




James Hardie

FY07 4th Quarter and Full Year Results

28 May 2007

In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 56. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)" and "thousand square feet (msf)"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt/cash"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos adjustments", "EBIT and EBIT margin excluding asbestos adjustments, impairment charge and SCI and other related expenses", "Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments", "Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back", "Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back", "Operating profit before income taxes excluding asbestos adjustments", "Income tax benefit/(expense) excluding tax benefit related to asbestos adjustments and tax provision write-back", "Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back", and "EBITDA"). Unless otherwise stated, results and comparisons are of the current 4th quarter and current full year versus the 4th quarter and full year of the prior fiscal year.



Agenda

- Overview and Operating Review – Louis Gries, CEO
- Financial Review – Russell Chenu, CFO
- Questions and Answers

Overview

- 4th Quarter and Full Year results affected by asbestos adjustments
- Very solid net operating profit excluding adjustments for items noted below, particularly given weaker markets in the US, Australia and New Zealand

| US\$ Million | Q4 FY07 | Q4 FY06 | % Change | FY07 | FY06 | % Change |
|---|--------------------|--------------------|---------------------|-------------|-------------|---------------------|
| Net operating profit (loss) | 103.1 | (650.9) | - | 151.7 | (506.7) | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | 54.4 | 64.7 | (16) | 222.2 | 208.9 | 6 |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge [^] , SCI and other related expenses, make-whole payment* and tax provision write-back | 56.4 | 54.5 | 3 | 230.0 | 212.7 | 8 |

[^] Charge in Q4 and full year 2006 only.

* Charge in full year 2007 results only.

Overview

4th Quarter

- USA Fibre Cement – strong bottom line performance with EBIT up despite sales being affected by a significantly weaker housing market
- Asia Pacific Fibre Cement – sales up despite weaker Australian and New Zealand housing and renovation markets, but EBIT lower due to a lower average sales price and higher manufacturing costs in Australia
- Business continued to generate strong operating cash flows



Overview

Full Year

- USA Fibre Cement – strong operating performance with both sales and EBIT up in a significantly weaker US housing market, especially in the 2nd half
- Asia Pacific Fibre Cement – sales up, but EBIT lower due to higher manufacturing costs
- Strong operating cash flows

Overview

- Shareholders approved asbestos compensation funding proposal in February – Asbestos Injuries Compensation Fund now operational
- Don DeFosset announced as new Chairman in April, replacing John Barr who was Acting Chairman following the resignation of Meredith Hellicar in February
- Significantly increased dividend announced

Long-Term Targets

| | <u>FY'07 Actual</u> | <u>3-year Compound Average Growth Rate</u> | <u>Long-Term Target</u> |
|---|-------------------------|--|-----------------------------|
| Revenue Growth | 4% | 16% | >15% pa |
| EBIT ¹ /Sales | 22% | | >15% pa |
| Return on Assets ² | 16% | | >15% pa |
| Net Debt Payback ³ | 1.9 years | | <5 years |
| Net Interest Expense Cover ¹ | 51.2 times | | >3 times |

¹ Excludes asbestos adjustments and SCI and other related expenses

² Net income (excluding asbestos adjustments, tax benefit related to asbestos adjustments, SCI and other related expenses, make-whole payment and tax provision write-back) divided by average total assets (excluding asbestos-related assets)

³ Excluding payments under the Amended FFA



Operating Review

Louis Gries, CEO

USA Fibre Cement



Does vinyl siding make sense anymore?
Do vinyl records?




James Hardie siding is everything vinyl isn't. With up to a 50 year product warranty, James Hardie siding resists everything from rain, snow and hail to intense heat and cold. It resists chipping, denting and cracking. And it holds paint like nothing else. There are 4 million homes with James Hardie siding. Wouldn't it be great if yours were one of them. Visit jameshardie.com. Or call 1-800-4A-HARDIE.


JamesHardie


In 50 years, there's a good chance it won't have cracked, peeled or blistered.
We should all be so lucky.



It's true. With James Hardie, you can sleep at night knowing that no matter what rains might fall, what winds may blow, what temperatures may fall or rise, your siding will live through it all. That's not a promise. That's up to a 50 year product guarantee. There are 4 million homes with James Hardie siding. Wouldn't it be great if yours were one of them. Visit jameshardie.com. Or call 1-800-4A-HARDIE.


