



James Hardie

Building On Proven Performance

UK Roadshow - August 2006

In this Management Presentation, James Hardie may present the financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 43. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT" and "EBIT margin". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)"); financial ratios ("Net interest expense cover", "Net interest paid cover", "Net debt payback"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos", and "Diluted earnings per share excluding asbestos"). Unless otherwise stated, results are for continuing operations only.



James Hardie

A Growth Focussed Company



- Annual net sales US\$1,488m
- Total assets US\$1,445m
- Operations in North America, Asia Pacific and Europe
- 3,300 employees
- Market cap US\$2.4 billion
- ASX S&P 100 company

Focussed on Fibre Cement

Investment Attributes

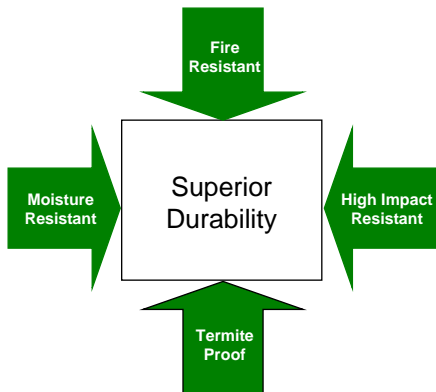


- High growth
- Sustainable competitive advantage
- Unique proprietary technology
- Strong financial performance, cash flows and balance sheet¹
- Track record of outperforming US housing market

¹ Excluding asbestos provision

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



Unique Technology and Scale

Sustainable Competitive Advantage

- Unique plant engineering and proprietary process technology and product formulations – significant investment in R&D
- Superior capital cost efficiency
- Low cost manufacturer
- Only national producer of fibre cement in each key market
- Excellent plant economies of scale – plants 2-3 times larger than fibre cement competitors
- Unique differentiated products, widest range and strong brands

Focus

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

Business Portfolio

FY 2006 ¹	Total Identifiable Assets ^{*,#}	Sales	EBIT ^{2,#}
USA Fibre Cement			
Established high growth/high return	79%	82%	95%
Asia Pacific Fibre Cement			
Established high return	16%	16%	12%
Other			
Potential growth opportunities (Pipes, Europe)	5%	2%	(7%) ²

¹ At and for the fiscal year ended 31 March 2006

^{*} Excludes General Corporate

[#] Excludes General Corporate, Research and Development and Asbestos Provision

² Includes Roofing and Chile – both discontinued in FY06

Largest Fibre Cement Producer in North America

Plant Locations

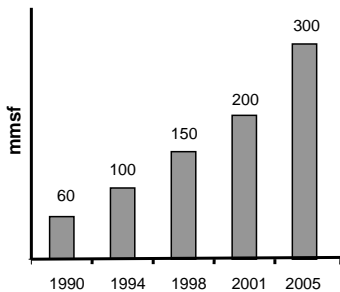


JH Plant Design Capacity

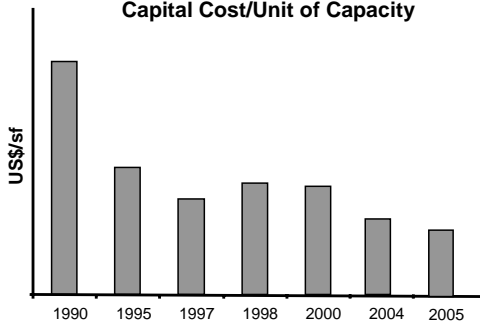
Flat Sheet Plants	Capacity (mmsf)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois	560
Waxahachie, Texas	360
Blandon, Pennsylvania	200
Summerville, South Carolina	190
Reno, Nevada	300
Pulaski, Virginia	600
Flat Sheet Total	3,390
FRC Pipe Plant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

Low Cost Fibre Cement Producer

Production Capacity Per Line



Capital Cost/Unit of Capacity



Superior Product Performance

Fibre Cement is more durable than wood and engineered wood

Fibre Cement



Superior
Durability



Engineered Wood



Moisture Resistant

?

Fire Resistant

?

Weather Resistant

?

Termite Proof

?

Resists Warping

?

Resists Cracking

?

Resists Rotting

?

Holds Paint Longer

?










