



James Hardie

FY06 1st Quarter Results

19 August 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 41 and 42. 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 (“millions 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 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Agenda

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

Overview

- Strong 1st quarter results
 - Strong top-line growth within our targeted range
 - Sales volumes in US below targeted range
 - Very strong EBIT growth

- Principal Deed discussions continue to run behind schedule

Overview

1st Quarter

		<u>Q1'06%</u>
Net Sales	up	17
Gross Profit	up	31
EBIT	up	49
Operating Profit from Continuing Operations	up	51
Net Operating Profit Including Discontinued Operations	up	54

Highlights

1st Quarter

- USA Fibre Cement – EBIT up 49%
- Australia and New Zealand Fibre Cement – EBIT flat
- Philippines Fibre Cement – EBIT growth
- Hardie Pipe – EBIT loss reduced
- Chilean Fibre Cement – sold July
- New Debt facilities



Operating Review

Louis Gries, CEO

USA Fibre Cement



USA Fibre Cement

1st Quarter Result – Strong Sales Growth

Net Sales up 19% to US\$287.5 million

Sales Volume up 7% to 523.4 mmsf

Average Price up 12% to US\$549 per msf

EBIT up 49% to US\$94.1 million

EBIT Margin up 6.5 pts to 32.7%

USA Fibre Cement

1st Quarter Trading Conditions

- Housing construction activity remained buoyant
 - Low interest rates
 - Strong household income and employment growth
 - Strong house prices
 - Consumer and builder confidence
- Repair and remodeling activity at healthy levels

USA Fibre Cement

Key Points

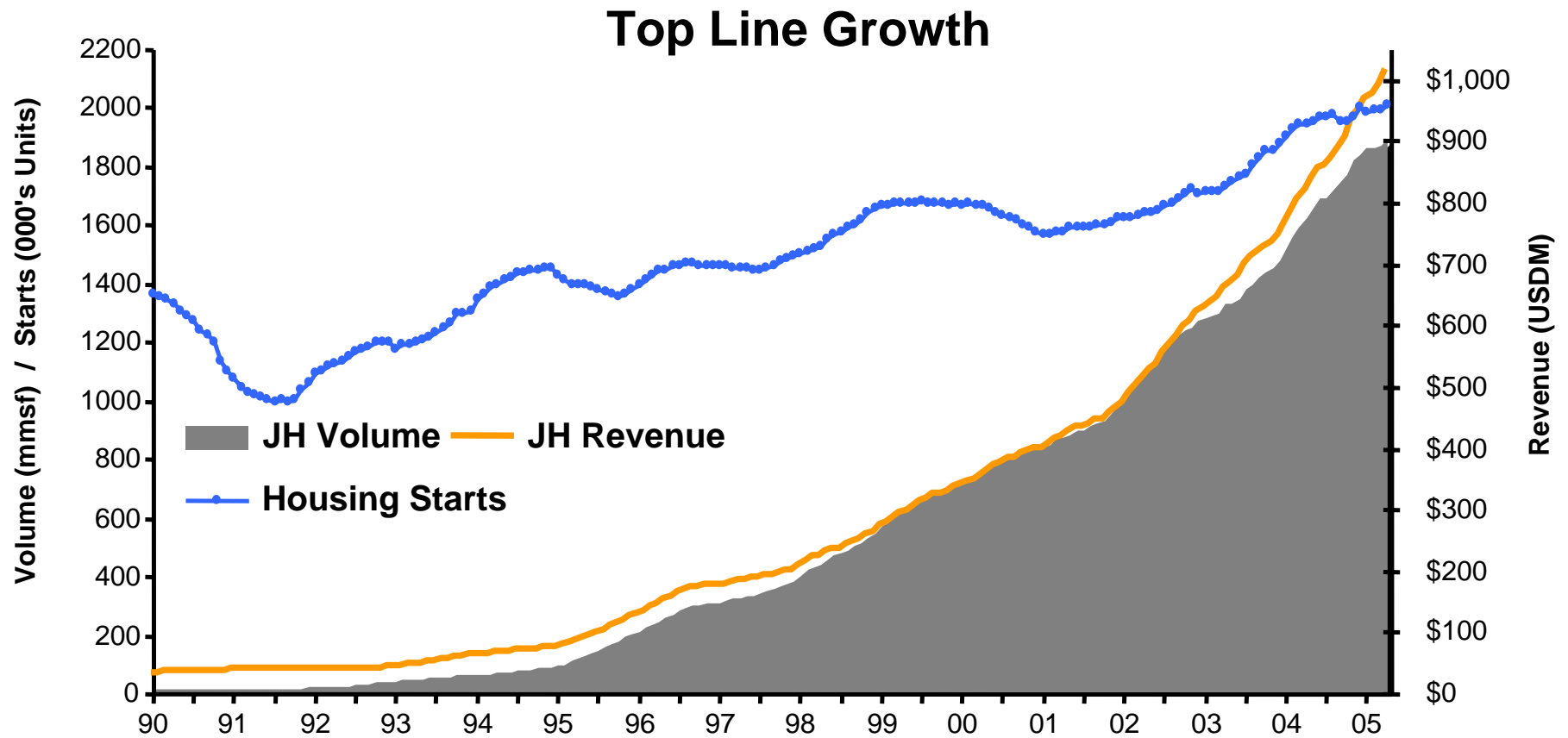
- Strong revenue growth, but volumes in April and May below our expectations
- Good growth in both external and internal products
- ColorPlus strategy progressing well
- Margin expansion
- Continued ramp up of new Reno, Nevada plant
- Commenced ramp-up of new trim line at Peru, Illinois