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USA Fibre Cement

4th Quarter Result – Weaker US Housing Market

Net Sales down 11% to US\$289.9 million

Sales Volume down 16% to 484.9 mmsf

Average Price up 6% to US\$598 per msf

EBIT up 2% to US\$84.6 million

EBIT Margin up 3.8 pts to 29.2%

USA Fibre Cement

4th Quarter Market Conditions

- Further weakening in new housing construction activity
 - Starts down 25% and 30% for December and March quarters, respectively
- Tightening of mortgage lending standards – mortgage foreclosures up
- Supply continued to be greater than demand for new houses
- Builder confidence lower
- Repair and remodelling activity relatively steady



USA Fibre Cement

Key Points

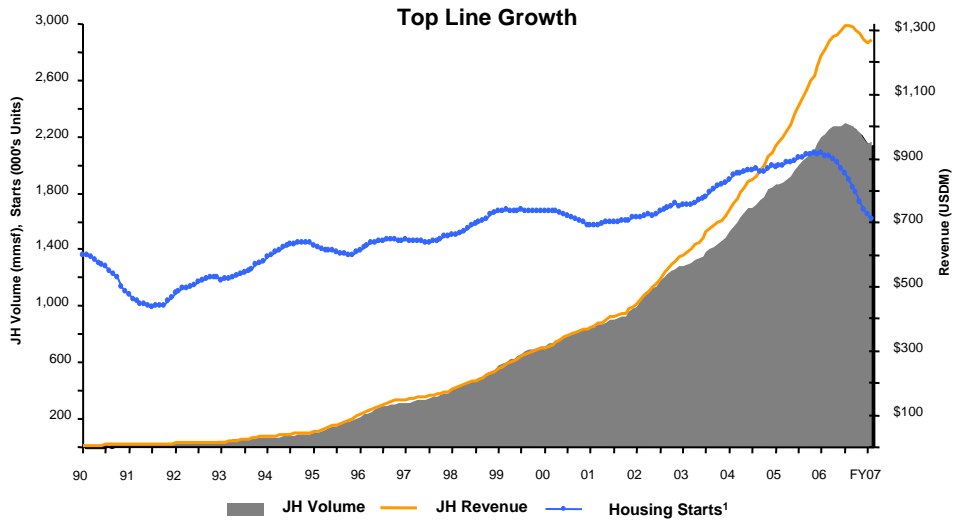
- Demand in exterior products category affected by weaker new housing market
- Weaker demand for exterior products across nearly all key regions
- Within exterior products, sales up for XLD® trim and ColorPlus®
- Commenced launch of ColorPlus® products in Western and Southern Divisions
- Sales for interior products category flat
- Higher average sales price
- Margin improvement
- Full year sales up 4%, EBIT up 6%, EBIT margin 28.7%

USA Fibre Cement

Outlook

- Increased uncertainty due to tightening of lending standards for subprime borrowers
- New permit data suggests some further weakness likely short-term
- Repair and remodelling activity expected to remain relatively stable
- Continued investment in growth initiatives
- Focus remains on cost management and market share gains against alternative materials

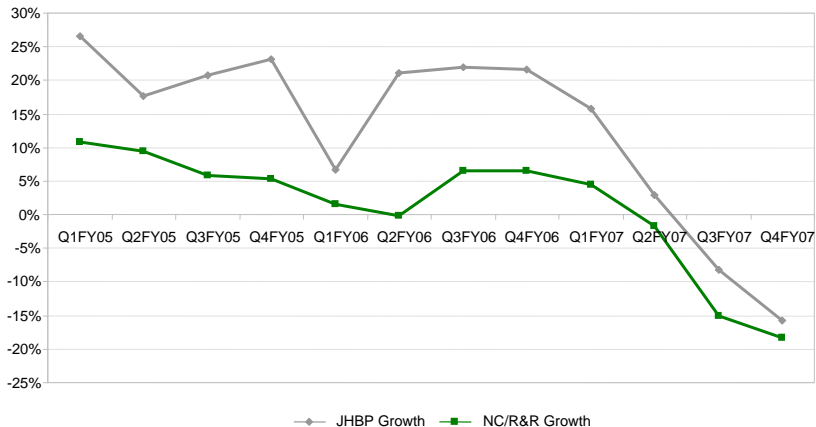
USA Fibre Cement



¹ Rolling 12 month average of seasonally adjusted estimate of housing starts by US Census Bureau.

