



James Hardie®



James Hardie

FY06 4th Quarter and Full Year Results

15 May 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 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 from continuing operations", and "Net operating profit including discontinued operations". 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 provision", "EBIT excluding asbestos provision, impairment charge and SCI and other related expenses", "Operating profit from continuing operations excluding asbestos provision", "Diluted earnings per share from continuing operations excluding asbestos provision, impairment charge, SCI and other related expenses and write-back of tax provisions" and "EBITDA"). Unless otherwise stated, results are for continuing operations only and comparisons are of the 4th quarter and the full year versus the 4th quarter and full year of the prior fiscal year.

Agenda

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



Overview

Results

- Results substantially affected by booking asbestos provision of US\$715.6m
- Excluding asbestos provision
 - 4th quarter operating profit up 40% to US\$64.7m
 - Full year operating profit up 63% to US\$208.9m
- Excluding SCI and other related expenses, impairment charge and write-back of tax provisions
 - 4th quarter operating profit up 13% to US\$54.5m
 - Full year operating profit up 42% to US\$212.7m
- Final dividend of US 4 cents. Full year dividend up US 2 cents to US 8 cents



Overview

Operating Results

4th Quarter:

- Strong top-line growth driven by outstanding performance of USA Fibre Cement
- EBIT flat – higher costs, weaker Asia Pacific performance and very strong Q4 FY05 comparable
- Continued strong cash flow generation

Full Year:

- Outstanding results at top-line and bottom-line, despite higher costs
- Full year targets met and on track for longer-term targets
- Substantial cash flow generation



Overview

4th Quarter and Full Year FY06

	Q4 FY06 %	FY06 %
Net Sales	up 23	up 23
Gross Profit	up 15	up 29
EBIT excluding asbestos expense, SCI and other related expenses and impairment charge	up 1	up 39
Operating Profit from Continuing Operations excluding asbestos expense, SCI and other related expenses, impairment charge and write-back of tax provisions	up 13	up 42



Highlights

4th Quarter – strong top-line growth

- Net sales up 23% to US\$389.8 million
- Gross profit up 15% to US\$139.5 million
- USA Fibre Cement sales up 32% to US\$325.6 million



Highlights

Full Year – very strong results

- Net sales up 23% to US\$1,488.5 million
- Gross profit up 29% to US\$550.8 million
- USA Fibre Cement sales up 30% to US\$1,218.4 million
- USA Fibre Cement EBIT up 42% to US\$342.6 million
- Significant capacity expansion



Exceeding Targets

	<u>FY'06</u> <u>Actual</u>	<u>Long Term</u> <u>Target</u>
Revenue Growth	23%	>15% pa
EBIT ¹ /Sales	21%	>15% pa
Return on Assets ²	17%	>15% pa

¹ Excludes asbestos provision, SCI and other related expenses and impairment charge

² Net income (excluding asbestos provision, SCI and other related expenses, and write-back of tax provisions) divided by total average assets



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Operating Review

Louis Gries, CEO

USA Fibre Cement





USA Fibre Cement

4th Quarter Result – very strong sales growth

Net Sales up 32% to US\$325.6 million

Sales Volume up 22% to 575.1 mmsf

Average Price up 8% to US\$566 per msf

EBIT up 7% to US\$82.7 million

EBIT Margin down 5.8 pts to 25.4%



USA Fibre Cement

4th Quarter Trading Conditions

- New housing construction and repair and remodelling activity remained buoyant
 - Interest rates still low, but increasing
 - Unseasonably good weather



USA Fibre Cement

Key Points

- Continuing sales growth in both emerging and established markets
- Sales of both interior and exterior products growing strongly
- Continued market penetration against alternative materials
- Sales growth in higher-priced differentiated products
- ColorPlus™ strategy continuing to progress well
- Completed construction of new paint line at Blandon, Pennsylvania
- Completed construction of line 1 at new plant in Pulaski, Virginia – commercial production in April
- EBIT for quarter impacted by higher cost of sales, freight and SG&A costs (including one-off adjustments)



