

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934**

For the Month of August, 2007

**1-15240
(Commission File Number)**

JAMES HARDIE INDUSTRIES N.V.

(Translation of registrant's name into English)

Atrium, 8th floor
Strawinskylaan 3077
1077 ZX Amsterdam, The Netherlands
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): Not Applicable

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): Not Applicable

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

TABLE OF CONTENTS

| | |
|---------------------------------------|---|
| Safe Harbor Statement | 3 |
| Exhibit Index | 4 |
| Signatures | 5 |
| EXHIBIT 99.1 | |
| EXHIBIT 99.2 | |
| EXHIBIT 99.3 | |
| EXHIBIT 99.4 | |
| EXHIBIT 99.5 | |

Safe Harbor Statement

The exhibits attached to this Form 6-K contain 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 & 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; 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 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 provision; 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; and foreign exchange risks; the successful implementation of new software systems; and the effect of natural disasters. We caution you that the foregoing list and 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.

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------------|---|
| 99.1 | Q1 FY08 Results — Filed with the Australian Stock Exchange on August 15, 2007 |
| 99.2 | Announces On-Market Share Buy-Back Program — Filed with the Australian Stock Exchange on August 15, 2007 |
| 99.3 | Announcement of buy-back — Appendix 3C — Filed with the Australian Stock Exchange on August 15, 2007 |
| 99.4 | Chairman’s Address to Shareholders — Filed with the Australian Stock Exchange on August 15, 2007 |
| 99.5 | Annual Information Meeting — CEO’s Presentation — Filed with the Australian Stock Exchange on August 15, 2007 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

James Hardie Industries N.V.

Date: August 17, 2007

By: /s/ Benjamin Butterfield
Benjamin Butterfield
Secretary

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Results for Announcement to the Market

James Hardie Industries N.V.

ARBN 097 829 895

| Key Information | 1st Quarter Ended 30 June 2007 | | Three Months Ended 30 June | |
|---|--------------------------------|------------|----------------------------|-----|
| | 2007 US\$M | 2006 US\$M | Movement | |
| Net Sales From Ordinary Activities | 424.4 | 415.5 | up | 2% |
| Operating Profit From Operations After Tax Attributable to Shareholders | 39.1 | 35.5 | up | 10% |
| Net Tangible Assets per Ordinary Share | US\$ 0.32 | US\$ 0.24 | up | 33% |

Dividend Information

A dividend was paid on 10 July 2007 of US15.0 cents per share/CUFS with a record date of 14 June 2007.

Movements in Controlled Entities

James Hardie FC Pty Ltd and James Hardie Windows (Holdings) Pty Ltd were liquidated on 20th April 2007. No entities were incorporated or merged during the three months ended 30 June 2007.

Results for the three months ended 30 June 2007

Contents

- | | |
|----------|---|
| 1. | Media Release |
| 2. 3. 4. | Management's Analysis of Results |
| | Condensed Consolidated Financial Statements |
| | Management Presentation |

The consolidated Financial Statements included in this results announcement have been prepared using USGAAP and have not been subject to an independent review by external auditors.

The information contained in the above documents should be read in conjunction with the James Hardie 2007 Annual Report. It should also be read in the context of the public announcements made by James Hardie Industries N.V. in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules since the release of that Annual Report. The James Hardie 2007 Annual Report and links to the company's public announcements can be found on the company website at www.jameshardie.com. James Hardie Industries N.V. is incorporated in The Netherlands with corporate seat in Amsterdam. The liability of members is limited.



15 August 2007

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Tel: (02) 8274 5246 Mob: 0408 164 011.

**1st Quarter net operating profit up 9% to US\$68.6m
(excluding asbestos)
USA Fibre Cement EBIT up 11% to US\$114.4m**

James Hardie today announced a US\$68.6 million net operating profit, excluding asbestos, for the quarter ended 30 June 2007, an increase of 9% compared to the same period last year.

For the first quarter, net operating profit including asbestos was US\$39.1 million compared to a net operating profit of US\$35.5 million for the same quarter last year.

Operating Performance

In very challenging market conditions, first quarter net sales increased 2% to US\$424.4 million, gross profit was up 6% to US\$166.9 million and EBIT excluding asbestos increased 10% to US\$105.7 million.

Housing construction activity in North America was significantly lower in the first quarter compared to the same quarter last year, but USA Fibre Cement net sales were down only 1% for the quarter. Cost management and an improved average selling price helped lift USA Fibre Cement EBIT 11% to US\$114.4 million for the quarter.

Asia Pacific Fibre Cement net sales were up 20% for the quarter despite weaker market conditions in Australia, primarily driven by the strength of the Australian dollar and increased sales volume. Asia Pacific Fibre Cement EBIT for the first quarter increased 20% to US\$12.4 million due to improved EBIT performance in the Australia and New Zealand Fibre Cement businesses and favourable currency movements.

Diluted earnings per share for the quarter rose to US8.3 cents per share from US7.6 cents in the same period last year.

Diluted earnings per share excluding asbestos increased by 9% from US13.4 cents to US14.6 cents for the quarter.

In this Media Release, 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 6. 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 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 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Media Release: James Hardie — 1st Quarter FY08

1st Quarter at a Glance

| US\$ Million | Q1 FY 2008 | Q1 FY 2007 | % Change |
|--------------------------------|---------------|---------------|----------|
| Net sales | \$ 424.4 | \$ 415.5 | 2 |
| Gross profit | 166.9 | 157.7 | 6 |
| SCI and other related expenses | — | (2.4) | — |
| EBIT excluding asbestos | 105.7 | 96.1 | 10 |
| AICF SG&A expenses | (0.6) | — | — |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| EBIT | 75.0 | 68.9 | 9 |
| Net interest income (expense) | 0.5 | (2.0) | — |
| Income tax expense | (36.4) | (32.3) | (13) |
| Net operating profit | 39.1 | 35.5 | 10 |

Net operating profit excluding asbestos increased 9% for the quarter to US\$68.6 million, as shown in the following table:

| US\$ Million | Q1 FY 2008 | Q1 FY 2007 | % Change |
|---|---------------|---------------|----------|
| Net operating profit | \$ 39.1 | \$ 35.5 | 10 |
| Asbestos: | | | |
| Asbestos adjustments | 30.1 | 27.2 | 11 |
| AICF SG&A expenses | 0.6 | — | — |
| AICF interest income | (1.6) | — | — |
| Tax expense related to asbestos adjustments | 0.4 | — | — |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 | 9 |

Commentary

James Hardie's CEO, Mr Louis Gries said: "Overall, our businesses performed very well in the first quarter amidst challenging market conditions. In North America, new housing construction activity continued to weaken and was significantly below the level of activity for the first quarter last year.

"Our USA Fibre Cement business continued to achieve market penetration against alternative materials during the quarter and achieved EBIT growth despite the weaker market conditions.

"The outlook for North America is for further weakness in new housing activity through the remainder of the year. We continue to believe that the adjustments made to our US business in late 2006 and early 2007 have positioned us well to address the weaker market conditions.

"Our Asia Pacific Fibre Cement business also performed well, growing demand for its differentiated fibre cement products and lifting sales and EBIT for the quarter," Mr Gries said.

Media Release: James Hardie — 1st Quarter FY08

Capital Management

The company also announced today that it would implement an on-market buy-back program for the purchase of up to 10% of its issued capital (up to approximately 46.8 million shares).

The proposed share buy-back reflects the company's focus on improving the efficiency of its capital structure through active capital management.

USA Fibre Cement

First quarter net sales were down 1% compared to the same quarter last year, to US\$346.1 million. Sales volume decreased 5% to 573.4 million square feet, and the average net sales price was 5% higher at US\$604 per thousand square feet.

New residential construction activity continued to weaken during the quarter as the market remained affected by high inventory levels of new homes for sale and affordability issues associated with higher interest rates and tightened lending standards due to concerns over the subprime mortgage market. Increased market penetration against alternative materials helped limit the impact of a significantly weaker housing market. Our exterior products category was affected most by the weaker market conditions, but sales continued to grow in our higher-priced differentiated products, XLD® trim and the ColorPlus® collection. Geographically, demand was weaker in our Southern and Northern Divisions, but stronger in our Western Division. Net sales for our interior product category were flat for the quarter.

EBIT for the quarter was 11% higher at US\$114.4 million, helped by the improved average sales price, lower freight costs, cost efficiencies and lower SG&A expenses compared to the same quarter last year. The EBIT margin was 33.1% for the quarter compared with 29.6% for the same period last year.

Asia Pacific Fibre Cement

Net sales increased 20% to US\$71.2 million for the quarter. In Australian dollars, net sales increased 8% due to a 7% increase in sales volumes and a 1% increase in the average net sales price.

Residential construction activity continued to weaken in Australia, was flat in New Zealand and slightly stronger in the Philippines. Sales volume increased in all businesses. In Australia, the business continued to grow the fibre cement market segment through its Scyon™ range of products launched in the previous fiscal year. In New Zealand, sales of Linea™ weatherboards continued to grow strongly and are driving market share growth in that country. In the Philippines, sales volumes grew as a result of improved domestic construction activity and stronger export demand.

EBIT was 20% higher for the quarter at US\$12.4 million due to the improved sales performance together with the increase in the Australian dollar against the US dollar. The EBIT margin was flat at 17.4%.

USA Hardie Pipe

Net sales for the quarter decreased compared to the same period last year due to the impact of weaker residential and non-residential construction activity in Florida, partly offset by an increase in the average net sales price. The business is continuing to focus on growing sales in its core

Media Release: James Hardie — 1st Quarter FY08

markets and expanding into other strategic markets. A small negative EBIT was recorded for the quarter.

Europe Fibre Cement

Sales continued to grow steadily, albeit from a low base. Losses were reduced compared to the same period last year.

Asbestos Adjustments

The asbestos adjustments to EBIT for the quarter are as follows:

| US\$ Million | Q1 FY 2008 | Q1 FY 2007 |
|------------------------------|---------------|---------------|
| Effect of foreign exchange | \$ (33.2) | \$ (27.2) |
| Other adjustments | 3.1 | — |
| Asbestos adjustments to EBIT | \$ (30.1) | \$ (27.2) |

Readers are referred to Note 6 of the company's 30 June 2007 Consolidated Financial Statements for further information on the asbestos adjustments.

ASIC Proceedings

In February 2007, the Australian Securities and Investments Commission (ASIC) announced that it was commencing civil proceedings against JHI NV, a former subsidiary and ten former officers and directors of the James Hardie group. The civil proceedings concern alleged contraventions of certain provisions of the Corporations Law and/or the Corporations Act connected with the affairs of the company and certain subsidiaries during the period February 2001 to June 2003.

The company has considered the impact of the ASIC proceedings upon its current financial statements and believes that these proceedings will have no material impact. However, there remains considerable uncertainty surrounding the likely outcome of the ASIC proceedings in the longer term and there is a possibility that the related costs to the company could become material. At this stage it is not possible to determine the amount of any such liability.

Readers are referred to Note 7 of the company's 30 June 2007 Consolidated Financial Statements for further information on the ASIC Proceedings.

Cash Flow

Operating cash flow for the quarter increased from US\$60.7 million to US\$131.5 million. The increase was driven primarily by an increased focus on working capital management throughout the quarter. As a result, at 30 June 2007, the company had net debt of US\$44.4 million compared to US\$153.9 million at 31 March 2007.

Capital expenditures for the purchase of property, plant and equipment decreased from US\$35.5 million to US\$16.5 million.

Outlook

In North America, the outlook for housing construction activity is to remain weak with no visibility as to when improvement may occur. Indicators of future activity, including building permits and builder confidence levels, suggest there will be further weakness in building activity in the short to medium term.

Media Release: James Hardie — 1st Quarter FY08

The business continues to focus on growing primary demand for fibre cement and outperforming the residential building construction market overall.

The adjustments made to our US business in late 2006 and early 2007 continue to position us well to address the weaker market conditions. These adjustments included resetting the business on the basis that housing starts were at an annual rate of 1.3 million. The business remains well-positioned to “flex-up” should demand be higher than anticipated.

The outlook for the repair and remodelling segment is for a slight decline in activity levels for the remainder of the calendar year. However, we expect further market share gains in this segment driven mainly by our interior products category

In our Asia Pacific business, market conditions are expected to weaken further in Australia and New Zealand over the short-term, and remain healthy in the Philippines. The business continues to focus on market initiatives around its differentiated product range to grow primary demand. Further manufacturing efficiencies and cost savings are expected. Non-differentiated products are expected to remain subject to strong competitive pressures.

We note the range of analysts’ forecasts for operating profit from continuing operations, excluding asbestos, for the year ended 31 March 2008 of between US\$187 million and US\$233 million. The company is comfortable with the bottom end of this range, but notes there is still a significant amount of uncertainty over the outlook for US housing activity.

Changes to the Amended FFA liability to reflect changes in foreign exchange rates or updates to the actuarial estimate may have a material impact on the company’s consolidated financial statements. Refer to Note 6 of the company’s 30 June 2007 Consolidated Financial Statements for more information.

END

Media/Analyst Enquiries:

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

These documents, along with a webcast of the management presentation on 15 August 2007, are available from the Investor Relations area of James Hardie’s website at: www.jameshardie.com

The company lodged its annual filing for the year ended 31 March 2007 with the SEC on 6 July 2007.

All holders of the company’s securities may receive, on request, a hard copy of our complete audited financial statements, free of charge. Requests can be made via the company website or by contacting one of the company’s corporate offices. Contact details are available on the company’s website.

Media Release: James Hardie — 1st Quarter FY08

Definitions

Financial Measures — US GAAP equivalents

EBIT and EBIT margin — EBIT is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit — 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, where a square foot is defined as a standard square foot of 5/16" thickness.

msf — thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio — Net debt/cash divided by net debt/cash plus shareholders' equity.

Net interest expense cover — EBIT divided by net interest expense.

Net interest paid cover — EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback — Net debt/cash divided by cash flow from operations.

Net debt/cash — Short-term and long-term debt less cash and cash equivalents.

Media Release: James Hardie — 1st Quarter FY08

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|--------------------------------|---------------|---------------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| EBIT excluding asbestos | \$ 105.7 | \$ 96.1 |
| Net Sales | \$ 424.4 | \$ 415.5 |
| EBIT margin excluding asbestos | 24.9% | 23.1% |

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Net operating profit | \$ 39.1 | \$ 35.5 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| AICF interest income | (1.6) | — |
| Tax expense related to asbestos adjustments | 0.4 | — |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |

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\$ Millions (except share data) | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |
| Weighted average common shares outstanding — Diluted (millions) | 469.4 | 466.9 |
| Diluted earnings per share excluding asbestos (US cents) | 14.6 | 13.4 |

Media Release: James Hardie — 1st Quarter FY08

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Operating profit before income taxes | \$ 75.5 | \$ 66.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| AICF interest income | (1.6) | — |
| Operating profit before income taxes excluding asbestos | \$ 104.6 | \$ 94.1 |
| Income tax expense | \$ 36.4 | \$ 32.3 |
| Asbestos: | | |
| Tax expense related to asbestos adjustments | (0.4) | — |
| Income tax expense excluding asbestos | \$ 36.0 | \$ 32.3 |
| Effective tax rate excluding asbestos | 34.4% | 34.3% |

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 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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|-------------------------------|---------------|---------------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Depreciation and amortisation | 14.2 | 11.0 |
| EBITDA | \$ 89.2 | \$ 79.9 |

Media Release: James Hardie — 1st Quarter FY08

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- 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; and
- statements about product or environmental liabilities.

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Media Release: James Hardie — 1st Quarter FY08



15 August 2007

**James Hardie Industries N.V.
Results for the 1st Quarter Ended 30 June 2007**

| US GAAP — US\$ Millions | Three Months Ended 30 June | | |
|--|----------------------------|-----------------|-----------|
| | FY 2008 | FY 2007 | % Change |
| Net Sales | | | |
| USA Fibre Cement | \$ 346.1 | \$ 348.9 | (1) |
| Asia Pacific Fibre Cement | 71.2 | 59.2 | 20 |
| Other | 7.1 | 7.4 | (4) |
| Total Net Sales | \$ 424.4 | \$ 415.5 | 2 |
| Cost of goods sold | (257.5) | (257.8) | — |
| Gross profit | 166.9 | 157.7 | 6 |
| Selling, general and administrative expenses | (55.5) | (51.7) | (7) |
| Research & development expenses | (6.3) | (7.5) | 16 |
| SCI and other related expenses | — | (2.4) | — |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| EBIT | 75.0 | 68.9 | 9 |
| Net interest income (expense) | 0.5 | (2.0) | — |
| Operating profit before income taxes | 75.5 | 66.9 | 13 |
| Income tax expense | (36.4) | (32.3) | (13) |
| Operating profit before cumulative effect of change in accounting principle | 39.1 | 34.6 | 13 |
| Cumulative effect of change in accounting principle for stock-based compensation, net of income tax expense of nil and US\$0.4 million, respectively | — | 0.9 | — |
| Net operating profit | \$ 39.1 | \$ 35.5 | 10 |
| Earnings per share — diluted (US cents) | 8.3 | 7.6 | 9 |
| Volume (mmsf) | | | |
| USA Fibre Cement | 573.4 | 605.7 | (5) |
| Asia Pacific Fibre Cement | 98.0 | 91.8 | 7 |
| Average net sales price per unit (per msf) | | | |
| USA Fibre Cement | US\$ 604 | US\$ 576 | 5 |
| Asia Pacific Fibre Cement | A\$ 873 | A\$ 862 | 1 |

In this Management's Analysis of Results, 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 9. 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 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 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Total Net Sales

Total net sales for the quarter increased 2% compared to the same quarter of the previous year, from US\$415.5 million to US\$424.4 million.

Net sales from USA Fibre Cement for the quarter decreased 1% from US\$348.9 million to US\$346.1 million, due to decreased sales volume which was partially offset by an increased average net sales price.

Net sales from Asia Pacific Fibre Cement for the quarter increased 20% from US\$59.2 million to US\$71.2 million primarily due to favourable currency exchange differences and increased sales volumes.

Other net sales for the quarter decreased 4% from US\$7.4 million to US\$7.1 million due to a decrease in sales in the USA Hardie Pipe business, partially offset by improved sales performance in the Europe Fibre Cement business.

USA Fibre Cement

Net sales decreased 1% from US\$348.9 million in the first quarter of the prior fiscal year to US\$346.1 million due to decreased sales volume, partially offset by an increased average net sales price.

Sales volume decreased 5% from 605.7 million square feet to 573.4 million square feet for the quarter, as demand for the company's products was adversely affected by a weaker residential housing construction market.

The average net sales price increased 5% from US\$576 per thousand square feet to US\$604 per thousand square feet due to price increases on certain products and an increase in the proportion of higher-priced, differentiated products in the sales mix.

Discussion

Market conditions remained challenging during the quarter as new residential construction activity continued to be affected by high inventory levels of new homes for sale and affordability issues associated with higher interest rates and tightened lending standards resulting from concerns over the subprime mortgage market.

The US Census Bureau reported housing starts decreased 22% for the three months ended 30 June 2007 compared to the same period last year, following a 31% decline for the three months ended 31 March 2007. Under normal market conditions, there is approximately a three month lag from the start of construction of a house to when the company's products are purchased.

Repair and remodelling activity was slightly weaker during the quarter compared to the same period last year.

An improvement in market penetration against alternative materials during the quarter helped limit the impact of the significantly weaker new residential construction activity to a 5% decline in sales volumes. The decline was due to weaker demand in our exterior products category where further growth in the higher-priced, differentiated products, XLD® trim and the ColorPlus® collection, was insufficient to offset the impact of weaker market conditions on our other exterior products.

