia. Her re-election by shareholders will be required at the AGM to be held in 2006.

Mr Loudon is a resident of the United Kingdom. His re-election by shareholders will be required at the AGM to be held in 2005.

Donald McGauchie AO

Age 54

Mr McGauchie joined James Hardie as an independent non-executive director in August 2003. He is a member of the Nominating and Governance Committee.

Mr McGauchie has extensive commercial and public policy experience, having previously held several high-level advisory positions to the Australian government.

He is a director of The Reserve Bank of Australia, Telstra Corporation Limited, Nufarm Limited and National Foods Limited, and deputy chairman of Ridley Corporation.

Mr McGauchie was chairman of Woolstock Australia Limited from 1999 to 2002 and president of the National Farmers Federation from 1994 to 1998. In 2003, he was awarded the Centenary Medal for service to Australian society through agriculture and business.

Mr McGauchie is a resident of Australia. His re-election by shareholders will be required at the AGM to be held in 2006.

**MANAGING BOARD
Executive Directors**

Peter Macdonald BCA, MBA

Chief Executive Officer and Chairman of the Company's Managing Board
Age 51

Mr Macdonald's biographical details appear on Page 34, in the discussion of the company's management.

**Folkert Zwinkels
MScBA, MBA**

Treasurer

Age 34

Mr Zwinkels was elected to James Hardie's Managing Board in August 2003.

He joined the company in October 2001 as treasury manager and was appointed treasurer of James Hardie in January 2003. Prior to this, Mr Zwinkels was treasury manager for Reichhold Chemicals and he held a number of financial positions at ING Barings and ABN AMRO.

Mr Zwinkels is a member of the Dutch Association of Corporate Treasurers, and is a resident of The Netherlands.



MICHAEL GILLFILLAN



MEREDITH HELLICAR



JAMES LOUDON



DONALD MCGAUCHIE



PETER MACDONALD



FOLKERT ZWINKELS

James Loudon BA (Cantab), MBA

Age 61

Mr Loudon was elected as an independent director of James Hardie in July 2002 after serving as a consultant to the Board. He is a member of the Audit Committee.

Mr Loudon has held management positions in finance and investment banking and senior roles in the transport and construction industries.

He was group finance director of Blue Circle Industries Plc, one of the world's largest cement producers, from 1987 to 2001. Prior to this, he was the first vice-president of Finance for Blue Circle's companies in the United States.

Mr Loudon is currently deputy chairman of Caledonia Investments Plc, a non-executive director of Lafarge Malayan Cement Berhad and of Lafarge UK Pension Trustees, and governor of the University of Greenwich and of several charitable organisations.

BOARD CONSULTANT

Martin Koffel MS, MBA

(not pictured) Age 65

Mr Koffel joined James Hardie Industries Limited as an independent non-executive director in August 1999 and served on the company's Board and Remuneration Committee. He resigned from these positions in 2002 but continues to serve as a consultant to the Board and the Remuneration Committee.

Mr Koffel provides James Hardie with considerable experience gained as chief executive officer of a large US public company. He is chairman and CEO of URS Corporation.

**Explanation of degrees
and abbreviations**

AO Order of Australia; MA (Cantab) Master of Arts, University of Cambridge, UK; BA (Cantab) Bachelor of Arts, University of Cambridge, UK; LLB Bachelor of Laws; BEc Bachelor of Economics; MBA Master of Business Administration; FCPA Fellow Certified Practising Accountants; PhD Doctor of Philosophy; BA Bachelor of Arts; LLM Master of Laws; (Hons) Honours; BCA Bachelor of Commerce and Administration; MS Master of Science; MScBA Master of Science in Business Administration.

The quality of our management

James Hardie's performance is guided by a management structure that ensures global co-ordination of Operations, Research and Development and Manufacturing.

GROUP MANAGEMENT TEAM

The management of James Hardie is overseen by the Group Management Team. Its members cover the key areas of fibre cement production, Research and Development, manufacturing, finance and legal. Team members (in alphabetical order) are:

Louis Gries

Executive Vice President Operations

Louis joined James Hardie as Manager of the Fontana fibre cement plant in California in February 1991 and was appointed President of James Hardie Building Products (USA) in December 1993, and Executive Vice President Operations in January 2003. Louis is responsible for operations, sales and marketing in our pipes and fibre cement businesses in the Americas, Asia Pacific and Europe.

