

James Hardie

Building On Proven Performance

September 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 35. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include "EBIT" and "EBIT margin". The company may also present other terms for measuring its sales volumes ("million square feet (mmsf)"); financial ratios ("Net interest expense cover", "Net interest paid cover", "Net debt payback"); and Non-US GAAP financial measures ("EBIT and EBIT margin excluding asbestos", and "Diluted earnings per share excluding asbestos"). Unless otherwise stated, results are for continuing operations only.



James Hardie

A Growth Focussed Company



- Annual net sales US\$1,488m
- Total assets US\$1,445m
- Operations in North America, Asia Pacific and Europe
- 3,300 employees
- Market cap US\$2.5 billion
- ASX S&P 100 company

Note: Net sales and total assets are at 31 March 2006. Total assets at 30 June 2006 were US\$1,352.

Focussed on Fibre Cement

Investment Attributes

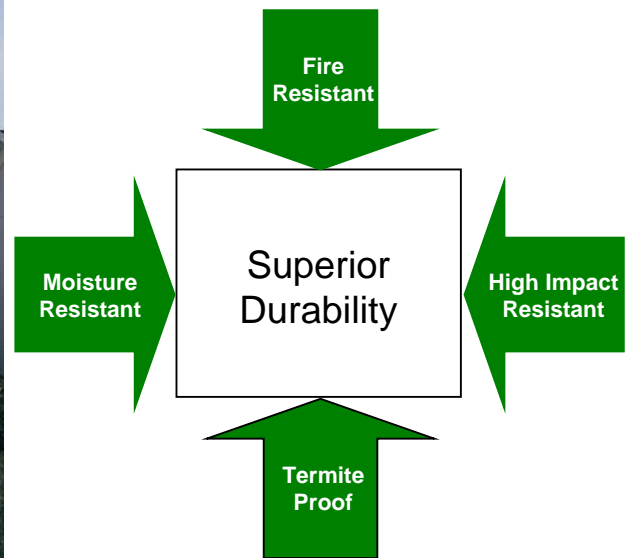


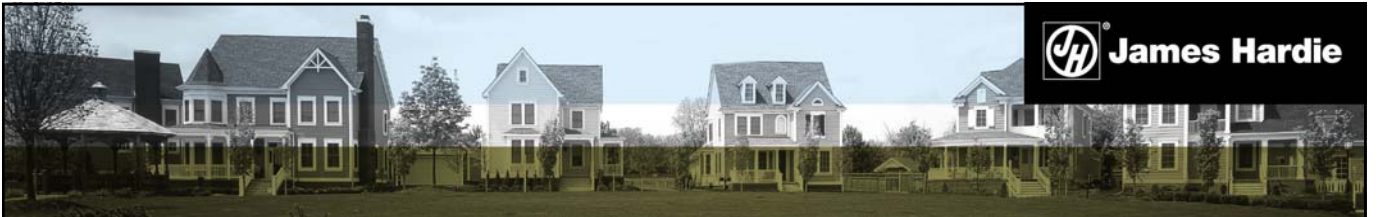
- High growth
- Sustainable competitive advantage
- Unique proprietary technology
- Strong financial performance, cash flows and balance sheet¹
- Track record of outperforming US housing market

¹ Excluding asbestos provision

First to Develop Fibre Cement

James Hardie pioneered development of fibre cement technology in the 1980s





Business Overview

Many Product Applications

- External siding/soffit lining
- Trim and fascia
- Internal wall/floor wet area lining
- Ceiling lining and flooring
- External/internal wall systems
- Commercial facades
- Drainage pipes





Unique Technology and Scale

Sustainable Competitive Advantage

- Unique plant engineering and proprietary process technology and product formulations – significant investment in R&D
- Superior capital cost efficiency
- Low cost manufacturer
- Only national producer of fibre cement in each key market
- Excellent plant economies of scale – plants 2-3 times larger than fibre cement competitors
- Unique differentiated products, widest range and strong brands