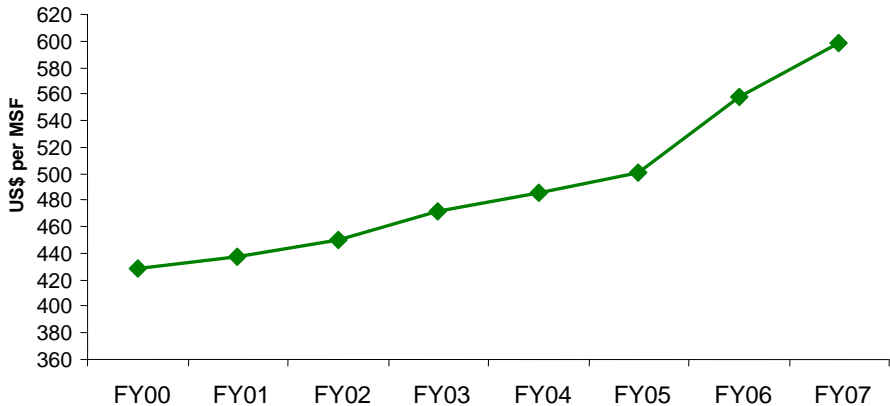
USA Fibre Cement

Primary Growth Performance



USA Fibre Cement

Average Selling Price



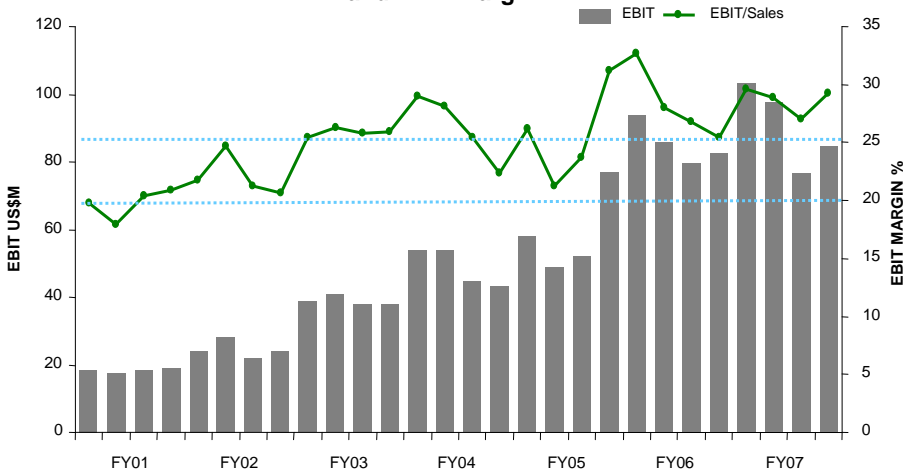
USA Fibre Cement

Strategy

- Aggressively grow demand for our products in targeted market segments
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors, introducing differentiated products to reduce direct price competition

USA Fibre Cement

EBIT and EBIT Margin*



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

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

4th Quarter Result

| | | |
|--------------|------|-------------------------|
| Net Sales | up | 12% to US\$64.3 million |
| Sales Volume | up | 9% to 98.2 mmsf |
| EBIT | down | 5% to US\$8.8 million |
| EBIT Margin | down | 2.6 pts to 13.7% |

Asia Pacific Fibre Cement

Strategy

- Grow primary demand for our products
- Leverage our superior technology to offer differentiated products and systems with superior value to those of competitors
- Promote a smarter way to build composite construction houses using our products
- Vigorously defend our position in existing market segments

Asia Pacific Fibre Cement

Key Points

- Further weakness in new housing and renovations markets in Australia and New Zealand; Philippines continued to improve
- ANZ Q4 net sales up 10% (4% in A\$), volumes up 6% due to market share gains, prices down slightly due to competition
- ANZ EBIT down 14% (21% in A\$) due largely to increased manufacturing costs at Rosehill, NSW; EBIT margin 14%
- Philippines remained EBIT positive for the quarter and full year
- Full year Asia Pacific Fibre Cement sales up 4%; EBIT down 6% due to higher manufacturing costs; EBIT margin 15.7%

Asia Pacific Fibre Cement


Outlook

Australia and New Zealand

- No near-term improvement expected in new housing and renovations activity
- Further growth in primary demand for fibre cement
- Market share gains
- Manufacturing and other cost efficiencies

Philippines

- Healthy level of building and construction activity expected short-term




Other

USA Hardie Pipe

- Q4 net sales lower due to weaker residential housing activity in Florida
- Impact of lower volumes partly offset by higher average net sales price
- Small EBIT loss for the quarter, but positive for the full year

Europe Fibre Cement

- Sales continuing to grow steadily



Overall Outlook for Operations

USA Fibre Cement

- Uncertainty over when new housing market will improve, but some further softening expected in the short-term
- Expect to continue outperforming the market overall

Asia Pacific Fibre Cement

- Market conditions to remain challenging, but further growth in primary demand expected



James Hardie

Financial Review

Russell Chenu, CFO

Overview

- Results significantly affected by asbestos adjustments

Background

- March 06 – booked asbestos provision of US\$716m (net basis)
- September 06 – new actuarial estimate, US\$ provision adjusted to US\$790m (net basis)
- February 07 – shareholder approval of voluntary compensation funding proposal
- March 07 – new actuarial estimate, moved to gross accounting (FAS 5) as foreshadowed in Explanatory Memorandum