USA Fibre Cement

Higher Costs in Q4

- Cost of sales up 14% (materials, product mix, energy and one-off adjustments – partly offset by manufacturing efficiency gains)
- SG&A up 74% (one-off adjustments and growth initiatives)
- Freight up 13% (impact of higher oil prices)



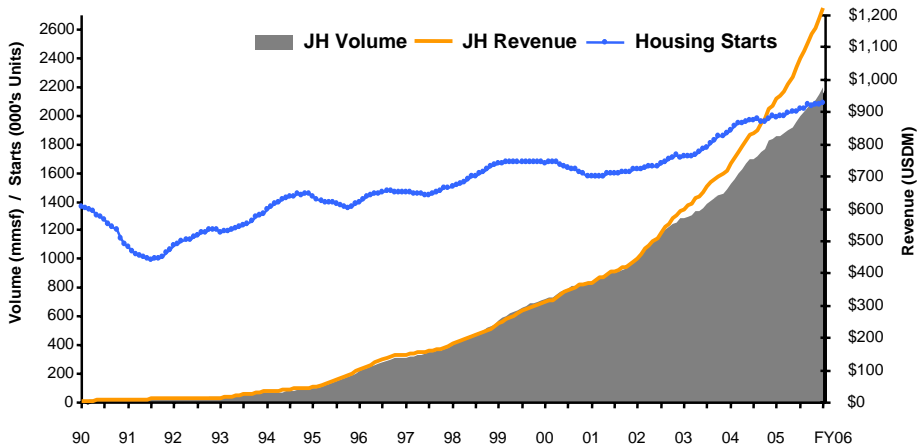
USA Fibre Cement

Outlook

- New housing construction activity to slow to more sustainable levels
 - Modest interest rate increases affecting affordability
 - Indicators of future activity, including permits; house sales; backlog of houses for sale and builder confidence, suggest a 'cooling' is underway
- Revenue growth from further penetration of targeted markets and pricing
 - Growth in sales of higher-priced differentiated products
 - Price increase for some products in some markets
- Cement, energy and freight costs to remain high

