



James Hardie

Building On Proven Performance

UK Roadshow

May/June 2005

James Hardie

A Growth Focussed Company



- Annual net sales US\$1,210m
- Total assets US\$1,089m
- Operations in North America, South America, Asia Pacific and Europe
- 3000 employees
- Market cap US\$2.2 billion
- ASX S&P 50 company

Note: Net sales and total assets are at 31 March 2005

Focussed on Fibre Cement

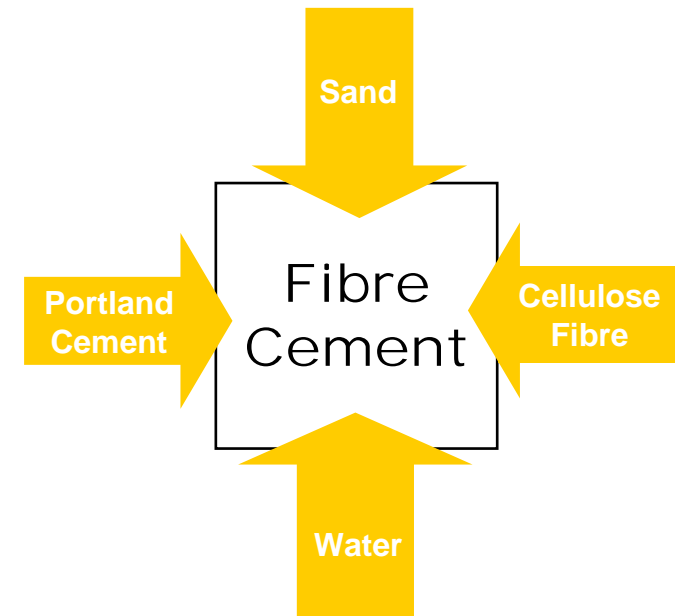
Investment Attributes



- High growth
- Unique proprietary technology
- Sustainable competitive advantage
- Strong cashflows and balance sheet
- Growth not reliant on strong housing market

First to Develop Fibre Cement

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



Business Overview

Many Product Applications

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



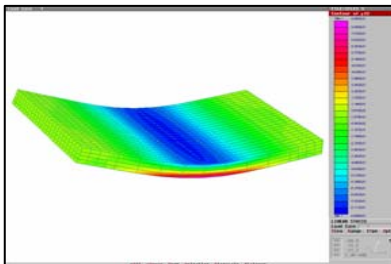
Unique Technology and Scale

Sustainable Competitive Advantage

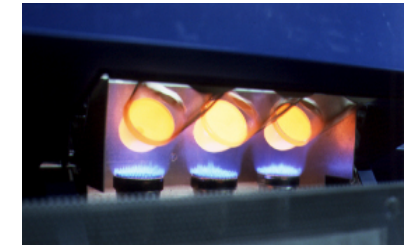
- Unique plant engineering and proprietary process technology and product formulations
- Superior capital cost efficiency – plant capital cost less than ½ that of competitors
- Largest, lowest cost manufacturer – plant operating cost 20-30% lower than competitors
- Only national producer in each key 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
 - 131 scientists, engineers and technicians
 - US\$27 million spend – 2.2% of net 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



Operations Overview

Balanced Growth Portfolio

James Hardie Business Portfolio – FY 05

	<u>Total Identifiable Assets</u> **	<u>Sales</u>	<u>EBIT</u> ^{1,#}
USA – Established high growth/high return	72%	78%	87%
Asia Pacific – Established high return	20%	19%	17%
Other – Potential growth opportunities (Pipes, Roofing, Europe, Chile)	8%	3%	(4%)

* Excludes general corporate

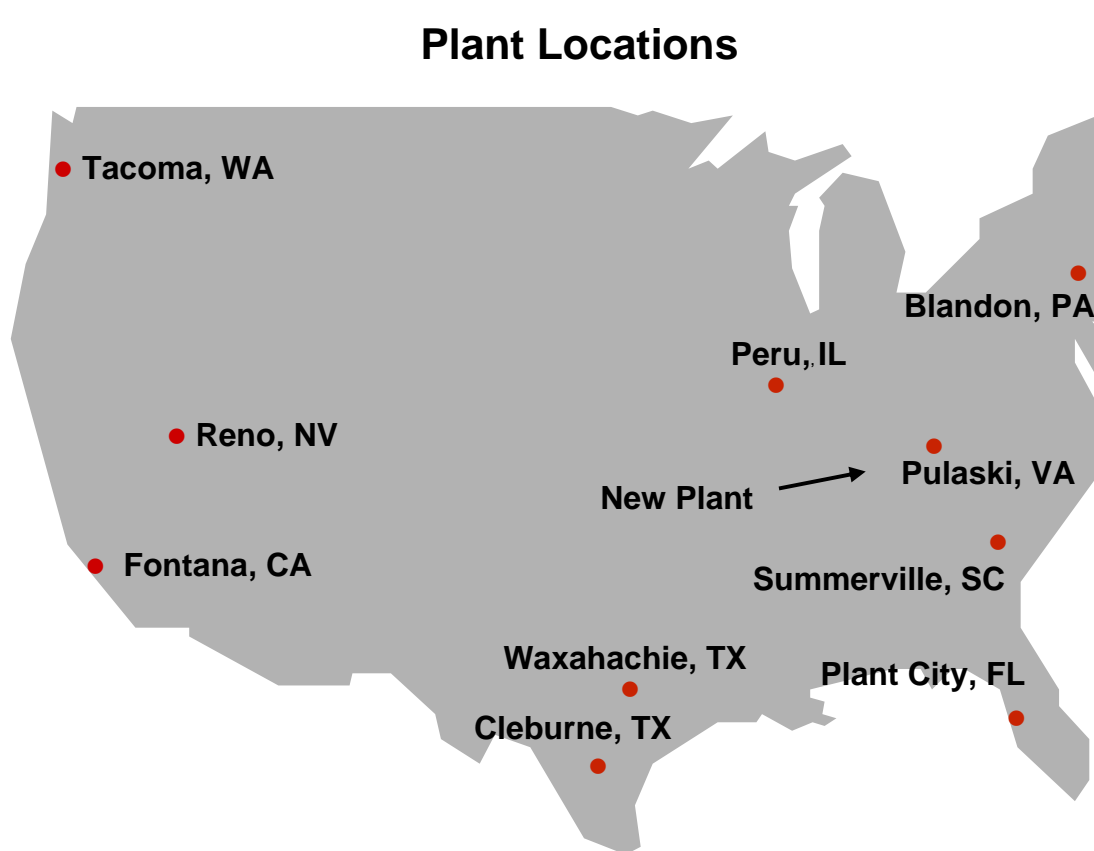
Excludes General Corporate and Research and Development

