James Hardie

management's analysis of results

10 November 2005

James Hardie Industries N.V
Results for the 2nd Quarter and Half Year Ended 30 September 2005

US GAAP - US$ Million	Three Months and First Half Ended 30 September					
	Q2 FY06	Q2 FY05	% Change	HY FY06	HY FY05	% Change
Net Sales						
USA Fibre Cement	$307.4	$231.0	33	$594.9	$471.7	26
Asia Pacific Fibre Cement	63.5	62.5	2	125.2	119.8	5
Other Fibre Cement	5.7	7.4	(23)	15.9	15.5	3
Total Net Sales	376.6	300.9	25	736.0	607.0	21
Cost of goods sold	(239.3)	(203.8)	17	(453.4)	(398.6)	14
Gross profit	137.3	97.1	41	282.6	208.4	36
Selling, general & administrative expenses	(49.7)	(45.5)	9	(95.2)	(90.6)	5
Research & development expenses	(7.1)	(5.3)	34	(13.4)	(10.3)	30
Special Commission of Inquiry (SCI) & other related expenses	(4.7)	(5.6)	(16)	(9.9)	(8.5)	16
Other operating income / (expenses)	0.6	(0.7)	(186)	(0.8)	(0.7)	14
EBIT	76.4	40.0	91	163.3	98.3	66
Net interest expense	(1.0)	(1.3)	(23)	(1.7)	(3.8)	(55)
Other expenses, net	-	(1.9)	-	-	(1.9)	-
Operating profit from continuing operations before income taxes	75.4	36.8	105	161.6	92.6	75
Income tax expense	(27.8)	(12.1)	130	(58.1)	(30.8)	89
Operating Profit From Continuing Operations	$47.6	$24.7	93	$103.5	$61.8	67
Net Operating Profit Including Discontinued Operations	$47.6	$24.8	92	$103.5	$61.1	69
Tax rate	36.9%	32.9%		36.0%	33.3%	
Volume (mmsf)						
USA Fibre Cement	556.8	459.7	21	1080.2	950.1	14
Asia Pacific Fibre Cement	93.7	102.6	(9)	185.7	196.8	(6)
Average net sales price per unit (per msf)						
USA Fibre Cement	US$552	US$503	10	US$551	US$496	11
Asia Pacific Fibre Cement	A$891	A$850	5	A$882	A$850	4

In this Management's Analysis of Results, 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 page 11. Specifically, these measures include "EBIT", "EBIT margin", "Operating profit from continuing operations before income taxes", "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 ("million square feet (mmsf)" and "thousand square feet (msf)"); and the financial ratio "Net cash/debt". Unless otherwise stated, results are for continuing operations only and comparisons are of the 2nd quarter and half year of the current fiscal year versus the 2nd quarter and half year, respectively, of the prior fiscal year.

Total Net Sales

Total net sales for the quarter increased 25% compared to the same quarter of the previous year, from US$300.9 million to US$376.6 million. For the half year, total net sales increased 21% from US$607.0 million to US$736.0 million.

Net sales from USA Fibre Cement for the quarter increased 33% from US$231.0 million to US$307.4 and 26% for the half year from US$471.7 million to US$594.9 million, due to continued growth in sales volumes and a higher average net sales price.

Net sales from Asia Pacific Fibre Cement for the quarter increased 2% from US$62.5 million to US$63.5 million and 5% for the half year from US$119.8 million to US$125.2 million, due to favourable foreign currency movements and stronger net sales in New Zealand.

Net sales from Other Fibre Cement for the quarter decreased 23% from US$7.4 million to US$5.7 million and increased 3% for the half year from US$15.5 million to US$15.9 million. Net sales for the quarter and half year were affected by the sale of our Chilean flat sheet business in July of this year and a decline in net sales in our USA Hardie Pipe business, partially offset by sales growth in our European Fibre Cement business.

USA Fibre Cement

Quarter

Net sales for the quarter increased 33%, compared to the same quarter last year, from US$231.0 million to US$307.4 million, due to increased sales volumes and a higher average net sales price.

Sales volume increased 21% from 459.7 million square feet to 556.8 million square feet for the quarter, as primary demand for fibre cement products grew strongly.

