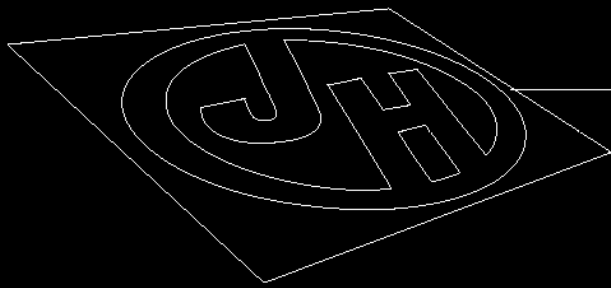


# **2<sup>nd</sup> Quarter & Half Year Results**

**14 November 2002**

# Agenda

- > **Overview – Peter Macdonald, CEO**
- > **Financial Review – Phillip Morley, CFO**
- > **Operating Review – Peter Macdonald, CEO**
- > **Questions and Answers**

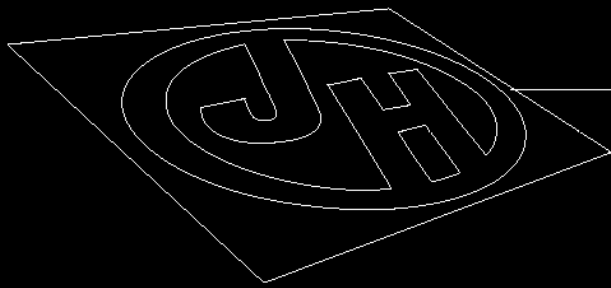


# Very Positive 2nd Quarter and Half Year Performance

## 2nd Quarter and Half Year FY'03

		<u>Q2 '03</u>		<u>HY '03</u>
Net Sales*	up	34%	up	34%
Gross Profit*	up	37%	up	45%
EBIT*	up	104%	up	148%
Operating Profit*	up	124%	up	230%
Net Operating Profit	up	137%	up	958%

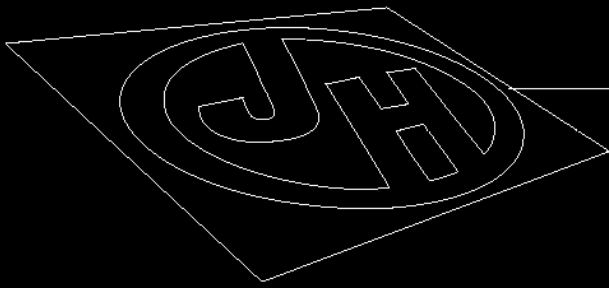
\* Continuing businesses only  
All results are versus PCP



# Strong Growth Momentum Continued

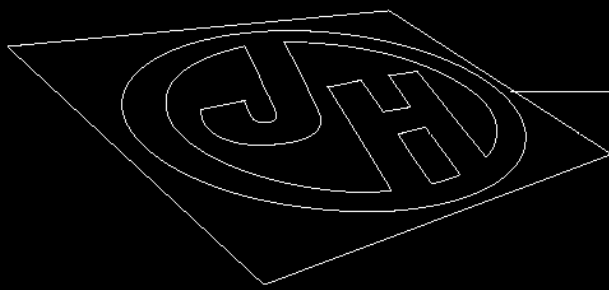
## 2nd Quarter

- > USA Fibre Cement EBIT up 44%
- > Solid performance in Asia Pacific Fibre Cement
  - Australia EBIT up 32%
  - New Zealand EBIT up 20%
  - Philippines – small loss



# **Financial Review**

## **Phillip Morley, CFO**



# Income Statement

US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
Net Sales	207.6	155.5	34
Gross Profit	76.4	55.8	37
SG&A	(40.0)	(28.9)	38
EBIT before restructuring and other operating expenses	36.4	26.9	35
Restructuring and other operating expenses	-	(9.1)	(100)
EBIT	36.4	17.8	104
Net Interest Expense	(2.5)	(4.1)	(39)
Other Income (Expense), Net	(0.2)	0.5	(140)
Income Tax Expense	(10.2)	(3.7)	176
Operating Profit	23.5	10.5	124

Continuing businesses only



# Income Statement

US\$ Million	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
Net Sales	407.8	304.1	34
Gross Profit	147.5	101.6	45
SG&A	(75.2)	(61.4)	22
EBIT before restructuring and other operating expenses	72.3	40.2	80
Restructuring and other operating expenses	-	(11.1)	(100)
EBIT	72.3	29.1	148
Net Interest Expense	(5.4)	(9.4)	(43)
Other Income (Expense), Net	0.1	(0.7)	(114)
Income Tax Expense	(20.5)	(4.9)	318
Operating Profit	46.5	14.1	230

Continuing businesses only



# Segment Sales

US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
USA Fibre Cement	154.7	114.1	36
Asia Pacific Fibre Cement	50.4	40.2	25
Other Fibre Cement	2.5	1.2	108
Total	207.6	155.5	34

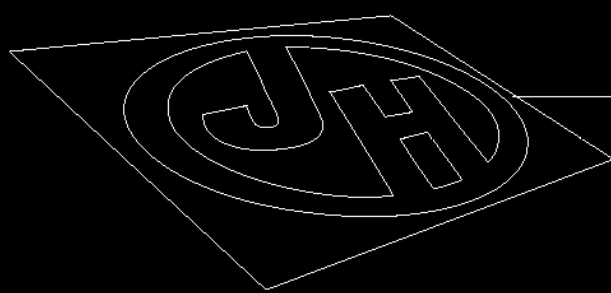
Continuing businesses only



# Segment Sales

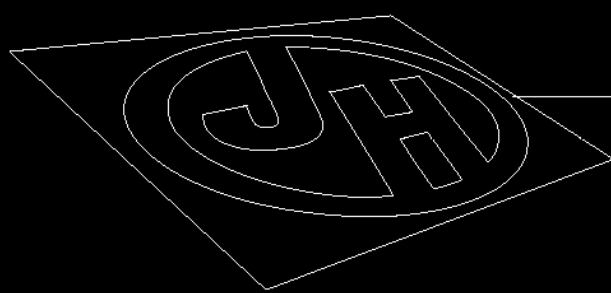
US\$ Million	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
USA Fibre Cement	307.2	225.3	36
Asia Pacific Fibre Cement	96.7	76.8	26
Other Fibre Cement	3.9	2.0	95
Total	407.8	304.1	34