Overview

Asbestos Adjustments

| US\$ Millions | Q4 FY07 | Q4 FY06 | FY07 | FY06 |
|--|----------------|----------------|----------------|----------------|
| Adjustments to net Amended FFA liability at 30 September 2006* | - | - | (41.8) | - |
| Adjustments to net Amended FFA liability at 31 March 2007* | 70.3 | - | 70.3 | - |
| Impact of tax-effecting the net Amended FFA liability | (335.0) | - | (335.0) | - |
| Impact of foreign exchange | (17.1) | - | (94.5) | - |
| Contributions to asbestos research and education | (4.5) | - | (4.5) | - |
| Initial recording of asbestos provision at 31 March 2006 | - | (715.6) | - | (715.6) |
| Net impact on EBIT | (286.3) | (715.6) | (405.5) | (715.6) |
| Tax benefit related to asbestos adjustments | 335.0 | - | 335.0 | - |
| Net impact on Net Operating Profit | 48.7 | (715.6) | (70.5) | (715.6) |

*Adjustments reflect changes in the KPMG Actuaries actuarial assessment, US GAAP adjustments and the net assets of the AICF.

Overview

- Balance sheet remains very strong excluding net Amended FFA liability
 - Net debt – US\$153.9m
 - Cash and unused term facilities – US\$201.1m
- Initial payment to Asbestos Injuries Compensation Fund (AICF) of A\$184.3 million made on 9 February 2007
- Annual contribution amount due 1 July 2007. Cash flow cap will apply

Overview

- Increased dividend
 - Final dividend US 15 cents a share. Full year dividend US 20 cents a share – up US 12 cents a share
 - Increase due to:
 - Reduced capital expenditure requirements
 - Finalisation of asbestos compensation funding arrangement
 - Record date 12 June 2007
 - Payable 10 July 2007
- Anticipated dividend payout ratio going forward of between 50% and 75%, subject to funding requirements

Results – Q4

| <u>US\$ Million</u> | <u>Q4'07</u> | <u>Q4'06</u> | <u>% Change</u> |
|------------------------------------|--------------|----------------|-----------------|
| Net sales | 360.9 | 389.8 | (7) |
| Gross profit | 133.8 | 139.5 | (4) |
| SG&A expenses | (52.3) | (63.4) | 18 |
| Research & development expense | (5.6) | (7.0) | 20 |
| Impairment of roofing plant | - | (13.4) | - |
| SCI and other related expenses | (5.4) | (2.7) | (100) |
| Asbestos adjustments | (286.3) | (715.6) | 60 |
| EBIT | (215.8) | (662.6) | 67 |
| Net interest (expense) income | (4.2) | 0.7 | - |
| Income tax benefit | 323.1 | 11.0 | - |
| Net operating profit (loss) | 103.1 | (650.9) | - |

Results – Q4

| <u>US\$ Million</u> | <u>Q4'07</u> | <u>Q4'06</u> | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Net operating profit (loss) | 103.1 | (650.9) | - |
| Asbestos adjustments | 286.3 | 715.6 | 60 |
| Tax benefit related to asbestos adjustments | (335.0) | - | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | 54.4 | 64.7 | (16) |
| Impairment of roofing plant (net of tax) | - | 8.0 | - |
| SCI and other related expenses (net of tax) | 5.0 | 2.5 | (100) |
| Tax provision write-back | (3.0) | (20.7) | - |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, SCI and other related expenses and tax provision write-back | 56.4 | 54.5 | 3 |

Results – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|--|---------------|----------------|-----------------|
| Net sales | 1,542.9 | 1,488.5 | 4 |
| Gross profit | 573.0 | 550.8 | 4 |
| SG&A expenses | (214.6) | (209.8) | (2) |
| Research & development expense | (25.9) | (28.7) | 10 |
| Impairment of roofing plant | - | (13.4) | - |
| SCI and other related expenses | (13.6) | (17.4) | 22 |
| Other operating expense | - | (0.8) | - |
| Asbestos adjustments | (405.5) | (715.6) | 43 |
| EBIT | (86.6) | (434.9) | 80 |
| Net interest expense | (6.5) | (0.2) | - |
| Income tax benefit (expense) | 243.9 | (71.6) | - |
| Effect of change in accounting principle | 0.9 | - | - |
| Net operating profit (loss) | 151.7 | (506.7) | - |

Results – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|---|---------------|---------------|-----------------|
| Net operating profit (loss) | 151.7 | (506.7) | - |
| Asbestos adjustment | 405.5 | 715.6 | 43 |
| Tax benefit related to asbestos adjustments | (335.0) | - | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | 222.2 | 208.9 | 6 |
| Impairment of roofing plant (net of tax) | - | 8.0 | - |
| SCI and other related expenses (net of tax) | 12.6 | 16.5 | 24 |
| Make-whole payment (net of tax) | 5.6 | - | - |
| Tax provision write-back | (10.4) | (20.7) | (50) |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, SCI and other related expenses and tax provision write-back | 230.0 | 212.7 | 8 |

