17 August 2006

James Hardie Industries N.V.
Results for the 1st Quarter Ended 30 June 2006

US GAAP – US$ Million	Three Months Ended 30 June		
	FY 2007	FY 2006	% Change
Net Sales			
USA Fibre Cement	$348.9	$287.5	21
Asia Pacific Fibre Cement	59.2	61.7	(4)
Other	7.4	10.2	(27)
Total Net Sales	$415.5	$359.4	16
Cost of goods sold	(257.8)	(214.1)	20
Gross profit	157.7	145.3	9
Selling, general and administrative expense	(51.7)	(45.5)	14
Research and development expense	(7.5)	(6.3)	19
Special Commission of Inquiry (SCI) & other related expenses	(2.4)	(5.2)	(54)
Impairment loss on business held for sale	-	(1.4)	(100)
Effect of foreign exchange on asbestos provision	(27.2)	-	-
EBIT	68.9	86.9	(21)
Net interest expense	(2.0)	(0.7)	-
Operating profit before income taxes	66.9	86.2	(22)
Income tax expense	(32.3)	(30.3)	7
Operating Profit before cumulative effect of change in accounting principle	34.6	55.9	(38)
Cumulative effect of change in accounting principle for stock–based compensation, net of income tax benefit of US$0.4 million	0.9	-	-
Operating Profit	$35.5	$55.9	(36)
Tax rate	48.3%	35.2%	-
Volume (mmsf)			
USA Fibre Cement	605.7	523.4	16
Asia Pacific Fibre Cement	91.8	92.0	-
Average net sales price per unit (per msf)			
USA Fibre Cement	US$576	US$549	5
Asia Pacific Fibre Cement	A$862	A$873	(1)

In this Management’s Analysis of Results, James Hardie may present the financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 11 and in this document. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures include “EBIT”, “EBIT margin” and “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 effect of foreign exchange on asbestos provision”, “EBIT and EBIT margin excluding effect of foreign exchange on asbestos provision, and SCI and other related expenses”, “Operating profit excluding effect of foreign exchange on asbestos provision”, “Operating profit excluding effect of foreign exchange on asbestos provision, SCI and other related expenses and make-whole payment”, “Effective tax rate excluding the effect of foreign exchange on asbestos provision”, “Diluted earnings per share excluding effect of foreign exchange on asbestos provision” and “EBITDA”). Unless otherwise stated, results are for comparisons are of the 1st quarter of the current fiscal year versus the 1st quarter of the prior fiscal year.

Total Net Sales

Total net sales for the quarter increased 16% compared to the same quarter of the previous year, from US$359.4 million to US$415.5 million.

Net sales from USA Fibre Cement for the quarter increased 21% from US$287.5 million to US$348.9 million due to continued growth in sales volume and a higher average net sales price.

Net sales from Asia Pacific Fibre Cement for the quarter decreased 4% from US$61.7 million to US$59.2 million, primarily due to a drop in average net sales price.

Other net sales for the quarter decreased 27% from US$10.2 million to US$7.4 million. The decrease in net sales was primarily due to the sale of the company's Chilean flat sheet business in July 2005.

USA Fibre Cement

Net sales for the quarter increased 21% from US$287.5 million to US$348.9 million due to both increased sales volume and a higher average net sales price.

Sales volume increased 16% from 523.4 million square feet to 605.7 million square feet for the quarter, as primary demand for our products continued to grow strongly.

Despite a softening in the US housing market, growth in primary demand continued due to improved market penetration across all products. Sales of exterior products grew in most of our major geographic markets and sales of interior products were strong, particularly in established markets, due mainly to increased demand for our Hardibacker 500® half-inch backerboard.

Throughout the quarter, the company continued to implement its ColorPlus® business model in its emerging markets, aimed at providing proprietary pre-finished exterior products to the new residential construction segment. Sales of Colorplus® products are continuing to grow as a percentage of total sales and were up 80% compared to the same quarter last year. Market testing of Colorplus® products is now underway in our established markets, primarily in the Pacific Northwest and Southeast regions of the country.

During the quarter we continued to develop our repair and remodelling market resources to focus on re-siding business opportunities.

The average net sales price increased 5% from US$549 per thousand square feet to US$576 per thousand square feet, reflecting the impact of price increases implemented over the previous 12 months. Changes in the mix of product did not significantly impact the average net sales price this quarter.