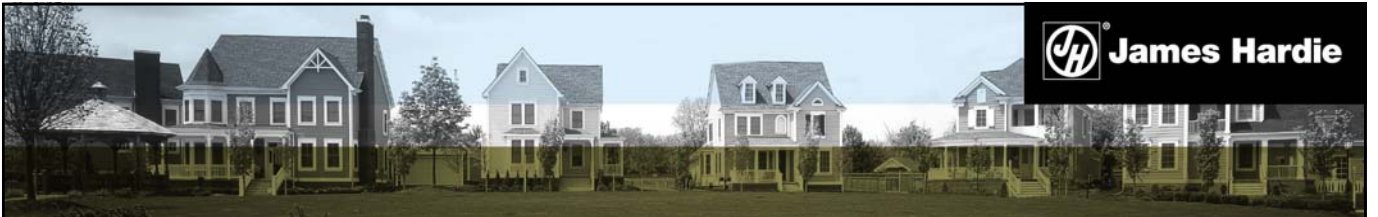


Focus

Industry Leadership and Profitable Growth

- Aggressively grow the market
- Secure differentiated position
- Generate strong top line growth
- Win high shares of large segments
- Sustain attractive margins





Operations Overview

Business Portfolio

FY 2006 ¹	Total Identifiable Assets ^{*,#}	Sales	EBIT ^{2,#}
USA Fibre Cement Established high growth/high return	79%	82%	95%
Asia Pacific Fibre Cement Established high return	16%	16%	12%
Other Potential growth opportunities (Pipes, Europe)	5%	2%	(7%) ²

¹ At and for the fiscal year ended 31 March 2006

* Excludes General Corporate

Excludes General Corporate, Research and Development and Asbestos Provision

² Includes Roofing and Chile – both discontinued in FY06

Largest Fibre Cement Producer in North America

Plant Locations



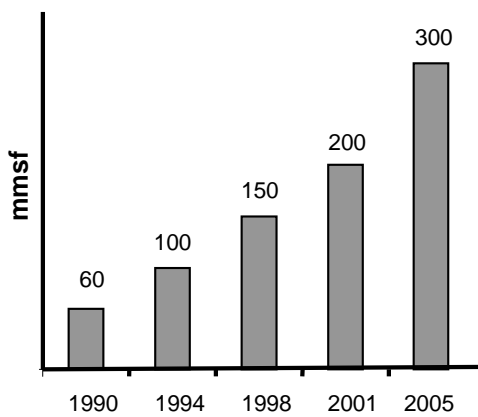
JH Plant Design Capacity

Flat Sheet Plants	Capacity (mmsf)
Fontana, California	180
Plant City, Florida	300
Cleburne, Texas	500
Tacoma, Washington	200
Peru, Illinois	560
Waxahachie, Texas	360
Blandon, Pennsylvania	200
Summerville, South Carolina	190
Reno, Nevada	300
Pulaski, Virginia	600
Flat Sheet Total	3,390
FRC Pipe Plant	
Plant City, Florida	100,000 tons

