



James Hardie

FY07 2nd Quarter and Half Year Results

13 November 2006

In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document on pages 58 and 59. 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" and "Net 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 adjustments to asbestos provision", "EBIT and EBIT margin excluding adjustments to asbestos provision, and SCI and other related expenses", "Net operating profit excluding adjustments to asbestos provision", "Net operating profit excluding adjustments to asbestos provision, SCI and other related expenses and make-whole payment", "Effective tax rate excluding adjustments to asbestos provision and tax provision write-back", "Diluted earnings per share excluding adjustments to asbestos provision and tax provision write-back" and "EBITDA"). Unless otherwise stated, results are for the 2nd quarter and 1st half of the current fiscal year versus the 2nd quarter and 1st half of the prior fiscal year.



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

Overview

- Results significantly affected by adjustments to asbestos provision
 - Q2 charge – US\$47.2m
 - Half year charge – US\$74.4m
- 2nd quarter net operating profit down 56% to US\$21.1m and half year net operating profit down 45% to US\$56.6m
- Strong net operating profit for quarter and half year (excluding adjustments to asbestos provision) despite softer market conditions in major businesses
 - 2nd quarter up 43% to US\$68.3m
 - Half year up 27% to US\$131.0m

Overview - continued

- Results also include a tax provision write-back, SCI and other related expenses and make-whole payment (half year only). Excluding these and adjustments to asbestos provision:
 - 2nd quarter net operating profit up 23% to US\$63.9m
 - Half year net operating profit up 19% to US\$134.4m
- Interim dividend of US5 cents announced
- Favourable tax rulings received for amended proposed long-term voluntary asbestos compensation funding arrangement – now moving to finalise amended Final Funding Agreement (FFA) with NSW Government
- Hopeful of February 2007 shareholder meeting to approve compensation funding proposal

Overview continued

2nd Quarter and Half Year FY07

	Q2'07 %	HY'06 %
Net Sales	up 9	up 12
Gross Profit	up 13	up 11
EBIT	down 46	down 33
Net Operating Profit	down 56	down 45

Note: results include adjustments to asbestos provision, tax provision write-back, SCI and other related expenses and debt make-whole payment.



- USA Fibre Cement – good top-line and bottom line growth in much softer housing market
- Asia Pacific Fibre Cement
 - Australia and New Zealand – volume growth in softer market, but EBIT affected by lower prices
 - Philippines – remained EBIT positive
- USA Hardie Pipe – EBIT positive for quarter and half year
- Interim dividend of US5 cents declared – payable 8 January 2007



Operating Review

Louis Gries, CEO



USA Fibre Cement

2nd Quarter Result – Good Sales Growth

Net Sales	up	10% to US\$339.0 million
Sales Volume	up	3% to 573.4 mmsf
Average Price	up	7% to US\$591 per msf
EBIT	up	14% to US\$97.8 million
EBIT Margin	up	0.8 pt to 28.8%

USA Fibre Cement

- New housing construction weakened further in 2nd quarter
 - Lower builder confidence
 - Affordability affecting demand (although interest rates still low)
 - Supply greater than demand
 - Builders drawing on existing inventories
 - Regional variances in demand
- Repair and remodelling activity healthy during 2nd quarter

USA Fibre Cement

Key Points

- Demand overall affected by impact of much softer housing construction market
- Continued to outperform new construction market due to further penetration against alternative materials (mainly wood and vinyl)
- ColorPlus® sales up significantly as proportion of total sales
- Strong growth in sales of interior products
- Higher average sales price
- Attractive margins maintained despite higher costs
 - Pulp up 21% v Q2 FY06

USA Fibre Cement

New housing slow-down

- Regional variances but no significant advantages or disadvantages for business overall
- Business has maintained spending on growth initiatives
- Focus on manufacturing efficiencies and other cost savings