The company continued to ramp up the pre-finishing capacity to complement its colour lines at its Peru, Illinois and Blandon, Pennsylvania production facilities. Additional lines are under construction in the Pulaski, Virginia and Reno, Nevada production facilities. All phases of this strategy are now underway with the objective of improving market penetration through conversions from vinyl siding to James Hardie ColorPlus® exteriors.

Asia Pacific Fibre Cement

Net sales for the quarter decreased 4% from US$61.7 million to US$59.2 million. Net sales decreased 1% in Australian dollars due to a 1% decrease in the average net sales price.

Australia and New Zealand Fibre Cement

Net sales for the quarter were down by 5% to US$53.4 million compared to US$56.1 million in the same period last year. In Australian dollars, net sales decreased 2% due to an increasingly competitive market, which led to a drop in the average sales price. The new housing and renovation markets softened further during the quarter, but the business increased sales volumes through market initiatives designed to grow primary demand for its products and by providing more value-added differentiated products.

In Australia, sales of Linea® weatherboards and AquaTec™ wet area flooring are continuing to increase as they penetrate their targeted markets.

Philippines Fibre Cement

Net sales increased 2% from US$5.6 million to US$5.7 million for the quarter as trading conditions stabilised.

Other

USA Hardie Pipe

Net sales increased compared to the same quarter last year and the previous quarter due to an increase in sales volumes and a higher average sales price.

Europe Fibre Cement

Net sales increased compared to last year as expansion into new geographic markets resulted in a rise in sales volumes.

Gross Profit

Gross profit increased 9% from US$145.3 million to US$157.7 million primarily due to a strong gross profit improvement in the company's USA Fibre Cement business. The gross profit margin decreased 2.4 percentage points to 38.0%.

USA Fibre Cement gross profit increased 14% compared to the same quarter last year due to higher sales volume and higher average net sales price, partially offset by increased cost of sales and freight costs. Cost of sales increased 27% due mainly to higher raw material costs and increased energy costs. Freight costs continued to be pushed up by the higher cost of fuel and increased 24% compared to the same quarter last year. The gross margin decreased 2.5 percentage points.

Asia Pacific Fibre Cement gross profit decreased 17% primarily due to reduced profitability in all the Asia Pacific businesses due largely to increased freight costs and higher raw material prices.

Selling, General and Administrative (SG&A) Expense

SG&A expense increased 14% for the quarter, from US$45.5 million to US$51.7 million, primarily due to increased costs in the USA Fibre Cement business due to increased spending on growth initiatives and organisational infrastructure to accommodate the company's continued growth. As a percentage of sales, SG&A expense fell 0.3 percentage points to 12.4%.

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 7% higher for the quarter at US$3.3 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 increased 31% to US$4.2 million for the quarter.

SCI and Other Related Expenses

In February 2004, the Government of New South Wales (NSW) in Australia established a Special Commission of Inquiry (SCI) to investigate, among other matters, the circumstances in which the Medical Research and Compensation Foundation was established. Shortly after release of the SCI report on 21 September 2004, the company commenced negotiations with the NSW Government, the Australian Council of Trade Unions (ACTU), UnionsNSW and a representative of asbestos claimants in relation to its offer to the SCI on 14 July 2004 to provide funds voluntarily for proven Australia-based asbestos-related injury and death claims against certain former James Hardie Australian subsidiary companies. On 21 December 2004, James Hardie entered into a Heads of Agreement with the above parties to establish and fund a Special Purpose Fund (SPF) to provide funding for these claims on a long-term basis. The company subsequently entered negotiations with the NSW Government on a binding agreement that it intends to put to shareholders for approval. On 1 December 2005, James Hardie and the NSW Government signed the Final Funding Agreement (FFA).

The FFA is subject to a number of as yet unfulfilled conditions precedent, including: tax deductibility of contributions by James Hardie to the SPF; the granting of tax exempt status to the SPF; and receiving the approval of James Hardie's lenders and shareholders.

On 23 June 2006, the Australian Tax Office (ATO) advised the company that it has refused to endorse the SPF as a tax concession charity, arguing that, in its opinion, the scope of its activities under the Trust Deed and the FFA does not meet current legislative requirements for such an endorsement. The company is continuing discussions with the ATO and stakeholders to the FFA, including the NSW Government, in relation to satisfying this condition precedent.