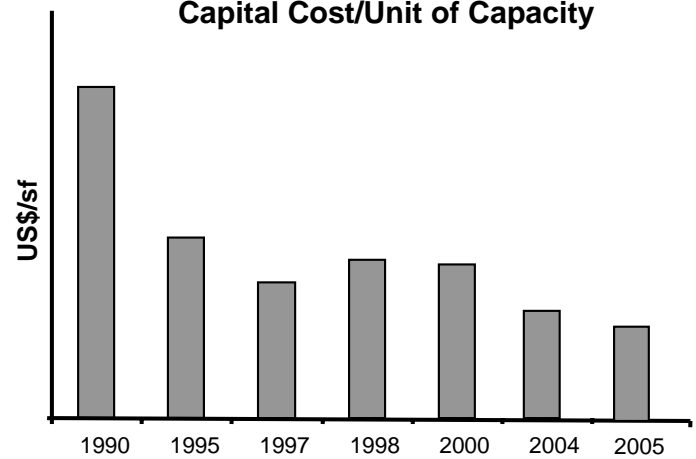
USA Fibre Cement

Low Cost Fibre Cement Producer

Production Capacity Per Line



Capital Cost/Unit of Capacity



USA Fibre Cement

Superior Product Performance

Fibre Cement is more durable than wood and engineered wood

Fibre Cement



Superior Durability



Engineered Wood



- ✓ Moisture Resistant ?
- ✓ Fire Resistant ?
- ✓ Weather Resistant ?
- ✓ Termite Proof ?
- ✓ Resists Warping ?
- ✓ Resists Cracking ?
- ✓ Resists Rotting ?
- ✓ Holds Paint Longer ?



USA Fibre Cement

Superior Product Performance

Fibre Cement looks and performs better than vinyl



Fibre Cement

Vinyl

- | | | |
|---|-----------------------|---|
| ✓ | Fire Resistant | ? |
| ✓ | Hail Resistant | ? |
| ✓ | Resists Warping | ? |
| ✓ | Resists Buckling | ? |
| ✓ | Colour Lasts Longer | ? |
| ✓ | Dimensional Stability | ? |
| ✓ | Can Be Repainted | ? |

Revenue Growth Streams

Exterior products

- Siding
- Soffit
- Fascia
- Trim



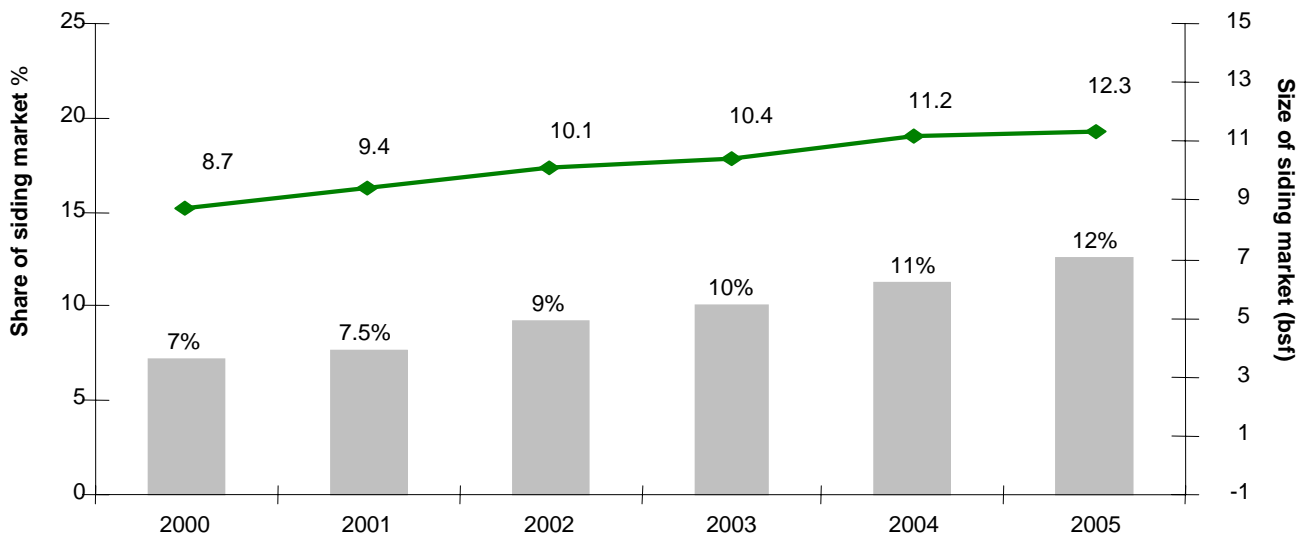
Interior products

- ¼ inch backerboard
 - Hardibacker 500®
-
- Total sales compound annual growth rate of 27% (FY02 – FY06)



