



James Hardie

1st Quarter FY07

17 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 42. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT", "EBIT margin" and "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 effect of foreign exchange on asbestos provision", "EBIT and EBIT margin excluding effect of foreign exchange on asbestos provision, and SCI and other related expenses", "Operating profit excluding effect of foreign exchange on asbestos provision", "Operating profit excluding effect of foreign exchange on asbestos provision, SCI and other related expenses and make-whole payment", "Effective tax rate excluding the effect of foreign exchange on asbestos provision", "Diluted earnings per share excluding effect of foreign exchange on asbestos provision" and "EBITDA"). Unless otherwise stated, results are for continuing operations only and comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.



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



Overview

Results

- Strong overall operating performance led by continuation of growth momentum in USA Fibre Cement business
- Bottom line affected by US\$27.2m foreign exchange charge relating to asbestos provision
 - Unpredictable volatility in results for foreseeable future due to A\$ denominated asbestos provision
- Excluding foreign exchange charge, Q1 net operating profit up 12% to \$62.7m

Overview

Operating Results

1st Quarter

- USA Fibre Cement – strong sales and EBIT growth
- Asia Pacific Fibre Cement
 - Australia and New Zealand – volumes up slightly despite weaker market, but EBIT down
 - Philippines – EBIT positive
- USA Hardie Pipe – first quarterly positive EBIT result
- Strong cashflow generation



Overview

1st Quarter

	Q1 FY07 %
Net Sales	up 16
Gross Profit	up 9
EBIT excluding effect of foreign exchange on asbestos provision, and SCI and other related expenses ¹	up 7
Operating profit excluding effect of foreign exchange on asbestos provision, SCI and other related expenses, and make-whole payment ¹	up 16

See reconciliations on slides 29 and 44



Operating Review

Louis Gries, CEO



USA Fibre Cement



USA Fibre Cement

1st Quarter Result

Net Sales	up	21% to US\$348.9 million
Sales Volume	up	16% to 605.7 mmsf
Average Price	up	5% to US\$576 per msf
EBIT	up	10% to US\$103.3 million
EBIT Margin	down	3.1 pts to 29.6%

USA Fibre Cement

1st Quarter Market Conditions

- New housing construction slowing following sustained period of modest interest rate increases
 - Increased cancellations of house sales
 - Increased inventories of houses for sale
 - Permits lower
 - Builder confidence lower
- Repair and remodelling activity buoyant

USA Fibre Cement

Key Points

- Growth in primary demand in both emerging and established markets
- Sales growth across exterior and interior product categories
- Further market share gains against alternative materials
- ColorPlus® strategy progressing well
 - Sales up 80%
 - Market testing in some established markets
- Unit cost of sales up (driven by higher material and energy costs)
- Higher freight costs

USA Fibre Cement

New housing slow-down

- Key sales determinants:
 - Level of new housing construction activity
 - Level of repair and remodel activity
 - Market development program effectiveness
 - Price improvement
- New housing construction segment currently accounts for approx. 70% of total sales (approx. 30% repair and remodel)
- Internal sales target of 15% - 25% from market penetration and price improvement (assumes new housing flat)



New housing slow-down (cont.)

- Largest sales regions:
 - South Central, South East and Pacific North West
- Business considerations:
 - timing of capacity expansion, cost containment and efficiency improvements