On 29 June 2006, the ATO issued a ruling to the company to the effect that James Hardie's contributions to the SPF would be tax deductible over the anticipated life of the arrangements in accordance with recent "black hole expenditure" Federal Legislation enacted in April 2006.

Costs incurred during the quarter associated with the SCI and other related expenses totalled US$2.4 million.

Further information on the SCI and other related expenses can be found in Note 7 of James Hardie's 30 June 2006 Financial Report.

Effect of Foreign Exchange on Asbestos Provision

The asbestos provision is an Australian liability and is denominated in Australian dollars. The reported value of this liability in the company's consolidated balance sheets in US dollars is therefore subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet date.

Asbestos Provision	A$ millions	A$ to US$ rate	US$ millions
At 31 March 2006	1,000.0	1.3975 to1	715.6
Effect of foreign exchange	-		27.2
At 30 June 2006	1,000.0	1.3463 to1	742.8

EBIT

EBIT for the quarter decreased from US$86.9 million to US$68.9 million. EBIT for the quarter includes an expense of US$27.2 million related to the effect of foreign exchange on the asbestos provision, and SCI and other related expenses of US$2.4 million, as shown in the table below. The EBIT margin decreased 7.6 percentage points to 16.6%.

EBIT for the Quarter - US$ millions

	Q1 FY07	Q1 FY06	% Change
USA Fibre Cement	$ 103.3	$ 94.1	10
Asia Pacific Fibre Cement	10.3	12.4	(17)
Research & Development	(4.6)	(3.2)	(44)
Other	(2.7)	(3.5)	23
General Corporate	(10.2)	(12.9)	21
Effect of foreign exchange on asbestos provision	(27.2)	-	
EBIT	68.9	86.9	(21)
Excluding:			
Effect of foreign exchange on asbestos provision,	27.2	-	-
SCI and other related expenses	2.4	5.2	(54)
EBIT excluding effect of foreign exchange on asbestos provision, and SCI and other related expenses	$ 98.5	$ 92.1	7
Net sales	$ 415.5	$359.4	16
EBIT margin excluding the effect of foreign exchange on asbestos provision and SCI and other related expenses	23.7%	25.6%	-

USA Fibre Cement EBIT

USA Fibre Cement EBIT for the quarter increased 10% from US$94.1 million to US$103.3 million. The increase was due to increased sales volume and a higher average net sales price, partially offset by higher raw materials costs, freight costs and SG&A expenses. The USA Fibre Cement EBIT margin was 3.1 percentage points lower at 29.6% for the quarter.

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter decreased 17% from US$12.4 million to US$10.3 million, primarily due to a reduced EBIT performance in the Australia and New Zealand Fibre Cement business. The EBIT margin decreased 2.7 percentage points to 17.4%.

Australia and New Zealand Fibre Cement EBIT for the quarter decreased 20% from US$11.1 million to US$8.9 million. In Australian dollars, EBIT fell by 17% due primarily to a lower average net sales price and higher freight expenses particularly in Australia. The EBIT margin decreased by 3.1 percentage points to 16.7%.

The Philippines Fibre Cement business recorded a slight increase in EBIT for the quarter due to lower manufacturing costs partially offset by increased freight and fuel costs.

Other EBIT

The USA Hardie Pipe business recorded a small positive EBIT for the quarter compared to a small EBIT loss in the same period last year. This is the first EBIT positive quarter for this business since its inception.

The Europe Fibre Cement business incurred an EBIT loss for the quarter as it continues to build net sales.

Following a review of the results of its roofing product trials in California, the company closed its roofing pilot plant in April 2006. During the first quarter of fiscal 2007, this business incurred closure costs of US$1.1 million.

General Corporate Costs

General corporate costs for the quarter decreased by US$2.7 million from US$12.9 million to US$10.2 million. The reduction is due to reduced bonus accruals of US$1.5 million arising from the lower performance of the company; a decrease of US$2.8 million in SCI and other related expenses; and a decrease in other corporate costs. These decreases were partially offset by increases in other general corporate costs of US$2.9 million, including consulting fees largely arising out of internal audit reviews and Sarbanes-Oxley compliance readiness work and an increase in legal expenses.