USA Fibre Cement

Outlook

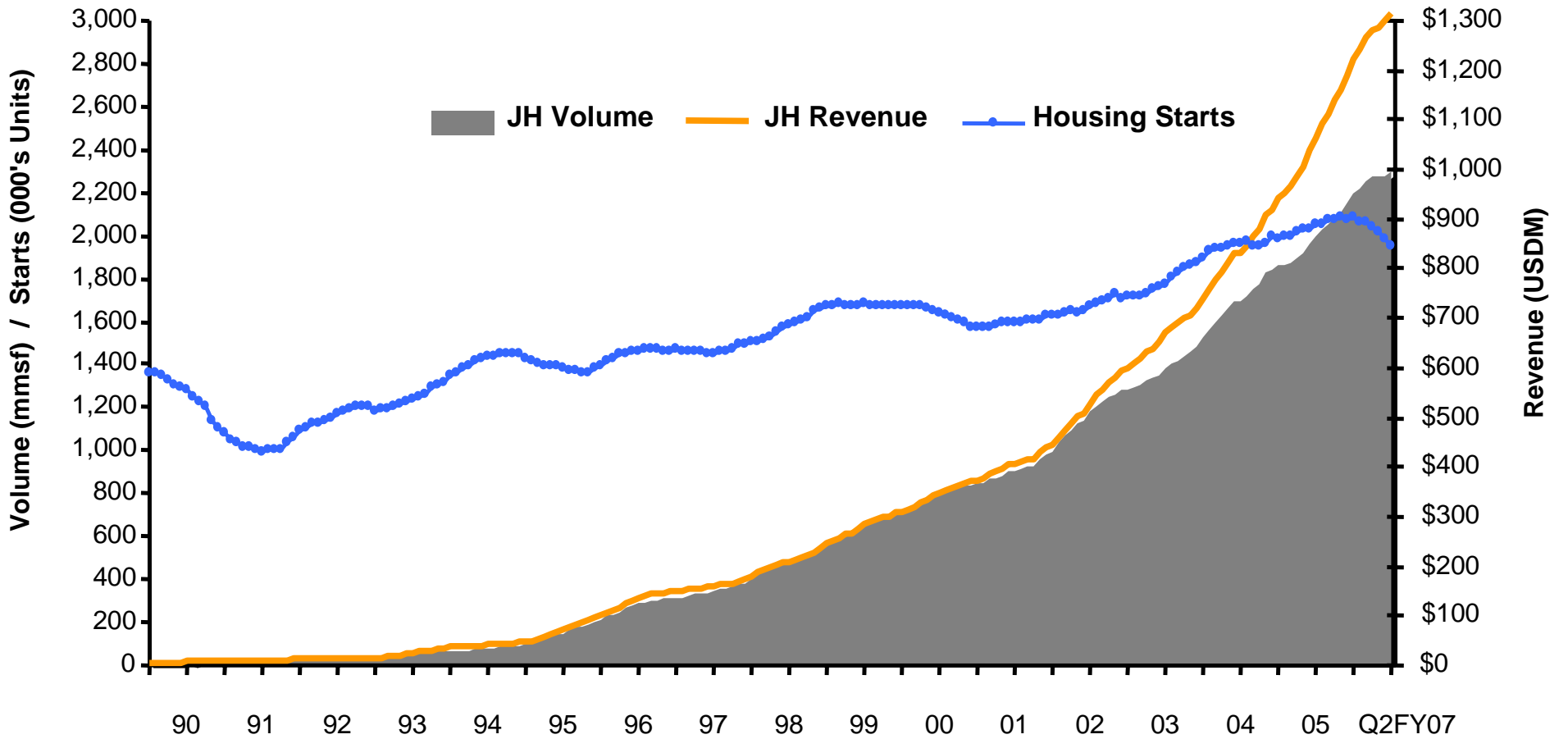
- Further softening in demand for new housing expected
- Repair and remodelling activity level expected to remain ahead of new housing construction
- Volume growth to be affected further in Q3
- Continued out-performance of market overall
- Input costs to remain high in short-term