USA Fibre Cement

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

JH Plant Design Capacity

Plant Locations



Flat Sheet Plants	Capacity (mmsf ¹)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois^b	560*
Waxahachie, Texas	360
Blandon, Pennsylvania	200
Summerville, South Carolina	190
Reno, Nevada^a	300*
Pulaski, Virginia^c	600*
Flat Sheet Total	3,390
FRC Pipe Plant	
Plant City, Florida	100,000 tons

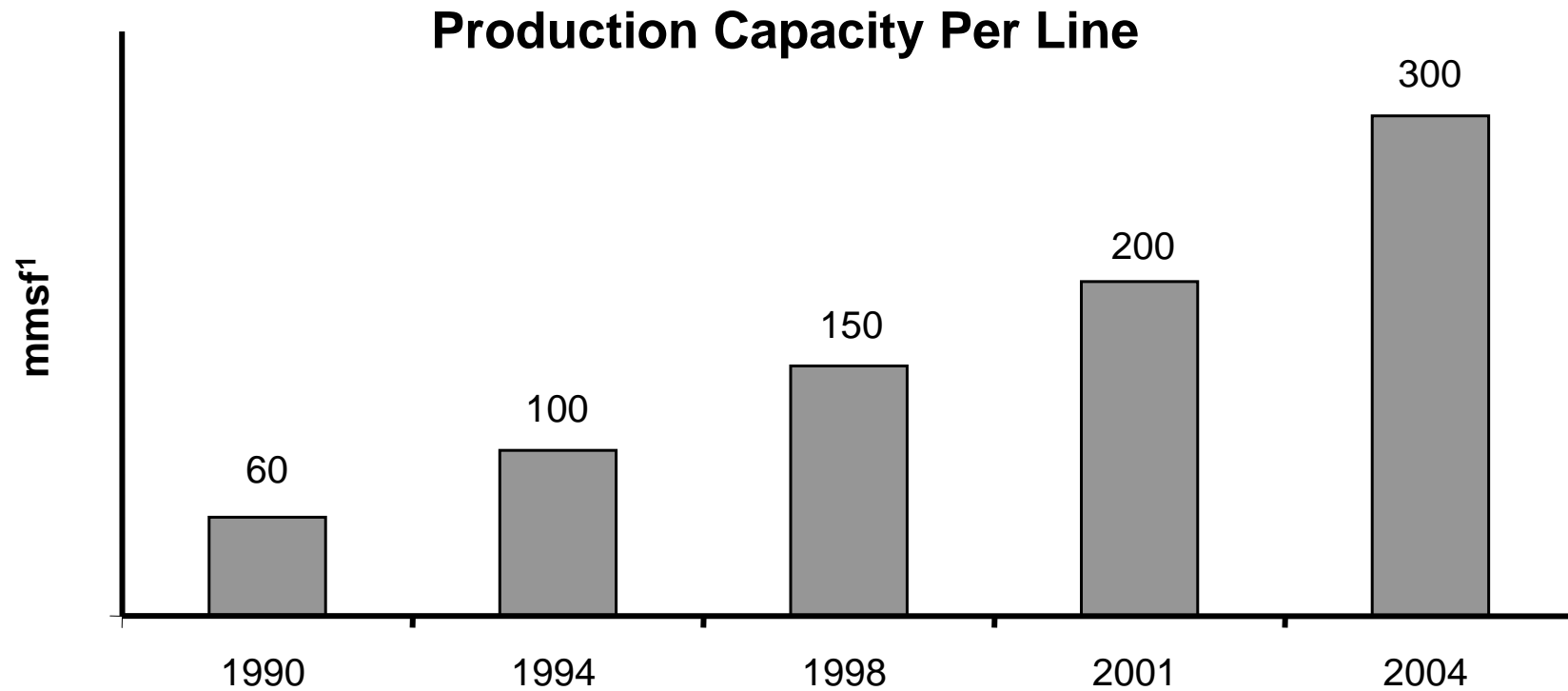
*Upgrade or new plant in progress – include capacity being added.