The average net sales price increased 10% from US$503 per thousand square feet to US$552 per thousand square feet, due mainly to price increases for certain products that were implemented during the past fiscal year. A small portion of the increase was due to proportionally stronger growth of differentiated, higher-priced products.

Half year

Net sales increased 26% from US$471.7 million to US$594.9 million, due to increased sales volumes and a higher average net sales price.

Sales volume increased 14% from 950.1 million square feet to 1,080.2 million square feet, due mainly to growth in primary demand for fibre cement and a favourable housing construction market.

The average net sales price increased 11% compared to the same period last year, from US$496 per thousand square feet to US$551 per thousand square feet. The increase was due to price increases that were implemented for certain products during the past fiscal year and, to a lesser extent, proportionally stronger growth of differentiated, higher-priced products.

Discussion

New housing construction remained at very solid levels for both the quarter and half year, buoyed by low interest rates and strong house prices. Repair and remodelling activity also remained at healthy levels due to increased home sales, strong house prices, increased owner equity and low interest rates.

There was strong demand through the quarter and half year in both our emerging and established geographical markets and in our interior and exterior product categories.

In exterior products, demand grew across all key markets and we continued to achieve further market share growth at the expense of alternative materials, mainly vinyl and wood-based siding. There was strong sales growth in our higher-priced differentiated products including the ColorPlus® Collection of pre-painted siding, Harditrim® XLD® planks, vented soffits and Heritage® panels.

In our interior products market, sales grew strongly and additional market share was gained during the quarter in both our Hardibacker 500® half-inch backerboard and our quarter-inch backerboard products.

During the quarter, we continued to roll out and drive our ColorPlus™ business strategy in our emerging markets, aimed at providing proprietary pre-painted exterior products for new residential construction. This strategy is progressing well. It improves our product positioning in vinyl siding dominant markets and increases revenue and contribution per unit.

In our established markets, the business continued to focus on growth strategies, including an increased focus on the repair and remodel segment.

During the quarter, sales in our established markets were slightly affected by the impact of hurricanes that caused considerable damage along the Gulf Coast, particularly in Louisiana and Mississippi. Sales in these two states account for less than 5% of total sales of our USA Fibre Cement business.

During the first half of the year, we commenced the ramp-up of the new trim line at our Peru, Illinois plant and continued the ramp-up of additional pre-painting capacity at that plant. In addition, we continued the ramp-up of our new West Coast manufacturing plant at Reno, Nevada. We expect to construct additional pre-finishing capacity at other plants in our emerging markets during the second half of this fiscal year.

Asia Pacific Fibre Cement

Net sales for the quarter increased 2% from US$62.5 million to US$63.5 million. Net sales decreased 4% in Australian dollars due to a 9% decline in sales volume from 102.6 million square feet to 93.7 million square feet, partly offset by a 5% increase in the average net sales price.

Net sales for the half year increased 5% from US$119.8 million to US$125.2 million. Net sales decreased 2% in Australian dollars due to a 6% decline in sales volume from 196.8 million square feet to 185.7 million square feet, partly offset by a 4% increase in the average net sales price.

Australia and New Zealand Fibre Cement

Quarter

Net sales increased 4% from US$55.6 million to US$57.8 million due to favourable foreign currency movements, partly offset by a 2% decrease in sales volumes. In Australian dollars, net sales decreased 2%. The average net selling price was flat compared to the same quarter last year.

Half year

Net sales increased 6% from US$107.4 million to US$113.9 million due to favourable foreign currency movements, partly offset by a 1% decrease in sales volumes. In Australian dollars, net sales decreased 1%. The average net sales price was flat compared to the same period last year.

Discussion

In Australia, the residential housing construction market continued to soften during the quarter and half year, particularly in the eastern states. New housing approvals compared to the same quarter last year were 8% lower in total and 20% lower in New South Wales. New residential housing activity has also reflected a decline in housing commencements for the half year, compared to the same period last year.

Despite the overall weaker market, strategies designed to grow primary demand for fibre cement are helping our Australian business increase market share. In New Zealand, housing construction activity was also weaker, but the business is continuing to grow sales, led by sales of our Linea® weatherboards.

