

James Hardie

FY08 2nd Quarter and Half Year Results

19 November 2007

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 starting on page 53. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, for which reconciliations to GAAP measures follow such definitions, 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 asbestos", "Net operating profit excluding asbestos", "Diluted earnings per share excluding asbestos", "Operating profit before income taxes excluding asbestos", "Income tax expense excluding asbestos", "Effective tax rate excluding asbestos", and "EBITDA"). Unless otherwise stated, results and comparisons are of the 2nd quarter and 1st half of the current fiscal year versus the 2nd quarter and 1st half of the prior fiscal year.

Agenda

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

Overview

- Further deterioration in most major markets, but solid half year operating profit, excluding asbestos
- Results impacted by higher input costs
- Comparison between Q2 FY08 and Q2 FY07 net operating profit, excluding asbestos affected by low effective tax rate in Q2 FY07

US\$ Million	Q2 FY08	Q2 FY07	% Change	HY FY08	HY FY07	% Change
Net operating profit	19.1	21.1	(9)	58.2	56.6	3
Net operating profit, excluding asbestos	46.5	68.3	(32)	115.1	131.0	(12)
Diluted earnings per share, excluding asbestos (US cents)	10.0	14.7	(32)	24.6	28.1	(12)

Overview

2nd Quarter

- USA Fibre Cement – EBIT lower due to impact of weaker housing market on volumes and higher costs, but a solid performance given market conditions
- Asia Pacific Fibre Cement – EBIT up due to stronger A\$ and strong sales performance in Australia and New Zealand, despite weak housing construction activity

Overview

Half Year

- USA Fibre Cement – improved market penetration, price growth and cost management helped deliver a strong half year EBIT result in challenging business environment
- Asia Pacific Fibre Cement – sales and EBIT up despite weak Australian and New Zealand housing and renovation markets
- Strong operating cash flow

Operating Review

Louis Gries, CEO

USA Fibre Cement



US Southern Living Idea House, with Artisan™ lap



USA Fibre Cement

2nd Quarter Result

Net Sales	down	9% to US\$308.0 million
Sales Volume	down	11% to 511.7 mmsf
Average Price	up	2% to US\$602 per msf
EBIT	down	14% to US\$84.3 million
EBIT Margin	down	1.4 pts to 27.4%



USA Fibre Cement

Half Year Result

Net Sales	down	5% to US\$654.1 million
Sales Volume	down	8% to 1,085.1 mmsf
Average Price	up	3% to US\$603 per msf
EBIT	down	1% to US\$198.7 million
EBIT Margin	up	1.2 pts to 30.4%



USA Fibre Cement

2nd Quarter Market Conditions

- Further weakness in new housing construction activity
 - Starts down 24% and 21% for September and June quarters, respectively
- Market demand affected by affordability issues
 - Higher interest rates
 - Tighter lending standards in the mortgage market
- Inventory levels of new homes still high
- Builder confidence levels very low
- Softer repair and remodelling activity



USA Fibre Cement

Key Points

- Sales lower due to significant drop in US housing activity
- Continued to outperform the broader market through market penetration and price growth
- Sales volumes lower in all operating divisions, but Western Division continued to perform particularly well
- Within exterior products, moderate sales growth for XLD® trim and the ColorPlus® collection of products
- Interior products sales volumes slightly lower
- Higher raw material prices (pulp up 10% pcp)
- Launched Artisan® Lap and Artisan™ Accent Trim in Atlanta in September – wider launch in 2008



USA Fibre Cement

Suspension of operations at Blandon, Pennsylvania, plant

- Announced on 31 October 2007, in response to further deterioration in US housing market
- Blandon, a 200 mmsf per annum plant, has been operating at reduced levels since the business reset in late 2006-early 2007
- Acquired plant from Cemplant in 2001. It is our least cost efficient plant, despite recent improvements
- Demand in the region can be serviced more cost-efficiently by other James Hardie plants
- Impairment charge of approximately US\$31.7m and provision for closure costs of US\$1.8m to be recorded in Q3 FY08 (US GAAP requirements)