Exterior Products - Siding

Continuing to increase share of siding sales
estimated terminal share 35%



Bsf = billions square feet

NAHB Sources:

Builder Practices Report – Siding Usage/Exterior Wall Finish In **New Construction**

Consumer Practices Report – Siding Usage/Exterior Wall Finish In **Repair & Remodel**

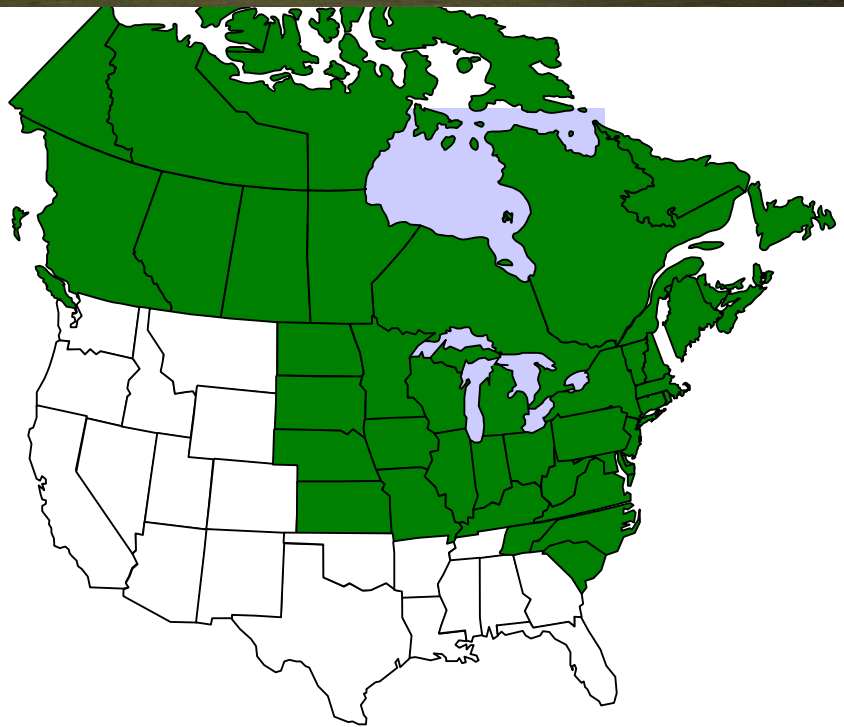
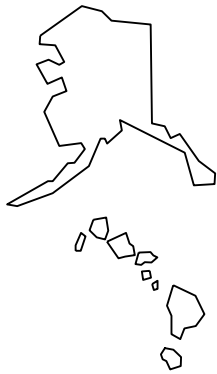
(Note – Market and share figures reflect siding only; exclude fascia, soffits & trim)

James Hardie Market Share
Siding Market



James Hardie

Exterior Products Divisions



**Emerging
Markets**

**Established
Markets**

Exterior Products

Established Markets

- Accounts for 75% of USA Fibre Cement sales
- High builder penetration
- High brand awareness
- Aggressive growth of demand for fibre cement products
 - Further penetration against wood-based technologies
 - Opportunities against brick and stucco
 - Expansion into rural markets
 - More products per house
- Internal target of 7%-15% revenue growth p.a.¹



¹ Assumes flat growth in end markets

Exterior Products

Emerging Markets

- Approx. 50% of new housing sales
- Accounts for 25% of USA Fibre Cement sales
- Penetrating regions where vinyl is dominant siding material
- Focus on majority colour penetration
- Estimated terminal share of 30%
- Internal target of 30% - 50% revenue growth p.a.¹



¹ Assumes flat growth in end markets

Exterior Products

ColorPlus® Model

- Higher quality products with higher revenue stream
- Strategy designed to reduce 'on the wall' cost and close gap with vinyl siding
 - Supply of pre painted exterior products
 - Reduce supply chain costs
 - Installer education
- Channel increases revenue base and gains incremental volume
- End user gets higher quality product at reduced cost