He has a Bachelor of Science in Mathematics from the University of Illinois and an MBA from California State University, Long Beach, USA.

Peter Macdonald

Chief Executive Officer

Peter joined James Hardie Industries Limited in 1993 as General Manager of the company's Australian fibre cement business and was appointed President of the USA operations in 1994.

He was appointed Chief Operating Officer in September 1998 and Managing Director and Chief Executive Officer of James Hardie Industries Limited in November 1999 and retains that role with James Hardie Industries NV. Peter is Chairman of the company's Managing Board and a member of the Joint Board.

His career includes more than 20 years' experience in building and construction markets in the Americas, Asia and Australia. Peter holds a Bachelor of Commerce and

Administration degree from Victoria University, Wellington, New Zealand and an MBA from Pepperdine University, California, USA.

Dave Merkley

Executive Vice President Manufacturing and Engineering

Dave joined James Hardie in 1994 as Plant Manager of the Fontana fibre cement operation in California. His subsequent roles included Manager, Research and Development; Plant Manager, Plant City, Florida; Process Development Manager, then Operations Manager for James Hardie Building Products USA. In 2002, Dave was made Executive Vice President Manufacturing and Engineering, with global responsibility. He has a Bachelor of Science in Construction from Arizona State University, USA.



LOUIS GRIES



PETER MACDONALD



DAVE MERKLEY

Don Merkley

*Executive Vice President
Research and Development*

Don joined James Hardie in 1993 as Manager of the Plant City fibre cement plant in Florida and was appointed USA Product Development Manager in 1997. In 2002, he was made Executive Vice President Research and Development and in January 2003 his role was expanded to give him responsibility for our emerging Roofing business in the USA. Don is also involved in reviewing business development opportunities. Don has a Bachelor of Science in Engineering from Arizona State University, USA.

Phillip Morley

Chief Financial Officer, retired

Phillip joined James Hardie as Chief Accountant in October 1984. He worked as Financial Controller from 1988 to 1995, Executive General Manager Building Services from 1995 to 1997, and was appointed Chief Financial Officer in 1997. He retired from this position on 31 May 2004.

Phillip is a Chartered Accountant and has a Bachelor of Economics and an MBA from Sydney University.

Peter Shafron

*Senior Vice President Legal
and Chief Financial Officer*

Peter joined James Hardie in August 1993 and served as Senior Company Solicitor from June 1995 until he was appointed General Counsel in March 1997. He was appointed Senior Vice President Finance and Legal in November 2002 and in February 2004 was named as the company's new Chief Financial Officer, taking over after Phillip Morley's retirement from the position. Peter has a Bachelor of Arts from the Australian National University, a Bachelor and Master of Laws from the University of Sydney; and an MBA from Pepperdine University, USA.



DON MERKLEY



PETER SHAFRON



PHILLIP MORLEY

Our performance-based culture

James Hardie is a meritocracy where bright people who work effectively enjoy success that is based on their performance. We make sure we have the right level of abilities in place for the demands of each position, and we train and develop people to achieve the best of which they are capable, so they, and James Hardie, can thrive and achieve our vision.

We reward performance

To reinforce our values, we reward individual and team performance and achievement, and appropriate behaviour and competence. We pay competitive salaries, supplemented by a range of performance and skill-based bonus and remuneration schemes.

Key managers' goals are closely aligned with the company's performance through an Economic Profit Incentive Plan that provides competitive year-end bonus payments to participants when the company achieves a profit target in excess of the cost of capital.

We are committed to safety

Our Health & Safety Policy acknowledges:

- Employee health, safety and protection of the environment are critical to the way we operate and do business.
- All injuries, occupational illnesses and incidents are preventable. Our goal is zero injuries, occupational illnesses and environmental incidents.
- All employees have a responsibility to themselves and others to act in a way that contributes to a safer, healthier and improved environment at work, at home and in the community.

We are improving our safety performance

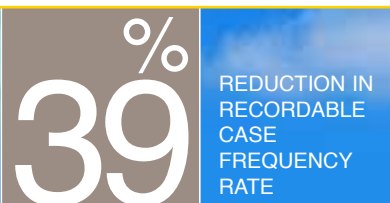
In the year ended March 2004, the company reduced its Recordable Case Frequency Rate by 39%.