Segment Net Sales – Q4

| <u>US\$ Million</u> | <u>Q4 '07</u> | <u>Q4 '06</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 289.9 | 325.6 | (11) |
| Asia Pacific Fibre Cement | 64.3 | 57.2 | 12 |
| Other | 6.7 | 7.0 | (4) |
| Total | 360.9 | 389.8 | (7) |

Segment Net Sales – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 1,262.3 | 1,218.4 | 4 |
| Asia Pacific Fibre Cement | 251.7 | 241.8 | 4 |
| Other | 28.9 | 28.3 | 2 |
| Total | 1,542.9 | 1,488.5 | 4 |

Segment EBIT – Q4

| <u>US\$ Million</u> | <u>Q4 '07</u> | <u>Q4 '06</u> | <u>% Change</u> |
|--|----------------|----------------|-----------------|
| USA Fibre Cement | 84.6 | 82.7 | 2 |
| Asia Pacific Fibre Cement | 8.8 | 9.3 | (5) |
| Other | (2.7) | (3.8) | 29 |
| R & D | (3.5) | (3.9) | 10 |
| Total Segment EBIT | 87.2 | 84.3 | 3 |
| Impairment of roofing plant | - | (13.4) | - |
| General Corporate | (16.7) | (17.9) | 7 |
| Total EBIT excluding asbestos adjustments | 70.5 | 53.0 | 33 |
| Asbestos adjustments | (286.3) | (715.6) | 60 |
| Total EBIT | (215.8) | (662.6) | 67 |

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

Segment EBIT – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|--|---------------|----------------|-----------------|
| USA Fibre Cement | 362.4 | 342.6 | 6 |
| Asia Pacific Fibre Cement | 39.4 | 41.7 | (6) |
| Other | (9.3) | (13.1) | 29 |
| R & D | (17.1) | (15.7) | (9) |
| Total Segment EBIT | 375.4 | 355.5 | 6 |
| Impairment of roofing plant | - | (13.4) | - |
| General Corporate | (56.5) | (61.4) | 8 |
| Total EBIT excluding asbestos adjustments | 318.9 | 280.7 | 14 |
| Asbestos adjustments | (405.5) | (715.6) | 43 |
| Total EBIT | (86.6) | (434.9) | 80 |

R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

Corporate Costs – Q4

| <u>US\$ Million</u> | <u>Q4' 07</u> | <u>Q4' 06</u> | <u>% Change</u> |
|--------------------------------|---------------|---------------|-----------------|
| Stock compensation expense | 1.7 | 2.2 | 23 |
| Australian pension plan | 0.5 | 1.3 | 62 |
| SCI and other related expenses | 5.4 | 2.7 | (100) |
| Earnings-related bonus | 0.9 | 5.0 | 82 |
| Other costs | 8.2 | 6.7 | (22) |
| Total | 16.7 | 17.9 | 7 |

Corporate Costs – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|--------------------------------|---------------|---------------|-----------------|
| Stock compensation expense | 5.8 | 5.9 | 2 |
| Australian pension plan | 2.8 | 1.8 | (56) |
| SCI and other related expenses | 13.6 | 17.4 | 22 |
| Earnings-related bonus | 3.0 | 9.5 | 68 |
| Other costs | 31.3 | 26.8 | (17) |
| Total | 56.5 | 61.4 | 8 |

Net Interest Expense

| <u>US\$ Million</u> | <u>Q4 '07</u> | <u>Q4 '06</u> |
|-------------------------------|---------------|---------------|
| Net interest (expense) income | (4.2) | 0.7 |
| | <u>FY '07</u> | <u>FY '06</u> |
| Net interest expense | (6.5) | (0.2) |

Income tax expense – Q4

| <u>US\$ Million</u> | <u>Q4'07</u> | <u>Q4'06</u> |
|---|--------------|--------------|
| Operating loss before income taxes | (220.0) | (661.9) |
| Asbestos adjustments | 286.3 | 715.6 |
| Operating profit before income taxes excluding asbestos adjustments | 66.3 | 53.7 |
| Income tax benefit | 323.1 | 11.0 |
| Tax benefit related to asbestos adjustments | (335.0) | - |
| Tax provision write-back | (3.0) | (20.7) |
| Income tax expense excluding tax benefit related to asbestos adjustments and tax provision write-back | (14.9) | (9.7) |
| Effective tax rate excluding asbestos adjustments | 22.5% | 18.1% |