USA Fibre Cement

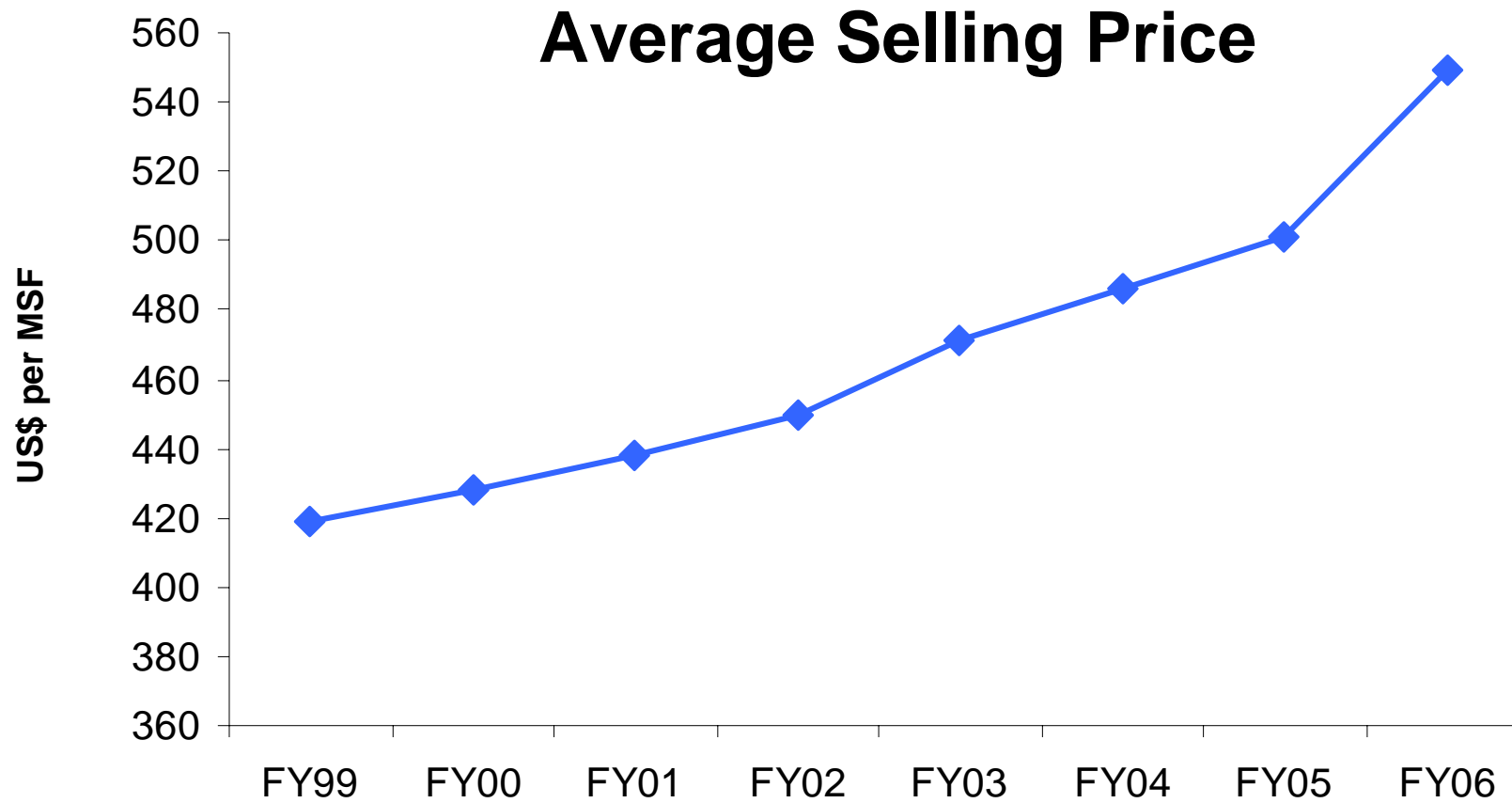
Outlook

- Continued growth in demand for fibre cement
- Housing construction and repair & remodelling to remain healthy
 - Strong economy
 - Permits strong
 - Backlog of unused permits
 - Builder confidence strong
 - Interest rates low – further modest increases expected
- Market penetration against alternative materials
- Good revenue growth and EBIT performance to continue