Geographically, demand was weaker in our Southern and Northern Divisions, but stronger in our Western Division.

Sales for our interior products category were flat for the quarter compared to the same period last year, reflecting further market share growth for our backerboards against alternative materials such as gypsum and fibreglass mesh.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Asia Pacific Fibre Cement

Net sales for the quarter increased 20% from US\$59.2 million to US\$71.2 million. Net sales increased 8% in Australian dollars due largely to a 7% increase in sales volume and a 1% increase in the average Australian dollar net sales price. The increase in reported sales in US dollars was also assisted by the Australian dollar being 11% stronger against the US dollar for the first quarter of fiscal year 2008 than it was for the same period last year.

Discussion

Residential construction activity continued to weaken in Australia, was flat in New Zealand and slightly stronger in the Philippines. Sales volumes increased in all businesses. In Australia, the business continued to grow the fibre cement segment through its Scyon™ range of products launched in the last fiscal year. Scyon Wet Area Flooring, Scyon Trim, Scyon Cavity Trim, Axon™ panel, Matrix cladding and Scyon Linea™ weatherboards continued to increase sales momentum and the proportion of differentiated products in the sales mix. In New Zealand, sales of Linea weatherboards continued to grow strongly and help drive market share growth in that country. In the Philippines, sales volumes grew as a result of increased domestic construction activity and stronger export demand.

The average net sales price, in local currency, was higher in the Philippines, but down slightly in Australia and New Zealand due to competitive pressure on prices for non-differentiated products.

Other

USA Hardie Pipe

Net sales for the quarter decreased compared to the same quarter last year due to lower sales volumes as a result of weaker residential and non-residential construction activity in Florida, partly offset by an increase in the average net sales price. The business continued to focus on building sales volume in core markets and expanding into other strategic markets.

Europe Fibre Cement

Sales continued to grow steadily, albeit from a low base.

Gross Profit

Gross profit increased 6% from US\$157.7 million to US\$166.9 million. The gross profit margin increased 1.3 percentage points from 38.0% to 39.3%.

USA Fibre Cement gross profit increased 5% compared to the same quarter last year due to a higher average net sales price and lower freight costs, partially offset by lower sales volumes and slightly higher unit costs due mainly to higher material costs, particularly pulp and cement. Pulp prices were up 15% compared to the same quarter last year. Compared to the fourth quarter in the last fiscal year, unit costs were flat due to improved cost absorption from higher volumes, offset by an increase in the proportion of higher cost products in the sales mix and higher material costs. The gross profit margin increased 2.3 percentage points.

Asia Pacific Fibre Cement gross profit increased 11% compared to the same period last year due to favourable currency movements. In Australian dollars, gross profit was flat due to increased sales volumes and a slightly higher average sales price, offset by higher manufacturing costs. The gross profit margin decreased by 2.4 percentage points

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Selling, General and Administrative (SG&A) Expenses

SG&A expenses increased 7% for the quarter from US\$51.7 million to US\$55.5 million, primarily due to an increase in the accrual for employee bonus accruals (arising as a result of a credit in the same quarter last year caused by the release of a prior over-accrual), higher warranty provisions relating to non-US activities and legal expenses associated with the Australian Securities and Investment Commission (ASIC) proceedings. As a percentage of sales, SG&A expenses increased to 13.1% from 12.4%.

SG&A expenses for the current quarter also include non-claims handling related operating expenses of the Asbestos Injuries Compensation Fund (AICF) amounting to US\$0.6 million.

ASIC Proceedings

In February 2007 ASIC announced that it was commencing civil proceedings against JHI NV, a former subsidiary and ten former officers and directors of the James Hardie group. The civil proceedings concern alleged contraventions of certain provisions of the Corporations Law and/or the Corporations Act connected with the affairs of the company and certain subsidiaries during the period February 2001 to June 2003.

The company has considered the impact of the ASIC proceedings upon its current financial statements and believes that these proceedings will have no material impact. However, there remains considerable uncertainty surrounding the likely outcome of the ASIC proceedings in the longer term and there is a possibility that the related costs to the company could become material. At this stage it is not possible to determine the amount of any such liability.

Readers are referred to Note 7 of the company's 30 June 2007 Consolidated Financial Statements for further information on the ASIC Proceedings.

Research and Development Expenses

Research and development expenses include costs associated with "core" research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs were 18% higher for the quarter at US\$3.9 million.

Other research and development costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 43% lower at US\$2.4 million for the quarter.

SCI and Other Related Expenses

Now that the Amended FFA has been implemented, the company anticipates no significant Special Commission of Inquiry (SCI) and other related expenses going forward. During the first quarter, SCI and other related expenses were nil compared to US\$2.4 million for the same period last year.

Asbestos Adjustments

The asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the Amended FFA that was signed with the NSW Government on 21 November 2006 and approved by the company's security holders on 7 February 2007.

The asbestos adjustments for the quarter are as follows:

Management's Analysis of Results: James Hardie — 1st Quarter FY08

| US\$ Million | Q1 FY 2008 | Q1 FY 2007 |
|----------------------------|------------|------------|
| Effect of foreign exchange | \$ (33.2) | \$ (27.2) |
| Other adjustments | 3.1 | — |
| Asbestos adjustments | \$ (30.1) | \$ (27.2) |

Effect of Foreign Exchange

The asbestos-related assets and liabilities are denominated in Australian dollars and thus the reported value of these asbestos-related assets and liabilities in the company's consolidated balance sheets in US dollars is subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet date. The effect of foreign exchange rate movements between these currencies has caused an increase in the net Amended FFA liability of US\$33.2 million for the quarter.

Other Adjustments

Other adjustments represent discounting adjustments related to certain insurance receivables and the asbestos-related research and education contributions liability.

Readers are referred to Note 6 of the company's 30 June 2007 Consolidated Financial Statements for further information on the asbestos adjustments.

EBIT

EBIT for the quarter increased from US\$68.9 million for the same quarter last year to US\$75.0 million for the current quarter. EBIT for the quarter includes net unfavourable asbestos adjustments of US\$30.1 million and AICF SG&A expenses of US\$0.6 million, as shown in the table below.

| EBIT - US\$ Millions | Three Months Ended 30 June | | |
|--------------------------------|----------------------------|-------------|----------|
| | FY 2008 | FY 2007 | % Change |
| USA Fibre Cement | \$114.4 | \$103.3 | 11 |
| Asia Pacific Fibre Cement | 12.4 | 10.3 | 20 |
| Research & Development | (4.1) | (4.6) | 11 |
| Other | (1.3) | (2.7) | 52 |
| General Corporate | (16.3) | (10.2) | (60) |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| EBIT | 75.0 | 68.9 | 9 |
| Excluding: | | | |
| Asbestos: | | | |
| Asbestos adjustments | 30.1 | 27.2 | 11 |
| AICF SG&A expenses | 0.6 | — | — |
| EBIT excluding asbestos | \$105.7 | \$ 96.1 | 10 |
| Net sales | \$424.4 | \$415.5 | 2 |
| EBIT margin excluding asbestos | 24.9% | 23.1% | |

USA Fibre Cement EBIT

USA Fibre Cement EBIT for the quarter increased 11% from US\$103.3 million to US\$114.4 million, primarily due to an improved gross margin and lower SG&A spending. The EBIT margin was 3.5 percentage points higher at 33.1% for the quarter.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter increased 20% from US\$10.3 million to US\$12.4 million, with improvements in Australia and New Zealand being partially offset by a reduced performance in the Philippines. In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter increased 8%. The EBIT margin was flat at 17.4% for the quarter.

Other EBIT

The USA Hardie Pipe business recorded a small EBIT loss compared to a small positive EBIT for the same period last year.

The Europe Fibre cement business incurred a significantly reduced EBIT loss for the quarter as it continued to build sales.

General Corporate Costs

General corporate costs for the quarter increased by US\$6.1 million from US\$10.2 million to US\$16.3 million. The increase was primarily due to increased warranty provisions relating to non-US activities, higher employee bonus accruals (arising as a result of a credit in the same quarter last year caused by the release of a prior over-accrual) and legal expenses associated with the ASIC proceedings.

Net Interest Income (Expense)

Net interest income (expense) for the quarter increased from expense of US\$2.0 million to income of US\$0.5 million. The increase was primarily due to interest income of US\$1.6 million earned on investments by the AICF and a decrease in net interest expense resulting from the lower average level of net debt outstanding compared to the same period in the prior year.

Income Tax Expense

Income tax expense for the quarter increased from US\$32.3 million to US\$36.4 million.

The company's effective tax rate on earnings excluding asbestos adjustments was 34.4% at 30 June 2007.

With effect from 1 April 2007, the company was required to adopt the provisions of FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes". The adoption of FIN 48 resulted in the reduction of the company's consolidated beginning retained earnings of US\$90.4 million.

Readers are referred to Note 2 of the company's 30 June 2007 Consolidated Financial Statements for further information on the adoption of FIN 48.

Disputed Amended Australian Income Tax Assessment

As announced on 22 March 2006, RCI Pty Ltd (RCI), a wholly owned subsidiary of the company, received an amended assessment from the ATO in respect of RCI's income tax return for the year ended 31 March 1999. The amended assessment relates to the amount of net capital gains arising as a result of an internal corporate restructure carried out in 1998 and has been issued pursuant to the discretion granted to the Commissioner of Taxation under Part IVA of the Income Tax Assessment Act 1936. The original amended assessment issued to RCI was for a total of A\$412.0 million.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

However, after subsequent remissions of general interest charges (GIC) by the ATO, the total was changed to A\$368.0 million, comprising A\$172.0 million of primary tax after allowable credits, A\$43.0 million of penalties (representing 25% of primary tax) and A\$153.0 million of GIC.

RCI is appealing the amended assessment. On 5 July 2006, pursuant to the agreement negotiated with the ATO and in accordance with the ATO Receivable Policy, the company made a payment of A\$189.0 million. The company also agreed to guarantee the payment of the remaining 50% of the amended assessment should its appeal not be successful and to pay GIC accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis. Up to 30 June 2007, GIC totalling A\$85.6 million has been paid to the ATO. On 16 July 2007, the company paid A\$3.1 million in GIC in respect of the quarter ended 30 June 2007. However, the company has not recorded any liability at 30 June 2007 for the remainder of the amended assessment because, at this time, the company believes it is more likely than not that RCI's view of its tax position will be upheld on appeal.

On 30 May 2007, the ATO issued a Notice of Decision disallowing the company's objection to the amended assessment. On 11 July 2007, the company filed an application appealing the Objection Decision with the Federal Court of Australia.

Readers are referred to Note 9 of the company's 30 June 2007 Consolidated Financial Statements for further information on the ATO amended assessment.

Net Operating Profit

Net operating profit increased from US\$35.5 million to US\$39.1 million. Net operating profit excluding asbestos increased 9% from US\$62.7 million to US\$68.6 million as shown in the table below.

| Net Operating Profit - US\$ Millions | Three Months Ended 30 June | | |
|---|----------------------------|---------|----------|
| | FY 2008 | FY 2007 | % Change |
| Net operating profit | \$ 39.1 | \$ 35.5 | 10 |
| Excluding: | | | |
| Asbestos: | | | |
| Asbestos adjustments | 30.1 | 27.2 | 11 |
| Tax expense related to asbestos adjustments | 0.4 | — | — |
| AICF SG&A costs | 0.6 | — | — |
| AICF interest income | (1.6) | — | — |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 | 9 |

Liquidity and Capital Resources

The company has historically met its 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 its short-term or long-term liquidity. The company believes that it can meet its present working capital requirements for at least the next 12 months based on its current capital resources. Any cash commitments arising from the Amended FFA will be met either from cash generated by operating activities or, should this prove insufficient, from borrowings under existing credit facilities.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Excluding the restricted cash assets of the AICF, the company had cash and cash equivalents of US\$80.6 million as of 30 June 2007. At that date it also had credit facilities totalling US\$355.0 million, of which US\$125.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

| Description (US\$ millions) | Effective Interest Rate | At 30 June 2007 | |
|---|----------------------------|-----------------|-----------------|
| | | Total Facility | Principal Drawn |
| 364-day facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2008 | 5.81% | \$ 110.0 | \$ 60.0 |
| Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010 | 5.99% | 245.0 | 65.0 |
| Total | | \$ 355.0 | \$ 125.0 |

At 30 June 2007, the company had net debt of US\$44.4 million, compared with net debt of US\$153.9 million at 31 March 2007.

At 30 June 2007, the company had 364-day facilities in the amount of US\$110.0 million, which expire in June 2008 and term facilities in the amount of US\$245.0 million, which expire in June 2010. At 30 June 2007, there was US\$125.0 million drawn under the combined facilities and US\$230.0 million was available, but unutilised.

In July 2006, pursuant to an agreement negotiated with the ATO and in accordance with the ATO Receivable Policy, the company made a payment of A\$189.0 million (US\$160.4 million) along with the provision of a guarantee from JHI NV in favour of the ATO for the unpaid balance of the assessment. The company has also agreed to pay GIC accruing on the unpaid balance of the assessment in arrears on a quarterly basis. Even if the company is ultimately successful in its appeal and the cash deposit is refunded, this procedural requirement to post a cash deposit materially and adversely affects the company's financial position and liquidity in the intervening period. See "Disputed Amended Australian Income Tax Assessment" above for further information on the ATO amended assessment.

If the company is unable to extend its credit facilities, or is unable to renew its credit facilities on terms that are substantially similar to the ones it presently has, it may experience liquidity issues and will have to reduce its levels of planned capital expenditures, reduce or eliminate dividend payments or take other measures to conserve cash in order to meet its future cash flow requirements. The company believes it will have sufficient funds to meet its planned working capital and other cash requirements for the next 12 months based on its existing cash balances and anticipated operating cash flows arising during the year.

Cash Flow

Operating cash flow for the quarter increased from US\$60.7 million to US\$131.5 million. The increase was driven primarily by an increased focus on working capital management throughout the quarter. Capital expenditures for the purchase of property, plant and equipment decreased from US\$35.5 million to US\$16.5 million.

END

Management's Analysis of Results: James Hardie — 1st Quarter FY08

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

These documents, along with a webcast of the presentation on 15 August 2007, are available from the Investor Relations area of the James Hardie website at www.jameshardie.com

The company lodged its annual filing for the year ended 31 March 2007 with the SEC on 6 July 2007.

All holders of the company's securities may receive, on request, a hard copy of our complete audited financial statements, free of charge. Requests can be made via the Investor Relations area of the company's website or by contacting one of the company's corporate offices. Contact details are available on the company's website.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

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. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit — 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, where a square foot is defined as a standard square foot of 5/16" thickness.

msf — thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio — Net debt/cash divided by net debt/cash plus shareholders' equity.

Net interest expense cover — EBIT divided by net interest expense.

Net interest paid cover — EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback — Net debt/cash divided by cash flow from operations.

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

Management's Analysis of Results: James Hardie — 1st Quarter FY08

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|--------------------------------|---------------|---------------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| EBIT excluding asbestos | \$105.7 | \$ 96.1 |
| Net Sales | \$424.4 | \$415.5 |
| EBIT margin excluding asbestos | 24.9% | 23.1% |

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Net operating profit | \$ 39.1 | \$ 35.5 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| AICF interest income | (1.6) | — |
| Tax expense related to asbestos adjustments | 0.4 | — |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |

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\$ Millions (except share data) | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |
| Weighted average common shares outstanding — Diluted (millions) | 469.4 | 466.9 |
| Diluted earnings per share excluding asbestos (US cents) | 14.6 | 13.4 |

Management's Analysis of Results: James Hardie — 1st Quarter FY08

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|---|---------------|---------------|
| Operating profit before income taxes | \$ 75.5 | \$66.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | — |
| AICF interest income | (1.6) | — |
| Operating profit before income taxes excluding asbestos | \$104.6 | \$94.1 |
| Income tax expense | \$ 36.4 | \$32.3 |
| Asbestos: | | |
| Tax expense related to asbestos adjustments | (0.4) | — |
| Income tax expense excluding asbestos | \$ 36.0 | \$32.3 |
| Effective tax rate excluding asbestos | 34.4% | 34.3% |

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\$ Millions | Q1 FY 2008 | Q1 FY 2007 |
|-------------------------------|---------------|---------------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Depreciation and amortisation | 14.2 | 11.0 |
| EBITDA | \$ 89.2 | \$ 79.9 |

Management's Analysis of Results: James Hardie — 1st Quarter FY08

Supplemental Financial Information

James Hardie's management measures its operating performance and analyses year-over-year changes in operating results with and without the effect of the net Amended FFA liability recorded in the fourth quarter of fiscal year 2006 and believes that security holders will do the same.

As set forth in Note 6 of the 30 June 2007 Financial Report, the net Amended FFA liability, while recurring, is based on periodic actuarial determinations, claims experience and currency fluctuations. It has no relation to the results of the company's operations. Accordingly, management believes that the following information is useful to it and investors in evaluating ongoing operating financial performance.

The following tables are considered non-GAAP and are not intended to be used or viewed in any respect as substitutes for the company's GAAP consolidated financial statements. These non-GAAP measures should only be viewed as a supplement to reported GAAP financials statements, and, in all cases, the corresponding GAAP amounts are shown on the same line as the non-GAAP measure, to avoid any possible confusion.