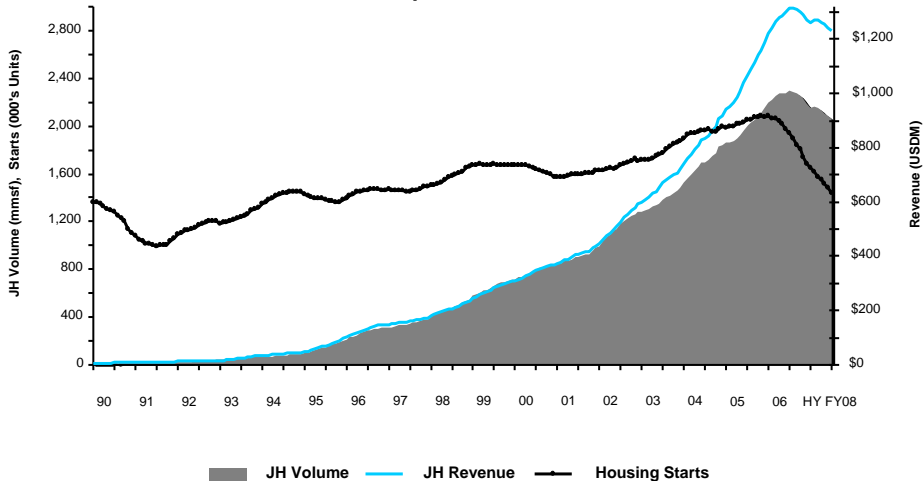
USA Fibre Cement

Outlook

- Further weakness in housing construction activity through to at least the end of this fiscal year
- Softer repair and remodelling activity expected in short to medium-term
- Continuing to invest in growth initiatives
- Further market penetration against alternative materials
- Cost pressures, particularly from higher input material costs, are expected to remain over short to medium-term
- Further adjustments made to business with suspension of operations at Blandon – business now set on basis that annual US housing starts will be 1.1 million

USA Fibre Cement

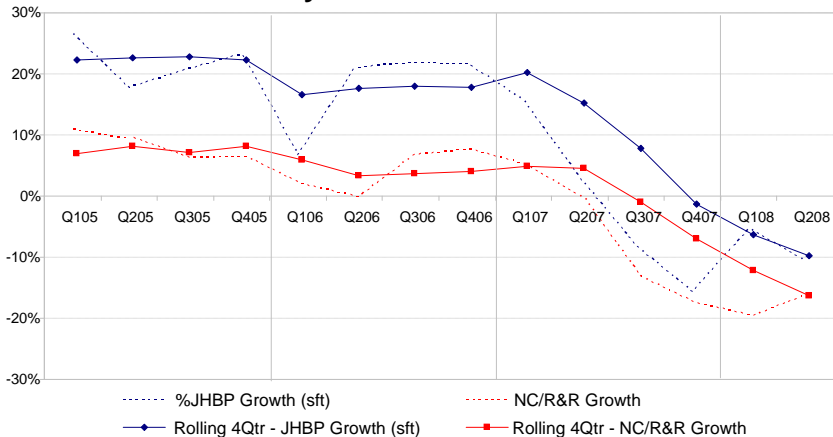
Top Line Growth



¹ Rolling 12 month average of seasonally adjusted estimate of housing starts by US Census Bureau.