USA Fibre Cement

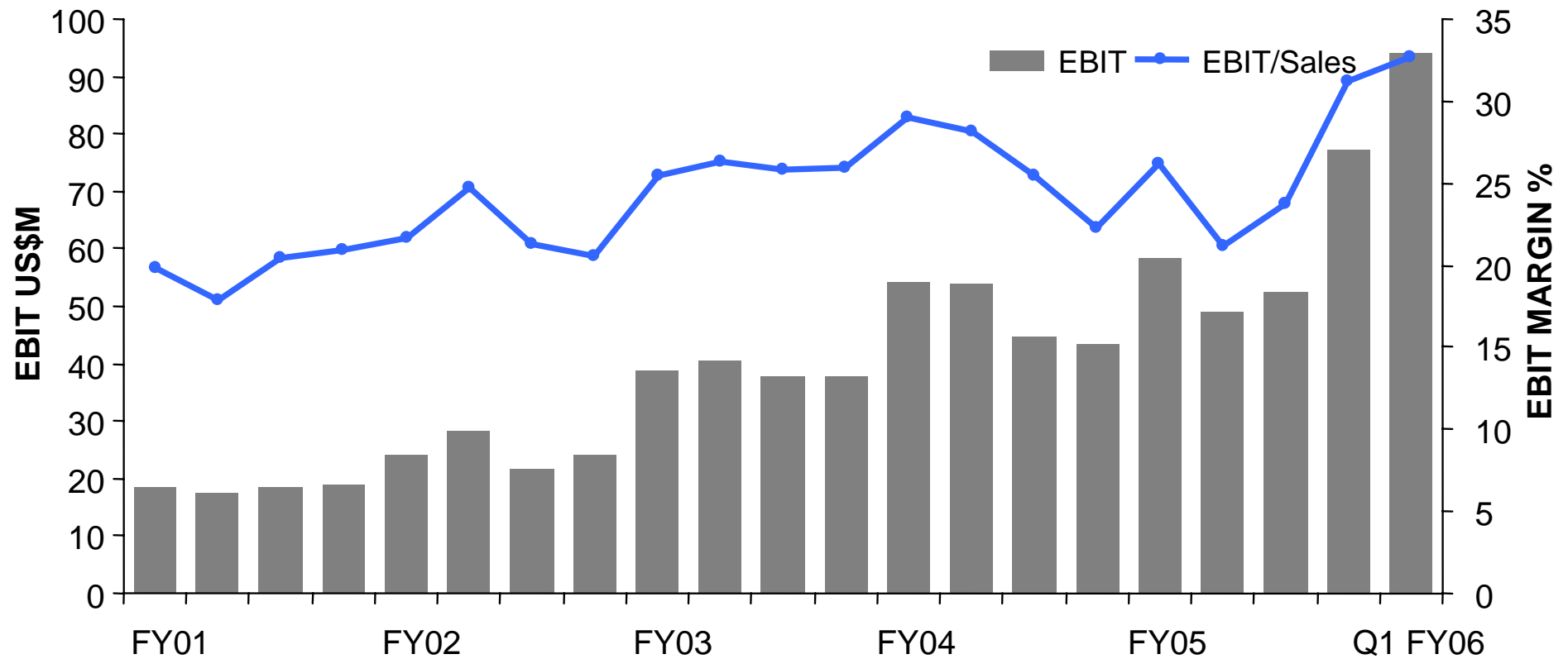


USA Fibre Cement



USA Fibre Cement

EBIT and EBIT Margin*



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

USA Fibre Cement

Strategy

- Aggressively grow market for fibre cement
- 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

1st Quarter Result

Net Sales	up	8% to US\$61.7 million
Sales Volume	down	2% to 92.0 mmsf
EBIT	up	3% to US\$12.4 million
EBIT Margin	down	0.8 pt to 20.1%

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

- Further weakness in new housing
- Net sales up 8% - up 1% in A\$
- EBIT flat

Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- New housing and renovation activity to remain soft
- Some product bans and boycotts in Australia to remain until voluntary asbestos compensation arrangement finalised
- New product initiatives will start generating additional fibre cement demand

Asia Pacific Fibre Cement

Philippines Key Points

- Net sales flat in local currency
- Weaker construction activity – political and economic uncertainty
- Higher domestic prices
- EBIT improvement

Outlook

- Entering more favourable season for building and construction
- Continued political and economic uncertainty

Other Fibre Cement

USA Hardie® Pipe

Key Points

- Net sales lower due to impact of higher prices on demand