Income tax expense – Full Year

| <u>US\$ Million</u> | <u>FY'07</u> | <u>FY'06</u> |
|---|--------------|--------------|
| Operating loss before income taxes | (93.1) | (435.1) |
| Asbestos adjustments | 405.5 | 715.6 |
| Operating profit before income taxes excluding asbestos adjustments | 312.4 | 280.5 |
| Income tax benefit (expense) | 243.9 | (71.6) |
| Tax benefit related to asbestos adjustments | (335.0) | - |
| Tax provision write-back | (10.4) | (20.7) |
| Income tax expense excluding tax benefit related to asbestos adjustments and tax provision write-back | (101.5) | (92.3) |
| Effective tax rate excluding asbestos adjustments | 32.5% | 32.9% |

Segment EBITDA – Q4

| <u>US\$ Million</u> | <u>Q4'07</u> | <u>Q4'06</u> | <u>% Change</u> |
|--|----------------|----------------|-----------------|
| EBIT | | | |
| USA Fibre Cement | 84.6 | 82.7 | 2 |
| Asia Pacific Fibre Cement | 8.8 | 9.3 | (5) |
| Other | (2.7) | (17.2) | 84 |
| R & D | (3.5) | (3.9) | 10 |
| General Corporate | (16.7) | (17.9) | 9 |
| Depreciation and Amortisation | | | |
| USA Fibre Cement | 10.2 | 8.2 | (24) |
| Asia Pacific Fibre Cement | 2.6 | 2.6 | - |
| Other | 0.8 | 0.7 | (14) |
| Total EBITDA before asbestos adjustments | 84.1 | 64.5 | 30 |
| Asbestos adjustments | (286.3) | (715.6) | - |
| Total EBITDA including asbestos adjustments | (202.2) | (651.1) | 69 |

Segment EBITDA – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|--|---------------|----------------|-----------------|
| EBIT | | | |
| USA Fibre Cement | 362.4 | 342.6 | 6 |
| Asia Pacific Fibre Cement | 39.4 | 41.7 | (6) |
| Other | (9.3) | (26.5) | 65 |
| R & D | (17.1) | (15.7) | (9) |
| General Corporate | (56.5) | (61.4) | 8 |
| Depreciation and Amortisation | | | |
| USA Fibre Cement | 37.8 | 32.4 | (17) |
| Asia Pacific Fibre Cement | 10.1 | 10.0 | (1) |
| Other | 2.8 | 2.9 | 3 |
| Total EBITDA before asbestos adjustments | 369.6 | 326.0 | 13 |
| Asbestos adjustments | (405.5) | (715.6) | 43 |
| Total EBITDA including asbestos adjustments | (35.9) | (389.6) | 91 |

Cash Flow – Full Year

| US\$ Millions | FY '07 | FY '06 | % Change |
|---|----------------|----------------|-----------------|
| EBIT | (86.6) | (434.9) | 80 |
| Non-Cash Items | | | |
| - Asbestos adjustments | 405.5 | 715.6 | (43) |
| - Other Non-Cash Items | 54.8 | 54.1 | 1 |
| Net Working Capital Movements | (52.6) | 2.7 | - |
| Cash Flow from Operations | 321.1 | 337.5 | (5) |
| Tax Payments | (80.8) | (93.4) | 13 |
| Deposit with ATO | (154.8) | - | - |
| Initial Funding Payment to AICF | (148.7) | - | - |
| Interest Paid (net) | (3.9) | (3.5) | (11) |
| Net Operating Cash Flow | (67.1) | 240.6 | - |
| Purchases of Property, Plant & Equipment | (92.6) | (162.0) | 43 |
| Dividends Paid | (42.1) | (45.9) | 8 |
| Equity Issued | 18.5 | 18.7 | (1) |
| Other | 17.0 | 6.8 | - |
| Movement in Net Cash (Debt) | (166.3) | 58.2 | - |
| Net Cash (Debt) – 31 March – Beginning of Year | 12.4 | (45.8) | - |
| Net Cash (Debt) – 31 March – End of Year | (153.9) | 12.4 | - |

Capital Expenditure – Full Year

| <u>US\$ Million</u> | <u>FY '07</u> | <u>FY '06</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 78.8 | 154.5 | 49 |
| Asia Pacific Fibre Cement | 10.5 | 6.2 | (69) |
| Other | 3.3 | 1.3 | - |
| Total | 92.6 | 162.0 | 43 |


Key Ratios

| | <u>FY '07</u> | <u>FY '06</u> | <u>FY '05</u> |
|--|---------------|---------------|---------------|
| EPS (Diluted) ¹ | 49.3c | 45.7c | 32.6c |
| Dividend Paid per share | 9.0c | 10.0c | 3.0c |
| Return on Shareholders' Funds ¹ | 24.0% | 28.7% | 25.9% |
| Return on Capital Employed ² | 27.7% | 32.0% | 26.9% |
| EBIT/ Sales (EBIT margin) ² | 21.6% | 20.9% | 18.5% |
| Gearing Ratio ¹ | 12.5% | (1.5)% | 6.6% |
| Net Interest Expense Cover ² | 51.2x | - | 44.0x |
| Net Interest Paid Cover ² | 65.2x | 89.0x | 21.0x |
| Net Debt Payback ³ | 1.9 yrs | - | 0.2 yrs |

¹ Excludes asbestos adjustments, tax benefit related to asbestos adjustments, SCI and other related expenses, impairment charge, make-whole payment and tax provision write-back.