a. Completion Q4 FY05 – Ramp-up in progress

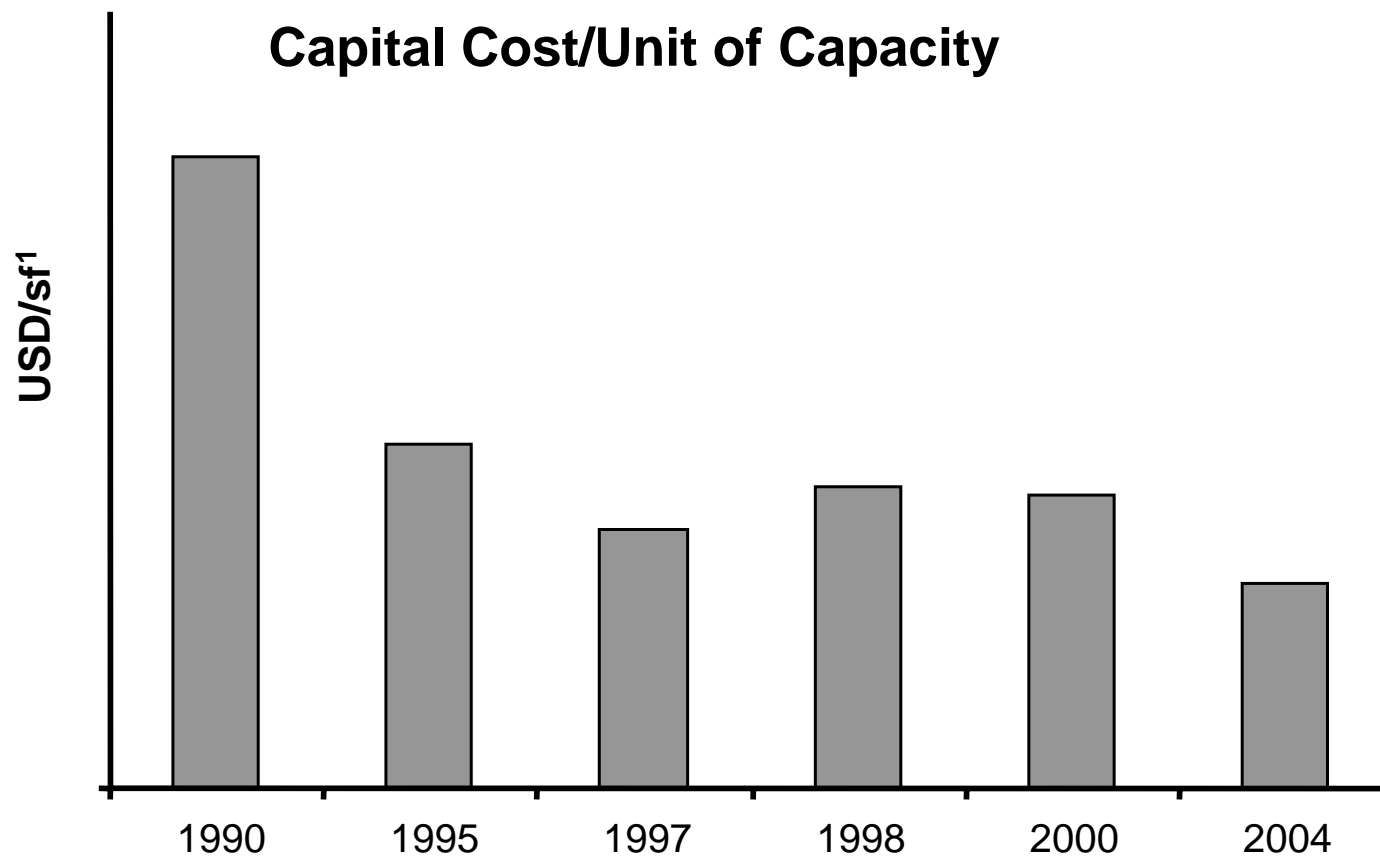
b. Includes 160 mmsf XLD Trim Line – Being commissioned

c. Construction to commenced in Q4 FY05

Increased Scale



Lower Capital Cost



Superior Product Performance

Fibre Cement is more durable than wood and engineered wood

Fibre Cement



Superior Durability

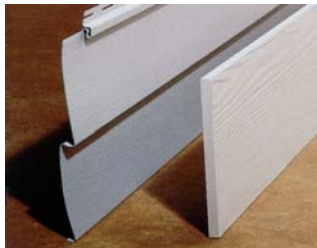
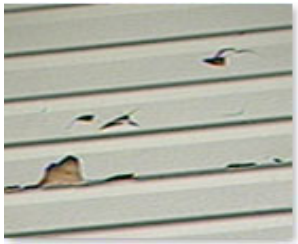
- ✓ Moisture Resistant
- ✓ Fire Resistant
- ✓ Weather Resistant
- ✓ Termite Proof
- ✓ Won't Warp
- ✓ Won't Crack
- ✓ Won't Rot
- ✓ Holds Paint Longer

Engineered Wood



Superior Product Performance

Fibre Cement looks and performs better than vinyl



Fibre Cement

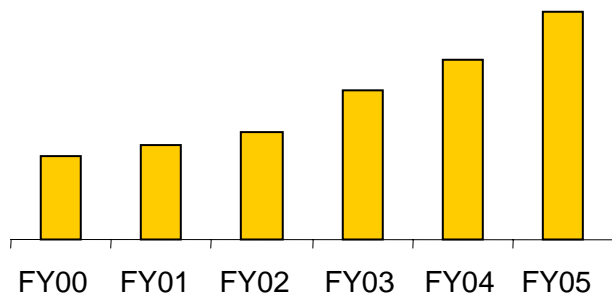
- ✓ Fire Resistant
- ✓ Hail Resistant
- ✓ Won't Warp
- ✓ Won't Buckle
- ✓ Colour Lasts Longer
- ✓ Dimensional Stability
- ✓ Can Be Repainted

Vinyl

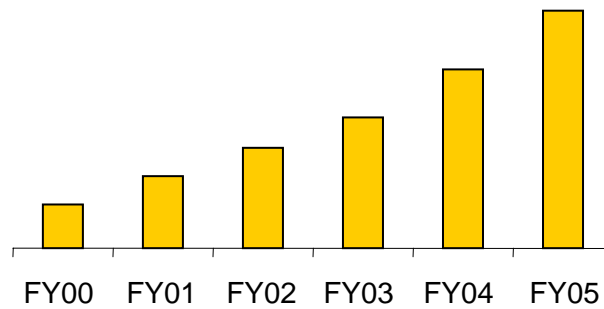
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Numerous Revenue Growth Streams