- Still EBIT negative, but cash positive

Other Fibre Cement

Europe Fibre Cement

- Demand growing steadily

Artisan™ Roofing

- Early market development progressing

Outlook

- Housing construction in North America expected to remain healthy in the short-term
 - sales growth to be better than the overall market
 - confident of achieving 15% - 25% revenue growth for the year
 - expect to run above EBIT margin target in the near term

- Further SCI and related costs expected



Financial Review

Russell Chenu, CFO

Overview

- Strong financial position
- Continued strong operating cashflow generation
- Net debt eliminated – US\$47.3m improvement to US\$1.5m net cash at quarter end

Results – Q1

US\$ Million	<u>Q1'06</u>	<u>Q1'05</u>	<u>% Change</u>
Net sales	359.4	306.1	17
Gross profit	145.3	111.3	31
SG&A expenses	(45.5)	(45.1)	1
Research & development expenses	(6.3)	(5.0)	26
SCI and other related expenses	(5.2)	(2.9)	79
Impairment loss on business held for sale	(1.4)	-	-
EBIT	86.9	58.3	49
Net interest expense	(0.7)	(2.5)	(72)
Income tax expense	(30.3)	(18.7)	62
Operating profit from continuing operations	55.9	37.1	51

Segment Net Sales – Q1

US\$ Million	<u>Q1 '06</u>	<u>Q1 '05</u>	<u>% Change</u>
USA Fibre Cement	287.5	240.7	19
Asia Pacific Fibre Cement	61.7	57.3	8
Other Fibre Cement	10.2	8.1	26
Total	359.4	306.1	17