We launched our Linea® weatherboards in Queensland during the half year. The Linea® weatherboard range has generated significant demand in New Zealand following its launch there in 2003, and the product is now one of our best selling products in that country.

There has been a progressive lifting of product bans and boycotts following the signing of the Heads of Agreement in December 2004, but some new product bans and boycotts were applied in certain areas during the second quarter. We do not believe bans and boycotts will be completely lifted until our proposal for a voluntary long-term asbestos compensation funding arrangement is finalised, approved by lenders and shareholders, and implemented.

Philippines Fibre Cement

Quarter

Net sales decreased 19% from US$6.9 million to US$5.6 million due to a 29% decrease in sales volumes, partly offset by a 17% increase in the average net selling price. In local currency, net sales decreased 18%. Demand continued to weaken during the quarter as inflation and increased political uncertainty further affected economic conditions and domestic construction activity.

Half year

Net sales decreased 10% from US$12.4 million to US$11.2 million due to a 22% decrease in sales volumes, partly offset by a 16% increase in the average net sales price as a result of price increases and an increase in the proportion of export sales. In local currency, net sales decreased 10%.

Demand was adversely affected during the half year by weaker domestic construction activity resulting from uncertainty associated with increased domestic political and economic instability.

Other Fibre Cement

USA Hardie Pipe

Non-residential construction activity in Florida remained buoyant during the quarter and half year. Despite this, net sales for both the quarter and half year decreased compared to the corresponding periods of the prior year due to weaker sales volumes, partly offset by higher average selling prices.

Europe Fibre Cement

Net sales increased for both the quarter and half year compared to the corresponding periods of the prior year due to stronger demand and higher average net sales prices. Demand in Europe continues to grow steadily as the business expands its distribution network and increases awareness of its products among builders, distributors and contractors.

Artisan™ Roofing

The business continued to work on proving out its longer term business model during the quarter and half year.

Chile Fibre Cement

Our Chilean business was sold in July of this year due to its small scale and limited strategic fit.

Gross Profit

Quarter

Gross profit increased 41% from US$97.1 million to US$137.3 million, primarily due to strong gross profit improvement in our USA Fibre Cement business. The gross profit margin increased 4.2 percentage points to 36.5%.

USA Fibre Cement gross profit increased 51% compared to the same quarter last year, due to increased net sales, partly offset by higher cost of sales and freight costs. The higher cost of sales resulted primarily from increased sales of higher-priced, differentiated products and higher cement and energy costs. Higher freight costs were primarily related to an increase in length of haul and fuel surcharges. The gross margin increased 4.5 percentage points.

Asia Pacific Fibre Cement gross profit increased 1% due to a gross profit improvement in our Australian and New Zealand business, mainly as a result of favourable foreign currency movements. In local currency, gross profit decreased 4% due to decreases in both our Australia and New Zealand and Philippines businesses. In Australia and New Zealand, the decrease was due mainly to lower net sales and higher freight costs. The reduction in performance of our Philippines business was due to reduced sales revenue and higher manufacturing costs. There was no change in the gross margin.

Half year

Gross profit increased 36% from US$208.4 million to US$282.6 million, due mainly to a strong gross profit improvement in our USA Fibre Cement business. The gross profit margin increased 4.1 percentage points to 38.4%.

USA Fibre Cement gross profit increased 42% compared to the same period last year due to increased net sales, partly offset by higher cost of sales and freight costs. The higher cost of sales resulted primarily from higher raw material costs, increased sales of higher-priced, differentiated products, ramp-up costs associated with planned growth initiatives and higher energy costs. Higher freight costs primarily related to an increase in length of haul and fuel surcharges. The gross profit margin increased 4.5 percentage points.