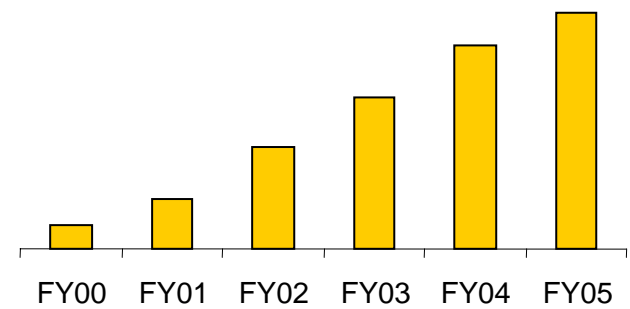
Siding Growth



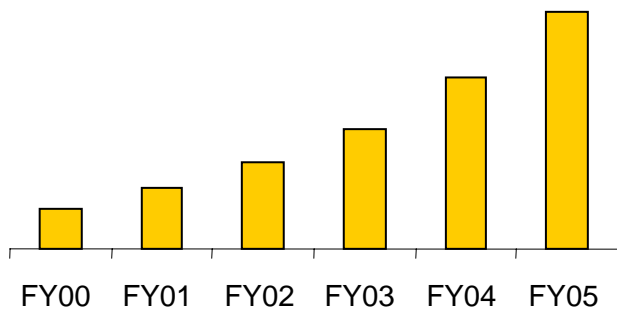
Soffit Growth



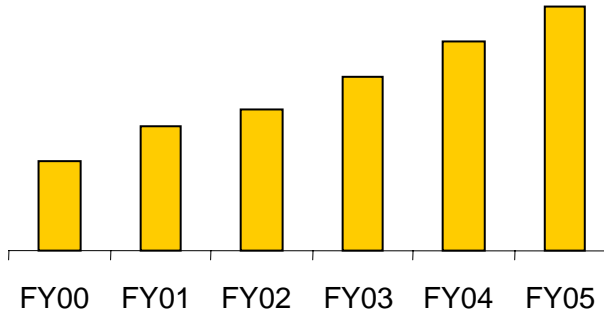
Retail Volume Growth



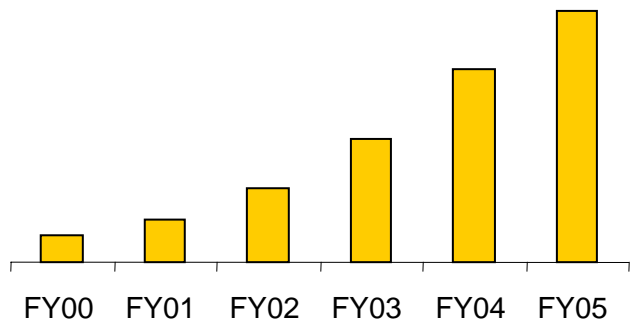
Trim Growth



1/4" Backer Growth