USA Fibre Cement achieved the targets it announced last year, reducing its Recordable Case Frequency Rate by 35% and its Lost Workday Case Frequency Rate by 50%. The improvements

were achieved by driving cultural change and applying sound safety management principles that changed people's behaviours.

Last year, Asia Pacific Fibre Cement set itself the target of reducing both the Lost Workday Case Frequency Rate and the Recordable Case Frequency Rate by 20%. It achieved the first target, and exceeded the second, with a 42% reduction in the Recordable Case Frequency Rate.

The improvements were achieved by increasing training and implementing core safety procedures such as risk assessment, safety induction programs and contractor management. The businesses have now made a commitment to reduce both the Lost Work Day Case Frequency Rate and the Recordable Case Frequency Rate by a further 20% for fiscal year 2005.



We are seeking further improvements

As safety performance improves, each additional level of improvement becomes more difficult to achieve. Recognising this, we are changing the overall culture of the company to improve safety performance and achieve an injury-free workplace.

We have integrated Environmental, Health and Safety (EH&S) into the company's Business and Operating Planning Review process, reflecting the fact that safety is a business element and it needs to be managed as are production, quality and cost. This will make it easier for us to introduce the additional programs, process and tools we need to achieve a strong safety culture. It will also make it easier to share effective communication, resources and activities so we can align our safety strategy throughout the company.

We will now collect leading indicators as well as historical statistics so we can effectively measure activities that are known to prevent incidents and that are totally within the control of

people who can be held accountable for their accomplishment.

We will use our EH&S improvement plan to define and measure specific safety activities, and reward for performance. The plan clearly defines roles, responsibilities and accountability systems for all management and supervisory staff.

Our major efforts will focus on the incident rate and employee behaviour. Key Performance Indicators will ensure we are measuring employee and management activities, and will allow managers at every level to hold their people accountable. Accountability will ensure that the safety improvements we achieve will be sustainable.

We offer our employees support

We are committed to employee well-being beyond the workplace. Employees and members of their immediate families can speak confidentially to professional counsellors at any time for help with work concerns, stress or family issues, drug and alcohol problems, bereavement and other life challenges.

We involve families

We recognise the important contribution that employees' families make to the performance of our businesses, and individual plant managers organise a variety of activities to involve families in the workplace.

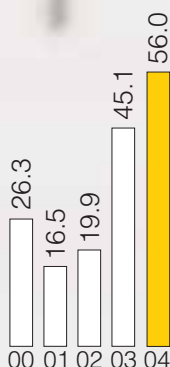
We develop our people

We have formal programs to train and develop employees who have the potential to be part of our next generation of leaders and who can help us build new businesses, launch new products and expand the company.

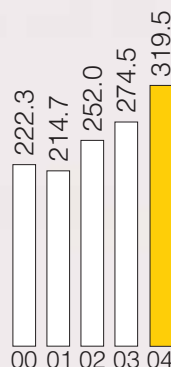
Superannuation and share plans

All James Hardie employees have access to superannuation or individual retirement savings plans. Many employees participate in our share and option plans, which encourage them to become shareholders and think and act like owners of James Hardie.

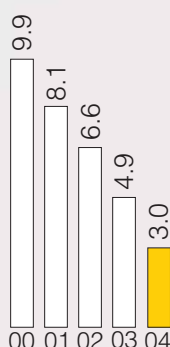
EBIT¹/ Employee
(Thousands of US dollars)



Net Sales/ Employee
(Thousands of US dollars)



James Hardie Safety Performance
(Recordable Case Frequency Rate)



James Hardie Safety Performance
(Lost Workday Case Frequency Rate)



Frequency per 200,000 hours worked

Frequency per 200,000 hours worked

¹ See **Definitions** in Management's Discussion and Analysis on page 47



The world-wide market potential for fibre cement is large and growing rapidly.

We have a leading position in the industry and believe we can strengthen this further, using our proprietary technology.

We believe that the global market potential for fibre cement products could be much larger than our current sales. We expect to be able to grow our share of the current worldwide market and, at the same time, expand the size of that market.