Net Interest Expense

Net interest expense for the quarter increased US$1.3 million from US$0.7 million to US$2.0 million. The increase in interest expense was primarily due to the US$6.0 million make-whole payment incurred in the repayment of US$ notes in May 2006 partially offset by an increase in interest income due to the improved cash position of the company.

Income Tax Expense

Income tax expense for the quarter increased US$2.0 million from US$30.3 million to US$32.3 million. The increase was due to the improved trading/operating results of the company for the quarter. Income tax expense was unaffected by the foreign exchange movement in the asbestos provision.

The company's effective tax for the quarter of 48.3% was affected by the US$27.2 million foreign exchange expense relating to the asbestos provision. For the quarter, the effective tax rate excluding the effect of foreign exchange on asbestos provision was 34.3%.

As previously 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 Act 1936. The original amended assessment issued to RCI was for a total of A$412.0 million. However, after a subsequent remission of general interest charges by the ATO, the total is now A$378.0 million comprised of A$172.0 million of primary tax after allowable credits, A$43.0 million of penalties (representing 25% of primary tax) and A$163.0 million of general interest charges.

The company believes that the tax position reported in RCI's tax return for the 1999 fiscal year will be upheld on appeal.

In order to appeal the assessment, pursuant to the ATO Receivables Policy, the company was required to make a deposit payment. The ATO agreed that a partial payment of 50% would be required along with a guarantee from James Hardie Industries NV in favour of the ATO in the remaining amount of the assessment. This cash deposit of US$140.4 million (A$189.0 million) was paid on 5 July 2006. However, the company has not recorded any liability at 30 June 2006 for the amended assessment because, at this time, the company believes its tax position will be upheld on appeal, therefore no such liability is probable in accordance with US accounting standards.

Readers are referred to Note 9 of the 30 June 2006 Financial Report for further information on the ATO amended assessment.

Operating Profit

Operating profit decreased from US$55.9 million to US$35.5 million. Operating profit includes a US$27.2 million charge relating to the effect of foreign exchange on the asbestos provision, SCI and other related expenses of US$2.4 million (US$2.2 million after tax) and the make-whole payment on the prepayment of the US$ notes of US$6.0 million (US$5.6 million after tax). Operating profit excluding the effect of foreign exchange on asbestos provision, SCI and other related expenses and the make-whole payment increased 16% to US$70.5 million, as shown in the table below:

Operating Profit - US$ millions

	Q1 FY07	Q1 FY06	% Change
Operating profit	$ 35.5	$ 55.9	(36)
Excluding:			
Effect of foreign exchange on asbestos provision	27.2	-	-
SCI and other related expenses (net of tax)	2.2	4.9	(55)
Make-whole payment (net of tax)	5.6	-	-
Operating profit excluding effect of foreign exchange on asbestos provision, SCI and other related expenses and make-whole payment	$ 70.5	$ 60.8	16

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 FFA will be met either from cash generated by operating activities or, should this prove insufficient, from borrowings under existing credit facilities.

The company had cash and cash equivalents of US$175.4 million as of 30 June 2006. At that date it also had credit facilities totalling US$355.0 million, of which US$137.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

Description	**Effective Interest Rate at 30 June 2006**	**Total Facility at 30 June 2006**	**Principal Drawn at 30 June 2006**
		(US$ millions)	
US$ 364-day term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2007	5.72%	$110.0	$69.5
US$ term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2006	5.88%	245.0	67.5
Total		$355.0	$137.0

At 30 June 2006, the company had net cash of US$38.4 million, compared with net cash of US$12.4 million at 31 March 2006.

The company has US$ 364-day facilities in the amount of US$110.0 million, which expire in June 2007, and term facilities in the amount of US$245.0 million, which expire in December 2006. At 30 June 2006, there was US$137.0 million drawn under the combined facilities and US$218.0 million was available, but unutilised.

Upon satisfaction of the conditions precedent to the full implementation of the FFA, including lender approval, the maturity date of the term facilities will be automatically extended until June 2010. However, if the conditions precedent to the full implementation of the FFA are not satisfied, the company may not be able to renew its credit facilities on substantially similar terms, or at all; it may have to pay additional fees and expenses that it might not have to pay under normal circumstances; and it may have to agree to terms that could increase the cost of its debt structure.