USA Fibre Cement



Top Line Growth



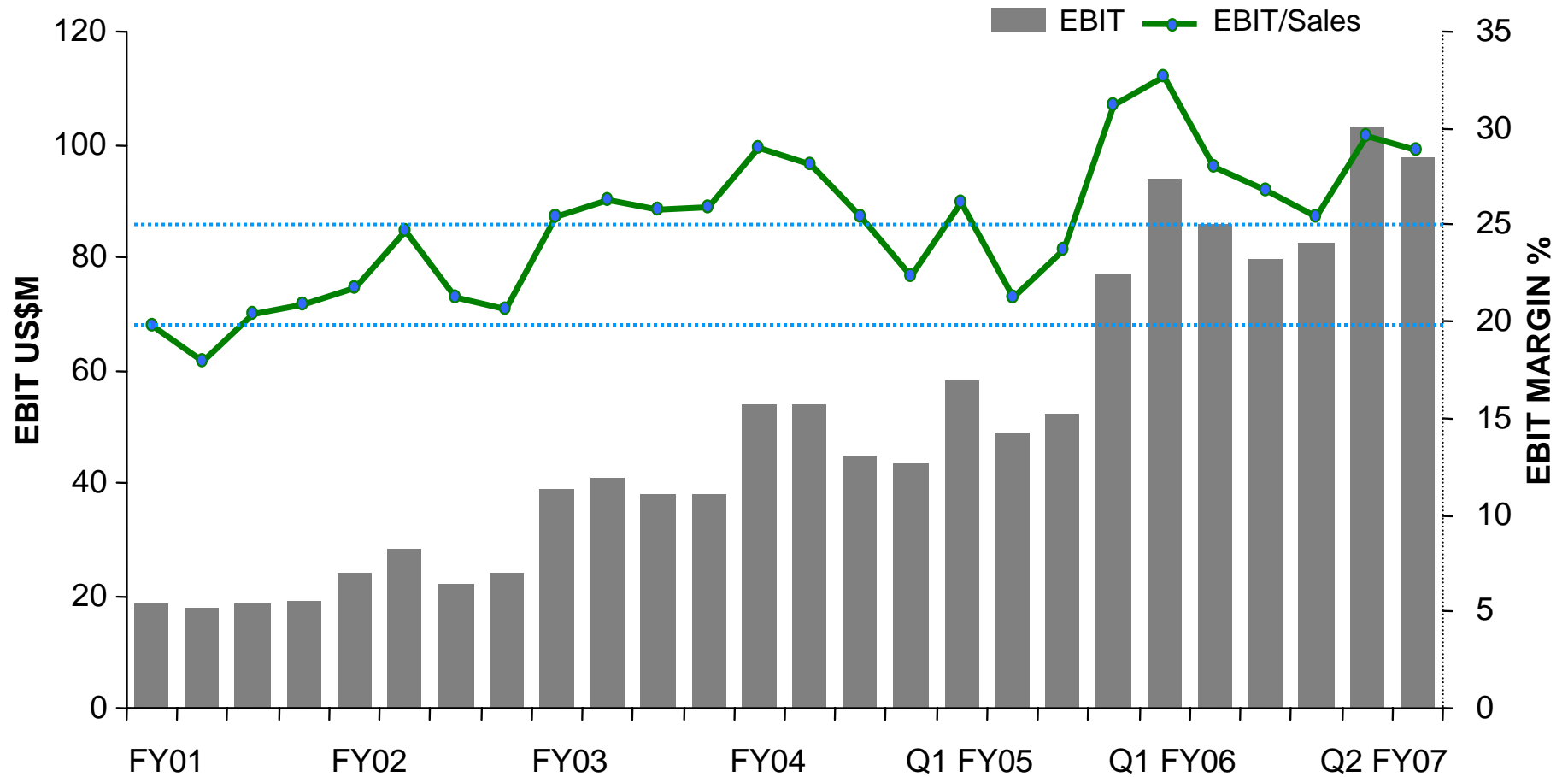
USA Fibre Cement

Average Selling Price



USA Fibre Cement

EBIT and EBIT Margin*



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



Strategy

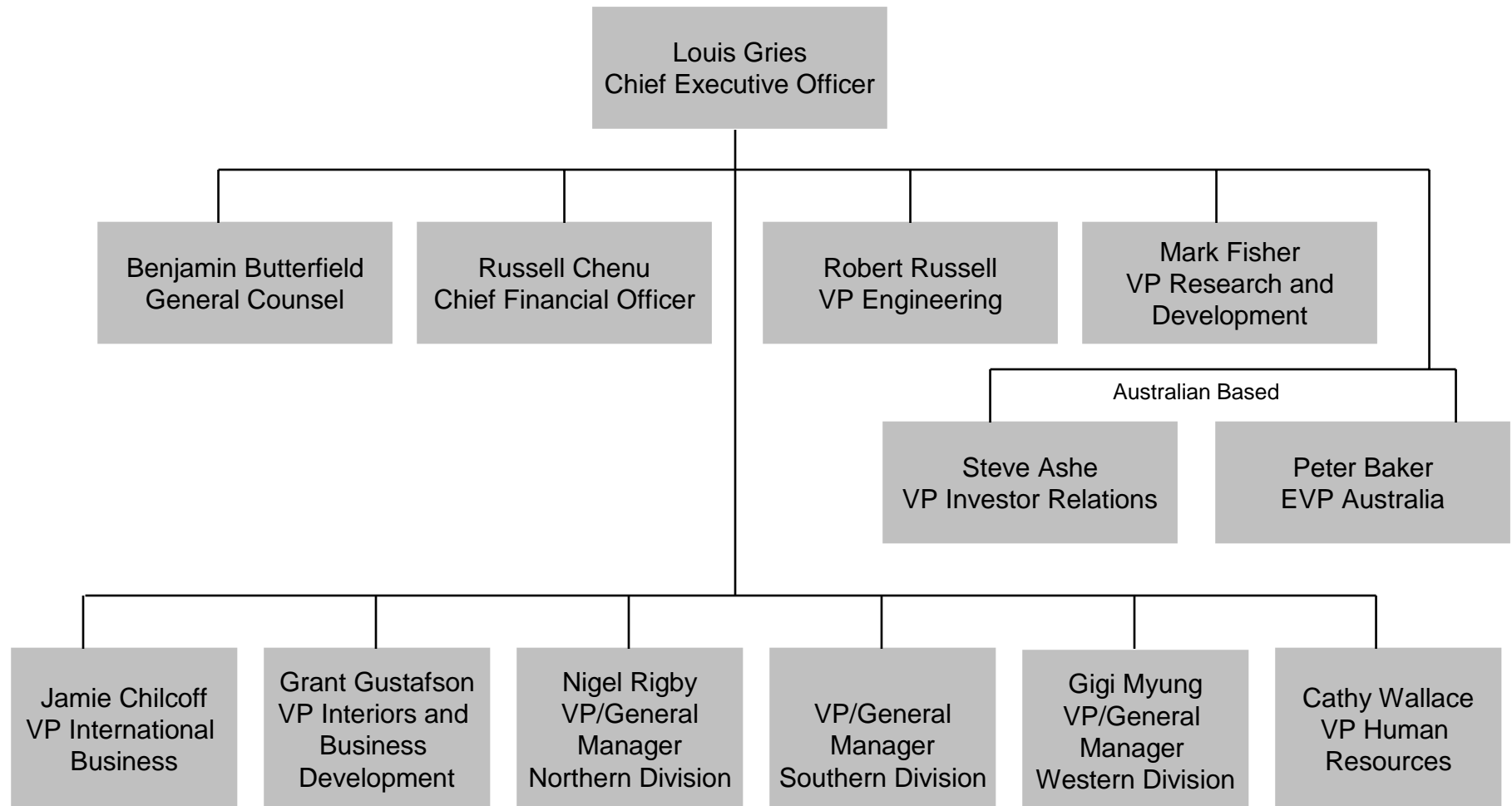
- Aggressively grow demand for our products in targeted markets
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors, introducing differentiated products to reduce direct price competition