USA Fibre Cement

Outlook

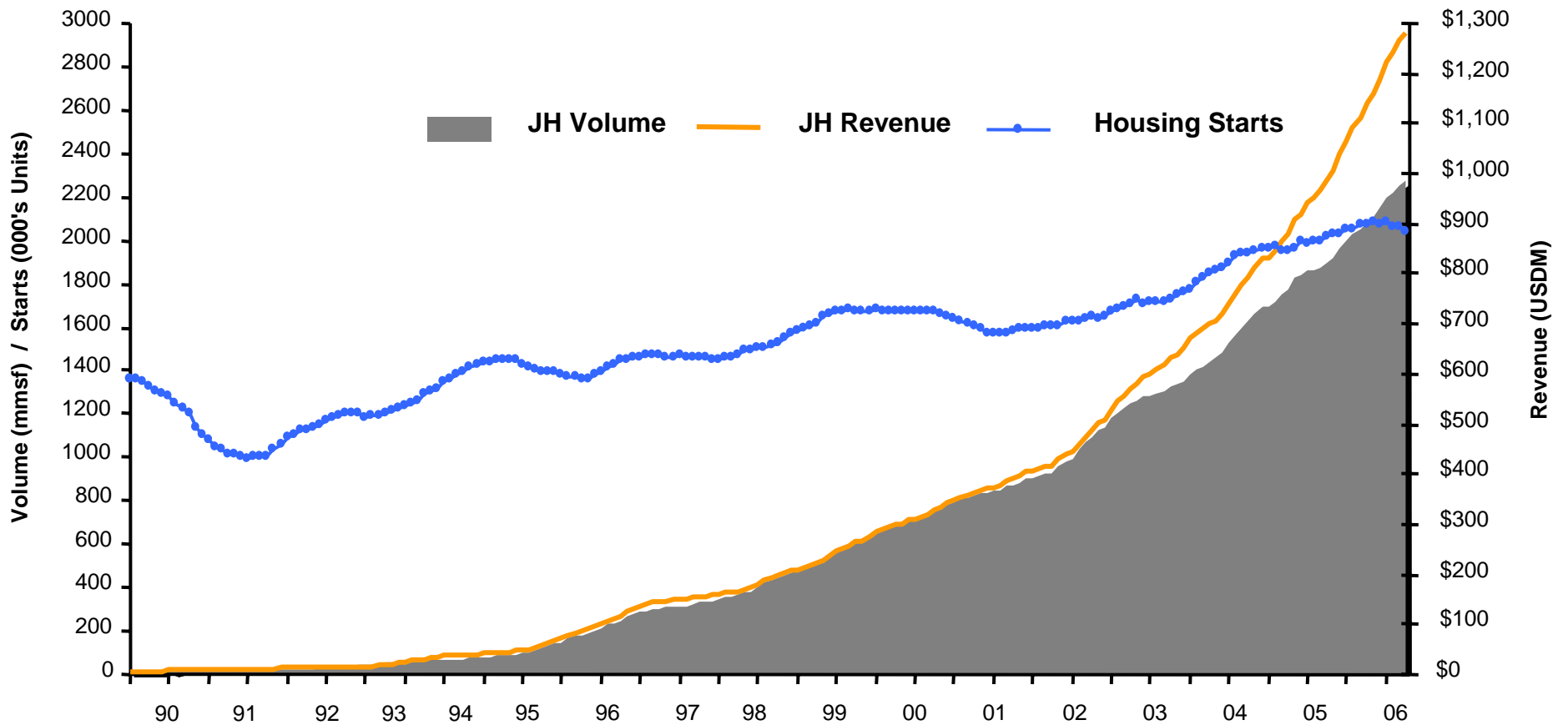
- New housing construction to continue to slow
- Repair and remodelling activity to remain stable
- Further market penetration of targeted markets
- Modest price growth
- Higher pulp costs
- Cement, energy and freight costs to remain high