The following tables should be read in conjunction with JHI NV's financial statements and related notes contained in the company's 30 June 2007 Consolidated Financial Statements.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

James Hardie Industries N.V.
Consolidated Balance Sheet
30 June 2007 (Unaudited)

| US\$ Million | Total Fibre Cement Operations - excluding Asbestos Compensation | Asbestos Compensation | As Reported |
|---|--|--------------------------|-------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 227.5 | \$ (146.9) | \$ 80.6 |
| Restricted cash and cash equivalents | 5.0 | 144.7 | 149.7 |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$1.4m | 168.0 | 0.2 | 168.2 |
| Inventories | 133.6 | — | 133.6 |
| Prepaid expenses and other current assets | 48.2 | 0.3 | 48.5 |
| Insurance receivable — Asbestos | — | 9.9 | 9.9 |
| Workers' compensation — Asbestos | — | 2.9 | 2.9 |
| Deferred income taxes | 18.5 | — | 18.5 |
| Deferred income taxes — Asbestos | — | 9.4 | 9.4 |
| Total current assets | 600.8 | 20.5 | 621.3 |
| Property, plant and equipment, net | 839.2 | 0.4 | 839.6 |
| Insurance receivable — Asbestos | — | 167.5 | 167.5 |
| Workers' compensation — Asbestos | — | 80.5 | 80.5 |
| Deferred income taxes | 2.3 | — | 2.3 |
| Deferred income taxes — Asbestos | — | 330.8 | 330.8 |
| Deposit with Australian Taxation Office | 173.7 | — | 173.7 |
| Other assets | 2.1 | — | 2.1 |
| Total assets | \$ 1,618.1 | \$ 599.7 | \$ 2,217.8 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 124.7 | \$ 1.1 | \$ 125.8 |
| Short-term debt | 60.0 | — | 60.0 |
| Dividends payable | 70.7 | — | 70.7 |
| Accrued payroll and employee benefits | 37.9 | 0.1 | 38.0 |
| Accrued product warranties | 6.7 | — | 6.7 |
| Income taxes payable | 37.9 | (11.8) | 26.1 |
| Asbestos liability | — | 66.8 | 66.8 |
| Workers' compensation — Asbestos | — | 2.9 | 2.9 |
| Other liabilities | 14.0 | — | 14.0 |
| Total current liabilities | 351.9 | 59.1 | 411.0 |
| Long-term debt | 65.0 | — | 65.0 |
| Deferred income taxes | 93.8 | — | 93.8 |
| Accrued product warranties | 9.8 | — | 9.8 |
| Asbestos liability | — | 1,272.0 | 1,272.0 |
| Workers' compensation — Asbestos | — | 80.5 | 80.5 |
| Other liabilities | 134.3 | 3.7 | 138.0 |
| Total liabilities | 654.8 | 1,415.3 | 2,070.1 |
| Commitments and contingencies | | | |
| Shareholders' equity | | | |
| Common stock | 252.1 | — | 252.1 |
| Additional paid-in capital | 183.8 | — | 183.8 |
| Retained earnings (Accumulated deficit) | 514.9 | (815.6) | (300.7) |
| Accumulated other comprehensive income | 12.5 | — | 12.5 |
| Total shareholders' equity | 963.3 | (815.6) | 147.7 |
| Total liabilities and shareholders' equity | \$ 1,618.1 | \$ 599.7 | \$ 2,217.8 |

Management's Analysis of Results: James Hardie — 1st Quarter FY08

James Hardie Industries N.V.
Consolidated Statement of Operations
For the three months ended 30 June 2007
(Unaudited)

| US\$ Million | Total Fibre Cement Operations - excluding Asbestos Compensation | Asbestos Compensation | As Reported |
|--|--|--------------------------|----------------|
| Net Sales | | | |
| USA Fibre Cement | \$ 346.1 | — | \$ 346.1 |
| Asia Pacific Fibre Cement | 71.2 | — | 71.2 |
| Other | 7.1 | — | 7.1 |
| Total Net Sales | 424.4 | — | 424.4 |
| Cost of goods sold | (257.5) | — | (257.5) |
| Gross profit | 166.9 | — | 166.9 |
| Selling, general and administrative expenses | (54.9) | (0.6) | (55.5) |
| Research and development expenses | (6.3) | — | (6.3) |
| Asbestos adjustments | — | (30.1) | (30.1) |
| EBIT | 105.7 | (30.7) | 75.0 |
| Net interest (expense) income | (1.1) | 1.6 | 0.5 |
| Operating profit (loss) before income taxes | 104.6 | (29.1) | 75.5 |
| Income tax expense | (36.0) | (0.4) | (36.4) |
| Net Operating Profit (Loss) | \$ 68.6 | \$ (29.5) | \$ 39.1 |

Management's Analysis of Results: James Hardie — 1st Quarter FY08

James Hardie Industries N.V.
Consolidated Statement of Cash Flows
For the three months ended 30 June 2007
(Unaudited)

| US \$ Million | Total Fibre Cement Operations - excluding Asbestos Compensation | Asbestos Compensation | As Reported |
|--|--|--------------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Net income (loss) | \$ 68.6 | \$ (29.5) | \$ 39.1 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortisation | 14.2 | — | 14.2 |
| Deferred income taxes | 11.7 | — | 11.7 |
| Prepaid pension cost | 0.4 | — | 0.4 |
| Stock-based compensation | 1.5 | — | 1.5 |
| Asbestos adjustments | — | 30.1 | 30.1 |
| Deposit with Australian Taxation Office | (1.0) | — | (1.0) |
| Other | (0.2) | (0.6) | (0.8) |
| Changes in operating assets and liabilities: | | | |
| Restricted cash and cash equivalents | — | 10.7 | 10.7 |
| Accounts and notes receivable | (2.8) | 0.3 | (2.5) |
| Insurance receivable | — | 6.2 | 6.2 |
| Inventories | 16.0 | — | 16.0 |
| Prepaid expenses and other current assets | (15.8) | 0.2 | (15.6) |
| Accounts payable and accrued liabilities | 21.2 | — | 21.2 |
| Asbestos liability | — | (17.2) | (17.2) |
| Other accrued liabilities and other liabilities | 17.7 | (0.2) | 17.5 |
| Net cash provided by operating activities | \$ 131.5 | — | \$ 131.5 |
| Cash Flows From Investing Activities | | | |
| Purchases of property, plant and equipment | (16.5) | — | (16.5) |
| Net cash used in investing activities | \$ (16.5) | — | \$ (16.5) |
| Cash Flows From Financing Activities | | | |
| Repayments of short-term borrowings | (23.0) | — | (23.0) |
| Repayments of long-term borrowings | (40.0) | — | (40.0) |
| Proceeds from issuance of shares | 2.2 | — | 2.2 |
| Tax benefit from stock options exercised | 0.2 | — | 0.2 |
| Net cash used in financing activities | \$ (60.6) | — | \$ (60.6) |
| Effects of exchange rate changes on cash | (7.9) | — | (7.9) |
| Net increase in cash and cash equivalents | 46.5 | — | 46.5 |
| Cash and cash equivalents at beginning of period | 34.1 | — | 34.1 |
| Cash and cash equivalents at end of period | \$ 80.6 | — | \$ 80.6 |
| Components of Cash and Cash Equivalents | | | |
| Cash at bank and on hand | \$ 32.7 | — | \$ 32.7 |
| Short-term deposits | 47.9 | — | 47.9 |
| Cash and cash equivalents at end of period | \$ 80.6 | — | \$ 80.6 |

Management's Analysis of Results: James Hardie — 1st Quarter FY08

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:

- 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; 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 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.

Management's Analysis of Results: James Hardie — 1st Quarter FY08

James Hardie Industries N.V. and Subsidiaries

Condensed Consolidated Financial Statements

as of and for the Three Months Ended 30 June 2007

James Hardie Industries N.V. and Subsidiaries
Index

| | <u>Page</u> |
|--|-------------|
| Item 1. Condensed Consolidated Financial Statements (Unaudited) | |
| Condensed Consolidated Balance Sheets as of 30 June 2007 and 31 March 2007 | F-3 |
| Condensed Consolidated Statements of Operations for the Three Months Ended 30 June 2007 and 2006 | F-4 |
| Condensed Consolidated Statements of Cash Flows for the Three Months Ended 30 June 2007 and 2006 | F-6 |
| Condensed Consolidated Statements of Changes in Shareholders' Equity for the Three Months Ended 30 June 2007 | F-8 |
| Notes to Condensed Consolidated Financial Statements | F-9 |
| Item 2. Quantitative and Qualitative Disclosures About Market Risk | F-26 |

Item 1. Financial Statements

James Hardie Industries N.V. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

| | (Millions of US dollars) | | (Millions of Australian dollars) | |
|---|-----------------------------|-------------------|-------------------------------------|--------------------|
| | 30 June 2007 | 31 March 2007 | 30 June 2007 | 31 March 2007 |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 80.6 | \$ 34.1 | A\$ 95.0 | A\$ 42.3 |
| Restricted cash and cash equivalents | 149.7 | 151.9 | 176.4 | 188.3 |
| Accounts and notes receivable, net of allowance for doubtful accounts of \$1.4 million (A\$1.6 million) and \$1.5 million (A\$1.9 million) as of 30 June 2007 and 31 March 2007, respectively | 168.2 | 163.4 | 198.2 | 202.5 |
| Inventories | 133.6 | 147.6 | 157.4 | 183.0 |
| Prepaid expenses and other current assets | 48.5 | 32.4 | 57.1 | 40.2 |
| Insurance receivable — Asbestos | 9.9 | 9.4 | 11.7 | 11.7 |
| Workers' compensation — Asbestos | 2.9 | 2.7 | 3.4 | 3.3 |
| Deferred income taxes | 18.5 | 27.3 | 21.8 | 33.8 |
| Deferred income taxes — Asbestos | 9.4 | 7.8 | 11.1 | 9.7 |
| Total current assets | 621.3 | 576.6 | 732.1 | 714.8 |
| Property, plant and equipment, net | 839.6 | 827.7 | 989.2 | 1,025.9 |
| Insurance receivable — Asbestos | 167.5 | 165.1 | 197.3 | 204.6 |
| Workers' compensation — Asbestos | 80.5 | 76.5 | 94.8 | 94.8 |
| Deferred income taxes | 2.3 | 6.9 | 2.7 | 8.6 |
| Deferred income taxes — Asbestos | 330.8 | 318.2 | 389.7 | 394.4 |
| Deposit with Australian Taxation Office | 173.7 | 154.8 | 204.7 | 191.9 |
| Other assets | 2.1 | 2.3 | 2.5 | 2.9 |
| Total assets | <u>\$ 2,217.8</u> | <u>\$ 2,128.1</u> | <u>A\$ 2,613.0</u> | <u>A\$ 2,637.9</u> |
| Liabilities and Shareholders' Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 125.8 | \$ 100.8 | A\$ 148.2 | A\$ 124.9 |
| Short-term debt | 60.0 | 83.0 | 70.7 | 102.9 |
| Dividends payable | 70.7 | — | 83.3 | — |
| Accrued payroll and employee benefits | 38.0 | 42.0 | 44.8 | 52.1 |
| Accrued product warranties | 6.7 | 5.7 | 7.9 | 7.1 |
| Income taxes payable | 26.1 | 10.6 | 30.8 | 13.1 |
| Asbestos liability | 66.8 | 63.5 | 78.7 | 78.7 |
| Workers' compensation — Asbestos | 2.9 | 2.7 | 3.4 | 3.3 |
| Other liabilities | 14.0 | 9.3 | 16.5 | 11.5 |
| Total current liabilities | 411.0 | 317.6 | 484.3 | 393.6 |
| Long-term debt | 65.0 | 105.0 | 76.6 | 130.1 |
| Deferred income taxes | 93.8 | 93.8 | 110.5 | 116.3 |
| Accrued product warranties | 9.8 | 9.5 | 11.5 | 11.8 |
| Asbestos liability | 1,272.0 | 1,225.8 | 1,498.7 | 1,519.4 |
| Workers' compensation — Asbestos | 80.5 | 76.5 | 94.8 | 94.8 |
| Other liabilities | 138.0 | 41.2 | 162.6 | 51.1 |
| Total liabilities | <u>2,070.1</u> | <u>1,869.4</u> | <u>A\$ 2,439.0</u> | <u>A\$ 2,317.1</u> |
| Commitments and contingencies (Note 7) | | | | |
| Shareholders' equity: | | | | |
| Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 467,695,751 shares issued and outstanding at 30 June 2007 and 467,295,391 shares issued and outstanding at 31 March 2007 | 252.1 | 251.8 | | |
| Additional paid-in capital | 183.8 | 180.2 | | |
| Accumulated deficit | (300.7) | (178.7) | | |
| Accumulated other comprehensive income | 12.5 | 5.4 | | |
| Total shareholders' equity | <u>147.7</u> | <u>258.7</u> | | |
| Total liabilities and shareholders' equity | <u>\$ 2,217.8</u> | <u>\$ 2,128.1</u> | | |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

| (Millions of US dollars, except per share data) | Three Months Ended 30 June | |
|--|-------------------------------|----------------|
| | 2007 | 2006 |
| Net sales | \$ 424.4 | \$ 415.5 |
| Cost of goods sold | <u>(257.5)</u> | <u>(257.8)</u> |
| Gross profit | 166.9 | 157.7 |
| Selling, general and administrative expenses | (55.5) | (51.7) |
| Research and development expenses | (6.3) | (7.5) |
| SCI and other related expenses | — | (2.4) |
| Asbestos adjustments | <u>(30.1)</u> | <u>(27.2)</u> |
| Operating income | 75.0 | 68.9 |
| Interest expense | (1.3) | (5.6) |
| Interest income | <u>1.8</u> | <u>3.6</u> |
| Income before income taxes | 75.5 | 66.9 |
| Income tax expense | <u>(36.4)</u> | <u>(32.3)</u> |
| Income before cumulative effect of change in accounting principle | 39.1 | 34.6 |
| Cumulative effect of change in accounting principle for stock-based compensation, net of income tax expense of nil and \$0.4 million, respectively | — | 0.9 |
| Net income | <u>\$ 39.1</u> | <u>\$ 35.5</u> |
| Net income per share — basic | \$ 0.08 | \$ 0.08 |
| Net income per share — diluted | \$ 0.08 | \$ 0.08 |
| Weighted average common shares outstanding (Millions): | | |
| Basic | 467.4 | 463.3 |
| Diluted | 469.4 | 466.9 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

| (Millions of Australian dollars, except per share data) | Three Months Ended 30 June | |
|---|-------------------------------|-----------------|
| | 2007 | 2006 |
| Net sales | A\$ 510.3 | A\$ 556.1 |
| Cost of goods sold | <u>(309.6)</u> | <u>(345.0)</u> |
| Gross profit | 200.7 | 211.1 |
| Selling, general and administrative expenses | (66.7) | (69.2) |
| Research and development expenses | (7.6) | (10.0) |
| SCI and other related expenses | — | (3.2) |
| Asbestos adjustments | <u>(36.2)</u> | <u>(36.4)</u> |
| Operating income | 90.2 | 92.3 |
| Interest expense | (1.6) | (7.5) |
| Interest income | <u>2.2</u> | <u>4.8</u> |
| Income before income taxes | 90.8 | 89.6 |
| Income tax expense | <u>(43.8)</u> | <u>(43.3)</u> |
| Income before cumulative effect of change in accounting principle | 47.0 | 46.3 |
| Cumulative effect of change in accounting principle for stock-based compensation, net of income tax expense of nil and A\$0.5 million, respectively | — | 1.2 |
| Net income | <u>A\$ 47.0</u> | <u>A\$ 47.5</u> |
| Net income per share — basic | A\$ 0.10 | A\$ 0.10 |
| Net income per share — diluted | A\$ 0.10 | A\$ 0.10 |
| Weighted average common shares outstanding (Millions): | | |
| Basic | 467.4 | 463.3 |
| Diluted | 469.4 | 466.9 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

| | Three Months Ended 30 June | |
|---|-------------------------------|-----------------|
| | 2007 | 2006 |
| (Millions of US dollars) | | |
| Cash Flows From Operating Activities | | |
| Net income | \$ 39.1 | \$ 35.5 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortisation | 14.2 | 11.0 |
| Deferred income taxes | 11.7 | 9.0 |
| Prepaid pension cost | 0.4 | 0.7 |
| Stock-based compensation | 1.5 | 0.2 |
| Asbestos adjustments | 30.1 | 27.2 |
| Cumulative effect of change in accounting principle | — | (0.9) |
| Deposit with Australian Taxation Office | (1.0) | — |
| Other | (0.8) | — |
| Changes in operating assets and liabilities: | | |
| Restricted cash and cash equivalents | 10.7 | — |
| Accounts and notes receivable | (2.5) | (3.9) |
| Insurance receivable | 6.2 | — |
| Inventories | 16.0 | (12.2) |
| Prepaid expenses and other current assets | (15.6) | (5.5) |
| Accounts payable and accrued liabilities | 21.2 | (3.9) |
| Asbestos liability | (17.2) | — |
| Other accrued liabilities and other liabilities | 17.5 | 3.5 |
| Net cash provided by operating activities | 131.5 | 60.7 |
| Cash Flows From Investing Activities | | |
| Purchases of property, plant and equipment | (16.5) | (35.5) |
| Net cash used in investing activities | (16.5) | (35.5) |
| Cash Flows From Financing Activities | | |
| Repayments of short-term borrowings | (23.0) | (44.0) |
| Repayments of long-term borrowings | (40.0) | (121.7) |
| Proceeds from issuance of shares | 2.2 | 0.2 |
| Tax benefit from stock options exercised | 0.2 | — |
| Net cash used in financing activities | (60.6) | (165.5) |
| Effects of exchange rate changes on cash | (7.9) | 0.6 |
| Net increase (decrease) in cash and cash equivalents | 46.5 | (139.7) |
| Cash and cash equivalents at beginning of period | 34.1 | 315.1 |
| Cash and cash equivalents at end of period | \$ 80.6 | \$ 175.4 |
| Components of Cash and Cash Equivalents | | |
| Cash at bank and on hand | \$ 32.7 | \$ 23.6 |
| Short-term deposits | 47.9 | 151.8 |
| Cash and cash equivalents at end of period | \$ 80.6 | \$ 175.4 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

| (Millions of Australian dollars) | Three Months Ended 30 June | |
|---|-------------------------------|------------------|
| | 2007 | 2006 |
| Cash Flows From Operating Activities | | |
| Net income | A\$ 47.0 | A\$ 47.5 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortisation | 17.1 | 14.7 |
| Deferred income taxes | 14.1 | 12.0 |
| Prepaid pension cost | 0.5 | 0.9 |
| Stock-based compensation | 1.8 | 0.3 |
| Asbestos adjustments | 36.2 | 36.5 |
| Cumulative effect of change in accounting principle | — | (1.3) |
| Deposit with Australian Taxation Office | (1.2) | — |
| Other | (1.0) | — |
| Changes in operating assets and liabilities: | | |
| Restricted cash and cash equivalents | 12.9 | — |
| Accounts and notes receivable | (2.9) | — |
| Insurance receivable | 7.5 | (5.2) |
| Inventories | 19.2 | (16.3) |
| Prepaid expenses and other current assets | (18.8) | (7.4) |
| Accounts payable and accrued liabilities | 25.5 | (5.2) |
| Asbestos liability | (20.7) | — |
| Other accrued liabilities and other liabilities | 21.0 | 4.7 |
| Net cash provided by operating activities | 158.2 | 81.2 |
| Cash Flows From Investing Activities | | |
| Purchases of property, plant and equipment | (19.8) | (47.6) |
| Net cash used in investing activities | (19.8) | (47.6) |
| Cash Flows From Financing Activities | | |
| Repayments of short-term borrowings | (27.7) | (58.9) |
| Repayments of long-term borrowings | (48.1) | (162.9) |
| Proceeds from issuance of shares | 2.6 | 0.3 |
| Tax benefit from stock options exercised | 0.2 | — |
| Net cash used in financing activities | (73.0) | (221.5) |
| Effects of exchange rate changes on cash | (12.7) | (16.4) |
| Net increase (decrease) in cash and cash equivalents | 52.7 | (204.3) |
| Cash and cash equivalents at beginning of period | 42.3 | 440.4 |
| Cash and cash equivalents at end of period | A\$ 95.0 | A\$ 236.1 |
| Components of Cash and Cash Equivalents | | |
| Cash at bank and on hand | A\$ 38.5 | A\$ 31.7 |
| Short-term deposits | 56.5 | 204.4 |
| Cash and cash equivalents at end of period | A\$ 95.0 | A\$ 236.1 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(Millions of US dollars)

| | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Accumulated Other Comprehensive Income</u> | <u>Total</u> |
|---|-------------------------|---|--------------------------------|---|-----------------|
| Balances as of 31 March 2007 | \$ 251.8 | \$ 180.2 | \$ (178.7) | \$ 5.4 | \$ 258.7 |
| Comprehensive income: | | | | | |
| Net income | — | — | 39.1 | — | 39.1 |
| Pension and post-retirement benefit adjustments | — | — | — | (0.2) | (0.2) |
| Foreign currency translation gain | — | — | — | 7.3 | 7.3 |
| Other comprehensive income | — | — | — | 7.1 | 7.1 |
| Total comprehensive income | | | | | 46.2 |
| Adoption of FIN 48 | — | — | (90.4) | — | (90.4) |
| Stock-based compensation | — | 1.5 | — | — | 1.5 |
| Tax benefit from stock options exercised | — | 0.2 | — | — | 0.2 |
| Stock options exercised | 0.3 | 1.9 | — | — | 2.2 |
| Dividends payable | — | — | (70.7) | — | (70.7) |
| Balances as of 30 June 2007 | \$ 252.1 | \$ 183.8 | \$ (300.7) | \$ 12.5 | \$ 147.7 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

Nature of Operations

The Company manufactures and sells fibre cement building products for interior and exterior building construction applications primarily in the United States, Australia, New Zealand, Philippines and Europe.