Continuing businesses only

**EBIT**

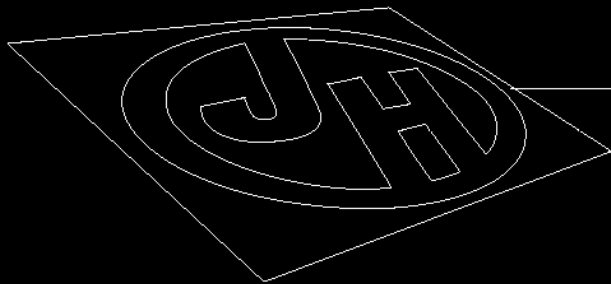
US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
USA Fibre Cement	40.7	28.2	44
Asia Pacific Fibre Cement	8.9	6.7	33
Other Fibre Cement	(2.1)	(1.9)	11
R & D	(2.9)	(2.0)	45
Total Segment EBIT	44.6	31.0	44
Corporate Costs	(8.2)	(13.2)	(61)
Total EBIT	36.4	17.8	104

Continuing businesses only

**EBIT**

US\$ Million	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
USA Fibre Cement	79.5	52.4	52
Asia Pacific Fibre Cement	17.2	10.0	72
Other Fibre Cement	(4.3)	(4.4)	(2)
R & D	(5.4)	(4.6)	17
Total Segment EBIT	87.0	53.4	63
Corporate Costs	(14.7)	(24.3)	(40)
Total EBIT	72.3	29.1	148

Continuing businesses only

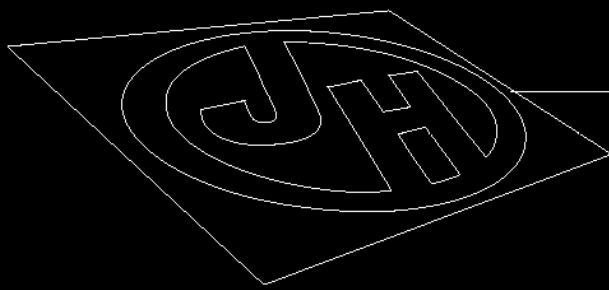


# Net Interest Expense

US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
Net Interest Expense	2.5	4.1	(39)
	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
Net Interest Expense	5.4	9.4	(43)

Average net borrowings decreased following receipt of proceeds from the sale of Gypsum business in April 2002

Note: Estimated "make-whole" fees of approximately US\$5-US\$6M (US\$3.1M-US\$3.7M after tax) as a result of gypsum sale, expected to be incurred in Q3'03

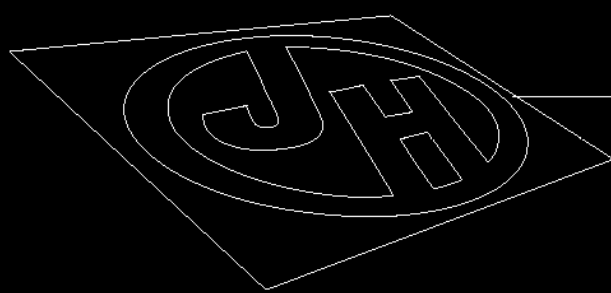


# Income Tax Expense

US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
Income Tax Expense	10.2	3.7	176
	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
Income Tax Expense	20.5	4.9	318



# EBITDA



US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>% Change</u>
USA Fibre Cement	45.2	31.8	42
Asia Pacific Fibre Cement	10.8	9.1	19
Other Fibre Cement	(2.0)	(1.9)	5
R & D	(2.9)	(2.0)	45
Total Segments	51.1	37.0	38
Corporate	(8.2)	(13.2)	(38)
Total	42.9	23.8	80

EBITDA = EBIT before depreciation and amortisation

Continuing businesses only

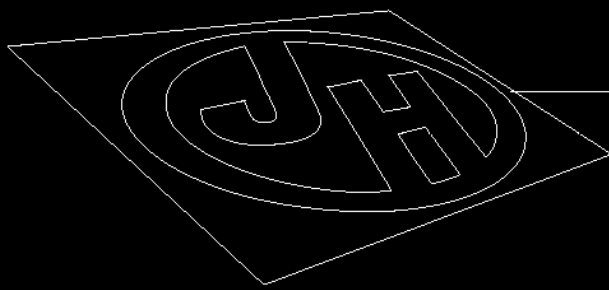


# EBITDA

US\$ Million	<u>HY '03</u>	<u>HY '02</u>	<u>% Change</u>
USA Fibre Cement	88.8	59.3	50
Asia Pacific Fibre Cement	21.3	14.7	45
Other Fibre Cement	(4.2)	(4.4)	(5)
R & D	(5.4)	(4.6)	17
Total Segments	100.5	65.0	55
Corporate	(14.7)	(24.1)	(39)
Total	85.8	40.9	110

EBITDA = EBIT before depreciation and amortisation

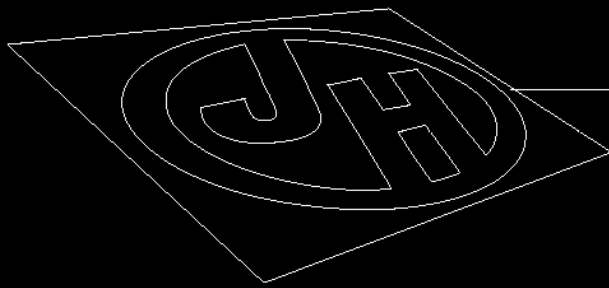
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# Capital Expenditure