USA Fibre Cement

Organisational change

- Transitioning established and emerging market structure into three operating divisions:
 - Northern Division
 - Southern Division
 - Western Division
- All divisions continue to be managed by a general manager with sales, marketing and manufacturing responsibilities
- Change designed to improve capability for maximising growth opportunities

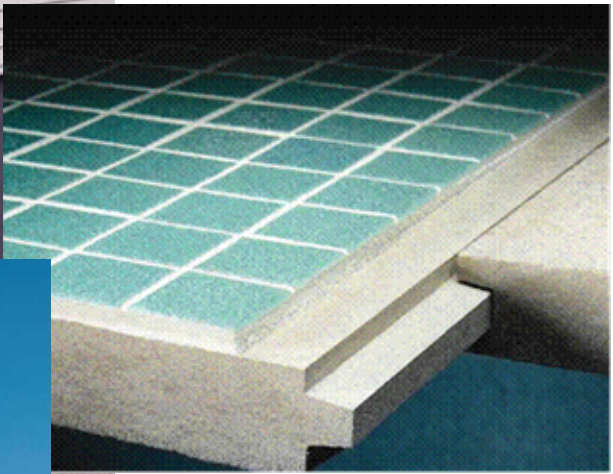
Senior Leadership Team





James Hardie

Asia Pacific Fibre Cement



Asia Pacific Fibre Cement

2nd Quarter Result

Net Sales	flat	at US\$63.8 million
Sales Volume	up	7% to 100.7 mmsf
EBIT	down	4% to US\$11.5 million
EBIT Margin	down	0.9 pt to 18.0%

Asia Pacific Fibre Cement

Strategy

- Grow primary demand for our products
- 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

Key Points

- Weaker new housing and renovations markets in Australia and New Zealand; Philippines remained weak
- Q2 sales volumes up 4% in ANZ
- Increasing proportion of value-added, differentiated products in ANZ sales mix
- Commenced launch of Scyon™ range of premium products
- ANZ EBIT down slightly – lower prices and increased manufacturing costs, EBIT margin 19.5%
- Philippines remained EBIT positive

Asia Pacific Fibre Cement

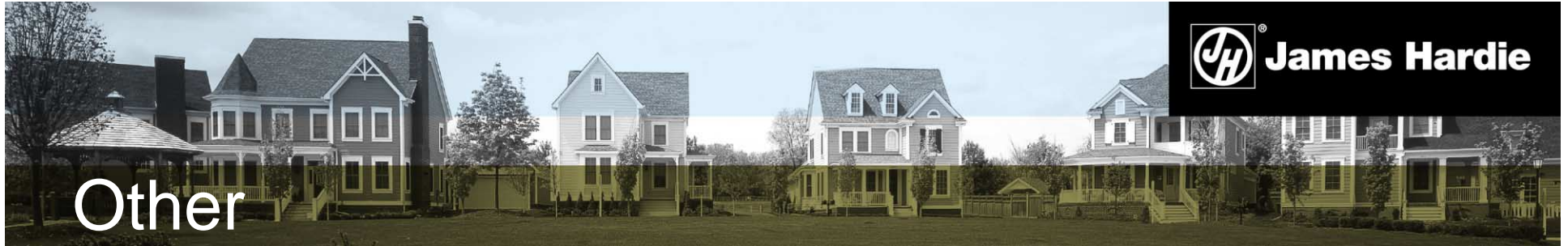
Outlook

Australia and New Zealand

- No near-term improvement in new housing and renovations activity
- Market initiatives to help grow primary demand
- Prices for core products to remain under pressure
- Manufacturing and cost efficiencies