Additionally, in order to appeal the amended Australian income tax assessment the company was required to post a cash deposit of US$140.4 million (A$189.0 million) along with a guarantee from JHI NV in favour of the ATO for the unpaid balance. This cash deposit was paid on 5 July 2006. 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.

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. Nevertheless, the company believes it will have sufficient funds to meet its working capital and other cash requirements for the next twelve months based on its existing cash balances and anticipated operating cash flows arising during the year.

Cash flow

Operating cash flow for the quarter fell by 21% from US$77.2 million to US$60.7 million primarily due to increased working capital requirements of the company and the US$6.0 million make-whole payment referred to above.

Capital expenditure increased from US$34.0 million to US$35.5 million as the company continued to invest in increasing its production capacity.

Asbestos Compensation Funding Arrangement

In late 2005, the Board of JHI NV approved the FFA to provide long-term funding for proven Australian-based asbestos-related personal injury claims that result from exposure to products made by former James Hardie Australian subsidiaries. Representatives of the company and the NSW Government signed the FFA on 1 December 2005.

The FFA was negotiated in accordance with the terms of the Heads of Agreement signed on 21 December 2004. It is a legally-binding agreement and sets out the basis on which James Hardie will provide funding to the SPF. The arrangements include:

- the establishment of the SPF to compensate Australian asbestos-related personal injury claimants with proven claims against the former James Hardie Group subsidiaries (Amaca Pty Ltd, Amaba Pty Ltd or ABN 60 Pty Ltd);
- initial funding of the SPF by James Hardie of approximately A$154 million;
- a two-year rolling cash ‘buffer’ in the SPF and, subject to the cap described below, an annual contribution in advance to top up those funds to equal the actuarially calculated estimate of expected Australian asbestos-related personal injury claims against the former James Hardie Group subsidiaries for the following three years, to be revised annually;
- a cap on the annual James Hardie payments to the SPF in all years, except the first year, initially set at 35% of James Hardie’s free cash flow (defined as cash from operations in accordance with US accounting standards in force at the date of the FFA) for the immediately preceding financial year, with provisions for the percentage to decline over time, depending on James Hardie's financial performance (and therefore the contributions already made to the SPF) and the claims outlook;
- no cap on individual payments to proven claimants; and
- special compensation arrangements for members of the Baryulgil community for asbestos-related claims arising from the activities of Marlew Mining Pty Ltd.

The FFA is subject to a number of conditions precedent, including the tax treatment of the proposed funding arrangements and receiving the approval of James Hardie’s lenders and shareholders.

When the company entered into the non-binding Heads of Agreement in December 2004, all parties to the Heads of Agreement agreed that tax deductibility of the payments was a critical factor regarding affordability of the proposed voluntary funding arrangements. James Hardie is continuing to discuss the tax exempt status of the SPF with the ATO and the NSW Government with a view to satisfying one of the remaining conditions precedent.

Readers are referred to Note 7 of the company's 30 June 2006 Financial Report for further information on the voluntary funding proposal, and for information on the SCI and related matters.

END

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This Management's Analysis of Results document forms part of a package of information about 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 an audio webcast of the presentation on 17 August 2006, will be available from the Investor Relations area of the James Hardie website at www.jameshardie.com.

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.

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding effect of foreign exchange on asbestos provision – EBIT and EBIT margin excluding effect of foreign exchange on asbestos provision are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations without the potential distortion arising from foreign exchange fluctuations 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 FY07**	**Q1 FY06**
EBIT	$ 68.9	$ 86.9
Effect of foreign exchange on asbestos provision	27.2	-
EBIT excluding effect of foreign exchange on asbestos provision	96.1	86.9
Net Sales	$ 415.5	$ 359.4
EBIT margin excluding effect of foreign exchange on asbestos provision	23.1%	24.2%

EBIT excluding effect of foreign exchange on asbestos provision and SCI and other related expenses – EBIT excluding effect of foreign exchange on asbestos provision, and SCI and other related expenses is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than EBIT. James Hardie has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations without the potential distortion arising from foreign exchange fluctuations and provides useful information regarding its financial condition and results of operations. The company uses this non-US GAAP measure for the same purposes.