Basis of Presentation

The condensed consolidated financial statements represent the financial position, results of operations and cash flows of James Hardie Industries N.V. (“JHI NV”) and its current wholly owned subsidiaries and special interest entities, collectively referred to as either the “Company” or “James Hardie” and JHI NV together with its subsidiaries as of the time relevant to the applicable reference, the “James Hardie Group,” unless the context indicates otherwise. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto, included in the Company’s Annual Report on Form 20-F for the fiscal year ended 31 March 2007.

The condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring adjustments which, in the opinion of the Company’s management, are necessary to state fairly the consolidated financial position of the Company at 30 June 2007, and the consolidated results of operations and the consolidated cash flows for the three months ended 30 June 2007 and 2006. The results of operations for the three months ended 30 June 2007 are not necessarily indicative of the results to be expected for the full year. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The assets, liabilities, statements of operations and statements of cash flows of the Company have been presented with accompanying Australian dollar (A\$) convenience translations as the majority of the Company’s shareholder base is Australian. These A\$ convenience translations are not prepared in accordance with accounting principles generally accepted in the United States of America. The exchange rates used to calculate the convenience translations are as follows:

| (US\$1 = A\$) | 31 March 2007 | 2007 | 30 June 2006 |
|---------------------------------------|------------------|---------------|-----------------|
| Assets and liabilities | 1.2395 | 1.1782 | 1.3463 |
| Statements of operations | n/a | 1.2024 | 1.3383 |
| Cash flows — beginning cash | n/a | 1.2395 | 1.3975 |
| Cash flows — ending cash | n/a | 1.1782 | 1.3463 |
| Cash flows — current period movements | n/a | 1.2024 | 1.3383 |

2. Summary of Significant Accounting Policies

Earnings Per Share

The Company is required to disclose basic and diluted earnings per share (“EPS”). Basic EPS is calculated using income divided by the weighted average number of common shares outstanding during the period. Diluted EPS is similar to basic EPS except that the weighted average number of common shares outstanding is increased to include the number of additional common shares calculated using the treasury method that would have been outstanding if dilutive potential common shares, such as options, had been exercised. Accordingly, basic and dilutive common shares outstanding used in determining net income per share are as follows:

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

| (Millions of shares) | Three Months Ended 30 June | |
|-----------------------------------|-------------------------------|-------|
| | 2007 | 2006 |
| Basic common shares outstanding | 467.4 | 463.3 |
| Dilutive effect of stock options | 2.0 | 3.6 |
| Diluted common shares outstanding | 469.4 | 466.9 |

| (US dollars) | 2007 | 2006 |
|--------------------------------|---------|---------|
| Net income per share — basic | \$ 0.08 | \$ 0.08 |
| Net income per share — diluted | \$ 0.08 | \$ 0.08 |

Potential common shares of nil and 6.5 million for the three months ended 30 June 2007 and 2006, respectively, have been excluded from the calculations of diluted common shares outstanding because the effect of their inclusion would be anti-dilutive.

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was US\$4.0 million and US\$4.3 million for the three months ended 30 June 2007 and 2006, respectively.

Stock-Based Compensation

The Company recognised stock-based compensation expense (included in selling, general and administrative expenses) of US\$1.5 million and US\$1.5 million for the three months ended 30 June 2007 and 2006, respectively. The amount for the three months ended 30 June 2006 excludes the forfeiture adjustment of US\$1.3 million (US\$0.9 million net of tax) which is separately disclosed as “Cumulative effect of change in accounting principle for stock-based compensation”. The tax benefit related to the forfeiture adjustment was US\$0.4 million for the three months ended 30 June 2006.

Upon adoption of Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Accounting for Stock-Based Compensation”, at the beginning of fiscal year 2007, the Company analysed forfeiture rates on all of its 2001 Stock Option Plan grants for which vesting was complete resulting in an estimated weighted average forfeiture rate of 30.7%. Based on this estimated rate, a cumulative adjustment to stock-based compensation expense of US\$1.3 million was recorded for the three months ended 30 June 2006. The adjustment is presented on the consolidated statements of operations as a cumulative effect of change in accounting principle (net of income tax). The portion of the cumulative adjustment that relates to USA-based employees caused a reduction in the deferred tax asset previously recorded. For the three months ended 30 June 2006, the amount of the cumulative adjustment related to USA-based employees was US\$1.0 million. Therefore, the related USA income tax adjustment was US\$0.4 million which was recorded to income tax.

Asbestos

Prior to 31 March 2007, the Company’s consolidated financial statements included an asbestos provision relating to its anticipated future payments to a Special Purpose Fund (“SPF”) based on the terms of the Original Final Funding Agreement (“Original FFA”) entered into on 1 December 2005.

In February 2007, the shareholders approved the Amended Final Funding Agreement (“Amended FFA”) entered into on 21 November 2006 to provide long-term funding to the Asbestos Injuries Compensation Fund (“AICF”), a special purpose fund that provides compensation for Australian-related personal injury claims against certain former subsidiary companies of James Hardie in Australia (being Amaca Pty Ltd (“Amaca”), Amaba Pty Ltd (“Amaba”) and ABN 60 Pty Ltd (“ABN 60”) (the “Liable Entities”)).

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Amaca and Amaba separated from the James Hardie Group in February 2001. ABN 60 separated from the James Hardie Group in March 2003. Upon shareholder approval of the Amended FFA in February 2007, shares in the Liable Entities were transferred to the AICF. The Company appoints three of the AICF directors and the NSW state government appoints two of the AICF directors. The AICF manages Australian asbestos-related personal injury claims made against the Liable Entities, and makes compensation payments in respect of those proven claims.

AICF

Under the terms of the Amended FFA, James Hardie 117 Pty Ltd (the "Performing Subsidiary") has a contractual liability to make payments to the AICF. This funding to the AICF results in the Company having a pecuniary interest in the AICF. The interest is considered variable because the potential impact on the Company will vary based upon the annual actuarial assessments obtained by the Company with respect to asbestos-related personal injury claims against the Liable Entities. Due to the Company's variable interest in the AICF, it consolidates the AICF in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46R, "Consolidation of Variable Interest Entities".

The AICF has operating costs that are claims related and non-claims related. Claims related costs incurred by the AICF are treated as reductions to the accrued asbestos liability balances previously reflected in the consolidated balance sheets. Non-claims related operating costs incurred by the AICF are included in the line item *Selling, general and administrative expenses* in the consolidated statements of operations. The AICF earns interest on its cash and cash equivalents, these amounts are included in the line item *Interest income* in the consolidated statements of operations.

Asbestos-Related Assets and Liabilities

The Company has recorded on its consolidated balance sheets certain assets and liabilities under the terms of the Amended FFA. These items are Australian dollar-denominated and are subject to translation into US dollars at each reporting date. These assets and liabilities are commonly referred to by the Company as *Asbestos-Related Assets and Liabilities* and include:

Asbestos Liability

The amount of the asbestos liability reflects the terms of the Amended FFA and has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows prepared by KPMG Actuaries Pty Ltd ("KPMG Actuaries"). The asbestos liability includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows are not fixed or readily determinable. The asbestos liability also includes an allowance for the future claims-handling costs of the AICF.

Adjustments in the asbestos liability due to changes in the actuarial estimate of projected future cash flows and changes in the estimate of future operating costs of the AICF are reflected in the consolidated statements of operations during the period in which they occur. Claims paid by the AICF and claims-handling costs incurred by the AICF are treated as reductions in the accrued balances previously reflected in the consolidated balance sheets.

Insurance Receivable

There are various insurance policies and insurance companies with exposure to the asbestos claims. The insurance receivable determined by KPMG Actuaries reflect the recoveries expected from all such policies based on the expected pattern of claims against such policies less an allowance for credit risk based on credit agency ratings. The insurance receivable includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows are not fixed or readily determinable. The Company only records insurance receivable that it deems to be probable.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Included in insurance receivable is US\$13.8 million shown on a discounted basis because the timing of the recoveries has been agreed with the insurer.

Adjustments in insurance receivable due to changes in the actuarial estimate, or changes in the Company's assessment of recoverability are reflected in the consolidated statements of operations during the period in which they occur. Insurance recoveries are treated as a reduction in the insurance receivable balance.

Workers' Compensation

Workers' compensation claims are claims made by former employees of the Liable Entities. Such past, current and future reported claims were insured with various insurance companies and the various Australian State-based workers' compensation schemes (collectively "workers' compensation schemes or policies"). An estimate of the liability related to workers' compensation claims is prepared by KPMG Actuaries as part of the annual actuarial assessment. This estimate contains two components, amounts that will be met by a workers' compensation scheme or policy, and amounts that will be met by the Liable Entities.

The portion of the KPMG Actuaries estimate that is expected to be met by the Liable Entities is included as part of the *Asbestos Liability*. Adjustments to this estimate are reflected in the consolidated statements of operations during the period in which they occur.

The portion of the KPMG Actuaries estimate that is expected to be met by the workers' compensation schemes or policies of the Liable Entities is recorded by the Company as a workers' compensation liability. Since these amounts are expected to be met by the workers' compensation schemes or policies, the Company records an equivalent workers' compensation receivable. Adjustments to the workers' compensation liability result in an equal adjustment in the workers' compensation receivable recorded by the Company and have no effect on the consolidated statements of operations.

Asbestos-Related Research and Education Contributions

The Company has agreed to fund asbestos-related research and education initiatives for a period of 10 years, beginning in fiscal year 2007. The liabilities related to these agreements are included in "Other Liabilities" on the consolidated balance sheets.

Restricted Cash Assets of the AICF

Cash and cash equivalents of the AICF are reflected as restricted assets, as the use of these assets is restricted to the settlement of asbestos claims and payment of the operating costs of the AICF.

AICF — Other Assets and Liabilities

Other assets and liabilities of the AICF, including fixed assets, trade receivables and payables are included on the consolidated balance sheets under the appropriate captions and their use is restricted to the operations of the AICF.

Deferred Income Taxes

The Performing Subsidiary is able to claim a taxation deduction for its contributions to the AICF over a five-year period from the date of contribution. Consequently, a deferred tax asset has been recognised equivalent to the anticipated tax benefit over the life of the Amended FFA.

Adjustments are made to the deferred income tax asset as adjustments to the asbestos-related assets and liabilities are recorded.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Foreign Currency Translation

The asbestos-related assets and liabilities are denominated in Australian dollars and thus the reported value of these asbestos-related assets and liabilities in the Company's consolidated balance sheets in US dollars are subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet date. The effect of foreign exchange rate movements between these currencies is included in *Asbestos Adjustments* in the consolidated statements of operations.

Income Taxes

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109, Accounting for Income Taxes". FIN 48 clarifies the accounting for uncertainty in income taxes recognised in an enterprise's financial statements in accordance with SFAS No. 109. Unlike SFAS No. 109, FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company adopted FIN 48 on 1 April 2007. The adoption of FIN 48 resulted in the reduction of the Company's consolidated beginning retained earnings of US\$90.4 million. As of the adoption date, the Company had US\$39.0 million of gross unrecognised tax benefits that if recognised would affect the effective tax rate. As of the adoption date, the Company's opening accrual for interest and penalties is US\$52.1 million.

During the three months ended 30 June 2007, the gross increase in unrecognised tax benefits as a result of tax positions taken during a prior period was US\$1.5 million. There was also an unfavourable US\$2.0 million impact of changes in foreign currency exchange rates. If recognised, US\$40.5 million, of the 30 June 2007 balance would affect the effective tax rate.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the three months ended 30 June 2007, the Company recognised a US\$0.9 million increase in interest and penalties and recognised this amount as income tax expense. There was also an unfavourable impact of changes in foreign currency exchange rates of US\$2.7 million. At 30 June 2007, the accrual for interest and penalties is US\$55.7 million.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions including Australia and the Netherlands. The Company is no longer subject to U.S. federal examinations by U.S. Internal Revenue Service ("IRS") for tax years prior to tax year 2004. The Company is no longer subject to examinations by the Netherlands tax authority, the Belastingdienst, for tax years prior to tax year 2002. With certain limited exceptions, the Company is no longer subject to Australian federal examinations by the Australian Taxation Office ("ATO") for tax years prior to tax year 2000. The Company is currently subject to audit and review in a number of jurisdictions in which it operates and has been advised that further audits will commence in the next 12 months. It is anticipated that the audits and reviews currently being conducted will be completed within the next 12 months.

A number of years may elapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognised tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of the statute of limitations, or other circumstances. At this time, an estimate of the range of the reasonably possible change cannot be made.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Recent Accounting Pronouncements

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), which allows for voluntary measurement of financial assets and liabilities as well as certain other items at fair value. Unrealised gains and losses on financial instruments for which the fair value option has been elected are reported in earnings. The provisions of SFAS No. 159 are effective for the Company on 1 April 2008, and it is currently evaluating the impact on its financial statements of adopting SFAS No. 159.

3. Inventories

Inventories consist of the following components:

| (Millions of US dollars) | 30 June 2007 | 31 March 2007 |
|---|-----------------|------------------|
| Finished goods | \$ 86.8 | \$ 101.5 |
| Work-in-process | 15.8 | 12.3 |
| Raw materials and supplies | 37.2 | 37.8 |
| Provision for obsolete finished goods and raw materials | (6.2) | (4.0) |
| Total inventories | \$ 133.6 | \$ 147.6 |

4. Operating Segment Information and Concentrations of Risk

The Company has reported its operating segment information in the format that the operating segment information is available to and evaluated by the Board of Directors. USA Fibre Cement manufactures and sells fibre cement interior linings, exterior siding and related accessories products in the United States. Asia Pacific Fibre Cement includes all fibre cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand and Asia. Research and Development represents the cost incurred by the research and development centres. Other includes the manufacture and sale of fibre cement reinforced pipes in the United States, fibre cement operations in Europe and roofing operations in the United States. The roofing plant was closed and the business ceased operations in April 2006. The Company's operating segments are strategic operating units that are managed separately due to their different products and/or geographical location.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The following are the Company's operating segments and geographical information:

Operating Segments

| (Millions of US dollars) | Net Sales to Customers Three Months Ended 30 June | |
|---------------------------|---|-----------------|
| | 2007 | 2006 |
| | USA Fibre Cement | \$ 346.1 |
| Asia Pacific Fibre Cement | 71.2 | 59.2 |
| Other | 7.1 | 7.4 |
| Worldwide total | <u>\$ 424.4</u> | <u>\$ 415.5</u> |

| (Millions of US dollars) | Income Before Income Taxes Three Months Ended 30 June | |
|----------------------------------|---|----------------|
| | 2007 | 2006 |
| | USA Fibre Cement | \$ 114.4 |
| Asia Pacific Fibre Cement | 12.4 | 10.3 |
| Research and Development | (4.1) | (4.6) |
| Other | (1.3) | (2.7) |
| Segments total | 121.4 | 106.3 |
| General Corporate ¹ | (46.4) | (37.4) |
| Total operating income | 75.0 | 68.9 |
| Net interest income ² | 0.5 | (2.0) |
| Worldwide total | <u>\$ 75.5</u> | <u>\$ 66.9</u> |

| (Millions of US dollars) | Total Identifiable Assets | |
|--------------------------------|---------------------------|-------------------|
| | 30 June 2007 | 31 March 2007 |
| | USA Fibre Cement | \$ 884.5 |
| Asia Pacific Fibre Cement | 206.8 | 199.3 |
| Other | 53.7 | 52.5 |
| Segments total | 1,145.0 | 1,144.8 |
| General Corporate ³ | 1,072.8 | 983.3 |
| Worldwide total | <u>\$ 2,217.8</u> | <u>\$ 2,128.1</u> |

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Geographic Areas

| (Millions of US dollars) | Net Sales to Customers Three Months Ended June 30 | |
|--------------------------|---|-----------------|
| | 2007 | 2006 |
| USA | \$ 349.1 | \$ 353.7 |
| Australia | 46.8 | 41.0 |
| New Zealand | 17.3 | 12.4 |
| Other Countries | 11.2 | 8.4 |
| Worldwide total | <u>\$ 424.4</u> | <u>\$ 415.5</u> |

| (Millions of US dollars) | Total Identifiable Assets | |
|--------------------------------|---------------------------|-------------------|
| | 30 June 2007 | 31 March 2007 |
| USA | \$ 926.3 | \$ 935.7 |
| Australia | 131.3 | 127.1 |
| New Zealand | 24.7 | 23.1 |
| Other Countries | 62.7 | 58.9 |
| Segments total | <u>1,145.0</u> | <u>1,144.8</u> |
| General Corporate ³ | <u>1,072.8</u> | <u>983.3</u> |
| Worldwide total | <u>\$ 2,217.8</u> | <u>\$ 2,128.1</u> |

1 Included in General Corporate for the three months ended 30 June 2007 are unfavourable asbestos adjustments of US\$30.1 million and AICF SG&A expenses of US\$0.6 million. Included in General Corporate for the three months ended 30 June 2006 are unfavourable asbestos adjustments of US\$27.2 million. See Note 6.

2 Included in Net Interest Income for the three months ended 30 June 2007 is AICF interest income of US\$1.6 million. See Note 6.

3 Asbestos-related assets at 30 June 2007 and 31 March 2007 are \$746.6 million and US\$727.6 million, respectively, and are included in the General Corporate segment. See Note 6.

5. Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following components:

| (Millions of US dollars) | 30 June 2007 | 31 March 2007 |
|--|-----------------|------------------|
| Pension and post-retirement benefit adjustments (net of US\$1.2 million and US\$1.2 million tax benefit, respectively) | \$ (2.9) | (2.7) |
| Foreign currency translation adjustments | 15.4 | 8.1 |
| Total accumulated other comprehensive income | <u>\$ 12.5</u> | <u>\$ 5.4</u> |

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

6. Asbestos

In February 2007, the Amended FFA was approved to provide long-term funding to the AICF. The accounting policies utilised by the Company to account for the Amended FFA are described in Note 2, *Summary of Significant Accounting Policies*.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Asbestos Adjustments

The asbestos adjustments included in the condensed consolidated statements of operations comprise the following components for the three months ended 30 June:

| (Millions of US dollars) | 2007 | 2006 |
|-----------------------------------|------------------|------------------|
| Effect of foreign exchange | \$ (33.2) | \$ (27.2) |
| Other adjustments | 3.1 | — |
| Total Asbestos Adjustments | \$ (30.1) | \$ (27.2) |

Asbestos-Related Assets and Liabilities

Under the terms of the Amended FFA, the Company has included on its consolidated balance sheets certain asbestos-related assets and liabilities. These amounts are detailed in the table below, and the net total of these asbestos-related assets and liabilities is commonly referred to by the Company as the “Net Amended FFA Liability”.

| (Millions of US dollars) | 30 June 2007 | 31 March 2007 |
|--|-------------------|-------------------|
| Asbestos liability — current | \$ (66.8) | \$ (63.5) |
| Asbestos liability — non-current | (1,272.0) | (1,225.8) |
| Asbestos liability — Total | (1,338.8) | (1,289.3) |
| Insurance receivable — current | 9.9 | 9.4 |
| Insurance receivable — non-current | 167.5 | 165.1 |
| Insurance receivable — Total | 177.4 | 174.5 |
| Workers’ compensation asset — current | 2.9 | 2.7 |
| Workers’ compensation asset — non-current | 80.5 | 76.5 |
| Workers’ compensation liability — current | (2.9) | (2.7) |
| Workers’ compensation liability — non-current | (80.5) | (76.5) |
| Workers’ compensation — Total | — | — |
| Deferred income taxes — current | 9.4 | 7.8 |
| Deferred income taxes — non-current | 330.8 | 318.2 |
| Deferred income taxes — Total | 340.2 | 326.0 |
| Income tax payable (reduction to income tax payable) | 11.8 | 9.0 |
| Other net liabilities | (4.0) | (6.3) |
| Net Amended FFA liability | (813.4) | (786.1) |
| Restricted cash assets of the AICF | 144.7 | 146.9 |
| Unfunded Net Amended FFA liability | \$ (668.7) | \$ (639.2) |

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Asbestos Liability

The amount of the asbestos liability reflects the terms of the Amended FFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of the projected future asbestos-related cash flows prepared by KPMG Actuaries. The asbestos liability also includes an allowance for the future claims-handling costs of the AICF. The Company will receive an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2007.