Philippines

- No significant change to market conditions in short term, but small improvement in net sales expected due to market penetration



USA Hardie Pipe

- Increased net sales – both volume and price up
- Focus on building volumes in core markets and expanding into other strategic markets
- EBIT positive for quarter and half year

Europe Fibre Cement

- Sales of siding and backerboard growing steadily

Overall Outlook for Operations

USA Fibre Cement

- Further softening in demand for new housing expected to impact Q3 sales
- Continue to outperform market overall

Asia Pacific Fibre Cement

- Market conditions to remain challenging, but growth in primary demand expected



Financial Review

Russell Chenu, CFO

Overview

- Results significantly affected by charges resulting from adjustments to asbestos provision. These are:
 - Due to impact of foreign currency movements on A\$ denominated asbestos liability:
 - Q2 – US\$5.4m
 - Half year – US\$32.6m
 - Due to changes in KPMG Actuaries' actuarial assessment at 30 September 2006
 - US\$41.8m charge

Overview - continued

- Balance sheet remains very strong excluding asbestos provision
 - Cash and unused term facilities – US\$267.3m
 - Net debt – US\$87.7m
- Cash flow adversely affected by US\$141.4m cash payment in July by RCI re 1999 amended assessment
- Interim dividend of US5 cents declared
 - Record date 15 December 2006
 - Payment date 8 January 2007

Results – Q2

<u>US\$ Million</u>	<u>Q2'07</u>	<u>Q2'06</u>	<u>% Change</u>
Net sales	411.4	376.6	9
Gross profit	155.2	137.3	13
SG&A expenses	(57.2)	(49.7)	15
Research & development expense	(6.6)	(7.1)	(7)
SCI and other related expenses	(3.2)	(4.7)	(32)
Other operating income	-	0.6	-
Adjustments to asbestos provision	(47.2)	-	-
EBIT	41.0	76.4	(46)
Net interest income (expense)	1.0	(1.0)	-
Income tax expense	(20.9)	(27.8)	(25)
Net operating profit	21.1	47.6	(56)

Results – Q2

<u>US\$ Million</u>	<u>Q2'07</u>	<u>Q2'06</u>	<u>% Change</u>
Net operating profit	21.1	47.6	(56)
Adjustments to asbestos provision	47.2	-	-
Net operating profit excluding adjustments to asbestos provision	68.3	47.6	43
SCI and other related expenses (net of tax)	3.0	4.4	(32)
Tax provision write-back	(7.4)	-	-
Net operating profit excluding adjustments to asbestos provision, SCI and other related expenses, and tax provision write-back	63.9	52.0	23

Results – Half Year

<u>US\$ Million</u>	<u>HY'07</u>	<u>HY'06</u>	<u>% Change</u>
Net sales	826.9	736.0	12
Gross profit	312.9	282.6	11
SG&A expenses	(108.9)	(95.2)	14
Research & development expense	(14.1)	(13.4)	5
SCI and other related expenses	(5.6)	(9.9)	(43)
Other operating expense	-	(0.8)	-
Adjustments to asbestos provision	(74.4)	-	-
EBIT	109.9	163.3	(33)
Net interest income (expense)	(1.0)	(1.7)	-
Income tax expense	(53.2)	(58.1)	(8)
Effect of change in accounting principle	0.9	-	-
Net operating profit	56.6	103.5	(45)

Results – Half Year

<u>US\$ Million</u>	<u>HY'07</u>	<u>HY'06</u>	<u>% Change</u>
Net operating profit	56.6	103.5	(45)
Adjustments to asbestos provision	74.4	-	-
Net operating profit excluding adjustments to asbestos provision	131.0	103.5	27
SCI and other related expenses (net of tax)	5.2	9.3	(44)
Debt make-whole payment (net of tax)	5.6	-	-
Tax provision write-back	(7.4)	-	-
Net operating profit excluding adjustments to asbestos provision, SCI and other related expenses, debt make-whole payment and tax provision write-back	134.4	112.8	19

Segment Net Sales – Q2

<u>US\$ Million</u>	<u>Q2 '07</u>	<u>Q2 '06</u>	<u>% Change</u>
USA Fibre Cement	339.0	307.4	10
Asia Pacific Fibre Cement	63.8	63.5	-
Other	8.6	5.7	51
Total	411.4	376.6	9

Segment Net Sales – Half Year

<u>US\$ Million</u>	<u>HY '07</u>	<u>HY '06</u>	<u>% Change</u>
USA Fibre Cement	687.9	594.9	16
Asia Pacific Fibre Cement	123.0	125.2	(2)
Other	16.0	15.9	1
Total	826.9	736.0	12