Competitive advantages

We have many competitive advantages that will allow us to achieve that goal. These include proprietary products and process technology and expertise in the manufacture and marketing of fibre cement products.

We also have leading market positions and one of the strongest brands in building materials.

We believe that competitive advantages mean:

- We have the widest and most differentiated product range of any fibre cement manufacturer.
- Our products look and perform better than competitors' products.
- We have the lowest operating costs of any fibre cement manufacturer.

Economies of scale provide us with benefits in purchasing, manufacturing, distribution, sales, marketing, and research and development.

We believe that we can make and sell our differentiated products at significantly lower costs, and generate higher returns than our competitors. Since 1992, we have been able to reduce the capital cost for each unit of production capacity in new plants. Today, we build new plants significantly faster and at lower cost than our competitors.

Product innovation has enabled us to defend market share from competitors and to expand the market as we find new ways for fibre cement to replace traditional materials.

Our rapid growth in the United States over the last ten years, for example, is the result of our ability to develop products for a large market in which fibre cement has become a superior alternative to traditional materials.

Lightweight construction

We also expect to achieve growth due to the trend away from traditional building systems such as masonry, towards lightweight framed construction.

Framed construction consists of a light steel or timber frame, clad with products such as fibre cement. Issues such as speed and cost of construction, quality of finish and the availability of skilled labour at competitive rates, have all contributed to the growth in this form of construction.

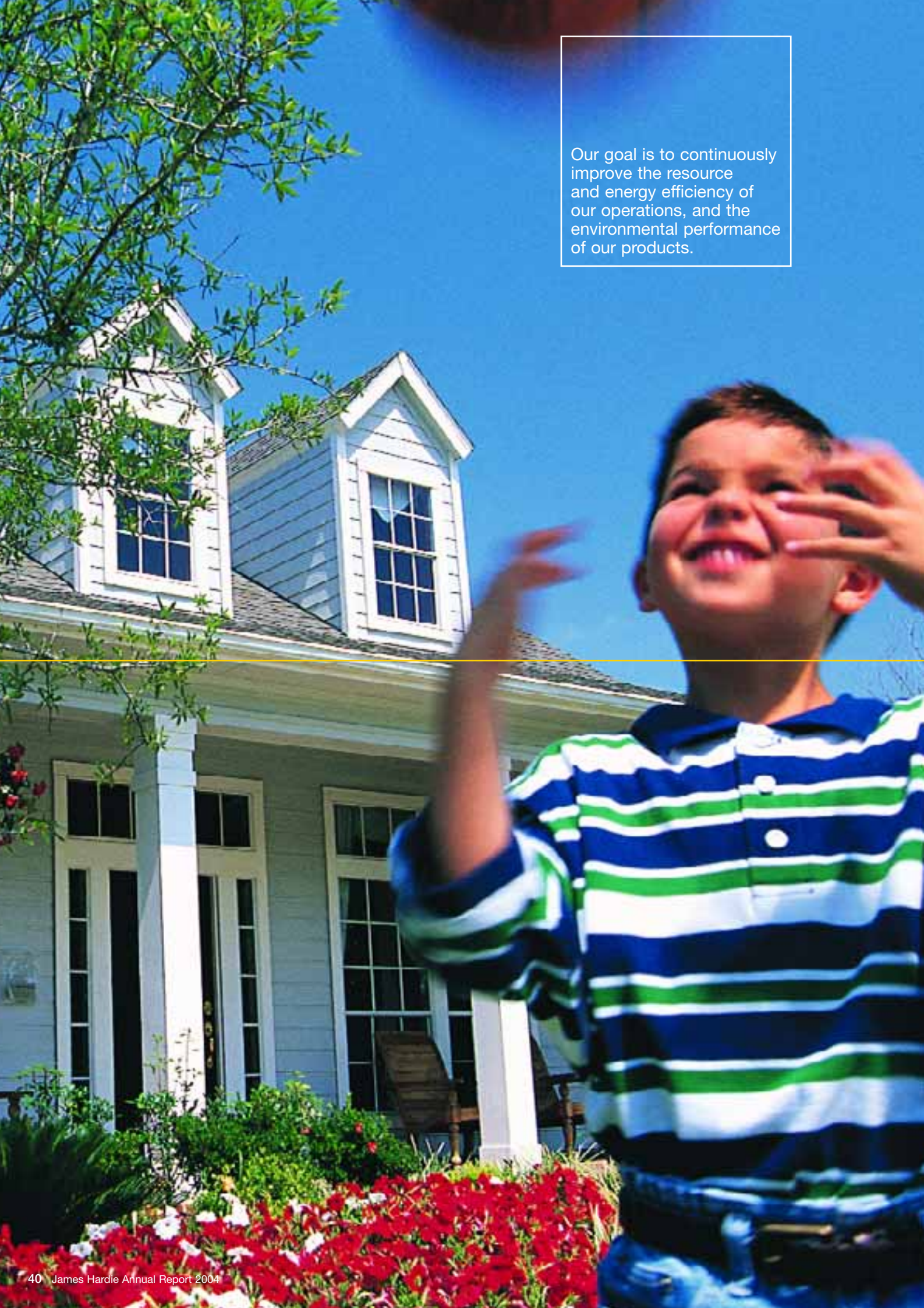
These benefits have seen commercial construction projects converting to lightweight, framed, walling systems, and its use is also increasing in residential construction.