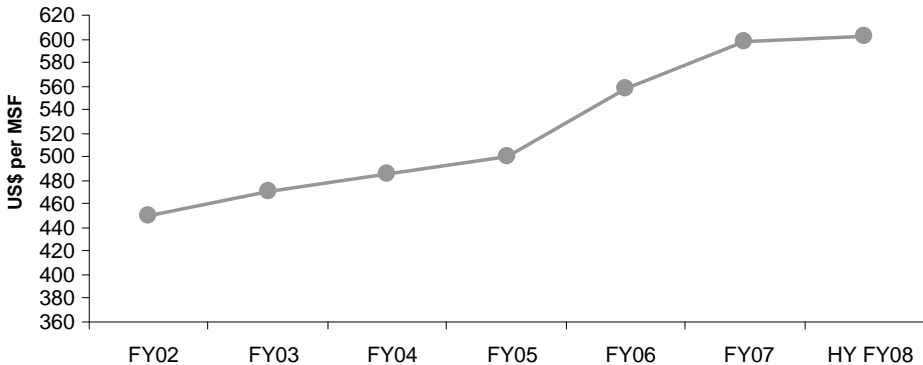
USA Fibre Cement

Primary Growth Performance



USA Fibre Cement

Average Net Selling Price



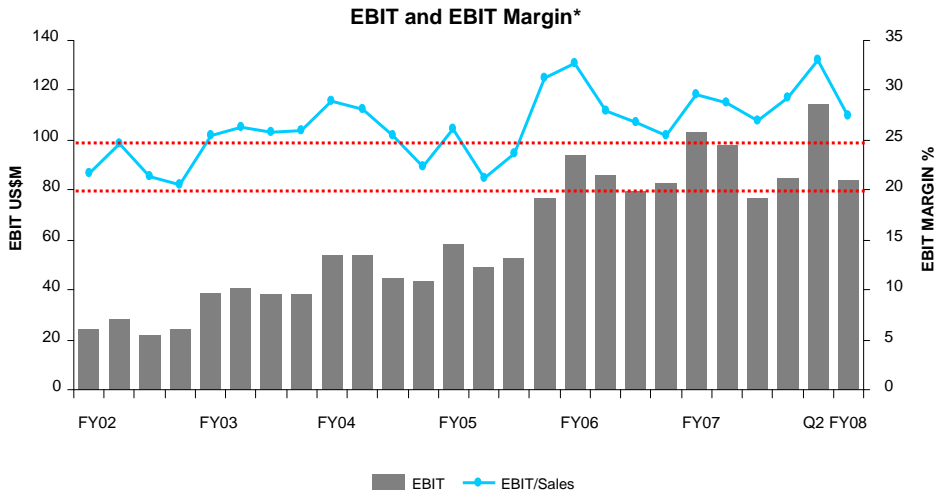


USA Fibre Cement

Strategy

- Aggressively grow demand for our products in targeted market segments
- 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



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

Asia Pacific Fibre Cement



Holiday house in Western Australia with PrimeLine weatherboards and Scyon™ Matrix cladding.

Asia Pacific Fibre Cement

2nd Quarter Result

Net Sales	up	19% to US\$76.1 million
Sales Volume	up	4% to 104.5 mmsf
Average Price	up	3% to A\$859 per msf
EBIT*	up	8% to US\$12.4 million
EBIT* Margin	down	1.7 pts to 16.3%

* EBIT includes US\$2.7m lease cost adjustment related to prior periods.



Asia Pacific Fibre Cement

Half Year Result

Net Sales	up	20% to US\$147.3 million
Sales Volume	up	5% to 202.5 mmsf
Average Price	up	2% to A\$866 per msf
EBIT*	up	14% to US\$24.8 million
EBIT* Margin	down	0.9 pts to 16.8%

* EBIT includes US\$2.7m lease cost adjustment related to prior periods.



Asia Pacific Fibre Cement

Strategy

- Grow primary demand for our products
- Leverage our superior technology to offer differentiated products and systems with superior value to those of competitors
- Promote a smarter way to build composite construction houses using our products
- Vigorously defend our position in existing market segments



Asia Pacific Fibre Cement

Key Points

- Residential construction activity slightly weaker in Australia, flat in New Zealand and stronger in the Philippines
- US\$ financial results assisted by appreciation of Asia Pacific currencies
- Q2 net sales up 7% in A\$; volumes up 4% due to market share gains; and average sales price up 3% due to price increases
- In Australia, sales of Scyon™ product range (up 65% pcp) continued to drive growth in fibre cement segment. Non-differentiated products remain subject to strong competitive pressures
- In New Zealand, sales of Linea® weatherboards continued to drive market share growth
- In the Philippines, net sales up due to higher domestic prices and more higher-priced exports in the sales mix



Asia Pacific Fibre Cement

Outlook

- Further weakness in new housing and renovations activity in Australia and New Zealand in short-term
- Further growth in primary demand for fibre cement in Australia and New Zealand
- Non-differentiated products to remain subject to strong competition
- More manufacturing efficiencies and other cost savings
- Construction activity in the Philippines expected to remain healthy in short-term

Other

USA Hardie Pipe

- Q2 net sales lower due to weaker residential and non-residential construction activity in Florida
- Impact of lower volumes partly offset by higher average net sales price and improved manufacturing performance
- Small EBIT loss for the quarter