Segment EBIT – Q2

<u>US\$ Million</u>	<u>Q2 '07</u>	<u>Q2 '06</u>	<u>% Change</u>
USA Fibre Cement	97.8	86.1	14
Asia Pacific Fibre Cement	11.5	12.0	(4)
Other	(1.5)	(2.6)	(42)
R & D	(4.1)	(4.0)	3
Total Segment EBIT	103.7	91.5	13
General Corporate	(15.5)	(15.1)	3
Total EBIT excluding adjustments to asbestos provision	88.2	76.4	15
Adjustments to asbestos provision	(47.2)	-	-
Total EBIT	41.0	76.4	(46)

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

Segment EBIT – Half Year

<u>US\$ Million</u>	<u>HY '07</u>	<u>HY '06</u>	<u>% Change</u>
USA Fibre Cement	201.1	180.2	12
Asia Pacific Fibre Cement	21.8	24.4	(11)
Other	(4.2)	(6.1)	(31)
R & D	(8.7)	(7.2)	21
Total Segment EBIT	210.0	191.3	10
General Corporate	(25.7)	(28.0)	(8)
Total EBIT excluding adjustments to asbestos provision	184.3	163.3	13
Adjustments to asbestos provision	(74.4)	-	-
Total EBIT	109.9	163.3	(33)

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

Corporate Costs – Q2

<u>US\$ Million</u>	<u>Q2'07</u>	<u>Q2'06</u>	<u>% Change</u>
Stock compensation expense	1.2	1.2	-
Australian pension plan	0.8	0.1	-
SCI and other related expenses	3.2	4.7	(32)
Other costs	10.3	9.1	13
Total	15.5	15.1	3

Corporate Costs – Half Year

<u>US\$ Million</u>	<u>HY'07</u>	<u>HY'06</u>	<u>% Change</u>
Stock compensation expense	2.7	2.3	17
Australian pension plan	1.5	0.4	-
SCI and other related expenses	5.6	9.9	(43)
Other costs	15.9	15.4	(3)
Total	25.7	28.0	(8)

Net Interest Expense

<u>US\$ Million</u>	<u>Q2'07</u>	<u>Q2'06</u>	<u>%Change</u>
Net interest income (expense)	1.0	(1.0)	-
	<u>HY'07</u>	<u>HY'06</u>	<u>%Change</u>
Net interest expense	(1.0)	(1.7)	(41)

HY 2007 includes US\$6.0 million make-whole payment.

Income tax expense – Q2

US\$ Million

	<u>Q2'07</u>	<u>Q2'06</u>
Operating profit before income taxes	42.0	75.4
Adjustments to asbestos provision	47.2	-
Operating profit before income taxes excluding adjustments to asbestos provision	89.2	75.4
Income tax expense	20.9	27.8
Tax provision write-back	7.4	-
Income tax expense excluding tax provision write-back	28.3	27.8
Effective tax rate excluding adjustments to asbestos provision and tax provision write-back	31.7%	36.9%

Income tax expense – Half Year

US\$ Million

	<u>HY'07</u>	<u>HY'06</u>
Operating profit before income taxes	108.9	161.6
Adjustments to asbestos provision	74.4	-
Operating profit before income taxes excluding adjustments to asbestos provision	183.3	161.6
Income tax expense	53.2	58.1
Tax provision write-back	7.4	-
Income tax expense excluding tax provision write-back	60.6	58.1
Effective tax rate	33.1%	36.0%

Segment EBITDA – Q2

<u>US\$ Million</u>	<u>Q2'07</u>	<u>Q2'06</u>	<u>% Change</u>
EBIT			
USA Fibre Cement	97.8	86.1	14
Asia Pacific Fibre Cement	11.5	12.0	(4)
Other	(1.5)	(2.6)	(42)
R & D	(4.1)	(4.0)	3
General Corporate	(15.5)	(15.1)	3
Adjustments to asbestos provision	(47.2)	-	-
Depreciation and Amortisation			
USA Fibre Cement	10.0	10.2	(2)
Asia Pacific Fibre Cement	2.6	2.2	18
Other	0.6	0.7	(14)
Total EBITDA	54.2	89.5	(39)

Segment EBITDA – Half Year

<u>US\$ Million</u>	<u>HY'07</u>	<u>HY'06</u>	<u>% Change</u>
EBIT			
USA Fibre Cement	201.1	180.2	12
Asia Pacific Fibre Cement	21.8	24.4	(11)
Other	(4.2)	(6.1)	(31)
R & D	(8.7)	(7.2)	21
General Corporate	(25.7)	(28.0)	(8)
Adjustments to asbestos provision	(74.4)	-	-
Depreciation and Amortisation			
USA Fibre Cement	17.9	16.3	10
Asia Pacific Fibre Cement	5.1	4.7	9
Other	1.2	1.5	(20)
Total EBITDA	134.1	185.8	(28)

Capital expenditure – Half Year

<u>US\$ Million</u>	<u>HY '07</u>	<u>HY '06</u>	<u>% Change</u>
USA Fibre Cement	54.0	71.8	(25)
Asia Pacific Fibre Cement	5.3	2.8	89
Other	2.1	0.4	-
Total	61.4	75.0	(18)

