



James Hardie

FY06 2nd Quarter and Half Year Results

10 November 2005

In this Management Presentation, we present financial measures that we believe are customarily used by our Australian investors. In each case where we present one of these measures, the equivalent US GAAP financial measure is defined in the Definitions section on pages 47 and 48. Specifically, these measures include “EBIT”, “EBIT Margin”, “Operating profit from continuing operations”, and “Net operating profit including discontinued operations”. The Definitions section also includes other terms that we use for measuring our sales volumes (“million square feet (mmsf)” and “thousand square feet (msf)”); financial ratios “Net cash/debt”, “Net debt payback”, “Gearing Ratio”, “Net Interest Expense Cover”, and “Net Interest Paid Cover”; and the Non-US GAAP financial measure “EBITDA”. Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter and first half of the current fiscal year versus the 2nd quarter and first half of the prior fiscal year.

Agenda

- Overview and Operating Review – Louis Gries, CEO
- Financial Review – Russell Chenu, CFO
- Voluntary asbestos-related compensation funding proposal – Russell Chenu, CFO
- Questions and Answers

Overview

- Strong 2nd quarter results
 - Very strong top-line growth
 - Significant EBIT improvement, despite higher costs
 - On track to meet business targets for year
 - Strong cashflow generation
 - Further strengthening of balance sheet

- Further progress on Principal Deed discussions

Overview

2nd Quarter and Half Year FY06

| | Q2'06 % | HY'06 % |
|--|------------|------------|
| Net Sales | up 25 | up 21 |
| Gross Profit | up 41 | up 36 |
| EBIT | up 91 | up 66 |
| Operating Profit from Continuing Operations | up 93 | up 67 |
| Net Operating Profit Including Discontinued Operations | up 92 | up 69 |

Highlights

2nd Quarter

- USA Fibre Cement – EBIT up 76%
- Australia and New Zealand Fibre Cement – EBIT up 3%
- Philippines Fibre Cement – EBIT positive
- Hardie Pipe – EBIT loss reduced

Exceeding Targets

| | <u>HY'06 Actual</u> | <u>Long Term Target²</u> |
|------------------------------|---------------------|-------------------------------------|
| Revenue Growth | 25% | >15% |
| EBIT ¹ /Sales | 22% | >15% |
| ROA (EBIT ¹ /GCE) | 37% | >15% |

¹Includes SCI and related expenses of US\$9.9 million

²Per annum



Operating Review

Louis Gries, CEO

USA Fibre Cement



USA Fibre Cement

2nd Quarter Result – Very Strong Sales Growth

| | | |
|---------------|----|--------------------------|
| Net Sales | up | 33% to US\$307.4 million |
| Sales Volume | up | 21% to 556.8 mmsf |
| Average Price | up | 10% to US\$552 per msf |
| EBIT | up | 76% to US\$86.1 million |
| EBIT Margin | up | 6.8 pts to 28.0% |

USA Fibre Cement

2nd Quarter Trading Conditions

- New housing construction and repair and remodelling remained at very solid levels
 - Modest interest rate increases, but rates still low
 - Strong house prices
 - Consumer and builder confidence
- Severe hurricanes hit Gulf Coast
 - But Louisiana and Mississippi less than 5% of total net sales
- Freight and energy costs up

USA Fibre Cement

Key Points

- Very strong sales growth
- Significant market penetration against alternative materials
- ColorPlus™ strategy continuing to progress well
- More paint lines being built
- Both interior and exterior products growing strongly
- Growth across both emerging and established markets
- Increased cement, energy and freight costs