Superior Product Performance

Fibre Cement looks and performs better than vinyl



Fibre Cement

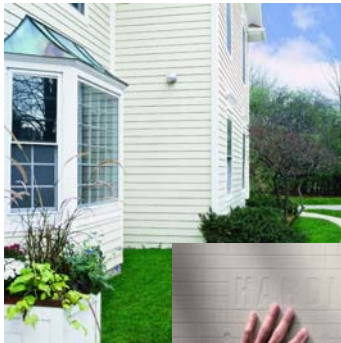
Vinyl

	Fire Resistant	?
	Hail Resistant	?
	Resists Warping	?
	Resists Buckling	?
	Colour Lasts Longer	?
	Dimensional Stability	?
	Can Be Repainted	?

Revenue Growth Streams

Exterior products

- Siding
- Soffit
- Fascia
- Trim



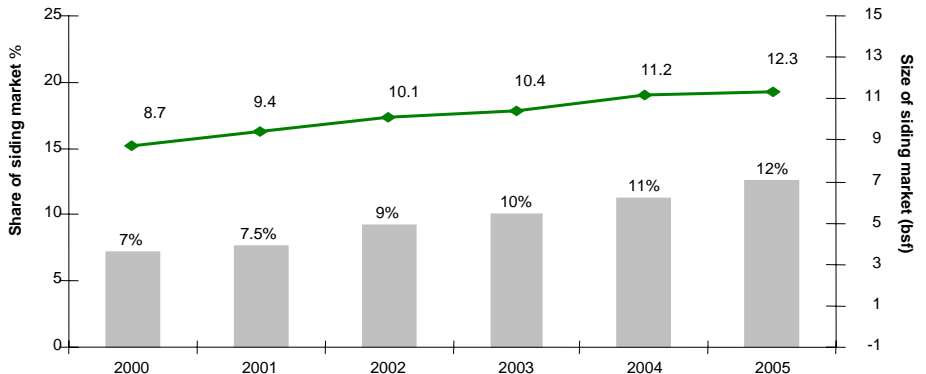
Interior products

- ¼ inch backerboard
 - Hardibacker 500®
- Total sales compound annual growth rate of 27% (FY02 – FY06)



Exterior Products - Siding

Continuing to increase share of siding sales
estimated terminal share 35%



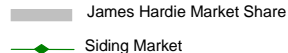
Bsf = billions square feet

NAHB Sources:

Builder Practices Report – Siding Usage/Exterior Wall Finish In **New Construction**

Consumer Practices Report – Siding Usage/Exterior Wall Finish In **Repair & Remodel**

(Note – Market and share figures reflect siding only; exclude fascia, soffits & trim)



Exterior Products

Established Markets

- Accounts for 75% of USA Fibre Cement sales
- High builder penetration
- High brand awareness
- Aggressive growth of demand for fibre cement products
 - Further penetration against wood-based technologies
 - Opportunities against brick and stucco
 - Expansion into rural markets
 - More products per house
- Internal target of 7%-15% revenue growth p.a.¹



¹ Assumes flat growth in end markets

Exterior Products

Emerging Markets

- Approx. 50% of new housing sales
- Accounts for 25% of USA Fibre Cement sales
- Penetrating regions where vinyl is dominant siding material
- Focus on majority colour penetration
- Estimated terminal share of 30%
- Internal target of 30% - 50% revenue growth p.a.¹



¹ Assumes flat growth in end markets

Exterior Products

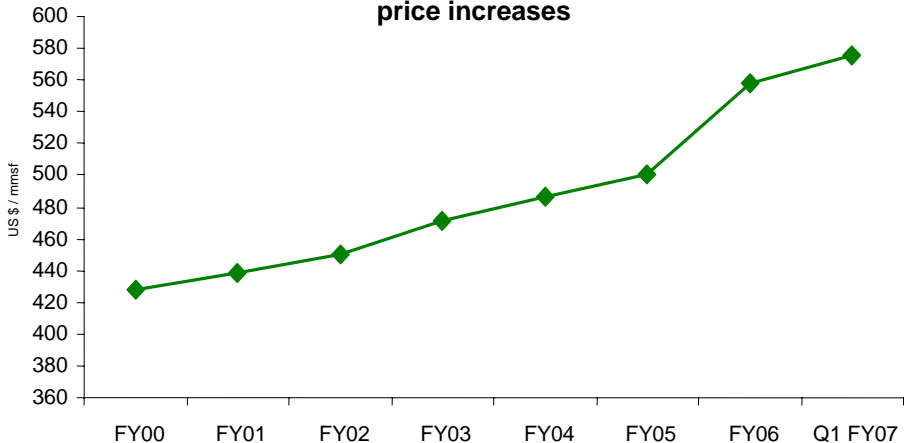
ColorPlus® Model

- Higher quality products with higher revenue stream
- Strategy designed to reduce 'on the wall' cost and close gap with vinyl siding
 - Supply of pre painted exterior products
 - Reduce supply chain costs
 - Installer education
- Channel increases revenue base and gains incremental volume
- End user gets higher quality product at reduced cost