Our lightweight, cost-effective products are well-suited to these

systems. Fibre cement cladding is also more durable than other cladding products such as timber or plywood.

Substitution for other products

James Hardie pioneered the development of fibre cement technology in the late 1970s and early 1980s and our goal is to win a large share of markets in which fibre cement can offer advantages over traditional materials.



Our goal is to continuously improve the resource and energy efficiency of our operations, and the environmental performance of our products.

James Hardie strives to contribute to the communities in which our plants operate, by becoming involved in local projects and to the wider community, by creating products that use less energy in their manufacture and which are more efficient when installed than alternative materials.

Our Environmental, Health & Safety objectives spell out our commitment to the environment:

- Protecting the environment is critical to the way we operate and do business.
- We continue to seek ways to efficiently use materials and energy and to reduce waste and emissions.

We strive to routinely exceed regulatory and other widely-accepted community standards. All our operating plants are licensed by local government authorities, such as environmental protection agencies, and comply with their requirements for specific issues such as waste management, air emissions, effluent discharge, and storm water run-off.

Our goal is to continuously improve the resource and energy efficiency

We conserve water, resources and energy

The water we use in our plants is recycled up to four times and is cleaned and neutralised before discharge.

The major energy input in our production comes from the high-pressure steam curing of the product. Where possible, the steam is generated as a waste by-product from other industries. At one James Hardie plant, for example, excess refinery gas and steam from an adjoining oil refinery is used.

We minimise waste by recycling process materials

Solid wastes - such as trimmings and scrap, fine particles and reject material - are reintroduced into the production process as raw materials. Solid waste that can't be reused is certified by authorities as non-toxic and non-hazardous material that can be safely disposed of as landfill. Some plants send their reject boards to their cement suppliers to be used in their processes.

We are working with a consulting firm in the US to research alternative uses for our other waste streams.

We strive to help our local communities

When it comes to contributing to the communities in which they operate, individual plants and businesses are encouraged to support local charities and organisations. Activities include sponsorship of local junior sporting teams; providing employees with time off to assist in the organisation of, and then participate in, fund-raising sporting and community events; and the donation of products and employees' time, to programs such as the Habitat for Humanity which build houses for people in need.

of our operations, and the environmental performance of our products. To assist us in this endeavour, we have conducted a life cycle assessment of our products, which considers every stage of their manufacture and use, from raw materials and their processing, to manufacture, construction activities, use, and eventual demolition and/or disposal, including the possibility of recycling in some way.

We use renewable and recyclable resources

The raw materials we use are abundant. Cellulose fibre is obtained from plantation grown wood pulp; we use silica ground from sand or crushed quartz rock; and the water used in the manufacturing process is recycled a number of times.

Cement is the biggest contributor to the environmental impacts of our products, because of the energy requirements and emissions associated with quarrying and cement manufacture. The cement industry continues to improve its environmental performance by introducing new, cleaner technologies.

We protect against pollution and conserve the natural environment

Dust emissions from manufacture are strictly controlled. For example, wet ball milling is used to grind sand. Fine particles generated by sanding and grinding finished sheets are mechanically collected and processed before re-use or disposal.