² Excludes asbestos adjustments, SCI and other related expense, and impairment.

³ Excluding payments under the Amended FFA



Asbestos Compensation Funding Arrangement

- Shareholders voted overwhelmingly in favour of funding proposal on 7 February
- Initial payment of A\$184.3m made to AICF on 9 February 2007
- Updated actuarial report completed as at 31 March 2007
- Annual contribution to AICF due 1 July 2007 – cash flow cap will apply

Updated Actuarial Estimate

A\$ Millions

KPMG Actuaries P/L expected estimate for 31 March 2007, based on 30 September 2006 estimate (allowing for cost savings in NSW only)

A\$1,567.3

Change in discount rate

(62.7)

1,504.6

Reduced by:

Reduction in average claims cost and legal costs

(34.7)

Reduction in claim numbers

(90.9)

Emerging claims experience

(10.1)

Insurance recoveries

(2.6)

Cross claim recoveries

(14.4)

Nil cost claims

3.2

Total depletion in net liability

(149.5)

Actuarial estimate at 31 March 2007

A\$1,355.1

Updated Actuarial Estimate

Net accounting liability under Amended FFA

| A\$ millions (except where stated) | 31 March 2006 | 31 March 2007 |
|---|---------------|---------------|
| Central Estimate – Discounted | 1,517.0 | 1,355.1 |
| Discounting and inflation allowance | (113.2) | (82.1) |
| Provision for claims handling costs of AICF | 67.7 | 69.2 |
| Other US GAAP adjustments | 28.7 | 39.6 |
| Net (assets) liabilities of AICF (excl funding payment) | (71.6) | 2.2 |
| Contributions to asbestos research and education | - | 5.6 |
| Effect of tax | (428.6) | (415.2) |
| Net post-tax liability | 1,000.0 | 974.4 |
| Exchange rate A\$ to US\$ | 1.3975 | 1.2395 |
| Net post-tax liability in US\$ millions | 715.6 | 786.1 |

Updated Actuarial Estimate

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> | <u>30 Sept 06</u> | <u>31 Mar 07</u> |
|---------------------------------|------------------|------------------|------------------------|------------------------|------------------------|------------------------|
| Central Estimate – Discounted | 1.536 | 1.685 | 1.568 ¹ | 1.517 ¹ | 1.555 ¹ | 1.355 ¹ |
| Central Estimate – Undiscounted | 3.586 | 3.604 | 3.131 ¹ | 3.079 ¹ | 3.169 ¹ | 2.811 ¹ |
| Range - Undiscounted | 2.0 - 5.7 | 2.0 - 5.9 | 1.5 - 5.5 ¹ | 1.7 - 5.3 ¹ | 1.8 - 5.7 ¹ | 1.6 - 5.1 ¹ |

¹ Includes estimated legal cost savings for NSW only



Summary

- Very solid overall operating performance for quarter and full year
- Asbestos compensation funding arrangement now operational
- The company's financial position remains strong
- Results subject to fluctuation in A\$: US\$ exchange rate for foreseeable future
- Increased dividend



Questions & Answers

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 about the timing and amount of payments to the Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;*
- *expectations with respect to the effect on our financial statements of those payments;*
- *statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the Australian Securities & Investments Commission;*
- *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; required contributions to the AICF and the effect of foreign exchange on the amount recorded in our financial statements as an asbestos liability; 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.

Endnotes

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 Analysis of Results, a Media Release and a Financial Report.

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.

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

Net operating profit - is equivalent to the US GAAP measure of net income.

Sales Volumes

mmsf – million square feet

msf – thousand square feet

Endnotes

Financial Ratios

Gearing Ratio – Net debt/cash divided by net debt/cash plus shareholders' equity.

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.

Net debt/cash – Short-term and long-term debt less cash and cash equivalents.