US$ Million	**Q1 FY07**	**Q1 FY06**
EBIT	$ 68.9	$ 86.9
Effect of foreign exchange on asbestos provision	27.2	-
SCI and other related expenses	2.4	5.2
EBIT excluding effect of foreign exchange on asbestos provision and SCI and other related expenses	$ 98.5	$ 92.1

Operating profit excluding effect of foreign exchange on asbestos provision – Operating profit excluding effect of foreign exchange on asbestos provision is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than operating profit from continuing operations. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations without the potential distortion arising from foreign exchange fluctuations. The company uses this non-US GAAP measure for the same purposes.

US$ Million	**Q1 FY07**	**Q1 FY06**
Operating profit	$ 35.5	$ 55.9
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit excluding effect of foreign exchange on asbestos provision	$ 62.7	$ 55.9

Diluted earnings per share excluding effect of foreign exchange on asbestos provision – Diluted earnings per share excluding effect of foreign exchange on asbestos provision is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than Diluted earnings per share from continuing operations. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations without the potential distortion arising from foreign exchange fluctuations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Million (except share and per share data)	**Q1 FY07**	**Q1 FY06**
Operating profit	$ 35.5	$ 55.9
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit excluding effect of foreign exchange on asbestos provision	62.7	55.9
Weighted average common shares outstanding (Millions) – Diluted	466.9	462.7
Diluted earnings per share excluding effect of foreign exchange on asbestos provision (US cents)	13.4	12.1

Effective tax rate excluding effect of foreign exchange on asbestos provision – Effective tax rate excluding effect of foreign exchange on asbestos provision is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than 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 without the distortion arising from foreign exchange fluctuation. The company's management uses this non-US GAAP measure for the same purposes.

US$ Million	**Q1 FY07**	**Q1 FY06**
Operating profit before income taxes	$ 66.9	$ 86.2
Effect of foreign exchange on asbestos provision	27.2	-
Operating profit excluding effect of foreign exchange on asbestos provision	94.1	86.2
Income tax expense	32.3	30.3
Effective tax rate excluding effect of foreign exchange on asbestos provision	34.3%	35.2%

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.

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 asbestos provision initially recorded in the fourth quarter of fiscal year 2006 and believes that shareholders will do the same.

As set forth in Note 7 of the 30 June 2006 Financial Report, the asbestos provision, 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 30 June 2006 Financial Report.

James Hardie Industries N.V.
Consolidated Balance Sheet
30 June 2006
(Unaudited)

US$ Million	Pro Forma Total Fibre Cement Operations	Asbestos Provision	As Reported
ASSETS			
Current assets:			
Cash and cash equivalents	$ 175.4	$ -	$ 175.4
Accounts and notes receivable, net of allowance for doubtful accounts of $1.4 million	158.0	-	158.0
Inventories	136.9	-	136.9
Prepaid expenses and other current assets	38.6	-	38.6
Deferred income taxes	28.2	-	28.2
Total current assets	537.1	-	537.1
Property, plant and equipment, net	801.8	-	801.8
Deferred income taxes	5.4	-	5.4
Other assets	7.9	-	7.9
Total assets	$ 1,352.2	$ -	$ 1,352.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 114.5	$ -	$ 114.5
Short-term debt	137.0	-	137.0
Dividends payable	18.7	-	18.7
Accrued payroll and employee benefits	37.2	-	37.2
Accrued product warranties	7.6	-	7.6
Income taxes payable	33.1	-	33.1
Other liabilities	3.2	-	3.2
Total current liabilities	351.3	-	351.3
Deferred income taxes	86.8	-	86.8
Accrued product warranties	7.5	-	7.5
Asbestos provision	-	742.8	742.8
Other liabilities	51.0	-	51.0
Total liabilities	496.6	742.8	1,239.4
Commitments and contingencies			
Shareholders' equity			
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 463,326,011 shares issued and outstanding	253.2	-	253.2
Additional paid-in capital	159.2	-	159.2
Retained earnings (deficit)	471.3	(742.8)	(271.5)
Employee loans	(0.4)	-	(0.4)
Accumulated other comprehensive loss	(27.7)	-	(27.7)
Total shareholders' equity	855.6	(742.8)	112.8
Total liabilities and shareholders' equity	$ 1,352.2	$ -	$ 1,352.2

James Hardie Industries N.V.
Consolidated Statement of Operations
For the three months ended 30 June 2006
(Unaudited)