USA Fibre Cement

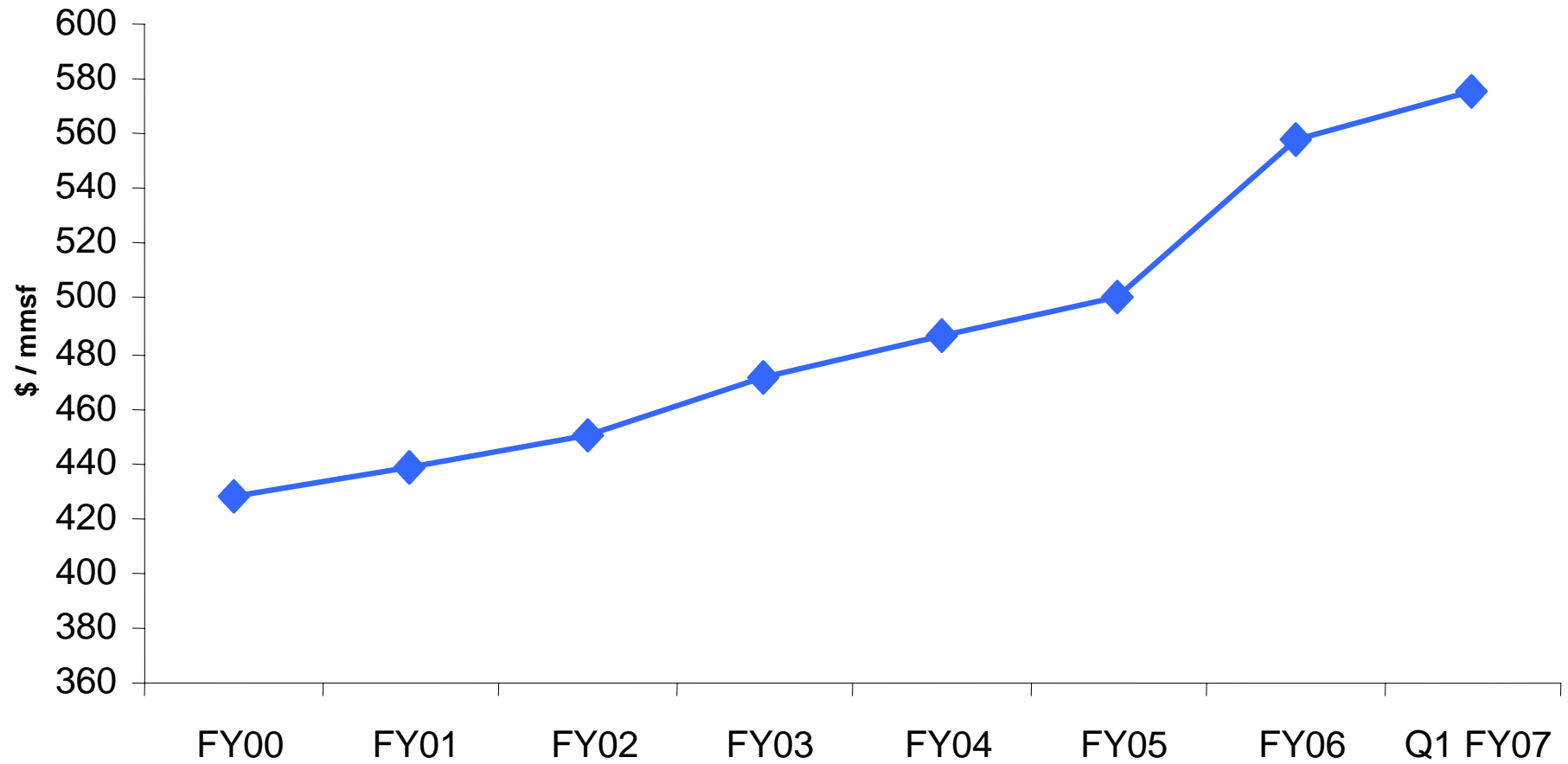


Top-Line Growth



USA Fibre Cement

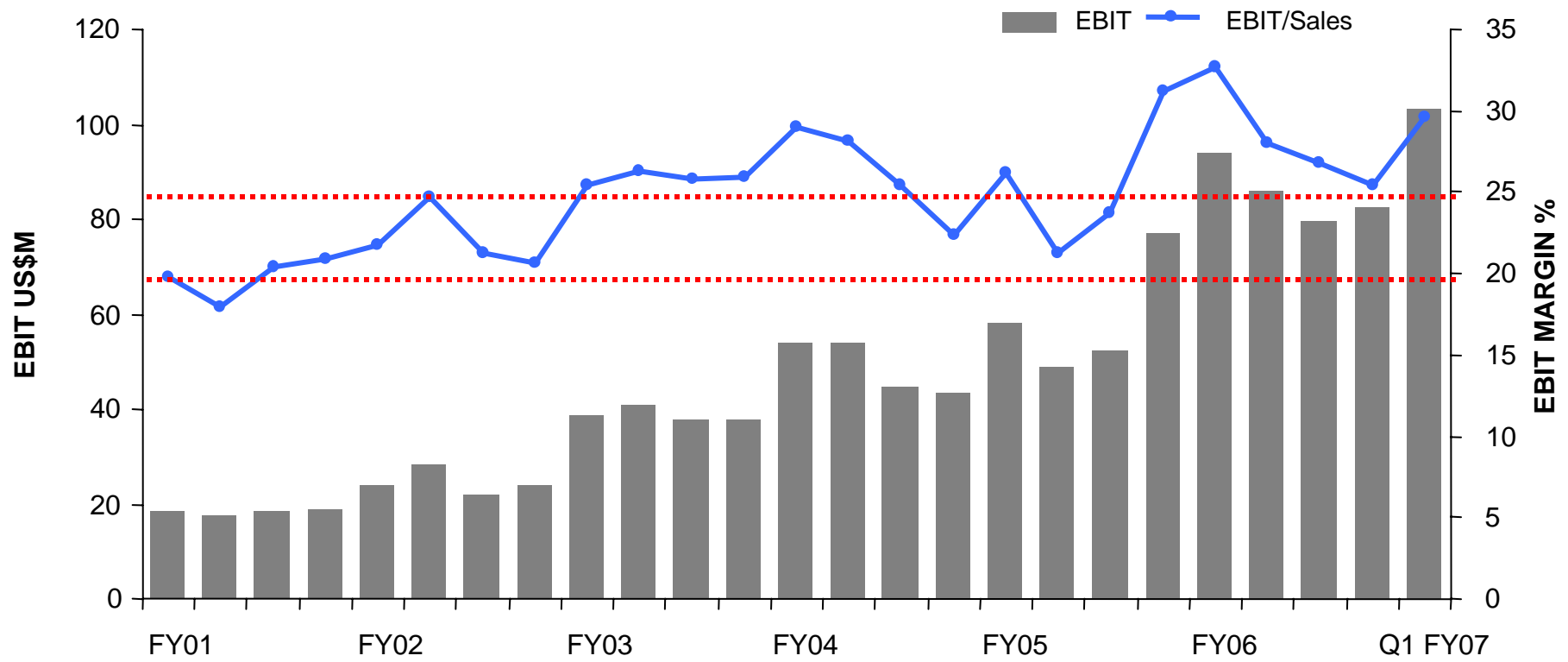
Average Selling Price





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%



Asia Pacific Fibre Cement

4th Quarter Result

Net Sales	down	4% to US\$59.2 million
Sales Volume	flat	at 91.8 mmsf
EBIT	down	17% to US\$10.3 million
EBIT Margin	down	2.7 pts to 17.4%

Asia Pacific Fibre Cement

Key Points

- Further weakening of new housing and renovation activity in both Australia and New Zealand; Philippines remained weak
- Sales volumes up slightly in ANZ, but down slightly in Philippines
- Price lower in ANZ due to competitive pressure in Australia
- EBIT lower in ANZ due mainly to higher raw material and freight costs in Australia
- Philippines was EBIT positive