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding asbestos adjustments – EBIT and EBIT margin excluding asbestos adjustments 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 | Q4 FY07 | Q4 FY06 | FY07 | FY06 |
|---|------------|------------|-----------|-----------|
| EBIT | \$(215.8) | \$(662.6) | \$(86.6) | \$(434.9) |
| Asbestos adjustments | 286.3 | 715.6 | 405.5 | 715.6 |
| EBIT excluding asbestos adjustments | 70.5 | 53.0 | 318.9 | 280.7 |
| Net Sales | \$360.9 | \$389.8 | \$1,542.9 | \$1,488.5 |
| EBIT margin excluding asbestos adjustments | 19.5% | 13.6% | 20.7% | 18.9% |

Non-US GAAP Financial Measures

EBIT excluding asbestos adjustments, impairment charge and SCI and other related expenses – EBIT excluding asbestos adjustments, impairment charge and SCI and other related expenses is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than EBIT. James Hardie 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 and provides useful information regarding its financial condition and results of operations. The company uses this non-US GAAP measure for the same purposes.

| US\$ Million | Q4 FY07 | Q4 FY06 | FY07 | FY06 |
|---|------------|------------|----------|-----------|
| EBIT | \$(215.8) | \$(662.6) | \$(86.6) | \$(434.9) |
| Asbestos adjustments | 286.3 | 715.6 | 405.5 | 715.6 |
| Impairment of roofing plant | - | 13.4 | - | 13.4 |
| SCI and other related expenses | 5.4 | 2.7 | 13.6 | 17.4 |
| EBIT excluding asbestos adjustments, impairment charge and SCI and other related expenses | \$75.9 | \$69.1 | \$332.5 | \$311.5 |

Non-US GAAP Financial Measures

Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments – Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. 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 uses this non-US GAAP measure for the same purposes.

| US\$ Million | Q4 | Q4 | FY07 | FY06 |
|---|---------|-----------|---------|-----------|
| | FY07 | FY06 | | |
| Net operating profit (loss) | \$103.1 | \$(650.9) | \$151.7 | \$(506.7) |
| Asbestos adjustments | 286.3 | 715.6 | 405.5 | 715.6 |
| Tax benefit related to asbestos adjustments | (335.0) | - | (335.0) | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | \$54.4 | \$64.7 | \$222.2 | \$208.9 |



Non-US GAAP Financial Measures

Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back – Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back 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.

Details next slide.

Non-US GAAP Financial Measures


Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back

| US\$ Million | Q4 FY07 | Q4 FY06 | FY07 | FY06 |
|---|------------|------------|---------|-----------|
| Net operating (loss) profit | \$103.1 | \$(650.9) | \$151.7 | \$(506.7) |
| Asbestos adjustments | 286.3 | 715.6 | 405.5 | 715.6 |
| Tax benefit related to asbestos adjustments | (335.0) | - | (335.0) | - |
| Impairment of roofing plant (net of tax) | - | 8.0 | - | 8.0 |
| SCI and other related expenses (net of tax) | 5.0 | 2.5 | 12.6 | 16.5 |
| Make-whole payment (net of tax) | - | - | 5.6 | - |
| Tax provision write-back | (3.0) | (20.7) | (10.4) | (20.7) |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back | \$56.4 | \$54.5 | \$230.0 | \$212.7 |
| Weighted average common shares outstanding - Diluted (millions) | 469.0 | 467.0 | 466.4 | 465.0 |
| Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back (US cents) | 12.0 | 11.7 | 49.3 | 45.7 |

Non-US GAAP Financial Measures

Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back – Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. 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 | Q4 | Q4 | FY07 | FY06 |
|---|-----------|-----------|-----------|-----------|
| | FY07 | FY06 | FY07 | FY06 |
| Operating (loss) profit before income taxes | \$(220.0) | \$(661.9) | \$(93.1) | \$(435.1) |
| Asbestos adjustments | 286.3 | 715.6 | 405.5 | 715.6 |
| Operating profit before income taxes excluding asbestos adjustments | \$66.3 | \$53.7 | \$312.4 | \$280.5 |
| Income tax benefit / (expense) | 323.1 | 11.0 | 243.9 | (71.6) |
| Tax benefit related to asbestos adjustments | (335.0) | - | (335.0) | - |
| Tax provision write-back | (3.0) | (20.7) | (10.4) | (20.7) |
| Income tax benefit / (expense) excluding tax benefit related to asbestos adjustments and tax provision write-back | \$(14.9) | \$(9.7) | \$(101.5) | \$(92.3) |
| Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back | 22.5% | 18.1% | 32.5% | 32.9% |



EBITDA – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.



James Hardie

FY07 4th Quarter and Full Year Results

28 May 2007

In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 57. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)" and "thousand square feet (msf)"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt/cash"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos adjustments", "EBIT and EBIT margin excluding asbestos adjustments, impairment charge and SCI and other related expenses", "Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments", "Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back", "Diluted earnings per share excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back", "Operating profit before income taxes excluding asbestos adjustments", "Income tax benefit/(expense) excluding tax benefit related to asbestos adjustments and tax provision write-back", "Effective tax rate excluding asbestos adjustments, tax benefit related to asbestos adjustments and tax provision write-back", and "EBITDA"). Unless otherwise stated, results and comparisons are of the current 4th quarter and current full year versus the 4th quarter and full year of the prior fiscal year.