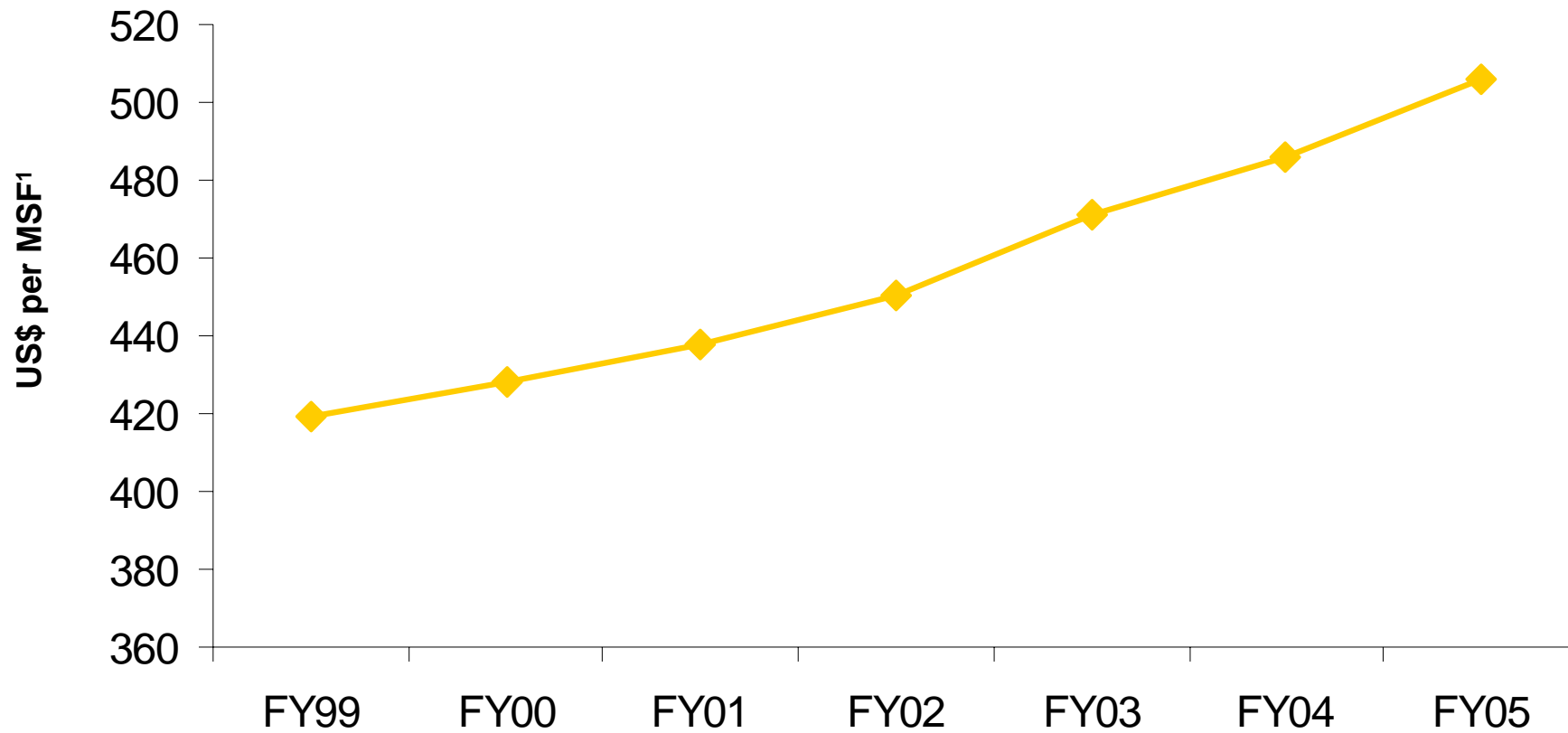


1/2" Backer Growth



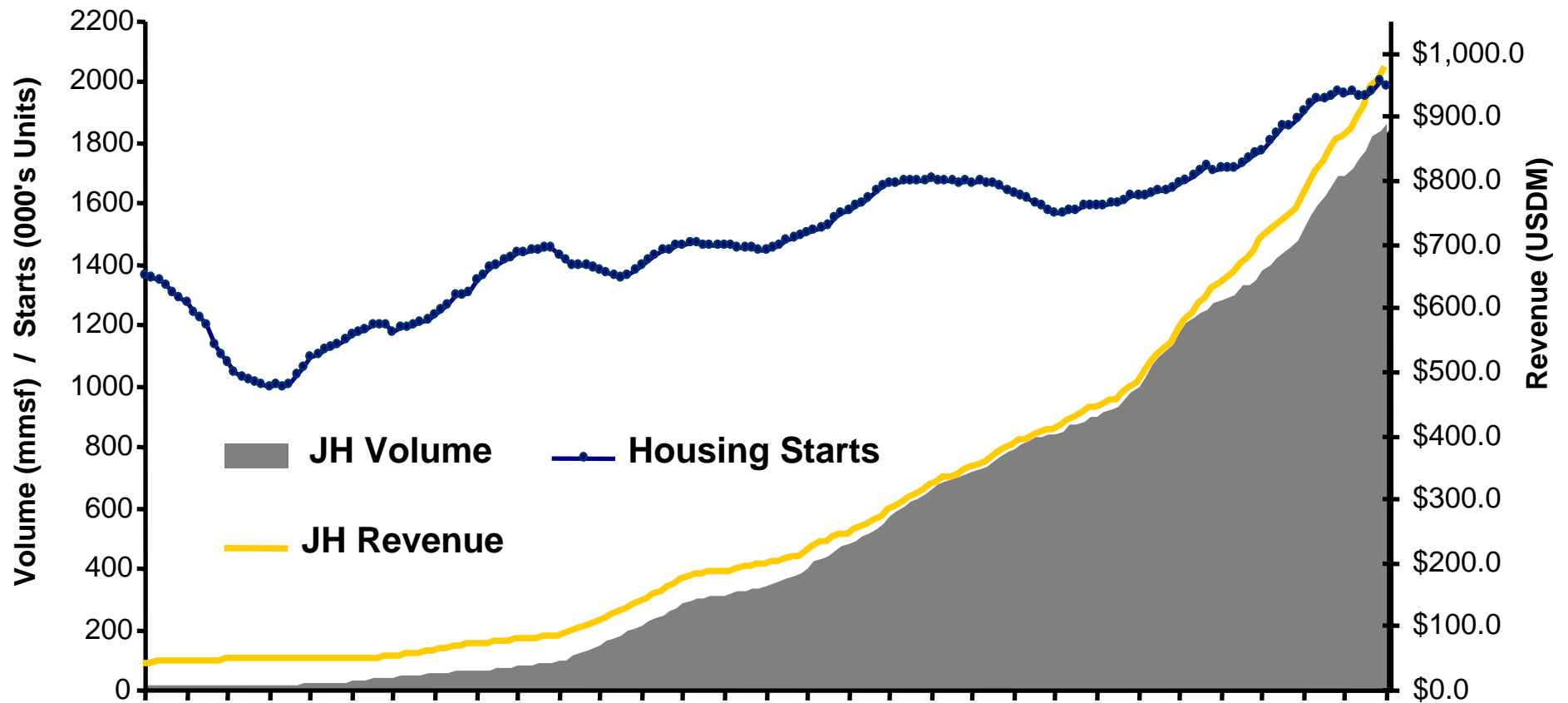
Average Net Sales Price

Average price growth driven by mix and market price increases



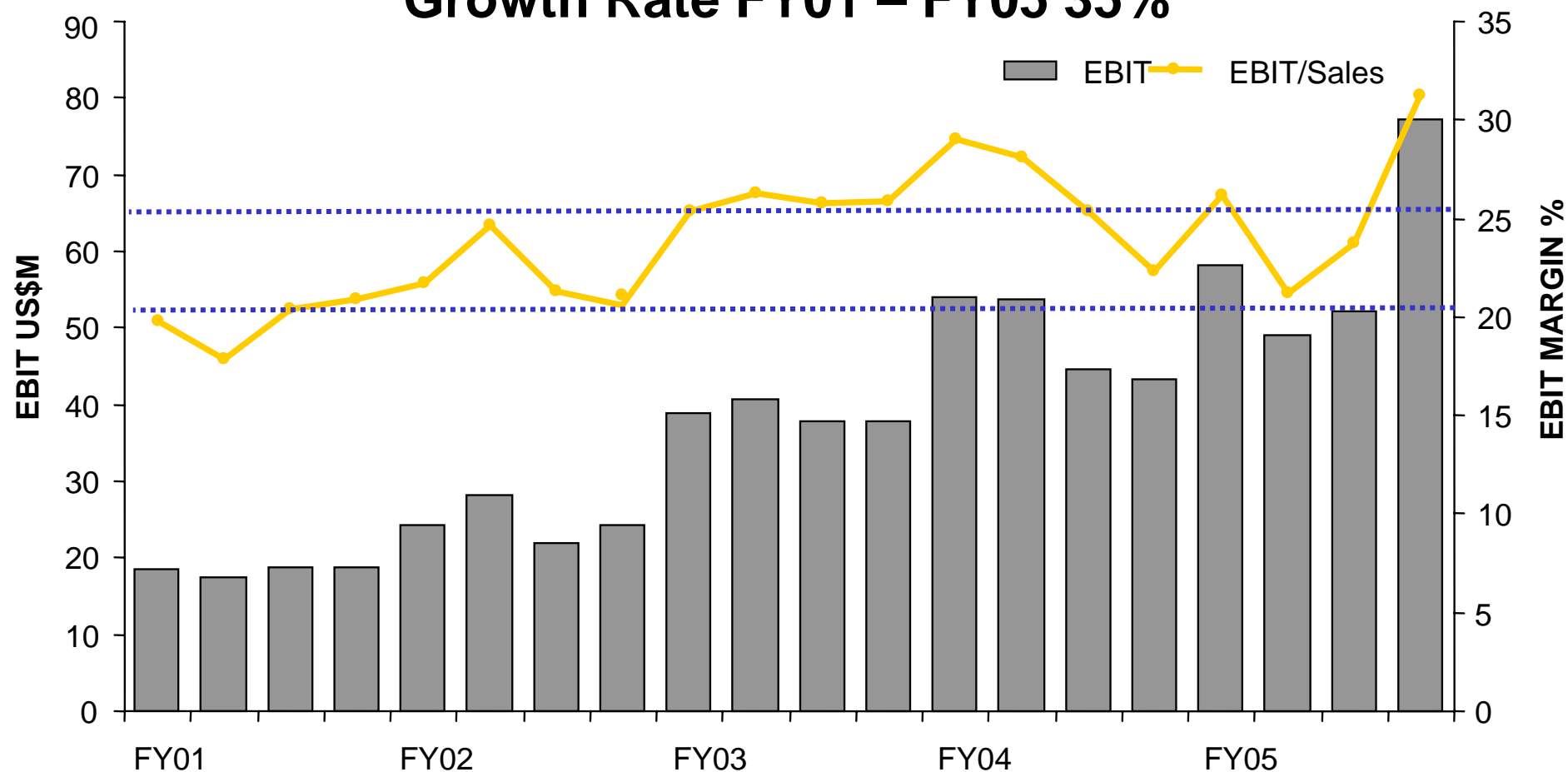
USA Fibre Cement

Top Line Growth