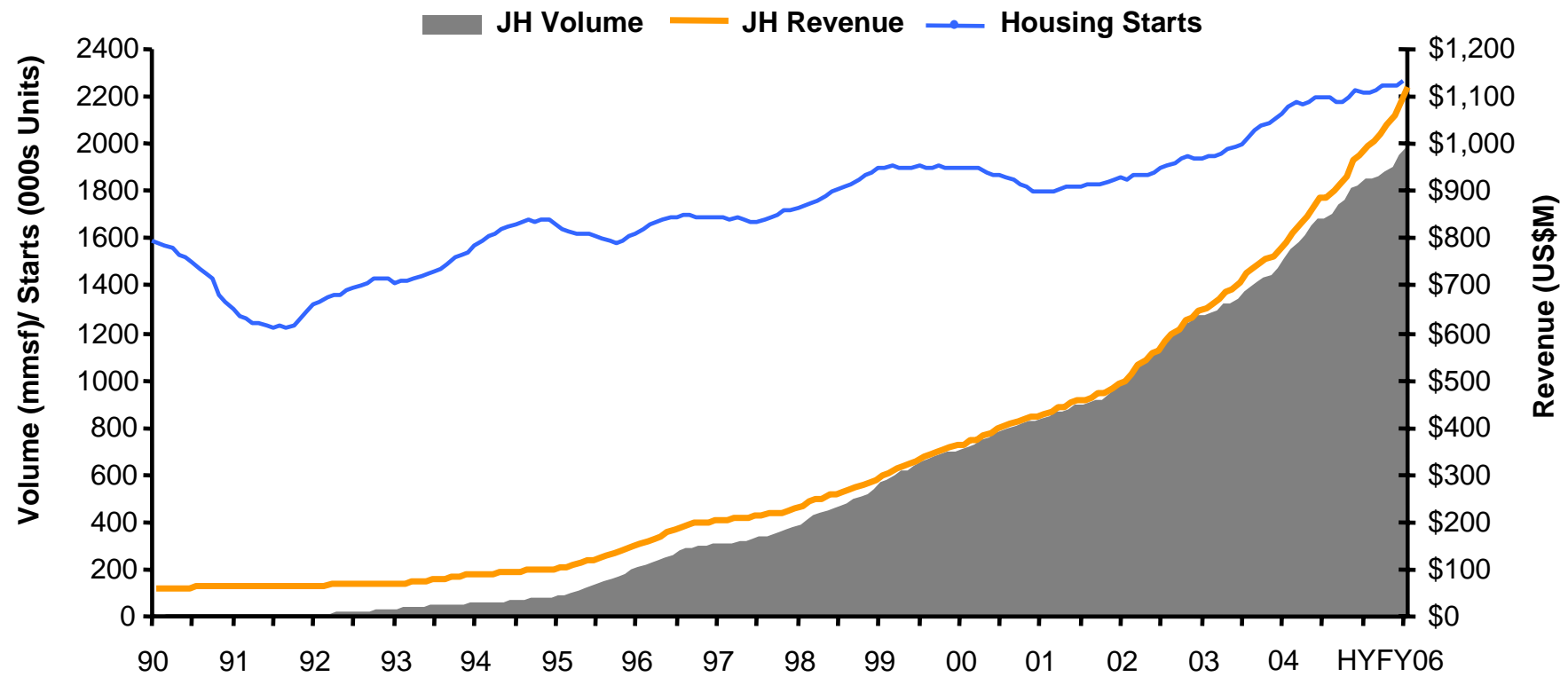
USA Fibre Cement

Outlook

- New housing construction activity to slow slightly, but maintain a healthy pace
 - More modest interest rate increases
 - Permits strong
 - Builder and consumer confidence strong
- Repair and remodelling activity to remain healthy
- Further growth in demand for fibre cement
- More market share gains against alternative materials
- Cement, energy and freight costs to remain high
- Good sales growth and EBIT performance to continue