Key Ratios

	<u>HY'07</u>	<u>FY'06</u>	<u>FY '05</u>	<u>FY04</u>
EPS (Diluted) ³	26.5c	44.9c	27.7c	27.2c
Dividend Paid per share	4.0c	10.0c	3.0c	5.0c
Return on Shareholders' Funds ^{1,2}	28.8%	29.6%	22.4%	27.6%
Return on Capital Employed ²	32.2%	32.1%	23.6%	23.4%
EBIT/ Sales (EBIT margin)	22.3%	20.9%	16.2%	17.5%
Gearing Ratio	38.4%	(1.6)%	6.8%	17.0%
Net Interest Expense Cover ³	184.3x	-	38.5x	17.2x
Net Interest Paid Cover	21.5	89.0x	17.8x	14.8x
Net Debt Payback	8.8mths	-	2.5 mths	0.6 years

¹ Total company

² Annualised

³ Excluding adjustments to asbestos provision, SCI and other related expenses and tax provision write-back



Voluntary asbestos-related compensation funding proposal

Russell Chenu, CFO

Voluntary Asbestos Compensation Funding Proposal

Update

- Submitted private ruling applications to Australian Taxation Office (ATO) August through October on amendments made to funding proposal in response to previous adverse ruling on tax exempt status of proposed Special Purpose Fund
- Amendments and intended tax outcome consistent with principles in Heads of Agreement, and Final Funding Agreement signed 1 December 2005
- Announced receipt of favourable taxation rulings from ATO on amended funding proposal 9 November 2006
- ATO rulings provide tax outcome for proposed Special Purpose Fund acceptable to JHI NV

Voluntary Asbestos Compensation Funding Proposal

Update (continued)

- James Hardie is now moving to finalise amended FFA and related documents with NSW Government
- Implementation of amended FFA requires:
 - James Hardie and NSW Government to sign all relevant documents
 - NSW Government facilitating legislation to be passed
 - Obtaining updated actuarial report
 - Obtaining independent expert's report
 - Preparing explanatory memorandum for shareholders
 - Obtaining lender and shareholder approval

Voluntary Asbestos Compensation Funding Proposal

Update (continued)

- James Hardie expects shareholder meeting could be held February 2007
- Medical Research and Compensation Fund (MRCF) expected to have sufficient funds to early 2007
- James Hardie is arranging interim funding for MRCF as back-up
- Initial payment to SPF expected to be made following shareholder approval of proposal
 - Amount to be determined, but approximately A\$200m
 - SPF will be consolidated for reporting purposes

Voluntary Asbestos Compensation Funding Proposal

KPMG Actuaries' estimate of liabilities – at 30 September 2006

A\$m

Net liability at 31 March 2006 allowing for cost savings for NSW only

1,517.0

Expected net claims payment

(35.1)

Unwind of discount

41.0

Change in discount rate

(0.4)

Expected net liability at 30 September 2006 adjusted for discount rate

1,522.5

Impact of change in valuation bases:

- Claim numbers and peak year

62.6

- Nil settlement rate

(8.5)

- Average claims costs and legal costs

(50.2)

- Claims inflation

43.4

- Emerging experience on reported claims and pending claims

(15.0)

Total development in net liability

32.3

Net liability at 30 September 2006 allowing for cost savings in NSW only

1,554.8

Voluntary Asbestos Compensation Funding Proposal

Comparison of KPMG Actuaries' estimates over time

A\$ billions	<u>30 Jun 04</u>	<u>31 Mar 05</u>	<u>30 Jun 05</u>	<u>31 Mar 06</u>	<u>30 Sept 06</u>
Central Estimate – Discounted	1.536	1.685	1.568 ¹	1.517 ¹	1.555 ¹
Central Estimate – Undiscounted	3.586	3.604	3.131 ¹	3.079 ¹	3.169 ¹
Range - Undiscounted	2.0 - 5.7	2.0 - 5.9	1.5 - 5.5 ¹	1.7 - 5.3 ¹	1.8 – 5.7 ¹

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

¹ Includes estimated legal cost savings for NSW only

Asbestos Provision - reconciliation

A\$ millions	<u>30 Sept 06</u>	<u>31 Mar 06</u>
Discounted central estimate	1,555	1,517
Discounting allowance	1,614	1,562
Inflation allowance	(1,727)	(1,677)
Undiscounted, uninflated estimated liabilities	1,442	1,402
US GAAP related adjustments	32	31
	1,474	1,432
Claims handling costs and MRCF assets, net	35	(3)
Accounting liability pre tax	1, 509	1,429
Accounting liability post tax	<u>A\$1,056</u>	<u>A\$1,000</u>