The changes in the asbestos liability for the quarter ended 30 June 2007 are detailed in the table below:

| | AS Millions | AS to US\$ rate | US\$ Millions |
|--|-----------------------------|--------------------|----------------------------|
| Asbestos liability — 31 March 2007 | A\$ (1,598.1) | 1.2395 | \$ (1,289.3) |
| Asbestos claims paid ¹ | 20.0 | 1.2024 | 16.6 |
| AICF claims-handling costs incurred ¹ | 0.7 | 1.2024 | 0.6 |
| Effect of foreign exchange | | | (66.7) |
| Asbestos liability — 30 June 2007 | <u>A\$ (1,577.4)</u> | 1.1782 | <u>\$ (1,338.8)</u> |

Insurance Receivable — Asbestos

The changes in the insurance receivable for the quarter ended 30 June 2007 are detailed in the table below:

| | AS Millions | AS to US\$ rate | US\$ Millions |
|--|-------------------------|--------------------|------------------------|
| Insurance receivable — 31 March 2007 | A\$ 216.3 | 1.2395 | \$ 174.5 |
| Insurance recoveries ¹ | (7.5) | 1.2024 | (6.2) |
| Change in estimate ² | 0.2 | 1.1782 | 0.2 |
| Effect of foreign exchange | | | 8.9 |
| Insurance receivable — 30 June 2007 | <u>A\$ 209.0</u> | 1.1782 | <u>\$ 177.4</u> |

Deferred Income Taxes — Asbestos

The changes in the deferred income taxes — asbestos for the quarter ended 30 June 2007 are detailed in the table below:

| | AS Millions | AS to US\$ rate | US\$ Millions |
|--|-------------------------|--------------------|------------------------|
| Deferred income taxes — 31 March 2007 | A\$ 404.1 | 1.2395 | \$ 326.0 |
| Amounts offset against income tax payable ¹ | (2.8) | 1.2024 | (2.3) |
| Impact of asbestos adjustments ¹ | (0.5) | 1.2024 | (0.4) |
| Effect of foreign exchange | | | 16.9 |
| Deferred income taxes — 30 June 2007 | <u>A\$ 400.8</u> | 1.1782 | <u>\$ 340.2</u> |

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Other Net Liabilities

Other net liabilities include a provision for asbestos-related education and medical research contributions of US\$3.7 million at 30 June 2007. Also included in other net liabilities are the other assets and liabilities of the AICF at 30 June 2007, which include US\$0.5 million of trade receivables and prepayments, US\$0.4 million of fixed assets, and US\$1.2 million of trade payables and accruals.

Restricted Cash Assets of the AICF

Cash and cash equivalents of the AICF are reflected as restricted assets as these assets are restricted for use in the settlement of asbestos claims and payment of the operating costs of the AICF.

The changes in the restricted cash assets of the AICF for the quarter ended 30 June 2007 are detailed in the table below:

| | AS Millions | AS to US\$ rate | US\$ Millions |
|--|-------------------------|--------------------|------------------------|
| Restricted cash assets — 31 March 2007 | A\$ 182.1 | 1.2395 | \$ 146.9 |
| Asbestos claims paid ¹ | (20.0) | 1.2024 | (16.6) |
| AICF operating costs paid — claims-handling ¹ | (0.7) | 1.2024 | (0.6) |
| AICF operating costs paid — non claims-handling ¹ | (0.7) | 1.2024 | (0.6) |
| Insurance recoveries ¹ | 7.5 | 1.2024 | 6.2 |
| Interest and investment income ¹ | 1.9 | 1.2024 | 1.6 |
| Other ¹ | 0.4 | 1.2024 | 0.3 |
| Effect of foreign exchange | | | 7.5 |
| Restricted cash assets — 30 June 2007 | <u>A\$ 170.5</u> | 1.1782 | <u>\$ 144.7</u> |

¹ The average exchange rate for the period is used to convert the Australian dollar amount to US dollars based on the assumption that these transactions occurred evenly throughout the period.

² The spot exchange rate at 30 June 2007 is used to convert the Australian dollar amount to US dollars as the adjustment to the estimate was made on that date.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Claims Data

The AICF provides compensation payments for Australian asbestos-related personal injury claims against the Liable Entities. The claims data in this section are only reflective of these Australian asbestos-related personal injury claims against the Liable Entities.

For the three months ended 30 June 2007 and twelve months ended 31 March 2007, the following table, provided by KPMG Actuaries, shows the claims filed, the number of claims dismissed, settled or otherwise resolved for each period and the average settlement amount per claim:

| | Three Months Ended 30 June 2007 | Twelve Months Ended 31 March 2007 |
|--|--|---|
| Number of claims filed | 155 | 463 |
| Number of claims dismissed | 31 | 121 |
| Number of claims settled or otherwise resolved | 109 | 416 |
| Average settlement amount per settled claim | A\$135,742 | A\$166,164 |
| Average settlement amount per settled claim | US\$112,893 | US\$127,165 |

The following table, provided by KPMG Actuaries, shows the activity related to the numbers of open claims, new claims and closed claims during each of the past five years and the average settlement per settled claim and case closed:

| | For the Period Ended 30 June 2007 | 2007 | For the Year Ended 31 March | | 2004 |
|--|--|-------------|-----------------------------|-------------|-------------|
| | | | 2006(1) | 2005 | |
| Number of open claims at beginning of period | 490 | 564 | 712 | 687 | 743 |
| Number of new claims | 155 | 463 | 346 | 489 | 379 |
| Number of closed claims | 140 | 537 | 502 | 464 | 435 |
| Number of open claims at end of period | 505 | 490 | 556 | 712 | 687 |
| Average settlement amount per settled claim | A\$135,742 | A\$166,164 | A\$151,883 | A\$157,594 | A\$167,450 |
| Average settlement amount per case closed | A\$105,685 | A\$128,723 | A\$122,535 | A\$136,536 | A\$121,642 |
| Average settlement amount per settled claim | US\$112,893 | US\$127,165 | US\$114,318 | US\$116,572 | US\$116,127 |
| Average settlement amount per case closed | US\$ 87,895 | US\$ 98,510 | US\$ 92,229 | US\$100,996 | US\$ 84,356 |

(1) Information includes claims data for only 11 months ended 28 February 2006. Claims data for the 12 months ended 31 March 2006 were not available at the time the Company's financial statements were prepared.

Under the terms of the Amended FFA, the Company has obtained rights of access to actuarial information produced for the AICF by the actuary appointed by the AICF (the "Approved Actuary"). The Company's future disclosures with respect to claims statistics are subject to it obtaining such information from the Approved Actuary. The Company has had no general right (and has not obtained any right under the Amended FFA) to audit or otherwise require independent verification of such information or the methodologies to be adopted by the Approved Actuary. As such, the Company will need to rely on the accuracy and completeness of the information and analysis of the Approved Actuary when making future disclosures with respect to claims statistics.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

7. Commitments and Contingencies

ASIC Proceedings

In February 2007 ASIC announced that it was commencing civil proceedings in the Supreme Court of New South Wales (the "Court") against the Company, ABN 60 and ten former officers and directors of the James Hardie Group. While the subject matter of the allegations varies between individual defendants, the allegations against the Company are confined to alleged contraventions of provisions of the Australian Corporations Act/Law relating to continuous disclosure, a director's duty of care and diligence, and engaging in misleading or deceptive conduct in respect of a security.

In the proceedings, ASIC seeks:

- declarations regarding the alleged contraventions;
- orders for pecuniary penalties in such amount as the Court thinks fit up to the limits specified in the Corporations Act;
- orders that Michael Brown, Michael Gillfillan, Meredith Hellicar, Martin Koffel, Peter Macdonald, Philip Morley, Geoffrey O'Brien, Peter Shafron, Gregory Terry and Peter Willcox be prohibited from managing an Australian corporation for such period as the Court thinks fit;
- an order that the Company execute a deed of indemnity in favour of ABN 60 Pty Limited in the amount of A\$1.9 billion or such amount as ABN 60 or its directors consider is necessary to ensure that ABN 60 remains solvent; and
- its costs of the proceedings.

ASIC stated in February 2007 that it would not pursue the claim for indemnity if the conditions precedent to the Original FFA as announced on 1 December 2005 were satisfied. The Company and the other parties to the agreement provided certification to ASIC in March 2007 that the conditions precedent to the Amended FFA dated 21 November 2006 have been satisfied. However, ASIC has not yet taken any step to withdraw the indemnity claim. The Company believes the claim is unnecessary having regard to the asbestos funding arrangements the Company has put in place with the New South Wales Government and other parties to the Amended FFA. The indemnity claimed by ASIC can only be activated by a Court order and then only if ASIC is able to prove its claim against the Company and the Court is satisfied in the exercise of its discretion that the order ought be made. The Company will vigorously resist any action by ASIC in court to obtain the issue of such an order.

ASIC has indicated that its investigations continue and may result in further actions, both civil and criminal. However, it has not indicated the possible defendants to any such actions.

The Company has entered into deeds of indemnity with certain of its directors and officers, as is common practice for publicly listed companies. The Company's articles of association also contain an indemnity for directors and officers and the Company has granted indemnities to certain of its former related corporate bodies which may require the Company to indemnify those entities against indemnities they have granted their directors and officers. To date, claims for payments of expenses incurred have been received from certain former directors and officers in relation to the ASIC investigation, and in relation to the examination of these persons by ASIC delegates, the amount of which is not significant. Now that proceedings have been brought against former directors and officers of the James Hardie Group, the Company is likely to incur further liabilities under these indemnities. Initially, the Company has obligations, or has offered, to advance funds in respect of defence costs and depending on the outcome of the proceedings, may be or become responsible for these and other amounts.

There remains considerable uncertainty surrounding the likely outcome of the ASIC proceedings in the longer term and there is a possibility that the related costs to the Company could be material. However, at this stage, it is not possible to determine the amount of any such liability. Therefore, the

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

Company believes that both the probable and estimable requirements under SFAS No. 5, "Accounting for Contingencies," for recording a liability have not been met.

Environmental and Legal

The operations of the Company, like those of other companies engaged in similar businesses, are subject to a number of federal, state and local laws and regulations on air and water quality, waste handling and disposal. The Company's policy is to accrue for environmental costs when it is determined that it is probable that an obligation exists and the amount can be reasonably estimated. In the opinion of management, based on information presently known except as set forth above, the ultimate liability for such matters should not have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

The Company is involved from time to time in various legal proceedings and administrative actions incidental or related to the normal conduct of its business. Although it is impossible to predict the outcome of any pending legal proceeding, management believes that such proceedings and actions should not, except as it relates to asbestos as described above, individually or in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or cash flows.

8. Short and Long-Term Debt

Debt consists of the following components:

| (Millions of US dollars) | 30 June 2007 | 31 March 2007 |
|--------------------------|-----------------|------------------|
| Short-term debt | \$ 60.0 | \$ 83.0 |
| Long-term debt | <u>65.0</u> | <u>105.0</u> |
| Total debt ¹ | <u>\$ 125.0</u> | <u>\$ 188.0</u> |

¹ Total debt at 5.90% and 5.91% weighted average rates at 30 June 2007 and 31 March 2007, respectively.

The Company's credit facilities currently consist of 364-day facilities in the amount of US\$110.0 million, which as of 30 June 2007, all had a maturity date in June 2008. The Company also has term facilities in the amount of US\$245.0 million, which as of 30 June 2007, had a maturity date in June 2010. For all facilities, interest is calculated at the commencement of each draw-down period based on the US\$ London Interbank Offered Rate ("LIBOR") plus the margins of individual lenders, and is payable at the end of each draw-down period. During the three months ended 30 June 2007 and 2006, the Company paid commitment fees in the amount of US\$0.1 million and US\$0.2 million, respectively. At 30 June 2007, there was US\$125.0 million drawn under the combined facilities and US\$230.0 million was available.

Short-term debt at 30 June 2007 and 31 March 2007 comprised US\$60.0 million and US\$83.0 million, respectively, drawn under the 364-day facilities. Long-term debt at 30 June 2007 and 31 March 2007 comprised US\$65.0 million and US\$105.0 million, respectively, drawn under the term facilities.

At 30 June 2007, management believes that the Company was in compliance with all restrictive covenants contained in its credit facility agreements. Under the most restrictive of these covenants, the Company is required to maintain certain ratios of debt to equity and net worth and levels of earnings before interest and taxes and has limits on how much it can spend on an annual basis in relation to asbestos payments to the AICF.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The Company anticipates being able to meet its future payment obligations from existing cash, unutilised committed facilities and future net operating cash flows.

9. Amended ATO Assessment

In March 2006, RCI Pty Ltd (“RCI”), a wholly owned subsidiary of the Company, received an amended assessment from the ATO in respect of RCI’s income tax return for the year ended 31 March 1999. The amended assessment relates to the amount of net capital gains arising as a result of an internal corporate restructure carried out in 1998 and has been issued pursuant to the discretion granted to the Commissioner of Taxation under Part IVA of the Income Tax Assessment Act 1936. The original amended assessment issued to RCI was for a total of A\$412.0 million. However, after two remissions of general interest charges (“GIC”) made by the ATO during fiscal year 2007, the total was revised to A\$368.0 million and is comprised of the following as of 30 June 2007:

| (Millions of dollars) | US\$ (1) | A\$ |
|-------------------------------------|-----------------|------------------|
| Primary tax after allowable credits | \$ 146.0 | A\$ 172.0 |
| Penalties (2) | 36.5 | 43.0 |
| GIC | 129.9 | 153.0 |
| Total amended assessment | <u>\$ 312.4</u> | <u>A\$ 368.0</u> |

(1) US\$ amounts calculated using the A\$/US\$ foreign exchange spot rate at 30 June 2007.

(2) Represents 25% of primary tax.

During fiscal year 2007, the Company agreed with the ATO that in accordance with the ATO Receivable Policy, the Company would pay 50% of the total amended assessment being A\$184.0 million (US\$156.2 million), and provide a guarantee from James Hardie Industries N.V. in favour of the ATO for the remaining unpaid 50% of the amended assessment, pending outcome of the appeal of the amended assessment. The Company also agreed to pay GIC accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis. Up to 30 June 2007, GIC totaling A\$85.6 million has been paid to the ATO. On 16 July 2007, the Company paid A\$3.1 million in GIC in respect of the quarter ended 30 June 2007.

On 30 May 2007, the ATO issued a Notice of Decision disallowing the Company’s objection to the amended assessment. On 11 July 2007, the Company filed an application appealing the Objection Decision with the Federal Court of Australia.

RCI strongly disputes the amended assessment and is pursuing all avenues of appeal to contest the ATO’s position in this matter. The ATO has confirmed that RCI has a reasonably arguable position that the amount of net capital gains arising as a result of the corporate restructure carried out in 1998 has been reported correctly in the fiscal year 1999 tax return and that Part IVA does not apply. As a result, the ATO reduced the amount of penalty from an automatic 50% of primary tax that would otherwise apply in these circumstances, to 25% of primary tax. In Australia, a reasonably arguable position means that the tax position is about as likely to be correct as it is not correct. The Company and RCI received legal and tax advice at the time of the transaction, during the ATO enquiries and following receipt of the amended assessment. The Company believes that it is more likely than not that the tax position reported in RCI’s tax return for the 1999 fiscal year will be upheld on appeal. Therefore, the Company believes that the requirements under FIN 48 for recording a liability have not been met and therefore it has not recorded any liability at 30 June 2007 for the remainder of the amended assessment.

James Hardie Industries N.V. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Continued)
(Unaudited)

The Company expects that amounts paid in respect of the amended assessment would be recovered by RCI (with interest) at the time RCI is successful in its appeal against the amended assessment. As a result, the Company has treated all payments in respect of the amended assessment that have been made up to 30 June 2007 as a deposit and it is the Company's intention to treat any payments to be made at a later date as a deposit.

10. Stock-Based Compensation

At 30 June 2007, the Company had the following stock-based compensation plans: the Executive Share Purchase Plan; the Managing Board Transitional Stock Option Plan; the JHI NV 2001 Equity Incentive Plan; the JHI NV Stock Appreciation Rights Incentive Plan; the Supervisory Board Share Plan; the Supervisory Board Share Plan 2006 and the Long-Term Incentive Plan.

The following table summarises all of the Company's shares available for grant and the movement in all of the Company's outstanding options:

| | Shares Available for Grant | Outstanding Options | |
|--------------------------------|----------------------------|---------------------|---------------------------------|
| | | Number | Weighted Average Exercise Price |
| Balance at 1 April 2007 | 19,420,793 | 18,939,817 | A\$ 7.52 |
| Exercised | — | (400,360) | A\$ 6.51 |
| Forfeited | 504,500 | (504,500) | A\$ 8.05 |
| Balance at 30 June 2007 | 19,925,293 | 18,034,957 | A\$ 7.53 |

There were no stock options granted during the three months ended 30 June 2007.

Compensation expense arising from stock option grants as estimated using option-pricing models was US\$1.5 million and US\$1.5 million for the three months ended 30 June 2007 and 30 June 2006, respectively. As of 30 June 2007, the unrecorded deferred stock-based compensation balance related to stock options was US\$9.0 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 1.6 years.

Item 2. Quantitative and Qualitative Disclosures About Market Risk

James Hardie Industries N.V. and Subsidiaries

(Unaudited)

In this report, James Hardie Industries N.V. and its subsidiaries are collectively referred to as “we,” “us,” or “our,” and the terms “US\$,” “A\$,” “NZ\$,” “PHP,” refer to United States dollars, Australian dollars, New Zealand dollars and Philippine pesos, respectively.

We have operations in foreign countries and, as a result, are exposed to foreign currency exchange rate risk inherent in purchases, sales, assets and liabilities denominated in currencies other than the U.S. dollar. We also are exposed to interest rate risk associated with our long-term debt and to changes in prices of commodities we use in production.

Our policy is to enter into derivative instruments solely to mitigate risks in our business and not for trading or speculative purposes.

Foreign Currency Exchange Rate Risk

We have significant operations outside of the United States and, as a result, are exposed to changes in exchange rates which affect our financial position, results of operations and cash flows. In addition, payments to the AICF are required to be made in Australian dollars which, because the majority of our revenues is produced in U.S. dollars, exposes the Company to risks associated with fluctuations in the U.S. dollar/Australian dollar exchange rate.

For the three months ended 30 June 2007, the following currencies comprised the following percentages of our net sales, cost of goods sold, expenses and liabilities:

| | US\$ | A\$ | NZ\$ | Other (1) |
|---------------------------------------|-------|-------|------|-----------|
| Net sales | 82.3% | 11.0% | 4.1% | 2.6% |
| Cost of goods sold | 83.1% | 10.7% | 3.7% | 2.5% |
| Expenses(2) | 49.0% | 45.5% | 2.0% | 3.5% |
| Liabilities (excluding borrowings)(2) | 15.0% | 83.3% | 1.0% | 0.7% |

(1) Comprises Philippine pesos and Euros.

(2) Liabilities include A\$ denominated asbestos liability, which was initially recorded in the fourth quarter of fiscal year 2006. Expenses include adjustments to the liability. See Note 6 for further information.