Europe Fibre Cement

- Sales continuing to grow steadily
- Small EBIT loss

Overall Outlook for Operations

USA Fibre Cement

- Further weakness in US housing activity expected at least through the remainder of fiscal 2008
- Expect to continue outperforming the broader market

Asia Pacific Fibre Cement

- Market conditions to remain challenging in Australia and New Zealand, but further growth in primary demand for fibre cement expected

Financial Review

Russell Chenu, CFO

Overview

- Solid Q2 and half year operating performance given weaker market conditions
- Comparison of net operating profit excluding asbestos for Q2 and half year affected by low effective tax rate in Q2 FY07 due to write back of tax provisions
- Current year tax rate increased slightly due to change in geographical mix of earnings
- Asbestos adjustments – Q2:
 - US\$27.0m – unfavourable impact of stronger A\$ on US\$ asbestos liability
 - US\$1.9m – unfavourable other adjustments
- AICF claims costs for half year better than expected

Capital Management

- Strong balance sheet
 - Net debt – US\$89.9m
 - Cash and unused term facilities – US\$265.1m
- Announced significantly increased interim dividend of US 12 cents (FY07 US 5 cents) – up 140%
 - Record date 4 December 2007; Payment date 18 December 2007
- Commenced share buy-back

Share Buy-Back

- Announced share buy-back of up to 10% of issued capital (up to approximately 46.8 million shares) on 15 August 2007
- Purchased 2.5% of issued capital between 18 September 2007 and 12 October 2007 at average price of A\$7.26 / US\$6.36
 - 7.5 million shares purchased as at 30 September 2007 - total cost US\$47.1 million
 - 4.2 million shares purchased between 1 October 2007 and 12 October 2007 - total cost US\$27.1 million
- Shares will continue to be purchased opportunistically subject to market conditions and operating environment

Asbestos Fund Update

- AICF holdings at 30 September 2007
 - A\$158.6m – cash and short-term investments

- Net claims paid HY FY08:

<u>A\$ millions</u>	AICF HY FY08	KPMG Actuarial Estimate*	MRCF HY FY07
Claims Paid	32.4	36.2	31.9
Legal Costs	3.3	2.8	3.7
Insurance and cross claim recoveries	(11.0)	(7.0)	(7.4)
Total net claims costs	24.7	32.0	28.2

* Per 28 May 2007 report (as at 31 March 2007)

Results – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
Net sales	390.1	411.4	(5)
Gross profit	138.8	155.2	(11)
SG&A expenses	(58.1)	(57.2)	(2)
Research & development expenses	(7.1)	(6.6)	(8)
SCI and other related expenses	-	(3.2)	-
Asbestos adjustments	(28.9)	(47.2)	39
EBIT	44.7	41.0	9
Net interest income	2.0	1.0	-
Income tax expense	(27.6)	(20.9)	(32)
Net operating profit	19.1	21.1	(9)

Results – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
Net operating profit	19.1	21.1	(9)
Asbestos:			
Asbestos adjustments	28.9	47.2	(39)
AICF SG&A expenses	1.1	-	-
AICF interest income	(2.6)	-	-
Net operating profit excluding asbestos	46.5	68.3	(32)

Results – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
Net sales	814.5	826.9	(1)
Gross profit	305.7	312.9	(2)
SG&A expenses	(113.6)	(108.9)	(4)
Research & development expenses	(13.4)	(14.1)	5
SCI and other related expenses	-	(5.6)	-
Asbestos adjustments	(59.0)	(74.4)	21
EBIT	119.7	109.9	9
Net interest income (expense)	2.5	(1.0)	-
Income tax expense	(64.0)	(53.2)	(20)
Effect of change in accounting principle – net of tax	-	0.9	-
Net operating profit	58.2	56.6	3

Results – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
Net operating profit	58.2	56.6	3
Asbestos:			
Asbestos adjustments	59.0	74.4	(21)
Tax expense related to asbestos adjustments	0.4	-	-
AICF SG&A expenses	1.7	-	-
AICF interest income	(4.2)	-	-
Net operating profit excluding asbestos	115.1	131.0	(12)

Segment Net Sales – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
USA Fibre Cement	308.0	339.0	(9)
Asia Pacific Fibre Cement	76.1	63.8	19
Other	6.0	8.6	(30)
Total	390.1	411.4	(5)