	Capital Expenditure		Depreciation	
US\$ Million	<u>Q2 '03</u>	<u>Q2 '02</u>	<u>Q2 '03</u>	<u>Q2 '02</u>
USA Fibre Cement	12.6	10.8	4.4	3.5
Asia Pacific Fibre Cement	3.2	1.6	1.9	2.4
Other Fibre Cement	0.5	0.4	0.1	-
Total Segments	16.3	12.8	6.4	5.9

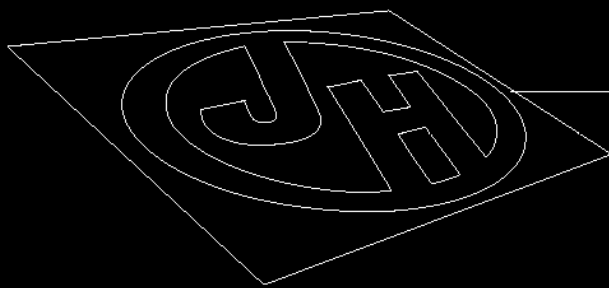
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# Capital Expenditure

US\$ Million	Capital Expenditure		Depreciation	
	<u>HY '03</u>	<u>HY '02</u>	<u>HY '03</u>	<u>HY '02</u>
USA Fibre Cement	19.2	32.3	9.2	6.9
Asia Pacific Fibre Cement	4.2	3.6	4.1	4.7
Other Fibre Cement	0.7	2.6	0.1	0.1
Total Segments	24.1	38.5	13.4	11.7

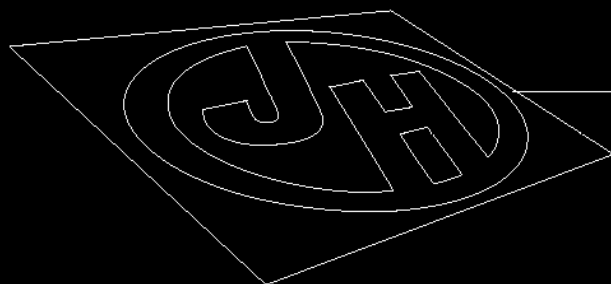
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# Key Ratios

	<u>HY '03</u>	<u>FY '02</u>	<u>FY '01</u>	<u>FY '00</u>	
EPS (Basic) *	10.2c	6.1c	7.2c	6.0c	
Return on Shareholders Funds	35.1%	9.0%	14.5%	58.0%	
Return on Capital Employed *	26.3%	8.3%	8.5%	14.0%	
EBIT/Sales *	17.8%	7.7%	7.6%	11.7%	
EBIT/Assets *	14.8%	6.7%	6.1%	9.0%	
Gearing	$\frac{\text{Net debt}}{\text{Net debt \& Equity}}$	(24.1%)	44.7%	56.1%	48.8%
Net Interest Cover *	13.4x	2.9x	3.1x	2.9x	

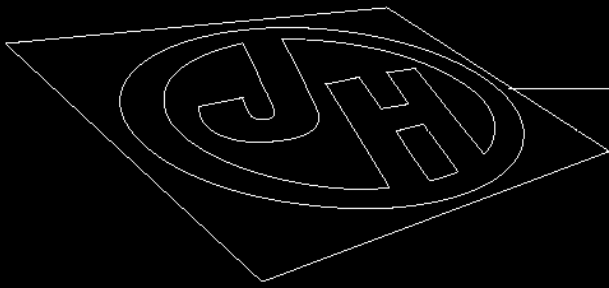
\*Continuing businesses only  
EBIT/Assets: EBIT for HY'03 annualised



# Economic Profit

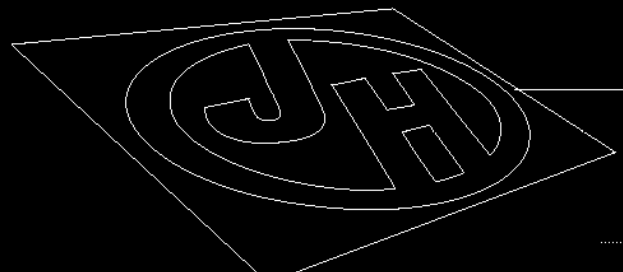
US\$ Million	<u>HY'03</u>	<u>FY'02*</u>
NOPAT	56.1	53.5
Average Capital	622.4	583.7
WACC Rate	9.8%	9.8%
Capital Charge	30.5	57.2
Economic Profit	25.6	(3.7)