We purchase raw materials and fixed assets and sell some finished product for amounts denominated in currencies other than the functional currency of the business in which the related transaction is generated. In order to protect against foreign exchange rate movements, we may enter into forward exchange contracts timed to mature when settlement of the underlying transaction is due to occur. At 30 June 2007, there were no such material contracts outstanding.

Interest Rate Risk

We have market risk from changes in interest rates, primarily related to our borrowings. At 30 June 2007, all of the Company's borrowings were variable-rate. From time to time, we may enter into interest rate swap contracts in an effort to mitigate interest rate risk. As of 30 June 2007, the Company had no interest swap contracts outstanding. As of 30 June 2007, the Company had an outstanding forward rate agreement of US\$25.0 million with a fixed rate of 5.07% excluding margin from February 2007 to February 2008.

Commodity Price Risk

The Company is exposed to changes in prices of commodities used in its operations, primarily associated with energy, fuel and raw materials such as pulp and cement. Pulp has historically

Item 2. Quantitative and Qualitative Disclosures About Market Risk

James Hardie Industries N.V. and Subsidiaries

(Unaudited)

demonstrated more price sensitivity than other raw materials that we use in our manufacturing process. In addition, energy, fuel, and cement prices rose in fiscal year 2007 and continued to rise during the first quarter of fiscal year 2008. Pulp prices have also been subject to significant price fluctuations in the past. The Company expects that pulp, energy, fuel and cement prices will continue to fluctuate in the near future. To minimise the additional working capital requirements caused by rising prices related to these commodities, the Company may seek to enter into contracts with suppliers for the purchase of these commodities that could fix the Company's prices over the longer-term. However, if we enter into such contracts with suppliers and if such commodity prices decrease, the Company's cost of sales may be negatively impacted due to the fixed pricing over the longer-term.

James Hardie Industries N.V. and Subsidiaries
(Unaudited)

This Financial Report 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 the Media Release, Management Presentation and Management's Analysis of Results.

Disclaimer

This Financial Report of results contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars and prospectuses, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of forward-looking statements include:

- expectations 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 the Company's financial statements of those payments;
- statements as to the possible consequences of proceedings brought against the Company and certain of its former directors and officers by the Australian Securities and Investments Commission;
- expectations that our credit facilities will be extended or renewed;
- projections of the Company's operating results or financial condition;
- statements regarding the Company's plans, objectives or goals, including those relating to competition, acquisitions, dispositions and the Company's products;
- statements about the Company's future performance; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "aim" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. The Company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors, some of which are discussed under "Risk Factors" beginning on page 6 of the 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 the Company's financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems; and the effect of natural disasters. The Company cautions 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.



James Hardie FY08 1st Quarter Results

15 August 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 40. 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 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 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.



Agenda

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



Overview

- Strong operating performance despite further weakness in major markets
- Net operating profit affected by asbestos (mostly related to stronger A\$)

| US\$ Million | Q1 FY08 | Q1 FY07 | % Change |
|---|------------|------------|-------------|
| Net operating profit | 39.1 | 35.5 | 10 |
| Net operating profit excluding asbestos | 68.6 | 62.7 | 9 |
| Diluted earnings per share, excluding asbestos (US cents) | 14.6 | 13.4 | 9 |



Overview

1st Quarter

- USA Fibre Cement – improved market penetration, price growth and cost management helped deliver a very strong EBIT result despite further weakness in US housing
- Asia Pacific Fibre Cement – both sales and EBIT up despite weak Australian and New Zealand housing and renovation markets
- Business continued to generate strong operating cash flows



Operating Review

Louis Gries, CEO



USA Fibre Cement



US Coastal Living Idea House, with HardiePlank™ siding



USA Fibre Cement

1st Quarter Result

| | | |
|---------------|------|--------------------------|
| Net Sales | down | 1% to US\$346.1 million |
| Sales Volume | down | 5% to 573.4 mmsf |
| Average Price | up | 5% to US\$604 per msf |
| EBIT | up | 11% to US\$114.4 million |
| EBIT Margin | up | 3.5 pts to 33.1% |



USA Fibre Cement

1st Quarter Market Conditions

- Further weakness in new housing construction activity
 - Starts down 22% and 31% for June and March quarters, respectively
- Market demand affected by affordability issues:
 - Higher interest rates
 - Tighter lending standards (related to subprime mortgage concerns)
- Inventory levels of new homes for sale are very high
- Builder confidence levels very low
- Some softening in repair and remodelling activity



USA Fibre Cement

Key Points

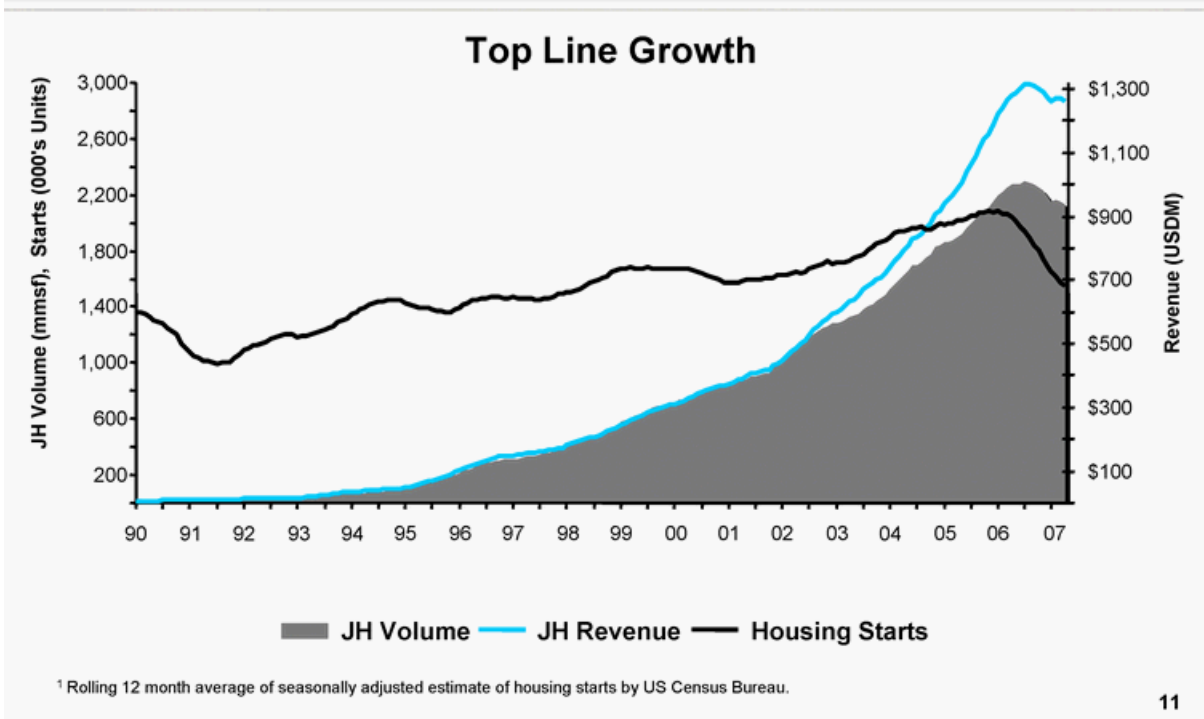
- Impact of weaker housing market on sales largely offset by:
 - Seasonal order build in anticipation of improved housing demand
 - Market penetration
 - Higher average net sales price
- Sales volumes of exterior products were lower in Southern and Northern Divisions, but higher in Western Division
- Within exterior products, sales volumes up for XLD® trim and ColorPlus® collection
- Interior products sales volumes were flat
- Higher raw material prices
- Margin improvement



USA Fibre Cement

Outlook

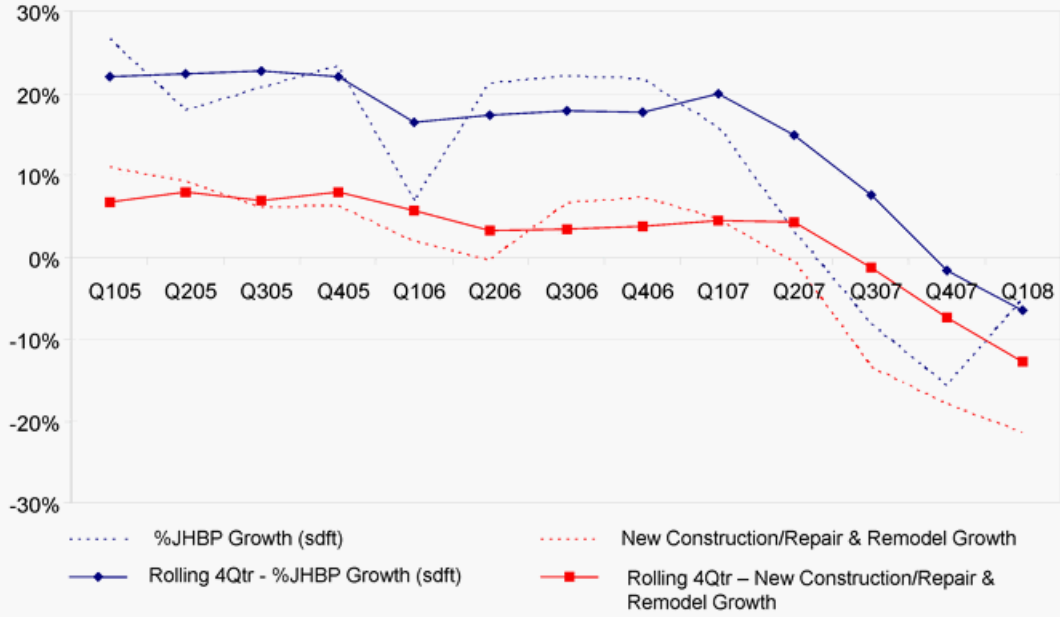
- Housing construction activity to remain weak, with the potential for further deterioration
- Slight decline in repair and remodelling activity expected in short to mid-term
- James Hardie will continue investment in growth initiatives
- Further market penetration against alternative materials





USA Fibre Cement

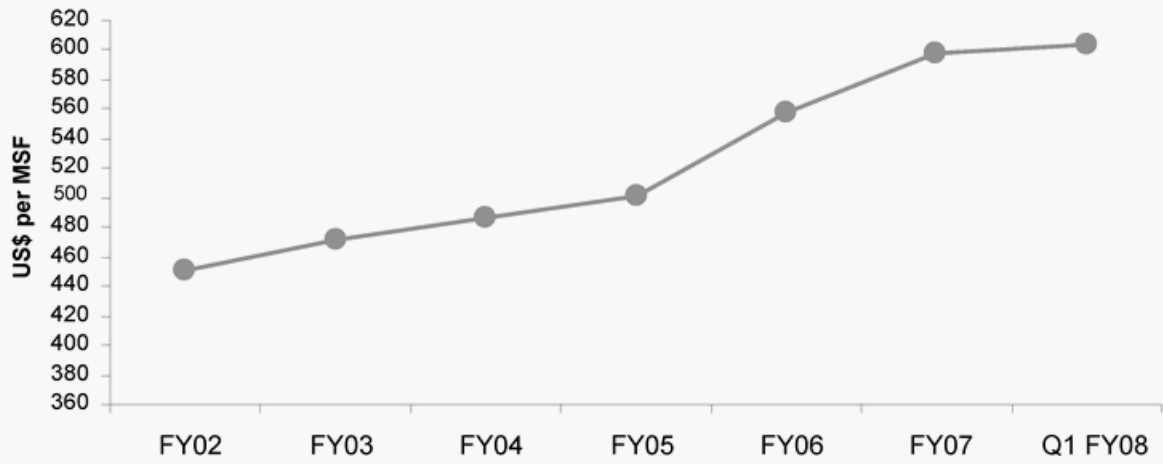
Primary Growth Performance





USA Fibre Cement

Average Net Selling Price





USA Fibre Cement

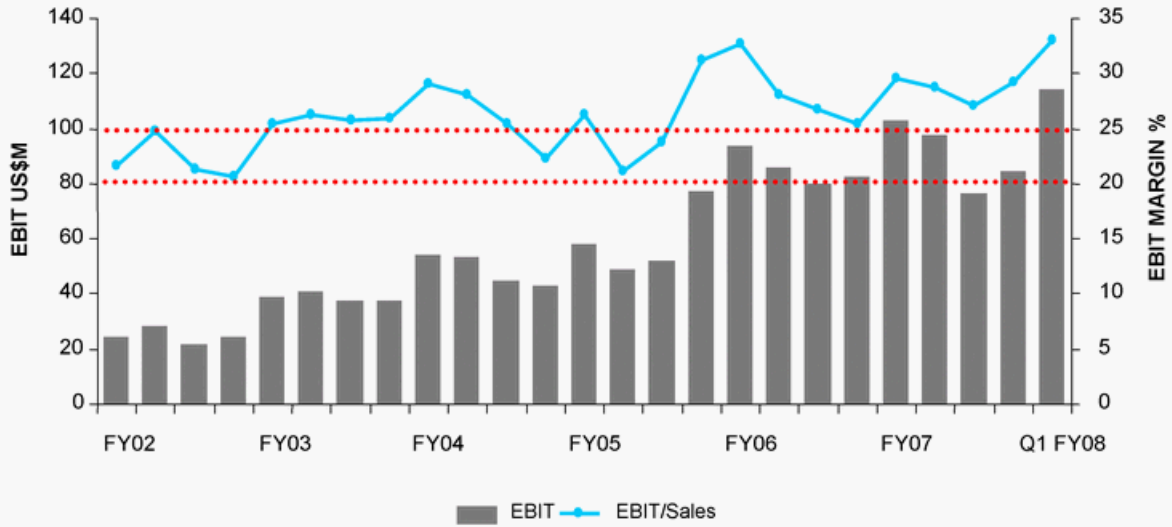
Strategy

- 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

EBIT and EBIT Margin*



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



Asia Pacific Fibre Cement



Stockland, Rawson Homes and Cosmopolitan Homes at Murrays Beach, Lake Macquarie NSW, featuring a range of Scyon™ products



Asia Pacific Fibre Cement

1st Quarter Result

| | | |
|--------------|------|-------------------------|
| Net Sales | up | 20% to US\$71.2 million |
| Sales Volume | up | 7% to 98.0 mmsf |
| EBIT | up | 20% to US\$12.4 million |
| EBIT Margin | flat | 17.4% |



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

- Further weakness in new housing and renovations activity in Australia, flat in New Zealand and slightly stronger construction activity in the Philippines
- US\$ financial results assisted by appreciation of Asia Pacific currencies compared with same period last year
- Net sales up 8% in A\$; volumes up 7% due to market share gains; and average sales price up 1%
- In Australia, growth in fibre cement segment through sales of Scyon™ range of products. 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 increased domestic construction activity and stronger export demand



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

- Q1 net sales lower due to weaker residential housing 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
- Further reduction in EBIT loss



Overall Outlook for Operations

USA Fibre Cement

- Some further weakness in US housing activity expected through the remainder of 2007
- Expect to continue outperforming the market overall

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

- Strong Q1 operating performance in significantly weaker market conditions
- Strong Q1 net operating profit excluding asbestos
- Asbestos adjustments:
 - US\$33.2m – unfavourable impact of stronger A\$ on estimated A\$ asbestos liability
 - US\$3.1m – favourable other adjustments
- Strong balance sheet excluding net Amended FFA liability
 - Net debt – US\$44.4m
 - Cash and unused term facilities – US\$310.6m
- Cash flow cap resulted in no payment to AICF on 1 July 2007, as previously flagged
 - Two-year buffer included in initial payment made February 2007
- Next payment due 1 July 2008
 - Next actuarial estimate as at 31 March 2008
 - Cash flow cap based on FY08 net operating cash flow
- Share buy-back announced



Share buy-back

- On market buy-back program announced
- Up to 10% of issued capital (up to approximately 46.8 million shares)
- Focus on improving efficiency of capital structure
- Shares to be purchased opportunistically, subject to market conditions and operating environment
- Additional funding facilities will be sought as required
- No time period for buy-back has been set



Results – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Net sales | 424.4 | 415.5 | 2 |
| Gross profit | 166.9 | 157.7 | 6 |
| SG&A expenses | (55.5) | (51.7) | (7) |
| Research & development expenses | (6.3) | (7.5) | 16 |
| SCI and other related expenses | - | (2.4) | - |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| EBIT | 75.0 | 68.9 | 9 |
| Net interest income (expense) | 0.5 | (2.0) | - |
| Income tax expense | (36.4) | (32.3) | (13) |
| Effect of change in accounting principle – net of tax | - | 0.9 | - |
| Net operating profit | 39.1 | 35.5 | (10) |



Results – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|---|--------------|--------------|-----------------|
| Net operating profit | 39.1 | 35.5 | 10 |
| Asbestos: | | | |
| Asbestos adjustments | 30.1 | 27.2 | (11) |
| Tax expense related to asbestos adjustments | 0.4 | - | - |
| AICF SG&A expenses | 0.6 | - | - |
| AICF interest income | (1.6) | - | - |
| Net operating profit excluding asbestos | 68.6 | 62.7 | 9 |



Segment Net Sales – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|---------------------------|--------------|--------------|-----------------|
| USA Fibre Cement | 346.1 | 348.9 | (1) |
| Asia Pacific Fibre Cement | 71.2 | 59.2 | 20 |
| Other | 7.1 | 7.4 | (4) |
| Total | 424.4 | 415.5 | 2 |



Segment EBIT – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|--------------------------------------|--------------|--------------|-----------------|
| USA Fibre Cement | 114.4 | 103.3 | 11 |
| Asia Pacific Fibre Cement | 12.4 | 10.3 | 20 |
| Other | (1.3) | (2.7) | 52 |
| R & D ¹ | (4.1) | (4.6) | 11 |
| Total Segment EBIT | 121.4 | 106.3 | 14 |
| General Corporate excluding asbestos | (15.7) | (10.2) | (54) |
| Total EBIT excluding asbestos | 105.7 | 96.1 | 10 |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| AICF SG&A expenses | (0.6) | - | - |
| Total EBIT | 75.0 | 68.9 | 9 |

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



Corporate Costs – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|--------------------------------|--------------|--------------|-----------------|
| Stock compensation expenses | 1.5 | 1.5 | - |
| Earnings-related bonus | 0.9 | (1.8) | - |
| SCI and other related expenses | - | 2.4 | - |
| Non-US warranty provision | 4.0 | - | - |
| ASIC proceedings | 1.2 | - | - |
| AICF SG&A costs | 0.6 | - | - |
| Other costs | 8.1 | 8.1 | - |
| Total | 16.3 | 10.2 | 60 |



Net Interest Expense

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> |
|-------------------------------|--------------|--------------|
| Net interest income (expense) | 0.5 | (2.0) |

Note – Q1'08 includes US\$1.6 million of AICF interest income. Q1'07 includes a US\$6.0 million make-whole payment on prepayment of US\$ notes in May 2006.