Asbestos Provision – foreign exchange impact

Australian denominated liability converted to US dollars

Asbestos Provision	<u>A\$ millions</u>	<u>A\$ to US\$ rate</u>	<u>US\$ millions</u>
At 31 March 2006	1,000.0	1.3975 to 1	715.6
FX charge for half year ¹	-		32.6
Other adjustments	55.9	1.3365 to 1	41.8
At 30 September 2006	1,055.9	1.3365 to 1	790.0
At 30 June 2006	1,000.0	1.3463 to 1	742.8
FX Charge for 2 nd quarter ¹	-		5.4
Other adjustments	55.9	1.3365 to 1	41.8
At 30 September 2006	1,055.9	1.3365 to 1	790.0

¹ No current cash impact

Summary

- Strong overall operating performance for quarter and half year despite soft markets
- The company's financial position remains strong
- Good progress with voluntary compensation funding proposal – hope to hold shareholder meeting in February 2007
- Results subject to fluctuation in A\$: US\$ exchange rate for foreseeable future
- Intend to continue reporting results including and excluding asbestos-related charges to assist assessment of underlying performance
- Expect to move from recording asbestos provision on net of tax basis to gross basis in Q3. Insurance recoveries and future tax benefit to be recorded as assets – US GAAP requirement



Questions & Answers

Disclaimer

This Management 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:

- *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 Australian Tax Office amended assessment;*
- *expectations that our credit facilities will be extended or renewed;*
- *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; 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. 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 5 of our Form 20-F filed on 29 September 2006 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 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 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. We caution you that the foregoing list of factors is not exhaustive 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.



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 and 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 - *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*

msf – *thousand square feet*

Endnotes

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 adjustments to asbestos provision – EBIT and EBIT margin excluding adjustments to 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	Q2 FY07	Q2 FY06	HY FY07	HY FY06
EBIT	\$ 41.0	\$ 76.4	\$109.9	\$ 163.3
Adjustments to asbestos provision	47.2	-	74.4	-
EBIT excluding adjustments to asbestos provision	88.2	76.4	184.3	163.3
Net Sales	\$ 411.4	\$ 376.6	\$826.9	\$ 736.0
EBIT margin excluding adjustments to asbestos provision	21.4%	20.3%	22.3%	22.2%



Non-US GAAP Financial Measures

EBIT excluding adjustment to asbestos provision and SCI and other related expenses – EBIT excluding effect adjustment to 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	Q2 FY07	Q2 FY06	HY FY07	HY FY06
EBIT	\$ 41.0	\$ 76.4	\$109.9	\$ 163.3
Adjustments to asbestos provision	47.2	-	74.4	-
SCI and other related expenses	3.2	4.7	5.6	9.9
EBIT excluding adjustments to asbestos provision and SCI and other related expenses	\$ 91.4	\$ 81.1	\$ 189.9	\$ 173.2



Non-US GAAP Financial Measures

Net operating profit excluding adjustments to asbestos provision – Net 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	Q2 FY07	Q2 FY06	HY FY07	HY FY06
Net operating profit	\$ 21.1	\$ 47.6	\$ 56.6	\$ 103.5
Adjustments to asbestos provision	47.2	-	74.4	-
Net operating profit excluding adjustments to asbestos provision	\$ 68.3	\$ 47.6	\$ 131.0	\$ 103.5



Non-US GAAP Financial Measures

Diluted earnings per share excluding adjustments to asbestos provision – Diluted earnings per share 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 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	Q2 FY07	Q2 FY06	HY FY07	HY FY06
Net operating profit	\$ 21.1	\$ 47.6	\$ 56.6	\$ 103.5
Adjustments to asbestos provision	47.2	-	74.4	-
Tax provision write-back	(7.4)	-	(7.4)	-
Net operating profit excluding adjustments to asbestos provision and tax provision write-back	\$ 60.9	\$ 47.6	\$123.6	\$103.5
Weighted average common shares outstanding - Diluted (millions)	465.1	466.8	466.0	465.0
Diluted earnings per share excluding adjustments to asbestos provision and tax provision write-back (US cents)	13.1	10.2	26.5	22.3



Non-US GAAP Financial Measures

Effective tax rate excluding adjustments to asbestos provision and tax provision write-back – Effective tax rate excluding effect of foreign exchange on asbestos provision and tax provision write-back 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. The company's management uses this non-US GAAP measure for the same purposes.

US\$ Million	Q2 FY07	Q2 FY06	HY FY07	HY FY06
Operating profit before income taxes	\$ 42.0	\$ 75.4	\$ 108.9	\$ 161.6
Adjustments to asbestos provision	47.2	-	74.4	-
Operating profit excluding adjustments to asbestos provision before income taxes	\$ 89.2	\$ 75.4	\$ 183.3	\$ 161.6
Income tax expense	20.9	27.8	53.2	58.1
Tax provision write-back	7.4	-	7.4	-
Income tax expense excluding tax provision write-back	\$ 28.3	\$ 27.8	\$ 60.6	\$ 58.1
Effective tax rate excluding adjustments to asbestos provision and tax provision write-back	31.7%	36.9%	33.1%	36.0%



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 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.