Segment Net Sales – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
USA Fibre Cement	654.1	687.9	(5)
Asia Pacific Fibre Cement	147.3	123.0	20
Other	13.1	16.0	(18)
Total	814.5	826.9	(1)

Segment EBIT – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
USA Fibre Cement	84.3	97.8	(14)
Asia Pacific Fibre Cement	12.4	11.5	8
Other	(1.9)	(1.5)	(27)
R & D ¹	(4.8)	(4.1)	(17)
Total Segment EBIT	90.0	103.7	(13)
General Corporate	(15.3)	(15.5)	1
Total EBIT excluding asbestos	74.7	88.2	(15)
Asbestos adjustments	(28.9)	(47.2)	(39)
AICF SG&A expenses	(1.1)	-	-
Total EBIT	44.7	41.0	9

¹ 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'08</u>	<u>HY'07</u>	<u>% Change</u>
USA Fibre Cement	198.7	201.1	(1)
Asia Pacific Fibre Cement	24.8	21.8	14
Other	(3.2)	(4.2)	24
R & D ¹	(8.9)	(8.7)	(2)
Total Segment EBIT	211.4	210.0	1
General Corporate	(31.0)	(25.7)	(21)
Total EBIT excluding asbestos	180.4	184.3	(2)
Asbestos adjustments	(59.0)	(74.4)	21
AICF SG&A expenses	(1.7)	-	-
Total EBIT	119.7	109.9	9

¹ R&D includes "core" R&D expenses and administrative expenses, but excludes product development expenses

Corporate Costs – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
Stock compensation expenses	1.6	1.2	(33)
Earnings-related bonus	2.0	0.5	-
SCI and other related expenses	-	3.2	-
ASIC proceedings	1.9	-	-
Australian pension plan	0.5	0.8	38
Other costs	9.3	9.8	5
Total	15.3	15.5	1

Corporate Costs – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
Stock compensation expenses	3.1	2.7	(15)
Earnings-related bonus	2.9	(1.3)	-
SCI and other related expenses	-	5.6	-
Non-US warranty provision	4.0	-	-
ASIC proceedings	3.1	-	-
Australian pension plan	1.1	1.5	27
Other costs	16.8	17.2	2
Total	31.0	25.7	(21)

Net Interest Income (Expense)

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>HY'08</u>	<u>HY'07</u>
Gross interest expense	(2.6)	(2.7)	(4.4)	(5.6)
Make-whole payment	-	-	-	(6.0)
Capitalised interest	0.2	2.5	0.6	5.8
Interest income	1.8	1.2	2.1	4.8
Net interest income (expense) excluding AICF net interest income	(0.6)	1.0	(1.7)	(1.0)
AICF net interest income	2.6	-	4.2	-
Net interest income (expense)	2.0	1.0	2.5	(1.0)

Income Tax Expense – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>
Operating profit before income taxes	46.7	42.0
Asbestos:		
Asbestos adjustments	28.9	47.2
AICF SG&A expenses	1.1	-
AICF interest income	(2.6)	-
Operating profit before income taxes excluding asbestos	74.1	89.2
Income tax expense	27.6	20.9
Tax provision write-back	-	7.4
Income tax expense excluding asbestos and tax provision write-back	27.6	28.3
Effective tax rate excluding asbestos and tax provision write-back	37.2%	31.7%

Income Tax Expense – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>
Operating profit before income taxes	122.2	108.9
Asbestos:		
Asbestos adjustments	59.0	74.4
AICF SG&A expenses	1.7	-
AICF interest income	(4.2)	-
Operating profit before income taxes excluding asbestos	<u>178.7</u>	<u>183.3</u>
Income tax expense	64.0	53.2
Asbestos:		
Tax expense related to asbestos adjustments	(0.4)	-
Tax provision write-back	<u>-</u>	<u>7.4</u>
Income tax expense excluding asbestos and tax provision write-back	63.6	60.6
Effective tax rate excluding asbestos and tax provision write-back	35.6%	33.1%