Finally, our building products are used in lightweight construction systems that are among the most energy-efficient and environmentally responsible building systems available. They are also very durable and require little maintenance during their lifetime. The products have been in use for many years in residential and commercial building applications and do not suffer the durability problems of many other cladding materials.

If buildings created using our products are eventually demolished, the products can be safely disposed of as landfill or recycled.

Ice

Properly installed, James Hardie products perform in a variety of climates and countries around the world.



As a multi-national organisation, James Hardie operates under the regulatory requirements of numerous jurisdictions and organisations, including the Australian Stock Exchange (ASX), the Australian Securities and Investment Commission (ASIC), the New York Stock Exchange (NYSE), the US Securities and Exchange Commission (SEC), the laws of The Netherlands and other rule-making bodies.

We think it is important that our behaviour reflects the spirit, as well as the letter, of the law and we aim to govern the company in a way that meets appropriate community expectations.

The key features of James Hardie's governance framework are reviewed regularly and upgraded or changed as appropriate to reflect changes in law and what is generally regarded as sound practice.

We believe our corporate governance policies help ensure that James Hardie is a well-managed company. Our practice over many years has been to be transparent through full and meaningful disclosure, ensure

We have also examined the different requirements in each jurisdiction and, typically, adopted the highest standard in each case as our new standard for governance and disclosure overall, regardless of whether we were required to comply with that standard in each jurisdiction.

ASX Corporate Governance Council Principles and Recommendations

In March 2003, the ASX Corporate Governance Council issued guidelines that provide a framework for good governance and include 10 core principles and 32 specific recommendations.

As our fiscal year ends 31 March, we are required to formally report on the ASX recommendations this year. In the interests of good governance and disclosure, we reviewed our compliance with the best practice recommendations in last year's report, for the year ended 31 March 2003. The Corporate Governance section on pages 60–67 of this report describes the steps we have taken to comply with all the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

Broadly, we already comply with the majority of the best practice provisions of the Dutch Code. The comply or explain regime under the Dutch Code will apply to the company by the end of fiscal year 2005. Details of the provisions of the Code and our comments on how and when we expect to comply, or if not, why not, will be added to the Corporate Governance area of our Investor Relations website at www.jameshardie.com

The focus of good governance

We share the commitment of regulators and others to ensure that equity markets operate within robust and credible governance frameworks.

We believe that the primary focus of good corporate governance should be clearly fixed upon companies acting in an ethical manner where integrity is clearly evident, while allowing a company to achieve outstanding performance.

Good governance should allow companies to create wealth for shareholders, value for customers and rewarding careers for employees.

accountability through robust governance, and maintain high standards of integrity and ethical behaviour, through the implementation of sound policy. This is continuing.

Governance at James Hardie

James Hardie's governance arrangements were redefined when the company implemented a major corporate restructuring in 2001, incorporating the parent company in The Netherlands, a primary listing on the ASX and the listing of ADRs on the NYSE. The company became simultaneously subject to corporate law in Australia, the United States and The Netherlands, to the listing rules of the ASX and NYSE, and to the regulations of ASIC and the SEC.

The most important shareholder protection features of Australian corporate law were incorporated into our Dutch constitution, so shareholders could be assured that the rights and protections they were accustomed to were part of our new governance arrangements.

NYSE Corporate Governance Rules

Section 303A.11 of the Corporate Governance Rules finalised by the New York Stock Exchange on 4 November 2003 requires foreign private issuers to disclose any significant ways in which their corporate governance practices differ from the NYSE domestic corporate governance standards. James Hardie will comply with this rule by disclosing this information on the Investor Relations section of our website at www.jameshardie.com

Dutch Corporate Governance Code

On 9 December 2003 a new Dutch Code on Corporate Governance was published by the Dutch Corporate Governance Committee (the Tabaksblat Committee). The code is based on the principle that a company is a long-term form of collaboration between the various parties involved, such as employees, shareholders and other providers of capital, suppliers and customers, but also government and civil society.

Detailed information about our Corporate Governance principles is contained on pages 60–67 of this report, and in a dedicated section of the Investor Relations area of our website at www.jameshardie.com