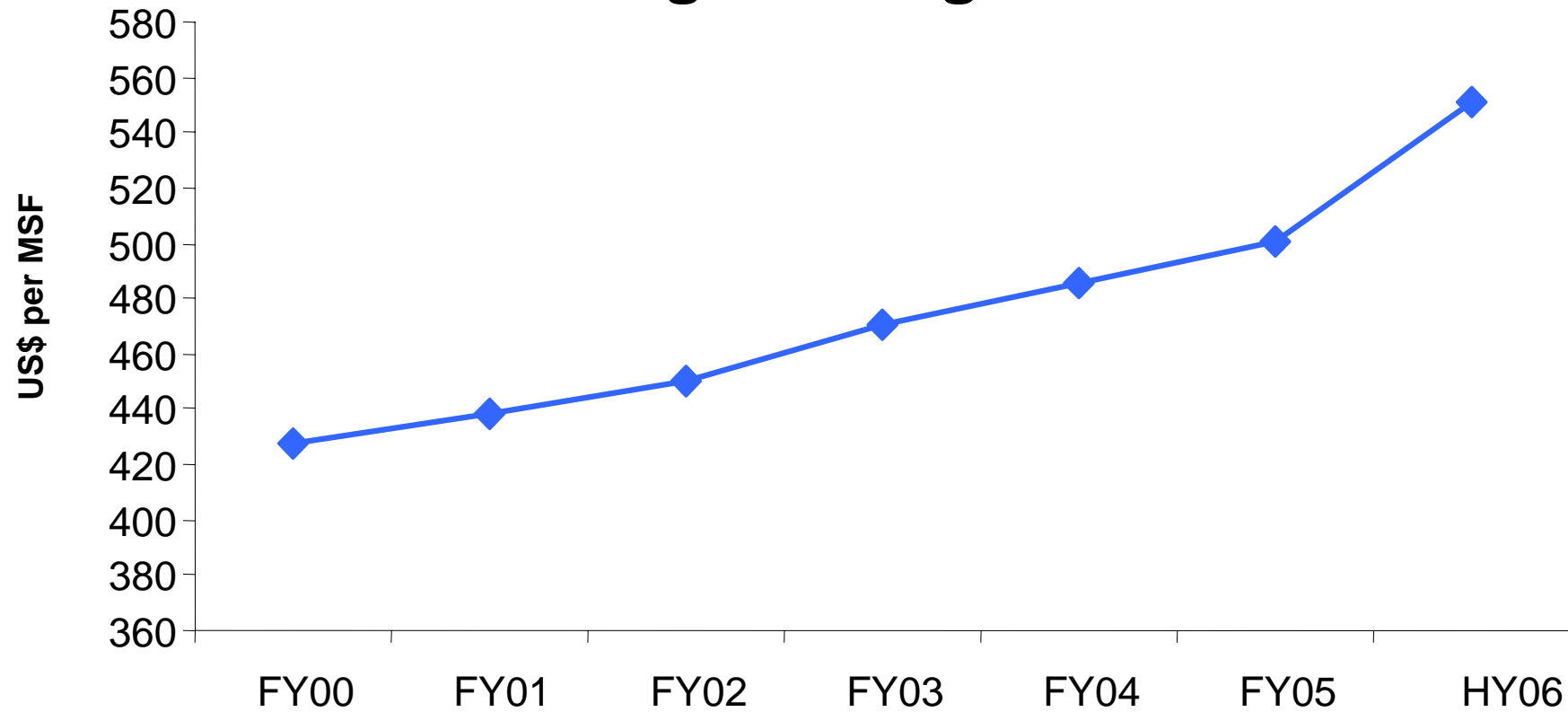
USA Fibre Cement

Top Line Growth

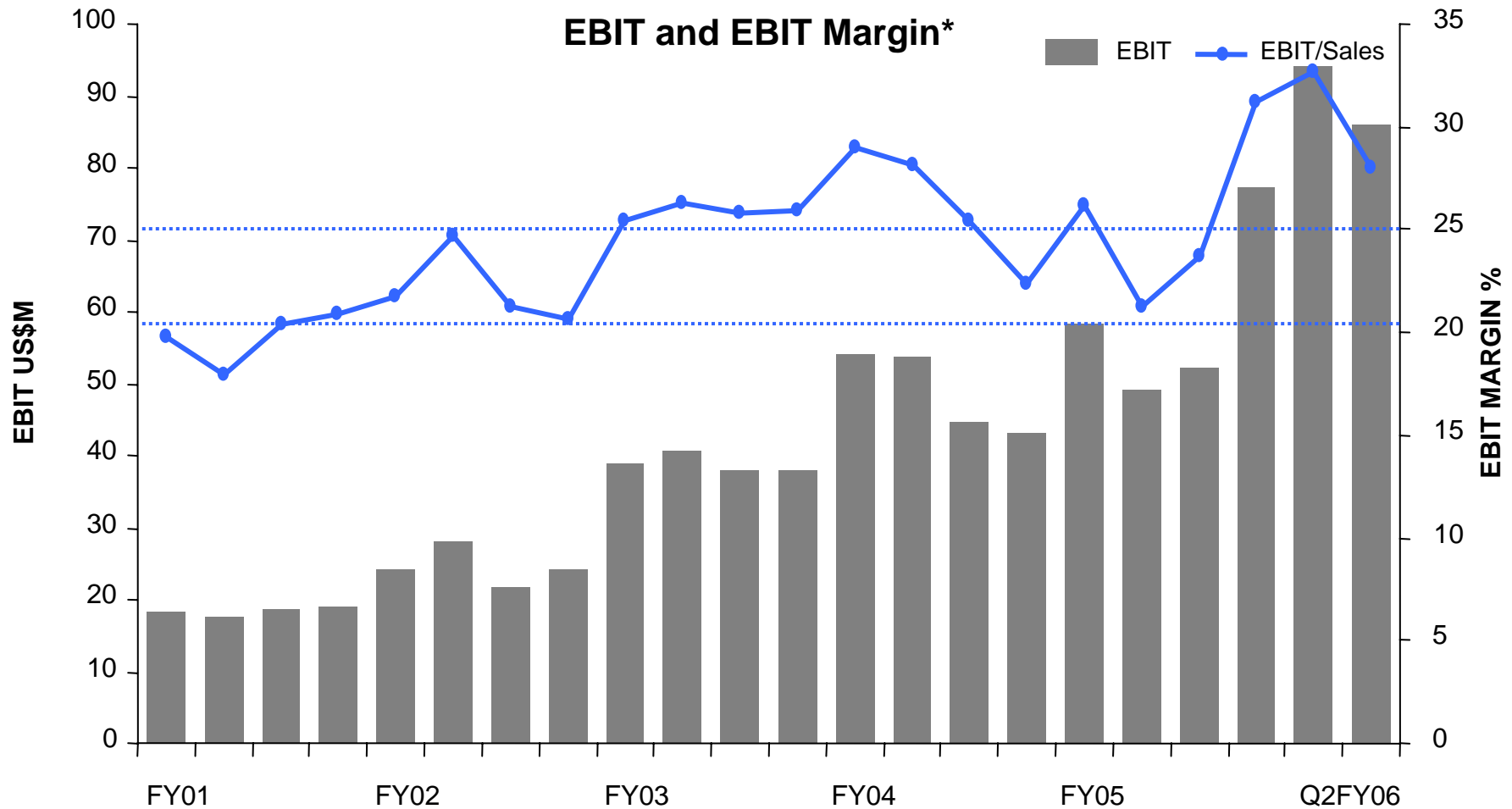


USA Fibre Cement

Average Selling Price



USA Fibre Cement



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

USA Fibre Cement

Strategy

- Aggressively grow demand for fibre cement in our targeted markets
- 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

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

2nd Quarter Result

| | | |
|--------------|------|------------------------|
| Net Sales | up | 2% to US\$63.5 million |
| Sales Volume | down | 9% to 93.7 mmsf |
| EBIT | down | 2% to US\$12.0 million |
| EBIT Margin | down | 0.8 pt to 18.9% |

Asia Pacific Fibre Cement

Strategy

- Grow primary demand for fibre cement
- Vigorously protect and grow category share in existing market segments
- Leverage our superior technology to offer differentiated products and systems with superior value to those of competitors

Asia Pacific Fibre Cement

Australia and New Zealand – Key Points

- New housing construction weaker in both Australia and New Zealand
- Some new product bans and boycotts in Australia
- Net sales up 4%
- EBIT up 3%, EBIT margin 19.6%

Asia Pacific Fibre Cement

Industrial Dispute

- Involves flat sheet and pipes plants in Queensland
- Current EBA now up for renegotiation
- Seeking separate EBAs
 - Flat sheet and pipes businesses are fundamentally different
 - Needed for sustainability of pipes business

Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- No improvement in new housing construction and renovation activity expected short term
- Growth in primary demand for fibre cement in Australia
- Product bans and boycotts to remain until voluntary asbestos compensation arrangement finalised

Asia Pacific Fibre Cement

Philippines - Key Points

- Domestic construction continues to be affected by political and economic uncertainty
- Net sales down on higher selling prices
- EBIT positive

Outlook

- Improved building and construction activity
- Stronger demand
- Developments in political environment remain a key factor

Other Fibre Cement

USA Hardie Pipe - Key Points

- Non-residential construction activity in Florida remained buoyant
- Softer demand due to higher prices
- EBIT loss reduced, cash positive for first half

Other Fibre Cement

Europe Fibre Cement

- Demand continuing to build steadily

Artisan™ Roofing

- Early market development progressing

Overall Outlook

- Housing construction and repair and remodeling activity in North America to remain healthy over second half
 - Further market penetration against alternative materials
 - Confident of achieving 15%-25% revenue growth for FY06
 - Expect to run above EBIT margin target over short term
- No material improvement to market conditions in Asia Pacific businesses expected short term
- SCI related costs expected to continue into next fiscal year



Financial Review

Russell Chenu, CFO

Overview

- Continued to generate strong operating cashflow
- Financial position further strengthened
 - Net cash US\$23.5m v US\$45.8m net debt (pcp)
- Interim dividend of US 4.0 cents
 - Payable 16 December 2005 to shareholders registered 29 November 2005

Results – Q2

| <u>US\$ Million</u> | <u>Q2'06</u> | <u>Q2'05</u> | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Net sales | 376.6 | 300.9 | 25 |
| Gross profit | 137.3 | 97.1 | 41 |
| SG&A expenses | (49.7) | (45.5) | 9 |
| Research & development expenses | (7.1) | (5.3) | 34 |
| SCI and other related expenses | (4.7) | (5.6) | (16) |
| Other operating income / (expenses) | 0.6 | (0.7) | (186) |
| EBIT | 76.4 | 40.0 | 91 |
| Net interest expense | (1.0) | (1.3) | (23) |
| Other expenses, net | - | (1.9) | - |
| Income tax expense | (27.8) | (12.1) | 130 |
| Operating profit from continuing operations | 47.6 | 24.7 | 93 |

Results – Half Year

| <u>US\$ Million</u> | <u>HY'06</u> | <u>HY'05</u> | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Net sales | 736.0 | 607.0 | 21 |
| Gross profit | 282.6 | 208.4 | 36 |
| SG&A expenses | (95.2) | (90.6) | 5 |
| Research & development expenses | (13.4) | (10.3) | 30 |
| SCI and other related expenses | (9.9) | (8.5) | 16 |
| Other operating income / (expenses) | (0.8) | (0.7) | 14 |
| EBIT | 163.3 | 98.3 | 66 |
| Net interest expense | (1.7) | (3.8) | (55) |
| Other expenses, net | - | (1.9) | - |
| Income tax expense | (58.1) | (30.8) | 89 |
| Operating profit from continuing operations | 103.5 | 61.8 | 67 |

Segment Net Sales – Q2

| <u>US\$ Million</u> | <u>Q2 '06</u> | <u>Q2 '05</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 307.4 | 231.0 | 33 |
| Asia Pacific Fibre Cement | 63.5 | 62.5 | 2 |
| Other Fibre Cement | 5.7 | 7.4 | (23) |
| Total | 376.6 | 300.9 | 25 |

Segment Net Sales – Half Year

| <u>US\$ Million</u> | <u>HY '06</u> | <u>HY '05</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 594.9 | 471.7 | 26 |
| Asia Pacific Fibre Cement | 125.2 | 119.8 | 5 |
| Other Fibre Cement | 15.9 | 15.5 | 3 |
| Total | 736.0 | 607.0 | 21 |