\*Restated using updated WACC Rate for FY'03; USGAAP; excluding Gypsum



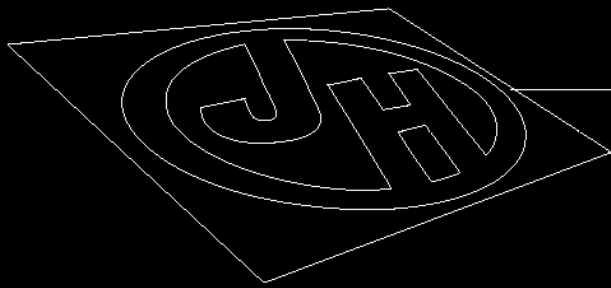
# **Operating Review**

## **Peter Macdonald, CEO**



# USA Fibre Cement

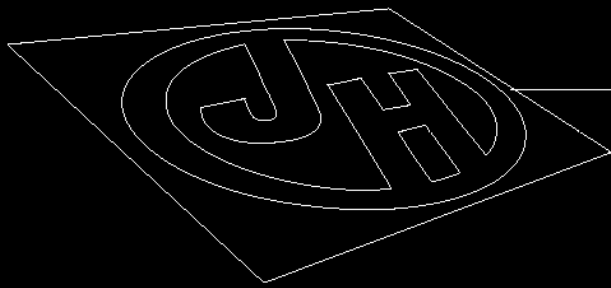




# USA Fibre Cement

## Strong 2nd Quarter Result

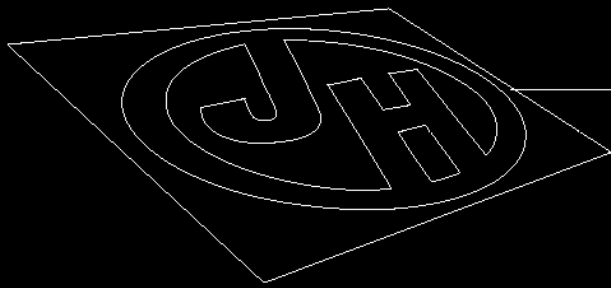
Net Sales	up	36% to US\$154.7 million
Sales Volume	up	34% to 337.7 mmsf
Average Prices	up	1% to US\$458 per msf
EBIT	up	44% to US\$40.7 million
EBIT Margin	up	1.6 pts to 26.3%



# USA Fibre Cement

## 2nd Quarter Trading Conditions

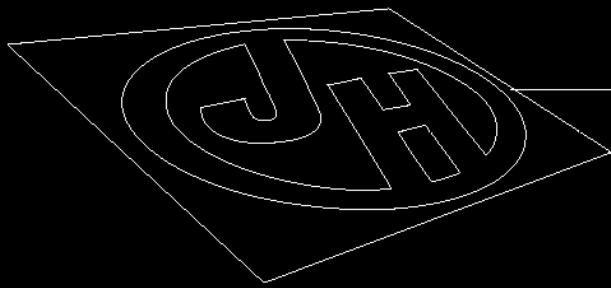
- > Softer consumer confidence but increased housing construction activity
- > Strong demand across all major markets
- > Low housing inventory levels
- > Low interest rates



# USA Fibre Cement

## Key Points

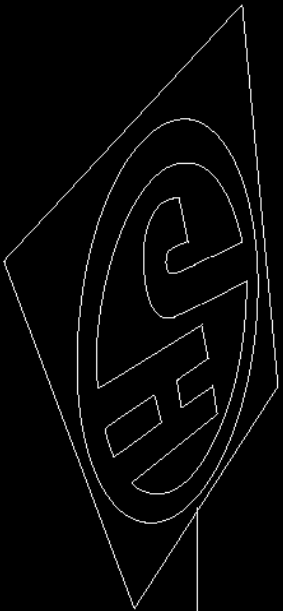
- > Continued growth in primary demand
- > Strong growth in northern and southern regions
- > Further penetration of siding, backer and trim segments
- > Growth in sales of higher-priced differentiated products
- > Commenced construction of panel line at Waxahachie, Texas plant and roofing pilot plant in California
- > Commissioned 2<sup>nd</sup> line at Peru, Illinois plant



# USA Fibre Cement

## Bandon, Pennsylvania Plant Expansion

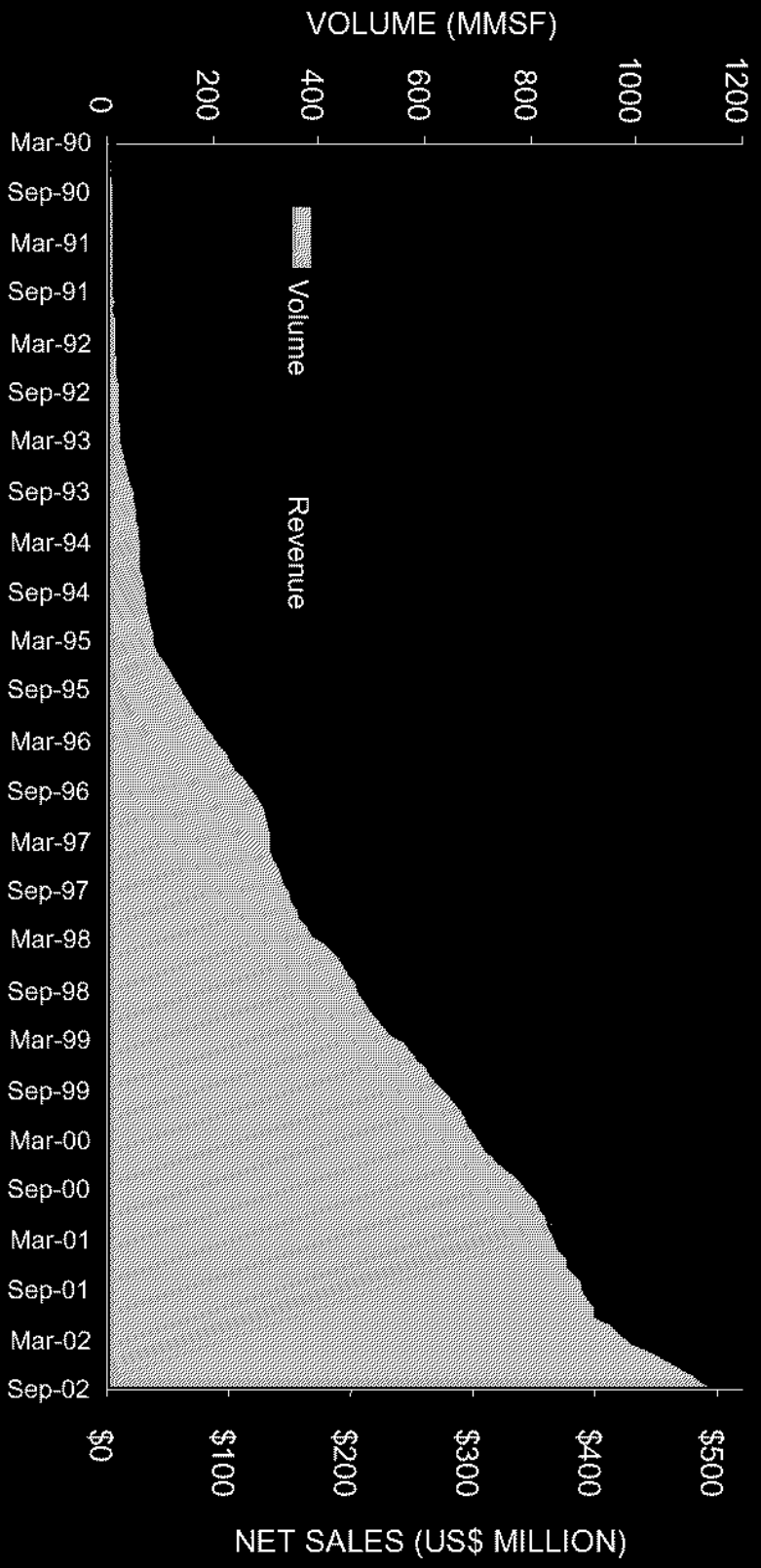
- > US\$15.3 million upgrade to accommodate growing demand in north-east
- > Capacity being boosted from 120 mmsf to 200 mmsf
- > Removal of 40 mmsf line
- > Cost savings and operating efficiencies
- > Completion expected mid-2003