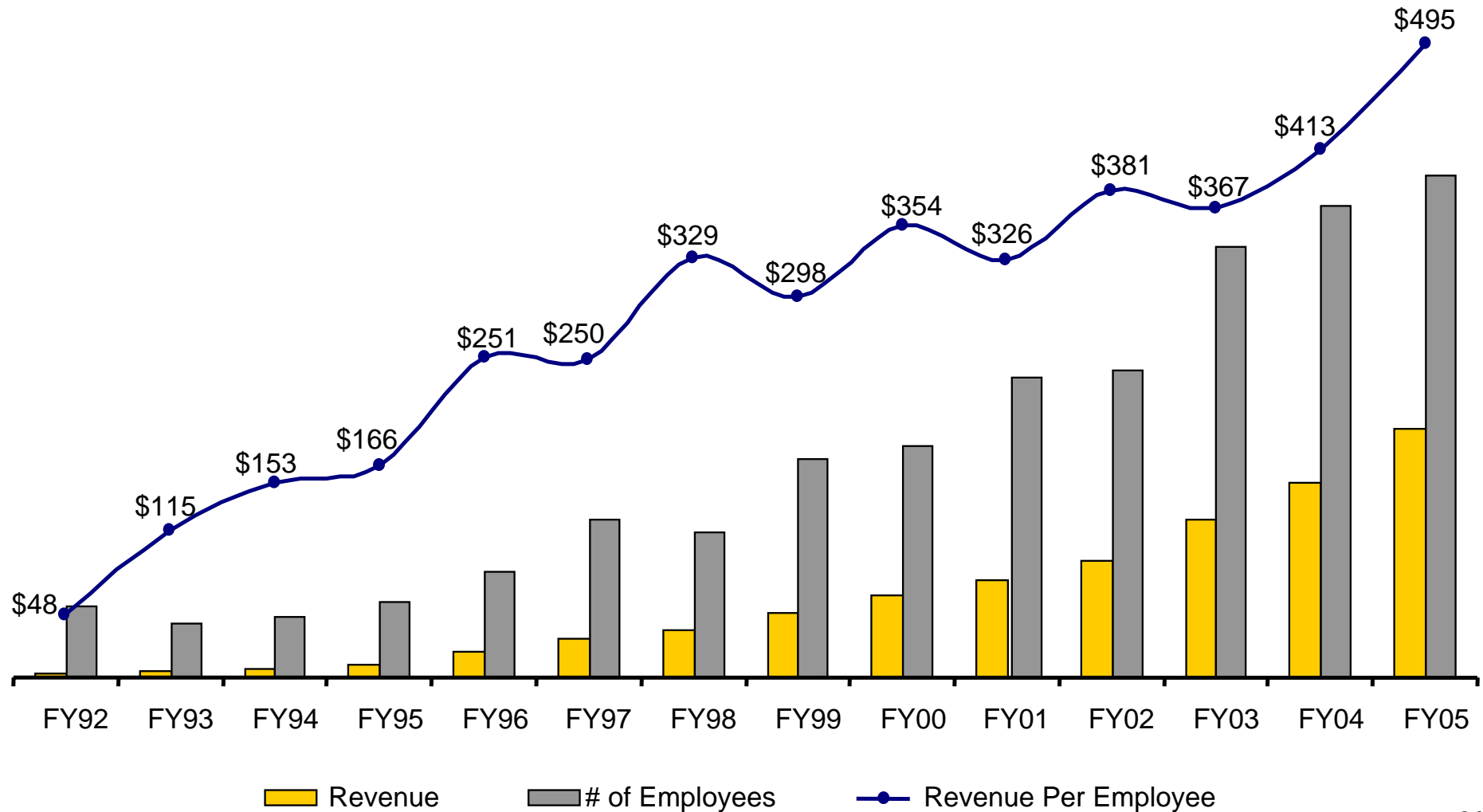
USA Fibre Cement

EBIT¹ Compound Annual Growth Rate FY01 – FY05 35%



*Excludes US\$12.6m restructuring and other operating expenses incurred in FY02

Growth In Revenue Per Employee



Market Data – Exterior Products

Estimated Market Size (bsf¹)