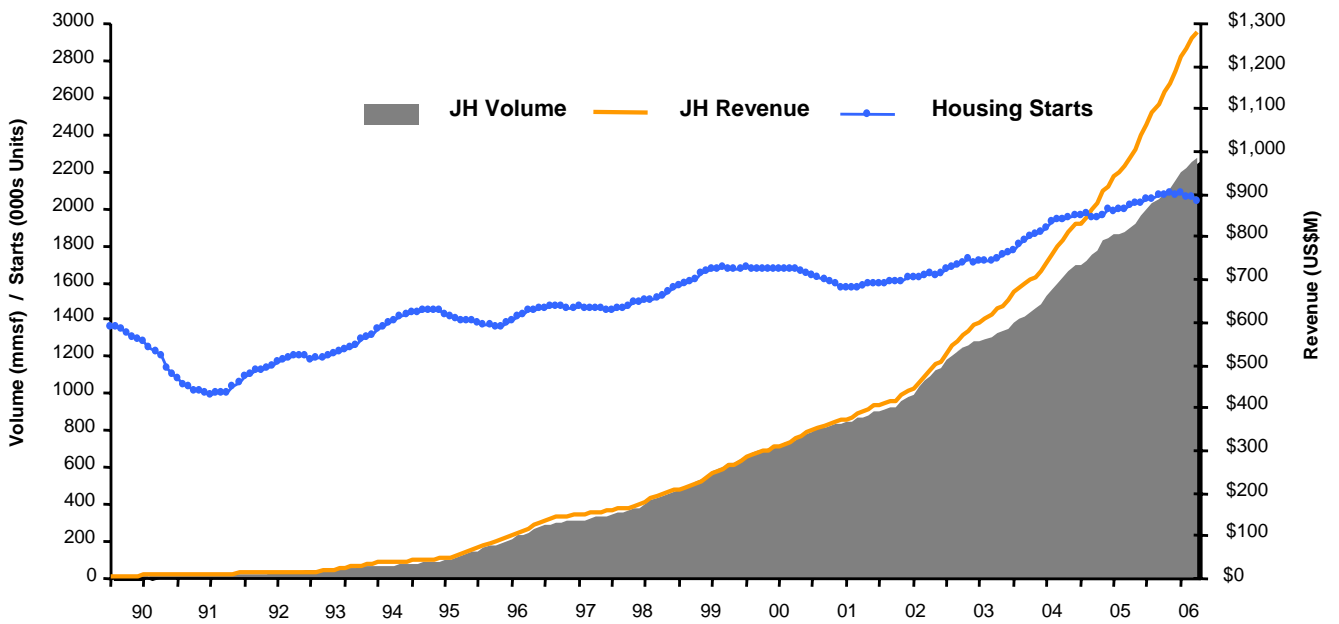
Average Net Sales Price

Average price growth driven by mix and price increases



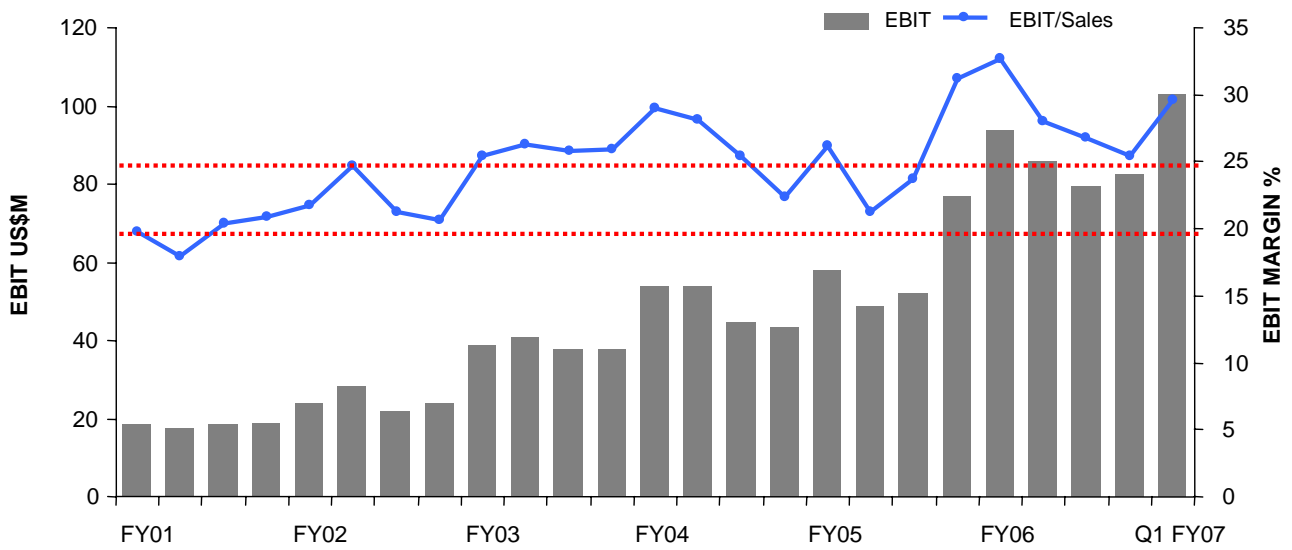
USA Fibre Cement

Top-Line Growth



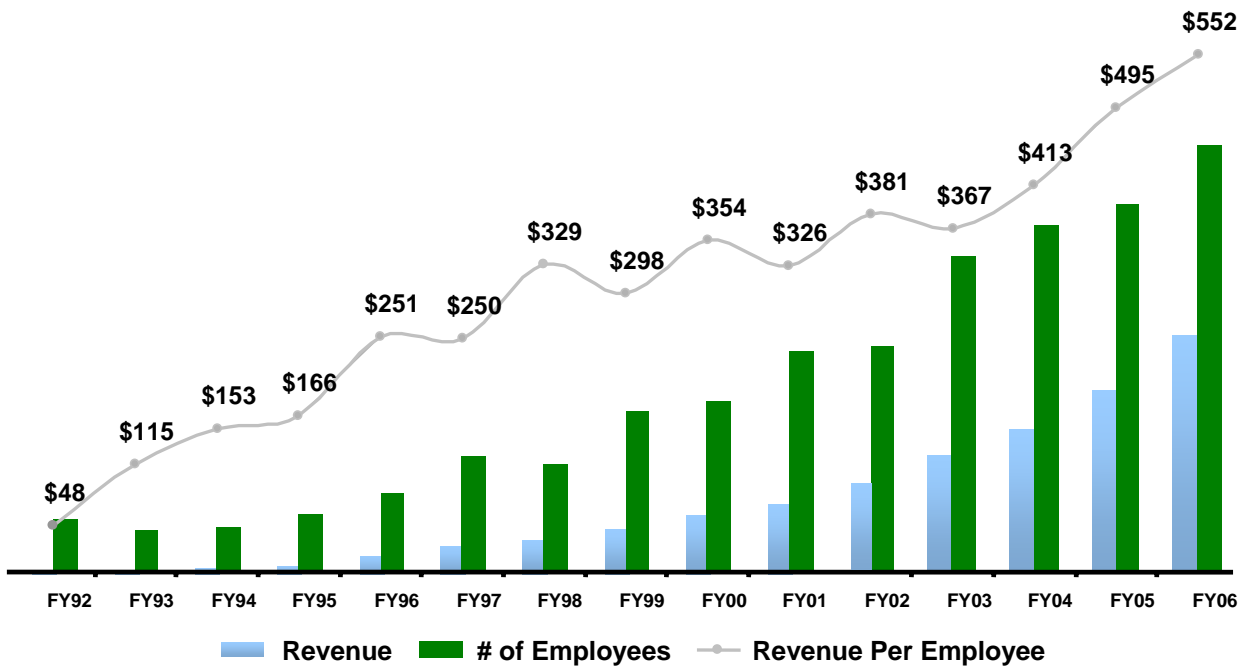
USA Fibre Cement

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%

Growth In Revenue Per Employee





US New Housing Market – Slowing

- Key sales determinants
 - Level of new housing construction activity
 - Level of repair and remodelling activity
 - Market development program effectiveness
 - Price improvement
- New housing 70% of sales (repair and remodel 30%)
- Internal sales target of 15% - 25% p.a. growth (assumes flat market)
- South Central, South East, Pacific North West – largest sales regions
- Business considerations:
 - Timing of capacity expansion, costs containment and efficiency improvements

Backer is Growing Fast

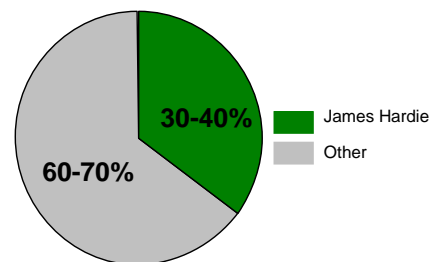
- Net sales growing strongly – CAGR* 26% (FY02-FY06)
- Leading position in 1/4" segment – technology advantage for floor applications
- Hardibacker 500® is driving penetration on wall applications
- Greenboard replacement
- Growing segment
- High terminal segment share

* Compound Annual Growth Rate

¹ Market estimate based on Cipris market study and management estimates

USA Interior Cement Board Sales

1.02 Billion square feet market¹



Asia Pacific Fibre Cement



- Australia, New Zealand, Philippines
- FY06 net sales US\$242m
- FY06 EBIT US\$42m
- Higher value differentiated products
- Lower delivered cost
- Shift to growth model
- Philippines focus on profitability



Other Fibre Cement

Pipes

- USA manufacturing plant commissioned 2001
- Advantages over reinforced steel concrete pipes in mid-diameters – light, long, strong
- Lower cost to make and install
- Manufacturing targets not met but progress being made

Europe Market Development

- Focussed on UK and France
- Differentiated products imported from US
 - Hardibacker®
 - XLD® Trim
 - ColorPlus® pre-painted siding

Long Term Financial Targets

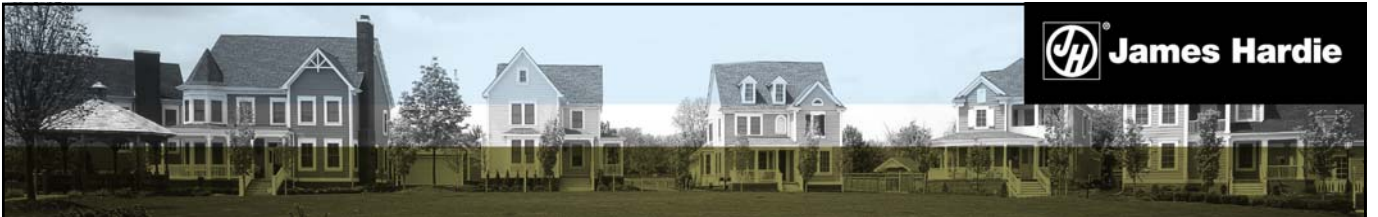
High Growth and Attractive Returns Targeted

	Target ¹	Actual FY06	Actual FY05	Actual FY04
Revenue Growth	> 15% p.a.	23%	23%	25%
EBIT Margin	> 15% p.a	19%*	16%	18%
Return On Capital Employed	> 15% p.a	29%*	24%	23%



¹ Long term target excludes asbestos-related expenses

* Excludes asbestos charge of US\$716 million associated with take up of asbestos provision.