EBITDA – Q2

<u>US\$ Million</u>	<u>Q2'08</u>	<u>Q2'07</u>	<u>% Change</u>
EBIT			
USA Fibre Cement	84.3	97.8	(14)
Asia Pacific Fibre Cement	12.4	11.5	8
Other	(1.9)	(1.5)	(27)
R & D	(4.8)	(4.1)	(17)
General Corporate	(15.3)	(15.5)	1
Depreciation and Amortisation			
USA Fibre Cement	9.3	10.0	7
Asia Pacific Fibre Cement	1.9	2.6	27
Other	2.3	0.6	-
Total EBITDA excluding asbestos	88.2	101.4	(13)
Asbestos adjustments	(28.9)	(47.2)	(39)
AICF SG&A expenses	(1.1)	-	-
Total EBITDA	58.2	54.2	7

EBITDA – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
EBIT			
USA Fibre Cement	198.7	201.1	(1)
Asia Pacific Fibre Cement	24.8	21.8	14
Other	(3.2)	(4.2)	24
R & D	(8.9)	(8.7)	(2)
General Corporate	(31.0)	(25.7)	(21)
Depreciation and Amortisation			
USA Fibre Cement	20.1	17.9	(12)
Asia Pacific Fibre Cement	4.6	5.1	10
Other	3.0	1.2	-
Total EBITDA excluding asbestos	208.1	208.5	-
Asbestos adjustments	(59.0)	(74.4)	(21)
AICF SG&A expenses	(1.7)	-	-
Total EBITDA	147.4	134.1	10

Cash Flow – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
EBIT	119.7	109.9	9
Non-Cash items			
- Asbestos adjustments	59.0	74.4	21
- Other non-cash items	60.1	43.6	(38)
Net working capital movements	41.5	(50.2)	-
Cash generated by trading activities	280.3	177.7	58
Tax payments	(43.9)	(51.6)	15
Deposit with ATO	(3.7)	(141.4)	-
Interest paid (net)	(1.7)	(7.0)	76
Net Operating Cash Flow	231.0	(22.3)	-
Purchases of property, plant & equipment	(24.2)	(61.4)	61
Dividends paid	(70.7)	(18.7)	-
Treasury stock purchased	(47.1)	-	-
Equity issued	2.4	1.6	50
Other	(27.4)	0.7	-
Movement in Net Cash (Debt)	64.0	(100.1)	-
Net Cash (Debt) – 31 March	(153.9)	12.4	-
Net Cash (Debt) – 30 September	(89.9)	(87.7)	(3)

Capital Expenditure – Half Year

<u>US\$ Million</u>	<u>HY'08</u>	<u>HY'07</u>	<u>% Change</u>
USA Fibre Cement	20.7	54.0	62
Asia Pacific Fibre Cement	3.2	5.3	40
Other	0.3	2.1	86
Total	24.2	61.4	61

Key Ratios

	<u>HY' FY08</u>	<u>FY07</u>	<u>FY06</u>
EPS (Diluted) ¹	24.6c	47.6c	44.9c
Dividend Paid per share	15.0c	9.0c	10.0c
Return on Shareholders' Funds ¹	23.0%	24.0%	29.1%
Return on Capital Employed ²	30.1%	26.6%	28.9%
EBIT/ Sales (EBIT margin) ²	22.1%	20.7%	18.9%
Gearing Ratio ¹	8.6%	12.8%	(1.6)%
Net Interest Expense Cover ³	106.1x	49.1x	-
Net Interest Paid Cover ²	30.6x	62.5x	80.2x
Net Debt Payback ⁴	0.2 yrs	1.9 yrs	-

¹ Excludes asbestos adjustments, tax expense/benefit related to asbestos adjustments, AICF SG&A expenses and AICF interest income.

² Excludes asbestos adjustments and AICF SG&A expenses.

³ Excludes asbestos adjustments, AICF SG&A expenses and AICF interest income.

⁴ Excludes payments under the Amended FFA

Summary

- Solid overall operating performance for the half year considering business environment
- Strong cash generation
- The company's financial position remains strong
- Share buy-back underway
- Increased interim dividend declared
- Estimated charge of US\$33.5m related to write down of Blandon plant to be recorded in Q3 FY08
- Results subject to fluctuation in A\$: US\$ exchange rate for foreseeable future

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 about the timing and amount of payments to the Asbestos Injuries Compensation Fund (AICF), a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;*
- *expectations with respect to the effect on our financial statements of those payments;*
- *statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by the Australian Securities and Investments Commission;*
- *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;*
- *statements about product or environmental liabilities; and*
- *statements regarding tax liabilities and related proceedings.*

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 6 July 2007 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; required contributions to the AICF and the effect of foreign exchange on the amount recorded in our financial statements as an asbestos liability; 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 effect of natural disasters. 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.