Segment EBIT – Q2

| <u>US\$ Million</u> | <u>Q2 '06</u> | <u>Q2 '05</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 86.1 | 49.0 | 76 |
| Asia Pacific Fibre Cement | 12.0 | 12.3 | (2) |
| Other Fibre Cement | (2.6) | (4.2) | 38 |
| R & D | (4.0) | (3.4) | (18) |
| Total Segment EBIT | 91.5 | 53.7 | 70 |
| General Corporate | (15.1) | (13.7) | (10) |
| Total EBIT | 76.4 | 40.0 | 91 |

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

Segment EBIT – Half Year

| <u>US\$ Million</u> | <u>HY '06</u> | <u>HY '05</u> | <u>% Change</u> |
|---------------------------|---------------|---------------|-----------------|
| USA Fibre Cement | 180.2 | 112.1 | 61 |
| Asia Pacific Fibre Cement | 24.4 | 24.3 | - |
| Other Fibre Cement | (6.1) | (7.5) | 19 |
| R & D | (7.2) | (7.5) | 4 |
| Total Segment EBIT | 191.3 | 121.4 | 56 |
| General Corporate | (28.0) | (23.1) | (21) |
| Total EBIT | 163.3 | 98.3 | 66 |

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

Corporate Costs – Q2 and Half Year

| <u>US\$ Million</u> | <u>Q2'06</u> | <u>Q2'05</u> | <u>HY'06</u> | <u>HY'05</u> |
|--------------------------------|--------------|--------------|--------------|--------------|
| Stock compensation expense | 1.2 | 0.5 | 2.3 | 0.7 |
| SCI and other related expenses | 4.7 | 5.6 | 9.9 | 8.5 |
| Other costs | 9.2 | 7.6 | 15.8 | 13.9 |
| Total | 15.1 | 13.7 | 28.0 | 23.1 |

Net Interest Expense

| <u>US\$ Million</u> | <u>Q2'06</u> | <u>Q2'05</u> | <u>%Change</u> |
|----------------------|--------------|--------------|----------------|
| Net interest expense | (1.0) | (1.3) | (23) |
| | <u>HY'06</u> | <u>HY'05</u> | <u>%Change</u> |
| Net interest expense | (1.7) | (3.8) | (55) |

Income Tax Expense

| <u>US\$ Million</u> | <u>Q2'06</u> | <u>Q2'05</u> | <u>%Change</u> |
|---------------------|--------------|--------------|----------------|
| Income tax expense | (27.8) | (12.1) | 130 |
| Rate | 36.9% | 32.9% | |
| | <u>HY'06</u> | <u>HY'05</u> | <u>%Change</u> |
| Income tax expense | (58.1) | (30.8) | 89 |
| Rate | 36.0% | 33.3% | |

EBITDA – Q2

| | <u>Q2'06</u> | <u>Q2'05</u> | <u>%Change</u> |
|--|--------------|--------------|----------------|
| EBIT | | | |
| USA Fibre Cement | 86.1 | 49.0 | 76 |
| Asia Pacific Fibre Cement | 12.0 | 12.3 | (2) |
| Other Fibre Cement | (2.6) | (4.2) | 38 |
| R & D | (4.0) | (3.4) | (18) |
| General Corporate | (15.1) | (13.7) | (10) |
| Depreciation and Amortisation | | | |
| USA Fibre Cement | 10.2 | 5.8 | 76 |
| Asia Pacific Fibre Cement | 2.2 | 2.4 | (8) |
| Other | 0.7 | 0.8 | (13) |
| Total EBITDA | 89.5 | 49.0 | 83 |
| Net cash provided by operating activities | 70.6 | 65.9 | 7 |

R&D includes “core” R&D expenses and administrative expenses, but excludes product development expenses
 Other Depreciation and Amortisation includes Other Fibre Cement, R & D and General Corporate

EBITDA – Half Year

| | <u>HY'06</u> | <u>HY'05</u> | <u>%Change</u> |
|--|--------------|--------------|----------------|
| EBIT | | | |
| USA Fibre Cement | 180.2 | 112.1 | 61 |
| Asia Pacific Fibre Cement | 24.4 | 24.3 | - |
| Other Fibre Cement | (6.1) | (7.5) | 19 |
| R & D | (7.2) | (7.5) | 4 |
| General Corporate | (28.0) | (23.1) | (21) |
| Depreciation and Amortisation | | | |
| USA Fibre Cement | 16.3 | 11.6 | 41 |
| Asia Pacific Fibre Cement | 4.7 | 4.7 | - |
| Other | 1.5 | 1.6 | (6) |
| Total EBITDA | 185.8 | 116.2 | 60 |
| Net cash provided by operating activities | 147.8 | 136.9 | 8 |