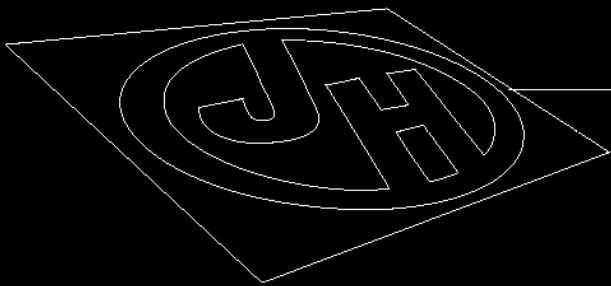


**James Hardie**

# USA Fibre Cement

**Continued Strong Revenue and Volume Growth**  
**— Revenue Growth Outstripping Volume Growth**

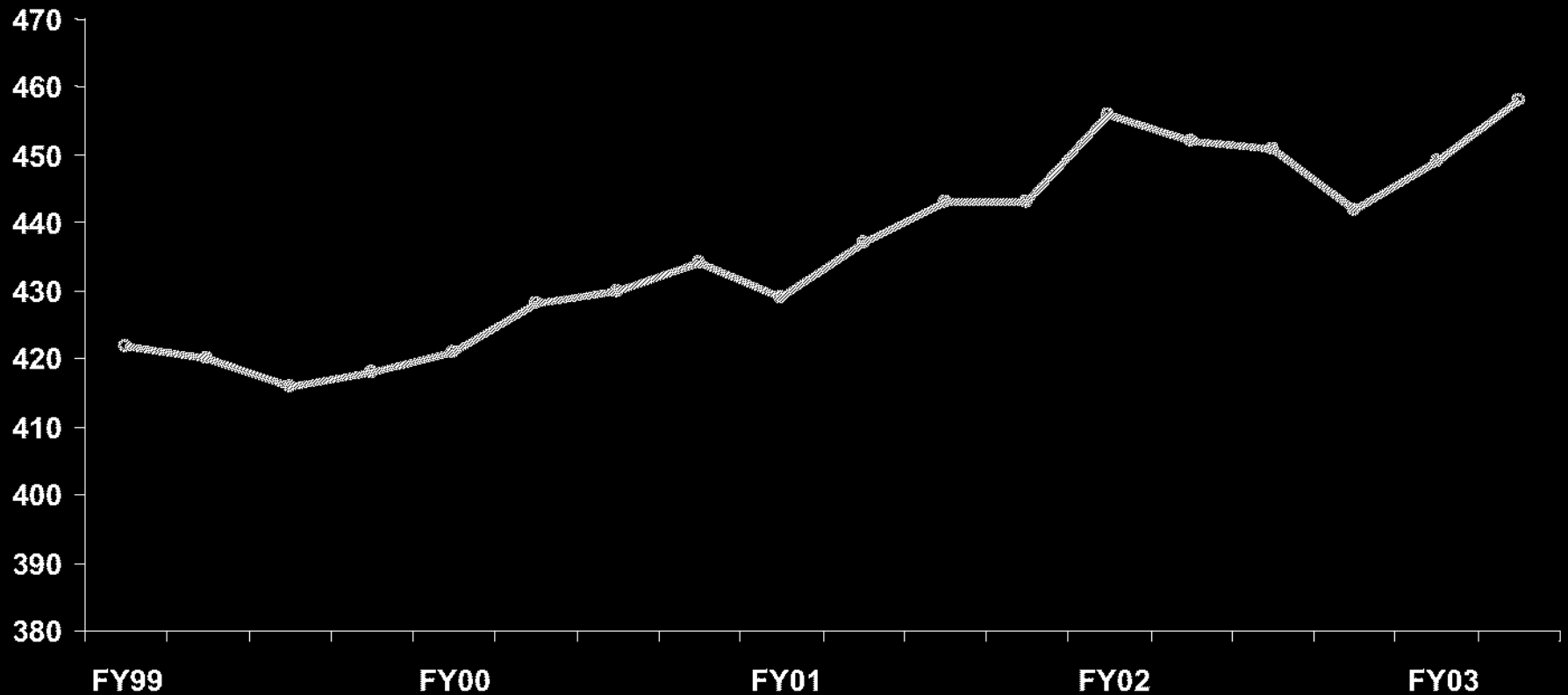


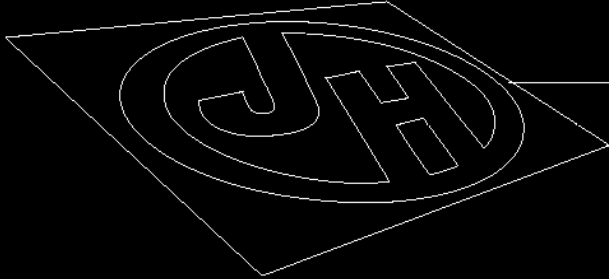