Segment EBIT – Q1

US\$ Million	<u>Q1 '06</u>	<u>Q1 '05</u>	<u>% Change</u>
USA Fibre Cement	94.1	63.1	49
Asia Pacific Fibre Cement	12.4	12.0	3
Other Fibre Cement	(3.5)	(3.3)	(6)
R & D	(3.2)	(4.1)	22
Total Segment EBIT	99.8	67.7	47
General Corporate	(12.9)	(9.4)	(37)
Total EBIT	86.9	58.3	49

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

Corporate Costs – Q1

US\$ Million	<u>Q1'06</u>	<u>Q1'05</u>
Stock Options Expense	1.1	0.2
SCI and Other Related Expenses	5.2	2.9
Other Costs	6.6	6.3
Total	12.9	9.4

Net Interest Expense

US\$ Million	<u>Q1'06</u>	<u>Q1'05</u>	<u>%Change</u>
Net Interest Expense	(0.7)	(2.5)	(72)

Income Tax Expense

US\$ Million	<u>Q1'06</u>	<u>Q1'05</u>	<u>%Change</u>
Income Tax Expense	(30.3)	(18.7)	62
Rate	35.2%	33.5%	

EBITDA – Q1

	<u>Q1'06</u>	<u>Q1'05</u>	<u>%Change</u>
EBIT			
USA Fibre Cement	94.1	63.1	49
Asia Pacific Fibre Cement	12.4	12.0	3
Other Fibre Cement	(3.5)	(3.3)	(6)
R & D	(3.2)	(4.1)	22
General Corporate	(12.9)	(9.4)	(37)
Depreciation and Amortisation			
USA Fibre Cement	6.1	5.8	5
Asia Pacific Fibre Cement	2.5	2.4	4
Other	0.8	0.7	14
Total EBITDA	96.3	67.2	43
Net cash provided by operating activities	77.2	71.0	9

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 – Q1

	Capital Expenditure		Depreciation	
US\$ Million	<u>Q1'06</u>	<u>Q1'05</u>	<u>Q1'06</u>	<u>Q1'05</u>
USA Fibre Cement	32.6	28.5	6.1	5.8
Asia Pacific Fibre Cement	1.0	1.0	2.5	2.4
Other	0.4	0.8	0.8	0.7
Total Segments	34.0	30.3	9.4	8.9

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

Key Ratios

	<u>Q1'06</u>	<u>FY'05</u>	<u>FY '04</u>
EPS (Diluted)	12.1c	27.7c	27.2c
Dividend Paid per share	-	3.0c	5.0c
Return on Shareholders Funds* #	38.5%	22.4%	27.6%
Return on Capital Employed#	39.9%	23.6%	23.4%
EBIT/ Sales (EBIT margin)	24.2%	16.2%	17.5%
Gearing Ratio	(0.2)%	6.8%	17.0%
Net Interest Expense Cover	131.3x	38.5x	17.2x
Net Interest Paid Cover	47.8x	17.8x	14.8x
Net Debt Payback	(0.2) mths	2.5 mths	7.6 mths

* Total Company

Annualised

New Debt Facilities

- US\$355m revolving US\$ cash advance facilities
- Bilateral agreements with 6 banks
- Initial term 364 days
- Convert to 5 year term upon satisfaction of certain conditions
- Interest rate is LIBOR, plus a margin
- Replaces previous revolving stand by facilities



Voluntary asbestos-related compensation funding proposal

Russell Chenu, CFO

Voluntary Asbestos Compensation Funding Proposal

Update

- Difficult to estimate date for signing Principal Deed and shareholder meeting
- Some points of difference in Principal Deed discussions remain – negotiations continuing
- Continuing to discuss tax deductibility of payments to Special Purpose Fund with Australian Taxation Office and Federal Treasury
- KPMG Actuaries updating estimate of liabilities as at 30 June 2005
 - Includes estimate for legal and administrative savings
- No provision for asbestos liability in accounts before SFAS 5 definitions of probable and estimable are satisfied

Summary

- Strong top-line and bottom-line growth
- SCI and other related expenses continue to be a significant cost burden
- Some points of difference in Principal Deed discussions remain – negotiations continuing
- Financial position of company remains sound

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.



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