USA Fibre Cement

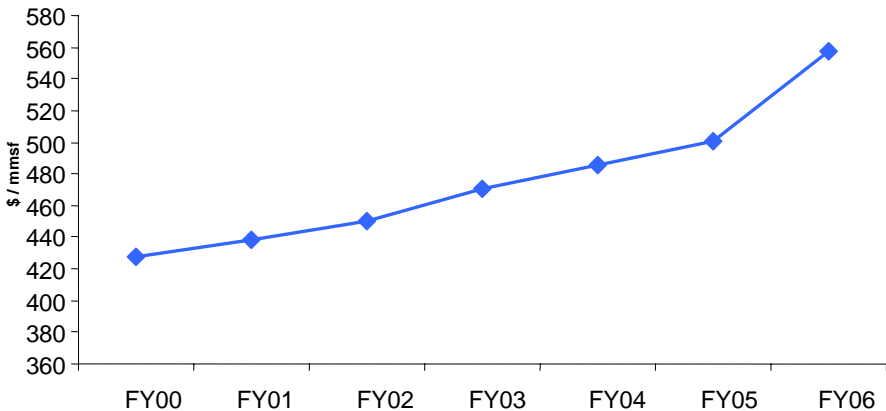
Top-Line Growth





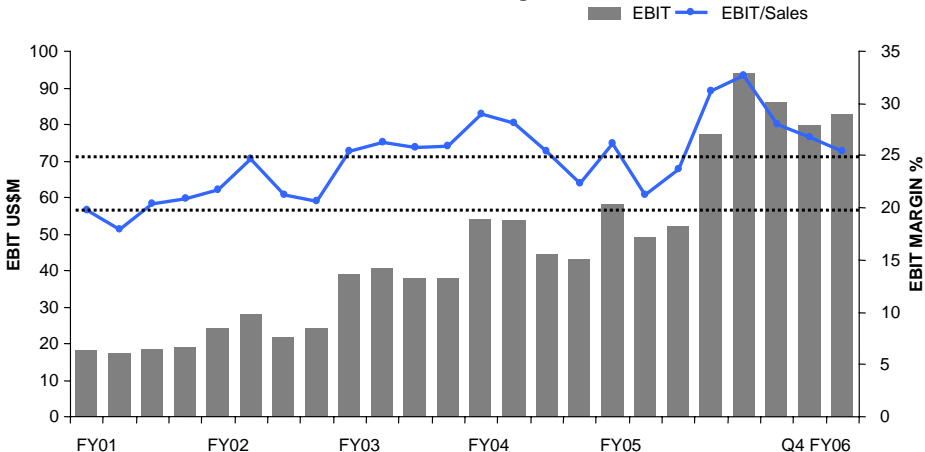
USA Fibre Cement

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%



USA Fibre Cement

Strategy – Unchanged

- Aggressively grow primary demand for our product in our targeted markets
- Increase our share of exterior cladding and backerboard markets while maintaining our existing category share
- Leverage our superior technology to offer differentiated, segment-specific products
- Offer products with superior value to those of our competitors to reduce direct price competition

Asia Pacific Fibre Cement





Asia Pacific Fibre Cement

4th Quarter Result

Net Sales	down	2% to US\$57.2 million
Sales Volume	up	1% to 90.3 mmsf
EBIT	down	24% to US\$9.3 million
EBIT Margin	down	2.6 pts to 17.2%



Asia Pacific Fibre Cement

Strategy – Unchanged

- Grow primary demand for our product
- Vigorously protect and grow category share in existing market segments
- Leverage our superior technology to offer differentiated products with greater value than those of competitors
- Offer lowest delivered cost for manufactured product



Asia Pacific Fibre Cement

Australia and New Zealand – Key Points

- New housing and renovation activity continued to weaken in both Australia and New Zealand
- Sales volumes and market share increased
- Regaining momentum in commercial sector lost through last year's bans and boycotts
- Net sales up slightly to US\$51.1m, up 6% in A\$
- EBIT down 18% due to higher costs – mainly manufacturing and freight
- Full year sales up 4%, EBIT down 8% due to higher costs



Asia Pacific Fibre Cement

Australia and New Zealand – Outlook

- New housing construction and renovation activity in Australia and New Zealand expected to soften further
- Growth in primary demand for our products
- More market share gains
- Cost savings and manufacturing efficiencies



Asia Pacific Fibre Cement

Philippines - Key Points

- Domestic demand affected by weaker economic conditions and slowdown in building construction activity
- Net sales down 15% for quarter and 9% full year
- EBIT positive for both quarter and full year

Outlook

- Uncertainty in domestic economic conditions to adversely affect building construction activity
- Domestic sales volumes to be flat over short-term
- Improved construction activity in core export markets



Other

USA Hardie Pipe - Key Points

- Both residential and non-residential construction activity remained buoyant in Florida
- Q4 sales strongest in FY06, but below Q4 FY05
- Market share gains
- Manufacturing performance improvements
- Reduced EBIT loss for quarter and full year



Other

Europe Fibre Cement

- Sales building steadily
- Continuing to expand distribution channels

Artisan™ Roofing

- Ceased market development initiatives
- Review of market testing results concluded greater shareholder value created by focusing investment elsewhere
- Pilot plant closed – asset impairment charge of US\$13.4m in Q4



Research and Development

- Driver of sustainable competitive advantage and growth
- R&D responsible for: HLD® trim; XLD® trim; Hardibacker 500®; wet area flooring; EZ Grid®; Linea®; ColorPlus®; laminate film and scale improvements (increase from 100mmsf to 300mmsf machines)
- Current core projects
 - Engineered raw materials
 - Product formulations
 - Engineering and process technologies
 - Lightweight and durable products for all climates



Overall Outlook

- Housing construction and repair and remodelling activity in North America to slow, but remain healthy
 - Further market penetration against alternative materials
 - Increased share of US exterior cladding and backerboard markets
- No material improvement to market conditions in Asia Pacific businesses expected in short-term
- SCI and other related expenses expected to continue into FY 2007