Asia Pacific Fibre Cement

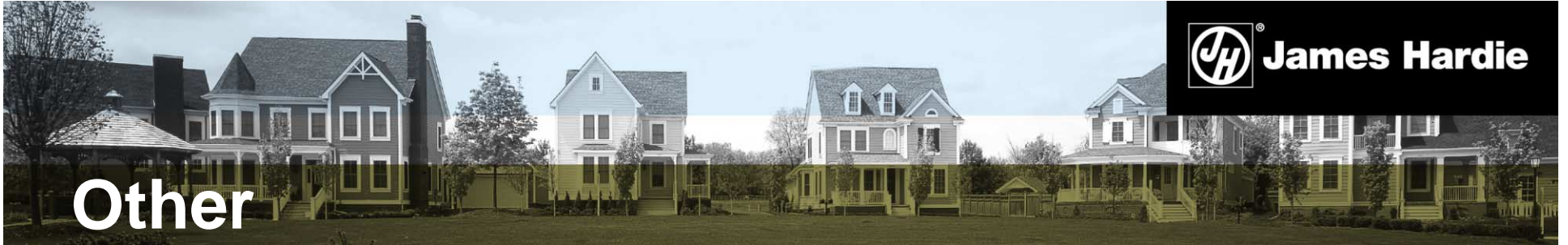
Outlook

Australia and New Zealand

- New housing construction and renovation activity in Australia and New Zealand expected to remain weak short to medium term
- Growth in primary demand for our products
- New differentiated products
- Market share gains
- Cost savings and manufacturing efficiencies

Philippines

- No significant change in price or volume short-term – continued focus on profitability



USA Hardie Pipe - Key Points

- Increased net sales - both volume and price up
- Continued focus on manufacturing performance
- Pulp and cement costs up
- First EBIT positive quarter



Europe Fibre Cement

- Sales of siding and backerboard continuing to grow
- Focus remains on siding in France and siding and backerboard in UK

Overall Outlook

USA Fibre Cement

- Housing construction to continue to slow
- Expect to continue outperforming housing market
- Repair and remodelling activity to remain stable

Asia Pacific Fibre Cement

- No material improvement to market conditions in Asia Pacific businesses expected in short-term

SCI and other related expenses to continue until FFA finalised

Volatility in reported earnings related to currency exchange fluctuations



Financial Review and Final Funding Agreement Update

Russell Chenu, CFO

Overview

- Net operating profit affected significantly by US\$27.2m foreign exchange charge on asbestos provision made 31 March 2006
- Retired fixed rate debt of US \$122m in May – plus US\$6m make-whole payment
- Balance sheet remains very strong excluding asbestos provision
 - Net cash US\$38.4m
 - Cash and unused term facilities of US\$393.4m
- Paid ATO US\$140.4m (A\$189.0m) cash deposit in July against RCI P/L 1999 amended assessment

FX Effect on Asbestos Provision

- Asbestos provision denominated in Australian dollars – company reports in US dollars
- Future results subject to risk of significant foreign exchange expense/income
- Foreign exchange expense of US\$27.2m at 30 June 2006 calculated as shown below
- No current period cash impact

Asbestos Provision	A\$ millions	A\$ to US\$ rate	US\$ millions
At 31 March 2006	1,000.0	1.3975:1	715.6
Effect of foreign exchange	-		27.2
At 30 June 2006	1,000.0	1.3463:1	742.8

Proposed Asbestos Compensation Funding Arrangement

Update

- 23 June 2006, ATO declined to endorse SPF as tax concession charity (condition precedent to Final Funding Agreement (FFA))
- 29 June 2006, ATO rules contributions from James Hardie to SPF deductible over life of fund in accordance with 'black hole expenditure' legislation
- Public comments from Australian Prime Minister encouraging company to discuss outstanding tax issues with ATO
- Company remains in discussions with ATO as suggested, and also with NSW Government with view to satisfying a remaining condition precedent

Proposed Asbestos Compensation Funding Arrangement

Update (cont.)

- Tax exempt status of SPF remains critical for affordability and long-term viability of proposed long-term voluntary funding arrangement
- Commitment to a long-term voluntary asbestos compensation funding arrangement unchanged
- All proven claims continue to be paid by MRCF – funds expected to last until late 2006 / early 2007
- Not in a position to reliably estimate date of shareholder meeting