Income tax expense – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> |
|---|--------------|--------------|
| Operating income before income taxes | 75.5 | 66.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| AICF interest income | (1.6) | - |
| Operating profit before income taxes excluding asbestos | 104.6 | 94.1 |
| Income tax expense | 36.4 | 32.3 |
| Asbestos: | | |
| Tax expense related to asbestos adjustments | (0.4) | - |
| Income tax expense excluding asbestos | 36.0 | 32.3 |
| Effective tax rate excluding asbestos | 34.4% | 34.3% |



EBITDA – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|--|--------------|--------------|-----------------|
| EBIT | | | |
| USA Fibre Cement | 114.4 | 103.3 | 11 |
| Asia Pacific Fibre Cement | 12.4 | 10.3 | 20 |
| Other | (1.3) | (2.7) | 52 |
| R & D | (4.1) | (4.6) | 11 |
| General Corporate excluding asbestos | (15.7) | (10.2) | (54) |
| Depreciation and Amortisation | | | |
| USA Fibre Cement | 10.8 | 7.9 | 37 |
| Asia Pacific Fibre Cement | 2.7 | 2.5 | 8 |
| Other | 0.7 | 0.6 | 17 |
| Total EBITDA excluding asbestos | 119.9 | 107.1 | 12 |
| Asbestos adjustments | (30.1) | (27.2) | (11) |
| AICF SG&A expenses | (0.6) | - | - |
| Total EBITDA | 89.2 | 79.9 | 12 |



Cash Flow

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|--|---------------|--------------|-----------------|
| EBIT | 75.0 | 68.9 | 9 |
| Non-Cash Items | | | |
| - Asbestos adjustments | 30.1 | 27.2 | 11 |
| - Other Non-Cash Items | 27.0 | 11.9 | - |
| Net Working Capital Movements | 8.1 | (37.2) | - |
| Cash Flow from Operations | 140.2 | 70.8 | 98 |
| Tax Payments | (4.9) | (4.5) | 9 |
| Deposit with ATO | (1.0) | - | - |
| Interest Paid (net) | (2.8) | (5.6) | (50) |
| Net Operating Cash Flow | 131.5 | 60.7 | - |
| Purchases of Property, Plant & Equipment | (16.5) | (35.5) | (54) |
| Equity Issued | 2.4 | 0.2 | - |
| Other | (7.9) | 0.6 | - |
| Movement in Net Cash (Debt) | 109.5 | 26.0 | - |
| Net Cash (Debt) – 31 March | (153.9) | 12.4 | - |
| Net Cash (Debt) – 30 June | (44.4) | 38.4 | - |



Capital Expenditure – Q1

| <u>US\$ Million</u> | <u>Q1'08</u> | <u>Q1'07</u> | <u>% Change</u> |
|---------------------------|--------------|--------------|-----------------|
| USA Fibre Cement | 13.9 | 32.9 | 58 |
| Asia Pacific Fibre Cement | 1.8 | 2.6 | 30 |
| Other | 0.8 | - | - |
| Total | 16.5 | 35.5 | 54 |



Key Ratios

| | <u>Q1' FY08</u> | <u>FY07</u> | <u>FY06</u> |
|--|-----------------|-------------|-------------|
| EPS (Diluted) ¹ | 14.6c | 47.6c | 44.9c |
| Dividend Paid per share | - | 9.0c | 10.0c |
| Return on Shareholders' Funds ¹ | 27.3% | 24.0% | 29.1% |
| Return on Capital Employed ² | 34.3% | 26.6% | 28.9% |
| EBIT/ Sales (EBIT margin) ² | 24.9% | 20.7% | 18.9% |
| Gearing Ratio ¹ | 4.4% | 12.8% | (1.6)% |
| Net Interest Expense Cover ² | 96.1x | 49.1x | - |
| Net Interest Paid Cover ² | 37.8x | 62.5x | 80.2x |
| Net Debt Payback ³ | 0.1 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 payments under the Amended FFA



Summary

- Strong overall operating performance for Q1FY08
- Strong cash flow generation
- The company's financial position remains strong
- Share buy-back announced
- Results subject to fluctuation in A\$: US\$ exchange rate for foreseeable future



Questions & Answers



Disclaimer

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- *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;*
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- *statements about our future performance; and*
- *statements about product or environmental liabilities.*

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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



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 | Q1 FY08 | Q1 FY07 |
|--------------------------------|----------|----------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| EBIT excluding asbestos | \$ 105.7 | \$ 96.1 |
| Net Sales | \$ 424.4 | \$ 415.5 |
| EBIT margin excluding asbestos | 24.9% | 23.1% |



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 | Q1 FY08 | Q1 FY07 |
|---|---------|---------|
| Net operating profit | \$ 39.1 | \$ 35.5 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| AICF interest income | (1.6) | - |
| Tax expense related to asbestos adjustments | 0.4 | - |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |



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 | Q1 FY08 | Q1 FY07 |
|---|----------------|----------------|
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |
| Weighted average common shares outstanding – Diluted (millions) | 469.4 | 466.9 |
| Diluted earnings per share excluding asbestos (US cents) | 14.6 | 13.4 |



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 | Q1 FY08 | Q1 FY07 |
|---|----------|---------|
| Operating profit before income taxes | \$ 75.5 | \$ 66.9 |
| Asbestos: | | |
| Asbestos adjustments | 30.1 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| AICF interest income | (1.6) | - |
| Operating profit before income taxes excluding asbestos | \$ 104.6 | \$ 94.1 |
| Income tax expense | \$ 36.4 | \$ 32.3 |
| Asbestos: | | |
| Tax expense related to asbestos adjustments | (0.4) | - |
| Income tax expense excluding asbestos | \$ 36.0 | \$ 32.3 |
| Effective tax rate excluding asbestos | 34.4% | 34.3% |



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 | Q1 FY08 | Q1 FY07 |
|-------------------------------|----------------|----------------|
| EBIT | \$ 75.0 | \$ 68.9 |
| Depreciation and amortisation | 14.2 | 11.0 |
| EBITDA | \$ 89.2 | \$ 79.9 |



FY08 1st Quarter Results

15 August 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 40. 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 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 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.



15 August 2007

For media enquiries please call Peter Baker on:
Tel: (02) 8274 5304
For analyst enquiries please call Steve Ashe on:
Tel: (02) 8274 5246 Mob: 0408 164 011.

James Hardie Announces On-Market Share Buy-Back Program

James Hardie today announced it would implement an on-market buy-back program for the purchase of up to 10% of its issued capital (approximately 46.8 million shares).

The share buy-back reflects the company's focus on improving the efficiency of its balance sheet through active capital management.

James Hardie's Chief Executive Officer, Louis Gries said: "Today's announcement is a positive move towards improving the efficiency of our capital structure".

"We decided to hold back with active capital management until greater clarity was achieved on our voluntary asbestos compensation funding proposal and some related matters. Our balance sheet structure has become less than optimal as a result.

"Shareholder approval of the compensation funding proposal was achieved in February and, taking into consideration the company's strong cash generation and low level of debt, we believe it prudent to now commence returning capital to shareholders," said Mr Gries.

Additional funding facilities will be sought by the company as required.

James Hardie will purchase the shares opportunistically, subject to market conditions and the operating environment.

No time period has been set for the buy-back.

END

Contact details to follow.

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- *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 & Investments Commission;*
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Appendix 3C

Announcement of buy-back (*except* minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001.

Name of entity

JAMES HARDIE INDUSTRIES N.V.
Incorporated in the Netherlands. The liability of members is limited

ABN

ARBN 097 829 895

We (the entity) give ASX the following information.

Information about buy-back

| | | |
|---|--|----------------------|
| 1 | Type of buy-back | On-market |
| 2 | +Class of shares which is the subject of the buy-back (<i>eg, ordinary/preference</i>) | Ordinary shares/CUFS |
| 3 | Voting rights <i>eg, one for one</i>) | One for one |

+ See chapter 19 for defined terms.

Appendix 3C
Announcement of buy-back

| | | |
|---|--|--|
| 4 | Fully paid/partly paid <i>and if partly paid, details of how much has been paid and how much is outstanding</i> | Fully paid |
| 5 | Number of shares in the +class on issue | 467,695,751 |
| 6 | Whether shareholder approval is required for buy-back | On 25 September 2006, shareholders approved the Company acquiring its own shares for a period of 18 months until 24 March 2008. Shareholders will be asked to renew this approval for a further 18 months on 17 August 2007. |
| 7 | Reason for buy-back | Capital management |
| 8 | Any other information material to a shareholder's decision whether to accept the offer (<i>eg, details of any proposed takeover bid</i>) | Not applicable |

+ See chapter 19 for defined terms.

On-market buy-back

| | | |
|----|---|---------------------------------------|
| 9 | Name of broker who will act on the company's behalf | To be advised later |
| 10 | Deleted 30/9/2001. | |
| 11 | If the company intends to buy back a maximum number of shares - that number Note: This requires a figure to be included, not a percentage. | Up to 46,769,575 ordinary shares/CUFS |
| 12 | If the Company intends to buy back shares within a period of time - that period of time; if the company intends that the buy-back be of unlimited duration - that intention | 12 months |
| 13 | If the company intends to buy back shares if conditions are met - those conditions | Not applicable |

Employee share scheme buy-back

| | | |
|----|---|----------------|
| 14 | Number of shares proposed to be bought back | Not applicable |
| 15 | Price to be offered for shares | Not applicable |

Selective buy-back

| | | |
|----|--|----------------|
| 16 | Name of person or description of class of person whose shares are proposed to be bought back | Not applicable |
| 17 | Number of shares proposed to be brought back | Not applicable |
| 18 | Price to be offered for shares | Not applicable |

+ See chapter 19 for defined terms.


Equal access scheme

| | | |
|----|--|----------------|
| 19 | Percentage of shares proposed to be bought back | Not applicable |
| 20 | Total number of shares proposed to be bought back if all offers are accepted | Not applicable |
| 21 | Price to be offered for shares | Not applicable |
| 22 | +Record date for participation in offer Cross reference: Appendix 7A, clause 9. | Not applicable |

+ See chapter 19 for defined terms.

Compliance statement

1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.
2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here:  Date: 15 August 2007
.....
(Director/Company secretary)

Print name: Benjamin P. Butterfield
.....

====

+ See chapter 19 for defined terms.



15 August 2007

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Chairman's Address to 2007 Annual Meetings

I would like to start by saying that it gives me great pleasure to be here to address my first shareholder meeting in my capacity as chairman.

Fiscal year 2007 has been a momentous year for James Hardie.

While Louis will speak to you shortly about the company's results and activities, I would like to use my time today to reflect briefly on what I regard as the significant events and achievements that have occurred for the company during the year, and convey to you how these may affect our future.

We finalised the asbestos compensation arrangements

One of the most significant events of the past year was the finalisation of the asbestos compensation arrangements.

The company's voluntary asbestos compensation funding proposal was put to shareholders at an Extraordinary General Meeting on 7 February 2007 and passed with 99.6% of the votes cast in favour of the compensation proposal. Votes cast on this resolution represented 59.4% of the company's issued capital.

The Board regards the overwhelming shareholder support for the company's funding proposal as a strong endorsement of the solution developed and implemented by the company. I thank all our shareholders for their support of the company during the time it took to put the arrangements in place.

With the completion of the asbestos compensation arrangements, the business is now able to focus all its efforts on achieving results that will allow us to grow and thrive as a company.

We established the Asbestos Injuries Compensation Fund

On February 9, as soon as practicable after the shareholder vote, the company made the initial payment of A\$184.3 million to the Asbestos Injuries Compensation Fund (AICF).

This made the fund operational and satisfied the final condition precedent to the Amended and Restated Final Funding Agreement (Amended FFA) agreed by James Hardie and the New South Wales Government (NSW Government).

The AICF now manages the asbestos-related personal injury claims made against certain former James Hardie group subsidiaries.

We have renewed the JHI NV Board

As a result of changes to the company's Board during the year, the planned renewal of James Hardie's Board is now largely complete.

Five new directors — Brian Anderson, Michael Hammes, Rudy van der Meer, Cathy Walter and myself - have joined the Board since December 2006.

Three directors — Meredith Hellicar, Michael Brown and Michael Gillfillan — brought forward to February their planned departures from the James Hardie Board, following ASIC's announcement that it had commenced civil proceedings connected to the establishment of the Medical Research and Compensation Foundation in 2001.

I take this opportunity to acknowledge again the valuable contributions these directors made during their terms, especially their work in helping finalise the asbestos compensation funding proposal.

Another director, James Loudon, delayed his planned departure to ensure a smooth transition to new directors. James had indicated that he planned to retire after this year's annual general meeting, but I am pleased to advise that this week he has agreed to stay on for another year.

As one of the new directors who has benefited from James' knowledge and experience, I thank James for his dedication to the company, and for continuing to put James Hardie's interests ahead of his own plans.

Additionally, it gives me great pleasure to advise that David Andrews intends to shortly join our Board. We look forward to introducing David formally once he has been appointed.

David is an experienced US attorney with significant international business experience. His most recent executive role was as General Counsel of PepsiCo.

I am confident that the experience, insight and guidance provided by your directors will continue to serve the company well.

We paid a significantly increased Dividend

With the finalisation of the asbestos compensation arrangements, and reduced capital expenditure requirements, the company was able to announce a significantly-increased final dividend of US15 cents per share.

This made the full year dividend for fiscal year 2007 US20 cents per share, an increase of US12 cents on last year's full year dividend.

In the future, we expect the dividend payout ratio to be between 50% and 75% of net income before asbestos adjustments.

The company continues to review other capital management options, and this morning announced that it will be implementing a share buy-back program. Louis will provide some more detail about this in his talk.

The business operations performed well in a difficult market

Louis will discuss the business operations in more detail in his report, but I would like to comment briefly on the company's performance in the last year.

Despite the difficult trading conditions caused by the significant decline of the housing market in our largest market in the United States, and in Australia, the company has continued to achieve strong results.

These results reflect the underlying strength of our business; management's skill in planning for and dealing with the downturn; the quality of our products; and the calibre of our people, at every level of the business.

It is these very factors which auger well for the future success of this company.

I will now hand over to Louis to talk about the performance of the business for the year, and our first quarter results, released this morning.

Thank you.

END

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Australian Information Meeting

Louis Gries, CEO


15 August 2007




Presentation Outline

- FY07 Results Overview
- Q1 FY08 Results Overview – released today
- Organisational Focus
- Corporate Issues and Challenges
- Summary


2



FY07 – Results Overview



3




FY07 – Results Overview

Very solid net operating profit

- Very solid net operating profit excluding asbestos adjustments, particularly given weaker markets in the US, Australia and New Zealand

| US\$ Million | FY07 | FY06 | % Change |
|--|-------|---------|----------|
| Net operating profit (loss) | 151.7 | (506.7) | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | 222.2 | 208.9 | 6 |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back | 230.0 | 212.7 | 8 |

4




FY07 – Results Overview

Operating performance

- USA Fibre Cement – strong operating performance with both sales and EBIT up in a significantly weaker US housing market, especially in the 2nd half
- Asia Pacific Fibre Cement – sales up, but EBIT lower due to higher manufacturing costs
- Strong operating cash flows

5



FY07 – Results Overview

USA Fibre Cement – weaker housing market

| | | |
|---------------|------|---------------------------|
| Net Sales | up | 4% to US\$1,262.3 million |
| Sales Volume | down | 2% to 2,148.0 mmsf |
| Average Price | up | 5% to US\$588 per msf |
| EBIT | up | 6% to US\$362.4 million |
| EBIT Margin | up | 0.6 pt to 28.7% |

6



FY07 – Results Overview

USA Fibre Cement – Key Points

- Housing market weakened significantly, particularly in 2nd half
- Sales of exterior products affected most by weaker market
- Healthy repair and remodel market helped buoy sales of interior products
- Market penetration and price growth helped buffer impact of weaker housing market
- EBIT margin above long-term target range of 20% - 25%

7

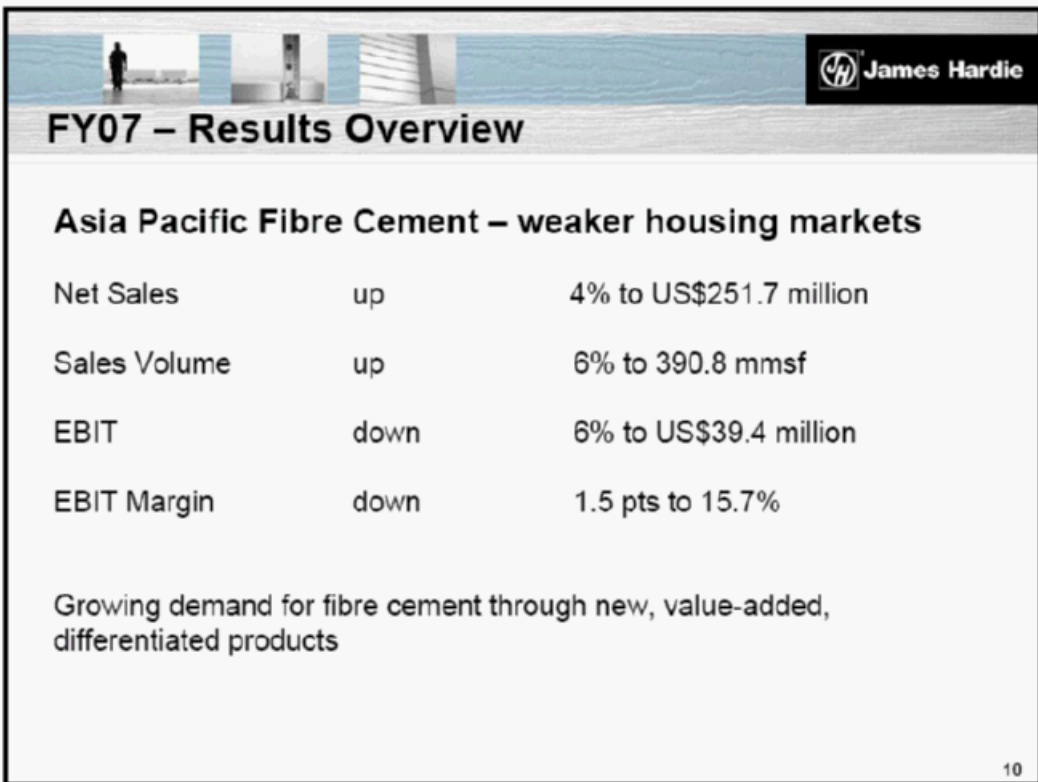
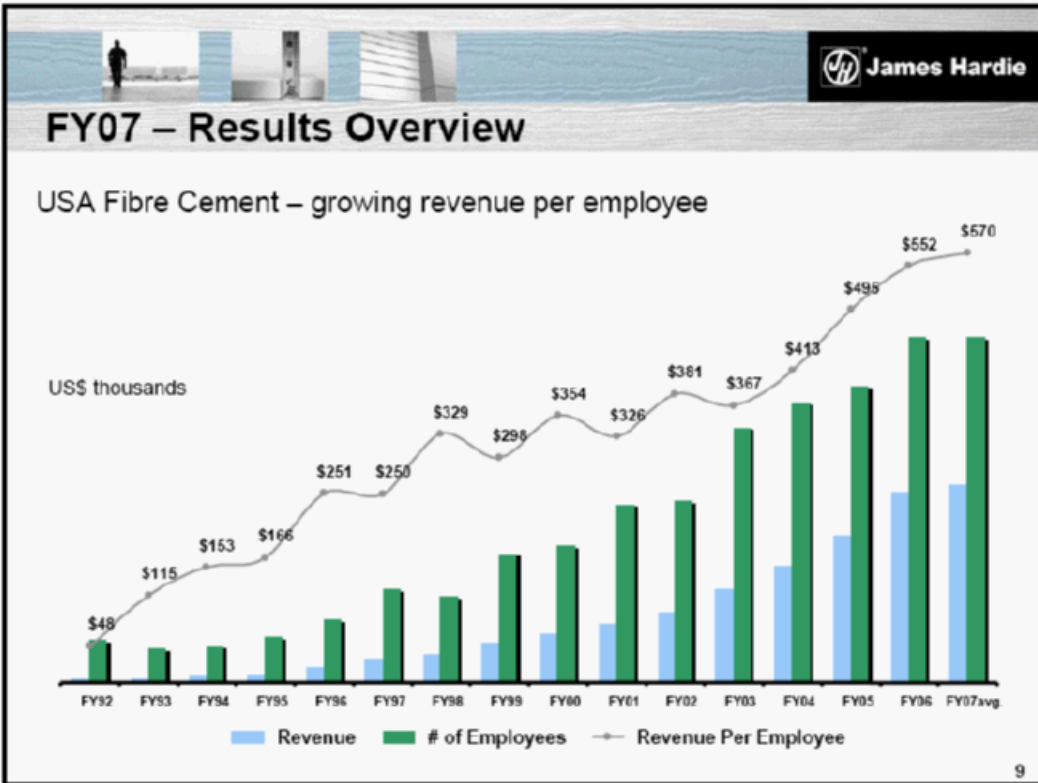