Product Category

New Construction

- Siding, Fascia & Soffits 5.4

- Trim 0.8

Total New 6.2

Repair & Remodel

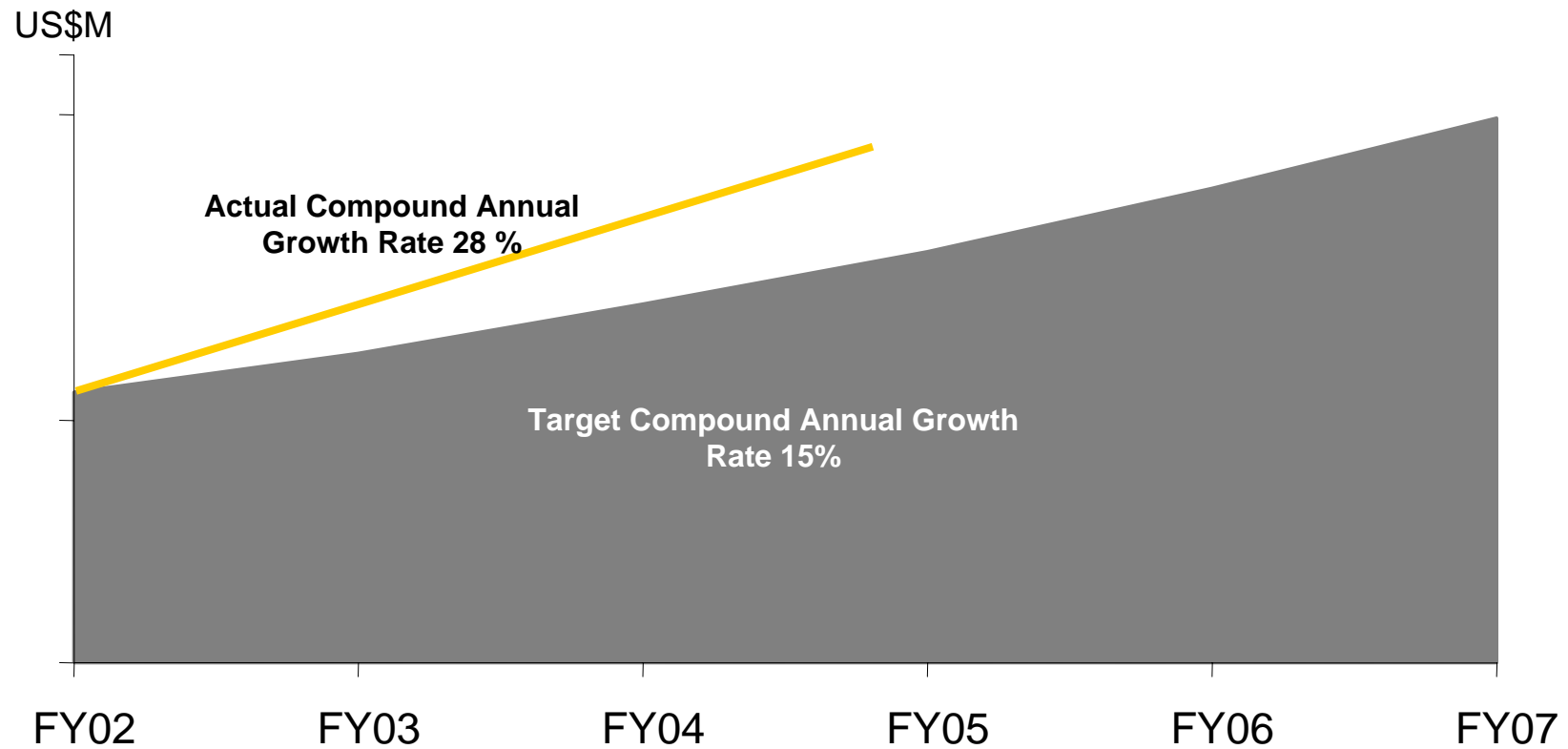
- Siding, Fascia & Soffits 6.2

- Trim 0.2

Total R&R 6.4

Grand Total 12.6

Exteriors-net sales on track to more than double 02-07



US Housing Market Remains Stable

- Positive demographic factors
 - Immigration
 - Internal migration
 - Household formation
- Low mortgage rates
- Strong house prices
- Growing economy

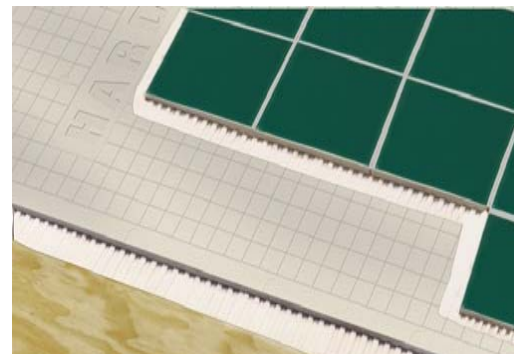
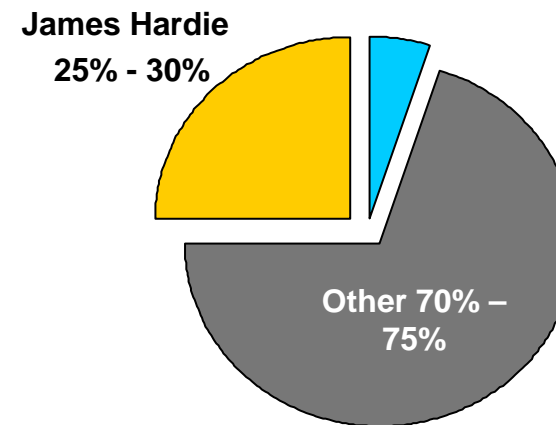


Backer is Also Growing Fast

- Net sales growing strongly – CAGR* 27% (FY01-FY04)
- Leading position in 1/4" market – technology advantage for floor applications
- Hardibacker 500 is driving penetration on wall applications
- Growing market
- High terminal market share

* Compound Annual Growth Rate

USA Interior Cement Board Market (est. 1bsf¹)



Australia and New Zealand



- FY05 net sales US\$210m
– up 8%
- FY05 EBIT¹ up 20% to
US\$42m
- Higher value differentiated
products
- Lower delivered cost
- Shift to growth model

Philippines and Asia

- Manufacturing plant commissioned 1999
- FY05 net sales US\$26 million up 25%
- EBIT¹ positive
- Fibre cement as substitute for plywood
- Established low cost regional manufacturing hub
- Low GDP per capita is an obstacle for generating unique financial returns



Other Fibre Cement

Chile

- Manufacturing plant commissioned 2001
- Low cost manufacturing, rapid market penetration, strong growth
- Positive EBIT¹
- Differentiated products introduced
- Limited scale opportunity



Other Fibre Cement Pipes

- USA manufacturing plant commissioned 2001
- Market recognises product has advantages over reinforced steel concrete pipes in mid-diameters – light, long, strong
- Lower cost to make and install
- Manufacturing targets not met but progress being made
- Cash breakeven – nearing EBIT breakeven



Other Fibre Cement

Artisan Roofing

- US\$15M USA pilot plant commissioned FY04
- Proving scalability of roofing technology
 - Product design
 - Product performance
 - Manufacturing capability
 - Market positioning



Other Fibre Cement

Europe Market Development

- 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



Financials

Results – Full Year 31 March 05

	US\$Million		
Net Sales	1,210.4	Up	23%
Gross Profit	426.4	Up	19%
EBIT ^{1,*}	196.2	Up	14%
Operating Profit ^{1,*}	127.9	Up	2%

* Excluding costs related to NSW Government Special Commission of Inquiry of US\$28.1m EBIT increased 30% to US\$224.3m and operating profit increased 20% to US\$150.2m.