Financial Review and Final Funding Agreement Update

Russell Chenu, CFO

Overview

- Income statement and balance sheet substantially affected by booking US\$715.6m asbestos provision
- Balance sheet remains very strong excluding asbestos provision
 - Net cash US\$12.4m v net debt of US\$45.8m at 31 March 2005
 - Cash and unused term facilities of US\$489.1m
- Continued to generate substantial operating cash flow – US\$240.6m FY06
- Distributions from retained earnings unaffected by impact of booking asbestos provision
- Final dividend of US 4 cents a share. Full year dividend US 8 cents – up US 2 cents
 - Record date 14 June 2006
 - Payable 6 July 2006
- Retired fixed rate debt of US\$122m on 8 May – plus US\$6m make-whole payment
 - Currently arranging replacement facilities



Asbestos Provision

- “Blackhole expenditure” legislation came into force on 6 April 2006
- Determined definitions of ‘probable and estimable’ (SFAS No. 5) were satisfied
- Net provision (adjusted for tax) of US\$715.6m recorded with corresponding entry to asbestos expense in income statement
 - Tax decisions remain subject to ongoing application to ATO
 - Provision recorded on gross basis should proposal be implemented
- Amount of provision primarily based on actuarial estimate by KPMG Actuaries Pty Ltd as at 31 March 2006
 - Projected cash flows, undiscounted and uninflated
- Tax treatment remains a condition precedent to FFA, with range of others including lender and shareholder approval



Asbestos Provision

Likely ongoing accounting

- Annual payments to SPF charged against provision
- Provision adjusted annually to align with 31 March annual actuarial assessment (projected cash flows, undiscounted and uninflated)
- Asbestos provision in income statement to reflect movement in actuarial estimate and foreign exchange
- Unaudited pro forma (excluding asbestos provision) consolidated balance sheet, income statement and cash flow statement to be included in Management's Analysis of Results going forward

Note: subject to completion of the Final Funding Agreement

Asbestos Compensation Funding Proposal

Update

- Continuing to focus on satisfying conditions precedent in Final Funding Agreement
- 'Blackhole' legislation came into force on 6 April
- Further submissions on tax deductibility of payments to SPF lodged with ATO – discussions continuing
- Further correspondence with ATO on tax exempt status of SPF – discussions continuing
- Not in a position to reliably estimate date of shareholder meeting



Updated Actuarial Estimate

KPMG Actuaries P/L expected estimate at 31 March 2006
(based on 30 June 2005 estimate)

A\$1,666.7m

Change in discount rate

(55.5)

1,611.2

Reduced by:

Reduction in assumed average cost per claim

(38.3)

Emerging claims experience

(17.5)

Insurance recoveries

(28.6)

Other

(16.0)

Claims inflation

44.1

Nil cost claims

36.6

Total development in net liability

(19.7)

Estimated legal cost savings (NSW)

(74.5)

Net liability at 31 March 2006

A\$1,517.0

Note: all amounts on net present value basis



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>
Central Estimate – Discounted	1.536	1.685	1.568 ¹	1.517 ¹
Central Estimate – Undiscounted	3.586	3.604	3.131 ¹	3.079 ¹
Range - Undiscounted	2.0 - 5.7	2.0 - 5.9	1.5 - 5.5 ¹	1.7 - 5.3 ¹

Note: all amounts above are on a net present value basis

¹ Includes estimated legal cost savings for NSW only



Results - Q4

<u>US\$ Millions</u>	<u>Q4 '06</u>	<u>Q4 '05</u>	<u>% Change</u>
Net Sales	389.8	316.4	23
Gross profit	139.5	121.3	15
SG&A expense	(63.4)	(42.4)	50
R & D	(7.0)	(5.2)	35
SCI & other related expenses	(2.7)	(3.7)	(27)
Impairment of roofing plant	(13.4)	-	-
Asbestos provision	(715.6)	-	-
Other operating loss	-	(5.4)	-
EBIT	(662.6)	64.6	-
Net interest income (expense)	0.7	(0.6)	-
Other income	-	0.2	-
Income tax benefit (expense)	11.0	(17.9)	-
Operating (loss) profit from continuing operations	(650.9)	46.3	-
EBIT excluding asbestos provision, SCI and other related expenses and impairment charge	69.1	68.3	1
Operating profit from continuing operations excluding asbestos provision, SCI and other related expenses, impairment charge and write-back of tax provisions (US\$20.7m)	54.5	48.4	13



