



**James Hardie**

**2006 Analyst/Investor Tour**

**Louis Gries**

**Welcome and Update**

**12-13 December 2006**

# Industry Leadership and Profitable Growth

## We continue to focus on:

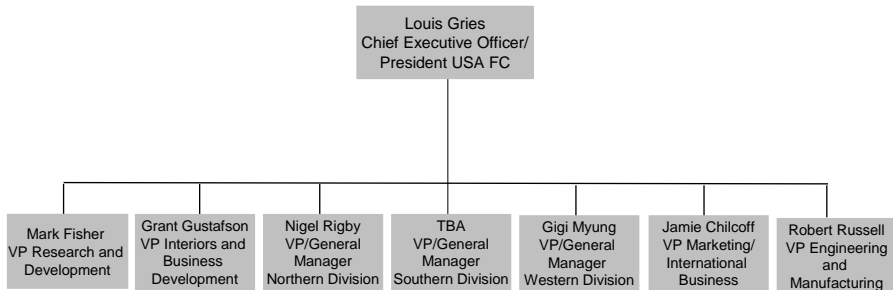
- Growing primary demand
- Securing differentiated positions
- Sustaining attractive margins
- Long term growth perspective



# Organisational Change

- **Transitioning established and emerging market structure into three operating divisions:**
  - Northern Division
  - Southern Division
  - Western Division
- **All divisions continue to be managed by a general manager with sales, marketing and manufacturing responsibilities**
- **Changes designed to recognise increased complexity going forward, while maintaining the benefits of a flat structure**

# Senior Leadership Team - Operations



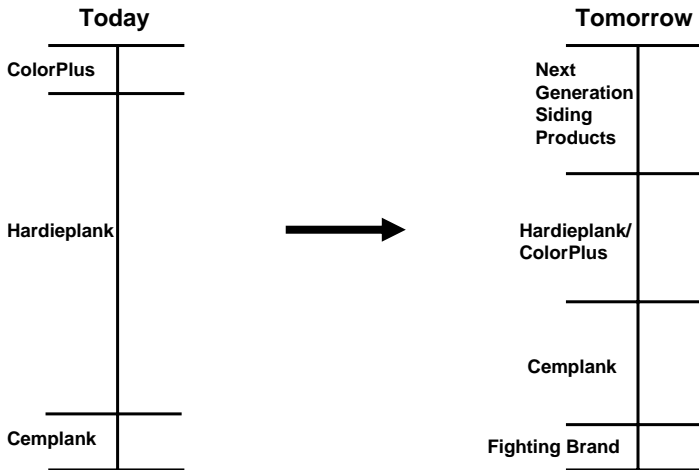
## General Update


- **Continuing to increase market share through conversion of customers from alternative materials**
- **Expanding supply of ColorPlus® products into Western and Southern divisions**
- **Ramp-up of new Pulaski, Virginia plant progressing well**
- **Increased fiber cement competition: new industry capacity announced (Indiana, Georgia, Texas border)**
- **Down-turn in new housing construction deeper than almost all forecasters predicted**
- **Business reset consistent based on our current housing market expectations**

# Product Portfolio Expansion

- **Launch of new US siding product to sit on top of our current range planned for FY08**
  - Currently sold in New Zealand and Australia (Linea®)
  - Medium density, durable, low maintenance, timber like aesthetics (cedar)
  - Thick, tapered, profiled, shadow lines
  - Value add/premium priced
  - Sunbelt roll out
  - IP protection

# Product Portfolio





# Housing Down-turn Reset

- Business model adjusted down, but able to 'flex up' quickly
  - Production rescheduling to balance supply and demand
  - Sales and marketing activities reviewed and reallocated based on lower market opportunity
  - Corporate wide review undertaken of cost saving opportunities
  
- Continue to:
  - Focus on market share gains
  - Fund growth initiatives
  - Target manufacturing efficiencies
  - Build organisational capabilities