US$ Million	Pro Forma Total Fibre Cement Operations	Asbestos Provision	As Reported
Net Sales			
USA Fibre Cement	$ 348.9	$ -	$ 348.9
Asia Pacific Fibre Cement	59.2	-	59.2
Other	7.4	-	7.4
Total Net Sales	415.5	-	415.5
Cost of goods sold	(257.8)	-	(257.8)
Gross profit	157.7	-	157.7
Selling, general and administrative expenses	(51.7)	-	(51.7)
Research and development expenses	(7.5)	-	(7.5)
SCI and other related expenses	(2.4)	-	(2.4)
Effect of foreign exchange on asbestos provision	-	(27.2)	(27.2)
EBIT	96.1	(27.2)	68.9
Net interest expense	(2.0)	-	(2.0)
Operating profit before income taxes	94.1	(27.2)	66.9
Income tax expense	(32.3)	-	(32.3)
Operating Profit Before Cumulative Effect of Change in Accounting Principle	61.8	(27.2)	34.6
Cumulative effect of change in accounting principle for stock-based compensation (net of US$0.4 million tax)	0.9	-	0.9
Operating Profit	$ 62.7	$ (27.2)	$ 35.5
Effective Tax Rate	34.3%	-	48.3%
Volume (mmsf)			
USA Fibre Cement	605.7	-	605.7
Asia Pacific Fibre Cement	91.8	-	91.8
Average net sales price per unit (per msf)		-	
USA Fibre Cement	US$576	-	US$576
Asia Pacific Fibre Cement	A$862	-	A$862

James Hardie Industries N.V
Consolidated Statement of Cash Flows
For the three months ended 30 June 2006
(Unaudited)

US $ Million	Pro Forma Total Fibre Cement Operations	Asbestos Provision	As Reported
Cash Flows From Operating Activities			
Net income (loss)	$ 62.7	$ (27.2)	$ 35.5
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	11.0	-	11.0
Deferred income taxes	9.0	-	9.0
Prepaid pension cost	0.7	-	0.7
Stock compensation	0.2	-	0.2
Effect of foreign exchange on asbestos provision	-	27.2	27.2
Cumulative effect of change in accounting principle	(0.9)	-	(0.9)
Changes in operating assets and liabilities:			
Accounts and notes receivable	(3.9)	-	(3.9)
Inventories	(12.2)	-	(12.2)
Prepaid expenses and other current assets	(5.5)	-	(5.5)
Accounts payable and accrued liabilities	(3.9)	-	(3.9)
Other accrued liabilities and other liabilities	3.5	-	3.5
Net cash provided by operating activities	60.7	-	60.7
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	(35.5)	-	(35.5)
Net cash used in investing activities	(35.5)	-	(35.5)
Cash Flows From Financing Activities			
Repayments of long and short-term debt	(165.7)	-	(165.7)
Issuance of shares	0.2	-	0.2
Net cash used in financing activities	(165.5)	-	(165.5)
Effects of exchange rate changes on cash	0.6	-	0.6
Net decrease in cash and cash equivalents	(139.7)	-	(139.7)
Cash and cash equivalents at beginning of period	315.1	-	315.1
Cash and cash equivalents at end of period	$ 175.4	$ -	$ 175.4
Components of Cash and Cash Equivalents			
Cash at bank and on hand	$ 23.6	$ -	$ 23.6
Short-term deposits	151.8	-	151.8
Cash and cash equivalents at end of period	$ 175.4	$ -	$ 175.4

Disclaimer

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

- *expectations that the conditions precedent to the Final Funding Agreement will be satisfied;*
- *expectations about payments to a special purpose fund for the compensation of proven asbestos-related personal injury and death claims;*
- *expectations concerning the company's Australian Tax Office amended assessment;*
- *expectations that the company's credit facilities will be extended or renewed;*
- *projections of operating results or financial condition;*
- *statements regarding plans, objectives or goals, including those relating to competition, acquisitions, dispositions and products;*
- *statements about future performance; and*
- *statements about product or environmental liabilities.*

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

Forward-looking statements involve inherent risks and uncertainties. The company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the risk factors discussed under "Risk Factors" beginning on page 6 of the Form 20-F filed on 7 July 2005, and: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of product distributors; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; foreign exchange risks; the successful implementation of new software systems and the successful implementation of the internal control over financial reporting requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as codified by Item 308 of Regulation S-K . The company cautions that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made.