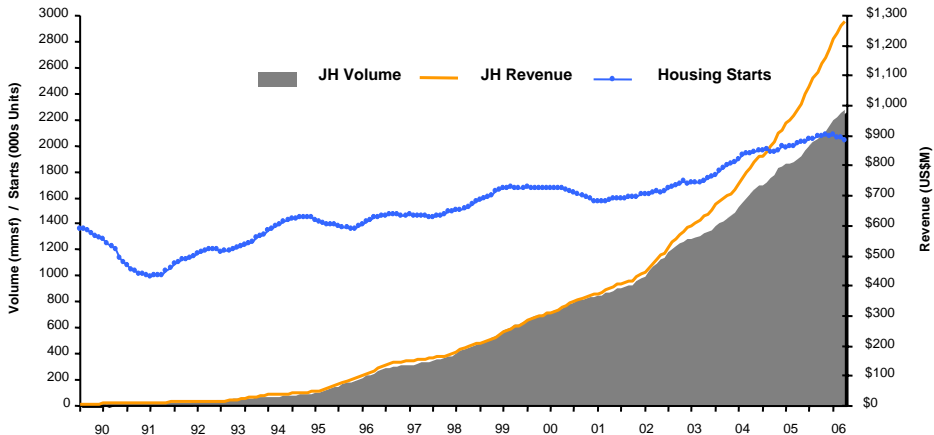
Average Net Sales Price

Average price growth driven by mix and price increases



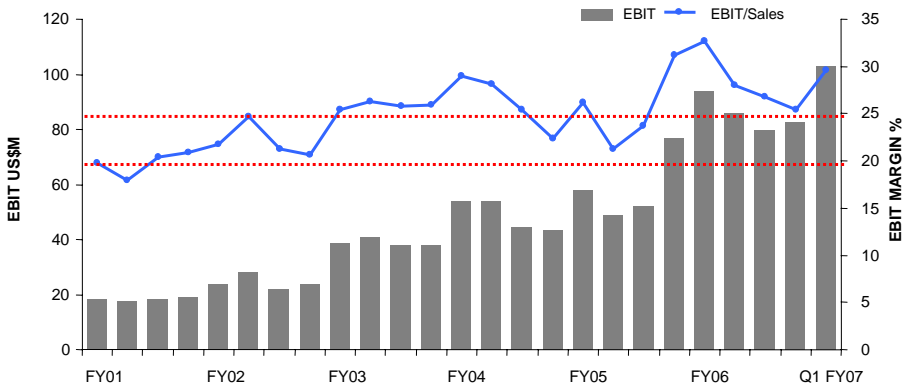
USA Fibre Cement

Top-Line Growth



USA Fibre Cement

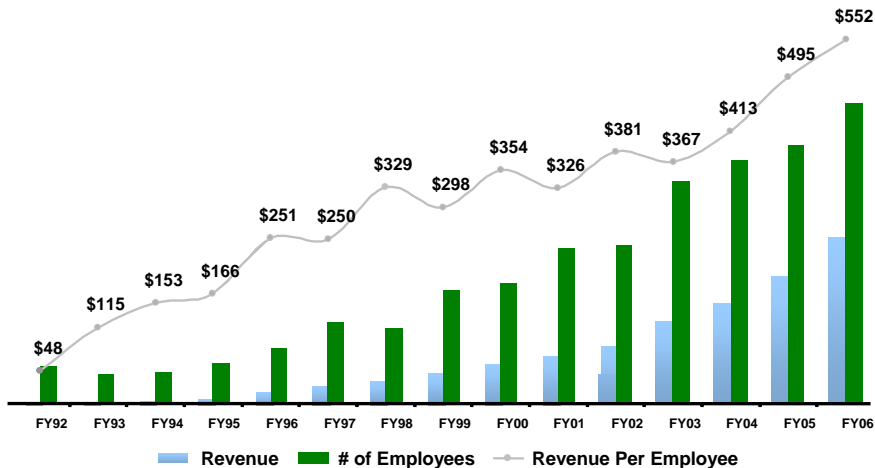
EBIT and EBIT Margin*



*Excludes restructuring and other operating expenses of US\$12.6 million in Q3 FY02