# USA Fibre Cement

## Average Quarterly Selling Price

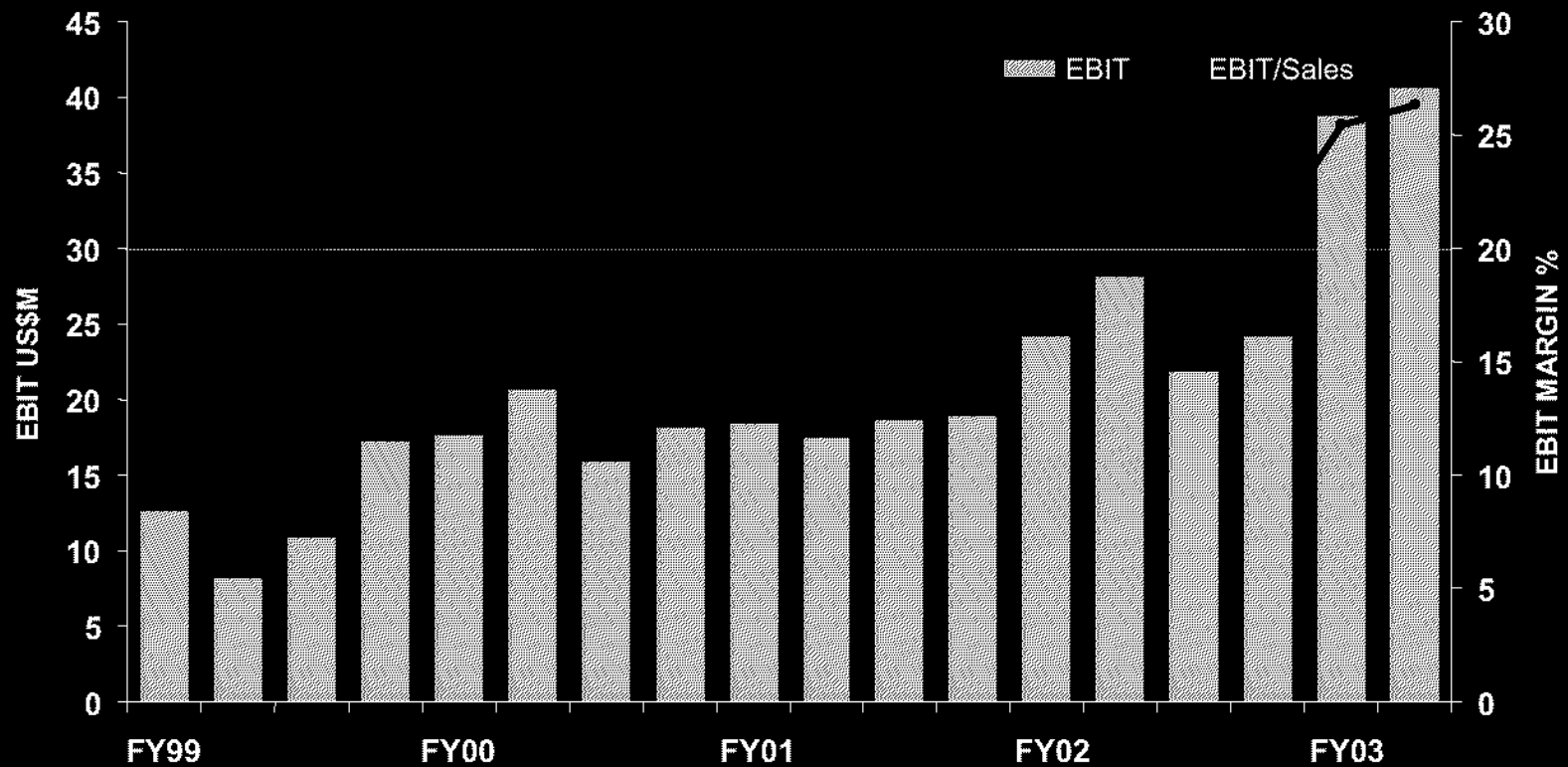
US\$/MSF



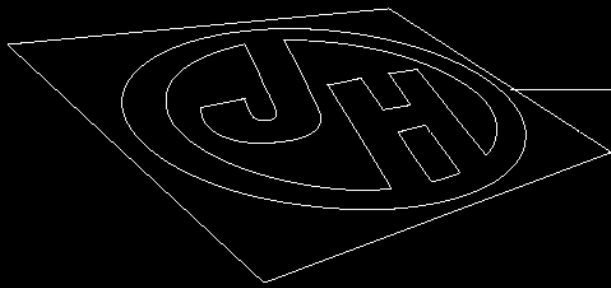


# USA Fibre Cement

## EBIT and EBIT Margin \*



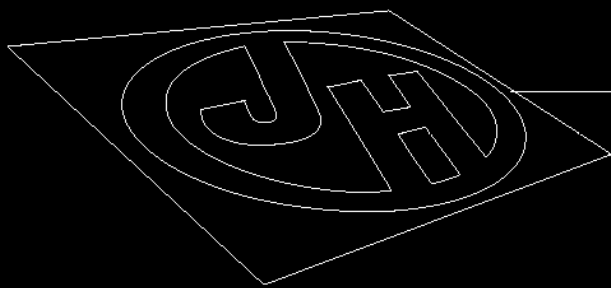
\*Excluding restructuring and other operating expenses