Results – Q1

<u>US\$ Millions</u>	<u>Q1 '07</u>	<u>Q1 '06</u>	<u>% Change</u>
Net Sales	415.5	359.4	16
Gross profit	157.7	145.3	9
SG&A expense	(51.7)	(45.5)	14
R & D	(7.5)	(6.3)	19
SCI & other related expenses	(2.4)	(5.2)	(54)
Impairment loss on business held for sale	-	(1.4)	-
Effect of foreign exchange on asbestos provision	(27.2)	-	-
EBIT	68.9	86.9	(21)
Net interest expense	(2.0)	(0.7)	-
Income tax expense	(32.3)	(30.3)	7
Effect of change in accounting principle – net of tax	0.9	-	-
Operating profit	35.5	55.9	(36)

Results – Q1

<u>US\$ Millions</u>	<u>Q1 '07</u>	<u>Q1 '06</u>	<u>% Change</u>
Operating profit	35.5	55.9	(36)
Effect of foreign exchange on asbestos provision	27.2	-	-
Operating profit excluding effect of foreign exchange on asbestos provision	62.7	55.9	12
SCI and other related expenses (net of tax)	2.2	4.9	(55)
Make-whole payment (net of tax)	5.6	-	-
Operating profit excluding effect of foreign exchange on asbestos provision, SCI and other related expenses and make-whole payment	70.5	60.8	16

Segment Net Sales – Q1

<u>US\$ Millions</u>	<u>Q1 '07</u>	<u>Q1 '06</u>	<u>% Change</u>
USA Fibre Cement	348.9	287.5	21
Asia Pacific Fibre Cement	59.2	61.7	(4)
Other	7.4	10.2	(27)
Total	415.5	359.4	16

Segment EBIT – Q1

<u>US\$ Millions</u>	<u>Q1 '07</u>	<u>Q1 '06</u>	<u>% Change</u>
USA Fibre Cement	103.3	94.1	10
Asia Pacific Fibre Cement	10.3	12.4	(17)
Other	(2.7)	(3.5)	23
R&D ¹	(4.6)	(3.2)	(44)
Total Segment EBIT	106.3	99.8	7
General Corporate	(10.2)	(12.9)	21
Total EBIT excluding effect of foreign exchange on asbestos provision	96.1	86.9	9
Effect of foreign exchange on asbestos provision	(27.2)	-	-
Total EBIT	68.9	86.9	(21)

¹R&D includes “core” R&D expenses and administrative expenses, but excludes product development expenses

Corporate Costs – Q1

<u>US\$ Millions</u>	<u>Q1'07</u>	<u>Q1'06</u>
Stock options expense	1.5	1.1
SCI and other related expenses	2.4	5.2
Other costs	6.3	6.6
Total	10.2	12.9

Net Interest Expense

<u>US\$ Millions</u>	<u>Q1'07</u>	<u>Q1'06</u>
Net interest expense	(2.0)	(0.7)

Note – Q1'07 includes US\$6.0 make-whole payment on prepayment of US\$ notes in May 2006

Income Tax

<u>US\$ Million</u>	<u>Q1'07</u>	<u>Q1'06</u>	<u>% Change</u>
Income Tax Expense	(32.3)	(30.3)	7
Rate	48.3%	35.2%	-
Rate excluding asbestos ¹	34.3%	35.2%	-

¹ Excludes impact (US\$27.2m) of foreign exchange of asbestos provision

Income Tax

Amended Assessment Update

- Cash deposit of US\$140m (A\$189m) paid 5 July 2006 for RCI P/L (wholly-owned subsidiary) amended assessment of A\$378m from ATO for Y/E 31 March 1999
- Liability for amended assessment not recorded – company believes definition of ‘probable’ (US GAAP) not met
- Amended assessment strongly disputed by company
 - Notice of objection being prepared
 - Company believes its position will ultimately prevail
- Cash deposit will be recorded as a receivable in accounts
- Interest on unpaid balance will also be recorded as a receivable
- Unable to determine whether any amount will ultimately be paid