Note: dotted lines indicate EBIT margin long-term target range of 20% - 25%

Growth In Revenue Per Employee





US New Housing Market – Slowing

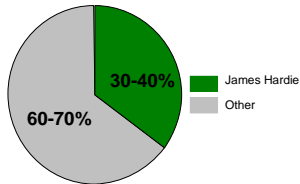
- Key sales determinants
 - Level of new housing construction activity
 - Level of repair and remodelling activity
 - Market development program effectiveness
 - Price improvement
- New housing 70% of sales (repair and remodel 30%)
- Internal sales target of 15% - 25% p.a. growth (assumes flat market)
- South Central, South East, Pacific North West – largest sales regions
- Business considerations:
 - Timing of capacity expansion, costs containment and efficiency improvements

Backer is Growing Fast

- Net sales growing strongly – CAGR* 26% (FY02-FY06)
- Leading position in 1/4" segment – technology advantage for floor applications
- Hardibacker 500® is driving penetration on wall applications
- Greenboard replacement
- Growing segment
- High terminal segment share

USA Interior Cement Board Sales

1.02 Billion square feet market¹



* Compound Annual Growth Rate

¹ Market estimate based on Cipris market study and management estimates

Asia Pacific Fibre Cement



- Australia, New Zealand, Philippines
- FY06 net sales US\$242m
- FY06 EBIT US\$42m
- Higher value differentiated products
- Lower delivered cost
- Shift to growth model
- Philippines focus on profitability

Other Fibre Cement

Pipes

- USA manufacturing plant commissioned 2001
- 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

Europe Market Development

- Focussed on UK and France
- Differentiated products imported from US
 - Hardibacker®
 - XLD® Trim
 - ColorPlus® pre-painted siding



Financials

Results – Q1 FY07

US\$Million

Net Sales	415.5	Up	16%
Gross Profit	157.7	Up	9%
EBIT*	96.1	Up	11%
Operating Profit*	62.7	Up	12%

* Excludes effect of foreign exchange on asbestos provision.

Results – Q1 FY07

USA Fibre Cement

US\$Million

Net Sales	348.9	Up	21%
EBIT	103.3	Up	10%
Volume	605.7 mmsf	Up	16%
EBIT Margin	29.6%	Down	3.1pts

Results – Q1 FY07

Other Businesses

- ANZ volumes slightly up, EBIT margin 16.7%
- Philippines sales up 2%, EBIT positive
- USA Hardie Pipe – first EBIT positive quarter
- Europe – EBIT negative, as expected

Key Ratios

	<u>Q1FY07</u>	<u>FY06</u>	<u>FY05</u>
EPS (Diluted) ¹	13.4c	44.9c	27.7c
Dividend paid per share	-	10.0c	3.0c
Return on Shareholders' Funds ^{1, 2}	29.3%	29.6%	22.4%
Return on Capital Employed ^{1, 2}	38.2%	28.9%	23.6%
EBIT/ Sales (EBIT margin) ¹	23.1%	18.9%	16.2%
Net Interest Expense Cover ¹	46.4x	-	38.5x
Net Interest Paid Cover ¹	17.4x	89.0x	18.3x
Net Debt Payback	-	-	2.5 mths

¹ Excluding in FY07 effect of foreign exchange on asbestos provision and in FY06 asbestos provision

² Return on Shareholders' Funds and Return on Capital Employed are both annualised

Long Term Financial Targets

High Growth and Attractive Returns Targeted

	Target ¹	Actual FY06	Actual FY05	Actual FY04
Revenue Growth	> 15% p.a.	23%	23%	25%
EBIT Margin	> 15% p.a.	19%*	16%	18%
Return On Capital Employed	> 15% p.a.	29%*	24%	23%



¹ Long term target excludes asbestos-related expenses

* Excludes asbestos charge of US\$716 million associated with take up of asbestos provision.