Results – Full Year

<u>US\$ Millions</u>	<u>FY '06</u>	<u>FY '05</u>	<u>% Change</u>
Net Sales	1,488.5	1210.4	23
Gross profit	550.8	426.4	29
SG&A expense	(209.8)	(174.5)	20
R & D	(28.7)	(21.6)	33
SCI & other related expenses	(17.4)	(28.1)	(38)
Impairment of roofing plant	(13.4)	-	-
Asbestos provision	(715.6)	-	-
Other operating loss	(0.8)	(6.0)	-
EBIT	(434.9)	196.2	-
Net interest expense	(0.2)	(5.1)	-
Other expense	-	(1.3)	-
Income tax expense	(71.6)	(61.9)	16
Operating (loss) profit from continuing operations	(506.7)	127.9	-
EBIT excluding asbestos provision, SCI and other related expenses and impairment charge	311.5	224.3	39
Operating profit from continuing operations excluding asbestos provision, SCI and other related expenses, impairment charge and write-back of tax provisions (US\$20.7m)	212.7	156.0	36



Segment Net Sales – Q4

<u>US\$ Millions</u>	<u>Q4 '06</u>	<u>Q4 '05</u>	<u>% Change</u>
USA Fibre Cement	325.6	247.2	32
Asia Pacific Fibre Cement	57.2	58.2	(2)
Other	7.0	11.0	(36)
Total	389.8	316.4	23



Segment Net Sales – Full Year

<u>US\$ Millions</u>	<u>FY '06</u>	<u>FY '05</u>	<u>% Change</u>
USA Fibre Cement	1,218.4	939.2	30
Asia Pacific Fibre Cement	241.8	236.1	2
Other	28.3	35.1	(19)
Total	1,488.5	1,210.4	23



Segment EBIT – Q4

<u>US\$ Millions</u>	<u>Q4 '06</u>	<u>Q4 '05</u>	<u>% Change</u>
USA Fibre Cement	82.7	77.1	7
Asia Pacific Fibre Cement	9.3	12.3	(24)
R & D	(3.9)	(6.1)	(36)
Other	(3.8)	(1.7)	-
General Corporate	(17.9)	(17.0)	5
Impairment of roofing plant	(13.4)	-	-
Asbestos provision	(715.6)	-	-
EBIT	(662.6)	64.6	-
Add back:			
Asbestos provision	715.6	-	-
SCI and other related expenses	2.7	3.7	(27)
Impairment charge	13.4	-	-
EBIT excluding asbestos provision, SCI and other related expenses and impairment charge	69.1	68.3	1

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



Segment EBIT – Full Year

<u>US\$ Millions</u>	<u>FY '06</u>	<u>FY '05</u>	<u>% Change</u>
USA Fibre Cement	342.6	241.5	42
Asia Pacific Fibre Cement	41.7	46.8	(11)
R & D	(15.7)	(17.5)	(10)
Other	(13.1)	(11.8)	11
General corporate	(61.4)	(62.8)	(2)
Impairment charge of roofing plant	(13.4)	-	-
Asbestos provision	(715.6)	-	-
EBIT	(434.9)	196.2	-
Add back:			
Asbestos expense	715.6	-	-
SCI and other related expenses	17.4	28.1	-
Impairment charge	13.4	-	-
EBIT excluding asbestos expense SCI and other related expenses and impairment charge	311.5	224.3	39

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



Corporate Costs – Q4 and Full Year

<u>US\$ Millions</u>	<u>Q4'06</u>	<u>Q4'05</u>	<u>FY '06</u>	<u>FY '05</u>
SCI and other related expenses	2.7	3.7	17.4	28.1
Stock compensation expense	2.2	1.4	6.4	2.9
Earnings related bonus	5.0	-	9.5	0.9
Australian pension plan	1.3	5.3	1.8	5.3
Other costs	6.7	6.7	26.2	25.6
Total	17.9	17.0	61.4	62.8