Results – Full Year 31 March 05

USA Fibre Cement

US\$Million

Net Sales	939.2	Up	27%
EBIT ¹	241.5	Up	24%
Volume	1855 mmsf ¹	Up	22%
EBIT Margin ¹	25.7%	Down	0.8pts

Results – Full Year 31 March 05

Other Businesses

- ANZ net sales up 8%. EBIT¹ up 20%
- Philippines sales up 25%. EBIT¹ positive
- USA Pipes nearing cashflow breakdown – nearing EBIT breakeven
- Chile – EBIT¹ positive
- Europe – EBIT¹ negative, as expected

Key Ratios

	<u>FY'05</u>	<u>FY '04</u>	<u>FY '03</u>
EPS (Diluted)	27.7c	27.2c	18.2c
Dividend Paid	3.0c	5.0c	7.5c
Return on Shareholders Funds* #	22.4%	27.6%	42.3%
Return on Capital Employed#	23.6%	23.4%	20.9%
EBIT ¹ /Sales	16.2%	17.5%	16.4%
Gearing Ratio ¹	6.8%	17.0%	21.4%
Net Interest Expense Cover	38.5x	17.2x	6.5x
Net Interest Paid Cover ⁺	17.8x	14.8x	6.0x
Net Debt Payback**	2.5 mths	7.6 mths	1.8 yrs

* Total Company

** Net Debt/Net cash provided by operating activities

Annualised

+ Adds back capitalised interest

Long Term Financial Targets

High Growth and Attractive Returns Targeted

	Target	Actual FY04	Actual FY05
Revenue Growth	> 15% p.a.	25%	23%
EBIT Margin ¹	> 15%	18%	16%*
Return On Capital Employed	> 15%	23%	23%



* Includes costs related to the SCI and related matters of US\$28.1 million.

Asbestos Related Progress

Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

Background

- Inquiry into establishment of Medical Research and Compensation Foundation (MRCF) announced by NSW Government – February 2004
- Inquiry report released September 2004:
 - Establishment of MRCF legally effective
 - No legal liability for MRCF funding shortfall
 - Risk of adverse legislative, regulatory and customer responses unless adequate provision made for asbestos liabilities of former subsidiaries
 - Voluntary funding proposal made by James Hardie July 2004 – “a good first step”

Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

Heads of Agreement

- Non-binding agreement signed with NSW Government, union and claimants representatives – December 2004
- Funding arrangement intended to allow James Hardie to remain profitable, financially strong and to fund growth

Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

Key Elements

- Special Purpose Fund (SPF) to be established – James Hardie to appoint majority of Board
- Initial funding based on KPMG Actuaries updated report – discounted central estimate A\$1.68bn at 31 March 2005
- Annual contribution to SPF based on annual actuarial assessments
- A rolling 2 year cash buffer to be established in SPF
- Cap on annual contributions after 1st year based on a percentage of net operating cashflow – initial cap 35%, with phased reduction to 10% possible over time

Voluntary Asbestos Compensation Funding Proposal

Actuarial Estimates Overview

A\$Billions	<u>2004</u> <u>30 June</u>	<u>2005</u> <u>31 March</u>
Central Estimate – Discounted	1.536	1.685
Central Estimate – Undiscounted	3.586	3.604
Range – Undiscounted	2.0 – 5.7	2.0 – 5.9

Voluntary Asbestos Compensation Funding Proposal

Likely Accounting for Asbestos Liability

- No provision for proposed liability at 31 March 2005 – not probable and estimable at this time (SFAS5)
- Subject to completion, accounting treatment for take-up of provision likely to be:
 - Based on undiscounted Central Estimate as calculated by KPMG Actuaries
 - Calculated for entire term (through 2071)
 - Exclude impacts of inflation and superimposed inflation (A\$1.67bn¹)
 - All components to be gross
 - Future Income Tax Benefit created – subject to confirmation
- Annual payment to SPF charged against provision
- Provision adjusted annually to align with 31 March annual actuarial assessment (excluding impact of inflation and superimposed inflation)
- Asbestos expense in Income Statement to reflect movement in provision

1. Excludes estimated legal and administrative cost savings – being finalised

Voluntary Asbestos Compensation Funding Proposal

Timing Update

- Satisfactory progress on Principal Agreement
 - no significant departures from Heads of Agreement
- Estimated completion date of Principal Agreement
June – legal complexities
- Timetable for late July EGM appearing ambitious

Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

Australian Media

- Has suggested claims outside Australia (New Zealand, Asia and USA) could jeopardise SPF
- SPF only available to Australian-based personal injury claims against former Australia James Hardie subsidiaries
- In New Zealand – compensation paid by Accident Compensation Commission (government body)
- In Indonesia and Malaysia – any liabilities or obligations passed when interests divested in 1980's
- In USA – No material claims

Summary

- We have a strong, well established, high growth and return business
- We have sustainable competitive advantage
- Our model for continued strong growth is based on:
 - Large market opportunity
 - Superior value proposition
 - Proprietary and/or protected technology
 - Large upsides due to current R&D investments
 - Significant organisational advantages
 - Focussed strategy and organisational effort
 - Scale and market position
- The Company is in a sound financial position

Disclaimer

This Presentation contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with the Securities and Exchange Commission on Forms 20-F and 6-K, in our annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of such forward-looking statements include:

- *projections of our operating results or financial condition;*
- *statements of our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;*
- *statements about our future economic performance or that of the United States, Australia or other countries in which we operate; and*
- *statements about product or environmental liabilities.*

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 include but are not limited to: all matters relating to or arising out of the prior manufacture of asbestos by ABN 60 and certain former subsidiaries; 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; the successful transition of new senior management; the success of our research and development efforts; 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, asbestos or other legal proceedings; risks of conducting business internationally; compliance with and changes in tax laws and treatments; and foreign exchange risks. 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 in forward-looking statements. Forward-looking statements speak only as of the date they are made.

Notes

EBIT and EBIT Margin - 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 interest and income tax expenses. 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.

EBIT and EBIT margin, as used in this document, are equivalent to the US GAAP measures of operating income and operating income margin.

Operating profit from continuing operations before income taxes - is equivalent to the US GAAP measure of income from continuing operations before income taxes.

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

Gearing Ratio – is borrowings less cash (net debt) divided by net debt plus shareholders' equity.

mmsf – million standard feet

msf – thousand standard feet