Asia Pacific Fibre Cement gross profit increased 3% due to favourable foreign currency movements and a gross profit improvement in our Australia and New Zealand Fibre Cement business. In local currency, gross profit decreased 3% due to lower net sales and higher freight costs in our Australia and New Zealand business and lower net sales in our Philippines business. The gross margin decreased 0.4 of a percentage point.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 9% for the quarter, from US$45.5 million to US$49.7 million, due mainly to increased corporate costs reflecting increases in professional service fees and employee numbers, and increased spending on growth initiatives in our USA Fibre Cement and Australia and New Zealand Fibre Cement businesses. As a percentage of sales, SG&A expenses were 1.9 percentage points lower at 13.2%.

For the half year, SG&A expenses increased 5% from US$90.6 million to US$95.2 million, due mainly to increased corporate costs reflecting increases in professional service fees and employee numbers, and increased marketing spending in our Australia and New Zealand Fibre Cement business. As a percentage of sales, SG&A expenses decreased 2.0 percentage points to 12.9%.

Research and Development Expenses

Research and development expenses include costs associated with "core" research projects that are designed to benefit all fibre cement business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs were flat for the quarter at US$3.0 million and 3% higher for the half year at US$6.1 million.

Other research and development costs associated with commercialisation of projects in business units are included in the business-related unit segment results. In total, these commercialisation costs increased 78% to US$4.1 million for the quarter and 66% to US$7.3 million for the half year.

SCI and Other Related Expenses

In February 2004, the Government of New South Wales in Australia established a Special Commission of Inquiry (SCI) to investigate, among other matters, the circumstances in which the Medical Research and Compensation Foundation was established. Shortly after release of the SCI report on 21 September 2004, we commenced negotiations with the NSW Government, the Australian Council of Trade Unions, UnionsNSW and a representative of asbestos claimants in relation to our offer to the SCI on 14 July 2004 to provide funds voluntarily for proven Australia-based asbestos-related injury and death claims against certain former group subsidiary companies. On 21 December 2004, we entered into a Heads of Agreement with the above parties to establish and fund a special purpose fund to provide funding for these claims on a long-term basis. We subsequently entered into negotiations with the NSW Government on a binding agreement (Principal Deed) that we intend to submit to shareholders for approval upon completion.

Further information on the SCI and other related matters can be found in Note 8 of our Financial Report as at 30 September 2005.

Costs incurred during the quarter associated with the SCI and other related matters totalled US$4.7 million, bringing the total for the half year to US$9.9 million, compared with US$8.5 million incurred in the first half of the prior fiscal year.

Other Operating Income/(Expenses)

Other operating income of US$0.6 million relates to an adjustment made on completion of the sale of our Chilean business in July of this year. The same quarter of the prior year includes an expense of US$0.7 million that relates to the loss on sale of land in Sacramento, California.

EBIT

EBIT for the quarter increased 91% from US$40.0 million to US$76.4 million. The EBIT margin increased 7.0 percentage points to 20.3%. EBIT for the quarter includes SCI and other related expenses of US$4.7 million. For the half year, EBIT increased 66% from US$98.3 million to US$163.3 million. The EBIT margin increased 6.1 percentage points to 22.3%. EBIT for the half year includes SCI and other related expenses of US$9.9 million.

USA Fibre Cement EBIT for the quarter increased 76% from US$49.0 million to US$86.1 million. The increase was due to higher prices and sales volumes, partly offset by higher cost of sales, SG&A expenses and freight costs. The EBIT margin increased 6.8 percentage points to 28.0% for the quarter. For the half year, EBIT increased 61% from US$112.1 million to US$180.2 million. The increase was due to higher prices and sales volumes, partly offset by higher cost of sales, SG&A expenses and freight costs. The EBIT margin increased 6.5 percentage points to 30.3% for the half year.

Asia Pacific Fibre Cement EBIT for the quarter decreased 2% from US$12.3 million to US$12.0 million, primarily due to a decrease in EBIT in our Philippines Fibre Cement business. The EBIT margin decreased 0.8 of a percentage point to 18.9%. For the half year, EBIT increased slightly from US$24.3 million to US$24.4 million. The EBIT margin was 0.8 of a percentage point lower, at 19.5%.