# USA Fibre Cement

## Strategy

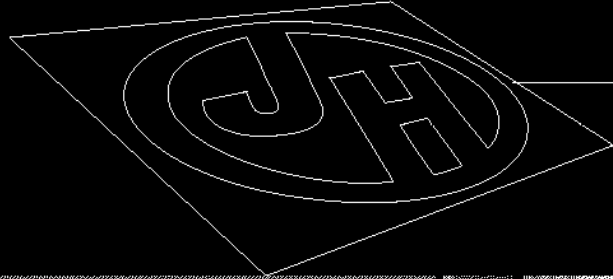
- > Aggressively grow market for fibre cement
- > Grow our overall market position while defending our share in existing market segments
- > Offer products with superior value to that of competitors, introducing differentiated products to reduce direct price competition
- > Optimise earnings with desired rate of market penetration



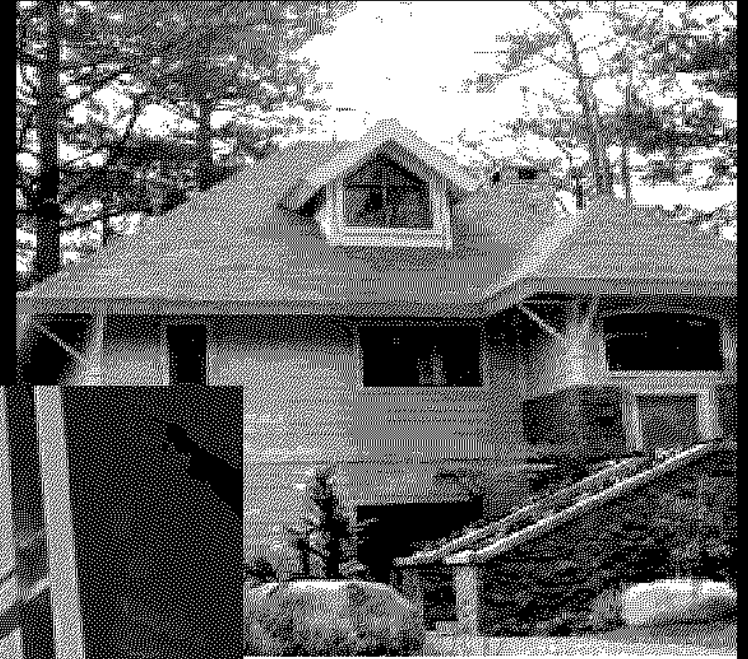
# USA Fibre Cement

## Outlook

- > Continued growth in primary demand
- > Strong penetration and market share growth
  - Further penetration of southern and northern regions
  - Continued growth for differentiated products
- > Housing activity to continue at high levels
  - Low interest rates
  - Low inventory levels
  - Long order backlogs
- > Strong EBIT performance expected, but will reflect normal seasonal slowdown



# Asia Pacific Fibre Cement





# Asia Pacific Fibre Cement

## 2nd Quarter Result

Net Sales	up	25% to US\$50.4 million
Sales Volume	up	14% to 95.5 mmsf
EBIT	up	33% to US\$8.9 million
EBIT Margin	up	1.0 pt to 17.7%



# Asia Pacific Fibre Cement

## Strategy

- > Grow primary demand for fibre cement
- > Focus on supply chain efficiencies across the region
- > Ongoing manufacturing improvements to further lower cost of production
- > Introduce new differentiated products to increase share in existing markets
- > Grow the Asian market through participation in strategic markets

# Asia Pacific Fibre Cement

## Australia - Key Points

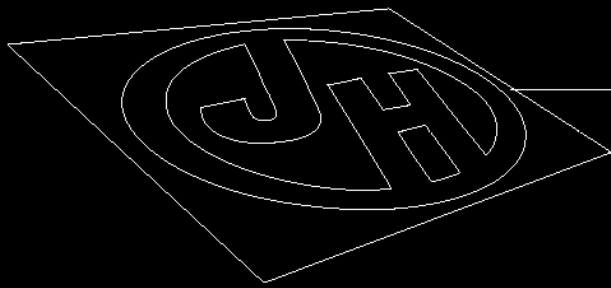
- > Volume up 21% buoyed by strong building activity
- > Low interest rates and Government's First Home Owners Scheme helped fuel demand
- > Gross profit up 24%, EBIT up 32%
- > EBIT margin improved to 22.6%
- > Corrugate line relocated from Perth to Brisbane



# Asia Pacific Fibre Cement

## Australia - Outlook

- > Housing market to remain healthy but some softening expected
- > Continued growth in volumes and category share
- > New products introduced
- > Higher prices



# Asia Pacific Fibre Cement

## New Zealand - Key Points

- > Volume up 22%, revenue up 24% in local currency
- > Increased residential building activity helped lift demand
- > New products penetrating targeted markets at fast rate
- > Strong panel sales in non-residential sector
- > Increased SG&A costs due to new products
- > Gross Profit up 48%, EBIT up 20%, EBIT margin at 13.4%



# Asia Pacific Fibre Cement

## New Zealand - Outlook

- > Increased residential building activity
- > Strong demand may slow in short term from adverse spring weather
- > Growth in sales of higher priced products
- > Improved profitability



# Asia Pacific Fibre Cement

## Philippines - Key Points

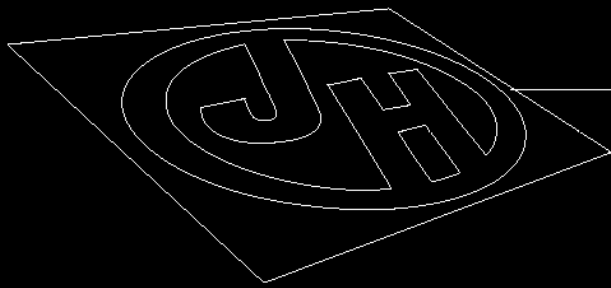
- > Volume down 10% due to weaker export sales
- > Severe typhoon season but domestic sales continued to improve
- > Further market share taken from plywood
- > Strong demand for new products such as HardiFlex<sup>®</sup> lite
- > Plank product launched – Hardiplank<sup>™</sup> Select Cedarmill
- > Temporary decline in manufacturing performance
- > Small operating loss, cash flow positive