R&D includes “core” R&D expenses and administrative expenses, but excludes product development expenses
 Other Depreciation and Amortisation includes Other Fibre Cement, R & D and General Corporate

Capital Expenditure – Half Year

| | Capital Expenditure | | Depreciation | |
|---------------------------|---------------------|--------------|--------------|--------------|
| <u>US\$ Million</u> | <u>HY'06</u> | <u>HY'05</u> | <u>HY'06</u> | <u>HY'05</u> |
| USA Fibre Cement | 71.4 | 77.1 | 16.3 | 11.6 |
| Asia Pacific Fibre Cement | 2.8 | 2.4 | 4.7 | 4.7 |
| Other | 0.8 | 1.6 | 1.5 | 1.6 |
| Total Segments | 75.0 | 81.1 | 22.5 | 17.9 |

Other includes Other Fibre Cement, R & D and General Corporate

Key Ratios

| | <u>HY'06</u> | <u>FY'05</u> | <u>FY '04</u> |
|---------------------------------|--------------|--------------|---------------|
| EPS (Diluted) | 22.3c | 27.7c | 27.2c |
| Dividend Paid per share | 6.0c | 3.0c | 5.0c |
| Return on Shareholders Funds* # | 31.0% | 22.4% | 27.6% |
| Return on Capital Employed# | 36.9% | 23.6% | 23.4% |
| EBIT/ Sales (EBIT margin) | 22.3% | 16.2% | 17.5% |
| Gearing Ratio^ | (3.4)% | 6.8% | 17.0% |
| Net Interest Expense Cover | 98.4x | 38.5x | 17.2x |
| Net Interest Paid Cover | 44.8x | 17.8x | 14.8x |
| Net Debt Payback^ | (2.2) mths | 2.5 mths | 7.6 mths |

* Total Company

Annualised



**Voluntary asbestos-related compensation
funding proposal**

Russell Chenu, CFO

Voluntary Asbestos Compensation Funding Proposal

Update

- Further progress made on points of difference in Principal Deed discussions – now working on draft 12
- Continuing to discuss tax deductibility of payments to Special Purpose Fund with Australian Taxation Office and Federal Treasury
- Not possible to reliably estimate date for signing Principal Deed and shareholder meeting
- No provision for asbestos liability in accounts before SFAS 5 definitions of probable and estimable are satisfied

Summary

- Strong operating performance
- The company's financial position remains strong
- Continuing to narrow points of difference in Principal Deed discussions
- Tax deductibility of payments to the SPF remains a key issue for “affordability”
- SCI related expenses continue to be a significant cost burden

Questions & Answers

Disclaimer

This Management's 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:

- *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;*
- *statements about product or environmental liabilities; and*
- *expectations about payments to a special purpose fund for the compensation of proven asbestos-related personal injury and death claims.*

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 6 of our Form 20-F filed on 7 July 2005 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 Australian 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 transition of our new senior management. 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.

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, a Financial Report and Results at a Glance document.

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

Net operating profit including discontinued operations - *is equivalent to the US GAAP measure of net income.*

Sales Volumes

mmsf – million square feet

msf – thousand square feet

Endnotes

Financial Ratios

Net debt payback – Net cash/debt divided by cash flows from operations times 12 months.

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

Net Interest Expense Cover – EBIT divided by Net Interest Expense.

Net Interest Paid Cover – EBIT divided by the sum of Net Interest Expense plus capitalised interest.

Non US GAAP Financial Measures

EBITDA - is not a measure of financial performance under US GAAP and should not be considered as 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. All companies do not calculate EBITDA in the same manner and, accordingly, EBITDA may not be comparable with other companies. We have included information concerning EBITDA because we believe that EBITDA 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.