Long-term Asbestos Compensation Funding Arrangement

Progress



Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

Background

- Established Medical Research and Compensation Foundation (MRCF) in February 2001 with assets of A\$293m – MRCF receives claims against two former subsidiary companies
- MRCF announced in October 2003 that funding likely to be insufficient
- NSW Government announced Inquiry into establishment of MRCF in February 2004
- Inquiry report released September 2004:
 - Establishment of MRCF legally effective
 - No legal liability for MRCF funding shortfall
 - Risk of adverse legislative, regulatory and customer responses unless adequate provision made for asbestos liabilities of former subsidiaries
 - Voluntary funding proposal made by James Hardie in July 2004



Long-Term Funding Proposal – Asbestos Related Personal Injury Claims

- Non-binding agreement signed with NSW Government, union and claimants' representatives – December 2004
 - Special Purpose Fund to be established
 - Annual contribution to SPF based on annual actuarial assessment
 - Funding contribution capped at after 1st year based on a percentage of net operating cash flow – initial cap 35%, with phased reduction to 10% possible over time
- Funding arrangement intended to allow James Hardie to remain profitable, financially strong and to fund growth
- Final funding agreement signed with NSW Government – December 2005 (subject to conditions precedent)

Update

- Net provision of US\$716m (A\$1 billion) recorded at 31 March 2006 – “probable and estimable” under US GAAP
- Net provision adjusted to US\$742m (A\$1 billion) at 30 June 2006 due to FX (US\$27m charge to P&L)
- June 2006, Australian Taxation Office (ATO) declined to endorse SPF as tax concession charity, but ruled annual contributions from James Hardie to SPF deductible over five years in accordance with “black hole” legislation for life of fund – both are conditions precedent to FFA
- Currently discussing potential and limited amendments to FFA with NSW Government
- Requires fresh binding rulings from ATO
- If satisfactory outcome, shareholder meeting to be held around 10 weeks from agreement being reached
- Lender and shareholder approval are also conditions precedent to the FFA

Summary

- We have a strong, well established, high growth and high return business
- We have sustainable competitive advantage
- Our model for continued strong growth is based on:
 - Large market opportunity
 - Superior value proposition
 - Proprietary and/or protected technology
 - Large upsides due to current R&D investments
 - Significant organisational advantages
 - Focussed strategy and organisational effort
 - Scale
- The company is in a sound financial position
- Accounting results subject to volatility – FX impact on A\$ asbestos provision

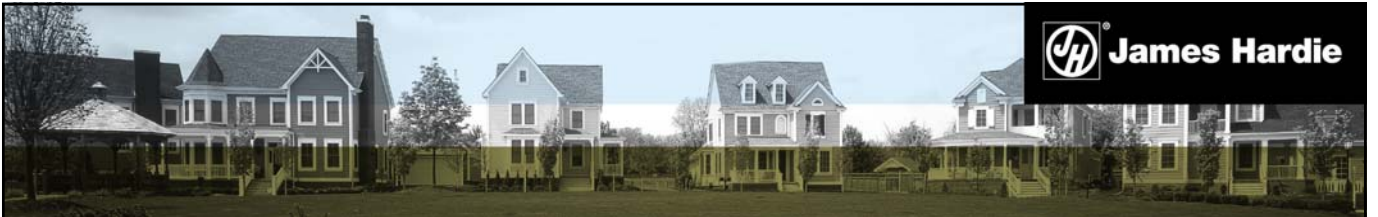


Endnotes

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.



SALES VOLUMES

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

FINANCIAL RATIOS

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.



NON-US GAAP FINANCIAL MEASURES

EBIT and EBIT margin excluding asbestos – EBIT and EBIT margin excluding asbestos 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	FY06	FY05
EBIT	\$68.9	\$(434.9)	196.2
Asbestos provision	27.2	715.6	-
EBIT excluding asbestos	96.1	280.7	196.2
Net Sales	\$415.5	\$1,488.5	\$1210.4
EBIT margin excluding asbestos	23.1%	18.9%	16.2%

Disclaimer

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.