Endnotes

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

Definitions

Financial Measures – US GAAP equivalents

EBIT and EBIT Margin - EBIT, as used in this document, is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of 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 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.

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 asbestos – EBIT and EBIT margin excluding asbestos are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US\$ Million	Q2 FY08	Q2 FY07	HY FY08	HY FY07
EBIT	\$ 44.7	\$ 41.0	\$ 119.7	\$ 109.9
Asbestos:				
Asbestos adjustments	28.9	47.2	59.0	74.4
AICF SG&A expenses	1.1	-	1.7	-
EBIT excluding asbestos	\$ 74.7	\$ 88.2	\$ 180.4	\$ 184.3
Net Sales	\$ 390.1	\$ 411.4	\$ 814.5	\$ 826.9
EBIT margin excluding asbestos	19.1%	21.4%	22.1%	22.3%

Non-US GAAP Financial Measures (continued)

Net operating profit excluding asbestos– Net operating profit excluding asbestos 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 FY08	Q2 FY07	HY FY08	HY FY07
Net operating profit	\$ 19.1	\$ 21.1	\$ 58.2	\$ 56.6
Asbestos:				
Asbestos adjustments	28.9	47.2	59.0	74.4
AICF SG&A expenses	1.1	-	1.7	-
AICF interest income	(2.6)	-	(4.2)	-
Tax expense related to asbestos adjustments	-	-	0.4	-
Net operating profit excluding asbestos	\$ 46.5	\$ 68.3	\$ 115.1	\$ 131.0

Non-US GAAP Financial Measures (continued)

Diluted earnings per share excluding asbestos – Diluted earnings per share excluding asbestos 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 FY08	Q2 FY07	HY FY08	HY FY07
Net operating profit excluding asbestos	\$ 46.5	\$ 68.3	\$ 115.1	\$ 131.0
Weighted average common shares outstanding – Diluted (millions)	468.3	465.1	468.5	466.0
Diluted earnings per share excluding asbestos (US cents)	10.0	14.7	24.6	28.1

Non-US GAAP Financial Measures (continued)

Effective tax rate excluding asbestos – Effective tax rate excluding asbestos 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 FY08	Q2 FY07	HY FY08	HY FY07
Operating profit before income taxes	\$ 46.7	\$ 42.0	\$ 122.2	\$ 108.9
Asbestos:				
Asbestos adjustments	28.9	47.2	59.0	74.4
AICF SG&A expenses	1.1	-	1.7	-
AICF interest income	(2.6)	-	(4.2)	-
Operating profit before income taxes excluding asbestos	\$ 74.1	\$ 89.2	\$ 178.7	\$ 183.3
Income tax expense	\$ 27.6	\$ 20.9	\$ 64.0	\$ 53.2
Asbestos:				
Tax expense related to asbestos adjustments	-	-	(0.4)	-
Income tax expense excluding asbestos	\$ 27.6	\$ 20.9	\$ 63.6	\$ 53.2
Effective tax rate excluding asbestos	37.2%	23.4%	35.6%	29.0%

Non-US GAAP Financial Measures (continued)

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.

US\$ Million	Q2 FY08	Q2 FY07	HY FY08	HY FY07
EBIT	\$ 44.7	\$ 41.0	\$ 119.7	\$ 109.9
Depreciation and amortisation	13.5	13.2	27.7	24.2
EBITDA	\$ 58.2	\$ 54.2	\$ 147.4	\$ 134.1

James Hardie FY08 2nd Quarter and Half Year Results

19 November 2007

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 starting on page 53. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, for which reconciliations to GAAP measures follow such definitions, 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 asbestos", "Net operating profit excluding asbestos", "Diluted earnings per share excluding asbestos", "Operating profit before income taxes excluding asbestos", "Income tax expense excluding asbestos", "Effective tax rate excluding asbestos", and "EBITDA"). Unless otherwise stated, results and comparisons are of the 2nd quarter and 1st half of the current fiscal year versus the 2nd quarter and 1st half of the prior