Corporate costs

Earnings Related Bonus

- Supports objective of creating long-term value and rewards, consistent with value creation
- Based on year-on-year increase in economic profit
- Targeted annual increases in EP set by board remuneration committee with assistance of external advisers – target increases every year in 3 year cycle
- Amount exceeding target taken into account in bonus calculation
- This year EP Bonus target exceeded: 45% of bonus expense paid in year 1, 55% put into notional bank
- The banked bonus is paid out in years 2 and 3 if EP targets continue to be met or exceeded



Net Interest Expense

<u>US\$ Millions</u>	<u>Q4'06</u>	<u>Q4'05</u>
Net interest income (expense)	0.7	(0.6)
	<u>FY '06</u>	<u>FY '05</u>
Net interest expense	(0.2)	(5.1)



Income Tax

US\$ Million

	<u>Q4'06</u>	<u>Q4'05</u>	<u>% Change</u>
Operating (loss) profit before tax	(662.6)	64.2	-
Asbestos provision	715.6	-	-
Operating profit before tax excluding asbestos provision	53.0	64.2	(16)
Tax benefit (expense)	11.0	(17.9)	-
Write-back of tax provisions*	(20.7)	-	-
Tax charge excluding write-back	(9.7)	(17.9)	(46)
Effective rate	18.3%	27.9%	

*Reversal of income tax reserves following finalisation of certain tax audits



Income Tax

US\$ Million

	<u>FY'06</u>	<u>FY'05</u>	<u>% Change</u>
Operating (loss) profit before tax	(435.1)	189.8	-
Asbestos provision	715.6	-	-
Operating profit before tax excluding asbestos provision	280.5	189.8	48
Tax charge	(71.6)	(61.9)	-
Write-back of tax provisions*	(20.7)	-	-
Tax charge excluding write-back	(92.3)	(61.9)	49
Effective rate	32.9%	32.6%	

*Reversal of income tax reserves following finalisation of certain tax audits.



Income Tax

Amended Assessment

- RCI P/L (wholly-owned subsidiary) received amended assessment of A\$412m from ATO for Y/E 31 March 1999
- Amended assessment reduced to A\$378m due to remission of interest charges
- Date payable deferred by ATO to 30 June 2006
- Amended assessment strongly disputed by company, which is pursuing all avenues of objection and appeal, and believes its position will ultimately prevail
- Unable to determine whether any amount will ultimately be paid
- Liability not recorded – definitions of 'probable and estimable' (US GAAP) not met



EBITDA - Q4

<u>US\$ Millions</u>	<u>Q4'06</u>	<u>Q4'05</u>	<u>% Change</u>
EBIT (excluding asbestos provision)			
USA Fibre Cement	82.7	77.1	7
Asia Pacific Fibre Cement	9.3	12.3	(24)
Other	(17.2)	(1.7)	-
R&D	(3.9)	(6.1)	(36)
General Corporate	(17.9)	(17.1)	5
Depreciation and Amortisation			
USA Fibre Cement	8.2	6.1	34
Asia Pacific Fibre Cement	2.6	2.7	(4)
Other segments	0.7	0.8	(13)
EBITDA (excluding asbestos provision)	64.5	74.2	(13)
Add back:			
SCI and other related expenses	2.7	3.7	(27)
Impairment charge	13.4	-	-
EBITDA excluding asbestos provision, SCI and other related expenses and impairment charge	80.6	77.9	3

R&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



EBITDA - Full Year

<u>US\$ Millions</u>	<u>FY'06</u>	<u>FY'05</u>	<u>% Change</u>
EBIT (excluding asbestos provision)			
USA Fibre Cement	342.6	241.5	42
Asia Pacific Fibre Cement	41.7	46.8	(11)
Other	(26.5)	(11.8)	125
R&D	(15.7)	(17.5)	(10)
General Corporate	(61.4)	(62.8)	(2)
Depreciation and Amortisation			
USA Fibre Cement	32.4	23.1	40
Asia Pacific Fibre Cement	10.0	10.0	-
Other segments	2.9	3.1	(6)
EBITDA (excluding asbestos provision)	326.0	232.4	40
Add back:			
SCI and other related expenses	17.4	28.1	(38)
Impairment charge	13.4	-	-
EBITDA excluding asbestos provision, SCI and other related expenses and impairment charge	356.8	260.5	37
Net cash provided by operating activities	240.6	219.8	9