FY07 – Results Overview

USA Fibre Cement – Business Re-set

- Re-set late 2006/early 2007 in anticipation of weaker housing market
- Included:
 - Production re-scheduling to balance supply and demand
 - Sales and marketing activities reviewed and re-allocated based on lower market opportunity
 - Corporate wide review undertaken of cost saving opportunities
- Assisted in delivery of solid operating performance despite weaker market
- Able to 'flex up' quickly if needed

8





FY07 – Results Overview


USA Hardie Pipe

- Net sales higher due to increased sales volumes and higher average sales price
- EBIT positive

Europe Fibre Cement

- Sales continuing to grow steadily

11



FY07 – Results Overview

Long-Term Targets

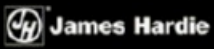
| | <u>FY07 Actual</u> | <u>3-year Average</u> | <u>Long-Term Target</u> |
|---|--------------------|-----------------------|-------------------------|
| Revenue Growth | 4% | 17% | >15% pa |
| EBIT ¹ /Sales | 22% | 20% | >15% pa |
| Return on Capital Employed ² | 28% | 29% | >15% pa |
| Net Debt Payback ³ | 1.9 years | | <5 years |
| Net Interest Expense Cover ¹ | 51.2 times | | >3 times |

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


² EBIT (excluding asbestos adjustments, impairment charge and SCI and other related expenses) divided by gross capital employed (excluding asbestos-related assets and liabilities)

³ Excluding payments under the Amended FFA

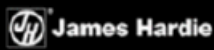
12



1st Quarter Results FY08 – Overview



13



Q1 FY08 – Results Overview

- Strong operating performance despite further weakness in major markets
- Net operating profit affected by asbestos (mostly related to stronger A\$)

| US\$ Million | Q1 FY08 | Q1 FY07 | % Change |
|---|------------|------------|-------------|
| Net operating profit | 39.1 | 35.5 | 10 |
| Net operating profit excluding asbestos | 68.6 | 62.7 | 9 |
| Diluted earnings per share, excluding asbestos (US cents) | 14.6 | 13.4 | 9 |

14



Q1 FY08 – Results Overview

Strong operating performance

- USA Fibre Cement – improved market penetration, price growth and cost management helped deliver a very strong EBIT result despite further weakness in US housing
- Asia Pacific Fibre Cement – both sales and EBIT up despite weak Australian and New Zealand housing and renovation markets
- Business continued to generate strong operating cash flows

15




Q1 FY08 – Results Overview

USA Fibre Cement – Outperforming housing market

| | | |
|---------------|------|--------------------------|
| Net Sales | down | 1% to US\$346.1 million |
| Sales Volume | down | 5% to 573.4 mmsf |
| Average Price | up | 5% to US\$604 per msf |
| EBIT | up | 11% to US\$114.4 million |
| EBIT Margin | up | 3.5 pts to 33.1% |

16




Q1 FY08 – Results Overview

USA Fibre Cement - Market Conditions

- Further weakness in new housing construction activity
 - Starts down 22% and 31% for June and March quarters, respectively
- Market demand affected by affordability issues:
 - Higher interest rates
 - Tighter lending standards (related to subprime mortgage concerns)
- Inventory levels of new homes for sale are very high
- Builder confidence levels very low
- Some softening in repair and remodelling activity

17

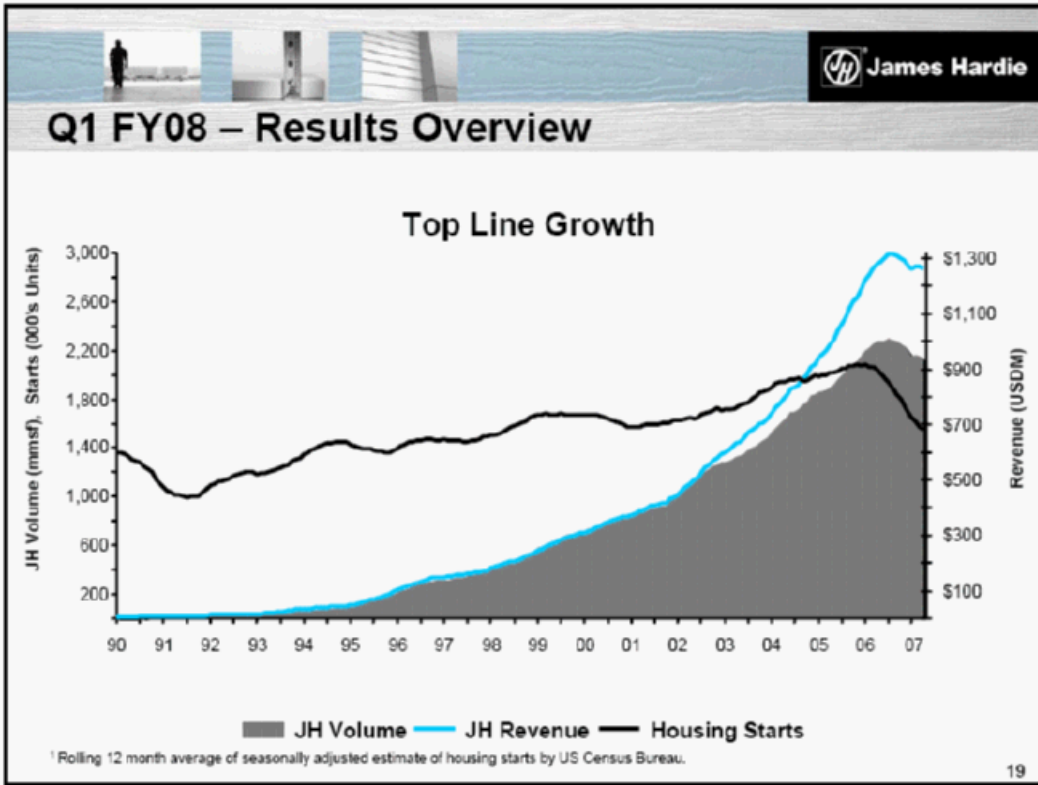


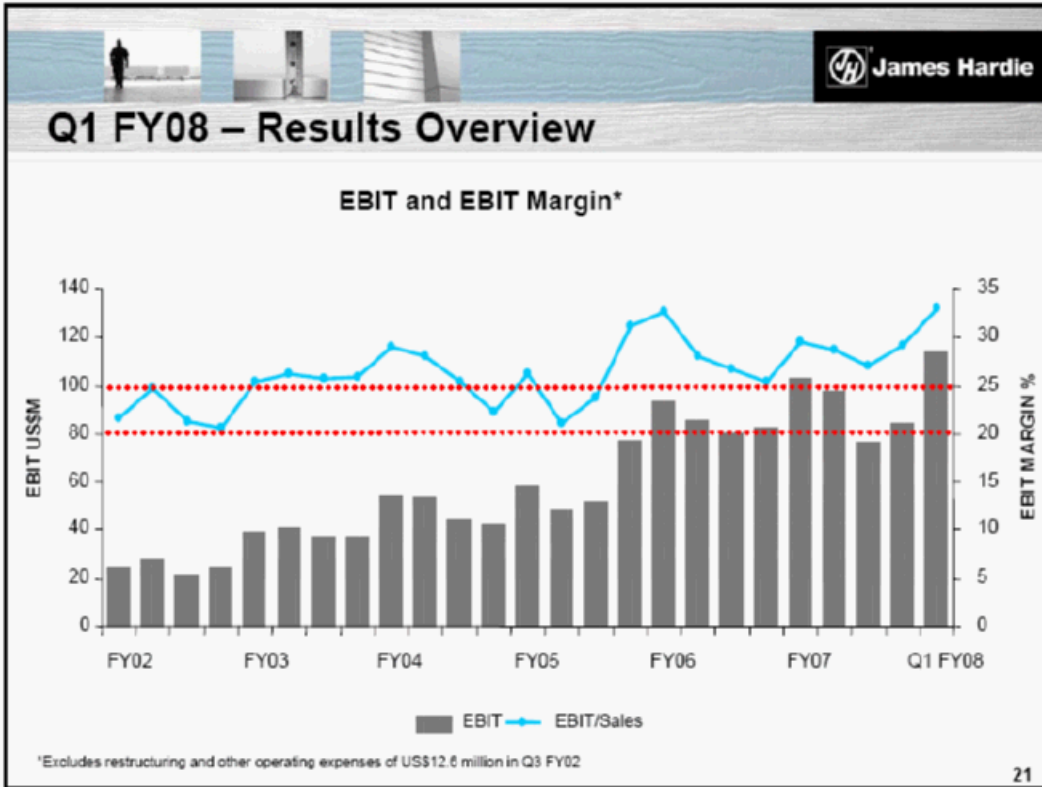
Q1 FY08 – Results Overview

USA Fibre Cement - Key Points

- Impact of weaker housing market on sales largely offset by:
 - Seasonal order build in anticipation of improved housing demand
 - Market penetration
 - Higher average net sales price
- Sales volumes of exterior products were lower in Southern and Northern Divisions, but higher in Western Division
- Sales of interior products were flat
- Higher raw material prices
- Margin improvement

18





Q1 FY08 – Results Overview

Asia Pacific Fibre Cement

| | | |
|--------------|------|-------------------------|
| Net Sales | up | 20% to US\$71.2 million |
| Sales Volume | up | 7% to 98.0 mmsf |
| EBIT | up | 20% to US\$12.4 million |
| EBIT Margin | flat | 17.4% |

22



Q1 FY08 – Results Overview

Asia Pacific Fibre Cement - Key Points

- Further weakness in new housing and renovations activity in Australia, flat in New Zealand and slightly stronger construction activity in the Philippines
- Net sales up 8% in A\$; volumes up 7% due to market share gains; and average sales price up 1%
- In Australia, growth in fibre cement segment through sales of Scyon™ range of products. 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, increased construction activity and stronger export demand

23





Q1 FY08 – Results Overview


Share Buy-back Announced

- On market buy-back program will be implemented
- Part of program to improve efficiency of our capital structure
- Up to 10% of issued capital (up to approximately 46.8 million shares)
- Shares to be purchased opportunistically, subject to market conditions and operating environment
- Additional funding facilities will be sought as required
- No time period for buy-back has been set

24

Organisational Focus



25


 

Organisational Focus

USA Fibre Cement

- Aggressively grow demand for our products in our targeted markets
- Grow our overall market position and share in existing markets while defending share in existing market segments
- Offer products with superior value to that of our competitors introducing differentiated products
- Manage and execute strategic initiatives effectively
- Accelerate primary demand growth

26

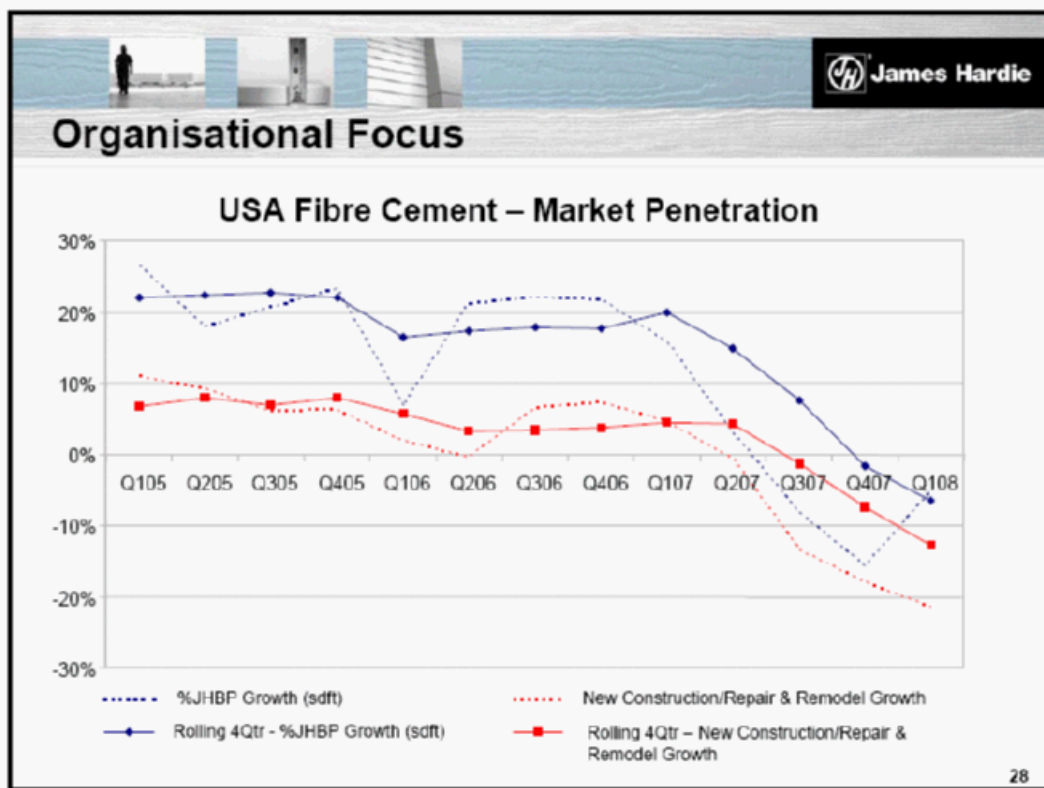


Organisational Focus

USA Fibre Cement – Future Growth

- Job 1
 - Deliver terminal share in current USA Fibre Cement business
- Job 2
 - Extend the current business model in the US (eg new products, new markets)
- Job 3
 - Bolt-on acquisition opportunity in the US?
 - Technology track outside of fibre cement?
 - Geography spread outside the US?

27





Organisational Focus

Asia Pacific Fibre Cement

- 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

29

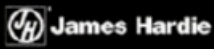


Organisational Focus

Product Leadership

- Continued investment in new product development and commercialisation
 - Value-added, differentiated products
- Benefits:
 - Grow the fibre cement category
 - Grow revenue
 - Sustain good margins
 - Defend and strengthen our competitive position

30


 James Hardie

Organisational Focus

Product Leadership - examples

USA Fibre Cement:

- ColorPlus® Collection (pre-painted siding and trim):
 - Driving growth against vinyl in Northern Division
 - Launched in Western and Southern Divisions FY07



31


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Organisational Focus

Product Leadership – examples

USA Fibre Cement:

- Artisan™ Lap (thicker siding, provides distinctive shadow lines)
 - premium product
 - currently being launched in Atlanta
 - wider launch in 2008



32

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Organisational Focus

Product Leadership – examples

Asia Pacific Fibre Cement

- Scyon™ range of value-added, differentiated products launched 2007



Scyon™ Trim and Scyon™ Linea™ weatherboards




Scyon™ wet area flooring



Scyon™ Matrix cladding

33


 James Hardie

Organisational Focus

US Product Mix

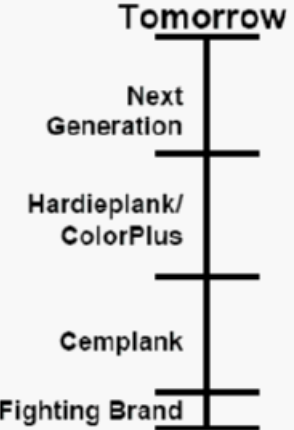
- Product mix will evolve significantly in the medium term to continue to drive revenue and leverage market position.

Today


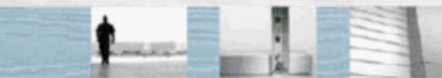


➔


Tomorrow





34



Corporate Issues and Challenges



35




Corporate Issues and Challenges

The company continues to focus on the effective management of a number of corporate matters, including:

- Ongoing compliance with Amended Final Funding Agreement (received shareholder approval February 2007):
 - Asbestos compensation funding;
 - Medical research and asbestos education funding
 - Unfortunately, company's financial results are affected by movements in exchange rate between A\$ and US\$ (asbestos liability in A\$ - company reports in US\$)
- Challenging an amended ATO assessment on RCI (subsidiary company) in respect of its 1999 tax return
- ASIC proceedings associated with the establishment of the Medical Research and Compensation Foundation in 2001


36



Summary

- Our operations have performed very well despite weaker housing markets
- The short-term outlook is for some further housing market weakness in the US and Australia
- In the US, we remain focussed on continuing to outperform the market overall and are well positioned through our market initiatives to further increase market share
- From a cost perspective, we also remain well positioned in the US through the business re-set carried out in FY07
- In Australia and New Zealand, our value-added, differentiated products are growing the fibre cement segment
- We have generated strong cash flows and our balance sheet remains very strong
- The share buy-back announced today and the higher dividend for FY07 reflect the company's desire to improve the efficiency of its capital structure

37



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, 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 6 of our Form 20-F filed on 5 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 law; 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.

38



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

msf – million square feet

ksf – thousand square feet

39



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.

40




Non-US GAAP Financial Measures (continued)

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

| US\$ Million | Q1 FY08 | Q1 FY07 |
|--------------------------------|----------|----------|
| EBIT | \$ 65.6 | \$ 68.9 |
| Asbestos: | | |
| Asbestos adjustments | 39.5 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| EBIT excluding asbestos | \$ 105.7 | \$ 96.1 |
| Net Sales | \$ 424.4 | \$ 415.5 |
| EBIT margin excluding asbestos | 24.9% | 23.1% |

41




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 | Q1 FY08 | Q1 FY07 |
|---|---------|---------|
| Net operating profit | \$ 29.7 | \$ 35.5 |
| Asbestos: | | |
| Asbestos adjustments | 39.5 | 27.2 |
| AICF SG&A expenses | 0.6 | - |
| AICF interest income | (1.6) | - |
| Tax expense related to asbestos adjustments | 0.4 | - |
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |

42




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 | Q1 FY08 | Q1 FY07 |
|---|---------|---------|
| Net operating profit excluding asbestos | \$ 68.6 | \$ 62.7 |
| Weighted average common shares outstanding – Diluted (millions) | 469.4 | 466.9 |
| Diluted earnings per share excluding asbestos (US cents) | 14.6 | 13.4 |

43




Non-US GAAP Financial Measures (continued)

Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments – Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments 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 | FY07 | FY06 |
|---|----------|------------|
| Net operating profit | \$ 151.7 | \$ (506.7) |
| Asbestos adjustments | 405.5 | 715.6 |
| Tax benefit related to asbestos adjustments | (335.0) | - |
| Net operating profit excluding asbestos adjustments and tax benefit related to asbestos adjustments | \$ 222.2 | \$ 208.9 |

44




James Hardie

Non-US GAAP Financial Measures (continued)

Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back– Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment 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 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 | FY07 | FY06 |
|--|----------|------------|
| Net operating profit | \$ 151.7 | \$ (506.7) |
| Asbestos adjustments | 405.5 | 715.6 |
| Tax benefit related to asbestos adjustments | (335.0) | - |
| Impairment charge (net of tax) | - | 8.0 |
| SCI and other related expenses (net of tax) | 12.6 | 16.5 |
| Make-whole payment (net of tax) | 5.6 | - |
| Tax provision write-back | (10.4) | (20.7) |
| Net operating profit excluding asbestos adjustments, tax benefit related to asbestos adjustments, impairment charge, SCI and other related expenses, make-whole payment and tax provision write-back | \$ 230.0 | \$ 212.7 |

45



James Hardie

Australian Information Meeting

Louis Gries, CEO

15 August 2007