EBITDA – Q4

<u>US\$ Millions</u>	<u>Q1'07</u>	<u>Q1'06</u>	<u>% Change</u>
EBIT			
USA Fibre Cement	103.3	94.1	10
Asia Pacific Fibre Cement	10.3	12.4	(17)
Other	(2.7)	(3.5)	23
R&D ¹	(4.6)	(3.2)	(44)
General Corporate	(10.2)	(12.9)	21
Effect of foreign exchange on asbestos provision	(27.2)	-	-
Depreciation and Amortisation			
USA Fibre Cement	7.9	6.1	30
Asia Pacific Fibre Cement	2.5	2.5	-
Other	0.6	0.8	(25)
Total EBITDA	79.9	96.3	(17)

¹R&D includes “core” R&D expenses and administrative expenses, but excludes product development expenses
 Other segments, Depreciation and Amortisation includes Other, R&D and General Corporate

Capital Expenditure – Q1

<u>US\$ Million</u>	<u>Q1 FY07</u>	<u>Q1 FY06</u>
USA Fibre Cement	32.9	32.6
Asia Pacific Fibre Cement	2.6	1.0
Other ¹	-	0.4
Total	35.5	34.0

¹Other segments includes Other, R&D and General Corporate

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}	17.5%	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%
Gearing Ratio	(43.3)%	(1.6)%	6.8%
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

Summary

- Strong overall operating performance
- The company's financial position remains strong
- Company continues to discuss tax exempt status of SPF with the ATO and NSW Government with view to satisfying a remaining condition precedent
- SCI and other related expenses to continue until FFA finalised
- Results subject to fluctuation in A\$: US\$ exchange rate for foreseeable future



Questions & Answers



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.

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, where a square foot is defined as a standard square foot of 5/16” thickness.

msf – thousand square feet, where a square foot is defined as a standard square foot of 5/16” thickness.

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 effect of foreign exchange on asbestos provision – EBIT and EBIT margin excluding effect of foreign exchange on asbestos provision 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	Q1 FY06
EBIT	\$ 68.9	\$ 86.9
Effect of foreign exchange on asbestos provision	27.2	-
EBIT excluding effect of foreign exchange on asbestos provision	96.1	86.9
Net Sales	\$415.5	\$359.4
EBIT margin excluding effect of foreign exchange on asbestos provision	23.1%	24.2%



EBIT excluding effect of foreign exchange on asbestos provision and SCI and other related expenses – EBIT excluding effect of foreign exchange on asbestos provision 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

Q1 FY07

Q1 FY06

EBIT

\$68.9

\$86.9

Effect of foreign exchange on asbestos provision

27.2

-

SCI and other related expenses

2.4

5.2

EBIT excluding asbestos provision, impairment charge and SCI and other related expenses

\$98.5

\$92.1



Operating profit excluding effect of foreign exchange on asbestos provision – Operating profit excluding effect of foreign exchange on asbestos provision 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	Q1 FY07	Q1 FY06
Operating profit	\$35.5	\$55.9
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit excluding effect of foreign exchange on asbestos provision	\$62.7	\$55.9



Diluted earnings per share excluding effect of foreign exchange on asbestos provision – Diluted earnings per share excluding effect of foreign exchange on 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	Q1 FY06
Operating profit	\$ 35.5	\$ 55.9
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit excluding effect of foreign exchange on asbestos provision	62.7	55.9
Weighted average common shares outstanding (Millions) – Diluted	466.9	462.7
Diluted earnings per share excluding effect of foreign exchange on asbestos provision (US cents)	13.4	12.1



Effective tax rate excluding effect of foreign exchange on asbestos provision – Effective tax rate excluding effect of foreign exchange on asbestos provision 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 without the distortion arising from foreign exchange fluctuation. The company’s management uses this non-US GAAP measure for the same purposes.

US\$ Million	Q1 FY07	Q1 FY06
Operating profit before income taxes	\$ 66.9	\$ 86.2
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit before income taxes excluding effect of foreign exchange on asbestos provision	94.1	86.2
Income tax expense	32.3	30.3
Diluted earnings per share excluding effect of foreign exchange on asbestos provision (US cents)	34.3%	35.2%



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 our 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.



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.