R&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 – Full Year

<u>US\$ Million</u>	Capital Expenditure		Depreciation	
	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>
USA Fibre Cement	155.5	144.8	32.4	23.1
Asia Pacific Fibre Cement	6.2	3.8	10.0	10.0
Other segments	1.1	4.4	2.9	3.1
Total	162.8	153.0	45.3	36.2



Key Ratios

	<u>FY06</u>	<u>FY05</u>	<u>FY04</u>
EPS (Diluted) ¹	44.9c	27.7c	27.2c
Dividend paid per share	10.0c	3.0c	5.0c
Return on Shareholders' Funds ¹	29.6%	22.4%	27.6%
Return on Capital Employed ¹	32.1%	23.6%	23.4%
EBIT/ Sales (EBIT margin)	20.9%	16.2%	17.5%
Gearing Ratio	(1.6)%	6.8%	17.0%
Net Interest Expense Cover ¹	-	38.5x	17.2x
Net Interest Paid Cover	89.0x	18.3x	14.8x
Net Debt Payback	-	0.2 years	0.6 years

¹ Excluding asbestos provision, impairment charge, SCI and other related expenses and write-back of tax provisions



Summary

- Strong operating performance
- The company's financial position remains strong
- Tax treatment of payments to the SPF remains a key issue for “affordability”
- SCI and other related expenses continue to be a significant cost burden



Questions & Answers



Disclaimer

This Management's Analysis of results 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 Australian 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.

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 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, 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 asbestos provision – EBIT and EBIT margin excluding 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	Q4 FY06	Q4 FY05	FY06	FY05
EBIT	\$(662.6)	\$64.6	\$(434.9)	\$196.2
Asbestos provision	715.6	-	715.6	-
EBIT excluding asbestos provision	53.0	64.6	280.7	196.2
Net Sales	389.8	316.4	1488.5	1210.4
EBIT margin excluding asbestos provision	13.6%	20.4%	18.9%	16.2%



EBIT excluding asbestos provision, impairment charge and SCI and other related expenses – EBIT excluding asbestos provision, 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 FY06	Q4 FY05	FY06	FY05
EBIT	\$(662.6)	\$64.6	\$(434.9)	\$196.2
Asbestos provision	715.6	-	715.6	-
Impairment of roofing plant	13.4	-	13.4	-
SCI and other related expenses	2.7	3.7	17.4	28.1
EBIT excluding asbestos provision, impairment charge and SCI and other related expenses	69.1	68.3	311.5	224.3



Operating profit from continuing operations excluding asbestos provision – Operating profit from continuing operations excluding asbestos provision is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than operating profit from continuing operations. 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 FY06	Q4 FY05	FY06	FY05
Operating (loss) profit from continuing operations	\$(650.9)	\$46.3	\$(506.7)	\$127.9
Asbestos provision	715.6	-	715.6	-
Operating profit from continuing operations excluding asbestos provision	64.7	46.3	208.9	127.9



Diluted earnings per share from continuing operations excluding asbestos provision, impairment charge, SCI and other related expenses and write-back of tax provisions – Diluted earnings per share from continuing operations excluding asbestos provision, impairment charge, SCI and other related expenses and the write-back of tax provision is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than Diluted earnings per share from continuing operations. 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 FY06	Q4 FY05	FY06	FY05
Operating (loss) profit from continuing operations	\$ (650.9)	\$ 46.3	\$ (506.7)	\$ 127.9
Asbestos provision	715.6	-	715.6	-
Impairment of roofing plant (net of tax)	8.0	-	8.0	-
SCI and other related expenses (net of tax)	2.5	2.1	16.5	22.3
Write-back of tax provisions	(20.7)	-	(20.7)	-
Operating profit from continuing operations excluding asbestos provision, impairment charge, SCI and other related expenses and write-back of tax provisions	54.5	48.4	212.7	150.2
Weighted average common shares outstanding (Millions) – Diluted	467.0	463.2	465.0	461.0
Diluted earnings per share from continuing operations excluding asbestos provision, impairment charge, SCI and other related expenses and write-back of tax provisions (US cents)	11.7	10.4	45.7	32.6



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.