Australia and New Zealand Fibre Cement EBIT for the quarter increased 3% from US$11.0 million to US$11.3 million. In Australian dollars, EBIT decreased 3% due to lower net sales as a result of weaker market conditions and increased freight and SG&A expenses associated with the launch of our Linea® weatherboards in Australia. The EBIT margin decreased 0.2 of a percentage point to 19.6%. For the half year, EBIT increased 1% from US$22.1 million to US$22.4 million. In Australian dollars, EBIT decreased 5% for the half year due to lower net sales, mainly as a result of weaker market conditions and increased freight and SG&A expenses associated with the launch of our Linea® weatherboards in Australia. The EBIT margin decreased 0.9 of a percentage point to 19.7%.

The Philippines Fibre Cement business recorded a decrease in EBIT for the quarter and half year due to the impact of weaker domestic construction activity on demand for our products.

Our USA Hardie Pipe business continued to reduce its EBIT loss, despite a decline in sales revenue for the quarter.

Our Europe Fibre Cement business incurred an EBIT loss for the quarter and half year as it continued to build sales.

Our Chilean Fibre Cement business was sold in July this year.

General corporate costs for the quarter increased by US$1.4 million from US$13.7 million to US$15.1 million. This increase was primarily due to an increase of US$2.4 million in professional service fees and other general corporate costs, and a US$0.7 million increase in employee share-based compensation expense from stock options and from stock appreciation rights caused by an increase in our share price. These increases were partially offset by a US$0.9 million decrease in expenses related to the SCI and other related expenses. In the prior year, we incurred a US$0.7 million loss on the sale of land owned in Sacramento that did not recur this year.

General corporate costs for the half year increased US$4.9 million from US$23.1 million to US$28.0 million. This increase was primarily due to an increase of US$2.6 million in professional service fees and other general corporate costs, a US$1.6 million increase in employee share-based compensation expense from stock options and stock appreciation rights caused by an increase in our share price, and a US$1.4 million increase in expenses related to the SCI and other related expenses. In the prior year, we incurred a US$0.7 million loss on the sale of land owned in Sacramento that did not recur this year.

Net Interest Expense

Net interest expense for the quarter decreased by US$0.3 million from US$1.3 million to US$1.0 million. For the half year, net interest expense decreased by US$2.1 million from US$3.8 million to US$1.7 million. The decreases in net interest expense for the quarter and half year were primarily due to an

increase in interest income due to higher average cash balances, and lower interest expense due to lower average debt balances compared to the same periods last year.

Other Expenses, Net

Other operating expense consists of a US$1.9 million impairment charge that we recorded in the second quarter of the prior year relating to an investment in a company that filed a voluntary petition for reorganisation under Chapter 11 of the US bankruptcy code.

Income Tax Expense

Income tax expense for the quarter increased US$15.7 million from US$12.1 million to US$27.8 million. Income tax expense for the half year increased US$27.3 million from US$30.8 million to US$58.1 million. The increase in the quarter and half year was primarily due to an increase in profits and the geographic mix of earnings. Additionally, there was a small tax benefit from the SCI-related expenses incurred during the quarter and half year.

Operating Profit from Continuing Operations

Operating profit from continuing operations for the quarter increased 93%, from US$24.7 million to US$47.6 million, due mainly to improved performance from our USA Fibre Cement business. Operating profit from continuing operations for the quarter includes SCI and other related expenses of US$4.7 million, with a small related tax benefit.

Operating profit from continuing operations for the half year increased 67%, from US$61.8 million to US$103.5 million, due mainly to improved performance from our USA Fibre Cement business. Operating profit from continuing operations for the half year includes SCI and other related expenses of US$9.9 million, and a small related tax benefit.

Discontinued Operations

Net expense of US$0.7 million in the first half of fiscal year 2005 relates primarily to additional costs associated with the sale of New Zealand land in March 2004.

Liquidity and Capital Resources

We have historically met our working capital needs and capital expenditure requirements through a combination of cash flow from operations, proceeds from the divestiture of businesses, credit facilities and other borrowings, proceeds from the sale of property, plant and equipment and proceeds from the redemption of investments. Seasonal fluctuations in working capital generally have not had a significant impact on our short-term or long-term liquidity. We believe that we can meet our present working capital requirements for at least the next 12 months based on our current capital resources.