# Asia Pacific Fibre Cement

## Philippines - Outlook

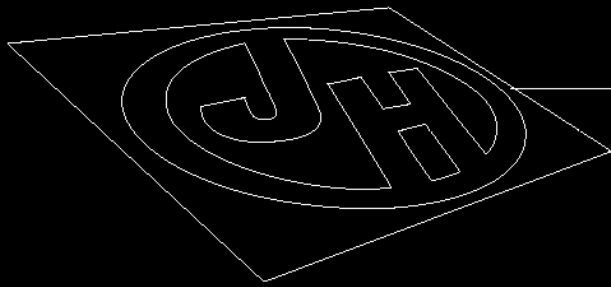
- > Improved seasonal conditions to lift building and construction activity
- > Increased domestic demand for new products
- > Further market penetration against plywood targeted
- > Plant manufacturing performance to lift
- > Soft export sales expected in short term



# Other Fibre Cement

## Chile Fibre Cement – Key Points

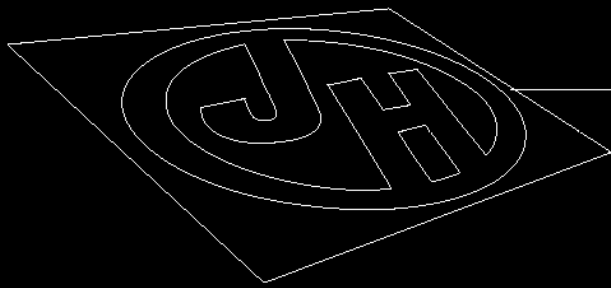
- > Continued to penetrate market at targeted rate
- > Revenue and volumes up significantly despite softer economic conditions
- > New exterior and interior products launched
- > Highly competitive market conditions



# Other Fibre Cement

## Chile Fibre Cement – Outlook

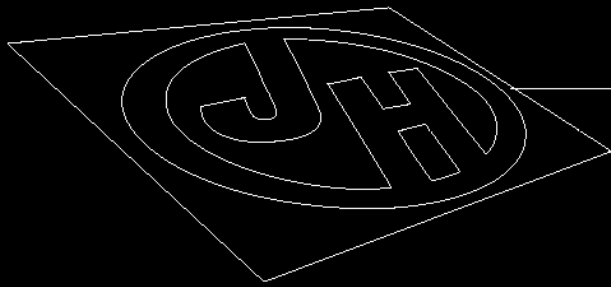
- > Further market penetration and share growth expected from:
  - > Superior products
  - > New products
  - > Growing brand awareness
  - > Distribution relationships
- > Intense price competition to continue
- > Higher average price from growth in sales of new products



# Other Fibre Cement

## FRC Pipes – Key Points

- > Sales growth and market penetration continued
- > Revenue doubled and volume almost doubled against Q1 of FY03
- > Strong growth in sales of largest diameter pipes (30" – 36")
- > Lifted share to 10% of large diameter drainage pipes segment in south-east
- > Intense competition continued – prices down 15% against last year
- > Unit costs reducing



# Other Fibre Cement

## FRC Pipes – Outlook

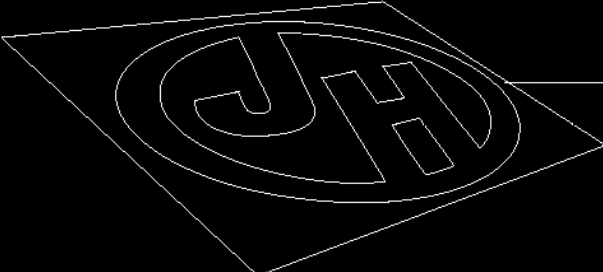
- > Continued market penetration as awareness increases
- > Further improvements to plant performance
- > Lower unit costs
- > Competitive pressures expected to keep pricing weak

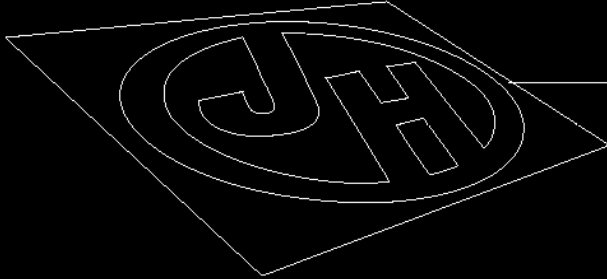


# Research & Development

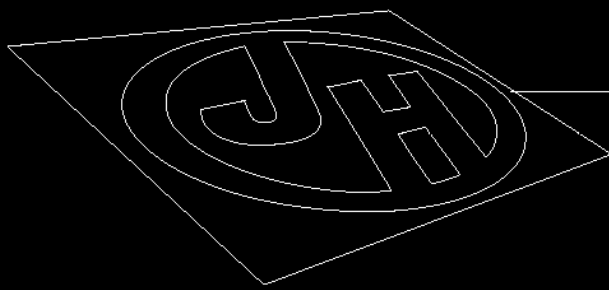
- > Key driver of growth
- > Core projects
  - engineered raw materials
  - product formulations
  - engineering and process technologies
  - lightweight and durable products for all climates
- > Sustainable competitive advantage continuing to be built

# Outlook

- 
- > Relatively healthy trading conditions in our major markets expected to continue in near term
  - > Strong growth momentum in major businesses is continuing
    - > USA – strong penetration and market share growth
    - > Asia Pacific – revenue growth and operating efficiency
    - > Entering slower building seasons in major markets



# Questions and Answers



# Disclaimer

## Notes

1. *Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter of the current fiscal year versus the 2nd quarter of the prior fiscal year.*
2. *This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including Management's Discussion and Analysis (MD&A), a Media Release and a Finance Report.*

## 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.*