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 in July 2004

Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

- 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
- Final funding agreement signed with NSW Government – December 2005 (subject to conditions precedent)

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\$1.5bn at 31 March 2006
- 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 cash flow – initial cap 35%, with phased reduction to 10% possible over time

Update

- Net provision of US\$716m (A\$1 billion) recorded at 31 March 2006 – “probable and estimable” under US GAAP
- Net provision adjusted to US\$742m (A\$1 billion) at 30 June 2006 due to FX (US\$27m charge to P&L)
- June 2006, Australian Taxation Office (ATO) declines to endorse SPF as tax concession charity, but rules annual contributions from James Hardie to SPF deductible over five years in accordance with “black hole” legislation for life of fund– both are conditions precedent to FFA
- Company remains in discussions with ATO and NSW Government with a view to satisfying remaining, conditions precedent to FFA
- Lender and shareholder approval are also conditions precedent to the FFA

Voluntary Asbestos Compensation Funding Proposal

Comparison

<u>A\$ billions</u>	<u>30 Jun 04</u>	<u>31 Mar 05</u>	<u>30 Jun 05</u>	<u>31 Mar 06</u>
Central Estimate – Discounted	1.536	1.685	1.568 ¹	1.517 ¹
Central Estimate – Undiscounted	3.586	3.604	3.131 ¹	3.079 ¹
Range – Undiscounted	2.0 - 5.7	2.0 - 5.9	1.5 - 5.5 ¹	1.7 - 5.3 ¹

Note: all amounts above are on a net present value basis

¹ Includes estimated legal cost savings for NSW only

Voluntary Asbestos Compensation Funding Proposal

Accounting

- Annual payments to SPF charged against provision
- Provision adjusted annually to align with 31 March annual actuarial assessment (projected cash flows, undiscounted and uninflated)
- Asbestos provision in income statement to reflect movement in actuarial estimate and foreign exchange
- Unaudited pro forma (excluding asbestos provision) consolidated balance sheet, income statement and cash flow statement to be included in Management's Analysis of Results going forward

Summary

- We have a strong, well established, high growth and high 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
- The company is in a sound financial position
- Accounting results subject to volatility – FX impact on A\$ asbestos provision

Endnotes

DEFINITIONS

Financial Measures – US GAAP equivalents

EBIT and EBIT margin – EBIT is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its 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 the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Diluted earnings per share excluding asbestos – Diluted earnings per share excluding asbestos is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than Diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US\$ Million	Q1 FY07	FY06	FY05
Operating (loss) profit	\$35.5	\$(506.7)	\$127.9
Asbestos provision	27.2	715.6	-
Operating profit excluding asbestos	62.7	\$208.9	\$127.9
Weighted average common shares outstanding (Millions) – Diluted	466.9	465.0	461.0
Diluted earnings per share excluding asbestos (US cents)	13.4	44.9	27.7

SALES VOLUMES

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

FINANCIAL RATIOS

Net interest expense cover – EBIT divided by net interest expense.

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback – Net debt/cash divided by cash flow from operations.

NON-US GAAP FINANCIAL MEASURES

EBIT and EBIT margin excluding asbestos – EBIT and EBIT margin excluding asbestos are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US\$ Million	Q1 FY07	FY06	FY05
EBIT	\$68.9	\$(434.9)	196.2
Asbestos provision	27.2	715.6	-
EBIT excluding asbestos	96.1	280.7	196.2
Net Sales	\$415.5	\$1,488.5	\$1210.4
EBIT margin excluding asbestos	23.1%	18.9%	16.2%

Disclaimer

- *This Management Presentation contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K,*
- *in the annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral*
- *statements made by the company's officers, directors or employees to analysts, institutional investors, representatives of the media and*
- *others. Examples of forward-looking statements include:*
 - *expectations that the conditions precedent to the Final Funding Agreement will be satisfied;*
 - *expectations about payments to a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;*
 - *expectations concerning the company's Australian Tax Office amended assessment;*
 - *expectations that the company's credit facilities will be extended or renewed;*
 - *projections of operating results or financial condition;*
 - *statements regarding plans, objectives or goals, including those relating to competition, acquisitions, dispositions and products;*
 - *statements about future performance; 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. The company cautions 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, the risk factors discussed under "Risk Factors" beginning on page 6 of the Form 20-F filed on 7 July 2005, and: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems and the successful implementation of the internal control over financial reporting requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as codified by Item 308 of Regulation S-K. The company cautions 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.*