We had cash and cash equivalents of US$170.9 million as at 30 September 2005. At that date we also had credit facilities totalling US$502.4 million of which US$147.4 million was outstanding. Our credit facilities are all uncollateralised and consist of the following:

Description	Effective Interest Rate at 30 Sept. 2005	Total Facility at 30 Sept. 2005 (US$ millions)	Principal Outstanding at 30 Sept. 2005
US$ notes, fixed interest, repayable annually in varying tranches from November 2005 through November 2013	7.12%	$ 147.4	$ 147.4
US$ 364-day facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until maturity in June 2006	N/A	355.0	-
Total		$ 502.4	$ 147.4

At 30 September 2005, we had net cash of US$23.5 million, compared with net debt of US$45.8 million at 31 March 2005. The US$69.3 million improvement in our cash position was the result of net operating cash flows that more than covered capital expenditure outflows.

In June 2005, we entered into new unsecured debt facilities totalling US$355.0 million. These new facilities replaced our previous A$ revolving loan and US$ stand-by-loan facilities. These new facilities are for an initial term of 364 days. The interest rate for each facility is the London Inter-Bank Offered Rate ("LIBOR") for US dollar deposits plus a margin. These facilities also require us to not breach certain ratios of debt to equity and net worth and levels of earnings before interest and taxes and have limits on how much we can spend on an annual basis in relation to asbestos payments.

Upon completion and execution of the proposed Principal Deed and it becoming effective within the 364 day initial term, US$245.0 million of these facilities will be extended by four years to a five-year term commencing from the signing of the facilities agreements in June 2005. With the exception of margins and commitment fees, terms of these extended facilities would not change.

If the terms of the final Principal Deed are materially different from those set forth in the Heads of Agreement, the banks may not agree to extend the facilities as described above, and, in such event, we would have to seek alternative financing. At 30 September 2005, there were no amounts outstanding under any of these facilities and management believes that we were in compliance with all facility loan covenants.

In the future, we may not be able to renew credit facilities on substantially similar terms, or at all; we may have to pay additional fees and expenses that we might not have to pay under normal circumstances; and we may have to agree to terms that could increase the cost of our debt structure. If we are unable to renew our debt on terms which are not materially less favorable than the terms currently available to us, we may have to scale back our levels of planned capital expenditure and/or take other measures to conserve cash in order to meet our future cash flow requirements.

Interim Dividend

The company has declared an interim dividend of US 4.0 cents a share. The dividend will be paid on 16 December 2005 to shareholders registered on 29 November 2005.

Proposed Voluntary Asbestos Compensation Funding Agreement

During the quarter, we continued to work towards completing a Principal Deed with the NSW Government to establish and fund voluntarily a special purpose fund to provide compensation on a long-term basis for proven asbestos claims against Amaba, Amaca, ABN 60 and Asbestos Mines (former James Hardie Australian subsidiaries). When we entered into the non-binding Heads of Agreement in December 2004, it specified, as part of that agreement, that tax deductibility of payments to the special purpose fund was a condition precedent to a binding agreement. This recognised that all parties to the Heads of Agreement (The Australian Council of Trade Unions, UnionsNSW, the NSW Government, a representative of the asbestos claimants and the company) agreed that tax deductibility of the payments is a critical factor regarding affordability of the proposed voluntary funding arrangements. We are continuing to discuss tax deductibility of the payments with the Australian Taxation Office and the Federal Treasury.

Readers are referred to Note 8 of the 30 September 2005 Financial Report for further information on the voluntary funding proposal, and for information on the SCI and related matters.

End.

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This Management's Analysis of Results document forms part of a package of information about our company's results. It should be read in conjunction with the other parts of this package, including a Media Release, a Management Presentation, a Financial Report and a Results at a Glance document.

These documents, along with an audio webcast of the presentation, will be available from the Investor Relations area of our website at www.jameshardie.com.

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 earnings generated by 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 before income taxes - is equivalent to the US GAAP measure of income from continuing operations before income taxes.

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

Financial Ratios

Net cash/debt – is short-term and long-term debt less cash and cash equivalents.

Disclaimer

This Management's Analysis of Results 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.