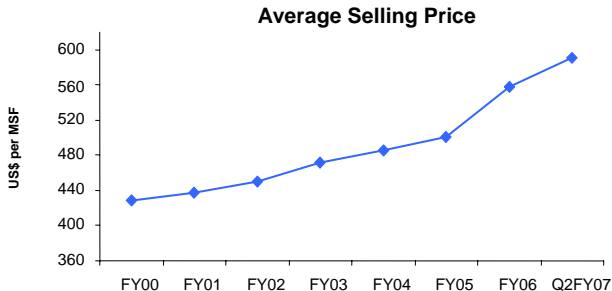


## Housing Down-turn

### Not a commodity building materials player

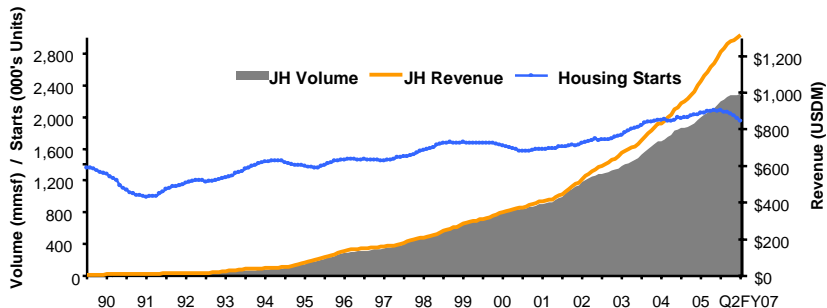
- Market share gains allow us to buffer loss in base demand due to the decline in housing starts
- Long-term practice of value pricing means that, unlike commodity businesses that ran prices up in the boom, price reductions are not anticipated to maintain our competitive position in the market
- EBIT margin target unchanged
- Long term revenue growth target maintained, although it will be impacted by the decline in market opportunity in the short to medium term

# Pricing



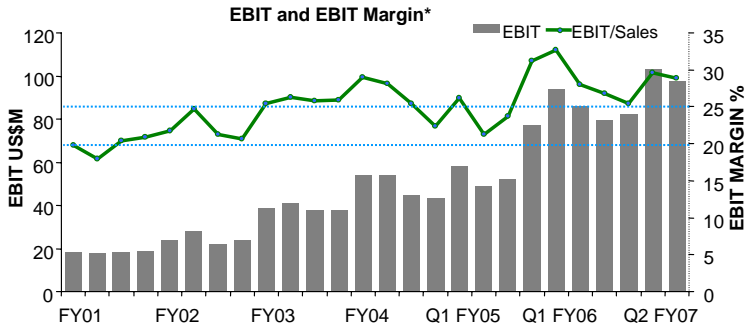
- Steady improvement over several years due to a changing sales mix coupled with some market adjustment

# Market Out-Performance



- Taking exterior market share from alternative siding materials, mainly wood and vinyl
  - Early differentiated position driven by production advantages and basic formulation
  - Category share and primary demand now driven by expanded product capabilities
- Estimated Siding market share at 12%, terminal share estimated at 35%
- Interiors growing faster than exteriors, due to expanding market share in a category that has grown in the interior cement board market

# EBIT Margin



- Long term EBIT/Sales target 20-25%
- Expect normal quarterly variances

# Future Growth

## Product growth strategy

- Job One:
  - Deliver terminal shares in current USA FC business model
- Job Two:
  - Extend the FC business model in the US (e.g. new products, new markets)
- Job Three:
  - Bolt-on opportunity in the US?
  - Technology track outside of FC?
  - Geography spread outside the US?



# Future Growth

## Geographic growth

- North America focus for short to medium term growth
- Important country attributes for further expansion:
  - Framed construction (product attributes)
  - Large population (manufacturing scale advantages)
  - Wealth (target middle class with our value add products)
  - Open business system (don't JV with core technology)



# Questions

# Definitions

## Financial Measures – US GAAP equivalents

**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.

## Sales Volumes

**mmsf** – million square feet

**msf** – thousand square feet



# Disclaimer

*This Management Presentation contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with or furnished to the United States 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 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 Australian Tax Office amended assessment;*
- *expectations that our credit facilities will be extended or renewed;*
- *projections of our operating results or financial condition;*
- *statements regarding our plans, objectives or goals, including those relating to competition, acquisitions, dispositions and our products;*
- *statements about our 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. 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, some of which are discussed under “Risk Factors” beginning on page 5 of our Form 20-F filed on 29 September 2006 with the Securities and Exchange Commission, include but are not limited to: 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 we operate; 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 our research and development efforts; our 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. We caution you that the foregoing list of factors is not exhaustive 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.*